

The Milkweed

Dairy's best information and insights

Issue No. 500 • March 2021

This issue mailed on March 12, 2021



“Float like a butterfly,
sting like a bee.”

— Muhammad Ali

Fertilizer Costs Mimic Explosive Corn & Soybean Prices

by Paris Reidhead

Fast-spiking fertilizer prices mean it's a brand new ball game for crop input costs.

Example: Ammonia prices F.O.B. New Orleans spiked by roughly 50% just from early February to the first week of March, hitting almost \$450 per ton! Global shipping problems and interruptions to fertilizer infrastructure and processing in the Gulf States from February's brutal winter storm contributed to supply-chain problems.

Here are my in-your-face, ice-breaking recommendations:

1. Dig up recent soil test results. Given fast-rising fertilizer costs, over-fertilizing is costly.

2. If you don't have recent soil test results (preferably last year's), take new samples *now* ... or as soon as ground thaws adequately. Be willing to absorb extra costs to have your soil lab expedite results.

3. Work with a crop consultant (preferably a certified crop advisor), who's not being paid a commission by a fertilizer company. Pay an expert for his/her time.

4. With any cropping decision, do not sacrifice long-term soil health for short term, cash crop gains. Corn and soybeans do not build soils. Historically, improved corn prices have resulted in larger dead zones in the Gulf of Mexico, as corn growers tend to over-fertilize while pursuing higher yields.

2019 & 2020 weather events depleted grain reserves

In spring of 2020, America's Heartland had just begun trying to forget Bomb Cyclone Ulmer's cataclysmic insults of mid-March 2019. During that weather trauma, millions of acres of low-lying cropland were practically erased. Flooding destroyed mega-tonnages of stored corn and soybeans. Flood-vulnerable grain bins had their contents contaminated. In reponse, countless trailer-loads of large hay bales were donated by growers outside Ulmer's battle zone, to help flood-ravaged producers feed their hungry livestock. The total net loss to America's 2019 grain reserves will probably never be known.

Many of the same locales whacked by Ulmer were hit seventeen months later by a *derecho* (Spanish for straight) inland hurricane. On August 10,

2020, that storm system struck from eastern Nebraska across Iowa and parts of Wisconsin and Illinois, leaving a 770-mile long swath of destruction. Iowa Governor Kim Reynolds estimated early on that approximately 10 million acres... nearly a third of the state's crop land ... was damaged in this powerful derecho, whose winds occasionally topped 100 MPH. That state's Secretary of Agriculture, Mike Naig, said tens of millions of bushels worth of commercial grain storage and millions of bushels of on-farm grain storage had been destroyed or damaged.

See price comparison of various fertilizer components chart on page 3.

China boosts global grain demand

One of my close contacts in the fertilizer trade added a new dimension to the protracted losses caused by the 2019 and 2020 weather disasters in the Plains and parts of the Midwest. This gentleman is Jeff Cassim, General Manager for Liquid Products (a subsidiary of Caroline Eastern, Inc., a fertilizer company). Cassim, working from his home base in Waterloo, NY, explained that the nation's grain reserves have not recovered from those two weather disasters, particularly 2020's *derecho*. He cited figures from the Chicago Board of Trade (CBoT) charting the paths of value increase for corn and soybeans, due to the impending shortages of these commodities. Those figures used as a baseline with a starting date of 4/16/20. Per bushel prices at CBoT, for corn and soybeans, were approximately \$3.20 and \$8.40, respectively on April 16, 2020. At that time, both commodities were inching upward — mostly due to monthly storage costs — due to Ulmer-caused shortages. A third upward price catalyst is the comparatively hungry kid on the global economic block: China. During the last couple years, China has seriously started rebuilding its disease-decimated hog population. Since spring of a year ago, China's imports of U.S. grain have been vigorous.

Around Labor Day 2020, the prior month's unnamed derecho began extracting its toll at CBoT: Corn cleared \$3.50/bushel and soybeans hit the



In mid-winter, consumers' demand for feta cheese blocks went sky-high. Cheese plants making feta saw their orders spike dramatically. Many supermarket dairy cases were emptied of feta blocks. Why? A social media recipe for baked feta with vegetables and pasta went viral on Tik Tok. See our article on page 6 detailing this winter's feta craze.

\$10.00/bushel price mark. Prices of those two commodities continued climbing from that point, throughout last fall and this winter. During the first week of March 2021, prices for corn and soybean cleared \$5.50 and \$14.00, respectively in Chicago. Weaker than anticipated South American corn and soybean harvests are also fanning concerns of predicted grain shortages.

U.S. growers are intending to increase acreages of both corn and soybeans during the 2021 planting season. Higher anticipated corn and soybean prices at harvest have shifted the points of diminishing returns for fertilizer inputs. The resulting increase in demand for fertilizer inputs has increased prices. Prices of ten primary commercial fertilizer ingredients are shown in chart on page 3. These figures have been extrapolated from early March 4, 2021 data compiled by seasoned experts in the commercial fertilizer industry (such as Mr. Cassim).

