

Row Crop Market Update for 2019

March 7, 2019

Row Crop Short Course, Marianna, FL

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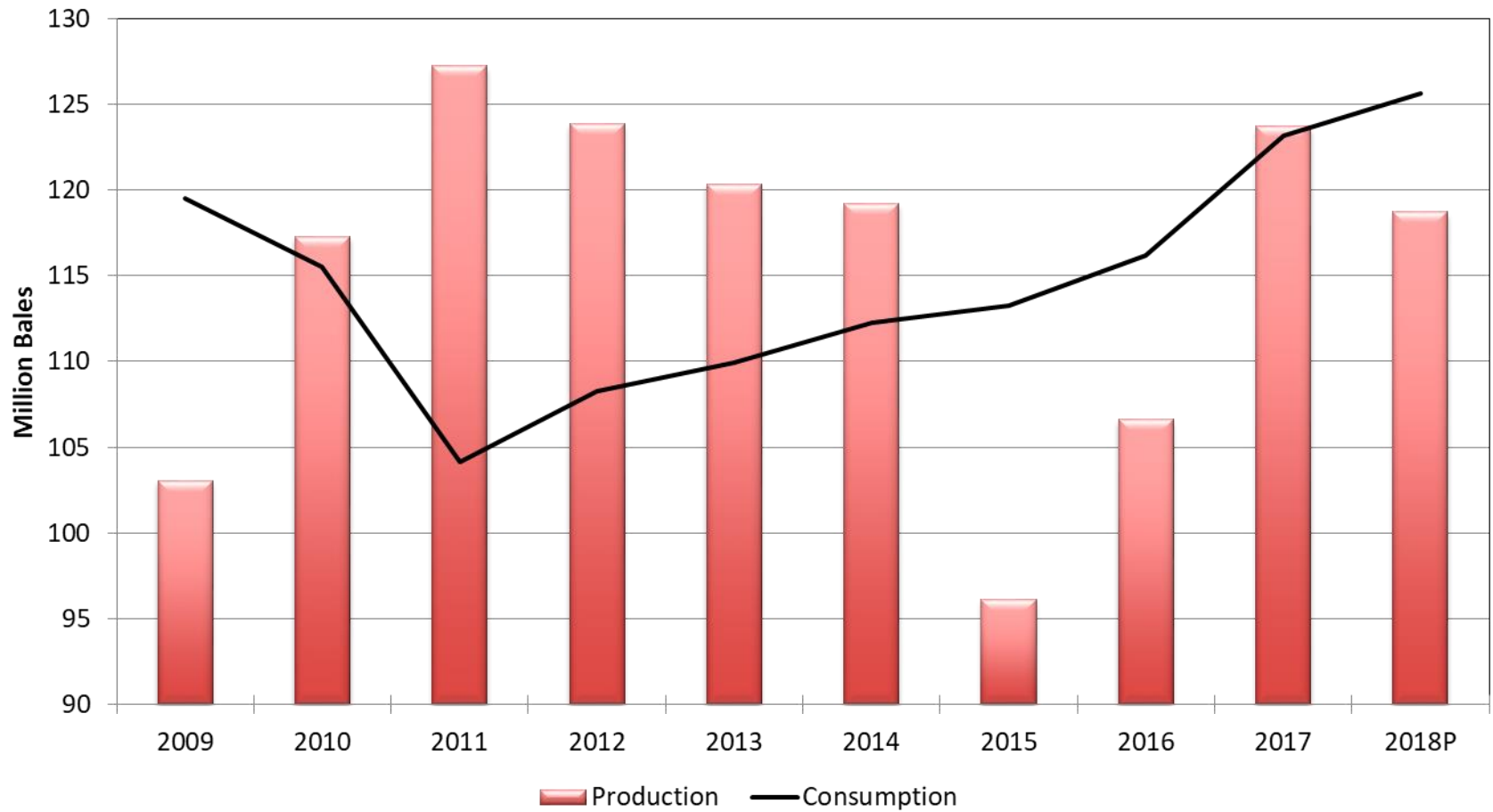


