

Agricultural Markets Review

from Nationwide Economics



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Ag News Highlights

Cattle inventory hits 73-year low

As of January 1, 2024, the All Cattle and Calves inventory was 87.15 million head, which is the smallest total since 1951. While this was down only 1.9 percent from the start of 2023, the most recent inventory number marked a fifth straight decline and was 8.1 percent lower than the most recent peak in 2019. Lower inventory numbers are projected to result in a five percent drop in beef production in 2024.

Lower production should keep cattle and calve prices at-or-near record highs this year, and consumers should expect to continue to pay lofty beef prices for the foreseeable future. We noted in this space last year that extreme droughts were preventing buildup of the nation's cattle herd; going forward, producers will look to increase inventory numbers as conditions permit.

[\(Ag Web\)](#)

Cocoa futures soar

Bad news for chocolate lovers: cocoa futures have soared to record highs. Cocoa futures rose over 40 percent from January 1 through mid-February and are unlikely to move substantially lower in the near term, according to Billy Roberts, senior food and beverage economist at CoBank. "That could lead to a further erosion of chocolate volume sales and begin to impact dollar sales as well," Roberts added.

The rally in cocoa prices has been largely due to a cut in expected production in West Africa, which produces most of the world's cocoa. The region has experienced adverse weather conditions for cocoa beans, as well as a disease affecting cocoa trees known as swollen shoot disease. [\(Food Business News\)](#)

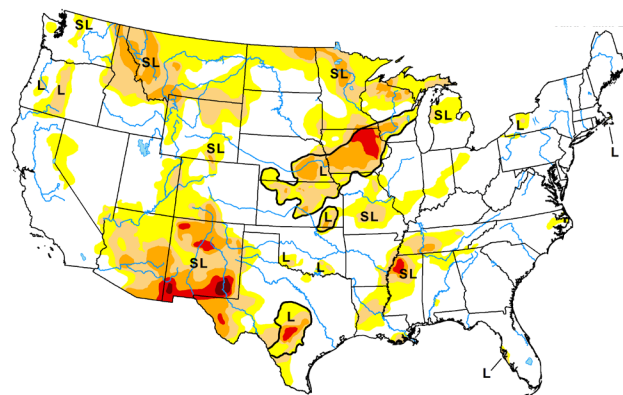
1.45 billion wings consumed during Super Bowl

The National Chicken Council estimated that 1.45 billion chicken wings were consumed during Super Bowl LVIII, which is even with Super Bowl LVII. Football fans paid less this year for the preferred Super Bowl snack in 49 of 50 states (Maine prefers lobster) as retail whole wing prices average \$2.60 per pound the week before the big game, down from \$3.30 in 2023. A climb in wholesale prices suggests retail prices could be on the rise this year, but sports fans can be hopeful that lower retail prices will continue to be enjoyed through NCAA March Madness.

[\(Texas A&M University\)](#) [\(NCC\)](#)

Drought Monitor

Drought conditions lessened significantly in the Deep South and the eastern part of the Midwest (between Missouri and Ohio) over the past month. There was little change elsewhere outside of slightly worsening of droughts in Montana and Idaho. Most coastal states continue to receive at least adequate precipitation.



Drought Impact Types

- Delineates dominant impacts
- S** Short-Term, typically less than 6 mos (ex: agriculture, grasslands)
- L** Long-Term, typically greater than 6 mos (ex: hydrology, ecology)

Intensity

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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Mitigation Center

Commodity Prices

Monthly average, January 2024

	Average Price	1 Month Change	3 Month Change	12 Month Change
Corn ¹	\$4.25	-4%	-7%	-36%
Cotton, Upland ³	\$0.80	3%	-2%	-6%
Soybeans ¹	\$12.07	-5%	-3%	-19%
Wheat (winter) ¹	\$6.07	-4%	9%	-20%
Cattle, All Beef ² (Dec. 2023)	\$172.00	-4%	-5%	12%
Hogs ²	\$70.53	2%	-11%	-7%
Milk ² (Dec. 2023)	\$20.60	-5%	-2%	-16%
Broilers ³	\$1.29	3%	13%	6%
Eggs ⁴	\$2.06	8%	76%	-50%
Crude Oil ⁵ West Texas Intermediate	\$74.15	3%	-13%	-5%
Diesel Fuel ⁶ U.S. City Average	\$3.87	-3%	-14%	-16%

Table Footnotes

¹ \$ per bushel

² \$ per hundredweight (CwT)

