

- ▶ Farm Real Estate
- ▶ Farm Appraisals
- ▶ Auctioneer Services
- ▶ Operating Loans
- ▶ Agribusiness Loans
- ▶ Farm Management
- ▶ Trust Services



833-797-FARM (3276) | [hbtbank.com](http://hbtbank.com)



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

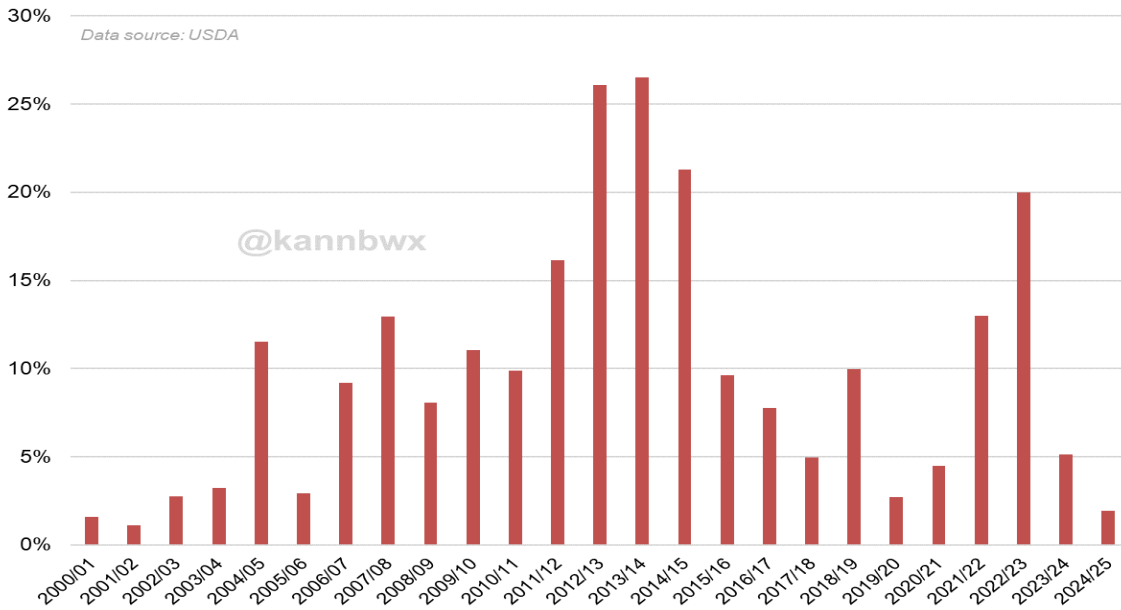
### ***Commodity market price drivers—***

- **Earlier in May, the USDA issued** its first balance sheets looking at 2024-2025 supply and demand. MO ag economist Ben Brown, a FAPRI (Food and Ag Policy Research Institute) staff member looked at the WASDE balance sheets and told WILL radio, "On the corn side, I think that as a producer of corn, we have to feel pretty good. Again, this is my opinion, but we must feel pretty good to see a 181-bu. national average yield and an ending stocks number for new crop at 2.1 bil. bu. That new crop number, given that the national average yield could be 2.4 or 2.5 bil. bu. of ending stocks, puts even more pressure on corn prices for next year or this current growing season. And so, I feel like we've seen demand come back. And when I look down through the balance sheets and the expectations for next year, I think the corn numbers look very achievable. I don't think there's anything in there that's so lofty that we can't reach." He says people are already picking apart the 181 bu.-per-acre national average corn yield estimate, "We're going to pick apart a number of different categories in the next 2 months. The big one there is the supply side, given how much of the corn crop is going in in less-than-ideal conditions, people are going to start picking apart, and have already started picking apart, that 181 bu. national average corn. You start lowering that and that starts to make that ending stocks number a little bit tighter, even if we pull back a little bit on demand. The second thing is we've seen some deterioration in corn production around the world. You know, because of a range of different factors, all the way from drought to leaf hopper disease to the flooding." The world's corn production challenges may mean unanticipated demand for U.S. corn in the months ahead, "If that started to translate into higher U.S. corn exports due to supply issues around the globe, which would start to tighten the balance sheet a little bit. So, on the corn side, to have a 181 national average yield and an ending stocks number at 2.1 bil. bu. certainly gives me a reason to say that the demand numbers were overly inflated, and I look at them and say, I don't think they're unrealistic. They certainly seem achievable to me."

