



# Rising prices are encouraging U.S. farmers to plant more row crops in 2021

The strong recovery of the U.S. economy from the COVID-19 pandemic has fueled higher price levels across a wide range of sectors in the U.S. economy. In June 2021, the U.S. economy reported its biggest inflation jump in 13 years, at 5.4% from a year earlier.<sup>1</sup> Over the past year, food and beverage industries experienced increasing input costs due to surging agricultural commodity prices, in addition to higher labor and transportation costs. Food manufacturers saw cost levels grow 7.9%, while corn and soybean prices increased over 60%, reaching their highest points since 2014. Farmers are responding to these higher agricultural commodity prices and gearing up production across a wide range of crops. However, the combination of strong demand and leaner inventories should support a broad upward trend in agricultural commodity prices with a few exceptions into market year (MY) 2021/2022.

## Rising crop prices impact food manufacturers costs

**Chart 1: Monthly percentage point changes in U.S. Producer Price Index for food manufacturing and prices for corn and soybeans**



Source: USDA NASS, U.S. Bureau of Labor Statistics, May 2021.

Note: Food Manufacturing Producer Index is a subindex of the Producer Price Index by industry: food manufacturing

## Agricultural production in the U.S. poised to expand

Encouraged by rising prices and positive market momentum, U.S. farmers are planning to plant more row crops in the 2021/2022 crop year, as reported by the USDA in its May Prospective Plantings report.<sup>2</sup> The expanded acreage should boost supplies following a tumultuous year characterized by a significant lift in demand for agricultural products and tight markets. With the exception of rice, nearly all major row crops are expected to increase planted acreage in 2021.<sup>3</sup> Total row crop planting area is expected to increase by 6.1 million acres, a 2% increase from 2020. Soybeans will lead the increase in U.S. row crop acreage, with 4.5 million more acres planted than the previous year, accounting for nearly 74% of the estimated increase in U.S. row crop planted area.<sup>4</sup> Corn, the leading row crop by total area, will also add 0.4 million acres in 2021. The overall rise in row crop planted acres largely reflects high demand for grains and oilseeds globally since the second half of 2020. The expansion in planned productions is expected to provide partial relief for the currently tightened markets.

### Planting progress nearly complete for U.S. corn and soybeans

As of early June, major row crop planting was nearly complete and ahead of both 2020 and the average for the period 2016 to 2020, benefiting from desirable weather conditions that characterized the first half of this year in major growing states. Corn planting in the 18 top states (92% of U.S. corn acres) that was 90% complete as of June 7, compared well above the average 82% completion rate for the same period during 2016 to 2020 and slightly higher than the 87% completion rate realized in 2020.<sup>5</sup> Soybeans were also ahead of five-year average pace, with planting progress in the 18 top states (96% of U.S. soybean acres) 90% completed on June 7, well above the average of 79% complete during 2016 to 2020 and ahead of the previous year's 84% completion rate.<sup>5</sup> Rice planting was at 91% complete on June 7, on par with the five-year average of 91%.<sup>5</sup> Cotton stands out as an exception, with 71% of plantings complete, below the average 78% during 2016 to 2020.<sup>5</sup> Yield and quality performance could now become the key determining variables of the production estimates for assessing final production for the MY 2021/2022. The limited precipitation experienced in the first half of 2021 was a positive factor in the timely completion of planting, but if it were to continue into the second half of the year could negatively impact production for MY 2021/22.

**Table 1: Most major row crops see added acreage in MY 2021/2022**  
U.S. row crop planted acres (million acres)

	2020	2021F	Change	% Change
Total Row Crops	310.1	316.2	6.1	2.0%
Corn	90.7	91.1	0.4	0.5%
Cotton	11.9	11.9	0.0	0.0%
Rice	3.0	2.7	-0.3	-10.7%
Soybeans	83.1	87.6	4.5	5.4%
Wheat	44.3	46.4	2.0	4.5%

Source: USDA Prospective plantings report, March 31, 2021. 2021 data are forecasted.

