



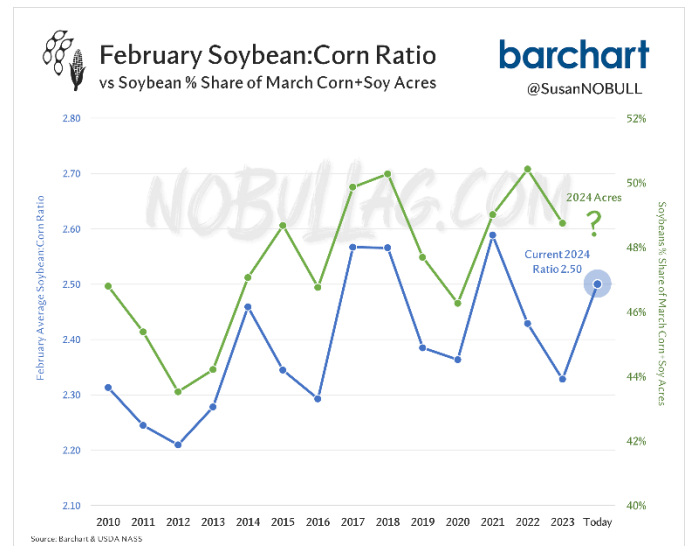
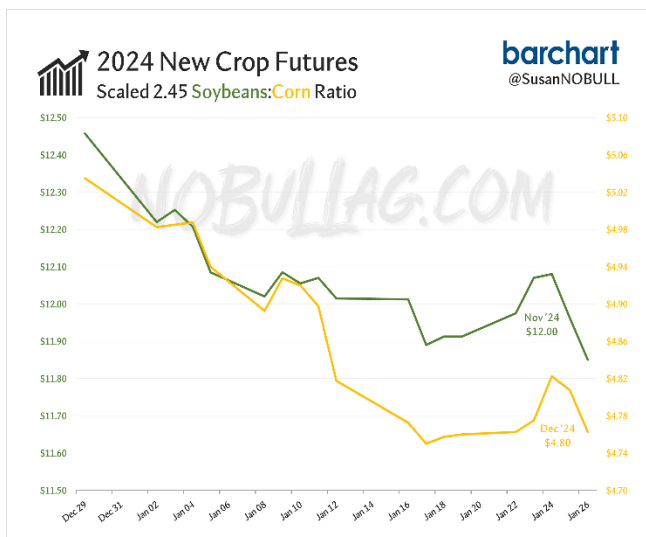
WEEKLY CORNBELT UPDATE

