Iowa State University
Extension and Outreach

Ag Decision Maker

VOL. 28 NO. 8 / JUNE 2024 A BUSINESS NEWSLETTER FOR AGRICULTURE

INSIDE . . .

UPDATES

The following Information Files have been updated on extension.iastate.edu/agdm:

A1-57 Delayed and Prevented Planting Provisions for Multiple Peril Crop Insurance

C1-10 Iowa Farm Costs and Returns

C1-12 Liquidity Analysis of Iowa Farms: Lower returns dent financial liquidity of Iowa farms

The following Video and Decision Tool have been updated on extension.iastate.edu/agdm:

A1-10 Chad Hart's Latest Ag Outlook

A3-29 Machinery Cost Calculator

The following Profitability Tools have been updated on extension.iastate.edu/agdm/outlook.html:

A1-85 Corn Profitability

A1-86 Soybean Profitability

A2-11 Iowa Cash Corn and Soybean Prices

A2-15 Season Average Price Calculator

D1-10 Ethanol Profitability

D1-15 Biodiesel Profitability

Factors pointing in different directions

By Chad Hart, extension crop market economist, 515-294-9911 | chart@iastate.edu

With planting nearly complete, traders are focused on the weekly crop development and conditions for supply news and the weekly export sales reports for demand news. USDA's Crop Progress reports summarize the condition of the crops. The condition reports for both corn and soybeans have begun within the past couple of weeks. Every Monday morning, roughly 3,600 cropping experts across the nation rate the crops in their region on a "very poor" to "excellent" scale. The early ratings show that while planting was delayed in comparison to last year, the condition of the crops is rated well above last year as the widespread rains have dramatically eased drought concerns in the short term. Based on the data from the June 10 report, 74% of the nation's corn crop was rated "good" to "excellent", which is 13 points higher than the rating at the same time for the 2023 crop. For soybeans, the "good" to "excellent" national rating stood at 72%, 13 points higher than 2023. The somewhat slower planting pace and the need to replant some fields due to ponding issues could indicate lower yield potential this year. However, the current crop conditions are above the five-year averages for this time of year, pointing to the potential for better yields.

While we are just at the start of the data gathering window for the supply side, the weekly export sales reports provide more detailed information on the early signals for crop usage via exports. For example, the export reports are currently tracking sales agreements for the 2023, 2024, and 2025 corn and soybean crops. Figures 1 and 3 show the changes in corn and soybean export sales between the 2022 and 2023 crop years. The bars in the figures highlight the bushel change in sales, along with the percentage change for each country or region listed. These figures show the current pattern in exports from last year's crops. Figures 2 and 4 display the advance export sales patterns for soybeans and corn over the past couple of years. The graphs contain the data for the 2022 and 2023 crops, along with the sales thus far for the 2024 crop and the five-year average

(2019-2023) pattern for export sales. The lines for each year basically start at the beginning of the calendar year the crop was planted and harvested, so the sales represented are being made either before the crop is planted or during the growing season. These figures signal the expected demand for this year's crops from the international markets.

As Figure 1 shows, the US soybean market continues to see a retreat in international purchases. Overall, soybean export sales are down over 15% from last year at this time, roughly 280 million bushels. That is eerily reminiscent of what we saw at this time last year, where export sales were down 15% year-over-year. While China remains our top soybean buyer, they have continued to purchase more soybeans from other countries and less soybeans from us. Soybean export sales in other countries are mixed, with Mexico and Indonesia increasing purchases and the European Union, Japan, and Egypt reducing purchases. We are also seeing reductions in sales to unknown destinations and sales into smaller markets. The drop in sales to unknown destinations is tied to the drop in Chinese sales as a majority of sales to unknown destinations are revealed to sales to China. The growth in soybean production in Brazil has increased competition in global markets and continues to take its toll on the US soybean industry.

Figure 1. US soybean export sale shifts. Source: USDA-FAS.

