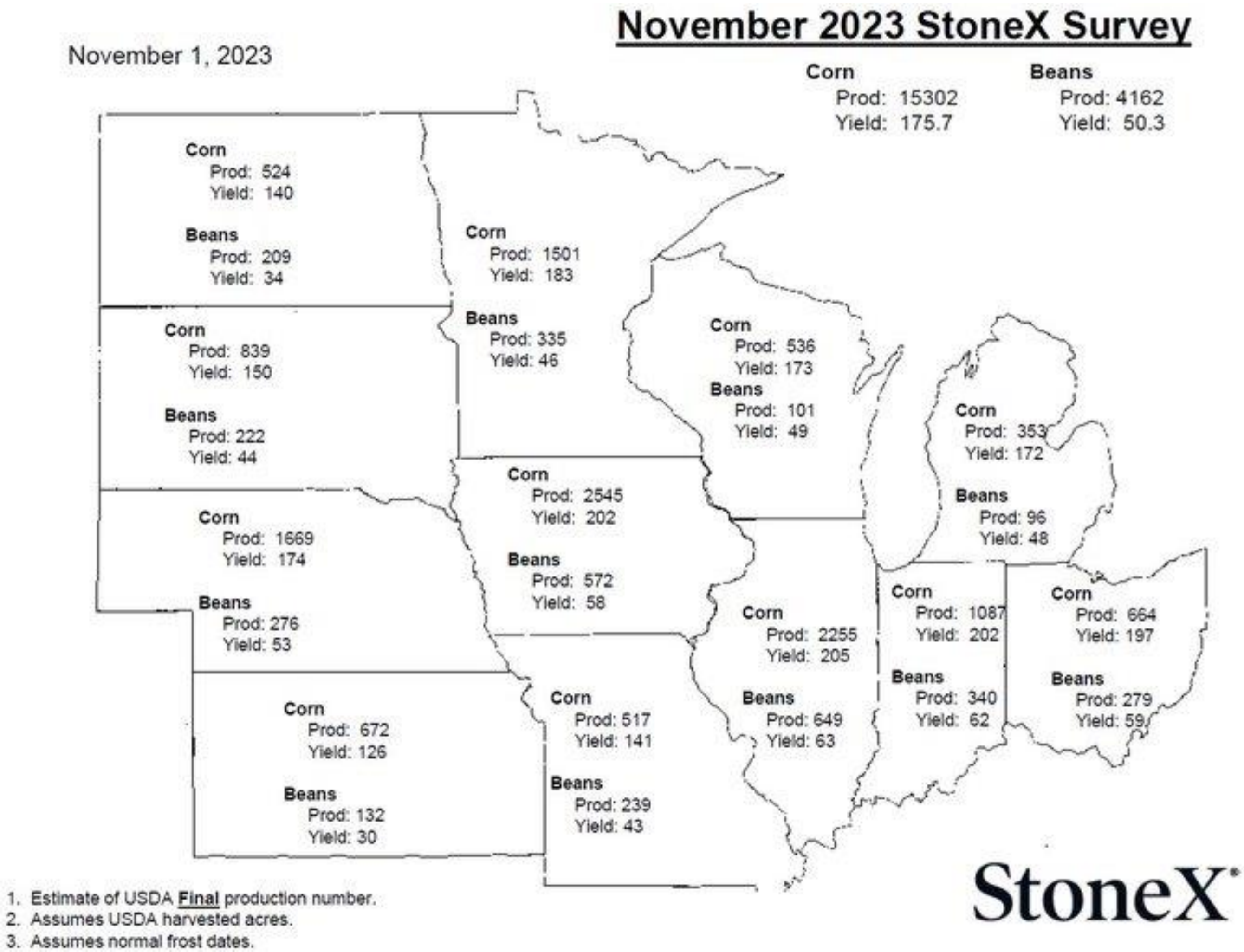
WEEKLY CORNBELT UPDATE

PRESENTED BY FLANAGAN State Bank

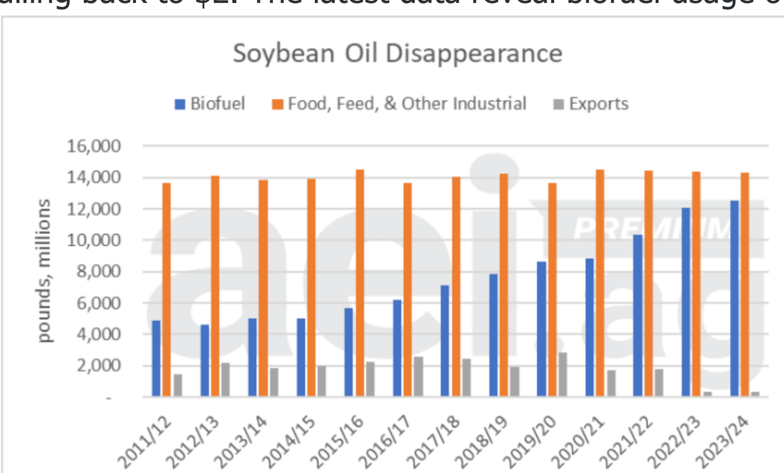
A weekly Cornbelt digest of marketing, economic, agronomic, and management information.

Commodity market price drivers—

- **How are yields and production shaping up** with most of the crop in the bin at this point? Arlan Suderman shares his StoneX data and projections with you. Are you at 205 and 63?

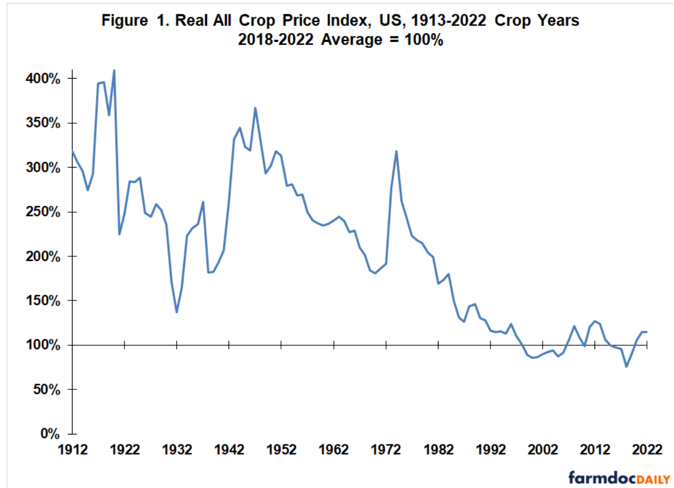


- **Thursday is WASDE.** Nov. 9 will bring the Crop Production Report and USDA's latest Supply-Demand projections. And it is a bit more important than the prior monthly reports. [AEI.ag economists](#) say, "The November WASDE does have important implications for final yields. It is the USDA yield forecast most highly correlated with actual yield (correlation coefficient of +0.99 — when by contrast, October's is +0.98, September's is +0.96, August's is +0.94, and May's is a mere +0.73). November also has the most information leading up to it, more than any of the prior WASDE reports. In fact, all other series we have available to us are highly correlated with the November WASDE. In (May), we see that the actual corn yields only loosely follow the suggestions of trend yield and the May WASDE Report, whereas the November WASDE Report comes in very tight. According to the model, we're going to average (95% confidence, in statistics speak) somewhere between 171.9-176.4 bu/ac in the corn space, and between 48.9-50.2 bu/ac for soybeans. Again, room for upside here, and room for downside there, but certainly no surprises if everything holds. This is mostly due to the fact that the corn forecast in the November WASDE is, on average, higher