

# Fairland Management Company

YOUR FARM REAL ESTATE PROFESSIONALS

## CROP & WEATHER REPORT

November 15, 2018

GENERAL WEATHER FOR THIS AREA: As you may recall, last month we reported 3-6 inches of snowfall in mid-October and limited soybean and corn harvest in Southwestern Minnesota. Fortunately, harvest progressed quickly once the snow melted. The balance of the soybeans were harvested by November 2<sup>nd</sup>. Corn harvest continued and most of it is wrapping up here by mid-November. With all of the moisture that we have received in 2018, we are relieved to have the crop out of the field!

Temperatures were mostly below average during the past month. Daily highs have ranged from 72 to 21 degrees and lows from 43 to 5 degrees. Daily highs have been 10-20 degrees below average here for most of November so far. The cold temperatures, coupled with the moisture in the soil, put a halt to fall tillage by November 10<sup>th</sup>. We are hopeful that temperatures will reach the 40s for a few days to wrap up some more tillage/fertilizer application yet this fall in preparation for next year's cropping season.

We finally had some relief this past month from all of the moisture that we have received this year. Besides the snowfall in mid-October and some rain showers in early November, the balance of the month was relatively dry. That being said, we have still received more than our share of moisture in 2018. At the Southwestern Research and Outreach Center (SWROC) in Lamberton, it has recorded 35.49 inches of moisture in 2018 through the end of October, which is about 10 inches above the historical average.

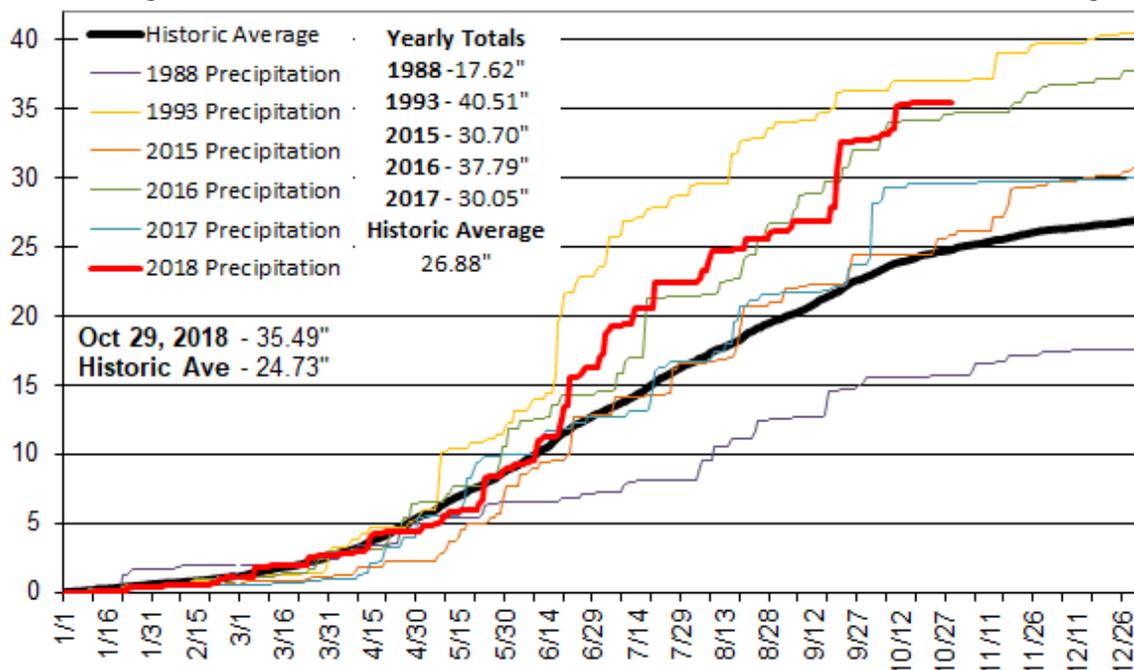


Figure 1 – 2018 Precipitation compared to historical averages (SWROC-Lamberton).

