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

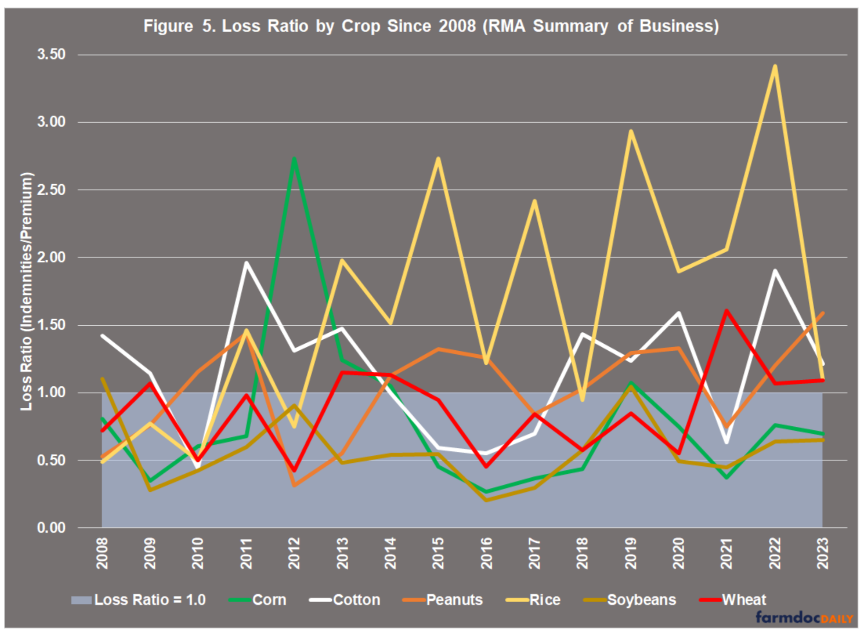
Commodity market price drivers—

- **The April World Agricultural Supply and Demand Estimates Report** issued by the USDA on Thursday predicted lower corn and higher soybean ending stocks.
  - ✓ The 2023-2024 U.S. corn outlook is for greater corn used for ethanol, feed, and residual use. Corn used for ethanol is raised 25 mil. bu. to 5.4 bil. Feed and residual use is increased 25 mil. bu. to 5.7 bil. based on indicated disappearance during the December-February quarter. With no supply changes and use rising, ending stocks dropped 50 mil. bu. to 2.1 mil. The season-average farm price is lowered 5₵ to $4.70 a bu. Foreign corn production is forecast lower as cuts for South Africa, Argentina, and Mexico are partially offset by increases for the EU and the Philippines. Argentina and Mexico are both lowered reflecting a decline in yield expectations. Foreign corn ending stocks are essentially unchanged, mostly reflecting declines for Mexico and South Africa that are offset by small increases for several countries. Global corn ending stocks, at 12.5 bil. bu., are down 55 mil. bu. from last month.
  - ✓ The U.S. soybean outlook includes lower imports, residual use, exports, and higher ending stocks. Soybean trade is reduced on pace to date and expectations for future shipments. With trade changes and slightly lower residual use, soybean ending stocks were raised 25 mil. bu. to 340 mil. The season-average soybean price is forecast at $12.55 a bu., down 10₵. Global 2023/24 soybean supply and demand forecasts include lower production, exports, crush, and nearly unchanged ending stocks. Soybean production is lowered mainly for South Africa on drought conditions during the season, which negatively impacted yield potential. Partly offsetting is higher production for Paraguay. Global soybean exports are lowered 18 mil. bu. to 6.3 bil. mainly on lower exports for the United States and South Africa. Global soybean ending stocks are nearly unchanged at 3.4 bil. bu.
  - ✓ The supply and demand outlook for U.S. wheat is for lower supplies, reduced domestic use, unchanged exports, and higher ending stocks, which are raised 25 mil. bu. to 698 mil., 22% above 2023. The season-average farm price is down 5₵ at $7.10.

