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

Commodity market price drivers—

- **Last week was a good week**, until it ended. Weather forecasts were looking unfriendly to the new crop, both corn and soybean markets rallied, but by the end of the week, the grain trade had taken its money back and prices fell out of favor with a change of bullish minds. It was not turn around Tuesday, but turn around Thursday, when prices weakened, and the trend continued through the day on Friday. The bearish attitude was anchored in the soybean oil market which fell more than 5% (right), with trade analysts pointing to a federal appeals court decision about RINS, of all things. The court disassembled the policy of the Biden administration EPA that all petroleum refiners must abide by the same rules for purchasing RINS to report biofuel production, and installed the Trump administration EPA policy that rules don't apply equally. Some refiners can be exempted, and others can't. That took down the sensitive soybean oil market, which continued its drop on Monday morning, and the rest of the grain market fell in sympathy.

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TradingView

- **The monthly update of the corn balance sheet** from the USDA changed both new and old crop supplies. USDA increased usage by a combined 225 mil. bu. across the 2 marketing years. This is important, says MO Extension Agricultural Economist Ben Brown, because it nearly offsets the bigger corn crop farmers are expecting to harvest this fall, "It hasn't changed the underlying story but has now created the opportunity that if we see a weather scare, we could see, I'm going to call it a 50 to 70¢ rally in the corn market. That's if a weather event were to transpire. This has allowed the market some breathing room to move higher." Aug. 12, the USDA will provide more guidance on the size of the corn crop in the US when it releases the first Crop Production report estimate for the season. (RFD-TV)



- **After 3 days of hard work**, participants in the Wheat Quality Council's Spring Wheat Tour came to the same conclusion. ND farmers may have their best crop in decades. After 3 days of touring, the average Hard Red Spring Wheat yield was projected at 54.5 bu. per acre, up from 47.4 bu. last year. The durum fields visited had a prospective yield of 45.3 bu. per acre, up from the 2023 projections of 43.9. 2 Hard Red Winter Wheat fields on the tour had a projected yield of 51.4 bu. per acre. Dave Green, the Executive Vice President of the Wheat Quality Council, said weather conditions in the weeks before harvest will determine if ND can produce a record-breaking wheat crop. More than 40 millers, bakers, grain company representatives, media members, and government employees toured more than 250 fields of HRS and durum wheat in ND, the host state.
- **Billions of bushels of 2023 corn**, owned by farmers, remain unsold in grain bins and grain elevators. The new crop looks good, prices for old and new crops are much weaker than months ago, and the prospects for a rally are bleak. What would Matt Bennett do? The popular farm program speaker, commodity analyst, grain market advisor, and all-around answer man was asked what he would do if he were you in that predicament. [His response is in this very short video.](#)



