



## WEEKLY CORNBELT UPDATE

PRESENTED BY  
 LANAGAN State Bank

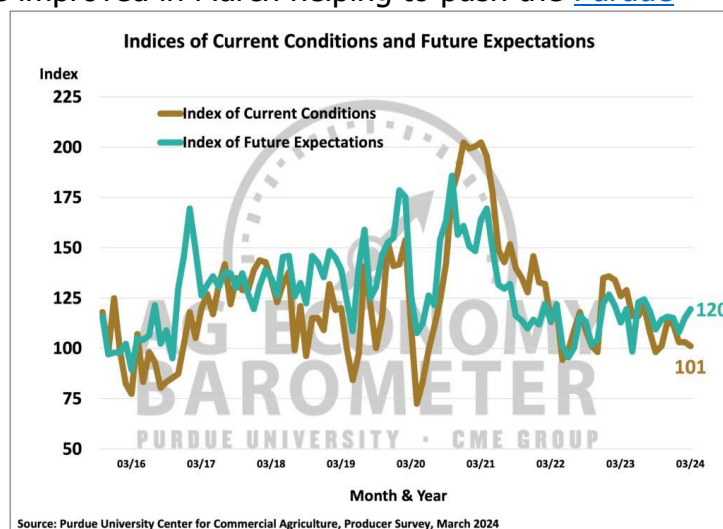
*A weekly Cornbelt digest of marketing, economic, agronomic, and management information.*

### **Commodity market price drivers—**

- **WASDE is Thursday.** USDA's April version of the World Agricultural Supply and Demand Estimates will be released at 11 am Central time. What will you be watching for? Commodity Analyst Susan Stroud says, "Domestic corn demand likely grows with an uptick in both feed and ethanol, leading to what may be the most meaningful decrease in carryout this marketing year. But on the other hand, US bean exports are on the chopping block, which will inevitably raise 23/24 carryout. South American production will once again take center stage, especially considering the widening differences between CONAB (Brazil's version of USDA) and USDA. CONAB will release its Brazil estimates on Thursday morning."
- **Corn and soybean growers should say "thank you"** to their local livestock producers. Beef and pork exports of \$18.1 bil. in 2023 had a significant impact on the corn and soybean income. An independent study released by the [U.S. Meat Export Federation](#) quantified the returns that beef and pork exports brought to corn and soybean producers nationally and on a state-by-state level for leading corn and soybean-producing states. Nationally, U.S. pork and beef exports contributed an estimated total economic impact of 14.6% per bu. to the value of corn and 13.9% per bu. to soybeans in 2023. The study shows that despite the headwinds facing the red meat industry in 2023, exports contributed substantially to the value of U.S. corn and soybeans. Beef and pork exports accounted for 512.7 mil. bu. of U.S. corn usage, equating to a market value of \$3.05 bil. An additional 3 mil. tons of DDGS were also consumed, meaning livestock production contributed 4¢ per gal. of ethanol-to-ethanol plant profitability. In total, the corn economy was boosted \$13.35 bil. by red meat exports. Pork exports accounted for 96.8 mil. bu. of U.S. soybean usage, equating to a market value of \$1.36 bil. for soybean production from pork exports. In 2023 pork exports added about \$1.95 in value to a bushel of soybeans or \$8.12 bil. in added value to the soybean economy. Income to IL corn growers was \$522.84 mil. and to IL soybean growers was \$212.24 mil.

