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WHERE FARM DECISION-MAKERS START THEIR DAY



Cornbelt Update

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"Your Virtual Research Assistant."

- **USDA's adjustments** to corn supply and demand this week left the carryout for the marketing year where it began, at 1.675 bil. bu. That stemmed from a drop in corn exports, but IL marketing specialist Darrel Good says for the USDA export projection to be met, corn exports will have to maintain an average of 30 mil. bu. per week through Aug. 2010. He expects corn price strength from on-going harvest delays.
- **USDA's adjustments** to soybean supply and demand this week lowered the carryout to 255 mil. bu. because of the strength of business from China. But Darrel Good says China may soon stop buying US beans and switch to South America where the harvest is forecast at 1.1 bil. bu. more than 2009, all with the help of good weather and more acres. Read more: <http://www.farmdoc.illinois.edu/marketing/weekly/html/121409.html> .
- **Mark your calendar** for January 12, when USDA will be issuing its final report on the 2009 corn and soybean crop. That same day, USDA will also release its estimates of the grain stocks on December 1 and its estimates of the winter wheat seedings. Until those reports are made, Good expects price influences from energy and financial markets.
- **Corn futures** suggest the market will pay about 5¢ per month for storage says Jim Hilker at Mich. St., but he says that is for farm storage and not for commercial storage. He wonders if July at \$4.30-4.40 is a good level to price some corn, especially if the market doesn't break through these resistant levels by or just after the Jan. 12 report.
- **Soybean futures** continue upward says Hilker, and he adds, "Consider setting some pricing targets for soybeans, both above and below where we are. I don't like to fight an uptrend, but the market could drop sharply if the South American crop "grows". Read Jim Hilker's periodic newsletter at: <https://www.msu.edu/user/hilker/outlook.htm> .
- **Soybean stocks-to-use ratio** is 8%, according to Hilker, almost double that of last year, and he says prices are holding up really well given the 255 mil. carryout, "The fact the world (largely China) is hungry for soybeans has tempered the projected large South American crop, and that may well continue until we actually know more about what size the South American crop will actually turn out to be."
- **Hilker says wheat stocks-to-use ratio** is in the 43% range, the highest in this decade, and that explains low prices. He says don't run up big commercial storage bills.

- **Roller coaster prices** could level out as the economy recovers says Purdue economist Chris Hurt. He says crop prices increased from 2006 to summer of 2008, but production costs were not on the same track and so strong margins gave way to slim profits as input costs caught up. Hurt is looking at better news for the 2010 crop year.
- **Costs for fertilizers and fuels** have moderated for 2010, says Hurt, and, “We’re back fairly close to equilibrium on the price of grains and the cost of production. Producers can expect better prospects for recovering costs and having reasonable crop returns.” Hurt says recovery is going to be fairly slow, but he is quick to warn against over optimism, “Since a recession means our economic activity dropped, recovery simply means we’re starting from a low level. It does not mean we are back to business as usual.”
- **Precision agriculture** can lead to higher yield and profitability. IA farmer Clay Mitchell outlined his concepts to a MO agronomy conference, and noted several successes:
 - 1) Controlling field traffic creates soil qualities yielding 30% above his county average.
 - 2) Deep residue cover allows soil to mimic a forest floor protected from direct rainfall,
 - 3) Water infiltration reaches 4 in. per hour, compared to 0.2 in. in neighboring fields.
 - 4) GPS guided tractors exert 40% less effort driving on compacted lanes in the field.
 - 5) Maps showing single row yield indicated an 83 bu. yield difference from a mistake.
- **Financial troubles** in the pork industry will eventually hurt the consumer thinks MN ag economist Brian Buhr, who says a disorderly and extreme liquidation of pork operations could cause a 30% increase in retail pork prices. He says the \$31 per head loss and the unending red ink make this the longest period of losses in modern pork history.
- **July 2010** could bring some degree of recovery for pork producers according to Buhr, who called for public policy responses to help pork producers in the short term:
 - 1) Federal loan guarantees for pork producers who securing funding from local lenders.
 - 2) Financial mediation for pork producers and training of professionals to help mediate.
 - 3) Expand educational programs in marketing and business planning for pork producers.
 - 4) Federal purchases of pork for school lunch programs and community food banks.
- **Demand was down** for both live cattle by 8.2% and live hogs by 5% for the January to October period, however consumer demands were mixed for the same period. Livestock economists Glenn Grimes and Ron Plain say pork demand is up 2.6%, turkey is up 3.6%, beef demand is down 2.8% and broiler demand is down 3.4% for the past 10 months. They also say live hog demand is down because of smaller pork export demand.
- **If a cowboy** is going to make money, Utah St. economist Dillon Feuz says there are only two ways. His December newsletter <http://cattlemarketanalysis.org/index.html> says:
 - 1) The direction of the market must be up during the period of retained ownership.
 - 2) The cost per pound of gain must be cheaper outside the feedlot than inside it.
- **Beef demand** has several dynamics underway which deserve industry attention, according to the OSU beef newsletter <http://beef.osu.edu/beef/beef.html>
 - 1) Steakhouses are losing business: Ruth’s Chris -24%, Morton’s -16.8%.
 - 2) 11 bil. burgers are served annually, 70% of customers want “high quality” beef.
 - 3) 50% of hamburger customers want size variety: from mini-burgers to behemoths.

