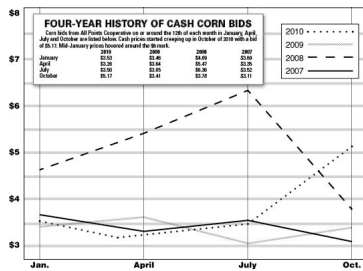


## Demand propels corn prices near \$6 mark

Written by Elizabeth Barrett

Wednesday, 19 January 2011 22:27 -

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Robust farm income in 2010 widens wallets for farmers

Area farmer Chad Kuhlman liked what cropped up in 2010.

Irrigated corn yields dropped compared to the previous year's record-breaking harvest but other factors—like high prices—helped Kuhlman and other producers earn a profit.

Cash corn prices at All Points Cooperative climbed above \$4 per bushel in early September, reaching the \$5 mark in October.

Mid-January bids hovered around \$6 a bushel, almost double the \$3.11 price in October of 2007.

A picture-perfect harvest the past year meant minimal drying costs compared to 2009 when record rainfall and snow kept farmers out of fields well into December.

“In terms of profitability, I was better off last year because I didn't have the extra drying charges which leads to shrinkage,” Kuhlman said.

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Having to operate aerator fans in his bins for six to eight months two years ago compared to five days in 2010 translated into \$30,000 in savings, he said.

That despite an average 20-bushel per-acre drop in yields for Kuhlman.

“I’ll take less bushels with better gains,” he said.

Higher corn prices coupled with lower-than-expected global grain production bolstered income for farmers across the nation in 2010, according to an article in The Main Street Economist which is published by the Federal Reserve Bank of Kansas City.

On a national level, the Economist points to the United States Department of Agriculture’s prediction of a 31% jump in real net farm income compared to 2009 levels.

With more money in their wallets, the article says producers used profits to pay off debt, buy equipment and expand land holdings.

Kuhlman said he plans to build two grain bins which will add 100,000 more bushels to the 250,000 bushels of storage he already owns.

Additional storage means more efficient harvest because of fewer grain-hauling trips to town.

“I’ll be able to gain yields because I can harvest faster with on-site storage,” Kuhlman explained. “That will help when there are weather issues.”

In addition to more bins, higher profit means Kuhlman can upgrade a tractor. He’ll also trade a combine like he usually does yearly.

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Although irrigated yields in 2010 were down compared to the previous year, All Points Cooperative grain-handling vice-president Steve Costello described dryland corn yields as exceptional.

The quality of both kinds of corn was exceptional, Costello said, noting that much of the high-moisture grain in 2009 never matured which led to poor quality especially while stored in bins.

“We were discounting loads because a lot of the corn was damaged,” he explained.

Robust grain prices the past year nationwide has been largely because of ethanol demand, Costello said.

And, as supplies dwindle, prices increase.

The Main Street Economist credits stronger exports as another profit-boosting factor.

Costello thinks the tide of profitability will continue this year for awhile.

Kuhlman agreed, noting that for him input costs like seed and chemical (with locked-in fertilizer prices) are slightly lower than last year.

“It should be profitable if Mother Nature allows it.”

By 2012, Kuhlman said he expects input and cash rent prices to rise while grain prices dip.

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“I’d like to see good prices but sometimes it’s best to stick with \$4 corn,” he said.

Once corn seed is in the ground this year, Costello speculated that prices can’t remain

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