WEEKLY CORNBELT UPDATE

PRESENTED BY FLANAGAN State Bank

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

Commodity market price drivers—

- **What will farmers plant this year?** The June 30 acreage report will indicate a close acreage number, the March Planting Intentions Report (3/29) will provide an idea what farmers are thinking. But last week's Outlook Forum provided what USDA economists and policy specialists are projecting. Of the 3 major crops, corn, beans, and wheat, combined acreage will be 225.5 mil., down 1% because of lower grain prices. That is the sum of 91 mil. acres of corn, 87.5 mil. acres of beans, and 47 mil. acres of wheat; and is close to 2021.

	2017	2018	2019	2020	2021	2021	2023	2024 1/
	- Million Acres -							
Wheat	46.1	47.8	45.5	44.5	46.7	45.8	49.6	47.0
Corn	90.2	88.8	89.4	90.4	92.9	88.2	94.6	91.0
Soybeans	90.2	89.2	76.1	83.4	87.2	87.5	83.6	87.5
Total	226.4	225.8	211.0	218.2	226.8	221.4	227.8	225.5

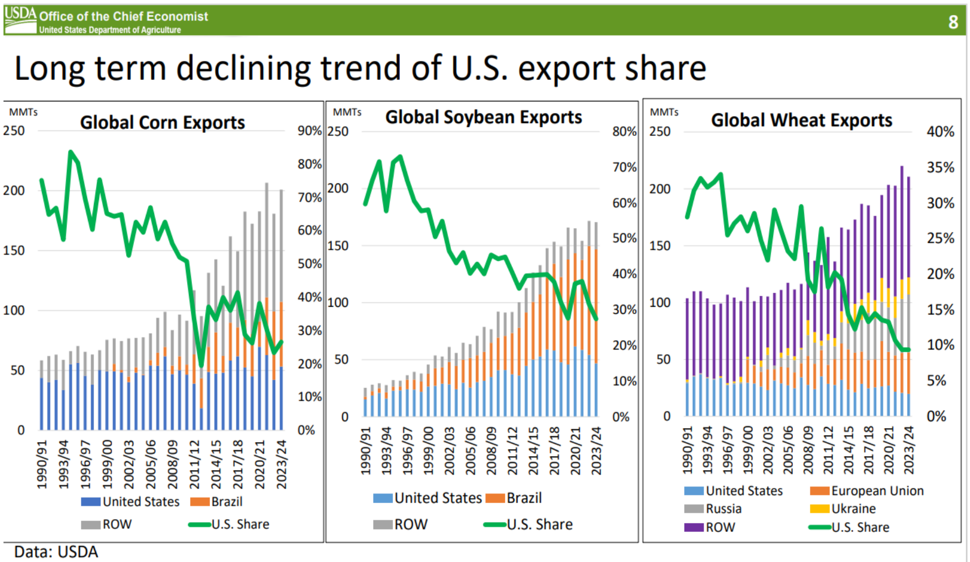
- **USDA's economists look closely at IL production costs.** USDA's Agriculture Marketing Service tracks that data, and the economists say, "Costs for producers are lower relative to this time a year ago and are generally at or below the average seen during late January and early February over the last 3 years. Prices for fertilizer such as anhydrous ammonia are down nearly 40% relative to 2023, while diesel is about 20% lower. However, interest costs have increased modestly with the 3-month Treasury Bill yielding over 5% for a good portion of 2023 and into 2024. December corn futures, which during the month of February to date are about 20% lower than a year ago, have declined less than nitrogen fertilizer while soybean futures are down about 15%. Cash prices are also showing declines of equivalent magnitude. Since the start of February, prices for fall delivery of corn in IL have averaged about $4.30 per bu., down about 25% relative to all of February a year ago, while soybean prices have averaged about $11.20 per bu., a decline of just under 20%.

