

Graves County Ag Newsletter

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IRS Requires Employers of H-2A Workers to File W-2's

Beginning in 2011, employers of foreign agricultural workers temporarily in the United States on H-2A visas are required to file Form W-2, Wage and Tax Statements on compensation of \$600 or more. Payments made to H-2A workers are exempt from Social Security and Medicare taxes. Further, employers are not required to withhold federal or Kentucky income tax. Employers are encouraged to check with the local taxing authorities on their withholding requirements.

The total compensation paid to an H-2A worker for the calendar year will be reflected in Box 1 (Wages, tips and other compensation) and Box 16 (State wages, tips, etc.) of the W-2. No amounts will be reported in Box 3 (Social Security wages) or Box 5 (Medicare wages.) Again, if employers have questions, they should check with local taxing authorities on their reporting requirements.

On the Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, the payments to H-2A employees will not be reported

on line 2 (wages subject to Social Security tax) or line 4 (wages subject to Medicare tax).

In order to be able to file a Form W-2, the employer needs a tax identification number (TIN) for the employee. H-2A workers here on an I94 visa are eligible to receive a TIN from their local Social Security Administration Office. The H-2A worker will need to fill out an application (available in Spanish) and present their original passport and I94 visa. The TIN assigned will stay with them for their lifetime; they will only need to file once.

If the employer does not get a TIN, payments made to the worker will be subject to backup withholding at a rate of 28%. If this occurs, the compensation will be reported on a 1099-MISC rather than Form W-2. Employers who do not issue Form W-2 and fail to do the backup withholding will be held liable for the amount that should have been withheld. So, it is crucial that employers have a good understanding of withholding requirements. (Suzy Martin)

Stored Grain Management Vital to Retaining Quality, Profit

Grain prices, while still fairly attractive, have taken a big hit in the past month. This could result in many corn producers holding grain they haven't contracted in storage as they wait for the markets to rebound. Given the high commodity prices, it's important for producers to preserve the crop's quality by effectively managing stored grain, said Sam McNeill, extension agricultural engineer

in the University of Kentucky College of Agriculture.

<http://www.ca.uky.edu/agc/pubs/aen/aen39/aen39.pdf>.

Cash prices at the grain elevators in Western Kentucky on Oct. 20 averaged around \$6.40 per bushel for corn and around \$12 per bushel for soybeans. With the average-size bin holding about 50,000 bushels of grain, the total value of grain in a bin is around \$320,000 for corn and \$600,000 for soybeans.

“Discounts of even a few cents can really add up for bins that size,” McNeill said. “For example, a discount of 5 cents per bushel could cost the producer \$2,500.”

The following tips can help producers preserve grain quality and retain profits.

1. Check several spots inside storage bins for insects, mold, grain temperature and moisture composition, weedy material and damaged kernels.
2. Check outside bins for any evidence of rodents or insects. Clean up any spilled grain that could be an attractive food source for them.
3. Keep grain within 5 to 10 degrees of the average outside monthly temperatures. The average temperature for October is around 60 degrees. In November, it’s around 50 degrees, and December’s average temperature is around 40 degrees. Running aeration fans once a month can help accomplish this.
4. Inspect stored grain monthly to make sure the temperature and moisture within the bin remain stable. Moisture on the bin’s roof could be a sign of too much moisture.
5. Keep grain out of the top cone of the bin as it can interfere with airflow.
6. Educate all employees of the hazards associated with working in a grain bin. A good resource is available at county extension offices or on the UK Biosystems and Agricultural Engineering website,

McNeill said storage costs will vary among producers but are averaging around 3 cents per bushel per month for corn and 5 cents for soybeans above the base cost of 40 cents per bushel. Producers can figure out their grain storage costs by using a decision tool available on the Iowa State Extension and Outreach website, <http://www.extension.iastate.edu/agdm/crops/html/a2-33.html>. (Katie Pratt)

Commodity Price Levels and Price Volatility

Commodity prices are ever changing due to continuously changing market information. Both the price level and amount of volatility change over time. Looking at futures prices can immediately inform us of the current price level, and yes it is up - way up since just last year. It takes a few more calculations to determine the level of price volatility. In this short article I look at the corn market to analyze the relationship between overall price levels and price volatility; I also compare the current relationship to past marketing years. Identifying the level of price volatility or risk in the corn market, coupled with current price levels, can assist producers in making marketing decisions. High prices with low volatility could be taken as a sign that prices may not move much over the next few months. High prices with high volatility could be taken as an indicator of more future price swings. Producers wanting to sell grain in periods of high volatility must be prepared to pull the trigger (ie: make pricing decisions) when price expectations are met.

