



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

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

- Based on higher crop prices**, USDA says farmers will respond with 92 mil. acres of corn and 90 mil. acres of soybeans in 2021. That is a 6.9 mil. acre increase for soybeans, but only a 1.2 mil. acre increase for corn. Nevertheless, a trend-yield would produce 15.2 bil. bu. of corn and 4.5 bil. bu. of soybeans. Trend yields for 2021 would be at 179.5 bu. for corn and 50.2 bu. for beans. The forecast result would be a \$4.20 bu. corn price and \$11.25 for soybeans. The projections originated from [USDA's Annual Outlook Forum](#) Thursday and Friday; however, acreage projections will also be dependent upon the March 31 Planting Intentions Report and the corn to soybean ratio (above).



- USDA's acreage projections** total 182 mil. and analysts rhetorically ask, if it is that high, what would lose out? Spring wheat? Cotton? Sorghum? She says the record is 180.3 mil. acres in 2017. A Reuters survey of farmers estimated corn 91-93 mil. and soybeans 89-91 mil.
- While the production** estimates are high, so are [projected prices](#). That results from strong domestic and global demand for US corn and beans. Total corn use is projected 3% higher. That is pushed up by a 6% increase in industrial use, a 5% increase in ethanol refining, a 3% increase in livestock feed demand and a 1% rise in export demand to 2.7 bil. bu. All of that demand results in a 1.6 bil. bu. carryout, only up 50 mil. bu. from the current year estimate. The reason for a significant average price for soybeans is relatively low projected carryout of 145 mil. bu., which is in the neighborhood of current year estimates due to 2.2 bil. bu. of export demand, and a strong domestic crush demand that will put a ceiling on how much can be exported. Crushers are seeing strong demand for oil and meal, and a big crush margin.

- **Soybean supplies are going to stay tight**, so says the USDA’s Economics Research Service. ERS economists were behind the USDA Outlook Forum last week and issued their analysis of the soybean market for the new crop and said despite a 4.5 bil. bu. expected crop this summer, the surplus stocks would be barely more than 3% of the total use.

Reuters’ commodity analyst Karen Braun says that is the third tightest in history. “Actual stocks are seen at 145 mil. bu. Modeled yield at 50.8 bu/acre is slightly above the 50.6 bu/acre from the 10-year baseline that was also forecast.

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### U.S. Soybean Balance Sheet for 2021/22

In thousands	Domestic units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	83.1	90	+6.9
Yield (bu/acre)	50.2	50.8	+0.6
Production (mil. Bu)	4,135	4,525	+390
Imports	35	35	-
Exports	2,250	2,200	-50
Crush	2,200	2,210	+10
Seed and Residual	231	250	+19
Ending Stocks	120	145	+25
Farm Average Price (\$/bu)	\$11.15	\$11.25	+\$0.10

- Soybean acreage boosted up 6.9 mil. acres to 90 mil
- Production up 390, but with tight stocks supply is down
- Domestic use is up slightly, with lower exports
- Stocks are up slightly from historically low S/U
- Prices up slightly

2021 AOF

- **USDA economists also released** their outlook for the new corn crop. The headline for that number was substantially higher production still does not result in any higher carryout at the end of the new marketing year. It will still be a 10.3% stocks-to-use ratio, despite the fact that US farmers are expected to substantially increase acreage and produce a crop that is 1 bil. bu. more than the 2020 crop. All of the corn demand, from livestock feed and exports to ethanol production are also increased in the coming marketing year to consume a nearly 180 bu. per acre crop that is forecast.

