



WEBINAR:
**Macroeconomic and
Fall Grain Market Outlook**

October 10, 2024
10 a.m. (PT) / 11 a.m. (MT)
12 p.m. (CT) / 1 p.m. (ET)

Keynote Speakers



Rob Fox
Director,
Knowledge Exchange



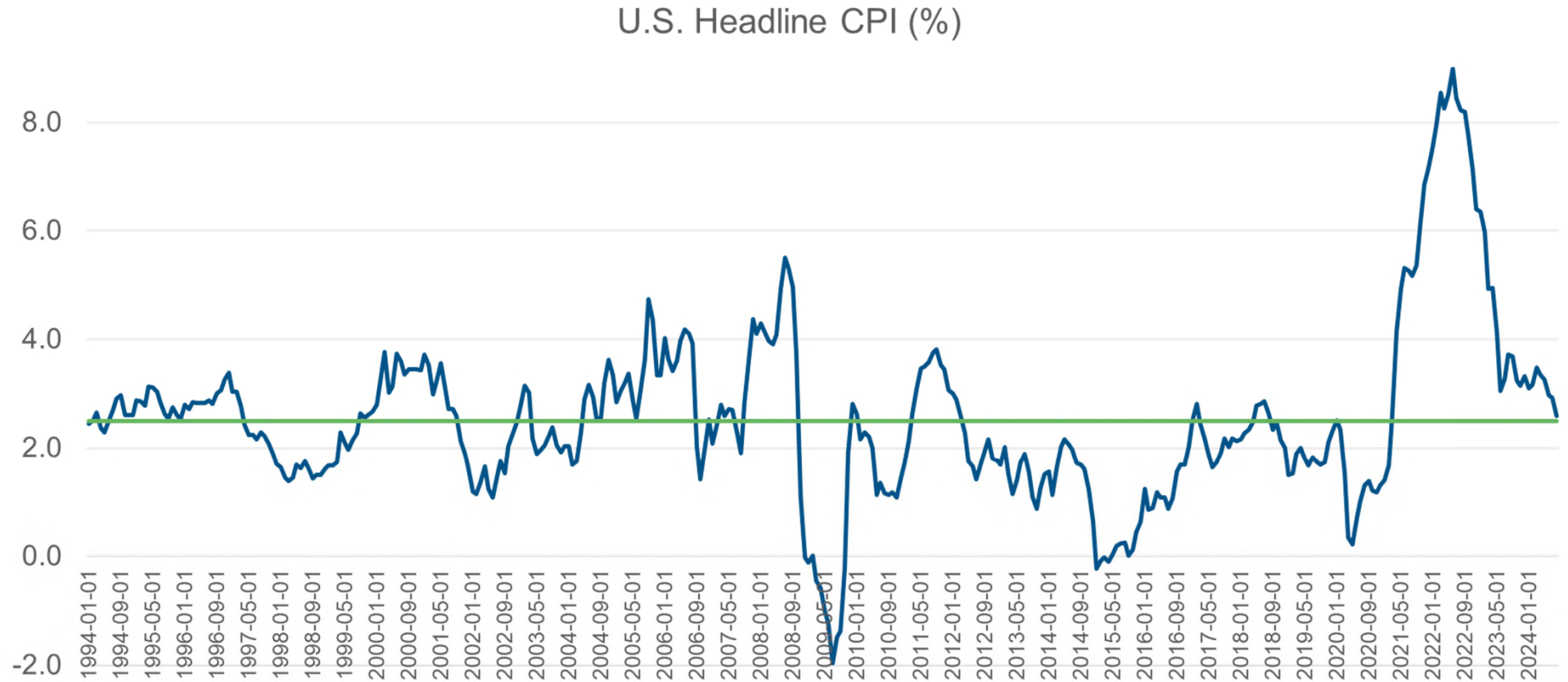
Gary Schnitkey
Professor, Agricultural
& Consumer Economics,
University of Illinois at
Urbana-Champaign



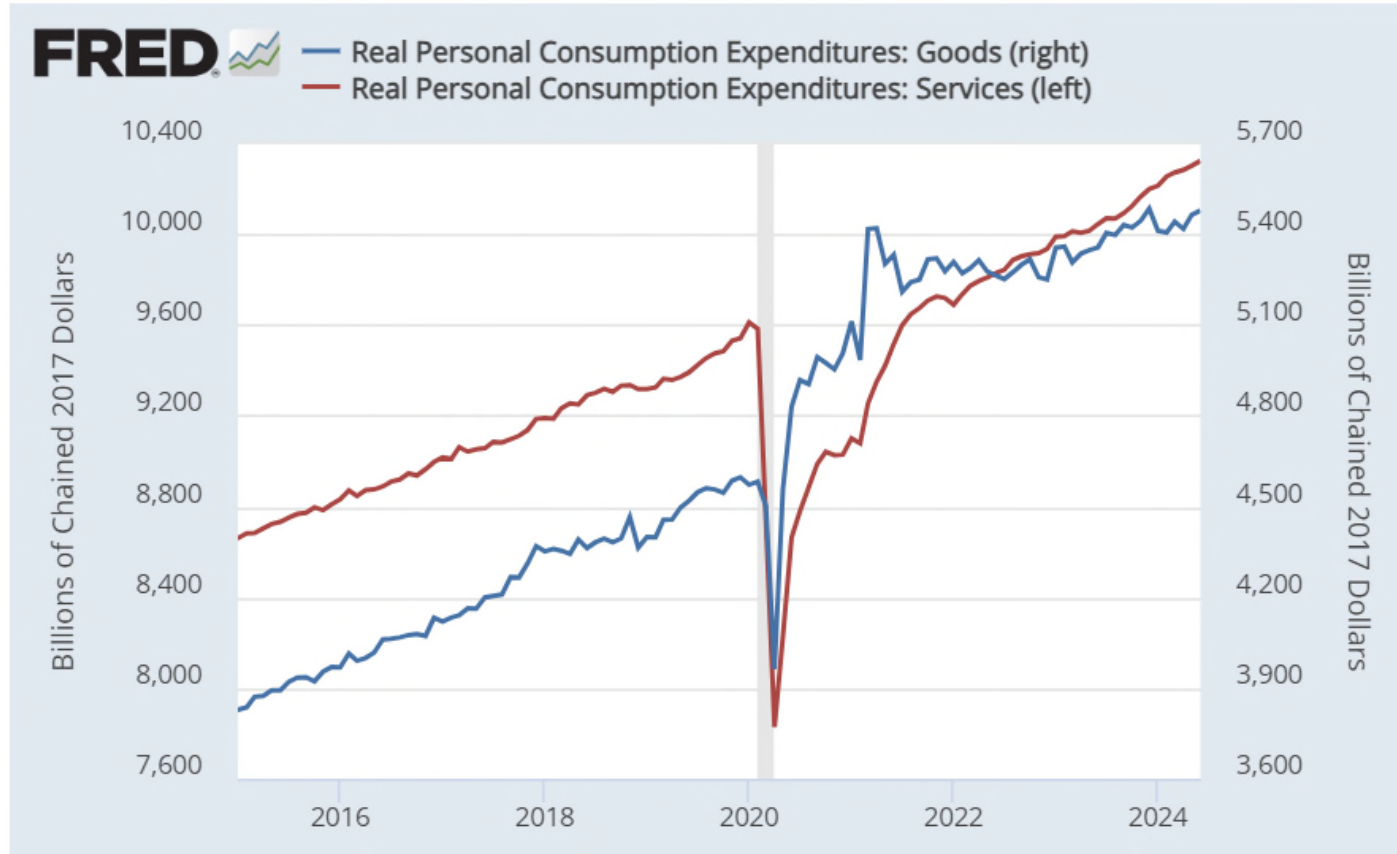
Tanner Ehmke
Lead Economist,
Grains and Oilseeds,
Knowledge Exchange

Macroeconomics

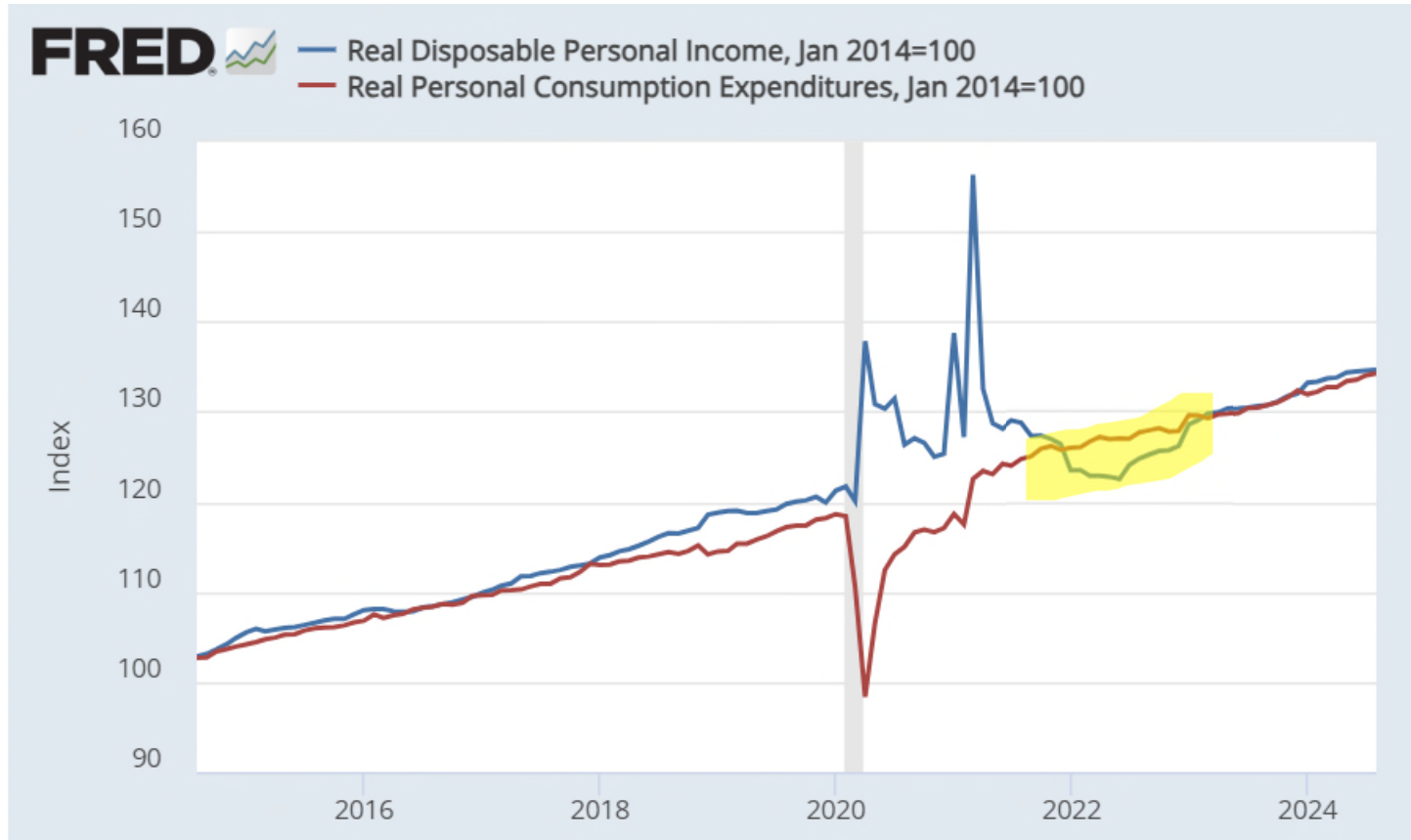
Inflation Has Come Down Quickly Without a Recession



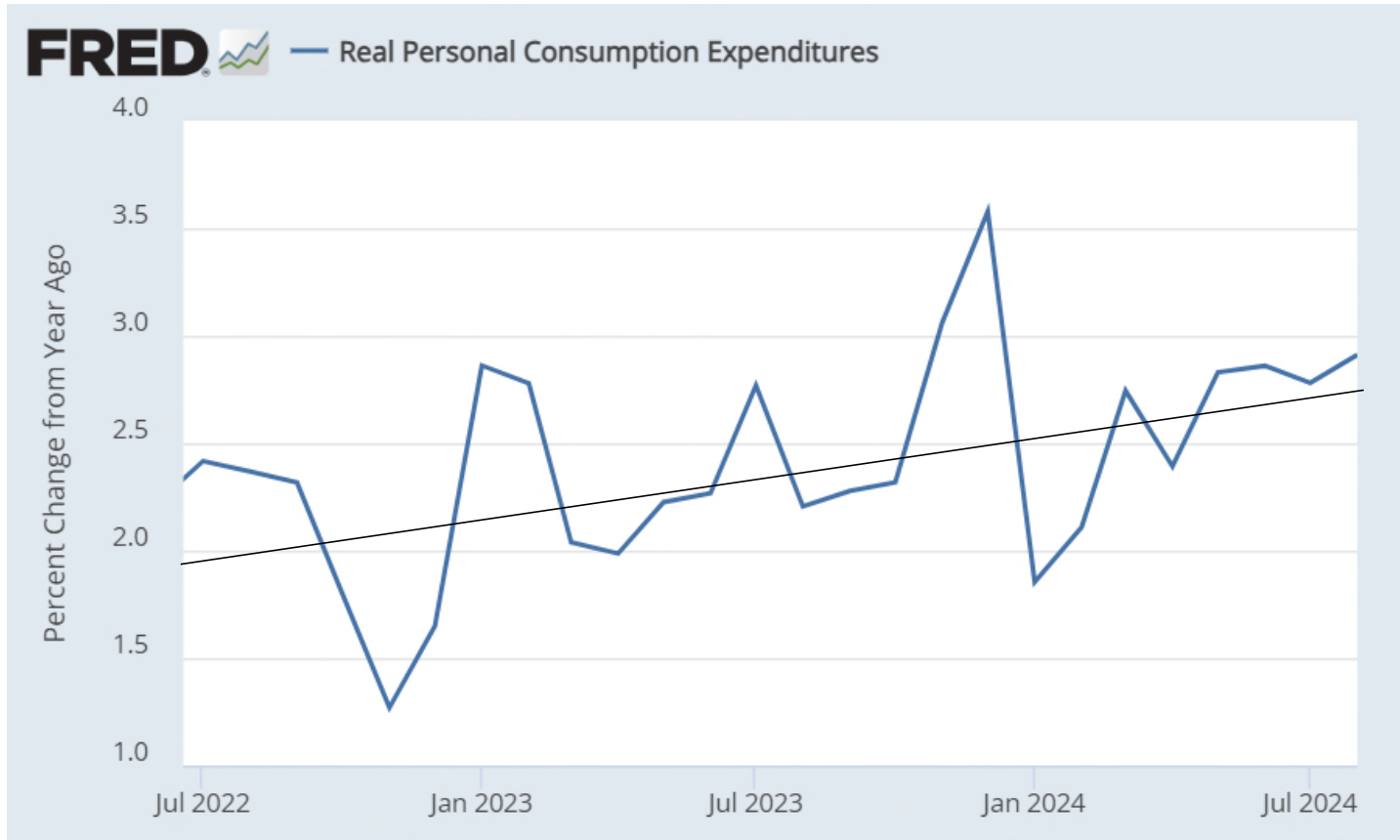
The Economy Is Finally Returning to “Normal”



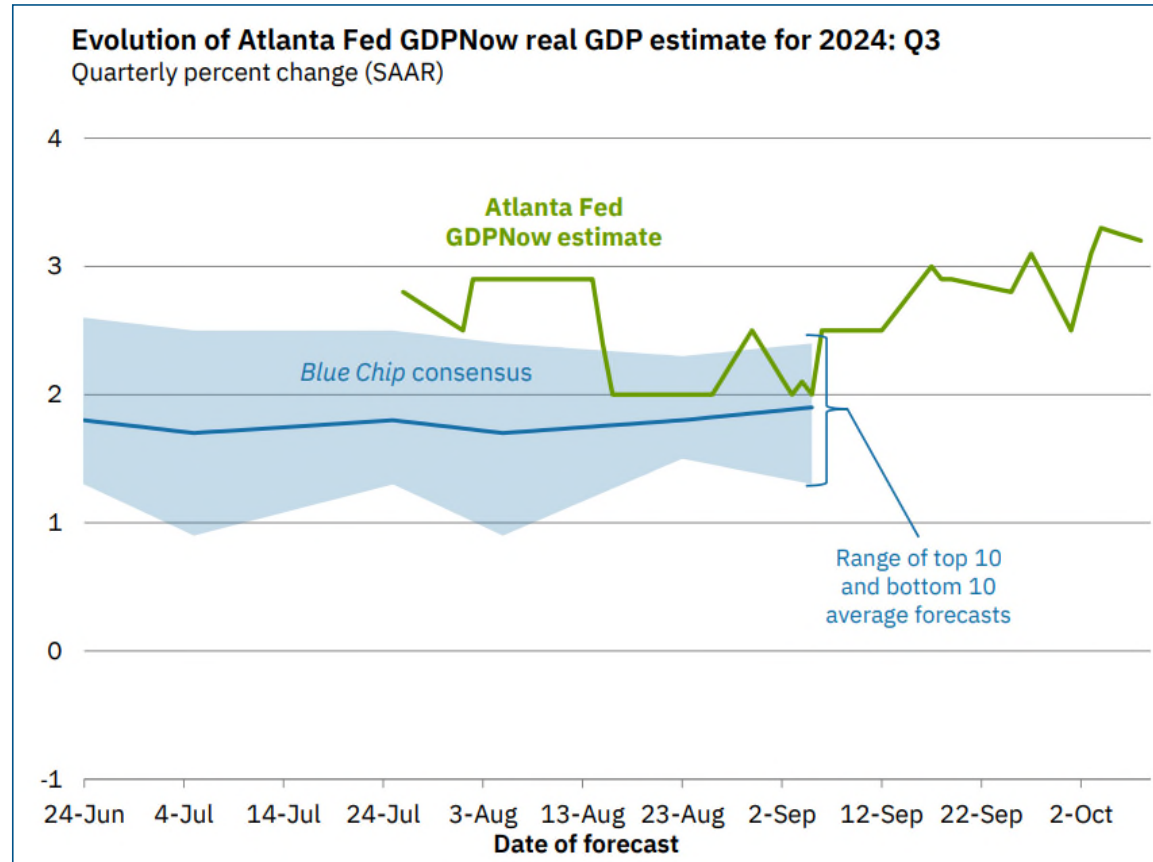
Consumer Spending Is Back In Line With Incomes



And The Consumer Show No Signs of Slowing Down!