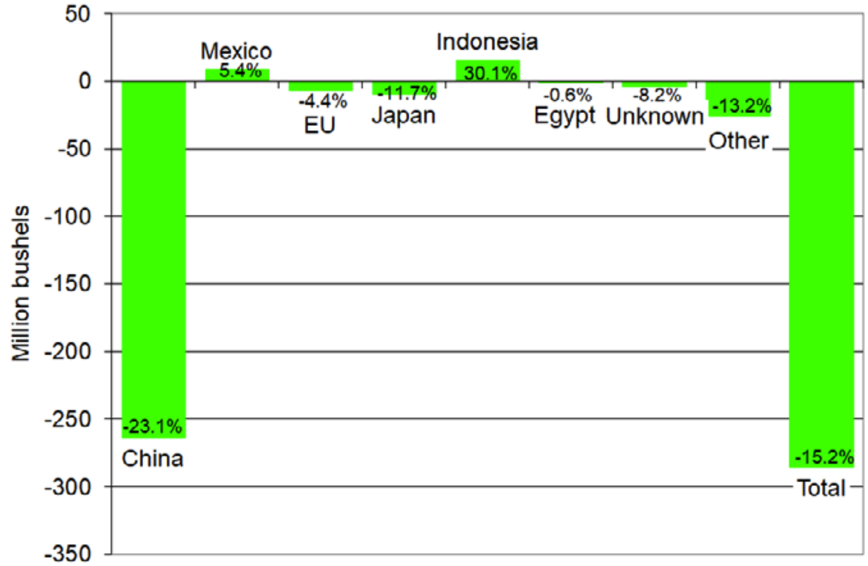
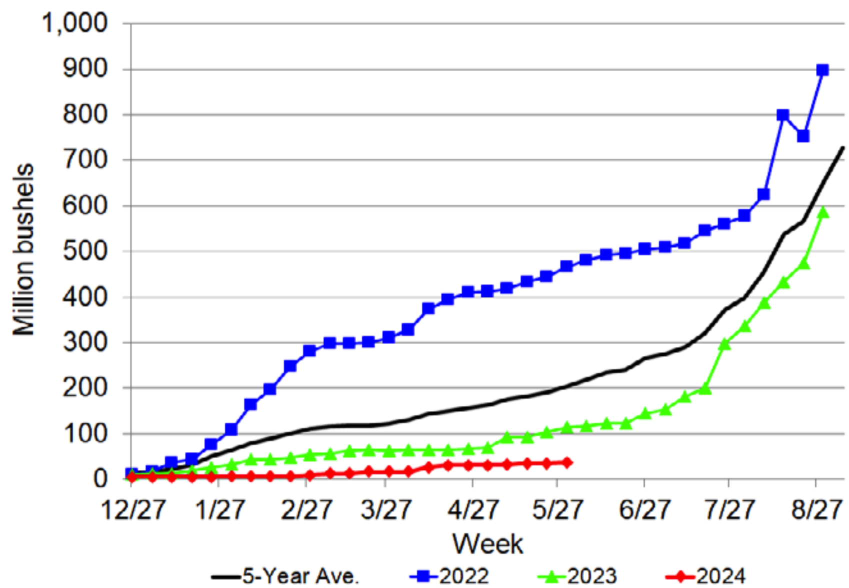


Figure 2. US soybean advance export sales. Source: USDA-FAS.



As Figure 2 shows, despite the decline in soybean prices over the past couple of years, advance soybean export sales are still trailing well behind usual. Advance sales for the 2022 crop were well above the five-year average for most of the pre-plant and growing season. Those advance sales didn't materialize for the 2023 crop. And the current state of advance sales for the 2024 soybean crop is well below the five-year average and even below last year's pace. Currently, less than 50 million bushels of soybeans are already booked for export from the 2024 crop. Usually, we have four times as many bushels sold by this time of year. As the figure shows, the pace of advance soybean export sales tends to increase over the coming months, but we have a long way to go to catch up to even average. USDA's current outlook does hold out some hope for improvement, as they project 1.825 billion bushels of soybeans exported from the 2024 crop. That would be a 125 million bushel increase from the 2023 projected total.

While soybean exports continue to struggle, corn exports have rebounded over the past year. Current corn export sales are up roughly 500 million bushels in total (over 33%). The only big weak spot has been China, as sales there are off by nearly 200 million bushels. But gains across the vast majority of other corn export markets have more than offset the Chinese retreat. Mexico alone has increased corn purchases by roughly 250 million bushels. Corn sales are up in Japan, Colombia, South Korea, Taiwan, unknown destinations, and in smaller markets. The pace of export sales has not been fast enough to prevent higher ending stocks and lower prices, but it has reduced the speed at which they were happening.

The advance sales data for the 2024 corn crop are following closely to the pattern we saw last year. The 5-year average line is heavily influenced by the 2021 crop year, when China made a number of large advance corn purchases, adding 500 million bushels to the export sales total. This year, China is nowhere to be found in terms of advance sales. Mexico and Japan have been the early buyers thus far.

Figure 3. US corn export sale shifts. Source: USDA-FAS.

