Agricultural Policy and Market Situation Newsletter

Volume VII, Issue 1

Nutrition and Farm Program Spending Estimates from the CBO

The Congressional Budget Office's February 2024 baseline for USDA Mandatory Farm Programs and the Supplemental Nutrition Assistance Program revealed projected outlays for Farm Bill-related programs at $1.46 trillion over the 10-year window from fiscal years 2025 to 2034 – this latest baseline projection is 3.5% lower than the previous 10-year baseline of $1.5 trillion.

May 2023's baseline remains the Farm Bill scoring baseline until directed otherwise by the budget committees. In addition to this February baseline, CBO will release a new spring baseline following the release of the President's fiscal year 2025 budget request. It is possible, at the direction of the budget committees and in consultation with the agriculture committees that proposed Farm Bill modifications could be scored against a baseline other than the May 2023 baseline.

While the May 2023 Congressional Budget Office (CBO) baselines for USDA Mandatory Farm Programs and the Supplemental Nutrition Assistance Program (SNAP) currently remains in the Farm Bill scoring baseline, CBO recently released February 2024 baselines for farm programs and SNAP to provide updated spending projections through fiscal year 2034. Combined, mandatory farm programs and SNAP

CBO.

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What's inside this Issue?

Farm Bill Spending, Prospective Plantings Report, Dicamba, Baltimore Bridge Collapse, Ag Labor, Inflationary Pressure, Sugar Outlook, Crop Market Situation, and more!

USDA's 2024 Planting Intentions Survey Results

Where did all the corn acres and principal crop acres go? Those were the two biggest questions from USDA's *Prospective Plantings* Report. The most significant story from this report has to do with the loss of principal crop acreage. If it holds true, i.e., if there isn't an increase in acreage in the June plantings report, this could be indicative of a retraction in acres due to a host of reasons. If planted acres end up higher than current intentions, it is a marked sign of perceived pessimism among farmers heading into the 2024/25 growing season.

USDA's first official look at acreage, which is a farmer survey, typically stirs up quite the debate. The survey asks farmers their planting intentions as of March 1st. USDA's definition of principal crops includes 22 crops. USDA surprised analysts and farmers alike by estimating total acres of principal crops at only 313.3 million acres, down 6.3 million acres (2%) from 2023 planted acres. The 2% drop in prospective planting crop acres is the largest to date in the eight years since the metric was introduced in 2017. The drop in principal crops suggest low prices impacted decisions, with farmers opting to fallow more land.

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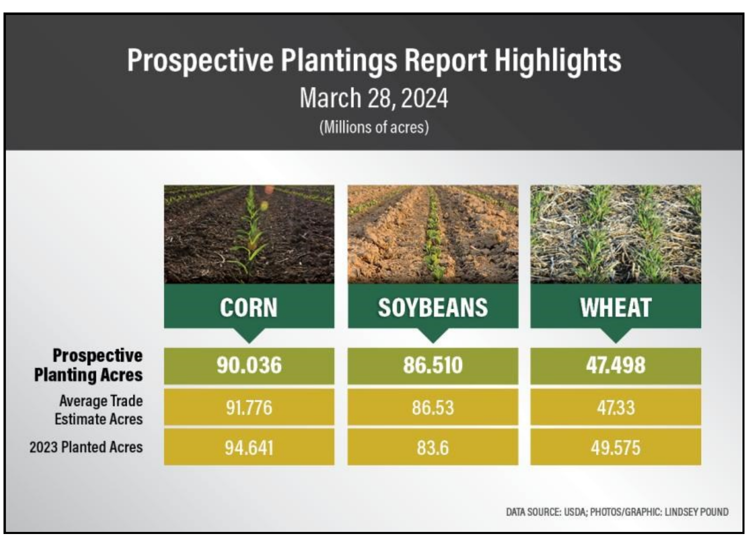

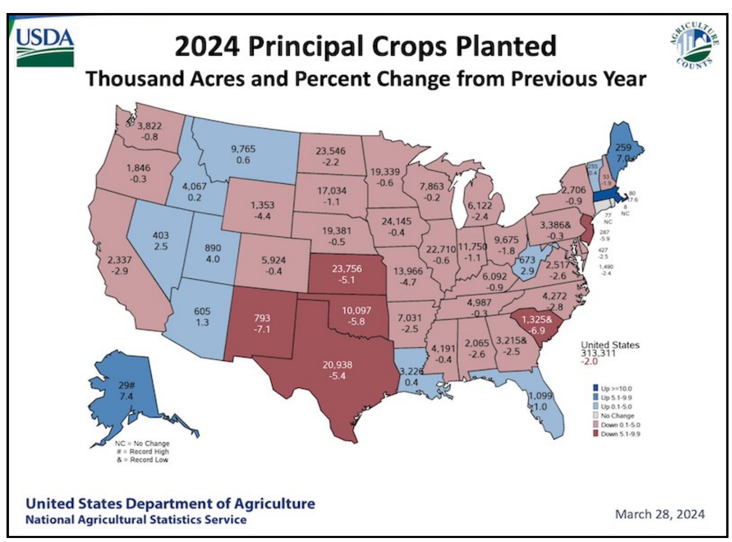

CBO (cont.)

are projected to total $1.46 trillion over the 10-year window from fiscal years 2025 to 2034, down 3.9% or $59 billion from CBO's May 2023 10-year baseline of $1.51 trillion during fiscal years 2024 to 2033.

At nearly 80% of total Farm Bill program spending, CBO now projects 10-year SNAP outlays at $1.15 trillion, a $77 billion decrease from the May projection of $1.2 trillion (when including changes made to SNAP in the Fiscal Responsibility Act of 2023). The decline in projected SNAP outlays is due to lower participation estimates -- a decline of approximately 1 million participants annually – and a decrease in the estimated benefits per person of approximately $12 per month. Importantly, reflecting trends in overall food price inflation and other factors, projected SNAP benefits per person continue to increase in the baseline, rising from $206 per person in 2025 to nearly $260 per participant in 2035 – an increase of 26%.

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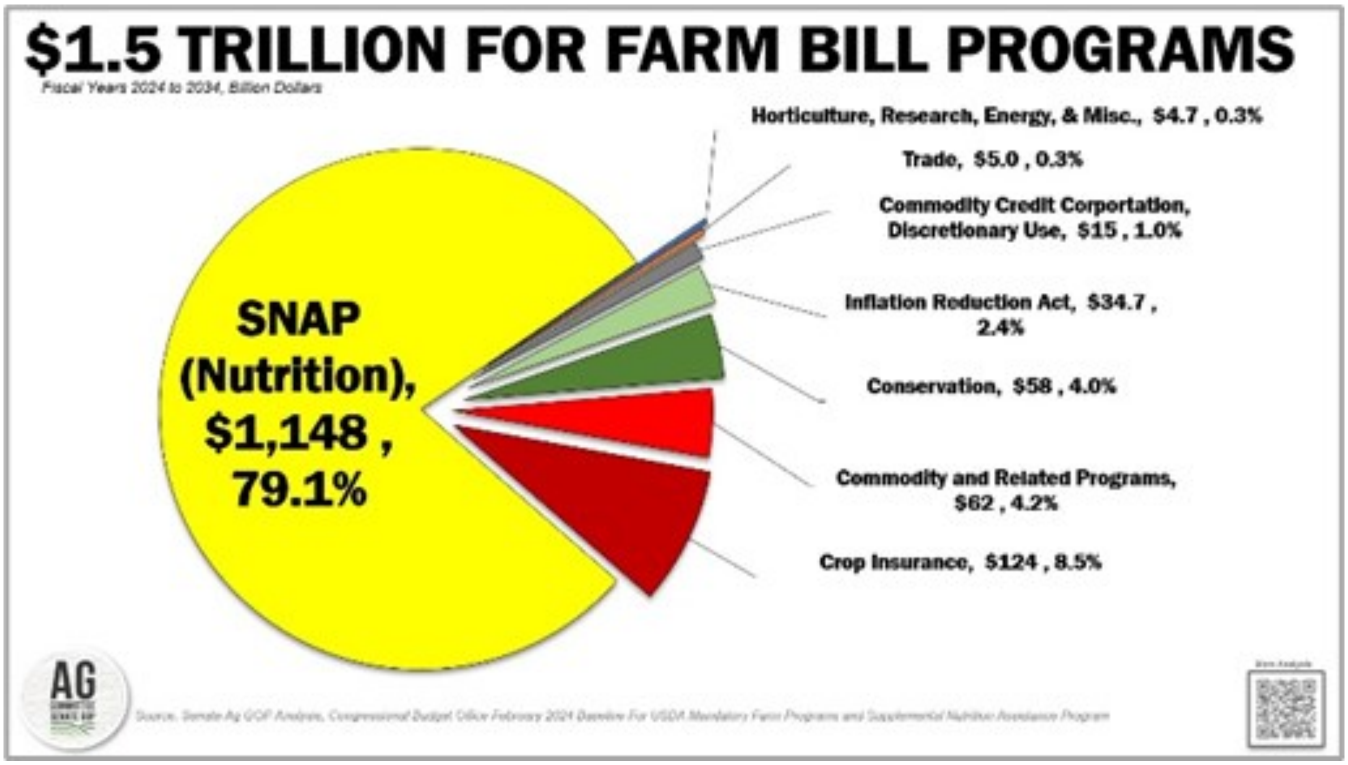
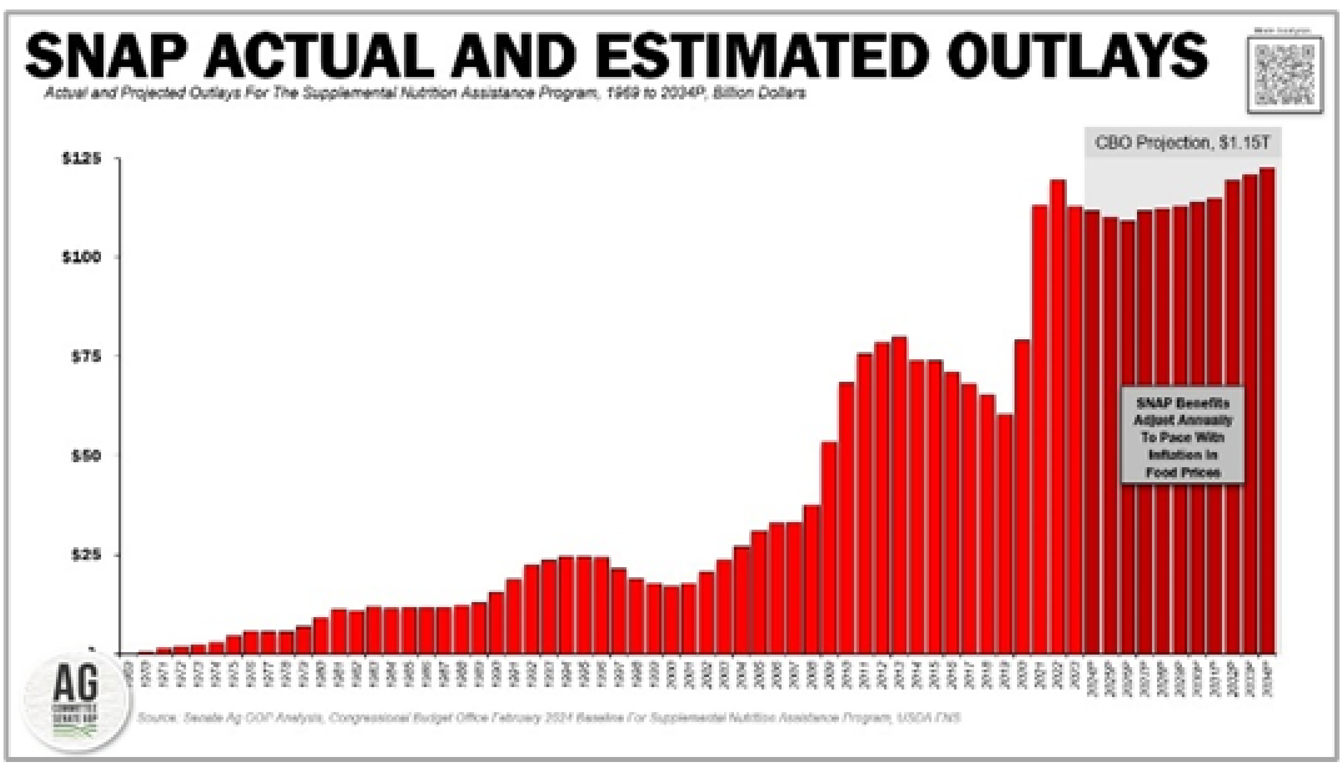




