Ag Newsletter

Dec 2023

Using Key Learnings from 2023 to Plan for 2024

Some say the definition of insanity is “doing the same thing over and over again but expecting a different result.” If we think about how this concept applies to production agriculture, making decisions on primary inputs such as seed, fertilizer, and chemical dominates most of the conversation. If we are constantly looking for ways to build off our successes and push our yields to the next level, what input and management choices can we look to improve so we aren’t doing the same thing repeatedly, hoping for a better result? For all the stress and last-minute decision-making, we faced this past year, we certainly saw outstanding corn and soybean yields throughout most of the region. As we reflect on the ups and downs of the 2023 growing season, what learnings can we apply to our decisions for the 2024 crop?

Early Planting:

It is important to remember the risks associated with early planting, and the additional steps we need to consider to be most successful. The most popular question at every winter meeting remains, should we plant soybeans or corn first? Just this past year, we had no less than 2-3 different frost/freeze events on some of our first planted fields. Soybeans have shown a lot of resiliency through challenging early season conditions. Though we may lose a few plants along the way, beans do a great job of compensating, as long as we avoid late spring freezes once we’ve reached emergence. On the other hand, corn can be planted early, but is much more likely to benefit from ideal emergence conditions, not the date on the calendar. Warmer conditions that promote corn emergence in 10-14 days usually translates to better final stands and yields at the end of the year. It’s a short question but can come with a long answer. To make it simple, with proper management soybeans have a much higher ceiling, with impressive yield benefits from April planting. Corn can still be extremely successful in the right conditions, but it can have a lower floor when lower stands and greater disease risk are possibilities.

(cont. pg. 2)

In This Issue

FSB Locations

301 W. Falcon, Flanagan

403 State, Benson

2401 E. Washington, Bloomington

111 N. Fayette, El Paso

500 S. Persimmon, Le Roy

208 E. Gridley, Gridley

Seed Treatment and Planter Box Technologies:

We can talk about April planted soybeans all day long, but we must keep in mind some of the tools that enable us to be more successful. Advances in seed treatment have allowed us to fight off some of the early-season stressors that have traditionally been a problem. Fungicides, insecticides, nematicides and Sudden Death Syndrome treatments remain a focal point in any seed treatment program we can run for both soybeans and corn. A strong seed defense gives us a chance for a great start by fighting off common early-season disease risks and provides insect control that can have big implications later in the summer. In addition, new treatment opportunities have allowed us to play more offense by capturing more bushels for both corn and soybeans. Newer biostimulant innovations including biologicals, enzyme technologies, plant growth regulators and nutritional products, introduce plant-available nutrients directly in the root zone or unlock nutrients already in the soil. In years like 2022 and 2023 where we see stretches of extremely dry weather, extra nutrient availability can certainly go a long way during critical crop growth stages. Don't underestimate the impact of additional treatments that help create new bushels.

In-Season Applications:

The first half of 2023 certainly made fungicide application a challenging decision as we teetered with historical early-season levels of drought. If there is anything to be learned, rain the second half of the summer is much more critical to overall yields as we progress through the reproductive stages for corn and soybeans. Yields can be impressive, even with a lack of fungicide application, but it also means we very likely left bushels on the table at the end of the year. Every scenario and year is different, but fungicide application has proven to be a valuable tool to push yield levels higher, even in the most challenging conditions. More recently, two pass programs have proven beneficial when combatting challenging diseases like tar spot in corn. Outstanding plant health will always be the key to success in crop production. If we see disease, we have already given up yield potential. We have some excellent tools to protect in-season health, and in most situations, this will be vital to improving yields from one year to the next.

Now is the time to reflect on what worked and what didn't this past season. Don't be the definition of "insanity" and always keep eyes wide open for new tools and opportunities that can lead to greater success in 2024.

Robert Clark
Integrated Seed Solutions
Robert.clark@integratedseed.com

Integrated
SEED SOLUTIONS

THIS MARKET IS DIFFERENT THAN THE LAST COUPLE OF YEARS

The one certainty in life, and in marketing, is change. Things don't stay the same very long in marketing and change can happen fast. Navigating through that can be very difficult without a marketing plan that incorporates flexibility. We also have to look at what has changed, and what can still change, when talking about marketing your 2023 crop, and starting with your 2024 crop.

