



Commodity Comments

A Weekly Farm Publication by Jonah Bowles

Virginia Farm Bureau Federation, 12580 West Creek Parkway, Richmond, VA 23238
804-290-1117 • e-mail: Jonah.Bowles@vafb.com

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I pulled into the crowded parking lot at the local shopping center and rolled down the car windows to make sure my Labrador Retriever Puppy had fresh air. She was stretched full-out on the back seat and I wanted to impress upon her that she must remain there.

I walked to the curb backward, pointing my finger at the car and saying emphatically, "Now you stay. Do you hear me? Stay!"

A few steps further, I called out, "Stay! Stay!"

The driver of a nearby car, a recent University of Richmond law school grad, gave me a strange look and said, "Why don't you just put it in 'Park'?"

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PRICES AVAILABLE TODAY

The following prices are available on the various futures markets – the same markets that determine local prices for producers and consumers.

Top 3rd – Soybean Meal, Lean Hogs, Ethanol

Middle 3rd – Corn, Soybeans, Crude Oil, Gasoline, Heating Oil

Bottom 3rd – Wheat, Cotton, Feeder Cattle, Live Cattle, Class III Milk, Natural Gas

Commodity	Month	Today	Week Ago	\$ Chg	% Chg	Life of Contract	
		6/1/16	5/25/16			High	Low
Corn	Jul-16	\$4.03	\$3.98	\$0.05	1.3%	\$5.15	\$3.51
	Dec-16	\$4.07	\$4.03	\$0.04	1.0%	\$4.89	\$3.64
	Dec-17	\$4.06	\$4.08	(\$0.02)	-0.5%	\$4.74	\$3.80
Soybeans	Jul-16	\$10.72	\$10.62	\$0.10	0.9%	\$12.16	\$8.59
	Nov-16	\$10.49	\$10.33	\$0.16	1.5%	\$11.65	\$8.50
	Nov-17	\$9.66	\$9.45	\$0.21	2.2%	\$11.36	\$8.57
Soy Meal	Jul-16	\$393.60	\$392.80	\$0.80	0.2%	\$419.80	\$261.70
	Dec-16	\$371.10	\$360.90	\$10.20	2.8%	\$379.20	\$267.20
Wheat	Jul-16	\$4.66	\$4.66	\$0.00	0.0%	\$7.66	\$4.42
	Dec-16	\$4.94	\$4.95	(\$0.01)	-0.2%	\$6.52	\$4.76
	Jul-17	\$5.27	\$5.24	\$0.03	0.6%	\$6.10	\$5.04
Cotton	Jul-16	\$63.34	\$63.34	\$0.00	0.0%	\$68.97	\$54.33
	Dec-16	\$62.83	\$62.59	\$0.24	0.4%	\$80.40	\$54.19
Feeders	Aug-16	\$147.10	\$142.10	\$5.00	3.5%	\$190.00	\$138.10
	Oct-16	\$143.50	\$139.10	\$4.40	3.2%	\$180.10	\$136.60
	Jan-17	\$134.95	\$131.55	\$3.40	2.6%	\$150.15	\$129.40
Live Cattle	Aug-16	\$118.05	\$113.15	\$4.90	4.3%	\$145.75	\$110.90
	Oct-16	\$117.30	\$112.95	\$4.35	3.9%	\$147.00	\$110.90
	Aug-17	\$106.75	\$103.80	\$2.95	2.8%	\$113.00	\$103.20
Lean Hogs	Aug-16	\$80.85	\$78.75	\$2.10	2.7%	\$82.90	\$71.30
	Oct-16	\$68.25	\$67.00	\$1.25	1.9%	\$70.95	\$62.10
	Jul-17	\$77.80	\$76.85	\$0.95	1.2%	\$80.60	\$75.30
Class 3 Milk	Aug-16	\$13.75	\$13.82	(\$0.07)	-0.5%	\$17.05	\$13.43
	Dec-16	\$14.94	\$14.94	\$0.00	0.0%	\$16.84	\$14.54
Natural Gas	Aug-16	\$2.39	\$2.24	\$0.15	6.7%	\$4.06	\$1.99
Crude Oil	Aug-16	\$48.89	\$49.60	(\$0.71)	-1.4%	\$65.28	\$32.22
Gasoline	Aug-16	\$1.60	\$1.64	(\$0.04)	-2.4%	\$1.98	\$1.14
Ethanol	Aug-16	\$1.61	\$1.60	\$0.01	0.6%	\$1.63	\$1.37
Diesel	Aug-16	\$1.49	\$1.52	(\$0.03)	-2.0%	\$2.12	\$0.96
		Top Third				New High	New Low
		Middle Third					
		Bottom Third					

IT'S POSSIBLE

At this point there can be very little certainty about the size of any of the crops for the 2016 season. Even though wheat is much further along than corn and soybeans, weather at harvest can have a marked impact on those yields. Most USDA reports, as well as private analysts, are using trend yields for projections but a lot can change and planning is important.

The ability to produce a crop is different with every farming operation. Some farms have better land; some land is irrigated; some producers have better agronomy skills; some equipment is more efficient than others. Looking back over the past 15 growing seasons, there is a wide range in yields for crops in Virginia –

	2001 - 2015 Virginia Yields	
	<u>Average</u>	<u>Range</u>
Corn	117.7	67.0 - 161.0
Soybeans	34.1	23.0 - 42.0
Wheat	61.9	46.0 - 71.0

Costs of production per acre also can vary widely from farming operation to operation. Some farms have debt service while others farms have been passed down through the generations; some farms have land rent while others farm owned land; some farms have new equipment costs while others make do with older equipment; some farms do their own maintenance and upkeep while others contract it out.

