

Utah Agriculture Outlook Stakeholder Webinar

Thursday May 19, 2022

11 am to 1 pm MT

Zoom Registration:

<https://usu-edu.zoom.us/meeting/register/tZYsdu-gpiMpHdalZmkU5RWCnsesJyrl49C>

After registering, you will receive a confirmation email containing information about joining the meeting.

Agenda

1. Commodity Market Update

Ryan Larsen, Extension Risk & Farm Management Specialist, Utah State University

2. International Agricultural Policy Issues

Brandon Willis, Assistant Professor, Utah State University

3. Livestock Risk Protection (LRP) Insurance

Ryan Feuz, Extension Agricultural Economics Specialist, Utah State University

4. Inflation Update: Food and Input Prices

Kynda Curtis, Extension Agriculture & Food Marketing Specialist, Utah State University

Description

This two-hour webinar hosted by USU Extension Economics will cover 2022 commodity market conditions, as well as current issues surrounding international agricultural policy. Additionally, the Livestock Risk Protection insurance program's intended use, structure, and best practices for feeder cattle price risk mitigation will be discussed. Finally, we will provide an updated overview on inflation impacts and input supply shortages in agriculture.

The agriculture outlook is targeted at agricultural stakeholders in Utah including, but not limited to, state and federal agency representatives, farmer and rancher groups, farm financial institutions, tribal government representatives, and Extension leadership. There will be time after each presentation for questions and discussion.

Materials from previous Agriculture Outlook webinars can be found at:

<https://extension.usu.edu/apec/ag-outlook-webinar>



Utah Agriculture Outlook Stakeholder Webinar

11 am to 1 pm
USU Extension Economics

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Agenda

- Commodity Market Update
 - Ryan Larsen, Extension Risk & Farm Management Specialist, Utah State University
- International Agricultural Policy Issues
 - Brandon Willis, Assistant Professor, Utah State University
- Livestock Risk Protection (LRP) Insurance
 - Ryan Feuz, Extension Agricultural Economics Specialist, Utah State University
- Inflation Update: Food and Input Prices
 - Kynda Curtis, Extension Agriculture & Food Marketing Specialist, Utah State University

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Program Evaluation Survey

Please respond to our Ag Outlook evaluation survey.... Thank you!

- https://usu.co1.qualtrics.com/jfe/form/SV_9zNTfczo9Rz6Ks6
- USU Extension Applied Economics website
 - <https://extension.usu.edu/apec/>

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Thank you!

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Quarterly Agricultural Outlook

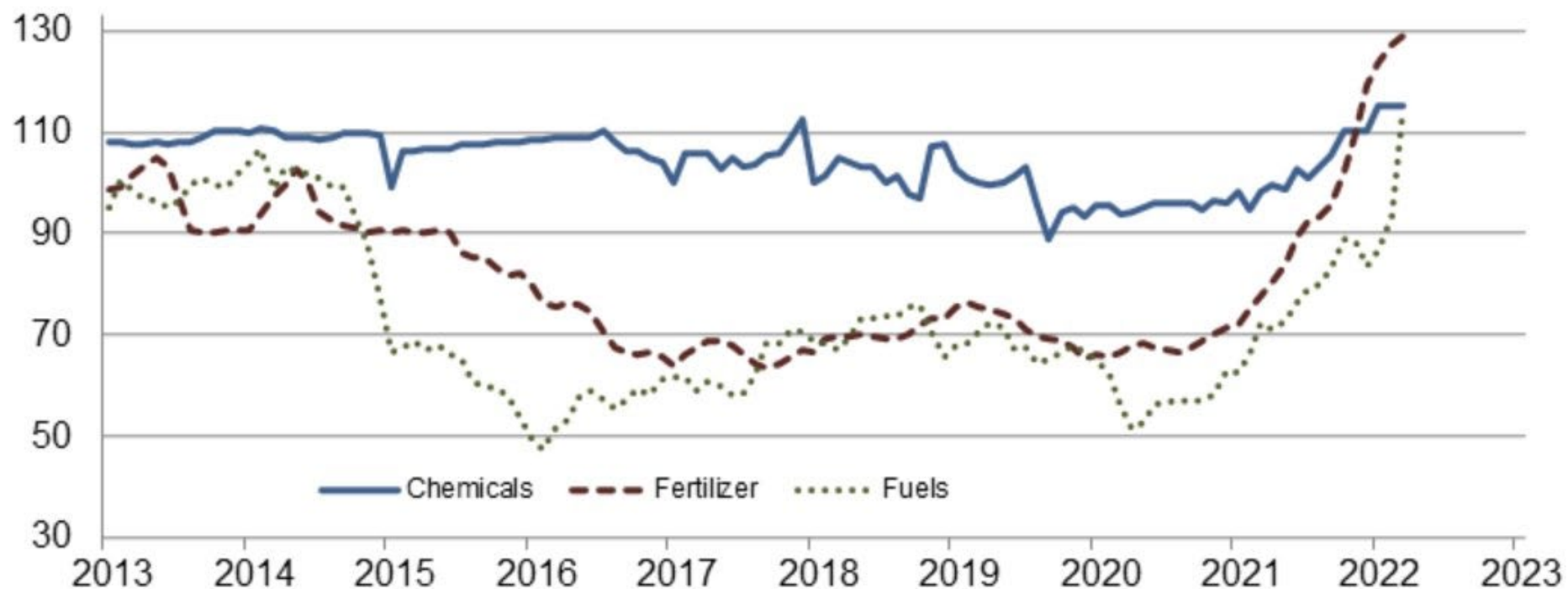
Dr. Ryan Larsen

USU Extension Specialist

May 19, 2022

Paid Indexes by Non-farm Origin and Month, Chemicals, Fertilizer, and Fuels – United States: 2011=100

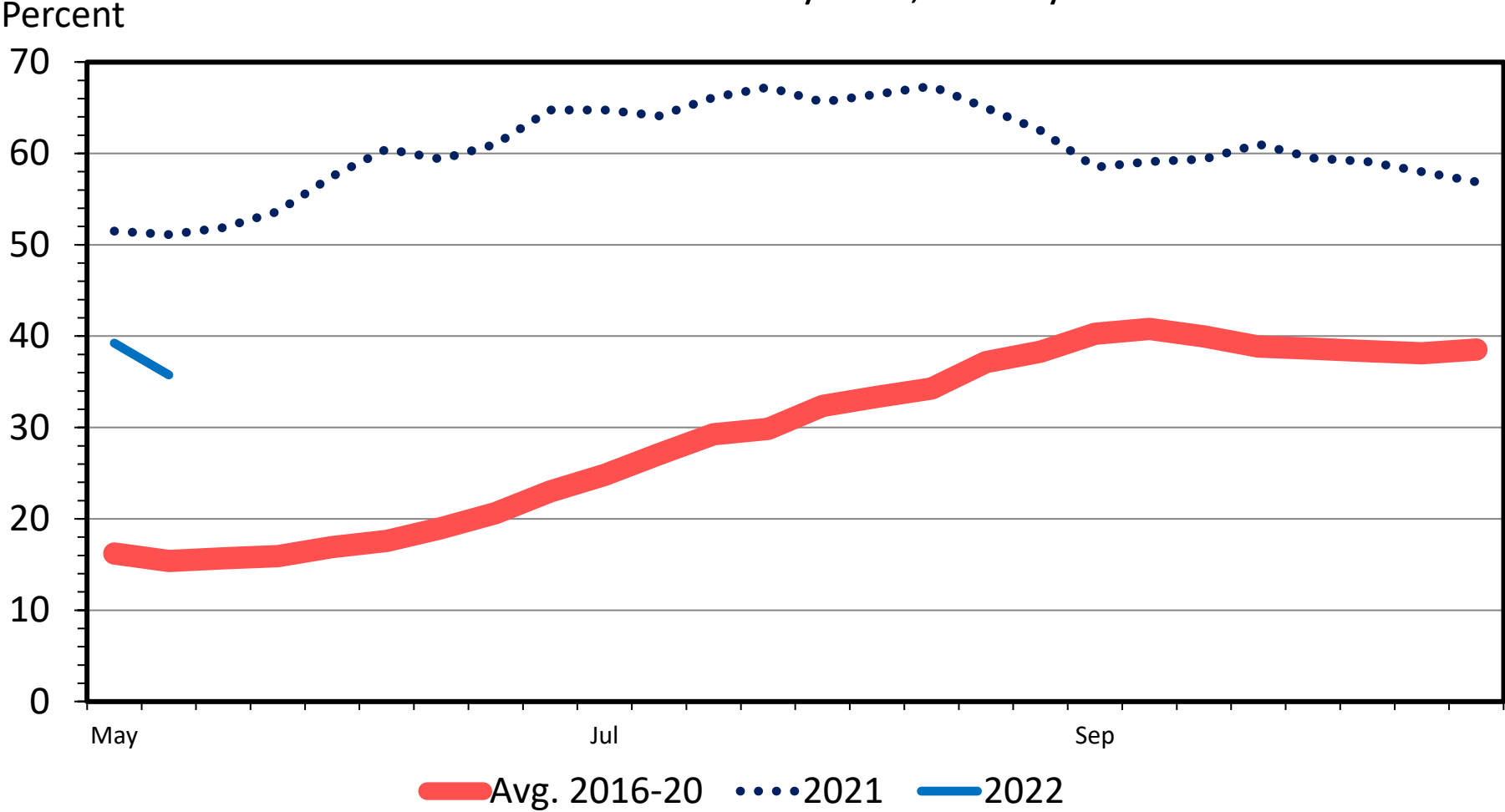
Percent



USDA – NASS
04/29/2022

WESTERN REGION RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly



Data Source: USDA-NASS, Compiled & Analysis by LMIC

Livestock Marketing Information Center

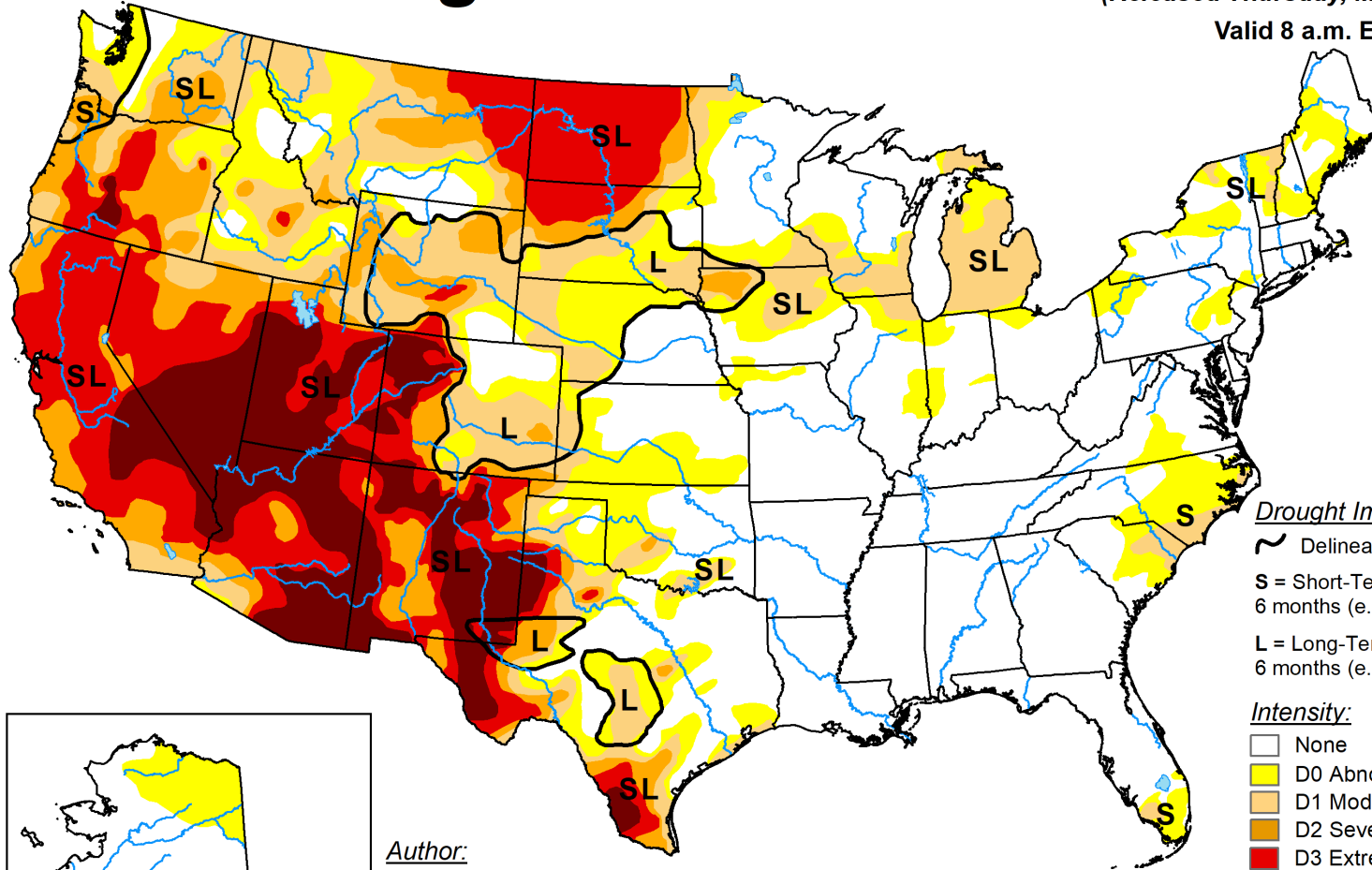
G-NP-31
05/09/22

U.S. Drought Monitor

May 11, 2021

(Released Thursday, May. 13, 2021)

Valid 8 a.m. EDT

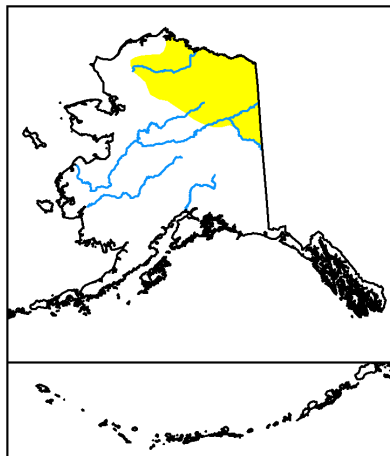


Drought Impact Types:

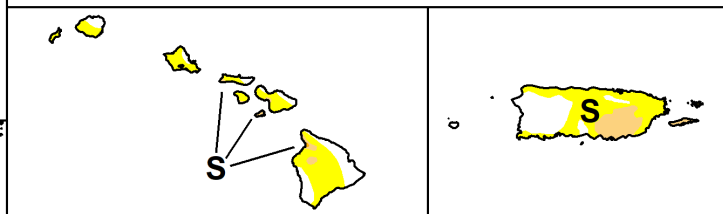
- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



Author:
David Simeral
Western Regional Climate Center



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



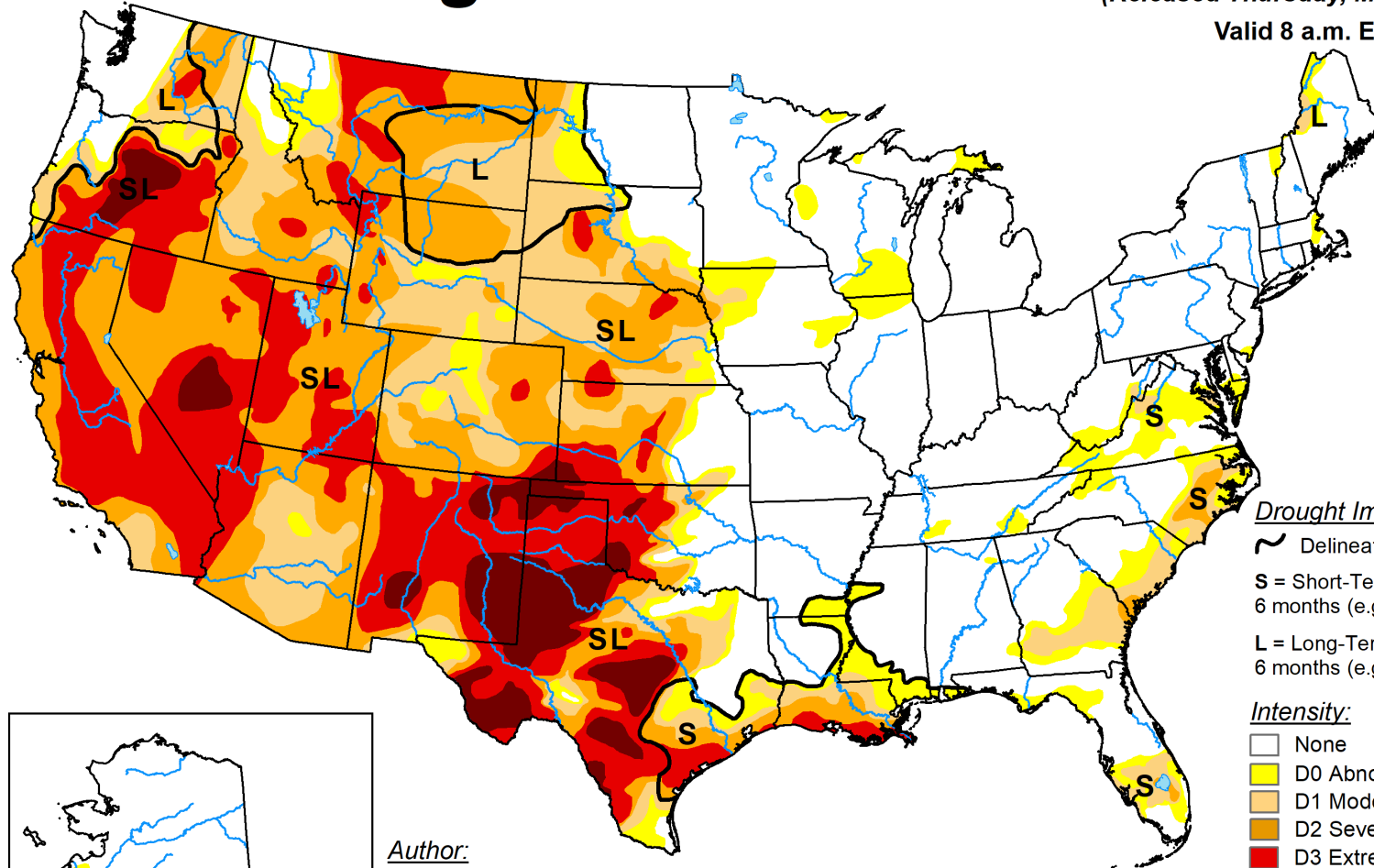
droughtmonitor.unl.edu

U.S. Drought Monitor


May 10, 2022

(Released Thursday, May. 12, 2022)







Valid 8 a.m. EDT

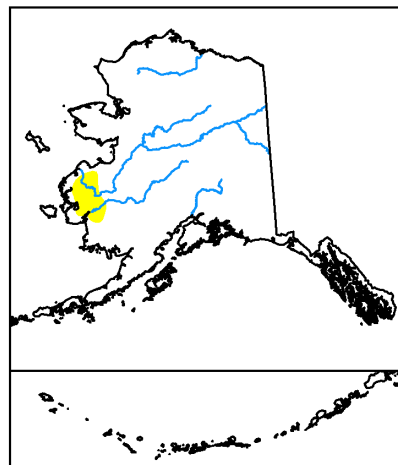


Drought Impact Types:

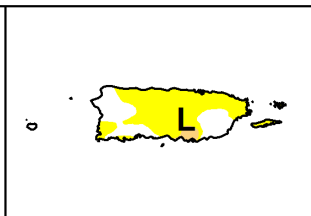
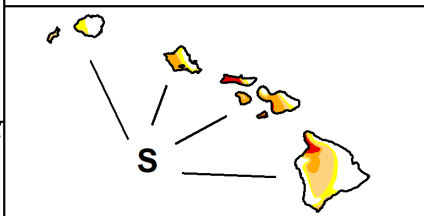
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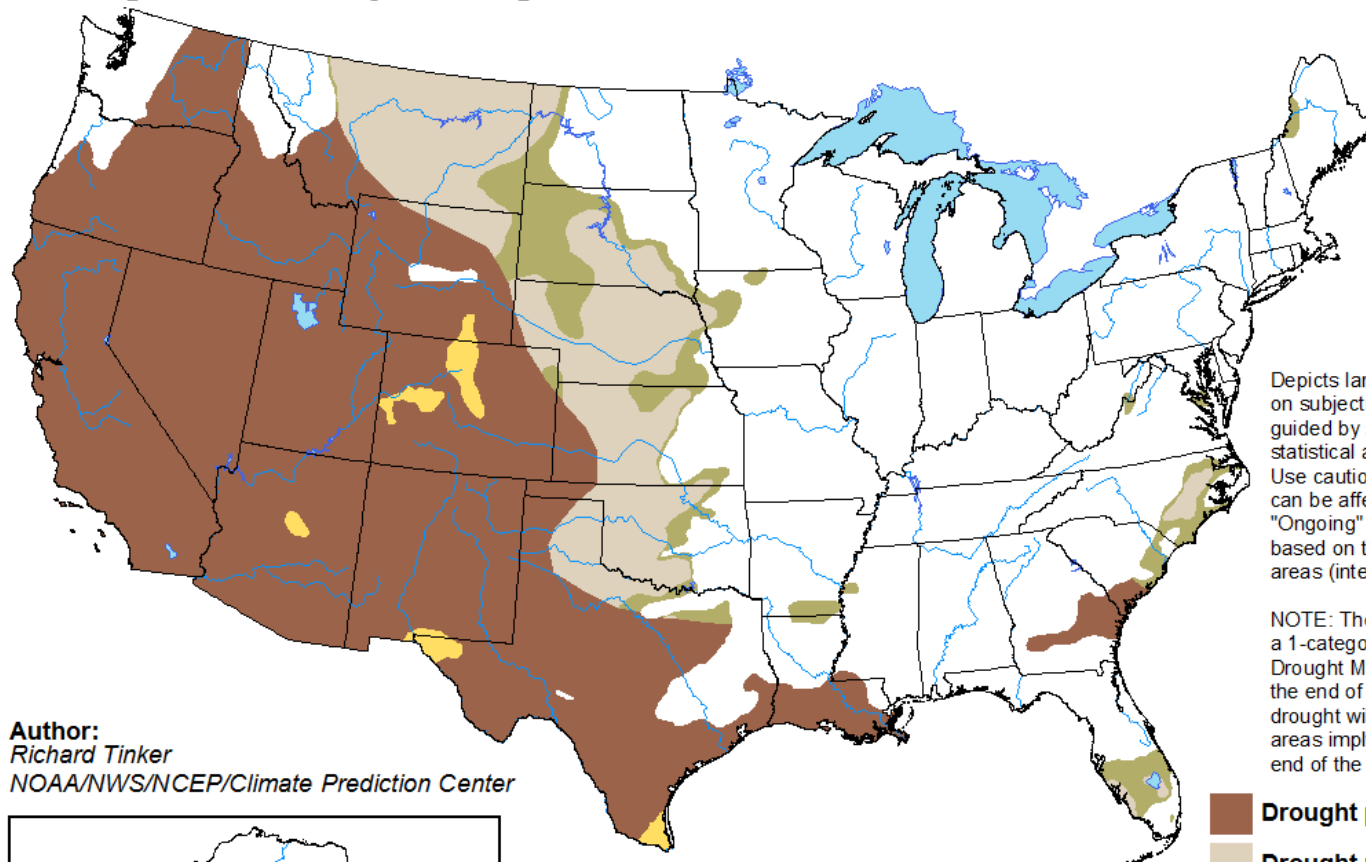


droughtmonitor.unl.edu

U.S. Monthly Drought Outlook

Drought Tendency During the Valid Period





Valid for May 2022
Released April 30, 2022

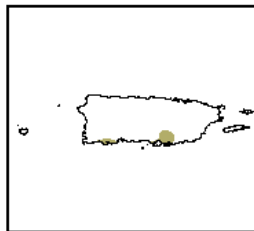
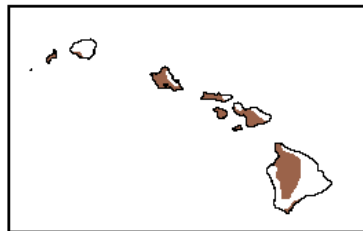
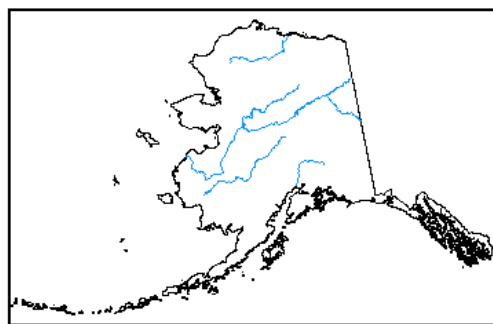


Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

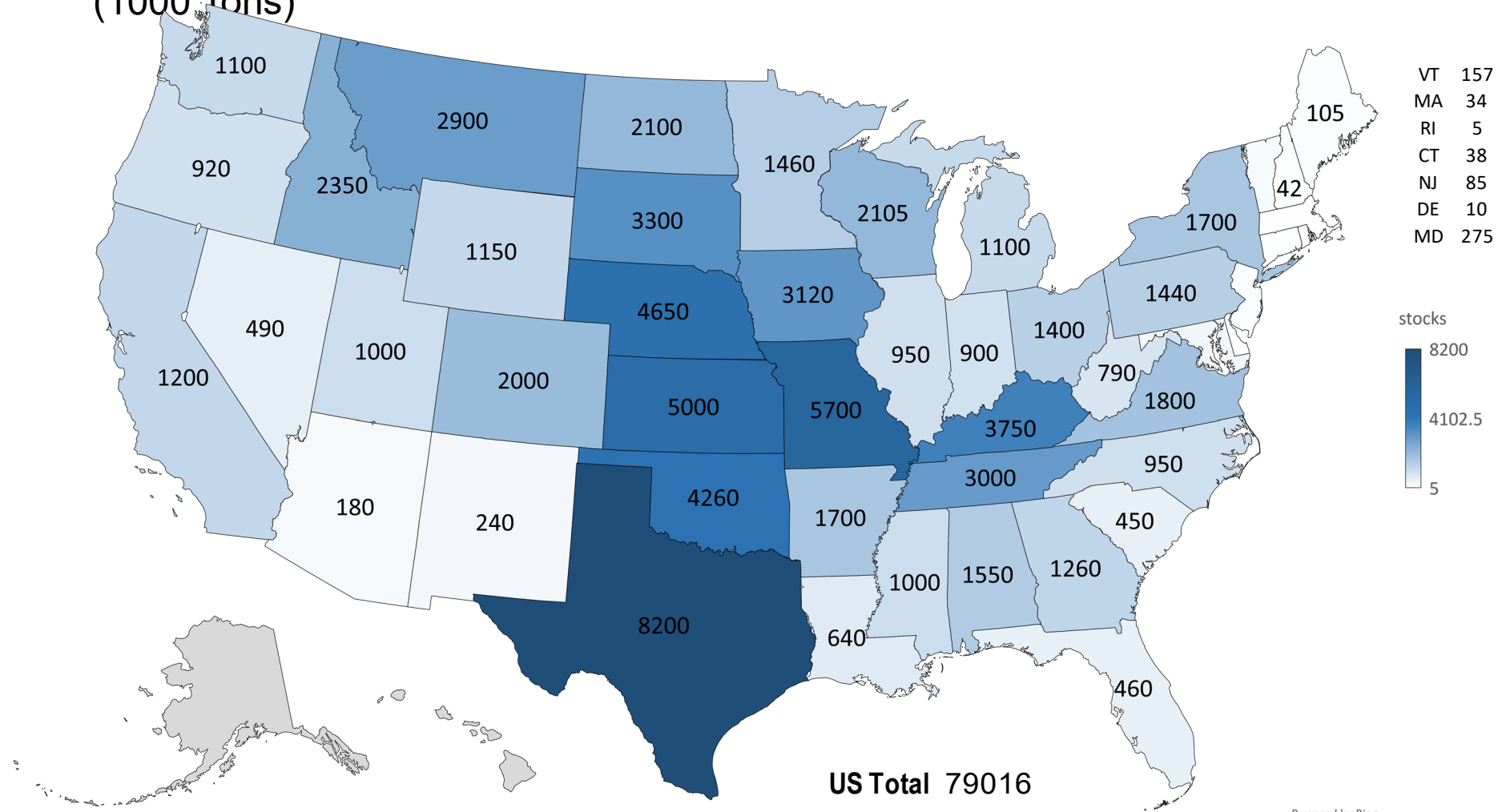
Author:
Richard Tinker
NOAA/NWS/NCEP/Climate Prediction Center

-  Drought persists
-  Drought remains but improves
-  Drought removal likely
-  Drought development likely

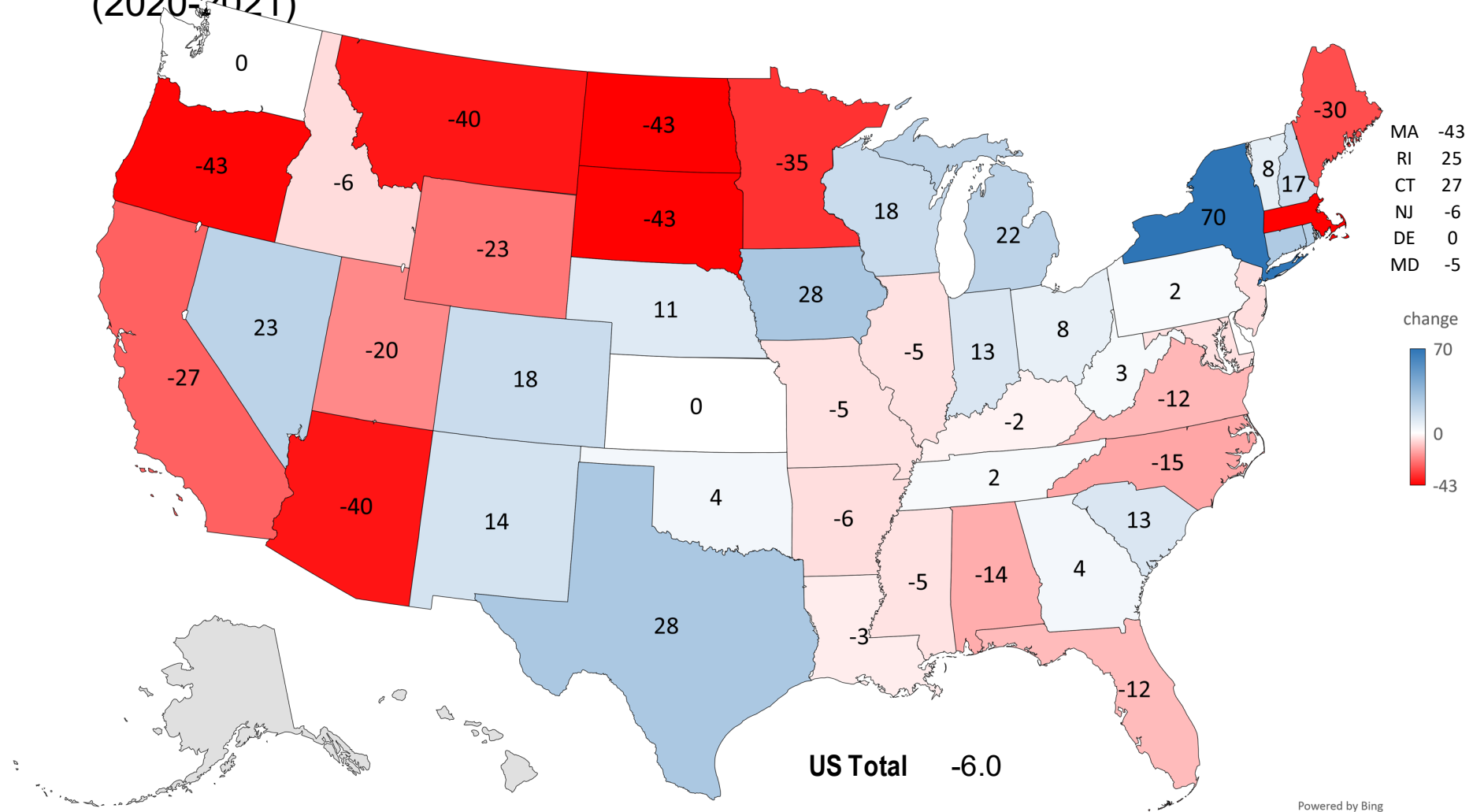


<http://go.usa.gov/3eZGd>

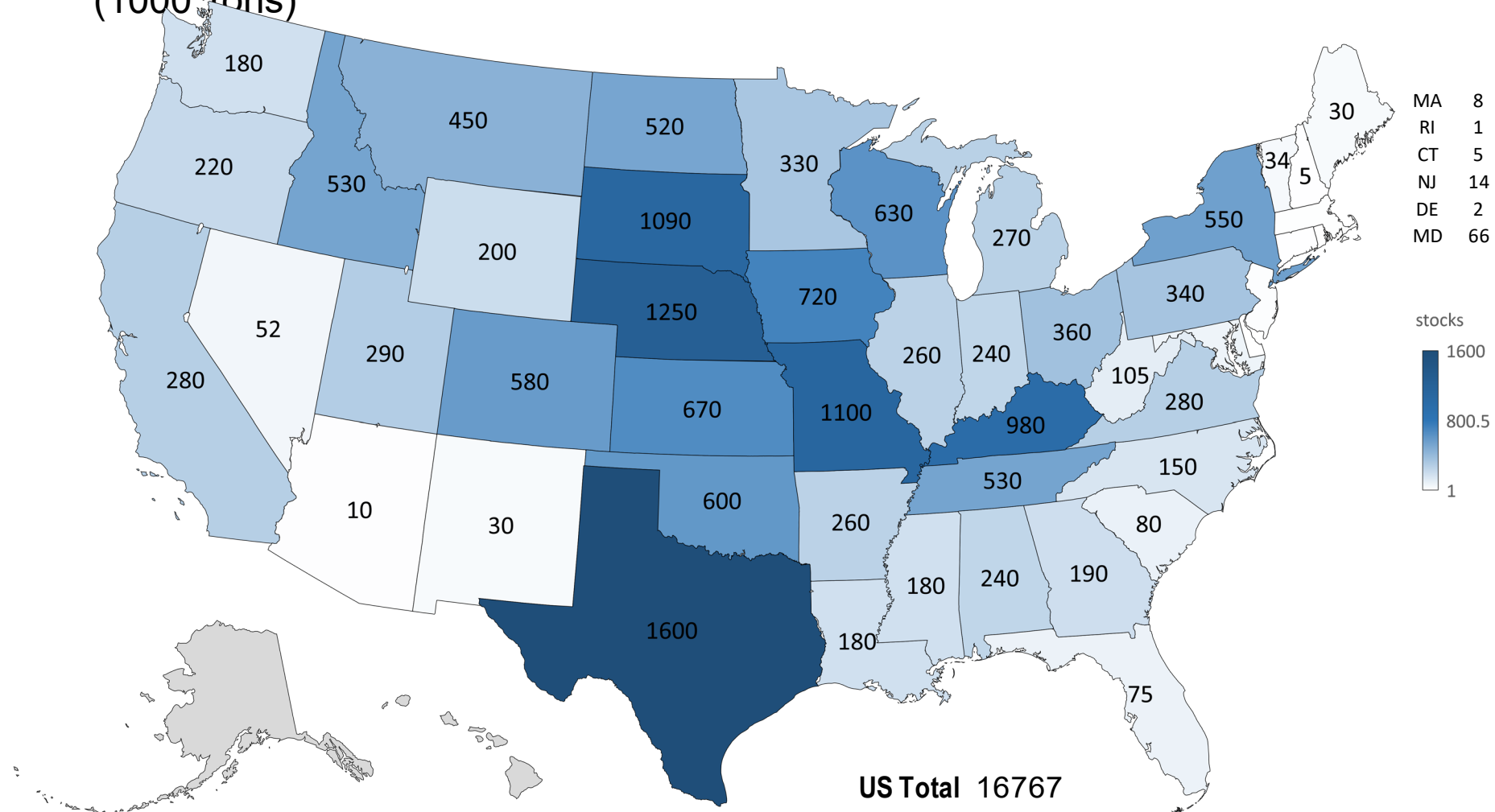
2021 DECEMBER 1 HAY STOCKS (1000 Tons)



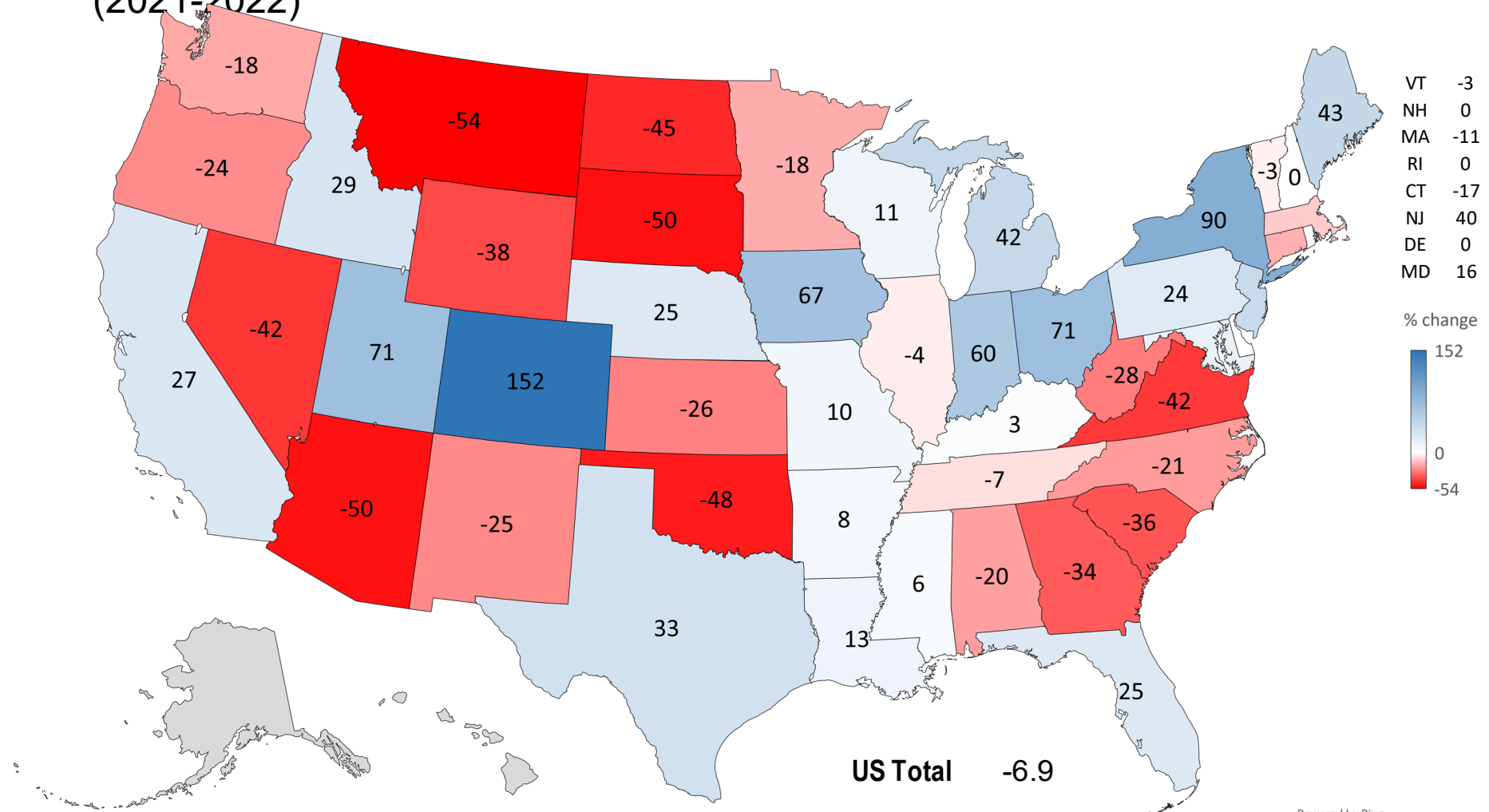
PERCENT CHANGE DECEMBER 1 HAY STOCKS (2020-2021)



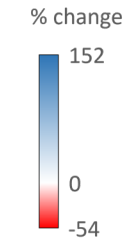
2022 MAY 1 HAY STOCKS (1000 Tons)



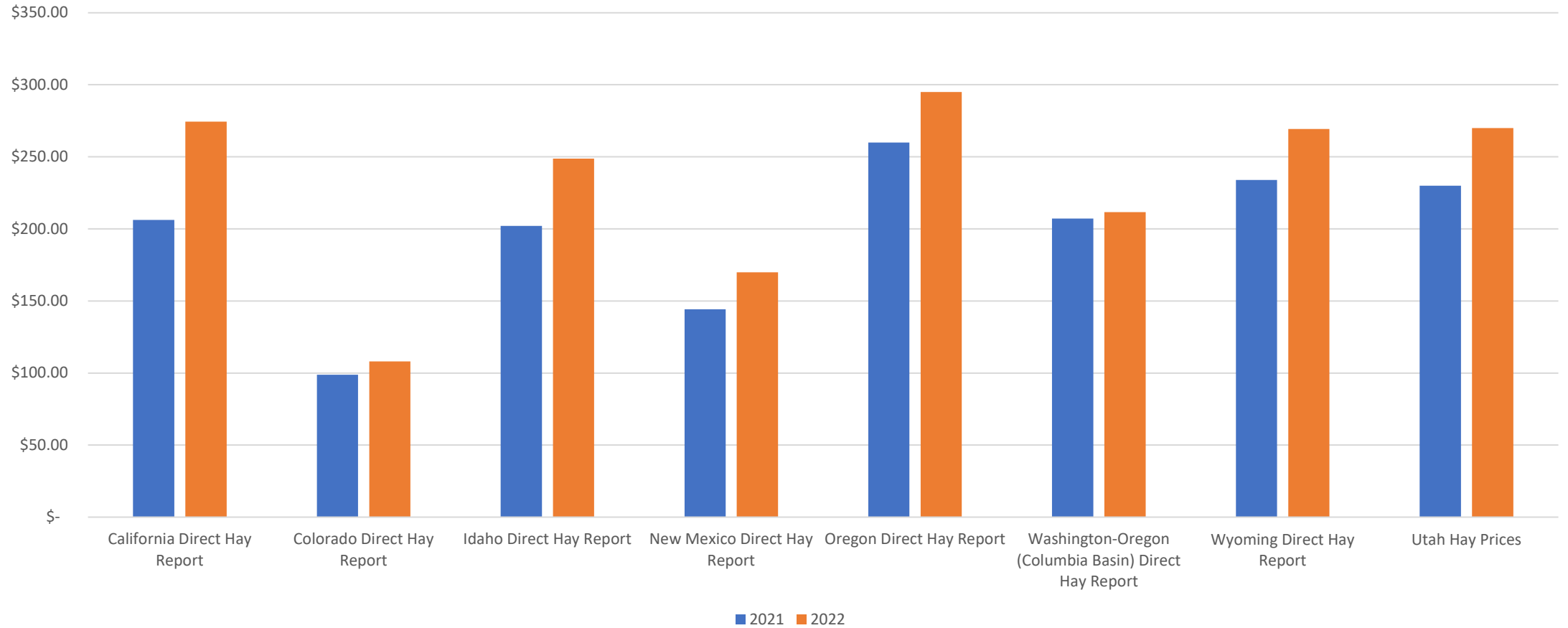
PERCENT CHANGE MAY 1 HAY STOCKS (2021-2022)



