



FROM THE EXPERT'S CORNER: 2025 AG MARKET OUTLOOK WRITTEN BY: JUSTIN MCKINNEY

Welcome to 2025 as we close out 2024. One comment circulating the wires is that the Ag economy has been in an equity burn all last year and how will producers combat that into 2025. The input side of the equation is always delayed and will be a battle this spring as most of those products hit the supply chain long ago. As the supply industry has already integrated, cutting a meaningful amount of dollars per acre will be challenging.

The 2025 outlook for row crops has two completely different underlying fundamentals: the corn market, which got a boost from the December USDA report, looks slightly positive. We could rundown each demand line item, but the take-home point was that the carryout dropped from 1.938 billion bushels to 1.738 billion. However, caution is warranted moving forward, expecting further carry-out cuts as those sharp demand increases for exports and ethanol have been penciled in. Any demand increase in future reports might be limited for the rest of the marketing year. Suppose we do happen to see another reduction in domestic carryout. In that case, it will likely have to come from the January crop report in the form of a reduction to the 2024 crop, and unfortunately, those cuts, if any, look to be minimal.

Soybeans continue the downward spiral as world stocks balloon. Brazil grew between 148 and 152 million metric tons (MMT) in 2024, depending on who you believe. CONAB in Brazil, the equivalent of the USDA, had a total production sub 150 MMT, and meanwhile, USDA was over 151, and the market did take notice of that last year. This year seems the opposite, as private yield projections are increasing to 170 MMT. Domestic soybean stocks are projected at 470 million bushels, 128 million bushels over last year. As you can see, regardless of geopolitical factors, we have plenty of beans to move through the pipeline.

Moving into the 2025 growing season, the question remains: what should I do? While there is no silver bullet, some things are working for us. First, the 45z rules and regulations were promised to be released by the Treasury Department. Let's look at the 45z and what that could look like for the row crop markets. While this list is subject to change, as we don't have the final rules, the outline will look something like this-

The tax credit is available to clean fuel producers (not blenders), registered US producers, and tribal entities. Hopefully, the loophole will be closed on the used cooking oils being imported from China. For the record, not all that oil is used; a large portion is Malaysian Palm oil blended with a small percentage of used cooking oil and then shipped in.

The credit applies to fuels with a carbon intensity (CI) score of less than 50 kg of carbon dioxide equivalent per million BTU. This includes sustainable aviation fuels (SAF) and non-aviation sustainable transportation fuels. This line is causing the stir as without the carbon pipeline or changing the rules, ethanol has a hard time qualifying. This is where the carbon scoring on your farm will affect how much of that credit is passed on in your take-home price per bushel. Again, without all the rules, it's challenging to estimate.

Credit amount of \$1.00 per gallon for transportation fuel and up to \$1.75 for SAF. The credit a producer receives is based on the fuel's emissions factor and the applicable amount per gallon.

While there are many more details, those are the main factors affecting row crop producers. Once the rules are announced, we may finally see the soybean market react. Soybean oil has been on a two-year downward trajectory. If we can get something workable, we could see the domestic crush increase, which would be much welcomed.

Now, moving to the 2025 corn/soybean ratio. At the time of writing this, the ratio is 2.23, suggesting that we will see an increase in corn acres. While we won't know what the summer growing conditions will be, Dr. Elwin Taylor's 89-year drought cycle is due in 2025, and it remains to be seen if that will hit this year or not. The overall tone could be negative after the planting intentions report if we see 93/94 million acres of corn in the prospective planting report (March 2025). Our general marketing plan will focus on getting floors established.

Corn/Soybean Marketing 2025

- The January USDA report will be vital and set the tone till at least May. Consider protecting unsold grain with put options.

- Watch the basis in your area. If it is historically strong, move old crop bushels. While we often fear "missing out," we have tools to allow you to participate in market rallies. Depending on your comfort level with futures and options, don't let one wrong decision affect marketing the balance of old and some new crop bushels.

- While crop insurance protection will likely be lower this year, it will help establish a floor, and premiums should also be lower. I plan on using the lower premiums to look at some of the enhanced coverage options that can go as high as 95% of APH (individual coverage) or supplemental coverage option (county-based), which caps out at 86% (of county T yield).

- The prospective plantings report at the end of March will be vital. 93/94 million acres of corn will limit how far the corn market can move, even considering the possible less-than-ideal summer weather.

- Global stocks are very tight on corn, yet we had a record domestic crop considering the spring floods and droughts last year. Where would we be if we had ideal weather? At these levels, flexibility remains key for 2025 production, but options may not be a bad investment this year.

Livestock

The cattle market has been nothing less than remarkable and, quite frankly, scary over the last two years. Everybody walks on pins and needles, waiting for this market to bust. Cow-calf producers have enjoyed record profits, and deservedly so, as the droughts have ravaged the western grasslands. The billion-dollar question remains: when will this cycle stop, and will the herd start rebuilding? The December Cattle on Feed report released on December 20th showed exactly what traders were expecting. Cattle on feed were reported at 100%, placed at 96%, and marketed at 99% all vs last year. With the run on lightweight stocker cattle in the west, I would have expected that placement number to be slightly lower as those cattle will get turned out on wheat; it doesn't appear that the cattle herd has started retaining heifers yet.

November data for cattle harvest showed production of 2.22 billion pounds, 3% below last year while harvesting 6% fewer animals with an average weight of 914 pounds, up 38%. These heavy cattle are closing the production gap, and honestly, that's the only way most of these feeders pencil out. Margins on feeder cattle purchased today have contracted to the point of breaking even, at best. LRP is available on both beef and dairy beef cattle for producers who want to transfer some of that risk. While the intricacies of how that program works are too specific to list out, feel free to give us a call, and we can run some numbers.

