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[00:00:00] **Speaker 1** Well, I guess give me a sense of, you know, all the different challenges that are being faced by soybean farmers right now, because they're Obviously, there's the usual ones and then there's new ones and the global ones and local ones

[00:00:12] **Speaker 2** Right, so the challenges right now for soybean farmers are manifold. Number one, we would probably say is trade. Trade is our, we export over half of the soybeans we grow in this country, maybe 60% in a normal year. So when our international trade falls off, we feel it very, very quickly because it's such a large percentage of our soybean production. The second area that is challenging, but also an opportunity, and that is biofuels. If you've been listening, you know a little bit about what's going on with the 45Z tax credit, sustainable aviation fuel, California Air Resources Board has made some Let's just say wrinkles in the water, but by and large, if we can get our biofuels thing work in the way we would like to see it, that will go a long ways towards giving us new demand and that new demand is really, really important. That'll probably mean instead of exporting soybeans in the future, if this can all happen, it'll be export soybean meal. Interestingly, on the global stage. Brazil doing the exact same thing. They're ramping up their soybean processing and they've already got a 15% biofuels mandate for diesel fuel. So they will be using a lot of their soybean oil also for fuel. We're a little bit behind them in terms of our, you know, our government is a little slower to set things up and what's most important is that we send a clear signal to our processors. To the soybean industry so that they are willing to make the investment. The investors are not going to invest in a new frontier without some kind of assurances that it's going to be here. That it's not, you know, this administration and then the next administration, we're going a different direction. So we have to be very, very clear in terms of our policy that we send the signals that are unwavering and consistent.

[00:02:27] **Speaker 1** And that lack of consistent and clarity seems to be the biggest issue right now, especially with the federal government in terms of what will be the policy tomorrow or next week or next year.

[00:02:39] **Speaker 2** Clearly consistency is absolutely essential. A couple years ago, you know, there was a pretty good signal that this is the direction we were going and there were quite a few new plants planned and many of them were built. And the last administration was very slow to follow through on that and this administration hasn't put the fast track in any of it. It's just been painstakingly slow, no matter which side of the aisle you're on. As farmers, we would like to see this clarity to build certainty in our markets. If our exports are going to change, if we're going to constantly be at a disadvantage to our South American producers, which as all indications are, they're not going to stop, then we clearly have to build other markets. And I think the biofuels thing is a perfect example of that. Yes, we need international trade. Yes we have opportunities in international trade I think there's more to come. Our United Soybean Export Council has worked diligently on the commercial side, working with our large soybean processors, on the IP and the food grade side, SSGA has done a wonderful job of finding new markets and building the markets that we already have. So we can't turn our back on our existing markets. But we need to build because farmers in this country have a tremendous ability to produce and without markets, that production capacity will drive us, as it does in all commodities, toward break even and below. That doesn't work for any business for very long.

[00:04:21] **Speaker 1** So right now, the biggest thing in the headlines is China saying we're not buying from the U.S. Anymore. And that's part of a trade dispute. Tangent to that is also Brazil increasing production and creating new markets for China to go to, so they have that opportunity. Do you think China coming back in is still on the table or at this point should the U S and farmers be talking about new markets and new products entirely and not worrying about China? We would want.

[00:04:49] **Speaker 2** Welcome, China, to come back and I mean, the facts are in the marketplace, our beans are cheaper than Brazil's, so in the absence of tariffs, we're ultra competitive. In fact, isn't it interesting that just last week we exported two containers or two ships full of beans? Why did that happen? Well, it happened because our beans are really competitive. So yes, this trade dispute is a big deal and we do need to get it fixed. I can't force it to happen. No farmer can. The economic incentives are there. We really welcome China back with open arms as a buyer. We understand that we have to be competitive. We're more than happy to be We're more than happy to do our, do whatever we need to to build markets in a fair and equitable fashion. Market access is really important to us. We need a level playing field.

[00:05:56] **Speaker 1** So what does it mean now in the in the very near future as we're coming up on harvest for for farmers now, what percentage of the fields are already sold and contracted versus what percentage is still sitting there not knowing where it's going to go or who's going to buy it.