The next table compares the above mentioned variations in yield with average costs of production and the current price available on the Chicago Mercantile Exchange (adjusted by local basis) to suggest profits or losses from the scenarios.

	Profit/(Loss) Per Acre				
	<u>Cost/Acre</u>	<u>CME +/- Basis</u>	<u>Avg. Yield</u>	<u>High Yield</u>	<u>Low Yield</u>
Corn	\$475.00	\$4.60	\$66.42	\$265.60	(\$166.80)
Soybeans	\$335.00	\$10.55	\$24.76	\$108.10	(\$92.35)
Wheat	\$350.00	\$4.25	(\$86.93)	(\$48.25)	(\$154.50)

All of the profit/loss factors are dynamic and are constantly changing, but the above is a reference with which to begin planning for the uncertainty (that is a certainty) that will accompany the 2016 crops.

CONSIDER THIS

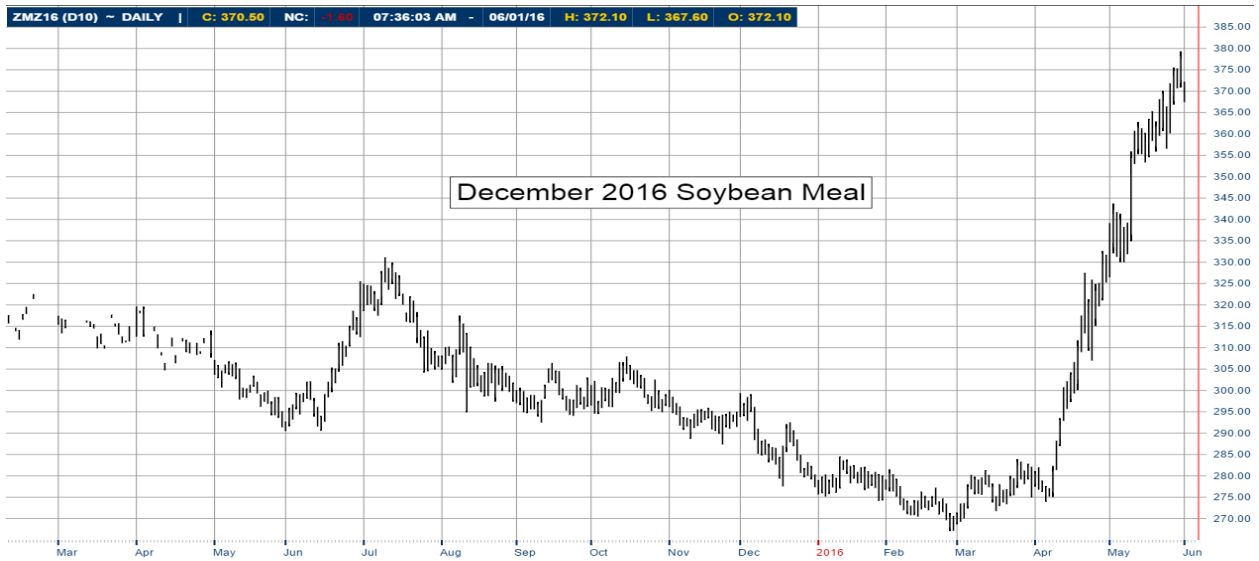
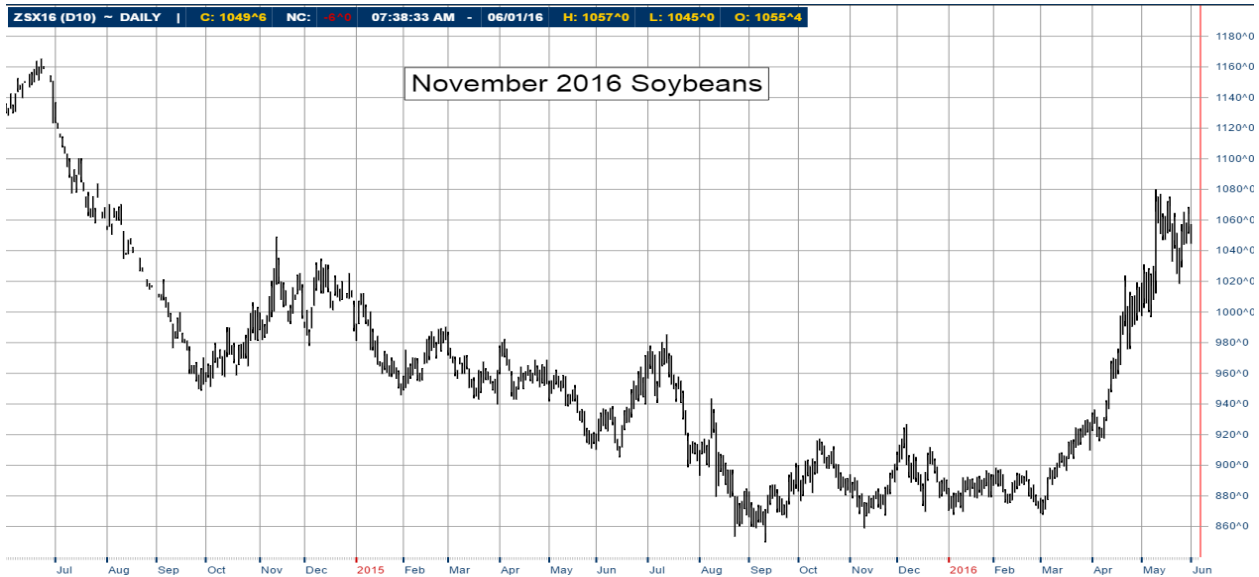
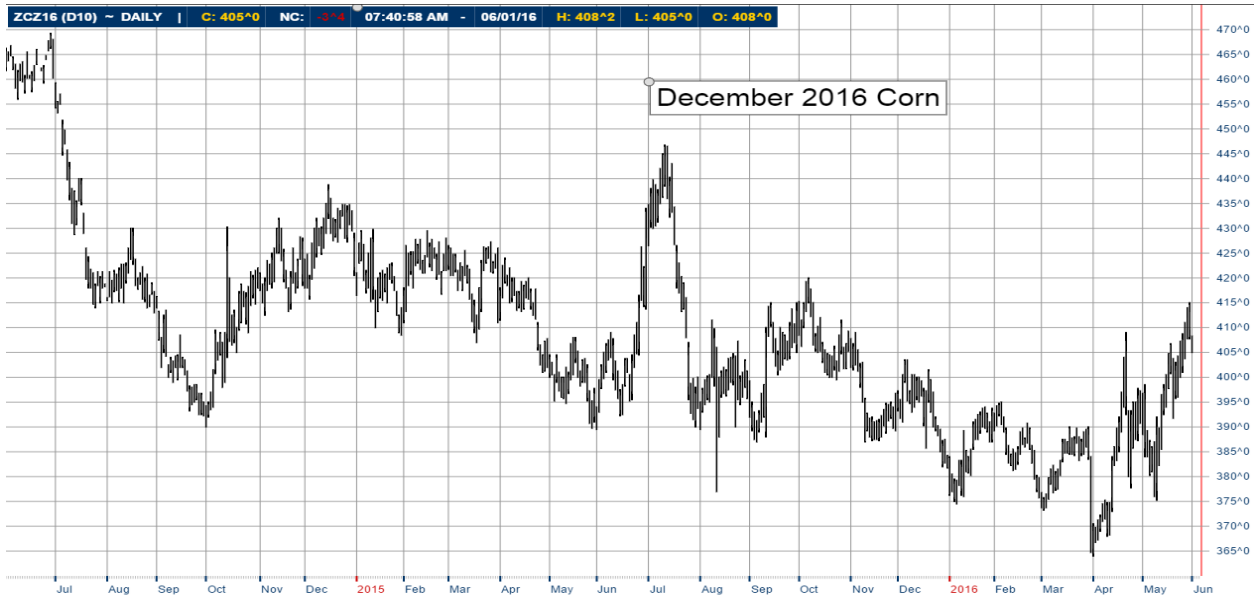
The farther along we go in the crop year, the more definite production becomes. But, it will never be assured until it is in the bin or sold. That doesn't mean that marketing decisions shouldn't be made or that contracts should not be placed, but there are considerations when protecting prices of uncertain crops.

