



WEEKLY CORNBELT UPDATE

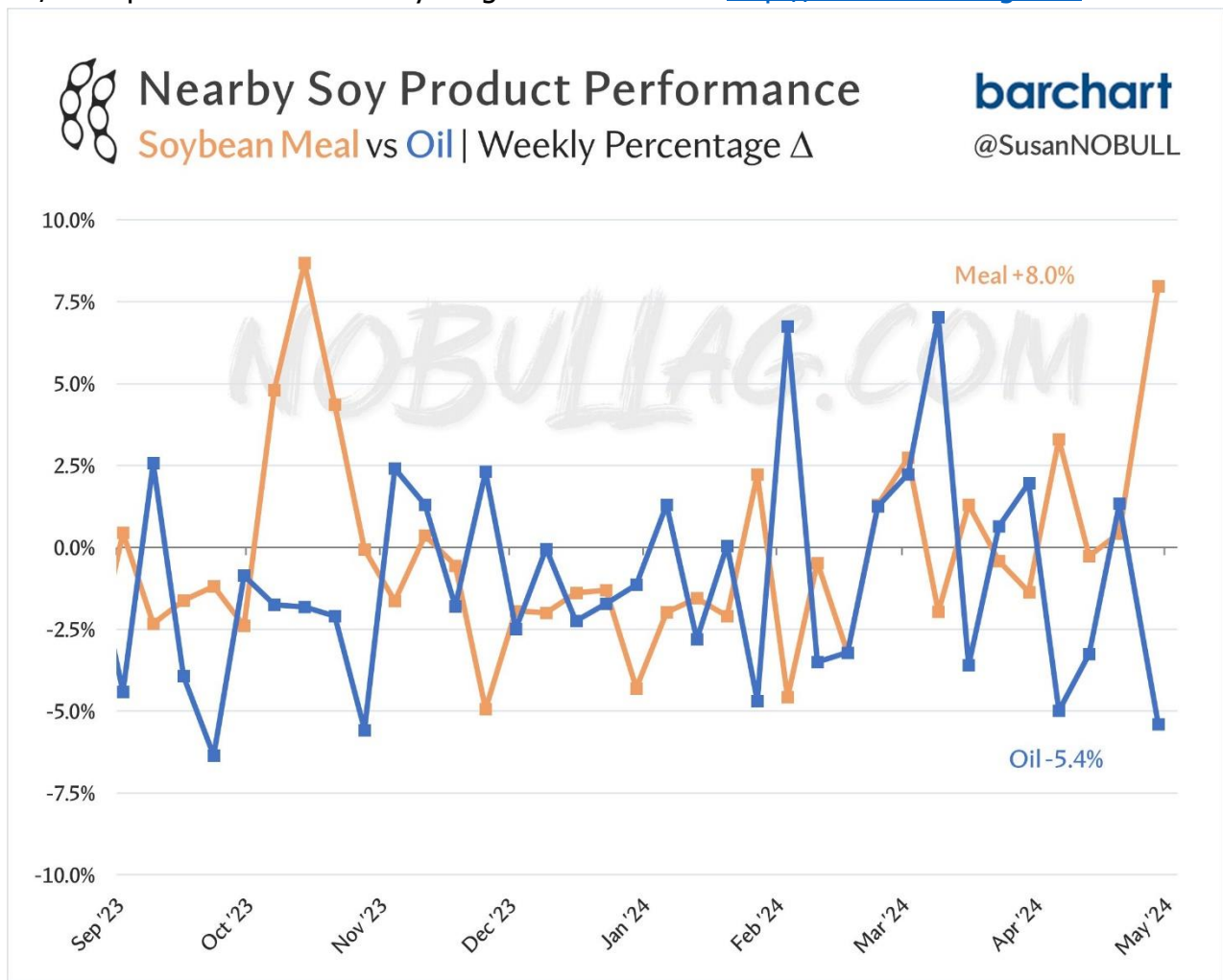
PRESENTED BY
 FLANAGAN State Bank

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

Commodity market price drivers—

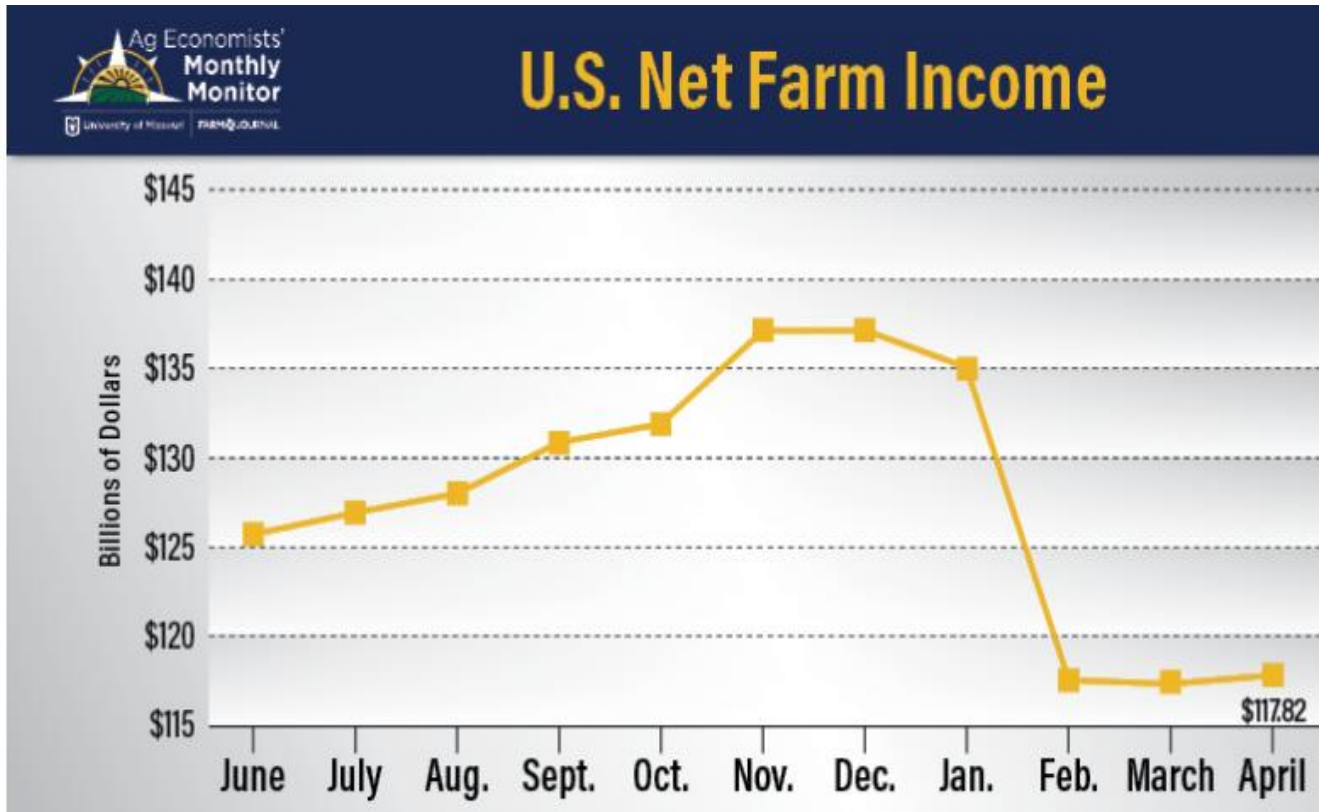
- **WASDE will be Friday.** The May edition of USDA's World Agricultural Supply and Demand Estimates will be issued at 11 am CDT on May 10. Several issues will be on the minds of traders as USDA opens its books.
 - ✓ **The pace of planting is being woven** into the market which is looking for any USDA hint of doubt about its projected 90 mil. acre corn estimate. The Cornbelt is wet, particularly from IL east into IN and OH, but there are scattered flooded regions that USDA statisticians and economists will be watching to prepare any future reduction in acreage or increase in typical prevented plant acres, and how those may factor into total production.
 - ✓ **The May WASDE is significant** because issues its first public estimate at new crop supply and demand not only for the U.S. but for the rest of the world. And the latter will be a potential flashpoint with the increasing issues going on in South America. Weather adversity and fungal issues in Argentina, as well as excessive rains in southern Brazil. Both nations have already begun to reduce their crop size estimates, but USDA has so far been reluctant to go very far down the ladder. Friday could indicate a change of heart in some of the USDA crop estimators looking at South American reports from the field. Brazil's CONAB will not issue its next update until next week.
 - ✓ **The WASDE on Friday will also provide** updated numbers on supply and demand for US 2023 corn and soybean crops. Some points of demand will be increased, and others decreased, which will provide a new look at the old crop carryout, come August 31. The trade generally expects a somewhat bearish reaction, as stocks for both corn and soybeans look to be up from the previous year. Only 4 more months left in the marketing year!