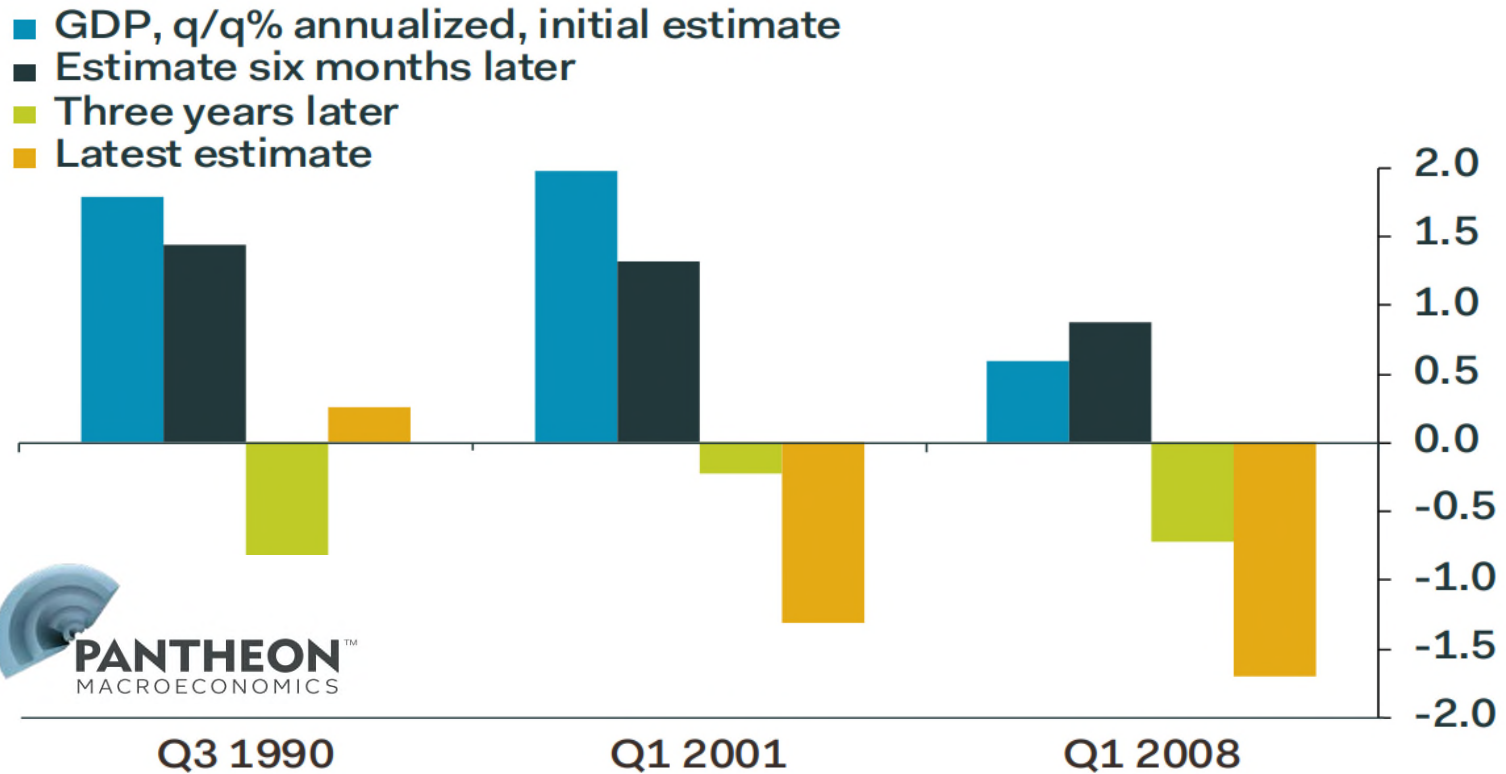


On The Surface Things Look Pretty Good!

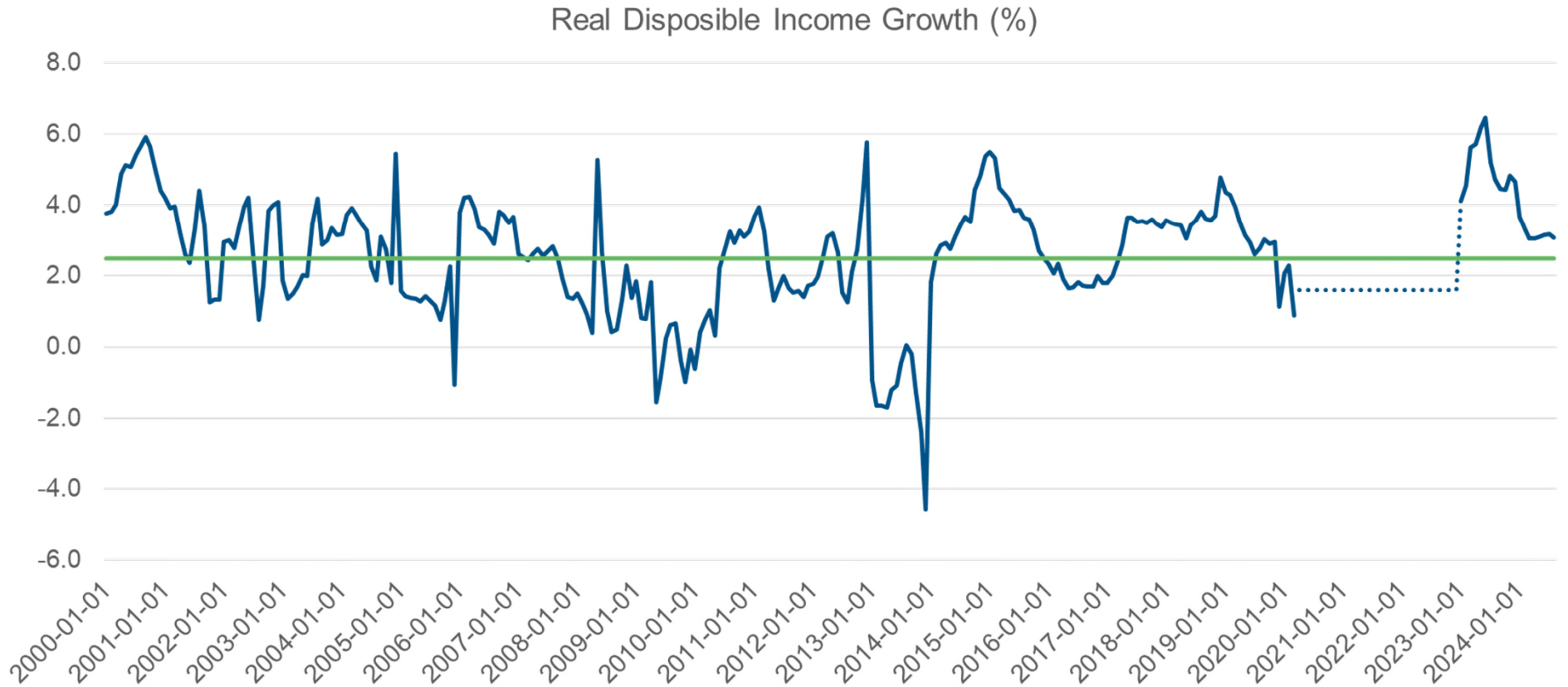


But Initial GDP Estimates Usually Miss Big Downturns

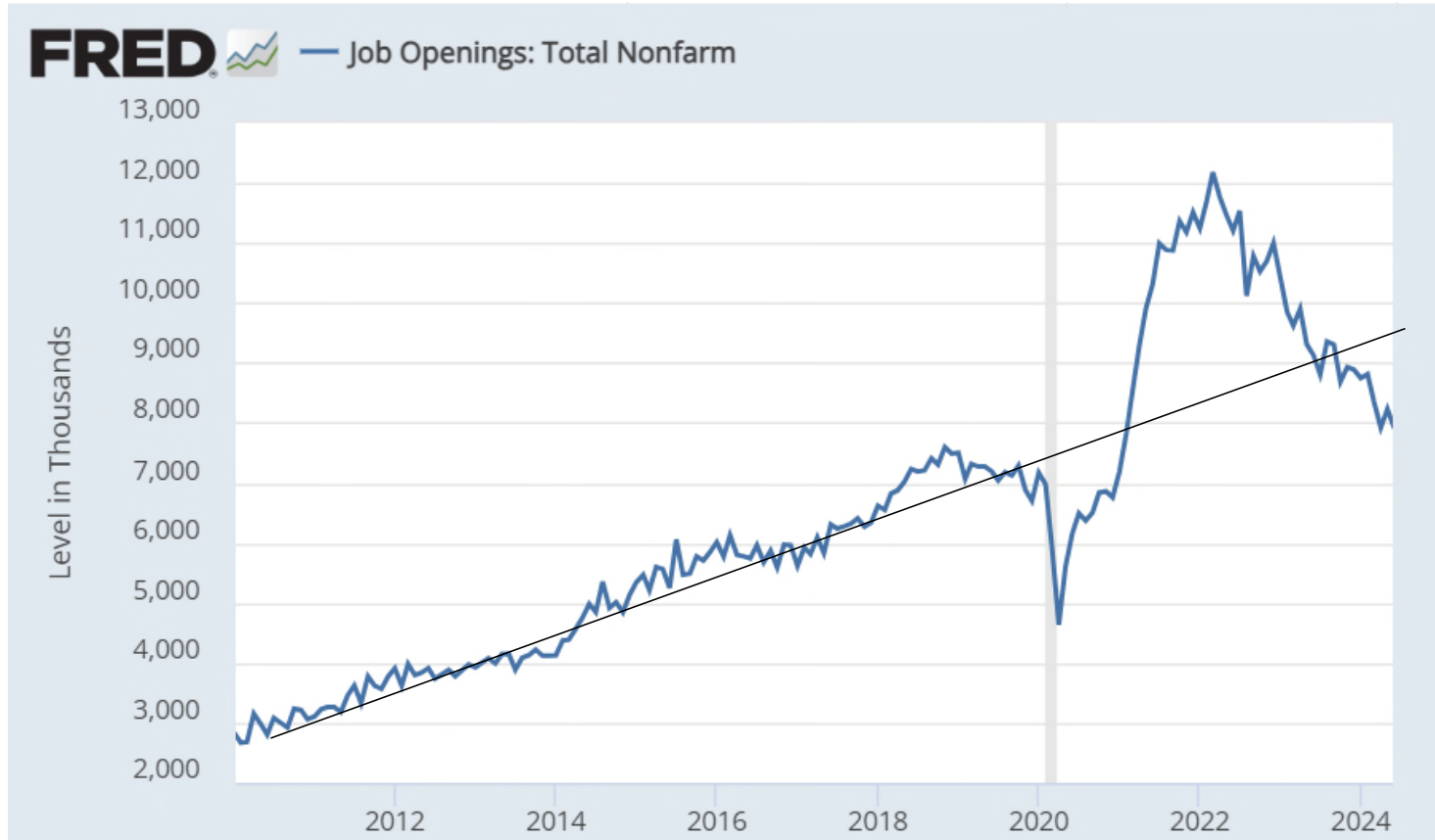
...BUT INITIAL ESTIMATES OF GDP MISSED THE LAST THREE DOWNTURNS



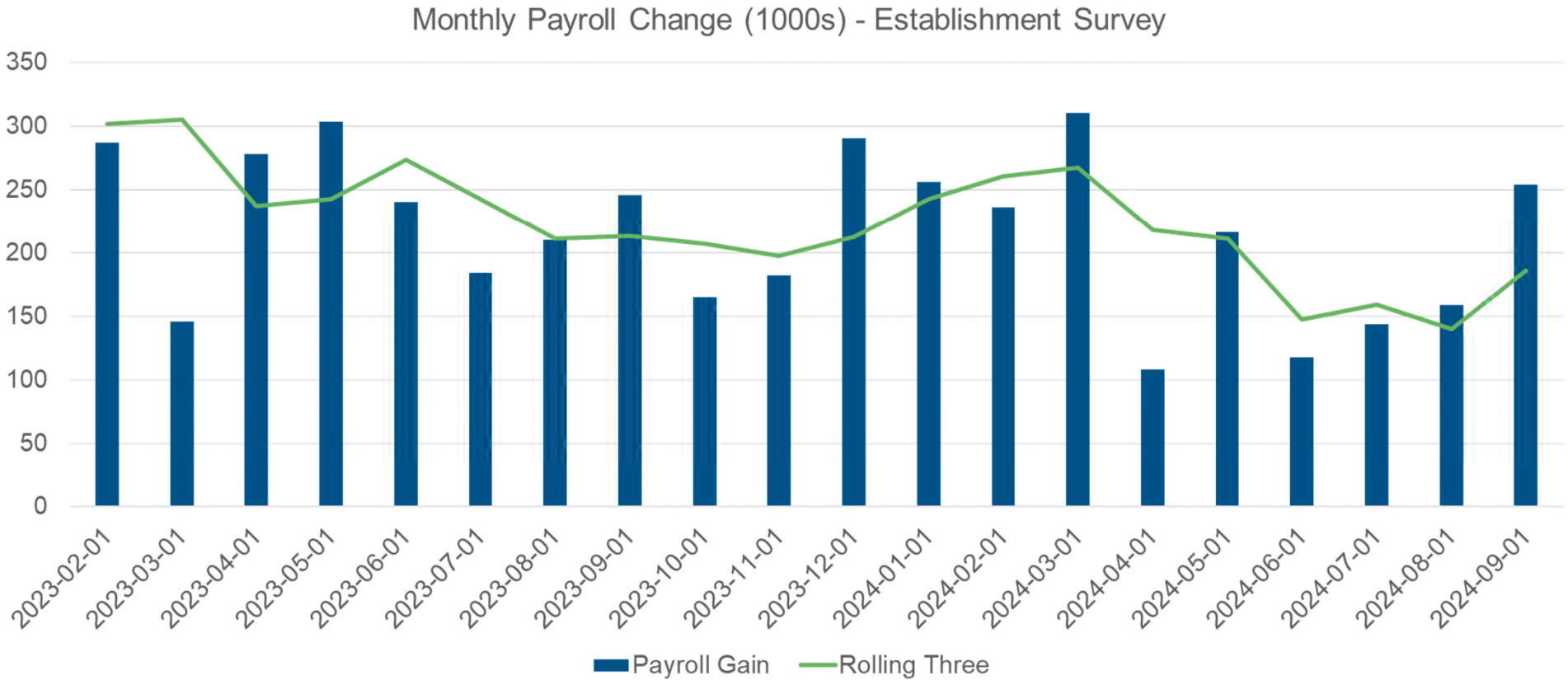
Real Income Growth Is Slowing Despite Inflation Victory



Job Openings Have Fallen Well Below Long-Term Trend



Job Growth Is Losing Steam...Or Is It?

