



Episode 29 — Row Crop Market Update

October 27, 2021

Announcer:

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

Dr. Amanda Scherer:

Hello everyone. And welcome in to the Alabama Crops Report Podcast. I'm Dr. Amanda Scherer, an Extension Plant pathologist with Alabama Cooperative Extension.

Dr. Adam Rabinowitz:

And I'm Dr. Adam Rabinowitz, an Extension Economist with Alabama Cooperative Extension.

Dr. Amanda Scherer:

So how are you doing today, Adam? I don't know about you, but I'm super busy.

Dr. Adam Rabinowitz:

I'm doing really well, really busy too. I know you're out in the fields right now. It's harvest season.

Dr. Amanda Scherer:

Yeah, I have my producer cap on right now. Yesterday I was down in the southwest part of the state in Brewton collecting cotton lint samples for our cotton leafroll dwarf virus sentinel plots. And just trying to take advantage

of this dry weather this week, digging a bunch of peanuts today at PBU and just moving all about working with my team. And it's pretty exhausting. I know producers are even busier than I am with harvest.

Dr. Adam Rabinowitz:

I feel like you hit sort of the keyword there, dry weather, right? We haven't had a lot of that lately and now we're seeing it, but what does the crop look like?

Dr. Amanda Scherer:

That's a loaded question. Depends on where you are in the state, but some producers are having a real hard time with hardlocking cotton. Because the bolls started to open up kind of at the wrong time, when we got some of that rain the last few weeks. I saw a lot of hardlock in my trial. I don't know how much cotton we're actually going to be harvesting, but in Headland it looks a little bit better and in Prattville some areas, but there are some parts of the state that were hit pretty hard with that wet weather for peanuts. They're just hoping, they want moisture not too much. And they just want to be able to get in the field to actually dig them and turn them up. So fingers crossed that the dry conditions' kind of continue for them.

Dr. Adam Rabinowitz:

We will definitely hold out hope for that. The bright side I'd say, for crops right now really is where prices are at this point. And that leads me to introduce our guest for today. We've got Dr. Wendiam Sawadago, who's an assistant professor, an Extension Economist with responsibilities in agricultural marketing. Wendiam has been a regular on our show. This is your fourth time here. Probably should give you an award for that. You've been the most times of a guest, welcome Wendiam.

Dr. Wendiam Sawadago:

Thanks. It's so exciting to be back. It's been a while.

Dr. Adam Rabinowitz:

Wendiam, it's really great to have you here. In all the times that you've been visiting with us and, talking to our listeners, we haven't asked you what is just a fun fact about yourself?

Dr. Wendiam Sawadago:

One of my recent hobbies from the pandemic is cooking. I never really cooked before, but once I moved to Auburn just started picking that up and trying a new recipe every week.

Dr. Adam Rabinowitz:

Well, I have to say from having lunch with you in the break room, many days, I have seen a variety of entrees that you have prepared for yourself. Do you have a favorite?

Dr. Wendiam Sawadago:

Yeah. I'd go with my beef pork and veal's pretty good with French onion soup. If I'm feeling a little bit French or shrimp etouffee with Kaneka sausage, it's my other go-to

Dr. Adam Rabinowitz:

Impressive. Well, I mean, it's all looked great.

Dr. Wendiam Sawadago:

Thanks.

Dr. Amanda Scherer:

It's a good thing we're not at lunchtime or I'd be starving by the end of this probably, but it sounds amazing. I think that's a great goal to have to try a different recipe every week and you can get more adventurous with it too. So it's really fun.

Dr. Wendiam Sawadago:

Yeah. I've always loved to eat. Now I don't have anyone to cook for me. I kind of have to do that for myself.

Dr. Adam Rabinowitz:

Here we go. It is one of those necessities we have to do, Wendiam you're going to talk to us a bit about dollar cotton and crop market update. And I'm sort of taking back a little bit, the fact that I've said dollar cotton, because if we were to go back to April 1st, 2020, the December futures for 2021 was around 54 cents. I mean, and it sounds a little like an April fools joke in some respects that now we're talking about dollar cotton. It's just, rather amazing in some respects, but it's certainly great for producers. And that really want leads me into my first question of just what is happening right now with cotton prices?

