



AG NEWSLETTER

AUG 2018

FUNGICIDE APPLICATION & TIMING

What a whirlwind of a year we have experienced so far in 2018! For the “late” start to the planting season we had, we sure have not missed a beat since the first of May. Too little rain for the first 4-6 weeks of the growing season, followed by too much rain through the final half of June, we have had our share of early season challenges across the region. Even with some local areas that have some tougher looking fields due to early season drought stress or heavy mid-season rains, we are showing some pretty strong yield potential still intact as we progress through pollination. Fungicide application has been a popular topic this summer, and I wanted to share some thoughts and insights about it’s use this year.

Since we reached tassel in corn by the first week of July (which felt like a record!), and with pod development kicking in high gear across soybean fields not long after, there has been a lot of discussion about fungicide applications and whether they are a good idea this year. I generally have a very pro-fungicide stance, and with the yield potential we appear to have intact, we really sit in a position where we should be doing everything we can to maximize that potential. After some extensive scouting over the past several weeks, it has not been uncommon to find ear development prior to pollination with 16-20 rows around, pushing 40+ kernels long. There will be a lot of factors between now and the end of the season that influence yields, including late season moisture, but I think as a whole, we have a great opportunity to make a push, especially with strong stand establishment this spring.

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FSB LOCATIONS

301 W. Falcon, Flanagan
403 State, Benson
2401 E. Washington, Bloomington
111 N. Fayette, El Paso
500 S. Persimmon, Le Roy
411 N. Center, Gridley

FUNGICIDE APPLICATION & TIMING (CONT)

A common question this year has been about timing with a single application. It is going to be most important to pay attention to the growth stage of the crops vs. the date on the calendar. In corn, our ideal window is going to be from full tassel through brown silk. Soybeans we really want to target that R3 stage, or where one pod is 3/16" long on one of the top 4 nodes. The goal for both crops is to minimize stress (disease pressure, etc.) through the critical reproductive stages during development. Here are a few other factors I would take into consideration:

Potential for Disease Pressure:

Over the past month, we have really developed the perfect storm for pathogens to infect and for disease to begin showing up. High levels of rainfall prior to July 4th, along with extreme heat and high humidity is a pretty favorable environment for many diseases to develop and spread. Gray Leaf Spot has become prevalent in most local fields, this being one that will continue to spread especially with high humidity and heat. Common Rust and Northern Corn Leaf Blight have been starting to make more frequent appearances along with some Physoderma brown spot creeping in from the south. Scouting had a lot of importance the first half of July, but will really remain important with what we may have yet to come.

Crop Rotation

Corn on corn acres should be about the first thing circled for a fungicide application. I think most people understand this, and probably won't get brought up a lot because corn on corn acreage does seem to be minimal. However, continuous soybean fields seem to be more common than they ever have been this year. These really should be prioritized for spraying, if they have not already, as its entirely possible we will see some late season disease development. Whenever we have extended wet periods through the flowering stages, it's not uncommon for higher levels of disease (White mold, etc.) to occur, and a continuous rotation only compounds that. Prioritizing these fields now will help to minimize risk later.

Disease History

If we have fields with a strong history of a certain disease, please take this into consideration. It is very likely we could see development again. Hot spots can usually include wet ground, low lying areas or fields with heavy residue from previous years (no-till or minimum till practices).

Late Season Stalk Quality

I think one aspect that gets overlooked with VT fungicide



applications is the effect it can have on late season stalk quality and minimizing stalk rots. It is generally easier to have better harvest intactness with less stalk breakage (above the ear or otherwise) and generally improves the entire harvest experience.

Insect Pressure

This is a whole other topic on its own, but there has been spots with a tremendous amount of Japanese beetles over the past several weeks, and adult rootworm beetles have been appearing more frequently. Insecticide applications applied with fungicide both show promise for a high return this year.

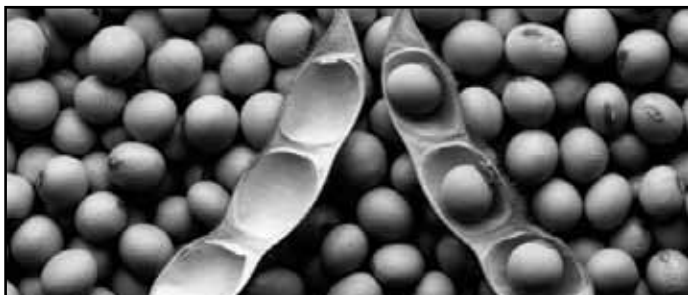
More times than not, we have seen good responses to fungicide, in both wetter and drier years. Whether it is from disease prevention, or from a synergistic effect fungicide may provide with the crop, we typically see our best yields when fungicide is applied. We often talk about disease tolerance and stalk/grain quality benefits from application. We don't always talk about eliminating plant stress and maximizing yields with our best varieties, even with minimal disease pressure. There will be challenging scenarios where fungicide does not make sense, but this seems to be one of those decisions this year that will help us finish strong in 2018.



