



WEBINAR:
**Macroeconomic and
Spring Planting Update**

April 10, 2024

10 a.m. (PT) / 11 a.m. (MT)

12 p.m. (CT) / 1 p.m. (ET)

Keynote Speakers



Rob Fox
Director,
Knowledge Exchange

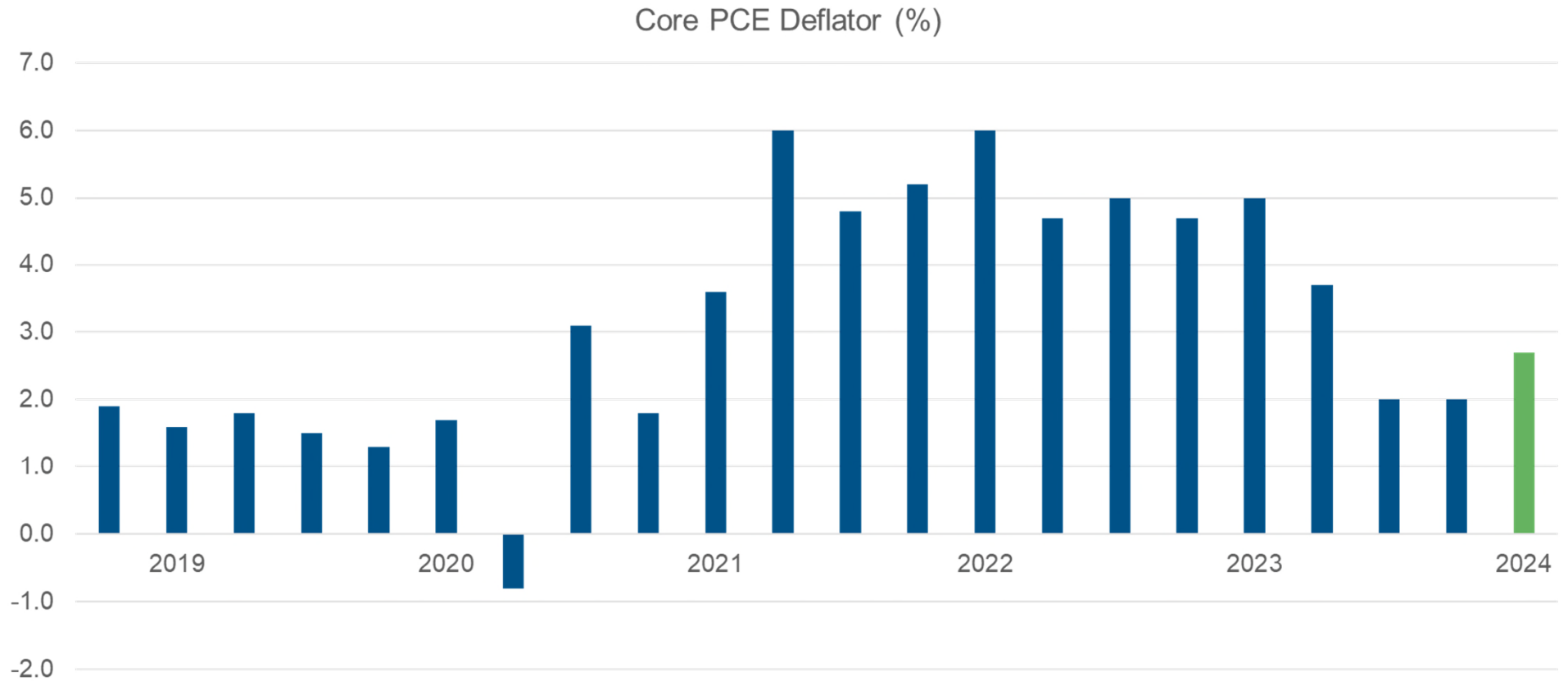


Jacqui Fatka
Lead Economist,
Farm Supply and Biofuel,
Knowledge Exchange



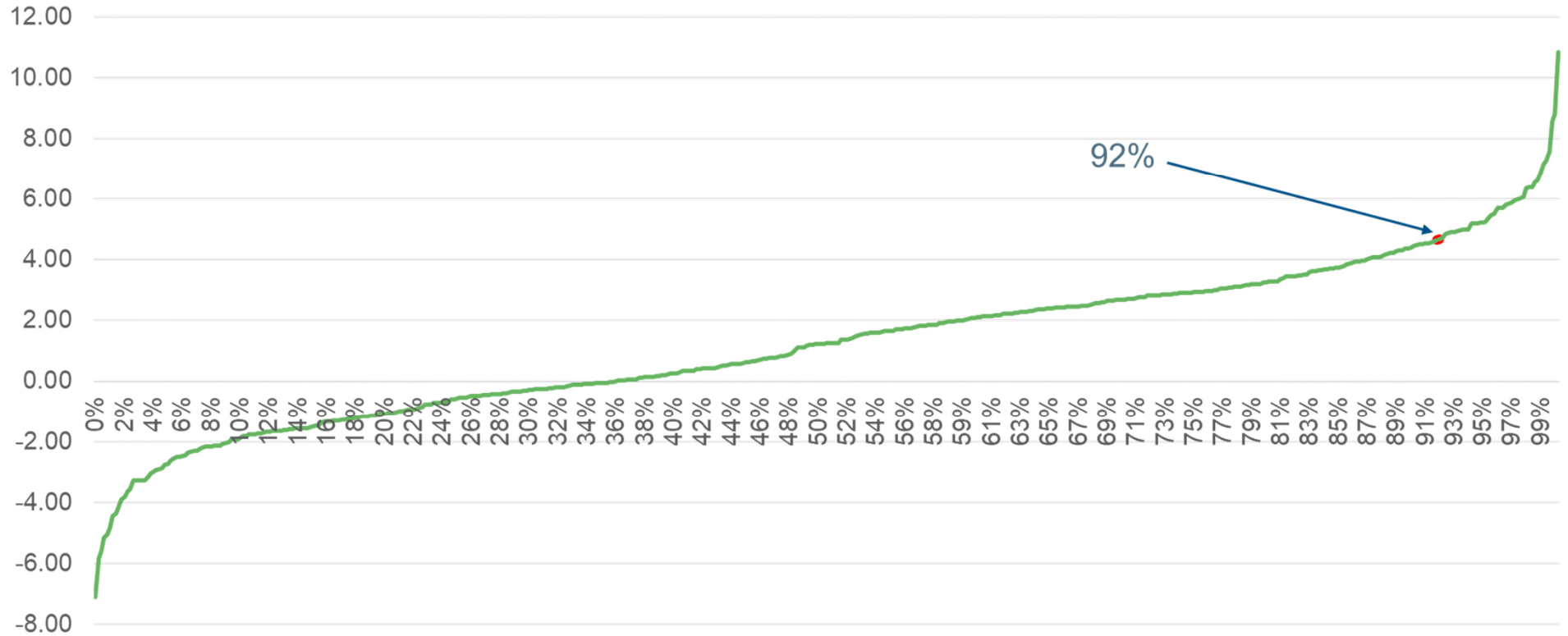
Tanner Ehmke
Lead Economist,
Grains and Oilseeds,
Knowledge Exchange

Fed's Primary Inflation Metric Has Improved, But...