- **No change in the status** of new crop export sales for U.S. soybeans, the worst in 23 years, relative to expectations. USDA's target was just 1.9% covered as of May 23 versus a 10-year average of about 10%, says [Reuters commodity analyst Karen Braun](#).

### New-Crop U.S. Soy Export Sales vs. Expectations

Percent of USDA's initial May export forecast for the upcoming marketing year covered by May 23



- **But what soybeans the export market does not want**, the domestic market does want, says commodity analyst [Susan Stroud](#) of [NoBullAg](#). "Incredible to see the renewable diesel-era growth in soybean oil demand ~where nearly 50% of total demand now goes to biofuels~ starving off exports and causing an uptick in imports of veg oils to meet existing food/feed demand."

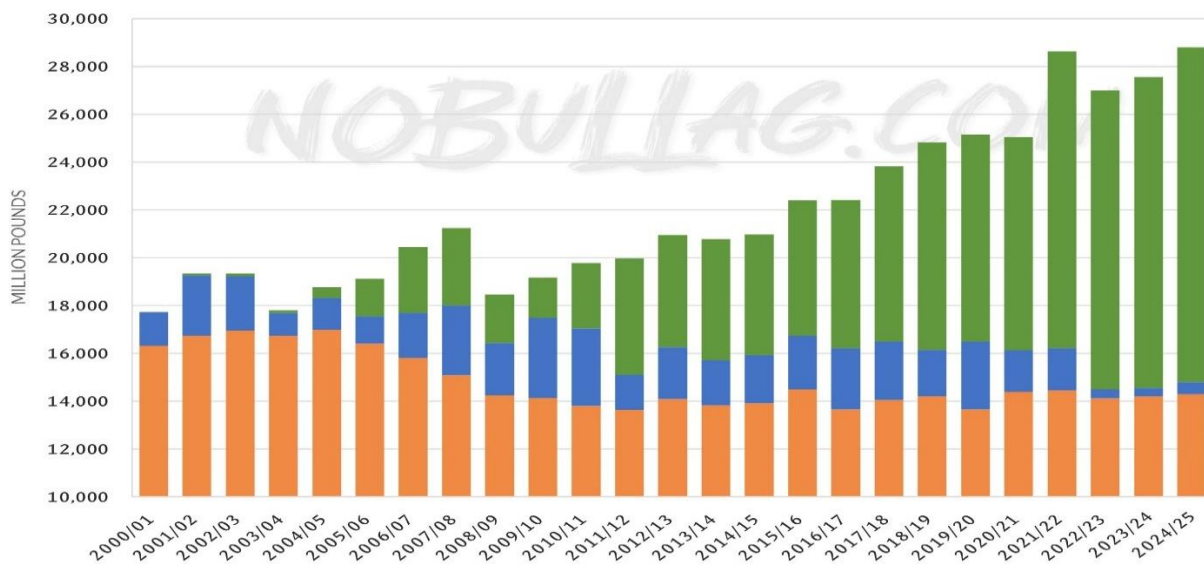


### U.S. Soybean Oil Demand

Food, Feed, Ind. | Biofuel | Exports



@SusanNOBULL

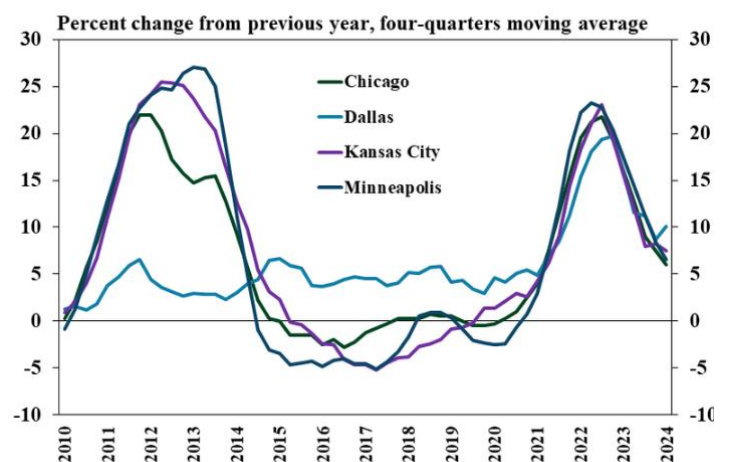


- **What could be driving the soybean market?** [Commodity advisory service AgResource](#) says there are 5 factors it is watching.
  - ✓ **The actual size of the Brazilian soybean crop**, which ranges from 5.66 bil. bu. to 5.43 bil. Unfortunately, the actual size of Brazil's soybean crop in 2024 is unlikely to be known until early 2025. In recent years, the market can only work out Brazilian supplies once Brazil's exportable surplus is exhausted. Yet, a Brazilian crop below 5.3 bil. bu. implies the U.S. will dominate world trade between September and December. A Brazilian crop above 5.7 bil. implies there's not much need for production growth in the U.S. or elsewhere.
  - ✓ **Expansion of US biofuel production.** Soybean oil in January accounted for only 31% of total biofuel production. Soybean oil's share collapsed, while the use of animal fats exploded. Waste oil's share of production has been steady, and a large portion of U.S. renewable diesel production is now being satisfied with imported used cooking oil. Whether this change in summer and autumn is important? Is there enough used cooking oil in the world to satisfy additional growth in the U.S. biofuel sector? Soybean oil stocks typically decline during the summer months. The speed of this decline is critical.
