

2025 Market Outlook

North Dakota Bankers Association

**2025: Keep your pencils
sharp**



**What's the most pressing
question heading into 2025?**

Some possibilities...

- Russia/Ukraine conflict
- Interest rates
- Higher input costs, lower commodity prices
- What's going to happen with the Farm Bill?
- Where are markets headed in 2025?
- Lack of liquid capital (farmer's liquidity)
- South American Competition
- Weather

A little bit about me...



Agenda for today

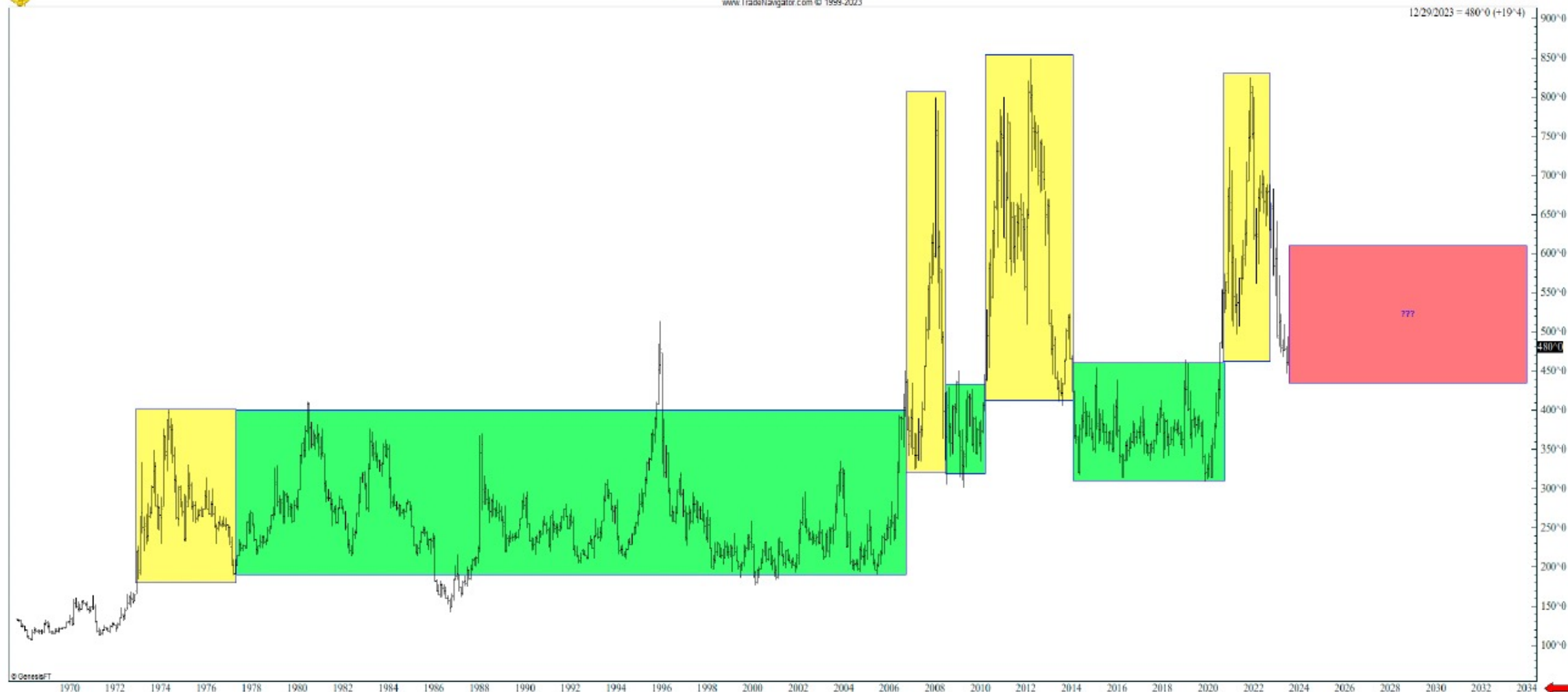
1. 2025 Price Outlook
2. Few factors to watch that may indicate a changing tide
3. Practical resources/ideas for helping producers

2025 Price Outlook



Source: Stifel Report June 2020. Note: Shown as 10yr rolling compound growth rate with polynomial trend at tops and bottoms. Blue dotted line illustrates a forecast estimation. Source: Warren & Pearson Commodity Index (1795-1912), WPI Commodities (1913-1925), equal-weighted (1/3rd ea.) PPI Energy, PPI Farm Products and PPI Metals (Ferrous and Non-Ferrous) ex-precious metals (1926-1956), Refinitiv Equal Weight (CCI) Index (1956-1994), and Refinitiv Core Commodity CRB Index (1994 to present).

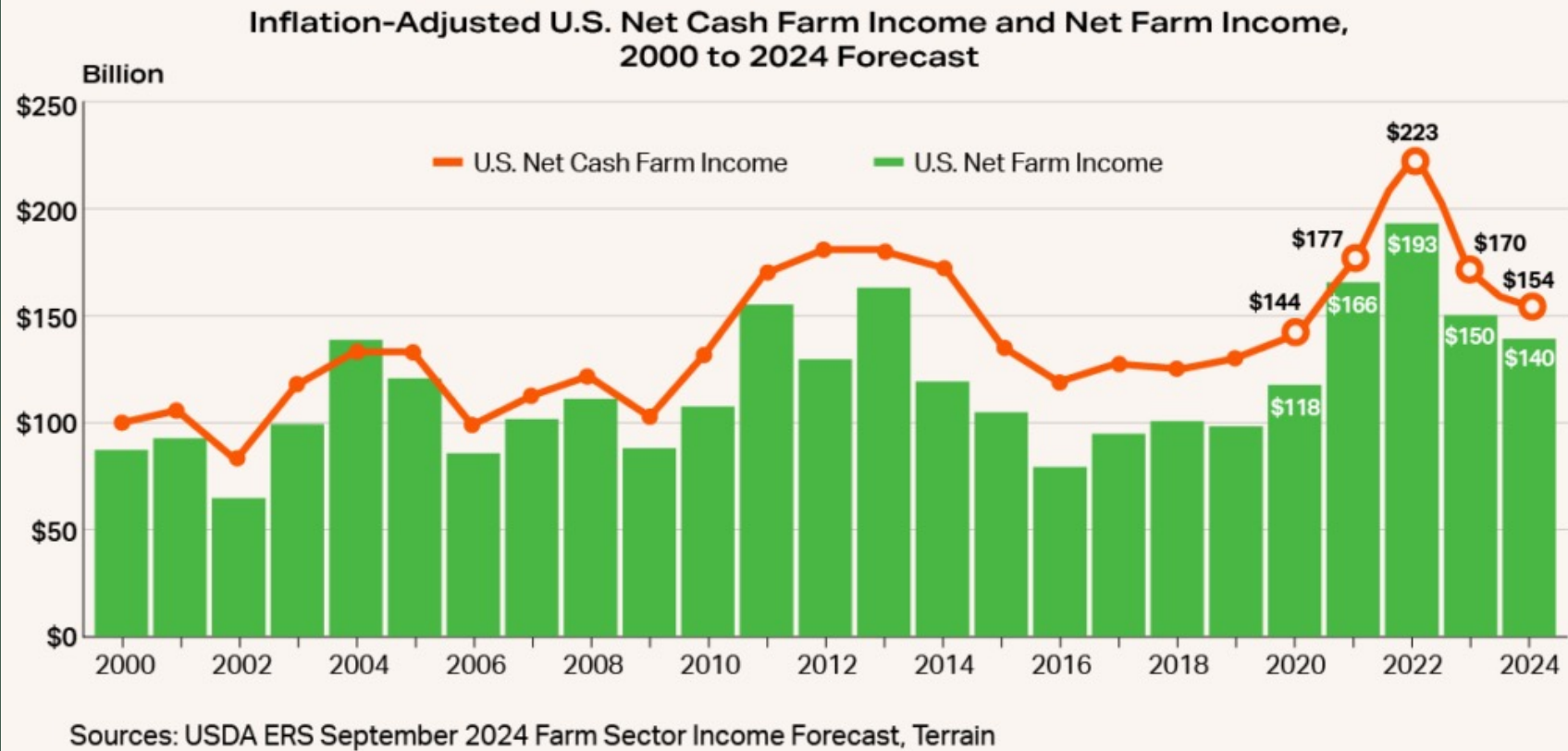
www.TradeNavigator.com © 1999-2007



Quick Stats

- ❖ U.S. Net Cash Farm Income has experienced the steepest two-year decline in history
- ❖ U.S. Net Farm Income, is down 7% in 2024 compared to 2023

