WEEKLY CORNBELT UPDATE

PRESENTED BY FLANAGAN State Bank

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

Commodity market price drivers—

- The [February World Agricultural Supply and Demand Estimates]() show the 2023-2024 U.S. corn outlook calling for lower food, seed, and industrial use and larger ending stocks. Lower usage will lead to a 10 mil. bu. increase in ending stocks compared to last month's report, now at 2.172 bil. bu. The season-average corn price is unchanged at $4.80 a bu. Foreign corn production is down. For Brazil, production is cut based on lower expected area. Major global trade changes for 2023/24 include higher projected corn exports for Ukraine and Pakistan with reductions for Brazil, India, and Serbia. For 2022/23, Argentina's exports for the marketing year beginning in March 2023 are raised based on observed shipments to date, while Brazil is lowered.

United States Ending Stocks

USDA February 8, 2024 – billions of bushels

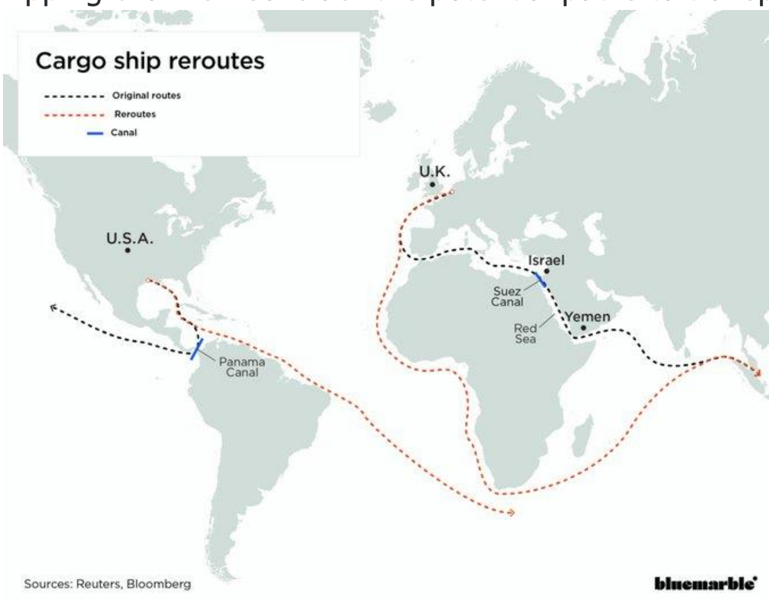
@kannbwx	2023/24	Trade Avg	USDA Jan
Corn	**2.172**	2.146	*2.162*
Soybeans	**0.315**	0.284	*0.280*
Wheat	**0.658**	0.647	*0.648*

Data sources: USDA; Reuters

- **This month's soybean outlook** is for lower exports and higher ending stocks. Soybean exports are forecast at 1.72 bil. bu., down 35 mil. from last month. The change was certainly legitimate with U.S. soy sales down 19% from a year ago, and with the U.S. having lost the competitive edge to South America. With crush unchanged, ending stocks are forecast at 315 mil. bu., up 35 mil. from last month. The season-average soybean price is forecast 10₵ lower to $12.65 per bu. Global soybean exports for 2023/24 are reduced to 6.25 bil. bu. on lower shipments for the United States. Partly offsetting are higher exports for Brazil on a strong year-to-date (October-January) pace.

- **The wheat outlook** is for stable supplies, lower domestic use, unchanged exports, and higher ending stocks. Projected ending stocks are up 10 mil. bu. to 658 mil. There were no other changes, The season-average farm price forecast is unchanged at $7.20 a bu.

