

AgCountry Farm Credit Services
Q4 2021 MARKET UPDATE
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Corn

Corn futures for the 2021 U.S. corn crop finished the year on a high note - just 8% off the highs posted in early May and nearly 67 above the harvest low set-in mid-September. Futures for the 2022 crop set a new contract high in late November before slightly settling back into year-end, just 12 cents off the contract high. General commodity inflation, strong ethanol grind margins, and a desire to maintain acres going into 2022 will remain in focus, further directed by the numbers released in the January World Agricultural Supply and Demand report, final Crop Production numbers from the National Ag Statistics Service, and the Quarterly Grain Stock report set for release Jan 12th.

Soybeans

Similar to corn, old crop soybeans ended the fourth quarter of 2021 just off the high for the move and equal with the high set the first day of the quarter. This was an accomplishment considering the growing carryout projections and the fact that the South American soybean crop is just getting underway (their calendar is very similar to the June timeframe here). New crop November 2022 prices were able to maintain more risk premium due to additional time until delivery, meaning price trends for new crop were more sideways than what was seen in the old crop contracts. Weather patterns in Brazil, as well as U.S. export sales in January, and report numbers on January 12th will all play into first quarter price trends.

Wheat

Minneapolis old and new crop wheat contracts both hit new contract and multi-year highs during the fourth quarter in 2021 as concerns over available supplies following a short crop lingered in the market. However, for old crop contracts it should be noted that while supplies remain historically tight, USDA in its WASDE reports has removed some export demand as U.S. prices were uncompetitive. Global politics (particularly Russia and its relationship with neighboring Ukraine and Kazakhstan), developing U.S. weather trends in winter wheat areas, and the numbers released in the January set of reports will all influence further direction.

Sugarbeets

Harvest of the 2021 crop wrapped up midway through the fourth quarter in 2021 with grower cooperatives within the AgCountry local service area (LSA) reporting larger crops than had been anticipated earlier in the growing season. While warmer than average temperatures and late-season rains posed some challenges, reports indicate sugarbeets went into piles in relatively good condition. Final production numbers from USDA will be available January 12th.

Dry Beans

The fourth quarter was relatively quiet for dry beans as harvest wrapped up and processors began intake of the drought-hampered 2021 crop. While supplies were lower than what was projected one year ago, price direction over the fourth quarter varied by class through our LSA: Blacks eased by an

average of \$2.50; Kidneys (both dark and light red) fell through October and November before firming slightly into year-end; and pintos were the weakest, down an average of \$3.50/cwt. Final production numbers from USDA will become available on January 12th. Buyers typically begin offering new crop contracts to growers in mid to late January.

Ethanol

The U.S. ethanol industry saw their best operating margins since 2014 during the fourth quarter 2021 due to a combination of firm to rising ethanol prices (improving demand as drivers return in full force following COVID restrictions) and faltering natural gas input prices. The return over operating cost estimated by Iowa State's Center for Agricultural and Rural Development ethanol model ranged from 34 cents/gal on the first day of Q4 and peaked at just over \$1.50/gal in late November. At this time, ethanol industry expansion looks limited, although further performance of this nature would offer some opportunities pending political risk.

Lean Hogs

Lean hog futures traded in a wide-ranging sideways pattern through the fourth quarter, pressured at times by seasonal tendencies going into year end and supported at others by total available production numbers remaining well below year ago levels. The USDA Quarterly Hogs and Pigs report for December 1 showed total U.S. inventory down 4% from 2020, and down 1% from September 1. Total market hog inventory was also down 4% from 2020, and down 1% from Sept 1. Planned farrowings for December 21 through February 21 were up slightly, while planned farrowings from March to May of 2022 continued to decline.

Feeder Cattle/Fat Cattle

U.S. feedlot operators enjoyed the best fat cattle prices they've had in some time with USDA's National Daily Cattle and Beef Summary showing a five-state area weekly weighted average steer price of around \$135/cwt dressed to end the year. While this was off the high posted in late November, the pressure was more reflective of reduced end-of-the-year production schedules at plants. The peak value of \$140/cwt dressed was approximately \$25/cwt over the five-year average, or \$210/head additional revenue on an average weight carcass that week. Profits remain tempered by high-priced feed grains. Sale barn-reported feeder cattle prices at Northern Plains locations were also elevated compared to recent history. Semi-Annual cattle inventory reports from USDA will be released in mid-January.

Dairy

U.S. Class III milk futures rallied throughout the fourth quarter of 2021, ending the year at a new contract high for the January contract, but roughly \$1 less than a year ago values. Producers have experienced firming cash markets, enough that industry margins on average have improved despite the higher feed costs. The USDA WASDE report in December called for continued increases in U.S. all milk production into 2022 but to less of an extent than previously estimated. Average milk prices in 2022 were estimated at \$20.75/cwt compared to the \$18.60/cwt estimated for 2021.