

CropLife Media Group®

2014 AG RETAIL MARKET OUTLOOK

**A look ahead to 2014 for retailers and those serving
the ag dealer markets**

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COMMUNICATION & INFORMATION CENTER FOR SPECIALIZED AGRICULTURE WORLDWIDE

Following another year of weather oddities, corn crop is looking up while soybean crop is challenged

While 2013 could be characterized as a more “normal” cropping season, there were still plenty of ups and downs. Corn generally fared better than was feared in mid summer thanks to some late heat and no early frost. The same heat challenged a late planted soybean crop in many areas, where precious August rain eluded a number of fields. The final yield tally will tell the tale, but a solid corn crop could turn into a price retreat that ultimately impacts retailers in 2014 and beyond.

Precision programs: Monsanto’s IFS on the radar

Retailers are watching with great interest how Monsanto’s FieldScripts / Integrated Farming System (IFS) initiative plays out in its pilot run. Some 30 retailers are running a pilot, with about 150 growers in the hopper. The agronomic recommendations and planting technology are getting good reviews, but the proof will be in the yield at the end of the season. Monsanto is expanding the program in the four states for which it has the most data – Illinois, Iowa, Indiana and Minnesota – and will stick with DeKalb brands for 2014. Retailers are concerned with how they are going to be compensated for managing this expansion, and about the availability of top performing hybrids. Monsanto’s plan is to charge the farmer an additional fee for the FieldScripts recommendation, and retailers hope it will be offset by a 5- to 10-bushel bump in yield.

Sprayers: more ‘professional grade’ for growers

Sprayer manufacturers seem to be focusing on giving growers a more balanced machine that delivers professional performance in a smaller package. Recent releases from Case (2240) and AGCO (RoGator 700) along with AGCO’s decision to retire the Spra Coupe line seem to indicate a trend leading this way.

Plant construction still bullish

New facilities and infrastructure is not slowing down. The need to service growers more quickly and more on demand is desired, leading retailers to review and redo facilities to ensure fields can be serviced whenever growers need it. Recent variability in the weather has reinforced the need for mass storage / on-the-spot service for growers planting in a tightening window of time.

Fertilizer supply stable

Nothing significant to report on supply and demand in the macronutrients. New anhydrous ammonia capacity is being constructed in the US – something

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that was unthinkable until fracking brought ample/cheap natural gas online. Logistics and manufacturer responsiveness are improving.

Nitrogen stabilizers a profit generator

From Agrotain to SFP to Instinct and N-Serve, stabilizing nitrogen for agronomic and stewardship reasons is on the rise and generating profit. In fact, there is a general uptick for specialty products – a turnaround from the previous days of Roundup-Ready-and-that's-it.

Two steps back on key weed control trait releases

EPA ordered 2,4-D and dicamba to go through an environment impact study in May, a process that could take 12-18 months to complete and effectively delays Dow and Monsanto releases with these traits. Drought-tolerant corn is probably coming in 2014, although some recent field days we attended did not point to the hoped-for benefit.

Precision: focus on data

There is less emphasis on aftermarket equipment and more focus on collecting and managing data, an aspect of precision that, while retailers are good at, are rarely getting compensated for adequately. There will be growing pressure to realize a return on investment from services/agronomic recommendations.

Ancillary products get more attention

Micronutrients, specialty supplements (mycorrhizae, humic acid), adjuvants, and plant growth regulators are all getting more interest and delivering solid profits. Some still need to be proven.

Tank mixing gets more complex

Weed and insect resistance, adjuvants, the availability of ancillary products, and even some biopesticides to go into tank mixes – making the mixes more complex to execute and apply – are a good thing for the full-service retailer. Manufacturers are trying to train growers to understand mixing and application, but the dangers of making a mistake will continue to grow as more traits come online that require specific crop protection regimens.

Aerial application demand heavy in 2013

Driven by good weather and anticipated strong crops, pilots are in high demand this season to apply in-season fungicides and insecticides to mitigate the risk of crop/yield loss.

