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

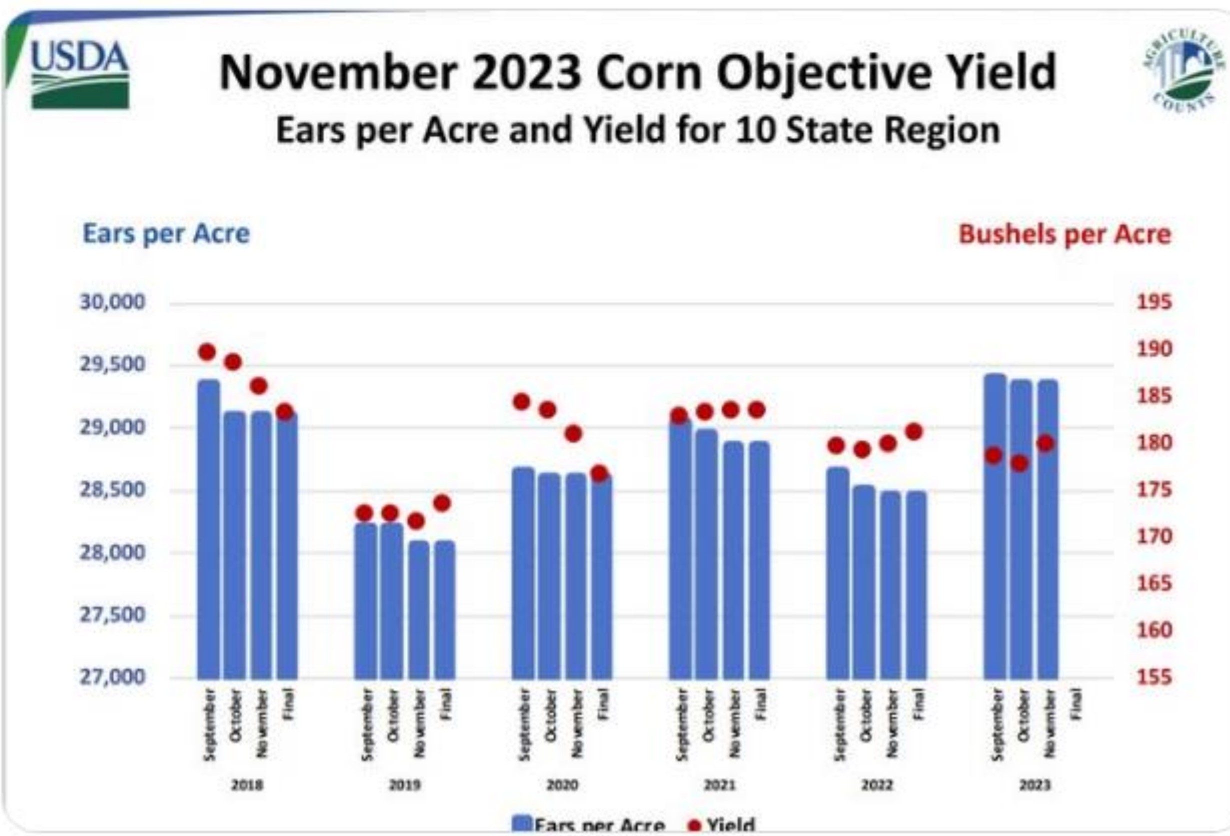
Commodity market price drivers—

- **The USDA's November World Agricultural Supply and Demand Estimates** show increased corn and soybean production compared to market expectations.
  - ✓ **The corn outlook** is for larger production at 15.2 bil. bu., domestic use, exports, and ending stocks. Corn production is up 170 mil. bu. from last month on a 1.9 bu. increase in yield to 174.9 bu. an acre. Feed and residual use is raised 50 mil. bu. to 5.7 bil. Corn used for ethanol is raised 25 mil. bu. to 5.3 billion. Exports are raised 50 mil. bu. to 2.1 bil. Corn ending stocks are up 45 mil. bu. to 2.2 bil. The season average corn price is down 10₵ to $4.85 a bu. Corn production for Ukraine and Russia is raised based on harvest results to date. Foreign corn ending stocks are higher. Global corn ending stocks, at 12.4 bil. bu, are up 100 mil. bu. While the corn changes were modestly bearish, with a comfortable carryout of near 2.2 bil. bu., trade focus is now likely to turn again to South America. hot and dry weather in the central and north and more unwanted rain in the south. CONAB on Thursday lowered their corn estimate for Brazil to just 4.68 bil. bu.
  - ✓ **The soybean outlook** shows increased production at 49.9 bu. per acre totaling 4.13 bil. bu. and ending stocks. Soybean production is forecast at 4.13 bil. bu., a 25 mil. increase on higher yields. Crush and export estimates were left unchanged. Ending stocks rose to 245 mil. bu. The season-average soybean price is unchanged at $12.90 per bu. The global 2023/24 soybean supply and demand forecast includes lower beginning stocks, higher production, higher crush, and lower ending stocks. Global 2023/24 soybean production is raised 33 mil. bu. to 14.7 bil. the soybean market will again turn most of its attention to Brazil's weather in the next few months.

