

# Agricultural Markets Situation and Outlook

June 10<sup>th</sup>, 2021

# Use the Q&A Tool to ask Questions

# ND Farm Income and Ratios

Bryon Parman

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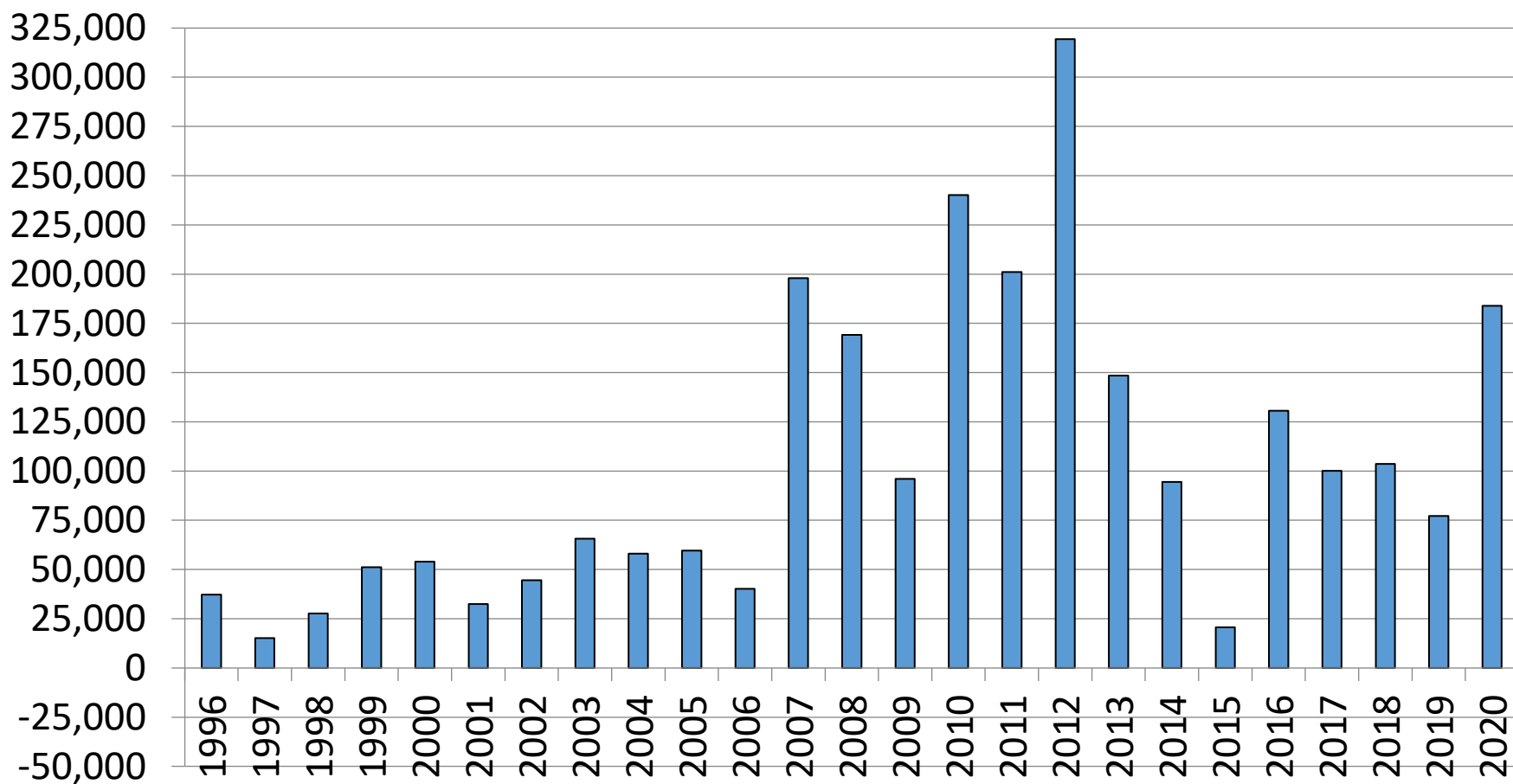
The logo consists of a dark green rectangular box. Inside the box, the text "NDSU" is written in a large, bold, yellow serif font. To the right of "NDSU", there is a thin vertical white line, followed by the word "EXTENSION" in a smaller, yellow, all-caps sans-serif font.

NDSU

EXTENSION

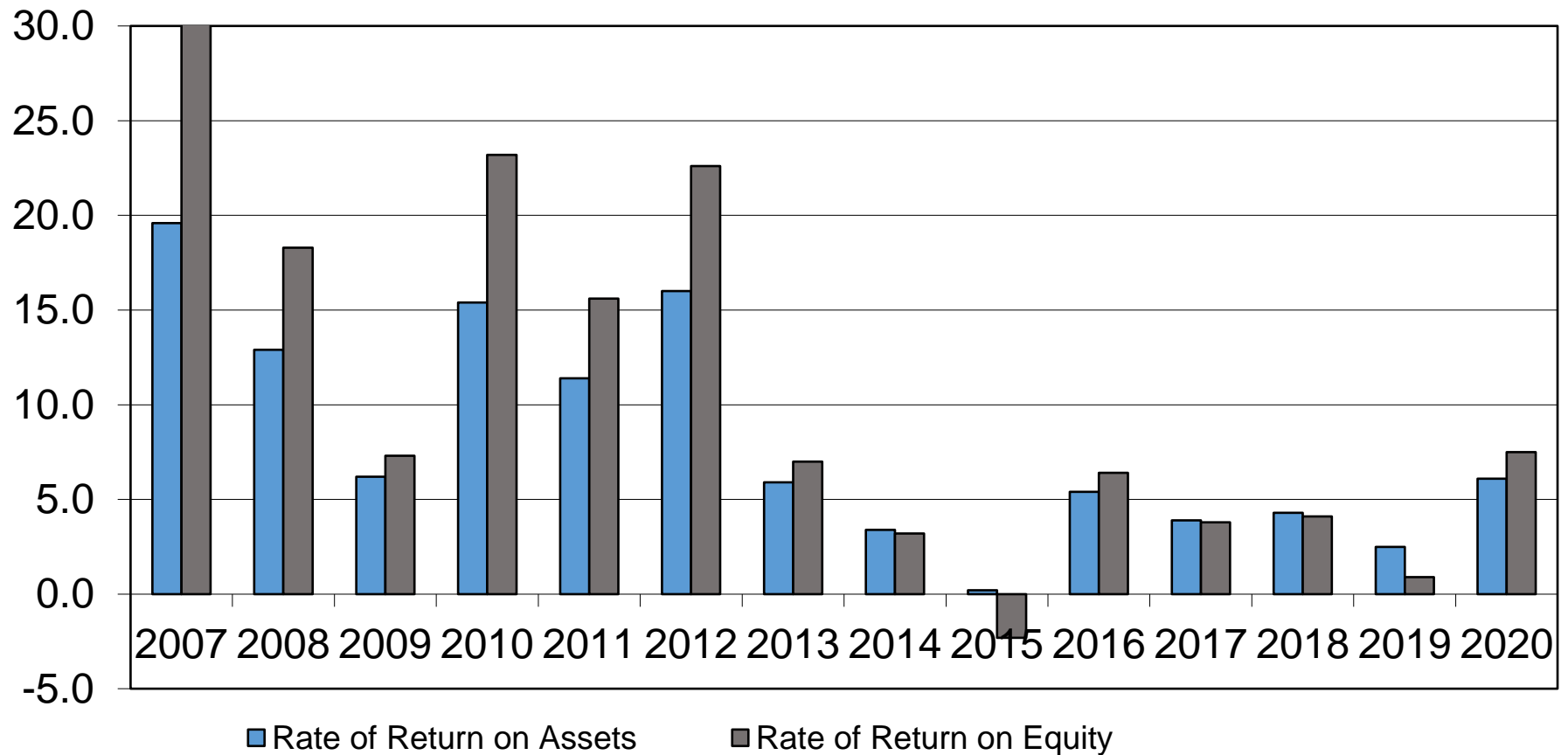
# Net Farm Income

ND Farm Business Management, Excluding RRV



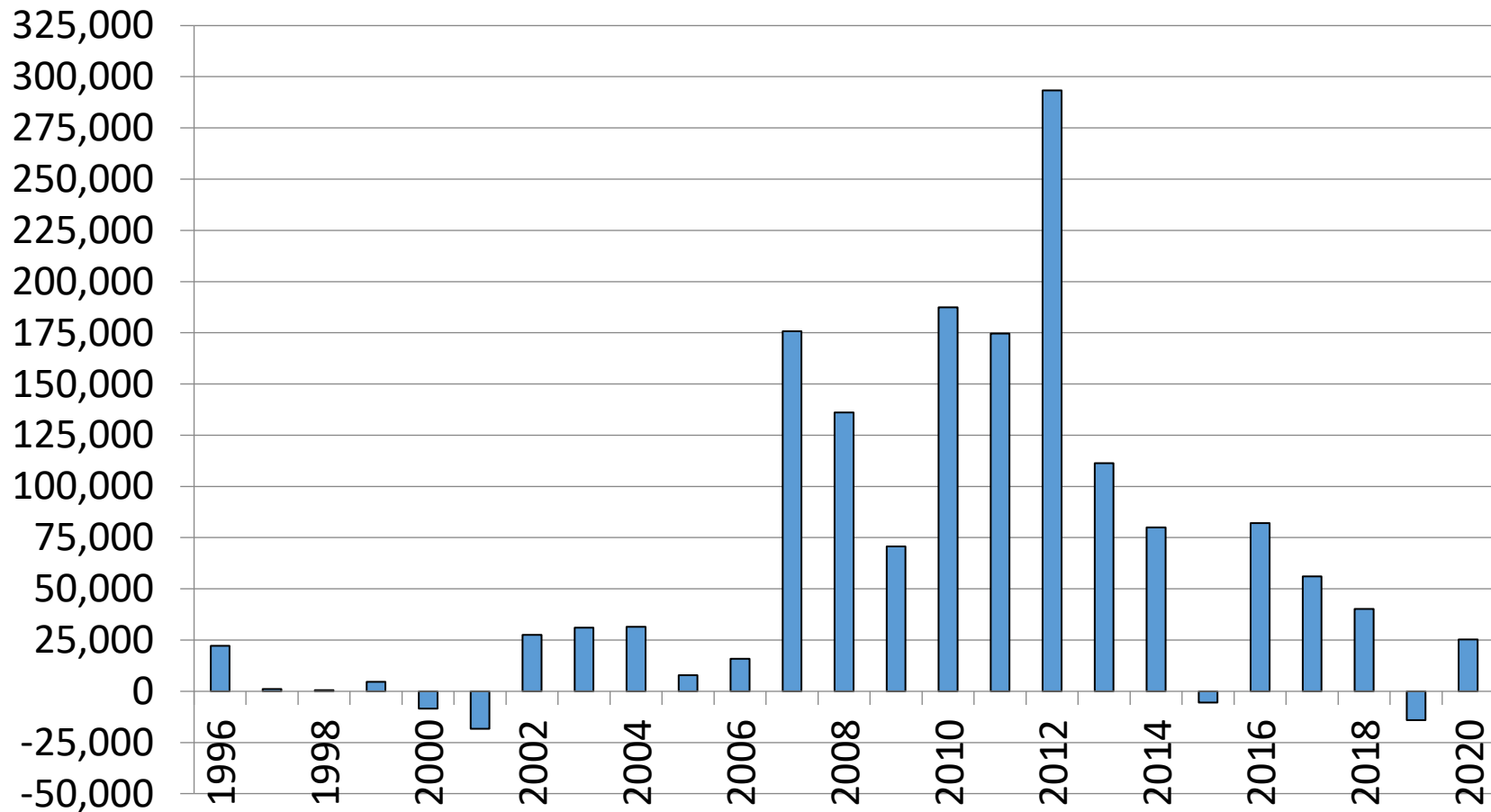
# Rates of Return on Assets and Equity, per Farm

ND Farm Business Management



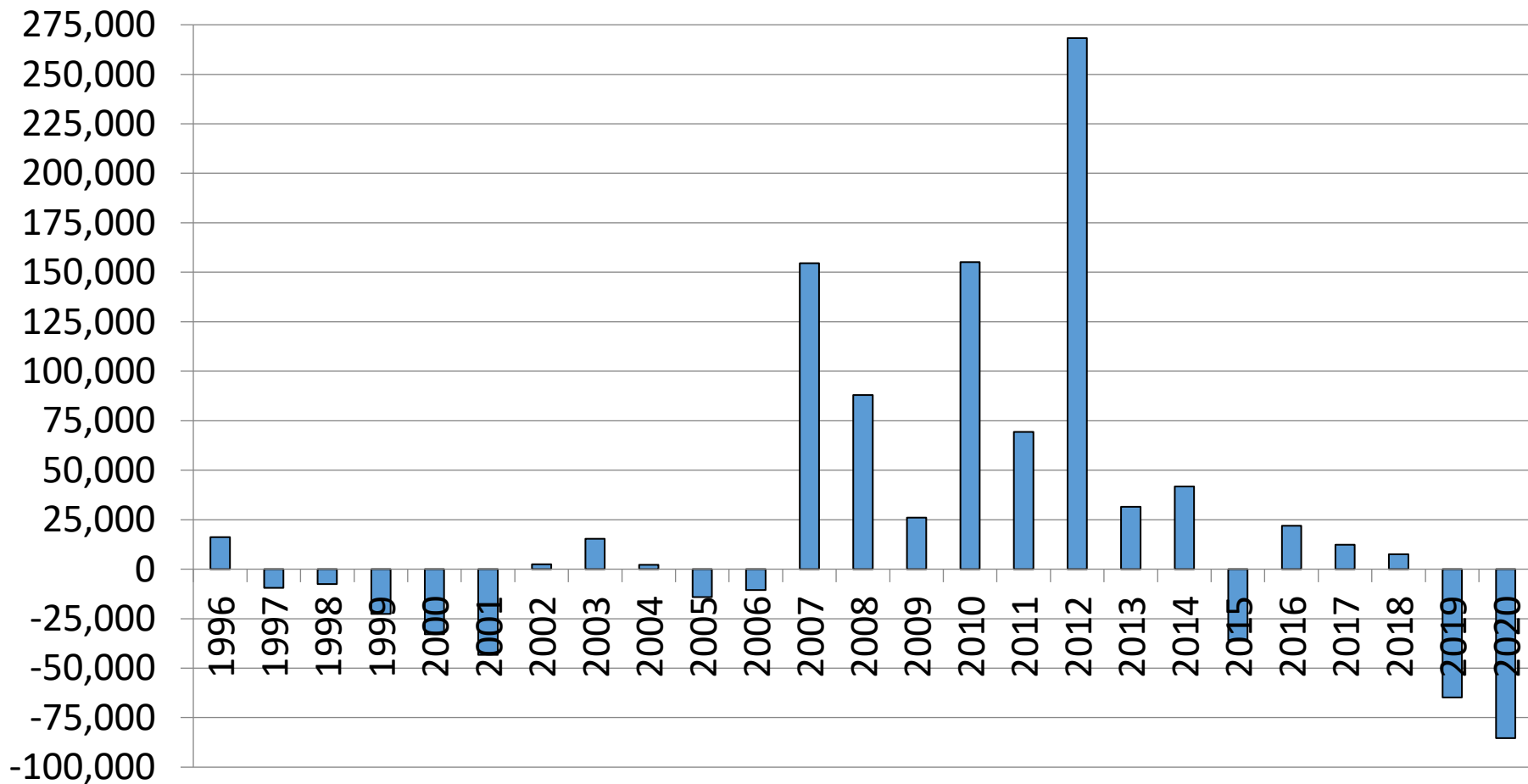
# Net Farm Income, Excluding Gov't Pymts