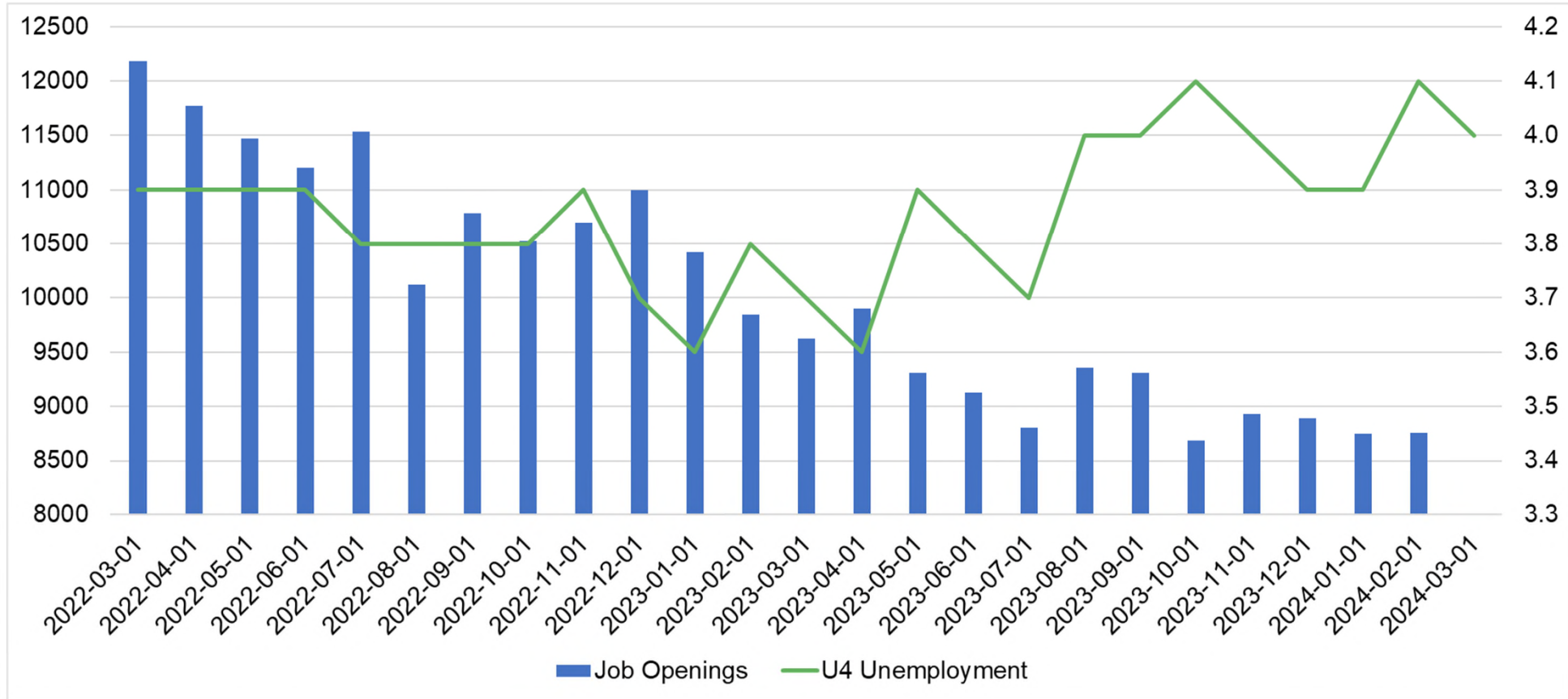


Current Real Interest Rates Are Extremely High

Distribution of Real Interest Rates Over 40 Years



Employment Metrics Show Steady Weakening



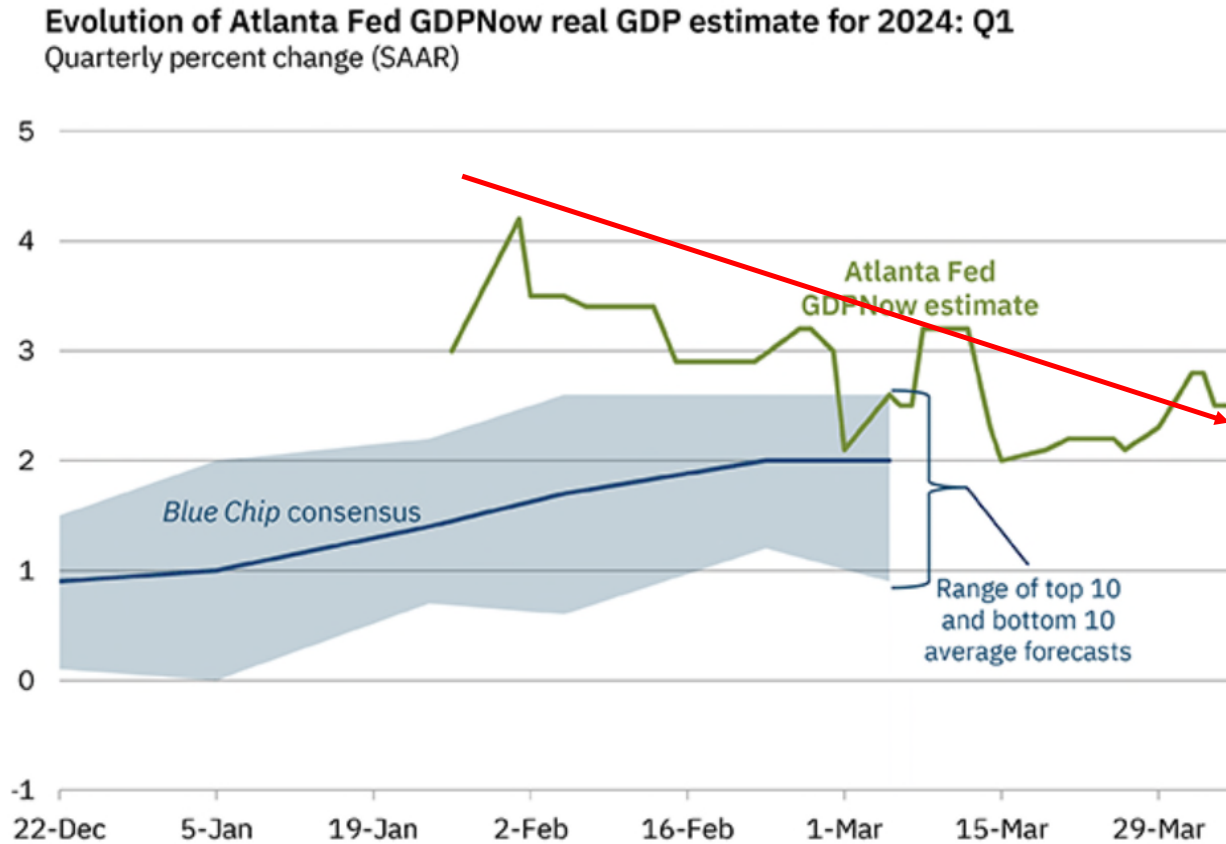
More Workers Sense Jobs Are at Risk



Disposable Income Growth Trending Lower

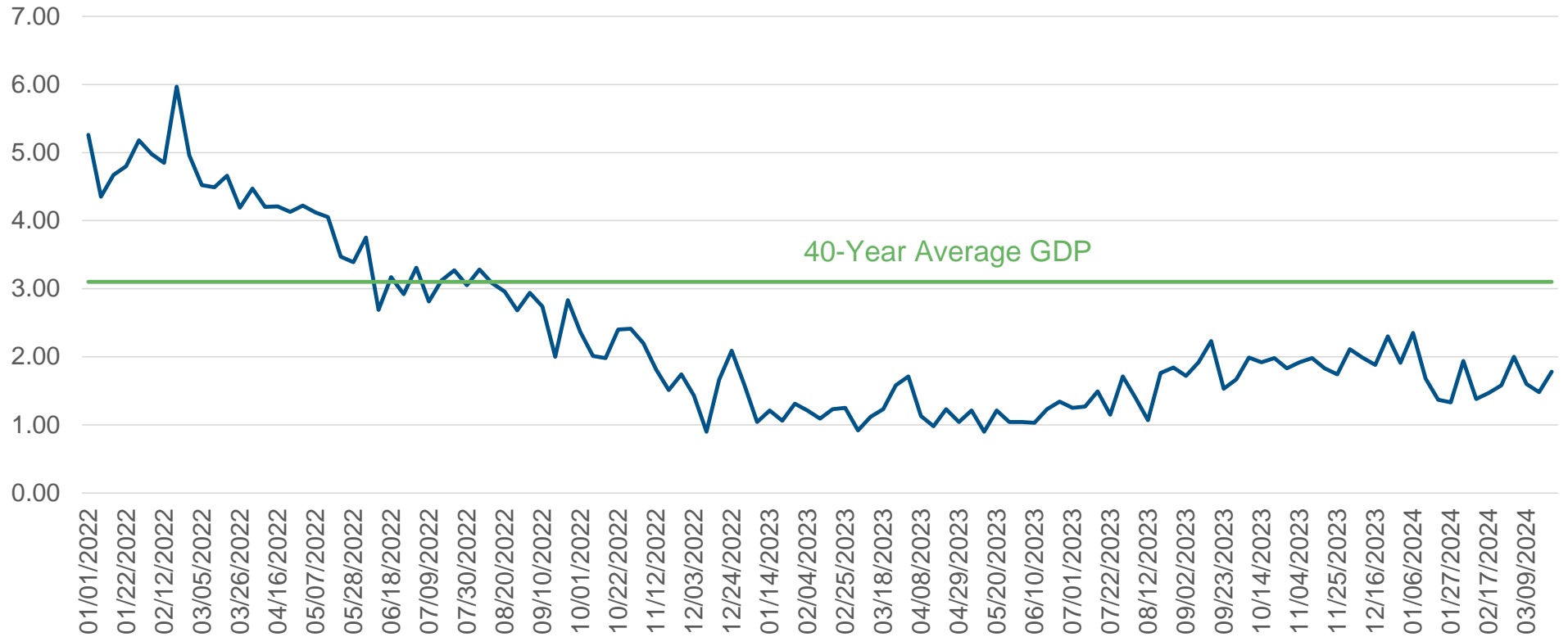


Atlanta Fed's GDPNow Trending Lower

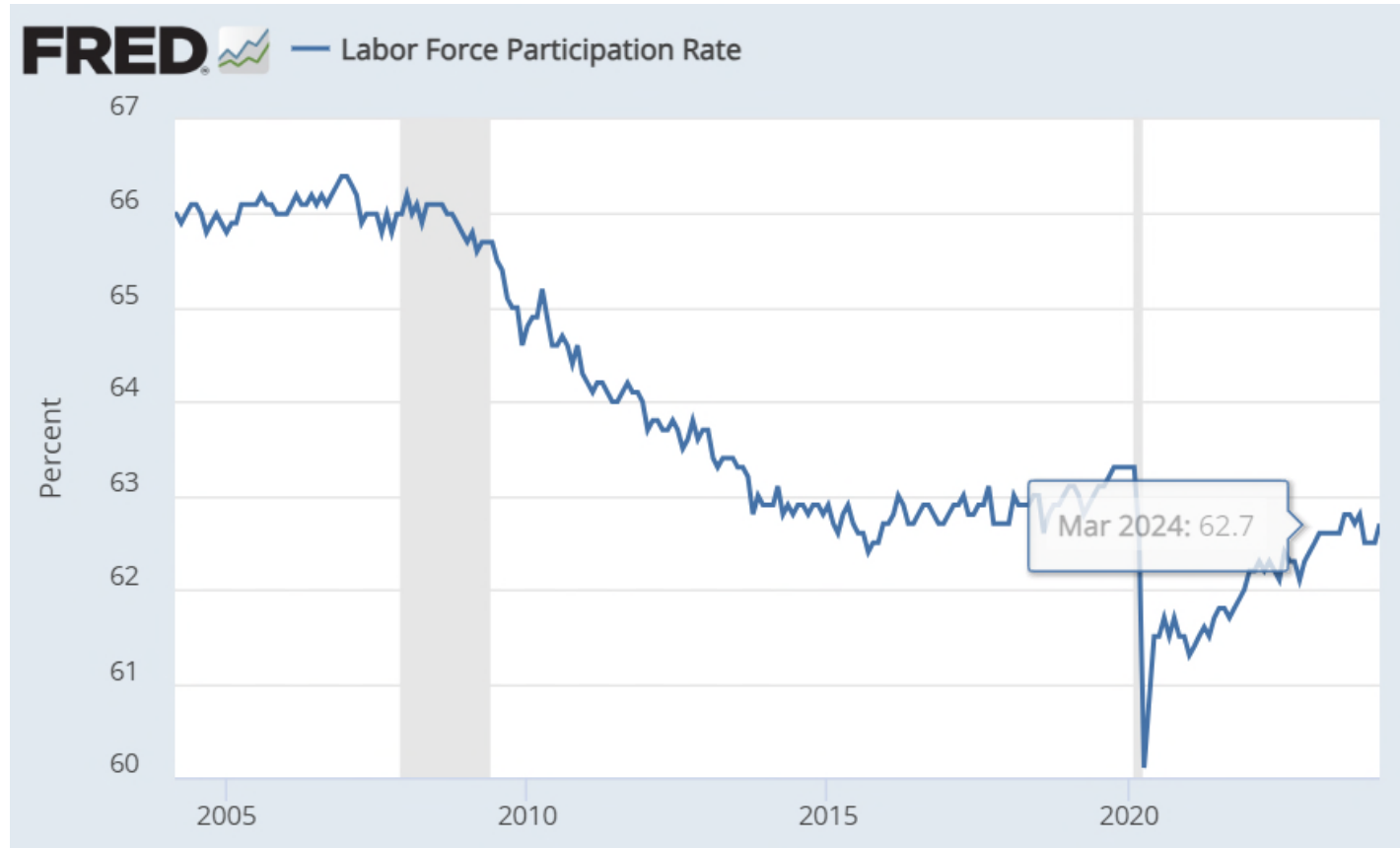


Economic Performance is Below Average Historically

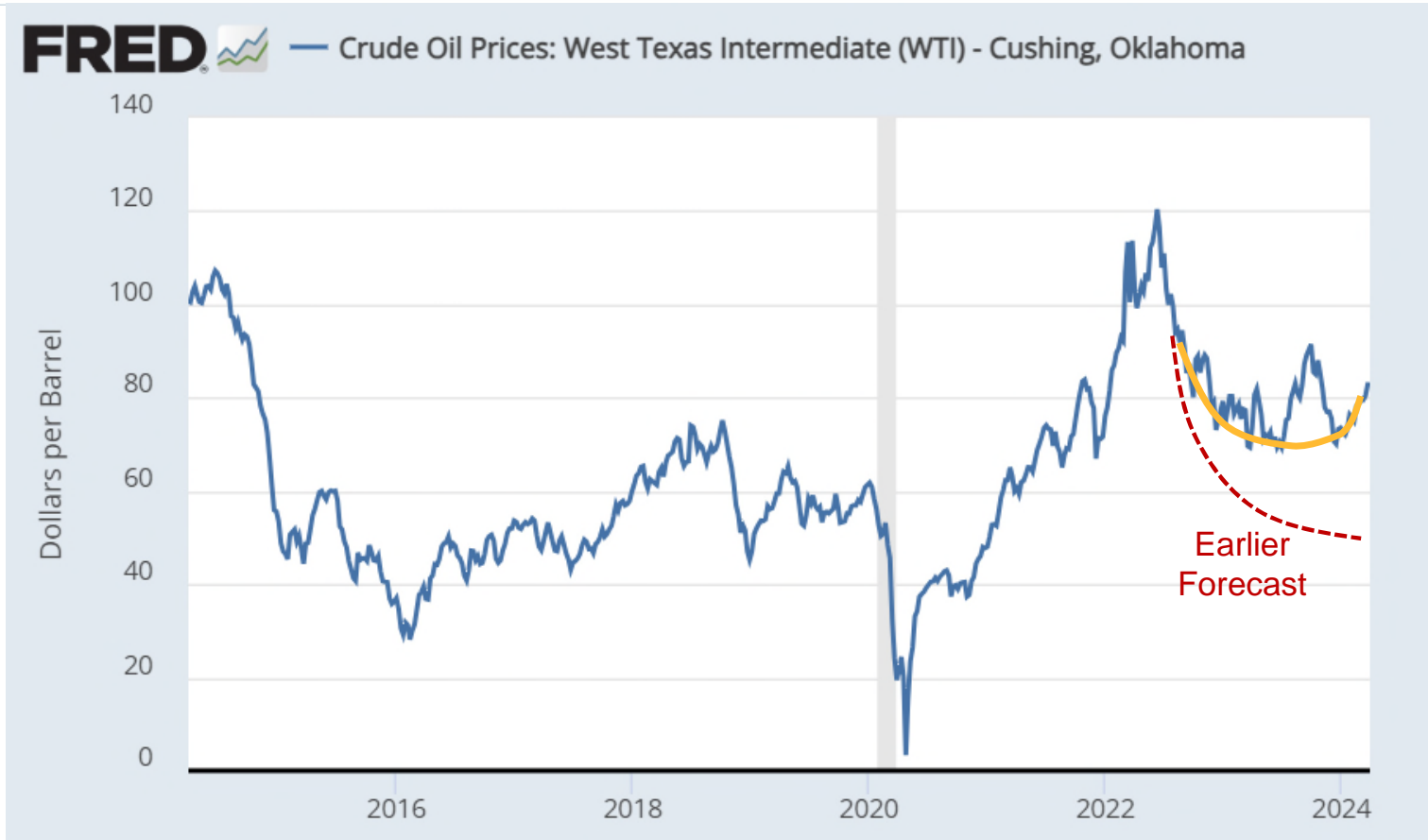
Dallas Fed's Weekly Economic Index



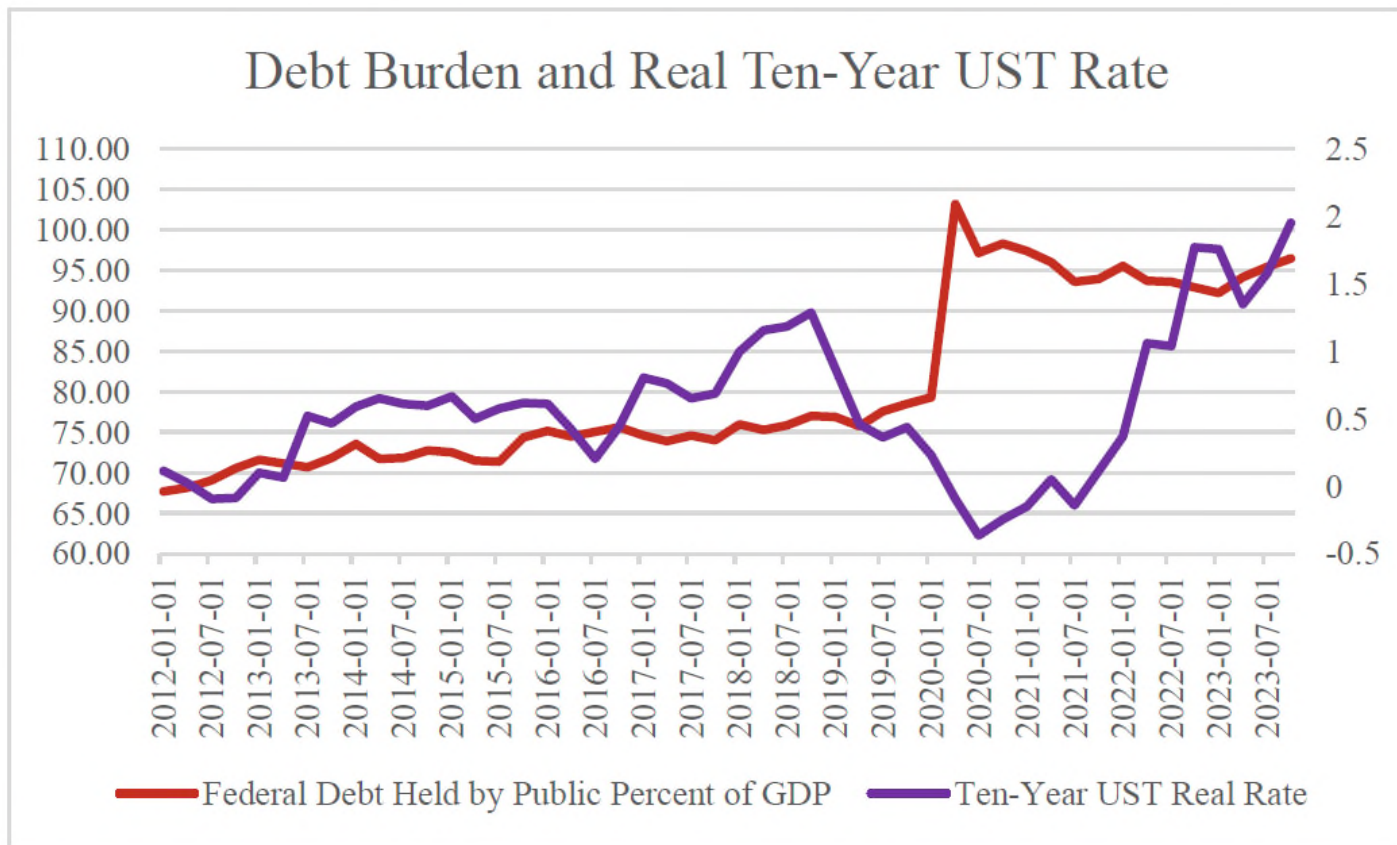
Labor Force Never Recovered From Great Financial Crisis



Fed Sees Economic Headwinds: Oil Prices



Increasing Federal Debt Is Already Driving Rates Higher



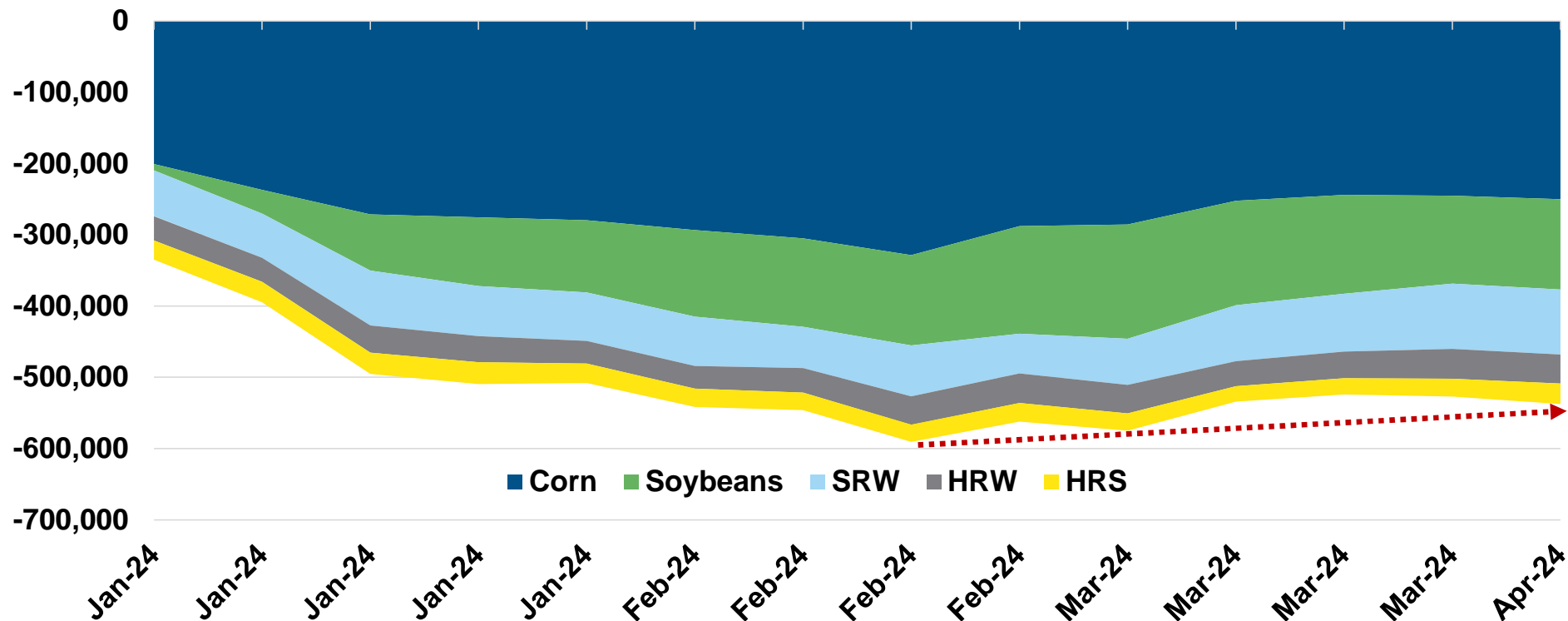
Bottom Line On Fed's Thinking

- Economy has outperformed earlier (low) expectations
- Inflation is “contained” for now, but will take longer to extinguish than predicted
- The economy has more potential than it is showing
- Real interest rates are way too high to launch an economic “take off”
- There are several “whammies” on the gameboard
 - US Politics
 - Global Geopolitics
 - Stock Market Bubble
 - Spiking Oil Prices
 - Commercial Real Estate / Regional Banking

Grain Market Outlook

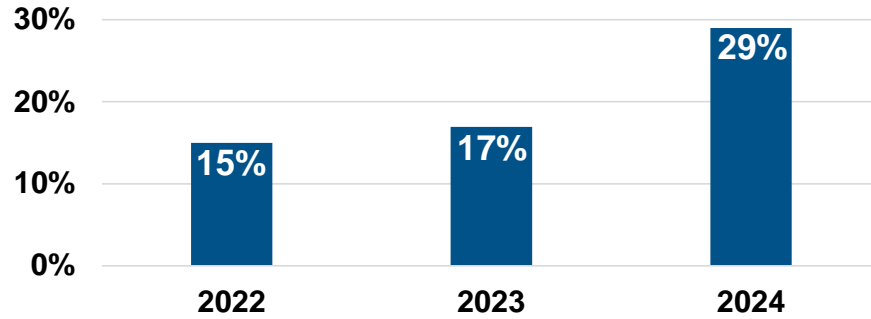
Funds are Trimming Short Positions Heading into Spring