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### U.S. Corn Balance Sheet for 2021/22

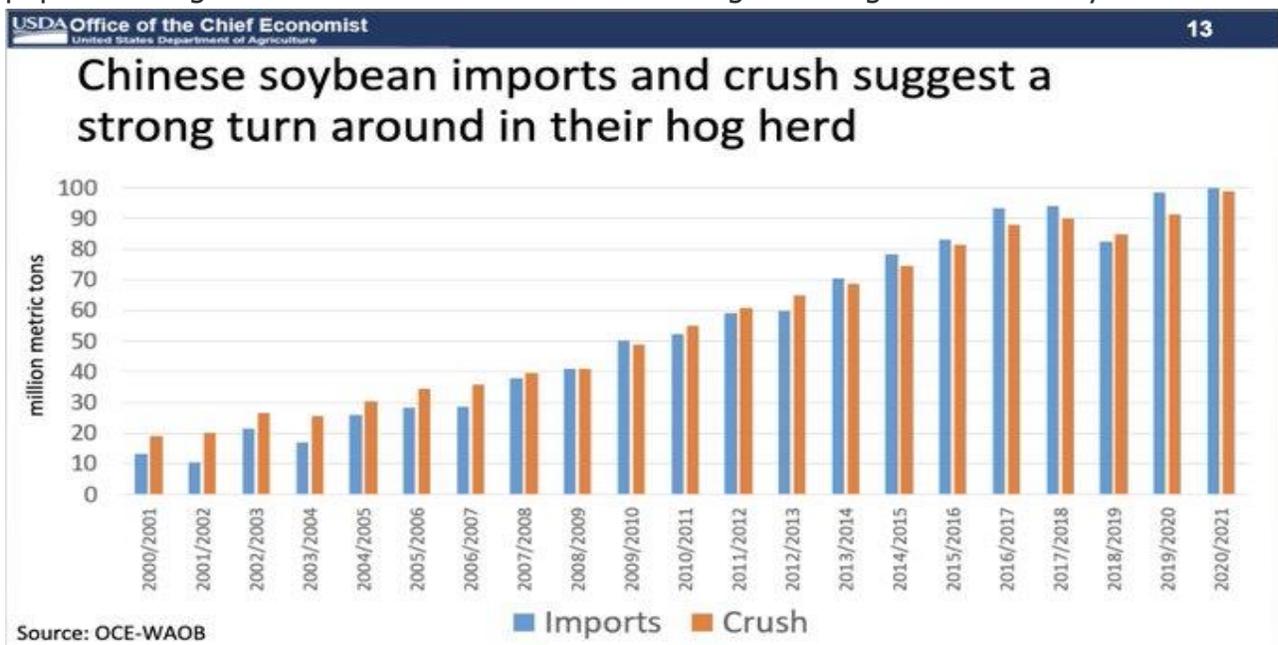
In thousands	Domestic Units		
	2020/21 (Feb)	2021/22	Diff.
Area planted (mil. acres)	90.8	92	+1.2
Yield (bu/acre)	172.0	179.5	+7.5
Production (mil. bu)	14,182	15,150	+968
MY Imports	25	25	-
MY Exports	2,600	2,650	+50
Feed & Residual	5,650	5,850	+200
Food, Seed, Industrial	6,375	6,625	+250
Ending Stocks	1,502	1,552	+50
Average Farm Price	\$4.30	\$4.20	-0.10

- Acres up to 92 million, increasing production by 7%
- Domestic usage up on rebound in FSI use and feed
- Exports up on strong prospects to China
- Stocks up slightly
- Prices are lower on returning global competition