- **For the most part, the WASDE report was neutral to the market.** But it was not without controversy. "Why are USDA and CONAB so far apart on Brazilian bean numbers?" [Commodity market analysts of every persuasion] asked that question in unison shortly after the report was released on Thursday. CONAB, Brazil's version of USDA, had issued its monthly crop estimates earlier in the morning, with a more than 300 mil. bu. difference between the 2 estimates. USDA was higher, CONAB was lower (was it trying to boost soybean prices?) Both agencies issued practically identical estimates last fall, and USDA has stuck with a higher estimate of 5.7 bil. bu. while CONAB has gradually reduced its estimate to under 5.4 bil. bu. Beyond the importance of the production volume is the price, and a once much-cheaper Brazilian price has moved higher to just under 40₵ less than the US Gulf price. That could be the result of a shorter Brazilian crop or an increased Chinese demand.
- **Grain market analysts provided their observations:**
  - ✓ **Dana Martini of DTN: "**With USDA's decision to leave Brazilian corn production unchanged, it was probably more baffling it decided to leave soybean production unchanged, at a lofty 5.69 bil. bu. With 80% of the Brazil soy harvest already completed, one would think the spread between Brazil's Conab and USDA would likely narrow. It did not, and USDA remains 312 mil. bu. higher. USDA chose to leave Argentine soybean production unchanged at 1.8 bil. bu. -- just 7 mil. bu. less than what the trade had expected. Soybean futures were lower before the report and continued to trade down throughout the day based on what was a neutral-to-bearish report. It would be much more bearish if traders believed USDA's Brazil soy production estimate."
  - ✓ **Sid Love Consulting:** "Has there ever been a wider spread between CONAB and USDA? No, but the WASDE Report's value will wait until there is more weather information available. CONAB and WASDE have converged more in the past, but this is the widest it has been, and complaints about the difference are getting louder. The real unknown is China's production and stocks. Even the Chinese do not know for sure, let alone WASDE."
  - ✓ **Karen Braun of Reuters:** CONAB trimmed Brazil's 2023/24 harvests of corn and soybeans on adverse weather in the top soybean state and a smaller planted area for corn. Lower corn yields also factored in. USDA leaves Brazil's crops unchanged from last month. USDA and CONAB hold a 513 mil. bu. difference in Brazil's total 2023/24 corn crop, by far the largest seen in April in at least a decade. Area assumptions are a big factor. USDA's estimate for soybeans is 5.8% above CONAB, also the most in 10+ yrs. Braun also reported, however, that "USDA's track record in April has been better than the trade's track record over the last few years."
  - ✓ **Chip Nellinger of Blue Reef Marketing:** "To me, the biggest surprise is the lack of changes that we saw from the USDA versus some of the numbers that are coming out of like CONAB and the Rosario Grain Exchange in Argentina. It just seems like USDA has a massive disconnect, still about a 500+ mil. bu. difference with where CONAB came out on Thursday versus where the USDA came out for the Brazil bean crop."

Risk Management and Farm Service Agencies—

- **Farm Bills require USDA's Risk Management Agency** to establish crop insurance premiums, so the loss ratio is 1.0. That means for every $1 paid out by indemnity checks to farmers, there must have been $1 received from a premium payment by a farmer. That concept requires sound calculations by actuaries at the USDA's Federal Crop Insurance Corp. (FCIC) IL Farmdoc Ag Economists wonder aloud if the 1.0 loss ratio requirement was for an individual crop, individual state, individual year, or for an individual crop insurance year, or series of crop years? Congress made revisions, but the 1.0 requirement was mandated in 2008, with actuarial soundness meaning, "a balance between total indemnities paid out and total premium paid by farmers, which includes both the premium paid by farmers and the portion covered by the federal government in premium subsidy. The overall loss ratio equals total indemnities divided by total premium for all plans of insurance (which theoretically is 1.0.) Since the 2008 Farm Bill lowered the loss ratio to 1.0, the entire program has run at an overall loss ratio of 0.86. The shortfall reflects the wide variation between states, for example IL farmers pay in $1 and receive crop insurance indemnity payments of 63₵. But TX farmers receive $1.30 for every $1 they pay in crop insurance premiums. One of the issues is the disparity among various crops, as seen in Fig. 5, showing corn (green) within the limits except for 2021 and 2013, but rice (tan) has not been within the margin of error since 2012. Soybeans (brown) rarely pay out nationally beyond the premium income. "The dilemma of actuarial soundness presents a conundrum at the heart of crop insurance. Unlike Title I payment programs and ad hoc or supplemental assistance, crop insurance indemnities require an annual infusion of sufficient funds—many must pay in for the program to pay out—and balancing that is difficult, a difficulty exacerbated by political reluctance to increase the premiums that farmers pay. To achieve actuarial soundness while not increasing any premiums by more than 20 percent likely limits any full adjustment of rates; some farmers pay more than they should (because they receive fewer and lower indemnities), while other farmers pay less than they should (because they collect more and larger indemnities). This can result in an overall 1.0 loss ratio but at the expense of actuarial soundness throughout the program, especially at the crop, state, or regional levels where loss ratios differ significantly."