When this is going to press, the government has not yet agreed to a funding bill. While I will leave the politics for another day, if the government isn't funded, we will not see a January crop report released as scheduled. The market doesn't like uncertainties, be mindful that markets can remain irrational longer than you can stay solvent. The profitability of cattle placed today depends solely on what the economy does and whether we can continue selling boxed beef at \$315. Fed Chairman Powell's hawkish tone last week leads me to believe this economy is a little hotter than they would like.

Please feel free to contact me if you have any questions or would like any additional information.

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COMING TO YOU THIS FEBRUARY: AG COMEDIAN, TIM THE DAIRY FARMER!! PEOPLES STATE BANK'S 2025 WINTER AG SESSION



Tim the Dairy Farmer

Peoples State Bank will be hosting its Fourth Annual Winter Ag Session in Prairie du Chien, WI on Wednesday, February 19th. The event will take place at the Waterfront Hotel and will kick off at 7:00 PM. This year, we are excited to bring you an evening of entertainment and

laughs with ag comedian, Tim the Dairy Farmer. You may have heard of Tim from his monthly Progressive Dairy article "The Manure Spreader" or heard him featured on SiriusXM.

Here is a little bit about Tim: "Tim the Dairy farmer is definitely not a politician or motivational speaker. Tim is a Florida dairy farmer and stand-up comedian. His experiences on and off the farm allow him to bring out the humor of everyday rural life. If you can grow it, pick it, pluck or pull it, there's a joke in there somewhere, and you don't have to be a farmer to understand Tim's humor. Tim is certain to have you doubled over with his laughs-per-minute style. Tim's resume is filled with comedy festivals, a few television appearances, and comedy clubs everywhere. Tim travels North America performing at county fairs, country music festivals, and agriculture-related events. Tim just released his second album with Larry the Cable Guy's GIT-R-DONE RECORDS and can be heard regularly on SiriusXM. Tim still enjoys farm life and milks cows, which Tim says keeps his hands warm. Tim's true passions in life are farming, making people laugh, and eating beef jerky."

We hope you'll join us for this fun filled night! Peoples State Bank offers this event to show our absolute appreciation for our hard-working local farmers. Keep an eye out for more information on this event. If you'd like to reserve your spot early, please email our PSB Ag Promotion Team at agpromotion@peoplesfinancial.com. Seating will be limited and seating reservations will be done via RSVP (sent at a later date). We look forward to seeing you there!

CHICKEN WILD RICE SOUP



Ingredients:

- 4 cups chicken broth
- 2 cups water
- 1 cup chopped carrots
- ¼ cup chopped onion
- 2 cooked, boneless chicken breasts (shredded)
- 1 package Uncle Ben's Long Grain & Wild ready rice
- ½ tsp salt
- ½ tsp ground black pepper
- ¾ cup all-purpose flour
- ½ cup butter
- 2 cups heavy cream

Directions:

1. In a large pot over medium heat, cook carrots and onion in olive oil until onion is translucent. Combine broth, water, and chicken to the carrots and onion. Bring just to boiling, then stir in rice.
2. In a small bowl, combine salt, pepper, and flour. In a medium saucepan over medium heat, melt butter. Reduce heat to low and stir in flour mixture by the tablespoon, forming a roux. Whisk in cream a little at a time until smooth. Cook until thick, about 5 minutes.
3. Stir cream mixture into broth and rice mixture. Cook over medium heat until heated through.

FFA CORNER SPOTLIGHT



Name: Rita Achenbach
FFA Chapter: Prairie du Chien
Upcoming Fundraisers: Plant Sale (May 5th-10th), Spaghetti Dinner (During FFA Week)
Positions Held: Treasurer, Secretary, Vice President, President

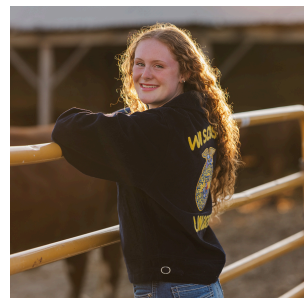
If you live on a farm, what type of farming operation is it (or any other farm connections you have)? Crop and Diversified Livestock farm

What made you decide to join FFA? I joined FFA because I wanted to become a role model, a leader, and improve myself for the better. I wanted to improve the life skills that will help me in the future be the best version of me that I can be.

What are your plans after high school and how will your experience in FFA help you in your future? I have had so many great experiences, but one that stuck out for me is livestock judging. A big part of me is showing my livestock at fairs and livestock judging is always making me learn how to judge and critique my animals.

What are your plans after high school and how will your experience in FFA help you in your future? After high school, I plan to attend a four-year college to pursue a degree in animal science which I will then use to attend vet school.

FFA CORNER SPOTLIGHT



Name: Megan Kreul
FFA Chapter: Lancaster
Upcoming Fundraisers: Strawberry Sale
Positions Held: President, Vice President, Treasurer

If you live on a farm, what type of farming operation is it (or any other farm connections you have)? I live on a grain farm.

What made you decide to join FFA? I have been surrounded by FFA my whole life and I wanted to be an important part of it from a very young age.

What are your plans after high school and how will your experience in FFA help you in your future? My best experience was attending Washington Leadership Conference in Washington D.C.

What are your plans after high school and how will your experience in FFA help you in your future? Next year I will be attending Winona State University for Pre-Physical Therapy. FFA has helped me to network with a lot of people, and farmers need physical therapy too!