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SOYBEANS: Despite the late start to soybean harvest, it was a bountiful harvest with average yields very close to our estimates as of September 1<sup>st</sup>. Yields ranged from 50-60 bushels per acre for the most part. In the Monthly USDA Supply and Demand Report for November, USDA estimated the average yield in Minnesota to be 50 bushels/acre, which is up a couple of bushels per acre from last year but down a couple of bushels per acre from the year before in 2016. Nationally, USDA is estimating national soybean production at a record 4.6 billion bushels, up from the previous record production of 4.4 billion bushels this past year.

The biggest hurdle soybean prices face is the trade war with China. If one wants to analyze how sensitive soybean prices are to exports to China, on November 1<sup>st</sup>, President Trump tweeted that there was progress with preliminary discussions with China and soybean prices increased 30 cents that day. Based upon record U.S. soybean production in the past two years and lack of exports to the biggest market in the world (China), carryover (inventory) levels in the US are estimated to increase to about 955 million bushels. For comparison sake, when soybeans were about \$14 per bushel in 2012-2013, carryover was about 125-135 million bushels in the U.S. Last year, the estimated carryover was 438 million bushels, so inventory has doubled in the past 12 months. Soybean prices are currently around \$7.90 per bushel for cash and \$8.40 per bushel for October 2019 harvest delivery.



Figure 2 – This is a vertical tillage machine that is used after soybean harvest in preparation for the corn crop in 2019.

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CORN: Corn harvest has been challenging in SWMN this fall. Because of the excessive moisture, especially this spring, corn yields have been overall disappointing. Yields have been extremely variable, ranging from 120-220 bushels per acre. In many cases, corn yields have been 20-25 bushels per acre less than previously estimated. The corn that was planted in early May on well-tiled fields had the highest yields in the 180-200+ bushels per acre range, while fields that were planted in mid-to-late May in wetter soil conditions were in the 140-160 range. One positive aspect with the delayed corn harvest was that the corn dried down significantly in the field in the second half of October, as corn moisture dropped down to 15-17%, which saved quite a bit on corn drying costs.

In the USDA Monthly Supply in November, USDA estimated the national corn yield at 178.9 bushels per acre. This is a record corn yield in the U.S., but down about 2 bushels an acre from the yield estimate in October. The estimated 14.63 billion bushels produced this year would be the second largest corn crop harvested, but the national grain inventory (carryover) is 1.74 billion bushels, which is the lowest since the 2015. The eastern Corn Belt and Nebraska had the best corn production this year, while Minnesota and Iowa's corn production slipped from 2017. In Minnesota, USDA is estimating a corn yield of 184 bushels per acre, which is 10 bushels per acre less than last year and 7 bushels per acre less than estimated this past month. We speculate that USDA will reduce production estimates in Minnesota further in future reports. Cash corn is currently around \$3.30 per bushel and about \$3.45 per bushel for October 2019 delivery.



Figure 3 – These machines continue to be amazing. A combine of this size can harvest over 150 acres per day with the right field conditions and grain handling equipment.

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REMARKS: At this time, we are busy processing harvest data and working towards wrapping up year-end business. This year is a little more challenging with harvest delays, variability in yields, and signing up for the Market Facilitation Program (MFP). As we process the data, we are simultaneously reporting crop production to our crop insurance agents in order to determine if there are claims and if so, how much. Based upon the variability of corn yields and decrease in price guarantees in corn, we have several clients that will have crop insurance claims for the 2018 crop. There will also be a few soybean claims for those that had significant loss due to acres that drowned out.

