WEEKLY CORNBELT UPDATE

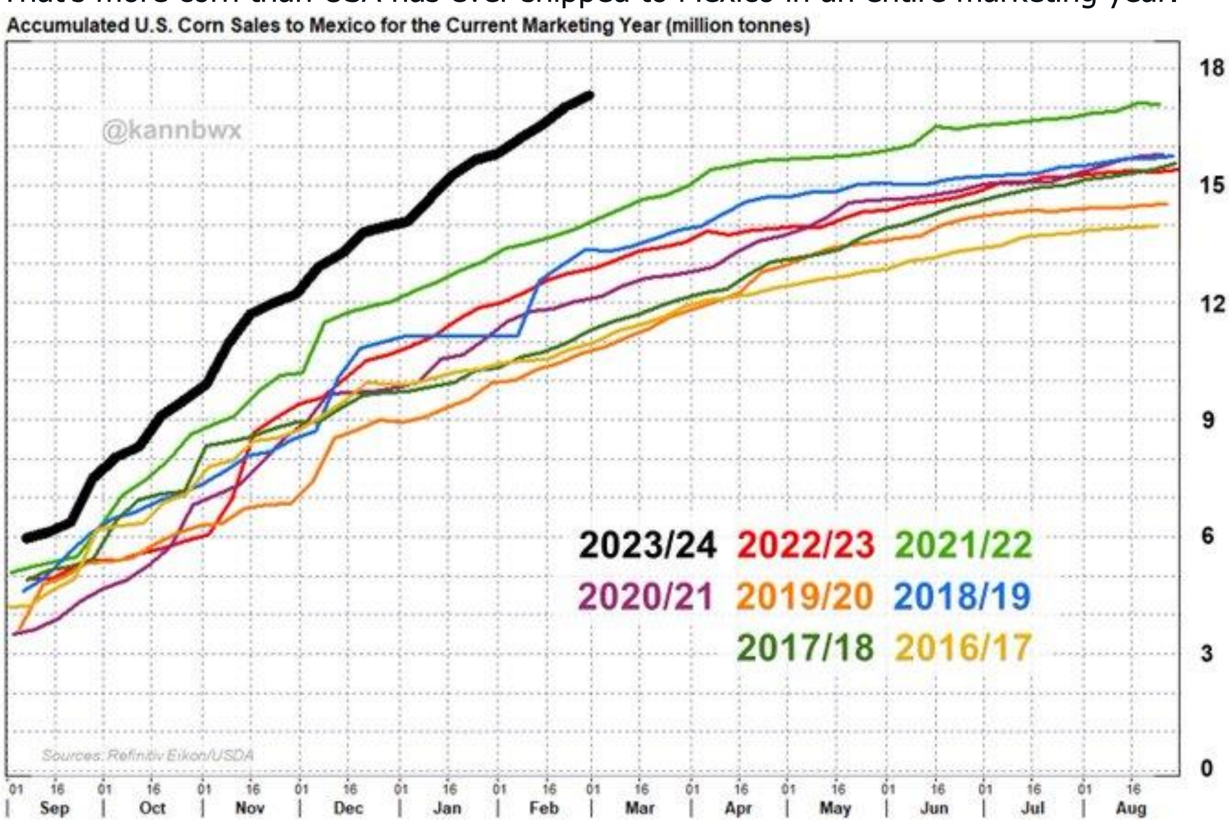
PRESENTED BY FLANAGAN State Bank

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

Commodity market price drivers—

- **USDA's Friday** World Agricultural Supply and Demand Estimates were nearly a February repeat. Very few numbers were changed, and market prices were stable.
  - ✓ **Corn:** This month's 2023/24 U.S. corn outlook is unchanged relative to last month. The season-average corn price received by producers is lowered 5₵ to $4.75 per bu. based on observed prices to date. Foreign corn production was forecast lower with declines for South Africa, Ukraine, Mexico, Venezuela, and Russia that are partly offset by increases for Argentina and Syria. Mexico was cut based on expectations of lower winter corn area. Ukraine and Russia are reduced based on reported harvest results to date. Argentina is raised based on higher expected area. Major global trade changes include higher corn exports for Ukraine and Argentina but reductions for South Africa and India. Corn imports are lowered for the EU, Saudi Arabia, Israel, and South Korea but raised for Mexico, Venezuela, and Indonesia. Foreign corn ending stocks are lower, mostly reflecting a decline for Ukraine that is partly offset by an increase for Brazil. Global ending stocks, at 12.58 bil. bu., are down 94 mil. bu.
  - ✓ **Soybeans:** The outlook for U.S. soybean supply and use for 2023/24 is unchanged this month. While soybean crush is unchanged, the soybean meal extraction rate is increased slightly, and higher soybean meal exports are mostly offset by lower domestic use. The U.S. season-average soybean price and the soybean meal price forecasts are unchanged for 2023/24. The soybean oil price is reduced 2₵ to 49₵ per pound. Global 2023/24 soybean supply and demand forecasts include lower beginning stocks, lower production, lower crush, higher exports, and lower ending stocks compared to last month. Soybean imports for China for 2022/23 are also raised to reflect shipping data by major exporters. Global soybean production for 2023/24 is reduced on lower production for Brazil and South Africa. Global soybean ending stocks are lowered 66 mil. bu. to 4.2 bil. on lower stocks for Brazil that are partly offset by higher Chinese stocks.

