



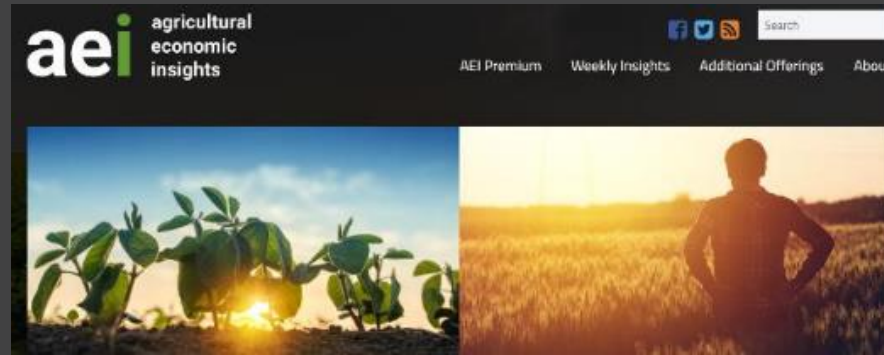
*Bust to Boom? A Look at Where the
Farm Economy Stands in 2021*

FARMER  **MAC**

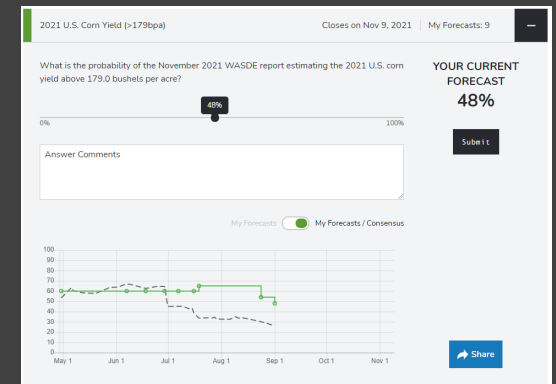
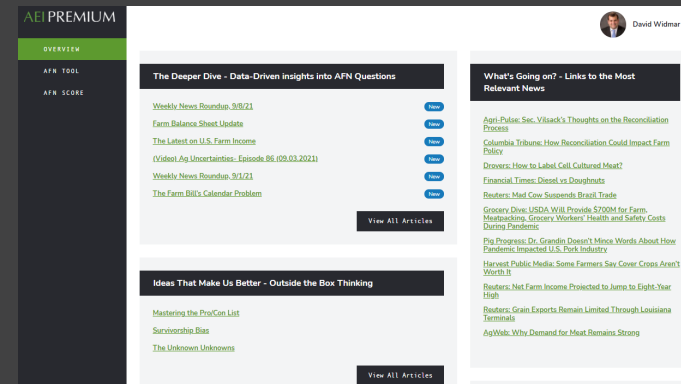
Featuring Agricultural Economic Insights
Economists Brent Gloy & David Widmar

September 9, 2021

Free



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The Last 18 Months

“Phase 1 Trade Deal”



“Pandemic”

“97m Acres of Corn”

“Commodity Price Tumble”

“Negative Oil Prices”



“Dec. Futures Hit \$3.20”
“China Purchases Lackluster”

“Waiting on CFAP 2”



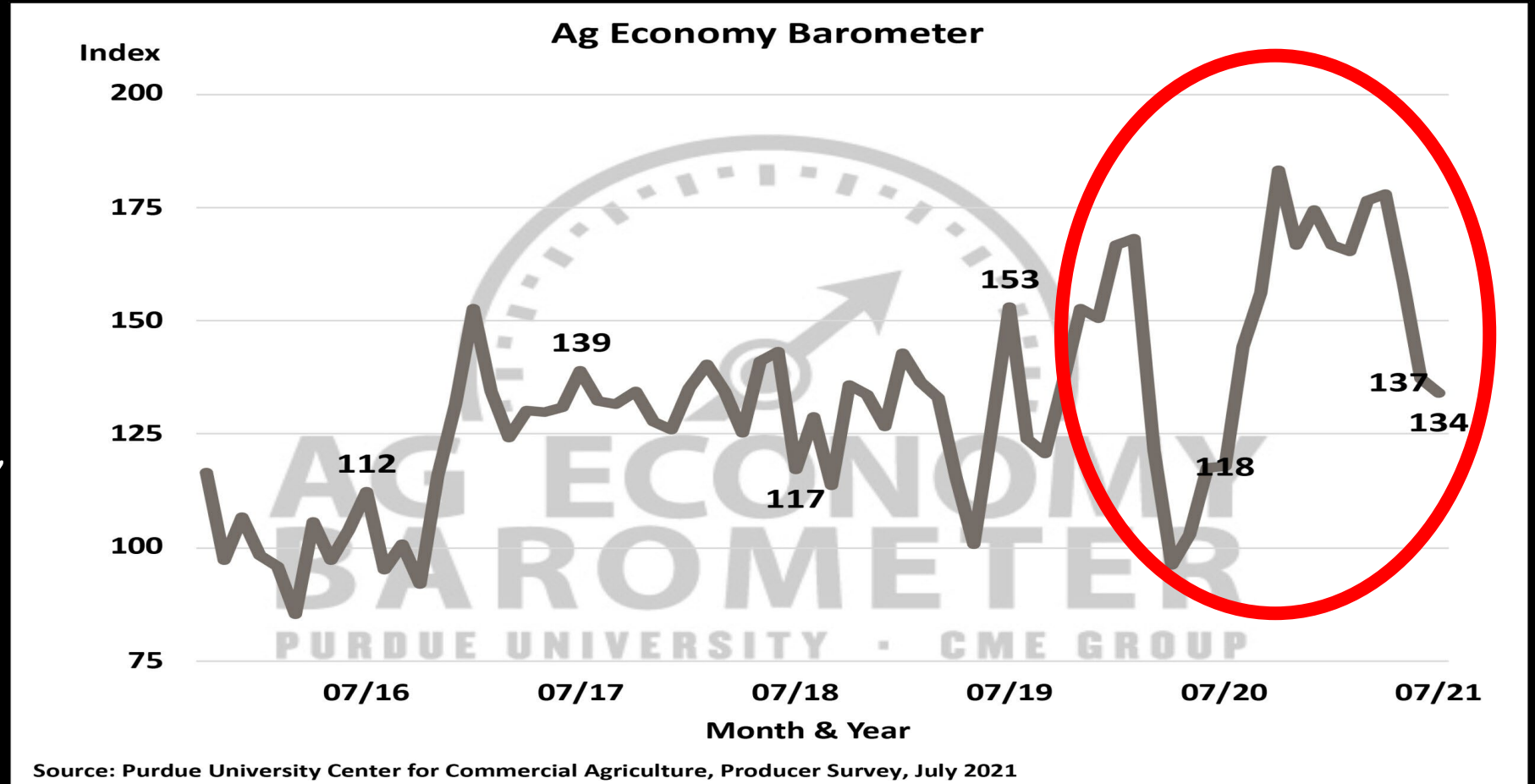
“Commodities Rally”

“CFAP 2”

“China Buys Big”

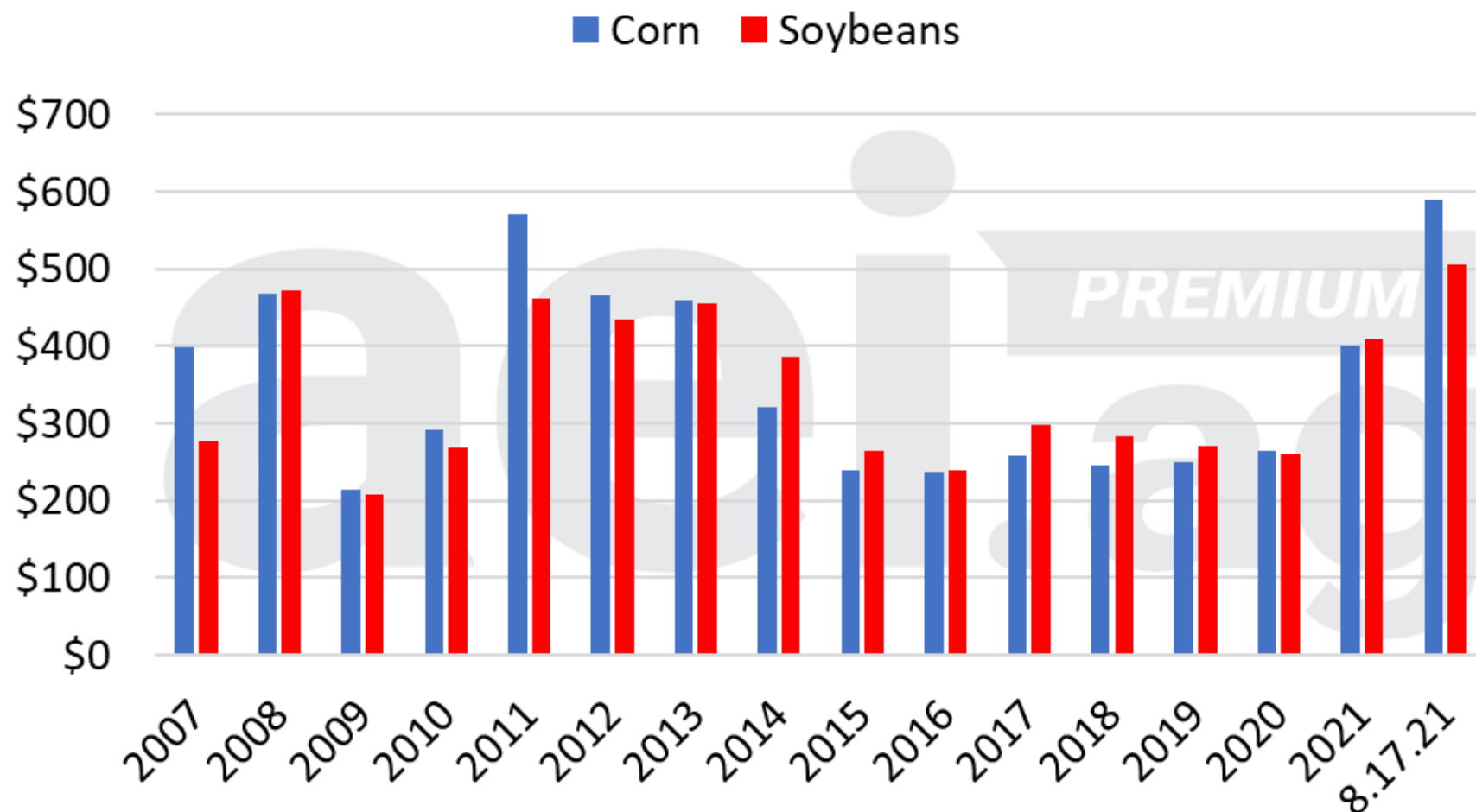
“Grain Stocks Tighten”