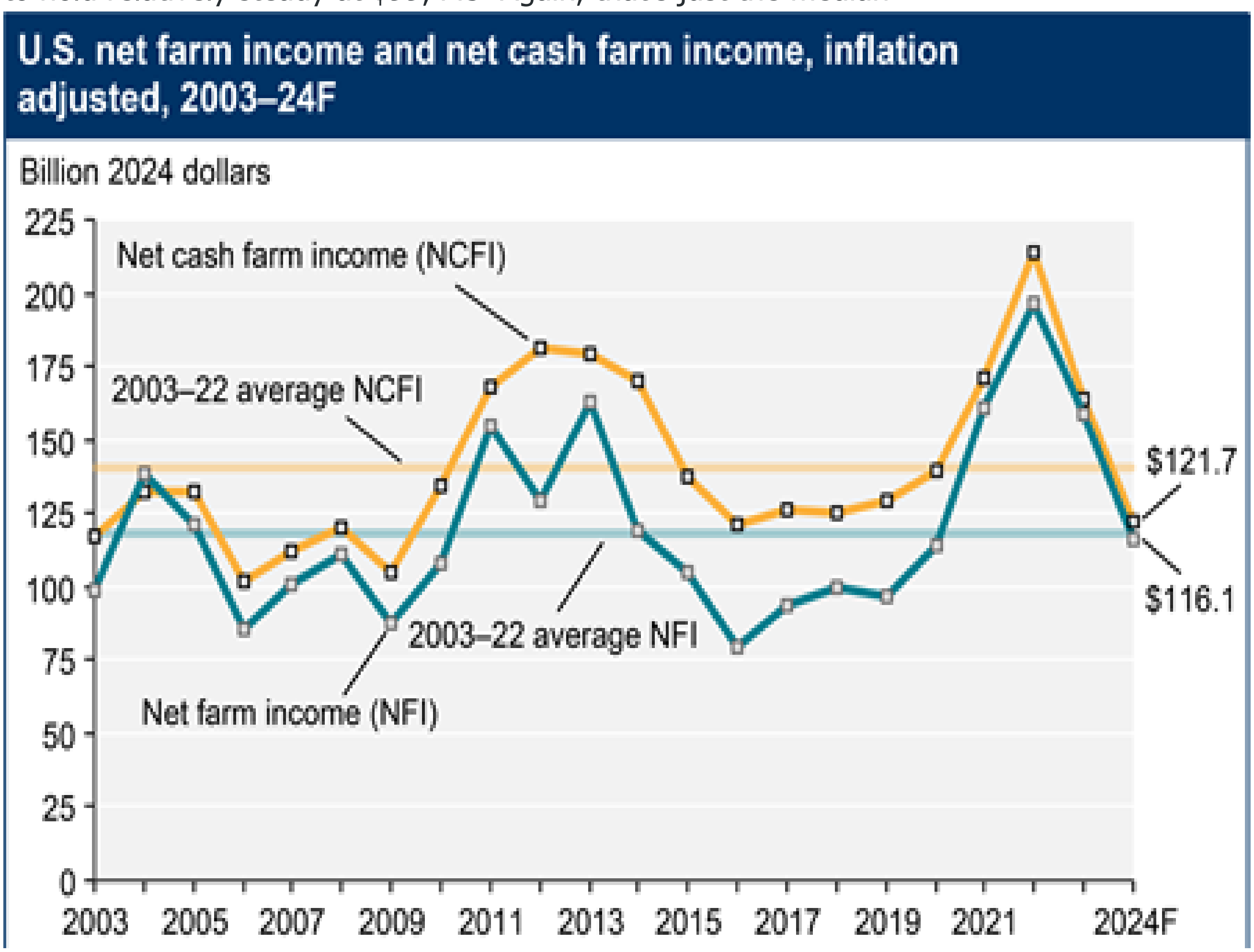
- **What is the overall barrier for corn exports?** National Corn Growers Association economist Krista Swanson points to the 3 C's: climate, conflict, and currency.
  - ✓ **Climate** created record low water in the Mississippi River Basin, impacting barge freight costs, and adding time and weight restrictions to efficient corn exports. Extreme drought has forced substantial scale back of shipping through the Panama Canal, a key global maritime channel. The Panama Canal Authority (ACP) has reduced traffic to 24 ships a day, about two-thirds of the normal traffic, and forecasts that traffic will stay at the current reduced levels for about three more months. Normally, 18% of U.S. corn exports travel through the Panama Canal, which offers the most efficient route from the Gulf ports to Asian nations. Together China and Japan have received about one-quarter of U.S. corn exported to date in the 2023/24 marketing year.
  - ✓ **Conflict** in the Mideast impact transits through the Suez Canal, another major global shipping channel. Consider the potential paths to transport corn from the U.S. to Kashima, Japan's leading port for receiving corn imports. Due to a combination of safety considerations and added canal fees, transits in the Suez Canal have dropped. The International Monetary Fund PortWatch considers both canals major chokepoints, each with January 2024 transits 36% lower than January 2023. The next best alternative pathways are the 54-day trip around the Cape of Good Hope at the southern tip of Africa and the 57-day trip around Cape Horn or through the Strait of Magellan at the southern tip of South America, approaching double the time in transit compared to through the Panama Canal. Alternatively, corn could be shipped from the U.S. Pacific Northwest (PNW) ports with just 14 days transit time. That is effective for corn grown in the northwestern U.S. but moving grain from the Midwest to the PNW has logistic and cost implications. Those time differences have implications for cost competitiveness.



