"And the number one pick in the 2023 Draft is...."

Although it is the wrong time of year for professional sports teams to draft new players for the upcoming season, it is prime time for farmers to be selecting hybrids and varieties for the next growing season. Evaluating products similarly to how professional sports teams evaluate players, is a great starting point for farmers.

Pushing the easy button of seed selection looks like this; going through area seed plot trials, picking the top yielding products, and selecting a few based solely on yield. Although this is a good first step, I encourage farmers to take more of a "team manager" approach to seed selection. You wouldn't want to draft the top five quarterbacks all to the same team. You would want to pick the best players at each position to build the best team. Viewing your seed product lineup as a team will help you to build a package of products that can perform in the different conditions that your farm has, not only in plots. I will discuss the 5 factors that I work through when evaluating seed products for the next growing season.

1. Traits or No Traits?

One of the first steps of choosing seed products is knowing which pest protection traits you need. To be confident in this decision, you first need to know what your different pest pressures are in your fields. For corn, farmers need to think about traits to combat insects, such as corn rootworm. Then, to balance insect protection with weed management, you need to consider what your herbicide program will be next season. This choice was more difficult to make last season due to increased herbicide costs and concerns about product availability. It is always best to double check with your local seed dealer on which seed products can be sprayed with which herbicides.

2. Mature Enough?

When selecting players to add to your team, you want to look at the age of the player. Most teams refuse to add players that are not mature enough or players that are close to retirement. Likewise, when selecting seed products, you want to ensure that the product matches the maturity range for your growing area and farming practices. If you live in Minnesota, you most likely do not want to be planting a 120-day corn hybrid. If you live in Texas, you most likely do not want to be planting an 86-day corn hybrid. Finding the optimal range for your area is key to getting the most yield potential from a hybrid. Generally, selecting products with maturities on the higher side for your area will lead to higher yields. Your local seed dealer can assist with fine tuning this to your farming practices.

(cont. pg. 2)

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In This Issue

FSB Locations

301 W. Falcon, Flanagan

403 State, Benson

2401 E. Washington, Bloomington

111 N. Fayette, El Paso

500 S. Persimmon, Le Roy

208 E. Gridley, Gridley

3. Match the Player to the Position

If you drafted the number one quarterback for the NFL, would you turn around the next season and expect him to play defensive end? No! This would rarely be successful. In the same way, if you selected a hybrid that is highly recommended for sandy soils, would you expect it to perform on wet feet? No! While understanding your soils is important for fertility needs, it is also vital for understanding how to place different seed products in different fields. You know your fields more than anyone else so, it is crucial that you communicate your topography and soil types to your seed dealer. This will help him or her to assist in making the best agronomic decision for your field.

4. Manage the Team

Understanding the agronomics of a seed product will help you make management decisions for the growing season. Knowing if the hybrid requires a lot of nitrogen, needs a fungicide application, or likes high planting populations will help you to make the right choices to produce a high yielding crop. You could also select hybrids based on what your current farming practices are. If you are trying to cut down on planting populations or nitrogen use due to increased growing costs, you could select products that are able to handle less populations and less nitrogen. Please consult your local agronomy expert before decreasing populations or nitrogen use.

5. What is Your Teams Budget?

The question that I have received the most this fall: “How much has seed increased in price?” Luckily, seed prices have not increased as much as other inputs have this season. However, since other prices are up, any increase in seed price can be alarming. Contrary to popular belief, I encourage farmers to look at seed price as the last deciding factor. If you select for the other four factors first, you will be less biased and therefore will be selecting for a higher yield potential first. Then, once you have several viable options that fit your farm, you can select based on price. This will improve your whole farm profitability by selecting seed products that are cost effective without sacrificing performance. Another way to decrease seed costs is to take advantage of early pay discounts. Contact your local seed dealers for discount options.

I hope that these tips help you to consider different ways to evaluate seed products for the upcoming season and ultimately a higher ROI!