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## Ag Economy—

- **The 2021 Agricultural outlook** is “positive,” but with “uncertainties,” according to USDA’s Chief Economist Seth Meyer at this year’s first virtual Ag Outlook Forum. Meyer told the 97th Annual Agricultural Outlook Forum on “Building Innovation—a Pathway to Resilience, “I think both the prospects for crops and livestock are good, based upon continued strong domestic demand and good exports. We need both, in order to achieve those prices that we forecast.” With USDA now forecasting fiscal ‘21 exports at \$157 bil., “We got a record export in fiscal ‘21, good export values, strong demand from China. Trade, and particularly trade to China is going to be a key element for 2021, and that’s both for the crop and livestock sectors.” But Meyer says this year is also marked by uncertainties in disposable incomes, consumer demand, supply chains, shipping container costs and more, “How we go back to sending our children to school, how, or if, we maintain Food Box programs and what they contain.” With big impacts on volatile dairy prices and fruits and vegetable demand. However, Meyer says farm receipts and income will rise, not everywhere, but likely in the Midwest with its staple crops and livestock, helping replace government payments, “We expect that those COVID payments will withdraw, they’ll shrink a little bit this year, and we expect though, alternatively, that we’ll have a sharp increase in cash receipts.” The Biden Administration already froze CFAP as the new team reviews program costs, gaps and dollars left in key areas—which Meyer expects to re-start in earnest if as expected Tom Vilsack is confirmed again as Secretary this week.
- **And the current relationship with China** could easily change, says USDA Chief Economist Seth Meyer, from what we have seen in the past year. The US has been a major supplier of corn and soybeans as the Chinese swine herd is rebuilt in that country’s version of “warp speed.” But Meyer says China’s imports of US soybeans, along with the Chinese soybean crushing industry has slowed, which tells him that China has reached its goal for its newly populated hog herd and the feed demand has changed from growth to steady.



- Your neighborhood economy is improving.** For the 4th time in the past 5 months, the Creighton University Rural Mainstreet Index (RMI) climbed above growth neutral. According to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy, the index increased to its highest level since January 2020. “Sharp gains in grain prices, federal farm support, and the Federal Reserve’s record-low interest rates have underpinned the Rural Mainstreet Economy. Only 8% of bank CEOs indicated economic conditions worsened from the previous month. Even so, current rural economic activity remains below pre-pandemic levels,” said survey Director Ernie Goss. For a fifth straight month, the farmland price index advanced above growth neutral. The February reading climbed to 60.0, its highest level since May 2013, and up from 56.3 in January. This is first time since 2013 that Creighton’s survey has recorded five straight months of above growth-neutral farmland prices. The February farm equipment-sales index rose to 62.7, its highest reading since February 2013, and up from 54.5 in January. After 86 straight months of readings below growth neutral, farm equipment bounced into growth territory for the last three months. “As a result of the rapidly improving farm economy, bankers expect farm equipment sales to expand by 3.8% over the next 12 months. This is up significantly from October when bank CEOs estimated that farm equipment sales would fall by an additional 3.1% over the same period,” said Goss. The February RMI for IL advanced to 52.8 from 50.6 in January. The farmland-price index advanced to 59.4 from January’s 55.6. The state’s new-hiring index climbed to 52.3 from 46.3 in January. Over the past 12 months, Illinois’ Rural Mainstreet economy has lost 5.5% of its nonfarm employment compared to a 7.2% loss for urban areas of the state. The February RMI for IA increased to 54.0 from January’s 51.2. Iowa’s farmland-price index rose to 60.1 from 55.9 in January. Iowa’s new-hiring index for February advanced to 53.0 from 46.6 in January. Over the past 12 months, Iowa’s Rural Mainstreet economy has lost 4.1% of its nonfarm employment compared to a 4.2% loss for urban areas of the state.

	Percentage of bankers reporting				
	Reduction -5% to -10%	No change in sales	Modest increase in sales (1% to 4%)	Increase in sales (5% to 10%)	Significant increase in sales (over 10%)
In terms of agriculture equipment sales for dealers in your area for the next 12 months, what do you expect?	3.9%	15.4%	49.9%	23.1%	7.7%
	Percentage of bankers reporting				
	Below \$100	\$100 to \$199	\$200 to \$299	\$300 to \$399	
What is your estimate of the average per acre cash rent for non-irrigated crop land (not pasture) in your area for 2021?	8.0%	20.0%	68.0%	4%	