[00:06:12] **Speaker 2** I think you have two parts to that question. One is on the producer side, I would say that very few producers have beans forward contracted. Largely this crop is waiting for a rally, waiting for an upsurge in prices. When the combines roll and the beans come off, the people in the middle that buy the beans they're going to buy the beans. If they don't have a home farm, typically that means they'll widen the basis. That means they're gonna take less risk. They're going pass that risk on to the farmer. So instead of having a 50 cents under or 80 cents under basis, maybe that basis will go to $1.20 under or $1 50 under. And when storage space is at a premium when there isn't any bin space left, then the basis will widen even further. So we need we need the market to take the beans. Typically in this country, we don't store our soybeans very long. Typically, we do move them off the field. The exception might be those that are doing the food grade side because that's a steady flow through the year. But certainly on the commercial side, a lot of those beans are are bought off the field by the by the marketplace.

[00:07:41] **Speaker 1** So you sit up here. Look, if we drive around, most of those fields have not been they're not assigned yet. They're still waiting to see what it's going to look like.

[00:07:48] **Speaker 2** Those farmers are going to harvest the beans. They're gonna load them in the truck. If they have a bin, they're going to put them in. If I don't, they are going take them to the elevator. And when they get to the elevator, they have couple choices. Take what's offered or put them into commercial storage and begin to pay a storage premium, which is so much a month. And then as you know, there's also interest values on the value of that soybean. So storage costs can be maybe 10 cents per bushel per month. So to think that you can put them in the bin and they'll be worth a dollar more next spring is sometimes short sighted because sometimes the storage costs more than eat up the increase in the price over time.

[00:08:33] **Speaker 1** So what are we looking at for the impact, barring some change in the international situation? Are farmers going to go under? Are they just going to have it? Is this going to be just a bad year? What will the impact be in the short term?

[00:08:47] **Speaker 2** Well, it's a good thing we have a good yield. It doesn't do anything. A good yield never helps price because it means more supply. Certainly farmers that are short on working capital or young and don't have a lot of equity, maybe they're not well financed, they're at risk. They're at significant risk. Very simply put, if a farmer can't pay his bills, it isn't long that that trickles into all of the people he does businesses with. And they are not able then to get compensated for the services and the goods that they provide. And then that has a ripple effect to the next step. So large agronomy companies, large machinery companies, landowners, if they can't pay the rent, they can pay the lease payment on this equipment. He can't buy inputs for next year. He doesn't have last year's paid off yet. It's a snowball effect. And so to think that it's just a farmer's problem is short sighted. Agriculture is still the basis of our economy in so many ways, especially here in Wisconsin. It's the foundation. And without that foundation, those ripples go out across, affect every one of us.

[00:10:03] **Speaker 1** And there's a lot of small communities that still are centered around that farming community that, you know, it's the diner, the gas station, the restaurant, and like all of those will see those impacts, right?

[00:10:13] **Speaker 2** Yeah, it doesn't hold any favorites. It's pretty universal.

[00:10:20] **Speaker 1** Obviously, there's a political aspect to this. Farmers, by and large, supported Donald Trump. Have you seen any change in the mentality of some of the farmers who supported that and saying, wait a minute, I didn't think this was going to be the result? Or are they keeping those feelings separate?

[00:10:36] **Speaker 2** Well, certainly, there's some pain. Certainly, there are some uneasiness. And as farmers, we would much prefer to have the marketplace give us our financial stability as opposed to the government coming in and saying, okay, we see that there's all this damage done. So here's a sandwich for your lunch pail. We much prefer markets. And we always have and we always will. That being said, I don't know that either administration is totally gets a free pass on this. Clearly, there have been instances in the past where it's been the other side. By and large, Trump is a free market person. However, he's become a little bit protectionist with this tariff approach. And I think we're concerned. I think we're very concerned because it's affecting our livelihoods. Can we see past this? It's pretty cloudy. We don't know. But we certainly want our markets. We certainly want to markets alive and robust.

[00:11:56] **Speaker 1** So you were, when we were talking on the phone, you were giving me some numbers about the average yield and the loss that you're potentially seeing. So can you run some of those by me again and like talk about some of the big numbers that some farmers could be facing?

