the farm gate

WHERE FARM DECISION-MAKERS START THEIR DAY

UNIVERSITY OF ILLINOIS EXTENSION

Cornbelt Update

A weekly publication for farm owners and operators, Feb. 5, 2010, Vol. 11 No. 42
Start your day at: www.Farmgate.uiuc.edu , a blog for farm decision-makers.
"Your Virtual Research Assistant."

- **Grain price declines** since the first of January have been 13% for corn and 9% for soybeans says marketing specialist Chad Hart at IA St. He says the USDA was not the only bearish report pulling the market down, but energy prices have declined and they have been a major driver for crop demand through biofuels over the last couple years.
- **Chad Hart says** while energy prices had rebounded during 2009, those prices have backed off recently. "Gasoline and ethanol prices have also worked their way down in January. Another factor is the recent strength of the dollar. The recent outlook and data for the general economy has been on the upswing. This has resulted in the dollar rebounding to hit levels it hasn't seen since last August." Read more of his newsletter. http://www.econ.iastate.edu/outreach/agriculture/periodicals/ifo/IFO_2010/ifo020110.pdf
- **Ironically, the stronger dollar** has not depressed the export market, and Hart says, "Corn exports ramped up over last year's pace in mid-December and have continued to exceed that pace. Soybean exports are running over 300 mil. bu. ahead of last year. In fact, here we are 5 months into the marketing year and soybean exports are still ahead of corn exports." Hart says the large South American crops will eventually limit that.
- **Early in Jan.** the futures market was bullish and USDA outlooks were bearish. Hart says that has reversed itself. He says current futures-based estimates of old crop prices are $3.47 for corn and $9.18 for beans, below the USDA forecast of $3.70 for corn and $9.65 for beans. He says new crop futures are $3.75 and $8.78 for season averages.
- **2010 production costs** will be less than last year, and ironically, you can thank the fertilizer dealer. USDA's fertilizer price report indicates an average anhydrous ammonia price in of $519 per ton, DAP price of $436 per ton, and a potash price of $511 per ton. The 2010 ammonia price is 37% lower than the January 2009 price of $803 per acre. DAP and potash prices are approximately 40 percent lower than year earlier prices.
- **But those fertilizer prices are increasing**, says IL farm management specialist Gary Schnitkey. Since lows were hit in October he says anhydrous has increased about $90 and DAP has risen $55, but potash has declined about $65. Schnitkey expects further increases in costs, with fertilizer cost for corn at $100/A and $50/A for soybeans. Read more: http://www.farmdoc.illinois.edu/manage/newsletters/fefo10_02/fefo10_02.html

- **Fertilizer prices may rise,** says Schnitkey, "Due to wet weather, little fertilizer was applied during fall 2009. This could lead to more fertilizer applications in the spring, potentially leading to supply and manufacturing bottlenecks. These bottlenecks then could lead to higher prices so as to ration fertilizer applications. This possibility, along with general energy price uncertainty, leads to the sizable risks of rising fertilizer prices."

- **If you are calculating** expected nitrogen needs for 2010, review some of the data being reported after 4 years of recent field trials on corn response to nitrogen fertilizers. Read the report http://www.agry.purdue.edu/ext/corn/news/timeless/NitrogenMgmt.pdf
  1) The optimum agronomic N rate (AONR) was 186 lbs/A and it produced 196 bu./A.
  2) The average AONR for corn/corn was 47 lbs more than for corn/soy.
  3) Average corn/corn yields were 20 bu./A less than for the corn/soy yields.
  4) With 40¢ N and $3.50 corn, the optimum economic N rate (EONR) was 168 lbs./A.
  5) The EONR on all corn/soy tests was 18 lbs. less than the AONR.
  6) The average yield on EONR sites was only 0.5 bu./A less than the AONR.

- **MO farmers raised a near record corn crop,** but MO agronomist Peter Scharf says it could have been 25% larger had not the crop run out of N. And he says that cost farmers 113 mil. bu. because of N leaching and nutrient deficiency. He says pay attention to the color of corn early in the season, since rescue N can add 50 bu. more per acre.