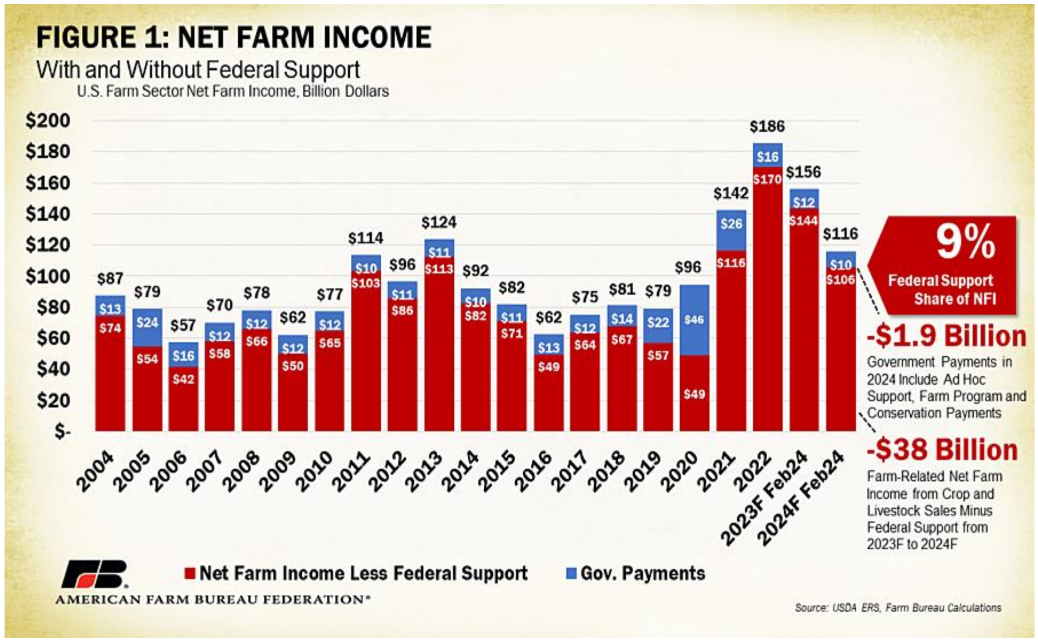
  - ✓ **Currency** values between the US and Brazil have been significant. When the U.S. dollar value is high relative to foreign currency, U.S. products are less attractive to buyers in other nations. This is an important factor for agriculture commodity export markets. For most of the period from mid-2022 through the end of 2023, the price for U.S. corn was higher than the Brazil price, at times more than $1 higher, partially driven by the strong dollar. While the current fundamental dynamics are giving the U.S. a lower cost in the world market that has attracted demand, the strong dollar's negative effect on commodity cost competitiveness will be more evident if the fundamental situation changes.

