



Food and
Agribusiness
Industry
Advisors

2022 and Beyond Outlook: U.S. Economy, Agricultural and Food Trends

June 2022

Transitory or Permanent?

1. Structural change → Permanent

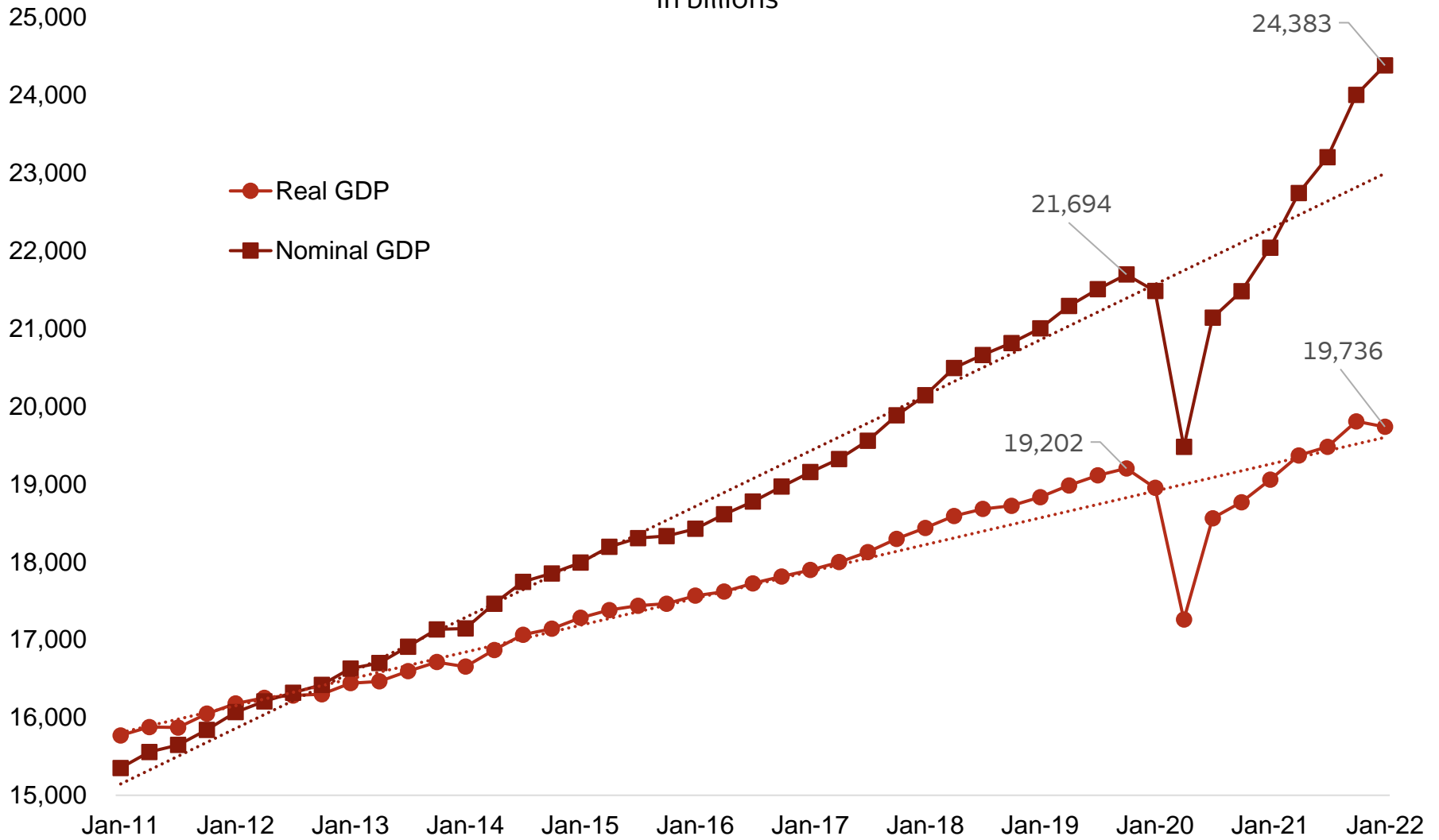
1. Elimination of demand?
2. Alternative technology?
3. Regulatory change?

2. Cyclical change → Transitory

1. Supply or demand shock
2. Currency or trade issue
3. Weather events
4. Change in interest rates

Always look for; trend, cycle and events.

Real GDP versus Nominal GDP
in billions



Source: BEA January 2022

Federal Reserve controls short-term interests.

☆ 30-Day Average SOFR (SOFR30DAYAVG)

DOWNLOAD 

Observation:
2022-06-03: **0.76923** (+ more)
Updated: 7:01 AM CDT

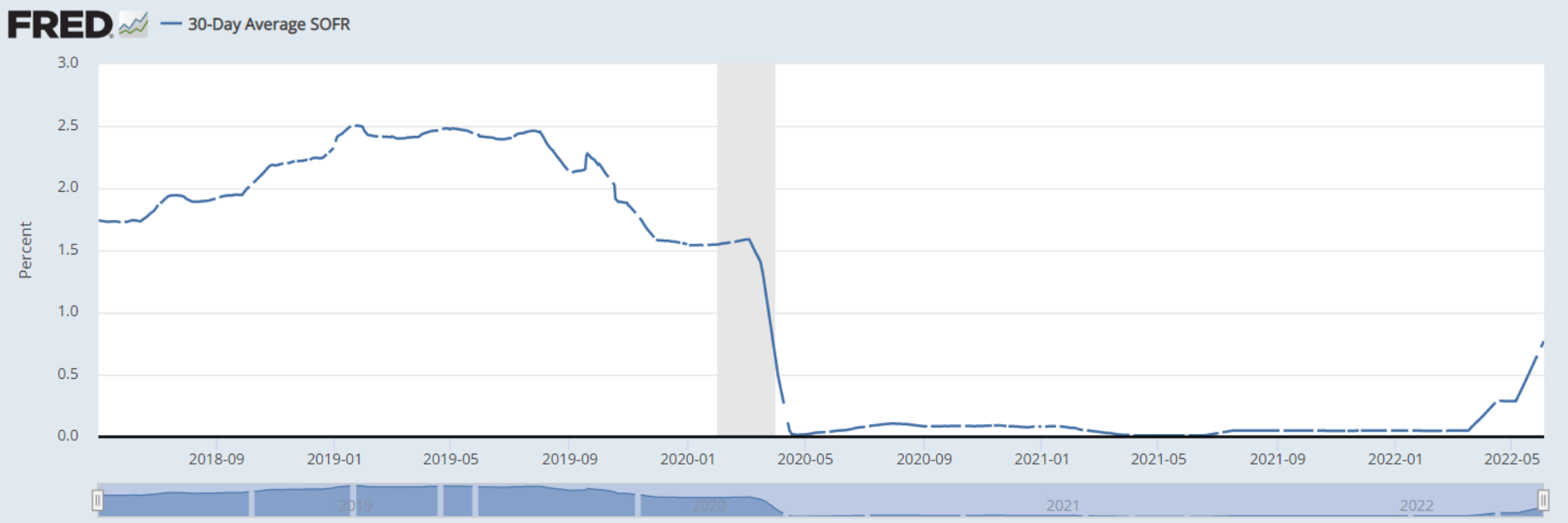
Units:
Percent,
Not Seasonally Adjusted

Frequency:
Daily

1Y | 5Y | 10Y | Max

2018-05-02 to 2022-06-03

EDIT GRAPH 



Shaded areas indicate U.S. recessions.

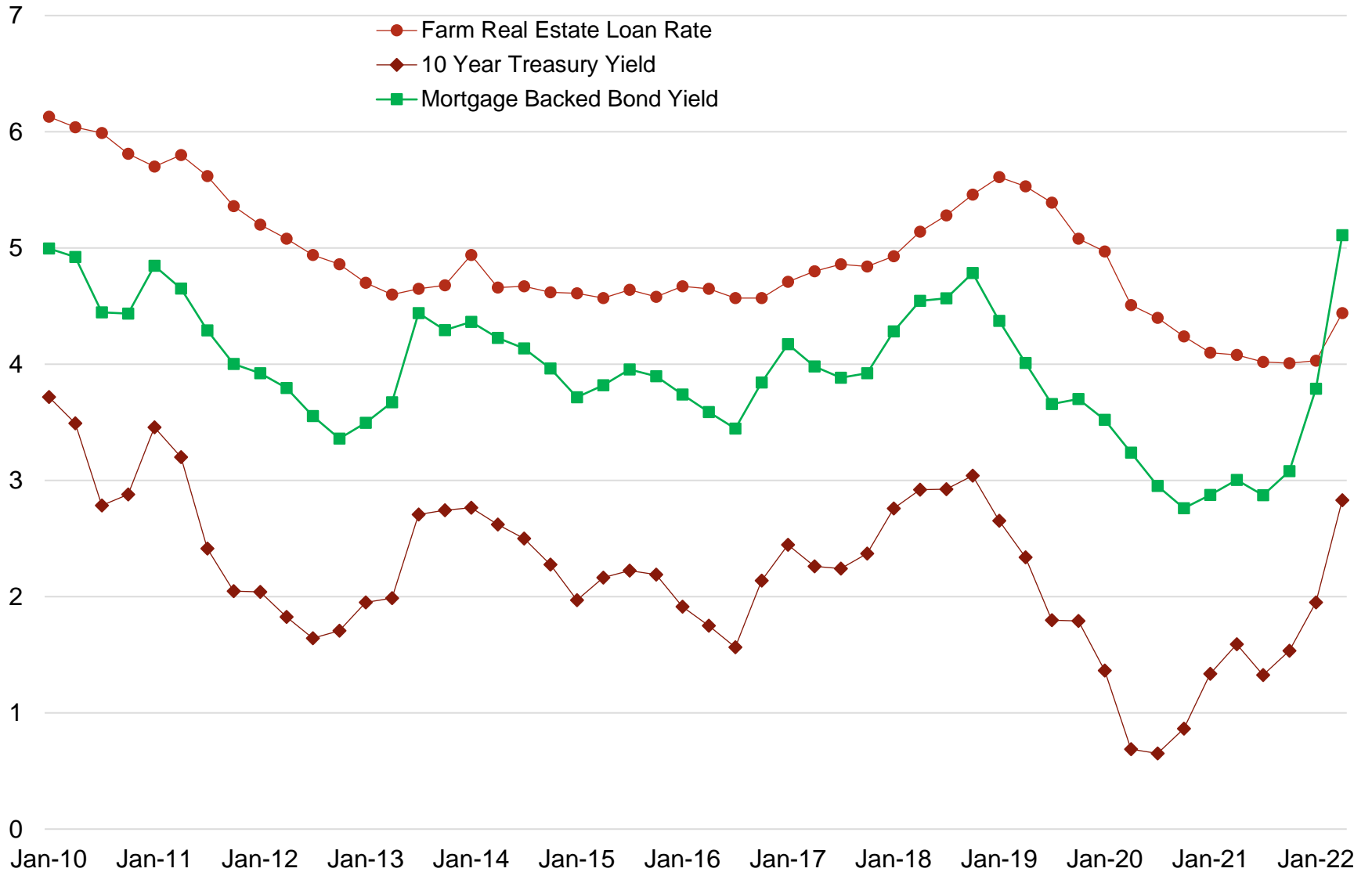
Source: Federal Reserve Bank of New York

fred.stlouisfed.org



The markets are always reconsidering their bets.

