Slight increase in producer sentiment despite rising costs and lower crop prices

August 2, 2022

WEST LAFAYETTE, Ind. and CHICAGO, Aug. 2, 2022 /PRNewswire/ -- The Purdue University/CME Group Ag Economy Barometer farmer sentiment index rose 6 points in July to a reading of 103. Producers were somewhat more optimistic about both current and future economic conditions on their farms when compared to June. The *Index of Current Conditions* rose 10 points to a reading of 109 and the *Index of Future Expectations* rose 4 points to a reading of 100. Although all three indices rose this month, they were still 23-24% lower than a year earlier. The *Ag Economy Barometer* is calculated each month from 400 U.S. agricultural producers' responses to a telephone survey. This month's survey was conducted between July 11-15.

"Even though we saw a slight uptick in sentiment this month, there is still a tremendous amount of uncertainty in the agricultural economy," said James Mintert, the barometer's principal investigator and director of Purdue University's Center for Commercial Agriculture. "Key commodity prices, including wheat, corn and soybeans, all weakened during the month and producers remain concerned over rising input prices and input availability."

Farm operators in this month's survey voiced concerns about several key issues affecting their operation, including: higher input prices (42% of respondents), lower crop prices (19% of respondents), rising interest rates (17% of respondents), and availability of inputs (15% of respondents).

The *Farm Financial Performance Index,* which is primarily reflective of income expectations for the current year, improved 5 points to a reading of 88 in June. However, this month, 49% of respondents said they expect their farm to be worse off financially a year from now, which compares to 51% who felt that way in June. This is a markedly more pessimistic outlook than producers provided a year ago when just 30% of respondents said they expect their financial condition to worsen in the upcoming year.

Producers remain uncertain over their expectations for crop input prices over the next 12 months. In July, 18% of crop producers said they expect 2023's crop input prices to decline between 1 and 10% when compared to 2022's prices, versus 12% who felt that way in June. Meanwhile, 26% of respondents in July said they expect 2023's prices to rise by 10% or more, compared to 38% who expected a crop input price rise of that magnitude in June.

The rise in input costs is leading some producers to reassess their cropping plans for the upcoming year. In this month's survey, nearly one out of four (24%) of crop producers said that as a result of the rise in input costs they plan to change their farm's crop mix in 2023. In a follow-up question, over half (53%) of respondents who said they plan to change their mix will increase the percentage of their cropland devoted to soybeans. In a separate set of questions, 26% of producers who told us they planted winter wheat last year said they plan to increase their wheat acreage this fall.

The *Farm Capital Investment Index* remains near its record low, up one point to a reading of 36 in July. To shed light on why, respondents who said now is a bad time for large investments were asked for the primary reason they felt that way. Of those respondents, 44% indicated an "increase in prices for farm machinery and new construction," 15% said "uncertainty about farm profitability," and 14% chose "rising interest rates" as the primary reason they viewed now as a bad time for large investments. Somewhat surprisingly, only 7% of respondents chose "tight farm machinery inventories at dealers" as their primary reason for responding negatively to the investment question.

Producers' views on farmland values diverged this month as the *Short-Term Farmland Value Index* declined 9 points to 127, while the long-term index rose 9 points to 150. The short-term index is down 20% from its peak reading in 2021, while the long-term index is only 6% lower than the peak reached last year. Short-term there was a shift away from expectations that farmland values will go higher, with more producers in July expecting values to remain about the same. The long-term change was attributable to more respondents this month expecting values to rise with fewer expecting a decline over the next five years.

"The short-run and long-term farmland indices don't always move in tandem, but the magnitude of this month's divergence between the short and long-term indices is unusual," said Mintert. "Producers who expect values to rise over the upcoming 5 years continue to say that non-farm investor demand and inflation are the two primary reasons they expect values to rise."

Read the full *Ag Economy Barometer* report at https://purdue.ag/agbarometer. The site also offers additional resources – such as past reports, charts and survey methodology – and a form to sign up for monthly barometer email updates and webinars.

Each month, the Purdue Center for Commercial Agriculture provides a short video analysis of the barometer results, available at https://purdue.ag/barometervideo. For even more information, check out the *Purdue Commercial AgCast* podcast. It includes a detailed breakdown of each month's barometer, in addition to a discussion of recent agricultural news that affects farmers. Available now at https://purdue.ag/agcast.

The Ag Economy Barometer, Index of Current Conditions and Index of Future Expectations are available on the Bloomberg Terminal under the following ticker symbols: AGECBARO, AGECCURC and AGECFTEX.

About the Purdue University Center for Commercial Agriculture
The Center for Commercial Agriculture was founded in 2011 to provide professional development and educational programs for farmers. Housed within Purdue University's Department of Agricultural Economics, the center's faculty and staff develop and execute research and educational programs that address the different needs of managing in today's business environment.

About CME Group
As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) enables clients to trade futures, options, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities. CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals. The company offers futures and options on futures trading through the CME

Globex® platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform. In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing.

Writer: Kami Goodwin, 765-494-6999, kami@purdue.edu
Source: James Mintert, 765-494-7004, jmintert@purdue.edu

CME-G

Related websites:
Purdue University Center for Commercial Agriculture: http://purdue.edu/commercialag
CME Group: http://www.cmegroup.com/

Photo Caption: Slight increase in producer sentiment despite rising costs and lower crop prices. (Purdue/CME Group Ag Economy Barometer/James Mintert). https://www.purdue.edu/uns/images/2022/ag-barometer722LO.jpg

View original content:https://www.prnewswire.com/news-releases/slight-increase-in-producer-sentiment-despite-rising-costs-and-lower-crop-prices-301597769.html

SOURCE CME Group

Aissa Good, Purdue University, 765-496-3884, aissa@purdue.edu; Dana Schmidt, CME Group, 312-872-5443, dana.schmidt@cmegroup.com