

Where do we go from here?

The drought of 2012 is quickly making the record books. Comparisons to the 1930's and the



major drought of 1988 abound. Time and yields will finish the story of the 2012 crop year. Corn yield are being terminated early and bean yields are in grave danger. You might ask the question, "Where do we go from here?"

Immediate questions that pop into the farmer's mind is OK, now that this is a reality how am I going to handle this? Early harvest is a fact. Probable diminished income from crop revenues is a distinct possibility. Continued lack

of rainfall affects everything connected with the field. Crop rotations, tillage, fertility, and marketing, not to mention personal finances all are affected. The term; "making do" is going to have a whole new context for some.

Historically speaking, this is not about the yield per se, but about total bushels. We have had yield cutting droughts before, but it is the planted acres coupled with the yield that produces total production. I know that sounds like common sense, but you hear about yield cuts, but it is the total bushels here and abroad that is driving the markets. It's important to note from a marketing standpoint, that even though you drive by your crops everyday and notice their condition, the market trades on the total corn crop, both here and abroad. For a history of past US production histories, please refer to the table I formulated from USDA data from their quickstats website. The URL is <http://quickstats.nass.usda.gov/>

I really don't know how you use this information effectively, but it is interesting none the less.

Corn Yield and Production 1866-2012

Year	Acres harvested	Corn Yield	Total Bushels	Yield Previous	Bushels Previous	Production
				Year Change %	Year Change %	% change 5 yr avg
2012	96,405,000					
2011	83,981,000	147.2	12,358,412,000	-3.66%	-0.71%	0.968%
2010	81,446,000	152.8	12,446,865,000	-7.23%	-4.93%	3.958%
2009	79,490,000	164.7	13,091,862,000	7.02%	8.27%	11.746%
2008	78,570,000	153.9	12,091,648,000	2.12%	-7.26%	6.866%
2007	86,520,000	150.7	13,037,875,000	1.07%	23.80%	24.163%
2006	70,638,000	149.1	10,531,123,000	0.81%	-5.23%	2.295%

2005	75,117,000	147.9	11,112,187,000	-7.74%	-5.87%	10.509%
2004	73,631,000	160.3	11,805,581,000	12.73%	17.03%	23.226%
2003	70,944,000	142.2	10,087,292,000	9.98%	12.50%	6.017%
2002	69,330,000	129.3	8,966,787,000	-6.44%	-5.64%	-6.232%
2001	68,768,000	138.2	9,502,580,000	0.95%	-4.16%	-0.065%
2000	72,440,000	136.9	9,915,051,000	2.32%	5.14%	10.097%
1999	70,487,000	133.8	9,430,612,000	-0.45%	-3.36%	3.296%
1998	72,589,000	134.4	9,758,685,000	6.08%	5.99%	15.548%
1997	72,671,000	126.7	9,206,832,000	-0.31%	-0.28%	8.322%
1996	72,644,000	127.1	9,232,557,000	11.98%	24.76%	13.311%
1995	65,210,000	113.5	7,400,051,000	-18.11%	-26.37%	-10.354%
1994	72,514,000	138.6	10,050,520,000	37.64%	58.58%	29.667%
1993	62,933,000	100.7	6,337,730,000	-23.42%	-33.12%	-15.149%
1992	72,077,000	131.5	9,476,698,000	21.09%	26.78%	35.379%
1991	68,822,000	108.6	7,474,765,000	-8.35%	-5.79%	4.537%
1990	66,952,000	118.5	7,934,028,000	1.89%	5.34%	8.113%
1989	64,783,000	116.3	7,531,953,000	37.47%	52.82%	2.244%
1988	58,250,000	84.6	4,928,681,000	-29.38%	-30.89%	-31.696%
1987	59,505,000	119.8	7,131,300,000	0.34%	-13.31%	-4.105%
1986	68,907,000	119.4	8,225,764,000	1.19%	-7.32%	10.932%
1985	75,209,000	118	8,875,453,000	10.59%	15.68%	27.376%
1984	71,897,000	106.7	7,672,130,000	31.57%	83.80%	9.303%
1983	51,479,000	81.1	4,174,251,000	-28.36%	-49.31%	-45.348%
1982	72,719,000	113.2	8,235,101,000	3.95%	1.43%	12.936%
1981	74,524,000	108.9	8,118,650,000	19.67%	22.28%	17.221%
1980	72,961,000	91	6,639,396,000	-16.89%	-16.26%	-1.874%
1979	72,400,000	109.5	7,928,139,000	8.42%	9.08%	29.527%
1978	71,930,000	101	7,267,927,000	11.23%	11.73%	25.278%
1977	71,614,000	90.8	6,505,041,000	3.18%	3.43%	15.823%
1976	71,506,000	88	6,289,169,000	1.85%	7.68%	14.603%
1975	67,625,000	86.4	5,840,757,000	20.17%	24.23%	13.411%
1974	65,405,000	71.9	4,701,402,000	-21.25%	-17.09%	-8.661%
1973	62,143,000	91.3	5,670,712,000	-5.88%	1.63%	15.658%
1972	57,513,000	97	5,579,832,000	10.10%	-1.18%	17.246%
1971	64,123,000	88.1	5,646,260,000	21.69%	35.98%	26.502%
1970	57,358,000	72.4	4,152,243,000	-15.72%	-11.41%	-6.764%
1969	54,574,000	85.9	4,687,057,000	8.05%	5.34%	11.254%
1968	55,980,000	79.5	4,449,542,000	-0.75%	-8.45%	7.819%
1967	60,694,000	80.1	4,860,372,000	9.58%	16.62%	25.395%
1966	57,002,000	73.1	4,167,608,000	-1.35%	1.58%	10.779%
1965	55,392,000	74.1	4,102,867,000	17.81%	17.75%	10.206%
1964	55,369,000	62.9	3,484,253,000	-7.36%	-13.31%	-8.091%
1963	59,227,000	67.9	4,019,238,000	4.95%	11.45%	9.864%