PRESENTED BY

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

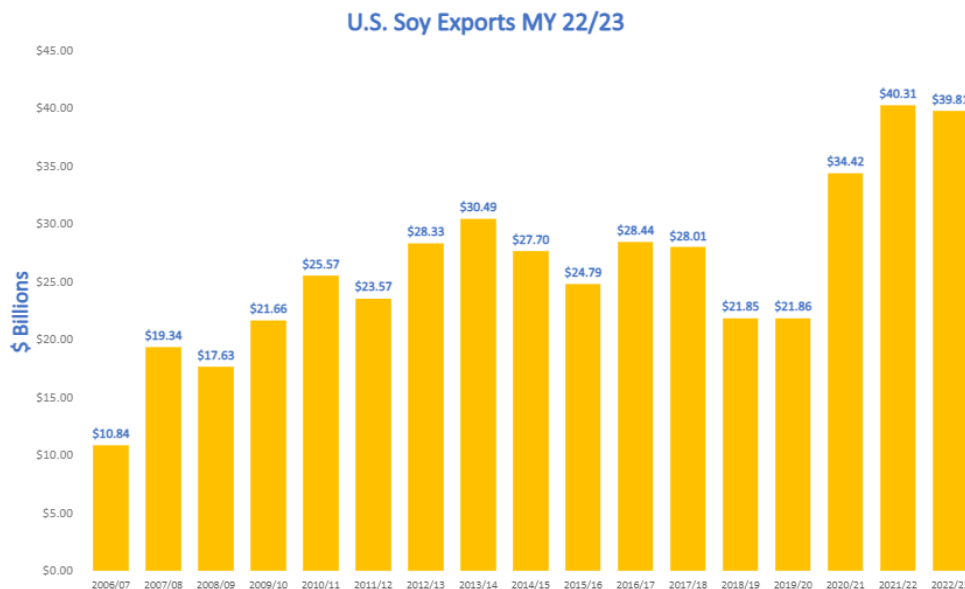
Commodity market price drivers—

- Farmers with a corn-soybean rotation**, who alternate fields year to year without any deviation, have little decision. They are probably found in Central IL or in regions of IA. But for the other 99% of farmers who have a yearly challenge with a multiple crop mix, and a penchant for agricultural diversity, they watch the numbers. Susan Stroud of NoBullAg.com says, "I am very adamant about NOT getting lost in all the ratio talk, but I am a huge proponent of looking at things from another angle - and that is just what the chart(s) below do. As it stands today, soybeans look to be overvalued versus corn... or perhaps corn is undervalued versus beans. Either way - soybeans continue to hold their own (in spite of new lows for the move), leaving many to wonder how the acreage battle shakes out this spring. Again - another way to look at February new crop futures performance and USDA's initial acreage estimates, reported in March's Prospective Plantings. Years where soybeans spent February trading at an advantage over corn (higher bean:corn ratio) generally coincide with soybeans claiming a larger percentage-share of the acreage pool in the March report. Today's 2.45 implies beans have an advantage over corn, but to what degree - only time will tell."



- (For 2024 crops, popular marketing advisor [Matt Bennett offers his advice in this short video.](#))

- America's soy complex exports** added \$39.8 bil. to the U.S. economy in marketing year 2022-2023 on a volume of 67.6 mil. metric tons, which includes 2 bil. bu. of soybeans and 13.2 mil. tons of soybean meal. The shining star was U.S. soybean meal exports broke records for both volume and value at \$6.91 bil. "America's soy exports in marketing year 2022-2023 were nothing short of extraordinary," says [United Soybean Board Chair Steven Reinhard](#). "A standout achievement was the record-breaking performance of soybean meal exports, reaching unprecedented volume and value levels." Increased demand from both Colombia and Ecuador boosted U.S. soybean meal exports by 15% and 36%, respectively, above their 5-year averages.



Meanwhile, increased volume and higher prices saw U.S. soybean meal exports increase in value by 39% over the last 5 years. Despite persistent global challenges to international businesses, U.S. whole soybean

exports hit 2 bil. bu. and kept pace with the previous 5-year average.

- ✓ Increased demand in the last five years from both Colombia and Ecuador boosted U.S. soybean meal exports by 15% and 36% respectively above their five-year averages. Meanwhile, increased volume and higher prices saw U.S. soybean meal exports increase in value by 39% over the five-year average from MY 17/18 - MY 21/22.
- ✓ Despite persistent global challenges to international business (COVID, climate, conflict, and currency), the volume of U.S. whole soybean exports at 1.991 bil. bu. kept pace with the previous 5-year average of 1.998 bil. bu.
- ✓ Following U.S. investment and demand for sustainable aviation fuel and other renewable fuels, naturally U.S. soybean oil exports dipped 82% from the 5-year average to 377 mil. lbs. "This was not a surprise and reflects the investment in renewable fuels we see increasing in the United States."
- ✓ Looking at the total U.S. Soy complex, the top 5 markets during MY 22/23 were China (31 MMT), Mexico (6.6 MMT), EU (6.4 MMT), Japan (2.7 MMT) and the Philippines (2.3 MMT).
- ✓ With export volumes keeping pace with the previous five-year average, higher prices drove an increase in value of the U.S. Soy complex exports which were 35.9% above the previous 5-year average (2018/19 to 2022/23).