- **What about the impact of the changes** that the Republican Study Caucus wants to make by reducing USDA's subsidy of crop insurance premiums, and limiting famers to a $40,000 premium subsidy? An insurance professional familiar with the Risk Management Agency said, "See following DeKalb 2024 RP corn quote example. Yellow line is listing of US Taxpayer subsidy per acre. These values are calculated as a percentage of the "gross premium." The higher the coverage level, the higher the dollar value of subsidy. For this example, the 85% coverage level has US Taxpayer subsidy of $17.46 per acre. Dividing the proposed $40K subsidy limit that would be 2,290 acres to reach cap limit. Now it the administrative fee (A&O) is included that acreage would shrink. The net effect is the farmer will pay substantially higher crop insurance premiums. The other impact is that high risk farm locations will take less acreage to blow the top off the subsidy limit. That is the concept, now the individual implications depend on farm risk at location. Northern IL vs Southern IL - Route 16 dividing line!"

	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1			DeKalb county IL 220 Bushel per acre											
2	Guarantee - BU/Acre				110	121	132	143	154	165		176		187
3	Coverage - $/Acre				$513.70	$565.07	$616.44	$667.81	$719.18	$770.55		$821.92		$873.29
4	Gross Premium - $/Acre				$2.16	$2.87	$4.15	$6.35	$9.37	$14.24		$22.08		$32.94
5	Subsidy - $/Acre				$1.73	$2.30	$3.32	$5.08	$7.50	$10.96		$15.01		$17.46
6	Net Premium - $/Acre				$0.43	$0.57	$0.83	$1.27	$1.87	$3.28		$7.06		$15.48
7	Prem add per level up					$0.14	$0.26	$0.44	$0.60	$1.41		$3.78		$8.42
8	Rate on Line							0.86%	1.17%	2.74%		7.36%		16.39%
9	Acres				1000	1000	1000	1000	1000	1000		1000		1000
10	Price Election				4.67	4.67	4.67	4.67	4.67	4.67		4.67		4.67
11	Risk/Rate Area				51.37									

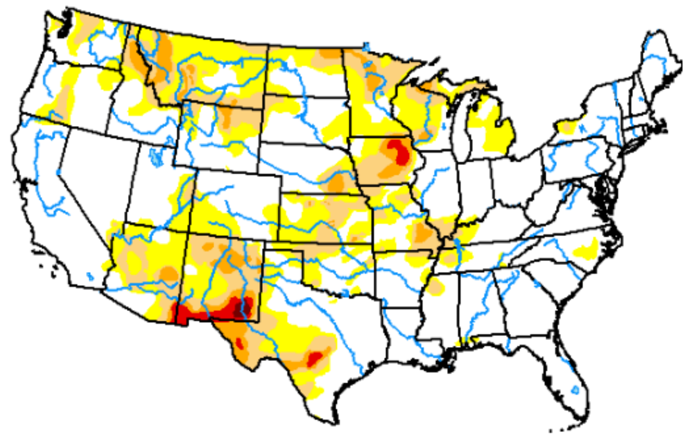
"At $40K subsidy limit starts inception at about 1,500 acres of Illinois spring row crops. It is not uncommon for IL farmers electing 85% coverage to receive about $40 per acre in taxpayer subsidy. The side benefit is that this huge subsidy is keeping young farmers in the game. Socially, "Will farmers forego subsidy for (the patriotic) budget benefit?" Crop insurance and subsidy is a wealth transfer tool."