³ \$ per pound

⁴ \$ per dozen

⁵ \$ per barrel

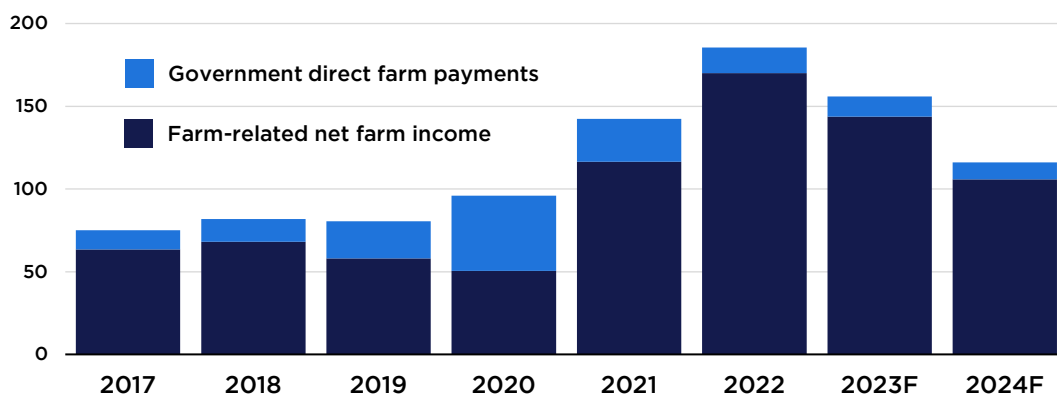
⁶ \$ per gallon

Farm net income likely to take a big hit in 2024

The earliest USDA estimates of 2024 farm net income were released in early February, and it appears farms are set to take a significant hit to their bottom lines this year. Farm net income, a broad measure of farm profitability, is currently projected to fall from 2023's total. While it is early in the year and there is plenty of time for impacts from unforeseen factors, these estimates reflect the difficulties farmers are expected to face on both the revenue and expense sides of the net income equation. Details from this report can be found below.

Farm net income projected to fall 25 percent

Billions \$



Source: USDA

- Farm net income is projected to fall from \$156 billion in 2023 to \$116 billion in 2024. This would be the lowest farm net income total since 2020 but would still be above average for the 15 years leading up to the pandemic. The drop of roughly \$40 billion would be the largest year-on-year dollar drop in farm net income on record.
- Cash receipts from crop and livestock sales are expected to decline by \$21 billion, with most of the drop coming from weaker crop prices. Corn receipts are forecast down \$11.3 billion as corn futures have fallen to a three-year low, while soybeans are expected to be \$6 billion lower. Other crops contributing to the expected drop in revenue are hay, vegetables and melons, and wheat.
- Revenue from animal products are projected to drop \$4.6 billion from 2023. Receipts for cattle and calves are \$1.6 billion lower due to limited inventory (discussed on page 1), while lower receipts for turkeys, chicken eggs, and dairy and milk products account for the remainder of the decline.
- Production expenses are projected to climb for a sixth straight year to break 2023's record. Large increases are expected in expenses related to marketing, storage, and transportation, cost of labor, and cost of pesticides (all expected to grow by at least seven percent), while fuels and oils represents the only major expense category expected to ease (due to lower fuel prices).
- The expected decrease in cash receipts and increase in production expenses account for about 95 percent of the projected \$40 billion drop in farm net income. Again, it is early in the year, and these estimates may shift in coming months, but this report highlights the potential struggles facing farms this year from falling crop prices and climbing input costs.

EIA Energy Forecast

	2023 (January) ¹	2024 ²	2025 ²
West Texas Crude (per barrel)	\$74.15	\$76.50	\$73.50
Diesel Fuel (retail \$ per gallon)	\$3.85	\$4.01	\$3.85
Natural Gas (per million Btu)	\$3.18	\$3.32	\$3.40

¹ Latest actual price.

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

Source: [U.S. Energy Information Administration](https://www.eia.gov)

Glossary

Acronyms/Terminology

USDA - United States Department of Agriculture

Hundredweight - Refers to a unit of 100 pounds in the U.S. and Canada

Data Sources

Commodities excluding beef and milk - Haver Analytics and The Wall Street Journal

Beef and milk - Haver Analytics and the U.S. Department of Agriculture (Prices received by farmers)

Drought Monitor - National Drought Mitigation Center, <http://droughtmonitor.unl.edu/>

Additional information sources

CoBank Knowledge Center - www.cobank.com/Knowledge-Exchange.aspx

USDA Economic Research Service - www.ers.usda.gov

USDA Price & Import/Export Forecasts - [USDA Economic Research Service Publications](https://www.ers.usda.gov/publications/price-and-import-export-forecasts/)

Association of Equipment Manufacturers - www.aem.org/agriculture/

Agriculture Commodity Prices - <http://www.cnbc.com/agricultural-commodities/>

Livestock Commodity Prices - <http://www.cnbc.com/livestock-commodities/>



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