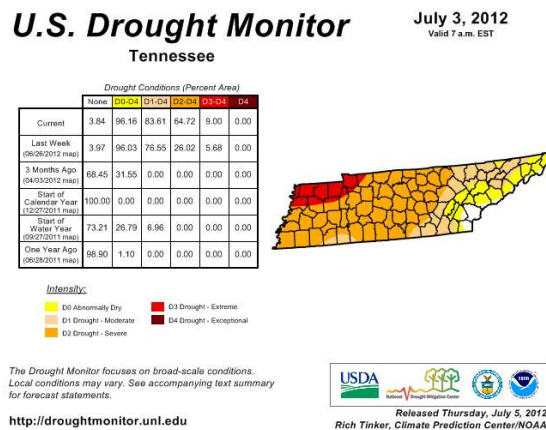
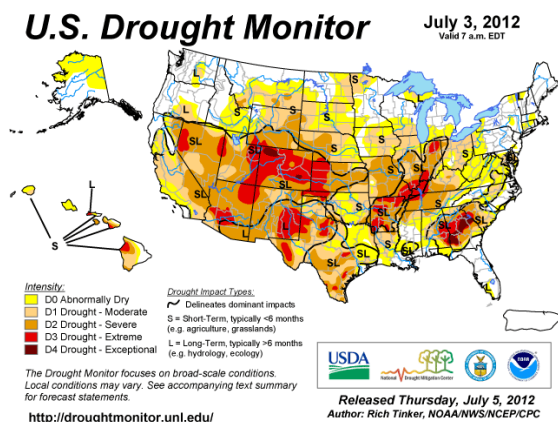


2012 Crop Management Decisions in Drought

There is no doubt that we are in a drought with rapidly deteriorating crops. The Drought Monitor Index which is updated on Thursdays at <http://droughtmonitor.unl.edu/> shows the situation below:



Crop condition ratings in the last few weeks have also plunged as reflected in this table:

Tennessee Crop Condition Ratings as reported by NASS				
Crop	June 18, 2012		July 2, 2012	
	Good to Excellent	Poor to Very Poor	Good to Excellent	Poor to Very Poor
Corn	63%	12%	21%	47%
Cotton	72%	7%	51%	18%
Soybeans	64%	10%	34%	33%
Pasture	44%	23%	8%	55%

Much of the drop in the good to excellent category has gone to the poor to very poor ratings.

Prices have also reflected the nationwide drought that includes the entire major crop producing areas with the exception of parts of the Upper Midwest. Cotton prices have changed very little due to an abundance of cotton stocks worldwide.

Price Changes			
Futures Contract	June 15, 2012	July 3, 2012	Difference
September Corn (bu.)	\$5.09	\$6.74	\$1.65
December Cotton (lb.)	\$0.7102	\$0.7260	\$0.0158
November Soybeans (bu.)	\$13.14	\$14.73	\$1.59
September Wheat (bu.)	\$6.27	\$7.99	\$1.72

Corn prices have seen the largest change with a 32% increase followed by wheat with 27% and

soybeans at 12%.

Some of the crops might be salvageable and could possibly make a decent yield if timely rains come soon. Most likely, all crops even irrigated one will see yield reductions due to the high heat and lack of moisture. In anticipation of reduced and severely reduced productions there are some management decisions that can be made now or at least start preparation for. These include:

- 1) Contacting your crop insurance agent to review your coverage. Is each individual farm number covered separately or do you have coverage by enterprise units? Enterprise unit coverage will average all the production of that crop in that farm entity. Because it has a cheaper per acre cost, we have seen a shift from individual farm coverage to the enterprise unit coverage. Producers need to know what type of coverage they have as it can affect whether they will have a crop loss claim. Talk to your crop insurance agent and determine whether an insurance crop loss adjustor needs to come out now. Do not destroy, bale, or do anything along those lines to the crop without talking to the crop insurance agent or adjustor.
- 2) Update your marketing plan. Will you be able to fill your contracts? If you anticipate a shortfall of production on filling forward priced contracts, talk to your grain elevator or buyer about alternatives you might have. Evaluate whether additional contracting should be done before harvest. Weather markets typically break before producers think they should. Explore pricing for 2013.
- 3) Update your 2012 cash flow plan. A quick yield & price assessment to estimate income along with examination of remaining outflows for the year can prevent problems before they occur. Include in the outflows- operating loan, equipment & land loans, cash rent, and an estimate of remaining expenses. On the income side, don't forget USDA direct payments that will be coming in this fall. If you estimate a shortfall, start exploring now ways to address it.
- 4) It is possible when the weather does change we will go from one extreme to another as weather forecasts are calling for a start to an El Nino weather pattern in the July – September time period. If that is correct we could see wetter and cooler weather during the latter part of the harvest season. Hurricane season also could bring rains in during the harvest period. While moisture is behind this year and will be welcome, we don't want it to impede harvest. Evaluate harvesting power. Do you have the combine or picker power to efficiently harvest your crop on a timely basis? Do you need an additional harvester either through purchase, lease, or by having some acres custom harvested. Put a pencil to

it! If you need assistance in this evaluation, contact your County Extension office or Area Farm management Specialist.

The UT Extension MANAGE program can assist you in evaluating your financial situation and making plans for the future both during a drought and when times are better. Contact your UT County Extension office or call the MANAGEMENT Information Line at 1-800-345-0561.