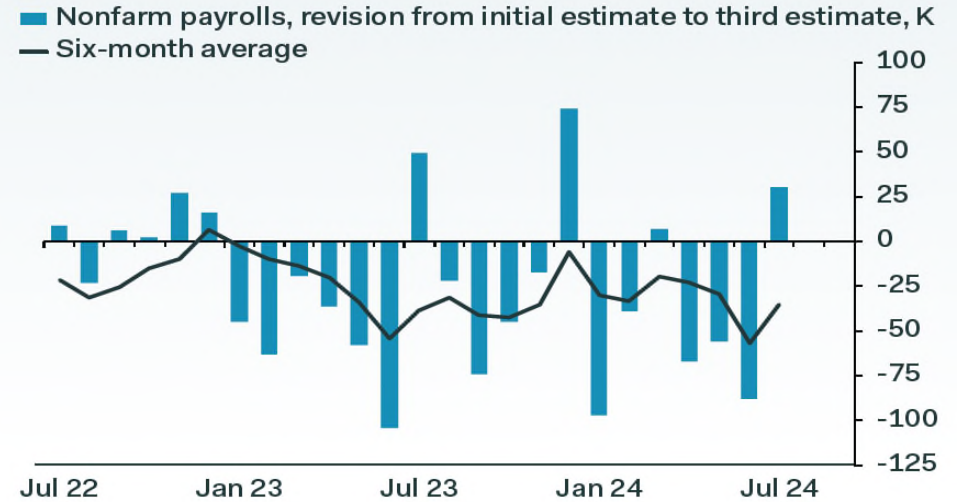


But Payroll Reports Have Been Revised Downward Lately

THE RESPONSE RATE FOR THE FIRST ESTIMATE WAS EXTREMELY LOW

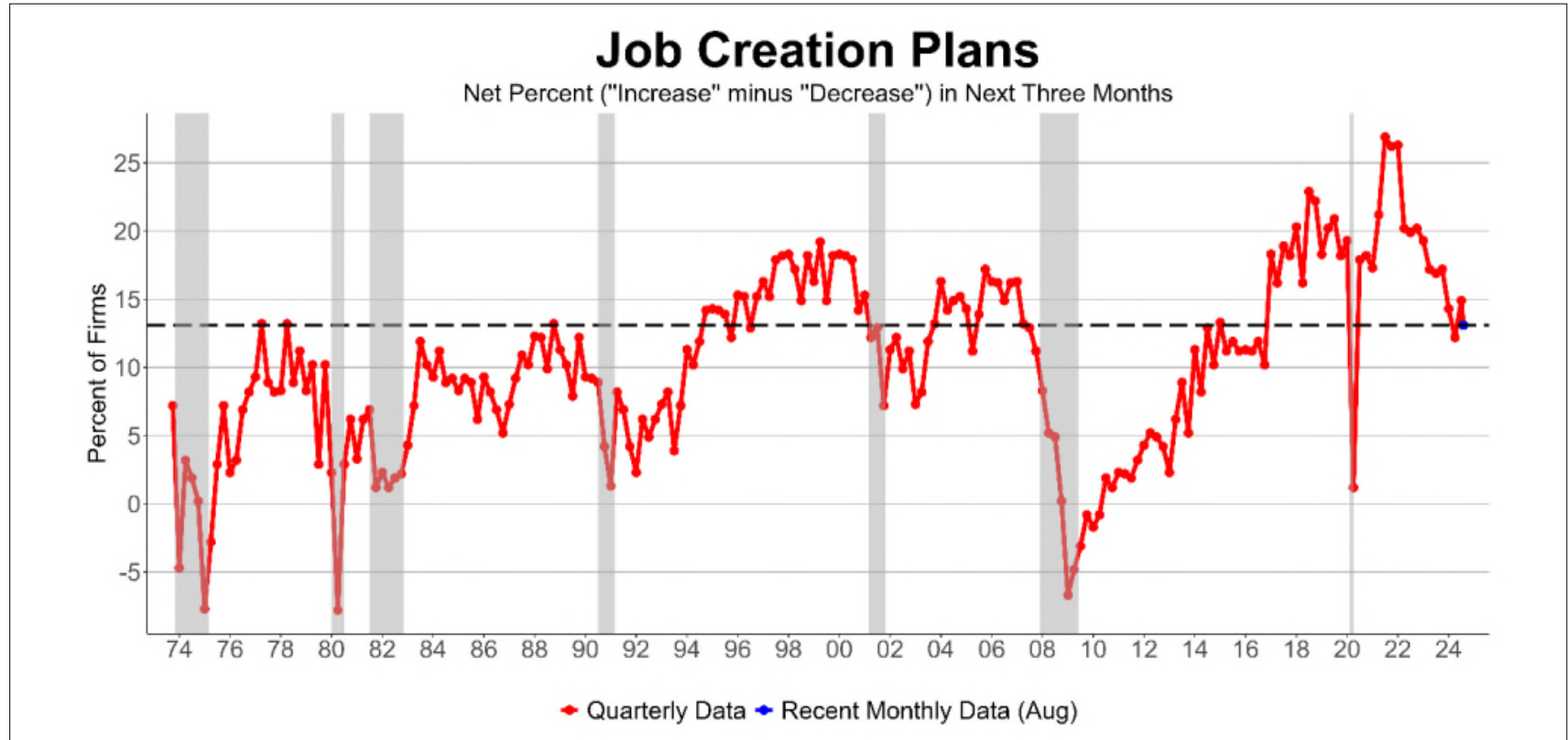


LATE RETURNS NEARLY ALWAYS TRIGGER DOWNWARD REVISIONS

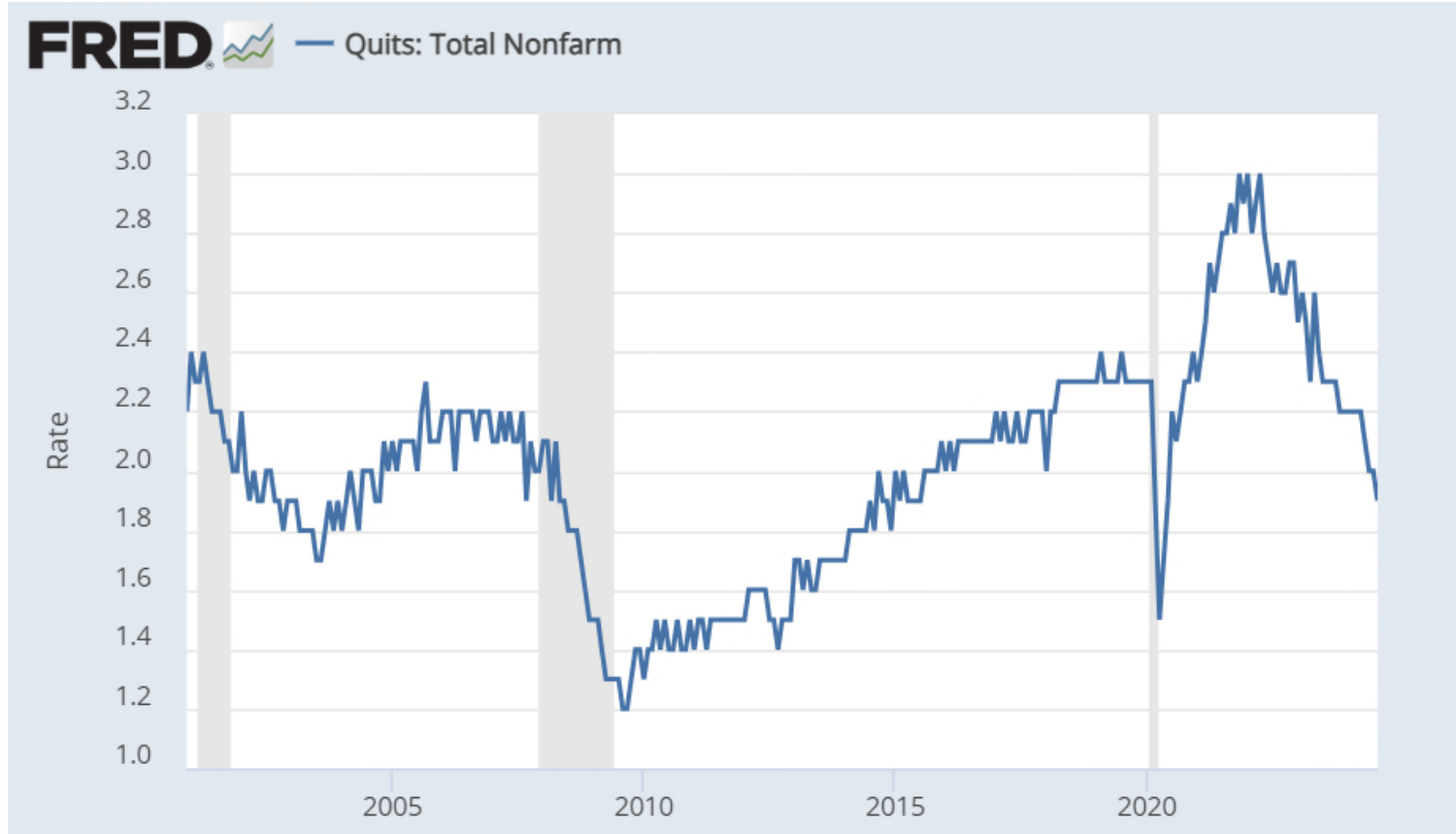


Small Business Hiring Plans Lowest Since 2016

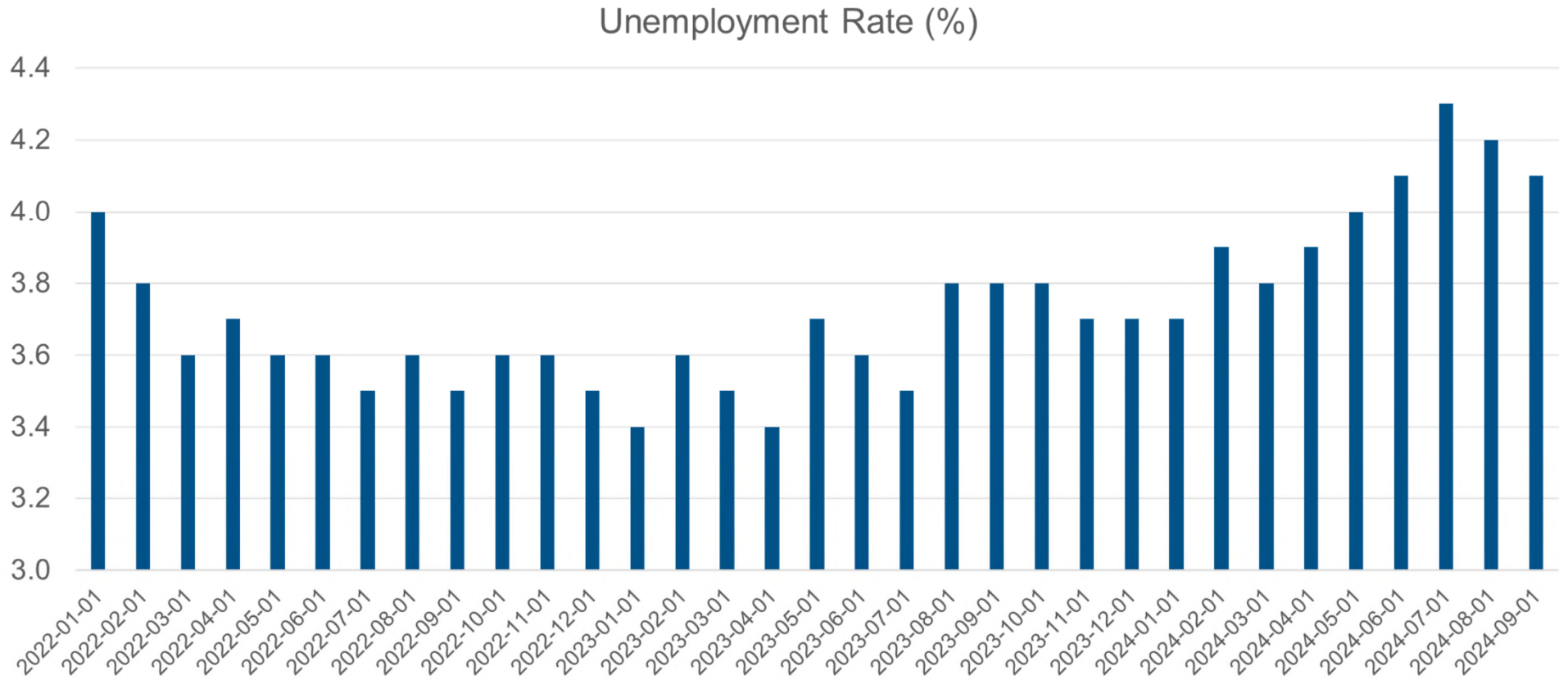
(60% of Labor Force)