CBO (cont.)

While SNAP spending is projected to decline from the May 2023 baseline, SNAP spending has increased by 73% ($484 billion) since the 2018 Farm Bill's enactment, driven largely by a 21% increase in SNAP benefits as part of the 2021 Thrifty Food Plan reevaluation, food price inflation, and increased program participation. The remaining 20% of spending falls into farmer-related programs such as crop insurance, commodity support programs such as Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC), and voluntary incentive-based conservation programs such as the Environmental Quality Incentives Program or the Conservation Reserve Program (CRP).

Total outlays for crop insurance are now projected at $124 billion, a $23 billion, or 22%, increase from the May 2023 projection of $101 billion. The increase in projected crop insurance outlays is driven by higher expected crop prices and an additional 30 million acres projected to be insured each year – driven by an increase in pasture, rangeland, and forest utilization. The impact of livestock-based crop insurance policies such as Dairy Revenue Protection or Livestock Risk Protection for cattle and swine are also captured in the CBO baseline for federal crop insurance.

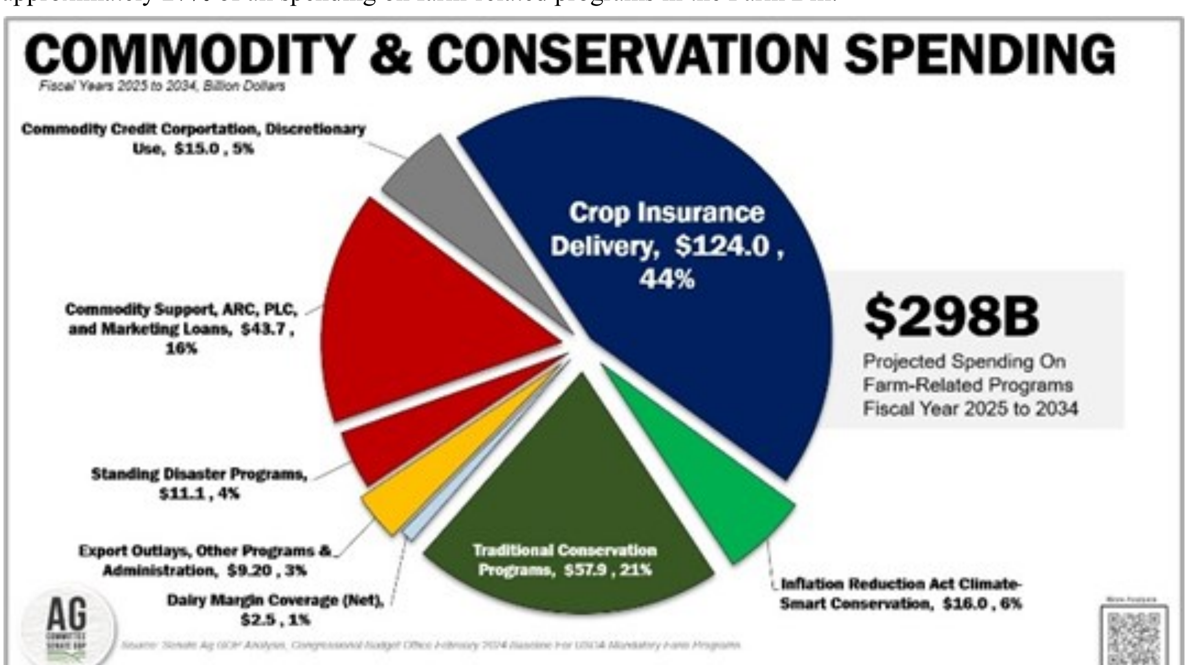
Commodity income support and related programs such as ARC, PLC, Dairy Margin Coverage (DMC), and livestock disaster programs, among others, are now projected to cost $57 billion over the 2025 to 2034 fiscal years (not including export outlays, other miscellaneous programs, and administration). The $7.5 billion decrease in commodity support payments is driven mainly by reduced outlays for ARC, down $2.9 billion to $15.3 billion, and PLC, down $4.8 billion to $28 billion over fiscal years 2025 to 2034. The decline in commodity program payments was driven by marginally higher crop prices in the distant years of the baseline. For example, the 10-year average soybean price increased to $10.34 per bushel compared to a May average of $9.95 per bushel, and the 10-year average all rice price increased to $14.71 per hundredweight, up from a 10-year average of $13.75 per hundredweight in the May baseline. Outlays for DMC and livestock disaster payments were mostly in line with the May projections at $2.5 billion and $11.1 billion, respectively.

In recent years USDA has used the discretionary authority of the Commodity Credit Corporation (CCC) to provide new financial resources for efforts such as the Trade Mitigation Programs, Partnerships for Climate Smart Commodities, and the Regional Agricultural Promotion Program, among others. Historically, CBO accounted for this discretionary use of the CCC at $1 billion per year, or $10 billion over 10 years. This score had remained unchanged since the May 2022 baseline. Now, to reflect the increased use of the CCC for discretionary purposes, CBO increased their projections for CCC spending from fiscal year 2025 to 2034 to $15 billion, an increase of $5 billion from the May 2023 baseline (Note: CBO also increased fiscal year 2024 CCC spending by $2 billion).

Spending for voluntary incentive-based conservation programs such as CRP, EQIP, or the Conservation Stewardship Program, among others, are now projected at $58 billion, $2 billion lower than the May 2023 projection of $60 billion due to lower CRP-related outlays. The reduction in CRP outlays is attributable to increased enrollment in CRP grasslands and the lower per acre rental payments associated with these acres.

While not currently a part of the Farm Bill baseline, a line item many conservation stakeholders likely zeroed in on were outlays allocated to Inflation Reduction Act (IRA) climate-smart programs. In the February baseline, CBO increased and shifted the pace of projected outlays for climate-smart spending authorized as part of the IRA by approximately $110 million. For the most part, CBO projected a slower pace of outlays in nearby years, with higher outlays in fiscal years 2029 to 2031. At the same time, CBO reduced projected outlays for conservation technical assistance by $101 million – leaving total IRA-related outlays $9 million higher than the score for the IRA upon enactment.

When including IRA-related outlays for conservation programs, conservation- and climate-related outlays total $74 billion during fiscal years 2025 to 2034 – making conservation- and climate-related financial and technical assistance larger than that of commodity support programs and approximately 27% of all spending on farm-related programs in the Farm Bill.



Planting Intentions (cont.)

Corn futures surged in the wake of recent reports, negating losses seen earlier. USDA released their Prospective Plantings and Grain Stock reports, each of which contained bullish fundamental data for the corn market. Corn acres came in at 90.036 million acres, below expectations of 91.8 million acres in a Bloomberg survey and well below 94.6 million acres in 2023-24. Combined corn and soy acres are down year over year, as well as are total acres for all crops, as producers opt to farrow more than usual amid low crop prices. Corn acres lost to both spring wheat and cotton acres in the north and south production areas, as those crops have proved to provide better opportunities this spring than corn. Still, corn futures struggled to hold onto gains following the reports. Whether or not bulls can force a another close above 40-day moving average resistance, currently at $4.40 1/2, after the long weekend will be key.

