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WHERE FARM DECISION-MAKERS START THEIR DAY



Cornbelt Update

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"Your Virtual Research Assistant."

- **Merry Christmas** to you and your family and best wishes of the season from the staff and management of Cornbelt Update. We realize that 2009 has been a challenge for Cornbelt farmers, whether you were trying to raise crops in a swamp or trying to survive devastating livestock markets. However, there may be something that did go right for you and identifying that will give you a good start toward what has to be a better 2010.
- **Cornbelt Update** may be a bit short for this issue and next, not because we are being lazy or overcome with eggnog, but only because of the shortage of items that are coming from university researchers and others while they are taking a holiday break.
- **If you have corn** still in field storage, you are not alone. KS State marketing specialist Dan O'Brien says "hopefully" questions about crop size will be answered by the Jan. 12, Final Report, but he says it is possible that harvest problems could cause the 2009 corn crop to be 250 to 500 mil. bu. less than USDA's December estimate of 12.921 bil. bu.
- **O'Brien says** such a production drop would cut the carryover next August to a 9% to 11% stocks to use ratio. But he says even if there is no decline in the crop estimate, the feedgrain market is already nervous about 2010 corn acres and potential weather threats. He says the market will be "doubly anxious" about acres, if USDA cuts 2009 crop size. Read more: <http://www.agmanager.info/marketing/outlook/newletters/default.asp> .
- **Market volatility** is expected by O'Brien for soybeans, should weather or disease become a problem for South America. He says the anxious and high priced soybean market is likely to be volatile during the late winter and early spring months.
- **Market volatility** eased from 2008, but MO marketing specialist Melvin Brees says there were still some wide price swings for 2009 crops, "New crop corn futures prices (December 2009 contract) varied more than \$1.60 per bushel during the year. November 2009 soybean futures prices moved more than \$3.00 per bushel. Depending upon the crop and yields, these price ranges can add up to \$250 or more per acre in revenue."
- **Melvin Brees** says your price risk for the 2009 crop originated in some non-traditional sources, "Weather, US production/use, world supply/demand, energy prices, the value of the dollar, the economy, large speculators and investment fund positions all contributed to the uncertainty and volatility that occurred in the markets." Read his newsletter: http://www.fapri.missouri.edu/farmers_corner/mktng_newsletter/CurrentDM.pdf

- **2010 will not be much different from 2009**, says Brees. He says large crops will be needed, but with minimal fall tillage, spring weather will be critical. Brees stresses the need for managing your price risk, either with cash contracts or the futures market.
- **O'Brien at KS State agrees**, saying grain markets could be affected by unforeseen geopolitical and macroeconomic events, which would also affect ethanol and inputs. He says that includes unanticipated changes in financial markets, such as inflation or deflation. The risks posed by financial and energy markets are serious, O'Brien says, and should be considered as part of your marketing plan and risk management strategies.
- **To update your marketing plan**, MI State marketing specialist Jim Hilker offers some "probabilistic price forecasts," as of 12/16: <https://www.msu.edu/user/hilker/index.html>
 - 1) Mar corn: 10% chance over \$4.88 and under \$3.39, 50% chance about \$4.06.
 - 2) Jul corn: 10% chance over \$5.78 and under \$3.00, 50% chance about \$4.16.
 - 3) Dec corn: 10% chance over \$6.49 and under \$2.69, 50% chance about \$10.59.
 - 4) Mar beans: 10% chance over \$12.41 and under \$9.05, 50% chance about \$4.06.
 - 5) Jul beans: 10% chance over \$14.07 and under \$7.85, 50% chance about \$10.50.
 - 6) Nov beans: 10% chance over \$14.27 and under \$6.87, 50% chance about \$9.89.
 - 7) Mar wheat: 10% chance over \$6.52 and under \$4.32, 50% chance about \$5.30.
 - 8) Jul wheat: 10% chance over \$7.72 and under \$3.79, 50% chance about \$5.40.
 - 9) Dec wheat: 10% chance over \$9.00 and under \$3.50, 50% chance about \$5.60.
- **"Supply and demand fundamentals don't mean much right now,"** says Mike Woolverton at KS State, adding that they have not meant much all year long. But,
 - 1) About 600,000 bu. of corn remains in snowy fields, while corn markets are sideways.
 - 2) Soybean prices are declining, despite Chinese buying which is tightening US supplies.
 - 3) A record South American harvest is anticipated, but harvest is several months away.
 - 4) Wheat prices are high despite the large global supply following two good years.
- **If a weak dollar** boosts exports, how can a rising dollar raise prices also? Woolverton says, "As the dollar value rose, the prices of gold and oil dropped by about 10%; oil was down nearly 15% at one time in early December. A likely explanation is when the dollar was dropping in value, traders and investors borrowed at near zero nominal interest rates, to invest in risky assets including agricultural commodities." Read his newsletter: <http://www.agmanager.info/marketing/outlook/newletters/default.asp>
- **The long range outlook is bright**, says Woolverton, as economies recover. "Economic growth in countries with young and rapidly growing populations will cause world-wide demand for food to grow. In the future, at times, the global situation will resemble that which existed in 2007 and early 2008 when global demand put such pressure on global supplies that grain and oilseed prices rose to unprecedented levels. Producers who are careful about costs and make intelligent marketing decision will do well."
- **Range-bound** is how MN marketing specialist Ed Usset describes corn, with the Mar contract ranging from \$3.80 to \$4.20, along with a 60¢ range for cash corn. He says the soft basis and wide carrying charges are "factors that speak to a less than robust market." He says the same is true for soybeans, with Mar futures limited to a \$9.60 to \$10.70 range; and while current cash and futures are in the upper part of the range, the Mar/July spread has changed from a 5¢ inverse to a 10-15¢ carry, "not a lively price environment."

