



# AGRIFOOD ECONOMY INDEX

1ST QUARTER 2025, MARCH





## KEY TAKEAWAYS

- **Future perspectives dampen industry sentiment.** Across the entire agrifood value chain, a significant drop in future expectations for the agrifood sector has caused its sentiment index to reach an unprecedented low.
- **Support Services sentiment dropped significantly this quarter.** After months of relative stability, the segment posted one of the steepest declines, driven by falling confidence in both current conditions and future expectations.
- **Market uncertainty is reshaping investment behavior.** Nearly half of respondents are delaying or reassessing capital decisions due to interest rates, inflation, and volatility, reinforcing the conservative tone across several segments.
- **Cost predictability is a top concern in trade policy.** Among potential effects of tariffs, increased input costs and pricing uncertainty ranked highest, highlighting how macroeconomic pressures continue to weigh heavily on business planning.





# INTRODUCTION TO AEI

The Agrifood Economy Index, developed by Purdue DIAL Ventures, is a strategic tool designed to measure economic sentiment across the agrifood industry. It gathers insights from key decision-makers across six core industry segments. Conducted quarterly, the survey tracks current conditions, future expectations, and investment outlooks, providing data to help industry leaders navigate market dynamics. The survey's five core questions assess financial sentiment over the short and long-term, sector-wide economic expectations, and investment climate.

In its eighth iteration, conducted in March 2025, this survey reflects the sentiment from the first quarter of the year. The Q1 2025 survey collected 220 responses from executives and key decision-makers across all segments of the agrifood value chain.





## THE CORE QUESTIONS

1. Would you say that your business today is financially better off, worse off, or about the same compared to a year ago?
2. Do you think that a year from now, your business will be better off financially, worse off, or just about the same as now?
3. Turning to the segment of the value chain you consider your business to be a part of, do you think that during the next twelve months, there will be good times financially, bad times, or just about the same as now?
4. Which would you say is more likely: the segment of the value chain you consider your business to be a part of during the next five years will have widespread good times, widespread bad times, or just about the same as now?
5. Thinking about large investments for your business (acquiring machinery, land, buildings, other companies, etc.), generally speaking, do you think now is a good time or a bad time to make such investments?

## THE SIX AGRIFOOD SEGMENTS

- **Agricultural input manufacturing:** crop protection, fertilizer, crop seed, animal health, tractors and implement manufacturers.
- **Agricultural input distribution:** agricultural input wholesalers and retailers.
- **Agricultural production:** Farmers and Ranchers.
- **Agricultural products processing and handling:** grain elevators, trading companies, ethanol plants, feed mills, crushers, shippers, and packers.
- **Food manufacturing:** baked goods, dairy products, meat products, and other CPG companies.
- **Support services and Products:** financial companies such as banks and insurers, advising and consulting companies, logistics companies, research institutions, etc.

INDUSTRY INDEX

Figure 1 - Industry Overall Index Changes Over Time

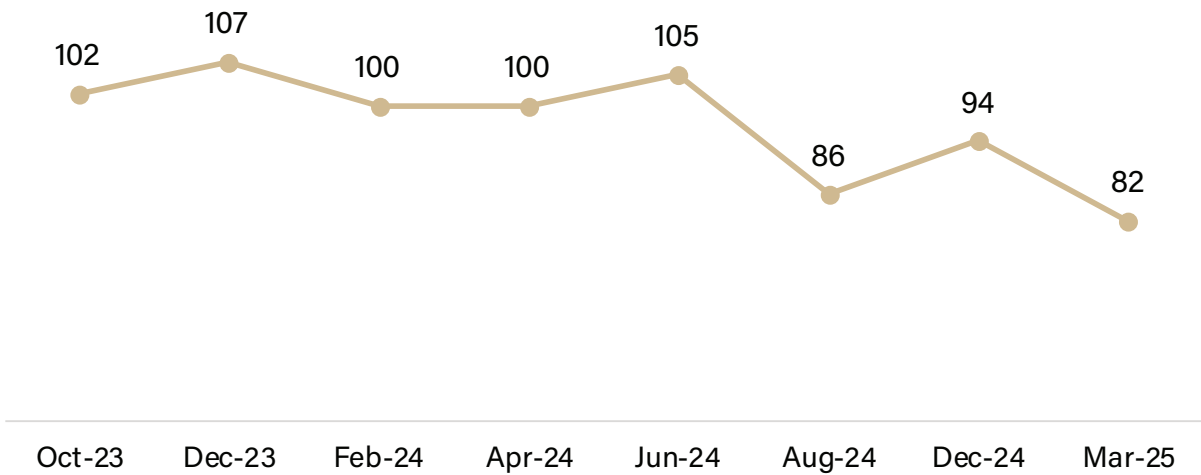
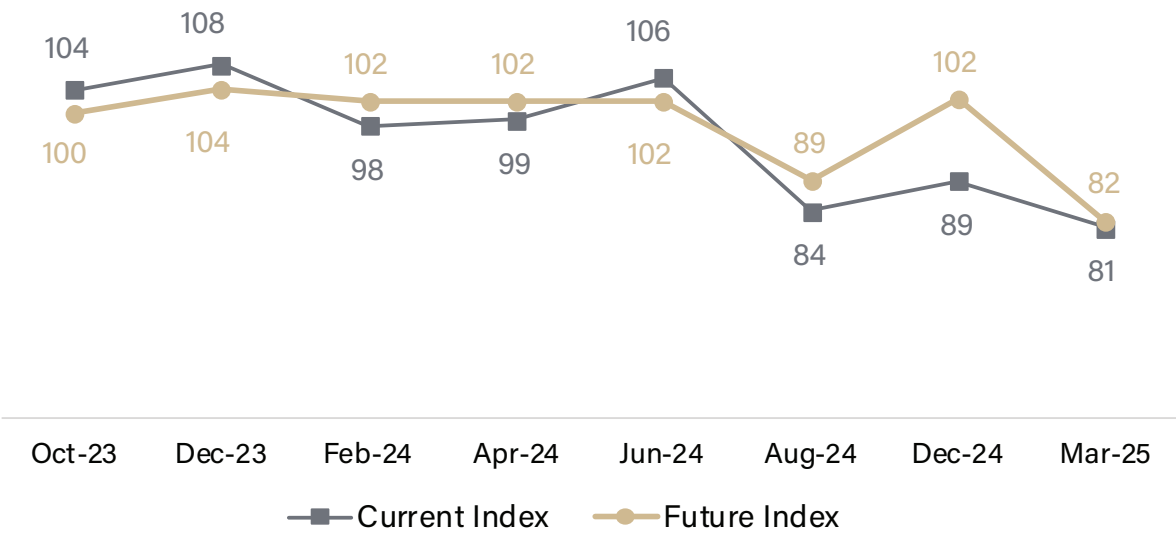


Figure 2 - Industry Current and Future Index Changes Over Time



The Overall Industry Index declined to 82 in March 2025, showing a downward trend from the previous quarter’s value of 94, reaching the lowest index since the Index’s inception. This decrease signals growing concern across the agrifood industry and reflects heightened pressure from ongoing economic challenges, including inflation, labor constraints, and policy uncertainty.

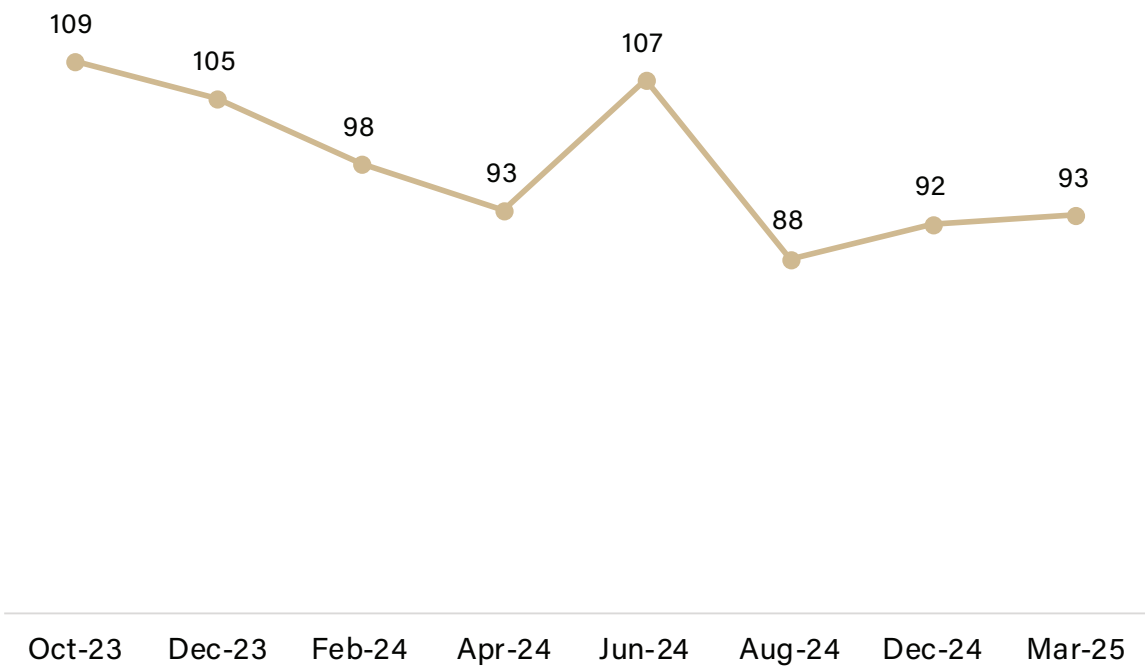
Both the Current and Future Sentiment Indices declined this quarter. The Future Sentiment Index sharply declined from 102 in December 2024 to 82 in March 2025, matching the new low of the Overall Index. Meanwhile, the Current Sentiment Index decreased from 89 to 81. The convergence of both indices at low levels underscores a broadly pessimistic outlook, suggesting that near-term and long-term business confidence is being tested across the agrifood value chain.

# INDUSTRY INVESTMENT INDEX

Respondents showed a cautious but stable outlook when asked whether now is a good or bad time to make large-scale investments (such as acquiring machinery, land, buildings, or companies). The Industry Investment Index rose slightly from 92 in December 2024 to 93 in March 2025, marking a modest improvement for the second consecutive quarter.

Despite this upward movement, the index remains well below the high of 107 seen in June 2024 and far off the 109 recorded in October 2023. The steady but subdued sentiment likely reflects persistent headwinds, including elevated financing costs, inflationary input pressures, and broader macroeconomic uncertainty. The flat trajectory suggests that while optimism has not declined further, confidence in making long-term capital investments remains tentative across much of the industry.