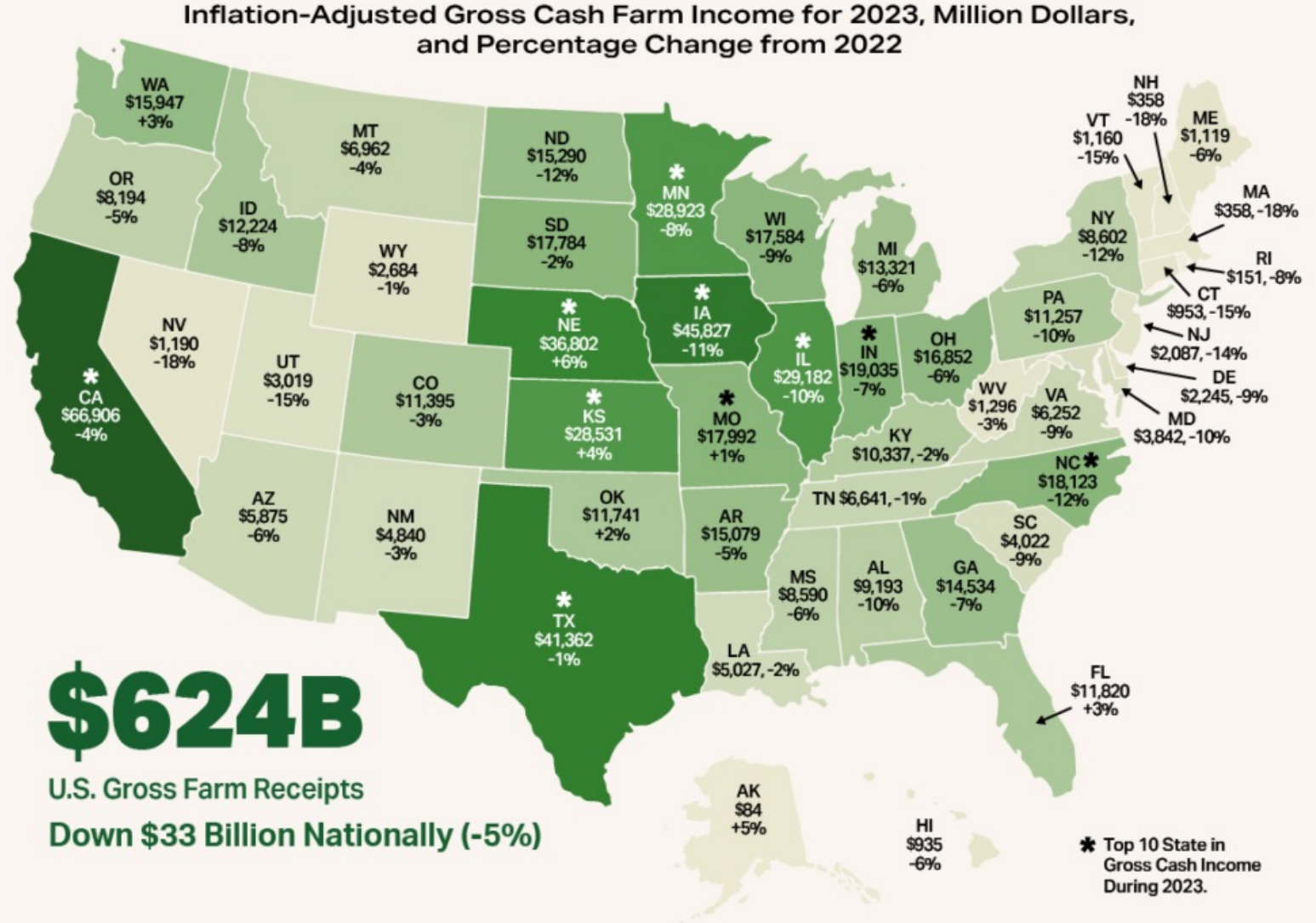
Chart 1: U.S. Farm Income Projections



Quick Stats

- ❖ USDA is estimating a decline in net cash farm income of \$69B for 2023 and 2024 – if realized, this would be the **largest decline on record**
- ❖ Net cash farm income for row crops is projected to fall in 2024 to the lowest levels in more than a decade

Map 1: Gross Farm Income Fell Sharply in 2023

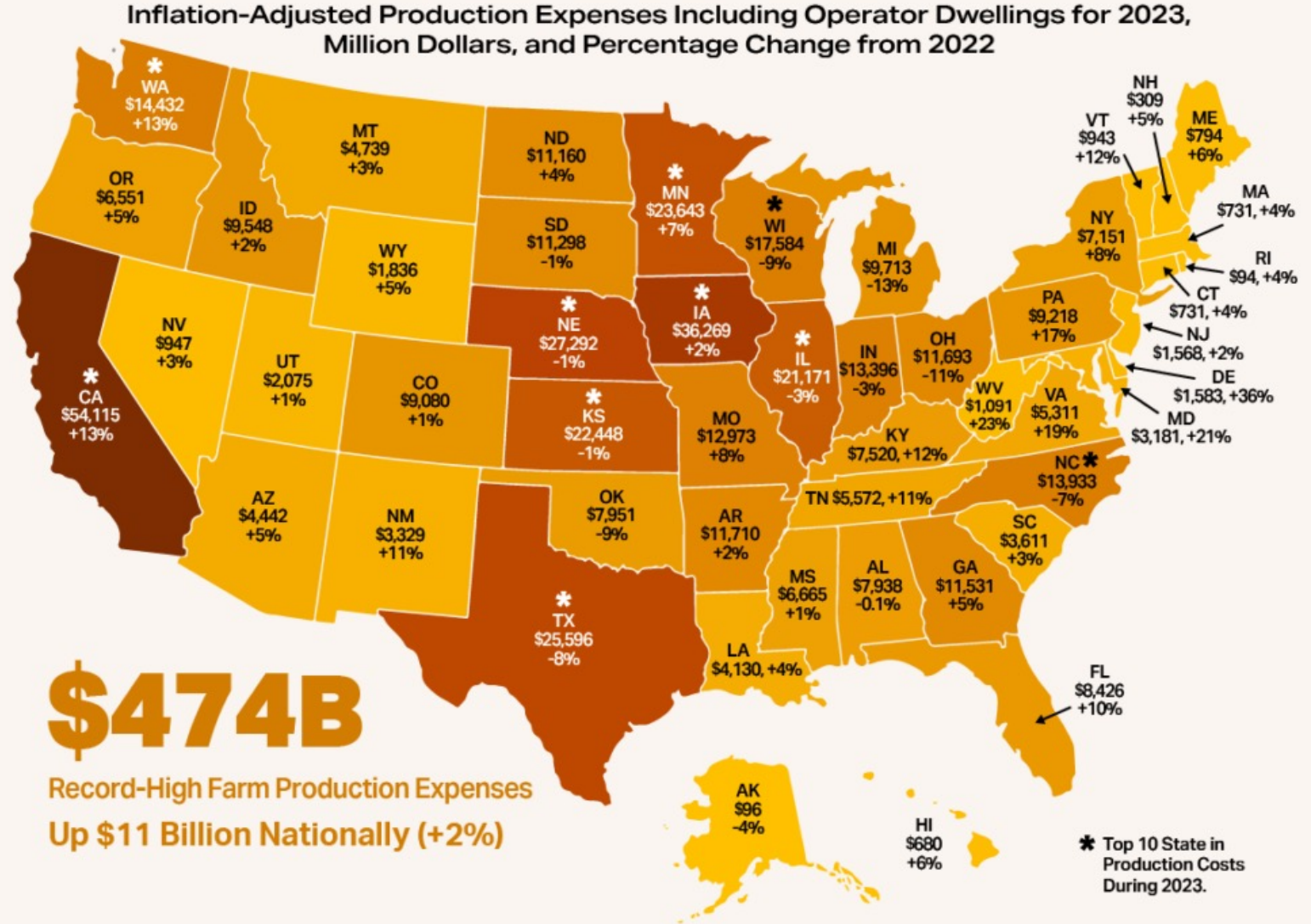


Sources: USDA ERS September 2024 Farm Sector Income Forecast, Terrain

Quick Stats

2023 production expenses were record high at \$474B – the 4th largest year on record

