



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

**Commodity market price drivers—**

- **Manage your risk on Monday** and buckle your seatbelt on Tuesday. USDA will release a semi-truck load of data on Jan. 12. The one that will get the most attention will be the Supply-Demand report. The January WASDE will combine all the recent weather and export news from South America with the soybean demand and import news from China and reconcile that with the declining soybean inventory here in the US. That inventory information will be reconciled with the December 1 Grain Stocks report to be released also Tuesday, as well as the final 2020 US Crop Production Report, which will supply acreage and bushel information to reconcile the supply numbers and the grain stocks estimates. Also being released are world production and ending stocks estimates, South American production and ending stocks estimates, as well as winter wheat seedings. Whew! So, what does the market anticipate? Most analysts expect a bullish report, but you decide. Here’s your scorecards:
  - ✓ **2020 corn and soybean crops** (production in billions of bushels, yield in bushels per acre, harvested area in millions of acres):

	USDA Jan.	Average of	Range of	USDA Nov.
	2020-21	analysts'	analysts'	2020-21
	estimate	estimates	estimates	estimate
<b>CORN</b>				
Production	_____	14.470	14.319-14.997	14.507
Yield	_____	175.3	173.8-178.2	175.8
Harvested area	_____	82.543	82.000-84.160	82.527
<b>SOYBEANS</b>				
Production	_____	4.158	4.084-4.260	4.170
Yield	_____	50.5	49.4-51.7	50.7
Harvested area	_____	82.305	81.986-82.670	82.289

✓ **U.S. quarterly stocks as of Dec. 1**, in billions of bushels:

	USDA Dec. 1	Average of	Range of	USDA	USDA
	estimate	analysts'	analysts'	Sept. 1,	Dec. 1,
		estimates	estimates	2020	2019
Wheat	_____	1.695	1.585-1.827	2.159	1.841
Corn	_____	11.951	11.590-12.305	1.995	11.327
Soybeans	_____	2.920	2.775-3.215	0.523	3.252

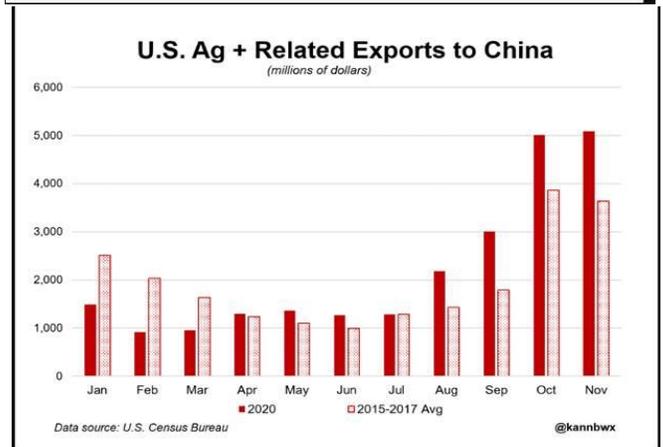
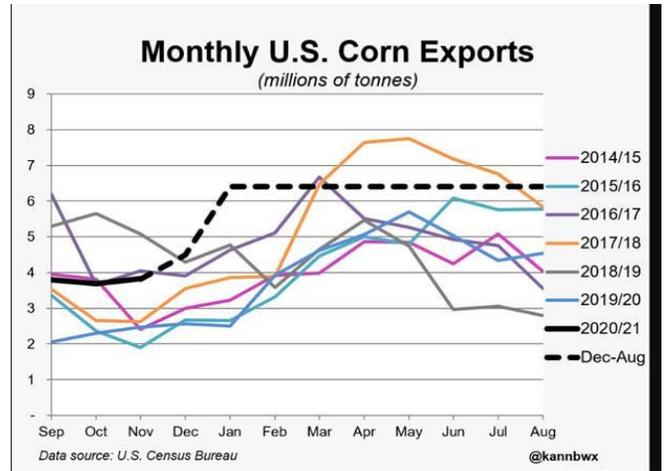
✓ **2020-21 U.S. grain and soybean ending stocks**, in billions of bushels:

	USDA Jan.	Average of	Range of	USDA Dec.
	2020-21	analysts'	analysts'	2020-21
	end-stocks	estimates	estimates	end-stocks
	estimates			estimates
Wheat	_____	0.859	0.837-0.900	0.862
Corn	_____	1.599	1.400-1.782	1.702
Soybeans	_____	0.139	0.105-0.166	0.175