Figure 3 – Industry Investment Index Changes Over Time





# THE 6 SEGMENTS OF THE AGRIFOOD VALUE CHAIN

In the next section, we will analyze the indices for each individual segment of the value chain for the March 2025 survey



# AGRICULTURAL INPUT MANUFACTURING

Figure 3 - Input Manufacturing Index Changes Over Time

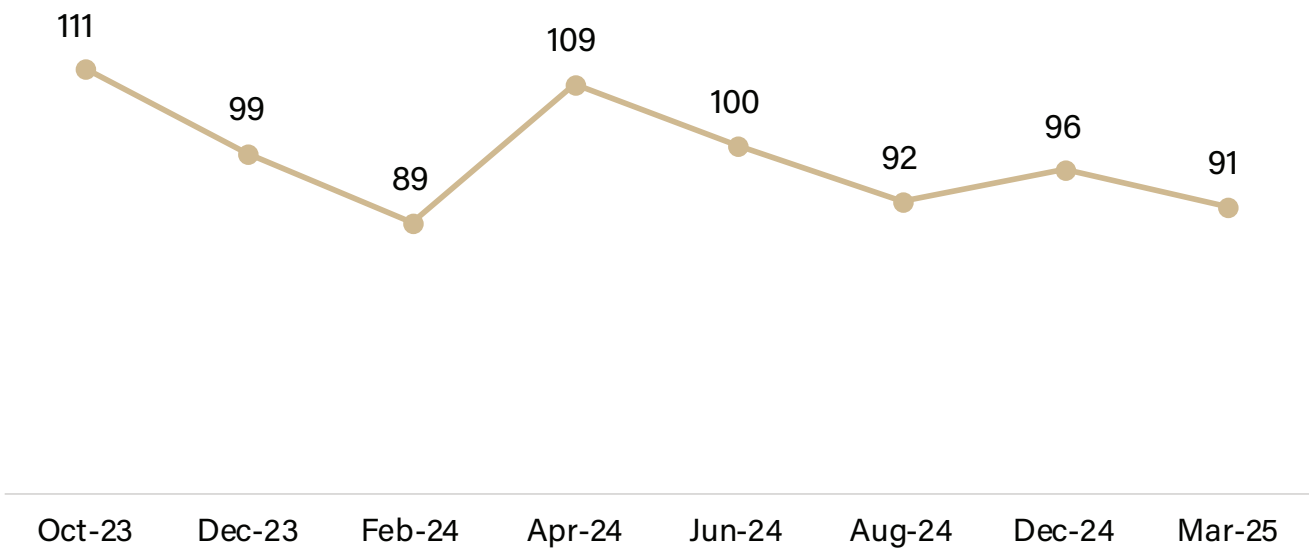
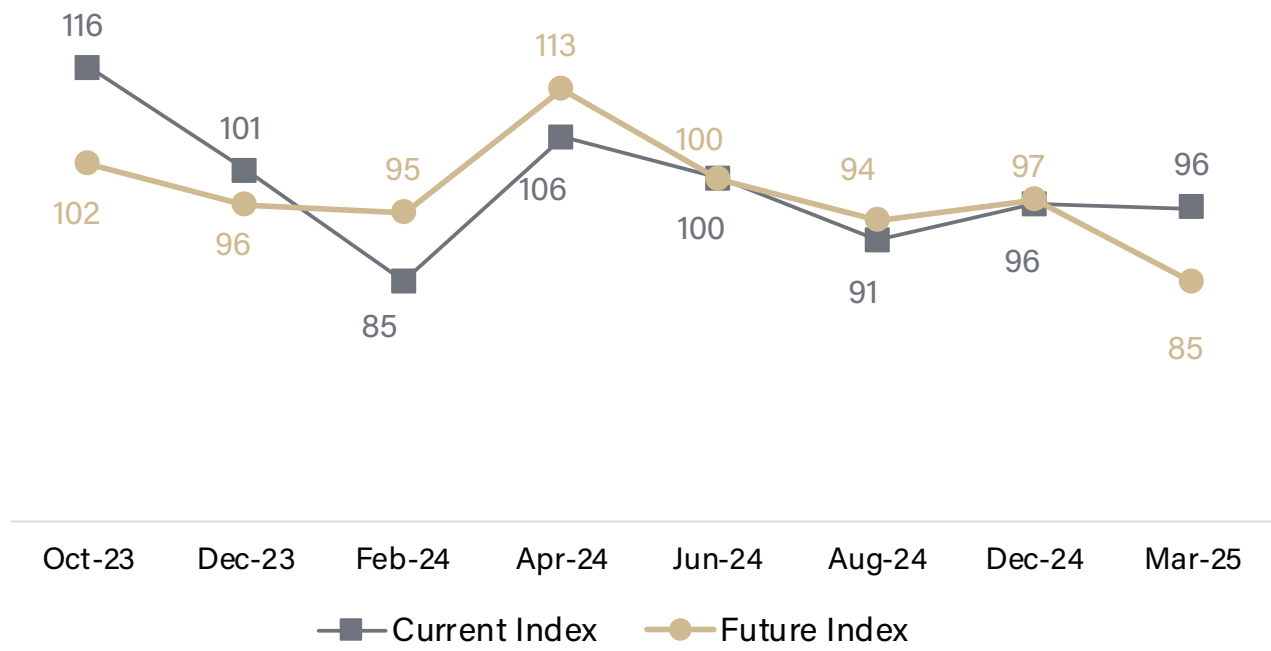


Figure 4 - Input Manufacturing Current and Future Indices Changes Over Time



Sentiment in the input manufacturing segment declined to 91, reflecting pressure from rising production costs and ongoing supply chain unpredictability. While the current index held at the same level as December 2024, a sharp drop in future expectations in March 2025—from 97 to 85—suggests growing anxiety about forward planning. This mirrors broader trends in manufacturing, where geopolitical tensions and shifting trade policy are disrupting operational certainty.



# AGRICULTURAL INPUT DISTRIBUTION

Figure 5- Input Distribution Index Changes Over Time

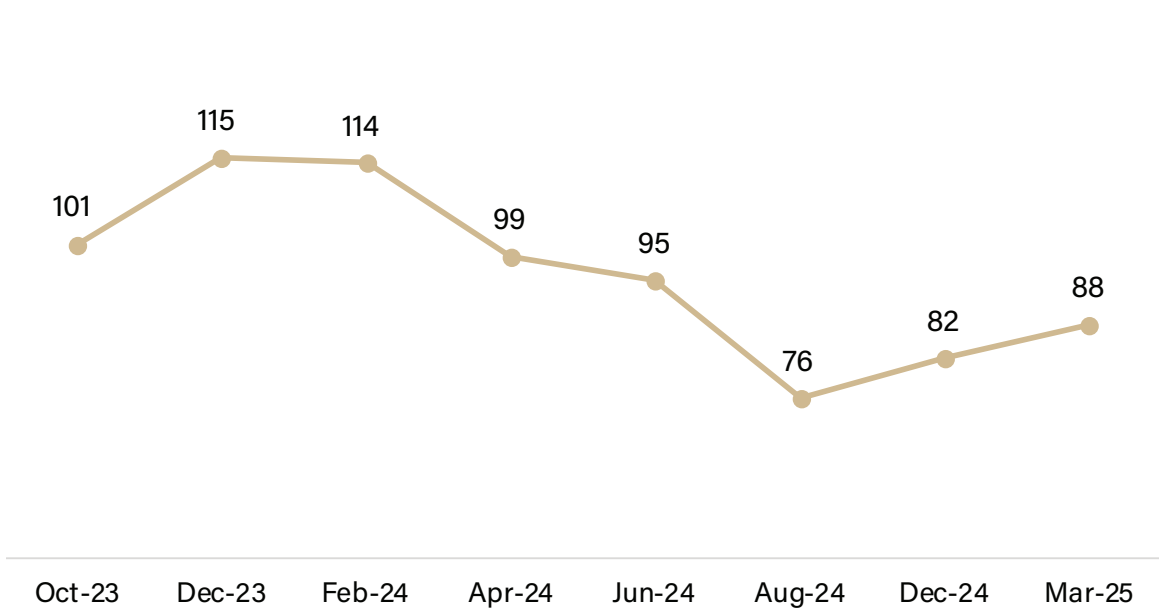
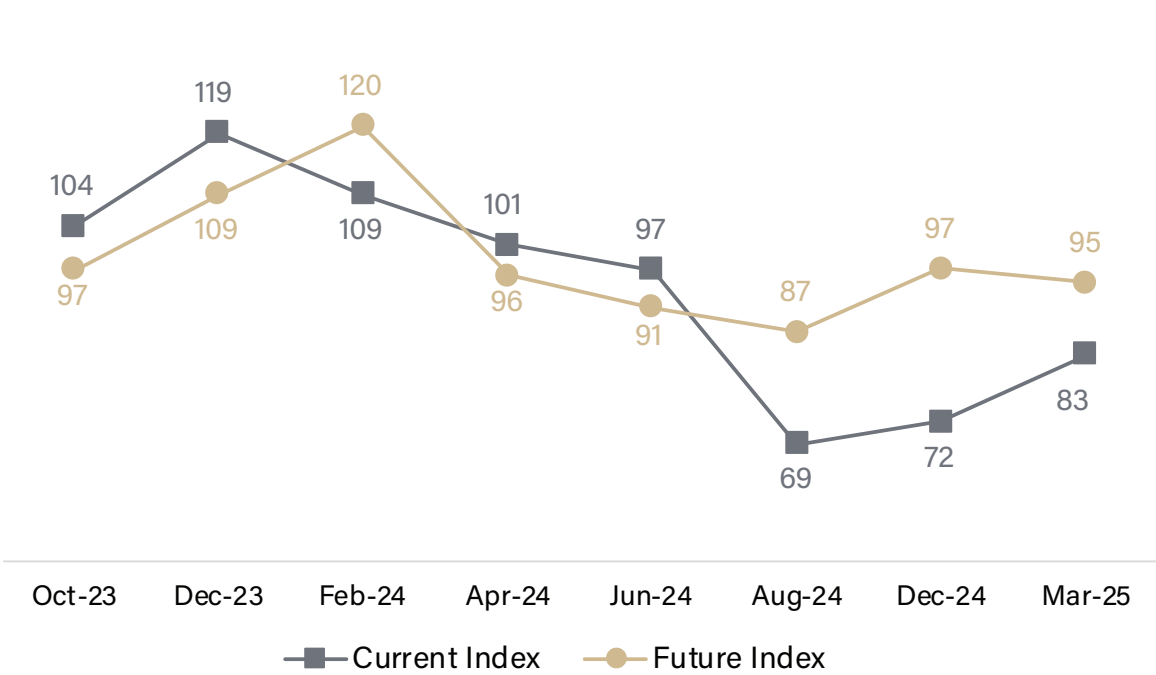


Figure 6- Input Distribution Current and Future Indices Changes Over Time



Sentiment in the agricultural input distribution segment rose to 88 in March, up from 82 in December (Figure 5). This marks the second straight quarter of modest recovery following a sharp decline in August 2024. While still well below its early-2024 peak, the recent upward movement suggests a gradual improvement in distributor confidence; although still well below the 100-index level that would signal positive sentiment.