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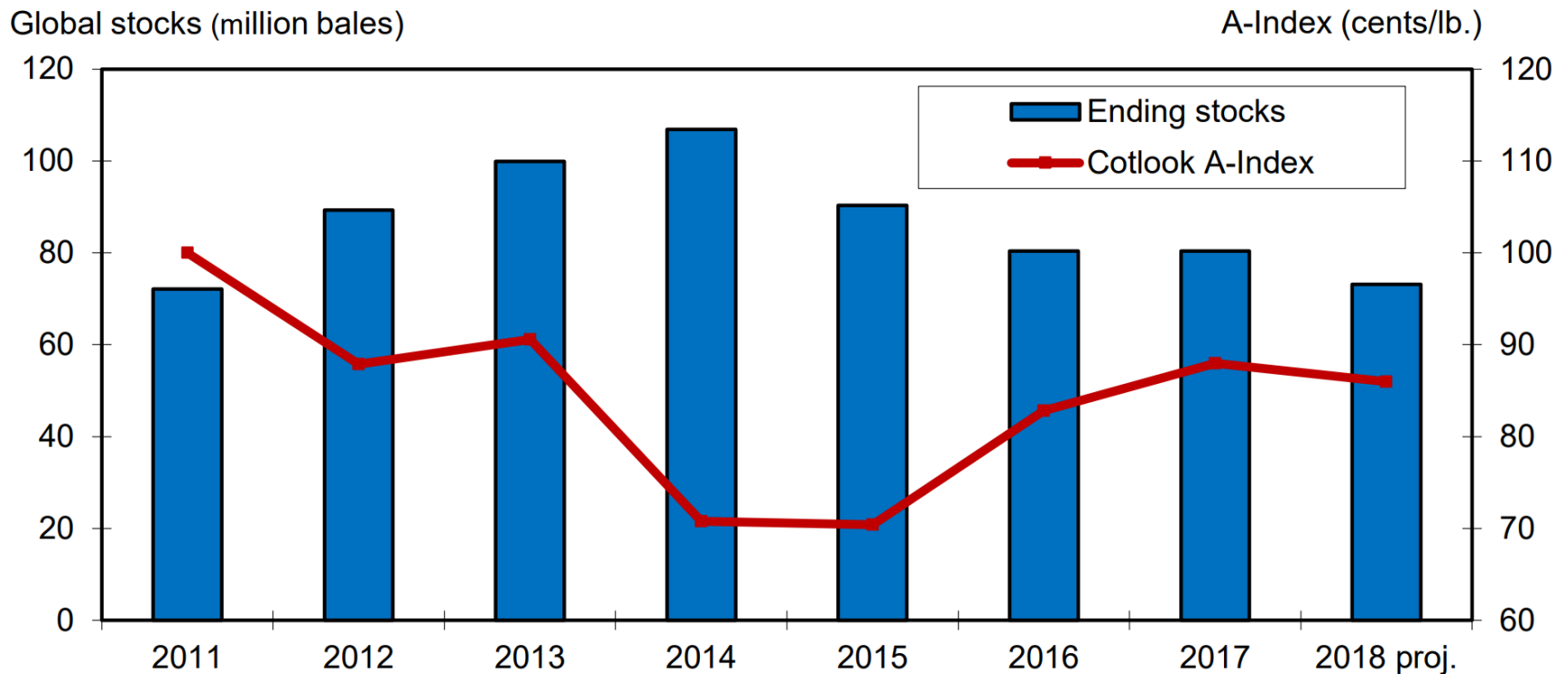
Cotton Update

