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DM&E partners with Canadian Pacific to open opportunities in South Dakota

In a revolutionary move, the Dakota, Minnesota and Eastern (DM&E) railroad cinched competition and new markets for South Dakota agricultural producers by pursuing a merger with the Canadian Pacific Railway Limited (CP). The agreement was announced in early September just as South Dakota producers were preparing to pull in a record corn harvest.

The DM&E held a press conference Sept. 4 to reveal the plan, which first had to undergo closing approval through the CP. Just recently, the CP announced it has completed that acquisition of the DM&E, and now the \$2.5 billion transaction will be reviewed by the federal Surface Transportation Board. The STB's decision on the deal could take up to eight months.

The South Dakota Corn Growers Association (SDCGA) congratulates the DM&E on their visionary partnership which will benefit all of South Dakota agriculture.

"The DM&E merger with CP is exciting news for South Dakota agriculture," said Lisa Richardson, executive director of the SDCGA. "It increases the chances for successful completion of DM&E's PRB project, which for South Dakota is the equivalent of someone building a tailored Interstate Highway system to move our product – except it can do it more safely and efficiently."

The merger will result in DM&E and its affiliated companies, including the Iowa, Chicago & Eastern Railroad (IC&E), becoming part of the overall CP rail network upon final regulatory approval. Contingent upon regulatory approvals by the STB, the companies are expected to operate under common control of CP.

The anticipated nod from the STB will open new markets for South Dakota agricultural products including corn and ethanol. Currently, South Dakota has just one Class I railroad serving the state via the Burlington Northern Santa Fe. The DM&E-CP partnership will give South Dakota shippers access to a second Class I railroad which will result in tremendous opportunity through increased rail competition.



SDCGA president Reid Jensen describes the positive impact the DM&E-CP merger will have on corn producers, during the press conference announcing the merger plans.

"This is especially critical to ethanol development in our state," said Richardson. "When DM&E first announced its PRB

plans, we were moving 0.035 billion gallons of ethanol in South Dakota. In 2008 we will surpass 1 billion gallons. Nationally, there is a huge demand for more ethanol but there aren't enough rails to move it and there have been no major infrastructure upgrades to the system. The DM&E-CP deal makes that much more likely, and we couldn't be happier."



Kevin Schieffer, DM&E CEO illustrates how the CP and DM&E rail lines will align.

Increased rail competition through the merger is expected to lead to higher prices paid to corn producers served by the CP-DM&E. If increased rail competition boosted the price received by corn producers in Minnesota and South Dakota, these higher prices would raise the national average price received for corn, which could potentially reduce marketing assistance loan payments for corn by as much as \$165 million, if corn prices in the future fall below the loan rate. Using the past two years as examples, this increase in the national average price received for corn would have reduce counter-cyclical payments paid to all corn producers by as much as \$75 million in each of those years, saving taxpayers \$150 million. These savings to the federal government could be even greater when factoring in other crops grown in the state.

"South Dakota farmers' future livelihood depends on the CP-DM&E partnership," said Reid Jensen, president of the SDCGA. "Increased prices at the farm gate will provide producers a more direct, independent way to secure income from their products. The SDCGA believes the CP-DM&E merger is one of the biggest opportunities for economic growth that will positively impact producers, our state and our country."

DM&E is one of the most successful regional railroads in the United States, following exceptionally strong development and operational advances over the years. Formed in 1986 out of a line that its previous owner attempted to abandon, DM&E has experienced remarkable growth and improvements in traffic, safety, and operations. 1987 total revenues were approximately \$22 million. That figure is expected to be approximately \$290 million in 2007, growing to approximately \$340 million in 2008. Approximately 20 new customers or major expansions are expected to be completed in 2007 and 2008, with continued strong growth in the long range forecast.



PRESIDENT'S REPORT

Reid Jensen, SDCGA President



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As fall arrives and harvest is underway we, in South Dakota are producing a record corn crop. Our 520 million bushels will contribute to the 13 billion bushels grown nationally. The American farmer has responded to the markets by producing a corn crop that will meet the demand of the livestock and ethanol industry along with our satisfying overseas customers. Even with this large crop, prices have remained strong because of this increased demand and a falling U.S. dollar. It is an exciting time to be in agriculture. Thanks to the increased demand of corn and the additional acreage, other commodity prices have risen which include soybeans and wheat. Farmers need not be ashamed of \$3- plus corn.

These higher prices have caused a great debate of whether food prices are increasing because of corn prices. The price of food is rising due to higher energy prices, not higher corn prices. The South Dakota Corn Utilization Council has provided an information guide titled, *Kernels of Truth* to refute false accusations. The real story is that only 19 cents of every dollar is for input costs such as corn where as 81 cents is for labor, transportation and packaging.

The ethanol industry has grown immensely over the past two years. This has contributed to growing pains. There is currently too much ethanol flooding the market causing the rack price to drop to \$1.50 per gallon. Ethanol is sold in two markets, the 10 percent blend with gasoline and E85. Even though the blend rate is 10 percent, it's not being done on every gallon of gas in the U.S. market. So we are hitting a blend wall. SDCGA is pushing to increase the blend rate to 15 - 20 percent and improve the infrastructure for E85. This will be critical for the industry as we move forward. I would like to thank Senator John Thune and Congresswoman Stephanie Herseth Sandlin for their dedicated work in this area.