MFP is the program/funding ordered by President Trump earlier this year for relief to producers in response to the tariffs and trade wars. The MFP payments were projected to be 50% of \$1.65 per bushel of soybeans and 1 cent per bushel of corn. The program is pretty straightforward, as producers just need to provide the Farm Service Agency (FSA) their total bushels for each crop and they will receive the payment within 30 days. The program runs through January 15, 2019. The challenge has been that Secretary of Ag Sonny Perdue announced in late October that the other 50% of the MFP payments are going to be paid out as well, although there is no confirmation of this by USDA/FSA. The last we have heard is that they will evaluate and make an announcement in December 2018 as to the status of the additional 82 cents. We are continuing to do our best to work through the timing of applying for and collecting these payments with respect to income tax planning. Fortunately, these payments are significant and will support the bottom line.

Now that the mid-term elections are over (for the most part), there is some focus on renewing a farm bill, which expired on September 30, 2018. With the turnover in party in the House of Representatives, Collin Peterson from Minnesota will be the Chairman of the House Ag Committee. Chairman Peterson is motivated to try to pass a new farm bill through the lame duck session of Congress in the coming month. Time will tell, but it would be nice to be able to have a new farm bill in place near the beginning of 2019. It is always much more efficient to have farm program paperwork completed before planting. It would also be nice to have a farm bill in place for those of our clients that have Conservation Reserve Program (CRP) contracts to renew and/or would like to enroll into the Conservation Reserve Enhancement Program (CREP).

We are continuing to process grain sales and work on year-end closing for each of our clients. We will be sending out harvest data to our clients after processing crop insurance claims and confirming MFP payments. Cash rents have been collected and leases are being renewed. Cash rental rates are down some for 2019, with more downward pressure on the higher rental rates. We are working on several tile projects yet this fall, as it has been a year to be able to identify wet areas/decreased crop production via drone and satellite images, yields maps, and unfortunately, tracks in the fields.

As we wrap up 2018, we are very grateful to our clients for their continued business and support and to the farm operators and many vendors that we work with throughout the growing season and year. This year will be one that we look back on as having its many challenges, but that being said, it has still been a productive year. As we obtain soil samples, have fertilizer applied, do fall tillage, and start researching seed varieties and making purchases, we are already looking forward to another growing season in 2019!

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Figure 4 – As harvest concludes, we are working with several landowners to install drainage tile yet this fall. This has been another year that tile has provided significant returns to landowners.

GROWING-DEGREE DAYS

<u>LOCATION</u>	<u>MAY 1, 2018 TO DATE INDICATED</u>	<u>TOTAL GROWING DEGREE DAYS</u>	<u>DEPARTURE FROM NORMAL</u>
Lamberton	September 30, 2018	2,794	+258

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GRAIN MARKETS (November 14, 2018):

	<u>NEW VISION WINDOM</u>	<u>MAGNOLIA</u>	<u>POET ETHANOL BINGHAM LAKE</u>	<u>MINNESOTA SOYBEAN PROCESSORS BREWSTER</u>
<b>Cash</b>				
Corn	3.33	3.26	3.39	N/A
Soybeans	7.92	7.93	N/A	8.18
<b>July 2019</b>				
Corn	3.48	3.48	3.52	N/A
Soybeans	8.31	8.44	N/A	8.48

RAINFALL (INCHES):

<u>COUNTY</u>	<u>CITY</u>	<u>OCTOBER 16 NOVEMBER 15, 2018</u>	<u>MARCH 15 TO DATE- 2018</u>	<u>MARCH 15 TO DATE- 2017</u>
Cottonwood	Jeffers	0.34	33.71	30.19
Cottonwood	Windom	0.35	33.38	28.15
Jackson	Heron Lake	0.34	31.95	29.40
Jackson	Jackson	0.38	37.05	30.48
Martin	Trimont	0.44	34.93	25.81
Murray	Fulda	0.51	36.89	34.05
Murray	Slayton	0.73	35.79	28.24
Nobles	Round Lake	0.63	39.65	31.71
Nobles	Rushmore	1.08	37.32	29.30
Redwood	Redwood Falls	0.61	35.88	33.66
Rock	Magnolia	1.29	37.93	30.03

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