

Agricultural Markets Review

from Nationwide Economics



October 2021

Ag News Highlights

Dairy consumption remains strong

Despite the closing of restaurants and schools, per capita dairy consumption increased to a record high in 2020, according to the USDA. This result came from increased consumption of butter and ice cream rather than fluid milk or cheese, both of which were flat from 2019. While demand is not uniformly back to pre-pandemic levels across the country (likely due to differing Covid-19 policies), overall spending on dairy has remained strong through the recent surge in Covid cases. ([Dairy Herd](#))

Bacon prices sent higher

Contemporaneous with an uptick in demand over the summer, pandemic impacts and a hog disease known as porcine reproductive and respiratory syndrome (PRRS) have tightened pork supplies. These factors have caused a spike in pork prices, particularly bacon which is up by 30 percent from a year ago. Prices could stay high for a while. Although producers are likely to increase hog production, that may not help to moderate prices until 2022, according to Steve Meyer of Partners for Production Agriculture. ([Mahoning Matters](#))

Delays at ports impacting ag exports

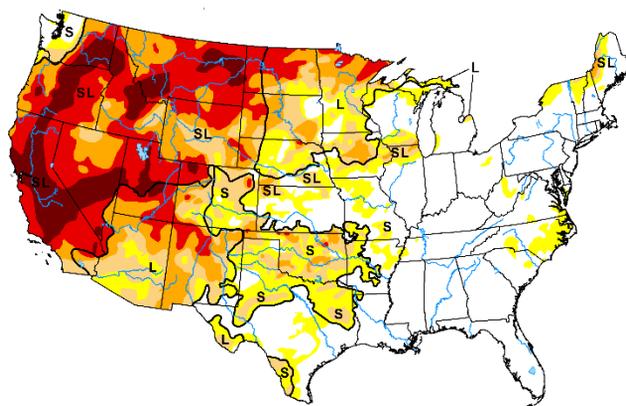
U.S. exports at the Port of Los Angeles are down by 23 percent from a year ago, according to Gene Seroka, executive director of the Port of Los Angeles. A bottleneck at the port resulting in record-high shipping rates is the primary culprit. Port officials say there could be as many as half a million shipping containers waiting to be offloaded in Los Angeles and Long Beach. Options for transportation of goods include companies chartering their own shipping containers — a solution likely only available to large companies — or paying the elevated shipping rates and accepting the delays that come with them. Delays are expected to continue for months, or possibly years. ([Ag Web](#)) ([CBS Los Angeles](#))

John Deere employees go on strike

More than 10,000 union workers employed by John Deere went on strike in October after the union rejected a contract proposal negotiated by John Deere and union negotiators. There is currently no timetable for when the strike will end. ([AP News](#))

Drought Monitor

Intense drought conditions remain little changed in both size and severity in the Southwest, Northern Plains, and in the far West. Drought has spread and worsened in Oklahoma and North Texas, while the Midwest and most areas east of the Mississippi River show modest or no drought conditions.



