

Farm Bill Extended...

A one-year extension of the 2018 Farm Bill was included in a continuing resolution (CR) bill passed by Congress and signed by President Biden in mid-November. The CR averted a government shutdown and keeps the government funded into the new year. The extension ensures that programs such as Agriculture Risk Coverage, Price Loss Coverage and Dairy Margin Coverage continue in effect for CY2024.

In addition to the commodity programs, \$15 million in funding for feral swine eradication and \$37 million for the Foundation for Food and Agriculture research are also included in the CR.

The extension gives lawmakers until the end of 2024 to pass either a new Farm Bill or another extension. This bill not only averts a government shutdown, but also includes funding for almost all “orphan” programs that would have otherwise lost funding as of January 1st. The extension gives Congress an additional 10 months

to pass a new Farm Bill. Despite this longer runway, much negotiation lies ahead. Legislators still need to decide how IRA funding will be distributed as well as funding for the Supplemental Nutrition Assistance Program (SNAP), two extremely contentious issues. It is expected that Congress will use this extension to present a draft of a new Farm Bill early next year.

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Agri-Pulse.

What's inside this Issue?

Farm Bill Extension; Top Ag Stories of 2023; Fertilizer Outlook; AEWR; Projected Cost of Production for 2024; Cattle Estimates and Prices; IRS Taxes; Market Updates; and more!

Recapping the Top 10 Ag-related News Stories of 2023

Each year, the Editors at DTN Progressive Farmer summarize the major news stories of the year related to both agricultural and food policy. Here is a recap of the top 10 stories from the previous year.

#10: Livestock Producers Lean into USDA's Livestock Risk Protection Coverage (LRP). One of the biggest underlying stories of 2023 was how livestock producers embraced Livestock Risk Protection policies. Livestock Risk Protection (LRP) has become a popular risk-management option for producers. The policies are set up to reduce losses from price declines. As prices were dropping in the fall, the policies appear to have been a wellspring of salvation for producers. LRP policies go back 20 years: USDA's Risk Management Agency (RMA) increased the premium subsidies in 2019 and continued to adjust them in 2020, creating tiered rates based on coverage levels. Policies can range from 70% to 100% with the premium subsidies at 55% for policies up to 79% protection levels, and subsidies declining to 25% for the 95%-and-higher coverage levels.

At the end of a policy, an indemnity is generated if the regional/national cash price average is below the insured coverage price. If the cattle are sold more than 60 days before the end of the contract date, producers cannot collect an indemnity or get their premium back unless their share of the cattle is properly transferred. USDA Risk Management Agency (RMA) data on livestock policies is not as detailed as crop insurance, but RMA analytics indicate that livestock policies have jumped from 7,000 policies in 2021 and \$14 billion in liability, to more than 16,300 for this year with liability covered at \$26.45 billion. Producers in 2023 focused more heavily on feeder cattle contracts than fed cattle: Feeder cattle insurance contracts: 19,249 policies covering 4.2 million head through Dec. 15, more than twice the total number of feeder cattle covered in 2022. Fed cattle insurance contracts: 6,760 fed cattle policies involving 858,165 cattle, through Dec. 15, up more than 263,400 head from 2022. Already, producers are lining up in even greater volumes for 2024 policies. More than 21,000 feeder cattle policies are sold for 2024 covering nearly 2 million head. More than 8,850 fed cattle policies are sold for 2024 covering 736,600 cattle.

Despite all the focus on cattle, swine producers also use LRP, though in smaller volumes. Still, 1,555 policies in 2023 covered 36.5 million hogs. They generated \$346 million in indemnity payments, 219% higher than the payout in 2022. Expect to see more focus on LRP and other livestock insurance policies in the coming years. RMA also is setting up more policy options for producers. Weaned Calf Risk Protection will be available to livestock producers in four states beginning in 2024. The policy is part of the USDA's Risk Management Agency (RMA) program that offers Actual Production History (APH) coverage for beef producers to insure revenue from spring calving operations.

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Save The Date!

Louisiana Agricultural

Outlook Forum

Wednesday

January 10, 2024

State Evacuation Shelter

8125 U.S. HWY 71

Alexandria, La, 71301

2024 Market Outlooks

- ♦ Corn
- ♦ Rice
- ♦ Soybeans
- ♦ Cotton
- ♦ Sugar
- ♦ Cattle
- ♦ Forestry

Producer/Industry Panel

- ♦ Input Cost Management
- ♦ Ag Lending Environment

Keynote Speaker

For more information contact Dr. Mike Deliberto at mdeliberto@agcenter.lsu.edu or 225-578-7267 in the LSU Department of Agricultural Economics and Agribusiness

There is no fee to attend this event. However, to assist in meal planning, please preregister using the QR code.



Farm Bill (cont.)

Lawmakers have given themselves another year to write a new Farm Bill, but they have a limited amount of time to reach bipartisan agreements on critical issues which, if negotiations parties stall, could easily force lawmakers to pass another extension of the 2018 law. The year-long extension of the 2018 Farm Bill enacted last week effectively gives lawmakers until January 2025 to finish a new bill. That is when the expiration of the extension could trigger laws dating back to 1938 and 1949 that would force USDA to take steps next year to dramatically raise the price of milk, wheat and other commodities.

But lawmakers must make significant progress on a new bill in the first half of 2024. After the midway point of the calendar, the House and Senate are scheduled to mostly be out of session except for a few weeks between the Republican National Convention in July and the November elections.

Meanwhile, Congress is nowhere close to agreeing on aid for Ukraine and Israel, and a protracted partisan battle over fiscal 2024 appropriations could easily drag through March. After that, there could be another fight brewing on FY25 spending. The hard deadline for Congress to agree on fiscal 2024 spending bills is effectively April. If lawmakers can not reach a deal, April is when a 1% across-the-board cut in spending would kick in under this spring's debt ceiling agreement.

Congressional Republicans believe Senate Democrats and Ag Chairwoman Debbie Stabenow of Michigan, D-Mich., have plenty of motivation to pass a new Farm Bill. Two incumbent Senate Democrats from farm states, Jon Tester of Montana and Sherrod Brown of Ohio, face tight re-election battles. With Democratic Sen. Joe Manchin retiring in West Virginia and that seat likely going Republican, either the Montana or Ohio race could decide which party controls the Senate, now controlled 51-49 by Democrats. Brown is a senior member of the Senate Ag Committee, while Tester is on the Senate Agriculture Appropriations Subcommittee that writes USDA's annual budget. Republicans also are counting on Stabenow, who is retiring in 2024, wanting to negotiate a new Farm Bill that would provide some protections for conservation and nutrition funding after she leaves the Senate. Republicans would like to cut a deal with her to reallocate conservation program funding provided by the Inflation Reduction Act and reduce the cost of the Supplemental Nutrition Assistance Program by restricting how USDA calculates future benefits through updates of the Thrifty Food Plan, an economic model for food costs. Savings from SNAP, Republicans argue, could then be plowed into other areas of the Farm Bill.

But Stabenow has so far refused to consider such restrictions on TFP updates and insists on keeping IRA funding devoted to climate-related practices. There's no sign Republicans have identified any other funding sources for the Farm Bill that will have Democratic support. Privately, however, she and her staff have told Republicans it is not critical to her that a new bill passes before she retires, in part because she secured the IRA funding in 2022, and USDA implemented the TFP update in 2021, according to a Capitol Hill source close to Farm Bill discussions. Stabenow won a requirement for regular TFP updates in the 2018 Farm Bill. But without a bipartisan agreement on funding, talks on a Farm Bill likely won't get any further in 2024 than they have in 2023. Stabenow said she has identified \$4 billion to \$5 billion in funding outside the farm bill, but she hasn't disclosed its source, and that's not nearly enough to make the changes in commodity programs Republicans have been pushing.

In the past, the House GOP would have simply ignored Democrats and funded the Farm Bill with IRA or SNAP funding and passed a partisan bill with no Democratic support. But Republicans currently control the House 221-213, giving them a four-vote margin to move partisan bills; that cushion could shrink to just three votes as Rep. George Santos, R-N.Y., expelled from the House. Several hardline GOP conservatives who are members of the House Freedom Caucus expressed frustration that the new year-long extension would keep them from using the farm bill to get votes on farm bill reforms, including cuts to SNAP. "We got no policy changes out of it," Rep. Chip Roy, R-Texas, said of the extension. He doesn't expect the House to pass a Farm Bill next year either. The Farm Bill "is going to get kicked down the road again, so it's really more like a two-year extension," Roy told reporters. The inability of House Republicans to pass their own partisan appropriations bills has also raised questions about their ability to move other legislation.

House Agriculture Committee Chairman Glenn "GT" Thompson said recently that he now hopes to move a new Farm Bill by March. Meanwhile, his staff has started briefing farm organizations and other groups this week on possible sources of funding that face resistance from Democrats. "When I look at the calendar in the first quarter, the first month we get to that has the contiguous weeks that we need is March," Thompson told reporters. Republican aides are pitching three possible sources: (1) Reallocating some of the Inflation Reduction Act's conservation funding. Under budget rules, about \$14.4 billion could be put into the Farm Bill and used to create a permanent baseline for conservation programs while directing as much as \$6 billion into shoring up other areas of the legislation; (2) Capping or eliminating USDA's Section 5 authority under the Commodity Credit Corporation, saving \$8 billion over 10 years; and (3) Restricting the way the USDA conducts future updates of the Thrifty Food Plan, the economic model for the cost of eating that's used to set Supplemental Nutrition Assistance Program benefits. The TFP restrictions would save an estimated \$30 billion over 10 years.

Thompson said the committee is facing funding requests totaling \$70 billion to \$100 billion above what is available in the current baseline for the Farm Bill. According to sources familiar with the GOP proposals, those needs include as much as \$30 billion to \$50 billion to address requests from farm groups for modifications to commodity programs, including increasing the reference prices in the Price Loss Coverage program. Proposals to expand crop insurance or increase premium subsidies would cost at least \$1 billion to \$2 billion. The committee is looking specifically at increasing premium subsidies for beginning farmers and for area-based insurance policies, such as the Supplemental Coverage Option, that provide higher levels of revenue coverage. Another \$2 billion has been requested for export promotion programs.

Congress last month was forced to pass a one-year extension of the 2018 Farm Bill, effectively giving Congress until the end of 2024 to enact a new bill, but the two parties still have failed to reach agreement on key issues, including funding issues

Global Fertilizer Outlook

The outlook for nitrogen fertilizer appears to be positive moving into 2024. Prices moved lower in 2023 with more supply returning to the market and nutrients became more affordable. With these factors in place, the outlook for nitrogen looks to be stable with demand and supply both continuing to increase, along with somewhat stable prices



However, several wild cards remain as outliers that could change the outlook dramatically in the New Year. These include war in the Middle East, natural gas prices, crop prices and spring weather influencing farmers' planting decisions, and how farmers see affordability of fertilizer and other inputs.

According to the International Fertilizer Association, consumption of fertilizers worldwide is expected to recover by 4% in 2023 to 192.5 million metric tons. A record level of 200.2 million metric tons of fertilizer was used in 2020. Global ammonia production declined by an estimated 1% to 182.2 million metric tons in 2022, according to IFA. Lower fertilizer affordability is the main reason fertilizer consumption dropped between 2020 and 2022.

Fertilizer consumption in recent years fell globally because of the same issue -- the high price of nutrients affected affordability. Rabobank estimates 2023 was a much calmer year than 2022 with global fertilizer usage at a 3% increase in 2023 after a 7% decline in 2022. The outlook for 2024 suggests an increase of near 5%, according to Rabobank. With lower fertilizer prices, the world's farmers are expected to increase purchases into 2024. Rabobank estimates 2024 global nitrogen fertilizer consumption at 108 million metric tons. Nitrogen fertilizer production is pegged at 109 million metric tons. Global consumption is expected to rise through 2030, but with a modest 1.42% compounded annual growth rate (CAGR) from 2021 to 2030.

There are some questions about nitrogen demand in 2023 and 2024. After falling 5.9% in 2022, nitrogen applications will increase 2% in 2023, according to Rabobank forecasts. This is below phosphorus and potash usage, which had increased use of 3.9% and 5.0%, respectively. P and K had been down since 2021, but farmers started to increase use again. Rabobank said nitrogen applications in 2024 are forecast to rise 4%. The company's price outlook for the next four months into 2024 for nitrogen is upward compared to neutral for phosphorus and potash.

One situation affecting nitrogen to watch going into 2024 is the ongoing war between Israel and Hamas and its effect on world fertilizer markets. Roughly 51% of global urea exports come from the Middle East, according to Josh Linville, director of fertilizers for

StoneX. In addition, Israel is the world's fourth largest producer of potash fertilizer.