- **Will you be getting an ACRE payment** in 9 months? Since the corn and soybean marketing year is just beginning, it is hard to say. But KS State economist Art Barnaby says the potential for ACRE payments is becoming clearer. Read his perspective: http://www.agmanager.info/crops/insurance/risk_mgt/rm_pdf09/AB_ACRE_pymts.pdf
- **With half the marketing year past**, eligible wheat growers in many areas will be in line for ACRE payments if they signed up, according to Barnaby's calculations. Based on current market prices, Barnaby says wheat growers in 21 states at this time could collect, if their farm qualified also for ACRE. Payments range from \$14 per acre to \$102.
- **ACRE payments to corn growers** will not be as widespread. Current market prices would allow ACRE payments to corn growers in 8 states, ranging from \$66 per acre down to less than \$2. None of those states are major corn producing states.
- **ACRE payments to soybean growers** will be more rare, and currently only Texas soybean producers qualify with a \$23 per acre payment. However, just like corn and wheat, market prices will fluctuate and lower prices would trigger ACRE payments.
- **"Unprecedented wetness,"** is how MO climatologist Pat Guinan describes 2008 and 2009 with a two year record of more than 106 in. of moisture and more in the forecast. He says that surpasses 1927 and 1928, with 102 in. of precipitation. Guinan says it is the first two consecutive years in his 20 years in MO with no drought alerts. He says the 4 months from July to October were the coolest on record and 2008 the coolest since '96.
- **Were you offered** Gaucho or Cruiser insecticides as a soybean seed treatment, and if so, what was your decision? IL crop specialist Mike Roegge says your goal is to lower overall seeding costs by planting fewer seeds per acre. If you increase the cost of the seed from an insecticide, it will have to guarantee performance to offset the higher cost.
- **Will a soybean seed treatment** pay for itself? Systemic insecticides will be viable for about 3 weeks says Roegge, and they may help with insects feeding above the ground. Those include seed corn maggot, black cutworm, and bean leaf beetle. If any of those have caused a problem in the past, was a rescue treatment really warranted?
- **Seed treatment decisions** can be made with the help of goals for that insecticide:
 - 1) If you buy a soybean seed treatment are you expecting a return on that investment?
 - 2) Is the seed treatment an insurance policy against a potential loss?
 - 3) Could you spend your money in a more efficient manner?
- **For 2010, the estate tax lapses**, which is an issue followed by many family farming operations, says IA tax law specialist Roger McEowen. He says for deaths in 2010, "The basis of property that is acquired from a decedent will be the lesser of the decedent's adjusted basis in the property or the property's fair market value as of the time of the decedent's death. So, no basis step-up will be allowed (but basis could go down)." He says Congress may try to extend it, which he expects will trigger lawsuits. Read more from his newsletter: <http://www.calt.iastate.edu/deathofestatetax.html> .

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 .