

Learn To Benefit From Market Forecast Tools, Says Consultant At Crops Day

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GUTHRIESVILLE (Chester Co.) — Grain farmers, take heed — there's no room for error in the 1994 crops, according to Dr. James Russell, Russell Agricultural Consulting, here on Tuesday at the annual Chester County Crops Day.

Russell told the nearly 100 farmers and agribusiness representatives present that because of the flooding and potential wet spring in the Midwest, corn and soybean farmers could see high prices for their crops — if they know how to read the futures markets and make the right decisions.

Russell makes recommendations in his weekly Russell Crop Report newsletter, published in Kennedyville, Md. Because of Midwest levees full and breaking, and planting conditions questionable for this year's crop, corn stocks are as tight as they've been since the mid-1970s.

"We have the highest probability of spring flooding that we've had in at least 40 years, maybe forever," he said.

World stocks are also tight. So what should cash croppers do?

They should use the tools that exist to get the best price for their crops, according to Russell. Though the terminology may be a little perplexing, the concepts are easy to learn.

"Marketing is important," he said. "It's just as important as production."

"In a typical year, two-thirds of the nation's farmers will sell in the bottom one-third of the yearly price range," said Russell. According to the consultant, you cannot predict price, but can examine the outlook and see what the possibilities are.

He told the farmers that typically corn costs about \$250 per acre to produce. If farmers can reap \$2.80 per bushel of corn, instead of locking in at \$2.60 a bushel, on a 100-bushel per acre yield, profits are tripled.

"You've already incurred all of the production costs," he said. "Anything you can do on the marketing side, it's just like free grain."

Even another 20 to 30 cents a bushel can be obtained through



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better marketing — a way to shore up the bottom line.

To be a good grain marketer, farmers need to look at "basis" — the difference between the cash and futures price. Options, called "put" and "call," he said, "give you alternatives that were just not available before."

A "call" option gives a farmer a chance to get the best price at the time of harvest, an insurance (at a few cents per bushel) that could result in much higher profit at selling time. A "put" option is insurance if the price falls, for whatever combination of reasons.

For example, according to Russell, for a 100-bushel corn yield, at 15 cents an acre, an option could be used at a cost of \$15/acre cost to protect a \$250/acre investment.

In his market outlook, Russell indicated that "this is one year not to mess up," he said, because of the tight stocks and uncertain harvest.

In his latest newsletter, accord-

ing to futures data he obtained, there is only a 38-day corn pipeline stock availability equal to 802 million bushels. That's extremely low. Even in the 1988 drought, corn stocks stood at 1.93 billion bushels, with a 97-day supply. Projected supply in 1994 is only 38 days.

USDA predicts about 80 million acres to be planted this year. "If anything should significantly threaten the 1994 corn crop, you're going to see \$3.50-\$4.00 futures," said Russell. He recommends to farmers that every corn sale they make in 1994 to be in the form of a price floor, with a call option (as of Tuesday, cost was 8 cents a bushel). If something does significantly threaten the U.S. crop, according to the consultant, that 8 cents could make a profit of 50 cents to \$1 per bushel "or even more," he said.

"There're not many years when we can sit here and talk about the chance for \$4 corn," said Russell.

For the soybean crop, stocks are also extremely tight, with only a 28-day supply (in the past, a 40-day supply was the norm). USDA projects about 150 million bushels in 1994.

But there's a downside to the predictions, too, because of a possible record South American soybean crop which could threaten prices domestically.

If U.S. has a bumper soybean crop, then the U.S. price average could be about \$5.50 a bushel. But if something seriously threatens the U.S. crop, then the price could go to historic levels, said Russell, "at least \$8-\$9 a bushel," regardless of what happens in South America.

"I would cover 50 percent of any (soybean) sales in the form of price floors," he recommended. But prices on the futures market for soybeans remains bullish, at \$7.25 per bushel, which could reach \$7.50 per bushel in May.

Regardless, farmers should be aware of what they can do to benefit from the forecasts.

"I strongly urge you to become familiar with these tools," said Russell. "I really think that people who don't get a handle on managing this risk, they're going to be fortunate if they're around here 10 years from now. It is not difficult to do."

Cover crops

Also at the Crops Day, Dr. Bill Curran, Penn State weed specialist, said that farmers benefit from no-till because weed seeds are kept below the surface. But cover crops greatly enhance weed suppression if enough material is present to help stop weed seed germination.

Curran indicated that weed seeds can remain viable for a long time. In one example, lambsquarters seeds found buried with an Egyptian pharaoh were planted after 1,200 years, and a good percentage were able to germinate.

In a series of Penn State test plots, it was determined that cover crops can suppress germination. In one study, 8,000 pounds/acre of a rye cover crop suppressed pigweed germination by 60 percent.

But in order to benefit from weed suppression, winter rye cover material has to approach 3,000-4,000 pounds per acre in order to have an impact on weeds.

