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The U.S. Department of Justice has approved Bayer Ag's $62.5 billion acquisition of Monsanto Co., so long as the two companies sell off additional assets, the *Wall Street Journal* (WSJ) reports today. Specifically, WSJ says the parties reached an agreement in principal in recent days. Both Bayer and Monsanto have signaled they expect the deal to close in the second quarter of 2018.

A letter signed by five Republican senators, including Charles Grassley (Iowa) and John Thune (S.D.), asks President Donald Trump to press regulators to temporarily cease issuing biofuel waivers for small oil refineries. They argue that the recent wave of such "hardship" exemptions from the Environmental Protection Agency (EPA) is "undermining" the president's commitment to required renewable fuel.

Senator Grassley had previously joined corn growers and ethanol producers in slamming an early April report that refining giant Andeavor got a hardship waiver from the Renewable Fuel Standard for its three smallest refineries. Grassley said he would write to EPA Administrator Scott Pruitt to get more information on the use of the waiver, saying the waiver would "amount to a massive government handout to a big corporation that made billions in profits just last year."

In early April, Tim Fox, an Arkansas Circuit Court Judge, ruled that six farmers in the state will be allowed to spray dicamba-based herbicides beyond an April 15 cutoff date that applies for the rest of the state. The farmers had sued the Arkansas State Plant Board to nullify the deadline. Fox dismissed the case, noting a recent Arkansas Supreme Court decision that the state can't be a defendant in court. But he said the farmers involved in the lawsuit were exempt from the rule anyway because the inability to sue violated their due process rights. Monsanto, a major producer of the product and seeds meant to resist it, is hopeful the decision will be extended to all growers in the state.

This week, the International Trade Commission ruled that dumping of biodiesel imports from Argentina and Indonesia harms American producers, locking in steep tariffs on imports of these products from the countries. Combined, Argentine biodiesel shipments to the U.S. would face duties of up to 159%, while Indonesian biodiesel would be subject to an even stiffer 341% duty, basically ensuring no biodiesel from either country will make it into the United States. The case was initially filed by the National Biodiesel Board and 15 member companies who claimed a flood of subsidized imports sold below fair market value prevented U.S. producers from earning an adequate return.

Brazilian soybean premiums were already trading at a record-high premium to Chicago prices preceding China's announcement it planned on hitting U.S. soybeans imports with a 25% tariff. That news shot the Brazilian soybean premium 37% higher. But analysts note that Brazil does not have enough soybeans to make up for the beans the U.S. ships China, which has many saying they expect the U.S. and China to reach some sort of deal. The fact that soaring Brazilian prices have given U.S. soybean export activity a major boost, thereby strongly supporting U.S. prices, may also cause the Chinese to have second thoughts on soy tariffs.

Farm Manager Focus

Reviewing Recent Shifts in Farmland Values

Despite persistent weakness in U.S. grain and soybean prices, as well as cyclical slippage in livestock prices, U.S. farmland values have proven rather mixed in recent months. This article offers an overview of price shifts from around the Central U.S.

A survey by the Iowa Chapter of the Realtors Land Institute (RLI) showed Iowa farmland values averaged $6,951 per acre as of March 1, which marked a 2.9% increase from September 2017. Coupled with the previous six-month gain reported by RLI last September, an average acre of Iowa farmland increased nearly 5% for the year ending March 1. The annual increase ends the four-year decline in Iowa farmland values since their March 2013 high. But the latest figure is still down 20% from the 2013 high.

Unfortunately, the Iowa gain is an exception to general Corn Belt weakness. Prices being paid for high-quality Illinois farmland, as well as cash rents, stayed essentially flat in 2017, according to the Illinois Society of Professional Farm Managers and Rural Appraisers (ISPFMRA). The statewide average prices being paid for excellent-quality farmland, with a mean around $10,750 per acre, have dropped from their peak of $12,500 per acre in 2013.

Nebraska farmland prices are averaging $2,745 in early 2018, which is a 3% drop from a year ago. This annual drop is less than the 9% drop seen in 2017 and similar to the 4% drop reported in 2016, according to a preliminary report of the 2018 Nebraska Farm Real Estate Market survey. Farmland prices in Minnesota showed a 5.4% year-over-year decline in 2017. The median per-acre price of farmland was $4,625, according to fiscal year sales data reported to the Minnesota Department of Revenue and analyzed by the University of Minnesota.

The Mid-South Chapter of the American Society of Farm Managers and Rural Appraisers, which covers Arkansas, Louisiana, Mississippi and Tennessee, recently published its first in-depth look at farmland values and leases. A chapter official indicated the value of good-quality farms is holding, but the value of lesser quality farms has slipped from recent highs.

Doane's MARKETING MENTOR

CORN

In its April 10 Supply/Demand (WASDE) Report, the USDA boosted its 2017/18 carry-out forecast 55 million bushels, which fell below industry expectations. But the situation has actually improved as prospects for South American production have dipped. Brazil's safrinha crop is reportedly going in late, whereas Argentina continues suffering from drought. Falling South American and global supply forecasts are price-supportive. Early-spring demand news was also good. After sustained strength through mid-March, with weekly sales totals routinely topping 1.4 million tonnes per week, early April export sales results disappointed. Conversely, shipments remained strong. Those seem likely to remain so given American supply uncertainty. Look for increasing market focus upon Midwest planting delays as wintry conditions persist across the Corn Belt. Even if farmers are able to plant rather quickly, the ground will have to warm considerably for corn to germinate. While this is likely a short-term factor, it adds to reasons for a stronger price outlook.