The current index increased to 83, which was the main driver for the segment's rise in sentiment. Current conditions are still quite pessimistic likely reflecting the headwinds of the production agriculture sector they serve; particularly in crop production. The future index dipped slightly to 95, indicating continued caution. Soft grower demand, uncertain purchasing patterns, and broader economic pressures may be weighing on the input distribution segment's long-term outlook.

# AGRICULTURAL PRODUCTION

Figure 7 - Agricultural Production Index Changes Over Time

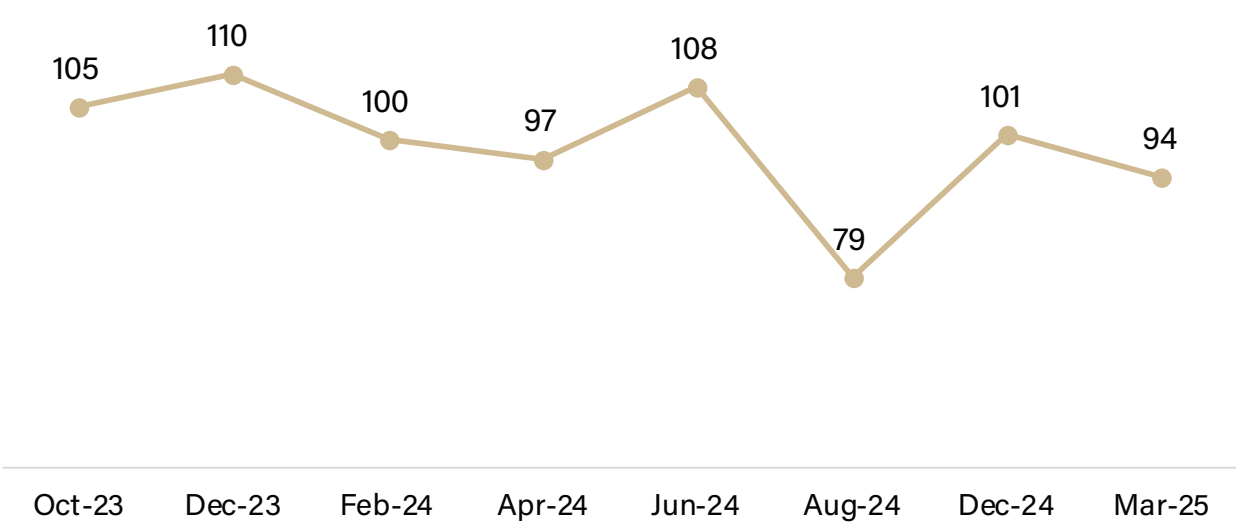
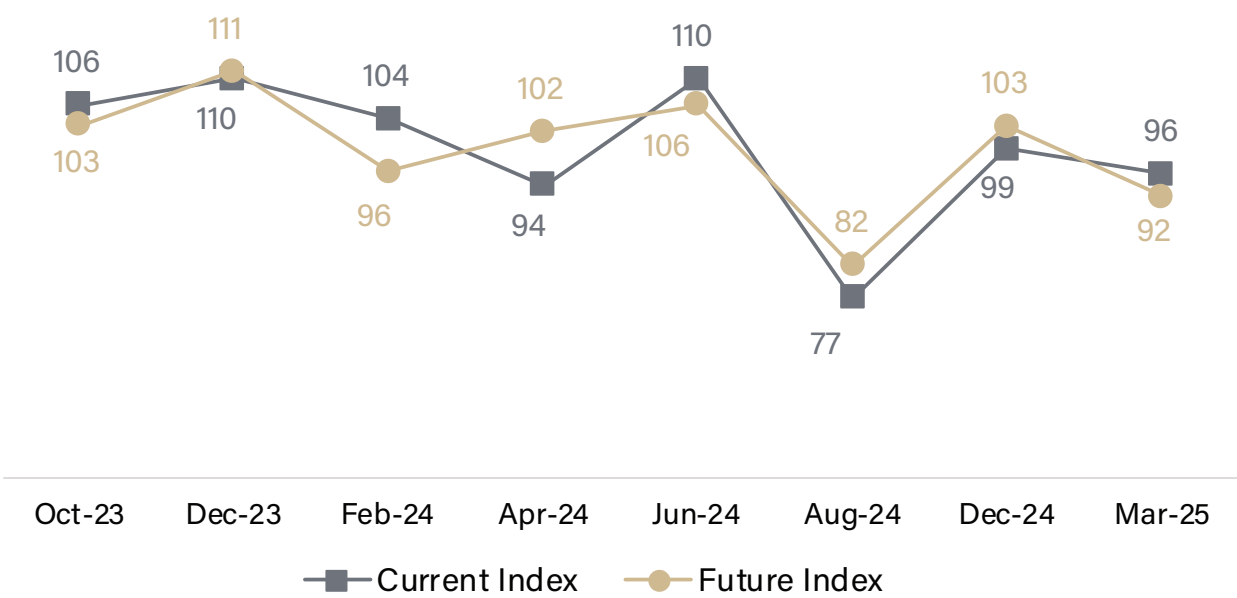


Figure 8 - Agricultural Production Current and Future Indices Changes Over Time



The agricultural product sector index fell to 94, reversing gains from late 2024 and sliding back into the pessimistic region. Both the current and future indices declined in March, with the future sentiment dropping 3 times more than the current sentiment, pointing to mounting concerns over commodity pricing, input costs, seasonal risk, and policy uncertainty. This mirrors national farm economy signals, where margins are tightening amid low grain prices and elevated cost structures.



# AGRICULTURAL PRODUCT PROCESSING AND HANDLING

Figure 9 – Agricultural Products Processing and Handling Segment Index Changes Over Time

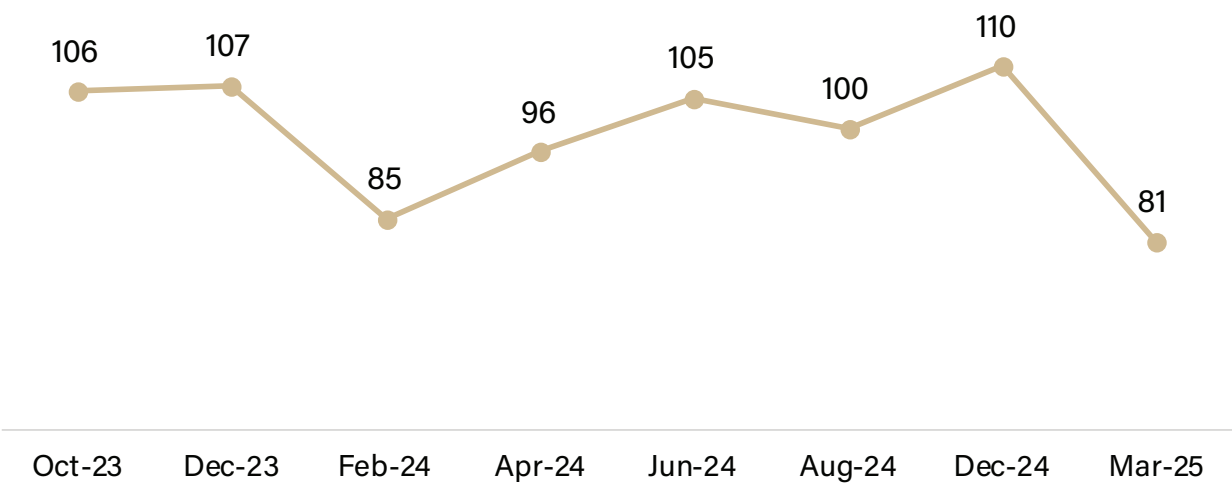
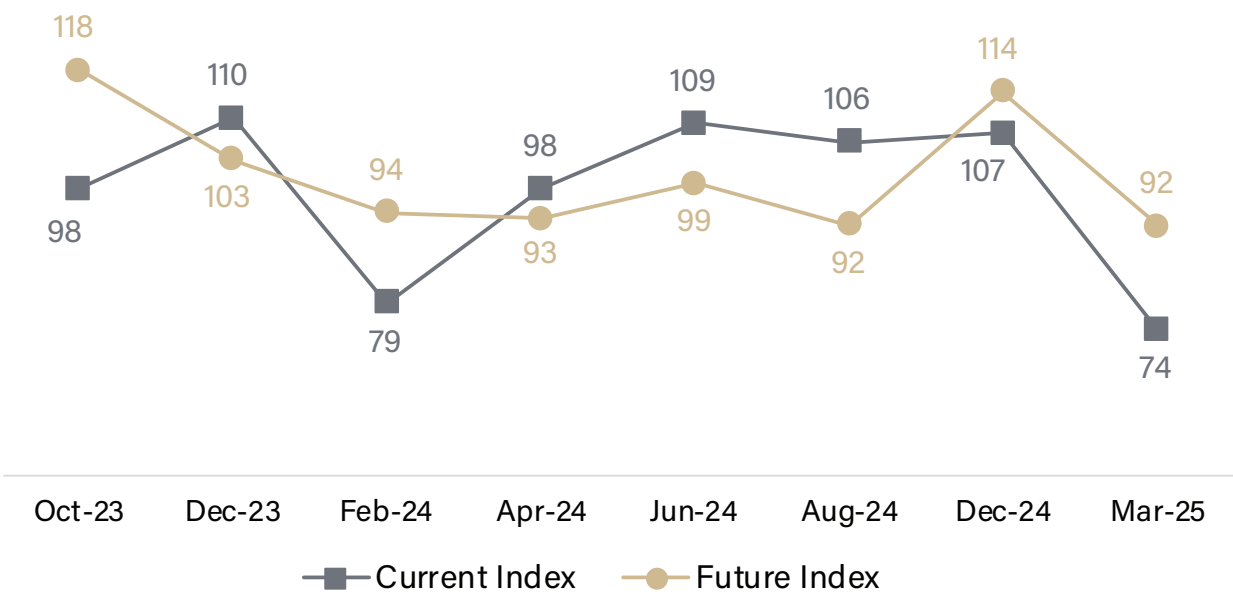


Figure 10 – Agricultural Products Processing and Handling Current and Future Indices Changes Over Time



The processing and handling segment saw a significant decline in sentiment this quarter, with the overall index dropping from 110 in December to 81 in March. This 29-point fall is the largest single-quarter drop for the segment over the past year, reversing the strong upward trend built through the end of 2024. The downturn is driven by sharp declines in both current and future indices. Factors such as slowing product movement, margin compression, labor constraints, and shifts in downstream demand (especially in export shipments) may be contributing to this sentiment reset. After a strong finish to last year, the segment now enters 2025 with noticeably more pessimistic sentiments.

