University of Kentucky
College of Agriculture, Food and Environment
Cooperative Extension Service
Lyon County Extension Service

Lyon County Extension Service
231 W. Main St,
Eddyville, KY 42038
270-388-2341

Lyon County Ag Newsletter

June, 2023

Checklist—When Forages are in Short Supply Because of Drought, Purdue Publication ID-528-W

When forage supplies are low, producers should consider one or more of the following:

- ☐ 1. Monitor cow body condition as a barometer of nutritional status.
- ☐ 2. Employ rotational grazing and avoid overgrazing.
- ☐ 3. Provide clean, cool water to reduce heat stress and maintain herd health.
- ☐ 4. Creep feed calves to obtain near normal weaning weights.
- ☐ 5. Early wean calves to take pressure off both cows and pastures.
- ☐ 6. Identify and manage poisonous plants in pastures and hay fields.
- ☐ 7. Establish summer annuals to increase late-season forage production.
- ☐ 8. Pregnancy check and market cull cows earlier than normal to reduce feed needs.
- ☐ 9. Inventory hay and other feed resources.
- ☐ 10. Use a hay feeder design that reduces waste.
- ☐ 11. Analyze feeds for nutrient profiles to help determine supplemental feed needs.
- ☐ 12. Use alternative feeds to supplement and stretch forage supplies.
- ☐ 13. Limit hay access time to stretch forage supplies.
- ☐ 14. Limit-feed a nutrient-dense diet to stretch forage supplies.
- ☐ 15. Use drought-stressed corn for silage, greenchop, hay, or grazing.
- ☐ 16. Graze corn residues and stockpiled forages to reduce harvested feed needs.
- ☐ 17. Feed an ionophore to increase feed utilization.
- ☐ 18. Add moisture around electric fence ground rods to maintain a good electrical ground.

Dear Lyon County Farmer,

Recently the Ag Advancement Council purchased an Agri-Cision onTrak GPS system for loan to farmers. This system includes a lightbar that attaches to the hood of a tractor magnetically. The lightbar bluetooths to a cell phone or iPad. In field applications overlaps can be as high as 30%. Use of the onTrak system minimizes overlaps and also enables the operator to see skips. It is a relatively simple system to use. It is available for $5 dollars a day and is useful when spreading fertilizer, spraying or broadcasting or drilling seed. We hope to set up a twilight meeting to demonstrate the system soon. We have a loaner iPad to go with the system. It is very intuitive to use. Two farmers have used it several times without issues. Some prefer to use their own iPad or phone so that they can save the field information.

Basically, you set the distance from the front of the tractor to the implement, the implement application width. You then can drive the boundary of the field, set a line across the field (an A-B line) and then you drive the field as normal but keep the lightbar on the green light. The field will map on the phone or iPad as you drive showing the coverage.

Lyon County Conservation District is cooperating with this project. Call ahead to my cell phone at 270-625-5951 or to Arthur Dunn, to check on the availability of this unit. We think it is a great, affordable and money-saving tool for farmers.

Sincerely,

Susan M. Fox

Extension Agent for ANR

Inside this issue:

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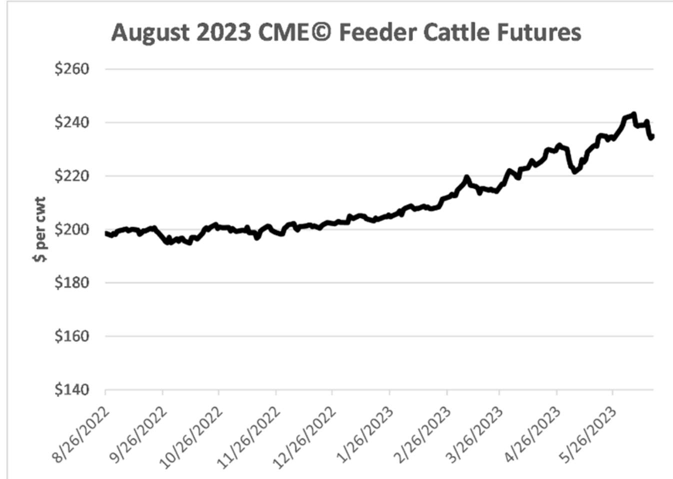
Spanish and English Language Club!