When taking a closer look at the different forms of nitrogen, there appears to be more risk of higher prices when it comes to ammonia, said Chris Lawson, head of fertilizers for CRU Group, located in New York. Urea and UAN both appear to be well supplied into 2024; however, ammonia could see some supply issues, he said. A new ammonia fertilizer facility was recently opened on the U.S. Gulf Coast region; this production is beginning to enter the global market, more so than into the North American market, he explained. Natural gas is one of the base ingredients used in the manufacture of ammonia fertilizer. The fact that the European market is still sensitive to natural gas prices could have negative effects on global ammonia prices.

The outlook for phosphorus fertilizer, produced from phosphate rock, in 2024 appears to be continued demand recovery with decent supply after various supply issues in recent years. The price outlook looks to be neutral into the New Year.

Despite the positive outlook, especially compared to recent years, there are challenges to global phosphorus fertilizer markets. How much phosphorus fertilizer China decides to export will be an important factor globally while how the phosphorus fertilizer export tariffs situation shakes out in the United States will be important into 2024.

Worldwide phosphorus fertilizer consumption is predicted to increase by 5% in 2023 and be at 46 million metric tons. IFA forecasts all three nutrients (nitrogen, phosphorous and potash -- N, P and K) are expected to return to or exceed their 2019 levels but remain below the record 2020 levels. World nutrient supplies have increased in recent years. IFA said phosphoric acid production is estimated to have increased 2% to 84.8 million metric tons in 2023 after a challenging 2021 in which fertilizer prices increased dramatically.

Fertilizer consumption in recent years fell globally because of affordability issues with the high price of nutrients. Rabobank estimates 2023 was a much calmer year than 2022, with global fertilizer use at a 3% increase in 2023 after a 7% decline in 2022. The outlook for 2024 suggests an increase of close to 5% for total fertilizer consumption, according to Rabobank. With the fertilizer prices at lower price levels and affordability more positive, the world's farmers are expected to increase sales into 2024.

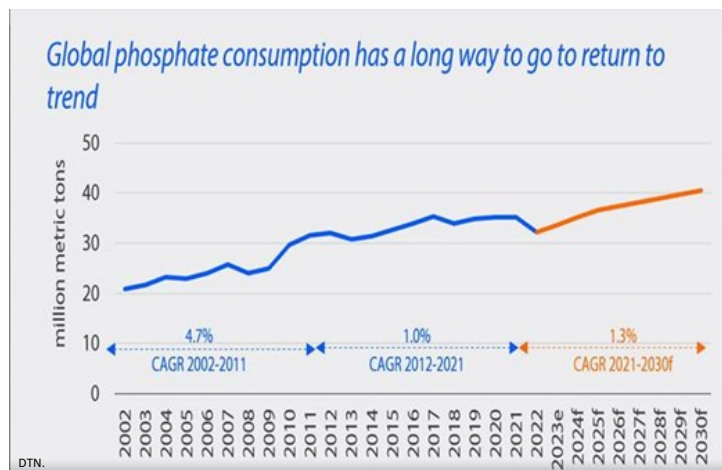
Phosphorus fertilizer prices have dropped throughout 2023, according to Samuel Taylor, farm input analyst for Rabobank. These lower prices have helped increase demand worldwide for this nutrient this year.

More supply in 2023 has also helped. The total number of exports during the first half of 2023 was almost 20% higher than during the same period of time in 2022, according to Rabobank. This additional supply was aided with additional P volume from China. During the first half of 2023, DAP/MAP exports by China increased 54%, jumping from 2.17 million metric tons to 3.33 million metric tons. This was still 8% below the five-year average, but this additional supply might have played a role in lowering phosphorus fertilizer prices in 2023. Rabobank estimated MAP/DAP prices fell 30% from January 2023 to July 2023.

China returning more tons to the export market is an important development and how much it exports will be an important factor in 2024, he explained. In 2021, China exported 10 million metric tons of MAP/DAP exports to the world market and in 2022 this number fell to 5.5 million metric tons. Lawson estimated the export number will be close to 6 million metric tons for 2023.

Fertilizer Outlook (cont.)

A key factor in the outlook of phosphorus fertilizer in 2024 in the U.S. could be the never-ending case of countervailing duties on phosphorus fertilizer exports into the U.S. from both Russia and Morocco. Josh Linville, director of fertilizers for StoneX, told DTN one thing he is watching closely in 2024 will be how this case continues to move along and what will be a potential resolution.



This case has dragged on for over 2 1/2 years. In spring of 2021, the International Trade Commission (ITC), which is part of the U.S. Commerce Department, ruled a 19.97% tariff should be applied on phosphorus fertilizer from Moroccan fertilizer producer OCI Group. In addition, tariffs were also applied toward Russian phosphorus fertilizer manufacturer PhosAgro.

The ruling made phosphorus fertilizer even more expensive for U.S. farmers. This also came during a time when retail fertilizer prices were rocketing higher, thanks to various global supply issues in 2021. In early November 2023, the Commerce Department ruled to lower punitive import duties on phosphorus fertilizer from Morocco from 19.97% to 2.12%. The Commerce Department also raised duties on Russian producer PhosAgro from 9.19% to 28.5%. Linville said this ruling is good news long-term for U.S. producers. More imports would allow an increase in supplies and thus lower prices, he said.

"The higher rate of duties would have made phosphorus fertilizer more expensive for U.S. farmers," Linville said. Another ruling on the case is expected in late January or into February, he said. The conclusion of the case may stretch later into 2024.

With more potash supply coming onto the global fertilizer market in 2022 and 2023, the increase was expected to push the nutrient's price lower. (Graphic courtesy of Rabobank) Much like the phosphorous outlook, the look ahead for the global potash (K) market looks to be positive in 2024, thanks to lower prices and returning demand from farmers across the world. Better affordability will mean more potash applications in 2024.

However, Russia-Ukraine affected potash supply in the last couple of years and the war in the Middle East could affect supply again in the global fertilizer market. Low river conditions on the Mississippi River could have some negative effects on the outlook this winter in the United States.

Demand destruction was greater for potash than for phosphorus fertilizer (produced from phosphate rock), and greater for phosphorus than nitrogen. Potash consumption dropped by 12% in 2022

versus 2020, compared to 9% for phosphorous and 5% for nitrogen, according to IFA.

Fertilizer consumption in recent years has fallen globally due to this same issue of affordability with the high price of nutrients. Rabobank estimates 2023 was a much calmer year than 2022 with global fertilizer usage up 3% in 2023 after a 7% decline in 2022. The outlook for 2024 suggests potash application could increase to about 5%, according to Rabobank. With the fertilizer prices at lower levels and affordability more positive, the world's farmers are expected to increase sales into 2024.

Potash was also affected by supply restrictions in 2022 from some of the main supplies affected by the war in Ukraine. Sanctions on global potash producer leader Belarus also had some effect on supply. Rabobank reports the sanctions cut Belarus' exports from 12.30 million metric tons in 2021 to 4.90 million metric tons in 2022. News of Belarus returning to the world potash export market put downward pressure on the potash market in early 2023, he said. World potash prices fell more than 43% between January and September 2023.

Unfortunately, yet another war could affect the potash market in 2024. Israel-Hamas has the potential to be another risk to the global fertilizer market, according to Josh Linville, director of fertilizer for StoneX. Israel is the fourth largest potash producer in the world and an unstable situation there is not positive news, he said. While the potash production in Israel is not located near the fighting in the Gaza Strip, the risk of potential regional conflict could be bad news to fertilizers. In addition to Israel's potash production, the countries of the Middle East produce 51% of the world fertilizer market's urea exports, he said.

Linville said more potash supply could be a positive aspect of the potash market in 2024. With more potash mines opening in various locations across the world, the supply of the nutrient appears to be solid into the next year. Rabobank reported there are even signs that the global potash market could approach an oversupply situation. World potash consumption is forecasted to be 44.3 million metric tons in 2024, while potash production is expected to be 42.9 million metric tons, according to Rabobank. There is some thought Belarus could increase exports to as much as 7.8 million metric tons in 2023, about 3 million metric tons more than in 2022. The forecast is for 5% more potash use in 2023, with further usage increases expected in 2024.

Mississippi River levels could also influence the U.S. potash market. As grain moves down the river system, fertilizer moves up-river during winter to get to northern growing areas for spring planting.



Top News Stories of 2023 (cont.)

This program becomes available to cow-calf producers in the states of Colorado, Nebraska, South Dakota and Texas. Coverage levels between 50% and 85% will be available, as well as catastrophic coverage. The sales closing date for these policies is Jan. 31, 2024. Prices under Weaned Calf Risk Protection will be set using: (1) USDA Agricultural Marketing Service (AMS) auction price data for the 23 price-determining states to produce a regional-weighted average price series for cattle between 200 and 750 pounds; and (2) Chicago Mercantile Exchange prices for feeder cattle.

The AMS price will consist of daily auction data compiled into weighted average monthly prices for the two respective regions included in this new coverage.

#9 Supreme Court Rules on Two Major Ag Cases. The Supreme Court rarely weighs in on one agriculture case in a given year, let alone two cases of major significance. In 2023, the Supreme Court handed down May rulings in *Sackett v. EPA* and *National Pork Producers Council v. Ross*, and both cases have affected and are expected to continue to affect agriculture in big ways in the coming years. Perhaps the most consequential of the decisions came when the court sided with two Idaho property owners in an ongoing wetlands dispute with EPA, in *Sackett v. EPA*.

The court ruled the agency's use of the significant nexus test when making Clean Water Act determinations was too broad, essentially throwing into question the Biden administration's recently finalized waters of the United States (WOTUS) rule. As a result, the EPA issued an updated final rule in September 2023, removing the test from the text. That led to new lawsuits by ag groups and others who say the EPA broke the law in finalizing the latest rule.

That same month, the Supreme Court also upheld California's controversial Proposition 12 -- an animal-welfare law approved by voters in the state. Prop 12 makes it a criminal offense and civil violation to sell whole pork meat in California unless the pig it comes from is born to a sow that was housed within 24 square feet of space and in conditions that allow a sow to turn around without touching an enclosure. The law essentially requires farmers from across the country to adapt their confinement operations if their pork is sold in the state. It remains to be seen how Proposition 12 affects the U.S. hog industry as a whole. "In sum, we hold that the CWA extends to only those 'wetlands with a continuous surface connection to bodies that are 'waters of the United States' in their own right,' so that they are 'indistinguishable' from those waters," Alito said in his opinion.

#8 EPA's Plan to Protect Endangered Species From Herbicides Draws Criticism. Ever hear of Attwater's prairie chicken, Mead's milkweed, Okeechobee gourd or the rusty patched bumblebee? These are just four of nearly 1,700 plants and animals listed as threatened or endangered under the Endangered Species Act (ESA). It began with the adoption of a new EPA policy: The agency would no longer register new conventional pesticide active ingredients without ensuring ESA compliance. In April 2022, EPA released a work plan detailing which actions it would prioritize for ESA compliance under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The agency published an updated work plan in November 2022, highlighting a "pick list" of 16 interim ecological mitigation measures intended to reduce spray drift and surface water runoff, minimizing pesticide exposure to endangered species.

Fast-forward to late July 2023. EPA released its Draft Herbicide Strategy Framework, a 96-page proposal outlining how the agency plans to protect listed species and their "designated critical habitats" from agricultural uses of conventional herbicides. Essentially, EPA's position is this: The agency doesn't have the time or resources to comply with the ESA using a traditional pesticide-by-pesticide, species-by-species approach. To meet court-mandated deadlines, it's going to throw blanket protections over everything -- whether they're needed or not -- at a potentially exorbitant cost to farmers.

Criticism of the EPA proposal was universal from those representing agriculture. More than 200 groups -- including the Agricultural Retailers Association, American Farm Bureau Federation and nearly every commodity association -- co-signed a letter submitted in October during the public comment period. The letter stated that the "complex, unworkable proposal would result in significant new, costly regulatory burdens for millions of U.S. agricultural producers."

#7 The High Cost of Some Inputs Fall, But So Does Farm Income. There was good news and bad news for crop producers in 2023. The good news was that some major crop inputs, like fertilizer, saw large price declines during 2023. The bad news was that farm income is projected to be down considerably for 2023 as well. First the good news. Fertilizer represents about a quarter of total crop input costs for corn producers. In 2023, nutrients saw steady price declines. According to retail fertilizer prices tracked by DTN, the eight major fertilizers have weakened anywhere from 14% to 42% from year-ago levels.