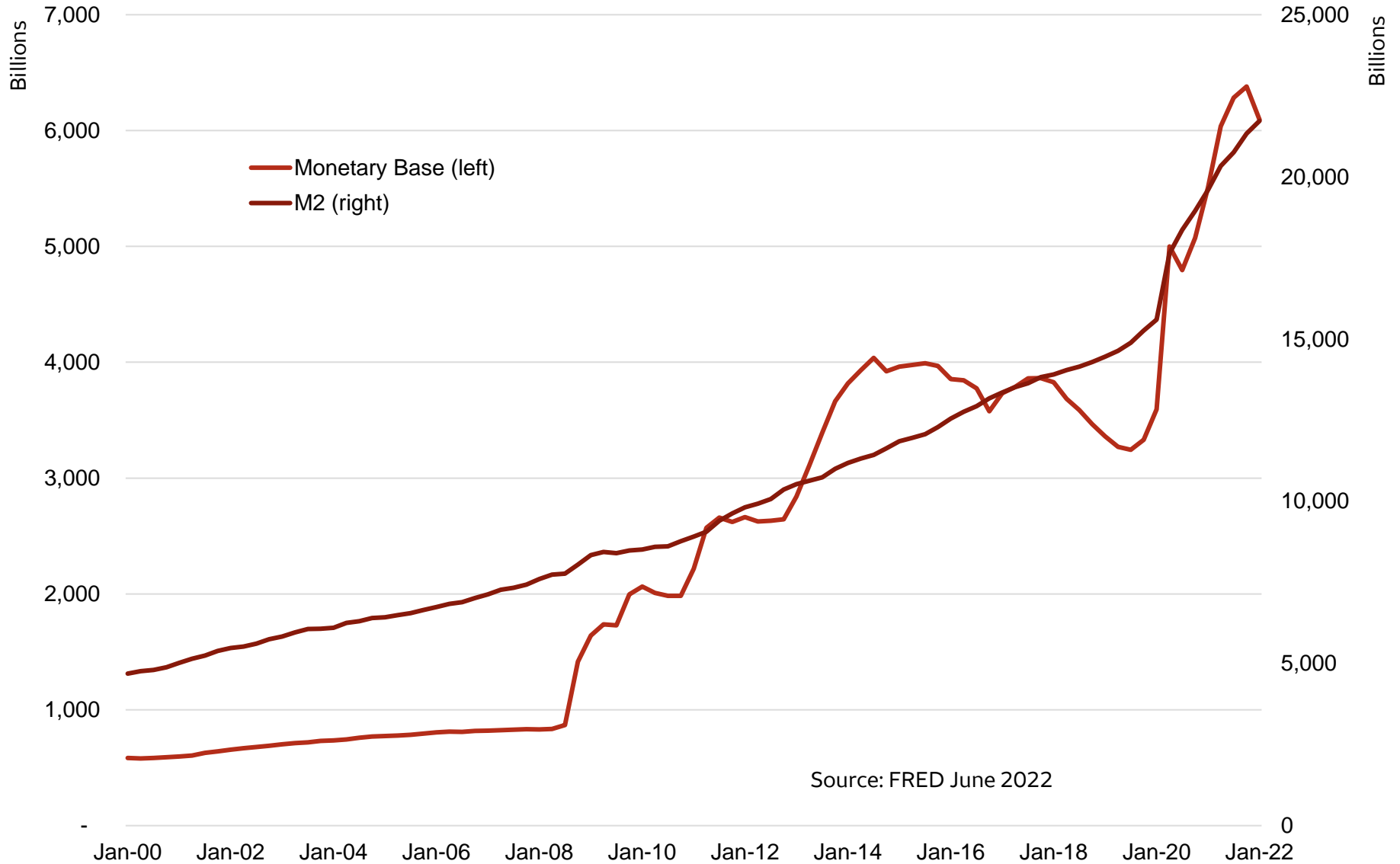
Yield By Class of Bond



Source: March 2022 FRED, Chicago Federal Reserve

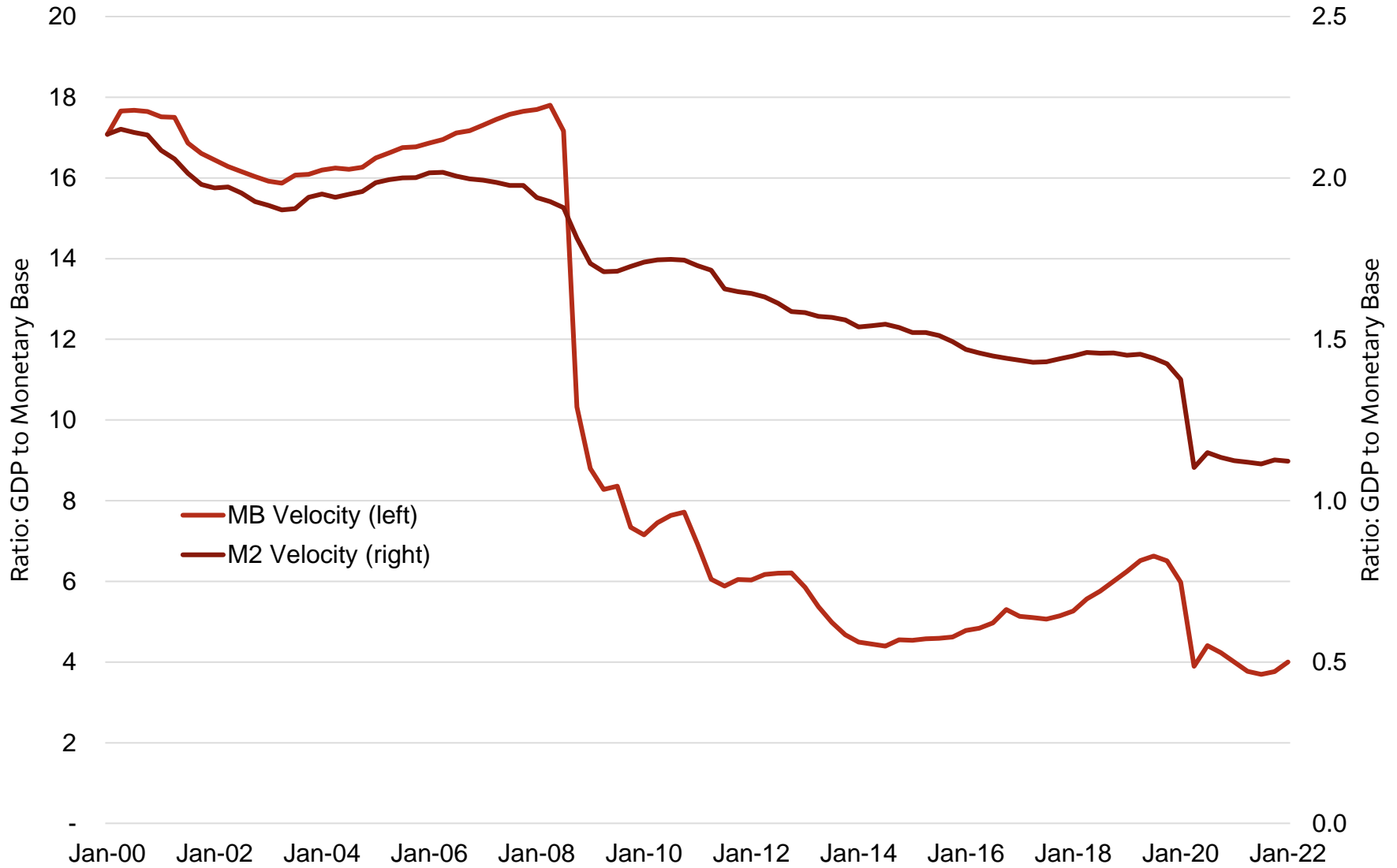
When all you have is a hammer, everything looks like a nail.

Monetary Bases are Key Economic Drivers



There is a limit to what the Federal Reserve controls.

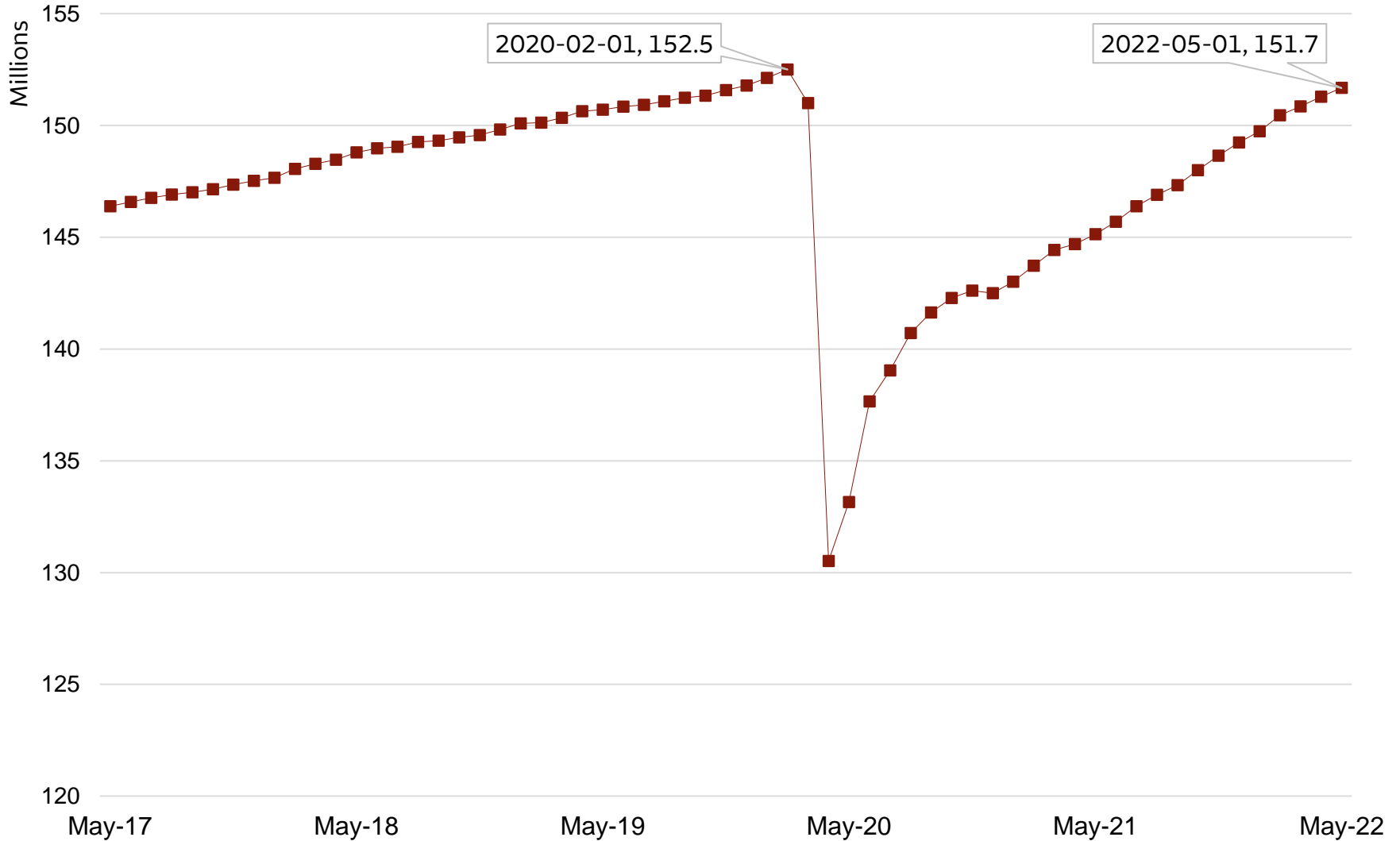
Monetary Velocity: GDP / Base



Source: FRED June 2022

Still catching up on the employment numbers.

Total Nonfarm Private Payroll Employment, Millions, Monthly, Seasonally Adjusted

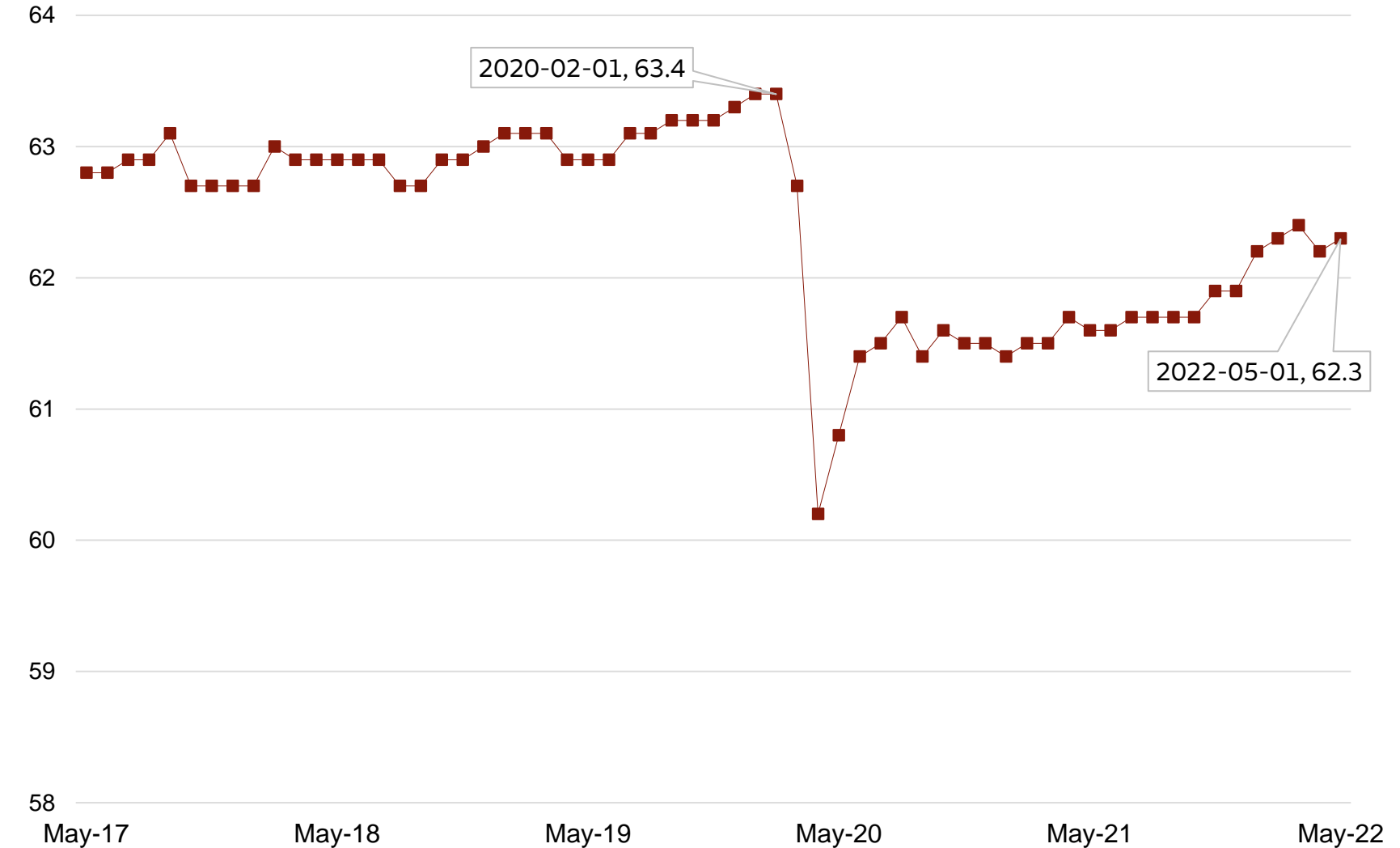


Source: BLS June 2022

Source: Bureau of Economic Analysis

That missing 1% is a major economic issue.

Civilian Labor Participation Rate,
Percent

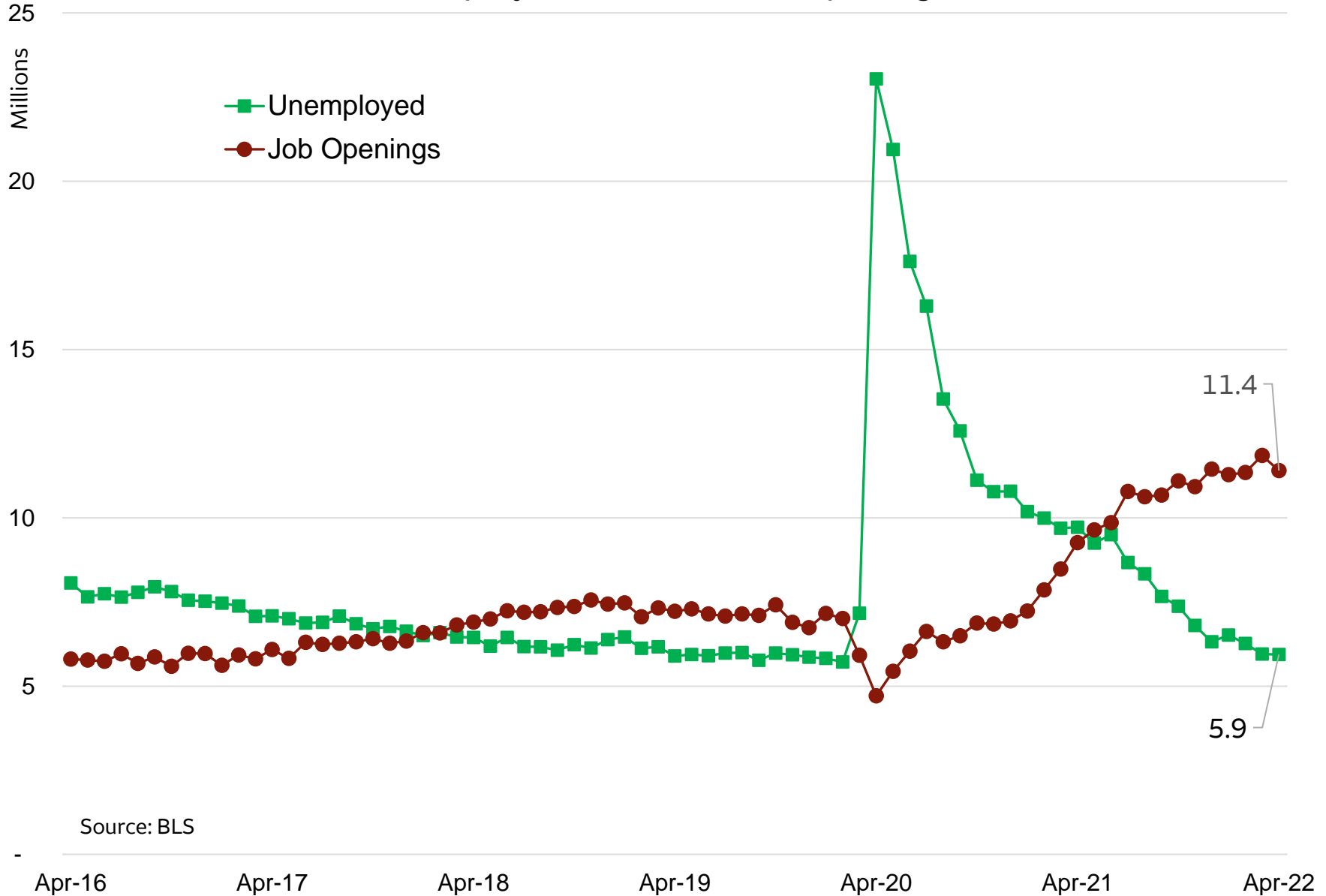


Source: BLS June 2022

Source: Bureau of Economic Analysis

Wages are the price of labor, and this market is not close to clearing.

Unemployment versus Job Openings

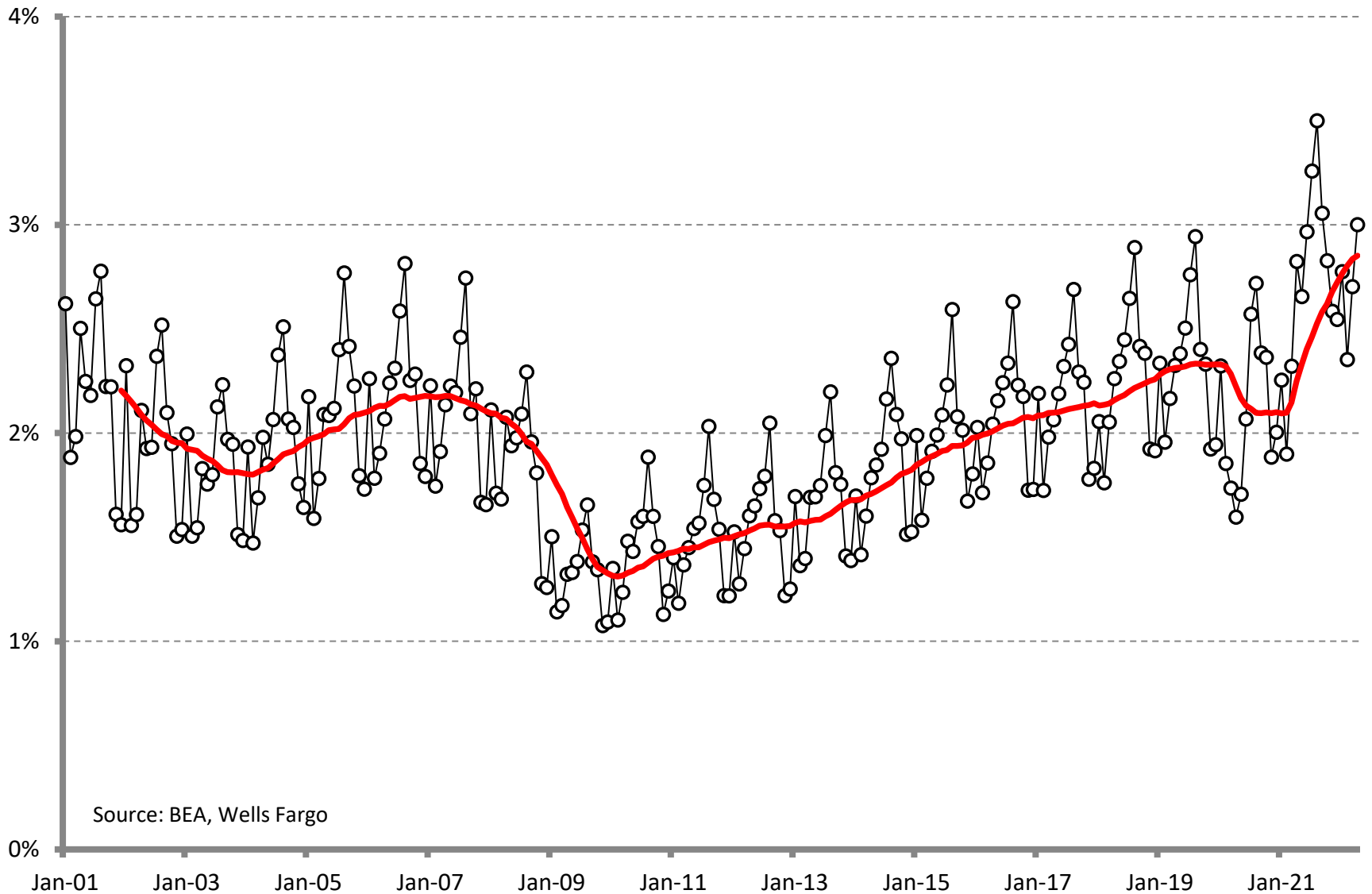


Source: BLS

Source: Bureau of Economic Analysis June 2022

Americans have become quitters.

