



Agronomy Notes

Capital Region

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Capital Region Extension Agronomy Team

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PA Crop Insurance News

Wrecks in a bumper crop year: As you finalize 2005 production plans, take a careful look at your risk management plan. While 2004 was a bumper crop year for many producers, some producers suffered devastating crop losses from excess moisture in the low lands, poor crop maturity resulting from a shortage of heat units and late planting caused by excess moisture. Hail damage and severe flooding in the river bottoms also contributed to crop losses. While there are mountains of corn and soybeans, some predict crop insurance will pay between \$10-\$15 million to PA producers who suffered disasters in 2004. (I eliminated the “cost” for a variety of reasons.)

One can only conclude that agricultural production is risky, unpredictable, and requires us to direct our attention to risk management opportunities.

Crop insurance for 2005: With much focus on cost control to improve profitability, it’s important to look at all of the options and work through some “what if” questions. These might include:

1. How do I expect crop insurance to perform [when a loss triggers, does it trigger on yield or revenue, how important is payment for low quality, what unit structure is most important (individual farm or bottom line on all farms), how much does crop insurance pay when a loss triggers]?
2. Do I expect to use coverage as a foundation for pre-harvest crop pricing – forward contracting?
3. What does my lender expect from crop insurance for loan collateral?

4. How much can I afford to pay for protection, or how much can I afford to lose and remain financially solvent?

Some rules of thumb to consider:

1. Having a high level of coverage is important as the higher level of coverage establishes when a loss triggers and the amount of payment (in 2003, 90% of corn and soybean dollar amount of loss payments were made at coverages greater than the 65% level; in 1988-02, the 75% level of coverage paid 2.3 times as much as the 65% level using statistics for all crops).
2. Some consultants encourage producers to buy higher levels of coverage and select perhaps 70% of the maximum price election to reduce premium costs rather than choosing a lower coverage level at the full price election.
3. Crop Revenue Coverage (CRC) generally is thought to be the best crop insurance foundation for pre-harvest crop pricing.
4. Lenders are usually concerned about how much crop insurance pays when a disaster occurs and the degree to which your cash flow is impacted.
5. The premium costs are all calculated to achieve the same loss payment to premium ratio. So there really is no “best deal”. Over the past 10 years PA producers have received about \$163 million in loss payments while paying about \$32 million in net premiums.

What is the next step: Most insurance agents can generate a computerized quote on a variety of crop insurance options. Contact your agent, review the many options available and get a computerized quote on a few options that you find most appealing. Study the quotes, make your decision and complete an application or policy change form **before the enrollment deadline (3/15/05 for corn and soybeans)**. Both Pennsylvania and USDA/RMA will be paying a good portion of your premium costs again in 2005. Remember that the coverage you select will determine whether crop insurance measures up to your expectations and possibly your lender’s requirements when a disaster occurs.

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Farm Vehicles and Pennsylvania Laws

There are many questions related to the operation of farm equipment on roads and highways in the Capital Region. At a recent meeting, Officer Andrew Herberg a South Londonderry patrolman detailed some of the pertinent information related to farm vehicles. After his presentation, we discussed the idea of putting together a fact sheet detailing some of the applicable laws pertaining to movement on the roads. Within a week, Officer Herberg had a document in my office. It is available to those interested in these laws. Please call the Extension Office to request a copy. For specific questions please call Officer Herberg at (717) 838-1376. I would like to highlight some of the laws.

The Title 75 Farm vehicle registration details that the vehicle can be only driven in daylight, within 25 miles of the farm and be used for the transport of agriculture supplies and commodities. Weight is also an important factor. Vehicles under 17,000 lbs require an annual inspection while those vehicles over 17000 lbs need to be inspected twice a year. Most farm vehicles do not need to be inspected; however once they drive on the road, they can be subject to state inspection code. This means the vehicle must have functioning brakes, lighting, steering, tires and wheels. Original options must be maintained, if the vehicle came with a horn then it must be operable. This protects both the farmer and the motorists.

The operator of farm vehicles must hold a valid class C drivers license and can operate the vehicle within a 150 mile radius of the farm. Youth that are 14-15 years of age may operate an implement of husbandry only on areas immediately adjoining the farm. ATV operation does not require a license on owned property. However, if it is used on the road or someone else's property a license is required and youth 10-15 must have proof of safety training in the form of a certificate. For large vehicles, such as grain dump trucks, a valid medical certificate is required.

