



**SCLEROTINIA INITIATIVE**

**ANNUAL MEETING**

**January 18th & 19th, 2006**

**Minneapolis, MN**

# **Farm Program Review**

## **1996 Freedom to Farm**

- **De-coupled Plantings & Payments**
  - plant what you want
- **Created Marketing Loans and Loan Deficiency Payments (LDP's)**
  - No more big storage payments/programs
  - Repay the loan at market clearing prices
  - Available on total production

# Farm Program Review

## 1996 Freedom to Farm

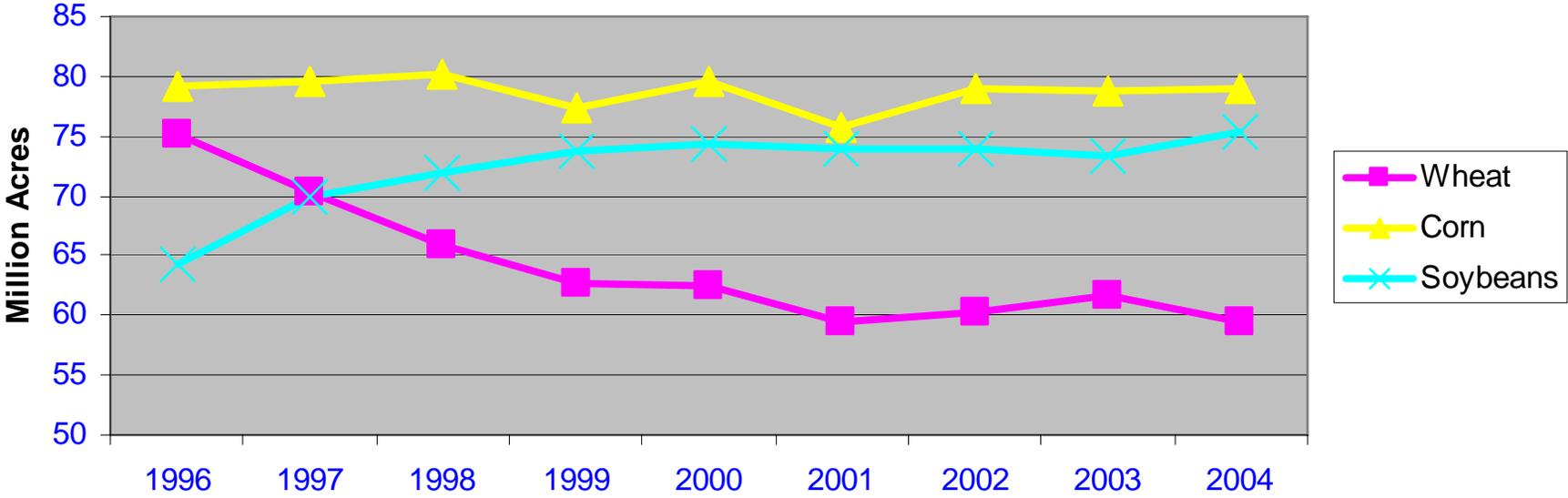
- **Direct Payments**
  - Based on established base acres and yields
  - Paid regardless of market prices
  - Barley 24, corn 28, sorghum 35, soybeans 44, wheat 52, “other oils” 80/cwt
  - Wheat base of 500 acres X 35 bushel yield X \$.52 X 85% = \$7,735 or \$15.47/acre

# Farm Program Review

## 1996 Freedom to Farm

- **Counter-cyclical payments**
  - **Based on established base acres and yields**
  - **Paid if prices fall below certain level**
  - **Based on target prices (corn \$2.63, s'beans \$5.80, wheat \$3.92, oil sfs \$10.10)**
  - **Difference between national average market price & target price - or**
  - **Difference between loan rate and target price**

# US Plantings



# FEDERAL CROP INSURANCE

- **Based on 5 year rolling yield average**
- **Farmers elect level of coverage (65% to 85%)**
- **Higher of two price protection calculations**
  - **Mid-winter price averages**
  - **Harvest price averages**
  - **The higher the price, the better the coverage**
  - **Farmers know the lowest coverage before planting**

