



Season 2 Episode 4 – Row Crop Market Update

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Announcer:

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

Adam Rabinowitz:

Hello, everyone. This is Dr. Adam Rabinowitz, an Extension Economist with Alabama Cooperative Extension Services, and welcome to our Alabama Crops Report Podcast.

Amanda Scherer:

I'm Dr. Amanda Scherer, an Assistant Professor and Extension Plant Pathologist, and really excited. This is my first episode recording in season two. And I haven't seen you, Adam, in about a month or so, so definitely excited to be here and just do a general crop update on the market. And how else is everything going for you?

Adam Rabinowitz:

Absolutely, Amanda. I was thinking the same thing. Haven't seen you in a while and good to be back in the studio again. Right now, things are busy. We've been watching markets and we've been watching just inflation, looking at what's to be expected with this crop year. And it's kept us very, very busy.

Amanda Scherer:

Yeah. So I've started to see a lot more tractors on the road preparing land and tilling and corn is starting to get planted throughout the state and cotton and peanut aren't going to be too far behind. And so it's a really good

time to have our guest today, Dr. Wendiam Sawadgo, an Assistant Professor and Extension Economist with responsibilities in agricultural marketing. And on today's episode, Wendiam will be giving us a row crop market update and what we can expect moving forward into this season. So Wendiam, welcome. And how are you doing?

Wendiam Sawadgo:

I'm doing great. Thanks so much for having me in again, it's been a little while.

Amanda Scherer:

Yeah. You're one of our reoccurring guests and we're definitely excited to have you on the show again today.

Wendiam Sawadgo:

Yeah, always happy to be here.

Adam Rabinowitz:

That's great. And so just have to throw this in there a little bit. Wendiam, last year, we talked a little bit about your cooking skills. So what's been on the menu lately?

Wendiam Sawadgo:

Not so much cooking recently, like Adam mentioned, a lot of market updates, so a lot of traveling across the state. But I have been doing a lot of eating and enjoyed some really good Dippin' Dots at the Auburn softball game this weekend. Thanks, Max [inaudible 00:02:08], for the tickets and also good kettle corn. So when you can't cook, go out there, try something you enjoy and have a good meal.

Amanda Scherer:

Yeah, definitely go big or go home. And that brings me back to my childhood, love some Dippin' Dots and some kettle corn, never can go wrong with those choices.

Adam Rabinowitz:

That's it.

Amanda Scherer:

Especially at a game.

Adam Rabinowitz:

That's it. My kids had it at the gymnastics meet and Auburn's been doing fabulous at their gymnastics this year. Well let's dive into things right now in terms of markets though. So Wendiam, one of the big things around this

time of year is that the USDA publishes their Prospective Plantings report. And that gives us that first indication of what producers are really thinking about in terms of planting. So tell me a little bit about what's to be expected in Alabama for 2022.

Wendiam Sawadgo:

So the big thing in 2022 is we're going to see a little bit of a shift, at least that's what's expected, from corn and slightly peanuts towards our other crops. So the biggest change would be corn is expected to be around 300,000 acres statewide, which would be down about 16% from 2021, whereas cotton is expected to be about 4% to 420,000 acres, soybeans up 13% to 350,000 acres, wheat slightly up to 180,000 acres statewide and peanuts down slightly to 175,000, that was after 180,000 last year.

Amanda Scherer:

So based on some of those numbers, Wendiam, a couple episodes ago, we had our wheat extension specialist, David Russell, on and he talked a lot about supply issues and weed management, but we've also seen an increase in fertilizer and pesticide costs. Has that played a role in why we're seeing those changes in terms of the crop acreage in Alabama, especially with corn that's more intensively managed crop?

Wendiam Sawadgo:

I really think so. These numbers match up with what I've heard on the ground talking to farmers. A lot of people I've heard say they're going to plant less corn and more soybeans this year. And I think this data really backs that up. I think the fact that the input costs for soybeans, if you look at our enterprise budgets through the farm management team on the [inaudible 00:04:21] website, those have increased a lot more from last year compared to our soybean budget. So it makes planting soybeans a lot more favorable this year compared to corn.

