



# 2025 Grain and Oilseed Outlook

Monday, January 6, 2025

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# Grain & Biofuels Outlook

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Farm Credit East – Horizon Farm Credit

January 6, 2025

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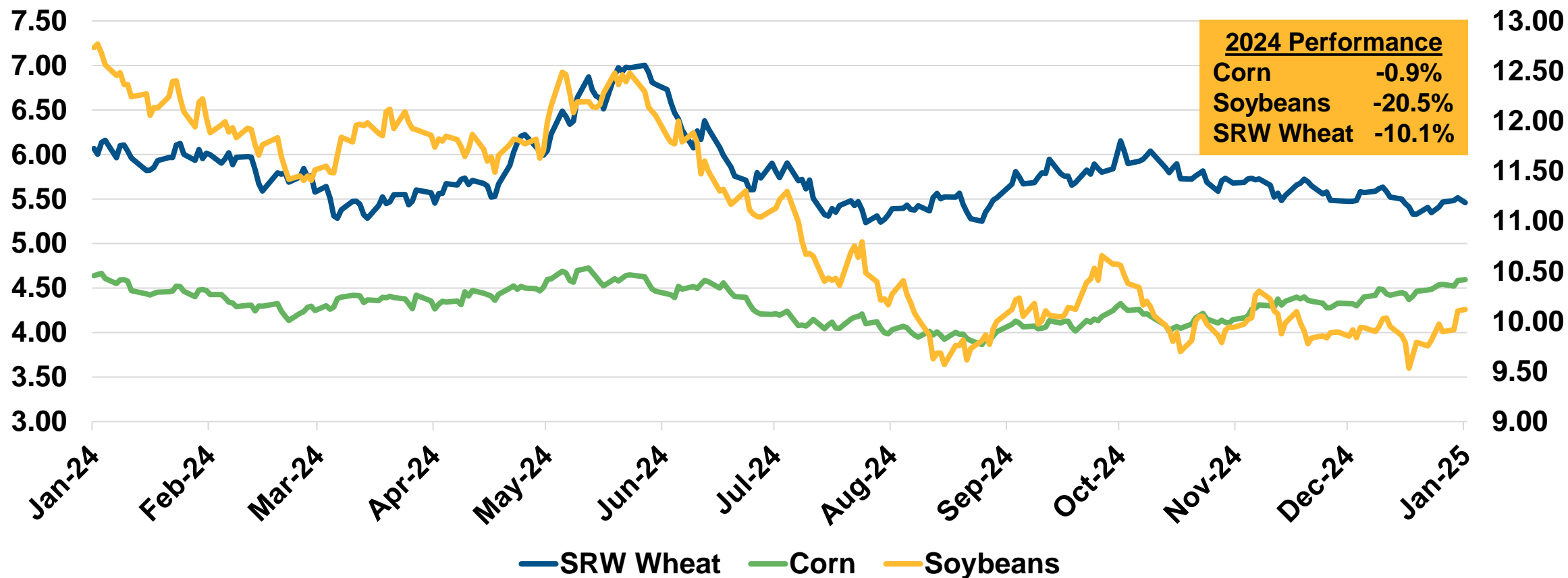
# Grains & Oilseeds

# Crop Prices Pressured by U.S. Supply Abundance, Strong \$

## Corn, Soybeans, SRW Wheat Prices (\$/Bu)

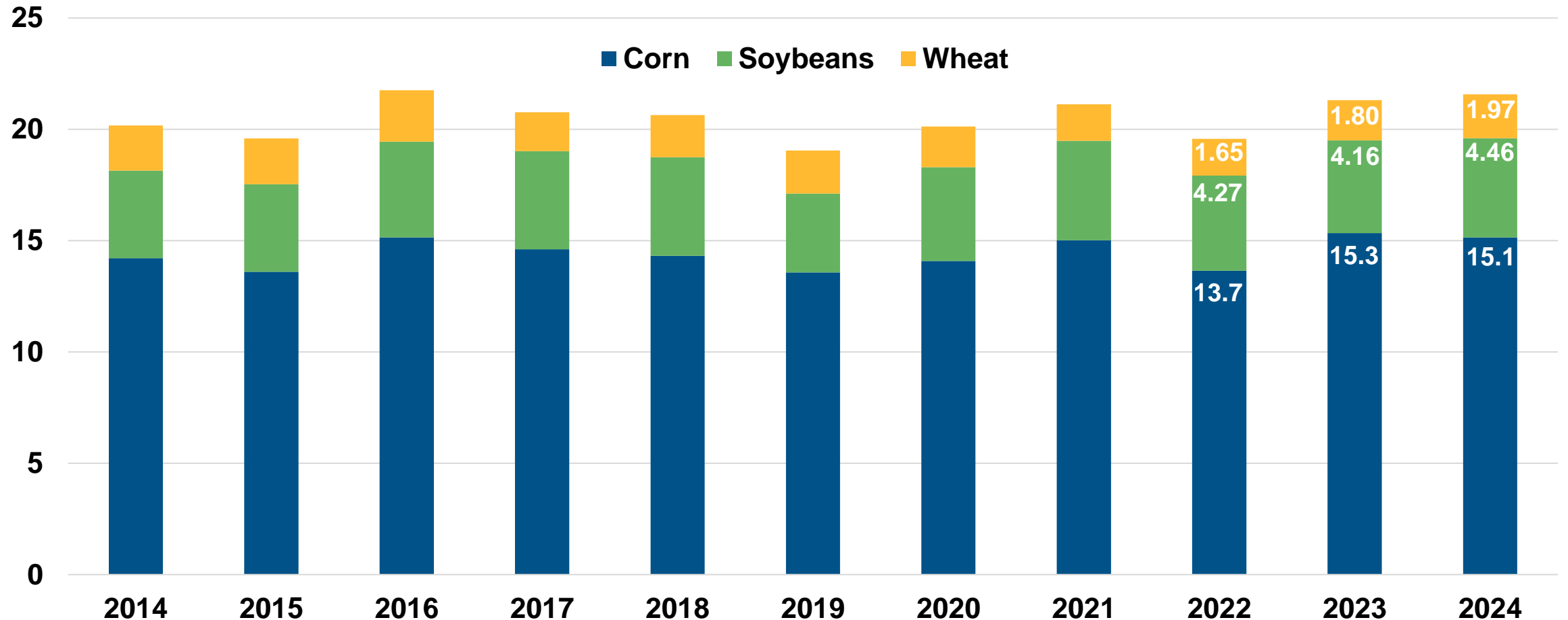
SRW Wheat, Corn

Soybeans



# 2024 U.S. Corn, Soybean Crops 2<sup>nd</sup> Biggest on Record

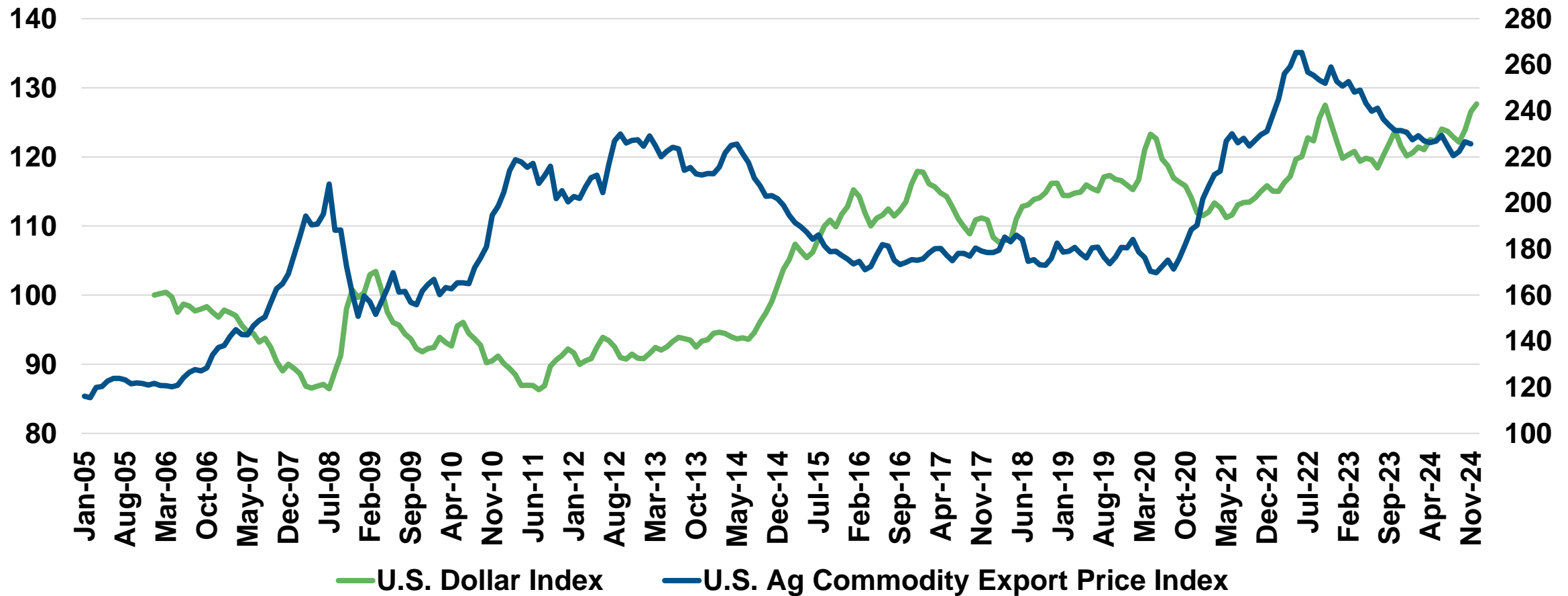
## U.S. Corn, Soybean & Wheat Production (Billion Bu.)





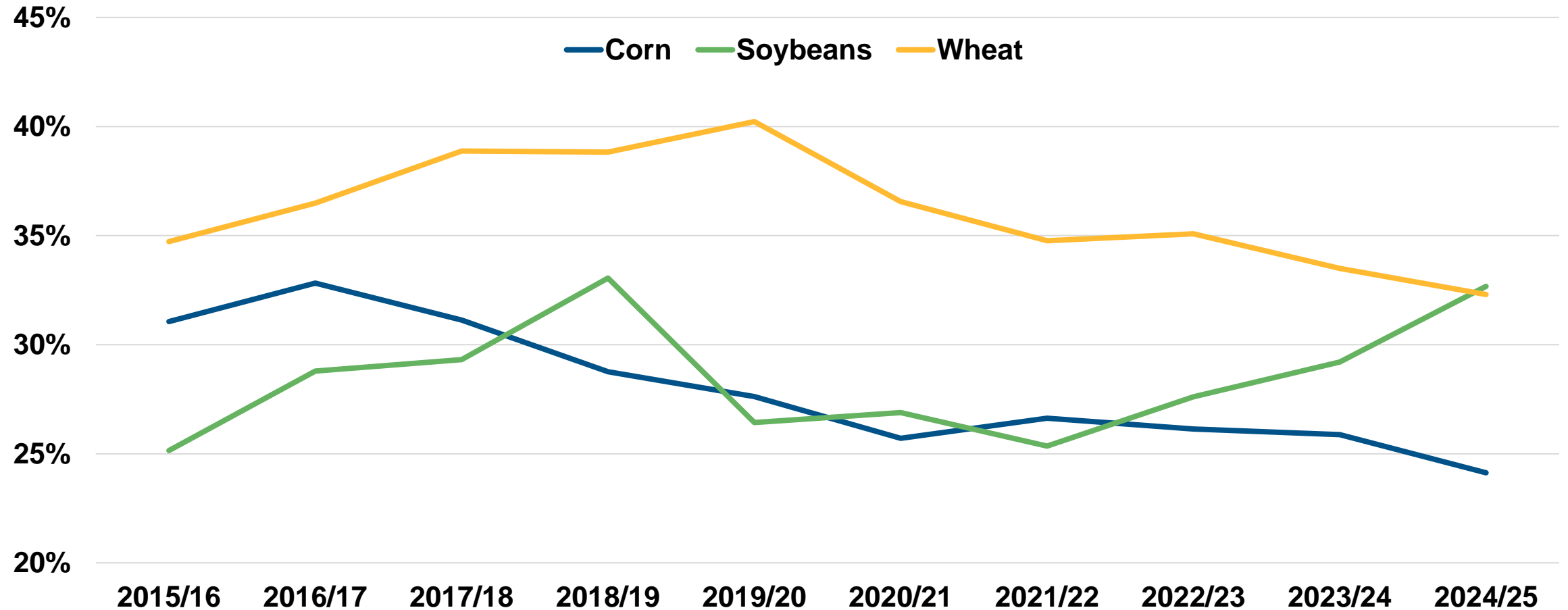
# Strong US\$ is Depresses Ag Commodity Prices

## U.S. Dollar Index vs. Ag Commodity Export Price Index



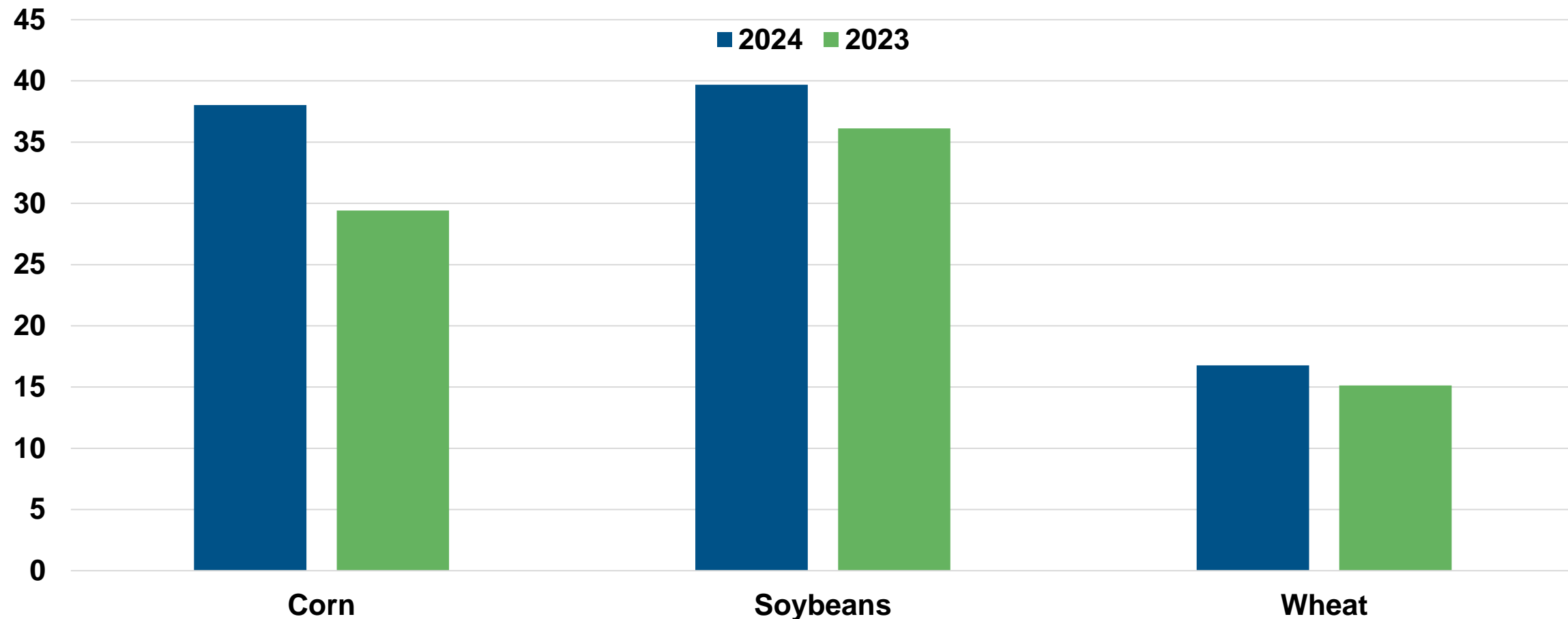
# Global Corn & Wheat Stocks are Tight; Soybeans are Ample

## World Stocks/Use Ratios



# Exports have Rebounded on Low Prices and Trade Concerns

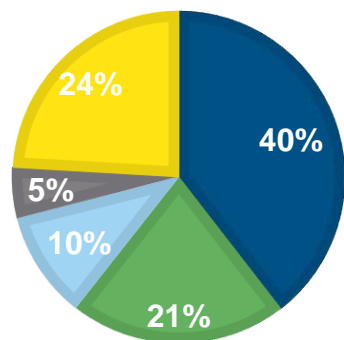
## U.S. Export Commitments on Jan. 1 (MMT)



