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The Economic Environment for U.S. Soybean Growers

Richard C. Pottorff
Chief Economist, Doane Agricultural Services

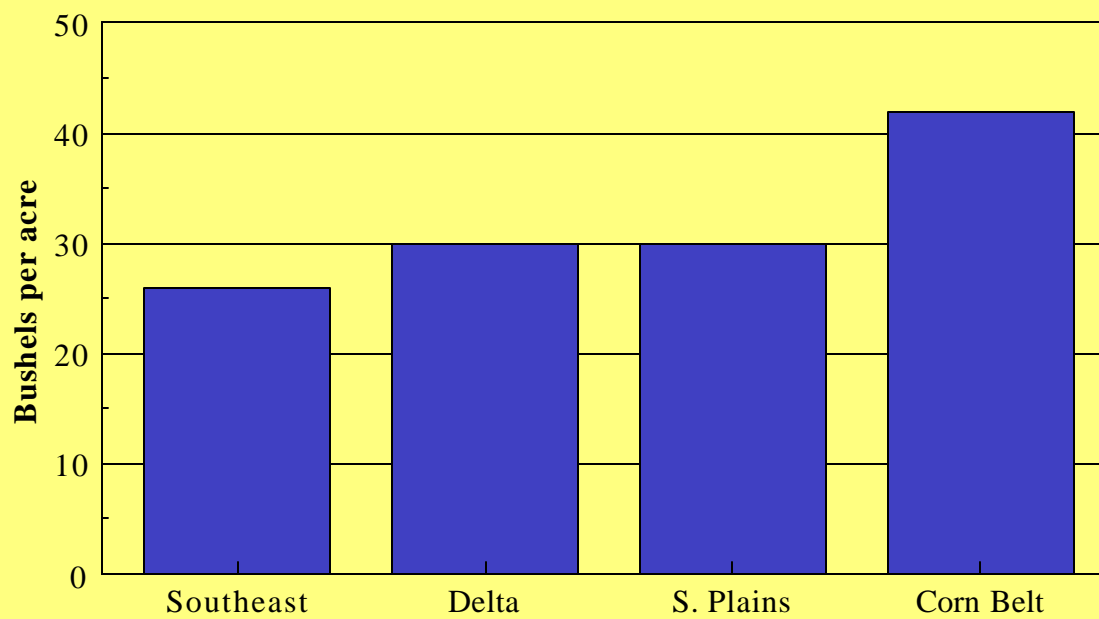
Prepared for
USDA Agricultural Outlook Forum