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BRANDT
Professional Agriculture®

Fertilizer for 2023

The harvest for 2022 is fast approaching completion, make observations of escaped weeds and any winter annuals in the harvested fields, which will rear their increase in pressure in 2023 crop year and plan to for better control next crop year. Fall burndown using a dicamba & 2,4-D combination before hard freezing temperatures will control winter annuals. Use multiple modes of herbicide activity on hard to control weeds from emerging in 2023, using FULL recommended rates and using overlapping residual herbicides during pre and post applications for the crop year.

Check on the last soil test for each field. It is correct to soil test every 4 to 6 years depending on limestone application timing. TEST --- don't guess. A soil test is one's best guide in determining the strength of each link in the plant nutrient chain. The weak link sets the ceiling on crop yield potential. A soil or tissue test identifies the weak link or links. We test in the fall after crop is harvested, preferring to sample bean stubble with an air probe trailer pulled by an ATV, utilizing geo-referenced 2 ½ Acre GRIDS on the field being soil tested, to collect the soil samples for the soil lab to test for PH, Phosphorous, Potassium, Calcium, Magnesium, Sulfur and other micronutrients. A yield goal for the growing crops for a one- or two-year program for the lab to make recommended application rates for crop removal and increasing soil test values if desired or needed.

Wanting to figure crop removal by grain hauled from fields:

- Corn removal is: .37# of P and .24# of K per bushel
  - For 225 bushels: P removal is 83# & K removal is 54#
- Soybean removal is .75# of P and 1.17# of K per bushel
  - For 65 bushels: P removal is 49# & K removal is 76#

At the same time, some P and a lot of K’s tied up in crop residue until breaks down back into the soil & organic matter. To build P soil readings takes 9# to raise 1# & K takes 4# to raise 1# on a soil test reading (that is by the textbook).

There are guidelines for fall applications of N that need to be followed:

- If falling temps/soil temperatures 50 degrees or less, use an N stabilizer

Fall application of dry P & K fertilizer:

- Do not apply on high rolling ground or frozen soils that are rolling.

It is also being recommended to apply fertilizer for next year crop only & not for 2 years crops. Application can be strip tilled or applied in bands before or at planting for more efficient use of nutrients being applied. Split applications of N during growing season reduces loss of N. Seed purchases of corn (VT Pro & non gmo) for cost savings need a good insecticide applied at planting for control of corn rootworm problems. INOCULATE soybeans at planting time, because soybeans are a legume that fixes N for the crop or next years’ crop.

Be sure and understand seed genetics for post application of herbicides (It is good idea to have only one version of herbicide resistance or keep very good records with double checking before the herbicide is applied). Use recommended full labeled rates of pesticides on the label. Using multiple modes of action combinations to especially keep waterhemp controlled at burndown, pre-emerge & post-application timings. Apply pre-emerge products on soil surface because waterhemp germinates on soil surface to ¼ inch depth.

The use of fungicides & insecticides on corn, soybeans & wheat helps control diseases, along with helping the growing plant's health during various stress times during the growing season. It is also good management practice with new crop genetics grown now.

Danny Brown CCA
Flanagan Fertilizer Company

CORN

Income	50/50	35% Variable	Cash Rent $350	Cash Rent $460	$250 Fixed w/ Bonus	Custom
Corn Yield	213	213	213	213	213	213
Fall 2023 Ave. Price	$5.50	$5.50	$5.50	$5.50	$5.50	$0.00
Crop Income	$1,172	$1,172	$1,172	$1,172	$1,172	$0
Total Income	**$586**	**$1,172**	**$1,172**	**$1,172**	**$1,172**	**$127**
Expenses						
Crop Inputs	$454	$795	$795	$795	$795	$71
Cash Rent	$0	$410	$350	$460	$250	$0
Bonus Rent 30% over $825	$0	$0	$0	$0	$104	$0
Total Rent Paid	$0	$410	$350	$460	$354	$0
Total Cost	**$454**	**$1,205**	**$1,145**	**$1,255**	**$1,149**	**$71**
Farmer Income per Acre	**$132**	**-$34**	**$27**	**-$84**	**$23**	**$56**
Fixed Costs to Pay						
Ave Family Living Costs	$17	$34	$34	$34	$34	$34
Ave Term Principal Payments	$91	$182	$182	$182	$182	$182
Ave Income Tax	$13	$26	$26	$26	$26	$26

