

## Navigating U.S. Planting Decisions: Views from the Field

### INSIDE THIS EDITION:

- Page 2: Ethanol Missions
- Page 3: Container Shipping
- Page 4: Sorghum Crop Update
- Page 4: Welcome Robert Hurley

**A**s harvest wraps up in the United States, farmers are already beginning to plan next year's crop. After a year in which corn prices fell significantly due to an anticipated bumper crop, growers throughout the United States are considering many factors when making their planting decisions for 2015. The U.S. Grains Council spoke with farmers from Missouri, Iowa and Texas and asked them, "How do you choose what to plant?"

### **Dick Gallagher, Iowa corn and soybean farmer**

Q: How do you decide how much of each crop to plant each year?

A: For the last 41 years, I have been farming on a 50 percent corn and 50 percent soybean rotation. That's just the way it's been. The 50/50 rotation has worked well for us over the years, so we plan on doing that.

Q: What factors are the most important to you when making planting decisions?

A: The biggest factors for us are input costs, because corn has higher costs than soybeans. If we have another bumper crop, I expect input costs would decrease in 2016. We hope that input costs will come down, but for this year, I didn't see any significant drop.

Q: Do you expect to see changes in planting decisions in your area for next year versus the past year?

A: It's early in the year to decide this, but I think there could be a little bit of a switch from corn to soybeans in my area. But, there are a couple of people I have talked to who think things will stay the same. I think it's somewhere from staying the same to an ever-so-slight movement toward a few more soybeans.

### **Charles Ring, Texas corn and sorghum farmer**

Q: What helps you decide how much of each crop to plant each year?

A: It depends on the rotation, and it depends on moisture in South Texas. In 2012, we only planted corn on irrigated acres because it was a drought. Last year, we were in a rainier period, so we upped our corn and brought in dry-land corn.

Q: When do you expect to make your planting decisions?

A: In southern Texas, we start planting corn in the first or second week of February. We have to make the decision in December. The producers in the Midwest, where it is colder, make those decisions in late March. We plant sorghum in early March, so that decision comes a bit later than December.

### **Kevin Hurst, incoming president, Missouri Corn Growers Association**

Q: How do your members decide how much of each crop to plant each year?

A: Most people are on a rotation, so they will continue with that rotation. Price does come into it, but that doesn't determine what will happen. The market needs corn, so sometime during the year the crop will pay you enough to make it worth planting.

*See Future Planting Decisions page 2*

## Discovering the Market Potential for Ethanol Exports

In September, the U.S. Grains Council, Renewable Fuels Association (RFA) and Growth Energy conducted the first of three initial missions to explore the possibilities for U.S. ethanol exports overseas. The missions will travel to different markets to meet with energy sector leaders and learn about local biofuel and energy needs.

While abroad, the team will explore areas of common interest and the specific biofuel requirements in each region. The team also hopes to demonstrate to contacts the growing affordability of ethanol and its potential as a clean fuel alternative to gasoline.

### Meeting with Leaders in Japan and Korea

On the recent mission to Japan and Korea, the U.S. representatives spent time learning about these two countries' individual ethanol needs through meetings with government officials, policy groups, energy researchers and trading companies. The team was also given the opportunity to tour a Korean ethanol plant and research facility.

"We now have a clearer understanding of the current supply and demand for biofuels in Japan and Korea," said Eric Mosbey, Lincolnland Agri-Energy, LLC general manager, who participated in the mission.

"These meetings opened a dialogue with key buyers and end-users about U.S. ethanol as a clean, renewable fuel source. This mission is the foundation for future conversations."



Mission members are given a tour of a Korean ethanol plant.  
Source: USGC

### Ethanol a New Frontier for USGC and Others

The missions were made possible earlier this year when the United States Department of Agriculture (USDA) announced that ethanol exports could be promoted under the Market Access Program (MAP). This program, part of the U.S. farm bill, provides cooperative funding for U.S. agricultural export promotion initiatives around the world. The Council is one of more than 60 groups working to develop markets for U.S. products through the MAP program.

After a positive start in Japan and Korea, the team is looking forward to future missions to Latin America and Southeast Asia. The aim is identify opportunities in the ethanol markets in those countries and to begin to build strong relationships that will help the United States understand how to best serve the particular needs of different markets around the world. ♦

Q: What are the biggest factors in making planting decisions for your members?

A: We just got the price of our nitrogen fertilizer and it's gone up a bit, which surprised me. But generally I would say

## Future Planting Decisions...continued from page 1

that everything's going to continue along the same path. There's nothing that's going to be very unusual for us.

Q: How will this year's prices for your crops affect your planting decisions for next year?

