



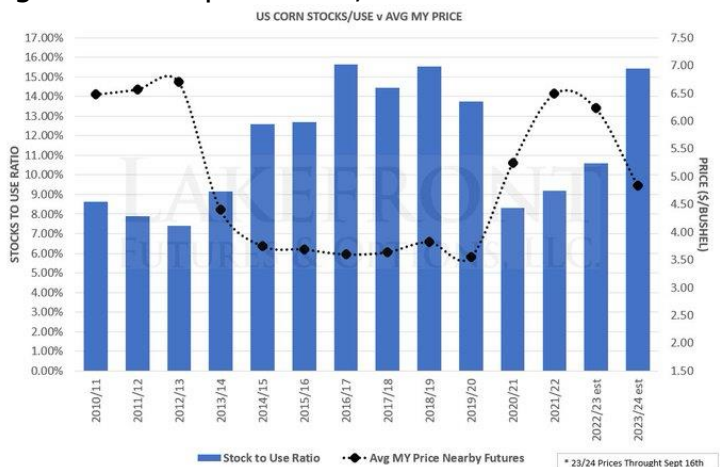
WEEKLY CORNBELT UPDATE

PRESENTED BY
 LANAGAN State Bank

A weekly Cornbelt digest of marketing, economic, agronomic, and management information.

Commodity market price drivers—

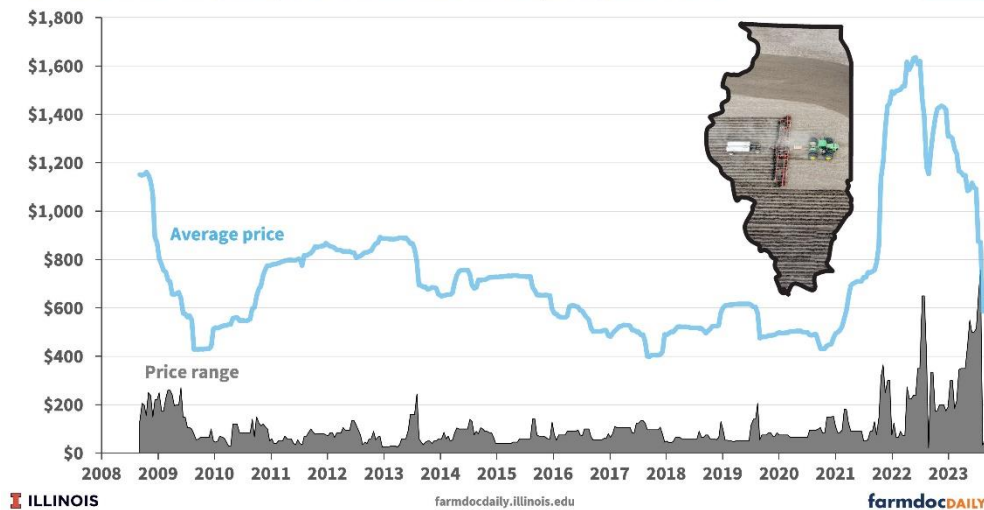
- **Has the corn market** turned a corner, and put in a familiar low before heading back up? [Grain market analyst Jerry Gulke](#) observes that Dec corn dropped toward the \$4.60-mark last week, the same level where the bullish run started a couple years ago. He says the Ukraine conflict and the drought fueled the market’s desire for corn, before it reached \$6.79 in April of 2022, then its recent peak at \$6.29¾ in June.
- **Since reaching the recent high at \$6.29¾ on June 21**, the price of Dec corn plummeted until it twice bounced off \$4.67¾. If a new bullish trend is ahead, what bullish factors will help corn prices recover to sustainable levels? Exports may not in the short term, until South America has more critical weather. Domestic use of corn would have to shoulder the burden, and that would focus more on biofuels, rather than livestock feeding. The aviation industry and its call for sustainable aviation fuel (SAF) would have to provide the fuel.
- **Globally, there will be more corn raised** in 2023-24, reports the [International Grains Council](#). IGC forecasts a 2.3 bil. bu. increase in global corn production, up 5% from the previous year. Going in the other direction is global wheat production, a 3% decline to 28.75 bil. bu. Soybean production of 14.5 bil. bu. in 2022-23 and carryover stocks of 2.25 bil. bu. fell slightly from the August forecast but are projected 8% and 15% higher, respectively, year-on-year. Global inventories of total grains, which includes wheat, corn and other coarse grains, were revised slightly upward from the previous month in the report. But at 588 million tonnes, it would still decline by 2% from last year and be at its lowest level since 2014-15, registering a 7th consecutive year-on-year decline. Demand for total grains will increase by 2% in 2023-24, says IGC.