Map 2: Record-High Agriculture Production Costs

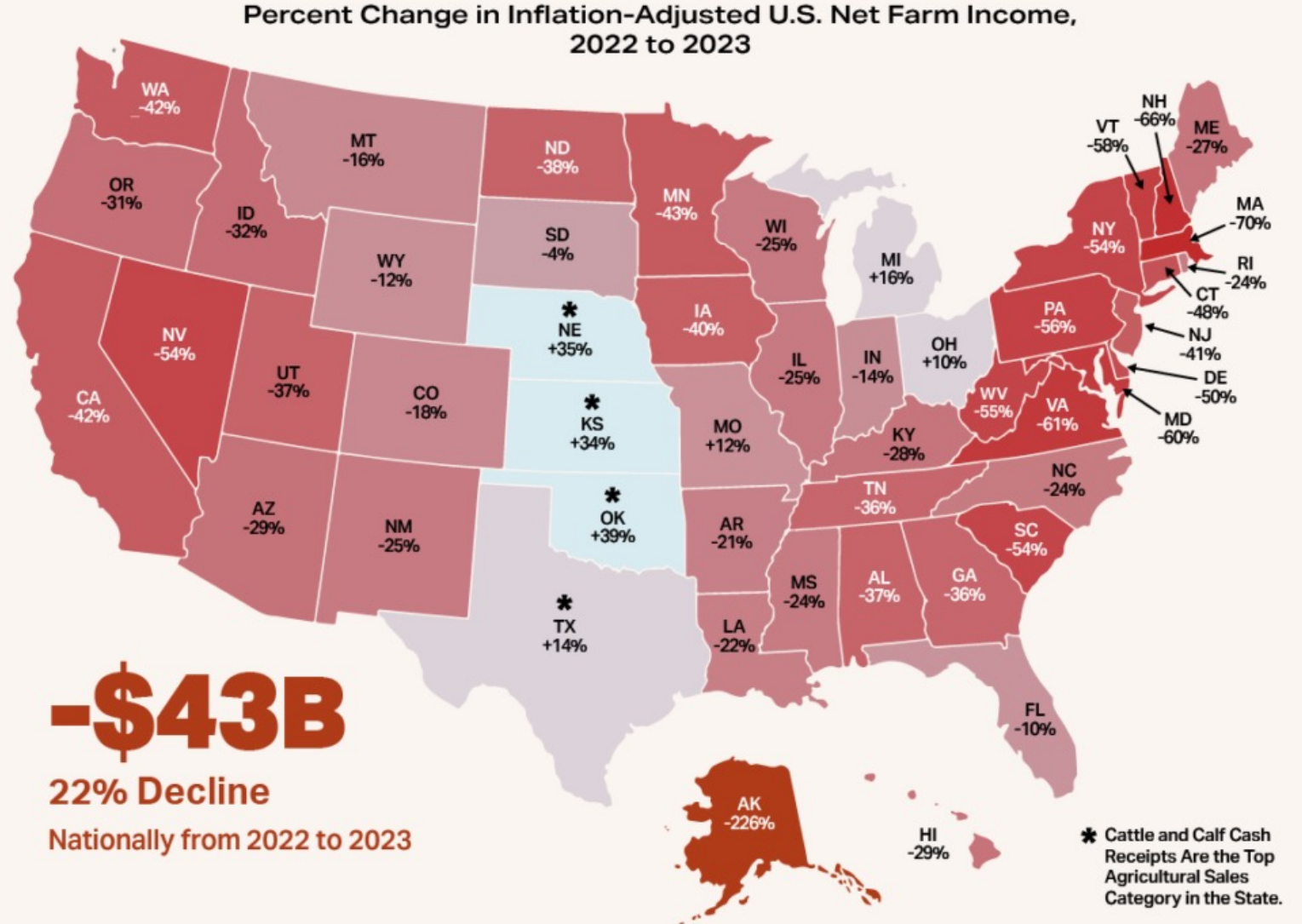


Sources: USDA ERS September 2024 Farm Sector Income Forecast, Terrain

Quick Stats

- ❖ Cattle, dairy, and poultry operations are projected to see higher net cash farm income
- ❖ Net cash farm income for hog operations is projected to improve from last year

Map 3: Large Declines Seen in Farm Income



Sources: USDA ERS September 2024 Farm Sector Income Forecast, Terrain

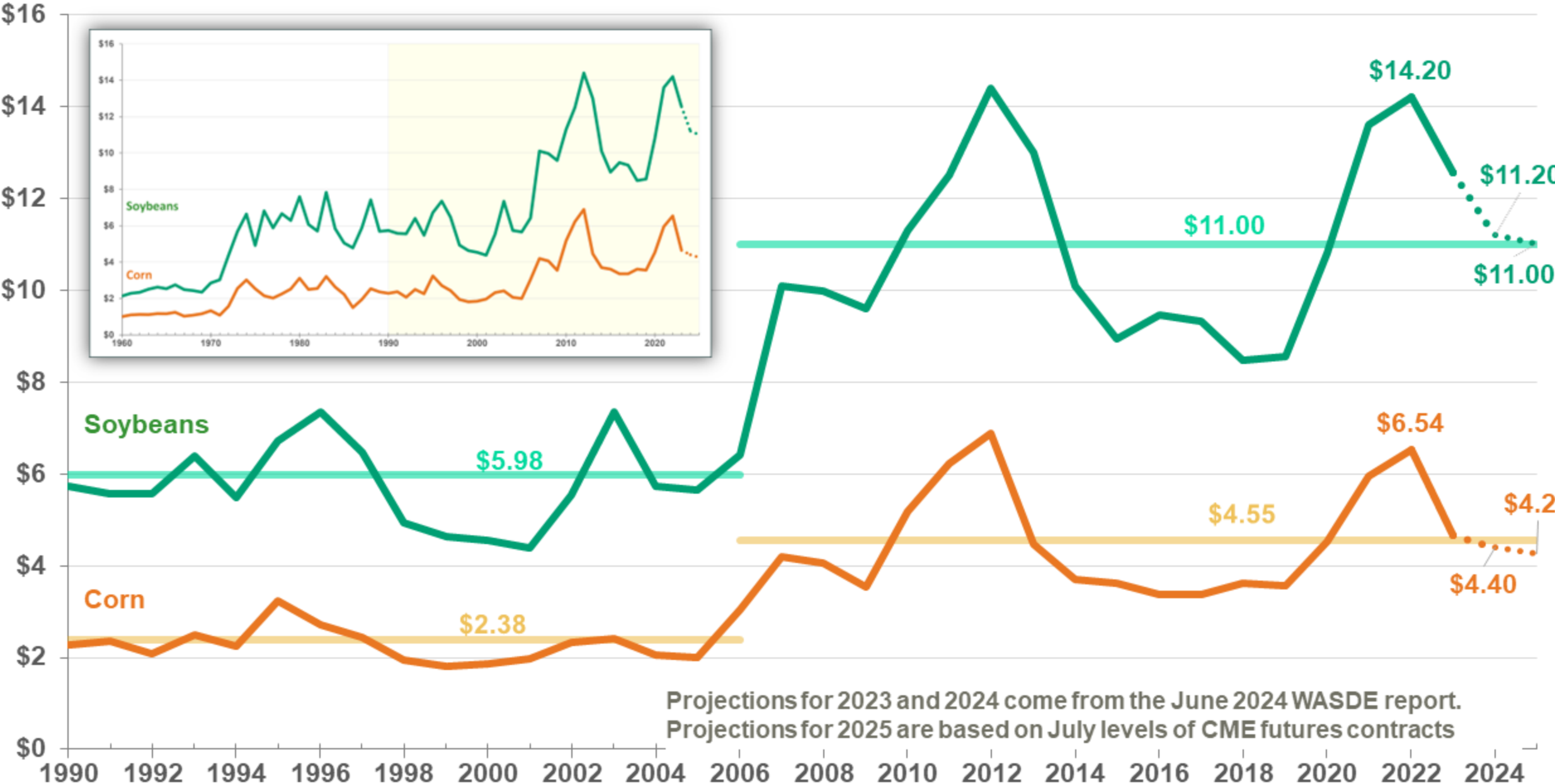
Gross Revenue: \$979/\$717
Total Costs Before Rent: \$757/465
Total Costs After Rent: \$1,052/\$760
Total Loss: -\$73 corn/ -\$43 beans
Cost of production/acre: \$5.26/\$15.20

Table 1. 2025 Corn and Soybean Budgets for Northern, Central, and Southern Illinois

	Northern		Central-High		Central-Low		Southern	
	Corn	Beans	Corn	Beans	Corn	Beans	Corn	Beans
Yield per acre	228	69	236	75	222	68	195	61
Price per bu	\$4.25	\$10.25	\$4.25	\$10.25	\$4.25	\$10.25	\$4.25	\$10.25
Crop revenue	\$969	\$707	\$1,003	\$769	\$944	\$697	\$829	\$625
ARC/PLC	10	10	10	10	9	9	9	9
Ad hoc Federal payments	0	0	0	0	0	0	0	0
Crop insurance proceeds	0	0	0	0	0	0	0	0
Gross revenue	\$979	\$717	\$1,013	\$779	\$953	\$706	\$838	\$634
Fertilizers	165	58	165	65	160	62	160	72
Pesticides	101	65	122	74	119	75	113	75
Seed	126	78	127	81	133	71	119	79
Drying	22	0	22	0	20	1	11	0
Storage	9	4	10	5	9	3	4	3
Crop insurance	19	10	19	8	19	9	23	12
Total direct costs	\$442	\$215	\$465	\$233	\$460	\$221	\$430	\$241
Machine hire/lease	31	26	21	22	24	24	24	22
Utilities	8	6	6	5	8	7	8	7
Machine repair	45	36	39	37	45	43	45	40
Fuel and oil	22	16	20	17	19	17	23	23
Light vehicle	2	2	2	2	2	2	2	2
Mach. depreciation	76	65	83	73	80	81	84	81
Total power costs	\$184	\$151	\$171	\$156	\$178	\$174	\$186	\$175
Hired labor	34	30	27	24	28	26	27	26
Building repair and rent	14	7	10	9	8	6	6	6
Building depreciation	18	9	17	13	19	12	12	12
Insurance	13	9	15	15	17	17	17	17
Misc	13	13	12	12	13	13	13	13
Interest (non-land)	39	31	30	28	26	21	23	21
Total overhead costs	\$131	\$99	\$111	\$101	\$111	\$95	\$98	\$95
Total non-land costs	\$757	\$465	\$747	\$490	\$749	\$490	\$714	\$511
Operator and land return	\$222	\$252	\$266	\$289	\$204	\$216	\$124	\$123
Land costs (cash rent)	295	295	339	339	275	275	194	194
Farmer return	-\$73	-\$43	-\$73	-\$50	-\$72	-\$59	-\$70	-\$71
Breakeven price to cover:								
Non-land costs	\$3.32	\$6.74	\$3.17	\$6.53	\$3.37	\$7.21	\$3.66	\$8.38
Total costs ¹	\$4.61	\$11.01	\$4.60	\$11.05	\$4.61	\$11.25	\$4.66	\$11.56

¹ Equals non-land costs plus land costs.