February 2000

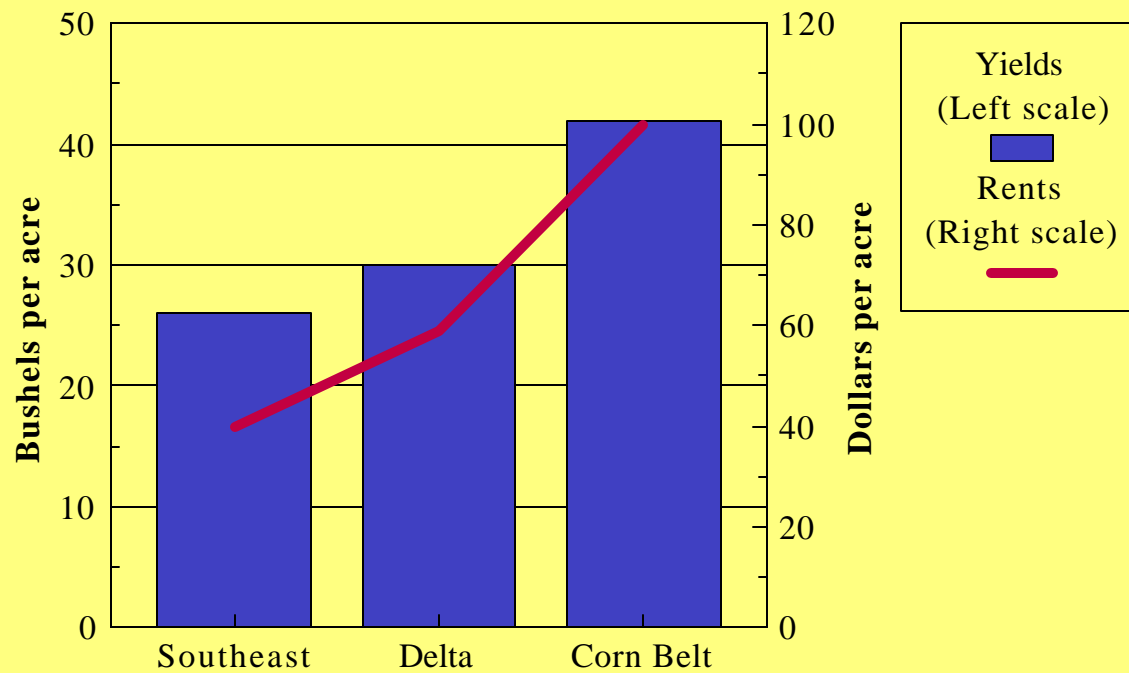
Profitability Factors

- ▶ Yields
- ▶ Prices
- ▶ Production Costs
- ▶ Government Payments

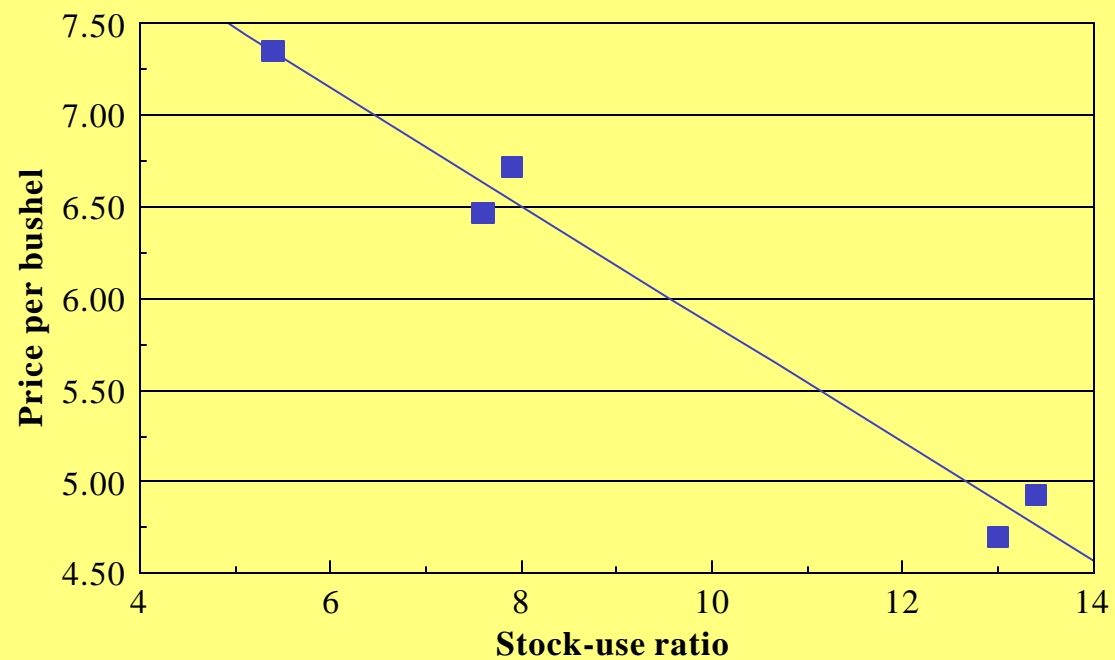
"Normal" Yields



"Normal" Yields & Cash Rents

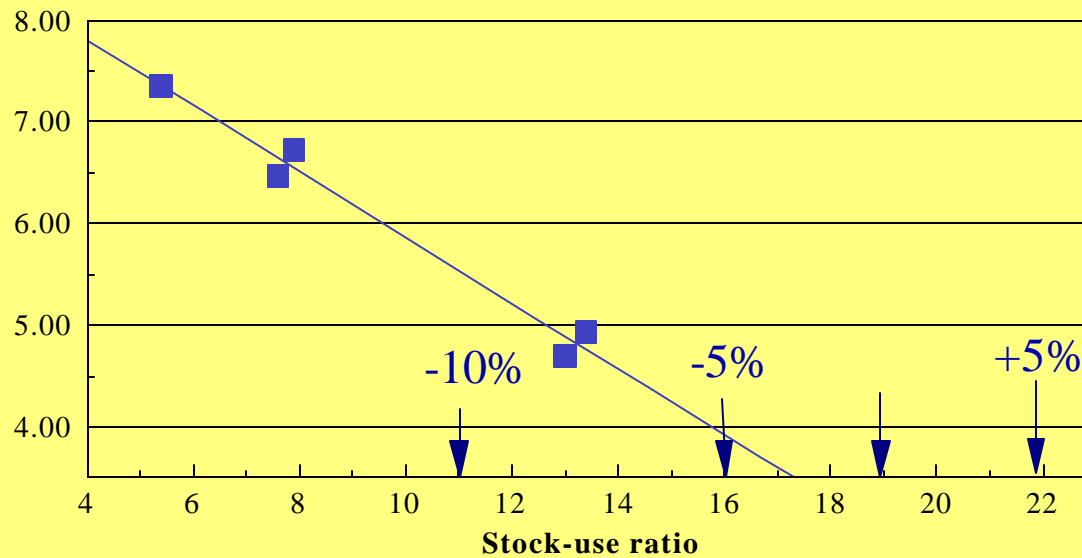


Prices & Stock-use Ratio

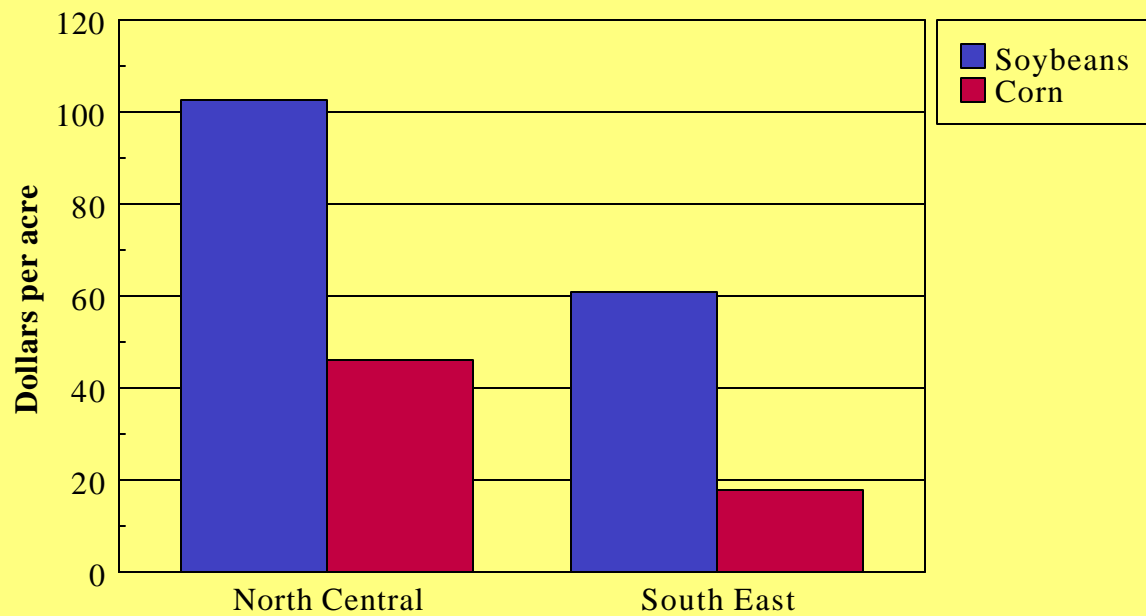


Prices & Stock-use Ratio

Price per bushel



Net returns over cash expenses by region

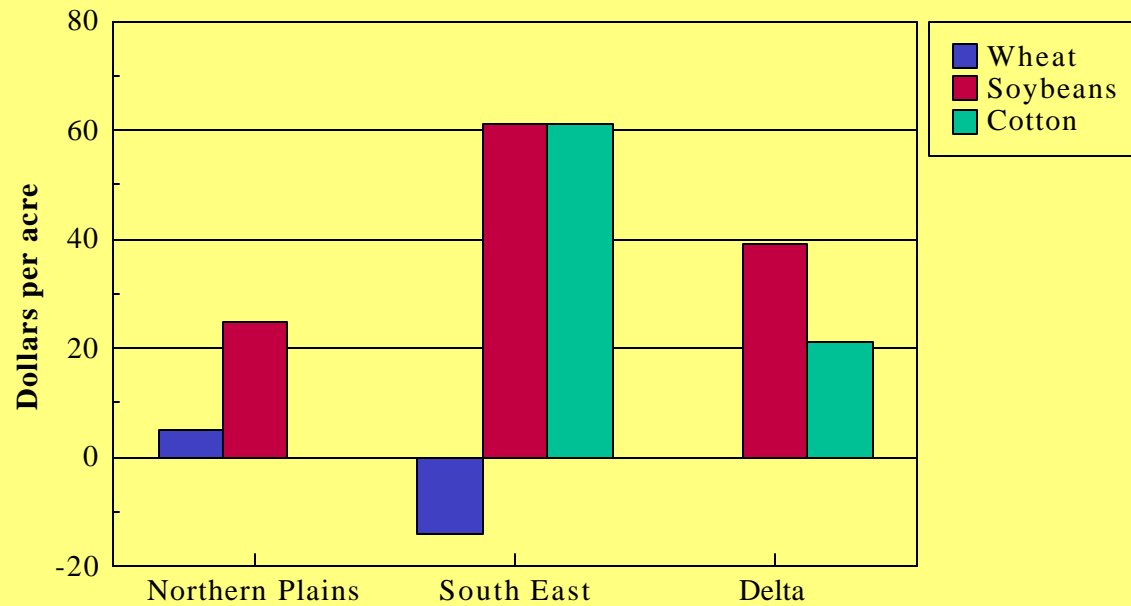