- **If you had white mold and SDS** in your soybeans this year that was one more indication that 2009 was an extraordinary year. Iowa St. plant pathologist X. B. Yang says those two pathogens just don't show up at the same time, and he said the 2009 frequency of both was "alarming," but you should expect the problem to increase.
- **If white mold and SDS** were both on your farm, you have a problem trying to eradicate one disease through cultural practices because it only serves to enhance the other.
 - 1) No-tillage practices reduce white mold risk, but they increase sudden death syndrome (SDS) risk; and conversely tillage reduces SDS risk but increases white mold risk.
 - 2) A corn-soybean rotation which lowers white mold risk would increase the survival of SDS, especially for a corn-corn-soybean rotation.
- **So what do you do to cure the problem?** X. B. Yang, the specialist, says "I have found no clear solution for this problem." He says if you have the two, prioritize them according to your farm conditions, despite the fact that both can severely cut yields. He urges farmers to start with resistant varieties of soybeans, and, "We need to stop the build-up of inoculum levels of these two diseases to prevent the same field outbreaks."
- **If you are undecided** about soybean varieties, WI agronomists Shawn Conley and Paul Esker have several ideas for decision making, particularly with the \$30 - \$70 price range:
 - 1) To make the best variety decision today, collect yield data from several sources.
 - 2) Compare yields from a wide range of locations and environments.
 - 3) Choose seed with your needed disease resistance/tolerance characteristics.
- **El Nino** finally became official on Wednesday when the 90-day Southern Oscillation Index (SOI) reached a required threshold level. Iowa St. meteorologist Elwynn Taylor says, "Expect January to March to be on the dry side of usual in the valley of the Ohio River and the temperature to average a bit above usual across the Corn Belt. For next summer, (there is) no estimate as most researchers feel the event will be short lived."
- **What concerns you?** OSU specialists asked that question of commercial farmers, who said 65% were concerned about the cost of health insurance, 61% about the cost of farm inputs, 58% about the cost of farmland, and 44% about farm income and about markets.
- **A similar survey** was taken of rural residents, and 40% were concerned about the cost of health insurance, 40% were concerned about the cost of farmland, 29% about new housing developments nearby, 27% about county land-use policies, 21% about weather. Read the report: <http://cffpi.osu.edu/docs/HealthInsurance09.pdf>
- **Baby boomers** are moving to rural areas to set up housekeeping according to NE rural sociologists, who say there are 83 million of them in the 45 to 63 age range, and where they reside will have major social and economic implications for the country. Read the newsletter: www.agecon.unl.edu/Cornhuskereconomics/2009cornhusker/12-9-09.pdf
 - 1) Empty nesters want leisure, recreation, and a generally slower pace of life.
 - 2) Many have an affinity for scenic locations with topography, water, and culture.
 - 3) Many had parents or relatives from farms, and they retain a rural emotional tie.

Cornbelt Update (formerly *Extension Update*) is e-mailed on Friday to selected subscribers and is also on the Internet at www.farmgate.uiuc.edu. E-mail comments to: Stu Ellis at shellis@illinois.edu.