ND Farm Business Management

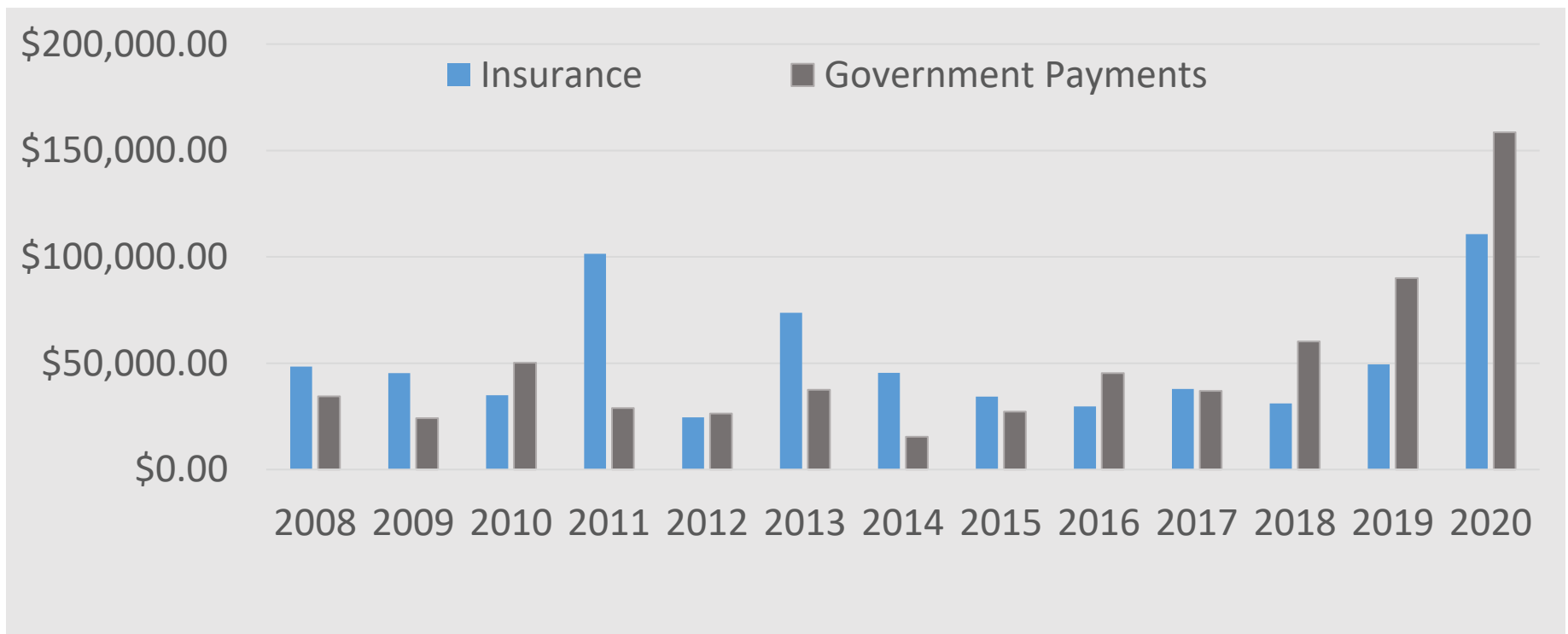


# Net Farm Income, Excluding Govt & Ins. Pmts

ND Farm Business Management



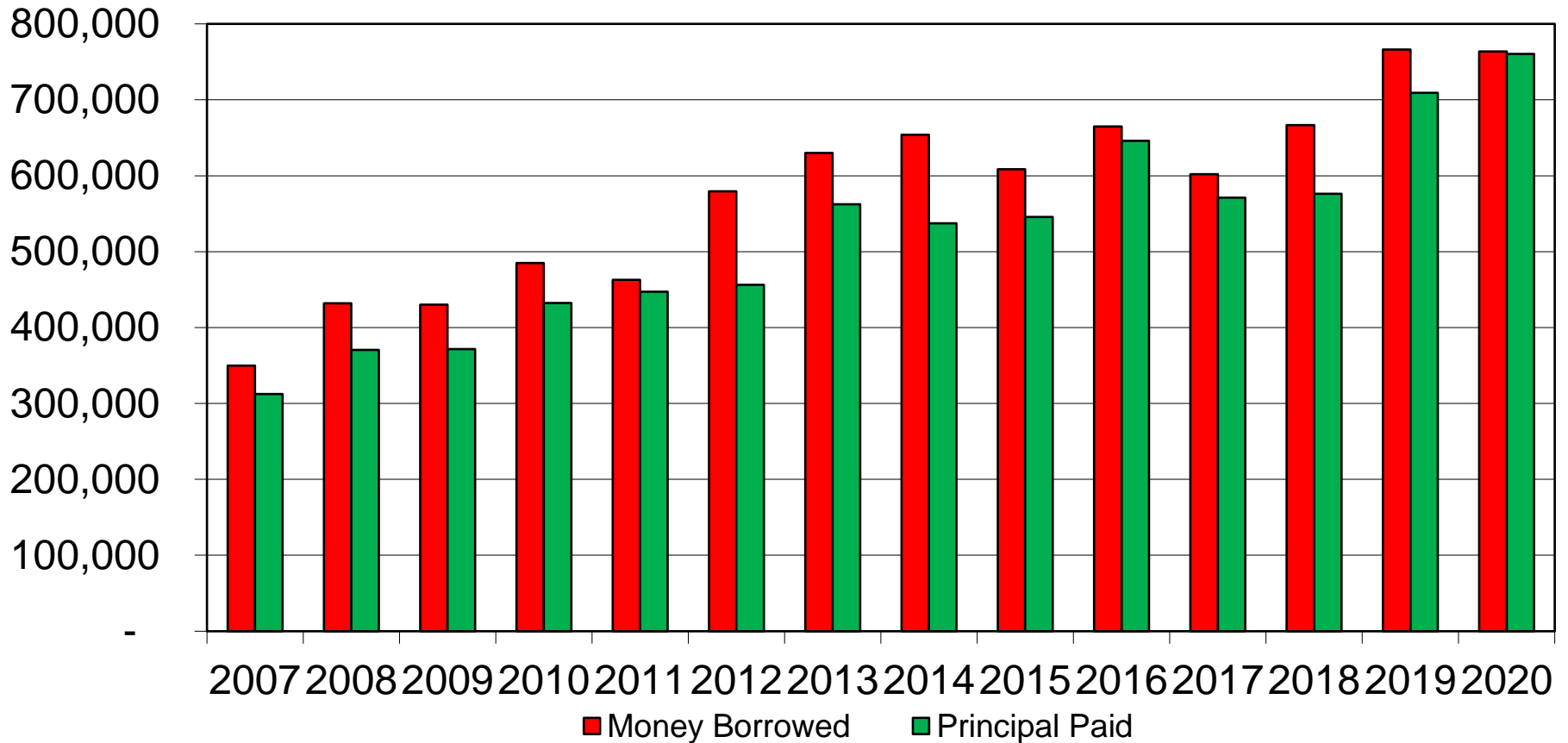
# Crop Insurance and Government Payments State Averages



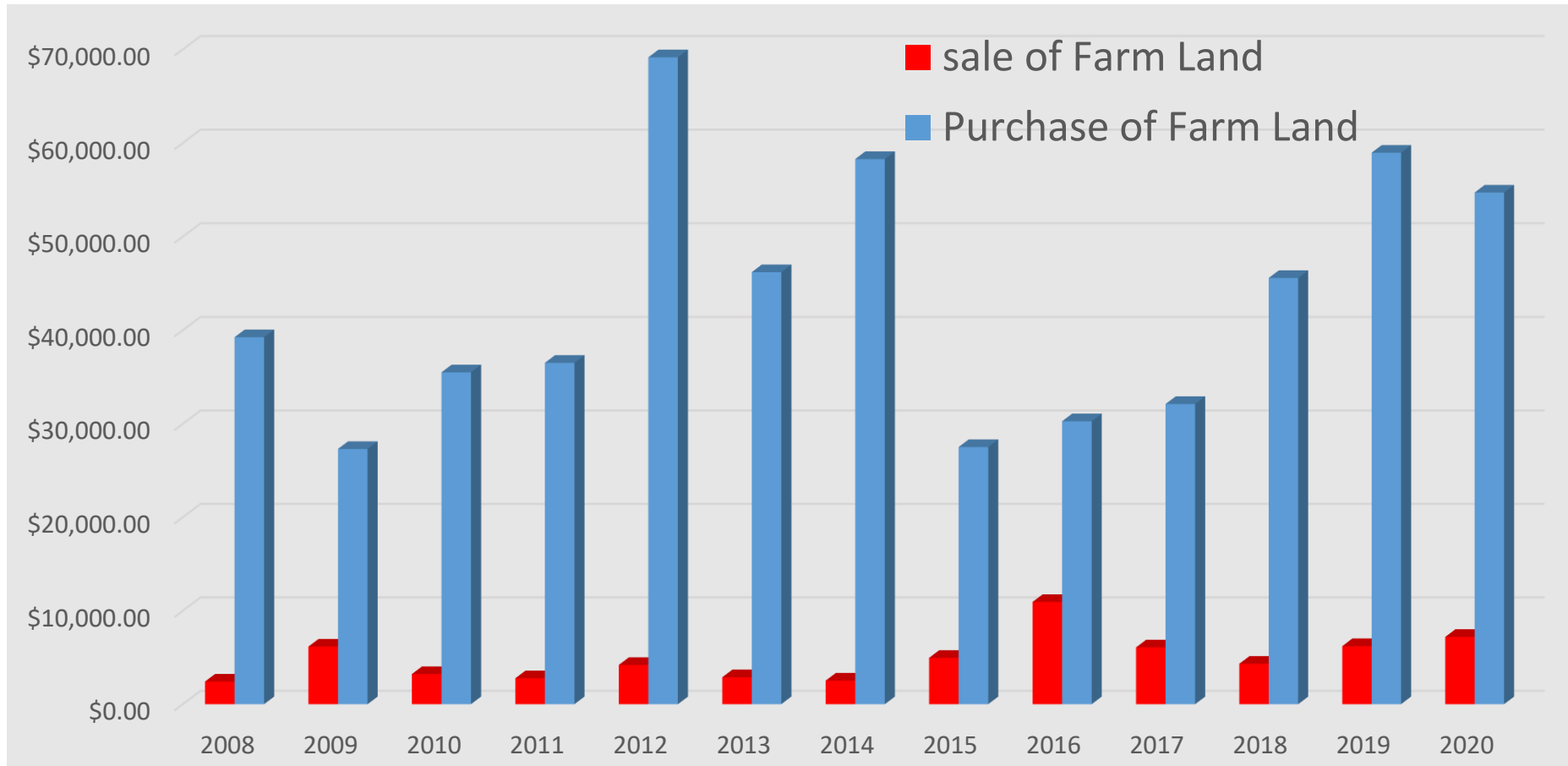


# Money Borrowed and Principal Paid, per Farm

ND Farm Business Management



# ND Farm Business Management



# Inflation

- Latest report shows 5% inflation for may
  - 3.8% core inflation
  - Highest since 2009
- Many analysts think it is transitory and likely stemming from sections of the economy opening up
  - This implies it will be short lived and unlikely to affect FED policy

# Implications of June WASDE

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# Pre-Report Industry Estimates vs. Reported Values

<b>U.S. 2020-21 Ending Stocks (billion bushels)</b>			
	<b>All Wheat</b>	<b>Corn</b>	<b>Soybean</b>
<b>Average Trade Estimate</b>	<b>0.869 bill. bu.</b>	<b>1.207 bill. bu.</b>	<b>0.122 bill. bu.</b>
Highest Trade Estimate	0.901 bill. bu.	1.257 bill. bu.	0.150 bill. bu.
Lowest Trade Estimate	0.832 bill. bu.	1.132 bill. bu.	0.110 bill. bu.
USDA May 12, 2021	0.872 bill. bu.	1.257 bill. bu.	0.120 bill. bu.
<b>USDA June 10, 2021</b>	<b>0.852 bill. bu.</b>	<b>1.107 bill. bu.</b>	<b>0.135 bill. bu.</b>

Reuters News and June 10, 2021 USDA - WASDE

# Pre-Report Industry Estimates vs. Reported Values

<b>U.S. 2021-22 Ending Stocks (billion bushels)</b>			
	<b>All Wheat</b>	<b>Corn</b>	<b>Soybean</b>
<b>Average Trade Estimate</b>	<b>0.783 bill. bu.</b>	<b>1.423 bill. bu.</b>	<b>0.146 bill. bu.</b>
Highest Trade Estimate	0.899 bill. bu.	1.507 bill. bu.	0.206 bill. bu.
Lowest Trade Estimate	0.702 bill. bu.	1.282 bill. bu.	0.127 bill. bu.
USDA May 12, 2021	0.774 bill. bu.	1.507 bill. bu.	0.140 bill. bu.
<b>USDA June 10, 2021</b>	<b>0.770 bill. bu.</b>	<b>1.357 bill. bu.</b>	<b>0.155 bill. bu.</b>

Reuters News and June 10, 2021 USDA - WASDE

# Next Major USDA Reports

- ***Acreage*** report:
  - **June 30, 2021, at 11:00 am CT.**
  - Survey of approximately 70,900 farm operators in U.S. during first two weeks of June.
    - Update to the March Prospective Plantings report.
- **Note:** WASDE is currently using 30-year trendline yields, adjusted for planting progress.

# USDA Crop Progress Report - Corn

## Corn Condition – Selected States: Week Ending June 6, 2021

[These 18 States planted 92% of the 2020 corn acreage]

State	Very poor (percent)	Poor (percent)	Fair (percent)	Good (percent)	Excellent (percent)
Colorado .....	-	6	20	64	10
Illinois .....	-	2	24	58	16
Indiana .....	2	4	21	63	10
Iowa .....	1	2	20	60	17
Kansas .....	1	4	19	66	10
Kentucky .....	1	2	11	73	13
Michigan .....	1	4	39	48	8
Minnesota .....	-	3	28	56	13
Missouri .....	1	8	34	54	3
Nebraska .....	1	2	13	60	24
North Carolina .....	-	6	20	57	17
North Dakota .....	5	12	41	39	3
Ohio .....	-	1	23	62	14
Pennsylvania .....	-	3	24	61	12
South Dakota .....	5	10	39	43	3
Tennessee .....	1	3	17	58	21
Texas .....	-	2	19	50	29
Wisconsin .....	1	5	18	54	22
18 States .....	1	4	23	58	14
Previous week .....	1	3	20	62	14
Previous year .....	1	3	21	60	15

- Represents zero.