Quarterly stocks came in tighter than expected with USDA reporting stocks of 8.347 billion bushels, which was below the Bloomberg average estimate at 8.445 billion bushels and below all but one analyst estimate. Most of the difference stems from feed use coming in higher that most estimates. Feed use through the first two quarters of the year warrants an increase in next month's WASDE report. When paired with a warranted increase in exports and ethanol as well, the balance sheet could see adjustments of well north of 100 million bushels in the upcoming WASDE. That could prove quite supportive in the medium-term outlook for the corn market, especially if exports continue at their recent solid pace.

Early planting dates are right around the corner for the corn belt. The spring has been relatively mild thus far and will likely induce growers to hit the fields early. While corn acres came in tighter than expected, relatively mild spring and ideal planting conditions could lead to corn acres coming in higher than expected, as producers opt to plant corn rather than beans given the opportunity, similar to last year. On the other hand, relatively low intentions could lead to a significant weather rally if this spring proffers planting delays, due to excessive moisture, etc., as there is little margin with corn acres at 90.0 million acres. As the market's attention will quickly turn to weather concerns, weather will continue to drive the corn market through the growing season.

While corn bulls recently stole the show, soybeans mustered a rally from early session lows but continued to face headwinds at the psychological $12.00 area. A rally in corn to a seven-week high certainly gave a boost to the soy complex. However, gains eased into the close ahead of the long Easter weekend.

USDA's Prospective Planting figure of 86.51 million acres landed just below pre- report estimates, though larger-than-expected March 1st stocks at 1.845 billion bushels largely outshined the neutrality of USDA's acreage peg. Moreover, stocks are up 13% from a year ago, while implied use during the second quarter was down 12% from the same quarter last year.

Weather throughout much of the Midwest has proven warmer and drier than normal through much of the winter in many key production areas, allowing spring planting to begin a bit earlier than usual. While current weather conditions are favorable for planting in many areas, rains will certainly be needed in many areas throughout the Corn Belt to bolster subsoil moisture for the future growing season.

Not surprisingly the government reported previously that soybean use has dwindled in its Quarterly Grain Stocks Report, as U.S. exports have ratcheted down amid a combination of sustained U.S. dollar strength and hefty South American production. On the contrary, though, U.S. crush activity has certainly gained steam, largely due to Argentina's lack of supplies due to last year's drought. Traders will continue to monitor South American crop size as well as crush activity in Argentina as supplies are replenished. Moreover, the dollar's direction will continue to influence soybeans as it affects their value in the global marketplace.

Cotton remained rather subdued on such a historically volatile trading day. In its annual Prospective Plantings Report, USDA showed cotton acres will rise 443,000 to 10.673 million acres, though the figure was 233,000 acres less than traders expected.

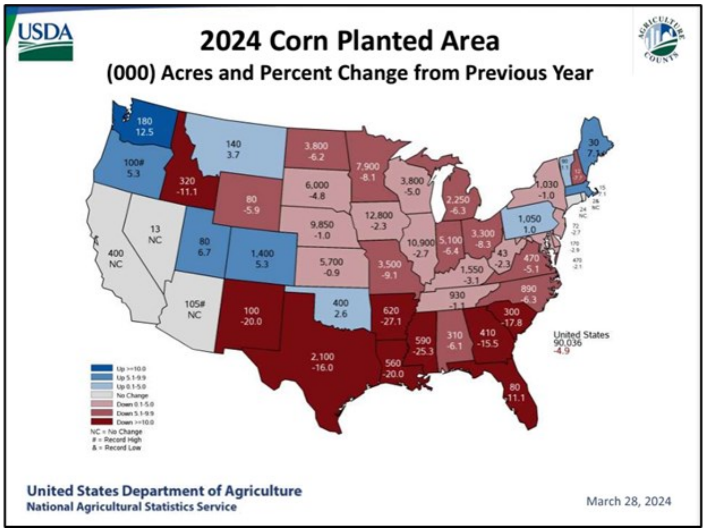
Continued next page.

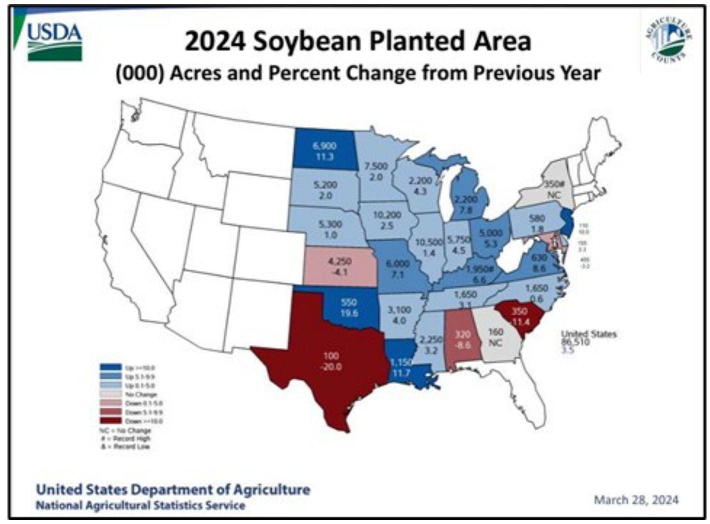
Principal Crops: Area Planted and Harvested - Louisiana and United States: 2023 and 2024

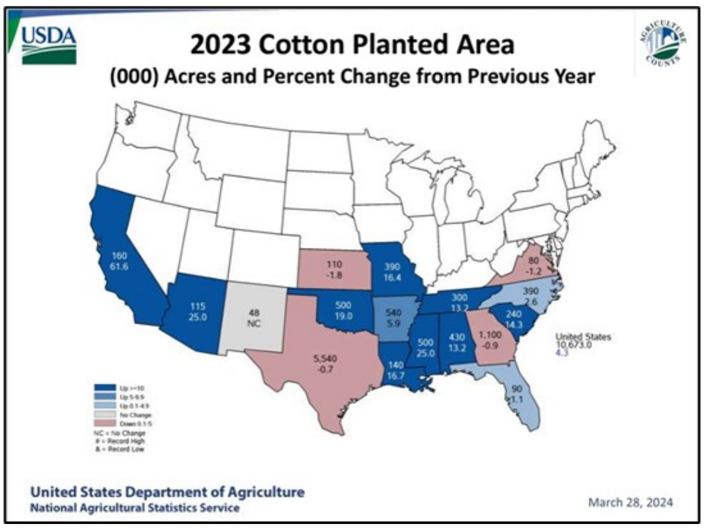
Crop	Louisiana			United States		
	2023	2024 [1]	Percent of previous year	2023	2024 [1]	Percent of previous year
	(1,000 acres)	(1,000 acres)	(percent)	(1,000 acres)	(1,000 acres)	(percent)
Corn	700.0	560.0	80	94,641.0	90,036.0	95
Cotton, upland	120.0	140.0	117	10,083.0	10,470.0	104
Hay, all [2]	390.0	420.0	108	52,821.0	51,562.0	98
Rice, all	468.0	450.0	96	2,894.0	2,932.0	101
Long Grain	390.0	410.0	105	2,063.0	2,300.0	111
Medium Grain	78.0	40.0	51	815.0	604.0	74
Soybeans	1,030.0	1,150.0	112	83,600.0	86,510.0	103

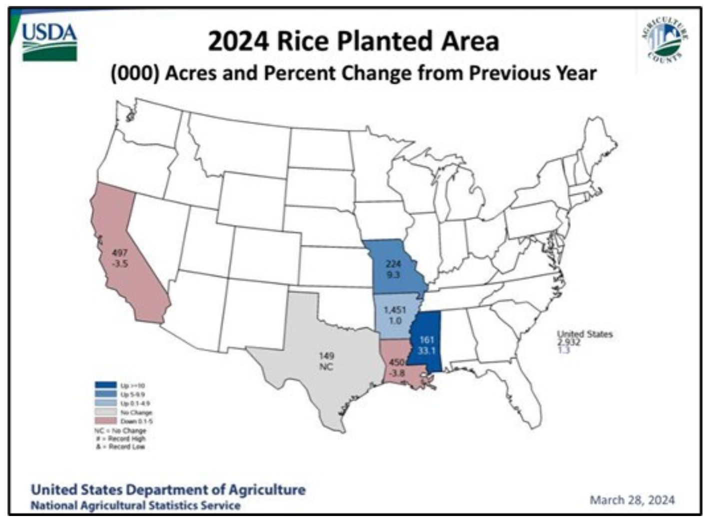
[1] Intended plantings in 2024 as indicated by reports from producers.
[2] Intended area for harvest in 2024 as indicated by reports from producers.

Planting Intentions (cont.)









Meanwhile, a rally in crude oil futures, which challenged March 19th highs, lent limited support to the natural fiber amid countering U.S. dollar strength. Weather in U.S. production areas will continue to prove noteworthy as planting efforts gathers steam. Parts of West Texas continue to remain quite dry, especially in the southwest, while South Texas would also benefit from some rain. However, World Weather Inc. indicates these areas will be dry for the next nine days. Meanwhile, the U.S. Delta and southeastern states will be favorably moist, as will the southwestern desert areas.

U.S. export sales will continue to garner marketplace attention as the marketing-year progresses. Earlier today, USDA reported weekly export sales of 98,200 RB of upland cotton for the week ended March 21, which were up 8% from the previous week and 46% from the four-week average. Top purchasers included Turkey, China and Indonesia. Meanwhile, shipments during the week held steady, down 9% from the previous week but up 12% from the four-week average. Cotton exports will largely be influenced by global production, U.S. dollar activity and economic conditions in top importer, China.