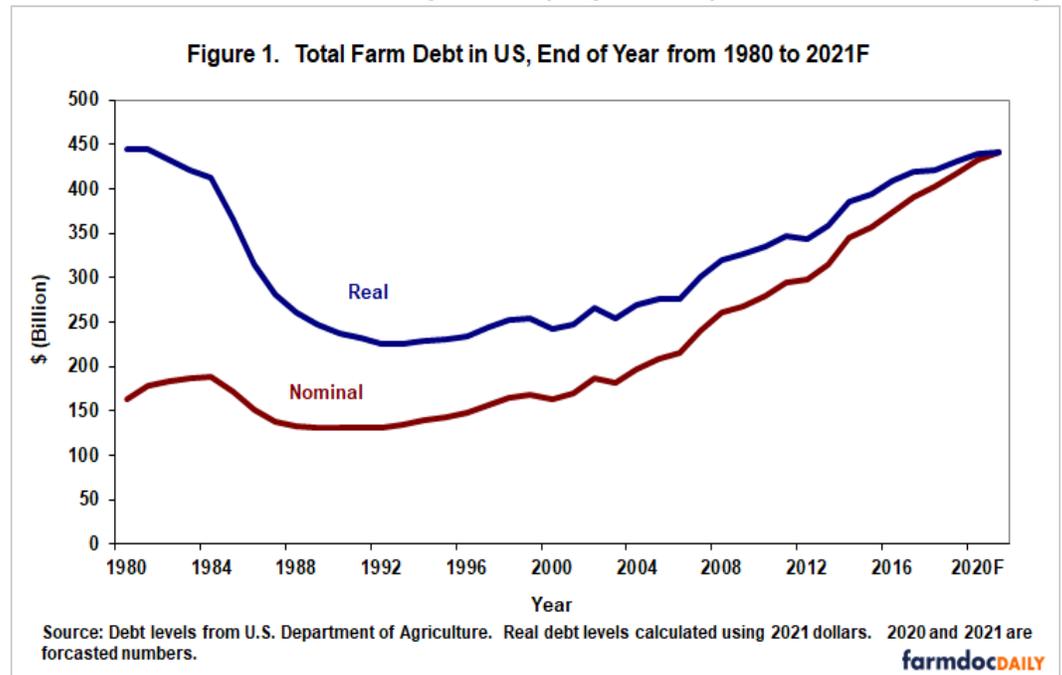
- **With the economy in a rate of slow growth**, what signals should farmers look for to protect themselves, their family, and their operation? That question was posed to [Jason Henderson](#), Purdue’s Director of Extension, and former economist with the Kansas City Fed. Henderson said, “Farmers should watch monetary policy. Farmers are usually asset rich and cash poor. Low interest rates reinforce asset values and reduce debt service. Watch also trade policy. There are new rules coming in the game of trade. Last, watch farm policy. Will it offset recent bad trade outcomes for agriculture? Volatility is low now, but it shifts on a dime. Think about how you will manage risk in a rising interest rate environment. Interest rates have, in effect, nowhere to go but up. Think about technology and the lasting impacts of COVID. How will supply chains shift? Should you strategically work to become a local or regional niche or high value supplier? Consumer trends will impact food, ag and energy.”
- **The Fed has your number** and knows how you are doing, at least in general terms. Federal Reserve Governors who sit on the Open Market Committee which sets interest rates, released the [minutes](#) of their January 26-27<sup>th</sup> meeting and noted the high commodity prices, and the increased liquidity in farm bank accounts. The minutes reflect: “Many participants stated that their business contacts were optimistic that continued progress on vaccinations, together with further fiscal support, would result in more improvement in overall business conditions. Several participants noted the increase in agricultural crop prices over 2020 and the associated improvement in farm revenues.” That was the only reference to the farm economy reflected in the minutes of the last meeting. Ag economists in the Chicago, St. Louis, Minneapolis, and Kansas City Federal Reserve Banks keep the Fed Governors apprised of how the farm economy is doing in the Beige Book released prior to each meeting.