Ag Economy—

- **A new poll** of [agricultural economists by Farm Journal](#) shows most expect lower commodity prices, along with the outlook for higher costs, to weigh on the agriculture industry in 2024. Farm Journal has partnered with MO agricultural economist Scott Brown, who says, “If we continue down the path that we started with the January estimates, perhaps we're telling 2024 to be a less positive story than we would have just a few months ago.” Ag economists' forecast for prices of all crops and livestock shifted lower compared to the December survey, signaling net farm income could also fall more than originally anticipated. The January survey found economists' views on net farm income also took a turn, with the survey average falling to \$135 bil. for 2024, with a range of \$100 bil. to \$150 bil. However, ag economists think relatively strong balance sheets and working capital could provide a cushion for 2024 with no major concerns about immediate farm solvency issues.

✓ **Driving the economy:**

- Declining commodity prices and complicated production costs, including stubbornly high interest rates juxtaposing reduced expenses in certain inputs.
- Commodity production and demand traveling in opposite directions.
- Macroeconomic factors domestically and abroad, as well as geopolitical factors.

✓ **The bad**

- Competition and expanded production in the global market paint an interesting export picture.
- Political stagnation, which could impact biofuel and trade policy.
- Compressing margins due to lower prices and higher expenses (including interest rates).

✓ **The good**

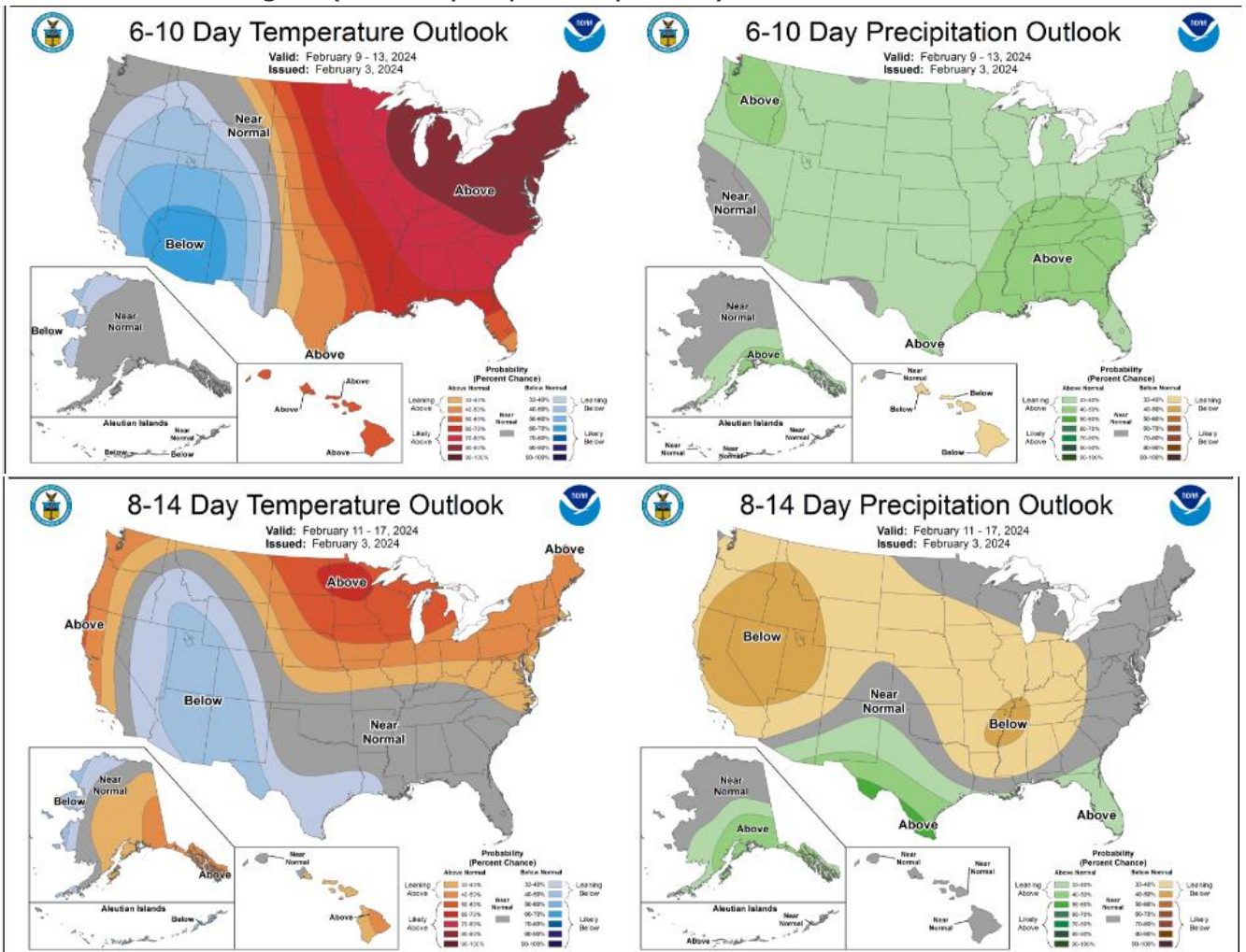
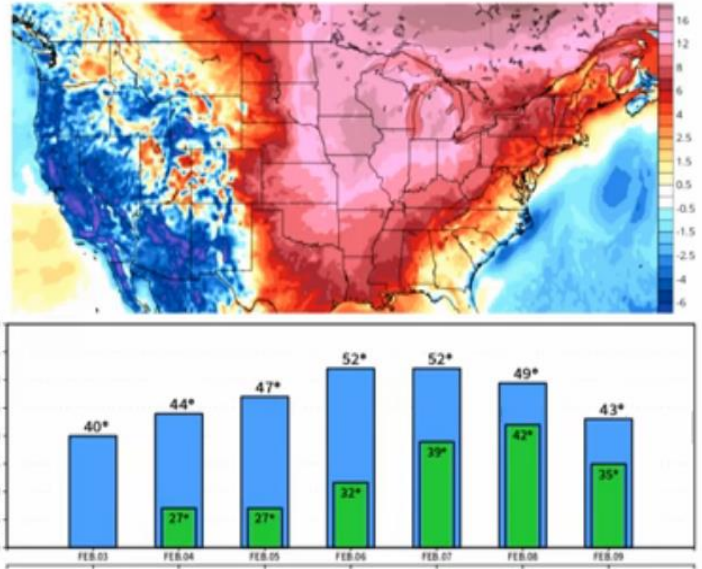
- Agricultural product demand growth has potential in the right environment.
- Resiliency and innovation of the U.S. farmer; includes financial resiliency and ability to weather tight margin environment.
- Strong crop yields, despite weather challenges.
- Double-edged sword of lowered grain prices making feed prices more affordable for livestock industries.