WHIPLASH

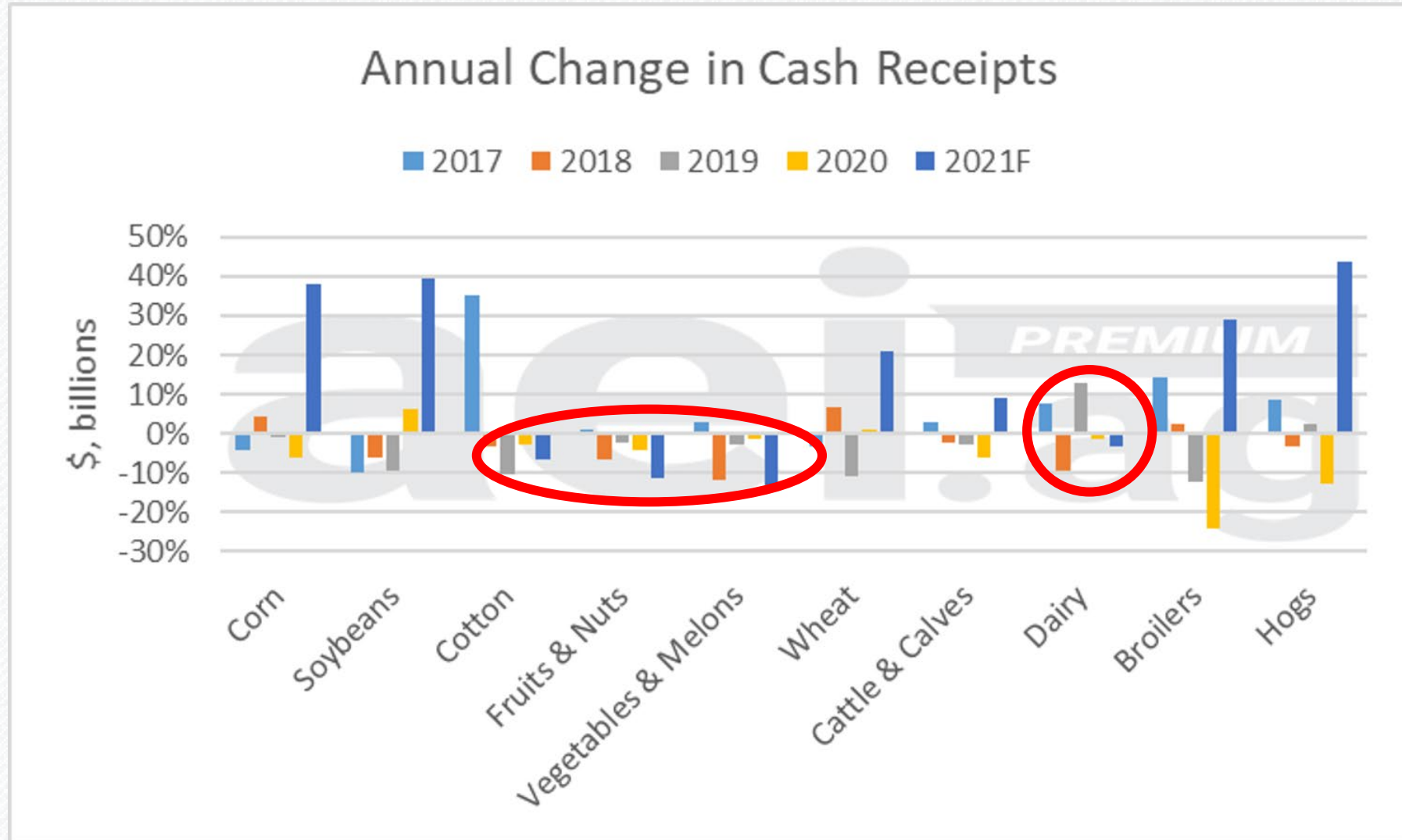


2021 Looks
to be very,
very
profitable

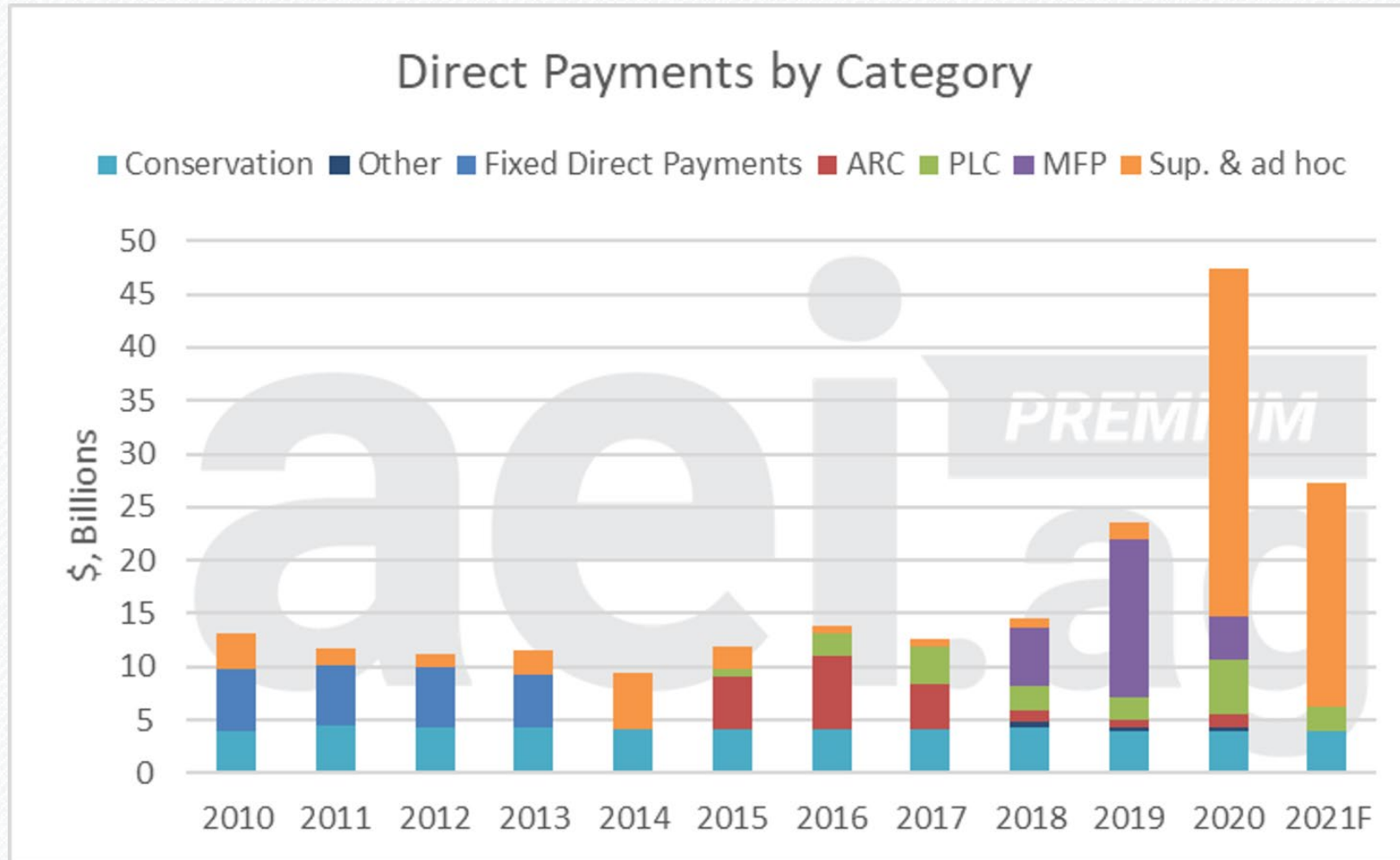
Contribution Margin at Crop Insurance Prices,
Average Quality Indiana Farmland, 2007-2021



Challenges Persist for Many Commodities



Direct Payments Led the Charge Higher

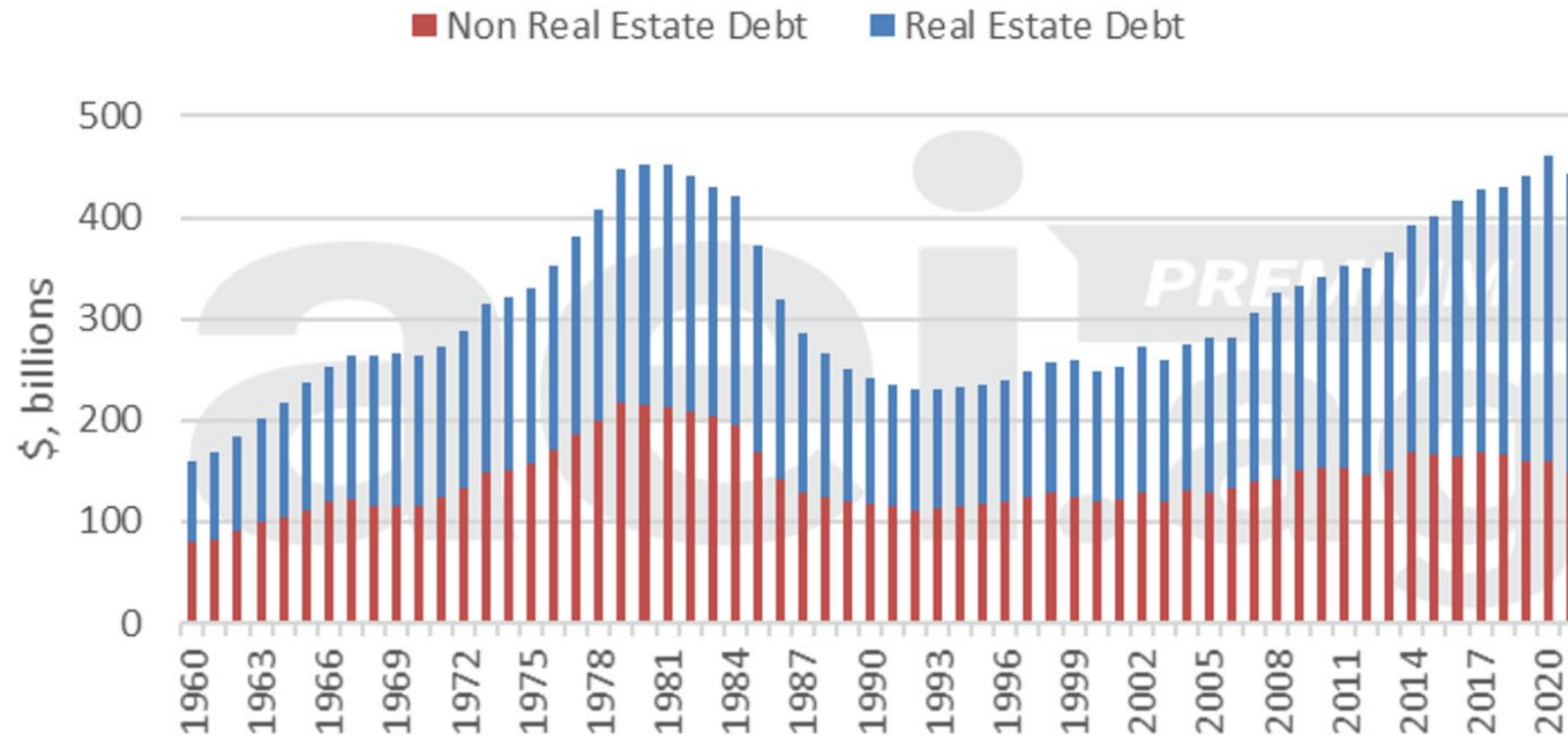


“What’s the true underlying economic activity of the farm?”

ag economic insights

State	Percentage
Alaska	348%
Arizona	314%
California	400%
Colorado	127%
Connecticut	459%
Delaware	92%
District of Columbia	149%
Florida	284%
Georgia	203%
Idaho	102%
Illinois	167%
Indiana	118%
Iowa	84%
Kansas	86%
Kentucky	79%
Louisiana	339%
Maine	378%
Maryland	705%
Massachusetts	586%
Michigan	691%
Minnesota	323%
Mississippi	129%
Missouri	240%
Montana	847%
Nebraska	485%
Nevada	268%
New Hampshire	185%
New Jersey	98%
New Mexico	75%
New York	24%
North Carolina	179%
North Dakota	132%
Ohio	173%
Oklahoma	102%
Oregon	92%
Pennsylvania	132%
Rhode Island	149%
South Carolina	91%
South Dakota	170%
Tennessee	189%
Texas	323%
Utah	216%
Vermont	179%
Virginia	132%
Washington	311%
West Virginia	170%
Wisconsin	173%
Wyoming	102%

Real Total Farm Debt (2021=100)



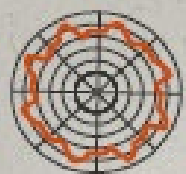
Less Farm Debt Ahead?

