

Agricultural Markets Review

from Nationwide Economics



December 2021

Ag News Highlights

Food inflation climbs further

Consumer prices for food have been following the lead of skyrocketing grower costs (farm input costs are detailed on page 2). The food component of the consumer price index (CPI) has risen by at least 0.4 percent month-over-month for eight straight months, with all six grocery store food group indices climbing in each of the last three months. The strongest recent gains have been in the cereals and bakery products, meats, poultry, fish, and eggs, and other food at home categories. Growth over the past 12 months in the various food categories are as follows:

- Food: 6.8%
- Food at home: 6.1%
- Cereals and bakery products: 4.6%
- Meats, poultry, fish, and eggs: 12.8%
- Dairy and related products: 1.6%
- Fruits and vegetables: 4.0%
- Nonalcoholic beverages and beverage materials: 5.3%
- Other food at home: 5.7%
- Food away from home: 5.8%

[\(AgWeb\)](#)

AFBF asks for exemptions to travel ban

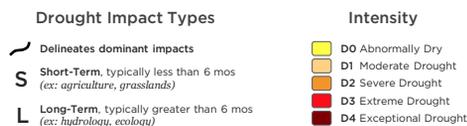
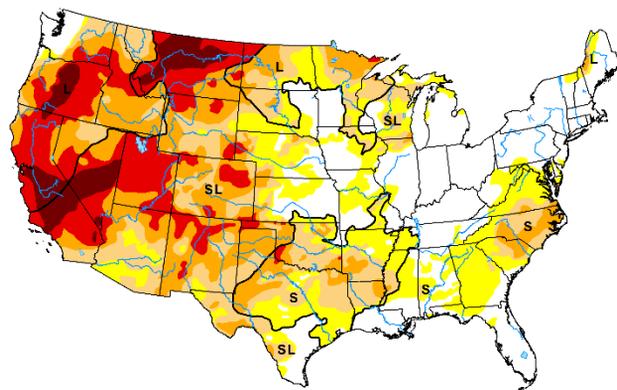
In conjunction with more than 50 other agriculture groups, the American Farm Bureau Federation sent a letter on December 13 to the Biden administration asking for exemptions for H-2A workers from the recent ban on travel to the U.S. from several countries. The ban is aimed at preventing the spread of the omicron variant and includes South Africa, where many H-2A workers travel from in late winter and early spring. As with many industries, farms are already dealing with a labor shortage; the travel ban would further threaten productivity in agriculture. [\(Farm Bureau Federation\)](#)

CA food industry fights law limiting pork sales

California food industry leaders have filed a lawsuit to block Proposition 12, which was approved by California voters in November 2018. The law bans the sale of pork from hogs born to sows housed in pens raised anywhere in the country that do not meet California's prescribed sow housing standards, and prohibits the use of breeding stalls, which let sows recover after delivering and nursing piglets. [\(Pork Business\)](#)

Drought Monitor

Intense drought conditions have lessened in intensity along the West Coast and in the Northern Plains but remain widespread. Droughts have spread and intensified in Texas, Oklahoma, and in the Carolinas, while much of the Midwest and Northeast show no abnormal dryness.



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Commodity Prices

Monthly average, November 2021

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$5.56	10%	-8%	38%
Cotton, Upland ³	\$1.15	7%	25%	69%
Soybeans ¹	\$12.20	2%	-10%	9%
Wheat (winter) ¹ (Oct. 2021)	\$7.23	1%	19%	45%
Cattle, All Beef ² (Oct. 2021)	\$123.00	-1%	1%	16%
Hogs ²	\$75.65	-11%	-26%	12%
Milk ² (Oct. 2021)	\$19.70	7%	10%	-2%
Broilers ³	\$1.04	0%	-1%	40%
Eggs ⁴	\$1.03	8%	-3%	2%
Crude Oil ⁵ West Texas Intermediate	\$79.15	-3%	17%	93%
Diesel Fuel ⁶ U.S. City Average	\$3.73	3%	11%	53%

Table Footnotes

¹ \$ per bushel

² \$ per hundredweight (CwT)