Slides provided by Yangxuan Liu, Ph.D. for Georgia Ag Forecast 2019

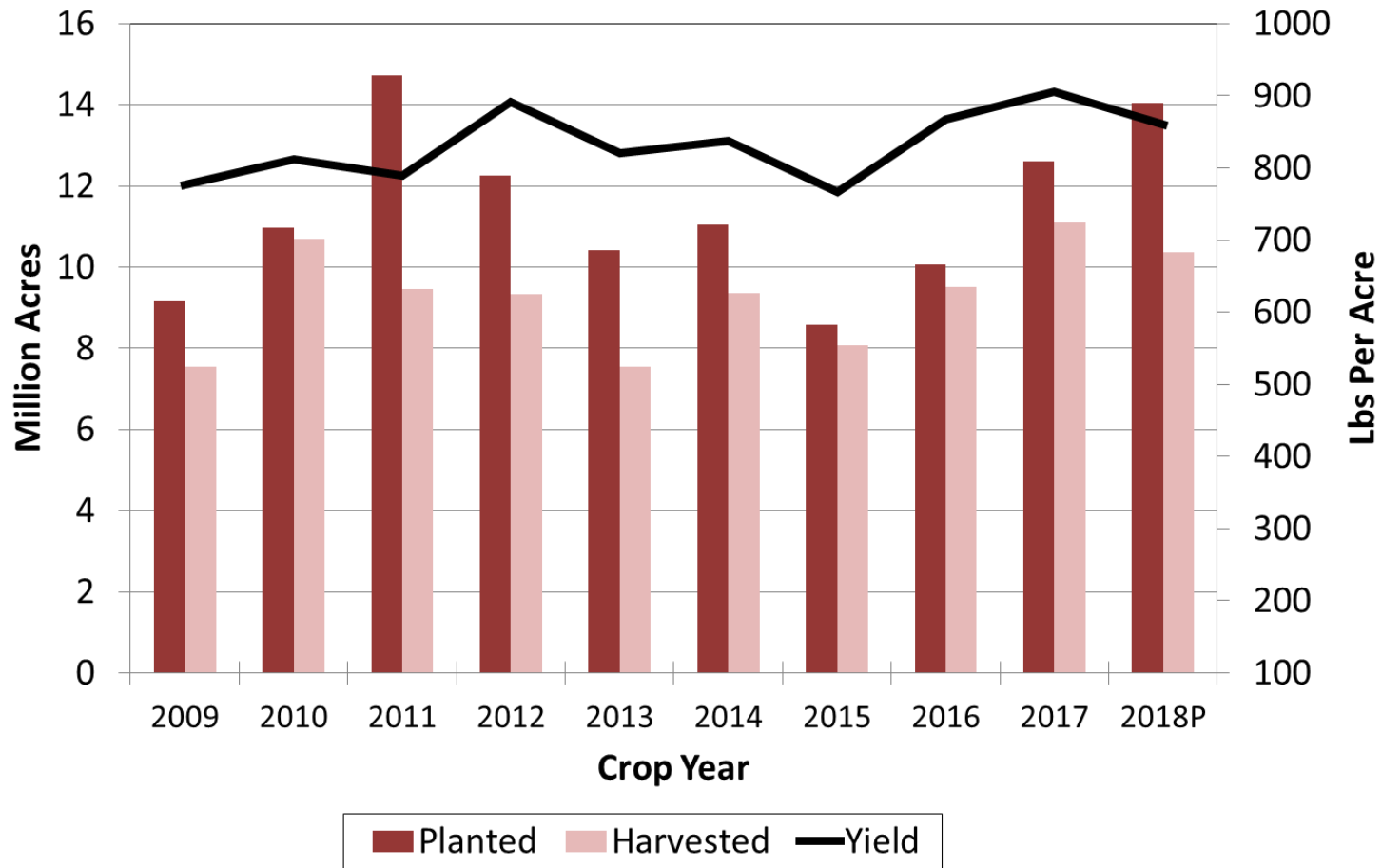
World Cotton Supply and Demand



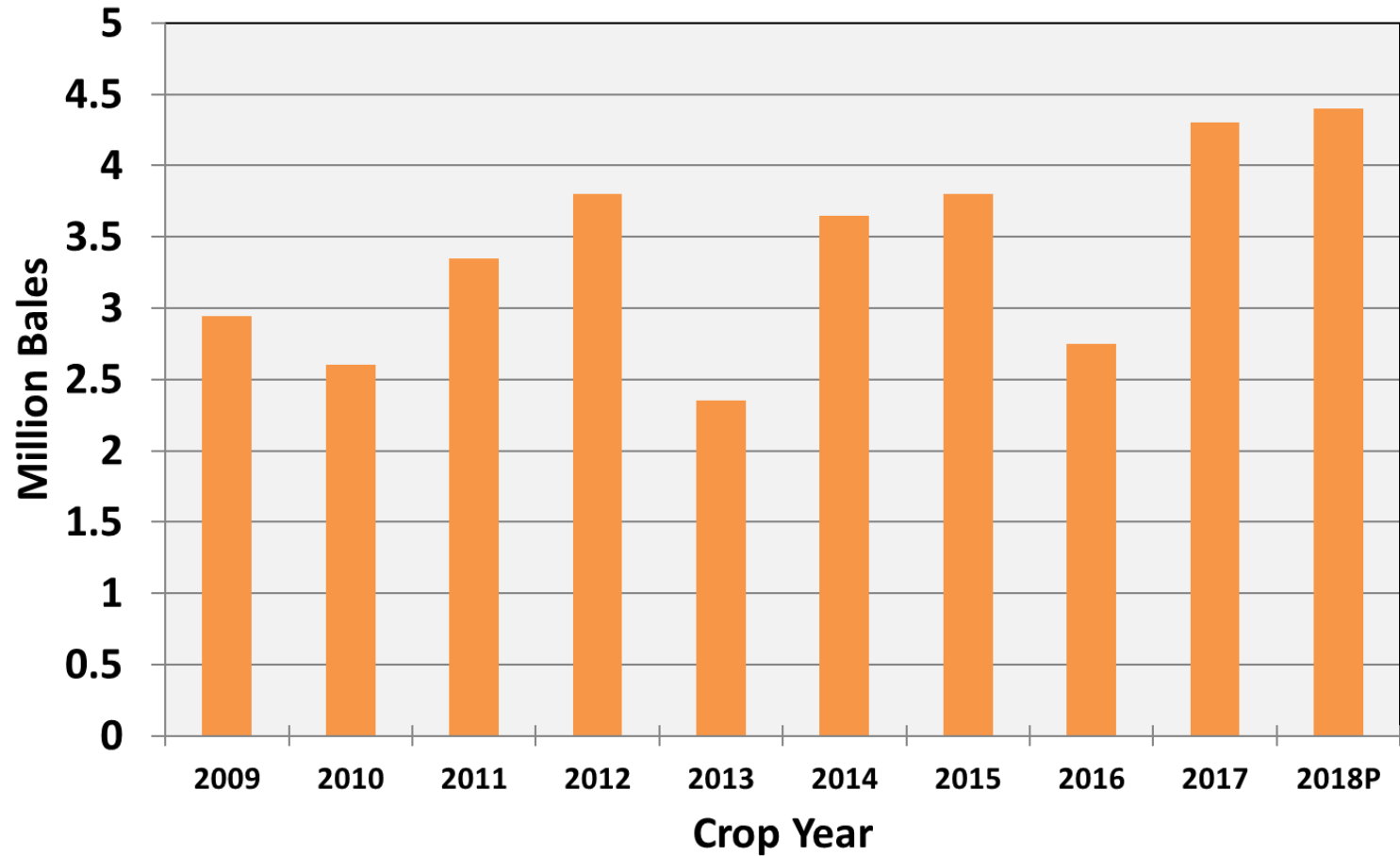
Global Cotton Stocks and Prices



U.S. Cotton Acres Planted, Harvested, and Average Yield Per Acre



U.S. Cotton Ending Stocks



Cotton Takeaways

- Production decreases
 - Higher acreage
 - Lower yield
- Export declines
 - U.S. dollar strengthens
- Ending stock increases
- Trade negotiation
- Pressure on lower U.S. prices

Optimistic price range 69 - 75 cents. Pessimistic 65 – 68 cents.

