



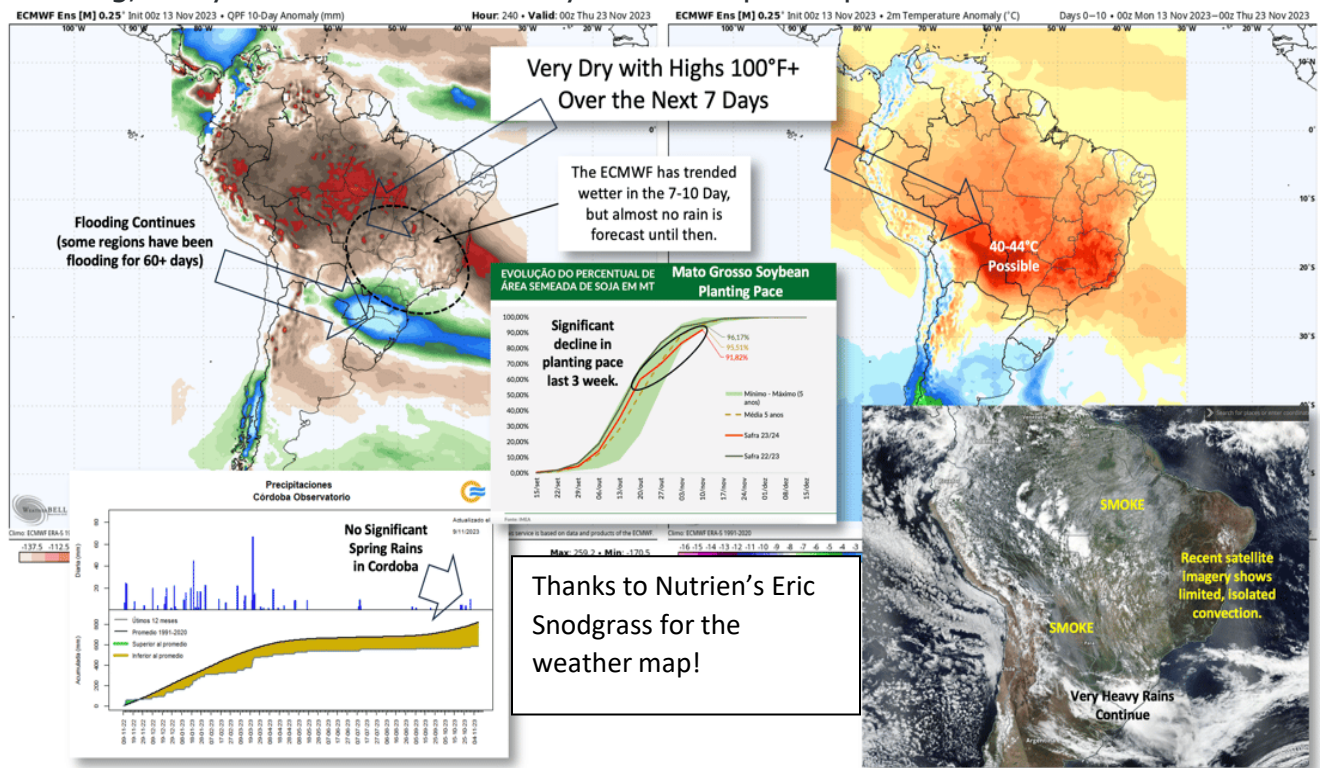
WEEKLY CORNBELT UPDATE

PRESENTED BY
 LANAGAN State Bank

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

Commodity market price drivers—

- The last 3 years US soybean exports** have ranged from 2 to 2.25 bil. bu. But for the 2023-24 soybean marketing year, US soybean exports are expected to be 1.75 bil. bu. That is the result of USDA's expectations for a large, and readily exportable soybean crop from South America. With US production being relatively steady, the bushels of soybeans lost to the export market will be channeled into carryover storage. Currently, the grain bin door has been shut, but not locked. There is still an opportunity for the global market to bid for soybeans that are not available from Brazil or other South American soybean producing nations. That is the result of El Nino creating widespread havoc with soybean fields. Brazil is not having such a good soybean production season. Heavy rains have saturated soybean crops in Parana and Rio Grande du Sol in the southern tip of that nation. And Mato Grosso has only had sporadic rain for the first 2 months of its growing season. Brazilian crop estimates are already declining, and your beans in the bin may be called upon to pinch hit.