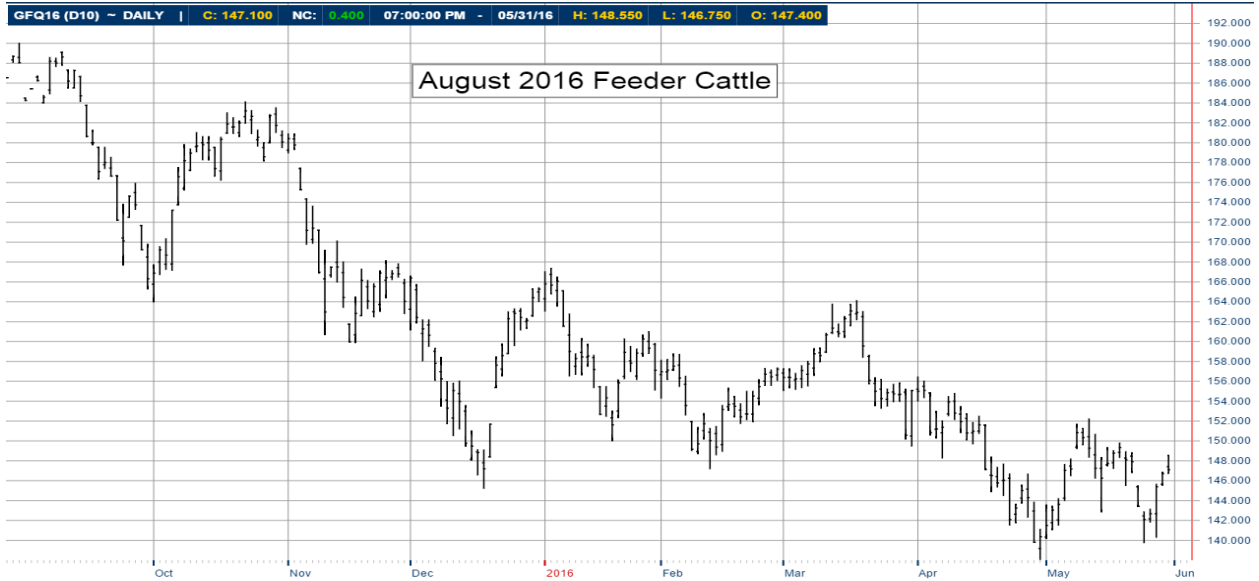
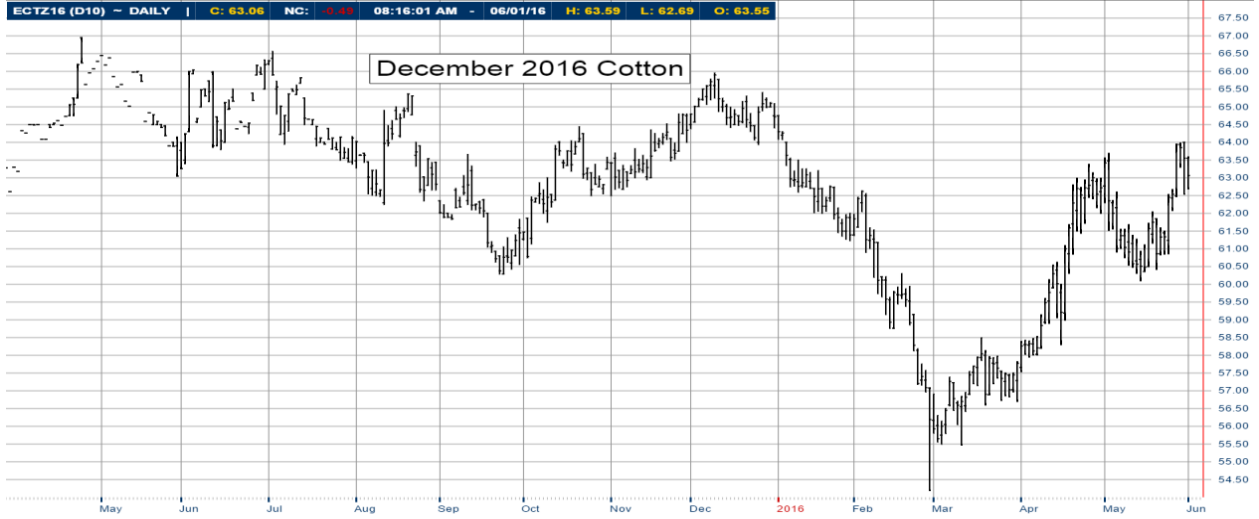
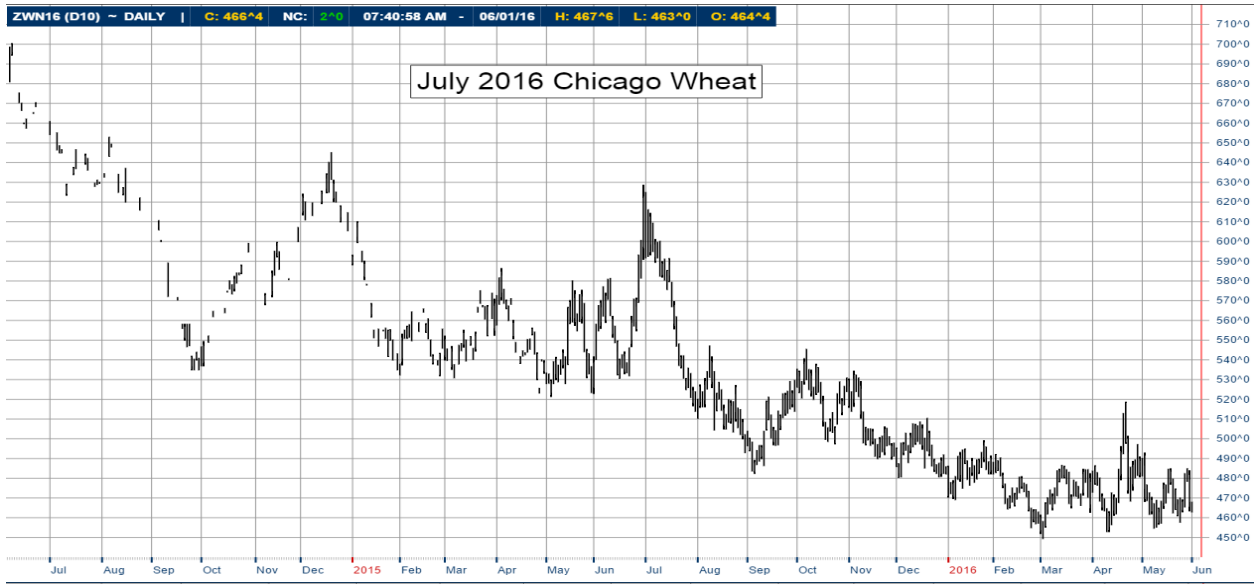
It's not difficult for an analyst or crop advisor (or neighbor) to suggest what a producer should do in the marketplace because they don't have an emotional attachment to the product, or to the impact on profitability. It's not such an easy decision for the grower to employ those strategies that may protect values, but may also prevent value improvement. It can be unnerving to commit for delivery a known amount of product before the ability to produce that amount is more certain. If a revenue crop insurance product has been purchased then being able to satisfy delivery obligations are no longer as much of a concern.