# FEDERAL CROP INSURANCE

- **Initial insurance coverages**
  - **Oil sfs \$11.75**
  - **Confection sfs \$15.00**
  - **Flax \$7.28**
  - **Wheat, corn, soybeans based on February averages of new crop futures**

# **PROJECTED RETURNS PER ACRE - East Central ND**

	<b>WHEAT</b>	<b>CORN</b>	<b>S'BEAN</b>	<b>OIL SFS</b>
<b>Yield</b>	<b>45</b>	<b>110</b>	<b>40</b>	<b>15</b>
<b>Price</b>	<b>\$3.70</b>	<b>\$1.70</b>	<b>\$5.20</b>	<b>\$10.60</b>
<b>Income</b>	<b>\$166</b>	<b>\$187</b>	<b>\$208</b>	<b>\$159</b>
<b>Direct Costs</b>	<b>\$82</b>	<b>\$142</b>	<b>\$77</b>	<b>\$93</b>
<b>Net</b>	<b>\$84</b>	<b>\$45</b>	<b>\$131</b>	<b>\$66</b>
<b>Land</b>	<b>\$75</b>	<b>\$75</b>	<b>\$75</b>	<b>\$75</b>
<b>Net/Net</b>	<b>\$9</b>	<b>\$30</b>	<b>\$56</b>	<b>\$9</b>

# **PROJECTED RETURNS PER ACRE - North Central ND**

	<b>WHEAT</b>	<b>CORN</b>	<b>S'BEAN</b>	<b>OIL SFS</b>
<b>Yield</b>	<b>35</b>	<b>75</b>	<b>25</b>	<b>13</b>
<b>Price</b>	<b>\$3.70</b>	<b>\$1.70</b>	<b>\$5.20</b>	<b>\$10.60</b>
<b>Income</b>	<b>\$129</b>	<b>\$127</b>	<b>\$130</b>	<b>\$137</b>
<b>Direct Costs</b>	<b>\$74</b>	<b>\$117</b>	<b>\$71</b>	<b>\$90</b>
<b>Net</b>	<b>\$55</b>	<b>\$10</b>	<b>\$59</b>	<b>\$47</b>
<b>Land</b>	<b>\$55</b>	<b>\$55</b>	<b>\$55</b>	<b>\$55</b>
<b>Net/Net</b>	<b>\$0</b>	<b>\$45</b>	<b>\$4</b>	<b>\$8</b>

# OTHER CONSIDERATIONS

- **Crop rotation (not as significant today)**
- **Potential LDP's (corn was \$.52 this harvest, \$50 to \$100 per acre)**
- **Long-term price outlook (volatility of soybeans?)**
- **Crop insurance guarantees (flax?)**
- **Production issues (planting season, disease, drying costs)**
- **Logistics (bin space, elevator space, transportation, etc.)**

