State of the Market

AgIS Capital

Agricultural Investment Strategies

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## In This Issue



### About AgIS Capital

AgIS Capital acquires and manages high-quality, investment-grade permanent crop assets. When opportunities exist to create and capture additional value for clients, we also invest in related operating companies involved in agricultural commodity processing and marketing. At present, AgIS Capital is emphasizing investments in U.S. permanent croplands because we believe their value proposition is more consistent with the risk and return objectives of institutional investors. We also strategically review offshore opportunities that complement our investment operations in the United States.

# U.S. Agriculture: Anxiously Anticipating, Cautiously Optimistic

The U.S. agricultural sector continues to face challenging headwinds at the outset of 2021 as the coronavirus pandemic, rising labor costs, and trade barriers have the potential to materially influence some of its commodity segments this year and beyond. These factors, however, may be offset by rising row crop prices, the moderate retreat of the U.S. dollar, the rollout of vaccines, the initiation of accommodating fiscal and monetary policies, and the prospects of new environmental, trade, and immigration policies being implemented, which collectively provide the basis for optimism.

*Pistachio Development*


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# Welcome to Our Annual State of the Market Report

Our State of the Market Report provides an overview of the trends and forces that drive farmland returns. In this issue we review and discuss how these trends can affect current and future farmland investment performance. We also take a close look at the National Council of Real Estate Investment Fiduciaries (NCREIF) Farmland Index and offer context and commentary on the asset class's recent and projected performance based on emerging macro-economic trends. Finally, we provide our thoughts on how agriculture policy is shaping up under the Biden Administration.

## Trends

*The Economic Research Service (ERS) of the United States Department of Agriculture (USDA) forecasts net farm income (NFI) to be $111.4 billion in 2021.*

In nominal terms, NFI is expected to fall 8.1 percent from the $121.1 billion achieved in 2020 (though, excluding direct farm program payments of $46.7 billion and $25.3 billion in 2020 and 2021, respectively, NFI in 2021 is forecasted to be 15 percent higher this year).

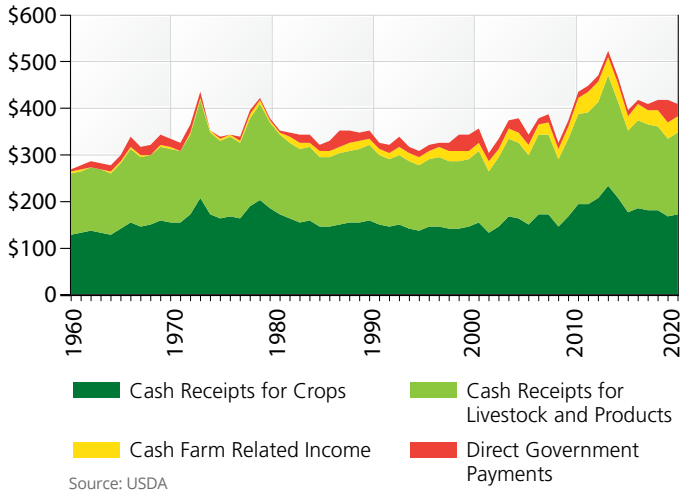
Cash receipts for all crops are expected to total $215.7 billion in 2021. This would be the highest level attained in real terms since 2014 when total receipts reached $234.4 billion. The projected increase is attributable to a $16.1 billion increase in receipts from corn and soybean sales, which are expected to be produced at higher quantities and garner higher prices this year. The increase in corn and soybean receipts offsets lower expected receipts for cotton, fruits, nuts, tobacco, vegetables, and melons.

Direct government payments, which set a record at $46.7 billion in 2020 because of COVID-19-related aid, are forecasted to fall 45.3 percent in nominal terms to $25.3 billion in 2021.

Production expenses are expected to rise 2.5 percent nominally to $353.7 billion, led by increases in feed, hired labor, and fertilizer expenses.

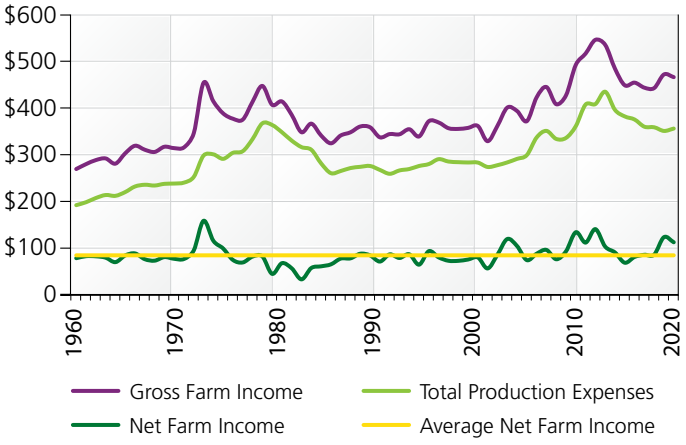
If achieved, the NFI of $111.4 billion forecasted for 2021 would be the seventh-highest level of real NFI posted since 1960 and 33.6 percent higher than the average NFI achieved between 1960 and 2021.