### Major row crops see limited positive market momentum into MY 2021/2022

Farmers make planting decisions based on the profitability of the previous crop and market expectations for the upcoming crop year. Looking ahead to MY 2021/2022, most major row crop prices are projected to post double-digit percentage increases from the previous marketing year, as stock-to-use ratios remain at one of the lowest levels since 2013.

**Table 2: Prices projected to soar for most major row crops in 2021/2022**  
USDA MY 2021 crop price projections (US\$)

	2020/21	2021/22 Proj.	% Change
Corn (per bushel)	4.35	5.7	31%
Cotton (per pound)	0.67	0.75	12%
Rice (per cwt.)	13.9	14.2	2%
Soybeans (per bushel)	11.25	13.85	23%
Wheat (per bushel)	5.05	6.5	29%

Source: USDA WASDE, June 10, 2021. Years are marketing years: 2020/2021 estimated, 2021/2022 projected.

### Corn

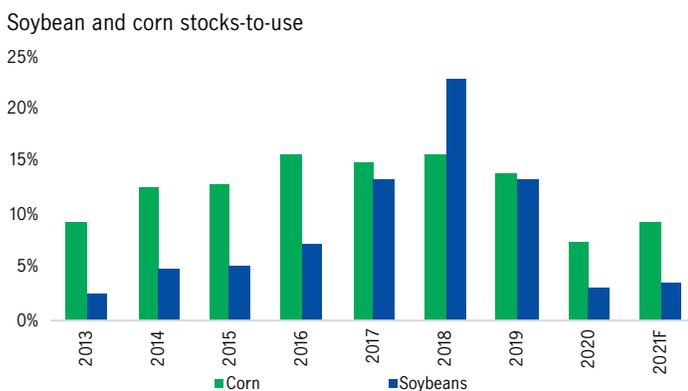
The USDA estimates corn price to increase 31% from US\$4.35 per bushel in MY 2020/2021 to a projected US\$5.70 per bushel for the MY 2021/2022 marketing year, reaching the highest level since 2013. Corn prices are expected to respond to recovering demand and still uncertain production expectations. On the demand side, U.S. domestic demand for corn for ethanol production is projected to increase by 150 million bushels in MY 2021.<sup>2</sup> This builds upon a surprising 193 million bushels increase in MY 2020, when most analysts were pessimistically anticipating corn demand for ethanol production to slip lower due to reduced

energy demand during the pandemic. On the supply side, the increase in planned acreage for corn in the United States (0.3 million acres) fell significantly below the consensus forecasts (2.4 million acres).<sup>6,7</sup> In addition, beginning corn stocks were further drained down by 42% due to surprisingly large exports. Overall, with growing demand and the less-than-expected growth in supplies, we believe the U.S. corn stock-to-use ratio will likely remain low.

## Soybeans

Soybean prices are projected by the USDA to maintain solid forward momentum, increasing 31% from MY 2019/2020 to US\$11.25 in MY 2020/2021 and then to increase another 23% to a projected US\$13.85 per bushel in MY 2021/2022.<sup>8</sup> On the demand side, U.S. soybean exports are forecast to remain above two billion bushels in MY 2021/2022, as China continues to rebuild its feed stockpiles. On the supply side, despite leading other crops in added planting acreage this year with 4.5 million more acres, added acreage still fell short of the consensus view, which anticipated a seven-million-acre expansion.<sup>9</sup> The beginning soybean stock level for MY 2021/2022 is expected to fall 74% from the previous year. With limited supply growth, the U.S. soybean stock-to-use ratio is expected to remain below 5% in MY 2021/2022.

**Chart 2: Corn and soybean inventory levels drawn further down in MY 2021/2022**



Source: USDA Oil crops and feed grains yearbook; USDA, June 10, 2021, WASDE.  
Note: Years are marketing years.