***Farm Business—***

- **What is the spring crop insurance guarantee** going to turn out to be? The quick answer is, “the best in a number of years.” There are 19 trading days in February, once weekends and holidays are subtracted, and 14 days and their closing prices are now in the books. Those closes are for the November soybean contract and the December corn contract on the CME. Once the final bell rings on Friday and the closing price is certified, and when USDA calculates the volatility in the market for this last week of February, then it will announce the spring guarantee for revenue crop insurance products. However, when one considers 73% of the price has been established, it is not going to move very far from where it is now. It will take a significant development to change that. But there are no government crop reports scheduled this week, weather is generally stable in South America, the US crop is not yet in the ground, and China would likely be the only source of surprise significant enough to move the market. But China could care less about the spring crop insurance guarantee.

Date	Corn	Beans
1-Feb	4.4775	11.54
2-Feb	4.47	11.505
3-Feb	4.51	11.5625
4-Feb	4.5175	11.6025
5-Feb	4.5175	11.61
8-Feb	4.5825	11.7975
9-Feb	4.5575	11.9075
10-Feb	4.48	11.635
11-Feb	4.525	11.7425
12-Feb	4.4875	11.73
16-Feb	4.5775	11.855
17-Feb	4.6	11.89
18-Feb	4.5925	11.8575
19-Feb	4.6	11.9625
AVE	4.535357	11.72839

- **With variable farm income** and tighter operating margins, is the increasing debt on IL farms becoming an issue? [Brad Zwilling](#) of Farm Business Farm Management says lenders wrote off billions in debt after the 1980's but it began creeping back up in 1990 and has rising about 4% per year. By 2004, farm debt had surpassed the peak of the '80s, but when debt is stated in nominal terms it does not take into consideration inflation's devaluing impacts on the dollar. Since 1990, the rate of increase averaged 1.9%

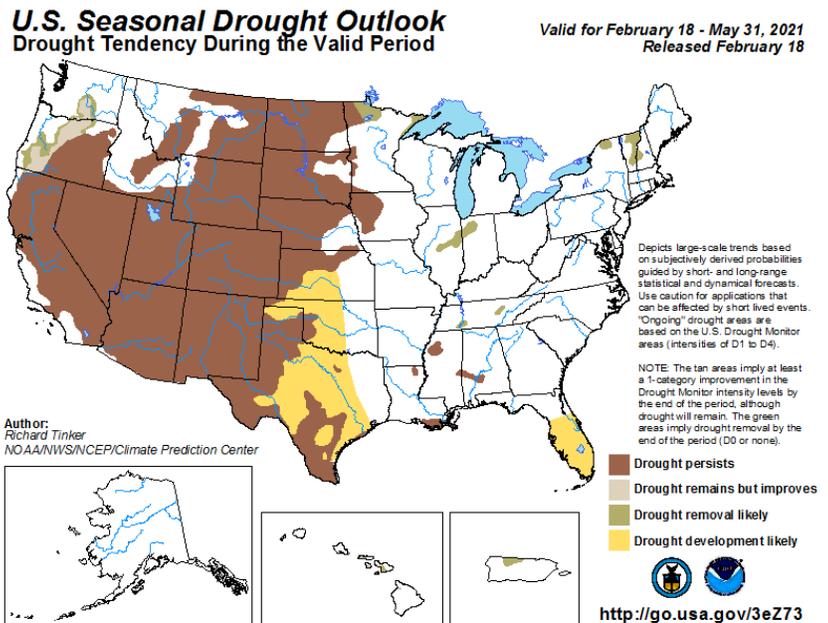


for real debt levels, much lower than the 3.9% nominal rate increase. The forecasted numbers for 2020 and 2021 are the highest levels in real terms since 1981. In evaluating the debt load on a farm, Zwilling and FBFM use several ways of measurement.