Looking to practice your Spanish or English language skills? Join our Language Club! Connect with others and improve your language fluency in a fun and engaging way. No need to be an expert, all levels are welcome. Participation is free. Activities will be led by Lisa Stewart, she is fluent in conversational Spanish.

Let's become bilingual together! Club meetings will be the 2nd and 4th Sundays of the month, **6:00 – 7:00 p.m. at the Lyon County Extension Office.** Please come if you are interested in working on your English or Spanish language skills! **Call 270-388-2341 for reservations!**

Margin Calls in a Rapidly Rising Market

Dr. Kenny Burdine, University of Kentucky



The feeder cattle market has been on a tear since fall of 2022. In most markets, heavy feeders are selling for $30 to $50 per more than they were in the 4th quarter and the price improvement in calf markets has been even greater. The August CME© feeder cattle futures contract that was trading below $200 per cwt in early fall is now trading in the mid-$230's (see chart above). There is much reason for optimism as many profit opportunities exist in the current environment. But sharp price increases can also create challenges for producers and I wanted to specifically discuss one of these challenges that came up last week as I was having lunch with a friend of mine that works in the agricultural lender sector.

While there are several price risk management strategies that can be employed by cattle producers, some of those strategies involve potential for margin calls. And a lot of margin can be needed when markets make major runs like the cattle markets have been doing. This can create a significant challenge for producers that assumed a short futures position (or wrote a call option) as part of their marketing plan. Sure, much of this will be recouped when cattle are eventually sold on the higher market. But the short-term liquidity strain can be a serious problem and is compounded today by much higher interest rates on borrowed money. I wanted to share a few thoughts on this situation that are applicable this year, and in future years.

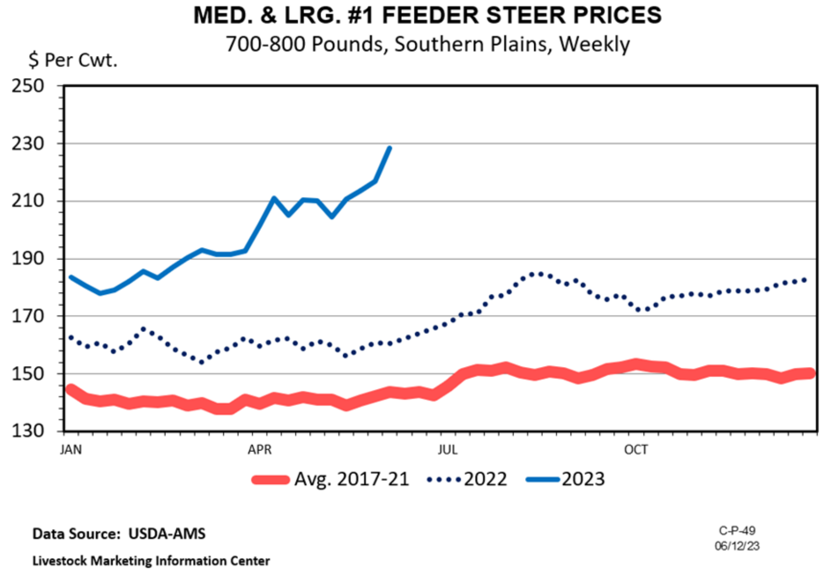
First, farmers should have a fully transparent relationship with their lender. If a farmer's risk management plan involves potential for margin calls, the lender should be aware of that from the start so that capital access can be discussed. While it may not be possible to plan for all possible scenarios, examining the impact of major market moves is important. Evaluating the effect of declining prices may be commonplace, but walking through rising price scenarios is also important due to possible liquidity concerns when margin potential exists.