The Business of Farming—

- **Consult with your tax advisor** about how your operation would be affected as tax breaks from past year begin to expire, [and your tax liabilities rise](). The biggest impact, estimated at a combined $4.5 bil., would come from reduced income tax rates on individuals, an increased standard deduction, a cap on the deduction for state and local taxes, and the elimination of the personal exemption. USDA's Economic Research Service report notes changes would affect 97.6% of family farms, they said. The largest farms would experience the largest incomes in estimated income tax liability measured in dollars. The largest increases in percentage terms would fall on farm households with moderate sales, said the ERS. The second-largest impact, estimated at $2.2 bil., would come from expiration of the qualified business income deduction (QBID) of 20% on profits passed through to households from farms and other businesses not organized as corporations. About 45% of farm households benefit from the deduction, estimated the USDA. It said QBID was created "to provide parity with the reduction in corporate taxes."

Weather—

- **Where is the drought and where is corn raised?** Corn has been, or will be, planted in TX, KY, IL, WI, IA, NE, IN, MN, KS, SD, MO, ND, MI, TN, CO, NC. All those states have drought tags, some worse than others, and some states have much more drought impact than others. The point is that the 2024 crop growing season is beginning for the nation's corn crop, and millions of cornfields are too dry to plant currently and may be a long way off from moisture.



- **USDA says low river flows** could again be a casualty of drought in the upper Midwest and northern Plains this summer and autumn. USDA Meteorologist Brad Rippey says NOAA's latest spring flood outlook is much drier than usual, "You're not expecting any significant spring flooding across the northern Plains or the upper Midwest—a big departure from what we normally see in these outlooks." Largely due, Rippey told USDA Radio, to longer-term changes in environmental conditions, termed 'antecedent drought', "And then the relatively dry winter and snowless winter in some of the key watershed areas of the upper Mississippi Valley." Raising the risk of a 3rd year of low-river flows, "Given some of these antecedent conditions, drought in the upper Midwest and long-term drought looking further back, there is at least, some risk that we could see low flows in some of our key watershed areas of the Mississippi and extending into the navigable waters of the middle and lower Mississippi Valley and the lower Ohio Valley." Affecting Rippey says, shipping of fertilizer north and grain and oilseed crops south. Not a 'given, yet' but Rippey says, something to keep an eye on. →
- **In a related note, rivers in the Eastern Cornbelt** are carrying more than the normal amount of water, particularly the tributaries to the major rivers. This is mostly limited to the Ohio River Valley and the eastern portion of the Mississippi River Watershed. Yellow and orange indicates there is minor flooding. Red indicates some degree of flooding. But the map is significant because it indicates the western Cornbelt and the Northern Plains received much less snow and winter precipitation than the eastern portion of the country.

Trade and International Issues—

- **China is avoiding US commodities because of politics,** says Secretary Vilsack, related to political concerns about Chinese purchases of US farmland. Vilsack said his counterpart in China recently brought up Arkansas' move to force seed company Syngenta AG, which is controlled by China's Sinochem Holdings Corp., to sell 160 acres of farmland in the state. The action — the first enforcement taken under legislation signed into law by Republican governor Sarah Huckabee Sanders that bans prohibited foreign entities from owning AR farmland — is part of the constant "ripping" of China that has prompted it to spurn US agriculture products, Vilsack said. "We had a trade deficit of $6 bil. in the first quarter of this fiscal year; China's purchases are $6 bil. less than they were a year ago," Vilsack said in an interview Tuesday. "Why would that be? Is it just Brazil, or was there a reason why the Chinese ag minister asked me about Syngenta?" Why was it brought up, Vilsack asked: "It was a signal."