SDCGA was excited to be part of the announcement of the acquisition of the DM&E railroad by the Canadian Pacific Railroad. This gives South Dakota an additional Class I railroad which allows for more competition for agricultural products. We will have increased ability to move agricultural products to the West Coast as well as transport ethanol to East Coast markets. This merger will give the DM&E the best opportunity for expansion of the railroad into the Powder Ridge Basin.

SDCGA has been following the progress of the new Farm Bill in Congress. The House passed their version in August and the Senate is in the process of marking up the bill. The most important difference is the introduction of a permanent disaster program by the Senate. The way it looks at the present time, this will become part of the final bill but details are pending.

I would like to congratulate Senator Tim Johnson on his return to the U.S. Senate. It is great to have him back and we wish him continued good health. Congratulations also go out to SDCGA Legislative/Industry Affairs Director Teddi Mueller and her husband, Jay, on the birth of son, Garvey.

Please mark January 5, 2008 on your calendars. That is the date of the Annual SDCGA meeting, which will be held at the Ramkota in Sioux Falls. I look forward to seeing all of you there where the evening's entertainment will be provided by Gary Lewis and the Playboys. I also wish everyone a continued safe harvest!

South Dakota Growers Association Membership Application

PLEASE HELP US DOUBLE OUR LOBBYING POWER TODAY!

"The South Dakota Corn Growers Association has spent the past 20 years making a difference for the state's corn producers. That influence wouldn't be possible without a strong membership base. Join the SDCGA today and add your voice to this unstoppable organization. Let's work together for the next 20 years of achievements." – Reid Jensen, Burbank

I've enclosed: \$500 (Lifetime membership) *includes 5 Seed certificates, \$50 in Ethanol and \$50 QuickRoots coupon
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SDCGA Certificate Programs

SEED: When you sign up to join the SDCGA for 3 years or a lifetime membership, you will receive hybrid seed corn discounts from the following supporting seed companies, each worth \$30 off a purchase of \$100 or more.

QUICKROOTS PROGRAM: Receive a certificate towards a \$100 minimum purchase of QuickRoots – \$25 towards a 3 year membership or \$50 toward a lifetime membership.

ETHANOL: 3 year membership receives \$15 in Ethanol, lifetime membership receives \$50 in Ethanol

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This is your receipt for membership in the South Dakota Corn Growers Association. Contributions or gifts to the South Dakota Corn Growers Association are not deductible as charitable contributions for federal income tax purposes. However, dues payments are deductible by members as an ordinary and necessary business expense.



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MEMBERSHIP MATTERS



As farmers are pulling in an abundant crop in South Dakota – billed to be our largest on record - the South Dakota Corn Growers Association is gearing up to offer educational opportunities to producers this fall and winter.

These unparalleled events will soon begin as the SDCGA was recently awarded, for the third consecutive year, a grant from the USDA to deliver programs to South Dakota producers. The details of the educational offerings are detailed in this newsletter and we encourage your participation. As a member of SDCGA, you are able to attend at preferred rates or in some cases for no charge at all. Many of the offerings allow producers to tap the expertise of nationally-known speakers and trainers. The diverse trainings touch every facet of a farming operation from production, financial and relationships.

We are proud to announce that your SDCGA organization has reached an all time membership high, exceeding 1,800 members! That's over 100 more members than last year at this time. Because of your support and confidence in this organization, the SDCGA has tremendous strength in legislative efforts including the farm bill, energy bill and state legislative issues. Without this membership base, the SDCGA wouldn't be as effective in protecting South Dakota farmers' interests as legislation is passed. That is why we urge you to keep your membership current with the SDCGA.

Other issues we're working for on your behalf are updating Best Management Practice recommendations at the state level; CRP; wetlands issues and responses to producer requests, and much more.

As a valued member of the South Dakota Corn Growers Association, you have access to extraordinary educational opportunities, a voice in Washington and Pierre, you are the first to know about value-added opportunities and receive special perks and incentives for being part of one of the most active and influential ag organizations in the state. Your success begins here. Thank you for your membership!

David Leiseth

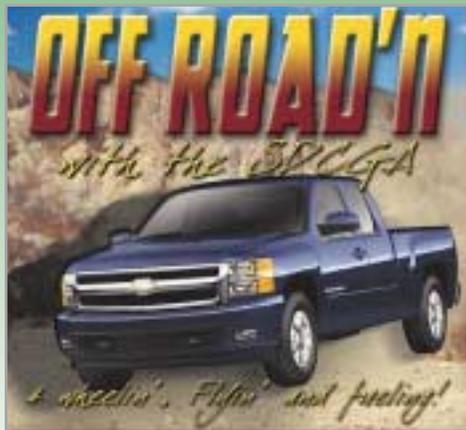
David Leiseth, chairman
SDCGA Membership Committee

South Dakota Corn Council

2007 SUMMER ROAD TRIPS

The South Dakota Corn Growers Association represented corn producers at several events this summer while also promoting the organization and E85 with their SDCGA Off Road'n raffle promotion. SDCGA Off Road'n is a joint promotion between SDCGA and Chevrolet, highlighting the "Live Green, Go Yellow" campaign. Attendees at farm shows, ethanol promotions and fairs purchased tickets in the Off Road'n raffle for their chance to win a two-year lease on a 2008 Chevrolet Silverado 4x4 extended cab, a trip for two or \$1,200 in ethanol. The three prizes will be drawn for at the SDCGA Annual Meeting on Jan. 5, 2008 in Sioux Falls. Below is a photo recap of the summer events attended by SDCGA:

- SIOUX EMPIRE FAIR • DAKOTAFEST • BROWN COUNTY FAIR
- ABERDEEN ETHANOL PROMOTION • VALUE-ADDED DAY AT SD STATE FAIR



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SDCGA is awarded USDA grant to deliver educational events for producers

The South Dakota Corn Growers Association (SDCGA) will provide educational opportunities for South Dakota ag producers through a grant recently awarded to the organization by the USDA Risk Management Agency.