# USDA Crop Progress Report - Soybean

## Soybean Condition – Selected States: Week Ending June 6, 2021

[These 18 States planted 96% of the 2020 soybean acreage]

State	Very poor	Poor	Fair	Good	Excellent
	(percent)	(percent)	(percent)	(percent)	(percent)
Arkansas .....	-	3	23	58	16
Illinois .....	-	2	25	61	12
Indiana .....	1	3	22	64	10
Iowa .....	1	3	23	58	15
Kansas .....	3	2	29	64	2
Kentucky .....	1	1	15	70	13
Louisiana .....	-	10	17	71	2
Michigan .....	1	3	39	49	8
Minnesota .....	-	3	27	55	15
Mississippi .....	1	-	14	70	15
Missouri .....	-	3	38	56	3
Nebraska .....	1	2	11	66	20
North Carolina .....	-	5	29	58	8
North Dakota .....	9	23	43	23	2
Ohio .....	-	3	26	61	10
South Dakota .....	1	11	43	42	3
Tennessee .....	1	2	17	65	15
Wisconsin .....	1	5	22	59	13
18 States .....	1	5	27	57	10
Previous week .....	(NA)	(NA)	(NA)	(NA)	(NA)
Previous year .....	1	3	24	60	12

- Represents zero.

(NA) Not available.

# USDA Crop Progress Report – Spring Wheat

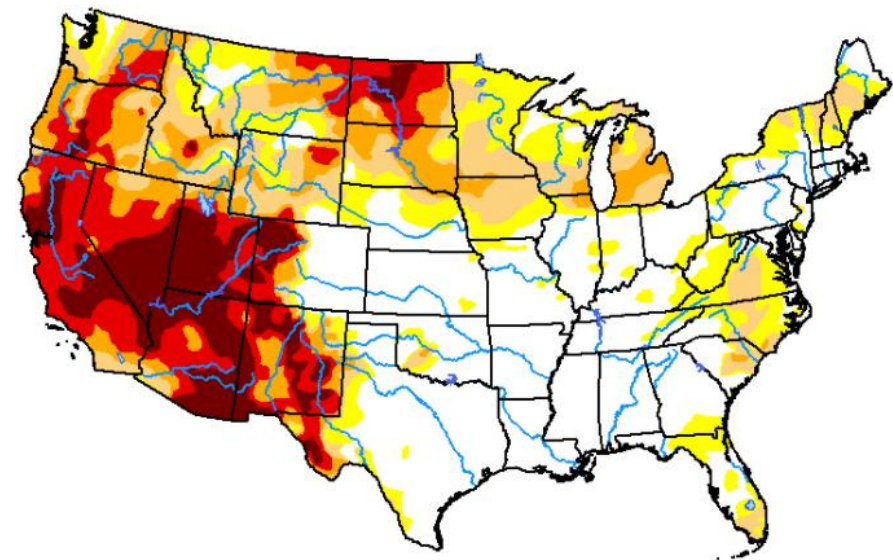
## Spring Wheat Condition – Selected States: Week Ending June 6, 2021

[These 6 States planted 100% of the 2020 spring wheat acreage]

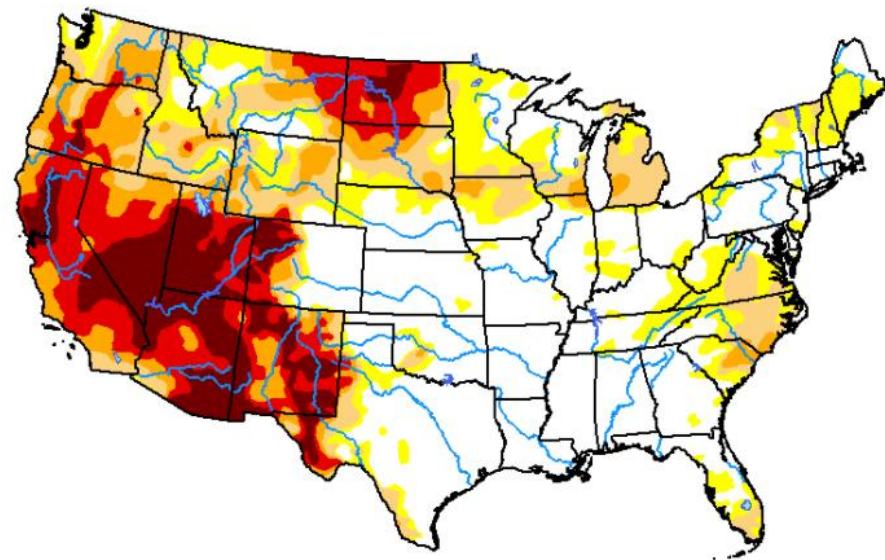
State	Very poor	Poor	Fair	Good	Excellent
	(percent)	(percent)	(percent)	(percent)	(percent)
Idaho .....	-	11	64	23	2
Minnesota .....	-	4	24	56	16
Montana .....	3	15	35	46	1
North Dakota .....	13	16	39	30	2
South Dakota .....	7	26	51	16	-
Washington .....	21	35	27	17	-
6 States .....	9	16	37	35	3
Previous week .....	4	16	37	39	4
Previous year .....	-	1	17	72	10

- Represents zero.

# U.S. Drought Monitor Comparison

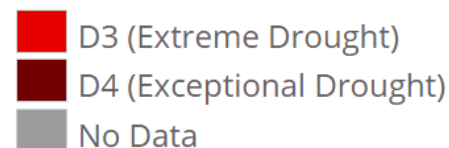
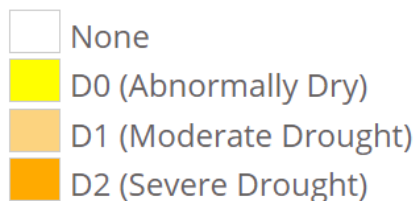


**June 8, 2021**



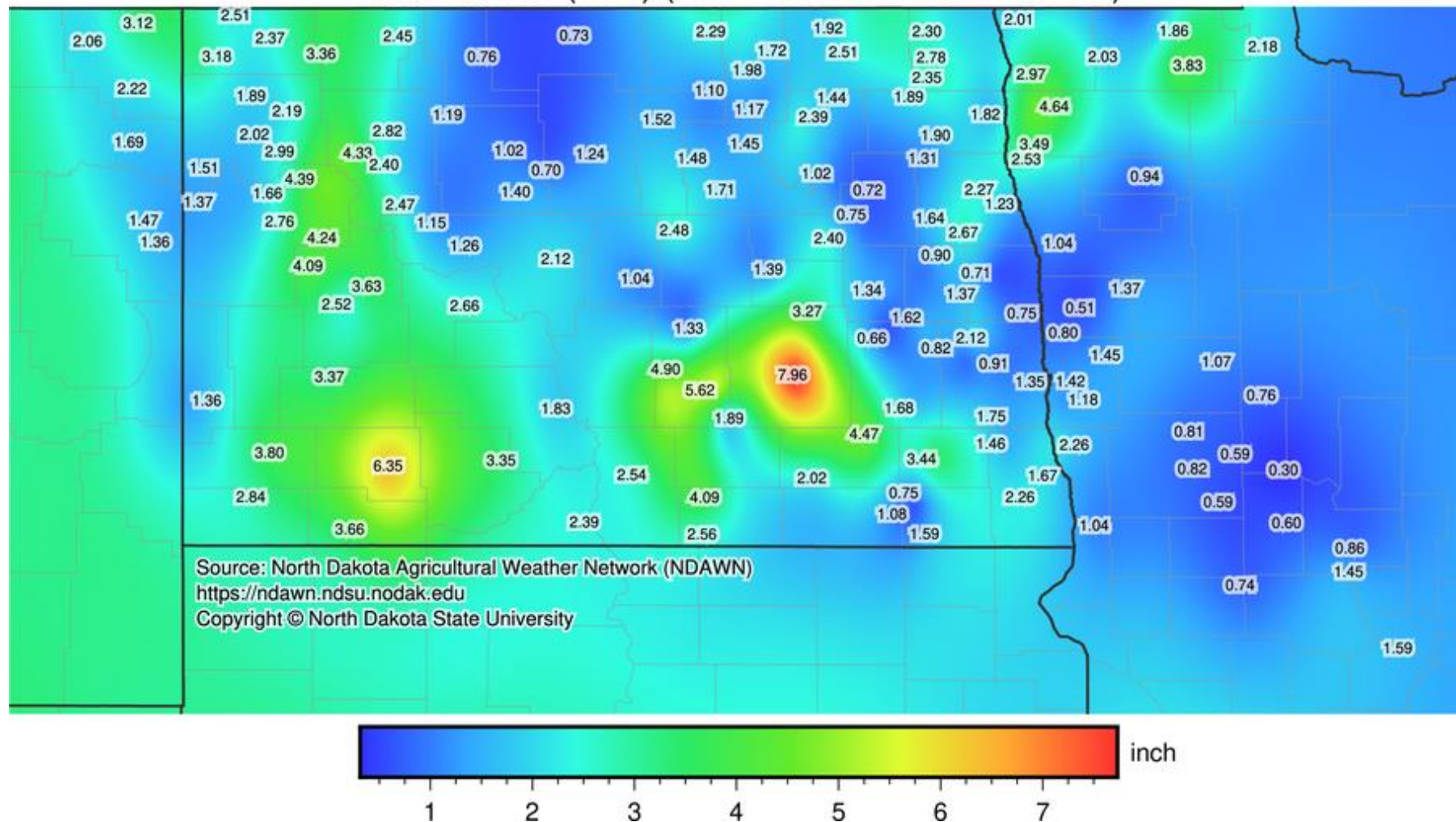
**June 1, 2021**

## Drought Classification



# Past 30-Day Total Rainfall

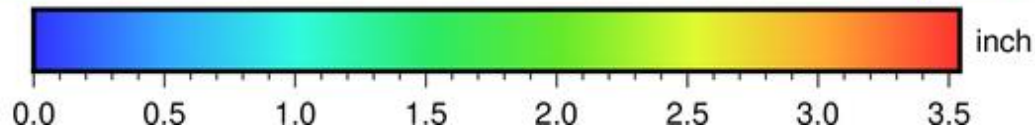
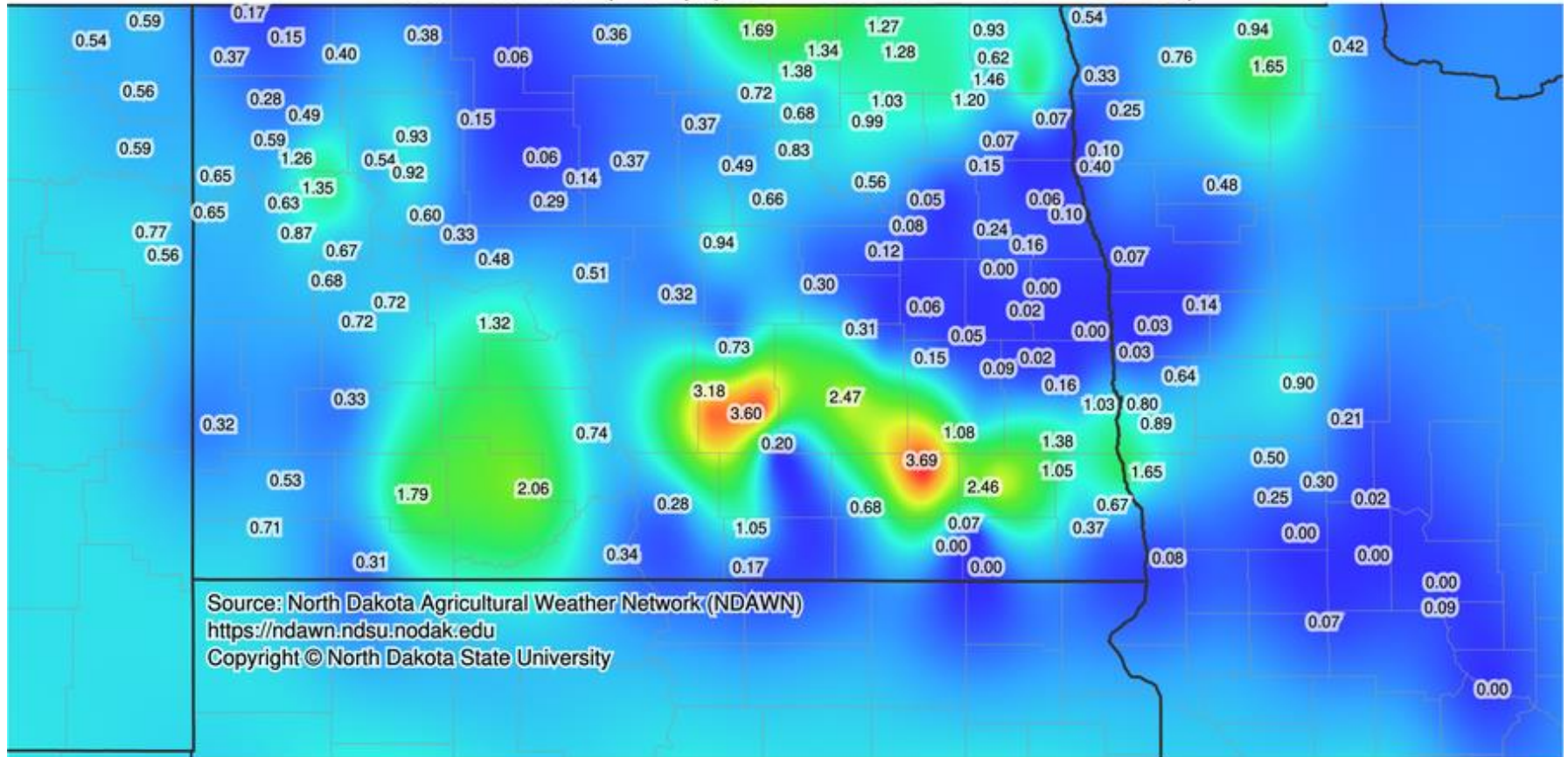
Total Rainfall (inch) (2021-05-11 – 2021-06-09)





