Making Crop Yield, Price and Financial Decisions

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Field Stop Objectives
- Estimate Actual Soybean Yields
- Understand How USDA Forecasts Yields
- Review Soybean Price Outlook
- Understand the 2008 Farm Bill Safety Net
- Identify 5 Strategies to Better Manage Soybean Revenue Risks

Forecasted Soybean Yields
Nebraska, 2002-2007

NASS August Forecast to Final Yield
Nebraska, Soybeans 1990-2007
Bushels per Acre
Existing Farm Bill Safety Net

Direct Payment
\[ DP \times DP \times base \times 85\% (83.3\%) = DP \]

Counter-Cyclical Payment Rate
\[ target \times DP \times \max (market \times loan \times rate) = CCP \times rate \]

Counter-Cyclical Payment
\[ CCP \times CCP \times base \times 85\% = CCP \]

New Farm Bill Safety Net

ACRE State Guarantee
\[ 5\text{-}year \ Olympic \times 2\text{-}year \ national \times 90\% = ACRE \text{ state} \]

Farm Benchmark Revenue
\[ 5\text{-}year \ Olympic \times 2\text{-}year \ national \times crop \text{ insurance} \times premium \text{ paid} = \text{farm benchmark revenue} \]

* Yields per planted acre

New Farm Bill Safety Net

Actual State Revenue
\[ \frac{average \ yield^*}{national \ price} \times \frac{loan \ rate}{70\%} = \text{actual state revenue} \]

Actual Farm Revenue
\[ \frac{average \ farm \ yield^*}{national \ price} \times \frac{loan \ rate}{70\%} = \text{actual farm revenue} \]

* Yields per planted acre

New Farm Bill Safety Net

If state revenue is less than the ACRE state guarantee and farm revenue is less than the farm benchmark revenue:

ACRE Payment
\[ \min \left( \frac{ACRE \ state \ guarantee}{actual \ state \ revenue} \times 25\% \right) \times \]

\[ \left( \frac{Oly. \ avg. \ yield}{Oly. \ avg. \ state \ yield} \times \frac{85\% (83.3\%)}{planted \ acres} \right) = ACRE \ payment \]
**New Farm Bill Disaster Program**

SURE guarantee calculated at farm level as sum of individual crop revenue guarantees:

**SURE Insured Crop Guarantee**

\[
115\% \times \frac{\text{ins. price election}}{\text{ins. yield election}} \times \frac{\text{MAX (APH, CCP) yield}}{\text{crop acres}} = \text{SURE guarantee}\]

**SURE Non-Insurable Crop Guarantee**

\[
120\% \times \frac{\text{NAP price election}}{\text{NAP yield}} \times \frac{\text{MAX (CCP yield)}}{\text{crop acres}} = \text{SURE guarantee}\]

* Guarantee limited to no more than 90% of yield x price x crop acres.

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**Managing the Farm Bill Timeline**

- 2008 DCP signup continues through September 30
- Optional buy-in to be eligible for 2008 SURE continues through September 16
- Insurance, CAT, and NAP deadlines for 2009 SURE coming soon
- DCP vs. ACRE decision coming late fall/early winter?

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**Strategies to Manage Soybean Revenue Risks**

- Be Proactive with Yield Estimations, Harvesting and Marketing Decisions
- Understand Market Fundamentals and Marketing Opportunities
- Improve Your Efficiencies for Production and Finance
- Analyze the New Farm Bill and the DCP versus ACRE decision
- Analyze the SURE Program and the Impact on Your Risk Management Decision