Acting Agriculture Secretary Chuck Conner announced this week awards of nearly \$21.2 million in agricultural risk management partnership agreements throughout the United States. The agreements fund projects to develop new risk management tools for farmers and ranchers, as well as outreach and education opportunities.

The SDCGA was awarded nearly \$100,000 of those grant monies to provide risk management education, marketing strategies and planter calibration clinics. In addition, national speakers will be brought in for the SDCGA's Annual Meeting in January to offer industry insights.

The grant monies will be used for the following programs:

- "Growing Forward in 2008" - Risk Management Seminars, (Nov. 26-29, 2007 and Feb. 18-21, 2008)
- SDCGA Annual Meeting Seminars (Jan. 5, 2008)
- Planter Calibration Clinics (Jan. 14-18, 2008)

"GROWING FORWARD IN 2007" Nov. 26-29, 2007 and Feb. 18-21, 2008

The SDCGA will kick off the grant programs by partnering with Farm Credit Services to deliver "Growing Forward in 2008," a two step risk management series that will be offered in November and February. Steven Johnson, ag economist, Iowa State University will lead the first set of seminars in November; and Elwynn Taylor, Extension climatologist with Iowa State University, will join Johnson for the February meetings.

Both sets of "Growing Forward in 2007" will be offered five times over four consecutive days, each at a different location in South Dakota. Among the topics covered will be minimizing variable costs, increasing corn acres, maximizing grain storage, improving crop marketing, crop rotations and seed selections. The topics delivered at the November meetings will be different from the February meetings, creating two unique learning opportunities.

The schedule for the first step of "Growing Forward in 2008" is the following:

Nov. 26: Sioux Falls Ramkota
Nov. 26: Watertown Events Center
Nov. 27: Aberdeen Ramkota
Nov. 28: Huron Crossroads
Nov. 29: Yankton Elks

The second set of "Growing Forward in 2008" will be held Feb. 18-21, 2008:

Feb. 18: Sioux Falls Ramkota
Feb. 18: Watertown Events Center
Feb. 19: Aberdeen Ramkota
Feb. 20: Huron Crossroads
Feb. 21: Yankton Elks

SDCGA ANNUAL MEETING SEMINARS Jan. 5, 2008

The SDCGA Annual Meeting will feature nationally-known speakers who will address top industry topics. Featured speaker for the program is Mark Pearson, host of the nationally-syndicated program, Market-to-Market.

PLANTER CALIBRATION CLINICS Jan. 14-18, 2008

Kevin Kimberley, ag consultant, who has experience working with John Deere, Case IH and Syngenta, will teach producers how to reach ultimate yield potential through planter calibration and use. Tentative topics include seed treatments, planter adjustments, compaction, calibrations, corn meters, field cultivator leveling, vacuum units, combining and grid mapping. The clinics will be held at the following dates and locations:

Jan. 14: Ramkota Hotel and Convention Center in Aberdeen, SD
Jan. 15: Crossroads Hotel and Convention Center in Huron, SD
Jan. 16: Watertown Event Center in Watertown, SD
Jan. 17: Ramkota Hotel and Convention Center in Sioux Falls, SD
Jan. 18: Ramkota Hotel and Convention Center in Sioux Falls, SD

To inquire about any of these offerings, please contact the SDCGA office at 605-334-0100.

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Optional Average Crop Revenue (ACR) Program

The SDCGA is closely monitoring movements in the farm bill as it progresses. The following information is receiving serious consideration for the next farm bill. It is a significant change to the current farm bill and the SDCGA URGES producers to read through the following and consider how it might impact individual operations.

The Proposal is to offer individual farmers the opportunity in the 2007 Farm Bill to choose between a state level revenue protection program, Average Crop Revenue (ACR), similar to Durbin-Brown (S.1872) or to remain in the current farm programs. Each farmer would decide which of these two approaches works best for their farm. The cost of an optional ACR would be offset through savings in crop insurance and reduced direct payments only for those farmers who elect to participate. Congress should give farmers a choice to select the program that works best for them. ACR doesn't cost more—but for some it provides better protection.

How does ACR work?

This optional program would provide participating producers with a new state-level revenue countercyclical payment in place of the current marketing loan and countercyclical programs. The new program would generate payments on a crop-specific basis whenever average per-acre revenue at the state level falls below the per-acre state guarantee. The state-level guarantee equals 90% of the product of expected state average yield and the three-year moving average (including the current year) of the insurance price used in revenue insurance products in the U.S. crop insurance program.

Why provide farmers with a choice?