- Record Levels in 2020
- Total Debt Projected Lower in '21
- Real Estate Debt: +1.5%
- Non-Real Estate Debt: -3.5%

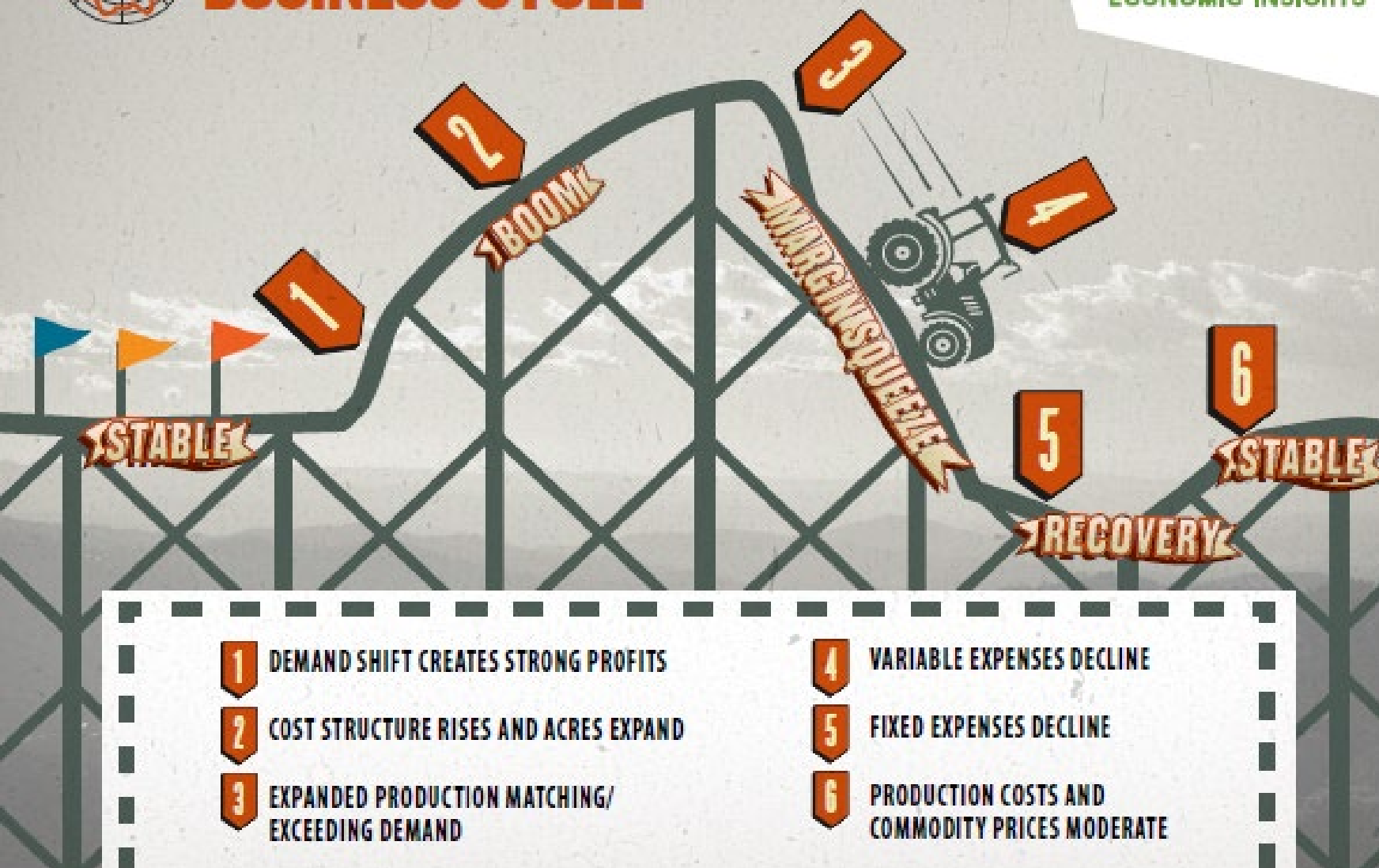


How Long Will The
Good Times Last?

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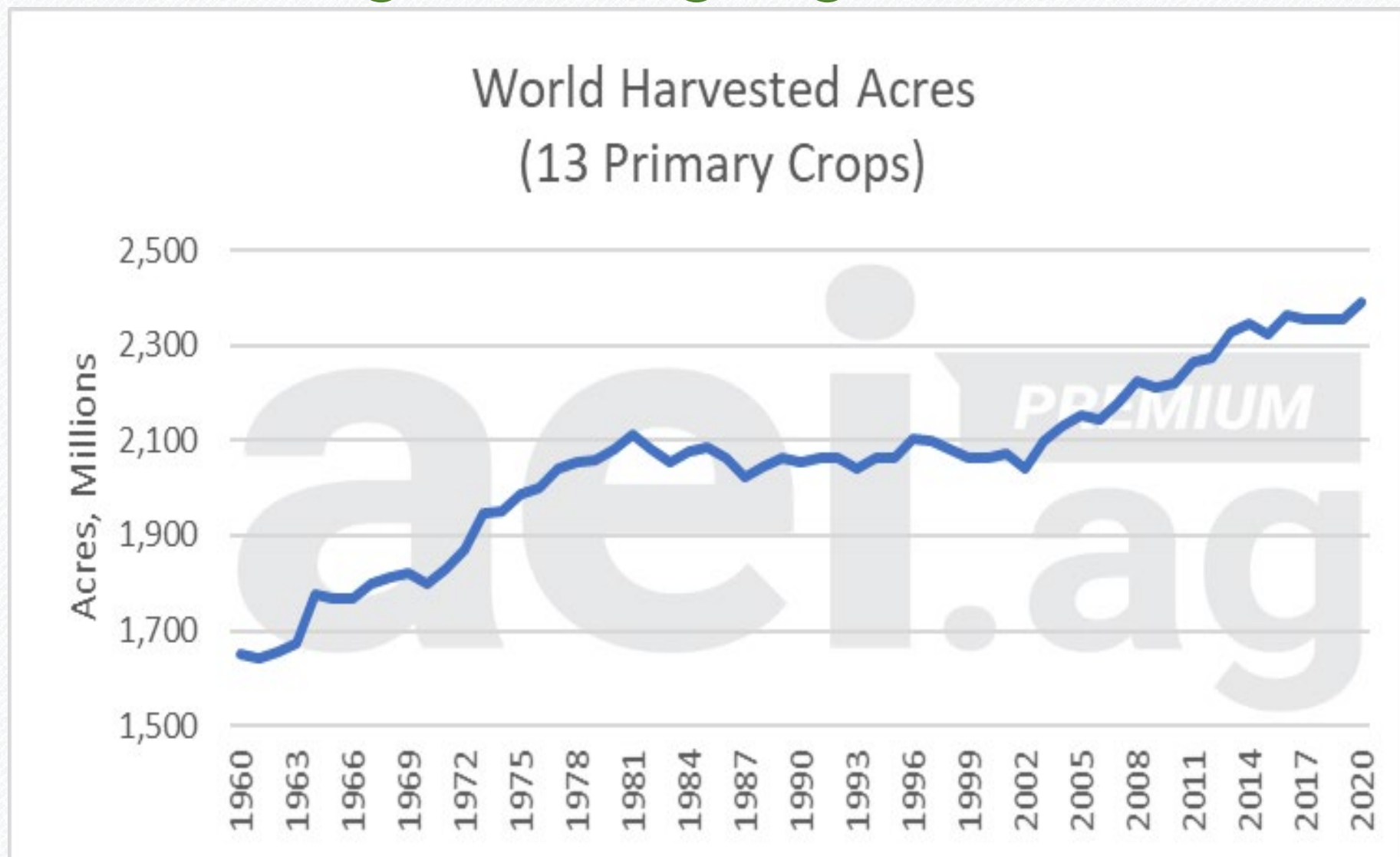
PRODUCTION AG BUSINESS CYCLE



Where Are We In the Cycle?