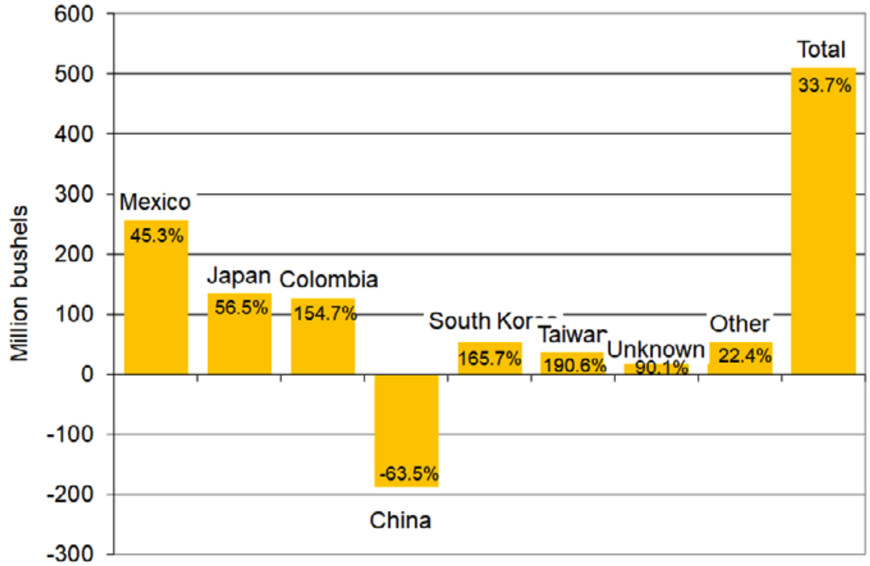
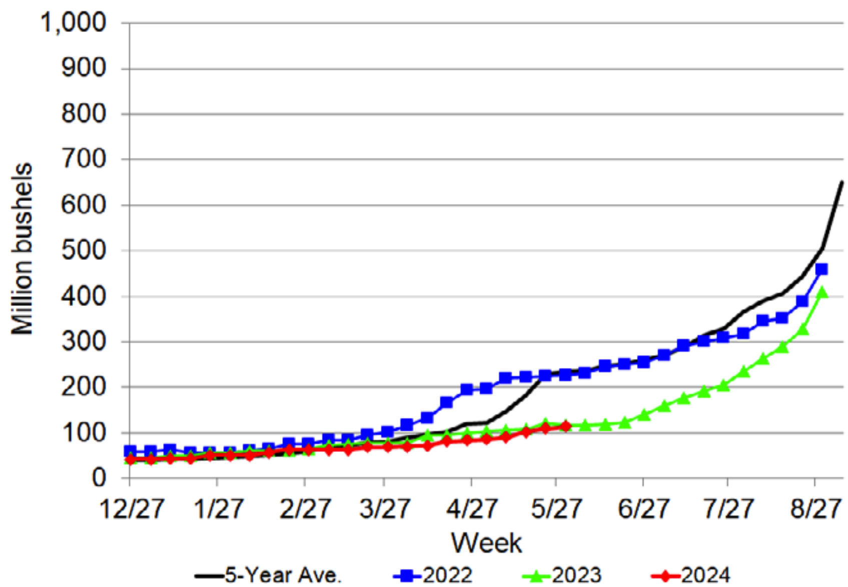


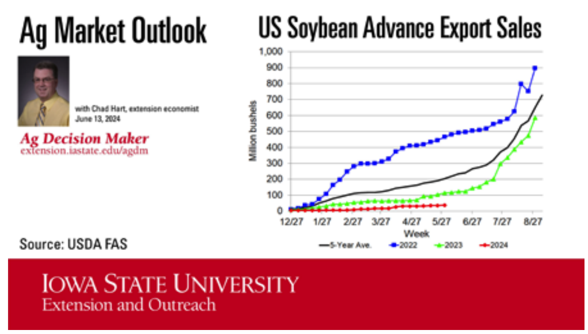
Figure 4. US corn advance export sales. Source: USDA-FAS.



The June WASDE report didn't change the outlook much. In fact, the only shift was a 10 million bushel drop in soybean crush for the 2023 crop. Earlier in the year, USDA indicated greater corn and soybean exports for the 2024 crops and they have held to those projections. The targets are 2.2 billion bushels for corn and 1.825 billion bushels for soybeans. The pace of sales so far is not encouraging, but there is still plenty of time. Export sales naturally pick up as we approach harvest. Given the relative lack of news in the June WASDE, corn and soybean prices barely moved after the report. USDA's current 2024-25 season-average price estimates are $4.40 per bushel for corn and $11.20 per bushels for soybeans. Futures prices align with USDA's forecast for soybeans, but are offering some optimism for corn, as corn futures point to an average price in the $4.65 range.

But that optimism is likely based expectations of a slightly smaller corn crop than USDA's current estimate. And comparing these price estimates to production costs, the markets are roughly pricing at breakeven.

Listen to the **[June 2024 Crop Market Outlook video](https://youtu.be/2SGWsRLKG2Q)**, https://youtu.be/2SGWsRLKG2Q, for further insight on outlook for this month.



Are you thinking about installing or repairing a fence? Confused about who's responsible for what? This presentation is perfect for land owners, township trustees, farm tenants, and anyone interested in understanding Iowa's fence laws. In this webinar session, you'll learn:

The basics of Iowa fence law

Discover your rights and responsibilities regarding fence construction and maintenance.

Difficult terrain

Review how to navigate disagreements with your neighbors or when the boundary is not conducive to fence building.