Adam Rabinowitz:

Absolutely. And the other side of that too are market prices. Yes, input costs are certainly higher, but market prices have gone up astronomically.

Wendiam Sawadgo:

Yeah, definitely. And it's all of them, it's one of those rising tides lifted all boat situations where we have corn, cotton, soybean and wheat prices all at just about tenure highs, highest since the last commodity boom in the early 2010s we saw.

Amanda Scherer:

So Wendiam, do we see similar trends just in the U.S. on a whole as we do in Alabama? Or what does the market look like just for the U.S. in 2022?

Wendiam Sawadgo:

Yeah. So really in the U.S., we're looking at really similar to what we're seeing in Alabama. We're looking at a lot more soybeans, about 91 million acres nationwide which would be right out of record there. We're seeing a bit of a decrease in corn, down about 4% from where we were last year. And so if you look across the Southeast and the Midwest, a lot of those corn acres are shifting to soybeans. We're also seeing a lot of our acreage shifting towards cotton, cotton expected to be up about a million acres nationwide or about 10%. And wheat acreage is about the same, but peanut acreage is one of those where we have seen shifts, not really a lot expected in terms of total peanut acreage differences. But Georgia is expected to be down about 30,000 acres or so, Alabama down about 10,000 acres from last year, but shifts towards more peanut acres in South Carolina and Texas. And so those wash each other out, the declines in Alabama, Georgia and Florida balanced by increases in South Carolina and Texas.

Amanda Scherer:

Yeah, and those states are always competing with the top five peanut producers in the U.S. every year. So there's always fluctuations between the two of them or between the five of them really. So not surprised to hear that.

Wendiam Sawadgo:

Yeah. And so where I would stand is Alabama would slip from second to third if all holds constant.

Adam Rabinowitz:

So with the acreage that you just talked about, Wendiam, were there any surprises in this report?

Wendiam Sawadgo:

It was pretty constant, at least from a crop level, compared to for instance the National Cotton Council releases a survey. That one goes out in December, usually released in February. And their results showed about 12 million acres nationally for cotton, which is right on the money with the 12.2 million acres in this USDA report. With peanuts, conversations with peanut specialists from the states, expected peanut levels similar to last year, at least for Alabama and Georgia. This report is in that territory, maybe a little bit lower on peanut acreage than some of the state specialists think, but in the territory that's to be expected. I'd say the biggest surprise though would be the total crop plant area in the U.S. So they release a number called principle crop acres.

Wendiam Sawadgo:

And last year, we were at 317 million acres. With the prices increasing quite a bit this year, I would've thought we would see maybe some land taking out of idle acres, maybe a decrease in CRP, stuff like that, and we would see our crop acres increase. But we see total crop acres this year in the U.S. at 317 million acres again. So a little bit curious about what's going on there, if it's just the input availability that's holding back acreage from increasing or if there's something else happening there.

Adam Rabinowitz:

Yeah, that is an interesting observation and reminds me to think about not just prices and not just cost of inputs, but the actual margin, right? And that's where while we're talking about these higher prices and we're talking about the higher inputs, that means that those margins are not growing at these higher prices. So as we see margins potentially even be squeezed depending on which move up faster, that's something from a farm policy perspective we don't really see being addressed on the crop side. It's more about the prices, not about the margins.

Wendiam Sawadgo:

Yeah. And that's really true. And it brings into, as an ag marketing specialist, I'll say having a good marketing plan to be able to take advantage of these high commodity prices and not be squeezed by the high input price is especially important, because as we've talked about in the past and we'll probably talk about later on is there's a lot of volatility in these market prices. So what happens the rest of the growing season depends on a lot of factors. And whether those price continue to go up or come down will really affect the bottom line this year.

Amanda Scherer:

So just sticking on the topic of the volatility of the market, on February 24th of this year, Russia invaded Ukraine. And so the world has really been watching very closely what's going on over there. And just the general consumer can understand the impact of this war on the stock market and fuel prices because that's things that they hear about regularly in the news. But it also affects agriculture. So how has this war impacted agriculture markets in the U.S. and in Alabama?