  - ✓ **World soybean trade to be impacted by politics.** China, if possible, would prefer to import soybeans from Brazil and Argentina exclusively. In 2024, this will not be possible. China will be forced to purchase about 770 mil. bu. from the U.S. However, it doesn't appear China will import from the U.S. 1 ton above what it absolutely needs, and this has been featured in USDA data. Importantly, China in May 2023 had purchased 40 mil. bu. of new crop U.S. soybeans despite record production in Brazil, and so this year's complete absence of China either suggests politics are playing a greater role in world soybean trade or Chinese demand is beginning to slow.
  - ✓ **Growth in 2025 Brazilian soybean production.** If Brazil avoids major weather issues between November and January 2024/25, a massive crop must be expected. Brazil is 1 of the few countries that has arable land not currently being farmed. Our contacts suggest the state of Mato Grosso in Brazil can expand soybean area by 20% if there's the proper price incentive. The USDA in its May report forecast Brazilian soybean production in 2024/25 at a record 6.2 bil. bu., and we have no major disagreement with this estimate. If realized, Brazil's share of world soybean trade will be expanded. The U.S.' share will be contracted. There will be no need for acreage expansion in the U.S. in spring of 2025. A crop of 6.2 bil. bu. will allow Brazil to export 4 bil. bu. This will roughly match China's import needs.
  - ✓ **La Nina and Argentina.** While Brazil dominates world soybean trade beginning in early 2025, soy product supply and demand is less certain. El Nino is currently to La Nina. Long term forecasts no longer project an intense and lasting La Nina event, but it is highly probable that La Nina will be present this autumn and winter. La Nina very often produces drought in Argentina. In fact, the soybean yield in Argentina has been below trend in each of the last eight La Nina winters. It is nearly guaranteed that soybean production in Argentina declines year-over-year if La Nina present in November and December.

