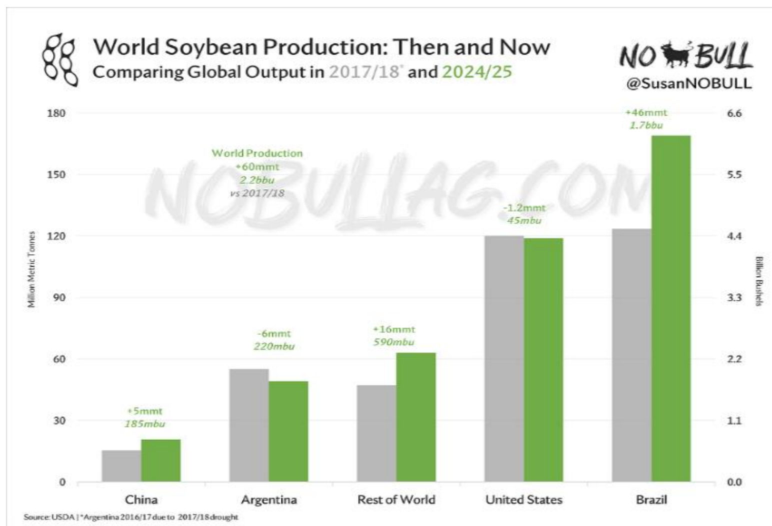
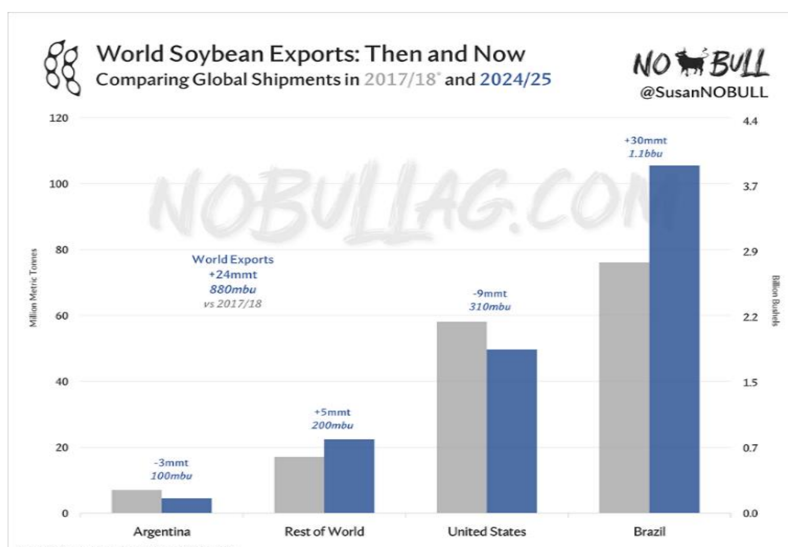
A weekly Cornbelt digest of marketing, economic, agronomic, and management information.

Commodity market price drivers—

- **7 years have passed** since the last trade war between the US and China, counts commodity analyst Susan Stroud of NoBullAg. The landscape has shifted dramatically since. To understand the potential impact of current tensions, let's rewind to the moment before the previous storm erupted. World soybean production (top) has increased 2.2 bil. bu. over the past 7 years, thanks to the U.S. which has seen a small decline in production since. Nearly 80% of global gains are a result of rapid expansion in Brazil who has added more than 30 mil. acres since 2017 (that's like ADDING the 2024 soybean acreage of IL, IA, NE, and KS). The more you produce = the more you export…and that is just what Brazil has been doing (bottom). Since Trade War 1.0, Brazil's exports have increased by more than 1 billion bushels annually - cannibalizing the U.S. program. U.S. exports have declined more than 300 mil. bu. on an annual basis since the first trade war, giving up market share to an ever-expanding Brazilian book."

