

2022 Ag Forum – AZ ASFMRA

Economic Outlook & Implications for Agriculture

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2022 Ag Forum Theme: **Current Trends in Ag &** **Real Estate**



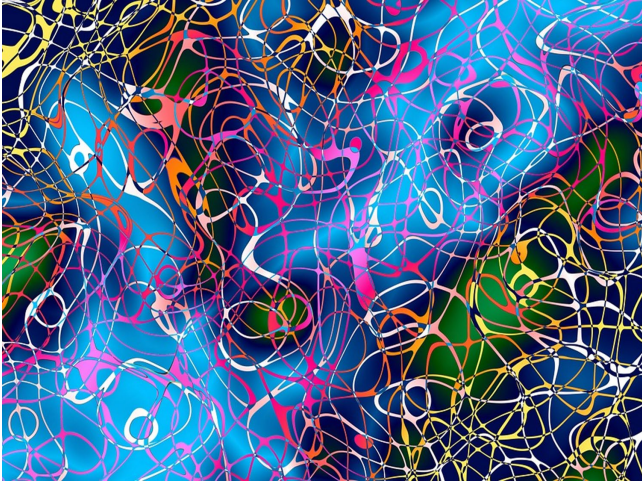
**American Society
of Farm Managers
& Rural Appraisers**

ARIZONA CHAPTER



volatility spawned
by **disruption**

how we got here



Economic growth

Interest rates & inflation

Farm income
commodity price
outlook

Thoughts...

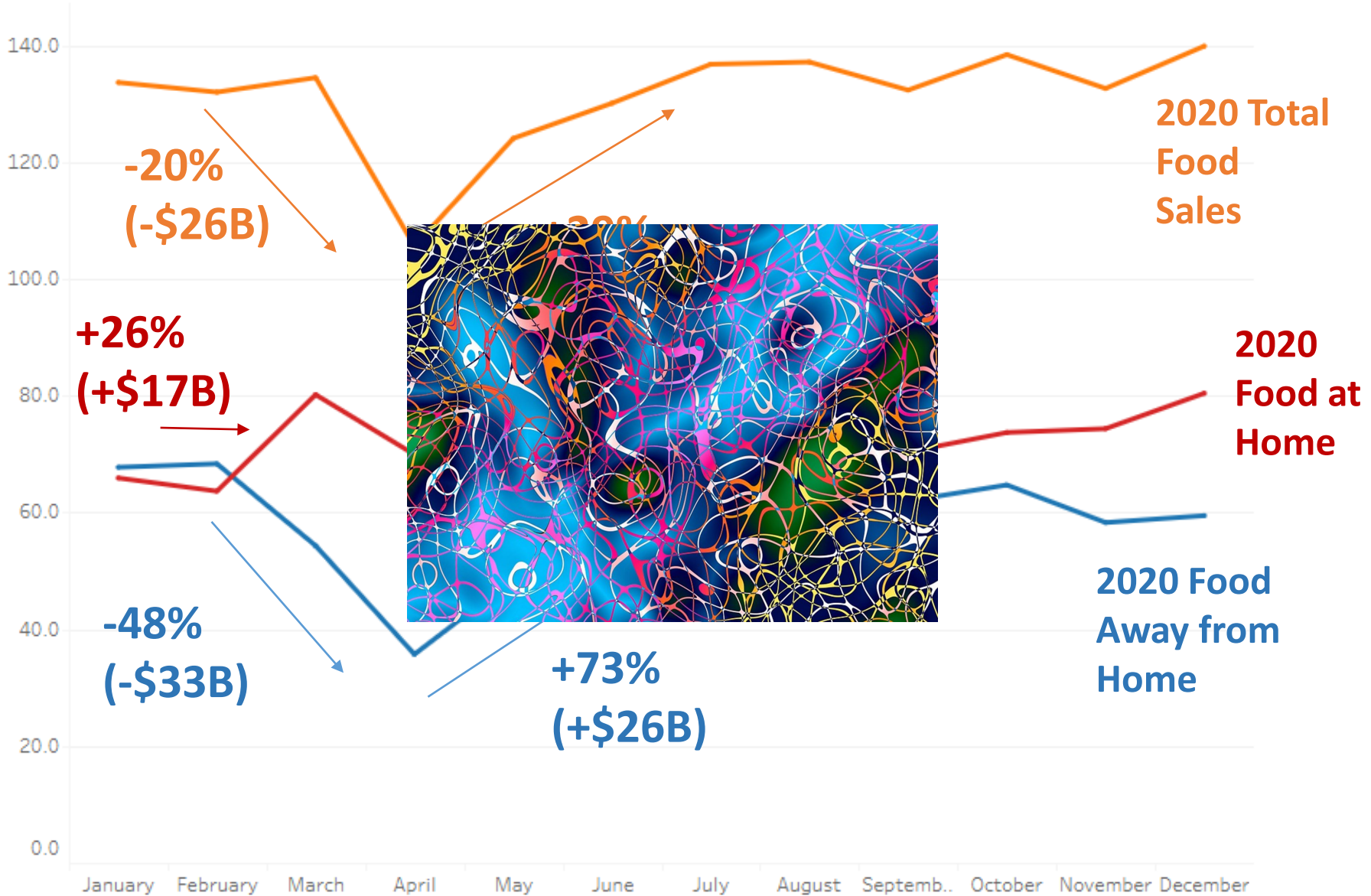
How we got here...

“Honey, I think we need to do a little bird flu shopping again...”

Mark Manfredo
January, 2020

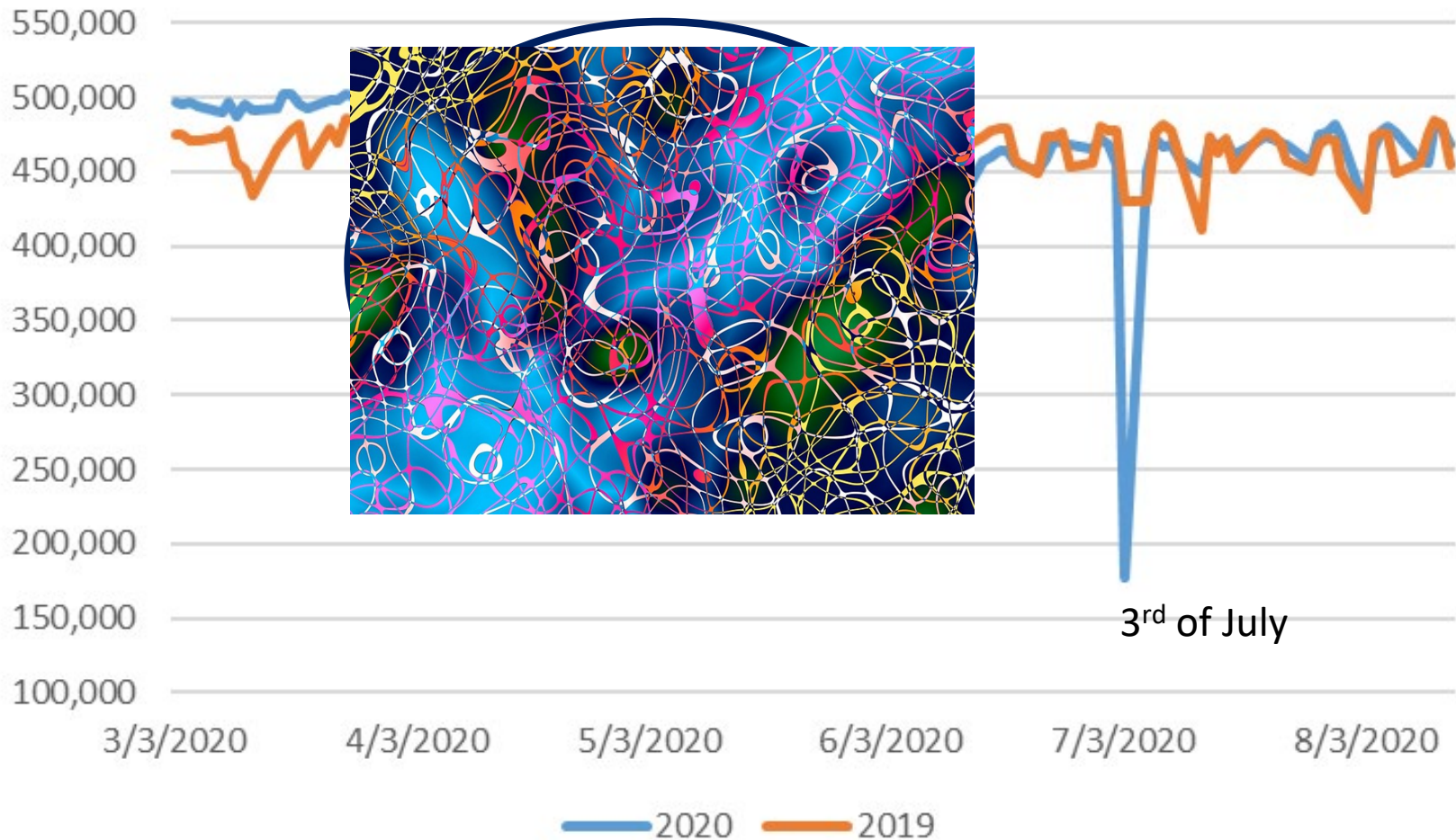
Food Expenditures by Month – 2020

Billion dollars (nominal)




