

# Ag Decision Maker

VOL. 27 NO. 5 / MARCH 2023

A BUSINESS NEWSLETTER FOR AGRICULTURE

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## UPDATES

The following [Information Files](#) have been updated on [extension.iastate.edu/agdm](http://extension.iastate.edu/agdm):

A1-12 Historical Corn Yields by County

A1-13 Historical Soybean Yields by County

A1-14 Iowa Corn and Soybean County Yields

A1-50 Important Crop Insurance Dates

A3-10 2023 Iowa Farm Custom Rate Survey

A3-35 Machinery Leasing – Is it for you?

A3-37 Farm Machinery Joint Ventures

A3-38 Farm Machinery Joint Venture Worksheet

The following [Video and Decision Tool](#) have been updated on [extension.iastate.edu/agdm](http://extension.iastate.edu/agdm):

A1-10 Chad Hart's Latest Ag Outlook

A3-38 Farm Machinery Joint Venture Worksheet

The following [Profitability Tools](#) have been updated on [extension.iastate.edu/agdm/outlook.html](http://extension.iastate.edu/agdm/outlook.html):

A1-85 Corn Profitability

A1-86 Soybean Profitability

A2-11 Iowa Cash Corn and Soybean Prices

A2-15 Season Average Price Calculator

D1-10 Ethanol Profitability

D1-15 Biodiesel Profitability



## Custom rate survey guide released for 2023

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Many Iowa farmers hire some custom machine work in their farm business or perform custom work for others. Others rent machinery or perform other services.

In order to help producers and custom operators examine the market, Iowa State University Extension and Outreach publishes the Iowa Farm Custom Rate Survey.

This year's survey, published in March, includes 94 responses and 2,621 custom rates for tasks related to tillage, planting and seeding, spraying, harvesting, farm labor and more. Additions to the survey for 2023 include ground (broadcast) spraying with a self-propelled, tall-crop sprayer and liquid fertilizer high clearance application with drop hose and Y spray nozzle.

Most custom rates saw an increase of 10-15%. Custom planting ranges from \$12.50 to \$45 per acre, depending on the type of planter and setup. Combining corn shows an average of \$41.30 per acre and combining soybeans averages \$39.90 per acre, an increase of

12.4% and 10.7%, respectively. Table 1 shows historical prices for select operations. This year's publication, as well as previous reports, can be found on the [Ag Decision Maker website](#), [www.extension.iastate.edu/agdm/crops/html/a3-10.html](http://www.extension.iastate.edu/agdm/crops/html/a3-10.html).

The survey assumed diesel prices would be \$3.39 a gallon in 2023, based on forecasts from the US Energy Information Administration. The survey may lag changes in diesel prices and other inputs in some areas. This means that for custom farming practices that involve these inputs, the cost may change more frequently.

The information in the survey is meant to be a starting point for farmers and agribusiness to engage in conversations and negotiations. The survey is not meant to set the rate for a particular practice or operator. This is an opinion survey and represents the responses of participants.

This survey is only possible with the participation of Iowa farmers, custom operators, and farm managers. To join the survey



list for 2024, email the survey authors. For more information, Plastina can be reached at 515-294-6160 or [plastina@iastate.edu](mailto:plastina@iastate.edu), and Ann Johanss can be reached at 515-337-2766 or [aholste@iastate.edu](mailto:aholste@iastate.edu).

**Table 1. Average farm custom rates reported for Iowa**

Operation	1978	1988	1998	2008	2018	2021	2022	2023
Chisel plowing, per acre	\$6.00	\$8.40	\$9.65	\$13.70	\$17.60	\$17.50	\$18.00	\$19.75
Planting, no attachments, per acre	4.40	6.80	8.85	13.20	19.15	20.60	21.00	24.70
Spraying, per acre	2.40	3.50	4.00	5.60	6.60	6.55	6.75	7.00
Combining corn, per acre	16.20	22.00	23.40	28.10	34.80	35.10	36.75	41.30
Combining soybeans, per acre	14.00	20.60	22.55	27.10	34.00	34.20	36.05	39.90
Custom farming, corn, per acre	58.00	71.00	75.80	94.10	128.80	127.25	138.75	152.60
Custom farming, soybeans, per acre	50.00	65.00	70.65	83.00	117.10	115.60	125.65	139.65
Machinery operating wage, per hour	3.50	5.10	7.20	11.70	16.30	17.60	19.65	21.75

Source: Iowa State University Extension and Outreach, Iowa Farm Custom Rate Surveys, FM 1698.