Graph 1 - **Real Gross Cash Income Components: 1960 to 2021f, billions, 2021 dollars**



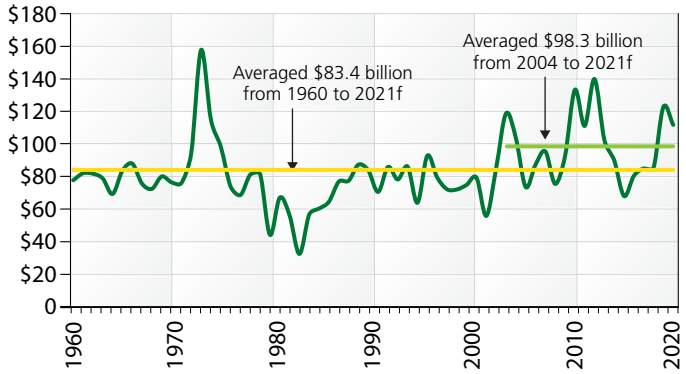

Source: USDA

Graph 2 - **Real Gross Cash Income Components: 1960 to 2021f, billions, 2021 dollars**




Source: USDA

Graph 3 - **Real U.S. Net Farm Income 1960 to 2021f, billions, 2021 dollars**




Source: USDA, BEA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The overall financial health of the farm sector is relatively strong, but farmers continue to show a willingness to add additional debt to their operations. Farm sector debt is forecasted to reach $441.7 billion, a record in both real and nominal terms. This projected increase has been led by real estate debt, which is forecasted to set a record of $281.4 billion. The proportion of debt in farm real estate continues to rise and now constitutes 65.1 percent of total farm debt.

The real aggregate value of farm assets is expected to increase 0.8 percent to $3.2 trillion, while farm real estate is forecasted to increase 1.2 percent to $2.6 trillion. Both values are the second highest on record, behind only the levels achieved in 2016.

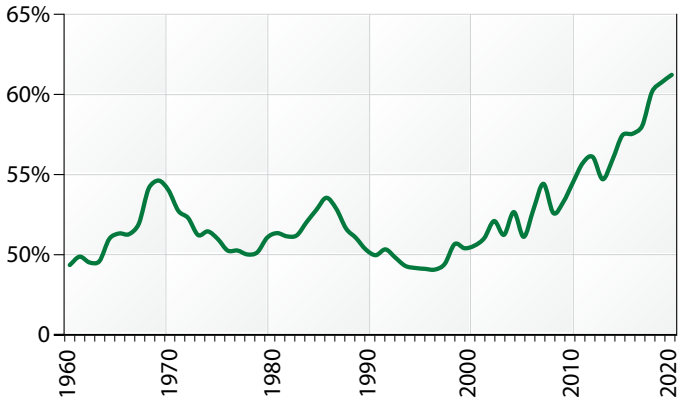
Real farm sector equity is forecasted to increase 0.8 percent to $2.3 trillion, which still would be 4.4 percent lower than the record attained in 2014.

The value of farm sector equity correlates positively with farm real estate value because farmland is the largest asset on most farmers' balance sheets. The strong performance of agricultural real estate has continued to drive the sector's overall balance sheet. At present, the ratio of farm real estate to farm sector equity is expected to reach 95.9 percent, which would be the fourth highest level on record. The only other instances when the rate exceeded 96 percent were in 1982, 1983, and 1985 when land values experienced downward corrections.

The current strong income situation and low interest rate environment have resulted in the agricultural sector accumulating debt at the highest level observed in the last two decades. Because debt is projected to increase more than asset values, the farm sector's debt-to-asset and debt-to-equity ratios are expected to move higher – reaching 13.9 and 16.1, respectively, which would be the highest levels recorded since 2002, but still lower than the records of 22.2 and 28.5 set in 1985.