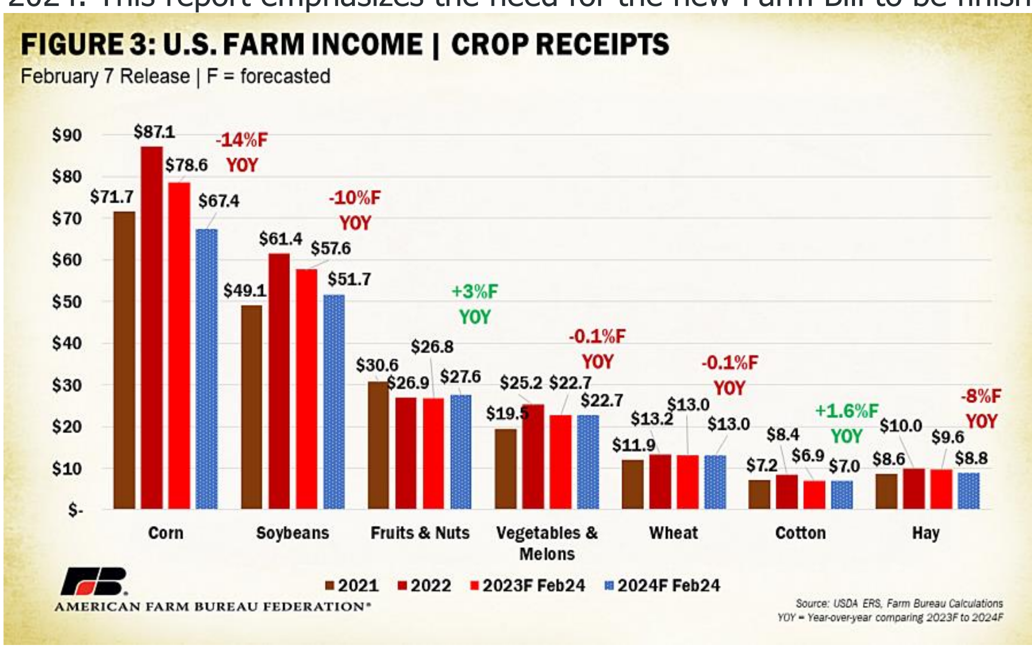
***Ag Economy*—**

- **The USDA released** its February 2024 Farm Income and Financial Forecasts. It's the agency's first income prediction for the new year. Carrie Litkowski, an economist with the Economic Research Service, says farm income is forecast to fall roughly 25% this year, "Starting with profits for the farm sector as a whole which are forecast to decline in 2024. Net cash farm income for calendar year 2024 is forecast to fall 24% relative to 2023 in nominal dollars, and net farm income is forecast to solve almost 26%." She talks about some of the factors behind the income drop, "Cash receipts from crops and animal product sales, which are expected to decrease $21 bil., or 4%, in 2024. Also, direct government payments are forecast to decrease almost $2 bil., or 16%, and total production expenses are forecast to increase almost $17 bil. or 4%." Litkowski talks about 2024 farm sector balance sheets, "Farm sector assets, debt, and equity are each forecast to increase, with equity forecast to increase 4.7 %. We're forecasting net average net cash farm income for farm businesses will decrease 27% in 2024, so that's $72 thousand." Median farm income is predicted to be similar to last year, "For those households that operate our farms, the median total farm household income is forecast to hold relatively steady at $99,445. Again, that's just the median."



- **The Economic Research Service** forecasts that farm income will decrease by 25% in 2024. [Danny Munch, an economist](#) with the American Farm Bureau Federation, discusses what the report says about the farm economy, “It measures net farm income, a broad measure of farm profitability, and the latest report anticipates a decrease from 2023 numbers of $155 bil. to $116 bil. in 2024. [That's a $40 bil. - or 25% drop year-over-year](#), and the largest recorded year-to-year dollar decrease in net farm income on record.” He says there are two main drivers behind the income drop, “A $21 bil. expected decline in cash receipts, so what farmers are receiving pricewise for their crops and livestock, and a $17 bil. increase in production expenses, reaching a record level of $455 bil. spent on production expenses expected for 2024. This report emphasizes the need for the new Farm Bill to be finished this year, “Farmers utilize many programs within the Farm Bill, including ARC, PLC, and Dairy Margin Coverage, as well as the risk management options to help buffer against cost increases or volatile markets and increases in production expenses. So, when we see a decrease or an expected decrease in farm income of this magnitude, it's really important that these safety nets are available to farmers to make sure that we have a secure domestic food supply.”