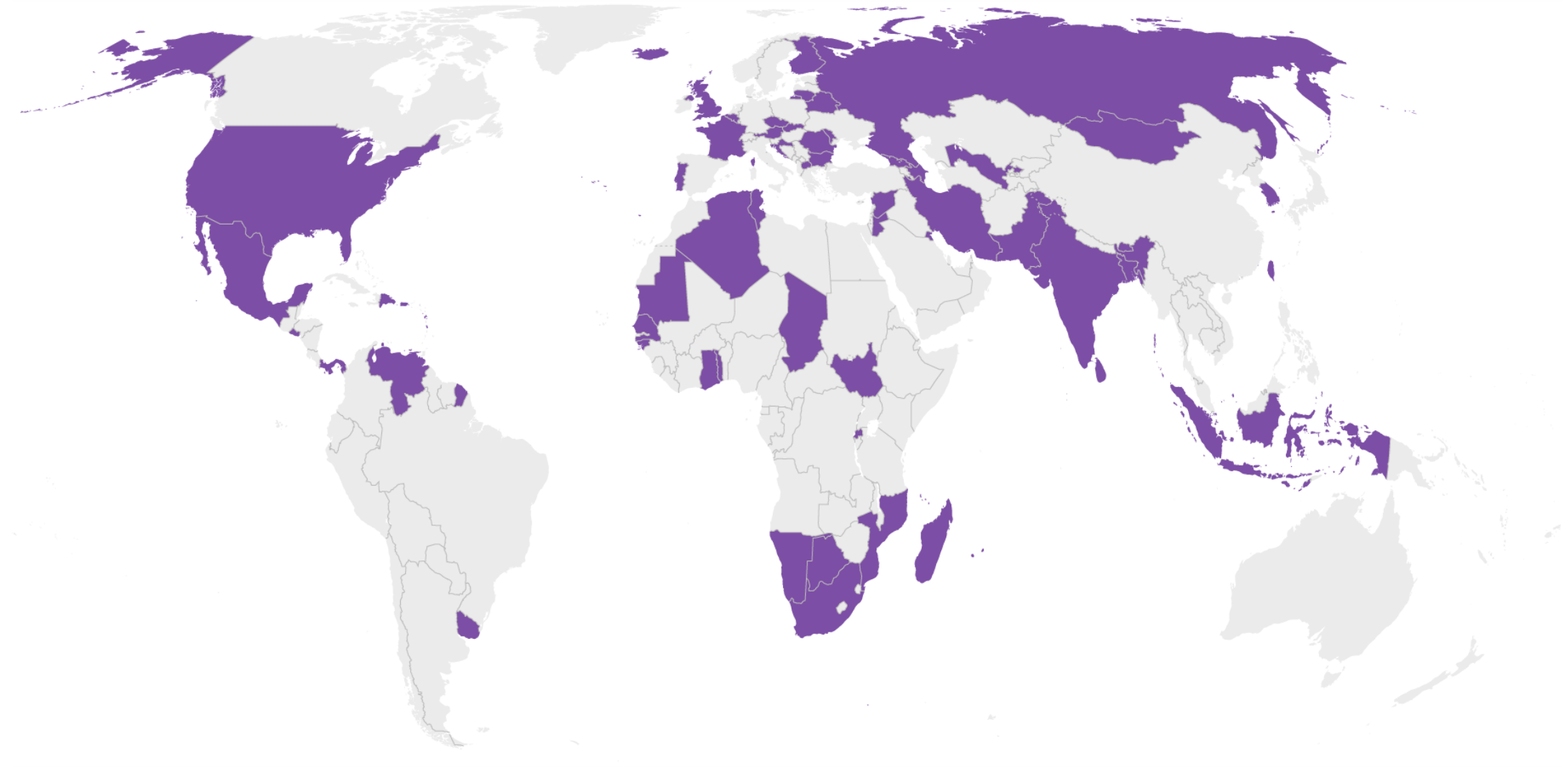
Figure 1. U.S. Market Year Average Prices for Corn and Soybeans 1960 to 2025P



Projections for 2023 and 2024 come from the June 2024 WASDE report.
Projections for 2025 are based on July levels of CME futures contracts

**Headwinds in 2024 and
beyond...**

Countries and territories with national elections in 2024



Note: The map shows national parliamentary and presidential elections, but does not show referendums or the European Parliament elections.

Source: International Foundation for Electoral Systems

Graphic: Lou Robinson, CNN

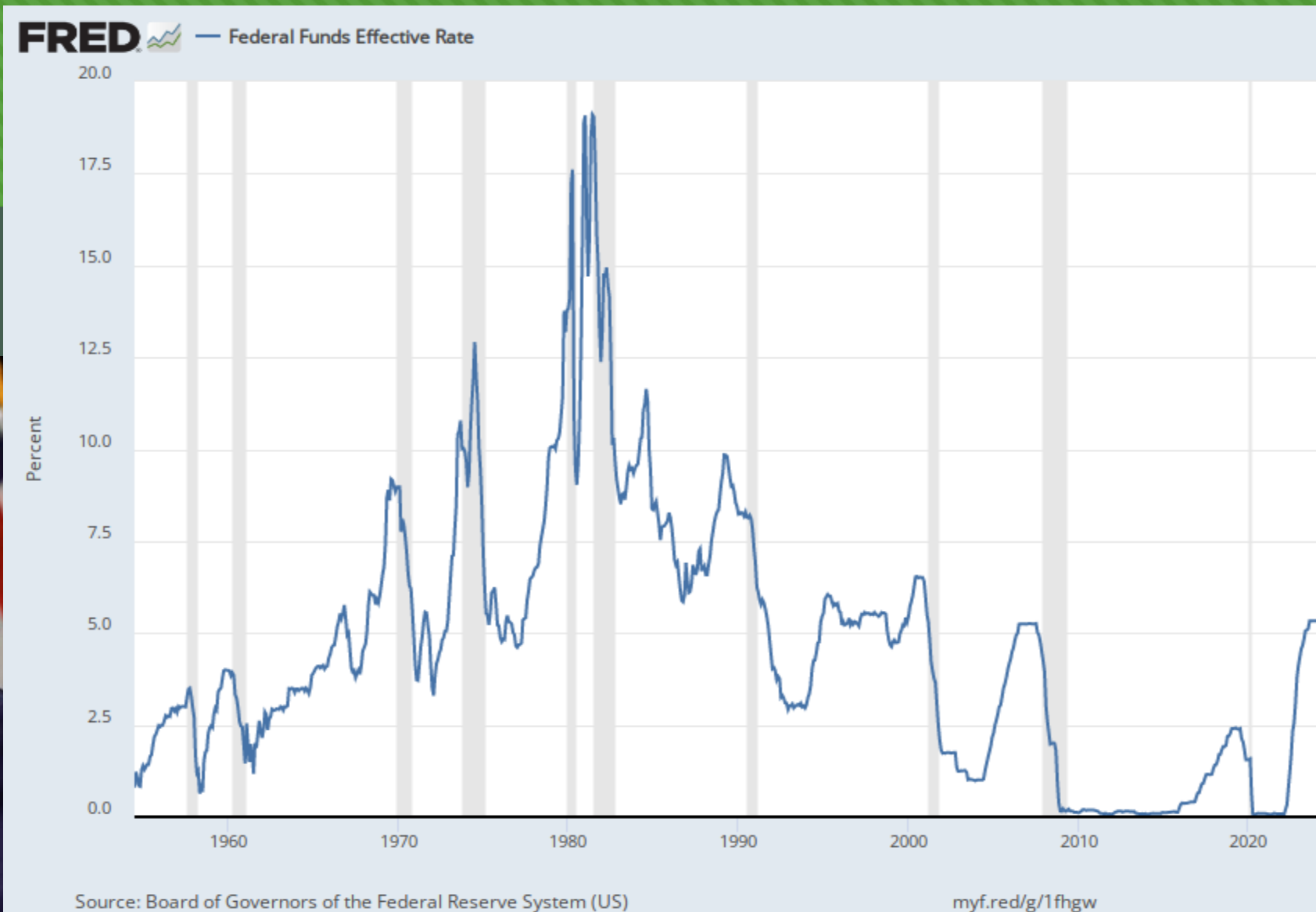
2024 Presidential Election



Top three areas of impact:

1. Trade policy
2. Monetary policy
3. Agriculture policy

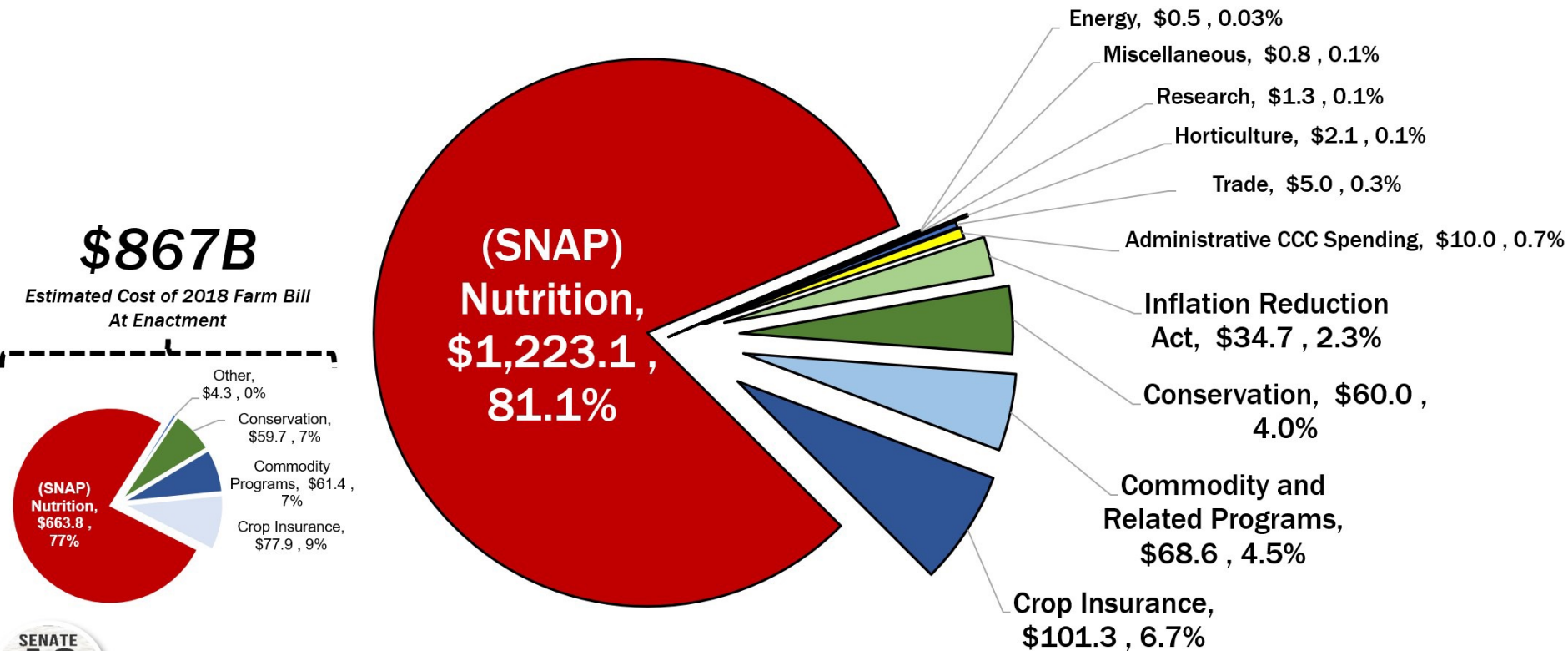
Interest Rates!



Farm Bill

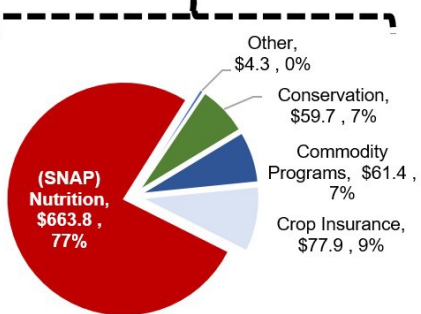
The 2023 Farm Bill Scoring Baseline*

Billion Dollars, Fiscal Year 2024 to 2033, **Total Spending \$1.51 Trillion**



\$867B

Estimated Cost of 2018 Farm Bill
At Enactment



Senate Ag Committee Republicans

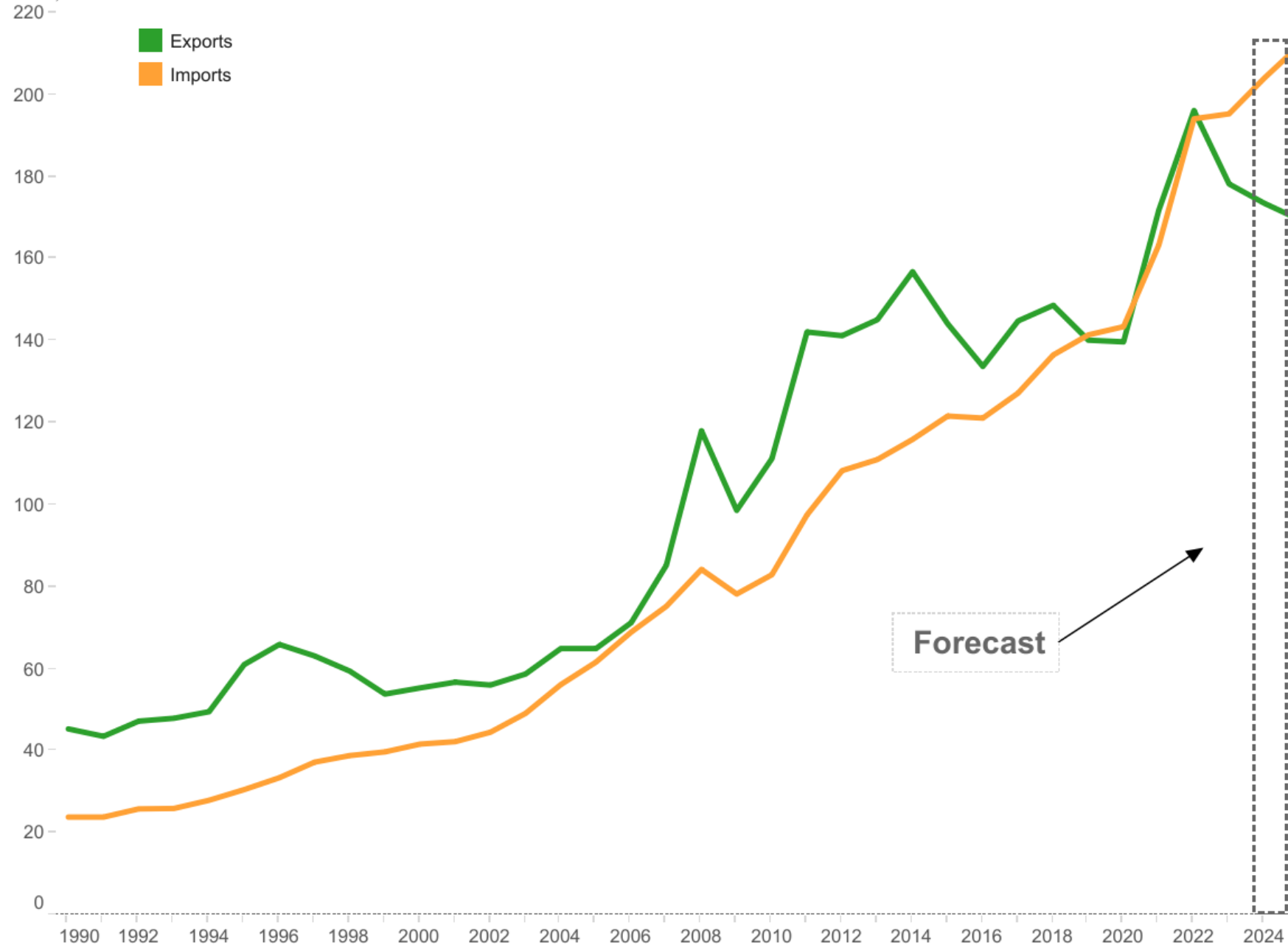
Senate Ag GOP Analysis, Congressional Budget Office May 2023 Baseline, Congressional Research Service, *Includes Inflation Reduction Act Outlays

Extended to
2024...
potentially
2025?