2023/24 U.S. Crop Production

@kannbwx Data sources: USDA; Reuters	CORN		SOYBEANS	
	Yield	Production	Yield	Production
NASS Nov.	**174.9**	**15.234**	**49.9**	**4.129**
Trade average	173.2	15.079	49.6	4.103
NASS Oct.	173.0	15.064	49.6	4.104
2022/23	*173.4*	*13.715*	*49.6*	*4.270*

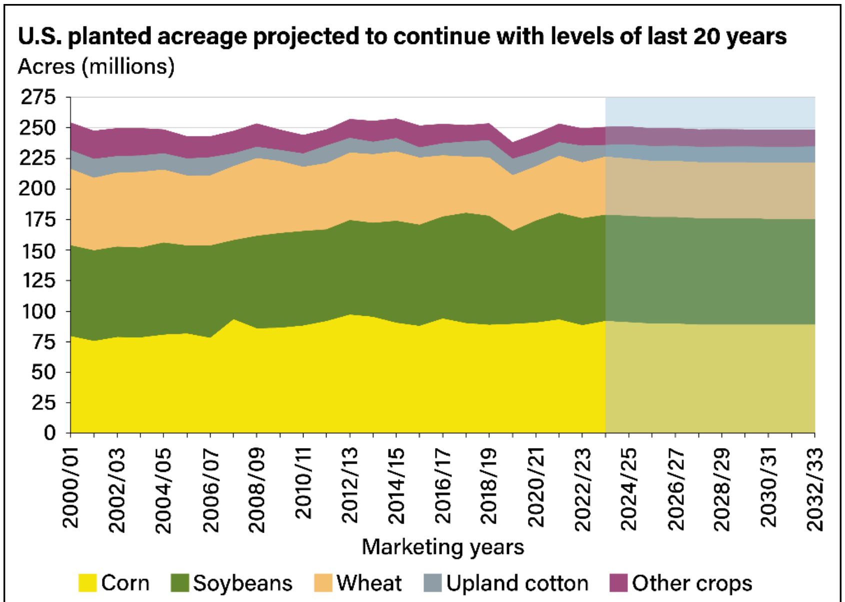
- **Digging down into the USDA Crop Production Report numbers**, [IL ag economist Scott Irwin]() said, "I noticed in the Aug and Sep reports that yield (bushels per acre and red dots, RHS) was unusually low relative to the ear count per acre. And what do you know. The yield drifted up compared to ear count in the Nov report. This is pure conjecture on my part, but I think that farmers in the dry areas of the Corn Belt may have gotten a bit too pessimistic about corn yields, and this fed into the low yield relative to ear count in Aug and Sep. If my conjecture is on target, then the red dot will drift even higher relative to the blue bar in the final January estimate. The other possibility is that ear weights are in fact really light relative to ear counts due to the extreme dryness that hit some parts of the Corn Belt in the latter part of the 2023 growing season. If this is the reason, the increase in the yield relative to ear count is just random sampling variation. This thread is a good place as place as any to emphasize the important role that sampling variability has on changes in USDA crop production estimates from month to month. This always has to be the most important influence on revisions, which of course makes it very difficult to pinpoint non-random influences like what I made above. I tell my students in class, USDA estimates are based on samples not a census!