Source: USDA – ERS Food Expenditure Series

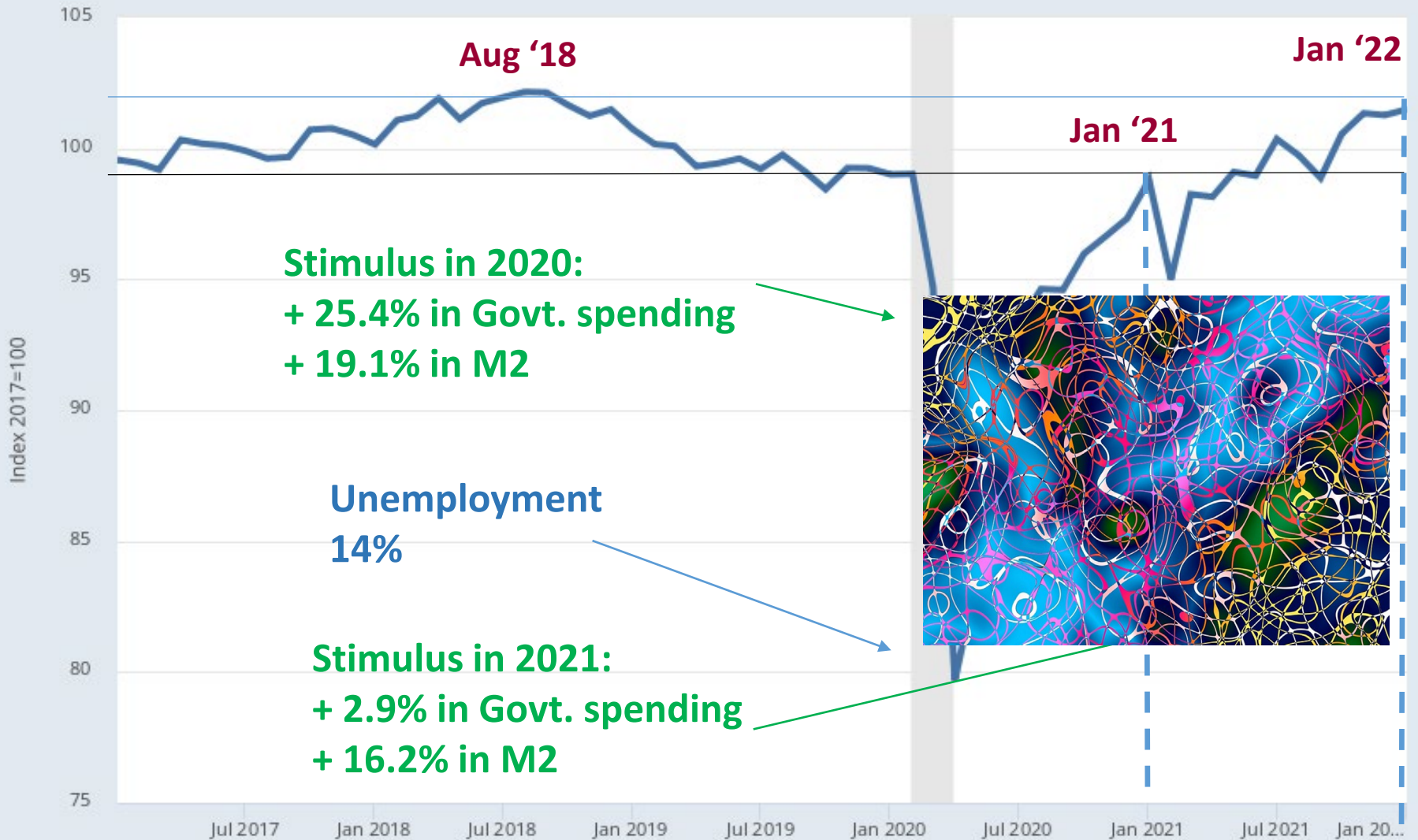
Federally Inspected Hog Slaughter (# head; weekday only – 3/3/20 to 8/14/20)



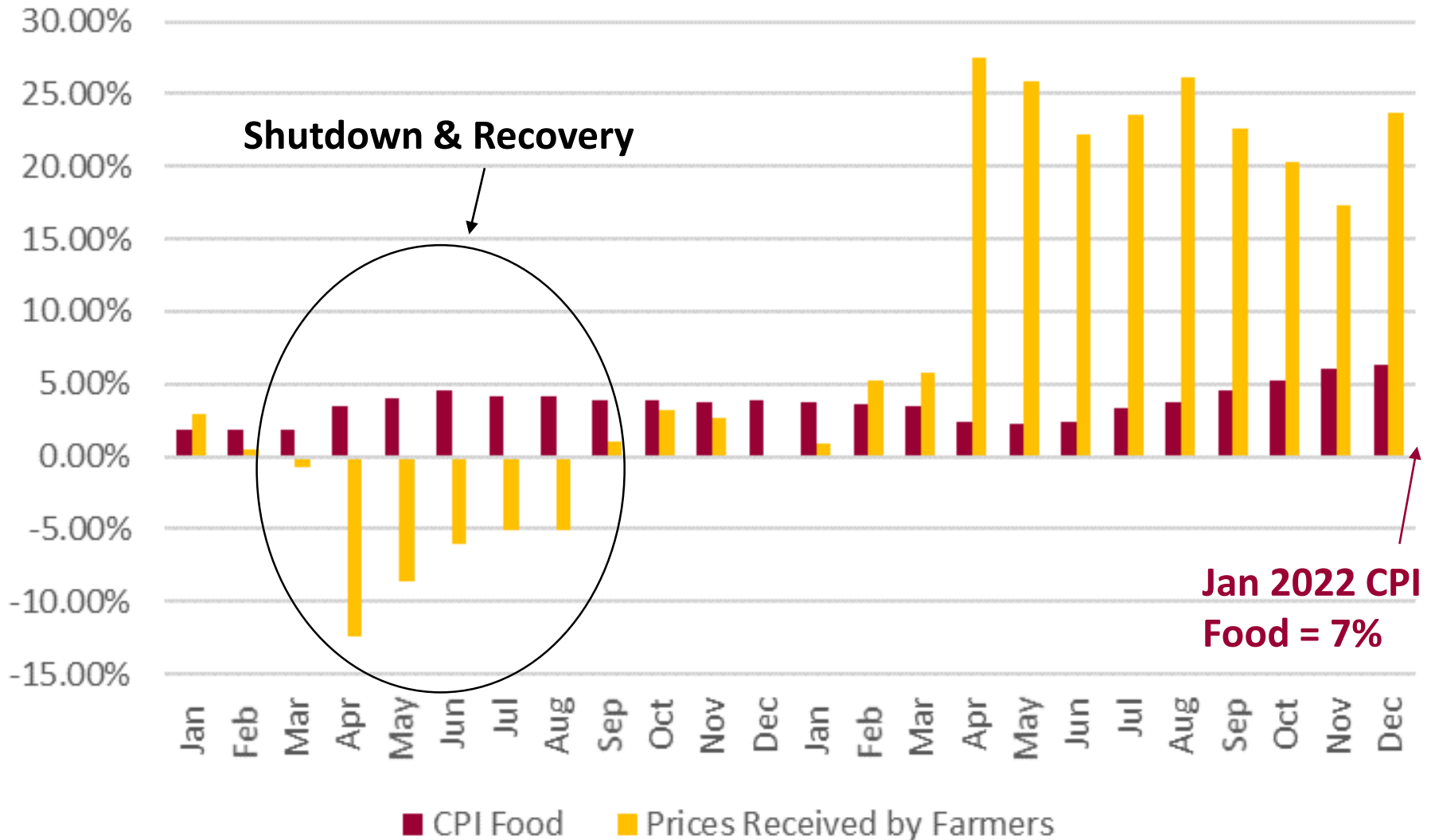
Source: USDA - AMS

Industrial Production: Manufacturing

FRED  — Industrial Production: Manufacturing (NAICS)

