

Helping Farmers Manage Tight Margins

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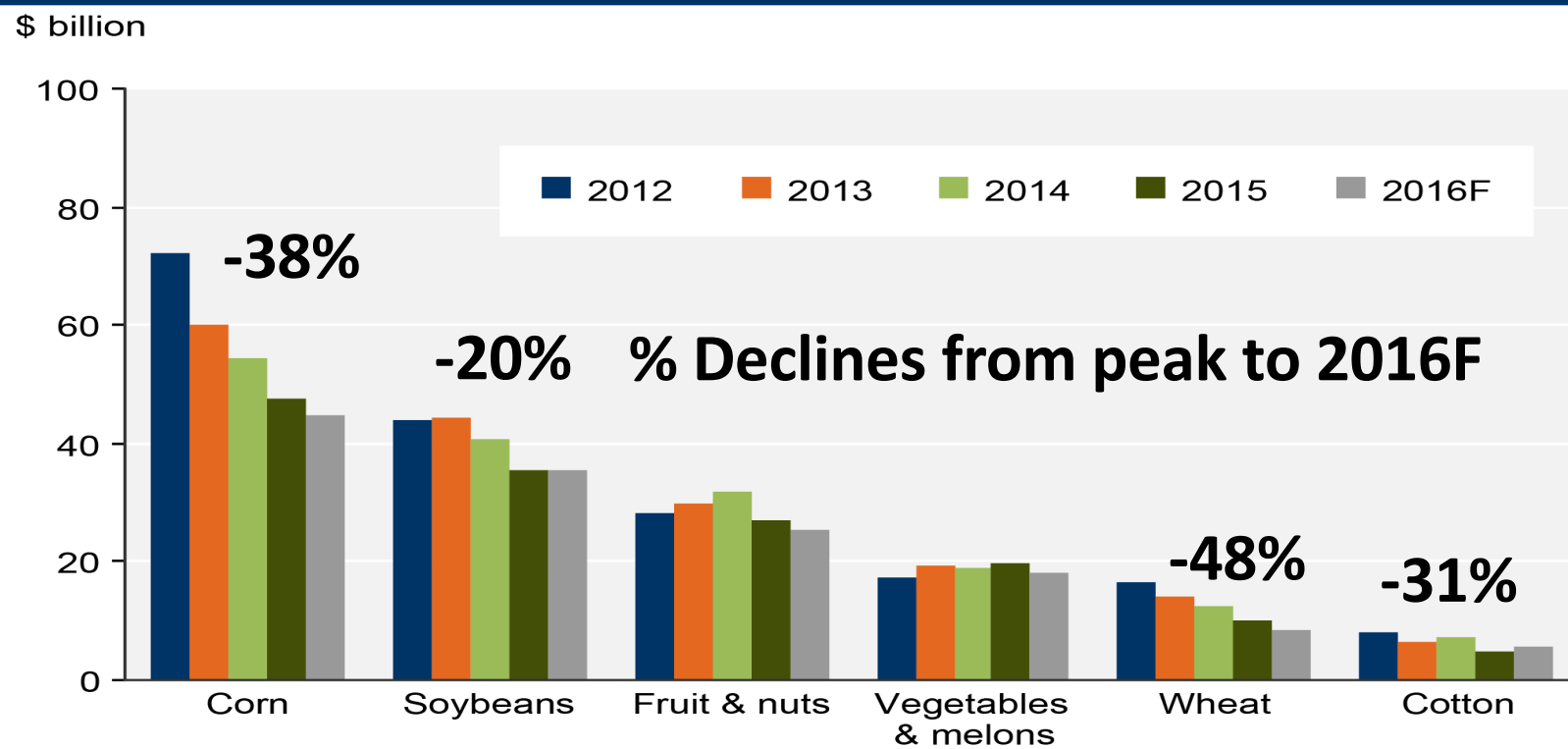
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U.S. cash receipts for selected crops, 2012-2016F



Note: F = forecast

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of August 30, 2016.

Purdue – CME Group Ag Economy Barometer

Would you say your operation today is better off or worse off financially than a year ago?



Do you think that a year from now your operation will be better off financially, worse off, or just about the same as now?



Which would you say is more likely, US agriculture during the next five years will have widespread good times or widespread bad times?

Thinking about large farm investments – like buildings and machinery -- generally speaking, do you think now is a good time or bad time to buy such items?



Do you think that during the next 12 months there will be good times or bad times?