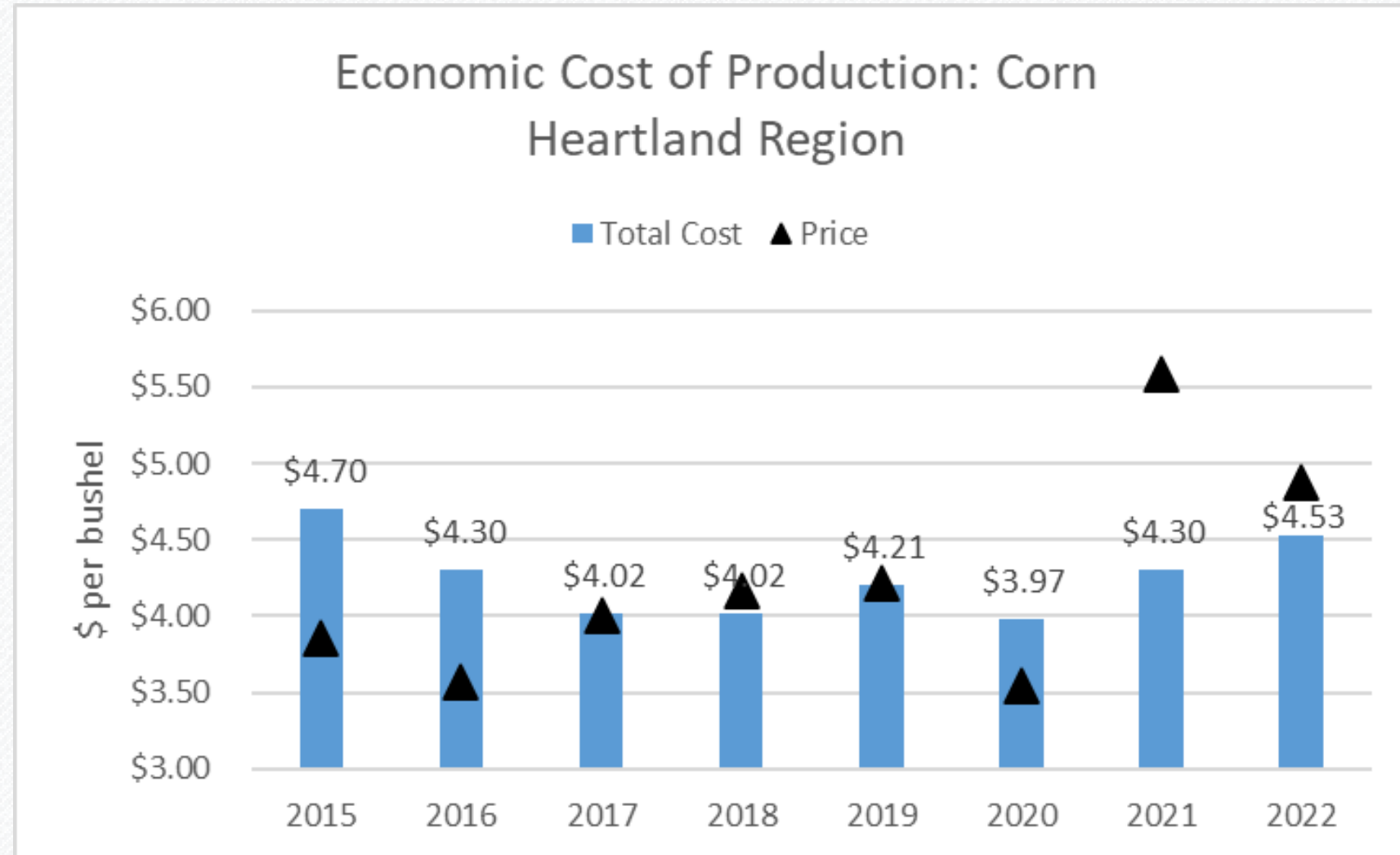
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Global Acreage Rising Again



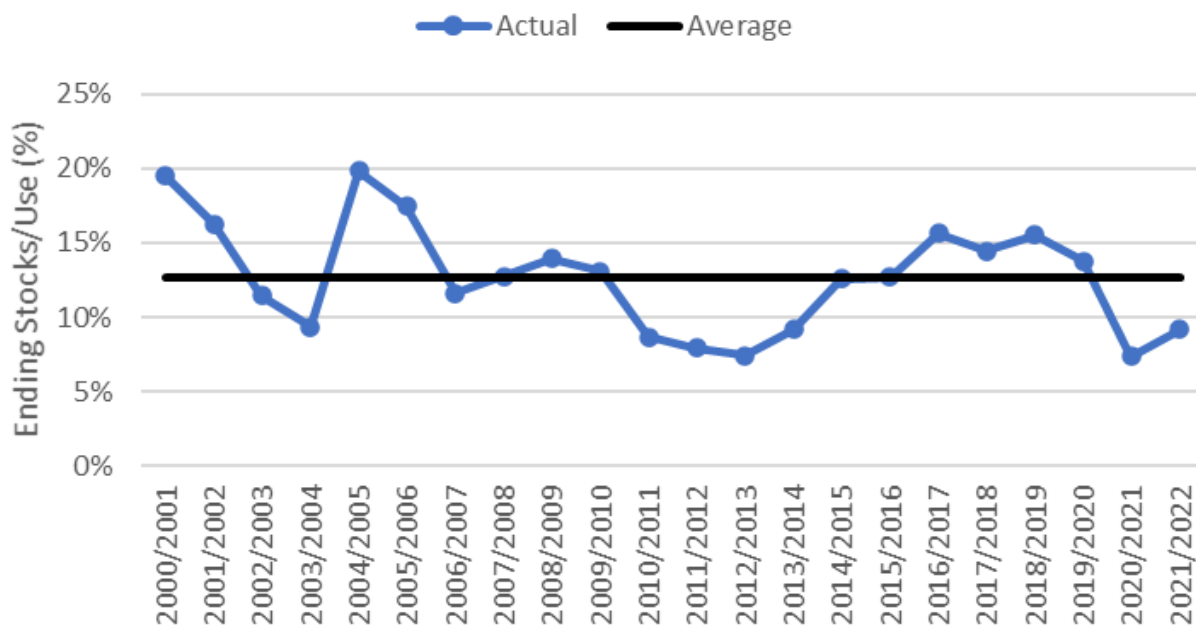
Where are we?

- Supply Shock, or Demand Shock?
- “Bidding-up” behavior underway
 - “Going for Gold”

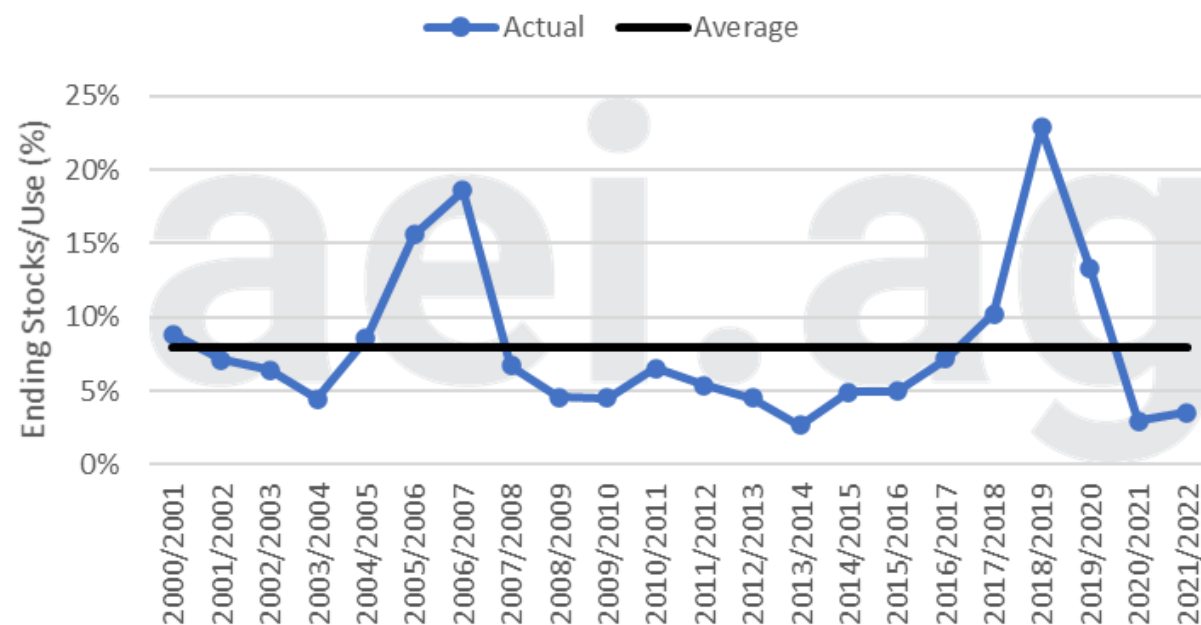


Tight Stocks... But For How Long?

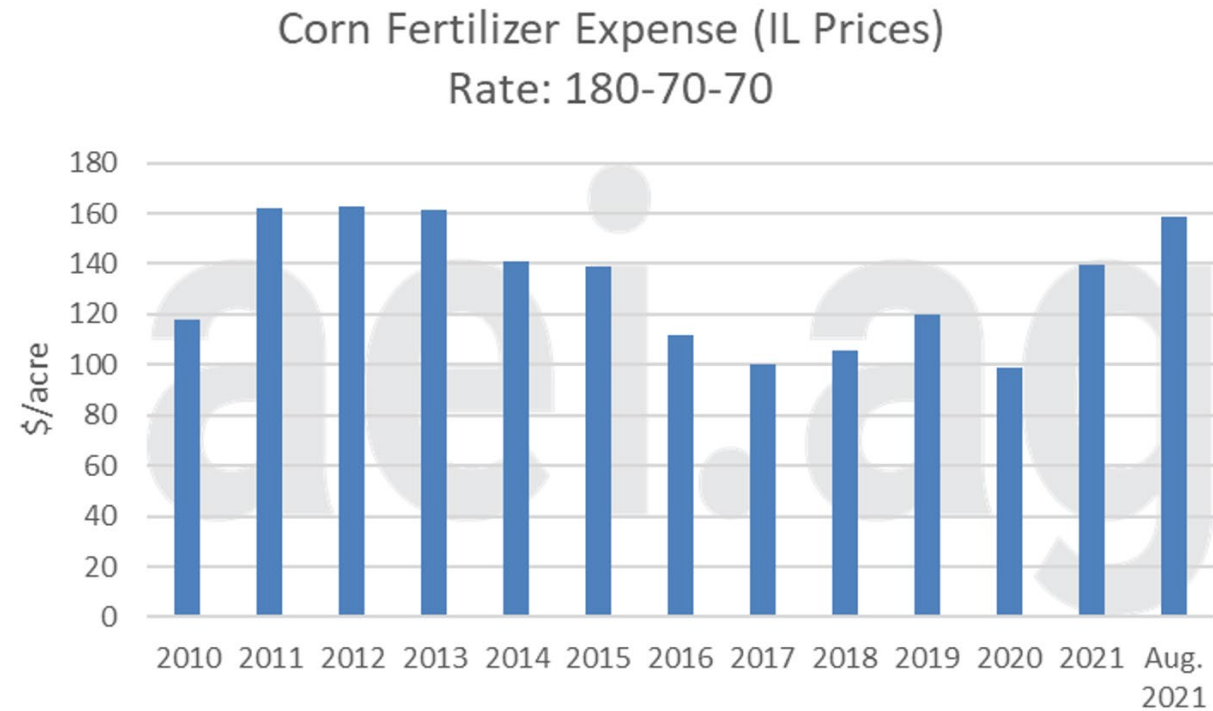
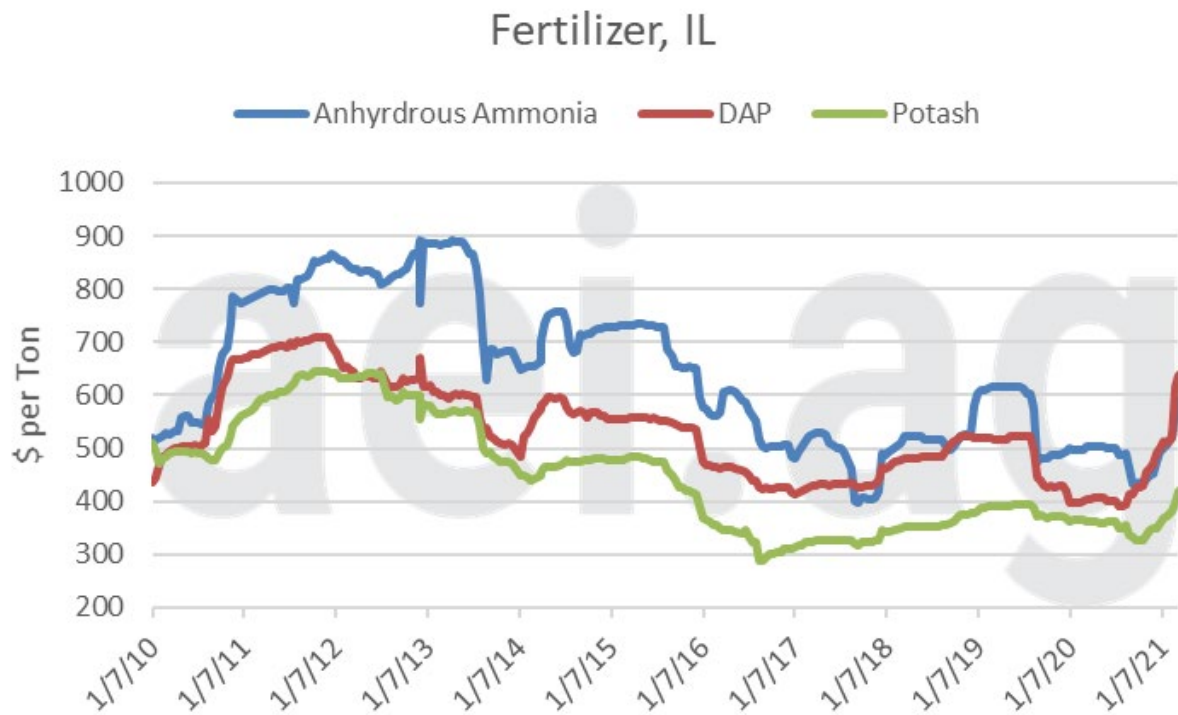
U.S. Corn Ending Stocks to Use