- **The USDA already predicts** domestic exporters in 2023-24 will ship their second-smallest soybean volume in a decade, though some of the recent numbers suggest the agency's outlook may still be too optimistic, reports Reuters' commodity analyst Karen Braun. "Final soybean exports do not usually end up lower than USDA's February forecast, as the trade war years of 2018-19 and 2019-20 were the only 2 such instances in the last decade. Exports ended up higher even in 2017-18, but the start of the trade war and crop problems in Argentina were outlying factors that season. Not only have sufficient supplies in Brazil hampered U.S. exports, but demand from top buyer China is unimpressive given very poor crush margins. China's customs on Thursday reported January and February soybean imports totaled just 475 mil. bu., down 9% on the year and the lowest for the period since 2019. U.S. corn export bookings have performed better relative to soybeans. Some 1.44 bil. bu. of corn had been sold for export in 2023-24 as of Feb. 29, representing 74% of USDA's full year forecast of 2.1 bil. bu. Similar to soybeans, final U.S. corn exports in recent years are usually equal to or higher than what USDA said in February. Mexico remains by far the biggest U.S. corn buyer for 2023-24, accounting for a record 44% of total U.S. corn sales by the end of February, midway through the marketing year."
- **Mexico has already purchased more corn** from the US than it has in the last 8 years when major buying began. And the export year has more than 5 months to go. Reuters' commodity analyst Karen Braun reports "U.S. corn export sales to Mexico have reached 681 mil. bu. by the halfway point of 23/24 - WAY above the date's prior max of around 551 mil. That's more corn than USA has ever shipped to Mexico in an entire marketing year." →



- **The Brazilian soybean crop** keeps getting pared back, so why are US soybean prices so low? Aaron Curtis of Mid-Co Commodities says low soybean prices are not just a function of exports, but also meal and oil values, and all 3 are relatively low. He walks through the details in this short video.

- **US soybean export sales** last week were not exciting but were not depressing. They included 9 mil. bu. switched to China from unknown destination. Japan was the top corn buyer. Total 23/24 soybean oil sales doubled as last week's sales volume was a 2yr high, led by Colombia.