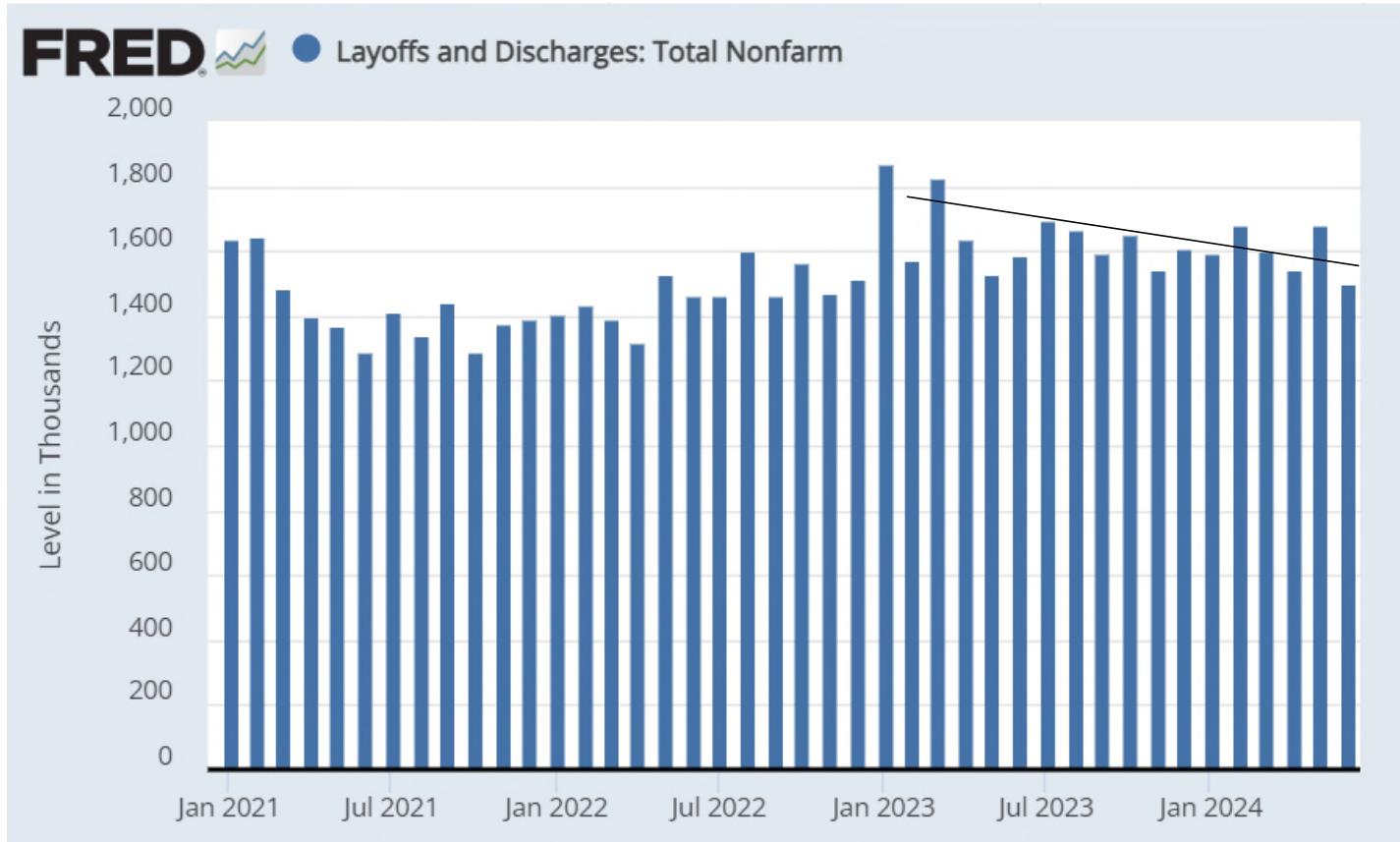
Quits Rate Is Lowest in 10 Years



Unemployment Rate is Trending Up



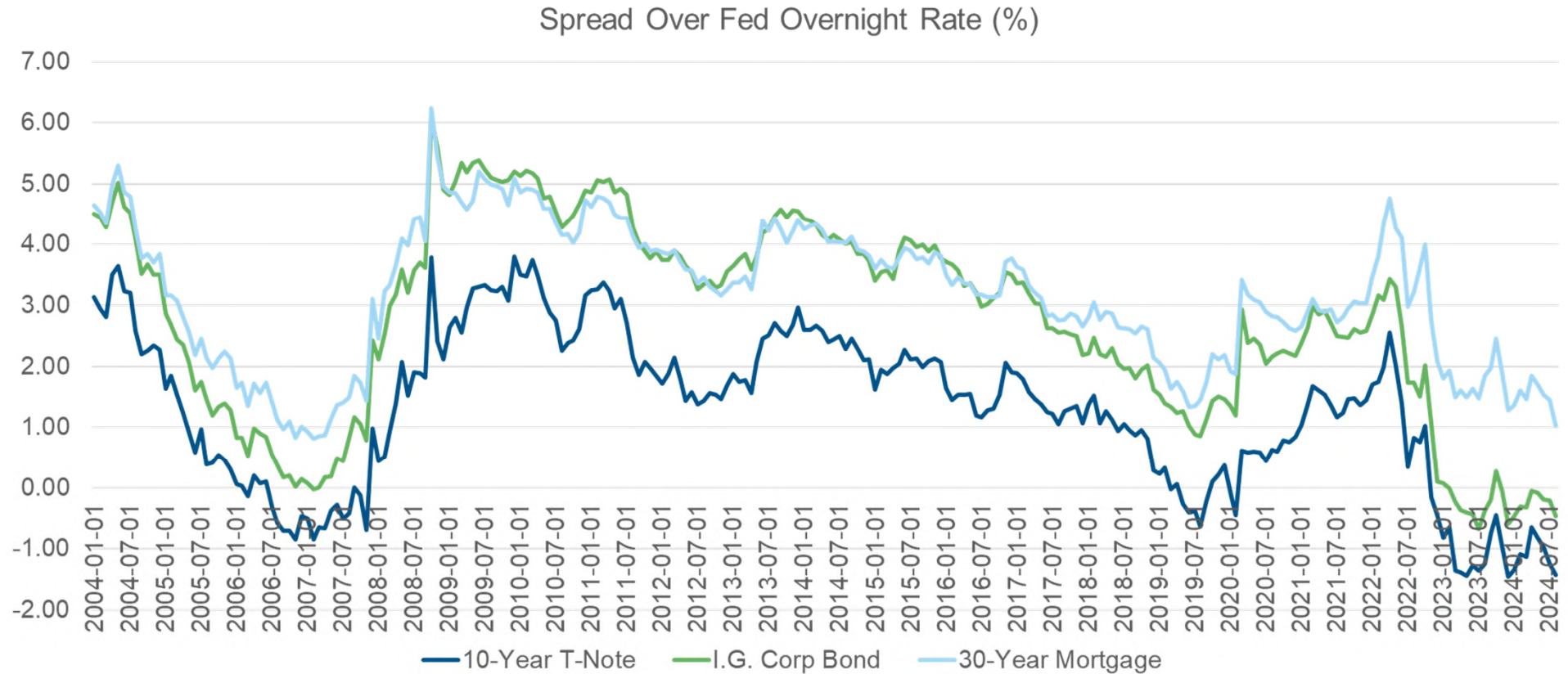
One Good Thing: Permanent Layoffs Are Not Increasing



Markets Are Expecting Another 150bps In Cuts

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
11/7/2024					0.0%	0.0%	0.0%	0.0%	88.7%	11.3%
12/18/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.2%	79.8%	10.0%	0.0%
1/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	66.7%	23.1%	1.9%	0.0%
3/19/2025	0.0%	0.0%	0.0%	0.0%	7.3%	59.7%	28.3%	4.4%	0.2%	0.0%
5/7/2025	0.0%	0.0%	0.0%	4.1%	37.0%	41.9%	14.8%	2.0%	0.1%	0.0%
6/18/2025	0.0%	0.0%	2.4%	23.3%	39.9%	26.1%	7.4%	0.9%	0.0%	0.0%
7/30/2025	0.0%	0.8%	9.3%	28.8%	35.3%	19.9%	5.2%	0.6%	0.0%	0.0%
9/17/2025	0.3%	3.6%	15.7%	30.9%	30.3%	15.1%	3.7%	0.4%	0.0%	0.0%
10/29/2025	1.0%	6.3%	19.1%	30.8%	26.9%	12.6%	3.0%	0.3%	0.0%	0.0%

But Higher Risk Environment Will Drive Spreads Up



Farm Profitability, Liquidity, and Upcoming decisions



College of Agricultural,
Consumer &
Environmental Sciences

UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

farmdoc

Gary Schnitkey



U.S. Prices by Marketing Year

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Corn	3.56	4.53	6.00	6.54	4.65	4.10	4.20
Soybeans	8.57	10.80	13.30	14.20	12.50	10.80	10.30
Wheat	4.58	5.05	7.63	8.83	6.96	5.70	5.60
							PROJECTED

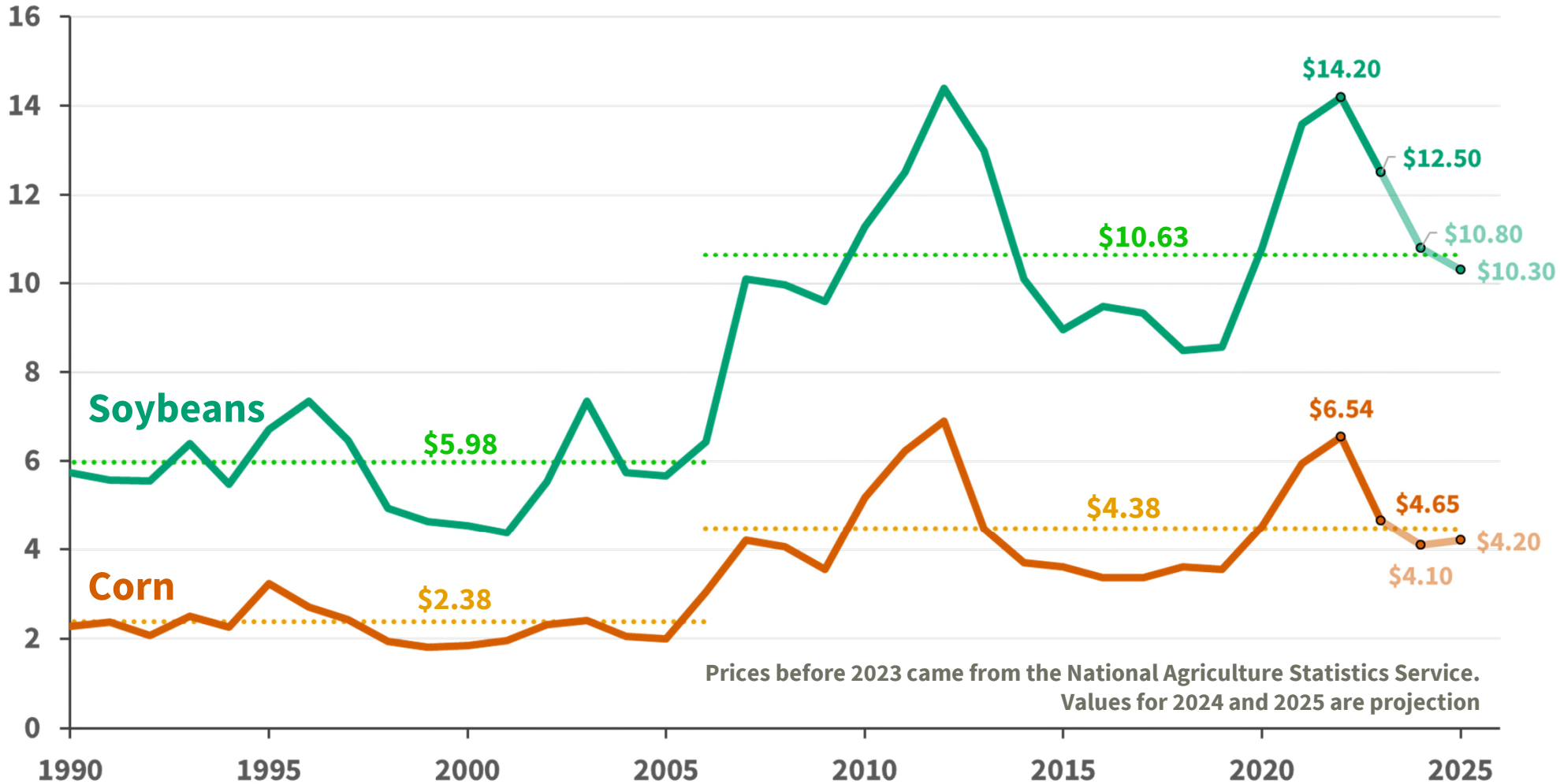
National Market Year Average (MYA) price by year

- September to August for corn and soybeans
- June to May for wheat

USDA price forecasts

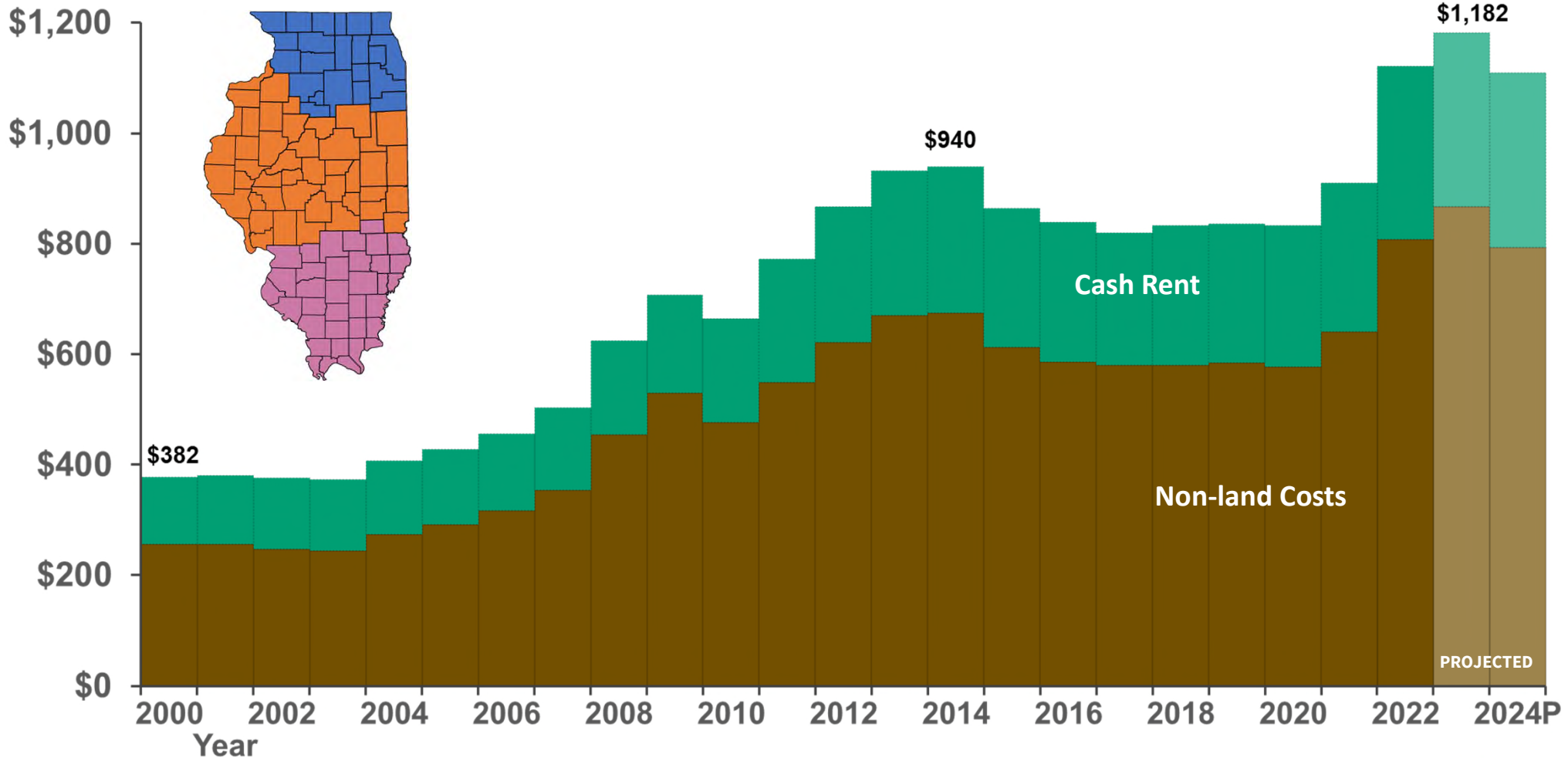
- 2024-25 are USDA estimates in Sept WASDE
- 2025-26 are projections based on futures contract
- Longer-term USDA prices:
 - \$4.30 corn, \$10.50 soybeans, \$6.00 wheat