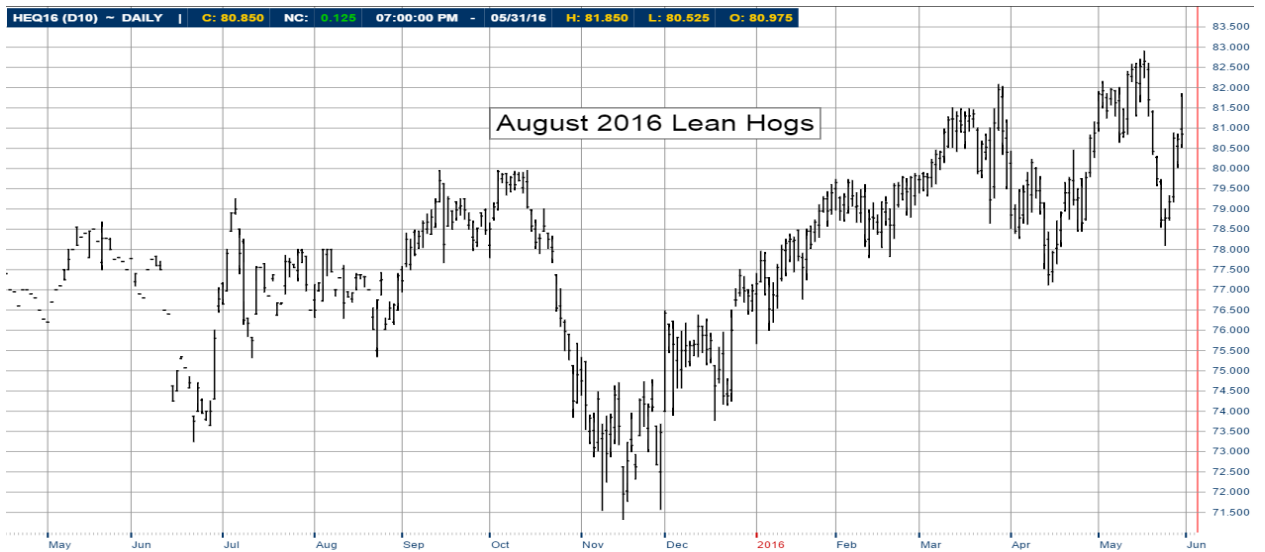
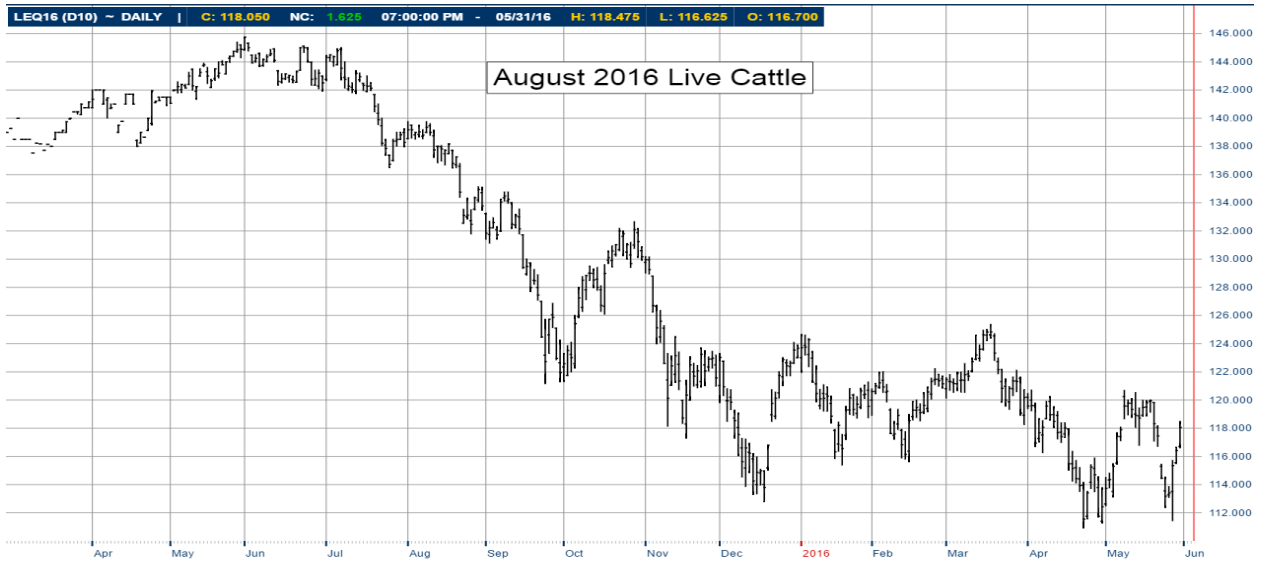
Once cash forward contracts are made, only a few things can happen – either prices move higher or they lower and a crop is either made or it is not made. If prices move lower after the contract is made, the merchandiser will normally allow the dissolution of the contract if delivery is not possible. Problems with satisfying contracts occur when prices move higher after contracting and a crop is not made sufficient enough to honor the delivery. Revenue crop insurance that does not have the harvest exclusion will rise in coverage with the rise in market price and will pay to buy out of the delivery obligation if delivery is not possible. This insurance product allows producers to be as aggressive as they see fit, even before the planted crop size is known.

