



## WEEKLY CORNBELT UPDATE

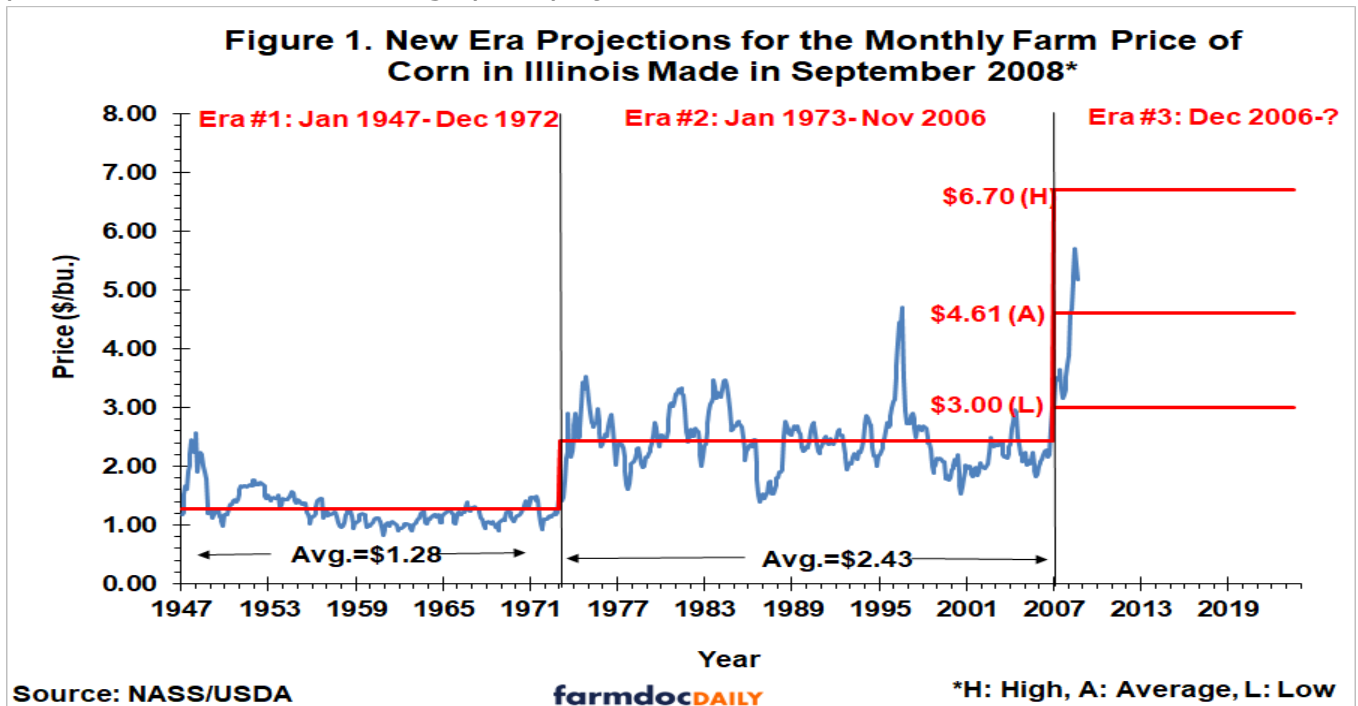
PRESENTED BY  
 LANAGAN State Bank

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

### **Commodity market price drivers—**

- **The USDA's National Agricultural Statistics Service** released its September [Grain Stocks report](#) Friday that showed lower numbers for corn and soybeans. But farmers were holding on to more old crop corn and beans than last year.
  - ✓ Old crop corn stocks on hand as of September 1 totaled 1.36 bil. bu., 1% lower than the same time last year. Old crop soybeans stored in all positions were down 2% from September 1, 2022, and all wheat stocks were up slightly from a year earlier. Of the total corn stocks, 605 mil. bu. was stored on farms, 19% higher than last year. The report was mildly bullish for the corn market. However, pressure from the bearish wheat and soybean data spilled over into the corn market, sending December corn down sharply.
  - ✓ Old crop soybeans stored in all positions on September 1, 2023, totaled 268 mil. bu., 2% lower than last year. Soybean stocks stored on farms totaled 72 mil. bushels, up 14% from a year ago. Soybeans were trading about a nickel lower before the report, but the numbers were considered bearish, and November beans sold off hard, challenging the \$12.75 area of support.
  - ✓ All wheat stored in all positions on September 1 totaled 1.78 bil. bu., up slightly from September 1, 2022. On-farm stocks were 1% higher than in 2022. With those available numbers USDA cut the 2022 corn crop by 15 mil. bu. and beans by 6 mil. bu.
- **The net effect** of the Sept. 1 quarterly Grain Stocks and Small Grains Summary was higher-than-expected soybean stocks and wheat production, resulting in a pummeling of those two markets. Even though the smaller-than-expected corn stocks were considered bullish, that market also finished with sharp losses. The wheat and soybean losses seemed to be far greater than such changes would have warranted. December corn closed down 11¾¢ per bu. @4.76¾, November soybeans closed down 25½¢ @12.75, December Chicago wheat finished down 37¼¢ @5.41½. With the Congressional action Saturday, USDA reports will continue to be issued, at least until Nov. 15.