than the corn forecast in the October WASDE, but here we can account for other factors and the story holds true – but don't discount that 17% chance that it stays the same or goes down from October! Soybeans are about at a coin flip, with a (very) slight favoring of going down again. A key takeaway here for me is that we have a better chance of going up in corn than we do in soybeans. Conversely, we have a very slightly better chance of going down in soybeans than we do in corn. What will happen? Stick around…November 9 is not far away."
- **Strong margins for the soybean crushing industry** and strong demand for soybean oil to make soy diesel and renewable diesel fuels have given a strong foundation to the price of beans. [David Widmar of AEI.ag economists](#) says, "Since 2021, spreads have been strong at an average of $2.19 per bushel. On a few occasions, the spread has approached $4.00. It's these strong crush returns that have fueled the enthusiasm for constructing new soybean crush facilities around the Midwest. In 2023, spreads have been volatile. At the start of the year, the spread was just $1 per bushel. By August, the spread increased to $3.90 per bushel before falling back to $2. The latest data reveal biofuel usage of soybean oil has increased at an average annualized rate of 9.5% since 2014. In short, biofuels have been the only source of growth in soybean oil usage. Using the earlier mentioned annualized growth rate of 9.5%, biofuel usage could approach 15 bil. pounds in 2025/26, overtaking the food and feed category's stalled usage of 14 bil. pounds per year. Biofuels could claim the top spot in just 2 years. If this happens, biofuel usage would have nearly tripled in just 12 years.