- **So, with that weather information,** what is happening on the ground in Brazil? Hot and dry conditions across much of central Brazil are delaying soybean planting, slowing crop development and resulting in acres that need to be replanted. Even if the weather cooperated for the remainder of the growing season, the late-planted soybeans run the risk of lower yields. As a result, [South American crop consultant Dr. Michael Cordonnier](#) cut his Brazilian soybean crop by 73 mil. bu. to 5.80 bil. bu. Cordonnier also cut his Brazilian corn crop

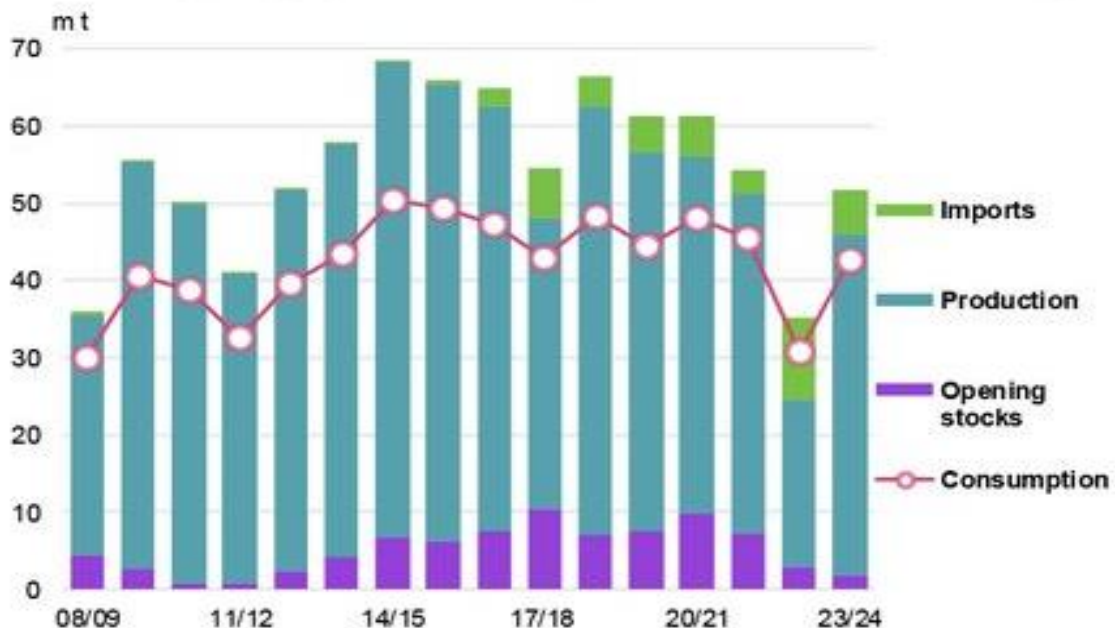


estimate 78 mil. bu. to 4.76 bil., noting “universal agreement in Brazil that farmers will either reduce their safrinha corn acreage or plant their corn with the minimal inputs possible.” Earlier this week, AgRural cut its 2023-24 Brazilian soybean crop forecast by 40 mil. bu. to 6 bil. bu. The Brazil-based consultancy warned it could make additional cuts to the forecast this month if weather doesn’t improve, as other areas of the country are also experiencing unfavorable conditions. Besides the erratic weather,

there is a need for some replanting of soybeans.

- **Global soybean consumption** in 2023/24 is forecast to rise to a peak, including a substantial rebound in processing in Argentina, says the International Grains Council. IGC says Argentina, which is typically the world’s top exporter of soy meal and oil, is expected to see its soybean crop recover year over year, after the drought cut its crop in half in the last growing season.

