Agricultural Markets Situation and Outlook

June 10th, 2021
Use the Q&A Tool to ask Questions
Net Farm Income, Excluding Gov’t Pymts
ND Farm Business Management

[Bar chart showing net farm income from 1996 to 2020, with peaks in 2008, 2010, and 2012.]
Net Farm Income, Excluding Govt & Ins. Pmts

ND Farm Business Management

![Bar chart showing net farm income excluding government and insurance payments from 1996 to 2020. The x-axis represents the years from 1996 to 2020, and the y-axis represents income ranging from -100,000 to 275,000. The chart indicates fluctuations in net farm income over the years, with peaks in 2011 and 2012 and troughs in other years.]
Crop Insurance and Government Payments State Averages

[Bar chart showing yearly payments from 2008 to 2020, with two categories: Insurance and Government Payments]
Money Borrowed and Principal Paid, per Farm

ND Farm Business Management

![Bar chart showing money borrowed and principal paid per year from 2007 to 2020. The chart indicates an increase in both categories over the years.]

- Money Borrowed
- Principal Paid
ND Farm Business Management

- Sale of Farm Land
- Purchase of Farm Land

Yearly sales and purchases from 2008 to 2020.
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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701-715-3673 (c)
### U.S. 2020-21 Ending Stocks (billion bushels)

<table>
<thead>
<tr>
<th></th>
<th>All Wheat</th>
<th>Corn</th>
<th>Soybean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Trade Estimate</strong></td>
<td>0.869 bill. bu.</td>
<td>1.207 bill. bu.</td>
<td>0.122 bill. bu.</td>
</tr>
<tr>
<td><strong>Highest Trade Estimate</strong></td>
<td>0.901 bill. bu.</td>
<td>1.257 bill. bu.</td>
<td>0.150 bill. bu.</td>
</tr>
<tr>
<td><strong>Lowest Trade Estimate</strong></td>
<td>0.832 bill. bu.</td>
<td>1.132 bill. bu.</td>
<td>0.110 bill. bu.</td>
</tr>
<tr>
<td><strong>USDA May 12, 2021</strong></td>
<td>0.872 bill. bu.</td>
<td>1.257 bill. bu.</td>
<td>0.120 bill. bu.</td>
</tr>
<tr>
<td><strong>USDA June 10, 2021</strong></td>
<td><strong>0.852 bill. bu.</strong></td>
<td><strong>1.107 bill. bu.</strong></td>
<td><strong>0.135 bill. bu.</strong></td>
</tr>
</tbody>
</table>

Reuters News and June 10, 2021 USDA - WASDE
# Pre-Report Industry Estimates vs. Reported Values

<table>
<thead>
<tr>
<th></th>
<th>All Wheat</th>
<th>Corn</th>
<th>Soybean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Trade Estimate</strong></td>
<td>0.783 bill. bu.</td>
<td>1.423 bill. bu.</td>
<td>0.146 bill. bu.</td>
</tr>
<tr>
<td><strong>Highest Trade Estimate</strong></td>
<td>0.899 bill. bu.</td>
<td>1.507 bill. bu.</td>
<td>0.206 bill. bu.</td>
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<tr>
<td><strong>Lowest Trade Estimate</strong></td>
<td>0.702 bill. bu.</td>
<td>1.282 bill. bu.</td>
<td>0.127 bill. bu.</td>
</tr>
<tr>
<td><strong>USDA May 12, 2021</strong></td>
<td>0.774 bill. bu.</td>
<td>1.507 bill. bu.</td>
<td>0.140 bill. bu.</td>
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<td><strong>USDA June 10, 2021</strong></td>
<td><strong>0.770 bill. bu.</strong></td>
<td><strong>1.357 bill. bu.</strong></td>
<td><strong>0.155 bill. bu.</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>State</th>
<th>Very poor (percent)</th>
<th>Poor (percent)</th>
<th>Fair (percent)</th>
<th>Good (percent)</th>
<th>Excellent (percent)</th>
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<tbody>
<tr>
<td>Colorado</td>
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<td>20</td>
<td>64</td>
<td>10</td>
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<tr>
<td>Illinois</td>
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<td>Indiana</td>
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<td>4</td>
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<tr>
<td>Iowa</td>
<td>1</td>
<td>2</td>
<td>20</td>
<td>60</td>
<td>17</td>
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<tr>
<td>Kansas</td>
<td>1</td>
<td>4</td>
<td>19</td>
<td>66</td>
<td>10</td>
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<tr>
<td>Kentucky</td>
<td>1</td>
<td>2</td>
<td>11</td>
<td>73</td>
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<tr>
<td>Michigan</td>
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<td>3</td>
<td>39</td>
<td>48</td>
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<tr>
<td>Minnesota</td>
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<td>3</td>
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<td>Nebraska</td>
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<td>60</td>
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<td>North Carolina</td>
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<td>61</td>
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<td>39</td>
<td>43</td>
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<td>Tennessee</td>
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<td>58</td>
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- Represents zero.
### Soybean Condition – Selected States: Week Ending June 6, 2021