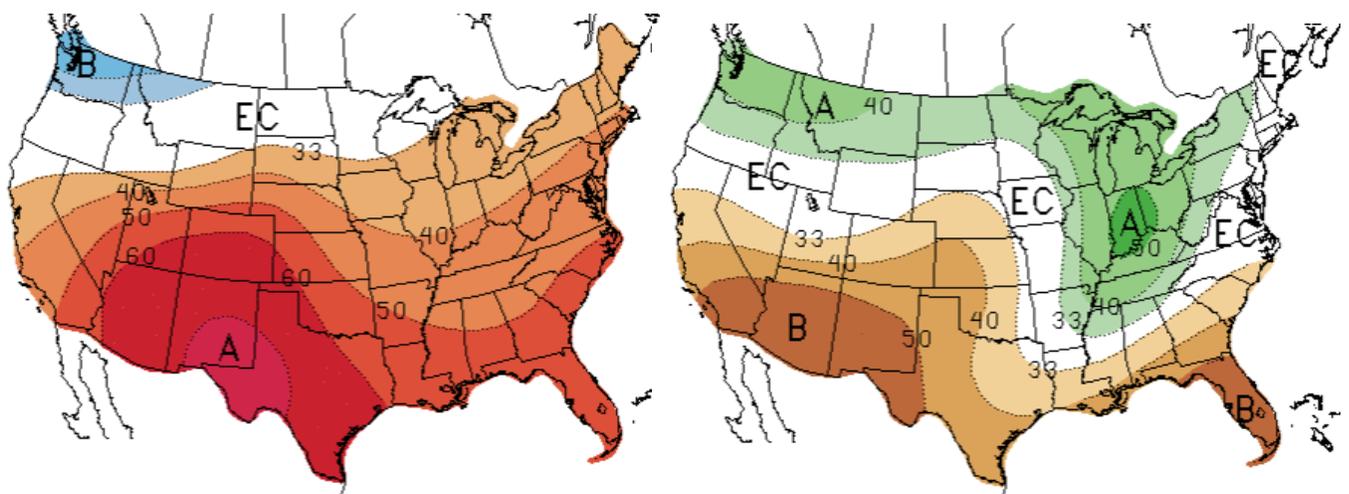
- ✓ Since 2012, the debt-to-asset ratio has increased 2.3% annually. Since 1991, both asset and liability levels rose, with asset levels increasing slightly faster than debt levels.
- ✓ Since 2003, Illinois FBFM grain farms' debt per tillable acre increased 4.2%, lower than the national average of 5.1%. Some of the difference could be increase in acres faster than the increase in debt on Illinois grain farms.
- ✓ Another yardstick is interest expense per tillable acre. From the mid-2000s until 2013, interest rates have decreased, but the amount of debt was increasing more rapidly. Interest rates, as well as debt, has begun to increase since 2013, leading to interest expense per tillable acre to increase on average 6.0% per year.
- ✓ As debt levels increase, farmers need to monitor their term debt ratio. The greater the number, the greater the margin to meet all term debt payments. A ratio of one means that income available is equal to the term debt payments. In 2018, the average for the 2,483 Illinois farms enrolled in FBFM with useable data was 2.44 compared to 1.16 in 2017. Establishing or maintaining good recordkeeping during these times will help farmers identify areas of concern faster and be able to make better farm financial decisions.

**Weather—**

- Cherish every shower** you get this year. The word is out that La Nina, which dried up the South American crops much of their growing season, will be visiting the US. It will be sticking around in 2021 after having a strong influence over our winter. While it will take a brief respite, La Nina's colder waters in the Equatorial Pacific will resume and drive the climate. NOAA reported Thursday that "Moderate La Niña conditions continue over the equatorial Pacific. A slow decline in intensity is likely to result in ENSO-neutral conditions later this year, but for the forecast period through May 2021, it will continue to influence conditions across the Nation. As a result, the [Climate Prediction Center's \(CPC\)](#) seasonal forecast for March-May 2021 largely reflects the climate anomalies favored during La Niña, based on a composite of historical events. Moving forward, the large area of drought covering much of the western half of the country is expected to generally persist, with areas of intensification possible. In addition, drought is expected to expand eastward into the south-central Plains, where odds favor below-normal March-May precipitation and a return to warmer than normal conditions."