³ \$ per pound

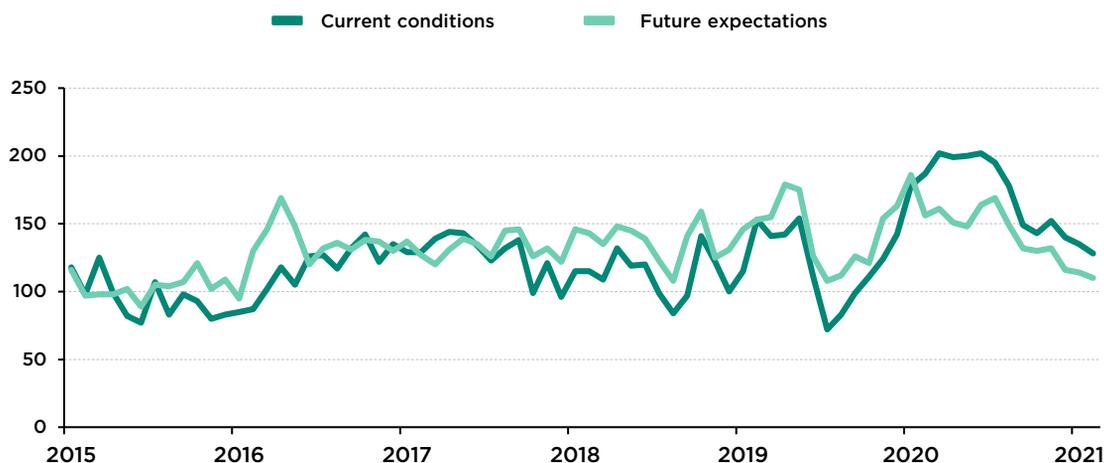
⁴ \$ per dozen

⁵ \$ per barrel

⁶ \$ per gallon

Strong inflationary pressures a cause of concern for farmers

Purdue University Ag Barometer components



Sources: Purdue University; CME Group; Haver Analytics

November's Purdue University Ag Barometer index fell to 116, the lowest level since May 2020. Feelings about current conditions and future expectations both dropped, with inflationary pressures on input prices being the primary concern. Farm machinery purchase plans have declined due to low inventory driving up prices, while expectations for input prices in the next year have soared. Fifty five percent of respondents to the Ag Barometer survey expect input prices to increase by more than 12 percent over the next 12 months (up from 33 percent in the October survey and 17 percent in July), while only eight percent expect the increase to be between zero and four percent (down from 24 percent in October and 45 percent in July).

Supply chain bottlenecks and labor shortages contributing to inflation in much of the economy are also greatly affecting agriculture. Reduced availability of migrant workers (already in decline before plummeting due to Covid) is causing farms to compete more intensively with firms that offer more attractive working conditions (e.g., air conditioning, better hours) or more pay (e.g., construction or other manual labor jobs). At the same time, high natural gas prices have led to a spike in fertilizer costs, while strong demand for farm machinery and low inventories have led to higher machinery prices — driving up farm operational costs.

While costs have increased significantly for farmers, so have crop prices, which could help to offset more costly inputs. Unfortunately, farmers are having trouble getting goods to market right now. High prices of pallets and packaging, in addition to a trucker shortage, are making it difficult to sell perishable foods in a timely and cost-effective manner. Additionally, exporters are finding that the opportunity cost of the time it takes to fill up empty shipping containers with agricultural goods (back hauling) is too great given high shipping rates. Instead, many containers are sent back to China as soon as they are emptied at U.S. ports to be filled with more expensive goods for American consumers.

The issues driving higher costs and, ultimately, lower farmer sentiment are likely to take time to heal.

- Supply chains are expected to heal over the next 6-12 months, but a full recovery may not occur until 2023 in some areas.
- It's unclear when labor force participation will increase to pre-Covid levels; while there is still a long way to go, the latest reading was the most encouraging sign for labor supply since the onset of the pandemic.
- Lastly, input prices are expected to remain elevated in 2022, but should slowly trend back down over the course of the year.

([Purdue University](#))



EIA Energy Forecast

	2021 (November) ¹	2021 ²	2022 ²
West Texas Crude (per barrel)	\$79.15	\$68.00	\$62.00
Diesel Fuel (retail \$ per gallon)	\$3.73	\$3.53	\$3.08
Natural Gas (per million Btu)	\$5.05	\$4.50	\$3.79

¹ Latest actual price.

² Forecast prices are an average for the month of November.

Source: [U.S. Energy Information Administration](https://www.eia.gov/)

Glossary

Acronyms/Terminology

USDA - United States Department of Agriculture

Hundredweight - Refers to a unit of 100 pounds in the U.S. and Canada

Data Sources

Commodities excluding beef and milk - Haver Analytics and The Wall Street Journal

Beef and milk - Haver Analytics and the U.S. Department of Agriculture (Prices received by farmers)

Drought Monitor - National Drought Mitigation Center, <http://droughtmonitor.unl.edu/>

Additional information sources

CoBank Knowledge Center - www.cobank.com/Knowledge-Exchange.aspx

USDA Economic Research Service - www.ers.usda.gov

USDA Price & Import/Export Forecasts - [USDA Economic Research Service Publications](https://www.ers.usda.gov/publications/)

Association of Equipment Manufacturers - www.aem.org/agriculture/

Agriculture Commodity Prices - <http://www.cnbc.com/agricultural-commodities/>

Livestock Commodity Prices - <http://www.cnbc.com/livestock-commodities/>



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