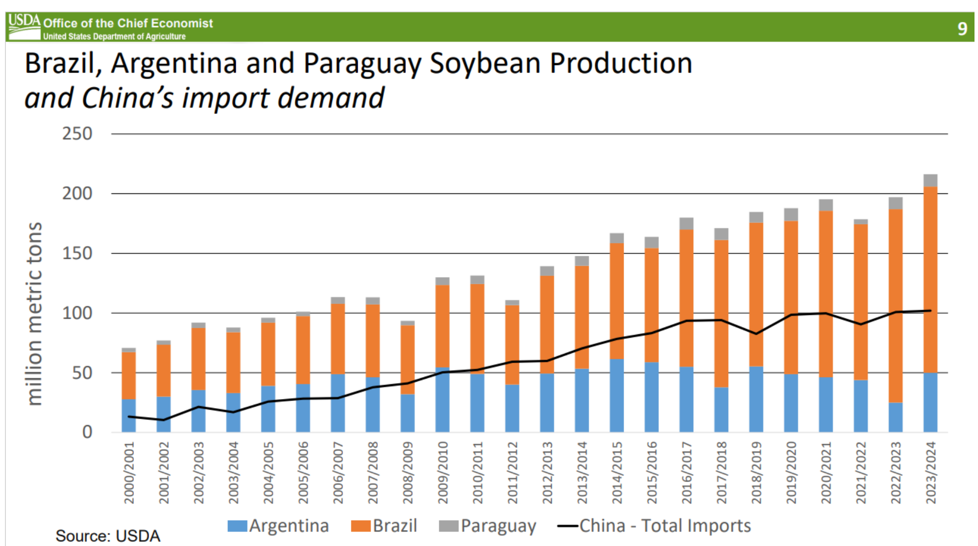
- **Will there be a market for that size of corn crop?** USDA economists say, "The U.S. corn outlook for 2024/25 is for lower production, greater domestic use, increased exports, and higher ending stocks. The corn crop is projected at 15.040 bil. bu., down about 2% from the prior year's record. The yield projection of 181.0 bu. per acre is based on a weather-adjusted trend assuming normal planting progress and summer growing season weather. With beginning stocks up sharply from the prior year, total corn supplies are forecast at a record 17.237 bil. Total U.S. corn use for 2024/25 is forecast higher relative to last year on growth in domestic use and exports. Food, seed, and industrial (FSI) use is slightly higher at 6.805 bil. Corn used for ethanol is forecast at 5.400 bil. bu., based on expectations of modestly higher motor gasoline consumption and continued strength in ethanol exports. Feed and residual use is up about 1% to 5.750 bil., reflecting corn supplies that are higher than a year ago and lower expected prices during the year. Exports are up 50 mil. bu. to 2.150 bil. on expectations of modest global trade growth. Ending stocks are projected at 2.532 bil. bu., up 360 mil. from a year ago and resulting in stocks relative to use at 17.2%, which if realized would be the highest since 2005/06. The season-average corn price is forecast down 40₵ to $4.40 per bu.
- **Could those corn numbers vary any at all?** Yes, says economist Krista Swanson of the National Corn Growers staff. She provides some additional context for corn trends:
  - ✓ While a 3.7 bu. per acre increase over the 2023 record 177.3 bu. per acre may seem like a stretch, a calculated regression on annual yields from 2023 to several prior years including 1934, 1980, and 1996 all predict 2024 yields within about 1 bu. of the USDA projection. optimal environmental conditions in the growing season could support above-trend yields. It's been more than a decade since there has been significant deviation in U.S. corn yield from the trendline – either above or below.
  - ✓ The USDA acreage projection doesn't always align with what farmers do. We saw that last year, when farmers planted 94.6 mil. acres of corn, well above USDA's February 2023 projection of 91 mil. acres for the year. Aside from market signals, farmers weigh factors like agronomic advantages of rotation, farm yield of specific crops relative to the average, timing of seeding and harvest, and general management practices when they decide.
  - ✓ With 83.1 mil. harvested acres, a 184.6 bu. per acre yield would be needed to break the 2023 production record of 15.341 bil. bu. With a 181 bu. per acre yield, 84.8 mil. harvested acres are needed, corresponding to about 91.1 mil. planted acres.
  - ✓ Total U.S. corn use is forecast higher in 2024/25 due to growth in all 3 of the leading use categories: feed, ethanol, and exports. Although cattle numbers are still declining, feed use will be up since increased production is expected for the hog sector and broiler meat production is forecast at a record level. Ethanol is forecast to use 5.4 bil. bu. of corn, with expectations of modestly higher motor fuel consumption and continued strength in ethanol exports. The expectation for modest global trade growth pushes corn exports 50 mil. bu. higher to 2.15 bil. bu.