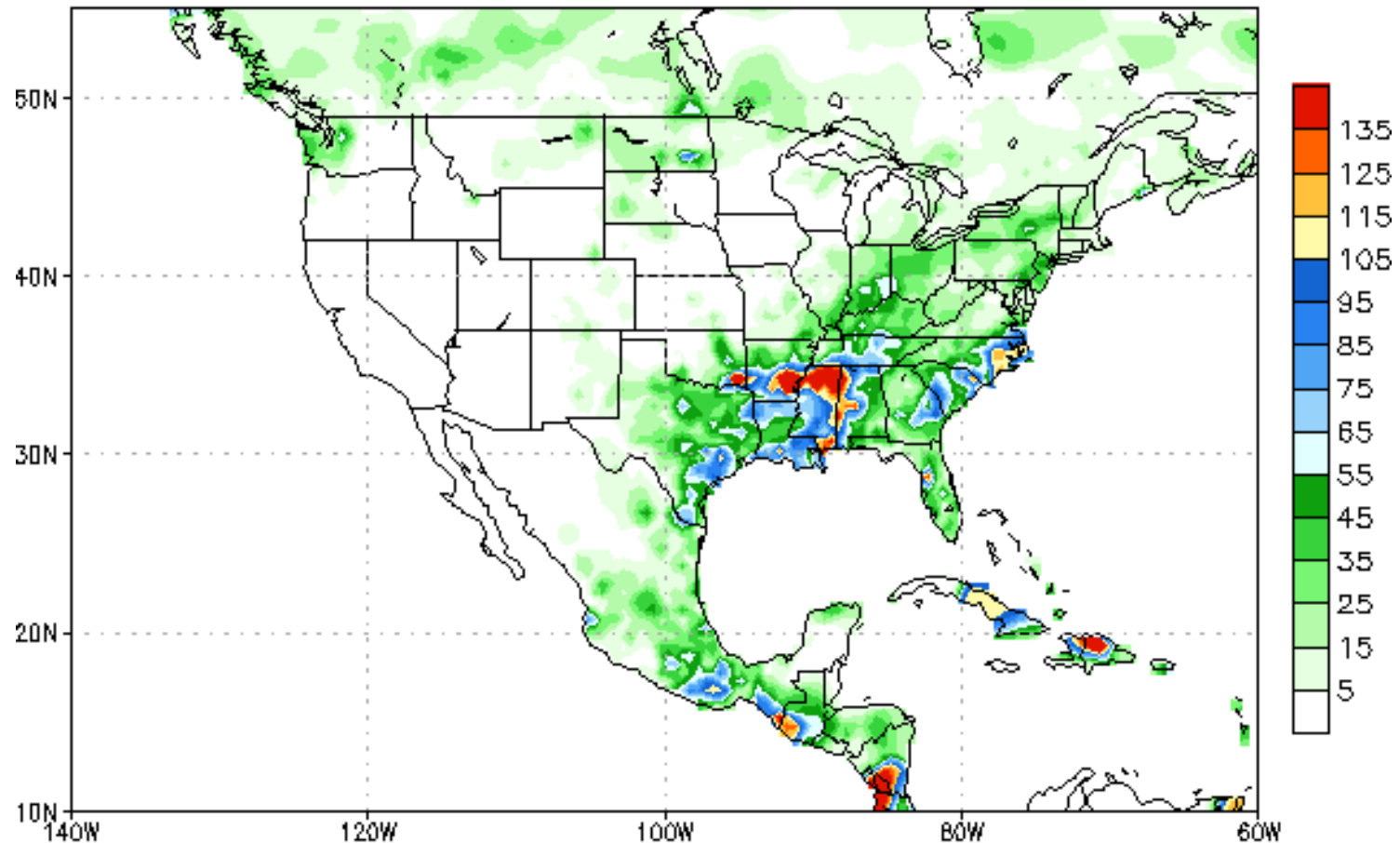
# Past 7-Day Total Rainfall

Total Rainfall (inch) (2021-06-03 – 2021-06-09)



# Past 7-Day Accumulated Precipitation

7-day Accumulated Prep (mm) 03JUN2021–09JUN2021



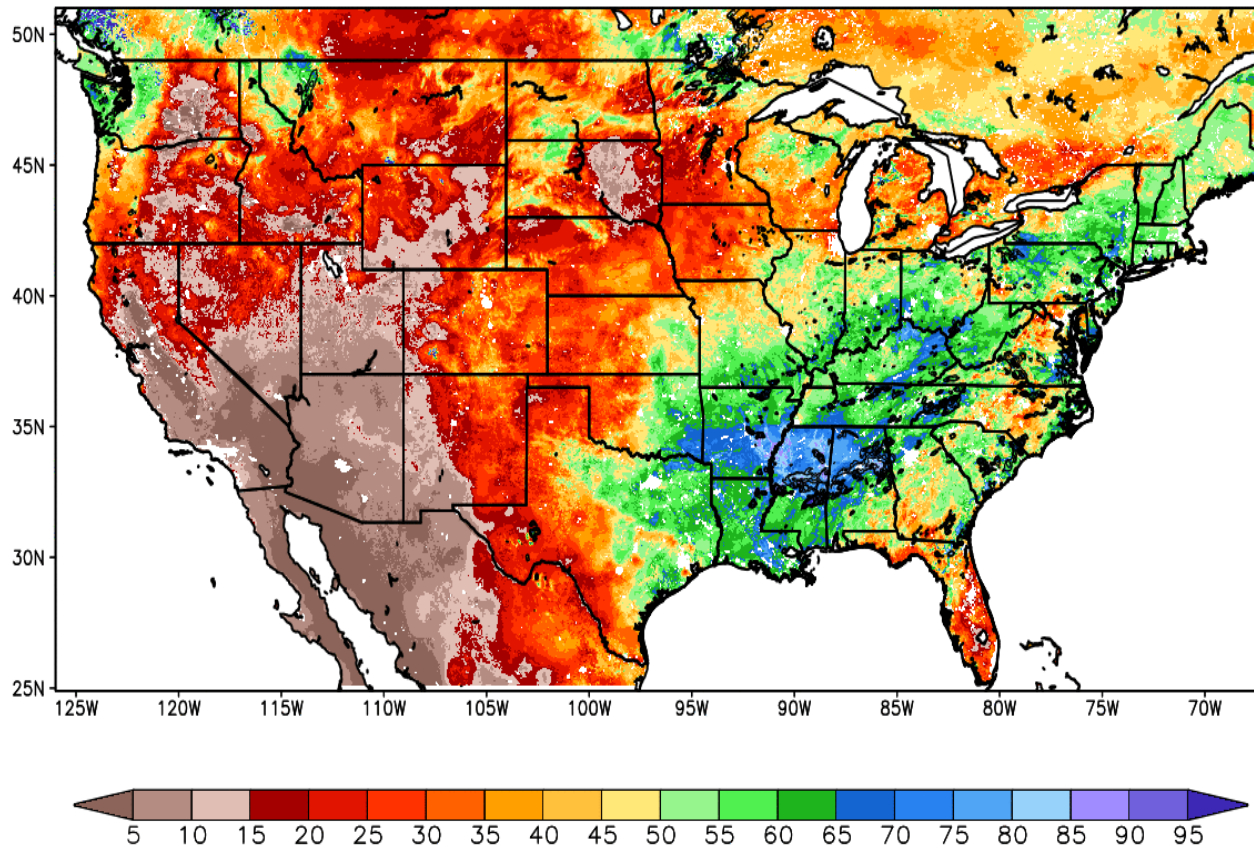
Data Source: CPC Unified (gauge-based & 0.5x0.5 deg resolution) Precipitation Analysis

National Weather Service – Climate  
Prediction Center (06-10-21 am)

# 0.0" - 3.9" **Relative** Soil Moisture

0-10 cm Relative Soil Moisture (available water; %) valid 00z 10 Jun 2021

Precipitation in previous hour (1,2,5,10,15,20,25 mm contours)

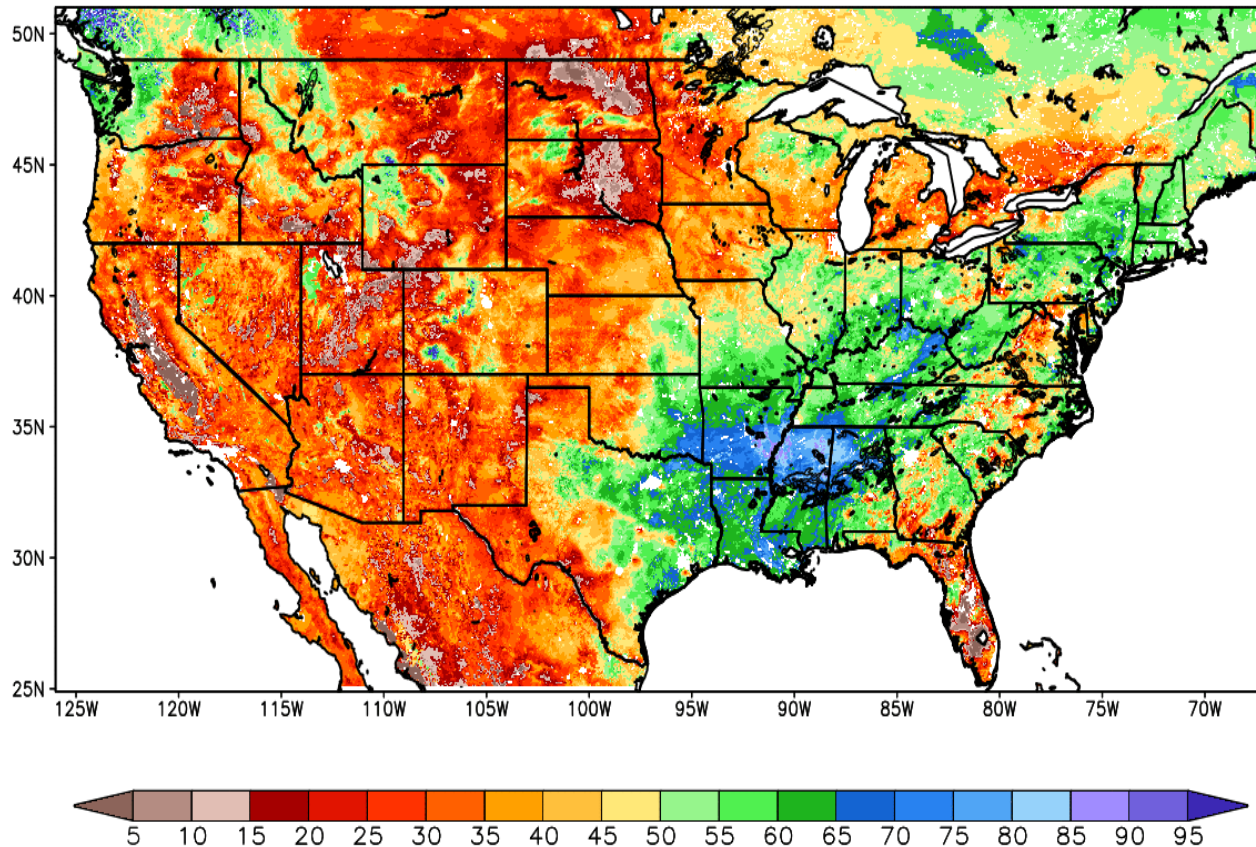




# 3.9" – 15.7" **Relative** Soil Moisture

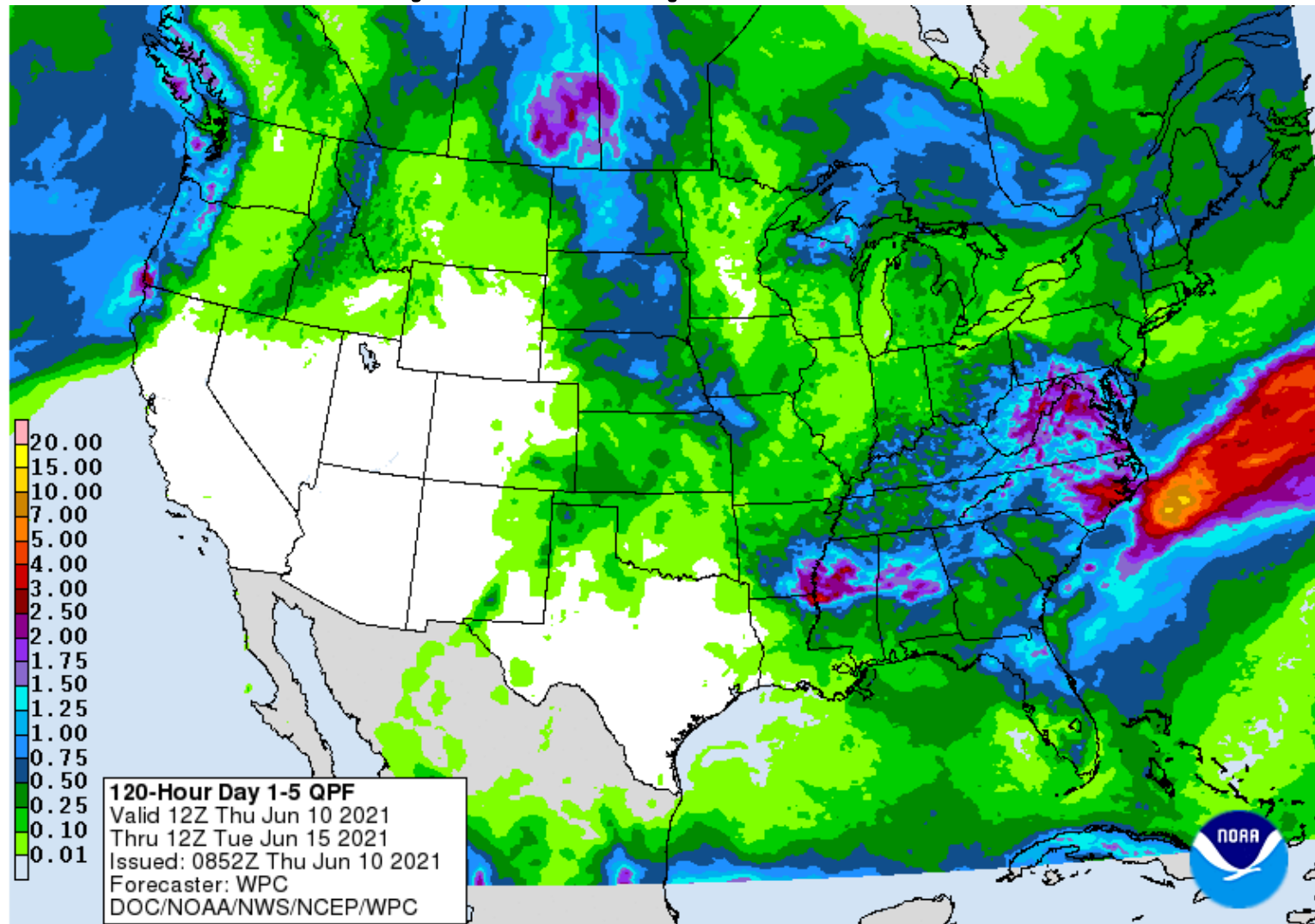
10–40 cm Relative Soil Moisture (available water; %) valid 00z 10 Jun 2021

Precipitation in previous hour (1,2,5,10,15,20,25 mm contours)