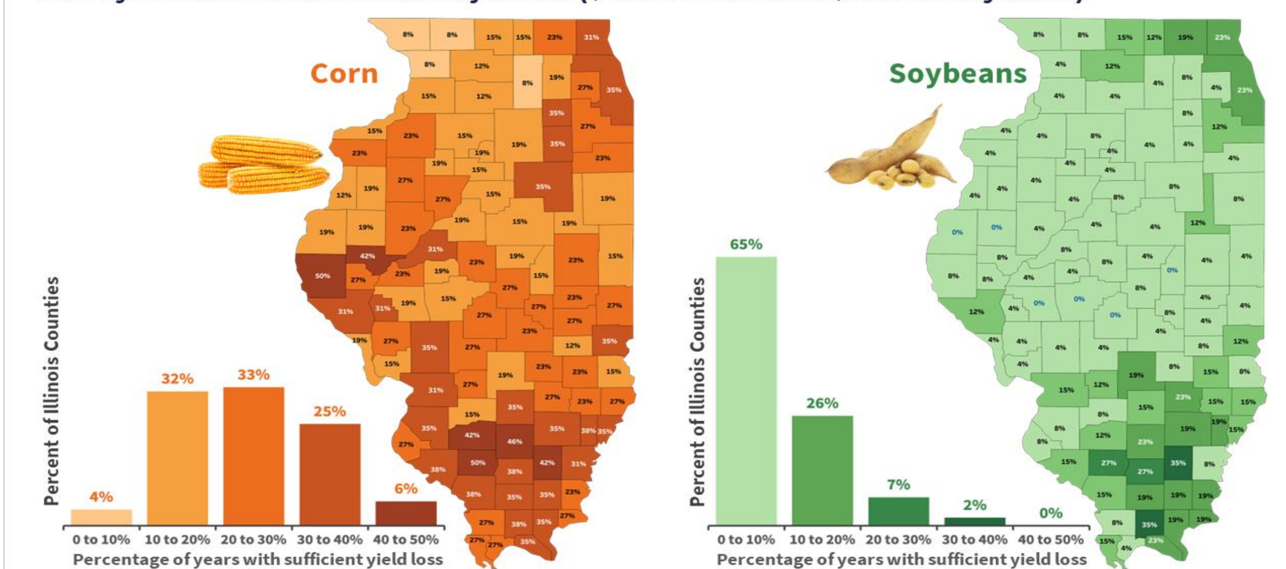




FSA, Risk Management and Crop Insurance—

- **Have you decided on ARC or PLC for this crop year?** The [IL Farmdoc ag economists] focus on the choice of ARC which pays on county yield averages, and they say, "If current USDA price projections hold for the 2024/25 marketing year ($4.50 for corn and $11.30 for soybeans), county yield losses exceeding 7% for corn and 15% for soybeans would be required to trigger ARC-CO payments." Is that too much of a decline in your county? But they say "Prices higher than current forecasts would imply even greater yield losses would be required to trigger ARC-CO payments. Prices lower than current forecasts would imply lower yield losses required to trigger ARC-CO payments. If prices are low enough, ARC-CO can trigger payments even when yields are above county benchmark levels. Counties that exhibit more yield variability (higher yield risk areas) will tend to trigger larger and more frequent ARC-CO payments, potentially making it a more attractive option for producers in higher yield risk counties compared to those in lower yield risk counties." So where are counties that have more variability in yield? "Yield risk and variability tends to be lower in the central and northern regions of IL, while southern IL counties typically experience more variability in yields. Other areas of greater yield variability in IL include some western IL counties with farmland at greater risk of flooding along the Mississippi river.