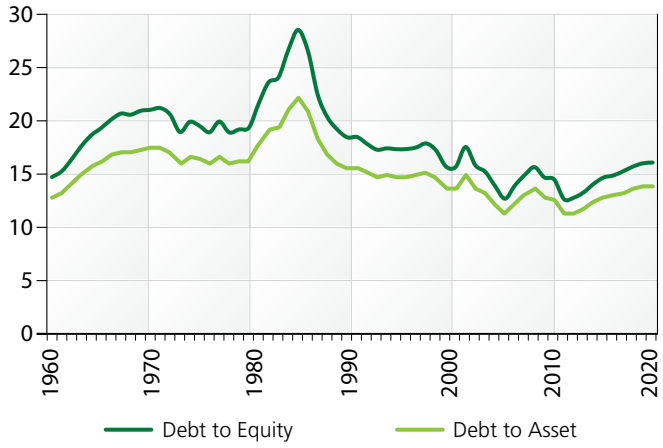
According to USDA statistics, the average value of farmland has been relatively flat for the last 4 years. The real, average price per acre of farmland in 2020 fell 1.0 percent to $3,160. In real terms, this value is 3.0 percent lower than the record achieved in 2015. The average per-acre value of U.S. farmland is an aggregate measure of farmland values and reflects diverse uses, crop types, and geographies. To gain more insight on the current situation, we analyze the performance of the NCREIF Farmland Index, which provides more detail on the relative performance of various property types.

Graph 4 - **The Proportion of Total Farm Debt in Farm Real Estate: 1960 to 2021f**



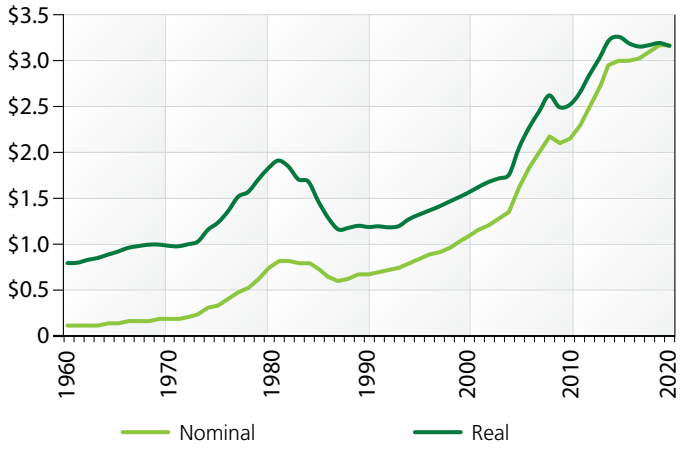

Source: USDA

Graph 5 - **U.S. Farm Sector Debt Ratios: 1960 to 2021f**




Source: USDA

Graph 6 - **Real and Nominal Average U.S. Farmland Prices: 1960 to 2020, thousand dollars per acre**




Source: USDA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## The NCREIF Farmland Index

The NCREIF Farmland Index reports the performance of annual and permanent cropland assets held by eight institutional farmland investment managers. The index is comprised of 1,184 properties, which had a market value of $12.3 billion as of December 31, 2020.

*The Total NCREIF Farmland Index posted a 3.1 percent total return in 2020, its lowest since 2001 and the second-lowest since the index was launched in 1991.*

The total return was comprised of an income return of 3.3 percent and a capital return of -0.2 percent. The former was the lowest income return recorded in the history of the Index, while the latter was the second-lowest capital return since inception.

NCREIF's Annual Cropland Index consists of 904 properties worth $7.4 billion in 2020—an average of $8.2 million per property. The Annual Cropland Index posted a total return of 4.2 percent in 2020, with income returns of 3.4 percent and capital returns of 0.8 percent.

The NCREIF Permanent Cropland Index consists of 280 properties worth $4.9 billion in 2020—an average of $16.7 million per property. The Permanent Cropland Index posted a total return of 1.3 percent, with income returns of 3.0 percent and capital returns of -1.7 percent. The figure to the right provides an overview of annual and five-year annualized returns by region, management type, and crop type sub-index.

Notable returns during 2020 include the difference between almonds and pistachio returns. Almonds posted a -0.9 percent total return, which consisted of a 2.4 percent income return and a -3.2 percent capital return. In contrast, pistachios generated a 15.3 percent total return, 15.3 percent income return, and 0.0 percent capital return.