Currently, crop prices are high and volatile, and input costs are rising as are risks. Farmers should be given the opportunity to choose an alternative (ACR) if it better allows them to manage their farm's risk in today's uncertain and evolving farm environment. Because it is optional a producer could choose to remain with the current crop insurance and farm support programs.

No Additional Cost to the Government. Participating farmers would pay for the cost of the program by an offsetting reduction in the fixed income payment that they would be eligible for under current farm programs.

Why would a farmer choose to participate in ACR?

It provides a better safety net for farmers by replacing price-support programs with a comprehensive two-tier revenue protection program. Farmers would rely on private revenue insurance to manage risks that occur on their indi-

vidual farm, while government handles widespread losses at the state level. Benefits of this approach are:

Better protection for farmers by targeting revenue rather than price. This approach fixes a hole in existing programs. Currently, farmers fail to receive assistance in years when prices are high but yields are low and revenue is down. During the 2002 Farm Bill, drought effected producers confronted this hole in the safety net frequently.

More adaptive to market conditions than current farm programs. Unforeseen declines in current commodity prices can lead to significant declines in producer income without an effective safety net. In contrast, ACR uses a rolling average of futures prices to set revenue guarantees. Thus, ACR will provide better protection to farmers because it rises and falls with market conditions providing protection along a range of prices rather than a fixed target price as is currently the case.

Private insurance works better by integrating private revenue insurance and state-level revenue protection into a comprehensive program—making private revenue insurance more cost effective, thus allowing farmers to purchase higher coverage levels at a lower cost. Economic modeling indicates average crop insurance premiums would be decline by 24%.

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Managing aflatoxins in corn

BROOKINGS, S.D. — Harvest corn early and dry it down to 14 percent moisture for immediate marketing or 12 percent for long-term storage to help manage aflatoxins, South Dakota State University scientists said.

Although South Dakota State University laboratories have not yet seen aflatoxins in corn samples this harvest, manager Bob Berg of the Southeast Research Farm said elevators and insurance agents in the southeast part of the state are reporting some problems. Berg said Nebraska is also reporting aflatoxin in some areas.

"We are seeing a lot more corn ear and kernel molds in our fields this year than we usually see," Berg said, adding that anyone who is buying or selling corn should be aware of a possible increase in various mycotoxins this season.

Larry Osborne, an SDSU research associate in plant pathology, said aflatoxins are mycotoxins that are produced by the fungus *Aspergillus*, in particular *Aspergillus flavus*. The fungus occurs naturally in South Dakota soils and crop residues. It can colonize plant tissue, especially when plants are under stress due to factors such as drought or damage due to weather or insects.

"In terms of management of the fungus, the best practices

we recommend are early harvest, and quickly reducing the grain to a proper moisture level," Osborne said. "Storage of that corn at 12 percent moisture is ideal to prevent further contamination. Higher-moisture conditions favor growth of the fungus. Damaged kernels, things of that nature, also provide a food source for the fungus."

Letting the crop remain longer than necessary in the field, where moisture fluctuates, could allow the fungus more opportunity to grow and develop and produce more toxins, Osborne said.

Berg said SDSU's Olson Biochemistry Laboratories can test for aflatoxin levels in corn. It is very important to know if grain used for human or livestock consumption or being sold to ethanol plants contains mycotoxins and if so, in what concentration, in order to determine appropriate end uses for the crop. Contact your county Extension office for more information.

Producers can mail samples to SDSU Analytical Services, Oscar E. Olson Biochemistry Labs, South Dakota State University, SAS 133, Box 2170, Brookings, SD 57007-1217. Call the lab at (605) 688-6171 for information about proper handling procedures.



SDCGA Resolutions Reminder!

The South Dakota Corn Growers Association invites our members to participate in submitting resolutions for the 2008 Annual Meeting.

The resolution process helps guide the SDCGA on legislative priorities from the grassroots level. Member involvement is imperative for the SDCGA to represent South Dakota producers effectively.

Resolutions must be submitted 30 days prior to the 2008 SDCGA Annual Meeting, which will be held in Sioux Falls on Jan. 5, 2008. **Therefore, the deadline for submitting resolutions is Dec. 6, 2007.**

Resolutions may be submitted by accessing the Resolutions Form on our website at www.sdcorn.org. Or you may contact the SDCGA office at 605-334-0100 to request a form.

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Agronomy update:

Technology plot yields more than corn



Circled Green bugs are Northern Corn Rootworm beetles. The Yellow with Black stripes is the Western Corn Rootworm Beetle.



Beetles clipping silks: If the silk is cut before the corn plant sheds its pollen the kernel will not pollinate.



Beetles clipping silks.

The SDCGA technology plot has yielded tremendous learning opportunities this growing season. The tech plot is set up to determine if the better protection of corn roots from corn rootworm larval feeding due to insecticide seed traits will result in not only higher yields but also the ability to respond to higher populations. This article is a continuation of the article published in the August 2007 South Dakota Corn Talk.

On July 13 roots were dug, washed, and scored using the Node-Injury Scale. The field had heavy rootworm beetle infestation prior to pollination, so it was recommended that the field be sprayed for rootworm beetles. However, the field was not sprayed and severe silk clipping resulted.

