

# KANSAS Farmer®

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By **BILL SPIEGEL**

**I**T'S easy to believe high crop input prices will offset the soaring commodity prices farmers are capable of locking in for the next few years.

To be sure, farmers must be shrewd when evaluating crop budgets and marketing plans for this year. Despite the high input prices, however, Kevin Dhuyvetter, agricultural economist at Kansas State University, believes farmers must charge ahead and take full advantage of bullish commodity prices.

### Stay the course

"I wouldn't encourage farmers to cut back on input costs if it negatively impacts yield, just because they can still make some money at lower yields this year," Dhuyvetter says.

That means investing in fertilizer, seed varieties and hybrids that offer

### Key Points

- With input prices climbing, it's easy to try to lower the cost of putting in a crop.
- However, prices are at historically high levels now, so farmers should capitalize.
- Market analysts believe commodity prices will stay high for the foreseeable future.

traits to suit your needs, and using customary tillage or herbicide programs.

"Let's say you don't do these things, and your neighbor does and gains 10 to 15 bushels per acre more than you. At these high prices, that could separate the two of you," he explains.

Suppose next year, you want to bid on a piece of land. Like it or not, it's a competitive business. The neighbor who fully fertilized and used the seed technology will have more money to spend on that land, Dhuyvetter adds.

It's easy to get caught up in the "what-if" game: What if fertilizer prices continue to skyrocket? What if it doesn't rain? What if prices go down?

Dhuyvetter suggests farmers should not be lulled into that way of thinking.

"I don't like for farmers to change their management strategy unless there is some compelling evidence to do so," he says.

### Continued strong prices

And the evidence, at this point, doesn't appear to be overwhelming.

Bill Hudson, strategist with ProExporter, says worldwide demand for grain will continue to rise, thus propping up commodity prices for at least the next four years. The energy-starved world is single-handedly keeping corn prices at historic levels; soybean oil is in high demand due to the competition between biofuels and cooking use; and

wheat prices are riding high because of tight supplies worldwide and the strength of other grains.

But energy, Hudson says, is far and away the driver.

"It is hard to build a corn supply-demand scenario in which you don't see high corn prices because of the conjunction of world energy demand and agriculture. It is here, and unlikely to go away," he says.

Darrell Holladay, commodity specialist with Country Futures/Advanced Market Concepts, Manhattan, believes farmers need to use the tools available to them to secure high prices for the next several years.

"You can lock in \$4 corn for the next three years," Holladay says. "I suggest you do it."

■ Learn how Kansas farmers are preparing for a volatile 2008 on Page 6.

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