# Trade War Risk is Highest for China and Mexico

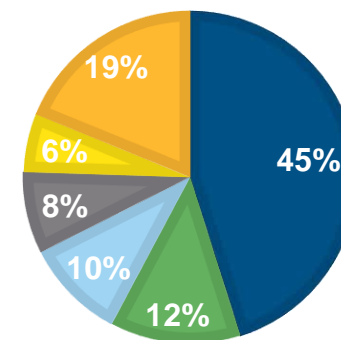
## U.S. Corn Exports

■ Mexico ■ Japan ■ Colombia ■ South Korea ■ Rest of World



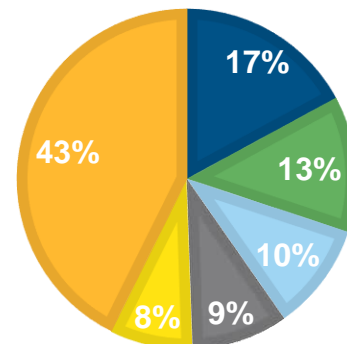
## U.S. Soybean Exports

■ China ■ Mexico ■ EU ■ Indonesia ■ Japan ■ Rest of World



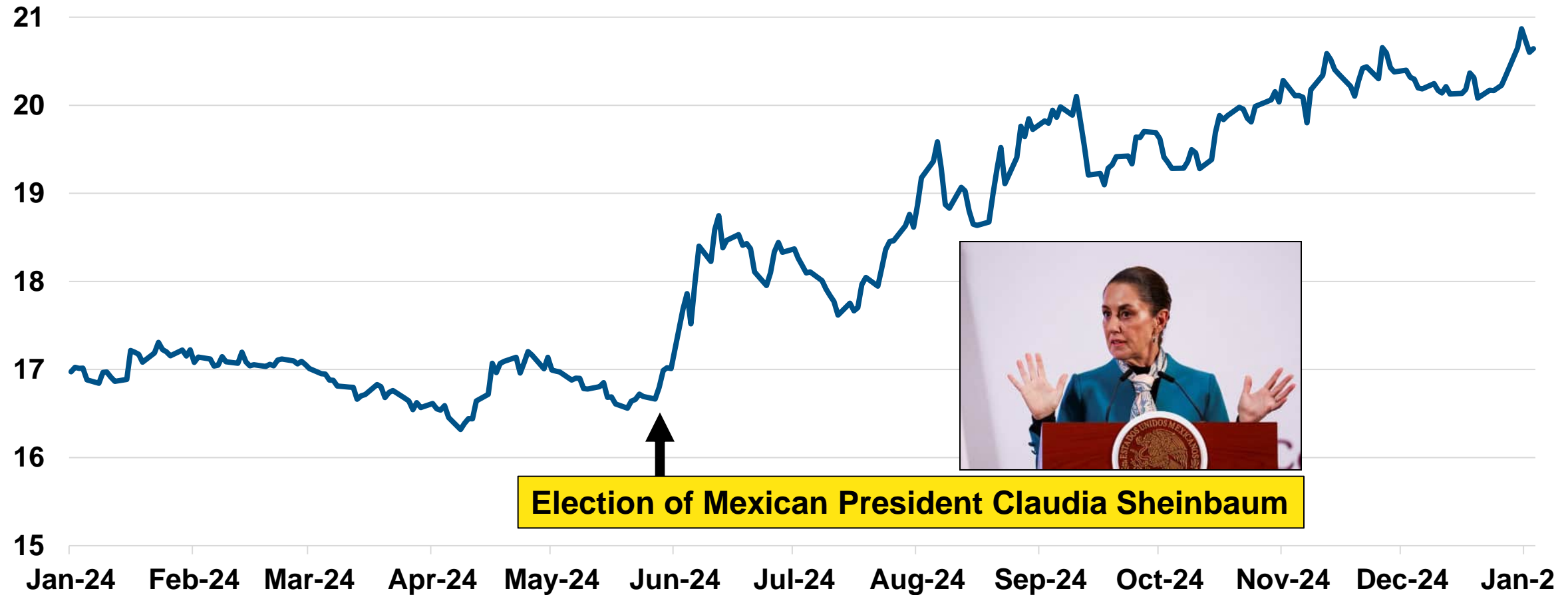
## U.S. Wheat Exports

■ Mexico ■ Philippines ■ China  
■ Japan ■ South Korea ■ Rest of World



# Weakening Mexican Peso vs US\$ is Headwind for US Exports

## U.S. Dollar / Mexican Peso

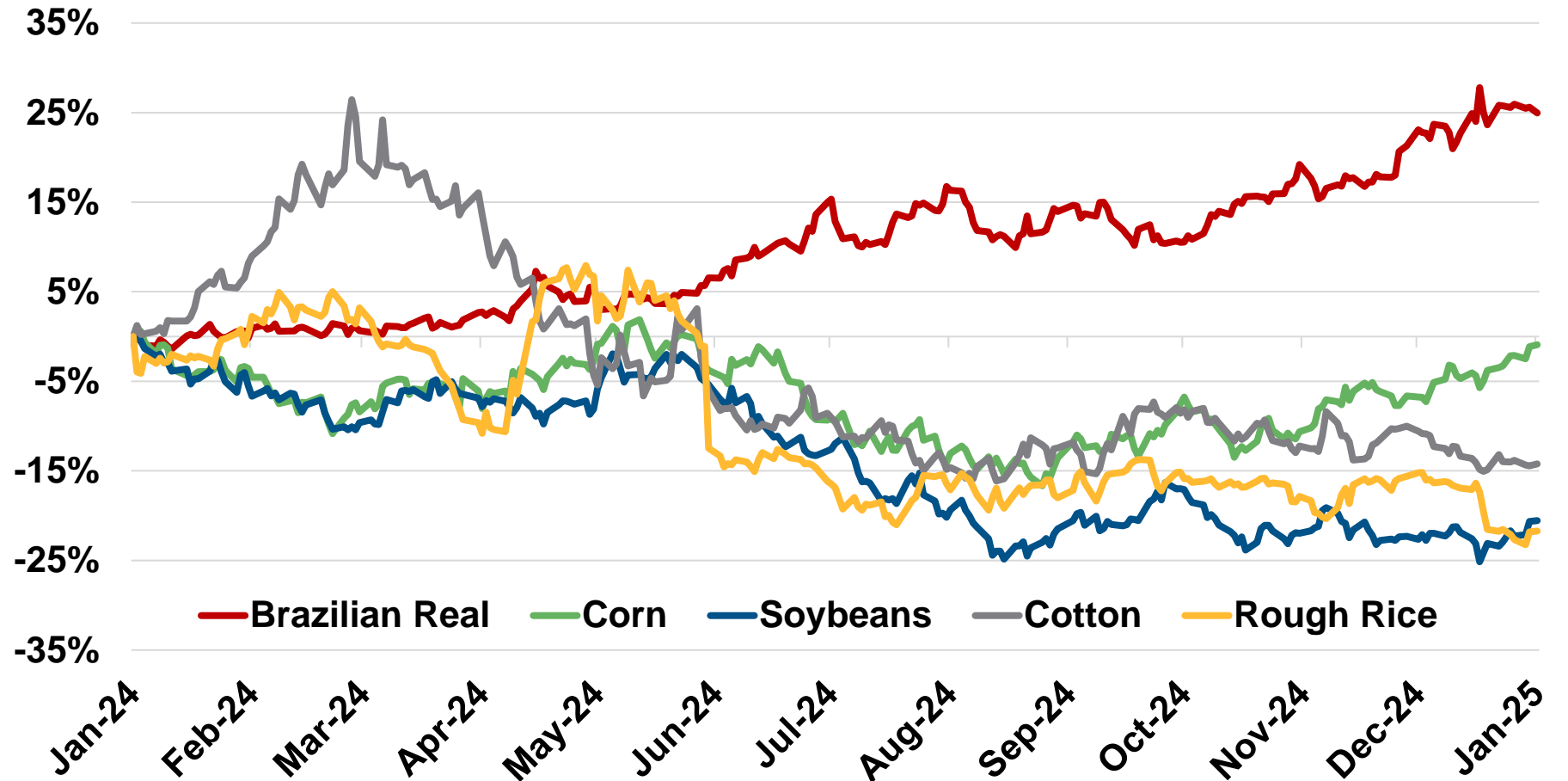


# Weaker Brazilian Real Makes Brazil's Exports Competitive



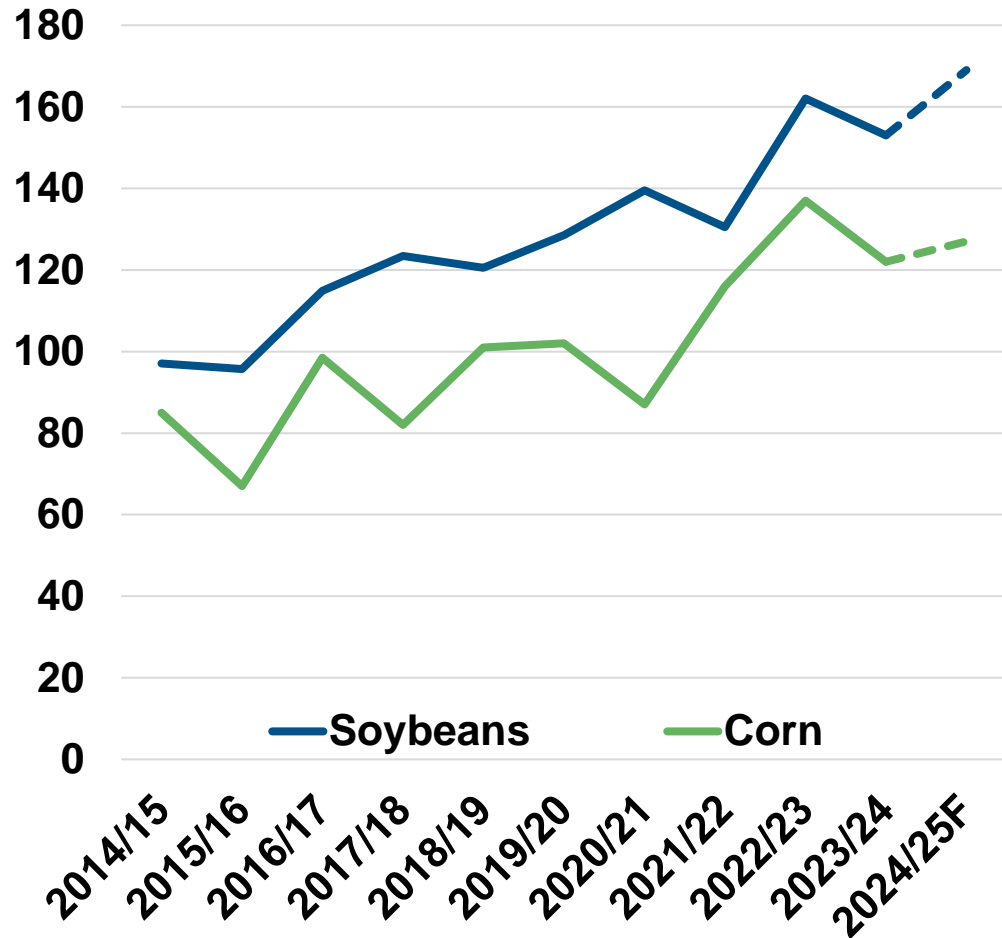
Brazilian real has collapsed from fiscal mismanagement under Pres. Luiz Inácio "Lula" da Silva.