Weather—

- Temperatures will be springlike** in the offing. [Blue Water Outlook](#) points to signs of milder than normal weather continuing. The upper Midwest has had temperatures 15 to 25°F above normal. IL temperatures, top to bottom, have been 5 to 15°F above normal, and expected going forward. The cause is the transition into a Pacific trough with warmer and quiet weather. Some rain is expected, but nothing significant with IL expectations of .5 to 1" of precipitation during the week. Snow is not expected, nor are winter storms. But the showers will keep the soil moisture recharged. (Too early to plant soybeans.)

Temperature



- **Has there been a change in the climate in IL?** USDA’s Midwest Climate Hub points to [several changes over the years](#). Agricultural productivity is particularly vulnerable to weather and climate variability. In 2015, central IL received nearly double the usual rainfall from May-July, which had serious consequences for the pumpkin harvest, leading to shortages for consumers nationwide. In recent decades, the IL climate has been changing in various ways (Table 1), a trend which is projected to continue and intensify. These changes are resulting in

Table 1. Observed changes in Illinois’ climate based on data from 1979 – 2021.

| | Annual (Jan – Dec) | | Summer (Jun – Aug) | | Fall (Sep – Nov) | | Winter (Dec – Feb) | | Spring (Mar – May) | | |
|---|-----------------------|------------|-----------------------|---------|---------------------|---------|-----------------------|---------|-----------------------|---------|--|
| | Average | Change | Average | Change | Average | Change | Average | Change | Average | Change | |
| Temperature | 52.6 °F | +1.7 °F | 74.1 °F | +0.7 °F | 54.2 °F | +1.6 °F | 29.1 °F | +1.7 °F | 52.6 °F | +1.5 °F | |
| Precipitation | 40.5" | +5.7" | 12.2" | +2.2" | 9.8" | -0.1" | 6.9" | +1.3" | 11.7" | +2.4" | |
| Vapor Pressure Deficit | 6.4 mb | +0.5 mb | 10.5 mb | +1.1 mb | 6.5 mb | 0.0 mb | 2.0 mb | 0.0 mb | 6.6 mb | +0.1 mb | |
| Extreme precipitation (days with 2") | 1.0 days | +1.5 days | | | | | | | | | |
| Growing Season Length (frost-free days) | 184 days | +10.4 days | | | | | | | | | |

significant impacts on the state’s agricultural sector. Average annual temperatures have increased by 1.7°F between 1979 and 2021. The number of days with nighttime minimum temperature at or above 70°F has been generally above average over the last decade and steadily increasing over the last 5 decades. Winters and springs have warmed the most compared to their long-term averages, resulting in nearly two additional weeks of the growing season. Average annual precipitation has risen significantly (+5.7"), with the greatest increases observed during the spring and summer months. Extreme precipitation events (greater than 2 inches) have become more frequent. Growing season trends across Illinois since 1950 are variable across the state. While many counties have seen an increase of a few days per decade, counties in the central portion of Illinois have seen decreasing trends over the last 6 decades. By mid-century however, under a higher emissions scenario, the growing season is expected to increase by an average of 33 days. This is a result of later first frosts in the fall and an earlier onset of frost-free conditions in spring. What Does this Mean to Agriculture?

- ✓ Pests, diseases, and weeds may expand their ranges. Additionally, the number of pest generations per season may increase, resulting in a greater impact on crops or livestock. An increased need for chemical treatments to address these impacts may lead to greater pesticide and herbicide resistance.
- ✓ Longer growing season length may provide additional time for harvest and other end-of-season processes. Also, cover crops may experience increased post-harvest growth.
- ✓ Warmer winters increase risk of spring freeze injury by accelerating development of buds.
- ✓ Warmer winter temperatures may mean that chill hours for fruit crops are not met.

Trade and International Issues—

- **U.S. farmers and Ag equipment makers** are between a rock and a hard place with China, in need of massive trade there but vulnerable amid the strategic U.S.-China competition. IL Rep. Darin LaHood (right) on the Select Committee on U.S.-CCP Competition complained China's failed to live up to global trading rules since the U.S. agreed to China's WTO accession in 2001. LaHood told a Select Committee hearing that's hurt his farmers and farm equipment makers, now caught in the middle of stiff U.S.-China economic, military, and diplomatic competition, "Corn and soybeans, 40 % go to China every year. My farmers need to rely on that market to do it. Take your Fortune 200 companies that are heavily invested in China, they're in bed in many ways with the CCP in terms of their business there. I have the largest concentration of Caterpillar workers anywhere in the world. CAT has 29



manufacturing plants in China." LaHood told former Secretary of State Mike Pompeo (left) that many in Congress want to go to an economic "Cold War" with China, but Pompeo cautioned the outcome is not just up to the U.S, "Don't count on the fact that it will be a U.S. policy decision that drives them out of the country. We can see this already, today - Executives being detained, products not being permitted to move - the Chinese Communist Party will have a say in the level of disconnection between our two economies.

