

Agricultural Markets Review

from Nationwide Economics



November 2021

Ag News Highlights

Natural gas prices are soaring

U.S. natural gas futures have doubled since April, rising above \$6/MMBtu in October. With domestic consumption remaining flat through mid-year, the spike in prices comes as a result of surging international demand. While U.S. inventories are low compared with the five-year average, the U.S. is in much better shape than our European trading partners. European prices are up to \$28/MMBtu — more than six times year-ago prices — meaning that the U.S. cannot lower prices through imports.

Natural gas is used in agriculture to produce farm inputs such as pesticides, plastics, and fertilizers. For now, this will be another costly input to farming, along with the high costs of labor, machinery, etc. ([CoBank](#))

Costs for cotton are climbing

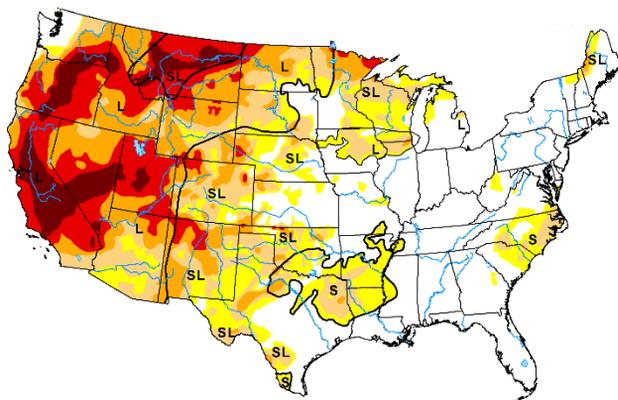
Cotton prices have risen to a 10-year high amid both low stocks and high demand. A standard stocks-to-use ratio in the past 10 years has been 80-90 percent, while it currently sits at about 35-40 percent. Mississippi State University agricultural economist O.A. Cleveland says the current high demand is related to scrubs, medical community wires, cotton swabs, and other medical supplies. Looking forward to 2022, Cleveland believes the current high prices could mean farmers plant 1.3-1.5 million additional acres of cotton. ([AgWeb](#))

Turkey shortage ahead of Thanksgiving

According to the USDA, a decline in turkey production has reduced the supply of frozen turkeys; supply through the end of August (the end of the usual seasonal buildup before Thanksgiving) was down by 20 percent year-over-year. Experts are advising that those wishing to celebrate the holiday with a feast consisting of the traditional bird buy it now and store it until Thanksgiving. According to Joe Kerns, president of Partners for Production Agriculture, “If you want a Thanksgiving turkey ... don’t waltz into the store two days ahead of time and think you’re going to find what you want.” Prices are also higher, due to the low supply of turkeys as well as labor shortages across the supply chain and limited packaging materials. ([Des Moines Register](#))

Drought Monitor

While intense drought conditions still plague much of the western half of the country, the severity has lessened somewhat on the West Coast and in the Northern Plains. The Midwest and Atlantic Coast are little changed from a month ago with minor or no drought conditions.