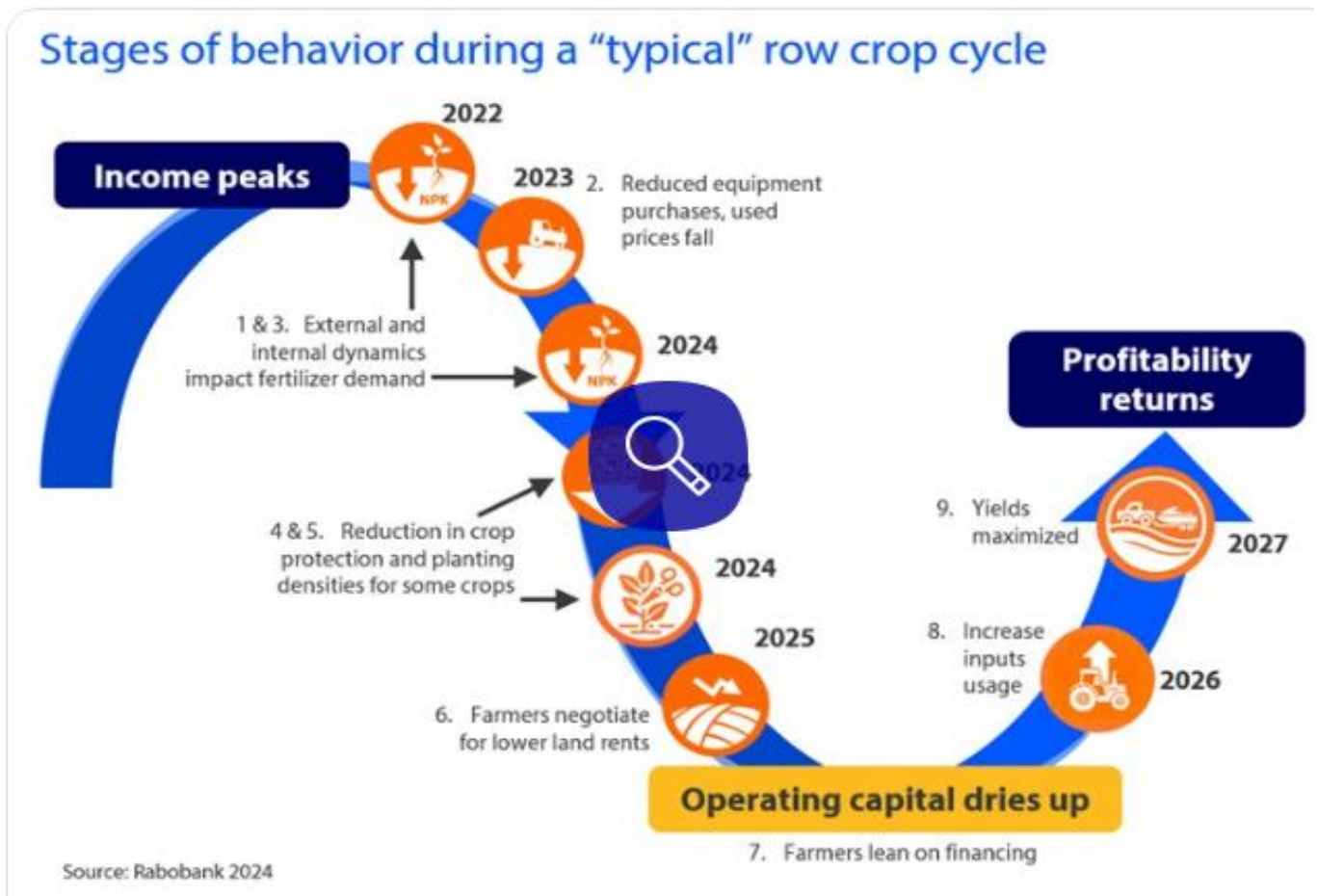
Farm Economics and Lending—

- For a 10th straight month**, the [Creighton Rural Mainstreet Index \(RMI\)](#) sank below growth neutral, according to the June survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy. The region’s overall reading for June sank to 41.7 from 44.2 in May. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral. “Higher interest rates, weak agriculture commodity prices and sinking agriculture equipment sales pushed the overall reading below growth neutral for the 10th straight month,” said Ernie Goss, director of the Creighton Univ. survey. After rising above the growth neutral threshold for 53 straight months, the region’s farmland slumped below growth neutral for a second consecutive month to 49.9, but it was up from May’s 47.9. “Only 4.3% of bank CEOs reported that farmland prices expanded from May levels,” said Goss. According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were down 4.1% from the same period in 2023. The farm equipment sales index for June dropped to 31.8 from 34.0 in May. “This is the 12th time in the past 13 months that the index has fallen below growth neutral. Higher borrowing costs, tighter credit conditions and weak grain prices are having a negative impact on the purchases of farm equipment,” said Goss. A central IL banker said, “As an Ag bank, we would like to see at least one interest rate cut by year end. This will help boost commodity prices, which our farm customers so desperately need coming off such weak prices for their 2023 harvest.” Goss said, “Delinquency rates for farm and business loans on Rural Mainstreet have remained virtually unchanged over the past 6 months according to bank CEOs.” Furthermore, only 8.7% of bankers have increased their farm loan rejection rates, while approximately 13.0% and 4.3%, respectively, reported restructuring or reducing the loan-to-value ratios. Specifically for IL, the state’s June Rural Mainstreet Index rose to 42.7 from May’s 39.6. The farmland price index increased to 49.4 from 46.0 in May. The state’s new hiring index fell to 47.1 from 47.4 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 18.0% from the same period in 2023.

