



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

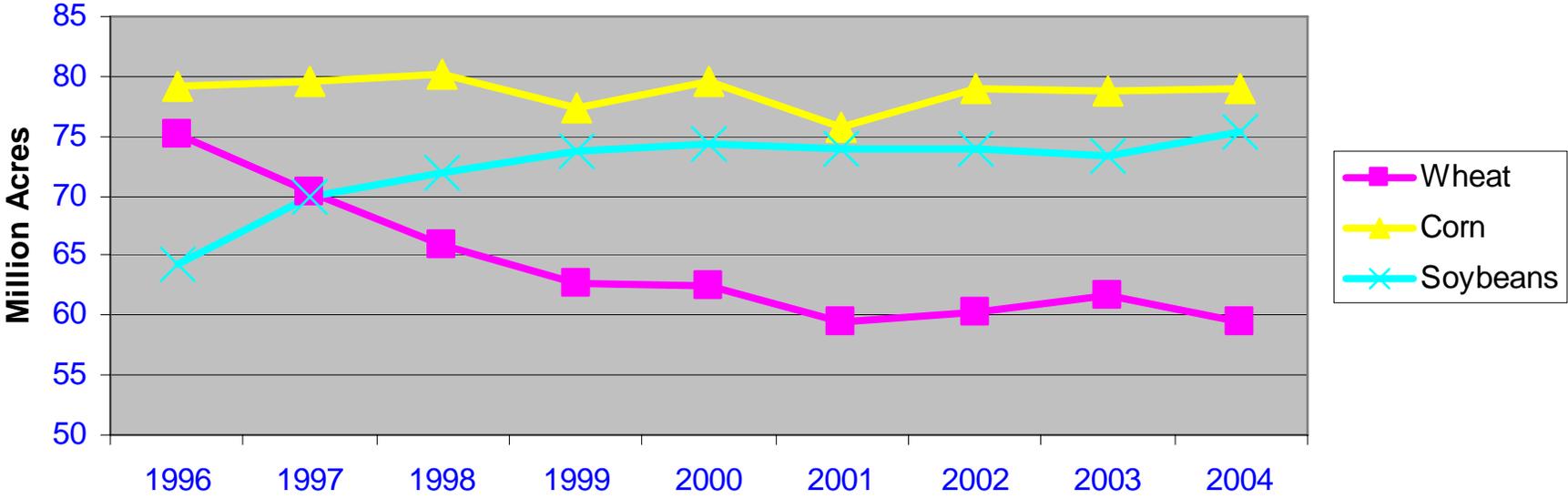
- **Direct Payments**
 - Based on established base acres and yields
 - Paid regardless of market prices
 - Barley 24, corn 28, sorghum 35, soybeans 44, wheat 52, “other oils” 80/cwt
 - Wheat base of 500 acres X 35 bushel yield X \$.52 X 85% = \$7,735 or \$15.47/acre