U.S. Trade Outlook

U.S. agricultural trade

Value, billion dollars



Chinese Demand Destruction

- ❖ Declining Chinese GDP
- ❖ Weakening demand: soy, pork, and other ag commodities
- ❖ Working to find new trading partners

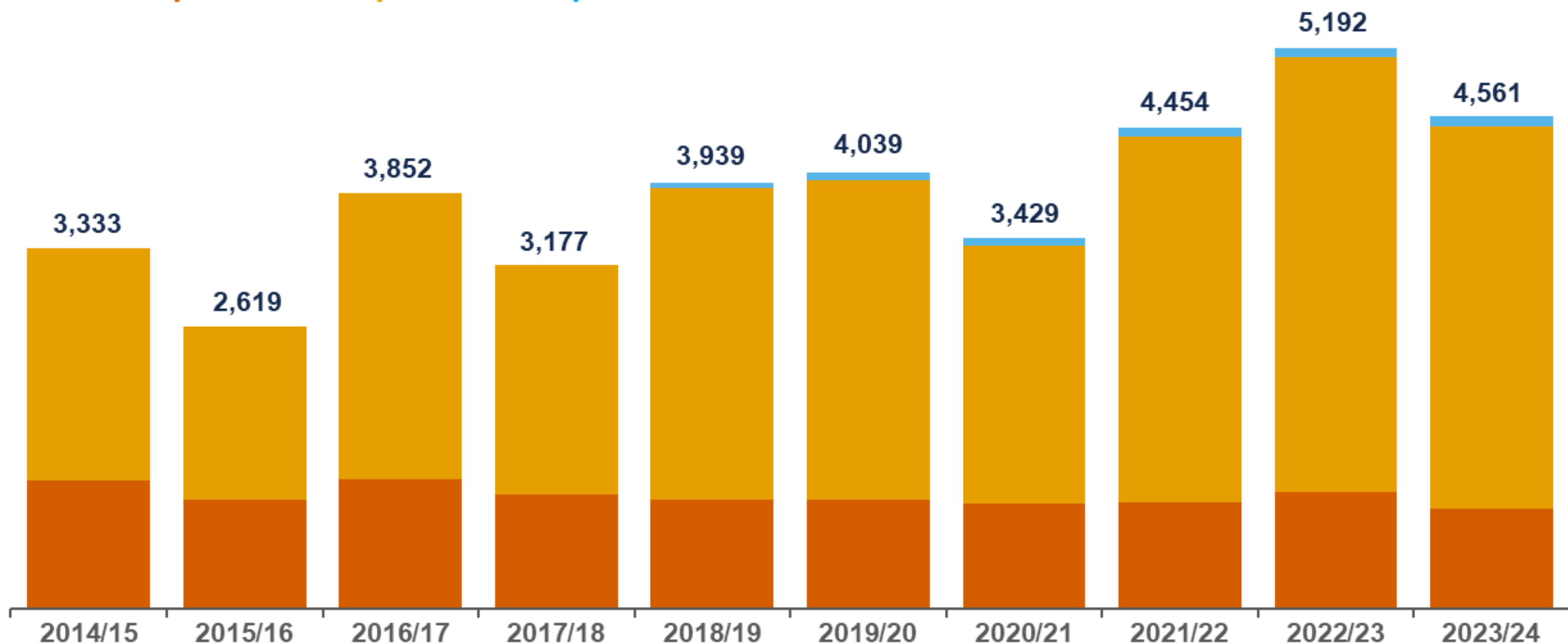


Figure 1. Total Corn Production in Brazil in Three Crops per Year

In million bushels

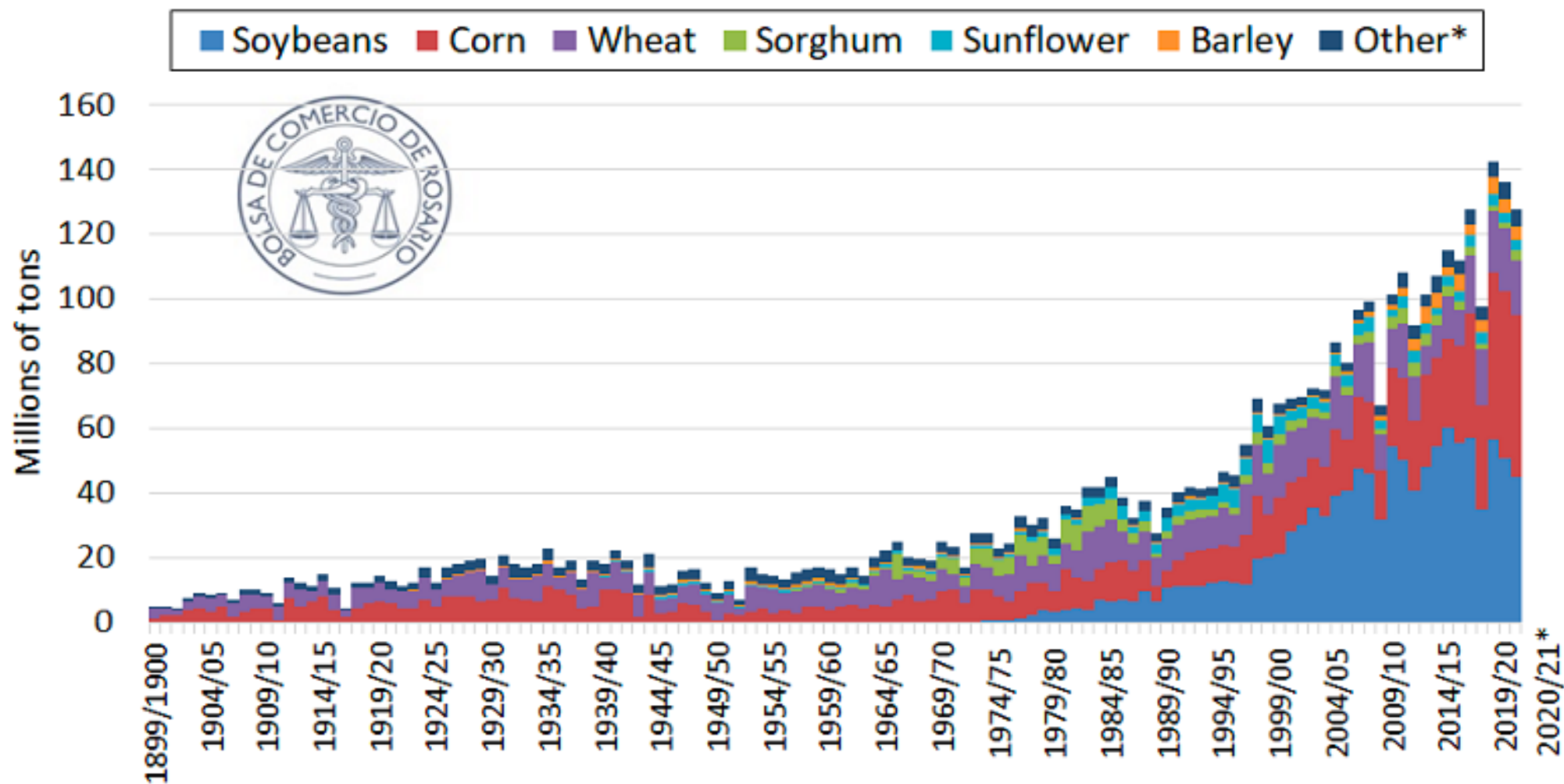


■ 1st Crop ■ 2nd Crop ■ 3rd Crop



Argentina Crop Production

@BCRmercados



Source: Rosario Board of Trade

Other crops: Birdseed, Rice, Oats, Rye, Millet, Durum Wheat, Safflower, Rapeseed, Peanuts, Cotton and Beans



