4



KELLY HERTZ/P&D

It's one of the stressful signs of the times for corn producers: This cornfield has been shorn of its crop except for strips like this, left standing for insurance purposes. This field in Yankton County is one of many across the region in which the corn has been cut after drought and heat damaged the yield.

## **iGrow Offers Drought Marketing Tips**

BROOKINGS — The 2012 drought has been a game-changer in almost every aspect of farm and ranch management, including production, financial, and marketing, says Darrell Mark, Adjunct Professor of Economics at South Dakota State University, during his Aug. 6 weekly Cattle Corn Comments on the iGrow Radio Network.

"With the widespread and severe nature of the drought, yield losses, while expected to be large, remain uncertain, thereby creating significant market volatility," Mark said.

Because marketing in such times is difficult, Mark says the importance of making sound risk management decisions increases

Below are some tips Mark encourages agriculture producers to keep in mind when making tough marketing decisions in today's market environment.

#### **TRENDS CAN CHANGE QUICKLY**

"The corn and soybean markets have been on a sharp uptrend for more than one month, which tends to reward sellers for waiting for higher prices," he said. "It's important to remember that prices will not increase forever, and when they do peak, they are apt to drop rather quickly."

He explains further. "Even current sell-offs" in the market which are the result of speculative profit taking can be \$0.30-0.40/bu. The current daily price limit in the CME Group corn futures contract is \$0.40/bu, which expands to \$0.60/bu on a day following a limit close lower (or higher).

So, conceivably, the corn market could drop by \$1/bu in two trading days

And, the trading days come quicker than calendar days now that the market trades 21 hours per day."

While there isn't anything in particular that would suggest this will occur, remember that the feeder cattle producer didn't have much forewarning or early evidence of the

product, unlike most cash forward contracts," he said. "Additionally, they enable the hedger to benefit from favorable price moves and do not require margining an unfavorable price move in the futures market (bevond the total option premium paid), provided that the hedger has only purchased options (not sold, or wrote, puts or calls)."

Mark says options may also be easier than futures contracts when managing the risk of futures commission merchant (FCM) defaults.

"After the mis-management of customer hedging funds at two large FCMs this last year, it would seem that maintaining as small of balances in the hedging account as possible would help protect a hedger's money," Mark said. "Because a purchase of an option (put or call) only requires payment of the total option premium (it is a limited risk position), the amount of money put into a trading account held by a FCM can be limited."

Mark goes on to say that options may be a more effective way to cover futures positions right now than using a stop loss order.

'For example, a hedger with a short futures position might have a standing stop loss order (to his/her broker) to offset/exit the position if the price trades up to a certain level. This practice would limit the losses associated with that short futures position, although it also lifts the hedge," he says.

He explains that in a market environment like this, with large daily price changes and high volatility, it is increasingly likely that these types of stop loss orders could be triggered and the futures hedge is offset, even when the hedger didn't want the hedge lifted (because prices may quickly revert to the lower level, in this example).

'Using a call option, in tandem with this short futures hedge, can cover some of the losses the short futures position generates as price and assist with exiting the position," Mark said. "Essentially, this is a synthetic put. The same can be done for a long futures hedge by purchasing a put option to protect the sales (or offset) price of the futures hedge.' 'Be certain to pay premiums on time and talk to your crop insurance agent before cutting, chopping, haying, or abandoning an insured crop,' Mark said. "For harvested grain, be certain to understand and follow record keeping requirements set forth by your crop insurance company and agent." Črop insurance. Be certain to complete all record keeping and paperwork in a timely manner for crop insurance. Mark explains that while premiums for fall harvested drops were to be due earlier than usual this year, USDA has worked with crop insurance companies to delay those earlier payments by 30 days.

agent before cutting, chopping, haying, or abandoning an insured crop,' Mark said. "For harvested grain, be certain to understand and follow record keeping requirements set forth by your crop insurance company and agent."