Fertilizer, Fuel, Chemical Inputs—

- **Do you have your fall fertilizer and NH₃ booked,** or will you let it chase corn prices next

Figure 1. Average Price and Price Range for Anhydrous Ammonia in Illinois
Source: AMS Livestock, Poultry and Grain Market News IL Dept. of Ag Market News



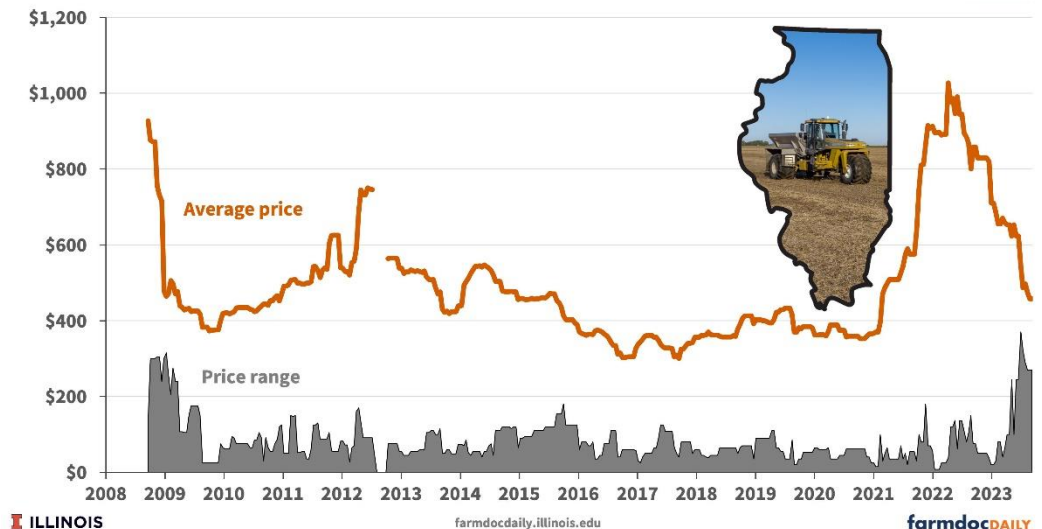
spring? [IL Farmdoc Ag Economists](#) say “The historical data show that there can exist a significant amount of variability around average price levels, and this variability tends to be larger during periods of fast market adjustment, or rapidly rising or falling price

levels. This suggests that farmers should carefully monitor changes in local pricing opportunities and, when possible, compare price quotes from multiple suppliers. Variability around those averages must also be considered as the timing and location of individual transactions between buyers and sellers can occur at price levels which differ considerably from reported averages. The historical data available from USDA-AMS suggests that variability around average nitrogen fertilizer prices can be more pronounced during periods of quickly adjusting markets

– when average prices are rising or falling at a relatively fast pace. This has important implications for farmers as they make pricing and purchasing decisions, particularly during periods of fast

Figure 2. Average Price and Price Range for Urea in Illinois

Source: AMS Livestock, Poultry and Grain Market News IL Dept. of Ag Market News



market adjustment. To the extent possible, soliciting price quotes for nitrogen fertilizer products, as well as other inputs, from multiple sources is advised. This is true under all market conditions, but is even more critical under current conditions when prices, on average, are experiencing large fluctuations from week to week and the return outlook suggests already tight margins.

