

Agricultural Markets Review

from Nationwide Economics



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Ag News Highlights

Mexico addresses U.S. concerns on corn exports

In late 2020, Mexico President Andres Manuel Lopez Obrador signed a decree to cease imports of GMO corn by 2024; more recently, a compromise was offered by Mexico to delay this move to 2025, but it was rejected by the U.S. If the decree is ultimately carried out as stated, it would severely limit American access to the Mexican corn market as a vast majority of U.S. corn comes from biotech seeds. According to USDA Undersecretary for Trade and Foreign Agriculture Affairs Alexis Taylor, "We are engaging with urgency on this issue. We certainly appreciate the potential impact that the proposed decree could have on our corn growers here in the United States." Her comments also pointed out that the USMCA was "built on science-based policies" and how Mexico's decision to stop GMO corn imports could potentially impact global trade.

It's important to note that Mexico cannot simply reduce its agriculture purchases from the U.S. below what was committed to in the USMCA. To this point, Taylor pointed out that there is a process outlined in the USMCA in the event Mexico does not live up to its commitments, and the U.S. is prepared to resolve any disputes that way, if necessary.

In a comment intended to address U.S. concerns about access to Mexico's corn market, Mexico's Secretary of Economy Raquel Buenrostro said in early February that if U.S. GMO corn is approved by the Federal Commission for Protection against Sanitary Risks (COFEPRIS), it will be allowed to enter Mexico. Buenrostro said language to that effect will be included in a soon-to-be-released decree, which she believes should eliminate the possibility of the U.S. starting a dispute settlement process against Mexico under the USMCA. ([AgWeb](#)) ([Pro Farmer](#))

Record wing consumption expected for Super Bowl

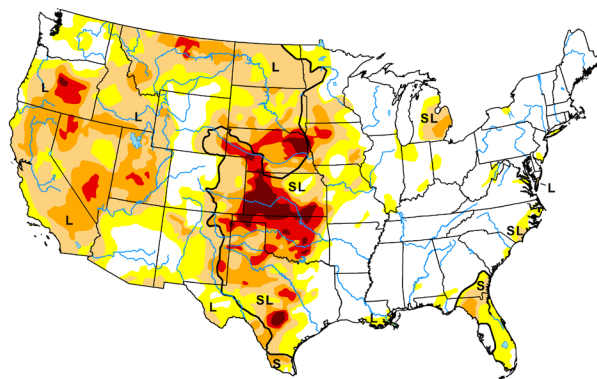
The National Chicken Council (NCC) estimates that Americans consumed 1.45 billion chicken wings during the Super Bowl. This number would represent a record for Super Bowl wing consumption and an increase of about 84 million from last year's number. The increase is likely not a coincidence as retail wing prices have declined by double digits from a year ago. For reference, 1.45 billion wings would be enough for every man, woman, and child in the U.S. to have four each. ([NCC](#))

Egg costs fall amid pause in bird flu outbreaks

Egg prices dropped significantly in January after a prolonged period without new bird flu outbreaks, according to the USDA. Wholesale prices have dropped further since, leading to optimism that retail prices will continue to fall. The average price for a dozen eggs in January was still more than three-times higher than the long-run average. ([CNBC](#))

Drought Monitor

The Drought Monitor is little changed through the middle part of the country, where severe droughts continue to be widespread. The West has seen continued reduction in drought severity (although most of the region is still experiencing modest drought conditions), while most eastern states are not experiencing abnormal dryness.



Drought Impact Types

- Delineates dominant impacts
- S** Short-Term, typically less than 6 mos
(ex: agriculture, grasslands)
- L** Long-Term, typically greater than 6 mos
(ex: hydrology, ecology)

Intensity

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

Author:
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Mitigation Center

Commodity Prices

Monthly average, January 2023

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$6.60	2%	0%	11%
Cotton, Upland ³	\$0.85	1%	1%	-28%
Soybeans ¹	\$14.88	2%	11%	8%
Wheat (winter) ¹	\$7.59	5%	-4%	-6%
Cattle, All Beef ² (Dec. 2022)	\$154.00	2%	8%	12%
Hogs ²	\$76.23	-7%	-17%	-2%
Milk ² (Dec. 2022)	\$24.70	-4%	1%	14%
Broilers ³	\$1.22	-2%	0%	-8%
Eggs ⁴	\$4.09	-14%	23%	217%
Crude Oil ⁵ West Texas Intermediate	\$78.08	2%	-11%	-6%
Diesel Fuel ⁶ U.S. City Average	\$4.58	-3%	-12%	23%