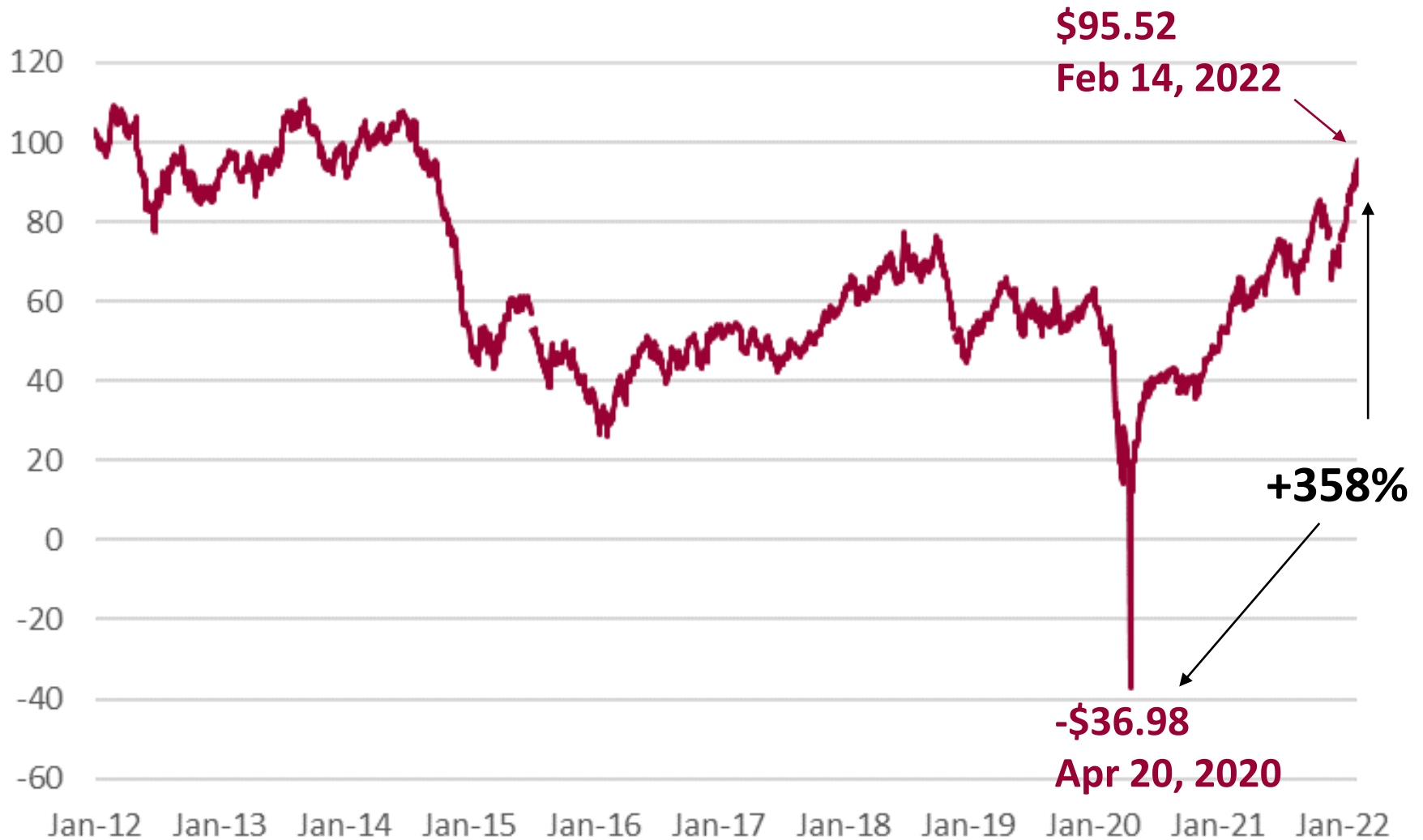


12 Month Percentage Change in CPI for Food & Prices Received by Farmers Index



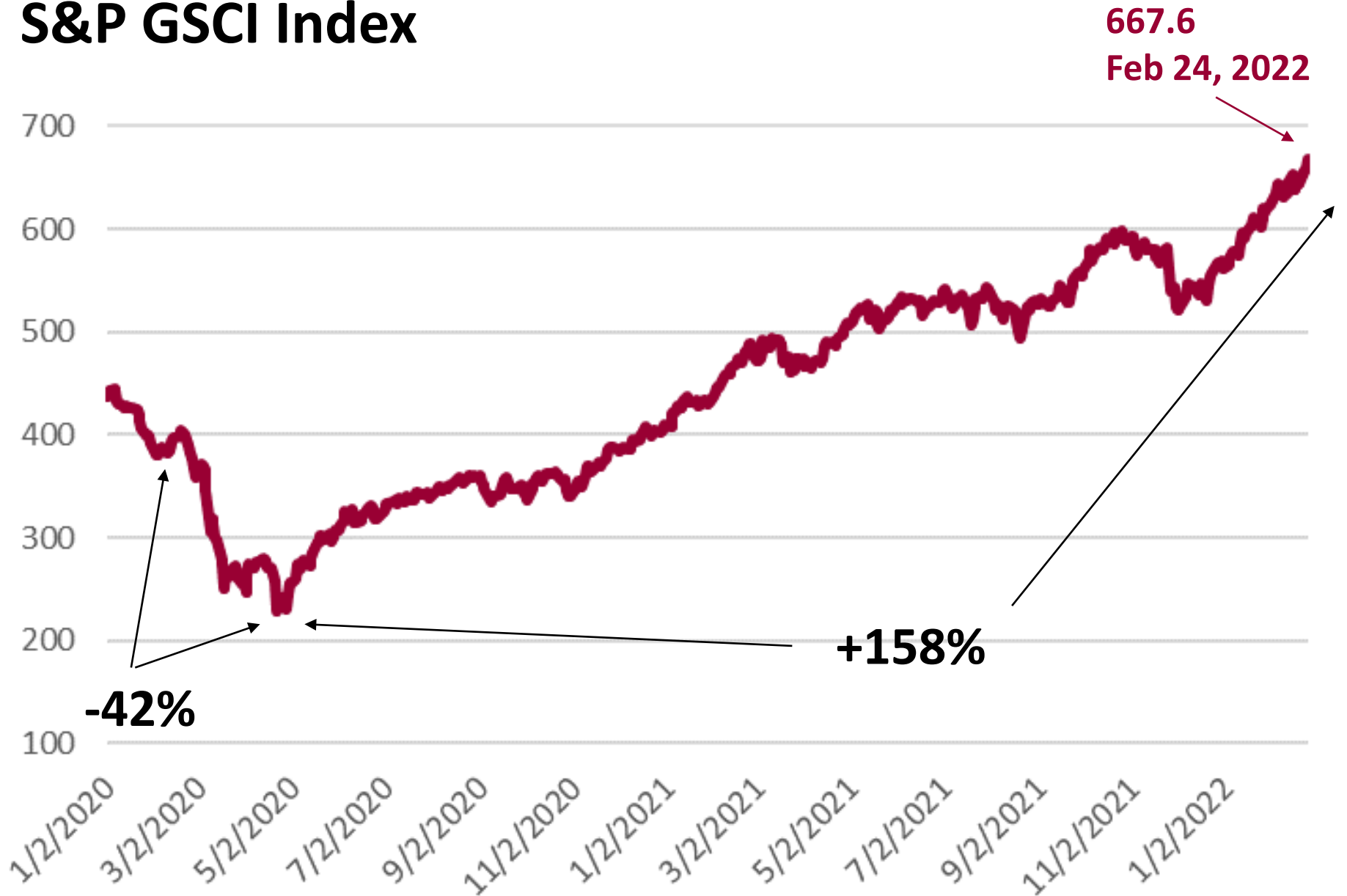
Source: Bureau of Labor Statistics and USDA – NASS

WTI Crude Spot Price – Cushing, OK



Source: Energy Information Administration (EIA)

