

# Fairland Management Company

*YOUR FARM REAL ESTATE PROFESSIONALS*

## **CROP & WEATHER REPORT** **May 17, 2019**

GENERAL WEATHER FOR THIS AREA: The weather in Southwestern Minnesota (SWMN) over the last 30 days has been mostly wet and cool, as precipitation has been above normal and temperatures have been mostly below normal. These are not conditions conducive to a rapid start to the planting season. Despite these conditions, we did see some corn planting begin in SWMN in the past 10 days.

The last significant snow in the area fell on April 27<sup>th</sup>, with 2-4 inches. Since the snow finally stopped, we have experienced measurable moisture on about 50% of the last 30 days. Most of our area has received about 3.5 to 5 inches of rain during this time period, although rainfall has been spotty. The west half of our region (west/southwest of Windom) has been generally wetter than east of Windom so far this year. Bruce Potter with the Southwest Research and Outreach Center (SWROC) was quoted as saying that year-to-date precipitation, as of early May, is actually higher than in it was in 1993, a year many of us remember being extremely wet with very poor yields. He pointed out that one major advantage for crop production now is the fact that landowners have made significant investments in drainage tile since 1993. Topsoil moisture levels are rated at 98% adequate to surplus. Available soil water (crop available), is at 7.98 inches as of May 1st. The historical average is 6.48 inches.

Daytime high temperatures have ranged from 45 to 81 degrees and nighttime lows have varied from 32 to 51 degrees, according to the SWROC in Lamberton, MN. With a below average air temperature, it would make sense that the average soil temperature has also stayed below average (low 40s to 58 degrees at the 2-inch level). The optimum soil temperature for corn germination is 50 degrees.

We received a little rain here in SWMN today (5/17) and the forecast is for significant amounts of rain (1 to 3 inches) this weekend (May 18-19) and below average temperatures through the balance of May. It will be interesting and challenging to see if these conditions develop. If they do not, hopefully we can finish planting the corn in May. If it materializes, we could see an abrupt end to corn planting in SWMN this spring. The excess moisture is not a situation that is isolated to SWMN, but through much of the Corn Belt.

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Figure 1 - Custom applicators have been playing catch up on fertilizer that was not applied last fall and the very wet spring is not helping. Moisture levels are extremely variable from field to field and even within fields. As evident from this picture, fertilizing is being completed under less than ideal conditions, as the applicator nearly was stuck in the area in the forefront.

SOYBEANS: Very few soybeans have been planted in our area, as the focus has been on getting the corn crop in the ground. A few of our tenants have planted some soybean acres where the fields are drier than fields where they intend to plant corn. USDA has indicated that 9% of the U.S. soybean crop has been planted as of May 13th, compared to the 5-year average of 29%. We hope that soybean planting will resume by the end of May, but it seems likely that it will continue into the June. The date for Preventive Planting provision in the federal crop insurance is June 10<sup>th</sup> in Minnesota. Once fields are planted, initial herbicide applications will be applied immediately following planting to control early season weeds. These products are typically very effective, especially when there is adequate moisture to keep them activated and to move them into the soil profile. The ideal soil temperature for soybean emergence is 77 degrees.

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Figure 2 – The clock is ticking. With a very narrow window for application of fertilizer, tillage, planting and herbicide application, time is of the essence. Here a corn-field is being planted as dark clouds approach from the northwest. A tractor and sprayer stand by across the road in hopes of applying the herbicide immediately following planting.

CORN: Last year, approximately 10-15% of the corn in our area was planted by Mother's Day (May 13<sup>th</sup>), which was late. Unfortunately, 2019 corn planting is behind this figure. A very small amount of corn was planted in SWMN within the first 7-10 days of May. Conditions did improve and there was a significant amount of corn planted for our clients on May 13-16<sup>th</sup>. We estimate that we have about 65-75% of the corn that was planned to be planted in the ground. Most of the corn planting occurred on land that has a substantial amount of drainage tile that has been previously installed. The other significant change since years like 1993 is the technology (size, speed, efficiency) of today's farm equipment. Some producers can plant at 9 to as high as 13 miles per hour (mph) and can plant 40-60 acres per hour with 24-32 row planters. Farmers were only able to cover about 25-30% of those acres per hour back in 1993.