### Annual Cropland by Region

| | One Year Return | | | Five Year Annualized Return | | |
|---|---|---|---|---|---|---|
| | Income | Capital | Total | Income | Capital | Total |
| Pacific West | 3.92% | 3.65% | 7.68% | 3.79% | 3.20% | 7.08% |
| Pacific Northwest | 2.97% | -2.15% | 0.77% | 3.53% | 6.09% | 9.77% |
| Cornbelt | 2.89% | 1.44% | 4.36% | 2.90% | -1.25% | 1.62% |
| Delta | 3.11% | 0.98% | 4.11% | 3.10% | 1.17% | 4.30% |
| Southeast | 4.27% | 1.06% | 5.36% | 4.18% | 2.87% | 7.15% |
| Mountain | 3.83% | -0.75% | 3.06% | 3.98% | 1.08% | 5.09% |
| Southern Plains | 4.21% | 3.11% | 7.42% | 4.77% | 1.89% | 6.74% |
| Lake States | 3.74% | 1.23% | 5.03% | 3.66% | -0.25% | 3.42% |
| Annual Cropland | 3.39% | 0.79% | 4.20% | 3.49% | 1.26% | 4.80% |

### Permanent Cropland by Region

| | One Year Return | | | Five Year Annualized Return | | |
|---|---|---|---|---|---|---|
| | Income | Capital | Total | Income | Capital | Total |
| Pacific West | 3.36% | -1.72% | 1.60% | 6.21% | 0.91% | 7.17% |
| Pacific Northwest | -2.55% | -2.93% | -5.48% | -0.56% | 2.48% | 1.90% |
| Lake States | 9.67% | 0.91% | 10.61% | 6.87% | -6.14% | 0.44% |
| Permanent Cropland | 3.01% | -1.70% | 1.27% | 5.71% | 0.86% | 6.61% |

### Management Type Subindexes

| | One Year Return | | | Five Year Annualized Return | | |
|---|---|---|---|---|---|---|
| | Income | Capital | Total | Income | Capital | Total |
| Directly Operated Permanent | 2.53% | -2.13% | 0.32% | 5.80% | 0.65% | 6.48% |
| Leased - Annual | 3.40% | 0.79% | 4.22% | 3.49% | 1.26% | 4.79% |
| Leased - Permanent | 5.14% | 0.19% | 5.34% | 5.37% | 1.93% | 7.37% |

### Crop Type Subindexes

| | One Year Return | | | Five Year Annualized Return | | |
|---|---|---|---|---|---|---|
| | Income | Capital | Total | Income | Capital | Total |
| Annual Commodity | 3.02% | 0.50% | 3.53% | 3.07% | 0.20% | 3.28% |
| Annual Fresh Produce | 3.80% | 2.19% | 6.05% | 3.89% | 3.55% | 7.53% |
| Annual All Others | 3.92% | 0.76% | 4.71% | 4.02% | 2.30% | 6.39% |
| Almonds | 2.35% | -3.20% | -0.88% | 5.72% | -1.76% | 3.98% |
| Apples | -3.88% | -3.58% | -7.47% | -1.82% | 1.64% | -0.25% |
| Pistachios | 15.31% | 0.02% | 15.28% | 12.76% | -1.53% | 11.12% |
| Wine Grapes | -0.58% | -2.18% | -2.75% | 4.38% | 3.68% | 8.13% |
| Citrus | 3.73% | -0.76% | 2.93% | 7.13% | 0.29% | 7.43% |
| Other Permanent Crops | 4.02% | 1.40% | 5.48% | 4.12% | -0.12% | 3.99% |

Source: NCREIF.
Returns are for the period ending 12/31/2020, before investment management fees.


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# Notable Permanent Crop Return Commentary

*2020 Total Return*
**-0.9%**

## Almonds

The COVID-19 pandemic compounded struggles in the almond industry that were caused by the existing high-tariffs – creating supply-chain bottlenecks and slowing consumption. While total shipments for the 2019 crop rose just under five percent for the crop year (August 1, 2019, through July 31, 2020), total supply increased over nine percent; primarily attributable to the record crop of 2.5 billion pounds that was produced. The 2020 harvest also set a record at 3.0 billion pounds. The anticipation of a larger 2020 crop, in conjunction with tariffs and shipping bottlenecks, suppressed pricing, which adversely impacted investment performance.

*2020 Total Return*
**-7.5%**

## Apples

The total return of -7.5 percent posted by apples was also noteworthy. It was comprised of a -3.9 percent income return and a -3.6 percent capital return. The apple industry continues to experience a paradigm shift, which is being driven by higher-yielding, more capital-intensive production systems, new varieties, higher labor costs, the higher tariff imposed by important export partners, and retail consolidation. These changes have suppressed apple prices in recent years. Older, more labor-intensive plantings with less desirable varieties have experienced lower output prices and higher input costs.