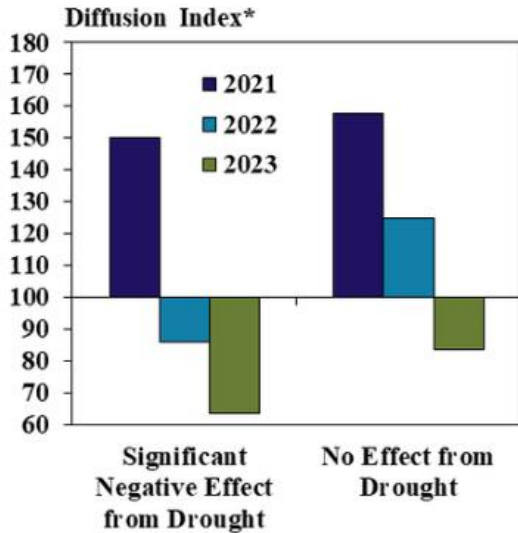
Soyabeans: Summary of supply and demand in Argentina – f’cast as at 16 November (GMR 549)



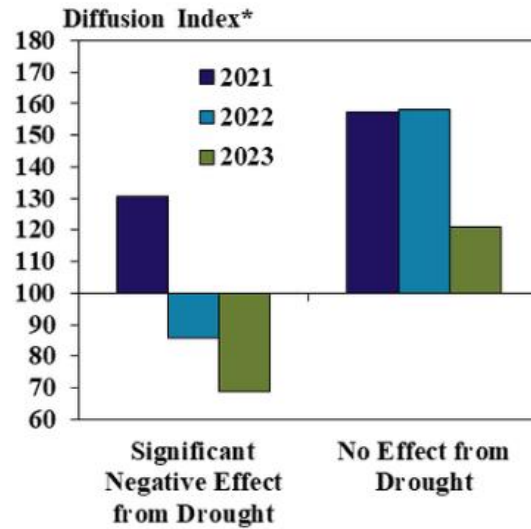
Ag Economy—

- Agricultural credit conditions** in the [Kansas City Fed’s Tenth District](#) softened during the third quarter of 2023. Farm income and loan repayment rates were lower than a year ago for the second straight quarter. The moderation was more pronounced in areas hit hardest by drought, but more tempered in areas most concentrated in cattle production. Conditions have weakened slightly following 2 years of significant improvement that continued to support loan performance.

Farm Income

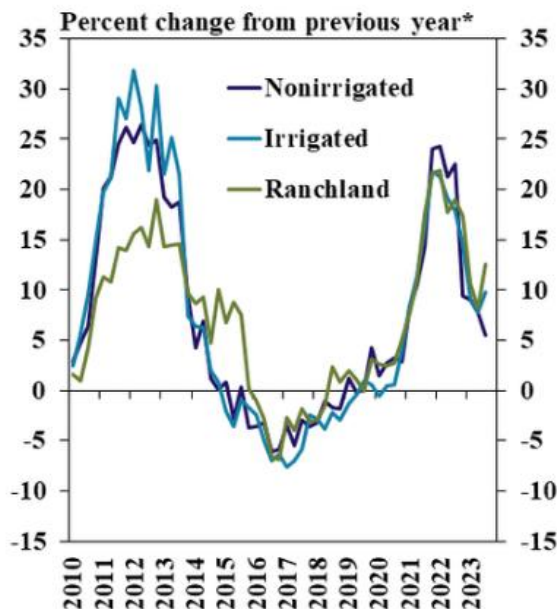


Farm Borrower Liquidity

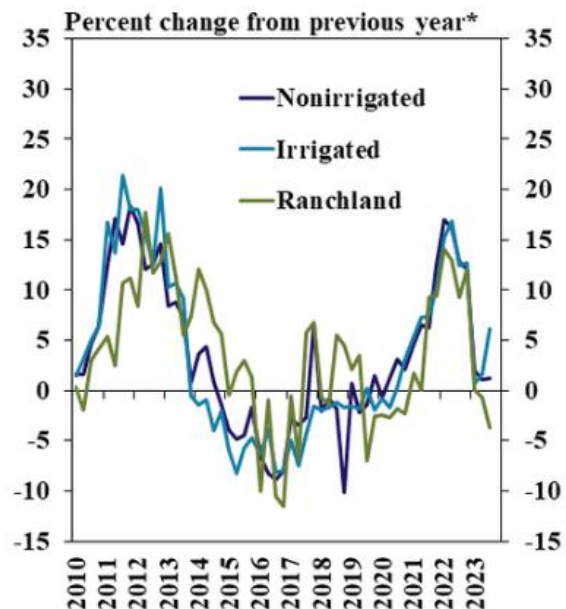


- Despite softening farm finances and substantially higher interest rates, agricultural real estate values in the region remained firm. →