FOOD MANUFACTURING

Figure 11 - Food Manufacturing Segment Index Changes Over Time

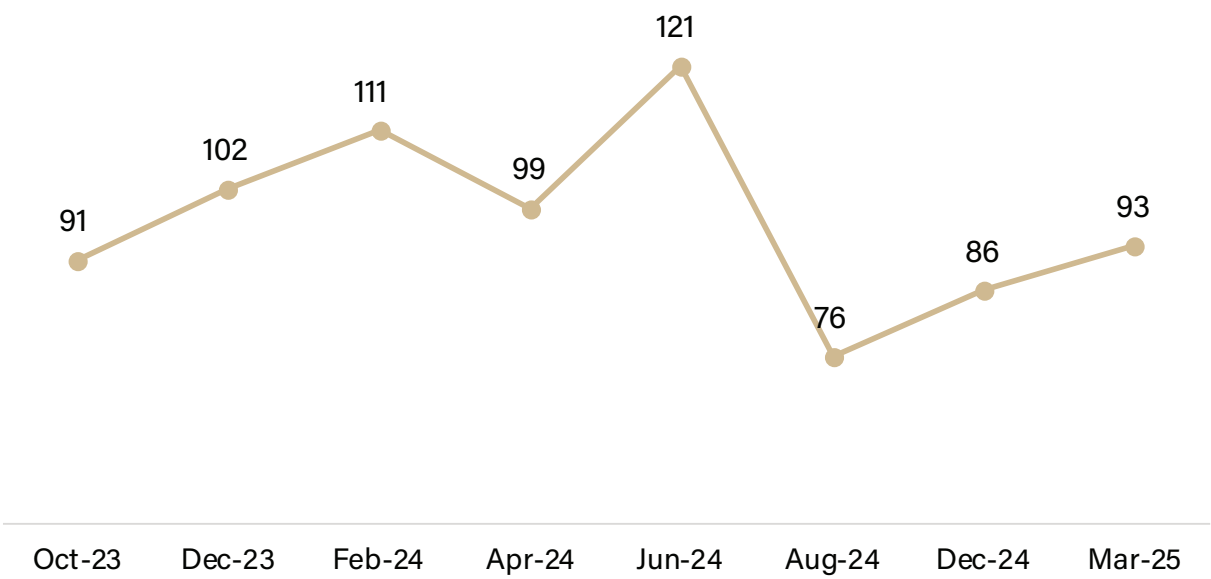
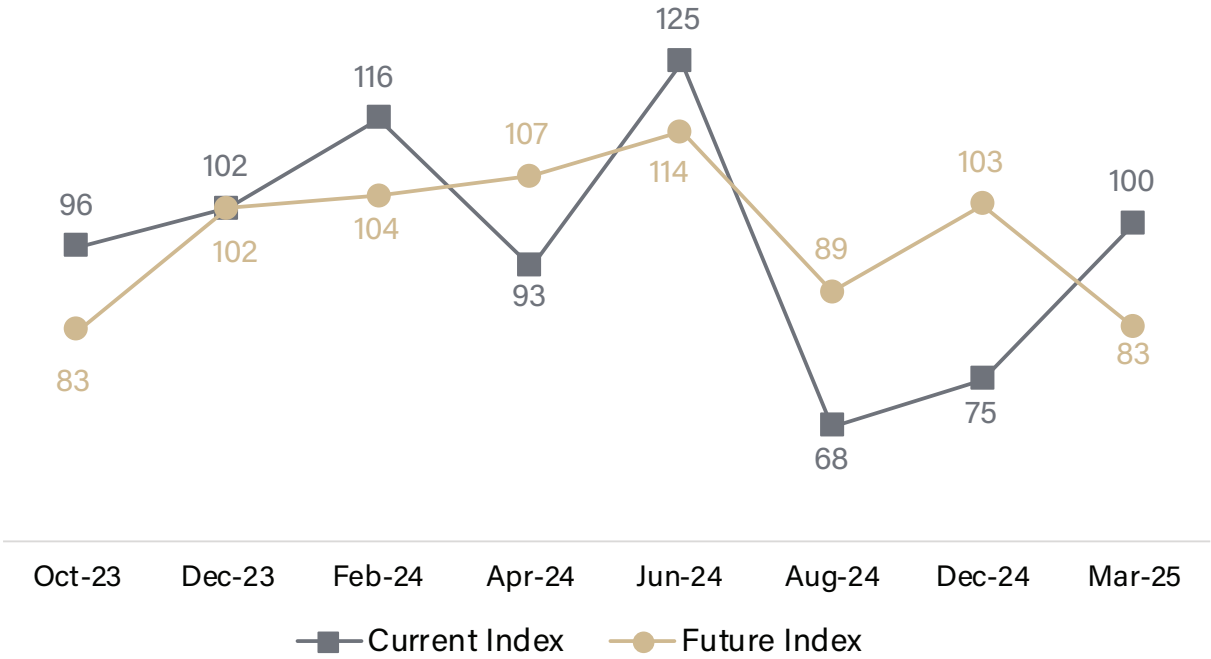


Figure 12 - Food Manufacturing Current and Future Indices Changes Over Time



Food manufacturing sentiment improved modestly to 93, driven by a rebound in near-term conditions. Despite the modest improvement the industry remains pessimistic overall. The current index rose to 100, likely supported by stabilized supply chains and seasonal demand. Yet, a significant drop in future sentiment to 83 reveals persistent concerns about inflation, consumer behavior shifts, and policy uncertainty. The split outlook mirrors the broader national manufacturing sentiment—steady now, uncertain ahead.



# SUPPORT SERVICES AND PRODUCTS

Figure 13 - Support Services and Products  
Segment Index Changes Over Time

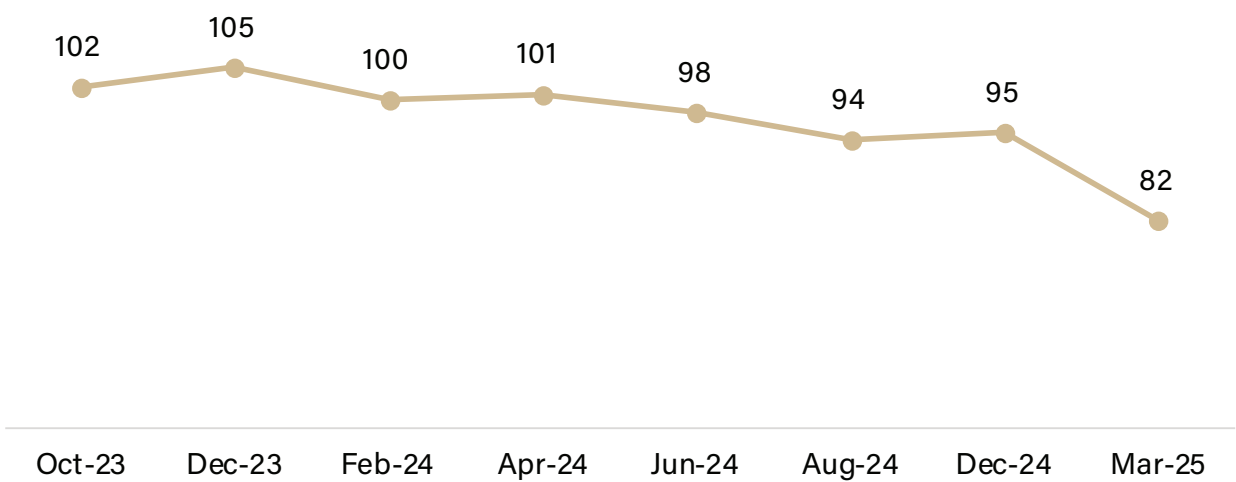
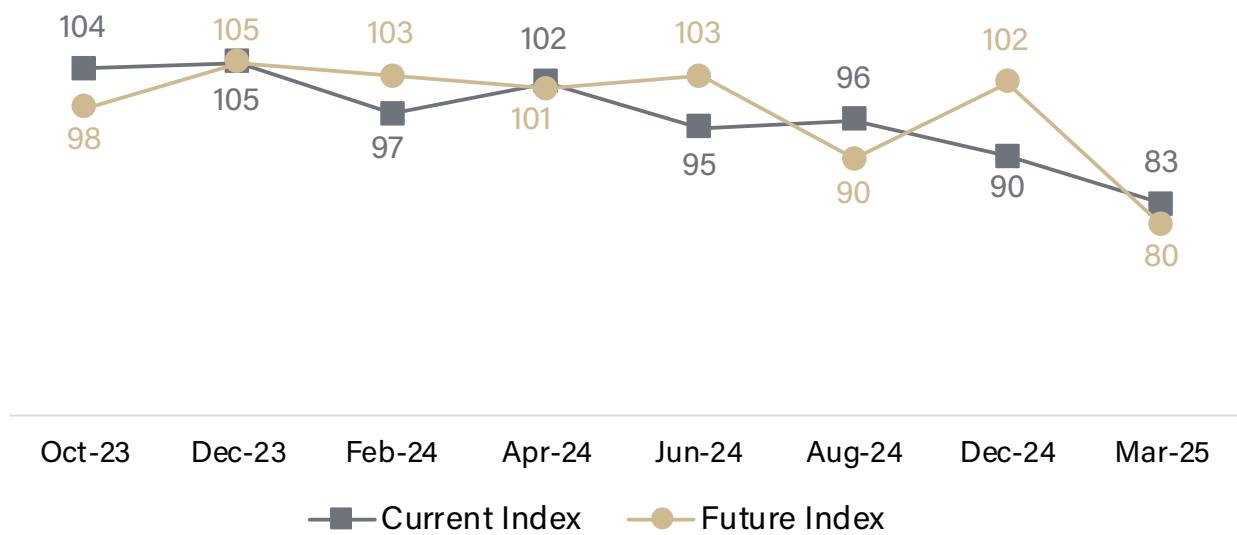


Figure 14 - Support Services and Products  
Current and Future Indices Changes Over Time



The support services and products segment saw a sharp decline in sentiment this quarter, with the overall index dropping from 95 in December to 82 in March. This marks the lowest point recorded in the past year and represents a significant break from the relatively stable trend observed throughout 2024. The downturn suggests a broader shift in confidence among service providers across the agrifood value chain. As shown in Figure 14, both the current and future indices fell meaningfully. The current index declined from 90 to 83, while the future index dropped from 102 to 80. This dual decline reflects growing concern over near-term operations and especially the outlook ahead. Industry feedback likely points to demand softening, tighter budgets across the chain, and uncertainty driven by inflation, policy shifts, or delayed purchasing decisions. The segment has officially moved from a state of caution to clear pessimism.