- **The 2024/25 U.S. soybean outlook** has soybean supplies are projected at 4.8 bil. bu., 8% above 2023/24 with increased beginning stocks and production. Soybean production is projected at 4.5 bil. bu., 8% above a year earlier, and assumes a weather-adjusted trend yield of 52.0 bu. per acre and a 4.2-mil. -acre increase to harvested area from 2023/24. U.S. soybean exports for 2024/25 are projected at 1.875 bil. bu., up 155 mil. from the 2023/24 forecast. Large global supplies are likely to lead to lower soybean prices, spurring international demand, but the U.S. share of exports is expected to remain below 30% of global exports (compared to near 40% during 2013/14 to 2017/18) due to higher South American supplies. Soybean ending stocks for 2024/25 are projected at 435 mil. bu., up 120 mil. from the 2023/24 forecast. With large global soybean supplies, higher U.S. ending stocks, and the highest stocks-to-use ratio since 2019/20 at nearly 10%, the soybean season-average farm price is projected at $11.20 per bu., down $1.45 from 2023/24.
  - ✓ As soybean crush capacity continues to expand in the United States, crush is projected to rise to a record 2.4 bil. bu. in 2024/25. Domestic and global soybean meal demand is expected to increase as greater availability of soybean meal leads to lower prices. U.S. soybean meal exports are forecast at a record 16.5 mil. tons while domestic meal demand grows 3.0% in 2024/25, compared to 2.7% in the prior marketing year. The soybean meal price is forecast down $60 per ton from last marketing year to $320 per ton for 2024/25.
  - ✓ Soybean oil domestic demand will continue to increase driven mainly by higher biomass-based diesel production. Soybean oil for biofuel is expected to grow 8% to 14.0 bil. lbs. The soybean oil price is forecast to decline 6 cents per pound from the prior year to 45₵ in 2024/25 from higher availability of soybean oil as well as competing imports of feedstock used in biomass-based diesel, like canola oil and used cooking oil.
- **Speaking of soybeans**, how are the South American boys doing? That is a question for Michael Cordonnier, who is the specialist on South American crops. "Brazil's soybean yields continue to be frustrating low in Mato Grosso, Mato Grosso do Sul, Parana, and Tocantins. The lowest yields are from the early maturing soybeans that were planted in September and the first half of October. Higher soybean yields are being reported in Minas Gerais and parts of Goias. The later developing soybeans in central Brazil are expected to have higher yields, but that has not happened yet. In their February Crop Report, Conab lowered their estimate of the 2023/24 Brazil soybean crop to 5.488 bil. bu., which is a reduction of 3.7% from their January estimate. In the February WASDE Report, the USDA lowered the 2023/24 Brazil soybean production to 5.73 bil. bu. Imea is estimating the 2023/24 soybean production in Mato Grosso down 1.4% from January and down 15.1% from 2022/23. Dry conditions could delay the safrinha corn planting until additional rainfall improves the soil moisture. September has been the only month this growing season with above normal precipitation. Rainfall during the October through January period has been running about 60% of normal. Below is the 2023/24 soybean harvest progress in Mato Grosso."