- Prices for corn and soybeans were high** the past 2 years, but has the recent decline indicated longer term prices are going down? Just the opposite, say [IL Farmdoc ag economists Scott Irwin and the retired Darrel Good](#). The pair recently collaborated on a future price projection analysis, based on corn prices from 1947 to 2023. They say corn prices, “moved to a new, higher nominal price level. We concluded that the new range for prices would persist for an extended period, and we projected the likely average monthly price received in IL and the range in those monthly averages. The average price received estimate for a month is the total gross value across all surveyed firms divided by total quantities summed across all surveyed (grain buyers). The first era was the 26-year post-war period that extended from January 1947 through December 1972, when the average monthly corn price in IL was \$1.28 per bushel. The second period, associated with the rapid increase in corn export demand in 1973, was the 34-year period that extended from January 1973 through November 2006, with an average monthly price of corn of \$2.43. The projection of the average price in the new era made the simple assumption of an equal percentage price change that occurred between the previous two eras. The average price projection is \$4.61.



The trading range was also quite accurate on the low side but missed on the high side by as much as \$0.75 per bushel. The projection of the average price of soybeans, \$11.04, is only 21 cents lower than the actual average of \$11.25. The projection of the average price of wheat, \$5.80, is only 9 cents above the actual average of \$5.71, or a forecast error of about 1.6 percent. The projected trading range for wheat was quite accurate on both the low and high side. In sum, it is clear that a truly new era in nominal corn, soybeans, and wheat prices started in the Fall of 2006 and that this era has persisted to the present time. Until there is conclusive evidence of another major shift in crop demand, our original monthly average price projections of \$4.61, \$11.04, and \$5.80 for corn, soybeans, and wheat, respectively,