Two kinds of beetles were found in the field, including Western Corn Rootworm Beetle and Northern Corn Rootworm Beetle. Rootworm beetles have one generation each year. In mid to late summer, females deposit eggs in the soil near the base of corn plants. Egg hatch is based on growing degree days, and occurs the following spring. Most hatching occurs in early June and newly hatched larvae find their way to corn roots and begin feeding.

The larvae stage lasts about three weeks; then mature rootworm stop feeding and construct earthen cells in the soil where they pupate and transform into adult beetles. Concerns about root damage in rotated corn are increasing. The extended state of dormancy of Northern Corn Rootworm throughout the state explains these concerns. Despite a corn-soybean rotation, a select number of the Northern Rootworm Beetle has developed a two year life cycle. Some eggs laid in the corn don't hatch the following growing season, but remain in diapause (a state of dormancy) throughout another summer and winter to hatch when corn is planted in the field nearly two years later.



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SHOWPLOTS 2007



The South Dakota Corn Growers Association Showplot Program is nearing the season completion and all plots have interesting results which tell the story of South Dakota's growing season.

The 2007 growing season has been another interesting one. It started with a wet spring and planting dates were pushed back to late May and early June. The majority of the state then went 40 to 45 days without rain; during this time temperatures were in our favor. When August hit it began to rain with some areas receiving up to 7 inches. The moisture continued into September and October and now most producers are fighting wet conditions at harvest.

The wet fall has brought late season diseases and fungus. Some parts of the state have reported stalk rot, gray leaf spot and now we are hearing of mycotoxins showing up in the grain. Despite all of the hurdles South Dakota producers have dealt with, yields are good and in some areas above average. By the end of the 2007 growing season South Dakota producers will produce a record crop.

The 2007 SDCGA showplot has followed the same pattern. A few plots didn't get planted because of wet conditions and now we struggling to get them harvested. It's nice to see good yields in areas of the state that have experienced dry conditions the past couple of years. We will have plot data at 10 sites, with one Quick Roots plot, a strip till versus conventional till plot and a technology plot.

Two field days were held in August at SDCGA test plots. Bryan Jorgensen hosted a field day at his Ideal, S.D. farm on Aug. 28. The region endured 45 days without any rainfall during the peak growing season yet the Jorgensen plot experienced better-than-expected yields. Bill Chase of Wolsey, S.D., hosted a field day on Aug. 30. The central-South Dakota region enjoyed excellent growing conditions. Both plots were true demonstrations of how biotechnology traits have changed the way corn is grown in the state.

Several plots have been harvested and yield data is recorded. Check the S.D. Corn website to see yield results at www.sdcorn.org. If you would like to receive yield results via email contact Paul now at pauls@sdcorn.org or 605-334-0100.



The South Dakota Corn Growers Association thanks the following seed companies for their support of the showplot program.

- | | |
|---------------------|-----------------------|
| Ag Venture | Legend Seed |
| Asgrow | Midwest Seed Genetics |
| Croplan Genetics | Mycogen Seeds |
| Crow's Hybrids | NC+ Hybrids |
| Dahlco | NK Brand |
| Dairyland Seed | Pannar |
| Dekalb | Pioneer |
| Fielders Choice | Producers Hybrids |
| Fontanelle | Proseed |
| Garst | Rea Hybrids |
| Gold Country Seed | Seeds 2000 |
| Great Lakes Hybrids | Stauffer Seed |
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SONG HIGHLIGHTS:

"This Diamond Ring", "Count Me In", "Save Your Heart for Me"
17 Top 40 hits; 8 Gold Singles

Mark Pearson

Where are we headed in agriculture?

Get ready to laugh and learn with Mark Pearson as he takes you on an entertaining journey as we glance at what lies ahead for farm markets: corn, soybeans, wheat, hogs and cattle prices - and global trends impacting these markets. He will also address changing consumer trends, demographics, land values, and ag policy issues. Host of the nationally syndicated public television program, "Market to Market", Pearson will spin humor into his outlook on what's ahead for the ag industry.



Laura Sands

Not your father's carbon market

Untapped and untaught, the carbon market could become one of the five largest commodities for U.S. agriculture and South Dakota is uniquely positioned to be leaders in carbon credit trading. Laura Sands is going to reveal how South Dakota ag producers can participate. Based in Wyoming, Sands is spearheading key legislative efforts on biotechnology initiatives, climate change and renewable energy. She is instrumental in developing policies to promote new markets for agriculture.

Join Sands as she answers the following:
How can agriculture improve its chance to capture billion of dollars from this new revenue stream in carbon?
Why will this market be dramatically difference from what we know about today's carbon markets?

Elaine Froese

"Discussing the Undiscussabull"

Elaine Foese entertains and engages audiences with her common sense tool kit she developed to help farm families talk about tough issues such as trust, fairness, work style, retirement, space, ownership...just to name a few. Elaine's toolbox, built over many years farming with her husband near Manitoba and growing up a farmer's daughter, includes practical conflict resolution tools, ideas for fun and safe family meetings and resources available for families to start listening and talking with each other. Her story-telling style, with open honesty about her own life's learnings is highly motivating to her audiences. Elaine uses stories to highlight the key ways families can look at their conflict bumps, feel the need to jump out of their rut, and get unstuck.