Figure 6. Percentage of Years (Out of 26) Where County Yield Losses Would Have Triggered ARC-CO Payments at Current Price Projections ($4.50 for Corn and $11.30 for Soybeans)



Source: Risk Management Agency and Farm Service Agency, USDA; author calculations

The Farmdoc ag economists say, "If 2024 MYA prices for corn and soybeans are at their current forecast levels ($4.50 for corn, $11.30 for soybeans), county level yield losses would need to occur to trigger ARC-CO payments. Yield losses for corn would have to exceed 7% relative to the county benchmark yield, while soybean losses would have to exceed 15%. Higher MYA prices for 2024 would require even larger yield losses to trigger ARC-CO payment while lower prices would require smaller yield losses or even the potential for ARC-CO support with yields above the county benchmark. Producers are encouraged to use available tools and resources, such as our [Farm Bill What-if Tool], to analyze scenarios specific to their farm."

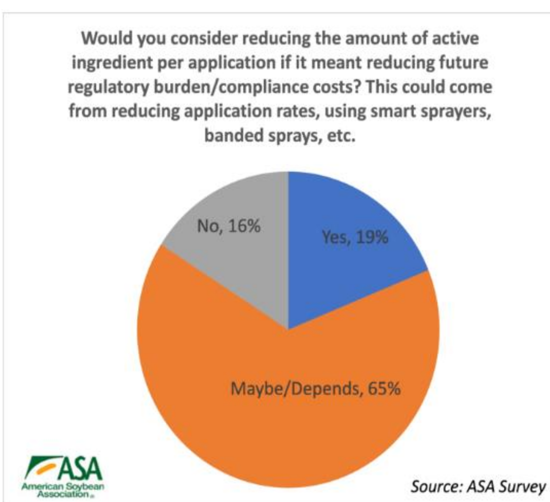
Farmland issues and Land prices—

- **Average values** for the most productive cropland in IL have risen nearly $6,000 an acre in 2½ years. [Compeer Financial certified appraiser Ethan Koch] says his benchmark for highly tillable top-quality ground was $15,400 in July of 2021. "And as of February 1st of 2024, that benchmark is at $21,300. So that's been a 38% increase, but it's important to note it is off the peak." He says the farmland market in IL peaked at $23,000 an acre last spring. "And recent auctions have kind of indicated that there's been a slight pullback in the market, although not a significant one." He says lower commodity prices and high interest rates are weighing on farmland values.
- **Also seeing signs of a "cooling" land market**, is [Jim Rothermich of Iowa Appraisals]. He says, ""The hyper volume of acres going to auction started happening in mid-2021 and kept going to 2022. As we got into 2023, the first quarter had pretty aggressive numbers going to auction, and then it started slowing down," he says. "The frequency of $20,000 an acre or more really slowed down in the spring and summer. [Drought] makes people pull back," he says. "It seems like with crop insurance we don't see those valleys as much on a dry year, but we haven't had a major drought since 1934 or 1936 – so we'll have to see." Another factor to watch continues to be interest rates. "People call in and say they're interested in a farm, then talk to their banker and say, 'we're out'. That's shrinking the buyer pool, and it's affecting the market," Rothermich says. "What I'm hearing from my banker friends is interest rates will eventually go down to 5% to 6%, and that's going to be the normal. Those 3% to 4% interest rates are a thing of the past." When it comes to cash rents, Rothermich says values remain strong despite lower commodity prices. "Some of these recent cash rent auctions, there's just no weakness in it at all," he says. "A lot of them are 3-year terms, so it seems like those tenants are forecasting the next 3 years to be pretty decent."
- **Protecting US farmlands** from foreign adversaries is the idea behind a series of bills  introduced by Rep. Dan Newhouse, R-WA, (left) says recent reports show the USDA has no system in place to keep track of American agricultural lands purchased by foreign entities, "Well, that is a frustration, absolutely, and that's something that we're trying to address. In fact, I have a meeting to address exactly that, to come up with ways that the USDA can more readily gather that information and monitor it." Newhouse says the problem has been overlooked, "The over 8,000 different counties throughout the United States is where these transactions happen. And to collate and gather all of that information, there is not a system in place currently to do that." And so, Newhouse says they're looking into it, "We are trying to be as creative as possible to come up with a system that will allow USDA to better monitor the sales of agricultural assets at a reasonable cost to the taxpayer. And so, those are the questions that we're looking at right now."