## Brazilian Real vs. Ag Commodity Prices (Percent Change)

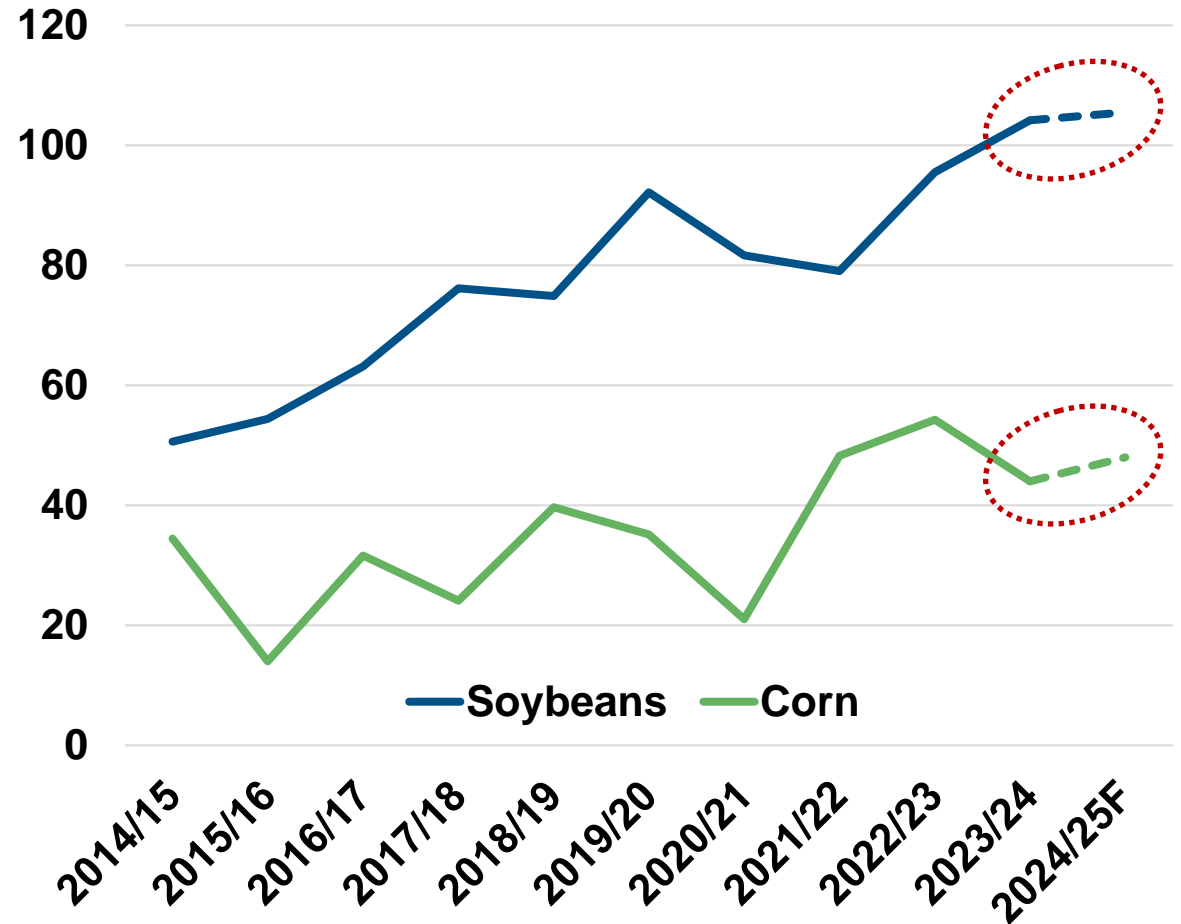


# Brazilian Soybean and Corn Exports to Climb YoY

## Brazilian Crop Production (MMT)

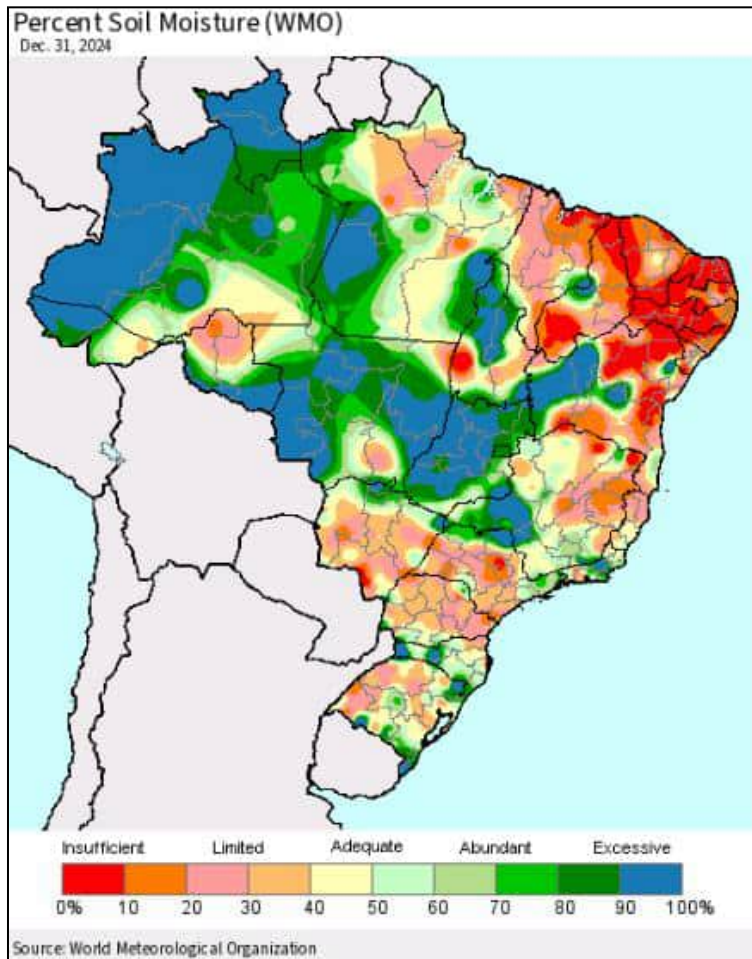


## Brazilian Crop Exports (MMT)

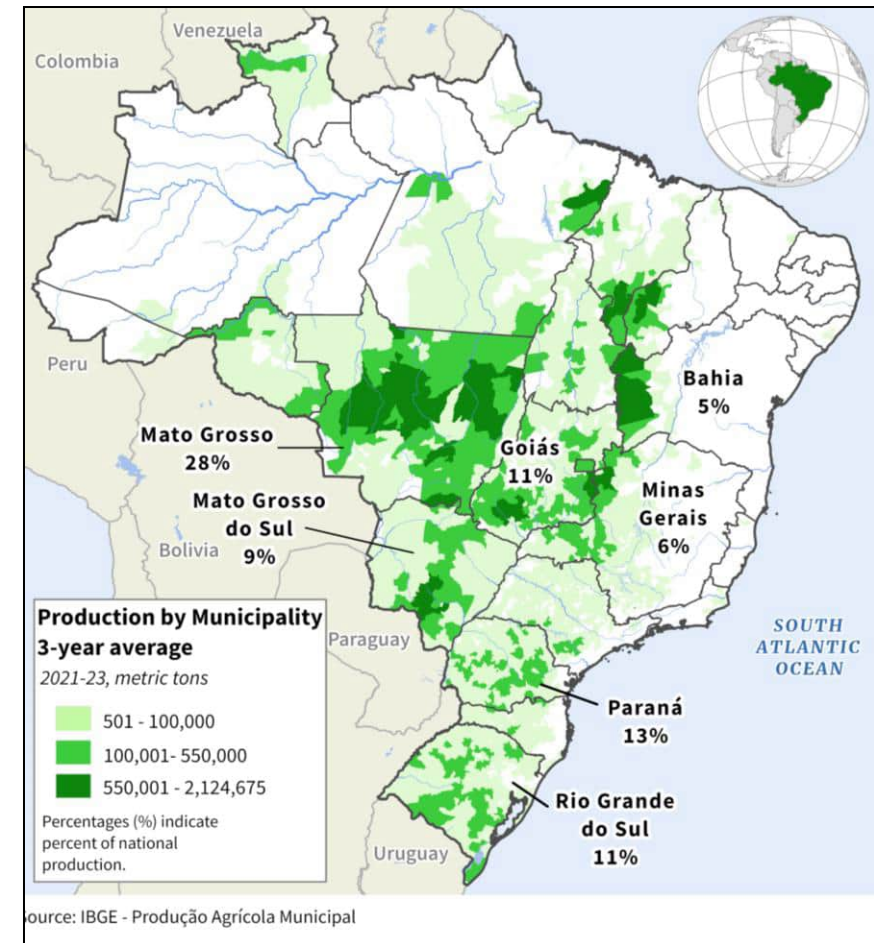


# Ample Soil Moisture in Brazil is Increasing Crop Prospects

## Brazilian Soil Moisture Index



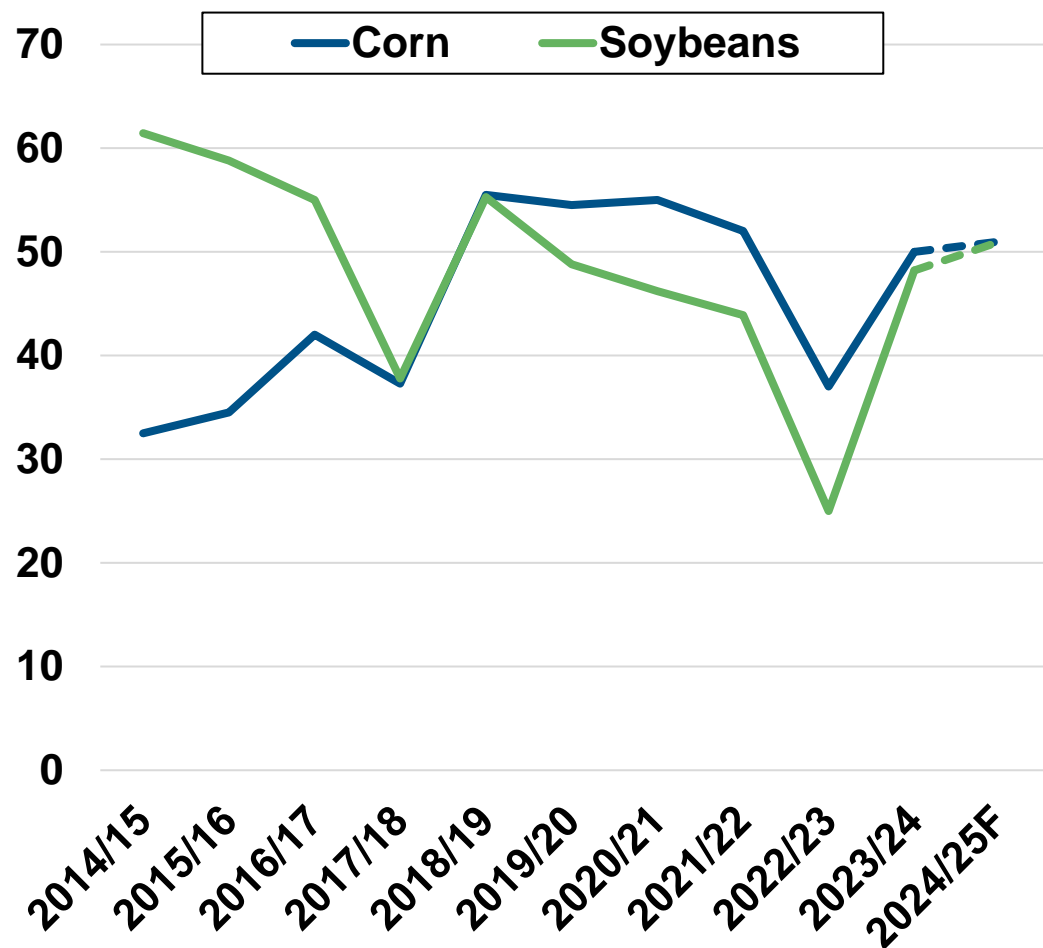
## Brazilian Soybean Production



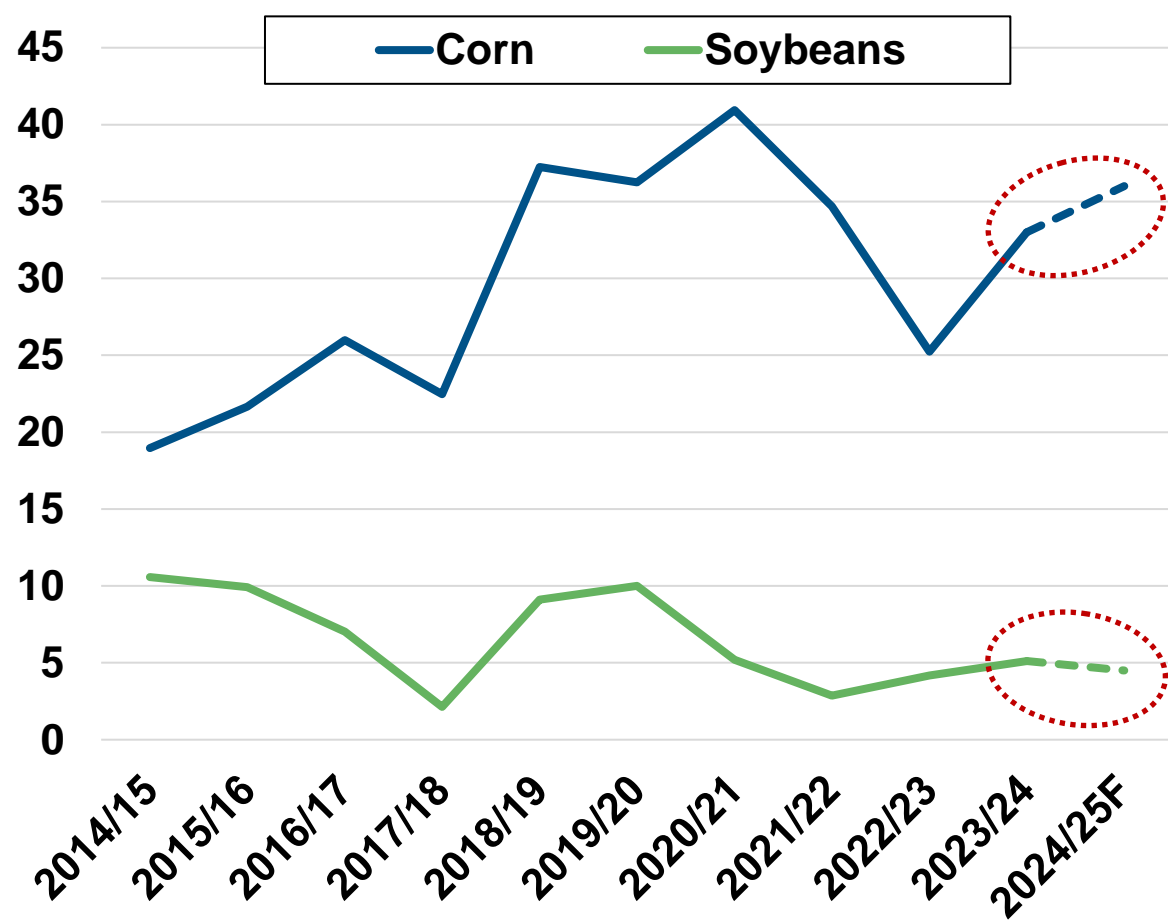


# Argentine Crop Exports Climbing, Soy Falling

## Argentina Crop Production (MMT)

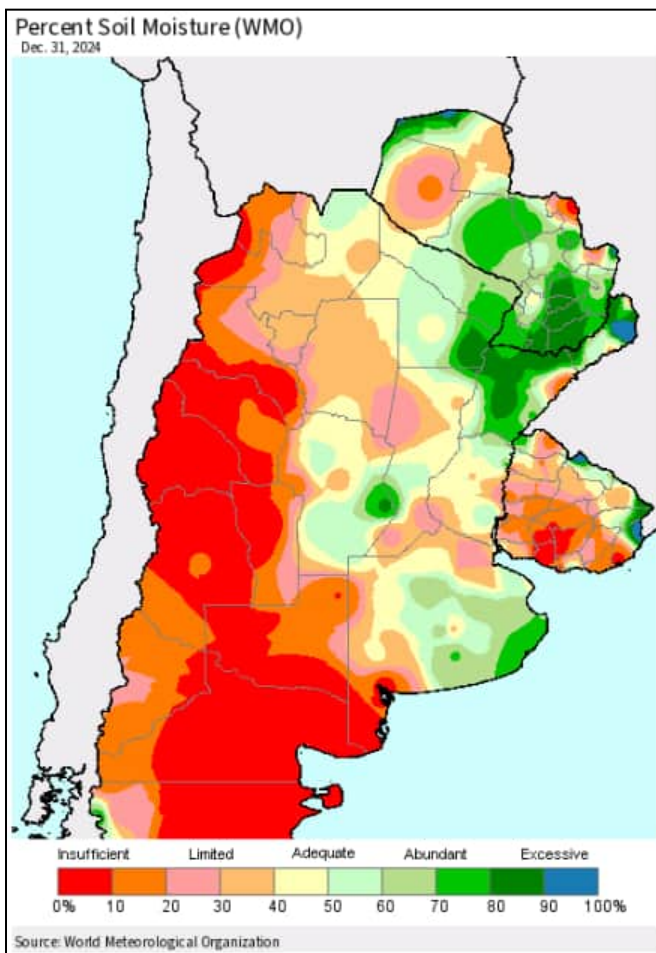


## Argentine Crop Exports

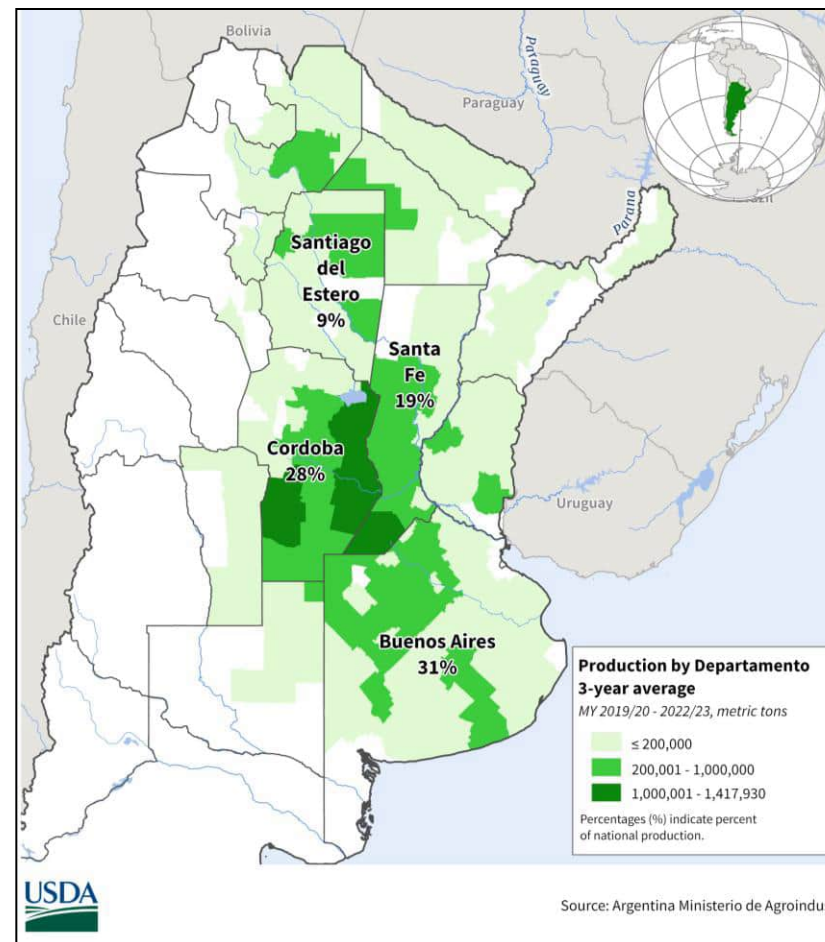


