

MARKET SNAPSHOT

Crop Inputs

March 31, 2024

Executive summary

Crude oil prices rose in Q1 2024 due to lower supply and steady demand. Conflict on the Red Sea, low water levels on the Panama Canal and new environmental regulations are increasing shipping costs. Equipment and machinery costs remain elevated and some producers still face challenges with procuring replacement parts.

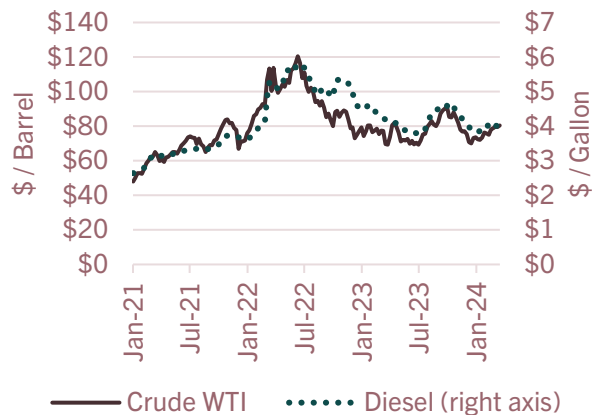
Drivers

Energy prices increase

West Texas Intermediate (WTI) crude oil prices steadily increased about 9% in Q1 2024 largely due to lower domestic supply and steady demand.

- Capacity utilization for distillate refineries was down due to abnormally cold weather in January and scheduled maintenance.
- The Organization of Petroleum Exporting Countries (OPEC+) extended voluntary production cuts for crude oil.
- Russia implemented a ban on gasoline exports from March 1, 2024, to August 31, 2024.
- Geopolitical tensions remain elevated in the Middle East due to the conflict in Gaza.
- Consumption in India continues to increase at a rapid pace due to the growing economy and population. Some analysts predict it will be the largest driver of demand growth until 2030.

West Texas Intermediate crude and diesel prices



Source: Energy Information Agency. WTI: West Texas Intermediate Crude Oil. Data as of March 21, 2024

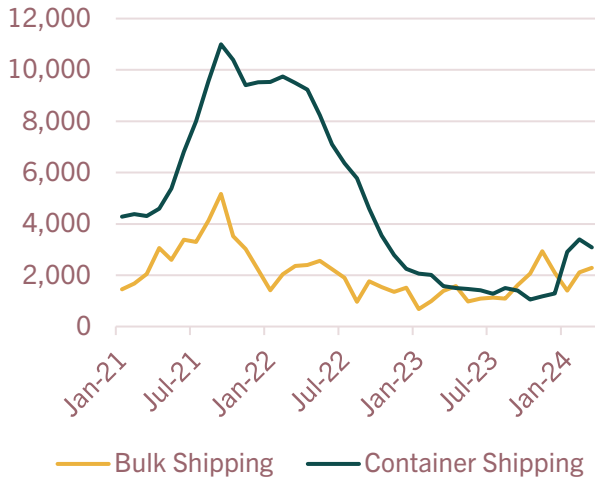
Container rates rise

Container shipping rates more than doubled in January, then held relatively constant for the remainder of the quarter. The Houthi rebel group continues to attack commercial shipping vessels in the Red Sea, forcing many ships to reroute around South Africa. The Panama Canal remains at limited capacity due to low water levels, incentivizing ships to reroute around

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South America. New environmental policies, including the Energy Efficiency Shipping Index, Carbon Intensity Indicator and Emissions Trading System, are incentivizing shipping companies to slow vessel speeds to lower fuel consumption. These factors are increasing transportation times and the cost to ship goods.

Shipping rate indices



Source: Freightos Baltic Index, Baltic Dry Index and Producer Price Index. Data as of March 21, 2024

Equipment and machinery prices remain elevated

New farm machinery and equipment prices remain about 40% above pre-pandemic levels as input costs, including steel and labor, remain elevated (see chart below). Access to parts has significantly improved since 2022; however, anecdotal reports suggest some producers still face procurement challenges. Germany's manufacturing industry, an important source for agriculture equipment, is contracting due to soaring energy costs. This may lead to further supply disruptions in the U.S. While there are significant challenges, used equipment inventories and prices have improved significantly from 2022 levels. Demand may also decline as several agriculture industries face financial stress (see [Industry Snapshots](#) for more information).

Agriculture and machinery price index



Source: Producer Price Index

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