[00:12:11] **Speaker 2** So if we talk about one acre, it's difficult. But let's talk about 1000 acres. So a typical grain farmer probably farms 1000 acres, so we take 1000 acres of soybeans. Let's just for easy math, say that the average yield is 50 bushels per acre. So we have 50,000 bushels of soybeans of production on 1000 acres in a given year. When the market price is $13. Compared to the market price of sub $10, let's just say 10 to 13. Let's say there's a $3 drop in the value. That's $150,000 reduction in his gross income. That didn't change his fertilizer costs, that didn't changes feed costs or seed costs, it didn't changed his machinery costs, didn't changing his labor costs, then changes trucking costs, and change any of his cost structure. It just took 150,000 off the top of 1000 acres of beans.

[00:13:10] **Speaker 1** That's, that's a lot. I mean, can farmers absorb that? I mean I most people don't know the economies of scale that exist in a farming operation of a farmer of that size. Is that something that they can absorb?

[00:13:24] **Speaker 2** Absorb versus tolerate. If you're financially stable and you have working capital, if you have equity and you have a good relationship with your lender, your lender will probably loan you the money to keep you in business. If you are young and you don't have a lot of equity or if you're already highly leveraged, the answer is no. The bricks start to crumble. And when they start to crumble, it seems like it only gets worse with time. So the question is, can you take one bad year? Can you take two? I would argue that a farmer that doesn't have any debt certainly has lots of ability to tolerate some adversity. He may be able to afford to put the beans in the bin and wait for better days. There's probably a fair amount of that. I have two years of wheat in the bend right now. I have some corn left from last year in the been right now because I haven't been happy about the pricing. Perhaps in wheat it's more of a quality issue. So we have all these adversity things and we always will. But marketing is still the reason people survive or people fail. And this year is no exception. And so when it's out of our control, it's especially frustrating.

[00:14:46] **Speaker 1** So one of the other things that's happening in Wisconsin, and we kind of touched on this, is there's the crusher facility down by Evansville trying to create a new place for the beans to go, a new market. How key are for things like that to come on, whether that is for food grade or if that's for fuel grade or for any other purpose, like having some place local instead of having to barge it down the river?

[00:15:07] **Speaker 2** So Wisconsin is unique in that we are one of the few soybean states that does not have a soybean processing facility. That means that all of the beans that are produced here in Wisconsin have to travel to someplace else out of state. In this part of Wisconsin, it's usually Minnesota, to a processor that makes soybean meal and an oil. Or it goes to the river at Winona or St. Paul and is loaded on a barge and goes for export. Or perhaps it's loaded in a container and sent by rail to the PNW or LA Long Beach or Norfolk, Virginia, where it can find itself on a container ship with beans bound for export. Those are our only choices. Even the beans that are fed here locally, by and large, go to a processing plant where they're separated the oil and the meal. The meal comes back. Now the farmers here then pay freight both ways. It's freight to take the beans, freight to bring the meal back. That's a double tax for livestock producer here in Wisconsin for the feed part of it. Yes, those things are critical. Those are crucial. Now it's a long ways to Evansville. It's probably still less miles to go to Mankato. So will that affect us up here directly? No. But indirectly, you've heard it said that a rising tide floats all boats. So indirectly, as that demand would come on, and that plant is not being built yet, as you know, it's kind of in limbo, waiting for clarity again from policymakers that are, and they're actively engaged. They're working on these things, but sometimes the speed that these things happen are painfully, they really languish sometimes.

[00:17:07] **Speaker 1** So you were telling me before that you also grow some food grade soybeans. What's the difference in terms of the market and the situation? Does that change in your big world picture, like for having those different varieties?