Dr. Wendiam Sawadago:

Yeah. What's going on with cotton markets is we've really had an unprecedented run up in the past several months. From the 50 cent mark [inaudible 00:04:29], you mentioned before, but even since late September, we were pretty stable around 90 cents a pound since then, we've gotten up to a dollar 16 cents as of October 7th. It just increased about a quarter in about two and a half weeks.

Dr. Adam Rabinowitz:

It really is amazing to see this continued price increase, for cotton. And these are prices that I think right now are at a 10 year high, can you explain why these prices are so high?

Dr. Wendiam Sawadago:

Yeah. The biggest thing is, when we look at prices, we're oftentimes thinking of what's going on with the fundamentals of the market. What's going on with supply and demand. Now with cotton, this run up hasn't really been a supply and demand driven one, the fundamentals are really solid, so we should have high prices, but not necessarily as high as we're seeing. We have to look at other explanations. And one of the big ones is just speculators who purchase futures, contracts of our commodities, same way they buy stocks, bonds, other stuff like that in these investment markets to try to make money. They've been buying up cotton futures, our near futures contracts about 5,000 net increases per day in cotton contract sales. That's just really driven these prices up the past several weeks up to the high prices we've seen. We've started to see them come down again as they sell those contracts. But that's really a speculative driven price increase here.

Dr. Amanda Scherer:

Wendiam, how unusual is this situation? I mean, going back, decades or so when is the last time we've really seen this and why is it so unusual? I guess?

Dr. Wendiam Sawadago:

It's very unusual. If we look back the last four decades, we've had three periods including this one where we've been above dollar cotton, the first one really being in the mid nineties for about two months, we're at that dollar mark. Then if you look 2010 to 2011, it was about a year period about a dollar mark up to \$2 really, so that, was the huge spike. And then this one where we've been above a dollar for about a week, two weeks now.

Dr. Adam Rabinowitz:

Okay. What are we expecting though? I mean, you said they've kind of pulled back a little bit in terms of prices. Are we expecting that they'll remain at their current levels in terms of prices for cotton and what does that mean in terms of the outlook?

Dr. Wendiam Sawadago:

I mentioned that this is largely speculatively driven. I don't want to be too much of a downer on this one, because we are really in a good cotton price situation. We've been at 90 cents for cotton, which is higher than we've been the last five years or so. And so the markets are looking really strong, especially in the US, we're cutting down into our stocks quite a bit. We were a year ago or so we were in the seven million bales range. We're down to three million bales. We are really running low on cotton supplies, globally, bigger picture we're down about 5% in terms of our total stocks. We are cutting down into our cotton supplies. I want to make one more parallel back to 2010, 2011. The reason why I don't necessarily think we're going to be in that sustained high price situation where we hit \$2 mark or anything is as then we were at about 45 million bales globally in terms of our cotton supplies. We're about twice that now. Even though we are cutting down, we're just not to that point yet.

Dr. Adam Rabinowitz:

So talking about the global cotton supply, what about China? How has their purchasing of cotton been this year?

Dr. Wendiam Sawadago:

Their purchasing is up, we've had strong exports. One of the big things is post COVID or I guess we're towards the wherever we are and where were at, last year was really shaped by supply chain disruptions in the cotton industry. We had a lot of factory closures and global use of cotton was... It was somewhat stagnant. We're starting to see that creep up a little bit and that's kind of why we're starting to decrease the amount of cotton we have on hand.

Dr. Adam Rabinowitz:

One thing that I'm looking at from a policy perspective is just that, China had a number of certainly the trade issues and the retaliatory tariffs and, trade disputes. And there was the phase one agreement between the US and China that, is now in its second year. And the big questions are going to be, what does that look like in the future in terms of continuing purchases and continuing tariffs. And that's something we've got to watch as the US government has started. An understanding has started to negotiate a little bit in terms of what the future might look like, but there's not necessarily signs that we will strictly have a phase two agreement or where that will continue. There are some interesting policy dynamics to that trade opportunity.