## Rice

In MY 2020/2021, rice prices are forecast to increase, gaining 2% to reach US\$14.20 per cwt. The modest gain in rice prices is expected to reduced production.<sup>2</sup> Area planted to rice in the United States is estimated to plunge in MY 2021/2022, dropping 11% year over year. Rice production is expected to be buffered by high beginning stocks. With no major changes anticipated to demand factors, stock-to-use ratio for rice should remain relatively unchanged in MY 2021/2022, at about 16%.<sup>2</sup>

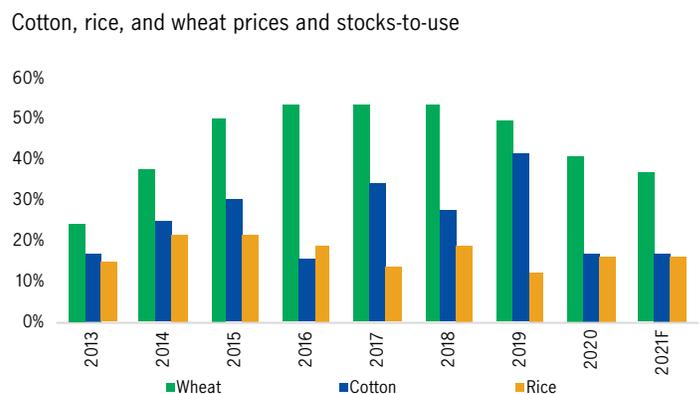
## Wheat

In MY 2021/2022, wheat prices are expected to increase 29% to US\$6.50 per bushel.<sup>2</sup> The primary driver of higher prices is the 17% drawdown in carry-in inventories, which should offset a modest 4% increase in production.<sup>2</sup> U.S. export volumes of wheat for MY 2021/2022 are forecast to trend lower due to limited availability. Domestic total use of wheat is projected to move up 7%, resulting in a 37% stock-to-use ratio, the lowest since MY 2013/2014.<sup>2,10</sup> Globally, wheat ending inventory levels in MY 2021/2022 for five major exporters, the United States, Canada, Australia, Argentina, and the EU, are forecast to fall to the lowest level since MY 2007/2008.<sup>2</sup>

## Cotton

While planted acres are estimated to be virtually unchanged in MY 2021/2022, U.S. cotton production is expected to rebound 16% from the MY 2020/2021 crop year, benefiting from projected improved growing and harvest conditions.<sup>11,2</sup> Over the past four years, U.S. cotton acreage has shrunk 15% due to declining demand for cotton used in apparel and textile industries as well as increasing international export competitions.<sup>12</sup> Despite the estimated increase in cotton output, the drastic drawdown in cotton inventories due to disrupted harvests and recovering exports in MY 2020/2021 are expected to more than offset the production bump and result in a nearly 8% lower supply level in the U.S. for MY 2021/2022. Furthermore, with domestic use forecast to move up 9%, the overall stock-to-use ratio for U.S. cotton in MY 2021/2022 could slip below 20%, the second lowest level since 2013. This tightening in market conditions for cotton should support higher prices, translating into an estimated US\$0.75 per pound increase for MY 2021/2022, pushing cotton prices to their highest since 2013.<sup>13</sup>

**Chart 3: Inventory levels expected to remain tight in MY 2021/2022 for cotton and rice, while wheat stocks fall**



Sources: USDA cotton, rice, and wheat yearbooks, USDA, June 10, 2021, WASDE.  
Note: Years are marketing years.

## Permanent crops

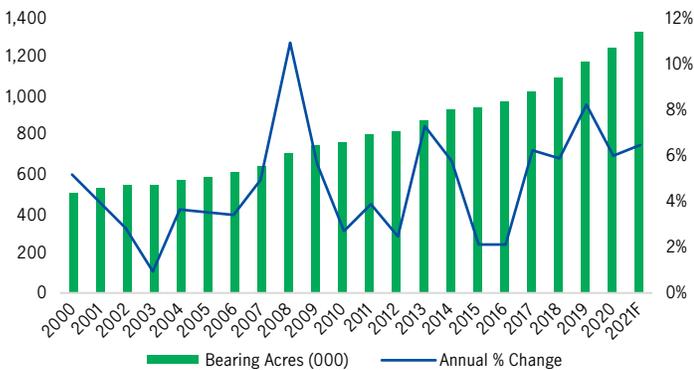
While not planted each year, bearing acreage (acreage mature enough to produce crops) for major permanent crops is a key supply indicator. The two largest U.S. permanent crops by acreage and production value in the United States, almonds and wine grapes, are expected to move in different directions, with an increase in bearing acres for almonds and continued declines in bearing acres for wine grapes.