Table 2: The Rural Mainstreet Economy, June 2024

Percentage of Bankers Reporting				
	Little or No Change	1% to 4% Higher	More than 5% Higher	
Farm loan delinquency rates over the past six months are:	82.6%	17.4%	0%	
Percentage of Bankers Reporting				
	Down 1% to 4%	Little or No Change	1% to 4% Higher	More than 5% Higher
Non-Farm loan delinquency rates over the past six months are:	4.2%	78.3%	17.5%	0%
Percentage of Bankers Reporting				
	Made No Changes	Restructured a Higher % of Farm Loans	Reduced the Loan to Value Ratio	Rejected a Higher Percent of Applications
In terms of farm operating loans, which of the following actions has your bank recently taken:	73.9%	13.0%	4.3%	8.8%

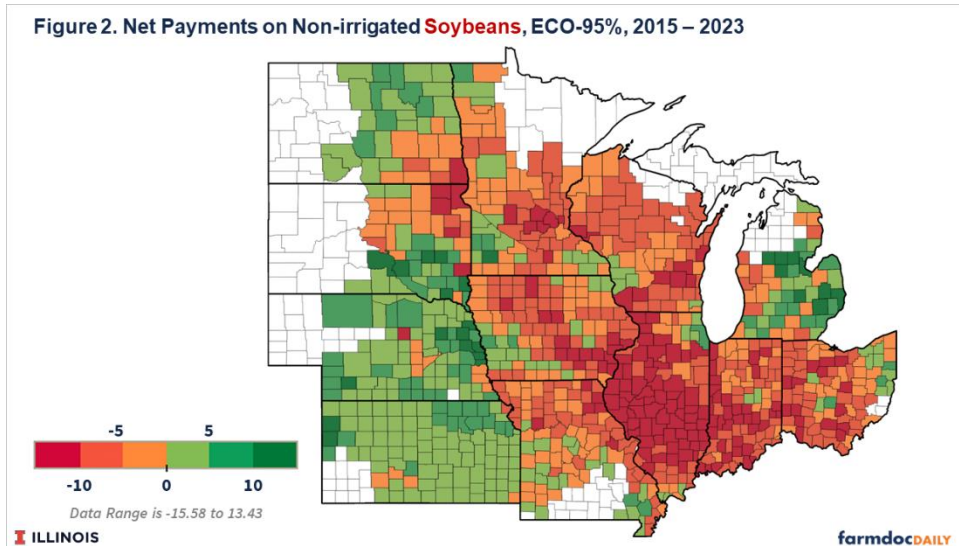
- **History does repeat itself, especially in agricultural cycles.** [Rabobank](#) put together a report on how farmers adjust input spending when commodity prices drop. It explores the responsiveness of input volume and price to farm profitability in America, forming a view of how the current downturn will impact the input marketplace through next year. For example, the report says farm machinery is a hard asset that can be maintained, and new purchases can be deferred as needed. That makes machinery the most income-elastic of the major farm input categories. Fertilizer prices are also elastic. Lower fertilizer prices typically shoulder the bulk of changes in expenditures, but farmers can also adjust those volumes as well. Seed spending has increased markedly during the past 20 years as corn revenues increased during the early 2000s. As some seed patents expired, seed production costs are now expected to dictate price, suggesting farmers may see relief ahead.



The Rabobank report also addressed fertilizer, saying the factor affecting fertilizer volumes is affordability. This is a function of both grain and fertilizer prices, which tend to move in tandem but are also affected by many independent factors, according to Rabobank. "For the years ahead, affordability will improve, but a drop in U.S. corn acreage means total fertilizer use will be flat," the report stated. All fertilizers except one are lower compared to one year ago. MAP is 1% more expensive looking back to last year. Anhydrous is 2% less expensive, DAP is 6% lower, 10-34-0 is 11% less expensive, UAN28 is 12% lower, urea is 15% lower, potash is 17% less expensive and UAN32 is 18% lower in price compared to a year prior.

