NCGA Economic Update
2024: 4Q

Quarterly overview of U.S. corn industry trends, challenges, opportunities, and market conditions.

Corn Industry Overview

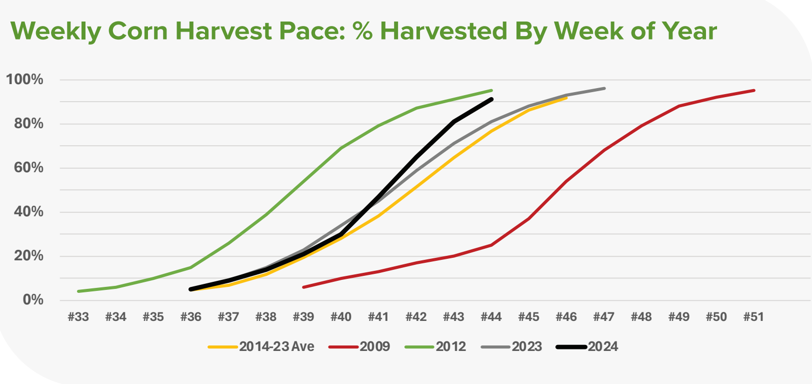
The United States is a global leader in corn production, producing a record 15.3 billion bushels of corn on 94.6 million planted acres in 2023.

Founded in 1957, the National Corn Growers Association represents nearly 40,000 dues-paying corn growers and the interests of more than 300,000 farmers who contribute through corn checkoff programs in their states. NCGA and its 50 affiliated state associations and checkoff organizations work together to help protect and advance corn growers' interests.

IN THIS ISSUE

U.S. Rapid Corn Harvest

Warm, dry fall weather across the corn belt provided optimal conditions to rapidly harvest the 2024 corn crop. USDA reported corn harvest 91% complete as of November 3, 2024 (Week #44). Over the last ten years, the average for Week #44 is 78%. In most other years in which progress has exceeded 90% by Week #44 harvest started earlier in the year. Farmers didn't only reach a 90% threshold earlier than normal, but also reached that level in fewer weeks than normal. For comparison, 2012 was the overall earliest harvest year. This year starkly contrasts 2009, representing one of the latest and slowest harvest years.



Why It Matters: The rapid harvest pace gives farmers an edge on any fall field preparations needed for the 2025 crop, and more time to finalize production and year-end financial plans, which is critical in the current high-cost and low-price environment.

Corn Trade with Neighbor Nations

For generations America's farmers have built strong trading relationships to help maintain a competitive edge in the global economy and bolster job creation across the United States.

Corn exports account for 15% of corn use. An even larger share of the corn crop is exported annually when accounting for corn and value-added products, like ethanol and distillers dried grains with solubles (DDGS).

Given the importance of trade to U.S. corn farmers, trade is a priority issue for National Corn Growers Association. NCGA advocates for U.S. trade policy that advances the interests of American farmers and boosts U.S. agriculture's competitiveness.

The US-Mexico-Canada Agreement (USMCA) was negotiated and signed during President Trump's first term, replacing the decades-old North American Free Trade Agreement (NAFTA). Per the terms of USMCA, the agreement will undergo review in 2026. The parties may agree to extend the agreement for another 16 years; otherwise, the agreement will terminate in 2036. The review process could include changes which will have to be agreed upon by all parties.

U.S. Corn Exports: Volume Based Market Share by Export Destination

	2023/24		2022/23		2021/22		2020/21		2019/20		2018/19	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Mexico	40.4%	1	38.4%	1	26.9%	1	22.4%	2	32.1%	1	30.7%	1
Japan	19.5%	2	16.1%	3	16.2%	3	16.1%	3	22.3%	2	25.3%	2
Colombia	10.8%	3	5.5%	4	7.0%	5	5.6%	4	10.8%	3	9.1%	3
China	5.1%	4	18.3%	2	23.4%	2	30.8%	1	4.6%	5	0.5%	18
Canada	4.7%	5	4.5%	5	9.7%	4	2.5%	6	3.7%	6	4.6%	5
Korea, South	4.0%	6	2.0%	8	2.2%	6	5.1%	5	5.8%	4	7.1%	4
Taiwan	3.0%	7	1.7%	9	1.3%	9	2.4%	7	1.8%	10	3.9%	6
Guatemala	1.7%	8	2.0%	6	2.1%	7	1.8%	8	2.6%	7	2.3%	8
Honduras	1.6%	9	2.0%	7	1.4%	8	1.1%	10	1.7%	11	1.1%	13
Saudi Arabia	1.6%	10	1.2%	12	1.2%	10	1.0%	12	2.0%	8	1.5%	10

Mexico was the top export destination for U.S. corn in five of the last six years, receiving 22% to 40% of total U.S. corn exports. Canada is also among the top six destinations for U.S. corn exports. In the 2023/24 marketing year, 45% of U.S. corn exports went to Mexico and Canada.