# THEMATIC QUESTIONS

## INTRODUCTION

In March 2025, researchers added six thematic questions to the Agrifood Economy Index survey to explore industry perspectives on Macroeconomic Trends impacting our industry. These questions shed light on how agrifood businesses are adapting to a dynamic economic environment marked by labor shortages, inflation, interest rate changes, and policy uncertainty. By capturing sentiment around hiring, investment strategy, and long-term planning, the survey provides a window into the pressures influencing operational and strategic decisions. Together, these insights help identify where confidence is eroding and where resilience is emerging across the value chain.

## KEY INSIGHTS

**Interest rates are influencing investment decisions.** 39% of respondents reported increased financing costs, and 32% adjusted the timing of investments.

**Inflation continues to pressure operating costs.** . 49% of respondents reported a moderate increase, while only 1% saw no impact.

**Political uncertainty affects long-term planning.** 63% of respondents said it had at least a moderate effect on their strategic outlook.

**Labor market conditions remain a challenge.** 65% of respondents reported at least a slight impact on hiring and retention.

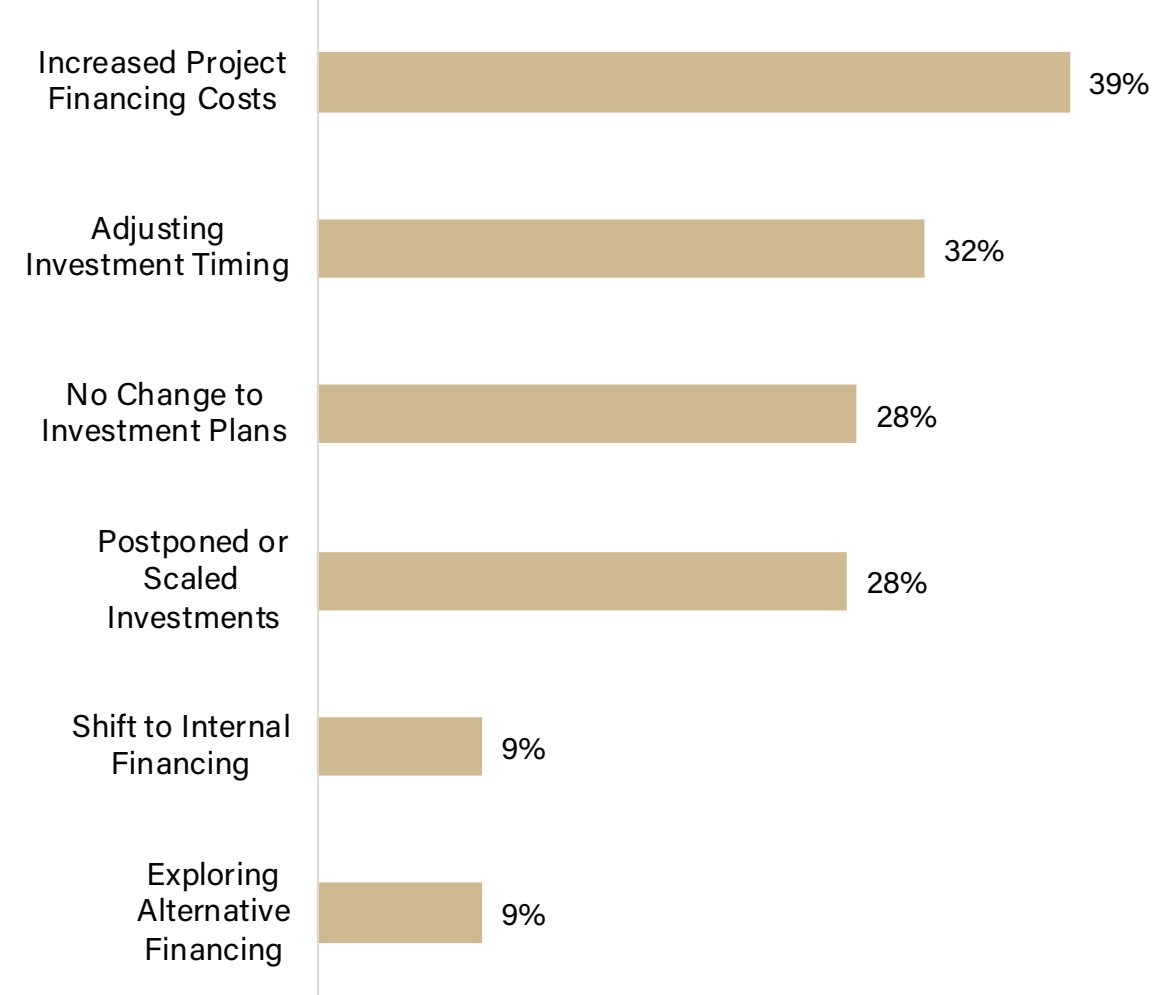
**Market volatility is slowing major investments.** 45% of companies are evaluating conditions, while 24% have delayed decisions until more stability returns.

**Tariffs raise concerns about cost and pricing.** Increased input costs and pricing uncertainty were ranked as the most impactful effects of tariff changes.



# INTEREST RATE CHANGES EFFECT OF COMPANY DECISIONS

**Figure 15 – Effects of interest Rate Changes on Company Decisions**



Percentages do not total 100% because respondents could select multiple impacts reflecting how interest rate changes affected their company’s decisions.

To understand the impacts of interest rates in the agrifood industry, we asked our respondents, “How have recent interest rate changes affected your company’s investment and financial decisions?”. The most common response—selected by 39% of participants— was increased project financing costs, highlighting the broad effect of higher borrowing rates on capital-intensive decisions. Additionally, 32% of respondents reported adjusting the timing of investments, suggesting a more cautious and reactive approach to financial planning.

Other companies are scaling back more directly: 28% postponed or reduced investments, while another 28% indicated no change in plans – pointing to variability in how firms are absorbing these macroeconomic conditions. A smaller share (9%) is shifting to internal financing or exploring alternative financing strategies

These findings may help explain the more cautious sentiment observed across several segments of the value chain, particularly in processing, distribution, and support services. Elevated financing costs and uncertainty around capital deployment appear to be suppressing both current operations and future outlooks, reinforcing the mixed-to-negative tone across the March 2025 index results.

# INFLATION IMPACT ON OPERATION COSTS

Severe

Figure 16 - Impact of Inflation on Operational Costs Over the Past 12 Months

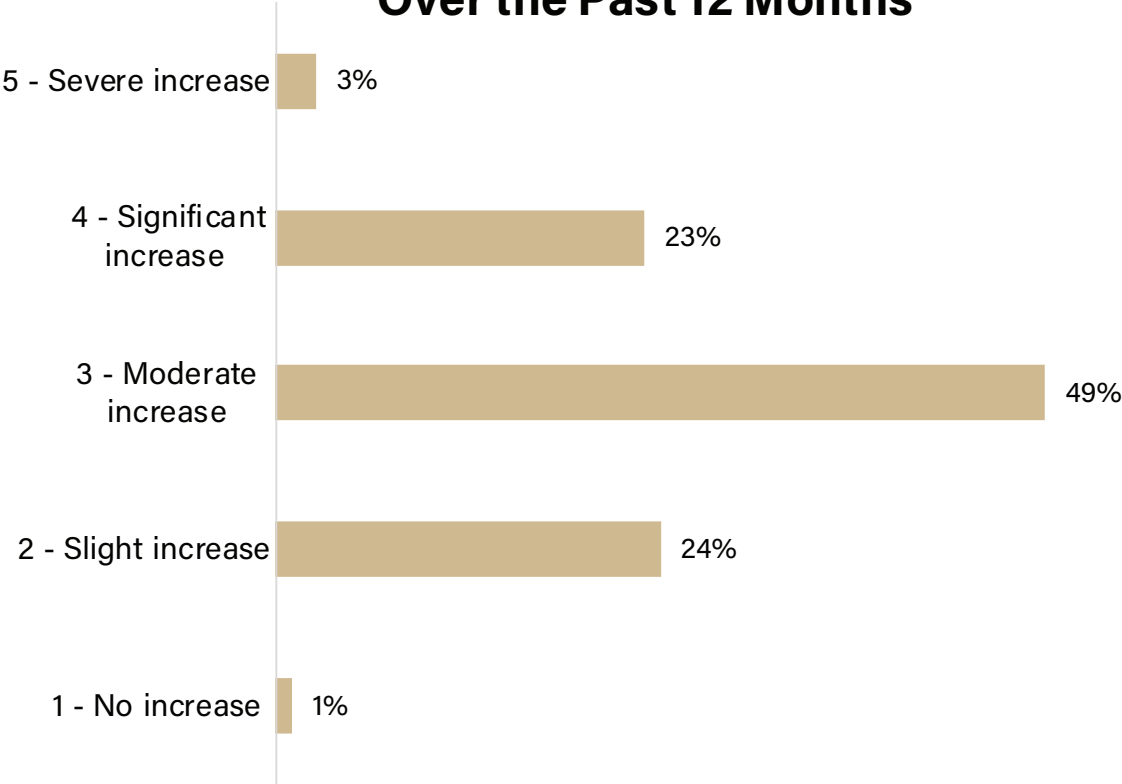
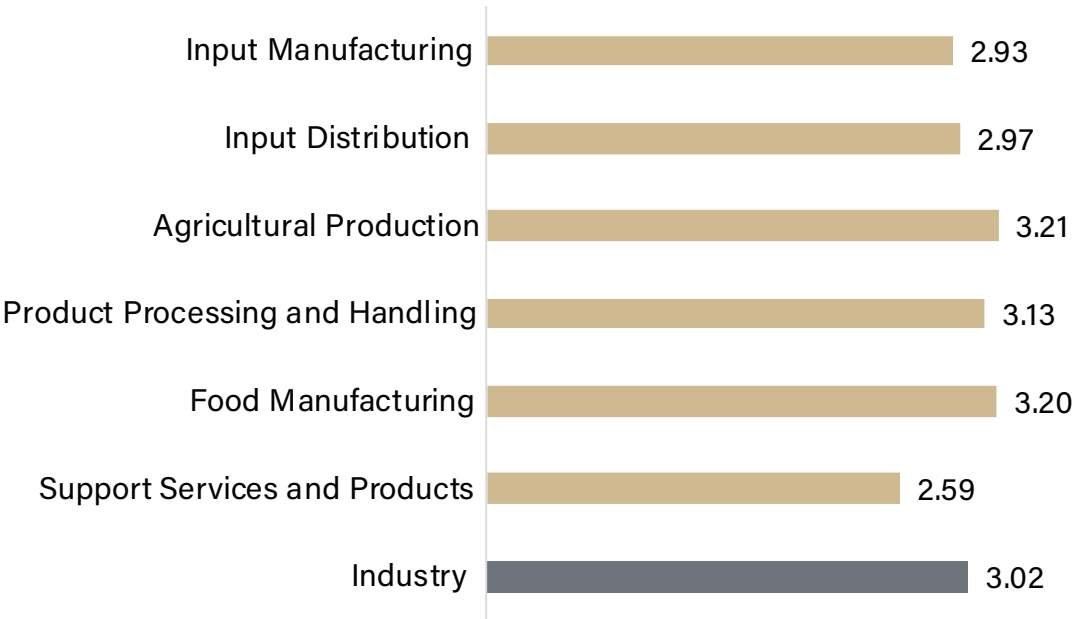


Figure 17 - Impact of Inflation on Operational Costs Over the Past 12 Months per Segment (1 - No Increase, 5 - Severe Increase)



We also asked our respondents “How much has inflation increased your company’s operational costs in the past 12 months?” Seventy-two percent of respondents reported at least a moderate increase. Nearly half (49%) cited a “moderate increase,” while 23% reported a “significant increase,” underscoring broad cost pressures driven by rising input, energy, and labor expenses.