SOYBEANS

Income	50/50	42% Variable	Cash Rent $350	Cash Rent $460	$250 Fixed w/ Bonus	Custom
Soybean Yield	64	64	64	64	64	64
Fall 2023 Ave. Price	$13.00	$13.00	$13.00	$13.00	$13.00	$0.00
Crop Income	$832	$832	$832	$832	$832	$0
Total Income	**$416**	**$832**	**$832**	**$832**	**$832**	**$116**
Expenses						
Crop Inputs	$297	$496	$496	$496	$496	$61
Cash Rent	$0	$349	$350	$460	$250	$0
Bonus Rent 35% over $600	$0	$0	$0	$0	$81	$0
Total Rent Paid	$0	$349	$350	$460	$331	
Total Cost	**$297**	**$845**	**$846**	**$956**	**$827**	**$61**
Farmer Income per Acre	**$119**	**-$13**	**-$14**	**-$124**	**$5**	**$55**
Fixed Costs to Pay						
Ave Family Living Costs	$17	$34	$34	$34	$34	$34
Ave Term Principal Payments	$91	$182	$182	$182	$182	$182
Ave Income Tax	$13	$26	$26	$26	$26	$26

2023 Projected Breakeven Crop costs

Income	Corn		Soybeans
Average Yield	213		64
Fall Cash Price	$5.50		$13.00
Other Payments	$0		$0
Total Crop Income per Acre	**$1,172**		**$832**

Expenses	Corn		Soybeans
Labor	$25		$22
Repairs	$41		$37
Rescue	$25		$30
Cash Rent (all acres)	$190		$190
Seed	$134		$84
Fertilizer	$250		$95
Chemicals	$98		$78
Custom Hire	$20		$18
Fuel	$30		$24
Taxes	$3		$3
Insurance	$52		$41
Utilities	$7		$7
Supplies	$0		$0
Drying	$38		$0
Storage	$10		$5
Lime	$11		$11
Lt. Truck	$0		$0
Pro Service	$5		$5
Other	$13		$13
Interest	$33		$23
Building Lease	$0		$0
Total Crop Inputs per Acre	**$985**		**$686**

Net Difference per Acre Before Fixed Costs	**$186**		**$146**

Average Fixed Costs to Pay Across All Acres			
Average Family Living Costs	$34		$34
Average Term Principal Payments	$182		$182
Average Income Tax	$26		$26
Average Fixed Costs	$242		$242

Net Income per Acre After Fixed Costs	**-$56**		**-$96**

Flanagan State Bank's Formula for Recession Proofing the Farm

1. *Prepare an accurate set of financial statements.*
Highly variable inventory prices and increasing land values will make this year's balance sheet look quite different from last year's. We do not recommend adjusting long-term assets such as land every year, but it is a good idea to reevaluate the value on your balance sheet every 5-10 years. In addition, for grain farmers, a net income statement for 2022 may be something you do to share with your lender.

2. *Prepare a detailed cash flow budget.*
Many crop farmers will have a hard time meeting all their cash commitments from sales in 2023. Higher input costs, in some case double in interest will increase operating expenses.

3. *Shop around for inputs.*
Depending on when suppliers booked fuel, fertilizer, pesticides and other inputs, prices may vary dramatically. Know who you are working with and whether to ensure that they will be able to deliver products as agreed. In many situations, there is a substantial amount of cash required up front to lock in inputs.

4. *Consider both cost savings and yield effects when applying inputs.*
For example, cutting back on nitrogen fertilizer when costs are high makes sense, but only up to a point. FSB highly recommends at minimum replacement on fertilizer.

5. *Know your costs of production.*
When profitable selling opportunities arise, lock them in. Watch for opportunities to price crop inputs, feed, and feeder livestock as well. There are many tools in the toolbox to manage risk, feel free to reach out to any FSB advisor on suggestions.

6. *Maintain sufficient crop insurance coverage for 2023.*
Higher production costs may require higher levels of protection to assure a breakeven level of revenue. Just because you have not had to utilize crop insurance in the past does not mean that you don't need it. This is an excellent resource to provide peace of mind to know that you can cover your costs in a catastrophic event.