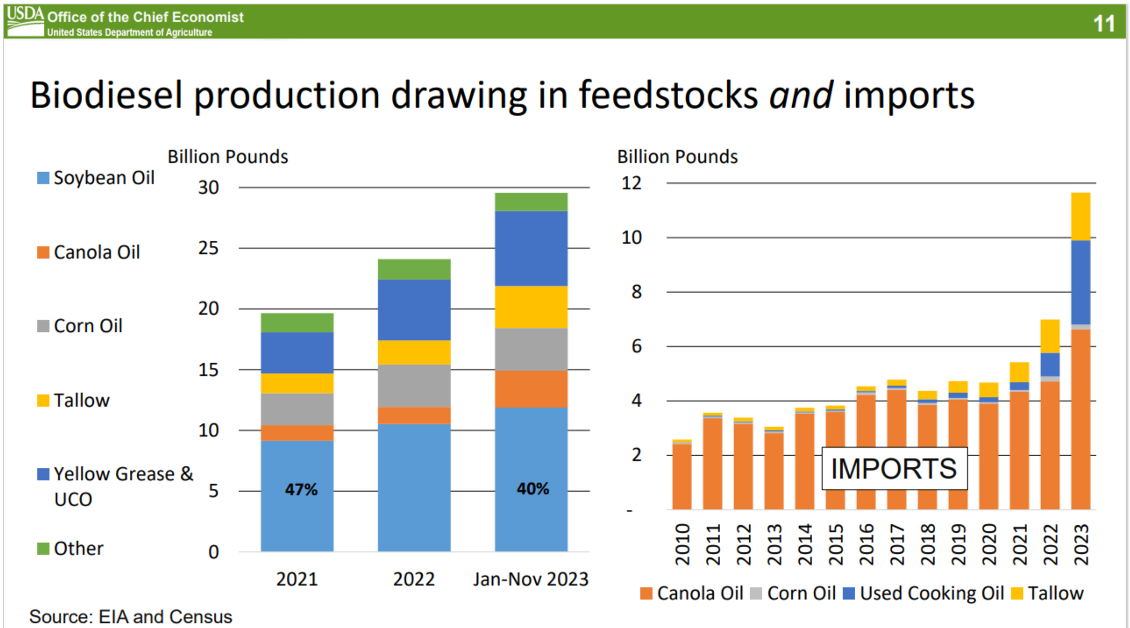
Ag Economy—

- **USDA Chief Economist Seth Meyer** talked about the state of the ag economy and the headwinds it faces in 2024. During his speech at the 100th Annual Ag Outlook Meeting, he said there are challenges ahead, "We've seen a lot of growth in trade for agricultural commodities, for bulk agricultural commodities. Maybe the challenge is the fact that other countries have also stepped up and are producing more. So, our challenges our export share has declined. We've gotten more competition in the global market, but we need that trade to continue to grow." One of U.S. agriculture's biggest challenges comes from South America, "One of the examples here is that we have seen tremendous growth in soybean production in South America. Tremendous growth. When you think about Brazil, Paraguay, Argentina, tremendous growth in production, and we can handle that production at a global level and support prices when Chinese demand was growing at more than 4% and up to 8% a year. So, we have China in the market pulling large volumes of soybeans off the market. That demand has slowed. Who's going to pick up that demand as we get an additional six mil. metric tons a year from Brazil and two mil. metric tons from Argentina? Land is expanding. They're going to continue to grow. We have a challenge here in terms of how we are going to meet export demand, and what are we going to do internally for demand?" When it comes to soybeans, increasing domestic use can counter some of the lower international demand, "Domestic crush has been quite strong, fueled largely by our biofuel demand. So, if you have challenges in the export market, it is good to have domestic demand. →