Author:
Adam Hartman
NOAA/NWS/
NCEP/CPC

Commodity Prices

Monthly average, September 2021

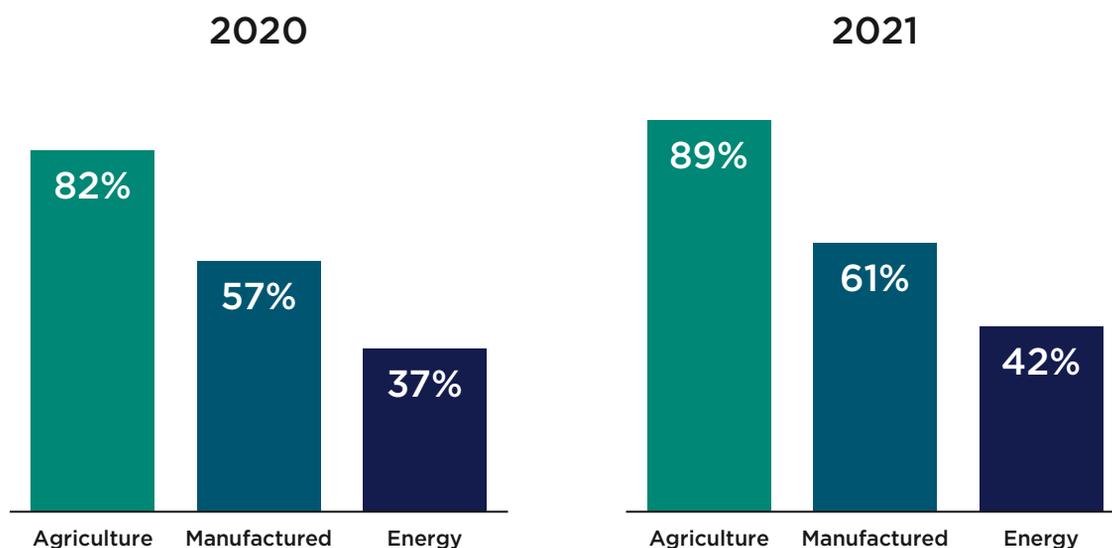
	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$5.09	-15%	-24%	46%
Cotton, Upland ³	\$0.94	2%	12%	55%
Soybeans ¹	\$12.49	-8%	-14%	29%
Wheat (winter) ¹ (Aug. 2021)	\$6.78	11%	4%	50%
Cattle, All Beef ² (Aug. 2021)	\$123.00	1%	4%	19%
Hogs ²	\$91.27	-11%	-17%	39%
Milk ² (Aug. 2021)	\$17.70	-1%	-8%	-5%
Broilers ³	\$1.06	1%	-1%	66%
Eggs ⁴	\$1.21	13%	60%	48%
Crude Oil ⁵ West Texas Intermediate	\$71.65	6%	0%	81%
Diesel Fuel ⁶ U.S. City Average	\$3.38	1%	3%	40%

Table Footnotes

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

U.S.-China trade update

Phase 1 trade target shares with China



Source: Peterson Institute for International Economics
 * Data through August

While lamenting “damage inflicted over the years through unfair competition,” U.S. trade representative Katherine Tai indicated in early October that efforts will be made by the Biden administration to ensure greater compliance from China with the Phase 1 trade agreement negotiated by former President Donald Trump. The deal called for China to purchase \$200 billion of U.S. goods and services in excess of what was purchased in 2017 for both 2020 and 2021. According to the Peterson Institute for International Economics (PIIE), only 62 percent of that goal has been met.

Although she insisted that the goal is not to increase tensions with China, Tai said that the U.S. will protect its economic interests and seems hesitant to trust China in negotiations. She signaled a desire to partner with European allies, suggesting that the U.S. will need to work with its allies “towards building truly fair international trade that enables healthy competition.” ([CNBC](#))

According to the U.S. Census Bureau, China’s commitment in 2020 amounted to \$159 billion in total U.S. exports covered under the agreement. China met 59 percent of that target. When broken down by product type, China came closest to their target with agriculture goods, but still fell short. The 2020 commitment for agriculture goods was \$33.4 billion, while Chinese purchases amounted to \$27.3 billion, or 84 percent of the target. By comparison, only 57 percent and 37 percent of the manufacturing and energy targets were met, respectively.

For 2021, China’s phase 1 target through the end of August was \$113 billion (of the \$193.3 billion total for the calendar year). Only 62 percent of the August target was met but, once again, agriculture goods have come closest to the target. The agriculture goods commitment for the year was \$40.4 billion dollars, with a disproportionate amount of it scheduled to be purchased in the fourth quarter. The August target was \$20.0 billion, and actual purchases amounted to \$17.9 billion, or 89 percent of the target. China has met 61 percent and 42 percent of the August target for manufactured and energy goods, respectively. ([PIIE](#))

EIA Energy Forecast

	2021 (September) ¹	2021 ²	2022 ²
West Texas Crude (per barrel)	\$71.65	\$78.00	\$62.00
Diesel Fuel (retail \$ per gallon)	\$3.38	\$3.47	\$3.08
Natural Gas (per million Btu)	\$5.16	\$5.85	\$3.50

¹ Latest actual price.

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

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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