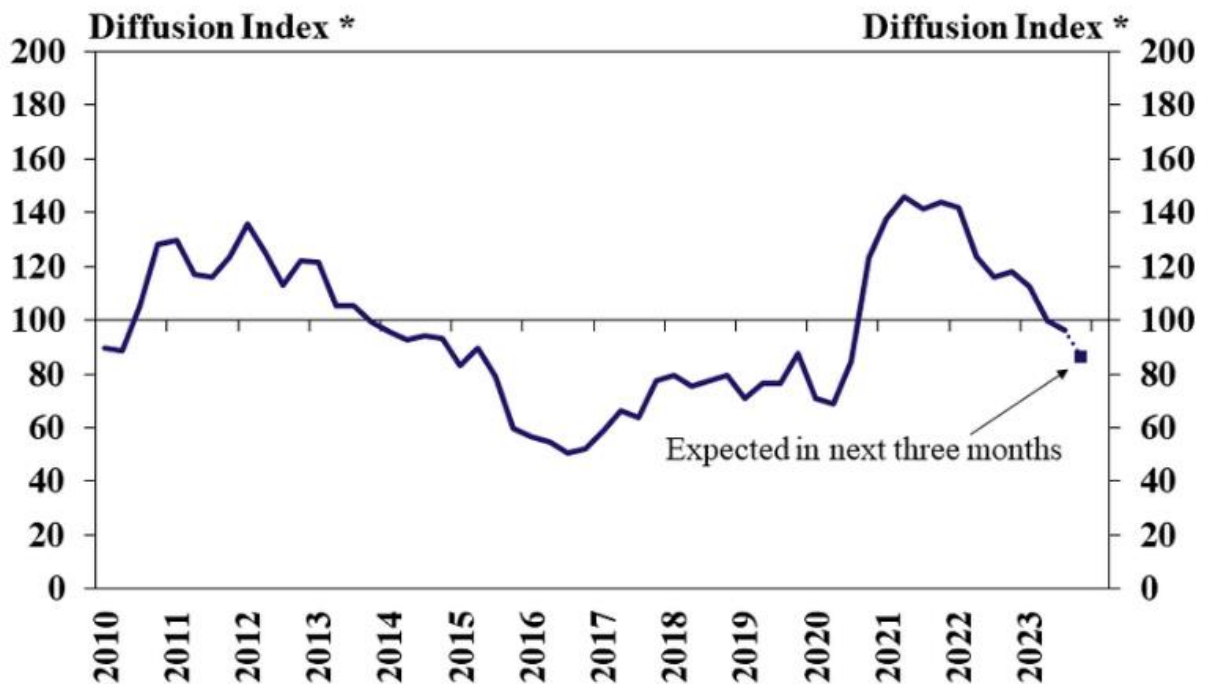
Farmland Values



Cash Rents



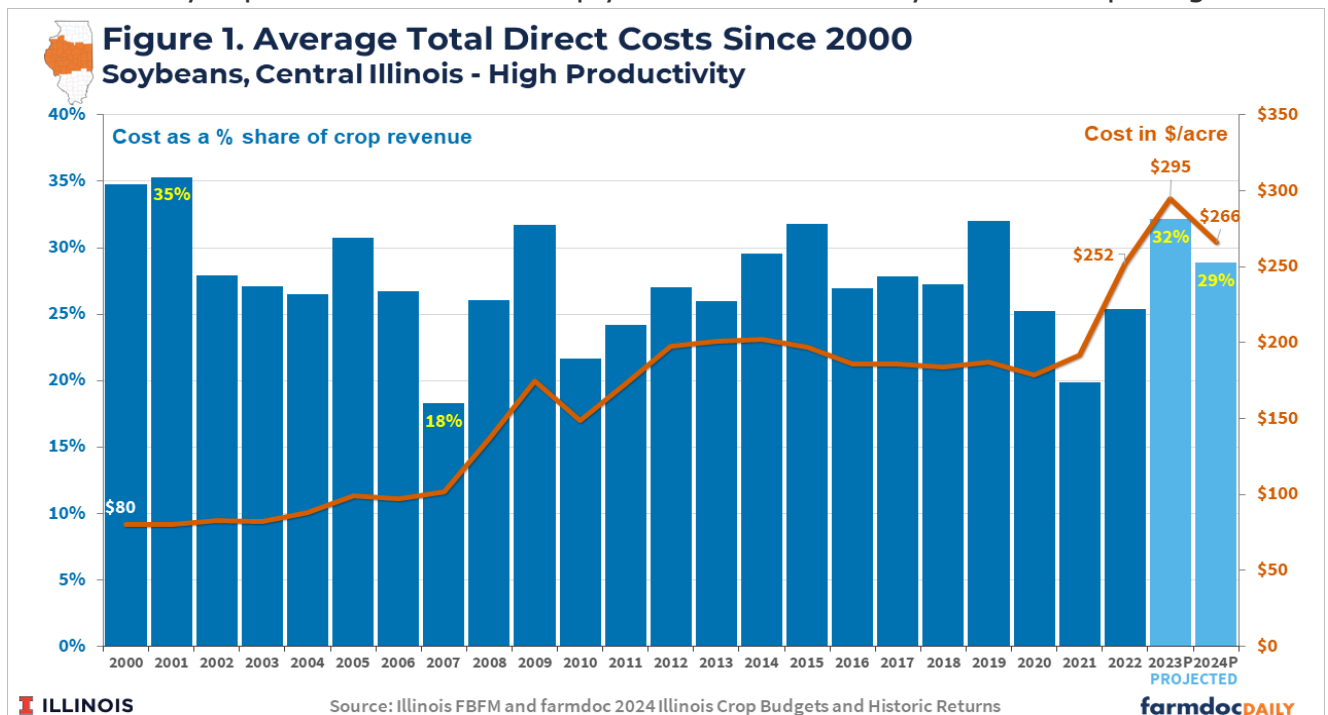
- **The ag economy has softened** in recent quarters alongside a moderation in commodity prices. Together with elevated production costs, a drop in the price of many key products during the past year has likely reduced farm income in 2023. Despite softening incomes with high-interest costs, ag loan performance has remained solid with ongoing support from strong finances during the past 2 years.



- **Another sign of trouble** is on the borrowing front for farmers and others. Moody's last week lowered its outlook to negative from stable on U.S. debt, raising the specter of even higher borrowing costs. Political polarization is again threatening the nation's credit rating, as Moody's raised doubt about Congress' ability to tackle long-term debt amid another shutdown cliff at midnight Friday. Soaring borrowing costs are compounding longstanding inflation on the farm for fuel, fertilizer, seed, chemicals, and labor. American Soybean Association President Daryl Cates testified at a House Farm Bill hearing, "Rising interest rates, especially for a beginning farmer, are going to be huge. Just my operating loan from Farm Credit, now, has jumped to 8¼%." National Sorghum Producers Chair Craig Meeker says survival on the farm may come down to the cost of borrowing, "As we see rising interest rates, it's going to be the ones that have the financial stability and ability who will be able to continue to farm, not the ones that have to use lending as an option." Meantime, House Speaker Mike Johnson's short-term plan to keep the government funded includes an extension of the Farm Bill through next September. The four leaders of the House and Senate Ag Committees released a statement that they agreed on the extension but that it's "in no way a substitute for a 5-year Farm Bill" that they're committed to finishing next year.

Farm Management and Budgeting—

- Since 2000**, the direct costs associated with soybean production in central Illinois have increased at an average annual rate of 5.4%. The costs associated with primary inputs (seed, fertilizers, and pesticides) have grown at average annual rates slightly above the total direct cost average, [IL Farmdoc ag economists](#) report, “Direct costs include the cost of production inputs such as fertilizers, seeds, and pesticides (herbicides, insecticides, fungicides) may decline slightly in 2024. Total direct costs for soybean production in central Illinois have increased over time from \$80 per acre in 2000 to \$252 in 2022 (see graph below), which implies an average annualized growth rate of 5.4% between 2000 and 2022. Direct costs for the 2023 crop year are projected at a record level of \$295 per acre, with a decline to \$266 per acre currently expected for the 2024 crop year based on recently released crop budgets.