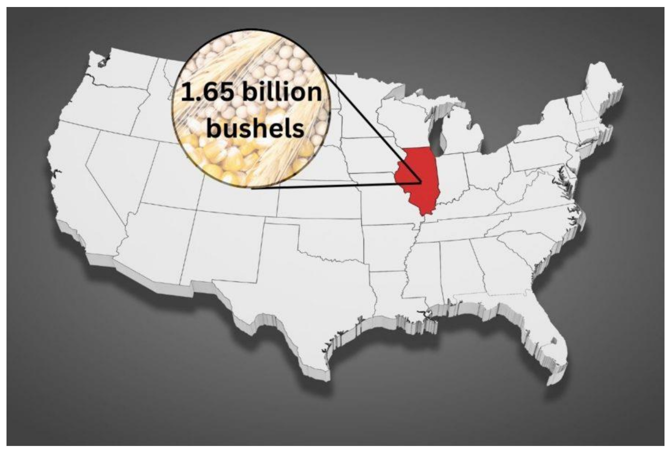
U.S. Net Export Sales 2023/24

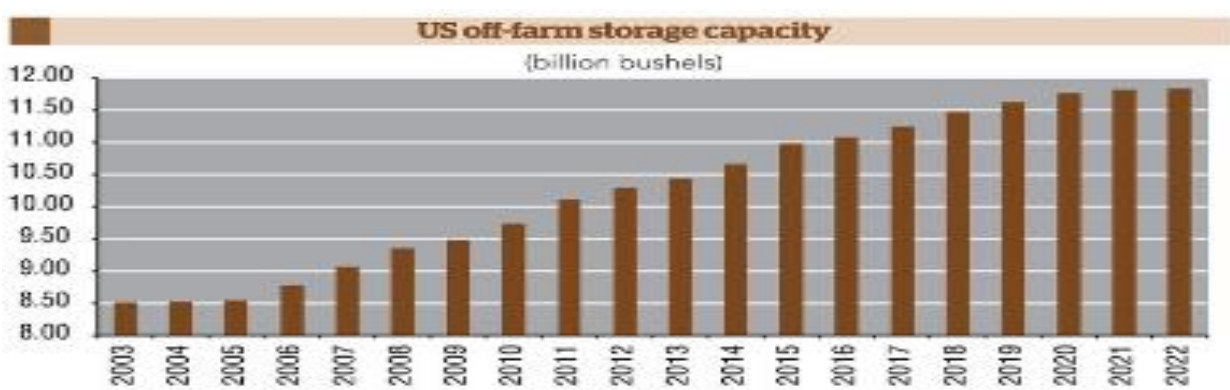
Week ended February 29, 2024

@kannbwx

(million tonnes)	Trade Estimates	Actual	*Year Total (% YOY) (1,000 tonnes)*
Wheat	0.25 – 0.55	**0.271**	*18,434 (+6%)*
Corn	0.8 – 1.4	**1.110**	*39,228 (+28%)*
Soybeans	0.175 – 0.6	**0.614**	*39,433 (-19%)*
Soymeal	0.125 – 0.55	**0.158**	*9,617 (+20%)*
Soyoil	(0.005) – 0.01	**0.029**	*61 (+3%)*