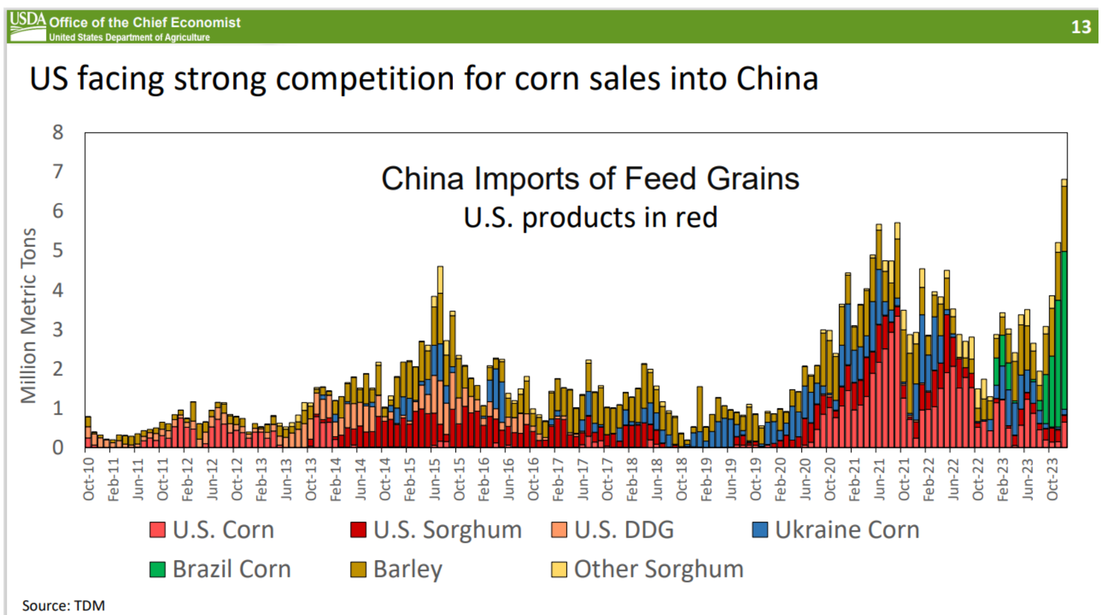




One of the places that we've had good domestic demand is in the biofuel market. But one of the challenges is we are drawing imported feedstocks into our biofuel production from around the world, and actually, imports as a total share of feedstocks is



growing over time. And it is canola and used cooking oil, and so this is a very policy-driven market. If we want to have a domestic use for our crops. This is one of the options that is at least in front of us." The competition isn't just soybeans, especially in China, "When you go forward you see them starting to take a large amount of U.S. corn, you can see them



also starting to pick up Ukrainian corn, which is more at risk, and now you see the big change in China has been the elimination of phytosanitary restrictions on Brazilian corn. And now, Brazilian corn flowing very easily into China and very price competitive. And again, we're facing additional competition for what is a pretty big market and growing year over year into China of more than 20 mil. metric tons." (NAFB News Service)

Environment, Regulatory, Carbon issues, Climate etc.—

- **IL Corn Growers** and their colleagues in 5 other states wanted to get a handle on carbon content of soil over many years. They retained the Energy Resources Center at the Univ. of IL in Chicago to determine land use and soil organic carbon stocks on 1,000 land parcels over a 36-year period. "As part of this study, we conducted a historical analysis going back to 1985 and found that longer time-intervals need to be considered when determining the environmental and economic impacts of land use change," lead researcher Ken Copenhaver with CropGrowr LLC and co-author of the study, noted. "Notably, this is something that current regulations are not taking into consideration." Out of the 1,000 land parcels analyzed, 371 parcels that were previously identified as land use change from native grasslands remained in cropland, while 611 parcels transitioned into non-cropland. Additionally, 18 parcels were identified as non-cropland. Interviews conducted with growers in these areas, some of whom were associated with LUC parcels, revealed that the most common reasons for returning land to crop were difficulties in re-enrolling land in the Conservation Reserve Program (CRP) and reduced cattle prices. Surprisingly, increased demand was not a significant factor. The researchers report, "In conclusion, the present work points to the need to conduct any land use change analysis over much longer periods of time than is often practiced to fully incorporate a parcel's land use history. Secondly, land that is returned out of the CRP, fallow, idle, or temporary pasture state into a corn cropping pattern (reduced till) will still show, on average, increasing soil carbon levels over time. A key practical significance of this research is that the increase in soil carbon over a longer time horizon for transitional land can now properly be reflected in carbon accounting models that access these transitional lands for additional bioenergy and biofuel feedstock production. Finally, agricultural organizations working with growers should ensure that conservation management practices are continuously encouraged as these practices ensure that the carbon deltas after any land conversion remain continuously positive."
- **Participants in the Precision Conservation Management program** will be eligible for special NRCS funding for their crop practices in 20 IL counties for the Regional Conservation Partnership Program (RCPP). Those are: Champaign, Christian, Clinton, DeWitt, Douglas, Edgar, Ford, Livingston, Macon, Macoupin, Madison, McLean, Monroe, Piatt, Sangamon, St. Clair, Tazewell, Vermilion, Washington, and Woodford. The project focus is to increase cover crop use and lesson sheet and rill erosion on farm ground. While applications are accepted throughout the year, interested producers should submit by March 29, 2024 a signed application (NRCS-CPA-1200 form) to the local NRCS field office, or through the http://www.farmers.gov website using their account, to ensure their applications are considered for 2024 funding.