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Commodity Prices

Monthly average, October 2021

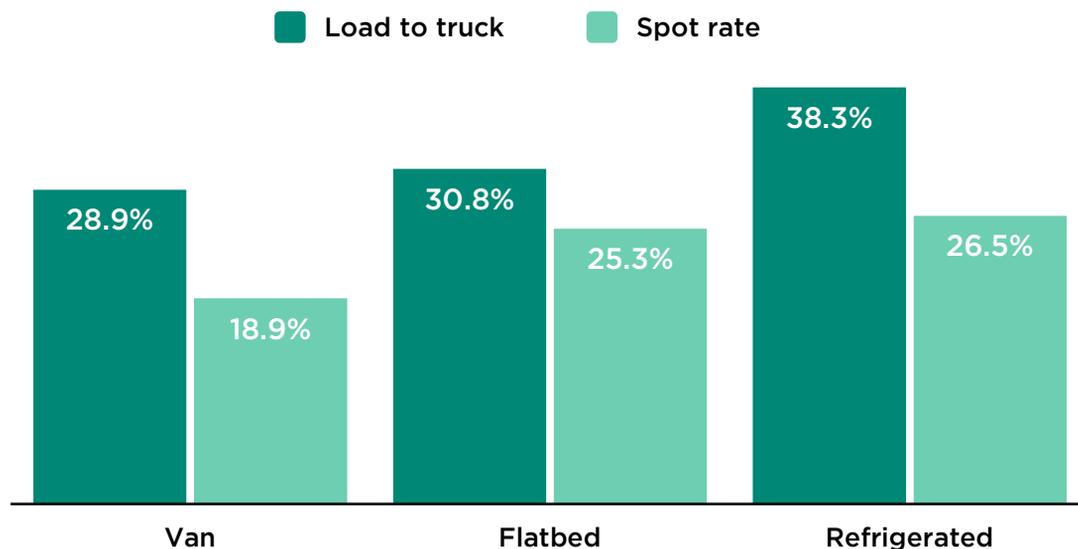
| | Average Price | 1 Month Change | 3 Month Change | 12 Month Change |
|--|---------------|----------------|----------------|-----------------|
| Corn ¹ | \$5.07 | 0% | -21% | 33% |
| Cotton, Upland ³ | \$1.07 | 15% | 24% | 64% |
| Soybeans ¹ | \$11.94 | -4% | -16% | 15% |
| Wheat (winter) ¹ (Sep. 2021) | \$7.18 | 6% | 17% | 53% |
| Cattle, All Beef ² (Sep. 2021) | \$124.00 | 1% | 2% | 19% |
| Hogs ² | \$84.94 | -7% | -19% | 14% |
| Milk ² (Sep. 2021) | \$18.40 | 4% | 0% | 4% |
| Broilers ³ | \$1.04 | -2% | -2% | 57% |
| Eggs ⁴ | \$0.96 | -20% | 7% | -4% |
| Crude Oil ⁵ West Texas Intermediate | \$81.48 | 14% | 12% | 107% |
| Diesel Fuel ⁶ U.S. City Average | \$3.61 | 7% | 8% | 51% |

Table Footnotes

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

Ag provisions in the infrastructure bill

Year-over-year change in load-to-truck ratios and shipping spot rates



Source: DAT Freight & Analytics

Load-to-truck ratio is an indicator of balance between spot market demand and capacity

The \$1.2 trillion infrastructure bill, which was passed by the Senate in August, made it through the House in early November. Nearly half of the total cost of the bill — \$550 billion — will be directed toward rural infrastructure development. The following are potential impacts for the agricultural community.

- \$110 billion are scheduled to go toward fixing roads and bridges, \$66 billion for improvements in passenger and freight rail improvements, and \$17 billion for ports and waterways. Each of these could lower shipping costs for farmers, which have soared over the past year. Additionally, livestock haulers will now be permitted to haul outside of normal trucking hours if the final destination is within 150 miles (this is a carry through from the Haulers of Agriculture and Livestock Safety Act first introduced in March).
- It is not specified whether farming communities are prioritized, but protection against the impacts of climate change are included. Specifically, \$21 billion would go toward the cleanup of abandoned wells and mines, while part of the funds for improvements in roads, railroads, and ports/waterways are meant to increase resilience toward future catastrophic weather events, thereby enabling continued transportation of goods after such events.
- \$63 billion are dedicated to improvements in national water infrastructure, with \$8 billion targeting water infrastructure in the West. These improvements are on the way amid intense droughts which have spanned the entire year and have left major reservoirs in the West at record lows.
- \$65 billion are committed to broadband connectivity and affordability in low-access (typically rural) areas; another \$47 billion will be used to fund increased protection against cybersecurity threats. The latter is not specifically targeted at agriculture, but it is timely given recent ransomware attacks on the U.S. food supply chain.
- Lastly, it is estimated that the bill could create 650,000 jobs by 2025. Industries likely to see a significant number of jobs created include manufacturing and trucking, which could help to lower input costs for farmers through lower prices for machinery and shipping.

([Ag America](#))

EIA Energy Forecast

| | 2021 (October) ¹ | 2021 ² | 2022 ² |
|------------------------------------|-----------------------------|-------------------|-------------------|
| West Texas Crude (per barrel) | \$81.48 | \$79.00 | \$62.00 |
| Diesel Fuel (retail \$ per gallon) | \$3.61 | \$3.57 | \$3.08 |
| Natural Gas (per million Btu) | \$5.51 | \$5.56 | \$3.50 |

¹ Latest actual price.

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

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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