- **The market knows farmers want anhydrous ammonia** as soon as harvest is over, so the price is climbing. But many other forms of fertilizer are on a downward price trend. [Fertilizer price watcher Russ Quinn](#) says, "Anhydrous was 11% more expensive compared to last month with an average price of \$696/ton. 7 of the 8 major fertilizers were less expensive compared to last week, though only 3 saw a significant drop, which is anything 5% or more. 10-34-0 was 15% lower compared to last month with an average price of \$600 per ton. Potash was 10% less expensive looking back to last month with an average price of \$500/ton. DAP was 5% lower compared to the prior month with an average price of \$710/ton. Prices for the remaining 4 fertilizers were just slightly lower compared to last month. MAP had an average price of \$742/ton, urea \$554/ton, UAN28 \$353/ton and UAN32 \$389/ton."
- **Fertilizer price trends**, along with fits and starts, are provided by Josh Linville of StoneX:
 - ✓ **Urea:** The global market remains in a bit of turmoil as it continues the India purchase tender and comes to grips with Chinese export restrictions. India is bidding for 3.6 mil. tons that will set the price and locate availabilities. World understanding is that Chinese exports will slow/stop once again. No real change for European production situation. North American nearby values have seen a sharp price rise as Upper Miss River winter closure looms.
 - ✓ **UAN:** North American values rose a bit on the back of strong urea/NH₃ markets. Russian tonnage continues to flow heavily into the U.S. which is helping the N.A. S&D. Believed that U.S. produced UAN is continuing to flow to Europe to backfill offline production.
 - ✓ **NH₃:** Global values remain firm with a lack of Russian exports / Trinidad and AG production issues. Midwest N.A. values continue to rise but remain well valued. Expecting a very healthy fall demand period. Biggest unknown remains mother nature.
 - ✓ **Phosphate:** Global values continue to trend slightly higher in recent weeks. North America continues to struggle with phosphate. World market dodged two very close bullets that were the Florida hurricane north of Tampa and the Moroccan earthquake.
 - ✓ **Potash:** Prices remain stable and very attractive for farmers going into the fall. Everything is pointing to a good fall demand run. Biggest question is whether the good potash price will help phosphate demand. Farmers are not going to pay to apply potash and phosphate separately.
- **Diesel prices increased** for the 9th Consecutive Week according to [USDA transportation economists](#). For the week ending September 18, the U.S. average diesel fuel price rose 9.3 cents from the previous week to \$4.633 per gall., 33.1¢ below the same week last year. This is the highest price since \$4.754 per gal. on December 12, 2022. The average price for diesel has increased 82.7¢ per gal. over the past 9 weeks. According to the U.S. Energy Information Administration's (EIA) September Short-Term Energy Outlook, retail on-highway diesel prices per gal. are expected to average \$4.31 in 2023 and \$4.07 in 2024. These prices are up 14¢ and 13¢, respectively, from EIA's August forecast. According to EIA, the diesel price forecast rose because of higher-than-expected August diesel crack spreads (i.e., the price of a gal. of diesel minus the price of a gal. of crude oil). The forecast also rose in response to expected drops in distillate inventories (due to rising seasonal demand and refinery maintenance).

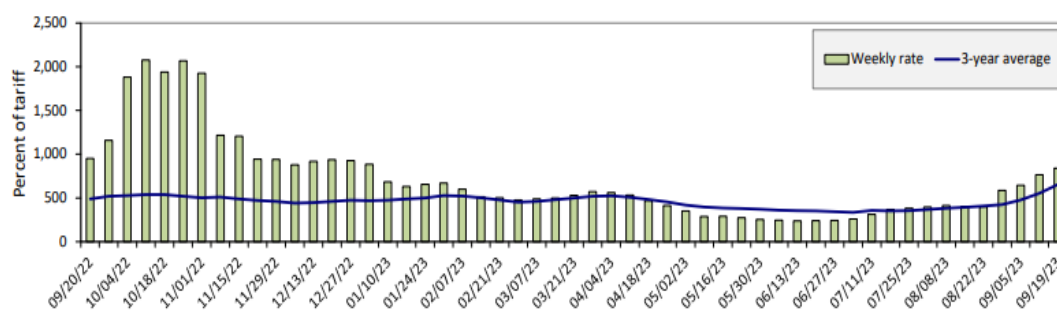
Mississippi River Issues—

- Low water on the Mississippi** continues to worsen, says USDA transportation staff. According to American Commercial Barge Line, as of September 18, between Cairo, IL, and the U.S. Gulf, loading drafts for barges are down 24% from normal, and tow sizes are down 17-38% from normal. These changes have resulted in transit delays of 2 to 3 days. Loading drafts on the Illinois River and Mid-Mississippi River (including, at St. Louis, MO) have been reduced by 15%, and tow size has been reduced between St. Louis, MO, and Cairo, IL. After dipping to \$8.06 per ton for the week of June 6, the spot rate at St. Louis rose 376%, to \$38.34, this week, slightly higher than the rate of \$38.10 this time last year. The U.S. Army Corps of Engineers continues to dredge various portions of the MRS, and the forecasted precipitation should help stabilize current water levels. However, further restrictions are possible if water levels continue to fall.



