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

Commodity market price drivers—

- **Purdue ag economist** Michael Langmeier told Commodity Classic attendees that acreage will impact both corn and bean prices this year, "Most market analysts expect soybean acreage to increase from last year, certainly, but how much of an increase? Both corn and soybeans are very short in terms of stocks to use, and particularly, soybeans have extremely tight stocks to use. And so, rather than just having one of the crops be relatively short from stocks to use, you have both crops, and so really there's incentive to increase both acreages." So, what about prices for corn and soybean in 2021? Langmeier says the ranges are wide, "The midpoint corn futures price for the December contract is about $4.55, but there's a 25% chance effect could be below $3.85, there's a 25% chance it could be above $5.50, that's a very large range. The same is true with soybeans and the midpoint price is $12 per bu. But there's a 25% chance that it could be below $10.50, and there's a 25% chance could be above $13.50. so just a lot of uncertainty related to both of those."
- **South American crops are hurting**. Meteorologist Bryce Anderson told the Commodity Classic says La Nina weather in South America is looking dry as the second-corn safrinha crop will go into the ground, "That dry pattern has a pretty high likelihood of continuing, or of redeveloping and strengthening in southern Brazil and Argentina, with a hint of dryness in central Brazil. This is not a real bumper crop-type of scenario that we're seeing to finish out their full-season crops. March, April, and May still have Argentina mostly dry, southern Brazil on the dry side, and then near-to-below-normal for precipitation in the rest of Brazil. The safrinha corn crop in Brazil is going to get a lot of attention and rightly so as we finish out this growing season for full-season crops and then follow it up with the safrinha crop." The question is how much of that corn crop will get rain before things dry up in Brazil, "A key feature to watch is when the rainy season in central Brazil comes to an end in Mato Grosso. The average end for the rainy season is May 4th in Mato Grosso. But in La Niña years, you can have that show a wide variety, all the way from early April to late May. And, in a year like this, when there is a slower start than we've seen to the planting of the safrinha corn crop in central Brazil, this end of the rainy season is a key metric, a key date, to keep track of."

- **In USDA's [export sales report](#)**, Old crop corn sales plummeted to a marketing-year low of 4.6 mil. bu. New crop sales only chipped in another 1.5 mil., for a total of 6.1 mil. bu. Cumulative totals for the 2020/21 marketing year are still nearly doubling last year's pace, meantime, with 1.030 bil. bu. Corn export shipments were remarkedly better, reaching a marketing-year high of 79.1 mil. bu. Japan (13.8 mil.) and China (13.6 mil.) were the top 2 destinations. Mexico, South Korea and Saudi Arabia rounded out the top 5. Old crop soybean sales moved noticeably higher week-over-week, with 12.3 mil. bu. New crop sales added another 7.3 mil., for a total tally of 19.6 mil. bu. Soybean export shipments rose 18% week-over-week but remained 22% below the prior four-week average, with 42.7 mil. bu. China was the No. 1 destination, with 11.8 mil. Germany, Egypt, Taiwan and Japan filled out the top 5.
- **Sifting through the export data,** Reuters commodity analyst Karen Braun uncovered some other information of value to the market. She reported, "Corn export sales were very disappointing last week, and that included 41 mil. bu. switched from unknown to China. Sales of soybeans were as expected. China canceled one old crop cargo but bought 7.3 mil. bu. of new crop beans. China also canceled a cargo of sorghum. Report shows "unknown buyers" reduced purchases of 69 mil. bu. of corn, but more than 39 mil. bu. was simply switched to China. There was some other switching, too. That brings total sales so far to China for 2020/21 to 736 mil. bu. Weekly corn exports (week ended Feb. 25) were 79 mil. bu., which according to my data is a record week (as reported by the weekly export sales report). So, while the sales have not been impressive as of late, the corn is starting to be shipped out. Good trend to see. Weekly pork sales of 59,615 tons were among the largest on record and the largest for any week since October. China bought 28 thousand tons and Mexico bought 14.5 thousand tons. Beef sales were also strong at 22,615 tons. Keep in mind that China may be increasing its pork purchases again to ensure against a shortage stemming from its new outbreak of African swine fever.