Managed Money Net Position (Longs - Shorts)

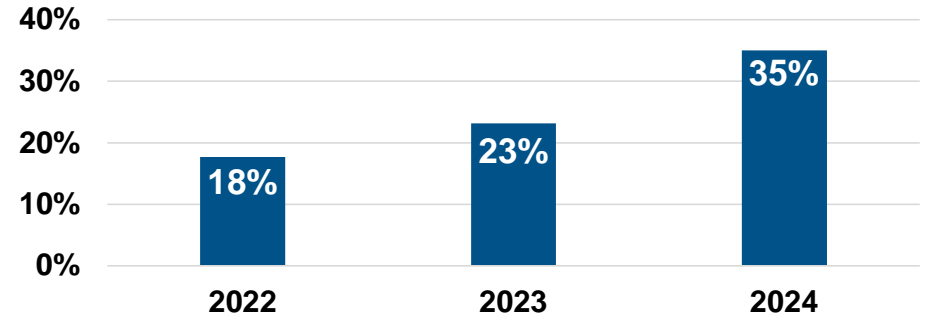


Farmer Ownership of Grain in Commercial Storage in January

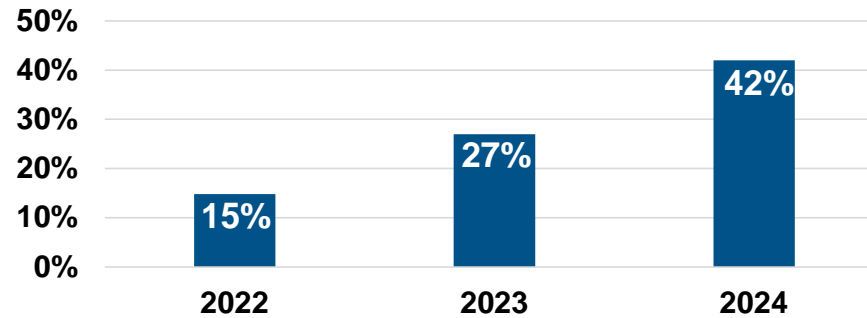
Corn



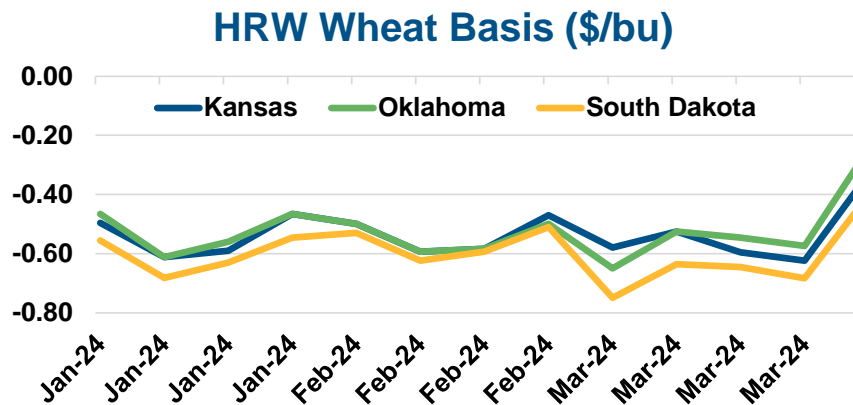
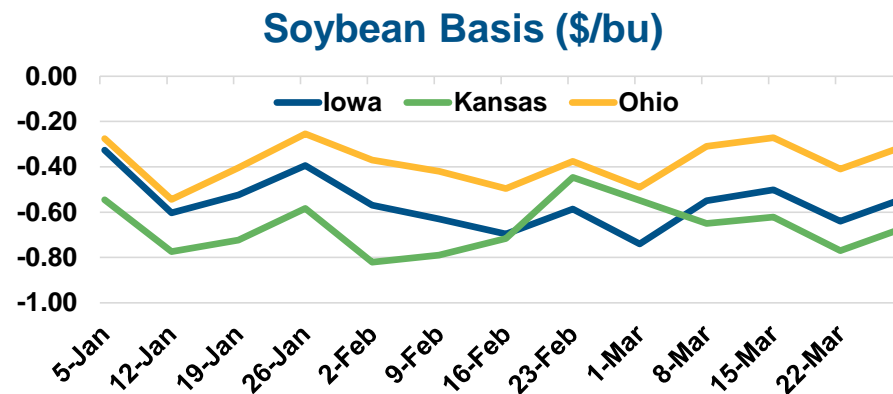
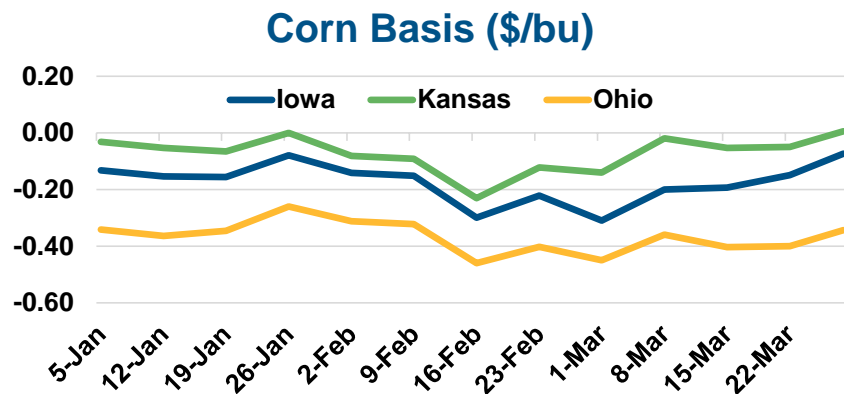
Soybeans



Wheat

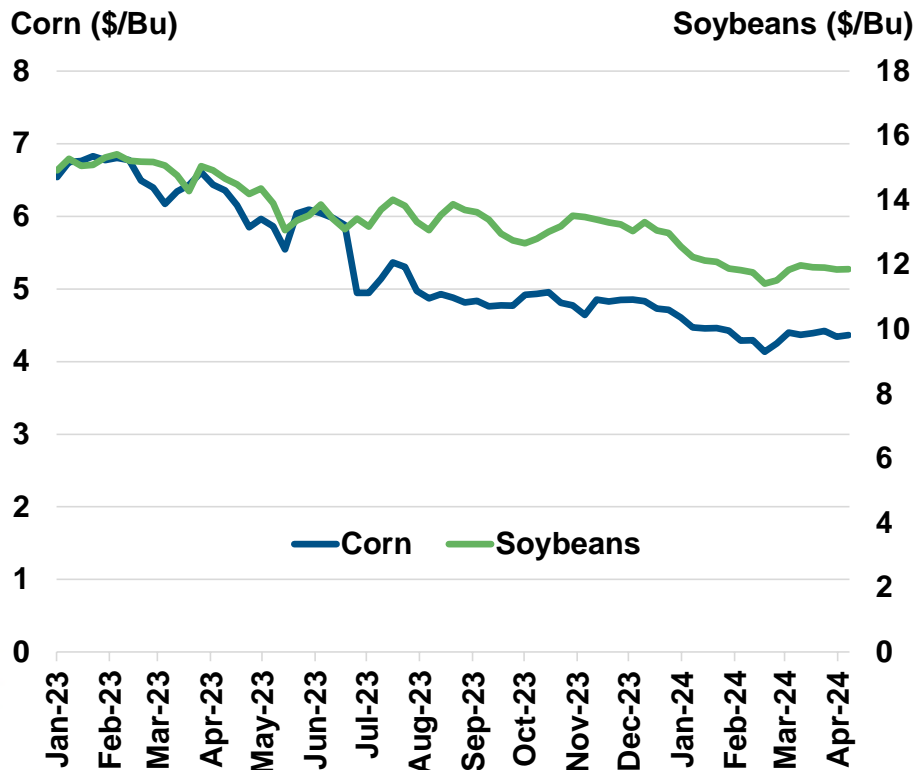


Basis Tightened in Q1 Amid Reluctant Farmer Selling

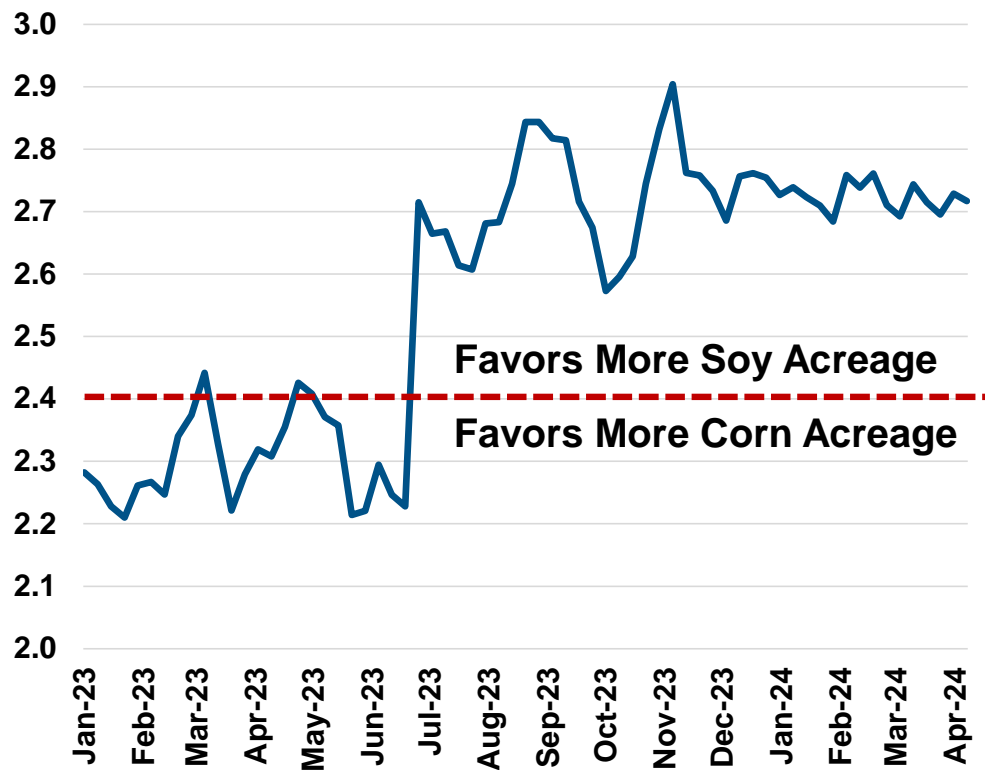


Corn/Soy Prices Have Fallen, but Soy Still Holds Advantage

Corn and Soybean Prices (\$/Bu)

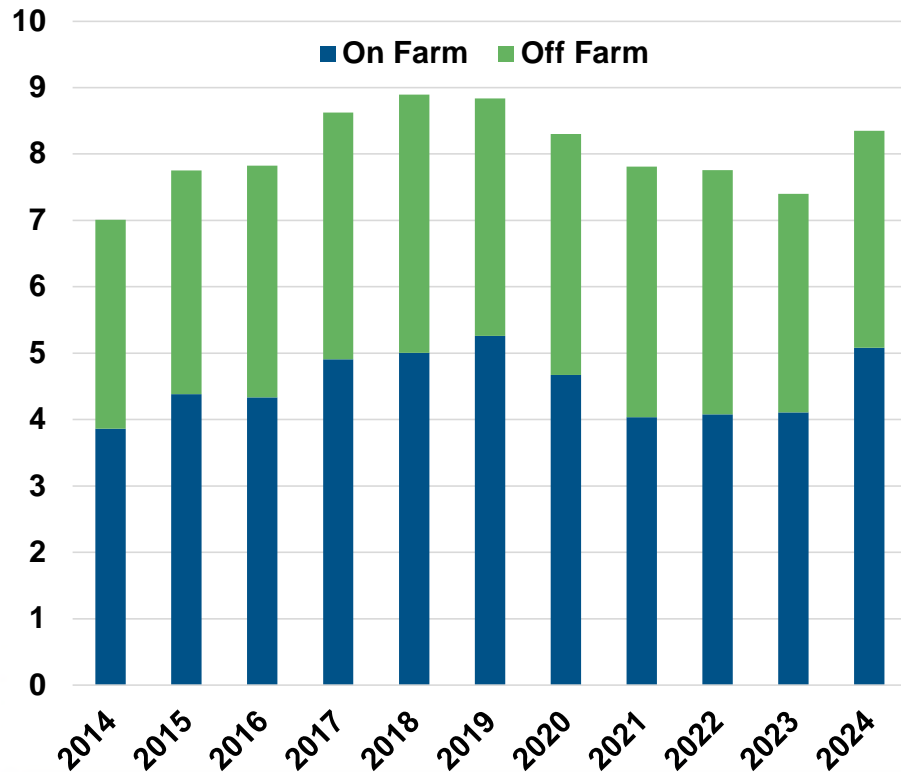


Soybean/Corn Price Ratio

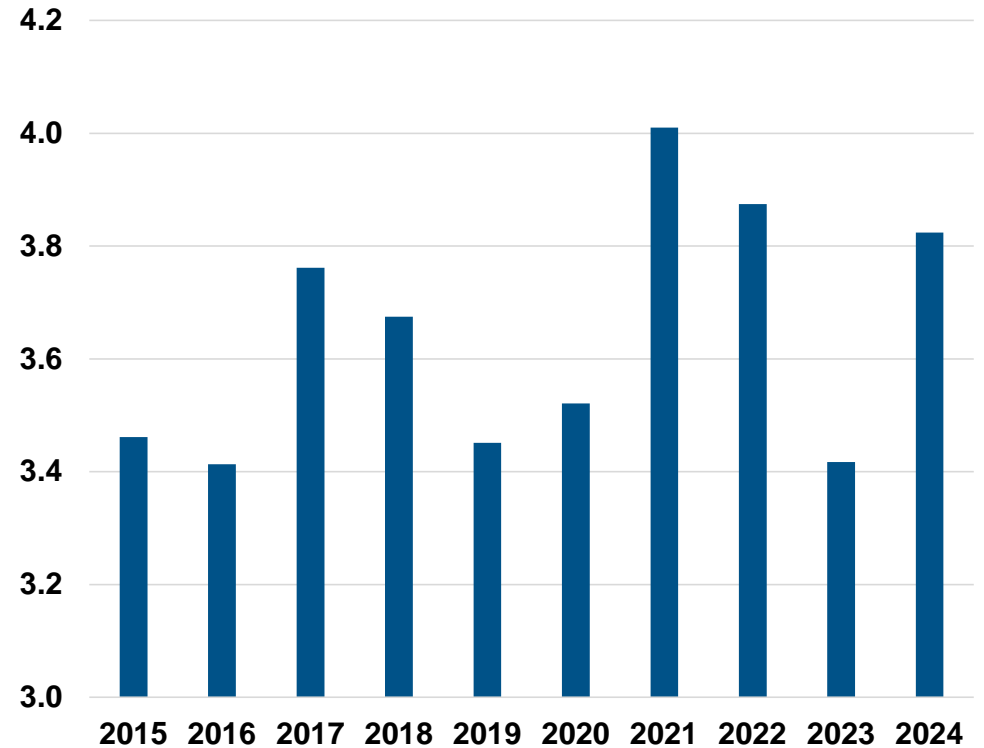


U.S. Corn Inventories are Ample Despite Strong Usage

U.S. Corn Stocks on Mar. 1 (Billion Bu.)