- For the week ending September 19:** Barge freight rates IL barge tariffs were 10% higher than the previous week; and 12% lower than last year; and 28% higher than the 3-year ave.

Figure 8. Illinois River barge freight rate



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Note: Rate = percent of 1076 tariff benchmark index (1076 = 100 percent); 3-year avg. = 4-week moving average of the 3-year average.

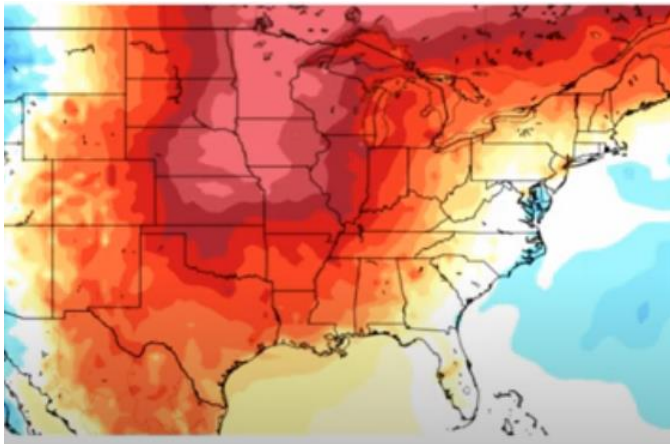
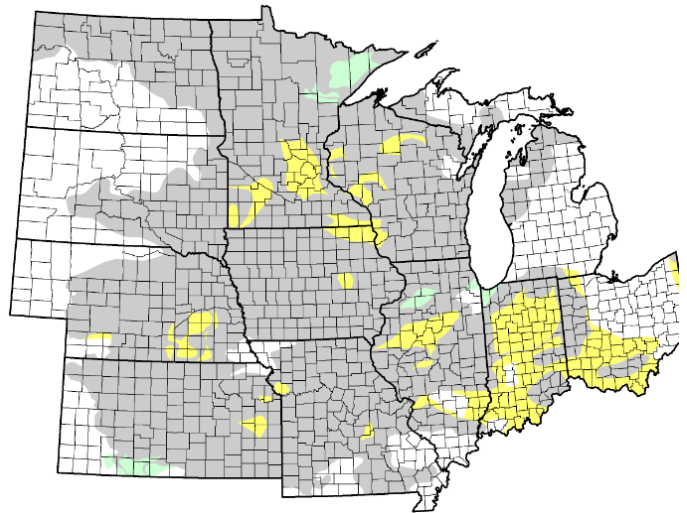
- The Mississippi is so low,** and so little water is flowing toward the Gulf, it has allowed Gulf of Mexico water to flow northward, spilling salt water into municipal water systems along the river. It's salty waters have already made it 65 miles upriver. If these low flow conditions continue, then it's possible it could reach New Orleans in the coming months and pollute that city's supply of drinking water.

Farm Management and Budgeting—

- **What does it cost** to operate your combine? Does it cost more for corn than soybeans. If someone hired you to help haul their grain, what should be a reasonable charge? Those questions can be answered along with many others about the cost of operating farm equipment in a [new analysis from IL Farmdoc ag economists](#). Equipment covered includes:
 - ✓ Cost of machinery (by price, horsepower, overhead costs, and fuel use per hour) for various field operations.
 - ✓ Per acre cost of various field operations, broken out by overhead, fuel use, and total costs.
 - ✓ Cost estimates for harvesting per acre, for combines of various horsepower and header width. Also included is the cost of grain carts, by size, price, and annual overhead costs.
 - ✓ Tractor costs, broken down by price, horsepower, and various overhead costs.
 - ✓ Forage operations, broken out by cutting, conditioning and raking per acre of various types of equipment used in forage production, as well as cost per bale, large and small.