Rice futures range from 13.5 cents lower to 2 cents higher, with old-crop contracts remaining under pressure from technically-driven long liquidation/selling. Rice planting intentions were closely in line with the avg. of intentions. Rice futures finished between 22.5 cents lower and 1 cent higher, with the nearby May contract finishing on its session low and just above its early November low under continued pressure from technically-driven selling and a drop off in weekly rice export sales to 62,100 metric tons from the previous week's 142,100 metric tons. U.S. rice planting intentions of 2.932 million acres were slightly below the average of trade estimates at 2.950 million but were up slightly from last year's final plantings of 2.894 million acres.

CME.

EPA Provides Update on Over-the-Top Uses of Dicamba

In light of the U.S. District Court of Arizona's February 6, 2024 ruling vacating the 2020 registrations for over-the-top (OTT) dicamba products, the U.S. EPA is providing the following update. On February 14, 2024, EPA issued an *Existing Stocks Order for Dicamba Products Previously Registered for Over-the-Top Use on Dicamba-Tolerant Cotton and Soybean*. This Order addresses use of the formerly-registered dicamba products and authorizes limited sale and distribution of dicamba products that are already in the possession of growers or in the channels of trade and outside the control of the pesticide companies.

Dicamba is an herbicide used to target broadleaf weeds in agricultural and non-agricultural settings and is registered for use at specified stages in agricultural crop fields of corn, cotton, sorghum, soybeans, sugarcane, and other crops. The products subject to the February 2024 vacatur were registered to be sprayed OTT of genetically engineered dicamba-tolerant soybeans and cotton after the crops have emerged from the ground. There are also dicamba products that are only registered for non-OTT applications. These products are applied earlier in the growing season before crop emergence while OTT products can be applied later in the growing season after crop emergence.

In response to a lawsuit against EPA concerning these registrations, on February 6, 2024, a ruling by the U.S. District Court of Arizona vacated the 2020 registrations for OTT dicamba products XtendiMax, Engenia, and Tavium. As of February 6, 2024, these products are unregistered, and sale or distribution of these products is unlawful except as provided in EPA's February 2024 existing stocks order.

EPA has issued an Existing Stocks Order to allow for limited sale and distribution of dicamba OTT products that were already in the possession of growers or in the channels of trade and outside the control of pesticide companies as of February 6, 2024. The order also prohibits the use of these dicamba products except where the use is consistent with the previously approved labeling, which included measures intended to reduce environmental damage caused by offsite movement of the pesticide.

This Existing Stocks Order is limited in time and scope, allowing for certain sale, distribution, and use of existing stocks of these formerly-registered dicamba products for the 2024 growing season. EPA has received ample evidence that millions of gallons of OTT dicamba had already entered the channels of trade prior to February 6, 2024. Additionally, most growers have already placed orders for dicamba-tolerant seed for the 2024 growing season and, given the timing of these registrations being vacated, are not able to pivot to another herbicide-tolerant seed and herbicide system.

The issuance of this Existing Stocks Order will help ensure that growers who already possess OTT dicamba and/or have already purchased dicamba-tolerant seeds and thus are reliant on the availability of specific products solely for the 2024 growing season: (1) apply only dicamba formulations designed for use over the top of dicamba-tolerant soybean and cotton, rather than violating FIFRA by misusing more volatile dicamba formulations which could lead to greater offsite movement (and thus potential damage to non-dicamba tolerant crops and other plants); and (2) apply these OTT dicamba products consistent with restrictions intended to reduce offsite movement and protect human health and the environment. Thus, it is necessary for EPA to issue an Existing Stocks Order to ensure that growers follow these directions for use, which were designed to reduce environmental damage caused by offsite movement.

Under this order, end users of existing stocks may only use the formerly-registered products consistent with the previously approved labeling for the products and must stop use of these products by the relevant dates laid out in the Order.

Ted McKinney, CEO of the National Association of State Departments of Agriculture (NASDA):

"As co-regulatory partners with EPA committed to preserving environmental stewardship, protecting the rural economy and securing a healthy food supply chain, NASDA commends EPA on issuing an existing stocks order for dicamba that is inclusive of products that are in the possession of growers or in the channels of trade. Today's action will prevent severe detrimental impacts to our food, fuel and fiber availability."

Josh Gackle, President of the American Soybean Association:

"The court's decision on dicamba instantly left tens of millions of acres of U.S. farmland in limbo—and in limbo a matter of weeks before spring planting. We appreciate the certainty EPA's existing stocks order provides to farmers from North Dakota where I farm all the way to Florida and everywhere in between. This ruling potentially affects more than 50 million acres of dicamba-tolerant soybeans and cotton—an area larger than the state of Nebraska—so again, we are very appreciative of EPA's decision to let us get through the 2024 growing season by using any product already in the delivery pipeline."

Zippy Duvall, President of American Farm Bureau Federation:

"We are grateful to EPA for hearing farmers' and ranchers' concerns and addressing them quickly to ensure we have access to the critical tools needed to protect our crops this season. Without EPA stepping in, farmers and ranchers across the country were facing uncertainty and financial risk. Farmers are committed to the safe use of all crop protection tools, and many had already made planting decisions with dicamba-tolerant crop systems in place for the season. We rely on science-based guidance from EPA, and we appreciate the agency standing by farmers and science in this decision."

Will the House GOP unveil a Farm Bill draft in 2024?

Farm Journal recently ran a story featuring Dr. Joe Outlaw of Texas A&M University's Agricultural and Food Policy Center regarding updates on the chances of getting a Farm Bill in 2024 .

Outlaw says the House Ag Committee is expected to unveil its version of the Farm Bill in mid-April (we assume this year). In the past, sources have said the Ag panel would consider the chairman's mark two weeks after being released.

Birthing timeline. Outlaw says if one looks back at history, the quickest (a word not usually used when talking about Congress) that a Farm Bill has ever been released from committee and then signed by the president is nine months. So, even if we see a Farm Bill mid-April, it's unlikely we will see a Farm Bill passed in 2024.

The House GOP Farm Bill version is expected to include an increase in reference prices, as well as other key changes (crop insurance program improvements, back-end loading of trade promotion funding for MPP and FMD, and biosecurity funding). We have previously cited sources as saying the reference price increases would be variable, higher for some crops, lower for others.

Where's additional Farm Bill funding coming from? While Joe wouldn't give a clear answer, it appears the House Ag Committee staff was very creative in finding these funds. Outlaw mentioned the CCC (but didn't go into detail). We have recently reported that it appears $40 billion to $50 billion in additional funding beyond the Farm Bill baseline has been found via SNAP changes (a complete no-no for Democrats), some tweaks to conservation funding (a no-no for Senate Ag Chair Debbie Stabenow, D-Mich.) if it moves away from climate-smart practices funding), and some tapping of USDA's CCC (with some "guard-rail language limiting USDA's authority in tapping such funding).

Comments from *Pro Farmer's* Jim Wiesemeyer: The system of getting a new farm bill written and released needs to be reformed. And that includes all the time panel members take going out to farm country and hearing what farmers want, despite not knowing the costs of all those wish lists or total funding available and if additional funding can be found. It's a joke to say a new Farm Bill is further along than most think. Further along? Than what? Even after we get a House Farm Bill, and a different Senate Farm Bill "soon" after, the question will eventually turn to can any House Farm Bill garner enough votes. And that includes more than a few nay votes from House GOP conservatives who have suddenly started to worry about deficits and debt. If the House GOP Farm Bill touches SNAP in any way (funding or policy nuances), that's a red line for Democrats. If so, the fate of the Farm Bill will be like immigration reform: later, not sooner.

Most seasoned observers express little hope Congress will pass a Farm Bill this year, but the chairman of the House Ag Committee insists the panel could move legislation as early as next month.

"It's becoming more realistic," House Ag Committee Chairman Glenn "GT" Thompson, R-Pa., said in answer to a question about the Farm Bill's prospects on *Agri-Pulse Newsmakers*. He added that his team is waiting on some final analysis from the Congressional Budget Office and working on "baking" bipartisan proposals into the legislation.


Agri-Pulse.

Thompson said the House committee still has to figure out how to pay for a bill. He has been unable to get Democrats to agree to GOP proposals to reallocate Inflation Reduction Act funding and to shift money out of the nutrition title by restricting updates to the way SNAP benefits are determined.

Any fight in the House GOP caucus guarantees continued slow, if any, action on the 2023- now 20240– Farm Bill.

But 2024 appears to be slouching toward 2025 with some ag state Republicans. Witness Iowa GOP Sen. Joni Ernst who told *Agri Pulse* on March 24 that she "sees little chance for a Farm Bill this calendar year but hopes for better chances in 2025."

Ernst didn't complete the thought because she didn't have to. Her "better chances in 2025" suggest a possible republican sweep of November's general elections to take the House, Senate and White House.

That view is not shared by House Ag Committee Chairman Glenn Thompson. Two days before Ernst's comment, the Pennsylvania republican told another *Agri Pulse* reporter that a 2024 Farm Bill was "'becoming more realistic'" and that "his team is waiting on some final analysis from the Congressional Budget Office" before moving forward with a House draft.

House Ag Working Group Recommends Farmworker Heat Standard, H-2A Wage Reforms

A federal heat standard proposing breaks for farmworkers allowing them to cool down when temperatures reach “heightened levels” is among recommendations for Congress advanced by a bipartisan working group of House Agriculture Committee members tasked with examining ways to address ag’s labor shortage. The Agricultural Labor Working Group also recommended flexibility in implementation of the Adverse Effect Wage Rate set by the Labor Department, and a cap on wages under the H-2A program in line with the Farm Workforce Modernization Act that passed the House, but not the Senate, in the previous Congress.

OSHA has been working to develop a proposed heat standard, but it's unclear when an official proposal might appear. The recommendation was among 15 that the bipartisan group adopted unanimously.

On wage flexibility, the report says, “Current law requires employees to be paid at the highest wage rate available for the duties performed for an entire day of work,” and urges Congress to provide “a de minimis exemption for work performed that is ancillary to the worker’s main contracted job responsibility or responsibilities.” The exemption would apply when a worker spends 25% or less time performing the higher-paying job.

