

AGRICULTURE LANDSCAPE

February 2024

A deceleration in food inflation is finally expected in 2024. U.S. agricultural exports continue to be robust compared with historical levels. More environmental regulations will continue affecting farmers and the food supply chain. Large agricultural companies continue enhancing their efforts to bring better technologies to producers. In our latest commentary, we explore some of the latest developments in the sector.

Food Price Index

The U.S. Department of Agriculture (USDA) is forecasting a **deceleration of food prices** in 2024. All food prices are projected to increase on an annual basis by an average of 1.3%, the slowest pace in more than three years, compared with 5.8% in 2023 and 9.9% in 2022. Food at home is projected to decrease 0.4% in 2024 compared with a 5% increase in the prior year. The food category with the largest annual increase is projected for beef and veal, at 5.8%, the highest increase in the past three years, as demand continues to remain strong. Prices for fresh fruit are expected to increase 1%, or half of the increase observed in 2023, and prices for vegetables are projected to have the first decline over past years by 0.1% in 2024.

On the other hand, food away from home is projected to increase 4.7% in 2024, although at a lower pace than the 7.1% increase experienced in the prior year.¹

Trade and Legislation

U.S. agricultural trade in 2024 is expected to have the largest record trade deficit, at \$30.5 billion, which is twice as large as the deficit experienced in 2023. Total agricultural exports are projected at \$169.5 billion, or 5% lower than the \$178.7 billion in 2023 but still more than 20% higher than just five years ago.

Total agricultural imports in 2024 are expected to be \$200 billion, up close to \$5 billion from the prior year. Note that agricultural imports in 2020 were only \$143.4 billion and began accelerating rapidly after the COVID-19 pandemic, with support of a strong U.S. dollar compared with other global currencies.²

Limits on **foreign landownership** continue to gain legislators' attention. An estimated 43.4 million acres of U.S. agricultural land, which amounts to 3.4% of all privately held U.S. agricultural land, were owned by foreign entities as of the end of 2022, according to the latest USDA report.

The USDA is required to submit disclosures of foreign landownership in compliance with the Agricultural Foreign Investment Disclosure Act of 1978.

Foreign landownership is mainly in forest land, at 48%, followed by cropland at 28%, pastureland and other land at 21% and nonagricultural land at more than 2%. Since 2017, foreign entities have acquired an estimated 2.9 million acres per year.

Investors from Canada account for 32% of reported U.S. foreign-owned agricultural and nonagricultural land, at 14.2 million acres, followed by the Netherlands at 12%, Italy at 6%, the United Kingdom at 6% and Germany at 5%. Although Chinese investors accounted for less than 1% of foreign-held U.S. land, U.S. legislators continue focusing on the impact of China's investments in the U.S. agricultural supply chain.

As of the end of 2022, the top five states with the most foreign-held agricultural land were Texas at 5.4 million acres, Maine at 3.4 million acres, Colorado at 2.4 million acres, Alabama at 2.3 million acres and Michigan at 1.8 million acres.³

A new farm bill is expected in 2024 after one failed to pass the deadline of September 30, 2023. Various priorities will continue to be on the negotiating table this year, including climate-smart agriculture funding, crop insurance and risk-mitigating safety nets for growers and, primarily, the nutrition spending program, which accounts for an estimated 84% of the \$1.4 trillion in projected costs in the Farm Bill during the next decade.

In 2021, Mosaic, one of the world's largest producers of phosphate **fertilizer**, petitioned the U.S. Department of Commerce (DOC) and the International Trade Commission (ITC) to investigate—and impose tariffs close to 100% on—countries that have negatively affected the prices of domestic suppliers' fertilizers. In early November 2023, DOC announced a decision to lower the duties on phosphate fertilizers imported

from Morocco. The new duty became 2.12% from 19.97%. However, the ITC upheld an opinion in early January 2024 that a certain Moroccan company's trade practices negatively affected U.S. fertilizer companies. That opinion by the ITC jeopardizes the current tariffs and may serve as the foundation for maintaining higher duties on phosphate fertilizer, which will continue to directly challenge growers with higher input costs.

As part of President Biden's Inflation Reduction Act, the USDA has begun making awards to increase the availability of **domestic biofuels** through grants. An estimated \$19 million will be used to expand biofuels through the Higher Blends Infrastructure Incentive Program, which has a mandate to increase the sales and uses of biofuels through expansion of the infrastructure for renewal fuels from U.S. agricultural products. Last year, an estimated \$450 million was used to expand the use and availability of higher-blend biofuels.

Weather Conditions

The volatility of weather conditions continues across various states in the United States. Based on USDA meteorologists' reports, areas in states like Montana experienced wide swings of temperatures in January of as much as 100 degrees. Higher levels of precipitation have been observed in both the southeast and California's agricultural regions, and the northern part of the central region is experiencing drier conditions and less snow than in prior years. Meteorologists in the Corn Belt continue to blame weather phenomenon **El Niño** for the lower-moisture conditions experienced by farmers this year.

Environmental Regulations

Environment and Climate Change Canada, the government agency managing environmental policy in Canada, has published a new proposal that would **ban plastic** from fresh produce sold in Canadian grocery stores by 75% in 2026 and 95% in 2028. The proposal is expected to pose more challenges for growers and packers and higher costs for consumers. Several U.S. agricultural groups and associations representing produce participants have argued that the elimination of plastics is a challenge because (1) many crops cannot be sold in bulk and need packaging, (2) plastics can keep products fresher through longer shipments and can extend shelf life to minimize waste, (3) packaged produce can maintain high food safety standards and (4) new packaging would further increase costs to consumers at a time when food inflation remains high.⁴

New environmental policies are expected to challenge the uses of various future chemicals used by farmers, with the goal of protecting **the environment and endangered species' habitats**. The U.S. Environmental Protection Agency (EPA) has

provided final guidance with regard to the implementation of policies to protect endangered species from exposure to pesticides. Under the new guidance, the EPA has committed to enhancement of the implementation of the Endangered Species Act, which requires improvements to the registration of pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act so as to ensure that the use of pesticides does not harm the environment or the nearly 1,700 listed endangered or threatened species.

New chemical registrants are expected to include actions that (1) identify locations of uses for a pesticide, (2) specify the ways species can be exposed to the pesticide and (3) set forth ways of creating mitigation plans to reduce exposure to pesticides. The new initiatives will raise more challenges to the agricultural sector because the use of certain pesticides could be limited for farmers in various regions across the country.

Agricultural Technology

Deere & Company, one of the world's largest farm equipment manufacturers and distributors, announced a new partnership with SpaceX to facilitate **satellite connectivity** to farmers in areas with limited or unavailable Internet service through the Starlink network. According to Deere, farmers are expected to improve their operations by applying precision agriculture features through the company's technology solutions, which are expected to be rolled out in the second half of 2024.

In addition, Deere continues to form more data partnerships with other major agricultural players such as Corteva Agriscience to enhance uses of agronomical tools and accelerate precision agriculture for farmers.

REFERENCES

1. [USDA. Food Price Outlook, 2024. USDA ERS - Summary Findings](#)
2. [Outlook for U.S. Agricultural Trade.](#)
3. [Foreign Holdings of U.S. Agricultural Land.](#)
4. [Produce Market Guide. "Unattainable' Canadian Plastics ban will cause food shortages, price increases."](#)

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JAMIE SHEN

Chief Investment Officer and Head of Agricultural Equity Investments
jamie.shen@pgim.com



JUAN DAVID CASTRO-ANZOLA

Director of Agriculture Underwriting Research and Agricultural Technology
juan.castroanzola@pgim.com