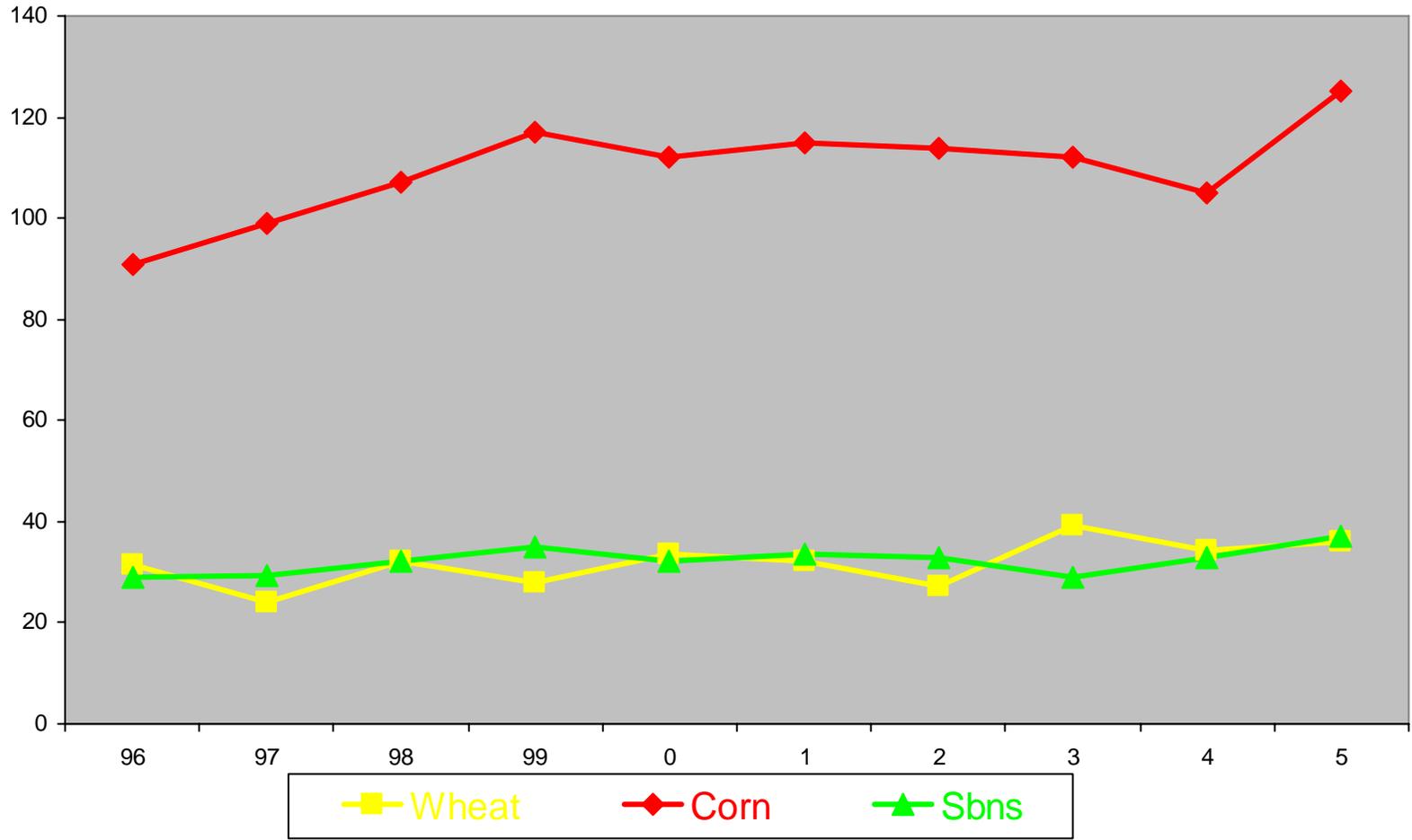
# OTHER CONSIDERATIONS

- **Changes in loan rates**
  - **spring wheat dropped \$.23 in 2006**
- **Other crop choices**
  - **Peas/lentils (high loan rate, low input costs)**
  - **Flax (high insurance guarantee, low input costs)**
  - **Dry beans?**
  - **Malting barley?**