*2020 Total Return*
**15.3%**

## Pistachios

In contrast, the 2019 marketable supply of pistachios was down 18.4 percent. New product offerings and promotional activities supported domestic sales in 2019 and 2020 and offset pricing pressure caused by supply-chain disruptions, higher tariffs, and a record crop of more than one billion pounds. Therefore, pistachios outperformed almonds mainly because of tight marketable product supply the past two years and improved marketing efforts by industry participants.

*2020 Total Return*
**-2.8%**

## Wine Grapes

Finally, wine grape returns posted a -2.8 percent total return. This was derived from a -2.2 percent capital return and a -0.6 percent income return. The 4.3 million tons of wine grapes produced in California in 2018 created a glut that persisted into the 2019 and 2020 growing seasons. After the relatively small crop in 2020 and the unexpected increase in off-premise sales caused by the COVID-19 pandemic, the wine grape market appears to have reached equilibrium. However, prices are expected to be lower than the high levels achieved prior to the 2018 crop. Some optimism exists for wine grapes in 2021, though another unusually large crop could quickly change the sentiment.

*The value of apple, wine grape, and almond assets make up 67.5 percent of the total value of the NCREIF Permanent Cropland Index, and the poor performance of these crops in 2020 weighed on the permanent cropland index returns.*


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## Annual Cropland

Income returns from annual cropland exceeded those for permanent crops for the first time since 2001, and for only the third time since the inception of the NCREIF Farmland Index in 1991.

Annual cropland total returns also eclipsed those for permanent cropland for the first time since 2010. Despite a protracted period of significant appreciation, annual cropland income returns are still in line with the opportunity cost of capital on a risk adjusted basis.

Despite this year's outperformance, annual cropland returns were lower than during the previous decade. Between 2004 and 2013, the value of annual cropland capital in the index increased at a compounded annual growth rate (CAGR) of 10.5 percent. In 2014, AgIS Capital wrote, "it is unrealistic to expect annual crop investments to generate total returns of 8% or higher in the upcoming years".[1]

*Between 2014 and 2020 the value of capital in the NCREIF Annual Cropland Index increased by a CAGR of 1.5 percent and generated a Five-and-seven-year annualized total return of 4.8 and 5.1 percent, respectively.*

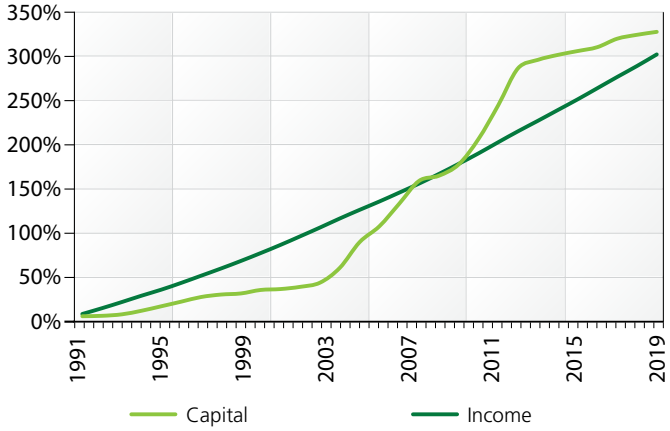
While we continue to believe it will be difficult to achieve eight percent total returns from leased annual cropland assets on an annual basis going forward, we think the investment environment has changed over the past seven years and now appears relatively more attractive. The Fed's signaling that it will allow inflation to increase above the two percent target rate before raising the nominal policy rate above the lower effective bound, and an expectation of a more generous stimulative fiscal policy, should lower the relative strength of the U.S. dollar. Both events would likely be supportive of agricultural commodity prices. Coupled with improved commodity prices and stagnant land value growth (see Figure 1 and Figure 2 for a point of reference) in previous years, it appears annual crops will be more appealing in the near term than in the recent past for investors willing to accept returns in the range of 4.5 to 6.5 percent for passive investments. However, the investment sub-sector could face significant headwinds in the longer term if electric vehicles (EV) erode corn ethanol demand.