S&P GSCI Index

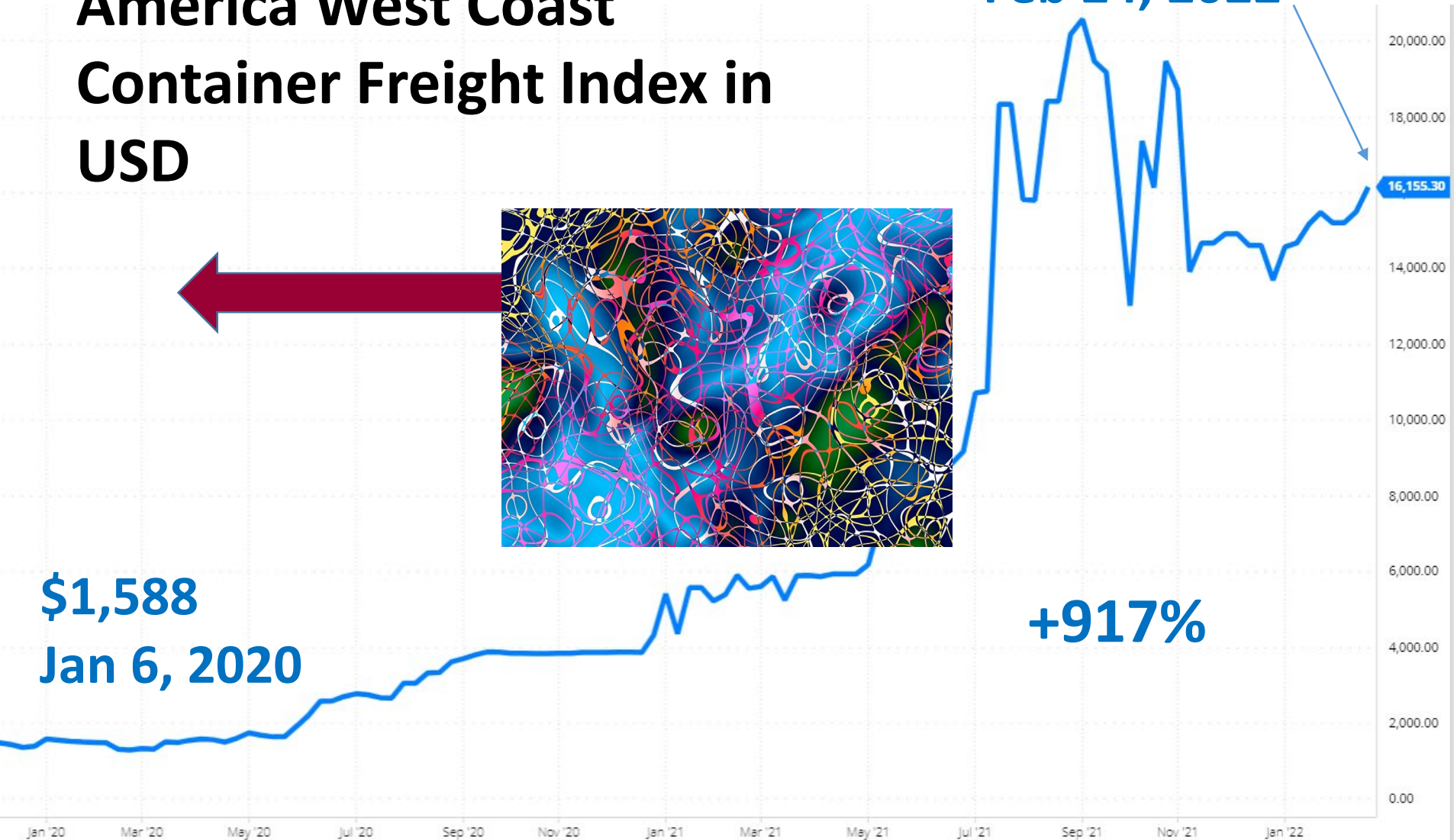


China/East Asia to North America West Coast Container Freight Index in USD

\$16,155
Feb 24, 2022

\$1,588
Jan 6, 2020

+917%

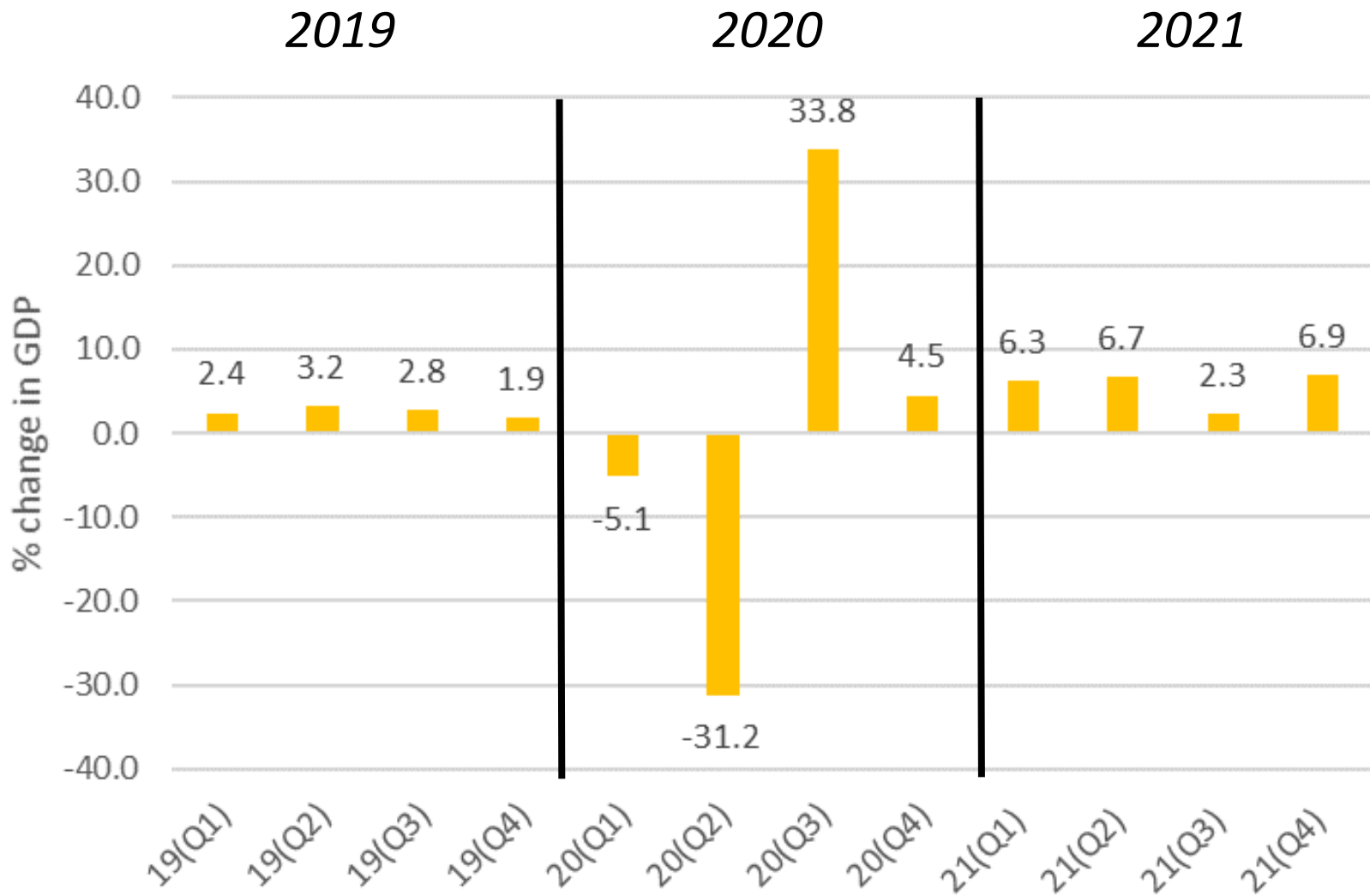


Outlook for economic growth

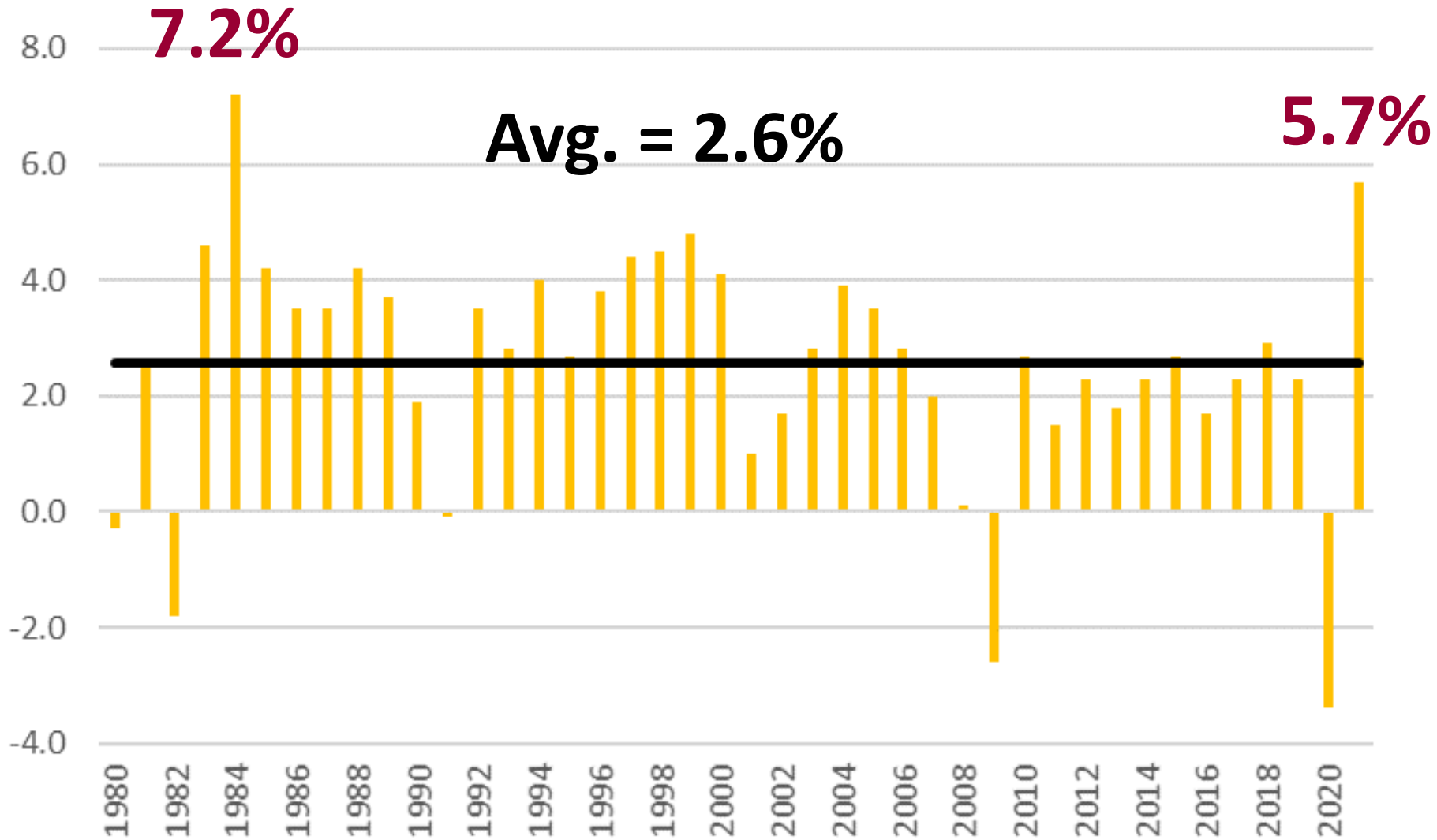
“The trouble with economics is that it lacks the most important of science’s characteristics – a record of improvement in predictive range and accuracy.”