The direct costs of soybean production in IL have increased at an average rate of 5.4% per year since 2000. Total direct costs are projected to decline slightly from record levels in 2023 for the 2024 crop year but remain at historically elevated levels as a share of expected soybean revenues. The decline in total direct costs is due mainly to projected decreases in fertilizer and pesticide costs on soybean acres from 2023 to 2024. Seed costs are projected at their highest dollar per acre levels since 2000 for both 2023 and 2024. Changes in direct costs for soybeans, as with corn production, have generally followed changes in revenues and returns to crop production. However, costs typically adjust to higher and lower returns with a one to two-year lag. Lower corn and soybean prices projected for the 2023 and 2024 crop years may slow some of the larger cost increases associated with the high returns for the 2020 to 2022 crop years, but a return to the lower income and return levels experienced over the 2014 to 2019 period is expected.

- **Are you finishing up 2023 bookwork**, or have you begun work on your taxes? [Brad Zwilling of Farm Business Farm Management](#) says, "Before tax planning, make sure to evaluate or establish your goals (short and long term) for the operation. These goals are important to establish strategic tax planning. In addition, always keep in mind tax law changes that might have an impact." And Zwilling says depending on production and income the past 2 years, you may want to increase your taxable income; or you may want to decrease your taxable income.

✓ **For increasing taxable income:**

1. Sell grain and livestock in 2023 rather than holding them over to next year.
2. If you have any deferred payment contracts for grain or livestock, you can elect to count that as income on your 2023 income even though the proceeds will not be collected until 2024.
3. Consider initiating a Commodity Credit Corporation (CCC) loan prior to the end of year and then electing to report CCC loans as income.
4. Consider delaying the payment of expenses you might typically pay in the fall – seed, fertilizer, lime, fuel. The first choice should be to delay payments of expenses with no cash discount or minimal finance charges.
5. Consider depreciating limestone and heavy applications of fertilizer instead of deducting them in the current year.
6. Be sure to collect all custom work fees, rents, and other amounts due to you prior to the end of the year.
7. If you have off-farm investments, consider selling investments that have a gain.

✓ **For decreasing taxable income:**

1. Sell grain and livestock in 2023 rather than holding them over to next year.
2. If you have any deferred payment contracts for grain or livestock, you can elect to count that as income on your 2023 income even though the proceeds will not be collected until 2024.
3. Consider initiating a Commodity Credit Corporation (CCC) loan prior to the end of year and then electing to report CCC loans as income.
4. Consider delaying the payment of expenses you might typically pay in the fall – seed, fertilizer, lime, fuel. The first choice should be to delay payments of expenses with no cash discount or minimal finance charges.
5. Consider depreciating limestone and heavy applications of fertilizer instead of deducting them in the current year.
6. Be sure to collect all custom work fees, rents, and other amounts due to you prior to the end of the year.
7. If you have off-farm investments, consider selling investments that have a gain.

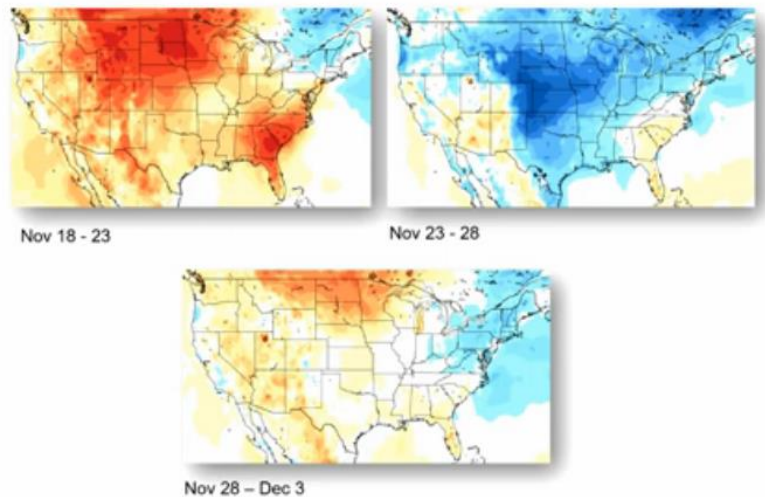
Before beginning income tax planning, make sure to have complete and accurate records. Then look at the current inventory to estimate what next year's income tax liability might be. Make sure to understand or ask what happens to various deductions and credits as income rises or lowers to set goals for tax planning. Also, consult your tax preparer on various tax law changes that will impact you.