From the fall of 2020 through most of 2022, we were in a demand driven market. China came in and bought unprecedented amounts of U.S. corn in the fall 2020. They were still buyers in early 2022. This led to a broad rally in corn that extended much further than anyone would have thought. Then in February of 2022, Russia invaded Ukraine, and we saw a huge rally in wheat, and it spilled over to corn. This was both a supply and demand driven concern to the market. The world was going to lose some available supply of grains, and the demand was going to shift to others.

These higher prices encouraged more planted acres, and the higher prices also would have curbed some demand. This would have started already in early 2023, but Argentina had a drought last winter, and they only grew about 50% of a normal crop. Brazil didn't have those issues, and they grew a record crop. U.S. producers saw a very attractive crop insurance guarantee last February, and that enticed more corn acres in the U.S. in 2023. So even with issues in Ukraine and Argentina, world supplies have grown, and higher prices have hurt demand.

One thing to look at, and watch going forward, is the U.S. ending stocks figure. Over the past few years, corn ending stocks in the U.S. have been 1.5 billion or less. Now for the 2023 crop, current ending stocks are estimated at 2.15 billion, with some estimates out to 2.38 billion. That is a lot more corn to work through the system compared to the last few years. While U.S. corn exports are expected to be higher than last marketing year, they are well off the mark from 2 years ago. Brazil has taken a larger market share of world corn exports. Why? Higher prices caused them to plant more, and their prices are cheaper than U.S. corn.

If we look ahead to 2024, we could easily see U.S. ending stocks increase even more without a weather problem. Unless demand improves for the U.S., ending stocks in 2024 could balloon towards 2.8-2.9 billion. Again, we are not in a demand driven market like a few years ago. Demand is needed or our supply grows even more, and prices fall further. There is a lot to get through here yet, I realize that. We will likely need some weather issues in Brazil that could push some demand back to the U.S.

Now the U.S. farmer has seen opportunities to sell at much higher prices slip away. The U.S. farmer has stored more of the 2023 crop than we have seen for several years. Not only does the farmer own more corn, but we now have much higher interest rates to deal with. If you don't like the price today, and we don't rally, the cost of storing has just gone up if you have borrowed money at higher interest rates. The interest alone is 3 cents/month for corn and 9 cents/month for beans at current prices. If we do see the market rally, you will see a lot of corn get sold, and that in itself can limit the rally.

We have noticed already that the farmer movement will happen with rallies. Beans have rallied over $1.00/bu from the harvest low. Beans have moved from the farmer, and then the rally stops. When considering interest costs, it is no wonder why more beans have moved vs corn since harvest. If we see any rally at all this winter in corn, the farmer should be a seller.

As I mentioned earlier, the current estimate for U.S. corn ending stocks is even higher in 2024. Farmers should be concerned enough about this increase that we start to market the 2024 crop early. You likely know most of your costs for 2024 already. If you are close to profitability, sell what you feel comfortable with, and get floors under the rest. If U.S. corn ending stocks do work towards 2.8 billion, we will see much lower prices by fall 2024 vs where we are today. As I have mentioned many times before, flexibility is the key to navigating through the many ups and downs we will see in the market.