U.S. House Ag Committee.

Another major recommendation from the report: Allowing year-round industries access to the H-2A program. “One thing that has become clear is the need for dairy producers, meat processors, sugar processors, forestry, ranchers, and others to have access to a steady and legal workforce,” the report says.

Other recommendations receiving unanimous support from the working group chaired by Reps. Rick Crawford, R-Ark., and Don Davis, D-N.C. are:

- Creating a single portal for filing H-2A applications.
- Allowing H-2A employers to apply for staggered worker entry.
- Streamlining recruiting and hiring processes for H-2A by, for example, “permanently waiving the in-person interview requirement for returning H-2A workers.”
- Expediting review of delayed H-2A worker applications.
- Requiring the Department of Labor to consult with USDA and allow it “to provide written comments prior to publishing a rule or a notice of proposed rulemaking that makes any changes or updates to the H-2A program.”
- Requiring the Government Accountability Office to do reports on H-2A program integrity and worker protections and enforcement.
- Requiring GAO to report on changes brought about in the H-2A program by COVID-19: “The ALWG recommends that Congress require the GAO to study and report to Congress the effect of changes made to the H-2A process justified by the COVID-19 pandemic on the compliance burden of applicants, timelines of government approvals, and worker safety and fair employment.”
- Eliminating mid-contract wage adjustments.
- Codifying special procedures that are currently in regulation.
- Granting year-round industries access to the H-2A program.

Six recommendations had majority support. The group decided it would not say who supported or did not support each of those recommendations “in order to preserve the bipartisan nature of this group Those recommendations include creation of a pilot program that would allow workers to stay three straight years at a single site or location, with no seasonality requirement. Another would give the Labor Secretary authority to waive the AEWR requirement for farms with gross farm cash income of less than $350,000.

Other recommendations with majority support call for a “permanent solution to [AEWR] increases” and for reform of the Labor Department’s wage calculation, by prohibiting it from using USDA’s Farm Labor Survey. Two others would allow joint employment of H-2A workers and seek to reduce housing costs in the program.

“Congress should authorize $1 billion to rehabilitate housing that is aging out of the USDA incentive program, thus reopening eligibility for rental assistance and preserving housing stock for farm workers,” the report says.

Other members of the working group apar from Crawford and Davis were Republicans Lori Chavez-DeRemer of Oregon, Monica De La Cruz of Texas, Doug LaMalfa of California, Nicholas Langworthy of New York, David Rouzer of North Carolina and Derrick Van Orden of Wisconsin; and Democrats Yadira Caraveo of Colorado, Salud Carbajal of California, Jim Costa of California, Jasmine Crockett of Texas, Darren Soto of Florida and Gabe Vasquez of New Mexico. Thompson and David Scott were ex officio members.

HOUSE COMMITTEE ON
AGRICULTURE
CHAIRMAN GT THOMPSON

USITC Examines Rice Competitiveness of the U.S. and Other Major Producers

The U.S. International Trade Commission (USITC) is undertaking a new factfinding investigation that will examine recent trends and developments in the global rice market and the export competitiveness of the rice industries in the United States and other major world rice producers. The report will contain updates to the USITC's 2015 report where significant changes have been observed during the 2018-2023 period. The USITC expects to submit its report to the Committee on Ways and Means by March 5, 2025.

This investigation, Rice: Global Competitiveness and Impacts on Trade and the U.S. Industry (Investigation No. 332-603), was requested by the U.S. House of Representatives Committee on Ways and Means in a letter received on February 5, 2024.

As requested, the USITC, an independent, nonpartisan federal agency, will prepare a public report that will provide, to the extent practicable:

- Information on recent developments in the rice industries of the countries listed above;
- Information on recent trade trends and developments in the global market for rice, including U.S. and major foreign supplier imports and exports;
- A comparison of the competitive strengths and weaknesses of rice production in and exports from the United States and other major exporting countries, focusing on factors affecting delivered cost, product differentiation, and reliability of supply, as well as government policies and programs that directly or indirectly affect price, production, and exporting in these countries;
- A qualitative and, to the extent possible, quantitative assessment of the impact of government policies and programs, including public stockholding programs and export restrictions, of major producing and exporting countries on U.S. rice production, producer revenues and profits, consumption, trade and prices, as well as on food security in developing countries; and
- An overview of the impact on the U.S. rice industry of exports from the highlighted countries of rice to the United States and to traditional export markets of the United States.

Figure 5. Rice exports by country, 2006–23

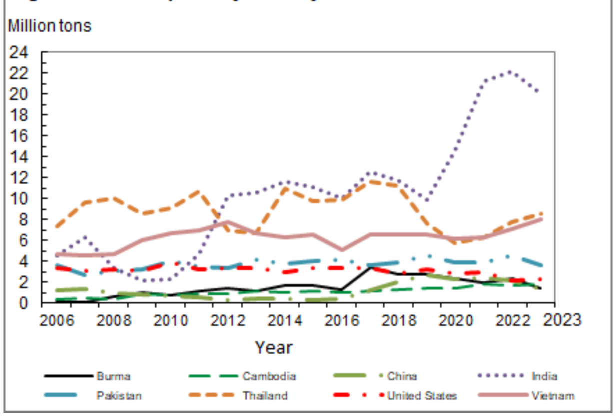
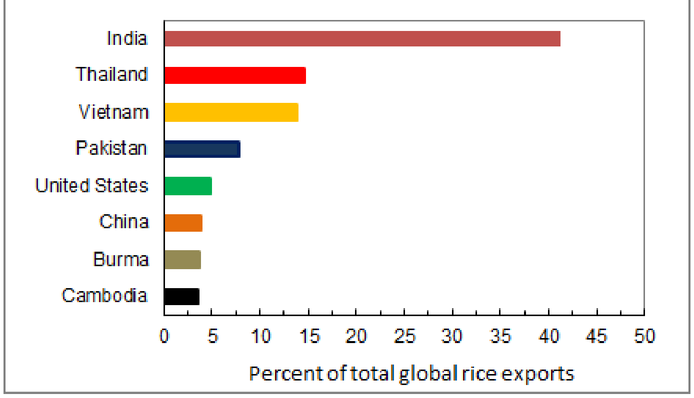


Figure 6. Share of global rice exports, 2021–23



USDA ERS.

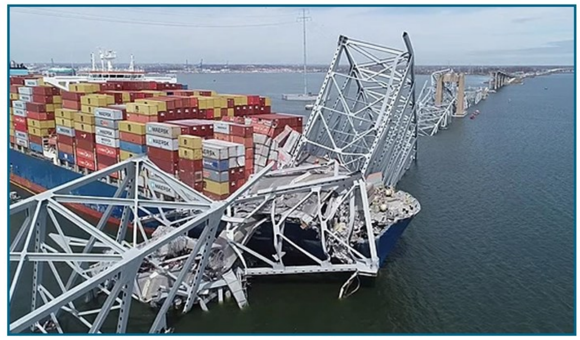
U.S. Seasonal Farm Price Outlook

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 Estimate April*
Corn	**$4.53**	**$6.00**	**$6.54**	***$4.70***
Cotton	**$0.663**	**$0.914**	**$0.848**	***$0.760***
Rice (LG)	**$12.60**	**$13.60**	**$16.70**	***$16.10***
Rice (Southern MG)	**$13.00**	**$13.90**	**$18.20**	***$18.00***
Sorghum	**$5.04**	**$5.94**	**$5.94**	***$4.85***
Soybeans	**$10.80**	**$13.30**	**$14.20**	***$12.55***

Baltimore 's Francis Scott Key Bridge Collapse: What does it mean for ag?

In the early morning of March 26, a containership crashed into Baltimore's —leading to the bridge's immediate total collapse. Spanning the Patapsco River, the Francis Scott Key Bridge was a 1.6-mile-long steel arch continuous through truss bridge, located just outside of the Port of Baltimore. The port's incoming and outgoing vessel traffic is "suspended until further notice," and the port will provide updates as more is known.



USDA.

USDA's Global Agricultural Trade System provides data on the quantity and value of agricultural trade to and from certain U.S. customs districts/locations. Selecting Baltimore allows for the isolation of agricultural trade through Baltimore's ports. While some product volume likely arrives in Baltimore via air, the vast majority arrives on cargo ships, shedding light on the importance of the Port of Baltimore to agricultural markets.

On the export side, in 2023, over 605,000 metric tons (MT) of agricultural products were exported from Baltimore corresponding to nearly $650 million in value (price of products times quantity purchased). This equates to just 0.3% of total U.S. ag exports by quantity and 0.4% by value. In terms of volume, 415,678 MT of soybeans were exported from Baltimore in 2023, or 0.9% of all U.S. soybean exports, valued at $243 million. Over 230,000 cubic meters of forest products also left the port in 2023, corresponding to 1.6% of all U.S. forest product exports valued at $167 million. In terms of quantity exported, the customs district of Baltimore ranks 22nd (out of 43), right behind Mobile, Alabama, and ahead of Ogdensburg, New York. It is important to remember customs districts include some landlocked locations such as El Paso and Laredo in Texas, meaning these comparisons also include railway and truck crossing volumes. In terms of value, the largest export destinations for agricultural products leaving Baltimore were Taiwan, China and Colombia.

On the import side, in 2023, over 1.59 MT of agricultural products entered though Baltimore, corresponding to nearly $3.34 billion in value. By quantity, over 25% of all U.S. imported raw beet and cane sugar entered through Baltimore (562,000 MT valued at $391 million). Over $1 billion in forest products were imported through Baltimore in 2023 (1.98 million cubic meters), 3.7% of all imported U.S. forest products. Baltimore also serves as a significant receiver of industrial alcohols and fatty acids (11% of U.S. imports), spices (9.1% of U.S. imports) and coffee (6.2% of U.S. imports). In terms of quantity imported, the customs district of Baltimore ranks 18th (out of 41), right behind Duluth, Minnesota, and ahead of Ogdensburg, New York. The largest import origins for agricultural products entering Baltimore, by value, were Brazil, Indonesia and Spain.