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

<table>
<thead>
<tr>
<th>State</th>
<th>Very poor</th>
<th>Poor</th>
<th>Fair</th>
<th>Good</th>
<th>Excellent</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(percent)</td>
<td>(percent)</td>
<td>(percent)</td>
<td>(percent)</td>
<td>(percent)</td>
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<tr>
<td>Arkansas</td>
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<td>58</td>
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<td>22</td>
<td>64</td>
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<tr>
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<tr>
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<td>Minnesota</td>
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<td>Tennessee</td>
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<tr>
<td>Wisconsin</td>
<td>1</td>
<td>5</td>
<td>22</td>
<td>59</td>
<td>13</td>
</tr>
<tr>
<td><strong>18 States</strong></td>
<td><strong>1</strong></td>
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<td><strong>27</strong></td>
<td><strong>57</strong></td>
<td><strong>10</strong></td>
</tr>
<tr>
<td>Previous week</td>
<td>(NA)</td>
<td>(NA)</td>
<td>(NA)</td>
<td>(NA)</td>
<td>(NA)</td>
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<tr>
<td>Previous year</td>
<td>1</td>
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<td>24</td>
<td>60</td>
<td>12</td>
</tr>
</tbody>
</table>

- Represents zero.

(NA) Not available.
### Spring Wheat Condition – Selected States: Week Ending June 6, 2021

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

<table>
<thead>
<tr>
<th>State</th>
<th>Very poor (percent)</th>
<th>Poor (percent)</th>
<th>Fair (percent)</th>
<th>Good (percent)</th>
<th>Excellent (percent)</th>
</tr>
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<tbody>
<tr>
<td>Idaho</td>
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<td>Montana</td>
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<td>Washington</td>
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<td>35</td>
<td>27</td>
<td>17</td>
<td>-</td>
</tr>
<tr>
<td><strong>6 States</strong></td>
<td><strong>9</strong></td>
<td><strong>16</strong></td>
<td><strong>37</strong></td>
<td><strong>35</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Previous week</td>
<td>4</td>
<td>16</td>
<td>37</td>
<td>39</td>
<td>4</td>
</tr>
<tr>
<td>Previous year</td>
<td>-</td>
<td>1</td>
<td>17</td>
<td>72</td>
<td>10</td>
</tr>
</tbody>
</table>

- Represents zero.
U.S. Drought Monitor Comparison

June 8, 2021

June 1, 2021

Drought Classification

None
D0 (Abnormally Dry)
D1 (Moderate Drought)
D2 (Severe Drought)

D3 (Extreme Drought)
D4 (Exceptional Drought)
No Data

National Drought Mitigation Center – University of Nebraska - Lincoln
Past 7-Day Total Rainfall

Source: North Dakota Agricultural Weather Network (NDAWN)
https://ndawn.ndsu.nodak.edu
Copyright © North Dakota State University
Past 7-Day Accumulated Precipitation

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
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)

Short-term Prediction Research and Transition Center – NASA (06-10-21 am)
Next 5-Day Precipitation Forecast

120-Hour Day 1-5 QPF
Valid 12Z Thu Jun 10 2021
Thru 12Z Tue Jun 15 2021
Issued: 0852Z Thu Jun 10 2021
Forecaster: WPC
DOC/NOAA/NWS/NCEP/WPC

National Weather Service – Weather Prediction Center (06-10-21 am)
Next 3-7 Day Max. Temp. Anomaly

Mean Max Temp Anomaly Forecast
Sun Jun 13 2021 - Thu Jun 17 2021

WPC 5-Day Mean Max Temp Anomaly
Valid: Sun Jun 13 2021 - Thu Jun 17 2021
Issued: 0425Z Thu Jun 10 2021
Forecaster: TAYLOR
DOC/NOAA/NWS/NCEP/WPC

National Weather Service – Weather Prediction Center (06-10-21 am)
LIVESTOCK PRICE SITUATION AND OUTLOOK

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Extension Livestock Marketing Economist
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www.ndsu.edu/livestockeconomics
701-231-7469
Markets do not like “unknown unknowns” which cause price volatility when they occur.


Many lately!

Now called “Black Swan” events.
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

34,777.76 on May 7, 2021
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

Data Source: USDA-AMS; Livestock Marketing Information Center
BETTER CATTLE PRICES AHEAD!

BUT VOLATILE
UNKNOWN UNKNOWNS?

EXTENSION AGRIBUSINESS
Forced Livestock Sales/LFP

Ron Haugen
Extension Farm Management Specialist
701-231-8103
ronald.haugen@ndsu.edu
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.
Towner County will go to five payments if in D4 for one more week.
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!