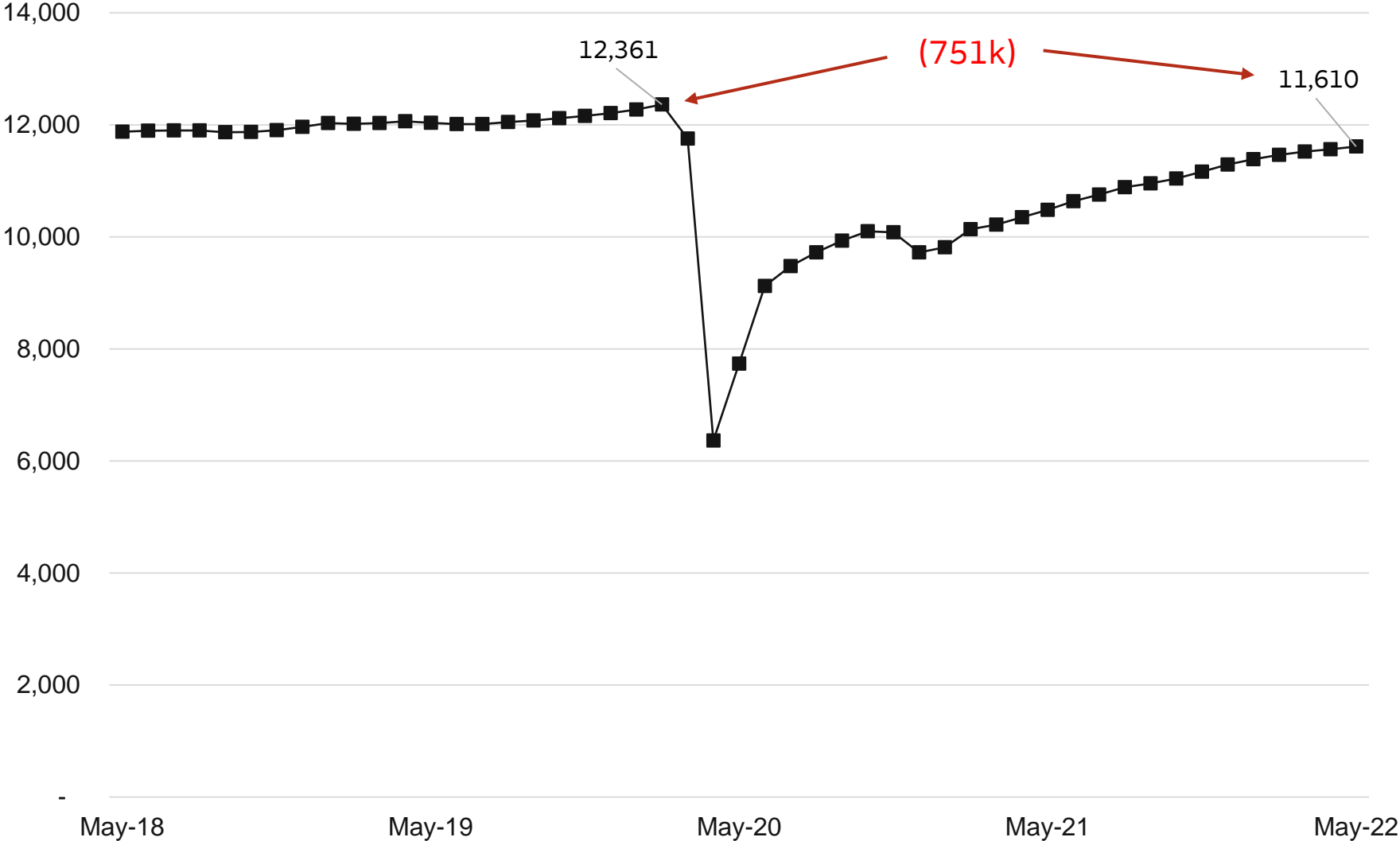
Voluntary Quits as Pct of Employment



Source: BEA, Wells Fargo

They are still operating short-staffed and grumpy.

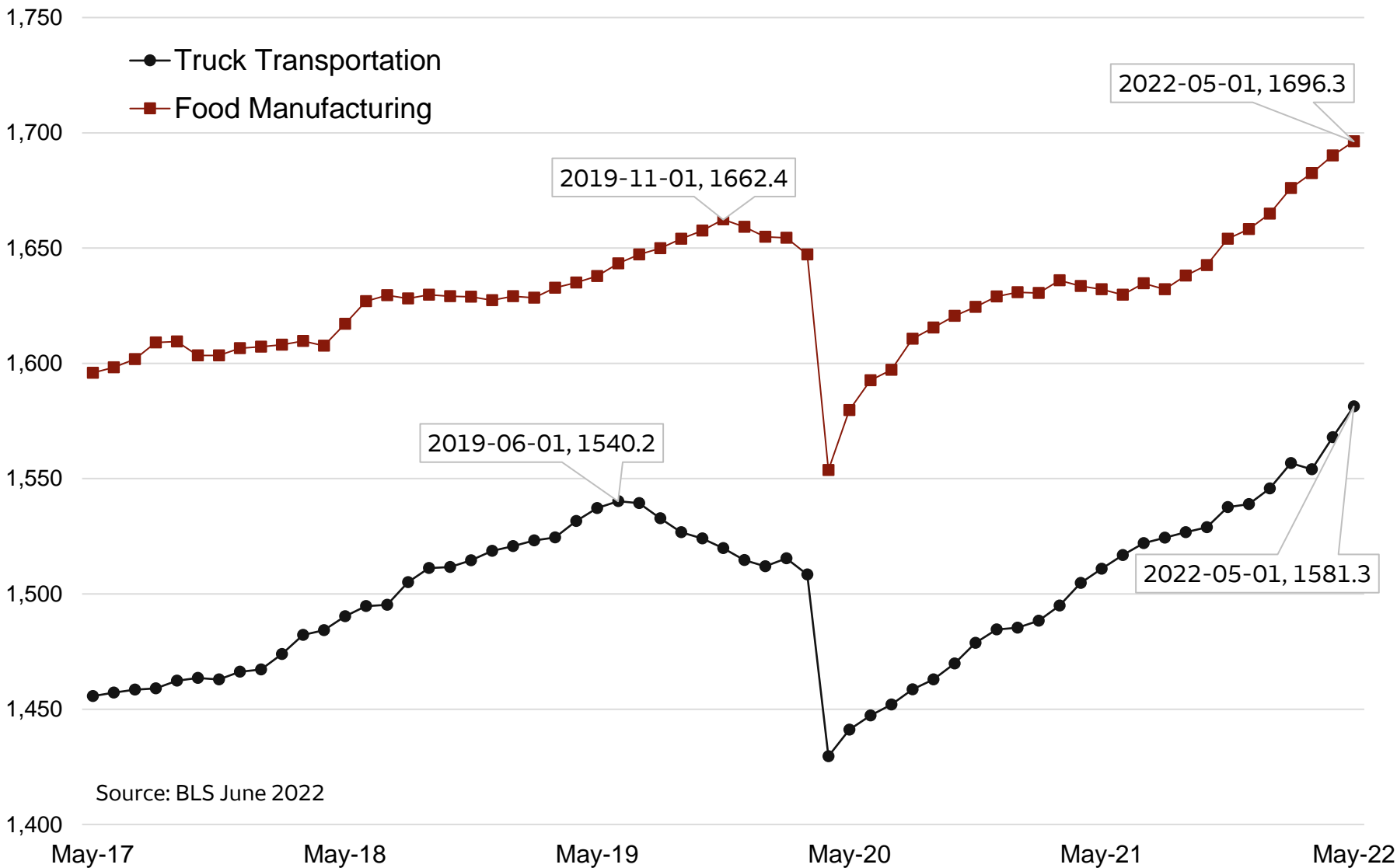
All Employees, Food Services and Drinking Places, Thousands of Persons, Monthly, Seasonally Adjusted



Source: BLS May 2022 release

In contrast, the trucking and food manufacturers have grown.

Employment in Food Manufacturing and Trucking
in thousands seasonally adjusted



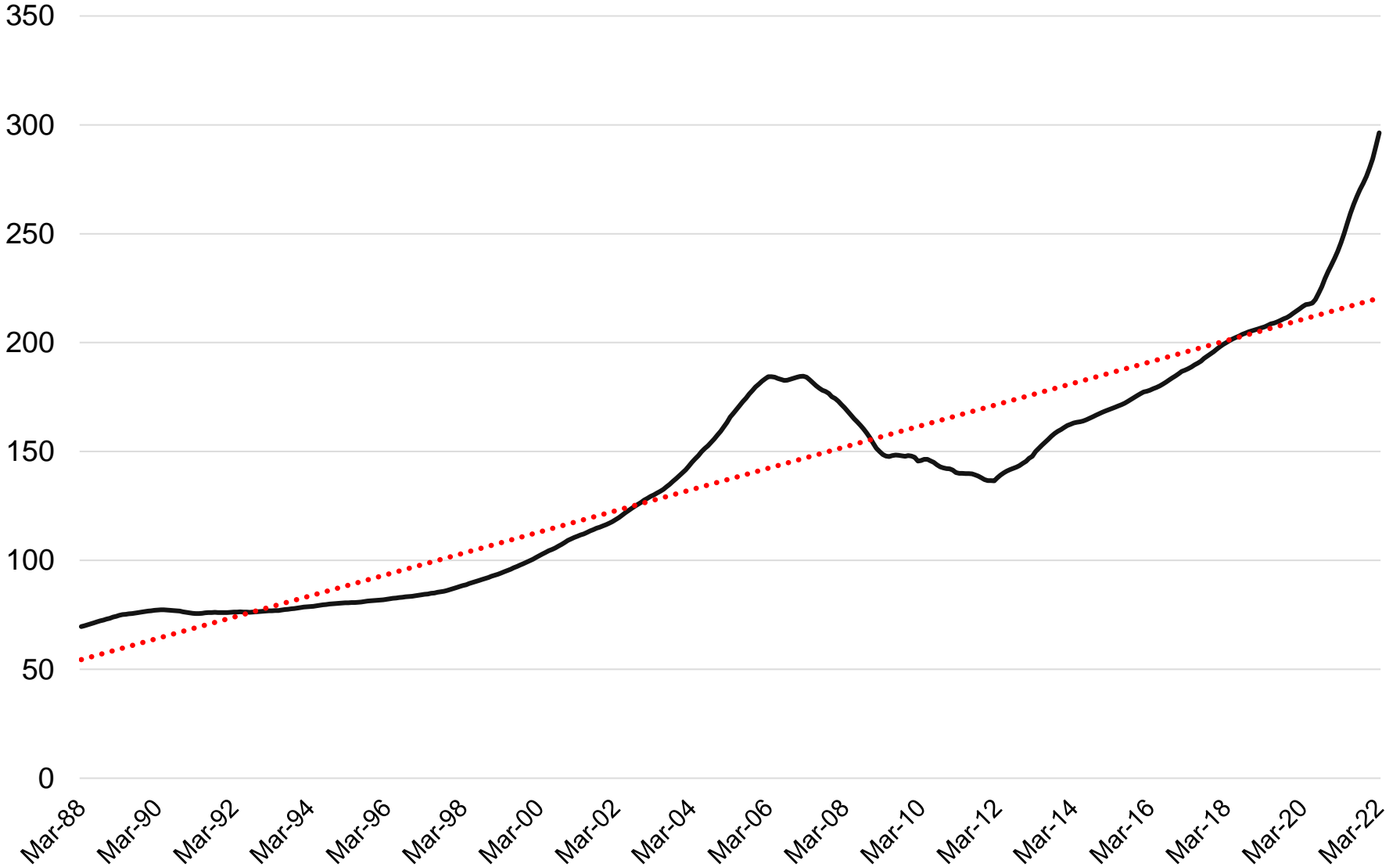
Source: BLS June 2022

Home Ownership Affordability Monitor

Source: Atlanta Federal Reserve June 2022

You don't need a Ph.D. to know what comes next.

Case-Schiller Home Price Index



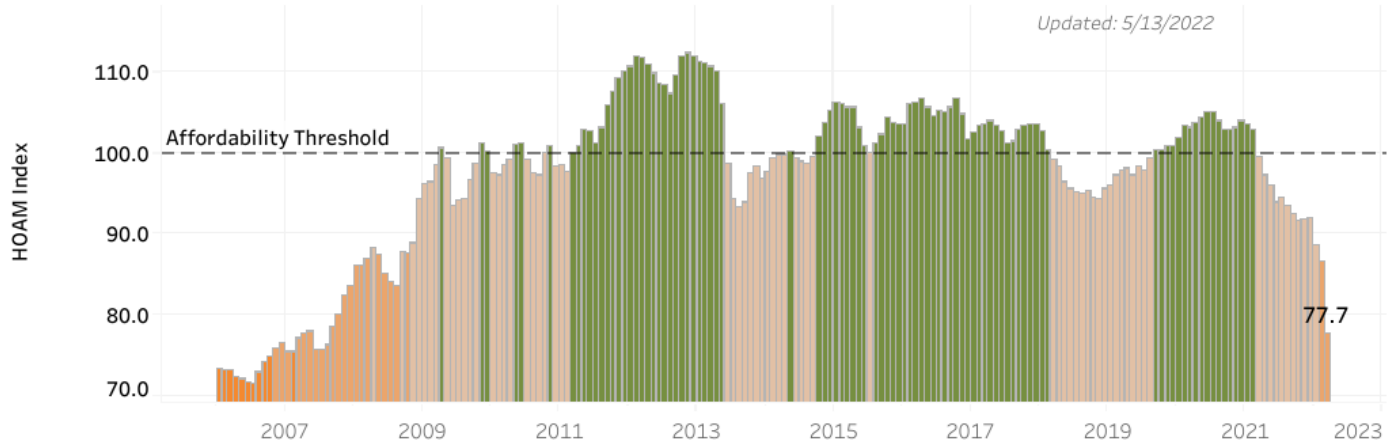
Source: FRED June 2022

Home Ownership Affordability Monitor (HOAM)

