

# The Effects of Inflation, Supply Bottlenecks, and Other Factors on the 2022 Agricultural Outlook

**Dr. Scott Brown**

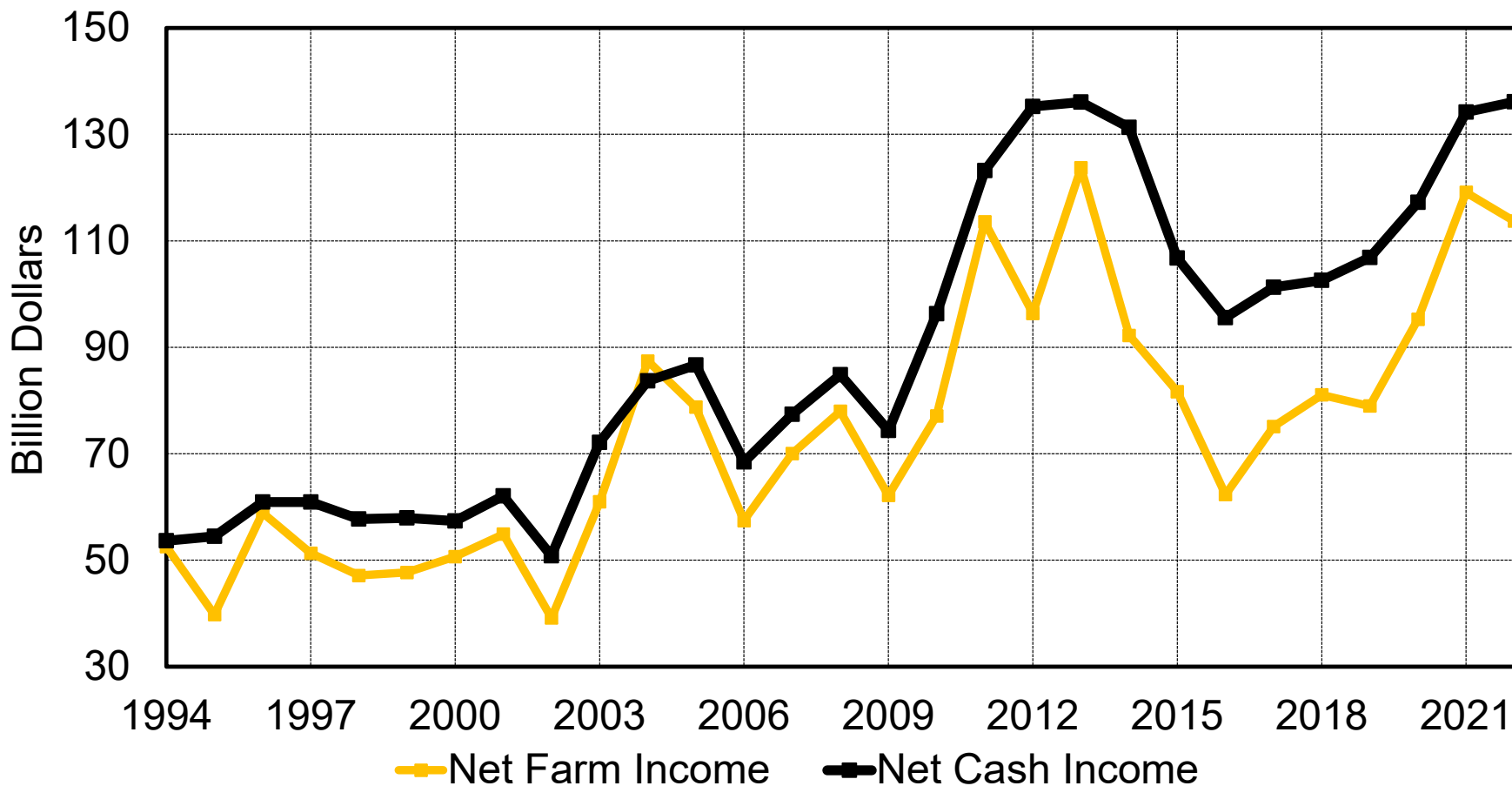
Agricultural Markets and Policy

Division of Applied Social Sciences

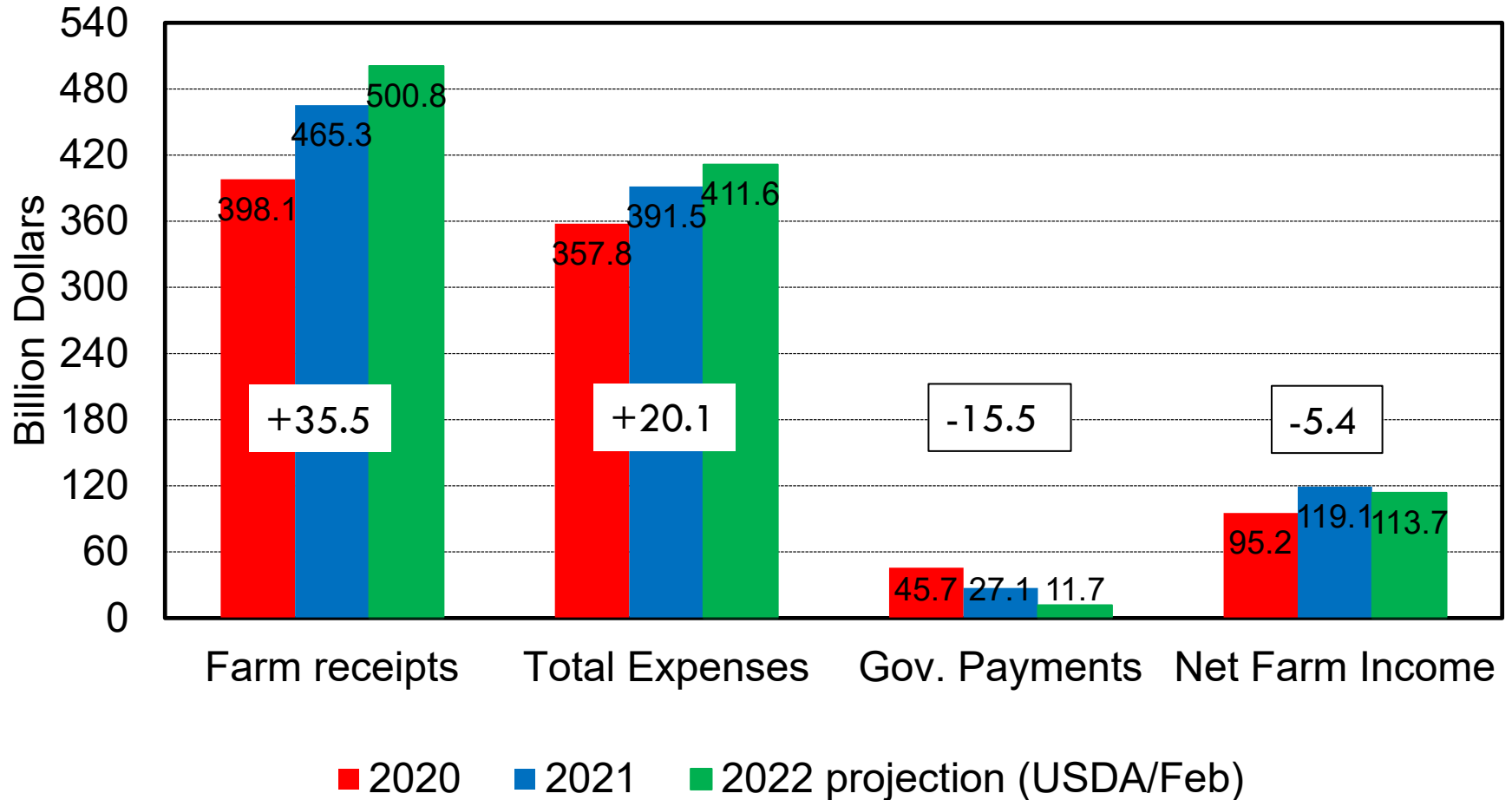
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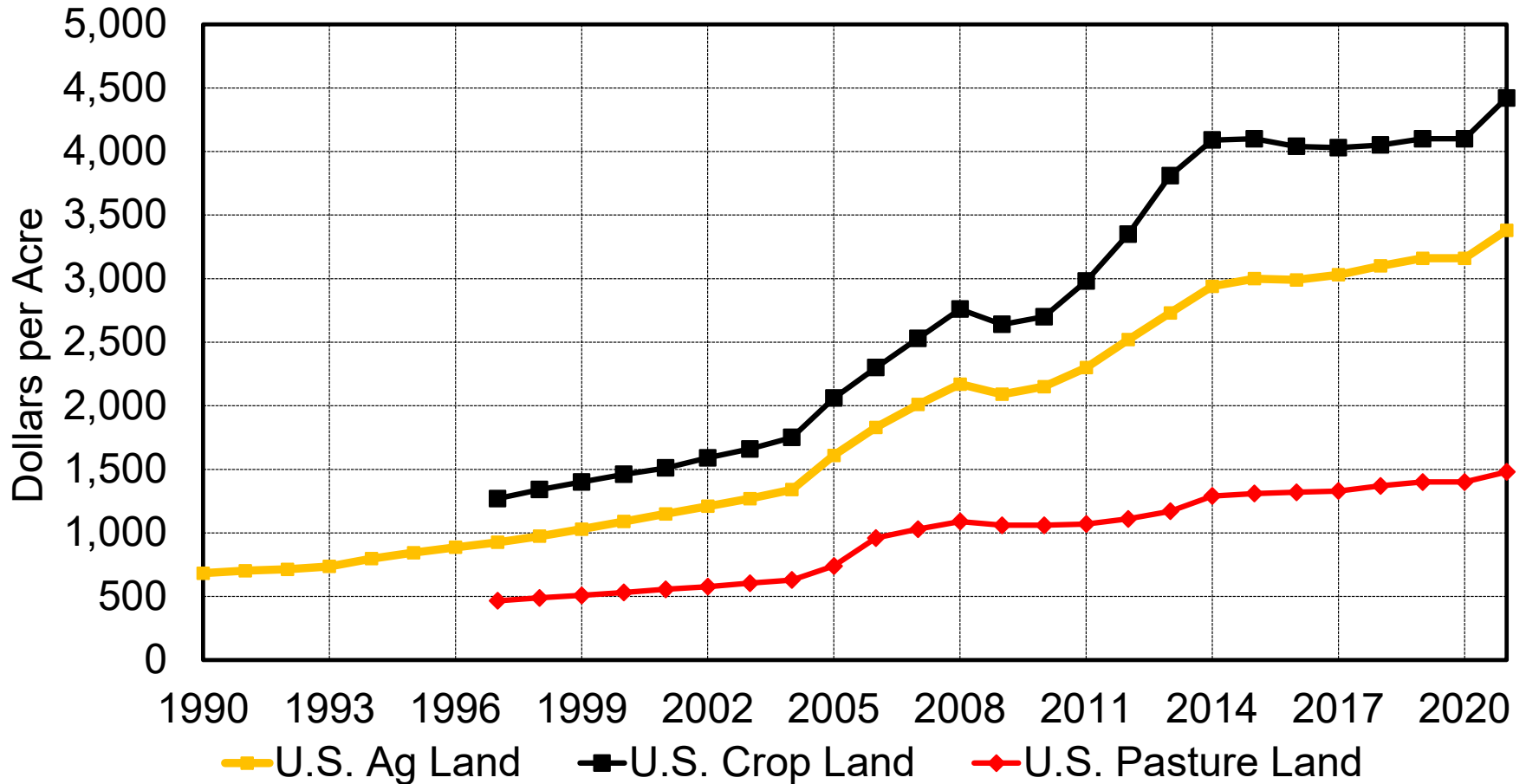
# Farm Income Pushed Higher in 2021