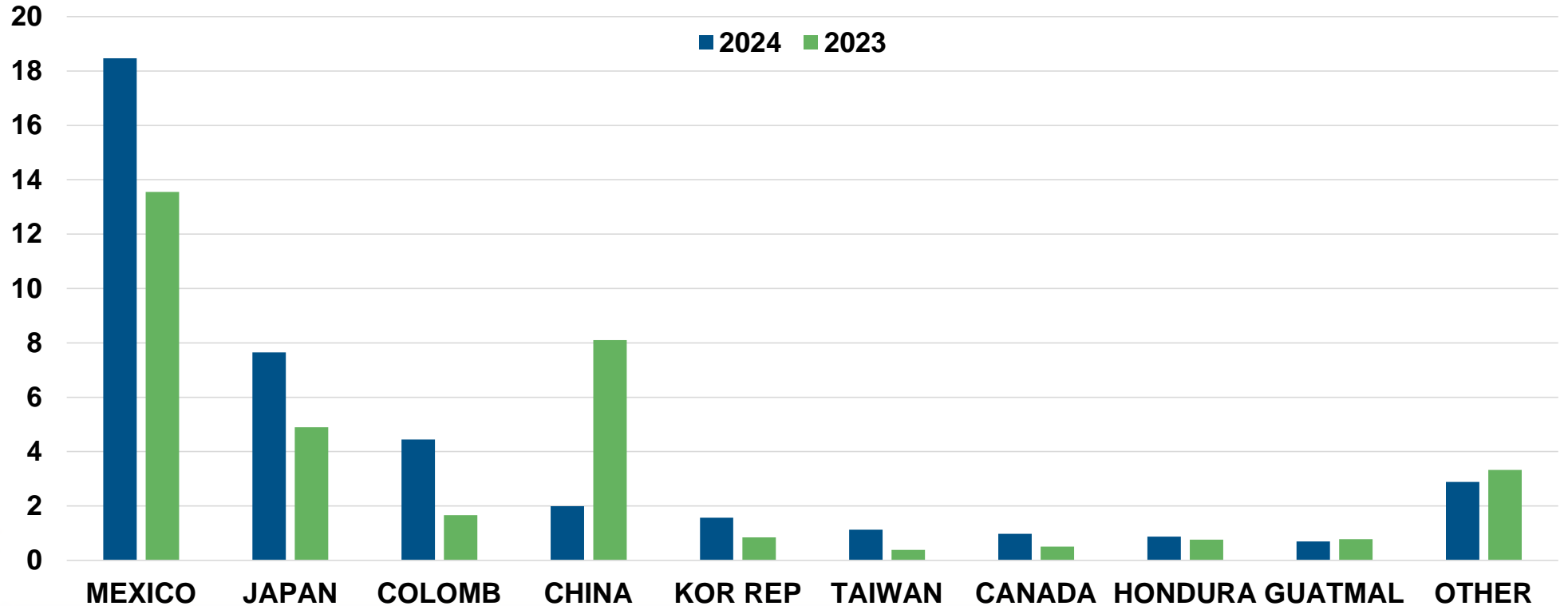


Dec. 1 – Mar. 1 Corn Usage (Billion Bu.)



U.S. Corn Export Sales up 18% YoY, Led by Mexico

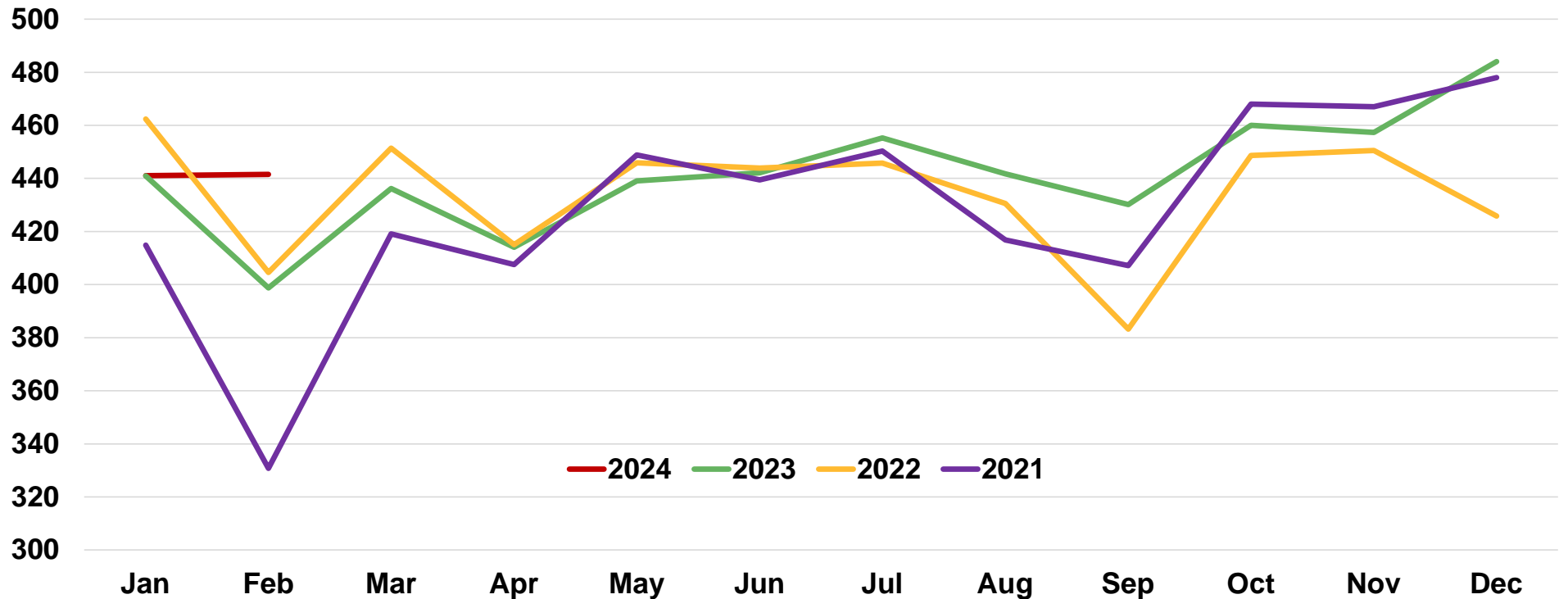
U.S. Corn Export Commitments (MMT)



Source: USDA-FAS

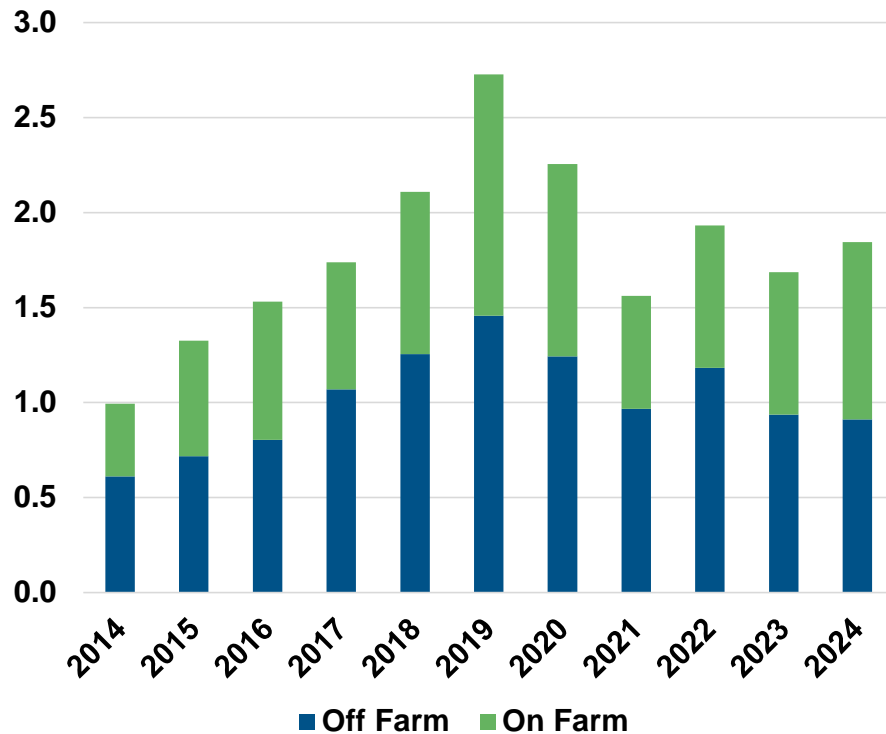
Ethanol Demand for Corn has Moderated in Early 2024

Corn for Fuel Alcohol (Million Bu.)

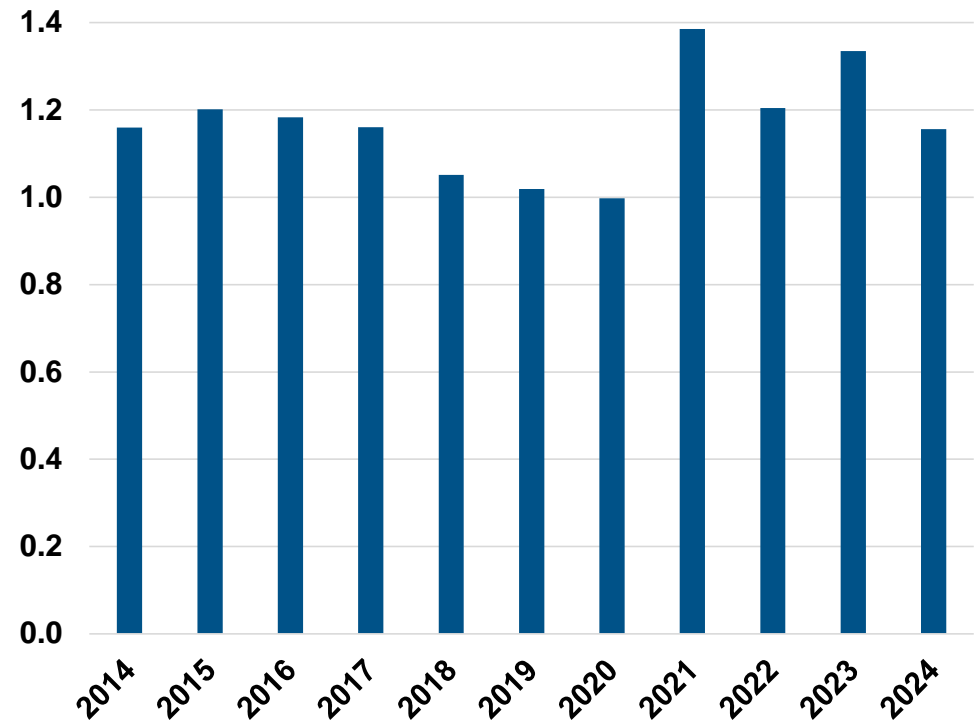


Soybean Stocks up 9% YoY on Falling Exports

U.S. Soybean Stocks on Mar. 1 (Bill. Bu.)

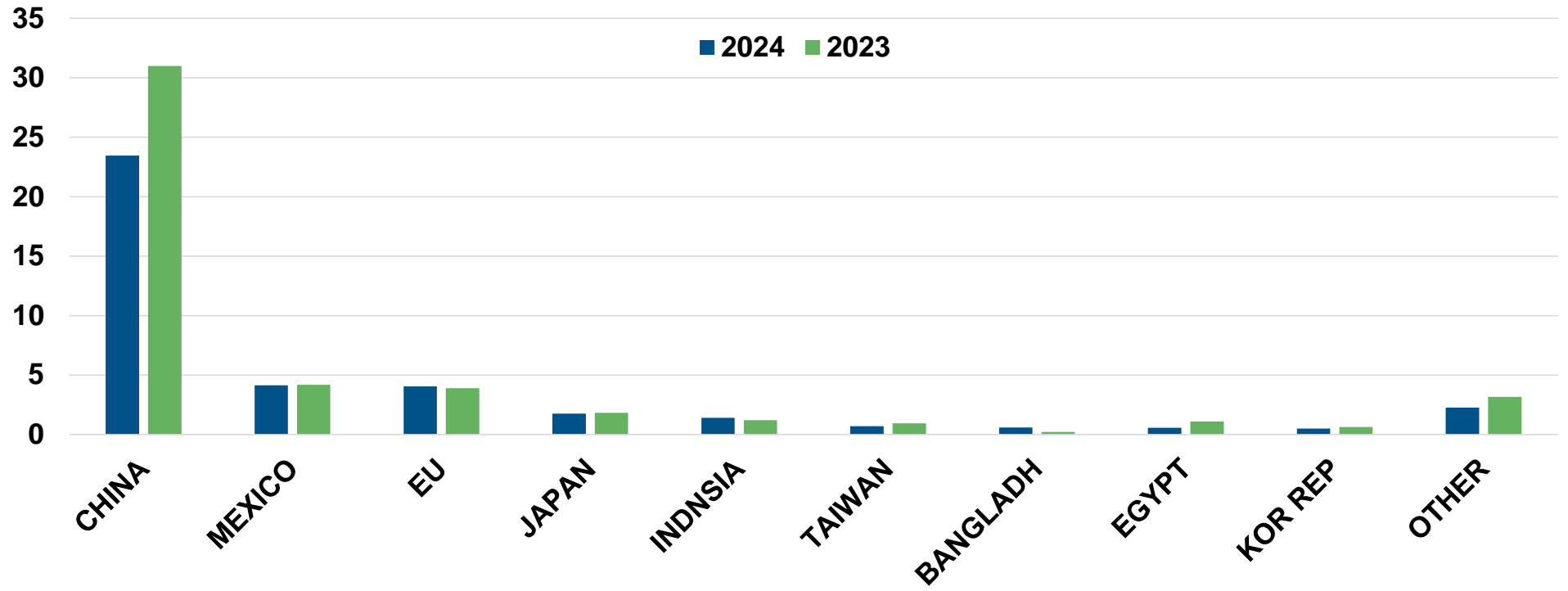


Dec 1 – Mar 1 Soybean Usage (Billion Bu.)



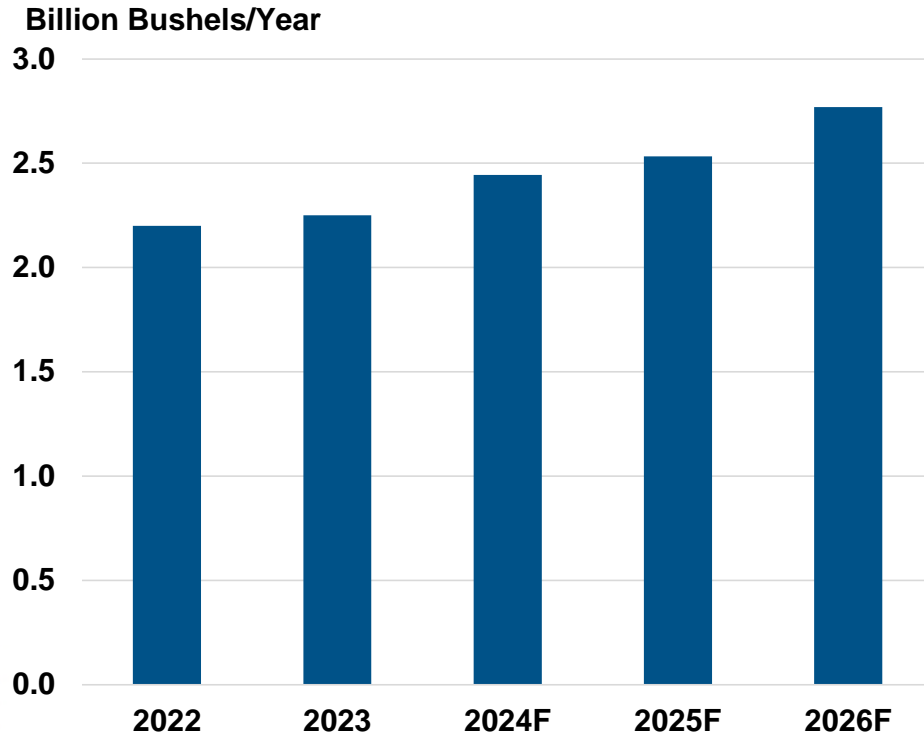
Soybean Export Commitments Down 19% YoY

U.S. Soybean Export Commitments (MMT)