Dr. Amanda Scherer:

Yeah. That's really great information just about the cotton prices. And we could probably sit here and talk about cotton the entire episode, but I'm sure some of our producers are really interested in some of the other crops, agronomic crops that we have going on. I mentioned at the top of the episode peanuts, and I think soybeans are starting to wrap up as well. Wendiam, how are the other row crops looking like in the US, especially as we approach and finish up the harvest for this year?

Dr. Wendiam Sawadago:

The big question is really how much are we going to harvest? And Just looking at the recent NAS production report, For corn and soybeans for our grain crops, we're really looking at for at least those two record yields or second highest yields on record. So about 176 and a half bushels per acre for corn projected, which would be a 10th of the bushel off the record and 51 and a half bushels per acre, nationwide for soybeans. Looking really strong there, projected to add to our really depleted stocks. I know I was here earlier in the spring during planting and we talked about how corn and soybean prices at the time where sky high and that was mainly because we were just running out of corn and soybeans in the US. We are probably going to increase the amount we have in on hand for those.

Dr. Wendiam Sawadago:

I'll give a shout out to wheat. Wheat is sort of the other crop, similar to cotton where we've seen price increases recently just because of the massive drought we've had mostly in the Great Plains, but then Eastern Washington, my home area, 40 year drought there. Some of the higher producing regions looking at yields down about 11% from last year.

Dr. Adam Rabinowitz:

You just mentioned some, record yields in some crops, but also depleted stocks. And what does that ultimately mean in terms of this production on how that will influence the market?

Dr. Wendiam Sawadago:

Yeah. For prices with corn, we've been at relatively low numbers in terms of our stocks, probably going to increase to it a little bit, but not too much change in prices. Prices might not be as high as they were last year, but prices still projected around five and a half dollars a bushel so, much stronger than we've seen the previous five years before this one. For soybeans prices coming down a little bit prices projected still about \$12, 35 cents a bushel. Still higher than we were before last year, but not quite as high as the prices we saw earlier this year. Now on the flip side, we've seen prices projected to be about a dollar 70 cents higher than they were last year, just because of really the depleting wheat supplies we've seen and continued strong demand there.

Dr. Adam Rabinowitz:

And we can also think about what's happening in terms of the peanut markets, where prices have been really strong this year and are kind of holding out to see what the harvest may take in terms potentially a good crop that's also needed in terms of the supply. But the big question there, and as I think for all of the crops that we're talking about really comes down to, weather still in this area, we're here in October right now and there's still an opportunity for some extreme weather events that can really change the landscape in this.

Dr. Amanda Scherer:

Yeah. And that's just been a common thing throughout the season that we've hinted at and talked about quite frequently on the podcast where we had wet weather conditions, really just starting the year we got some late planting. There's some producers that are up in the Northern part of the state, that are kind of a couple weeks behind what they normally would be in terms of harvesting cotton. But I think with this dry weather that's coming in, I think a lot of producers are going to catch up. And so I think overall we're going to be okay, harvest wise for cotton and peanuts. It's too bad that Scott, isn't here to talk about soybeans, but I think in corn, we're doing really well and soybeans, I think will fare pretty good too.

Dr. Adam Rabinowitz:

With that. Wendiam, are there any additional thoughts that you have of how producers might respond to these market prices right now?

Dr. Wendiam Sawadago:

Yeah. I mean corn, soybean prices have been really high, good chance to book loads or at least try to mitigate some of that price risk for next year. The future is markets for those crops are still looking really strong. Opportunities there, cotton really volatile right now. I can't really speak too much to that just because of... For at least this December's contract prices coming down and loads are probably already booked for that for the most

part. So not necessarily too much advice there, but just having a strong marketing plan is always a good idea for really ensuring getting the best revenues you can for your operation.

Dr. Amanda Scherer:

That really ends our time with Dr. Wendiam Sawadago assistant professor and Extension Economist, with responsibilities in agricultural marketing. We really appreciate your time on the podcast today Wendiam, and as always, if we can be of any help to anyone don't hesitate to reach out.

Announcer:

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