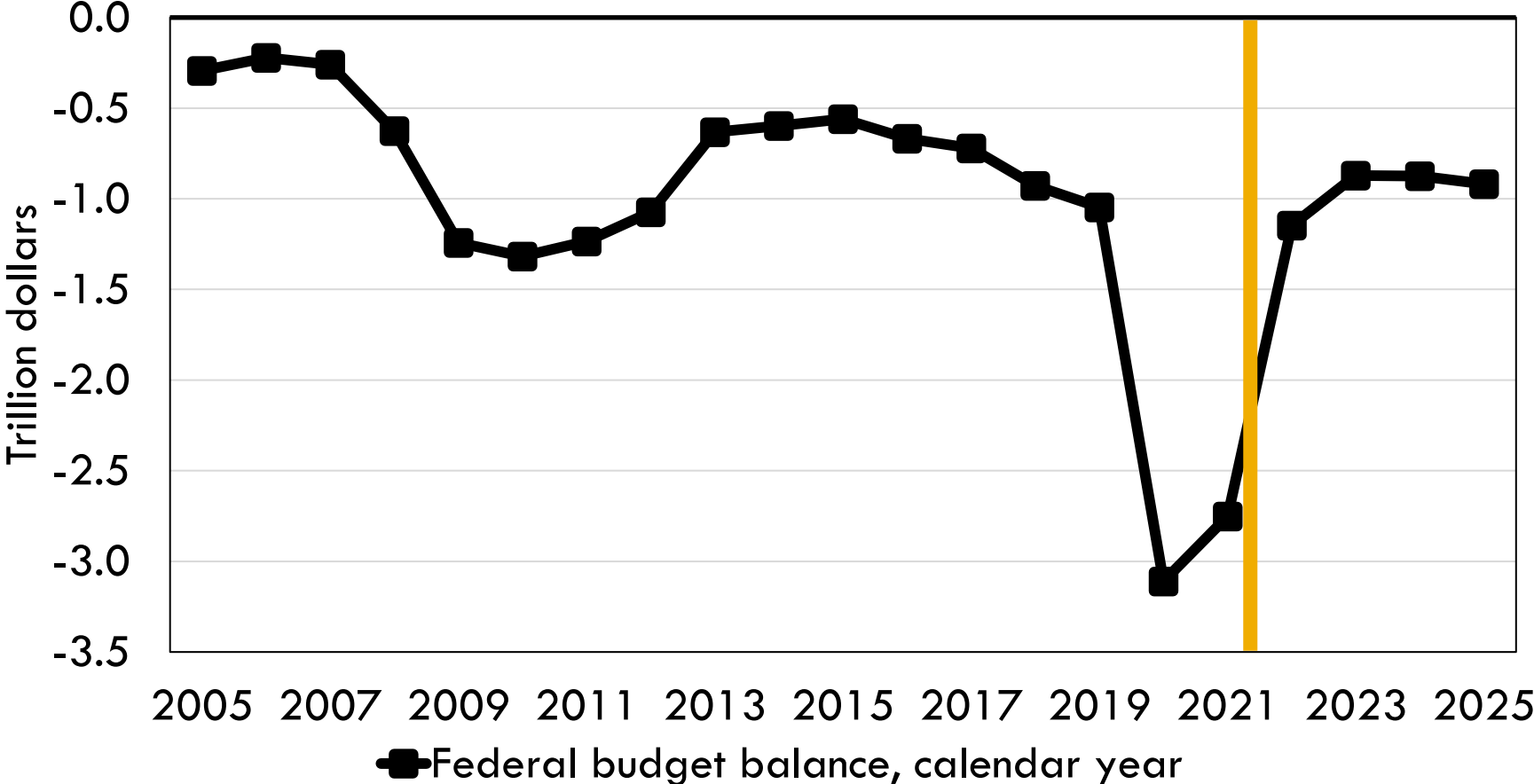
# 2022 Farm Income Changes by Component



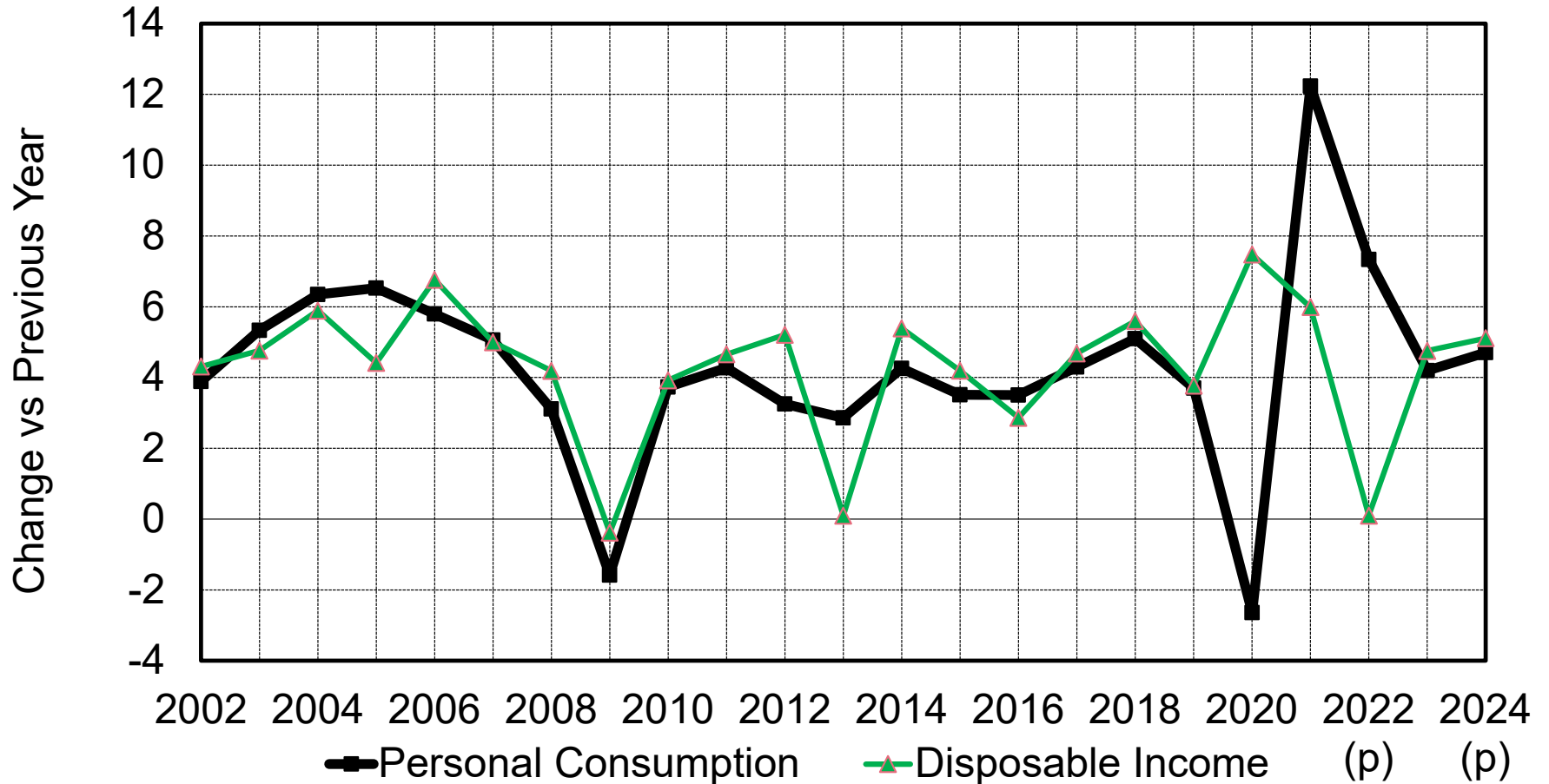
# Land Values



# U.S. Federal Budget Balance



# COVID Confusing U.S. Economic Measures



# Macro-Economic: Inflation and Interest

❖ In 2020, Fed actions contributed to lower interest rates

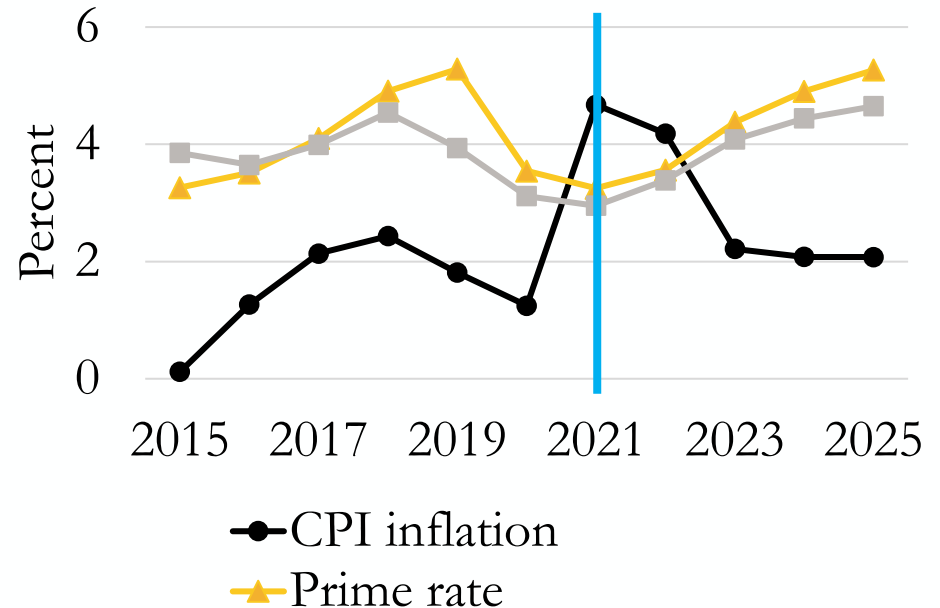
❖ Inflation jumped in 2021

- Demand recovery
- Supply chain problems
- Monetary policy

❖ IHS Markit forecasts

- Slower inflation as supply chain problems are resolved
- Rising interest rates, especially after 2023