## Assembling your estate planning team

By Kitt Tovar Jensen, Beginning Farmer Center Coordinator  
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Farm transition and succession planning is an important task for farmers at all ages and financial levels. Regardless of whether you are just starting out, thinking about retirement, or somewhere in the middle, you will need a personalized plan to help you achieve your specific goals. A successful farm estate plan requires a team of skilled advisors to analyze your unique situation and make recommendations.

The professional advisors needed may include an insurance agent, financial planner, tax professional, and attorney. These professionals can guide you through the estate planning process and help you avoid both common and technical pitfalls.

Getting started and finding an estate planning attorney can be a daunting task. One of the best ways to find an attorney (or other professional) is to seek referrals from people you trust who have

had a legal issue similar to yours. You can then search for that attorney online and usually find additional information through their firm’s website.

It is important to conduct some due diligence when seeking to hire an attorney. Most states maintain online, publicly available databases listing information about their attorneys. While the information readily available varies from state-to-state, most states’ databases allow the public to verify that an attorney is licensed to practice, and that the attorney’s license is in good standing. While this cursory check does not guarantee that an attorney is competent, it is a key first step.

Another option is checking with your State Bar Association. Iowa has a [Find-A-Lawyer program](http://www.iowabar.org/?pg=findalawyerdirectory), [www.iowabar.org/?pg=findalawyerdirectory](http://www.iowabar.org/?pg=findalawyerdirectory), which can be a useful tool to

help you in your search. You can search by both practice area and geographic location, for example “Conservatorship and Estate Planning” or “Ames.” Not all qualified attorneys, however, are listed in these services.

Women Managing Farmland programs and resources are financially supported by a USDA National Institute of Food and Agriculture - Critical Agriculture Research and Education grant (2021-68008-34180) and a Farm Credit Services of America gift. For information on Women Managing Farmland courses, visit the [Women in Ag website](http://www.extension.iastate.edu/womeninag/), [www.extension.iastate.edu/womeninag/](http://www.extension.iastate.edu/womeninag/).

An April webinar will provide further insight on building a professional team, register at, <https://go.iastate.edu/OJ1JFF>, or view the entire Women Managing Farmland series, <https://go.iastate.edu/21MUAT>.



## There's a new library in town

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“He’s like an onion. You have to peel him back a layer at a time.” That’s a quote from the movie *The Blind Side*. In peeling an onion, there are many layers, which means a person or situation is more complicated than its surface appears to be. It also means investigating a matter more deeply, usually step-by-step, with each step revealing additional discoveries.

### Using a knife for the first layer

Imbalances in market power between buyers and sellers can impact prices. In the 1990s, concerns grew among industry and Congress over packer concentration as meat packing companies were consolidating and expanding and market structures were changing. Concerns came to a head in December 1998. Negotiated slaughter hog prices collapsed to single digits. Formula contract prices did not decline nearly as much. Many people asked why. Industry participants correctly believed a free flow of complete market information could reduce potential adverse price impacts of market power imbalances. They urged Congress to act.

Congress did. As an amendment to the Agricultural Marketing Act of 1946, Congress passed the Livestock Mandatory Reporting (LMR) Act of 1999. The Act:

- Established a program to provide information regarding the marketing of cattle, swine, lamb, and the products of such livestock that producers can readily understand.
- Improves USDA’s price and supply reporting services.
- Encourages competition in the marketplace for livestock and livestock products.

The USDA Agricultural Marketing Service (AMS) currently publishes 27 daily, 28 weekly, 18 monthly, and 6 annual cattle reports. To get data, AMS analyzes 5,000 to 8,000 records per day under LMR. These records cover 92% of all fed cattle transactions and 33% of all cow and bull transactions. All federally inspected cattle plants which slaughter at least an average of 125,000 head per year are required to report. That’s currently 41 live cattle plants. AMS audits firms to ensure reporting accuracy and preserves confidentiality of transactions.

### Additional formula pricing revelations

Since the establishment of LMR, AMS has worked closely with industry to refine the overall effectiveness of the program. The marked decline in negotiated fed cattle trade has generated considerable interest and consternation. In 2005, cash

negotiated trade represented about 55% of the weekly national fed cattle volume. Negotiated grids represented 10%. Forward contracts represented 5%. The remaining 30% were formula trade. Today, cash negotiated trade has declined to about 20%. Formula trade represents some 60%.

The formula category AMS currently uses is a catchall category. It includes all fed cattle purchases not categorized as negotiated, forward contract, or negotiated grid. Formula purchased fed cattle represent highly varied cattle quality and specifications.