Slow moving vehicles that impede traffic should pull off at first opportunity. Impede is defined as about 6 vehicles in a line behind the equipment. If the farmer fails to pull off safely, he/she can be fined. At speeds at or below 25 miles per hour, a slow moving properly maintained emblem is required at the rear, center of the vehicle in addition to other lighting requirements. Farm tractors may tow 2 other vehicles.

Securing loads is important. If the hauled commodity can blow or otherwise fall out of the vehicle, it must be tarped and secured according to the law. The number of tie downs and strengths are outlined depending on load. Most vehicles loaded with vegetables or other produce not exceeding 10 feet in width may be driven or hauled or towed between sunrise and sunset. Finally, the maximum weights need to be understood. The law breaks this down by axle weights. Permit details are available to allow special oversize vehicle movement and excessive weights.

Officer Herberg also includes pertinent phone numbers for the DOT and other related agencies.

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What About Northern Leaf Blight?

From my observations, we had more Northern Corn Leaf Blight around in 2004 than I can remember seeing. Although we had super corn yields overall, I wonder how fields that had a lot of this disease actually turned out.

If my observations are correct, there will likely be a lot of fungal spores available to infect the 2005 crop, increasing the risk of disease if weather conditions are similar and if you plant susceptible hybrids into these fields next season. So I think it is important to understand hybrid resistance and making that a consideration in the hybrids you buy.

The fungus causing NCLB is Exserohilum turcicum. This fungus exists as several different races, each capable of causing disease on corn plants with specific resistance genes. The races are named by numbers (race 0, race 1, race 2) which designate what resistance genes (Ht genes) it is capable of attacking.

There are two different types of genetic resistance to NCLB. Race-specific resistance is where certain races of the fungus are prevented from causing severe disease by a single gene in the hybrid. This response in the plant is seen as a distinct lesion type. When disease is prevented by the effective Ht gene, the plant produces a smaller yellow lesion known as a chlorotic lesion. When the disease is not prevented by an Ht gene, the plant produces a larger tan or necrotic lesion.

Partial resistance is also known as multiple gene resistance because the resistance comes from several different genes in the hybrid. The more of these genes a hybrid has, the greater the level of resistance. This type of resistance is effective against all races and reduces the size of the lesions, the number of lesions and the amount of spores produced in each lesion. The accumulative effect of partial resistance is to slow down disease spread so that disease levels never get too high during the grain filling period. Partial resistance and race specific resistance can both be very effective in preventing yield losses, but are most effective when used together in a single hybrid.

If NCLB is a concern, check in your seed catalogs to see if the hybrids have a rating on NCLB. The absence of a rating doesn't necessarily imply that the hybrid is susceptible to NCLB.

Ratings are normally on a numeric scale but do not provide an understanding of the type of resistance present



in their hybrids. In most cases, there is no information on whether the hybrid's NCLB rating is based on specific race resistance (based on the presence of a Ht gene) or the level of partial resistance (sometimes called tolerance). This is something to discuss with your seed dealer. Ask about hybrids with high levels of partial resistance in combination with Ht resistance genes, especially those that also have the Ht1 or Ht2 resistance gene.

This article was adapted from several issues of the Ohio C.O.R.N newsletter.

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Ag Input Buying Groups: Issues & Considerations

Buying groups are a hot topic in some sectors of Pennsylvania agriculture today. For some producers, using a buying group is a legitimate strategy to lower costs and improve competitiveness, while for others it may not be a prudent move. There are some concerns about the proliferation of buying groups within the agricultural community. For those not familiar with the term or concept, a buying group is simply a group of producers that have banded together (either formally or informally) for the purpose of purchasing input supplies. By pooling orders and resources, the group can achieve some common goal that is unattainable on an individual basis. This goal could be anything, but most commonly buying groups form around the idea of bargaining for lower input prices. It is hard to dispute the notion that buying groups can offer some significant benefits to producers, particularly in relation to lowering input costs; however, it is important to understand that these lower costs do not come without certain tradeoffs.