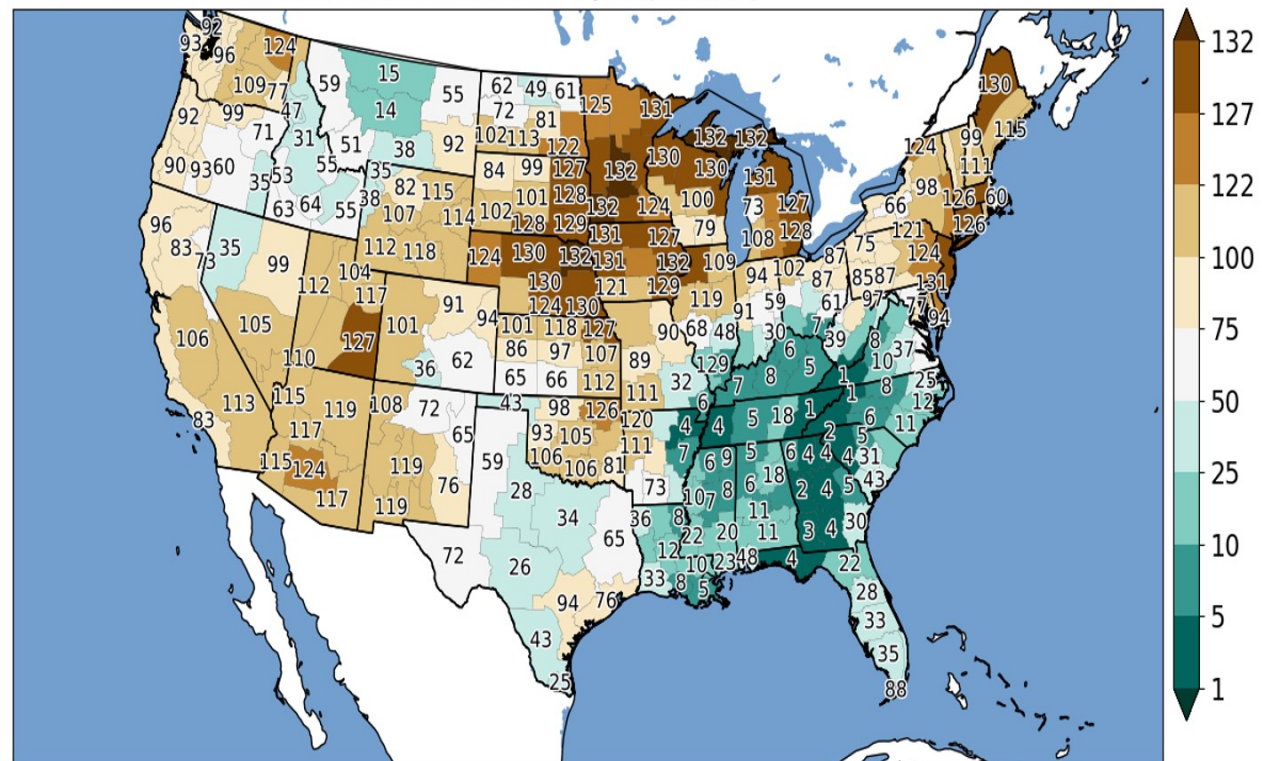
Corn Yield United States

Bushels per Acre





31 Aug 2024 ~7 AM till 29 Sep 2024 ~7 AM Total Precipitation Ranks by Climate District
Based on IEM Estimates, 1 is wettest out of 132 total years (1893-2024)

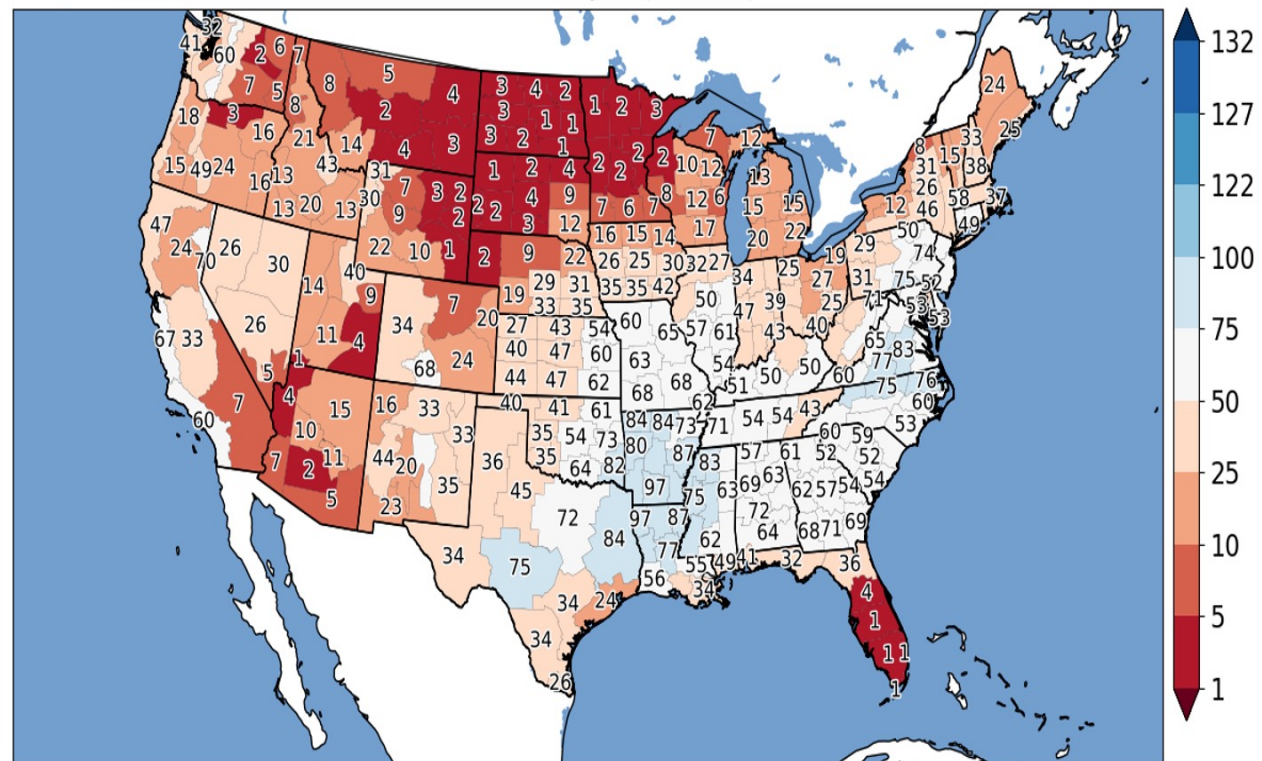


data units ::
IEM Autoplot App #24

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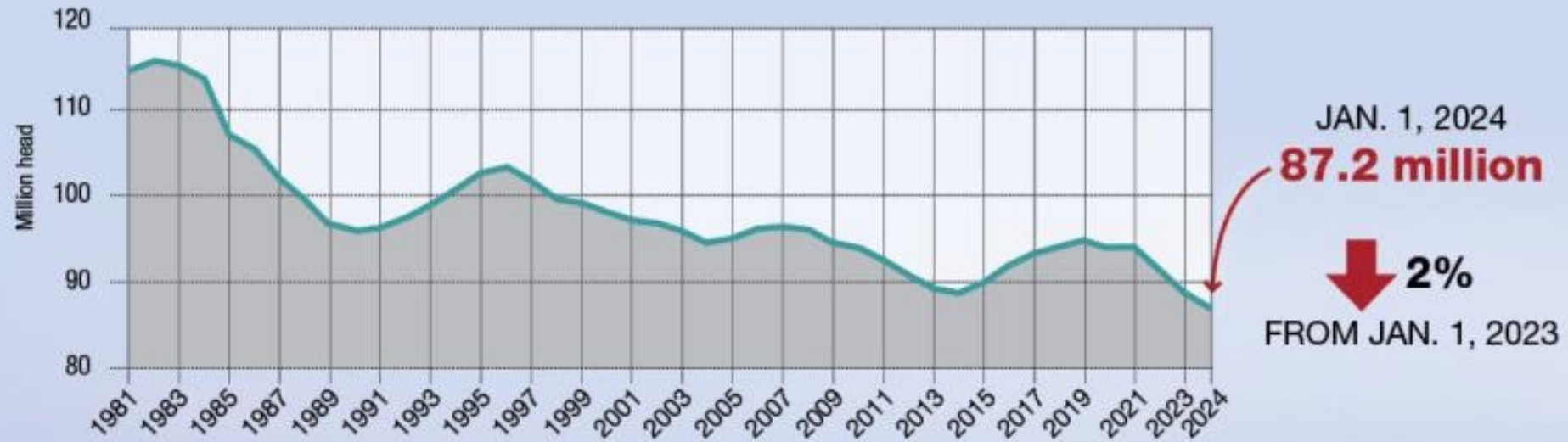
31 Aug 2024 ~7 AM till 29 Sep 2024 ~7 AM Average Temperature Ranks by Climate District
Based on IEM Estimates, 1 is hottest out of 132 total years (1893-2024)



data units ::
IEM Autoplot App #24

Generated at 30 Sep 2024 6:02 AM CDT in 24.62s

U.S. Cattle Inventory



East Coast Port Strike

- ❖ 143 MMT+ of agricultural products - \$122 billion were transported through ocean ports
- ❖ Represented ~70% of U.S. agricultural exports value and 75% of volume
- ❖ One week: the potential value of disrupted containerized ag exports is estimated at \$318 million
- ❖ 54 million metric tons of U.S. soybeans were exported by bulk
 - ❖ 5.8 million metric tons were exported via containers., approximately ½ through East/Gulf Ports
 - ❖ ~ 5-6% of total soybean exports that will be impacted the strike