U.S. Net Export Sales 2020/21

Week ended Feb. 25, 2021

(million tonnes)	Trade Estimates	Actual	*Year Total (%YOY) (1,000 tonnes)*
Wheat	0.1 – 0.5	**0.219**	*23,791 (+3%)*
Corn	0.4 – 0.8	**0.116**	*59,124 (+122%)*
Soybeans	0.1 – 0.5	**0.334**	*60,149 (+77%)*
Soymeal	0.1 – 0.3	**0.187**	*8,133 (-0.3%)*
Soyoil	0 – 0.025	**0.006**	*598 (-18%)*

Data sources: U.S. Department of Agriculture; Reuters **@kannbwx**

- **China's pork industry is in trouble again**, which has an impact on US corn and soybean exports to China. China confirmed outbreaks of African swine fever in its key pork producing provinces, reports [Reuters](#). The outbreak killed 38 pigs on a farm of 127 hogs and was detected on a truck of piglets being transported illegally from another province. A large outbreak of African swine fever wiped out about half of the country's herd in 2019, a year after it reached the country. China also reported an outbreak earlier this week in a southwestern province.

Ag Economy—

- Following years of steady deterioration, various measures of agricultural credit improved in the fourth quarter. On average, farm loan repayments increased for the first time since 2013 according to [regional Federal Reserve surveys]() of agricultural lending (Chart 1). The rate of loan repayment increased from a year ago in all participating Districts expect Dallas, with the fastest pace of increase reported in the Minneapolis and Chicago Districts. An increase in farm income in the fourth quarter appeared to be a primary driver of the recent strength in agricultural credit conditions. Similar to loan repayment rates, farm income was higher than a year ago across all participating Districts (Chart 2). With better financial outcomes in 2020, capital spending plans of farm borrowers also strengthened in the fourth quarter and were expected to increase in all Districts in coming months. Other financial indicators also shifted quickly in the fourth quarter as borrowers experienced relief from previous years of financial stresses. On average across all Districts, loan demand contracted at the fastest pace since 2013 and fund availability increased at the fastest pace since 2013 according to agricultural bankers (Chart 3). The path of both indicators was consistent across all regions, but loan demand declined at the quickest rate in the Dallas District and liquidity growth was strongest in the Chicago District. Farmland values and cash rents remained strong across most reporting states. Gains were strongest in the Upper Plains and Cornbelt, where farmland values rose by 8% in North Dakota and 9% in Northern Indiana. Cash rents on non-irrigated cropland also increased moderately. In the Dallas, Kansas City, Minneapolis, and St. Louis Districts, cash rents rose an average of about 2% in the fourth quarter.