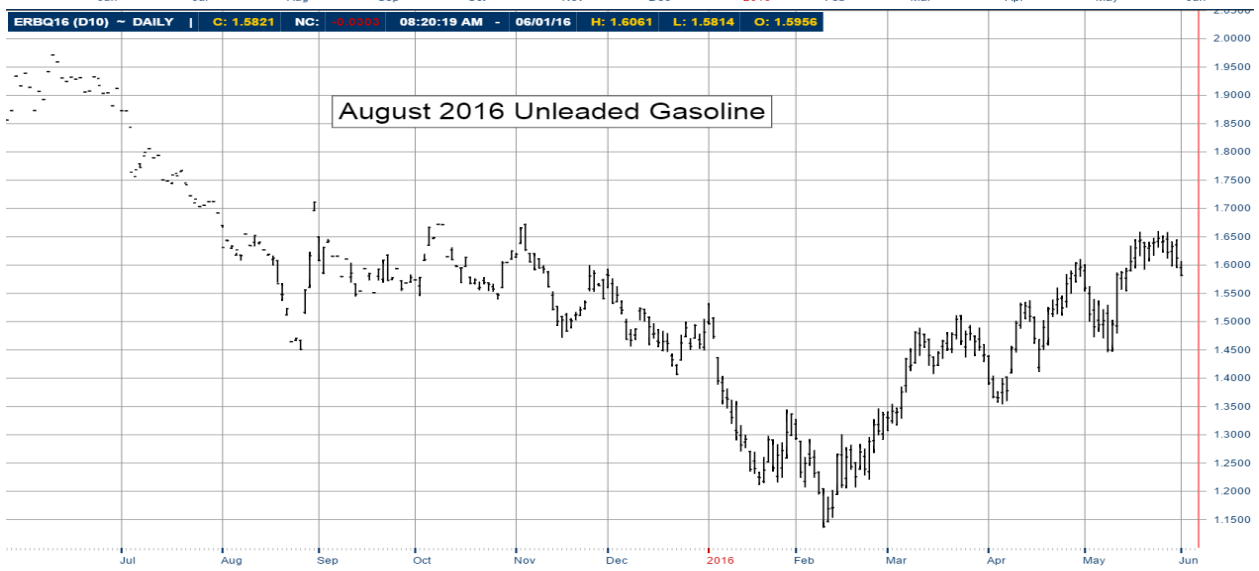
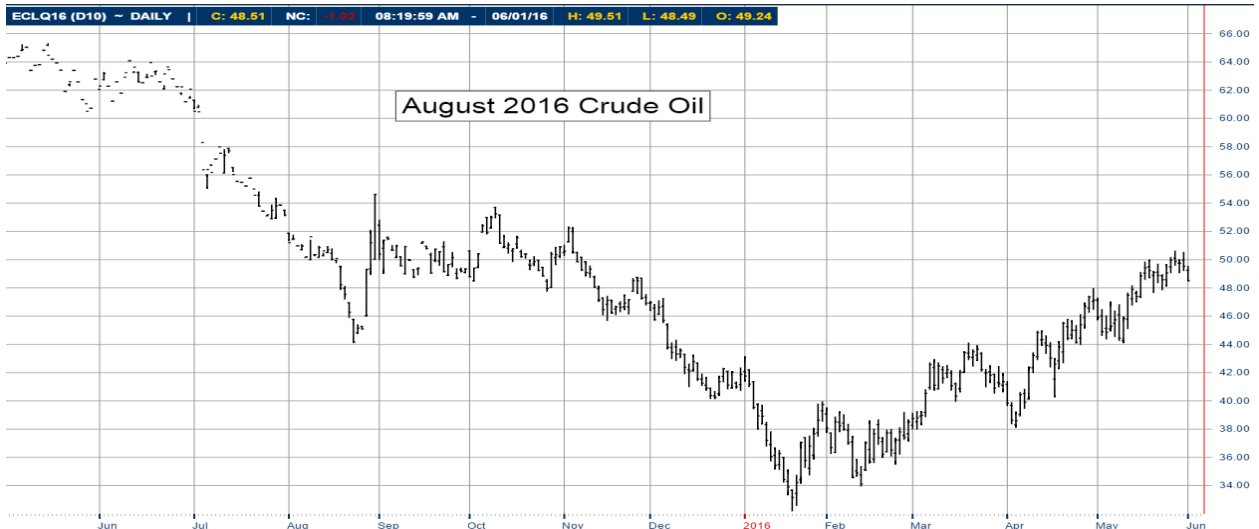
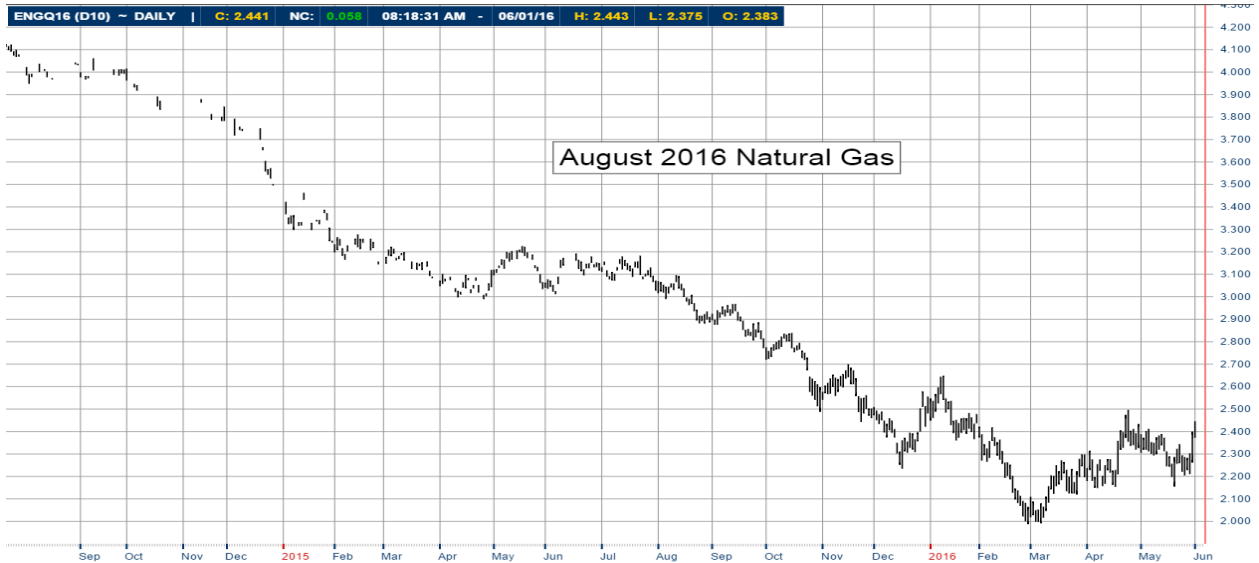
A good crop insurance agent can explain what needs to be done when problems arise during planting or as the crops progress. Most weather-related production problems are widespread enough that many growers experience similar challenges, but it is still very important to contact the crop insurance agent as soon as a possible problem starts to become apparent – don't assume he/she already knows.