*Robert Clark
Stone Seed
Technical Agronomist*

By now, you all know what the initial reaction to trade tariffs has been. Trade tariffs have brought out demand uncertainty. That demand uncertainty led to a massive selloff by traders who were long soybeans. We have seen new crop soybean prices drop \$2.00 from their highs. This is a 20% drop in the value of soybeans. Not all of that can be attributed to trade concerns, as crops have come along well this summer so far. However, all of you have felt the effects of these tariffs.

So what does this mean? China has put on a 25% tariff on U.S. soybeans so we would need to see our beans be 25% less than the competition, just to match the bid. This has put a huge premium on Brazilian beans as they are the next likely source for soybeans. If this continues, it also likely makes farmers in Brazil and Argentina look to plant more beans. As you can imagine, this is not a good thing going forward for U.S. production.



We have to look at the big picture though and know that Brazil cannot supply all of the beans China will need. China will have to buy beans from the U.S., or look for alternatives elsewhere. They very well could find alternatives to help them out. Also, if Brazil uses all their beans to ship to China, that leaves the U.S. as the only other destination for the rest of the world. Unless world demand declines, we should still see good exports, but they would be to different destinations. This is assuming we don't see a shift from beans and bean meal to other forms of protein.

We have seen the Chinese stock index drop 20% in all of this as well. That is not a good sign for them but maybe it will bring some extra discussion to try and get a resolution. My point is though that with a slower economy, they likely don't need as much protein so their overall demand will be working lower. In the July supply/demand report, the USDA did lower overall Chinese soybean demand by 8%. This reduces our export potential as it makes it easier for Brazil to supply more of the overall Chinese demand.

Also in the July supply/demand report, we saw world soybean stocks estimates increase by 2.4%. If demand is working lower and overall supplies are working higher, it will make it difficult to expect a big market rally. We will continue to stress to manage the risk you have and create a flexible marketing plan to handle whatever the market throws at you.

As for corn, the trade war is affecting corn prices but mainly because beans are affected. Corn has had more pressure from good growing weather this summer. The crop is not in the bin yet, but many areas look even better this year than last year. World supplies of corn are shrinking instead of increasing like soybeans. World supplies of corn are estimated to be down to their lowest point since 2012/13. This should be good for us going forward, but we have to get this growing crop put away first. How big this crop is will determine what price can do after harvest. Again, have a plan that is flexible so you can be in the market but with limited downside risk.

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CORN & SOYBEAN STORAGE TABLES

Old Crop Storage Comparison

Corn

Local Cash Bid

7/19/18

Operating Note Interest 5.00%

2017

Fall 2017 Price:

\$ 3.25

Months	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Cost out of the Field	\$ 3.35	\$ 3.35	\$ 3.25	\$ 3.25	\$ 3.35	\$ 3.25	\$ 3.35	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.35
Interest Costs at 5% per bu	\$0.0135	\$0.0270	\$0.0405	\$ 0.0540	\$ 0.0675	\$ 0.0810	\$0.0945	\$0.1080	\$0.1215	\$0.1350	\$0.1485	\$0.1620
Minimum Storage	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
Storage Cost bu per month	\$ -	\$ -	\$ -	\$ 0.03	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.24	\$ 0.27
Shrink from 15% to 14%	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042	\$ 0.042
Total Cost	\$ 4.22	\$ 4.23	\$ 4.24	\$ 4.29	\$ 4.33	\$ 4.37	\$ 4.42	\$ 4.46	\$ 4.50	\$ 4.55	\$ 4.59	\$ 4.63
Breakeven	\$ 3.47	\$ 3.48	\$ 3.49	\$ 3.54	\$ 3.58	\$ 3.62	\$ 3.67	\$ 3.71	\$ 3.75	\$ 3.80	\$ 3.84	\$ 3.88

2018

Fall 2018 Price:

\$ 3.35

Months	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Cost out of the Field	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35	\$ 3.35
Interest Costs at 5% per bu	\$0.0135	\$0.0270	\$0.0405	\$ 0.0540	\$ 0.0675	\$ 0.0810	\$0.0945	\$0.1080	\$0.1215	\$0.1350	\$0.1485	\$0.1620
Minimum Storage	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
Storage Cost bu per month	\$ -	\$ -	\$ -	\$ 0.03	\$ 0.06	\$ 0.09	\$ 0.12	\$ 0.15	\$ 0.18	\$ 0.21	\$ 0.24	\$ 0.27
Shrink 15% to 14%	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044	\$ 0.044
Total Cost	\$ 4.22	\$ 4.23	\$ 4.24	\$ 4.29	\$ 4.33	\$ 4.37	\$ 4.42	\$ 4.46	\$ 4.51	\$ 4.55	\$ 4.59	\$ 4.64
Breakeven	\$ 3.57	\$ 3.58	\$ 3.59	\$ 3.64	\$ 3.68	\$ 3.72	\$ 3.77	\$ 3.81	\$ 3.86	\$ 3.90	\$ 3.94	\$ 3.99

Old Crop Storage Comparison

Soybeans

Local Cash Bid

7/19/18

Operating Note Interest 5.00%

2017

Fall 2017 Price:

\$ 9.35

Months	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Cost out of the Field	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35	\$ 9.35
Interest Costs at 5% per bu	\$ 0.059	\$ 0.078	\$ 0.117	\$ 0.156	\$ 0.195	\$ 0.234	\$ 0.273	\$ 0.312	\$ 0.351	\$ 0.390	\$ 0.429	\$ 0.468
Minimum Storage	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Storage Cost bu per month	\$ -	\$ -	\$ -	\$ 0.033	\$ 0.066	\$ 0.099	\$ 0.132	\$ 0.165	\$ 0.198	\$ 0.231	\$ 0.267	\$ 0.300
Total Cost	\$ 0.22	\$ 0.26	\$ 0.30	\$ 0.37	\$ 0.44	\$ 0.51	\$ 0.58	\$ 0.66	\$ 0.73	\$ 0.80	\$ 0.88	\$ 0.95
Breakeven	\$ 9.57	\$ 9.61	\$ 9.65	\$ 9.72	\$ 9.79	\$ 9.86	\$ 9.94	\$ 10.01	\$ 10.08	\$ 10.15	\$ 10.23	\$ 10.30

2018

Fall 2018 Price:

\$ 8.29

Months	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
Cost out of the Field	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29	\$ 8.29
Interest Costs at 5% per bu	\$ 0.059	\$ 0.078	\$ 0.117	\$ 0.156	\$ 0.195	\$ 0.234	\$ 0.273	\$ 0.312	\$ 0.351	\$ 0.390	\$ 0.429	\$ 0.468
Minimum Storage	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Storage Cost bu per month	\$ -	\$ -	\$ -	\$ 0.033	\$ 0.066	\$ 0.099	\$ 0.132	\$ 0.165	\$ 0.198	\$ 0.231	\$ 0.267	\$ 0.300
Total Cost	\$ 0.22	\$ 0.26	\$ 0.30	\$ 0.37	\$ 0.44	\$ 0.51	\$ 0.58	\$ 0.66	\$ 0.73	\$ 0.80	\$ 0.88	\$ 0.95
Breakeven	\$ 8.51	\$ 8.55	\$ 8.59	\$ 8.66	\$ 8.73	\$ 8.80	\$ 8.88	\$ 8.95	\$ 9.02	\$ 9.09	\$ 9.17	\$ 9.24

*Chart Explanation on next page

CORN & SOYBEAN STORAGE TABLES (CONT)

We, at Flanagan State Bank, created these charts to show the farmer the true cost of storing/not marketing their grain. The farmers that are proactive with their marketing tend to get the best return year to year. With these tough times in farming, pinching every penny truly does help. These graphs help show you just how much you lose by not selling old crop. For example, if you still have your 2017 corn in the elevator you would need to get **\$3.80** per bushel just to **BREAK EVEN**. Soybeans are even tougher, if you still have your 2017 crop in the elevator you would need to get \$10.15. Again, these prices are just to **BREAK EVEN**. The difference between today price and your breakeven price for storage is \$0.45 on corn and \$1.86 on soybeans.

This is essentially just money lost. Instead of storage cost, the thousands of dollars that went to the elevator could have been used for other needs in your farming operation. It could have gone towards maintenance, improvements on the farm, or even a down payment on a new tractor. Part of growing and maintaining a farm operation is managing the costs, and storage is a cost that can be easily managed if a farmer is proactive with their marketing.