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Brutal February Storm Hammers Texas Dairy Industry

by Pete Hardin

February's brutal winter storm froze up the dairy industry across much of the Southwest and southern Plains, from farm to supermarket.

Blizzard conditions and temperatures far below freezing resulted in the entire state of Texas being paralyzed, with widespread failures of the electricity grid. The flow of milk, from farm to consumer, was delayed and in many instances, paralyzed for days.

Texas' agriculture commissioner announced that as much as 14 million lbs. of farm milk had to be dumped. (That figure may be modest.)

Locals report that milk trucks were unable to pick up farm milk. Some DFA members were advised to prepare for a week — or more — of no milk deliveries. Many major fluid milk processing plants shut down for several days. Headaches facing fluid milk processors included: loss of electricity, inability of plant workers and drivers to get to work, and consumers' limited ability to get to food stores.

In some instances, farm-to-plant milk tankers were unable to off-load and drivers found that the raw milk inside their tankers had frozen, due to single-digit temperatures and icy blasts of wind. (More numbers on the February storm's devastation should be available for the next issue.)

And that winter blast may have a long, long tail that tightens coming months' milk production in hard-hit areas of the Southwest. Why? The storm's negative impact on dairy livestock health continues to mount. Sources in west Texas/eastern New Mexico report a huge run of dairy culls to livestock collection points in that region. At the very beginning of March, at least one livestock collection point reported about three times more than normal culls sent in. Frozen teats and milk quality problems were big issues bumping up cull cow numbers. A local source confided to *The Milkweed* that the volume of cull cows was overwhelming local slaughter facilities and that some truckloads of culls were being sent as far away as Green Bay, Wisconsin. (Note: That long

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Learning from history

The last time corn prices (and soybeans, to a lesser extent) took off so dramatically was 2012. Most of U.S. cropland was suffering from serious drought from May through late July that year. Demand for corn for ethanol production was still strong at that point. Corn prices at the very end of August cleared the \$8.00 per bushel high water mark ... just before that year's corn harvest began at most locations. A seriously professional grain grower ... with whom I have frequent contact... philosophized about the drought and high corn price. This gentleman's name is Buddy Richardson, who grows about 2,000 acres of corn, soybeans, small grains, and hay in Oneida County, New York. Quoting Buddy: "Mark my word. Next year growers will pull out all the stops, plowing up the goldenrod to plant more corn, and corn prices will drop back into the 'fives.' And the following year they will drop even more." Sure enough, by Labor Day 2013, CBoT corn prices were back in the mid-fives. Twelve months after that, corn prices were back down in the low threes. But right now it appears that even with high fertilizer prices, corn and soybean growers should find these commodities to be real money-makers.

Line up fertilizer pronto

Spiking costs mean growers must get their fertilizer inputs lined up ASAP, if that chore is not already complete. He or she who waits will be lost. Pardon my graphic jargon, but at some point, fertilizer ingredients will likely be as available as toilet paper was at the start of the Covid-19 pandemic twelve months ago. If fertilizer supply remains tight, it's always better to give all your cropland half a dose, rather than giving half your cropland a full dose

Price Comparison of Various Fertilizer Components

Ingredient	Distribution Center	\$ Average, FOB March 4, 2020	Commodity Prices March 4, 2021	Difference	% Change
Urea	Cincinnati	280	383	\$103	+36.4%
UAN ¹	Cincinnati	152	299	\$147	+96.7%
AN ²	Tampa	215	343	\$138	+64.2%
AS ³	Corn Belt	233	278	\$45	+19.3%
Ammonia	Eastern Corn Belt	375	610	\$235	+62.7%
DAP ⁴	Cincinnati	309	565	\$166	+53.7%
MAP ⁵	Cincinnati	309	595	\$286	+92.6%
MOP ⁶	Corn Belt	253	358	\$105	+41.5%
SOP ⁷	West Coast	595	563	-\$32	-5.4%
S ⁸	Vancouver	43	178	\$135	+313.9%

Key:

¹Urea/ammonium nitrate blend. ²Ammonium nitrate. ³Ammonium sulfate. ⁴Diammonium phosphate. ⁵Mono-ammonium phosphate. ⁶Muriate of potash. ⁷Lfate of potash. ⁸Sulfur.

... leaving the other half to do without.

Besides stronger domestic demand for fertilizer supplies, international shipping problems may constrict available supplies normally sources from offshore. Come spring, the scramble for some late-to-the-party fertilizer buyers may seem like the old game of "musical chairs..

As always, liming soils to the proper pH enables growers to enjoy the best possible performance from any crop inputs. In most situations cost and availability of agricultural lime will be more user-friendly than the same factors for fertilizer.

More next month!

Equipment Dispute: Maple Leaf Cheesemakers Sues Co-op & Bank

by Pete Hardin

The Maple Leaf Cheesemakers, Inc. has filed legal papers against its former cooperative business partner and a local bank. At issue: Clearing up ownership claims for equipment in the mothballed Twin Grove cheese plant located near Juda, Wisconsin.