Ag Economy—

- **Today's farmers would not trade their 21st century** crop prices for their Grandad's prices in the early 20th century. But given inflation, the supply-demand balance, interest rates, economic growth, and other sundry factors, real crop prices were better for Grandad than they are today. That is the consensus of [IL Farmdoc ag economists] who compared data from 1912 all the way to 2022. The report, "The highest real US crop prices occurred just after World War I in 1920 at 409% of the 2018-2022 average. Real crop prices then fell precipitously through 1932, the midst of the Great Depression. New Deal farm programs reduced crop production, initiating an increase that continued through World War II as US farm production expanded to supply the war effort and offset disruptions in European and Asian farm production. The real US all crop price index reached 345% in 1944. It then began a prolonged decline, passing the 1932 low in 1991. Between 1944 and 1991, the annual decline averaged 4.7 percentage points per year. Since 1991 US crop prices and consumer price inflation have moved together. This 31-year period of stability in US real crop prices is unprecedented over the 110 years in this analysis." They calculate that beginning in 1991 a change "implied a tighter supply-demand balance and less downward pressure on grain and oilseed prices. It is thus consistent with the end of the decline in real US crop prices." About the same time global supply and demand paralleled a change in world combined harvested land of feed grains, food grains, and oilseeds. Harvested land decreased slightly in the 1980s, increased slightly in the 1990s, then began a larger, steady increase in the early 2000s." One of several conclusions is that "Stability in real US crop prices reduces the argument for fixed minimum prices in the US crop safety net because general price inflation is less likely to negatively impact farm returns."