Kent Stutzman
Advance Trading Inc.
kstutzman@advance-trading.com
309-828-8404

ADVANCE TRADING INC.
ATI
Trusted Risk Management

Corn

Income	50/50	32% Variable	Cash Rent $300	Cash Rent $400	$250 Fixed w/ Bonus	Custom
5 Yr Avg Corn Yield	208	208	208	208	208	208
2024 FSA Prices	$4.75	$4.75	$4.75	$4.75	$4.75	$0.00
Crop Income	$988	$988	$988	$988	$988	$0
Total Income	**$494**	**$988**	**$988**	**$988**	**$988**	**$116**
Expenses						
Crop Inputs	$374	$748	$748	$748	$748	$46
Cash Rent	$0	$316	$300	$400	$250	$0
Bonus Rent 25% over $750	$0	$0	$0	$0	$60	$0
Total Rent Paid	$0	$316	$300	$400	$310	$0
Total Cost	**$374**	**$1,064**	**$1,048**	**$1,148**	**$1,058**	**$46**
Farmer Income per Acre	**$120**	**-$76**	**-$60**	**-$160**	**-$70**	**$70**
Fixed Costs to Pay						
Ave Family Living Costs	$18	$36	$36	$36	$36	$36
Ave Term Principal Payments	$97	$193	$193	$193	$193	$193
Ave Income Tax	$14	$28	$28	$28	$28	$28

SOYBEANS

Income	50/50	41% Variable	Cash Rent $300	Cash Rent $400	$250 Fixed w/ Bonus	Custom
5 Yr Avg S/B Yield	65	65	65	65	65	65
2024 FSA Prices	$11.75	$11.75	$11.75	$11.75	$11.75	$0.00
Crop Income	$764	$764	$764	$764	$764	$0
Total Income	**$382**	**$764**	**$764**	**$764**	**$764**	**$116**
Expenses						
Crop Inputs	$266	$532	$532	$532	$532	$46
Cash Rent	$0	$313	$300	$400	$250	$0
Bonus Rent 25% over $525	$0	$0	$0	$0	$60	$0
Total Rent Paid	$0	$313	$300	$400	$310	$0
Total Cost	**$266**	**$845**	**$832**	**$932**	**$842**	**$46**
Farmer Income per Acre	**$116**	**-$81**	**-$68**	**-$168**	**-$78**	**$70**
Fixed Costs to Pay						
Ave Family Living Costs	$18	$36	$36	$36	$36	$36
Ave Term Principal Payments	$97	$193	$193	$193	$193	$193
Ave Income Tax	$14	$28	$28	$28	$28	$28

2024 Projected Breakeven Crop Costs

Income	Corn		Soybeans
5-Year Average Yields	208		65
FSA Fall Cash Price	$4.75		$11.75
Other Payments	$0		$0
Total Crop Income per Acre	**$988**		**$764**

Expenses	Corn		Soybeans
Labor	$26		$23
Repairs	$45		$40
Cash Rent (all acres)	$190		$190
Seed	$145		$74
Fertilizer	$172		$82
Chemicals	$94		$126
Custom Hire	$24		$19
Fuel	$28		$26
Taxes	$3		$3
Insurance	$53		$43
Utilities	$9		$9
Supplies	$0		$0
Drying	$35		$0
Storage	$23		$7
Lime	$11		$11
Lt. Truck	$2		$2
Pro Service	$5		$5
Other	$13		$13
Interest	$52		$42
Building Repair	$8		$7
Total Crop Inputs per Acre	**$938**		**$722**

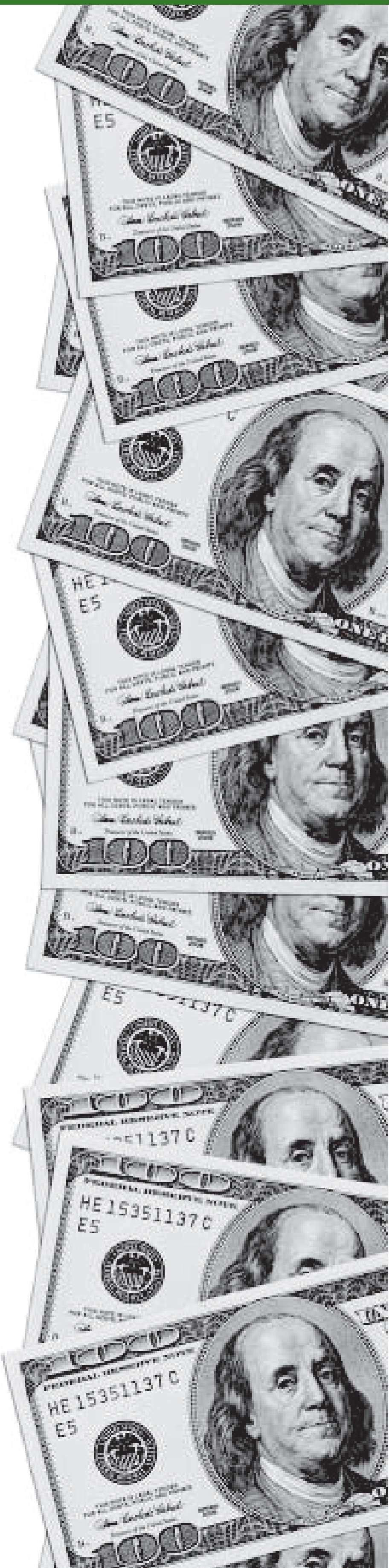
Net Difference per Acre Before Fixed Costs	**$50**		**$42**