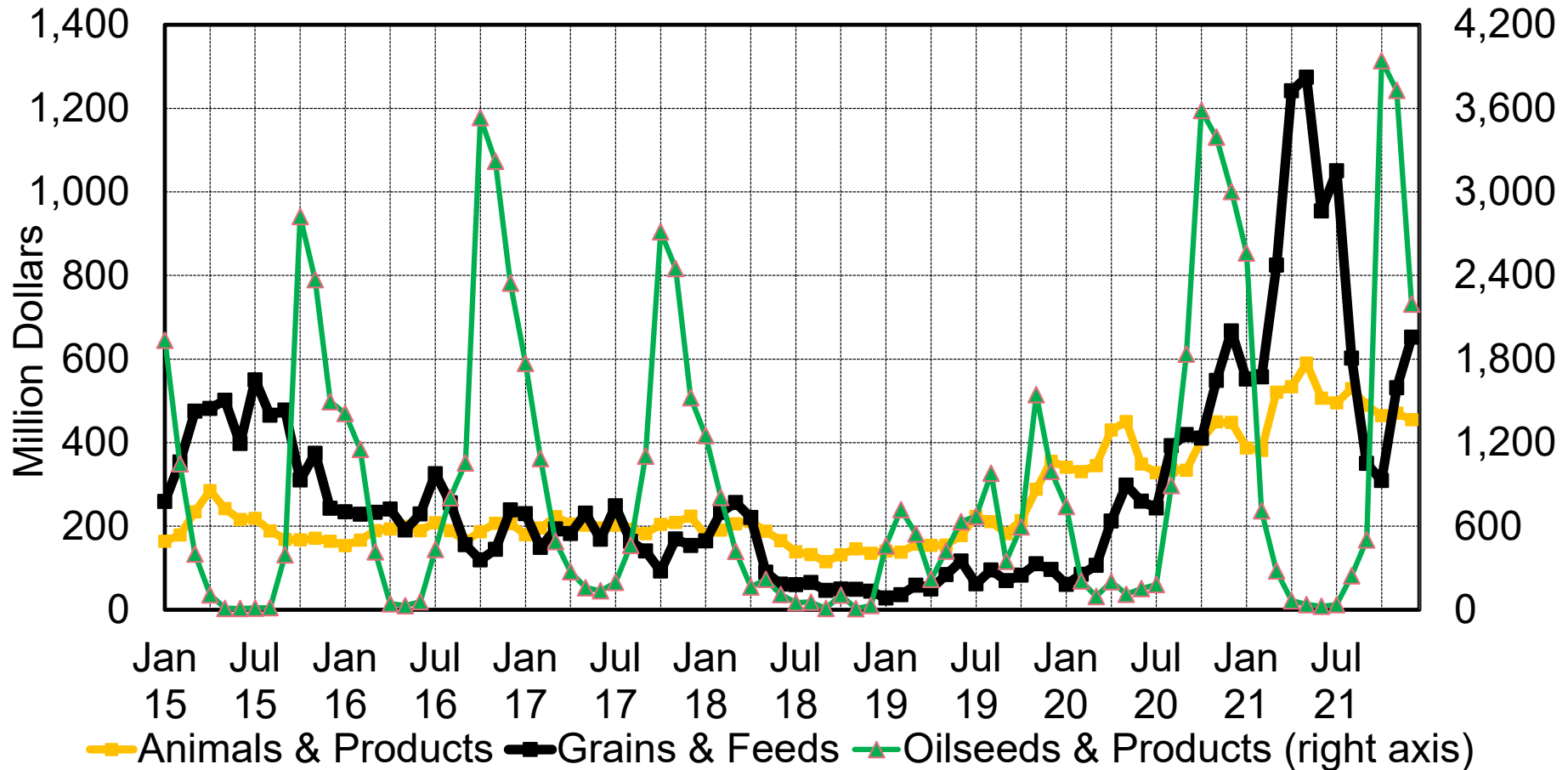
## U.S. CPI inflation & interest rates



Data Source: Federal Reserve Bank & IHS Markit

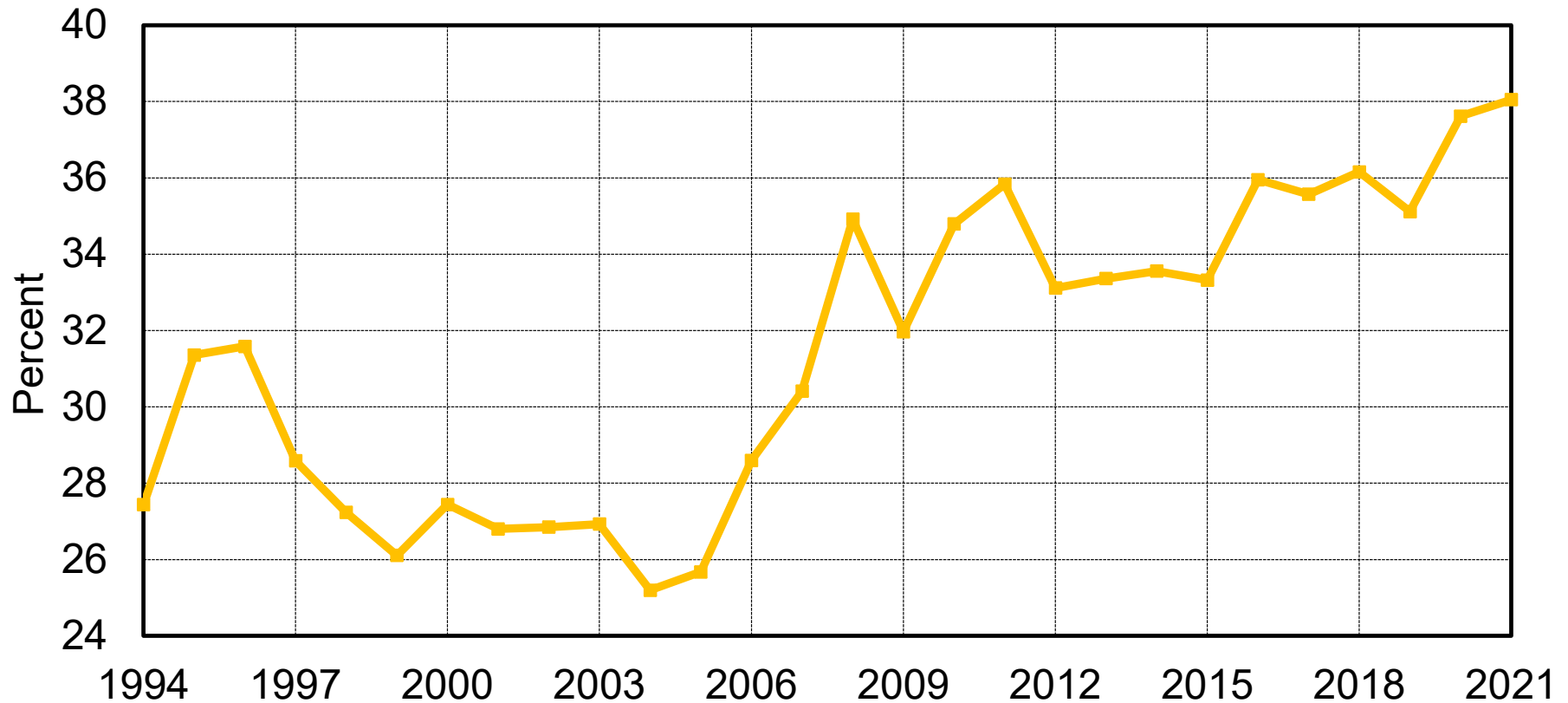


# Value of Exports to China





# Value of Ag Exports / Farm Receipts

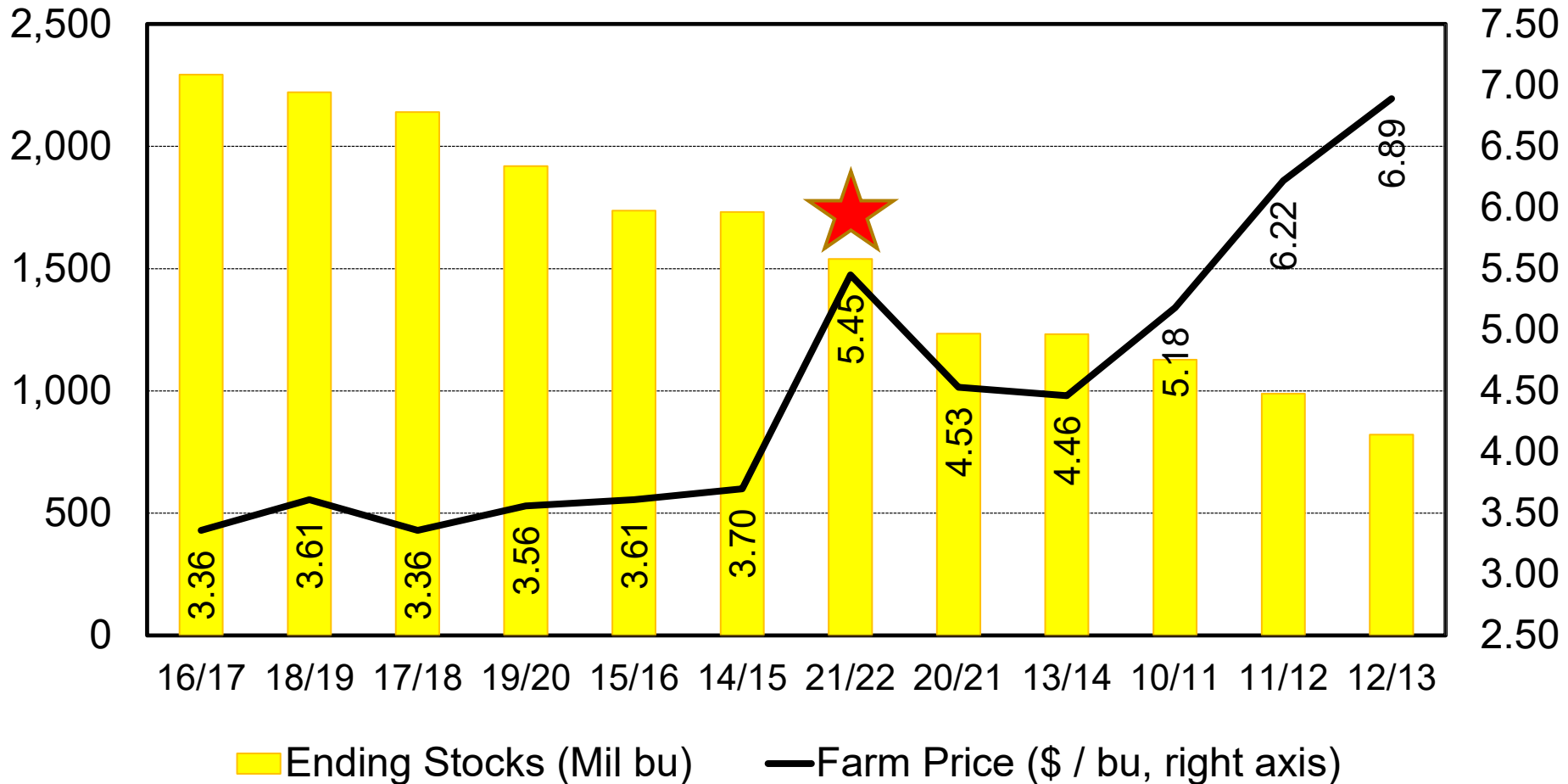


# Crops Outlook: How Long Do These Prices Last?

- Stocks projected to remain tight
  - ▣ Poor weather has impacted crops in parts of U.S. and world
  - ▣ This increases the odds for higher prices and more volatility
- Risk factors abound in both the short and long term
  - ▣ China buying feed inputs as hog population rebuilds
  - ▣ Recovery of global competitors will challenge export growth
  - ▣ What is the future of biofuels demand?
- Rising costs will offset some profitability from high prices
  - ▣ Fertilizer, other costs of production moving higher
  - ▣ Government payments expected to moderate

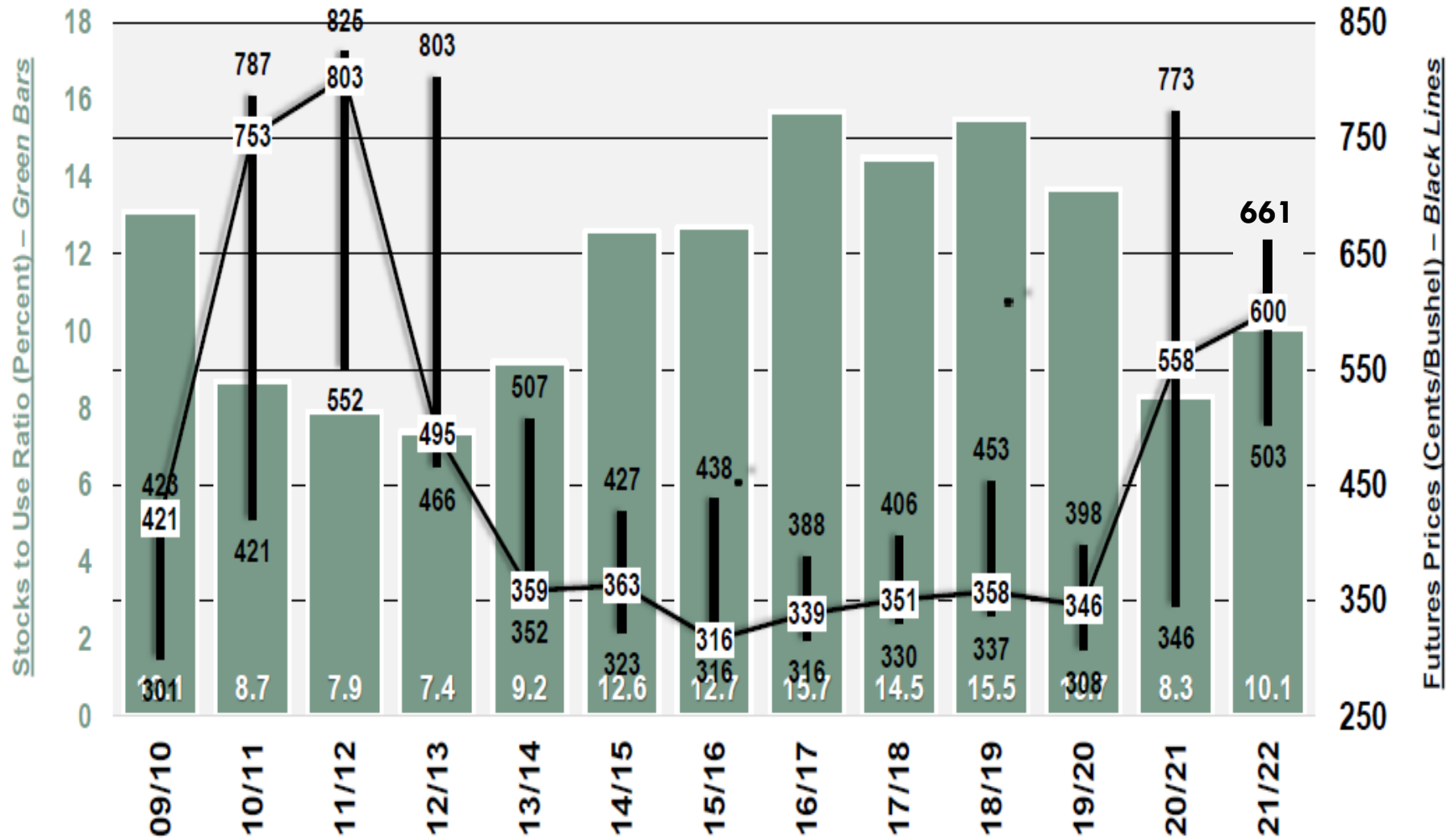


# Corn Ending Stocks & Farm Prices (sorted by ending stocks)



# U.S. Corn Stocks-to-Use Ratio & Futures Prices Range\*

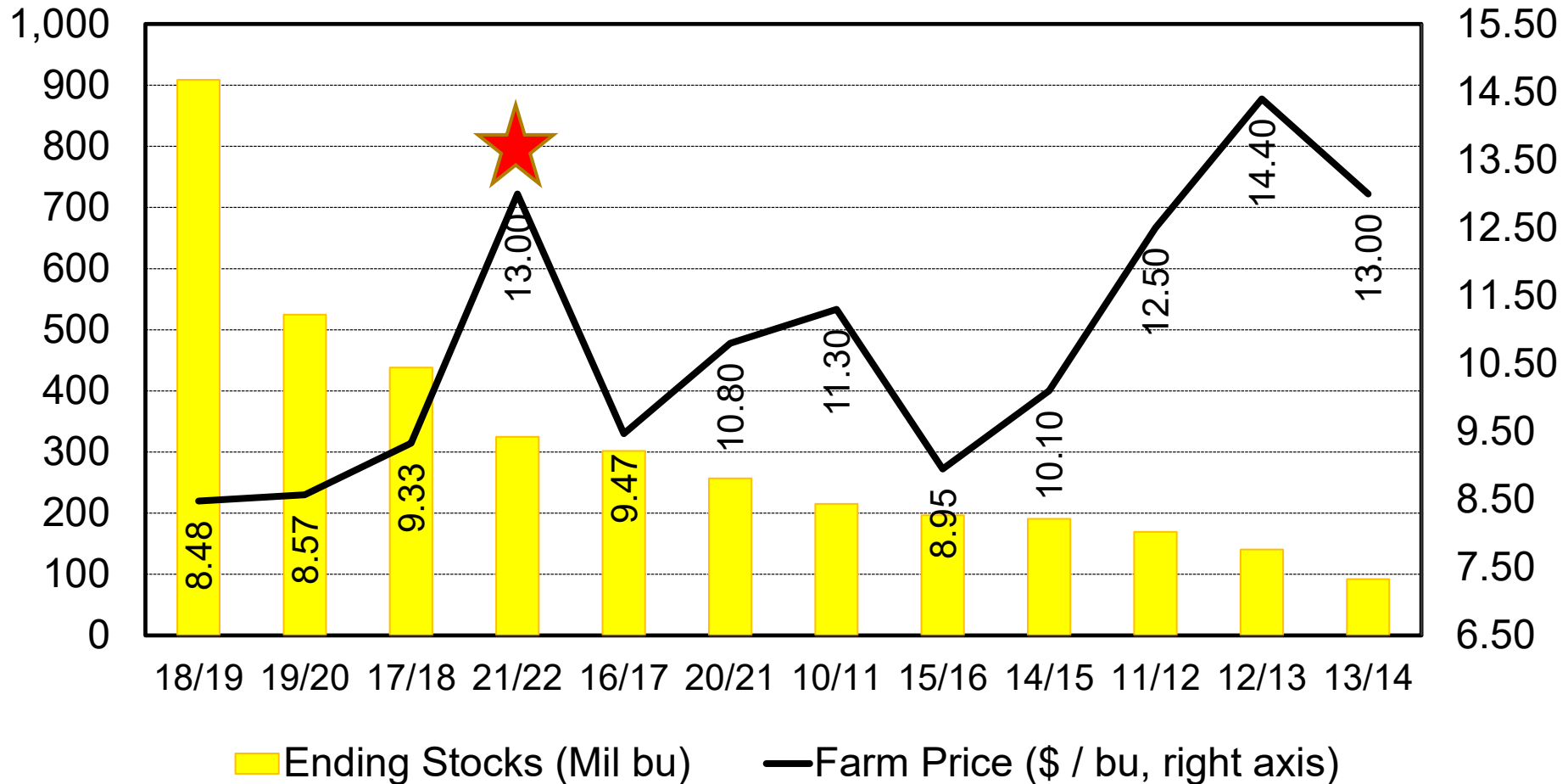
Lower Ratio Crates An Environment for: More Volatility & Higher Price Levels