- **As the crop year concludes,** harvest progress is ahead of the 5-year average for both corn and soybeans. 81% of the 2023 corn acreage was harvested by November 5, 4 points behind last year but 4 points ahead of the 5-year average. Soybean harvest across the nation was 91% complete by November 5, 2% points behind last year but 5 points ahead of the 5-year average.

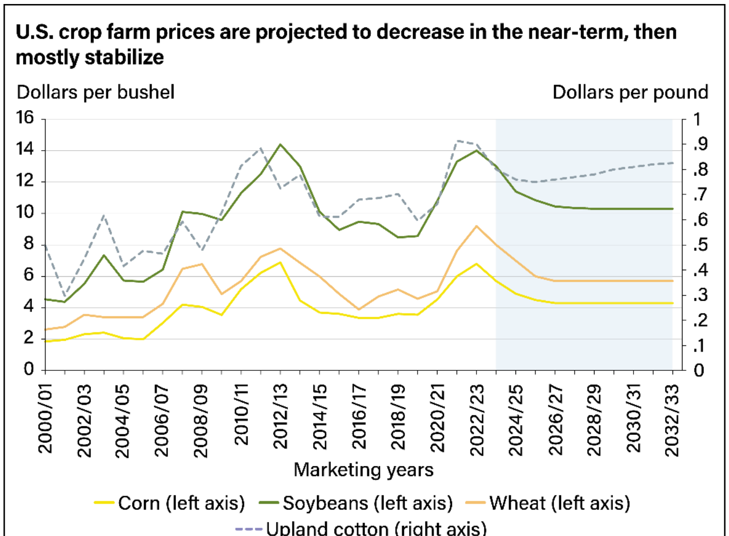
Ag Economy—

- **What will happen between now and 2032?** USDA economists took a stab at that in their [economic projections for agriculture](#) in the next 10 years. Each year in its Agricultural Baseline Projections, USDA provides a 10-year outlook for major crop and livestock commodities based on key assumptions related to macroeconomic conditions:



Notes: **Other crops** includes barley, oats, rice, and sorghum. The shaded area on the right represents the USDA's Agricultural Baseline Projection period.

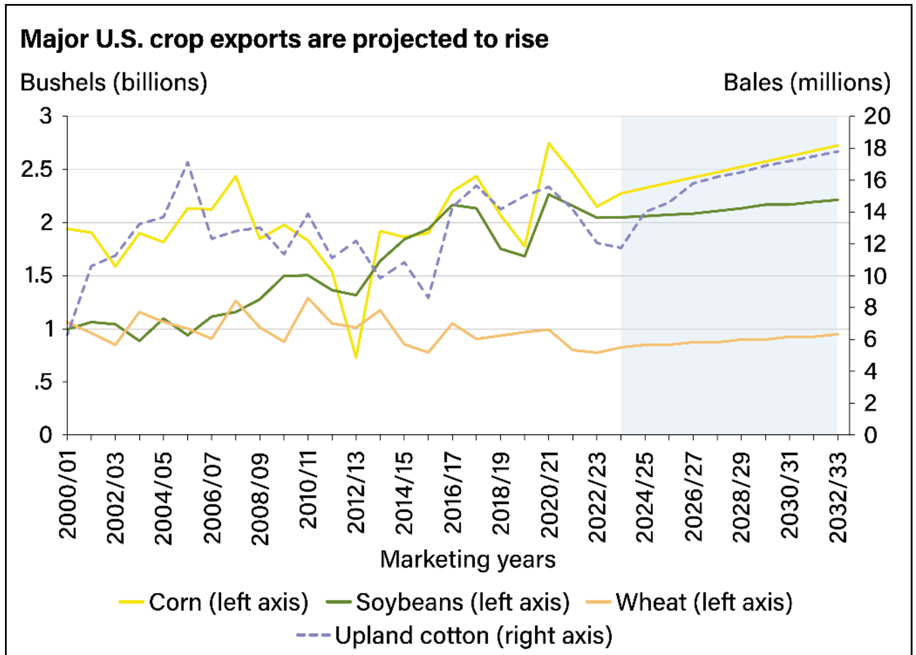
  ✓ **U.S. Crop Acreage Is Expected To Remain Steady.** Changes in planted acreage were led by the largest four crops—corn, soybeans, wheat, and upland cotton—which combined for more than 94% of the eight-crop total in 2022/23. Based on the market conditions that existed with the October *WASDE*, the area planted to corn is projected to rise by 3.4 mil. acres in 2023/24 to 92.0 mil. acres before tapering to 89.0 mil. acres by 2032/33. Soybean acreage is projected to decrease from 87.0 mil. in 2023/24 to 86.5 mil. acres by 2032/33. For corn, soybeans, and wheat, yields are expected to increase at rates consistent with historic trends, reflecting continuing advancements in production practices and in technology. Higher yields are expected to more than compensate for reduced planted acreage. Corn acres will grow from 15.27 bil. bu. in 2023/24 to a record 16.18 bil. bu. in 2032/33, helped by average yields climbing to 181.5 bu. per acre.