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Market Outlook

ALAN MAY



One year ago, corn prices rallied in unprecedented form during the harvest period due to tight supplies and growing domestic and world demand for corn. This year, however, the significant growth in corn acres in 2007 has led to the current USDA production estimate of 13.3 billion bushels and a projected carryover supply of nearly 2 billion bushels resulting in a more typical price pattern at harvest. While demand remains strong, there is expectation that these current supply projections will be sufficient to meet demand for the remainder of the 2007-08 marketing year. Although there is some concern that the recent slowdown in new ethanol plant construction could cause further declines in projected usage of corn for ethanol, the demand for ethanol has become a major factor in supporting corn prices at the current levels.

South Dakota cash corn prices prior to the onset of harvest managed to remain mostly in the \$3.00 to \$3.25 range for several months until harvest began; since then, prices have been pressured a bit lower as one might expect at harvest. Still, cash corn prices remain historically strong for the harvest period and do provide some incentive for selling directly out of the field as well as providing some alternatives for making sales of 2007 corn after harvest.

Here are some possible alternatives for selling 2007 corn.

Sell corn at harvest. Cash bids as of mid-October were in a

range of \$2.70 to \$3.20, and as a result, can be viewed as a valid price for selling corn. Selling at harvest eliminates storage costs and future downside price risk. However, this method eliminates the chance for achieving higher prices later on.

Place corn in storage at harvest with no price protection. This is a high risk alternative. If prices decline, the value of your corn in storage declines. However, if prices move higher after corn is placed in storage, you can take advantage of the price increase. One must keep monthly storage costs in mind and having one, or several, price triggers established to make sales if prices move higher or lower during the storage period. This strategy is viable only if the price eventually received for corn in storage pays for storage costs.

Store corn; enter into a cash forward contract that sets a price for future delivery of the corn. The price offered must reflect a futures carry and/or narrower basis bid compared to harvest basis that will be sufficient to pay costs of storage during the storage period.

Store corn, use hedge-to-arrive (HTA) contract to establish price for future delivery. This strategy allows you to lock in a futures price preventing downside price risk but you leave the basis open until a later date. A positive futures carry should exist and the potential for a narrower basis should exist for this strategy to be useful. This strategy has basis risk but is typically less risky than no price protection at all. The disadvantage of this strategy is that you cannot take advantage of futures price increases once this contract is established.

There are other valid selling strategies for selling your 2007 corn that can involve the storing or selling of cash corn combined with the use of futures or options. There are also a variety of other types of deferred pricing contracts available through your local elevator or processor. To obtain information involving these strategies, contact your local county extension educator, broker, or local grain buyer.



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Inside Washington: SD Congressional

Senator Tim Johnson



The House completed its work on a farm bill this summer, approving a \$286 billion measure by a 231-191 vote. The Senate Agriculture Committee plans on marking up the farm bill this fall, followed by floor consideration shortly thereafter. The House and Senate are committed to completing a farm bill rewrite this session, and I have been working closely with Chairman Tom Harkin to ensure farm bill programs include sound policy for South Dakota.

The Senate Finance Committee recently addressed the funding side of the farm bill, working to add \$16 billion to the baseline during the first week of October. Included in the Finance Committee's package is a \$5.1 billion structured approach to agriculture disaster that is not a disincentive for crop insurance, which I was pleased to see. Federal crop insurance functions as a critically important risk management tool, and this program requires producers to purchase federal crop insurance to receive offered benefits. Our farmers also stand to benefit from an included adjustment to the farm machinery and equipment depreciation schedule, included in the Finance Committee's proposal, on which I have worked with my colleagues. Additionally, the package extends a tax credit targeted at small ethanol producers in South Dakota and also extends a biodiesel tax incentive which will benefit producers and our renewable energy sector.

After the farm bill is rewritten, monitoring program implementation and securing adequate funding for priorities are critically important to ensure successful program delivery. From my seat on the Senate Agriculture Appropriations Subcommittee, I will continue to work to secure meaningful dollars for South Dakota priorities and promised farm bill programs. The farm bill is a contract with rural communities that must be upheld.

In June, the United States Senate approved a comprehensive energy bill that would increase the Renewable Fuel Standard (RFS), reflecting the substantial market growth of the ethanol industry. With approximately 6.9 billion gallons of existing production capacity and another 6.6 billion gallons of capacity set to come on-line in the next 18 months, the aggressive RFS schedule implemented in the Energy Policy Act of 2005 is already out of sync with the market. The comprehensive energy bill approved by the Senate takes stock of these developments by adjusting the RFS upward, requiring gasoline blenders to sell into the market a minimum of 8.5 billion gallons of ethanol in 2008. Furthermore, the Senate bill creates a predictable and accelerating requirement to best match corresponding market growth. This fall the Senate and House of Representatives will set out to reconcile competing versions of comprehensive energy legislation. As a member of the Senate Energy and Natural Resources Committee, I will work hard to see that any final bill includes an RFS that increases ethanol demand, reduces dependence on foreign oil and creates the best conditions for the ethanol industry to compete for the domestic fuel market.

Going hand and glove with an aggressive RFS is the need to increase the blend volumes of ethanol sold into the marketplace. In the past year, ethanol prices have swung drastically lower, pinching margins and pricing ethanol well below the rack price of gasoline. Blending ethanol at volumes above E10, particularly in markets located close to the current biofuel infrastructure, makes sense and can transition the market toward E85. The South Dakota delegation wants to remove these blend wall restrictions. A three-pronged campaign of education, testing, and political pressure are the tools that can open up higher blend levels to consumers. We've got to get this right so that we don't stymie future efforts to distribute ethanol into underserved markets. We'll get there and I know that the South Dakota Corn Growers Association will be with us in moving forward.