Additional Questions Posed on Timely Topics

Commodity Prices & Marketing Plans



Farm Financial Performance



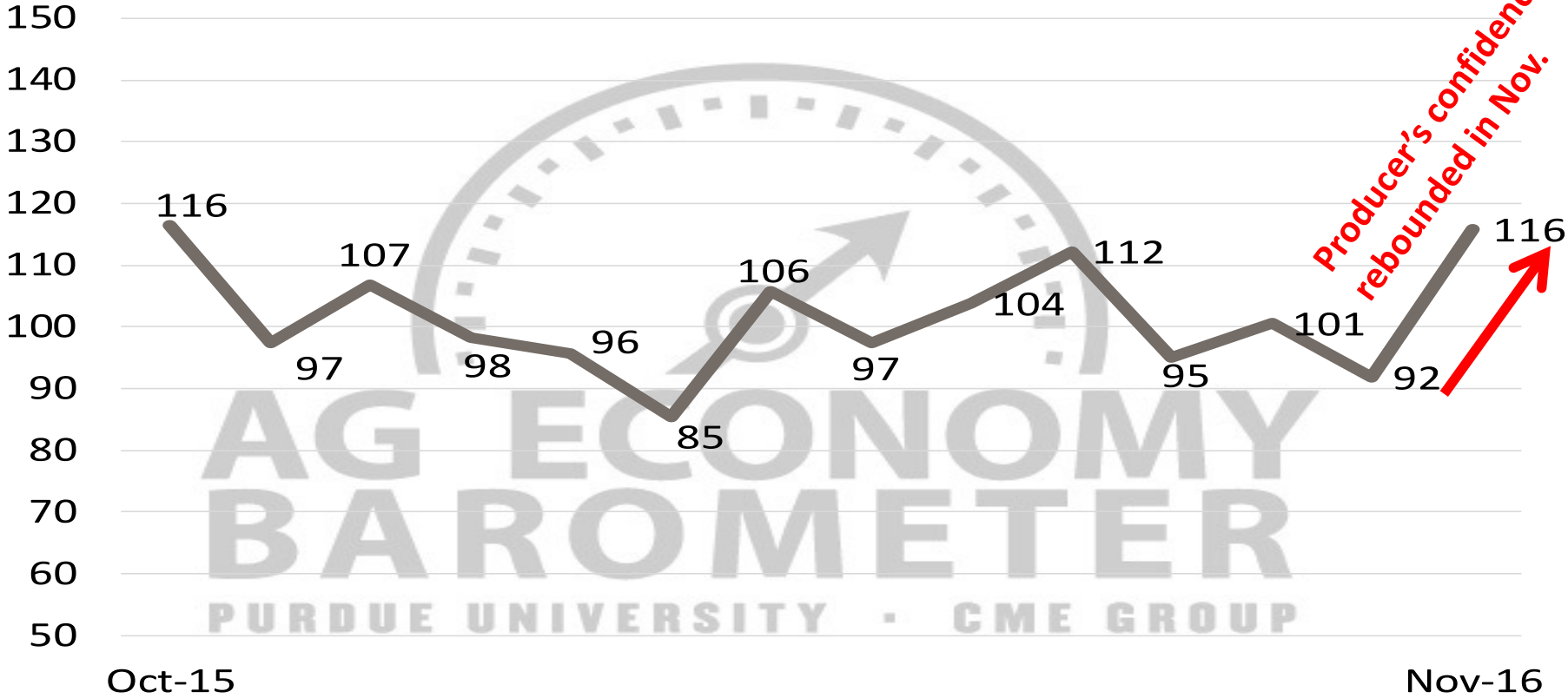
Management Decisions



Farmland



Ag Economy Barometer



Most Recent Observation: Nov. 2016

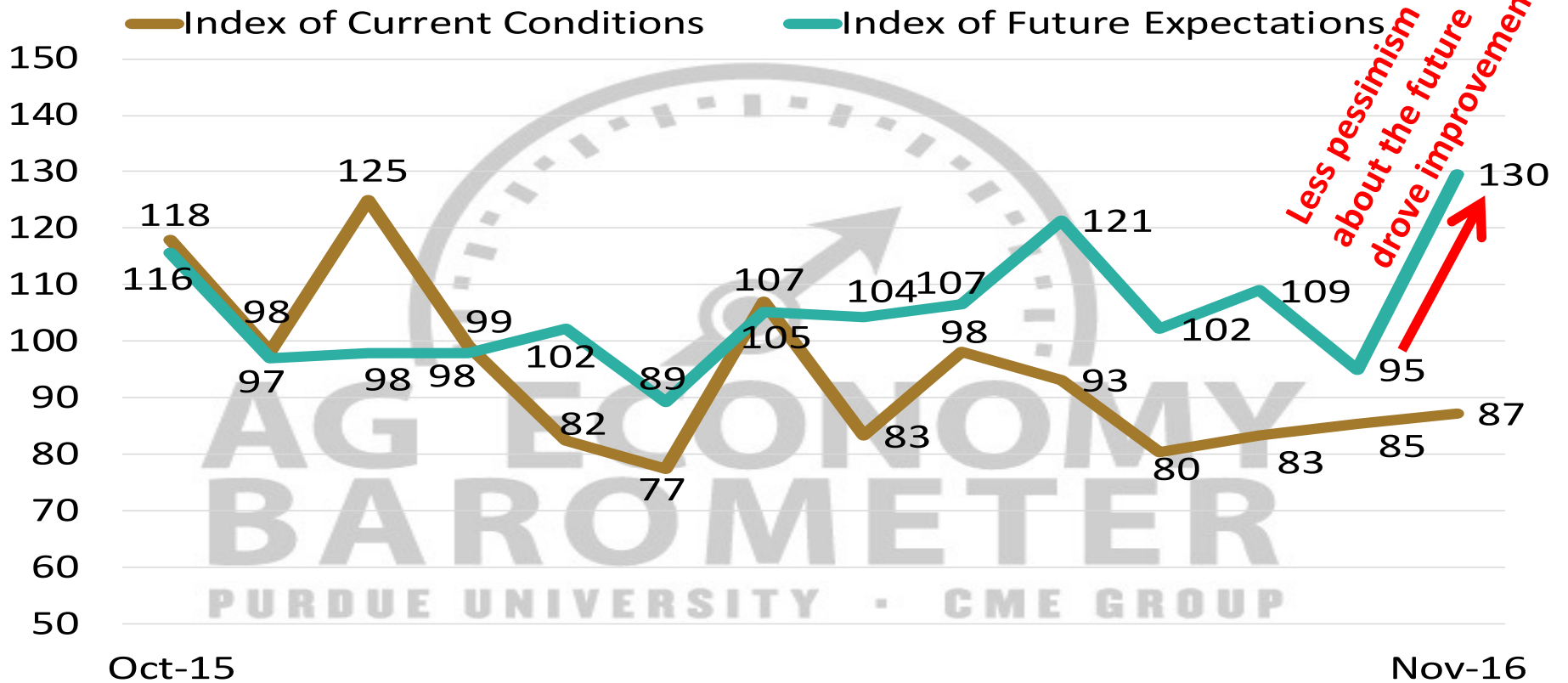
