



WEEKLY CORNBELT UPDATE

PRESENTED BY
 LANAGAN State Bank

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

Commodity market price drivers—

- **South American Update.** A look at some of the news impacting US grain markets.
 - ✓ **Despite numerous reports** about lack of rain, Brazil is still expecting another record soybean crop. [AgroConsult](#) estimated the crop at 5.937 bil. bu. despite weather issues that are seen keeping overall production below its potential. "According to Agroconsult, adverse weather with irregular rainfall in center-northern Brazil is set to cap this season's crop by 280 mil. bu., with most of the losses registered in top grain producing state Mato Grosso. Even so, output will be larger than the 5.867 mil. bu. seen in the previous cycle, Agroconsult said, as the planted area is forecast to grow 2.9% to 109.7 mil. acres and yields set to improve in Rio Grande do Sul, Brazil's southernmost state."
 - ✓ **Argentina's grains trade** is largely "paralyzed" by a lack of soybeans due to drought and farmers holding onto their stocks, anticipating a devaluation of the peso under President-elect Javier Milei. The [head of Argentina's grain exporter trade group](#) says, "Today the grains trade is paralyzed by the grain shortage, the worst in 60 years, and by an expectation after Milei's victory that there will soon be an adjustment to the official exchange rate." While the government has rolled out exchange rate sweeteners for farmers, giving them a better rate, many producers are waiting to see what Milei does when he takes office. Grain ports are 75% idled, and soybean crushers are 73% idled. The trade group chief said, "Milei's government has the greatest export focus in history, an aggressive export policy. For that they must first eliminate all restrictions on day one."
 - ✓ **Argentina's new president** may have a hard time [implementing his economic promises](#). The alt-right politician with little political experience promised to transform the morbid Argentine economy by slashing spending, slashing taxes, adopting the U.S. dollar as the country currency, closing the central bank, slashing regulations, privatizing state industries, reduce federal ministries from 18 to 8, and generally "turning everything upside down." His party only holds 7 of the 72 seats in the Senate and 38 of the 257 seats in the House. →

- ✓ **If Argentina's President-elect Javier Milei** drops the peso, more soymeal could flood the market. Bloomberg reports futures of soybean meal jostled between gains and losses in trading as the market began to digest the ways Argentina's farm economy might change under President-elect [Milei](#). Prices for the key ingredient in chicken and pork feed initially slumped as much as 2.6% after voters chose the Libertarian who pledged to ditch the peso for the US dollar, a move that could encourage more farmers to sell. Futures then reversed course, rising as much as 1.2% as traders refocused on current tightness instead of any future supply bump that wouldn't begin until the new harvest season anyways. "Farmers should be more active selling soybeans once Milei implements some campaign promises," said Thiago Milani, head of trading and origination for 3Tentos, an agribusiness company in Brazil. "Argentina for sure will be an important meal player in the global market, but most likely after May of next year." If such a policy were implemented, Argentina's farmers "will sell a chunk of new-crop soybeans forward starting day one of the Milei era," said Charlie Sernatinger, head of global grains at Marex Capital Markets.
- **The U.S. Grains Council** released its second annual Corn Origins Report, which explores the performance of U.S. corn against corn from other countries in poultry diets. U.S., Argentinian, and Brazilian corn samples were collected from an international feed company in Colombia for use in the study. The [study](#) found that birds fed diets with U.S. corn consumed less feed throughout the entire grow-out phase compared to those fed Argentinian or Brazilian corn. The lower feed conversion rates in the poultry fed U.S. corn translated into significant long-term cost savings. Depending upon the number of poultry produced, the savings could be very large. The study was done to address customer concerns about the fragility of U.S. corn and the breakage occurring during the export process. "We found that U.S. corn, despite its fragility, outperforms other origins in terms of digestible starch," says Kurt Schultz, senior director of Global Strategies for USGC. Study details: "That study involved feeding broilers diets with corn from 3 origins procured at a feed miller's warehouse in Colombia. The corn originated from the United States (U.S.), Argentina (ARG), and Brazil (BRA), was exported to Colombia, re-imported to the United States, ground at the Northern Crops Institute, and sent to Auburn University to run trials to assess growth performance, carcass traits, and nutrient digestibility."