Of all ag-related businesses, sugar refineries appear to be the most vulnerable from the Port's closure. Nearby refineries, however, have assured customers they had six to eight weeks of raw sugar on hand before operations could potentially be impacted. Ag equipment manufacturers may also face challenges. Roll on/roll off (Ro/Ro) vehicles which includes farm and construction machinery, are common passengers through the Port of Baltimore.

The inability of farmers, domestically or internationally, to receive equipment they ordered could have a significant impact as spring planting season arrives. The Association of Equipment Manufacturers noted the port is a "very important part of our industry's ability to ship equipment and equipment components all over the world" but also shared, "it is too early to predict the impact currently." Data on the impact to other important inputs, such as fertilizer, is limited. There was one report of a Urea Ammonium Nitrate vessel that was scheduled to unload in Baltimore. It is likely the vessel will be diverted to other nearby ports, perhaps to Chesapeake, Virginia, or Philadelphia. Supply chain issues usually lead to higher prices for goods, and it would not be surprising to see the local price of inputs tick up in response. Most farmers have likely already paid for their fertilizer supply for the year, but for those in the region waiting on shipments, diversions may cause headaches.

TABLE 1: 2023 U.S. AGRICULTURAL EXPORTS VIA BALTIMORE CUSTOMS DISTRICT

Source: USDA FAS	Value (1,000's)	Quantity (MT)	% of Total U.S. Ag Exports by Value	% of Total U.S. Ag Exports by Quantity
Planting Seeds	$ 10,670	16,105	0.6%	2.5%
Confectionery	$ 19,052	3,109	2.3%	1.8%
Forest Products (Cubic Meters)	$ 167,971	233,569	1.8%	1.6%
Dog & Cat Food	$ 37,273	9,021	1.5%	1.1%
Soybeans	$ 243,210	415,678	0.9%	0.9%
Poultry Meat & Prods. (excl. eggs)	$ 39,920	31,513	0.7%	0.8%
Chocolate & Cocoa Products	$ 16,245	2,721	0.9%	0.8%
Dairy Products	$ 39,301	13,905	0.5%	0.5%
All Agricultural Products	$ 649,269	605,447	0.4%	0.3%

TABLE 2: 2023 U.S. AGRICULTURAL IMPORTS VIA BALTIMORE CUSTOMS DISTRICT

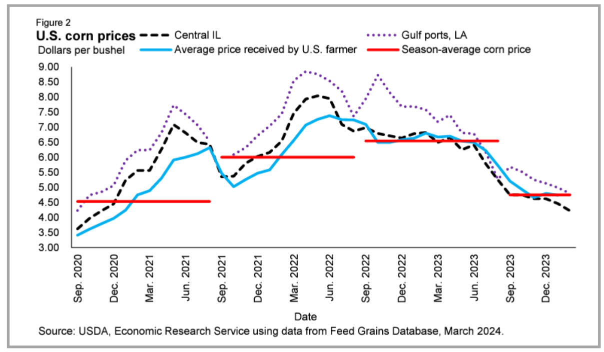
Source: USDA FAS	Value (1,000's)	Quantity (MT)	% of Total U.S. Ag Imports by Value	% of Total U.S. Ag Imports by Quantity
Raw Beet & Cane Sugar	$ 391,198	562,304	23.5%	25.2%
Industrial Alcohols & Fatty Acids	$ 80,491	73,086	8.7%	11.0%
Spices	$ 229,740	56,608	10.7%	9.1%
Coffee, Unroasted	$ 480,296	78,865	8.1%	6.2%
Oilseeds	$ 64,523	68,353	5.0%	4.8%
Fruit & Vegetable Juices	$ 92,768	228,481	2.8%	4.3%
Forest Products (Cubic Meters)	$ 1,048,006	1,977,559	4.6%	3.7%
Seafood Products	$ 774,445	88,959	3.0%	2.9%
Processed Fruit & Vegetables	$ 286,112	140,191	2.2%	2.1%
Baked Goods, Cereals, & Pasta	$ 219,310	60,145	1.6%	1.7%
All Agricultural Products	$ 3,344,596	1,590,438	1.7%	2.1%

Crop Market Situation for the Current Marketing Year

The information that is presented in this market update reflects current information as of April 12, 2024.

Corn

Expectations of a recovery in global corn production for 2023/24 have contributed to a reversion of U.S. corn market prices to lower levels. For context, a series of production setbacks in major corn producing—and exporting—countries over the past 5 years (resulted in price run-ups to levels not seen since the 2012 U.S. drought. For the 2023/24 marketing year, a record U.S. crop is complemented by healthy prospects for Argentina and Brazil—providing a year-over-year boost to the global corn supply—ultimately placing downward pressure on prices.



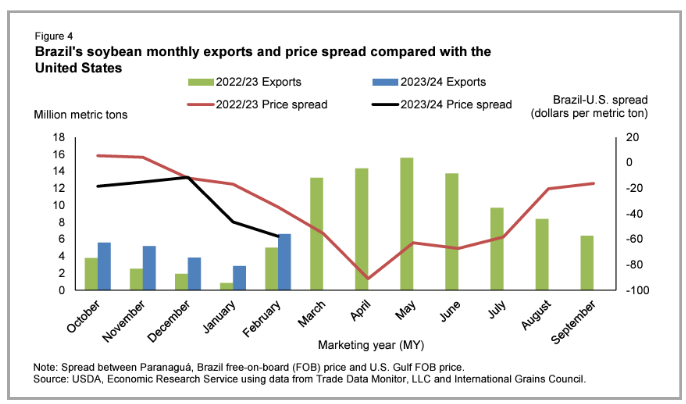
Over the past 5 years, U.S. corn prices peaked across principal cash markets, just shy of $9 per bushel. However, just over a year later, prices in these same markets were 40 percent lower (on average) to start the 2023/24 marketing year. Throughout the next 6 months, U.S. corn-cash prices fell $0.55 per bushel in Central Illinois, for example, and by $0.88 per bushel in the Louisiana Gulf (see figure 3). The lower cash-market prices have been transmitted to average-farm prices. The average price U.S. corn farmers received in September 2023 was $5.21 per bushel, compared to $4.74 per bushel in January 2024—a nearly $0.50 per bushel reduction. These factors have contributed to a $0.05 per bushel reduction in the projected average corn price received by U.S. farmers in 2023/24, to $4.75 per bushel.

The April 2023/24 U.S. corn outlook is for greater corn used for ethanol and feed and residual use and smaller ending stocks. Corn used for ethanol is raised 25 million bushels to 5.4 billion based on data through February from the Grain Crushings and Co-Products Production report and weekly ethanol production data as reported by the Energy Information Administration for the month of March. Feed and residual use is increased 25 million to 5.7 billion based on indicated disappearance during the December-February quarter. With no supply changes and use rising, ending stocks are lowered 50 million bushels to 2.1 billion bushels. The season-average farm price is lowered 5 cents to $4.70 per bushel.

Soybeans

Export prices in Paranaguá, free-on-board (FOB) averaged $401.00 dollars per ton in February, down $37.00 per metric ton from last month and down nearly 30 percent from the same period last year. Brazil remains a very competitive soybean supplier, exporting a record high 6.6 million metric tons of soybeans in February, with China accounting for the largest share of those shipments. For the October 2023 –February 2024 period, Brazil's soybean exports totaled 24.1 million metric tons, nearly 10.0 million metric tons above the same period last year as the country's prices have been at a larger discount to the U.S. Consequently, Brazil's soybean export forecast for MY 2023/24 (October–September) is raised by 3.0 million metric tons to 103.0 million metric tons, up 7.5 million metric tons from MY 2022/23.

U.S. soybean meal exports hit record levels in 2022/23, reaching 13.3 million tons. This record came amid a drought in Argentina, often the world's largest soybean meal exporter, resulting in other major soybean producers like Brazil and the United States stepping in as alternative suppliers. Another major contributor to the record was rising U.S. domestic demand for feedstock oils used in biomass-based diesel production. U.S. soybean crush reached record levels to supply high soybean oil demand, leaving the United States flush with meal and well-positioned to make up for production shortfalls in Argentina.



U.S. soybean meal was exported to a diverse set of countries in 2022/23, reaching both new markets and new heights in traditional markets. Norway and Madagascar each imported nearzero U.S. soybeans until 2021/22, and both rose substantially in 2022/23. U.S. exports to Kuwait, Grenada, and Saint Lucia also set records in 2022/23. While none of the top ten U.S. soybean meal markets set all-time record imports, a few – the European Union, Venezuela, and Morocco – reached their highest in over 5 years.

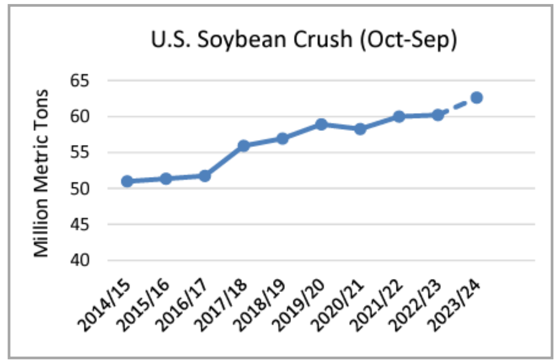
In 2023/24, U.S. soybean meal exports are forecast to reach another record at 14.3 million tons. Year-to-date (Oct-Feb) exports are at 6.7 million tons, 25 percent higher than the same period last year. Many markets have continued to significantly grow imports of U.S. soybean meal. All the top ten U.S. soybean meal markets are ahead of last year's pace and many markets are significantly higher. Among these are Vietnam (103 percent higher than last year), the Philippines (43 percent), Guatemala (42 percent), the European Union (37 percent), and Venezuela (36 percent).