Permanent crop bearing acreage is expected to increase again in 2021 for almonds, pistachios, and walnuts, reflecting positive margins in recent marketing years. Almond production in California was estimated at 2.8 billion pounds in the in the objective forecast by the USDA published in July 2021.<sup>14</sup> Bearing acreage is expected to hold relatively steady for apples and cranberries where crop returns have been more muted. Wine grape bearing acres are expected to hold steady or move lower in 2021, reacting to continued lower prices. The weak market conditions for wine grapes have already resulted in the removal of less-productive vineyards, with a net loss of 15,000 bearing acres in 2020.<sup>10, 15</sup>

The agricultural market outlook in the near term is expected to be positive, with a supportive macroeconomic backdrop, significant market tightening in the United States and globally and a resumption of international trade as global pandemic-related restrictions begin to lift. The increased intended plantings for row crops and expanded acreage for tree nuts in the United States are expected to generate higher revenue for the industry, reflecting positive sentiments among the agricultural sector for MY 2021/2022. On the flip side, uncertainty remains around growing conditions for the current crop year, as water stress and precipitation abnormalities persist, posing threats to crop yields in important growing regions. In addition, as inflationary pressure builds up, costs associated with farm inputs, supply chain bottlenecks, and international freight rates could cut into margins and dampen the overall positive outlook. Looking forward, as the U.S. economy continues to recover from the pandemic-induced recession, the market fundamentals for U.S. agriculture remains positive.

**Chart 4: Almond bearing acres expansion expected to continue in 2021 as development acres mature**

U.S. almond bearing acres and annual % change



Sources: USDA NASS, May 2021; USDA 2021 California almond subjective forecast, May 2021.

**Chart 5: Wine grape acreage growth plateaus in 2019 as prices stall**

California wine grape bearing acres and annual % change

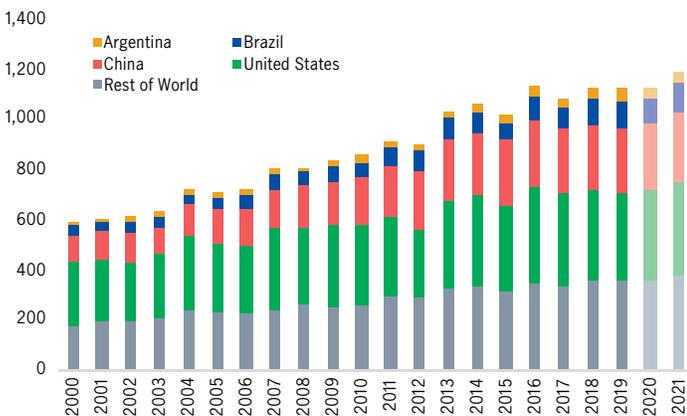


Source: USDA NASS, May 2021; USDA 2020 grape acreage report, April 2021.



## Farmland market indicators

**Figure 1: Global corn production to reach new record in 2021 marketing year according to June WASDE**



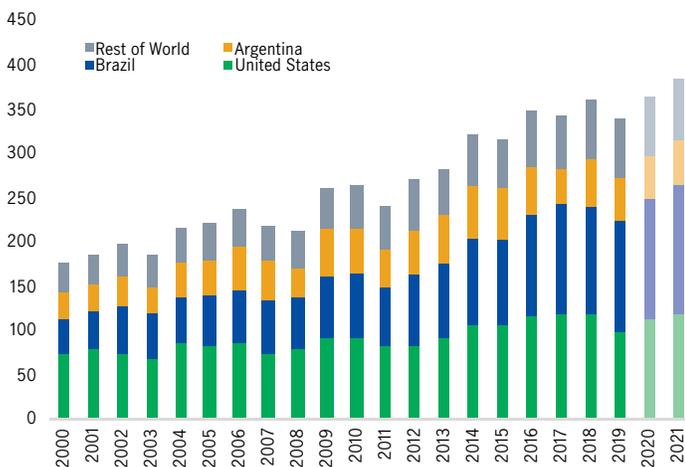
Source: USDA WASDE, as of 06/2021. 2020 is estimated and 2021 is projected. Years are marketing years.