Fence vs. Boundary

Find out how to determine if there is a turf war over the fence line, or a battle over the invisible line.

Don't get fenced in by confusion! **Register for this informative session and gain the knowledge you need**, https://attendee.gotowebinar.com/register/1803622820729711711.

Speaker

Jennifer Harrington is a Staff Attorney at the Center for Agricultural Law and Taxation (CALT). She specializes in real estate, succession planning, and estate planning for rural landowners, farmers, and small business owners. Prior to her time at CALT, she was a Partner at Buchanan, Bibler, Gabor & Meis, LLP in Algona, Iowa. She earned her law degree with honors from Drake University and her B.A. from the University of Minnesota – Twin Cities.

Retailers work hard to boost beef sales

Lee Schulz, extension livestock economist, 515-294-3356 | lschulz@iastate.edu

Grocery stores have long used weekly sales circulars to entice cost-conscious consumers into stores. More recently, retailers launched online ads to further boost shopping.

Most advertised products are popular items that would show up on grocery lists anyway. Some promotional discounts are store manager's efforts to pass on savings from big orders from suppliers.

Each week USDA's Agricultural Marketing Service, Livestock, Poultry, and Grain Market News collects and summarizes advertised retail pricing information for several hundred products at major retail supermarket outlets. USDA gathers information from publicly available sources, including store circulars, newspaper ads, and retailer websites.

The **National Retail Report - Beef**, www.ams.usda.gov/mnreports/lswbfrtl.pdf, provides data on 49 beef cuts. The cuts range from filet mignon to brisket to ground beef of various lean percentages. No processed products are listed. The report includes a national summary, plus data for the Northeast, Southeast, Midwest, South Central, Northwest and Southwest regions. The Midwest region covers 6,100 stores across Iowa, Illinois, Indiana, Kentucky, Michigan, Minnesota, North Dakota, Nebraska, Ohio, South Dakota and Wisconsin.

Two-thirds of retail circulars promote beef

Most advertisements in retail circulars feature specific items at specific "sale" prices. The retail feature rate is defined as "the amount of sampled stores advertising any reported beef item during the current week, expressed as a percentage of the total sample."

During the period of 06/07/2024 thru 06/13/2024, 72.0% of stores nationally featured beef, which was up from 66.1% the prior week and up from 64.1% the same week in 2023. This relatively high feature rate is not unexpected given that retailers have traditionally featured beef prominently in retail circulars. The feature rate ranged from an average of 79.8% of weekly circulars in the Northeast to 64.3% in the South Central with the Midwest at 74.1%.

Buy one, get one free offers help drive sales

Retailers also use no-price promotions, for example, buy one, get one free. USDA data for the second week in June showed 15.8% of retailers nationally used this special rate promotion for some beef items. That was up from 10.7% the week prior, but down from 19.7% in 2023. No-price promotions ranged from an average of 23.5% of weekly circulars in the Midwest to 5.0% in the Southwest.

This data alone, says nothing about demand. When you respond to a buy one, get one free sale for steak do you take just one? No, you take two. Buy one, get one free reduces the price per steak by half. Buying the two boosts your per capita consumption. You increase your quantity demanded solely in response to the lower price, but overall, your demand does not change. However, if the following week you go back to the store intending to buy one steak at the regular price, but buy two steaks, both at the regular price, your demand has risen.

Branding and quality grades are additional marketing tools

Branding of beef retail products has gained momentum in recent years. A particular brand may enjoy a price premium in the market due to both demand for, and supply of, that brand. In the National Retail Report – Beef, the branded category "includes any advertised beef cuts marketed under a corporate trademark, or under one of Meat Grading & Certification Branch's Certified Beef Programs."

Certified Beef Programs, www.ams.usda.gov/grades-standards/certified-beef-programs, also known as branded beef programs, are much like other brands that have specifications for their products. Brands strive to differentiate themselves from others in the marketplace. Currently, 73 Certified Beef Programs are active. Certified Angus Beef, which was established in 1978, is the oldest.

Research, ageconsearch.umn.edu/record/132534/?v=pdf, indicates brand value is not strongly associated with the quality grade of beef. While branded programs typically do use beef quality grade as part of the brand's specifications, they rarely promote grades. That's likely because some consumers may not understand, or may be poorly informed, about formal beef grades.

In addition to branded products, the National Retail Report – Beef publishes prices of Choice and Select quality grade cuts by region. Only about **15% of beef is Select quality grade**, www.ams.usda.gov/reports/meat-grading, which generates limited price data to report (Figure 1). Retailers typically do not advertise Select cuts.

Non labeled / other is the remaining category published and is "beef cuts advertised without a USDA Quality Grade." As expected, many of these items have much lower prices than Choice cuts. For example, so far in 2024, T-bone steaks in the Midwest without a USDA quality grade have averaged $4.17 per pound less than Choice T-bone steaks (Figure 2). Similarly, while fewer weekly comparisons are available, ribeye steaks, bone-in or boneless, without a USDA quality grade have averaged about $4.00 per pound lower than the comparable Choice ribeyes.