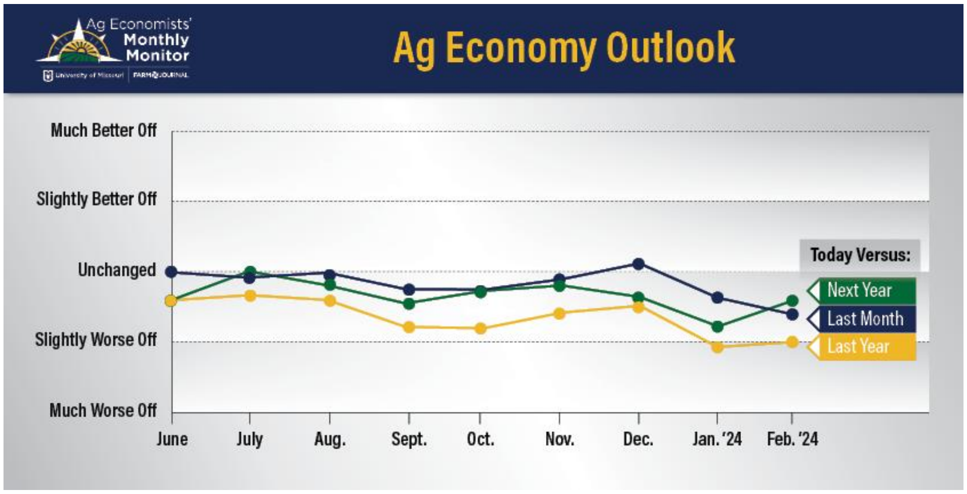
- **IL farmers may be storing a lot of grain** on their farm, but there may be a lot stored off farm as well. IL turns out to have 810 off-farm grain facilities, capable of storing 1.65 bil. bu. The 2024 Grain& Milling Annual reports IL farmers produced:
  - ✓ **10.6 mil. acres of corn,** with production of 2.268 bil. bu.
  - ✓ **10.75 mil. acres of soybeans,** for 677.25 mil. bu.
  - ✓ **560,000 acres of wheat,** for 22.24 mil. bu.
  - ✓ The US had 11.822 bil. bu. of off-farm grain storage as of Dec. 1, 2022, up from 11.817 bil. bu. the previous year. Storage has grown steadily each year from 8.5 bil. bu. in 2003.