Center for Housing Policy at the Federal Reserve Bank of Atlanta

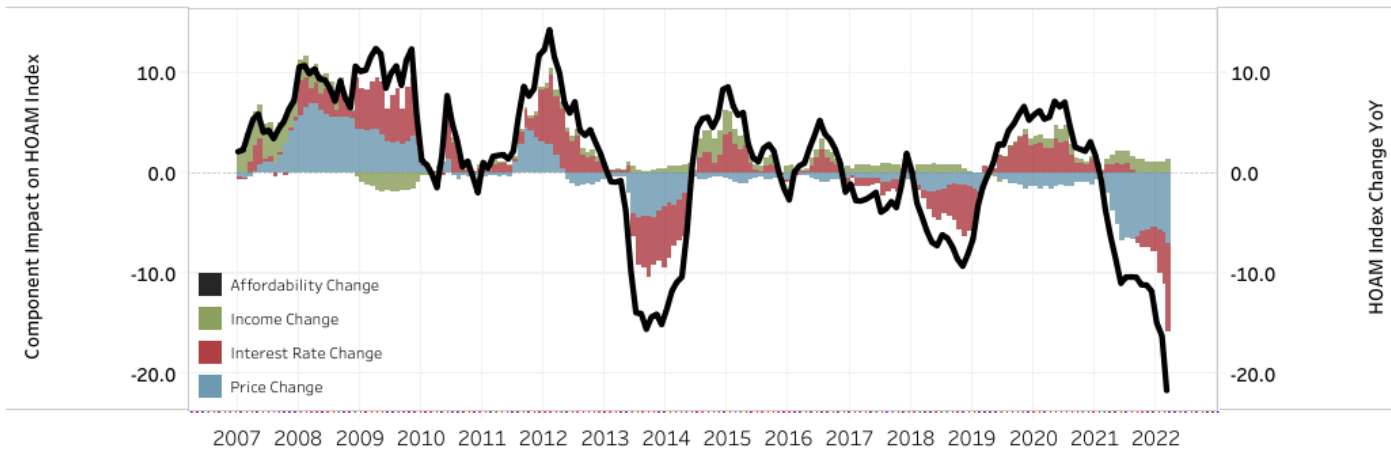
National Affordability	National vs Metro Share of Income	Metro Affordability	Metro - County Affordability
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Federal Reserve Bank of Atlanta National Home Ownership Affordability Monitor (HOAM) Index
Data through March 2022



Drivers of Affordability

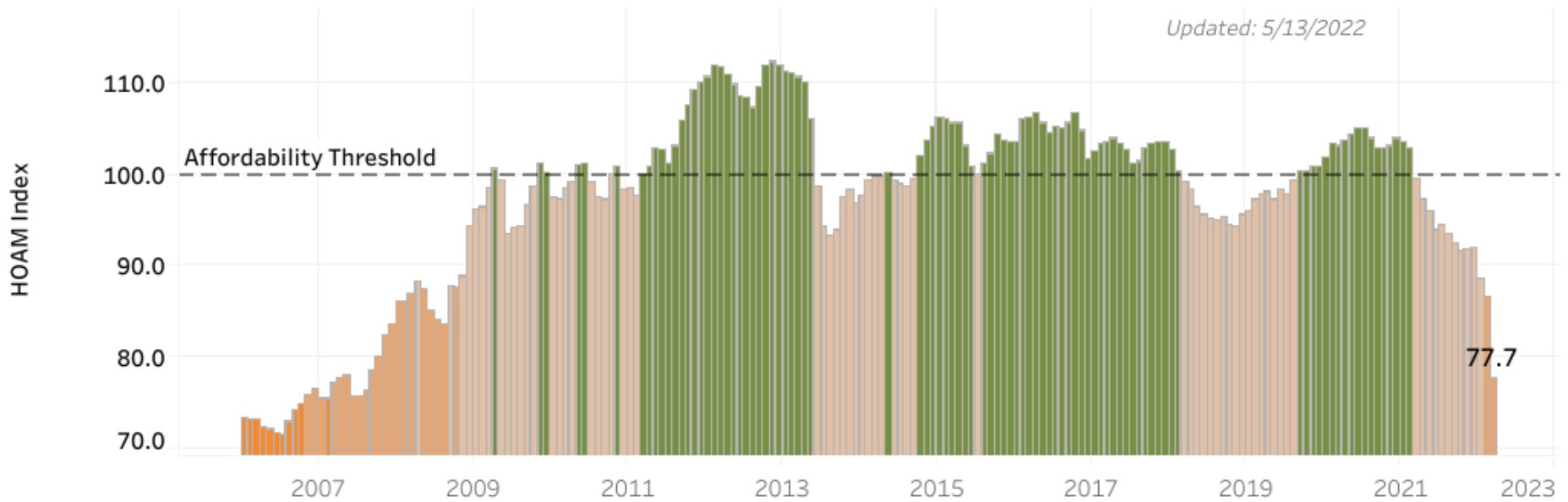
Note: Tracks actual and not percent change. Does not sum to change in index as other components (such as taxes, insurance, or PMI) are not included.



Federal Reserve Bank of Atlanta National Home Ownership Affordability Monitor (HOAM) Index

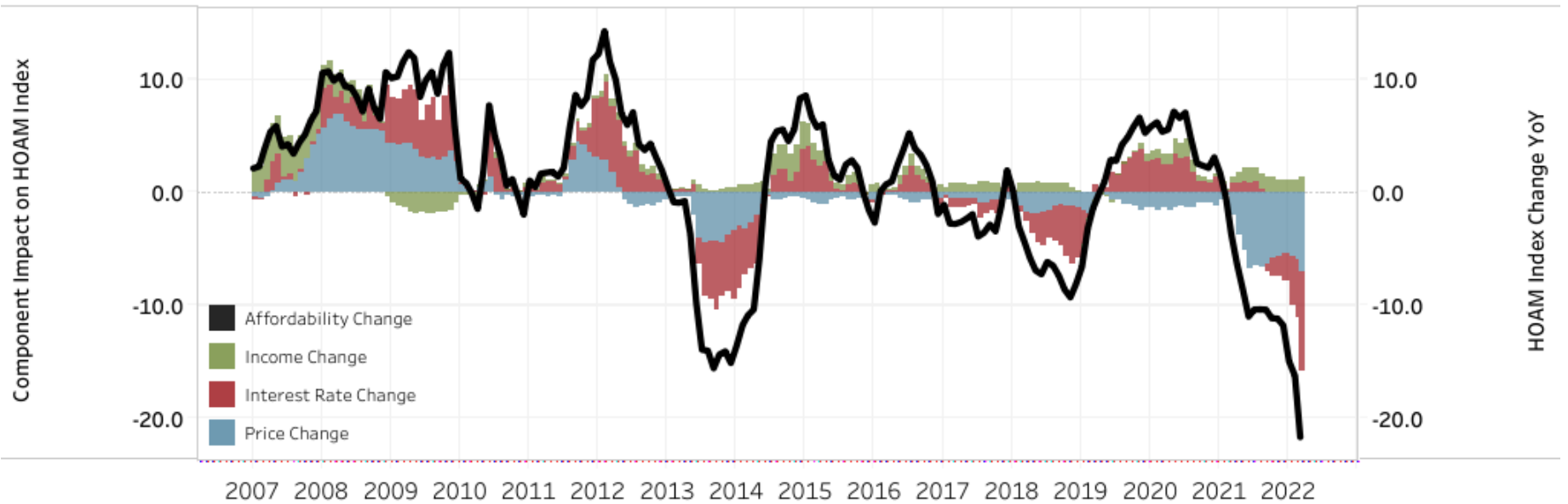
Data through March 2022

Updated: 5/13/2022

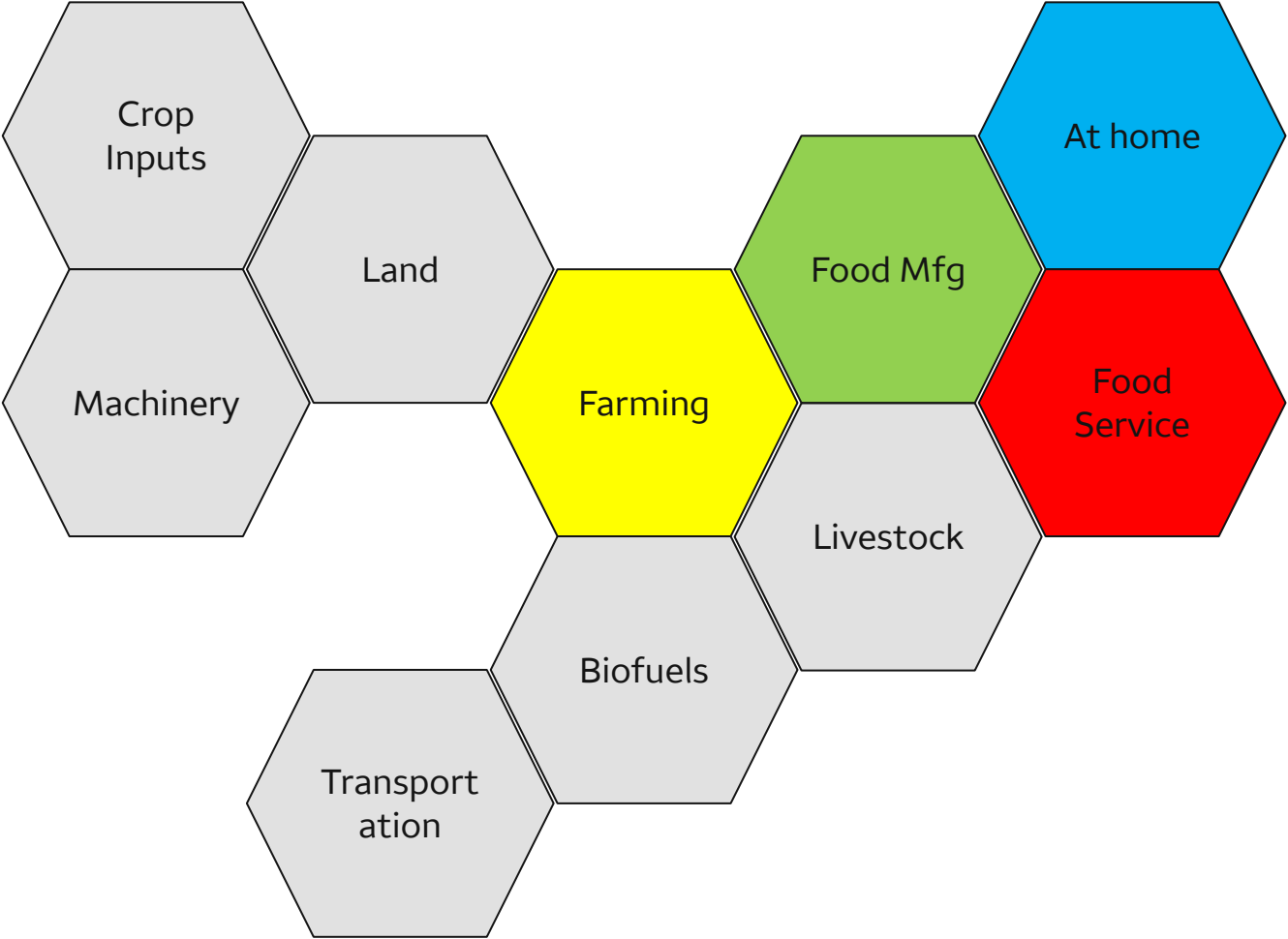


Drivers of Affordability

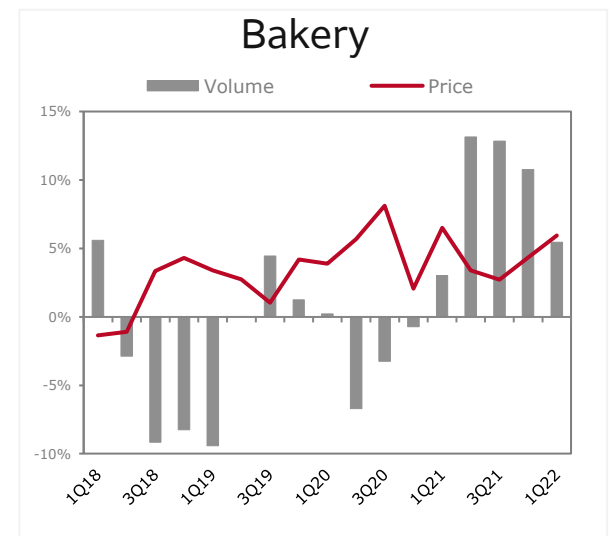
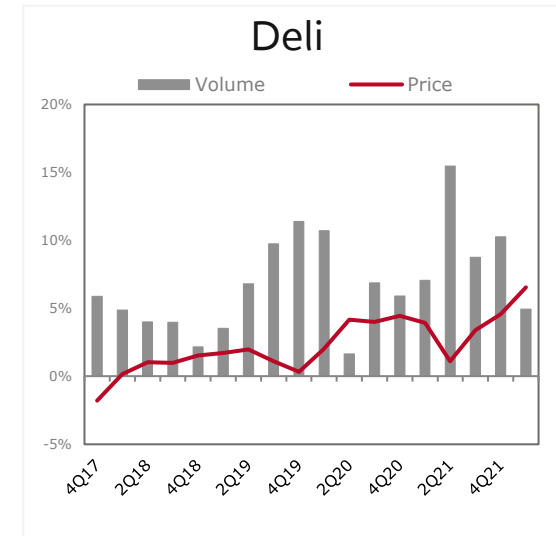
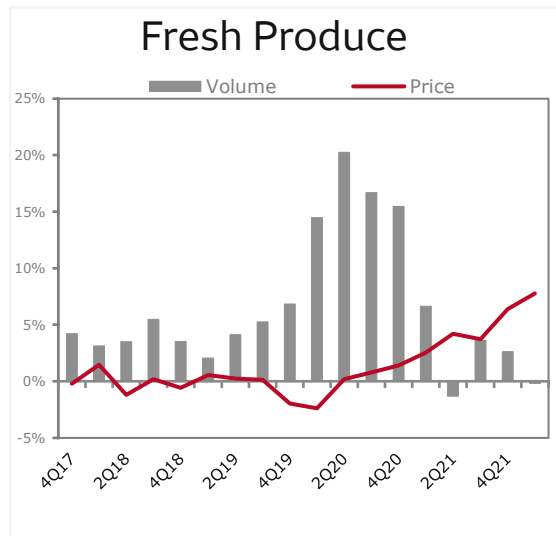
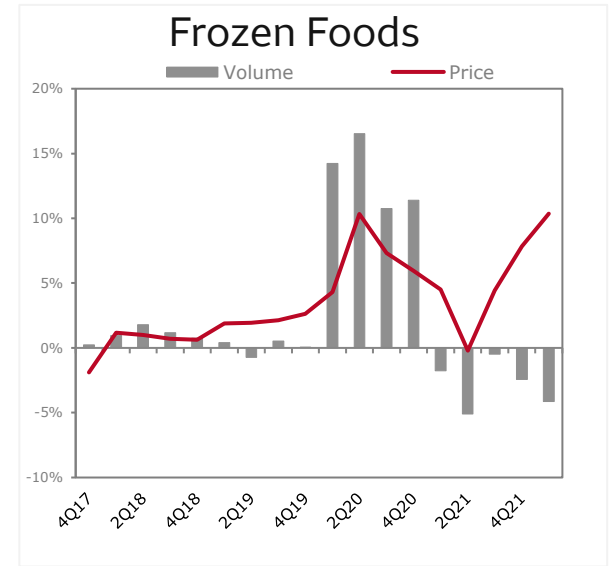
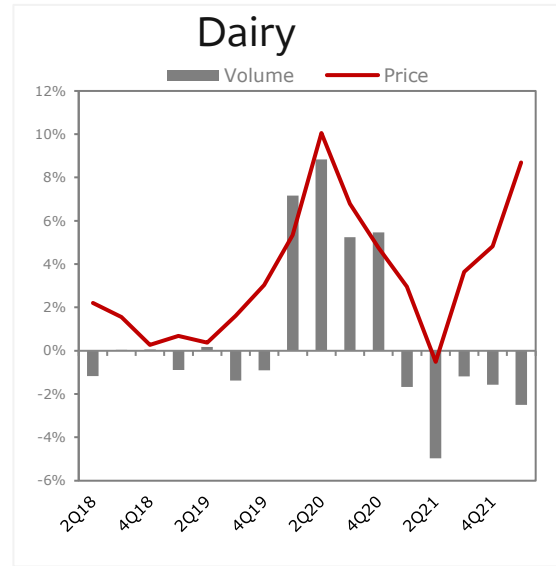
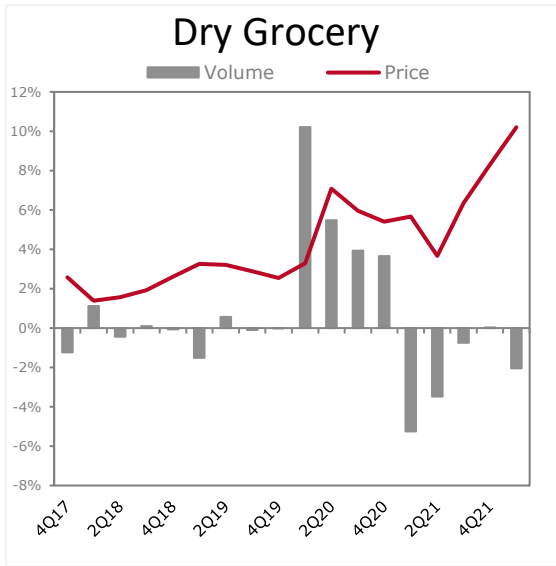
Note: Tracks actual and not percent change. Does not sum to change in index as other components (such as taxes, insurance, or PMI) are not included.