Evaluate new alternatives. Many drought-stressed grain and livestock producers are in difficult positions this year, but may be able to help each other.

For crop producers without cattle, consider the economics of selling drought-stressed corn to livestock feeders for silage or hay. While there are several nutritional safety aspects to this, Mark says it might be beneficial to both parties in some cases.

Kansas State University has an excellent calculator to estimate the silage value of corn and sorghum for both sellers and buyers, available at www.agmanager.info.

#### **MANAGE 2013 MARGINS**

High grain prices for 2013 and beyond are enticing sales of next year's expected production.

Mark says making small sales of insured bushels at this point might be a good marketing decision.

However he says that producers should keep in mind that most of the input costs for the 2013 crop are not yet known.

"Should input costs spike higher, expected profit margins at current 2013 price levels may turn out much lower than expected," he said. "This occurred a few years ago when

prices reached then all-time highs. Margin management will likely be most effective when grain sales are timed with input purchases in dollarfor-dollar amounts.'

#### **DOING NOTHING IS A DECISION**

In historic times as these, it is easy to suffer from "analysis paralysis" and not make decisions or take actions," Mark said. "The challenges of this year's drought could cause some to avoid making decisions regarding grain sales or herd liquidation. Often, the advantage goes to the producers that make the difficult decisions first - before production conditions worsen further or prices become more unfavorable. Still, sometimes the best decision is to wait for a certain time or event to occur — just be sure that too is a conscious management decision. While every farm management and marketing decision needs to be carefully evaluated, Mark said it is important to actually implement the plan once it is developed. "Be certain to communicate openly with family members, employees, lenders, brokers, and other members of the management team while doing both," Mark said. To learn more and hear an archived recording of this iGrow Radio Network interview, visit iGrow.org.

# **What Farmers Wear Vital To Their Safety**

From Pests To Chemicals, Farmers Need To Protect Themselves

#### **BY RITA BRHEL** P&D Correspondent

As if crop producers didn't have enough on their minds, both corn and soybean fields in Nebraska and South Dakota have been under siege by the droughtloving spider mite. And some producers have made the hard decision to spend the extra money to spray.

No matter who is handling the chemical, whether the grower, hired hand or professional applicator, the stresses of managing fields in severe to extreme drought conditions sometimes lead to careless mistakes, said Carolyn Sheridan, clinical director for the AgriSafe Network based in Spencer, Iowa. And she

doesn't want to see "Protection from hazards is challenging. anyone get hurt. An emergency But it's important to remember that farmroom nurse, Sheridan ing is an occupation, not just a lifestyle, has seen her fair share of agricultural and your workplace is also your home." workers who either misread or chose to not read the label on their chemical and

who suffered painful burns as a result. She told of a man who wore chemical-resistant rubber boots assuming that the fumigant he was spraying was similar to others he had used in the past, but without breathable clothing, the chemical became trapped against the skin.

"Using the wrong equipment can be as bad as not using protective equipment at all," Sheridan said.

By federal law, small farming operations — those that employ 10 or fewer people, not including family members — are exempt from following all of OSHA requirements.

However, there is a universal right for all agricultural workers to have a safe working area, Sheridan said.

Agricultural workers are generally briefed in how to protect themselves around implements and equipment as well as aggressive livestock, but they are often putting themselves in harm's way by ignoring or skimping on appropriate farm safety wear, also known as personal protective equipment (PPE).

"Agricultural workers should be concentrating on a head-to-toe strategy," Sheridan said, from the scalp, face, eyes, and ears to the lungs, skin, and feet.

What PPE is worn depends on the activity. Jobs that increase the risk of eye injury, such as grinding, sawing, drilling, mowing, welding and spraying, require safety glasses and goggles.

"When talking about eye protection, the size needs to fit your face, the shape needs to fit your face," Sheridan said.