West Fertilizer disaster outcome and regulations

Still no word on the exact cause of the West Fertilizer disaster, but prevailing speculation is that the industry will see increasing regulations for both handlers and non-handlers of ammonium nitrate. Between the West disaster and water quality, organizations are very nervous about likely regulations that are coming. The fertilizer side of things could be poised for a regulatory / facility upgrading comparable to crop protection 20 years ago.

Regulation watch: spray drift, water quality

Spray drift regulations from EPA are still on the radar for major associations, although this has been an issue for about three years. Water quality regulations to stem nutrient loss/intrusion are a constant threat. Major media have continued to cover the issue and keep it front and center, while retailers work to improve best practices and consider alternatives like split applications and on-the-go sensor technology.

GMO, social media and Monsanto

Relatively fringe elements of society are banging away at Monsanto and GMO crops using social media, vilifying them using old science, bad science, and just plain bad information with a dedication that is quasi-religious. But it has not moved the needle significantly on the public's opinion overall.

Seed treatment, in-furrow application growing

With the delays in the next-generation weed resistance traits, and a brief gap between current and next-gen insect traits multiple Bt activity, seed treatments and in-furrow application of insecticides are critical tools in the retailer's arsenal and are garnering strong attention (and generating profit).

Consolidation continues: retail

The last of the small retail businesses that were built specifically to sell prior to retirement are moving through the acquisition process. What will be left are a handful of medium to small family-owned retailers (i.e. Woolsey), some larger regional family retailers (Hintzsche, Brandt) and the integrated big boys (Agrium-CPS, GROWMARK, Helena, Simplot, Winfield, Wilbur-Ellis). Kenny Cordell, who heads up Pinnacle Ag and who's purchased Jimmy Sanders and a few smaller retailers (and who wants to grow further), is still out there, although it will likely take a significant market downturn for him to make real headway. No one wants to sell with ag sailing on a strong tailwind, and when they do it's too expensive.

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Consolidation continues: growers

Growers are getting larger but the movement toward that is moving slower than expected — farming has become profitable and fun again. This is no time to be selling unless you've made some very bad decisions.

Crop protection inventory management gets more challenging

Manufacturers of crop protection products have been moving closer to just-in-time manufacturing of products, trying to anticipate demand and making only what they think they will need. And the US is not the only market served, so product logistics is a more global effort every year. To avoid shortages in their own sheds, retailers are buying and warehousing more product than ever, creating significant inventory and overhead challenges.

ABOUT CROPLIFE MEDIA GROUP

The CropLife Media Group (CLMG) is the nation's brand leader in ag retail communication. The CLMG offers unmatched market reach through relevant, impactful brand extensions focused exclusively on the input distribution channel. Its magazines include CROPLIFE, CROPLIFE IRON and PRECISIONAG SPECIAL REPORTS. CLMG's Web sites include CropLife.com, EnvironmentalRespect.com and PrecisionAg.com. CLMG also delivers detailed product information through its Crop Protection Database, publishes the CropLife and PrecisionAg eNewsletters, produces numerous large-scale live events (e.g., InfoAg Conference), and provides extensive custom publishing services.

CLMG corporate headquarters are located in Willoughby, OH, in the Cleveland metro area where its parent company, Meister Media Worldwide, was founded in 1932.

ABOUT MEISTER MEDIA WORLDWIDE

Meister Media Worldwide, headquartered in Willoughby, Ohio, provides integrated media solutions for worldwide specialized agriculture. A leader in the industry, the company provides information and networking opportunities to global markets, including fruits and citrus, vegetables, cotton, ornamental horticulture, precision agriculture, plant protection and Latin American agriculture. Founded in 1932, Meister Media Worldwide now produces 13 regular magazines, along with eNewsletters and more than 20 websites, as well as trade shows and exchange events. In addition, Meister produces custom print products, web development, videos and strategic business development services. Contact us at www.MeisterMedia.com

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