Risk Management and Crop Insurance—

- **Do you add SCO and/or ECO** to your crop insurance policy? [IL Farmdoc ag economists](#) say, “If purchased each year, results show that SCO and ECO had very low payments relative to premiums. Given the loss performance, justifying the use of SCO and ECO to supplement coverage is difficult, particularly in regions with low yield variability.” An IL policy for corn “with an SCO addition averaged \$27.15 per acre. The Risk Management Agency (RMA) is tasked with developing total premiums that are actuarially fair with a small loss reserve. As a result, insurance payments for SCO and ECO should be slightly lower than total premiums over time. For IL, Federal support averaged \$17.65 per acre. The farmer-paid premium thus equals \$9.50 per acre (\$27.15 total premium –



\$17.65 Federal support). From 2015 to 2023, payments from SCO-70% averaged \$4.37 per acre for IL. The frequency of payments was low, with only 10% of the county-yield combinations receiving payments. Overall, IL farmers had an average net payment of -\$5.13 per acre, meaning they paid \$5.13 more for SCO-70% than they received

in insurance payments even after the Federal premium support. SCO-80%, ECO-90%, and ECO-95% have similar performance to that of SCO-70%. For IL, all policies resulted in negative average net payments even after subsidy. Geographic distributions of county-level net payments for ECO-95% are illustrated by the map shown in Figure 1. Overall, net payments are negative in most counties. However, even in those states, some counties would have had positive net payments on average since 2015. In IL, there are 14 counties with positive net payments. The 5 counties with the highest net payments are Alexander (\$22 per acre), Union (\$15), Lake (\$11), Knox (\$5), and Cook (\$5) counties. Overall, the geographic distribution of SCO and ECO performance for soybeans follows a pattern similar to corn, with lower loss ratios in areas with higher productivity and lower yield variability. Compared to corn, a more extensive geographical range of negative net payments existed, beginning in the Dakota and continuing through OH. IL had many counties with low negative payments, and 35 counties would not have generated an ECO-95% payment at all from 2015 to 2023.” One crop insurance veteran, after reading the Farmdoc report, observed, “Of course, IL, IN, and IA are blessed with deep rich topsoil, abundant and timely rains (rain makes grain) and low frequency of severe damaging weather events that reduce crop yield.”

- **Are farmers becoming more focused** on climate change? Pretty much. Is crop insurance keeping up with climate change? Maybe, but very slowly. Is crop insurance keeping up with regenerative farming practices designed to address climate change? Really, not at all. What would it take the Risk Management Agency to convert its policies, regulations, and philosophy to growing trends in production designed to address climate change? Likely a complete re-boot. [Bloomberg has published](#) a thought-provoking look at the growing trend toward regenerative agriculture, designed to survive climate change, but how the Risk Management Agency (and possibly the lending industry) is not flexible enough to support policy holders in such farming practices. “Like health, car or property insurance, appraisals for losses or damages rely on standards — known as [Good Farming Practices](#) — that ensure low yields aren’t caused by mismanagement. But these rules [cannot include a practice that may lower a crop’s yield](#) and therefore tend to follow established industrial, monoculture practices: A farmer caught growing different crops between rows or terminating their cover crops too late, for example, is at risk of having their insurance claims denied.” Interestingly, the USDA has been forward in its thinking about climate change, implementing numerous programs designed to address those issues and provide funding to farmers who want to incorporate innovative practices. But so far, the RMA is not yet part of the trend, and that may be the lack of innovative crop insurance policies which are frequently proposed by academic ag economists. Just like turning an ocean liner, it would also take a lot of room for the crop insurance industry to turn and resume speed to catch up with policy holders who are farming a bit different than what is prescribed in the adjuster’s claims manual. It would also take some inciteful thinking on the part of the farm lending industry to get up to speed on regenerative farming. Farm managers, farm loan officers, and other members of the financial industry would also need the flexibility of having faith in a producer wanting to create a new path to profitability, which did not look like neighboring operations also depending on financing. If the thermometer keeps rising and storms are increasingly violent, all those financial and risk management services supporting the US food production industry will need to be nimble, and not reject any farming operation because it resembles a Grant Wood painting (right).