## **Ag Economy—**

- **Economists at Agricultural Economic Insights** investigated the current economic conditions in agriculture and what might be coming in 2024. Brent Gloy says the last 3 years have seen an above-average farm economy, “This surprised me a little bit. USDA just adjusted the 2022 net farm income to the all-time record high in 2022. Now it surprised me a little bit. I know, on our farm, it was probably our best year ever. We had very high prices for commodities, and we had quite a bit of government farm program payments in that year. So, it was a very good year.” While the USDA forecast is for lower profits this year, Gloy says the income level is still high compared to past years, “2023 is forecast to be down a bit but still at a high level. As we're going into this situation that we're watching right now, where we're starting to see commodity prices fall substantially, we're coming off of three pretty good years, and I think that's important to remember.” David Widmar of AEI says the drop in farm income from 2022 to 2023 is large, but it's important to keep things in perspective, “It was a big number, \$40 bil. almost a 25% decline. That sounds like a shocking, scary number, especially when you put it in the context of high production expenses, high fertilizer, and high interest rates, But as we talked about earlier, it's still historically a really strong year. It is the artifact of coming off of a record-high number. When you start to revert to the mean after record highs, you're going to have some big adjustments.” Widmar says, “Value of animal production; a lot of this is coming out of the hog sector, and poultry is not doing very well also. So, a lot of the farm economy hits came out of the animal side. Higher production expenses accounted for about \$16 bil. lower direct payments of almost \$5 bil., and interest expense. That one kicked in at almost \$9 bil. of extra upturn here.”
- **The September [Ag Economists' Monthly Monitor](#)** shows lower commodity prices, concerns about demand and a negative outlook for China's economy are all contributing to the changing views, even as the cattle herd and U.S. corn and soybean crops continue to shrink. But the most influential piece of the farm economy might be the [price of corn](#). “I think a lot of things are coming together to make people more pessimistic about the short-term view of things,” says Pat Westhoff, director of the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri. “We've got lower prices for some of the major commodities, such as corn, and that's obviously a major player in all this. Higher interest rates aren't helping as well. There's just a general concern about the future of demand for U.S. agricultural products, which has probably gotten to be a more important concern this past month.” Other issues:
  - ✓ U.S. and global weather creating production challenges.
  - ✓ Decline in many commodity prices.
  - ✓ Below-trend yields for major crops in 2023.
  - ✓ Strong cattle prices offset by lower prices of other livestock commodities.
  - ✓ Generally high interest rates and input costs, despite some lower prices for fertilizer, etc., providing relief.
  - ✓ Variable profitability across farm operations based on production challenges.
  - ✓ Tight farm margins in some instances.
  - ✓ Declining export demand.
  - ✓ Uncertain international grain market factors.
  - ✓ Increased production competition from South America.