Farm Bill and Farm Policy—

- **House Agriculture Committee Chairman** Glenn Thompson, R-PA, (right) said he will move a bipartisan Farm Bill out of his committee in May. The committee's ranking member, David Scott, D-GA, said the legislation will move on a joint timeline. One of the sticking points has been change to the Supplemental Nutrition Assistance Program (SNAP), appears to be resolved, within the Committee. Thompson indicates there will be "no cuts to benefits," something committee Democrats vehemently opposed. Thompson says, "without a doubt," the Farm Bill will be out of his committee by Memorial Day and says he found a way to fund commodity program changes, adding, "it's going to allow us to do what we know needs to be done in terms of safety net issues." Getting a 5-year Farm Bill across the finish line remains the priority for agriculture, following last years' 1-year extension of the 2018 Farm Bill. However, lawmakers in the Senate, like Sen. Chuck Grassley, R-IA, are not optimistic. Grassley told reporters this week, "What they need is a 5-year extension, but I'm very pessimistic about there being an agreement in the Senate on a bipartisan Farm Bill this year." While the House may ultimately pass a bill, Grassley adds, "I don't think you should assume that that's got much to do with what's happening in the United States Senate."

- **What do non-politicians predict?** Capitol Hill insider Jim Wiesemeyer visited with several economists and lobbyists close to the House Ag Committee Chair, Rep. Glenn Thompson:
  - ✓ **Joe Outlaw,** Texas A&M economist: "The House Ag Committee could unveil its version of the farm bill the week of April 15. Even if its version is passed out of committee, the quickest a farm bill has ever been released and then signed by the President is 9 months, which means even if we see a first look at a new Farm Bill next week, it's unlikely a final bill will be passed this year.
  - ✓ **Brad Weddelman**, chief economist with Combest, Sell & Associates, Chairman Thompson has said over and over again that he wants to look at reference prices and doesn't want to move forward without strengthening the farm safety net."
  - ✓ **Bart Fischer**, Agricultural & Food Policy Center, Texas A&M, "If you looked at it just in terms of cost of production, we're up roughly, on average, 30% from where we had been just in terms of cost," Fischer adds. "So that's an easy baseline to start with. But I don't know that we're going to have the funding to get to 30% increases across the board, because we're talking more than $100 bil. at that point."
- **Sen. John Boozman, R-AR,** (below) the ranking member on the Senate Agriculture Committee says it's important to get the Farm Bill right for farmers and ranchers. Boozman

says he isn't concerned over the Farm Bill not being listed as a priority by the Senate Leader, Chuck Schumer, "Well, I'm not so worried about Sen. Schumer, D-NY, not listening. It's a lot of money, it's part farm and so much nutrition. And this is a 5-year program, and so to commit our farmers, not just 1 year, but a 5-year contract, because we take this very seriously in Congress. Once we set this, then it is a contract with our farmers, we don't allow other entities like Transportation to steal the money and this and that. And again, you know, it's a contract, so we've got to get it right." With so many economic changes since the last Farm Bill, Boozman says risk management is key, "The Farm Bill to me is making sure that the risk management tools are there so that our farmers can go the bank, borrow the money that they need, and know that they're taking huge risks, but at least there is a bottom to that risk, and that's through crop insurance, ARC, PLC, programs like that." That's 1 of the top issues farmers bring up in listening sessions, "Certainly risk management, crop insurance, increasing reference prices, things like that are right at the top. But also, trade, trade is the lifeblood of agriculture. Last year, we had essentially the first time in 50 years, we had a trade imbalance in agriculture. That's always the bright star. So, we need to do a much better job with trade. These countries are begging us, nobody wants to put all their eggs in the China basket anymore, and so, there's a lot of opportunities, but to be honest the administration simply not following through." (American Ag network)

