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

The Business of Farming (important)—

- **Buckle your seatbelt, because this ride is jarring!** Some readers may have known about the requirement to file a Beneficial Ownership Information (BOI) document, required by the US Treasury's Financial Crimes Enforcement Network (FinCEN). But most farmers did not! The purpose of the document is to identify shell companies that launder money, but the sweep covered small business corporations and limited liability entities. Dustin Sherer, director of government affairs for the American Farm Bureau, says his colleagues estimated it would impact 230,000 farms, and only 11% had filed the required BOI paperwork by last October.
  - ✓ There had been a January 1, 2025, deadline for filing the required information. The National Cattlemen's Beef Association early in December secured an injunction which put that deadline on hold. On Dec. 23, the US Court of Appeals for the Fifth Circuit reinstated the Jan. 1, 2025, deadline.
  - ✓ Because of the proximity of the court decisions to the deadline, and 2 holiday weeks, the Treasury Dept. postponed the deadline to January 13. Because of the vast number of farms which had not filed the paperwork amid the uncertainty, there has been increased concern that documents would not get filed in time, particularly if farm owners wanted advice from legal or tax advisors, who have not been in their office the past week.
  - ✓ In a third about-face, late Thursday night Dec. 26, the court reversed its Dec. 23rd order until more legal arguments can be heard, which delays the reporting requirement indefinitely. Pres. Zippy Duvall of the American Farm Bureau said, "The latest court decision to postpone the filing requirement is the right thing to do, but the legal back and forth created a stressful holiday season for many farm families."
  - ✓ So, confer with a lawyer or your CPA if you filed any document with state government to create your business entity and prepare the BOI form to be safe. Failure to file could lead to felony charges, 2 years in prison, as well as a $591 daily fine, when this is resolved. If the court confirms the validity of the BOI law, a new filing deadline date can be expected.

December 30, 2024

Commodity Market Price Drivers—

- **"Did you know** March corn hasn't been this high since taking a nosedive on June 28 after the acreage/stocks report was released?" rhetorically asks commodity analyst Susan Stroud at [NoBullAg](). "Markets like to trade like they have been into the eggnog during holiday weeks... take advantage of it before things sober up!"

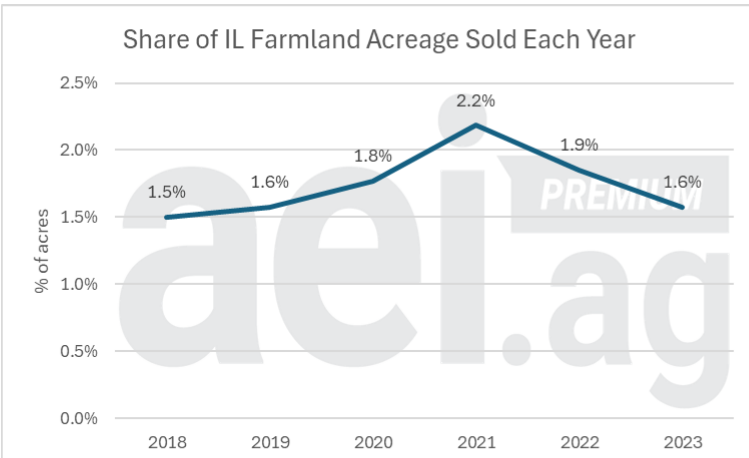
- **Chicago soybean futures** hit contract lows on Tuesday, inclusive of November 2025, which represents next year's U.S. crop, says [Reuter's commodity analyst Karen Braun](). "December 2025 corn futures are not far away from contract lows but are looking considerably better when compared with beans. November soybean futures settled at $9.88¾ per bu on Tuesday and December corn finished at $4.38½. That puts the 2025 bean-corn price ratio at 2.25, the lowest for mid-December since 2015. The bean-corn ratio can indicate potential profitability for U.S. farmers to plant one crop versus the other, and values below 2.3 favor corn while those closer to 2.5 are friendlier to beans. The ratio typically sits just below 2.4 during this month. Many U.S. farmers make next year's planting decisions in the fall, though price fluctuations through February can still make an impact. If the current corn-favoring price scenario holds through early next year, it could significantly boost U.S. corn acres in 2025. The late 2015 example offers interesting insight for this year. The ratio favored corn until surging in late March 2016, though farmers that year planted 94 mil. acres of corn, up nearly 7% on the year, an abnormally large increase. Elevated production costs and low prices kept 2024 U.S. corn acres relatively light, falling short of early expectations. This leaves decent upside room for 2025, but with the caveat that operating costs are projected to fall only slightly on the year. Oftentimes, a big increase in corn acres comes with a decline in soy acres, and vice versa. However, 2016 may be unique in that soybean plantings rose 1% to a new record (on Chinese import expectations), despite both the massive jump in corn acres and terrible soybean prices to start the year. This was made possible in part by a giant cut in wheat acres, both winter- and spring-planted. But there is no longer excitement over the potential growth in Chinese soybean demand, which has somewhat stagnated recently. This is especially the case as top bean exporter Brazil's crop potential has risen about 75% in the last decade while Chinese soybean imports have risen a lesser 40%. If Brazil's soon-to-be-ready soybean crop is as huge as advertised, it could keep soy prices low and the oilseed's planting unattractive to U.S. farmers, clearing the way for even more corn next year."