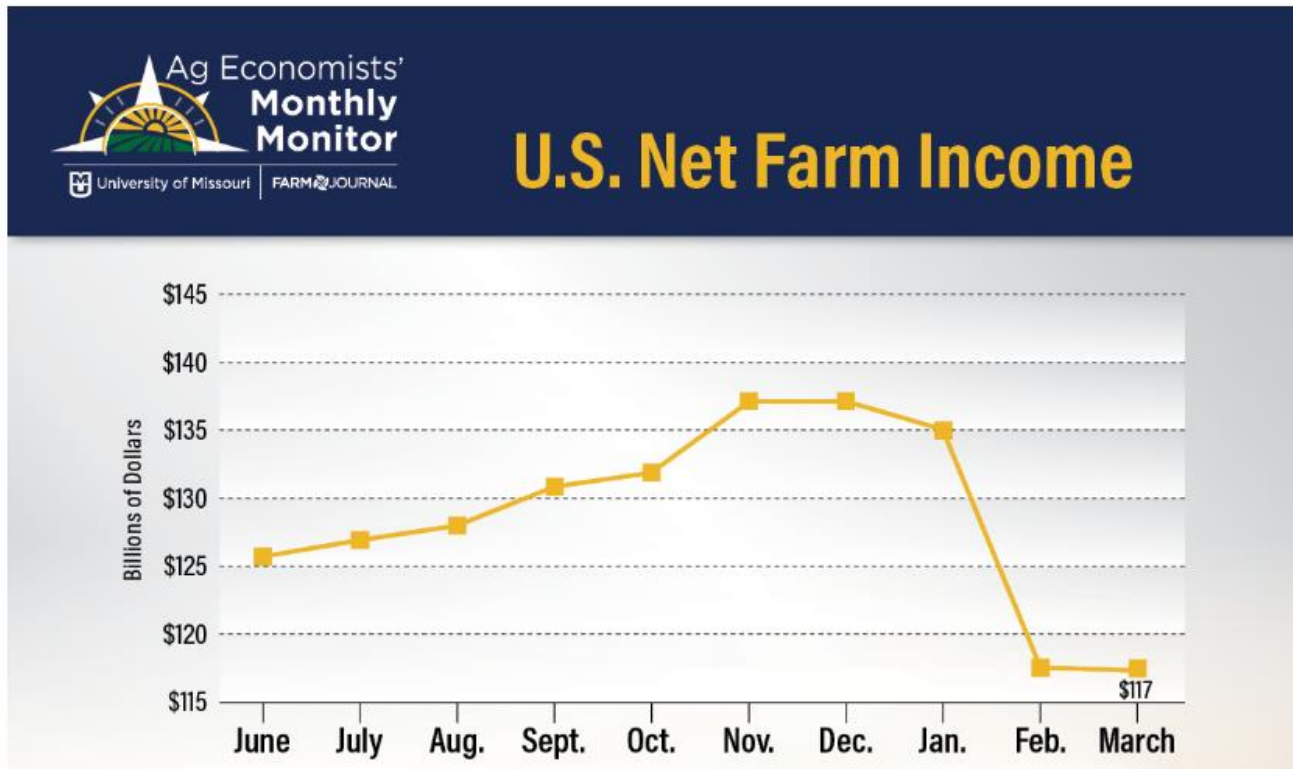
## Farm Economics and Lending—

- **U.S. farmers' perspective** on the future improved in March helping to push the [Purdue University Ag Economy Barometer](#) up 3 points from February to a reading of 114. The *Index of Current Conditions* dropped slightly while the *Index of Future Expectations* was slightly higher than in February. The split between the current and future indices was driven primarily by farmers' perception that their financial condition has deteriorated over the last year while they expect their financial situation to improve modestly in the next 12 months.



- ✓ 48% of respondents said they look for the U.S. prime interest rate to decline over the next year. And just 32% of respondents in March said they expect interest rates to increase in the next 12 months compared to 43% of respondents who were looking for rates to rise in the upcoming year when polled in December. Just 20% of respondents this month said the risk of rising interest rates was a top concern, down from 24%. 36% of producers remain focused on high input costs as their number one concern.
- ✓ Those who said it's a good time for large investment rose to 15%, up from 11% in the last 2 months. Among those, 17% pointed to strong cash flows as a primary reason, while higher dealer inventories for farm machinery was cited by 26% of respondents.
- ✓ 38% of respondents said they look for farmland values to increase in the year ahead compared to 31% in January and February. When asked why they pointed to inflation expectations as a supporting factor.
- ✓ 18% of respondents responded they or a landowner have been approached about possible Carbon Capture Utilization and Storage on farmland. 12% of this month's respondents said that, in the last 6 months, they have engaged in discussions with companies interested in leasing farmland for a solar energy project. For solar farms, 54% of respondents this month said they were offered a lease rate of \$1,000 or more per acre and 27% said they were offered a lease rate of \$1,250 or more per acre.
- ✓ 80% are concerned that, after the fall 2024 elections, there will be government policy changes affecting their farms in the years ahead. 43% think regulations impacting agriculture will be more restrictive following the elections while just 18% said they expect a less restrictive operating environment. 39% said they think taxes impacting agriculture will rise following the fall 2024 election while half expect no change.