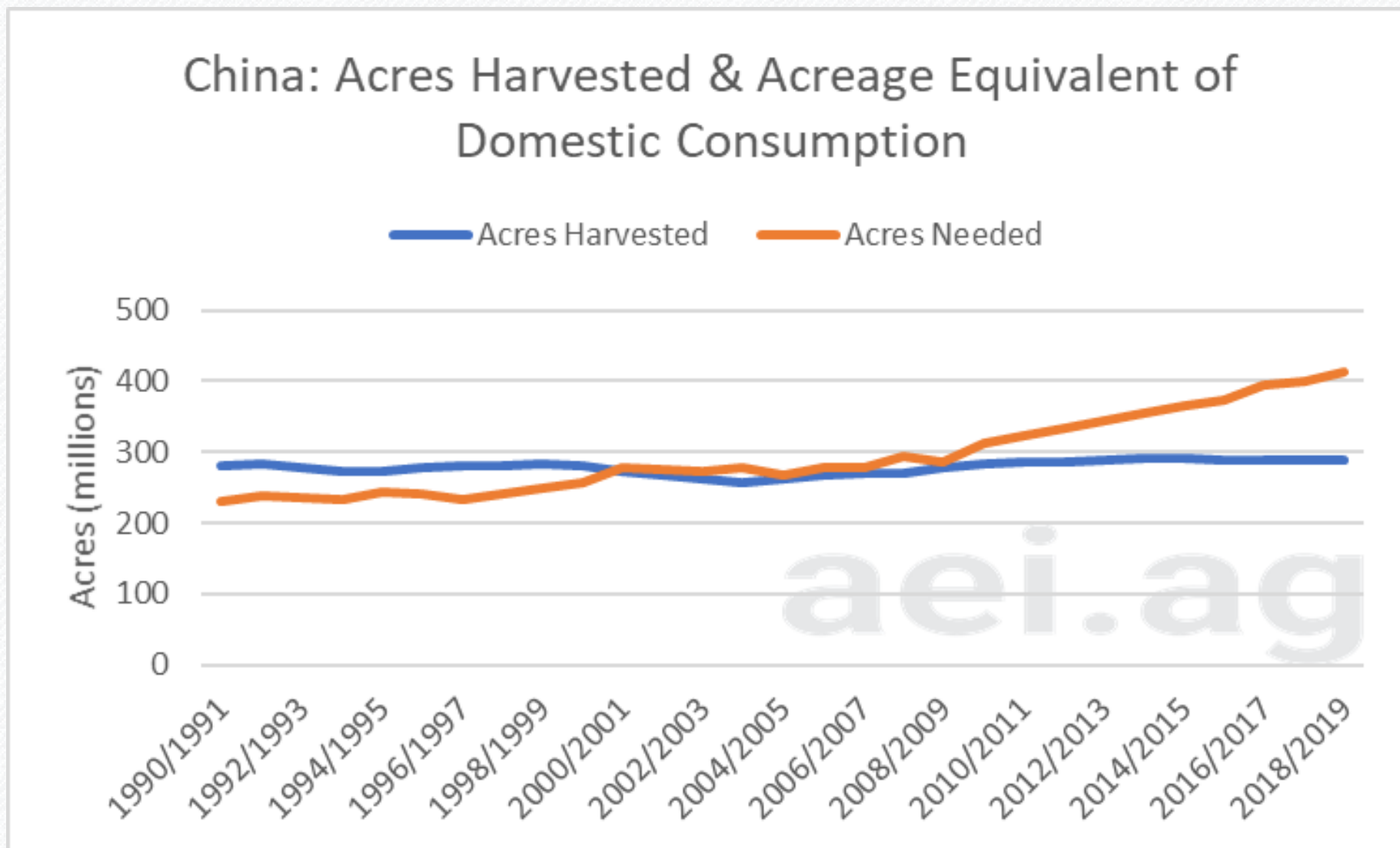
U.S. Soybean Ending Stocks to Use



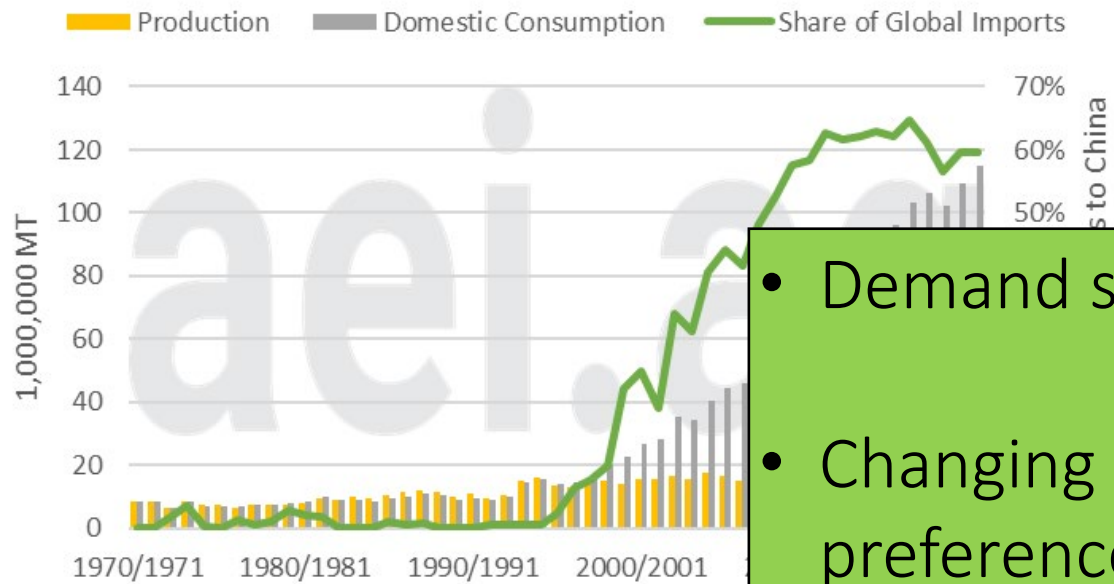
Fertilizer (and Other Inputs) Headed Higher