In this analysis, I use weekly corn price averages in the Illinois cash market from the 1992/93 crop-year to the 2010/11 crop-year. While using weekly averages hides the day-to-day variation, it *does* show variation between weeks. Yearly averages are computed by taking the average of weekly prices. Price volatility is analyzed using the standard deviation.

Standard deviation measures the amount of variability around the average. A higher standard deviation implies more variability and consequently

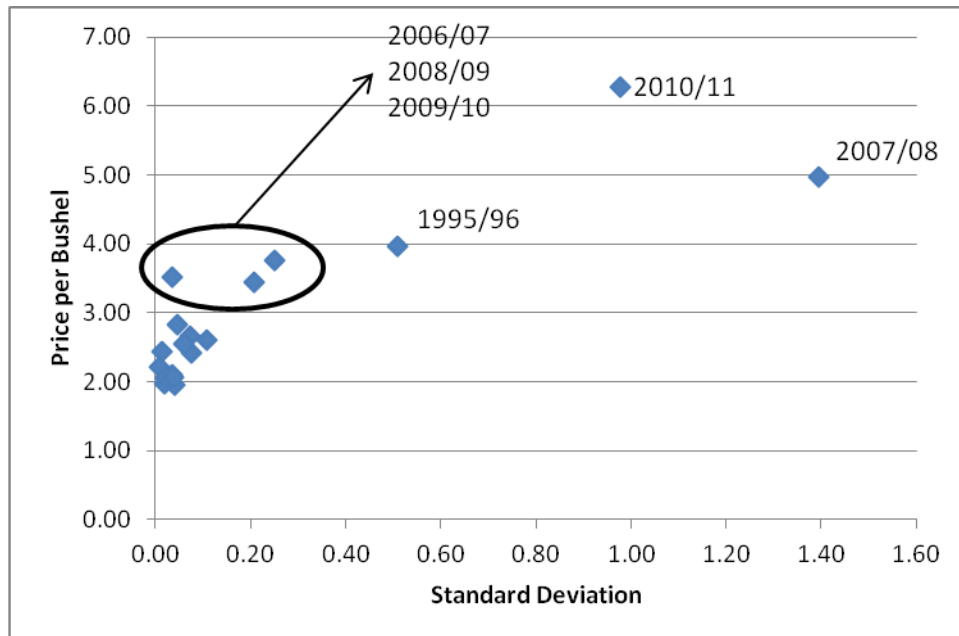
more risk. The opposite is true of a lower standard deviation. As an illustration, a standard deviation of \$1 would suggest that price falls within \$1 of the mean two-thirds of the time. Ideally, price averages are high and the standard deviation of price (volatility) is low. If we graphically portray the price average and volatility each year, values in the upper left hand zone are preferred (high price with low volatility) (see the table on the following page).

Points further to the right represent years that show higher volatility, while observations higher on the vertical-axis correspond to higher prices. Three crop years, 2006/07, 2008/09, and 2009/10 saw higher price averages and lower standard deviations. Conversely, in no years were price averages low and standard deviations high. In the most recent five crop-years, three have seen higher-than-normal average prices and low standard deviations, while the other two saw higher average prices and record high standard deviations.

Notably, the most recent crop year, 2010/11 has had a record high average price and the second largest standard deviation of the time period.

Producers should consider this information in developing their 2011/12 marketing plan. In times of high volatility, producers need to be ready to pull the trigger when prices hit pre-determined goals because they may not stay there long. Prices could very well go higher than expectations and this can be handled by selling in smaller percentages, not being over-run with emotion from selling at lower prices when prices keep rising, and being ready to make additional sales as prices rise. Higher volatility implies higher highs and lower lows. So, producers also need an exit plan to handle lower prices. This can be addressed by using decision dates in making sales. If your price expectation is not met by a certain date, go ahead and make the sale at the current cash price. (Cory Walters)

**Corn Price per Bushel vs. Standard Deviation
(2002 / 2003 to 2010 / 2011)**



Upcoming Meetings

Date	Title/Topic	Location	Beg. Time
Thursdays thru Dec 15	Master Cattlemen	Various	5 pm
December 8, 2011	EarlyBird–Row crops	Sedalia Restaurant	9 am
December 13, 2011	Feeding Your Horse on a Budget	Marshall Co Ext Off	7 pm
January 9, 2012	Herbicide Resistant Weeds	Young Center, Clinton	5:30 pm
January 12, 2012	Irrigation and Tiling Workshop	Keith Lowry’s Shop	8:30 am
January 18, 2012	Farm Vehicle Prog	Graves Co Ext Off	9 am
February 1, 2012	Grain Marketing	Graves Co Ext Off	TBA
February, 2012	Nuisance Wildlife	TBA	
Fall 2012	Farm Transitions	TBA	

For more information about any of these meetings, call the Graves County Extension Office at 247-2334.



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