

# THE MIDWEST

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## **LATEST USDA CROP PROJECTIONS FOR 2008**

Over the past two years, we have seen a lot of big changes in farming, and the trend has generally been positive for everyone but the livestock producers. Of course, we all wonder when the huge boom in crop prices will end, and there are a lot of widely differing opinions out there --- will high prices last another two years? Five years? Ten years? More? I review some recent analysis of this question on the next page. For now, we can look ahead to the coming crop year with a bit more certainty, and I thought we should lead off this issue of the newsletter with a look at the most recent crop production and price projections from USDA.

For this year, USDA is projecting planted corn acreage at about 86 million acres with harvested acreage of 78.8 million acres, which are both down by 7.7 million acres (about 9-10%) from 2007. Based on the recent yield trend, the national corn yield is expected to be about 154 bushels per acre, which would generate total corn production of about 12.1 billion bushels. Corn used for ethanol and food are expected to increase by about 1 billion bushels each, and corn used for feed and exports are expected to decline by about 1.4 billion bushels. In the end, total corn use should be about the same as 2007 while total corn production may drop by about 900 million bushels. This should keep the stock situation pretty tight, and USDA is projecting that the US average corn price may run to \$5-6 per bushel for 2008, which is \$0.60 to \$1.90 higher than the average price for 2007.

In contrast, the US soybean acreage is expected to increase sharply for 2008. The current estimate of US plantings is 74.8 million acres, and the projected harvested acreage is 73.8 million acres. Both of these numbers are up by about 11 million acres from last year, so not all of the new bean acres came from 2007 corn acres. For example, the planted and harvested cotton acreage is also expected to decline by about 1.5 million acres from 2007.

If US soybean yields recover to a more normal level of about 42 bushels per acre this year, then total US production for 2008 will be roughly 3.1 billion bushels. Although this amount would be almost 500 million bushels more than US production in 2007, soybean exports and domestic use are expected to remain strong. So, only part of the increased bean production will help to rebuild the very low stock levels, and the average US farm price for soybeans is expected to remain strong at about \$10.50 to \$12 per bushel for 2008.

Overall, US winter wheat production for 2008 is expected to be about 1.8 billion bushels, which is 17% higher than 2007. Part of the increase is due to a 12% increase in wheat acres, and the rest of the increase is due to a 2.1 bushel increase in the average yield (44.3 BPA in 2008). Of the total winter wheat crop, just over half is hard red wheat (1 billion bushels), about one third is soft red wheat (550 million bushels), and the remainder is white wheat. Due to the low world stock situation, wheat prices should be even higher in 2008, and the average US farm price is projected at \$6.60 to \$8.10 per bushel for this year.

## WHEN WILL IT ALL END?

As I stated on the first page, this seems to be the big question on everyone's mind, and for good reason. Clearly, the length of the bull market in grain prices matters to crop and livestock farmers, but there are lots of others who are affected --- food consumers, agribusinesses, ethanol plant owners, and other investors. Every week, I read about new ways that the investment companies have devised to help their investors take advantage of the commodity boom. Of course, a number of people have argued that this sort of speculation just adds fuel to the fire. For example, a recent report on the petroleum market claimed that about one-third of the current price of oil is due to speculative buying, and we've heard similar reports about the impact of outside money moving into the markets for corn, rice, beans, wheat, and other ag products.

For most of us, we have been around long enough to know that this sort of thing has happened before in the ag commodity markets. I was reminded of these earlier boom-bust episodes after reading a recent article written by a regular columnist for the *Illinois Agri-News*. The author reviewed the five times over the past 60 years that corn prices reached a peak --- 1974, 1980, 1983, 1988, and 1996. Although four of the five price jumps were partly due to poor weather and short crops, there were other unique reasons that contributed to each of the peaks. So, we can't really use these past episodes to accurately predict when corn prices will peak this time around because the current situation is different, but there are still some things we can learn from this past experience.

First, the length of the current upward price move (20 months) is almost equal to the longest upswing in the past 60 years (24 months from 1972 to 1974). We don't know when this upswing will end, but the decline phase after each of the past peaks lasted longer than the upswing. So, the corn price may remain relatively high for the next several months or years, even if the peak occurs in 2008.

Second, the author notes that there is one key difference this time around --- there was a non-recourse loan program in the past to help put a floor under the corn price, but this loan program no longer exists in the same format. So, when corn prices do start to decline, it is possible that the new low price may be lower than where we started two years ago. Right now, it is hard to imagine how this could happen, especially with strong export demand and a growing ethanol industry. However, all it would take is a sharp increase in the value of the dollar or some kind of shake-out in the ethanol business to dry up some of this demand for corn. We sure hope it doesn't turn out like this, but we also know from past experience that stranger things have happened. In any event, we will be here to help you keep your yields up and your production costs low.