- Changes are occurring in the soybean sector**, significant changes. Soybean oil and soybean meal have totally traded places as the market driver. Soy oil had been high flying and leading the value of nearly all bio-fuel related oils, until an insufficient quantity forced biofuel processors to begin sourcing other fatty acids to make methyl esters (FAME). That drew tallow in along with used cooking oil (UCO) from oriental restaurants and food processors. Being cheaper than soybean oil, they have taken over a market that can make biodiesel and renewable diesel from many bio-based sources. While the price of soybean oil was gradually declining, the price of meal was climbing to higher values, gaining 8% in the past week. That was the biggest gain for meal since last harvest. Meal saw its 4th week of buying in a row, growing the net long to its largest year-to-date. Soybean meal trade continues to be a product of on-again/off-again labor strikes at ports in Argentina. The strikes look to continue in frequency, but amid a general lack of savings by the Argentine laborer, do not look to last very long in duration. U.S. soymeal exports in March hit an all-time monthly record of 1.485 million tonnes, besting the prior high of 1.449M set in Jan. 2013. Halfway through 23/24, total exports sit at 8.1 mmt, up 22% from the 5yr avg. USDA has full-year 23/24 exports +14% on the 5yr avg. The chart from <http://www.NoBullAg.com> tells the story.



Farm Economics and Lending—

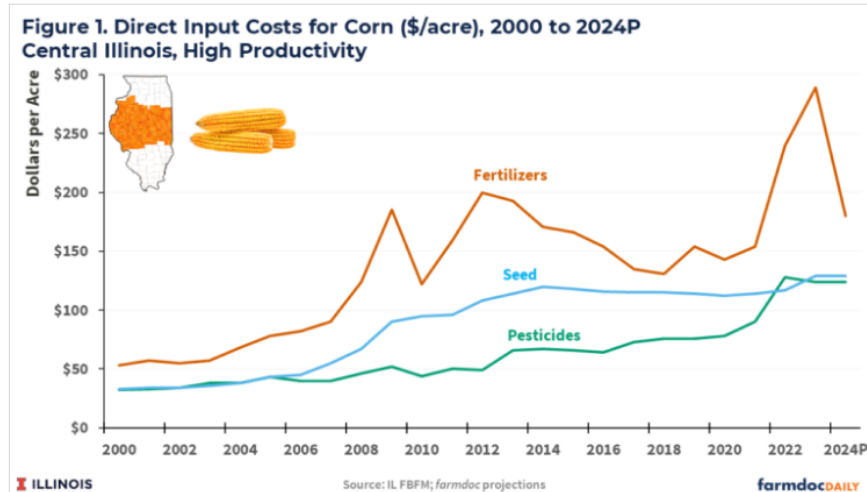
- **Ag economists are holding strong** to their current confidence in the farm economy, according to their [Monthly Monitor](#), but compared to a year ago it is weaker. “Everybody's just continuing to wait and watch input prices stay high, costs stay high for producers, and for crops in particular, crop prices tending to move lower,” says Scott Brown, interim director, MO Rural and Farm Finance Policy Analysis Center. “Everybody's waiting to see what weather is like this summer and what kind of crop we put in the bin.” This month’s monitor shows