Chart 1: Farm Loan Repayment Rates

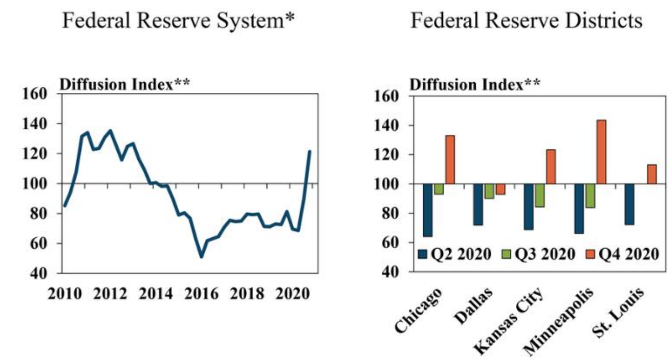


Chart 2: Farm Income and Spending

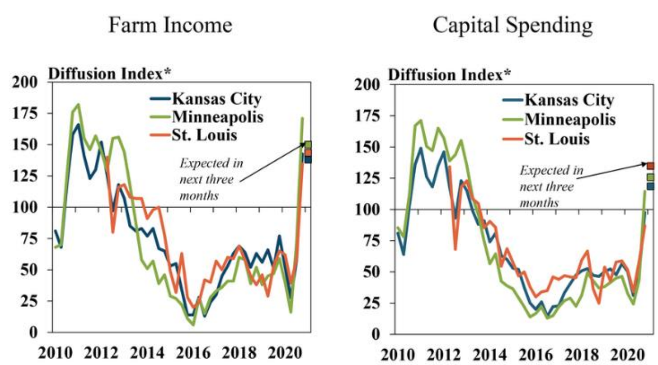
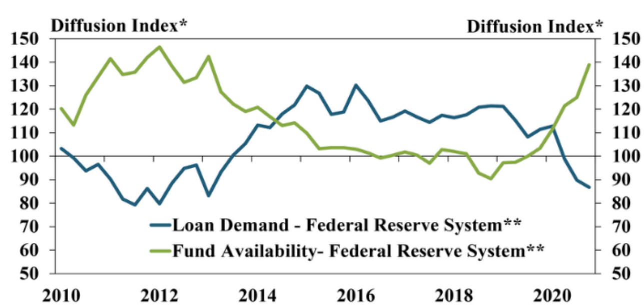
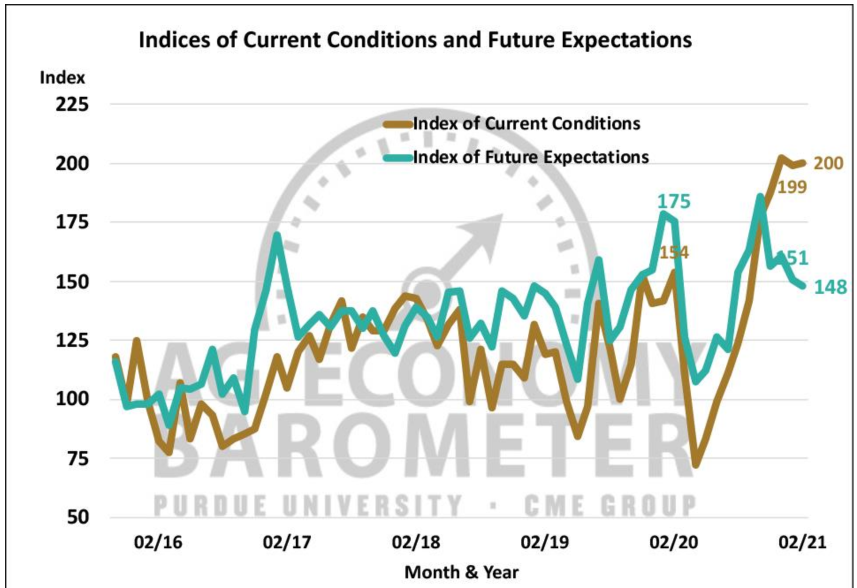


Chart 3: Farm Loan Demand and Fund Availability



- **Today is good, but tomorrow may not be as good**. That is the bottom line on Purdue's farmer survey that makes up the monthly Ag Barometer. Purdue ag economists report, "February's *Ag Economy Barometer* reading of 165 changed little compared to January when the index stood at 167. Producers continue to report strong current conditions on their farms as February's *Current Conditions Index* value of 200 is near its all-time high. Continuing a trend that got underway last fall, however, the *Index of Future Expectations* drifted lower to a reading of 148, 3 points below its January reading. Feb. marked the 3rd time in the last 4 months that the *Future Expectations Index* declined, leaving it 20% below its Oct. peak. Ongoing strength in ag commodity prices and farm income continue to support producers' perspective on current conditions while concerns about possible policy changes affecting agriculture and eroding confidence in future growth in ag trade continue to weigh on producers' future expectations." So, what are farmers' concerns?



Source: Purdue University Center for Commercial Agriculture, Producer Survey, February 2021

  - ✓ Farmers in Feb. were a bit less optimistic regarding their upcoming farm machinery purchase plans than they were the last couple of months as the percentage of producers' intent on raising their machinery purchases in the upcoming year dipped to 9%, compared to 15% who expected to increase purchases when surveyed in both Dec. and Jan.
  - ✓ Producers are very bullish about farmland values. 51% of respondents in February said they expect to see farmland values rise during the next year, up 8 points from the Jan. survey. Feb. marked the first time in the survey's history that more than half of respondents said they expected a short-run increase in farmland values.
  - ✓ The percentage of producers expecting to see higher rental rates has been increasing the last several months, primarily because the percentage of producers expecting rates to remain about the same has been declining. The percentage of producers expecting rates to be unchanged fell to 61% as the percentage expecting higher rates rose to 36%.
  - ✓ The percentage of producers citing financial risk as most critical in Feb. 2021 declined to just 18%, compared to 26% when the same question was posed a year earlier. Interestingly, in light of pandemic-related disruptions this past year, 29% of producers ranked production as their most critical risk this year, up from 22% who felt that way a year ago and just 17% 2 years ago.