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

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

PROJECTED RETURNS PER ACRE - North Central ND

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

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.)**

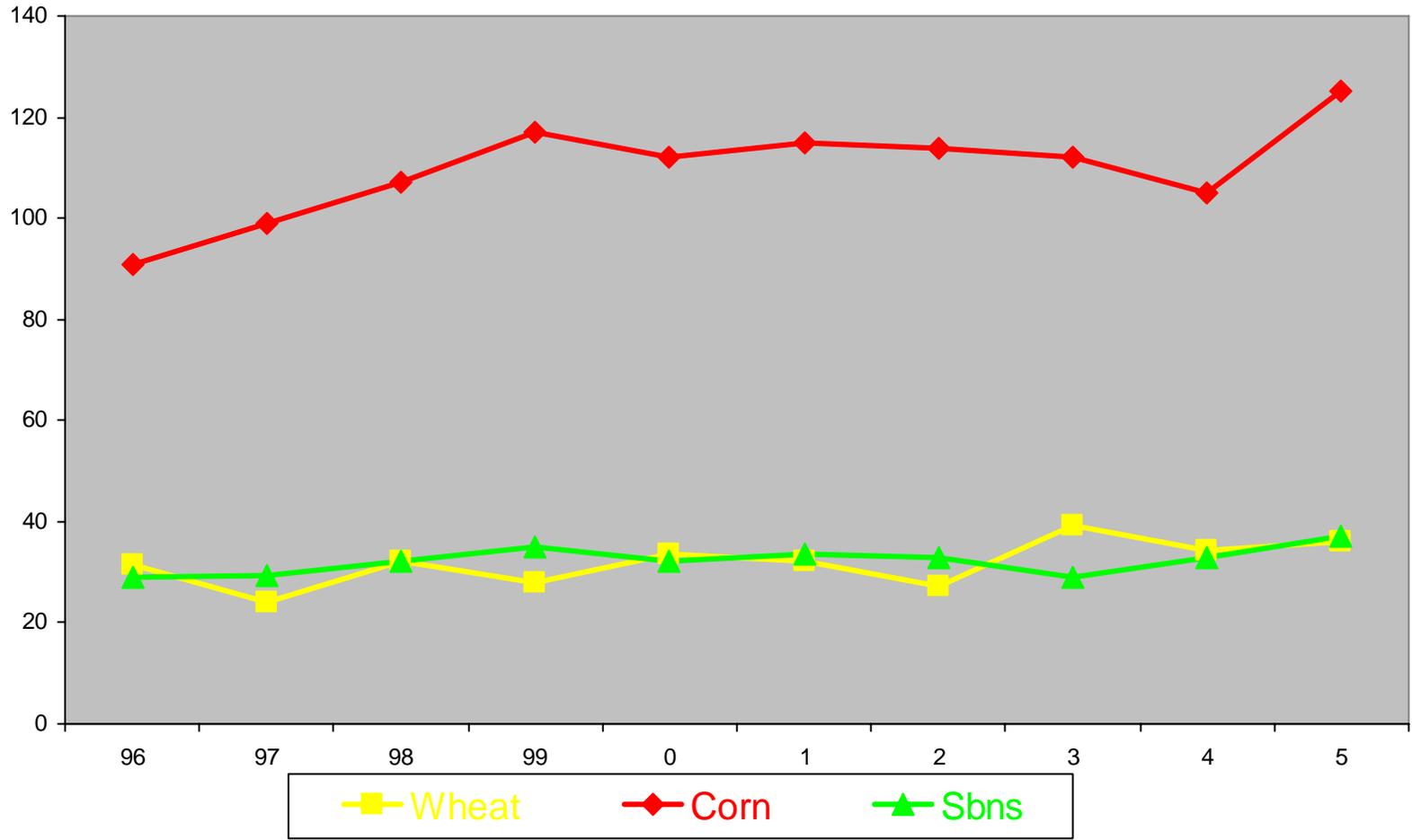
OTHER CONSIDERATIONS

- **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?**

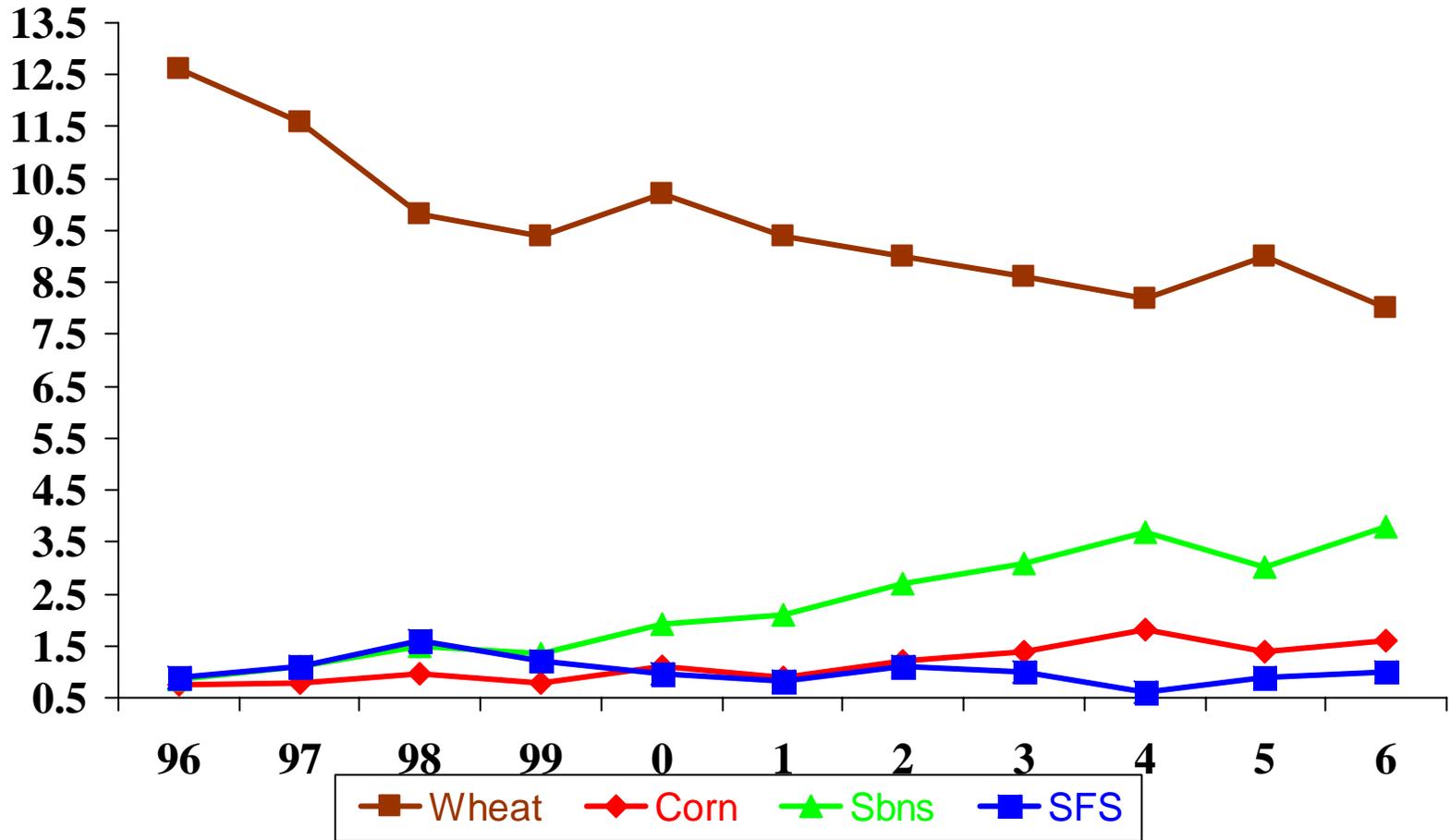
LONG TERM DEMAND & PRICE IMPLICATIONS

- **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?)**



Mike Krueger

www.themoneyfarm.com

mike@themoneyfarm.com

701-492-8042