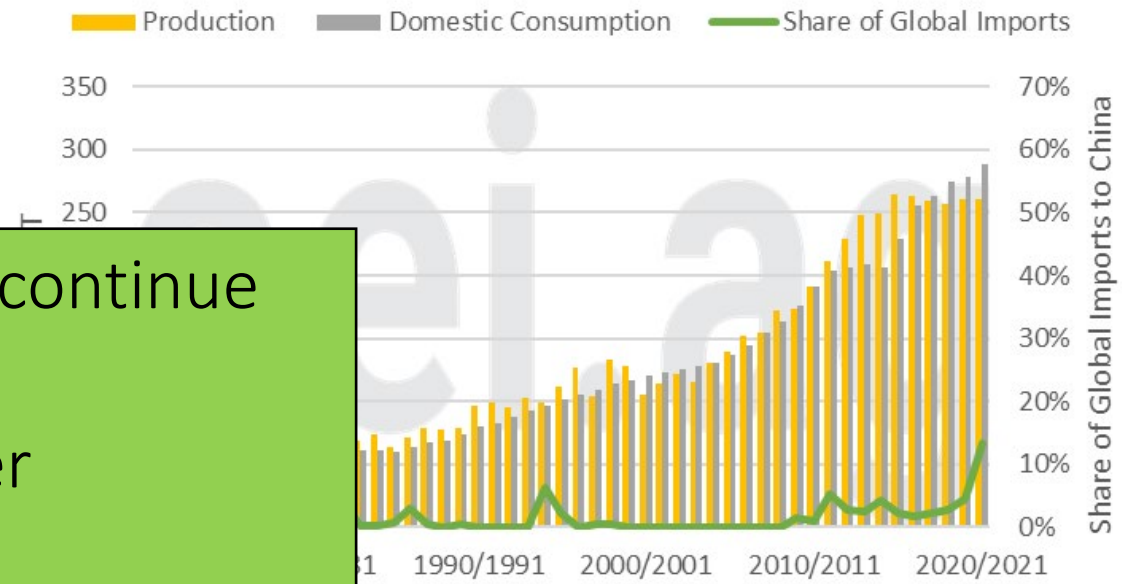
China: 100m Acre Production Gap



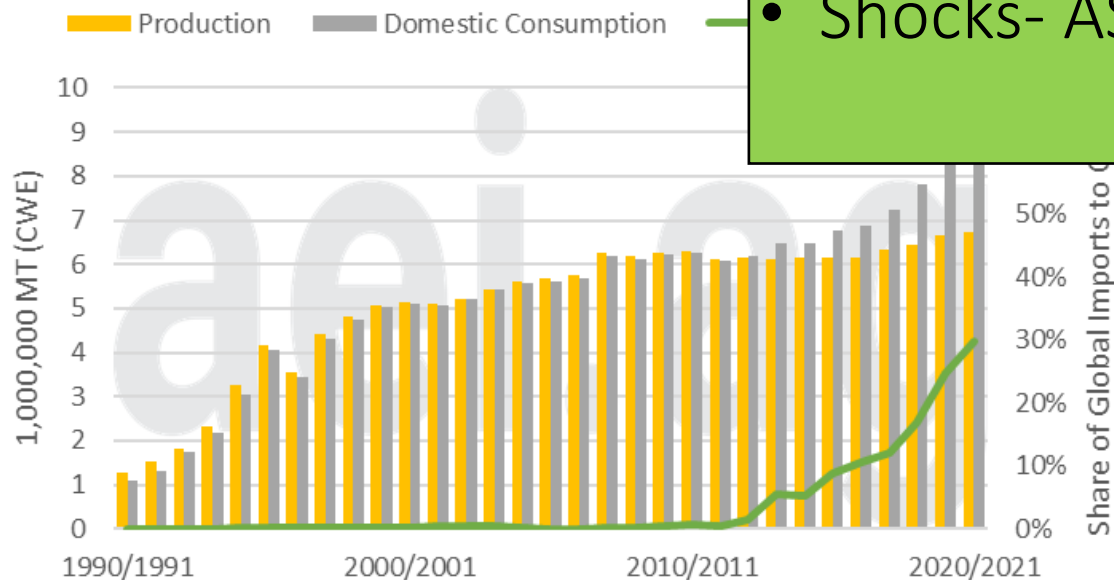
China: Soybeans



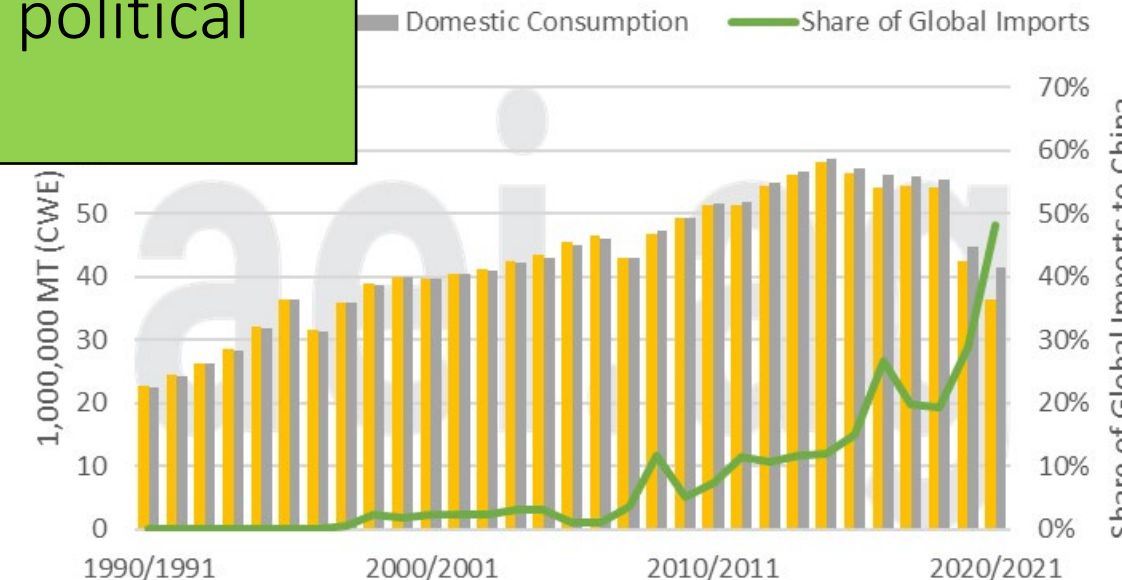
China: Corn



China: Beef



China: Pork



- Demand story will continue
- Changing consumer preferences?
- Shocks- ASF, trade, political

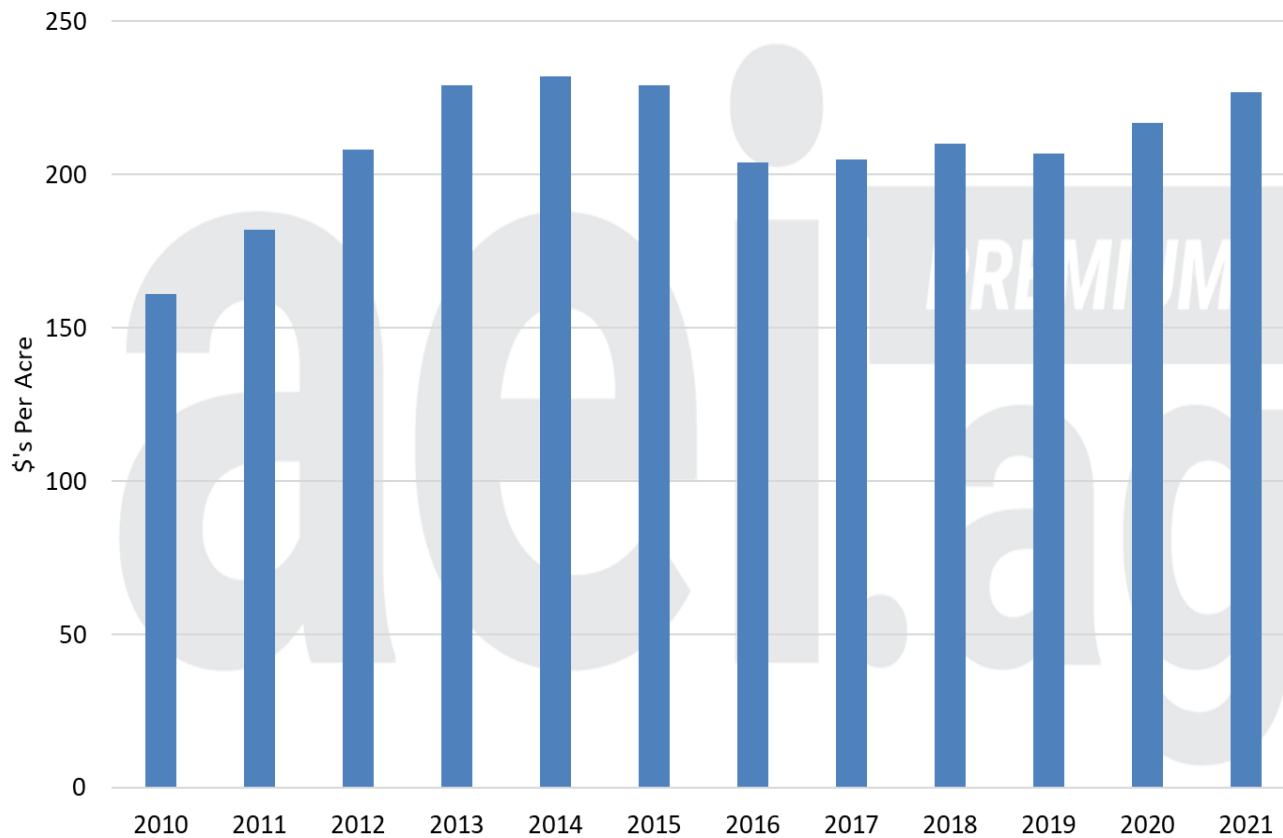
An aerial photograph of a farmland with rows of crops in blue and yellow. A green geometric shape, resembling a stylized mountain or a speech bubble tail, is overlaid on the right and bottom of the image. A white rectangular box is centered within the green shape, containing the title text. Large black quotation marks are positioned on the left and right sides of the white box.

All Eyes on Farmland

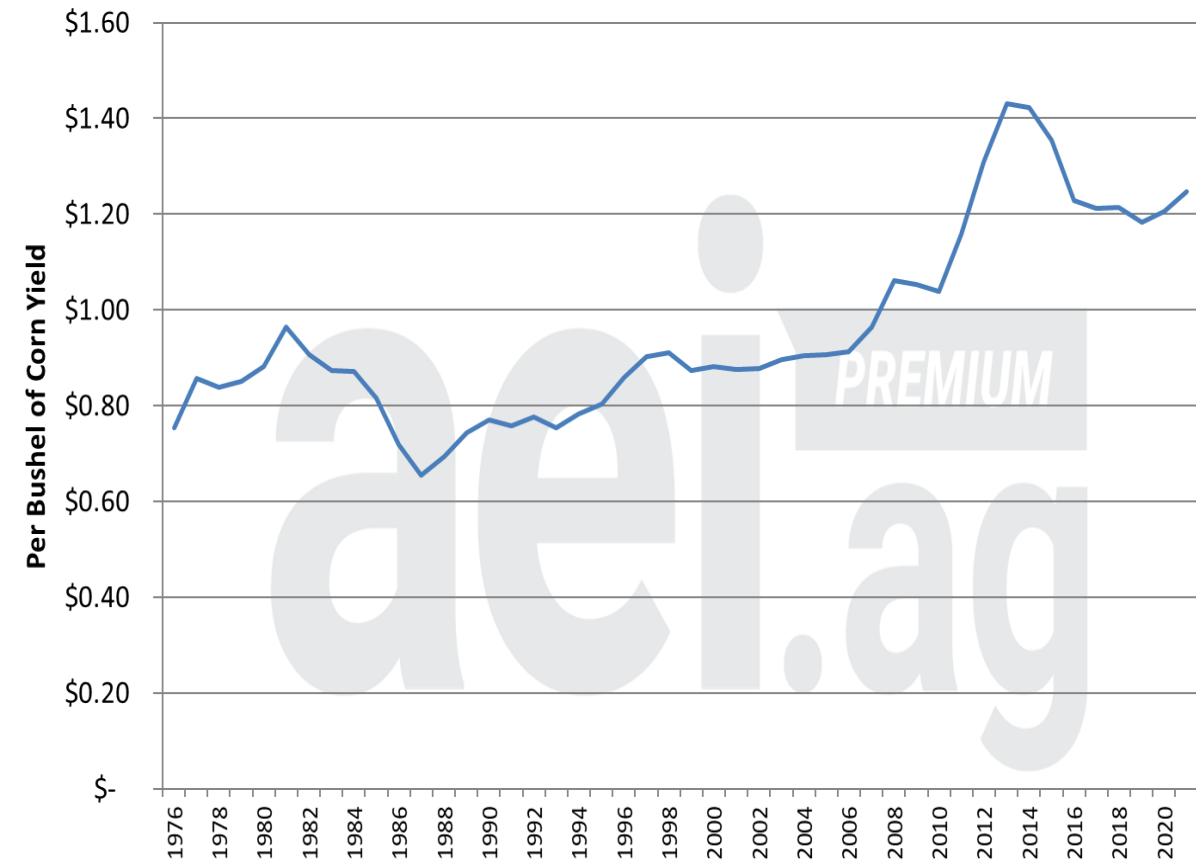
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Expect Sticker Shock in 2021