- **What are you taking** to your appointment with the tax preparer? MN ag business specialist Robert Holcomb suggests making a comprehensive document checklist:
  1) A copy of the most up-to-date accounting report for tax year 2009.
  2) Documents that describe commodities sold with deferred payment contracts
  3) Government payments documents that have been received with FSA payments.
  4) Crop insurance documents showing benefits plus withheld premiums.
  5) IRS documents W-2s and 1099's showing income received.
  6) Accrual basis taxpayers should take a complete inventory list.
  7) Records of medical, dental, property tax, education, and health insurance expenses.
  8) Determination of personal portion of utility, fuel, and vehicle expenses.
  9) A copy of last year's tax return and accounting records.

- **Is there vomitoxin** in your stored corn? OSU plant pathologist Pierce Paul says, "Vomitoxin can increase in storage if environmental conditions are suitable, vomitoxin won't be reduced because it's stable, and I know of no fungicide or other chemical treatment that has been used effectively to reduce vomitoxin in stored grain."

- **There is no control** for ear mold rots or mycotoxins that can be used either in the field or in the bin, says Paul. "I know that some farmers may be desperate to reduce vomitoxin levels in stored grain, but they should avoid buying into the strategies that these chemical treatments work." He says there are some agents that bind the toxin and make it inactive to allow the corn to be fed to livestock, but he says those work better for aflatoxin.

- **Moldy corn can develop in storage** when bin temperatures are above 40 degrees Fahrenheit and grain moisture is above 15 to 20 percent. Moldy grain increases the chances of vomitoxin. To avoid high variations of vomitoxin levels during testing, growers should pull multiple samples from multiple locations.

- **Another 1% drop in the beef herd** was the bottom line on the latest USDA report, which Purdue economist Chris Hurt says that means a 5% decline over the past 4 years. Beef supplies to the consumer will decline this year, but exports will climb 10% compared to last year. That would make an 81% retracement since BSE in 2003.
- **Chris Hurt predicts** prices for finished steers to reach into the low $90's this spring and trade either side of $90 this summer. He believes moderating feed prices will benefit calf prices and help them to rise into the $115 to $120 range the second half of 2010. By the way the 2009 calf crop dropped 1%, according to USDA, and is the smallest since 1950.
- **The Cattle on Feed report** was encouraging also to MO economists who looked at the number of heifers on feed. "In Jan. 2006, there were 55 heifers on feed for every 100 steers in feedlots. In Jan. 2010, there were 59 heifers per 100 feedlot steers. The steady increase in the proportion of heifers on feed correlates with a decline in heifers being retained for breeding and is a strong indicator the cow herd will continue to shrink."
- **Are US cowboys being hurt** by imported beef? No, say NE researchers who report on consumer choices that are made between lean grass feed beef that is imported and more marbled beef produced in feedlots. They say the statistical evidence is 0.01% price decrease for either choice or select beef for 1% increase in imports. And they conclude the 2003 BSE event did not trigger higher prices in the US market.
- **It's your choice,** Purdue economists tell dairy producers about whether to switch to organic production. They found that organic dairy producers ended up with 13% less milk compared to conventional methods. On the other hand, they found organic producers cut up to 22% from their production costs by growing their own feed. Feed for organic milk is more costly to buy, but if you are growing your own, the price is less.
- **Pastures can be improved and renovated** with frost seeding in February or early March which will allow freeze-thaw cycles to provide shallow coverage of seed and help in remain in place prior to spring rains. IA St. agronomist Steve Barnhart says snow seeding does not work the best, since you want the seed on the soil at the start.
- **Think about the bugs** when you make decisions which crops to plant as feedstock for biofuels plants, says MI St. entomologist Doug Landis. He's urging more biodiversity that will include crops which provide better pest suppression and pollination. For example he says predator insects in soybeans provide $240 mil. worth of pest control.
- **What is your sorghum IQ?** Purdue agronomist Gebisa Ejeta says it is the world's fifth most important crop and has the potential to be a feedstock for US biofuels. He says it has a lot of genetic diversity that helps its economic value, producing a lot of biomass and a lot of sugars for ethanol production. But he says it lacks regional production, and with only 18 mil. acres being grown, it is not centralized enough for an ethanol crop.
- **Ejeta, a World Food Prize Laureate**, is improving the genetics of sorghum to make it a better producer in developing countries, where environmental conditions vary widely. He says the international knowledge base for sorghum has expanded and he is importing it from overseas to use in his research that will benefit US producers of sorghum.

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 .