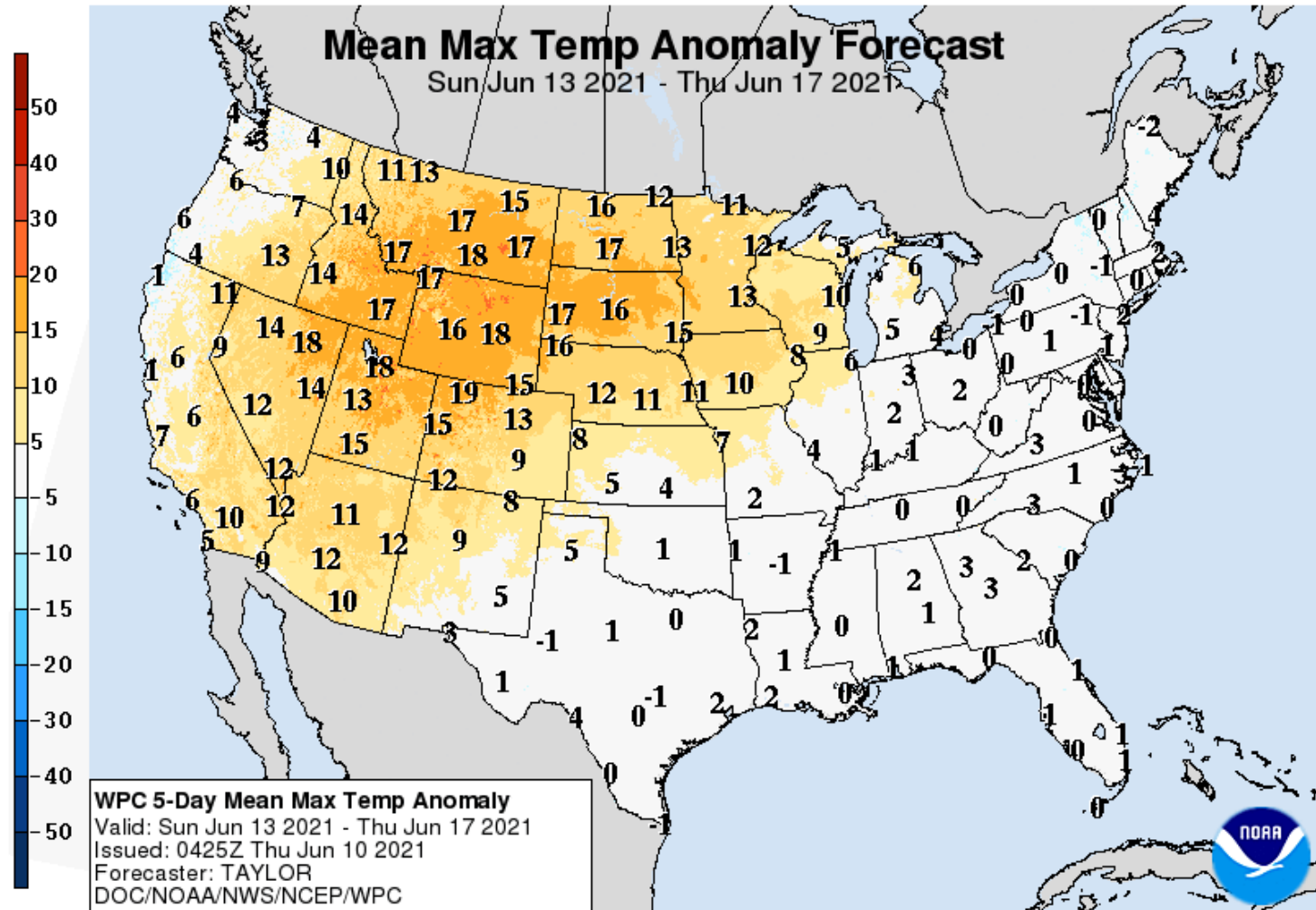




# Next 5-Day Precipitation Forecast



# Next 3-7 Day Max. Temp. Anomaly



# LIVESTOCK PRICE SITUATION AND OUTLOOK

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*There are known knowns; there are things we know that we know.*

*There are known unknowns; that is to say, there are things that we now know we don't know.*

*But there are also unknown unknowns – there are things we do not know we don't know.*

-Donald Rumsfeld



- Markets do not like “unknown unknowns” which cause price volatility when they occur.
- 9/11/2001, BSE-2003, **COVID-19**
- Many lately!
- Now called “Black Swan” events.

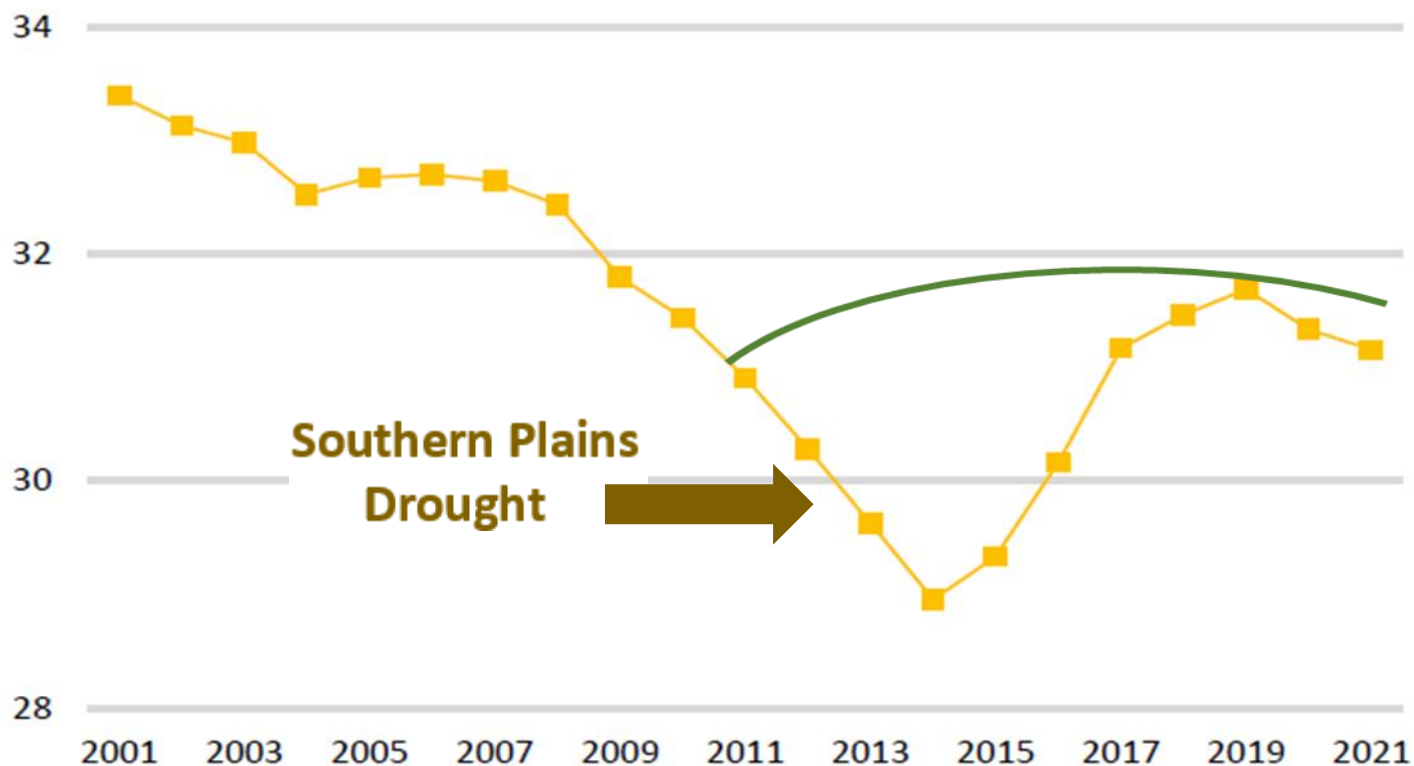




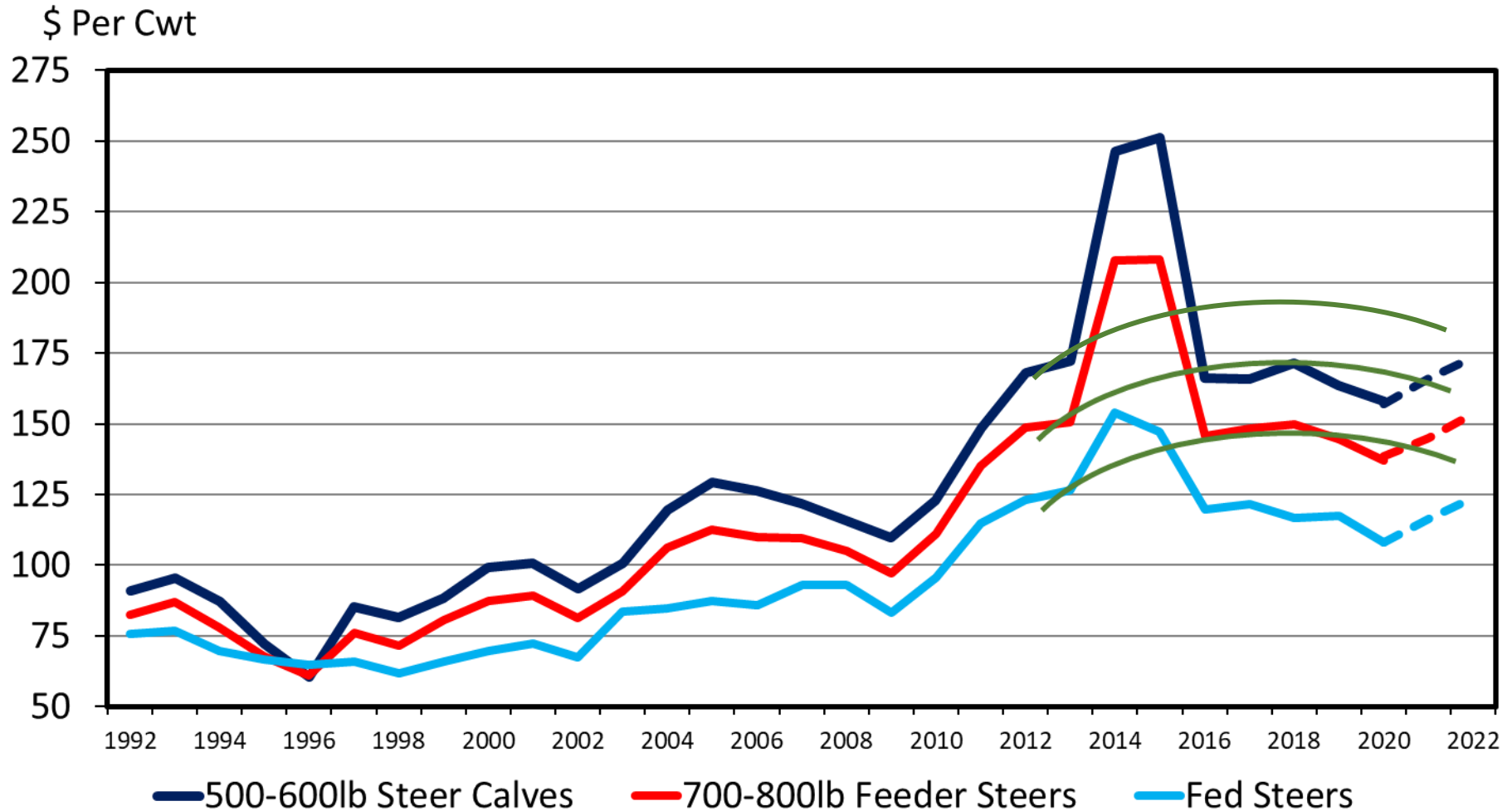
**United States Department of Agriculture**  
**National Agricultural Statistics Service**