✓ **2020-21 world grain and soybean ending stocks**, in millions of tonnes:

	USDA Jan.	Average of	Range of	USDA Dec.
	2020-21	analysts'	analysts'	2020-21
	end-stocks	estimates	estimates	end-stocks
	estimates			estimates
Wheat	_____	315.37	310.00-318.36	316.50
Corn	_____	283.53	269.00-287.96	288.96
Soybeans	_____	82.66	75.00-85.00	85.64

- A wire story reported** the U.S. government has maintained record export forecasts for domestic corn and soybeans in 2020-21, and while the progress lies at opposite ends of the spectrum, the underlying assumptions remain reasonable for now. [China](#) continues to be a prominent customer, as U.S. corn shipments to the Asian buyer in November were record-high for any month at 50.4 mil. bu. That is according to data published by the U.S. Census Bureau on Thursday. That data also confirmed that U.S. agricultural and related exports to China in November hit \$5.09 bil., record-high for any month and up 40% from the 2015-2017 average. Soybeans accounted for 65% and corn 5%, and the larger dollar values were supported by higher commodity prices. U.S. soybean shipments to all destinations in the first quarter of the 2020-21 marketing year that began on Sept. 1 totaled a record 1.094 bil. bu. That is 18% more than the previous high set in 2016.

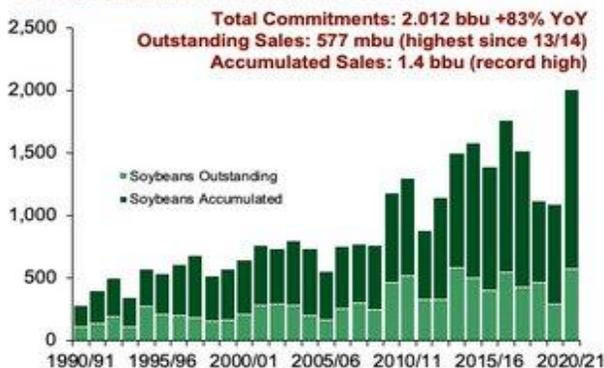


- And looking to the future,** corn and soybean exports will remain strong, says American Farm Bureau Chief Economist John Newton. He reports new USDA data from the Foreign Agriculture Service shows soybean export commitments stand at a record 2 bil. bu. for the current marketing year. Additionally, FAS reports export commitments for corn are at a record 1.73 bil. bu., but with 65% of that yet to be shipped. Newton promises more data at the American Farm Bureau Federation convention this week, which anyone can attend virtually.