Senator John Thune



On June 26, 2007, the Senate passed its version of the CLEAN Energy Act of 2007. This bill includes a historic increase in the Renewable Fuels Standard (RFS) from 7.5 billion gallons per year in 2012 to 36 billion gallons per year in 2022. An increased RFS is important for the 14,000 South Dakota families who have invested in a young and growing ethanol industry. Without a doubt, an increased RFS will reduce our nation's dependence on foreign oil, and is my highest priority in a new energy bill.

Unfortunately, the House-passed energy bill does not include any increase to the RFS. As the U.S. Senate and U.S. House of Representatives work out the differences between the two energy bills, I will continue to fight for a higher RFS in the final version. I am also working with the Administration to approve higher blends of ethanol-blended gasoline in a safe and timely manner.

In August, the U.S. House of Representatives passed its version of the 2007 Farm Bill. The timeline for a new Senate farm bill continues to be unnecessarily delayed. As a member of the Senate Agriculture Committee, I am working with my colleagues to draft a new farm bill that will consist of Commodity, Conservation, and Energy Titles that meet the needs of production agriculture and that encourage development of alternative energy sources such as ethanol. Energy provisions should include loan guarantees for cellulosic ethanol plants, financial incentives for retrofitting existing ethanol plants with new technology, and reauthorization and expansion of Value-Added Producer Grants.

The House farm bill includes provisions of my Biofuels Innovation Program, which provides producer incentives for growing energy-dedicated crops and cash payments for delivering corn cobs and other biomass feedstocks to biorefineries. I am working to include these provisions in the Senate farm bill as well.

I appreciate the invaluable energy and agriculture policy input from the leaders and members of the South Dakota Corn

Delegation Showcase Work on the Hill

Growers. Working together, we will continue to ensure that ethanol continues as the cornerstone of our nation's energy policy, and that the 2007 Farm Bill will provide an effective safety net for our producers and a safe and affordable food, feed, and fuel supply for America.

Representative Stephanie Herseth Sandlin



Earlier this year, as a member of the House Committee on Agriculture, I was proud to help craft the bold, comprehensive, forward-looking farm bill that passed through the full U.S. House in July. Throughout the process, I worked closely with my colleagues to ensure that the needs of farmers and ranchers in South Dakota and across the country are met. The bill struck a delicate, but necessary balance and is a strong step forward for agriculture policy in our country.

Attention now turns to the Senate Agriculture Committee, as it works to complete its version of the bill and move the legislation to the Senate floor. However, because the Senate still has several appropriations bills and other important legislation to consider in the coming weeks, Senate floor time may be the biggest impediment to completing the bill this year.

If the Senate does pass a bill before December 1st, I am optimistic that leadership of both committees will be able to quickly convene a conference and iron out the differences in the two pieces of legislation. I am less optimistic, however, if Senate runs out of time to consider the bill on the floor this year, as a presidential election year can often complicate the passage of major legislation. Moreover, farmers must finalize their planting and financial planning by early spring, meaning congress may be compelled to consider stop-gap legislation if a new bill is not enacted by that time.

As for comprehensive energy legislation, we are in a strong position because both the House and the Senate have passed bills already. House and Senate leadership are working to negotiate the language in the two bills and pass an identical bill through each chamber. Such legislation is then eligible to go directly to the President.

The energy policy being discussed is broad and comprehensive, and there are three main issues that are likely to be the most contentious. First, there is disagreement over how to reform corporate average fuel economy (CAFE) standards for cars and light trucks. While there is a general agreement that the standards must be raised, there is a clear divide in congress between those who want to pass stringent new fuel economy standards for all U.S. passenger vehicles, and those who feel that we need to distinguish between the automobile market and vehicles that tend to be working vehicles like pickup trucks. I think making that distinction makes a lot of sense for folks in rural America whose livelihoods depend on their ability to work the land with the right equipment.

Secondly, the House version of the bill contains a requirement that 15 percent of our electricity generation come from renewable sources, like wind, by 2020. I'm a strong supporter of this standard, which holds great potential for states like ours that are blessed with abundant renewable sources of energy including wind. The Senate version does not include a renewable electricity standard provision and a compromise will need to be struck on this issue.

Lastly, an agreement must be reached on a renewable fuels standard. The Senate bill contained language that would require the production and use of 36 billion gallons of renewable fuel by 2022 and I strongly support that language. I am working with like-minded colleagues in the House to ensure that any bill that is sent to the President contains an aggressive RFS. This will give the industry the certainty that it needs to continue its growth and its vital contribution to our nation's efforts towards energy independence.

While there is still work to be done on both pieces of legislation, much progress has been made on both the Farm Bill and the Energy Bill. Solid frameworks are in place for both bills and I am confident that the leadership of both chambers is committed to enacting them both. I thank members of the Corngrowers for all of your valuable input and look forward to continuing to work with you in months ahead.

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The advertisement features a blue sky background with a photograph of an ethanol processing plant in the foreground. The plant includes several large silver storage silos and a complex network of pipes and structures. In the background, there are rolling green hills and a body of water. The text is centered and uses a mix of bold and regular fonts.