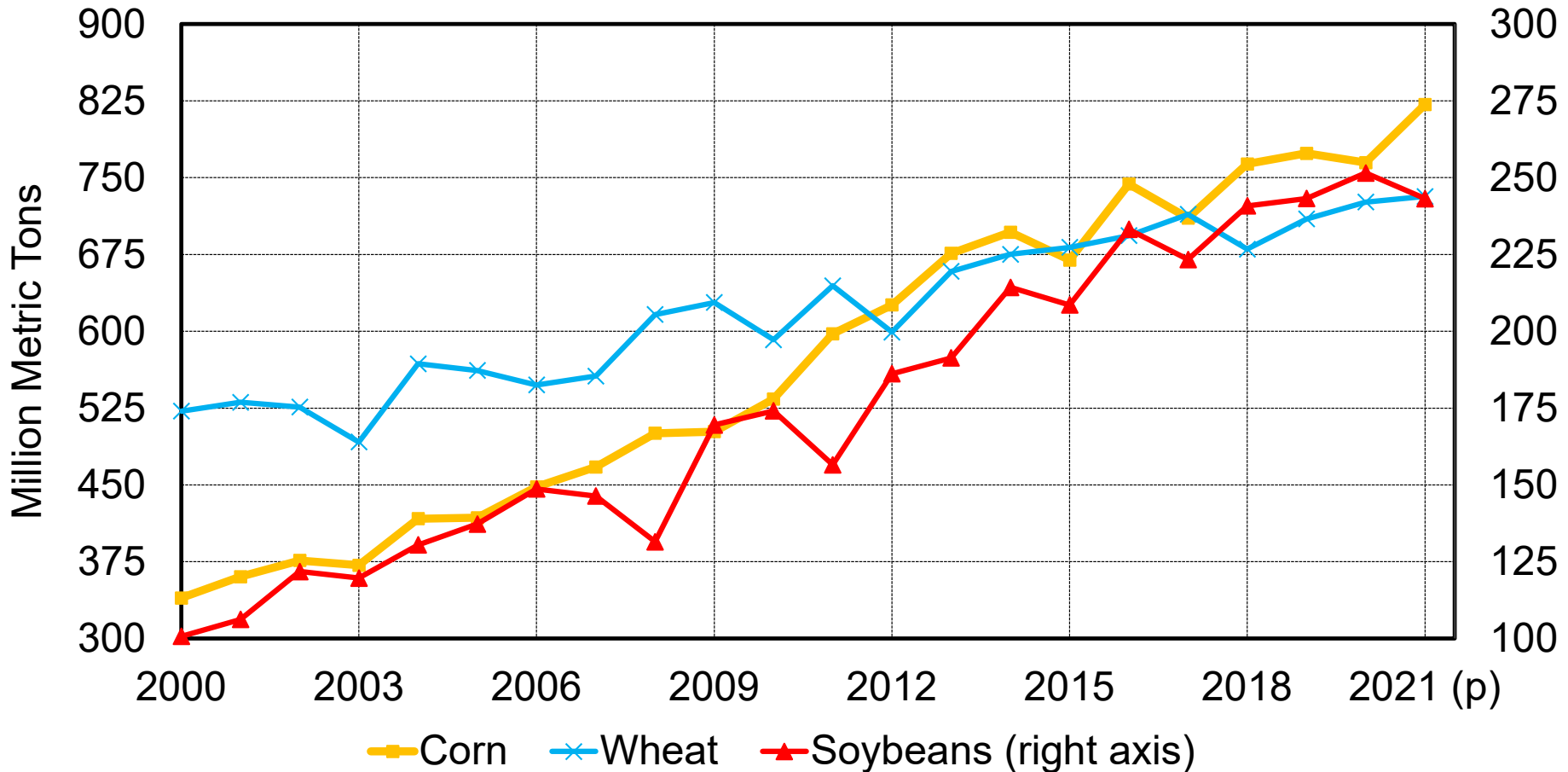
\* Crop Year Futures Prices: Nearby Weekly Prices (High, Close, Low) in the Sept 1 – Aug 31 Crop Year



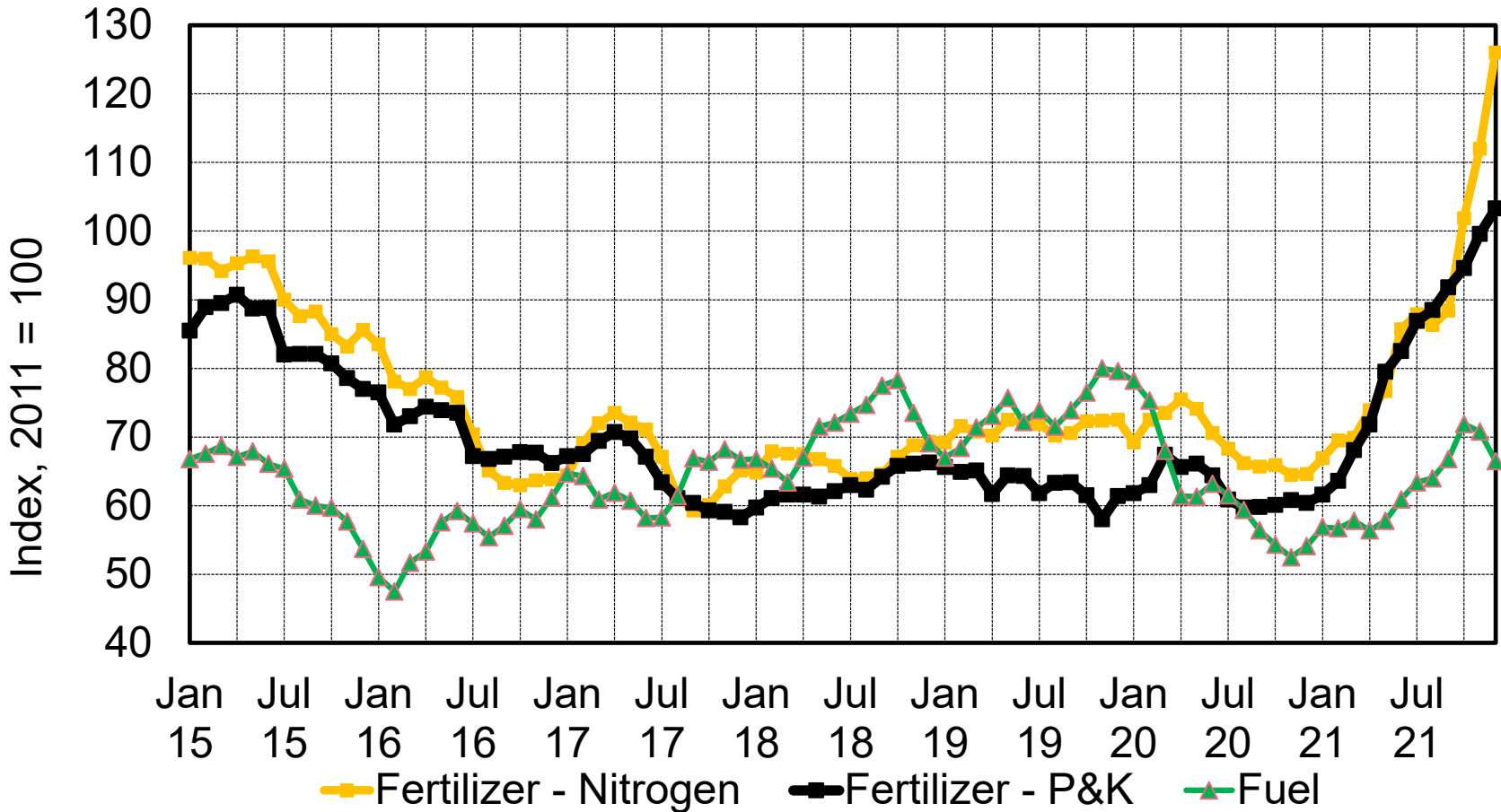
# Soybean Ending Stocks & Farm Prices (sorted by ending stocks)