Everything is connected. Remember the adjacency.



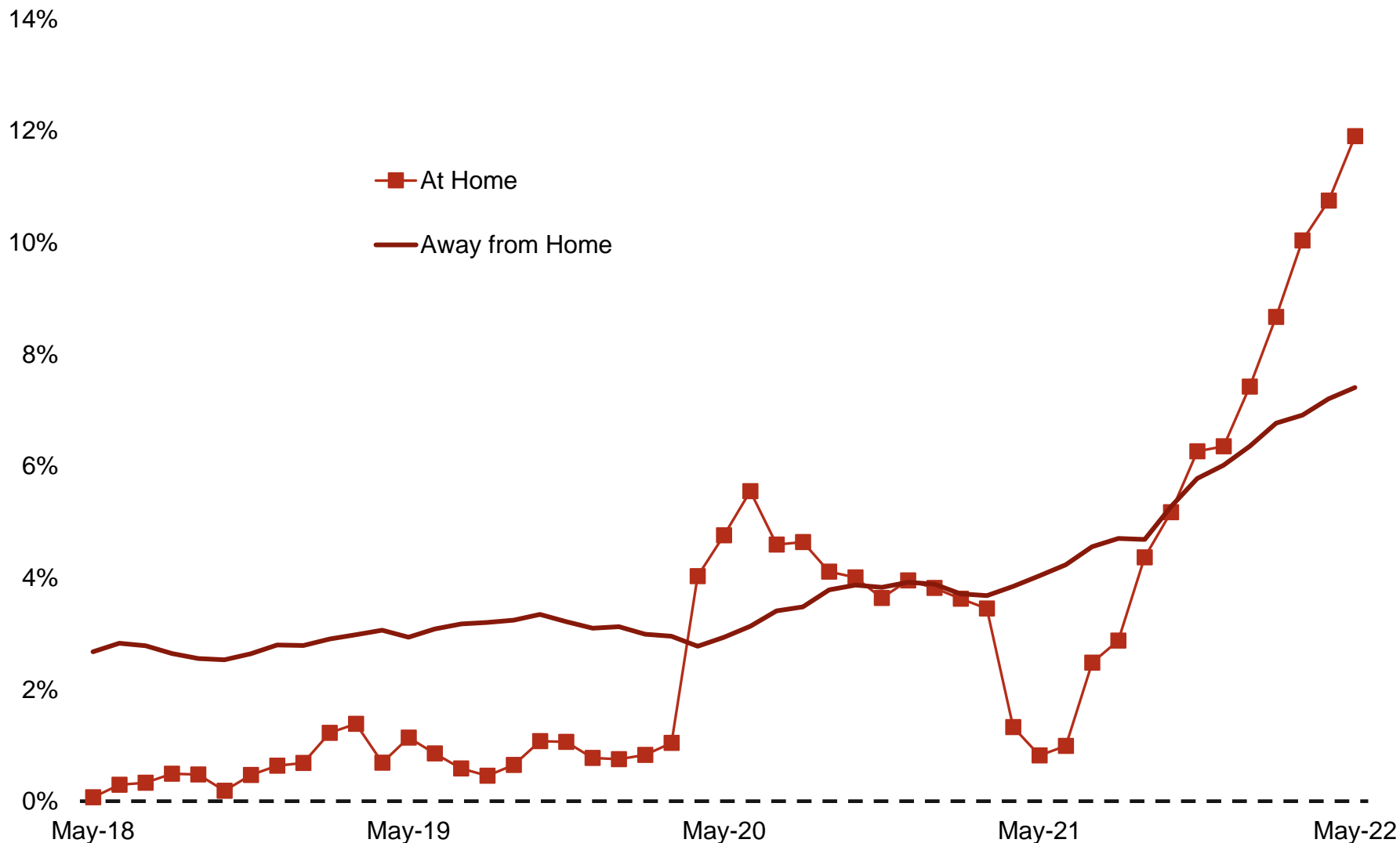
Nielsen retail sales trends by department, as of Q1, 2022



A shock to the system, will it change behavior?

Year over Year Percent Change in Food Inflation

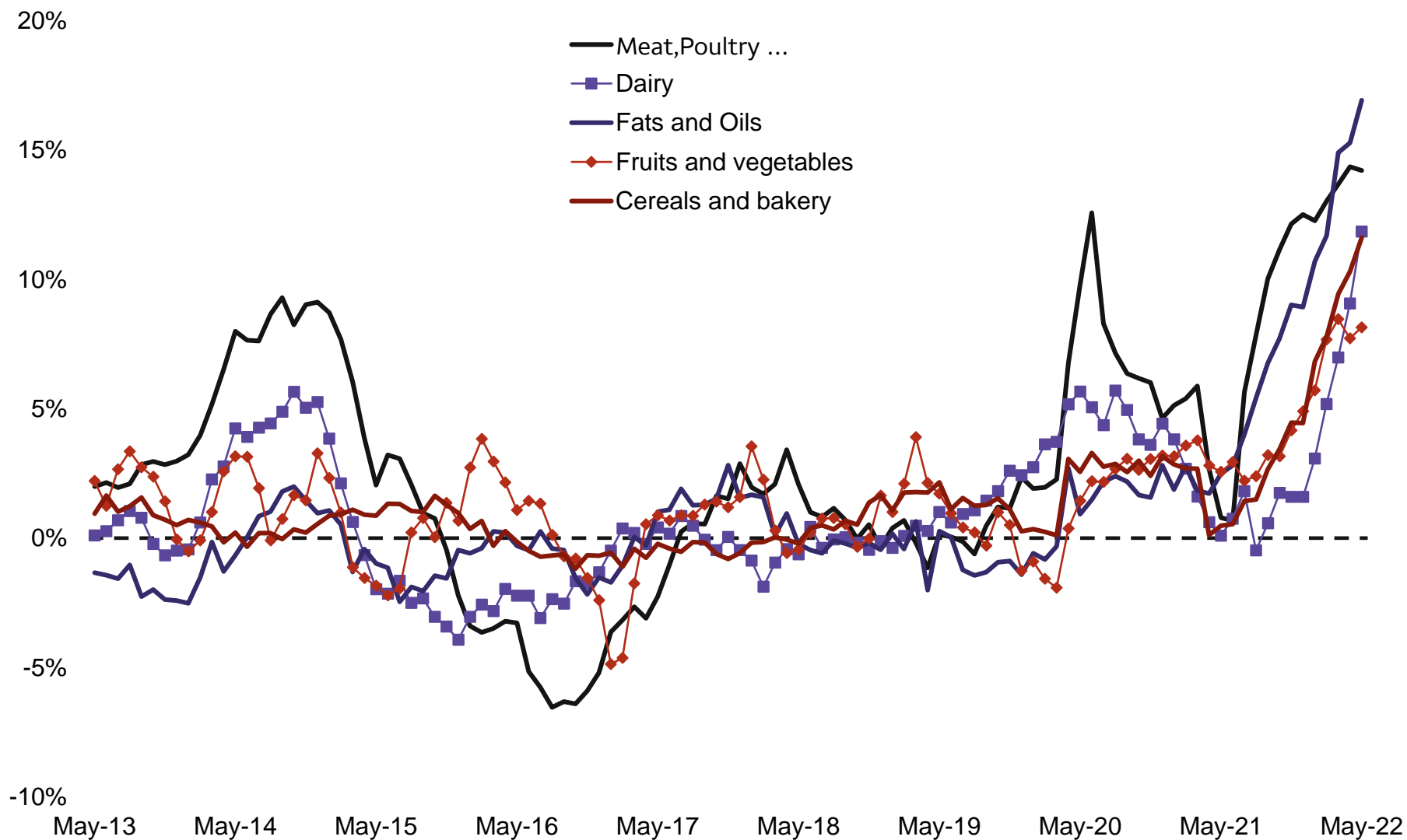
source: BLS June 2022 release



Lots of variation below the headline numbers.

Year over Year Percent Change in Food Inflation

source: BLS June 2022 release

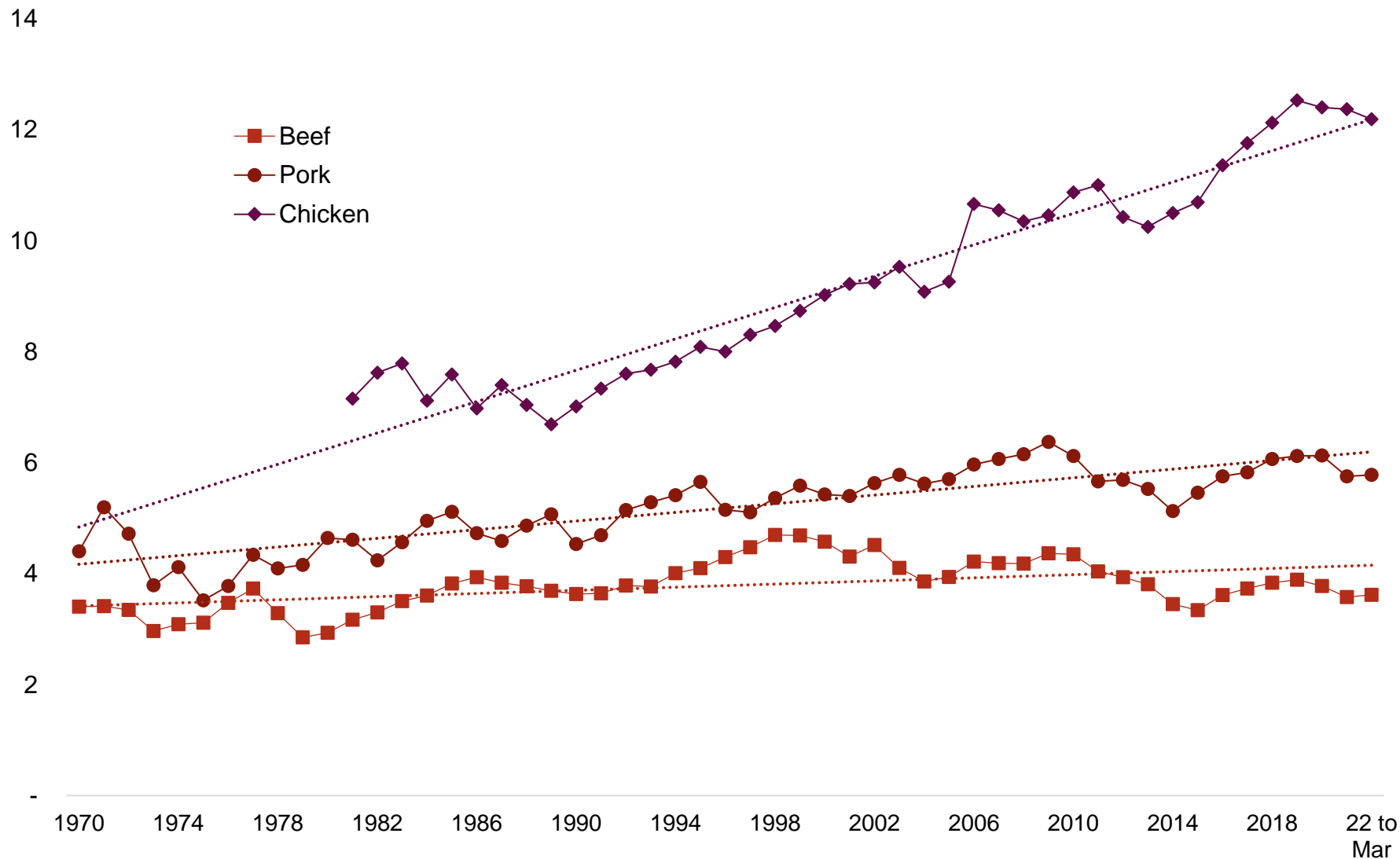


Some things are easier to see in a table format.

Average Monthly Change	At Home	Away from Home	Meat, Poultry ...	Dairy	Fats and Oils	Fruits and vegetables	Cereals and bakery
Last year	6.4%	5.8%	10.6%	3.6%	9.5%	5.1%	5.4%
Last 5 years	2.1%	3.4%	3.6%	1.5%	1.9%	1.8%	1.6%
Last 10 years	1.4%	3.0%	2.6%	0.8%	0.8%	1.3%	1.1%
* Source BLS data for CPI June 2022							

The price of anything is what you gave up to get it.

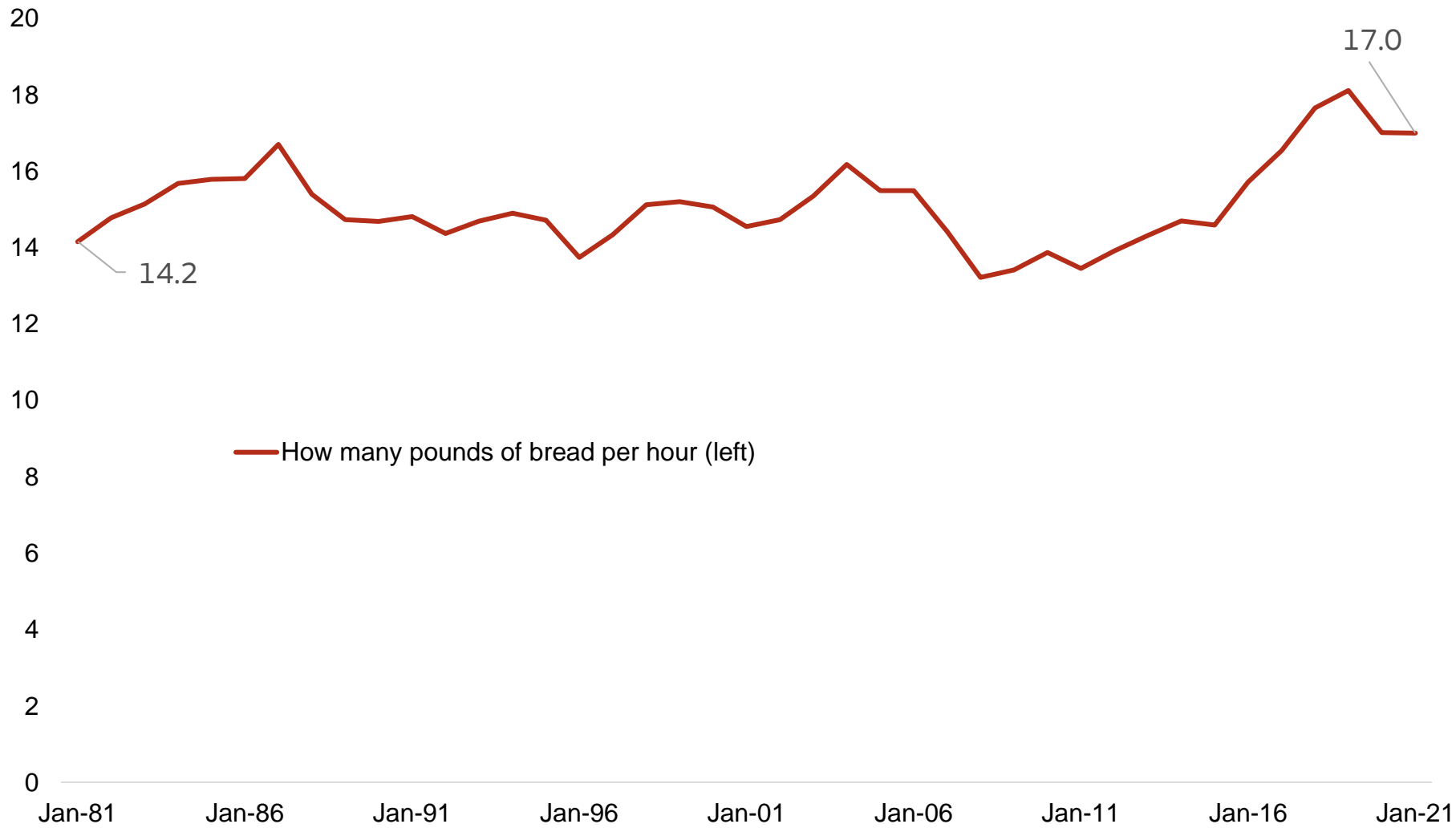
Pounds of Meat (at retail) equivalent to Average Hourly Wage



Source: USDA ERS, BLS May 2022

Americans are natural-born complainers.