- ✓ Farm consolidation is continuing. 50% of commercial-scale farms reported that they either have no plans to grow or plan to exit/retire in the next 5 years. 17% of this year's respondents, up from 12% a year earlier, said they expect their farm operation to grow, but at a slow pace of less than 5% annually. 25% of farms said they expect to increase in size a bit more rapidly, 5 to 10% annually, which was unchanged from last year's survey.
- ✓ The percentage of producers who expect ag exports will increase over the next 5 years stood at 65% in Oc. That percentage has been declining continuously over the last 4 months and in Feb. was down to just 45%. Similarly, the percent of producers who expect a favorable outcome to the trade dispute with China fell from 65% in Oct. to 37% in Feb.

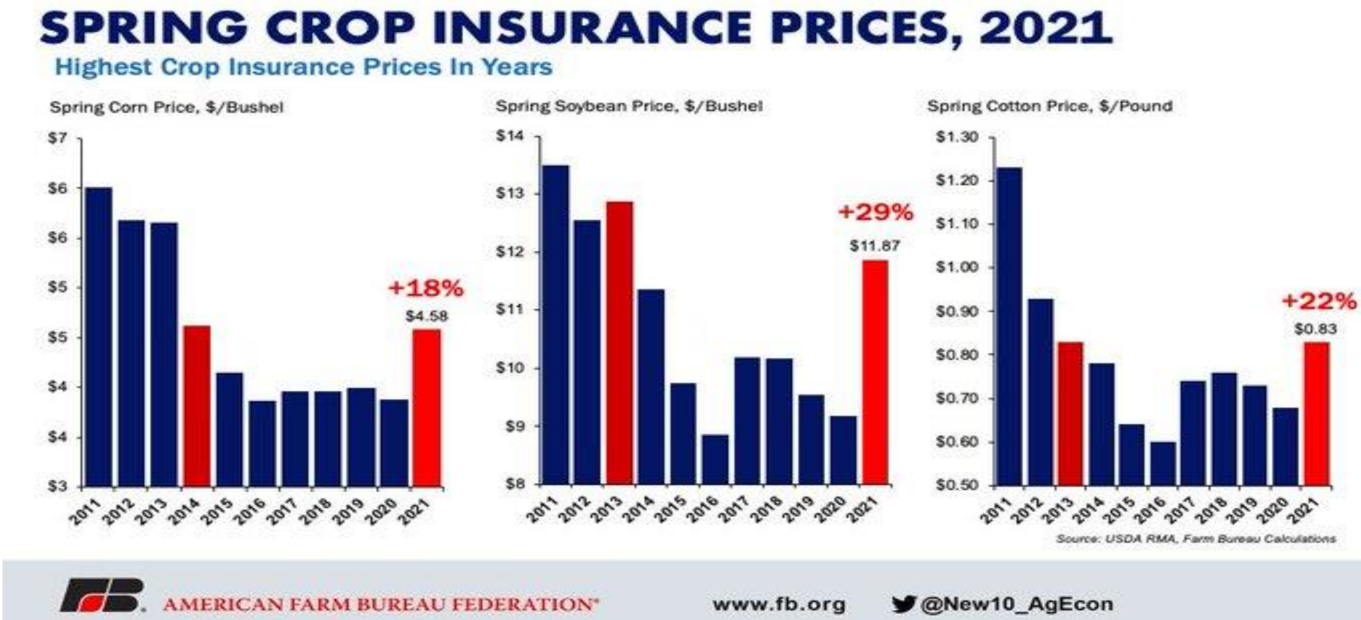
Farm Business—

- **March 15.** That is the deadline for crop insurance and farm program selection. Big deadline.
  - ✓ **Regarding crop insurance**: IL ag economist Gary Schnitkey says, "Given the substantially premium on policies, I think most farmers may think about the 90% policy. I would first tell farmers to keep their Revenue Protection coverage as high as they can keep it. That would be 80 to 85% in northern and central IL and 75 to 80% in southern IL and then think about adding Enhanced Coverage Option on top of it." Schnitkey says E-C-O is not a game-changer for crop insurance, but that it offers good risk protection. Purdue ag economist Jim Mintert says, "Probably the biggest challenge for people this year is going to be the jump in premiums, and that jump in premiums is triggered by the fact that crop prices used to compute the revenue coverage have gone up substantially, and there's more price volatility. And so, there's going to be a bit of sticker shock when you look at those premiums, but remember you are buying substantially more coverage than you were buying a year ago." To make your decision, use the premium calculator, payment calculator, crop insurance decision tool.