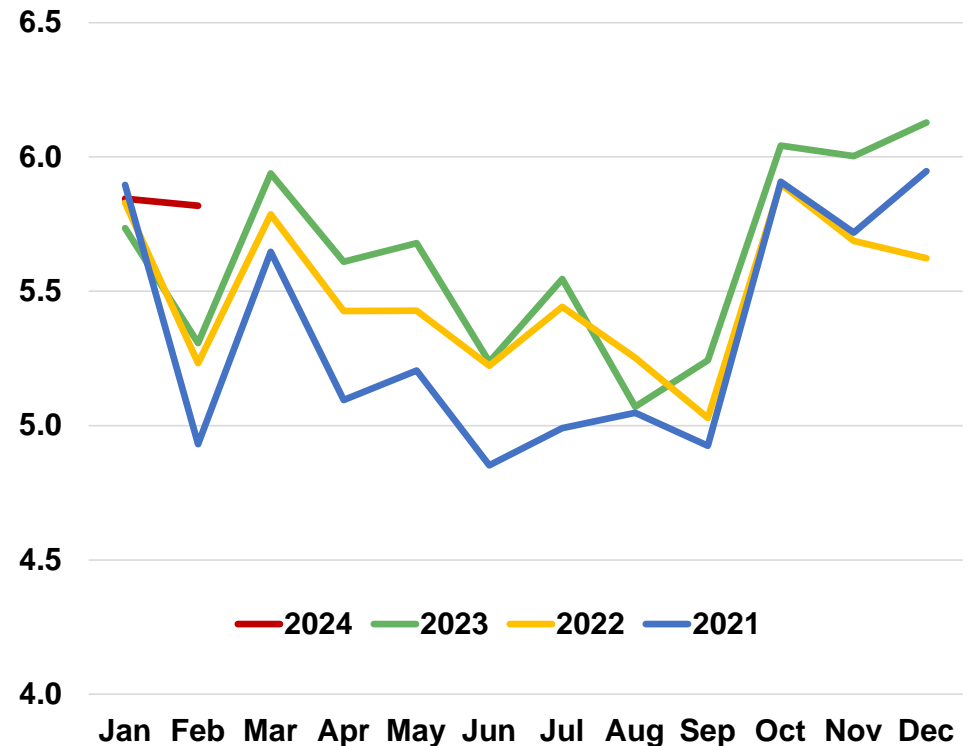


U.S. Crush Pace Continues to Expand

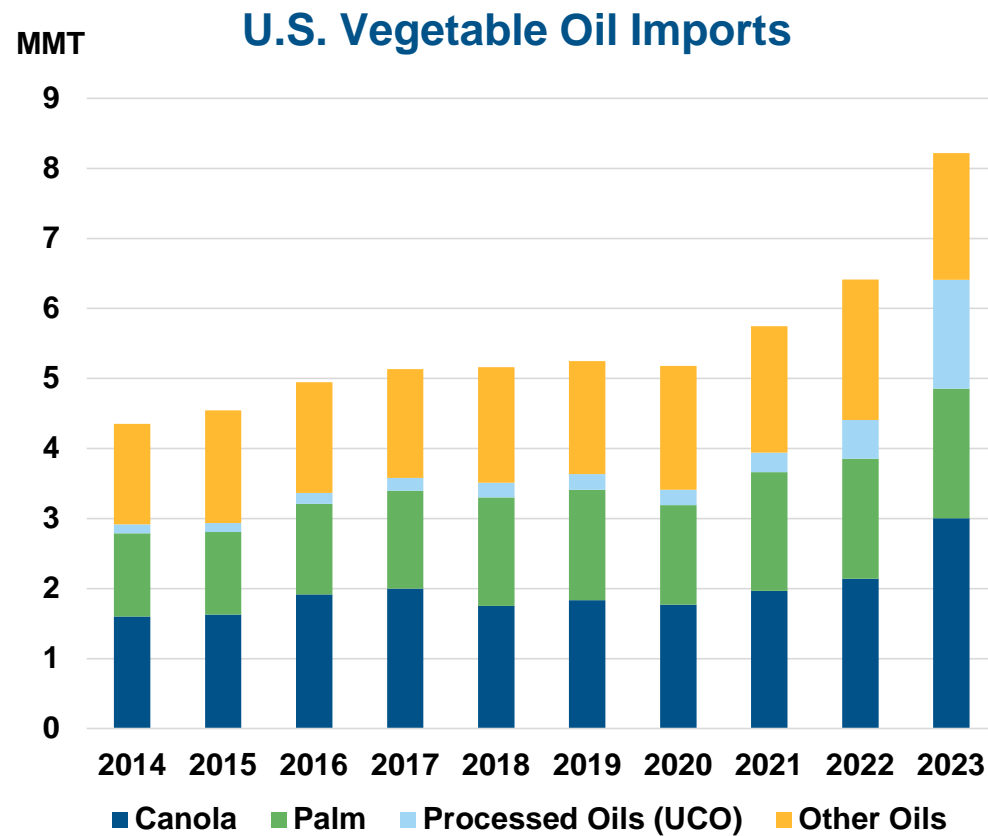
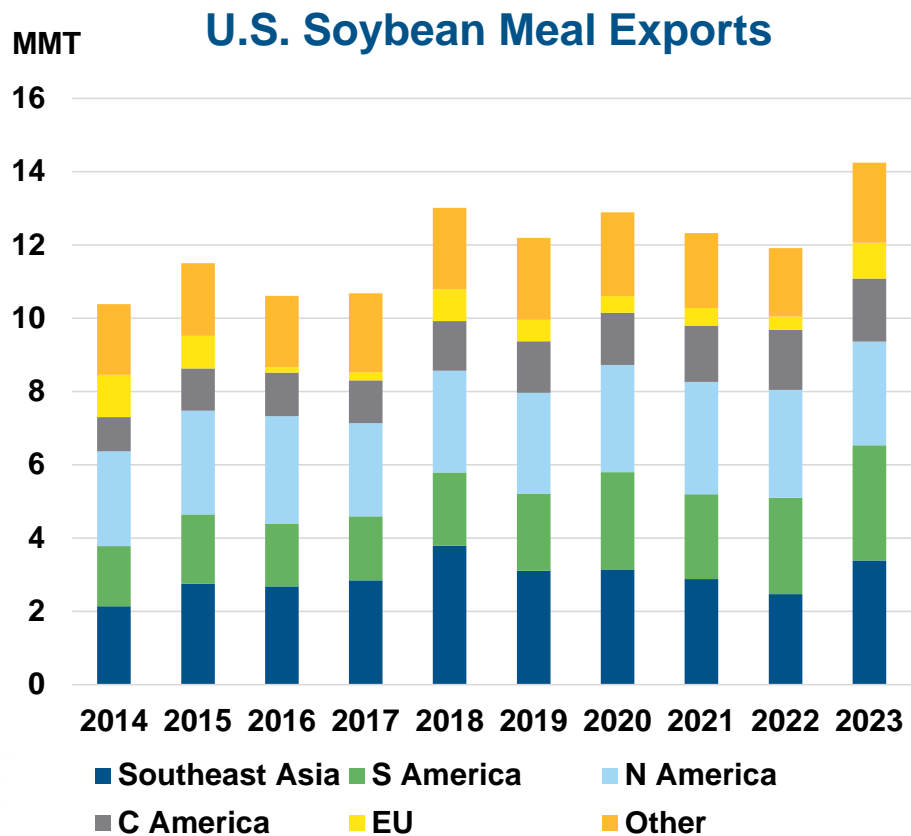
U.S. Soybean Crush Capacity



U.S. Soybean Crush (Million Bu.)



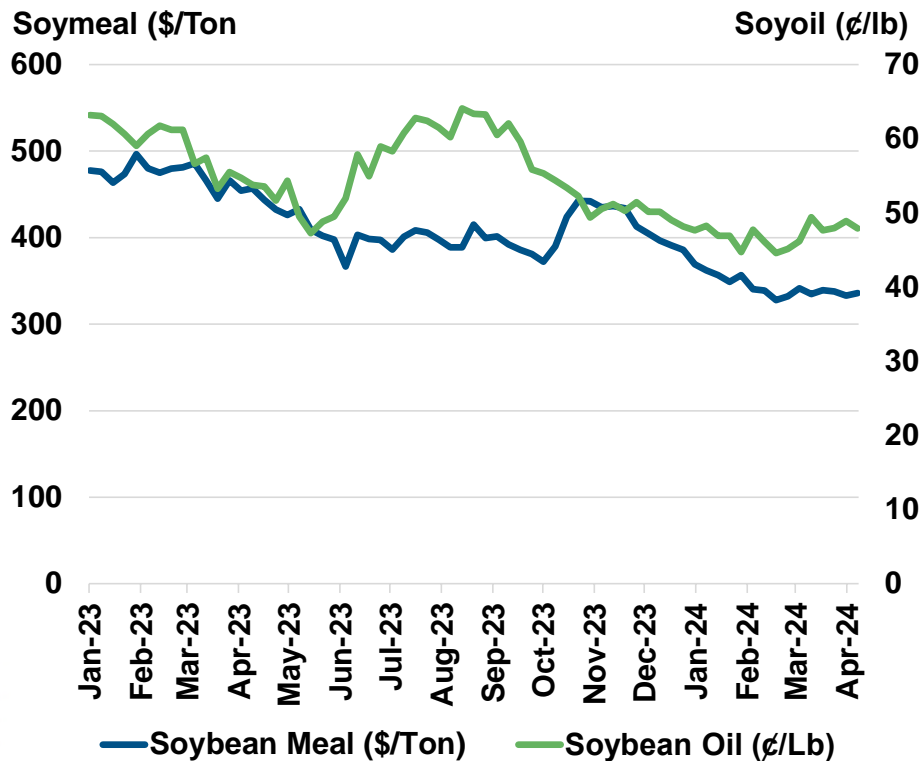
Record Soybean Oil Imports Have Weighed on Soyoil Prices



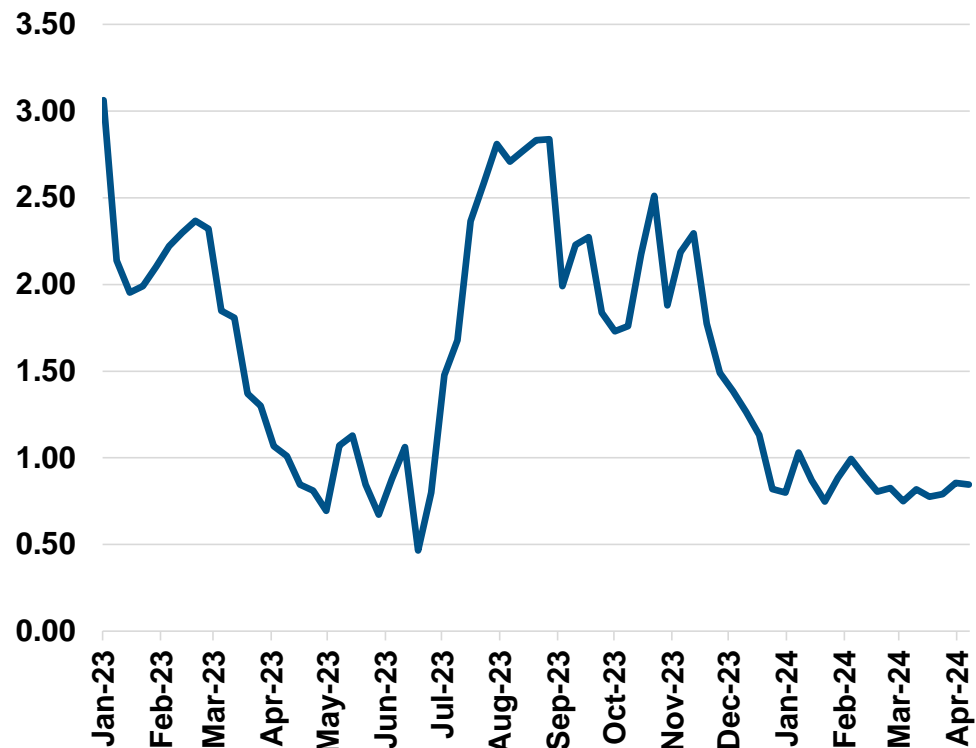
Source: USDA-FAS

Falling Soy Product Prices have Eroded Crush Margins

Soymeal vs Soyoil Prices

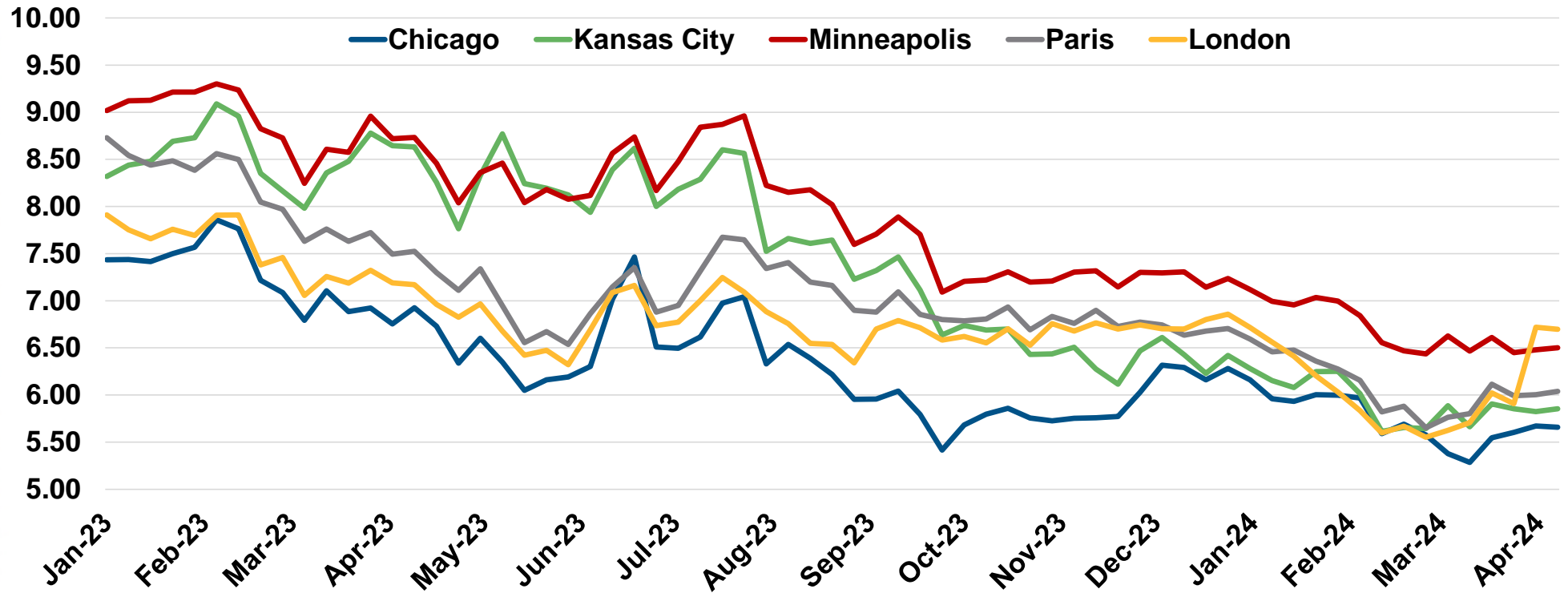


Soybean Crush Margin (\$/Bu)



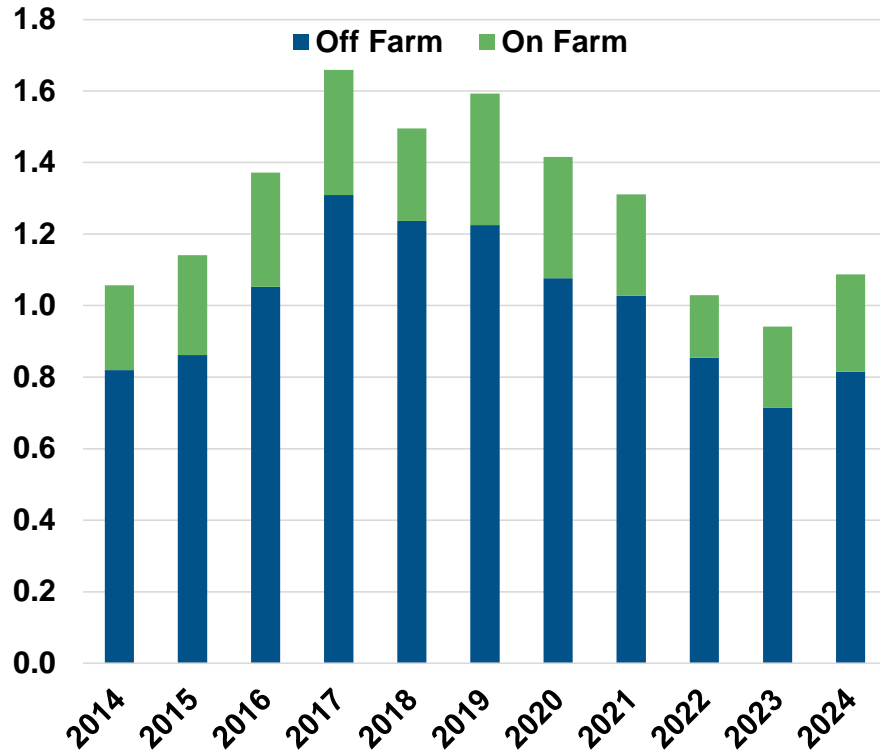
Wheat Prices Pressured by Dollar, Corn, and Russia

World Wheat Prices (\$/Bu)