***Farm Economics and Lending*—**

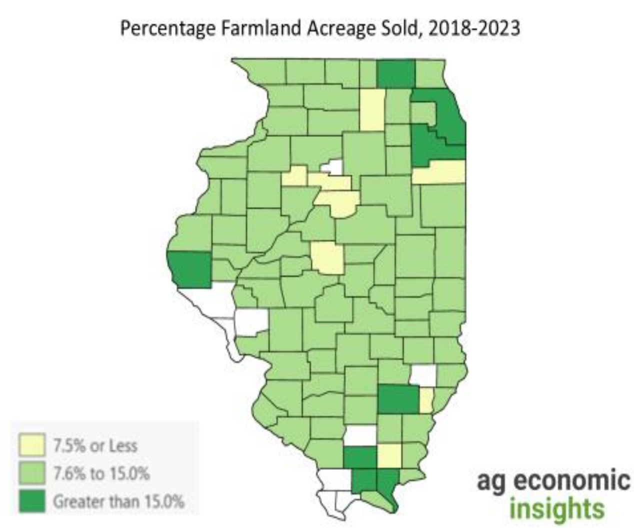
- **Ag economists,** participating in [Farm Journal's Monthly Monitor], are watching several trends that could impact the agricultural economy, with varying results. Here's their responses:
  - ✓ "The media seems consumed with the negatives of a Trump administration/Republican trifecta. It's certainly good to be aware of the challenges with any political transition, but more forward thinking on what is positive, would be helpful: the outlook for taxes, biofuels policy, trade deals with agriculture included, deregulation all seem to be potential positives we could be talking about more."
  - ✓ "Prospective tariff war is being downplayed, despite published research measuring expected range of damage."
  - ✓ "Farmer attitudes toward alternative land use: CRP, solar and other forms to help diversify incomes."
  - ✓ "Policy uncertainty is high right now. Will tariffs be imposed and if so, what will be the reaction of other countries? Will the new Administration take regulatory actions that favor or hurt the biofuel industry? What will be the outcome of debates over tax and budgetary policy? Will economic assistance to the farm sector be approved during the lame duck session or in early 2025? What about a new Farm Bill? Many people are making assumptions about how these questions will be answered, but we don't know."
  - ✓ "Farm income varies greatly by region. While we often focus on the Midwest and the financial health of that region, it is also important to notice that regions in the southern U.S. are really struggling." It is also important to watch what production adjustments producers make to cope with today's tighter operating margins?
  - ✓ "Could federal budget cuts/austerity dramatically change/reduce the federal farm income safety net?"
  - ✓ "Cash rent prices staying constant during a downturn in crop prices."
  - ✓ "Let's be clear — the clean fuels tax credit goes to the fuel producer, not the farmer. It enables market access into the biofuels market for the farm economy, but the ability for the farm economy to capitalize upon it is hamstrung by credit levels that have incentivized large inflows of foreign feedstocks at the expense of literally homegrown feedstocks like SBO."
  - ✓ "The Brazil *real* is depreciating, which eventually leads to more U.S. competition."
  - ✓ "China, Europe, Mexico and others know what to expect out of Trump. They've seen it before. Everyone is discounting the possibility that Trump's tariff threat could result in some pre-emptive trade agreements that benefit us here in the states. The U.S. is the biggest buyer of consumer goods in the world. They can't afford to cut us off. Note that I said consumer goods, not commodities."