Graphs take into consideration that the farmer has an operating note with a rate of 5%

GRAPHS EXPLAINED

Recently, we began updating cash flows with clients. Throughout this process, we noticed that many have worked with us to put together an accurate and realistic breakeven analysis and as a result, have a respectable amount of their production protected due to knowing their true costs. Unfortunately, some have not been able to take advantage of our price rallies. At our current prices, there has been a significant change in the bottom line from the highs. However, it appears that we are looking at a respectable crop. The questions we must ask ourselves now are, "What our plan is, what will be our cash flow needs through harvest, and where are we at with our tax planning?" At the time of writing this article, the fall 2018 commodity prices were \$3.35 and \$8.29 at our local elevator. Storing what is not currently sold may not be the best option as you will see documented in the adjoining chart and illustration included below.

If we were to sell across the scale on our corn in October, we would realize the current fall bid of \$3.35/bu. However, if we feel that holding our grain until July 2019 would be the best plan, we would need a price of \$3.90/bu to realize the same net income that we received for our fall sold corn of \$3.35/bu. This would be due to the fact that at 5.0% interest, our total cost of operating interest would amount to \$0.135/bu. Our storage cost would amount to \$0.37/bu when figuring \$0.16/bu minimum interest plus \$0.033/bu for 7 months. Our shrink from 15%-14% at \$3.35 would amount to \$0.044/bu. Therefore, the total costs of interest at \$0.135/bu plus storage at \$0.37/bu plus shrink at \$0.044/bu would be \$0.55/bu! At 215 bpa this would amount to an additional cost of \$118.25/acre!

If we were to sell across the scale on our soybeans in October, we would realize the current fall bid of \$8.29/bu. However, if we feel that holding our grain until July of 2019 would be the best plan, we would need a price of \$9.09/bu to realize the same net that we received for our fall sold soybeans of \$8.29/bu. This would be due to the fact that at 5.0% interest, our total cost of operating interest would amount to \$0.39/bu. Our storage cost would amount to \$0.411/bu when figuring \$0.18/bu minimum interest plus \$0.033/bu for 7 months. Therefore, the total costs of interest at \$0.39/bu plus storage at \$0.411/bu would be \$0.80/bu! At 64 bpa this would amount to an additional cost of \$51.20/acre!

The purpose of this article is to recommend seeking alternative options for dealing with additional risks. One recommendation we can suggest is to discuss your options with your local elevator or marketing advisor.



DOES IT HAVE TO BE APPRAISED AGAIN?

I have been appraising real estate for 20 years and this is a question that gets asked of me from time to time. If you are not familiar with some basic appraisal terms and their implications, then this situation could nag you. This question will most likely be answered by at least one of three appraisal basics. They are effective date, client, and intended use. Appraisers must adhere to USPAP (Uniform Standards of Professional Practice). USPAP establishes standards for appraisal development and reporting. According to USPAP, these three items are important and must be stated in every appraisal report.

The effective date of an appraisal is the date to which the value applies. Technically, the effective date of an appraisal can be in the past, as of today, or at a point in the future. An example of an appraisal with a past effective date would be for an estate. In this case, the value is needed as of the date of death. A current effective date could be for a loan. A future effective date would be less common and might be used if there is an improvement being added to a property and the client needs to know what it will be worth when it is completed. Don't confuse the effective date with the report date. The report date is the date which the report is communicated.

The client is the party who engages or employs the appraiser for a specific assignment. The most common clients for me are banks, attorneys, and property owners.

The intended use of an appraisal is the application intended for the information included in an appraisal. Some of the more common intended uses would be for loan purposes, estate settlement, or an owner wishing to sell.

Now back to the original question. Does it have to be appraised again? Let's take a look at some examples.

Example #1:

An appraiser completes an appraisal for Lender A with an effective date of March 01, 2018 with an intended use of the report being used for loan purposes. Now let's say the borrower goes to Lender B a week later and finds a better interest rate but Lender B says I will need an appraisal. The borrower says "It was just appraised for Lender A; does it have to be appraised again?" Lender B is going to need an appraisal report which states them as the client. It is clear to an appraiser that there are two separate assignments between two different clients. So, yes it will have to be appraised again. There is also most likely going to be a difference in time, so the effective date will be different. Obviously, the intended use for both assignments would be for loan purposes.

