



Season 4 Episode 1 — Prospective Planting Report from USDA

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Announcer:

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

Adam Rabinowitz:

Hello, everyone. Welcome to the Alabama Crops Report Podcast. I'm your host, Adam Rabinowitz. I'm an Extension economist and associate professor at Auburn University and Alabama Cooperative Extension System.

Eros Francisco:

Hi, and I'm Eros Francisco, the grain crop specialist for Auburn University, and we are excited to be releasing regularly scheduled podcast episodes with up-to-date information about Alabama crops throughout the year. We will be hearing from Extension personnel from all over the state with the latest research and management recommendations.

Adam Rabinowitz:

Eros, how are you doing? It's great to have you here in the studio for your first episode as a host.

Eros Francisco:

I'm excited about this, Adam, and this is a really enjoyable time for me becoming a host on this famous Alabama crop podcast.

Adam Rabinowitz:

Well, and you've helped add to that because you've been a recurring guest and we're excited to have you here on the other side of things, though. We are going to kick off our season for today with another recurring guest. We have Wendiam Sawadgo with us. Wendiam is an assistant professor and Extension economist with Auburn University and Alabama Cooperative Extension System, and he's going to be here to talk about our perspective planning report from the USDA. We're excited to have you back here to kick off our season four. Wendiam, how are you doing?

Wendiam Sawadgo:

All right. It's a pleasure to be on to kick off season four, Adam and Eros.

Eros Francisco:

So, Wendiam, let's talk about this 2020 for perspective planting report. So what are some of the big picture takeaways from the report?

Wendiam Sawadgo:

Well, I think it was pretty much in line with what was expected. You know, going into the winter, we've had relatively high soybean to corn prices. So that in general favors more soybean acres relative to corn. We've had relatively high cotton to corn prices. So when we're thinking about the south, the region we're in, we generally would have more cotton, less corn in that case.

One of the big picture items, though, is we're looking at principal crop acres in general decreasing this year. So down about 6 million acres in the U.S. as a whole, down about 50,000 acres in Alabama, which, you know, it's about 3% of what we had last year. So not a huge amount, but still down nonetheless.

Adam Rabinowitz:

What's driving some of that decrease in that acreage?

Wendiam Sawadgo:

Well, you know, I think a lot of it is just, you know, sometimes we have uncertainty. You know, if you look over the past few years, the next piece of data we get is from the acreage report that happens in June, and we've had acres added between March and June. And so that could be sort of what we're seeing here is there's sort of uncertainty about what's going to happen and we'll see more acres added come the June report.

But also generally, when we have lower prices, there's less incentive for planting certain crops. So in general, when we're in times of lower prices like we were from, you know, 2016 to 2019, that's when we tended to see our principal acres be lower than they were when we had much higher prices.

Eros Francisco:

So just to be a little more specific about Alabama, the report is predicting corn coming down from 330--hundred thousand acres--to 310, and soybean from 350 to 320, right?

Wendiam Sawadgo:

Correct. And so, you know, that really echoes what we've seen nationwide. So, you know, we're thinking about our grain crops. Those are pretty well dominated in the Midwest, thinking about states like Indiana, Iowa, Illinois, Kansas. And so, you know, if you look nationwide, we're expected to be down about 4.6 million acres of corn. So being right around 90 million acres for soybeans, an increase of about 2.9 million acres, so up to 86.5 million acres in 2024.

Adam Rabinowitz:

And of course, as we look at these changes in acreage, certainly we have to think about what that means for our crop markets and ultimately pricing. So what are we seeing in terms of prices right now for the grain crops?

