



Season 3 Episode 3 – Row Crop Markets

March 17, 2023

Announcer:

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

Scott Graham:

Hey everybody, welcome into another episode of the Alabama Crops Report podcast. Scott Graham and Adam Rabinowitz with you today. Adam, how's it going?

Adam Rabinowitz:

Things are going really well, Scott, it's good to be here for kicking off our 2023 podcast. This is the first one for me this year.

Scott Graham:

Yeah, first one I've recorded too.

Adam Rabinowitz:

Yeah, I'm just excited to be back in the studio here. And we've got one of our regular guests with us today, Dr. Wendiam Sawadago, who's an assistant professor and extension economist with responsibilities in ag marketing. How you doing, Wendiam?

Wendiam Sawadago:

I'm doing great. Just enjoying a busy extension season.

Scott Graham:

Yeah, we've been out on the road a whole bunch, so it's good to get you in the studio with us here today and be able to record this podcast.

Wendiam Sawadago:

Glad to be here.

Scott Graham:

So one of the things we want to talk about is just what are markets looking like? And I guess if it's okay with you, Adam, we'll start off with, well, how's the cotton market looking for '23 and should we note this is being recorded on Monday, March the sixth?

Wendiam Sawadago:

Always good to note when this is because things might be completely different a week or two from now. So I'll start out where what we're looking like in terms of our supply demand situation, but last year we had a pretty big drop in production, about 3 million bales less than the previous year, and that was mainly because of drought in Texas that lowered harvested acreage in the US and only about 54% of Planet Acres actually ended up being harvested. So that was a big situation there.

But cotton's really been complicated by macroeconomic factors. There's been, first of all, inflation. I mean, I don't think that's something I have to mention to anyone else. It's affected all of us, but it's affected consumers and when consumers have less money to spend than cotton's one of those things that tends to get cut out. People are always going to choose food over clothing.

So that's been one thing. The other thing has been dollar's been really strong, which has hurt our exports because while it means we can buy goods from other countries really cheap, it means it's relatively expensive for other countries to buy our stuff and we export most of our cotton. So those are two things that have sort of hurt the demand side, but all in all with the low production and low expected consumption we're in a pretty solid position. Pretty middling though. So not necessarily in a place where we expect super high prices or super low prices. So just a lot of question marks there.

Scott Graham:

Yeah, I've certainly just, I'm headed into my fourth season here at Auburn, and I've seen a lot higher prices than where we're sitting at right now and lower prices too. So I think it's somewhere in the mid-80s today, which is not as good as it got last year, up to a dollar pushing a dollar and a quarter, I think. But we still, I think, can make some money in that mid 80 range.

Wendiam Sawadago:

Yep, exactly. And especially input prices have come down a little bit, still a lot higher than they've been in the past, but better than they were last year. So at that range, it really depends if they go higher or lower, but still in that middle range, opportunities to price early and walk in some profits,

Adam Rabinowitz:

That volatility and has really been a struggle to try to pinpoint where we're going to be in terms of the market, whether it be on the pricing side or on the input cost side. We've seen a lot of that over this past year, but the other side of that is competing acres. And so we have to think about some of those other crops too. And let's kind of talk about some of those other crops that might be competing for some of those acres. So how about the grain market? What's happening there?

Wendiam Sawadago:

Yeah, grain markets. So last year, yeah, I mentioned we had a ton more cotton acres planted. Not all of them were harvested, but that took away from some of our grain crops, so in the south especially. But overall, we had around a 5 million drop in corn acreage, and that's affected production last year, but we've still had pretty solid corn demand.

Pretty similar story with soybeans. Production was down a tad, but still pretty solid demand for soybeans and wheat's the one where we've really had two straight years of really bad drought, first up in the inland northwest area of the country, and then last year in the lower Great Plains. And so we're really running low on wheat stock. So those prices have been pushed up quite a bit. Still remaining pretty high for corn, soybean beans and wheat's even as we get into planting here, maybe not quite as high as they were last year, but still in relatively high levels compared to where they've been the last 10 years.

Scott Graham:

I've been, over the last couple weeks, in a lot of peanut production meetings across the state. Dr. Marshall Lamb from the peanut lab in Georgia has been giving updates there, and he's been talking about a lot of things with the peanut market. So just curious where you see the peanut market going?

Wendiam Sawadago:

With peanuts. Similar to all the other crops, we've had a drop in production last year, and so we've seen peanut stocks come down below a million tons, so lower than they've been the last couple years at least. We've had strong demand though on the food side of things. Last year we had, I believe peanut candy was really strong in terms of demand, and this year, starting this marketing year, I think we're about four months through it, peanut butter consumption's up about 5% and peanut butter makes about half of what peanut food goes to. So that is a good signal for peanut demand remaining strong.

But overall, those factors, the competing acreage that Adam mentioned earlier might have pushed peanut prices up because we're looking at \$540 per ton for the marketing year average price right now, and that's about the highest we've seen in a decade or so.