With a lower feed conversion rate of 1.376, the use of U.S. corn is expected to result in cost savings of around:

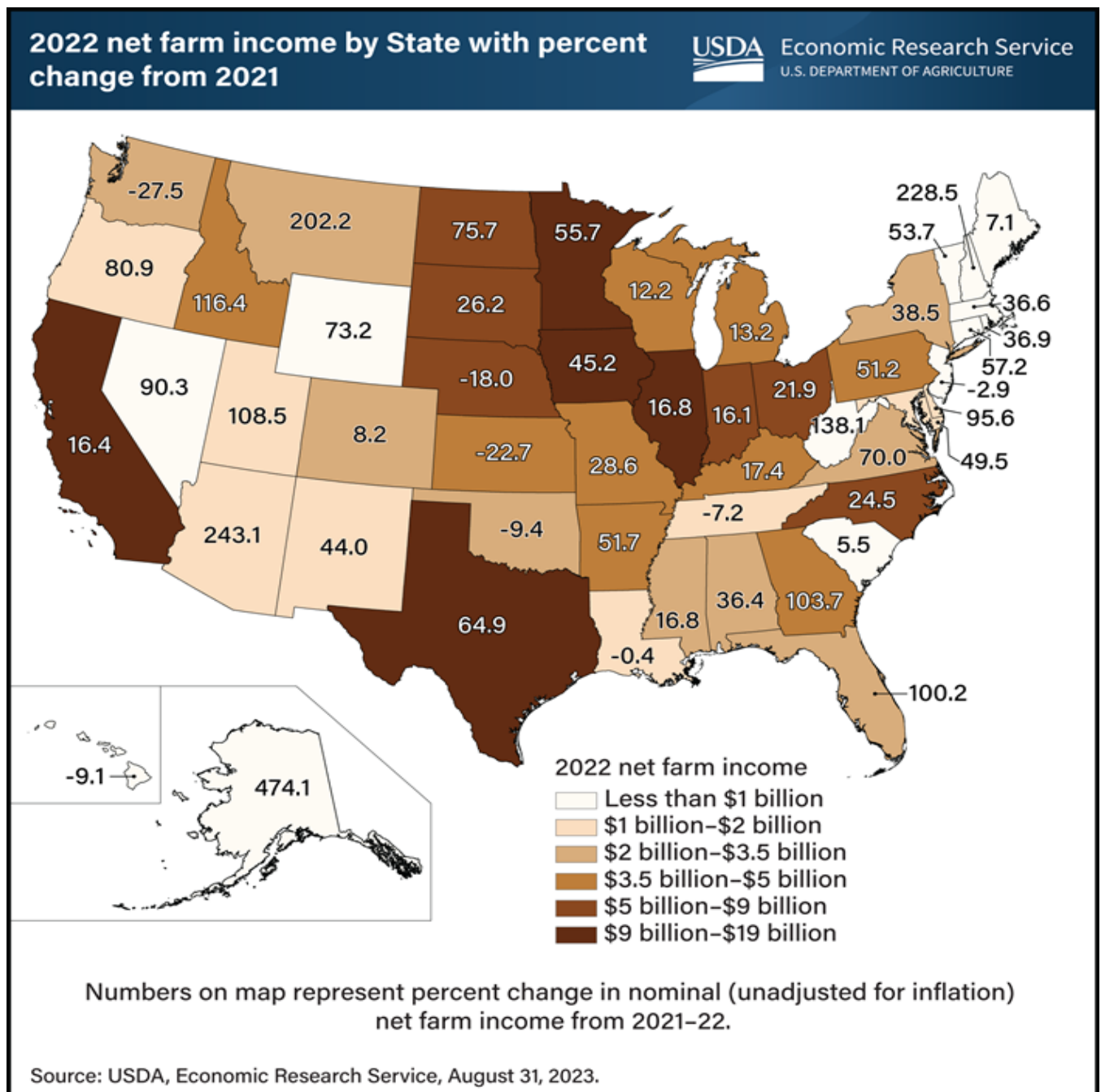
\$199,109 per year over Argentinian corn for a poultry farm introducing 1,200,000 chicks on a weekly basis.