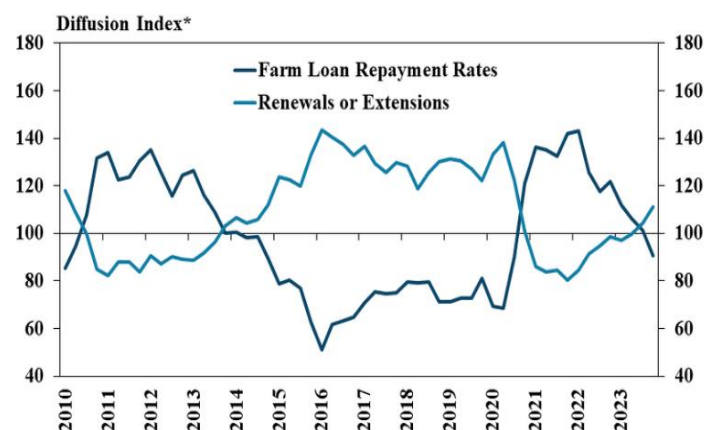
## ***Farm Economics and Lending—***

- **Is the farm economy contracting**, or just slowing down? Ag economists with the Kansas City Federal Reserve reported last week, “Growth in farm real estate values slowed alongside slightly tighter credit conditions and steady interest rates. The pace of increase in the value of farmland halved from the previous year in most regions, according to the Federal Reserve Surveys of Agricultural Credit Conditions. Farmers’ demand for agricultural loans increased and repayment rates declined in the first quarter of 2024, as farm income deteriorated further. Despite some tightening in financial conditions, farm household spending remained robust and balance sheets appear positioned to sustain thinner profit margins in 2024. Growth in farmland values continued to moderate but remained firm. The increase of non-irrigated farmland values across surveyed Districts averaged 8% in the first quarter of 2024, almost half of the growth observed in the year prior (Chart 1). The slowdown in farmland valuation reflected the marked decline in agricultural commodity prices and softer conditions in the sector. The pace of increase in agricultural real estate values steadied alongside tighter credit conditions. Farm loan repayment rates, on average, deteriorated at a modest pace throughout participating Districts (Chart 2). At the same time, the renewal and extension activity on farm loans increased at a modest rate. Farm loan interest rates were flat over the past quarter, staying at multi-decade highs. Alongside steady benchmark rates, the average interest charge on all types of agricultural loans was generally steady from the previous quarter. Across all Districts, average rates remained well above recent years and at the highest levels since 2007. Demand for farm loans increased amid deterioration in farm income and robust household spending. Decline in farm income and farmers’ increased financing needs boosted demand for loans in the first quarter of 2024.

**Chart 1: Nonirrigated Cropland Values**



**Chart 2: Select Indicators of Agricultural Credit Conditions**



- **Sen. Chuck Grassley, R-IA**, is concerned about the impact high interest rates are having on the ag economy. He says when farmers are dealing with the added expense, it effects buying decisions like crop inputs or equipment. "Because if you're going to spend \$200,000 or \$300,000 for a tractor, the rate of interest is a big factor to whether or not you're going to purchase that or whether that implement dealer is going to make a sale." He says Congress should enact a policy to ensure an administration isn't acting contrary to the Federal Reserve. "So, every time we do more deficit spending and overspend, we're making the Fed's job a little harder." [Grassley](#) says until inflation shows signs of letting up, he expects the Fed to keep interest rates elevated.