economists expect net farm income to fall to \$117.82 bil. this year, which is steady with both the March and February survey results. It’s also in line with USDA’s current 2024 net farm income projection of \$116 bil. However, when you consider net farm income reached \$155 bil. in 2023, both USDA and economists are saying they expect net farm income to drop close to 25% this year. According to data analyzed by the University of Missouri, the change in Net Cash Farm Income is a strong metric to use when looking at the eroding ag economic picture. The change expressed in real 2024 dollars. It shows the 2023/24 change of \$42,220,837,000 is second only to the 2022/23 change of \$50,206,673,000 and means the largest and second-largest drops in Net Cash Farm Income have happened the past 2 years. “I think the biggest one of the biggest concerns by far is this margin squeeze,” says Michael Langemeier, Purdue Center For Commercial Agriculture. “When you really start looking at '24 budgets, I think the word I would use is ‘ugly.’ It looks as bad as 2019, maybe even slightly worse.”

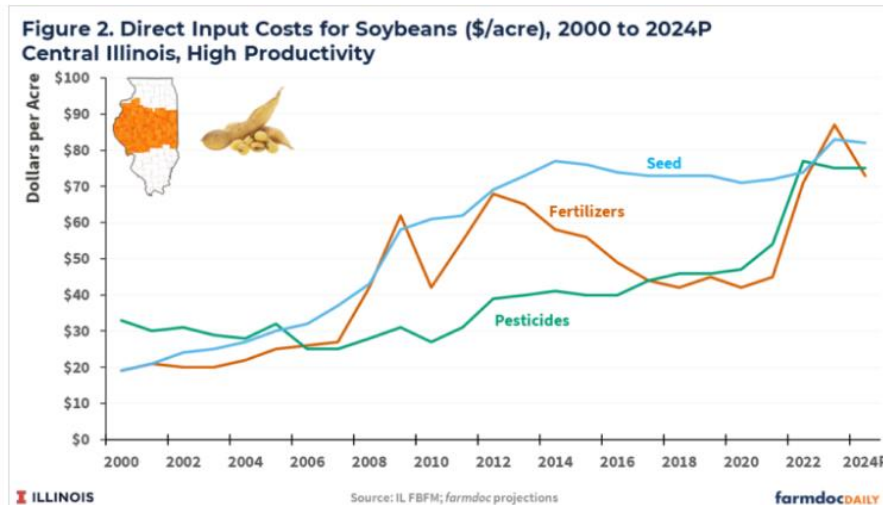
The Business of Farming—

- **How will you adjust your farming decisions**, based on production costs and market prices? [IL Farmdoc ag economists](#) say, “Lower corn and soybean prices in 2024 will have producers seeking cost reductions. Some relief is expected for fertilizer costs due to lower



prices, but seed costs are expected to remain at 2023 levels and, with planting season underway, have likely already been fully realized. Pesticide costs may provide an opportunity for lower costs in 2024. However, lower costs will be realized only if lower pest pressures occur, or farmers choose to reduce or forego applications