[1] Moving beyond 'buy-hold-lease' farmland strategies: https://www.pionline.com/article/20141230/ONLINE/141239996/moving-beyond-buy-hold-lease-farmland-strategies

Graph 7 - **NCREIF Annual Cropland Income Returns and the 10-Year Treasury Constant Maturity Rate: 1991 to 2020**

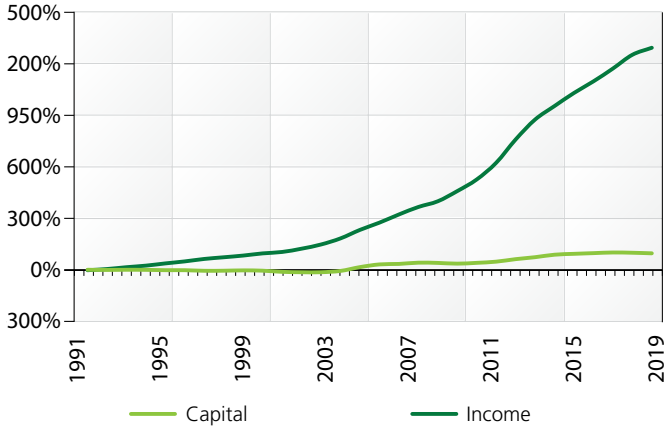

Source: NCREIF, FRED

Graph 8 - **Cumulative Annualized Income and Capital Returns for Annual Cropland: 1991 to 2020**




Source: NCREIF

Graph 9 - **Cumulative Annualized Income and Capital Returns for Permanent Cropland: 1991 to 2020**




Source: NCREIF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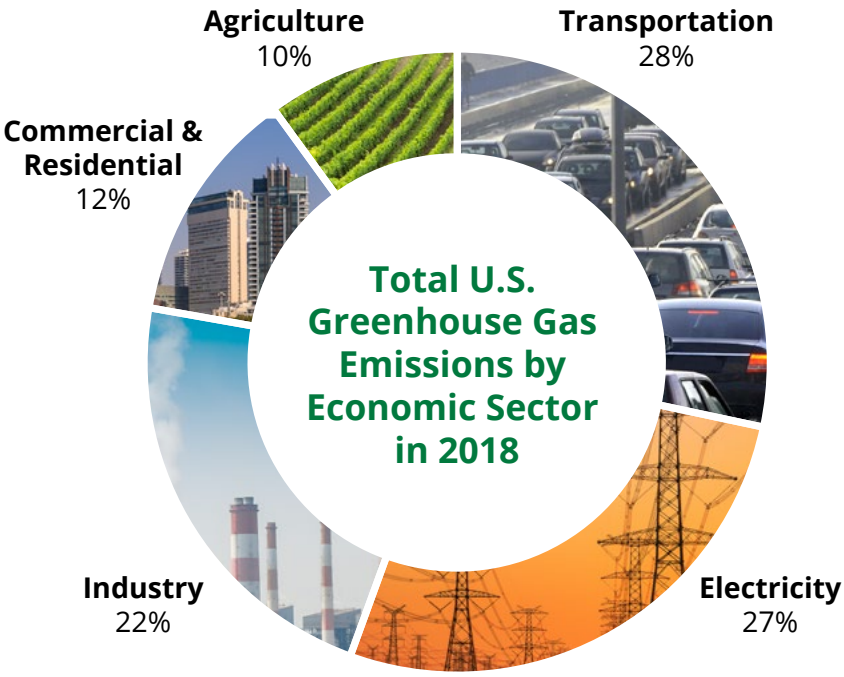
# U.S. Agriculture Policy

In contrast to the previous administration's deregulatory agenda and its moves to ease environmental enforcement and air pollution limits, President Biden made environmental and climate policy a key component of his campaign. Additionally, his tax, labor, and trade policies also are expected to differ from those of his predecessor.

Without question, many of the federal policies governing U.S. production agriculture will change under the Biden Administration. His advisors called for the U.S. Department of Agriculture to be a "lynchpin" of his Administration's climate strategy.[2] In addition, he has set an ambitious goal of "making American agriculture the first in the world to achieve net-zero emissions and to create new sources of income for farmers in the process."[3] As his cabinet takes shape, here is what we are anticipating.




Source: U.S. Environmental Protection Agecny (2020). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2018

*The climate policy expected to face the least resistance is soil carbon sequestration.*

## Climate

The climate policy expected to face the least resistance is soil carbon sequestration. Theoretically, carbon farming seems straightforward: plants pull carbon from the atmosphere and sequester it in the soil, which prevents it from combining with oxygen to create carbon dioxide, a greenhouse gas that contributes to climate change. If carbon can be captured, stored, and measured, then landowners could sell these stored carbon credits to carbon emitters.