Impact on Local Suppliers

Chief among these trade-offs is the potential impact on local suppliers. Most local farm supply dealers rely on local sales, they are the backbone of their businesses – without your continued patronage these suppliers will eventually have to change their business model (i.e. start focusing on different customers, or start doing business in a different way) or cease to exist. Often, local suppliers have significantly different cost structures and business strategies than large scale out of area suppliers. This can force their hand in charging what may appear to be higher prices, or render them unable to cut prices on certain items. Greater overhead, lower purchasing power on their part, or a reliance on selling complete product lines (i.e. seed + fertilizer + herbicide, rather than each product individually) may make trying to match buying group demands simply impossible from a business standpoint. Although they may want to be cost competitive, their business model might simply not allow it. Certainly, strong arguments can be made on either side of a discussion about the loss of local support industries in agriculture, but as a producer, you should consider the implications for your operation if local input suppliers cease to be an option. What will it mean for your

business? When you get to the end of a field on a Saturday afternoon and need a few bags of fertilizer and seed to finish the spring planting, what will you do if you can't run into town to the local feed and seed? Will your out of area bulk supplier or fellow buying group members be able to help you out?

Consider the True Price

When using a buying group to bargain for lower prices, it is important to consider the true price of the product being purchased. What exactly are you getting for your money, and is it a fair comparison to what you might have paid otherwise? Our traditional model of Ag supply sales has created a situation where farmers are essentially purchasing two items at once: the actual product, and the associated service. Technical advice and information, product support, farm visits, rate information, scouting...all of these items cost your supplier something, but you most likely don't see a bill for them. That's because the price of the product includes the price of all these ancillary functions. It is likely that when a buying group attains a lower price for a product, what the seller has essentially done is stripped away the service portion of the item.

For some producers, this may be a perfectly acceptable scenario, while for others it may not work. If you like getting lots of technical advice and service, maybe a buying group isn't the best way to go. You are unlikely to get the same level of product support from a supplier that sells in bulk, at rock bottom prices, to a group of buyers, than from a more traditional seller. If you don't need or want technical service, then using a buying group may be a legitimate strategy to decouple the service and actual product portion of the farm supplies you buy.

Additionally, it is unrealistic to purchase a product from one supplier, and expect to receive service and information from another. In other words, it is rather dubious to buy your herbicide from an out of area warehouse through a buying group, and then call up your local crop consultant and ask for advice on rates. In the past, information has been ubiquitous and 'free,' but this is unlikely to continue in the future. Producers should not be surprised when advisers and salesmen aren't forthcoming with information on products that were not purchased through them - be prepared to either go without technical advice, or pay for it in the form of a consultancy fee.

Loss of Control

Let's be honest, farmers are some of the most independent people in the world. When you join a buying group, and agree to be a part of bulk purchases, you are likely to have to give up some of that independence. The group, or the group's designated buyer, will be making decisions about what products or brands to buy, who to do business with, when products will be purchased, etc. For some farmers, this should be a point of serious consideration.

The Middleman Myth

It is often implied that the world would be a better place without “the middleman.” This is certainly a great topic for debate, but let me share some advice that I was given in relation to the middleman from a wise former professor – you can cut out the middleman, but you can’t cut out the middleman’s function. In other words, say a group of farmers decide to pool their seed corn orders and bid out one large order for the group. Someone (either within or from outside the group) will still have to coordinate the bids, place the order, arrange shipping and billing, organize a delivery location and distribution... basically perform all the functions of a middleman! Yes, you’ve cut out the middleman, but you’ve had to assume many of his responsibilities at the same time, which certainly has an associated cost to the group. Perhaps, a buying group would be well served to partner with a local salesman or crop care consultant to perform these functions for a fee?

Repackaging

Lastly, much of the controversy surrounding buying groups relates to the issue of pesticide repackaging. Purchasing pesticides in bulk containers and repackaging it into smaller containers (i.e. buying a mini-bulk and pulling off 2.5 gallon jugs for everyone in the group) without proper licensing and inspections is a gross violation of Pennsylvania and Federal Law and is highly illegal. Penn State University in cooperation with PDA has developed a fact sheet on this issue. It is available on the web at:

<http://www.pested.psu.edu/resources/facts/repackagingbasics.pdf>

Conversely, a group of farmers making a bulk purchase of individually packaged pesticides is perfectly acceptable. However, the group will need to registers with PDA and pay a \$10 fee for a pesticide dealer license if only one check is written for payment, or arrange for each member of the group to be billed separately by the seller.

Certainly, it is important to consider the pros and cons of a buying group before entering into an agreement with others to take this approach to purchases. This article is not intended to argue this decision one way or the other, but rather to provide some food for thought in this decision making process. Ultimately, individual producers will need to weigh the costs and benefits associated with a buying group, and decide if forming or participating in a buying group is an appropriate strategic move for their particular operation.

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