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MARKET SNAPSHOT

Crop Inputs

September 30, 2023

Executive summary

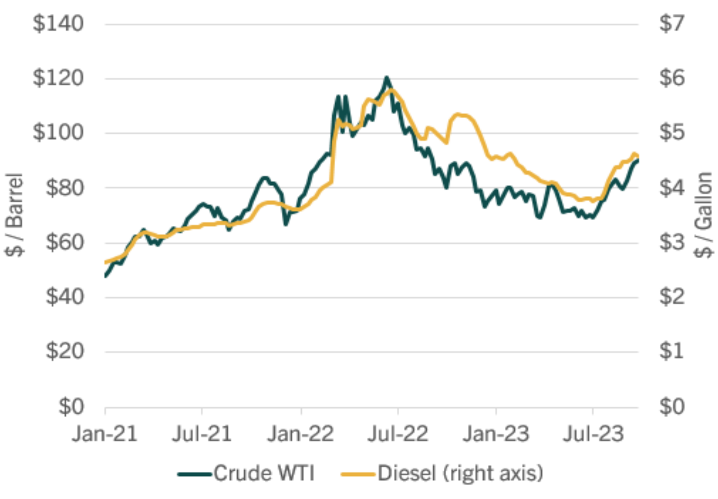
Energy prices gained significantly on lower supply and persistent demand. Trucking rates continue to fall; however, rising operating costs may limit their downward trajectory. Higher costs may also decrease capacity investments and coverage areas. Container shipping rates were flat on the quarter, but supply chains have not fully recovered from pandemic related disruptions and U.S. exporters face irregular schedules and higher costs. Bulk shipping rates have increased moderately on high commodities demand. The Panama Canal and Mississippi River are at very low levels, which may increase shipping and barge costs and slow deliveries. Most fertilizer prices continue to fall on low demand. Worker union strikes appear to be increasing, which have the potential to impact economic productivity and the cost of goods and services.

Industry drivers

Energy prices up

West Texas Intermediate (WTI) crude oil prices surged nearly 30% from the start of July to late September due to falling supply and persistent demand. The Organization of Petroleum Exporting Countries (OPEC) cut production levels and domestic inventories continued to decline. Chinese demand exceeded expectations as it sought to increase inventory levels. Some speculate that China is increasingly reinvesting its trade surpluses in commodities, including oil, rather than U.S. treasuries.

U.S. Crude Oil and Diesel Prices



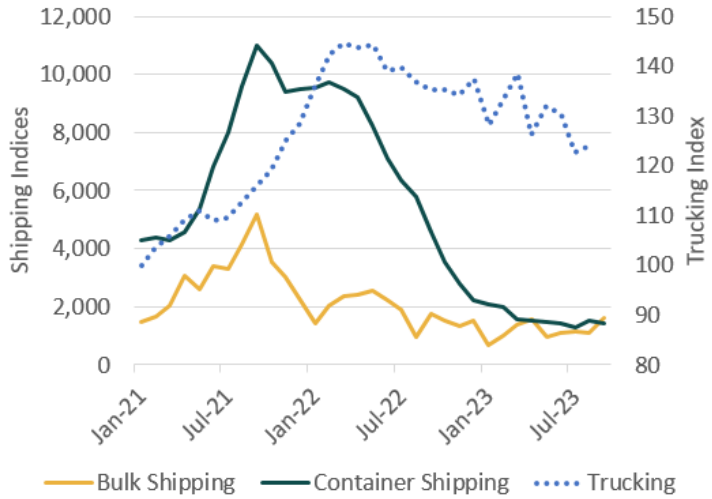
Prices become more prone to upswings as inventory levels fall.

Source: Energy Information Agency. Data as of September 25, 2023.

Freight costs flat to down

Trucking rates continue to fall due to lower demand; however, rising labor, equipment, financing and fuel costs may limit their downward trajectory. Higher costs may also reduce capacity investments and coverage areas (zones covered by a trucking company), which could result in slower transportation times. Population densities changed significantly across the U.S. during the pandemic and this is forcing trucking companies to reconfigure supply chains. Container shipping rates remain flat, but exporters are experiencing irregular schedules that are leading to elevated storage and demurrage costs (fees applied when ships stay at port longer than their allotted times). Dry bulk shipping rates have increase on higher commodities demand. The Panama Canal is facing record low water levels due to drought, raising the risk of slower shipping times and higher rates later in 2023. The Mississippi River is also at very low levels, which will likely increase barge rates and slow movement of grain and fertilizers (refer to the Feed Grains Snapshot for more information).

Freight Rate Indices



Dry bulk shipping rates for Capesize vessels, often used for grain shipments, increased in September.

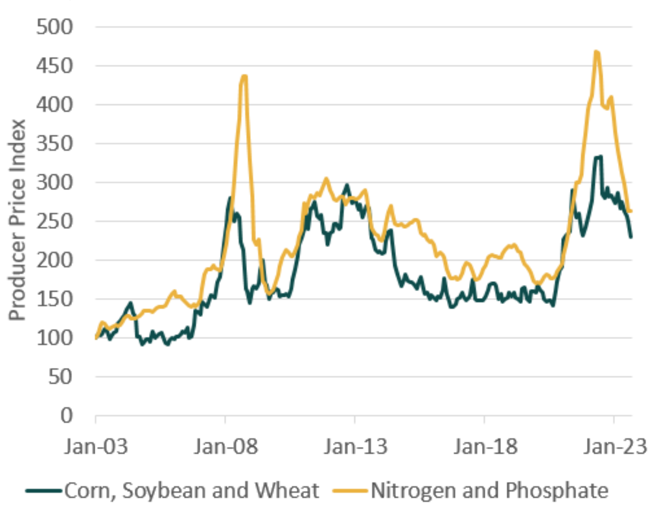
Trucking costs remain significantly above pre-pandemic levels.

Source: Freightos Baltic Index, Baltic Dry Index and Producer Price Index.

Fertilizer prices mostly down

Fertilizer prices were mostly down in Q3. Global demand has fallen and U.S. producers are well stocked heading into fall planting. Anhydrous ammonia was the exception with price gains in August. Reports suggest higher natural gas prices in Europe and production curtailments among various global producers are driving anhydrous ammonia prices higher. Falling grain prices should continue to pressure most fertilizer prices down (see chart below).

Nitrogen Fertilizer and Natural Gas Prices



Changes in fertilizer prices generally follow those in grains by two to three months.

Source: Producer Price Index.

Worker union strike activity rises

The United Auto Worker (UAW) went on strike in September to pressure General Motors, Ford and Stellantis into raising wages and reducing work hours. Approximately 13,000 workers are participating, which is impacting three assembly plants. The UAW strike is one of many that has occurred in 2023 and may be a part of a broader trend where unionized workers increasingly demand better compensation in response to high inflation. If this trend does occur, economic productivity and the cost of goods and services could be impacted.

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