Feeders have different takes on market

By Katie Stockstill-Sawyer
McPherson Sentinel

Allan Sents
Owner, McPherson County Feeders

The current cattle market has not been kind to Sents' operation.

The number of customers willing to fatten cattle at the Marquette feedlot has declined to the point that Sents' April 1 numbers were the lowest they have been in 16 years.

The dip, Sents said, can be attributed to a dangerous mix of high feed and beef prices.

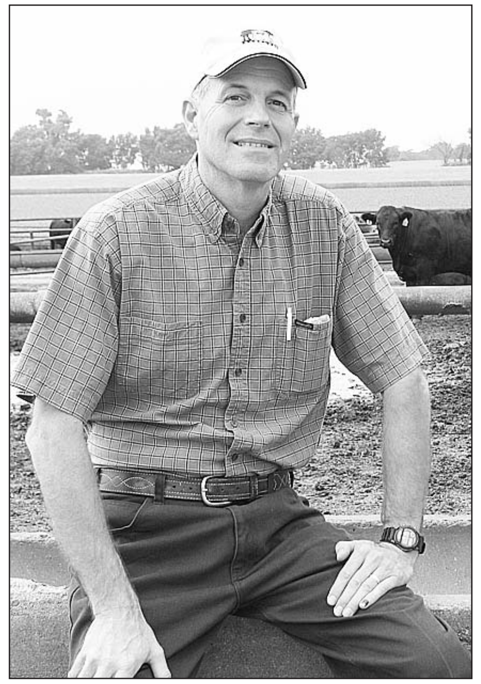
Sents' income depends on his ability to refresh his inventory. Without a consistent turn-over, money doesn't come in.

The veteran feeder likens the current markets conditions to the bubble the market experienced in 2008, before the crash of the housing and financial markets.

Today's prices, Sents said, will likely fall.

"Prices went up way higher than what we can sustain," he said. "The feeder business was built on cheap corn and an abundant supply of cattle."

With herd sizes at their lowest in decades and corn reaching the same highs as beef, the feeding industry is working outside its intended comfort zone and if prices and conditions don't change, feeding habits will have to. Sents said one solution is buying lighter cattle and keeping them on feed for longer. Cattle can also be sold as a lighter weight to avoid the more costly last few pounds. Some feedlots, primarily in the southern states, could see a jump in customers that can't take their cattle to grass as planned because of drought and fire.



Allan Sents, McPherson County Feeders owner

Sents said he expects the market to sustain itself on the traditional demand peak that comes with the summer months, but drop this fall.

"We've raised our expectations too high," Sents said.

Historical figures suggest the market will break to about 13 percent of its summer low.

Markets, however, will likely reset to a higher level than previously seen with $1 per pound being the worst case for fat cattle and $1.20 being close to the average.

Cap Proffitt
Manager, Barton County Feeders

Cap Proffitt manages Barton County Feeders in Ellinwood

Cap Proffitt, feedlot manager for Barton County Feeders in Ellinwood, is a bit more bullish about the market, agreeing that times are turbulent but also recognizing the ability to lock in a profit and make money off animals that for years were mere money pits.

Proffitt calls the conditions leading up to recent high prices "the perfect storm," fed by tight supply, volatile demand and a host of outside influences playing in the futures market.

The forces that created the current conditions have been at work for years and likewise, Proffitt believes, it will take years for the market to come back down.

"It will also take several years before supply factors catch up with demand, which will keep those higher prices with us," he said.

Like Sents, Proffitt believes beef, and nearly all agricultural prices, have reset themselves to lows that resemble past highs.

The key to riding out the storm and realizing a profit is risk management.

For cattle owners, that means playing in the futures market and locking in input costs when possible.

Weather insurance protects farmers, yields

By Katie Stockstill-Sawyer
McPherson Sentinel

A new private insurance program offering multi-peril weather insurance is turning the tables on traditional crop insurance.

Weather is responsible for an overwhelming majority of crop losses in all parts of the country.

In November 2010, WeatherBill announced its full-season weather insurance program for U.S. farmers.

The program was available for the first time for the 2011 crop year and better helps protect farmers against revenue losses realized through the traditional federal crop insurance program.

Bob Abel, owner of Jefferson County Insurance in Oskaloose, said traditional crop insurance requires a proof of average production history (APH) before a payment is received. That only covers up to 85 percent of a farmer's potential profits and does not take into consideration input costs.

Potential yields for a crop could be minimized by past years of bad weather, poor crop management or no crop history for that field.

WeatherBill Chief Revenue Officer Gregory Smirin said the company's product will reimburse farmers not only for the crop's potential profit, but also for input costs included in planting and maintaining the crop.

"As input costs increase and cash rents increase, you quickly end up with $700 an acre in input costs," Smirin said. "Traditional insurance will only cover the input costs, which leaves farmers with no profit. There is a big gap of what you can get and what you put into the ground. Traditional crop insurance can only cover what you prove."

WeatherBill collects weather data from across the country using weather stations and 12-by-12 mile grids used by the National Weather Service. Payouts are determined solely by weather measurements, eliminating the need for an auditor and claims process.

The company's total weather package covers all types of weather events including drought and heat, excess moisture, freeze and hail. The total weather policies can also be used to protect pastures and forage and must be purchased by March 15 of each year. The policies are optimized for corn and soybean production in 17 states, including Kansas.

Individualized weather policies are also available to protect against a specific type of weather over a specific time period.

Individual policies can be purchased up to one week before the policy goes into effect. Smirin said total-weather policies tend to pay out two to three times a year.

WeatherBill policies can be purchased in addition to federal crop insurance policies.

Read more about WeatherBill online at www.weatherbill.com.

Rising input costs cutting into profit margins

By Sentinel Staff

Americans are experiencing sticker shock at the gas pump these days, but high fuel costs are hitting America's farmers and ranchers especially hard. According to testimony presented earlier this month by the American Farm Bureau Federation, government figures show farmers this spring will pay almost 85 percent more than they paid in 2000 just to plant their crops.

"Most Americans are feeling sticker shock caused by high gasoline prices when they fill their automobile's tank," said Colorado Farm Bureau President Don Shawcroft. "But there is no term in the English language to accurately describe what farmers and ranchers feel every time they put diesel in the tanks of their farm equipment."

Shawcroft cited numerous examples of the economic impact currently experienced by farmers and ranchers. He said the cost just for refueling a typical tractor can be more than $1,000. Depending on the number of acres being covered, farmers and ranchers have to fill those tanks multiple times just to complete the work on one field.

Senator Pat Roberts, ranking member of the Senate Agriculture Committee, spoke out about the rising cost of farming during a recent committee hearing. Roberts argued for greater energy production, both at home and abroad and comprehensive agriculture policies that encourage global stability.

And it's not just fuel prices pinching farmer's pocketbooks. Fertilizer, lime and soil conditioner expenditures have risen sharply since 2001. According to the United States Department of Agriculture, in 2001, farmers spent about $10 billion on field inputs outside of fuel. In 2009, that number doubled to $20 billion.

Farm expenditures now top $285 billion annually and estimates show expenses increasing by $20.2 billion. Total production expenses this year are expected to be 7 percent higher.

Devin Schierling, grain marketing manager for Team Marketing Alliance, said there are several ways to manage rising input costs. He urges producers to purchase inputs for the next crop year when they sell their current year's crops. MKC allows producers to pre-pay for fertilizer up to 18 months in advance.

Locking in margins also helps producers see their financial situation more clearly and purchasing crop insurance will guard yields and crop prices.