## CROP PROGRESS SLOW BUT IMPROVING

For those of you who live in the Midwest, you know that we have had an especially cool and wet spring. So, it should be no big surprise that the latest crop progress report issued by USDA showed that most of the planting activity in the Midwest is well behind 2007. Across the Cornbelt, farmers have been able to plant about three-quarters of the corn, and only about one quarter of the crop has emerged. As of last year at this time, about 90% of the corn crop had been planted with 60% emerged, which was very close to the five-year average. Also, the US soybean crop is only about 25% planted, while the five-year average is 54% for the third week in May. The only states where planting progress is ahead of 2007 are Colorado, Kansas, Michigan, and North Dakota.

The surprising thing is that much of the planted corn and soybean acreage was completed during the second week of May when the weather finally started to warm up and dry out. During that one week, farmers planted nearly one-quarter of the corn crop and over 15% of the soybean crop.

## **CHANDLER FOLIAR**

Due to the unusual spring weather, there is a lot of concern about the impact of the cool temperatures and wet soil conditions on early-season crop growth. We have also talked with several people who have concerns about soybean emergence and plant vigor due to the limited quality of the available bean seed. For these reasons, we encourage you to use Chandler Foliar, which contains nitrogen and other organic compounds, micronutrients, and proprietary biostimulants that enhance plant vigor and yield. The micronutrients in Chandler Foliar are chelated to make them more readily available to the plant, and the biostimulants are organic compounds that increase nutrient availability and uptake and help to accelerate plant growth.

For soybeans, Chandler Foliar helps to generate higher bean pod count and fill, test weight, and yields. Many of our users add Chandler Foliar to the tank when they make their first or second post-emerge chemical application. However, some of our long-time users prefer to make a separate application of Chandler Foliar about three days after the chemicals are applied. They find that the product helps the plants to quickly recover from the stress brought on by the chemical treatment.

Chandler Foliar may also be applied to alfalfa and other hay crops to enhance the photosynthesis process, which leads to quicker plant growth after each cutting and increases hay nutrient content. For alfalfa, the product is usually applied as soon as there is enough new plant growth to receive the spray after the first and third cuttings

Chandler Foliar is non-phytotoxic when used as directed. The product may be applied by itself or in a tank mix, and it is compatible with most liquid fertilizers and pesticides. Chandler Foliar should be applied with enough water (10-20 gallons per acre) to provide good plant coverage, and the product may be applied with newer equipment that uses lower water flow rates. Chandler Foliar costs \$5.33-8.75 per acre (depending on the application rate).

## **CHANDLER SOIL**

Chandler Soil is a liquid biological soil conditioner designed to stimulate the beneficial soil microorganisms that improve soil tilth and fertility. As the soil bacteria and other microorganisms become more active, they convert soil nutrients to forms that may be used by the plant. Also, the increased biological activity enhances water and air infiltration, reduces soil compaction, encourages deeper root growth, and helps to prevent lodging due to rooting problems.

Most of our users find that it takes 2-3 years to realize the full benefits of Chandler Soil, but the product may have an impact on your bottom line in the first year of use. For example, we talked to a user from the western Cornbelt who got a 7 BPA increase on corn in 2007 after using Chandler Seed and Soil for the first time. He also noted that his soil was much easier to work after using the product.

Chandler Soil may be applied in the spring, or you can combine Chandler Soil with Biocat 1000 to make a one-pass fall application. Chandler Soil is non-toxic and is compatible in a tank mix with most commonly used fertilizers and pesticides. The recommended application rate is 8-10 ounces per acre, but the rate should be increased to 10-12 ounces per acre on poorly drained or heavily compacted soils.

## **PRIVACY POLICY**

Chandler Crop Products help our users to generate higher net income, and many report that this gives them an edge when bidding for farmland. For this reason, we always protect individual identities when people share yield results or other product benefits. Although this policy reduces the amount of product information we can share with other users and prospective customers, we understand the privacy needs of our customers and fully honor all requests to protect their identity. We will not provide any identifying information about our users without obtaining their permission in advance.

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## **NEW INFORMATION AVAILABLE AT WEBSITE**

Over the past year, we have updated much of the product information at our website, [www.midwestbioman.com](http://www.midwestbioman.com). These new items include:

- New information about the residue decay process and the carbon-nitrogen ratio.
- Revised Chandler Biocat 1000 application rates that account for the heavier stalks and larger residue amounts generated by modern hybrids, especially Bt corn.
- A new technical paper that focuses on ways to manage the high cost of corn production, especially seed technology fees and insecticide costs.
- The results from Chandler Crop Product yield trials and other on-farm comparisons shared by our users during 2007.

## **RECEIVE YOUR NEWSLETTER BY EMAIL**

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