- **NRCS will offer Regional Conservation Partnership Program (RCPP) funding** for the Working Lands, Water and Wildlife Partnership for select counties throughout IL. IL NRCS has partnered with The Conservation Fund to help producers address resource concerns, through the planning and implementation of cover crops. Landowners can apply for assistance through RCPP to implement the cover crop practice. This year's project focus is to increase cover crop use and lesson sheet and rill erosion on farm ground in the following 37 counties: Adams, Alexander, Boone, Cass, Champaign, Christian, Cook, Crawford, DeKalb, Ford, Franklin, Fulton, Iroquois, Jackson, Jefferson, Jo Daviess, Kane, Kankakee, Kendall, Lake, LaSalle, Lee, Madison, Mason, McHenry, McLean, Menard, Ogle, Peoria, Perry, Piatt, Sangamon, Tazewell, Vermilion, Will, Winnebago, and Woodford. NRCS financial assistance will be available to producers in Illinois who have land in the above-mentioned counties. While applications are accepted throughout the year, interested producers should submit by March 29, 2024 a signed application (NRCS-CPA-1200 form) to the local NRCS field office, or through the http://www.farmers.gov website using their account, to ensure their application is considered for 2024 funding.
- **The Food and Agriculture Climate Alliance** welcomes the launch of a USDA workforce development initiative aimed at building the next generation of conservation delivery providers. The Working Lands Climate Corps is a promising opportunity to provide on-the-ground education and training to develop the skillset needed to address natural resource challenges. Climate Corps fellows, working with state and local organizations, will gain the skills needed to provide conservation technical assistance to agricultural producers who are voluntarily making climate-smart investments in their operations. FACA appreciates USDA's commitment to building the next generation of boots on the ground but acknowledges the immediate need for more capacity today. "We encourage USDA to continue to prioritize ongoing capacity-building and recruitment efforts," FACA says. "These 2 efforts are complementary and necessary to build a robust workforce to scale conservation delivery. FACA members are united in support of climate policies that are voluntary, market-based, and scientifically sound. The Working Lands Climate Corps also got the endorsement of FACA member, the American Farm Bureau, which welcomed the initiative. "The Working Lands Climate Corps is a promising opportunity to provide on-the-ground education and training to develop the skillset needed to address natural resource challenges. Climate Corps fellows, working with state and local organizations, will gain the skills needed to provide conservation technical assistance to agricultural producers who are voluntarily making climate-smart investments on their operations. FACA appreciates USDA's commitment to building the next generation of boots on the ground, but we also acknowledge the immediate need for more capacity today. We encourage USDA to continue to prioritize ongoing capacity-building and recruitment efforts. These two efforts are complementary and necessary to build a robust workforce to scale conservation delivery. FACA members are united in support of climate policies that are voluntary, market-based and scientifically sound. Learn more about FACA policy recommendations and see the full list of member organizations at agclimatealliance.com.

Farm Bill and Farm Policy—

- **House Ag Democrats** are doubling down on their 'line in the sand' against repurposing climate and SNAP funds for farm programs. House Ag ranking committee member David Scott, D-GA, (right) in an op-ed first published by Agri-Pulse, writes Republicans continue to push "objectionable offsets." But maybe, Scott writes "reading our views in black and white in the press" will help them understand "no means no." Scott made the same case last June at a House Ag hearing, "We stand united against any efforts to take food away from children, families, or any vulnerable American in this Farm Bill or any legislation." Scott now argues that "raiding programs" backed by conservation, green energy and nutrition interests "does not achieve a bipartisan Farm Bill," but "fractures" the urban-rural coalition needed to pass one. And that has Farm Bill advocates concerned. American Farm Bureau's Ryan Yates, says "I think you're seeing lines in the sand…similar lines are being drawn in the Senate…that I think both sides are saying, here's what we're willing to do and here's what we're willing to give up—this is part of a process." While adding, "And until those sides and those issues can be resolved, it will further delay action on a Farm Bill, unfortunately." Already delayed by other legislative fights and an election-year calendar. However, faced with a fixed Farm Bill budget, though a record sum, both sides are holding fast to their positions to either repurpose savings or somehow, find new funds outside the Farm Bill. (NAFB News Service)