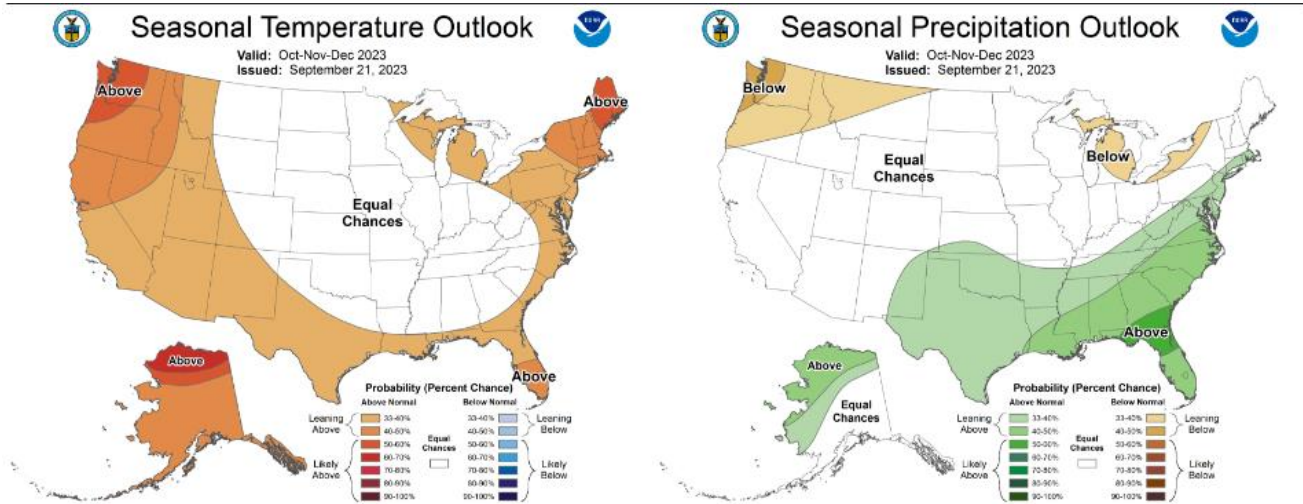
Weather—

The heat is returning, which will reduce your corn drying costs, and hasten your soybean harvest. However, some folks may not be in the field at all, because of 2-3 inches of rain over much of the northern half of IL, but as much as 7-10 on some farms. Prior to that rainfall, drought was expanding over much of the Cornbelt, as indicated in yellow on the [map](#) (right). Gray-shaded areas indicate regions already with a drought tag, and green indicates areas which became



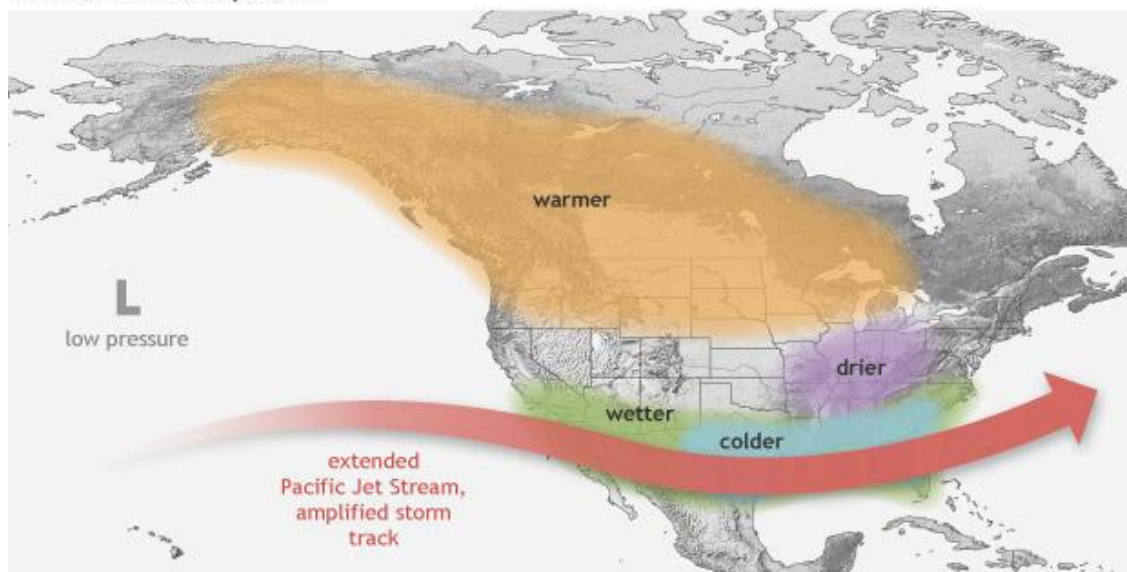
wetter than normal. Back to that issue about heat next week. Warmer temperatures spent the past week in the northern and southern plains, with temperatures in the 90°F range from the Canadian border to the southern tip of TX. This week will see an expansion of the Canadian heat dome southward. And as Sept morphs into Oct, the heat expands (map, left) with the interior shade of lighter red indicating temperatures 10-15 °F above normal.

