AEDE Outlook and Policy Conference 2022/23

The Department of Agricultural, Environmental, and Development Economics (AEDE), holds its first in-person Outlook and Policy Conference since 2019 on November 15, 2022, at the 4H Center on Ohio State Campus. Below are brief summaries of what each speaker will be presenting.

Energy Market Outlook (Brent Sohngen):

This presentation will examine current trends in energy markets, focusing on factors affecting the supply and demand of oil, natural gas, and renewable energy. These factors include global supply considerations related to OPEC, the Russian invasion of Ukraine and resulting economic sanctions, and US energy policy. Critical US and Ohio energy policies and their effects on market outcomes in energy markets will be examined, with respect to recent legislation related to renewable energy sources. The global demand situation also plays a critical role in energy markets and will be examined. Finally, the presentation will also consider how widespread net zero commitments by many private companies could influence the future evolution of energy markets domestically and internationally.

Ohio Farm Income Outlook (Ani Katchova):

The presentation will show how the financial outlook for Ohio farms relative to the US and the Midwest region is based on three main aspects of the agricultural economy: farm income, farm assets and financial stress, and agricultural loans and delinquencies. Farm incomes are expected to increase in 2022 attributable to higher cash receipts despite lower expected government payments and higher production expenses. The rise in inflation and interest rates makes land a rather attractive investment and farmland prices and cash rents are both anticipated to increase this year. In the long run, farm incomes are expected to experience decreases for the next 2-3 years and then remain relatively stable. Despite the current challenges farmers are facing, farm balance sheets are expected to be stronger with a potential decrease in inflation adjusted farm debt in 2022, which, if realized, would be the first decrease since 2012. Therefore, solvency for both US and Ohio farms are expected to improve this year while Ohio farmers are still struggling with profitability, whereas the US and the Midwest farms outperform Ohio farms with higher returns. Finally, agricultural loan demand was higher for the US last year, while it fell for Ohio. Rising interest rates are expected to decrease the agricultural loan volume this year. Loan delinquency rates have remained consistently lower for Ohio farms compared to the national average in the recent past, and this year is no exception.

Labor Market Outlook (Margaret Jodlowski):

The labor market has experienced significant disruption since the start of the Covid-19 pandemic. While some industries moved toward recovery, the workers in agriculture and agriculture-adjacent subsectors remain difficult to find and retain. The presentation will cover the current state of the labor market, both in Ohio and nationally, with a specific focus on the agricultural value chain. Projections will also be provided for the employment situation for the next year, targeting wages as well as availability of employees for firms in various subsectors of the economy. Ohio, along with many neighboring states, has experienced a dramatic increase in the number of H-2A visa workers; the presentation will also discuss these trends in terms of what they imply about the future availability of on-farm workers. There will also be a short update on the status and implications of labor-related policies that are currently on the horizon.
Inflation and Macroeconomic Outlook (Mark Partridge):

Inflation, recession, high interest rates, war, elections, the economy’s recovery from COVID-19 has been a bumpy ride. The Outlook for 2023 is unsurprisingly uncertain. Particularly the commitment of the Federal Reserve to eliminating inflation at any cost is unknown and the course of geopolitical events has been especially unpredictable. The presentation will discuss what the tea leaves say about the economy and provide guidance about the risks facing the economy.

International Economic Outlook (Ian Sheldon):

This presentation will outline how the international economic outlook can be characterized by four key factors: inflation is at a multidecade high, Russia’s invasion of Ukraine, the ongoing effects of the pandemic, and weather events in Europe and elsewhere. In this environment, the presentation lays out current forecasts for lower global growth, reduced inflation, and trade, and how key downside risks such as macroeconomic policy divergence and mistakes, appreciation of the dollar, and the ongoing war in Ukraine, might negatively influence the global economic outlook.

Grain Market Outlook (Seungki Lee):

The grain market outlook will focus on corn and soybeans, reflecting the significance of these commodities in Ohio agriculture. The presentation will cover supply updates and demand forecasts for the 2022-2023 season, based on the November WASDE report. At the beginning, price indices will be presented to provide an overview of market circumstances. As harvest season is almost over, USDA’s prospects on demand shifters such as corn feed, ethanol use, exports will be highlighted and discussed in detail. Additionally, several potential wild cards – e.g., fertilizer prices, crop progress in Brazil, etc. – that could shake up the market and change the forecasts will be discussed.