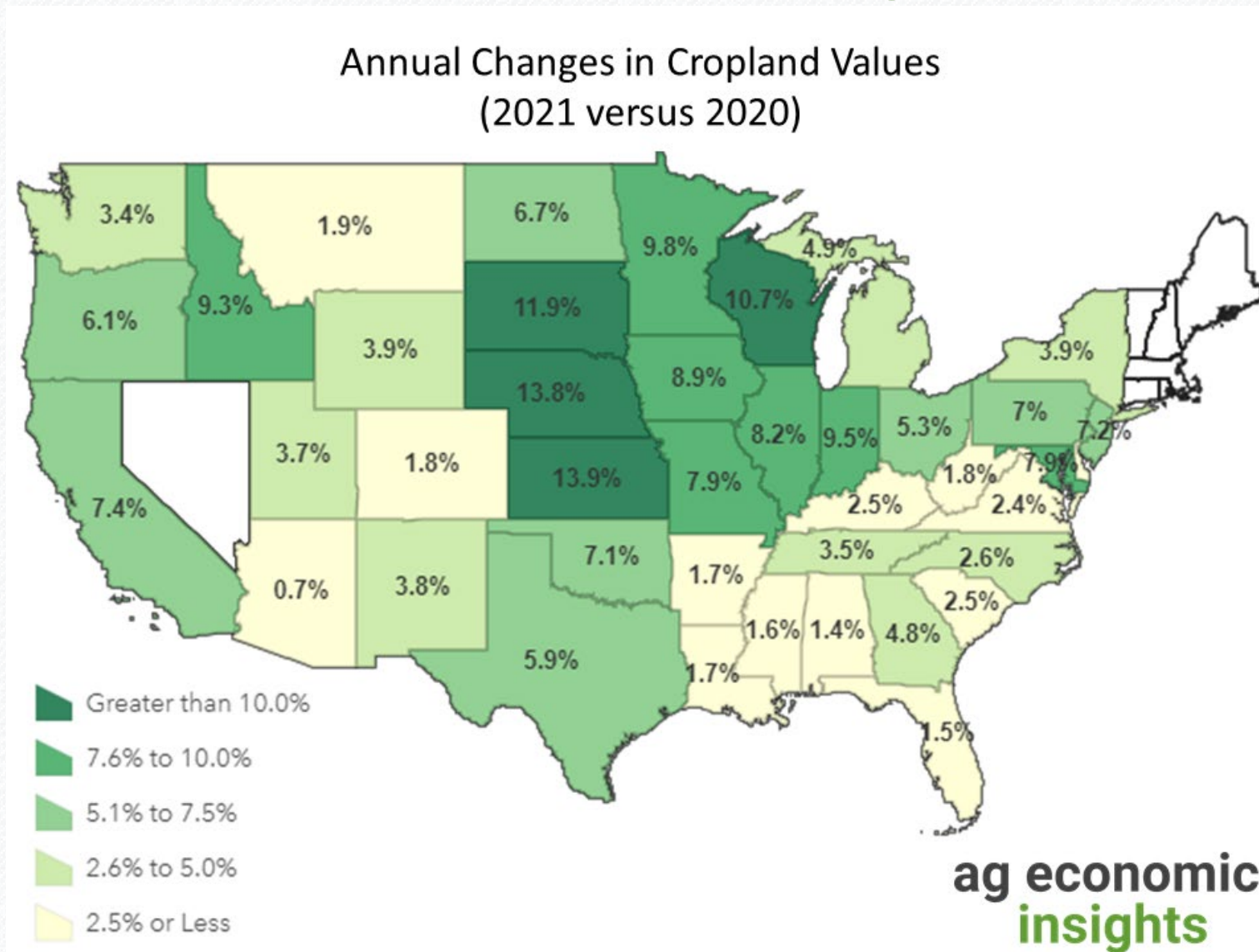
Cash Rent for Average Quality Indiana Farmland, 2010-2021



Cash Rent per Bushel of Corn Yield, Average Quality Indiana Farmland, 1976-2021



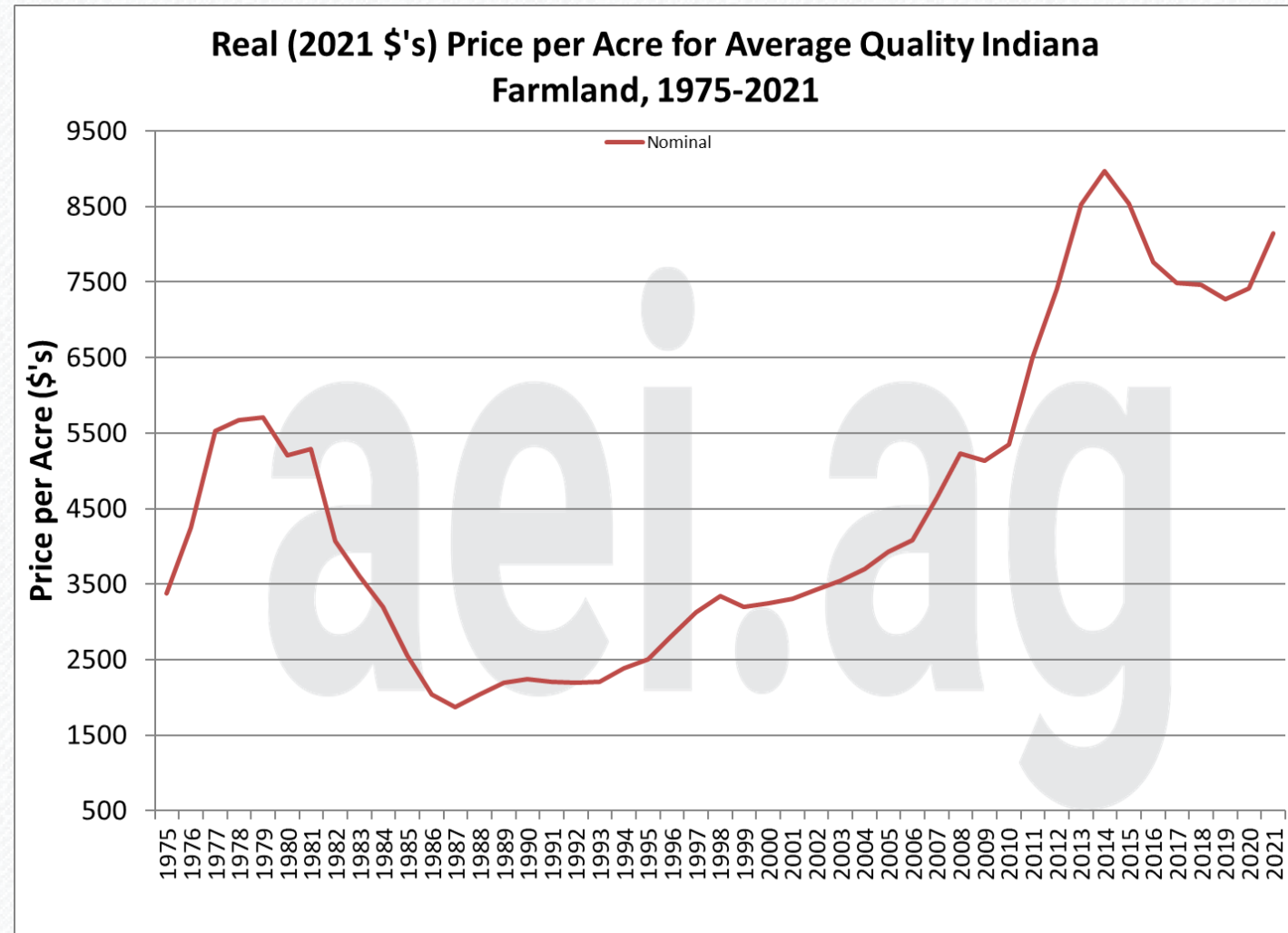
Farmland Values Shoot Higher



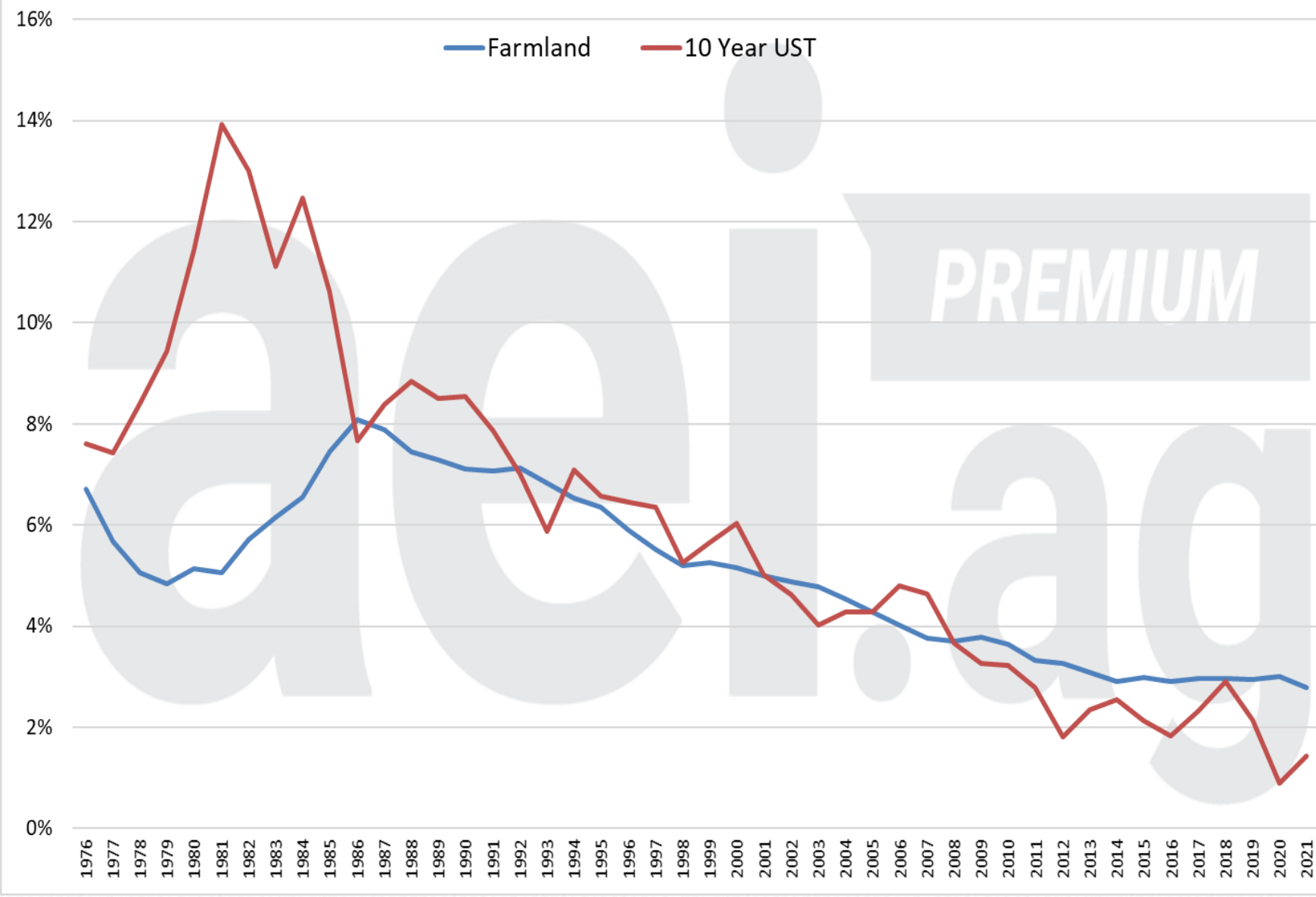
Land Values Will be Strong Heading into 2022