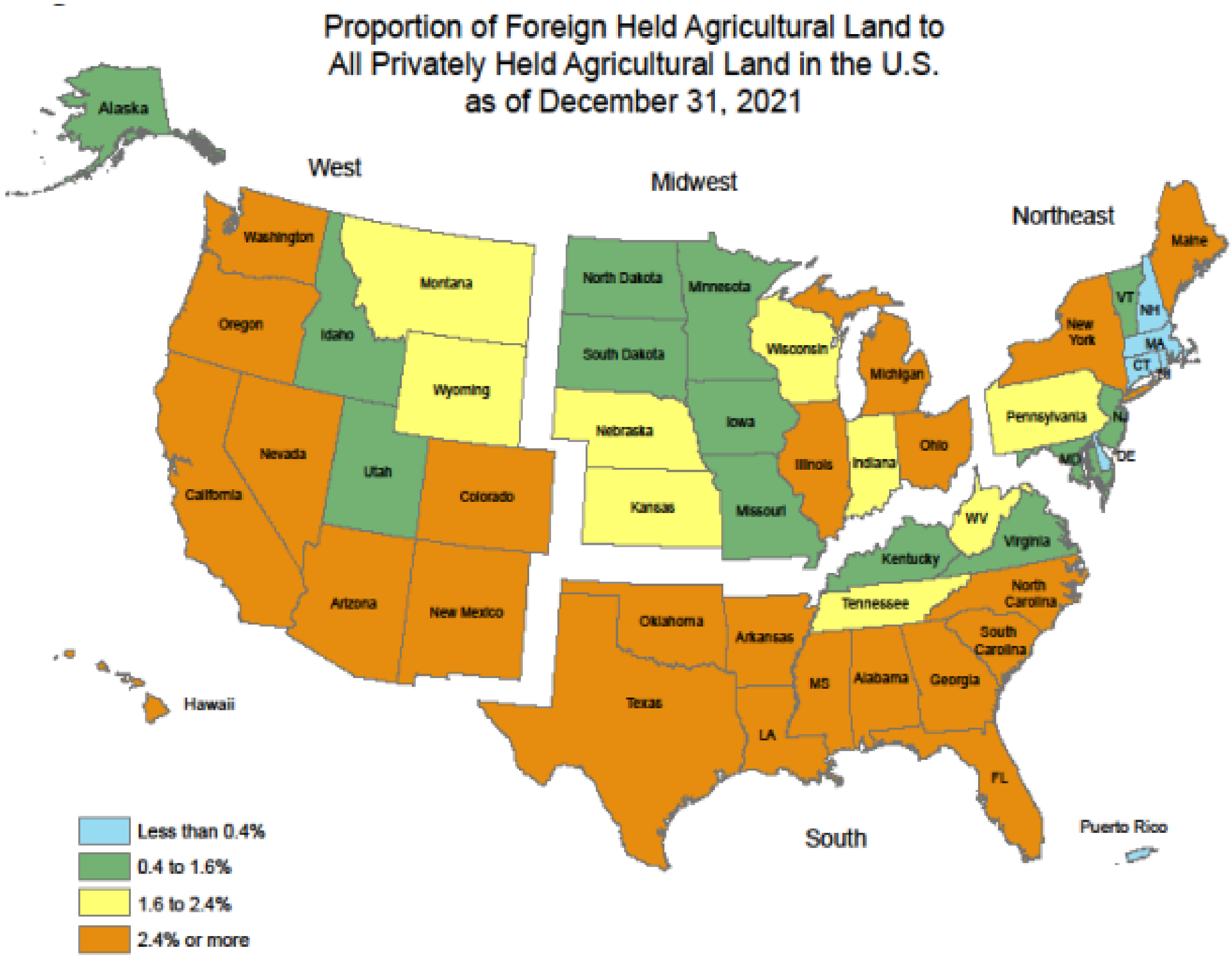
- **Last week's meeting** of the Federal Reserve's Open Market Committee kept the interest rate steady. No cut, but no increase. And as farmers begin to work on year-end paperwork, financing, taxes, and other fun things, ag economists say the higher interest rates are showing up on farm financial records. "We factor in a lending rate of 9% into our budgets for next year. Time will tell what the interest rates farmers will have for operating and ownership loans going forward," says [Ryan Milhollin at the Univ of MO]. His colleague Joe Horner says producers with variable interest rate loans will be more sensitive to any changes. "Particularly the longer-term loans. I think this will affect real estate investments and just a lot of buildings on the farm. We've taken long-term interest rates up significantly from where they've been the last few years."

Fertilizer, Fuel, Chemical Inputs—

- **The U.S. Commerce Department** announced it is lowering duties placed on phosphate fertilizers imported from Morocco from 19.97% to 2.12%. The decision came after the agency conducted an administrative review of the duties, which is performed annually by retroactively examining the price of shipments and other factors. The issue stems from a decision by Commerce that favored a petition by Mosaic to impose duties on phosphate fertilizers imported from Morocco and Russia. Mosaic had claimed that unfairly subsidized foreign companies were flooding the U.S. market and selling their products at extremely low prices.
- **"We are disappointed by the ruling** on Moroccan imports to the U.S. and we are considering our next steps," said Mosaic CEO Joc O'Rourke. "We at Mosaic expect and welcome fair competition all around the world, and we are confident that Mosaic can compete on a level playing field. We will continue to seek remedies when we see unfair practices." "Our Moroccan competitor continues to enjoy the subsidies that led to the duties, and those subsidies provide substantial unfair advantage," O'Rourke said. "That said, we expect today's ruling could impact trade flows, but it should have little impact on global phosphate fertilizer supply and demand dynamics. The countervailing duties have been effective as many new entrants shipped phosphate to the U.S. and helped create a fair and competitive market here, and prices in the U.S. returned to parity with global benchmarks."
  - ✓ **The National Corn Growers Association**, a long-time vocal opponent of the duties, called it a big win for corn growers. "This victory was made possible by corn growers who spoke out against these duties as they faced skyrocketing fertilizer prices and product shortages at the behest of The Mosaic Company," says NCGA President Harold Wolle. →
  - ✓ **The American Soybean Association** President Daryl Cates, an IL soybean farmer, welcomed this news, saying, "The Commerce Department's determination comes after years of engagement by the American Soybean Association in which the soy industry has voiced opposition to duties imposed on phosphate fertilizer imports. Soybean farmers across the country have made their voice heard: These tariffs on fertilizer have had a direct impact on the bottom line of farmers. We appreciate Commerce's recognition of this impact and its subsequent lowering of duties, and we will continue to advocate against harmful tariffs."
- **"Prices for 7 of the 8 major fertilizers** were higher compared to last month, with one up significantly, says fertilizer specialist Russ Quinn. "The only fertilizer price that was up considerably was anhydrous, which was 8% higher compared to a month prior. The nitrogen fertilizer had an average price of $825 per ton. 6 other fertilizers were just slightly higher than last month. DAP had an average price of $713/ton, MAP $799/ton, urea $574/ton, 10-34-0 $610/ton, UAN28 $360/ton and UAN32 $418/ton. "One fertilizer was just slightly lower in price compared to last month. Potash had an average price of $507/ton."