Wendiam Sawadgo:

So the main effects have been really in two ways on agriculture. There's the input side as we've talked about and then the commodity side. First, I'll talk a little bit about the commodity side. So Ukraine is a major exporter of both wheat and corn. They export about 8.5% of the world's wheat and 13% of the corn. And so they're a major player in those fields. And so there's just a lot of questions about number one, will they be able to harvest their crop this year? And number two, if they are able to harvest their crop with the whole humanitarian crisis going on there, will they be able to transport it across the country? And if they are able to transport it, will they be able to bring it to the ports and then will the ports be open to ship the products overseas?

Wendiam Sawadgo:

And so that's where the U.S. comes into play is there could be opportunities for increased U.S. exports. And that's part of the reason we've seen prices of those commodities in the U.S. increase since the invasion. Really wheat's been the obvious one where we've seen prices increase almost \$4 up to about \$12.50 a bushel, that's for the July 2022 contract. Corn's also increased similarly about a dollar in that time.

Adam Rabinowitz:

There's a secondary effect as well that we can think about with Ukraine as a major world exporter of sunflower seed oil. And that provides some opportunities for soybean producers and I think even peanut oil, both soybean oil and peanut oil is a needed substitute for that market.

Wendiam Sawadgo:

Yeah, that's very true.

Adam Rabinowitz:

What about inputs in terms of how the Russia, Ukraine situation has affected agricultural markets?

Wendiam Sawadgo:

And so that's another big question because we've already been talking about the input availability issues and input prices being up. Now, Russia is a major exporter of fertilizer, talking about urea, they're about 17% of exports globally for nitrogen, about 16.5% for potassium. So also the second largest natural gas producer and third in oil production. So very important inputs for our agriculture. And so the question is with sanctions are imposed, what would the effect of that be on U.S. agriculture there? So it's one of those things overall, the U.S. is a net importer in a lot of our inputs for commodity production. So this conflict would seem to hurt U.S. agriculture in that way, but being a net exporter in a lot of our commodities, there could be increased prices for farmers in that regard.

Adam Rabinowitz:

So really, we are talking about a global market here and the fact that a conflict on the other side of the world between just two nations can have some pretty significant impacts on our producers here in the U.S.

Wendiam Sawadgo:

Yeah, definitely. And especially given the territory with inflation and all the other dynamics affecting U.S. agriculture now, this is just one other factor that's adding more uncertainty to the agricultural sphere here.

Amanda Scherer:

It definitely makes it a challenge for both of our economists to use their crystal ball so to speak to really try and figure out where this market's going to go this year. I think the longer that the conflict holds out, the more impacts that we'll see over time probably.

Adam Rabinowitz:

I think that's very true, Amanda. I think that we have been dealing with a lot of uncertainty in the last couple of years, first from the pandemic. That was very new to markets and how it affected agriculture. And now, we've got inflation that Wendiam mentioned and the crisis between Russia and Ukraine. And it just adds to I think the need, as I've mentioned on previous episodes, and I'll always come back again, risk management and the

importance of making sure that producers are thinking about where their risk is, what their tolerance is for the amount of risk that they can actually take on and thinking about the strategies on how to appropriately manage that risk.

Amanda Scherer:

Yeah. And just from a general pest management standpoint with the added costs of pesticides and also supply issues with some of those, producers really have to plan very well going into the season what their spray programs are going to look like, their economic thresholds for certain pests and just trying to really stay on top of that and keep aware of what's going on with the market.

Adam Rabinowitz:

Well Wendiam, it's been great having you here today. Is there anything else that you'd like to just leave for our listeners?

Wendiam Sawadgo:

Again, I'll reiterate that point, but with the high input costs, budgeting becomes even more important, being able to manage those costs of production and make sure you're able to meet those costs with a marketing plan is really important as well.

Adam Rabinowitz:

That is great advice.

Amanda Scherer:

Thank you, Wendiam. This was a great episode, really timely information. And that ends our time today on the Alabama Crops Report Podcast. As always, if we can ever be of any help to anyone, please don't hesitate to reach out.

Announcer:

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