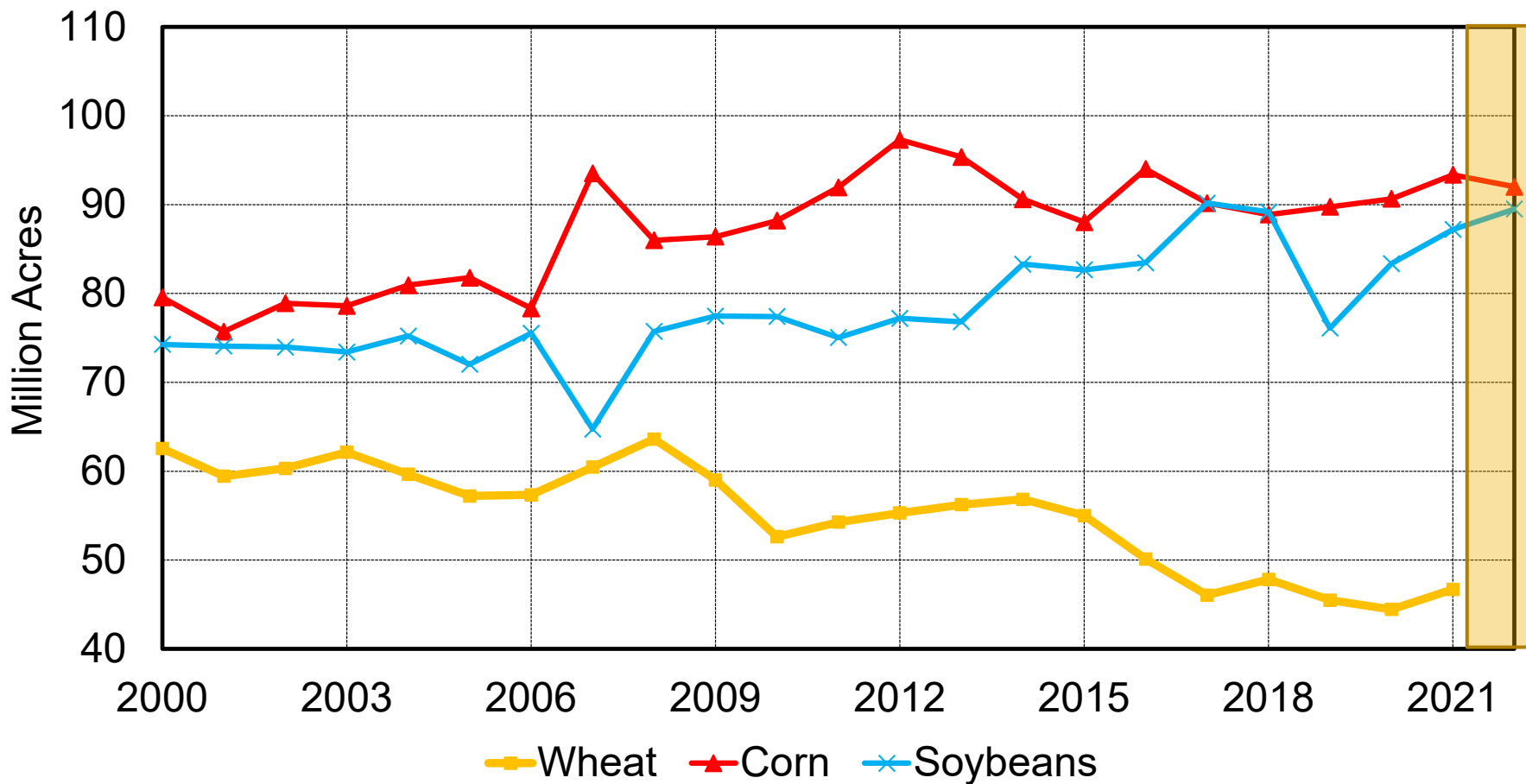
# Outside the U.S. Crop Production



# Prices Paid



# U.S. Crop Acreage



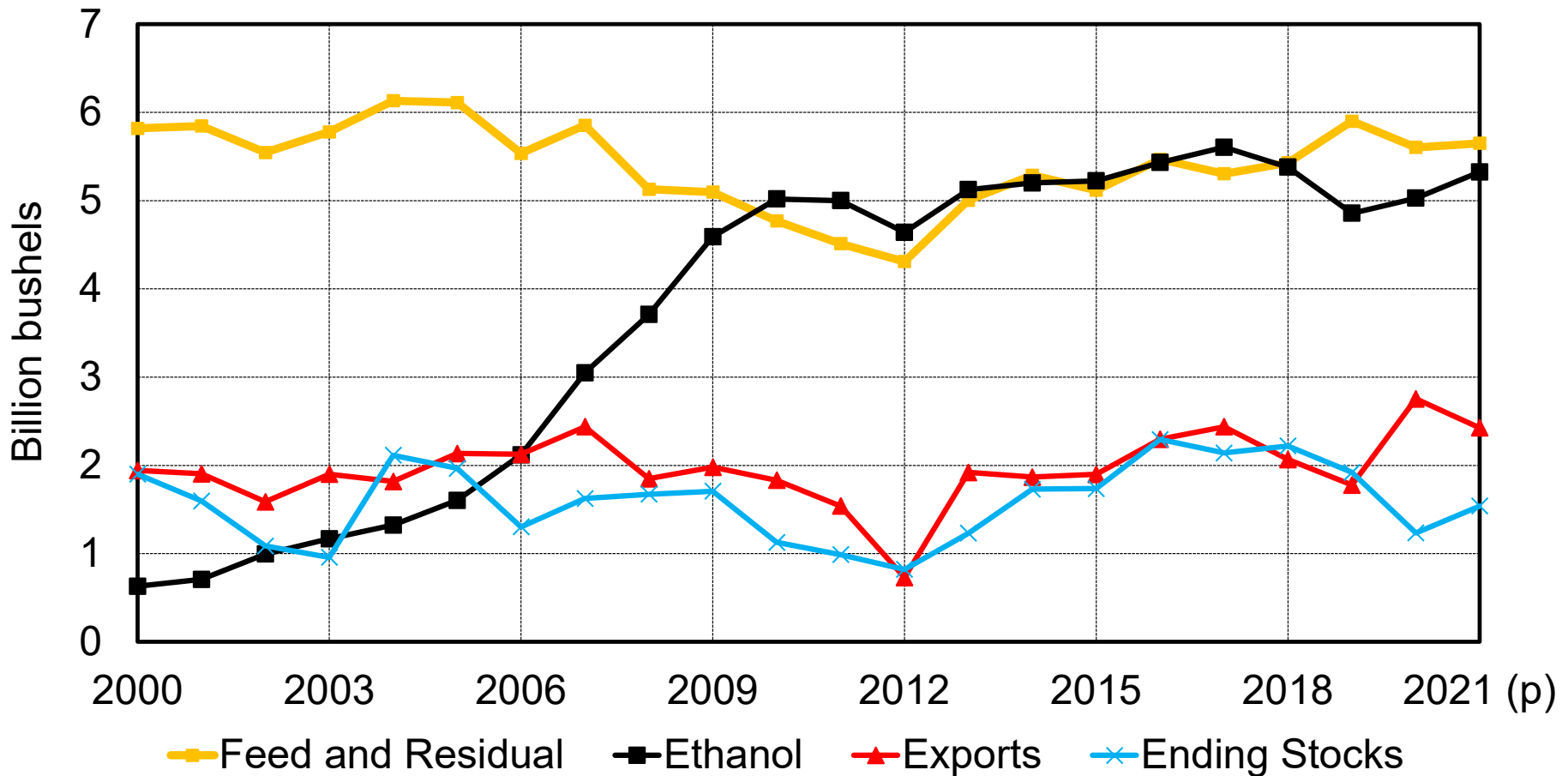


# U.S. Corn Supply and Use, Feb. 2022

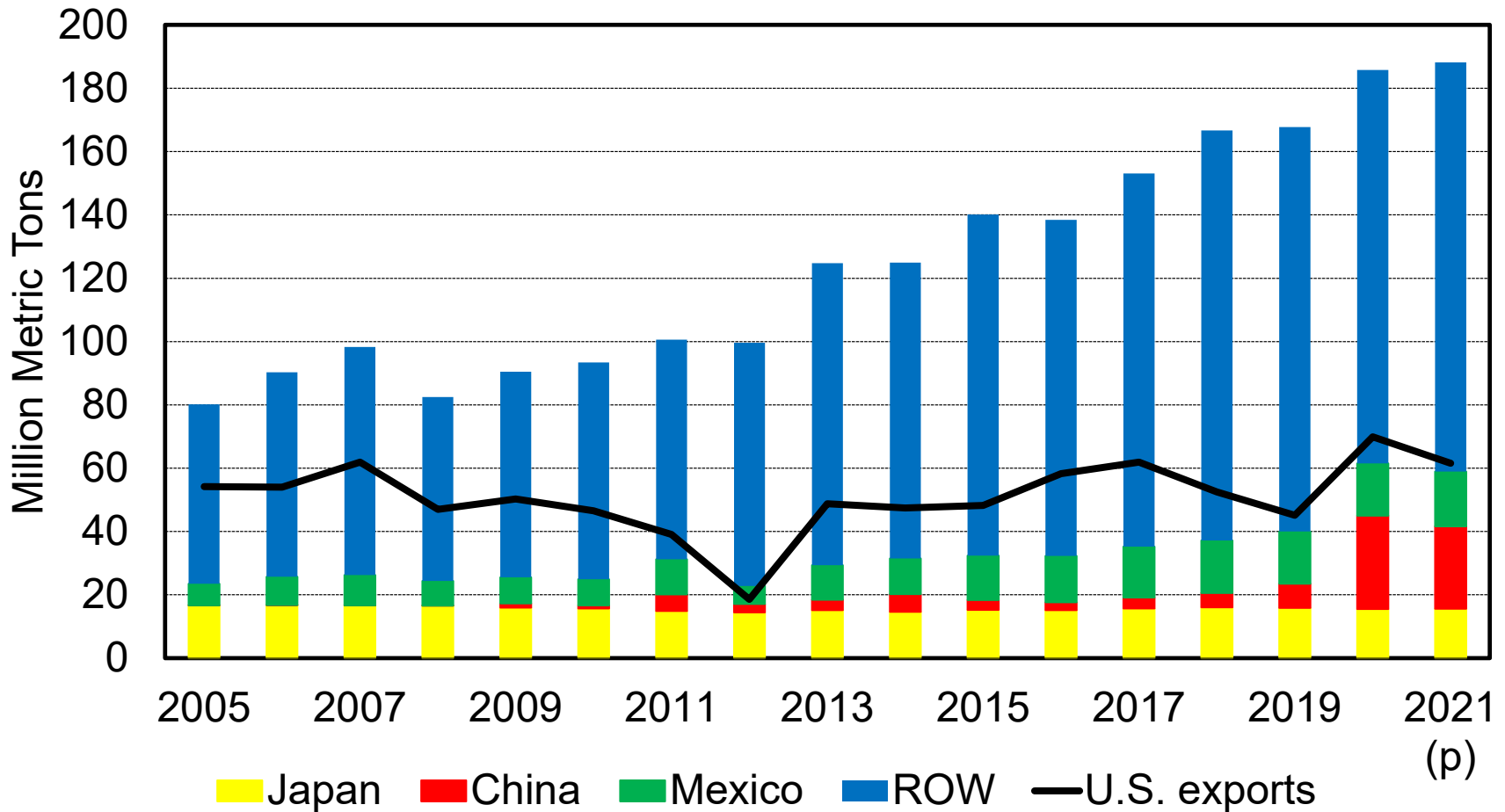
	2019/20	Projected	
		2020/21	2021/22
Planted area (mil. ac.)	89.7	90.7	93.4
Harvested area (mil. ac.)	81.3	82.3	85.4
Yield (bu./ac.)	167.5	171.4	177.0
Beginning stocks (mil.bu.)	2,221	1,919	1,235
<b>Production</b>	<b>13,620</b>	<b>14,111</b>	<b>15,115</b>
Imports	42	24	25
<b>Total supply</b>	<b>15,883</b>	<b>16,055</b>	<b>16,375</b>
Feed	5,900	5,602	5,650
Ethanol	4,857	5,028	5,325
Food, seed, other	1,429	1,438	1,435
Exports	1,777	2,753	2,425
<b>Total use</b>	<b>13,963</b>	<b>14,821</b>	<b>14,835</b>
<b>Ending stocks</b>	<b>1,919</b>	<b>1,235</b>	<b>1,540</b>
Stocks/use ratio	13.7%	8.3%	10.4%
<b>Farm price</b>	<b>\$3.56</b>	<b>\$4.53</b>	<b>\$5.45</b>



# U.S. Corn Use



# Major Corn Importers

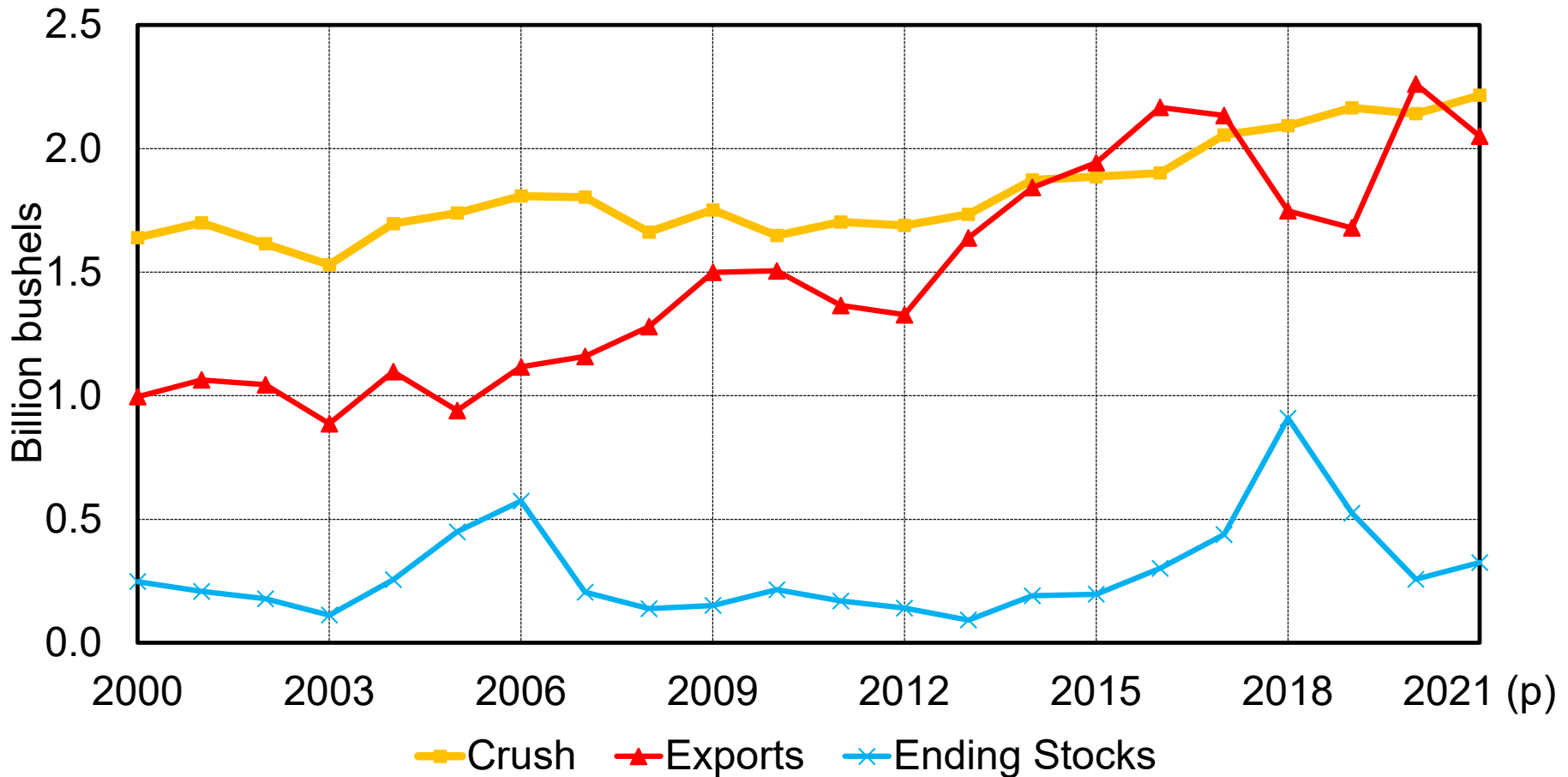


# U.S. Soybean Supply & Use, Feb. 2022

	2019/20	Projected	
		2020/21	2021/22
Planted area (mil. ac.)	76.1	83.4	87.2
Harvested area (mil. ac.)	74.9	82.6	86.3
Yield (bu./ac.)	47.4	51.0	51.4
Beginning stocks (mil.bu.)	909	525	257
<b>Production</b>	<b>3,552</b>	<b>4,216</b>	<b>4,435</b>
Imports	15	20	15
<b>Total supply</b>	<b>4,476</b>	<b>4,761</b>	<b>4,707</b>
Crush	2,165	2,141	2,215
Seed, residual	108	102	118
<b>Total domestic use</b>	<b>2,273</b>	<b>2,243</b>	<b>2,333</b>
Exports	1,679	2,261	2,050
<b>Total use</b>	<b>3,952</b>	<b>4,504</b>	<b>4,382</b>
<b>Ending stocks</b>	<b>525</b>	<b>257</b>	<b>325</b>
Stocks/use ratio	13.3%	5.7%	7.4%
<b>Farm price</b>	<b>\$8.57</b>	<b>\$10.80</b>	<b>\$13.00</b>