Cellulosic Ethanol Collection



S.D. Secretary of Agriculture Bill Even, center, discusses opportunities in cellulosic ethanol during a field day recently held at Darrin Ihnen's (right) farm near Hurley, S.D. Also picture is a representative from Poet Biorefining (left) and Jason Glodt from the S.D. Governor's office.

Bill Even is in his first term as the top ag official of South Dakota. A farm boy himself, Sec. of Agriculture Even has a set of goals he wants to accomplish for his own home state and industry. In an interview with Corn Talk, Even described his stand and actions on key issues for agriculture in South Dakota.

Even recently made an on-site visit to SDCGA board director Darrin Ihnen's farm near Hurley, S.D. Ihnen's operation is a Poet test site for cellulosic ethanol collection and Even and several of his ag staff were there to learn more about opportunities in cellulosic ethanol for South Dakota.

"The thing that really struck me is the fact that we've been talking about cellulosic ethanol for years now and it always seems like it's 5-10 years away before anything is going to happen," said Even. "When we were at Darrin's and saw that people had actually built the machinery that will actually get this process underway – that's tangible."

CornTalk: How do you believe South Dakota will take a role in cellulosic ethanol?

Sec. Even: "South Dakota farmers lead the nation in adopting new technology; we see it in the usage of biotech crops. For a state like

South Dakota, things don't come as easily and we're a little scrappier here and not afraid to get out in front of something and give it a try and that gives us a competitive edge.

"So when you see things moving to that next level in cellulosic ethanol, I'm confident that South Dakota farmers are going to step forward and be the ones willing to experiment with corn cob harvesting or wheat straw harvesting and management."

CornTalk: How has the ethanol industry already impacted the state of South Dakota?

Sec. Even: "What we've established here in South Dakota and the farmer-owned model and the success that it's had has set good foundations. Imitation is the sincerest form of flattery and we're seeing a lot of other states now getting involved in it and really modeling and looking back at what South Dakota did.

"Looking forward, some of the things we're working on in Pierre and the area that I've asked staff to start working on is how do we continue to move the ethanol industry forward and at the same time make sure we're bringing the livestock industry with it?

"It's incumbent upon the industry, universities, and out in Pierre

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from a policy standpoint to have all of us working together. I don't want to see one segment of agriculture benefit at the expense of another. I think we can co-exist and there are opportunities for all of us to make money. We just have to make sure that we're bringing everyone along with us - our fellow farmers and ranchers."

CornTalk: What can farmers and ranchers expect from the South Dakota Department of Agriculture under your leadership?

Sec. Even: "We have a livestock development initiative in the South Dakota Department of Agriculture. We started out with dairy and we're moving it now into the cattle feeding area; we only feed 25 percent of the calves that are born in this state. We want to increase that. In terms of the feed grain industry and the ethanol industry, that's where all this meets. In order to have livestock development you have to have a strong feed grain industry in the state to help supply that."

"To be quite candid, the states farther south - Texas, Kansas, Oklahoma - are looking at this and we're on their radar screen. The upper Midwest, South Dakota included, has some real opportunities that we're going to try to capitalize on and put the upper Midwest back on the map when it comes to cattle feeding. We're raising the calves up here, we certainly have the ability to feed

them here.

"If there's something I want to leave behind, it's that we expand our farmers and ranchers opportunities to retain ownership and feed out livestock."

CornTalk: How do you see various agricultural segments fitting together for the betterment of the state?

Sec. Even: "I've always advocated, before I was Secretary of Agriculture, that row crop farming, livestock production and wildlife are not mutually exclusive. We have an operational, economic ecosystem that is interrelated and interdependent. That means no one industry can go out in a particular direction and operate in a vacuum. That's true in our global economies and down to our local economies."

"In our personal farming operation, I can square up a field and tile it and farm it under approval of the NRCS and raise good crops, we have worked with the conservation districts in planting trees and waterways and improved our pastures by providing water not only for our cattle but the other wildlife in the area, and we enjoy hunting. The picture I'm painting here is that we can have all these things. We can do it all and all can succeed."

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USMEF Conference
Washington, DC

Nov. 26-29, 2007

Growing Forward in 2008 – Part I
SDCGA Risk Management Seminars

Dec. 3 & 4, 2007

SDCUC Board Meeting
Sioux Falls, SD

Dec. 4, 2007

Agriculture United for South Dakota
Annual Meeting
Sioux Falls, SD

Dec. 6, 2007

SDCGA Resolutions Due

Dec. 10 & 11, 2007

SDCGA Board Meeting
Sioux Falls, SD

Jan. 5, 2008

SDCGA Annual Meeting
Sioux Falls, SD

Jan. 10 & 11, 2008

SD Pork Producers Council
Annual Convention
Sioux Falls, SD

Jan. 14-18, 2008

SDCGA Planter Calibration
Clinics
Aberdeen, Huron, Watertown
& Sioux Falls respectively

Feb. 8-13, 2008

USGC Conference
San Antonio, TX

Feb. 18-21, 2008

Growing Forward in 2008 –
Part II
SDCGA Risk Management
Seminars

Feb. 28-Mar. 1, 2008

Commodity Classic
Nashville, TN

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