We think we are fortunate compared to other parts of our area, Minnesota, and the U.S. As of May 13<sup>th</sup>, 21% of the Minnesota corn crop had been planted, with the five-year average of 65%. The USDA had indicated that 30% of the U.S. corn was planted, compared to a 5-year average of 66%. (National Ag Statistics Service-NASS). Very good yield potential exists through about May 15-20<sup>th</sup> in Minnesota. Agronomists and university research indicates that yield potential drops to 77% by June 4<sup>th</sup>.

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Based on the delays in planting with the wet conditions and forecast, a few important decisions may need to be decided soon. Due to a shorter growing season, some later maturity hybrids will be switched to earlier season corn varieties so that the crop reaches full maturity by the first killing frost this fall and ensures the opportunity to dry in the field prior to harvest. We are also analyzing the Preventive Planting provision in crop insurance in the event we are unable to plant by May 31<sup>st</sup>. Either 20 acres or 20% of the field needs to be unable to be planted in order to qualify for prevented planting payments.

A basic calculation for Preventive Planting is Actual Production History (APH) 200 bushels per acre x Price Guarantee (\$4 per bushel) x Level of Coverage (i.e. 75%) x Preventive Plant Guarantee (55%) x share of crop (100%). In this example, the Preventive Planting payment would be \$330 per acre. One of the big variables in this decision is if fertilizer has been applied, which is \$100-150 per acre of the input costs. If the fertilizer has not been applied and the seed can be returned, the settlement is not a bad deal. We believe that some fields will not be planted to corn and it will make more sense economically to use the prevented planting provision as opposed to planting soybeans. We will be working on these decisions in the next couple of weeks.



Figure 3 – Looks can be deceiving. The farmer operator commented how well the soil was working up with the field cultivator across this 80-acre field. With subsoil moisture levels at water holding capacity, such things as side-hill seepage are resulting in large soft spots. These are often non-recognizable from the soil surface, which was the case in this scenario. It took three large tractors and a lot of time and effort to retrieve the equipment from this spot.

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REMARKS: It had appeared that there were signs of progress in trade negotiations between the U.S. and China and that a preliminary deal could be wrapped up by mid-May. Unfortunately, we are now experiencing some major setbacks as the Trump Administration, which has accused China of backtracking on previous trade commitments, sought to turn up the pressure on China after months of talks failed to produce a breakthrough. As many of you have probably already read, the U.S. announced on May 10<sup>th</sup> that it is applying tariffs on an additional \$200 billion worth of Chinese exports increasing the tax from 10% to 25%. China responded this week with retaliatory tariffs of its own on roughly \$60 billion worth of US goods. Global equities and grain prices fell immediately following the news as hopes of a solution to negotiations between the world's two largest economies took a major setback. Soybean prices were as low as \$7 per bushel earlier this week. Furthermore, the Trump Administration has begun the process to apply tariffs to 25% to the remaining \$300 billion worth of goods China exports to the United States if progress in discussions is not realized (Horowitz, CNN Business, 5-13-19).

The full extent of this trade war is not known. The President continues to indicate he will support the American Farmer. He recently said that billions of tariffs from China would go to buy agricultural products. "...agricultural products from our great farmers, in larger amounts than China ever did, and ship it to poor and starving countries in the form of humanitarian assistance. In the meantime we will continue to negotiate with China in the hopes that they do not again try to redo deal." (Clayton, DTN News-5-13-19). Although no details of additional market facilitation payments have been announced, the President and Secretary of Ag have said that the U.S. is willing to support \$15-20 billion in additional trade-aid payments to farmers.