Farmland Values and Issues—

- **With the farm sale season upon us,** are more farms or less farms for sale than usual? Ag Economic Insights and Acres.com say the "rule of thumb" is 2% turnover per year. "The most recent source behind this rule of thumb likely traces back to an American Farmland Trust statement: "Nearly 300 mil. acres or about one-third of the country's total agricultural land will change hands over the next 20 years as current farmers retire". Another anecdote – talked about over the last 10 years – is that roughly 40% of ag land will change hands over 20 years. These two predictions amount to an average ownership change of 1.5% to 2.0% per year. But are these even close to reality? Furthermore, how well does any rule of thumb play out over time and across geographies? Data were available for 93 of the IL 102 counties, or 91%. According to the Illinois Society of Professional Farm Managers and Rural Appraisers, 59% of the farmland sold in the state during 2023 was by estates. The change in ownership could be counted twice in the statistics for those farms that transfer at death to a family member and then are sold to a non-family member. In short, the pace of farmland sales is often ambiguous and difficult to meaningfully quantify. At the state level, an average of 1.7% of farmland was sold annually between 2018 and 2023.

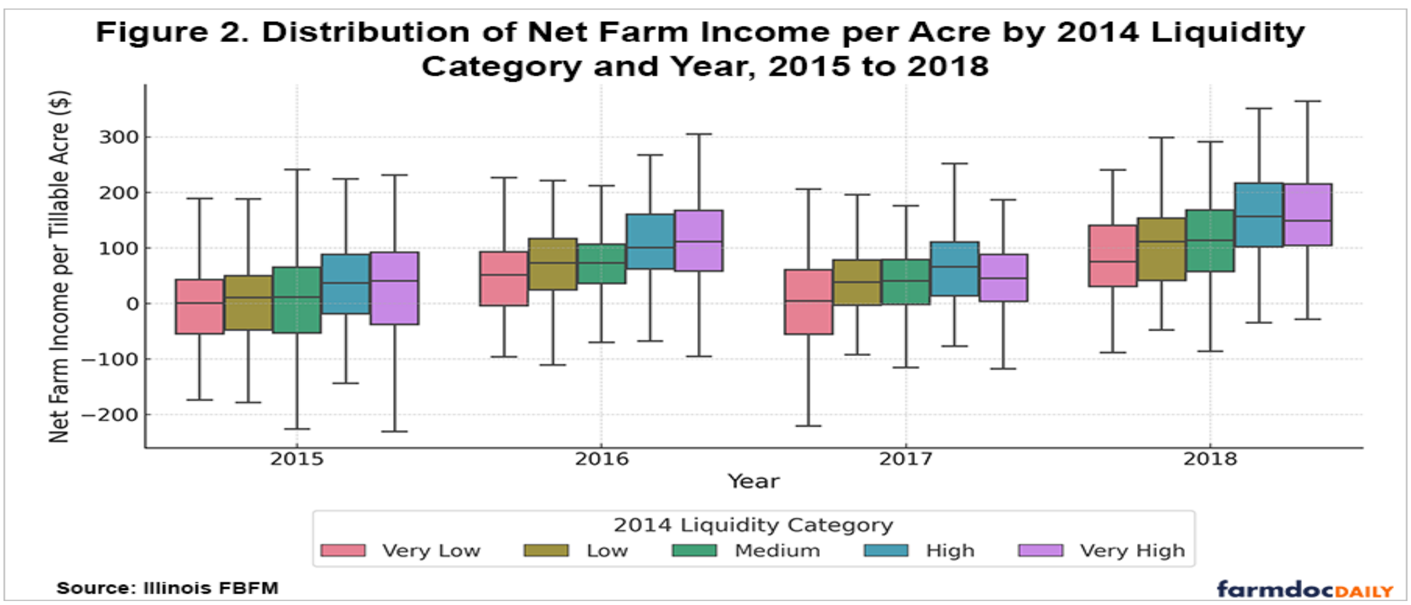


7 counties – mostly in the southern, western, and northeastern regions – sold more than 4% of the farmland in 2021. Between 2018 and 2023, counties in these regions sold more than 15% of their farmland acreage. Remember, the rule of thumb suggests that 6% of farmland would change ownership from a sale during those 6 years. In these counties, sales activity exceeded the suggested pace – a total of 2% annual turnover – of both sales and generational transfers. Additionally, that accelerated pace was sustained over 6 years. A similar number of counties sold less than 7.5% of their acreage since 2018. For some counties – which were occasionally near or neighboring those with the highest selling rate – activity was much closer to the rule of thumb. Furthermore, carefully consider the magnitudes. The scales reveal that some counties sold twice the share of farmland. IL farmland has sold at a rate faster than the 2% annual total turnover would imply."