On the other hand, chuck/shoulder/arm roast, Choice and non labeled / other prices, have been closer to equal. The same can be said for stew meat.

Figure 1. Percent of beef by USDA quality grade.
Data Source: USDA Agricultural Marketing Service.

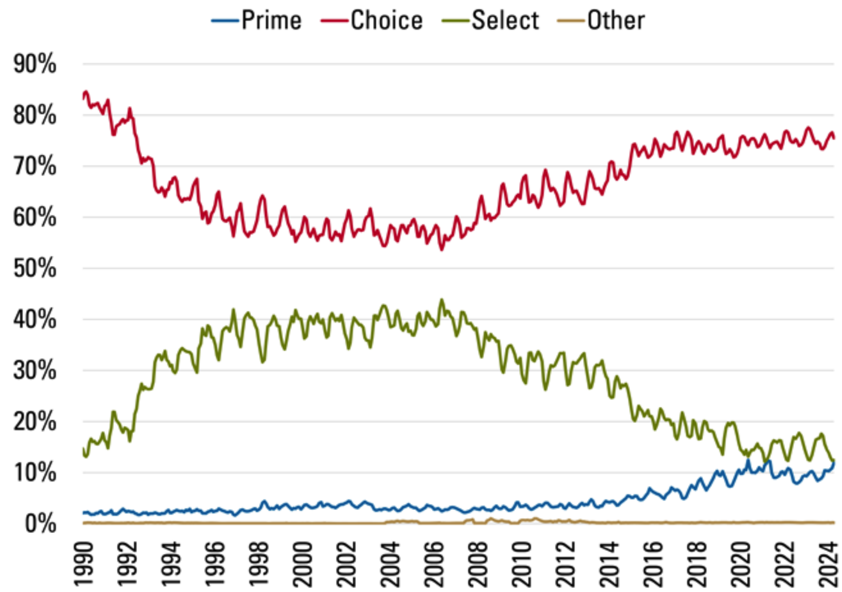
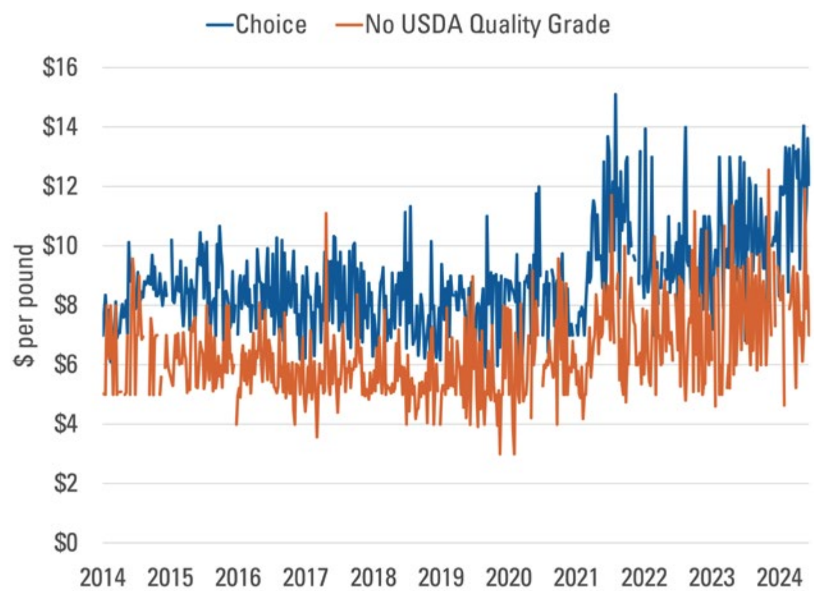


Figure 2. T-bone steak prices, midwest region: Advertised prices at major retail supermarket outlets.
Data Source: USDA Agricultural Marketing Service, Livestock, Poultry, and Grain Market News. Midwest region includes IA, IL, IN, KY, MI, MN, ND, NE, OH, SD, WI.