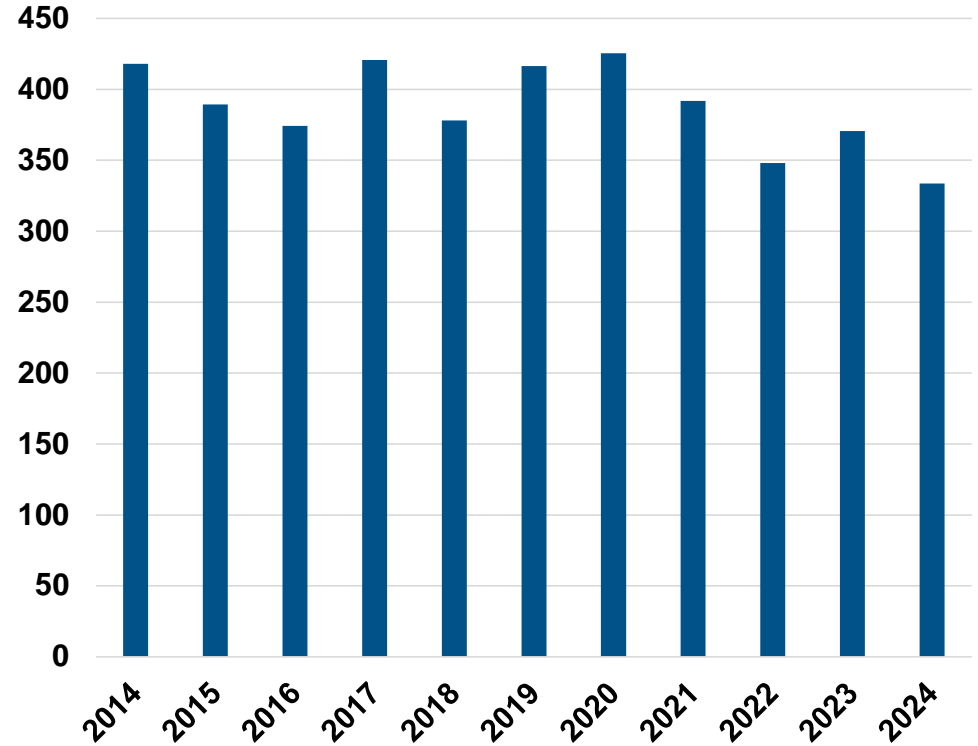


Wheat Stocks up 16% YoY on Bigger Crop, Falling Usage

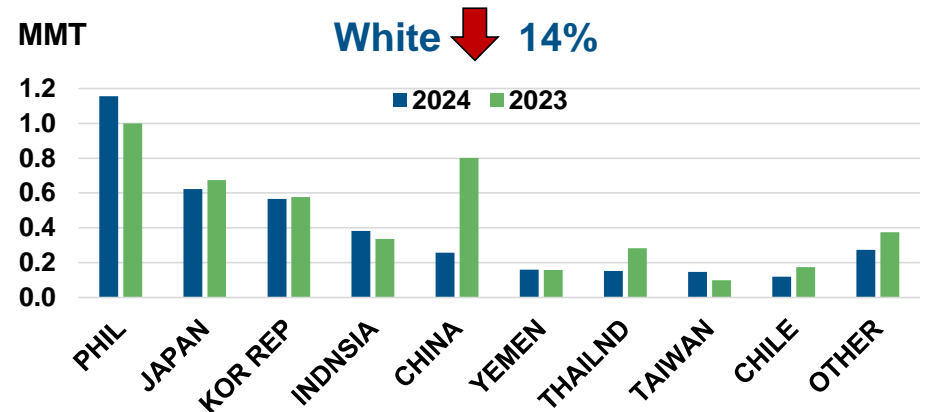
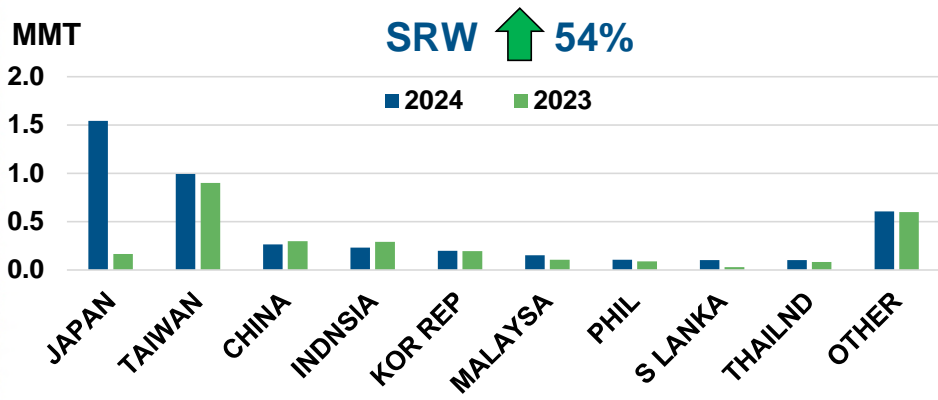
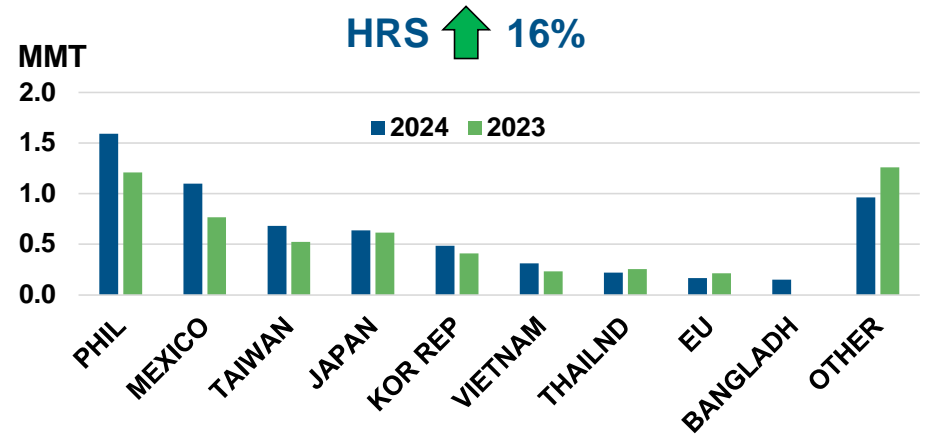
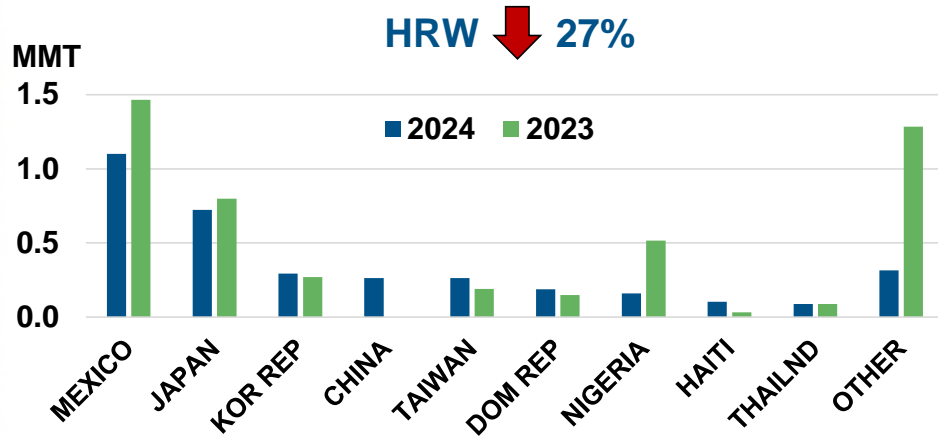
U.S. Wheat Stocks (Billion Bu.)



U.S. Wheat Usage, Dec 1 – Mar 1 (Million Bu.)

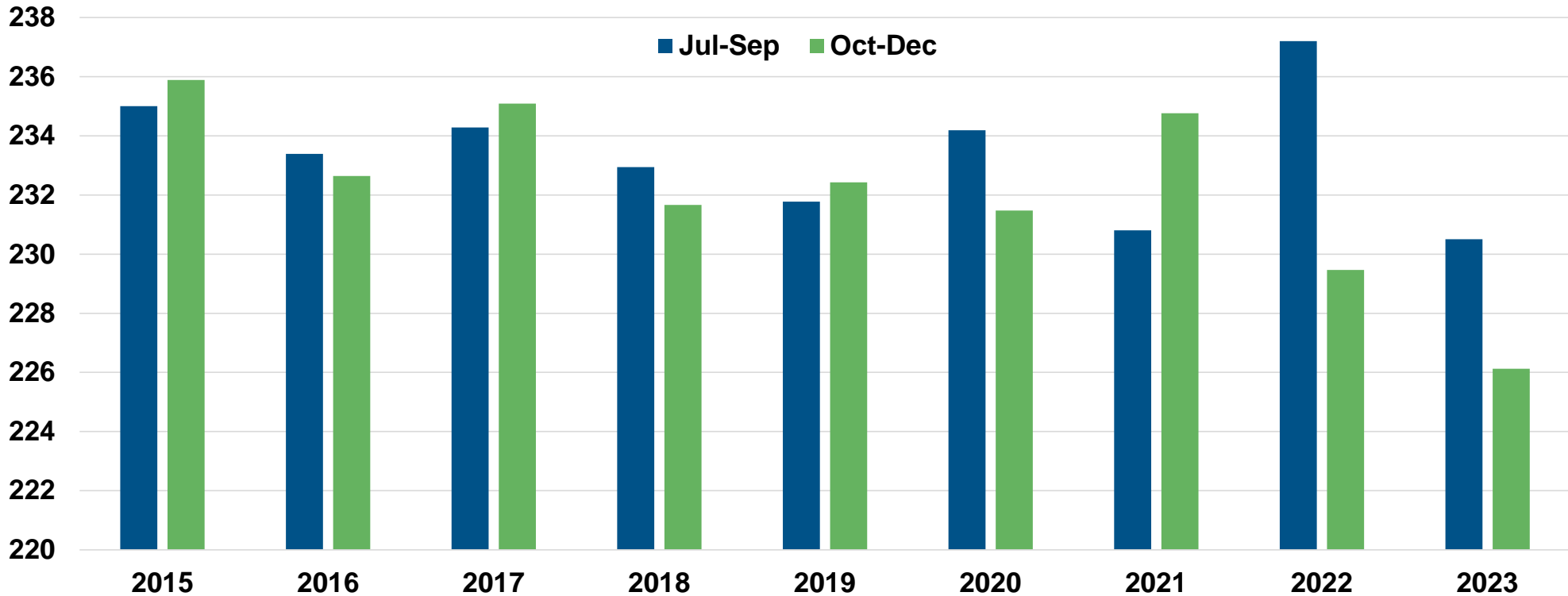


U.S. Wheat Export Commitments up 3.3% YoY



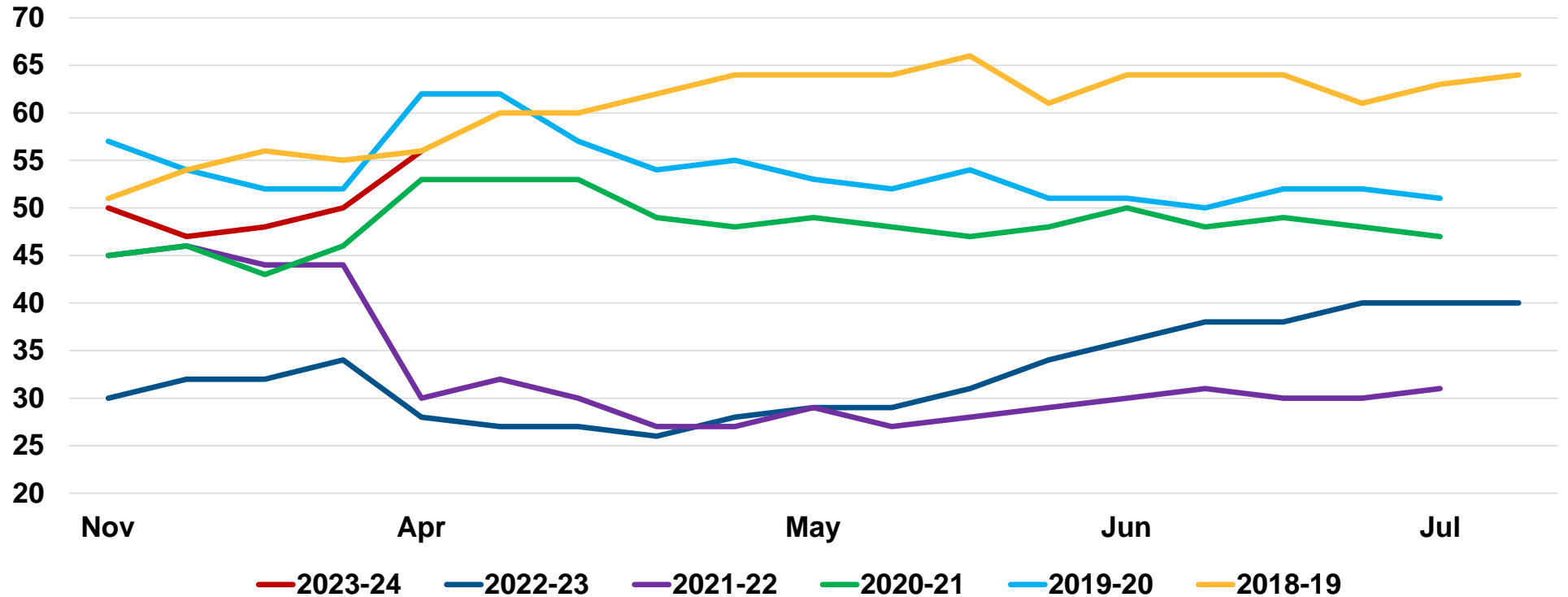
U.S. Demand for Wheat Falling as Consumer Trends Change

U.S. Wheat Milled for Flour (Million Bu.)



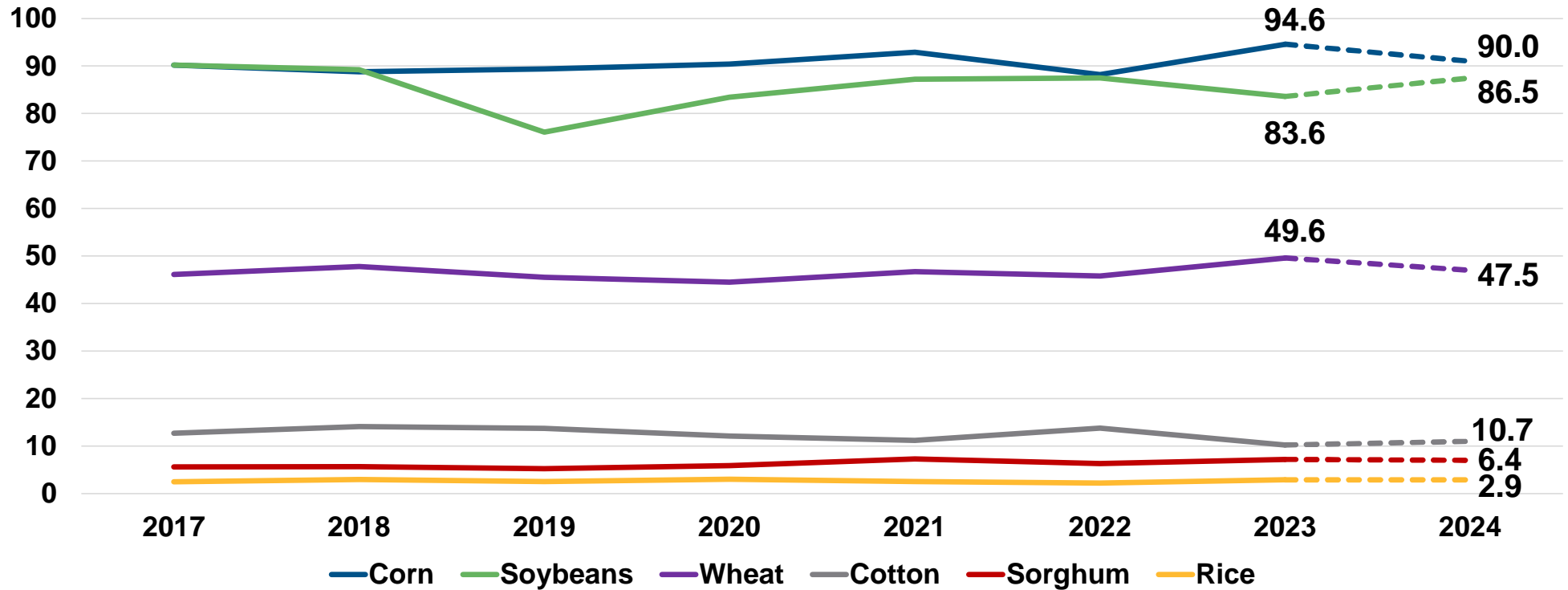
Wheat Conditions are Improving, but La Nina is New Risk.