Note: Corn production is charted on a calendar year basis and updated on a marketing year basis. The corn marketing year is from September to August for the United States, from May to April for South Africa, and from October to September for China. The corn marketing year is from March to February in Argentina and Brazil. Corn production data and forecasts are updated on a monthly basis by the USDA World Agricultural Supply and Demand Estimates Report (WASDE).

Global corn production is expected to reach a new record in the 2021 marketing year, driven by gains in the United States and Brazil. In 2021, U.S. corn production is forecast to increase by 6% to 381 million metric tonnes (MMT), primarily driven by yield returning to trend-line (MY September 2021-August 2022). Brazil 2020 (MY March 2021 to February 2021) production is estimated to decrease by 3% from MY 2019 to 98.5 MMT, because of dry weather causing a delay in planting of the second crop. Brazil's 2021 marketing year (March 2022 to February 2021) production is forecast to increase by 20% to 118 MMT because of greater planting area and recovery from drought conditions. Argentina's corn production is forecast to decline by 8% in the 2020 marketing year (March 2021 to February 2021) before rebounding 9% to 51 MMT after yields return to normal in the 2021 marketing year. China's production is forecast to increase slightly from last year to 268 MMT (MY May 2021 to April 2022).

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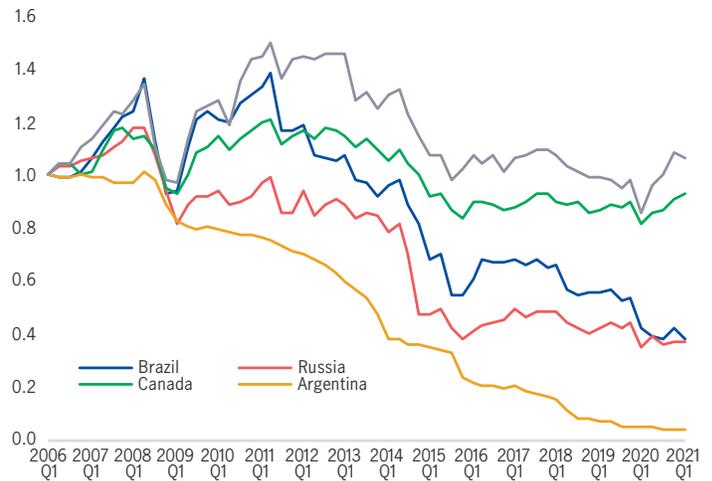
**Figure 2: Global soybean production to reach new record in 2021 marketing year according to June WASDE**



Source: USDA WASDE as of June 2021. 2020 is estimated and 2021 is projected. Years are marketing years.  
 Note: Soybean production is charted on a calendar year basis and updated on a marketing year basis. The soybean marketing year is from September to August for the United States, from February to January for Brazil, and from April to March for Argentina. Soybean production data and forecasts are updated on a monthly basis by the USDA World Agricultural Supply and Demand Estimates Report (WASDE).

Global 2021 marketing year soybean production is expected to increase by 6% from the previous marketing year to 386 MMT. U.S. soybean production is forecast to increase by 7% to 120 MMT because of increase in area and average yields (MY September 2021 to August 2022). Brazilian production is forecast to increase 6% to 136 MMT in 2020 (MY February 2021 to January 2022) before increasing another 6% in 2021 (MY February 2022 to January 2023) to 144 MT because of greater planted area. Brazil's weakened currency has made soybean production highly profitable. Argentina's soybean production is forecast to decline by 4% in 2020 (MY April 2021 to March 2022) to 47 MMT before rebounding by 11% in 2021 (MY April 2022 to March 2023) to 52 MMT.

