

SFG Update

Smith Fertilizer & Grain

August 20, 2012

Max Smith General Manager



FINALLY we have received some rain and lower temperatures. We knew it would change. It always does sooner or later. At home we have received 5 little showers and one rain with .9 of an inch. This should help the beans and hopefully improve some corn quality concerns. Too early to tell, but expect corn harvest is going to be early. Most could come out in September this year, that would be a first!

Only good thing about the dry weather is that it did allow us to work most days with the exception of a few hot afternoons. Many of you have taken advantage of the dry weather and cleaned out a few old ponds and fixed some wet ditches so they drain better in normal times.

Our employees have been working hard all summer to get our equipment in top shape for the coming fertilizer season. We are on track to have all our machines "summerized" and in top condition to minimize any breakdowns. Our body shop has produced a lot of work to make us look good too.

I had a new experience this past week. I went to the Knoxville Nationals and was given a ride in the "two-seater" race car that is used for promoting at the races. I was given 3 laps of heart-

pounding experience I will never forget! I thought I was busy but those guys are in the FAST LANE! If you ever get an experience like this don't pass it up. I grew up on Muscle Cars and it's in my blood.

Farming is a lot like racing. We work all season and depend on a "few laps" to get us where we want to go for the year. It takes a lot of preparation to succeed in farming and racing. Our agronomy staff has been working to close out reports on summer work and getting ready for "Hot Laps" on fall work going into spring. The feed department has been busy finding products to extend your hay and grass that was limited by rainfall this summer. Make sure you keep in contact with our staff to help you prepare for the weeks ahead.

Grain markets have been at all-time highs and of course there is very few bushels around when we see prices like this. If you have some left don't let this market get away from you. Like the hot weather it will not last forever either. Delivery issues have been a hot topic for this fall. We will work with you to minimize any problems you have. We still could have a decent bean crop which would help minimize the drought issues we are going through.

We are restructuring our management system and making some changes at our main office. I will bring you up to speed as everything aligns. Thank you for your business.

Max Smith
General Manager

Mark White Knoxville Location Manager



We are seeing several private production estimates coming out ahead of the August 10th report which will be out before you read my article. Therefore it is at this point that I must preface my comments that any statements made in this article concerning production may be proven wrong on the 10th. I do know it's safe to say the nation's corn crop has been reduced and the bean crop is headed that way if we don't see some widespread rain soon. Locally the early planted

corn on good soils still shows some promise though not near what was expected 60 days ago. There is no doubt that the newer hybrids can handle more stress but they weren't able to handle the extreme heat and dry conditions we've had the last 6 weeks. So now that we know we are looking at a sub 12 billion bushel corn crop, it may even have an 11 in front of it, who becomes the winners and losers. The producers who were fortunate to catch some rain become instant winners as the market has appreciated greatly compared to where we thought we would be right now. The losers are the livestock and ethanol industries as the cost for their main feedstuffs will rise rapidly while the prices paid to them may continue to decrease, at least in the near term. Businesses in the affected areas can also suffer from less cash movement. The biggest difference for a company like SFG is the reduced bushels to handle.

So how do grain producers in south central Iowa take advantage of these market conditions? First and foremost, you must continue to plan and budget your operation as a business, not a way of life. Input costs will continue to rise and buying that fertilizer sooner rather than later will be a good decision. We can't let a short crop cloud the future in our decision making. It's been 24 years since the last major drought of 1988. And yes we have had some production problems caused by wet weather, but we have also had record yields in several of those years and that won't happen on your farm if you haven't done everything possible to increase your yields. 2013 new crop prices are running about \$1.75 less for corn and \$3.50 for beans compared to this fall. However, these should be profitable levels for most producers and should be given some consideration. If you look back in history these short crop markets tend to hav

short tails. Give us a call and we can take a look.

Finally, I want to mention how we plan to handle contract shortages this fall. We want to wait until the delivery period to settle these shortages. Most of what you have contracted to us we have contracted to a terminal and they will want the grain. Waiting to settle allows you and us the chance to know exactly what you will have and what the true shortage is. This should allow us to replace your bushels from what we buy on the open market. Our policy remains the same. If you are short on a contract you will be responsible for the price difference between what the grain is worth at the delivery period and your contract price, plus a 20 cent per bushel cancellation fee on those bushels. We wish this process was never needed as we much prefer to handle the grain versus making a settlement. Again, any questions give me a call.

