

Fairland Management Company

YOUR FARM REAL ESTATE PROFESSIONALS

CROP & WEATHER REPORT

April 15, 2018

We are back with another year of Fairland's Crop & Weather Report and looking forward to a successful cropping season in 2018! We will continue to provide this monthly report to keep you informed about crop production, grain marketing, government programs, land valuation, tax information, and the weather, all with respect to farmland in Southwestern Minnesota.

GENERAL WEATHER FOR THIS AREA: As most of you know, the weather in Southwestern Minnesota is one with a lot of variety and variability. The four seasons provide variety and some extreme conditions can create quite a bit of variability. So far in 2018, we are stuck in winter, even if it has been Spring for about a month. The State is setting historic records for the amount of snowfall and below average temperatures in the month of April. The total snowfall in April has surpassed records previously set in 1983, as we recently received about 12 to 20+ inches on April 14-15th and another 4 to 6+ inches on April 18th. The storm on April 14-15th was the record snowstorm total ever in Minnesota during the month of April. We have also observed rain, sleet, hail, freezing rain, and even graupel, which are small balls of snow that look like tiny styrofoam pellets. There was enough ice that there were even some power poles that snapped just north of Magnolia on April 13th. At the same time in the first half of April, daily lows have been as low as single digits to about 32 degrees and daily highs have ranged from 18 to 48 degrees. The high of 28 degrees on April 15th was the coldest daily high on that date, breaking the previous record from 1951. The frost depths on April 16th was still 27 inches and soil temperature at the freezing point of 32 degrees (Southwestern Minnesota Research & Outreach Service-SWROC).

If you cannot tell, we are certainly tired of winter. The irony in this is how unseasonably warm it was last year in February-April 2017, when we were setting records with the amount of 60 degree days in February, already inspecting and starting to install tile in March, and planting corn around mid-April. It certainly does not appear that we will be doing any fieldwork until May. This is not a local phenomenon, either, as cool, wet weather has been prevalent throughout most of the Corn Belt with virtually no corn planted in the entire Upper Midwest.

In the past, this could be the beginnings of a disaster. Whereas we are all anxious about being able to start fieldwork, the amount of drainage tile, size and power of today's equipment, and seed genetics has helped calm some of the anxiety. Fortunately, the forecast looks favorable with warmer temperatures on the way by the end of April/early May.

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Figure 1. – Greetings from the Fairland office! This was the scene on April 16th after we received about a foot of snow over the weekend.

SOYBEANS: The U.S. soybean production was a record 4.39 billion bushels in 2017, even though national yield decreased from 52.1 to 49.1 bushels per acre. The United States Department of Agriculture (USDA) monthly Supply & Demand Report released on April 10th, estimated a carryout in the U.S. of 550 million bushels, which is much higher than the 300 million bushel carryout last year. The Prospective Planting Report was released by the USDA on March 29th. USDA is estimating that producers in the U.S. intend to plant 89 million acres of soybeans in 2018, which would be about 1 million more acres than were planted last year. The soybean market reacted favorably to the acreage estimate, as the market had anticipated as much as 92 million acres planted in 2018.

Soybean prices have been volatile. Drought decreased soybean production in Argentina, while rainfall resulted in above average production in Brazil, and the well-publicized tariffs that the Chinese imposed (see more details below) have all been major factors with respect to soybean prices. Cash soybean prices are about \$9.60-9.70 per bushel, nearly \$1 per bushel higher than this time last year. We are around 80% sold at an average of about \$9.45 per bushel for the 2017 crop. We have sold 30% of the 2018 crop for an average of \$9.50 per bushel.

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Figure 2. – It does not appear that we'll be planting corn until May and soybean planting won't likely be until mid-May.

CORN: The U.S. corn production was a record yield of 176.6 bushels per acre. This resulted in a 14.6 billion bushels in 2017, which was down from 15.1 billion bushels in 2016. The USDA Prospective Planting Report released on March 29th indicated that producers intend to plant 88 million acres of corn in the U.S. in 2018, which is down from 90.2 million acres planted to corn in 2017. Again, these are just acreage intentions, but with the weather in the Upper Midwest, we do not anticipate planted acreage to corn will increase, but rather probably decrease some.

The April USDA monthly Supply & Demand Report estimated that there is 2.18 billion bushels of U.S. corn ending stocks for the 2017 crop. This is less than the 2.29 billion bushels the USDA estimated for the 2016 crop, which will give some stability for corn prices in the short-term. Cash corn is around \$3.40-\$3.50 per bushel, which is about 15-20 cents per bushel higher than it was a year ago and our clients are about 70% sold. We have not priced any 2018 crop corn at this point, which is at about \$3.50-\$3.60 per bushel. We are monitoring U.S. planting progress and will be making some more new crop and cash sales.