# U.S. Soybean Use



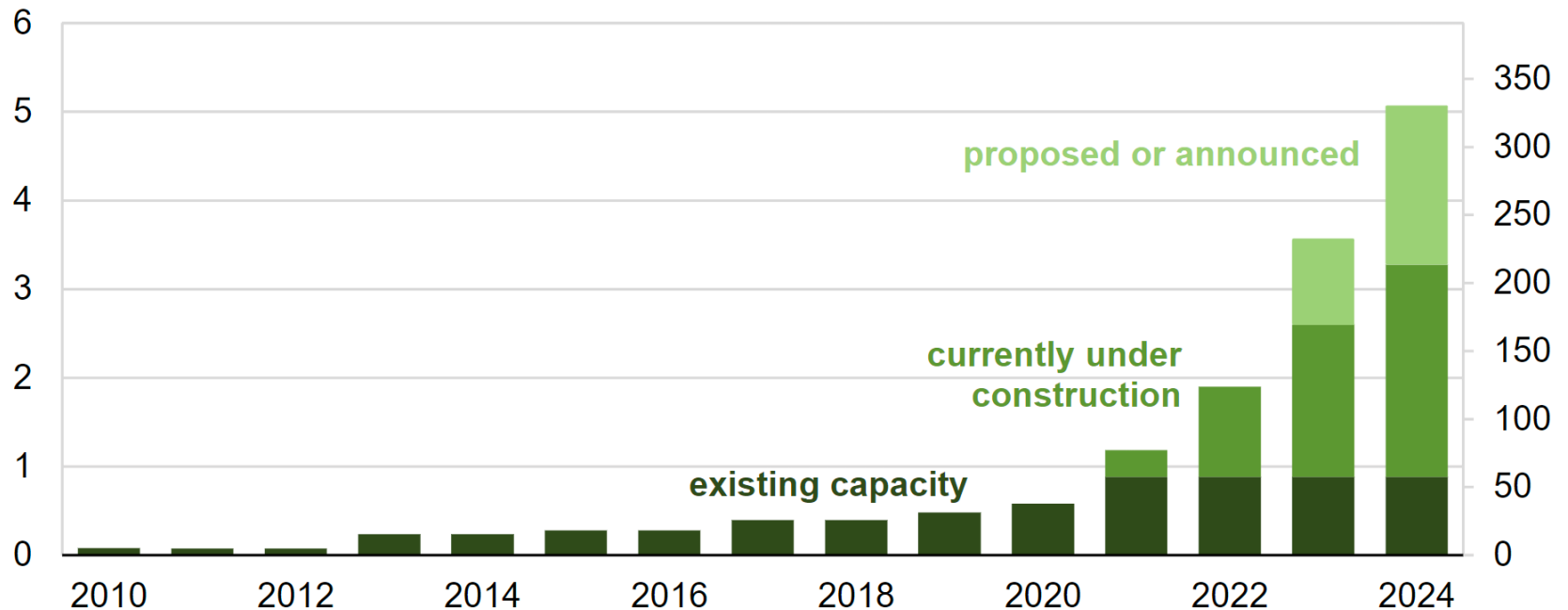
# Renewable Diesel Expansion!

Existing and expected U.S. renewable diesel production capacity (2010–2024)



billion gallons per year

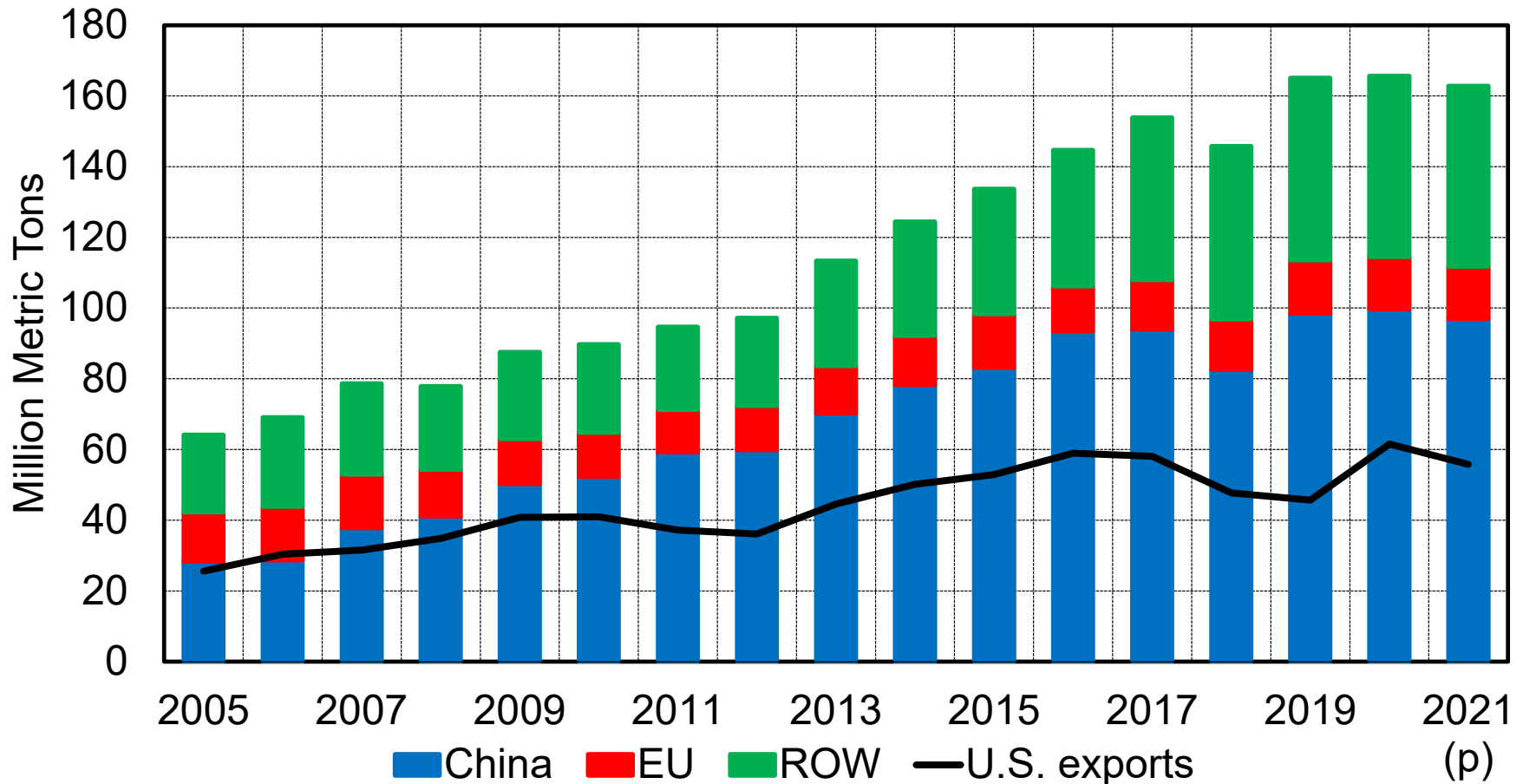
thousand barrels per day



Source: Graph by the U.S. Energy Information Administration (EIA), based on data from company announcements in trade press



# Major Soybean Importers



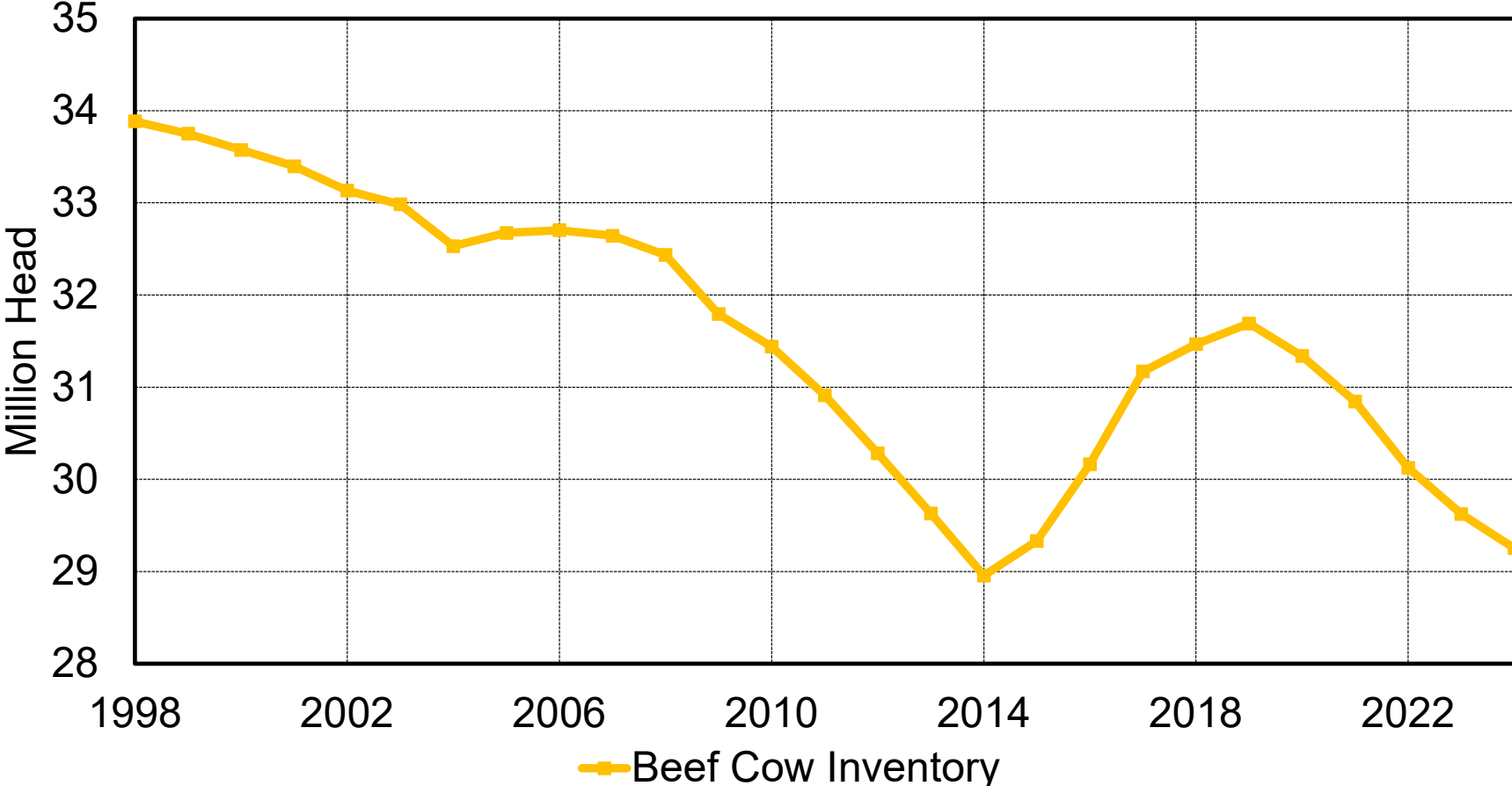
# Cattle Outlook: A Lot of Positives

- Supply
  - ▣ Long-run supply metrics have declined for multiple years now
  - ▣ Short-run issues have lifted beef production, but can't forever
- Demand
  - ▣ U.S. consumers continue to vote for beef with their dollars
  - ▣ Beef exports on solid footing in many markets
- Risks remain
  - ▣ Persistent drought conditions may overshadow economics
  - ▣ Sticker shock, preference shifts are some demand risk factors
  - ▣ Input costs higher across the board