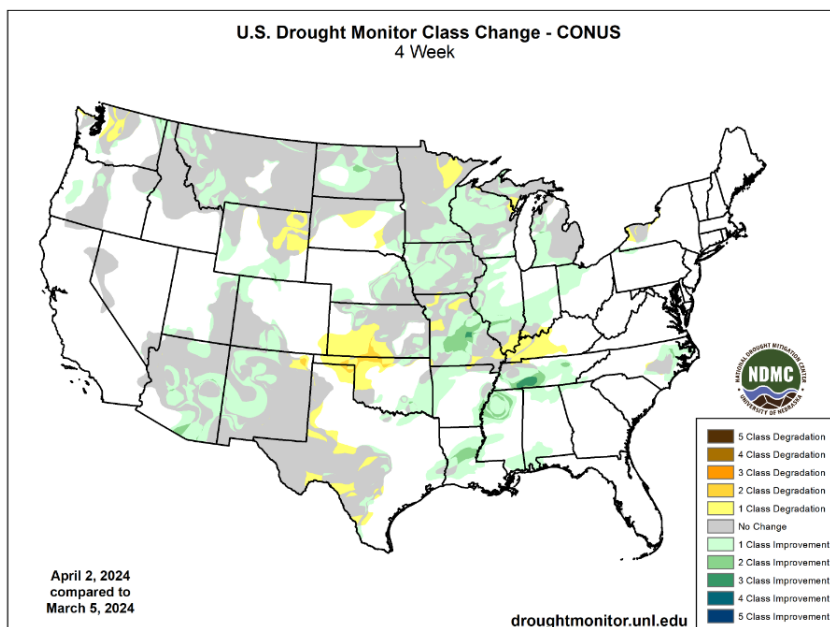
- Cornbelt ag economists have weighed in** on their evaluation of the ag economy with a slight change, according to [MO ag economist Scott Brown](#) who coordinates the survey. "I think it's certainly more negative as we look ahead, but if we plant a lot of corn and we get trend yields, I think I know the directional corn prices, and it's perhaps even lower than where the economists have been today." Brown says his colleagues put 2024 net farm income at \$117 bil. down from \$160 last year. "We think farm income does drop very sharply in 2024, but it's just back down to the levels we saw in 2020 and remains above the levels we saw between 2015 and 2019," said Pat Westhoff, director of the Food and Policy Research Institute (FAPRI) at the University of Missouri. "I think if things play out the way we have them currently



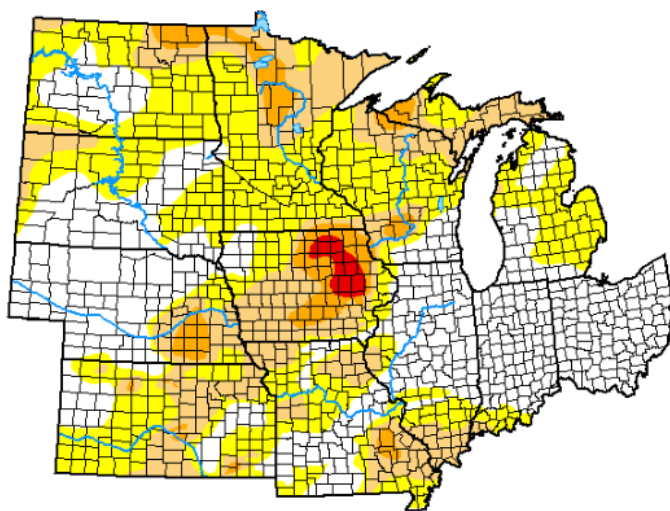
projected, it's a relatively soft landing in the sense it's not a continued crash, where we see a repeat of some of the horrible times you've had in the past, but the risks are there" Westhoff said. "I could easily tell you stories that are much more negative, and the opposite is also true that we can have a better picture as well." Another survey comment was, "Low row crop prices will depress farm incomes in the Midwest in 2024," said another economist. "In 12 months, it will be interesting to see how much working capital erosion has taken place and how serious of a problem that becomes." "I'm still in the soft-landing side of things, but I want folks to do enough risk management to hopefully prevent the hard fall," Brown said. "The outlier for me is cattle," Brown said. "I think cattle prices, frankly, could get even higher. Whether that's good in the long run for us, in terms of some pieces of the industry that we need, like processing capacity, we'll have to wait and see, but cow calf producers are going to be in the driver's seat for the next year and a half to two years."