U.S. Winter Wheat Good/Excellent Ratings (%)



Soybeans Expected to Draw Acres from Corn and Wheat

U.S. Planted Acreage (Million Acres)

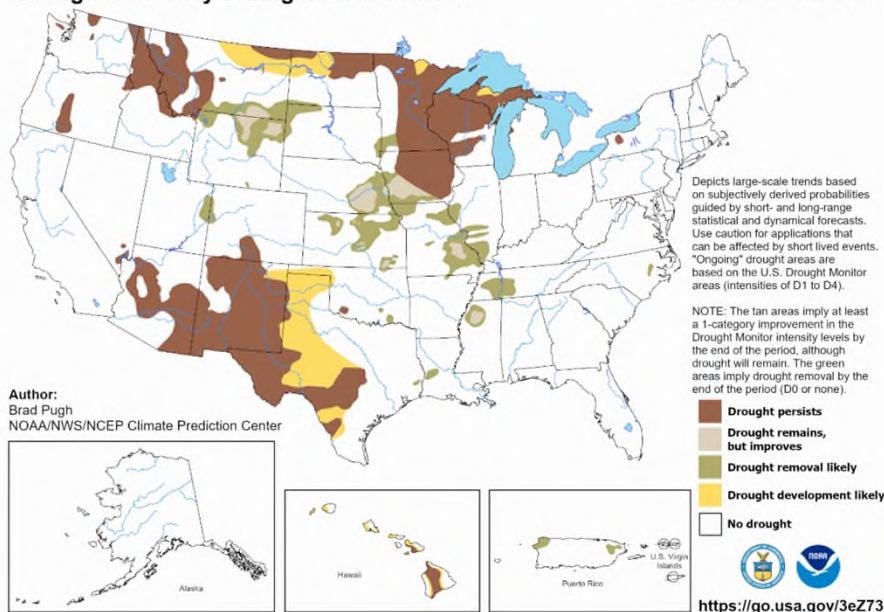


Spring Planting Outlook

Spring Rains Improved Seasonal Outlook Considerably

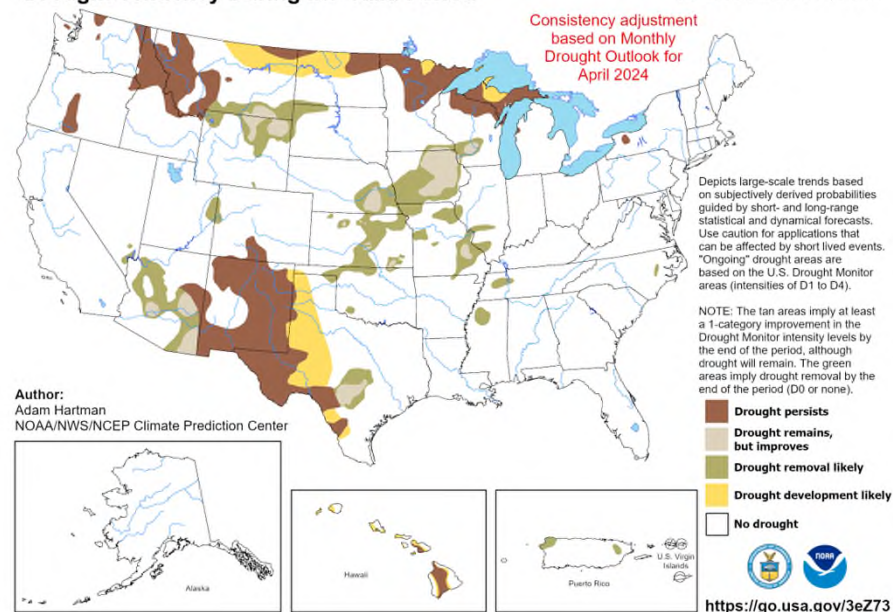
U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for March 21 - June 30, 2024
Released March 21, 2024



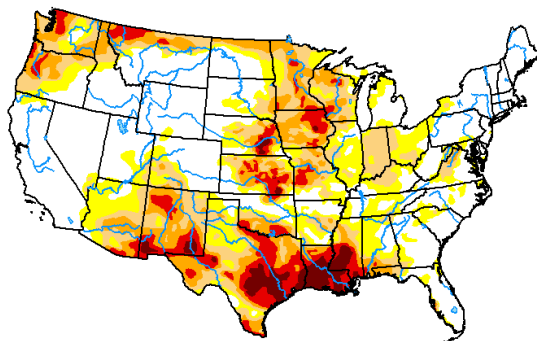
U.S. Seasonal Drought Outlook Drought Tendency During the Valid Period

Valid for April 1 - June 30, 2024
Released March 31, 2024



Drought Conditions Improving Significantly

U.S. Drought Monitor Contiguous U.S. (CONUS)



September 26, 2023
(Released Thursday, Sep. 28, 2023)
Valid 8 a.m. EDT

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

Author:

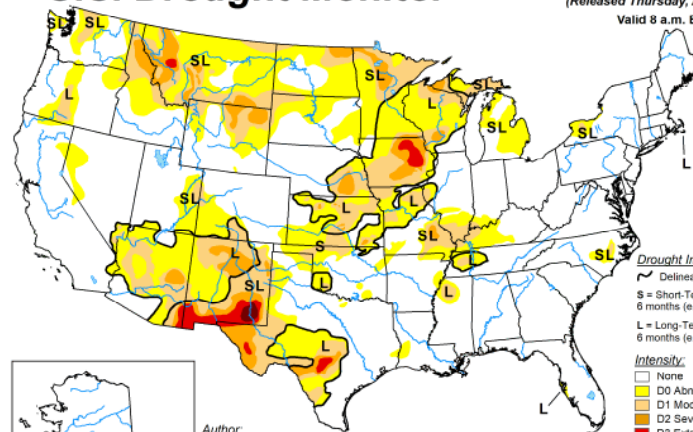
Richard Heim
NCEI/NOAA



droughtmonitor.unl.edu

U.S. Drought Monitor

April 2, 2024
(Released Thursday, Apr. 4, 2024)
Valid 8 a.m. EDT



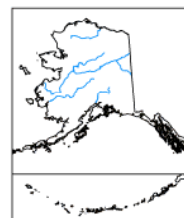
Drought Impact Types:

- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

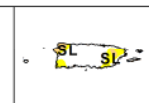
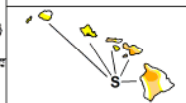
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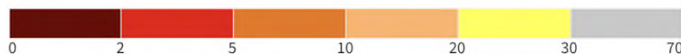
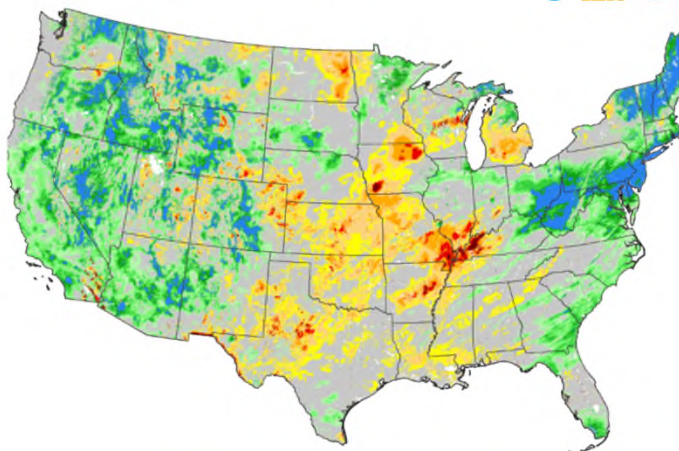
Author:
Brad Pugh
CPC/NOAA



droughtmonitor.unl.edu

Soil Moisture Still Concerning In Midwest Growing Areas

0-100 cm Soil Moisture Percentile



This NASA SPoRT-LIS soil moisture map shows the moisture content of the top 100 cm of soil compared to historical conditions (1981-2013), based on the Noah unified land surface model. Red and orange hues indicate drier soils, while greens and blues indicate greater soil moisture.

Source(s): NASA

Source(s): NASA

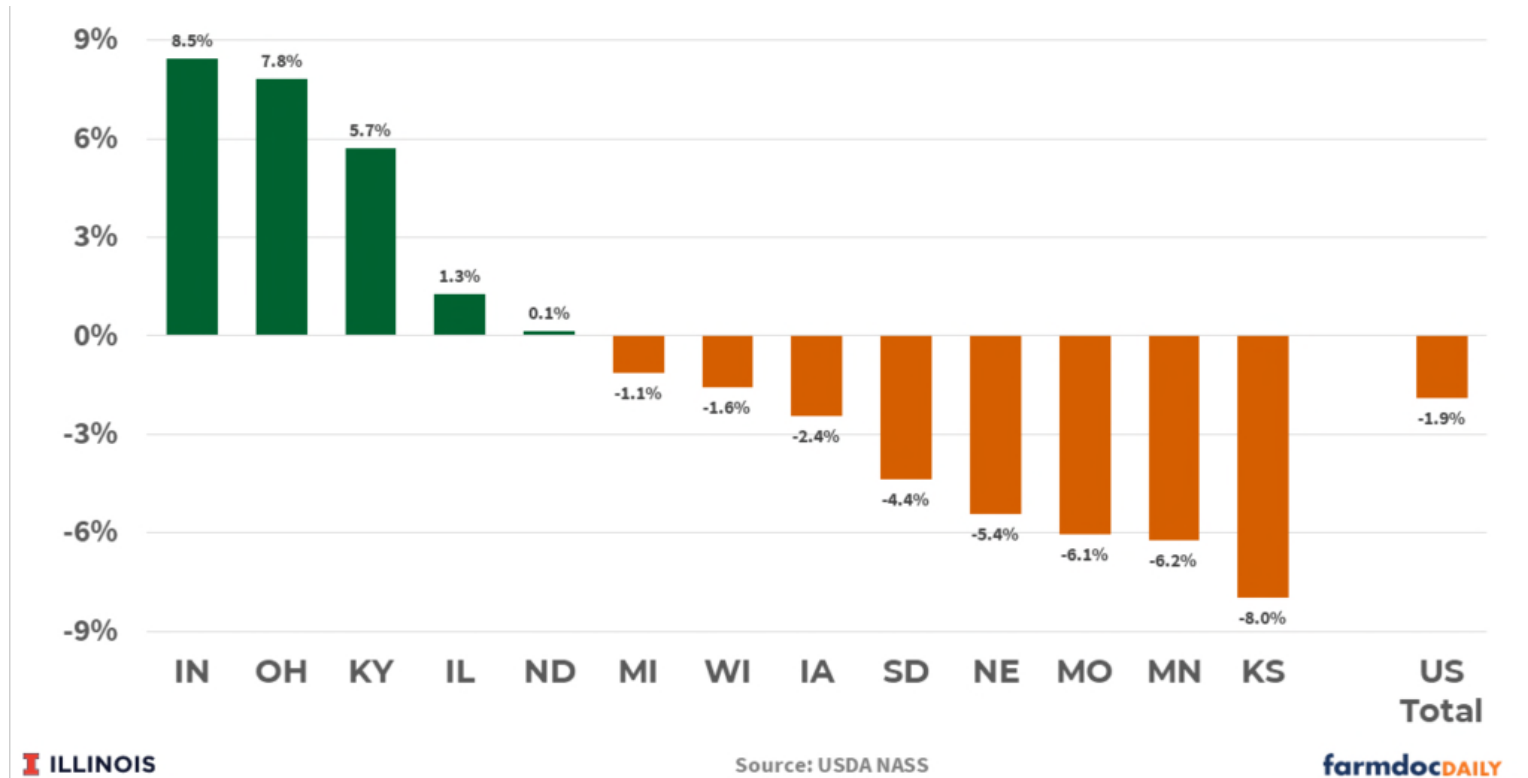
Data Valid: 04/05/24

[Drought.gov](https://drought.gov)

- Since June 2023, monthly soil moisture levels have recorded the lowest values in a five-year period.
- Does this mean another drought is coming?
- Dry soils can also lead to nitrogen loss.

Last Year's Dryness Dragged on Corn Yields

US and State Corn Yields Relative to Trend in 2023



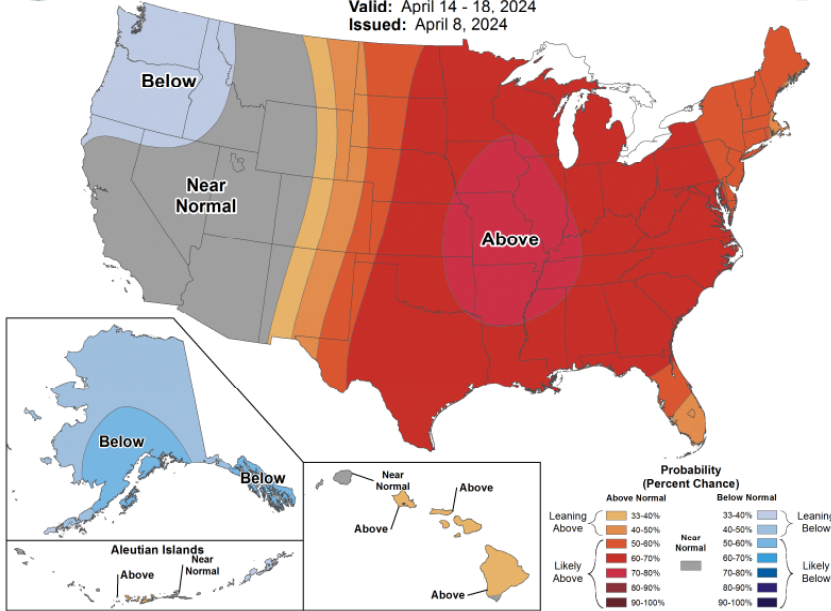
Warmer Weather Ahead With Drier Conditions Likely