**A. Rosenberg & T. Curtain
NY Times – 8.24.2013**

Real GDP - % Change from Previous Quarter

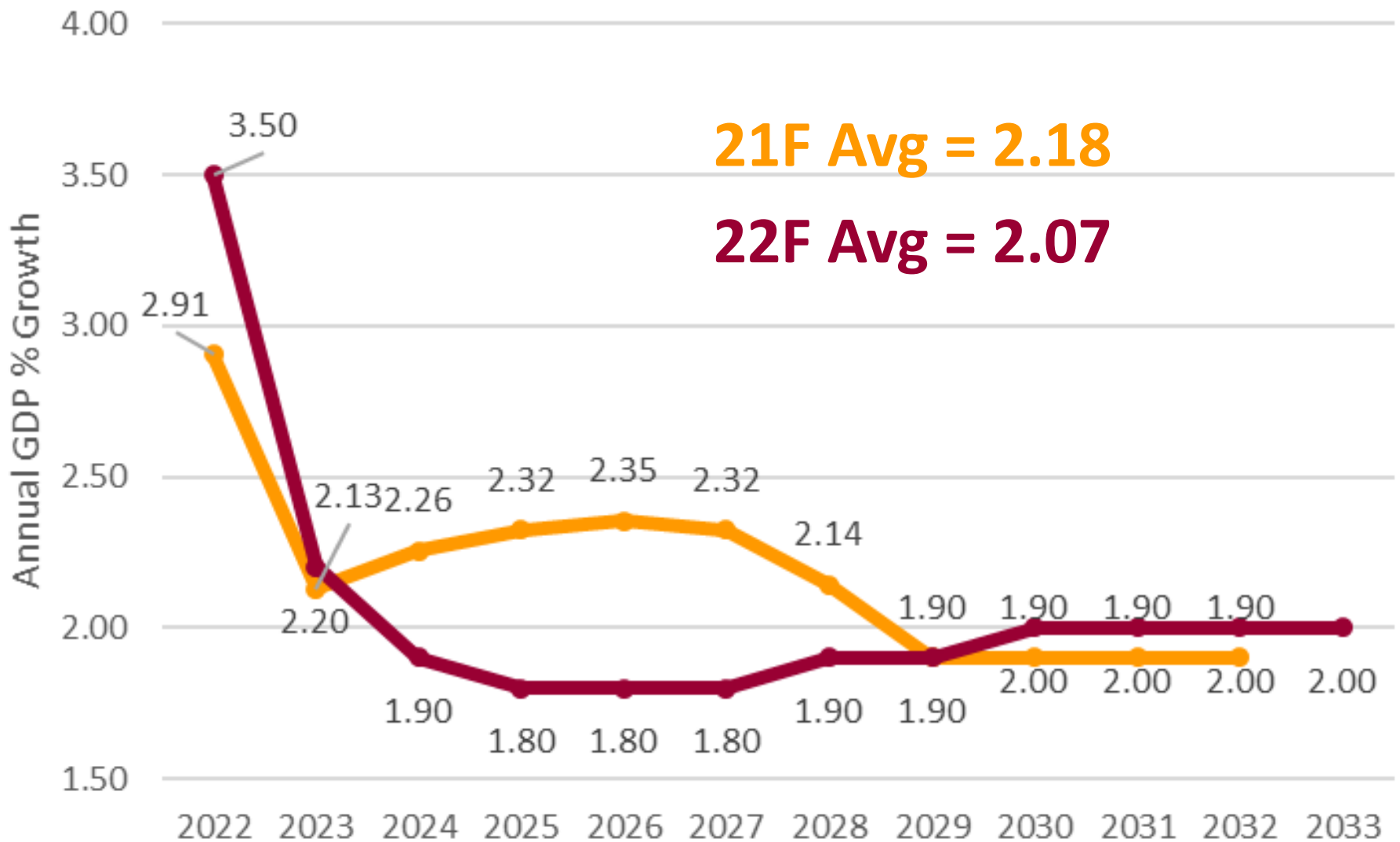


Real GDP - % Change Q4 to Q4

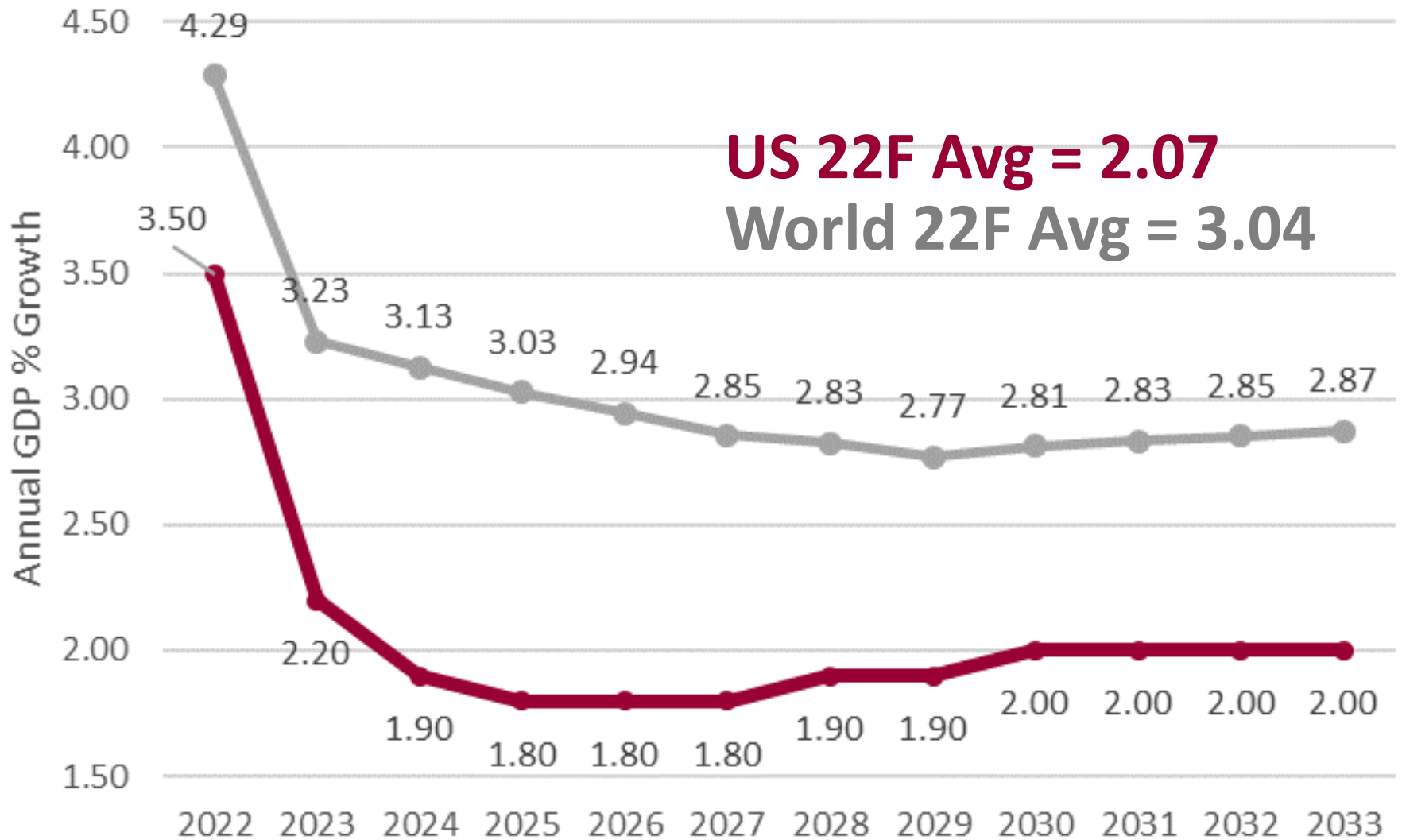


Data Source: U.S. Bureau of Economic Analysis

U.S. GDP Growth Forecasts: 2022 to 2033



U.S. & World GDP Growth Forecasts: 2022 to 2033



Country	2022 Forecast	2022 to 2033 Avg Forecast	Change (from previous decade Avg)
Canada	3.5%	2.2%	+0.60%
Mexico	2.9%	2.3%	+0.70%
Brazil	3.0%	2.7%	+2.4%
<i>Russia</i>	<i>2.8%</i>	<i>2.3%</i>	<i>+1.2%</i>
India	6.6%	5.9%	+0.50%
China	5.8%	5.0%	-1.8%

poll question: the country with highest forecasted avg. real GDP growth rate from 2022 to 2033 is.....