Weather—

- **Temperatures will vary widely**

for the last half of November, according to [Blue Water Outlook](#). For the current week, the upper third of the nation will have temperatures significantly above normal, with more typical temperatures in the central Cornbelt. From Thanksgiving, through next weekend, the warm temperatures will cool off as a cold front moves through, leaving much of the nation with readings much cooler than normal. Next week, temperatures will moderate to seasonable expectations.

Temperature



- **Soil moisture is in short supply** in many areas of the Cornbelt, but farmers should not look for it to be resupplied this winter. That was the message from Drew Lerner, President of World Weather, Inc. to farm broadcasters last week in Kansas City. And while the weather is in transition from La Nina to El Nino, the problem has not been solved. Lerner says with soil moisture levels quite low it will take time to recharge, and there may not be sufficient soil moisture for spring crops, as [he says in this short video](#). He said 2024 will be the tail end of a trio of years that came up short in that category, a function of a departing La Nina overlapping



part of the current solar cycle. Lerner expects much better opportunities for beneficial precipitation in 2025. Brazil is also struggling says Lerner, which has no moisture flow across growing areas which is seen as abnormal weather as El Nino begins. And he adds that makes difficult

decisions for farmers regarding planting schedules for the safrinha corn crop. The undependable weather is the result of the Hunga Tonga volcano that erupted in the South Pacific some 2,000 miles east of Australia. He said it pumped an immeasurable amount of water vapor into the atmosphere, shrouding the Earth, that it has impacted generally predictable weather.

Farm Bill Issues and Battles--

- **The Senate passed**, with an 87 to 11 vote, the House GOP-led stopgap funding that extends the 2018 Farm Bill through September of 2024, but has 2 early 2024 deadlines for annual spending bills—again threatening government shutdowns. But for now, the funding/Farm Bill ‘band-aid’ buys time. Will that be enough time for diverging political priorities to agree? A trio of those close to the process have their doubts. [On this short video](#) you will enjoy the observations of Pat Westhoff, Univ. of Missouri-FAPRI, Jonathan Coppess, Univ of IL policy specialist, and former Congressman Collin Peterson, a prior chairman of the House Ag Committee.

- **On Capitol Hill**, Senate Ag ranking member John Boozman, R-AR, (right) said “It’s more important than ever to pass a Farm Bill that reflects the needs and challenges of today and gives certainty to those producing the food and fiber that feeds and clothes the world. We owe it to them to get this Farm



Bill and get it done right.” But Sen. Joni Ernst, R-IA, (left) complained a



Farm Bill should have been done before the old one expired in September and needed to be extended, “The lack of urgency and progress on this once-every-5-year piece of legislation has been a real disservice to rural America. And I hope that we can see more ‘farm’ in the

Farm Bill as we move forward and that we can get it done early this next year.” Fixed funding has pitted farm against feeding programs like SNAP, with no clarity yet on how that gets resolved, nor where the Farm Bill will fit into an even more complicated calendar in 2024. But the temporary bill now goes to the president, who’s expected to sign it.

- **Agriculture committee leaders from the House and Senate** reached an agreement on a 1-year Farm Bill extension. Good news, according to Sen. Chuck Grassley, R-IA, also a member of the Senate Agriculture Committee. A House Republican proposal would fund USDA operations through January. It has a 32-page continuing resolution including 17 pages on a 1-year Farm Bill extension. It was approved by the House, Senate, and White House. But even with a full year extension, Grassley plans to push for work on the Farm Bill to get done in early spring. The last couple of decades have seen more extensions in the Farm Bill. At a recent Farm Foundation Forum, IL Farmdoc policy specialist Jonathan Coppess says Farm Bills passing at originally intended dates are rare. While leaders from both House and Senate ag committees claim the extension is not a substitute for a full Farm Bill, the extensions and continuing resolutions of late appear to be normalized. After 18 months of Farm Bill work ending in an extension, Grassley says it’s not talked about at his town hall meetings in IA.