However, the science of storing carbon in soil is not settled. In addition, the ability of agricultural lands to sequester carbon depends on many factors, including crop cover, management practices, climate, and soil type. The integrity of carbon credits is essential if companies are buying them to offset their carbon emissions. Many opponents take issue with the policy and point to significant obstacles that must be overcome for it to be successfully implemented.[4,5,6,7]

Planting cover crops and using no-till cultivation have been used for generations for reasons other than fighting climate change. While the concept of carbon farming has been around for some time, the Biden Administration may have found the funds needed to implement it on a large scale.

The Commodity Credit Corporation (CCC) has served as a mandatory funding mechanism for agricultural programs since 1933. The CCC Charter Act enables it to broadly support the U.S. agriculture industry for authorized purposes. For example, to assist farmers impacted by retaliatory tariffs associated with the U.S.-China trade war, the USDA used discretionary CCC funds to authorize up to $12 billion in "trade aid" during the summer of

[2] Climate21.org
https://climate21.org/documents/C21_USDA.pdf

[3] The Biden-Harris Plan to Build Back Better in Rural America
https://joebiden.com/rural-plan/

[4] Opinion: Soil carbon sequestration is an elusive climate mitigation tool
https://www.pnas.org/content/pnas/115/46/11652.full.pdf

[5] Reply to Loisel et al.: Soil in climate mitigation and adaptation
https://www.pnas.org/content/pnas/116/21/10213.full.pdf

[6] Regenerative Agriculture: Good for Soil Health, but Limited Potential to Mitigate Climate Change
https://www.wri.org/blog/2020/05/regenerative-agriculture-climate-change

[7] INSIDER: Further Explanation on the Potential Contribution of Soil Carbon Sequestration on Working Agricultural Lands to Climate Change Mitigation
https://www.wri.org/blog/2020/08/insider-further-explanation-potential-contribution-soil-carbon-sequestration-working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2018 and another $16 billion in 2019. In 2020, $20.5 billion of discretionary CCC funds were used in the first and second Coronavirus Food Assistance Programs. At present, the CCC can borrow up to $30 billion from the U.S. Treasury, an amount established in 1987, and agriculture lobbying groups are expected to ask Congress to expand the fund.

Viewing carbon as a commodity may supply the basis for justifying CCC funds to be used as a "carbon bank," which could be used to pay farmers, foresters, and ranchers to continue using or adopting land management practices, such as conservation tillage, organic production, cover cropping, among others, which purportedly increases the amount of carbon stored in soils.

President Biden's policy advisors advocated establishing a one-year pilot program using $1 billion of CCC funds to purchase carbon credits at $20 per ton to build support for passage of legislation that would allow the USDA to sell the credits into a carbon market. Broad implementation of the program could occur after the 2022 Farm Bill has been considered, and its size and scope could depend upon which party has control of the Senate after the midterm elections in 2022.

## Ethanol

Several policy steps have been made to reduce carbon admissions by accelerating the adoption of electric vehicles. California and Massachusetts have plans to ban sales of new cars with internal combustion engines (ICE) vehicles in the state beginning in 2035. New Jersey announced a similar policy – one that calls for the reduction of state emissions by 80 percent by 2050. The Biden Administration also is taking steps to enhance the market for electric vehicles to combat climate change. These plans include replacing the entire federal fleet with EV-powered vehicles and investing in infrastructure to promote EV adoption. Interestingly, the U.S. auto industry is following suit. General Motors plans to phase out vehicles with ICE by 2035 entirely, and Ford Motor Company has announced plans to have its European division phase out ICE in passenger cars by 2030.

*Harvesting for biofuel production*

Given these actions and the existing momentum for EVs, claims of 'peak gas' spread in the popular press as industry participants claim gas consumption will never again reach the levels achieved in 2019. Such claims can adversely affect the agriculture economy as biofuels have become an essential source of income. Over one-third of corn production in the U.S. is used in ethanol production.

While political regime changes, lagging infrastructure development, and supply-chain challenges could delay these policy measures, there is a clear risk that EV adoption could significantly alter corn demand and therefore corn prices. Recent research funded by the Agricultural Retailers Association has estimated the impacts on the price of corn of instituting a ban on the sale of ICE by 2035 and 2050 compared to a base case scenario in which EV constituted 13 percent of light-duty vehicle sales by 2050.[8] The findings indicate that banning ICE by 2050 would result in a 35 percent reduction in corn price and banning ICE by 2035 would result in a 50 percent reduction in corn prices. A significant decrease in corn prices would change farmers' planting intentions and could adversely impact the profitability of other row crops as farmers diversify away from corn and into other crops.