### ***The Business of Farming—***

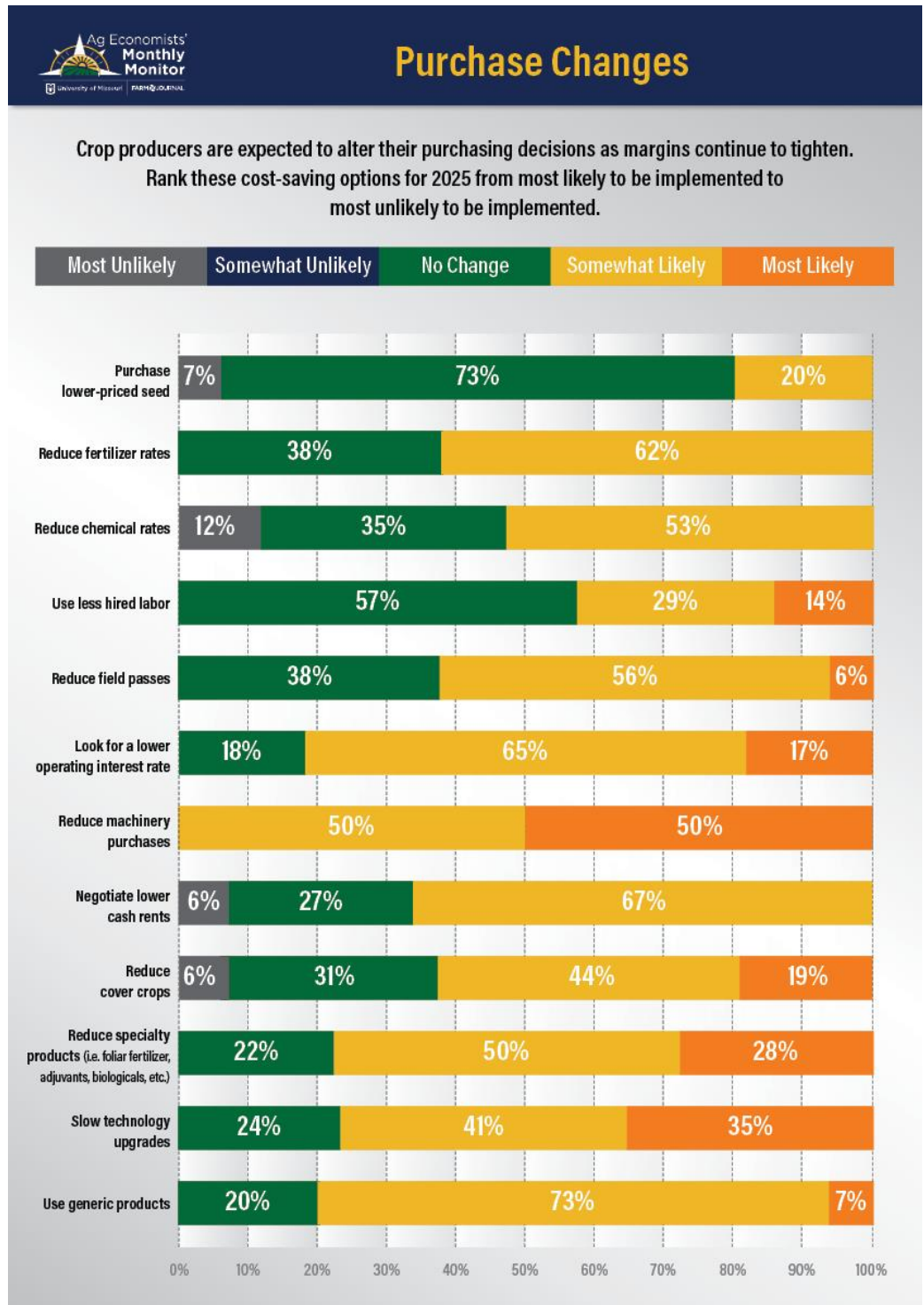
- **Ag economists are pushing down** their forecasts for farm income, a harbinger of tougher times to come on the farm. "Even with optimism beginning to surface with prices, agricultural economists think net farm income could fall more than expected, and the fallout could be felt with just how much farmers scale back what they purchase over the next year." A monthly survey of 70 ag economists by [MO ag economist Scott Brown](#) estimate farm income at \$117 bil. in April, but his May survey estimated it at \$110 bil. "I think it's important to remind ourselves, the changes happen really quickly," Brown says. "The volatility up and down, is going to