# Drought Concerns Growing in Argentina

## Argentine Soil Moisture Index

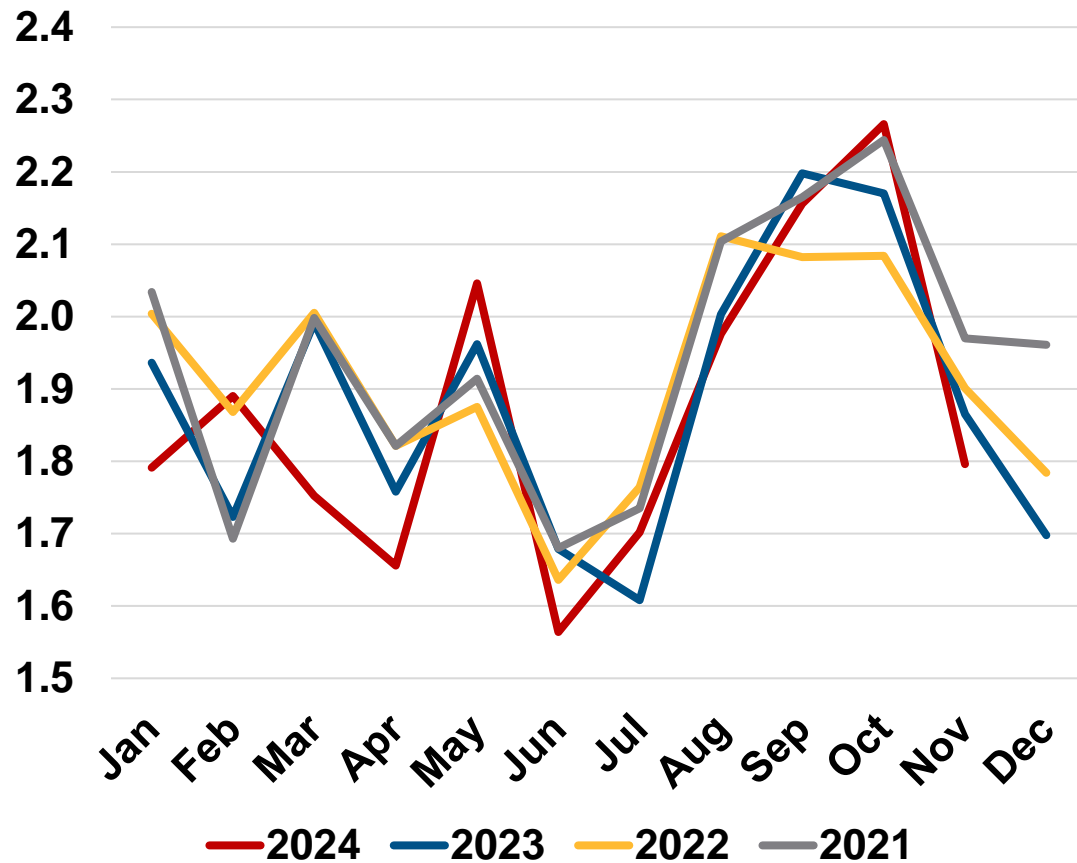


## Argentine Soybean Production

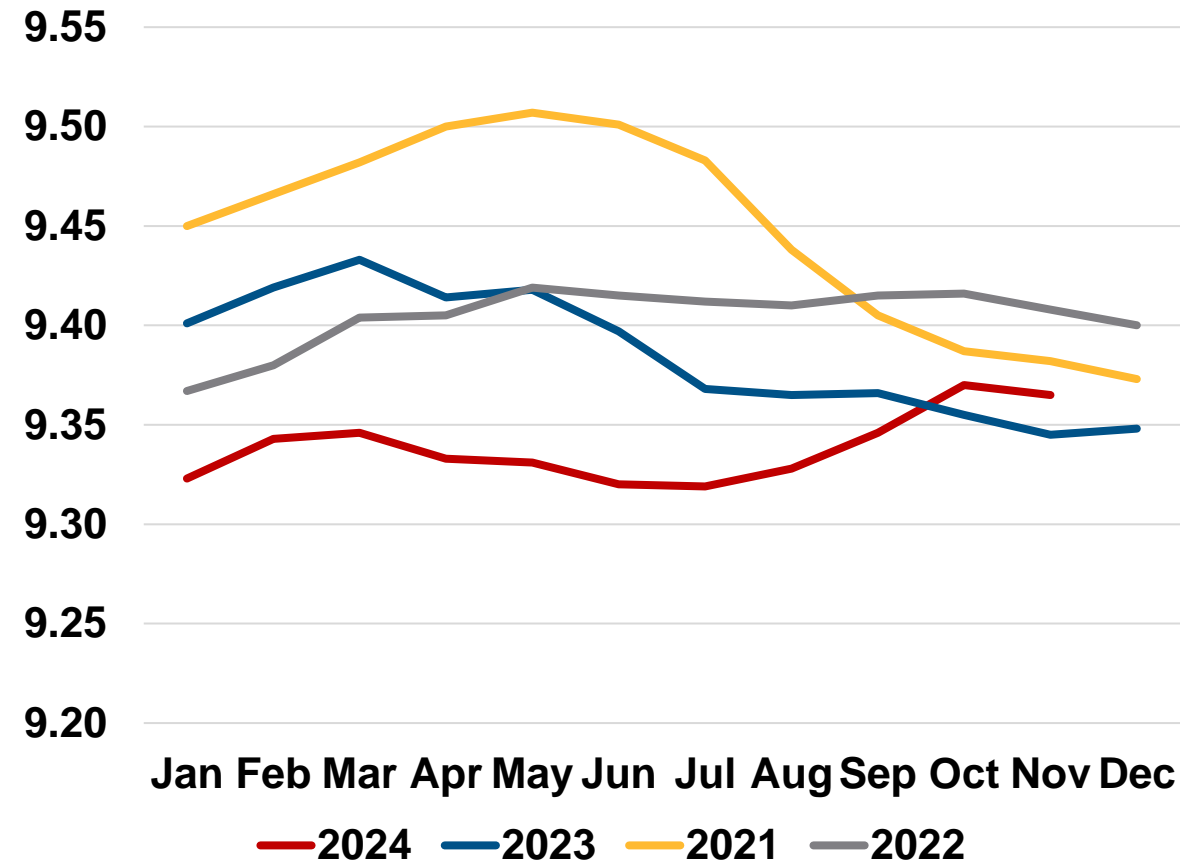


# U.S. Feed Demand for Beef & Dairy Cattle is Steady to Higher

## Beef Cattle Placements (Million Head)



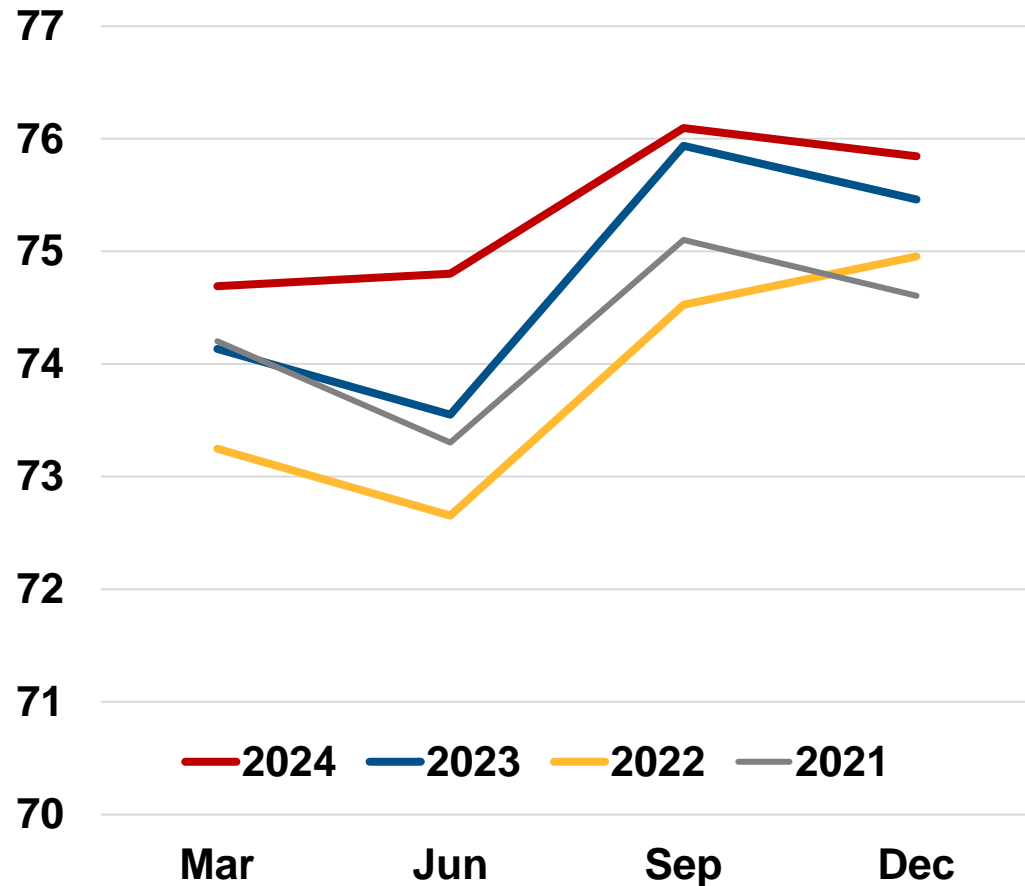
## U.S. Milk Cows (Million Head)



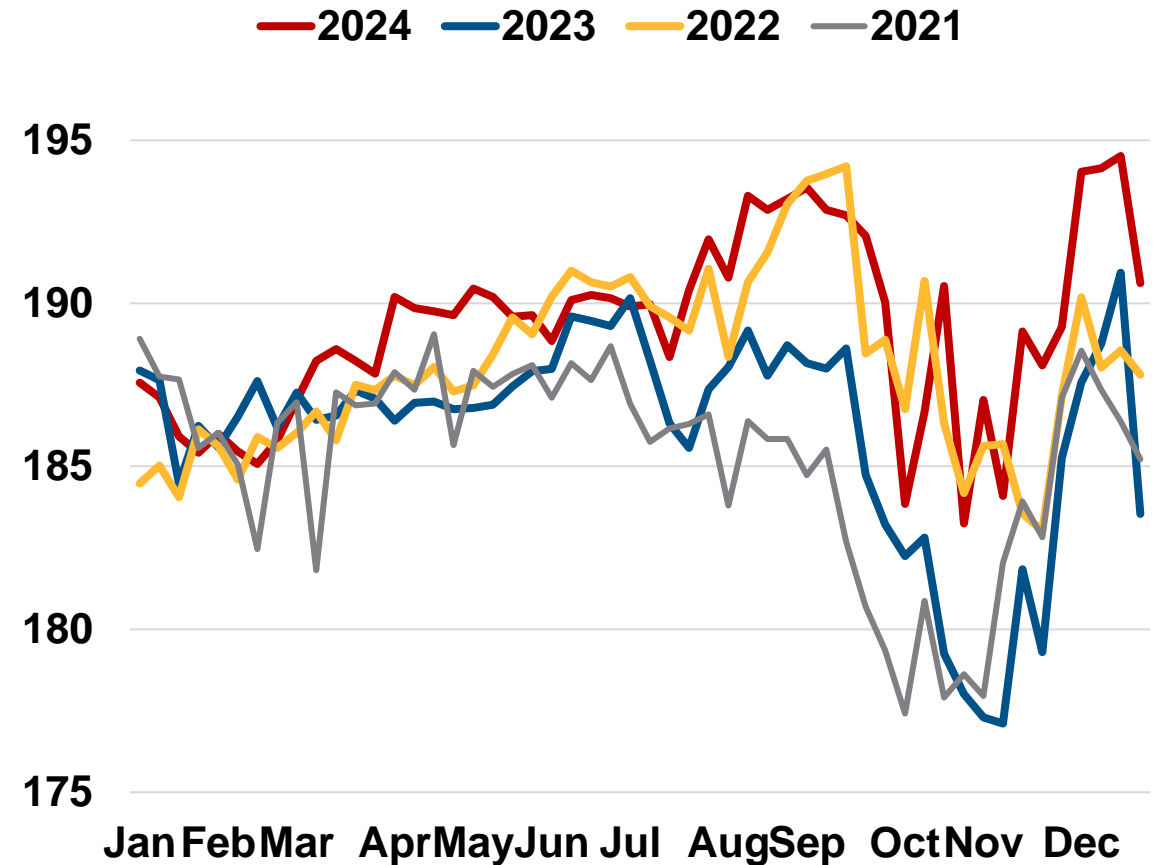
Source: USDA-NASS Cattle on Feed; USDA-NASS Milk Production

# Hog and Poultry Numbers Continue to Climb YoY

## Hogs & Pigs (Million Head)



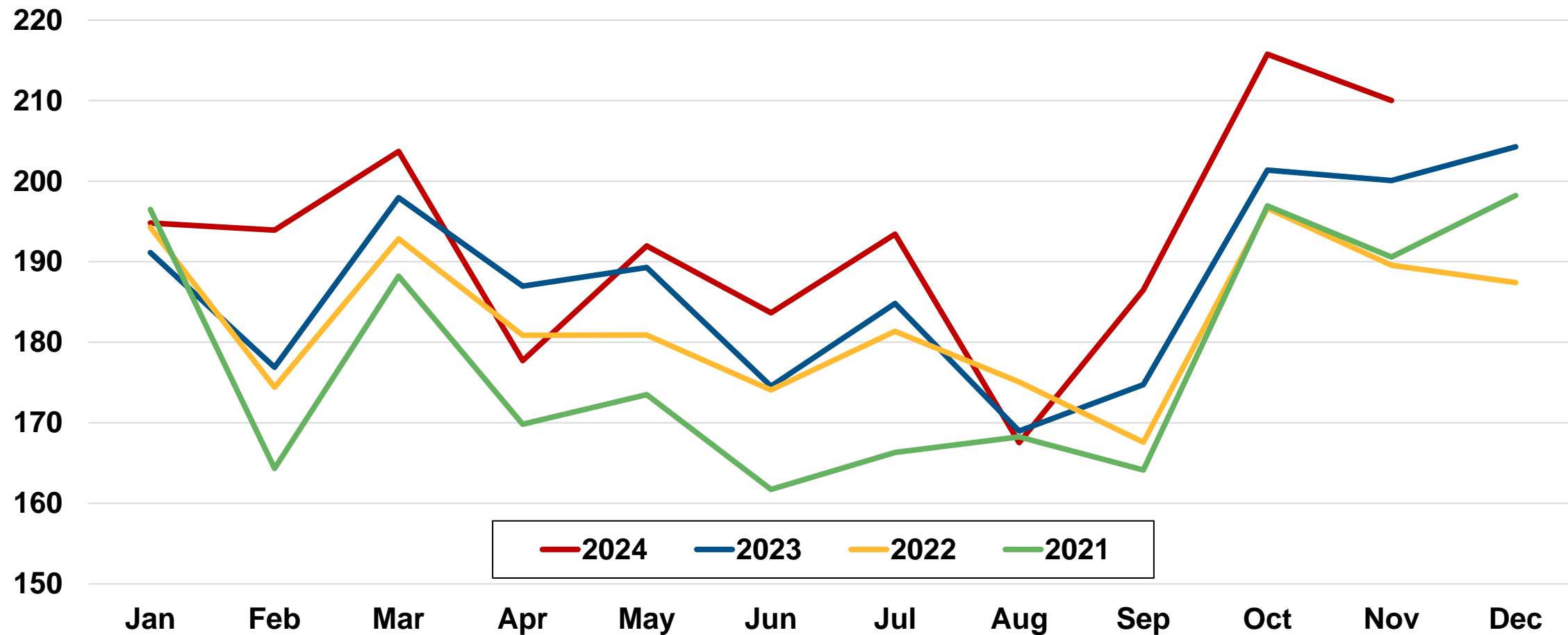
## Broiler Chicken Placements (Million Head)



Source: USDA-NASS Quarterly Hogs and Pigs; USDA-NASS Broiler Hatchery

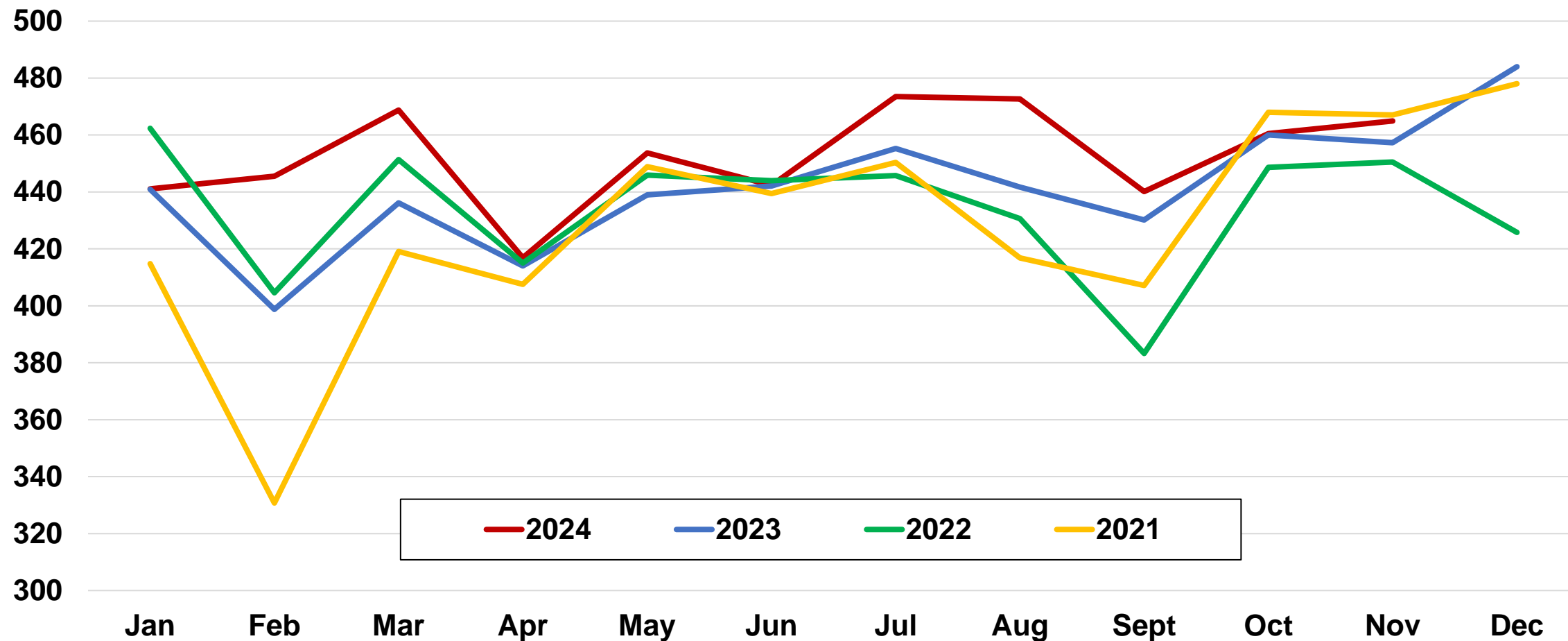
# U.S. Soy Crush Record Large and Climbing on RD Demand