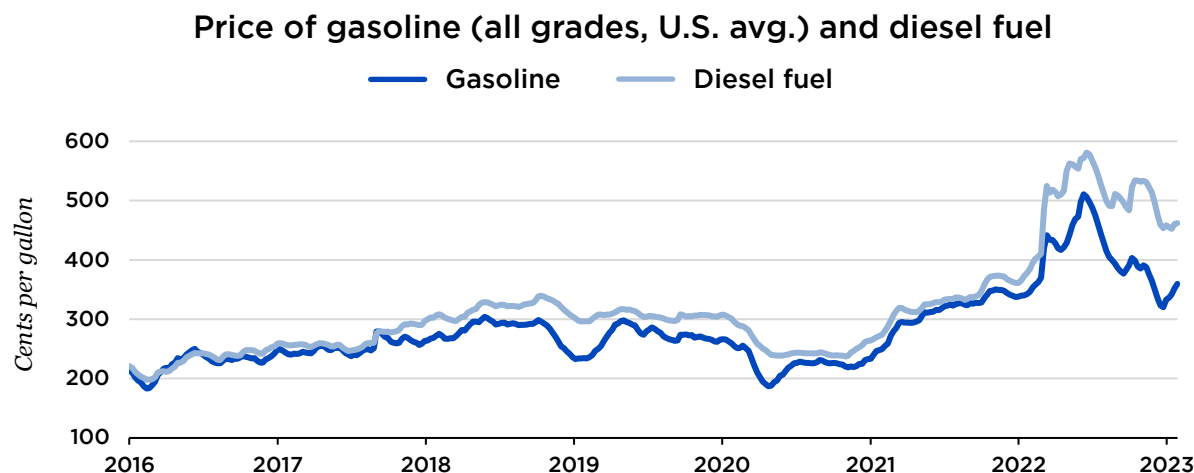
Table Footnotes

- ¹ \$ per bushel
- ⁴ \$ per dozen

- ² \$ per hundredweight (CwT)
- ⁵ \$ per barrel

- ³ \$ per pound
- ⁶ \$ per gallon

Premium paid for diesel fuel drives up costs for farmers



Source: EIA

Traditionally, there has been a relatively small gap between gasoline and diesel prices, but that gap widened significantly as fuel prices soared in 2022. In the five years prior to January 2022, diesel prices were, on average, 27 cents per gallon higher than gasoline; this climbed more than four-fold to \$1.21 over the last six months, disproportionately driving up costs for operating farm equipment, not to mention transportation costs for ag goods. An obvious question arises: what is happening in the market right now to sustain such a large gap? The historical difference in price between the two products (diesel was actually cheaper for decades until late 2004) suggests the underlying refining process wouldn't cause a consistently higher price for diesel, but that changed in 2006 with the introduction of Ultra-Low Sulfur Diesel (ULSD) which requires more refining. Other factors include:

- Global demand for diesel is relatively high at a time when refining capacity is down due to a downward trend in U.S. refineries.
- While refining capacity has continued to fall (nine plants have shuttered in the last five years), the government has recently backed a push to expand the green diesel market. Significant capacity in refineries is being redirected to renewable diesel and biodiesel in response to large incentives offered to oil producers.
- Diesel production cannot be replaced one-for-one in the transition to green diesel, exacerbating the current shortage of diesel fuel in the U.S; throughput is much lower for renewable diesel than for petroleum-based fuel. For example, when Phillips has fully converted its San Francisco refinery in 2024 to renewables, the company expects a 52 percent decrease in production when compared to its prior level.
- Diesel also doubles as heating oil in parts of the Northeast and in Europe, so it is likely the record gap in price between gasoline and diesel seen in December was partly a hedge against an especially cold winter – particularly while Europe's energy crisis loomed. So far, however, the winter across the Atlantic has been relatively mild.

EIA expects diesel prices to come down by the end of the year (see page 3), but the gap between diesel and gasoline is still expected to be much larger than it has been historically, making farm production relatively more expensive than it has been in the past. Price growth for farm production items remains in double digits, down from its peak in the first half of last year, but well above broader producer inflation numbers. While some short-run pressures driving high diesel prices could ease soon, the long-run factors suggest farmers could experience elevated fuel costs for the foreseeable future.

([Global Petrol Prices](#)) ([CCJ Digital](#)) ([EIA](#))



EIA Energy Forecast

	2023 (January) ¹	2023 ²	2024 ²
West Texas Crude (per barrel)	\$78.08	\$75.00	\$69.00
Diesel Fuel (retail \$ per gallon)	\$4.58	\$3.98	\$3.72
Natural Gas (per million Btu)	\$3.27	\$4.11	\$4.40

¹ Latest actual price.

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

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](http://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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