Unfortunately, the range in reported formula prices is so wide that formula prices are not that useful for interpretation. For example, for the week ending March 5, 2023, the price range for steers, over 80% Choice, purchased via formula on a dressed basis was \$242.67 to \$319.80 according to the *National Weekly Direct Slaughter Cattle Report - Formulated and Forward Contract (LM\_CT151)* report. These are net prices, reflecting prices paid after application of any premiums or discounts. Base prices are before the application of any premiums or discounts.

On August 9, 2021, AMS began publishing a *National Daily Direct Formula Base Cattle* report to provide additional insight into formula cattle trades. Daily morning, afternoon, and summary formula base price reports are national in scope to ensure confidentiality. Weekly and monthly reports are at the national and regional level and include forward contract base prices. AMS began issuing a *National Weekly Cattle Net Price Distribution* report on August 10, 2021.

## Cattle Contracts Library Pilot Program

The *Consolidated Appropriations Act of 2022* directed AMS to create a Cattle Contracts Library Pilot Program. Its goals are to:

- Increase market transparency.
- Improve price discovery.
- Provide enhanced signals to producers with respect to output and better insights regarding market demand and supply for cattle.

Under this pilot program, AMS collects, maintains, and reports aggregated purchase information on contracts between fed cattle producers and packers who are within the reporting threshold. AMS estimates that approximately 18 packing plants operated by four packing companies are subject to the Pilot.

The first weekly *Cattle Contracts Library Summary* report was for the week ending January 28, 2023. Reports are published

every Monday for the prior week's trade.

## What is in the pilot library

The [Cattle Contracts Library Pilot Program webpage](https://www.ams.usda.gov/market-news/livestock-poultry-grain/cattle-contracts-library), [www.ams.usda.gov/market-news/livestock-poultry-grain/cattle-contracts-library](https://www.ams.usda.gov/market-news/livestock-poultry-grain/cattle-contracts-library), provides the most recent report. Historical reports are available from the [Cattle Contracts Library Summary webpage](https://mymarketnews.ams.usda.gov/viewReport/3663), [mymarketnews.ams.usda.gov/viewReport/3663](https://mymarketnews.ams.usda.gov/viewReport/3663). The reports are currently only available in PDF format. The availability of an interactive dashboard, the ability to download the data and access the data through an API are yet to be determined.

For the week ending March 3, 2023, there were 178 active cattle contracts. Some of these contracts may have one base price. Others may have several base price options. For example, one contract may have both a USDA report as a base price option and a CME price as an option. Those 178 active cattle contracts offered 225 base prices. A USDA report was the most used base price at just over 75.66% of contracts using it, 10.18% of base prices were based off the CME, 8.85% were negotiated, and 3.98% were top of market. A USDA report may be used to help identify the top of market. The base price source breakdowns add to 98.67%, which is by design, to maintain confidentiality. Because confidentiality is applied throughout the report, not all

data may be shown, or totals may not add up to 100%.

The base price source breakdowns were slightly different when looking at the number of head represented, which are reported by month. In January 2023, 763,799 head (76%) had a USDA report as a base price, 136,909 head (14%) used a negotiated base price, 81,801 head (8%) were top of market, and 22,122 head (2%) used the CME for a base price for a total of 1,004,631 head.

Of the contracts using a USDA report to establish a base price, which could include top of market contracts, 35.17% used the *Nebraska Weekly Direct Slaughter Cattle Negotiated Purchases* (LM\_CT158) report, 34.32% used the *Kansas* (LM\_CT157) report, 23.73% used the *Texas-Oklahoma-New Mexico* (LM\_CT156) report, 5.08% used the *5 Area* (LM\_CT150) report, and 1.27% used the *Iowa-Minnesota* (LM\_CT167) report. Note that while a Nebraska report, for example, could be used to establish a base price, the cattle may be fed somewhere other than Nebraska.

## Clarifying base price adjustments

Of all the contracts, 27.56% had a base price adjustment. For negotiated base prices this adjustment had a simple average of \$0.65 with a 25th to 75th percentile range of \$0.49 - \$0.97. The units are \$/cwt. The percentile range is used to ensure confidentiality.

For top of market base prices, the average adjustment was \$1.37 with a range of \$0.87 - \$1.50. For USDA report base prices, the average adjustment was \$1.11 with a range of \$0.41 - \$1.72. All these contracts then had premiums and discounts applied. For USDA report base prices, with no premiums or discounts applied, the average base price adjustment was \$1.43 with a range of \$0.81 - \$2.24. Of all the contracts with base price options, 91.11% had at least one premium or discount applied for yield grade, quality, weight, class, branded programs, management programs, or other factors.