Natasha Sadofsky Albia Location Manager



Here at Albia we are working on preparations for this coming harvest. This August is different than in the past when it comes to grain. A number of meetings will be offered through Iowa State University Ex-

tension offices regarding grain quality and marketing options during drought conditions. Some of the topics that are of particular interest to livestock producers are nitrate toxicity in forage and aflatoxin levels in corn. If you haven't attended one of these meetings, I highly recommend attending. The next webinar is on Aug 21st. Locations are listed on the extension website. <http://www.extension.iastate.edu/article/aug-21-webinar-looks-grain-quality-marketing-options-during-drought>.

Lately I've received questions about reducing stress for your animals. Feeding

creep is an excellent way to take the stress off your cows during hot, dry conditions. We are still offering the option to contract creep feed to lock in the price. Pay 15% down on your contracted amount and you have until October 31st to feed it all out. Please call a SFG representative for current prices. With pasture conditions continuing to deteriorate, it's important to supplement your forage and feed with mineral. We carry a wide variety of bagged mineral to meet your needs (unmedicated, medicated, and fly control) along with a selection of Crystalyx tubs.

Mark Young Agronomy Manager



Of all the natural disasters, drought is the most gradual and hard to predict. Once it has affected crop growth, you enter a new territory of what if's. What if it rains next week? What if it doesn't rain for a month? Alternative crops may have to be

planted or crop loss assistance applied for. If feed supplies are low, herds may have to be culled and/or feeds purchased.

The fact that southern Iowa suffered record droughts as recently as 1977 and 1988 underscores the fact that droughts are a natural occurrence. Fortunately, you can take some actions to better prepare for and survive a drought. The key is a combination of sound farmstead planning and sound decision making, based on advice and up to date information from resources like your SFG agronomist.

Due to the potential for fertilizer carryover, soil testing is very important following a drought year. Fertilizer use does become a significant issue the year after a drought,

however. Low crop yields during the drought year mean that significant amounts of unused nutrients could remain in the soil at the end of the growing season. Where nutrient carryover is substantial, fertilizer needs for the following year are likely to be affected.

Routine soil tests should be used to determine the current levels of available phosphate and potash, and to obtain fertilizer recommendations. They are very important in detecting carryover where relatively large amounts of nutrients were applied in the drought year. Don't make plans for next year without first updating your soil tests. Make SFG your first choice for a profitable crop in 2013.

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Jerry Don Johnson Agronomy Sales



During my conversations with growers the topic of chopping corn has come up a lot. This year growers are seeking ways to get some economic return from their drought-damaged corn. Chopping and feeding to livestock may be a way to add value to this year's crop. If you don't have livestock there are producers looking for feed. I recommend staying in contact with your insurance agent and discuss your options.

If you don't have livestock and plan to sell

your silage here is a quick way to calculate the value; according to an article by Steve Sachtleben, PH.D., PAS, Beef Nutritionist KNG Beef Research & Nutrition.

Step 1: Calculate the value of normal corn silage using the equation (cost/bushel or corn x 6) + harvesting cost = value/ton of 30 percent Dry Matter (DM) silage. The harvesting cost may vary from \$6 to \$10 depending on the yield and type of equipment used. The harvest cost should not be included if the buyer harvests the corn. For example, at Friday's closing corn price of \$8.14 and harvest cost of \$10 silage would be worth \$58.84 ($\$8.14 \times 6 = \48.84) + \$10 = \$58.84/ton silage.

Step 2: Test the stressed silage to determine feed value or use an average value of 80 percent on normal corn silage ($\$58.84 \times 80\% = \47.07 /ton stressed silage).

Step 3: Adjust the value of the corn for the DM content (if it is known) by multiplying

the price/ton of 30% DM corn by the actual percent DM and dividing by 30%. This will work for both silage and corn hay. If DM content of silage is 40%, then it is worth \$62.76 per ton. ($\$47.07/\text{ton} \times 40\% \text{DM} = \$62.76/\text{ton}$ 40% DM corn silage).

A SFG representative can pull samples of your silage and have them tested for dry matter(DM), moisture levels, and nitrate levels to help you develop a plan for how to feed your silage and/or determine a value to sell it.

