Summary

Agricultural commodity prices surged in the second quarter amid further increases in economic activity and robust global demand. Broad increases in the prices of most major agricultural commodities boosted the index of U.S. agricultural prices 14% from the previous quarter and continued to support a strong outlook in the U.S. farm sector. Though increases in the costs of some inputs weighed on profit margins, the financial condition of farm borrowers also continued to improve. Despite severe drought in the West and upper Midwest, U.S. agricultural production was expected to be slightly above trend in 2021 as growing conditions have remained favorable in the lower Midwest.

U.S. agricultural prices increased by 14% in the second quarter and were 33% higher than a year ago.

Corn and soybean prices increased 24% and 17%, respectively, in addition to gains in livestock markets.

U.S. Agricultural Price Index

![U.S. Agricultural Price Index](chart)

Sources: USDA and staff calculations.

Notes

1. Weighted based on share of total 2019 agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 90% of total 2019 cash receipts.

2. Based on changes in weighted indices of individual commodities and corresponding contribution to the change in the sum of those individually weighted indices from the previous period. Above commodities accounted for 65% of total 2019 cash receipts [Corn (14%), Broilers (8%), Hogs (6%), Soybeans (9%), Cattle (18%) and Dairy (11%)].
Despite uncertainty about government payments in 2021, revenue in both the crop and livestock sectors was expected to be higher than in 2020.

Crop production was expected to rebound in 2021 alongside favorable growing conditions in the Midwest following a significant decline in 2020.

The value of U.S. ag exports in the second quarter increased 30% from a year ago. Food and ag exports to China increased by 75%.

Farm loan delinquencies and farm bankruptcies have continued to decline. Loan demand also softened further despite low interest rates.

Notes
3. Crop and Livestock Revenues reported as cash receipts and account for 89% of total gross farm cash income. Other amounts of gross cash income are attributed to government direct farm payments and other farm-related income.

4. Crop Index includes all grains, oilseeds, fruits and vegetables weighted by share of total U.S. production measured in million metric tons. Meat Index includes the aggregate live weight of cattle, hogs, and poultry processed at U.S. federally-inspected plants weighted by share of total domestic production measured in pounds.

5. Domestic grain consumption includes food, feed, and industrial use of corn, sorghum, barley, oats, and wheat.

*2021 farm income and balance sheet figures are forecasts published by USDA as of February 5, 2021.