There were several reasons given for the fall in fertilizer prices during 2023, according to fertilizer retailers and analysts. Several supply issues across the world lessened nutrient supplies in 2021 and 2022. These included: high input prices for fertilizer manufacturers, weather challenges, import tariff fights and the Russia-Ukraine war. All these issues then combined to cause global fertilizer prices to skyrocket higher in 2022. World fertilizer usage was cut as farmers struggled with nutrient affordability. By the end of 2022 into 2023, many of these various supply issues started to work themselves out. More fertilizer made it to market, leading fertilizer prices to finally decline. The outlook for fertilizer in 2024 is for continued better affordability levels which will allow farmers to ramp up their usage.

Now the bad news. Farm income will end up lower in 2023 than in 2022. USDA estimates farmers will earn \$151.1 billion in net farm income in 2023, 17% below last year. The above-average total tastes a little bitter, especially considering corn and soybean crops were the most expensive that growers had ever planted.

Continued next page.

Top News Stories (cont.)

Yet, USDA's forecast at the end of November was higher than previous estimates, reflecting higher-than-expected yields after this summer's drought conditions and commodity prices that gave farmers many profitable opportunities to sell. The farm income story -- lower than last year, but higher than average -- reflects difficulties mounting in today's environment. Many economists suggest the overall farm economy is moving into another plateau, similar to the aftermath of the ethanol boom in 2013, with commodity prices remaining around the break-even level.

One thing USDA does not consider in its income forecasting is crop insurance payments, which are likely to be higher than in recent years, given the spring crop insurance prices of \$5.91 per bushel of corn and \$13.76 per bushel of soybeans. Analysis from the University of Illinois shows farmers with 85% revenue protection policies will likely get a payment without having to show any yield loss, reflecting the magnitude of price changes over the growing season.

#6 Ongoing Drought Slows Cow Herd Expansion During Year. The No. 6 story of the year focuses on how cow-calf producers are slow to rebuild the nation's beef cow herd because of continuing drought, despite sharply higher cattle prices. Issues with forage and feed availability slowed the growth of the nation's herd. In addition, declining cattle prices into the last quarter of the year presented another challenge.

The High Plains region saw more drought in 2023 after many areas saw dry conditions in 2022. The 2022 drought limited cowherd expansion in these areas with reduced grass and forage production, which lingered into 2023 in the form of high-priced hay. Then, more drought in the 2023 growing season again caused many High Plains cow-calf producers to cull a portion of their herds due to a lack of grass. The good news is many locations did see some moisture in midsummer and hay production appears to be better in 2023 than it was in 2022.

As for cattle prices, things were soaring until October 20, 2023. This is when USDA surprised markets with a higher-than-expected 2.206 million head of September cattle placements. Futures prices kept rising into 2023 as it became obvious available cattle numbers were scarce and packers were having to bid up to secure their weekly needs. In April, the negotiated price of live cattle broke above the previous record high from 2014 and kept rising, reaching a new peak above \$190 in June. At the same time, the price of choice boxed beef hit a new high of \$343 per hundredweight (cwt) as it looked like retail demand was tolerating beef's higher prices. After the June peaks, cattle prices held roughly steady through summer, while choice boxed beef prices slipped back near \$300/cwt.

From a close of \$187.72 in February live cattle on October 20, prices fell to a low of \$162.40 on December 7, a drop of roughly \$25 in 48 days versus a drop of \$17 in the cash price of negotiated live cattle. No one can guarantee the low is in, but a lot of damage has been done in a market that will eventually need more calves to rebuild the herd in the years ahead.

#5 King Corn Gives Up Its Crown as US Export Share Remains in Decline. Just a few decades ago, U.S. farmers supplied roughly 60% to 70% of the world's corn and soybean exports and over 30% of the world's wheat exports. However, in 2023-24, the world share of U.S. corn and soybean exports are under 30% and wheat exports account for less than 10%. The world is changing. We received painful reminders in 2023. For the first time ever, Brazil exported 2.24 billion bushels (bb) of corn, surpassing the U.S., and is holding a slight lead in 2023-24. The U.S. and Brazil were neck and neck in soybean exports in 2014-15, but Brazil has pulled far ahead since and is expected to produce 43% more soybeans than the U.S. in 2023-24.

The last time the U.S. was the world's top wheat exporter was 2016-17. Russia has dominated wheat exports in six of the past seven years and in 2023-24, the U.S. is expected to export 725 million bushels (mb) of wheat, the lowest total in more than 50 years. A year ago at this time, we were still highly concerned about Russia's invasion of Ukraine and the difficulty Ukrainian farmers would have operating in wartime conditions. In 2023, those conditions became even worse after Russia pulled out of the Black Sea grain deal in July and commenced attacking Ukraine's ports and grain facilities. Ukraine's exports of corn and wheat are moving at a slower pace since July and farming has become more difficult in the second year of war.

Sad to say, Russia's 2012 plan to aggressively expand wheat production has worked so well that Russia was able to increase its dominance of world exports in 2023 while keeping wheat prices cheap. The wheat market is now in unprecedented territory with Russia using cheap wheat to extend its strategic influence around the world, while simultaneously taking market share from the rest of the world's traditional wheat producers, including the Ukraine and the U.S.

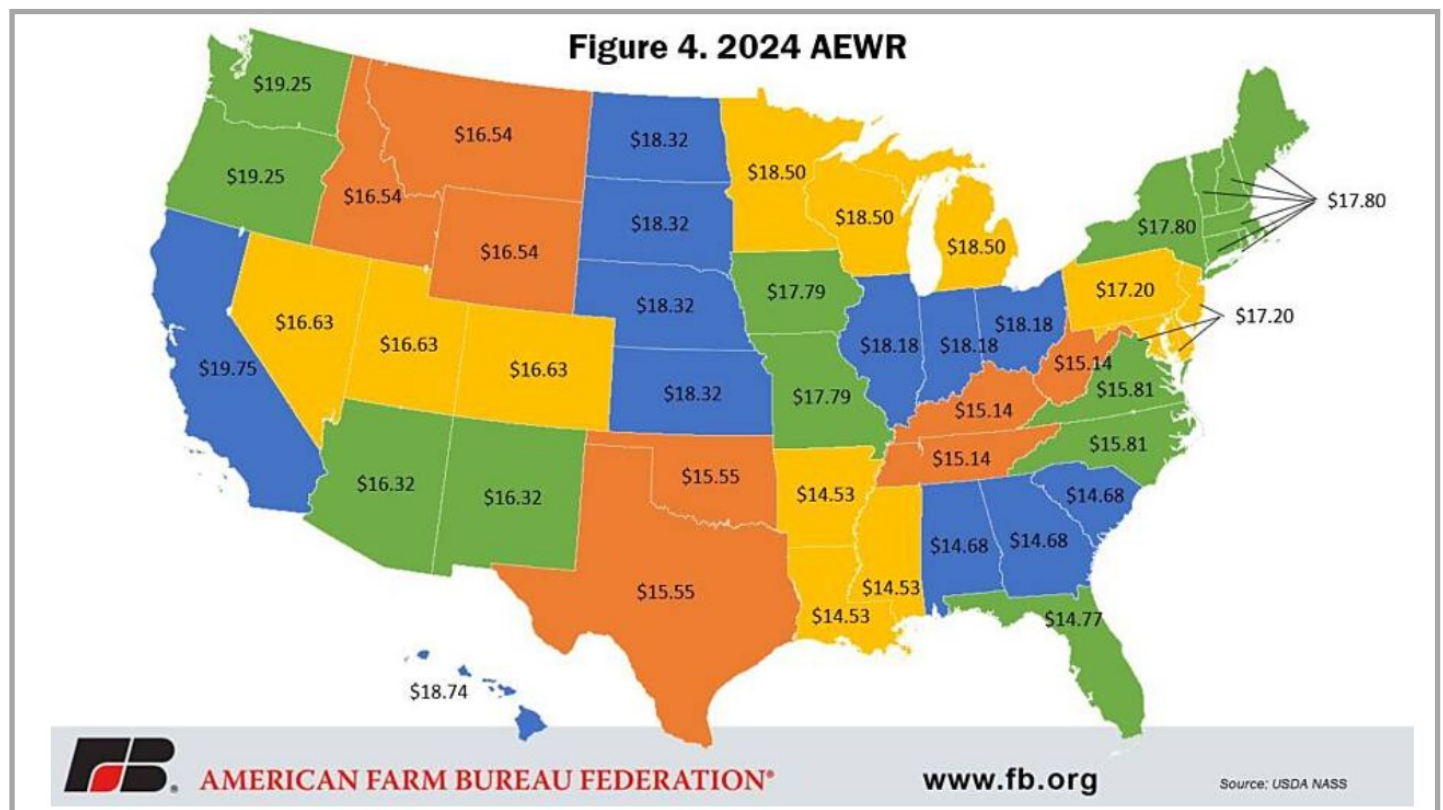
Heading into 2024, the outlook for U.S. exports of the big three crops remains under attack with no end in sight for Brazil's ability to keep converting pasture into cropland at a consistent pace. Russia also has made it a national priority to keep increasing wheat production and will likely continue to do so, as long as weather cooperates. Unlike the opportunity President Eisenhower had to expand U.S. markets abroad in the 1950s, future presidents will have to find new uses for U.S. production as the world is showing more ability to feed itself. Heading into 2024, the brave new world for agriculture is looking at the promise of new biofuels as the most practical way of restoring lost market share in the world. Who knows? The next generation may find other uses, as well.

Adverse Effect Wage Rates (AEWR) for 2024

The week of Thanksgiving, USDA-National Agricultural Statistics Service's released the semi-annual Farm Labor Report (FLR). The report includes quarterly estimates of the number of hired workers, average hours worked per worker and average hourly wage rates. The report also provides an annual weighted average hourly wage rate for field workers, field and livestock workers combined, and all hired workers, based on the quarterly estimates. Of utmost importance to users of the H-2A visa program, the field and livestock workers' combined wage rate for 2023 contained in the FLR becomes the Adverse Effect Wage Rate utilized in the H-2A program in 2024. So, while the rates don't become official until they are released by the Department of Labor (DOL) in the Federal Register, usually around mid-December, the rates published in the Federal Register are typically unchanged from what is published in the FLR.

In 2023, every state will have an AEWR in excess of \$14 per hour. Last year we reported the same thing, except the dollar amount was \$13 per hour. Seven states (Arkansas, Louisiana, Mississippi, Alabama, Georgia, South Carolina and Florida) will have an AEWR between \$14 and \$14.99. Seven states (Kentucky, Tennessee, West Virginia, Oklahoma, Texas, North Carolina and Virginia) will have an AEWR between \$15 and \$15.99. Eight states (Arizona, New Mexico, Idaho, Montana, Wyoming, Colorado, Nevada and Utah) will have an AEWR between \$16 and \$16.99. Thirteen states (Delaware, Maryland, New Jersey, Pennsylvania, Iowa, Missouri, Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont) will have an AEWR between \$17 and \$17.99. Eleven states (Illinois, Indiana, Ohio, Hawaii, Kansas, Nebraska, North Dakota, South Dakota, Michigan, Minnesota, Wisconsin and Hawaii) will have an AEWR between \$18 and \$18.99. And three states (Oregon, Washington and California) will have an AEWR in excess of \$19 per hour.

While the H-2A program is utilized by farmers and ranchers across the U.S. for a variety of seasonal or temporary farm work, it is most closely associated with the fruit and vegetable sector, often referred to by the short-hand phrase, specialty crops. Like all other farmers and ranchers, specialty crop growers face a 2024 growing season filled with elevated input costs from diesel fuel, electricity, seeds, fertilizer and cash rent to interest rates, just to name a few. With the release of the FLR we now know that labor costs will also be rising. With labor costs accounting for up to 38.5% of total production expenses in the fruit and tree nuts sector and 28.5% in the vegetable and melons sector, this increase is no small part of the budget. Meanwhile, DOL and the Department of Homeland Security have combined to publish six new costly regulations that will have a significant impact on the H-2A community in 2023 alone.



Top News Stories (cont.)

#4 2023 Wild Weather Caused by Quick Change in La Niña to El Niño Ocean Temperatures. This year's weather felt unprecedented in terms of dramatic changes and long-term pattern shifts across wide areas of the country, especially in America's Heartland. A quick change from La Niña to El Niño and its associated effects led to extremes in the weather that drew comparisons to the drought of 2012, causing panic in markets, only to see those concerns be alleviated for much of the country and then swing back the other way with a hot and dry finish to the year.