A: It won't for us, and I would guess the same for the majority of people. The spread between price and cost is not that much different. At some point during the year, the market will decide what we need to plant and we'll be able to make a profit or break even. ♦

## Understanding Container Shipping for U.S. Grains

There will be an abundance of U.S. coarse grain and co-products available for export in the coming year. One way to get the grains from U.S. farms to worldwide customers is container shipping.



Source: Reuters/Stringer

### Benefits of Container Shipping

Containerization allows cargoes to be transferred directly from a ship onto a railcar or truck for quick transportation out of a port to a feed mill or other destination. This ease of transport is convenient for many buyers who need to ship their grains a long distance after it reaches the port.

Some buyers also enjoy the consistent quality of products shipped in containers. Because grains shipped via this method are minimally handled and stay separated in containers throughout the entire transport process, there are few occurrences of

inappropriate blending and mixing.

"Buyers who want to purchase an identity-preserved commodity with less blending will often look to buy via container because containers come mostly from the interior of the United States," said Jay O'Neil, senior agricultural economist for the International Grains Program at Kansas State University. "Containers, by and large, are shipped out of the countryside close to the areas of production."

### Considerations for Using Container Shipping

It is necessary to have the right infrastructure to handle containers. A buyer's preferred shipping method will depend on his unique situation and needs.

"For buyers who need smaller quantities on a regular basis, containers become very attractive and convenient," O'Neil said. "The buyers can get the U.S. commodities to their overseas destinations in quantities that suit their purposes."

The logistics of shipping grain in containers tend to favor smaller quantities because of the cost of using multiple containers. Container shipping also tends to favor those places where grain needs to travel farther distances because it is relatively easy to move containers.

### Rates Remain Low Due to Availability

In the upcoming marketing year, projected rates for container and dry bulk shipping remain low thanks to large fleets. Container shipping rate expectations this year dropped to a three-to-four year low.

"In general terms, shipping rates are in the lower range and attractive for buyers," O'Neil said. "Container rates are lower than they've been in the last few years, and bulk dry shipping rates continue to be at historical lows." ♦

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## WASDE Report Continues to Report Surpluses of Sorghum

The most recent U.S. Department of Agriculture (USDA) World Agricultural Supply and Demand Estimates (WASDE) report projected high yields for U.S. sorghum in the 2014/2015 marketing year. The United States is also expecting robust exports as demand remains strong in China, the largest export market for U.S. sorghum, and other areas.



Source: MSU Ag Communications/Kat Lawrence

### Strong Yield Expected Despite Fewer Planted Acres

The September WASDE report shows a notable increase in total sorghum production compared to last year despite a slight reduction in planted acres. Production estimates for the 2014/2015 marketing year (Sept. 1 to Aug. 31) are at 10.9 million metric tons (430 million bushels), with last year's total at 9.9 million tons (389 million bushels). Approximately 3 million hectares (7.5 million acres) were planted this year, down 242,916 hectares (600,000) acres from the 2013/2014 marketing year.

These predictions are a result of significantly higher yields per acre. WASDE predicted 4.2 tons per hectare (67.2 bushels per acre) for the 2014/2015 season, an increase from last year.

### Plenty of Sorghum for Export

With favorable yields and little expected change in domestic use, the USDA expects nearly half of total U.S. sorghum production to be exported in 2014/2015, an estimated 5.1 million tons (200 million bushels). Sorghum prices, however, did not see a noteworthy drop, as demand stayed strong.

The United States exported 4.7 million tons (185 million bushels) of its sorghum to China in the 2013/2014 marketing year, which ended on Aug. 31. Japan and Mexico also remain reliable buyers of U.S. sorghum importing 322,000

## USGC Welcomes Robert Hurley as Director of Programs in

China (12.7 million bushels) and 114,000 tons (4.5 million bushels) respectively. ♦

Please join the U.S. Grains Council in welcoming Robert Hurley as he takes on a new role as director of programs in the China office. As a part of the team in China, he will work closely with USGC Director in China Bryan Lohmar to plan and facilitate the Council's trade serving programs. He is replacing Kevin Roepke, who was promoted to USGC regional director of South and Southeast based in Kuala Lumpur, Malaysia.



"Robert has a strong background in trade and has worked extensively in China," said USGC President and CEO Tom Sleight. "He will bring a new perspective to the job and help strengthen our efforts in China."

A native of Iowa, Hurley has worked extensively in the China market throughout his career. Before joining the Council, he was a grains merchandiser for the Shandong New Hope Liuhe Group. He is fluent in Chinese and worked previously as a translator for the World Pork Expo and Iowa Economic Development Authority.

Hurley holds a bachelor's degree in business administration from the University of Iowa.

Congratulations, Robert! ♦

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