## U.S. Soybean Crush (Million Bushels)



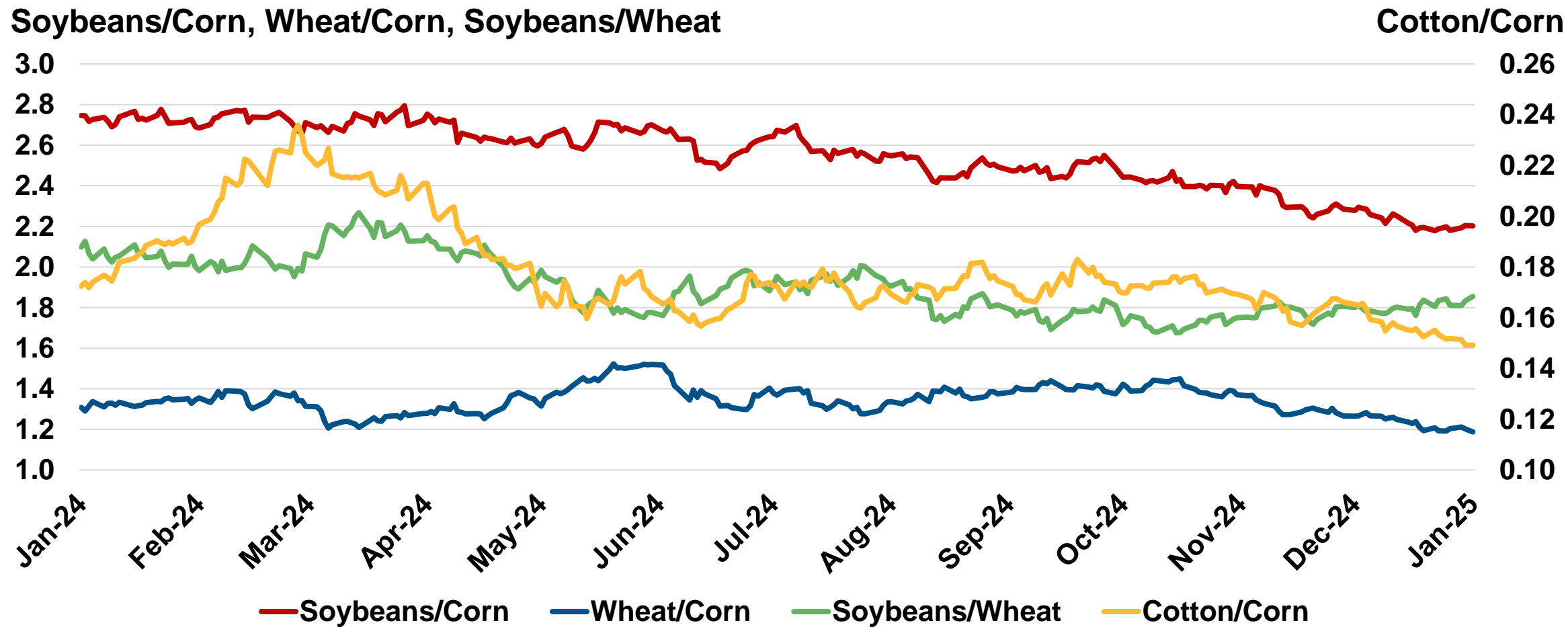
# Ethanol Demand for Corn is Strong but Slowing

## U.S. Corn Used for Fuel Alcohol (Mill. Bu.)



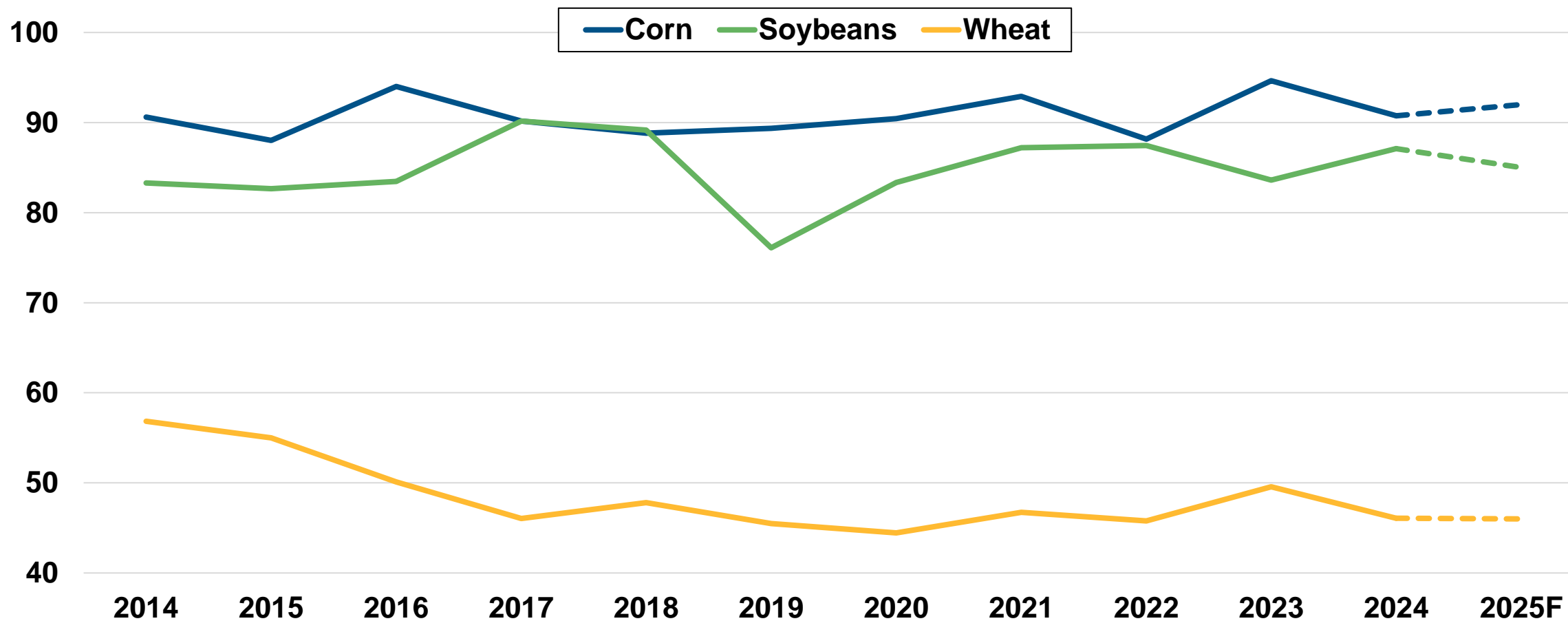
# Farmers Will Be Shifting Acres to Corn

## Price Ratios



# Will Corn Acreage Surpass 94 Million in 2025?

## U.S. Planted Area (Million Acres)



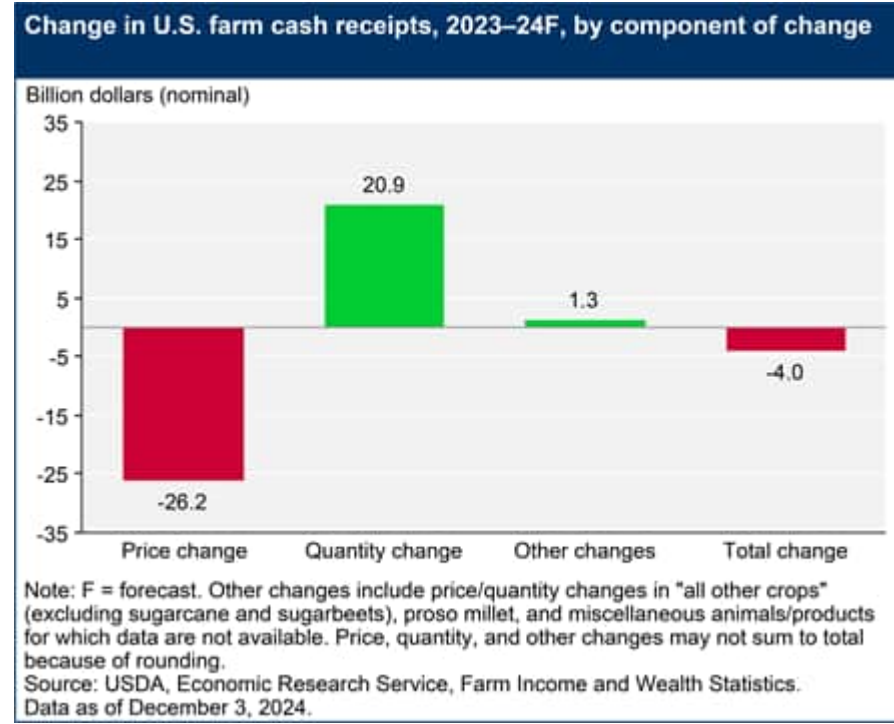
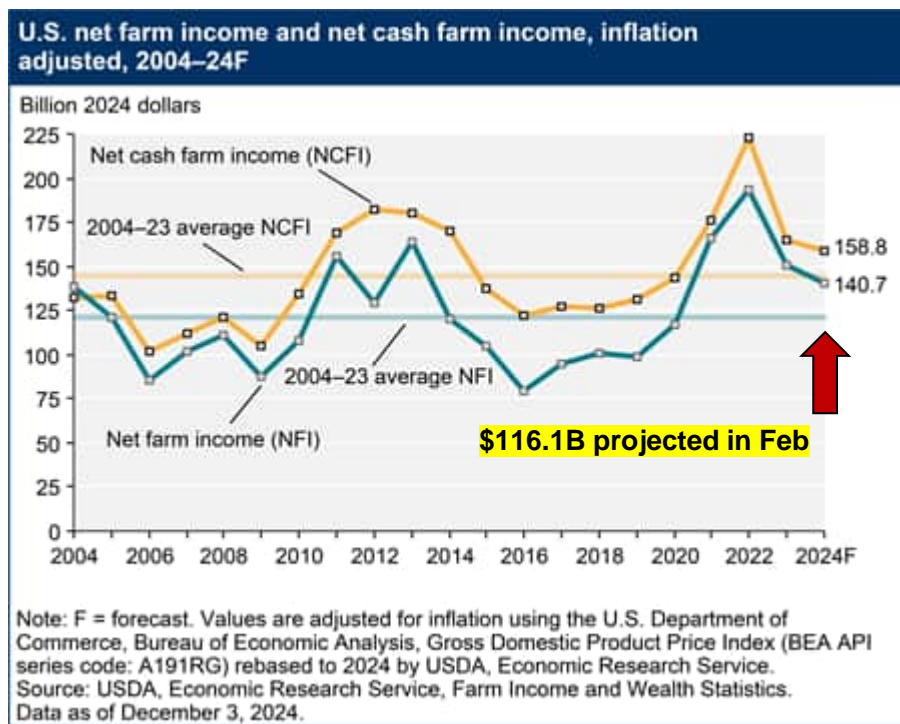


# Farm Supply & Inputs

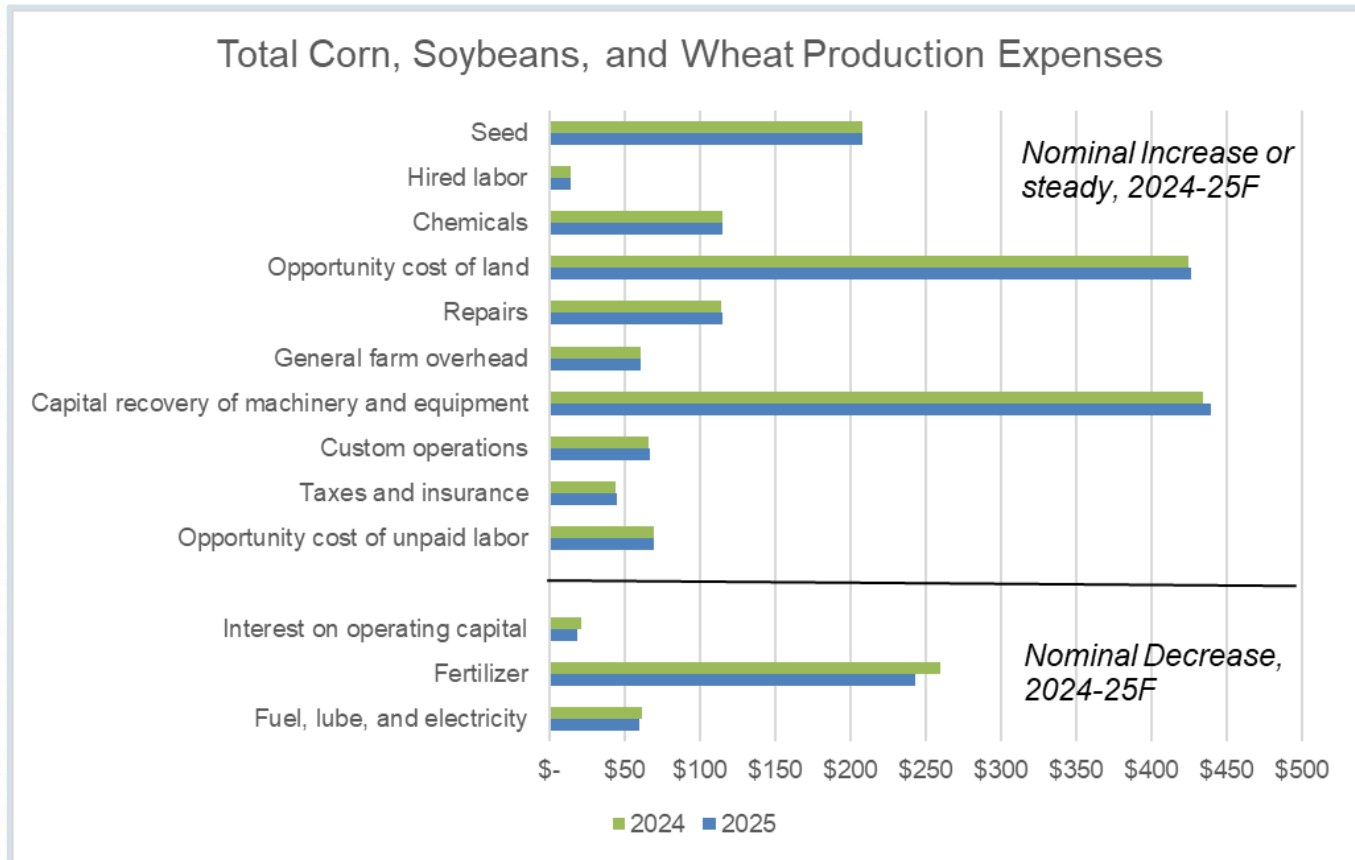
# Net Farm Income for 2024 Higher Than Originally Projected

## Higher livestock values, falling production costs offset lower crop prices

After adjusting for inflation, net farm income is forecast to decrease \$9.5 billion (6.3%) in 2024 relative to 2023.