Agronomy—

- **A federal judge with the U.S. District Court of Arizona** has revoked the EPA approval that allows the use of dicamba herbicide products on soybeans and other crops. The ruling by U.S. District Court judge David Bury says that the EPA excluded the public input requirement from the Federal Insecticide, Fungicide, and Rodenticide Act before giving its approval for the use of dicamba herbicide products. The judge's decision immediately impacts over-the-top applications of Xtendimax® from Bayer, Engenia® from BASF, and Tavium® from Syngenta. Many ag organizations are speaking in your behalf:
  - ✓ **Chuck Conner**, President and CEO of the National Council of Farmer Cooperatives, says, "I suspect we are going to be encouraging all of the agriculture community—not just the soybean sector, but certainly the entire ag community—to band together here because this is a process we cannot allow to stand."
  - ✓ **Zippy Duvall**, President of the American Farm Bureau sent a letter to the Environmental Protection Agency asking the agency to allow farmers to use existing dicamba stocks for the upcoming season. "Many farmers have already made planting decisions to use dicamba-tolerant crop systems and have planned to use dicamba products in the near future," Duvall says. "These farmers invested in substantial sums in the dicamba-resistant seeds in reliance on EPA's prior approval of dicamba on these crops."
  - ✓ **The Ag Retailers Association** says, "The timing of the decision will be extremely disruptive to ag retailers, distributors, manufacturers, and farmers planning to use the products in 2024. The decision comes after most planning is finished and while we are procuring those products that farmers need," the ARA adds. "It's the worst possible time."
  - ✓ **The American Soybean Association** says, "If growers need to switch their seed and herbicide programs at this point in the season, there are nowhere near enough alternative seeds or herbicide volumes to meet the demand. To accommodate a shift of tens of millions of acres, herbicide would have needed to be manufactured months or even years ago, and seed production would have needed to be ramped up 1 to 2 years prior," said **Josh Gackle**, ASA president. In a letter, ASA asked the EPA for help in resolving the challenge. ASA also asks for the administration's support of an appeal of the ruling and help in seeking to stay the ruling from taking effect pending appeal.
  - ✓ **The EPA's Assistant Administrator** Michal Freedhoff says, "We recognize there are some very near-term existing stocks questions we have to answer and we're definitely prioritizing those. We haven't yet figured out what our response is to the decision itself."
  - ✓ **Purdue weed scientist Bill Johnson** says, "This order only applies to dicamba applications for cotton and soybeans. Dicamba use for other crops, such as corn, will not be affected." IL weed scientist Aaron Hager said farmers may have alternatives depending on their seed selection, in this short video.

- **The Environmental Protection Agency** announced new implementation approaches for pesticide policies under the Endangered Species Act. Assistant Administrator Michael Freedhoff talked about the steps during a speech at the National Association of State Departments of Agriculture's winter policy conference. When registering pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act, EPA must also comply with the Endangered Species Act to ensure the pesticides don't harm endangered species or their habitats. EPA announced additional plans to address concerns about the challenge of protecting endangered species from exposure and expand its partnership with the USDA. EPA says it won't implement the Vulnerable Species Pilot Protections for a species until a more refined map of its habitat gets developed. The agency is also working to develop new maps that better reflect where the species actually live and where protections from pesticides are needed most. "These steps will benefit farmers and endangered species," Freedhoff says. Those maps need to be updated, says IL weed specialist Aaron Hager in his recent comments in this short video.
- **If you don't yet have a good handle** on the impact of the EPA's "Vulnerable Species Pilot Program and the Herbicide Strategy, economist Scott Gerlt of the American Soybean Association can provide background, and how you and likely all farmers will be impacted. He says, "While the VSPP is focused on protecting a small list of endangered species, the Herbicide Strategy paints with a much broader brush by applying generally to herbicides by including over 900 listed species. EPA proposes to establish two main types of areas: those where generalist species occur and those where species with obligated relationships to plants occur. In plain English, the generalist species are endangered species that do not have an obligated (or dependent) relationship with a specific type of plant. The species with obligated relationships are dependent upon a specific type of plant. As a result, these species fall under Pesticide Use Limitation Areas (PULA), which have more stringent herbicide requirements." The EPA provides maps that are supposed to identify the habitat of endangered species along with their food source, which are to be protected. The current maps cover the entire state of IL, but there are questions of their accuracy. In all likelihood you are using herbicides that could be targeted for prohibited use, unless there are actions taken on a farm to mitigate the threats to the vulnerable species.