U.S. Market Year Average Prices for Corn and Soybeans 1960 to 2025P



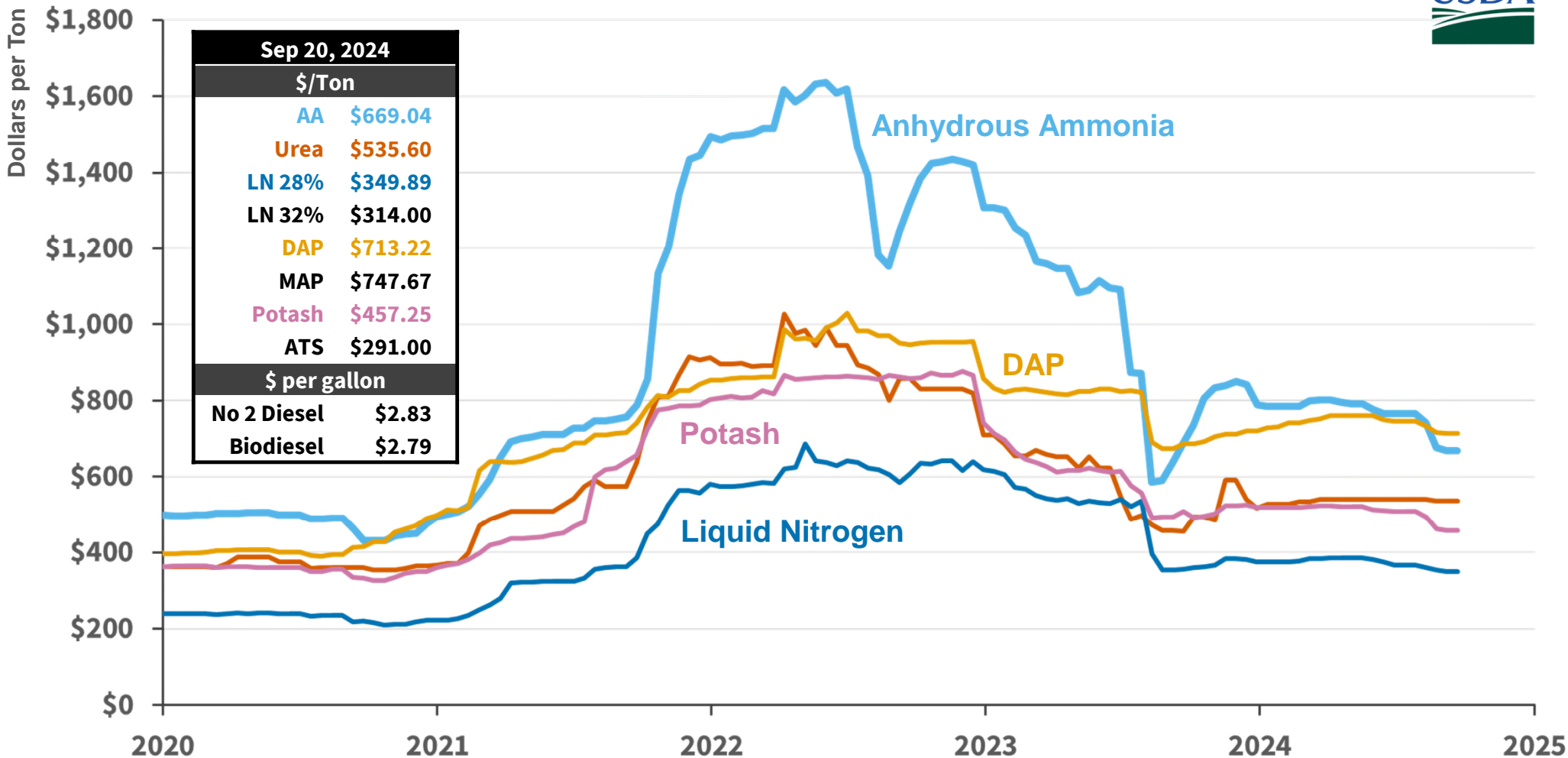
Prices before 2023 came from the National Agriculture Statistics Service.
Values for 2024 and 2025 are projection

Total Costs of Producing Corn for Northern Illinois in \$ per acre



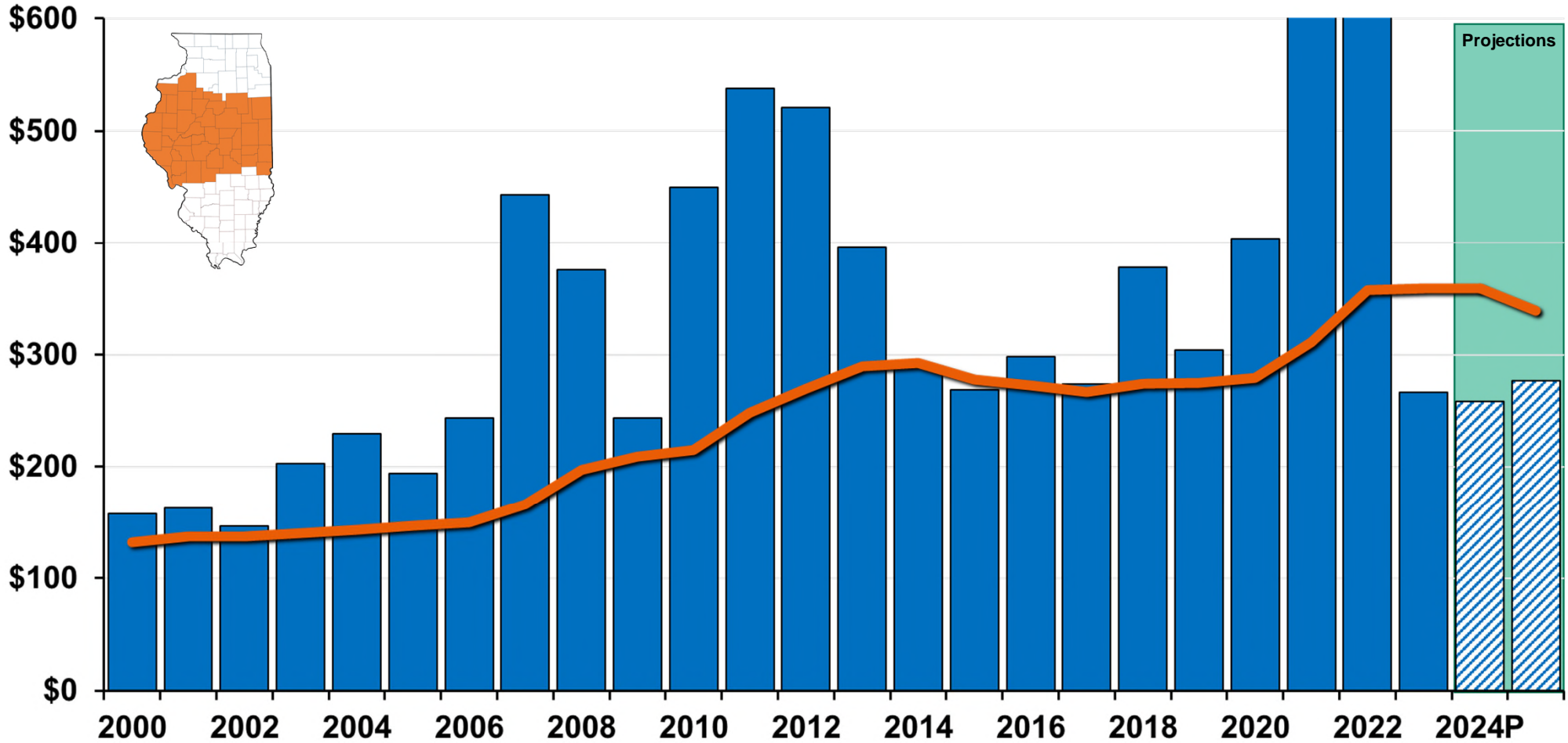
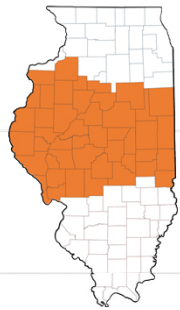
Illinois Production Cost Report from Jan 4, 2020 to September 20, 2024

AMS Livestock, Poultry and Grain Market News IL Dept. of Ag Market News

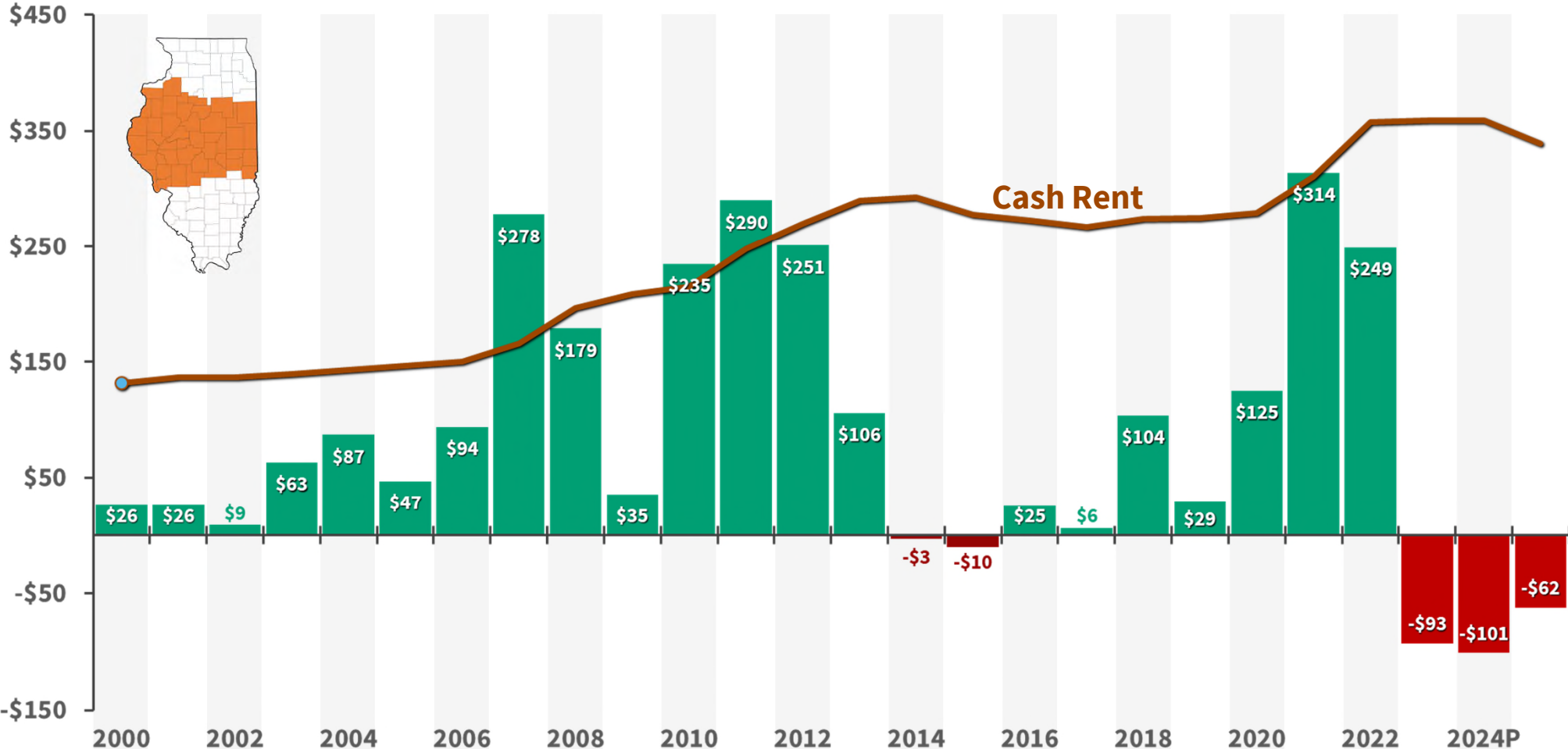


Operator and Land Return and Cash Rent (\$/acre), 2000 to 2025P

Central Illinois, 50-50 Corn-Soy Rotation



Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Central Illinois, Cash Rent Farmland



Source: Illinois FBFM

Net Farm Income on Grain Farms (in \$1,000) Enrolled in Illinois Farm Business Farm Management

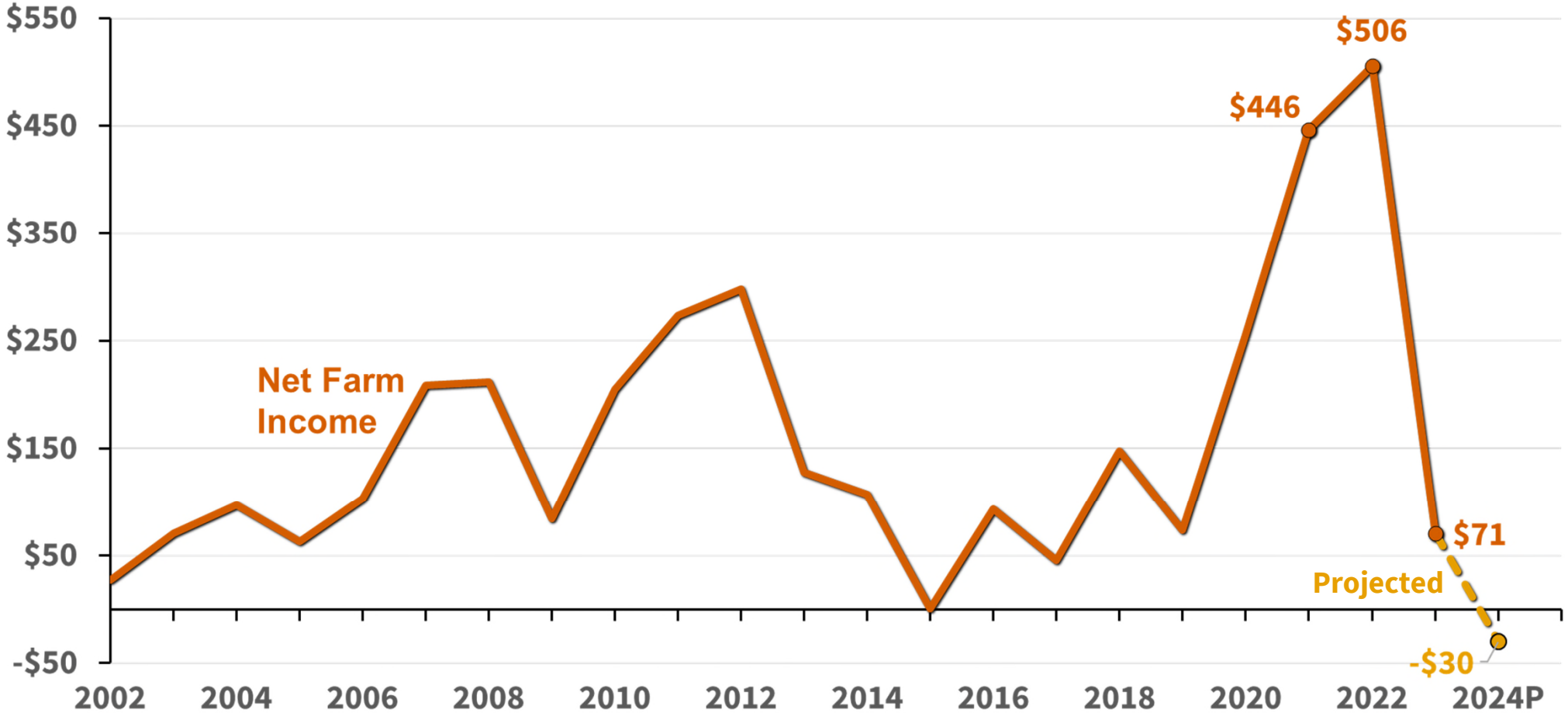
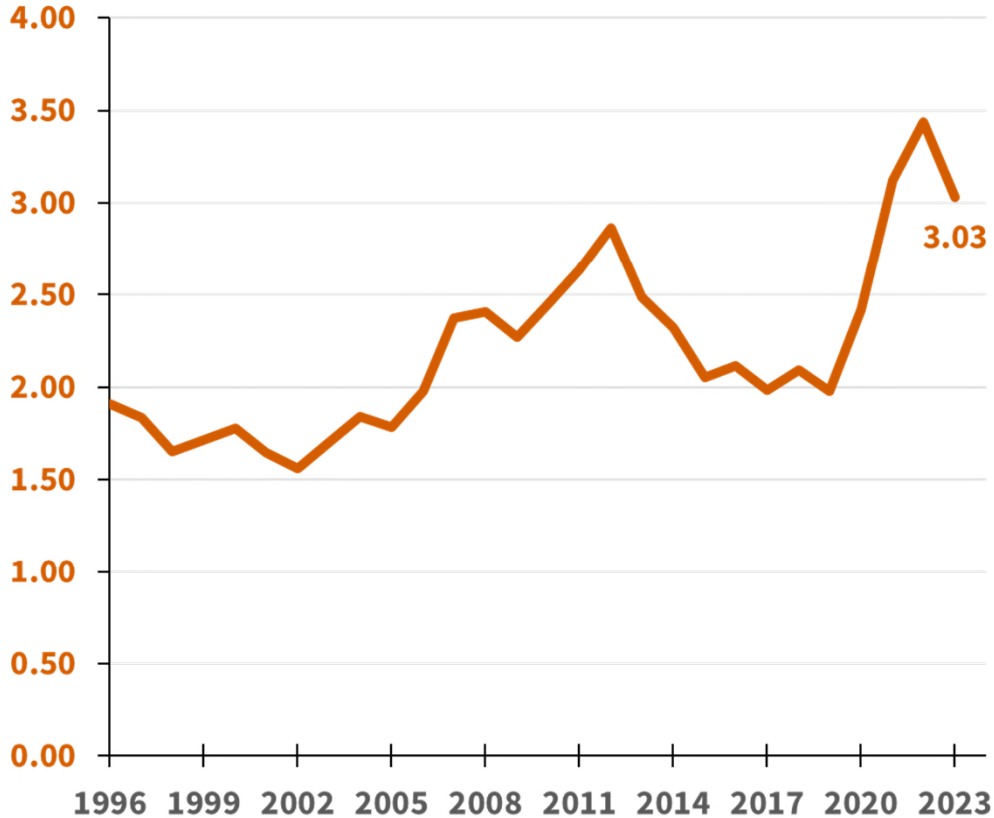