The Business of Farming—

- **The really good times came in 2022** when the price of corn averaged \$6.54 a bu. and soybeans \$14.20. IL Farmdoc ag economist Gary Schnitkey says both numbers are way above what the IL ag economists has shown to be the current era's long-term plateau prices of \$4.55 and \$11.00,

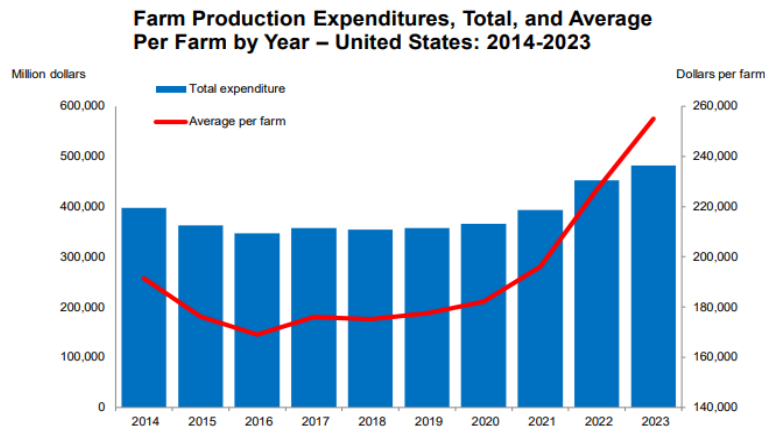


“Whenever we've had sort of a price period above those long-run plateaus, it's attributed to either a demand shock that doesn't persist or some sort of supply shock. Now we're likely entering a period where we don't see demand increases, or at least we can't anticipate them, and our supplies look adequate.” The other thing of note is that these supply shocks or shifting demand curves, which have caused rapid price increases in the past, have tended not to last very long - on average, 2 to 3 years. The

in-between times, which pull the average cash prices down, last much longer, usually something in the order of seven to eight years, with prices below the average price plateaus. Entering those below-average price periods is when Schnitkey says farmers use cash reserves from the very good times to stabilize their farm business operations, “Yeah, we call this thoughtful use of financial resources. Essentially, we've built financial resources during that high price period, and now we either have to use those to weather what's coming up or, for some farmers, this is going to be a time to make investments that pay off in the long run. And so, you know, thinking about those things in the long run and realizing that we could see another longer period of low returns is the norm for agriculture, I guess. Yeah, we've entered that period. It would appear to me that we've entered that period again. I could be surprised, and we could have higher prices this year, but for that to happen is pretty unpredictable.” (WILL radio)

- **Insurance premiums are on the rise...if you can get a policy.** Cost and availability are 2 issues most farmers did not anticipate in recent years, until now, when [the insurance industry seems to be overhauling itself](#). Recent years have seen an increase in severe weather events such as hurricanes, floods, and wildfires, which have led to significant insurance claims. This has prompted insurers to raise premiums, increase deductibles, and impose more coverage restrictions to maintain profitability. The insurance market for agribusiness is facing diminished capacity as many insurers exit the market or reduce the amount of business they are willing to write. This limited supply, coupled with sustained demand, results in higher premiums for the available coverage. Insurers are becoming more selective, favoring businesses with strong management, effective risk control programs, and good financial health. However, even well-managed farms are seeing rate increases due to the overall market conditions. “The rising cost of production is hitting agricultural producers hard. Coupled with lower commodity prices and higher interest rates mean agriculture is in one of the highest risk environments we've experienced in years,” says Ruth Gerdes of Auburn Agency Crop Insurance.

- **The cost of production is on the rise**, no surprise. The latest USDA estimate of farm production expenditures was released last week by the [National Ag Statistics Services](#). "Farm production expenditures in the US are estimated at \$481.9 bil. for 2023, up from \$452.5 bil. in 2022 (6.5%). The 4 largest expenditures at the US level total \$238.7 bil. and account for 49.6% of total expenditures in 2023. These include feed, 16.6%, livestock, poultry, and related expenses, 11.6%,



farm services, 11.3%, and labor, 10.1%. In 2023, the expenditure average per farm is \$255,047, up 12.4% from \$226,885 in 2022. On average, US farm operations spent \$42,340 on feed, \$29,479 on livestock, poultry, and related expenses, \$28,844 on farm services, and \$25,669 on labor. For 2022, US farms spent an average of \$41,917 on feed, \$24,669 on farm services, \$22,563 on livestock, poultry, and related expenses, and