**How do we use this information
to shape conversations for
2025 operating notes?**

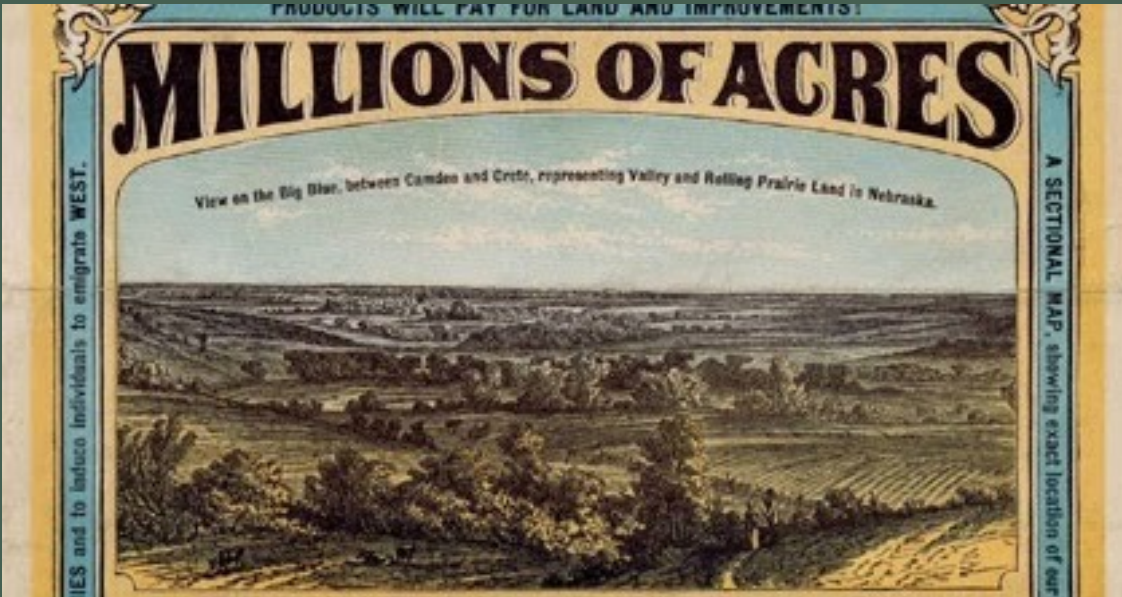
Thinking Outside the Box



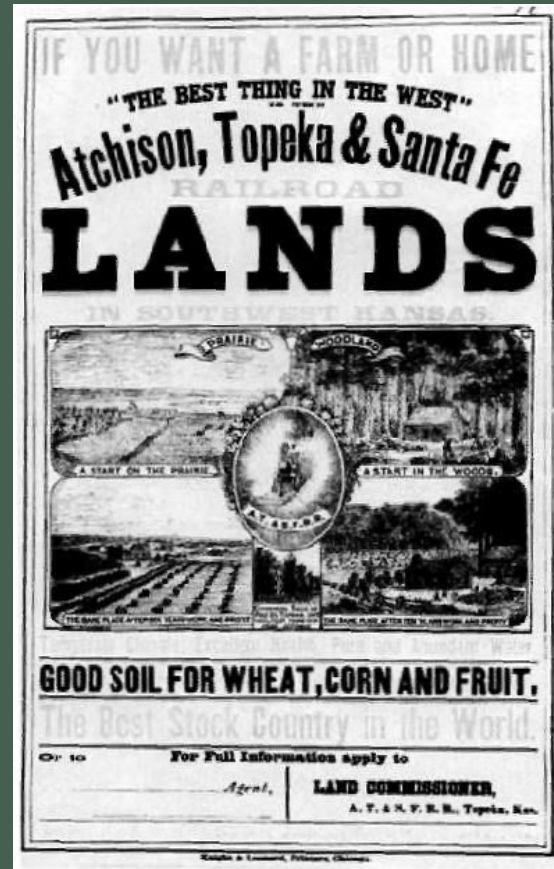
How do we encourage growers to think differently?

Monoculture: For over 100 years...

*“Plant from
fencerow to
fencerow” - Sec.
Earl Butz*

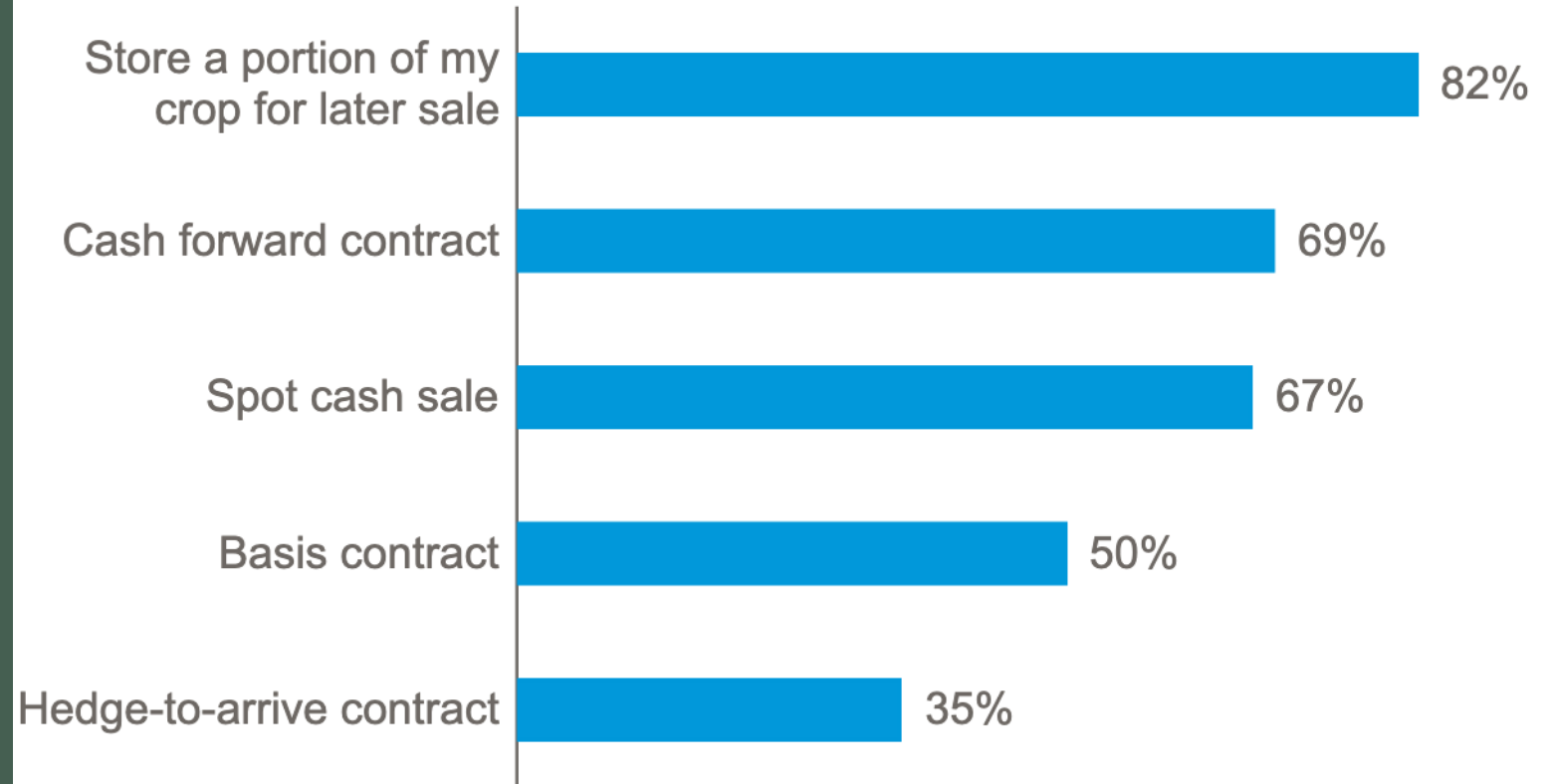


*“Get Big or Get Out”
– Sec. Earl Butz +
Sec. Ezra Taft
Benson*



1. Producers use 4 – 5 grain marketing tools
2. Most popular marketing tool: storage used by 82% at least occasionally; 1 in 5 say they always store
3. More than 2/3 of farmers use cash forward contracts and spot cash sales
4. ~ 25% of survey respondents use futures or options
5. ~ 2/3 price in small increments; only 5% go for the “home run” and price a large portion at a time
6. ~ 3/4three-quarters of producers say they have a good understanding of their cost of production, although a smaller percentage use it in setting a price target for marketing
7. **~17% percent have a written marketing plan**

Top Five Marketing Tools Used





1. Larger operations and younger producers are more likely to use their cost of production to set a selling price.
2. Those who are 35 and younger are more likely to use hedge-to-arrive contracts and lock in the carry when they store/utilize other marketing tools



“70% of family farms will change hands over the next 15 years.” - USDA

Many of these will transition to a generation that did not grow up on the farm or operate it themselves. We connect Landowners to Producers who will operate the land as if it were their own.



Sharpening our pencils and going back to the basics

1. Setting price targets based on production costs and market trends
2. Diversifying sales timing— avoid selling at harvest “off the combine” – consider scaling into sales
3. Leveraging insurance and options to protect against price declines
4. Utilize a variety of marketing tools: such as forward contracts, futures, and options. These can help you lock in favorable prices or manage risks effectively



3 Key Takeaways

1. Need to keep our pencils sharp
2. Have to find new ways to diversify the operation if cutting costs or increasing production isn't feasible
3. Relationship management is key! → Encourage and support ideas to diversify – even when they seem eccentric or “outside” the box

THANK YOU!

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-OR-

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