Wendiam Sawadgo:

And so that's a great point. So when we think about, you know, this report really feeds into what we're expected to produce this year, you know, the two components of production, yield and acreage. Well, you know, this is our first guess of what our acreage is going to be. And so with corn markets, you know, I think we are a little bit below where analysts would have thought beforehand. And so that's why we saw a pretty, a small jump in the corn market. So we were up about \$0.16 per bushel after the release of this report yesterday. Beforehand, I think most people probably thought corn acres were going to be about a million acres higher, something like that. So seeing them as low as 90 million acres puts, I guess, more of a perspective that we'll have lower production this year than originally thought, which could bring stocks down, which tend to be indicative of higher prices.

On the soybean side, I'd say we are pretty much in line with what we expected. There was a small jump in the prices, but soybean production is probably in line with what we thought it would be before the release of this report.

Eros Francisco:

What about cotton and peanut acres this year, Wendiam?

Wendiam Sawadgo:

So cotton and peanut acres, that's where we're starting to see some increases, or for cotton at least, both in Alabama and nationwide. So if we go back to 2022, that's when we had our cotton acres up quite a bit. That was the year where we had cotton in the dollar price range from the end of 2021, all the way through the 2022 growing season. 2023, we saw cotton prices come back down and we saw a huge decline in cotton acreage planted.

This year we're looking at bouncing up a little bit, and I think the main reason is just corn prices aren't competitive the way they were the past couple of years. And so overall in Alabama, we're looking at an increase in cotton acres by about 50,000 acres to 430,000 acres in total. And in the U.S., about a 400,000 acreage, up to 10.5 million acres.

Adam Rabinowitz:

So let's come back to price again when we talk about cotton and peanuts.

Wendiam Sawadgo:

So prices for cotton, it's been a lot of uncertainty. You know, one thing we look at is sort of our ending stock. So if we have a lot of stocks on hand of cotton at the end of the year, that's when we tend to see lower prices. When we see those stocks come down, we tend to see those prices jump back up.

We're not at high cotton stocks right now, but the prices still haven't jumped yet. We're in a range where we could see cotton prices increase a little bit. But this report was probably a little bit lower than what we thought. You know, especially if you look at Texas, there wasn't much of an increase in cotton acreage there. And so that leaves some room for cotton prices to probably increase the more in the future.

Adam Rabinowitz:

You know, that's probably a good thing because we've seen the prices come down when we talk about all commodity prices, really, where they were compared to, you know, just a few years ago.

Wendiam Sawadgo:

Yeah. I mean, if we're looking at the '23-'24 marketing year, I think everything that we produce in Alabama except for peanuts is expected to be lower than it was the previous year.

Eros Francisco:

Regarding prices, I was taking a look at the prices right now for December, November 2024, corn and soybeans, soybeans under 12 and corn under five. So do you see any chance of anything happening in the market that these prices may jump a little bit or are they going to be exactly like this by the end of the year?

Wendiam Sawadgo:

So on the corn side, it's tough because we have, our corn stocks are up to over 2 billion bushels. And so that's, if you look historically, so from, you know, in the early 2010s, around 2012, during the ethanol era, that's when we saw corn stocks really deplete and that's when the prices were really high. If you look at 2017 to 2019, that area, we were right around 2.37, 5 billion bushels in stocks every year.

The past couple of years, we've decline some. We'd been, you know, well below that 2 billion bushel mark. But this year we're back up close to 2.3 billion bushels. So with high corn stocks, it's you know, it's going to be hard for those prices to come back up too much, you know, unless we have some really, you know, notable decreases in production or huge increases in imports, or exports, as we did in 2020.

But for the most part, I think corn prices are they've come down and there's probably not quite as much room for those to move as there are for soybeans. You know, soybeans, we're still dealing with low stocks in the U.S. Globally, you know, there's a lot of competition from Brazil there. They've had huge increases in production. So

global stocks are really high, but U.S. stocks for soybeans are pretty low right now, so I'd say there's a little bit more room for price movement there.

Eros Francisco:

And do you have any advice for farmers in a time of declining prices overall?

Wendiam Sawadgo:

Well, you know, when prices are high and, you know, marketing tends to get forgotten about a little bit, but when prices are low, that's when those margins really matter. So I'd say first thing is just knowing your production costs is number one. You know, if you understand cost of production, that can help you know what prices you need to set at to be able to be profitable.