2024 Farm Bill and Appropriations Deadlines--

- **A noted ag economist** predicts a new Farm Bill won't get done until the summer of 2025. Texas A&M's Joe Outlaw says Farm Bills take months to write, pass, and enact. The shortest he's seen, is 9 months, time eaten up this year by political dysfunction and the election calendar. On a Farm Policy Facts "Groundwork" podcast, "There's a little bit of rumblings that they want to get it done in 2024. I don't expect it to be done in '24 unless something wild happens after the election, and even then, if the House or Senate flips, it's going to be enough change that I don't think it will happen early in '25, either." He says that means later, in the summer of '25. Not a good prospect when USDA economists predict the largest recorded drop in net farm income, down more than 25% from last year. AFBF President Zippy Duvall is calling on Congress to bring down farming costs and pass a new Farm Bill. But Farm Bureau lobbyist Ryan Yates says, there's a great deal of distance among the members that still need to be resolved. This spring would be ideal. I mean, we've got, unfortunately, we've got appropriations that need to be negotiated in the coming month. So, if those run smoothly, I think that could open a pathway." But the House and Senate's failure to pass border security and foreign military aid bills amid GOP infighting over the party's election-year strategy underscores how dysfunctional Congress is right now. And the clock is ticking, "The longer you go past this spring, the more difficult it is in an election year, in particular. So, I think there's a very small window that folks are looking at for this spring, and we're trying to be as vocal as possible to ensure that Congress knows what needs to get done."
- **There has been no action** in public on the farm bill in months. Leaders of the House and Senate Agriculture committees are stalemated over higher commodity subsidies, climate funding, and cuts in SNAP. No one has offered a first-round draft for the legislation, and farm groups have said almost nothing in detail about their top priorities of higher reference prices and a stronger crop insurance program. →
- **One example is a proposal** by Sen. Ag Chair Debbie Stabenow, D-MI, to shift more program payment funds to crop insurance and make producers choose between the 2, "We don't see a 'one or the other' type of an approach. I think that would be a mistake to have to give up one risk management program for another. I think that would be a problem. I have secured a commitment from Senate Democratic leadership to invest billions of dollars in new resources into the farm bill," said Stabenow. "If we act quickly and begin serious, bipartisan negotiations, we have a real opportunity to invest in the safety net for farmers, families, and rural communities and provide farmers with the tools and choices they need. If we are serious about passing a farm bill that keeps farmers farming, families fed, and rural communities strong, the time to act is now," said Stabenow. Meantime, Yates says Ag lawmakers on both sides of the Capitol have drawn 'lines in the sand' on what compromises they're willing to make to get a Farm Bill, lines that have changed little from last year. Democrats insist they won't give up SNAP or climate dollars for farm programs, and House Ag Democrats just issued a memo saying so.

Farm and Family Issues—

If you saw one of your friends or neighbors in a SuperBowl commercial, that was not an accident, but an intentional commercial purchase by IL commodity organizations which are sponsoring, "We are the 96%." IL farm families were featured on broadcasts around IL during the SuperBowl, including the family of Matt Boucher of Dwight (right). Also included are the DeSutter family, of Knox County; Bunting family, of Livingston County; Leman family, of Woodford County and the Marr family, of Morgan County. The commercial aired in the Champaign, Peoria-Bloomington, Quad Cities, Quincy, Rockford, Springfield, St. Louis and southern IL markets, including the Evansville, IN, and Cape Girardeau, MO, markets. Following the on-air debut, the full commercial can be viewed on IL Farm Families' Facebook page and Wearethe96.org. IL Farm Families is a coalition comprised of the IL Farm Bureau, IL Beef Association, IL Corn Marketing Board, IL Farm Bureau, IL Pork Producers Association, IL Soybean Association and Midwest Dairy.