VT	-3
NH	0
MA	-11
RI	0
CT	-17
NJ	40
DE	0
MD	16

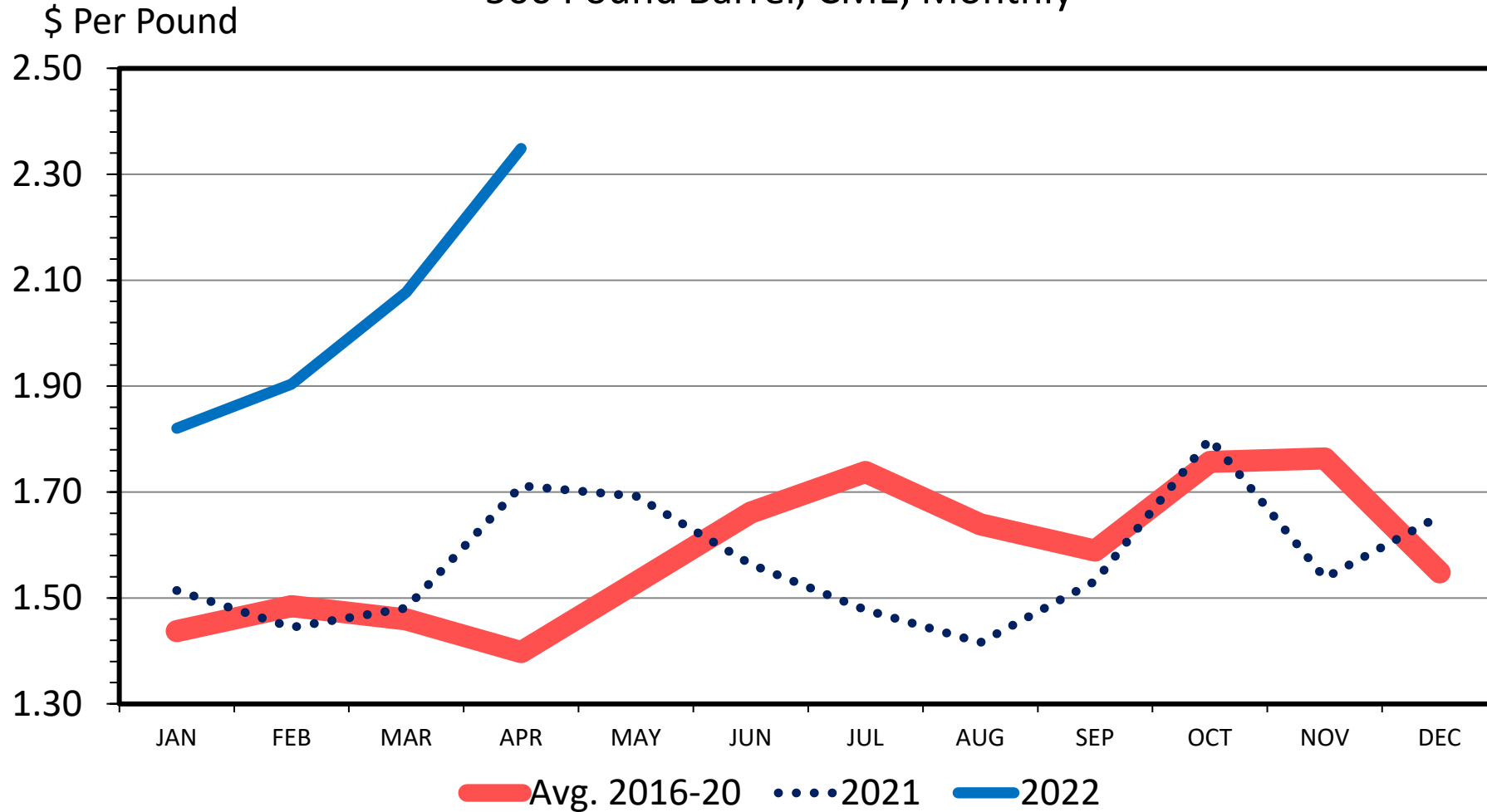


Alfalfa Prices



CHEDDAR CHEESE PRICES

500 Pound Barrel, CME, Monthly



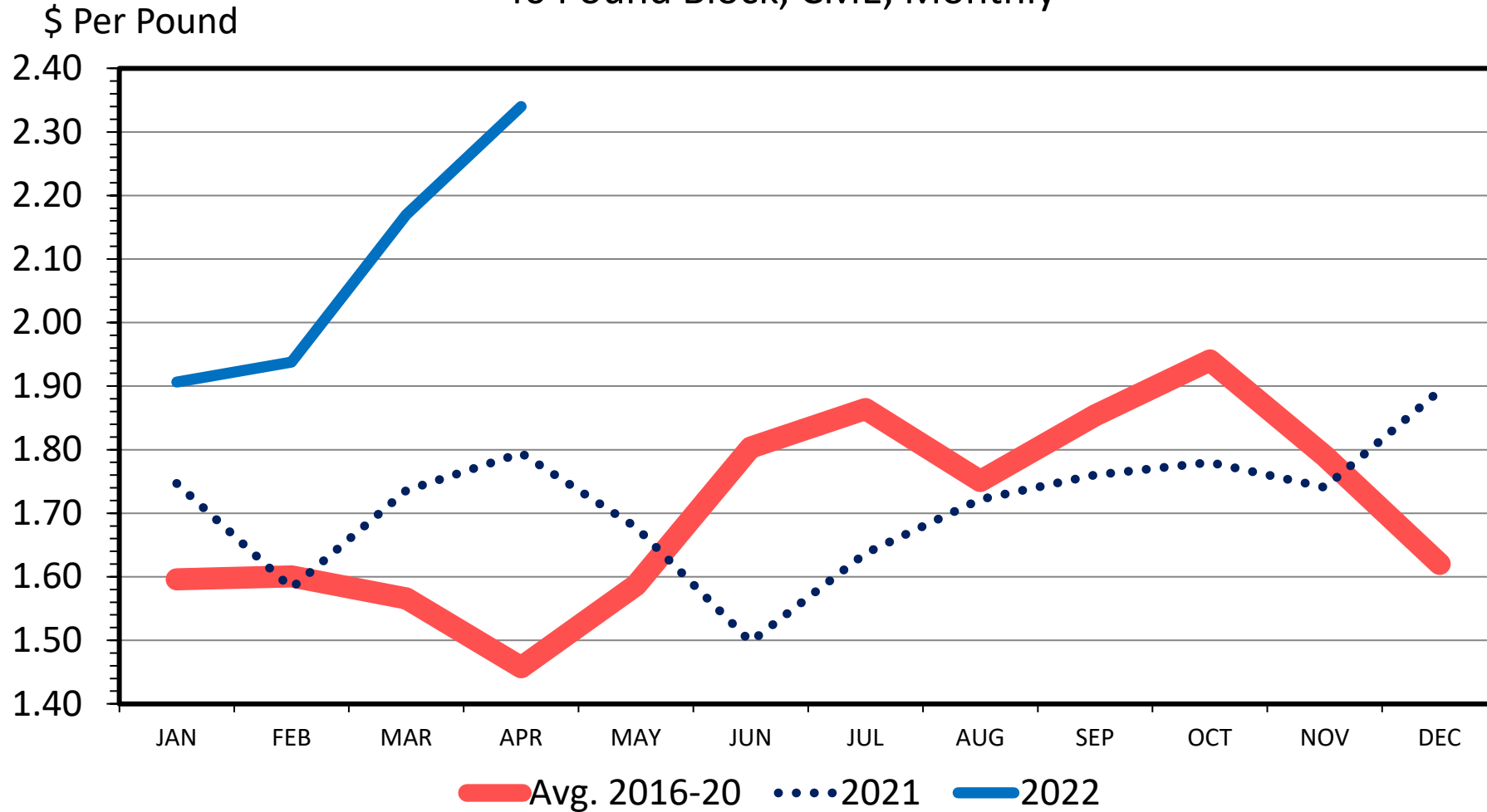
Data Source: USDA-AMS, Dairy Market News

05/06/22

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CHEDDAR CHEESE PRICES

40 Pound Block, CME, Monthly



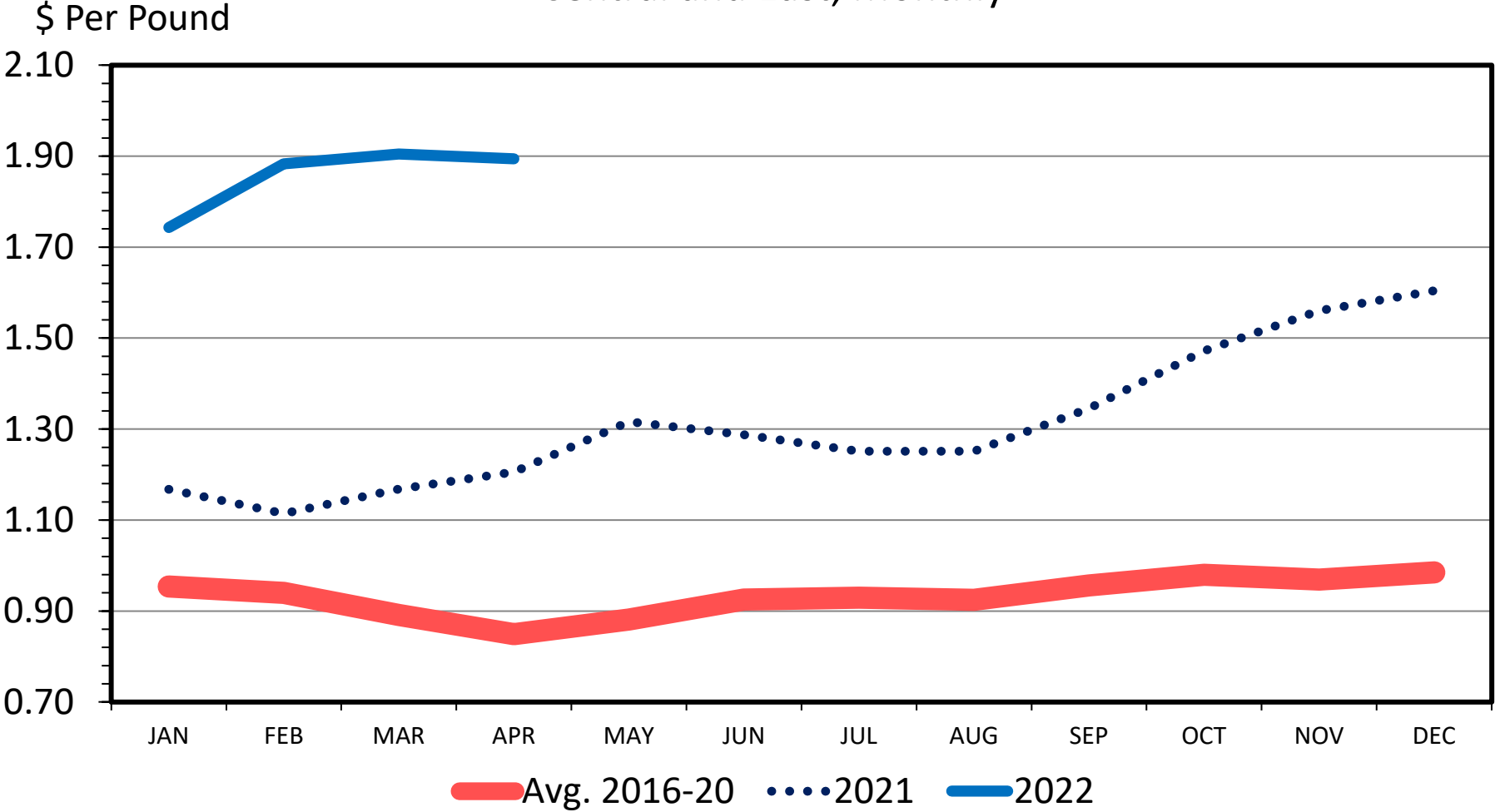
Data Source: USDA-AMS, Dairy Market News

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NONFAT DRY MILK PRICES

Central and East, Monthly



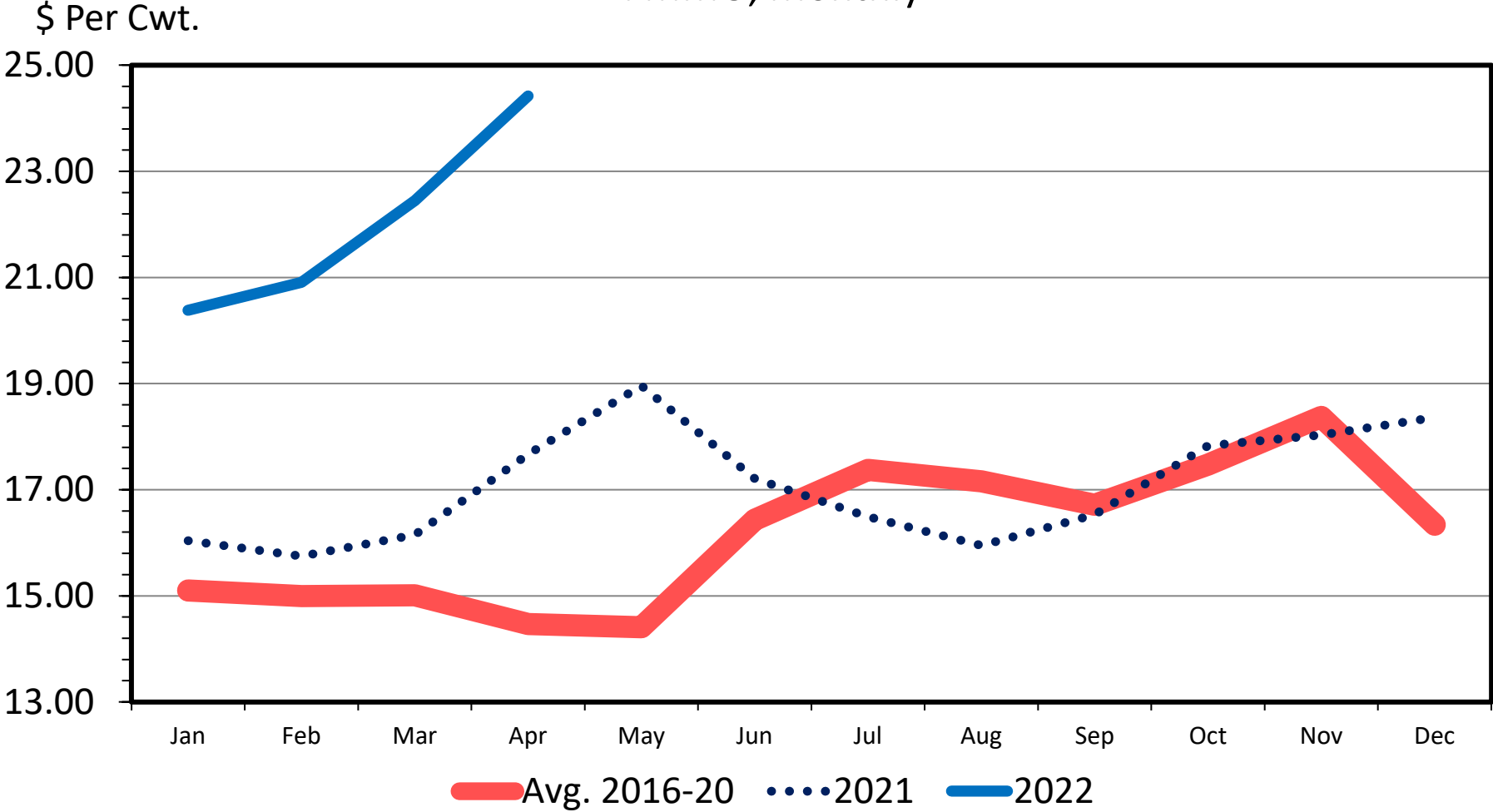
Data Source: USDA-AMS, Dairy Market News

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CLASS III MILK PRICES

FMMO, Monthly



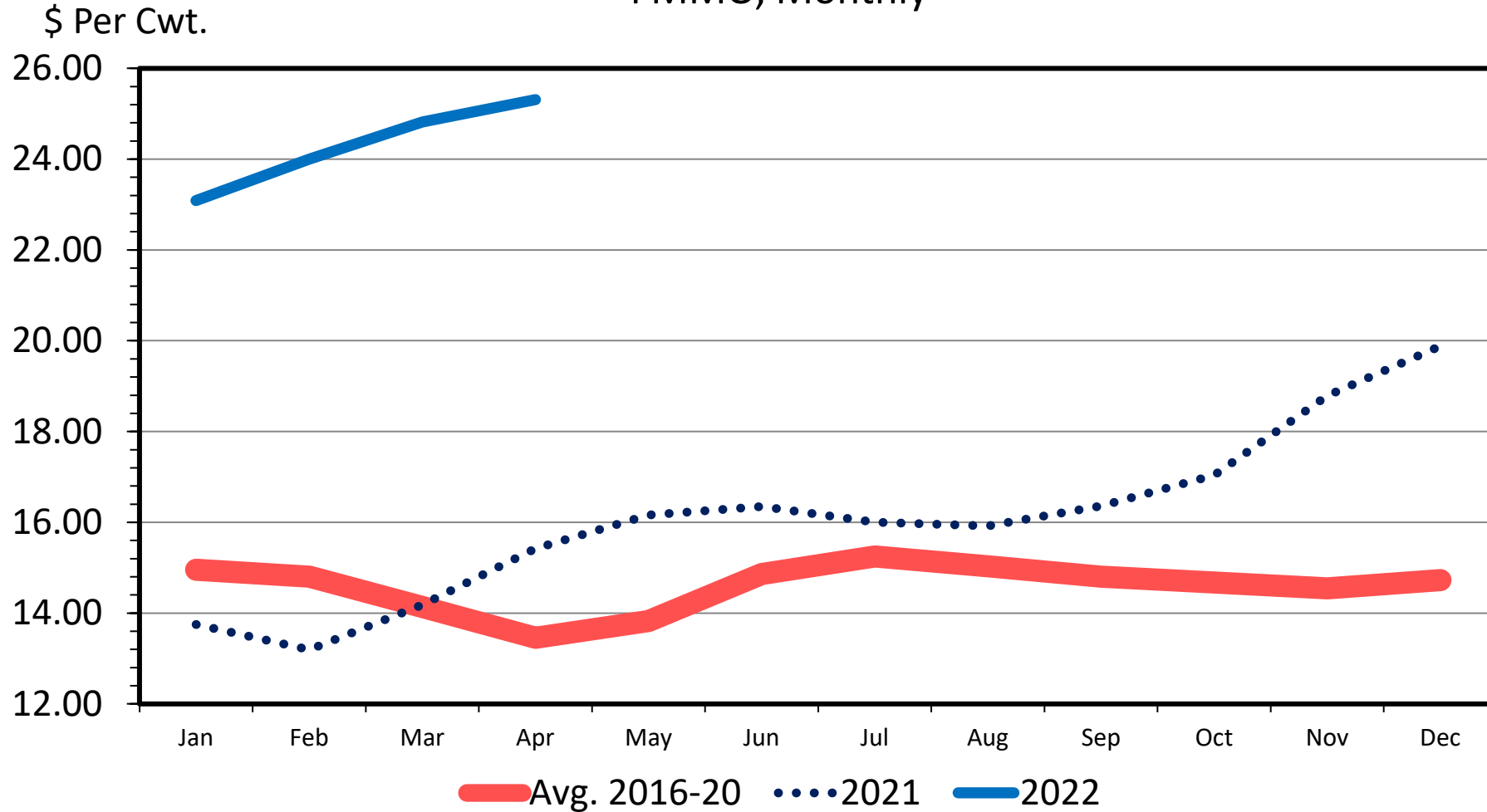
Data Source: USDA-AMS, Dairy Market News

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CLASS IV MILK PRICES

FMMO, Monthly



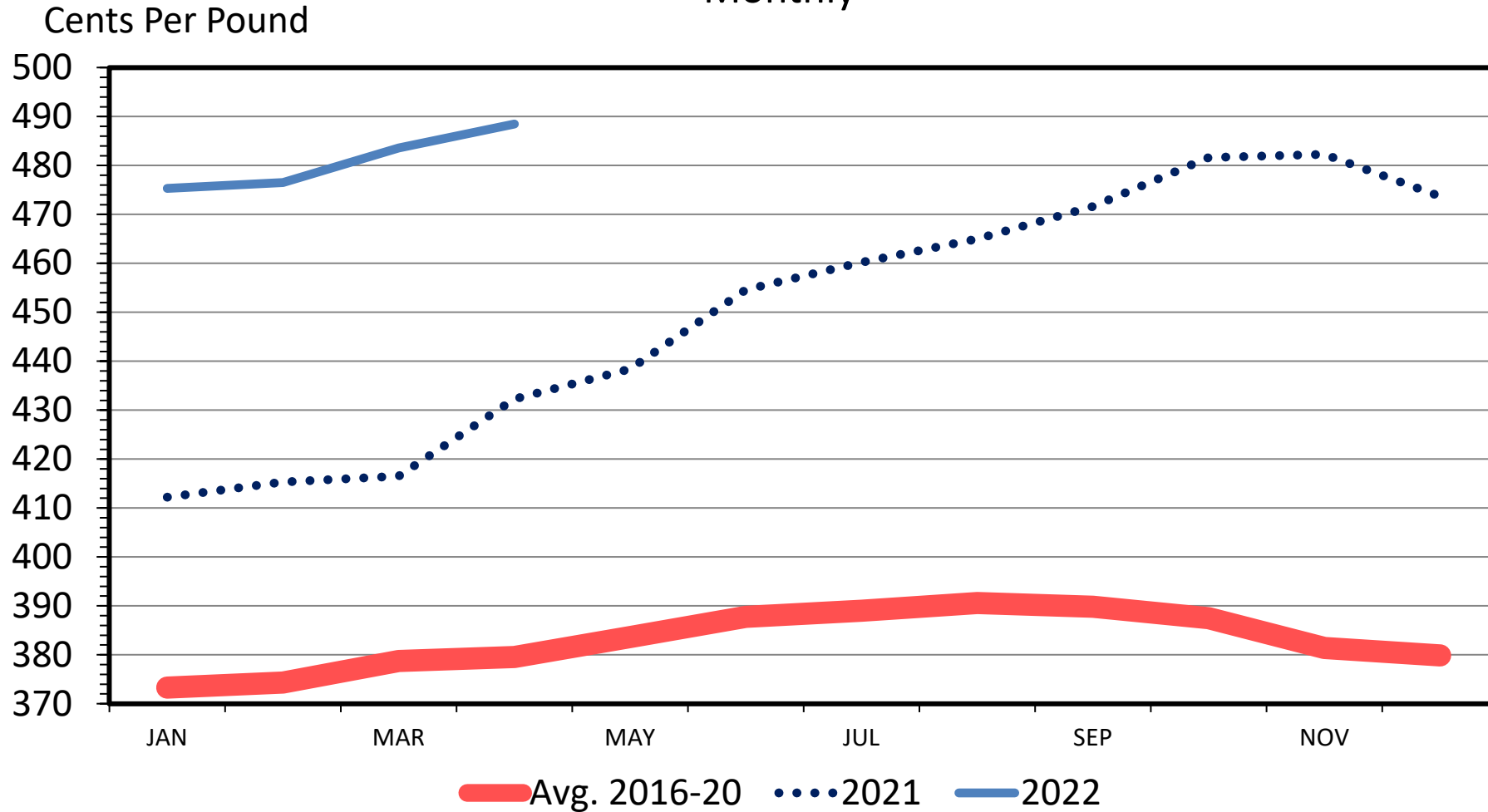
Data Source: USDA-AMS, Dairy Market News

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RETAIL PORK PRICE

Monthly



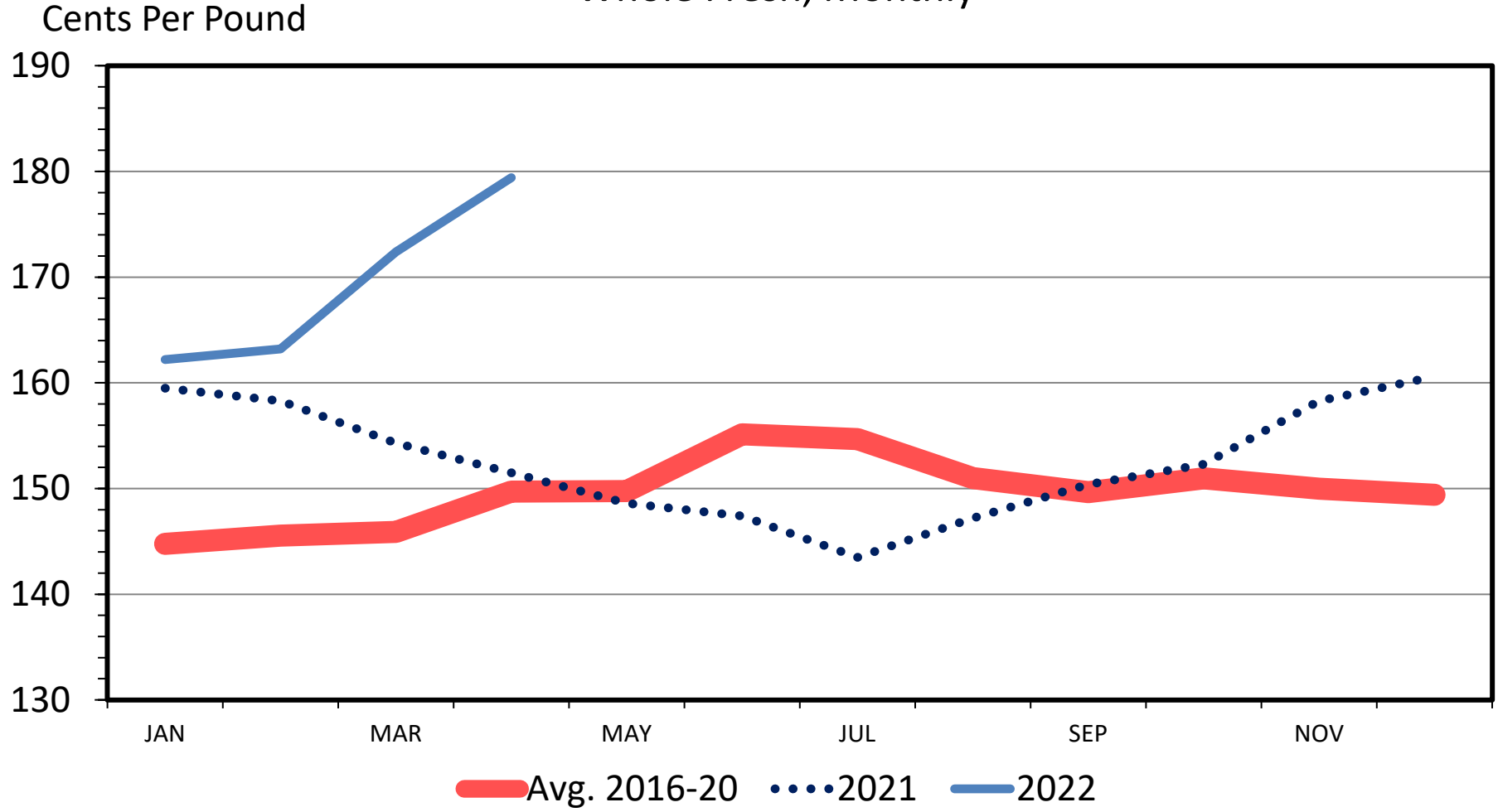
Data Source: Bureau of Labor Statistics & USDA-ERS

