

Ag News Highlights

China ag purchases remain strong

China's aggressive buying of U.S. grain is expected to continue, but volatility in grain prices has pushed China to wait for price drops before committing to further purchases. Still, China has already imported over 57 million metric tons of soybean, corn, and sorghum, which is a sharp increase over the 15 million metric tons last year, when trade was disrupted by the pandemic. In addition, another 14 million metric tons of corn and soybeans have already been contracted for delivery after harvest.

The optimism regarding future China purchases revolves around their hog herd, which is mostly fed via imported grains and which they are in the process of rebuilding following the effects of African Swine Fever. According to Kenneth Scott Zuckerman, lead grain and farm supply economist with CoBank, "The combination of steady pork production, higher slaughter rates, and currency tailwinds suggests the Chinese appetite for U.S. feed grains will remain strong." ([Ag Web](#))

Drought impact on cattle industry

Intensive drought conditions in the western U.S. have resulted in more than 15 million beef cattle grazing on drought-stricken land. In past droughts, ranchers would typically buy more hay to replace limited grazing options on pastureland - but droughts this year extend far enough east to make this practice challenging.

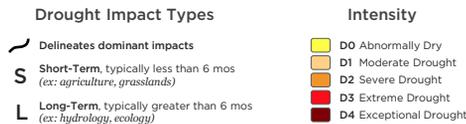
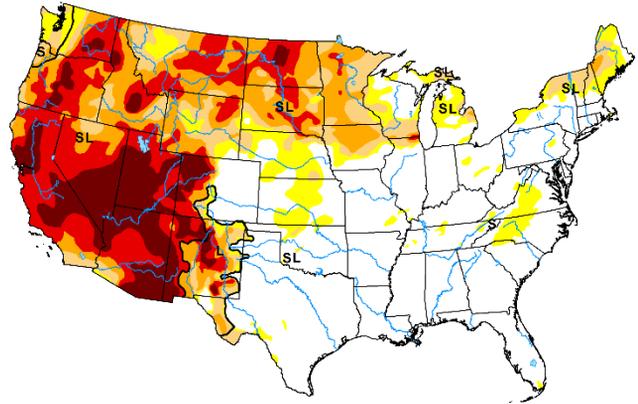
With fewer options to keep the cattle well-fed, ranchers are having to cull herds. This practice was common in 2020 due to a bottleneck at slaughterhouses resulting in low demand for cattle, but this time it is simply the result of an inability to feed the entire herd. Previously, ranchers would be able to sell parts of their herds to other parts of the country where grazable land was more plentiful, but again the size of the current drought has eliminated that option for many ranchers. Despite this, the meat shortages seen a year ago are not likely to be repeated as meat imports are filling the gaps caused by these weather-related difficulties. ([National Geographic](#))

Drought also impacting wheat crop

Conditions for the spring wheat crop are poor as 98 percent of the growing area is experiencing drought. This is especially bad for hard red spring (HRS) wheat in the Northern Plains. HRS ratings in the good to excellent categories dropped from 20 to 16 percent this week, compared with a five-year average of 66 percent. ([Ag Web](#))

Drought Monitor

Intensive drought conditions remain widespread in the Southwest and Four Corners regions, while D4-rated droughts have spread in the interior portions of the Pacific Northwest. Droughts also cover much of the western corn belt. Recent showers have improved conditions in the eastern corn belt and South, most of which are not experiencing abnormal dryness.



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Commodity Prices

Monthly average, June 2021

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$ 6.69	-3%	24%	114%
Cotton, Upland ³	\$ 0.84	1%	1%	45%
Soybeans ¹	\$ 14.59	-7%	3%	71%
Wheat (winter) ¹ (May 2021)	\$ 6.55	6%	10%	36%
Cattle, All Beef ² (May, 2021)	\$ 118.00	0%	5%	8%
Hogs ²	\$ 110.42	4%	26%	112%
Milk ² (May 2021)	\$ 19.20	4%	12%	40%
Broilers ³	\$ 1.06	1%	26%	45%
Eggs ⁴	\$ 0.75	-2%	-40%	9%
Crude Oil ⁵ West Texas Intermediate	\$ 71.38	10%	15%	86%
Diesel Fuel ⁶ U.S. City Average	\$ 3.29	2%	4%	37%