\$132,441 per year over Brazilian corn for a poultry farm introducing 1,200,000 chicks on a weekly basis.

- **“Carbon intensity,”** is a term being bandied about frequently that means a score which will determine whether your corn will/won’t earn a premium from a processing plant or ethanol refiner. But how is that measured? A key pilot program will be launched with sustainable fuel and grain processing plants in ND during 2024. “The goal is to remove administrative burden and paperwork while enabling an alignment of feedstock production and carbon program requirements,” says [Brant Flint, Business Development at Bushel](#). Carbon intensity is defined in federal regulations in the Inflation Reduction Act, and given per bushel, not per acre.
- **Definition of “irony.”** China had long rejected genetically modified US corn and soybeans entering its ports for livestock feed. But now, a Chinese company has created genetically modified seed for herbicide tolerant soybeans, and just received authority from the Brazilian government that the [Chinese seed can be planted in Brazil](#) after a safety evaluation. The seed beans can tolerate both glyphosate and glufosinate, helping Brazilian farmers with their weed control issues. Argentina had approved the Chinese genetics for insect resistance last year.
- **China continues purchases of shiploads of Brazilian soybeans.** Reuters’ commodity analyst Karen Braun says, China imported significantly more bulk commodities this October versus last October with the exception of wheat. But year to date wheat and barley imports are well above year-ago levels, while corn and pork are slightly below. Year to date soybean imports is record high at 3.08 bil. bu.
- **Why is the corn market being so grumpy?** Apparently, it sat in a patch of cockleburs!
 - ✦ **USDA’s Nov. WASDE** began the pain when 2023 production was raised 1% to 15.2 bil. bu., up 11% over last year. That was aggravated with ending stocks being pushed upward to 2.2 bil. bu., and 16% stocks-to-use ratio that meant plenty will be on hand regardless of demand.
 - ✦ **The International Grains Council** reported that its global corn price index had recently touched a 3-month low with a fall of 7% in October. “Losses were recorded at all key origins, but with particularly steep declines in Argentina,” the IGC said. US corn spot futures fell by 4% month-on-month, weighed by seasonal harvest pressure at times, occasionally tepid overseas buying interest and news of USDA’s record crop estimate, the IGC said.
 - ✦ **Gulf Export premiums** were softer on increased country movement and some moderation in barge freight markets. Fob prices eased by 33¢ month-on-month, to \$5.46 per bu. fob, and are now quoted at a discount to nearby Brazilian supplies.
 - ✦ **Mainly because of declines in CME futures,** spot values in Brazil eased by 10¢, to \$5.79 per bu. fob (Paranagua), the IGC said, but pointed out that “the downside was contained by overall stronger premiums, tied to complicated logistics and this season’s busy export program.”

Ag Economy—

- The U.S. saw growth of almost 31% in net farm income from 2021 through 2022.** NFI is a broad measure of farm sector profitability. Researchers with USDA's Economic Research Service used data from the Farm Income and Wealth Statistics to classify states into 6 categories of NFI changes. The 5 agricultural states with the highest NFI include TX, which had the highest NFI growth at 65% from 2021 to 2022, followed by MN at 55.7%. Growth in the remaining top 5 states, including CA, IA, and IL was also strong. Other states among the top 25 for average NFI had a wide range of NFI changes from 2021 to 2022. Many showed strong growth, such as ID at 116%, GA at 104%, FL at just over 100%, and ND at 76%. However, KS and WA NFI fell 23 and 28%, respectively.