Wheat and Bread compared to Average Hourly Earnings (a higher ratio shows more purchasing power for labor)

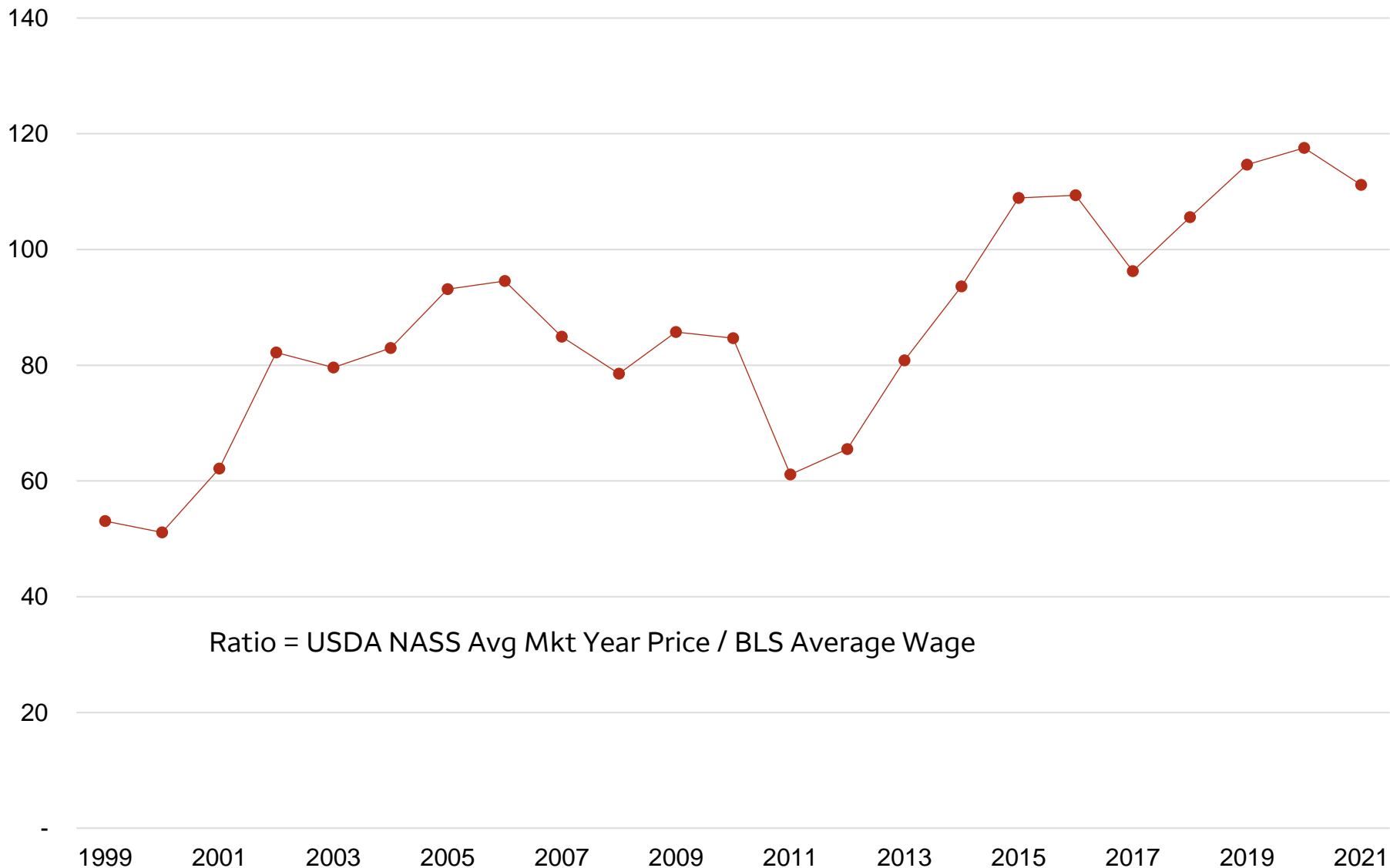


— How many pounds of bread per hour (left)

Source: BLS and NASS

Working for peanuts? Well yes, thank you.

Lbs. of Peanuts per Hour of Average Wage



Ratio = USDA NASS Avg Mkt Year Price / BLS Average Wage

Source: USDA NASS, BLS June 2022

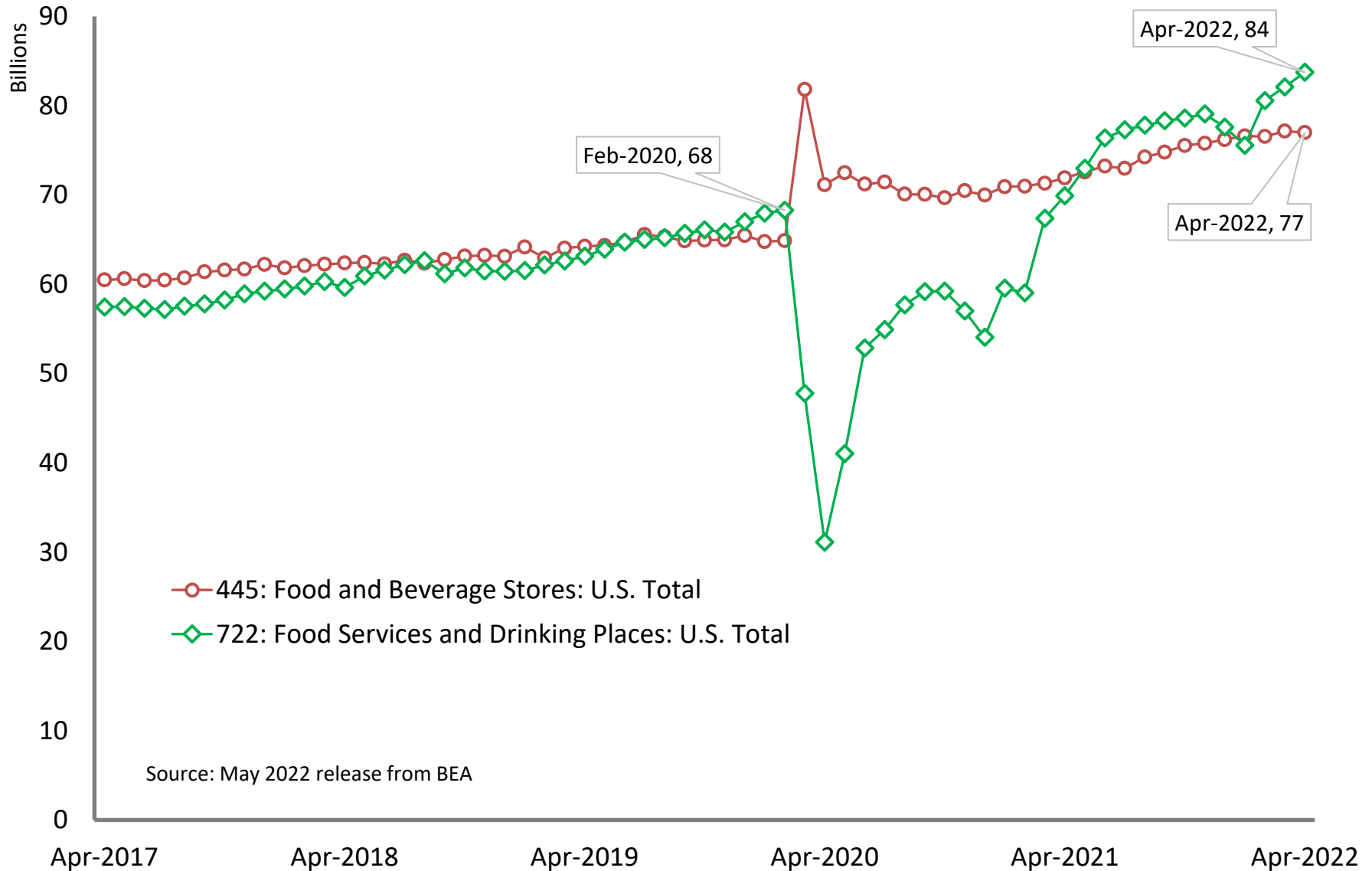
What is the break-out of the food dollar?

Food Dollar Application (usda.gov)												
Sum of Share	Year											
Sector2		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Energy		5.8	6.5	5.8	5.6	5.6	4.2	3.7	4.0	4.2	3.8	3.7
FIRE		6.4	6.1	6.7	6.3	7.1	7.1	7.5	7.3	7.6	7.6	7.6
Agribusiness		3.9	4.0	4.2	3.8	4.2	4.1	4.2	3.8	3.6	3.7	3.6
Farm production		12.7	14.4	13.8	15.1	14.2	12.7	11.8	11.9	12.0	11.7	11.6
Food processing		24.1	22.5	22.7	22.4	22.5	24.0	24.5	24.7	24.1	24.2	24.5
Packaging		3.8	3.8	3.6	3.6	3.5	3.5	3.6	3.7	3.8	3.8	3.8
Transportation		4.8	4.5	4.5	4.4	4.5	5.2	5.3	5.2	5.5	5.7	5.6
Wholesale trade		14.7	14.9	15.8	16.1	15.9	16.5	16.5	16.5	16.3	16.5	16.6
Retail trade		23.3	22.9	22.4	22.2	22.0	22.3	22.3	22.4	22.1	22.3	22.4
Grand Total		99.5	99.6	99.5	99.5	99.5	99.6	99.4	99.5	99.2	99.3	99.4
* Source: USDA ERS April 2022												

Transitory or permanent? Americans permanently love convenience.

BEA Retail Sales

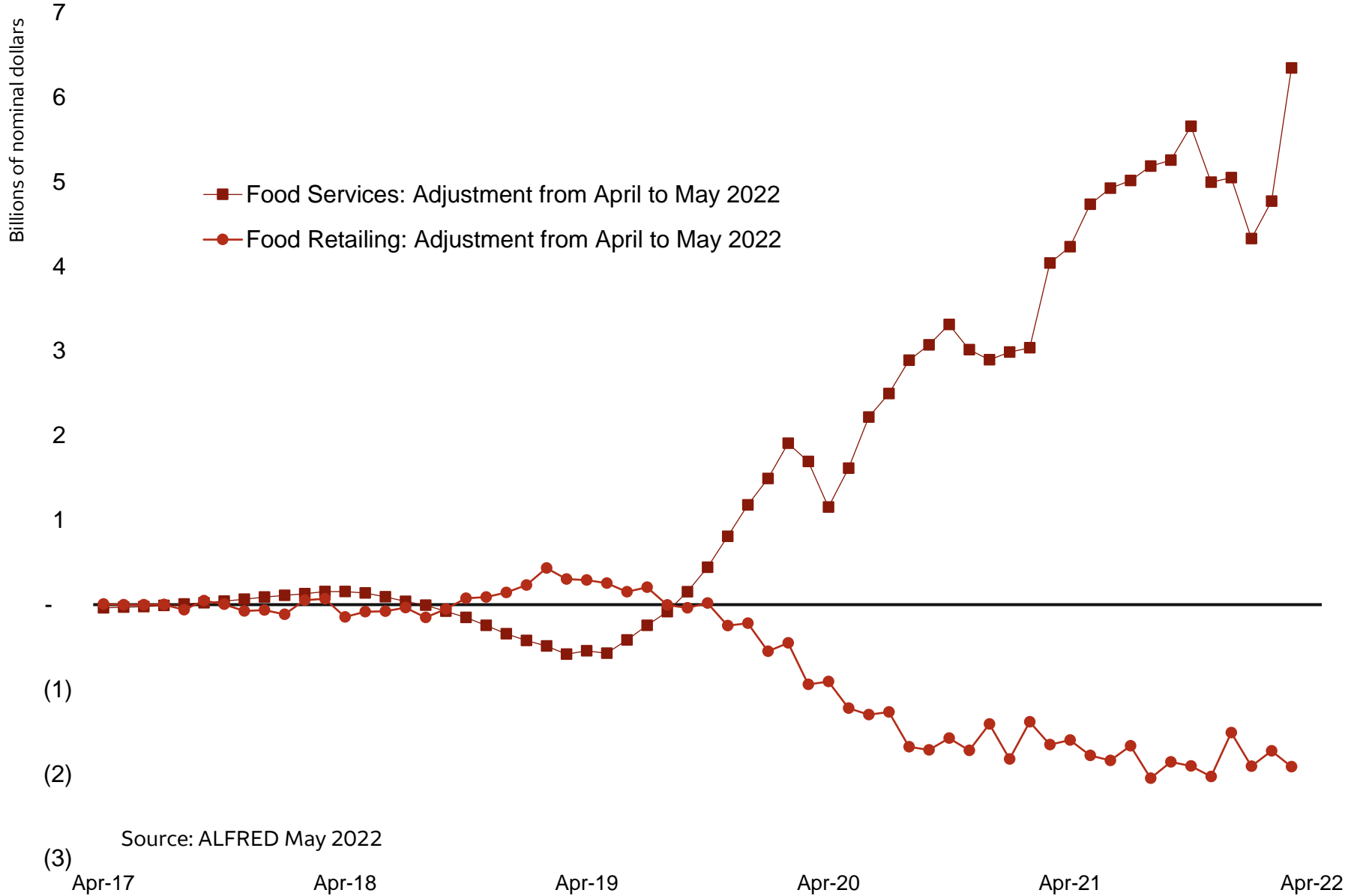
in billions of USD monthly seasonally adjusted



Source: May 2022 release from BEA

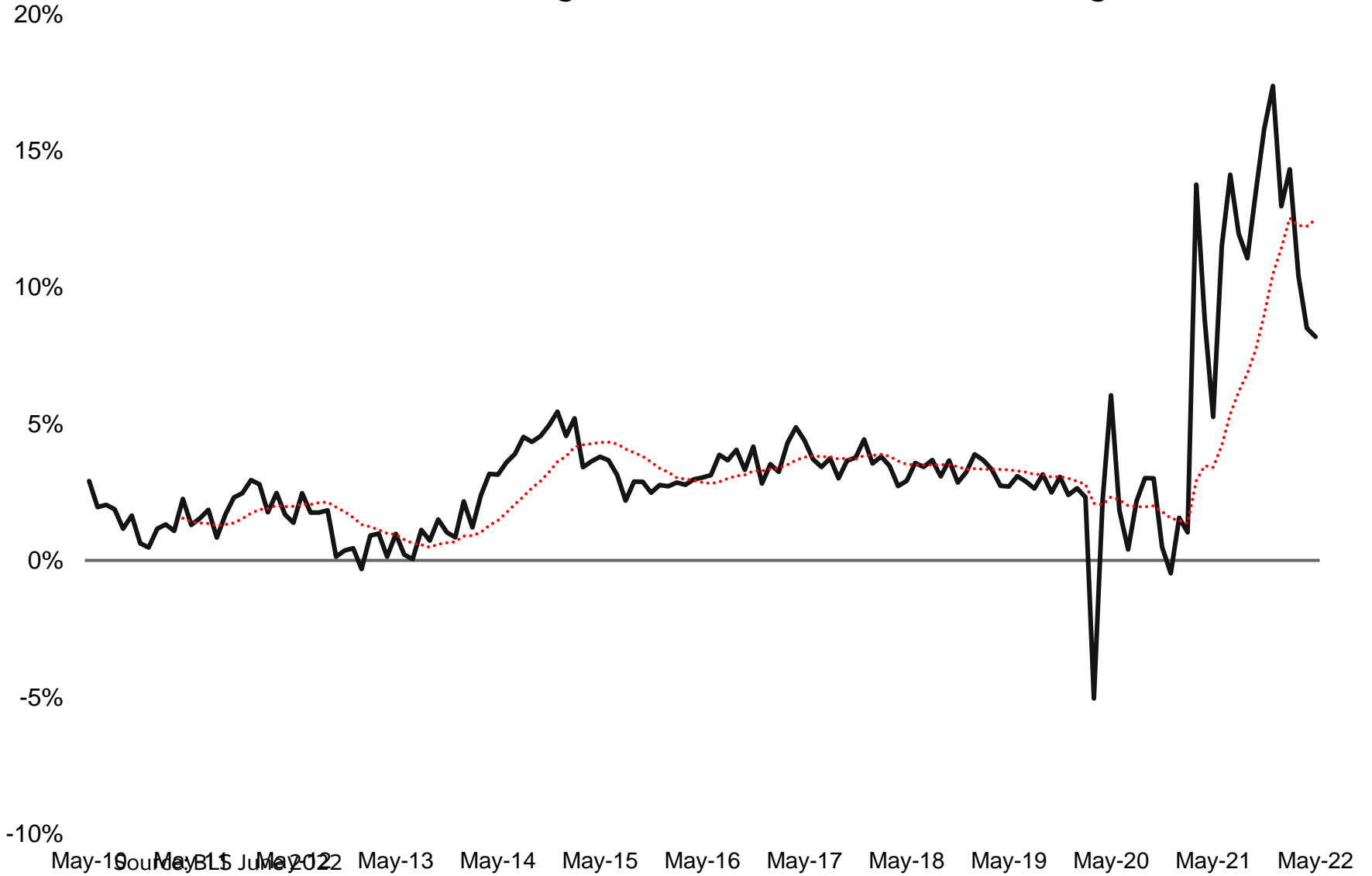
The BEA made a massive restatement in May favoring food services.