Secondly, producers should at least consider risk management strategies that do not involve the potential for margin. Forward contracts immediately come to mind and are used by some. But they can be pretty elusive in volatile times as buyers are hesitant to price far in advance. Put options and LRP insurance would also fall in this category as they allow a producer to have some downward price protection, while retaining upside potential. Premium is paid in both cases, but no margin is required as markets move.

Producers should also remember that there are ways to move out of a marginable position, and into something different, if conditions necessitate doing so. For example, someone with a short futures position could offset that position and purchase a put option or LRP insurance. And the price floor set would be reflective of the current, stronger market. Shifting to one of these strategies will require premium to be paid, but will eliminate the potential for future margin calls. These strategies also have the added advantage of allowing the producer to capitalize if prices continue to rise, which they were unable to do with the short futures position.

Finally, producers that like the more solid downside price protection that comes from a short futures position, could also consider a synthetic put. An example of this would be keeping the short futures position, but combining it with a call option. Premium is paid on the call option, but this also allows the producer to capitalize on rising prices as he/she gains on the call. Plus, as the call option becomes more valuable that works to offset the margin expense to some extent.

To be clear, there is nothing wrong with utilizing a risk management strategy that involves margin. In fact, there is good merit in many of those strategies. I like to say that if a farmer is not leaving money on the table occasionally, they are probably taking too much risk. However, I do think that producers should consider all risk management tools at their disposal, including those that do not carry potential for margin calls. And most importantly, they should fully think through the implications of major market swings in both directions.



Futures Prices		6/16/23	6/9/23
Live Cattle	June	$178.35	$178.23
	August	$171.73	$171.85
	October	$175.35	$174.80
Feeder Cattle	August	$234.93	$239.00
	September	$238.18	$241.70
	October	$240.30	$243.50
Corn	July	$6.40	$6.04
	September	$5.94	$5.24
Source: CME Group			

Cattle Market Report Prices $/cwt. Sources: USDA, LMIC, and CME		For Weeks Ending On 6/16/23	6/9/23	6/17/22	% Chg Prev. Week	% Chg Prev. Year	Chg Prev. Week
500-600 lb. Feeder Steers	Mississippi M/L #1-2	$230.91	$232.44	$147.47	-1%	57%	($1.53)
	Arkansas M/L #1	$244.99	$249.05	$176.09	-2%	39%	($4.07)
	Kentucky M/L #1-2	$237.68	$240.08	$164.03	-1%	45%	($2.40)
	Oklahoma City M/L #1-2	$246.18	$260.79	$179.51	-6%	37%	($14.61)
	Alabama M/L #1	$246.47	$252.14	$164.50	-2%	50%	($5.67)
	Tennessee M/L #1-2	$237.23	$242.84	$156.99	-2%	51%	($5.61)
	Missouri M/L #1-2	$251.96	$256.08	$174.38	-2%	44%	($4.13)
700-800 lb. Feeder Steers	Mississippi M/L #1-2	$196.37	$189.40	$133.37	4%	47%	$6.97
	Arkansas M/L #1	$204.59	$200.97	$155.48	2%	32%	$3.62
	Kentucky M/L #1-2	$212.31	$219.18	$142.79	-3%	49%	($6.88)
	Oklahoma City M/L #1-2	$220.24	$213.81	$152.12	3%	45%	$6.43
	Alabama M/L #1	$206.88	$214.83	$139.59	-4%	48%	($7.96)
	Tennessee M/L #1-2	$206.39	$203.97	$139.51	1%	48%	$2.42
	Missouri M/L #1-2	$215.78	$216.74	$151.65	0%	42%	($0.96)
Negotiated Fed Steers	Live Price	$184.92	$188.75	$143.67	-2%	29%	($3.83)
	Dressed Price	$296.07	$299.21	$229.73	-1%	29%	($3.14)
Boxed Beef Cutout	Choice Value, 600-900 lb.	$339.93	$324.49	$268.32	5%	27%	$15.44
	Select Value, 600-900 lb.	$309.90	$301.51	$246.37	3%	26%	$8.39