## Weather—

- **The National Oceanic and Atmospheric Administration** reported a sizable drop in drought areas around the U.S. “After wet weather and an early spring across much of the country, drought has decreased to around 18% of the U.S. by the end of March, down from 20% at the end of February, and from 36% at the beginning of winter,” NOAA says. “That’s the least amount of drought across the country since May 2020.” Also, the most intense categories of Extreme and Exceptional Drought covered only about 1% of the country at the end of March, also the lowest amount since May 2020. Some of the most severe drought conditions currently exist in NM, where 3.51% of the state is experiencing exceptional drought and 16.7% of the state is experiencing extreme drought. IA went from 35% extreme drought to 11%.



- **A large part of the Cornbelt** benefited from rain in the past week, says the [Drought Monitor](#). Heavy precipitation (1 to 3”, locally more) prompted 1-category improvements throughout southern MI, OH, IN, IL, MO, and eastern IA. However, the lower Ohio Valley



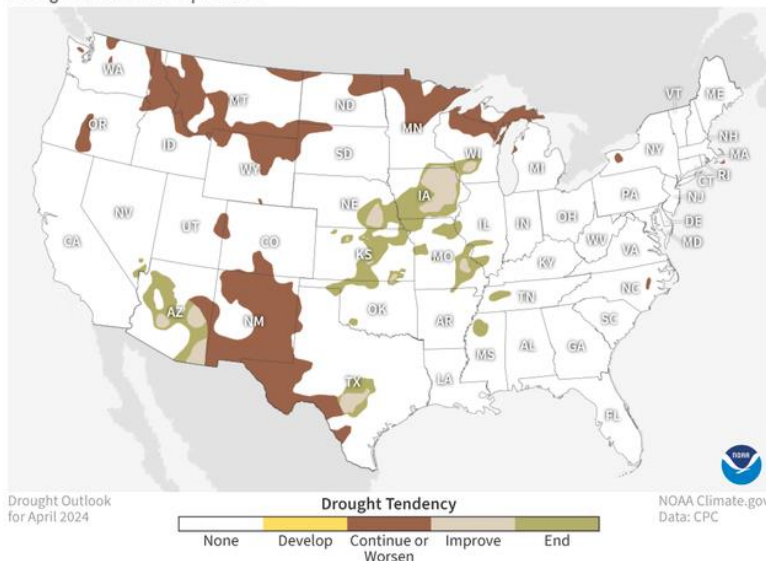
continues to miss out on late winter and early spring precipitation which led to an expansion of moderate drought (D1) for this region. 30 to 60-day SPI, soil moisture, and 28-day streamflows support the current drought depiction across parts of the lower Ohio and middle Mississippi Valleys.

Following last week’s broad improvements across the upper Mississippi Valley, no changes were made this week with much of this region receiving less than 0.5” of precipitation, liquid equivalent. Despite the

improvements the past 2 weeks throughout much of the Midwest, long-term drought indicators continue to support varying levels of drought intensity including extreme drought (D3) in northeastern IA. According to USDA’s National Agricultural Statistics Service, 59% of IA topsoil moisture is rated as short to very short.