**January 1 Beef Cows**  
**United States**

Million head



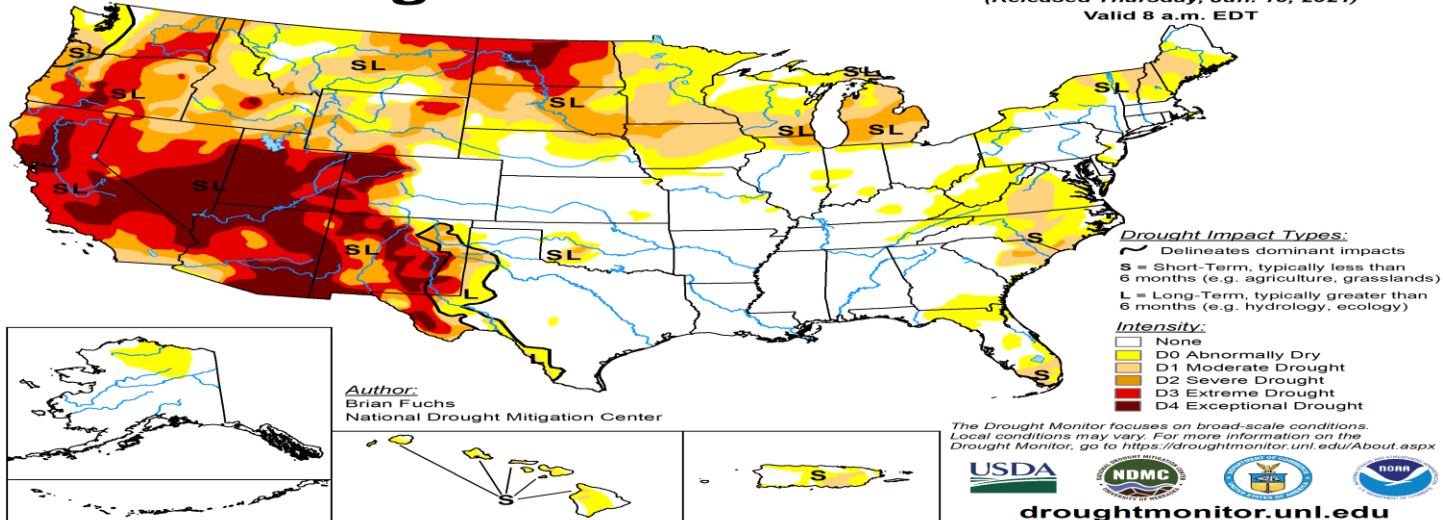
# AVERAGE ANNUAL CATTLE PRICES





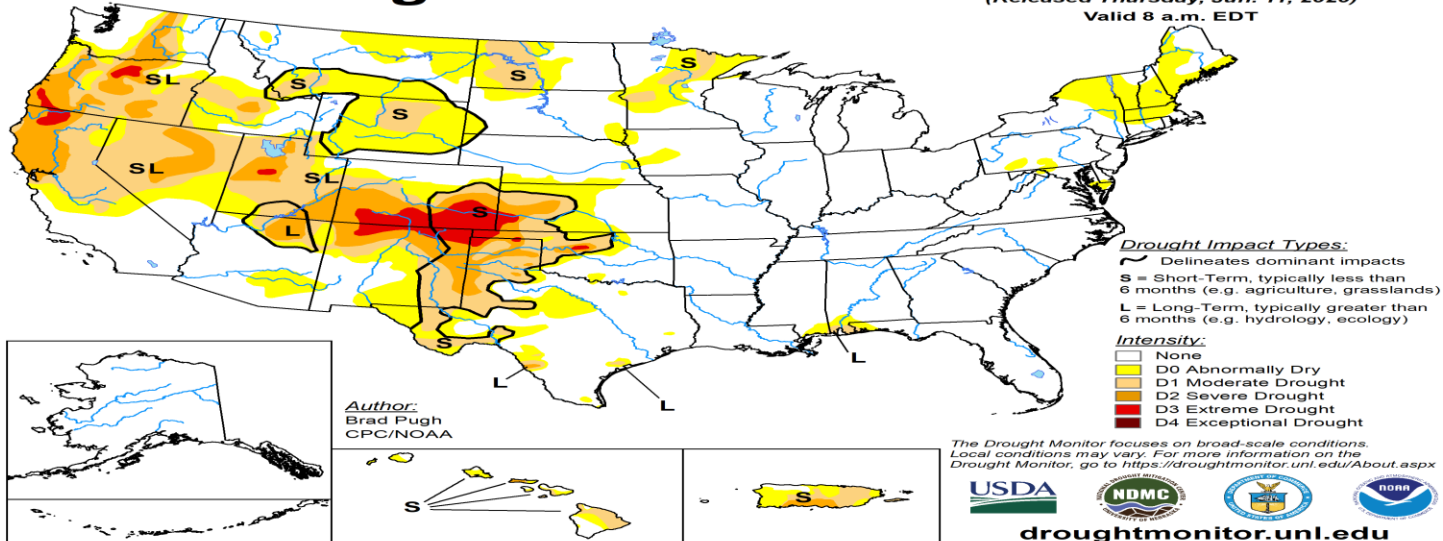
# U.S. Drought Monitor

**June 8, 2021**  
(Released Thursday, Jun. 10, 2021)  
Valid 8 a.m. EDT



# U.S. Drought Monitor

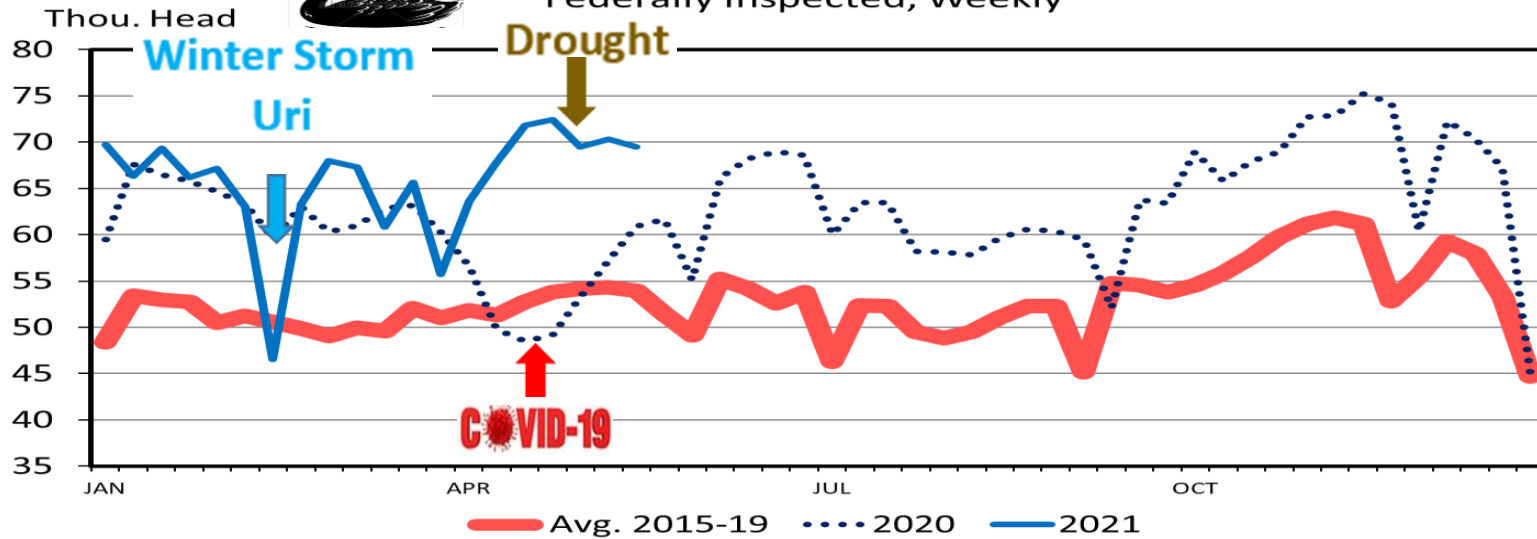
**June 9, 2020**  
(Released Thursday, Jun. 11, 2020)  
Valid 8 a.m. EDT