Producer Survey



Center for Commercial Agriculture

December 14, 2016

Current and Future

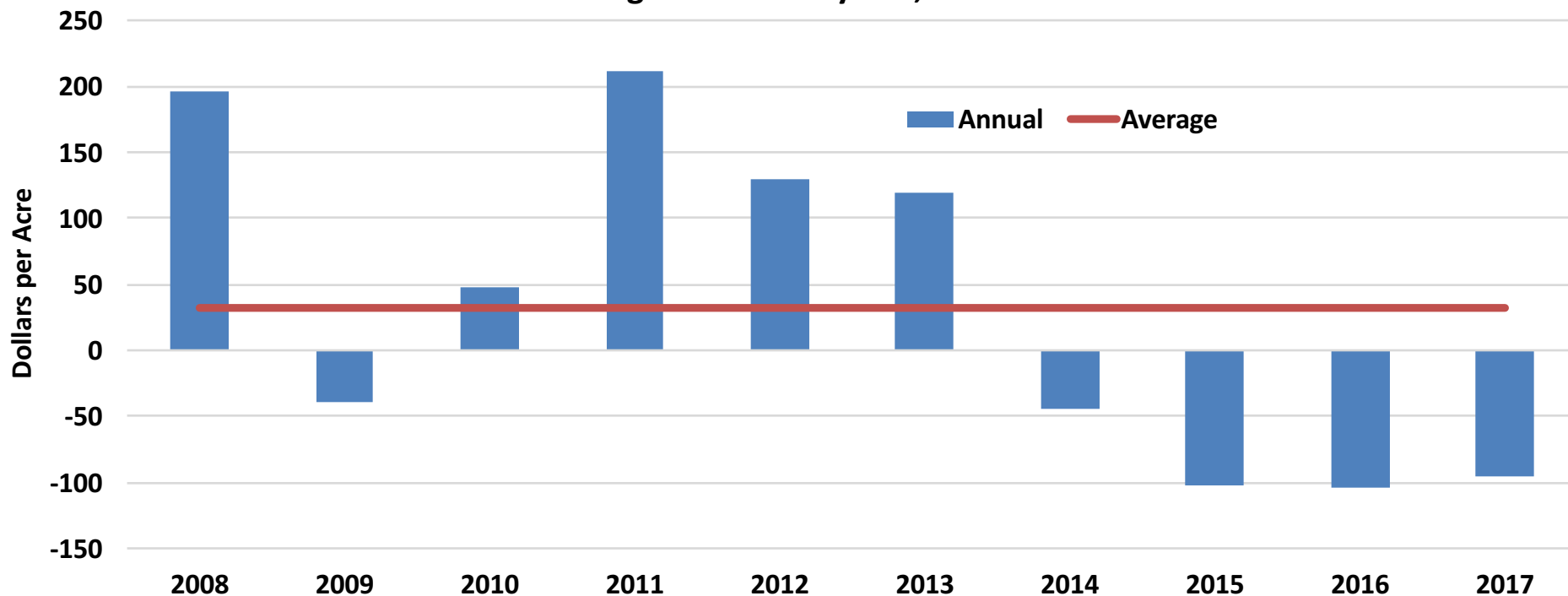


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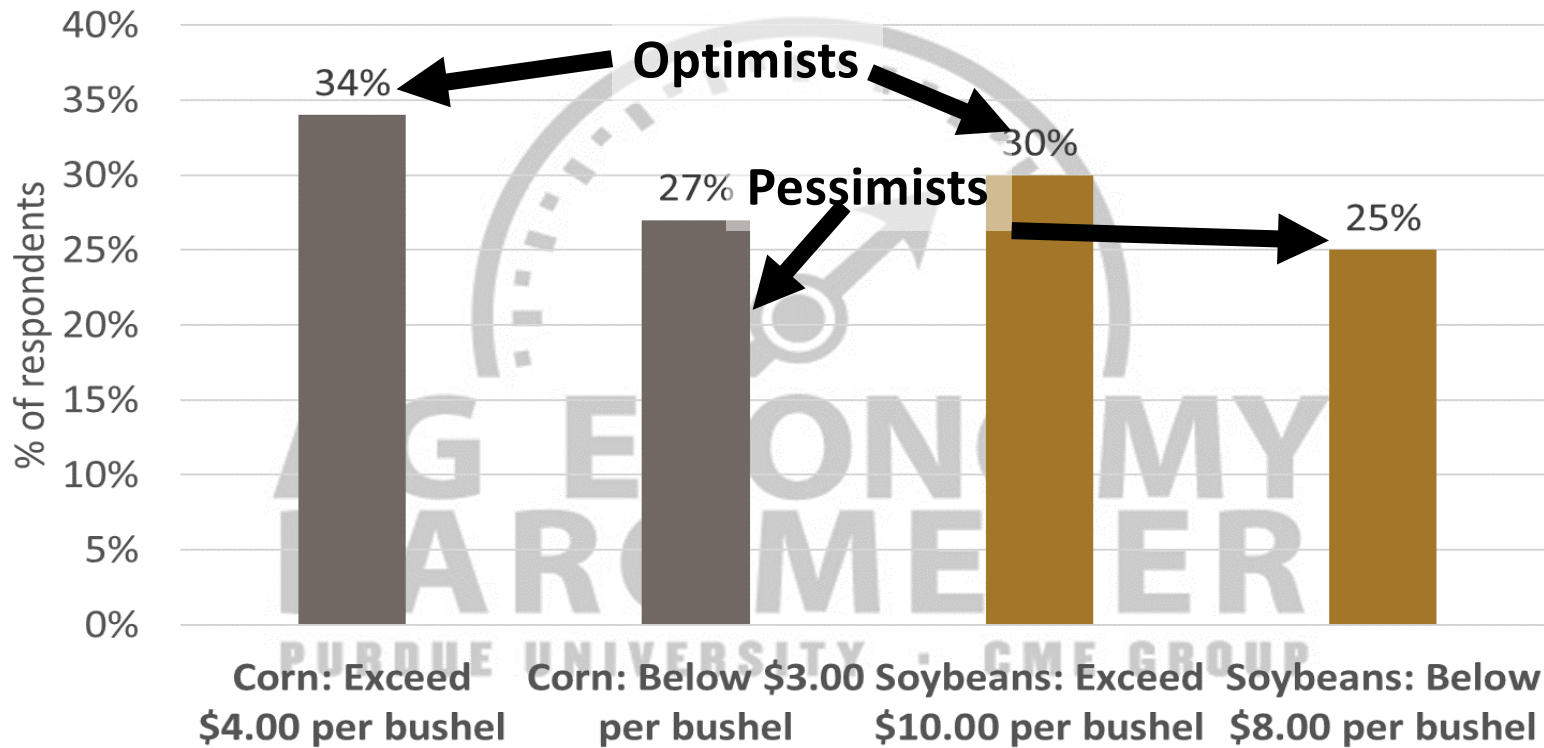
Producer Survey

But Is Recent Optimism Misplaced?