Considering the industry-wide weighted average at 3.02 on a 5-point scale (1 = no increase, 5 = severe increase), there is a notable, though not extreme, perceived inflationary impact. When analyzing each segment of the value chain individually, Agricultural Production (3.21), Food Manufacturing (3.20), and Product Processing (3.13) reported the highest levels of perceived inflation impact, while the Support Services segment (2.59) reported the lowest impact; likely due to the lower cost of goods sold for this segment relative to other segments.



# POLITICAL INSTABILITY’S EFFECT ON LONG-TERM PLANNING

Figure 18 - Political Instability and Its Effect on Long Term Business Planning

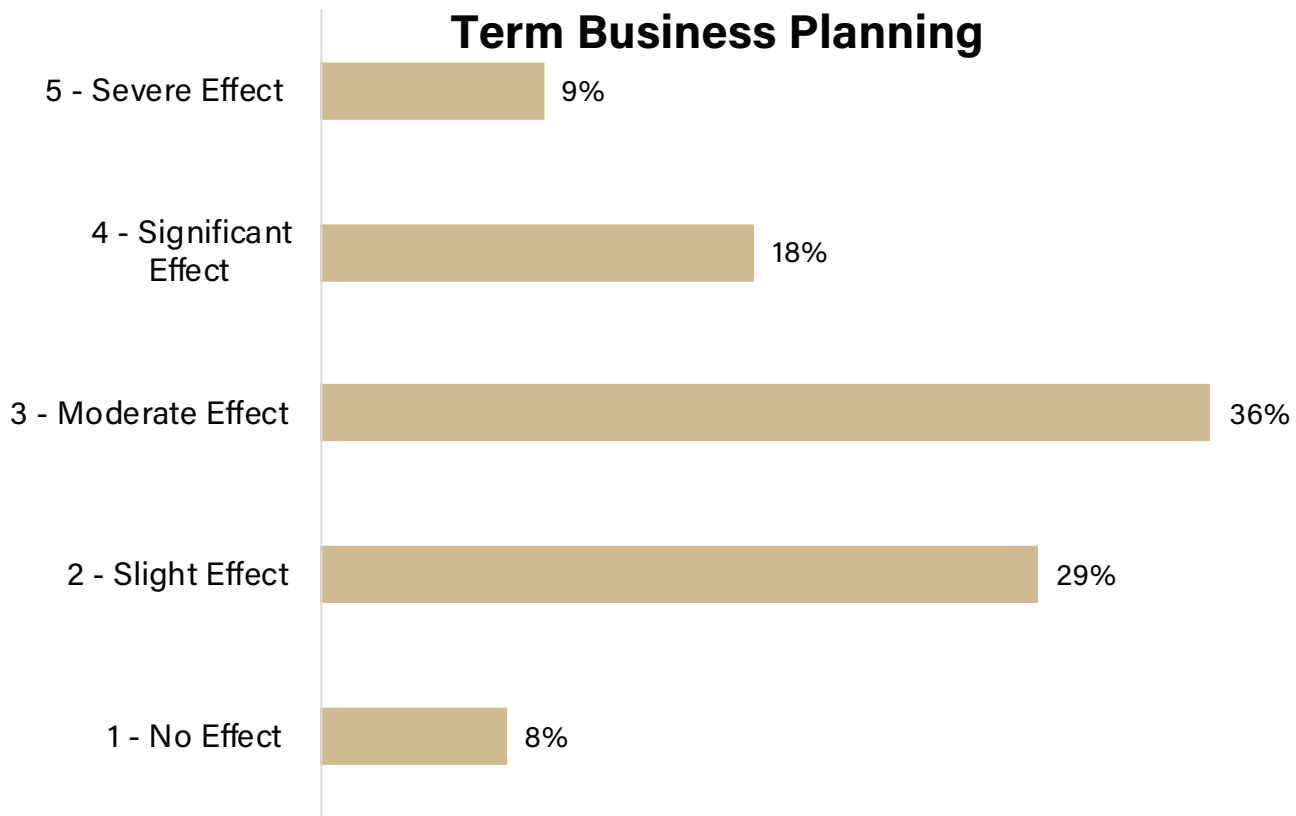
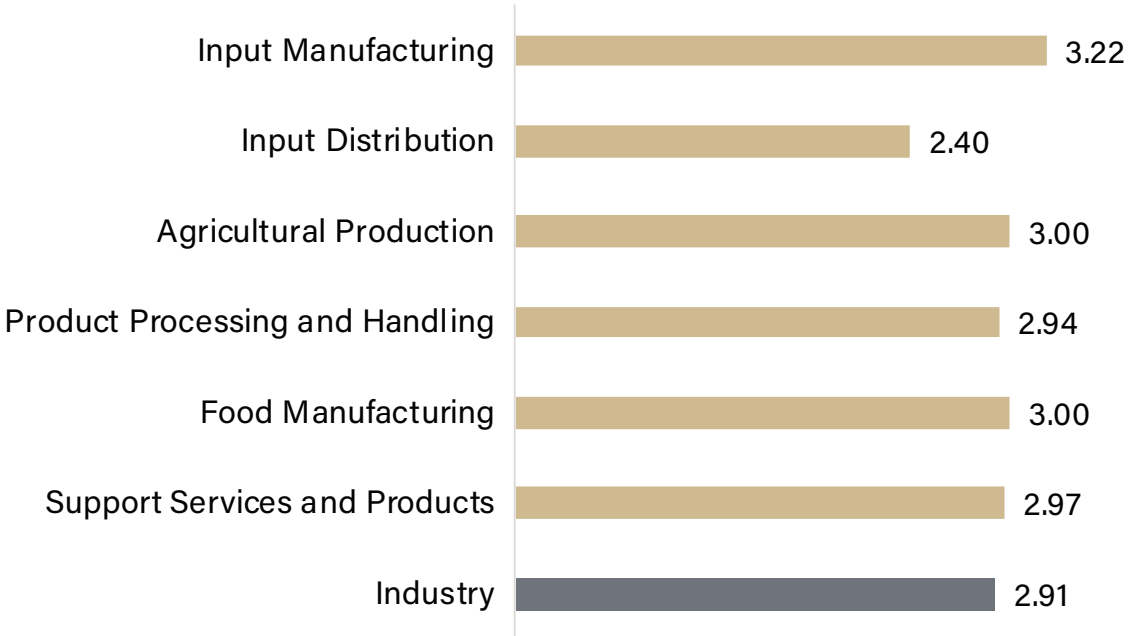


Figure 19 - Political Instability and Its Effect on-Long Term Planning per Segment (1 - No Effect, 5 - Severe Effect)



Respondents were asked, “How much is political uncertainty (e.g., changes in government policies, regulations, or geopolitical instability) affecting your company’s long-term planning?” A combined 63% of respondents report at least a moderate effect. Only 8% indicated no effect, suggesting that regulatory and geopolitical uncertainty remains a strategic consideration for most businesses.

The industry-wide average of 2.91 on a 5-point scale (1 = no effect, 5 = severe effect) reflects moderate perceived impact. While the Input Manufacturing segment (3.22) reported the highest sensitivity, Input Distribution (2.40) showed the least concern. This illustrates an interesting dynamic, where closely related segments respond very differently to political dynamics, highlighting the heterogeneity in the agrifood value chain. Other segments - Agricultural Production (3.00), Food Manufacturing (3.00), and Support Services (2.97) - cluster near the average, indicating that political uncertainty is broadly acknowledged but not yet a severe constraint.

# LABOR MARKET CONDITIONS ON HIRING AND RETENTION

Figure 20 - Impact of Labor Market Conditions on Hiring and Retention

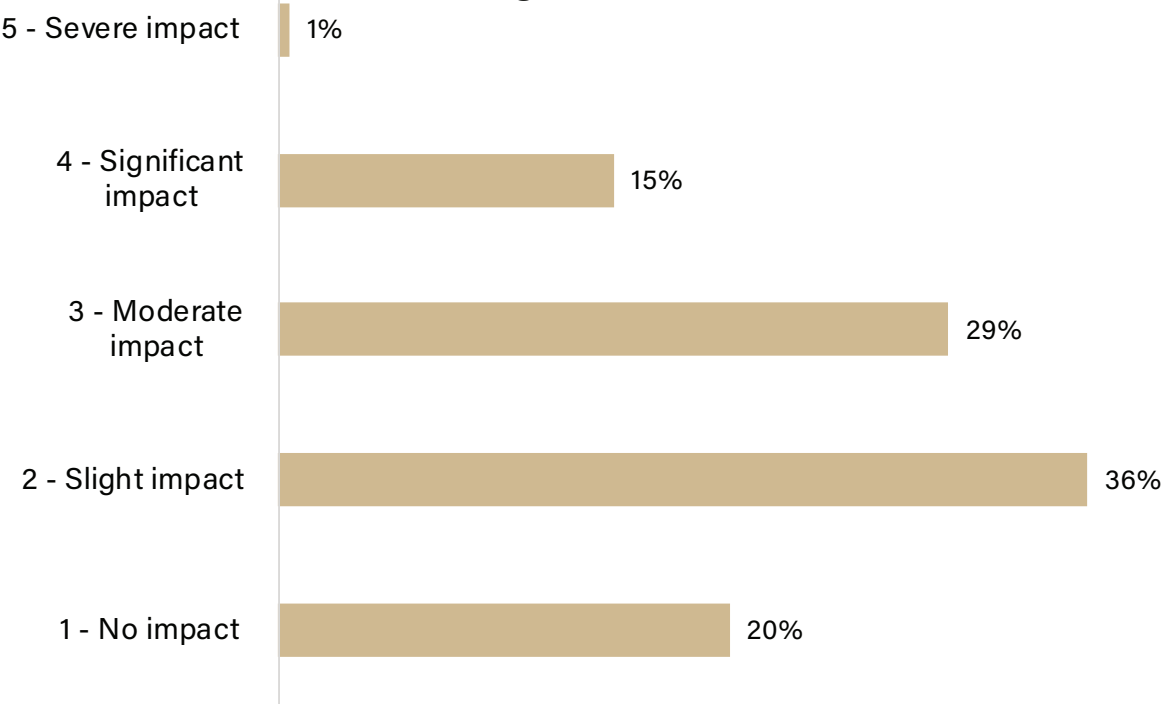
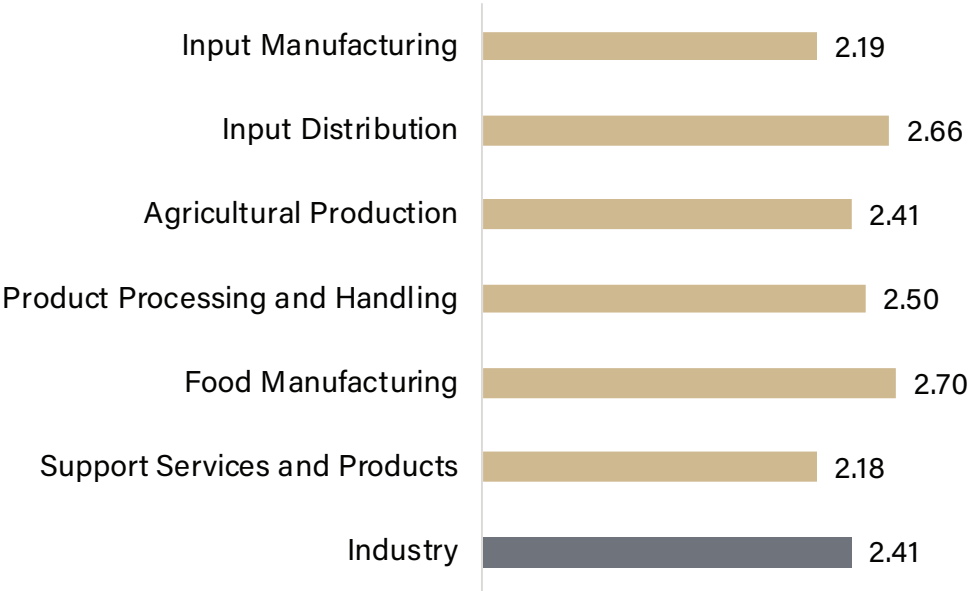