- **House Ag leaders, despite their continued warring,** hinted at a recent hearing that there may still be a way to achieve an eleventh-hour breakthrough on the Farm Bill. It was a barely noticeable hint amid all the verbal arrows he fired, that maybe top Ag Democrat David Scott was suggesting a way forward for the Farm Bill without GOP-proposed cuts to SNAP – a top Democratic priority, "Because the economy has improved, benefits and need for the program have decreased. The CBO is now expecting SNAP to cost $67 bil. less, over the next decade, than originally expected." A savings that if the Congressional Budget Office is correct and if Farm Bill negotiators can agree to use some of that for farm supports, which could pave a way toward ending a year-long stalemate. House Ag Committee Chairman Rep. Glenn Thompson, R-PA, (left) perhaps also hinted at ways forward and may have even held out an olive branch to the other side, "Considerable opportunities exist within our jurisdiction to not only fund the safety net but fund a substantial number of shared bipartisan priorities. And I continue to implore my Democratic colleagues to think in earnest about these priorities – priorities that can be funded without cutting SNAP, a SNAP benefit, or eliminating the important conservation programs that we've all come to appreciate." (Berns News Service.)

Farm and Family Issues—

- **Howard Buffett did not grow up on a farm**, but he certainly deserves an honorary title of Top Farmer. Many have read his book *40 Chances*, about the 40 crops that a typical farmer would raise in his lifetime. But after dozens of trips into Ukraine, trying to help farmers get their grain to export terminals, he has embarked on a new project. With Russian soldiers shooting at tractors and combines as they would Ukrainian tanks and troops, Buffett knew Ukrainian farmers needed farm equipment. And the Buffett Foundation went into action. After having an initial discussion in April 2022 about taking over 15 combines and 15 tractors, Buffett reached out to manufacturers and ended up sending well over 100 new machines to Ukraine. Some of these were John Deere combines that had initially been destined for Russia. "I sent an email off to Mark, who's the international president for International John Deere I've worked with for years, and said, 'How many combines can I get? Can I get 15?' And my son, I hate to say this in public, it's very embarrassing, but my son is on the Case- New Holland board, it hurts. It really hurts. Sorry guys, for you out there, the red. But I sent him a text and I said, 'Get me 15 combines in the next week.' And he wrote back, 'Dad.' I said, 'I'll find out what I…' And so, he's always a little more pragmatic than I am, but within less than 2 weeks, we had 30 combines bought, and about half-and-half and all of the John Deere combines, this is kind of fun. "I mean, all the John Deere combines were going to Russia and then John Deere wasn't sending them. So, we got a little double whammy there and we got all the Russian combines. Now we're up to 70 combines, 84 tractors, a bunch of seeders. And we've got a bunch of both Kinze and John Deere planters." Buffett said through the program they have harvest about 265,000 acres and planted or drilled about 180,000 acres in Ukraine.

- **Who in your family does not, but should have, a will?** For the first time since 2020, the number of Americans with a will has declined, with only 32% of Americans having an estate plan in 2024, a 6% decline from last year. Having an estate plan for farmers and ranchers is especially important as it protects the future of the operation. Dean Voskuhl of AARP says there are 3 things to consider, "First, develop and maintain a succession plan for ownership and management of the farm. Next, consider planning for retirement plan accounts and life insurance needs of the farm as a closely held business. You should also consider premarital agreements and protection of interests in the farm. As a bonus, consider digital assets, such as passwords and accounts that are critical to the farm operation." The main reasons people put off an estate plan is they either haven't got to it yet or think they don't have enough assets to leave to anyone, "Neither is a great reason. The right paperwork can save your loved ones headaches and heartache and give you peace of mind." Voskuhl adds there are a few changes in the tax code on the horizon to keep in mind as well, "The first is the implementation of the Corporate Transparency Act, which will impose significant new reporting requirements on many small businesses. Second is the sunsetting of the increased estate and gift tax exemption amounts at the end of 2025. Unless Congress acts before January 1, 2026, the estate and gift tax exemptions will revert to where they were in 2017. With inflation adjustments, this will be approximately $7 mil. for individuals and $14 mil. for married couples." (NAFB News Service)
- **Rural mental health national nonprofit Rural Minds** was selected as the 2023 STARR Coalition Advocacy Organization of the Year and won the prestigious STARR Award. "This recognition is given to the advocacy organization that's demonstrated exceptional dedication to advocating for those living with mental illness, their efforts to fight the mental illness stigma, and who support efforts to expand mental health research," says Erica Moore of the STARR Coalition. Rural Minds Executive Director Chuck Strand says, "We thank the coalition for the award and recognition of the collaborative work we are doing through Rural Minds to help people in rural communities overcome unique barriers to mental health." For more information on the group, go to ruralminds.org.