

Agricultural Markets Review

from Nationwide Economics



July 2022

Ag News Highlights

WASDE shows drop in soybean acreage

The World Agriculture Supply and Demand Estimates (WASDE) report for July showed a substantial 135 million bushel cut to soybean production due to reduced soybean acreage (yield estimates were unchanged). The report also showed a 65-million-bushel reduction in soybean exports, which the USDA noted was due to lower supplies.

Brian Splitt of AgMarket.net says weather is the next important factor to watch with regard to this year's soybean yield. The current forecast assumes normal weather during prime growing season, so a turn for the worse could result in further downward revisions to soybean production. ([AgWeb](#))

Mixed news from USDA crop condition update

According to the latest USDA crop progress report, 64 percent of the U.S. corn crop is in good or excellent condition, unchanged from a week prior and roughly even with a year ago. The Midwest crop is doing far better than average, while Texas and North Carolina are the major growers with the worst crop condition.

Similarly, the soybean crop condition is close to where it was a year ago, with 62 percent in good or excellent condition (compared with 59 percent for the same week in 2021). The spring wheat crop condition has improved in recent weeks and is far ahead of where it was this time last year; 70 percent of the crop is in good or excellent condition versus 16 percent a year ago. Only five percent of the crop is in poor or very poor condition. ([USDA](#))

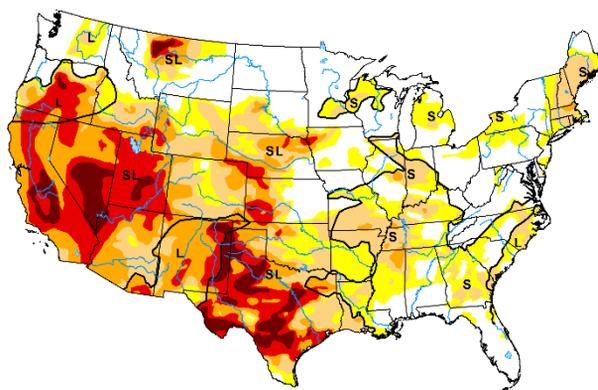
Ag Barometer drops further

The Purdue University/CME Group Ag Barometer fell to its lowest level since April 2020 (the lowest since October 2016 excluding Covid shutdown period). Supply chain issues and inflation have made capital investment both difficult and costly, resulting in a record low farm capital investment index.

Additionally, more than half of the survey's respondents expect their farms to be worse off financially a year from now, which was the most pessimistic response to that question on record. On the upside, short- and long-term expectations for farmland value are very elevated from a historical perspective, but even they have retreated from the highs seen last fall. ([University of Purdue](#))

Drought Monitor

Drought conditions have lessened significantly in New Mexico (although they are still present), but remain intense in California, Nevada, Utah, and Texas. Droughts have also spread to much of the Midwest, Northeast, and Southeast. Much of the country is suffering from at least abnormally dry conditions.



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

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Commodity Prices

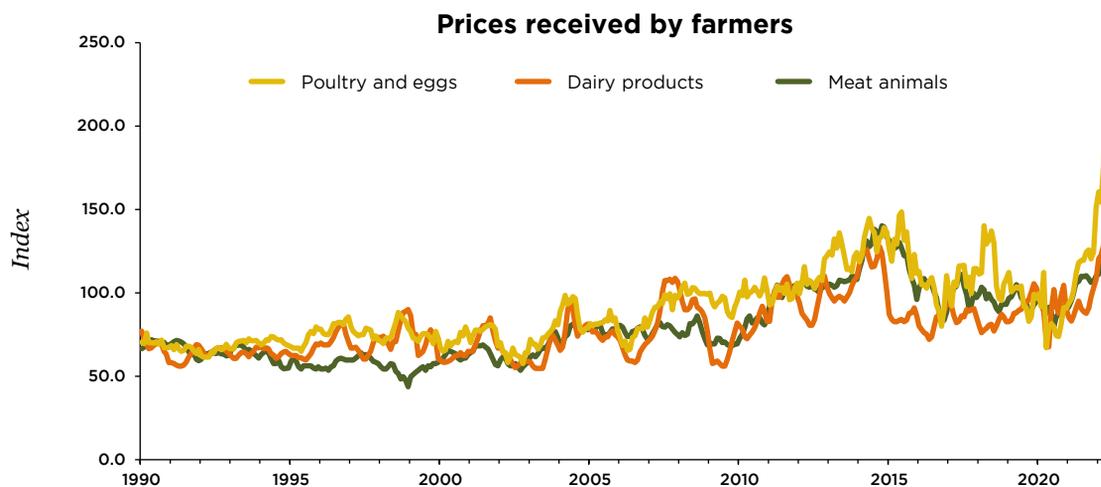
Monthly average, June 2022

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$7.70	-1%	6%	15%
Cotton, Upland ³	\$1.31	-9%	4%	57%
Soybeans ¹	\$17.13	2%	4%	17%
Wheat (winter) ¹	\$9.96	-12%	-5%	47%
Cattle, All Beef ² (May 2022)	\$141.00	1%	3%	19%
Hogs ²	\$104.66	6%	6%	-5%
Milk ² (May 2022)	\$27.30	5%	11%	43%
Broilers ³	\$1.67	-2%	17%	57%
Eggs ⁴	\$2.06	-14%	32%	174%
Crude Oil ⁵ West Texas Intermediate	\$114.84	5%	6%	61%
Diesel Fuel ⁶ U.S. City Average	\$5.75	3%	13%	75%

Table Footnotes

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

EU farmer protests could impact U.S. ag trade



Sources: USDA

Massive farmer protests are taking place in the Netherlands — and German, Italian, Spanish, and Polish farmers are joining out of solidarity — in response to the approval of new environmental regulation proposals by the Dutch government. Depending on their duration, these protests could affect the availability of food in the EU and beyond due to the Netherlands' position as the second-leading exporter of ag goods in the world (behind the United States).

- The new regulations would cut nitrogen and ammonia emissions by at least 50 percent by 2030. Solidarity protests by other EU nations are in part preempting similar regulations from other governments.
- In order to comply with the regulations, Dutch farmers would need severe reductions of nitrous oxide and ammonia emissions produced by their livestock. Many farms would be forced to downsize and as many as thirty percent of current farms could be out of business by 2030.
- The government has announced large investments in more environmentally-friendly technology which farmers can volunteer to accept. If too few farmers volunteer for the shift in technology, the government could force some to sell their land.
- While the regulations are targeted mostly at emissions produced by livestock, the protests impact the availability of all Dutch ag goods.
- The Netherlands is a significant exporter of meat, dairy and eggs, and fruits and vegetables. More than half of Dutch ag exports go to Germany, Belgium, France, and the United Kingdom. Depending on the duration and/or outcome of the protests, demand for U.S.-produced ag goods could increase and prices could rise.
- Prices for many of these goods, particularly meat animals, dairy products, and eggs are already at multi-year or even all-time highs — driven up by strong cost increases for U.S. farmers. The positive news for farmers here is that any increase in the prices for U.S. ag goods resulting from these protests will not be accompanied by higher costs, adding to farm profits.

[\(ABC News\)](#)

EIA Energy Forecast

	2022 (June) ¹	2022 ²	2023 ²
West Texas Crude (per barrel)	\$114.84	\$90.50	\$89.00
Diesel Fuel (retail \$ per gallon)	\$5.75	\$4.17	\$4.14
Natural Gas (per million Btu)	\$7.70	\$6.11	\$4.52

¹ Latest actual price.

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

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/price-and-import-export-forecasts/)

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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