- **The area in drought in the US** is down by half since start of winter, we're now seeing the least amount of drought across the country since May 2020, with predicted improvement in drought conditions for the lower Midwest, says [NOAA's Drought Mitigation Staff](#). "After a wet winter and early spring across much of the country, drought across the continuous United States had decreased to around 18% by the end of March, down from 20% at the end of February, and from about 36% at the beginning of winter. This is the least amount of drought across the country since May 2020. Additionally, the percent of the country in the two most intense categories (D3-D4, representing *extreme* and *exceptional* drought) was only about 1%

Drought outlook for April 2024



at the end of March, also the lowest amount since May 2020." The drought outlook has good news for the Cornbelt. "U.S. map of predicted drought changes or persistence in April 2024. No new drought was forecasted to develop, and drought improvement and removal is likely across the central Great Plains. NOAA Climate.gov map, based on data from the Climate Prediction Center." Drought is expected to improve (with some removal) across the Central Plains and western Corn Belt, with

wetter-than-normal conditions favored in the monthly outlook (as well as in CPC's Week-2 outlook), certainly good news for agricultural concerns in this region.

- **Hurricanes!** They usually stay over the oceans and create havoc along coastlines, avoiding Cornbelt geography. So, why worry? [The CO St. hurricane specialist](#) predicts 2024 will be a very active hurricane season, with 23 named storms and 115 days this year that hurricanes will be spinning off the US coastline, and 11 of those storms that will turn into hurricanes, 5 of them major. All of those are above the 1991-2020 average. That is significant. Such storms not only impact grain freighters departing US ship terminals, but also have been known to move up from the Gulf of Mexico and deliver rain into large parts of the Cornbelt and provide sometimes needed water in the Ohio and Mississippi River for barge traffic. "When waters in the eastern and central tropical and subtropical Atlantic are much warmer than normal in the spring, it tends to force a weaker subtropical high and associated weaker winds blowing across the tropical Atlantic. These conditions will likely lead to a continuation of well above-average water temperatures in the tropical Atlantic for the peak of the 2024 Atlantic hurricane season. A very warm Atlantic favors an above-average season, since a hurricane's fuel source is warm ocean water. In addition, a warm Atlantic leads to lower atmospheric pressure and a more unstable atmosphere. Both conditions favor hurricanes." More information is available [Seasonal Hurricane Forecasting](#).

## ***Environment, Conservation, Carbon issues, Climate etc.—***

- **If carbon is part of your revenue stream** and numbers like 45Z and 40B of the Inflation Reduction Act (IRA) are part of your vernacular, the IA Soybean Association offers several issues to “beware” of, as agreements and contracts are signed, particularly since the IRS has not signed off yet. “Both 45Z and 40B create an incentive structure which encourages biofuel producers to reduce the GHG emissions across the entire supply chain, including on the farm. IRS guidance will be essential in providing clarity to industry and farmers. “Without this guidance,” Matt Herman, the IA Soybean Association’s (ISA) Chief Officer for Demand and Advocacy, says, “it is impossible to accurately advise farmers on what practices may qualify to reduce emissions, how the outcomes from those practices will be monitored and verified, and what premium (if any) a farmer may receive.” The IRA contained two specific tax credits to support the biofuel industry - 45Z (Clean Fuels Production Tax Credit) and 40B (Sustainable Aviation Fuel Production Tax Credit). Importantly, Herman says, for every 1% decrease in GHG emissions beyond 50%, the biofuel producer’s tax credit proportionally increases. In short, this novel tax credit structure creates incentives to reduce emission across the entire biofuel value chain, including on the farm, until the supply chain reaches net-zero emissions. Based on the law and conversations with regulators, Herman says the ISA expects that the Argonne National Lab GREET Feedstock Carbon Intensity Calculator (FD-CIC) will be used to estimate on-farm emissions. This tool allows soybean and corn farmers to estimate the carbon intensity of their current production system by providing estimates or measurements of common inputs like fertilizer, herbicides, pesticides and fuel. Crucially, the tool also allows farmers to estimate GHG reductions associated with the adoption of more practices like reduced tillage, cover crops and so-called “energy efficient fertilizers.” [The IA Soybean Association has more here.](#)

- **There may be a political middle ground** on the climate issue as the election approaches.