  - ✓ **Regarding farm programs:** Farmers will need to make a choice among Price Loss Coverage, Agricultral Risk Coverage-County, and Agricultural Risk Coverage-Individual. Based on an example, IL ag economists say, "We would suggest that farmers lean towards taking PLC. This choice also allows for the Supplemental Coverage Option (SCO) to be chosen as a crop insurance policy. The most likely case in which PLC will not result in a higher payment than ARC-CO is in a drought year. In a drought year, yields could be 100 bushels lower than the 217.2 bu. trend or in the 127 bu. per acre range. However, if yields are that low, prices would likely rise and reduce the likelihood and size of payments from ARC-CO." The decision can vary from county to county, farm to farm and from crop to crop. To make your decision, use the "What if" decision tool and the ARC/PLC calculator.

- **If the expense of crop insurance premiums** is a killer, consider some alternatives that are provided by IL ag economist Gary Schnitkey, which will reduce the premium slightly and still provide reasonable management of revenue risk should 2021 create problems for you. Study alternatives to 85% Revenue Protection but read his FarmDocDaily posting of last week. He says, "These strategies are compared because they have lower or roughly the same farmer-paid premium as RP-85%. ECO is also available at a 95% coverage level and can provide valuable protection at the higher coverage level. However, ECO-95% is not included in these alternatives because of the substantially higher premium compared with ECO-90%.
  - ✓ RP-80%. This strategy lowers farm-level coverage so that it begins at 80%. This strategy will have roughly the same farmer-paid premium as RP-85% in 2020.
  - ✓ RP-80% plus SCO. This strategy lowers the RP coverage level to 80% and then adds SCO. In this case, SCO provides county coverage from 86% to 80%.
  - ✓ RP-80% plus ECO-90%. This strategy will provide farm coverage below 80%. ECO-90% provides county coverage from 90% to 86%. Because SCO is not purchased, there will not be county coverage from 86% to 80%.
  - ✓ RP-80%, SCO, and ECO-90%. This strategy will provide farm coverage below 80% and county coverage in a band from 90% to 80%, with ECO from 90% to 86% and SCO from 86% to 80%.
- **Your decision to apply fertilizer last fall** was one of the best ones in years! With the long application season, Cornbelt retail outlets applied all they had. Restocking was challenged with repairs on IL River locks that prevented northbound barges. Since then fertilizer prices have been ratcheting up along with grain prices, and in part due to US tariffs applied to Russian and Moroccan phosphates because of subsidies. Global demand has also claimed a larger percentage of the supply and supplies are tight worldwide. About the only fertilizer that has not seen a significant price increase is Canadian potash. Spring ammonia prices could be near $600 per ton because of higher wholesale prices, and taking Urea along with it. UAN has not yet joined the high price party. MAP and DAP are at some of their highest prices in many years. The bottom line, says Bryce Knorr, retired from Farm Futures, is $35 to $40 more per acre for corn to pay for your 2021 fertilizer bill, extending to a 20₵ added cost per bushel that needs to be addressed in your marketing plan for the new crop. His former colleague, Arlan Suderman, who is now Chief Economist at StoneX Group also weighed in this week on fertilizer costs. Suderman says, "February Arctic blast is now impacting fertilizer prices after production was temporarily shut down. Bad timing ahead of spring planting. NH3 up $100 just yesterday (Wednesday), according to our own Josh Linville. This will impact planting decisions."

- **Speaking of planting decisions,** the crop insurance guarantee drama during February may have made the case for more soybeans, according to American Farm Bureau Chief Economist John Newton. He says the 2.59 soybean to corn price ration was the highest in more than 30 years. He knows, he calculated them all the way back, then compiled this chart:



Given the projection for tight stockpiles moving into 2021/22 and continued strength in U.S. exports, the potential exists for harvest prices to increase during the growing season. Harvest prices could also decrease if supplies are larger than anticipated, or demand is lower than currently projected, e.g., additional acreage, higher yields or lower ethanol or export demand.

