Agricultural Challenges, Trends, and Opportunities
Trends

• Iowa Farm Demographics
• Record yields
• Rising interest rates
Number of Farms with Sales under $1,000
2012

Number displayed is 2012 data

Source: USDA, Census of Agriculture
Ratio of Farmers over 70 to under 45.

1997

Ratio of Farmers over 70 to under 45.

2012

Source: USDA, Census of Agriculture

Number displayed is 1997 data.

Number displayed is 2012 data.
Iowa Corn & Soybean Yield
1950 - 2017

Bushels Per Acre

Corn Yield
Soybean Yield
Challenges

• Markets
• Trade Disputes and Tariffs
• Production and Environmental Issues
• Biofuels Policy
Since 2013, **Net Farm Income** has declined by **52%**

$64,000,000,000

Passed 2014 Farm Bill

2018F: $59.5 Billion

**Lower Commodity Prices**

The decline in farm revenues and modest declines in cash expenses pressured farm income lower. **Expected to stabilize at lower levels.**

**Source:** USDA ERS
Iowa Corn Revenues vs. Costs

- **Revenues**
- **Costs**
Tariff & Trade Wars

• Talks with/at China

• What the US has done?
  • Tariffs on steel and aluminum
  • July 6 – 25% Tariffs on $34 billion of 818 Chinese goods
  • July 6 (2\textsuperscript{nd} wave) 25% tariff on 284 goods worth another $16 billion
    • Targeting China’s “made in China 2025
  • July 10 -- Proposed tariffs on $200+ billion of Chinese goods that may be subject to 10% tariff with “threats” of tariffs on all $500 billion plus of Chinese imports

• NAFTA talks – Mexico & Canada

• Talks with Japan

• Talks with the EU

• What has China done?
  • 179% “deposit” on US grain sorghum
  • 15% increase in tariff on 120 products and 25% tariff increase on 8 products (pork and aluminum), accounting for $110 billion in imports
  • July 6 -- 25% increase in tariff on $34 billion of US goods
    • Includes US pork, soybeans, corn, ethanol, DDGs
    • Additional $16 billion in tariffs announced if US 2\textsuperscript{nd} wave goes into effect.
U.S. Soybean Exports 2001-2017

Top Destinations and Rank (2001-2017)

- China (1-1)
- Mexico (2-2)
- Netherlands (4-3)
- Indonesia (7-4)
- Japan (3-5)
- Taiwan (5-6)
- Thailand (9-7)
- Pakistan (NR-8)
- Bangladesh (NR-9)
- Egypt (NR-10)
- Spain (6-NR)
- South Korea (8-NR)
- Canada (10-NR)
Seasonality of Soybean imports by China

China grows between about 600 million bushels of soybeans
China uses 4 billion bushels of soybeans
US Supplies about 1.1 billion bu (equal to IA & IL production)
Brazil & Argentina supply about 2.1 – 2.2 billion bu.
China soybean use/AU is higher than US and other major users
China can restructure and buy NO US soybeans.
U.S. Corn Exports 2001-2017

- **Top Destinations and Rank (2001-2017)**
  - Mexico (2-1)
  - Japan (2-1)
  - Colombia (7-3)
  - South Korea (5-4)
  - Peru (NR-5)
  - Taiwan (3-6)
  - Saudi Arabia (NR-7)
  - Guatemala (NR-8)
  - Canada (6-9)
  - Costa Rica (NR-10)
  - Egypt (4-NR)
  - Algeria (8-NR)
  - Dominican Republic (9-NR)
  - Venezuela (10-NR)
U.S. Pork Exports 2001-2017

Top Destinations and Rank (2001-2017)

- Japan (1-1)
- Mexico (2-2)
- Canada (3-3)
- China (6-4)
- South Korea (7-5)
- Hong Kong (5-6)
- Australia (NR-7)
- Colombia (NR-8)
- Philippines (NR-9)
- Chile (NR-10)
- Russia (4-NR)
- UK (9-NR)
- Honduras (10-NR)
U.S. Beef Exports 2001-2017

Top Destinations and Rank (2001-2017)

- Japan (1-1)
- South Korea (2-3)
- Mexico (2-3)
- Hong Kong (5-4)
- Canada (4-5)
- Taiwan (6-6)
- Netherlands (NR-7)
- Egypt (8-8)
- Chile (NR-9)
- Italy (NR-10)

