

2018
July

a view from the WINDMILL



WHO WILL BUY MY CROPS?

Trade talk has been all over the news recently with talks of tariffs and trade wars. Trade permeates nearly every industry and every market, but U.S. agriculture has been especially prominent in recent talks. U.S. agriculture is a major exporter of goods, specifically the corn belt crops of corn and soybeans. Just how much do these crops rely on trade? Over half of all U.S. soybean production is exported! Corn is less reliant on exports, with about 15 percent of corn exported, though processed corn products are also exported down the line. Who in the world is buying these exports? Obviously the big one in the news has been China, and for good reason. China buys approximately 60 percent of soybean exports, or more than 30 percent of total soybean production. For corn the big partners are Mexico, Japan, and South Korea.

The big issue recently has been the possibility of a trade war with China, specifically imposing a tariff on American soybeans. There have been cancelled import orders and talk of boycotts and restrictions as retaliation for U.S. proposed tariffs. If this comes to fruition for any extended amount of time, it could create problems with drastically reduced soybean prices. Though there are other factors, and fear/anticipation always plays a role, soybean prices have fallen 10-15 percent over the last month.

There are a couple main factors to pay attention to regarding how these changes will cause longer term effects, through the end of this crop year and going forward. The first and most important is how long this trade war lasts, and how much of it will turn out to be political posturing. The second will be how well the rest of the world, which will be mainly up to Brazil, is able to fill the Chinese demand. Two major reasons for putting on a tariff are protectionary (imposing a tariff to benefit domestic producers) and retaliatory (imposing a tariff to punish another country). The soybean tariff in this case is retaliatory as China has almost no domestic soybean production. However, China has huge soybean demand that continues to grow as their demand for livestock feed grows. China imports 97 million tons of soybeans, which would exceed global soybean exports if U.S. exports were completely excluded. China will buy all they can from Brazil but would still fall short of total demand. There will be a lag time in global response of higher acreages, and more importantly, massive infrastructure investment to meet export demands. In all likelihood, an agreement will be reached before global response is fully implemented.

This is an important long-term issue going forward as there could be countless rippling effects from

Continued on next page

both sustained lower soybean prices and from volatility in global relationships. There are possible lasting effects from this issue, even if the trade issue is eventually resolved. As has often been proven the case, interference with free markets can cause more problems than solutions. This

is an incredibly important issue with sprawling reach in the ag economy, and countless possible long-term effects. To discuss what these additional effects might be, including how they could impact landowner incomes and land values, feel free to respond to have a conversation with us!

CORN CORNER

Across Indiana you can see rows of corn growing from May to October. But, not all corn is the same. Here are some facts about three different types of corn you may see.

FIELD CORN

Acres planted in U.S.: 90,167,000

Acres in Indiana: 5,350,000

Yield: 180 bu/acre

Price per unit: \$3.45/bu

Uses: Primarily used for livestock feed, ethanol production and manufactured goods. Corn cereal, corn starch, corn oil and corn syrup for human consumption also come from field corn.

Growing season: 135 days

Did you know: Field corn is grown on every continent except Antarctica.

POPCORN

Acres planted in Indiana: 83,000

Yield: 4,900 lbs./acre

Price per unit: \$17/hundred lbs.

Uses: Sold either as a plain or flavor-added popped product or as an unpopped product for conventional and microwave popping.

Growing Season: 135 days

Did you know: The world's largest popcorn ball was created at the Indiana State Fair in 2013.

SWEET CORN

Acres planted in U.S.: 503,000

Acres in Indiana: 5,800

Yield: 9,000 lbs./acre

Price per unit: \$26/hundred lbs.

Uses: Fresh, canned or frozen for human consumption

Growing season: 65-90 days

Did you know: One average ear of sweet corn equals 86 calories.



WEED RESISTANCE ECONOMICS

Weed resistance to common herbicides, such as glyphosate, is a growing concern for those in the agriculture industry. The result is increased costs to control weeds or decreased yield from weed competition. This could have a direct impact on farm leases or maybe even land values.

Marestail, Palmer amaranth and waterhemp are three major weeds with resistance to glyphosate in the Midwest. Glyphosate was introduced as Roundup in the 1990s. By the early 2000s, weeds were showing resistance to the herbicide chemistry. In John Freeland's opinion, there are two main reasons weed resistance came about so quickly.

"Mother Nature certainly did her part to develop a resistance to protect herself, but man helped speed her along. The glyphosate technology could have been really effective a lot longer if it had been managed and stewarded properly," says Freeland, Branch Manager for Helena Agri-Enterprises, LLC in Fowler and Otterbein, Indiana.

When Roundup was introduced to the market, farmers were encouraged to use it exclusively, and many only used it at the minimum application rate. The result was to only injure the weeds, not kill them, allowing the weeds to develop a seed head with built-in resistance.

Freeland says there are several options to help farmers combat the weed resistance problem. Heavy tillage to plow up the roots of the weeds is one option. Farmers can also use a combination of soil-residual herbicides in either the fall or the spring to work with the glyphosate to control the weeds.

The additional practices to manage the weeds do add to the cost of producing a crop. Freeland says when farmers only used glyphosate at the minimum rate they could get by with \$10 to \$15 per acre, but now they may be looking at \$40 to \$60 per acre using tillage and/or additional herbicides.

Some may be reluctant to use additional resources on weed management. However, not managing the weed population could be even more costly. Studies have shown that waterhemp can reduce soybean yield by as much as 42 percent and the same if not worse for corn. Yield losses of that magnitude significantly reduce profits for the farmer and the landowner. Another study by the USDA showed proactive management of marestail increased farm profits 14 to 17 percent over 20 years. Looking at the long-term picture, making the investment to manage the weed population is imperative.

With a \$30 to \$40 per acre increase in production costs for weed control, farmers will be searching for ways to increase yields or reduce other costs to remain profitable. Trying to negotiate lower cash rent payments maybe one avenue they pursue.



Waterhemp growing in a soybean field.

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FarmFirst, LLC

Real Estate Services

farmfirstllc.com

P.O. Box 661 · Otterbein, IN 47970

Dave Bechman: 765.426.3857
dave@farmfirstllc.com

John Bechman: 765.404.0396
john@farmfirstllc.com

Steve Wright: 765.426.1782
swright@farmfirstllc.com

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