- So, what does La Nina look like** for the North American growing season? It is well known for South America and El Nino is well known for North America, but a summer La Nina is not that frequent. The Climate Prediction Center just issued its Spring forecasts for the US within the context of a La Nina climate driver. The March-April-May temperature outlook is on the left and the March-April-May precipitation outlook is on the right. That is spring's La Nina.



## **USDA and Farm Programs—**

- **USDA's Annual Outlook Forum** this week brought together thousands of people in the US and around the world with agricultural interests. Congressional speakers included:
  - ✓ **House Ag Chair David Scott** described the plight of America's black farmers through generations of discrimination and earlier slavery and are make up less than 2% of all farmers today. Tied to that, Scott, from rural Georgia, argues is food security and rural health..., "I represent a district that has 6 counties, the biggest counties where the hardest-hit black folks are, but I'm also chairman of the Agriculture Committee, where I have input, and where we're working with all of our rural communities to make sure our agriculture industry is protected."
  - ✓ **Top House Ag Republican Glenn Thompson says**, "The wrong approach (on climate change) with burdensome regulations or policies that dramatically increase costs would harm rural economies by displacing U.S. production with that of less-efficient foreign producers, leading to an increase in global emissions." Thompson called the 2018 farm bill "arguably the greenest...ever" with its voluntary incentive-based programs to sequester carbon and boost efficient farming practices.
- **The deadline is closer than you may think** for making farm program selections for 2021, and that is March 15. While the likelihood of payments may be remote, there are some circumstances, such as a drought, for which a farm would earn payments from one program, but not from another. IL ag economists offer [on-line decision aids](#) to help make the decision for your farm. The "what-if" tool helps make decisions between ARC or PLC, allowing you to vary your yields and see what payments your 2020 yields have generated and what payments your 2021 yields might generate, all based on yields and prices. For a payment under PLC the marketing year price must be under specific price thresholds. For payments under ARC there must be a low yield and a low price. At prices between \$3.25 and \$3.70 and moderate to high yields, PLC will make higher payments than ARC-CO. At prices below \$3.25, PLC will make higher payments than ARC-CO. At low yields and prices above \$3.25, ARC-CO will make higher payments than PLC. The "Gardner calculator" reports results from a simulation of possible 2021 yields and prices calibrated based on historical results. For 2021, the likelihood of a PLC payment is 33%. For 2021, the likelihood of an ARC-CO payment is 12%.
- **Farmers across the Cornbelt** are being asked about their planting intentions for 2021. The NASS survey before and after March 1 will be compiled and released March 31 as the March 1 intentions report. "Each year, the agriculture industry looks forward to the USDA's *Prospective Plantings* report, which provides the first survey-based estimates of U.S. farmers' planting intentions for the year," said NASS' IL State Statistician [Mark Schleusener](#). "The March Survey provides the factual data that underpins these estimates, making it one of the most important surveys we conduct each year." NASS will mail the survey questionnaire in February, asking producers to provide information about the types of crops they intend to plant in 2021, how many acres they intend to plant and the amounts of grain and oilseeds they store on their farms. NASS encourages producers to respond online or by mail, instead of being called.