Maple Leaf Cheesemakers, Inc. and Alpine Slicing & Cheese Conversion Company are the plaintiffs in this latest filing, dated February 22, 2021. The case is being adjudicated in the United States Bankruptcy Court for the Western District of Wisconsin. The case number is 20-13006-cjf. The case is a Chapter 11 bankruptcy.

Maple Leaf Cheesemakers was for many years the business partner with the Maple Leaf Cheese Co-operative. The co-op of dairy producers supplied milk to the Cheesemakers, which made and marketed cheese and cream for the cooperative. The Bank of New Glarus (dba the Sugar River Bank), located in New Glarus, Wisconsin, finds itself between two rocks and a hard place. The bank has loaned money to the Cheesemakers, to the co-op, and to some producer members of the co-op.

In late 2020, the Cheesemakers terminated its long-term business arrangement with the cooperative. Shortly thereafter, the cooperative filed bankruptcy. After decades of a business relationship with the Cheesemakers, the co-op was several hundred thousand dollars deep into a negative equity position. The cooperative owns the cheese plant.

Meanwhile, ownership of certain equipment in the cheese plant remains in dispute, Maple Leaf

Cheesemakers is restricted from removing that equipment. And the plant cannot be leased or sold to a new owner, until ownership questions regarding about two and a half dozen items of equipment are clarified.

Besides seeking title to the disputed equipment, the plaintiffs are seeking to formally gain ownership of the "Maple Leaf Cheese" brand name.

Why the plaintiffs have sued the Bank of New Glarus is not clear from the February 22, 2021 filing.

Pushing equipment ownership questions to the fore of this bankruptcy tangle is probably good. As things currently stands, equipment sitting idle in a mothballed dairy plant isn't doing anybody any good.

At least a dozen parties have been shown the mothballed Maple Leaf Cheese plant, reportedly interested as either potential buyers or lessors. However, any efforts to sell or lease that facility at this time are stuck in limbo, until the squabbles between the Cheesemakers and the co-op are legally cleared up.

3/10: March Grain Futures: Corn \$5.48, Soybeans \$14.12 Shipping Headaches Raise Questions about Exports

by Pete Hardin

Near to press time, the March 2021 futures for corn and beans remained strong at the Chicago Board of Trade, despite modest back-sliding on March 10.

March '21 corn futures at Chicago closed at \$5.48/bushel on March 10. That day, soybean futures for March closed at \$14.12/bushel.

Projecting coming months' trends in grain prices may become a bit trickier than earlier imagined, due to global shipping headaches. While export demand is strong, the ability to get U.S. grain crops (and other agricultural products) to foreign buyers' destinations is fast becoming more problematic.

International shipping is back-logged. A shortage of available international shipping containers is hampering exporters' ability to move products offshore.

Strong demand in North America for Chinese-made goods has created a situation where it's more profitable for ships returning from U.S. West Coast ports to go back with empty containers, not full ones. Costs for contracting the 40-foot intermodal shipping containers have zoomed straight up. Recently, *The New York Times* reported how a New York-based firm had seen contract costs for a shipping container rise, over about six months, from \$2,500 to over \$65,000.

So ... add one more complexity to the challenges of exporting U.S. agricultural products, including dairy. Costs of one-way rental of ocean-going, intermodal containers are through the roof - making lesser-valued cargoes nearly impossible to profitably sell on the far end of the trip.

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trip in early March took some finish off already stressed animals.)

Family-owned milk processor was B-U-S-Y

Mill-King Creamery - located near McGregor, Texas - is a producer-handler owned and operated by the Miller family. In a conversation with The Milkweed, good friend "Shorty" Miller related how their dairy farm and fluid processing plant prepared for, and later sold a lot of milk in the aftermath of the storm. "Shorty" explained that as a small business, the Millers worked hard for a week in advance,

preparing their dairy for the storm. And within a couple days, the Mill-King Creamery was back processing and distributing fluid milk when larger competitors were still frozen in place.

Mill-King Creamery was able to bring its work force to the processing plant fairly quickly, when larger firms' workers remained iced in. Mill-King halted processing of its raw milk lines for two days after the storm hit, because processing raw milk takes more time ... and demand for any milk was sky-high.

At the Mill-King Creamery's market store, "Shorty" reports that customers' cars were lined up three-deep, 400-feet back, as neighbors sought to obtain milk (while most supermarket dairy cases were

empty). Mill-King was also able to put milk into existing buyers' stores when no other milk was available. The Millers also were able to expand distribution to two other stores in the Waco area. At times, Mill-King Creamery's milk was the only beverage milk available in some nearby Whole Foods stores.

"Shorty" Miller attributes Mill-King's quick bounce-back after the brutal February storm hammered their entire state to being a small, family-owned and run business that prepared in advance and their willingness to go the extra mile helping dairy plant employees get to work and delivering fluid milk products to regular customers as well as other customers with emergency needs for packaged milk.