Budgeted Earnings per Acre for Corn/Soybean Rotation
Average Productivity Soil, Indiana



Expectations for July 2017 CBOT Corn and Soybean Futures Prices Between October 2016 and Summer 2017



Most Recent Observation: Oct. 2016

Producer Survey

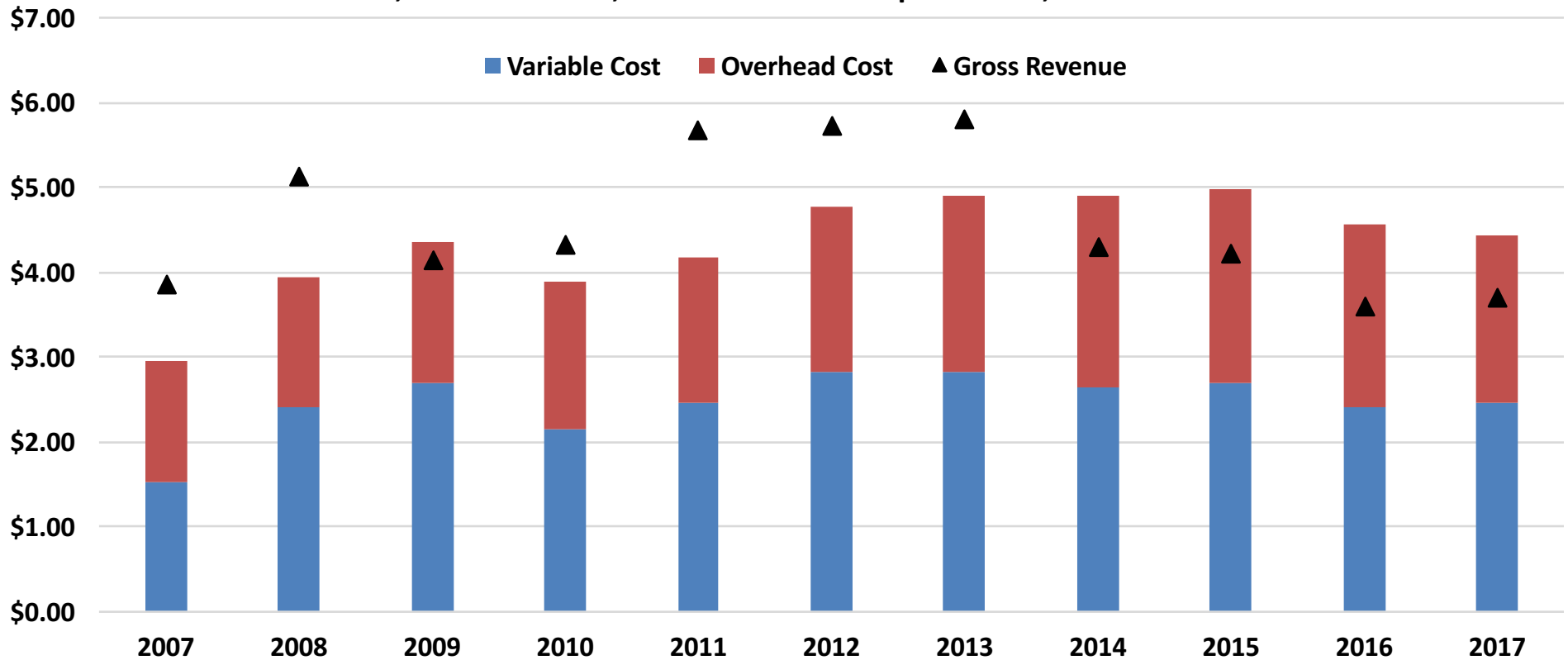
Top 6 Cost Categories for Corn and Soybeans

\$ Per Bushel, Average Productivity Indiana Farmland

Cost Category	Rotation Corn	Rotation Soybeans
Land	\$1.14	\$3.73
Machinery	\$0.79	\$2.40
Seed	\$0.71	\$1.38
Fertilizer	\$0.66	\$0.79
Pesticides	\$0.33	\$0.90
Labor	\$0.24	\$0.79
Sub-Total	\$3.87	\$10.00

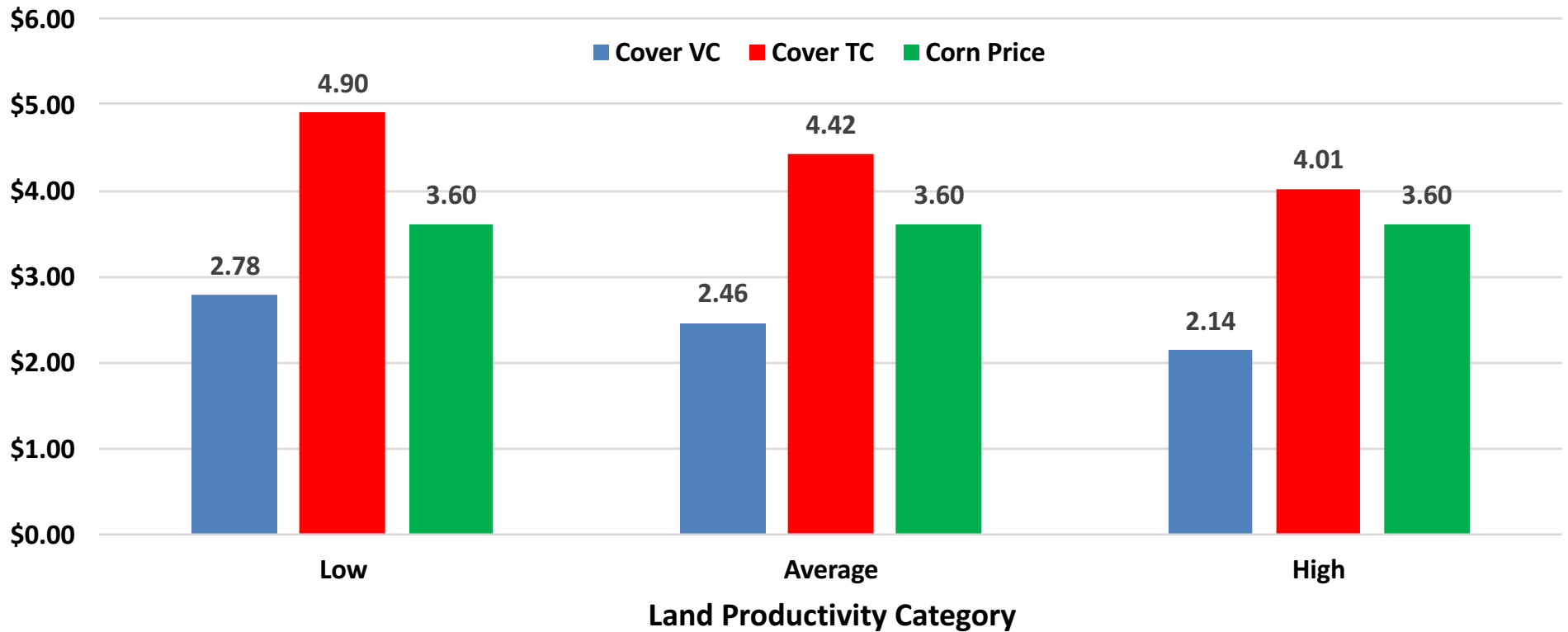
Revenues Have Fallen Faster Than Costs...