Note: The shaded area on the right represents the USDA's Agricultural Baseline Projection period.

  ✓ **Corn prices are expected to fall** from a near-record peak season average farm price of $6.80 per bushel in 2022/23 to $5.70 per bushel the following year and continue a downward trend through 2026/27 before stabilizing at $4.30. Soybean prices follow a similar trend, falling to $13.00 a bushel in the first year of the projection period, down $1.00 from the recent peak. Soybean prices are expected to continue falling through the first half of the projection period, stabilizing at $10.30 per bushel the remaining years.

✓ **Domestic demand for corn**, soybeans, wheat, and cotton are all expected to grow over the next decade. Exports of the 4 crops also are expected to increase over the next decade. Domestic corn use is expected to steadily increase through the projection period, growing from 12.5 bil. bu. in 2023/24 to 13.4 bil. bu. by 2032/33. Use of corn for food, seed, and in industrial applications, including ethanol, is projected to decline slightly over the same period. U.S. corn exports are expected to rise nearly 20% from 2023/24 to 2032/33, ending at 2.7 bil. bu., which, if realized, would mark the second-highest corn export volume on record. Soybean crush—the processing of soybeans into soybean meal and soybean oil—is expected to rise from 2.3 bil. bu. in 2023/24 to 2.5 bil. bu. in 2032/33. Soybean exports are expected to rise 8% over the projection period.



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- Looking behind the numbers, Reuters commodity analyst Karen Braun says, "USDA's baseline projections suggest U.S. corn stocks could reach a 37-year high in 2024/25 with stocks-to-use at a 20-year high. These are not official estimates, but instead are tentative projections based on data as of October 2023.