- **The Farm Bill** will have to compete for floor time and a packed calendar of election year primaries next year. Sen. Chuck Grassley, R-IA, (right) "It'd be my goal to push to get it done, and I would hope every member of the Senate and House Ag committees would get it done because if it doesn't get done early in the year, it's not going to be done. Another extension must occur if we don't get it done early next year." The just-enacted extension continues authorizations for most farm programs, though the National Cattlemen's Beef Association says Livestock Mandatory Reporting again runs out on January 19th which is the next shutdown deadline.



- **The question is when the new Farm Bill** will finally be in place. Jim Wiesemeyer, a political analyst for Pro Farmer, expects, "Later rather than sooner. That's why I never put a year on a Farm Bill, and I've covered 11 of the 19 in our history, by the way. The reasons are similar to what we've had for the last few months, funding. They're trying to find more funding. I think, eventually, they will, but maybe not the dollar amount they want to improve Title One, which is the safety net program. But now, we also have a timing issue." While the timeline is what he calls "murky," Wiesemeyer says don't be quick to rule out a new Farm Bill in 2024, "The most important fact for your audience is that doesn't rule out a new Farm Bill next year, but it looks like it would start with 2025 crops. Why? That gives USDA time to write the implementation language for a glut of regulations, etc." He offers some words of advice to people anxiously waiting for a new Farm Bill, "This too shall pass. I always want to tell lawmakers you eventually come to an agreement. Why does it take so long? Get in a room. They ought to bolt it because they're smart people and even smarter staff, by the way, and they can come to an agreement. For the farmers, I would say there'll be peaks and valleys, as they know, in the crop and livestock prices."
- **A continuing resolution (CR)** to fund the government accompanied the 1-year extension of the current Farm Bill as it passed both the House and Senate. Ethan Lane, vice president of public policy with the National Cattlemen's Beef Association, says the 1-year extension is very important, "It is, and it's what we understood needed to and was going to happen, but seeing it included in this CR that was passed out of the House of Representatives is an important step in the right direction. It gives everybody that breathing room we've been talking about to get clear of some of the political follies we're seeing on Capitol Hill right now." Lane says it's very difficult to pass bills in Washington D.C. that contain a lot of spending, "It's really difficult to move a trillion-dollar farm and nutrition package in this environment, and this is going to give them a little more space to get their work done, a little more space for the committees to negotiate, and probably a better window to work on this finished product."

And finally, this—

- **For years**, the economists at the American Farm Bureau have tallied the consumer cost of a Thanksgiving meal, including all the fixin's. The effort annually shows the reasonable cost of a large, family meal with a diversity of food, probably without much forethought about the origin of the food. For 2023. [Economist Veronica Nigh](#) says the typical year to year menu is 5% less expensive than it was last year. "Thanksgiving dinner is up about 25% relative to 2019, the last year where things were relatively normal in U.S. food production. But directionally, things are looking up." Nigh says the national average cost of this year's Thanksgiving Day dinner is \$61.17. Thanksgiving usually centers around turkey, and Nigh says that's where the drop in prices begins, "This year, turkey prices were down almost 6% compared to last year." [Her colleague Betty Resnick](#) dug deeper into the economics, reporting, "The average U.S. consumer spends only 6.7% of their disposable income on food – the lowest of 104 countries measured by the USDA in 2022 and 20% lower than the next nearest country, Singapore. Part of the reason food prices in the United States remain comparatively low is the presence of effective risk management and safety net programs that help stabilize agriculture markets and revenues farmers receive in an inherently uncertain and volatile industry." Regarding leftovers, [A Harris Poll survey](#) discovered more than 94% of the respondents later dine on a Thanksgiving leftover sandwich. Staples like gravy (42%), ham (41%), and stuffing (39%) trailed turkey (81%) as the most popular items that belong on a Thanksgiving leftover sandwich. Pumpkin pie-filled sandwiches were a must-have ingredient in a leftover sandwich for 11% of the respondents. Americans also love adding hot dish leftovers into their post-Thanksgiving sandwiches, with Mac and Cheese (21%), Green Bean Casserole (14%), corn casserole (10%), and broccoli casserole (9%) reported by survey participants. White bread (20%) was the bread winner for sandwiches.

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.