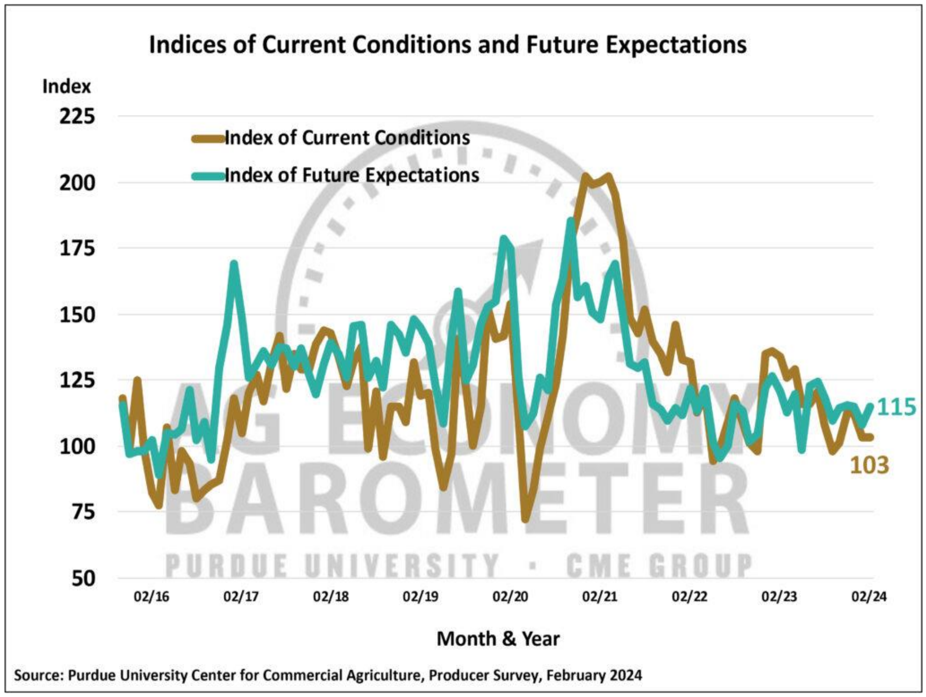
Ag Economy—

- **As farmers face the reality of falling commodity prices** and tighter margins in 2024, the latest [Ag Economists' Monthly Monitor] shows a projected major drop in net farm income this year with interest rates not expected to improve much if any in 2024. The Ag Economists' Monthly Monitor is a survey of 70 ag economists from across the country. The latest survey shows pessimism is growing regarding the farm economy. "I think there were really two things that were important from the February Monthly Monitor," says TaylorAnn Washburn, program director for the [University of Missouri Rural and Farm Finance Policy Analysis Center]. "Each month we ask our economists to share their sentiment on the economic situation of the U.S. ag economy and, since December, our respondents have continued to be pretty pessimistic about the state of the ag economy compared to previous months and the previous year." Economists surveyed expect net farm income to shift down to $117 bil. in 2024, which is much lower than what USDA anticipates. The USDA is projecting $121.7 bil. for net farm income this calendar year. At the same time, operating costs are expected to stay high due to elevated interest rates. The February Monthly Monitor shows more than 40% of those surveyed expect interest rates to fall no more than 1% this year, and 44% of economists are becoming more pessimistic about any interest rate cuts in 2024. With net farm income expected to take a hard fall this year, the latest Ag Economists' Monthly Monitor asked economists to outline the potential fallout that could occur in the ag economy over the next couple of years. "Generally, the consensus was the immediate fallout was likely pretty minimal. But if farm income continues to drop in 2025 and beyond, there are some concerns that the fallout will grow," says Washburn. "Some potential impacts that were mentioned by our economists include a slowdown of equipment sales, some moderation of land values and rental rates, consolidation across farm businesses on the service side of things, and then some negative impacts to financial ratios." One economist pointed out for those producers who thought 2021-2022 was a new normal for commodity prices, they and may be overextended heading into the latest downturn. Another economist said corn farmers could face the steepest losses this year. "It looks like corn prices will be below production costs for many producers. We have not had that for a long time, especially since the ethanol boom started almost 20 years ago. The struggles this time will be for corn farmers. Producers of other crops like cotton, wheat and rice have had difficult years," said 1 economist.



- **The Federal Reserve Board's** Open Market Committee meets March 19-20 to plan interest rate cuts, based on the current economy. Following are Beige Book summaries of the ag economy from the ag economists in the central US Federal Reserve Bank Districts:
  - ✓ **Chicago Fed:** Income prospects for 2024 continued to deteriorate for Seventh District crop producers, while the outlook for livestock producers improved. Corn prices edged down once again, as low demand and a large 2023 harvest boosted stocks. Soybean and wheat prices were also down some. Fertilizer costs for crop production were down from the fall and well below those of a year ago. Hog, cattle, egg, and dairy prices increased from the previous reporting period. Margins for dairy farmers remained tight as labor costs rose, though lower feed costs helped some.
  - ✓ **St. Louis Fed:** District agriculture conditions have remained stable since our previous report. Total winter wheat acreage planted was down about five percent relative to the total planted the year before. Reports indicate the decline was expected and consistent with national planting patterns. A decline in fertilizer costs was offset by increasing fuel and interest costs. District contacts were mixed on the impact global commodity markets are having on their operations. While some reported benefitting from tightened export markets due to international shipping disruptions and high demand—particularly for cotton—others reported that declining commodity prices and competition from major exporters such as Brazil had depressed their outlook. Contacts indicated the ban in early February on specific pesticides commonly used for major District crops and subsequent regulatory changes were sources of uncertainty for future planting and growing decisions. Most District contacts described their outlook as unchanged or worsening.
  - ✓ **Minneapolis Fed:** District agricultural conditions declined. Ninth District farm income declined in the last quarter of 2023 relative to a year earlier, according to most lenders responding to an agricultural conditions survey. Capital spending also decreased on balance, while farm household spending continued to increase. Sector contacts reported that current prices for some commodities were below breakeven levels for many producers; however, input costs have moderated somewhat.
  - ✓ **Kansas City Fed:** Conditions in the Tenth District farm economy softened in February, but agricultural credit conditions remained sound. Crop prices declined moderately over the past month alongside reports of stronger yields and production in the 2023 growing season than was previously estimated. Grain stocks were higher coming into 2024 than a year ago in most Districts states. Although strong yields could support revenues, producers with large shares of the harvested grain currently in storage appeared likely to sell at unfavorable prices. In the livestock sector, cattle prices remained strong alongside reports of additional declines in cattle herds. Farm financial conditions have moderated over the past year, but credit stress and farm loan delinquencies remained low. Looking ahead, contacts continued to cite ongoing risks associated with high expenses, commodity market developments, and high interest costs.