- a) India**
- b) Guyana**
- c) Libya**
- d) Vietnam**

Guyana = 8.63%



Source: USDA-ERS International Macroeconomic Dataset at
<https://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx>

thoughts on global output

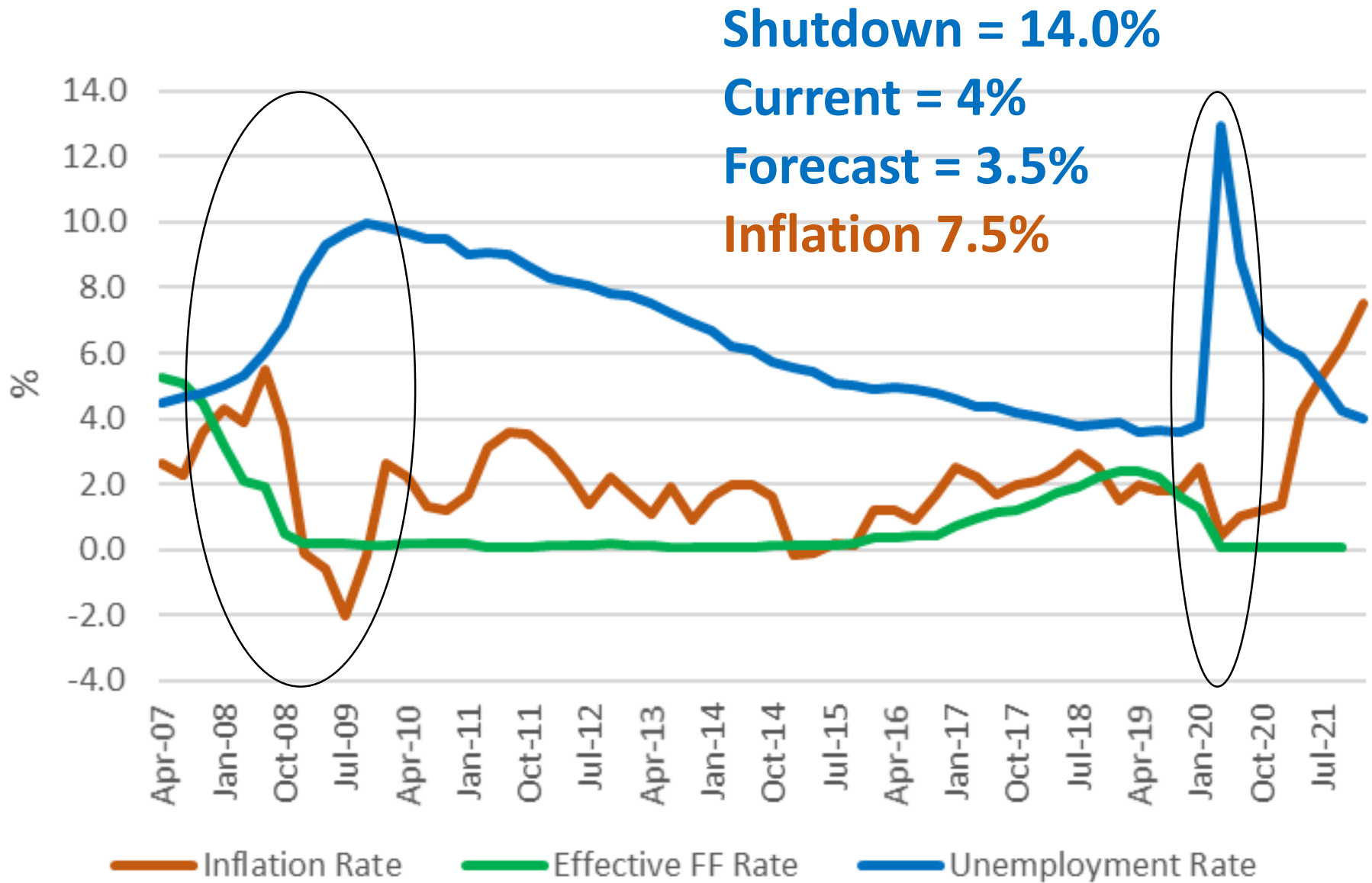
- Strong 2022 with back to normal GDP growth over the next decade
- China's growth continues to mature
- Supply chain issues getting better....
- New disruptions, energy inflation, and fallout from Russia sanctions?

Interest rates & inflation

“A nickel ain’t worth a dime anymore...”

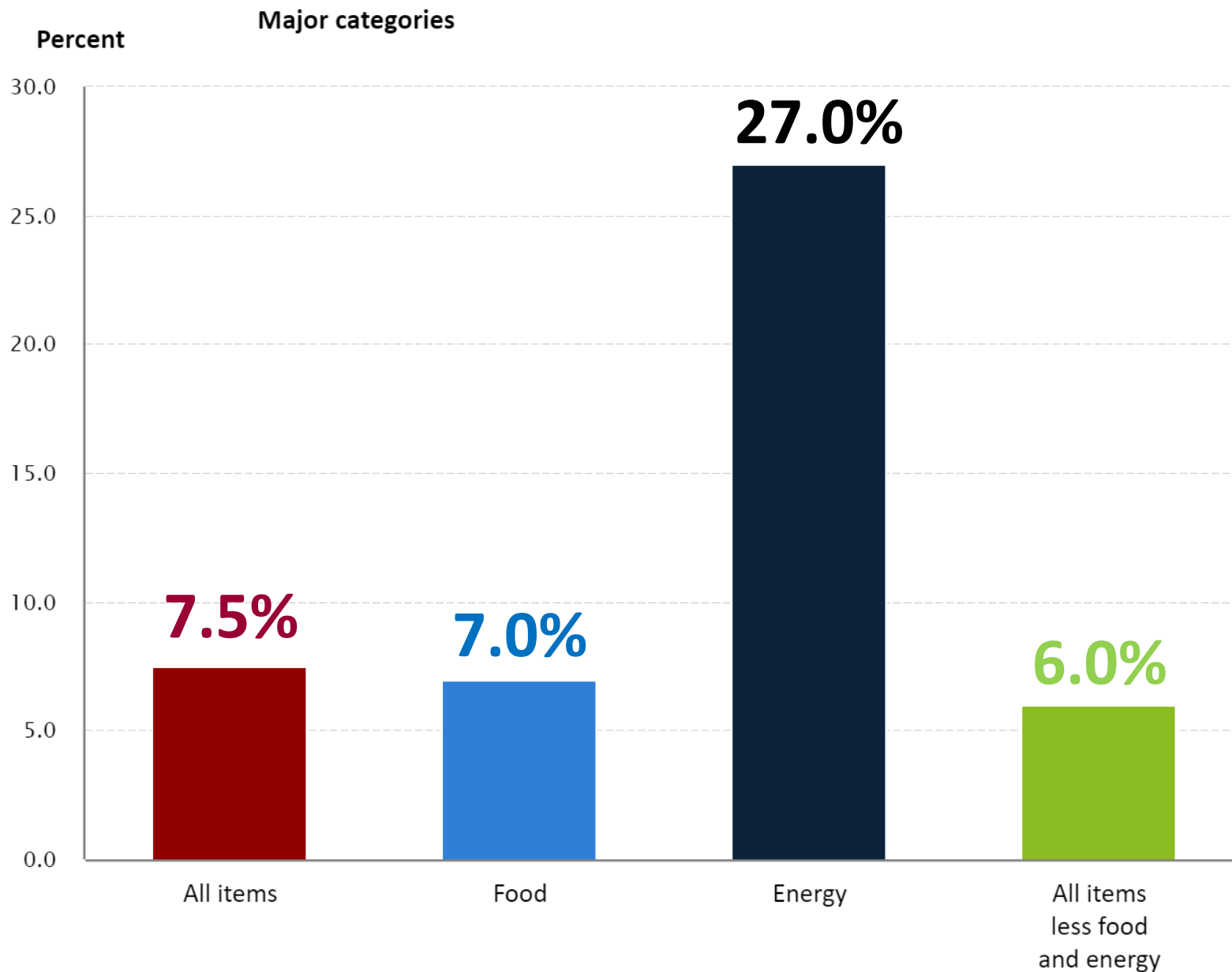
Yogi Berra

U.S. Unemployment, FF Rate, & Inflation



12-month percentage change, Consumer Price Index, selected categories, January 2022, not seasonally adjusted

Click on columns to drill down



CME Fed Watch: a market-based forecast

CME FedWatch Tool

Stay up-to-date with the latest probabilities of FOMC rate moves with the CME FedWatch Tool.