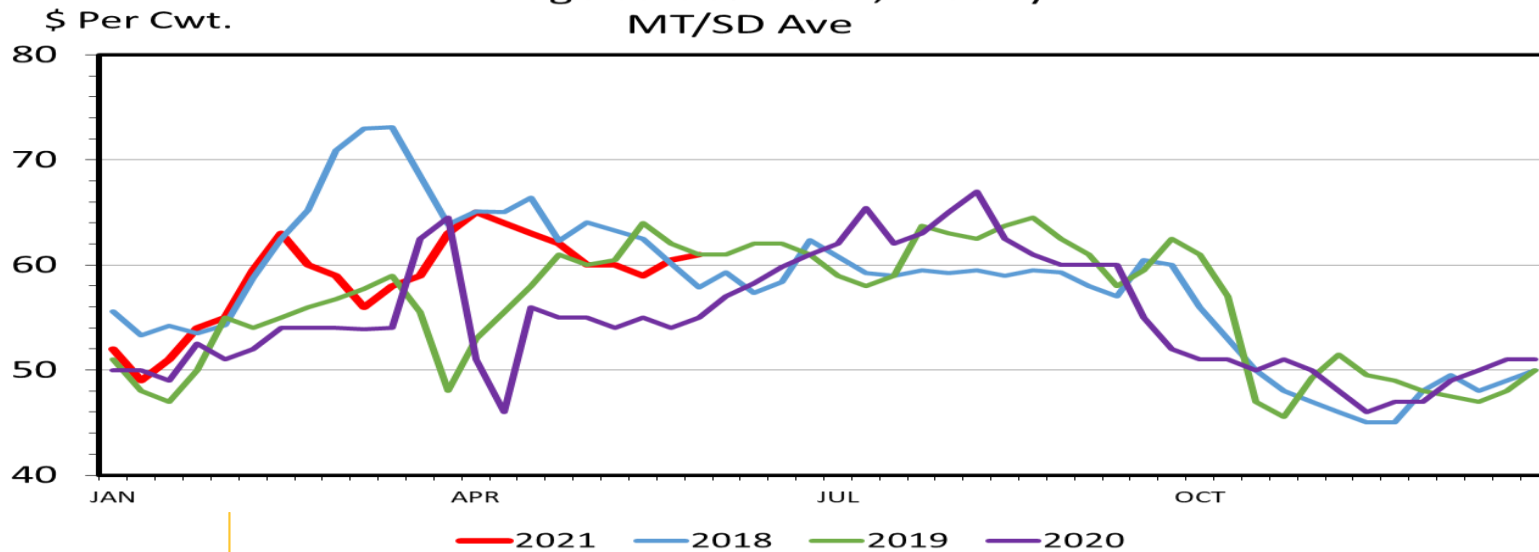
## BEEF COW SLAUGHTER

Federally Inspected, Weekly



## BEEF CULL COW PRICES

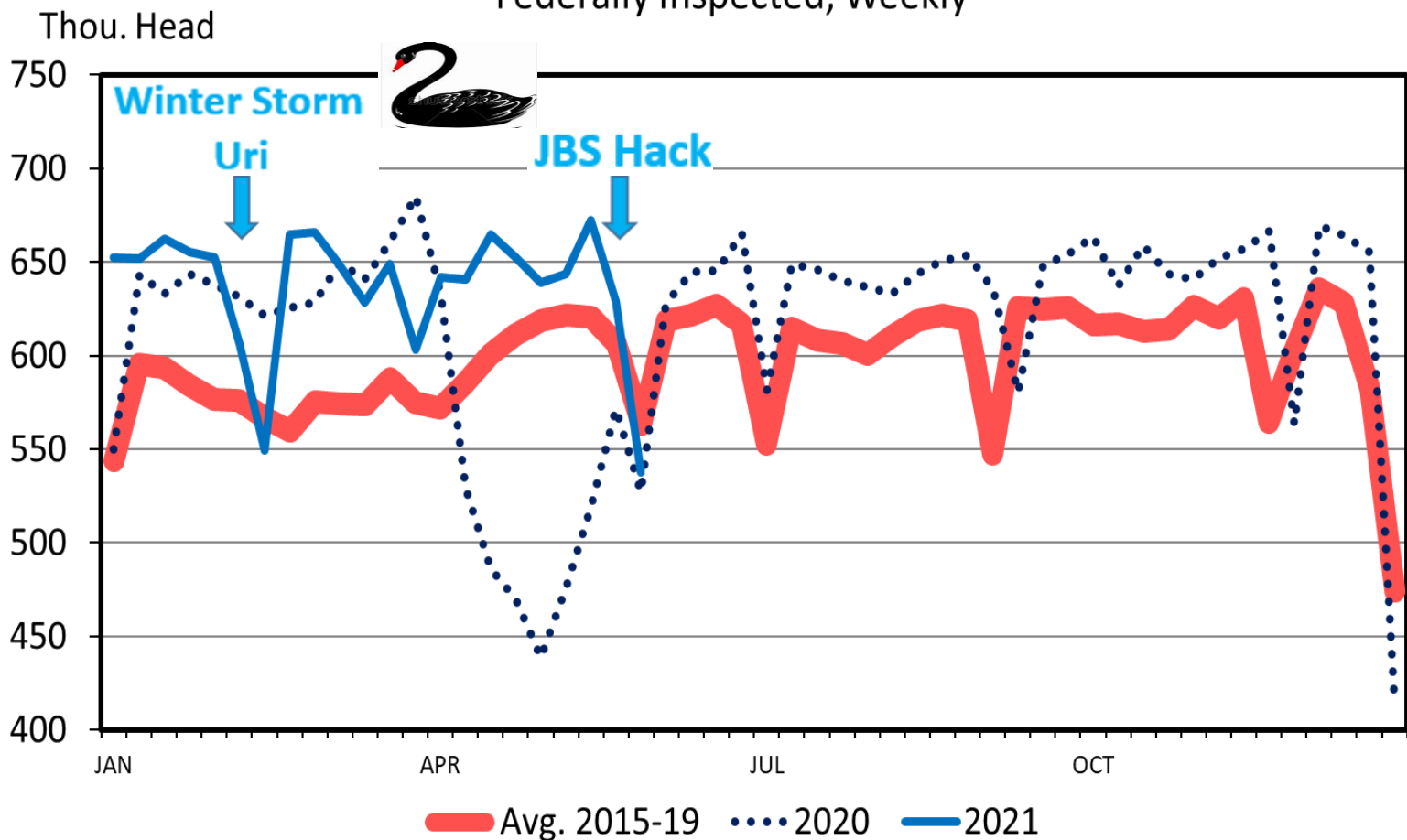
Average 85-90% Lean, Weekly  
MT/SD Ave





# CATTLE SLAUGHTER

Federally Inspected, Weekly



# AUG FDR CAT and JUL CORN

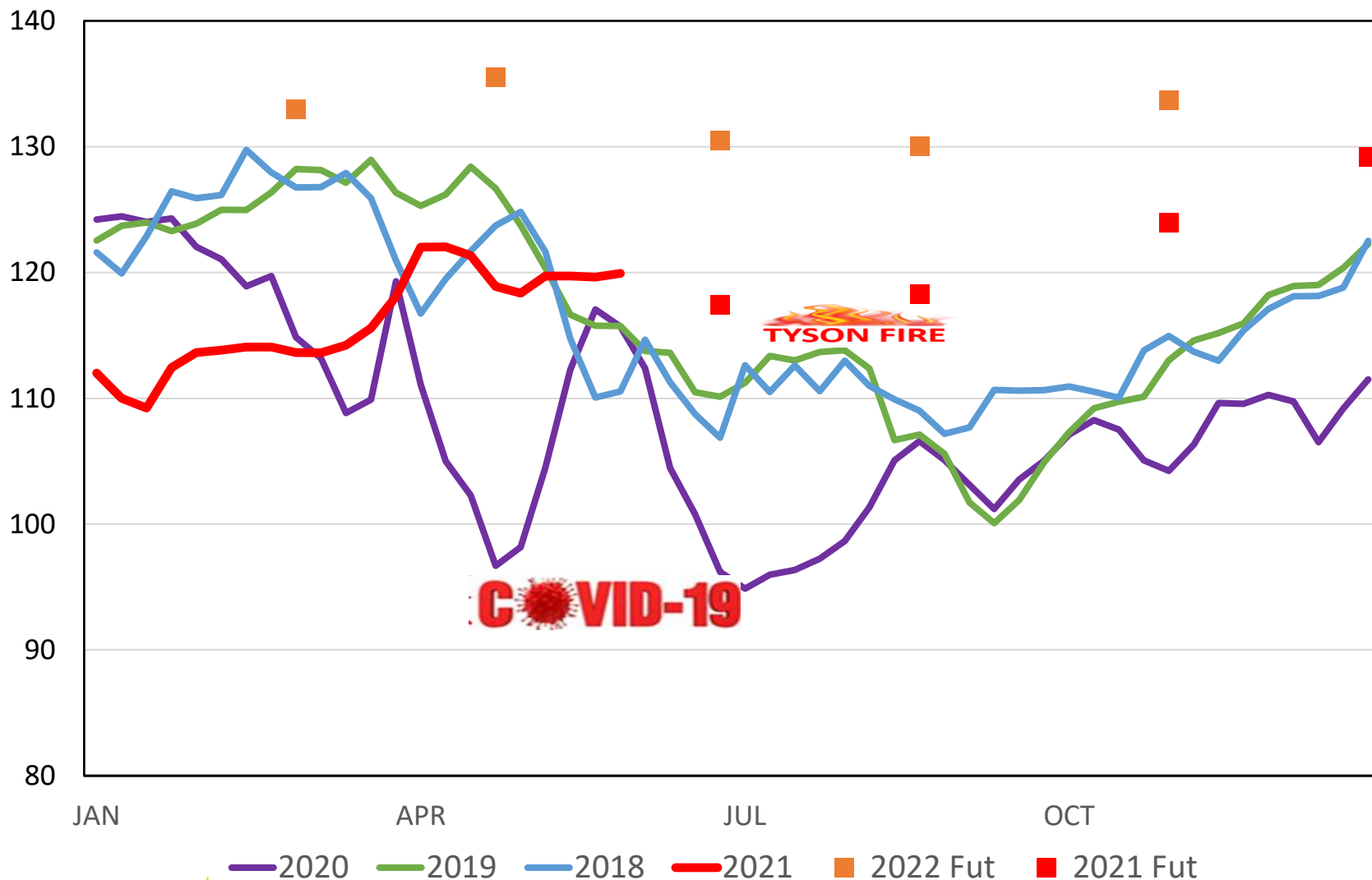


Volatile Prices Will Continue



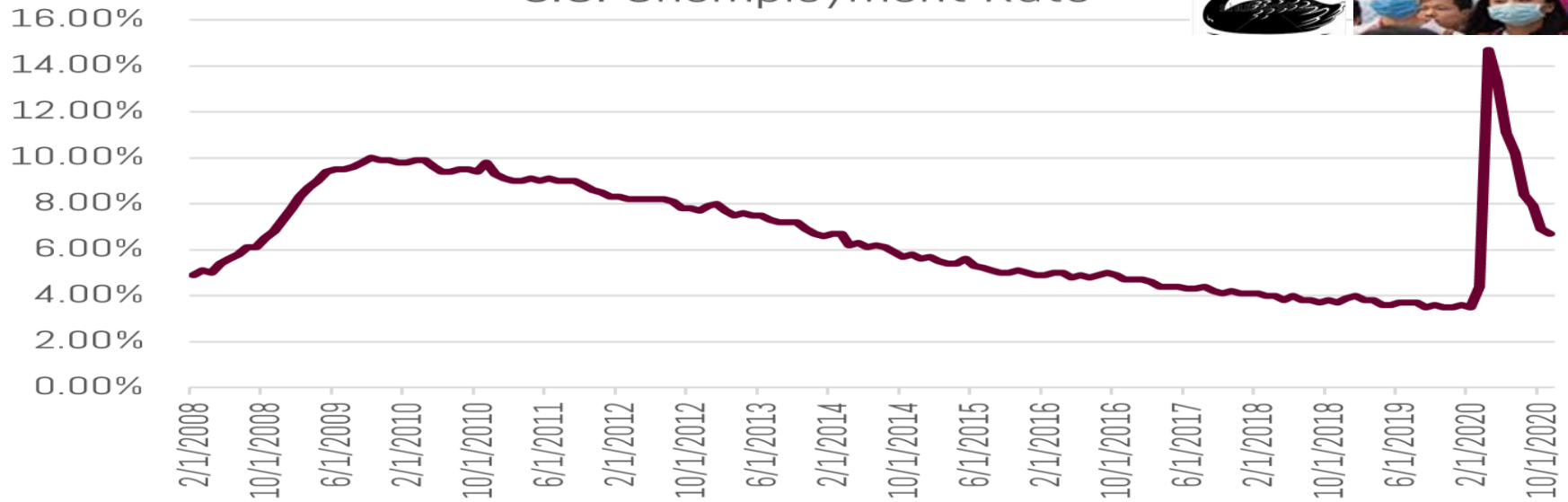
# SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



# US ECONOMY?

## U.S. Unemployment Rate



## Dow Jones Industrial Average



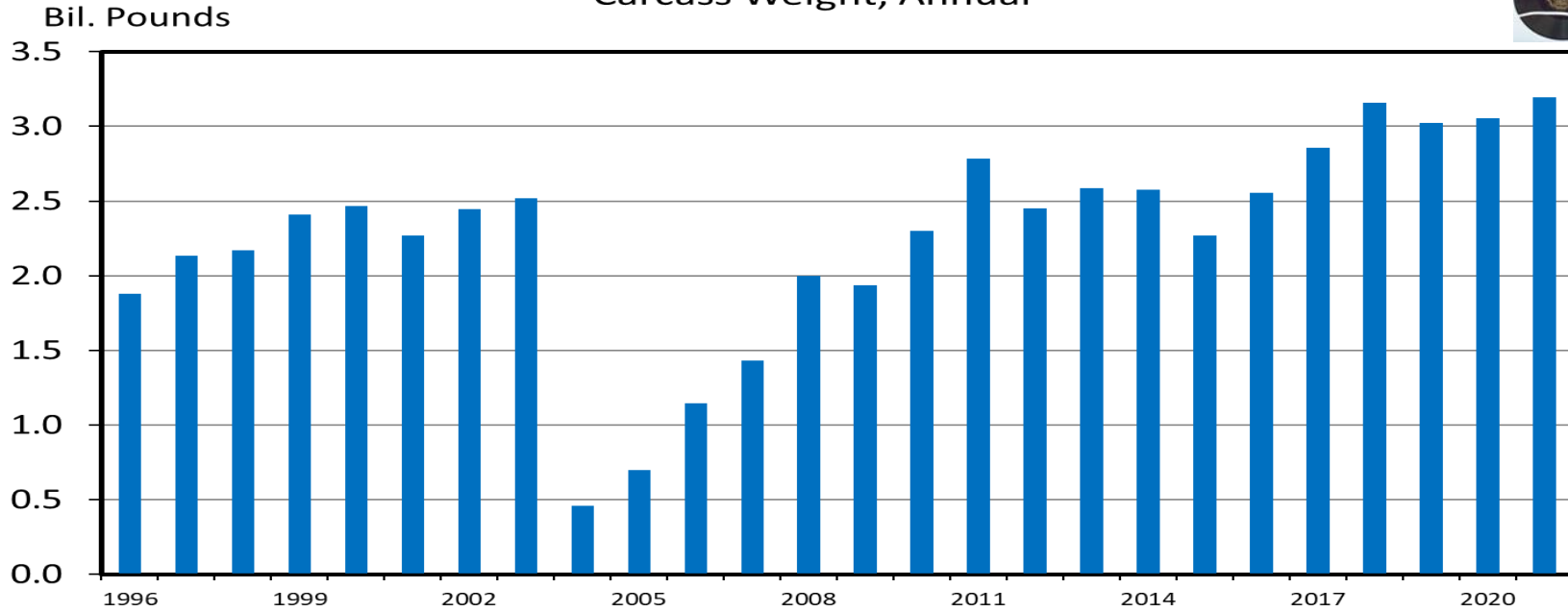
High

34777.76 on May 7, 2021

EXTENSION / AGRIBUSINESS

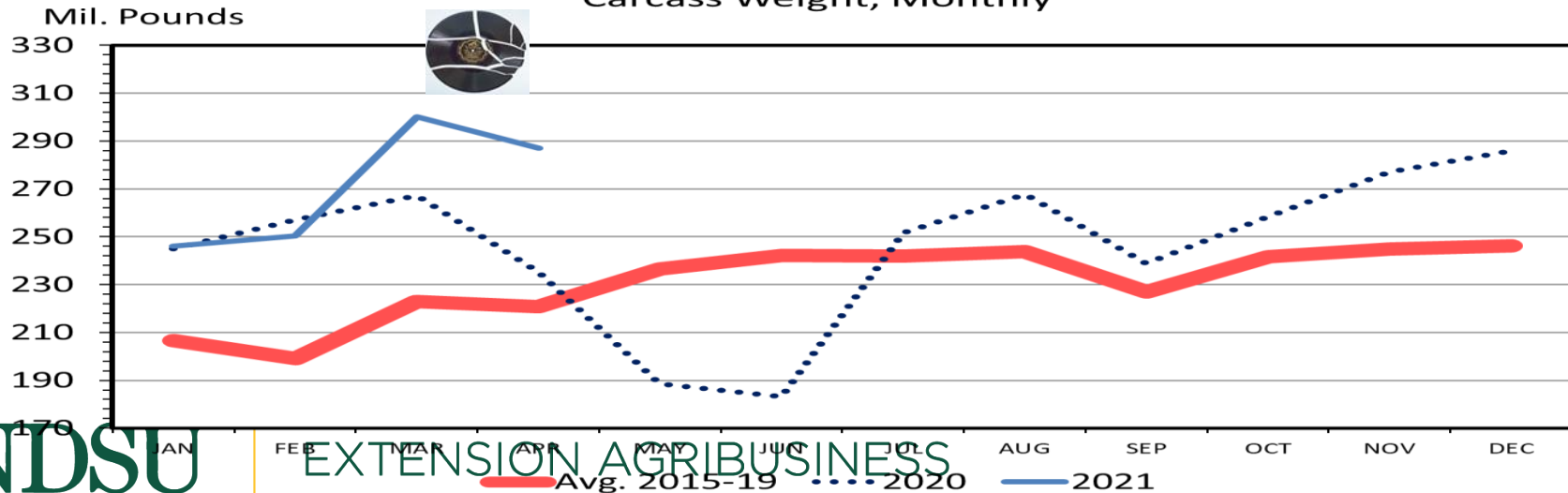
# U.S. BEEF AND VEAL EXPORTS

Carcass Weight, Annual



## US BEEF AND VEAL EXPORTS

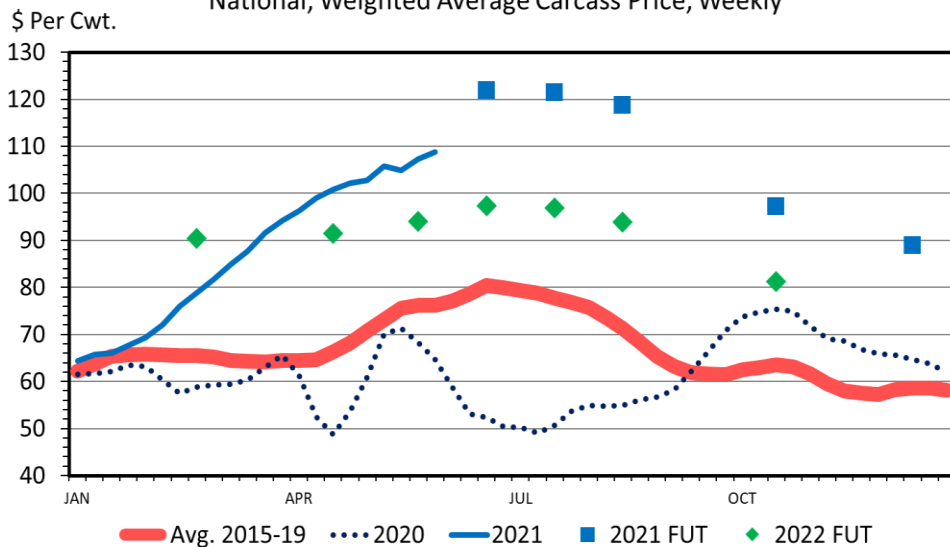
Carcass Weight, Monthly



# Other Livestock

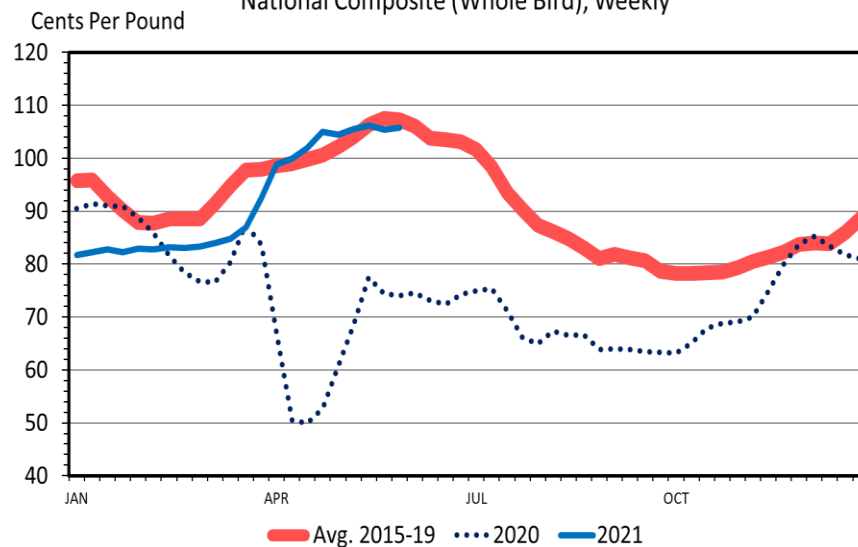
## BASE SLAUGHTER HOG PRICES

National, Weighted Average Carcass Price, Weekly



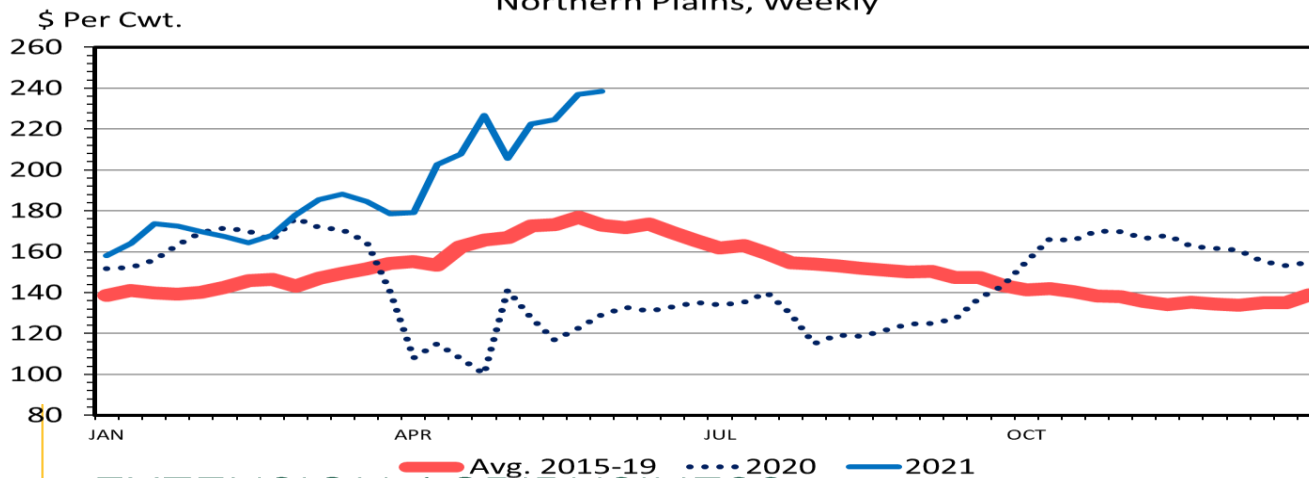
## BROILER PRICES

National Composite (Whole Bird), Weekly



## SLAUGHTER LAMB PRICES

Northern Plains, Weekly



# BETTER CATTLE PRICES AHEAD!



**BUT VOLATILE**

**UNKNOWN UNKNOWNNS?**



EXTENSION AGRIBUSINESS

# Forced Livestock Sales/LFP

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**An eligible livestock owner or contract grower who, as a grazed forage crop producer, owns or leases grazing land or pastureland physically located in a county rated by the U.S. Drought Monitor as having a:**