- **By the way,** what is this winter supposed to be like? Will El Niño make it wet and warmer? The maps below are only effective through the end of December, but it is a start.



- **To get an idea what the winter will be like,** remember we now have an El Niño controlling the weather. That is done with warm ocean water temperatures off the Pacific Coastline, along with trade winds that carry the warmer air into the middle of the continent. Currently, the El Niño is considered strong, and will remain until next summer, when a La Niña may filter into the mix. Typical fall El Niño impacts in the United States include:
 - ✓ Wetter-than-average conditions in the country's southern tier, from southern California to along the Gulf Coast. This is because El Niño typically shifts the jet stream southward, which brings more moisture and storms to these regions.
 - ✓ Drier-than-average conditions in the Pacific Northwest and Ohio Valley. This is because the jet stream tends to be farther south during El Niño winters, which brings drier weather to these regions.
 - ✓ Warmer-than-average temperatures across the northern tier of the country.

Wintertime El Niño pattern



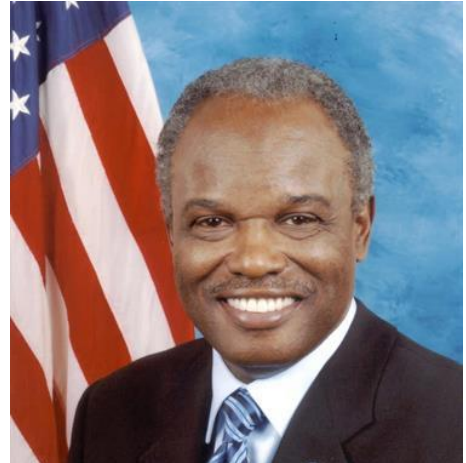
Biofuels —

- **The ethanol industry told the EPA’s Science Advisory Board** that there’s no science in its claim corn ethanol has ‘minimal climate benefits’ compared with gasoline. Renewable Fuels Association head Geoff Cooper challenged the EPA science board’s claim that the science on corn ethanol’s climate benefits is questionable. Cooper argued the research on ethanol and climate is extensive, “From the Dept. of Energy, the USDA, the Univ. of IL, DOE’s National Renewable Energy Laboratory, the Univ. of Toronto, and the CA Air Resources Board. And many more. There’s been a lot of analysis done in the last decade around corn ethanol’s carbon footprint, and it all comes out in relatively the same place - between a 40-50% GHG reduction.” But Cooper says the EPA board, with no biofuel scientists, but only 1 from the Environmental Defense Fund, used limited research, “The Science Advisory Board highlighted one study from the Univ. of WI by Tyler Lark to provide support for their argument that there just isn’t enough known about ethanol’s carbon footprint, and it could be that corn ethanol doesn’t reduce GHGs at all.” The Science Advisory Board also suggested the facts around cropland expansion are hard to pin down. But Cooper noted EPA’s own reviews show a “steep downward trend” in cropland since 2007, urging the science board to go back to the drawing board to see what’s really happening in today’s corn ethanol industry.
- **The National Corn Growers Association also pushed back** against commentary made by a science advisory board with the Environmental Protection Agency. The Board questioned the effectiveness of ethanol in lowering greenhouse gas emissions. “There is no shortage of studies on the environmental benefits of corn ethanol,” NCGA CEO Neil Caskey told the advisory board members. “The Department of Energy’s Argonne National Laboratory has conducted extensive research on the matter and concluded that corn ethanol has reduced greenhouse gas emissions in the U.S. by 544 mil. metric tons from 2005-2019.” He also says the feedstock’s carbon intensity is 44% lower than that of petroleum gasoline. The testimony comes after the board provided commentary to the EPA administrator raising doubts about the effectiveness of ethanol. Caskey also responded to assertions that ethanol production impacts land use, noting that data shows as corn production has risen, land used to grow corn has not.
- **Oilseed groups delivered a letter last week** to the Biden administration seeking support for investments made by U.S. companies and farmers who are ramping up production of sustainable aviation fuel. Using the GREET model will support investments by farmers, oilseed processors and domestic producers to meet the sustainable aviation fuel challenge, [according to the groups](#). Clean Fuels Alliance America, the American Soybean Association, the National Oilseed Processors Association, and the U.S. Canola Association came together to make the request. The letter states, “Without this, our combined members and others in the industry may not be able to follow through on investments in sustainable aviation fuel production.” GREET is the Argonne National Laboratory’s Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation model. The letter asks the administration to consider the bil. of dollars that members of the associations have made to build new or optimize existing production facilities and expand availability of sustainable, homegrown, low-carbon feedstocks like soybean oil and canola.