Figure 2. Financial Position of Illinois Farms Enrolled in Illinois Farm Business Farm Management



Panel A. Current Ratio



Panel B. Debt-to-Asset Ratio

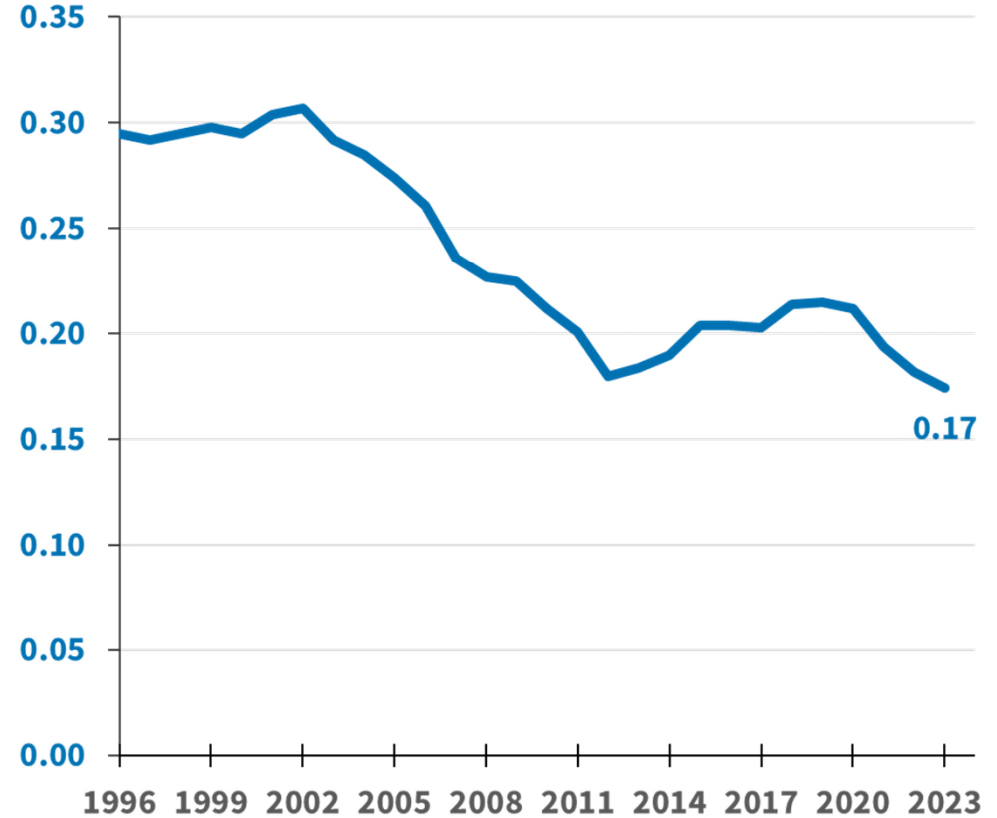
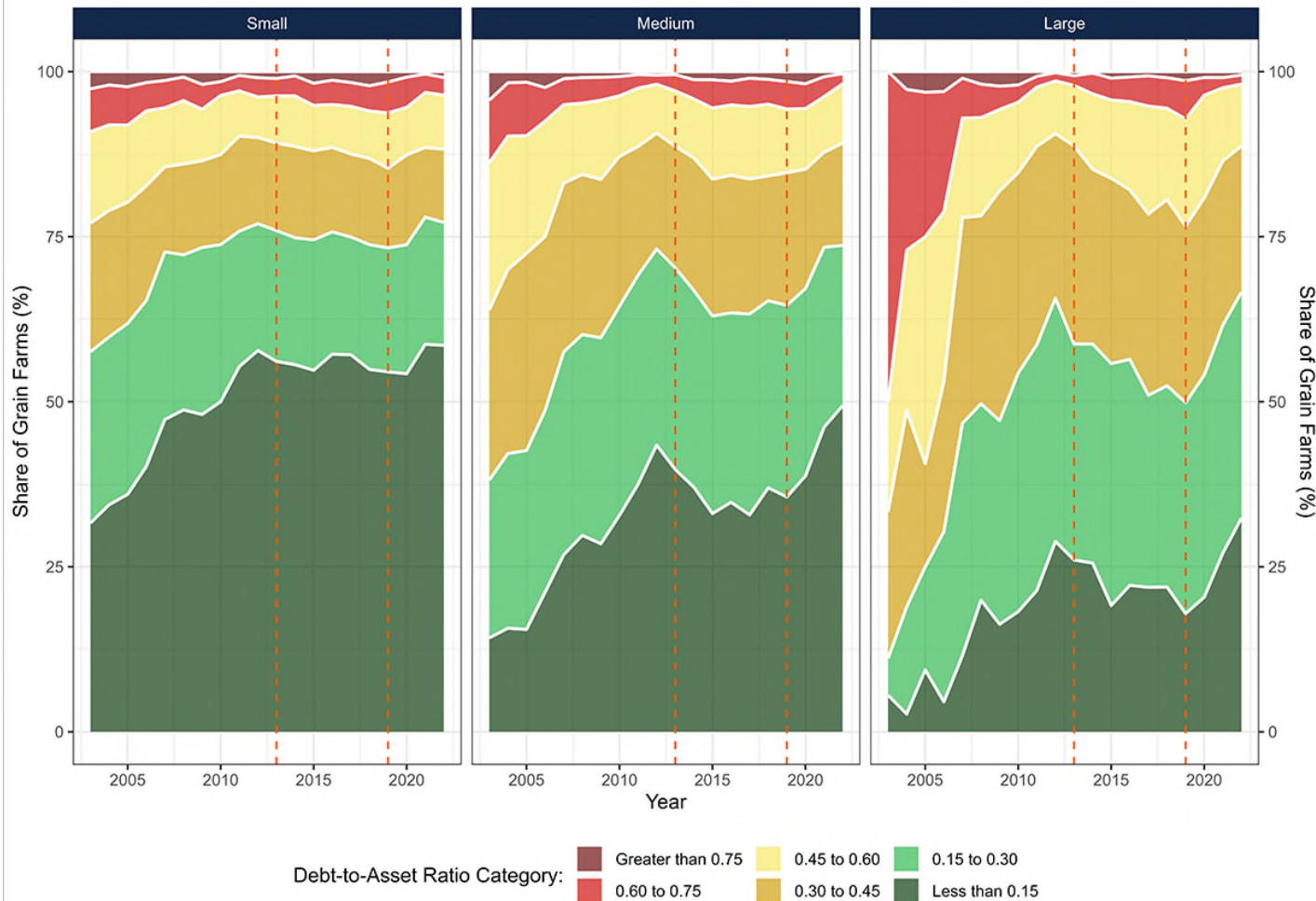


Figure 1. The Distribution of Debt-to-Asset Ratios of Illinois Grain Farms by Gross Farm Returns

Distribution of debt-to-asset ratios over time

About 80% of farms in FBFM have debt-to-asset ratios less than .45

farmdoc Daily,
April 26, 2024



Note: Grain farms with gross farm returns of less than \$350,000 are categorized as small; grain farms with gross farm returns between \$350,000 and \$999,999 are categorized as medium; grain farms with gross farm returns greater than \$999,999 are categorized as large.

Source: Illinois FBFM

Crop Advantage by Year

Corn and Soybeans in Northern Illinois

Corn Advantage



Soybean Advantage



2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021 2023 2025P

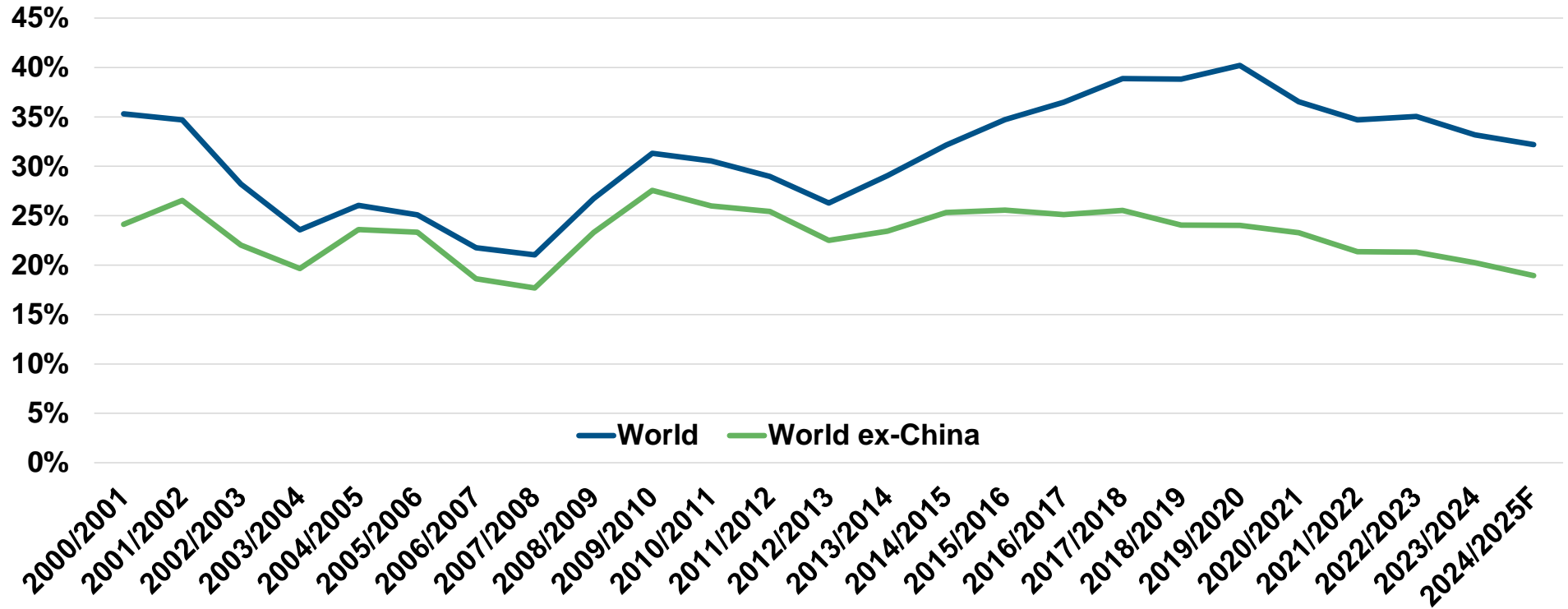
Summary

- **Midwest grain farms will have a low income year in 2014, perhaps the lowest average in the last 30 years**
- **Midwest farms came into this year in very strong financial positions**
- **Adjustments will likely need to occur, with land markets being a prime area**

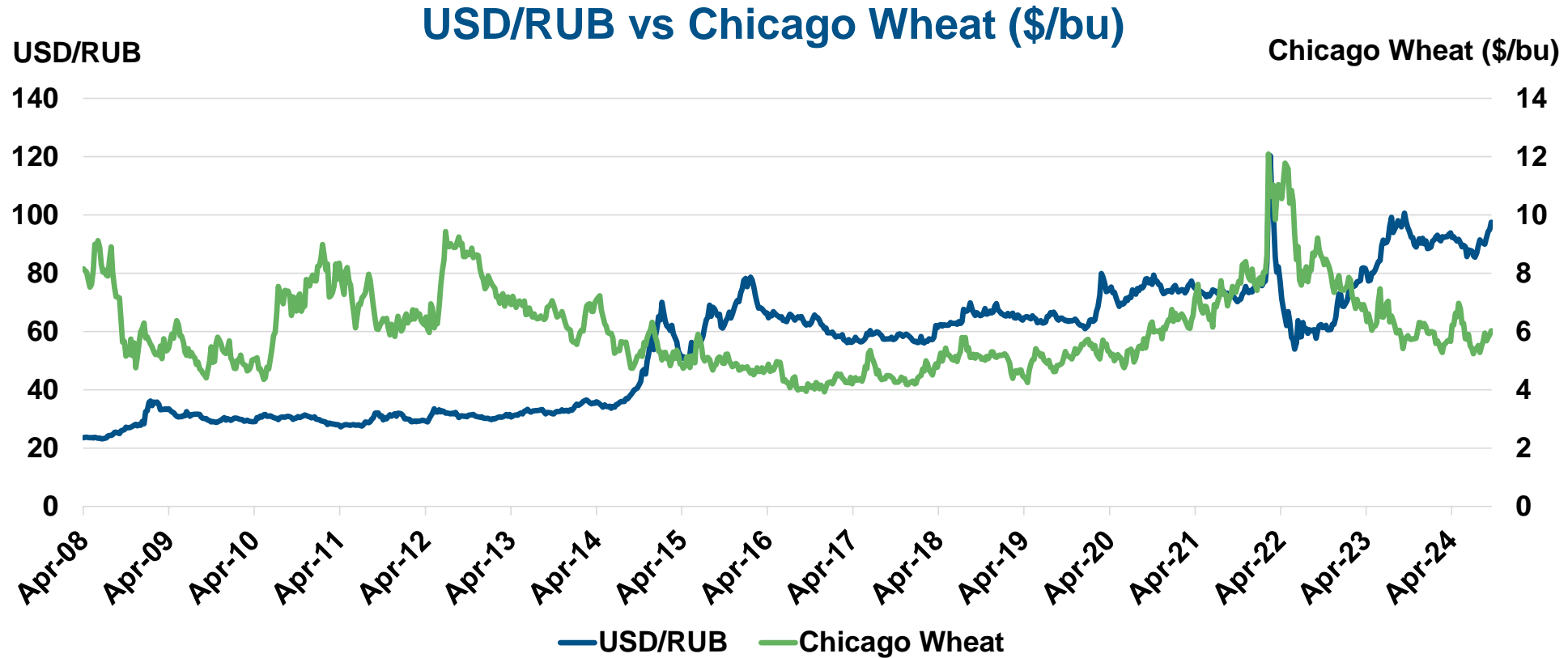
Wheat

World Wheat Stocks/Use Tightest Since 2007/08

Global Wheat Stocks/Use



Weak Russian Ruble Depressing World Wheat Prices



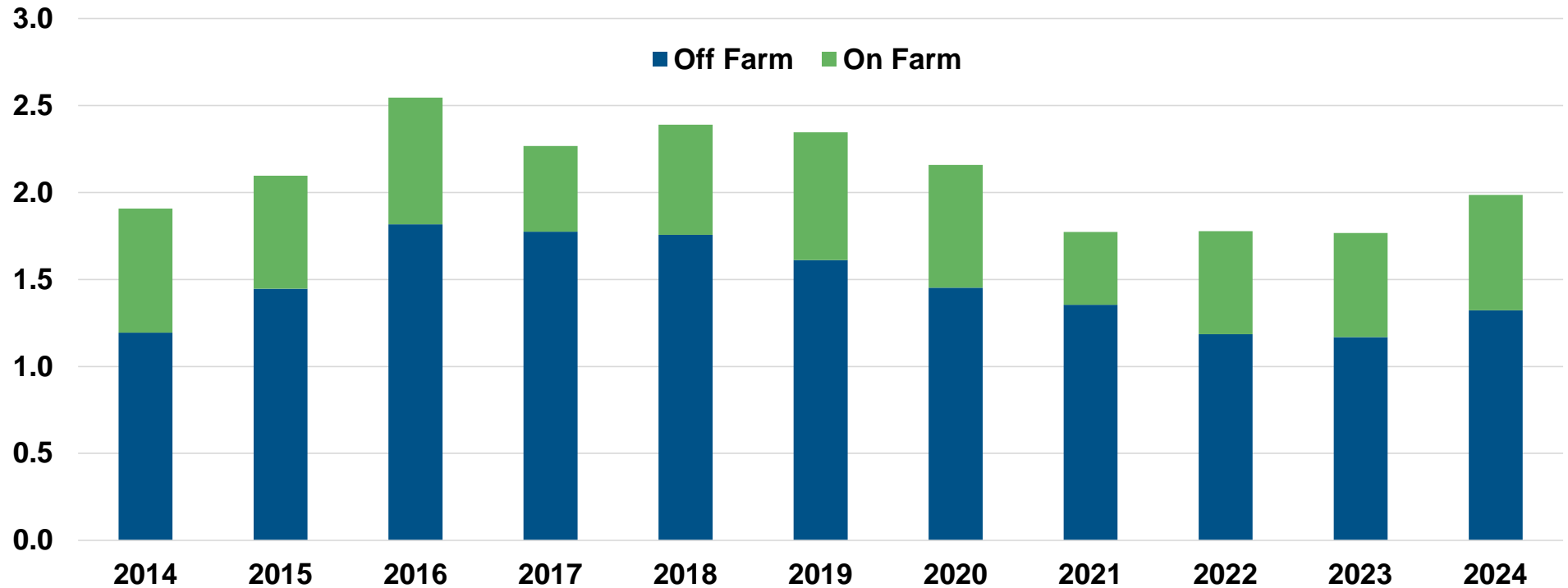
Black Sea Remains World Price Driver in Wheat