[Rep. Marianne Miller-Meeks, R-IA](#), (left) is the new head of the Conservative Climate Caucus in the US House. She says, “[Republicans] know the climate is changing,” she continued, “but we want to focus on reducing emissions rather than focus on the energy source, but also how we can reduce emissions through renewables — the whole gamut of renewables, rather than forcing mandates ... Republicans are both wanting

to have a growing economy that competes globally, which we know energy is a part of, while also reducing emissions and helping to promote a cleaner, healthier planet. All of us have an understanding that we want the caucus to continue to expand both in membership ... and to start doing more trips, start looking at ways that we can look at policy, hold briefings and roundtables as some of the other caucuses do in order to promote all of the great innovation and leadership that the United States has had in both energy and in reducing emissions,” she told the American Carbon Alliance.

## ***Farm Bill and Farm Policy—***

- **There is no Farm Bill** proposed yet in the House Agriculture Committee, but the [US House Republicans](#)' caucus has itemized vast changes being planned for the Farm Bill and to make substantial cuts in USDA programs for the FY 2025 budget beginning Oct. 1, 2024. The Republican Study Committee (RSC) wants many cuts in funding and policy changes.
  - ✓ "The RSC Budget would support capping payments from ARC and PLC to only farms with an adjusted gross income below \$500,000. This was a policy proposed in the FY 2021 Trump Budget and would ensure that commodity support payments are going to smaller farms that may struggle obtaining capital from private lenders.
  - ✓ The RSC Budget would modestly reduce the federal share of crop insurance premiums by 14%. This proposal is estimated to save taxpayers roughly \$23 bil. over 10 years.
  - ✓ The RSC Budget would also halt administrative expense reimbursements to crop insurance companies, as well as implement President Trump's proposal to cap payments to crop insurance companies for underwriting gains.
  - ✓ Additionally, under the RSC Budget, federal crop insurance subsidies would only be offered to pay for catastrophic policies. Crop insurance subsidies were originally intended to ensure farmers could recover from a bad crop year and replant. The program currently pays, in addition to the costs of the catastrophic policies, most, and sometimes all, of the costs of increasing coverage levels beyond this standard.
  - ✓ The RSC Budget would prohibit new enrollments in the Conservation Reserve Program, saving taxpayers more than \$310 mil. over 10 years according to the CBO. This mirrors proposals from President Trump to streamline conservation programs.
  - ✓ The RSC Budget would prohibit new enrollment in the Conservation Stewardship Program, saving taxpayers more than \$3.86 bil. over 10 years according to the CBO. This mirrors proposals from President Trump to streamline conservation programs.
  - ✓ The USDA's Conservation Technical Assistance Program uses taxpayer dollars to provide subsidies to landowners for conservation purposes. The RSC Budget would eliminate this program, which liberals hope to use to push their radical climate agenda.
  - ✓ Eliminating the Agriculture Trade Promotion and Facilitation Program—and all underlying programs—would save taxpayers \$2.54 bil. over 10 years. This program has provided billions to agricultural trade associations with little oversight on how the funds are spent.
  - ✓ This Budget would adopt Ways and Means Committee Chairman Jason Smith's (R-MO) Death Tax Repeal Act. Eliminating the death tax would create 22,300 jobs and reduce taxes on hardworking Americans by \$374.4 bil. over 10 years while increasing payroll tax revenues by \$8.6 bil."

- **In a further note, what can be expected** for farmers and agriculture under a Robert F. Kennedy, Jr administration? Kennedy has used the media on several occasions. [He has no use for current farm policy](#), corporations involved in agriculture, or large companies handling commodities and producing food. Kennedy, according to the few pieces that he has released is an [advocate of regenerative agriculture](#), organic production, and removal of crop protection chemicals, including insecticides and herbicides. [He wants the USDA and EPA to regulate agriculture and protect the environment and human health.](#)



- **As Congress considers appropriations** for the upcoming fiscal year, the American Soybean



Association and more than 100 other ag organizations are advocating for increased funding for international food aid programs. In a [letter](#) directed to leaders of the House and Senate Subcommittees on Agricultural Appropriations, these groups stress the vital importance of long-standing programs like P.L. 480 Title II Food for Peace, Food for Progress, and McGovern-Dole International Food for Education, which have garnered bipartisan support for over seven decades.