Canada and Mexico are also major destinations for U.S. ethanol, meat, and dairy products that use U.S. corn. The Renewable Fuels Association reports Canada is the top destination for U.S. ethanol exports receiving 45% of U.S. ethanol exports in 2023. The USDA reports Mexico was the top destination for U.S. dairy, livestock and poultry exports in 2023, with Canada the third largest market.

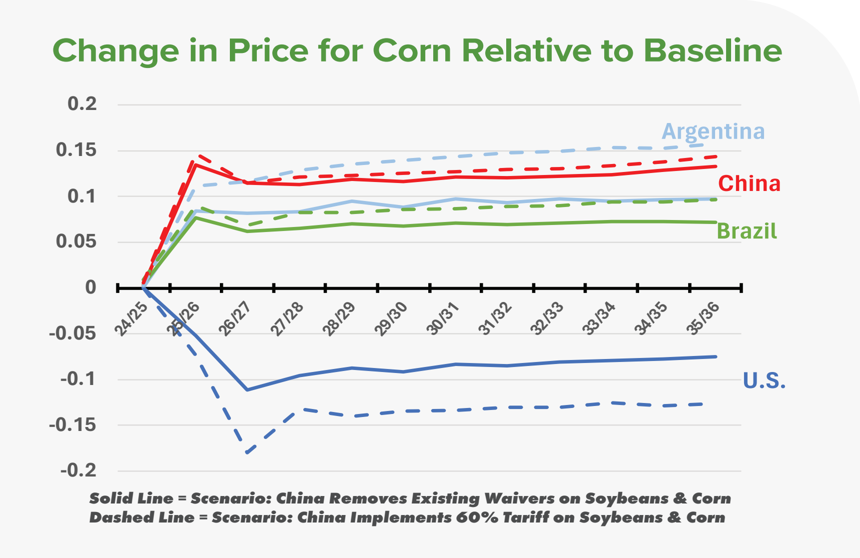
Why It Matters: Continued trade with neighboring nations is critically important to U.S. corn growers. Canada and Mexico are major users of U.S. corn, not only as grain but also in value-added products.

China Approach: Tariffs vs. Renewed Trade Deal

In the 2018 trade war, the U.S. extended tariffs on steel and aluminum to several major trading partners and separately imposed tariffs on an extensive range of imported products from China. In response, China and other nations imposed retaliatory tariffs on numerous U.S. products, including many agricultural and food products leading to significant reduction in U.S. agricultural exports to those nations.

The National Corn Growers Association partnered with the American Soybean Association on a study to investigate the potential impacts of a renewed trade war in which China responds to U.S. punitive tariffs by imposing retaliatory tariffs on corn and soybeans. Such retaliation could be expected given the 2018 trade war experience and overall historical precedent.

The study estimates U.S. corn exports to China could drop nearly 90% per year from the baseline in the 60% tariff scenario. Despite corn shifting to alternative trade flows, this change contributes to a $0.13 per bushel drop in corn price. In the scenario, U.S. corn farmers lose $1.4 billion in annual production value. Farmers in South America benefit from the opposite situation with expanded markets for their corn, higher prices, and increased value of production.



This burden of a tariff on U.S. corn and other agriculture products is not limited to U.S. farmers who lose market share and production value. The impact ripples across the U.S., particularly in rural economies where farmers live, purchase inputs, utilize farm and personal services, and purchase household goods.