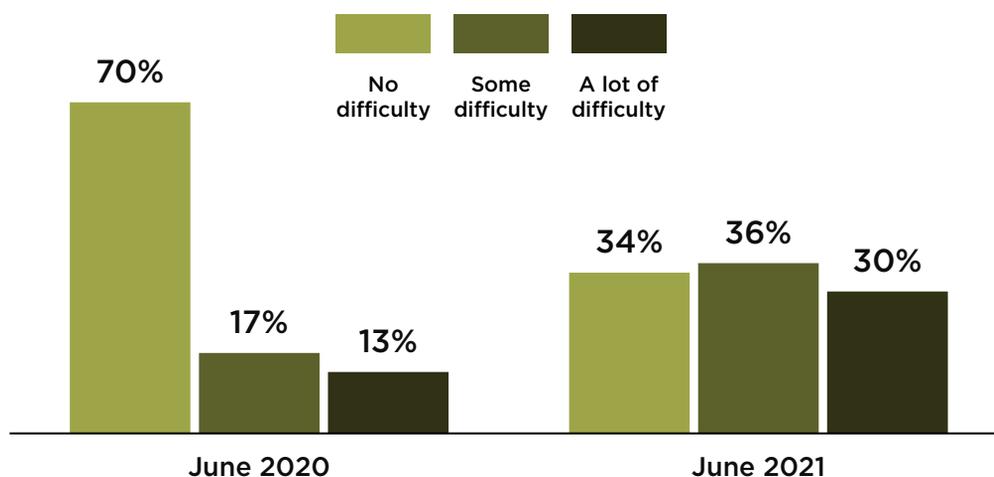
Table Footnotes

- ¹ \$ per bushel
- ² \$ per hundredweight (CwT)
- ³ \$ per pound
- ⁴ \$ per dozen
- ⁵ \$ per barrel
- ⁶ \$ per gallon

Please visit the [CME Group](#) website for daily commodity prices.

Farms having difficulty finding workers amid labor shortage

Survey question: Are farms having difficulty hiring adequate labor?



Source: Purdue Center for Commercial Agriculture, Producer Survey, June 2020 and June 2021

The lack of workers for low-wage jobs is impacting farms, some of which are now trying to fill in the labor gaps by hiring high school workers looking for summer jobs. While the problem of short-handed farms pre-dates the current labor shortage, farms are now having to compete with other industries suffering from labor shortages. Unfortunately, many farms cannot offer increased wages and benefits being offered by restaurants, trash services, etc., nor can they offer weekends off, air conditioning, or work that isn't labor intensive. These factors have made farm work a tough sell to workers in a market where labor is in high demand and short supply. July's Purdue University Ag Economy Barometer showed two-thirds of farmers having at least some difficulty hiring adequate labor for their operation, up from 30 percent a year ago. ([Purdue University](#))

The federal government's H-2A visa program attempts to remedy difficulty finding domestic workers by making it easier to hire foreign workers. The program offers seasonal visas to agricultural workers, while farmers provide housing and transportation and are required to attempt to fill the positions with U.S. workers first. But the downside is that farmers must meet certain requirements in order to hire someone through the program which drives up labor costs. The federal government has set a minimum wage of \$14.09 per hour for H-2A workers, a rate that must be matched for every worker hired for the same type of job, whether they have a visa or not. This minimum wage is not much lower than the wage level set by other businesses against which the farms are competing for workers, which limits the effectiveness of the H-2A program. In some parts of the country, this wage level might not be an issue, but a farmer in Butler County, PA who has hired through the H-2A program says the program's minimum wage makes it impossible to hire high schoolers because their productivity won't match the cost. Prior to using the program, the average wage on his farm was \$10 per hour, on par with entry-level workers across Pennsylvania in the farming, fishing, and forestry industries. ([USA Today](#))

While the pandemic exacerbated the problem of labor shortages in agriculture, the problem is not new and is unlikely to be solved even as labor shortages in the broader economy diminish. The increased cost of labor could increase the willingness of farms to invest in new technologies and innovations, which become relatively cheaper as labor costs increase.

EIA Energy Forecasts

	2020 (June) ¹	2021 ²	2022 ²
West Texas Intermediate Crude Oil (\$ per barrel)	\$71.38	\$66.50	\$61.00
Diesel Fuel (retail \$ per gallon)	\$3.29	\$3.22	\$3.04
Natural Gas (\$ per million Btu)	\$3.26	\$3.23	\$3.04

¹ June average actual price.

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

Source: [U.S. Energy Information Administration](#)

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](#)

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/>

State Livestock Auction Prices and Market Recaps - <https://www.ams.usda.gov/market-news/feeder-and-replacement-cattle-summary>

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