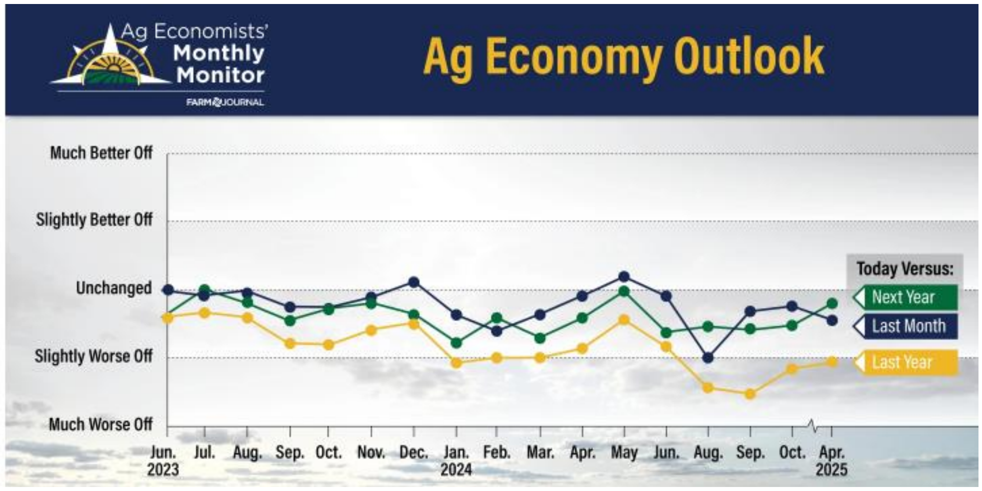


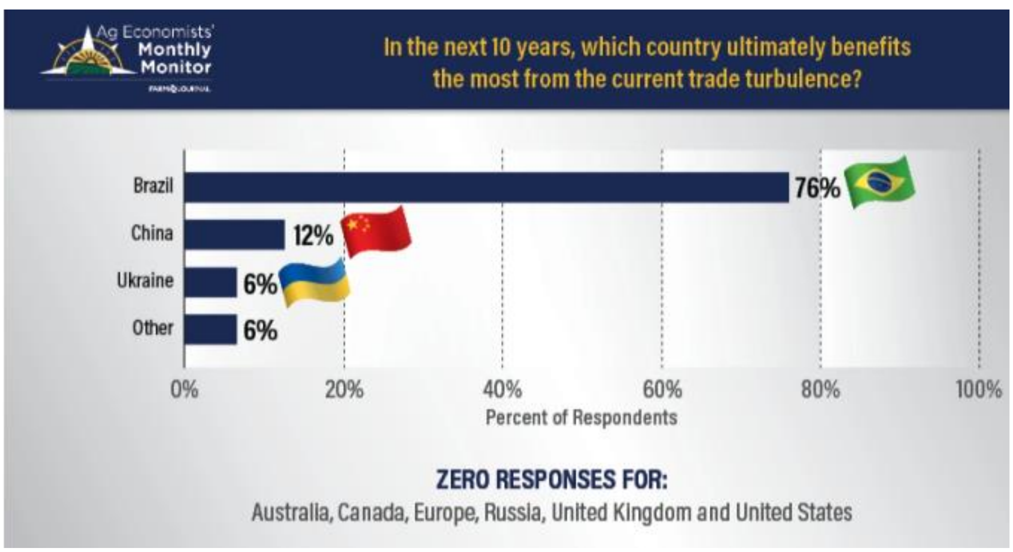


Farm Economics and Lending—

- **What are the questions and the answers** that need to be asked and answered to get the farm economy back on track? Will Trump tariffs solve all problems as he says. Could he be overlooking something that might help, or waiting in the wings to create a calamity? Univ. of IL ag economist emeritus Dr. Robert Thompson offers a couple dozen slides that everyone in agriculture should see, and consider. They will only take 5 minutes to tell a big story.
- **Family farm bankruptcies** increased by 55% last year compared to 2023 and are trending even higher this year as farmers continue to grapple with depressed agricultural commodity prices and high input costs. While much of the industry-wide distress predates his second stint in the White House, President Donald Trump has quickly nudged more farmers closer to the brink of going under and created turbulence for producers trying to make ends meet. Unpredictable tariffs, immigration overhauls, federal program cuts, and frozen Agriculture Department funding are now part of the discussions farmers are having as they seek financial help. "'What's going on in Washington?' is the subject of almost every conversation that I have," said farm bankruptcy attorney David Mills. Farm bankruptcy filings soared in 2019 during the height of Trump's trade war with China, which targeted U.S. agriculture with a sweeping retaliatory tariff regime mirroring the response China is pursuing today. Trump's administration sent farmers an estimated $23 bil. covering export losses to try to stop more farms from going under.
- **Of farmers who rely upon the Farm Service Agency** for operating loans, 1/3 of them now need the blessing of DOGE to be approved. That third are farms seeking loans in excess of $500 thousand, and DOGE will decide if those farmers qualify to get funding from the lender of last resort. Reuters reports the new USDA policy is that all direct and guaranteed loans over $500,000 will require clearance from the Office of the Secretary and DOGE to ensure lending complies resulting from an executive order from President Trump on government cost efficiency. Along with the approval for loans of $500,000 or higher, other loans to "formal entities" such as corporations will also need approval from the Secretary's office and DOGE, Reuters reported. "We recognize the potential impact that this effort may have on our customers, lending partners, and FSA staff, and are committed to ensuring minimal disruption to service delivery," Bill Beam, USDA's Farm