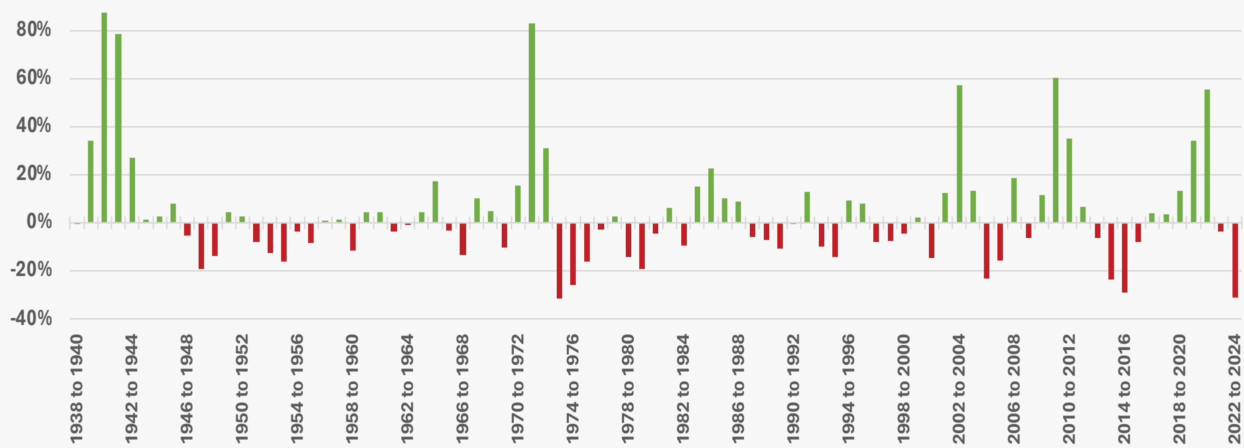
China and the U.S. signed a "Phase I Agreement" in January 2020 which helped end the trade war that started in 2018. Part of the agreement stipulated China would purchase $80 billion of U.S. agricultural goods over 2020 and 2021, resulting in dramatic increases in Chinese purchases during that time. Logistics issues stemming from the COVID-19 pandemic and resulting global supply chain crisis further limited China's purchases, but the revival in trade, which included record volumes of soybeans and corn, helped repair goodwill between China and the United States.

Why It Matters: A reignited tariff war limits market access, reduces corn prices, and increases market competition for U.S. corn. Alternatively, a renewed trade agreement can benefit the corn industry, if it includes provisions like purchase commitments that could support corn prices. As the U.S. government addresses trade concerns, consideration of farmer impact is important.

Farm Income Declines, Farm Borrowing Rises

The USDA projects U.S. real net cash income for the U.S. farm sector to drop 9.6% in 2024. This decline follows a 23.7% drop in 2023. This is substantial now, but also from a historical perspective. The combined two-year percent decline is the largest two-year percent decline since 1975 with the change from 1973 to 1975. A similar two-year percent decline has been approached only one additional time since 1940, the change from 2012 to 2014.

Two-Year Percent Change in Real Net Cash Income for U.S. Farm Sector



Lower net cash income in the U.S. farm sector is enhancing the need for borrowed operating funds. In their report of third quarter lending activity, the Kansas City Federal Reserve indicates the volume of farm operating debt grew at the fastest pace since 2017. While general farm operating volume grew, another trend identified is the considerable increase in large loans. The volume of farm operating loans with a loan amount over $1 million surpassed the volume of farm operating loans with a loan amount below $1 million. In an already high-cost-to-farm environment, larger operating loan volumes are going to push interest costs higher for farmers. Although the Federal Reserve Open Market Committee reduced the federal fund rate by 50 basis points at their September meeting, the average interest rates on farm loans have changed by less than 10 basis point on loans of most sizes.

Why It Matters: Although returns for the U.S. farm sector were strong in 2022, the largest two-year percent decline in real net cash income for farmers in nearly 50 years is a massive strain on cash flows as evidenced by trends in farm operating volumes. Corn farmers can't withstand negative returns for an extended period, driving calls for economic assistance in the short run, a new farm bill, and long-term demand that supports market price.

Resources Referenced:

- USDA Crop Progress Report, Released November 4, 2024
- RFA 2023 Ethanol U.S. Trade Statistical Summary
- USDA FAS Diary, Livestock and Poultry Exports in 2023
- NCGA & ASA: Trade Study – How Potential New Tariffs Could Impact U.S. Soybeans and Corn
- USDA ERS Highlights from the September 2024 Farm Income Forecast
- Federal Reserve Bank of Kansas City Large Operating Loans Continue to Drive Growth in Farm Lending Activity

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