

Agricultural Markets Review

from Nationwide Economics



November 2022

Ag News Highlights

Diesel supply is much lower than normal

As of last week, the U.S. had about a 25-day supply of diesel fuel, the primary fuel used by most farm equipment, while standard inventories are in the 35-40-day range. The short supply is having a dramatic effect on the price of diesel, which is up 50 cents from early October and – at \$5.33/gal – is higher than any other time on record prior to 2022.

The shortage comes from a combination of the U.S. ban on Russian petroleum imports after the invasion of Ukraine, a major strike at refineries in France, and lower U.S. refinery capacity due to permanent refinery shutdowns during the pandemic. (oilprice.com)

Russia pauses, quickly resumes grain deal

Russia temporarily pulled its support of the Black Sea Grain Initiative after accusing Ukrainian drones of attacking a Russian fleet of civilian vessels inside a safety corridor in late October. Russia claims the attack was done using maritime drones and suggested they could have been launched from vessels chartered to export food from Ukrainian ports.

On November 1, Russia released a statement indicating that “the necessary written guarantees from Ukraine” had been received and agreed to resume implementation of the initiative. Without Russia’s continued support of the initiative, serious concerns would arise regarding food scarcity for the countries which import heavily from Ukraine. Negotiations are currently underway to extend and expand the agreement over the next year.

([Reuters](https://reuters.com)) ([BBC](https://bbc.com))

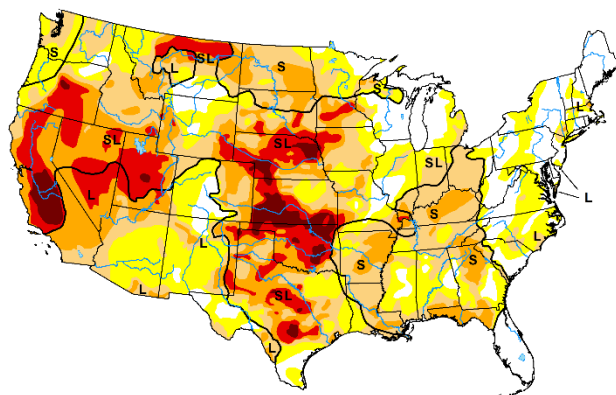
NOAA releases winter forecast

Amid longstanding drought conditions which encompass much of the country, The National Oceanic and Atmospheric Administration (NOAA) is forecasting little relief for the Western U.S. and southern Plains this winter. Moreover, drought conditions along the Gulf Coast and in the Southeast could worsen. If this forecast proves correct, shipping bottlenecks along the Mississippi River due to record low water levels could continue into 2023.

In positive news, wetter-than-average conditions are expected for the Ohio Valley, Great Lakes, northern Rockies, and Pacific Northwest areas – areas which show only modest drought conditions at present. ([NOAA](https://noaa.gov))

Drought Monitor

Drought coverage broadened over the past month as abnormally dry or moderate drought conditions spread in the Midwest, Southeast, and Mid-Atlantic Coast regions. The Plains and Pacific Coast continue to suffer from long-term intense droughts.



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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National Drought
Mitigation Center

Commodity Prices

Monthly average, October 2022

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$6.62	-1%	-2%	31%
Cotton, Upland ³	\$0.84	-18%	-23%	-22%
Soybeans ¹	\$13.37	-10%	-11%	12%
Wheat (winter) ¹	\$7.88	-7%	-1%	N/A
Cattle, All Beef ² (Sep. 2022)	\$143.00	1%	2%	15%
Hogs ²	\$91.79	-4%	-16%	8%
Milk ² (Sep. 2022)	\$24.40	0%	-9%	33%
Broilers ³	\$1.22	-2%	-23%	18%
Eggs ⁴	\$3.32	25%	9%	246%
Crude Oil ⁵ West Texas Intermediate	\$87.55	4%	-14%	7%
Diesel Fuel ⁶ U.S. City Average	\$5.21	4%	-5%	44%

*Note: Winter wheat price was not reported for October 2021

Table Footnotes

¹ \$ per bushel

² \$ per hundredweight (CwT)

