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WHERE FARM DECISION-MAKERS START THEIR DAY



Cornbelt Update

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"Your Virtual Research Assistant."

- **December 10** is an important date for anyone with crop insurance coverage on a row crop still standing in a Cornbelt field. That is the termination of your insurance coverage under USDA's Risk Management Administration rules. If you are in that picture, visit as soon as possible with your crop insurance agent. While insurance coverage ends, USDA wants farmers to continue harvesting to determine the extent of any weather damage.
- **What is keeping grain markets afloat?** IL Extension's Darrel Good says the slow harvest and good consumption are not enough to support current prices. He says once South American begins bean harvest, the decline in the bean market may be sharper than usual. And he says the poor profitability in livestock will mean DDGS and soy meal may go unconsumed. He expects more 2010 corn and bean acres because of unplanted wheat.
- **Thank China**, if you are happy with soybean prices, suggests marketing specialist Darrel Good, because of recent purchases. He says China had a smaller crop, and with the small South American crop, Chinese purchases have bolstered US soybean exports.
 - 1) Chinese export commitments are at 614 mil. bu, compared to 328 this time in 2008.
 - 2) 473 mil. bu. have been inspected for export, compared to 355 mil. this time last year.
 - 3) 579 mil. bu. have been sold, but unshipped, compared to 328 mil. this time last year.
- **Corn prices** are reflecting the sharp increase in ethanol prices as well as the late harvest says Darrel Good. The current ethanol price is 25% more than it was in September, which means the blending economics are favorable and corn is in strong demand. Read more: <http://www.farmdoc.illinois.edu/marketing/weekly/html/113009.html> .
- **Corn exports** do not parallel soybeans says Darrel Good and have averaged less than 18 mil. bu. per week for the new marketing year. That has caused USDA to lower its estimate of corn exports by 100 mil. bu. since it issued the Sept. crop report. Good says Japan may speed up its purchases, and that may help new crop corn export prospects.
- **Price direction** is uncertain to KS St. marketing specialist Mike Woolverton, who says the size of the crop won't be known until USDA's final report on January 12th, "Add in the uncertain and volatile outlook for foreign and domestic economic conditions, currency exchange rates, and energy prices, and you have a number of critically important market factors that could impact US grain prices throughout the coming year."

- **The corn market**, says Woolverton, “indicates that prices are likely to move at least moderately higher from now through March 2010. Beyond that, although prices are likely to continue moving higher, there is less certainty regarding the upward trend. Acreage decisions, weather influences, and export prospects for U.S. corn are all likely to have a growing influence on corn prices in the spring and summer months of 2010.”
- **The bean market**, says Woolverton, “indicates that prices are likely to move sideways from now through February- March 2010. Beyond that, prices could continue to move higher into May but to also to be extremely volatile. Just as for US corn, acreage decisions, weather influences, and export prospects for U.S. soybeans are all likely to strongly influence U.S. soybean prices in the spring and summer months of 2010.”
- **The wheat market**, says Woolverton, “indicates that Kansas wheat prices are likely to move marginally higher during the December 2009 through February 2010 period. However, options based price forecast information indicates greater promise of wheat price strength into the new crop July 2010 contract.” He expects spring volatility.
- **160 bushels per acre.** That is the 2010 national average yield being predicted by IA St. meteorologist Elwynn Taylor. He doubts that either El Nino or La Nina will be a factor, soil moisture is already at capacity, and 160 bu. would be 2% above the 30 year yield trend line. Taylor says there is a 23% chance of more than 173 bu. and a 17% chance of below 142 bu., but he says consistent yields since 1996 reduces the chances of those.
- **Tax planning** may be more important this year than in many others, because of depreciation options from your purchase of equipment under the new Section 179 expensing provisions. IL tax specialist Gary Hoff says for 2009 only, new equipment can be depreciated over 5 years, instead of 7, but if that is more depreciation than you need, you can elect the 10 year straight line depreciation option on all qualifying purchases.
- **50% bonus depreciation** is also available for this year but it must be used on all property in a specific class, such as 5 year property like pickup trucks, or 7 year property such as farm machinery. The 2009 depreciation options, according to Gary Hoff, could range from \$15,000 to over \$278,000 if you bought \$300,000 worth of equipment. Read more: www.farmdoc.illinois.edu/announcements/agrnews/Nov_2009/agrnews_Nov_2009.html .
- **Due to poor grain** quality you may have sold more of your 2009 crop than you would normally, and that may unintentionally raise your income level for 2009. IL farm tax specialist Gary Hoff suggests an early visit with your tax advisor to determine your tax liability and whether you want to accelerate expenses, income, or make other changes.
- **You deliver a commodity** to a buyer and are paid, but 90 days later the buyer goes out of business and a bankruptcy trustee wants you to give 80% of the money back. That is what is happening to IA livestock producers who sold livestock to a meatpacking plant in Postville, IA. IA State law specialist Roger McEowen says if producers do not respond with the help of an attorney, the court can order them to repay 100% of their payment.
- **Diesel fuel** has been a bargain for the past year, compared to the prior year, but futures prices indicate the party is over, says KS St. economist Kevin Dhuyvetter. Dec prices will be 31% higher than 2008, and the trend tops out in April at 70% more than 2009. He says prices will slowly fade into Dec 2010, which will be 9% above Dec 2009 prices.