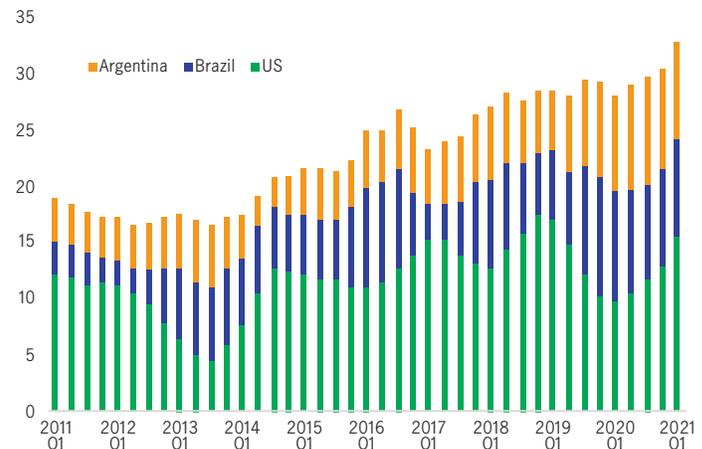
**Figure 3: USD appreciates as a result of positive economic outlook Q1 2021**



Source: Macrobond, March 2021.  
 Note: Exchange rates are updated on a daily basis by Macrobond Financial AB.

The U.S. dollar (USD) appreciated against major competing currencies as the fiscal stimulus and successful vaccine rollout boosted economic expectations. The USD appreciated by 1% against the Australian dollar, by 8% against the Brazilian real, 9% against the Argentinian peso, and 2% against the Russian ruble. The USD depreciated slightly against the Canadian dollar.

**Figure 4: U.S. corn exports continued to increase in Q1 2021**

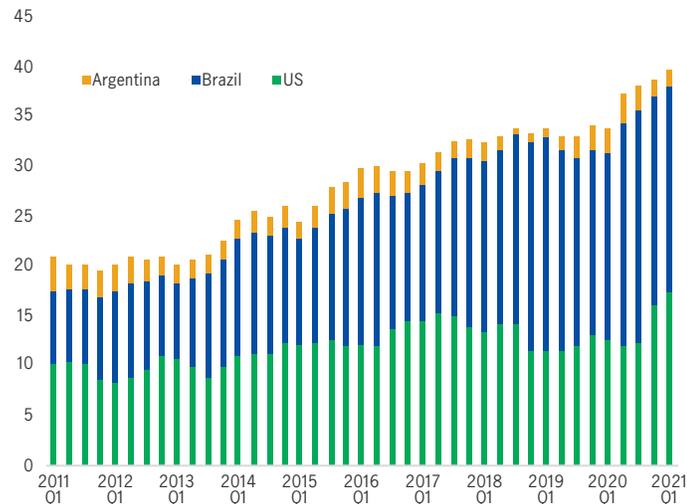


Sources: FAS GATS, Comexstat, and Argentina Ministry of Agroindustry, March 2021.  
 Note: Argentina's agricultural exports are published on a monthly basis by the Argentinian Ministry of Agroindustry. Brazil export data is published on a monthly basis by Comexstat. U.S. exports are published on a monthly basis by the U.S. Census Bureau. Export data is reported on a four-quarter moving average to adjust for seasonality.

Global corn exports rose in Q1 2021, driven by stronger demand from China, as China rebuilds its pig herd after the African swine fever in 2019 and restocks its domestic corn reserves. U.S. corn exports increased 20% since Q4 2020 to 16 MMT and were up 58% compared to the same period last year. Brazil's four-quarter moving average exports were up slightly compared to last quarter at 9 MMT but were up down 11% from last year, as record exports in the previous year depleted Brazil's corn stocks. A major tailwind for Brazil's grain exports in the future is the paving of the

BR-163, a highway that runs through Mato Grosso and Para, and ends at the river terminals of Miritituba, the site of several major grain trading companies. Argentina four-quarter moving average exports also at 9 MMT were down 4% from last quarter and were up slightly from last year.