Variable Cost, Overhead Cost, and Gross Revenue per Bushel, Rotation Corn in Indiana.



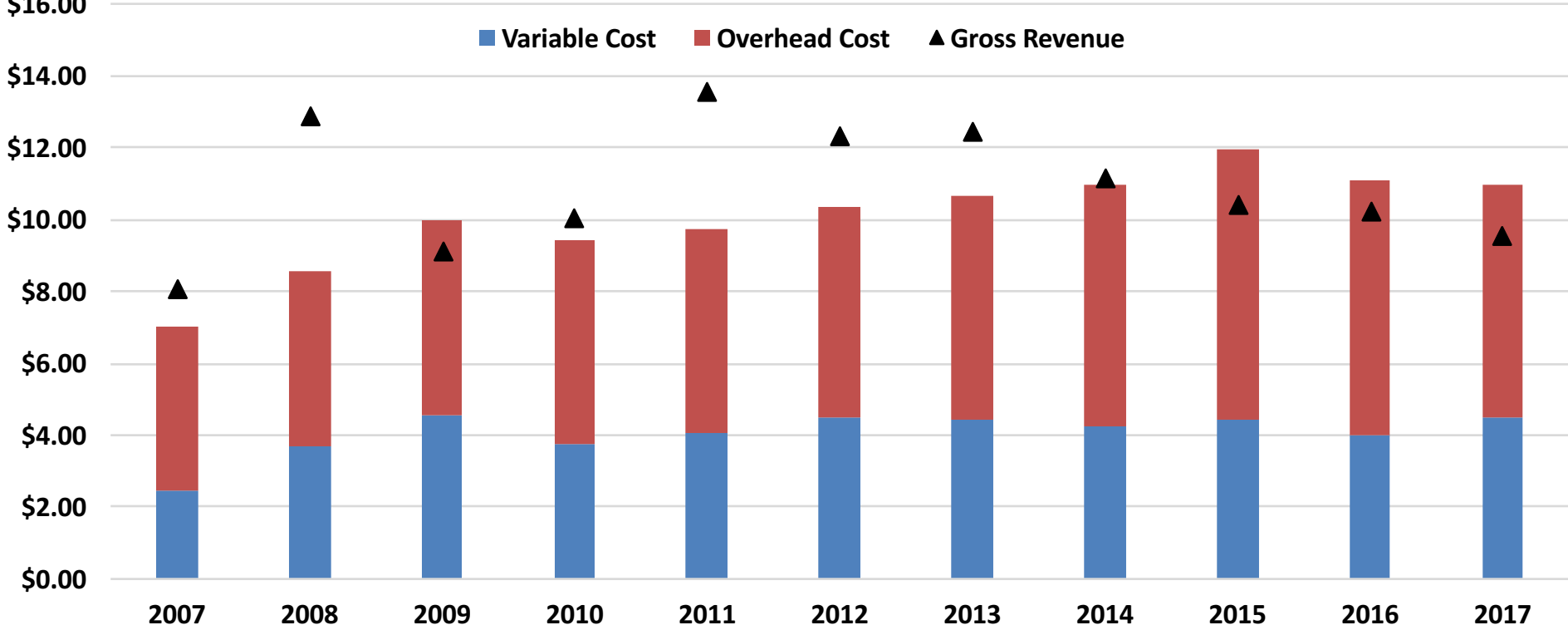
Bigger Cost Adjustments Needed on Low Productivity Land