<https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

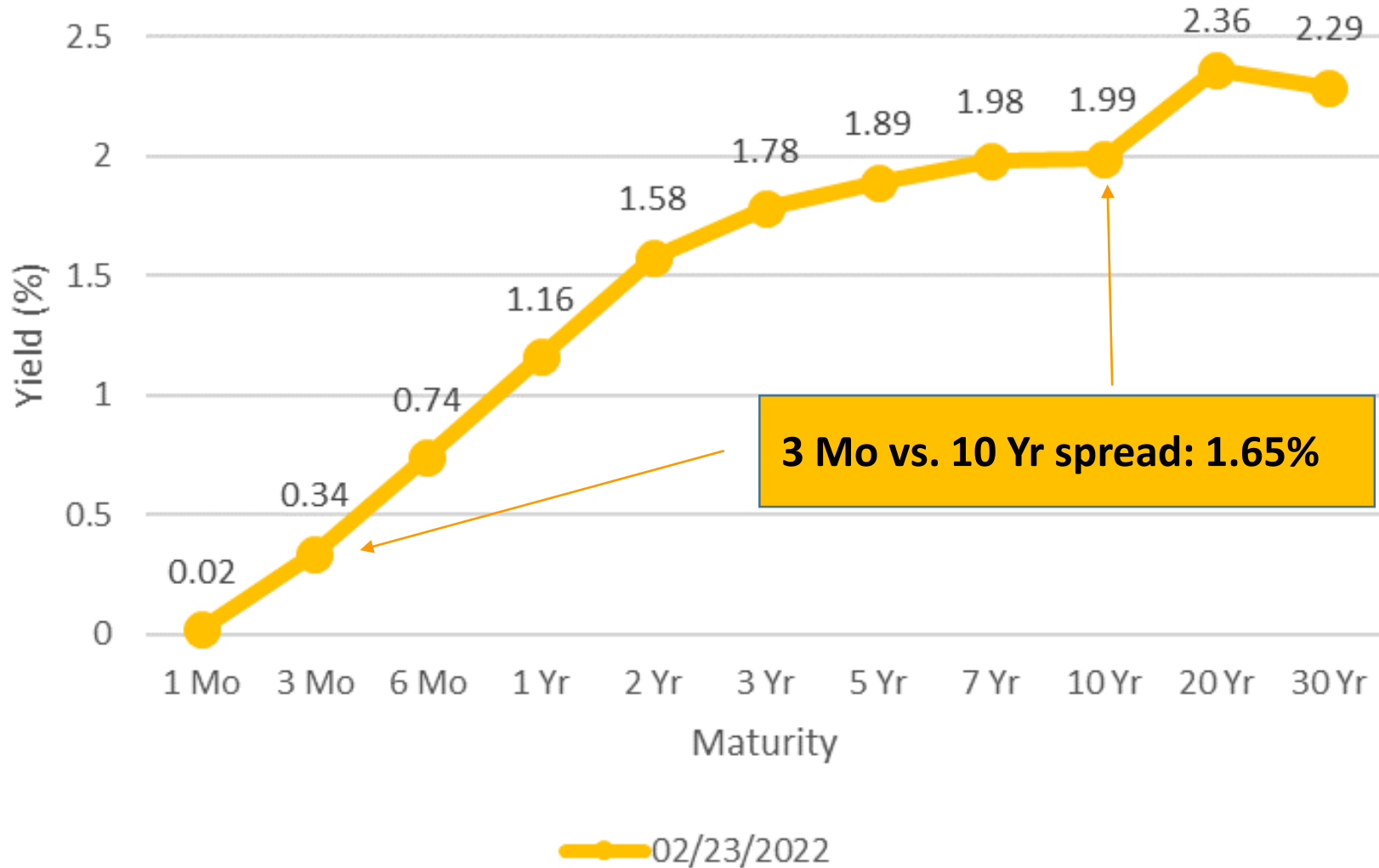
CME FedWatch (Feb. 23, 2022)

MEETING DATE	Target	Prob	Prob >	Prob <
3/16/2022	25-50	63.4%	36.6%	0.0%
5/4/2022	75-100	46.0%	12.8%	41.2%
6/15/2022	100-125	44.8%	24.0%	31.2%
7/27/2022	125-150	40.6%	20.3%	39.1%
9/21/2022	125-150	35.5%	49.5%	14.9%
11/2/2022	150-175	34.9%	33.7%	31.3%
12/14/2022	175-200	31.5%	25.5%	42.9%

CME FedWatch (accessed 2/23/2022):

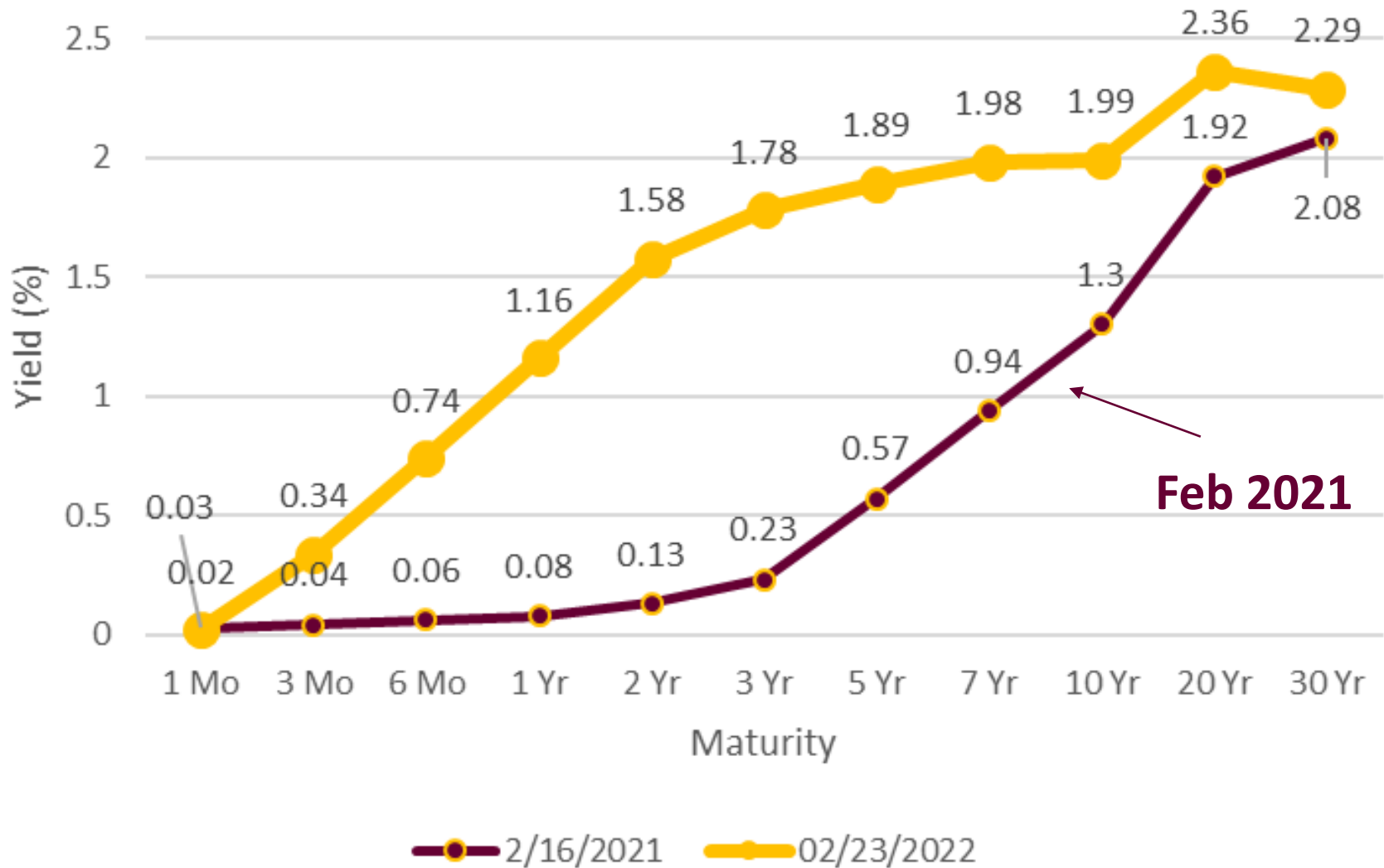
<https://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