Service Agency administrator, stated in a note that went along with the memo, according to Reuters. DTN's Chris Clayton says, "It's unclear how DOGE would determine if a farm loan application met the president's rules for cost efficiency." USDA's communications team, in response to DTN, stated it was to fulfill Executive Order 14222 from the White House, "The USDA Efficiency Team reviews many loans, guarantees, and payments. While most direct aid to individuals is exempt from the process, the team does assess payments over $500k for fraud and national security concerns. These reviews are currently prompt and without undue delay to the program recipient." Sec. Rollins last week said she "has worked to put Farmers First and reverse the Biden agenda." Rollins then touted canceling 3,000 contracts and grants to farmers totaling $5.5 bil.

- **Agricultural economists** are growing even more pessimistic as the latest [Ag Economists' Monthly Monitor]() shows the majority are concerned President Donald Trump's tough stance on trade could push agriculture deeper into a recession while also giving Brazil more of a competitive edge. As one economist stated, the stakes are high, and the key is whether Trump's policies push ag deeper into a recession, and if U.S. agriculture can survive without China. This month, 72% of those surveyed say the row crop side of agriculture is in a recession, up from 62% last month. 82% of economists also think this could force more consolidation in agriculture. In the survey, 42% of economists said the current state of the ag economy is "somewhat worse" than a month ago, while 26% said it's unchanged. But when you compare outlooks to a year ago, 58% of economists responded that the ag economy is somewhat worse. Agriculture is an export dependent business. According to the Trump administration, when it comes to tariffs and the impact on the overall economy, long-term gain will be worth the short-term pain. However, when it comes to agriculture, the economists surveyed don't agree. Economists were asked to list the 2 most important factors driving agriculture's economic health today, as well as in 12 months. Tariffs and trade war topped the list. Also were inflation, interest rates, political uncertainty, consumer demand, status of balance sheets, and the inability of farmers to manage price volatility due to uncertainty around trade. "Weather will always be one of the primary factors, but we can add President Trump's efforts to restructure global trade to that list this year. We're in worse shape if he fails and better shape if he succeeds. Big stakes," one economist said.