## ***Farmland issues and Land prices—***

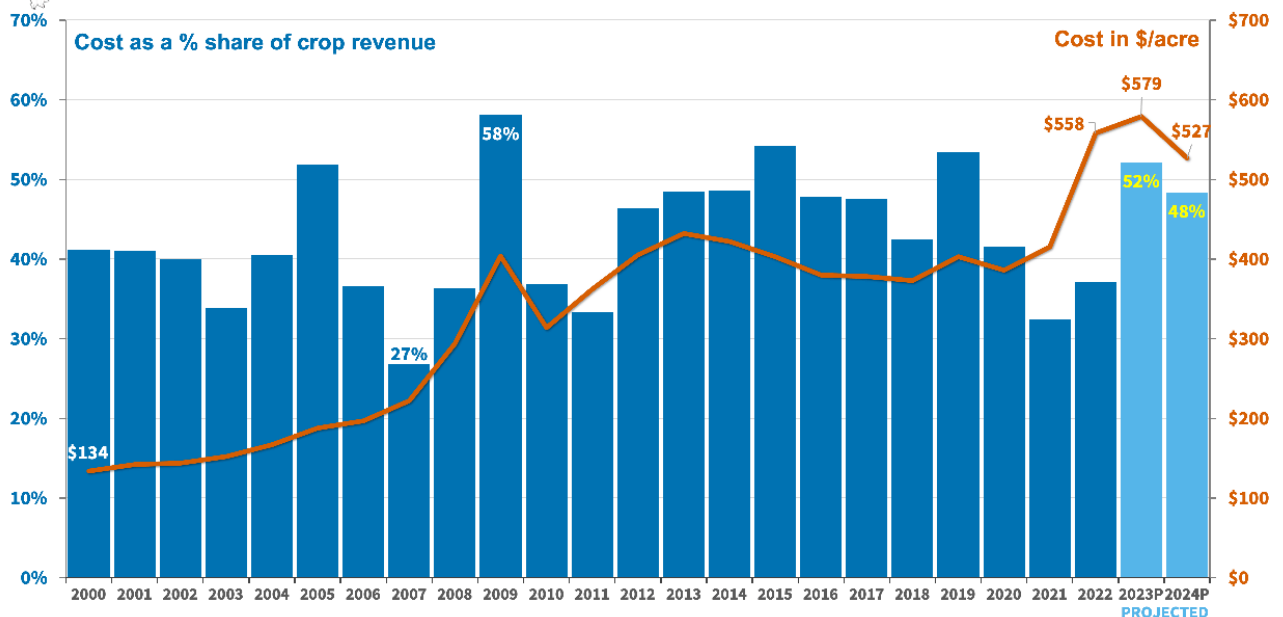
- **Lawmakers want limits or bans on farmland** buys by China, Russia, North Korea and Iran, but a USDA official tells the Senate Ag Committee, that Congress never gave it the money to modernize the reporting system started with a 1978 law. USDA Deputy Under Secretary for Farm Production and Conservation Gloria Montano Greene, “The Consolidated Appropriation Act did designate that the USDA needed to modernize the AFIDA reporting system within 3 years and make it an online system. We did not receive any funding to be able to implement that.” Instead, Montano Greene told Senate Ag committee members her agency simply uploaded a searchable Excel file—the cheapest way to comply with last year’s Farmland Security Act that updated the earlier Ag Foreign Investment Disclosure Act. Lawmakers have since offered nearly 2 dozen bills to restrict farmland buys and leasing, broaden reporting requirements and penalties and ban farm payments to foreign holders. One bill aimed at China, Russia, Iran and North Korea is part of the pending national defense bill. Farmer and Sen. Jon Tester, D-MT, said, “When we’re talking about somebody like the Chinese Communist Party, putting up a corn milling plant within miles of a sensitive Air Force base, and our agencies can’t do anything about it, we need to give them the authority—we need to make sure that this doesn’t happen.” Tester and Sen. Mike Rounds, R-SD, would seat USDA on a national security investment review panel, known as CIFUS. A House Ag spending bill does the same. Other lawmakers seek to put their measures on the Farm Bill. Separately, Sen. Joni Ernst, R-IA, complained, there is no Farm Bill, “I would be remiss not to express my frustration that we do not have at this time, meaningful progress on the Farm Bill. We are set to let the 2018 Farm Bill expire, and I really think this is a shame.” Ag Chair Debbie Stabenow responded, “We are diligently working on the Farm Bill. I’ve been involved in 6 of them, none of them, unfortunately, have hit the exact deadline.” But some Senators and others predict the need for a 1-year Farm Bill extension amid the political turmoil over spending, a dwindling legislative calendar this year, and the government shutdown.
- **The U.S. House Committee on Financial Services** Last week advanced a bill that strengthens oversight of foreign agricultural purchases, such as farmland. Introduced by Rep. Frank Lucas, R-OK, the Agricultural Security Risk Review Act would add the Secretary of Agriculture as a member of the Committee on Foreign Investment in the United States. The committee reviews the national security impact of foreign investments in the United States. The Secretary of the Treasury chairs the committee with members from the Department of Justice, Department of Homeland Security, Department of Commerce, Department of Defense, Department of State, Department of Energy, Office of the U.S. Trade Representative and Office of Science and Technology Policy. The legislation passed in committee and now goes to the full House of Representatives for consideration.
- **A MO farmland auction** broke the previous record farmland price set in IA as 115 acres of land in Saline Co. sold for a record amount. [The MO farmland sale](#) smashed the previous record of \$30,000 an acre set in IA. The bidding started at \$15,000 an acre for the piece of ground that’s been in the same family for 4 generations, and the gavel went down at \$34,800 per acre, near Malta Bend, MO. The buyer was not an investor but farmed nearby.