1962	55,726,000	64.7	3,606,311,000	3.69%	0.24%	1.696%
1961	57,634,000	62.4	3,597,803,000	14.08%	-7.91%	4.536%
1960	71,422,000	54.7	3,906,949,000	3.01%	2.15%	20.775%
1959	72,091,000	53.1	3,824,598,000	0.57%	13.96%	26.998%
1958	63,549,000	52.8	3,356,205,000	9.32%	10.21%	15.070%
1957	63,065,000	48.3	3,045,355,000	1.90%	-0.97%	4.876%
1956	64,877,000	47.4	3,075,336,000	12.86%	7.04%	9.268%
1955	68,462,000	42	2,872,959,000	6.60%	6.09%	2.874%
1954	68,668,000	39.4	2,707,913,000	-3.19%	-6.03%	-4.663%
1953	70,738,000	40.7	2,881,801,000	-2.63%	-3.32%	-1.491%
1952	71,353,000	41.8	2,980,793,000	13.28%	13.38%	8.356%
1951	71,191,000	36.9	2,628,937,000	-3.40%	-4.89%	-6.388%
1950	72,398,000	38.2	2,764,071,000	0.00%	-6.18%	-0.251%
1949	77,106,000	38.2	2,946,206,000	-11.16%	-10.91%	7.443%
1948	76,840,000	43	3,307,038,000	50.35%	56.86%	26.494%
1947	73,802,000	28.6	2,108,320,000	-23.12%	-27.70%	-23.420%
1946	78,410,000	37.2	2,916,089,000	12.39%	13.14%	9.926%
1945	77,928,000	33.1	2,577,449,000	0.30%	-8.00%	-0.047%
1944	85,002,000	33	2,801,612,000	1.23%	4.99%	12.666%
1943	81,906,000	32.6	2,668,490,000	-7.91%	-4.76%	10.590%
1942	79,213,000	35.4	2,801,819,000	13.46%	16.04%	20.639%
1941	77,404,000	31.2	2,414,445,000	7.96%	9.41%	15.450%
1940	76,443,000	28.9	2,206,882,000	-3.34%	-5.75%	7.641%
1939	78,307,000	29.9	2,341,602,000	7.55%	1.80%	29.280%
1938	82,788,000	27.8	2,300,095,000	-3.81%	-2.10%	29.789%
1937	81,222,000	28.9	2,349,425,000	55.38%	86.66%	29.229%
1936	67,833,000	18.6	1,258,673,000	-23.14%	-37.11%	-37.450%
1935	82,551,000	24.2	2,001,367,000	29.41%	74.53%	1.930%
1934	61,245,000	18.7	1,146,734,000	-17.98%	-45.52%	-46.938%
1933	92,130,000	22.8	2,104,725,000	-13.96%	-18.38%	-3.998%
1932	97,213,000	26.5	2,578,685,000	8.16%	15.64%	21.620%
1931	91,131,000	24.5	2,229,903,000	19.51%	26.89%	6.067%
1930	85,525,000	20.5	1,757,297,000	-20.23%	-17.69%	-21.103%
1929	83,194,000	25.7	2,135,038,000	-2.28%	-5.57%	-1.718%
1928	85,832,000	26.3	2,260,990,000	-0.38%	1.93%	2.490%
1927	83,915,000	26.4	2,218,189,000	2.72%	3.64%	0.446%
1926	83,275,000	25.7	2,140,207,000	-6.20%	-10.16%	-6.609%
1925	86,825,000	27.4	2,382,288,000	23.98%	28.07%	1.192%
1924	84,119,000	22.1	1,860,112,000	-20.50%	-23.44%	-24.095%
1923	87,493,000	27.8	2,429,551,000	5.70%	8.97%	-0.953%
1922	84,858,000	26.3	2,229,496,000	-5.40%	-12.81%	-13.875%
1921	91,939,000	27.8	2,556,924,000	-7.02%	-5.13%	-0.211%
1920	90,149,000	29.9	2,695,085,000	11.57%	15.08%	4.093%