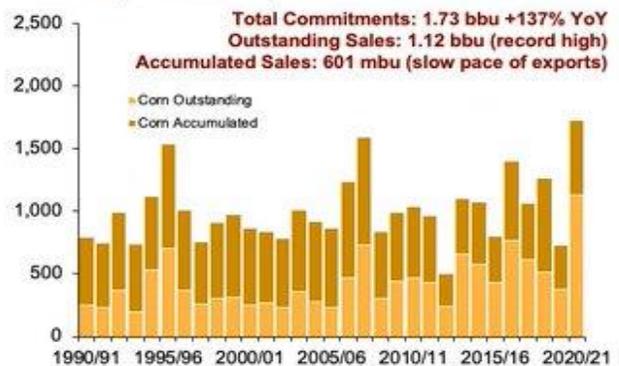
### 3 CORN & SOYBEAN EXPORT COMMITMENTS

STRONG YEAR-OVER-YEAR GROWTH LEADS TO PRICE RALLY

U.S. Soybean Export Commitments, Million Bushels

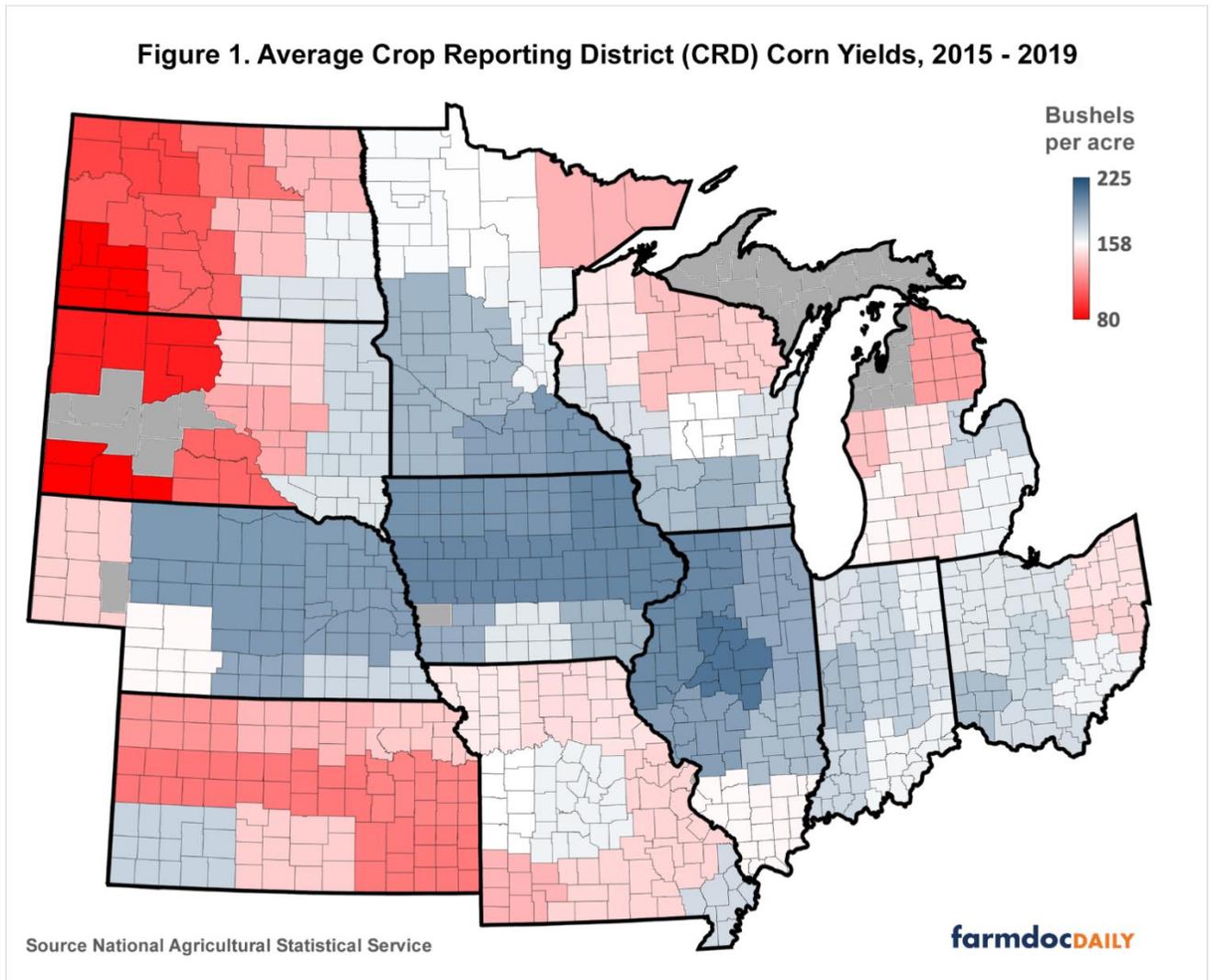


U.S. Corn Export Commitments, Million Bushels



- **What pushed the corn market** to nearly \$5.03 on Jan. 6? Many analysts attribute it to the report of [Dr. Michael Cordonnier](#), South American crop specialist, who issued his private report (below) on crop conditions after speaking to the Central IL Marketing Club the prior evening.
  - ✓ A few isolated fields of soybeans on a Grupo Maggi farm were harvested in the middle of last week. The weather during the growing season has been irregular with erratic rains and as a result, yields are disappointing. (18 bu/ac)
  - ✓ It has been reported that some farmers in the region actually destroyed their soybean crop because it was not worth harvesting and they planted cotton instead.
  - ✓ The suspension of Argentina's corn export registrations until March 1<sup>st</sup>, which was announced last week by Argentina's Agricultural Minister, came as a surprise to the market, but in reality, this is history repeating itself. The current Vice President is the former President Cristina Kirchner. When her husband Nestor Kirchner was President from 2003 to 2007, they did the exact same thing with corn. They suspended corn exports in order to hold down food inflation because corn represents a significant component livestock feed.
  - ✓ Without the export market, the domestic price of corn declined, which was exactly their goal. Farmers got the message, and as a result, farmers in Argentina moved away from corn production because they did not know what the futures price of corn would be due to the possibility of the government interfering in the market.
  - ✓ I have been saying for weeks that I thought farmers in Argentina would not plant all their intended corn acres due to poor weather, but with the temporary suspension of exports, I am more convinced than ever that they will not plant all their intended corn acreage.
  - ✓ Currently only 75% of Argentine corn is planted, with only 17% good to excellent.