Food Services and Drinking Retail Sales in Billions of dollars



Wage growth has been at historical highs but appears to be plateauing.

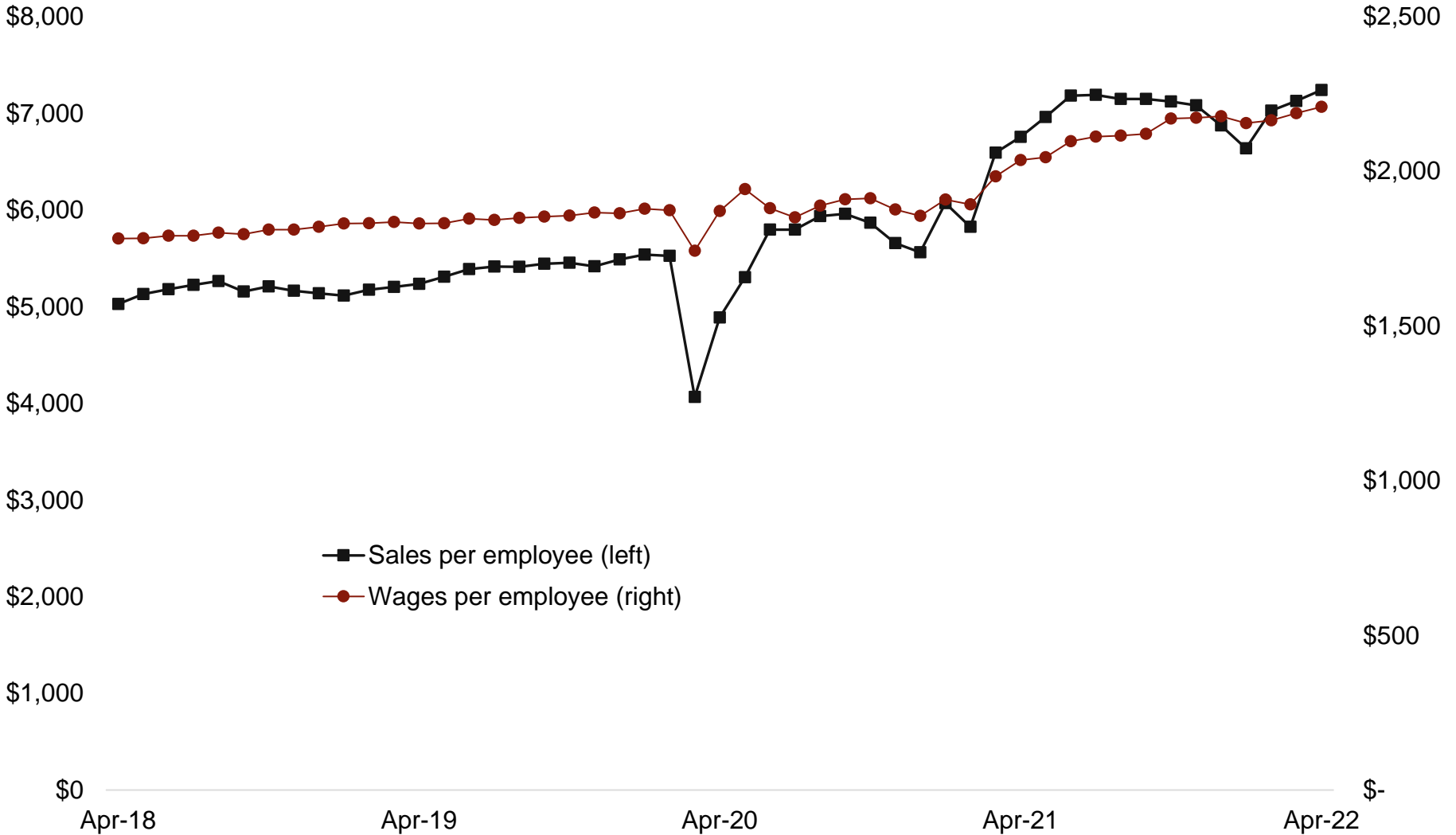
Food Service Wages: Year over Year Percent Change



The restatement should better sales per employee versus wages.

Sales Revenue Per Restaraunt and Bar Employee versus Wages

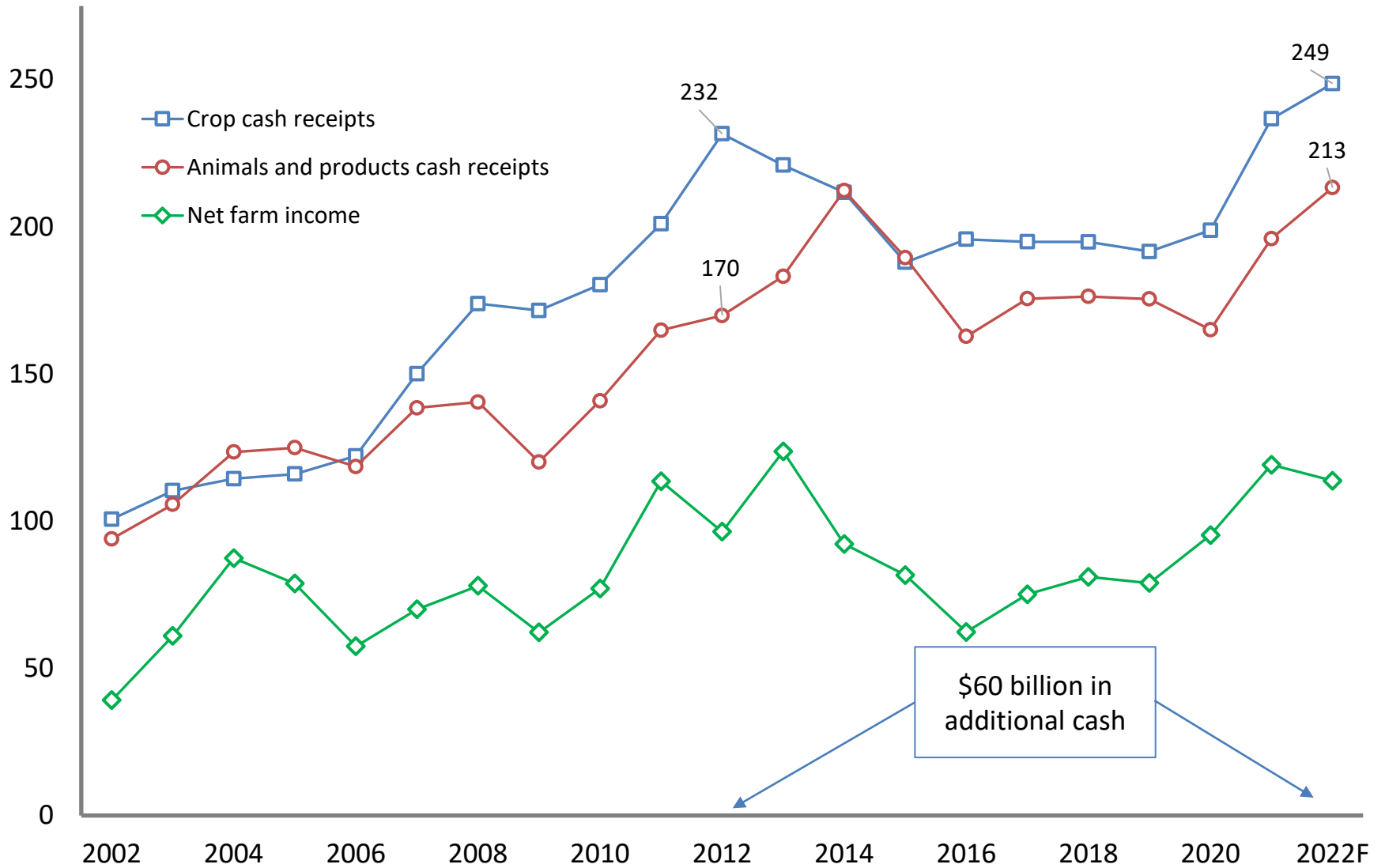
monthly in nominal dollars



Source: BLS, Census Bureau May 2022

Major revisions in the revenue, costs and net income.

USDA Farm Income Statistics in Billions of dollars

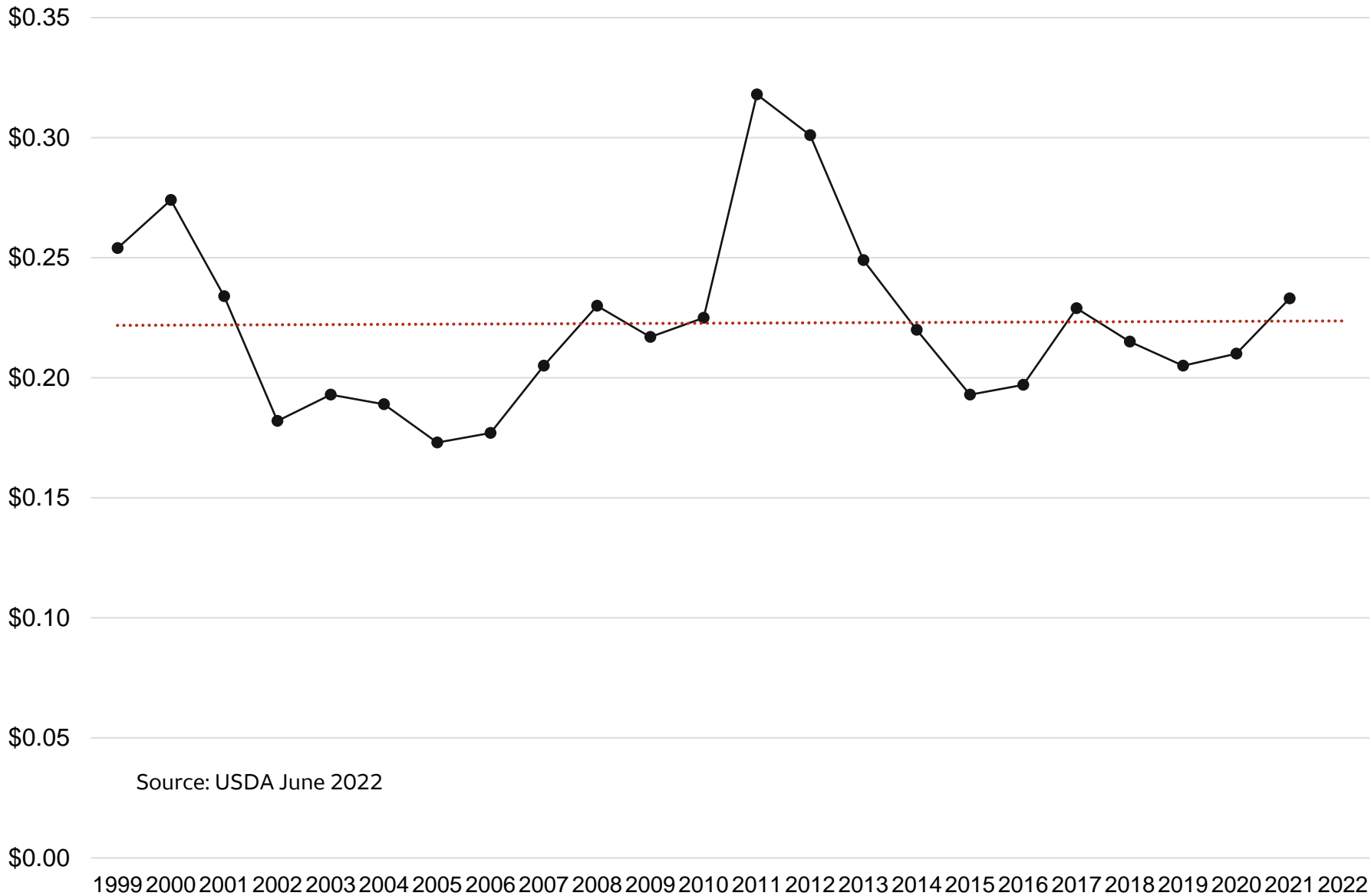


Source: USDA release February 2022

Source: Wells Fargo, USDA

Peanut prices are not trending (trend, cycle and events).

