

Strong Farm Profits in 2021

It's been too many years since I've been able to write and tell you that profits are good. 2021 saw the strongest U.S. net farm income levels since 2013. The final numbers are not complete yet, but the U.S. Department of Agriculture is forecasting net cash farm income to increase by \$17.0 billion. When adjusted for inflation, net cash farm income would increase by \$12.6 billion (10.5%). This means bigger distribution numbers for you.

What made 2021 so profitable? Both corn and soybean markets remained strong through most of 2021, due to increased demand for both domestic uses and export markets, especially China. Yields were better than expected in most areas. We had a challenging planting season. It was wet and cold. Once the crop was in we experienced lower than normal growing degree days, which raised concerns we might see lower yields. Then unexpectedly, the weather conditions turned very hot and dry, creating new concerns due to the lack of moisture. In addition, most of the region experienced tar rot for the first time, a corn disease affecting crop quality. With harvest quickly approaching, we again worried about yield. Despite all the season's challenges, everyone was pleasantly surprised with better than average yields in the end.

Farm sector equity is forecasted to be up \$76.0 billion or (2.8%). This is largely because real estate value continues to increase. Purdue University says statewide top-quality farmland averaged \$9,785 per acre, up 14.1% from 2020. The high growth rate for top-quality farmland was closely followed by the growth in average and poor-quality farmland prices which increased by 12.5% (to \$8,144) and 12.1% (to \$6,441), respectively. Across all land quality classes, 2021 per acre farmland prices exceeded the previous record set in 2014. This provides valuable equity on our balance sheets.

COVID-19 had, and will continue to have, a big impact on agriculture and the agribusiness industry. I know you do not care to hear this. We are all sooo over COVID! However, it is caused supermarket shortages on a global scale, as well as supply and labor shortages. The pandemic will continue to be a wild card in 2022. American consumers continue to show a preference for adopting healthier lifestyles, while the world continues to face the challenges of feeding an every-increasing population while battling the climate crisis.

So, what do we know about 2022? We know global grain carryovers are tighter than they've been in recent years. We know there are input shortages and fertilizer costs are the highest we've seen since 2009. Almost every input cost for crop production will increase in 2022 compared to expense levels in 2021 and other recent years. Prices for fertilizer, fuel, farm chemicals and equipment have all increased, which will reduce farm profitability. Increased shipping costs are also contributing to higher prices for imported goods.

Equipment and machinery are in demand, and inventories are low. We know South America is facing another La Nina growing season and dry weather; we have already seen some spikes in the grain market because of their dry weather. We also know food prices are up around the globe, which can lead to internal unrest or conflict.

However, we also know that we will anticipate, calculate, and make estimated, well-reasoned decisions that help mitigate some risk. We will focus on what we can control by finding ways to be efficient, knowing our break-even points, and taking advantage of the grain market when it gives a profitable

number. In a world full of uncertainty, we will stay calm, cool, and collected. We will stay positive and strive to make 2002 the best it can be.

Here's to a successful 2022!