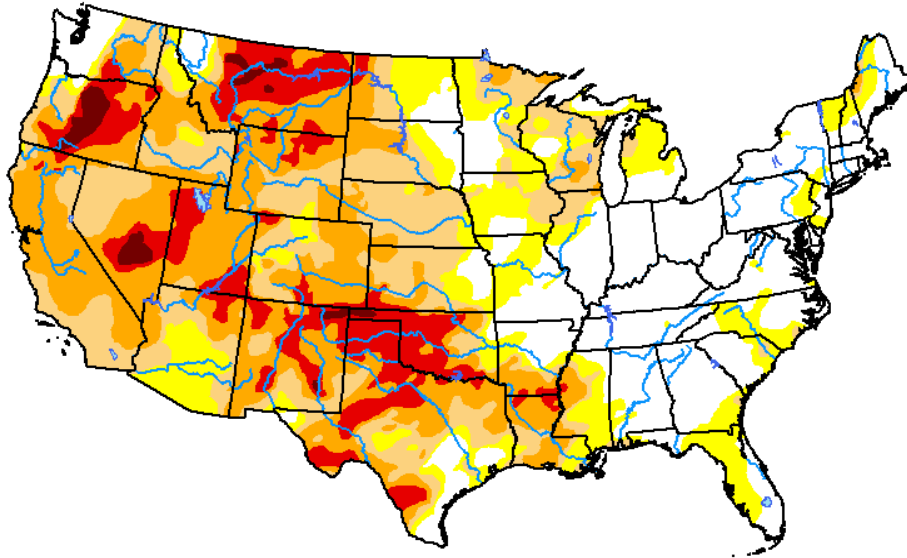


# Beef Cow Herd Continues to Decline

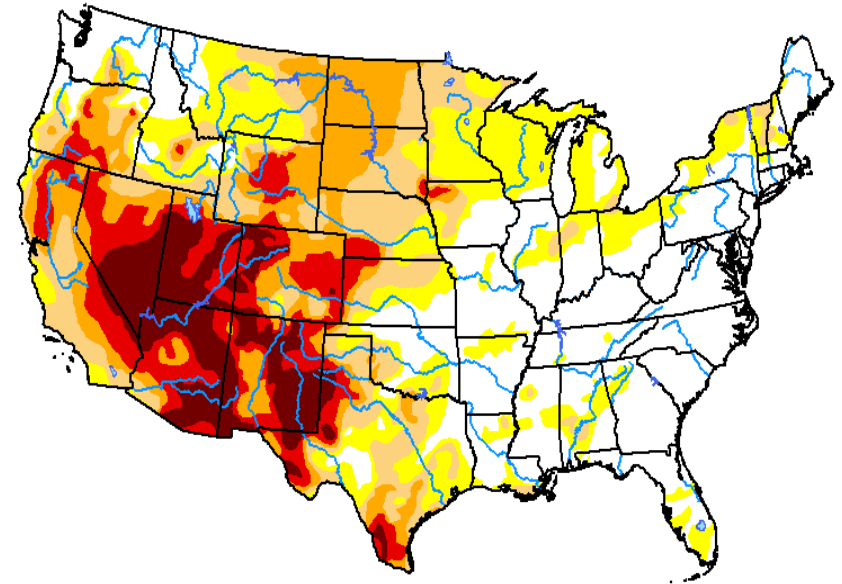


# Western Drought Creeps Eastward

Feb. 15, 2022: 57.1% D1 or worse

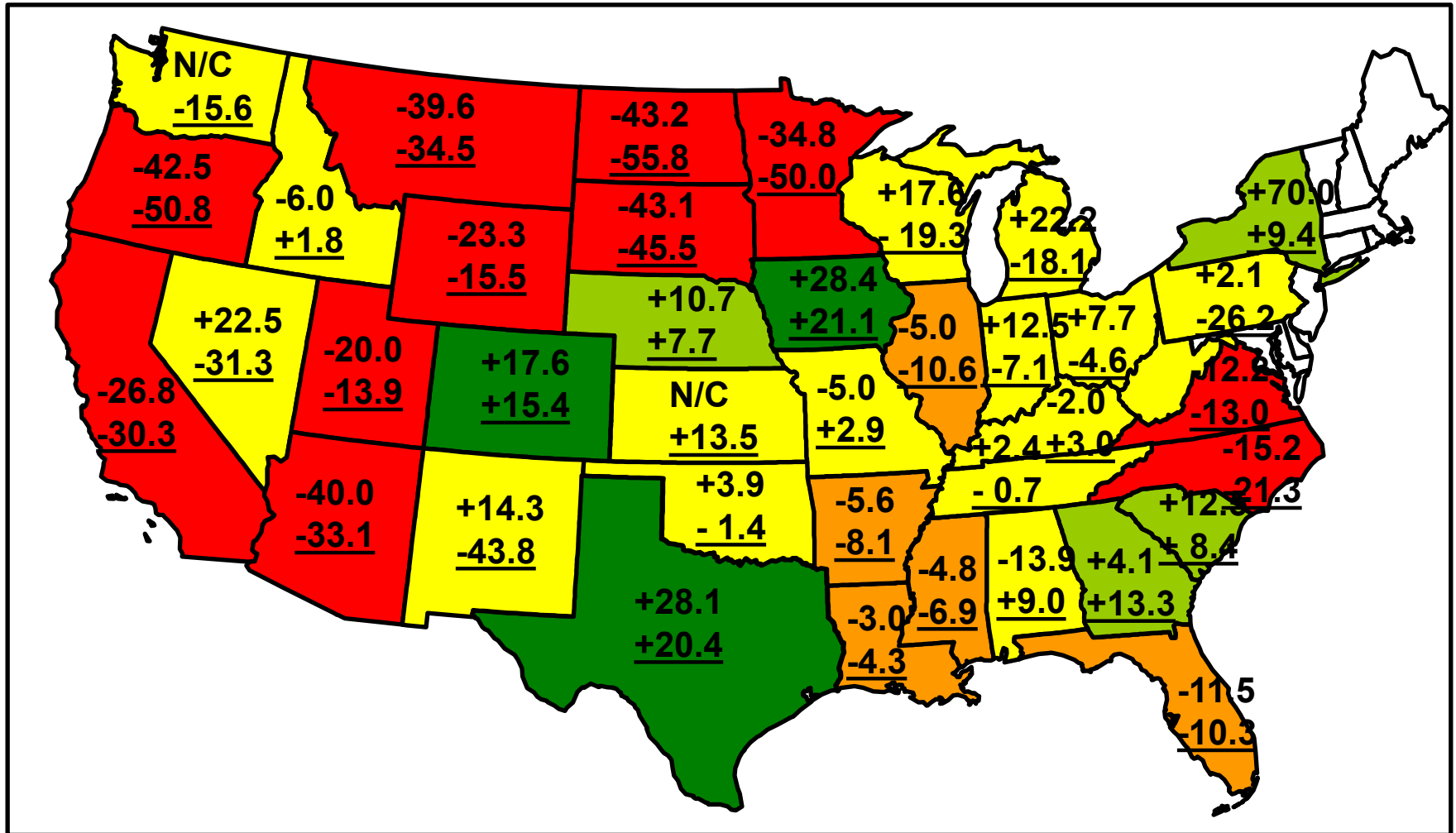


Mar. 9, 2021: 46.7% D1 or worse

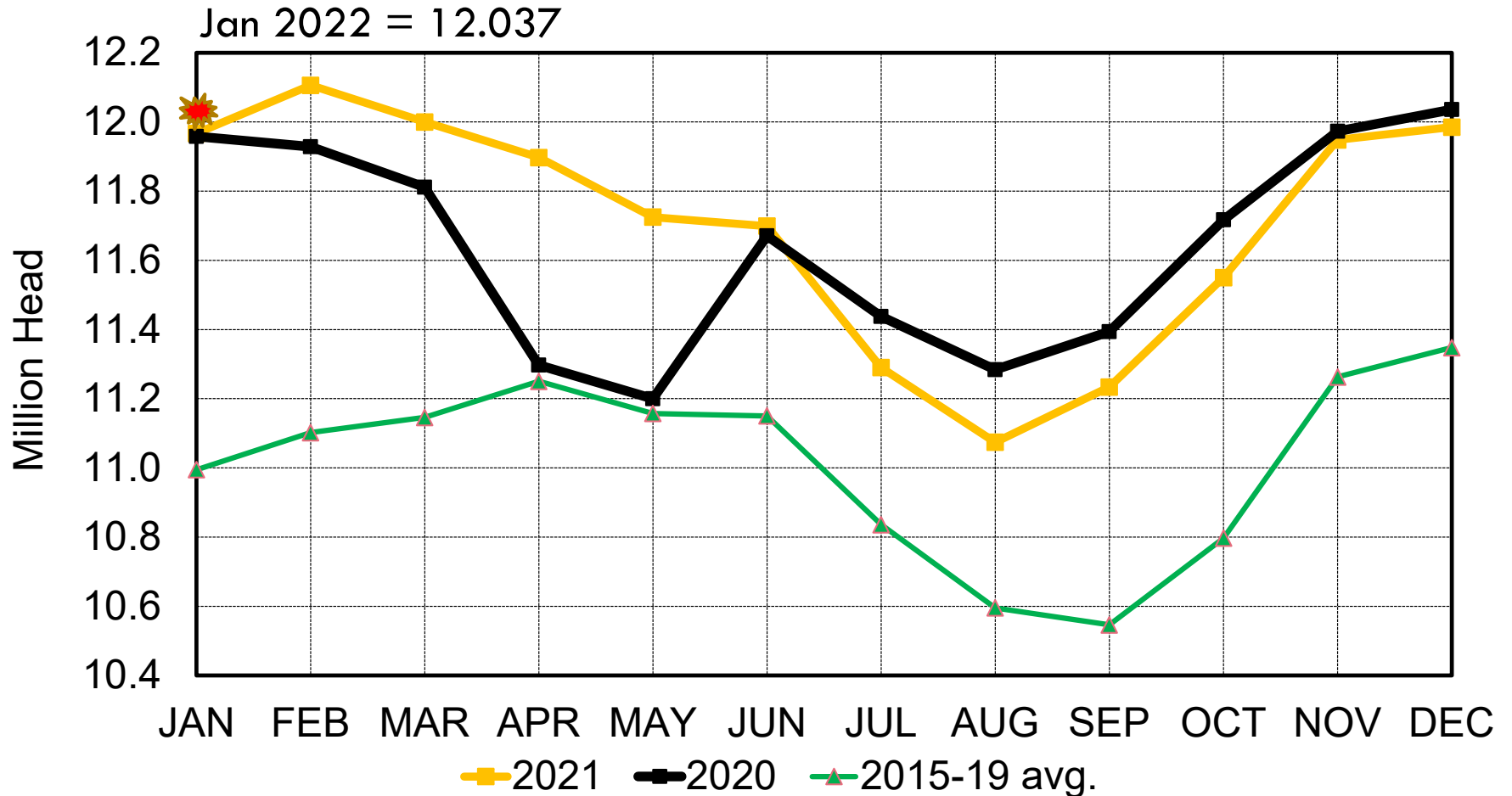


# December 1, 2021 Hay Stocks

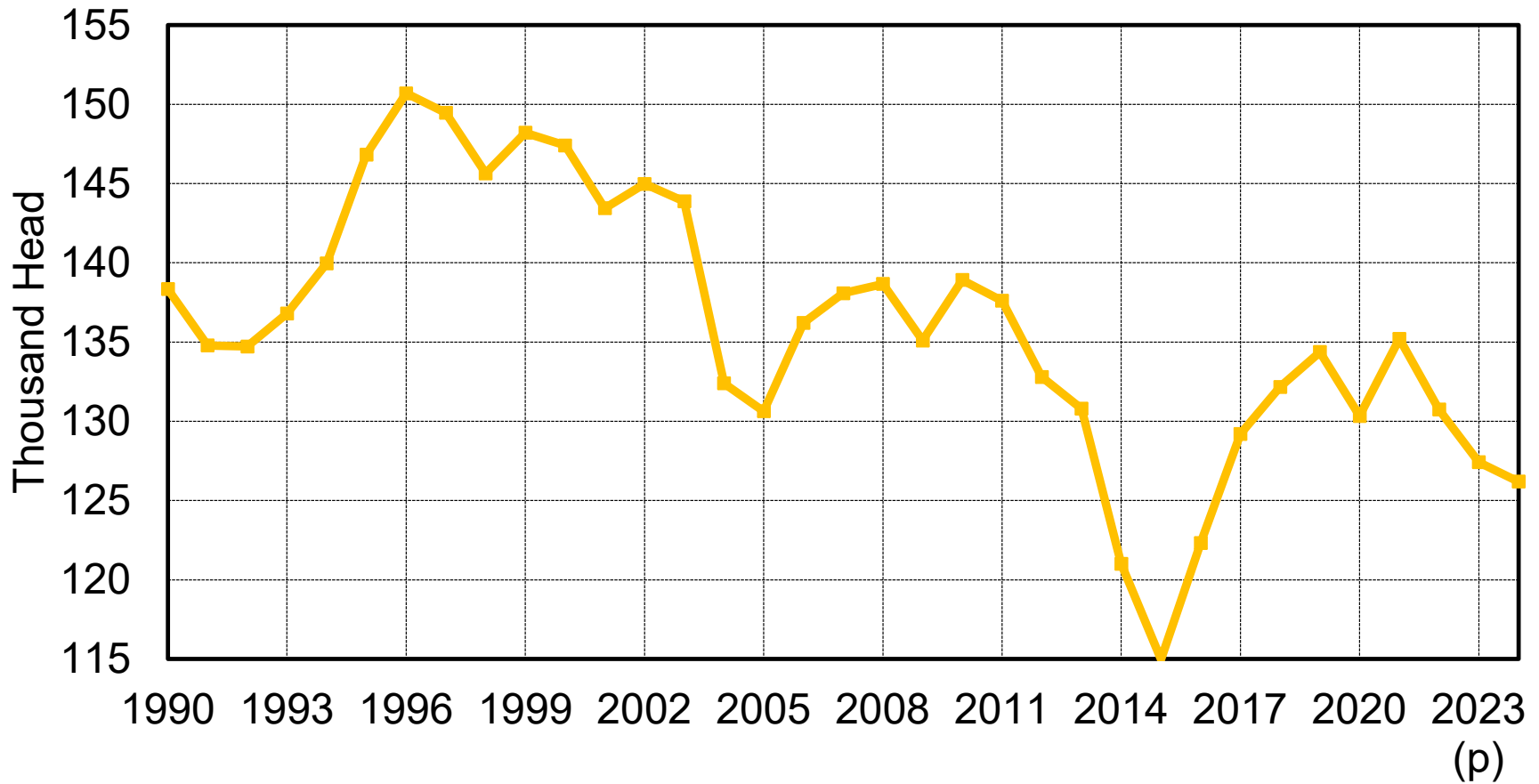
% change vs. 2020 and 2010-19 avg



# Cattle on Feed, 1000+ Capacity Lots

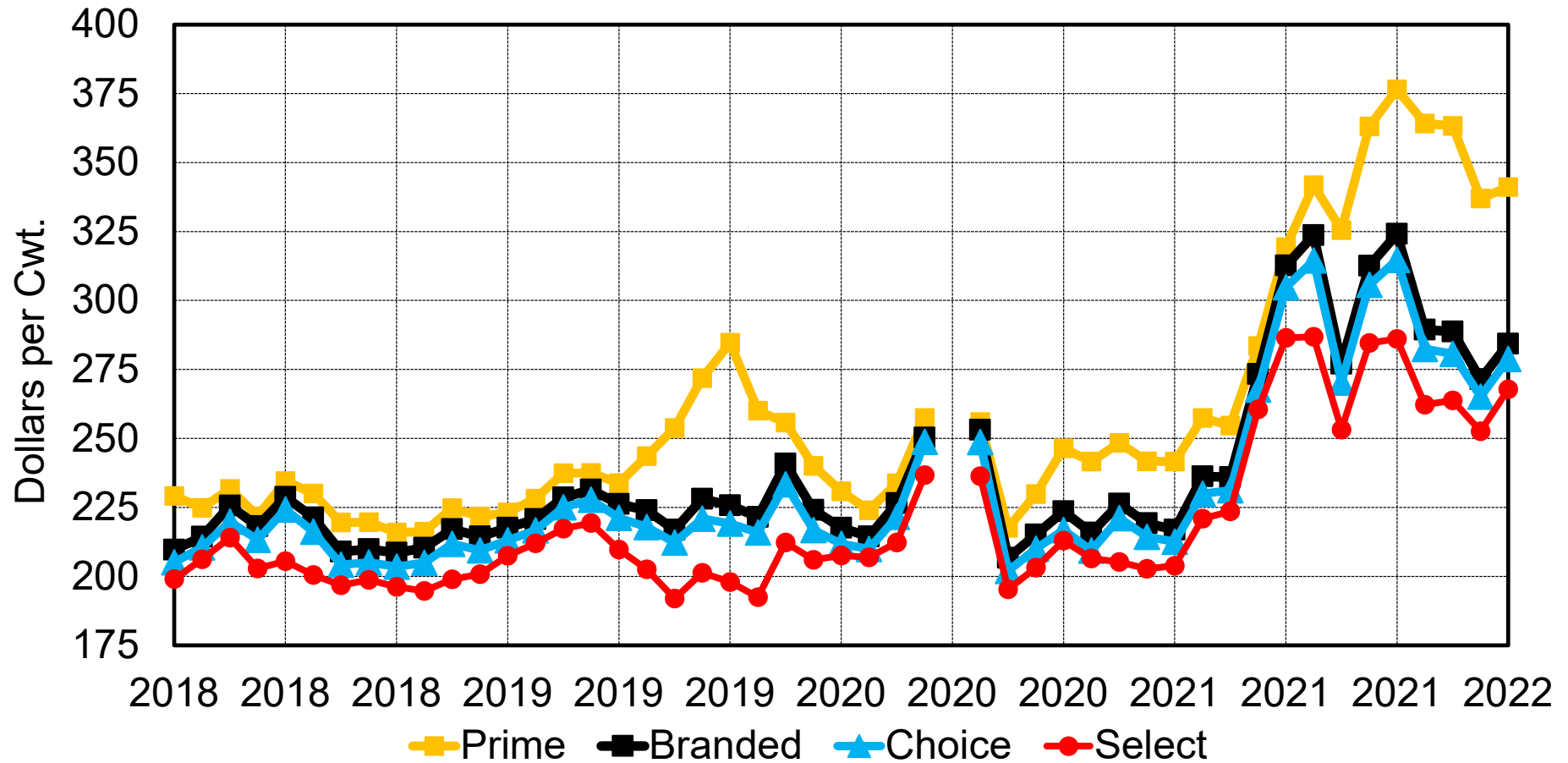