[00:17:19] **Speaker 2** Well, from a diversity standpoint, it hasn't changed. Food grade beans typically have associated with them a premium. So if the Chicago Board of Trade price, we use $10 again as a as a benchmark. If our premium for food grade beans is $2 above Chicago, then that means that the price we receive would be 12. And the local market would say that non food grade beans, or what we call commercial soybeans, if they're going to crush or to export and the local buyers are probably currently bidding somewhere around 80 under, that would mean that they're paying $9.20 for that same bean that Chicago says is worth $10. So you can look at it a little bit like that $2 premium is our basis. That's what we can come to expect. And typically, those are all contracted. Now they're contracted in terms of that's what the premium is going to be. But that doesn't mean the price is set. So we can elect the price when the board says, Oh, this is a good time to sell. If it's $10, then we'll lock in our 10 plus 2, 12. If we wait, and they drop to $9, and we drop, we'd lock in 9 plus 2 is 11. So the market still treats us the same. It's just that that premium for food grade means that we're going to experience. Food grade beans are largely non GMO. Most of the buyers want non GM for food production, tofu, miso, soy milk, tempeh, natto. So there's a lot of and most of them are Asian markets.

[00:19:03] **Speaker 3** Mm hmm.

[00:19:04] **Speaker 2** We love to have those markets, and we've had them for a long time. And our relationship with those buyers are solid and strong. But typically what we sell to China has not been in the food sector.

[00:19:18] **Speaker 1** We've had Korean people come in and look and take tours to try and expand that market, right? That's where some of those markets exist, Korea, Japan.

[00:19:27] **Speaker 2** Indonesia, Vietnam, Philippines, Thailand. Really, the whole Asian sector is where the food sector is, is the most robust. So in terms of the storage, I didn't mention Taiwan. Taiwan's another really good, and we have a good trade relationship with Taiwan. And we have an agreement with Taiwan

[00:19:51] **Speaker 1** as long as they still remain Taiwan, right?

[00:19:54] **Speaker 2** We have an interest that they would.

[00:19:57] **Speaker 1** In terms of your ability to store, you said you're one of the few that actually still like can store your own soybeans. Would you expect with the uncertainty that exists from maybe more people that have the ability of the capital to build facilities to start thinking, maybe this is what I need to do to try and even out some of the uncertainty over instead of one season, maybe over two or three seasons, if I can store some? Well, again, we talked a little

[00:20:19] **Speaker 2** bit earlier about the fact that defer pricing or waiting to price later is not always a good thing. If the bean is worth $10 and the interest rate is for a typical farmer, his operating loan is probably going to be 7 to 8%. So in a year's time, a $10 bean is going to incur 80 cents cost just in the interest. Couple that with the fact that it does cost something for electricity and to service the structure and to pay the insurance on it and all the rest. So your typical costs are probably instead of being 8 cents or 80 cents per bushel might be closer to $1.20, $1 30 even. So it's not free to store those beans. The trade off is, is the upside potential enough to take the risk on not pricing? How long does a carmaker last if they don't sell any vehicles and they just fill all their lots full of vehicles? It becomes a real top heavy burden to carry the inventory. At some point in time, the automaker will get sales going. They'll start to slash the prices. Farm machinery manufacturers are the same way. If John Deere starts sitting on too much machinery, the prices will come down and that that will have to move because if it doesn't, all that burden of that inventory just becomes unbearable. And so we're the same way. We produce more every year. We have to stay current with our markets. Typically, you can't afford to build a storage facility that it would take to ride out these, these dips in the market.

[00:21:58] **Speaker 1** So you, you, we've been using the kind of the, the numbers of 13 and 10. What would the, in that scenario, what would the input costs for next year be in that scenario? Is it above 10 or below 10 or can you, will farmers be able to get the money to actually put crops in the ground next year?

[00:22:15] **Speaker 2** Wow, that's going to depend. That's going depend on each individual farmer. At $10, every advisor that I've read says we're below the cost of production. Cost of production is dependent on achieving an average yield. So if your average yield is 50 bushels, you can't produce 50 bushles of beans for $10. Maybe your cost is 10.50, maybe it's 11, but it's something above 10. If suddenly you produce 60 bushels... Then you get closer. Maybe you even get to breakeven. And certainly if you drop to 40 bushels, now you really start to bleed. The answer is that it depends. But on average, our cost of production is higher than $10 a bushel.