USDA Programs—

- **USDA’s recently announced [Emergency Relief Program](#)**, designed to help farmers financially recover from 2022 weather issues, has not scored many points with the farm community. 140 farm and allied organizations have [written to Secretary Vilsack](#) expressing criticism with the structure and application of the assistance program. While the group expressed appreciation for the allocation of \$3.74 bil. in much needed ERP assistance to agricultural producers impacted by a wide range of natural disasters in 2022, the signatories said recent changes have raised concerns among farmers. “In the case of the progressive payment factor, we oppose a policy that delivers the least amount of benefit to those who have lost the most outside of the payment limits provided in statute,” the letter said. “While we appreciate the funding restraints under which ERP 2022 was developed, we believe that USDA should instead aim to provide more equitable support for losses of all magnitudes. This can be achieved by using a single, uniform factor, as USDA has done in the past.” Farmers interested in program benefits should consult their local FSA office.
- **USDA will invest \$196 mil.** to strengthen supply chains to expand supply chains, expand markets for agricultural producers, and lower food costs. Today’s [announcement](#) was made as part of the inaugural meeting of the new White House Council on Supply Chain Resilience which is part of the White House agenda to lower costs for American families and increase investment in America’s supply chains critical to economic and national security. Today’s funding builds on prior investments made by USDA expanding domestic, innovative fertilizer production. IL has a \$250,000 project located in Chicago-suburban Dundee, IL. This Rural Development investment will be used to provide working capital to All Grass Farms, LLC to help expand markets for their various farm-based meat and egg products. All Grass Farms raises grass-fed and/or pasture raised chickens, ducks, turkeys, cattle, hogs, and lambs. They sell the processed meat products as well as the chicken and duck eggs primarily through their on-farm store, which they estimate reaches customers within an approximate 15- mile radius of the farm. This project will allow the producer to offer delivery of their products to customers who live farther away through self-delivery and/or through utilization of FedEx shipping services. Their new target market will be limited to those customers located within the radius of FedEx’s 1 day shipping service, which covers all of IL and the majority of IA, WI, MI, and IN
- **USDA Deputy Secretary Xochitl Torres Small** announced that the agency is strengthening a longstanding partnership with the Small Business Administration. The goal is to create jobs and expand access to new and better market opportunities for people in rural America. “We’re redoubling our commitment to drive economic security and prosperity for people in rural America, so they can find opportunities to succeed right in the places they call home,” Torres Small says. “Strengthening our collaboration with the SBA helps us expand these opportunities for people to build brighter futures for generations to come.” The agencies are committing to increase investments in small and underserved communities to help grow the rural economy. They may also work together to provide joint trainings, technical assistance, and mentorship opportunities for rural small business owners and entrepreneurs.

Environment, Conservation, Climate and Carbon—

- **In another month**, the Environmental Protection Agency must make a major determination of what it plans to do with a proposal that will impact nearly every farmer and a majority of US farmland acreage. That proposal is known as the VSPP (Vulnerable Species Pilot Project) and is EPA's initial effort at regulating US agriculture to ensure endangered species of plants, insects, and animals are protected, along with their food supply, and their habitat. The EPA began with a proposal to protect 27 endangered species but has more than 900 others on a waiting list. Scott Gerlt, economist for the American Soybean Association, has issued an extensive analysis of how the EPA's pilot project will impact soybean growers, not to mention producers of every other agricultural commodity. [His analysis should be read by all farmers](#) to get a handle on what the EPA is proposing and how it will impact everyone's farm. He says, "EPA proposes to solve the situation through several ESA pilot projects and strategies, including the Vulnerable Species Pilot Program, aimed at making its system more efficient. Under this program, growers would undertake area-wide efforts, in particular species ranges, to achieve ESA compliance without waiting for individual pesticide evaluations. The agency proposes VSPP ranges based upon 27 endangered species. All the species are located within the continental United States. EPA has stated it has small ranges, and more species with larger ranges will be added after the pilot stage." EPA has created avoidance areas and mitigation areas for separate management by farmers.
 - ✓ **Avoidance:** No pesticide applications can take place in these areas unless "the applicator coordinates with the local Fish and Wildlife Service Ecological Services field offices to determine appropriate measures to ensure the proposed application is likely to have no more than minor effects on the species, no less than 90 days prior to the pesticide application.
 - ✓ **Mitigation:** the effective avoidance and effective mitigation areas would be separated by whether the land in the area contains habitat that fits the provided description. While effective mitigation areas do not have outright bans on pesticides without prior consent, farmers in those areas still face many barriers to continued pesticide use. Several mitigations must first be implemented. The first is spray drift minimization. The exact requirements vary by species and application method but generally involve spray buffers. The second mitigation is runoff/erosion minimization.