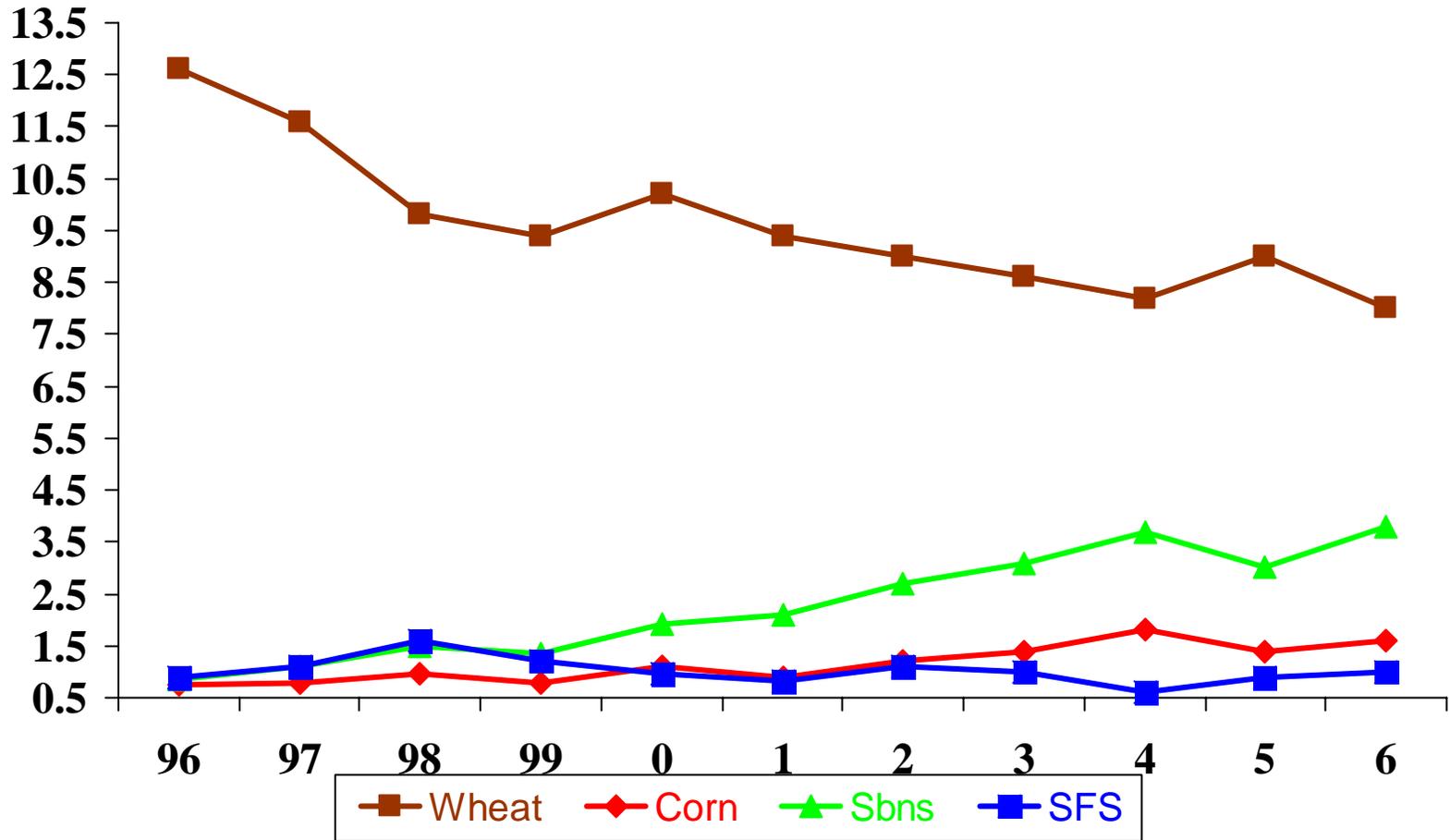
# **LONG TERM DEMAND & PRICE IMPLICATIONS**

- **U.S. & world corn outlook can change quickly**
  - big & growing demand (biofuels)
  - reduced reliance on exports
- **Oilseeds**
  - healthy oils (labeling)
  - biodiesel
  - energy drives engine - not feed
- **Emergence of China & India as huge consumers**

# North Dakota Yields/Acre



# NORTH DAKOTA ACRES



# WHAT HAPPENS WITH ACRES IN 2006?

- **Spring wheat down 10%**
- **Soybeans up**
- **Sunflowers up (need new crop bid)**
- **Peas/Lentils up (low inputs)**
- **Flax up (low inputs)**
- **Barley down**
- **Corn steady (nitrogen costs?)**



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