U.S. Corn Supply & Demand

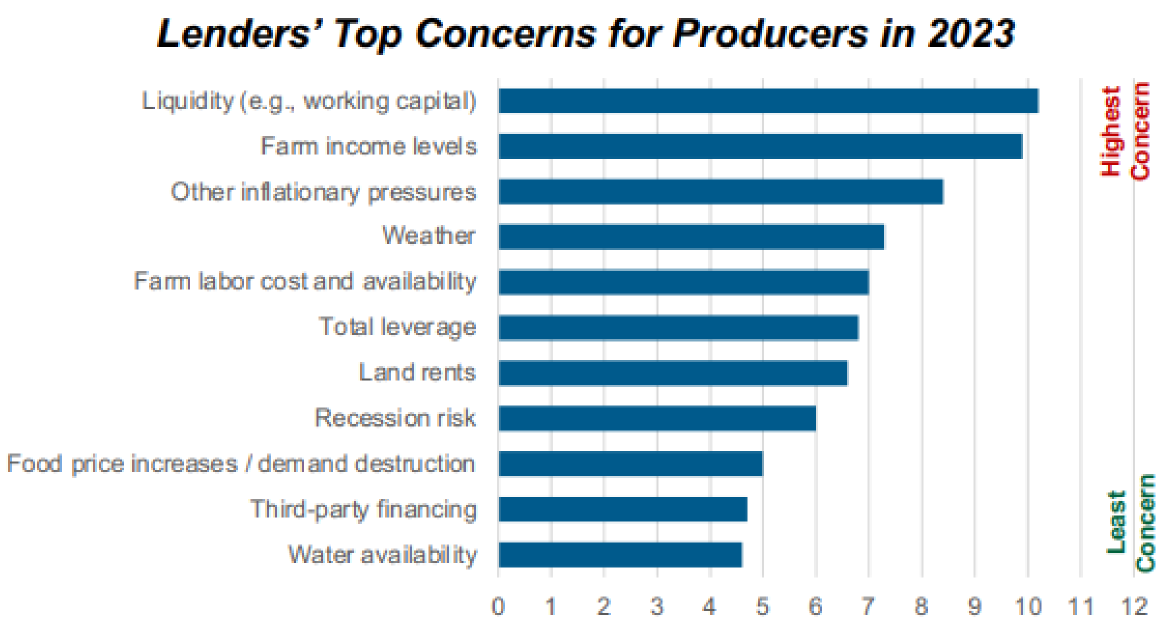
USDA Baseline – November 7, 2023

@kannbwx

	2023/24	**2024/25**
Planted Acres	94.9	**91.0**
Yield	173.0	**181.0**
Production	15,064	**15,040**
Feed + residual	5,600	**5,800**
Ethanol	5,300	**5,300**
Exports	2,025	**2,050**
Ending stocks	2,111	**2,616**
Stocks-to-use	14.7%	**18.0%**
Farm price ($/bu)	4.95	**4.50**

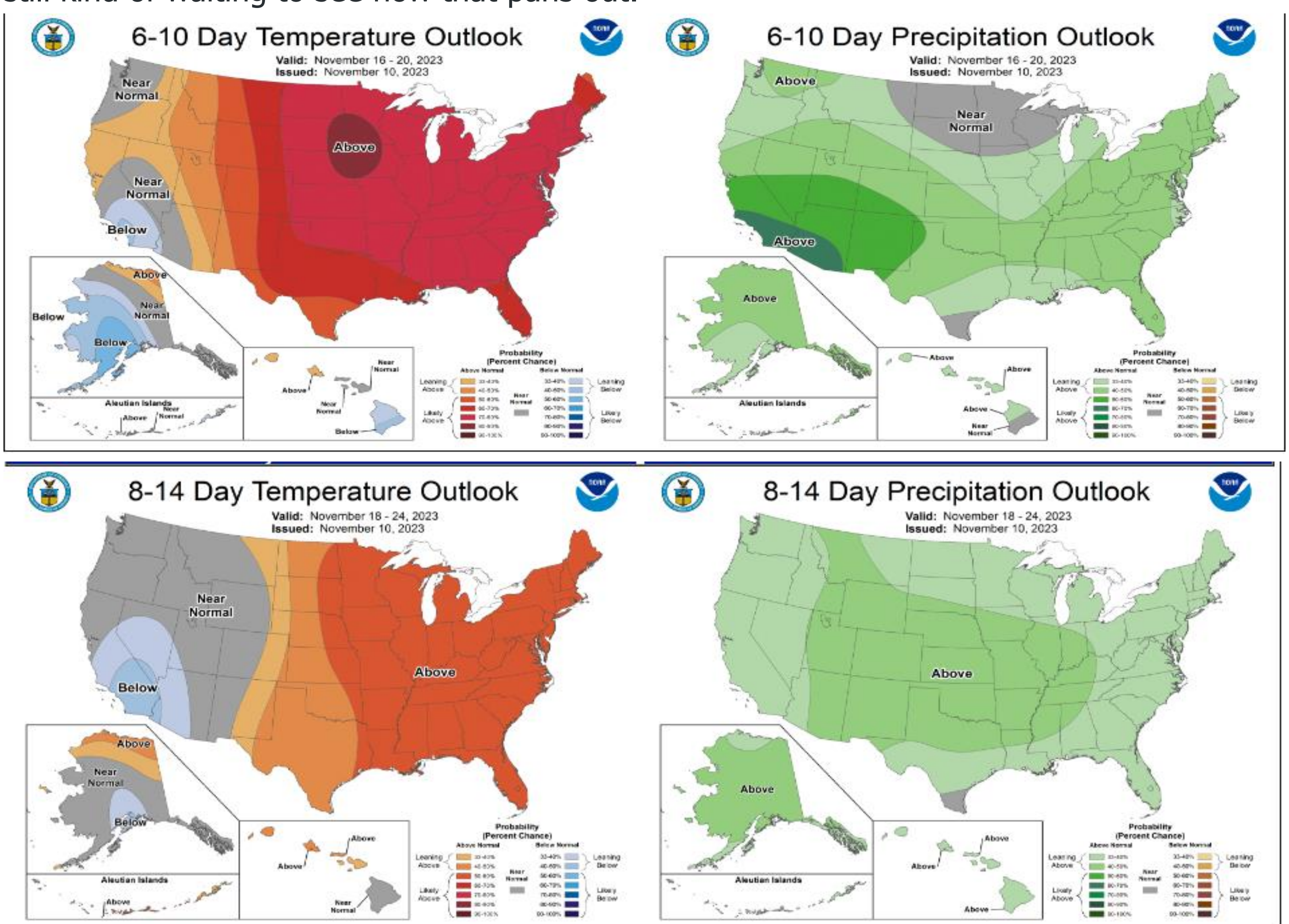
Notes: Acres in millions, yield in bushels per acre, everything else in millions of bushels. 2023/24 numbers from the Oct 2023 WASDE. Data source: USDA