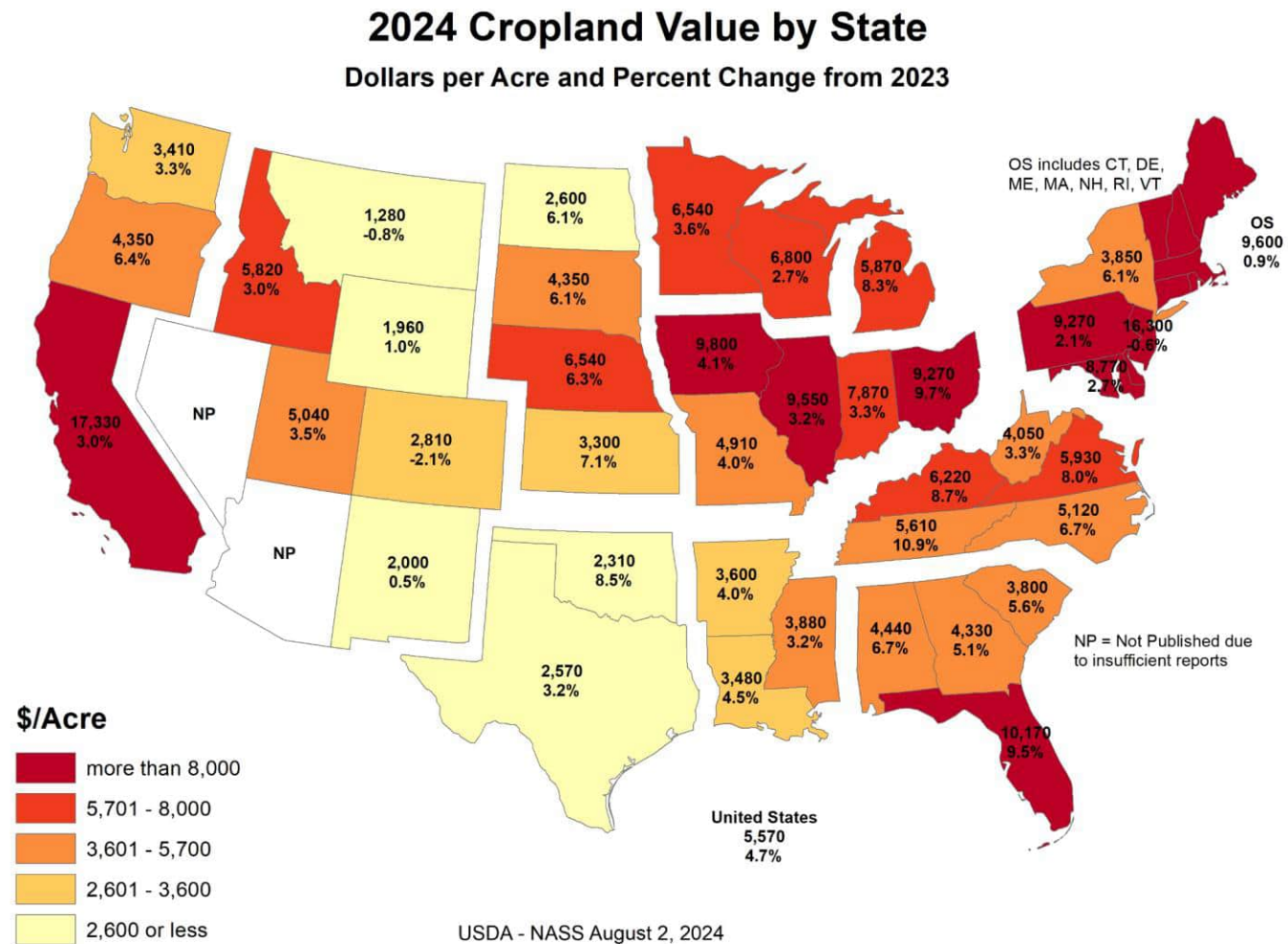


# Production Expenses Not Dropping as Fast as Commodity Prices



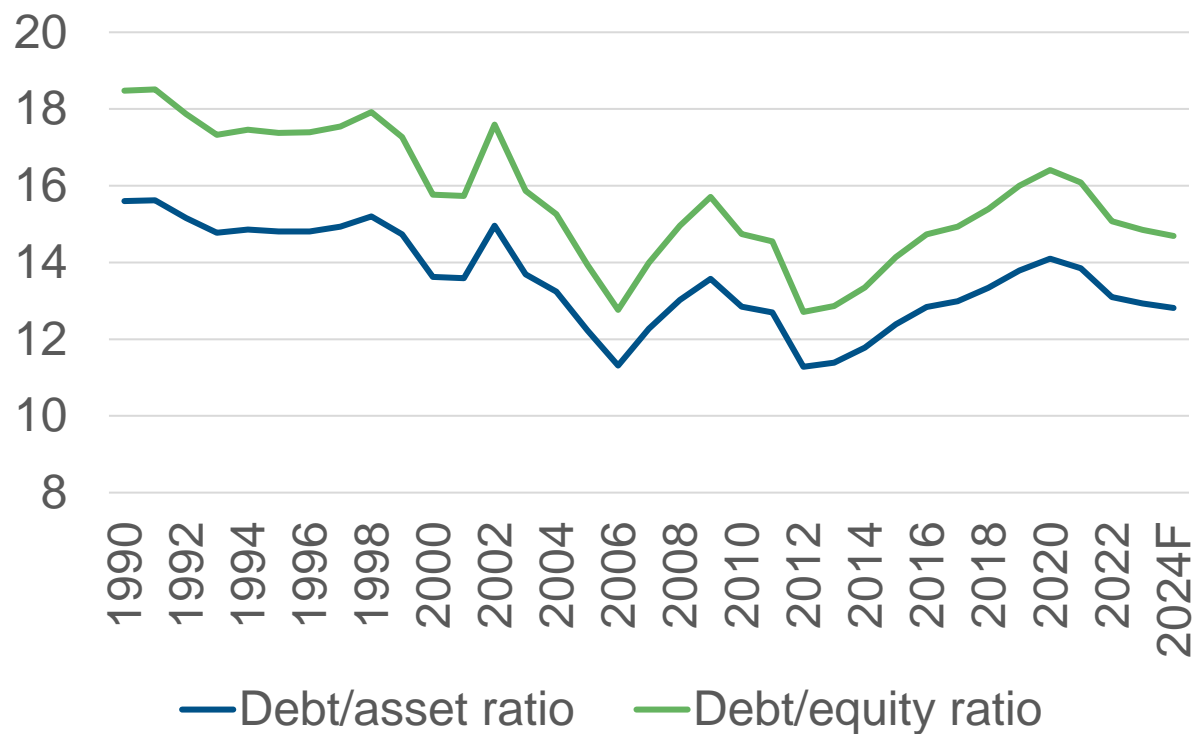
- Interest expenses to drop on average **16.8%** from 2024 to 2025.
- Labor steady after costs **up nearly 7%** last year
- Fertilizer expenses to **decline nearly 7%** mostly due to reductions in prices.
- Fuel and oil expenses down nearly 2% after a nearly **10% decline** last year
- Seed purchase costs projected to remain steady.

# Cropland Values Softening from 2023 to 2024

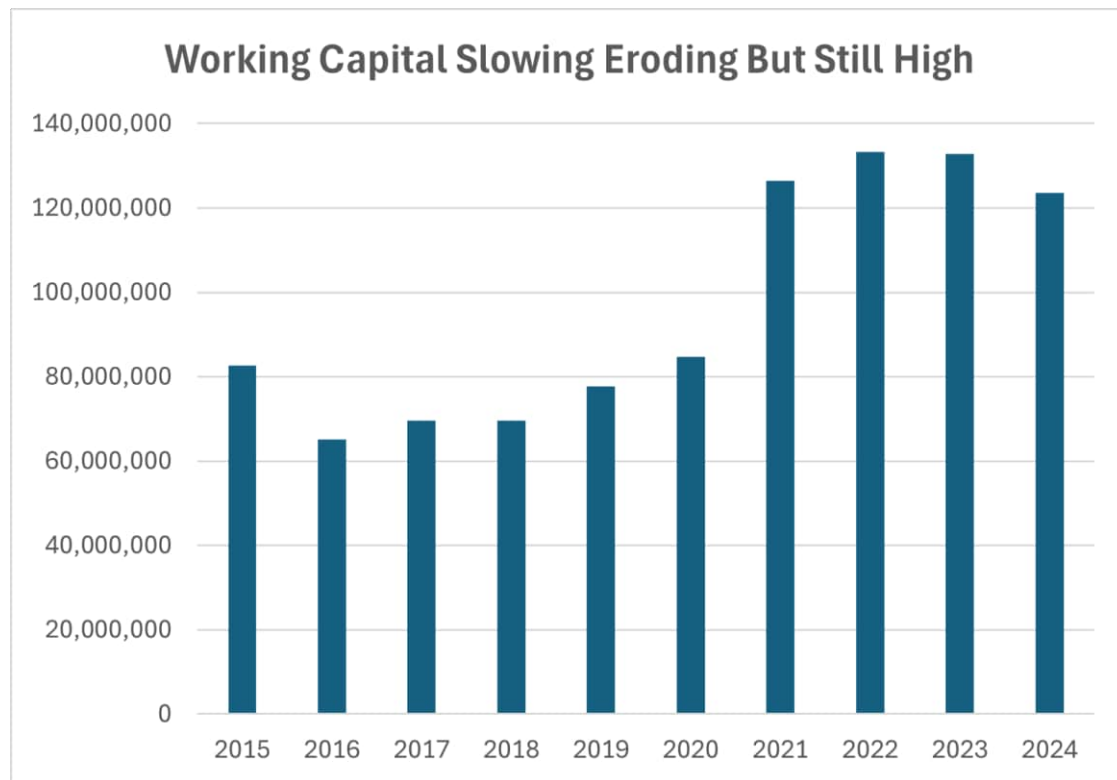


# But Balance Sheets in Good Shape for Now

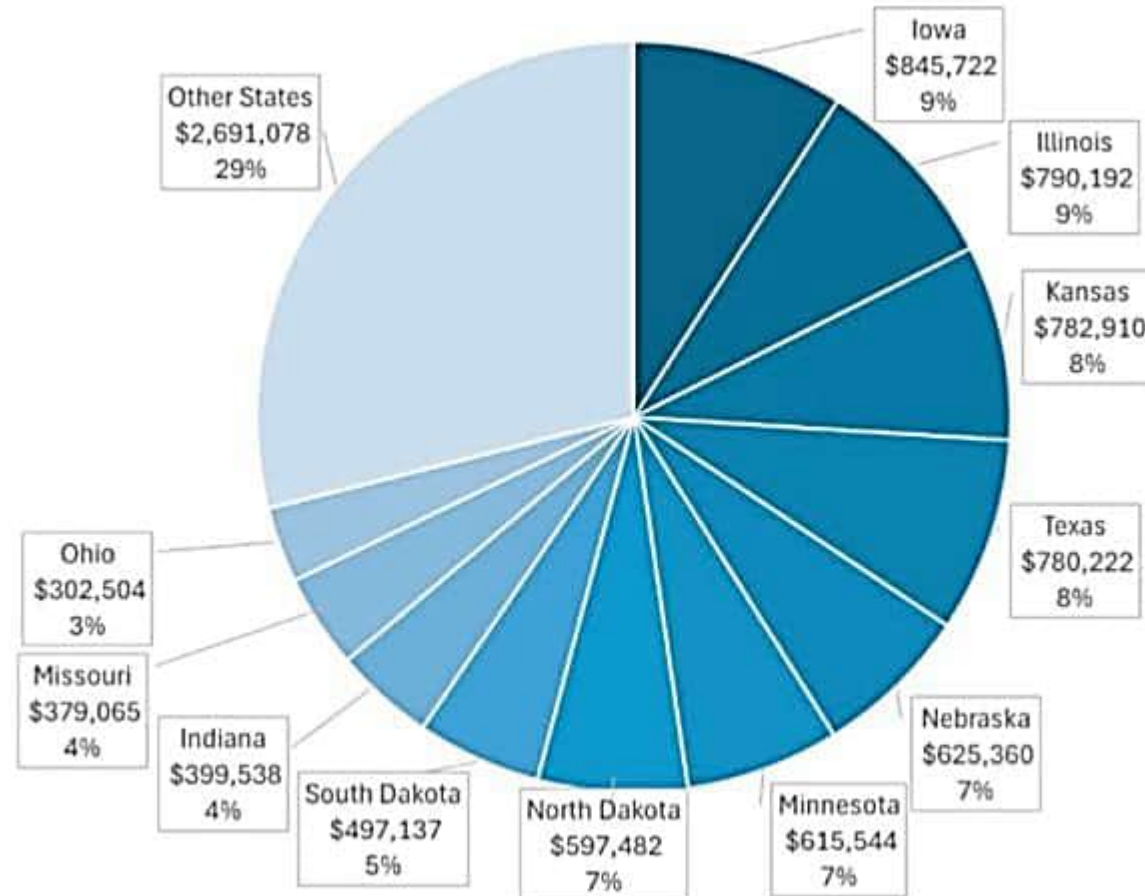
## Farm Sector Solvency Ratios (%)



## Working Capital Slowing Eroding But Still High



# Christmas Present for Farmers with \$10B in Aid

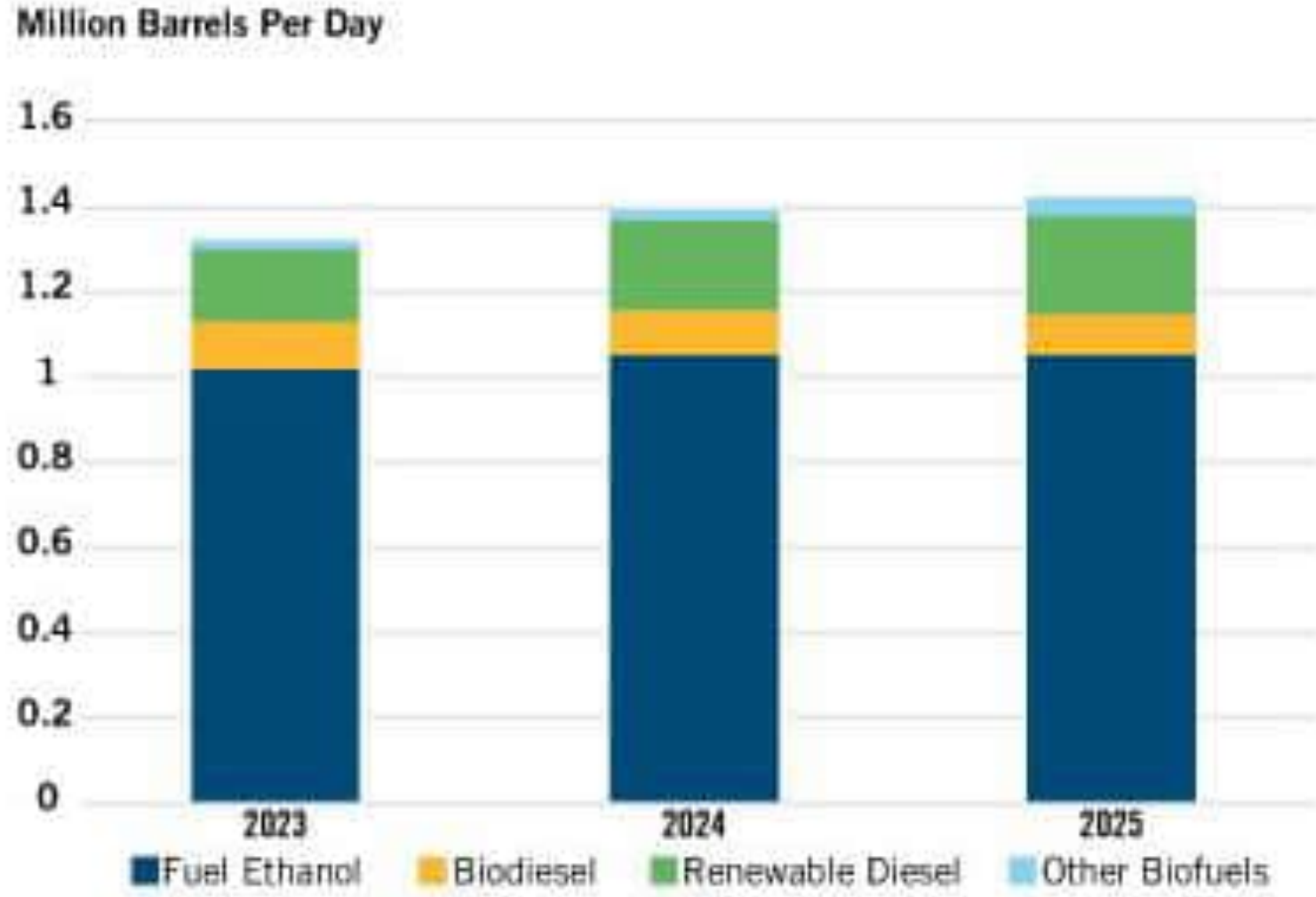


Crop	Payment/Acre
Corn	\$42.51
Soybeans	\$29.50
Wheat	\$30.69
Cotton	\$87.26
Rice	\$69.52

