

# The Agriculture Letter

Insight and Analysis for Agribusiness Leaders

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Dear Client:

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## USDA lowers food inflation outlook; egg prices soar.

### FOOD PRICES

USDA cut its forecast for overall food price inflation in 2025, despite sharply raising its projection for egg prices due to ongoing avian flu impacts.

USDA now expects food prices to rise 3.2% in 2025, slightly down from its February forecast of 3.4%. Grocery (food-at-home) prices are projected to climb 2.7%, compared to the prior estimate of 3.3%. In contrast, restaurant (food-away-from-home) prices are now expected to rise 3.7%, up from February's 3.4% forecast.

But all three categories are still projected to rise above their 20-year averages: 2.9% for all food; 2.6% for groceries; and 3.5% for restaurants. In 2024, all food prices rose 2.3%, grocery prices up 1.2% and restaurant prices increased 4.1%.

Egg prices spike amid avian flu outbreak. The most dramatic change comes in the forecast for eggs, with USDA now projecting a record 57.6% increase in 2025... up sharply from the 41.1% forecast in February and far higher than the 8.5% increase seen in 2024.

Retail egg prices surged 12.5% in February alone, following double-digit gains in January and December. USDA attributes the price volatility to the highly pathogenic avian influenza (HPAI) outbreak, which affected about 30 mil. commercial egg-laying hens in early 2025. Although detections eased in March, USDA notes that retail prices typically lag behind changes in wholesale prices, which have recently declined.

Mixed shifts in other food categories. Several food categories are now forecast to be cheaper in 2025 than in 2024:

- Pork: Down 1.5% (vs. +1.2% in February)
- Other meats: Down 0.2% (vs. +0.6%)
- Poultry: Down 0.4% (vs. unchanged)
- Dairy: Down 0.8% (vs. +2.2%)

Beef and veal prices, however, are expected to climb 5.2% in 2025, up from the February forecast of 3.2%.

### USDA also slightly reduced its forecast for other categories:

- Fats and oils: +0.3% (vs. +0.6% in February)
- Sugar and sweets: +5.1% (vs. +6.4%)
- Fruits and vegetables: Still seen rising 1.7%, though fresh fruits are now forecast to rise just 0.1%, and fresh vegetables by 2.0%.

Perspective: Although egg prices have surged, their limited weight in the index... just 1.4% of total food prices... helps explain why the overall grocery inflation outlook was revised lower. Food at home accounts for 58.9% of the CPI food component, while restaurant spending makes up 41.1%.

## FOOD PRICE NOTES

• **Of note**: USDA emphasizes that its forecasts reflect the annual average change in prices for 2025 compared to 2024, not month-to-month or year-end inflation. Some of the projected increases for 2025 have already materialized in early-year data.

• **Bottom line**: Even with a slower pace of inflation compared to recent years, the trend remains clear: U.S. consumers will still pay more for food in 2025 than they did in 2024.

• **Egg prices have dropped sharply**, from \$8.51 to \$3.96 per dozen in March, likely driven by reduced consumer demand at peak prices rather than increased supply.

Overall, while current supplies are tight, production is ramping up, and prices may continue to ease if HPAI pressures decline, a *Southern Ag Today* item concludes.

Source: USDA, *Southern Ag Today*

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#### CANADA EGGS

Canada's small farms offer clues to U.S. egg shortage. With egg prices soaring in the U.S. due to avian flu wiping out tens of millions of hens, USDA is studying how other countries manage their egg supply... especially neighboring Canada, where egg numbers remain affordable and plentiful.

Unlike the U.S., Canada's egg farms are smaller and more insulated from flu outbreaks thanks to colder climates, tighter biosecurity and fewer free-range operations. While American agribusiness has prioritized scale and efficiency, this has also made the system more vulnerable to disruptions.

Canada's supply management system guarantees farmers stable income, reducing pressure to expand, whereas U.S. producers must grow to stay competitive. As Easter demand looms, the U.S. is turning to increased egg imports to ease the shortage.

#### TRADE TARIFFS

Trump's tariff "liberation day" plans. President Donald Trump is preparing to unveil a new wave of tariffs on April 2, dubbed "Liberation Day," which will be more targeted than initially anticipated. This approach aims to impose reciprocal tariffs on countries that have tariffs and/or nontariff trade barriers against the U.S., excluding nations with no U.S. tariffs and a trade surplus with the U.S. Reciprocity is a simple topic to explain, as Trump has said many times: "If other countries impose high tariffs on our exports, we should match those with high tariffs on their exports. That's basic fairness."

U.S. Trade Representative (USTR) Jamieson Greer is reviewing the tariff plan and taking comments from businesses, including the ag sector and some commodity and farm groups.