- **What do lenders think about the farm economy?** The [American Bankers Association and Farmer Mac] asked 260 commercial lenders. And the feedback was telling:
  - ✓ Ag lenders estimate that more than three-quarters of their borrowers will remain profitable in 2023 and two-thirds will remain profitable through 2024. Lenders expect farm income compression over the next 12 months, with 70% projecting a decline in farm profitability.
  - ✓ Liquidity and farm income returned to the top of the list of lender concerns for producers. Recession risk remained a middling concern for lenders.
  - ✓ The various impacts of a rising interest rate environment were a common theme in the 2023 survey. Accordingly, interest rate volatility remained the No. 1 perceived concern facing lending institutions in 2023.
  - ✓ Lenders expect credit quality to deteriorate in the coming 12 months, reverting to historic levels. Consistent with this expectation, more than 40% of respondents reported tightening underwriting standards and loan terms in 2023.
  - ✓ Demand for both loans secured by farmland and agricultural production loans increased in 2023. Respondents anticipate that loan demand for both categories will continue to increase over the next 12 months.
  - ✓ Several tailwinds have turned to headwinds as incomes have declined and interest rates have increased. As a result, most lenders expect land values will remain stable over the next year. Cash rents, meanwhile, have been slower to increase and could rise in 2024.
  - ✓ Lenders reported an average agricultural loan application approval rate of 85.5% for new loans in the 12 months leading up to August 2023 and expect the approval rate for renewal requests to be 89.4% in the following 12 months.



Weather—

- **After a lengthy drought,** some parts of the Upper Midwest have turned wet, but only in spots. Dennis Todey, director of the Midwest Climate Hub, says fall is typically a time when farm country sees more rain, "By the time you get around to the fall, crops will stop growing, Plants have stopped using water, out of the soil. We don't get as much rainfall, or as much total precipitation in the fall as we do during the summer. But on the offside, we don't have plants drawing it out of the soil, so this is the time for soil moisture recharge." In terms of fall rainfall, it's been a case of the haves versus the have-nots in the Midwest and Cornbelt, "Parts of WI received some pretty good rainfalls over the last few weeks. MN, IA, parts of the Dakotas, and east central IA received some. Parts of IL have missed out. Parts of WI could use some rainfall too, so it's kind of spotty." He says, "By the end of this week, temperatures get back to lows in the 30s and highs in the 50s, which are closer to average for this time of the year. You know, as you look at the 6 to 10-day and 8–14-day outlook that were released from the Climate Prediction Center, by the time week 2 rolls around, about the western half of the country looks like it has a better chance of being above-average in the way of temperatures. The Great Lakes area and Ohio Valley are near normal, which still is a moderation from where we are right now. And then from a precipitation standpoint, it does look like the are some decent chances for precipitation coming in next week, again over parts of the Midwest. We're still kind of waiting to see how that pans out."



