Media contact: Mary Hightower          [mhightower@uada.edu](mailto:mhightower@uada.edu)               501-671-2006

Dec. 17, 2021

**YEAREND: Markets in recovery mode, farmers see land values increase**

By Mary Hightower

U of A System Division of Agriculture

Fast facts

* Consumers confront rising meat, fuel costs
* Land values rise, benefiting farmers
* Farmers facing increased input costs
* See [the report](https://cpb-us-e1.wpmucdn.com/wordpressua.uark.edu/dist/6/907/files/2021/05/2021-Markets-in-Review-FINAL.pdf)

(1,111 words)

(Newsrooms: with head shot of [John Anderson](https://flic.kr/p/2iLj3Tt))

UNDATED — A global economy loosened from a pandemic’s grip has bright spots in terms of farm income and land values, but COVID-19 is still influencing supply chain and consumer behavior, according to a [report](https://cpb-us-e1.wpmucdn.com/wordpressua.uark.edu/dist/6/907/files/2021/05/2021-Markets-in-Review-FINAL.pdf) released Friday by the Fryar Risk Management Center of Excellence.

**Looking at risk**

The [Fryar Center, established in 2020,](https://www.uaex.uada.edu/media-resources/news/2020/june2020/06-25-2020-Ark-10-million-gift-PRM-center.aspx) analyzes all aspects of risk and its effects in agriculture. Friday’s report is its first full-year review. The center is part of the Dale Bumpers College of Agricultural, Food and Life Sciences and the University of Arkansas System Division of Agriculture.

The 19-page report has four sections, a review of markets and farm income estimates; livestock, meat and poultry markets; U.S. and global rice markets; and a section on the impact of satellite imagery on disaster assessment in agriculture.

“The unprecedented challenges for the global economy, and for the agriculture sector, initiated by the COVID-19 pandemic in 2020 have continued through 2021,” said John Anderson, head of the department of agricultural economics and agribusiness.

“The end of the year presents a good opportunity to evaluate how we have been affected by those challenges, how we have managed them overall, and — looking ahead — how we are positioned for whatever comes next,” he said. “Our mission at the Fryar Center is to help farms and other businesses improve their decision making in the face of market risks. One of best things we can do to achieve that mission is to provide decision makers with timely, objective information on market conditions.”

Anderson said the summary is meant to “Take stock of where we are and also identify key factors likely to affect profitability and risk as we move into the new year.”

**Rising prices**

As the world moved past 2020, there has been a persistent rise in prices for goods and services, including commodities. For example, rice rose from $13.60 per hundredweight in 2019, to $14 even in 2020, then $14.80 in 2021. Soybeans went from $8.57per bushel in 2019, to $10.80 the following year, then $12.10 in 2021. Feeder steer prices rose from $143.69, dropped to $136.48 last year and rose to $145.65 in 2021

“Some of the increase in prices in 2021 represents a recovery following the unprecedented disruptions of 2020,” said Anderson. “For the most part, prices have increased well beyond pre-pandemic levels.”

These increases are also reflected in the Consumer Price Index compiled by the federal Department of Labor. The index rose 5.4 percent from September 2020 and just below 7 percent higher when compared to 2019.

This is “not too surprising given the combination of supply chain disruptions and the release of pent-up demand stemming from pandemic effects,” he said.

**Farm income and land values**

The net effect of rising prices so far has been to raise farm income.

The Economic Research Service’s December farm income forecast estimated real net farm income for 2021 at $116.8 billion — a better than 18 percent increase over 2020, whose NFI was also about 18 percent higher than in 2019.

“If realized, this will be the highest real net farm income since 2013, a year in which the effects of a major drought in 2012 resulted in record commodity prices,” Anderson said. adding that net farm income increased despite a sharp year-over-year drop in government support.

“Likewise, land values — stagnant at best since around 2014 in most major agricultural regions — appear to have come to life again, supported by a couple of years of good returns in the sector and historically low interest rates,” he said.

**Livestock, meat, poultry**

Even though the livestock and poultry industries spent 2021 recovering from the issues COVID presented in 2020, “there are lingering challenges that will carry over into 2022,” said James Mitchell, extension economist for the University of Arkansas System Division of Agriculture.

Many of the pandemic-related supply chain issues at processing plants eased in 2021 and Mitchell said the U.S. Department of Agriculture expected 2021 to finish nearly even with 2020 production.

Consumers are seeing red meat and poultry prices on the rise, with Mitchell noting red meat averaging 6.3 percent higher year-over-year and poultry at 4.2 percent higher year-over-year.

Through the first three-quarters of 2021, beef, pork and poultry have averaged 7.6, 7.1 and 9.4 percent higher year-over-year, respectively.

“There are questions about whether the demand strength observed this year is sustainable,” Mitchell said. “However, the rate of food price inflation is historically high this year and could pressure consumer spending in 2022. Labor and logistical challenges continue to pressure meat and poultry supply chains. Higher input costs will influence on-farm decisions, which have dynamic effects that will show up in 2022-2023 meat and poultry production.”

**Rice markets**

Despite COVID, the global rice situation is booming.

“Both global rice production and consumption have been setting new records every year for the last 15 years and 2021 is no exception,” said Alvaro Durand-Morat, assistant professor of agricultural economics for the Division of Agriculture.

With helpful weather and price support policies “the main driver on the global production side of the market is India, where rice production increased by almost a third in the last decade, reaching 122 million metric tons in 2020,” he said.

China, the world’s largest rice grower, saw its production grow “but at a more modest rate of 7 percent in the last decade,” Durand-Morat said. “Similar to India, China also intervenes in the rice market via price support and input subsidies, which coupled with trade restrictions guarantee rice profitability.”

Rice production in the U.S. was down 15 percent from 2020 and 6.7 percent below the average for the last five crops.

Canada, the second-largest export market for U.S. long grain rice, continues to grow, while Saudi Arabia, the third-largest market, remains stable. The picture is fuzzier for the largest export market, Haiti, which has been wracked by natural disasters and political unrest.

For 2022, Durand-Morat sees these as key variables in the rice markets:

* The price gap between Asian and Western Hemisphere long grain rice, currently at more than $120/metric ton, and whether such a large difference could jeopardize U.S. exports.
* The political and economic situation in Haiti, and how that may affect U.S. exports to that core market.
* Whether Iraq will return to the market for western hemisphere rice, and how much U.S. rice can be sold.

To learn about extension programs in Arkansas, contact your local Cooperative Extension Service agent or visit [www.uaex.uada.edu](http://www.uaex.uada.edu/).

Follow us on Twitter and Instagram at @AR\_Extension. To learn more about Division of Agriculture research, visit the Arkansas Agricultural Experiment Station website: [aaes.uada.edu](https://aaes.uada.edu/). Follow on Twitter at @ArkAgResearch.

To learn more about the Division of Agriculture, visit <https://uada.edu/>. Follow us on Twitter at @AgInArk.

**About the Division of Agriculture**

The University of Arkansas System Division of Agriculture’s mission is to strengthen agriculture, communities, and families by connecting trusted research to the adoption of best practices. Through the Agricultural Experiment Station and the Cooperative Extension Service, the Division of Agriculture conducts research and extension work within the nation’s historic land grant education system.

The Division of Agriculture is one of 20 entities within the University of Arkansas System. It has offices in all 75 counties in Arkansas and faculty on five system campuses.

The University of Arkansas System Division of Agriculture offers all its Extension and Research programs and services without regard to race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.

# # #