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SEED BANK

That \$200 bag of seed corn may cause sticker shock for some farmers, while others see it as money in the bank.

BY GREGG HILLYER

Seventy-five years ago, Roswell Garst sold his first bushel of seed corn for \$9 from the back of his car. Today, it may be more appropriate to deliver seed from an armored truck.

Elite corn hybrids loaded with transgenic traits and insecticide seed treatments approach \$200 or more per unit before dis-

counts. That makes those bags of kernels as good as gold. And while these hybrids may cause sticker shock for some, other farmers see them as a good investment.

“Sometimes when we’re moving seed it feels like we’re handling bags of money,” jokes John Niebruegge, a Valmeyer, Ill., farmer. “You certainly don’t want to drop one.”

No one will mistake the seed Roswell Garst sold in 1930 for today’s high-tech corn hybrids. They’re even far superior to hybrids from the mid-1990s that sold for \$65 to \$70 a bag.

Thanks to molecular breeding and markers, seed companies are able to tweak traits and advance genetics far beyond what was once thought possible. “Superior genetics along with transgenic traits and new seed-treatment options have helped to increase U.S. corn yields by some 30 bushels per acre since 1997,” points out Terry Gardner, Mycogen Seeds grain corn marketing specialist.

These racehorse hybrids are capable of bin-busting yields and agronomic performance that stands up to whatever Mother Nature throws at them. Add biotech traits that allow crops to tolerate certain herbicides or protect against a host of insects, and you’ve got a powerful genetic package.

It’s little wonder that commercial seed companies make few apologies for the cost of such packages when setting their price lists.

“Certainly farmers have experienced over the last five years a pretty significant price-point increase in seed corn because of transgenic traits and seed treatments,” says Steve Klein, Garst Seed Co. marketing director. “But in return these hybrids are delivering enhanced value.”

Trent Leopold, Pioneer Hi-Bred North American corn marketing director, agrees. “Growers recognize the value in biotech seed traits they have traditionally assigned to other crop-production inputs, whether it’s herbicides or insecticides,” he says. “They have learned to look for those values in the seed and are probably less inclined to be shocked by the price it commands.”

BIOTECH BONANZA. Growers definitely value genetically modified crops. Last year 85% of all U.S. soybeans planted was GM, followed by 76% of cotton and 45% of corn.

But the more inputs in the bag, the higher the price. A Bt corn-borer trait adds roughly \$22 to \$26 to the price of a bag of seed; herbicide resistance adds another \$22 to \$26; and Bt corn rootworm protection tacks on \$48 to \$54. An insecticide seed treatment adds another \$12 to \$14 for a low-rate dose and \$44 to \$46 for a high-rate dose.

“All of a sudden a farmer is making a broader decision than just genetics at the time of the seed purchase,” explains John Raines, director for U.S. marketing at Monsanto. “Instead of just seeing it in terms of a \$200 bag of seed, the question becomes, Does the farmer understand what he is buying and what each component in that seed provides?”

Benefits from herbicide- and insect-resistant crops are obvious. But growers buy transgenic for other reasons, too.

“Bt and herbicide-resistant hybrids offer safety and convenience that many customers value and are willing to pay for,” says Leopold. “The idea of not handling pesticides is appealing to a growing number of farmers, and for them there’s a clear advantage of delivering those benefits through the seed.”

That’s true for Mark Mueller. Last year the Waverly, Iowa, farmer tried several bags of seed corn treated with Poncho and Cruiser to control corn rootworms after accidentally being exposed to Capture insecticide. “I was willing to pay the \$44 to \$46 extra per bag for the added handling safety,” he says.

Still, he admits being taken aback by seed-corn prices. “I never thought I’d see seed at \$200 per bag, but then I don’t plant much of it either,” chuckles Mueller.

Of course, seed companies offer a host of cash and volume discounts that can easily erase 15% or more from a seed invoice. “We try to take advantage of as many discounts as possible,” says Niebruegge. “Who wouldn’t?”

Many firms also provide favorable financing programs. And most dealers may go off a company’s suggested retail price to close a deal.

HYBRID HYPE. Yet top genetics aren’t limited to high-priced biotech hybrids. Bob Nielsen, Purdue University Extension corn specialist, says there are still conventional hybrids under \$100 with outstanding yield potential.

“Farmers need to be critical consumers when buying hybrids with seed treatments and transgenics,” he continues. “These biotech traits aren’t critical for every farming operation. Everyone needs to look closely at their own farm operation to see what makes sense.”

Mueller does. He plants an array of corn hybrids, from conventional numbers that cost under \$90 per unit to hybrids with the Bt trait and seed treatments that go for \$196.

Both he and Niebruegge say price isn’t the first thing they consider when selecting seed. Both study results from test plots, looking for top-yielding and performance hybrids.

“We look at the value we can get from each bag,” says Niebruegge. Price comes into play in determining how many bags he purchases of a specific hybrid.

That doesn’t surprise Garst’s Klein. “Our customers tell us that when making seed-buying decisions they look at the relationship between the grower and company, performance, price, convenience, and service, in that order,” he says.

One can only wonder what tomorrow’s corn hybrids will offer. But you can expect prices to reflect the new technology’s benefits.

“As long as farmers are able to increase their net returns through new technology, they are going to be motivated to make that purchase and pursue that next technology. In return, you’ll see some of that translate back to the price on the bag,” says Pioneer’s Leopold. **PF**

the Wal-Mart of seed corn

Dennis Schlott takes no offense when his company is compared to the retail goliath. “It’s a fair characterization,” says the vice president of sales and product development for Fielder’s Choice Direct. “Initially, we were a real price-oriented brand, but we’ve had to evolve to expand and enhance our genetic package. Today we offer as much technology with our corn hybrids as any other company.”

Founded only 20 years ago, Fielder’s Choice Direct carved a niche in the highly competitive seed market using a direct-to-the-farmer business model. Savings from a highly efficient, low-overhead company are passed on to the farmer. Schlott says customers can save up to 35% over prices charged by competitors, not including incentive and discount programs.

The key to the company is its centralized sales and distribution approach; there are no dealers. Growers deal directly with the company by phone (1-800-321-3177), by mail or online (www.fielderschoicedirect.com). Staffing the call center are trained seed consultants, most of whom are also certified crop advisers, assigned to specific geographies.

Seed is shipped nationwide from one central warehouse to 350 regional distribution centers, a process much like the model used by Federal Express. Farmers pick up seed at these centers or the company delivers to the farm, provided the order meets minimum requirements. Returns are charged a restocking fee plus freight.

“Like Wal-Mart, some farmers are fans of us and others aren’t,” say Schlott. “Remember, there was a time when you wouldn’t have thought of buying electronics at Wal-Mart. But today you don’t hesitate because you can choose from name-brand, quality products. We’re no different.”