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M-P-05
05/11/22

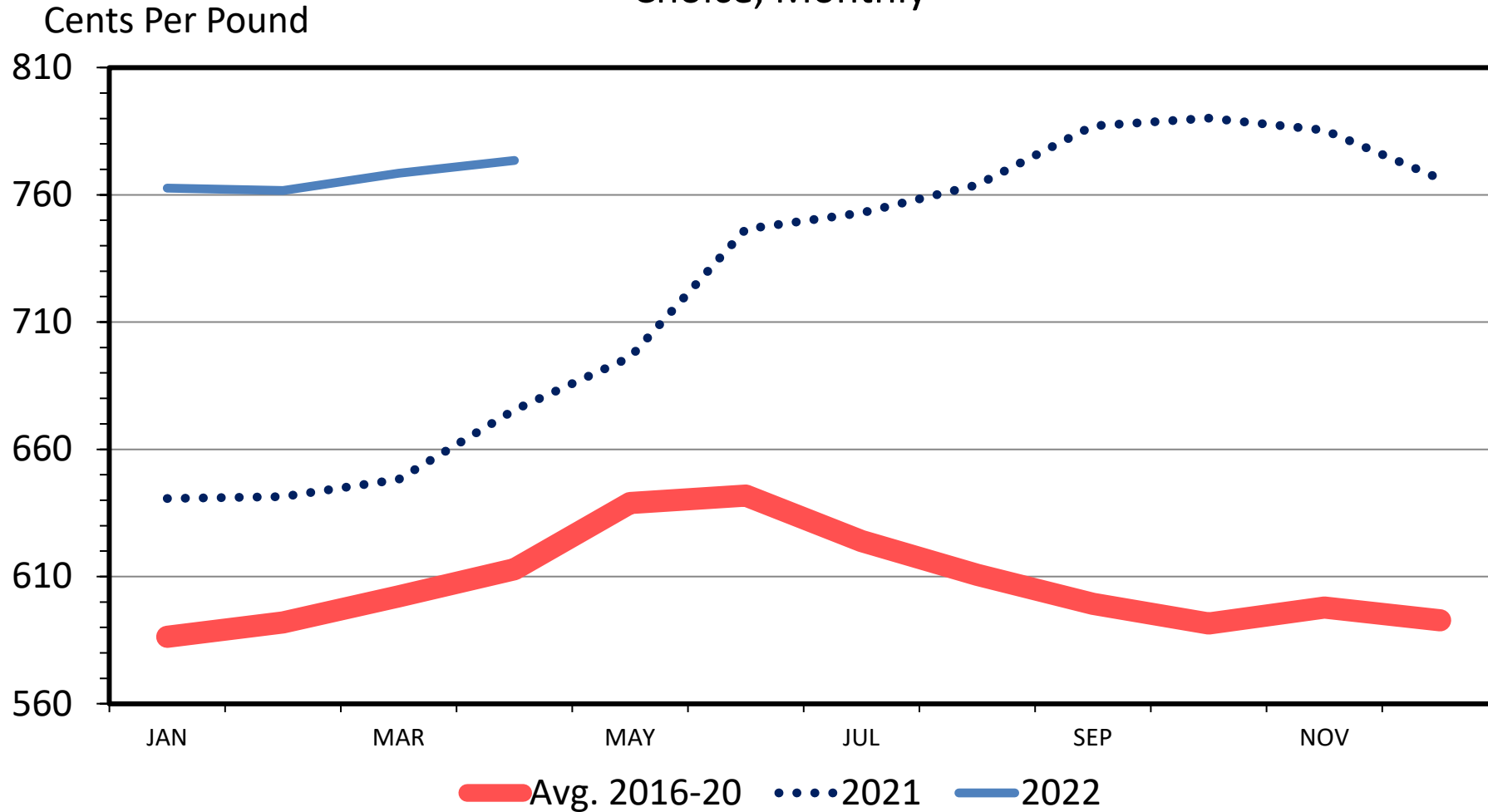
RETAIL CHICKEN PRICE

Whole Fresh, Monthly



RETAIL BEEF PRICE

Choice, Monthly



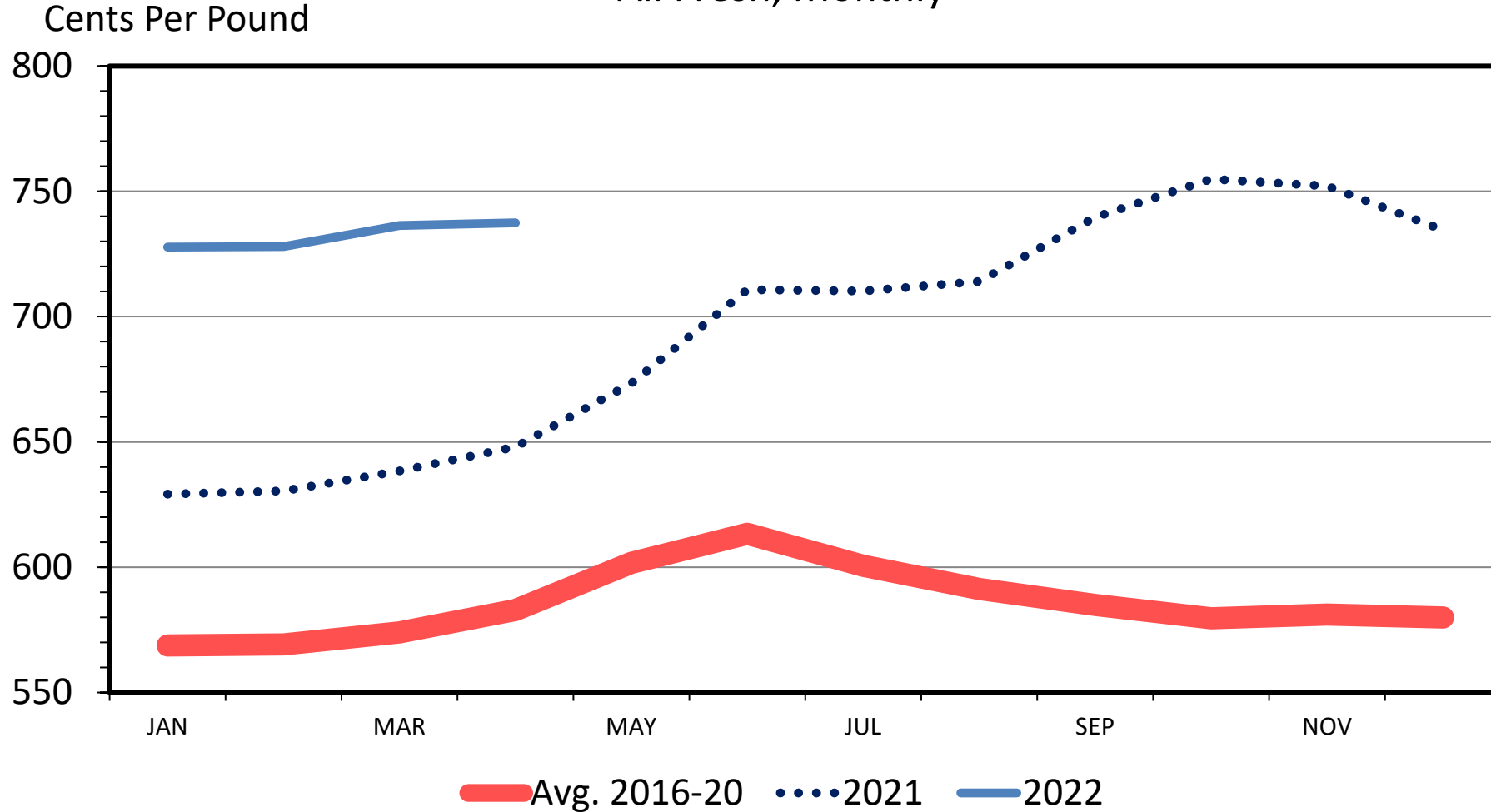
Data Source: Bureau of Labor Statistics & USDA-ERS

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M-P-09
05/11/22

RETAIL BEEF PRICE

All Fresh, Monthly



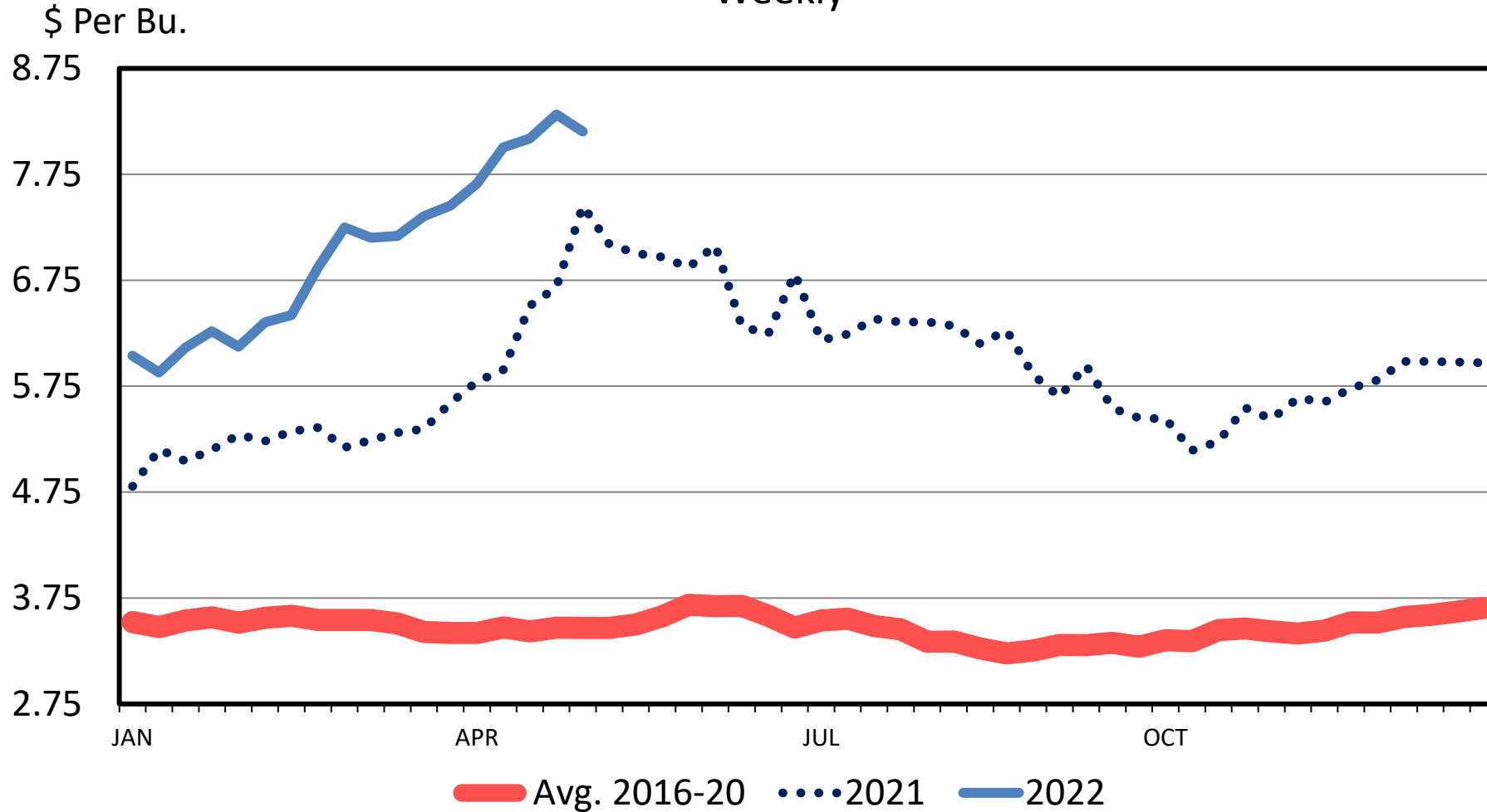
Data Source: Bureau of Labor Statistics & USDA-ERS

Livestock Marketing Information Center

M-P-11
05/11/22

OMAHA CORN PRICES

Weekly



Data Source: USDA-AMS

Livestock Marketing Information Center

G-P-02
05/06/22

Agriculture Impacts of Ukraine War

Brandon Willis

1

Wheat Futures Are the Hottest Stock on Wall Street

The Russian invasion of Ukraine arrived when global supply chains were already feeling the COVID shock, leading to wheat being a hot commodity.

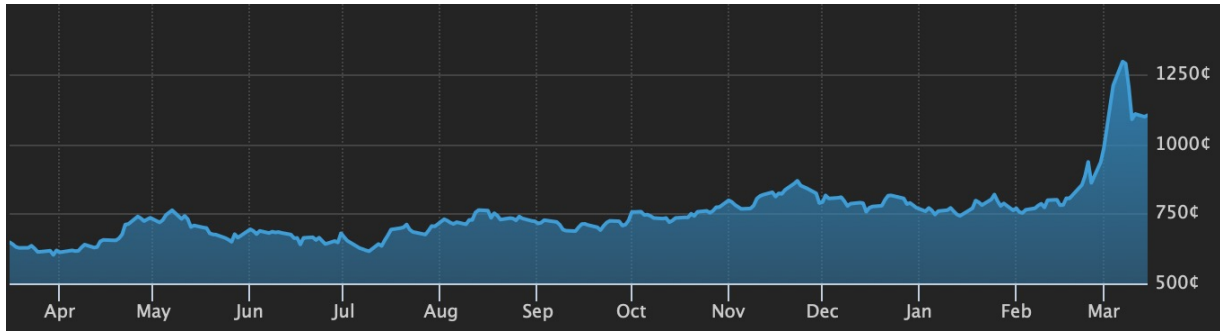
Wheat futures are soaring. Food prices could be next

By [Danielle Wiener-Bronner](#) and [Vanessa Yurkevich](#), [CNN Business](#)

Updated 6:44 PM ET, Tue March 1, 2022

2

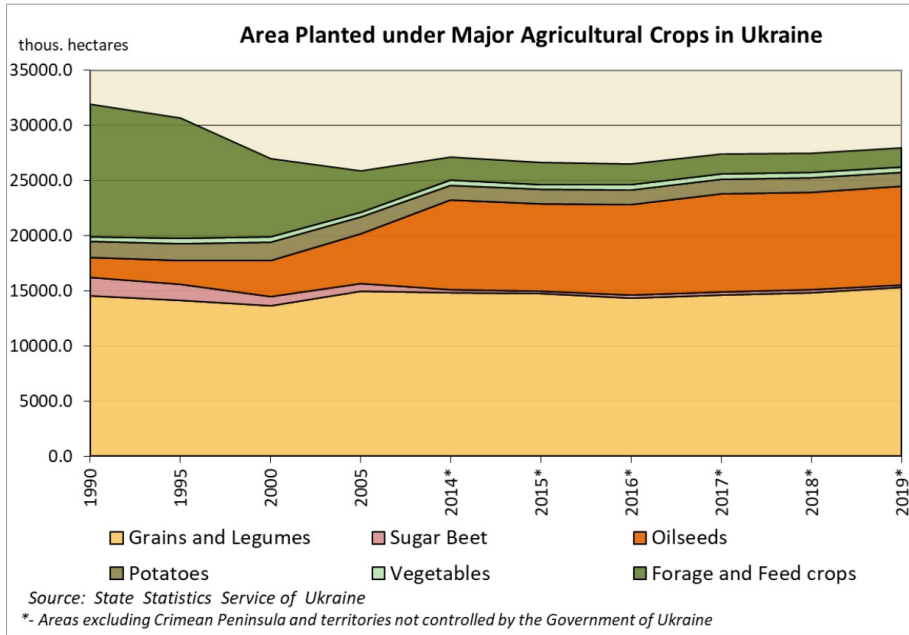
Wheat Futures Prices



Source: <https://www.wsj.com/market-data/quotes/futures/W00>

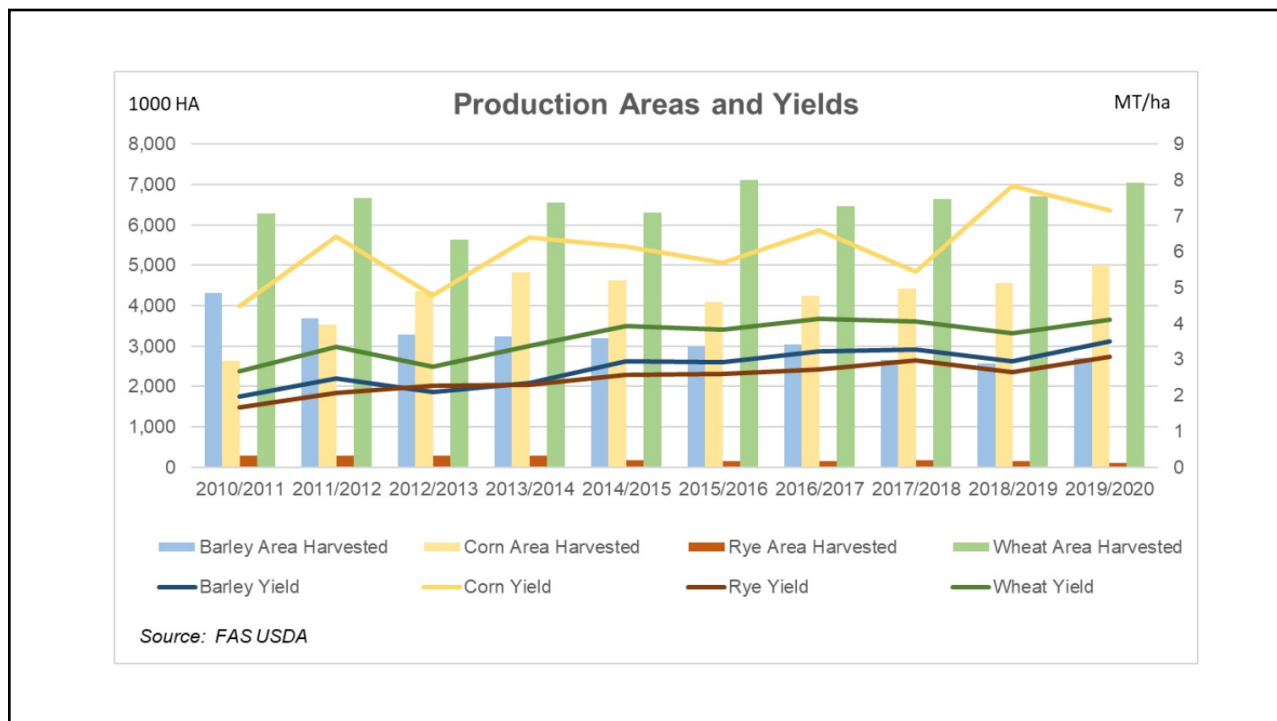
3

Area Planted under Major Agricultural Crops in Ukraine



Source: State Statistics Service of Ukraine
*- Areas excluding Crimean Peninsula and territories not controlled by the Government of Ukraine

4



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Exports

- Ukraine exported \$27 billion in agricultural products in 2021
- For comparison the top U.S. state was CA with around \$20 billion
- **Where did their exports go?**
 - \$7.6 billion EU-27
 - \$4.2 billion China
 - \$2 billion India
 - \$1.5 Egypt
 - \$1.5 Turkey

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Exports

- Corn: \$5.8 billion
- Sunflower seed: \$5.7 billion
- Wheat: \$5.1 billion
- Canola: \$1.7 billion
- Barley: \$1.3 billion
- Sunflower meal: \$1.2 billion

7

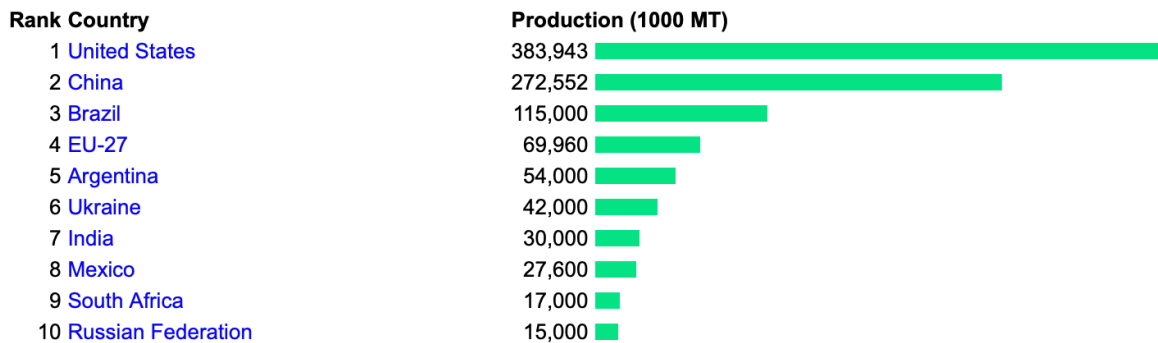
Ukraine – Crop Calendar



Source: <https://www.fb.org/market-intel/ukraine-russia-volatile-ag-markets>

8

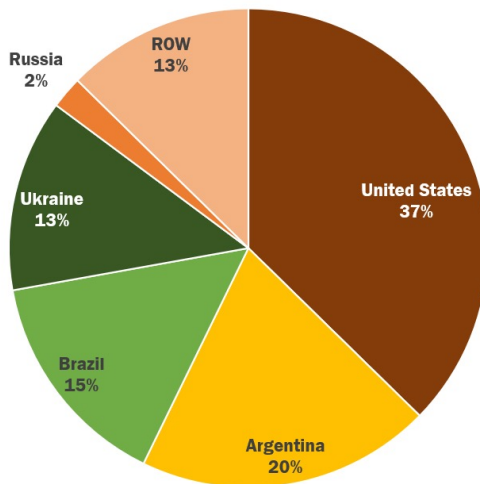
Top 10 Corn Producing Countries



Source: <https://www.indexmundi.com/agriculture/?commodity=corn&graph=production>