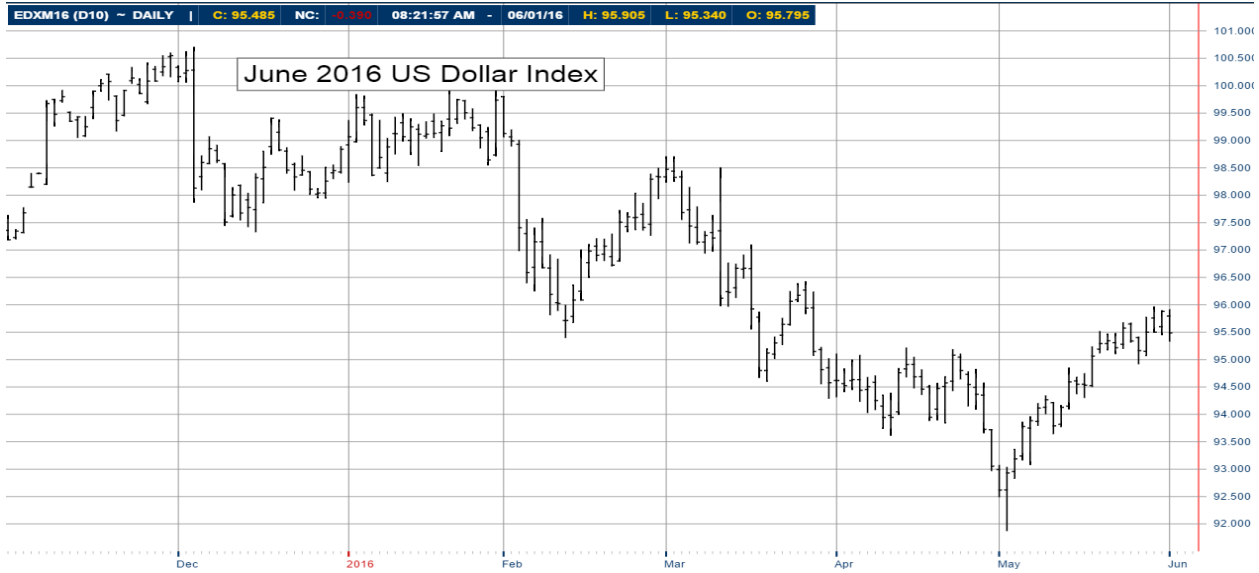
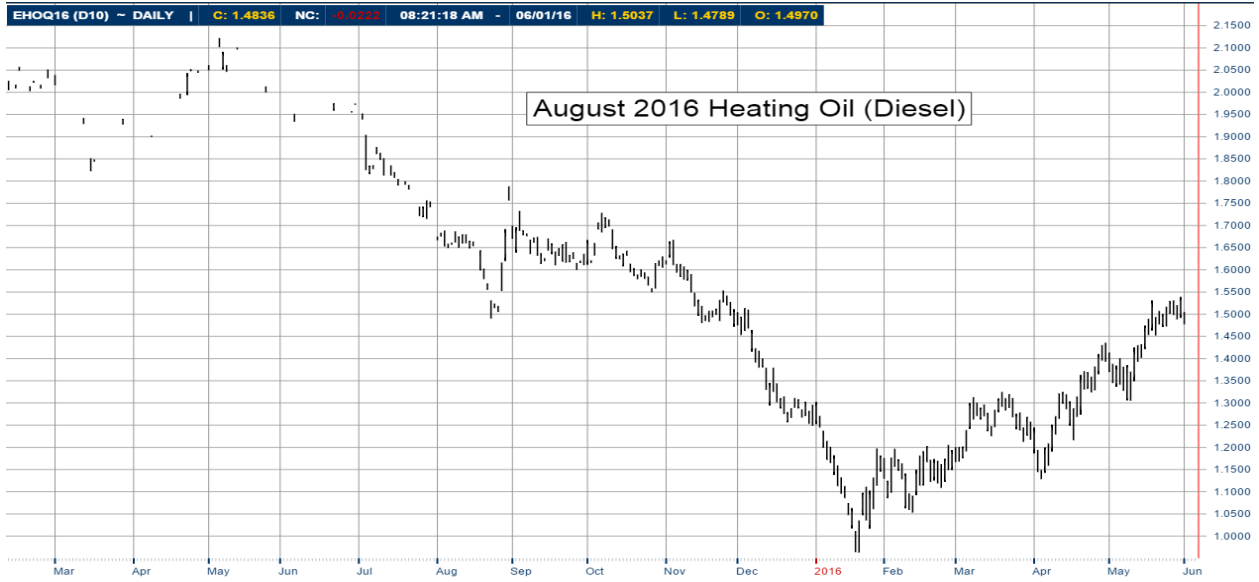
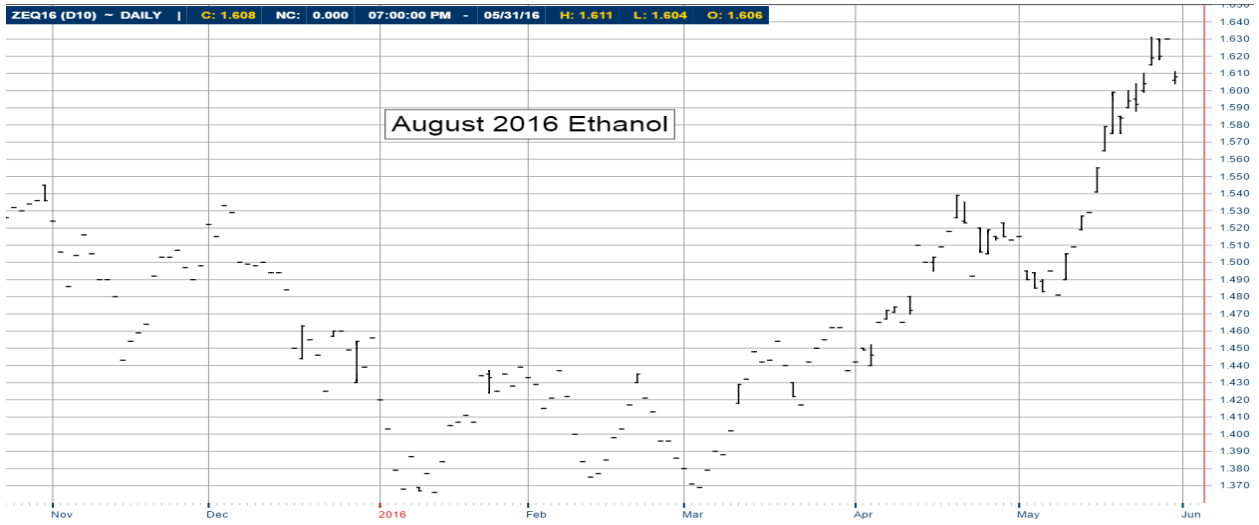
The previous discussion illustrates how fragile the agricultural economy is now and how dire it could become with adverse pricing and production scenarios. It is very important that growers understand what they can do to manage the bad and allow the good with 2016 production – crops and livestock.