Silage inoculants are a tool that needs to be considered when piling silage. Fermentation is the key. Too little fermentation and harmful organisms get a foothold in your silage pile and cause spoilage. The silage gets too hot and loses nutritive value. For about \$1.20 a ton you can inoculate your silage. Talk to one of your SFG representatives with questions.

Corey Garrington Agronomy Sales



We all know that this year has been one for the record books in regards to the weather. Soybeans are at an extremely critical time right now and the weather will either make it or break it. The period from now until mid-August is when the

most soybeans across the U.S. finish their flowering stages, set and fill pods. With this year's early planting we are ahead of this schedule. Soybean plants are past the flowering stage for the majority of growers and well into the pod filling stages. During this stage it is imperative that the plant obtain moisture so it can move forward with the development of pods. If the drought conditions continue through these development stages the plant morphs into survival mode which means pod elimination and reduction in actual soybean sizes.

This past week we have finally had a few bright spots in the weather pattern with temperatures dipping into the 80's and even catching some rain. While every little bit helps some damage has already been

done. The extreme heat and lack of rain has weakened the plant throughout the previous stages of the growing season. Also due to the lack of moisture evaporation rates are quite rapid. According to Expert Senior Meteorologist Brett Anderson evaporation rates will continue to exceed the amount of rain that falls, but any rain will buy just a little more time for the soybean plant to continue developing in the next week or so.

The moral of the story is, the rains and temperature reductions will help the crop overall but there is no complete fix for the damage that has already been done. The next two weeks will tell the story for our soybean crop. Please contact your SFG representative with any questions or concerns.

★ Special Employee Spotlight: Jan Boyd ★

Jan Boyd was recently honored on an employee trip with a 15 years of service award. Jan has worked at Pleasantville and Knoxville SFG locations. She was instrumental in helping develop the Albia and Centerville location acquisitions.

Jan is a very loyal and dedicated employee. Please help us in congratulating Jan on her outstanding 15 years of service at SFG.



Brad Kaufman Agronomy Sales



As we continue to watch the corn crop go down hill and beans hanging on by a hair, I have had many questions regarding my thoughts on planning next years crop. Some of those questions have been about corn on corn, what is the seed supply status, and reducing the rate of P and K for next year due to the short crop. I will try and answer these questions the best I can.

First of all if we don't start getting some rain to replenish the soil profile I think going continuous corn is not a great idea. As it continued to get drier and drier the continuous corn gave up sooner than the corn on bean stubble. Also it seems like the first year of corn on corn we have an automatic 10% reduction in yield no matter what fertilizer we put on. With the

price of beans it is hard to want to spend the added cost of putting a continuous corn crop in. Even in a high management soybean field the inputs will be \$75-100/acre cheaper than growing continuous corn. Most generally in this area we can grow 50 bushel beans without doing much of anything to try and increase yield.

It looks like seed corn supply is going to be pretty tight this year. Just like the crop growing in the field the seed corn is struggling as well. The only bright spot is that unlike the past couple of years, every acre has been planted with no drown out spots and so far no big catastrophes, unlike last year's big wind that went through and ruined a bunch. It looks like we may be relying on South America's production to make up some of our seed supply. We all know how reliable and timely they are at getting it to us so we can get it to you, when the planter is waiting in the field empty. With no seed prices and no yield data it is hard to want to put any orders in now, but 75-90% of the numbers you bought last year will be what you plant this year. My suggestion is to put in a preliminary order now to ensure you get the best hybrid that works on your acre. Even then there is no guarantee we will have the supply.

Finally, the most asked question is what to do on P and K. Several customers have commented to me that with the short crop I can reduce the rate of P and K I put on this fall because I didn't use it all this year. That may be true but I will counter with these two statements. Yes it looks like the yields are going to be lacking, but we thought that last year and we were all pleasantly surprised. So we need to wait and see what we have for yields. Yes, some fields are toast and won't make much, but several are still hanging on. Many have not been putting the right amounts of fertilizer on even when we pull excellent crops off. Soil sample after soil sample proves this point. The majority of the results come back in the low to very low range on both P and K. So what should we do on P and K? Soil sampling is a good starting point, I recommend doing a GPS soil sample and not to reduce the rate of P and K unless you want that to be your limiting yield factor next season.

Hopefully this insight will assist you in making some tough decisions for next years growing season a little easier. Feel free to contact any SFG agronomist. We will help in any way we can.