## Farm Management and Budgeting—

- It is getting more expensive to grow corn.** And the result this year will be lower profitability because of higher production costs, say [IL Farmdoc ag economists](#). “Since 2000, direct costs – which include production inputs – have risen at an average annualized rate of 7% per year. Individual components of direct costs, such as fertilizers, pesticides, and seeds, have all experienced similar average growth rates. Total direct costs are projected to reach record levels for 2023 and are expected to experience only modest declines for 2024. Fertilizer costs are projected at record levels for 2023, but a fairly large decline is expected for 2024. Seed costs are projected at record levels for 2023 and remain constant in 2024. Pesticide costs are projected to be at record levels for 2023 and to further increase for 2024. Total direct costs for corn production in central Illinois have increased over time from \$134 per acre in 2000 to \$558 in 2022 (see Figure 1), which implies an average annualized growth rate of 7% between 2000 and 2022. Direct costs for the 2023 crop year are projected at a record level of \$579 per acre, with a decline to \$527 per acre currently expected for the 2024 crop year based on recently released crop budgets. The record costs projected for 2023 are well above average at 52% of expected revenues. Even with the decline in per acre direct costs budgeted for 2024, direct costs as a share of revenue are expected to reach 48%, above the historical average of 42%. Changes in direct costs have generally followed changes in revenues and returns to crop production with a lag. Lower commodity prices for 2023 and 2024 will likely result in a slowing of the rate of direct cost increases. However, history suggests that significant cost reductions, in \$ per acre terms, are not likely to occur for most direct cost categories and addressing potential negative farm returns will also require adjustments in other areas.”



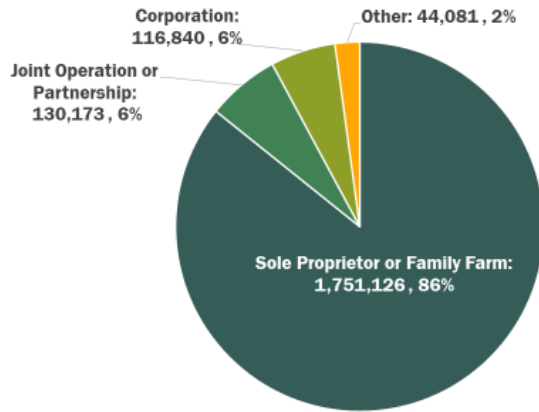
**Figure 1. Average Total Direct Costs Since 2000  
Corn, Central Illinois - High Productivity**





- **With larger farms and larger incomes**, some operators and land owners may be bumping the \$900,000 AGI limit for receiving farm program payments says, [American Farm Bureau economist Betty Resnick](#). She says, “Most U.S. farms are operated as sole proprietorships or partnerships and are thus taxed under individual income tax rules rather than corporate tax rules. USDA [estimates](#) that 98% of farm households are “pass-through” entities, where profit or loss is passed through to the owner/partner/shareholder and is taxed on an individual level

**FIGURE 1: U.S. Farms by Legal Status for Tax Purposes**  
2017 Census of Agriculture



via a personal income tax return. According to the 2017 Census of Agriculture, for tax purposes 86% of U.S. farms are sole proprietors, 6% are a joint operation or partnership, 6% are structured as corporations, and an additional 2% are filed in other classifications such as cooperatives or trusts. As a reminder, for program eligibility a three-year average AGI is used. For crop year 2023, the relevant AGI base years are 2019, 2020 and 2021. In more technical terms, the 3 relevant base years are the three taxable years preceding the most immediately preceding complete



taxable year for which benefits are requested. In simpler terms, it’s the 3 years preceding last year. Notably, [farm incomes have risen dramatically in recent years](#), with 2022 net farm income (\$183 bil.) nearly doubling 2020 net farm income (\$95 bil.). With the spike in farm income, the AGI limit may be impacting more farmers.

**Figure 2: 2020 Individual Tax Returns with a Farm Income and/or Reported Farm Rental Income**

Adjusted Gross Income (AGI)	Returns with farm income (Schedule F)		Returns with farm rental income	
All returns	1,771,029		429,226	
Less than \$200,000	1,583,236	89.4%	372,529	86.8%
\$200,000 to \$500,000	141,366	8.0%	43,257	10.1%
\$500,000 to \$1,000,000	27,854	1.6%	8,290	1.9%
Greater than \$1,000,000	18,573	1.0%	5,152	1.2%
Greater than \$500,000	46,427	2.6%	13,442	3.1%