\$21,109 on labor. Total fuel expense is \$16.5 bil. Diesel, accounting for 66.1%, was down 4.4% from 2022. In 2023, crop farms expenditures increased to \$252.5 bil., up 8.2%, while livestock farms expenditures increased to \$229.4 bil., up 4.7%. The largest expenditures for crop farms are labor at \$36.1 bil. (14.3%), farm services at \$32.1 bil. (12.7%), fertilizer, lime, and soil conditioners at \$31.0 bil. (12.3%), and rent at \$29.7 bil. (11.8%). The Midwest region contributed the most to US total expenditures with expenses of \$151.2 bil. (31.4%), up from \$144.6 bil. in 2022.

- **But what about production costs for 2025?** [USDA ag economists](#) just released cost of production forecasts per acre for the coming year, based on available data in June.

Item	Corn		Soybeans		Wheat	
	2024F	2025F	2024F	2025F	2024F	2025F
Operating costs						
Seed	108.73	109.38	70.32	70.74	15.92	16.01
Fertilizer ²	166.72	166.71	46.87	46.87	69.62	69.62
Chemicals	51.92	52.27	45.11	45.41	19.44	19.57
Custom operations ³	34.97	35.51	15.71	15.95	17.13	17.39
Fuel, lube, and electricity	27.66	27.43	19.66	19.49	14.98	14.85
Repairs	47.5	48.02	36.45	36.85	31.83	32.19
Other variable expenses ⁴	0.27	0.28	0.02	0.02	0.89	0.9
Interest on operating capital	10.64	8.42	5.69	4.51	4.13	3.27
Total, operating costs	448.41	448.02	239.83	239.85	173.94	173.8
Allocated overhead						
Hired labor	4.56	4.59	6.36	6.41	5.04	5.09
Opportunity cost of unpaid labor	31	31.26	22.09	22.27	22.3	22.49
Capital recovery of machinery and equipment	161.44	163.95	137.88	140.02	125.18	127.13
Opportunity cost of land (rental rate)	186.56	187.03	174.15	174.59	66.63	66.8
Taxes and insurance	19.78	20.2	16.46	16.81	8.65	8.83
General farm overhead	25.78	26.07	23.27	23.52	11.46	11.59
Total, allocated costs	429.12	433.1	380.19	383.62	239.27	241.92
Total, costs listed	877.53	881.12	620.03	623.48	413.2	415.72