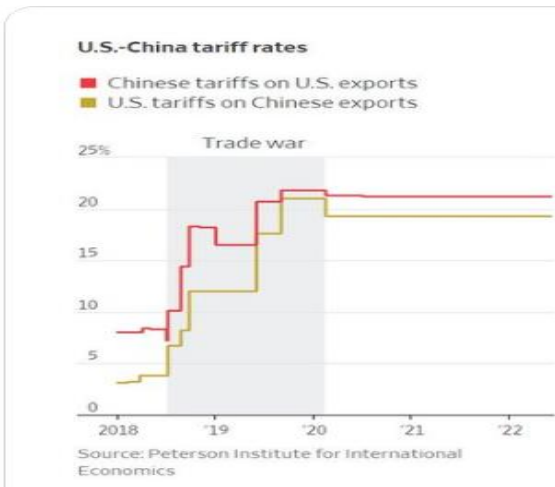
And I think Xi Jinping is intent on making his country more self-reliant." LaHood argued his IL businesses want Congress to "step on the brakes" a bit in confronting China. Pompeo argues otherwise, "So, I would urge those leaders of those businesses to be thinking about alternative markets and how you de-risk your balance sheet from a presence in China today and doing so immediately." Former CIA and Defense Chief Leon Panetta (right) agreed with Pompeo, saying the U.S. should use the leverage of moving supply chains out of China if it needs to. Pompeo argued the CCP needs the U.S. more than the other way around. (Berns Bureau Washington)



- USSEC Chairman Stan Born, (below) who farms at Lovington, IL,** participated in an agriculture roundtable with the Minister of Agriculture and Rural Affairs of the People's Republic of China. The U.S.-China Business Council hosted the gathering in Washington, D.C., to foster communication among representatives from MARA, the Chinese Embassy, USCBC and the American agricultural and business community. The meeting served several purposes. It was a platform to address U.S. agricultural stakeholder issues related to conducting business in China. And it is a positive step in strengthening the bilateral trade relationship. [USSEC's remarks acknowledged the U.S.'s longstanding relationship with China](#) and the mutually beneficial opportunities that come from working together.



- Concerns are being expressed** in the [marketplace](#) about a significant trade war between the US and China, should Donald Trump regain the White House. "A 2025 Trump re-election could mean a new China/US trade war, raising tariffs +30% or more on China, +10% on trade partners. Economists warn of destabilizing impact on economies, projecting \$1.6 tril. cost and 700,000 lost jobs." Former Pres. Trump contended that China paid all the tariffs in the "Phase I agreement" in 2019, but they were actually paid by US companies importing products from China and passed along to consumers."



Livestock--

- Corn and soybean producers are not going to like** what Ever.Ag chief livestock economist Steve Meyer told the IL Pork Producers Association Annual Meeting last week. Meyer, a noted specialist in the area of production economics says corn and soybean prices are too high for pork producers to break even, and grain prices are going to have to drop further for profitability in pork. Acknowledging lower grain prices will be below breakeven levels for corn and soybean growers, Meyer says it is going to take another year of low feed prices for pork profitability. [His comments are in this short video.](#)



- **Congratulations are due to the Burgener Family of Moweaqua, IL**, selected as the 2024 Family of the Year by the IL Pork Producers Assn. The operation began in 1968, with Charles and Carole Burgener. Their 4 boys took over the operation, raised their own feed, built hog buildings and began to expand. Their families and some hired help all take part in the operation, with everyone having responsibility, says [Bret Burgener in this short video](#).



Farm Legislation and Policy—

- **IL Lawmakers and IL Farm Bureau** announced [new tax relief efforts for agriculture](#). State Sen. David Koehler introduced SB 2921 and Rep. Sharon Chung introduced HB 4600, parallel legislative initiatives which makes changes for estates that are 'eligible' for the IRS agricultural special use valuation rule. It is a tool to help farm families preserve their businesses by

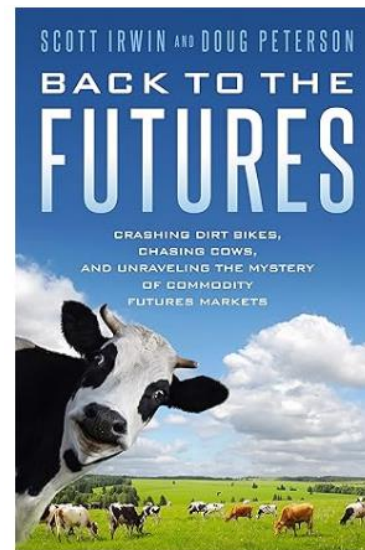


allowing family business owners to manage their estate tax liability. The provision allows farmers and ranchers to pay estate taxes on the value of farmland based on agricultural use, rather than what it would be worth if it were sold for development. 1) The farm operation as a whole must make of 50% of the value of the estate; 2) At least 25% of the estates value was