  - ✓ If the weather in Argentina remains problematic and corn production estimates move lower, I would not be surprised if the administration takes further steps to restrict potential corn exports. Cristina Kirchner did that in the past when she was president from 2007 to 2015 and she is now part of the Fernandez administration.
  - ✓ The January rainfall in central, northern, and eastern Mato Grosso are expected to be below normal and poorly distributed. Western and southern Mato Grosso are expected to receive above normal rainfall during January. Most of Goias is expecting below normal rainfall during January, but Mato Grosso do Sul is expected to receive above normal rainfall during January.
  - ✓ If this forecast verifies, it could pose a problem for pod filling of the late planted soybeans and for germination and emergence of the safrinha corn.
  - ✓ The 2020/21 Brazil soybean estimate was lowered 2.0 mil. tons this week to 128.0 million and I have a neutral to lower bias going forward. (USDA, 133 mil., trade, 131 mil.)
  - ✓ The 2020/21 Brazilian corn estimate was left unchanged this week at 102.0 mil. tons and I have a neutral to lower bias going forward. (USDA, 110 mil., trade, 107 mil.)

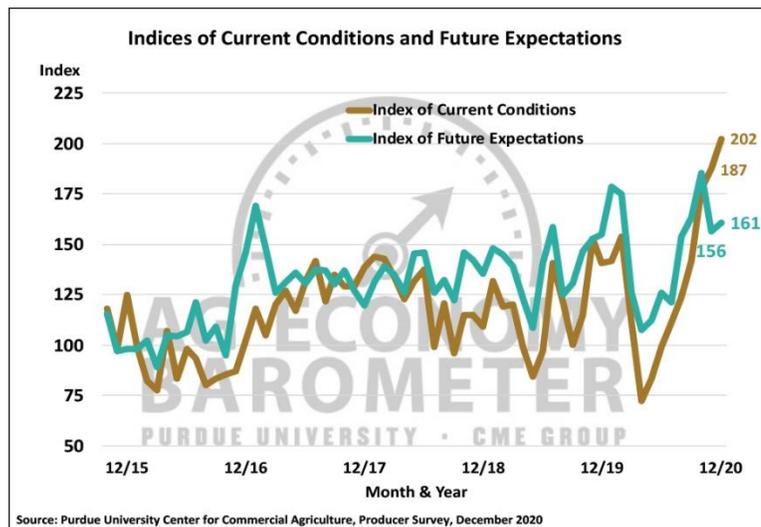
- **IL ag economists** pulled some interesting data from USDA, looking for the highest yielding corn and soybean areas of the Cornbelt. As it turns out both crops, on average, yield more in one place than any other says IL ag economist [Gary Schnitkey](#), "So, if you are looking at the Cornbelt, and again these are yields from 2015 to 2019 that we average by Crop Reporting District (CRD), the highest yields happened to be in the central district of IL for both corn and soybeans. In central IL, we had a 204.4 bu. per acre average yield for corn and 64 bu. for soybeans. Central IL had the highest CRD yields for 2015 through 2019." Roughly speaking the USDA defined central IL CRD includes 11 counties in an area surrounding the cities of Peoria, Bloomington/Normal, and Decatur.



- **7 months** into the 2020-2021 marketing year, USDA forecasts total wheat exports will reach 984 mil. bu. which, if realized, would be 2% higher than the previous year. [USWheat.org](#) says that number would also be 7% higher than the five-year average. As of December 24, U.S wheat commercial sales were 9% ahead of last year's pace at 757 mil. bu.