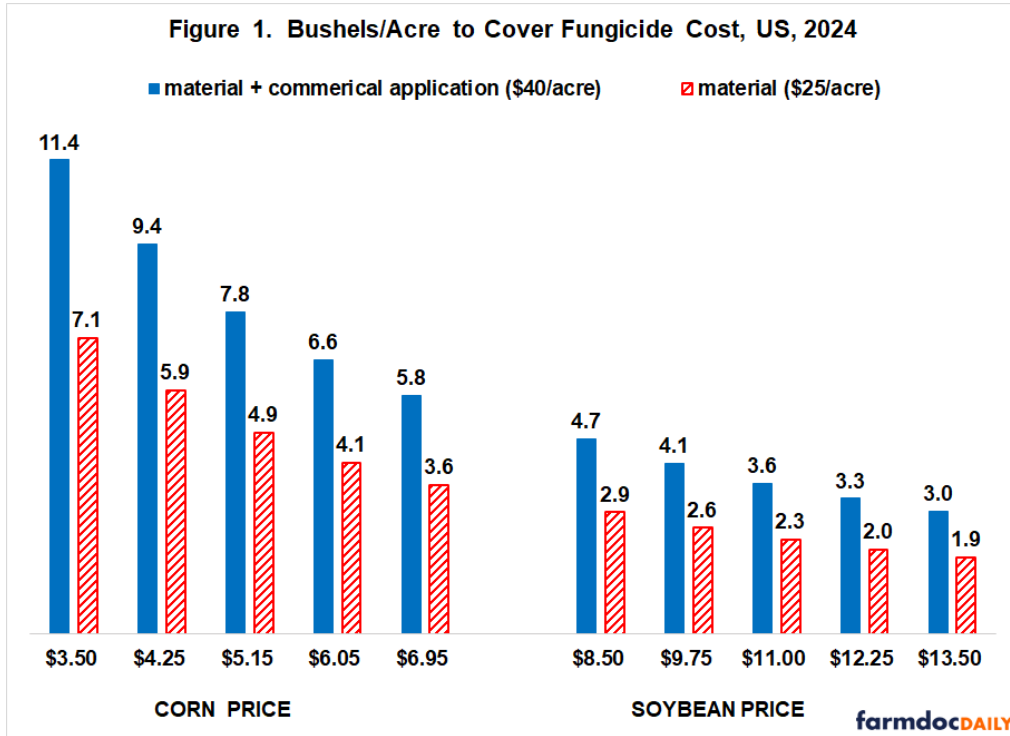
during the growing season since prices generally remain at the higher levels seen in 2023.” They looked at crop budgets for FBFM participating farms in highly productive Central IL. “Costs for all 3 major inputs for corn production have increased by 6% to 7% annually in central IL over the past 22 years (average annualized growth from 2000-2002 to 2022-2024P). Annual growth has been similar, around 6.5%, over the past 18 years (2004-2006 to



2022-2024P) – a period which starts just prior to the high income and rising cost era. Over the past 5 years (since 2017-2019), fertilizer and pesticide costs for corn production have increased by about 11% per year while seed costs have increased at less than 2% annually. While the paths these input costs have differed, the relative

importance of the three input categories have remained remarkably similar through time constant. This likely indicates some level of substitutability across input categories as well as responses to new production tools and technologies. Significantly lower commodity prices for the 2024 crop year will force producers to identify areas for costs savings. Some relief is expected for fertilizer costs due to lower prices for fertilizer products. Seed and pesticide costs are expected to remain relatively stable at 2023 levels, but farmers may approach crop protection needs differently during the 2024 growing season.

- **With lower market prices for corn and soybeans,** how much will you spend to protect



that crop in the field? [IL Farmdoc Ag Economists](#) looked at fungicide costs, within a tough choice reality. “While the cost of applying fungicides is known, their application introduces two uncertainties: 1) the yield response from using fungicides, and 2) the additional drying cost associated with higher moisture due