The contract specs part of the report shows that 88.76% of contracts had a quality specification, 84.27% had a specification for weight, 75.84% for less than 30 months of age, 61.24% for other miscellaneous, 55.62% for yield grade, 48.88% for branded, 41.01% for dressing percent, 37.64% for breed, 33.15% for export certification, 8.99% for starter cattle, 7.87% for volume threshold, and 5.06% for supply relationship.

Beef/Dairy crossbreeding is a growing practice. However, the degree of substitutability at the fed cattle level has not been widely known. Beef/Dairy cross

discounts on a per head basis were \$20.00 and on a per cwt. basis averaged \$2.91 with a range of \$1.75 - \$4.13 according to the Cattle Contracts Library. This compares to an average per cwt. dairy type discount of \$28.62 with a range of \$11.72 - \$40.00.

This is a pilot program. The funding will eventually run out. The program could cease, or could become permanent, subject to funding and support. AMS will continue collecting feedback. All players will keep learning. This is not the last layer of the onion to be peeled back for this program and for the overall cattle market.



## More and stronger extreme weather events

By Don Hofstrand, retired agricultural business specialist

Reviewed by Eugene Takle, retired professor emeritus, Iowa State University

**This article is part of our series focused on the causes and consequences of a warming planet.**

Extreme weather events typically don't happen very often. However, more and stronger extreme weather events are consistent with what scientists expect from a warming planet. These events are becoming more frequent and severe around the world. Extreme weather events include heatwaves, droughts, wildfires, extreme rainfall, winter precipitation, hurricanes, floods, and other events.

Examples of extreme weather events in 2022 include Hurricane Ian, extreme warming in British Columbia and the state of Washington, flooding that covered one-third of the country of Pakistan, droughts and wildfires across Western US, and many other places on the planet.

Perhaps the most impactful of these is the additional heat. This additional heat causes more heat waves. A heat wave is generally considered a string of continuous days with daily maximum temperature above a certain level, such as five consecutive days with daily high temperatures above 95° F. The worldwide number of local record-breaking temperature extremes is now much higher than would be expected in a climate with no long-term warming. Because nights are warming faster than days, the evenings do not provide the ability to cool, making heat waves even more of a threat. In the US, heat waves have become more frequent and intense, especially in the West.

Cold spells have become less frequent and intense across the nation.

The US Southwest is expected to become hotter and drier. The probability of mega-droughts lasting decades is increasing. These periods may be punctuated by high rainfall events called "atmospheric rivers" where currents of moisture laden air come off the Pacific Ocean and drop their precipitation on California. This type of event happened during the California Gold Rush in the mid-19th Century when much of the Central Valley was flooded.

Heavy downpours have increased nationally, especially over the last three to five decades, with the largest increases in the Midwest and Northeast. The frequency and intensity of heavy precipitation events are expected to continue to increase in the future. Heavy downpours that currently occur about once every 20 years are projected to occur two to five times more often by 2100.

Some extreme weather events are more closely linked to a warming planet than others. For example, EPA (Environmental Protection Agency) reports that scientists have high confidence that recent heat waves, droughts and extreme rainfall will continue in the future and become more frequent and intense. Scientists are less confident about events like tornadoes.



Whether a warming planet causes more Atlantic Hurricanes is uncertain. But science shows that a warming planet increases the rise in intensity of hurricanes when over water, increases the hurricane's rate of rainfall, and may even slow the movement of hurricanes.

These extreme weather events will impact agricultural production around the world. Weather variability within and between years will make agricultural production more variable. Midwestern farmers will experience this variability in both the production and sale price of their commodities.


See the [Ag Decision Maker website](http://www.extension.iastate.edu/agdm/energy.html#climate), [www.extension.iastate.edu/agdm/energy.html#climate](http://www.extension.iastate.edu/agdm/energy.html#climate), for more from this series.

The **Iowa State Beginning Farmer Center** is looking for feedback on the challenges that both beginning and established farmers experience. Please consider completing a [short survey](https://go.iastate.edu/BFCSURVEY), <https://go.iastate.edu/BFCSURVEY>, on the obstacles your farm operation faces. The Beginning Farmer Center will use the information collected to develop new educational resources on the issues most important to you. To be entered to win a \$25 Amazon gift card, complete the survey by April 30th and leave your email at the end of the survey (your email will not be connected to your answers).



**PLEASE COMPLETE OUR SURVEY**

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or go to website:  
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**TO TAKE OUR SURVEY**

Your feedback will help us develop new educational resources and programming.

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