- **The Purdue University Ag Economy Barometer** rose modestly in [February posting]() a reading of 111, 5 points higher than a month earlier. The modest rise in the barometer was attributable to producers expressing somewhat more optimism about the future as the Future Expectations Index rose seven points to a reading of 115. The Current Conditions Index was unchanged at 103 compared to a month earlier. Meanwhile, February's Farm Financial Performance Index reading of 85 was one point lower than in January and 13 points below its most recent peak in December. Weak crop prices continue to weigh on financial expectations as mid-February.



  - ✓ 34% of farmers said their biggest concerns were high input costs and 28% pointed to low crop and livestock prices. Interest rates had been at 23% but dropped to 18% this month.
  - ✓ The percentage of farmers who said it's a bad time for capital investments because of "uncertainty about farm profitability" was 22% of respondents compared to just 7% who cited that as a key reason to hold back on investments last fall.
  - ✓ Regarding farmers' expectations of the trend in farmland values, the index of 115, was 4 points lower than last month and down 30 points from 2 years ago. More farmers expect land prices to rise over the next 12 months than those expecting lower land prices.
  - ✓ Farm growth expectations over the next 5 years was asked of the survey respondents and 38% had no plans for growth, with an additional 14% projecting their departure from farming. 30% expect their farm's growth to exceed 5%, a rate that would see a farming operation double in size over a span of 14 years.
  - ✓ Financial prospects seem to keep farmers interested in the potential for leasing farmland to solar energy companies. 10% of respondents said they had discussed a solar leasing project with a company in the last 6 months. Payment rates offered varied widely, but it was notable that over half of respondents said they were offered a lease rate of $1,000 per acre or more.

FSA, Risk Management and Crop Insurance—

- **March 15th is the deadline for crop insurance**; either changing your policies, adding a farm or field, or signing up for the first time. IL Farmdoc ag economists, re-iterate the guarantees from USDA's Risk Management Agency. "For corn, the projected price is $4.66 or 21% below last year's PP, and for soybeans the PP is $11.55 or 16% below the 2023 projected price. In simplest terms, a producer with a 225-bushel APH insuring at an 85% coverage level would have $891 of insured revenue (0.85 x $4.66 x 225) compared to $1,130 in 2023 (0.85 x $5.91 x 225). Due to lower prices for grain, crop insurance premiums are less than recent years. But overall payments will be lower because of the lower value of the crop. Under the Revenue Protection policy, if Harvest Prices at the end of the insurance period are higher than $4.66, the guaranteed revenue is adjusted to the higher price. Under RP-HPE policies, the guarantee is fixed and does not increase if the Harvest prices increase. The RP-HPE policy would have a premium cost of $13.98/acre, and the Yield Protection policy would be $11.33/acre. Crop insurance is correctly viewed as providing the cornerstone for active risk management programs, and its importance is elevated in environments with higher input costs, higher commodity costs, and greater price volatility. The differences in underlying rates and starting price and volatility conditions can substantially impact the relative performance of the alternatives from year to year, and across different operations within a given year. The *iFARM* Crop Insurance Tools are intended to provide producers with insights needed to make informed crop insurance decisions most suitable for their own operations.
- **Need some help with that** risk management decision? A couple hundred IL and IN farmers were quickly taking notes last week, when Nick Paulson was speaking. Paulson, an IL Farmdoc ag economist, was addressing crop insurance issues and ARC/PLC decisions when he was speaking at a farm program in Covington IN. 2024 may be one of those years, and major decisions need to be made prior to March 15, says Paulson. But what options should one choose, if there is even a choice? He offers some help in this short video.