7. *Use flexible lease agreements.*
Tying cash rents to a formula that takes into account both yields and prices will help protect margins. Landowners can share in high profits when they are available with a flexible lease agreement.

8. *Defer capital purchases, build working cash*
This past year may be one of the most profitable years for many farmers, however, we have seen these years come and go before. When costs are higher, replacing machinery, putting up new storage bins, and/or bidding on more land may have to wait. Replacement parts and overhauls are cheaper in the short run. Just because you had record income doesn't mean you need to spend it all. In tight years you will most likely need to dip into your cash reserve. So, start building your rainy-day fund (working cash) today. Before committing to capital purchases or high cash rents now, ask yourself a couple questions: a.) Would your operation breakeven and cover ALL your expenses with the past five-year average yields and prices? b.) Would your operation breakeven with your crop insurance guarantee? Sometimes you make the most money with the contending bid.

9. *Pay income taxes.*
Potential tax bills may have been put off until future years through actions such as using expense method and early depreciation, deferring crop insurance payments based on yield losses, prepaying farm expenses, and using income averaging. Now may be the time to use the additional income to pay taxes that normal would have been deferred.

10. *Consider the interest rates on obligations*.
Compare possible interest savings by utilizing cash as opposed to paying ahead on obligations.

11. *Be willing and ready to adjust as needed.*
Farming has so many uncertainties and things out of the control of the farmer (weather, markets, input costs), be ready to adjust as needed.

12. *Know your partners*
Know who you are doing business with and their financial position. We are starting to hear of both suppliers and grain buyers that are having financial problems.

13. *Work with suppliers to keep expenses under control – Purchase inputs in bulk*
Contact suppliers and let them know how much you want to spend and let them determine what products or services will give you the best return for your dollar. Consider purchasing inputs with others to receive quantity discounts. This could be done with fuel, seed, chemicals, some fertilizer sources, lime, and propane.

14. *Play the future markets to protect income*
If you are concerned about crop prices declining in 2023, then how much of your 2023 crops do you have marketed above your breakeven prices now.

15. *Utilize 'price for later' sales for cash flow purposes.*
Market and collect crop proceeds when you need the money in the cash flow to borrow less money at higher rates. Manage your operation as a business.

16. *Try not to pay full price – barter with the supplier*
Barter labor, services, and machinery with friends and neighbors to cut costs in the cash flow. Minimize hired custom work.

17. *Diversification is key – eggs in more than two baskets*
Look to diversify, your farm operation into other income sources that you can be profitable with and add to the operation with minimal cost, time, and labor.

18. *Include your family in your decision making*
Discuss with your family what tougher financial times on the farm mean for all of them. Then ask for their comments, ideas, and suggestions. You all need to work together and often it is a lot of little things that can make big differences.

19. *Play defense – don't swing for the fences*
In tougher financial times, some farmers swing for the fences. They assume the most risk and have the most to gain OR LOSE. This is a time to play defense by reducing risk, lock in profits, become more efficient, and make more safe choices for the operation.

20. *Share labor and equipment*
Farmers could work together and share labor, tools, and shop space to repair and maintain farm equipment in the off-season together.

21. *Know where you make the best return on your time and money*
Do you know what makes you the most money in your farm operation? What are the three largest farm expenses you have, and can you possibly lower any of them? Have good records and use them to manage your farm and choices.

22. *Covering landowners expenses*
Be careful covering input expenses for landowners as income comes down and margins get tighter.

23. *Sell unused equipment*
Equipment is selling at an all-time high, do you have an excess of equipment that you could do without now? This could be sold at a high price now to reduce debt or build working cash.

FSB Ag Lending Team
Richard Ritter
DJ Wyss
Sarah Hoerner
Logan Weber

Commodity Market Overview

What a remarkable push those last rains gave to the corn and soy crops. Test weights in some areas were at or new record highs. Of course, we feel for our fellow farmers in the west who struggled to get rains, suffered under long, hot stretches that took their yields well below their potential and in some areas to zero.

When barges cannot be loaded to capacity, the demand for an extra barge for every 10 that couldn't be loaded full drives up the shipping costs and demand for barges. We have seen freight cost rise over $2.50 per bushel higher than normal costs from St Louis to NOLA. Recent rains have helped reduce this, but the weather forecast seems to be light on precipitation for a while. Of course, lower water levels could portend earlier and harder freezing of the river at some point.