MOST NEGATIVE ASPECTS	MOST POSITIVE ASPECTS
<ul style="list-style-type: none"> <li>▶ Lower commodity prices while costs remain high</li> <li>▶ Higher interest rates in a low margin environment</li> <li>▶ Poor exports for corn and soybeans</li> <li>▶ Possible fallout from tariffs on Chinese goods</li> <li>▶ Higher interest rates in a low margin environment will continue to put a pinch on over leveraged producers.</li> <li>▶ Macroeconomic headwinds</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strong cattle prices and reduced feed costs</li> <li>▶ Operations ready and willing to expand and will do so when the opportunities arise.</li> <li>▶ Ingenuity of farmers and agribusiness to adopt new technology and become more efficient</li> <li>▶ Debt levels remain low for most producers so able to better withstand low commodity prices</li> </ul>

continue in front of us. So, although we generally say the trend is down, there will be opportunities for better prices in front of us at times." Arlan Suderman, chief commodities economist for StoneX, is one of the nearly 70 ag economists surveyed each month. He says even with the global grain and oilseed supply weather issues around the globe, his outlook on the ag economy hasn't changed course. "I don't think it really has, if anything, I think it's become a little bit more challenging," Suderman says. "But I say that within the context. I think that the new world we're in is going to have more challenges. But those challenges will also create more opportunities. It just means we're going to have to be more strategic. We went through several years where you could be a lazy marketer and do pretty well - build equity in your farm, expand your operation and buy equipment. We're going to have to be more strategic in it now. And I think the opportunities are going to be there for the person willing to do so." →



- The survey of ag economists** taken by MO ag economist Scott Brown asked what purchasing decisions may take a hit in the months ahead, if the farm economy contracts and farmers will have to cut expenditures. “At the top of the list of purchase changes for 2025 was decisions regarding equipment. When asked if farmers would reduce machinery purchases for 2025, 50% of ag economists responded, “most likely,” and the other 50% said “somewhat likely. It seemed scaling back on machinery purchases was really the number one purchase change, and I don't think that’s a big surprise. Almost everyone thought that was one place where we would see cutbacks in terms of trying to



reduce costs,” Brown says. Arlan Suderman of StoneX Group says. “We would also anticipate them to scale back on some of those fertilizers that have less short-term impact, maybe phosphorus, potassium, some of those. I think farmers will stick with the seed technology; they'll stick with the technology they think gives them the efficiencies that they need in their production.”


## ***Environment, Conservation, and Carbon—***

- **Many IL farmers and landowners** have fought against the use of eminent domain by pipeline companies installing carbon dioxide transmission pipes. A similar fight by ND farmers found that state's [Supreme Court siding with the Summit Carbon Solutions](#) company. The firm wanted to enter farms to survey for right of way for the pipeline, and after farm groups sued to prevent the intrusion, the ND Supreme Court affirmed a lower court ruling that the pipeline company didn't need permission from landowners before they accessed property to determine a possible route for the company's carbon pipeline. News reports from the area say some landowners refused to grant Summit access to survey their property as Summit continues trying to build a carbon capture pipeline. Summit says it's secured over 80% of its proposed ND route through voluntary easements, but some landowners refused. ND law doesn't require written notice to landowners for survey access and allows crews access for projects that would benefit the public to show up at any time. Attorneys representing the landowners say the owners should get compensated, and written notice should be required upfront before getting access. Similar conflict has occurred in IL and paused the efforts of the Navigator pipeline and the Wolf/ADM pipeline until the IL Commerce Commission could resolve similar eminent domain issues.
- **Laws in IL are changing**, with regard to CO<sub>2</sub> pipelines and eminent domain, say the IL Corn Growers. ICGA supported the passage of SB 1289, which was converted into a carbon capture law in the final hours of the legislative session. The issue is important to the IL ethanol industry because of its need to capture and recycle carbon dioxide. The new legislation addresses the complex issues and is expected to be signed into law. IL corn says the provisions of the legislation will benefit ethanol refiners and farm property owners:
  - ✓ The bill affirms that ownership of pore space in rock formations deep below the surface belongs to the surface landowner without severability.
  - ✓ Relating to the capture and sequestration of CO<sub>2</sub>, the bill requires companies to secure at least 75% of the pore space area around sequestration sites before they can use the remaining pore space. The process is administered by the IL Department of Natural Resources and will not be an eminent domain proceeding. The law also outlines extensive protections for non-consenting landowners, who will be paid at least an average amount of the per acre payment consenting landowners are paid for their pore space during injection over the lifetime of the well.
  - ✓ The bill requires 30 years of additional post-injection air and soil monitoring at sequestration sites – which goes further than existing federal requirements.
  - ✓ It requires companies to have extensive insurance policies to protect landowners and provides funding for local first responders and long-term liability coverage fund.
  - ✓ The law includes a CO<sub>2</sub> pipeline construction moratorium until the Pipeline and Hazardous Materials Safety Administration (PHMSA), which is the federal agency responsible for regulating the transportation of carbon dioxide in the US, finalizes updated safety rules for CO<sub>2</sub> pipelines OR July 2026, whichever is sooner. →