9

Figure 1. 2020/21 Trade Year World Corn Exports



Source: USDA FAS PSD, Farm Bureau Calculations

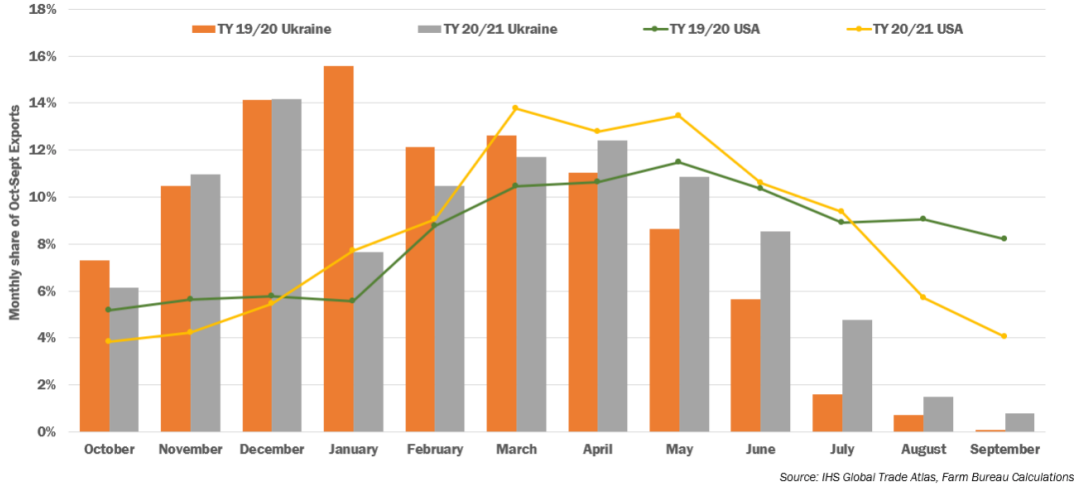


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Figure 2. Ukraine and U.S. Corn Exports by Month (HS 100590)

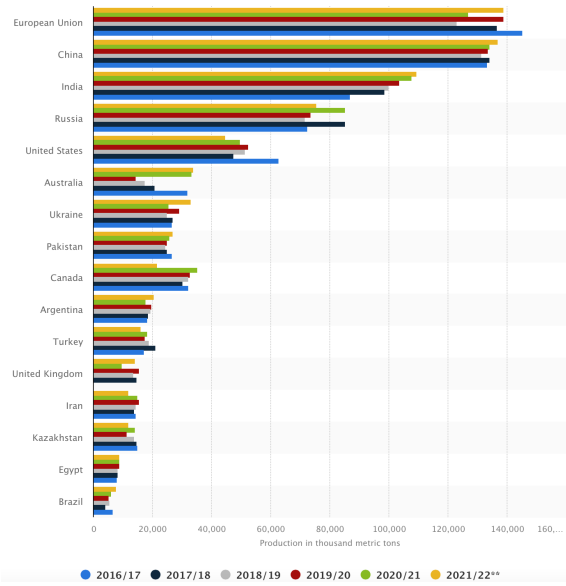


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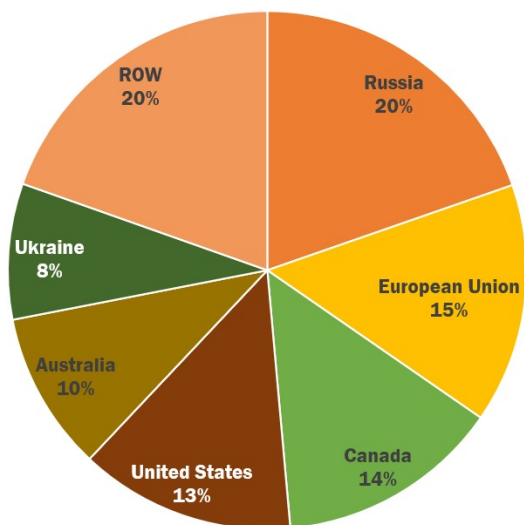
11

**Leading Wheat Producers
(in 1,000 metric tons)**



12

Figure 3. 2020/21 Trade Year World Wheat Exports



Source: USDA FAS PSD, Farm Bureau Calculations

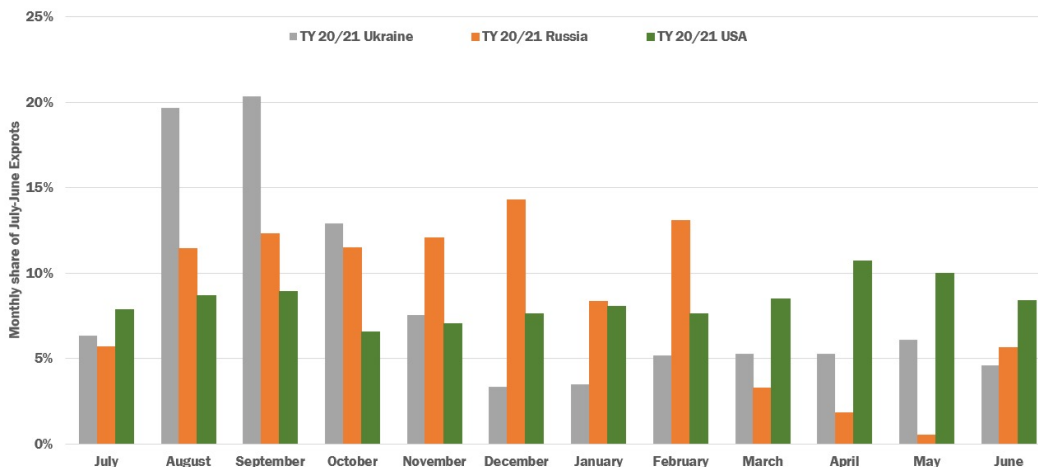


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Figure 4. Ukraine, Russia and U.S. Wheat Exports by Month (HS 100199)



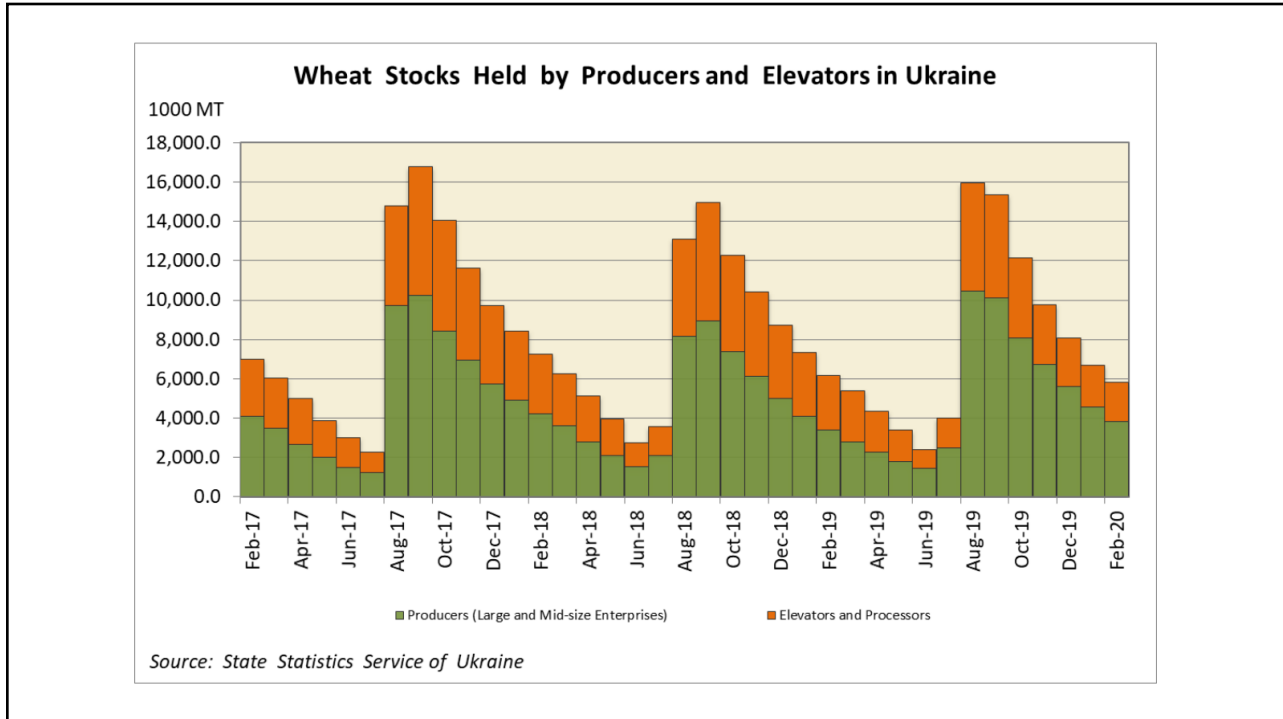
Source: IHS Global Trade Atlas, Farm Bureau Calculations



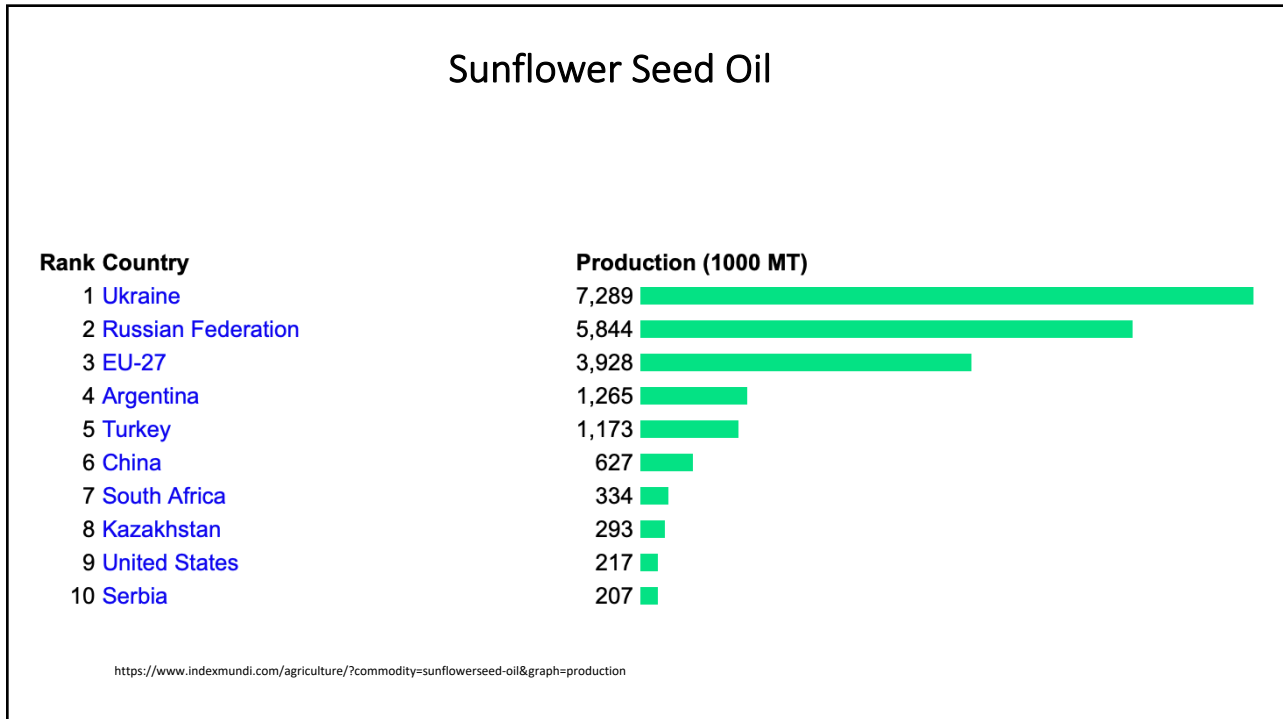
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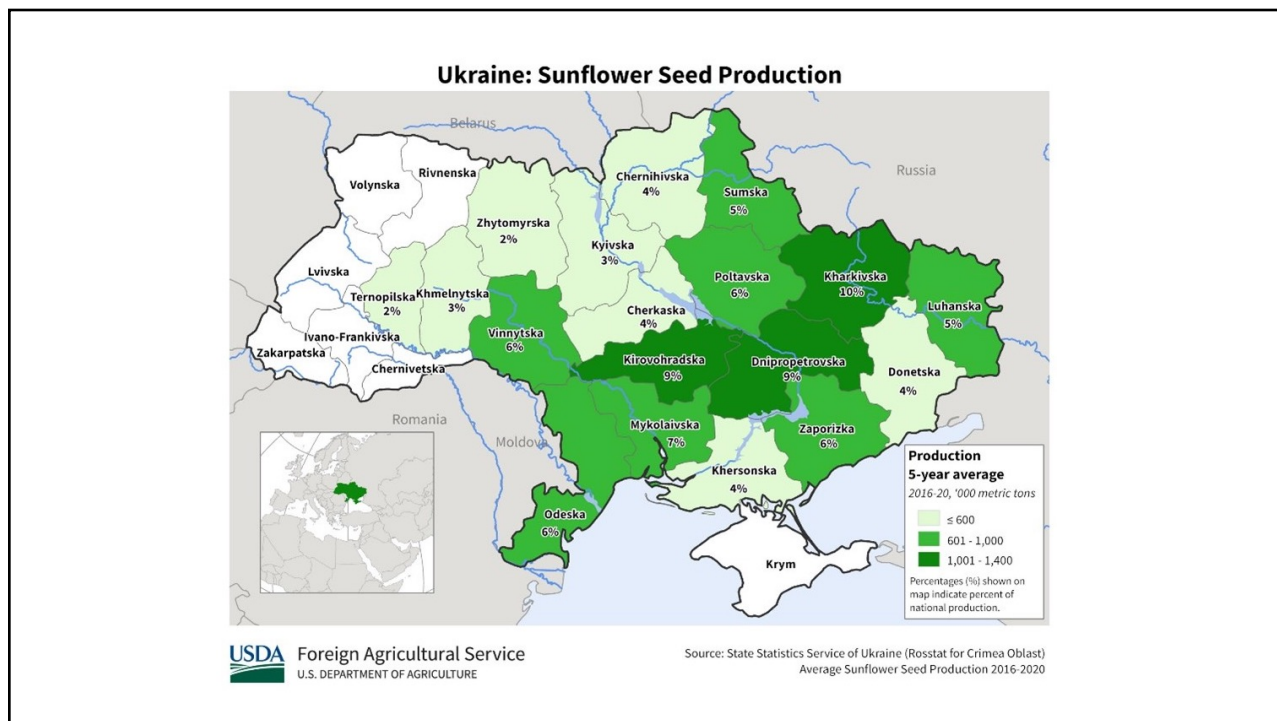
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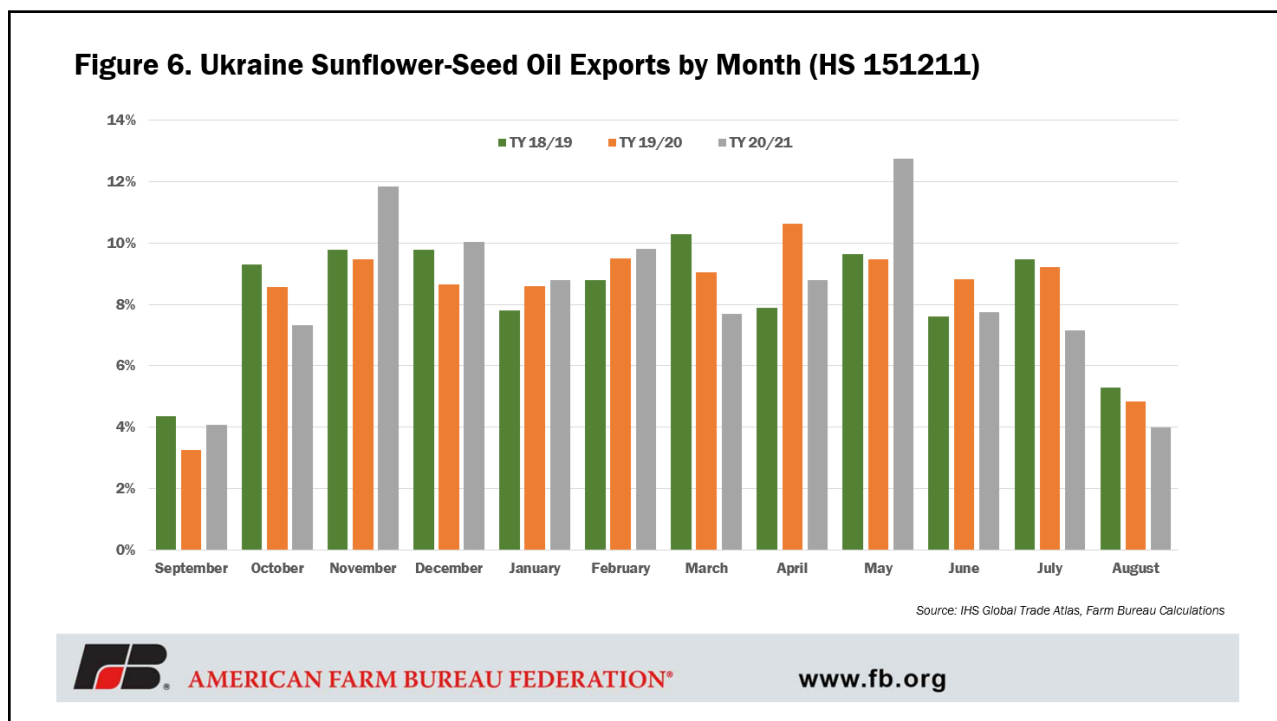
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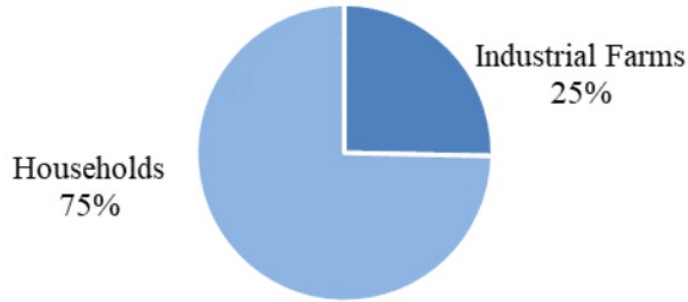


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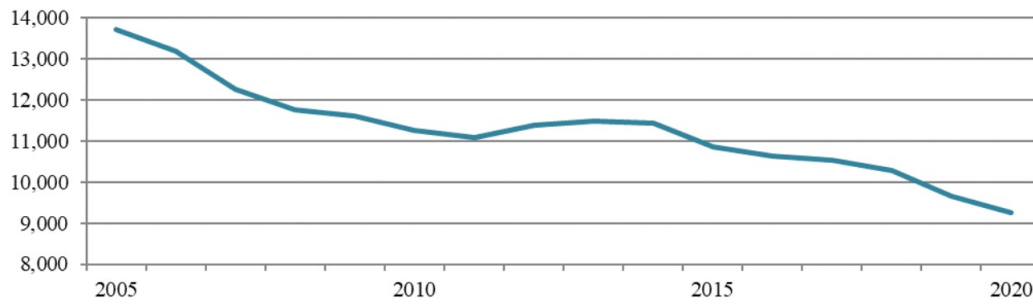
**Figure 1. Dairy Cow Inventory Composition
(as of January 1, 2021)**



Source: Ukraine's State Statistics Service

19

Figure 2. Fluid Milk Production*, 1000 MT



*Source: State Statistics Service of Ukraine;
Including Crimea

20

Apples

Rank	Country	Production (MT)
1	China	45,000,000
2	EU-27	11,877,050
3	United States	4,607,646
4	Turkey	4,286,000
5	India	2,300,000
6	Iran, Islamic Republic Of	2,241,100
7	Russian Federation	1,540,000
8	Brazil	1,223,000
9	Ukraine	1,154,000

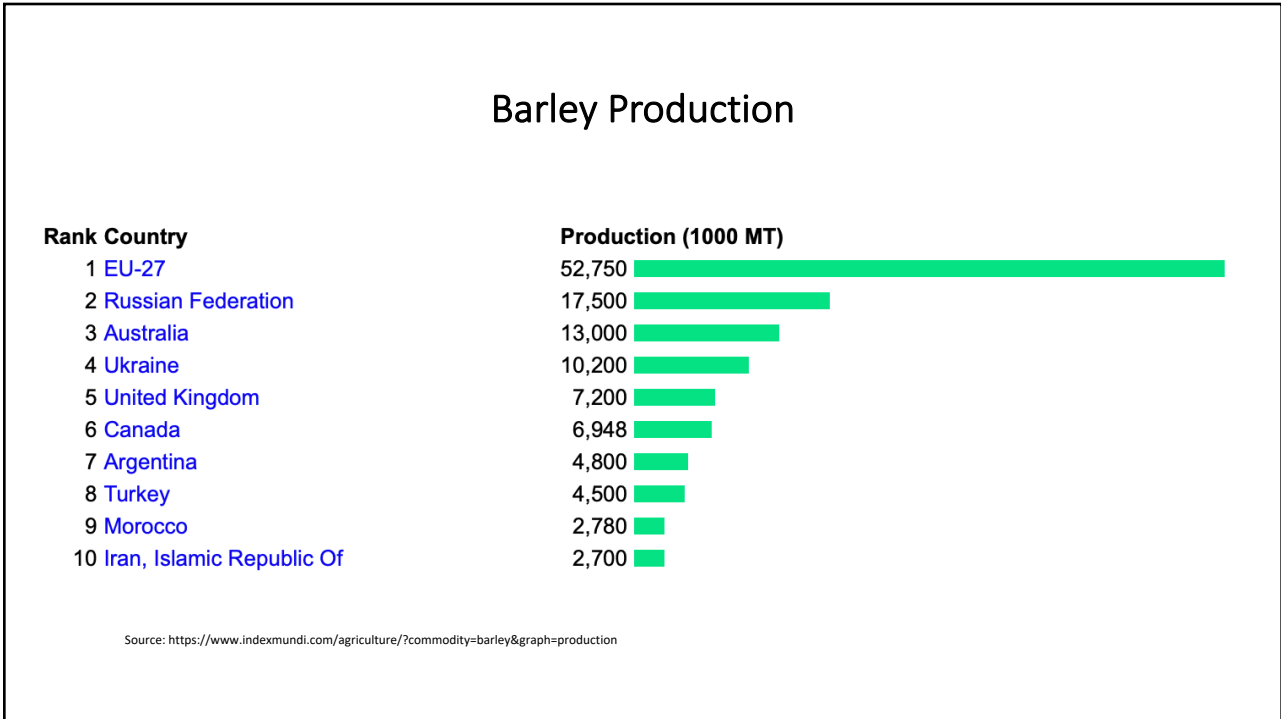
Source: <https://www.indexmundi.com/agriculture/?commodity=apples&graph=production>