- **Nah, nah, hey, hey, goodbye.** Few farmers will shed a tear for the departure of the European corn borer, which is on the last train south. IL entomologist Mike Gray says the results of his 2009 statewide survey are stunning, with only 0.6 borers per 100 corn plants. After reaching highs in the 90's in 2001 and 2002, the downward trend has accelerated, and his crews found no corn borers in 23% of IL counties.
- **European corn borers** have been unable to survive, thanks to Bt corn, says Mike Gray, "As refuges decrease in size and additional Bt hybrids with pyramided genes expressing multiple Cry proteins are brought to the market, European corn borer densities will most likely continue their decline." He expects the spring 2010 moth flight to be quite low.
- **"I'm not really sure what will happen in 2010,"** says Ron Hammond. All of the other Extension entomologists agree with their OSU colleague about what soybean aphids have up their sleeve next year. This year there were aphids where they were unexpected and few aphids where they were expected. After swarms made the evening news in August as they migrated, their life suddenly ended before laying eggs, leaving 2010 in question. They were met with a toxic fungus at the right time and place for soybean farmers.
- **How compacted is your soil** after harvest is complete? OSU ag engineer Randall Reeder says if you have a rutted spot, do what is necessary to get ready for planting and leave the rest of the field alone. But he says if you try complete tillage, and cause compaction, it will be applied to 100% of the field. Reeder says if the compaction is deep, he suggests doing nothing, especially if it turns out to be a wet spring.
- **Deep tillage on wet soil** destroys the soil structure, says Reeder, and "If a farmer can get a no-till planter or drill across rutted ground reasonably well, it may be better to take a slight yield hit in 2010, then try to correct the deep compaction problem after harvest." He says the current situation may allow many farmers to consider other types of tillage and planting systems. Reeder says compaction is best solved with no-till production.
- **If you are applying anhydrous ammonia,** is it staying in the ground? IL fertility specialist Fabian Fernandez says wet soils do not close behind applicator knives and you may be losing money as the ammonia vaporizes and escapes into the atmosphere. But he also says the ammonia that stays in the ground will quick bond with wet soil and will not spread out as it should. The result is a small concentrated strip. He's discouraging fall ammonia application. Read more: <http://ipm.illinois.edu/bulletin/article.php?id=1253> .
- **If your P & K application** last year was skipped for cost or timing reasons, lower costs may entice you to apply them this fall, but timing may be a repeat problem. Wet soils will be compacted by fertilizer applicators causing yield problems. IL fertility specialist Fabian Fernandez says if you wait to spread it on frozen ground, it will be lost when the snow melts next spring and runs off fields and into ditches and waterways. He says P & K can be spread in the spring and he recommends broadcast applications.
- **For hybrid selection,** consistency is high on the priority list for Purdue's Bob Nielsen. He says the secret lies in looking for trials that evaluate hybrids over multiple locations. Multiple testing locations in a single year represent possible weather patterns your farm may encounter in the future. Nielsen says weather variability influences hybrid performance more than any other variable because it interacts with limiting factors.

- **How is consistency measured** in hybrid evaluation? Nielsen has two suggestions: <http://www.agry.purdue.edu/ext/corn/news/timeless/HybridSeln.html>
1) Hybrids that consistently yield 5% above the average yield of trials where entered.
2) Hybrids that consistently yield at least 90% of the maximum yielding hybrid in a trial.
- **When selecting corn hybrids**, MN agronomist Jeff Coulter suggests begin with the maturity, and buy seed that will reach maturity at least ten days before the first average frost to allow time for grain dry down and provide a buffer against a cool year or late planting. He suggests planting multiple hybrids of varying maturity to spread the risk.
- **Also select a corn hybrid** based on standability, because that ensures the grain produced is harvestable. Coulter at MN says, “Since corn has a narrow optimum plant population, unharvestable ears due to stalk and root lodging will have a large impact on yield.” He says a 2005 IA St. test found that yield drops 1 bu. for each 2% increase in lodging.
- **Uneven maturity** at an OSU soybean test plot turned out to be an SCN problem. The researchers report using varieties with genetics from the P188788 line that has SCN resistance. But those varieties also had other genes, and while some of them grew in large pockets with no SCN eggs, other beans were trying to grow in soil with over 750 eggs per cup of soil. They reported soybean varieties with genetics from the Peking variety did very well in heavy SCN pressure, and are researching SCN pressure levels.
- **If white mold suppressed your soybean yield**, Cobra may be one of the ways to fight it in the future. Yes, Cobra, a herbicide, was one of the better performers in a single test plot by IL agronomists. Read more: <http://ipm.illinois.edu/bulletin/article.php?id=1252>
- **On one hand**, pork market specialists, like Purdue’s Chris Hurt says the current financial reality likely means the herd will decline, demand will improve, and hog prices will be higher than the current forecast. But in the meantime, Hurt says prices will average \$44 in the spring, and given the assumption of \$50 costs, that is a \$10 loss per head.
- **On the other hand**, futures traders believe hog prices will be higher. Hurt says, “Using lean hog futures at the close on Nov. 20 and the average Eastern Corn Belt basis level for the last five years, the futures market is suggesting \$50.50 for a farm level price next year, which suggests a breakeven price.” But Hurt is concerned that scenario may increase optimism that will result in a smaller than needed cut in the breeding herd.
- **In the meantime**, lenders do not want pork buildings, pork farms, or even country homes, says Hurt, who adds lenders just need to know they are not going to lose money. He says the biggest non-assurance in the past two years has been the market.
- **Beef producers** have a new reference to solve problems. Extension beef specialists throughout the Cornbelt have authored the Beef Cattle Handbook, a compilation of 145 factsheets on reproduction; agribusiness and business management: nutrition; production management; quality assurance and carcass end products; health and entomology; facilities and equipment; environmental stewardship; pasture, range and forage management; and breeding and genetics. Order the publication: <http://www.mwps.org>

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.