- **How are you doing, income-wise?** Many farmers heard Secretary Vilsack last week at the Commodity Classic, and a few heard him earlier in the week at the National Farmers Union convention talk about farm income. "An estimated 89.6% of American farmers today do not make a majority of their income from their farming operation," which Secretary of Agriculture Tom Vilsack says offers him motivation to work creatively and innovatively to establish new sources of income for farmers not just solely dependent on the sale of bulk commodities. He says he will lead an "active and proactive USDA" that will make sure to develop new markets and engage with the farming community. He says the focus on climate offers a tremendous opportunity for farmers to earn additional income in the creation of a viable carbon market for actions taken by farmers to sequester carbon. "Agriculture is poised to be a leader in this effort," he says. A recent executive order seeks input from stakeholders including farmers on how best to create a new carbon market. At USDA he plans to use traditional programs such as the Environmental Quality Incentive Program, Conservation Stewardship Program, Rural Energy for American Program, Conservation Reserve Program and the Regional Conservation Partnership Program to expand significantly and incentivize climate smart agricultural practices and adoption. He says if USDA uses existing programs smartly and wisely, it can provide early wins on the climate agenda.

USDA and Farm Programs—

- **Agriculture Secretary Vilsack** addressed the virtual Commodity Classic attendees, saying, "Before we craft the next farm bill, I think we have to work between now and the next year or 2, to take a look at what we need to do to create more better and newer markets and fair markets. And that is going to help to form what a farm bill ought to include. If we are able to establish some kind of carbon bank that's designed for and implemented for farmers and benefiting farmers, we do this in a way that we begin that process, we provide sufficient resources to get started, but also to learn from the early experiences of what works and what doesn't work." Vilsack also spoke to the accomplishments of the Trump Administration, including trade with China. The IA native says that despite the recent purchases of U.S. commodities by China, some farmers didn't make it through the trade war, "I'm not sure that we can say with confidence that we survived the trade war. I think there unfortunately, tragically, there were a lot of farmers that did not survive the trade war that ended up having to leave the farm, and that's always an incredibly sad circumstance. I think we have to acknowledge that. I think we also have to acknowledge that where we are relative to trade, especially with China, is pretty much where we were in 2017. So, I think we have to put this in perspective, I think the benefit that did accrue is that China did make a number of commitments in the sanitary and phytosanitary area, which had been negotiated and which had been discussed for extended period of time, which China is now doing." Vilsack says, among several things, the focus of USDA over the next 4 years will be on building and expanding markets for producers, "I want them to know that we're dedicated at USDA, trying to figure out how we can create better opportunities, more markets, better opportunity, better markets, newer markets, fair markets, all of which I think will benefit producers across the board. And so, I look forward to continuing working with all of you." →

- **One of the biggest issues** Vilsack mentioned is the fact the Biden administration has begun an intense examination of how to structure a carbon market that would encourage broad participation by U.S. farmers, including whether to guarantee a minimum price for credits given for reducing emissions. "We will be exploring in depth how we could structure appropriately a carbon bank that would be designed for and benefit farmers," Vilsack said in an interview with [Bloomberg News](). "Would it require a price guarantee on carbon? Would it require a program that invests and provides resources for the capital costs associated with capture of carbon?" The USDA chief said no decisions have yet been made on what specific actions the administration will take to reduce greenhouse emissions, but that his department is examining "an array" of approaches including changes to existing conservation programs, a carbon bank and altering crop insurance premiums. Different premiums for farmers based on whether they adopt climate-friendly practices "is in the mix to take a look at," he said. Still, he said that the private carbon banks that have already been set up clearly aren't yet attracting enough interest among farmers. Vilsack said his team believes the administration has authority to immediately fund climate initiatives by tapping the borrowing authority of the CCC.