**Figure 5: U.S. soybean exports increase in Q1 2021**

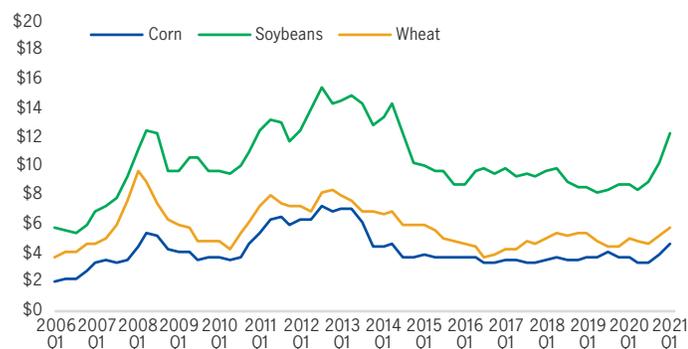


Sources: FAS GATS, Comexstat, and Argentina Ministry of Agroindustry, March 2021.

Note: Argentina's agricultural exports are published on a monthly basis by the Argentinian Ministry of Agroindustry. Brazil export data is published on a monthly basis by Comexstat. U.S. exports are published on a monthly basis by the U.S. Census Bureau. Export data is reported on a four-quarter moving average to adjust for seasonality.

In Q1 2021, U.S. soybean exports gained for the third consecutive quarter, as a result of strong demand from China. On a four-quarter moving average basis, at 17 MMT, U.S. soybean exports were up 8% from last quarter and 39% higher than last year. The four-quarter moving average of Brazil soybean exports was at 21 MMT, down slightly over last quarter and 10% higher year over year. Brazil soybean exports have been constrained due to low soybean stocks because of higher exports earlier in the marketing season. Argentina's soybean exports at a four-quarter moving average of 1.6 MMT were down by 2% from last quarter and down 33% from last year. Farmers have been reluctant to sell soybeans in Argentina to avoid the devaluation of their profits in Argentina's high inflation economy.

**Figure 6: Prices for row crops rise on demand from China**

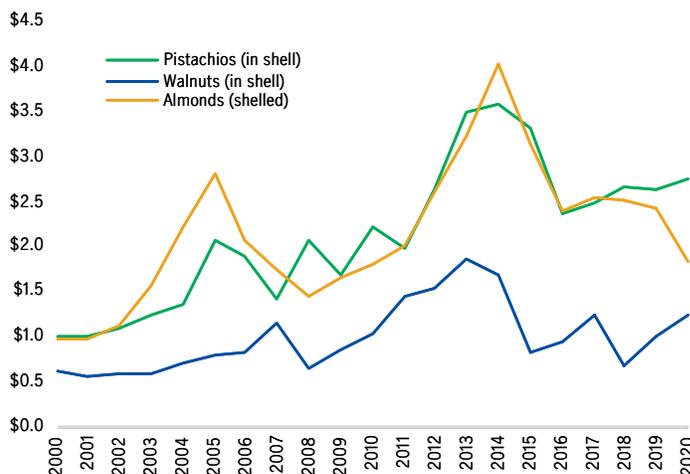


Source: USDA NASS, March 2021.

Note: Row crop prices are USD-based and published on a monthly basis by the USDA National Agricultural Statistics Service.

In Q1 2020, U.S. corn, wheat, and soybean prices all rose on strong export demand from China and tight global supplies. Soybeans prices rose the most and at US\$12.27 per bushel were up 42% since last year. Wheat prices rose by 17% from last year to US\$6.03 per bushel. Wheat export restrictions in Russia have provided additional lift on U.S. wheat prices. Corn prices were up 23% since last year, at US\$5.31 per bushel.

