dg-markets Aaron Curtis mug

Record-breaking decade ends; risk management key moving forward

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It was a record-breaking decade for farmers from 2010-19, both good and bad.

The past 10 years featured record high commodity and land prices the first half of the decade, severe drought in 2012, record yields in 2017-18, and a major jump in ethanol and export demand before ending with trade issues, historically wet weather and record prevented plant acres in 2019.

“Most people in the ag community are not sad to see 2019 be done,” said Aaron Curtis, commodity risk consultant with MID-CO Commodities since 2006. “The two things that stand out are the wet weather and record (19.4 million) prevented plant acres.

“It was really a struggle for a lot of producers (last year),” he noted. “We’re hoping for better opportunities in 2020.”

All eyes will be on USDA this week as it releases “final” crop production numbers, stocks estimates and projections of winter wheat plantings on Friday (Jan. 10). Five days later, the U.S. and China are expected to finalize the first phase of a trade deal.

“The next couple weeks there will be a lot of things to watch,” Curtis said. “We could see some adjustments to harvested acres and corn and soybean yields (for 2019).

“How USDA handles the late harvest, with corn and soybeans still in the field, will be interesting to watch,” the analyst noted. “We may not know until we get further into spring what impact that may have.”

USDA’s most recent forecast pegged national crop yields at 167 bushels per acre for corn and 46.9 bushels for soybeans, with ample stocks.

Farmers, therefore, should be proactive marketers on rallies in the months ahead.

“We end the decade with very comfortable ending stocks,” Curtis said. “That could keep price reactions somewhat muted. Producers need to look for rallies and be proactive with their risk management.”

That’s a stark contrast to the beginning of the decade when a combination of crop production issues and skyrocketing demand pushed commodity prices to record highs.

Chinese soybean demand jumped from 19% of the global soy market in 2001 to 63% by 2018, accounting for roughly one out of every three rows of soybeans grown in the U.S.

Meanwhile, ethanol production surged from less than 4 billion gallons in 2005 and across the 10-billion-gallon mark in 2009 to 16.1 billion gallons by 2018.

“We continue to see demand growth as the population increases,” Curtis said. “We’ve seen a lot of growth in ethanol.”

But the surge in demand was offset in recent years by increased crop production, particularly in the U.S. and South America.

“We continue to see competition outside the U.S.” Curtis said. “We’re not the suppliers of the world anymore.”

Illinois farmers set yield records the past decade with 210 bushels per acre corn and 65 bushels of soybeans in 2018 and an average of 76 bushels for wheat in 2017. They started the decade with averages of 157 bushels for corn and a previous record of 51.5 bushels of soybeans in 2010.

“We continue to see growth in production,” Curtis added. “That speaks to the technology in seed and agronomy.” ENd