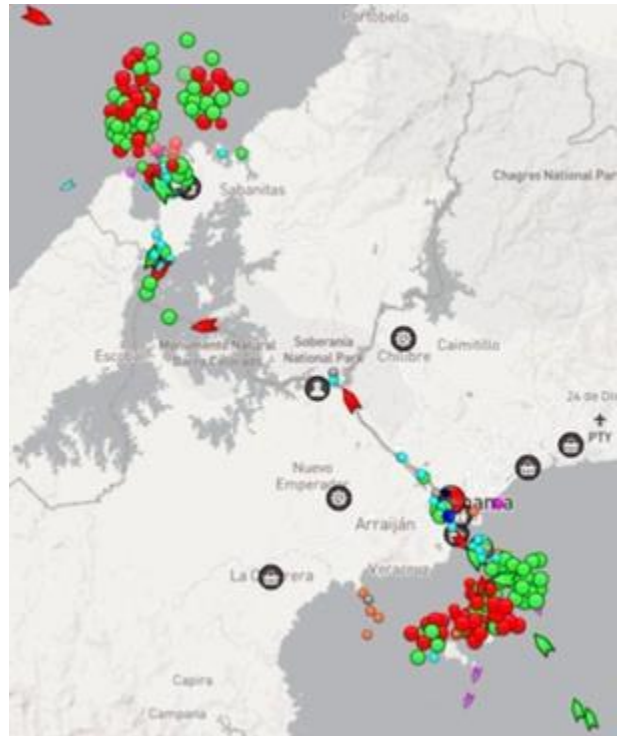
In summary, EPA's proposed broad approach to ESA compliance will likely result in hundreds of thousands to millions of acres of farmland being removed from production due to an outright inability to use pesticides or due to the cost of mitigations exceeding the agricultural productivity of the land. Perhaps most concerning is that EPA intends to expand the program beyond the 27 initial species labeled as having "small" ranges. Fortunately, the VSPP has not been finalized. Per the terms of a recently announced court settlement, EPA has until December 30 to determine if modifications should be made to VSPP and until September 30, 2024, to determine if the proposal should be expanded. →