The USDA Monthly Supply and Demand Reports estimates were released on May 10<sup>th</sup> and were bearish for corn, soybeans, and wheat prices. The 2018-2019 corn (old-crop) ending stocks (projected remaining national inventory) were estimated at 2.095 billion bushels, which is up slightly from the previous report (2.06 billion bushels). The 2019-2020 corn (new-crop) was projected at 15.03 billion bushels, which would be the second largest on record, behind 2016-17. With the planting delays in the U.S., this seems very unlikely, as acres and yields will be reduced. Ending stocks were projected at 2.485 billion bushels, which would result in a 390 million bushel increase in ending stocks, which would be the highest stock number since 1987-1988. The 2018-2019 soy (old crop) estimated ending stocks are listed at 995 million bushel, an increase of 95 million bushels, which are at some historically high levels. The 2019-2020 soy (new-crop) USDA estimates U.S. production this year at 4.15 billion bushels, which is up 394 million bushels from the previous year. Ending stocks are currently estimated to increase by 394 million bushels above 2017-2018.

An important item to keep in mind is that despite the impact on soybean demand because of the trade war with China, there are other major factors impacting the market. High levels of soybean production in U.S. and South America (Brazil & Argentina) during the past few years is exceeding demand. African Swine Fever continues to decrease swine production in China and thus demand for feed (i.e. soybean meal). Ethanol production is down as margins continue to be low.

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Despite the volatility in the grain markets, we have observed some strength in the corn market. We have sold some cash corn for our clients in the past couple of weeks at around \$3.50-\$3.60 per bushel. Soybean prices are significantly lower than a month ago and there does not look like there will be a rebound in prices anytime soon.

There was an announcement this week that FSA will accept applications beginning on June 3<sup>rd</sup> for certain practices under the continuous CRP and will offer extensions for expiring CRP contracts. Most of the practices appear to be waterways, filter-strips, riparian buffers, and wetland restoration. We will continue to gather information on the program and let you know if there are enrollment options for you under this sign-up, especially if you have contracts that expired on 9/30/18. The FSA said it plans to open a general CRP signup in December 2019. FSA indicated that it will also reopen signup for existing Conservation Reserve Enhancement Program (CREP). Again, we will continue to monitor and notify our clients that might be interested/affected by these signups.



Figure 4 – This aerial photograph taken with a drone demonstrates the challenge in attempting to plant a field that has only a portion of the field that is fit to plant. In the light areas, the soil is fit to plant based upon soil types and/or existing tile drainage. The dark areas are soil that contains excess soil moisture and are not fit to plant. The field is farmed east/west (left to right in the picture) so it is very difficult to try find “blocks” of dry soil to plant corn into.

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GROWING-DEGREE DAYS

<u>LOCATION</u>	<u>MAY 1, 2019 TO DATE INDICATED</u>	<u>TOTAL GROWING DEGREE DAYS</u>	<u>DEPARTURE FROM NORMAL</u>
Lamberton	May 13, 2019	52	- 64
Worthington	N/A	N/A	N/A

GRAIN MARKETS (May 17, 2019):

	<u>NEW VISION WINDOM</u>	<u>MAGNOLIA</u>	<u>POET ETHANOL BINGHAM LAKE</u>	<u>MINNESOTA SOYBEAN PROCESSORS BREWSTER</u>
<b>Cash</b>				
Corn	\$3.58	\$3.60	\$3.59	N/A
Soybeans	\$7.40	\$7.31	N/A	\$7.61
<b>October</b>				
Corn	\$3.55	\$3.55	\$3.60	N/A
Soybeans	\$7.57	\$7.57	N/A	\$7.71

RAINFALL (INCHES):

<u>COUNTY</u>	<u>CITY</u>	<u>APRIL 15- MAY 15, 2019</u>	<u>MARCH 15 TO DATE- 2019</u>	<u>MARCH 15 TO DATE- 2018</u>
Cottonwood	Jeffers	3.65	6.39	4.12
Cottonwood	Windom	3.90	6.97	7.01
Jackson	Heron Lake	3.75	6.56	6.51
Jackson	Jackson	3.51	5.99	6.91
Martin	Trimont	3.57	5.90	6.43
Murray	Fulda	4.39	8.10	6.43
Murray	Slayton	3.83	8.71	4.98
Nobles	Round Lake	4.66	8.46	7.78
Nobles	Rushmore	4.80	7.87	7.15
Redwood	Redwood Falls	3.77	5.74	3.03
Rock	Magnolia	3.97	6.63	7.18

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