- Other issues that Vilsack addressed at Commodity Classic include:
  - ✓ Consider this: 89.6% of American farmers do not make the majority of their money from farming. This needs to change. We need to create a fairer, more transparent food system, support value-added opportunities, & build new markets & streams of income for producers.
  - ✓ Previous aid packages have helped "some but not all of those in the supply chain" receive aid to get through the crisis. USDA continues to conduct a review of the Coronavirus Food Assistance Program (CFAP) and its different forms that were crafted under the Trump administration. USDA is completing the analysis, but there is no specific date for when relief will be released, or new forms of aid will be rolled out.
  - ✓ On the issue of direct aid for minority farmers, Vilsack said USDA has not addressed the "cumulative effect of discrimination over many, many decades and the fact that it has put some farmers significantly behind their counterparts. "So, we will be spending some time at USDA trying to figure out creative ways to essentially create greater equity in what we do at USDA in providing better opportunities as well for socially disadvantaged farmers who have struggled."
  - ✓ There also remains aid in the $900 bil. package that passed Congress in December that remains held up in USDA's review. That includes a $20-per-acre payment for non-specialty-crop producers, based on 2020 planted acres. Another provision of that bill provided nearly $1 bil. in support for dairy producers as well. The bill also included a provision for livestock producers that reimbursed up to 80% of losses due to euthanizing animals when the supply chains were backed up last year. Vilsack pointed to industries that have been left out of earlier aid packages, such as the biofuels industry and certain specialty crops.
  - ✓ USDA continues to sign up farmers for the Coronavirus Food Assistance Program -- Additional Assistance (CFAP-AA). Sign-up will continue even as payments are frozen.
  - ✓ Vilsack also said he spoke to the agricultural ministers of Canada and Mexico. Wheat and dairy access remain issues in Canada, while the U.S. is becoming more concerned about Mexico's stance on genetically engineered crops. The secretary also expressed confidence about continuous trade sales to China, "because China needs a lot of what we provide."
- **A coalition of agriculture groups** urges lawmakers to support emergency relief for farmers and ranchers of color. In a letter to leadership of the House and Senate, the coalition says they are "committed to improving the financial and rural development interests of this nation's Black, Indigenous, Hispanic and People of Color farmers and ranchers." Specifically, the coalition urges lawmakers to support the Emergency Relief for Farmers of Color Act. Sen. Raphael Warnock, D-GA, introduced the legislation, providing $4 bil. in direct relief payments to help farmers of color pay off outstanding USDA farm loan debts, and related taxes, and help them respond to the economic impacts of the pandemic. The bill provides another $1 bil. fund to root out systemic racism by expanding the capacity of USDA to provide technical and legal assistance to agricultural communities of color and to fund under-resourced programs that will shape the future for farmers and communities of color.

Covid-19 and Economic Relief Plan

- **The American Rescue Plan Act,** the $1.9 tril. legislative package that passed the House and Senate, received the endorsement of Secretary Vilsack, who said, "I am grateful to the U.S. Senate for passing the American Rescue Plan today to bring much-needed nutrition assistance and financial relief to millions of families struggling to pay the bills and put healthy food on the table. The bill not only boosts SNAP benefits through September, but it also increases targeted nutrition assistance to mothers and young children and expedites more nutrition aid to U.S. territories. Farmers, business owners, and workers across the food supply chain will see additional assistance to respond to market disruption, as well. The American Rescue Plan ensures that we get the economy on track for everyone, especially those who have been marginalized, who are hurting, who have been overlooked or shut out in the past. The U.S. Department of Agriculture stands ready to implement these important provisions once the bill clears Congress and is signed into law by President Biden." →
- **What is included in the legislation?** There is a wide variety of initiatives from Congress:
  - ✓ The estimated $16 bil. for agriculture extends the 15% increase in Supplemental Nutrition Assistance Program benefits for 3 months, provides nutrition assistance for U.S. territories without SNAP, and boosts the Commodity Supplemental Food Program for seniors.
  - ✓ $5 bil. tailored to assist Black, Hispanic, Native American and other farmers of color. The provision offers 110% of USDA loan forgiveness to underserved farmers.
  - ✓ This bill also invests $3.6 bil. to help us make the food supply chain more resilient, including providing protective equipment for food and agricultural workers.
  - ✓ It also provides $500 mil. for community facilities grants to assist rural communities in the fight against COVID-19.
  - ✓ The bill also offsets $100 mil. in overtime costs for small meat and poultry processors who continue to grapple with COVID-related backlogs.
  - ✓ Removed from the bill was a GOP Ag Committee amendment that would have extended WHIP+ to cover 2020 crop losses, including losses due to the derecho and high winds.
  - **But there is a downside,** pointed out by the ranking Republican member on the Senate Ag Committee, Sen. John Boozman, R-AR. It all centers around the Senate's version of the $2 tril. COVID package. He says that because the bill must go through the reconciliation process, it will likely trigger the 'pay-as-you-go" rule. If that happens, he says that all farm programs could be zeroed out over the next 5 years.