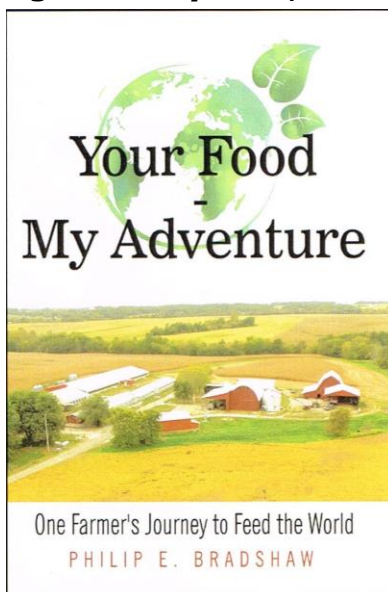
the land itself which had to have been used for farming by the decedent or family member for 5 of the previous 8 years before the decedent's death; 3) The heir must continue to farm for 10 years; 4) SB2921/HB4600 defines eligible family member "heirs" as linear family members (parents, children, grandchildren, etc.), aunts, uncles, first cousins, nieces, and nephews.

Farm and Family Issues—

- **Jolene Brown is an author, speaker, and farmer** from West Branch, IA, who's also called the "Dr. Phil of Agriculture." She speaks on the challenges of working with family members in the business of farming and the importance of clear communication. One of the most important topics is looking at farming as a business first, "I've been at this for 3 decades, and the way I find that you honor the family is by doing the business right. Our mindset lends to everything for the family, and we become family first. A lack of communication does more to destroy a family farming business than almost any other factor, "Harboring this inside of you leads to one of the biggest things that breaks up families in business, and that is silence. Silence is the greatest destroyer of family in business."
- **For winter reading,** consider "*Back to the Futures*," a quick and enjoyable read by IL Farmdoc Ag Economist Scott Irwin. **It is not an economics textbook.** It's nearly 2 dozen chapters each begin with the shenanigans he pulled as a farm kid growing up in IA, most of which could have resulted in fatal, or disabling, injuries. Those adventures of growing up are each connected to how the futures markets in the US began. It is a quick read, accessible on [Amazon](#), or you can get the audio version and listen in the cab. And anyone who grew up on a farm can relate to many of the chances taken, pranks pulled, and pains that resulted from those instances. Irwin and his buddy Jack Hunter are lucky to be alive, but remained thrilled with the rides they took growing up. Along the way readers will gain an understanding of why the grain markets are, the way they are.



- **A great storyteller, who stayed on the farm,** is Phil Bradshaw of Griggsville, IL. There are probably more folks in IL who know Phil, than don't know him. He is a farmer, former leader of the pork industry, the animal health industry, and someone who has travelled the world on behalf of farmers telling their story of why US food was grown and shipped specifically for them. Phil Bradshaw has authored a delightful book, entitled, "*Your Food, My Adventure*." And does he tell the adventures he's had on behalf of the US farmer! He's visited with many Presidents, captains of industry, school classrooms, and other farmers. Follow the journey of Philip E. Bradshaw in *Your Food, My Adventure* as he documents a half-century of experience in the world of agriculture, with a life dedicated to growing your food. Get a copy at www.yourfoodmyadventure.com. Sometime soon, the audio version may be available, just for your ears.



And Finally, this—

- **Grain bin ruptures are unpredictable,** always messy, and sometimes tragic. Fortunately, this one was messy, but not tragic. It occurred Thursday evening at Arcola, IL, when Okaw Farmers Co-op, part of GROWMARK, sustained the rupture of a bin full of corn. The mishap occurred afterhours when employees were not in the area, and hundreds of thousands of bushels of corn spilled onto the property and a small amount on to Route 45 adjacent to the elevator. The rupture occurred in the middle rings, but officials were not speculating the cause.



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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.