Farmland issues and Land prices—

- **Foreign investment in U.S. agricultural land** is a big topic. USDA's latest research, based on 2021 data, shows over 40 mil. acres of American agricultural land are owned by foreign investors and companies. This corresponds to 3.1% of all privately held agricultural land and 1.8% of all land in the U.S. Canadian investors own the largest portion of foreign-held agricultural land with 31%, or 12.8 mil. acres of the total, and 0.97% of all U.S. agricultural land. Many of the current concerns center around China. According to the latest data, China is ranked 18th in ownership of U.S. agricultural land with 383,000 acres. That's less than 1% of total foreign-owned U.S. ag land and only .03% of all ag land in the U.S. It reflects a total area of about 1/3 the size of RI or that of an average OH county.



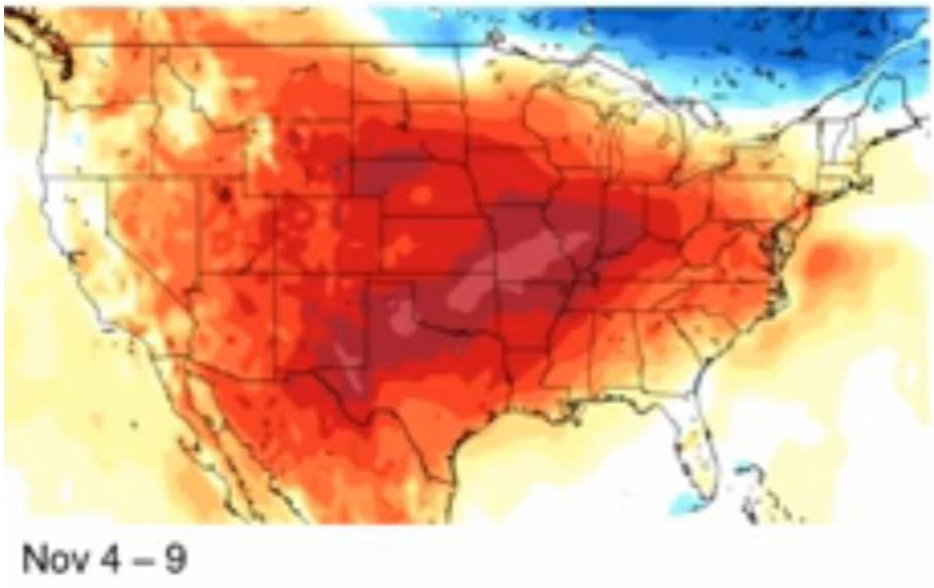
47% of the reported foreign interest holdings of U.S. land are timber or forest, with cropland accounting for 29% of the total acres. Foreign-held pasture and other agricultural land total 22% of all foreign interest holdings in the United States. Foreign holdings of U.S. agricultural land increased modestly from 2011 through 2015, increasing an average of 0.8 mil. per year. Since 2015, foreign holdings have increased an average of nearly 2.2 mil. acres, ranging from 0.8 mil. acres to 3.3 mil. acres per year.