Primary Drivers of Land Values

- ✓ Income
- ✓ Interest rates
- ✓ Local supply/demand

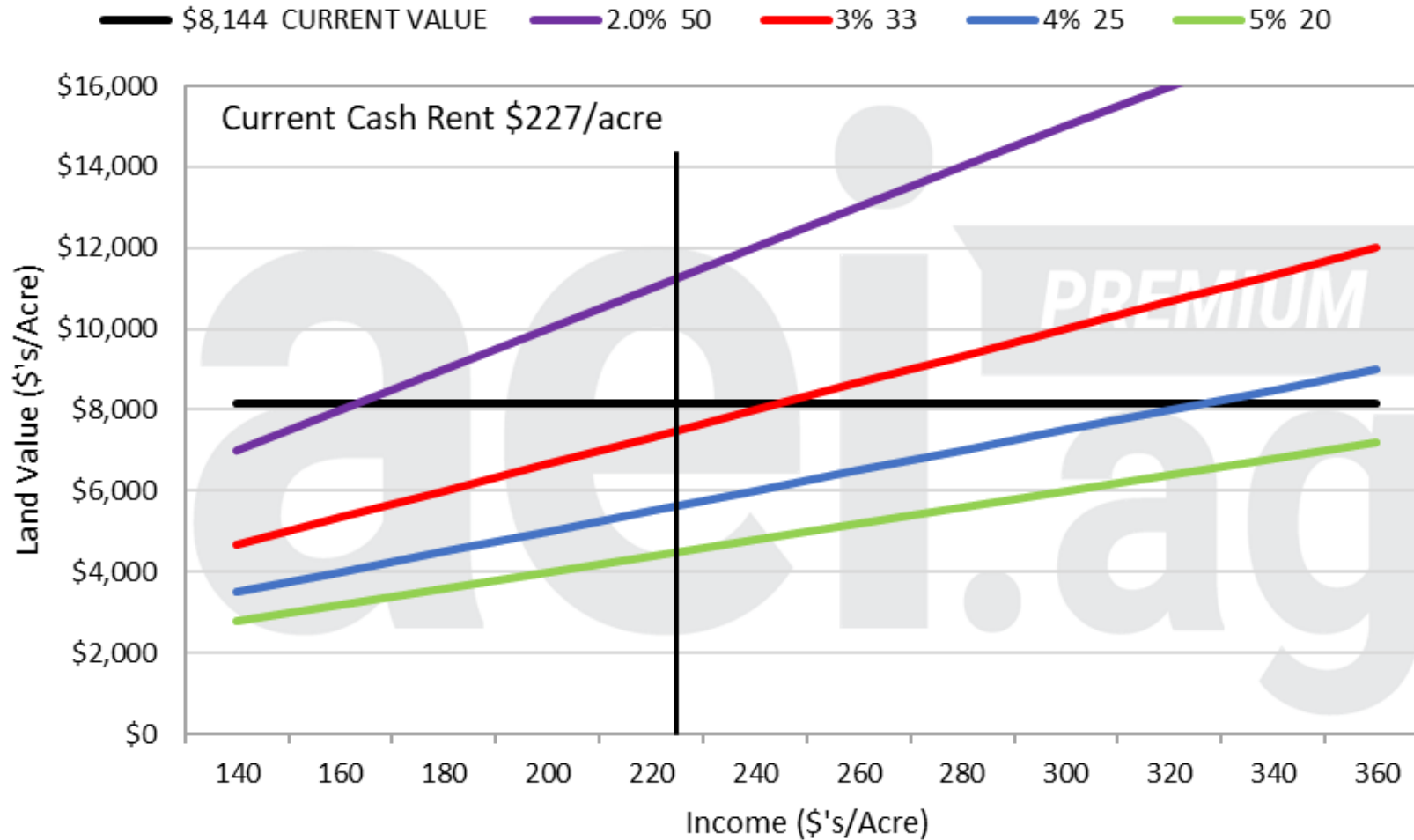


Cash Rent Divided by Average Indiana Farmland Value and Yield on 10 Year US Treasury Bonds, 1976-2021



Capitalization
Rates Are Very
Low but So are
Interest Rates

Land Values by Capitalization Rates and Income



The Reality of Very Low Cap Rates

At low interest rates, asset values – including farmland – are very *responsive* to changes

Macro Economic Uncertainties

- Government Stimulus
- Fed Stimulus
- Economic Growth?
- Inflation Concerns

Powell says he doesn't expect a 'large or sustained' inflation outbreak

Downplaying the risk of a runaway inflation, Federal Reserve Chairman Jerome Powell on Wednesday said he and his colleagues are focused ...

2 weeks ago



CNN

Jerome Powell and Janet Yellen aren't worried about inflation. Maybe they should be

San Francisco Fed chief: Inequality is bad for the economy. New York (CNN Business) Federal Reserve chair Jerome Powell and his ...

4 weeks ago



Politico

POLITICO Playbook: Larry Summers plays the skunk at the Covid relief party - POLITICO

And the Senate passes the budget resolution Democrats can use for a bill.

2 weeks ago



NBC News

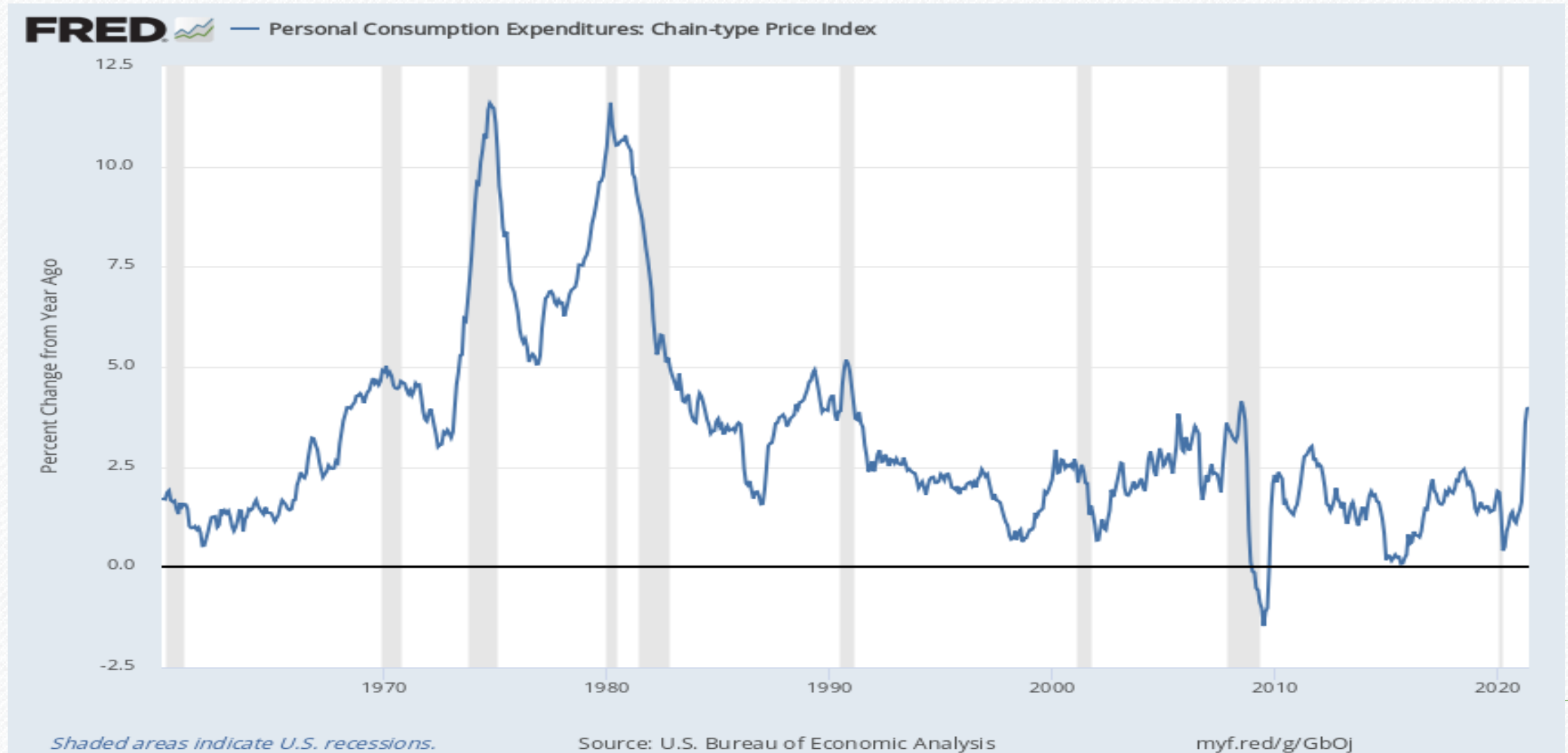
Stock market rises after Yellen comments on need for stimulus

Treasury Secretary Janet Yellen on Thursday said that tax hikes would be needed to pay for at least part of Biden's infrastructure, climate and ...

3 days ago



Inflation, but what do you really mean?





Producers Conversations

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2021: Very Optimistic

2022: Cautiously Optimistic

- Balance the narratives:
 - 1) optimism vs. 2) an uncertain future
- How are things going? Get specific:
 - How much profit is from ad hoc payments?
 - Balance sheet trends
- Think long-term and be strategic with...
 - Risk management
 - Deploying profits
 - Pursuing “good deals”

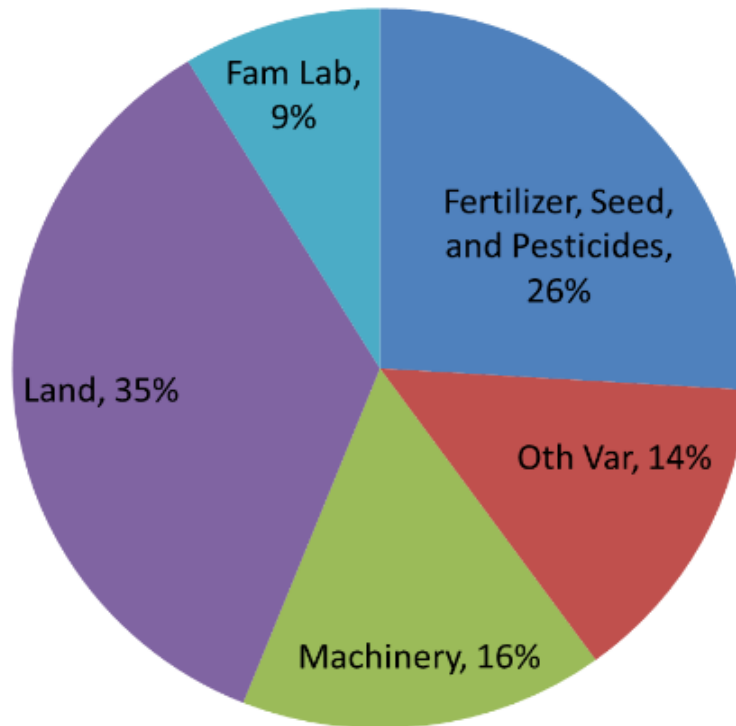


What decisions can we make in 2021 that will improve our position in 2026?

What decisions can we make in 2021 that will undermine our position in 2026?

What Costs Can You Control?

**Percent of Total Expenses, HQ IN Farmland, Average
1991-2015**



Source: Derived from Purdue Crop Budgets, ID-166, Corn-Soybean Rotation

Avoid Unforced Errors

“It’s remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent.”

-Charlie Munger



Thank You!

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