Hearing protection is important, but ear plugs are not often met with support, Sheridan said. Agricultural workers are concerned that they will not be able to hear well enough to do their jobs. In industrial employment situations, it's required for operators of heavy machinery and people in noisy

environments to wear hearing protection; in agriculture, the individual has the choice of whether or not to wear protection. While dangerous noise levels may cause the ears to hurt, ring, or buzz, sometimes there are no signs until the damage is done, Sheridan said: "When is noise too loud? With hearing protection, you can still hear equipment. You can still communicate."

Workers who spend much of their time in the sun should be wearing sunglasses with ultra-violet absorbent material, wide-brimmed hats, breathable clothing with ultra-violet protection, and sunscreen

of at least SPF 15 regularly applied on exposed skin. "Another recommendation is to limit time in the

sun between 10 a.m. and 4 p.m., which I know isn't practical in ag," Sheridan added. 'And a lot of farmers don't like to bother with sunscreen, but appropriate clothing alone can make a big difference."

**CAROLYN SHERIDAN** 

PPE wear is largely an individual choice for small farmers, but there is one agricultural activity during which it's important to get PPEs right: when working with chemical.

There is an OSHA (Occupational Safety and Health Administration) standard related to anhydrous ammonia," Sheridan said. Producers take particular care when handling this chemical, but "it is also important to remember pesticides. Pesticides can enter the skin, mouth, ears, eyes, basically any part of the body."

With anhydrous, workers have explicit guidelines to avoid immediate injury. But injury and illness from pesticides may not be readily apparent. Plus, not all pesticides have the same PPE requirements, so there's no one-size-fits-all recommendation beyond reading the label.

"Labels are very important," Sheridan said. All agricultural workers need to read every label and follow it exactly, which includes how and when to spray, what to wear, decontamination procedures, and signs and symptoms of toxicity.

'It's important to be aware if that upset stomach or wheezing may be related to a chemical you're working with," Sheridan said. "It helps your doctor to know how to treat you."

Generally, all chemicals require full body protective clothing, goggles and a face mask, as well as an immediate shower afterwards and discarding of soaked clothing outside the house, but what is specifically protective with one chemical may be the very wrong choice with another.

Protection from hazards is challenging," Sheridan said. "But it's important to remember that farming is an occupation, not just a lifestyle, and your workplace is also your home."



more than \$20/cwt drop in feeder cattle futures prices this last month either," Mark said.

Forward Contract With Care. For many producers, Mark says physical delivery of bushels will be difficult this year if they lose a significant portion of the crop to drought.

"Be certain to read and understand the non-delivery clauses in any cash forward contract.

Almost certainly, it will cost money to settle non-performance of forward contracts, often by the amount of futures price changes from the time the forward contract was initiated until the delivery date," he said. "Some grain merchants may also consider rolling the contracts into the 2013 crop year, but again, it may come at a cost." He adds that revenue protection crop insurance can help offset some of these costs associated with non-delivery of forward contracts. To learn more about revenue protection read last week's Cattle Corn Comments on iGrow.org.

Mark adds that even ranchers who are forward contracting their calves for fall delivery need to take precautions as they may need to move delivery dates up or decrease delivery weights.

"They might need to consider price slides on both the upper and lower side of the base weight contracted this year," he said. Use options. While options are

rather expensive due to the high volatility in the underlying futures markets, Mark explains that put options can be used effectively to create floor selling prices and calls can create ceiling purchase prices.

"Options offer the advantage of not requiring delivery of the physical

"Be certain to pay premiums on time and talk to your crop insurance

### **Labor Day Deadlines**

#### The Yankton Daily Press & Dakotan will be closed Monday, September 3, for the Labor Day holiday.

The following deadlines will apply:

Out On The Town — Noon, Wednesday, August 29 Tuesday, September 4 newspaper – 5 p.m., Wednesday, August 29 Wednesday, September 5 newspaper – 5 p.m., Thursday, August 30 Thursday, September 6 newspaper – 5 p.m., Friday, August 31

There will be no newspaper on Monday, September 3, 2012

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