World FOB Wheat Prices

<u>Origin</u>	<u>\$/MT</u>
HRW Gulf	267
Argentina 12%	225
SRW Gulf	263
France	260
Russia 12.5%	227
Ukraine 11.5%	225

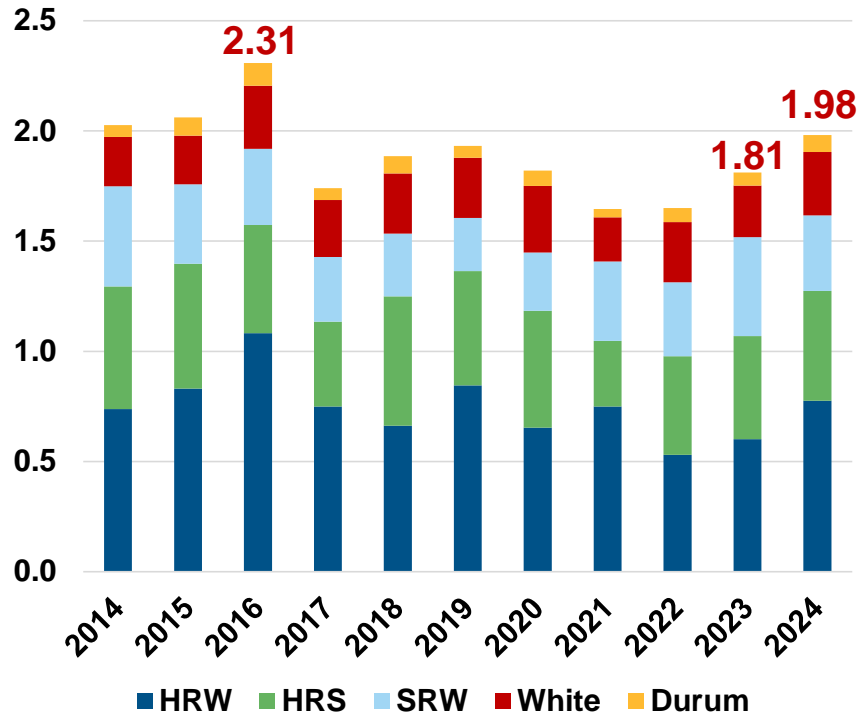
U.S. Sept. 1 Wheat Stocks Highest in Four Years

U.S. Wheat Stocks on Sept. 1 (Billion Bu.)

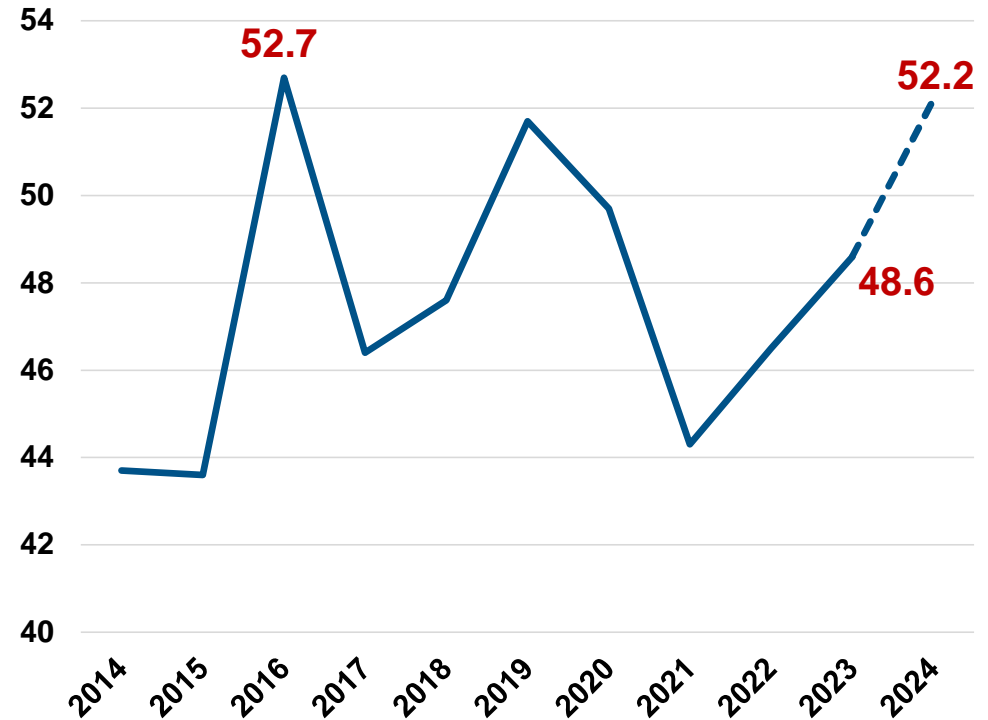


U.S. Crop Biggest in Nine Years. Yields Near Record High.

U.S. Wheat Production (Billion Bu.)

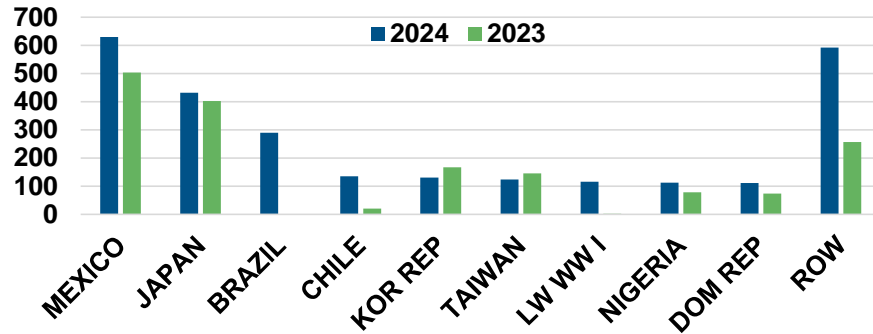


U.S. Wheat Yield (Bu/Acre)