Trump has emphasized the need for these tariffs, stating, "April 2nd is going to be liberation day for America. We've been ripped off by every country in the world, friend and foe." He believes these measures will bring in significant revenue. U.S. customs revenues from China surged after the tariffs were imposed in 2018, according to a survey last year by the Peterson Institute for International Economics, but then peaked in 2022 and dropped sharply in 2023 as companies adjusted.

"Tariffs will make America more competitive. They will incentivize investment into America." Stephen Miran, Trump's Council of Economic Advisers chairman, said in an interview, declining to detail the steps. As for the structure... country-by-country, product-by-product, or both... that decision hasn't been made yet, Miran said. These conversations and policy decisions are evolving ahead of the April 2 announcement.

The plan is a retreat from Trump's earlier proposal of a three-tiered system of tariff severity in favor of a "reciprocal" model. Instead, it focuses on specific countries and sectors or both.

Treasury Secretary Scott Bessent referred to the "dirty 15" countries, which account for a significant portion of U.S. trade volume and are likely targets for these tariffs. He highlighted that these countries have substantial tariffs and non-tariff barriers.

The average tariffs of some countries versus the United States:

- India: 14.3%
- Brazil: 12.4%
- South Korea: 11.1%
- China: 6.5%
- Mexico: 6.0%
- U.S.: 2.7%

The administration is also considering tariff rollbacks for certain countries. Some existing tariffs... especially those imposed on Canada and Mexico over fentanyl shipments... might be rescinded or replaced.

How will Trump's trade team evaluate non-tariff barriers, like those in the EU? Miran admitted that is a key policy challenge. "Sometimes countries have low tariffs but still block our companies from entering their markets through other means. That's unfair. The president has been clear that this won't be tolerated anymore. Estimating the impact of non-tariff barriers is complex, and there are multiple ways to approach it. I can't get ahead of the current discussions, but non-tariff barriers are major obstacles to fair trade."

Bottom line: Trump administration officials say this is a calibrated trade enforcement measure, not a blanket global tariff war.

**TAX CUTS**

Update on tax cuts and budget reconciliation. National Economic Council (NEC) Director Kevin Hassett described the coming tax cut measure as “the most growth-oriented tax bill in American history. In comments on *Fox Business*, Hassett noted, “Last time, corporate tax cuts drove up wages by boosting labor demand — factories came back. This time, the president wants to go further, with supply-side tax cuts for workers. Think about it: if overtime isn’t taxed, people will work more. That increases the labor supply... a supply-side policy. Same thing with tips. If tips aren’t taxed, people work harder and earn more. That’s growth. With all this supply bursting into the economy, the idea that inflation will rise just doesn’t fit any economic model I’ve ever seen.”

Regarding budget reconciliation and tax cut talks by the “Big Six,” Hassett said they are “going great. We’re working very closely. Our staffs are talking for hours every day, and we have Big Six meetings every 10 days or so. It’s the same process that worked for the Tax Cuts and Jobs Act. The president said to follow that playbook — and he’s right.” The Big Six members include White House officials, GOP congressional leaders, and leaders from the House Ways & Means and Senate Finance panels.

**MARKETS**

Corn: Futures found some support from ongoing demand for U.S. supplies on the global market. The uncertainties over the U.S./China tariff situation are tempering advances. Attention remains on the 2025 season as planting is moving slowly northward and traders look for farmers to have increased their intended corn acres this year based on the corn:soybean price ratio.

Soybeans: Demand has been modest at times in recent weeks but China has not yet backed away from the U.S. soybean market despite putting tariffs on U.S. supplies in response to U.S. levies on Chinese goods... not a lot of outstanding sales. Soybean acres should fall in 2025 vs. 2024 as corn prices remain favorable vs soybeans. Mother Nature will be key for final area.

Wheat: U.S. wheat floats between competitive and not competitive on the global market. Supplies out of the Black Sea are still questionable, though any pause in the conflict that takes pressure off shipping will boost interest in wheat from the region. U.S. winter wheat areas remain dry and that is providing some support for prices. Spring wheat area is the main question market ahead.

Rice: India has removed its last limits on rice exports, ending a tight global market situation that has existed for more than a year. The previous regime had helped other exporting countries with ample supplies to capture some markets. But India will quickly be seen as the low-cost alternative and the removal of the limits has already weighed on global values. U.S. rice exports remain focused on Latin and Central America.

Cotton: China has been canceling purchases of U.S. cotton made for delivery during the 2024-25 marketing year, reflecting the impact of tariffs put on by China in retaliation for U.S. levies. Prices have remained above levels that would trigger an LDP under the U.S. farm program except for one week earlier in March. Cotton acreage prospects will start driving market attention ahead.