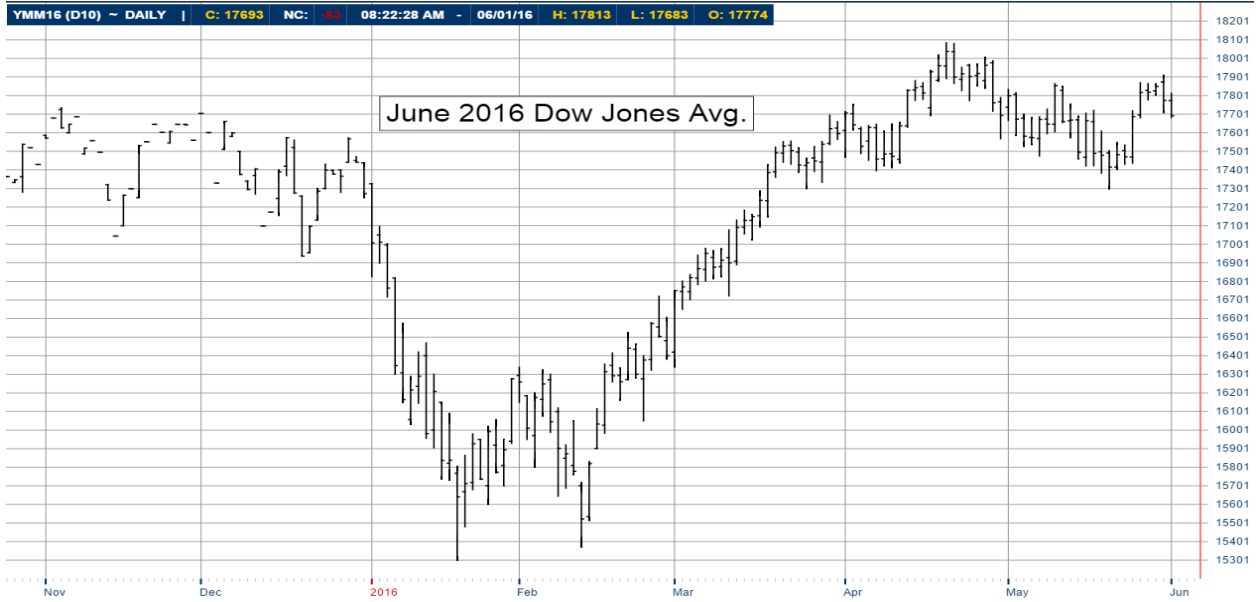












“And in recognition of your 20 years’ loyal service in the X-ray department ...”