Farmers Moving to 50-50 Corn/Soybean Ratio

Million acres

	Soybeans	Corn	Percent Corn	% Corn in 1990
Illinois	10.7	10.6	49.8	55.5
Indiana	5.7	5.8	50.4	58.9
Iowa	10.5	12.5	54.3	63.6
Michigan	1.9	2.3	54.8	69.5
Minnesota	6.9	7.0	50.4	60.8
Totals	35.7	38.2	51.7	60.3

Net returns over cash expenses by region



Costs & Returns in Iowa

	GMO	non GMO
Yield (bushels)	49.3	51.2
Seed Costs	26.42	18.89
Weed management	24.91	33.65
Total Variable Costs	115.11	124.11
Net over variable costs	144.21	145.20

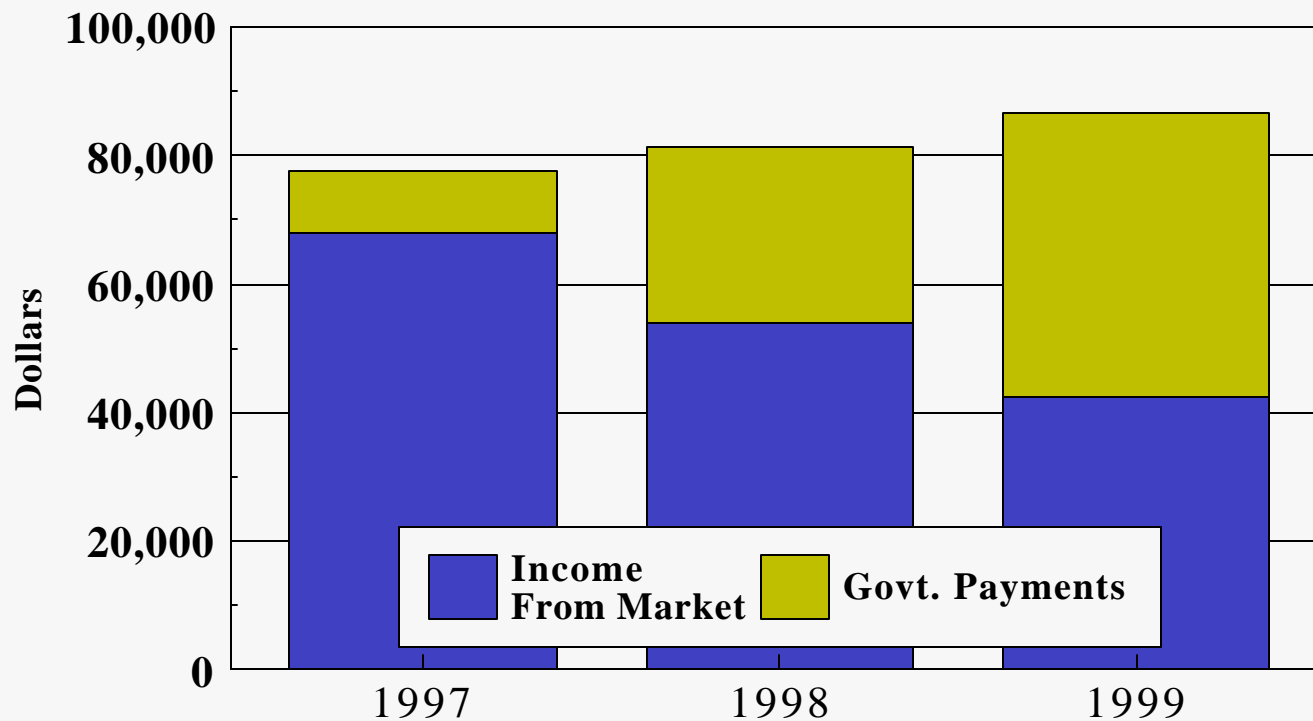
Source - Iowa State University

Government Payments

- AMTA Payments don't matter
 - Not based on production
- Emergency aid - same as AMTA payments
 - Could change
- LDPs favor soybeans

- Government Programs are critical

Simulated Net Cash Income for Corn/Soybean Farm



Bottom Line

- ▶ Soybeans beat out most crops
- ▶ Government programs are critical factor
- ▶ Not likely to change until loan rates change