Farm Bill Issues and Battles--

- **A Farm Bill by the end of the year.** That is what Washington lawmakers have been telling farmers converging on Washinton. WI Farmers Union Pres. Darin Von Ruden said, "It seems like the Farm Bill discussion is not high and center right now or the biggest priority. Looking like probably can see something coming out of the Senate for sure before the end of the year. They're not going to get it done before the end of the current Farm Bill due to expire the 30th of September here, and it's looking like the Senate is definitely on pace to get something done before the end of the year. But right now, the House of Representatives is another question, just depending on how soon they can get the current government shutdown issue taken care of." House GOP moderates and hardliners brokered a short-term spending framework to keep the government open, but its chances in the House were uncertain and likely 'nil in the Senate. Not all GOP hardliners were on board with the stopgap bill's 8% across-the-board cut to non-defense agencies like USDA, tougher border security and exclusion of Ukraine funds.
- **Farm Programs will not evaporate on Oct. 1,** if the 2018 Farm Bill is not replaced with one that no one has yet seen. Based on alternating Farm Bills, this was the year for the House to create the initial proposal to offer to the Senate. But, "I absolutely think the Senate" will take the lead in proposing and debating the Farm Bill, said [Senate Agriculture chairwoman Debbie Stabenow](#). Thompson and Stabenow said action on the Farm Bill was delayed by a search for ways to increase reference prices and expand crop insurance, two expensive goals of farm groups. Secretary Vilsack and Stabenow opposed raiding the \$20 bil. in climate mitigation funding that was earmarked for land and water stewardship in the 2022 climate, healthcare, and tax bill. "The functional deadline, for the most part, with this farm bill is December 31st," said Thompson. "January 1st, we would revert back to the Dust Bowl-era language, and that would not be good for anyone." Stabenow said, "I'm leaning toward December. It really is a question of resources and getting a bipartisan vote." Farm programs will not evaporate on Oct. 1, but on January 1, the government-guaranteed price for fresh milk would more than double, subsequently raising the retail price of milk. If the country reverts to the permanent agricultural law, dating from 1938 and 1949. USDA supports for wheat, rice, cotton, and corn also would soar while soybeans and peanuts would lose their place in the farm program. Reversion to permanent law is often raised as the bogeyman if Congress fails to write a Farm Bill on time.
- **A House Farm Bill appears hung up** over the same fight as in the Senate—food stamps versus food production, a fight made worse in a no-new-money Farm Bill year. Sen. Chuck Grassley, R-IA, revealed to farm reporters that internal Farm Bill talks are hung up in a fight pitting food stamp spending against boosting crop reference prices. Over in the House, Ag Committee Chair Glenn Thompson, R-PA, told an Axios forum, meeting producer needs will be his priority in a new Farm Bill, "The difficulties that those families that provide our food are facing. So, that's the inflationary costs, the Russia-Ukraine-Belarus situation, which has decreased our access to some of our fertilize. Fertilizer you need to increase productivity, and with increased productivity you can feed more people—so it's the inputs."

- **Whatever Farm Bill proposal** is being held by Ag Chairman Glenn Thompson, R-PA, is not in the least acceptable to his [minority leader, Rep. David Scott, D-GA](#) (right). Scott took the GOP bill to task, saying, “These budget provisions, which threaten the food security of tens of millions of Americans, have been pushed by the right-wing of the House Republican Party for decades, and they reek of the same cynicism and opportunism today as they did back then. If our national budget is a values document that showcases the priorities of our country, then the values of the House Freedom Caucus and the Speaker’s Office are abundantly clear: rather than produce fresh ideas that provide solutions for real problems facing the American people, they fight among themselves and blame the Biden Administration for their own faults. This budget does nothing to ensure the continued viability of American agriculture or address the needs that the House Agriculture Committee outlined in its bipartisan letter earlier this year to the House Budget Committee to help it write a farm bill. Instead, it shortchanges the farm bill, focuses on tax cuts for the rich, and undermines the bipartisan work we do on the House Agriculture Committee every day.”