21

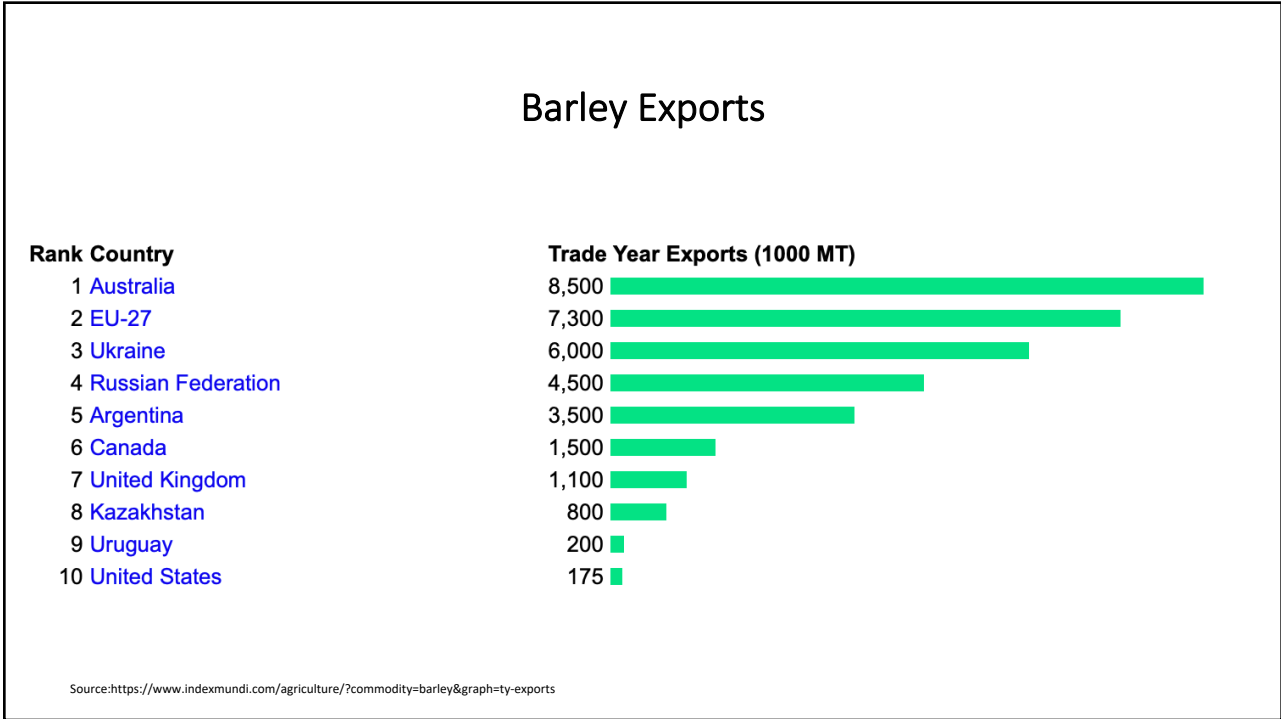
Top Buckwheat Producing Countries In The World

Rank	Country	Area harvested (ha)	Production (tonnes)
1	Russia	712,047	700,000
2	People's Republic of China	708,000	661,764
3	Ukraine	136,700	167,440
4	France	30,100	111,300
5	Poland	62,710	83,499
6	United States	78,000	83,000
7	Brazil	49,000	64,000
8	Kazakhstan	64,600	46,500
9	Lithuania	37,400	35,600
10	Japan	59,900	31,100

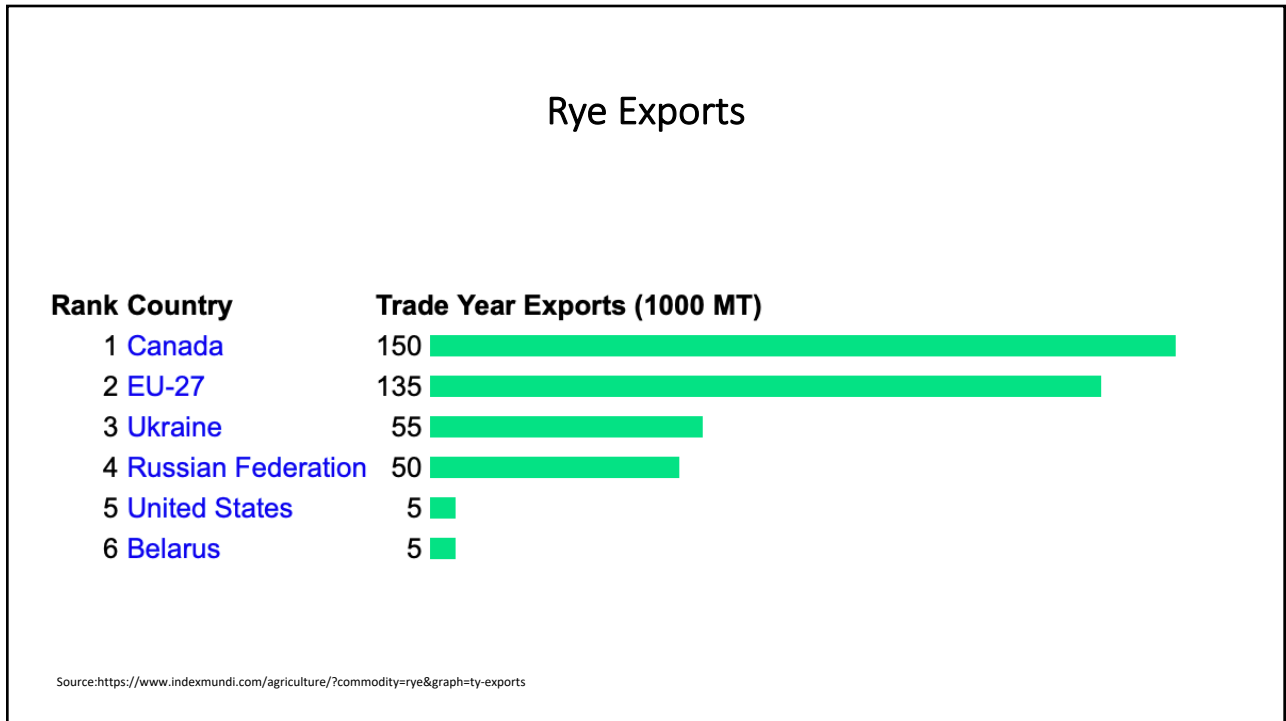
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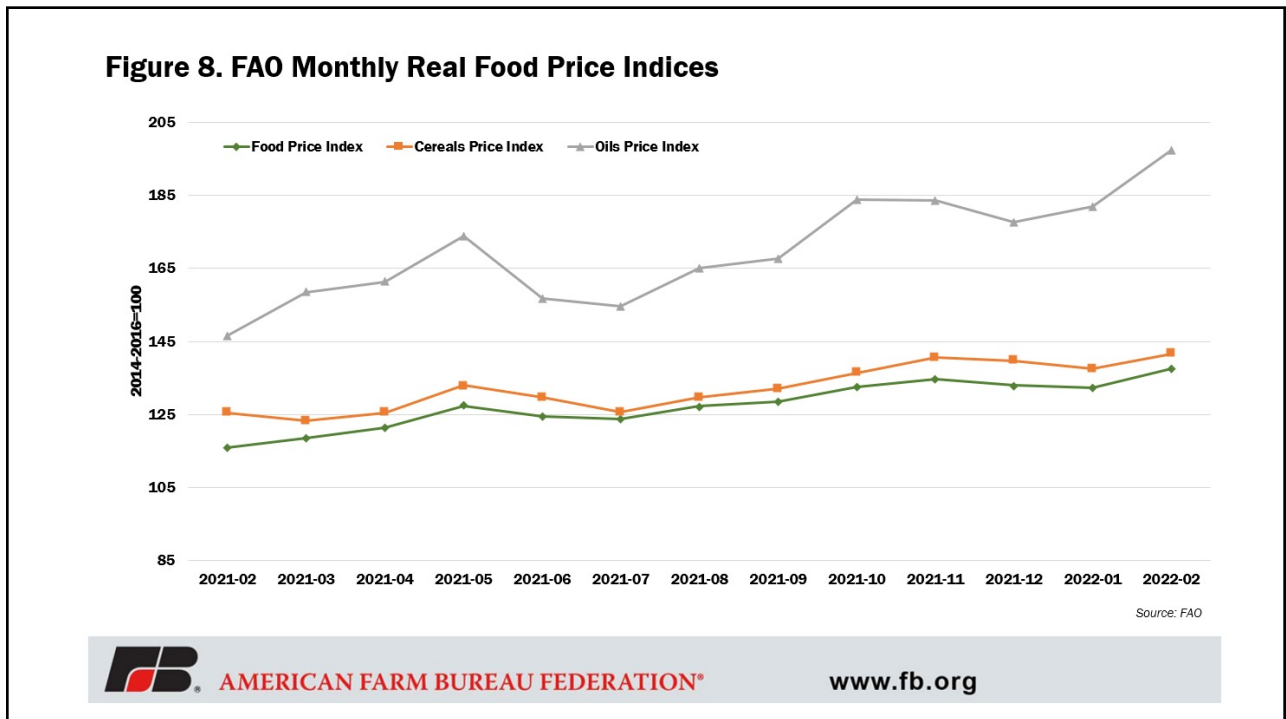
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25



26

25 Year Wheat Futures



Source: <https://tradingeconomics.com/commodity/wheat>

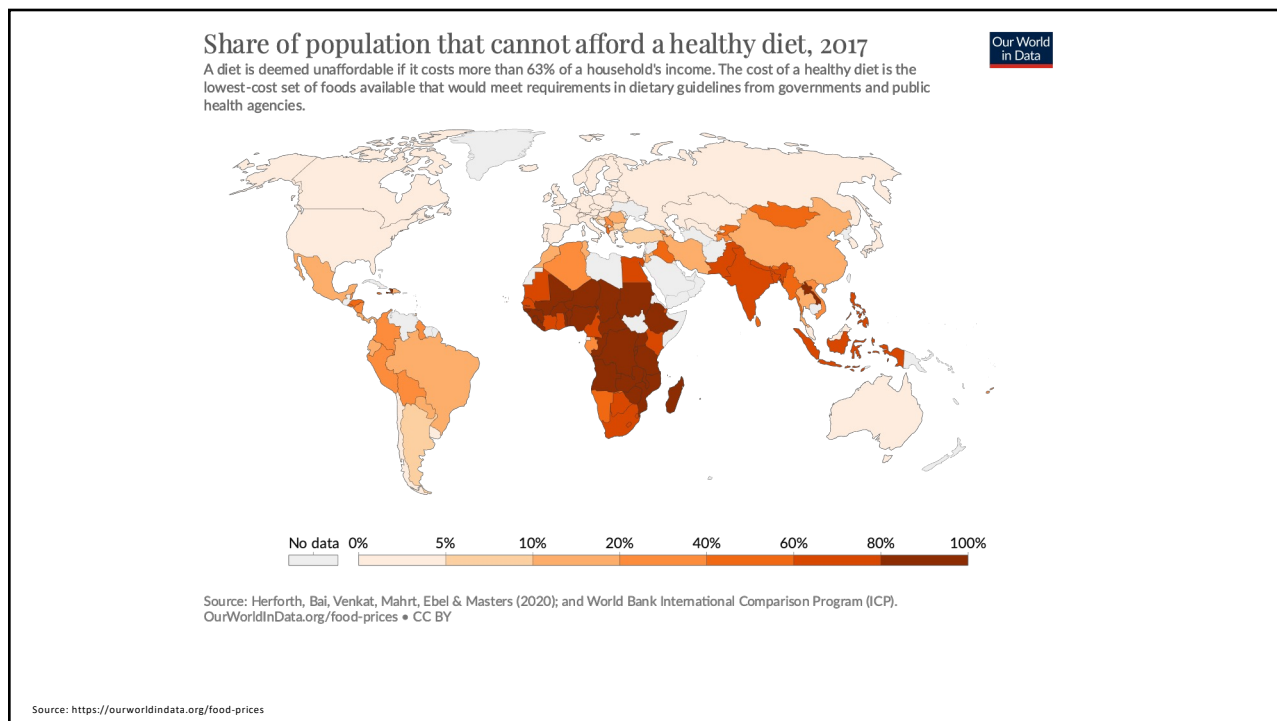
27



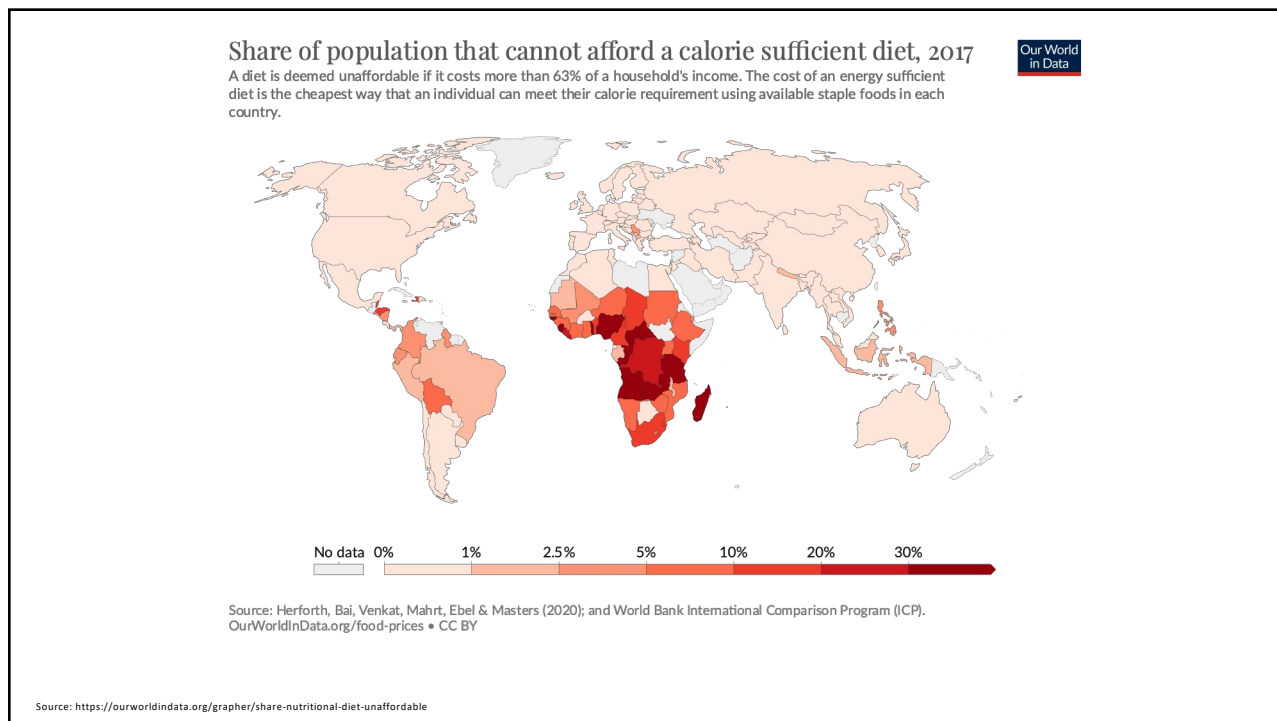
Wholesale prices of oil have doubled in recent weeks

Source: <https://www.independent.co.uk/life-style/food-and-drink/fish-and-chips-oil-shortages-risk-shops-closing-b2065528.html>

28



29



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Livestock Risk Protection Insurance

Dr. Ryan Feuz

*Agricultural Economist and Extension Specialist
Utah State University*

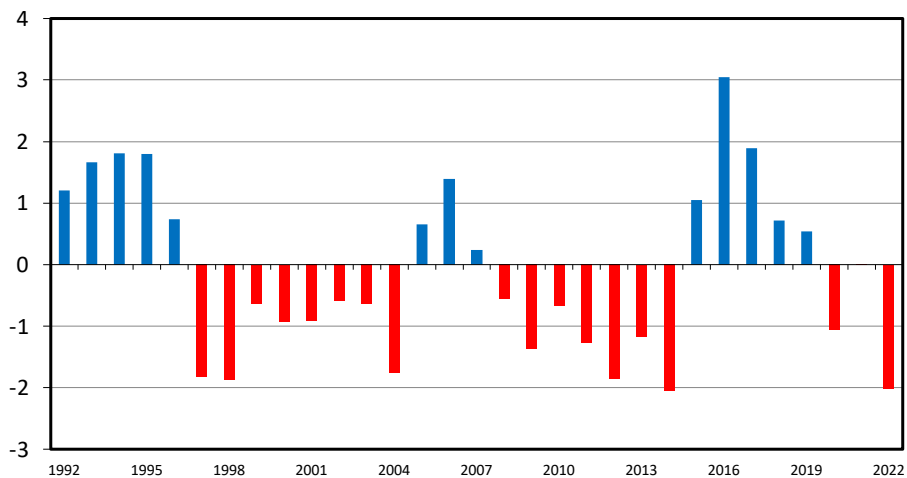


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PERCENT CHANGE IN CATTLE INVENTORY

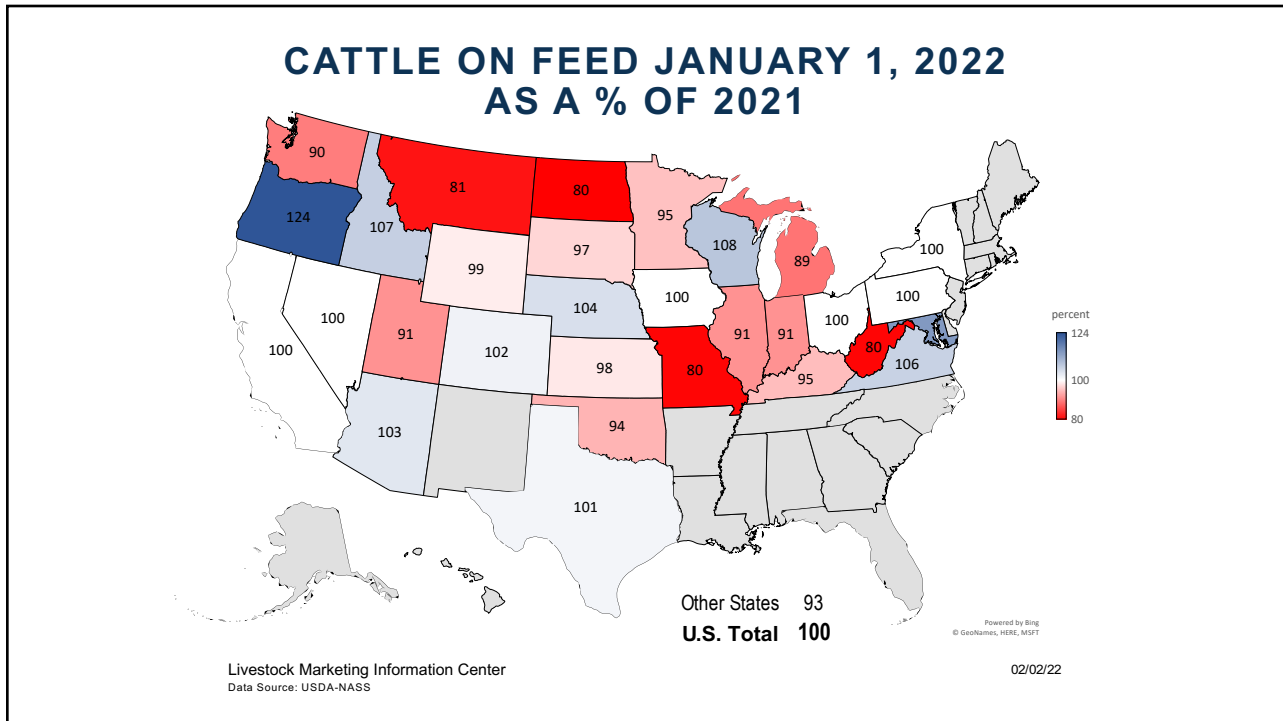
U.S., January 1



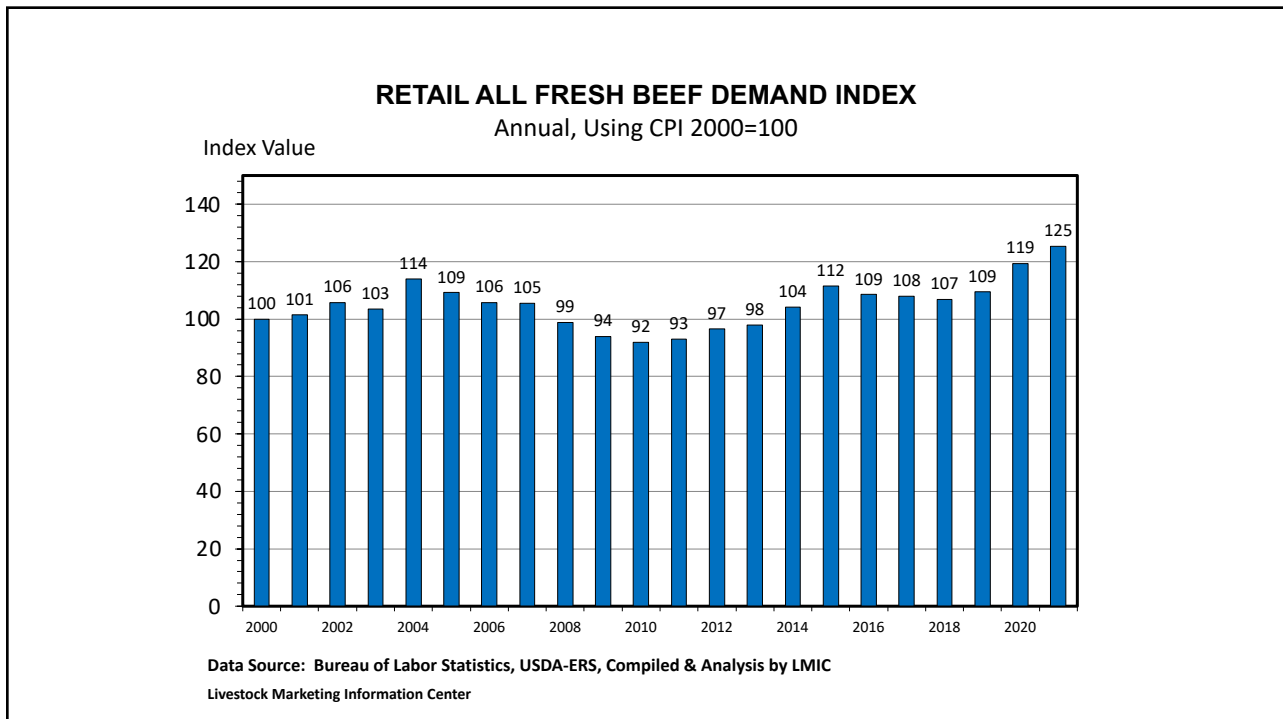
Data Source: USDA-NASS, Analysis by LMIC
Livestock Marketing Information Center

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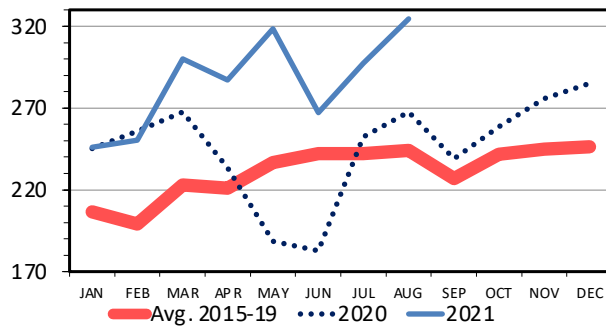
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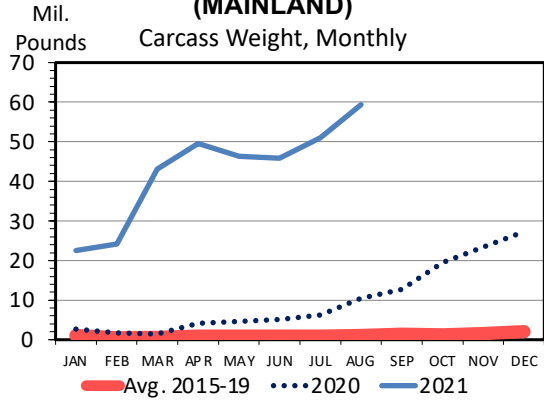
4

Exports

US BEEF AND VEAL EXPORTS
Mil. Pounds Carcass Weight, Monthly



US BEEF EXPORTS TO CHINA (MAINLAND)
Mil. Pounds Carcass Weight, Monthly



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Futures Prices



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6

Feeder Cattle Futures Prices (Aug 22)



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Livestock Price Risk Tools

- Livestock Futures and Options
- Livestock Insurance
 - Livestock Gross Margin Insurance (LGM)
 - Livestock Risk Protection (LRP)

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Livestock Risk Protection

- Price risk insurance coverage for hogs, fed cattle, and feeder cattle.
- Protects against low prices (establishes a price floor)
 - Similar to a Futures Put option but more flexible in contract size.
- 70% to 100% guarantees available for cattle and hogs
- Based on CME futures prices

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What is LRP?