1919	87,487,000	26.8	2,341,870,000	12.13%	-4.07%	-10.803%
1918	102,195,000	23.9	2,441,249,000	-8.78%	-16.06%	-5.807%
1917	110,893,000	26.2	2,908,242,000	8.71%	19.92%	11.869%
1916	100,561,000	24.1	2,425,206,000	-14.23%	-14.27%	-7.065%
1915	100,623,000	28.1	2,829,044,000	8.91%	12.10%	8.214%
1914	97,796,000	25.8	2,523,750,000	13.66%	11.05%	-4.105%
1913	100,206,000	22.7	2,272,540,000	-21.99%	-22.91%	-15.539%
1912	101,451,000	29.1	2,947,842,000	19.26%	19.12%	12.349%
1911	101,393,000	24.4	2,474,635,000	-12.54%	-13.26%	-9.536%
1910	102,267,000	27.9	2,852,794,000	6.90%	9.25%	3.521%
1909	100,200,000	26.1	2,611,157,000	-2.97%	1.73%	-5.763%
1908	95,285,000	26.9	2,566,742,000	-1.10%	-1.80%	-7.019%
1907	96,094,000	27.2	2,613,797,000	-14.20%	-13.82%	-6.401%
1906	95,624,000	31.7	3,032,910,000	2.59%	2.67%	19.920%
1905	95,746,000	30.9	2,954,148,000	9.57%	9.96%	19.568%
1904	95,228,000	28.2	2,686,624,000	4.83%	6.82%	9.101%
1903	93,555,000	26.9	2,515,093,000	-5.61%	-9.33%	3.512%
1902	97,177,000	28.5	2,773,954,000	56.59%	61.68%	18.926%
1901	94,422,000	18.2	1,715,752,000	-35.23%	-35.55%	-32.011%
1900	94,852,000	28.1	2,661,978,000	0.36%	0.61%	6.560%
1899	94,591,000	28	2,645,796,000	4.48%	12.52%	15.438%
1898	87,784,000	26.8	2,351,323,000	5.51%	2.78%	6.792%
1897	89,965,000	25.4	2,287,628,000	-15.33%	-14.35%	7.718%
1896	89,074,000	30	2,671,048,000	7.14%	5.38%	29.872%
1895	90,479,000	28	2,534,762,000	38.61%	56.95%	34.841%
1894	80,069,000	20.2	1,615,016,000	-15.13%	-15.02%	-19.877%
1893	79,832,000	23.8	1,900,401,000	-3.64%	0.16%	-8.885%
1892	76,914,000	24.7	1,897,412,000	-16.55%	-18.77%	-6.400%
1891	78,855,000	29.6	2,335,804,000	33.94%	41.53%	21.876%
1890	74,785,000	22.1	1,650,446,000	-25.08%	-28.06%	-17.395%
1889	77,656,000	29.5	2,294,289,000	1.37%	1.94%	18.954%
1888	77,474,000	29.1	2,250,632,000	32.88%	40.27%	24.412%
1887	73,296,000	21.9	1,604,549,000	-9.13%	-10.00%	-12.757%
1886	73,911,000	24.1	1,782,767,000	-15.73%	-13.37%	2.956%
1885	71,854,000	28.6	2,057,807,000	1.06%	5.65%	23.864%
1884	68,834,000	28.3	1,947,838,000	16.94%	17.90%	20.076%
1883	68,168,000	24.2	1,652,148,000	-8.68%	-5.88%	2.960%
1882	66,157,000	26.5	1,755,272,000	33.84%	41.01%	12.751%
1881	63,026,000	19.8	1,244,803,000	-27.47%	-27.06%	-22.367%
1880	62,545,000	27.3	1,706,673,000	-3.19%	-2.59%	9.954%
1879	62,229,000	28.2	1,751,984,000	7.63%	11.98%	23.944%
1878	59,659,000	26.2	1,564,537,000	1.55%	3.21%	20.138%
1877	58,799,000	25.8	1,515,862,000	-3.37%	2.55%	20.787%