2017 Breakeven Prices for Corn in Indiana



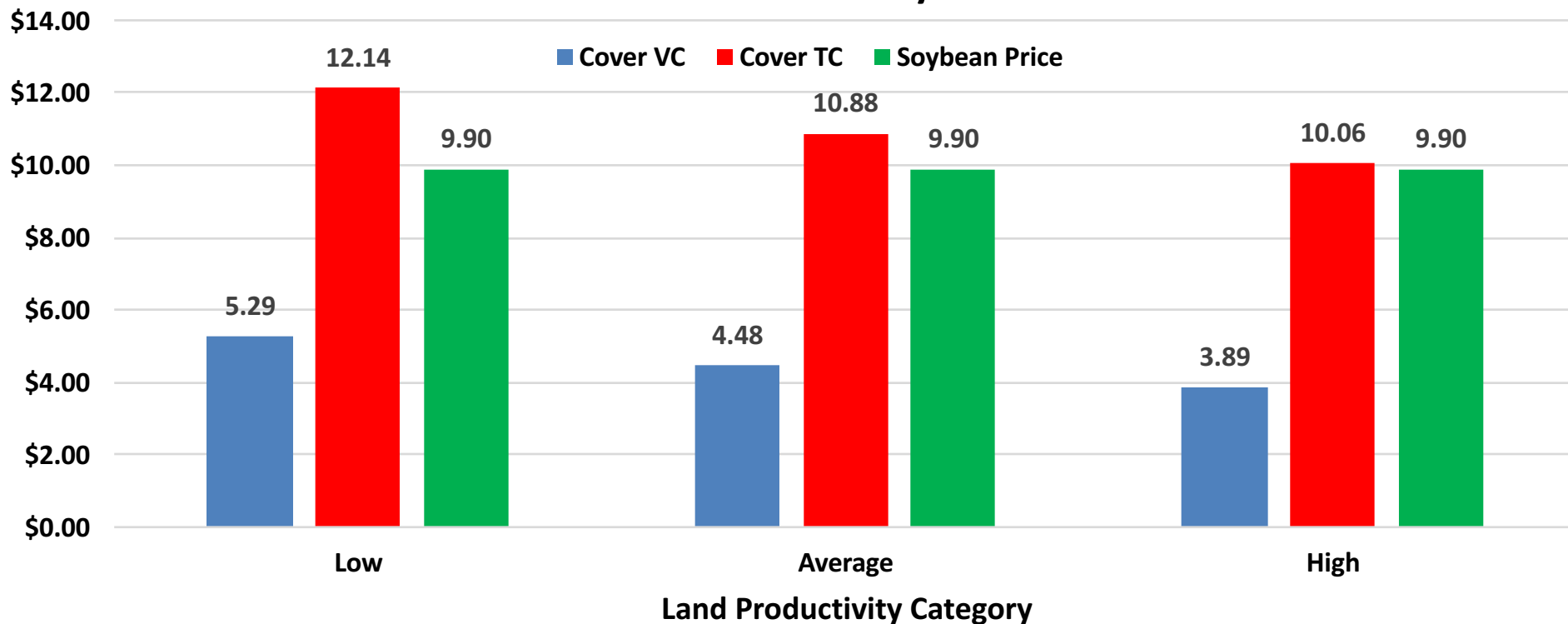
Gap Between Costs & Revenue is Smaller for Soybeans

Variable Cost, Overhead Cost, and Gross Revenue per Bushel, Rotation Soybeans in Indiana.



In Soybeans the Problem is Most Acute on Low Productivity Farmland

2017 Breakeven Prices for Soybeans in Indiana



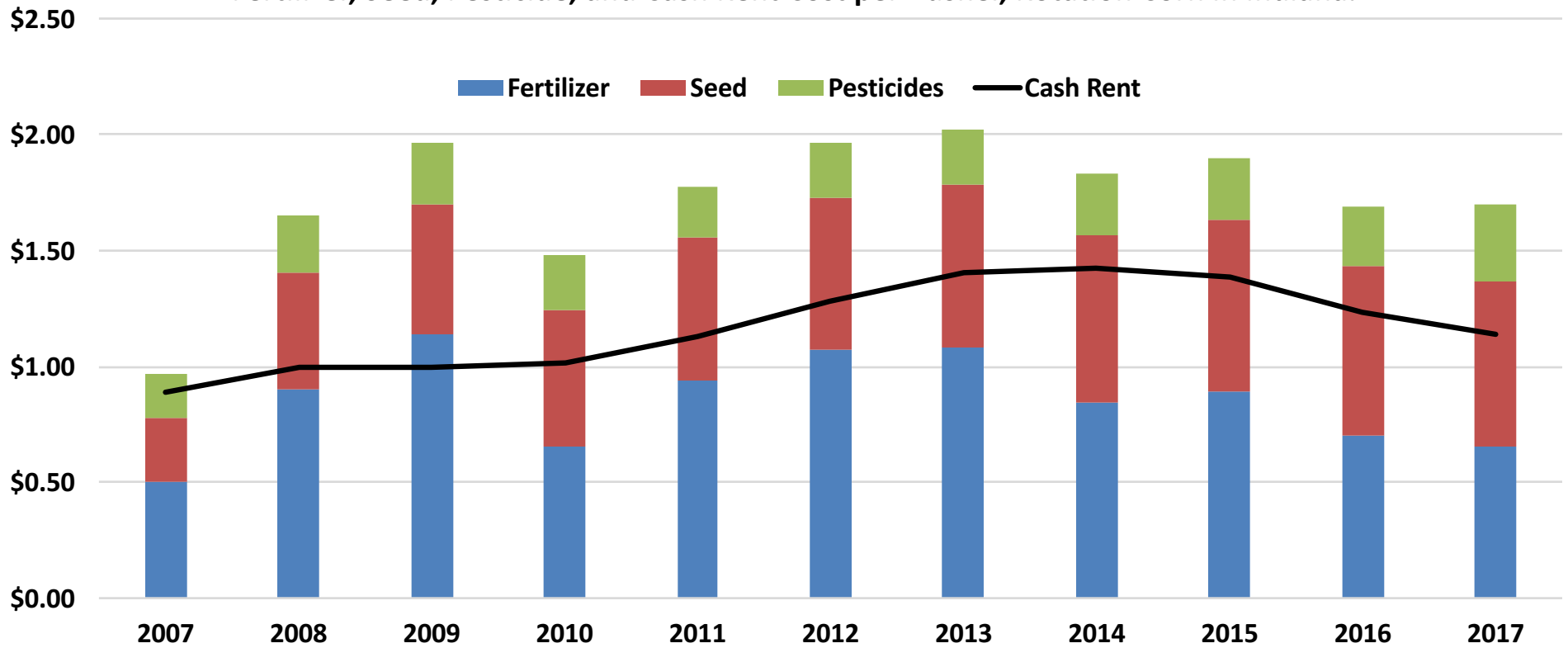
Current Prices Favor Soybeans Over Corn

Corn Prices Required to Produce Per Acre Returns Equivalent to Soybeans

Soybean Price	Low Productivity (C=128; SB=42)	Avg. Productivity (C=160; SB=52)	High Productivity (C=192; SB=62)
\$8.50	\$4.13	\$4.03	\$3.85
\$9.00	\$4.30	\$4.19	\$4.02
\$9.50	\$4.46	\$4.35	\$4.18
\$10.00	\$4.63	\$4.51	\$4.34
\$10.50	\$4.79	\$4.68	\$4.50
\$11.00	\$4.95	\$4.84	\$4.66

Fertilizer & Cash Rent Have Declined, But Other Costs Have Not

Fertilizer, Seed, Pesticide, and Cash Rent Cost per Bushel, Rotation Corn in Indiana.