to fungicide use. Fungicides need to increase yield enough to at least cover material and application costs. This increase also depends on the price of the crop. Using a \$40/acre material and application cost based on likely 2024 prices, corn yield needs to increase by 5.8 bu. when corn price is \$6.95, close to the 2021 harvest price. At a \$4.25 price, near current cash forward bids for 2024 harvest; yield needs to increase 9.4 bu. (see Figure 1). For soybeans, an increase of 3.6 bu. per acre is needed at today’s cash forward bid of \$11.00. The yield increase needed to cover only the material cost (\$25) is also presented in Figure 1. Studies find a positive but highly variable corn and soybean yield response to the use of fungicides. An overall average corn yield response of +3.7 to +6.2 bu. per acre that varied across 4 fungicide products, and an overall average soybean yield response of +1.6 bu. per acre. These average yield responses are below break-even yield responses at current crop prices. The importance of drying cost is magnified because the entire crop is impacted and because drying costs are not trivial. Each one percentage point increase in moisture above the no-drying maximum increases corn and soybean drying cost by \$20 to \$25 per acre. Current cash forward bids of \$4.25 for corn and \$11.00 for soybeans require yield responses of 9.6 bu. for corn and 3.6 bu. for soybeans to cover a \$40 per acre cost of commercial fungicide application plus the cost of harvesting and transporting the increased bushels. Average yield response from agronomic small plot trials are generally less than these yield increases. Using fungicides improved corn stalk quality and reduced lodging, which can produce savings by reducing harvest yield loss or allowing later harvest at lower moisture. The farm management implication is that harvest conditions can materially impact returns to using fungicides.”

Transportation—

- **Handshakes and high-fives** were celebratory greetings at Winfield, MO, Friday when agriculture, government, and the Army Corps of Engineers marked an official start of a new 1200 ft. lock chamber to be constructed at lock and dam 25. The project that will have a great benefit to agricultural transportation was made possible by an \$829 mil. Biden investment in the Upper Mississippi River water way system, and an additional \$120 mil. secured by Rep. Nikki Budzinski, D-IL in a bi-partisan initiative. Leading the ceremony was Agriculture Secretary Vilsack who noted the big picture [in this short video](#). (5:00)
- **Leaders of corn and soybean associations** were on hand at the Lock and Dam function and expressed their appreciation to governmental support for funding projects that would lower the cost of shipping and improve the grain basis. Vice President Ken Hartman of the National Corn Growers, and a southwestern IL farmer, along with Stan Born of Lovington, IL, immediate past chairman of the US Soybean Export Council provided their thoughts [in this short video](#). (6:00)

Risk Management—

- **USDA's Risk Management Agency** has implemented numerous changes in its policies for Livestock Risk Protection for fed cattle, feeder cattle and swine; Livestock Gross Margin for swine, cattle, and dairy; and Dairy Revenue Protection which will be applicable for 2025 and beyond. Users of those [policies](#) should consult with their insurance agent to discuss the impact of the changes, which are too numerous and complex to itemize here.

Seed, Fertilizer, Fuel, and Chemical Inputs—

- **CF Industries, a major US fertilizer importer**, says the US has no sanctions on Russian fertilizer and our purchases of urea and UAN are helping fund Russia's war against Ukraine. "What's kind of shocking is there's been all of this focus on not funding the Russian war machine and not buying Russian gas," [CF's CEO Tony Will](#) said on a quarterly earnings call. "And yet, the U.S. is arms wide open to take urea and UAN (urea ammonium nitrate) coming out of Russia, which is effectively just natural gas that's been converted (into fertilizer). A White House spokesperson did not respond to a request for comment. The biggest U.S. urea importers from Russia since its invasion of Ukraine in February 2022 to March 2024 are ECO Fertilizers, Swiss-based EuroChem and U.S. grain-handling giant Archer-Daniels-Midland, according to U.S. import data provided to Reuters by ImportYeti, a company that provides information about suppliers by tracking bills of lading. ADM imported at least about 16.8 mil. tons of urea from Russia between February 2022 and March 2024 via 5 subsidiaries. Some grain handlers, which buy crops from farmers, use those relationships to sell growers inputs such as fertilizer as well. CF, based in IL, is one of the world's biggest nitrogen fertilizer producers and competes against Russian imports. Nitrogen fertilizer is made from natural gas and the U.S. has imposed sanctions on a project owned by Russia's largest producer of liquefied natural gas.