The magnitude, timing, and impact of these policy measures is anyone's guess, but the longer-term risk posed by EV to the agricultural economy is very real. There is still time to develop new uses for any destruction of corn demand attributable to EVs' adoption. For now, it is something to keep an eye on.

*Several policy steps have been made to reduce carbon admissions by accelerating the adoption of electric vehicles.*

[8] COVID-19 Impacts on Food Purchasing, Eating Behaviors, and Perceptions of Food Safety, April 2020, IFIC https://foodinsight.org/wp-content/uploads/2020/04/COVID-19-Consumer-Research.April2020.pdf


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## Trade

Early statements by President Biden indicate a continuation of the existing policies in place regarding trade with China, a major destination for US farm exports. The Biden Administration recently released a report outlining its trade agenda.[9] The document expresses the administration's intent to take a more cooperative approach with trading partners as compared to the prior administration. This is viewed as further evidence that the Administration intends to make climate and environmental policy a top priority in trade negotiations. The document also lays bare the Administration's issues with China:

*The Biden Administration is committed to using all available tools to take on the range of China's unfair trade practices that continue to harm U.S. workers and businesses. These detrimental actions include China's tariffs and non-tariff barriers to restrict market access, government-sanctioned forced labor programs, overcapacity in numerous sectors, industrial policies utilizing unfair subsidies and favoring import substitution, and export subsidies (including through export financing). They also include coercive technology transfers, illicit acquisition and infringement of American intellectual property, censorship and other restrictions on the internet and digital economy, and a failure to provide treatment to American firms in numerous sectors comparable to the treatment Chinese firms receive in those sectors in the United States.*[10]

*Recent news of the tariff suspension between the U.S. and European Union, point to a normalizing of trade relations.*

While China has committed to purchase $40.4 billion worth of U.S. exports during 2021 under its Phase One Agreement with the United States, actual purchases in January were $3.9 billion, or 82 percent of the $4.7 billion target. Katherine Tai, President Biden's nominee for U.S. Trade Representative, is expected to take a hardline approach to negotiating with China. Therefore, expectations of an immediate de-escalation of tariffs on agricultural exports to China are low. However, recent news of the tariff suspension between the U.S. and European Union, which is the fourth largest destination of U.S. agricultural exports by value, does point to a normalizing of trade relations with partners other than China.

## Labor

President Biden is seeking comprehensive immigration reform in his proposed 'U.S. Citizenship Act of 2021', though its passage purportedly faces an uphill battle given the slim Democratic majority in the Senate. Another standalone bill, the 'Farm Workforce Modernization Act,' which was passed in the House of Representatives, establishes an avenue for agricultural workers to earn legal status. It also attempts to streamline the current H-2A temporary agriculture worker program process.[11] In addition, the latter bill also makes provisions to reform wages and proposes ways to assist in housing infrastructure, the cost of which has been rising in certain parts of the country. These bills are still being formulated and more will be known in the coming months.

[9] 2021 Trade Policy Agenda and 2020 Annual Report of the President of the United States on the Trade Agreements Program https://ustr.gov/sites/default/files/files/reports/2021/2021%20Trade%20Agenda/Online%20PDF%202021%20Trade%20Policy%20Agenda%20and%202020%20Annual%20Report.pdf

[10] Ibid

[11] Newhouse, Lofgren Reintroduce Bill to Improve Agriculture Labor Program https://newhouse.house.gov/media-center/press-releases/farmworkforce2021


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# Conclusion

The U.S. agriculture sector has experienced turbulence the past four years. This has been brought about by trade disputes, the COVID-19 pandemic, and economic recession. However, several reasons for optimism exist. China, the largest importer of agricultural goods, is buying U.S. farm exports at rates that will promise to bring them back to pre-trade war levels – this despite existing and ongoing trade disputes. The purchasing uptick has helped support row crop prices and the prospect for relatively strong profits appears good.

There are signs of stability in the wine grape and apple markets. The supply of almonds and walnuts continues to suppress pricing, but pistachio pricing is still relatively strong considering the large crop in 2020.

Government support in the current year also appears to be well above recent norms. Further, the recent retreat of the U.S. Dollar, the rollout of the COVID-19 vaccinations, accommodating fiscal and monetary policy, and the prospects of new environmental, trade, and immigration policies have the potential to enhance the value of U.S. agricultural production in the coming years.

*Overall, 2021 is shaping up to be a good year for the U.S. agriculture economy.*

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