Continued next page

The information that is presented in this market update reflects current information as of April 12, 2024.

Soybeans (Cont'd)

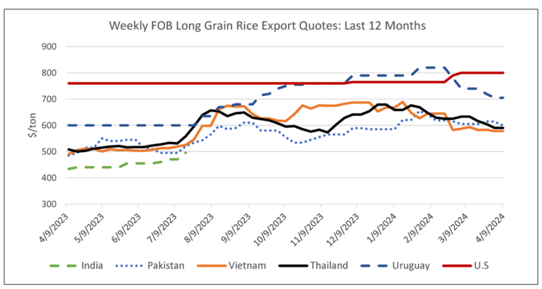
Soybean prices trended up during the month of March on a lower CONAB soybean crop projection for Brazil and slower farmer selling in Brazil. Despite the increase in prices, Brazil is still the most competitive soybeans exporter. In contrast, soybean meal prices slightly declined on increased supplies in the United States and South America.



The outlook for U.S. soybean supply and use for 2023/24 includes lower imports, residual, and exports, and higher ending stocks. Soybean trade is reduced on pace to date and expectations for future shipments. With the trade changes and slightly lower residual, soybean ending stocks are raised 25 million bushels to 340 million. The U.S. season-average soybean price for 2023/24 is forecast at $12.55 per bushel, down 10 cents.

Rice

The outlook for 2023/24 U.S. rice this month is for unchanged supplies, reduced domestic use, higher exports, and increased ending stocks. Total domestic and residual use is lowered 5.0 million cwt to 157.0 million with all of the decline for long-grain. This is the result of a reduction in the December-February quarter in implied disappearance compared to a year earlier as indicated in the latest NASS Rice Stocks report. Total exports are raised 3.0 million cwt to 91.0 million as higher long-grain exports are partially offset by a reduction in medium- and short-grain. Long-grain exports, now at 70.0 million cwt, would be the highest since 2016/17 despite current long-grain prices significantly higher than 2016/17. Sustained higher sales and shipments of long-grain rough rice to Mexico, Central America, Venezuela, and Colombia drive this increase. Despite larger exports, the reduction in domestic and residual use more than offsets the export increase resulting in higher ending stocks, up 2.0 million cwt to 43.5 million. The season-average price for long grain rice is unchanged at $16.10 per cwt.



Since the March WASDE, U.S. quotes are unchanged, while other major exporter quotes are down. In the past month, U.S. prices remain elevated at $800/ton with continued strong demand from Latin America, primarily for long grain rough rice. Uruguayan quotes dropped $35 to $705/ton with the onset of the new crop harvest. Vietnamese quotes declined $9 to $578/ton with more supplies from the winter-spring harvest. Thai rice quotes declined $26 to $590/ton with more rice supplies from the MY 2023/24 off-season harvest and a weaker currency. Pakistani quotes dipped $6 to $599/ton, pressured lower by other major exporters. Export quotes for India white rice have been unavailable since imposition of an export ban for milled white rice on July 20, 2023.

Cotton

The new crop December contract has been extremely stable the past six weeks, trading a very tight 125- to-175-point range, generally from 83.50 to 84.50 cents. U.S. carryover remains in the historical low range and will likely slide further in the April WASDE report. The current estimate is 2.5 million bales and is expected to fall 100,000-200,000 bales. U.S. exports were active late in the week as prices fell, but Brazilian and African recaps continued to captivate the market. China will continue to buy U.S. – as they have all season – with no end in sight just yet. However, their purchases will tend to be only moderate until more is known about 2024 growing conditions. Nevertheless, they still need to boost their level of reserve stocks.

Other important fundamentals working in favor of the bears include the long-standing demand deterioration for cotton specifically, but also the fact that Brazilian cotton has captured a significant share of the world export market which until the past 15 years was the sole province of the U.S cotton grower. The combination of both the Brazilian and Australian cotton industries have simply out promoted the U.S., and those growths are now favored more in world trade.

The U.S. 2023/24 cotton supply and demand projections are unchanged for the month of April with ending stocks forecast at 2.5 million bales or 18 percent of total disappearance. The marketing year price received by upland cotton producers is projected to average 76 cents per pound, a decrease of 1 cent from last month.

Continued next page

USDA WASDE Report Release Dates for 2024

World Agricultural Supply and Demand Estimates (WASDE) Report: Jan. 12, Feb. 8, Mar. 8, Apr. 11, May 10, Jun. 12, Jul. 12, Aug. 12, Sep. 12, Oct. 11, Nov. 8, and Dec. 10.

In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of April 12, 2024.

Sugar

The U.S. Mexico production for 2023/24 is projected at 4.572 million metric tons (MT), a decrease of 175,090 from last month and 651,856 lower than last year. Area harvested is running over 20,000 hectares below the level forecast by CONADESUCA resulting in the current USDA projection of 727,116 hectares. Interim analysis based on the CONADESUCA production data through March 30 supports an increase in sugarcane yield from last month to 62.25 MT/hectare and also in sucrose recovery to 10.10 percent. However, the area reduction more than offsets the yield and recovery increases to reach this month's projection of sugar production. Production of low polarity sugar is reduced by 107,206 MT to 320,067 as producers have hastened the trend toward more profitable estandar sugar for the domestic market at the expense of less low polarity sugar. The low polarity sugar share of total production is at 7 percent, down from 9 percent last month. Assuming that all projected low polarity sugar is exported to the U.S. market and like last year constitutes 75 percent of the total exported, exports to the United States are projected at 426,757 MT, a decrease of 142,941.

On April 5, the Secretaría de Economía in Mexico announced that it would temporarily accept imports of sugar intended for use in the IMMEX program until August 31 with each shipment requiring its approval. This effectively means that imports from the United States under USDA's re-export import program can be shipped duty-free into Mexico only for use in IMMEX. Thus, 50,000-MT worth of Mexico production for IMMEX can be redirected to deliveries for human consumption. With more net sugar available, IMMEX is projected 25,000 MT higher at 425,000 MT. Given that Mexico has imported 435,000 MT of high-tier tariff sugar for consumption through March 31, USDA projects imports in the pipeline at 40,000 MT, implying imports for consumption at 475,000 MT. Total imports are, therefore, at 575,000 MT. Exports to other countries are residually projected at 43,914 MT.

U.S. beet sugar production for 2023/24 is decreased by 27,340 short tons, raw value (STRV) to 5.144 million on lower forecast sucrose recovery. Beet pile shrink is unchanged at 9 percent. Cane sugar production is unchanged. TRQ imports are up 25,086 STRV to 1.775 million on higher imports expected from Argentina and Panama. TRQ shortfall falls by that same amount to 66,690 STRV. Imports from Mexico decrease by 167,020 STRV to 498,644 but are largely offset by an increase of high-tier tariff imports of 140,000 STRV (all raw sugar) to bring the total to 855,000. This pace-to-date adjustment reflects that imports for the remaining 6 months of the fiscal year will be close to imports for the first 6 months. Exports are increased by 37,634 STRV to 197,634 as increased program exports more than offset a reduction of other sugar exports to Mexico. Deliveries for consumption are unchanged. Deliveries for human consumption were low in February due to a likely underreporting of direct consumption imports in February that will see an offsetting expansion in March. Ending stocks are projected at 1.722 million STRV for an ending stocks-to-use ratio of 13.50 percent.

U.S. Sugar Supply and Use 1/

	2021/22	2022/23 Est.	2023/24 Proj. Mar	2023/24 Proj. Apr
	1,000 Short Tons,Raw Value			
Beginning Stocks	1,705	1,820	1,843	1,843
Production 2/	9,157	9,250	9,243	9,215
Beet Sugar	5,155	5,187	5,172	5,144
Cane Sugar	4,002	4,063	4,071	4,071
Florida	1,934	1,985	2,095	2,095
Louisiana	1,944	2,001	1,936	1,936
Texas	124	76	40	40
Imports	3,646	3,614	3,331	3,417
TRQ 3/	1,579	1,862	1,750	1,775
Other Program 4/	298	141	200	288
Non-program	1,769	1,611	1,381	1,354
Mexico	1,379	1,156	666	499
High-tier tariff/other	390	455	715	855
Total Supply	14,508	14,685	14,416	14,474
Exports	29	82	160	198
Deliveries	12,578	12,589	12,555	12,555
Food	12,470	12,473	12,450	12,450
Other 5/	107	116	105	105
Miscellaneous	81	171	0	0
Total Use	12,688	12,843	12,715	12,753
Ending Stocks	1,820	1,843	1,701	1,722
Stocks to Use Ratio	14.3	14.3	13.4	13.5

1/ Fiscal years beginning Oct 1. Data and projections correspond to category components from "Sweetener Market Data" (SMD). 2/ Production projections for 2022/23 and 2023/24 are based on Crop Production and/or processor projections/industry data and/or sugar ICEC analysis where appropriate. 3/ For 2022/23, WTO raw sugar TRQ shortfall (161) and for 2023/24 (67). 4/ Composed of sugar under the re-export and polyhydric alcohol programs. 5/ Transfers accompanying deliveries for sugar-containing products to be exported (SCP) and polyhydric alcohol manufacture (POLY), and deliveries for livestock feed and ethanol. Total refiner license transfers for SCP and POLY inclusive of WASDE-reported deliveries: 2021/22 -- 303; estimated 2022/23 -- 304; projected 2023/24 -- 291

Pertaining to the Francis Scott Key Bridge collapse, Baltimore is not a significant port for exporting soybeans and grain, but it is a significant importer of raw sugar and an exporter and importer of farm equipment, along with automobiles and light trucks.