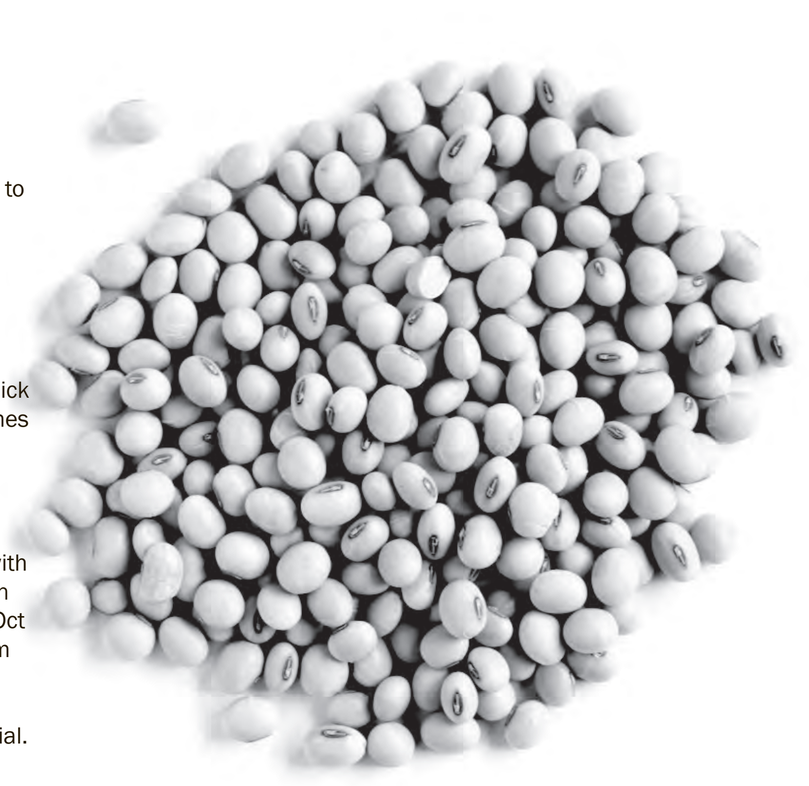
Some processors were still paying up to fill in needs when their transportation issues left them with lower stocks on hand. The quick harvest to the west didn't allow the processors to refill multiple times as harvest delays usually allow. Once the grain is in the farmer or elevator bins, it takes a little more incentive to buy it. Watch your bids for basis pushes when users need your grain.

Although strong prices continue on the CME, the give and take with all the world events has caused just a 58 cent range in March Corn futures since the end of August to the recent 6.53'4 to 7.11'6 on Oct 10th. Jan Soybeans had a $1.50 range from 13.62 on Oct 6 from the high of 15.12 on Sept 13. South American weather is already causing early corn acres to be planted to soy in Argentina. In the next two months, we will have a better handle on their crop potential.

With US corn stocks/use at 8.3% and US Soybean stocks/use at 5.0% we are not in a surplus situation. We know our domestic needs, but we are waiting for increased demand for exports. Mexico just made a 1.86 mmt purchase of corn that made the market sit up and pay attention. The PNW has been shipping soybeans heavily to make up for reduce gulf shipments. Unit trains have been shipping corn from IL, MO, and IN to the feedlots in KS, OK, and TX much earlier than normal. Although the cattle herd has dropped, with the dry subsoil moisture, they are still worried about crop and grazing potential for the upcoming year.

Ukraine and Russia news has caused erratic moves in the markets. Finding truthful news versus rumors has become the real battle for trading the markets. Overall, the Ukraine production was lowered and some feel the USDA is still too high on their Ukraine numbers. The shipping corridor agreement has been extended for 120 days from Nov 18. Ukraine is currently concerned about the availability of fertilizers and fuel for planting winter crops. With all the infrastructure devastation and power grid disruptions, one can only wonder how stored grain could be kept in good condition.