- **So, when should farmers be prepared** for those regulations to take effect? [The Environmental Protection Agency's ag advisor](#) says an herbicide action plan will be finalized early next year to help the agency better comply with the Endangered Species Act. Rod Snyder says the plan will include strategies only, not final agency actions. "The label updates will happen as we go through registration review of herbicides over the next 15 years. This is going to be a long conversation. There will be public comment periods on every single pesticide as we go through the coming years through normal regulatory registration review." Snyder says herbicides need to be legally defensible under the ESA. →
- **Agriculture vs. EPA battles continue**, with the latest one regarding the Endangered Species Act. One livestock lobbyist said, "This is something that comes back over and over and over again. You have a broken Endangered Species Act, but an agency in charge of it that refuses to recognize that it's broken. If you had a car with tires that were slashed and you were running on the rims, you would pull over and fix the tire. Almost 50 years into the Endangered Species Act, there's no interest at Fish and Wildlife in fixing the tire. They're just going to keep running on the rim, and we're seeing that in how they're implementing it with the Lesser Prairie Chicken in this sort of rusty lawn chair split-management approach, and there's a 40 in the north and endangered listing in the South. It's an incredibly poorly written rule." A court fight over the Lesser Prairie Chicken is just one of the ongoing ESA battles, "We're in court on that one as well with some other stakeholders. We're seeing challenges like that out west. They're trying to reintroduce the grizzly bear to the North Cascades ecosystem in Washington state. We're continuing to fight the gray wolf. The Endangered Species Act is still one of the biggest Achilles heel problems of the cattle industry nationwide."
- **There will be plenty of opportunities** for farm operators and landowners to obtain conservation project funding from [NRCS initiatives in IL](#), says IL state conservationist Tammy Wills. Some of those include:
 - ✓ **Working lands, Water and Wildlife Partnerships** in 35 counties and provides producers an opportunity to adopt conservation practices for water quality and wildlife habitat benefits. Land rental payments are available for lost income resulting from transition to organic grains and integration of perennial tree crops. Moreover, easements will be used to preserve prime farmland and prevent the loss of valuable farmland.
 - ✓ **Lake Springfield Source Water Protection Project** for farmland in the watershed that covers portions of Macoupin, Morgan, and Sangamon Counties.
 - ✓ **Precision Conservation Management** co-operators in 20 counties to understand how conservation practices impact farm financial net returns, address water quality concerns, prevent agricultural regulation, and position farmers to benefit from positive outcomes.
 - ✓ **Southern IL Oak Ecosystem Restoration** in Alexander, Hardin, Johnson, Pope, and Union to work on oak ecosystem restoration activities in the project area to stop the loss of oak trees and create large, ecologically significant blocks of healthy oak dominant forests.
 - ✓ **Kinkaid Watershed Restoration Project** in Jackson Co. to reduce sediment from entering Kinkaid Lake.

- **National Corn Growers Association's** new president, MN farmer Harold Wolle, is not losing any ground when it comes to pushing organizational priorities in the Congressional Farm Bill efforts. Wolle says the NCGA's top issue is maintaining a strong crop insurance program, and [in this short video](#), summarizes several other important issues to the corn industry. He says there is still a possibility that Congress may be able to boost ARC and PLC payments.

Transportation—

- **US grain shipments from the Gulf**, headed toward China and other oriental destinations, face [added costly issues](#). Getting Cornbelt grain to gulf grain terminals has been slow and costly due to low water levels in the Illinois, Ohio, and Mississippi Rivers. Now, there is another problem as Orient-bound grain freighters pass through the Panama Canal. The drought that has dried up US rivers has also threatened water levels needed to operate the Panama Canal locks on both the Atlantic and Pacific coasts. Subsequently, the Panama Canal Authority has restricted the number of ships it will accommodate daily, creating large backups on the ocean-side of the locks that spell delays in shipments reaching their destination. The locks actually operate with freshwater from Lake Gatun between the locks, which has a higher level than the ocean water. But the lack of rainfall in Panama has lowered the water level of Lake Gatun, and officials have reduced daily ship passage to conserve water. An estimated 200 vessels were awaiting passage at last count. The current maximum of 25 ships per day allowed for Panama Canal passage is

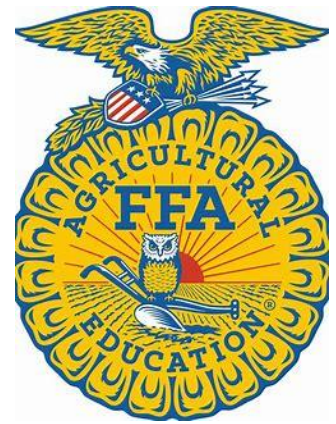


expected to drop to 18 per day by February if the drought continues. The normal toll for passage through the Panama Canal is \$400,000, but shipping companies have bid upwards of \$4 mil. above the toll rate to jump to the front of the line, preventing a month-long wait to take their turn. Those fees will filter down to the owners of cargo, raising shipping fees and reducing the value of the cargo.