We started the year with La Niña conditions in the tropical Pacific Ocean (sea-surface temperatures well below the long-term average) but quickly changed to an El Niño state (above-normal sea-surface temperatures) by June. Sea-surface temperatures continued to rise through the end of the year and the developing El Niño certainly made a big change to the weather across North America. However, La Niña which had been in place since late 2020 had a lagging effect on those changes, and the U.S. and Canadian Prairies routinely became stuck in weather patterns that they could not get out of.

Early in the year, even while still under La Niña, a pattern more typical of El Niño showed up, bringing flooding rain and heavy snow-pack to the Southwest. That continued into the spring and included parts of the Plains and Ohio Valley where rainfall deficits were eroded, sometimes dramatically. Winter wheat conditions in the southwestern Plains improved dramatically from two years prior, though it was hard to shake off the drought that had occurred the previous few years. Eastern areas of the Corn Belt had delays in planting because of the extended wetness.

But from late April through most of June, a different pattern took shape, one of consistent dryness. It was not particularly hot most of the time, but the lack of precipitation induced flash drought across much of the Midwest up through the Canadian Prairies.

Then, suddenly, it felt like Mother Nature turned on the spigot and sent rounds of rain through much of the Corn Belt, but at a cost. It came with a strong derecho across the southern Corn Belt and some areas did not get the same sorts of rain that others received -- Minnesota, Wisconsin and much of Iowa were particularly hit hard by continued dry weather -- but a true turnaround in crop conditions was noticeable from late June through early August. But concerns over crop production lingered and opinions about how much the early drought hurt both corn and soybeans were still in the air as the weather from mid-August through the end of the growing season was particularly dry yet again and also very hot.

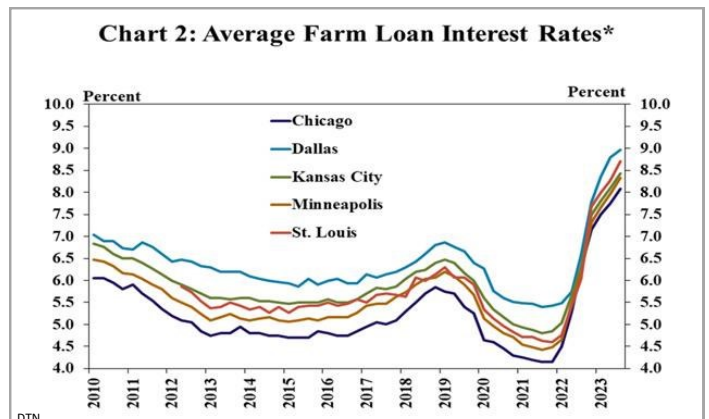
The fall season was more variable as northern areas saw much more rainfall, and even early snow across the Dakotas and Minnesota in October, but much of the Corn Belt kept up a drier stretch of weather, which was even worse farther south. Increasing drought became extreme down toward the Gulf Coast and D3-D4 drought covered Louisiana and the surrounding areas in eastern Texas to the southern Appalachians. That made for low water levels on the Lower Mississippi River, breaking records for a second consecutive year. Rain has helped recently, since November, but water levels continue to be low and limiting to barge traffic. The bookend of poor growing conditions surrounded by a time of good weather was a season that many saw as wild and unprecedented. Some saw higher yields than they were expecting given the conditions; others did not. It was not a season many of us will forget any time soon.

#3 The Crop Year of Surprises. A good start to planting helped the corn crop hang on when many parts of the country got thirsty in May and June. Early in the season, the U.S. Drought Monitor charts formed rickrack lines of red that spiked uncomfortably close to 2012 drought levels. By June 20th, 90% of the corn acres were in a drought scenario of some magnitude. Still, farmers found bushels of surprises as they nosed combines into corn and soybean fields. Except for producers in Nebraska, Kansas and northeastern Iowa, the nearly universal response by producers this year in the Western Corn Belt at harvest was: "The corn yields weren't records, but they were much better than we expected to get from such little rain." "In the Eastern Corn Belt, there were some dry patches, but many in Illinois and Indiana reported record crops, and even Wisconsin did better than expected after a long dry stretch in the early summer." The other comment from several areas of the Corn Belt was: "In late June, we were one or two weeks away from losing our crop." The demonstration of how rains in July and early August not only saved this year's U.S. corn and soybean crops, but led to a record corn harvest."

#2 Interest Rates on Farm Loans Soar to 20-Year Highs as Fed Fights Inflation. The Federal Reserve's medicine for feverish inflation appears to be working. Inflation declined to 3.1% in November, much closer to the Fed's 2% target. Unemployment rates didn't flinch. The Fed appears poised for a soft landing. At first, the Fed kept with 2022's aggressive schedule and raised rates four times. By the time of its last increase in July, the federal funds rate was in a range of 5.25% to 5.5%, the highest level in 22 years. By midsummer, recession concerns roared. The stock market slumped. Tech companies announced layoffs. The Federal Reserve stopped shooting, and recently announced it's more likely to cut rates in 2024 than raise them.

The Federal Reserve sets a range for the fed funds rate, which is the rate banks charge each other on what they borrow to meet their overnight capital requirements. The prime rate, a benchmark for business and consumer loans, is usually higher than the fed funds rate and reserved for only the strongest borrowers. Rates get higher as loan risk rises. Rates on ag loans tend to be higher than prime, and the Federal Reserve Bank of Kansas City reports the average interest rate on all types of farm loans topped 8% in 2023, the highest in 20 years. Rates have climbed for eight consecutive quarters.

Continued next page.



Top News Stories (cont.)

Farmers who rely on operating notes and those looking to finance equipment are feeling most acutely the sting of higher interest rates. After more than a decade of interest rates near zero, farmers had to manage the cost of money alongside running the farm and, in some cases, the interest on the operating line cost as much as seed in 2023. Many are taking advantage of vendor financing offers, where an input supplier provides credit, often at a discounted interest rate. Others chose to forgo buying new equipment and wait for a better rate.

Higher interest rates have had a more nuanced role in the land markets. So much of the land is owned outright -- it's about 84% in Iowa -- or was financed at very low interest rates during the past decade that the impact of higher rates is only being felt in new loans.

Conventional wisdom would suggest higher interest rates would cool buying interest by making mortgages more expensive. However, a tight supply of land for sale means interested buyers need to act or potentially miss a once-in-a-generation chance. After several years of record farm incomes, farmers can usually rally resources and may be willing to take higher rate loans now with plans to refinance when they can. Investors may not be as willing. With 5-year returns on CDs topping 5% this year, there were more lucrative ways to earn money than cash rent. But deposits don't appreciate, and as the adage says, God isn't making any more land. While interest rates are only one factor influencing farmland values, most experts and surveys show prices continued to rise in 2023 and are likely to remain steady or decline in 2024.

#1 2023 Farm Bill Plans Disappear in a Divided House . The Farm Bill was never going to get done in 2023, but that doesn't mean there weren't great expectations. The question now is whether there will be a new Farm Bill in 2024. Shortly after announcing she won't run for re-election in 2024, Sen. Debbie Stabenow, D-Mich., chairwoman of the Senate Agriculture Committee, went on NBC's Meet the Press last January to say she intended to get a Farm Bill done in 2023. Stabenow's interview, though, came just days after it took Rep. Kevin McCarthy, R-Calif., 15 ballots to win the House speakership he would lose less than nine months later. The interparty turmoil over McCarthy's speakership would end up as yet another "first time in history" moment for American government.

Plans to draft a new Farm Bill eventually failed to gain any traction this year as the House was in constant turmoil over government spending passed by the last Congress. Republicans were also committed to passing bills with only GOP lawmakers' votes. McCarthy erred by relying on Democrats in early summer to pass a debt-limit bill negotiated with President Joe Biden.

Throughout the year, McCarthy also repeatedly championed the push to get a Farm Bill done sooner rather than later. House Agriculture Committee Chairman Glenn "GT" Thompson, R-Pa., spent the better part of the year holding bipartisan listening sessions and agricultural tours with congressmen across the country. Thompson typically hedged on the timing but made it clear he wanted to pass a bipartisan bill in the House. Thompson explained a fall vote could happen. "Everything is dependent on when we get a week designated on the floor for running the bill." That became, "We're probably going to need an extension. I hope it's a very short one."

McCarthy then relied on Democrats to avoid a government shutdown at the end of September. That would prove to be McCarthy's last act as Speaker. Led by Rep. Matt Gaetz, R-Fla., eight Republicans voted to end McCarthy's leadership and locked up Congress the entire month of October trying to replace him. Rep. Mike Johnson, R-La. is now House Speaker, but Congress still has a lot of unfinished business closing out the year, including the annual appropriations bill for USDA. Congress will come back in January staring at unfinished appropriations bills for a budget year that began October 1st.

The last short-term spending bill waved goodbye to the 2023 Farm Bill by extending the 2018 legislation until September 30, 2024. That move appears to have given Congress some breathing room to get a new bill done during the next nine months.

Tied to the Farm Bill debate are the \$19.5 billion passed in the Inflation Reduction Act, along with billions more for renewable energy and forestry. Rolling those dollars into the Farm Bill would boost the baseline. It might also help expand the safety net for farmers, but none of these issues have been worked out so far.

Despite their calls for cuts elsewhere in the budget, Republicans also are sticking to their guns that they want to raise reference prices for commodity programs. Yet, a 10% bump in reference prices adds \$20 billion in costs over 10 years. The legislation also is scored to cost \$1.5 trillion over 10 years, nearly 43% more than the 2018 Farm Bill. The higher spending is driven heavily by a USDA adjustment to the "Thrifty Food Plan," which added \$300 billion over 10 years to USDA's main food-aid program, the Supplemental Nutrition Assistance Program (SNAP) costs. That cost change raised a lot of questions about how USDA could make such an expensive cost adjustment without going to Congress first.

Republicans plan to continue focusing on SNAP costs. Sen. Chuck Grassley, R-Iowa, and Rep. Chip Roy, R-Texas, threw down a marker earlier this month with a letter to Congressional leadership looking to roll back SNAP spending to pre-pandemic levels. Grassley and Roy also want more restrictions on how USDA uses the Commodity Credit Corp., (CCC) "which has become a bureaucratic slush fund with little oversight." Vilsack used \$3.1 billion out of the CCC to create the Partnership for Climate-Smart Commodities.



Continued page 12.

Farm Program Choice: ARC or PLC in 2024?

USDA has opened enrollment for Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) for the 2024 crop year, but that doesn't mean farmers should force themselves into making a quick call on ARC and PLC. Decisions for the 2024 crop year are going to look a little different for ARC and PLC than in the past because the escalator for the effective reference price finally kicks in.

The signup is starting later than normal because the 2018 Farm Bill was in limbo until Congress extended programs to September 30, 2024, then USDA had to get its ducks in a row. Farm Service Administrator (FSA) Zach Ducheneaux stated in a news release that farmers should "avoid the rush" and contact their local FSA offices for an appointment to enroll. Even if you do not change your program selections, you still need to sign a contract.

Farmers might want to hold back from rushing out to the FSA office for just a bit. The enrollment deadline for ARC-PLC is March 15, 2024. That's also the same day farmers in a large swath of the country must lock in their crop insurance plans for the year as well. The odd thing about USDA's news release telling everyone that enrollment is open is that no mention was made about changes in the ARC benchmark prices or PLC effective reference prices for the 2024 enrollment. USDA's enrollment notice to state and county offices also does not mention any adjustments to ARC or PLC reference prices.

A fact sheet on the USDA ARC-PLC website notes changes to the reference prices, but they are not published. "Under the 2018 Farm Bill amendments, effective reference prices will be calculated to allow upward fluctuation of reference prices in time periods when historic price averages are higher than the established reference price for the covered commodity."

The 2018 Farm Bill tweaked ARC-PLC with an effective reference price meant to adjust upward with certain market conditions. Basically, reference prices could move upward if market-year prices were higher for the most recent five crop years based on the ARC-County formula tied to an 85% Olympic average -- three of the five previous years of market prices are averaged with the highs and the lows kicked out, then multiplied by 85%. One more caveat caps any price swing at 115% of the statutory reference price.

Under that scenario, the effective reference price looks like this: Corn is projected to move upward from \$3.70 a bushel to \$4.01 a bushel. Soybeans would move from \$8.40 a bushel to \$9.26 a bushel. Wheat would remain with the 2018 reference price of \$5.50 a bushel. Wheat prices are held back by a three-year stretch from 2018-2020 when the market-year average prices all came in at \$5.16 a bushel or lower. Those are just the prices for three of the 22 commodities eligible for ARC-PLC, but they could change the dynamics of a producer's enrollment in those programs and crop insurance.