Scott Graham:

And one of the things that he cautioned folks, and he said probably Alabama is not as a bigger player as Georgia would be though, is to not just shift too much into that peanut market and drop your cotton off because if you do, I guess that affects next year's prices or supplies a little bit high going into next year. So one thing Marshall's been telling folks is peanut price looks good, but don't go overboard. You still got to plant some cotton to try to, I guess, you got to think about it in kind of a multi-year thing and not just this year.

Wendiam Sawadago:

Yeah, it's definitely a balance. If everybody plants a lot of peanut acres, then that's going to drop prices down.

Adam Rabinowitz:

One thing that'll really hold that back some and that producers need to certainly remember is their rotation. Because while prices might be good this year, and you might be thinking, well, let me plant some extra peanuts, well go sticking to that rotation helps those yields long term. And so that's something that certainly will help balance that market a little bit. And we'll continue to probably see some strong prices there given where we're at if we have some balanced production. So thinking about prices moving forward then, Wendiam, what's your outlook for crop prices for this year?

Wendiam Sawadago:

The U S D A had their Outlook meetings about a week ago, and they're tending to project prices coming down a little bit, come this harvest this year. And so one of the things for corn, for instance, looking at prices this year, we are looking more in the \$6.70 range. Next year may be more in the mid \$5 range, soybeans likely down around a dollar as well. And cotton prices, that's where there's more of a question mark, but pretty similar to where they are currently.

Adam Rabinowitz:

So looking at these prices that might be kind of falling over the course of the next couple of years here, we have to think about margins, right? And it's not all about the price, it's also where those costs are on inputs. We talked a little bit earlier about some of those costs dropping at this point. We're off of some of those highs, but we're still much higher than where we were a couple of years ago on a lot of these. Any thoughts on where those input costs are headed?

Wendiam Sawadago:

Yeah, I mean, I think for a lot of them, fertilizer prices have trended down quite a bit and so can lock in lower fertilizer prices. Those are a huge expense, but overall, we've seen input prices decrease quite a bit just compared to where we were at the peak of last year, but still a lot higher than we were pre-COVID, for instance.

Adam Rabinowitz:

Yeah, so I heard you say a couple of times locking in prices, whether it be on the marketing side of your crop or on the input side. That's certainly good advice for producers to remember to lock in based on where their cost of production is, what makes sense for them as they're moving forward. Thinking about planning for the year and thinking about where they're at come harvest time too.

Wendiam Sawadago:

And especially since we're predicting prices to come down. Typically prices do fall between May and October. So having a good pre-harvesting plan, a pre-harvest marketing plan, having an idea of price targets that you want to set for some proportion of your commodity, having different dates in mind to reach those price goals is always a good strategy to use in these times. Whether that's through using forward contracts, hedging with futures or options, there's just a lot of options available for producers to use. But one thing that's really important to know to be able to use those tools is knowing your cost of production.

Adam Rabinowitz:

Those are all really great risk management strategies.

Scott Graham:

Well, along those lines, we've got two Ag economists here. So what kind of resources do we have for folks?

Adam Rabinowitz:

So I'll say one excellent resource that that's very new and a lot of folks are still getting subscriptions to and getting online with Southern Ag today. It's actually the website is southernagtoday.org, and it's an excellent newsletter every day, Monday through Friday. There are different topics.

Every Monday is actually a crop marketing topic, and this is a collaboration of all the land grant institutions in the southern region. So there's about 13 institutions that are participating in this initiative, including Wendiam and myself. We are writing items for this, and that's good perspective on what's happening in peanut markets, cotton markets, the grain markets, and then the other days gets into livestock policy, horticulture, also trade/legal issues, a bevy of information every day, and it's really a digestible resource, easy kind of one or two graphs and a couple of paragraphs long written for producers.

Wendiam Sawadago:

Agreed. Adam, you've had a lot of great articles on especially peanut production this year. Just some thought-provoking stuff. So really valuable resource for producers. And again, not too long, just a couple paragraphs, so don't have to spend too much time reading that.

Adam Rabinowitz:

Yep. So again, southernagtoday.org.

Scott Graham:

And so that's something, right, that we can just go in and you can sign up as like a subscription and it just emails every Monday.

Adam Rabinowitz:

It'll email you every day, the Monday through Friday, what that current post is, and you can also go to the website to sign up so you can get those emails.

Scott Graham:

All right. Well, good deal. Good to know. Wendiam, thank you. We appreciate you coming on the Alabama Crops Report podcast today.

Wendiam Sawadago:

Great to be on, as always,

Scott Graham:

Adam, enjoyed it.

Adam Rabinowitz:

We'll see you again soon, Wendiam, I'm sure, for some more updates. And Scott, see you next time.

Scott Graham:

As always, we appreciate our listeners and folks out there. We appreciate any feedback y'all can ever give us. Just reach out to Extension and let us know what you'd like to hear talked about. And as always, we can ever do anything to help. Please let us know. See you next time.

Announcer:

The Alabama Crops Report Podcast is a production of the Alabama Cooperative Extension System and is sponsored by Alabama Ag Credit.