Our strong dollar versus other world currencies has also been a headwind. Recently it has dropped from the 114 high to 105. If it would rally again, our grains would be higher priced to the rest of world. Currently, Brazil soybeans FOB are over 60 cents/bu cheaper than US soybeans. Geo-political events relating to our tariffs on Chinese goods because of their human rights and Taiwan positions have led some to believe China is trying to avoid buying US soybeans.



The energy sector tie to commodity prices has been very difficult to follow. Strong crude oil should lead to higher gas prices and therefor higher ethanol prices. Natural gas and diesel fuel prices have been swinging do to the Russia-Ukraine war and pipeline issues. Our domestic production of diesel fuel has been maxed out, and there are few incentives to build new or add-on capacity with the Green Energy push. Many plants have added newer technologies for efficiency, but we have not added capacity to account for the increased export demand.

World Recession concerns have been raised multiple times since Covid was the headline. If the global economy would hit the pause button, there could be a trickledown effect that lowers commodity prices as demand would be assumed to diminish. Know your net margin on your bushels or livestock and protect against a significant down with options. Compare your current margin with potential if the market breaks out of the ranges currently trading. Be an active marketer and not passive. Indecision is a decision.

Happy Thanksgiving and have a great Holiday Season.

Roy Plote
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NAVIGATING THE MARKETING "WHAT IF'S" GOING INTO 2023

What a year 2022 was. We saw costs increase, but we also saw the market price for your crops increase. We had weather problems through the world and in different parts of the U.S. However, for many in Illinois, we saw some of the best yields ever, and the price stayed high through harvest. This gave many the best gross income year they have ever experienced. There are so many things to be thankful for this year that give you a reason to be excited about 2023.

That all being said, we do not know what all the pitfalls will be in 2023. There are so many things that can happen to move the market in either direction. Will South America have weather problems this year or will they grow a record crop? Will our economy hold up, or will it falter? Will there be any positive progress with Russia/Ukraine? These are just a few of the things constantly affecting our market, and there are likely many more we are not even thinking about today.

With so many unknowns, it is easy to see why marketing is challenging. However, if we concentrate on the knowns, and do what we can to protect ourselves from the unknowns, 2023 could easily be another good year for you. One thing we do know is corn export demand is very slow right now. A combination of high basis values, and a high U.S. Dollar, are making our corn price to the world more expensive. Through mid-November, our outstanding corn sales were only 40% of what they were last year at this time. If our demand doesn't pick up, we could easily see our ending stocks figures rise from here. There is also the prospect that we grow more corn acres in 2023. If we grow more, and use less, we have potential to see ending stocks increase enough that a dramatic drop in price could be on our way. Are you doing enough to protect yourself from that?

Another piece of the puzzle, that I think you will have a good handle on, is your cost of production. While the market doesn't care what your costs are, you do, and you should know what they are. Most are known, but some are unknown until the end of the year. Looking at past years can get you a good estimate on those that may not be totally known today. If you haven't already, begin working on your farm budget early so you have a better idea what you need to be profitable.

From a marketing perspective, you could easily be looking at good profit potential today for 2023. Are you doing anything to lock that in? If you get aggressive with sales, look to buy call options to keep the upside open in case the market rallies. I feel a great strategy is to get some sales made, and then protect what isn't being sold with put options. If you can get a floor on what isn't sold, and know that the sales you are making ahead are profitable, you will likely be creating an overall price floor that is profitable for you, and you are still in the market if we go higher. That strategy gets you in position to handle anything the market does going forward, all the while knowing you are doing what you can to be profitable.

The use of options also lets you move with the market as it goes higher and lower. What I mean by this is that you have potential to roll your options up or down as the market moves. If you buy put options to protect your downside risk, but the market rallies enough, you could roll that put option higher, and get a higher floor in the process. As it moves, your profitability moves higher also. If the market moves low enough, then the put options could be rolled down to take money off the table. The market will likely ebb and flow, and the options allow you to move with the market, where straight sales do not.

There are many things that can move the market in either direction going into 2023. You know your costs are higher, so you don't have much room for marketing mistakes. Implement a sound strategy early to get profit locked in, but also give you upside to have a chance to do even better. Profitability isn't guaranteed in 2023, but having a sound marketing strategy is the first step to trying to make that a reality.

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