



Episode 2—Crop Prices and Fertilizer Costs March 12, 2021

Announcer:

The Alabama Crops Report Podcast, your trusted information source for Alabama agriculture.

Dr. Amanda Scherer:

Hello, everyone, and welcome to the Alabama Crops Report Podcast. My name is Dr. Amanda Scherer. I'm an Extension plant pathologist with Alabama Cooperative Extension.

Dr. Adam Rabinowitz:

And I'm Dr. Adam Rabinowitz. I'm an assistant professor and Extension economist with Alabama Cooperative Extension. We're excited to be releasing regularly scheduled podcast episodes with up-to-date information about Alabama crops throughout the year. You'll be hearing from Extension personnel from all over the state with the latest research and management recommendations.

Dr. Adam Rabinowitz:

How are you doing today, Amanda?

Dr. Amanda Scherer:

I'm doing pretty good. Just busy prepping for production season, like all of our cotton and peanut producers throughout the state. Have to get those research proposals in. How about you, Adam?

Dr. Adam Rabinowitz:

Absolutely. This is definitely, as you said, planting season and grant season.

Dr. Amanda Scherer:

Mm-hmm (affirmative). Today, we will be joined by two ag economists. We will be talking first with Dr. Wendiam Sawadgo, an assistant professor and Extension economist with responsibilities in agricultural marketing. For the second part of the episode, we will be talking with Max Runge, who has statewide responsibilities in farm management, profit profiles, and agricultural data. For the first part of the episode, Dr. Wendiam Sawadgo will be giving us an update on factors that have driven the high crop prices that we've been seeing going into this season and what we might expect moving forward. Wendiam, how are you doing today?

Dr. Wendiam Sawadgo:

I'm doing great. Thanks for having me on, Amanda and Adam.

Dr. Amanda Scherer:

Wendiam, would you mind providing us with a brief update on how prices are looking as we enter in the 2021 production season?

Dr. Wendiam Sawadgo:

Yeah. Prices have been really up over the past five, six months, especially for several of our important commodities, talking about corn, soybeans, and cotton. Corn prices are at their highest level since 2013. Soybeans are their highest since they've been at since 2014, and cotton, their highest since 2018. And so overall with the pandemic, we saw prices dip down quite a bit, but we've recovered and surpassed the levels we were pre-COVID-19.

Dr. Adam Rabinowitz:

Wendiam, this is definitely good news for Alabama cotton producers. We recently chatted with Dr. Steve Brown, our cotton agronomist, for the podcast. He imagines that cotton prices at 85 to 86 cents are better, that it's going to entice a good cotton crop for 2021, and anticipates that Alabama crop acreage will be around 450,000 acres or slightly higher. What are some of the factors that have driven the price increase of cotton?

Dr. Wendiam Sawadgo:

Yeah, so there were several backlogs in the cotton supply chain over the past year from COVID-19. One factor that's been important has been the production of the vaccine, the fact that that's been rolling out. There's optimism about the future regarding people's future purchases of cotton. Cotton's a commodity that correlates highly with how the macroeconomy is doing, and so the fact that the macroeconomic conditions are expected to improve is helping our cotton outlook. One other factor, though, is that some of the factory closures and such that affected last year, there's been such a backlog in terms of cotton, and kind of helping alleviate that has

been the fact that production last fall was lower than expected. And so lower production, as well as increased future demand, has been welcome news in terms of prices for cotton.

Dr. Amanda Scherer:

Wendiam, yeah, that's really good to hear, and I was just checking this morning. I saw that it was actually at 90 cents right now, so that is even an increase from when we last talked with Dr. Steve Brown, so really good outlook for this crop production season in terms of cotton. What are some of the other factors for corn and soybean, and what are they looking like this year?

Dr. Wendiam Sawadgo:

Corn and soybean, again, the COVID news has been positive for that. For corn specifically, ethanol production might pick up in the future, in large part because people are beginning to travel out, get out more, and so demand for oil is going to hopefully be at higher levels, and that'll increase demand for ethanol. Really for all of the commodities, on corn and soybeans together, trade with China has been the big news. We've been exporting unprecedented levels of our crops to China since the trade deal was reached last year.