Farm Finance—

- **How is your liquidity,** and for that matter, your working capital? Both will be needed, until the sun shines again on the farm economy. [IL Farmdoc ag economists]() looked back at liquidity and working capital during the last downturn in agriculture from 2015-2018. While they looked at state averages of the financial records of 1,005 Farm Business Farm Management cooperators, you have your own farm records for comparison of your liquidity and working capital then, and now. The economic analysts reported, "We find a consistent relationship between initial liquidity and subsequent farm performance during the last downturn in the US farm economy from 2015-2018. The initial liquidity position of farms in 2014 was related to differences in net farm income that increased over time. High liquidity was associated with more net farm income in 2015 and the gaps between very low, low, medium, and high liquidity farms grew in 2016, 2017, and especially 2018. This widening gap suggests that initial liquidity advantages may compound over time, as better-capitalized farms can both weather adversity and seize investment opportunities that lower liquidity farms cannot. We do find some evidence that more liquidity is not always better. Farms in the very high initial liquidity category tended to perform similarly to or worse than those in the high category. In 2017 and 2018, median net farm income for the very high category was actually lower than for the high category. This suggests some farms may lack productive investments in which to deploy excess liquidity. However, farms in the middle of the initial liquidity distribution demonstrated a consistent hierarchy, with medium liquidity farms maintaining a steady advantage



over low-liquidity operations throughout the period. This pattern held through these challenging years, suggesting that medium and high levels of working capital provided meaningful benefits for operational stability. Our findings have important implications for farm financial management as current forecasts suggest the next years may pose similar challenges for farm profitability as the 2015-2018 period. As farmers face another potential period of market pressure, these historical patterns offer valuable lessons about the importance of building and maintaining a strong liquidity position."