Carbon Markets in Kentucky

Can you make money off carbon markets? Jordan Shockley, University of Kentucky Ag Economist, has been following the development of carbon credit markets in Kentucky. Shockley advises that while you can enroll your pasture, grain crop and woodland acres but there is a lot of financial risk. Often the contracts do not cover the cost of implementing the practices that are required. Lawyers need to be consulted as the language in the contracts are confusing.

The carbon market at this point is being driven by consumers that are demanding carbon neutral products and by stakeholders in publicly traded companies. It has nothing to do with government at this point. These are voluntary markets with voluntary enrollment with carbon companies. But some companies are developing rules that they will not purchase a product, such as grain or livestock, unless it is produced in a certain way. The companies are dictating specific practices as a requirement to the purchase of agricultural products. This is already happening in Kentucky. These requirements are being made in company boardrooms by people that may have limited understanding of agricultural practices and the impacts at the farm level. There is also a great deal of false information floating around on carbon markets - overselling and underdelivering can be a concern.

Earlier in the carbon markets there was some overestimation of what a row crop farmer can sequester, they were overpaid and made money. That overestimation has been corrected and the amount paid to a row crop farmer, on the high end, is about 16 dollars per acre to implement cover crops or no-till. You cannot plant, establish, and terminate a cover crop for $16. It also does not cover the risk involved in planting a cover crop. Prices are expected to increase for farmers, but they are not there yet.

For woodland owners there is some money to be made but there are stipulations that have to be followed for active management. It is important to understand the management requirements. Another aspect of the carbon market is that some companies are purchasing large tracts of woodlands in order to claim carbon credits.

Many companies have an ESG pledge: Environmental, Social and Governance Pledges. The carbon credits fall under the environmental requirements. To quantify the company sustainability there are Scope 1, 2 and 3 emissions. Scope 1 emissions are those from direct operations such as vehicles, Scope 2 are emissions from the energy used to produce the product, for example, a company could switch from coal energy to energy from wind. Scope 3 is everything upstream and downstream including farmers. It is the hardest part to control for companies and it is the largest part of their greenhouse gas emissions. For this reason, some companies are requiring grain farmers to follow practices the company thinks are sustainable. Specific examples of practices include converting to no-till, putting in cover crops, reducing nitrogen. They are asking for drastic decreases in nitrogen applications and expect the same yields and without paying the farmer anything for it. These requirements are not contracts, they are only the right to deliver to a company.

There are terms that companies have picked up on that are not well-defined such as regenerative grazing. Some large companies have made pledges to be carbon neutral by 2040 and it is unknown how they will do that. Some companies are being sued for 'greenwashing' or making claims that are not substantiated. Their feet are being held to the fire on the claims they are making, putting more pressure on the companies.

Minimum acreages required by are shifting towards the smaller landowner. One of the two woodland carbon credit companies operating in Kentucky has a minimum of 30 acres, the other has works on credits based on the type and the age of the timber. Initially, for grain crops the companies wanted a minimum of 5,000 acres. Now they are just signing up acreage.