- Insurance policy that protects livestock producers from unexpected price declines
 - Creates “floor” for price
- Market futures are a major factor determining available coverage prices, so LRP takes into account “expected” price changes

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What LRP is NOT

- LRP is not designed to enhance livestock producers' profits
- Does not guarantee a cash price for the cattle.
- LRP strictly protects against declines in a regional/national cash price index (based on futures market).
- The idea is if prices in the region used to calculate the index rise, then prices in other regions should also have increased, and the same holds true for price declines.
- LRP does not protect against mortality, physical damage, disease, individual marketing decisions, local price aberrations or any other cause of loss.
 - In other words, LRP does not protect against any type of production risk.

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LRP – Feeder Cattle

- Available coverage prices range approximately 70-100% of Chicago Mercantile Exchange (CME) futures price
- Policies generally available for the following weekly lengths

13, 17, 21, 26, 30, 34, 39, 43, 47, 52
- Policy Size: 1 to **6,000** head per Specific Coverage Endorsement (SCE)
- **12,000**/head maximum per producer per year (July 1–June 30)

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LRP-Subsidies

- LRP premiums subsidized
 - Prior to 2019, the premium subsidy was a flat 13% regardless of the selected coverage length or level.
 - Since 2019, a series of changes have been implemented that have greatly increased the subsidy rate and allowed for it to vary inversely with the coverage level selected.

Current Subsidy Levels For LRP Coverage

Coverage Level	Subsidy
95-100%	35%
90-95%	40%
85-90%	45%
80-85%	50%
70-80%	55%

Prior to initial change in 2019, all levels were evenly subsidized at 13%

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How do I buy LRP?

- 1) File LRP insurance application with a certified agent to establish eligibility in advance
SS#/employer ID, Demonstrate Substantial Beneficial Interest (minimum of 10% ownership of animals)
- 2) Watch available prices & premiums, they change daily, valid from 5 PM to 10 AM (eastern time) next business day
- <https://public.rma.usda.gov/livestockreports/main.aspx>
- 3) All coverage periods may not be available due to insufficient market data
- 4) When you like what you see, file a Specific Coverage Endorsement (SCE) with your agent

You must own livestock when filing SCE

Agent Locator: <https://prodwebnlb.rma.usda.gov/apps/AgentLocator/#!/>

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What is the SCE?

- Specific Coverage Endorsement (SCE) specifies:
 - 1) Actual Coverage Price (chosen price floor)
 - 2) Ending Period (date actual price calculated)
 - 3) Number (and type) of animals
 - 4) Target Weight at ending period
 - 5) Premium due (after subsidy)

RMA may terminate availability at any time (but not the existing policies sold)

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 05/17/2022

* See notes at bottom of page

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	Producer Premium Per CWT	End Date	Actual End Value
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$165.900	0.995300	0.036184	6.003	3.90	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$163.900	0.983300	0.030134	4.939	3.21	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$161.900	0.971300	0.024855	4.024	2.62	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$159.900	0.959300	0.020194	3.229	2.10	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$157.900	0.947300	0.016168	2.553	1.53	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$155.900	0.935300	0.012797	1.995	1.20	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$153.900	0.923300	0.010266	1.580	0.95	08/16/2022	
49	Utah	998 All Counties	0801 Feeder Cattle	810 Steers Weight 2	208 Endorsement Ending in August Yr1	2022	166.679	\$151.900	0.911300	0.008236	1.251	0.75	08/16/2022	

Feeder Example

Insured value and premium calculations for LRP-Feeder Cattle

1.	Number of head	100
2.	Target Weight at end date (cwt. Per head)	7.00
3.	Coverage price	\$175.00
4.	Insured Share	100%
5.	Total Insured Value	\$122,500
6.	Rate	0.02087
7.	Total Premium	\$2,556.58
8.	Subsidy Rate	35%
9.	Subsidy	\$894.80
10.	Total Producer Premium	\$1,661.78

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Feeder Example

1.	Number of head	100
2.	Target Weight at end date (cwt. Per head)	7.00
3.	Coverage price	\$175.00
4.	Actual ending value	\$185.76
5.	Coverage price minus actual ending value	\$10.76
6.	Insured Share	100%
7.	Total Indemnity	\$0

Indemnity = \$0
 Premium = \$1,661.78
 Difference = -\$1,661.78

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Feeder Example

1. Number of head		100
2. Target Weight at end date (cwt. Per head)		7.00
3. Coverage price		\$175.00
4. Actual ending value		\$164.31
5. Coverage price minus actual ending value		-\$10.69
6. Insured Share	Indemnity = \$7,483 Premium = \$1,661.78 Difference = \$5,821.22	100%
7. Total Indemnity		\$7,483

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Optimal coverage length and level

- As producers turn towards this product there can be some confusion and apprehensive when selecting coverage options.
- We want to identify combinations of coverage length and coverage level for feeder weight 2 cattle that are expected to maximize the average net return as well as the probability of receiving a positive net return (NR) when using LRP insurance.



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Data

- LRP policy data from the USDA Risk Management Agency (RMA) for years 2004-2021.
- We focus exclusively on feeder cattle steers that are between 600 – 900 lbs. (feeders weight 2).

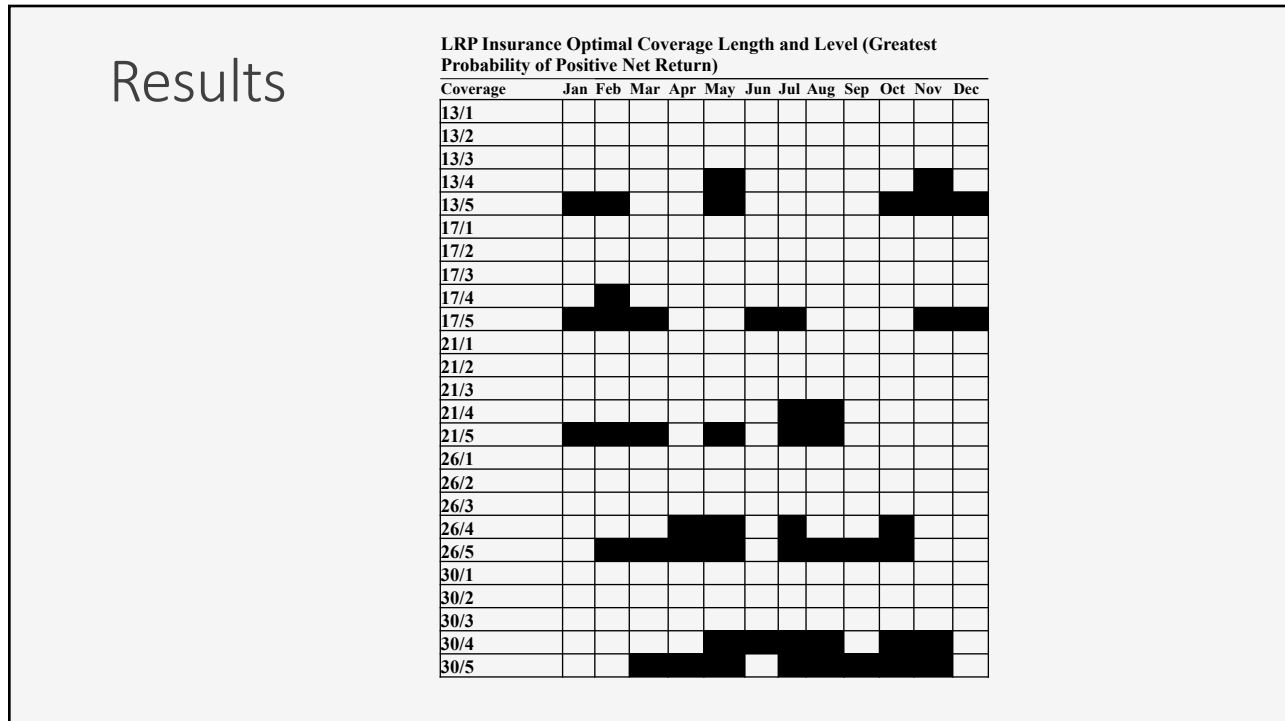


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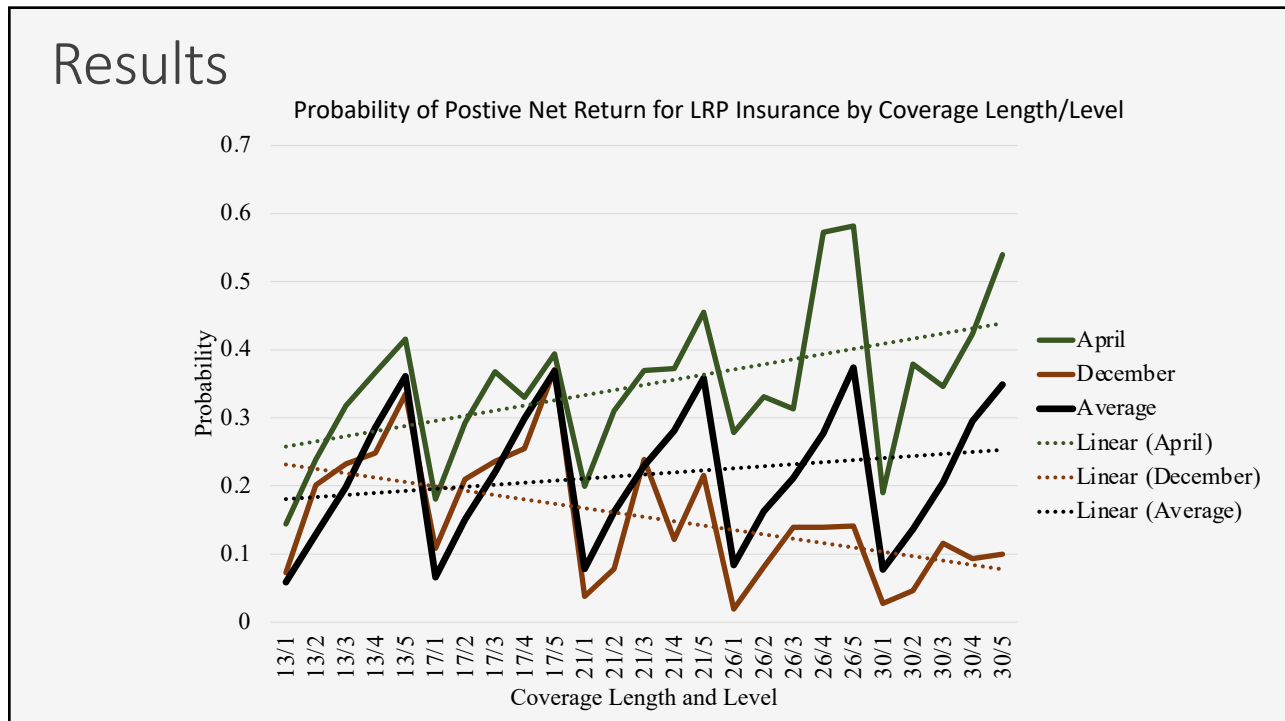
Results

Variable	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
Length/Level													
13/1	0.04		0.06	0.14	0.06	0.03	0.02	0.02	0.01	0.02	0.17	0.07	0.06
13/2	0.12	0.05	0.18	0.24	0.2	0.06	0.07	0.05	0.03	0.11	0.24	0.2	0.13
13/3	0.19	0.13	0.22	0.32	0.34	0.14	0.12	0.07	0.09	0.21	0.32	0.23	0.20
13/4	0.25	0.25	0.31	0.37	0.52	0.33	0.17	0.08	0.2	0.32	0.37	0.25	0.29
13/5	0.35	0.35	0.38	0.42	0.58	0.42	0.26	0.11	0.26	0.43	0.45	0.33	0.36
17/1	0.17	0.03	0.05	0.18	0.13	0.02	0.03	0.01	0.01	0.03	0.04	0.11	0.07
17/2	0.23	0.07	0.17	0.29	0.24	0.11	0.09	0.07	0.06	0.12	0.17	0.21	0.15
17/3	0.27	0.16	0.31	0.37	0.3	0.19	0.17	0.13	0.1	0.16	0.25	0.24	0.22
17/4	0.27	0.32	0.4	0.33	0.38	0.43	0.26	0.18	0.26	0.3	0.22	0.25	0.30
17/5	0.36	0.41	0.48	0.39	0.47	0.5	0.31	0.18	0.27	0.31	0.38	0.37	0.37
21/1	0.2	0.05	0.05	0.2	0.17	0.1	0.02	0.03	0.01	0.05	0.02	0.04	0.08
21/2	0.26	0.12	0.19	0.31	0.27	0.16	0.09	0.07	0.04	0.19	0.16	0.08	0.16
21/3	0.25	0.21	0.31	0.37	0.34	0.21	0.17	0.14	0.13	0.16	0.21	0.24	0.23
21/4	0.25	0.21	0.42	0.37	0.46	0.26	0.3	0.22	0.23	0.29	0.24	0.12	0.28
21/5	0.37	0.36	0.55	0.46	0.52	0.33	0.37	0.23	0.28	0.28	0.33	0.22	0.36
26/1	0.1	0.03	0.02	0.28	0.18	0.17	0.08	0.04	0.02	0.05	0.03	0.02	0.08
26/2	0.14	0.19	0.09	0.33	0.28	0.26	0.17	0.07	0.14	0.12	0.11	0.08	0.16
26/3	0.28	0.15	0.21	0.31	0.35	0.28	0.2	0.1	0.12	0.22	0.18	0.14	0.21
26/4	0.16	0.13	0.26	0.57	0.5	0.35	0.31	0.14	0.18	0.35	0.22	0.14	0.28
26/5	0.27	0.43	0.49	0.58	0.55	0.36	0.33	0.27	0.31	0.47	0.29	0.14	0.37
30/1	0.01			0.19	0.18	0.2	0.05	0.02	0.02	0.05	0.03	0.03	0.08
30/2	0.1	0.01	0.07	0.38	0.29	0.27	0.19	0.09	0.04	0.08	0.07	0.05	0.14
30/3	0.21	0.06	0.14	0.35	0.32	0.32	0.29	0.16	0.11	0.23	0.16	0.12	0.21
30/4	0.13	0.09	0.27	0.42	0.57	0.42	0.39	0.23	0.2	0.4	0.33	0.09	0.30
30/5	0.17	0.15	0.5	0.54	0.58	0.36	0.36	0.27	0.42	0.38	0.35	0.1	0.35
Average	0.21	0.17	0.25	0.35	0.35	0.25	0.19	0.12	0.14	0.21	0.21	0.15	0.22
Maximum	0.37	0.43	0.55	0.58	0.58	0.50	0.39	0.27	0.42	0.47	0.45	0.37	0.37

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Average Net Return of LRP Insurance by Coverage Length and Level

Length/Level	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
13/1	-\$0.37	-\$0.49	-\$0.12	\$0.99	-\$0.27	-\$0.23	-\$0.44	-\$0.44	-\$0.46	-\$0.31	\$0.16	-\$0.21	-\$0.18
13/2	-\$0.20	-\$0.58	-\$0.01	\$1.63	-\$0.05	-\$0.32	-\$0.43	-\$0.51	-\$0.63	-\$0.26	\$0.56	\$0.10	-\$0.06
13/3	\$0.04	-\$0.27	\$0.35	\$2.13	\$0.63	-\$0.12	-\$0.38	-\$0.46	-\$0.46	\$0.23	\$1.40	\$0.67	\$0.31
13/4	\$0.18	\$0.13	\$0.76	\$2.80	\$2.16	\$0.62	-\$0.27	-\$1.08	-\$0.38	\$0.74	\$1.15	\$0.33	\$0.59
13/5	\$0.88	\$0.92	\$1.14	\$3.18	\$3.47	\$1.21	-\$0.20	-\$1.84	-\$0.56	\$1.81	\$2.07	\$0.96	\$1.09
17/1	-\$0.15	-\$0.50	-\$0.51	\$1.18	\$0.21	-\$0.45	-\$0.50	-\$0.65	-\$0.69	-\$0.56	-\$0.35	-\$0.21	-\$0.27
17/2	\$0.30	-\$0.69	-\$0.43	\$1.55	\$0.66	-\$0.56	-\$0.53	-\$0.77	-\$0.75	-\$0.07	-\$0.15	\$0.60	-\$0.07
17/3	\$0.59	-\$0.22	\$0.25	\$2.56	\$1.52	-\$0.18	-\$0.34	-\$0.68	-\$0.67	-\$0.38	\$0.47	\$0.83	\$0.31
17/4	\$0.21	\$0.08	\$1.12	\$2.41	\$2.37	\$1.21	\$0.36	-\$0.72	-\$0.11	\$1.52	\$0.26	\$0.81	\$0.79
17/5	\$1.02	\$0.40	\$2.14	\$3.13	\$2.94	\$2.03	\$0.48	-\$0.97	-\$0.31	\$2.02	\$0.84	\$2.11	\$1.32
21/1	\$0.09	-\$0.50	-\$0.54	\$0.98	\$0.12	-\$0.24	-\$0.47	-\$0.66	-\$0.89	-\$0.60	-\$0.74	\$0.11	-\$0.28
21/2	\$0.82	-\$0.66	-\$0.35	\$1.67	\$0.70	-\$0.15	-\$0.58	-\$0.76	-\$1.01	\$0.17	-\$0.01	-\$0.46	-\$0.05
21/3	\$1.13	-\$0.46	\$0.39	\$2.07	\$1.52	\$0.37	-\$0.30	-\$0.50	-\$0.90	-\$0.06	-\$0.25	\$1.34	\$0.36
21/4	\$0.28	-\$0.94	\$1.34	\$2.85	\$3.16	\$0.85	\$0.53	-\$0.28	-\$0.15	\$1.21	\$0.50	\$0.22	\$0.80
21/5	\$1.95	\$0.50	\$2.59	\$3.75	\$3.43	\$1.48	\$1.23	-\$0.45	-\$0.12	\$1.30	\$1.48	\$0.04	\$1.43
26/1	-\$0.18	-\$0.91	-\$0.82	\$0.92	-\$0.06	-\$0.24	-\$0.59	-\$0.70	-\$0.93	-\$0.89	-\$0.89	-\$0.64	-\$0.49
26/2	-\$0.43	-\$0.48	-\$1.02	\$1.49	\$0.63	\$0.50	-\$0.44	-\$0.85	-\$0.66	-\$0.82	-\$0.75	-\$1.08	-\$0.32
26/3	\$1.25	-\$0.41	-\$0.82	\$2.02	\$0.92	\$0.98	-\$0.09	-\$0.82	-\$0.78	-\$0.50	-\$0.04	-\$0.36	\$0.11
26/4	-\$0.87	-\$1.82	-\$0.64	\$4.58	\$3.14	\$1.85	\$0.53	-\$1.18	-\$0.77	\$0.48	-\$0.43	\$1.12	\$0.50
26/5	-\$0.63	-\$0.71	\$1.59	\$6.16	\$4.46	\$2.07	\$0.75	-\$0.03	\$1.32	\$2.17	\$0.39	\$0.33	\$1.49
30/1	-\$1.02	-\$1.04	-\$1.08	-\$0.40	-\$0.42	-\$0.57	-\$0.86	-\$0.98	-\$0.92	-\$0.52	-\$1.54	-\$0.82	-\$0.85
30/2	-\$1.05	-\$1.41	-\$0.89	\$0.75	\$0.01	\$0.00	-\$0.76	-\$1.18	-\$1.34	-\$0.63	-\$1.53	-\$2.05	-\$0.84
30/3	-\$0.19	-\$1.86	-\$0.83	\$0.87	\$0.79	\$0.77	-\$0.15	-\$1.07	-\$1.37	\$0.28	-\$1.95	-\$2.01	-\$0.56
30/4	\$0.01	-\$1.98	-\$0.92	\$1.76	\$4.22	\$2.02	\$0.56	-\$1.11	-\$1.31	\$1.40	-\$0.31	-\$0.06	\$0.36
30/5	-\$0.23	-\$1.95	\$0.74	\$3.91	\$4.06	\$1.76	\$0.40	-\$0.93	\$0.13	\$2.37	-\$0.23	-\$0.67	\$0.78
Max	1.95	0.92	2.59	6.16	4.46	2.07	1.23	-0.03	1.32	2.37	2.07	2.11	

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LRP Insurance Optimal Coverage Length and Level (Greatest Average Net Return)

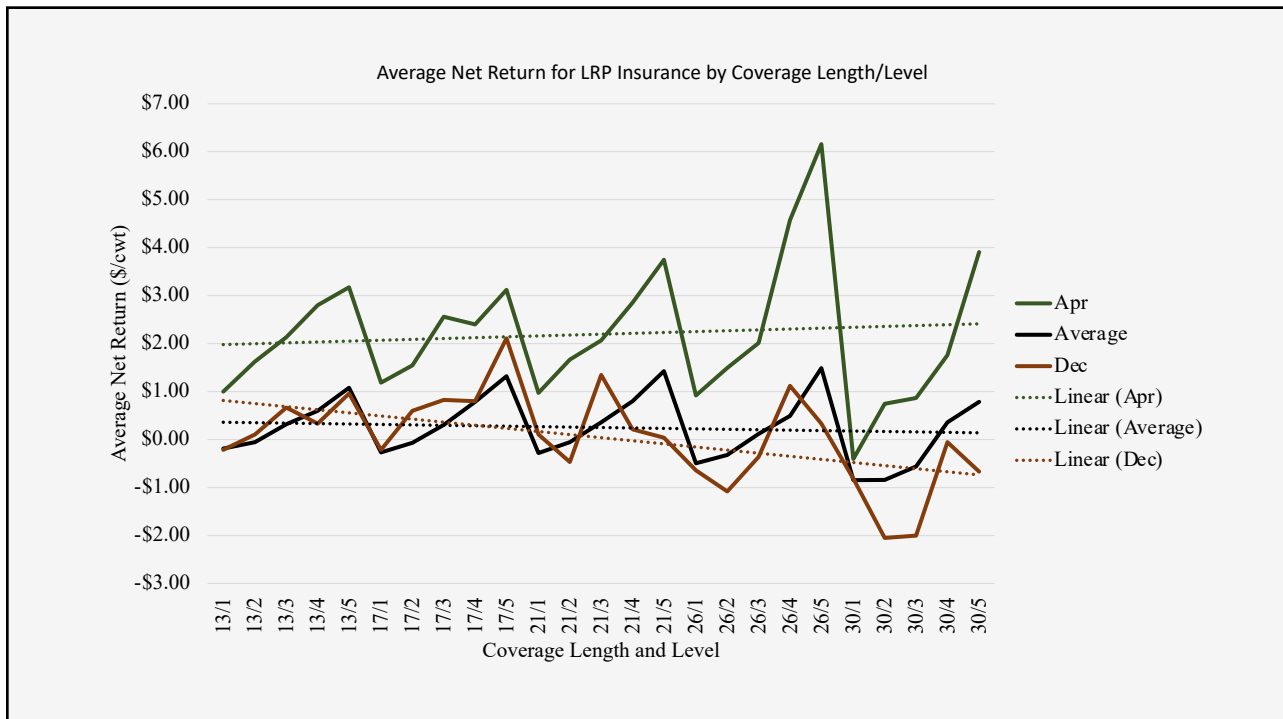
Coverage	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
13/1												
13/2												
13/3												
13/4												
13/5												
17/1												
17/2												
17/3												
17/4												
17/5												
21/1												
21/2												
21/3												
21/4												
21/5												
26/1												
26/2												
26/3												
26/4												
26/5												
30/1												
30/2												
30/3												
30/4												
30/5												

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LRP Insurance Optimal Coverage Length and Level (Greatest Probability of Positive Net Return with Highest Average Net Return)

Coverage	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
13/1												
13/2												
13/3												
13/4												
13/5			■							■	■	
17/1												
17/2												
17/3												
17/4			■	■			■					■
17/5			■	■								
21/1												
21/2												
21/3												
21/4								■	■			
21/5		■	■	■				■	■			
26/1												
26/2												
26/3												
26/4				■	■							
26/5				■	■	■	■	■	■	■		
30/1												
30/2												
30/3												
30/4					■	■	■	■		■		
30/5					■	■	■	■		■		

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Implications and Conclusions

- The preferred coverage lengths and levels vary across months.
- Across all months, higher coverage level results in greater likelihood of positive net return and generally higher average net returns as well.
- The coverage length effect on probability of positive net return, can vary depending on the marketing month
 - Sometimes positive, negative, or no effect
 - Producers should remember the overall trends as well as marketing month specific trends highlighted by our results when making coverage selections
- Only LRP contracts using the optimal coverage length and level terminating in March-June result in a greater than 50% probability of a positive net return.