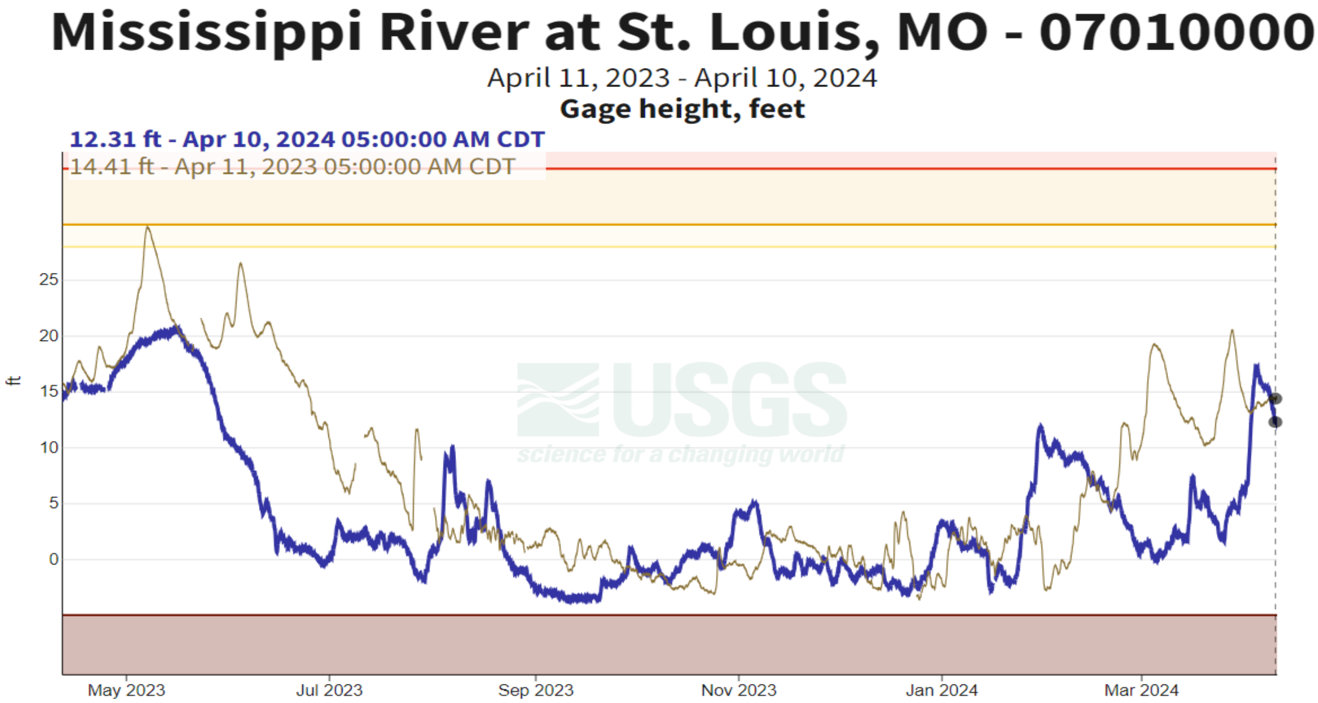
- **Dozens of farm groups oppose** giving up higher reference prices or crop subsidy triggers in exchange for a GOP-proposed boost in crop insurance supports in a new Farm Bill. It's just not palatable, the groups argue, given the high cost of farming and falling commodity prices and incomes. National Corn Growers First Vice-President Kenneth Hartman of Waterloo, IL, (at podium) says "We've had input costs go up, corn prices went down. And we've got a lot of corn in rural America." Stressing the need for more affordable crop insurance, but not at the expense of ARC and PLC reference prices. ND Farmers Union President Mark Watne, "No, we're not willing to change, which you probably would have expected us to say. And let's think about it, there's no inflationary (thing) built into reference prices. And we're at higher costs, no different than anybody else trying to buy stuff. The costs are up, and we're below the cost of production on reference prices." A need driven home by top Senate Ag Republican John Boozman (far right), "ARC and PLC and crop insurance are different. Crop insurance works well when prices are up, and your yields are low. PLC is much better with a lower price. The 2018 Farm Bill is built on 2012 data. It's a totally different world." Hartman added, "Increasing the affordability of crop insurance is a top priority for our farmers. We applaud Sen. Hoeven and his colleagues' efforts in ensuring that these risk management tools continue to be improved and meet the challenges of today."