Average Fixed Costs to Pay Across All Acres			
Average Family Living Costs	$36		$36
Average Term Principal Payments	$193		$193
Average Income Tax	$28		$28
Average Fixed Costs	$257		$257

Net Income per Acre After Fixed Costs	**-$207**		**-$215**

Established 1913
Flanagan State Bank

Farming and Retirement Plan Contributions



WHAT TO DO WITH CASH

We've had several good years of good yields and above average prices. We've also had some government payments to help when prices weren't so good or from COVID.

You likely find yourself in a pretty good financial position. What do you do with the cash you have? As a farmer, you have choices. Here's a few options: 1) buy land, 2) buy equipment, 3) pay down debt, or 4) invest for your future.

As a financial advisor, I like to see people pay down debt and invest for the future. Paying down debt reduces the risk in your financial situation. Not paying down debt presumes on the future – that things will always go well, and you'll be able to pay off the debt later. When times are good and you are generating positive cash flow – that's a good time to pay down debt.

I also like to see farmers and business owners put aside money for their future. The truth is you don't know if your land and/or equipment will bring a good price when you retire. If you have diligently put aside money each year for retirement in stock and bond investments, you have another asset to draw from. This is a prudent approach.

The government incents you to put aside money for retirement. Most contributions to retirement plans are tax deductible, so you save immediately on your taxes. When you put in money each year, you also dollar-cost-average your purchases. This puts the math to work for you – you buy more shares when the market is down and less shares when the market is up.

I believe you should put these retirement plan contributions into your annual budget to make sure they get done. Very few people look back and regret making these investments. Many people look back and regret that they didn't.

Many of my farmer clients set up SEP-IRAs, which allow them to put in a larger amount than the regular IRA contribution limits. For 2023, you may contribute 25% of your self-employment income (with a cap of $66,000) into a SEP while you may only contribute $7,500 (if you are over 50) into a traditional or Roth IRA. You can make these contributions all the way up until you file your taxes, including extensions.

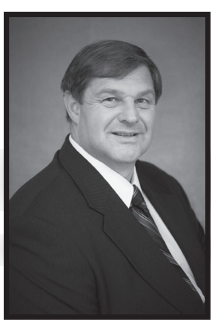
Matthew Schwerin, CFA, MBA
CAPS Financial Group
mschwerin@nsinvest.com
(630) 247-0033

CAPS FINANCIAL GROUP

Flanagan State Bank
2401 East Washington
Bloomington IL 61704

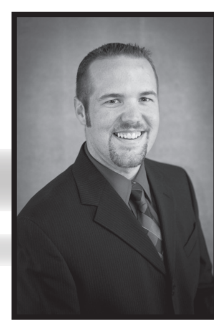
PRSRT STD
U.S. POSTAGE
PAID
ROCKFORD, IL
PERMIT NO. 1

Ag Lending Team



Rich Ritter
Gridley
rritter@fsbfamily.com
309-747-3600

Jeremy Durdan
Leroy
jdurdan@fsbfamily.com
309-962-4707



David Wyss
Flanagan
dwyss@fsbfamily.com
815-796-2264

Logan Weber
Benson
lweber@fsbfamily.com
309-394-2785

www.flanaganstatebank.com

Flanagan State Bank