USDA Programs—

- **USDA announced the Emergency Relief Program** for 2022, 10 months after the funding was initially signed into law. But the National Sorghum Producers say there are 2 major flaws in the program that make it a disaster in itself. First, USDA established a "progressive" payment factor to fit total payments within a budget that will severely harm full-time farm families. NSP says the "progressive" requirement will actually cut deepest on those who faced the largest losses. Second, although the law requires producer-paid premiums to be netted out for all producers, USDA's new ERP only nets out such premiums for "underserved" farmers. The organization says the progressive aspect of the payments is no more than a "backdoor pay limit" that violates both Congressional intent and the letter of the law. They point out that structuring payments this way will cause immense harm to full-time farm families now and in the future. →

- **Overall, the ERP program will not** offer much benefit to very many farmers, according to American Farm Bureau economist Daniel Munch. "Instead of two "phases," ERP 2022 will have two "tracks." These tracks largely parallel the phases from ERP 2020/21 in terms of how applications will be handled and processed. Track 1 focuses on streamlining payments to producers whose crop insurance and NAP data are already on file. Track 2 focuses on filling payment gaps to cover producers who did not participate or received payments through existing programs or with other special cases. Under Track 1, eligible crops include all crops for which federal crop insurance or NAP coverage was available and a crop insurance indemnity or NAP payment was received, except for crops intended for grazing. Track 2 will provide payments for eligible crop and tree losses through a revenue-based approach using data provided by eligible producers on application forms. Producers with losses that are eligible for Track 1 may apply for Track 1, Track 2 or both tracks; however, the Track 2 payment calculation will take into account any payments the producer receives under Track 1 to ensure a producer is not receiving duplicate benefits under both tracks. Both tracks cover the same eligible crops." Downward adjustments are made to the (Track 1) base calculation for those who had crop insurance. Any base calculation over $10,000 multiplied by 10%, is adjusted down by 90%. Munch says, "In other words, the calculated loss a farmer faces is being massively devalued." In Track 2, "Non-underserved producers would experience a decrease in assistance of 85% under this new methodology and underserved producers a decrease of 72% from ERP 2020/21. This seems to imply operations with more revenue (not to be confused with profit) are less susceptible to the impact of natural disasters, a confusing and misguided implication."

ERP Factor Table

Crop Insurance Level	ERP Factor
Catastrophic coverage	75%
More than catastrophic coverage but less than 55%	80%
At least 55% but less than 60%	82.5%
At least 60% but less than 65%	85%
At least 65% but less than 70%	87.5%
At least 70% but less than 75%	90%
At least 75% but less than 80%	92.5%
At least 80%	95%
NAP Coverage Level	**ERP Factor**
Catastrophic coverage	75%
50%	80%
55%	85%
60%	90%
65%	95%

Farm Bill Issues and Battles--

- **Farm Bill progress? No. Farm Bill consensus? Yes.** Sunday morning, the 4 tops of the House and Senate Agriculture Committees issued a joint statement that borders on some disappointment but provides some certainty in the wake of the House chaos. Regarding a Farm Bill extension they said, "As negotiations on funding the government progress, we were able to come together to avoid a lapse in funding for critical agricultural programs and provide certainty to producers. This extension is in no way a substitute for passing a 5-year Farm Bill and we remain committed to working together to get it done next year."
- **Some of the GOP priorities** for the Farm Bill were revealed in a conversation between Speaker Mike Johnson and Ag Committee Chairman Glenn Thompson. Thompson said Johnson had committed December floor time to the Farm Bill — and gave The Hill a preview of what such a bill might look like. In brief, the proposal he laid out aims to increase subsidies for a few select crops — peanuts, cotton and rice — which are the only commodities that won't get automatic price increases under the prior 2018 Farm Bill. To pay for this increase, Republican supporters of those programs want to cut food aid and take money from $20 billion previously allocated to conservation payments backed by Democrats, environmental groups and a wide array of farm groups. Thompson argues this move is necessary because "at least two of those commodities are really upside down right now," or facing expenses above the market prices of their products — an apparent allusion to cotton and peanuts. To get more money to farmers growing those crops, Thompson proposed increases to an obscure farm welfare program, the Agricultural Risk Coverage/Price Loss Coverage (ARC/PLC) Program, which is intended to insulate farmers against sudden crashes in market prices for their crops. But critics say the proposed increases to the ARC/PLC will direct money only to a few thousand of the nation's biggest farmers at the expense of programs that benefit all of them. If the two chambers can't pass either a bill or a stopgap funding measure by year's end, then funds for the crucial bill — the underpinning of food aid for 40 mil. people, crop insurance for millions and a staggering array of programs collectively known as the farm safety net — will run out. The new Speaker has committed to passing the House's farm bill by the end of the year. But doing so will require a stark choice. On the one hand, Republican leaders can compromise with House Democrats to pass a bipartisan Farm Bill — a path that risks a far-right uprising like the one that toppled Johnson's predecessor, former Speaker Kevin McCarthy, R-CA, in September. Then there is the second option: pass a bill with only Republican support, which brings the risk that a small portion of his coalition takes the bill hostage to pursue their own ideological interests — like the way the Freedom Caucus derailed the first vote on the 2018 U.S. Farm Bill over immigration, and the Tea Party crashed the 2013 vote with its attempt to cut food aid. Democrats in both bodies have shown little patience for Republican attempts to cut either food aid — the Supplemental Nutritional Assistance Program, or SNAP — or conservation funds, which were included in the Inflation Reduction Act (IRA), the party's signature climate legislation.