Effective Reference Price Overview

The reference price escalator was introduced in the 2018 Farm Bill. Rather than using the statutory reference price, an effective reference price is used to calculate Price Loss Coverage (PLC) payments. If 85% of the Olympic average of the five previous yields exceeds the statutory reference price, the effective price will exceed the statutory reference price, potentially leading to higher PLC payments. The effective reference price also replaces the statutory reference price in Agriculture Risk Coverage (ARC) benchmark price calculations, potentially leading to higher benchmark prices and ARC payments

The effective reference price for a crop year is the higher of (a) the statutory reference price stated in the 2018 Farm Bill or (b) 85% of the Olympic average price (excludes high and low prices) for the five most recent completed crop years but capped at 115% of the statutory reference price (US Congress, 2018). Since the reference price escalator uses prices for completed marketing years, the calculation window for the upcoming 2023 crop year is the 2017-2021 marketing years. More broadly, the calculation window is the five marketing years that are 2 to 6 years before the marketing year for which the escalator is being calculated. Using completed years in benchmark calculation was introduced after implementing the 2018 Farm Bill by the Farm Service Agency. Given the 85% factor in the escalator calculation, the average market price during the calculation window must exceed the statutory reference price by more than 15% for the escalator to increase the reference price.

Another consideration for producers is that they cannot buy Supplemental Coverage Option (SCO) insurance on any farm in which they have signed up for ARC-County -- the main ARC program. For farmers with a cotton seed base, if they participate in ARC or PLC, then they cannot buy Stacked Income Protection Program (STAX) coverage on that farm. SCO and STAX policies do not pay out until the Risk Management Agency (RMA) publishes actual county yields, so those policies are always delayed by several months. So far, no payouts are reported for 2023. While farmers cannot buy SCO if they are enrolled in ARC, they can purchase Enhanced Coverage Option (ECO) regardless of their ARC-PLC decision.



Top News Stories (cont.)

Lawmakers have forgotten the Trump administration had tapped the CCC for \$23 billion in 2018 and 2019 to offset the costs of the trade dispute with China. At that time, it was Democrats questioning the use of those dollars.

Grassley's also among those wanting to increase reference prices, but the longest-serving member of the Senate Agriculture Committee is also in the camp of those who don't know where that money would come from.

Rolling into 2024, plans to get a farm bill undoubtedly will be mired by presidential politics. There have been times when Congress navigated through a farm bill during a presidential race. The 2008 farm bill was enacted in June that year overturning a veto by outgoing President George W. Bush -- the last time a farm bill was finalized. But that bill was completed with conference negotiations after the House and Senate had each passed their versions of the bill in 2007. Though less than two decades ago, 2008 also seems like a much more congenial time in Congress and presidential politics than now.

According to Politico, Thompson has said he wants to get a farm bill passed in the first quarter of 2024. Yet Politico also alleged in mid-December, "Privately, House Republicans increasingly don't believe House Democrats want to pass a farm bill this year, arguing that Democrats would rather push the bill into 2025 when they could retake the majority."

Still, Stabenow likely wants to walk into retirement having helped guide another five-year farm bill into law. Agricultural policy in 2024 also could be fueled or clouded by Thompson's health. Earlier this month, he announced he has prostate cancer and will be undergoing treatment.

IRS Tax Changes in 2024

As 2023 ends and farmers begin looking ahead to the new year next week, there are a few tax changes the IRS has lined up for 2024 farmers should keep on their radar. A few tax changes for 2024 include a decline in bonus depreciation, a bump in Section 179 and an increase in the estate-tax exemption. The IRS also has increased the penalty for underpayment of 2023 taxes.

Farmers should make sure they aren't at risk for underpayment penalties for the 2023 tax year. The IRS in early October increased its underpayment penalty on estimated taxes to 8% interest. The penalty was just 3% in 2021, but it moves with the federal interest rate.

For most tax filers, there is no underpayment penalty if the tax balance due is less than \$1,000. There is also no penalty if tax filers paid at least 90% of the taxes shown for 2023, or 100% of the taxes on the 2022 return, whichever is less. The tax payment increases to 110% of last year's taxes for couples with more than \$150,000 in adjusted gross income, or individuals above \$75,000. Farmers who have at least two-thirds of their gross annual income in the current year or preceding year would fill out IRS Form 2210-F to determine if they owe a penalty for underpaying their estimated taxes. Farmers can avoid making estimated tax payments by filing their returns and paying any amount due on or before March 1st. Farmers who choose not to file by March 1st should make an estimated payment by January 15th to avoid a penalty. To avoid a penalty, qualifying farmers are required to pay at least two-thirds of their taxes, or 100% of the taxes on their prior year returns, whichever is less.

The ever-popular Section 179 expensing option increases to \$1.2 million for 2024 for farmers and other small businesses that buy under \$3,050,000 in total equipment. The 179 deduction gets reduced for every dollar spent over that \$3.05 million cap. Section 179 applies to business assets with a depreciation schedule that is less than 20 years.

The value of bonus depreciation falls from 80% in 2023 down to 60% in 2024. It will then fall to 40% in 2025. Bonus depreciation can apply to purchases that Section 179 does not. Bonus depreciation remains popular for buildings such as machine sheds because they normally have a 20-year depreciation schedule. In 2024, producers can still take 60% of those costs off the top.

For 2024, the estate tax exemption for people who die increased to \$13.61 million, up from \$12.92 million for individuals who passed away in 2023. That value also doubles for married couples to exempt up to \$27.22 million in assets in 2024. The taxes can start to jump after reaching those exemptions. An estate with \$249,000 in taxable assets pays 32%; an estate with \$751,000 in taxable assets pays 39%; and every estate with more than \$1 million in taxable assets pays 40%. The estate tax will also start drawing more attention because, without a change in law, the asset exemption will roll back to under \$7 million starting in 2026. The annual exclusion for gifts bumps up to \$18,000 in 2024 as well.



Breakeven Analysis for 2024 Cost of Production

The following tables calculate the breakeven yields (presented in the first table) and breakeven prices (in the second table) needed to cover a range of direct production expenses per acre for the 2024 crop year for selected crops. *Continued over the next two pages.*

<i>Specified Production Cost per acre for corn</i>											
<i>Price/bu</i>	<u>\$500</u>	<u>\$525</u>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>	<u>\$625</u>	<u>\$650</u>	<u>\$675</u>	<u>\$700</u>	<u>\$725</u>	<u>\$750</u>
\$3.50	142.9	150.0	157.1	164.3	171.4	178.6	185.7	192.9	200.0	207.1	214.3
\$3.65	137.0	143.8	150.7	157.5	164.4	171.2	178.1	184.9	191.8	198.6	205.5
\$3.80	131.6	138.2	144.7	151.3	157.9	164.5	171.1	177.6	184.2	190.8	197.4
\$3.95	126.6	132.9	139.2	145.6	151.9	158.2	164.6	170.9	177.2	183.5	189.9
\$4.10	122.0	128.0	134.1	140.2	146.3	152.4	158.5	164.6	170.7	176.8	182.9
\$4.25	117.6	123.5	129.4	135.3	141.2	147.1	152.9	158.8	164.7	170.6	176.5
\$4.40	113.6	119.3	125.0	130.7	136.4	142.0	147.7	153.4	159.1	164.8	170.5
\$4.55	109.9	115.4	120.9	126.4	131.9	137.4	142.9	148.4	153.8	159.3	164.8
\$4.70	106.4	111.7	117.0	122.3	127.7	133.0	138.3	143.6	148.9	154.3	159.6
\$4.85	103.1	108.2	113.4	118.6	123.7	128.9	134.0	139.2	144.3	149.5	154.6
\$5.00	100.0	105.0	110.0	115.0	120.0	125.0	130.0	135.0	140.0	145.0	150.0
\$5.15	97.1	101.9	106.8	111.7	116.5	121.4	126.2	131.1	135.9	140.8	145.6
\$5.30	94.3	99.1	103.8	108.5	113.2	117.9	122.6	127.4	132.1	136.8	141.5

<i>Specified Production Cost per acre for corn</i>											
<i>Bu/ac</i>	<u>\$500</u>	<u>\$525</u>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>	<u>\$625</u>	<u>\$650</u>	<u>\$675</u>	<u>\$700</u>	<u>\$725</u>	<u>\$750</u>
90	\$5.56	\$5.83	\$6.11	\$6.39	\$6.67	\$6.94	\$7.22	\$7.50	\$7.78	\$8.06	\$8.33
100	\$5.00	\$5.25	\$5.50	\$5.75	\$6.00	\$6.25	\$6.50	\$6.75	\$7.00	\$7.25	\$7.50
110	\$4.55	\$4.77	\$5.00	\$5.23	\$5.45	\$5.68	\$5.91	\$6.14	\$6.36	\$6.59	\$6.82
120	\$4.17	\$4.38	\$4.58	\$4.79	\$5.00	\$5.21	\$5.42	\$5.63	\$5.83	\$6.04	\$6.25
130	\$3.85	\$4.04	\$4.23	\$4.42	\$4.62	\$4.81	\$5.00	\$5.19	\$5.38	\$5.58	\$5.77
140	\$3.57	\$3.75	\$3.93	\$4.11	\$4.29	\$4.46	\$4.64	\$4.82	\$5.00	\$5.18	\$5.36
150	\$3.33	\$3.50	\$3.67	\$3.83	\$4.00	\$4.17	\$4.33	\$4.50	\$4.67	\$4.83	\$5.00
160	\$3.13	\$3.28	\$3.44	\$3.59	\$3.75	\$3.91	\$4.06	\$4.22	\$4.38	\$4.53	\$4.69
170	\$2.94	\$3.09	\$3.24	\$3.38	\$3.53	\$3.68	\$3.82	\$3.97	\$4.12	\$4.26	\$4.41
180	\$2.78	\$2.92	\$3.06	\$3.19	\$3.33	\$3.47	\$3.61	\$3.75	\$3.89	\$4.03	\$4.17
190	\$2.63	\$2.76	\$2.89	\$3.03	\$3.16	\$3.29	\$3.42	\$3.55	\$3.68	\$3.82	\$3.95
200	\$2.50	\$2.63	\$2.75	\$2.88	\$3.00	\$3.13	\$3.25	\$3.38	\$3.50	\$3.63	\$3.75
210	\$2.38	\$2.50	\$2.62	\$2.74	\$2.86	\$2.98	\$3.10	\$3.21	\$3.33	\$3.45	\$3.57

<i>Specified Production Cost per acre for soybeans</i>											
<i>Price/bu</i>	<u>\$350</u>	<u>\$375</u>	<u>\$400</u>	<u>\$425</u>	<u>\$450</u>	<u>\$475</u>	<u>\$500</u>	<u>\$525</u>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>
\$10.50	33.3	35.7	38.1	40.5	42.9	45.2	47.6	50.0	52.4	54.8	57.1
\$10.85	32.3	34.6	36.9	39.2	41.5	43.8	46.1	48.4	50.7	53.0	55.3
\$11.20	31.3	33.5	35.7	37.9	40.2	42.4	44.6	46.9	49.1	51.3	53.6
\$11.55	30.3	32.5	34.6	36.8	39.0	41.1	43.3	45.5	47.6	49.8	51.9
\$11.90	29.4	31.5	33.6	35.7	37.8	39.9	42.0	44.1	46.2	48.3	50.4
\$12.25	28.6	30.6	32.7	34.7	36.7	38.8	40.8	42.9	44.9	46.9	49.0
\$12.60	27.8	29.8	31.7	33.7	35.7	37.7	39.7	41.7	43.7	45.6	47.6
\$12.95	27.0	29.0	30.9	32.8	34.7	36.7	38.6	40.5	42.5	44.4	46.3
\$13.30	26.3	28.2	30.1	32.0	33.8	35.7	37.6	39.5	41.4	43.2	45.1
\$13.65	25.6	27.5	29.3	31.1	33.0	34.8	36.6	38.5	40.3	42.1	44.0
\$14.00	25.0	26.8	28.6	30.4	32.1	33.9	35.7	37.5	39.3	41.1	42.9
\$14.35	24.4	26.1	27.9	29.6	31.4	33.1	34.8	36.6	38.3	40.1	41.8
\$14.70	23.8	25.5	27.2	28.9	30.6	32.3	34.0	35.7	37.4	39.1	40.8

Breakeven Analysis (cont.)