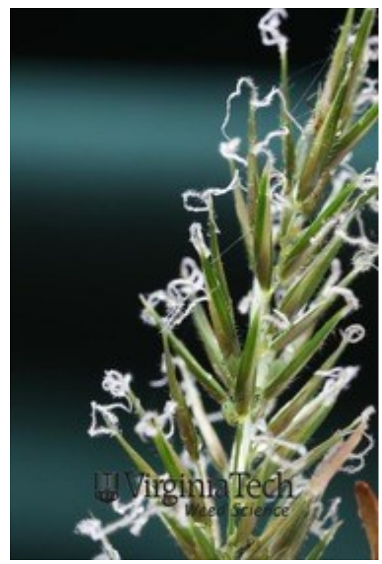
There is a government task force to develop guidelines for an accredited registry with specific qualifications for carbon credit companies. Methodology for measuring carbon credits was pulled from the bill that got passed. Measurements and controls are likely to come as a result of legal challenges rather than government regulations. Liability in the supply chain of carbon credits is unknown which may cause the companies to drop a middleman and to have specific requirements of their own. In summary, currently the carbon markets is in a wild west phase similar to how the organic market developed.

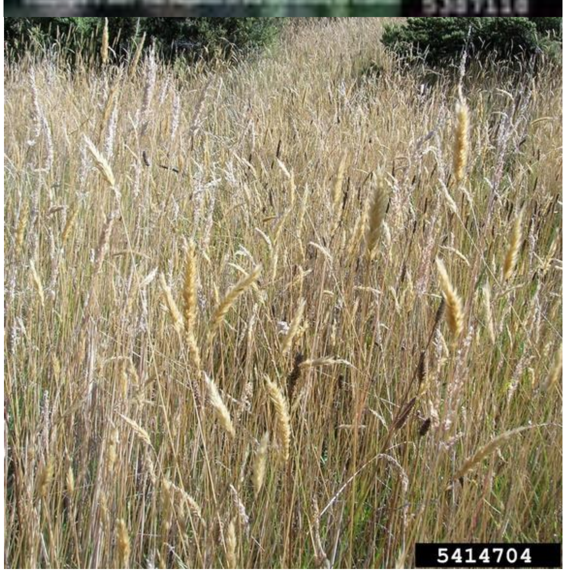
Growing Problem Weed: Sweet Vernal Grass

Sweet vernal grass is a growing problem in some counties in Kentucky. It is a fine-stemmed winter annual (perennial in cooler climates) grass from Europe/Africa that has a sweet, musky hay smell— it is sometimes used in potpourri. It can be invasive in hay and pasture fields. It greens up early in the spring and and can smother desirable grasses on nutrient poor, acidic soils. Contributing factors that allow this grass to flourish include overgrazing fields, not fertilizing fields and making more than two cuttings of hay (without fertilizing to maintain vigor).

Animals will graze it when it is vegetative but not when it is mature. This grass contains coumarin which at high levels can cause liver damage. It can be converted to dicumeral by molds. Dicumerol interferes with normal blood clotting. In cattle, ingestion of hay or silage made from sweet vernal grass has been known to cause progressive weakness, stiff gait, breathing difficulties, and hemorrhage followed by quick death.

Photos courtesy of BugwoodWiki based on work by Michasia Harris and Lily Connor and others, Virginia Cooperative Extension and the University of Arkansas Extension Service.





University of Kentucky

2023 Pest Management Field Day

at the UKREC Farm

June 29, 2023

Location: 1205 Hopkinsville St., Princeton, KY 42445
Time: 8:30 a.m. to 12:30 p.m. CDT — Sign-in begins at 8 a.m. CDT

Pre-registration is highly recommended by June 22, 2023
by either scanning QR Code, clicking web link, or by telephone.

https://uky.az1.qualtrics.com/jfe/form/SV_4PjveAuq6mK9rXU
Or contact the UKREC at (270) 365-7541, ext. 22569.

Topics and Speakers

• **Palmer amaranth and Waterhemp control**	***Travis Legleiter***
• **Weed Control in early planted soybean**	
• **Weed Control in corn**	
• **Italian ryegrass Research Update**	
• **Herbicide Resistant Johnsongrass**	***JD Green***
• **Weed Management utilizing cover crops**	***Erin Haramoto***
• **Corn Disease Research Update**	***Kiersten Wise***
• **Entomology Research Update**	***Raul Villanueva***

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