

# February '25 Monthly Crop Report

## Employing the 5% Rule

Farm business viability during a time period of lower commodity prices can be of real concern for producers. One concept that is not usually overwhelming to combat is the “5% Rule” management plan. Developed by the late Danny Klinefelter, a former Professor at Texas A&M University and father of The Executive Program for Agricultural Producers (TEPAP), he stated:

*“A 5% increase in price received, a 5% decrease in costs, and a 5% increase in yield will often produce more than a 100% increase in net returns. The effect is cumulative, multiplicative and compounding. We’re in a commodity business with tight margins, so every time you make a positive change to your revenue or expenses, even small ones, it can have huge positive effects on your bottom line.”*

Dr. Klinefelter was not saying that 5% changes are easy or likely, however, implying the variables that go into determining farm profitability interact in ways that generate positive, multiplicative feedbacks, making the total effect much larger than the sum of its parts.

|                    |          |     |          |
|--------------------|----------|-----|----------|
| <b>Price</b>       | \$5.39   | +5% | \$5.66   |
| <b>Yield</b>       | 45       | +5% | 47.25    |
| <b>Revenue</b>     | \$242.55 |     | \$267.44 |
| <b>Costs</b>       | \$225    | -5% | \$213.75 |
| <b>Profit/Loss</b> | \$17.55  |     | \$53.69  |

As Klinefelter noted, the relationship above is multiplicative and therefore  $5\% + 5\% + 5\%$  does not equal 15% as production, marketing, and input don’t work together in that way. He also mentions compounding, meaning several years of 5% improvements will similarly create more than a 15% increase in total profit, in theory. Making small improvements in multiple areas, made together, can generate potential large changes in your bottom line.

## Importance of Uniform Emergence

In 2014, the “Dowdy Flag Test” became popularized. Randy Dowdy, out of Georgia, had broken corn yield records nationally, and largely credited the flag tests as to why. Previous scientific studies had shown that delayed emergence in corn usually led to yield loss. To better understand how much yield he was losing, he used various colored flags to mark the days each plant showed emergence. Following the crop throughout the growing season and collecting ears based on the time of emergence, Dowdy was able to show the importance of timely emergence. Today you are able to Google and find different responses and results, but overall, the results will point towards an increase in delayed emergence will increase the yield loss per plant. Corn that is delayed in emerging may even be considered a weed if a viable ear is not produced, contributing negatively to yield. Competing for light, nutrients, water, etc. that plant took up space that the neighboring plants could have used. While soil compaction, weed competition, foliar and root diseases, insect pressure, etc. are all yield limiting factors, a flag test may provide you more of an answer as to what is occurring below ground affecting what we can visually see. Reach out to our agronomy department if a flag test is of interest to you!



Visual representation of a Dowdy Flag Test

*“Every word has consequences. Every silence, too.”*

**Jean-Paul Sartre**