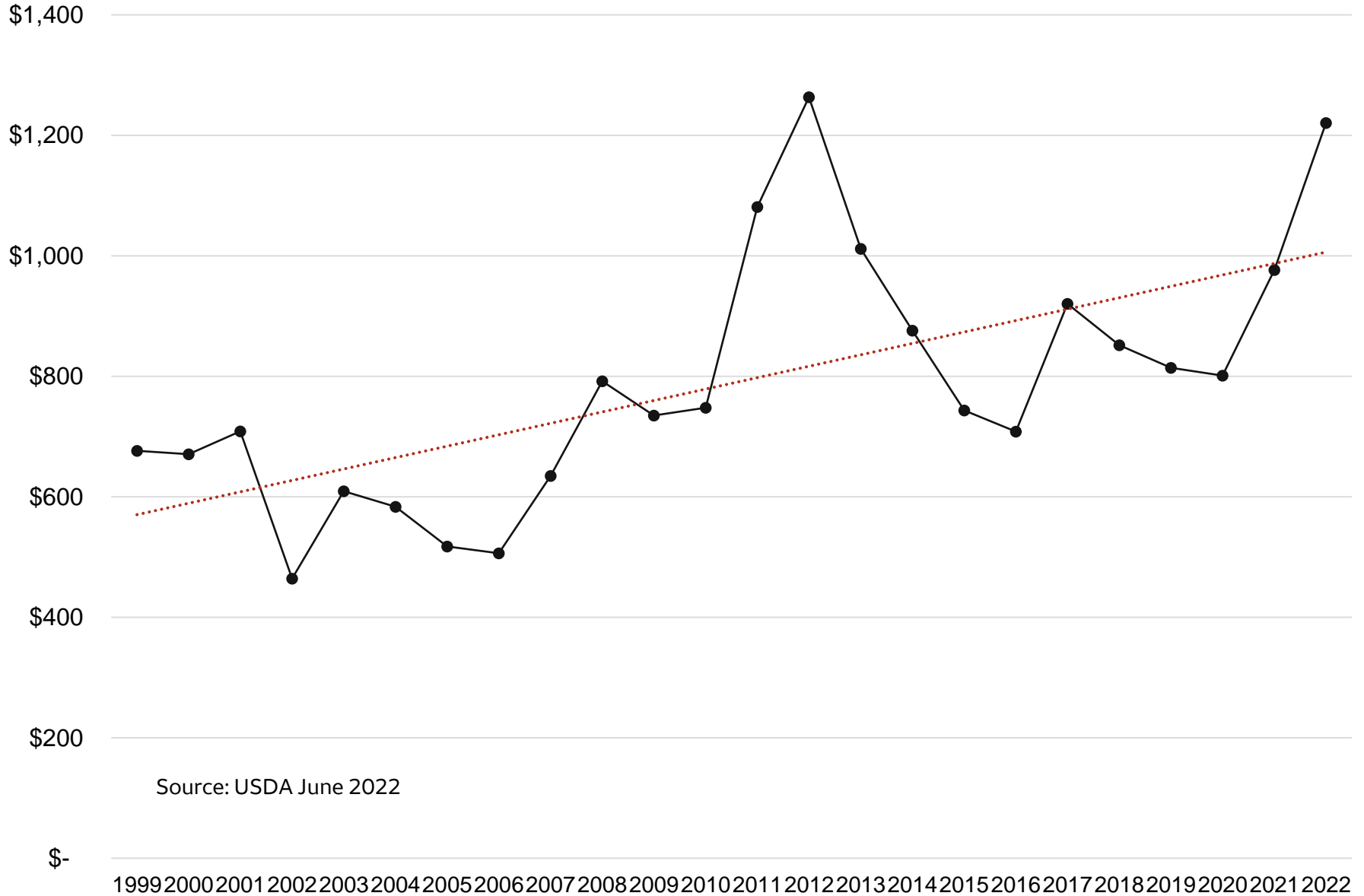
Price Per Lb. of Peanut



Source: USDA June 2022

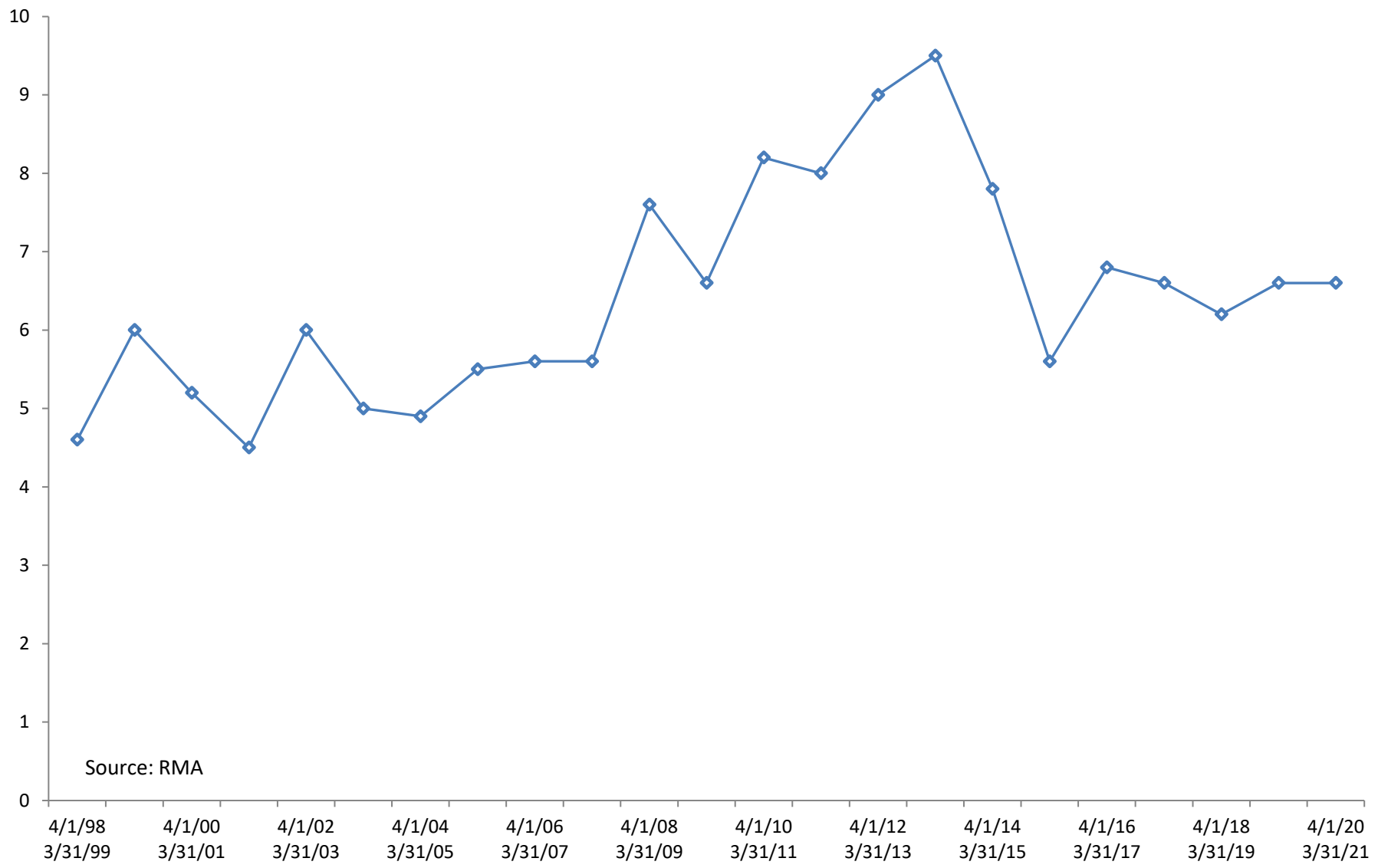
Yield and price make for up-trending revenues.

Gross Revenue Per Peanut Acre



Adjacencies and linkages are essential in a system.

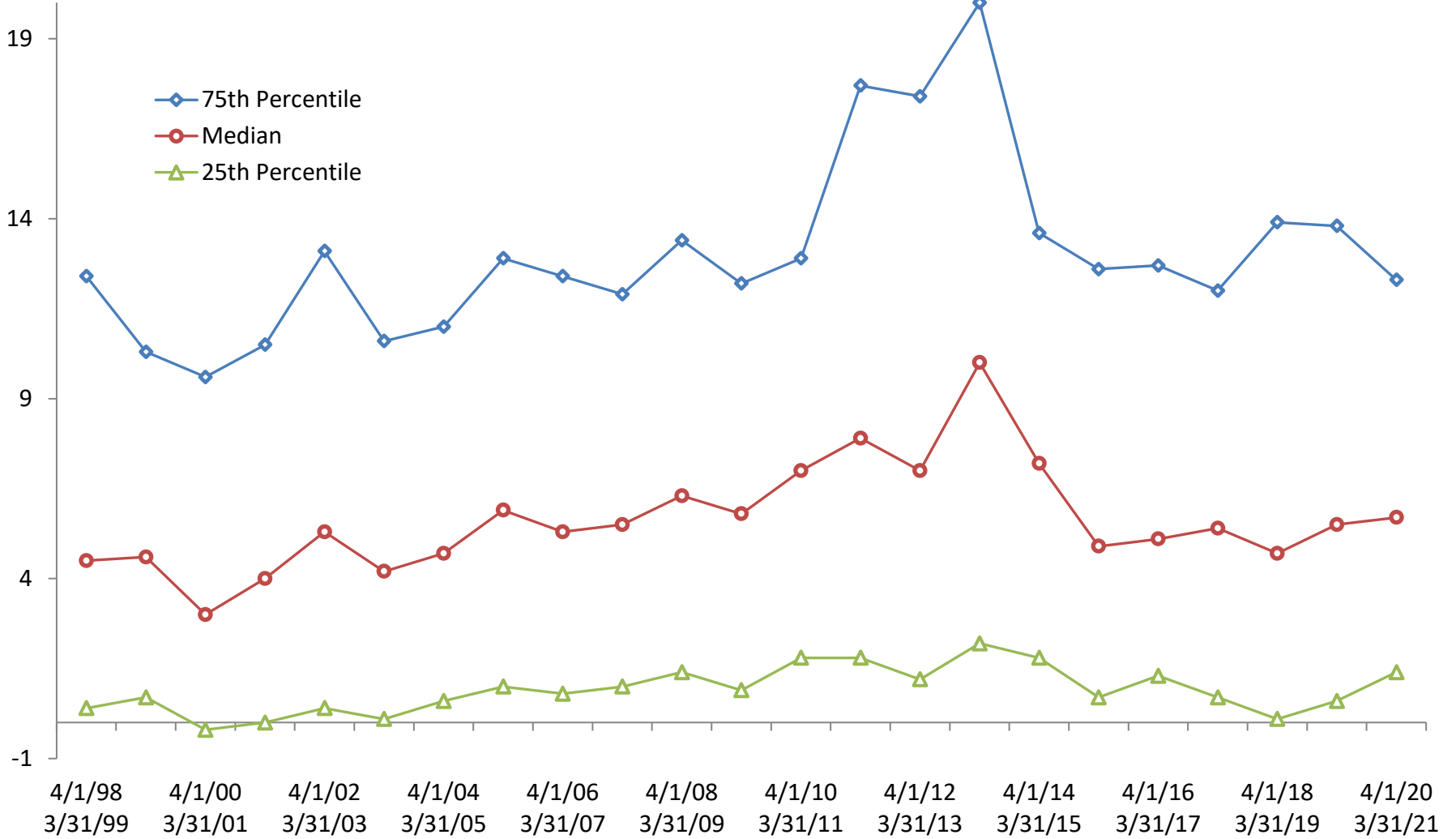
Percent: Profits Before Taxes
115114 Post Harvest Handlers Except Cotton Ginning



Source: RMA

Management matters always and everywhere.

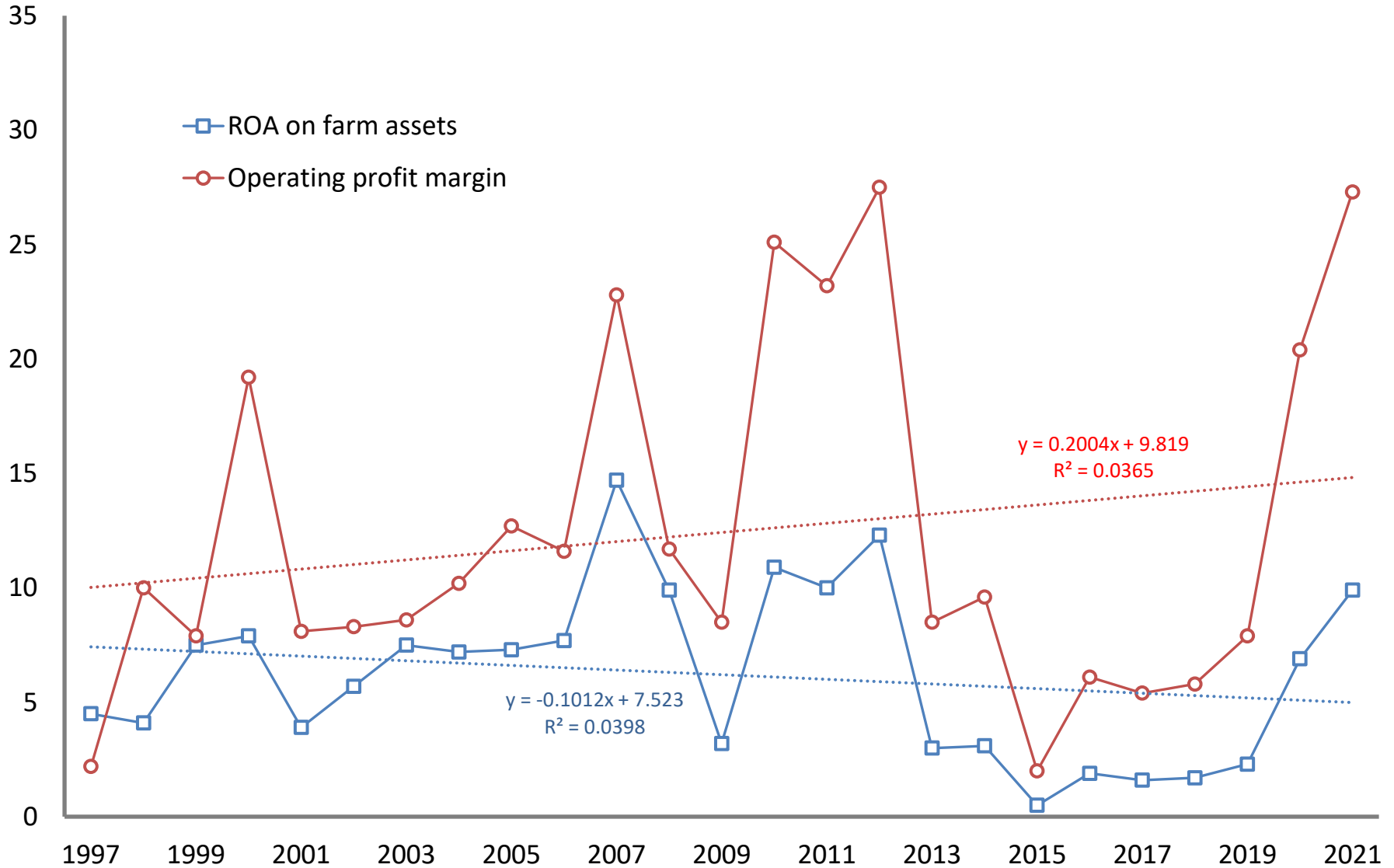
Pct: Profit Before Taxes / Total Assets
115114 Post Harvest Handlers except Cotton Ginners



Source: RMA

Highly cyclical, but the trends are statistically insignificant.

Farm/Livestock Financial Indicators



Source: Wells Fargo, MN Center for Farm Financial Management

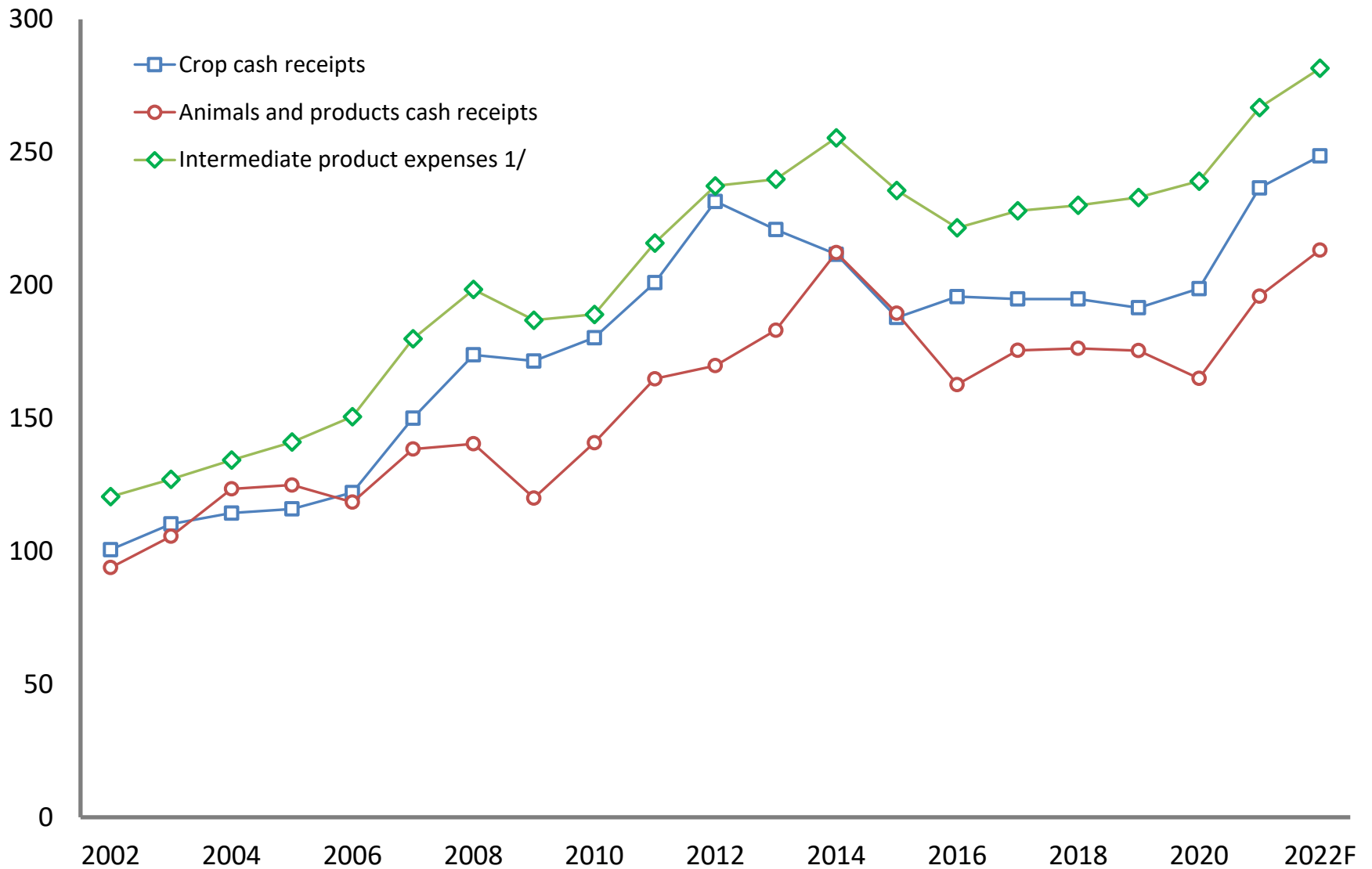
Extreme variation between participants in performance.

2021 FINBIN Decile Distribution of Key Farm Financial Results

	Group Median	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Return on Assets	9.9	-4.5	1.7	4.7	6.7	8.9	11.2	13.6	17.4	22.7	37.5
Operating profit margin	27.3	-19.2	5.9	13.7	20.1	25	29.2	33.5	38.2	43.6	54.3
Net Farm Income (000s)	\$ 162	\$ (21)	\$ 22	\$56	\$93	\$138	\$187	\$250	\$346	\$499	\$900
* Source: Center for Farm Financial Management FINBIN, Wells Fargo											

Drunken sailors versus sober farmers.

USDA Farm Income Statistics in Billions of dollars



Source: USDA release February 2022

General disclosures

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