Dr. Adam Rabinowitz:

Yes, Wendiam. Trade is one of those big issues that does certainly affect corn, soybeans, and cotton tremendously. One of the crops, though, that we haven't talked much about today are peanuts, and that market is a bit different than those other crops. We've seen in the past few years contract prices around \$400 a ton, but now what we're seeing for 2021 are contracts around 475 or even \$500 a ton in this region. There's certainly going to be an opportunity for peanut producers to lock in some higher prices for at least part of their crop. And we're seeing as a result some competition for acreage in the Southeast here.

Dr. Amanda Scherer:

Yeah. I definitely agree with you there, Adam. There's a lot of factors that go into place when producers are trying to decide how much of each crop to actually do for the production season. And some of this will actually go into play when we talk with Max later on fertilizer prices, where cotton production might slightly increase because of some factors with it being so high at 90 cents and also the fertilizer prices for corn is going to be more than in the cotton crop. This is really good, I think timely information for producers today. Wendiam, all these prices and factors are subject to change. What are some of these factors that you'll be watching out for throughout the season? You've already kind of talked about what you're looking at right now. But what could change these prices?

Dr. Wendiam Sawadgo:

Now, the biggest thing that's sort of on our horizon will be planting decisions farmers will make in a state where a lot of our commodities have higher prices than we've seen in some time. So both in Alabama where farmers ... If a while ago, I would have thought they might shift away from some of their cotton, peanut production towards the high value corn, soybeans, right now, that's a big question. In the Midwest, in the corn, soybean

acreage, the soybean to corn price ratio is really high right now, suggesting there could be a shift towards a lot more soybeans. And overall, from a perspective of our crops, our soybean stocks are really depleted, so a large crop of soybeans could be on the horizon.

Dr. Adam Rabinowitz:

We've really enjoyed having you today on the podcast, Wendiam, and we'll certainly have you again some time soon for that prospective planting discussion as well. But in the meantime, do you have any closing thoughts for Alabama producers for the 2021 production season?

Dr. Wendiam Sawadgo:

Yeah. In general, just having a good plan, knowing, understanding the costs of your operation, and trying to take advantage of the prices we see. Locking in some anchorage into the prices we have with production contracts is a good way to really manage potential price risk moving forward.

Dr. Amanda Scherer:

Yeah, and that's also something that Dr. Steve Brown, when we had him on just from the agronomist aspect of it, definitely lock those in to kind of protect some of your crop now. And that'll also probably give them a little more flexibility, too, in what they decide to do. That really just ends our time today with Dr. Wendiam Sawadgo. he's one of our newest Extension economists, and we really appreciate your time today and that you coming down to record the Alabama Crops Report Podcast.

Dr. Wendiam Sawadgo:

Thank you so much for having me. It's been a really good discussion.

Dr. Adam Rabinowitz:

For the second half of this Alabama Crops Report Podcast episode, we will be joined by Max Runge, Extension professor and economist who has statewide responsibilities in farm management. In today's episode, Max, he'll be giving us a bit of an update on fertilizer prices and also talk about how this will impact production season for 2021. We just heard Wendiam Sawadgo talk about prices for agriculture commodities. Max, how are you doing today?

Max Runge:

I'm doing good. I appreciate the opportunity to be here and participate in this podcast.

Dr. Amanda Scherer:

Max, I was recently chatting with some of our Alabama row crop producers, and they've raised a lot of concerns and questions about the 2021 fertilizer prices as they continue to increase pretty steadily over the last several

months. Would you be willing to kind of provide us with some of your insight onto why we're seeing this increase?

Max Runge:

I'd be glad to do that. The short answer is supply and demand, and that's sort of what most economists like to talk about. And that's true, but there are some other issues that are going into that as well. We've got to realize we're in a global market, and we think about that a lot of time as that we only export things, but we also import quite a bit of things. And that includes inputs. So does other agriculture producers across the world. They're wanting those inputs as well.

Max Runge:

There's been some issues at different plants and production facilities across the world. With COVID, slow down in production. The same issues that we've seen here in America. And there's also been some mechanical breakdowns. It seems like when we have a increase in something, there's something ... There's more than one factor involved, and that's the way it is now.