<i>Specified Production Cost per acre for soybeans</i>											
Bu/ac	\$350	\$375	\$400	\$425	\$450	\$475	\$500	\$525	\$550	\$575	\$600
25	\$14.00	\$15.00	\$16.00	\$17.00	\$18.00	\$19.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00
30	\$11.67	\$12.50	\$13.33	\$14.17	\$15.00	\$15.83	\$16.67	\$17.50	\$18.33	\$19.17	\$20.00
35	\$10.00	\$10.71	\$11.43	\$12.14	\$12.86	\$13.57	\$14.29	\$15.00	\$15.71	\$16.43	\$17.14
40	\$8.75	\$9.38	\$10.00	\$10.63	\$11.25	\$11.88	\$12.50	\$13.13	\$13.75	\$14.38	\$15.00
45	\$7.78	\$8.33	\$8.89	\$9.44	\$10.00	\$10.56	\$11.11	\$11.67	\$12.22	\$12.78	\$13.33
50	\$7.00	\$7.50	\$8.00	\$8.50	\$9.00	\$9.50	\$10.00	\$10.50	\$11.00	\$11.50	\$12.00
55	\$6.36	\$6.82	\$7.27	\$7.73	\$8.18	\$8.64	\$9.09	\$9.55	\$10.00	\$10.45	\$10.91
60	\$5.83	\$6.25	\$6.67	\$7.08	\$7.50	\$7.92	\$8.33	\$8.75	\$9.17	\$9.58	\$10.00
65	\$5.38	\$5.77	\$6.15	\$6.54	\$6.92	\$7.31	\$7.69	\$8.08	\$8.46	\$8.85	\$9.23
70	\$5.00	\$5.36	\$5.71	\$6.07	\$6.43	\$6.79	\$7.14	\$7.50	\$7.86	\$8.21	\$8.57
75	\$4.67	\$5.00	\$5.33	\$5.67	\$6.00	\$6.33	\$6.67	\$7.00	\$7.33	\$7.67	\$8.00
80	\$4.38	\$4.69	\$5.00	\$5.31	\$5.63	\$5.94	\$6.25	\$6.56	\$6.88	\$7.19	\$7.50
85	\$4.12	\$4.41	\$4.71	\$5.00	\$5.29	\$5.59	\$5.88	\$6.18	\$6.47	\$6.76	\$7.06

<i>Specified Production Cost per acre for cotton</i>											
Price/lb	\$625	\$650	\$675	\$700	\$725	\$750	\$775	\$800	\$825	\$850	\$875
\$0.68	919.1	955.9	992.6	1029.4	1066.2	1102.9	1139.7	1176.5	1213.2	1250.0	1286.8
\$0.70	892.9	928.6	964.3	1000.0	1035.7	1071.4	1107.1	1142.9	1178.6	1214.3	1250.0
\$0.72	868.1	902.8	937.5	972.2	1006.9	1041.7	1076.4	1111.1	1145.8	1180.6	1215.3
\$0.74	844.6	878.4	912.2	945.9	979.7	1013.5	1047.3	1081.1	1114.9	1148.6	1182.4
\$0.76	822.4	855.3	888.2	921.1	953.9	986.8	1019.7	1052.6	1085.5	1118.4	1151.3
\$0.78	801.3	833.3	865.4	897.4	929.5	961.5	993.6	1025.6	1057.7	1089.7	1121.8
\$0.80	781.3	812.5	843.8	875.0	906.3	937.5	968.8	1000.0	1031.3	1062.5	1093.8
\$0.82	762.2	792.7	823.2	853.7	884.1	914.6	945.1	975.6	1006.1	1036.6	1067.1
\$0.84	744.0	773.8	803.6	833.3	863.1	892.9	922.6	952.4	982.1	1011.9	1041.7
\$0.86	726.7	755.8	784.9	814.0	843.0	872.1	901.2	930.2	959.3	988.4	1017.4
\$0.88	710.2	738.6	767.0	795.5	823.9	852.3	880.7	909.1	937.5	965.9	994.3
\$0.90	694.4	722.2	750.0	777.8	805.6	833.3	861.1	888.9	916.7	944.4	972.2
\$0.92	679.3	706.5	733.7	760.9	788.0	815.2	842.4	869.6	896.7	923.9	951.1

<i>Specified Production Cost per acre for cotton</i>											
lbs/ac	\$625	\$650	\$675	\$700	\$725	\$750	\$775	\$800	\$825	\$850	\$875
750	\$0.83	\$0.87	\$0.90	\$0.93	\$0.97	\$1.00	\$1.03	\$1.07	\$1.10	\$1.13	\$1.17
800	\$0.78	\$0.81	\$0.84	\$0.88	\$0.91	\$0.94	\$0.97	\$1.00	\$1.03	\$1.06	\$1.09
850	\$0.74	\$0.76	\$0.79	\$0.82	\$0.85	\$0.88	\$0.91	\$0.94	\$0.97	\$1.00	\$1.03
900	\$0.69	\$0.72	\$0.75	\$0.78	\$0.81	\$0.83	\$0.86	\$0.89	\$0.92	\$0.94	\$0.97
950	\$0.66	\$0.68	\$0.71	\$0.74	\$0.76	\$0.79	\$0.82	\$0.84	\$0.87	\$0.89	\$0.92
1000	\$0.63	\$0.65	\$0.68	\$0.70	\$0.73	\$0.75	\$0.78	\$0.80	\$0.83	\$0.85	\$0.88
1050	\$0.60	\$0.62	\$0.64	\$0.67	\$0.69	\$0.71	\$0.74	\$0.76	\$0.79	\$0.81	\$0.83
1100	\$0.57	\$0.59	\$0.61	\$0.64	\$0.66	\$0.68	\$0.70	\$0.73	\$0.75	\$0.77	\$0.80
1150	\$0.54	\$0.57	\$0.59	\$0.61	\$0.63	\$0.65	\$0.67	\$0.70	\$0.72	\$0.74	\$0.76
1200	\$0.52	\$0.54	\$0.56	\$0.58	\$0.60	\$0.63	\$0.65	\$0.67	\$0.69	\$0.71	\$0.73
1250	\$0.50	\$0.52	\$0.54	\$0.56	\$0.58	\$0.60	\$0.62	\$0.64	\$0.66	\$0.68	\$0.70
1300	\$0.48	\$0.50	\$0.52	\$0.54	\$0.56	\$0.58	\$0.60	\$0.62	\$0.63	\$0.65	\$0.67
1350	\$0.46	\$0.48	\$0.50	\$0.52	\$0.54	\$0.56	\$0.57	\$0.59	\$0.61	\$0.63	\$0.65

Breakeven Analysis (cont.)

<i>Specified Production Cost per acre for rice</i>											
<i>Price/cwt</i>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>	<u>\$625</u>	<u>\$650</u>	<u>\$675</u>	<u>\$700</u>	<u>\$725</u>	<u>\$750</u>	<u>\$775</u>	<u>\$800</u>
\$12.50	44.0	46.0	48.0	50.0	52.0	54.0	56.0	58.0	60.0	62.0	64.0
\$12.75	43.1	45.1	47.1	49.0	51.0	52.9	54.9	56.9	58.8	60.8	62.7
\$13.00	42.3	44.2	46.2	48.1	50.0	51.9	53.8	55.8	57.7	59.6	61.5
\$13.25	41.5	43.4	45.3	47.2	49.1	50.9	52.8	54.7	56.6	58.5	60.4
\$13.50	40.7	42.6	44.4	46.3	48.1	50.0	51.9	53.7	55.6	57.4	59.3
\$13.75	40.0	41.8	43.6	45.5	47.3	49.1	50.9	52.7	54.5	56.4	58.2
\$14.00	39.3	41.1	42.9	44.6	46.4	48.2	50.0	51.8	53.6	55.4	57.1
\$14.25	38.6	40.4	42.1	43.9	45.6	47.4	49.1	50.9	52.6	54.4	56.1
\$14.50	37.9	39.7	41.4	43.1	44.8	46.6	48.3	50.0	51.7	53.4	55.2
\$14.75	37.3	39.0	40.7	42.4	44.1	45.8	47.5	49.2	50.8	52.5	54.2
\$15.00	36.7	38.3	40.0	41.7	43.3	45.0	46.7	48.3	50.0	51.7	53.3
\$15.25	36.1	37.7	39.3	41.0	42.6	44.3	45.9	47.5	49.2	50.8	52.5
\$15.50	35.5	37.1	38.7	40.3	41.9	43.5	45.2	46.8	48.4	50.0	51.6

<i>Specified Production Cost per acre for rice</i>											
<i>cwt/ac</i>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>	<u>\$625</u>	<u>\$650</u>	<u>\$675</u>	<u>\$700</u>	<u>\$725</u>	<u>\$750</u>	<u>\$775</u>	<u>\$800</u>
40.0	\$13.75	\$14.38	\$15.00	\$15.63	\$16.25	\$16.88	\$17.50	\$18.13	\$18.75	\$19.38	\$20.00
45.0	\$12.22	\$12.78	\$13.33	\$13.89	\$14.44	\$15.00	\$15.56	\$16.11	\$16.67	\$17.22	\$17.78
50.0	\$11.00	\$11.50	\$12.00	\$12.50	\$13.00	\$13.50	\$14.00	\$14.50	\$15.00	\$15.50	\$16.00
55.0	\$10.00	\$10.45	\$10.91	\$11.36	\$11.82	\$12.27	\$12.73	\$13.18	\$13.64	\$14.09	\$14.55
60.0	\$9.17	\$9.58	\$10.00	\$10.42	\$10.83	\$11.25	\$11.67	\$12.08	\$12.50	\$12.92	\$13.33
65.0	\$8.46	\$8.85	\$9.23	\$9.62	\$10.00	\$10.38	\$10.77	\$11.15	\$11.54	\$11.92	\$12.31
70.0	\$7.86	\$8.21	\$8.57	\$8.93	\$9.29	\$9.64	\$10.00	\$10.36	\$10.71	\$11.07	\$11.43
75.0	\$7.33	\$7.67	\$8.00	\$8.33	\$8.67	\$9.00	\$9.33	\$9.67	\$10.00	\$10.33	\$10.67
80.0	\$6.88	\$7.19	\$7.50	\$7.81	\$8.13	\$8.44	\$8.75	\$9.06	\$9.38	\$9.69	\$10.00
85.0	\$6.47	\$6.76	\$7.06	\$7.35	\$7.65	\$7.94	\$8.24	\$8.53	\$8.82	\$9.12	\$9.41
90.0	\$6.11	\$6.39	\$6.67	\$6.94	\$7.22	\$7.50	\$7.78	\$8.06	\$8.33	\$8.61	\$8.89
95.0	\$5.79	\$6.05	\$6.32	\$6.58	\$6.84	\$7.11	\$7.37	\$7.63	\$7.89	\$8.16	\$8.42
100.0	\$5.50	\$5.75	\$6.00	\$6.25	\$6.50	\$6.75	\$7.00	\$7.25	\$7.50	\$7.75	\$8.00

<i>Specified Production Cost per acre for grain sorghum</i>											
<i>Price/bu</i>	<u>\$300</u>	<u>\$325</u>	<u>\$350</u>	<u>\$375</u>	<u>\$400</u>	<u>\$425</u>	<u>\$450</u>	<u>\$475</u>	<u>\$500</u>	<u>\$525</u>	<u>\$550</u>
\$3.50	85.7	92.9	100.0	107.1	114.3	121.4	128.6	135.7	142.9	150.0	157.1
\$3.65	82.2	89.0	95.9	102.7	109.6	116.4	123.3	130.1	137.0	143.8	150.7
\$3.80	78.9	85.5	92.1	98.7	105.3	111.8	118.4	125.0	131.6	138.2	144.7
\$3.95	75.9	82.3	88.6	94.9	101.3	107.6	113.9	120.3	126.6	132.9	139.2
\$4.10	73.2	79.3	85.4	91.5	97.6	103.7	109.8	115.9	122.0	128.0	134.1
\$4.25	70.6	76.5	82.4	88.2	94.1	100.0	105.9	111.8	117.6	123.5	129.4
\$4.40	68.2	73.9	79.5	85.2	90.9	96.6	102.3	108.0	113.6	119.3	125.0
\$4.55	65.9	71.4	76.9	82.4	87.9	93.4	98.9	104.4	109.9	115.4	120.9
\$4.70	63.8	69.1	74.5	79.8	85.1	90.4	95.7	101.1	106.4	111.7	117.0
\$4.85	61.9	67.0	72.2	77.3	82.5	87.6	92.8	97.9	103.1	108.2	113.4
\$5.00	60.0	65.0	70.0	75.0	80.0	85.0	90.0	95.0	100.0	105.0	110.0
\$5.15	58.3	63.1	68.0	72.8	77.7	82.5	87.4	92.2	97.1	101.9	106.8
\$5.30	56.6	61.3	66.0	70.8	75.5	80.2	84.9	89.6	94.3	99.1	103.8

Global Beef Number Shrink; Lower Production Affecting 2024 Prices

The global beef market continues to show strong prices with smaller production numbers worldwide. But at some point, that is bound to turn, and it may be due to shifts in the beef trade, according to a new report from Rabobank. "Opposing positions in cattle cycles, exaggerated by weather patterns, have caused a redistribution of beef trade that will continue in 2024," said Angus Gridley-Baird, senior analyst, animal protein at Rabobank.