Farm Management

- **So, what do you do now?** The Treasury Dept. (specifically the Financial Crimes Enforcement Network) had wanted companies (which include many farming business arrangements) to report the beneficial interest of owners. But on March 1st a federal court in AL ruled that the Treasury Department's FINCEN did not have the authority to collect such information from members of the National Small Business Association, and FINCEN said announced would not pursue the data collection from members of that organization. Are you a member of the NSBA? Likely not, so what do you do? IL Farm Business Farm Management says, "Consult with your legal counsel on next steps for your business." Prior to the court ruling, Missouri Ruralist published details about what was required by the Beneficial Ownership Information.

Trade and International Issues—

- **To no surprise**, the National Corn Growers have come out against tariffs. Delegates to the NCGA National Corn Congress passed a consensus statement encouraging federal officials to pursue trade opportunities and invest in foreign market development to ensure that the U.S. remains a global leader in corn production and trade. "Building demand for U.S. corn is a top priority for NCGA and its state affiliates," said Harold Wolle, NCGA president. His delegates resolved: "Whereas, market access is critical for U.S. farmers to be successful and support the nation's economy. Whereas, market access could be negatively impacted by retaliation that targets U.S. farmers. Whereas, U.S. farmers depend on robust and expanded market access for exporting food and agricultural products in order to ensure that the U.S. remains a global leader in corn production. "Therefore, we the assembled voting delegates of the National Corn Growers Association, support improved market access including the reduction of tariff and non-tariff barriers so that U.S. corn growers have many opportunities to increase demand from foreign trading partners."
- **In the latest USDA Ag Export forecast**, a stronger dollar and competition are the two primary reasons for U.S. ag export expectations declining to $170.5 bil. Well below the 2022 amount of more than $196 bil. Meanwhile, ag imports are set in 2024 to increase by about $5.5 bil., to $201 bil., setting the country up for a more than $30 bil. ag trade deficit, "But I think bringing some context to what is in those numbers is really important. Some of the largest growth of imports that we have seen is actually products like distilled spirits, things like tequila." USDA Under Secretary for Trade and Foreign Agricultural Affairs Alexis Taylor says farm trade deficit is not immediately bad. Going back to that tequila statistic, she says the U.S. consumes more tequila by volume than anywhere in the world, including Mexico. It also is a new addition. In 2021, the USDA adopted the World Trade Organization's definition of Agricultural Products including distilled spirits. Additionally, half the value of U.S. agricultural imports are in horticultural products, Taylor says that would be year-round produce in the grocery store, "As you look into some of the numbers of our imports, they are things like products that are non-competitive, that we don't produce. So, think things like bananas, pineapple, and coconuts. Things that are maybe counter-seasonal, like blueberries in January, which are good for our consumers, are also good for our industry to keep year-round demand of blueberries." These items can also support local food manufacturing and rural communities, Taylor says. And another reason the deficit needs context? Economic trends have been good, "The United States has recovered better than anyone, and certainly better than projected from the COVID pandemic. We have a very strong U.S. dollar; incomes are rising so people have more money. So, we are a demanding, voracious consumer base here in the United States. Which people want to access and tap into." Still, as consumers get the diversified markets they want, Taylor says that does not give any excuses to stop selling U.S. farm. She points to the new Regional Agriculture Promotion Program among other projects and trade missions aimed to break into new foreign markets, "So our producers, our exporters and agribusinesses have the opportunity to expand, so I think there's two sides to that coin. And we need to be focused on that export side, opening new markets, knocking down barriers, and that's exactly what we're trying to do here at USDA." (WHO Radio).