Late April coolness not expected... for now



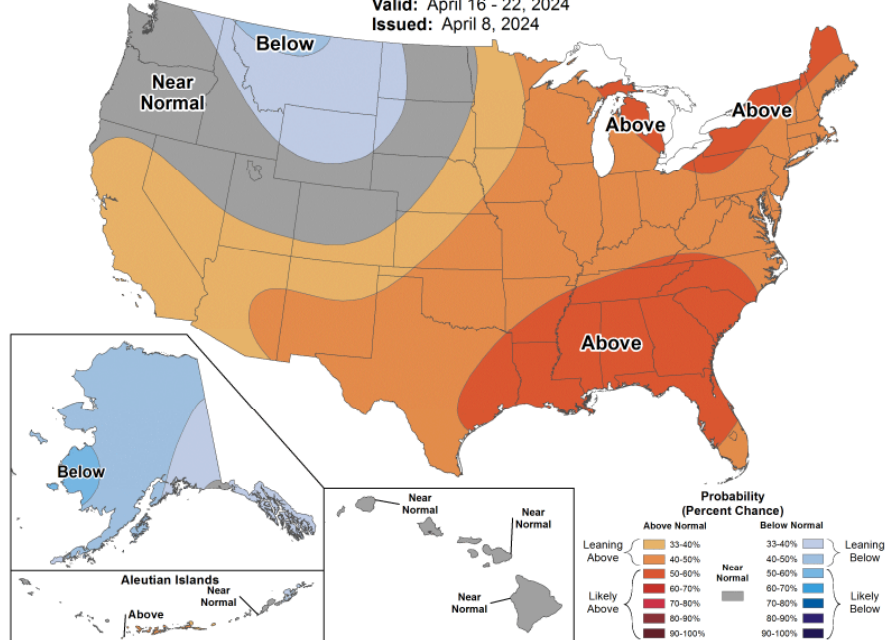
6-10 Day Temperature Outlook

Valid: April 14 - 18, 2024
Issued: April 8, 2024

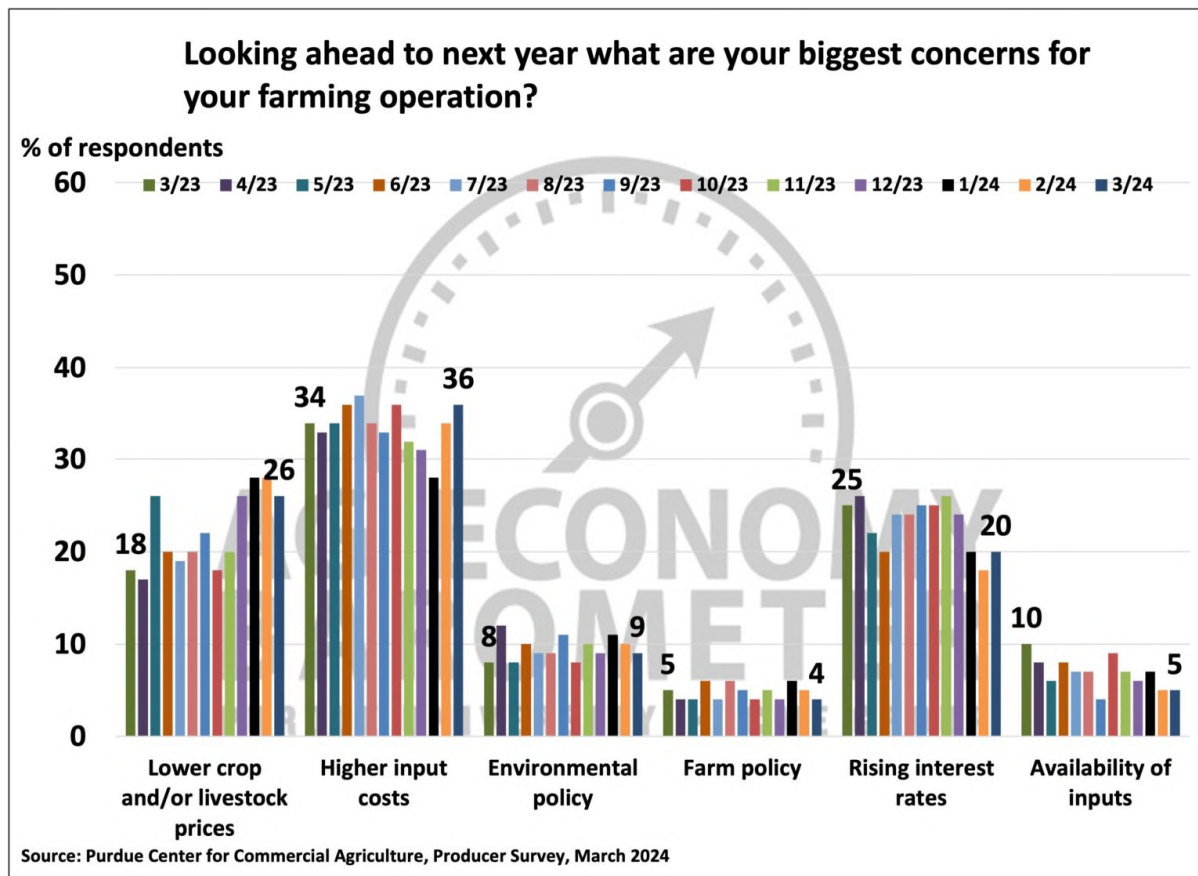


8-14 Day Temperature Outlook

Valid: April 16 - 22, 2024
Issued: April 8, 2024



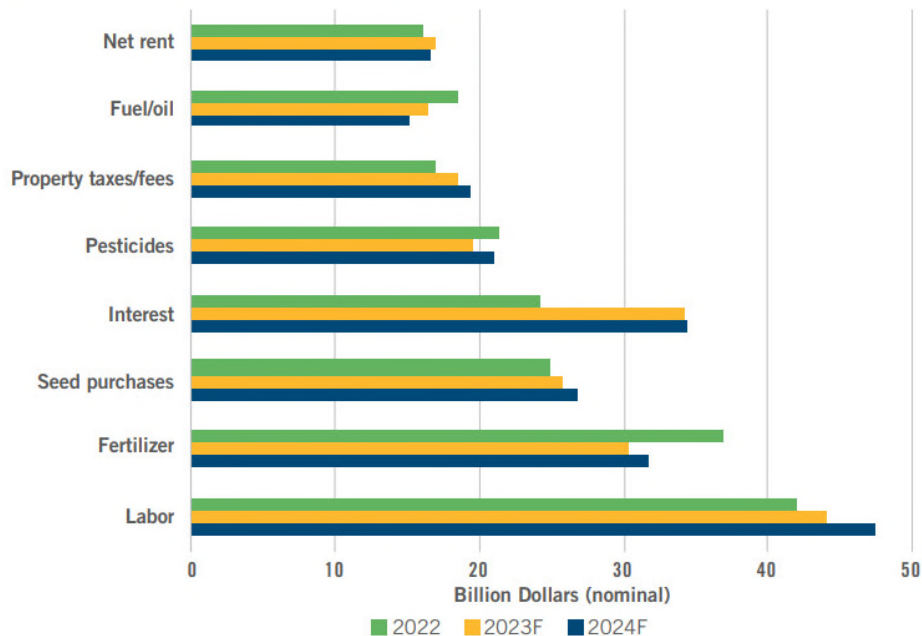
What's Keeping Farmers Up At Night?



- Higher input costs still causing angst compared
- Rising interest rates less of a concern compared to year ago levels
- Farm bill apparently still not high on anyone's list

Farm Production Costs Heading Into 2024

EXHIBIT 1: Selected U.S. Farm Production Costs
2022-2024F



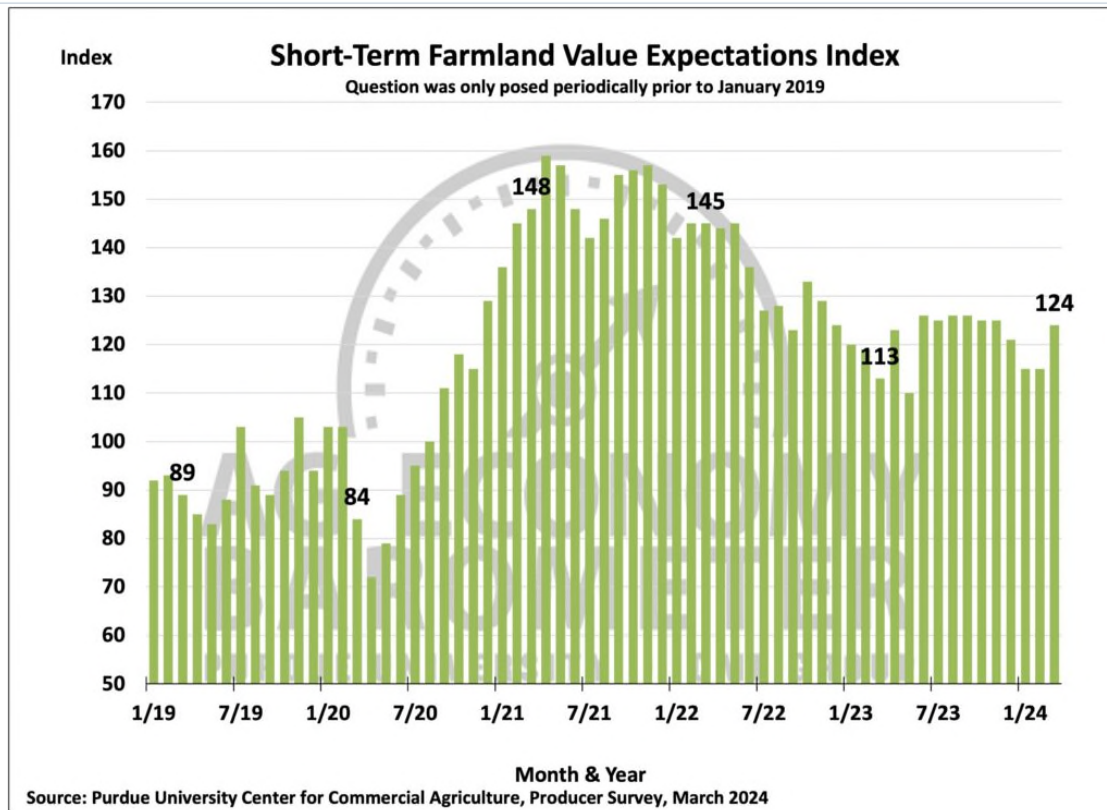
Source: USDA-AMS

- Some relief seen in rent and fuel/oil
- Property taxes and interest rates higher
- Fertilizer prices see some relief for 2024, but supply constraints seen in recent months heading into the early spring
- 2023 final numbers out May 1

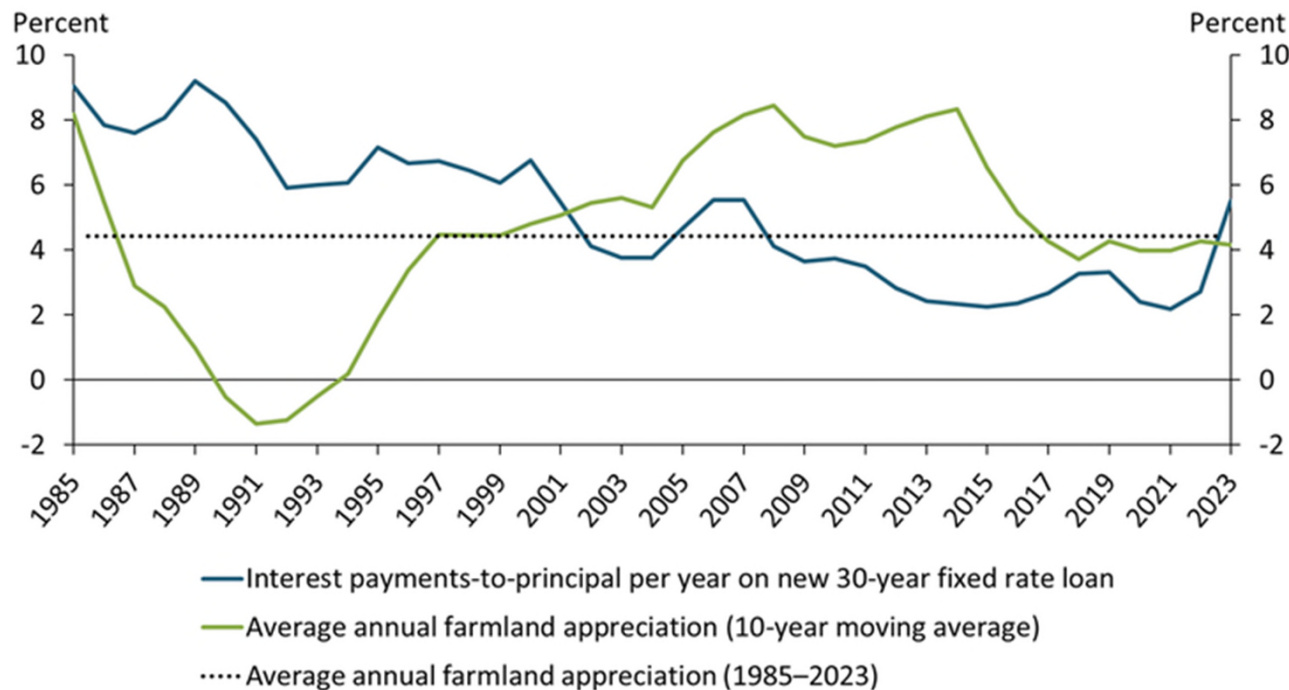
Farmers Anticipate Farmland Values Will Increase Next Year

Short-Term Farmland Values Index rose to a reading of 124, 9 points higher than in February.

- 38% of respondents said they look for farmland values to increase in the year ahead compared to 31% of farmers who said they expected values to rise in both the January and February surveys.

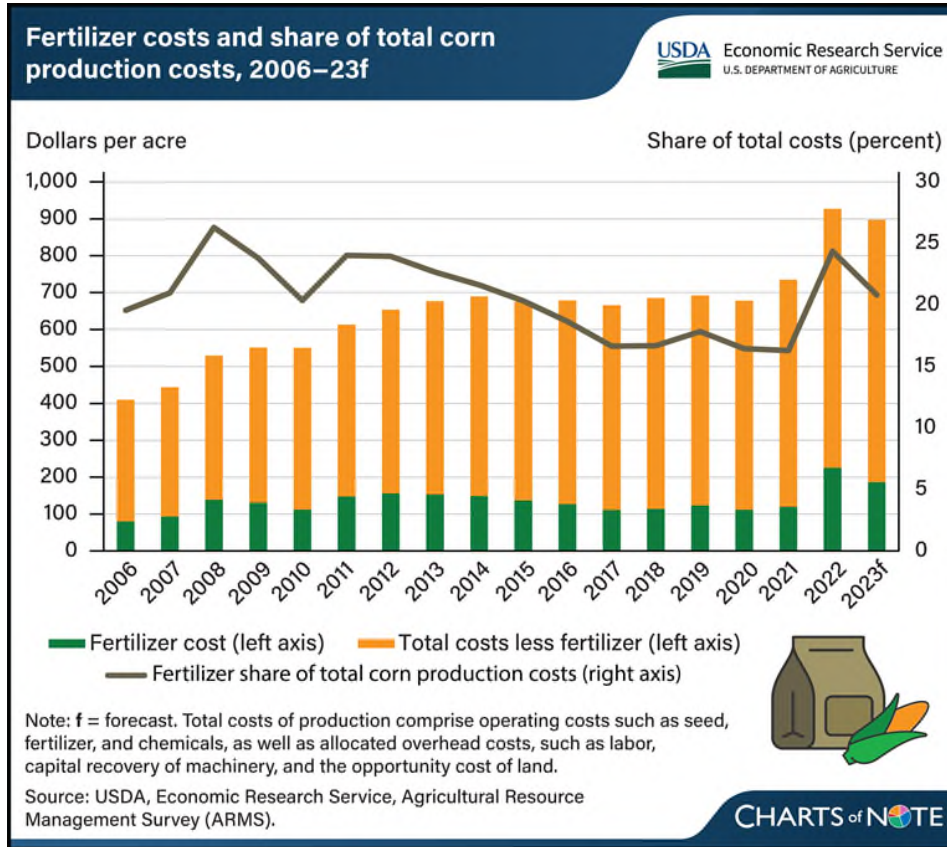


Interest Rates Soften Demand for Farmland Purchases



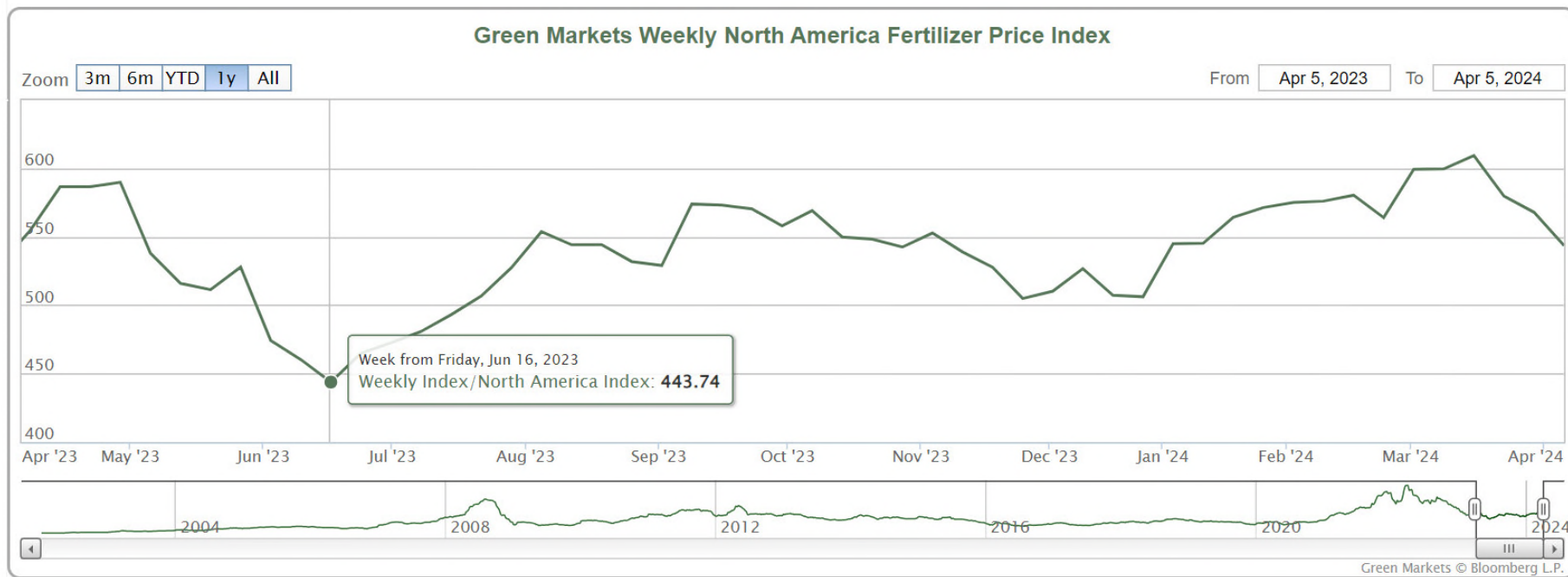
- From 2002 to 2022, growth in agricultural real estate values was well above the cost of financing.
- As interest rates reach levels above land value appreciation, farm profitability will determine whether farmland purchase can pencil out.

Fertilizer Costs Compared to All Production Costs



- Average cost of fertilizer per acre from 2006 to 2021 was around \$125, not adjusting for inflation.
- Costs jumped to an average of \$225.78 per acre in 2022, and then fell to an estimated \$186.73 in 2023.
- This represents an 89% increase from 2021 to 2022 followed by a decrease of 17% from 2022 to 2023.

Fertilizer Prices Back on the Downward Trend



Spring supply hiccups experienced across the country with farmers wanting to get an early start on spring applications and supply constraints.

Questions?

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Tanner Ehmke – tehmke@cobank.com

Jacqui Fatka – jfatka@cobank.com