The Feed Refresh – Winter 2021|2022

December 30, 2021
Agenda

Highlights from the analysis

Why they are important for producers and lenders alike

Other news and factoids

How you can access this and future editions

Q&A
Highlight 1: Biofuel growth is likely to come from newer sources

- Ethanol demand has rebounded since 2020, but soft global demand and electric vehicles present future challenges.
- Growth in biofuels could come from newer avenues like renewable diesel, aviation biofuel.
- Growth in biofuels could create additional demand for agricultural feedstocks.

Source: Bloomberg New Energy Finance Bio-based Diesel Outlook
Highlight 2: Alternative proteins – niche market or market disruptor?

- The U.S. alternative protein market has surpassed $7 billion in sales in 2020 – though still less than 5 percent of the total meat market.
- Newer technologies like cultivated meat are a direct challenge to conventional meat, but will take time to fully come to market.
- Capital investments in alternative proteins have increased by almost 10 times since 2018.

Sales of Plant-Based Proteins by Year

Source: Plant Based Foods Association
Highlight 3: Carbon exchange markets are likely to grow

Hypothetical Contract Value of Prairie CRP Acres

- Private carbon exchange markets offer producers a way to earn additional income off tilling practices, CRP acres and other conversation efforts.

- Contracts for carbon have variable terms and requirements that may make entry difficult for individual operations.

- The USDA has launched initiatives to quantify carbon capture from various practices, which will improve the efficiency of carbon markets.

Potential Contract Value (Thousands)

$0 \quad \quad $11,501

Source: Farm Service Administration CRP Data, Author's Calculations
Highlight 4: Cash grains see strong year with modest challenges ahead

- The average cash grain farmer saw incomes rise 20 to 40 percent between 2020 and 2021
- High fertilizer costs could lead to a greater move towards soybeans in 2022
- Cash rents and fertilizer cost increases will raise breakeven prices for commodities in 2022

Source: CME Futures Data, Author's Calculations
Highlight 5: Inflation is a risk, but not necessarily a dire one

- Forecasts for inflation suggest moderation by end of 2022 despite surges at the end of 2021
- Farm expenses have varying degrees of exposure to inflation, while others are more tied to the strength of the agricultural economy
- A rising rate environment could put downward pressure on land value prices, but impacts may be limited

Components of CPI change, Jan 2020 - Jul 2021

Source: USDA NASS Land Values Report, Author's Calculations
Other News

- Holiday travel diverges?
- Farm income update shows rising liquidity and leverage
- Moderate La Niña event to bring a wetter winter to parts of the country
- Cattle ranchers benefit from high retail prices
- Tree nuts see second year of record export growth
Details on The Feed

- Quarterly publication
- Focus on sectors and stories relevant to the season
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