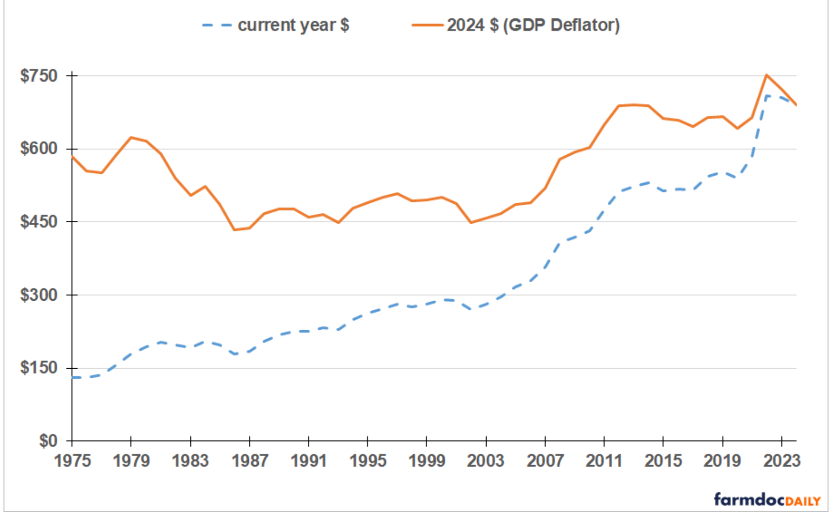




The Business of Farming—

- **Is the cost of crop production higher than usual?** Buckle your seatbelt before reading. The IL Farmdoc ag economists compared the cost of producing corn and soybeans, compared to inflation. They began with estimates of production cost from the USDA's Economic Research Service. "Except for management, all inputs needed to plant, harvest, and put the crop in condition for storage are assigned a cost. Storage and crop insurance costs are not included. Inputs include unpaid labor and farmer-owned land, which are assigned an opportunity cost. Input quantity is based on periodic surveys of farms. Input price is updated annually using USDA, NASS data. Costs are available for 1975 – 2024 crops; 2024 costs are forecasts. Since 1975, composite per planted acre cost to produce the 9 cost of production crops as a group has consistently increased in terms of current dollars (blue line, Figure 1). The increase was fastest from 2003 to 2012, which overlaps the 2007-2013 period of crop prosperity. Composite cost then stabilized around $500 before again increasing after 2021. Current dollar crop cost is historically high. Most crop inputs originate off farm and thus are impacted by general US inflation. As with current dollar cost, real cost per acre stabilized then increased after 2021. Peak composite cost was $752/acre in 2022. However, by 2024 it was back to $690/acre, almost identical with 2013. Real composite cost per planted acre has thus not increased since 2013. In other words, increases in current dollar composite cost of production for the 9 crops as a group have tracked general US inflation since 2013. Among the nine cost of production crops, soybeans and corn have the 2 highest cumulative sum of current dollar net return to the economic cost of production since 1975. Consistent with being the two most profitable crops, soybean plus corn share of acres planted to the 9 crops has increased from roughly 50% to 70% since the mid-1970s. Not considering this change in crop mix will lead to misinformed decisions regarding changes in cost of production and its relationship to crop profitability. Not taking inflation and adjustment strategies into account results in misinformed perspectives. After adjusting for inflation and changes in crop mix, real cost per acre to produce the 9 US cost of production crops as a group has not increased since 2013. After adjusting composite real cost per acre for yield growth, real cost per output unit to produce the nine US cost of production crops as a group has not increased in the 21st Century. Trying to protect farmers from general inflation by raising support is likely to imbed general inflation in the cost of production, undermining the cost competitiveness of US crops in the private market, an outcome illustrated by the 1981 Farm Bill. The result was a large increase in government spending in the 1985 Farm Bill to correct this policy misstep."

Figure 1. Composite Cost per Planted Acre, US Barley, Corn, Cotton, Oats, Peanuts, Rice, Sorghum, Soybeans, and Wheat, 1975 - 2024



Fertilizer, Fuel, and Other Inputs—

- **Looking at the current super cycle** in fertilizer price climbs, Josh Linville vice president of fertilizer at StoneX says you must go beyond just the Trump administration's tariff talk to find the root cause. "It has created a tremendous amount of commotion without a lot of impact," he says. As he explains, the global nature of the fertilizer industry is prime to be disrupted by major shifts in trade. And the tariff developments have dogpiled on other factors. Regarding potash, The U.S. sources 85 to 90% of its potash from Canada. And with the carve out for potash in the current Trump administration's tariff plan, there's been no financial impact to the market. But the trade dynamics have had an effect. "we've spent a tremendous amount of time thinking about it, talking about it, worrying about it," he says. "But it's never actually done anything to the marketplace. But the one thing it has done has been more the emotional side of it. It's allowed those fundamental factors that were kind of lying in wait, not able to kind of get their own traction, so when we start started to pour on the worry of the tariff situation, that's what finally drove these prices up." And he references how from the beginning of the year, potash prices are up 25%. Regarding UAN and urea, Linville says, "UAN is easily the most important topic right now," he says. "That is because it is no longer a price story—it's a 'can you even find it supply story.'" Linville says it's an issue that has been developing for weeks through most of April and into May. And now, most distributors and retailers can't find UAN that will ship before June. The easiest switch from UAN is to urea for sidedress, but with increased demand, urea prices have climbed. Therefore, Linville says it's possible more applicators and farmers will consider anhydrous ammonia in larger volumes for this season's application.
- **Global fertilizer prices** have been trending upward in 2025, reducing affordability and eroding farmers' purchasing power, according to a new RaboResearch report. Considering various factors at play, the fertilizer market is expected to face another challenging year, particularly in the case of nitrogen and phosphate-based products, said Bruno Fonseca, senior analyst – farm inputs with RaboResearch. "Considering various factors at play, the fertilizer market is expected to face another challenging year, particularly in the case of nitrogen and phosphate-based products, he said. Farmers will struggle with reduced purchasing power for these nutrients, which may not immediately result in demand cuts in 2025, but the negative affordability index indicates such reductions will occur eventually," Fonseca said. Supplies of some nutrients, such as phosphates, remain constrained due to changes in the global dynamics of the main players and restrictions on exports from China, Fonseca said. These restrictions also are impacting nitrogen fertilizers. "We have long cautioned that US growers will suffer the most from the newly imposed tariffs," Fonseca said. "Ultimately, the economics of supply and demand and the price of marginal tons will prove relevant. Over the last year or more, policy changes have led to scarcity, resulting in higher prices for US fertilizers compared to global markets, and this trend may continue in the future. However, corn, soybean and wheat markets are still trading within the range established in the summer of 2024, despite all the market volatility and bearish sentiment, and the increased volatility provides opportunities for all."