Conservation, Carbon, and Climate Issues—

- **What will happen to the shift toward regenerative agriculture** in the next 4 years? Any continued impetus will have to be fueled by corporate boardrooms, which have pumped billions in recent years into climate-smart agriculture programs, including farmer payments for sequestering carbon. Much of the force in that direction is from food-related companies which produced consumer packaged goods (known as CPG companies.) "In a 2023 report, ADM shared new insights for consumer behavior regarding regenerative agriculture. ADM surveyed over 1,500 adults in their research and found that nearly three-quarters of them agreed they would prefer for over half of their food and beverage options to be sustainably sourced. More than 70% of the consumers said they expect companies to sustainably source ingredients and products, while 65% said they are more likely to purchase products that have been sustainably sourced. Along with consumers, over 300 CPG and retail decision-makers were surveyed. Close to three-quarters of CPG executives and nearly half of retailers shared their company already uses at least one type of regenerative agriculture program." How are those programs, implemented on your farm, evaluated? One evaluator is the HowGood company. CEO Alexander Gillett says, "What we do is we take the nerdiest data, and then we turn it into information that someone can use. So, if you're a sustainability expert within a CPG, you can see the metric tons of carbon produced per kilogram of that ingredient." Watch to see how those programs change, if carbon sequestration payments have become a profit center for your operation. Will corporate boardrooms ignore those in Washington averse to climate change policy?
- **If you have received biosolids** from a local water treatment plant, do you have PFAS residue in your soil? Those are the "forever chemicals" that are prevalent everywhere, and likely found in your home, and maybe even on your hands. One does not have to be near a biosolid, but those are the path for field application, when it is applied to cropland because its high nutrient value helps cut back on the purchase of commercial fertilizers. And water treatment plants not only deliver, but apply biosolids, PFAS chemicals present or not. "Now, in a bid to spur federal action, some farmers are pushing for financial relief in the upcoming Farm Bill and suing the Environmental Protection Agency for its alleged role in failing to prevent these toxic chemicals from contaminating crops, livestock and water supplies." The financial relief is being sought because many farmers are being banned from selling any crops or livestock products produced on land where PFAS-laden biosolids have been applied. "And while remediation is not an option for soil given current science, farmers can try growing different crops or planting in areas where contamination may be less. Some contaminated lands could even be used for solar panels to create steady income from creating clean energy. To effectively address farm contamination on a national scale, regulation will need to be paired with financial assistance, if these farms are to survive."

- **Congress passed a year-end bill** that includes a continuing resolution extending current levels of federal funding until March, including an extension of the 2018 Farm Bill. However, Conservation advocates were disappointed the package didn't include the conservation funding which had been in the Biden Inflation Reduction Act.
  - ✓ "The failure to include conservation funding in an end-of-year bill forgoes an incredible opportunity," says NACD President Kim LaFleur. "Unfortunately, it reflects Congress' increasing inability to negotiate and pass commonsense solutions."
  - ✓ The American Farmland Trust was also let down by a lack of conservation funding. "Conservation programs are popular, oversubscribed, and key to helping producers remain profitable and build resilience to extreme weather," AFT says in a release. "By transferring those dollars to build the Farm Bill conservation baseline, Congress could have ensured additional conservation funding to meet the high demand. Thousands of farmers won't be able to enhance profit margins while protecting soil and water quality."
- **With changing market demand,** consumer expectations, and environmental regulations, farmers may look for ways to increase profitability while reducing their environmental impact, say IA St. Univ. ag economists. Carbon Intensity (CI) scoring is a tool that may help. CI scoring measures carbon emissions associated with the production of a good, in this case, crops. It can open doors to market opportunities, align with sustainability goals, qualify fuel producers for tax credits enabling profit sharing, or potentially open the farmer to other carbon programs. This report covers the basics of CI scoring, how to calculate it, and illustrates the revenue implications of lower CI scores for selected practices. Starting in 2025, CI scoring could impact sales of corn and soybean being used for renewable fuel production. Such changes may also impact livestock feed markets as livestock processing companies strive for carbon neutrality in future years. Lower CI scores make crops more appealing to buyers with sustainability commitments as they lower the carbon footprint of the value chains that use them as inputs, like those of biofuels. Currently, the US 45Z tax credit for clean fuel production offers fuel refineries a potential revenue source, though much remains unknown. Potential steps you can take are:
  - ✓ Run a free CI Assessment: Use the GREET calculator or the IA St. Univ. Carbon Intensity Score calculator to gauge your current CI score and identify potential areas for improvement.
  - ✓ Explore Programs and Incentives: Consider credits like 45Z with local fuel producers, private carbon markets, and the potential for contracts for low-CI crops.
  - ✓ Consult with Advisors: Agronomists and extension specialists can help you tailor practices to achieve meaningful CI reductions.
  - ✓ Stay Updated: The CI scoring, incentives, and technology landscape changes quickly with evolving policy. Use ISU as a resource to help you follow evolving market development.
  - ✓ CI scoring might offer corn and soybean producers a way to enhance sustainability while driving profitability. Adopting practices that lower CI and finding markets to monetize scores may enable farmers to unlock new revenue streams. Get started today by assessing your CI score, implementing practical changes, and exploring the potential benefits of carbon farming.