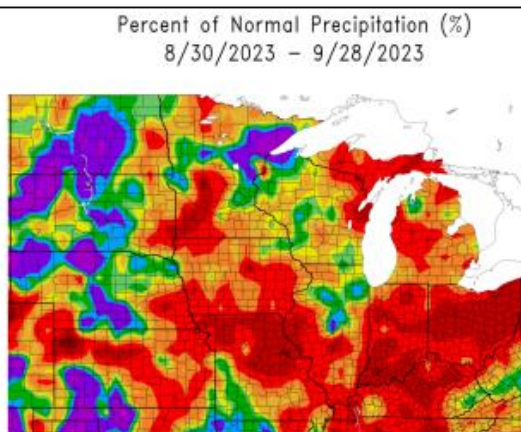
*Source: Published Internal Revenue Service tax data – individual income tax returns with small business income and losses.*

## ***Risk Management and Crop Insurance—***

- **Farmers are not going to like this proposed legislation.** Looking for less secrecy in the Crop Insurance Program, Congressmen Earl Blumenauer, D-OR, and Ralph Norman, R-SC, introduced the [Crop Insurance Transparency Act](#). If passed, it would require USDA to publicly disclose the names of producers and insurers who receive federal crop insurance subsidies and the amount received. (All crop insurance has the premium subsidized by USDA.) “At a time when federal crop insurance payments are at an all-time high, it is an abject failure that a majority of our small farmers and ranchers do not even have access to the crop insurance safety net,” says Blumenauer. “Reform begins with accurate and transparent information.” Norman adds that one-third of all crop insurance subsidies don’t make it to farmers, but instead go to massive insurance companies. “Millionaires and billionaires are likely receiving crop insurance subsidies at a time when most farmers are struggling to get by,” says Scott Faber of the Environmental Working Group. “It’s time to lift this veil of secrecy.” But [farm accounting specialist Paul Neiffer](#) disagrees with the legislation’s purpose. He says, “When you read the provisions, all it does is eliminate premium subsidies for larger farmers. There appears to be nothing in the Act to provide additional coverage for smaller producers. If this was to pass it would affectively gut the federal crop insurance program. In addition, there is nothing in the AFFIRM Act to help smaller farmers, and, if passed, smaller farmers would likely see a substantial increase in premiums.”

## ***Weather—***

- **The Cornbelt was warm and dry** for the past month as seen by the [Midwest Climate Hub](#).



“Drought conditions have worsened with lower-than-normal precipitation across much of the Cornbelt, apart from isolated areas of heavier rainfall. October looks to be warmer-than-normal for most of the region, with the northern states seeing equal chances for precipitation – except upper MI – and the southern states potentially seeing above-normal precipitation. Over the last month, MI, OH, IN, Southern IL, and MO have joined IA, WI, and MN with below normal precipitation. A vast majority of these

states are covered in below normal precipitation, with isolated areas of less than 5% of normal precipitation. While the start of October will likely see above normal temperatures across the region, it is possible that there will be a mid-month transition to cooler weather as atmospheric patterns shift and affect the colder, Canadian air into the Cornbelt. Over the next month, the outlook suggests that the northern states see equal chances for precipitation, with upper MI hinting at below normal conditions, whereas the southern states will potentially see above normal precipitation. As the atmospheric patterns shift later in the month, the above normal precipitation may extend further north into the Cornbelt.”

**Environment, Conservation, Climate and Carbon—**

- **WOTUS.** The Environmental Protection Agency has published its “updated” Conforming Rule on Waters of the US. After the Supreme Court upended the prior EPA WOTUS rule, some minor adjustments were made, and are expected to be challenged again in the federal courts. With the official publication of the [WOTUS rule](#), expect some announcements of court challenges. One significant change in Conforming Rule includes the removal of the “significant nexus” standard which enabled the EPA to link the puddle in your driveway to the nearest navigable waterway.
- **Navigable or not,** IL streams and waterways have been transporting unused crop nutrients from your fields, and down the Mississippi. That is an issue the EPA is watching and can

<b>Timing of Fertilizer Applications, 2021 crop</b>	
NASS Corn Planted Acres	11,000,000
Acres fertilized only in the fall	2,740,000
Acres fertilized in the spring and fall (split applications)	3,820,000
Acres fertilized only in the spring	4,440,000

impose restrictions on fertilizer applications. To prevent that from happening the Nutrient Research and Education