SORGHUM

USDA says producers intend to increase sorghum planted area for 2018/19 by 5%, or 306,000 acres, to 5.932 million. Texas, the major sorghum-producing state, has plantings projected at its second lowest acreage on record, just above the 1.550 million acres planted in 2011. The April WASDE projected total 2017/18 sorghum use down 5 million bushels from last month due to lower domestic consumption, with FSI use decreasing due to reduced sorghum going to ethanol production. Marketing year-to-date sorghum used for ethanol production is estimated at 21.0 million bushels, compared with 54.3 million over the same period of 2016/17. The average projected price was raised by $0.05 to $3.20 per bushel.

SOYBEANS

Most crop watchers now estimate Argentina's soybean crop below 40 MMT, with some forecasts now as low as 37 MMT. An indication of Argentina's production shortfall came via two daily sales announcements from USDA in early April. Argentina bought 240,000 metric tons (MT) of U.S. soybeans for 2018-19 delivery. Argentina clearly needs U.S. beans to sustain its status as a major exporter of soy products, but it will almost surely prove unable to maintain normal export rates over the coming months. This implies robust global demand for U.S. meal and oil as well. In addition to the shocking Argentine purchases of U.S. soybeans, there were daily export sales totaling 511,500 MT for 2017-18 and another 273,518 MT for 2018-19. Plus, export sales for the week ended April 5 totaled nearly 1.511 MMT for old-crop and 954,000 MT for 2018-19. The export side of the soybean market is suddenly highly price-supportive. But soybean futures could fall if export demand fades.

WHEAT

The HRW wheat crop was hit with early- and mid-April freezes that added to drought stress in the southern Plains. Given the depressed condition ratings issued in early April, that likely bodes ill for the harvest outlook. But USDA's bigger-than-expected increases to U.S. and global wheat ending stocks in the WASDE report shifted focus to long-standing demand issues. With the global supply glut back in focus, SRW futures rolled over and signaled a short-term top. Domestic producers and users can take some consolation from the tendency for short crops to produce high-protein grain. Meanwhile, wintry northern Plains weather is delaying HRS plantings. With cold, wet conditions persisting across the region, active spring wheat seedings are a long way off. That should help limit selling in HRS futures, especially if winter wheat harvest prospects drop further.

HOGS

Late winter hog slaughter ran moderately above forecasts for a 3% gain, which exerted surprisingly heavy pressure upon hog and pork prices, causing an outsized late-winter decline despite strong demand. U.S. pork exports at 491.05 million pounds set a February record. The USDA stated the March 1 U.S. hog population at 72.908 million head, up 3.1% annually, with spring kills again expected to rise about 3%. But, as with cattle and beef, wintry weather over much of the country depressed domestic pork demand through mid-April. Hogs seem more susceptible than cattle in these conditions, since so many pork products are grilled. But grocers will probably take advantage of recent wholesale losses by actively featuring pork, which will be met by consumers eager to fire up their grills after suffering through prolonged winter temps. As a result, the usual hog price rally from spring to summer looks to be exaggerated this year.

FEEDER CATTLE

Feeder cattle prices dove from a November 2017 peak at $159.63/cwt to an early-April low at $134.50. The big increase in feedlot supplies over the past year likely reflected pessimism about the fed cattle outlook, as well as expectations for cyclically growing yearling supplies. Recent fed cattle losses carried the summer and fall contracts to major discounts below late-winter cash values, so feedlot demand for replacements will drop as well. That clearly bodes ill for the feeder price outlook. But, the supply of feedlot-ready yearlings will almost surely decline seasonally into late summer as the last of those animals born two years ago find homes, whereas those born last year won't be ready until fall.

CATTLE

The USDA recently stated the March 1 U.S. large-lot feedlot population at 11.63 million head, up 8% annually. The large feedlot population remains an obstacle to cattle price strength. Price pressure is likely to increase as spring slaughter rates and beef production rise seasonally. At the same time, there are demand concerns. Fears of Chinese tariffs on U.S. beef are hanging over the market. And cold weather over much of the country, as exemplified by frost in the mid-South and blizzards in the northern Plains, suppressed domestic consumer demand. But the market could find robust short-term support, as futures are trading well below the cash market, especially if warming temperatures amplify peak grocer beef buying as Memorial Day looms. Wholesale strength could also provide stout support for cattle prices. Still, the summer outlook isn't promising due to bearish seasonal forces.

DAIRY

The global milk situation seemed to ease in early 2018, as indicated by the February surge in global skimmed milk powder prices and the bottom posted by U.S. dairy product futures around the same time. Milk prices have continued rising since then, with mid-April quotes for nearby Class III milk futures now around $14.40. The rise has impressed, given ongoing growth in U.S. production and dairy cow numbers. The March USDA Milk Production Report stated February U.S. milk production at 17.0 billion pounds, which jumped 1.8% annually and smashed the Leap Day amplified record of 16.904 billion from February 2016. The milking population also surged to 9.410 million head, a fresh modern record. Given these upward trends, as well as the likelihood for continued expansion under the new MPP-dairy program, vigorous demand growth will be needed to meet the rising output.