Agri-Politics and Legislation—

- **The enhanced estate tax exemption** could be a major casualty if the 2017 tax cut law expiring at the end of 2025 isn't extended. The estate tax exemption will drop from $13.6 mil. per individual to its pre-2017 level of $5.5 mil. if the Tax Cuts and Jobs Act isn't extended. National Cattlemen's Kent Bacus on a recent Farm Foundation panel discussion, "If we do see the 'death tax' limits revert back to those pre-2017 levels, then that's going to affect about 61% of our survey respondents. And that is not something that we take lightly." Especially since many producers complain they've already been hit by the estate tax, "A third of our farmers have already had to pay the 'death tax' once, and from that number, another 35% have had to pay it more than once." Given, Bacus says, that many farm and ranch operations are asset-rich and cash-poor. Land values are a key reason, "As those values go up, whether it's pastureland or farmland or just demand for development, real estate development for farmland is always a constant pressure. So, it's not just that we've been setting record values on cattle prices and everything else, it's just that land values have gone up." Bacus concludes any increase in land value does not mean there's an increase in cash flow. Producers would rather have more in their pockets than pay more in taxes.
- **Yes, Congress addressed farm financial needs** in the legislation passed as Members were going home for the holidays. The "Economic Loss Assistance Program" earmarks $10 bil. in direct payments for farmers with per acre payments of Corn: $43.80, Soybeans: $30.61, Wheat: $31.80. Payments are calculated based on the difference between expected gross returns and production costs, with a 26% adjustment factor to stay within budget. USDA will come out with a program and since it has all of the data, and the farmer will likely not have to do anything other than sign up. "I would expect the payment to go out in February or perhaps early March, since they have to issue those payments within 90 days," Ag accountant Paul Neiffer said. Washington Correspondent Jim Wiesemeyer adds, "Payments cover eligible commodities, excluding wool, mohair, and honey. Limits: $125,000 for non-farming majority AGI and $250,000 for farming-majority AGI. The "average" gross income method aims to improve fairness compared to previous systems." Neiffer says whether a farm qualifies for the increased payment limit, which will be based on the numbers reported on your tax return for 2020, 2021 and 2022. You ignore 2023. There is a payment limit of $125,000, which is down from the $175,000 originally proposed in the FARM Act. It's also key to note, if 75% of your total gross income comes from farming, Neiffer says you qualify for the double payment limit. Farming also includes wages and dividends from a farm corporation. Neiffer's webinar.
- **Congress approved $10 bil. in crop payments**, and $20 bil. for hurricane remediation for farmers in the southeastern states, before Elon Musk cut other provisions, reports DTN:
  - ✓ Year-round use of E-15 ethanol, which was no cost to the government.
  - ✓ Feral Swine Eradication and Control, $15 mil. cost.
  - ✓ Scholarships for students attending colleges in the 1890 Land Grant Act, a $15 mil. cost.
  - ✓ Organic Certification Program, a $45 mil. cost share program with organic producers.
  - ✓ No cost program to require AM radio in automobiles and trucks.