Peanut Update

Peanut Acreage

State	2013	2014	2015	2016	2017	2018	% Change
	<i>1,000 acres</i>						
AL	140	175	200	175	195	165	-15.4%
AR	-	10.5	16.3	24	30	26	90% Harvested in FL
FL	140	175	190	155	195	155	
GA	430	600	785	720	840	665	
MS	34	32	44	39	44	25	
SE	744	993	1,235	1,113	1,304	1,036	98% Harvested in GA
NM	7	5	5	8	9	6	
OK	17	12	10	13	21	16	-23.8%
TX	120	130	170	305	275	155	-43.6%
SW	144	147	185	326	305	177	-42.0%
NC	82	94	90	101	120	102	-15.0%
SC	81	112	112	110	125	87	-30.4%
VA	16	19	19	21	27	24	-11.1%
VC	179	225	221	232	272	213	-21.7%
US	1,067	1,365	1,641	1,671	1,881	1,426	-24.2%

Source: USDA NASS Crop Production Reports – Last updated 2/8/19

Peanut Yields

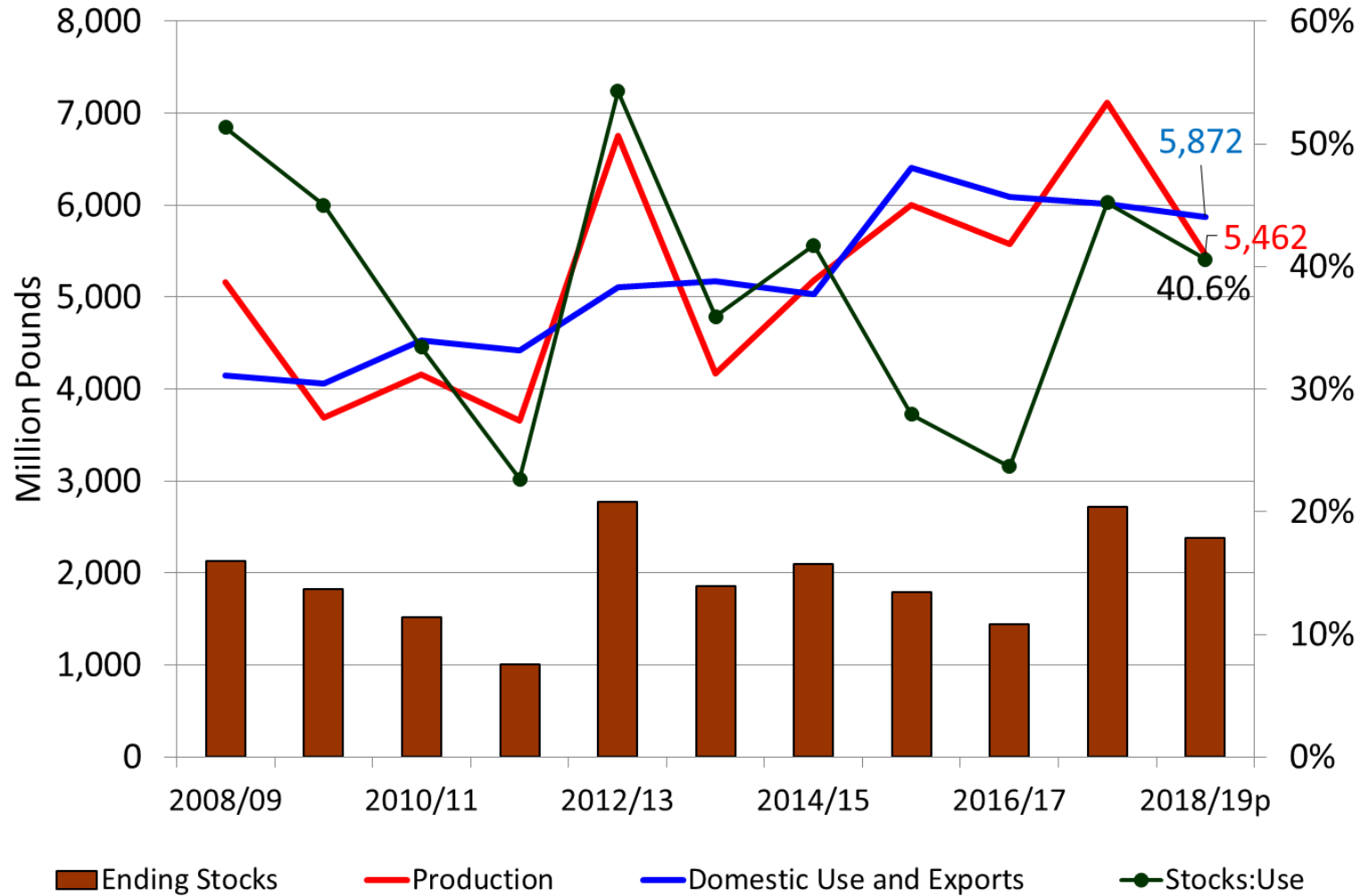
State	2017 Actual (lbs)	2018 Actual (lbs)	Record Yield
AL	3,650	3,400	4,000 ('12)
AR	5,300	5,000	5,300 ('17)
FL	3,550	3,600	4,000 ('14)
GA	4,380	4,450	4,580 ('12)
MS	4,100	4,000	4,400 ('12)
NM	3,500	3,000	3,600 ('06)
NC	4,100	3,900	4,320 ('14)
OK	3,700	3,100	4,000 ('14)
SC	4,000	3,400	4,000 ('17)
TX	3,600	3,300	3,750 ('05)
VA	4,550	4,200	4,550 ('17)
Total	4,074	3,991	4,211 ('12)