## Ag Economy—

- **Farmer sentiment improved** modestly in December, according to the latest Purdue [Ag Economy Barometer](#). The index rose to a reading of 174, up 7 points from November. December's sentiment improvement still left the barometer 9 points lower than in October. The Index of Current Conditions climbed 15 points to 202, while the Index of Future Expectations increased by just 5 points to 161. Organizers say the farm income boost provided by the ongoing rally in crop prices appears to be the driving force behind the improvement.



- ✓ However, comparing survey results from before the November election to the post-election time frame, there continues to be less optimism following the election. Farmers note concerns about future ag exports and more worries about increasing environmental regulations and prospects for higher taxes. Additionally, the number of farmers concerned that the farm income safety net will weaken remained higher post-election, as did the percentage of farmers expecting government support for the ethanol industry to decline.
- ✓ The improvement in farmer's sentiment was reflected in a noticeably more bullish perspective on farmland values. In December, producers were more optimistic that farmland values will rise over both the next 12 months and next 5 years than in November and even more so when compared to farmland value expectations from earlier in the year.
- ✓ In December, 18 percent of respondents said they expected cash rental rates to rise in 2021, which was double the percentage who felt that way in August and September, but was 20 points lower than in October, the last time this question was posed.
- ✓ Producers have become less optimistic that the trade dispute with China will be resolved in a way that's beneficial to U.S. agriculture. For example, in the first quarter of 2020 an average of 76% of respondents thought the trade dispute's ultimate resolution would favor U.S. agriculture. In December it fell to just 47%.
- ✓ From August through October, an average of 63% of farmers in our survey said they expected U.S. ag exports to increase over the next 5 years. However, ag trade expectations were less optimistic in November and December with an average of just 52% of respondents expecting to see growth in U.S. ag exports over the upcoming 5 years.

## ***Farm Business—***

- **Co-op elevator patrons** will suffer the consequences for White House inaction on the famous “199A grain glitch.” That became an issue several years ago when Congress adjusted tax computations, and left farmers holding the bag on additional taxes related to their patronage of cooperative elevators. The [National Council of Farmer Cooperatives](#) worked long and hard to remedy the problem and Congress passed the fix. In the waning days of the Administration, officials are pushing forward regulations to implement Section 199A(g) of the new tax code. The provisions were passed by Congress to fix the so-called “grain glitch” in 2018 and IRS is reportedly close to finalizing the rule. Without the provision becoming law, thousands of farmers will see higher taxes. “Make no mistake—if Treasury and the IRS continue on the path they are on, farmers will start 2021 with the prospect of a higher tax bill this April, even as the ag economy remains precarious and as the pandemic spreads across rural America,” said Chuck Conner, CEO of the National Council of Farmer Cooperatives.
- **Farm families in the midst of estate planning** will need to beware of changes in [federal estate taxes](#), not only for the current year, but potential changes brought about by the new administration. In October 2020, the IRS announced the revised federal estate tax limits for 2021. The federal estate tax limit will rise from \$11.58 mil. in 2020 to \$11.7 mil. in 2021. For example, a farm couple with a taxable estate of \$24 million passes away in 2020. The couple’s heirs would be able to exempt up to \$23.4 million from federal estate taxes and only owe federal estate taxes on \$600,000. Since the federal estate tax rate is 40%, the heirs would owe \$240,000 in federal estate taxes. The Biden tax policy released during the presidential campaign calls for substantial reductions in exemptions and substantial increases in tax rates. Congress will have to make the changes by reversing the 2017 tax relief legislation, which is certainly a possibility.
- **“Sometimes** when developing a crop budget, it’s easy to allow emotion to influence a business decision or override an agronomically sound practice,” says IL Soybean Assn. CCA [Todd Steinacher](#). “An example of this could be investing in a soybean residual herbicide, a premium seed treatment or applying a fungicide and insecticide during R3-R4. Allow good agronomy to guide major decisions and then evaluate the cost of investment as a percentage of the total fixed cost. This process can help bring investments and cost into perspective. Yes, you may not want to spend XYZ dollars per acre, but what does it represent as a percentage of the total cost and how much influence does it have on top yield? Once you go through your full budget, and if your total cost surpasses a safe value, then focus on the inputs that represent the highest percentage of cost and work within that category to negotiate a favorable price per acre. At the end of the day, a field and crop will talk to us and tell us what it needs. It’s up to us to manage the crops needs and to allow for some flexibility in the fixed cost category for good in-season decisions to be made. I have seen many potential 100 bu/ac beans shrink to 60 bu/ac beans because the budget wouldn’t allow for a nutrient, an additional herbicide, fungicide or insecticide.”