Livestock--

- **If you missed "Bacon Day" last week, that is a travesty.** May 1 was declared IL Bacon Day in the State Capitol, with BLT sandwiches handed out to members of the House and Senate. The IL Pork Producers Association was behind the successful promotion, led by IPPA Pres. Cheryl Walsh [in this short video](#). (stay for the ending) (2:50)



- **But don't miss "May is Beef Month."** The Illinois Beef Association is observing May as Beef month, promoting burgers, steaks, and all types of beef, because "It's what's for dinner!" IL Beef marketing director Devin Bollman says there is a special promotion underway for anyone who eats a beef product at a restaurant during May. She takes you on a mouth-watering journey [in this short video](#). (6:15)



MAY BEEF MONTH
BEEF EATERS CLUB

Join the Club.
Get the Perks.

For May Beef Month, the Illinois Beef Association is inviting you to join the Beef Eaters Club!

All month long, if you dine out at any restaurant in Illinois and order at least one beef item, you can send in a copy of your receipt to the Illinois Beef office to join our Beef Eaters Club. Every Beef Eaters Club member will receive their own annual Beef Eaters Club Sticker, as well as be entered into the drawing for a chance to win one of our amazing prizes!

Farm Bill Proposals—

- **Making headway.** House Agriculture Committee Chair Rep. Glenn Thompson, R-PA, and Senate Ag Chair Debbie Stabenow, D-MI, each released overviews of each committee's version of the new Farm Bill last week. [Joe Gilson, director of government affairs for the American Farm Bureau](#), says, "Chairman Thompson released a 5-page outline of his 2024 Farm Bill, and he also announced a House Agriculture Committee markup date of May 23. In the Senate, Chairwoman Stabenow released a section by section of her Farm Bill, very substantial, clocking in at 94 pages. She has not indicated a date for a markup, but we're looking over both overviews that were sent out and trying to read through them and what it means for the Farm Bill." He says both documents provide valuable insight into what the next Farm Bill may include, "Both overviews make large investments in Title One (farm program payments). We also see from Chairman Thompson's bill will include provisions to prevent states from regulating animal welfare outside of their borders. In Chairman Stabenow's bill, it does make conservation programs permanent. One thing she also wants to do is impose a \$700,000 adjusted gross income limit for commodity program payments." Gilson says this month will be critical in determining what's next in the process, "The May 23 markup from the House Ag Committee, depending on how that goes, will determine what happens in this Congress in terms of the Farm Bill. If we get a solid bipartisan vote out of that committee, I think, it can move to the House floor and really put pressure on the Senate." (American Farm Bureau) →
- **What is this "means testing" all about?** That has floated in and out of Farm Bill debates for many years with different levels being debated. In the Senate proposal, farmers with adjusted gross incomes (AGI) above \$700,000 would see their access to commodity program payments restricted. In the House plan, farmers with incomes higher than \$900,000 would be eligible for payments if at least 75% of their income is derived from farming, ranching or forestry, and parallels recent ad-hoc disaster programs. Higher amounts benefit those who farm and own land, but lower amounts benefit those who are less likely to own farmland and only are farm operators. Where will it end up? (\$800,000 limit, if 75% is farm income.) Speaking of income, it may be higher from farm program payments such as ARC and PLC. Both the House and Senate are friendly to raising payment levels, but payment levels and commodities will result from a bumper crop of horse-trading. Ironically, the payment limits are much higher than the 130-page farm policy statement issued last month by the Republican Study Caucus. It wanted a \$500,000 AGI limit for farmers to receive ARC and PLC payments, an issue that 21 of the 29 Ag Committee Republicans endorsed because it was wanted by Donald Trump but did not show up in the proposal by committee Chairman Glenn Thompson.
- **Agriculture and USDA have waited** for over a year for Congressional movement toward a new Farm Bill, and with initial action by the House and Senate Agriculture Committee Chairs, some degree of progress has begun. What Does Agriculture Secretary Vilsack think about the initial documents on the table. [Here is his analysis in this short video.](#) (4:30)