Also, more study needs to be done on the toxic effects (allelopathy) of the decaying cover material to not only weed suppression, but to the growth of the crop.

Nutrient deficiencies

Dr. Doug Beegle, Penn State agronomy extension specialist, said farmers can troubleshoot crop nutrient deficiencies by recognizing them in the field.

But it is vitally important to go into the field and check the plants, rather than guess at them at a distance, according to the nutrient specialist.

Many times, farmers can recognize the plant's "hidden hunger" symptoms and have the plant tested to see what it may be lacking.

Enough samples must be taken, and the procedures for sampling carefully followed, to determine what the needs may be. Also, different nutrient needs vary at different times according to the plant itself, according to Beegle.

For nitrogen deficiency in corn, a V-shaped yellowing from top of leaf to mid-leaf are the warning signs. The leaves will be yellowing in this pattern starting from the bottom of the plant upward.

A phosphorous deficiency is evident in a dark purple color developing along the edge of the

leaf and working inward.

A potassium deficiency is noted when the edges of the leaf turn yellow and die.

Almost exactly the same patterns turn up in soybean plants, also, with the same kind of deficiencies, including similar micro-nutrient problems.

Farmer of Year Award

At the Crops Day, the Chester County Conservation District presented their Conservation Farmer of the Year Award to Jesse Lair, who operates a 177-acre dairy farm in Russellville.

Lair, who farms with wife Martha and son David, used his tractor to build some of the diversion ditches and terrace areas on his farm. In all, the farm includes 2,712 feet of diversions, 3,150 feet of storage terrace, 1,320 feet of underground outlet, 96 acres of grassed waterway, and 18 acres of contour farming.

The Lair farm, which follows a nutrient management plan, participates in the Chesapeake Bay Program.

Milk Price Change Less Than Usual

TOM JURCHAK
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SCRANTON (Lackawanna Co.) — As of Jan. 15, with most dairy product market reports for the last two months saying prices are "trending downward," or "unsettled and weak," it was expected that the diversion of fluid milk to manufacturing because of school closings for the holidays, would be enough to lower prices dramatically.

That didn't happen, so 1993 slid into 1994 with less than the usual change.

It's true that prices are trending lower, but still at a surprisingly slow rate. Since block cheese prices peaked at \$1.35 on Nov. 24, they dropped less than 5 cents in the next three weeks to \$1.30, with no change the last four weeks to Jan. 14.

A year ago in January, cheese prices were \$1.16 for blocks. Powder prices have performed about the same with only slight drops, and butter has been generally steady at 65 cents, but 5 cents lower than last month.

While lower product prices are expected at this time of the year, there's now more than the usual uncertainty in the market as to when and how far these drops will be.

Contributing to the uncertainty is the fifth consecutive month of falling milk production — December ended the year with another 2 percent below a year ago, with Wisconsin and Minnesota down 7 and 4 percent, respectively.

M-W Lower But Higher

In spite of lower milk production in the upper Midwest, higher storage stocks of cheese and powder and lower product prices combined to drop the Minnesota-Wisconsin Price Series 26 cents to \$12.51 in December.

This is the first drop after gaining 85 cents in October and November, but still the highest for December since the record high of 1989 and \$1.17 higher than last year.

As it is every time the M-W starts down, the questions are: how far, and how soon?

Even with a \$1.17 difference over last December, predictions are that it will drop to last year's low of \$10.74, but certainly not by February, as happened last year.

If product prices keep easing down, it would take until April or May to reach that level, and, if trends change, you may not see it that low.

Farm Prices Better

If you want more cheerful news to warm you up in this January weather, you can look at farm prices that are higher than a year ago in federal orders.

Just comparing the uniform, or blend, or weighted average prices, Order 2 for December 1993 was \$13.48, or more than a dollar over last year.

Order 4 and 36 were \$13.81 and \$13.60, or 72 and 76 cents, better than December 1992.

This in spite of the fact that, in December, all federal orders started a separate Class IIIa for milk going into butter and powder.

Differences in the uniform prices with the new classification will vary between orders depending on their Class IIIa utilization.

Orders 2 and 36 with comparatively low Class IIIa utilization may see differences of only a few cents per hundredweight over a year, while Order 4, with higher utilization in this class, will be more.

The important point here is that, going into the new year, dairy product and farm milk prices, while trending lower, are somewhat higher than a year ago and are likely to continue so for the next three months.

Producers with adequate feed supplies will profit from the higher milk prices this winter, but those with higher than usual purchased feed costs may not find the higher milk prices sufficient to cover the added costs.

Survival will require careful management.



At the Crops Day, the Chester County Conservation District presented their Conservation Farmer of the Year Award to Jesse Lair, far left, who operates a 177-acre dairy farm in Russellville. Lair farms with wife Martha and son David, center. Presenting the award is Harold Kulp, a director of the district.