- Russia (7-NR)
- The Bahamas (10-NR)
• Minor changes
  • New floating “Effective Reference price” 85% of Olympic Avg Price; 115% cap
    • 2019 Soybeans -- $9.23 vs old price of $8.40
  • Change Yield Cascade: Use RMA data 1st, NASS data 2nd
  • ARC calculated separately for irrigated and non-irrigated in a county
  • Cannot take ARC and Area Crop insurance

• Conservation
  • CRP acreage cap raised to 29 million acres
  • CRP General Sign-up rate limited to 80% of county average rental rate
  • CRP re-enrollments subject to rate caps of 65%, 55%, 45% & 35%
  • Merge EQIP & CSP with increase in funding to more than $3 billion by 2023
  • Removes the 60% carve out in EQIP for livestock
• International Market Development Program is merger of MAP, FMD, Technical Assistance for Specialty Crops, and Emerging Markets Programs

• Crop Insurance – More cuts to administration, no cuts to subsidies
  • Increases CAT fee to $500/crop/year
  • Changes definition of beginning farmer from 5 yrs to 10 yrs for Whole Farm Revenue policies

• Animal Health Funding -- $566 million
  • Creates new National Animal Disease Preparedness and Response Program
  • Creates a new US-only vaccine bank for stockpiling FMD vaccine
  • Enhances the National Animal Health Laboratory Network
Key 2018 Farm Bill Senate Proposal

• Some modifications of ARC/PLC program
• Tighter payment limits; more restrictive actively engaged rules
• Crop insurance on hemp
• Increase CRP
• Dairy program
• Broadband development
• Rural jobs and infrastructure
• Animal Disease programs
FARM BILL PROJECTED OUTLAYS
2018-2028

$867 Billion

Source: Congressional Budget Office April 2018 Baseline
Biofuels policy

• Small plant RFS waivers
• E15 approval
• RIN policy
  • Price cap
  • RINs on exports
Ethanol Production

Source: EIA
**Small Refiner Waiver Comments**

- A bipartisan group of 13 senators is telling EPA Administrator Scott Pruitt to stop giving refiners waivers from the Renewable Fuel Standard. In a letter to Pruitt, the eight Democrats and five Republicans also are demanding a full list of the refiners that have received RFS waivers in 2016, 2017 or 2018.

- The RFS waivers are “hurting biofuel producers and farmers across the United States at a time when farm income is at the lowest levels since 2006 and retaliatory trade measures from China threaten to deepen the crisis,” the letter says.

- Grassley, who organized the letter with Sen. Amy Klobuchar, D-Minn., calls Pruitt “a loose cannon” who is failing to carry out the president’s wishes. 4/18/18

**E15 Year-around approval**

- Although President Donald Trump made clear on Thursday his support for granting a waiver to allow year-round sales of E15, the EPA told DTN on Friday the agency hasn’t yet made a decision on E15. E15 fuel is a blend of 15% ethanol and 85% of gasoline.

- At a White House meeting Thursday focusing on agriculture and trade, Trump said his administration will approve E15. Talking briefly to reporters, the president said regarding ethanol, “We’re going to raise it up to 15% and raise it to a 12-month period.”

- Trump’s brief comment came after news reports last week surfaced that EPA granted small-refinery hardship waivers at a breakneck pace in 2017.

- On Friday, an EPA spokesperson said the agency hasn’t reached a decision on E15.

- “EPA has been assessing the legal validity of granting an E15 waiver since last summer,” the spokesperson said. “The agency has been awaiting a clear outcome from the ongoing RFS (Renewable Fuel Standard) discussions with the White House, USDA and Congress before making any final decisions or developing any associated regulatory actions.”
Weather, Technology & Plantings

Indiana and Illinois do not show any significant reduction in the days needed to plant their corn crop.

Iowa is reducing the time needed to plant, although no significant progress in reducing days needed to plant have been made in Iowa since the mid 1990s.

On average, it takes 14-15 days to plant corn in the “I” states.
Opportunities

• New crops?
  • Hemp
  • Greenhouses/organics

• Biofuels
  • E-15
  • Biodiesel

• Trade diversification
Income growth will drive increased global demand

Households w/ Real PPP incomes greater than $20,000 (millions)

- China: 151
- India: 150
- Indonesia: 28
- Russia: 7
- Mexico: 6
- Brazil: 6
- Egypt: 7
- Turkey: 5
- South Korea: 2
- Thailand: 6
- Philippines: 7
- Taiwan: 1
- Malaysia: 2
- Vietnam: 4
- Colombia: 1

Data: Global Insight’s Global Consumer Markets data.
Thank You
&
May all our corn look this good on July 4th every year