Dairy: The U.S. dairy cow herd has grown in 2025 with numbers in February at their highest mark since 2023. Fewer cows being culled and new cows coming in have kept numbers up, leaving production running above year-ago levels. The limited cull rates and HPAI have kept a lid on efficiency with milk per cow not far above prior levels.

Cattle/Beef: U.S. supplies of cattle in feedlots continue to be impacted by slow placements, with the number of cattle entering feedlots during February down nearly 20% from what were record placements in February 2024. Marketings were also below last year and that kept feedlot supplies 2% lower than year ago. The combination is keeping cattle prices moving near record levels.

Hogs/Pork: The recent winter blast that rolled through areas of the Midwest curtailed kill levels, but they are expected to bounce back rather quickly. Cutout values found some support in the reduced kills and ham demand for Easter is also expected to keep a floor under those values. Futures found support after China renewed listing for scores of U.S. pork plants that had been certified to export to China.

Poultry/Broilers: U.S. efforts to combat highly pathogenic avian influenza (HPAI) have seen stepped-up biosecurity inspections undertaken by USDA. Result: the time that operations remain under quarantine has declined and as we moved into the last full week of March, only four turkey and one broiler operation remained quarantined. Tariff uncertainties continue to cast a shadow over the market.

USTR hearing on Chinese maritime practices could shape future trade actions. A public hearing this week by the U.S. Trade Representative's (USTR) office could be quite significant in several ways, especially given the growing scrutiny over China's maritime and trade practices. The hearing examined China's maritime, shipbuilding, and logistics sectors... specifically whether state-led practices have led to unfair advantages or violations of trade commitments... like WTO obligations. The inquiry was initiated in response to a petition from labor unions, including the AFL-CIO, alleging that China uses state subsidies and control over key logistics infrastructure to undercut global competitors and gain an unfair edge.

China now builds over 50% of the world's cargo ships by tonnage... up from just 5% in 1999, per USTR. Japan and South Korea remain major players, but China leads. The U.S. shipbuilding industry is nearly dormant, producing only 0.01% last year. USTR aims to revive U.S. shipbuilding, citing concerns over China's market power in supply, pricing and access. China's largest shipbuilder, China State Shipbuilding Corp., criticized the U.S. proposal, calling it a violation of WTO rules.

Meanwhile, President Trump's proposal to impose substantial fees... up to \$1.5 mil. per vessel... on China-built or China-linked ships entering U.S. ports is causing significant disruptions across various sectors of the U.S. economy, particularly in coal and agricultural exports. The initiative, part of a broader "America First" strategy, would use the billions generated from port fees to subsidize U.S. shipyards and increase the share of American-made vessels in global trade.

The plan includes a draft executive order proposing port levies based on a ship's Chinese ownership, construction origin and future order plans. It also sets targets over seven years requiring U.S. exports to be increasingly carried on American-flagged vessels.

Maritime experts warn the plan is unrealistic and risks repeating the pandemic-era supply chain crisis. Without sufficient U.S.-built alternatives, the fees could create massive port congestion, raise freight costs, and harm exporters — especially in agriculture and smaller ports.

Negotiations with China ahead? The measures are needed "to create leverage to obtain the elimination" of Chinese maritime industry dominance, USTR says, signaling President Trump may be prepared to negotiate with Beijing.

Ag sector exporters will struggle to secure ocean freight for products such as corn, soybeans and wheat. This uncertainty stems from the difficulty in determining final shipping costs under the new fee structure. The American Farm Bureau Federation estimates that these fees could add between \$372 mil. to \$930 mil. in annual transportation costs for bulk agricultural exporters, significantly eroding their competitive edge in global markets where profit margins are often minimal.

ASA notes concern. "We are extremely concerned that if this proposal goes into effect, U.S. soybeans will be effectively shut out from our global export markets," the American Soybean Association warned in a letter previewing its Monday testimony.

Dole, one of the world's largest fruit and vegetable producers, warned that the proposal could "significantly impact" fresh produce prices for American consumers and disproportionately affect small ship owners. The company is the leading importer of bananas to the U.S. and uses its own fleet to deliver produce that can't be grown domestically, according to its testimony letter.

Quote of note: "The hogs in China couldn't give a damn where the soybeans come from. You've essentially told those exporters you're out of business." — Peter Friedmann, executive director of the Agricultural Transportation Coalition.

Bottom line: "If they go through with the freight tariff along with reciprocal tariffs, the U.S. gets left in the 'dust' I think, till someone has crop problems outside of the U.S.," says Richard Crow, a commodity trader and analyst.

Despite these challenges, there is substantial public support for reducing dependence on foreign shipbuilding. A recent poll indicates that 72% of Americans believe the U.S. should not rely on countries like China for ship construction, reflecting concerns over national security and economic independence.

Best regards,

*The Ag Letter Editors*  
THE AGRICULTURE LETTER EDITORS

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