Specifically, the letter urges Congress to allocate a minimum of \$2.4 bil. in funding for these initiatives within the FY25 agriculture appropriations bill. Beyond addressing immediate humanitarian needs, the letter emphasizes the wider benefits of international food aid. By providing assistance labeled "from the American people," these programs not only combat hunger but also bolster U.S. economic and national security interests. Furthermore, utilizing American- grown commodities strengthens diplomatic ties with recipient countries, many of which have become vital trading partners. The letter highlights the adaptable nature of U.S. food aid efforts, emphasizing a collaborative approach to tackling global food insecurity. Utilizing a blend of commodities, cash, vouchers, and locally purchased food, these programs have established a robust frontline response.



## ***IL Legislative Issues—***

- **The IL General Assembly** is back at full speed Tuesday with the House members returning to Springfield.
  - ✓ **If Estate Tax revision** is your priority, it is still alive. IL Farm Bureau's lobbyists say there is a wide range of support across houses and political parties, but since it impacts IL tax revenues, it's future may not be known until the final hour of the spring session. If you want to lobby your lawmaker, the bills are SB 2912 and HB 4600, the Family Farm Preservation Act.
  - ✓ **Among the dead bills** is the CA emissions restrictions that would have prohibited numerous farm semi-trucks from being on the road.
  - ✓ **Still alive are the** IL WOTUS bills that allow trespassers to float upstream on your property without any penalty. IL Farm Bureau opposes HB 5386 and SB 3669.
  - ✓ **Higher fines for pesticide violations** would be imposed with the passage of HB5018. Agriculture is opposed to the legislation.
  - ✓ **CO-2 pipeline bill that revokes its eminent domain**, supported by IL Farm Bureau, is not moving. It is SB 2860. CO-2 pipeline moratorium bill, SB 3441, is not moving either.
  - ✓ **Several bills that would ban** agricultural pesticides, HB 4956 (2,4-D) and HB 4344 (glyphosate) are not going anywhere. Agriculture had opposed both.
  - ✓ **Soybeans would become the official** state bean, if HB 4645 passes, and IL Farm Bureau supports it.

## ***Transportation—***

- **Locks and dams** on the Illinois and Mississippi Rivers will benefit from a \$120 mil. Congressional appropriation for modernization. The action was sponsored by IL. Sens. Dick Durbin and Tammy Duckworth, and by IL Reps. Nikki Budzinski, Darin LaHood, Eric Sorenson. Their votes allowed members of Congress to designate funding for critical initiatives through the appropriations process. The \$120 mil. secured was included in the FY2024 Energy and Water Development and Related Agencies appropriations bill that is now law. These upgrades support a decades-long initiative to strengthen infrastructure and restore ecosystems along the entire Upper Mississippi River System, known as the [Navigation and Ecosystem Sustainability Program \(NESP\)](#). IL Corn is grateful to our partners in Congress as well as the [Mid America Carpenters](#) and the [Waterways Council, Inc](#) for their consistent promotion of the need for new locks and dams, as well as the jobs they provide for IL citizens.

## ***Farms and Farm Families***

- **There is a new plaque** on the wall in the office of Dr. Gary Schnitkey, one of the drivers of the IL Farmdoc ag economic team. He was honored by Prairie Farmer Magazine as an Honorary Master Farmer at a recent ceremony with the leaders of 4 other IL farming operations. The last honorary Master Farmer was University of IL President-Emeritus, and College of ACES Dean-Emeritus, Dr. Bob Easter. Schnitkey was honored for his weekly Farmdoc efforts to help farm profitability. Congrats, Gary, well-deserved!



- ✓ **The 2024 Prairie Farmer Master Farmers** are (from left) Gerald Thompson, Colfax; Lou Lamoreux, Lanark; Gary Schnitkey, Honorary Master Farmer; Chris Hausman, Pesotum; and Susan and Malcolm Head, Blue Mound.



For more than 110 years, Flanagan State Bank has been helping farmers and serving our communities. In good times and in bad, we have always been there and always will be. With the same name for over a century and the same family ownership since the 1930s we provide stability financial soundness and people you can count on when you need them. 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.