Evolution of beginning farmer programs in the Farm Bill

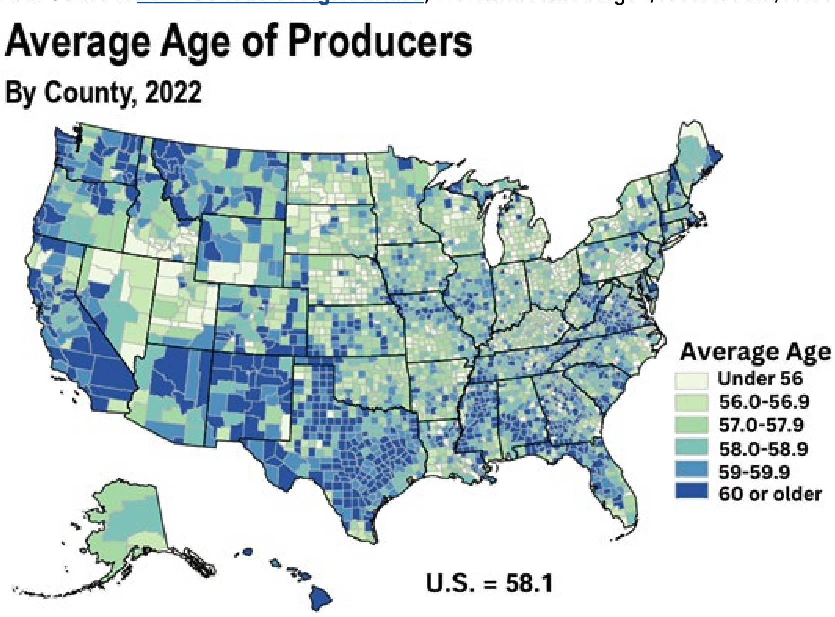
Olivia Sharp, Rural Sociology major; Rabail Chandio, extension economist, rchandio@iastate.edu; Tammy Nebola, agricultural development program specialist, Iowa Agricultural Development Division, Iowa Finance Authority, tammy.nebola@iowafinance.com

The average age of American farmers is at an all-time high of 58 years old (USDA NASS, 2023). As these farmers reach retirement age, supporting the next generation of farmers and making farm transition easier is crucial for agricultural production. One significant way to support new and beginning farmers is through loans provided by the Farm Bill. Passed approximately every five years, the Farm Bill outlines various agricultural policies, with Title V: Credit significantly impacting loans for beginning farmers. Understanding the changes and effectiveness of these loans in each iteration of the Farm Bill is essential, especially with a new bill expected by the end of this year.

Definition and eligibility for beginning farmers

The USDA defines a beginning farmer as someone who "has not operated a farm or ranch for more than 10 years… [whose farm size is less than] 30% of the average farm in the county… [and they] substantially participate in the operation" (USDA ERS, 2018). For this article, farmers also include ranchers. Qualifying as a beginning farmer as per this definition opens various USDA programs, particularly loan programs. Before the 2014 Farm Bill, the USDA used 'median' instead of 'average' to define farm size (USDA ERS, 2018). Median farm size, a statistical measure referring to the size at the midpoint of all farms in a county, does not change if a county has a few very large farms. So, having a few very large farms in the county will not raise the median farm size, but the average farm size will increase. Changing the USDA farm size definition allowed more farmers to qualify for loan benefits, notably in counties with large farms that skew the average size. One of the reasons for including more people in the beginning farmer category to allow them to benefit from farm programs is the concern over rising ages across the farming

Figure 1: Average age of US producers by county. The average US farmer is 58.1 years-old.
Data Source: 2022 Census of Agriculture, www.nass.usda.gov/Newsroom/Executive_Briefings/2024/02-13-2024.pdf.



All Producers, 2002 - 2022	
2002	53.2
2007	54.9
2012	56.3
2017	57.5
2022	58.1

profession, with fewer people from younger generations taking up the career, making beginning farmer support programs a mechanism to attract, in addition to supporting, the younger generation (USDA ERS, 2018).

Loan programs for beginning farmers

Certain loans granted by the Farm Service Agency are outlined and budgeted for in the Farm Bill, additionally, some of these loans are reserved purely for beginning farmers. Four loan types are particularly relevant for beginning farmers: Guaranteed Loans, Micro Loans, Direct Operating Loans, and Direct Ownership Loans (see Table 1 for a summary). Guaranteed loans are conventional loans backed by the government, with up to 95% backed for beginning farmers (USDA FSA, 2021), minimizing risk for lenders. Microloans from the Farm Service Agency (FSA) have smaller denominations and are used for minor farm purchases and operations. Direct Operating Loans and Direct Ownership Loans are objectively the most important for beginning farmers. These loans provide significant capital for starting or expanding a farm. A specific amount is reserved for beginning farmers in the Direct Ownership Loans to assist with down payments on farmland, reducing the barrier to entry by making land purchase more accessible. This greatly reduces the barrier to entry to farming as land is the most expensive asset.