Peanut Production

State	U.S. Record 2017 Actual (tons)	5 th Highest on Record 2018 Actual (tons)	% Change
AL	352,225	275,400	-21.8%
AR	76,850	57,500	-25.2%
FL	330,150	252,000	-23.7%
GA	1,806,750	1,446,250	-20.0%
MS	88,150	48,000	-45.5%
NM	13,300	8,250	-38.0%
NC	239,850	191,100	-20.3%
OK	37,000	23,250	-37.2%
SC	236,000	139,400	-40.9%
TX	378,000	239,250	-36.7%
VA	61,425	50,400	-17.9%
Total	3,616,800	2,730,800	-24.5%

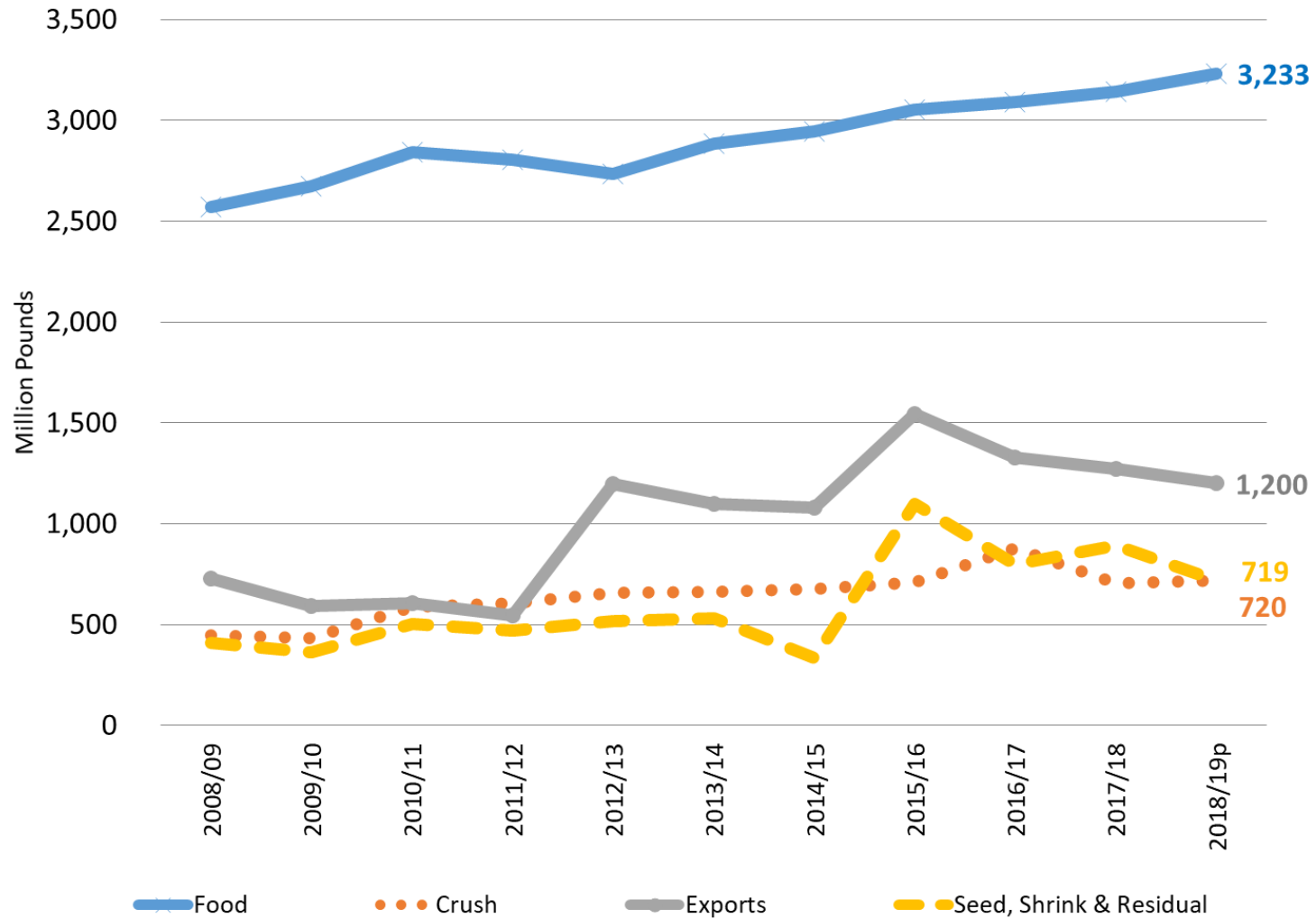


Peanut Supply and Demand

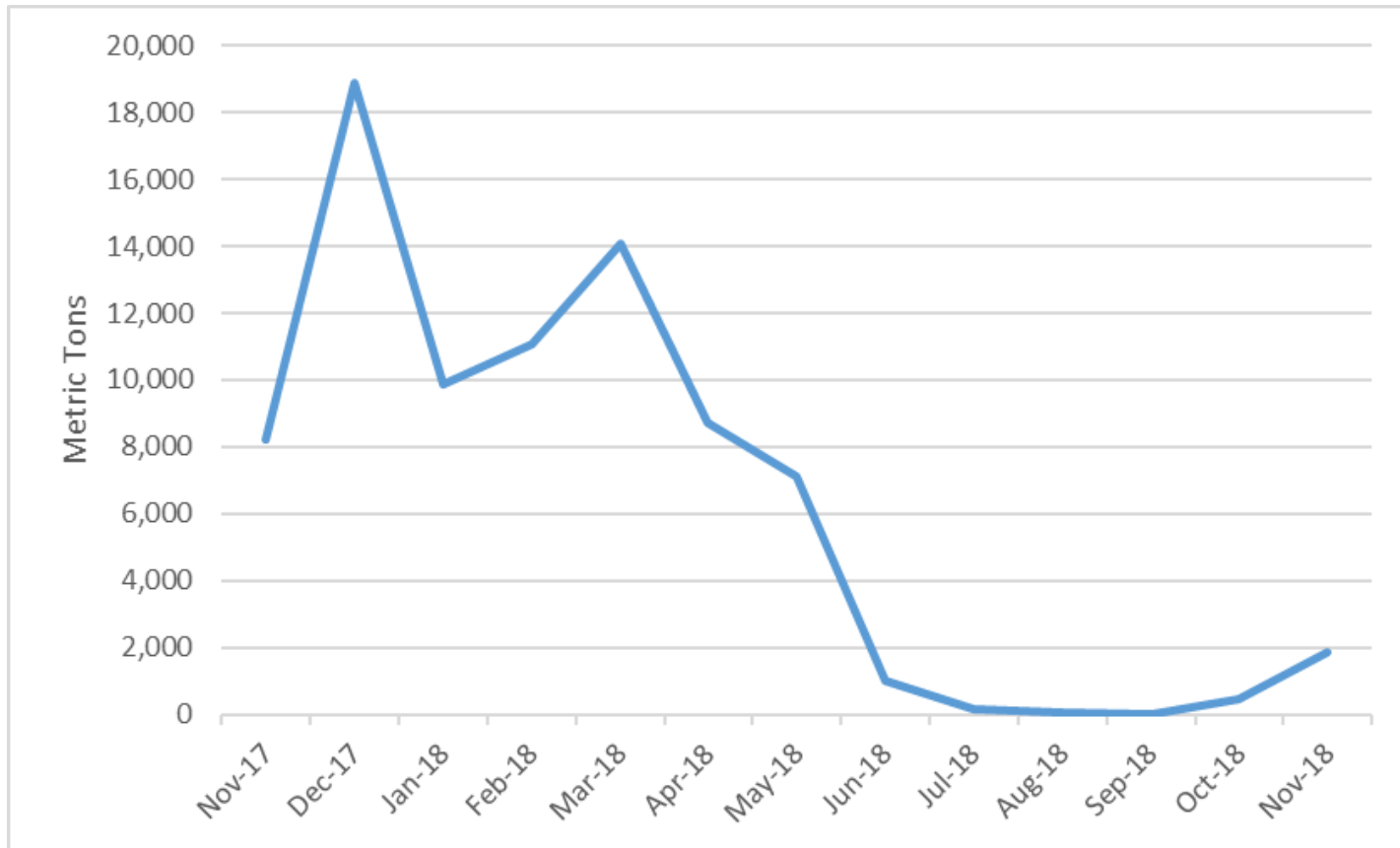


Source: USDA ERS as of 2/12/19

Peanut Utilization



Monthly Shipments of US Peanuts to China



Data Source: U.S. Department of Commerce, Bureau of Census as Collected by American Peanut Council January-November 2018

2018 Farm Bill: Peanut Update

- No change to peanut specific policy.
 - Maintains \$355 marketing loan rate.
 - Maintains \$535 reference price.
 - Maintains separate payment limits of \$125,000 for PLC and ARC (no longer includes LDP/MLG).
 - Maintains peanut storage and handling provisions.
- Maintains AGI of \$900,000

2018 Farm Bill: Peanut Update

- Effective Reference Price (ERP)
 - lesser of 115% of RP or
 - greater of (RP or 85% of 5 yr olympic average price)

For peanuts, the olympic average price would have to be above \$629 with a max of \$723.82.

This would yield an ERP between \$535 and \$615.25

- 115% of RP = \$615.25
- 5yr Olympic average price > \$629 for ERP > \$535
- 5yr Olympic average price = \$723.82 to reach \$615.25 ERP



2018 Farm Bill: Peanut Update

- Definition of family members eligible for payments expands to include first cousins, nieces, and nephews.
- ARC/PLC Election in 2019 for 2019 and 2020 and then annually thereafter.
- PLC Payment Yield Update for 2020 based on formula using 2013-2017 average yield.