***And finally, this—***

- **The USDA's Outlook Forum** is always a wealth of information, and last week did not disappoint any of the 3,000+ virtual attendees. [Find the program, speakers, speeches, and slides for many of them.](#) Below are some and more may be added as they are available:
  - ✓ **Agricultural Economic & Foreign Trade Outlook** — Chief Economist Seth Meyer, USDA. [Speech](#) (PDF, 230 KB); [Slides](#) (PDF, 3.8 MB)
  - ✓ **Addressing Climate Change and Sustainability Through Innovation—**
    - Jon Entine, Founder and Executive Director, The Genetic Literacy Project ([Slides](#)) (PDF, 4.8 MB)
    - Tim Bettington, Exec. Vice President and President of U.S. Operations, Zoetis ([Slides](#)) (PDF, 1.9 MB)
  - ✓ **U.S. Trade Agenda — Ag Trade Priorities and New Initiatives**
    - **Trade Agenda in a New Administration** ([Slides](#)) (PDF, 943 KB) Chad P. Brown, Reginald Jones Senior Fellow, Peterson Institute for International Economics.
    - **U.S./China Trade Prospects — A Short-Term Outlook** ([Slides](#)) (PDF, 1.3 MB) Jason Hafemeister, Trade Counsel, Trade and Foreign Agricultural Affairs, USDA.
    - **China's Animal Protein Market and Feed Demand — The Long-Term Outlook** ([Slides](#)) (PDF, 2.4 MB) Fred Gale, Senior Economist, Economic Research Service, USDA.
  - ✓ **Food Price Outlook — Current and Forecasted Trends**
    - **The Future of the Food Industry — Perspective from the Farm Sector** ([Slides](#)) (PDF, 1.9 MB) John Newton, Chief Economist, American Farm Bureau.
  - ✓ **Challenges to Livestock Market Transparency**
    - **Cattle and Beef Market** ([Slides](#)) (PDF, 2.0 MB) Glynn Tonsor, Professor, Department of Agricultural Economics, Kansas State University.
    - **Hog and Pork Market** ([Slides](#)) Lee Schulz, Professor, Department of Economics, Iowa State University.
  - ✓ **Controlled Environment Agriculture (CEA) — Innovation on Earth and Beyond**
    - **What Does the Future Hold for Vertical Farming?** ([Slides](#)) (PDF, 2.1 MB) Roger Buelow, Chief Technology Officer, Aerofarms.
  - ✓ **Adapting to the COVID 19-Crisis — Resilience from Farmer to Suppliers**
    - **Flexibility in Ethanol Production** ([Slides](#)) (PDF, 1.7 MB) Geoff Cooper, President and CEO, Renewable Fuels Association.
    - **Supply Chain Resilience in Pork Production** ([Slides](#)) (PDF, 2.2 MB) William Even, Chief Executive Officer, National Pork Board

- ✓ **Grains and Oilseeds Outlook**
  - **China's Corn Market (Slides)** (PDF, 957 KB) Bryan Lohmar, China Director, US Grains Council
  - **USDA Grains and Oilseeds Outlook (Slides)** (PDF, 3.8 MB) Justin Choe, Agricultural Economist, Office of the Chief Economist, USDA.
  - **La Niña and Its Impact on South American Agriculture (Slides)** (PPTX, 4.8 MB) Mark Brusberg, Chief Meteorologist, Office of the Chief Economist, USDA,
- ✓ **African Swine Fever — Global Disruption, USDA Response & Initiatives**
  - **ASF — International Situation and Response (Slides)** (PDF, 2.2 MB) Andriy Rozstalnyy, Animal Health Officer, Food and Agriculture Organization, Rome
- ✓ **Innovation in Agriculture — Challenges and Opportunities**
  - **Next Gen Fertilizer Challenge for Agronomic and Environmental Benefits (Slides)** (PDF, 2.1 MB) Lara Moody, VP Stewardship & Sustainability, The Fertilizer Institute
- ✓ **Precision Agriculture — Profitability and Resource Stewardship**
  - **Case Studies of Corn Production and Adoption of 4Rs (Slides)** (PDF, 1.7 MB) Lara Moody, Vice President, Stewardship & Sustainability, Fertilizer Institute.
  - **Practical Challenges in the Application of Precision Agriculture (Slides)** (PDF, 4.6 MB) Jason Weirich, VP Agri Services, MFA Incorporated
  - **Evidence on the Efficiency Advantage of Application of Precision Agriculture (Slides)** (PDF, 703 KB) Roberto Mosheim, Research Economist, Economic Research Service, USDA

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