- **“While the bill included some positive protections** for landowners, they pale in comparison to the negative impacts this legislation has on the property rights of farmers and landowners,” [IL Farm Bureau President Brian Duncan](#) said of his organization’s position. “SB 1289 does not align with IL Farm Bureau policy, erodes private property rights and could create situations where landowners, forced to participate in carbon dioxide storage areas without their consent, receive reduced, or possibly no, compensation for the use of their property,” Duncan said. He added that although IFB supports the concept of Carbon Capture and Sequestration (CCS) and recognizes its potential to reduce carbon emissions from fertilizer and ethanol plants, the organization also firmly believes the technology should not come at the significant expense of private property rights. Anchoring IFB’s opposition to the bill is a provision that allows CCS and carbon dioxide pipeline companies to forcibly acquire and integrate pore space from some landowners impacted by a proposed project. The bill further maintains the IL Commerce Commission’s ability to grant eminent domain authority for CO2 pipelines, another departure from IFB policy.
- **Conservation funding** in IL took a significant hit in the new IL State Budget. Lawmakers rejected a \$2 mil. increase in funding for local Soil and Water Conservation Districts, then cut the annual \$8.5 mil. budget down to \$4.5 mil. Those funds are shared by the 97 local SWCD offices for salaries and programming. [Andrew Larson, governmental affairs director for the IL Soybean Association](#) expressed disappointment. “These times when more conservation programs are being put out there, and more focus is on it,” he says, “having less resources and folks to work with locally under soil and water conservation districts, and less program opportunities, is certainly not the direction we want to see it go.”
- **The biggest issue for many farm operations** considered by the General Assembly was the Family Farms Preservation Act. While a majority of lawmakers were in favor of the principals of the legislation, it failed when it came to the impact on the state budget. By reducing inheritance taxes as substantially as it did, lawmakers did not approve the FFPA at the last minute when the revenue shortfall was \$1 bil. IL Farm Bureau lobbyists said, “This issue was on the table amongst the 5 leaders, which is saying something. We have built significant momentum amongst the super-majority caucuses who want to see this passed.”
- **The budget passed with increased funding** for the IL Department of Agriculture’s Fall Covers for Spring Savings (FCSS) program, which incentivizes farmers through a \$5 per acre crop insurance premium discount to plant cover crops between growing seasons. Over the past several years the program’s demand outpaced available funding with over 40,000 acres unable to participate in the program in 2023. Through a successful lobbying effort from IL Corn, IL Soybean Association, IL Farm Bureau (IFB), and American Farmland Trust, the program received an additional \$300,000 in funding this year bringing the funding amount total to \$960,000 up from \$660,000. The increased funding moves us one step closer to achieving our goal of enrolling 500,000 acres in the program.



