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Cornbelt Update

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- **Corn price strength** is due to harvest delays and ethanol according to the calculations of IL marketing specialist Darrel Good, who says favorable blending margins for ethanol and reduced Brazilian imports have allowed prices to move sharply higher. He says, "The EPA ruling on increasing the limit on blending from 10% up to 15% will be important for determining domestic market size moving forward." The US EPA had wanted to finalize its decision by December 1, but Good doubts that date will hold.
- **Corn exports have faded**, and are below the volume needed to meet USDA's forecast of 2.1 bil. bu. for the marketing year. However, the rate of feed use is uncertain. Darrel Good says higher rates of feeding may occur due to the poor crop quality, but on the other hand, the poor corn quality may push livestock feeders to use alternative feeds. Read more: <http://www.farmdoc.illinois.edu/marketing/weekly/html/111609.html>
- **Soybean prices have been supported** by strong export business, and nearly 70% of the USDA forecast for the year was reached earlier this month. However, they will fade quickly when South American soybeans come to market early in 2010. The domestic crush has increased and may exceed USDA expectations says Darrel Good. But he says the crush reflects the poor crop quality and lower yield of protein meal and soybean oil.
- **If you are selling**, Good says thank the low value of the dollar and the strength in the US financial markets. While the low dollar allows importers to purchase more, Good says, "There is no historical statistical relationship between the value of the U.S. dollar and the volume of marketing year exports. He expects stronger prices from harvest delays.
- **Sell the corn carry**, recommends MN marketing specialist Ed Usset. He says, "The carrying charges from the nearby December futures contract to the deferred March, May and July contracts are very large – the market is sending a very strong signal to store grain and sell the carry." Read his thoughts at: <http://edsworld.wordpress.com/>
- **How do you sell the carry?** Usset suggests a hedge-to-arrive contract. "Selling the carry with a hedge-to-arrive or a futures contract has several advantages including (1) a solid hedge against lower prices in the months ahead, (2) the opportunity to earn a return to storage equal to the size of the carry and a stronger basis next year and, (3) the ability to defer income to next year." He's expecting improvement in the basis in the spring.

- **Late and drawn out harvests** mean the basis will be stronger than usual during the harvest period and less likely to appreciate when harvest is completed, compared to a typical year. Purdue's Chris Hurt says that is a reduced incentive to store the crop, and producers should use pricing alternatives that establish the basis, such as selling cash out of the field, a basis contract, or a minimum price contract.
- **What are your storage costs** for grain? IA grain marketing specialist Bob Wisner says, "The proper use of storage will increase a producer's income. However, maximum storage income results from selective rather than continuous use of storage facilities." Calculate your cost: <http://www.extension.iastate.edu/agdm/crops/html/a2-33.html>.
- **What is the discount schedule** at your local elevator? Purdue economist Corrine Alexander says it may be different from the one down the road, and you should inquire. She asked 6 Midwestern elevators about drying charges and found they ranged from 32¢ to 55¢ per bushel. Additionally, discounts for mold and other quality issues have a wide discount range. Discounts on 10% damaged corn ranged from 5¢ per bushel to 15¢.
- **But what about low test weight?** That issue and others will require a sample taken by a specified professional and tests run by certified labs before the grain is stored. Purdue's George Patrick says limited discounts on corn are unlikely to result in indemnities, unless your production yield met the requirements specified for your insurance coverage.
- **Ear rots and other quality issues** will trigger insurance payments if claims are filed properly. Purdue economist George Patrick says, "Insurance based on individual farm performance (APH, CRC, RA, and IP) does provide coverage. County based insurance (GRP and GRIP) do not cover losses due to quality on individual farms. If the county average yield (GRP) or revenue (GRIP) falls below the guarantee level of a producer, then an indemnity may result." High levels of mycotoxins are insurable losses also.
- **If your stored corn** is moldy, Purdue's Linda Mason has several concerns for you. She says the mold in your bin will create more problems if you are unable to dry it down.
 - 1) The hairy fungus beetle and foreign grain beetle feed on mold, not the corn itself.
 - 2) Bins with mold growing are above 55°F and will allow insects to breed and multiply.
 - 3) Insect issues in the spring can be addressed with a top-dress insecticide or fumigation.
 - 4) Moldy grain should be dried to 12-14% moisture at a lower heat and for a longer time.
 - 5) Sample corn more often than usual, especially if you have warm spots in the bins.
- **If you are storing moldy corn**, MO ag engineer Charles Ellis says moisture migration can exacerbate mold problems in winter. As temperatures drop, warm air can rise in the center of the bin, cooling when it reaches the cold grain near the surface. This results in moisture condensation, leading to rapid spoilage when spring brings higher temperatures.
- **If your corn is lodging**, find out why, and MN specialist Ken Ostlie says it may be rootworms, corn borer, or stalk rots and each produces a different lodging pattern. More: <http://blog.lib.umn.edu/efans/cropnews/2009/11/lodging-in-corn-diagnosis-harv.html>
 - 1) Stalk rots weaken the stalk internally and plants break at different heights.
 - 2) Corn borer tunnels weaken the stalk and plants bend over above ground.
 - 3) Rootworm feeding on roots reduces standability and plants will lodge at the roots.