- **There is a lot of Farm Bill political haggling.** Ag Chair Democrat Debbie Stabenow, D-MI, says she won't give up SNAP dollars to help fund higher reference prices and would rather shift ARC and PLC dollars to crop insurance with its quicker payouts for over 130 crops. The GOP Senators led by Sen. John Hoeven, D-ND, flatly rejected Sen. Stabenow's proposal to make producers choose between commodity supports ARC and PLC, and crop insurance. Right now, the return on investment is about 2% when you discount the land." When you discount the land. Hoeven and the GOP say there must be more farm in the Farm Bill and better crop insurance coverage is a cost-effective answer, "In a $1.5 tril. baseline, when SNAP is doubling from $625 bil. to $1.25 tril., this cost $4.2 bil." All, 10-year figures, with a proposed 8-to-10% boost in crop insurance supports. Sen. Stabenow agrees that crop insurance is effective but refuses to part with SNAP dollars to boost crop insurance and reference prices.

Transportation—

- **The wreckage of the Key Bridge in Baltimore Harbor** may soon be gone. Agriculture Transportation specialist Mike Steenhoek reports, "The Army Corps of Engineers recently announced progress on the removal of the debris from the collapsed Francis Scott Key Bridge at Baltimore. The Corps predicts that they will be able to provide a 280 ft. wide and 35 ft. deep limited access channel by the end of April. Once opened, the channel will enable one-way traffic into and out of the Port of Baltimore, which would allow barge container service and a degree of roll on/roll off vessel that transport automobiles, light trucks, and farm equipment. The Port of Baltimore is one of the leading ports handling roll on/roll off cargo. The Corps is also predicting the permanent 700 ft. wide by 50 ft. deep navigation channel will be restored by the end of May, which would resume normal port access. The Army Corps of Engineers and other federal agencies are to be commended for the response to this tragedy. It is an extremely complex and delicate operation. According to the U.S. Department of Agriculture, in 2023, the Port of Baltimore exported 324,540 metric tons of soybeans via container. There are no reported soybean exports via bulk vessel. The port imported 63,807 metric tons of soybeans via container and 54,053 metric tons of soybeans via bulk vessels. In contrast, the Mississippi Gulf region – the leading export region for soybeans – accounted for 19.7 mil. tons of soybean exports by bulk. There are no exports of soybeans via container from the Mississippi Gulf region." →
- **Mike Steenhoek of the Soy Transportation Coalition** says, "Conditions at the Panama Canal have moderately improved over the past couple months. The Panama Canal Authority (ACP) recently increased daily transits from 24 to 27. The ACP credits some additional rainfall, along with the organization's water management initiatives, for allowing the additional increase in allowable transits. Under normal conditions, the Panama Canal accommodates 36-40 daily transits. In March of 2024, there were 747 monthly transits. This is a 12.8% increase from February (662 transits) and a 6% increase from January (702 transits). However, year to year transit numbers are still considerably lower. The 747 transits during March of 2024 are 33% lower than the 1,113 transits in March of 2023.
- **There may be new Panama freight,** but without water. The concept of a dry version is being touted by the Panamanian officials who propose an alternative, as a means of conveying freight between the Atlantic and Pacific on roads and railroads. The Multimodal Dry Canal project will use existing roads, railways, port facilities, airports and duty-free zones in a new "special customs jurisdiction." It will not require any investment thanks to its use of existing infrastructure. The necessity is the result of a 3-year drought that has resulted in insufficient water to float boats and ships without backups of dozens of ships per day. Now 27 ships navigate the Panama Canal each day, compared with 39 previously. The capacity restrictions have caused a marine traffic jam on some days of more than 100 ships waiting to enter the 50-mile waterway, which was inaugurated in 1914. Both Mexico and Honduras, on either side of Panama, are also exploring "dry" alternatives with road and rail systems.

✓ **The Upper Mississippi River** is doing well, says Mike Steenhoek of the Soy Transportation group, "Fortunately water levels on the Mississippi River have rebounded since the extremely low conditions in the fall of 2023. Below are statistics from St. Louis. The concern, however, is that current water levels are on the lower end of the historical spectrum during this time of the year. If we have a prolonged period of dry weather during the spring and summer, we could easily find ourselves back in the scenario over the past couple years. The fact that much of the Midwest remains in drought conditions is a further concern given how any precipitation will largely be absorbed into the ground with less residual water available to support river levels for navigation."



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