Treasury Yield Curve: Feb 2022



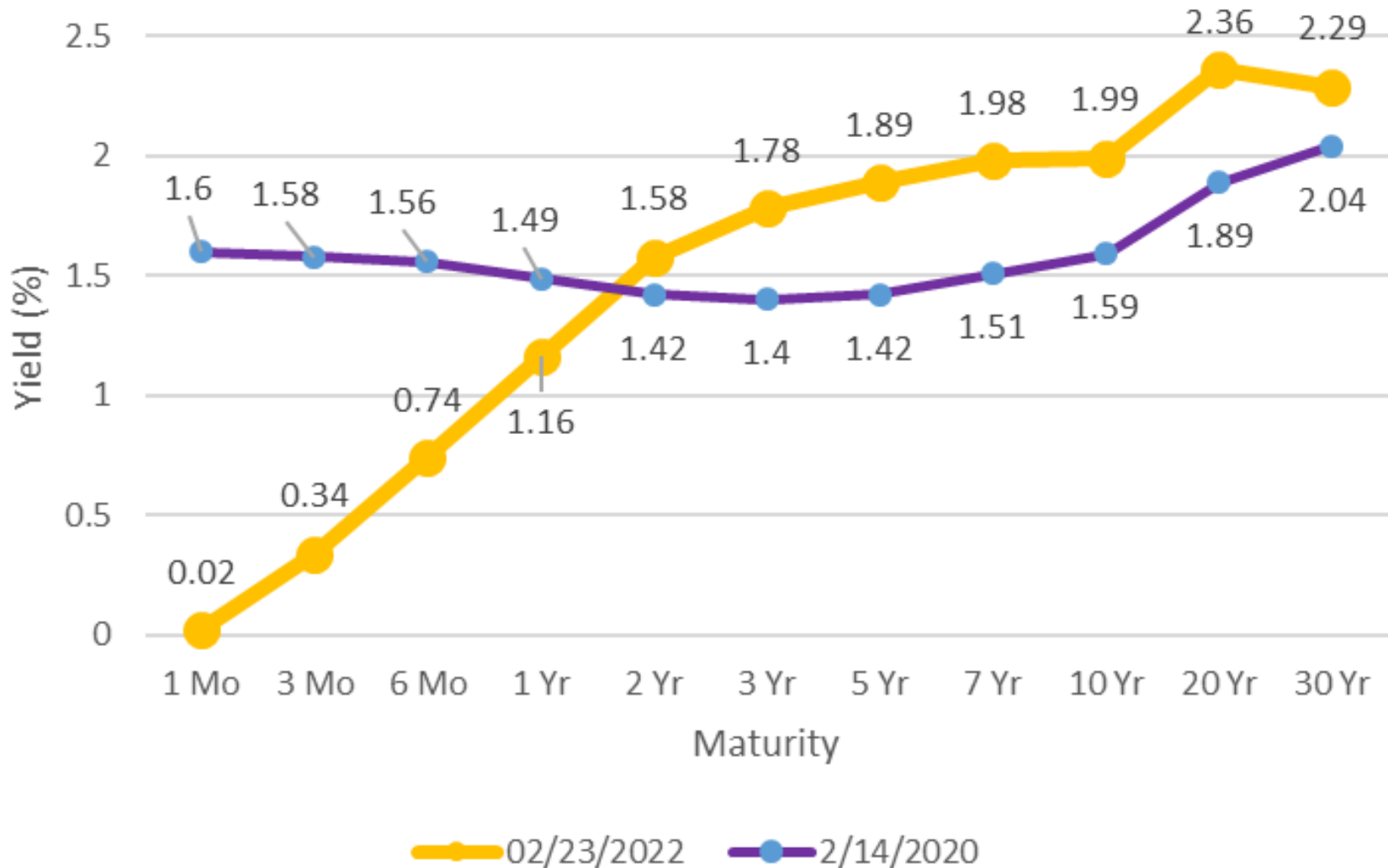
Data Source: U.S. Treasury <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

Treasury Yield Curve: Feb 2022 vs. Feb 2021



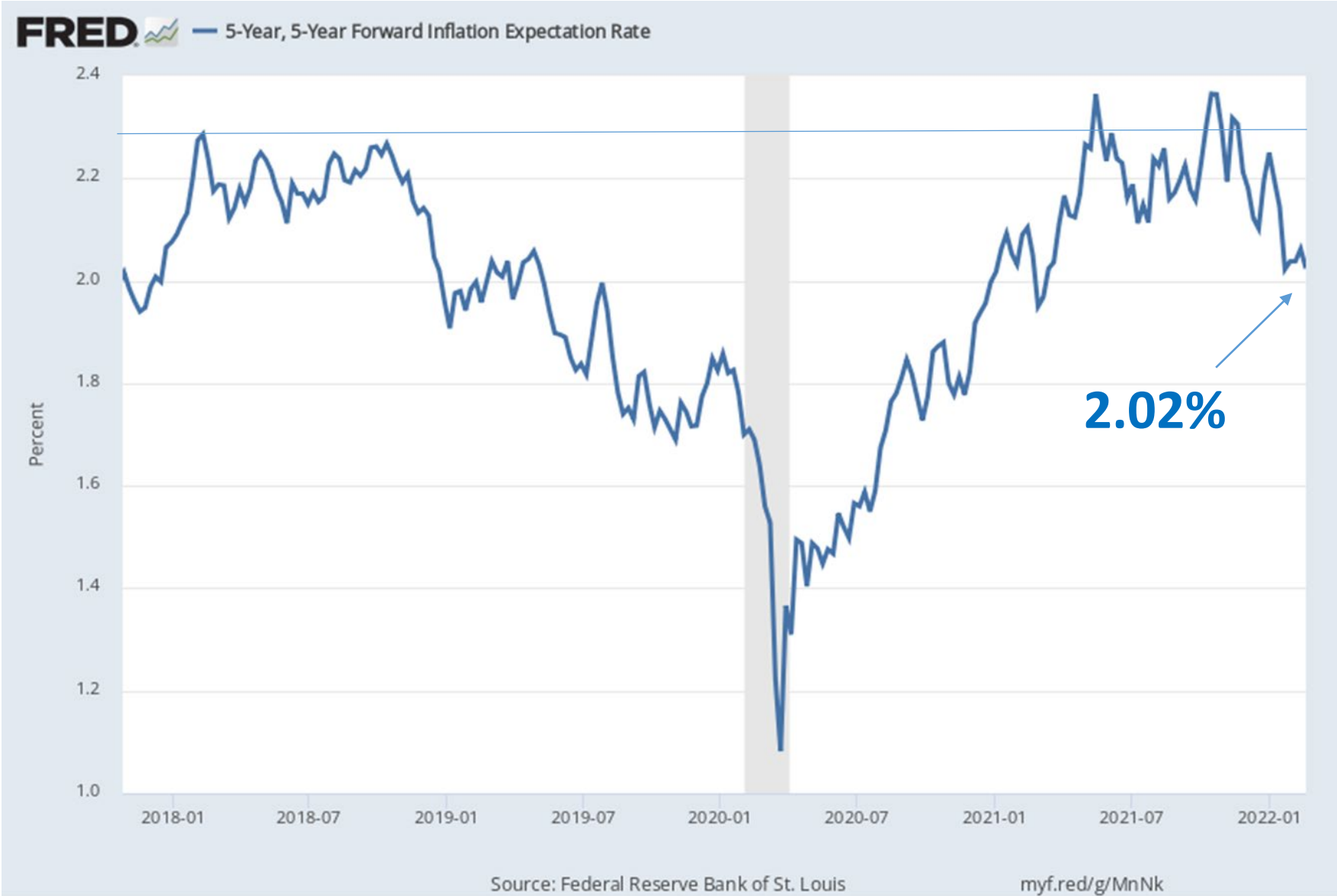
Data Source: U.S. Treasury <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

Treasury Yield Curve: Feb 2022 vs. Feb 2020



Data Source: U.S. Treasury <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

Expected Inflation (5-Year)



Data Source: FRED Economic Data <https://fred.stlouisfed.org/>

thoughts on interest rates

- Fed will raise FF rate
- Likely no yield-curve inversion unless short-term rates rise very fast
- Rate hikes with cautious eye on growth and volatility with respect to disruptions

Farm income & commodity price outlook

“The supply chain stuff is really tricky...”

Elon Musk

Highlights of USDA Farm Income Forecast

February 2022 Forecast	% Change from 2021F
Farm Cash Receipts	+6.8%
Crop Receipts	+ 5.1%
Animal Receipts	+ 8.9%
Govt. Payments	- 57.0%
Production Expenses	+5.1%
Feed	+6.1%
Fertilizer	+12.0%
<i>Source: USDA – ERS</i>	

<u>Futures</u>	<u>% Chng Yr</u>	<u>2/24/2022</u>	<u>% Chng Day</u>
Corn - May 22	42.0%	6.9975	2.7%
Soybeans - May 22	43.2%	16.54	-1.0%
HRW Wheat - May 22	34.7%	9.3475	5.7%
Live Cattle - April 22	13.3%	142.3	-1.7%
Feeder Cattle - April 22	11.8%	163.8	-2.9%
Cotton - May 22	43.5%	1.1916	-1.8%
WTI Crude - April 22	65.9%	92.81	0.8%
Natural Gas - April 22	80.3%	4.641	1.0%
Class III Milk - March 22	30.8%	22.51	2.2%
Coffee - May 22	74.5%	237.9	-3.8%
GSCI - Cash Index	37.0%	677.4	2.8%
Nitrogen Fertilizer Index	124.3%		
Phosphate Fertilizer Index	81.6%		
Average	52.5%		0.4%

Inverted Futures Contract Prices (as of 2.24.22)

Cotton #2 Mar 22	122.59p
Cotton #2 May 22	120.40
Cotton #2 Jul 22	117.35
Cotton #2 Dec 22	101.70

- Cotton
- Corn
- Soybeans
- Soybean Meal
- Soybean Oil
- Oats
- Sugar
- WTI Crude
- ULSD – Diesel
- Wheat

thoughts on farm finance

- Higher prices and higher costs...margin squeeze
- Less government support
- Updates in forecasts
- Price volatility



**thought for 2022:
need for resilience**

Thank you!



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