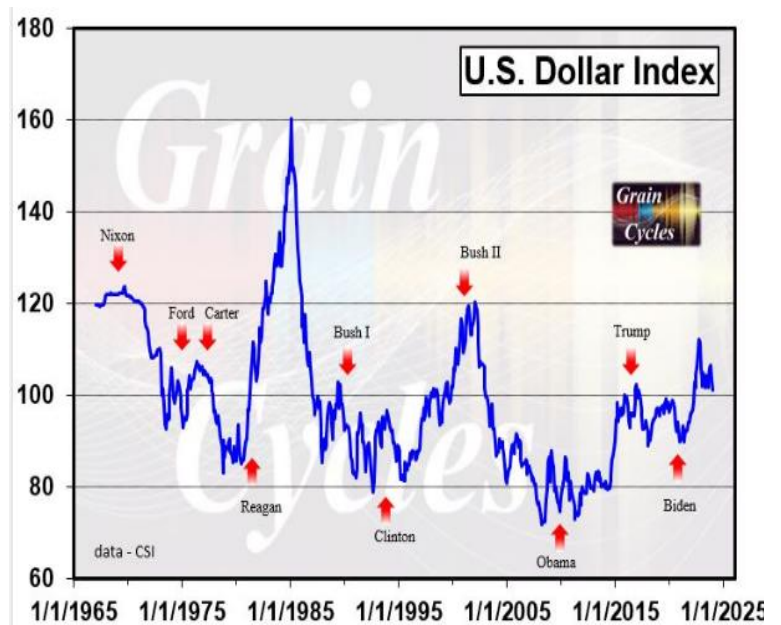
Governmental Ag Issues--

- **House Republicans pulled agriculture appropriations** scheduled for a floor vote last week. [Politico](#) reports that action signals further peril for the House leadership's doomed efforts to pass all the 2025 spending bills before the August recess. The funding bills for the USDA and FDA, in addition to the Financial Services spending bill, will not be considered on the floor as originally planned. Both measures didn't make it through the House floor thanks to controversial funding levels and conservative policy riders, including language blocking abortion and contraceptive protections. One report says the USDA and FDA funding bill was pulled off the House floor vote was that "conservatives wanted an amendment vote to re-add the controversial abortion pill rider that centrist Republicans had stripped out. In essence, USDA funding programs are dependent upon controversial funding for FDA's approval of medical issues. The House will not return until after Labor Day, when there will only be 3 weeks to consider funding FY 2025 appropriations for USDA operations before the September 30th expiration of 2024 funding.
- **The top Democrat on the House Ag Committee** says the House Speaker's early dismissal of the House for the August recess casts even more doubt on September's potential House Farm Bill floor action. [David Scott, D-GA, says Speaker Mike Johnson's decision](#) cutting short work on spending bills intended to take priority over a Farm Bill, could now delay Farm Bill floor action past a September lapse of the 1-year extension as lawmakers struggle to keep the government open. Scott pointed to the clock at a hearing just days ago, "Time is marching on, as I pointed out in our last hearing. We're in a desperate time situation." Legislators are under tremendous pressure from hundreds of farm and related groups who wrote lawmakers pleading for a Farm Bill this year, warning of logistical and political obstacles early in a new Congress. But even if a Farm Bill were passed tomorrow, American Farm Bureau's Joe Gilson says factors like higher reference prices wouldn't happen right away, "The new reference prices wouldn't take effect until a year after they are passed and signed into law." The shortened House schedule and a now-delayed FY 2025 USDA spending bill force new ag spending decisions into FY 2026 and could once more require an extension of the outdated 2018 Farm Bill. (Berns Bureau)

Agricultural Politics—

- **Presumptive Democratic Presidential candidate** Kamala Harris has not said much about agriculture for the record, but [Politico](#) reports, "The vice president's track record as a CA attorney general, U.S. senator and Biden's second-in-command [gives us limited clues about how she might lead](#). Though her native CA ranks first in agricultural production, Harris hasn't been too vocal on any federal ag policy. In 2022 the CA Prop 12 became a high voltage issue for the pork production industry. While the vice president did not weigh in on the issue, the Justice Department opposed the new CA livestock welfare law, but the Supreme Court ultimately allowed it to stand. Politico speculates that "Harris may be more inclined to direct USDA to press Congress to allow the CA law and similar state measures to stand, while pushing for new animal welfare regulations." →

- How is Harris on trade?** The Brock report researched that initiative and said, "On trade, Harris has criticized the Trans-Pacific Partnership and has even said that she would not have voted for NAFTA. She also was a rare Senator to vote against the U.S.-Mexico-Canada (USMCA) trade agreement brokered by President Trump as a replacement for NAFTA. But at times, she has also indicated she is not a protectionist. The bottom line is that there's no clear indication she would be a departure on trade from President Biden, who has taken a hard line on China similar to President Trump and who has ushered in a large ag trade deficit. But her emergence at least opens the possibility for a different trade approach." On the issue of biofuels, the Brock report projects, "A wildcard is renewable fuels. While the Biden Administration has tried to appease ethanol by incentivizing sustainable aviation fuel and renewable diesel, its strong emphasis on electric vehicles has been a threat to ethanol. Harris is seen as a tougher opponent of Big Oil than President Biden, but it's unclear how that would impact ethanol."
- With a change in administration in Washington,** the value of the dollar will change, says commodity analyst Dale Durchholz. "With Pres Biden dropping out of the Presidential race, we are guaranteed to have a change in Administration. Post-Reagan, every time the Administration changed, the trend in the Dollar changed, irrespective of party. In this case, I would suggest the Dollar will likely head lower. The change doesn't necessarily imply a big move, but it does suggest a change. We can all start discussing the potential underlying economics, but a turn lower would imply the inflation issue may not be "put to bed" yet."



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