"Domino is the port's largest bulk importer — refining, packaging and shipping sugar at a rate of six million pounds per day," the Maryland Transportation Department said in a statement on its website in 2020. But the Florida-based ASR Group, which owns the Domino refinery in Baltimore, said it does not expect an immediate impact on its operations.

In a statement, ASR said, "We are deeply saddened by the tragic collapse of the Francis Scott Key Bridge in Baltimore, and our hearts go out to the families and friends of the victims. We also commend the first responders who aided survivors and continue the search and rescue operation.

"No short-term impact to our operations in Baltimore is expected. The Baltimore Refinery has six to eight weeks of raw sugar supply on hand with a ship currently discharging at the dock and another that finished unloading on Monday. Our network of production facilities and warehouses across the U.S. all currently have healthy inventories of finished products that can be utilized if necessary."

Continued next page

In-depth Crop Market Update (Cont.)

The information that is presented in this market update reflects current information as of April 12, 2024.

Sugar Cont'd

Texas' sole remaining sugar mill is closing after 51 years of growing and processing sugarcane into raw sugar in the Rio Grande Valley. The harvest and milling season, recently completed, will be the last. The Rio Grande Valley Sugar Growers, Inc. made the decision to close the facility due to the ongoing water issues with Mexico under the 1944 Water Treaty.

Mexico is obligated to deliver an average of 350,000 acre-feet annually over the defined five-year cycles outlined in the treaty. Currently, Mexico owes over 736,000 acre-feet of water. Of the 1,113,288 acre-feet of water owed to the U.S. this cycle, Mexico has only delivered 376,915 acre-feet. Many water districts in the Lower Rio Grande Valley have no irrigation water allocated for farmers in the area, and the situation is made worse by the ongoing drought conditions.

San Antonio Times.

The region is home to over 100 local growers and about 40,000 acres of sugarcane. The mill employs more than 500 full-time and seasonal workers annually. This decision will have major impacts on the region.

Two years of crushing drought along with vanishing water supplies are forcing Texas' last sugar mill to close after more than 50 years, cutting $100 million out of the economy and about 500 jobs. Made up of more than 100 farmers, the Rio Grande Valley Sugar Growers Association's shutdown of the legendary Santa Rosa sugar mill marks the loss of one of the region's biggest farming operations amid the crisis that's left farmers struggling to survive.

"It is with great sadness that the board of directors of Rio Grande Valley Sugar Growers Inc. announced today that after 51 years of continuously growing and processing sugarcane into raw sugar in the Rio Grande Valley of Texas, the recently completed harvest and milling season will be its last," officials said in a news release Thursday. "RGVSG Inc. was the last remaining sugar operation in Texas."

Officials blamed much of the regional crisis on the U.S. State Department's handling of Mexico's failure to comply with a treaty requiring it share reservoir supplies with the United States.

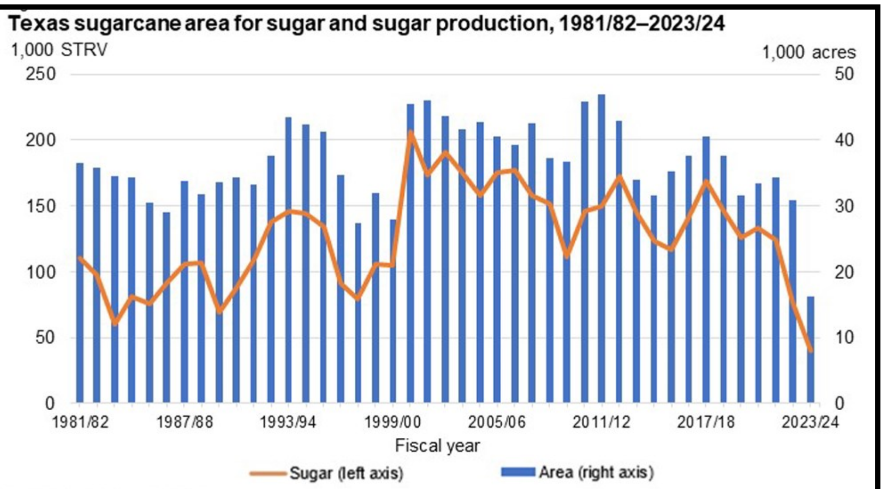
Mexico is obligated to deliver an average of 350,000 acre-feet annually over the defined five-year cycles outlined in the treaty.

Currently, Mexico owes over 736,000 acre-feet of water. Of the 1,113,288 acre-feet of water owed to the U.S. this cycle, Mexico has only delivered 376,915 acre-feet. Many water districts in the Lower Rio Grande Valley have no irrigation water allocated for farmers in the area, and the situation is made worse by the ongoing drought conditions. "For over 25 years, the U.S. State Department's unwillingness to prioritize the citizens and agricultural producers of South Texas has led to numerous water shortages for our area," the mill said.

Late last year, the U.S. House of Representatives passed a resolution, HR 683, introduced by U.S. Rep. Monica De La Cruz of Texas. The resolution recognizes that South Texas farmers are experiencing water shortages and supports diplomacy to encourage Mexico to fulfill the commitments in a consistent and timely manner. It also supports negotiations that will guarantee more predictable and reliable water deliveries to the U.S.

"Make no mistake—this closure directly results from Mexico's failure to abide by the 1944 Water Treaty with the United States," De La Cruz said in a statement. "Mexico's lack of timely water deliveries puts all Texas agriculture at risk. U.S. Secretary of State Antony Blinken and Secretary of Agriculture Tom Vilsack must step up and hold Mexico's feet to the fire, enforcing the terms of the water treaty to prevent further job losses and economic impacts from the water shortage plaguing South Texas."

"Despite our growers' deep desire to continue this legacy for future generations, without reliable supplies of irrigation water and the necessary crop insurance provisions and administrative guidelines to maintain acres, RGVSG Inc. has no choice but to close its doors," officials said. "Agriculture in the Rio Grande Valley depends on adequate and reliable irrigation water deliveries."



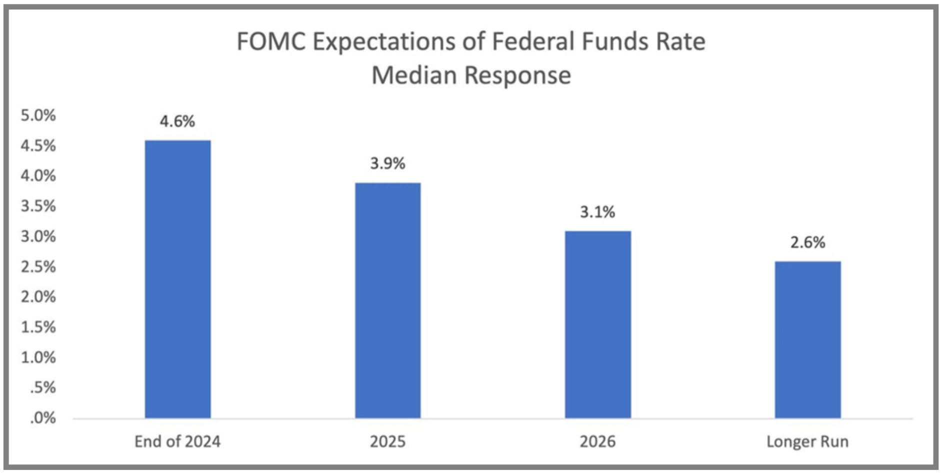
STRV = short tons, raw value.
Source: USDA, National Agricultural Statistics Service; USDA, Farm Service Agency; USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates* (*WASDE*).

Outlook on Interest Rates and Their Implications for Agribusinesses

At the end of March, the Federal Open Market Committee (FOMC) of the United States Federal Reserve met and voted to hold the federal funds rate steady for the second consecutive meeting in 2024. Many expected the FOMC to consider lowering the federal funds rate at this meeting, potentially signaling the start of a downward trend in interest rates. However, contrary to expectations, this adjustment did not happen. It suggests that, at least in the short term, interest rates will remain unchanged.

Inflation experienced by the U.S. and the global economy in recent times is not a secret. As Purdue reports, this inflationary pressure prompted the FOMC to enact an unprecedented series of increases in the federal funds rate – the rate at which banks borrow money. Currently, the target range for the U.S. federal funds rate stands at 5.25 to 5.5 percent. While the current level of the federal funds rate is not at a historical high, the pace at which the FOMC raised it was fast. Consequently, this rapid increase can make it feel higher than its numerical value might suggest when compared to historical data.

Now, let's fast forward to March 2024. One of the main data points that the FOMC examines to determine interest rate policy is inflation. While inflation remains elevated, it is lower than it was at this time last year. Many anticipated that the FOMC would take their foot off the gas a bit. However, that wasn't what they chose to do. The FOMC seems steadfast not to repeat the mistakes of the 1970s and 1980s when rates were reduced too quickly, leading to increased inflation subsequently spurring another round of interest rate hikes.



Purdue University.

The chart illustrates the median federal funds rate predictions from the voting members of the FOMC. At present, the federal funds rate is targeted to reach 4.6% by the end of 2024, 3.9% by the end of 2025, and 3.1% by the end of 2026. In the near term, this is likely to translate into three federal fund decreases in 2024, with each decrease lowering the target by 25 basis points. With only six FOMC meetings left in 2024, it suggests that half of these meetings should include announcements of a decrease in the federal funds rate.

What does this mean for agribusinesses? Much of agriculture is debt financed, as opposed to equity financed. This implies a potential decrease in borrowing costs for many businesses within the agricultural supply chain. We may also see a resurgence in investment in physical assets such as land and equipment as borrowing costs decline. For businesses servicing farmers, this could lead to increased investment opportunities as the cost of borrowing for farmers also decreases. Another potential impact could be an increase in asset prices, namely land values.

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 will be delivered electronically per the 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

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Office Phone: 225-578-7267. Email: mdeliberto@agcenter.lsu.edu *Staff Report 2023-34. April 2024.*