The U.S. herd continued to contract, mostly due to drought and its aftermath. Moving forward, if these conditions improve, this reduction in numbers may slow.

Europe has seen a similar contraction in its cow herd, and as a result, there are firm beef carcass prices. In other areas of the world, however, cattle prices are falling or have reached the bottom. In China and Japan, for example, beef prices have declined due to weak demand and a sufficient supply. Imports have slowed to both of these regions, a trend that is expected to continue into 2024. Brazilian live cattle prices declined with record consumption. Australia and New Zealand cattle prices have likely reached bottom, but slaughter still rises.

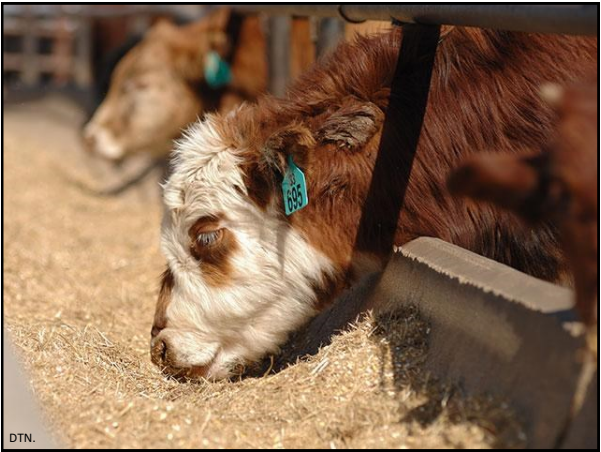
"The volume balance for the major beef producing and consuming regions of the world will remain relatively constant in 2024," Gridley-Baird said. Increases in production in countries such as Australia, Brazil, and Mexico will offset declines in Canada and the U.S.

Rabobank 's report anticipates a 4.5% contraction in beef production and a 3% decrease in U.S. beef consumption in 2024. As a result, an increase in imports is expected, with those most likely to come from Australia, Mexico, and New Zealand. New production records are expected for Brazil, said Gridley-Baird, with growth of 1% to 2% year over year, supporting a 2% to 3% increase in export volumes.

"We expect Chinese demand to recover further in 2024, mainly driven by foodservice," he added. "This increase in demand will also support increase import volumes from Argentina, which could be 5% to 7% year over year in 2024."

A slow economic recovery would limit consumers' expenditures and curb their spending on beef. The latest USDA all-fresh beef retail prices continue to show increases to record-high prices. Cattle on feed numbers continue to increase as well, while cattle inventory declines compared to the previous year. Market prices for nearly all classes of cattle and calves remain 20% to 30% higher than year -ago levels.

U.S. herd rebuilding remains on hold for now, and cow slaughter continued to be high for 2023. Heifers account for over 40% of calf and feeder cattle sales, which shows for most producers herd rebuilding isn't happening as of yet.



U.S. Seasonal Farm Price Outlook

The following table represents national seasonal average farm prices (\$/unit), as per the USDA WASDE report.

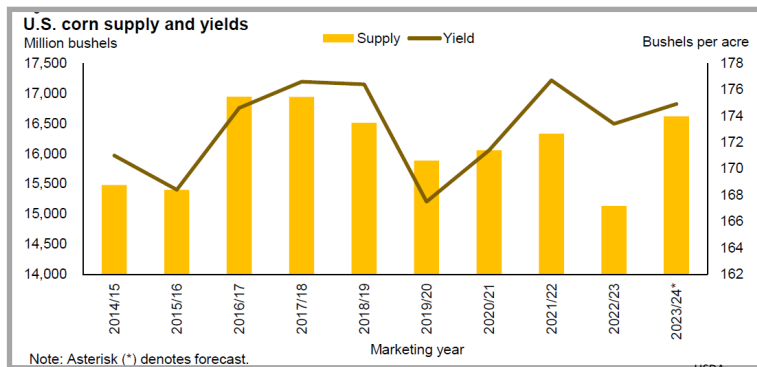
Crop	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 November	2023/24 December
Corn	\$4.53	\$6.00	\$6.54	\$4.85	\$4.85
Cotton	\$0.663	\$0.941	\$0.848	\$0.770	\$0.770
Rice (LG)	\$12.60	\$13.60	\$16.70	\$15.50	\$15.50
Rice (Southern MG)	\$13.00	\$13.90	\$18.20	\$16.50	\$17.50
Sorghum	\$5.04	\$5.94	\$5.94	\$4.85	\$4.85
Soybeans	\$10.80	\$13.30	\$14.20	\$12.90	\$12.90

Crop Market Situation for the 2023/24 Marketing Year

The information that is presented in this market update reflects current information as of December 22, 2023.

Corn

USDA NASS raised its national corn production forecast, based on higher corn yields. U.S. corn production for 2023/24 is projected to be 15.2 billion bushels, a 170-million-bushel increase from last month's forecast. This number is the result of an increase in yields to 174.9 bushels per acre, from the October 2023 forecast of 173 bushels per acre. The harvested area forecast remains unchanged at 87.1 million acres. U.S. corn use is expected to increase in tandem with the projected supply growth. Specifically, feed and residual corn use is raised this month, up 50 million bushels from last month to 5.65 billion. This increase will satisfy the growing number of feedlot placements at the onset of the 2023/24 marketing year. The 2023/24 corn-for-ethanol fuel use forecast is also raised this month, up 25 million bushels to 5.33 billion. In its November Grain Crushings and Co-Products Production report, NASS reported that September corn-for-ethanol fuel use was 12 percent higher than last year. Thus, the growth in the corn supply is expected to support strong ethanol demand.



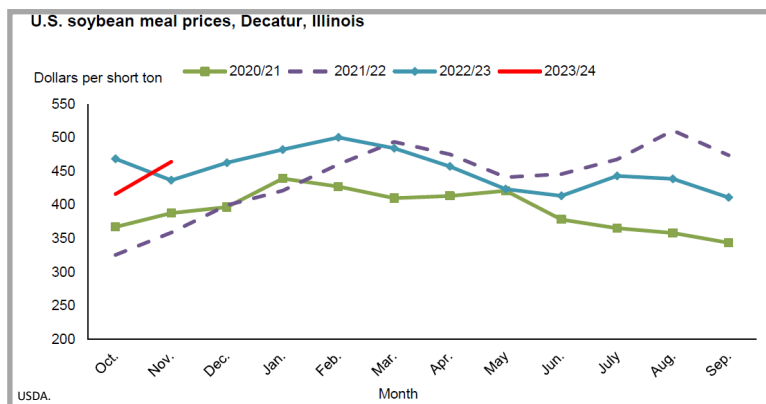
U.S. corn exports are off to a healthy start for the 2023/24 marketing year. In September, export volumes reached 125 million bushels, 25 million higher than September 2022. Furthermore, corn export commitments through November 2, 2023, are 31 percent higher than the same time last year at nearly 760 million bushels. These factors, complemented by a growing domestic supply, contribute to a 50-million-bushel increase in the 2023/24 corn export forecast to 2.08 billion.

Combined, anticipated increases in U.S. corn use do not exceed projected supply gains. Consequently, 2023/24 corn stocks are 45 million bushels higher this month at 2.16 billion bushels. The average price received by U.S. corn farmers is expected to fall from last month's forecast of \$4.95 per bushel to \$4.85 per bushel.

Soybeans

In the November Crop Production report, USDA, NASS raised the 2023/24 soybean production forecast to 4.13 billion bushels on higher yields and unchanged area. With the U.S. soybean supply forecast for MY 2023/24 at 4.43 billion bushels, 25 million bushels higher than last month's forecast with unchanged demand this month, U.S. soybean ending stocks are raised to 245 million bushels.

The shrinking prospects for Brazil's soybean production has increased the value of U.S. soybeans. In November, soybean cash prices at country elevators in Central Illinois increased by \$0.68 per bushel to \$13.08 per bushel. Throughout the country, cash prices rallied above \$13.00 per bushel by the middle of November and then prices declined to an average of \$12.67 per bushel in the first week of December. Despite these gains, the forecast for average soybean price received by farmers for the MY 2023/24 is unchanged this month at \$12.90 per bushel as prices have begun to decline in December.



Soybean meal prices were also well supported by the soybean meal export program. In October, the United States exported 1.3 million short tons of soybean meal, a record-high amount for the month of October. As of November 30th, U.S. soybean meal commitments totaled 6.9 million short tons, 19 percent above the same week in MY 2022/23. Early bookings were largely driven by competitive U.S. soybean meal prices compared with Argentina where total soybean crush for MY 2022/23 was adversely affected by drought. In September and October, Argentine soybean crushers processed well below 2.0 million metric tons, their lowest monthly crush volumes since 2001 while, alternatively, the United States has seen record-high monthly soybean crush volumes in September and October, boosting soybean meal production.

Rice

The only supply-side revision this month to the 2023/24 U.S. rice balance sheet is a 1.0-million hundredweight (cwt) increase in the import forecast to a record 40.0 million cwt, up fractionally from a year earlier. U.S. 2023/24 rice production remains forecast at 219.7 million cwt, 37 percent larger than a year earlier. Long-grain production remains forecast at 152.1 million cwt, up 19 percent from last year and the largest since 2020/21.

Continued next page.

In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of December 22, 2023.

Rice (cont.)

Combined medium- and short-grain production remains forecast at 67.6 million cwt, the largest since the 1981/82 record of 72.3 million cwt. This year's substantial expansion in medium- and short-grain production is primarily due to drought recovery in California, as well as increased plantings in the South.

Total U.S. rice exports for 2023/24 remain forecast at 86.0 million hundredweight (cwt), 34 percent above a year earlier and the highest since 2020/21. The current U.S. long-grain export forecast of 61.0 million cwt is 22 percent larger than a year earlier. This month's upward revision is based on stronger-than-expected sales and shipments through November, and expectations regarding sales and shipments for the remainder of the marketing year. Sales to Mexico—the largest market for U.S. long-grain rice—are up sharply from last year's abnormally low level, mostly due to larger supplies and more competitive prices. Long-grain sales to Iraq, Venezuela, Senegal, Haiti, El Salvador, the Dominican Republic, and Nicaragua are also well ahead of a year earlier. The 2023/24 U.S. medium- and short-grain export forecast is lowered 2.0 million cwt to 25.0 million, still 73 percent larger than a year earlier but below the 2021/22 pre-California drought level of 28.5 million. The downward revision is based on weaker-than-expected sales and shipments through November to Northeast Asia, the largest export market for U.S. medium- and short-grain rice. Although sales and shipments to Japan—the largest buyer of U.S. medium- and short-grain rice—were slightly ahead of a year ago through November, they remain below pre-California drought levels.

The 2023/24 month-over-month upward revision in rice prices is based on a 50-cent increase for long grain to \$16.00 per cwt and a \$1.00 increase in the southern medium- and short-grain SAFP to \$17.50 per cwt.

Cotton

USDA's December Crop Production report forecasts 2023/24 U.S. cotton production at 12.8 million bales, 314,000 bales (2.4 percent) below last month's forecast and nearly 1.7 million bales (11.7 percent) below the 2022/23 crop. Harvested area in 2023/24 is estimated at 8.0 million acres, slightly above last season's 7.3 million acres—the lowest since a similar area was harvested in 1983/84. Dry conditions for consecutive seasons in the Southwest region contributed to the relatively low harvested acreage. The implied U.S. abandonment rate is estimated at approximately 22 percent, compared with last season's 47 percent. Upland cotton production this season is forecast lower in three of the Cotton Belt regions while slightly higher in the Southwest.