- **An international fertilizer trader,** Ilya Motorygin, says, "The fertilizer market - and mainly urea - was surprised on the last day of April by a rumor that China would be returning to the urea export market with approximately 3–4 mil. tonnes between the second half of May and September inclusive. Needless to say, all market participants caught their breath while trying to digest the news. Trade dynamics have shifted significantly due to the imposition of tariffs. Losing one of its major trade partners will undoubtedly result in reduced income for the national budget. In other words, China needs to identify alternative revenue streams to fill the gap caused by the imposition of tariffs. As one of the world's major fertilizer producers, resuming exports could be part of the solution. However, over the past three years, China has been more concerned with ensuring fertilizer affordability in its domestic market than focusing on exports. Unsurprisingly, the rumor of possible urea exports caused local prices to spike."

Crop Insurance and Risk Management—

- **USDA's Risk Management Agency** will be offering a new type of crop insurance in 2026. The Margin Coverage Option provides area-based coverage against an unexpected decrease in operating margin (revenue minus input costs) caused by reduced county yields, reduced commodity prices, increased prices of certain inputs, or any combination of these perils. Because MCO is area-based (average for an area), it may Revenue Protection (RP), Revenue Protection with the Harvest Price Exclusion (RP-HPE), or Actual Production History (APH). It uses the same expected and final area yields and projected and harvest prices as Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO), but covers a band from 86% (where SCO coverage triggers) up to 90 or 95% of expected crop value. Like SCO and ECO, MCO is based on your underlying policy plan of insurance. A payment may be made when the harvest margin for the county is lower than the trigger margin due to a decrease in revenue and/or an increase in input costs. It will be available in all IL counties. MCO begins to pay (triggers) when area margin falls below 90 or 95% of the expected margin depending on which MCO trigger you select. The trigger margin is calculated by subtracting the deductible of 5 or 10% of the expected area revenue from the expected area margin. The amount of area margin loss is calculated by subtracting the harvest margin from the trigger margin. A payment factor is calculated by dividing the amount of area margin loss by the band of area coverage value. The payment factor ranges from 0.50 to 1.00. The MCO protection is then multiplied by the payment factor to get the indemnity. When determining the margin, the following inputs are included, for corn diesel, natural gas, diammonium phosphate, urea, potash. And for soybeans, diesel, natural gas, diammonium phosphate, potash. Any indemnities owed will be paid when final county yields are available, in the spring of the following year. It is not available for wheat in IL. Cost calculations are provided for both corn and soybeans. The private developers of the MCO crop insurance policy, Watts and Associates, Great American Insurance Company, and NAU Country Insurance Company, say it is designed to allow producers to protect themselves from the combined risks of increased input costs, changing commodity prices, and decreased yields. The developers say 6 major commodity associations also provided input.