- **Lodged corn can be a pain** to harvest and every field is unique. Ostlie's offerings:
 - 1) Harvest the worst first to reduce harvest losses and don't postpone aggravation.
 - 2) Plastic snouts work better than metal, and waxing them may even help.
 - 3) Combine against the direction of lodging, or at worst, crossways of the field.
 - 4) Expect higher moisture levels and extra drying costs. Lodged corn dries little.
 - 5) Post harvest repairs may be higher from plugged headers, rocks, and more wear.
- **Field losses** accelerate after mid-November, and can range from 0.5% to 2% per week of harvest delay, although losses may be higher or lower in individual fields based on a variety of other conditions. Losing 1 ear per 100 feet equals the loss of 1 bushel per acre.
- **If diplodia was an issue this year**, rotate to another crop next year. MO plant pathologist Laura Sweets says the fungus will survive in the corncob and stover and be ready to perform in 2010. She said crop rotation will help prevent repeat problems.
- **For livestock feeding**, moldy corn can be diluted with good corn, soybean hulls, hay, and other feed sources. DDGS is a good feed source, but if it was made from moldy corn, the ethanol fermentation destroys the mold but multiplies any existing toxins threefold.
- **Large amounts of BCFM** are causing some loads of corn to be rejected, and WI ag engineers say adjust your combine to ignore it. Part of that is selecting a ground speed that does not overload the combine. Minimize the material entering the header and set your concave to the approximate diameter of a shelled corn cob.
- **Have you hired** an extra combine and operator to help you get caught up? The cost may have you thinking about the costs of combines versus custom harvesting and thousands of dollars may be involved to your benefit or detriment. IA economist William Edwards has a calculator to help: <http://www.extension.iastate.edu/agdm/crops/html/a3-33.html> .
- **Your fall tillage** may not happen if soils remain saturated. MN specialists are concerned about compaction and smearing, and those will delay a quick dry out next spring for timely planting. They recommend filling in ruts and keeping your tillage shallow. More: <http://blog.lib.umn.edu/efans/cropnews/2009/11/tillage-considerations-for-wet.html>
 - 1) "Frost tillage" is for slightly frozen soil. Equipment is supported on a 1" frost layer.
 - 2) Avoid compaction with proper tire air pressure and axle loads under 10 tons.
 - 3) On wet soils, use the lightest tractor that can still get the job accomplished.
 - 4) Spring fields with heavy residue may be good candidates for soybeans or spring wheat.
- **How much crop residue** exists when you plant in the spring? A new IA State website calculates it for you based on the prior crop, types of tillage tools used, and your planter. Just with a field cultivator with 12-20" sweeps and a planter with a furrow opener, only 33% of your bean stubble from the prior crop remains for spring planting. Find the website at: <http://extension.agron.iastate.edu/soilmgmt/calcResidue.aspx>
- **Weedy wheat fields may appreciate** your attention. OH weed specialists report, "Herbicides are most consistently effective on winter annuals and dandelion when applied in fall. For most of the herbicides with activity on winter annual grasses, labels specify that control is maximized through application in fall. A dense population of winter annuals may have already suppressed wheat growth by the time a spring treatment can be applied, especially if the spring application is delayed into April."

- **Dairy and other livestock producers** have been losing money for months, but prospects for turnaround are delayed to 2010. If you have been losing \$1,000 per month on a dairy cow or have other losses, IL specialist Dave Fischer says go back to production basics:
 - 1) Maintain working capital, compute a cash flow, and don't surprise your lender.
 - 2) Maximize income over feed cost, which means keep your efficiency with good feed.
 - 3) Don't cut costs which will negatively affect livestock performance and health.
 - 4) Liquidate any unused assets which may help provide cash flow for coming months.
 - 5) Care for yourself and your family by maintaining communication and social network.
 - 6) Strategize for the future while looking for opportunities to strengthen the present.
- **The downturn in meat demand** has lasted more than a year say IA livestock economists and the demand for high quality whole cut beef has taken the biggest hit. From Jan. to Sept., spending on restaurants is down 2.6% and home cooked beef is down .5%.
- **Friday, Nov. 13th** was a red letter day for pork producers. MO livestock economist Ron Plain says as of last week, pork producers lost more money in the recent downturn than they did in the price collapse a decade ago. He says for the past 24 months, the average hog lost \$19.18 per head, which is a \$4.6 bil. loss for the pork industry in those 2 years.
- **For the next year**, Ron Plain of the Univ. of Missouri offers little optimism for pork profitability. He thinks live hog prices will average \$43-47, which is up \$3-6 from this year, but production cost is now \$52, even if it is down from \$62 this past summer. The anchors holding back profitability are the references to "swine" flu, weak domestic consumer demand, and a 15% oversupply of hogs, compared to the current demand.
- **Land values** in the Chicago Federal Reserve Bank district rose 2% for the third quarter of 2009, based on a survey of local bankers. But currently, the price of "good" farmland is 4% less than it was at this time last year, and that makes the third successive quarter that land values were less than they were 12 months earlier. Land values in the northern 2/3 of IL dropped 4% from 2009 and IA land values are 7% less than they were in 2009.
- **Farmland prices** will stabilize, 69% of bankers told the Chicago Fed, but 27% expect a decline, and most bankers believe farmers generally will back away from land purchases. The reason for the trend was a diminished earnings stream because of grain markets, lower net cash earnings, and high input costs that will reduce profitability.
- **The Chicago Fed survey** did not find much change in credit conditions from 3 months ago, but 25% of local bankers say there is an increase for non-land loans compared to a year ago. 21% of bankers said repayment rates were lower and 24% of bankers reported an increase in loan renewals and loan extensions compared to late summer of 2008.
- **Bankers are telling the Fed** to expect a surge in forced farm sales and liquidation of assets among financially stressed farmers and particularly livestock producers this fall and winter. Also, IN and IA bankers forecast increases in grain storage construction. Read more: http://www.chicagofed.org/publications/agletter/november_2009.pdf .

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