Example #2:

Let's say an appraiser completes an appraisal for a property owner who is wanting to sell their property. The owner uses the information in the appraisal to come to an agreement with a buyer. During the course of the transaction, the seller gives a copy of the appraisal to the buyer. The buyer takes the appraisal to their lender and the lender says "That's nice, but it will have to be appraised again." Once again, there are two separate assignments with two different clients. The original client is the owner and the lender would be the client for the second appraisal. In this example, the intended use for the appraisals will also be different. The intended use for the first appraisal is due to the owner wishing to sell. The intended use for



the lender is for loan purposes. It is most likely the effective date for the loan will be later. Yes, the lender will need their own appraisal so it will have to be appraised again.

Example #3:

In the first example, there is a concrete difference between the clients. In the second example there is a concrete difference between clients and intended uses. Let's look at a situation where the effective date can make a difference. In this example, a parent passes away on March 01, 2017. An appraisal for the estate was communicated to the estate's attorney on December 01, 2017. The effective date is the date of death which is March 01, 2017 and the report date is December 01, 2017. The heirs receive a copy of the appraisal in December 2017 and immediately want to sell at the appraised price. How could this be a problem for them? Approximately nine months have elapsed since the effective date even though the appraisal was just completed. Many things can happen over nine months that might have an effect on value. What if interest rates spike up or dip down? What if a large employer announces they are leaving or entering the area? What if there is a large swing in commodity prices? This list could go on and on. Now back to the original question. "Does it have to be appraised again?" Effective date and intended use would be the most important determining factors here. Information used in the original appraisal is nine months old and should be updated when decisions are made. Nine months can be like eternity to an appraiser. If the heirs are basing their decisions on the original appraisal, then yes, I would say that it needs to be appraised again so they have current information. The original intended use is for estate settlement. The intended use of a new appraisal would be due to the heirs planning to sell.

It is not uncommon for these situations to arise. USPAP clearly says every appraisal has to state the effective date, client, and intended use among other things. In these examples there are clear differences between different effective dates, clients, and intended uses for the same property. If another appraisal is needed, don't think the appraiser is looking for additional work, remember they are and should be adhering to USPAP.

Matt Swanson
Certified General Real Estate Appraiser

THINGS TO LOOK FOR AS HARVEST APPROACHES

Marketing grain and livestock is a year-round activity. However, there are a lot of decisions that need to be made before, and during, harvest. Should I sell or store? Should I fill the bin or not? Let's take a look at some of these questions and things to look at for each.

When Do You Need Money?

You have to know when you will need to pay bills so you can market effectively. Do not wait until the day you need money to sell grain! If you need to pay bills in November, is it smart to pay the storage and extra shrink to store corn for 30-40 days? Most likely, it is not. Know when you need cash and make sells ahead of time to cover those needs.

What Does It Cost to Store Corn/Beans?

You have to know your costs if you are going to store grain. You have the minimum storage, you have extra shrink, and you may have interest on borrowed money. At many terminals and elevators, this comes out to 18-24 cents to store grain until January. After that, there is, on average, 3 cents per month in additional costs. To store corn until July of next year, you will most likely have at least 40 cents in total storage costs.



Alternatives To Storage?

You could sell the grain before and during harvest and not have any storage costs at all. You would have control of your money since the grain will be sold. You could then buy call options to replace those bushels. Call options gain in value if the market rallies. If we go lower, you won't have any more costs than what you pay for the calls initially.

If you store grain and the market moves lower, you have grain that is worth less than when you harvested it, and you have the storage cost on top of it. Call options are usually cheaper than storage costs as well, making them a great alternative to storage.

Why Are You Storing Grain?

If you store grain, whether in the elevator or in a grain bin, do it for the right reasons. Thinking that the market has to go higher is not a good reason to store. What is the market telling you to do? Local basis and market carry are things to look at when considering storage. Store grain for the right reason and look to lock in a better price. Don't just throw grain in storage and expect the price to be better later. Proper hedging or price floors (put options) are essential to helping you market grain in storage effectively.

Could I Sell At Harvest and Still Be Profitable?

It is easy to get hung up on price and just tell yourself that you don't want to sell at 'these levels'. However, you need to know what your costs are to make effective marketing decisions. For example, if you know your costs are \$750/acre, a yield of 200 bu/acre gives you a breakeven price of \$3.75. However, if you actually grow 230 bu/acre, you now only need \$3.26 to cover your costs. By knowing your costs, you can see that the lower price might not be as bad as you think and you could be wise to sell it. If you don't know your costs, you don't really know what a profitable sale would be for you. Take the time ahead of harvest to make sure you have all costs considered and know what will work for you.

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