**Figure 1. Total Economic Assistance by State, in thousand dollars.**

# Biofuels

# Ethanol, Renewable Diesel Look to Be Flat in 2025

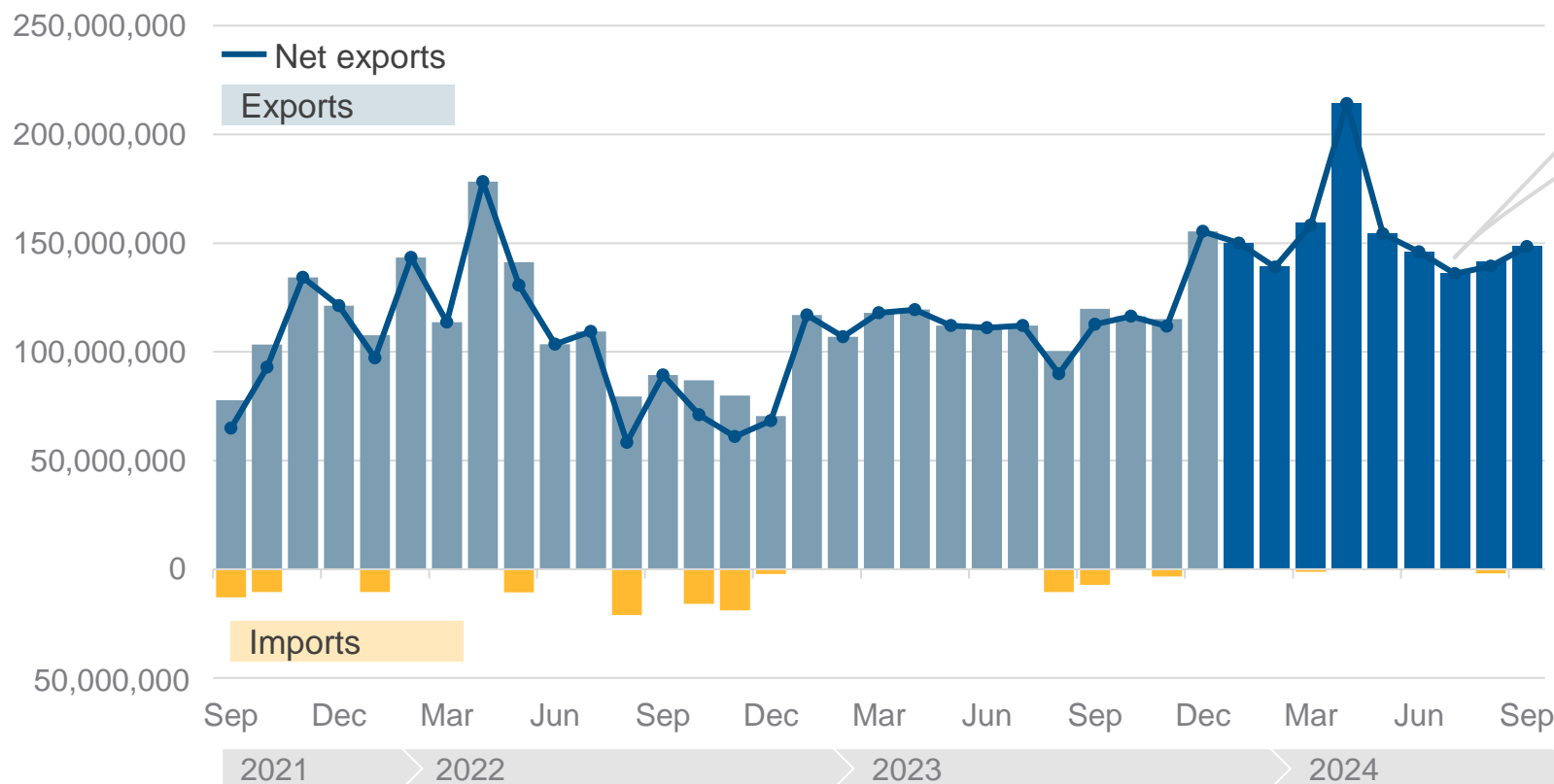




# Ethanol Exports On Pace For Record Year

YTD U.S. ethanol exports have reached a record high of 1.10 billion gallons (38% ahead of last year's pace)

Monthly U.S. ethanol exports (gallons)



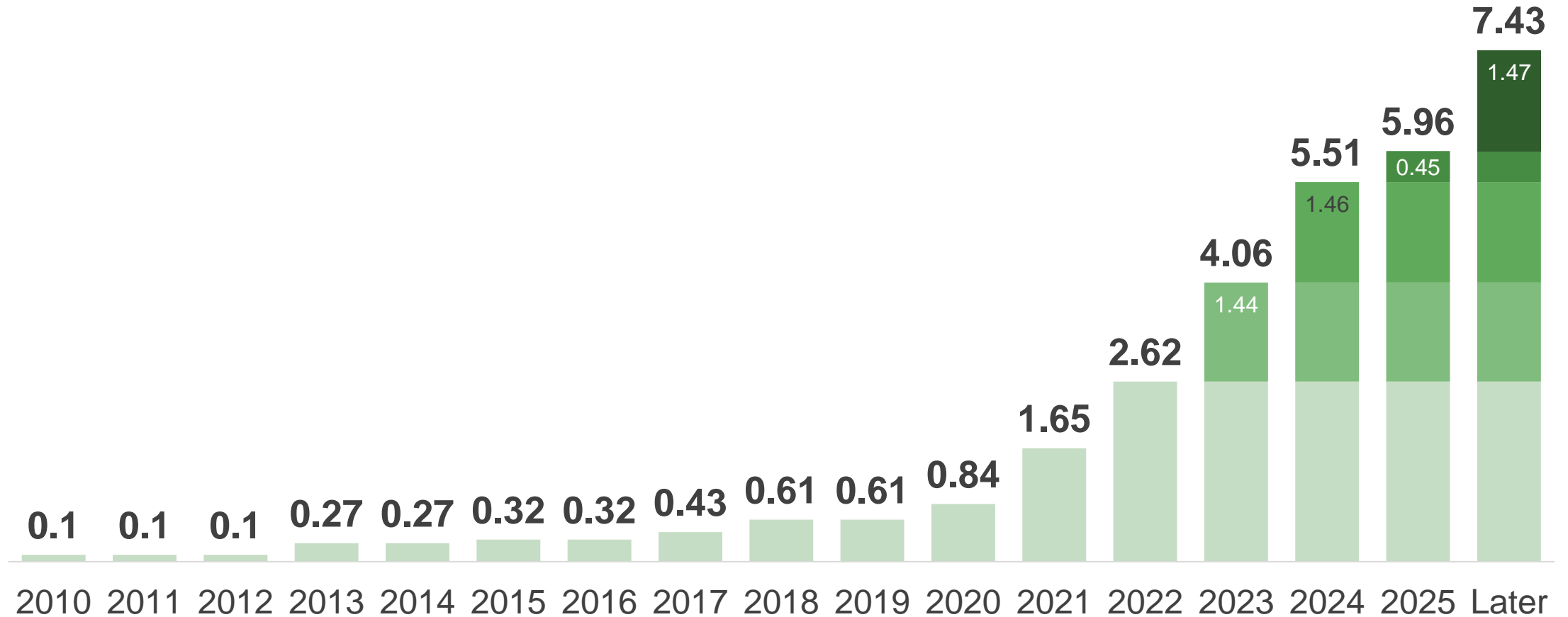
July exports **slipped 7%** but still at higher levels than seen Jan-Nov 2023.



Canada is top destination for 42th consecutive month (**44%** of all exports).

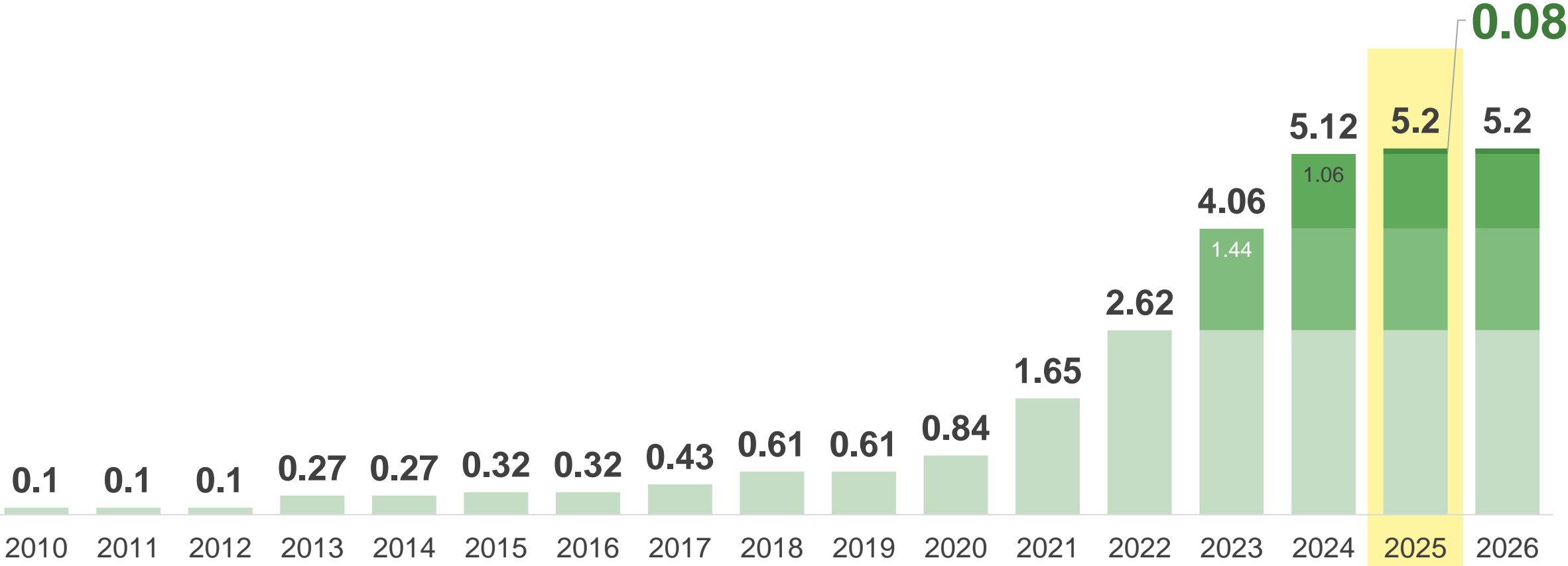
# Renewable Diesel Boom or Bust?

Annual U.S. renewable diesel nameplate production capacity (billion gallons per year)



# Renewable Diesel Capacity Now Forecasted Steady

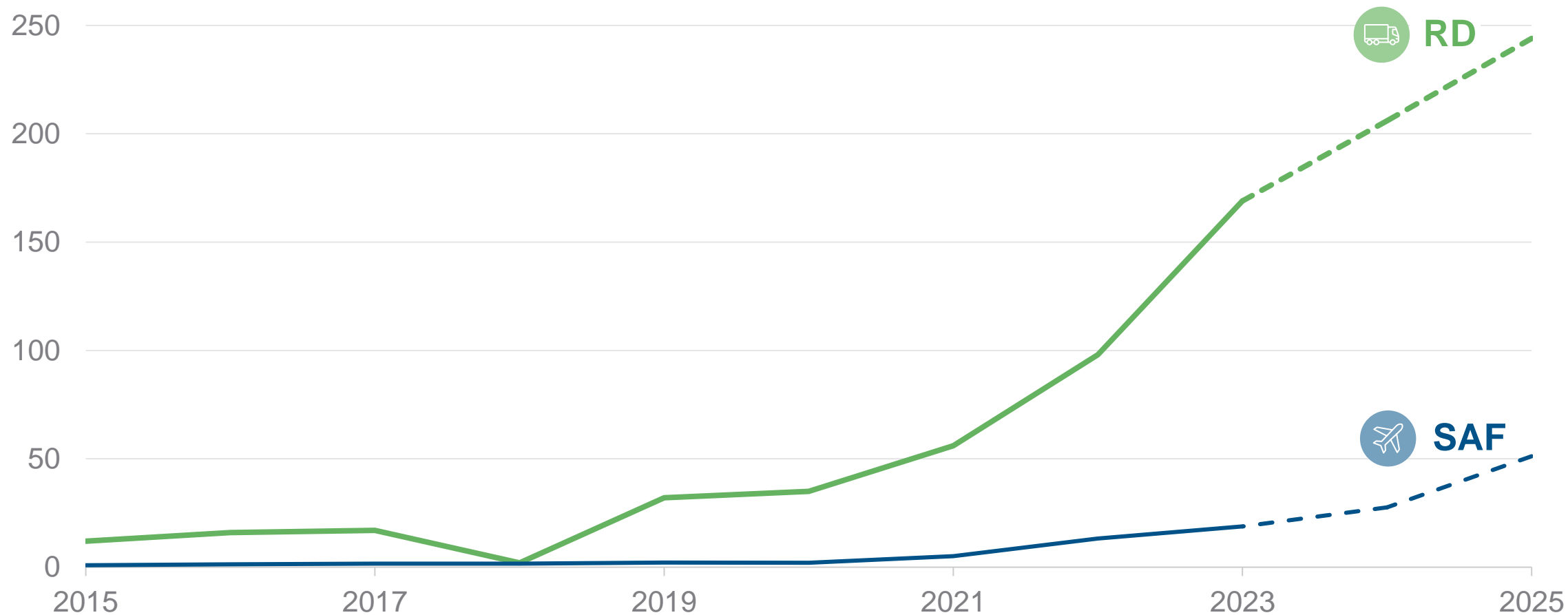
Annual U.S. renewable diesel nameplate production capacity (billion gallons per year)



Source: EIA, University of Illinois

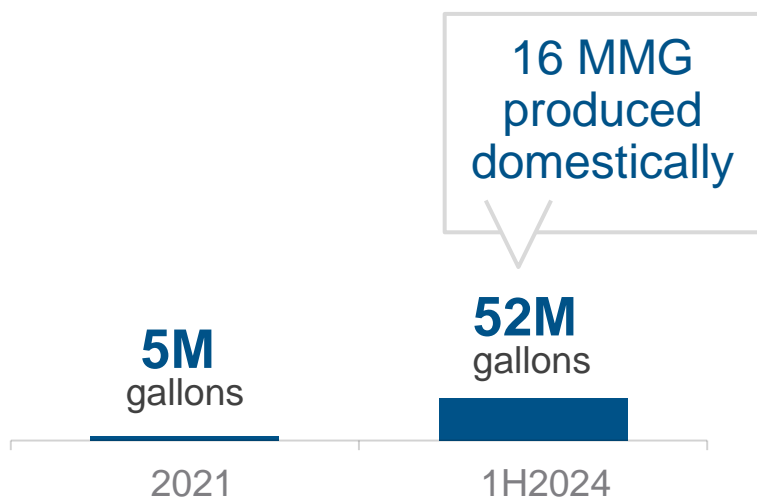
# Growth Projected for RD and SAF

Annual U.S. RD and SAF production (thousand barrels per day)

