

RPowerD™ - 2020 Crop budgets and RPowerD price targets

July 25, 2019

Last week, the University of Illinois at Urbana-Champaign (U of I) published 2020 crop budgets. Other land grant universities will soon be doing the same.

“Crop budgets for 2020 have been released and made available on [farmdoc](http://farmdoc.com). In addition, 2019 budgets have been revised in light of wet weather and late planting. **Overall, low returns are projected in 2019 and 2020, particularly for soybeans.** Current projections indicate 2020 corn returns will be higher than soybean returns.”

(Schnitkey and Swanson. *farmdoc daily* (9):130)

Doing a little extrapolating for basis, U of I economists predict average futures price equivalent received by producers on 2020 corn will be \$4.10 and beans will be \$9.50. With average yields and no MFP/ARC or PLC payments predicted for 2020, returns are a \$31/ac loser on corn and \$87 on soybeans. Also hearing talk from economist of 100 million+ acres will get planted to corn for 2020.

It's not too soon for producers to be considering what it's going to take to hold their net worth together in 2020. Agents can be part of the conversation by simply asking our customers what they expect costs to be for 2020. Once we know an idea of risk, i.e. Costs, we can go to work looking for opportunities to align minimum revenue guarantees with expected costs for 2020 using RPowerD right now.

In the example from *farmdoc*, the 208 bu/ac approved yield x 85% = 176.8 guaranteed bushels. Total costs are \$842 an acre for corn. Divide \$842 by the 176.8 guaranteed bushels and you can use the resultant number as a price target alert in using the Revenue Alert feature of www.AgenteVantage.com to make sure you never miss an opportunity to help your customer secure their minimum price and revenue goals, whenever they become available.

In this case \$842 cost (minimum revenue goal) divided by 176.8 guaranteed crop insurance bushels at 85% coverage level = a target price of \$4.76. Obviously higher coverage levels would reduce the minimum price needed to achieve the minimum revenue goal. 90% coverage = \$4.50, 95% coverage = \$4.26. Charts of recent 2020 prices for corn and soybeans are below.

December
2020 Corn



November
2020 Beans



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