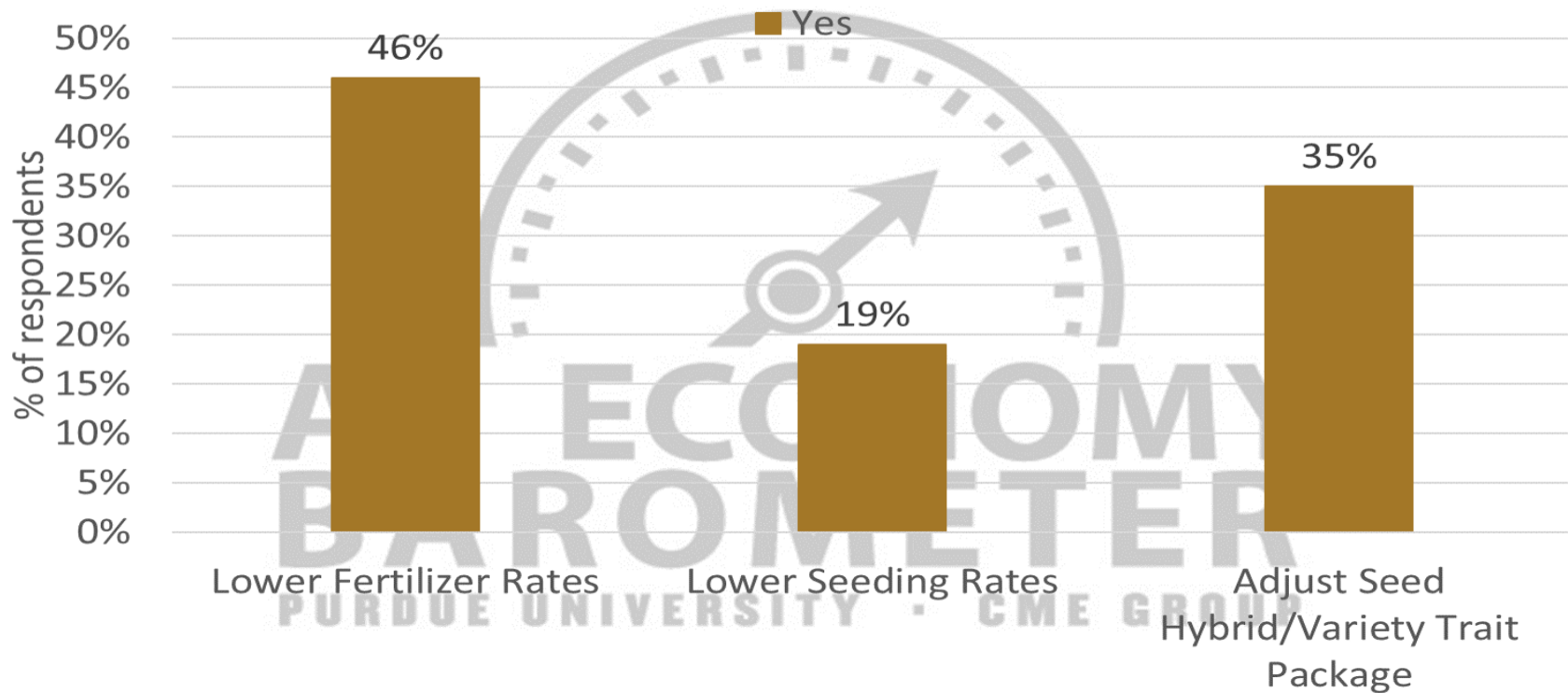


Key 2017 Management Decisions Affecting Production Costs



- Fertilizer Rates
- Seeding Rates
- Seed Trait Package

2017 Crop Management Changes Planned in Response to Farm Economic Conditions



Most Recent Observation: Oct. 2016

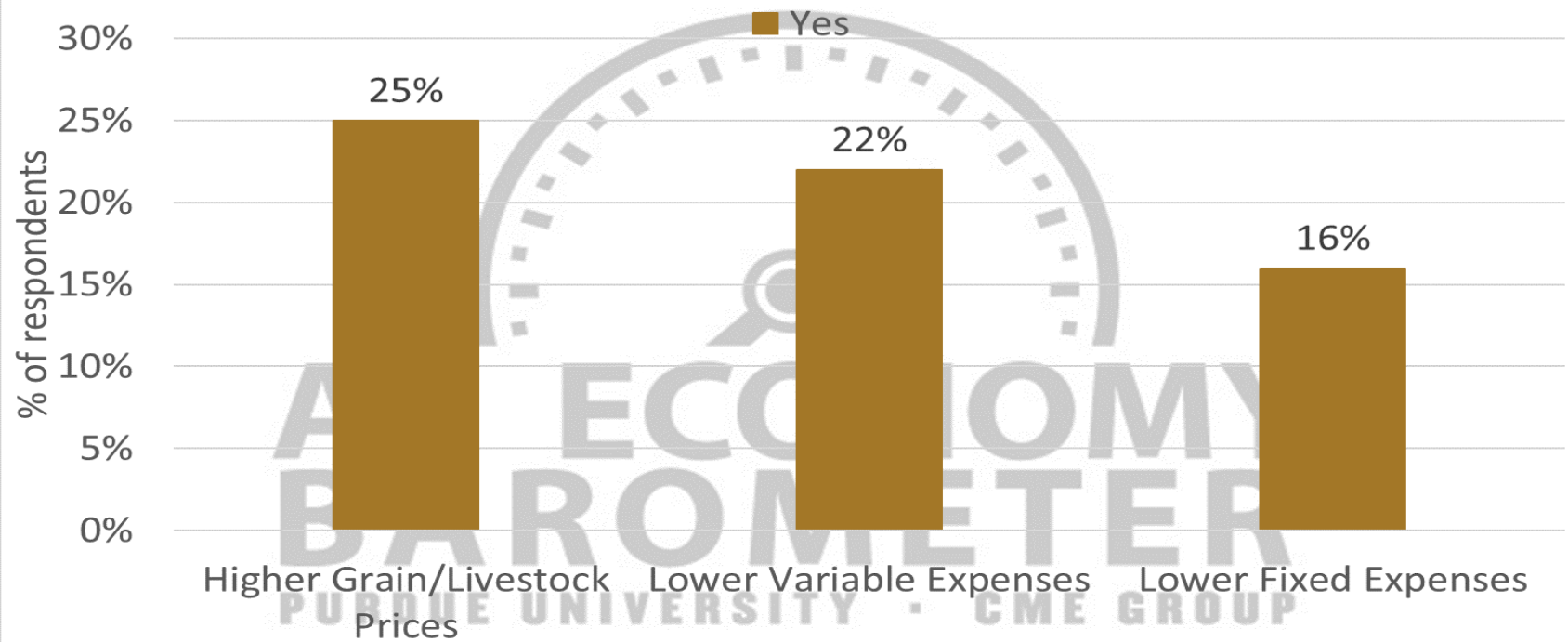
Producer Survey

Where Might Margin Improvements Come From?

- Higher Grain/Livestock Prices
- Lower Variable Expenses
 - Fertilizer, Herb., Seed, Fuel, etc..
- Lower Fixed Costs
 - Land, Machinery, Family Living



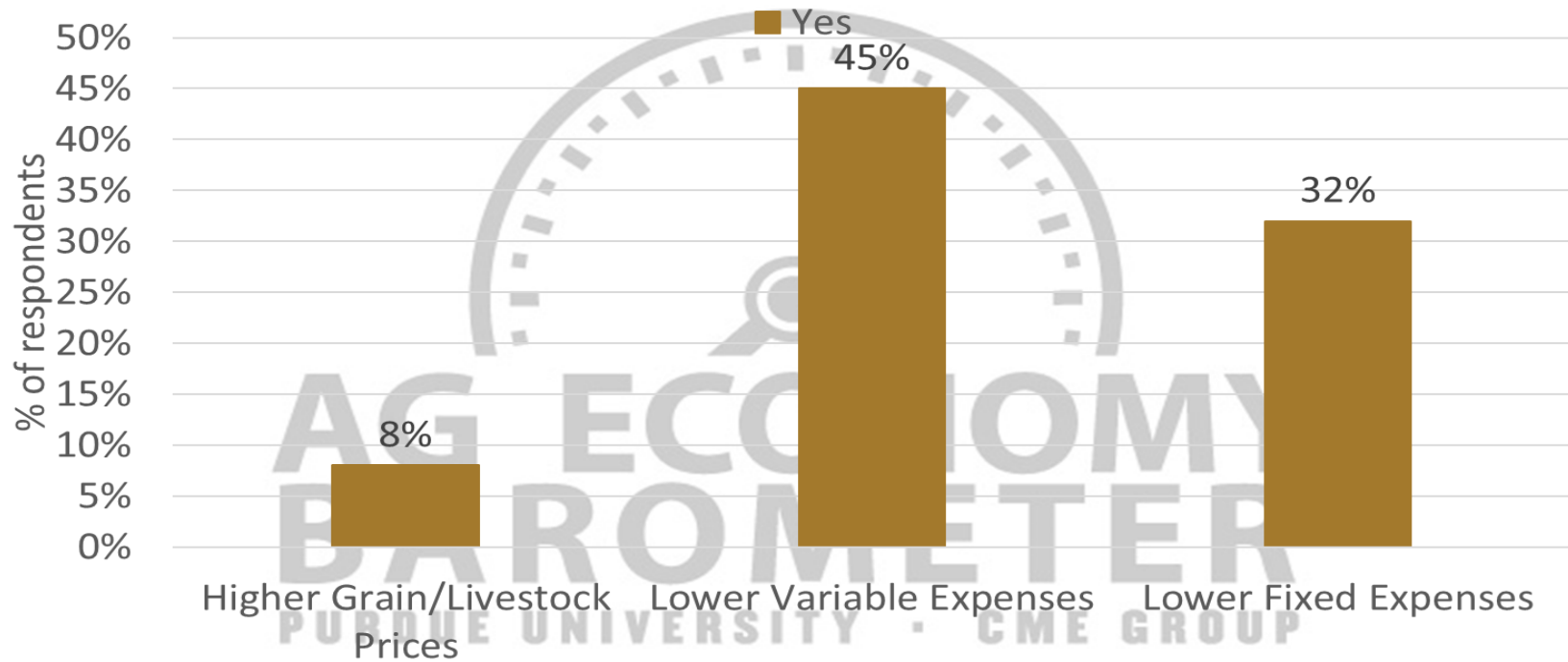
Expected Sources of Change to Substantially Improve Your Farm's Financial Situation in the Next 12 Months



Most Recent Observation: Oct. 2016

Producer Survey

Expected Sources of Change to Substantially Improve Farm Financial Situation in the Next 12 Months



Most Recent Observation: Oct. 2016

Thought Leader Survey

Some Costs Have Declined But Further Reductions Needed

Indiana Average Productivity Farmland

- **Corn...Target cost of production...\$4.00/bushel?**
- **What adjustments can be made to reduce costs by \$0.30-\$0.40/bu.**
 - **One-half of adjustment might come from cash rent reductions**
 - **Where does other half come from?**
- **Soybeans...Target cost of production...\$10.00/bushel**

Looking Ahead...Some Key Considerations

1. Declining government support for crop operations

- ✓ ARC-County will provide little support in 2018 & 2019

2. Working capital drawdowns continue in 2017 & 2018

3. Need to reduce costs

- ✓ Focus on cost per bushel
- ✓ Examine every aspect of crop production
- ✓ No silver bullets...look for nickels & dimes





Thank You

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