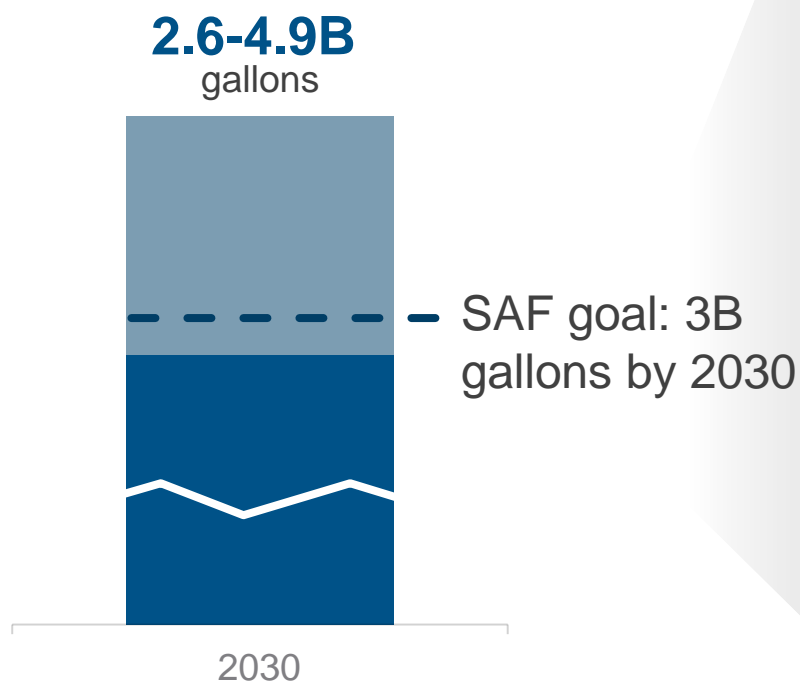


# SAF Grand Challenge to Produce 3B Gallons of SAF by 2030

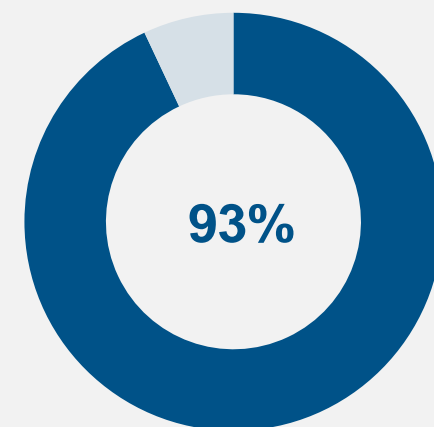
**Domestic SAF use has grown 10x** since SAF Grand Challenge announced in 2021



**2.6-4.9 billion gallons** may be produced domestically (per year) by 2030



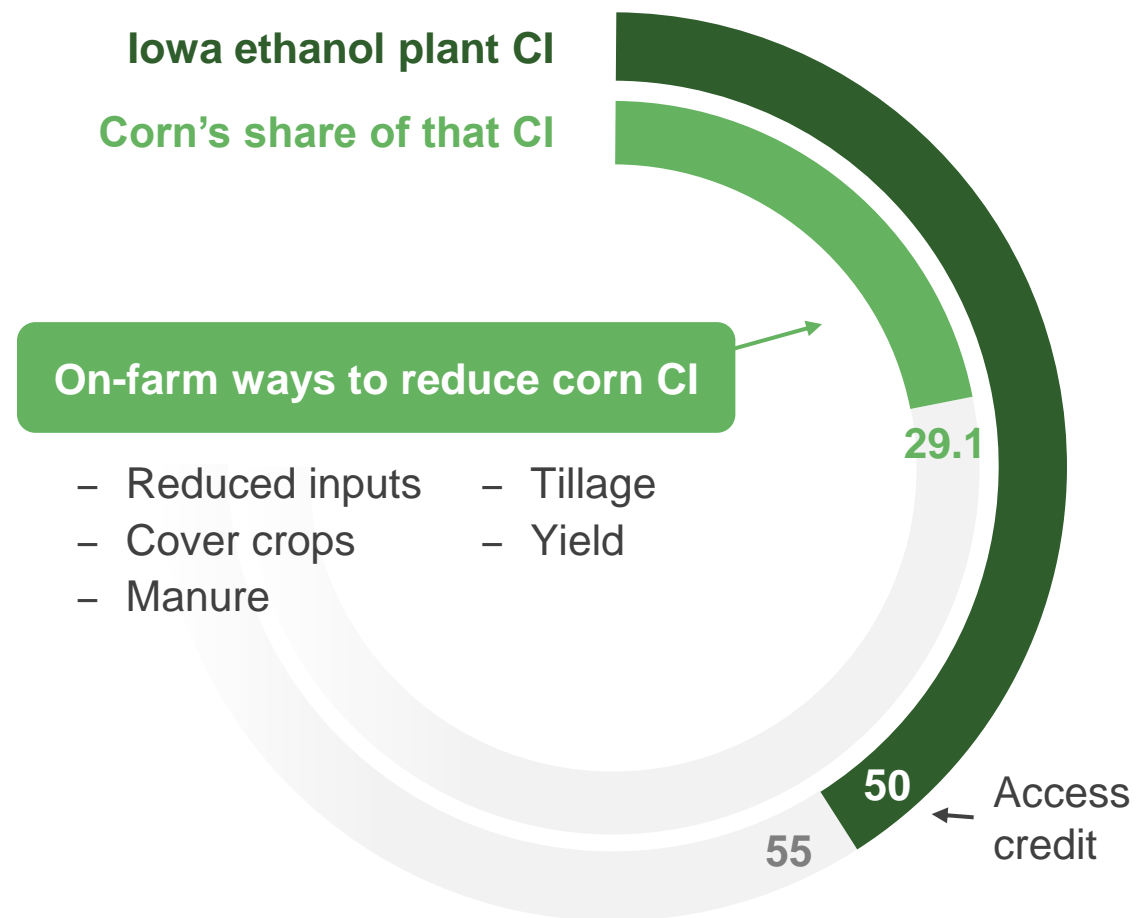
**Farmers estimated to capture 93% of the market**



**Unlikely to be realized with UCO and tallow and current CI scores**

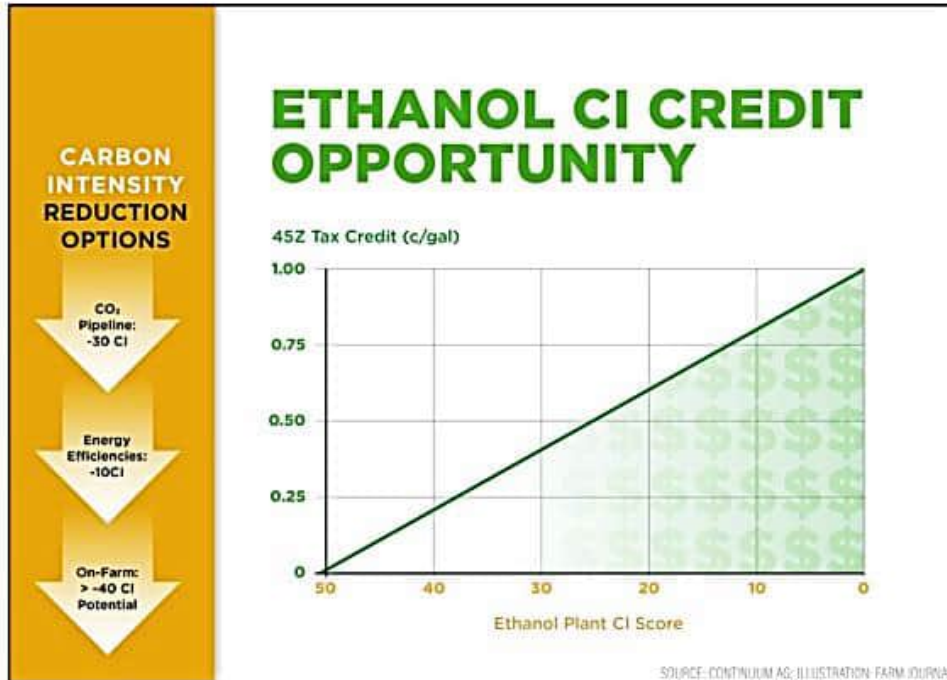
# To Access 45Z, CI Score Must be Below 50

- ▶ Our sneak peak of 40B showed the check the box approach only gave a 10- point CI point reduction of corn if used reduced tillage, cover crops AND nitrogen efficiency products.
  - Only **15% of US acres** would qualify for that today
- ▶ Question is whether farmers will get full credit for the actions taken on the farm?



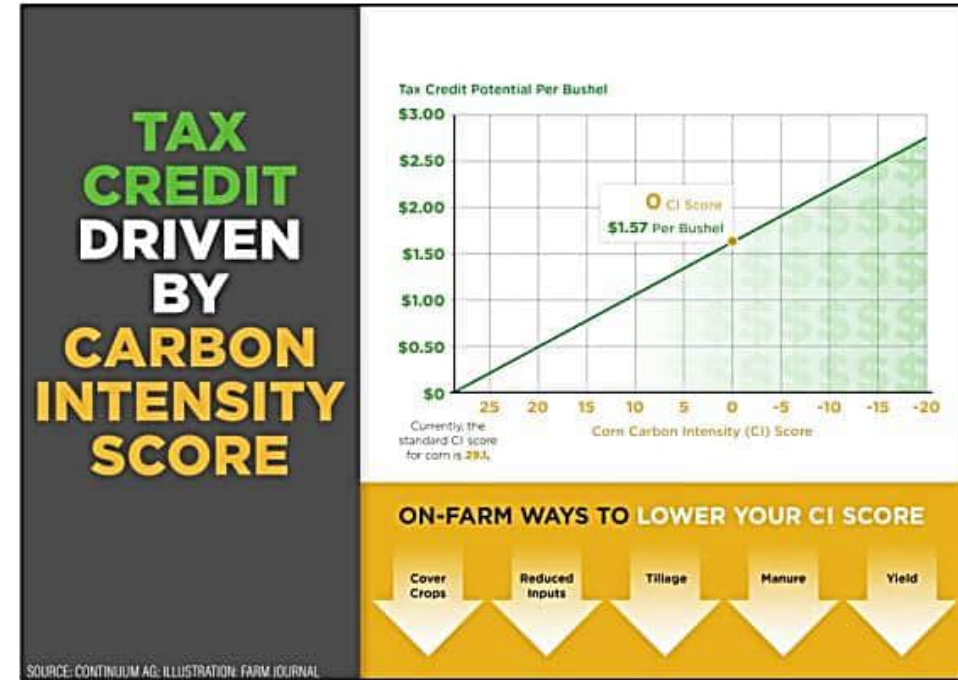
# Zero CI Score Could Bring \$1.57/Bushel Premium

**45Z tax credit:  
\$0.02/CI/gal**



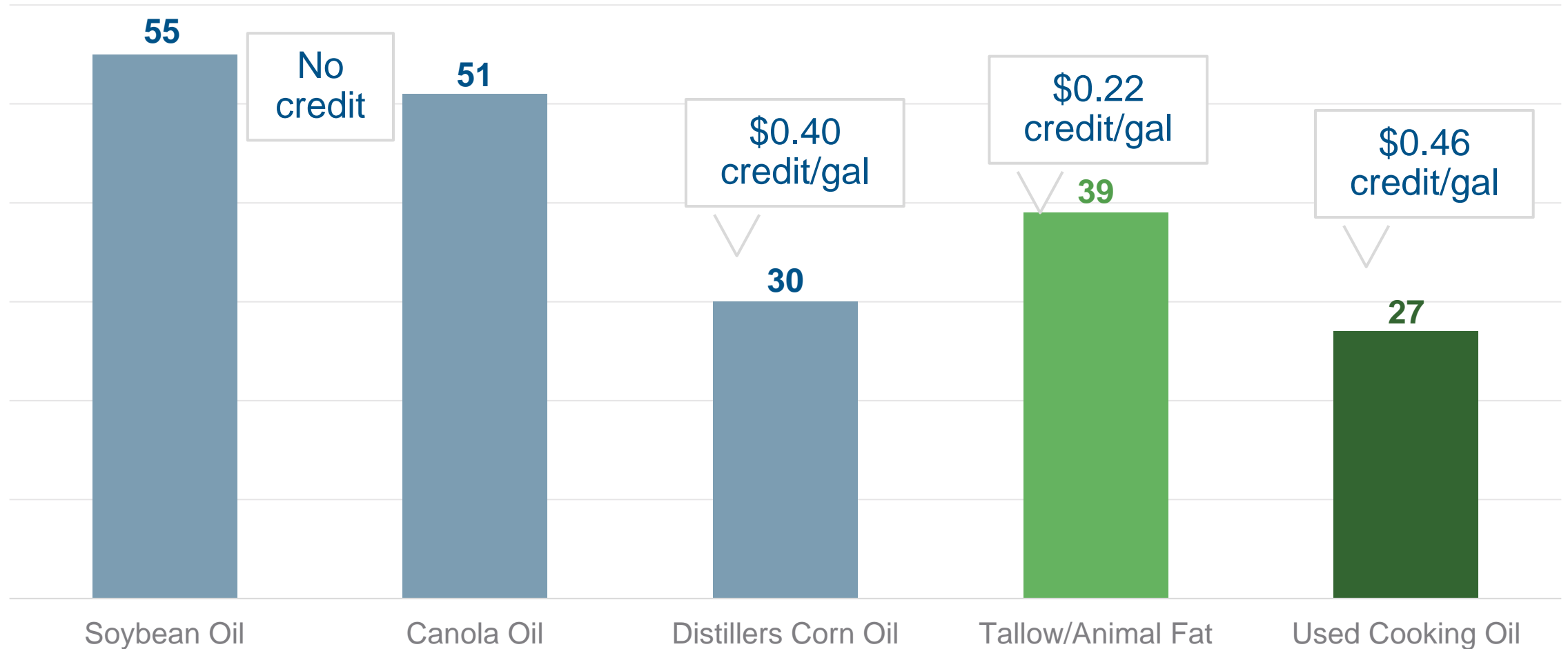
**Crop opportunity:  
\$0.054/CI/bu**

Based on conservative 2.7gal/bu



# 45Z Revenue Ranges in Losses \$0.54 to \$1/gallon vs. BTC

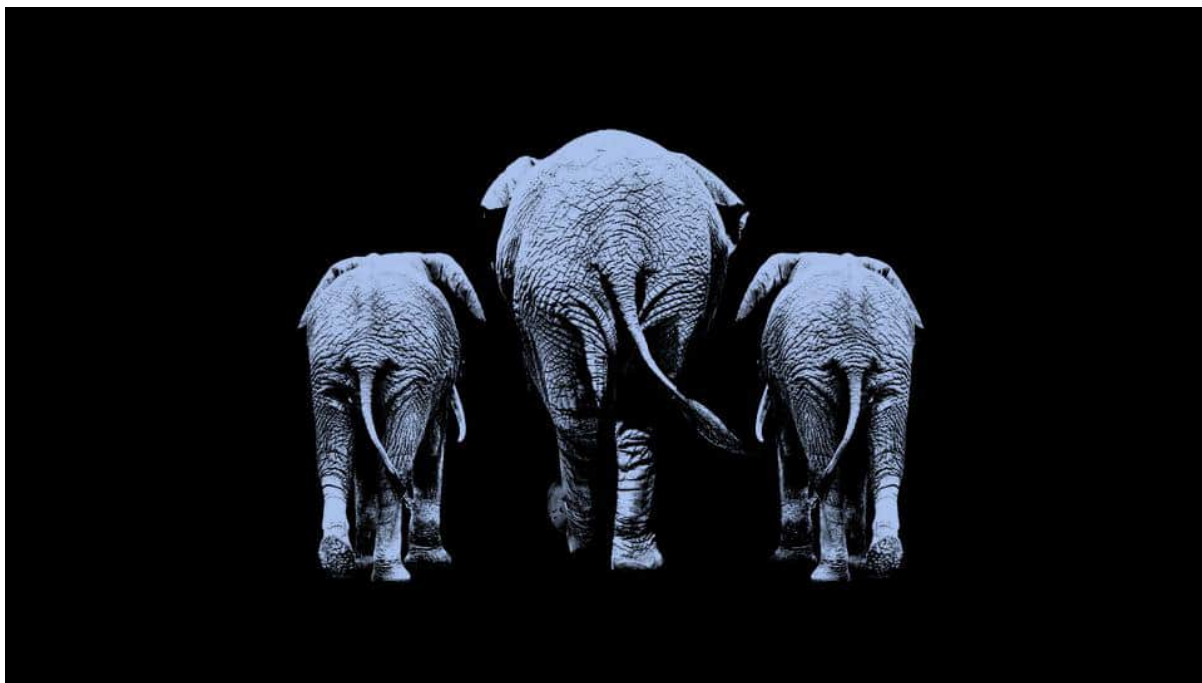
Carbon intensity score





# How Will Republican Trifecta Impact 45Z?

## All eyes on big tax bill in 2025



- Some have asked for an extension of the 40A and 40B – Ethanol would prefer to see the 45Z implemented
- Rural House members already asking for additional insight on the impact to rural America
- Guidance could come before Jan. 20...will Vilsack and his team at USDA try to make it palatable to Republicans?

# Trump's Second Term Will Not Be Like The First



Image source: (Donald Trump Jr./X)

# What We're Watching In The Year Ahead

- Nimble marketers will be best positioned to profit in the year ahead.
- Foreign exchange rates and South America influence continues to grow.
- Policy uncertainties cloud the biofuels and ag trade outlook.

# Questions?

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