Commodity and Farm Organizations—

- **IL Corn Growers** reorganized last week, reviewed the past year's activities, handed out hardware, thanked its past leaders, and elected new leadership. Many had great comments.
 - ✓ [Dave Rylander of Victoria](#) is the new ICGA president. [In this short video](#) he says lock and dam improvements on the rivers and promotion of high-tech ethanol blends will be ICGA's legislative priorities in the coming year.
 - ✓ [Jon Rosenstiel of Stephenson Co.](#) will lead the Corn Marketing Board. [In this short video](#) he says funding priorities will include lock improvements and ag work force development.
 - ✓ IL Corn recognized [Ralph "Junior" Upton](#) of Hamilton Co. with the Mike Plumer award for his conservation efforts. Upton had worked with Plumer for many years before his passing, as he notes [in this short video](#).
 - ✓ ICGA also recognized [Jean Stewart of Vermilion Co.](#) with the Randy Stauffer Precision Conservation Management award for his efforts in utilizing conservation technology. Stewart's farm is a conservation showplace which he describes [in this short video](#).
 - ✓ [Martin Barbre](#), past president of Illinois and National Corn Growers was given the "World of Corn" award. Barbre is retiring, but [in this short video](#) looks back at his career.
 - ✓ [State Sen. Patrick Joyce](#) was recognized for his efforts in guiding ethanol legislation through the IL General Assembly, and [in this short video](#) says he was continuing the work begun by his father Sen. Jerry Joyce a generation earlier.
- **The National Corn Growers** and 16 state-affiliated associations joined more than 140 allied national, regional, and state commodity organizations opposing changes to USDA disaster relief. The groups sent a letter to Ag Secretary Tom Vilsack relaying their concerns with the design of the Emergency Relief Program for 2022. While the group showed appreciation for the allocation of \$3.74 bil. in much-needed ERP assistance, the groups expressed serious concerns with changes. The biggest change is a "progressive factor" that reduces the disaster assistance for many eligible growers based on the size of the losses. USDA also changed the method used to incorporate producer-paid insurance premiums. "In the case of the progressive payment factor, we oppose a policy that delivers the least amount of benefit to those who have lost the most outside of the payment limits provided in the statute," the letter says. "Support should be equitable for losses of all magnitudes."
- **Agriculture Future of America** and the National FFA Organization made their partnership official. The groups signed a Memorandum of Understanding during AFA's Leaders Conference in November. The MOU cements the bond that existed between the two groups and underscores a shared commitment to developing and empowering the next generation of leaders. "AFA and FFA have similar goals and values regarding the role of school-based agricultural education," says Scott Stump, CEO of the National FFA Organization.

- **And speaking of FFA**, what do you think about a proposal being considered for IL schools? The IL FFA Board will be holding a Town Hall before the FFA Board meeting on Thursday, December 14, 2023. FFA members, advisors, and others are encouraged to provide their testimony in favor or oppose allowing 5th and 6th-grade membership attending the Town Hall meeting on Thursday, December 14, 2023. During the Town Hall, a straw poll will be taken from everyone in attendance. The IL FFA Board will then review the results of the testimonials and straw poll vote from the Town Hall to determine if a Constitutional Amendment will come before the FFA delegates at the 96th State FFA Convention, in June 2024.



Technology—

- **Europe’s big ag tech exposition** focused on several trends that are also being seen in the US among farm equipment companies. Ag tech aficionado Willie Vogt, retired from Farm Progress, but [perused the European farm equipment displays](#). His identifiable trends:
 - ✓ The range of autonomous vehicles on display has expanded tremendously — from machines already commercialized in specialty markets to massive prototypes in a few years.
 - ✓ While glyphosate did get cleared for use in the region for another decade, the push to reduce the use of crop protection products is growing. Gene editing is still on the bubble, but the European Commission sees its potential for a sustainable and resilient food system.
 - ✓ Regulators want the use of crop protection products reduced, which means turning every sprayer into a “weed only” sprayer. That’s the most visible use of sense-and-act technology, but the rising use of sensors for managing equipment in new ways will likely boost efficiency.
 - ✓ While carbon sequestration is still part of the conversation, the discussion has become broader. The use of precision-ag tools to better manage inputs has expanded to become the backbone of a sustainability effort.
 - ✓ Electric tractors gained some attention, though current battery and horsepower limits keep those tractors confined to smaller farms for now.

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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.