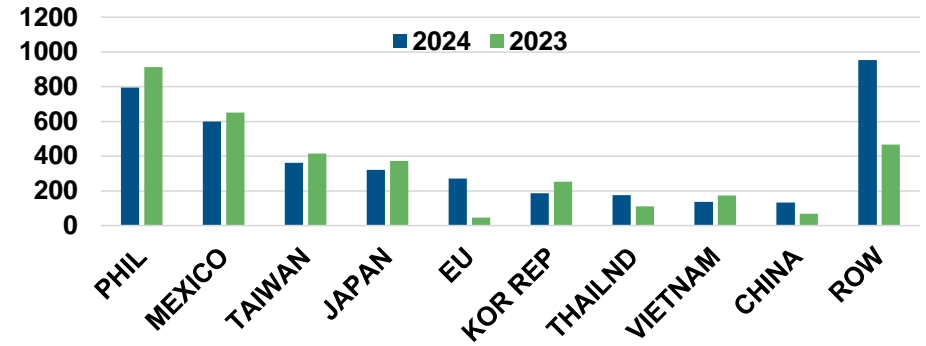


All-Wheat Export Commitments up 19% YoY

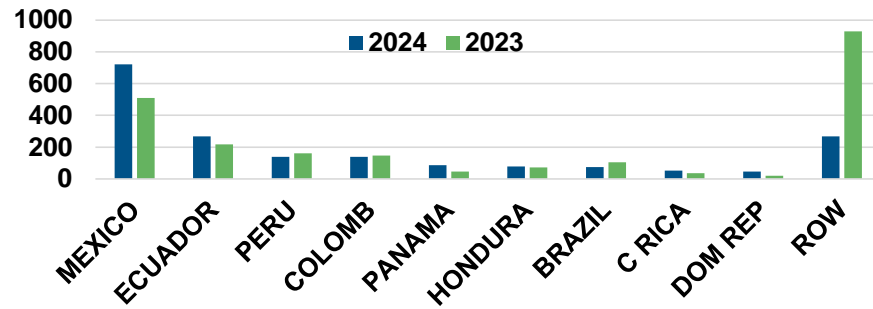
HRW ↑ 54%



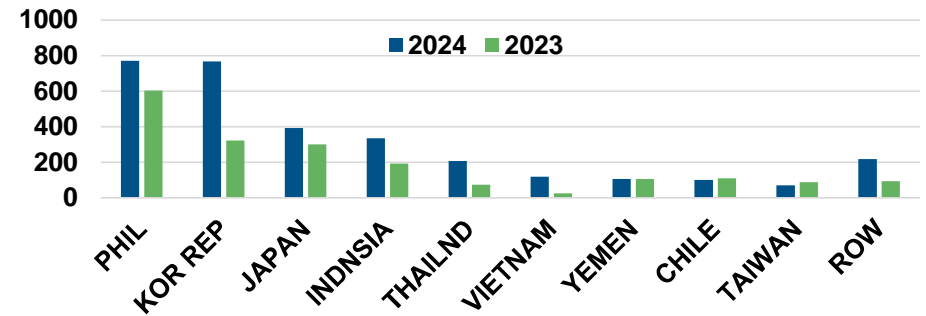
HRS ↑ 12%



SRW ↓ 17%

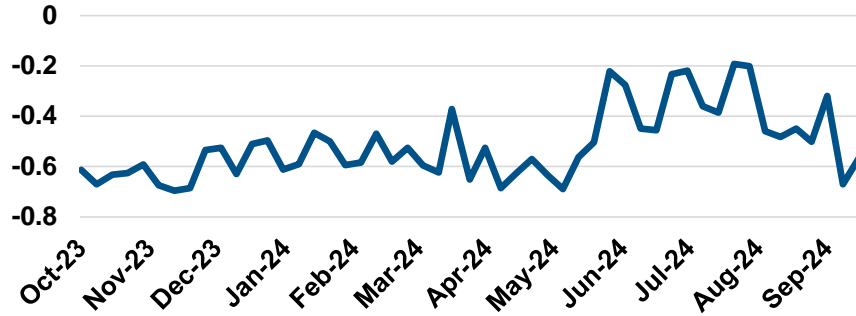


White ↑ 48%

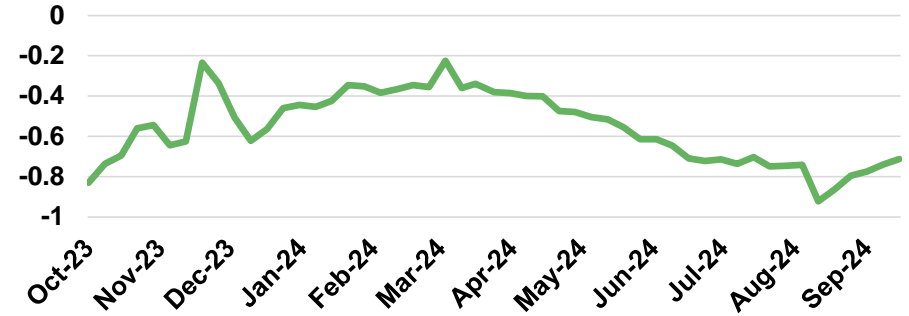


HRW Basis Experiencing Greater Volatility

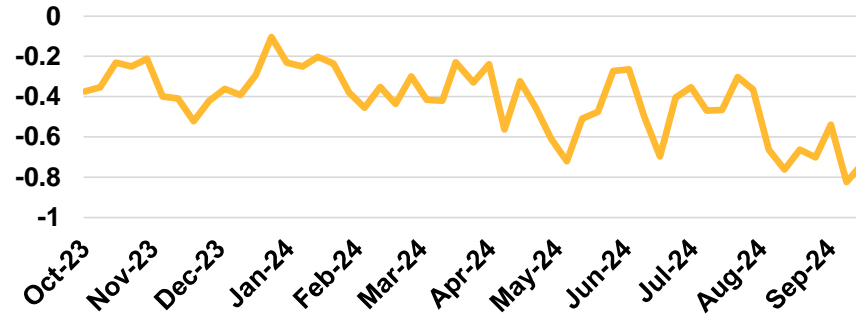
HRW Basis - Kansas



HRS Basis - North Dakota

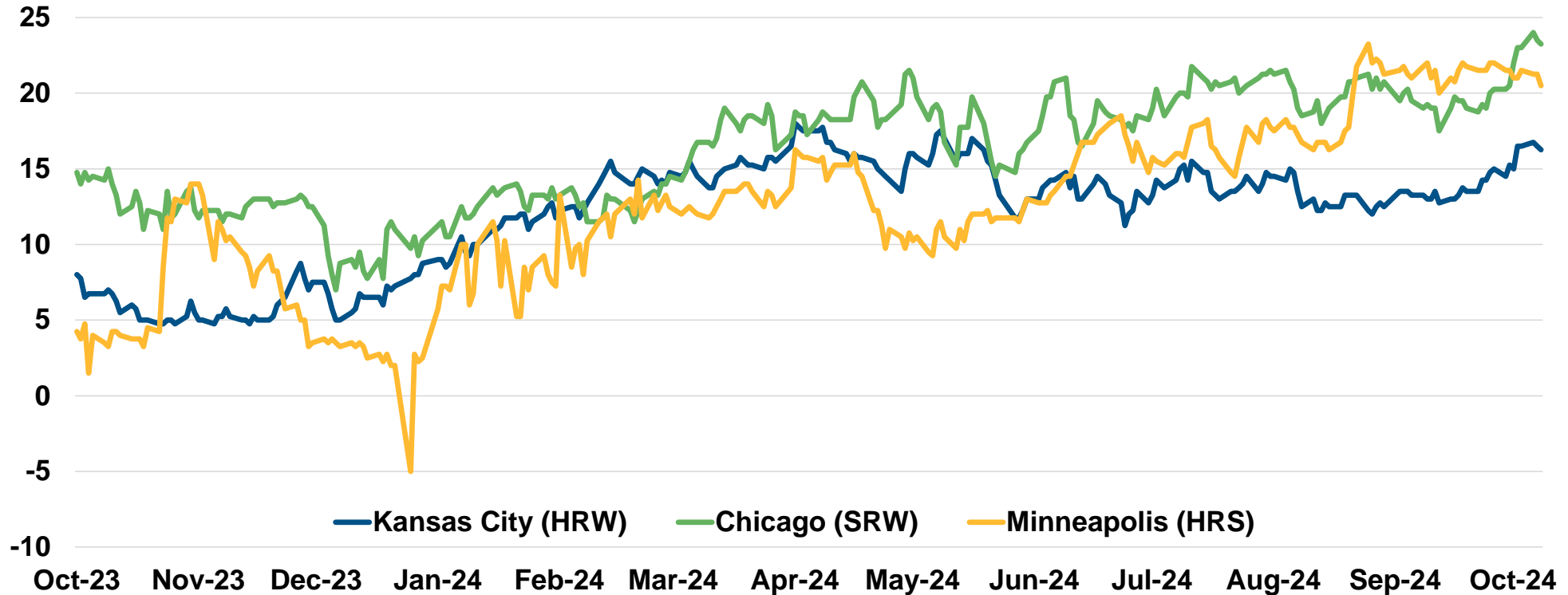


SRW Basis - Illinois



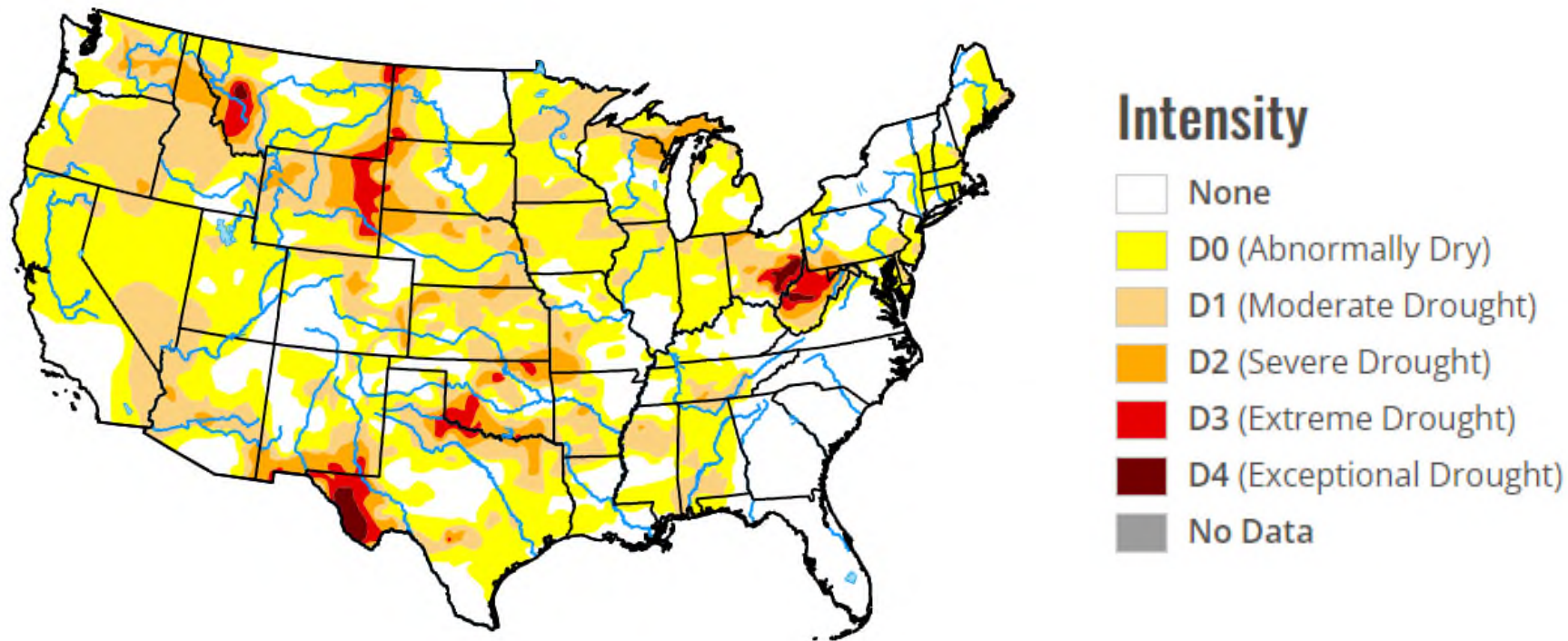
Carries Have Returned for Wheat, but HRW Lags

Wheat Carries, Dec '24 – Mar '25 (Cents/Bushel)



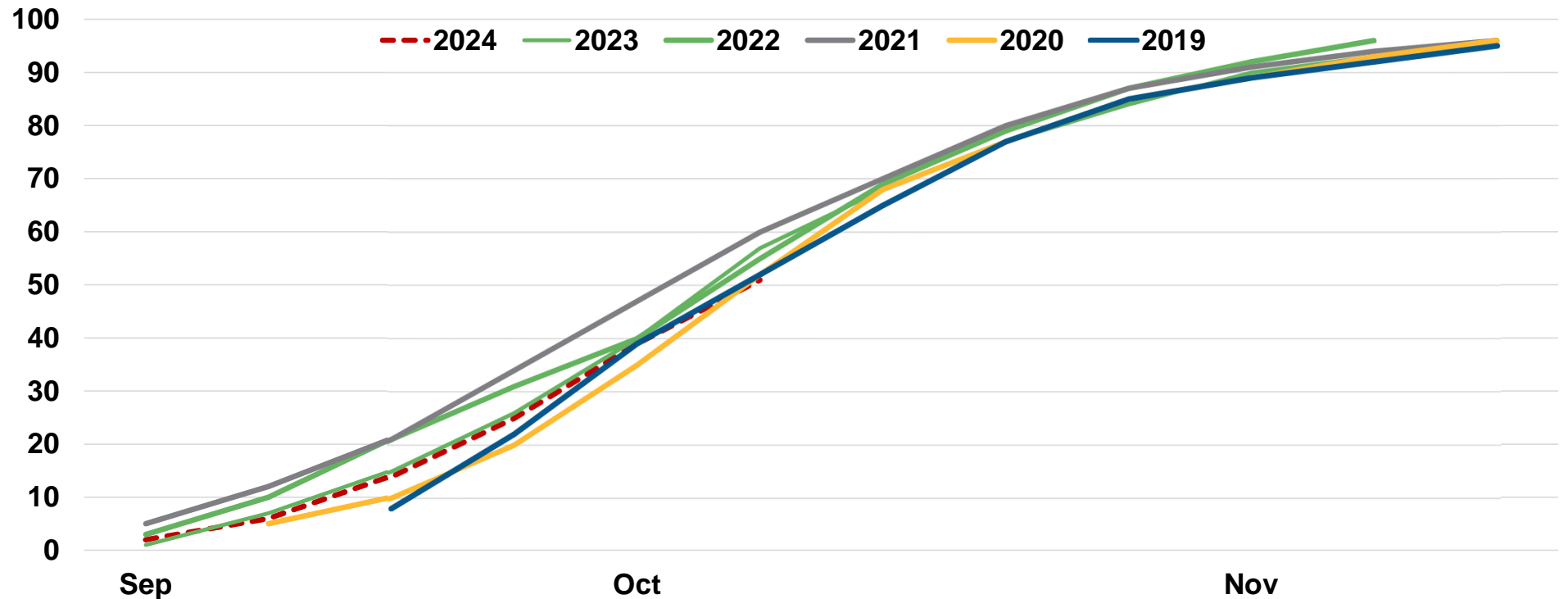
Dry Conditions Slowing Winter Wheat Planting in U.S.

U.S. Drought Monitor



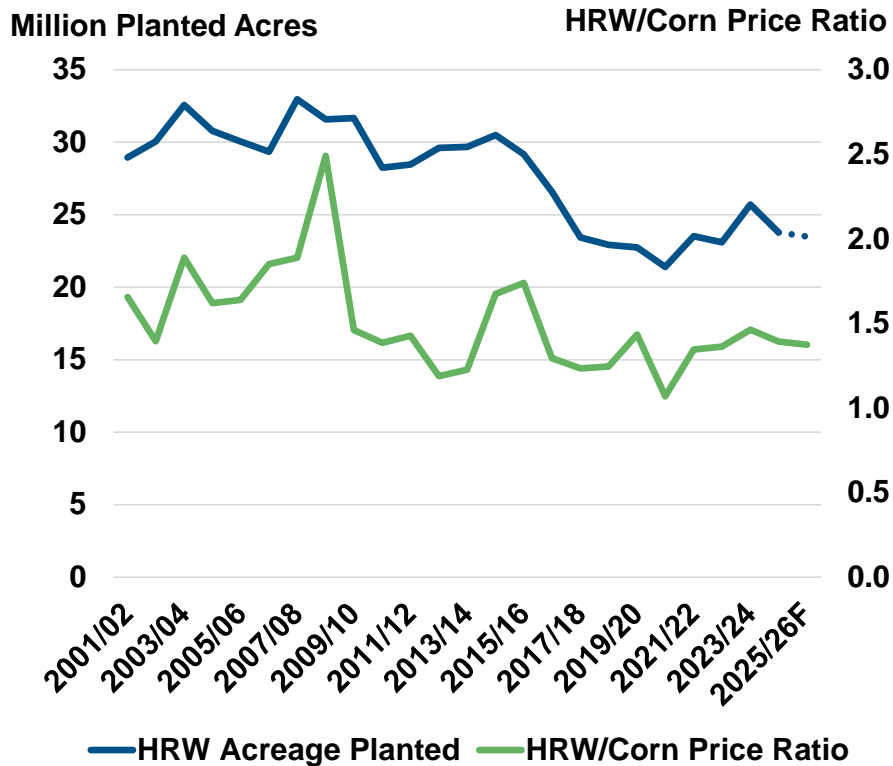
Winter Wheat Planting Progress Behind Average

Winter Wheat Planting Progress (Percent Complete)

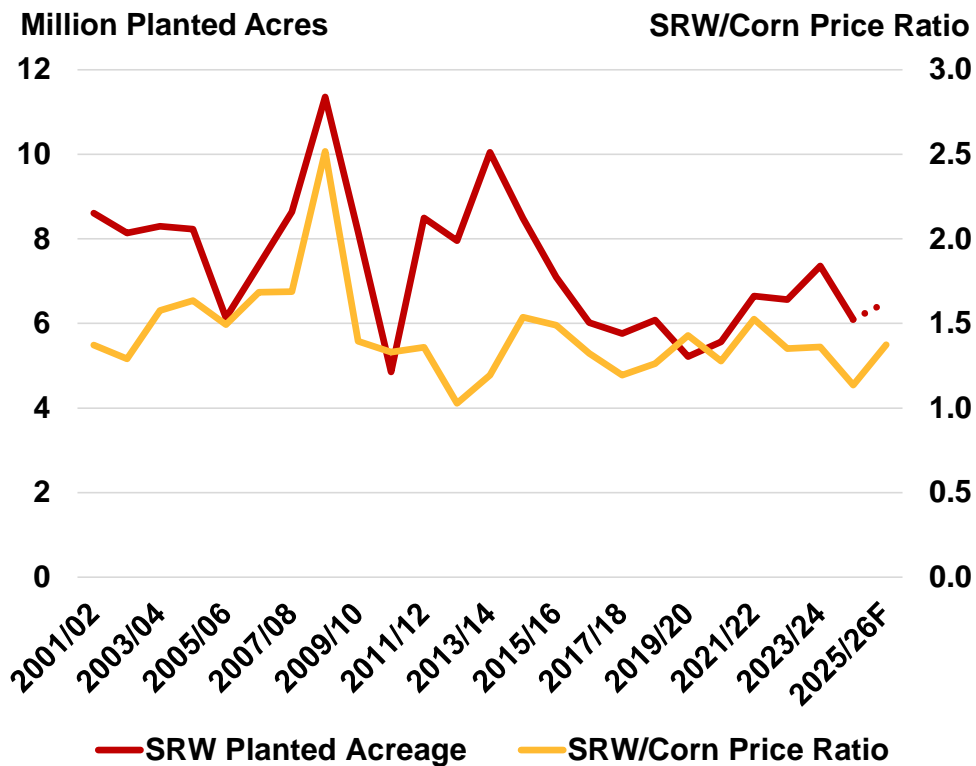


HRW Acreage Expected to Slip while SRW to Climb Slightly

HRW Acreage vs HRW/Corn Price Ratio

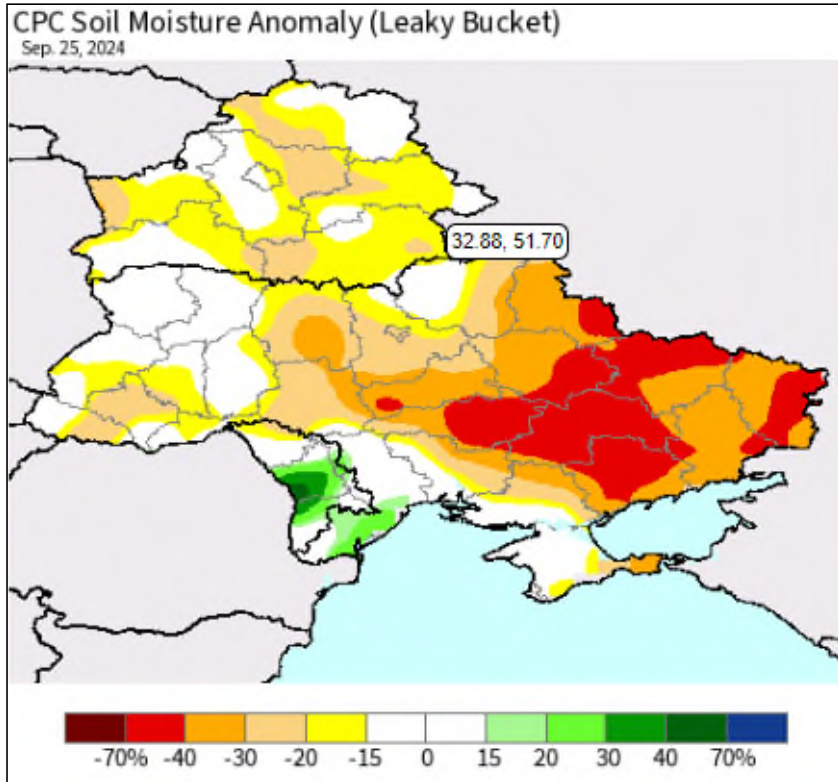


SRW Acreage vs SRW/Corn Price Ratio

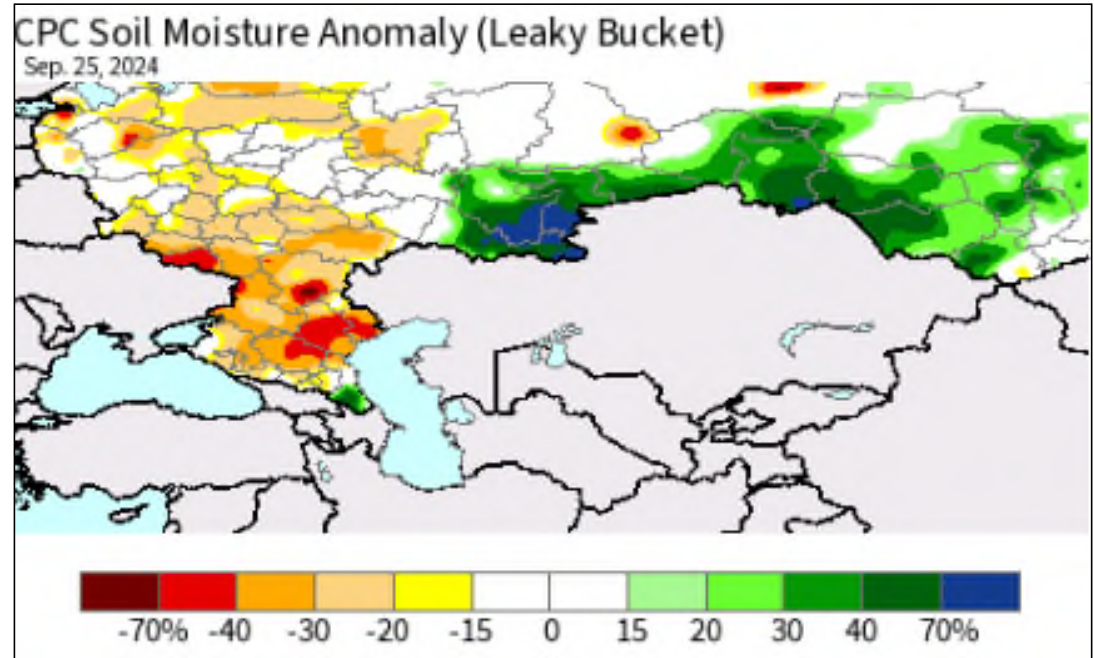


Drought Slowing Planting in Black Sea Region

Ukraine



Russia



Questions?

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