Agri-Politics and Legislative News—

- **Top House Ag Appropriations member Rep. Sanford Bishop, D-GA**, dismissed the original GOP Ag spending plan hardline Rules panel Republicans sidelined in July, “The majority is returning American agriculture back to the 2007 funding level. When you cut through all the recissions and the repurposing of funds, we end up with an allocation of \$17.8 bil. This is \$8 bil. below the allocation for the FY ‘23 bill, and 13 bil. below the FY ‘23 bill, when emergency funds are considered.” Ag Appropriations Chair Rep. Andy Harris, R-MD, repurposed \$7.5 bil. in unused funds from the Biden climate/health-related Inflation Reduction Act to boost the bill’s advertised price to over \$25 bil., “This bill supports critical Ag research and plant and animal health programs, it invests in rural communities, it expands access to broadband, and it provides nutrition assistance to those in need, and ensures that American consumers have a safe food and drug supply.” But with an 8% added cut to domestic agencies until the end of October, the broader stopgap faces a steep climb with a razor-thin House GOP majority and likely, no chance in the Senate, working on bipartisan spending bills, increasing the likelihood of a ‘shutdown showdown’ before the end of the month and the fiscal year.
- **If there is a young or beginning farmer** in your neighborhood, he or she may want to urge his or her Congressional Representative to support the LASO Act ([Land Access, Security, and Opportunities \(LASO\) Act](#)). Rep. Nikki Budzinski, D-IL, introduced the legislation which aims to create a \$100 mil. annual grant program to strengthen land, capital, and market access outcomes for historically underserved farmers. She says, “With the average age of American family farmers approaching 60 years old, it’s critical that we provide support to help bring the next generation into agriculture.”

Technology—

- **The right to repair (farm equipment) issue**, is becoming more likely that it will be part of a national debate and Congressional action to regulate it. It would ensure farmers can access what they need to repair equipment. Rep. Marie Perez, D-WA, introduced the Agricultural Right to Repair Act bill Wednesday. It is designed to establish a comprehensive framework for the right to repair of agricultural equipment. said, "There's quite a bit of work going on within the Federal Trade Commission right now dealing with that issue, and hopefully we can get something done on the national level, too, so that we don't have to do the state-by-state patchwork that's happening. And they are quite interested in what happened with the passage of the CO state bill to allow farmers to repair the equipment and how the big agricultural dealers are handling that." Congressional action is needed to fix the issue, according to the Federal Trade Commission, as agriculture is just one of many sectors involved, "Something that needs to happen at the congressional level to get the federal laws in place to make sure that it covers all industries. The FTC says there are some issues in our hospitals of not being able to get the right equipment or be able to repair the equipment that's needed for different types of surgeries, so, it's bigger than just agriculture, but certainly agriculture is brought it to the spotlight. The Agricultural Right to Repair Act defines what type of information Original Equipment Manufacturers are required to provide to make repair accessible. If the OEM does not have the digital or physical tools available, they are required to provide sufficient information to create the tools. The bill also gives the Federal Trade Commission the ability to enforce these requirements and the ability to make a rule to assist in the implementation of these requirements. An agricultural Right to Repair law could save U.S. farmers \$4.2 bil. per year when accounting for direct costs and downtime, according to National Farmers Union.

For more than 110 years, Flanagan State Bank has been helping farmers and serving our communities. In good times and in bad, we have always been there and always will be. With the same name for over a century and the same family ownership since the 1930s we provide stability financial soundness and people you can count on when you need them.

Flanagan State Bank has had experience and produced results in tough Financial Times and our motto is "Farming with a Future." Our lenders will approach every farmer with a "how can we help you" attitude we will work to provide adjustments and solutions all while doing our best to improve your current situation. We will work together alongside you to get back and stay on track financially. We cannot grow and be profitable as a bank without our customers which means we succeed when our customers succeed.