- **Sen. Chuck Grassley, R-IA,** expected an announcement that House and Senate Ag leaders will seek a 1-year Farm Bill extension, though Grassley admits even 1-year might not be enough.  Grassley says, "But next year's an election year, making it even harder to negotiate such intractable issues as SNAP limits that collapsed Farm Bill talks this year. Yeah, I think it's always tougher in an election year than not, but I don't know whether it's over the subjects you are saying are in debate now, it's just generally, more difficult to get legislation passed in an election year." And if not next year, when? "If it isn't done by the last of July, you're going to have another 1-year extension, I would guess." Grassley accurately predicted in September, the coming 1-year extension. As for the notion of an irreconcilable split in the rural-urban farm and food coalition that historically provides enough Farm Bill votes, "I don't have any evidence of fracturing, yet." Grassley concludes any Farm Bill extension will likely be "clean," without controversial riders—as will any government funding extension to avoid a shutdown Nov. 17. Grassley predicts if House-Senate talks get right down to the midnight deadline on the 17th, negotiators will reach a deal to prevent a shutdown.
- **Rep. David Scott, D-GA,** the ranking member of the House Agriculture Committee, called on colleagues to extend the 2018 Farm Bill by 1 year. He made the call to offer certainty and support to farmers, ranchers, and foresters as "extremism" in the House Republican conference continues hobbling legislative efforts. 

"While we continue the bipartisan effort on the House Ag Committee to craft a new Farm Bill, the extremism and cynicism that's taken hold of the House Republican Conference makes reauthorizing the Farm Bill by the end of this year unlikely," Scott says. "Therefore, I'm calling on colleagues to support a 1-year extension." Scott calls it the responsible thing to do. It would allow U.S. farmers to operate with an element of certainty while they continue working on a new 5-year Farm Bill. "Ag Committee Democrats remain committed to passing a bipartisan Farm Bill as quickly as possible," he adds.

Farm and Family—

- **How old or skilled** does a youth have to be to work on your farm? There are many benefits to adolescents working in agriculture, but there also are risks, especially when youth are assigned jobs beyond their capabilities. Since 2009, more youth have died working in agriculture than in all other industries combined, says the National Children's Center for Rural and Agricultural Health and Safety. The organization has published 2 booklets for employers of young people for agricultural jobs. The just-published Hired Agricultural Youth Work Guidelines (HAYWG) are designed to help farm employers and supervisors of hired youth reduce the risk of injury for young workers. Adults can use this resource in tandem with the Agricultural Youth Work Guidelines (AYWG), which help them assign age- and ability-appropriate tasks to youth.

✓ **If farming has a future,** who will be farming and how will they get there? That was the challenge for the Taylorville FFA Chapter, and their creation of a mentorship program gave them the National FFA Premier Chapter award for strengthening agriculture. The #MyMentor program was developed through collaboration with the chapter, alumni and community members to connect students with support and knowledge of a strong agricultural community. "We're very fortunate to have those agricultural leaders and those people that are very knowledgeable about the industry, and so there's an abundance of those people to help and we found strength in our community, and we deployed that strength to have this program," Drew Mickey, Taylorville FFA co-president. The program has connected 137 students with 36 industry leaders and volunteers.