1876	55,277,000	26.7	1,478,173,000	-3.61%	1.92%	24.458%
1875	52,446,000	27.7	1,450,276,000	24.77%	36.98%	29.190%
1874	47,640,000	22.2	1,058,778,000	-3.06%	5.00%	-0.794%
1873	44,084,000	22.9	1,008,326,000	-22.11%	-21.19%	-3.924%
1872	43,584,000	29.4	1,279,369,000	8.09%	12.06%	34.329%
1871	42,002,000	27.2	1,141,715,000	-7.17%	1.51%	31.196%
1870	38,388,000	29.3	1,124,775,000	34.40%	43.82%	
1869	35,833,000	21.8	782,084,000	-16.79%	-14.95%	
1868	35,116,000	26.2	919,590,000	6.07%	15.83%	
1867	32,116,000	24.7	793,905,000	1.65%	8.63%	
1866	30,017,000	24.3	730,814,000			

Keep in mind we're not the only ones raising corn. Even though this drought is widespread, how widespread is it? I'm not telling you this to minimize the extent of your damages, but to give you some perspective on the total world crop and demand. One question to ask yourself is this: "Who is going to use \$8.00 + corn?" To meter out what corn we have, demand is going to have to be destroyed. The price of corn for use by feeders, ethanol producers, and other product manufacturers is being raised right now. They look for substitutes to lessen their costs. This affects demand and is the process how the market reaches equilibrium. For instance: Livestock feeders which use the bulk of the corn crop, look to other products such as wheat to substitute in their feed rations to cut costs. Livestock producers who don't have a government sponsored insurance program like crop producers, are definitely being hardest hit by the drought. You cannot keep printing new contract highs every day with no consequences. Government interference in the markets has happened before and will probably happen again.



The chart above is a monthly Dec corn chart from 2002 to present.

Getting back to the drought effects on grain producers, any fall field operations are going to have to be thought out carefully. The good news is that ground compaction will be minimal. Fertilizer applications, in many cases, will be done on removal. This means we will look at yield we have removed from the soil, then apply fertilizer accordingly. This reduces costs and doesn't waste expensive fertilizer. Deep tillage on a field wide basis is not necessary this year. Compacted areas normally attributed to large equipment on damp soils did not occur this year. Wet holes out in the fields did not occur this year. Deep tillage in conditions such as these not only waste what moisture is left in the soil, but is difficult and hard on equipment. Moisture lubricates the soil. The best way I can describe the effect on equipment is to take it to the extreme. Imagine what the effect on equipment would be plowing up a gravel road. No moisture and hard, abrasive rock would shorten life of wear areas on the equipment. This is what will happen in the fields this fall if we don't get rain. The effect of drought is not all about yield. The effects are far reaching and can last for more than one crop year. Fertilizer application, especially ammonia application may have to be delayed until there is enough moisture in the soil for the chemical processes and interactions to work. We're not putting down expensive fertilizer using methods just because we have done so in the past. We are going to use the most effective applications that put your investment at the least risk.

We're in the process right now of adjusting equipment in many ways to handle this crop. Tolerances used in the past will not work this year. This corn crop is going to be hard to keep in the combine. What I mean by that is that the dry conditions have not only made the ear size smaller, but the kernels that are on the cob are harder to remove due to their length which is shorter. The cob is also more supple or "twisty". This combination of factors will probably lead to more kernel damage which is the last thing we need this year due to the corn susceptibility of aflatoxins entering the damaged pericarp or outside layer of the kernel. We will do our best to cut crop losses and maintain quality.

The physical size of soybeans will be smaller this year. Pods are going to be incompletely filled and harder to thresh effectively. Fan speeds used to clean a normal crop will have to be toned down to keep from blowing the beans out of the back end of the combine. I suspect yield monitors will be very inaccurate this year due to low volumes of crop running through the combine. Modern machinery is designed for maximum production. Everything works better when it is operating full. It is going to be impossible to keep these machines full



this year due to a smaller crop size and uneven yield within the field itself. Yield maps are going to show extreme variability this year.

This is probably going to be the last newsletter prior to harvest. About all that can be said about this devastating drought has been said and we'll just have to get out there to see what we have bushel and quality wise. No matter what the outcome, we will strive to protect your investment and return per acre. As we start into harvest, I will be in personal contact updating you to harvest yields and elevator issues. If you have any further questions, I'm as close as your phone.