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Figure 3 – Fortunately at this point, all of the seed is still “in the bag” or in today’s case, “in the container”.

REMARKS: “May you live in interesting times” is a phrase that has been threaded through history from Robert Kennedy to Sir Austen Chamberlain to an old Chinese saying. It certainly rings true today in our world, especially in agriculture production. Fortunately, as previously noted, corn and soybean prices are higher than they were a year ago and there is some potential for higher prices, especially corn. Unfortunately, there are a lot of trade negotiations (i.e. NAFTA 2.0 with Mexico & Canada) and trade wars (i.e. China) that have some potential gains, but also some big risks if trade barriers are fully implemented with some of the U.S. largest trade partners. As most of you have probably read through the mainstream media, China has imposed a 25% tariff on U.S. soybeans (which adds about \$2.50/bushel to the price of soybeans in China), but we are not sure of any set date it will be imposed. There is already a tariff on pork being implemented. How are the markets holding up? For the soybeans, it is mostly the fact that even the Chinese soybean processors have an incentive to import as many U.S. beans as they can prior to any tariffs. Overall, it is difficult to completely slow down free markets. Even if the Chinese tariffs are fully implemented, Chinese soybean imports from Brazil/Argentina will likely increase, the Brazil/Argentina exports to other countries will likely decrease, and U.S. exports to other countries will then likely increase. In fact, last week was the first time in 15 years that Argentina imported soybeans from the U.S.

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Corn prices will be mostly influenced by the result of the NAFTA 2.0 negotiations and more importantly, the Renewable Fuel Standards (RFS) waivers and Renewable Identification Number (RIN) certificates. If the RFS was relaxed, a cap implemented on RIN prices, or waivers are implemented to companies not in compliance with the ethanol production (which apparently the EPA has already been doing), corn prices could decrease 10-25 cents per bushel pretty quickly. It sounds like the current administration will try to promote the implementation of E-15 to offset some of the effect. The Trump administration has been signaling to farmers that there will be some form of disaster relief through the USDA if there is a significant downturn in the grain markets with respect to the trade policies noted above, although that might meet some resistance in Congress, especially in the last year of the current Farm Bill.



Figure 4. – Producers have not hardly even had a chance to pull their planters out of the shop. Fortunately, with the size of today’s equipment, we will be able to plant quickly once we get a chance to get into the field.

Overall, we are really looking forward to getting into the field. Over the winter, we have met with our tenants and finalized crop plans, sold grain and processed grain sales, finalized crop insurance application, processed income tax forms and payments, collected cash rent and made distributions, and are working on profit projections for 2018. We appreciate working with you and look forward to another productive cropping year!

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GROWING-DEGREE DAYS

| <u>LOCATION</u> | <u>MAY 1, 2018 TO DATE INDICATED</u> | <u>TOTAL GROWING DEGREE DAYS</u> | <u>DEPARTURE FROM NORMAL</u> |
|-----------------|------------------------------------------|--------------------------------------|----------------------------------|
| Lamberton | N/A | N/A | N/A |
| Worthington | N/A | N/A | N/A |

GRAIN MARKETS (April 17, 2018):

| | <u>NEW VISION WINDOM</u> | <u>MAGNOLIA</u> | <u>POET ETHANOL BINGHAM LAKE</u> | <u>MINNESOTA SOYBEAN PROCESSORS BREWSTER</u> |
|----------------|----------------------------------|-----------------|----------------------------------------------|----------------------------------------------------------|
| Cash | | | | |
| Corn | \$3.45 | \$3.35 | \$3.35 | N/A |
| Soybeans | \$9.69 | \$9.56 | N/A | \$9.86 |
| October | | | | |
| Corn | \$3.56 | \$3.53 | N/A | N/A |
| Soybeans | \$9.65 | \$9.60 | N/A | \$9.75 |

RAINFALL (INCHES):

| <u>COUNTY</u> | <u>CITY</u> | <u>MARCH 15- APRIL 15, 2018</u> | <u>MARCH 15 TO DATE- 2018</u> | <u>MARCH 15 TO DATE- 2017</u> |
|---------------|---------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Cottonwood | Jeffers | N/A | N/A | 0.99 |
| Cottonwood | Windom | N/A | N/A | 1.23 |
| Jackson | Heron Lake | N/A | N/A | 1.35 |
| Jackson | Jackson | N/A | N/A | 0.83 |
| Martin | Trimont | N/A | N/A | 1.06 |
| Murray | Fulda | N/A | N/A | 2.43 |
| Murray | Slayton | N/A | N/A | 2.15 |
| Nobles | Round Lake | N/A | N/A | 1.81 |
| Nobles | Rushmore | N/A | N/A | 1.50 |
| Redwood | Redwood Falls | N/A | N/A | 2.45 |
| Rock | Magnolia | N/A | N/A | 0.89 |

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