[00:23:13] **Speaker 1** So you're on some of the state boards looking at soybeans. Is there anything at a state level that can be done besides trying to help create these markets and create these relationships? Or is most of this in a broader network that exists outside of that?

[00:23:30] **Speaker 2** Yes, I serve on the Wisconsin Soybean Marketing Board. And that board has the charge of using the check-off dollars. There's an assessment on every bushel of soybeans that goes into research, market development, promotion, education. These kinds of things to help build markets or to help farmers be more productive or more efficient in growing soybeans. So our charge is very simply... Take a small amount of the money from the soybean and give the farmer, whose money it is, a return on that investment by building markets or improving his productivity. Improve the financial well-being, the profits, if you will, for those farmers. Certainly what we're trying to do by encouraging a plant to be built in Evansville is an example of that. We have supported that. We have done some things with the check-off money to help that happen. It hasn't happened yet. We can't force it to happen. We invest regularly into overseas exports. And one of the boards that I serve on is called the Soy Transportation Coalition, which is made up of farmers. We are concerned with all things transportation related within the soybean industry. So that's whether that's rail traffic, whether that is containerized traffic, whether that truck traffic, whether that rural bridges, whether it's our ports, whether that overseas. Anything that takes to move soybeans is what we're focused on. And so certainly there are things that we can do there to identify opportunities and identify bottlenecks. And encourage and help and facilitate improvements in the infrastructure that make those things possible.

[00:25:24] **Speaker 1** Anything else you want to add along these lines that we've talked about?

[00:25:28] **Speaker 2** No, I guess I remain optimistic. I remain highly concerned about our trade and the impediments to that trade. I hope that we can reach some kind of a solution sooner rather than later. We're running out of time. Brazil's planting their beans. They'll be ready for harvest next winter. When they start making a new crop, if we don't have ours marketed, guess what? We're going to have a lot of beans. And so whether it's biofuels or whether it is exports or whether its both or some combination, we need to see these things happen.

[00:26:13] **Speaker 1** Can you give me some details on how many acres you have here and what percentage of corn versus soybeans?

[00:26:21] **Speaker 2** So my total farm operation is about 3800, 3800. That's broken down into, you might as well say about 40% corn and 40% soybeans. There's also about 20% into wheat. So I practice typically a corn-bean rotation, but we put wheat in whenever we start to struggle with weeds. When we get wheat in the rotation, we can... We can really put a hammer on the wheat. So the wheat is kind of as needed, but typically there's 500-600 acres of wheat to eat.

[00:26:58] **Speaker 1** Now you treat the wheat more as a cover crop? Or you said you stored some wheat?

[00:27:01] **Speaker 2** No, it's a crop. We also do cover crops behind every acre if we can. So typically after the soybeans, if it's not going to winter wheat, because it will be winter wheat. It would be seeded to either cereal rye or winter camelina. So I'm fooling around with some other crops a little bit to try to see if I can find something else to diversify.

[00:27:27] **Speaker 1** Is there any consideration that you've heard of people putting in less soybeans next year? Simply because soybeans aren't doing as well? Or is that too much to mess with the rotation to try and do it that way?

[00:27:39] **Speaker 2** Typically the penalty for not sticking with a rotation is bigger than the market penalty. Our corn prices are soft as well. It's not just soybeans, it's just that most farmers understand the agronomic benefits of a rotation. And you may be able to influence a small percentage of that market shift, but you will not drastically change it. I think a classic example of what we saw last year. Corn acres were up, bean acres were down. Why is that? Market signals. So farmers might increase or decrease 3 or 4 percent from their normal, but they're not going to change 30 or 40 percent.

[00:28:25] **Speaker 1** Can I get you to say and spell your name and give your title? Sure.

[00:28:29] **Speaker 2** Andy Benson, B-E-N-S-E N-D. I'm on the marketing board for the Wisconsin Soybean Marketing Board. I also serve on the Soybean Transportation Coalition Board, which is part of the American Soybean Association.

[00:28:49] **Speaker 1** Does your farm have your name on it?

[00:28:52] **Speaker 2** So we go by AB Farms. My custom harvest business goes by AB Ag Services. It's one company, but legally it's separated. Okay, great.