Conservation, Carbon, and Environment—

- **The Environmental Protection Agency** released its final [Insecticide Strategy] that identifies practical protections for federally endangered and threatened species from the use of insecticides. At the same time, it also provides flexibility for pesticide users and growers. The Strategy identifies mitigations aimed at protecting more than 900 species listed by the Fish and Wildlife Service that the EPA considers when it registers a new insecticide or reevaluates an existing one. "We have found common-sense ways to keep endangered species safe that won't place unneeded burdens on the growers who rely on these tools for their livelihood, and which are necessary to ensure a safe and plentiful food supply," said Administrator Lee Zeldin. "We are committed to ensuring the agriculture community has the tools they need to protect our country, especially the food supply, from pests and diseases." EPA will continue to work with stakeholders to update this as additional information becomes available. There were endorsements from agriculture about the EPA's process:
  - ✓ Ted McKinney, CEO of the National Assn. of State Departments of Agriculture, stated that "numerous pragmatic improvements to the draft Insecticide Strategy have created a final strategy that can be better implemented by applicators while also protecting threatened and endangered species.
  - ✓ Zippy Duvall, president of the American Farm Bureau, urged EPA to continue to refine and improve upon the plan. "Farmers are dedicated to responsibly using pesticides, and frequent updates to the pesticide strategies are important to ensure the health and safety of America's families. EPA understands there cannot be an effective conservation strategy as a nation without a meaningful partnership with farmers and ranchers."
  - ✓ Caleb Ragland, president of the American Soybean Assn., noted that incorporating common-sense improvement into the Insecticide Strategy will help make ESA implementation easier for U.S. farmers. "However, more work remains to be done, including reforming how EPA assesses risks to species to ensure the process is using the best available science. ASA thanks EPA for its progress to date and looks forward to working with the agency to advance additional improvements in the days ahead."
- **The Environmental Protection Agency** released a draft of its plan to protect endangered species while still allowing farmers the flexibility to use insecticides to protect their crops. John Walt Boatright, director of government affairs for the American Farm Bureau Federation, talks about the announcement, "So, the administration has been developing an ESA work plan, which was mandated by court order for EPA to expedite their compliance with the Endangered Species Act in terms of pesticide registration. So, they have been releasing these strategies to comply with the Endangered Species Act by classes of pesticides." Boatright says farmers and ranchers should keep an eye out for impacts to pesticides and pesticide application practices, "It could impact farmers and ranchers as chemistries are being reviewed by EPA. They will pull from this strategy, this document, to potentially apply new mitigation measures to pesticide applications based on their chemistry. The good news is that we won't see these new requirements immediately." Boatright says this is an ongoing process, "The next step in the process is for those insecticides moving forward to have the strategy applied to them at the normal length of the process. Another next step is that we also expect a new Fungicide and a rodenticide strategy to be finalized." (American Farm Bureau)

Agriculture and the Budget –

- **The White House** proposal for FY 2026 spending cuts USDA's budget from \$27.3 bil. to \$22.3 bil. an 18.3% change. The Washington Post says, **"**The Agriculture Department, which oversees various farm, ranching and forestry industries, regulates food safety and nutrition labeling and manages welfare programs such as free school lunches and food stamps, would see cuts of around 18%. The cuts target projects deemed wasteful or ineffective; those that the administration says push "woke programming" related to climate change or diversity, equity and inclusion, and several forest management and conservation programs, in favor of boosting timber production. The budget also calls for small increases in funding for the Food Safety Inspection Service and rental assistance grants. With no further details, some of the key changes include:
  - ✓ Cut more than \$4.5 bil. from USDA, with \$754 mil. cut from conservation programs that pay farmers to remove land from crop production, rural development programs for water and housing, and research grants. While funding has helped producers deploy conservation practices on their lands, many have been forced to participate in the program in order to comply with State environmental regulations such as California's Irrigated Lands Regulatory Program, which regulates agricultural runoff. These cost drivers should be connected to the resource demands they impose.
  - ✓ The Budget eliminates \$16 mil. to renovate locally owned dams in the NRCS Watershed Programs. Funding for this type of activity is the responsibility of the local dam owners.
  - ✓ Cut \$602 mil. by reducing the National Institute of Food and Agriculture funding for university research, which sets back important research on climate and renewable energy.
  - ✓ Cut \$159 mil. by closing Agricultural Research Service facilities, many of the current ARS facilities are in disrepair. The Budget reduces funding for research sites across the Nation that have exceeded their ideal lifespan and reduces funding for research projects that are not of the highest national priority.
  - ✓ Cut \$721 mil. in funding for rural development programs, including eliminating rural business programs, single family housing direct loans, self-help housing grants, telecommunications loans and rural housing vouchers. The administration says some of the programs are unpopular, too costly to deliver or available through the private sector.
  - ✓ The staff-heavy FSA struggles with hiring due in part because of labor market competition. Staff shortages have left leased premises underutilized, resulting in waste. The Budget reduces \$392 mil. in order to reflect the Agency's plans for efficiencies, which include improving online services so that farmers are receiving top-notch service to meet needs.
  - ✓ Cuts to forest management, research and conservation programs, citing oversight issues and alignment with President Donald Trump's March executive order to boost timber production. →