Max Runge:

Also, our fertilizer industry in the US is one that doesn't have a lot of stockpiles or inventory, so they use a lot of just-in-time inventory. There's not a huge stockpile there, so when there's been a huge demand or they anticipate a huge demand, some of those prices get run up according to that. We can sort of tie it back into supply and demand. The higher commodity prices has increased the demand quite a bit because farmers realize they can add more fertilizer to get higher production. Like I say, increased demand, higher price.

Dr. Adam Rabinowitz:

It sounds a lot like some of the Principles of Microeconomics classes that I would teach at times.

Max Runge:

Absolutely.

Dr. Adam Rabinowitz:

What are those prices we might be expected to see as we move into planting season this year?

Max Runge:

For the prices ... In the last several months, in the last four months, we've seen quite a bit of increase in that, anywhere from a half a percent up to 15 or 20% depending on the material. But if we look back over a year ago, it's not quite that bad on everything. Some of them are up just a little bit, while others are up, too. We have seen those increase in prices that we are realizing now.

Dr. Amanda Scherer:

As I was kind of mentioning with Wendiam, just a combination of things that producers look at in terms of those current crop prices, as you mentioned. It's going to also probably drive up those fertilizer prices. And everything as a whole will kind of factor into how much of each crop these producers put out there. With corn, they require higher fertilizer inputs, especially when compared to cotton. In terms of managing those costs, what can producers do to kind of manage those fertilizer costs?

Max Runge:

Going forward and looking at how to best manage your fertilizer cost or any input is to sort of know what you've got, know what you need. Soil test is key. Looking at what is required and then look at each crop individually and sort of know what is needed for that. What is your yield goal? For instance, corn, we recommend about 1.2 pounds of nitrogen per bushel of corn that is desired is in your goal. The other thing that we need to remember are the four Rs, the right source of material, the right rate, the right time, and the right place. This sort of leads into, if you are not doing precision ag already, it may be a time to consider it, where you're using grid sampling and variable rate applications for your nutrients.

Dr. Amanda Scherer:

Yeah, Max, you're really saying all the right things in terms of just looking at fertilizers as a whole and part of the production system. As a plant pathologist, just starting out with a good, healthy crop, really using those right sources, putting in the right amounts, not doing more than you need or less than you need can really go a long way in keeping that crop healthy and mitigate a lot of different plant diseases.

Dr. Adam Rabinowitz:

And Amanda, I'd say, as well, we've heard ... Just the common theme through hearing from Max and hearing from Wendiam about just knowing what you have, knowing what you need, knowing where there are opportunities to take profits and to control your costs.

Max Runge:

That's right. And we hear agronomists talk about soil health a lot, and I think that's one of the things that we're going to hear more of. And it's important from the sustainability aspect. And I like to go back to a quote to one of our farmers. He said, "Don't let short-term financial gains get in the way of your agronomic goals." And I think building soil health, building the fertility, building all the organic matter, and moving forward is a good investment and will help us to be sustainable in the future.

Dr. Amanda Scherer:

Max, we've really enjoyed having you on the podcast today. I think it was a really great follow-up from talking with Wendiam earlier. Do you have any kind of closing thoughts for Alabama producers as they're going into the 2021 production season or your main impacts that you want them to take away with this podcast?

Max Runge:

I'm really optimistic with our prices now, and I think it gives our producers an opportunity to actually manage their crop instead of just putting something out there and hoping for the best. With the potential prices that we have, they can do a good job of managing insects, diseases, and other issues that come up during the year.

Dr. Amanda Scherer:

That actually ends our time today with Max Runge and Dr. Wendiam Sawadgo, two of our ag economists. And we really appreciate your time today, Max, and you provided a lot of good information on this episode of the Alabama Crops Report Podcast. As always, if we can ever be of any help to anyone, then please don't hesitate to reach out.

Dr. Adam Rabinowitz:

And thank you, Max. We really enjoyed having you here.

Max Runge:

I appreciate the opportunity to be here.

Announcer:

The Alabama Crops Report is a production of the Alabama Cooperative Extension system.