Risk Management and Crop Insurance—

- **Most IL farmers likely signed up for revenue-based** crop insurance. At least that has been the case for the past several years. If you were one of those participants, you cheered at the relatively high spring price guarantees, and watched the harvest-time prices enough below those to provide a good chance to receive an indemnity payment to possibly cover your premium. IL Farmdoc ag economists say USDA's Risk Management Agency has confirmed the corn harvest price of $4.88 was $1.03 below the spring projected price of $5.91. "Given the 17% price decline for corn, an RP or RP-HPE policy with an 85% coverage level would start to trigger payments with yields even slightly above a farm's APH yield." For soybeans, the fall harvest price was a $12.84, $0.92 below the spring guarantee of $13.76. The 7% price decline for soybeans implies that yield losses, relative to a farm's APH yield, will be required to trigger revenue policy indemnities. Payments on 85% coverage level policies will require a yield loss of approximately 9%. The Farmdoc staff created a payment calculator, in which "Users can enter their own APH yields to view and analyze payment outcomes for various coverage levels and at different yield levels. Given the abnormally dry conditions experienced across most corn and soybean production regions in the U.S. during the 2023 growing seasons, yield losses sufficient to trigger insurance indemnities are likely to occur in many areas. In some areas insurance payments could be quite large." (A final version of the 2023 Payment Calculator is now available. An initial version of this excel calculator was introduced in early October before the harvest prices were finalized (see farmdoc daily October 10, 2023). Users can enter their own APH yields to view and analyze payment outcomes for various coverage levels and at different yield levels.)
- **An insurance industry publication** is hinting at a trend of adverse weather is putting smaller crop insurance companies in a financial predicament. The trade publication says, "Midwest mutual insurers are bracing for steep reinsurance costs ahead of January 1 renewals, as the region contends with rising loss ratios caused by increasingly unpredictable severe convective storms (SCS), on top of the nationwide challenges plaguing the homeowners' and auto segments. Many of the smaller players have small capital bases and a high degree of reliance on reinsurance that makes them more exposed to higher reinsurance costs as well as retained losses. The challenges seen in some Midwestern states has led some sources to speculate that the industry could see some smaller mutual and regional carriers go insolvent. Of the 13 Midwestern states, 4 saw their mutual carriers' direct incurred loss ratios double or nearly double from 2020 to 2022, while several others posted increases of 50% or more. Among the most challenged states are NE, KY, MN, SD and IA, which have been pummeled by strong and unexpected storms over the past three years. "What's impacting us most right now is not necessarily the frequency or the severity, but the unpredictability," said one broker in Kentucky, noting that the mutuals and regionals serving the state tend to be less able to pivot quickly in the face of changing weather patterns due to their size and concentration of risk."

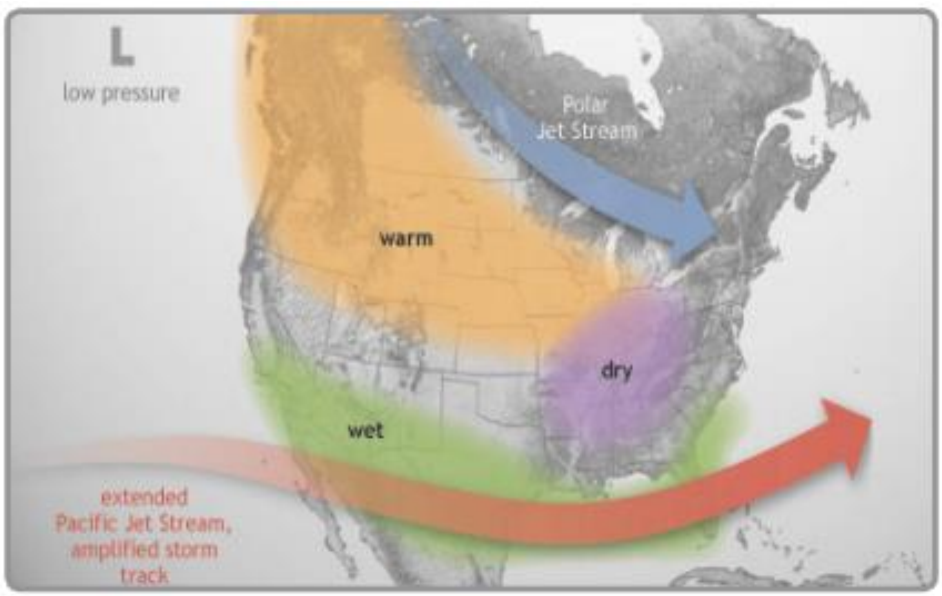
Weather—

- **Warmer weather is ahead,** says [Blue Water Outlook](). After temperatures that were 15-25°F



below normal over much of the nation last week, high pressure will be centered on the eastern half of the nation by next weekend. And that means warmer temperatures. Low pressure fronts, with cooler temperatures will bracket the warm air, and those could bring precipitation. On the whole, for the first half of November weather will be generally fair. With wet weather across the southern US and warmer and drier weather across the northern US, a textbook El Nino is in place.