# Average Daily Cattle Slaughter

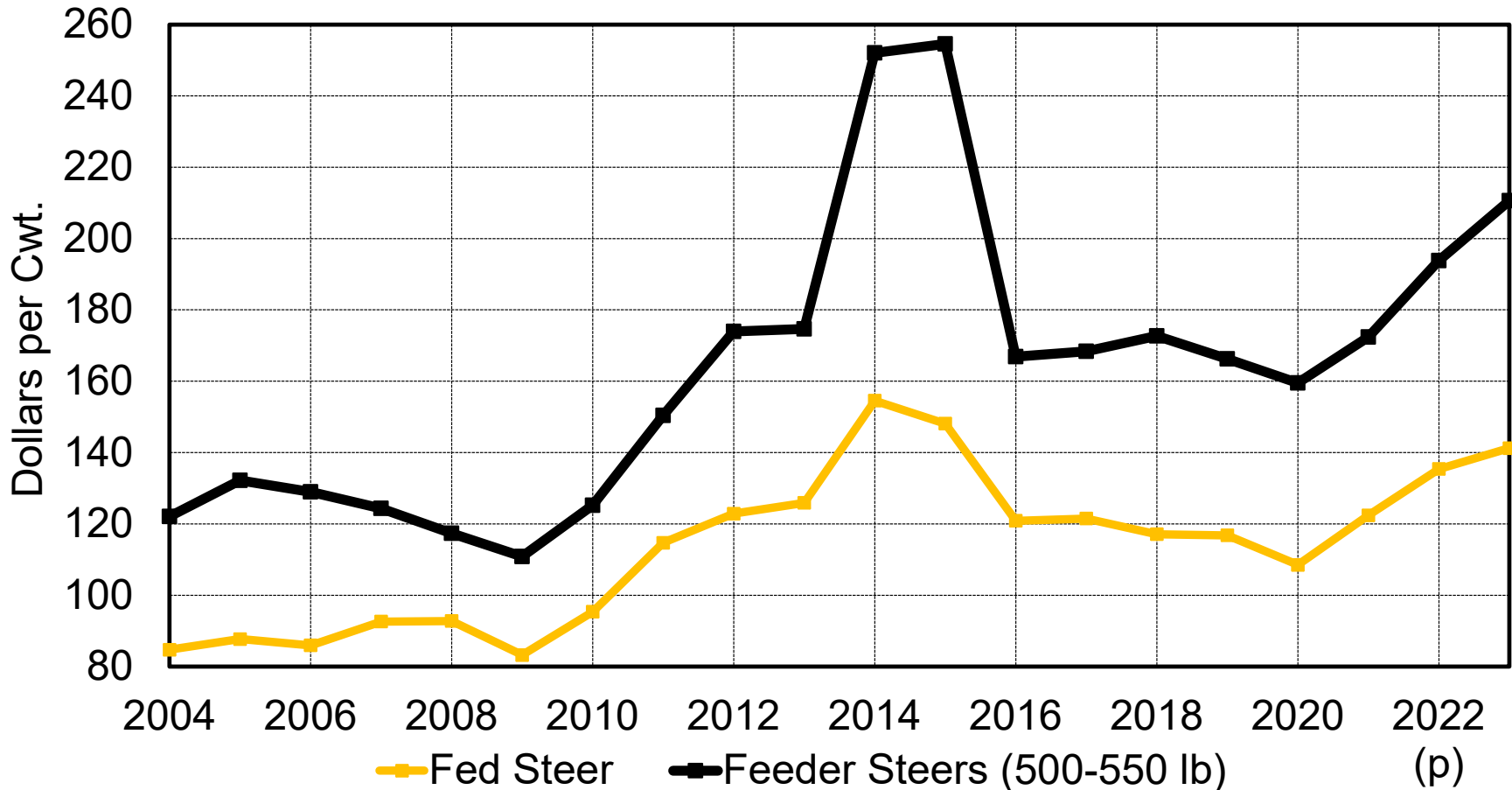


# Boxed Beef Values

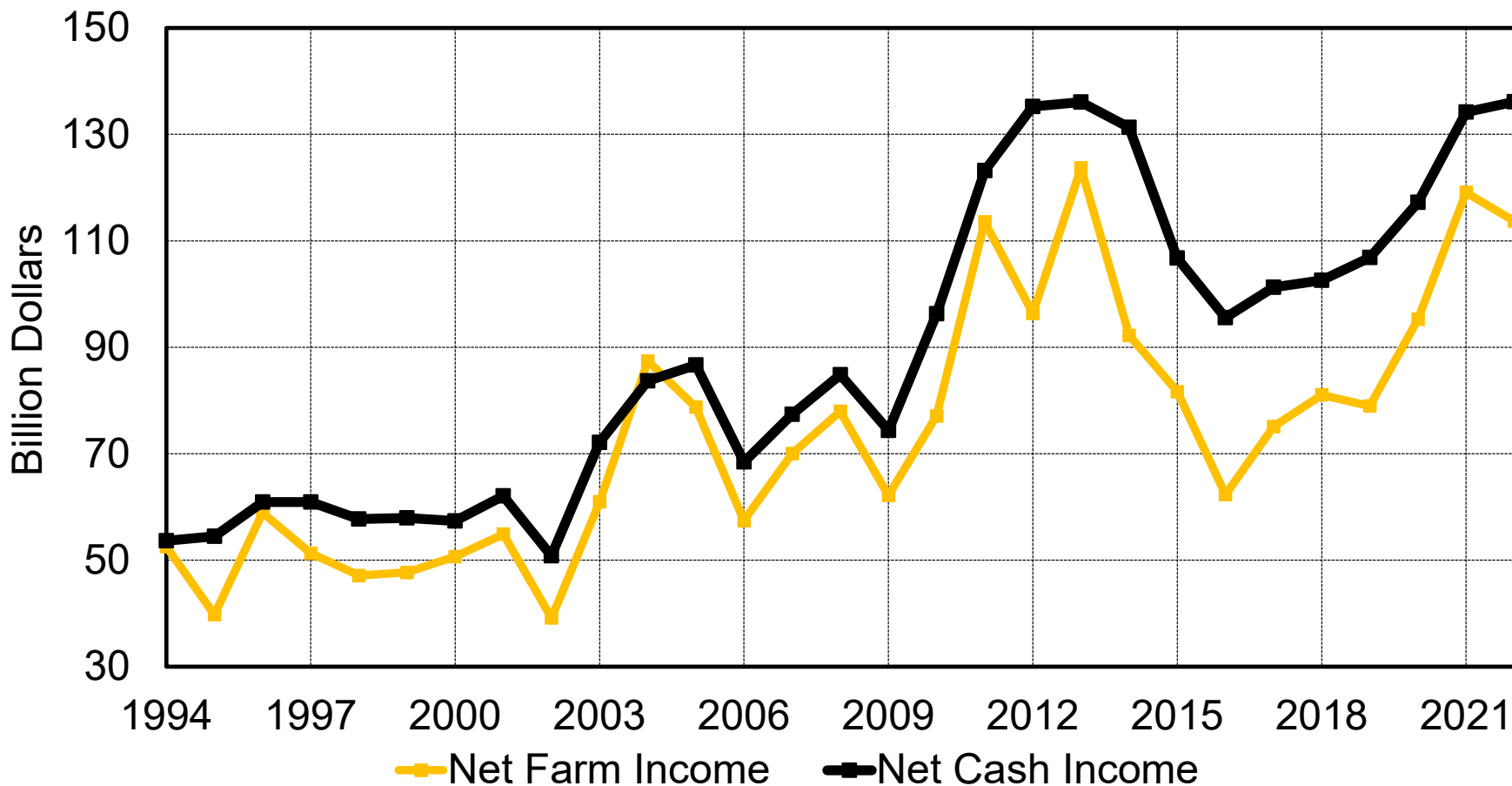
(with May 2020 removed)



# Cattle Prices



# Farm Income Remains Strong in 2022





# Questions

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Weekly Livestock Update, Brownfield Ag News

<https://brownfieldagnews.com/brownfield-livestock-market-updates/>



WEEKLY LIVESTOCK MARKET UPDATE WITH SCOTT BROWN