**Figure 7: MY 2020/2021 tree nut prices mixed as markets seek balance**

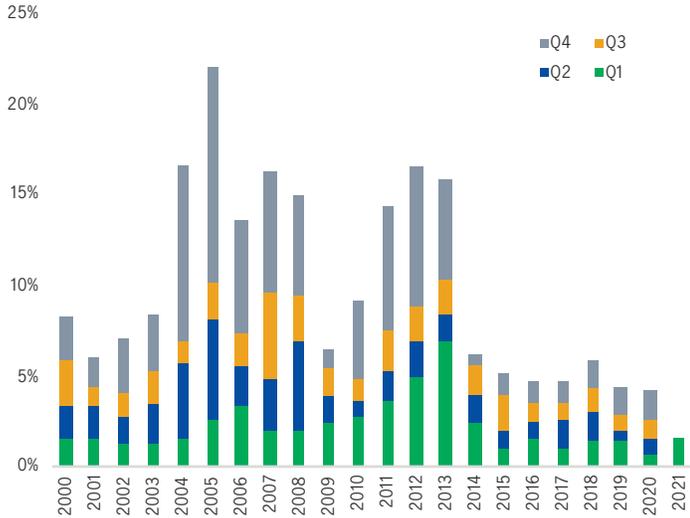


Sources: Years are marketing years. USDA NASS, May 2021. MY 2020 nut prices are USDA estimates.

Note: Permanent crop prices are USD-based and published on an annual basis by the USDA National Agricultural Statistics Service (USDA NASS). Almond, pistachio, and walnut price estimates for the current year are calculated by using the percent annual changes for the crop year in the prices from HNRG sources. Export volume data per USDA Economic Research Service.

MY 2020/2021 almond prices are estimated to decline because of abundant crops. The U.S. almond production is estimated at 3-billion-pound in 2020, followed by a lower projection of 2.8-billion-pound year in 2021. Prices have moved lower despite strong shipment numbers in MY 2020/2021 (August 2020 to July 2021). Exports through March 2021 were 26% higher than the previous marketing year's exports through March. Walnut prices registered increased for the second straight year, indicating a more balanced global market. The USDA estimates the 2020 walnut crop (MY 2020 September 2020 to August 2021) to increase 20% over the previous year. Walnut exports have also been strong, with exports through March 2021 up 17% from the previous marketing year. The pistachio crop has reached a milestone of producing a billion-pound crop (in shell basis) (MY 2020 September 2020 to August 2021). A relatively less mature tree nut, pistachio prices are estimated to increase despite continued production increases. Pistachio production is more concentrated. As a result, we believe pistachio producers are more likely to set prices in the market than almond or walnut producers. Pistachio exports through March 2021 were up 6% from the prior marketing year.

**Figure 8: Q1 2021 NCREIF row crop returns highest since 2016**



Source: NCREIF, March 2021.

Note: USDA cash crop receipts data is published three times a year in February, August and November by the USDA's Department of Agriculture Economic Research Service. The U.S. level calendar-year forecast is first published in February. The August release converts the previous year's forecast to estimates and the November release updates the current year forecast. NCREIF Farmland total return data is published on a quarterly basis. NCREIF quarterly total row crops returns are aggregated to form the total return for the year. The total return as seen on the bar chart may not equal the annual total return as reported by NCREIF, because the NCREIF annual return is calculated by multiplying instead of adding quarterly returns together.

Q1 2021 NCREIF row crop returns were 1.60%, the highest Q1 quarterly return since 2016. Strong export demand from China and high prices helped boost farmer's returns. USDA farm income and wealth statistics projects 2021 crop cash receipts to rise by 5.8%, the largest increase in cash receipts since 2012.

# Endnotes

1. U.S. Bureau of Labor Statistics Economic News Release, July 13, 2021.
2. USDA, WASDE, June 10, 2021.
3. USDA Prospective Plantings Report, March 31, 2021.
4. USDA Prospective Plantings Report, March 31, 2021.
5. USDA NASS Crop Progress Report, June 7, 2021.
6. USDA Prospective Plantings Report, March 31, 2021.
7. CIBC World Markets, sourced from AlphaSense on April 2021.
8. USDA WASDE, June 2021.
9. CIBC World Markets, sourced from AlphaSense on April 2021.
10. USDA Oil Crops and Feed Grains Yearbook, as of December 2020.
11. USDA Prospective Plantings Report, March 31, 2021.
12. USDA Cotton and Wool Yearbook, as of November 2020.
13. USDA WASDE, May 12, 2020.
14. USDA 2021 California Almond Objective Forecast, July 12, 2021
15. USDA 2020 Grape Acreage Report, April 20, 2021.

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