## ***Agricultural People, Safety and health—***

- **If you are involved in agriculture**, you are listed on page 15 of the [IL State COVID Policy](#) for receiving vaccine shots. “Food and Agriculture Workers” are listed in the Phase 1b priority group as part of the Frontline essential workers. Others in the group include first responders, postal workers, grocery store workers, educators, and daycare workers. There is an estimated 1.2 mil. Frontline essential workers in IL in Phase 1b.

- **Rurik Halaby** has been collecting caps. Farm-type caps, just like everyone reading this newsletter. But he may have a lot more than most farm wives will let their farmers keep in the closet. And he may have caps that Cornbelt eyes have never seen the likes of before. That is because Rurik lives in Ridgewood, NJ, just to the west of Paramus, where that famous bowling alley is located, and Yonkers, NY, where Broadway comedians direct their jokes. But Rurik has a problem because his cap collection has overwhelmed the space he has for it. Oh, he has taken good care of his caps. “Hermetically sealed in a mayonnaise jar and left on the front porch of Funk and Wagnalls since noon Thursday,” as Ed McMahon would say to Johnny Carson. Well, maybe not in mayonnaise jars, but in plastic storage containers as you can see. But to solve his space problem, Rurik wants to give them away, yes, give them away, and for free, if you pay the shipping. If you want more [information](#), reach out to him at [Rurik@halaby.net](mailto:Rurik@halaby.net) or call him at 917-748-2445.



- **A new children's picture book** about soybean farming offers a valuable resource to parents and educators. The American Farm Bureau Foundation for Agriculture's Feeding Minds Press released a new book, *My Family's Soybean Farm*, along with a companion educator guide. This third title from Feeding Minds follows the farm adventures of Alexander, who takes readers on a tour of his family's soybean farm. The book shows how soybeans are planted, grown and harvested, technology used on the farm, pest management techniques, and the many different products soybeans are used in. The book, geared for grades K-2, combines illustrations with real photographs. *My Family's Soybean Farm* is now available in paperback for purchase directly from Feeding Minds Press, Amazon and Barnes & Noble online. Special bulk pricing is also available.

## And finally, this—

- **A great and longtime friend of agriculture** will be missed. Art Sechrest was heard on the IL airwaves for many years with agricultural information sought by farmers throughout the state. After graduating in Ag Communications in 1959 from the University of Illinois, he became Extension Farm Advisor at Richland County, with popular daily reports on WVLN radio in Olney. Soon he was hired by Illinois Farm Bureau to take care of its radio network throughout Illinois, and later settled down at WJBC radio in Bloomington where he spent the rest of his broadcasting career. He served as President of the National Association of Farm Broadcasting in 1984, was named 1991 Farm Broadcaster of the Year, and was inducted in the NAFB Hall of Fame in 2000. Additionally, Art won two Oscars in Agriculture (1975 and 1986). He was twice-named Communicator of the Year by the NAFB. He was the epitome of farm broadcasting. Similar honors were awarded to him by the National Corn Growers Association, American Farm Bureau Federation, Illinois Pork Producers, The Illinois Soil and Water Conservation Society, and American Soybean Association. In 1984, he won the Mark Twain Award from the Midwest Travel Writers Association. He also owned and operated Farm Radio Illinois, serving small town radio stations throughout the state with regular farm programs. Art was noted for his professionalism, kindness, and solid presence reporting on the air. He had been in ill health for 25 years after suffering a debilitating stroke in 1994. Art Sechrest passed away January 4<sup>th</sup> just short of his 83<sup>rd</sup> birthday. His wife Mildred preceded him in death. He is survived by two daughters, grandchildren, great grandchildren and tens of thousands of farmers who grew up and learned farming by listening to him. He will be missed by more people than his family will ever know.



Fortress Bank has been an agricultural bank going all the way back to its 1904 roots in Burnside, Illinois. We have a passion for helping farmers and farm businesses grow and prosper and, unlike some lenders, our commitment to agriculture is unwavering. We urge you to check out our website at [www.bankfortress.com](http://www.bankfortress.com), send us an email [Solutions@bankfortress.com](mailto:Solutions@bankfortress.com), or give us a call at 217-659-7776 or 217-357-3112.