Historical changes in the Farm Bill

Throughout the years, the Farm Bill has changed certain qualifications and parts of loans for beginning farmers, even adding additional loans. Starting at 1996, Beginner Farmers were recognized in a previous bill, but provisions supporting Beginning Farmers were few and unclear. The 1996 Farm Bill stated that "a portion of loan funding is reserved for new and beginner

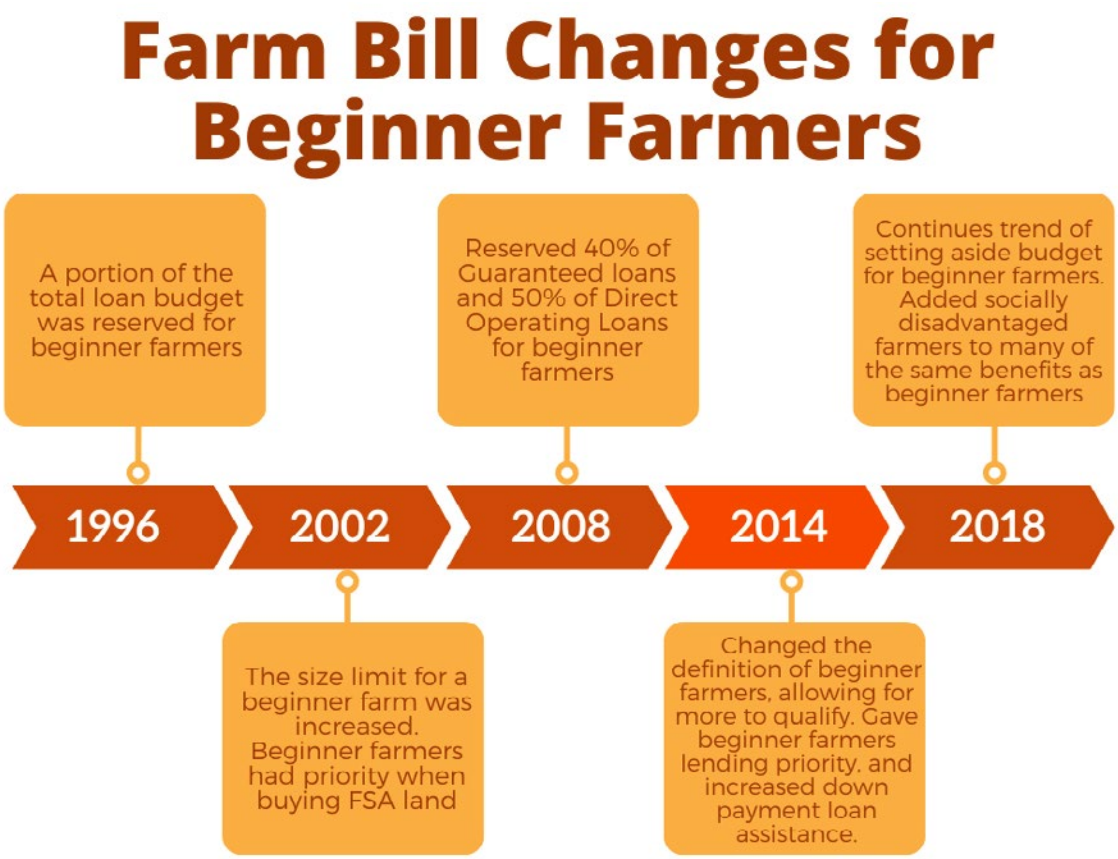
Table 1: Summary of different loans offered to Farmers by the FSA.
Source of information is indicated separately for each loan category.

Loan Type	Description
Guaranteed Loans	•Allows farmer who do not meet normal lending requirements to have access to loans from commercial lenders •Guarantees up to $1,825,000 •Ownership and operating options •Collateral must be offered "Guaranteed Loan Program," 2021
Micro Loans	•Operating and ownership microloans are available •Tailored towards smaller operations •Up to $50,000 •Farm experience or equivalent required "Microloans Fact Sheet", 2019
Direct Operating Loans	•Assists in paying for operating costs and family living expenses •Includes machinery, farm reorganization, seed, fertilizer, etc. •Up to $400,000 •No down payment requirement "Farm Loans Overview," 2023
Direct Ownership Loans	•Assists in buying farmland, enlarging farmland, and increasing productivity •Up to $600,000 •'Regular', Joint Financing, and Down Payment options "Farm Ownership Loans"
Direct Farm Ownership Down Payment Loan	•Only for qualifying Beginner Farmers •Up to $300,150 •Only used for purchasing a family farm •FSA will finance 45% of the downpayment, farmer must pay at least 5% "Farm Loans Overview," 2023

farmers," without clarifying the amount (USDA ERS, 1996). This is a pattern followed in each new iteration of the Farm Bill, allocating a certain percentage of loan funding specifically for beginner farmers. In fact, in the 2002 Farm Bill, one of the most important changes was specifying the exact portion of the funding to committed uses. In 2002, it changed so that 70% of the total for direct ownership loans, 25% for guaranteed loans, and 35% for direct operating loans are reserved purely for new and beginner farmers (USDA ERS, 2008). The 2002 Farm Bill also increased the farm size limit to 30% of the median (it was changed to average in 2014) farm size of the county and gave priority of purchasing FSA land to beginning farmers (USDA ERS, 2002). This could be considered the start of adding more specific provisions for beginning farmers, rather than more vague additions to current programs. Additionally, the importance of Direct ownership loans to beginning farmers is clear, as beginning farmers are being given 70% of the total funding for that loan. This percentage increased in the 2008 Farm Bill to 75%, along with the other loans, increasing to 40% and 50%, respectively (USDA ERS, 2008). In 2014, as stated earlier, the Farm Bill changed the definitions of a beginning farmers from 'median' to 'average'. The 2018 Farm Bill continues these programs and allocations, without many substantial changes.