Farm Bill and Farm Policy—

- **Farm Bill prospects are looking dimmer** after recent comments by Senate Ag Chair Debbie Stabenow, D-MI, and as other priorities crowd out the legislative calendar in a presidential election year. The hints started weeks ago, "We can get this done if people are serious about it, if people are serious…I'm serious about it." That was Ag Chair Stabenow in January. But last month, Politico quoted her saying at a White House event, she'd rather stick with the lapsed '18 farm law already extended one-year, than compromise with Republicans on SNAP and climate cuts. Sen. Chuck Grassley, R-IA, already made up his mind on whether there's still time in a crowed legislative and political calendar to do a Farm Bill this year, "No, for myself, but I think it's more important to answer your question, by what I think I heard reported on Chairwoman Stabenow saying that she thinks the Farm Bill's going to have to be extended for one more year. Sounds to me like she's thrown in the towel. Stabenow told nutrition advocates, when it comes to limiting anti-hunger programs in a new Farm Bill, "I'm not going to do it…so, if that means we continue the policies of the 2018 Farm Bill…then that's Ok." Republicans say they want 'more farm in the Farm Bill,' and argue the best way to do that is to reprogram some SNAP and climate spending. Texas A & M Ag Policy chief Joe Outlaw was already looking at the 'tea leaves' on a Farm Policy Facts "Groundwork" podcast in January, "I don't expect it to be done in '24, unless something wild happens after the election, and even then, if House or Senate flips, it's going to be enough change that I don't think it will happen early in '25, either." Outlaw's prediction: 'maybe a summer of '25 Farm Bill.'
- **Numerous groups were lobbying Congress last week** as important fiscal decisions are being made. IL Farm Bureau leaders and staff were among those. "President Brian Duncan was in Washington D.C., with one-on-one visits with Sens. Durbin, D-IL (right), and Tammy Duckworth, D-IL, Reps. Mike Bost, R-IL, John Jackson, D-IL, Darin LaHood, R-IL, and with staff members of other IL members of Congress. The issues we focused on this visit were that passage of a Farm Bill before the September extension expires, including the request to pass legislation to address the CA Proposition 12 roadblocks; making sure any standards for the future of key biofuels like Sustainable Aviation Fuel are based on the GREET (Greenhouse gases, Regulated Emissions, and Energy use in Technologies) model so that all agricultural process are included; ensuring that we have trade opportunities expanded; and that there needs to be a wage freeze for the H2A program and the Adverse Effect Wage Rate (AEWR) adopted in March of 2023 is rolled back."

Farms and Farm Families

- **Prairie Farmer Magazine** will be saluting its 2024 class of Master Farmers at the end of March. They are Chris Hausman Pesotum, Gerald Thompson of Colfax, Lou Lamoreux of Lanark, and Malcom and Susan Head of Blue Mound. Dozens have been honored since the program was reinstated in 1968. Last year, Dr. Bob Easter, Dean-emeritus, President-emeritus of the Univ. of IL was named as honorary Master Farmer and this year, Il Farmdoc ag economist Dr. Gary Schnitkey will take home that plaque.

- **The Outstanding Young Farmers of America**, recently installed its newest class of 4 honorees, pushing that number to 260 since the program began in 1955. None of the nominees from IL the past 2 years have been in the top 4. However, over the years, 23 from IL have been part of that elite fraternity. And you will probably recognize a handful of names.

✓ **The time and effort American farmers** put into caring for the land makes for a story that isn't shared often enough. A new video series from U.S. Wheat Associates aims to change that for overseas wheat buyers by focusing on how producers help feed the world while also acting as stewards of soil, water, and the environment. USW's "Stories of Stewardship" project goes right to the source. 5 wheat farmers in 5 different states appear on camera from their farms to talk about their work and to assure economic security for the next generation of farmers by leaving their land in better shape than it was when they started farming it. "Consumers around the world want to know how their food is grown, and U.S. wheat is definitely a food ingredient. Stories of Stewardship can be seen on the USW website.