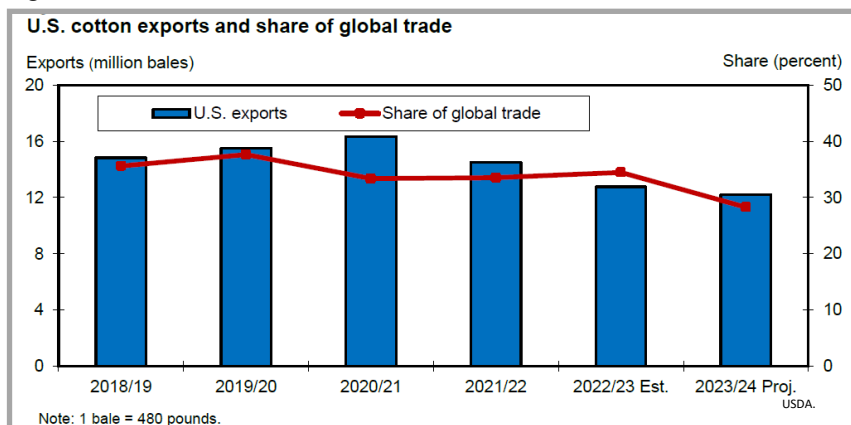
U.S. cotton demand for 2023/24 is projected at 14.1 million bales in December, 5 percent (716,000 bales) below 2022/23 and the lowest level since 2015/16. U.S. cotton exports account for the largest share of demand and are forecast at 12.2 million bales in 2023/24. U.S. mill use is expected to account for an additional 1.9 million bales this season—the lowest in over a century. Despite a higher world trade projection this season and strong foreign import demand—particularly from China—U.S. cotton export prospects are constrained as supplies are forecast to be their lowest in 8 years. Based on the December projections, the 2023/24 U.S. share of global trade is forecast at 28 percent—6 percentage points below the previous 3-year average and the lowest since 2015/16.

With the December decline in the U.S. cotton production estimate larger than the decrease in the cotton demand projection, 2023/24 U.S. ending stocks are forecast 100,000 bales lower this month, at 3.1 million bales. U.S. cotton stocks are nearly 1.2 million bales below 2022/23 and the lowest in 7 years. The stocks-to-use ratio is forecast at 22 percent at the end of 2023/24, compared with 29 percent in 2022/23, and the lowest in 3 years. Based on the U.S. and world cotton supply and demand estimates and recent prices, the 2023/24 average U.S. upland cotton farm price is forecast at 77 cents per pound, compared with the final 2022/23 price of 84.8 cents per pound and 2021/22's record of 91.4 cents.

Sugar

In the December 2023 WASDE, the U.S. 2023/24 sugar supply is raised from last month by 120,000 STRV to 14.354 million as the reduction in beginning stocks are offset by larger imports and a slight increase in cane sugar production. The U.S. beet sugar production in fiscal year 2023/24 of 5.363 million STRV from last month is carried over. This level of beet sugar production, if realized, would reflect a 175,000-STRV increase (3 percent) from last year's 5.187 million and would be a record, exceeding 2017/18's 5.279 million. Given the year-over-year decrease in acreage, the record forecast is driven by a relatively high national sugarbeet yield and recovery rate.

Continued next page.



In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of December 22, 2023.

Sugar (con.t)

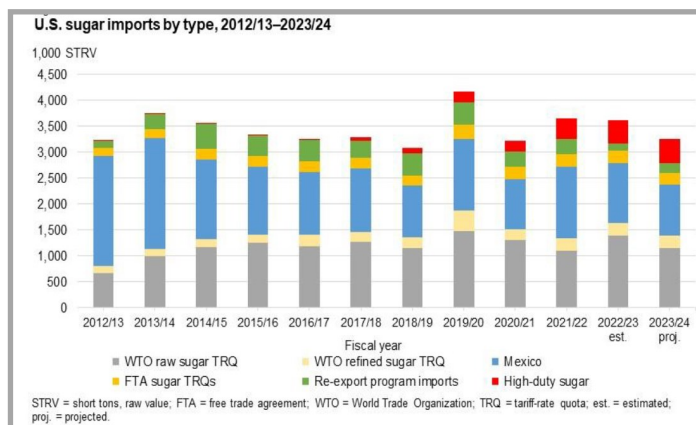
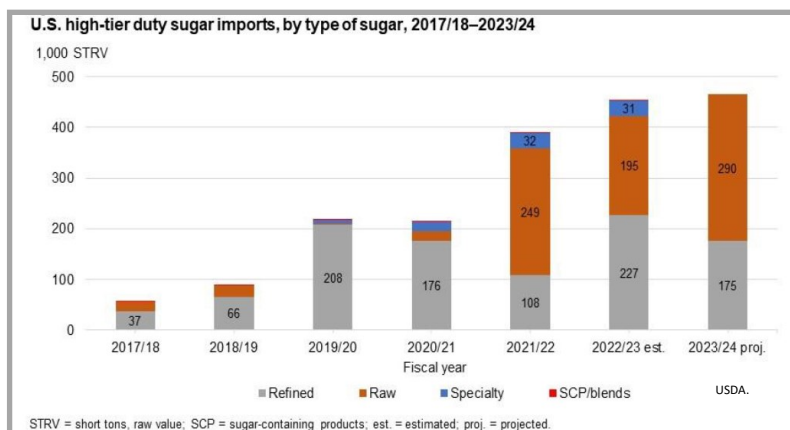
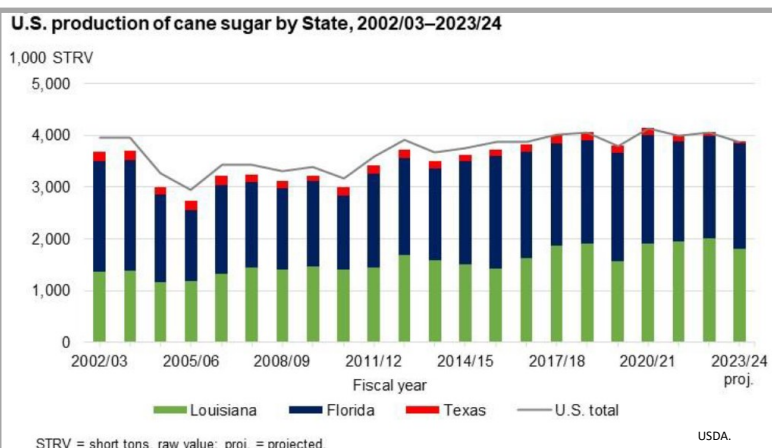
The 2023/24 cane sugar production in Louisiana and Texas have been negatively affected by drought. The outlook for both States slightly improved this month. In Louisiana, the NASS Crop Production in December raised the State's sugarcane yield for the third consecutive month—from 27.7 tons per acre in October to 28.3 tons in November, and then to 28.5 tons in December. The yield improvement in December translates to a slight increase of 12,000 STRV from last month to 1.799 million STRV but would still reflect a 202,000-STRV reduction (10 percent) from last year's record (2.022 million) and would be the second lowest in 5 years. In Texas, where restrictions on water releases from Mexico pose additional challenge, sugar production is raised by 2,000 STRV to 44,000 on higher yield forecast submitted to the SMD. Florida's production is unchanged at 2.037 million STRV—reflecting a return to typical production level above 2 million tons. Collectively, 2023/24 cane sugar production in the U.S. is projected at 3.880 million STRV. While up month to month, this outlook is 180,000-STRV lower (4 percent) than last year's 4.061 million STRV, a 4-year low.

For 2023/24, U.S. imports from Mexico, the largest source from a single country averaging about 33 percent of the total in the last 5 years, are reduced from last month by 227,000 to 971,000. This volume is 185,000-STRV lower (16 percent) than last year and would represent a 14-year low in line with 2022/21's 968,000 STRV. The reduction is primarily based on the CON-

ADESUCA's November initial 2023/24 forecast of a 7-year low production of less than 99.2 polarity sugar due to widespread, moderate-to-extreme drought conditions in most of the country's sugarcane growing areas. The actual pace of U.S. imports from Mexico reflects the latter's drought-induced supply constraints. U.S. imports of sugar from Mexico in October and November (about 1,000 and 3,000 STRV, respectively) would be the lowest for each month since 2010/11.

The forecast of 2023/24 high-tier raw sugar imports (up by 190,000 STRV from last month to 290,000 STRV) would overtaking 2021/22's 249,000 STRV. While traditionally comprised of high-value, refined sugar that is difficult to source domestically, high-tier raw sugar imports have surged in the last 3 years. If the 2023/24 forecast holds true, high-tier raw sugar imports would even be greater than high-tier refined sugar imports in 2 of the last 3 years. The upward adjustment for high-tier raw sugar was based on a combination of actual entries through November and the expected continuation of the recent strong pace amid current market conditions characterized by tight supplies and high prices.

With the forecast for high-tier refined sugar imports unchanged at 175,000 STRV, total high tier imports are raised to 465,000, overtaking last year's 455,000 to be the largest in the past 18 years. Thus, while historically the smallest import category, high-tier imports in 2023/24 are projected to comprise 14 percent of the total compared with the 5-year average (8 percent). In addition, it would now be the third largest category behind raw sugar TRQ and Mexico in 3 consecutive years.



Farm Management Planning Tools Available for 2024 Crop Year from the LSU AgCenter

The LSU AgCenter has released the 2024 enterprise budgets for corn, cotton, rice, sorghum, soybeans, sugarcane, and wheat. The purpose of these reports are to provide planning information regarding crop production costs and market returns for the 2024 crop year.



Crop enterprise budgets in this report are presented in two budget formats. The first budget format (table A) is a summary of costs and returns for the crop enterprise. The second budget format (table B) provides a table listing the sequence of production operations, indicating the equipment and implements used, month of operation, labor required, machine time required, and materials used. Labor costs, material costs, custom costs, and direct and fixed costs for tractors and equipment are also included for each operation. All costs are summed giving the total cost per operation or practice.

The budgets included in this report are categorized by per acre total direct expenses and per acre total fixed expenses for a production season. Projected crop enterprise budgets in this report include a calculation of expected market returns for the crop. Expected crop yields and market prices are selected at the beginning of the crop year. Projected crop yields are determined based on recent production history for expected yield given normal weather conditions. Projected market prices are specified as expected marketing year average prices for the commodity, based on harvest time futures price quotes as well as other market information at the beginning of the crop year. No estimate of income from farm program participation or crop insurance is included in this budgets due to the wide variety of farm program and crop insurance choices available to producers.

These projected cost and return documents, as well as other farm management decision tools can be accessed using the following direct links. Enterprise budget publication presents estimates of projected costs and returns for corn, cotton, rice, sorghum, soybean, sugarcane, and wheat production in Louisiana for the 2024 crop year. Enterprise budgets for the 2023 crop year are presented in MS Excel and PDF format.

The following budget links can be pasted into your web browser.

Corn: <https://www.lsuagcenter.com/topics/crops/corn/budget>

Cotton: <https://www.lsuagcenter.com/topics/crops/cotton/budget>

Grain Sorghum: <https://www.lsuagcenter.com/topics/crops/grain%20sorghum/budget>

Rice: <https://www.lsuagcenter.com/topics/crops/rice/budget>

Soybeans: <https://www.lsuagcenter.com/topics/crops/soybeans/budgets>

Sugarcane: <https://www.lsuagcenter.com/topics/crops/sugarcane/economics>

Wheat: <https://www.lsuagcenter.com/sitecore/content/lsuagcenter/topics/crops/wheatoats/budget>

Additionally, specific farm management decision tools (spreadsheets) are available. On the LSU AgCenter's webpage (www.lsuagcenter.com), click *crops* on the page ribbon. When all the crop icons appear, select the desired crop. Next, click on the *budget* icon to be directed to the webpage for farm management tool download. Available farm management tools are:

Corn, Cotton, Soybean, and Grain Sorghum Net Return Comparison Tool

Rice Farm Cash Flow Model

Rice Rental Evaluation Model

Furrow Irrigated Rice Budget

Provisia[®] Rice Budget

Sugarcane Farm Costs and Returns Model

Newsletter Information

A group of growers inquired about a quarterly newsletter being delivered to them containing relevant market news and agricultural policy events. As a result, this publication is delivered electronically per a quarterly release schedule. Please contact Dr. Mike Deliberto at mdeliberto@agcenter.lsu.edu to be added to the email distribution list. As always, subscription is free of charge.

QUARTER	Reporting Period	Release Date
1	January 1 through March 31	April 15
2	April 1 through June 30	July 15
3	July 1 through September 30	October 15
4	October 1 through December 31	January 15

Please direct questions and comments to Dr. Michael Deliberto, Department of Agricultural Economics and Agribusiness, LSU AgCenter. Mailing Address: 101 Martin D. Woodin Hall, LSU Campus, Baton Rouge, LA 70803. Office Phone: 225-578-7267. Email: mdeliberto@agcenter.lsu.edu *Staff Report 2024-07. January 2024.*