³ \$ per pound

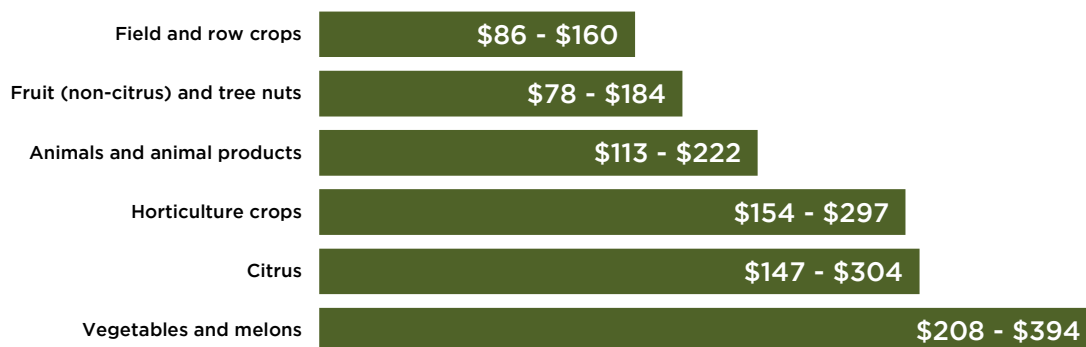
⁴ \$ per dozen

⁵ \$ per barrel

⁶ \$ per gallon

Preliminary ag losses from Hurricane Ian are significant

Estimated losses due to Hurricane Ian by commodity type (millions)



Source: University of Florida Institute of Food and Agricultural Sciences

In October, the University of Florida Institute of Food and Agricultural Sciences (UF/IFAS) released a preliminary assessment of the economic losses incurred in Florida agriculture by Hurricane Ian in late September. Regarding types of losses or damages, the study states: “Agricultural losses might result from situations such as fruit drop in a citrus grove, a flooded field of vegetables, dumped milk at a dairy farm due to cold storage not being available during a power outage, or even a lower sales price for a rancher that had cattle that were not able to get the appropriate nutrition due to stress or flooded grazing lands. Agricultural assets at risk for damages include farm homes, farm buildings, greenhouse and nursery structures, machinery/equipment, fencing, irrigation systems, other infrastructure, livestock animals, and perennial plantings such as citrus trees and vineyards.” While it should be noted that these numbers are preliminary and subject to change as more information is gathered, losses and damages specified in the assessment include:

- Nearly five million acres were affected by Hurricane Ian, 60 percent of which was grazing land.
- The total value of agriculture products produced throughout the calendar or marketing year on lands impacted by the hurricane was \$8.12 billion.
- In the best-case scenario, estimated losses total roughly \$790 million; in the worst-case scenario, estimated losses are \$1.56 billion, or about 20 percent of the total value of the impacted lands.
- The largest losses are expected within vegetable and melon crops. Because many vegetables are still in planting season, losses for this category will depend on what share (if any) of the damaged or destroyed crops can be replanted.
- The commodity type with the second-largest estimated loss is citrus, which is only weeks away from peak harvest season. The USDA’s most recent forecast calls for the smallest orange production since World War II, which is expected to drive up the price of oranges and orange products this winter.
- Losses from animals and animal products could be as high as \$222 million, but do not include repair or replacement values for damaged infrastructure or replacing lost or deceased animals. Those costs, which could be significant, would be in addition to this assessment’s estimated losses.
- Estimated losses from this report also do not include the value of stored inputs (e.g., fuel, farm equipment, fertilizer, etc.) or stored harvested ag goods that were damaged or destroyed by the storm. ([UF/IFAS](#))



EIA Energy Forecast

	2022 (October) ¹	2022 ²	2023 ²
West Texas Crude (per barrel)	\$87.55	\$86.00	\$92.00
Diesel Fuel (retail \$ per gallon)	\$5.21	\$5.40	\$4.47
Natural Gas (per million Btu)	\$5.56	\$6.34	\$5.60

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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