## ***Farm Bill Action—***

- **Sen. John Boozman, R-AR,** (right) the top minority member on the Senate Ag Committee, attended an OK Farm Bill listening session. Boozman says the suggestions from OK producers were similar to other farmers around the country, “Each state is a little bit different. On the other hand, it is amazing being with farmers all over the country. They’re all the same. They’re very concerned about the fact that when you look at the forecast right now, we’re in a situation where their input costs are very high. Those will level out eventually, but transportation costs aren’t going to go down and labor costs aren’t going to go down. That’s going to stay high. But combined with that, every forecaster I’ve talked to, whether it’s the USDA, whether it’s OK St., feel like commodity prices are going to continue to fall.” He says the safety net needs to be in place to help farmers manage their risks. Boozman will release his own Farm Bill framework, something that will be similar to the one from House Ag Committee Chair Glenn Thompson, R-PA, “Ours will be very similar to his, and I think he’s done a really good job of listening to the farm community and then trying to address the problems that we see out there. And so, we’ll be working with him and Ag Committee Chair Sen. Debbie Stabenow, D-MI, and Rep. David Scott, D-GA, ranking minority member on the House Ag Committee, trying to work out differences and get a Farm Bill done as soon as possible. People say, ‘Senator, we’ve got to get this done,’ and I agree. On the other hand, this is a 5-year commitment. Once we do this, this is a contract with our farmers for 5 years. So, we don’t need to just do something. We need to do the right thing.” [Sen. Boozman says it’ll take bipartisanship to get a Farm Bill done](#) this year.
- 
- **Sen. Charles Grassley, R-IA,** and a member of the Senate Ag Committee says he cannot see a new Farm Bill ahead of the next deadline in September despite the House Ag Committee voting out its bill last month. “I don’t see a path, and every month that’s gone by since February, it’s gotten less. More negative. But 3 Freedom Caucus hardliners on Rules may oppose floor action over the bill’s price tag, the largest in Farm Bill history. That’s if Speaker Mike Johnson allows the Rules Committee to determine the future of the Farm bill.” And while Grassley says it’s good news House Ag moved a Farm Bill, Senate Ag is still stuck, “Even though Chairwoman Sen. Debbie Stabenow has put out some framework, I don’t think it answers the major problem that we have is that there ought to be more farm in the Farm Bill, which means that we need more in the safety net for farmers.” (Berns Bureau)
  - **National Corn Growers** President Harold Wolle said, “corn growers stand ready to provide additional feedback to the House and Senate Agriculture Committees and all members of Congress as the legislative process moves forward. “For the Farm Bill to be successfully reauthorized this year, there will ultimately need to be broad support from members of both parties,” Wolle noted. NCGA [sent a letter](#) to House Agriculture Committee members earlier this week reflecting on the Farm, Food, and National Security Act provisions important to corn growers.

## ***Farm Organizations—***

- **IL FFA members** converge on Springfield next week to compete for deserved recognition, elect new state officers, and thank the retiring leadership. 10 students are candidates for 5 state offices, and if any are in your neighborhood, wish them luck: Brinae Rice of Princeville, Brody Will of Dieterich, Emma Dinges of Amboy, Kylee Wesselmann of Carlyle, Maggie Bland of Carrollton, Mark Jones of Peotone, Michael Matesa of Staunton, Owen Torrence of Blandinsville, Sidney Stiers of Williamsfield, Trenton Payne of Olney. They are phenomenal!
- **7 FFA student members** have been named U.S. Presidential Scholars, one of the nation’s highest honors for high school students. The 7 students (none from IL) were named winners for their accomplishments in academics, the arts, and career and technical education. Of the 3.7 mil. students expected to graduate from high school this year, more than 5,700 candidates qualified for the 2024 award, and 161 students received the honor. “We are extremely proud of this accomplishment for these 7 FFA members,” says National FFA CEO Scott Stump. “We know that our members are current and future leaders, and this demonstrates the students’ academic excellence.”
- **What type of person is likely the most** ready, willing and able to enter the workforce? Probably a farm kid with a strong FFA experience, and that is why National FFA CEO Scott Stump has been selected for a seat on the National Work Readiness Council. He says it’s the first time that U.S. ag had a seat at that table, “It does work in workforce development, training, and advocacy.”



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).

*This newsletter is provided as an informational source by Heartland Bank and Trust Company and is not intended to be and should not be treated as advice.*