- **What does a textbook El Nino look like?** [USDA's drought specialists]() say, "El Niño conditions can affect North American weather patterns, especially in the winter and early spring. While each El Niño event is different, some general patterns are predictable. For instance, the polar jet stream is typically farther north than usual, while the Pacific jet stream tends to remain across the southern U.S. This pattern brings increased chances of above-normal temperatures to the upper Midwest. Cold weather will still occur, but cold air outbreaks tend to be less frequent. The Ohio River Valley generally has an increased chance of dry weather during an El Niño winter.



During El Niño winters, the polar jet stream tends to stay further to the north while the Pacific jet stream remains across the southern U.S. With the Midwest region falling between storm tracks, warmer and drier conditions can develop during El Niño events.

Image courtesy of the National Oceanic and Atmospheric Administration.

Trade Issues--

- **A new source of USDA funding** to promote exports was welcomed by Grains Council CEO Ryan LeGrand, who said, "The U.S. Grains Council thanks Secretary Vilsack and the USDA for continuing to promote market development through providing a new program funding source," said USGC President and CEO Ryan LeGrand. "The success of the Council would not be possible without its partners in both the public and private sector, and we look forward to expanding exports of corn, sorghum, barley and their co-products with this new source of funding. However, there is still a need to increase long-term funding of the MAP and FMD programs in a new Farm Bill." LeGrand was pleased with the USDA's announcement of the "Regional Agricultural Promotion Program, or RAPP. (USDA) is providing $2.3 bil. to help American producers maintain and develop markets for their commodities and use U.S. commodities to bolster international food aid. USDA is utilizing funds from the Commodity Credit Corporation (CCC) to address challenges related to trade and food insecurity impacting U.S. farmers and the international community. USDA will use: $1.3 bil. for the Regional Agricultural Promotion Program and support for specialty crop industries to diversify export markets. $1 billion to help address global hunger.
- **USDA Undersecretary for Trade** Alexis Taylor recently led a trade mission to southeast Asia, with stops in Malaysia and Singapore. Taylor says it was a productive trip for potential US agricultural exporters involved, "One of the things I wanted to highlight, I think is just the quality of meetings. I know our business had a good week. We've had over 300 business-to-business meetings, but I think more impactful is the quality of those meetings and the interest of the buyers that I heard from our businesses about. In Southeast Asia, one of the reasons we focus trade missions here or continue to focus some of our trade missions here is the population dynamics that we are seeing. They have a growing middle class." She says demand remains strong for American commodities, "There is a strong connection to the US and a preference for U.S. food and agricultural products. There's a lot of trust in our quality, safety, and reliability as a trading partner, which makes this a very attractive set of markets."
- **A delegation of trade officials** from the U.S. Trade Rep.'s office will participate in the 7th in-person negotiating round of the Indo-Pacific Economic Framework for Prosperity. The negotiations are planned for November 5-12, 2023, in San Francisco. The IPEF partners will continue to make progress on negotiations towards high-standard outcomes under the pillars of trade, clean economy and fair economy. The U.S. interagency delegation will be co-led by Sarah Ellerman, IPEF Pillar Assistant United States Trade Rep. for Southeast Asia and the Pacific, and Sharon H. Yuan, U.S. Department of Commerce Counselor. The framework will offer tangible benefits that fuel economic activity and investment, promote sustainable and inclusive economic growth, and benefit workers and consumers across the region, according to USTR. The first negotiating round was held in Brisbane, Australia, in December of last year, with other rounds taking place earlier this year.