Figure 21 - Impact of Labor Market Conditions on Hiring and Retention per Segment (5 - No Impact, 1 - Severe Impact)



We sought to understand labor challenges affecting the agrifood industry, so we asked respondents, “How much has the current labor market (e.g., availability of workers, wage pressures, or hiring difficulties) affected your company’s ability to hire and retain employees?”. While 20% of respondents report no impact, the majority (65%) indicate slight to moderate difficulties with hiring and retention. Only 1% reported severe disruptions, suggesting that while widespread, the labor issue is not critically constraining most firms.

The industry-wide average effect of labor challenges is 2.41 on a 5-point scale (1 = no impact, 5 = severe impact), indicating mild to moderate disruption. Food Manufacturing (2.70) and Input Distribution (2.66) report the most strain. In contrast, Input Manufacturing (2.19) and Support Services (2.18) face a lesser impact. Other segments, including Agricultural Production (2.41) and Processing (2.50), track closely with the industry average, reaffirming that labor pressures are broadly distributed across the value chain but not overly impacting firms' labor and talent needs.



# MARKET UNCERTAINTY IMPACT ON MAJOR INVESTMENTS

Figure 22 – Market Uncertainty and Its Influence on Major Investments

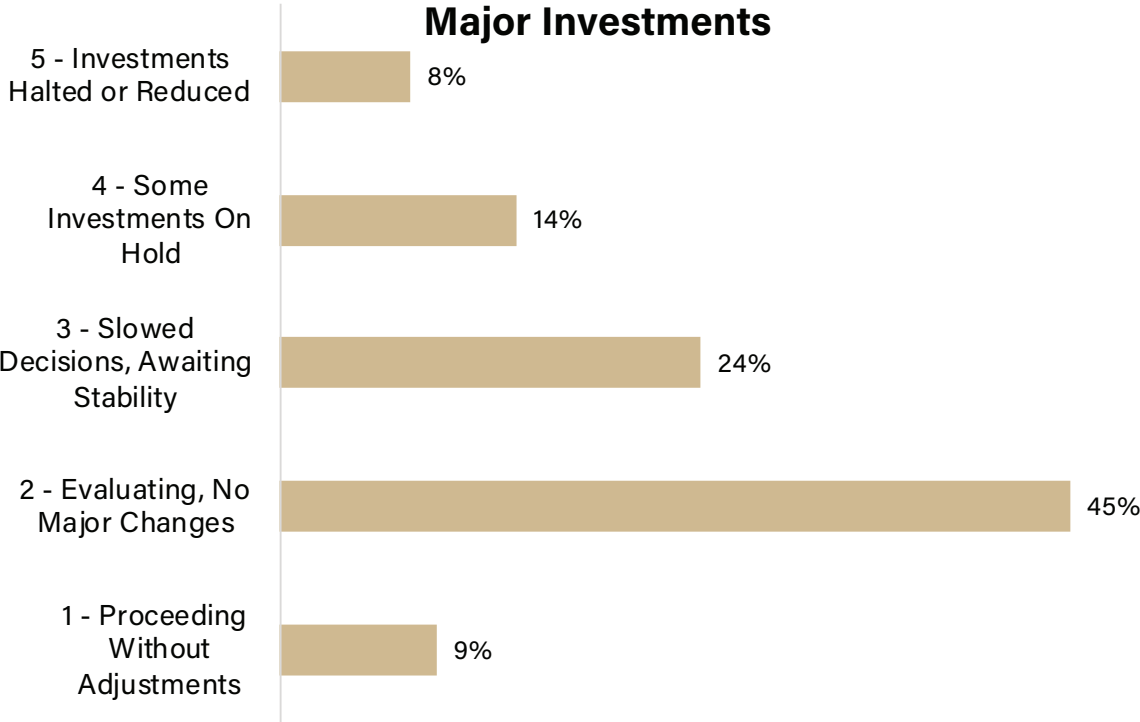
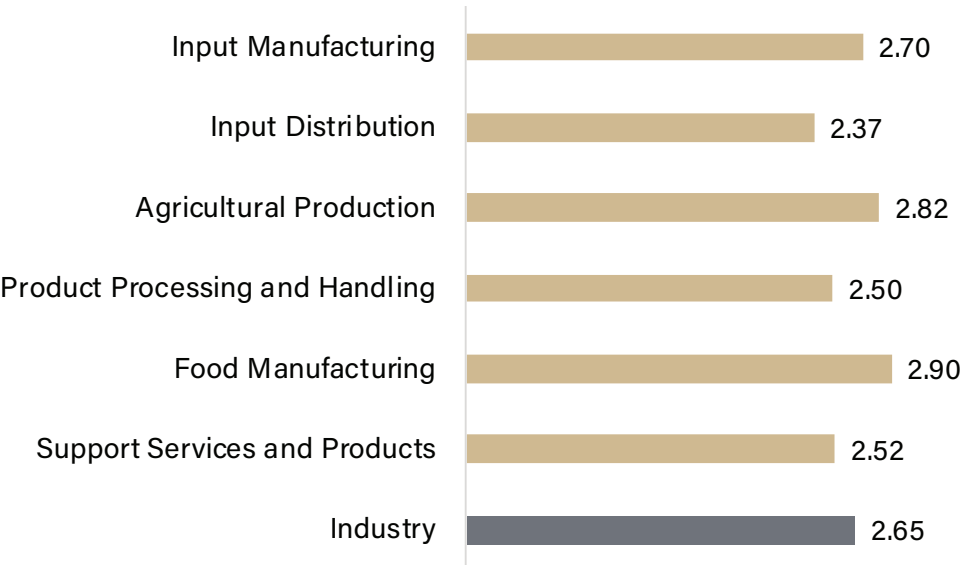


Figure 23 - Market Uncertainty and Its Influence on Major Investments per Segment (1 - Investments Halted, 5- Proceeding as Normal)

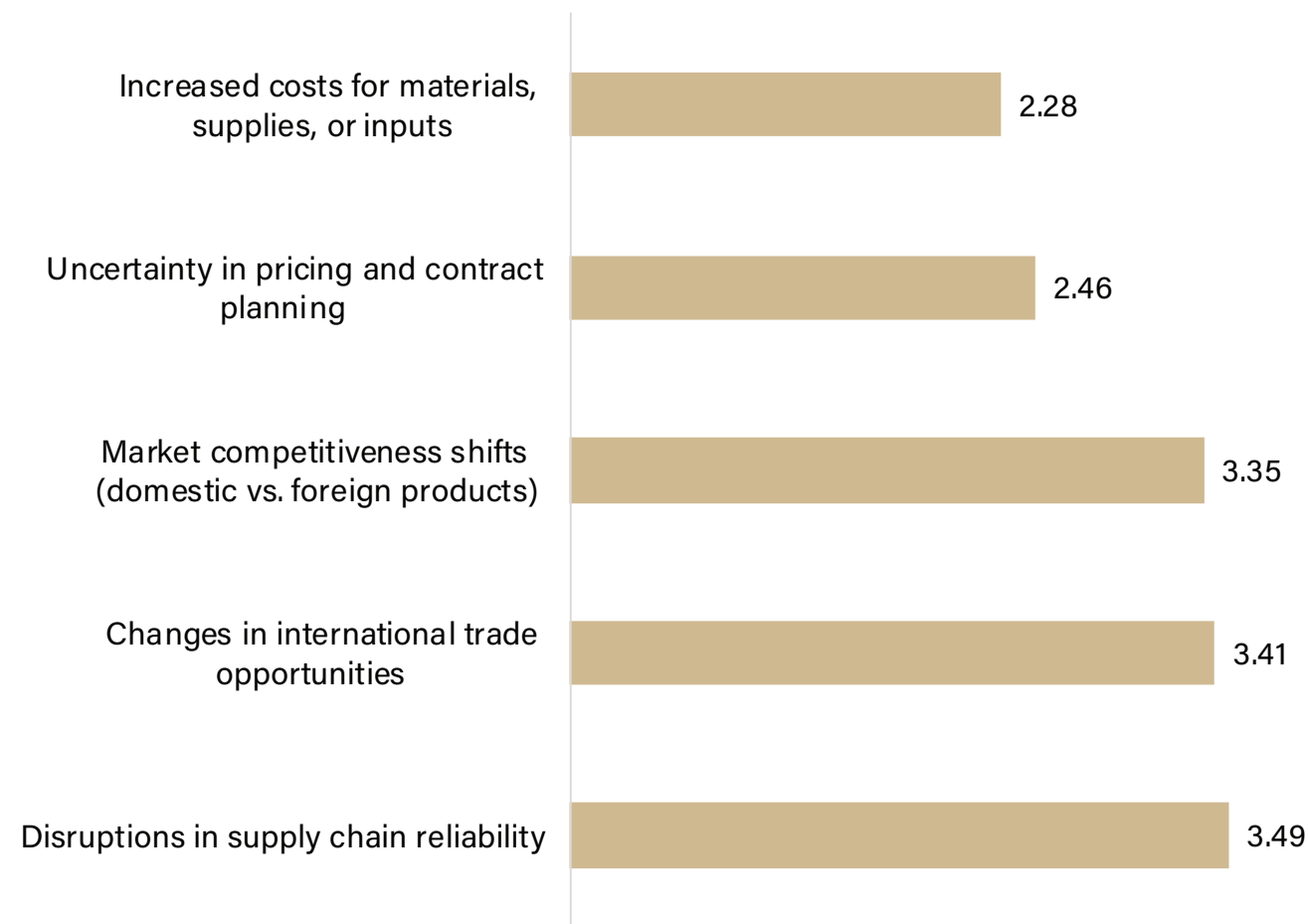


We asked respondents how market uncertainty (such as fluctuations in demand, economic instability, or unpredictable industry trends) affects companies’ willingness to make large investments. While only 9% of respondents report proceeding without adjustment, a combined 59% are either slowing down decisions or putting some investments on hold. The largest share, 45%, indicates they are “evaluating with no major changes,” suggesting most companies are proceeding with growth plans while taking a cautious posture to navigate economic uncertainty.