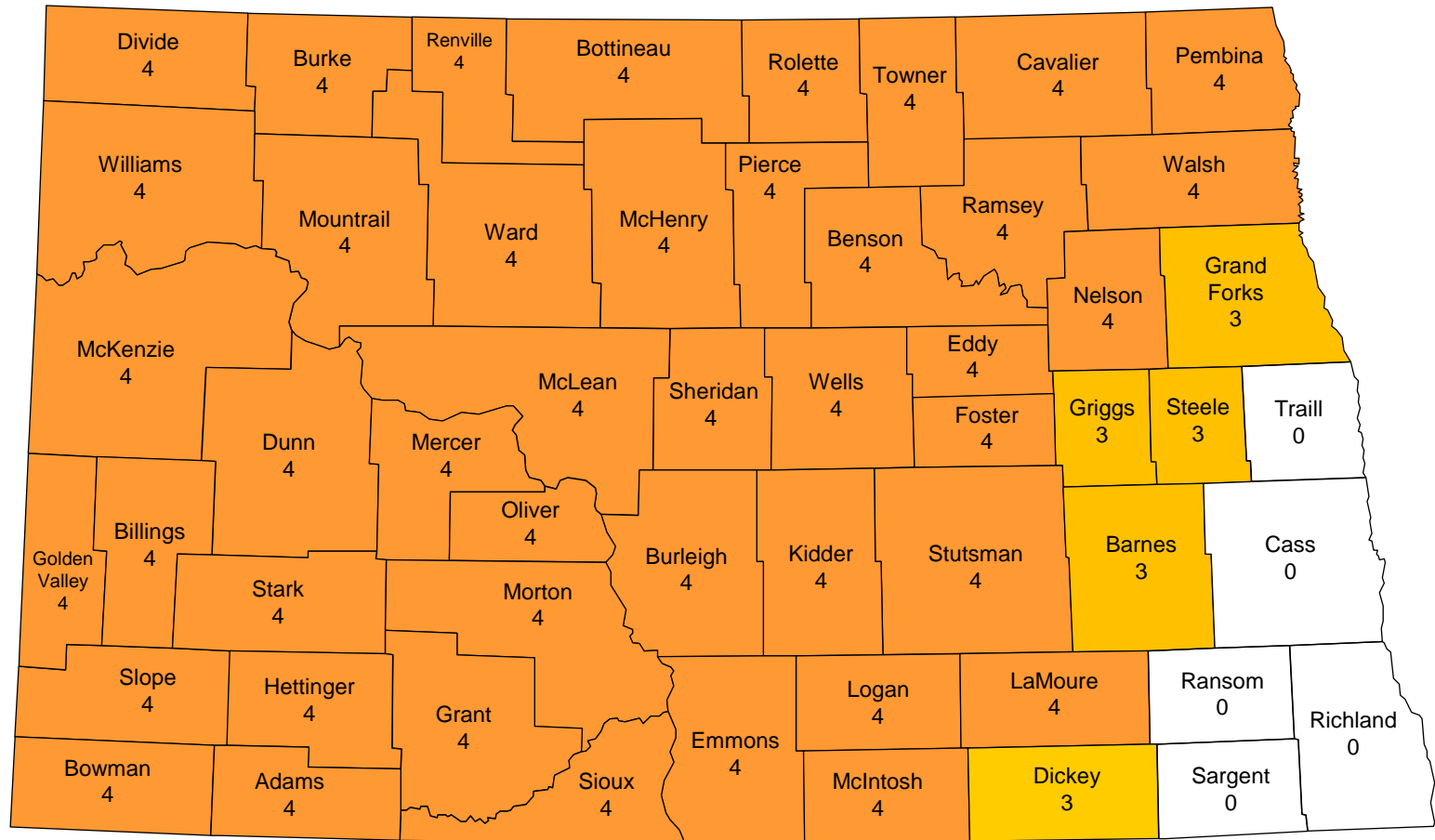
**D2 (severe drought)** intensity in any area of the county for at least eight consecutive weeks during the normal grazing period is eligible to receive assistance in an amount equal to **one** monthly payment

**D3 (extreme drought)** intensity in any area of the county at any time during the normal grazing period is eligible to receive assistance in an amount equal to **three** monthly payments

**D3 (extreme drought)** intensity in any area of the county for at least four weeks during the normal grazing period or is rated a D4 (exceptional drought) intensity at any time during the normal grazing period is eligible to receive assistance in an amount equal to **four** monthly payments

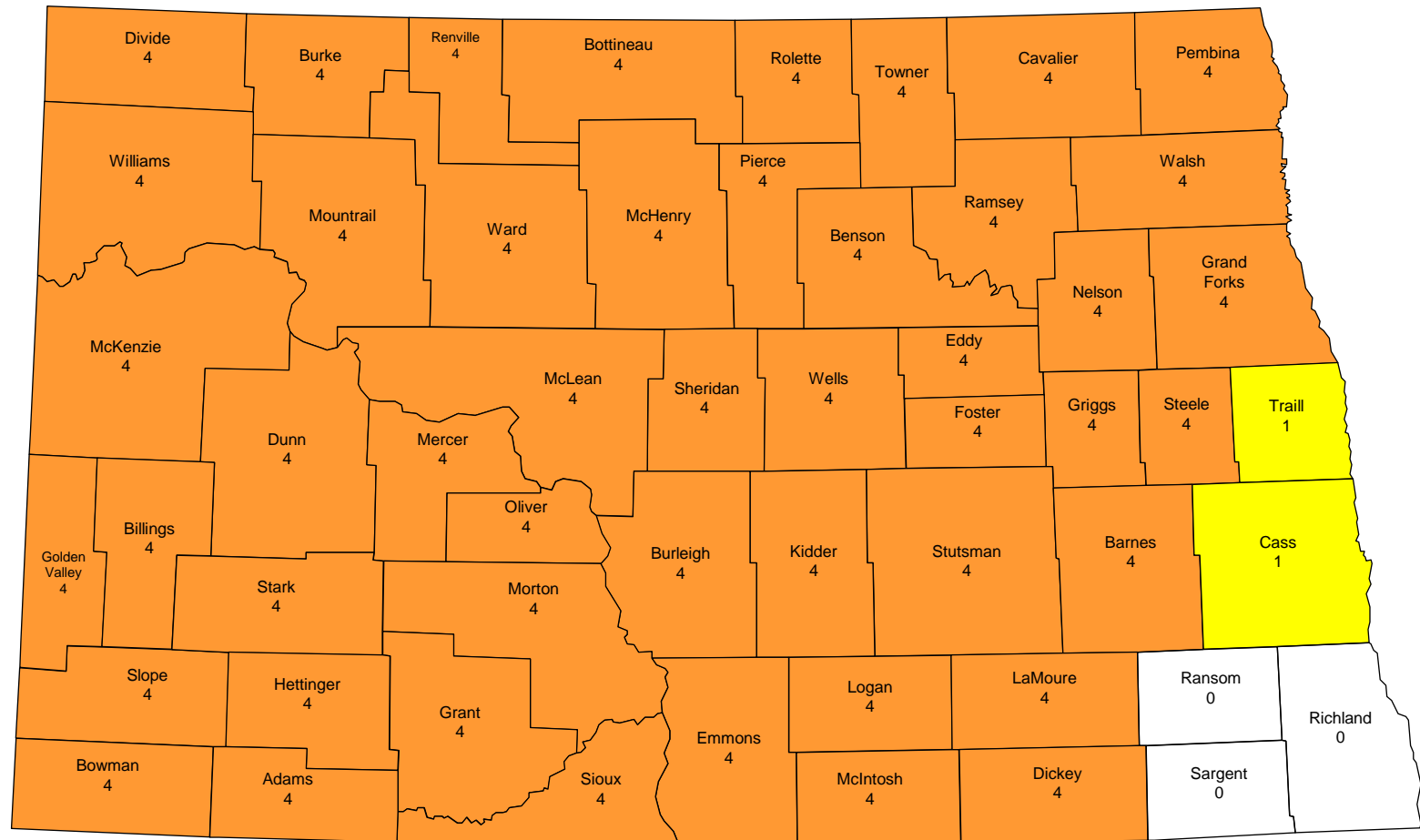
**D4 (exceptional drought)** in a county for four weeks (not necessarily four consecutive weeks) during the normal grazing period is eligible to receive assistance in an amount equal to **five** monthly payments

# LFP MONTHLY PAYMENTS 5-13-21



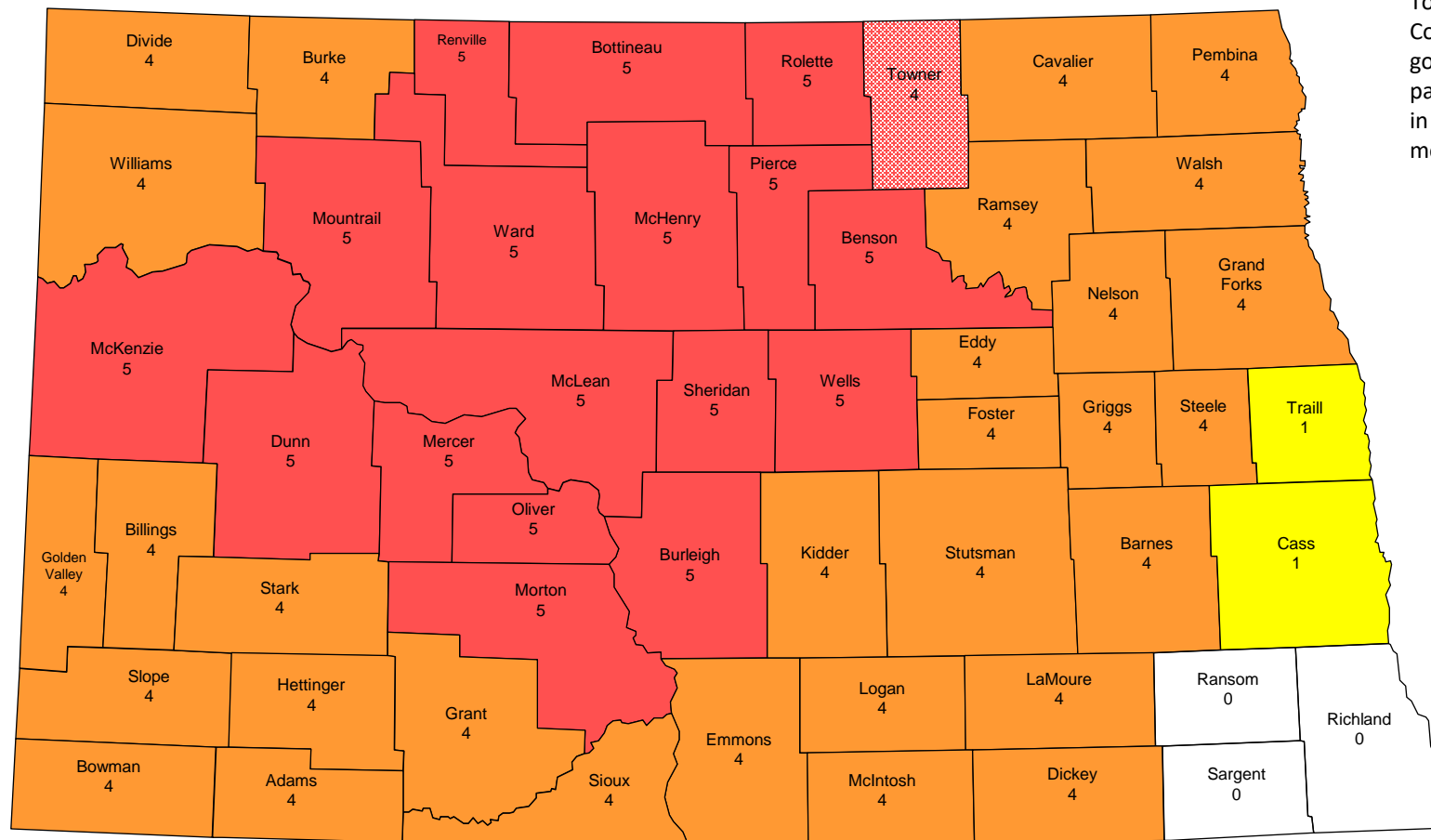
0 ☐ 1 ☐ 3 ☐ 4 ☐ 5 ☐

# LFP MONTHLY PAYMENTS 6-3-21



0  1  3  4  5 

# LFP MONTHLY PAYMENTS 6-10-21



Towner County will go to five payments if in D4 for one more week

0 ☐ 1 ☐ 3 ☐ 4 ☐ 5 ☐

# Forced Livestock Sales

Two IRS provisions:

IRC 1033(e)

IRC 451(g)

# Involuntary Conversion of Draft or Breeding Animal

## IRC Sec 1033(e)

- A livestock producer who sells more draft, breeding, or dairy animals than normal due to weather-related conditions may defer recognition of the gains for up to two years.
- The animals must be replaced within two years with other animals used for identical purposes.
- This applies only to the number of animals sold in excess of normal business practices.
- Declaration of a disaster area is not necessary, but the producer must be able to show that weather-related conditions forced the sale of more livestock than would normally be sold.
- If there is a federal disaster declaration the replacement period is four years.
- The Secretary of the Treasury can extend the period further if the drought persists three years or more.
- Tax basis of the replacement livestock is equal to the basis in the livestock sold plus any additional amount invested in the replacement livestock that exceeds the proceeds from the sale.
- If the animals are not replaced, or if replacement cost is less than the gain from their sale, the difference must be reported as a gain for the sale year by amending the tax return. The return will be subject to additional tax and interest.
- It is a dollar for dollar replacement not head for head.

## **Making the Election 1033(e)**

The producer makes this election by attaching a statement to his or her tax return. The election must include the following information:

- Name, address, and ID number.
- A declaration that the election is made under I.R.C. § 1033(e).
- Evidence of the weather-related conditions that forced the sale or exchange of animals.
- Explanation of how the sale is related to weather conditions.
- Number and kind of livestock sold or exchanged.
- Number of livestock of each kind that would have been sold or exchanged under normal business circumstances (generally, the average number of animals sold over the three preceding years).
- The amount of gain realized on the sale or exchange.
- The amount of income to be postponed



## **Deferral of Income for One Year of Sale of Market Animals IRC Sec 451(g)**

- Livestock producers using the cash method of accounting can elect to defer for one tax year the income of any qualified livestock sold due to weather-related conditions.
- The area must be federally recognized and declared as eligible to receive federal assistance.
- It is not necessary for the animals to be raised or sold in the declared disaster area, just that a weather-related event caused the area to receive federal disaster designation and caused the sale of the animals.
- Only livestock sales in excess of normal business practice qualify for deferral.
- The animals are not replaced and the elected gain is simply put off to the next year.

## **Making the Election 451(g)**

The producer makes this election by attaching a statement to his or her tax return. The election must include the following information:

- Name, address, and ID number.
- A declaration that the election is made under I.R.C. § 451(g).
- Evidence of weather-related conditions that forced the sale or exchange of animals and federal disaster designation.
- Explanation of how the sale is related to weather conditions.
- Number of livestock of each kind that would have been sold or exchanged under normal business circumstances (generally the average number of animals sold over the three preceding years).
- Total number of animals sold in the current year and the number sold due to the weather-related circumstance.
- The amount of income to be deferred.

## IRS Publication 225 “Farmers Tax Guide”

Contact your tax professional!