Farm Bill Issues and Battles--

- **A temporary spending bill** to avert a government shutdown this month is looking more like the legislative vehicle to extend the already expired Farm Bill, but one lawmaker says farmers shouldn't look for any extra help. In his weekly news conference with farm media, Sen. Chuck Grassley, R-IA, said an extension is coming, "If the continuing resolution takes us into next year or into December, I guess you're going to have to have the extension on this continuing resolution." Given it's unlikely 12 appropriations bills will be passed by then. But still in question is the length of any Farm Bill extension—some have proposed 18-months to get the Farm Bill out of this Congress. Not Grassley, "I think that it won't be 18-months, because that goes beyond the tenure of Chairman Stabenow and I'm sure she's going to want a Farm Bill left, passed, before she leaves Congress." Grassley's predicted a 1-year extension but adds it won't likely include interim relief to fix outdated price supports and triggers, "Whether it's the Farm Bill or higher education or anything else that needs to be extended in a continuing resolution, it's pretty darn hard to get any changes made. I'm not arguing with the fact that they need more, but if you start making changes, I don't know where you'd stop." Others including the National Cattlemen's Beef Association have suggested there could be adjustments. And still others, including the American Farm Bureau argue it's past time for lawmakers to 'do their job' and pass a Farm Bill.
- **Republican lawmakers in the House** are urging the new speaker to pass a Farm Bill. In a letter last week to Speaker Mike Johnson, a group of 61 members told the speaker, "We urge you and the Conference at-large to be united in ensuring swift passage of a strong Farm Bill." The letter notes that more than 92% of the nation's planted acres are represented by Republican Members. Moreover, in 2022, the food and agriculture sectors contributed $7.4 trillion in economic activity, creating 43 mil. jobs, $2.3 tril. in wages, $718 bil. in tax revenue, and $183 bil. in exports, stemming from direct, indirect, and induced output. The lawmakers added, "The Farm Bill is a critical agenda item that must be addressed this Congress." Before he was elected speaker last week, Johnson revealed a priority list that included a December vote on the Farm Bill, pledging to "Begin negotiations as soon as possible." If House Republicans manage to pass those farm bill spending cuts, they will still face stiff resistance in the Democrat-controlled Senate. That means a compromise will be needed at some point, but those are hard to come by in today's political environment.
- **Rep. David Scott, D-GA,** the ranking minority member of the House Agriculture Committee has called for a one-year extension of the 2018 Farm Bill. He says, "While we continue the bipartisan effort on the House Agriculture Committee to craft a new Farm Bill, the extremism and cynicism that has taken hold of the broader House Republican Conference makes a five-year farm bill reauthorization by the year's end increasingly unlikely. A 1-year extension is the responsible thing to do. It allows our farmers, ranchers, and foresters to operate with an element of certainty while we continue working on a bipartisan 5-year Farm Bill. We refuse to subject our Nation's farmers, ranchers, foresters, and families to an artificially rushed and haphazard Farm Bill simply because House Republicans faced a leadership crisis and have created uncertainty regarding any bipartisan legislation being able to pass in the House."

Agri-Politics and Legislative News—

- **Sens. Michael Bennet, D-CO, and Cynthia Lummis, R-WY**, introduced legislation requiring the Government Accountability Office to study the barriers between farmers and ranchers and mental health care. "Our farmers and ranchers face uncertainty from forces beyond their control, and Congress needs to do more to help them access the mental and behavioral health care they need," Bennet says. Volatile commodity prices, increased input costs, more frequent wildfires, severe drought, and other extreme weather events significantly affect farmers' and ranchers' mental health. Despite the demonstrated need for services, many rural communities face barriers to access those services. The GAO would be required to study the availability and accessibility of substance abuse treatment and mental health care providers trained to serve the needs of farmers, ranchers, agricultural workers, and their families. The study would also assess the barriers farmers and ranchers face to accessing care and successful programs at the state and local levels.

Transportation—

- **"Recent precipitation has provided some improvement** to barge transportation along the inland waterway system," says Soy Transportation Coalition's Mike Steenhoek. As you can see from the below charts from the U.S. Geological Survey, water levels at St. Louis are 3.80 ft., which is an improvement from -3.47 ft. on September 17th. Water levels at Memphis are -7.29 ft., which is an improvement from the lowest level of -11.99 on October 17th. As you can see, water levels on this date in 2021 and 2020 at both St. Louis and Memphis were noticeably higher.