Council (NREC) and the IL Fertilizer and Chemical Association (IFCA) collaborated to have the IL Ag Statistics Service survey farmers to quantify their agronomic practices. [Details and data from that survey have been published for your review](#). Headline data from the survey included a trend toward for more nitrogen being applied in the spring than in the fall, and increased use of nitrogen inhibitors when fall-applied. A similar trend was seen in phosphate application over time, with the reduction in application where unused phosphate might be prone to leave the farm and float away. Farmers responding to the survey indicated their reasons for the agronomic change on phosphates included less being recommended by the IL Agronomy Handbook, soil test information, and other reasons, including cost.

<b>Reductions in phosphorus applications</b>		2017 Acres	2019 acres	2021 acres
Tile-drained acres	Acres where phosphorus application rates were reduced since 2011	4,440,000	7,410,000	<b>6,210,000</b>
Non tile-drained acres	Acres where phosphorus application rates were reduced since 2011	2,150,000	3,800,000	
Tile-drained acres	Acres where placement of phosphorus applications were moved from broadcast to subsurface or banding	1,530,000	1,440,000	<b>1,080,000</b>
Non tile-drained acres	Acres where placement of phosphorus applications were moved from broadcast to subsurface or banding	280,000	870,000	

Numerous other facts and agronomic details are included in the report, most of which farmers are either practicing, or considering practicing.



## ***Farm Bill Issues and Battles--***

- **A Farm Foundation forum** showed just how wide the gap is between Democratic and GOP Farm Bill priorities and how tough it will be amid all the other hurdles to do a Farm Bill this year. John Newton (right) is Chief Economist for Senate Ag Republicans, says, "Since the last Farm Bill, farm production expenses have increased by \$114 bil., and it's every single category that farmers are paying. They're paying more for fertilizer, they're paying more for livestock feed, paying more for diesel fuel, paying more for labor, paying more for pesticides, and interest rates are going up at a rapid rate, right now." But reference prices aren't, "When you spend



\$1,500, \$1,300 to raise a crop, and you know that the commodity prices have to fall by 30, 40%, - in the case of chickpeas or oats or corn, over 40 % - before it triggers a Title I program payment, you realize that's not much of a safety net." But Chief Economist for Senate Ag Democrats, Steven Wallander (left) says nutrition and other farm revenue streams are his side's priority, "And so, when you have that additional spending in SNAP benefits and other nutrition programs, those are creating tens of thousands of rural jobs. An extra \$1 bil. of spending on SNAP creates over 500 jobs on the farm."

But Newton says that won't matter if farmers go broke, "In 2023, USDA's projection for net farm income and net cash income is going to be the largest decline that we've ever seen in history. In the case of net cash income, even when you adjust for inflation, we're looking at the largest decline that we've ever seen." With a projected 30%-plus decline in corn, nearly 30% in wheat, over 20% in soybeans, and a whopping 80% decline in dairy net cash income. Newton says the farm safety net must be addressed now, or producers will have to live with current supports another 5 years. Texas A & M Extension Economist Joe Outlaw told the Farm Foundation attendees, things are a mess for doing a Farm Bill this year, "If there is compromise, you may lose the Speaker of the House, if there is compromise, there are going to be people who are unhappy. The debt ceiling deal passed earlier this year put everything behind the 'eight ball' in terms of getting the Farm Bill done. When I saw the outcome of the debt ceiling, I said I didn't think we'll get a Farm Bill done for a couple of years—I still stand by that." Adding, the appropriations standoff in the House threatening a government shutdown, isn't helping a Farm Bill either.

***And Finally, This—***

- **Hand-forged by John Deere Himself**, a couple of moldboard plows have been in an IA barn that are relics of a bygone age, and certainly museum pieces. About 17 short of 200 years old, belonging to [Sam Shaff](#), whose great-great-grandfather purchased them new for \$24 from Deere himself. Family lore indicates all the neighbors wanted to try it out.



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.