Biofuels and Renewable Energy—

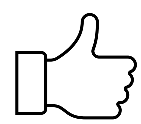
- **Following Congressional votes on year-end legislation**, National Corn Growers Association President Ken Hartmann, says corn growers were disappointed about no year-round access to E15. "We thought it would be in the end-of-year legislation package," he said. "This no-cost provision would have provided a market-driven solution to farmers experiencing low corn prices." The organization is calling on legislators to address this matter as quickly as possible at the start of the new Congress and fix the issue once and for all. "The National Corn Growers Association is appreciative of House and Senate Agriculture Committee leadership and our other champions who worked hard to extend the Farm Bill and provide much-needed economic and disaster assistance in farm country," said Hartmann, a farmer at Waterloo, IL. "This assistance will help growers reeling from natural disasters like hurricanes and wildfires and multiple years of low crop prices paired with higher input costs." →
- **Joining NCGA Pres. Hartman** was IL Corn Pres. Garrett Hawkins. "Corn growers are deeply disappointed that a permanent, year-round E15 solution was not included in the end-of-year legislation package. This no-cost provision would have provided a market-driven solution to farmers experiencing low corn prices. IL Corn is appreciative of House and Senate Agriculture leadership and other champions who worked hard to extend the Farm Bill and provide needed disaster and economic assistance to farm country. This assistance will help growers reeling from natural disasters and multiple years of low crop prices paired with high input costs. Without a permanent E15 solution, much greater assistance will be needed in the future." Corn-based ethanol has 45-50% fewer greenhouse gas emissions than petroleum-based fuel. In IL, our 13 ethanol plants produce 1.84 bil. gals. of ethanol annually and employ over 22,000 people, with a total economic output of $11.4 bil.
- **National year-round E15 sales** ended up on the cutting room floor when the final stopgap government funding bill was passed. But the issue may have picked up momentum for 2025. E15 sales, including in the summer driving season, were a part of the earliest stopgap bill and pulled when it failed to gain GOP traction. But the mere fact it was in the first bill may mean it picks up speed next year. American Farm Bureau's Joe Gilson, "I think this issue of getting year-round E15 sales has been an issue that the ethanol and farm communities have worked on for the past 15 years, and I don't think it's ever got this close." 8 Midwest states won EPA approval for year-round E15 sales after several years of summertime waivers. But it's taken House and Senate bills to jump-start the push for national year-round sales. Now, Gilson says the stopgap may have just provided the needed spark, "We're close. Corn and oil states are aligned. Democrats and Republicans are aligned. So, I do think it's just a matter of time, but we're still going to have to press early on in this next Congress to get it fixed by the summertime driving season in 2025." Gilson predicts with bipartisan support being in the first stopgap and earlier bills, year-round E15 could prevail early in the new year.

Agri-Charity—

- **Tractor Supply Company** has announced its Paper Clover campaign helped raise more than $2.6 mil. for 4-H youth nationwide in 2024. The initiative, conducted in partnership with the National 4-H Council, is a bi-annual fundraiser that invites customers to purchase a paper clover at checkout in all Tractor Supply stores in the U.S. or online. The company says 90% of all donations directly support 4-H youth in the state in which they were made, while the remaining 10% support national 4-H programming.
- **The National 4-H Council** received a $15 mil. grant from Lilly Endowment Inc. to advance its 4-H Beyond Ready initiative, a comprehensive program that will equip 10 mil. youth by 2030 with essential career and character development as fundamental elements for work and life. This funding is part of Lilly Endowment's Character Development Through Youth initiative.

Agribusiness—

- **Farmers conducting business** with a corporate entity should be aware of legal obligations. Most of the time, common sense prevails, grain is delivered and sold at an agreed price, and one continues to do business with the elevator just like his or her grandfather did decades earlier. Grandpa did not have text messaging, electronic email, and a phone in his shirt pocket to confirm a sale price for corn, or commitment for a hedge to arrive contract. Those were done by stopping at the elevator office, a friendly chit-chat with the elevator manager, and some scribbled ink on the bottom line of a formal-looking agreement. Both knew what it meant, and the contract was eventually fulfilled by the signatories or their successors, as the contract was worded. But years later things have changed, and the current generation has a different way of doing things, based on technology, just like tractor cabs have changed with technology much different than Grandpa. (He may not have even had a cab.) Today, farmers' responses may not be scribbled signatures anymore. A Canadian judge, presiding in a lawsuit involving the failure to deliver grain, ruled that even though a scribbled signature was not on the contract, a "thumb up" emoji on a cell phone text was an equivalent.



Understanding the rapidly changing agricultural industry can be a daunting task. At Heartland Bank, our team of ag specialists will work with you to meet the goals of your farming operation. With over 160 combined years of agricultural service experience, we are focused on providing outstanding service and results throughout Central and Northern Illinois. Whether it's farmland real estate, operating and equipment loans, or farm management expertise, we have the professionals who you can trust to improve your farmland's productivity and asset value. Contact one of our knowledgeable experts today at 309-661-3276 or toll free at 1-833-797-FARM (3276).

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December 30, 2024