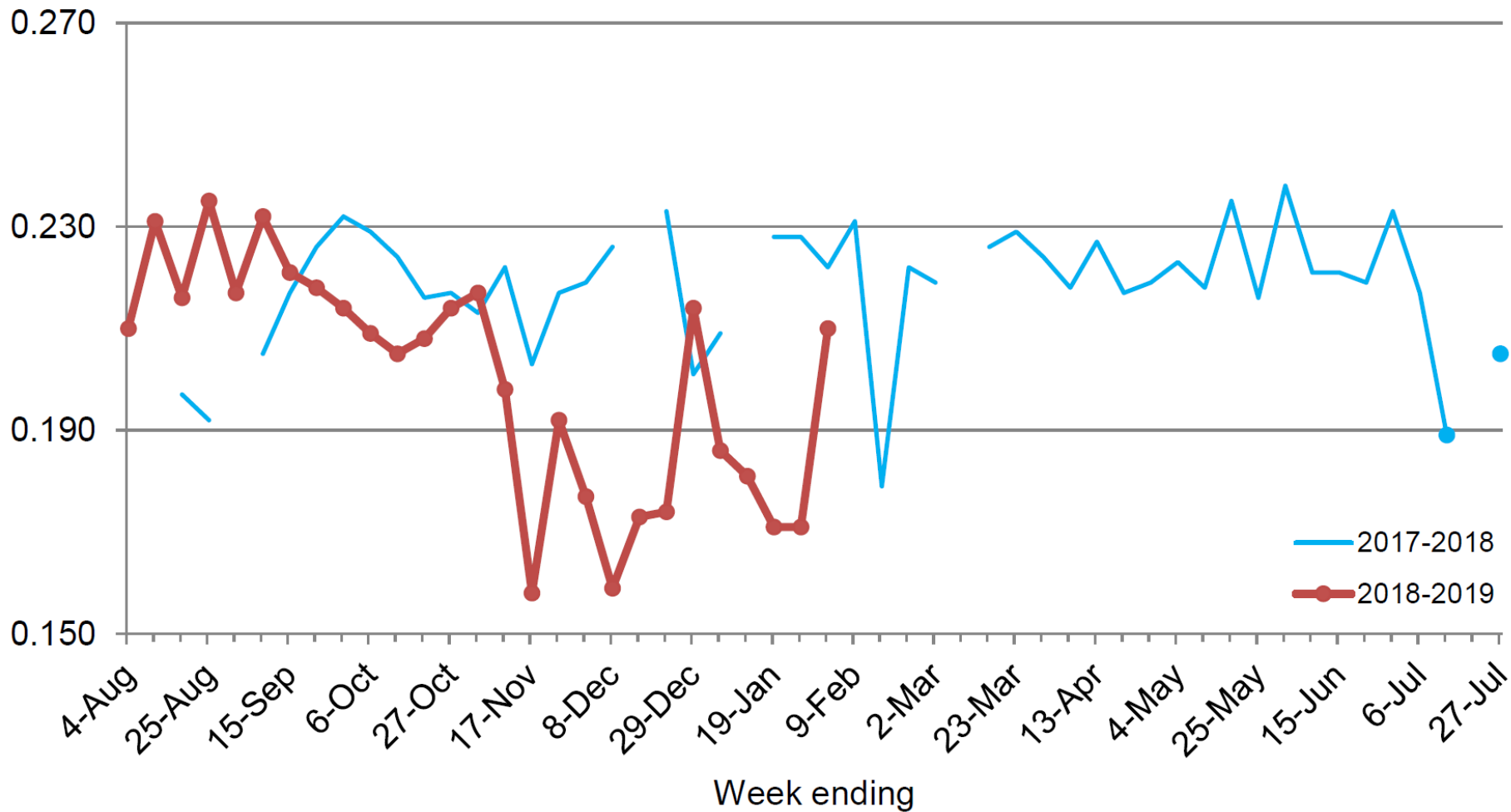
Price Loss Coverage

Marketing Year	Payment Rate	Pay Date
2014/15	\$0.0475/lb or \$95/ton	October 2015
2015/16	\$0.0745/lb or \$149/ton	October 2016
2016/17	\$0.0705/lb or \$141/ton	October 2017
2017/18	\$0.0385/lb or \$77/ton	October 2018
2018/19	Projected: \$0.0525/lb or \$105/ton	October 2019



Runner-Type Peanut Prices – United States

Dollars per pound



Peanut Summary

- Acres decreased 24% in the US and 21% in GA. However, an oversupply in 2017 and strong yields in 2018 have kept peanut prices down.
- Domestic food use continues a slow and steady increase but with exports down slightly, overall U.S. demand has become stagnant.
- Production needs to decrease again in 2019 for prices to start to increase.
 - Reduced acres and/or lower yields.

Corn and Soybean Update

Corn and Soybean Highlights

- Corn:
 - Production down to 14.4 billion bushels – 3rd highest on record.
 - Positive demand signals including strong exports and declining ending stocks.
 - Slight increase in acres.
 - Slight upward movement in price.
- Soybean:
 - Record production at 4.5 billion bushels.
 - Exports to China driving the market.
 - Ending stocks doubled from last year.
 - Brazil will likely be a factor.
 - Less acres, no movement in price.



Inputs Outlook and Row Crop Net Returns

Slides provided by Amanda Smith

2019 Inputs Outlook

- Land values, stable \leftrightarrow
- Cash rents, stable to down \leftrightarrow to \downarrow
- Seed prices, stable to up \leftrightarrow to \uparrow
- Fertilizers, up
 - Budgets: N = \$0.50, P = \$0.44, K = \$0.32 \uparrow
- Diesel fuel: \$2.50/gal, down \downarrow
- Chemical prices, mixed \leftrightarrow
- Machinery, labor and interest, up \uparrow

Comparison of 2019 Estimated Net Returns, Irrigated

	Corn	Cotton	Grn Sorgh	Peanuts	Soybeans
Expected Yield	200	1,200	100	4,700	60
Expected Average Price ¹	\$4.50	\$0.72	\$4.20	\$400	\$8.80
Crop Income	\$900	\$864	\$420	\$940	\$528
Variable Costs ²	\$620	\$554	\$320	\$670	\$288
Net Return Per Acre Above VC	\$280	\$310	\$100	\$270	\$240
Net Return per Acre Above VC + \$190 Land Rent	\$90	\$120	(\$90)	\$80	\$50

1/ Expected average price. Cotton includes LDP and quality premium.

2/ Assumes Jan 2019 costs, [Crop Comparison Tool](#), Department of Agricultural and Applied Economics, UGA

Comparison of 2019 Estimated Net Returns, Non-Irrigated

	Corn	Cotton	Grn Sorgh	Peanuts	Soybeans
Expected Yield	85	750	65	3,400	30
Expected Average Price ¹	\$4.50	\$0.72	\$4.20	\$400	\$8.80
Crop Income	\$383	\$540	\$273	\$680	\$264
Variable Costs ²	\$318	\$450	\$218	\$590	\$219
Net Return Per Acre Above VC	\$65	\$90	\$55	\$90	\$45
Net Return Per Acre Above VC + \$65 Land Rent	\$0	\$25	(\$10)	\$25	(\$20)

1/ Expected average price. Cotton includes LDP and quality premium.

2/ Assumes Jan 2019 costs, [Crop Comparison Tool](#), Department of Agricultural and Applied Economics, University of Georgia

Thank You! Questions?

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