Questions?

Thank you!

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Inflation Update: Food and Input Prices

*Kynda Curtis, Extension Ag & Food Marketing Specialist
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Overview

- Inflation overview
 - Historical inflation rates
- Consumer Price Index (CPI) – Food
 - Food price drivers
- Producer Price Index (PPI) – Food
- Bottom line for farmers/ranchers
- Input prices and shortages
- Suggestions

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ECONOMY

Consumer Prices Are Still Climbing Rapidly

Inflation data showed a slowdown in annual price increases in April, but a closely watched monthly price measure continues to rise at an uncomfortably brisk rate.

By Jeanna Smialek

PRINT EDITION Inflation Slows, But Rising Prices Weigh on the U.S. | May 12, 2022, Page A1

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Inflation Overview

- US consumer price index rose 8.3% over the past year before seasonal adjustments
 - Taking out food and energy costs, inflation rose 6.2%
 - The the food price index climbed 9.4%
 - The energy cost index rose 30.3%
- Prices are still nowhere near the historic highs from the 1980s
 - Inflation peaked in the spring of 1980 at 14.6% (adjusted)
- Source: US Bureau of Labor Stats at: <https://www.bls.gov/news.release/cpi.nr0.htm>

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Historical Inflation Rates



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Consumer Price Index - Food

- The CPI for food increased as food prices were 9.4% higher in March 2022 than March 2021
- The level of food price inflation varied depending on whether the food was purchased for consumption away from home or at home
 - The food-away-from-home (restaurant purchases) CPI increased 7.2%
 - The food-at-home (grocery store purchases) CPI increased 10.8%

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Consumer Price Index - Food

Changes in Consumer Price Indexes for food, 2019 through 2022

Consumer Price Index Item	Relative importance ¹	Month-to-month February 2022 to March 2022		Year-over-year March 2021 to March 2022		Year-to-date avg 2021 to avg-2022		Annual 2019	Annual 2020	Annual 2021	20-year historical average	Forecast range ² 2022
		Percent	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change
All food	100.0	1.0	8.8	5.4	1.9	3.4	3.9	2.4				5.0 to 6.0 (t)
Food away from home	38.6	0.3	6.9	4.4	3.1	3.4	4.5	2.9				5.5 to 6.5
Food at home	61.4	1.5	10.0	6.1	0.9	3.5	3.5	2.0				5.0 to 6.0 (t)
Meats, poultry, and fish	13.2	1.5	13.8	6.5	1.0	6.3	6.8	2.9				5.5 to 6.5 (t)
Meats	8.4	1.3	14.8	6.4	1.3	7.4	7.7	3.2				4.5 to 5.5 (t)
Beef and veal	4.0	1.0	16.0	5.7	1.6	9.6	9.3	4.4				6.0 to 7.0 (t)
Pork	2.7	1.4	15.3	6.2	1.2	6.3	8.6	2.2				4.0 to 5.0 (t)
Other meats	1.8	1.6	11.5	8.3	0.9	4.4	2.9	2.2				3.5 to 4.5 (t)
Poultry	2.6	1.6	13.2	6.8	-0.3	5.6	5.1	2.3				7.5 to 8.5 (t)
Fish and seafood	2.2	0.8	10.9	6.3	1.6	3.3	5.4	2.7				5.0 to 6.0 (t)
Eggs	0.8	1.9	11.2	9.5	-10.0	4.3	4.5	3.2				6.0 to 7.0 (t)
Dairy products	5.7	1.2	7.0	4.6	1.0	4.4	1.4	1.7				6.0 to 7.0 (t)
Fats and oils	1.8	2.3	14.9	8.8	-0.7	1.3	4.6	2.3				8.0 to 9.0 (t)
Fruits and vegetables	10.7	1.1	8.5	5.7	1.0	1.4	3.3	2.0				4.5 to 5.5 (t)
Fresh fruits and vegetables	8.2	0.6	8.1	5.7	1.0	0.8	3.3	2.0				4.5 to 5.5 (t)
Fresh fruits	4.5	0.2	10.1	7.4	-1.4	-0.8	5.5	1.8				6.0 to 7.0 (t)
Fresh vegetables	3.7	1.5	5.9	3.8	3.8	2.6	1.1	2.1				4.0 to 5.0 (t)
Processed fruits and vegetables	2.5	2.3	9.5	5.8	1.1	3.5	2.9	2.2				5.5 to 6.5 (t)
Sugar and sweets	2.1	1.3	8.0	5.8	2.0	3.3	3.0	2.1				5.5 to 6.5 (t)
Cereals and bakery products	7.8	1.8	9.4	6.1	1.4	2.2	2.3	2.1				6.0 to 7.0 (t)
Nonalcoholic beverages	7.0	1.1	8.0	5.5	1.9	3.6	2.8	1.4				4.5 to 5.5 (t)
Other foods	12.4	2.0	10.0	6.5	0.3	3.1	2.2	1.5				5.5 to 6.5 (t)

¹Bureau of Labor Statistics estimated expenditure shares, February 2022. Food prices represent 13.4 percent of the total CPI.
²A negative sign indicates an adjustment downward and a plus sign indicates an adjustment upward.
 Note: The most recent forecast was published on April 25, 2022. The next forecast will be published on May 25, 2022.
 Source: U.S. Bureau of Labor Statistics Consumer Price Indexes (not seasonally adjusted) and forecasts by USDA, Economic Research Service.
 Contact: Matthew MacLachlan, matthew.maclachlan@usda.gov

USDA ERS: Food Price Outlook 5/18/2022

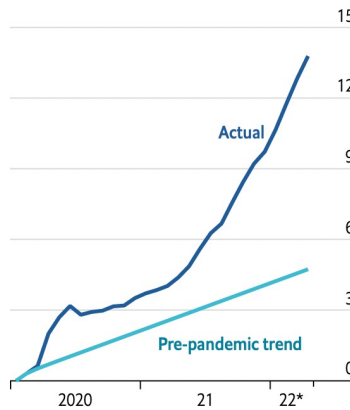
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United States, price of food

% increase since January 2020
All food



March 2022, % increase on a year earlier
By product



Sources: US Bureau of Labour Statistics; US Department of Agriculture; *The Economist*

*To April

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Drivers of Increased Food Prices

- Consumer demand higher
 - Increasing wages due to labor shortages
 - Increased government spending
 - Pandemic savings
 - Consumer optimism
- Supply lower
 - Increased costs
 - Labor shortages – increased wages
 - Shipping & transportation – shortages, fuel prices
 - Lack of inputs
 - Exiting the market



Why global food prices are higher today

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CPI Food Projections 2022

Consumer Price Index Item	Relative importance ¹	20-year historical average	Forecast range ² 2022
	Percent	Percent change	Percent change
All food	100.0	2.4	5.0 to 6.0 (+)
Food away from home	38.6	2.9	5.5 to 6.5
Food at home	61.4	2.0	5.0 to 6.0 (+)
Meats, poultry, and fish	13.2	2.9	5.5 to 6.5 (+)
Meats	8.4	3.2	4.5 to 5.5 (+)
Beef and veal	4.0	4.4	6.0 to 7.0 (+)
Pork	2.7	2.2	4.0 to 5.0 (+)
Other meats	1.8	2.2	3.5 to 4.5 (+)
Poultry	2.6	2.3	7.5 to 8.5 (+)
Fish and seafood	2.2	2.7	5.0 to 6.0 (+)
Eggs	0.8	3.2	6.0 to 7.0 (+)
Dairy products	5.7	1.7	6.0 to 7.0 (+)
Fats and oils	1.8	2.3	8.0 to 9.0 (+)
Fruits and vegetables	10.7	2.0	4.5 to 5.5 (+)
Fresh fruits and vegetables	8.2	2.0	4.5 to 5.5 (+)
Fresh fruits	4.5	1.8	6.0 to 7.0 (+)
Fresh vegetables	3.7	2.1	4.0 to 5.0 (+)
Processed fruits and vegetables	2.5	2.2	5.5 to 6.5 (+)
Sugar and sweets	2.1	2.1	5.5 to 6.5 (+)
Cereals and bakery products	7.8	2.1	6.0 to 7.0 (+)
Nonalcoholic beverages	7.0	1.4	4.5 to 5.5 (+)
Other foods	12.4	1.5	5.5 to 6.5 (+)

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Producer Price Index - Food

(Sales Price to Domestic Farmers/Ranchers)

Changes in Producer Price Indexes, 2019 through 2022

Producer Price Index Item	Month-to-month February 2022 to March 2022	Year-over-year March 2021 to March 2022	Year-to-date avg. 2021 to avg. 2022	Annual 2019	Annual 2020	Annual 2021	20-year historical average	Forecast range ¹ 2022
	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change	Percent change
Unprocessed foodstuffs and feedstuffs	6.2	35.2	18.2	0.9	-4.1	25.0	3.8	NA
Processed foods and feeds	2.4	16.7	8.1	0.5	1.8	12.1	3.5	NA
Finished consumer foods	2.2	15.6	8.1	2.0	1.4	6.3	2.5	NA
Farm-level cattle	-0.2	25.6	14.2	-0.8	-4.9	11.2	3.2	12.5 to 15.5
Wholesale beef	-3.6	16.0	-0.1	2.0	2.4	25.5	4.5	2.0 to 5.0 (-)
Wholesale pork	3.7	2.9	-6.1	4.6	2.6	16.7	2.4	0.0 to 3.0
Wholesale poultry	4.1	27.9	14.0	1.5	-0.5	20.4	2.5	12.0 to 15.0 (+)
Farm-level eggs	-6.8	11.6	36.4	-34.0	11.0	17.1	6.9	2.0 to 5.0
Farm-level milk	-7.7	31.1	27.9	15.0	-4.4	0.9	2.7	2.0 to 5.0 (+)
Wholesale dairy	2.5	19.3	12.2	4.7	0.3	1.8	2.1	10.0 to 13.0 (+)
Farm-level soybeans	6.9	12.7	9.7	-5.5	10.2	47.2	7.6	12.0 to 15.0 (+)
Wholesale fats and oils	7.5	46.2	20.0	-4.3	2.4	40.1	7.2	40.0 to 43.0 (+)
Farm-level fruits	-8.0	18.5	12.6	-6.1	2.0	5.3	2.4	12.5 to 15.5
Farm-level vegetables	42.4	81.5	25.6	13.0	3.5	-6.6	3.6	8.0 to 11.0 (+)
Farm-level wheat	24.3	70.1	29.0	-8.0	7.5	44.5	6.9	40.0 to 43.0 (+)
Wholesale wheat flour	8.3	37.0	16.7	-2.2	1.1	19.2	4.6	21.0 to 24.0 (+)

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PPI Food Projections 2022

Changes in Producer Price Indexes, 2019 through 2022

Producer Price Index Item	Annual 2020	Annual 2021	20-year historical average	Forecast range ¹ 2022
	Percent change	Percent change	Percent change	Percent change
Unprocessed foodstuffs and feedstuffs	-4.1	25.0	3.8	NA
Processed foods and feeds	1.8	12.1	3.5	NA
Finished consumer foods	1.4	6.3	2.5	NA
Farm-level cattle	-4.9	11.2	3.2	12.5 to 15.5
Wholesale beef	2.4	25.5	4.5	2.0 to 5.0 (-)
Wholesale pork	2.6	16.7	2.4	0.0 to 3.0
Wholesale poultry	-0.5	20.4	2.5	12.0 to 15.0 (+)
Farm-level eggs	11.0	17.1	6.9	2.0 to 5.0
Farm-level milk	-4.4	0.9	2.7	2.0 to 5.0 (+)
Wholesale dairy	0.3	1.8	2.1	10.0 to 13.0 (+)
Farm-level soybeans	10.2	47.2	7.6	12.0 to 15.0 (+)
Wholesale fats and oils	2.4	40.1	7.2	40.0 to 43.0 (+)
Farm-level fruits	2.0	5.3	2.4	12.5 to 15.5
Farm-level vegetables	3.5	-6.6	3.6	8.0 to 11.0 (+)
Farm-level wheat	7.5	44.5	6.9	40.0 to 43.0 (+)
Wholesale wheat flour	1.1	19.2	4.6	21.0 to 24.0 (+)

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Grass Fed Beef - Direct to Consumer (Retail)					
Carcass Purchase Size		(\$/lb)	Avg		
Whole		5.75 - 8.50	7.40		
Half		5.90 - 11.25	8.23		
Quarter		5.99 - 11.75	9.28		
Item Description	(\$/lb)	Avg	Commodity Beef*	Grassfed Premium**	
Ribeye Steak	21.00 - 35.00	26.57	9.86	16.71	
Ribeye Roast	21.00 - 26.25	23.57	9.21	14.36	
Chuck Roast	8.00 - 15.00	10.48	5.36	5.12	
Flat Iron Steak	12.00 - 30.29	19.96	6.98	12.98	
Rump Roast	8.00 - 15.65	11.15	4.78	6.38	
Bottom Round Roast			5.01		
Filet Mignon	19.99 - 39.99	31.18	17.65	13.53	
Tenderloin	26.00 - 49.25	39.57	16.80	22.77	
Tri Tip	11.99 - 17.25	14.76	6.47	8.30	
Sirloin Steak	13.00 - 18.99	16.62	7.60	9.02	
Sirloin Roast	8.18 - 11.99	10.94	1.89	9.05	
Brisket	9.00 - 11.99	10.50	4.74	5.76	
Flank Steak	12.00 - 23.00	16.37	9.95	6.42	
Skirt Steak	12.00 - 24.99	17.37	11.22	6.15	
Short Ribs	6.50 - 11.75	8.53	6.79	1.74	
Stew Meat	8.00 - 13.38	10.53	6.18	4.35	


* Prices averaged from the National Retail Beef Activity Report

** The difference in commodity retail beef prices and grass fed retail beef prices.

USDA AMS: National Monthly Grass Fed Beef Report, April 29, 2022

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Bottom Line

- Producer prices received the same or higher than consumer price increases
- Highest price increases for beef, poultry, milk, fats & oils, and vegetables (81%)
- Wheat pricing also expanded by 70%
- High premiums remain for specialty/differentiated products (grass-fed beef example)
- USDA shows net farm income rose 25.1% in 2021 relative to 2020, but forecasted to decrease by 7.9% in 2022

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Supply Chain Crunches Are Affecting Every Corner of Agriculture

DEC 13, 2021 Emily Baron Cadloff

Producers are over-ordering supplies for 2022, farmers are considering new cash crops, while others are getting out of the business.



Across the country, supply chain disruptions are forcing the industry to adapt. Photography by 5m3photos, Shutterstock.

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Input Prices & Shortages

Why are we seeing supply chain issues?

- Immense online ordering
 - Transportation capacity
- Over ordering
- Lack of packaging materials
- Labor shortages – increased wages
- Shipping/transportation stress
 - Cost of transportation due to fuel price increases
- Cost of fertilizers and other inputs
 - Fertilizer up 200-300%, bans on some fertilizer imports
 - For example, corn used in many products, lack of fertilizer is causing reductions in corn production

“I waited a year for my jars”

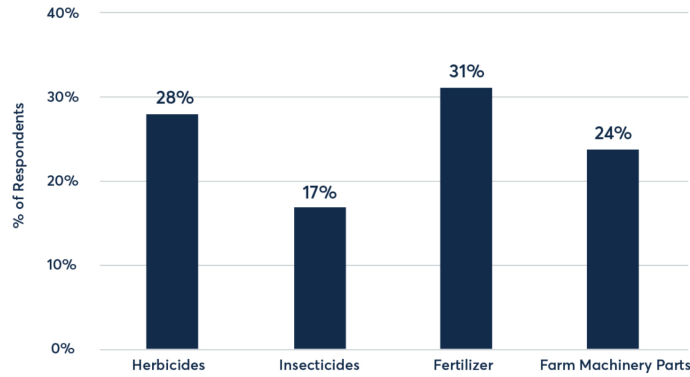
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Input Shortages

Which Crop Inputs Have You Had Difficulty Purchasing From Your Suppliers? (Indicate all that apply)



Source: Purdue Center for Commercial Agriculture, Producer Survey, December 2021

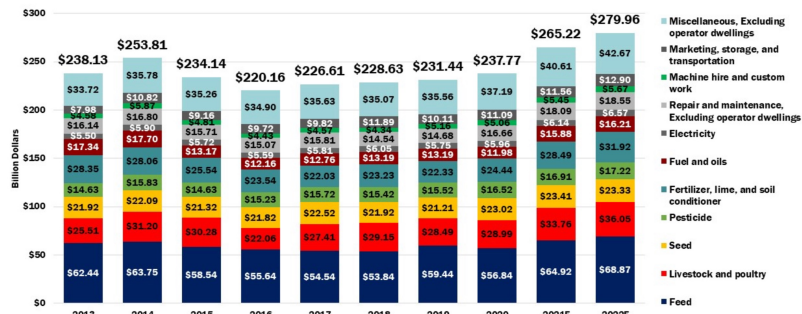
Texas A&M Agricultural and Food Policy Center suggests that fertilizer prices could increase by more than 80% for the 2022 planting season

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Farm Production Expenses Increasing 6% in 2022 Compared to 2021, After a 12% Increase in 2021 from 2020



AMERICAN FARM BUREAU FEDERATION®

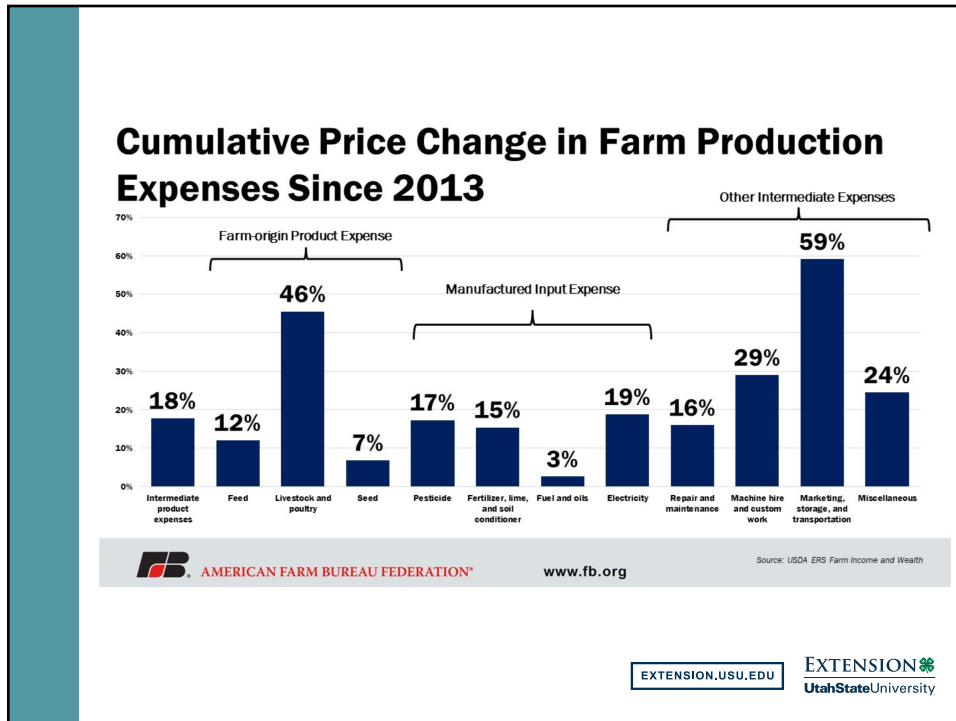
www.fb.org

Source: USDA ERS Farm Income and Wealth

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Suggestions – Dealing with Input Prices/Shortage

- Secure orders early – pre buying
- Lock in pricing ahead of time
- Source locally when available
- Reduce fertilizer applications
- Rethink seeding rates
- Have a back up plan for weed control
- Share equipment and parts

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Resources

- USDA ERS Food Price Outlook
 - <https://www.ers.usda.gov/data-products/food-price-outlook/>
- Federal Reserve Bank of St. Louis Economic Data
 - <https://fred.stlouisfed.org>
- US Wholesale Specialty Crop Prices
 - <https://www.ams.usda.gov/market-news/fruit-and-vegetable-terminal-markets-standard-reports>
- National Grass Fed Beef Report
 - <https://www.ams.usda.gov/mnreports/lsmngfbeef.pdf>

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Questions?

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Thank you!

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