- ✓ Eliminate $425 mil. from the Commodity Supplemental Food Program, which funds food for low-income seniors. It would be replaced with "MAHA food boxes," referring to Health and Human Services Secretary Robert F. Kennedy Jr.'s slogan to "make America healthy again." MAHA food boxes would be filled with commodities sourced from domestic farmers and given directly to American households, parallel to Covid food distribution.
- ✓ Eliminate the McGovern-Dole Food for Education Program, which buys U.S. agricultural products and donates them as foreign aid. The administration says it is "neither necessary nor efficient as support for U.S. farmers."
- ✓ "Cutting funding for the Economic Research Service and National Agricultural Statistics Service when they are already short-staffed and unable to complete requested data collection and reporting," says Rep. Angie Craig, D-MN, minority leader for the House Ag Committee. Who also was concerned about, "Zeroing out Food for Peace, the US flagship food aid program. Eliminating Food for Peace will lead to an increase in global hunger. The program purchases U.S.-grown products, meaning this cut will result in lost farm income."

- **Other notes about White House budget cuts**:
  - ✓ **In the Commerce Department:** Terminate $1.3 bil. in National Oceanic and Atmospheric Administration research and grant programs that are "climate-dominated," including educational programs and funding for environmental nonprofits like the Ocean Conservancy. It also slashes $209 mil. for some satellites and cancels contracts "for instruments designed primarily for unnecessary climate measurements rather than weather observations.
  - ✓ **In the Energy Department:** Terminate all spending under the Infrastructure Investment and Jobs Act, a signature Biden-era initiative to speed the energy transition. The $15.2 bil. cut would eliminate grants for carbon capture technology and cut Energy Efficiency and Renewable Energy programs by $2.57 bil., taking aim at what the administration calls "Green New Scam interests and climate change related activity." Cut $1.15 bil. from the Office of Sciences which takes aim at research into climate change and clean energy, which the administration dismisses as part of a "Green New Scam."
- **The reduction of weather forecasting services** in the new White House budget drew the attention of Dr. Steve Nesbitt, Head of the Univ. of IL Department of Climate, Meteorology and Atmospheric Sciences. He says, "In the memo attached to the President's FY26 budget request, OMB Director Russell Vought writes that the new budget cuts "spending contrary to the needs of ordinary working Americans and tilted toward funding niche non-governmental organizations and institutions of higher education committed to radical gender and climate ideologies antithetical to the American way of life." Nesbitt says, "This proposed budget poses a serious threat to our ability to monitor and predict how our planet is changing under growing environmental stress. It will dismantle core scientific programs, weaken the nation's scientific workforce, and undermine the colleges and universities that educate future generations. The long-term damage to U.S. public and private sector science will be profound and felt for decades to come."

Ag Research—

- **Hand-clapping and high-fives** are in order for the Soybean Innovation Lab at the Univ. of IL. 8 weeks ago, Elon Musk and his DOGE eliminated it, ending a 16-year program designed to help the hungry feed themselves with soy protein, and build a major new soybean market in Africa. Director Peter Goldsmith was able to help the program make a soft landing a month later with available funding. But the information about the program being decimated by DOGE was noticed by an international advocate, who has donated over $1 mil. to keep some of the Soybean Innovation Lab going for another 12 months. Goldsmith says that will give him time to spread the information about the benefits of the program to other potential financial supporters, as he explains in this video. Goldsmith provided a full review of the program when he announced the loss of funding in February in this video. SIL teaches soybean production, use, and consumption in African nations with the ultimate goal being exporting US soybeans to a new and growing hungry market. The program has also been researching controls for many soybean diseases, which will become important when those diseases reach the US soybean fields.

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