The industry-wide average perception of market uncertainty's impact on willingness to make large investments sits at 2.65 on a 5-point scale (1 = proceeding as normal, 5 = halting or reduced investment). Food Manufacturing (2.90) and Agricultural Production (2.82) show higher impact, while Input Distribution (2.37) reports the lowest effect. Other segments, including Input Manufacturing (2.70), Product Processing and Handling (2.50), and Support Services (2.52), remain close to the industry mean, indicating selective and cautious investment activity. That said, the variance in these averages is proportionally small, showing a more even perception of this issue across the entire value chain.

# EFFECTS OF TARIFFS

**Figure 24 – Average Rank of ‘Potential Effect of Tariffs’ Variables**  
(1 - Most Important, 5- Least Important)



When asked to rank the potential impacts of tariffs, respondents placed the greatest weight on increased costs for materials, supplies, or inputs, which received the most impactful average rank of 2.28. This aligns with concerns expressed across multiple segments regarding rising input costs and squeezed margins.

Uncertainty in pricing and contract planning followed closely with an average rank of 2.46, highlighting the operational difficulty of forecasting and managing financial risk amid trade disruptions.

In contrast, variables such as market competitiveness shifts (3.35), changes in international trade opportunities (3.41), and supply chain disruptions (3.49) were ranked lower in importance, suggesting these are viewed as more indirect or longer-term consequences.



WHO ANSWERED

Figure 25 – Agrifood Economy Index Respondent’s per Segment

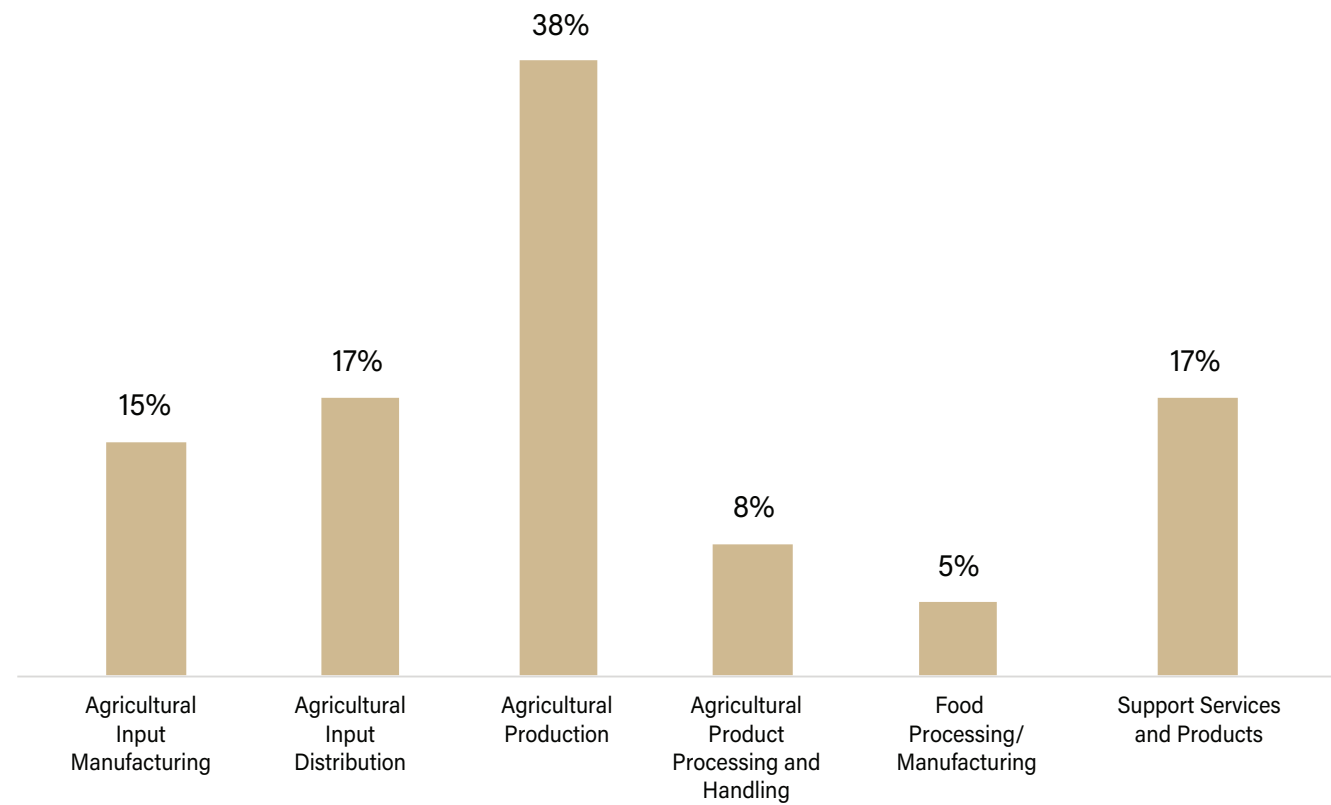
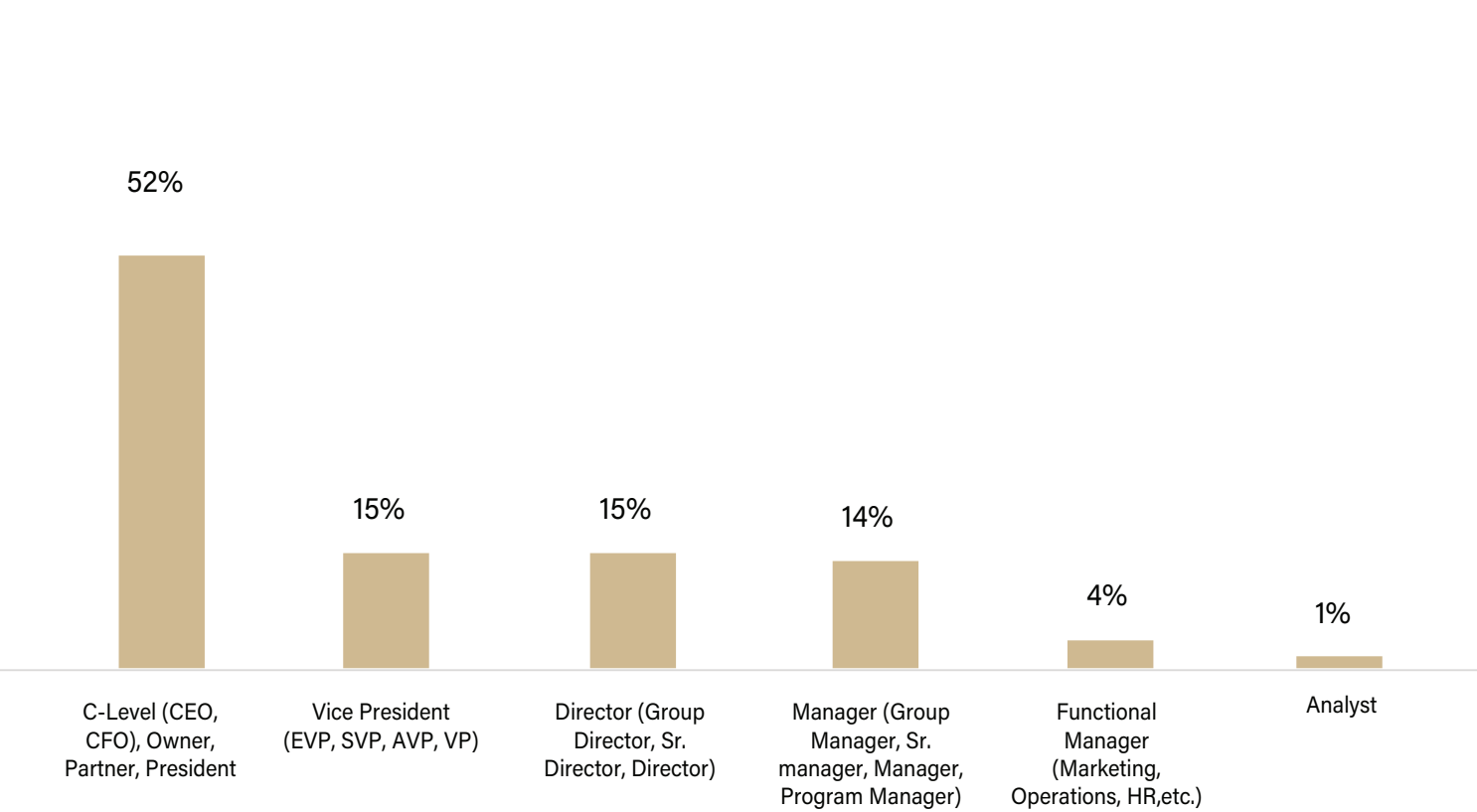


Figure 26 – Agrifood Economy Index Respondent's Job Role



These insights are drawn from 220 respondents representing all six segments of the agrifood value chain, with 67% holding C-level or senior leadership positions. The geographic distribution of respondents—30% operating within a single state, 31% regionally, and 39% nationwide—demonstrates the Agrifood Economy Index’s ability to capture sentiment across the full spectrum of agrifood businesses, from small enterprises to nationally scaled operations.

The breadth of participation highlights how recent economic conditions—marked by labor shortages, inflation, interest rate volatility, and policy uncertainty—are impacting agrifood businesses across all operational scales. Whether a company operates within a single state or across the country, the challenges of the current environment are being felt at every level. The AEI continues to serve as a vital tool for surfacing these pressures, providing business leaders with timely insights to navigate uncertainty and plan with confidence.

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