Second thing is, you know, when we're talking about prices, you know, we're largely just talking about risk management. And so I think of the old adage, don't put all your eggs in one basket. And I think when it comes to pricing, that's sort of my philosophy as well. You know, if prices fluctuate, you know, even in high years or even in low years, there's a large amount of fluctuation across prices. And so if you can price at different times throughout the year, then you have the opportunity to catch a wider range of those prices and perhaps be on the higher side of things. And so when we're looking at pricing, a lot of times when we're in the lower price era, that's when, you know, even getting \$0.10 per bushel higher average price is the difference between being profitable or not. So, you know, those details matter a lot when we have lower prices.

Adam Rabinowitz:

There's certainly a lot of factors that go into forecasting a price. And you know, where we're looking at, and I appreciate you kind of coming in with your crystal ball and figuring out, okay, where the markets are here and where we're potentially headed. You know, it's certainly great advice for farmers to think about their risk management strategies.

Wendiam Sawadgo:

And so speaking of risk management, one important area there is when it comes to pre-harvest marketing. And so having a marketing plan is one way to accomplish this. And so for more information on how to build a marketing plan, marketing tools that could be used for marketing of grains, especially, cotton as well, feel free to check out the online crop marketing course that's on the ACES Canvas catalog.

Adam Rabinowitz:

Yeah, so there'll be a link in the show notes how to find that course, but you can certainly search for it on the aces.edu website as well.

Wendiam Sawadgo:

Excellent. And as always, feel free to stay updated on articles on what's happening with crop markets that I post semi-regularly for more information on what's happening with prices.

Adam Rabinowitz:

This is all great, Wendiam. Before we leave, though, why don't we just come back momentarily to peanuts? Can you tell us a little bit about what's happening in the peanut market and where you're expecting prices to go?

Wendiam Sawadgo:

Yeah, so with peanuts, there wasn't a whole lot new this year, just thinking about in the U.S. as a whole. Virtually no change in acreage compared to what was planted last year is expected in 2024. In Alabama, a slight increase of just about 5000 acres. So, you know, with peanuts, I'd say there's a bit more uncertainty there. But in general, I would predict prices would remain fairly solid, at least, as they were last year.

Adam Rabinowitz:

And so I guess one of the big factors on peanuts may come down to yield. And you had a great article on Southern Ag Today recently on, you know, what peanut yields have looked like trending over the last 20, 30 years or so. And, you know, it was really interesting, if you want to just briefly mention that.

Wendiam Sawadgo:

Yeah, definitely. So over the past ten years since that high all-time yield of peanuts in 2012, yields have been relatively flat. And so, you know, mentioning great articles on Southern Ag Today, you had an excellent article in January that talked about peanut production costs and sort of thinking about profitability. And even given the highest peanut prices we've seen in a decade, there's still a good chance that farmers aren't going to be able to break even.

And a lot of that was because of the lower yields we saw last year with regards to peanuts. So, you know, I think when it comes to profitability, yields are going to play a huge role. Even if we have great peanut prices, just with input costs being as high as they are, it's going to be important to have those high yields to be able to capture those high prices.

Eros Francisco:

And we have really enjoyed having Dr. Wendiam Sawadgo, assistant professor in Extension, economist for Auburn University. Do you have any closing thoughts for Alabama producers?

Wendiam Sawadgo:

Thank you for having me on. It's been a joy.

Adam Rabinowitz:

Well, that'll do it for this episode for the Alabama Crops Report Podcast. As always, if you know we can never be of any help to anyone, then please don't hesitate to reach out to us. Eros, I've really enjoyed hosting this episode with you and looking forward to the next.

Eros Francisco:

Yeah, that was my pleasure, Adam, and we enjoyed having Dr. Wendiam again. See you next time.

Announcer:

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