Commodity and Farm Organizations—

- **The United Soybean Board reports,** “Firefighters rely on various tools to do their jobs, including firefighting foam to combat fires. However, traditional foams are risky due to harmful PFAS, or

“forever chemicals.” With farmer investment, the safer alternative called SoyFoam eliminates this exposure, prioritizing the well-being of the nation’s first responders. A partnership between Cross Plains Solutions and the soy



checkoff gives firefighters one less thing to worry about while they keep our communities safe. SoyFoam is 100% free of intentionally added PFAS and is certified as biodegradable by the Organization of Economic Cooperation and Development. It’s also certified 84% biobased through the USDA’s BioPreferred Program. Another benefit of SoyFoam for the soybean industry is that it’s made with soy flour, using the meal component of soybeans. “One of our main priorities is to create biobased alternatives that are safer for people and our environment,” says [Steve Reinhard, chair of the United Soybean Board](#).

- **Soybeans are on sneaking into other products.** [Pat Gilbertson, a NJ farmer member of the United Soybean Board](#), says the food industry is looking at ways to utilize soy-based plastics. “The paper straws, if anybody’s ever used them, they’re good for about two minutes and then they cave in. These do not do that. It’s something that you can drink your drink and not have a problem with it. And it’s not going to affect the environment negatively.” He also says the United Soybean Board has partnered with DeWalt and several Home Depot locations to distribute their bio-based chainsaw oil. “One of the things they were looking at were where trees are being cut down around waterways and things of that nature,” Gilbertson said. “This isn’t something that’s going to pollute waterways because it’s a natural base. It’s a bio-based oil.” The development of the biobased chainsaw oil was part of a strategic partnership with DGP and Airable Research Lab, a division of the Ohio Soybean Council. Airable’s sole focus is the development of sustainable soy solutions that can be brought to the market.

Environment, Conservation, Carbon issues, Climate etc.—

- **EPA Administrator Michael Regan** told a House panel his agency and the Army Corps are implementing a revised Waters of the U.S. or WOTUS rule that complies with last year's Supreme Court ruling, "We've codified the clarifications, codified and clarified exclusions in support of farmers, like prior-converted cropland, and for ranchers, like the artificial ponds used for drinking water. A lot of good things that were preserved, as well." [Regan](#) says the Army Corps resumed WOTUS determinations after the EPA revised its much-criticized earlier rule. That, after the Supreme Court rejected 9-0 last May, EPA's 'significant nexus test' in favor of an 'observable surface connection' to a navigable water to define a wetland, "We are following the prescribed direction of the Supreme Court and want to ensure that we provide certainty to our states, as soon as possible." The American Farm Bureau charged EPA's final rule was vague in defining ditches or other farm features that fill with water only sometimes, using a vestige of a much earlier Supreme Court ruling to preserve regulatory intent.
- **"Loyal to the Soil"** is the clever title of a lobbying effort by many IL agricultural groups when they converge Tuesday on the IL State Capitol to push for a range of legislative issues. Those include increased funding for Fall Covers for Spring Savings that helps pay for cover crop seed and getting legislative help to meet conservation goals. After a breakfast briefing for the volunteer lobbyists, they will make a pair of forays through the House and Senate, separated by a noon rally at the Lincoln statue on the east side of the Capitol building, and a reception for lawmakers when the day is finished. The group will undoubtedly be lobbying for restored funding in the state budget for local Soil and Water Conservation Districts. The proposed budget for the fiscal year beginning in July calls for a 42% cut for local SWCD offices. The IL Association of Soil and Water Conservation Districts is seeking \$10.5 mil. to fund all of the local SWCD offices in the FY 2025 budget.

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.