Over the years, the effectiveness of loans and other programs for beginning farmers has been a topic of discussion. FSA loans are utilized more frequently by beginner farmers than by their established counterparts (Thilmany et al., 2021), indicating that these programs are reaching the intended demographic. However, Thilmany et al. (2021) note that government-backed financing will be in high demand and may need to become more flexible. Government funding tends to have strict usage guidelines, which may need to adapt as agricultural practices evolve. For instance, urban farms often require specialized equipment and supplies, making it challenging to justify these needs compared to conventional farming.

Figure 2: Timeline summary of changes affecting beginner farmers in the Farm Bill from 1996 to 2018.



Further research acknowledges the utility of these programs but questions their adequacy in fully supporting beginning farmers (Calo, 2018). Specifically, new farmers face challenges in acquiring start-up capital, securing markets, and finding suitable farmland (Calo, 2018). While loans can address capital needs, there is a notable gap in support for market access and land acquisition. Additionally, new farmers often lack practical experience and face significant financial risks when trying new techniques or practices. Therefore, while loans are crucial for beginner farmers, there is a need for complementary government programs that provide knowledge-based support and reduce the risks associated with innovation and learning in farming (Calo, 2018).

Beginning farmers have several support options within the Farm Bill, particularly through various loan programs that offer specific benefits. Previous Farm Bills have successfully introduced loan options beneficial to beginning farmers. However, as the new Farm Bill approaches, it is essential to consider changes in agriculture and the needs of beginning farmers. The loan programs have remained relatively unchanged since 2014, and while they are being utilized, increased flexibility could further enhance their effectiveness and accessibility.

References

Calo, Adam. **How Knowledge Deficit Interventions Fail to Resolve Beginning Farmer Challenges**. Agriculture and Human Values 35, no. 2 (October 7, 2017): 367–81. https://doi.org/10.1007/s10460-017-9832-6.

Dawn Thilmany, Allison Bauman, Joleen C. Hadrich, Becca B.R. Jablonski, and Martha Sullins. **Unique Financing Strategies among Beginning Farmers and Ranchers: Differences among Multigenerational and Beginning Operations**. Agricultural Finance Review 285–309, no. 2 (December 9, 2021). https://doi.org/10.1108/afr-05-2021-0070.

US Department of Agriculture Economic Research Service (USDA ERS). **The 2002 Farm Bill: Provisions and Economic Implications**, May 22, 2002. www.ers.usda.gov/webdocs/publications/42660/13780_ap022_4_.pdf?v=41879.

US Department of Agriculture Economic Research Service (USDA ERS). 2008 Farm Bill Side-By-Side, August 20, 2008.

1996 FAIR Act Frames Farm Policy for 7 Years. US Department of Agriculture Economic Research Service (USDA ERS), April 1996.

Farm Loans Overview. US Department of Agriculture Farm Service Agency, September 2023. www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2023/202310_fsa_farm_loans_overview.pdf.

Farm Ownership Loans, www.fsa.usda.gov/programs-and-services/farm-loan-programs/farm-ownership-loans/index.

Guaranteed Loan Program. US Department of Agriculture Farm Service Agency (USDA FSA), October 2021. www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/fsa-guaranteedloanprogram-factsheet-21.pdf.

Microloans Fact Sheet. Farm Service Agency, August 2019. Accessed June 12, 2024. www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2019/microloans-fact_sheet-aug_2019.pdf.

USDA National Agricultural Statistics Service (USDA NASS), 2022 Census of Agriculture. Complete data available at www.nass.usda.gov/AgCensus.

US Department of Agriculture Economic Research Service (USDA ERS). 2018. "**Beginner Farmers and Ranchers**," July 17, 2018. www.ers.usda.gov/agricultural-act-of-2014-highlights-and-implications/beginning-farmers-and-ranchers/.

US Department of Agriculture Farm Service Agency (USDA FSA). **Beginning Farmers and Ranchers Loans**. Accessed May 5, 2024. www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index.

Ag Decision Maker is written by extension ag economists and compiled by Ann Johanns, extension program specialist, **aholste@iastate.edu**.

PERMISSION TO COPY
Permission is given to reprint ISU Extension and Outreach materials contained in this publication via copy machine or other copy technology, so long as the source (Ag Decision Maker Iowa State University Extension and Outreach) is clearly identifiable and the appropriate author is properly credited.

This institution is an equal opportunity provider. For the full non-discrimination statement or accommodation inquiries, go to **www.extension.iastate.edu/diversity/ext**.