

Spring Crop Opportunities (Prospects for Spring Seeded Crops)



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Weather Challenges Dominate the Outlook

- Crop commodity prices have declined somewhat from Fall
- Some cost components continue to come down a bit
- Weather challenges
- Discussion today is based on an assumption that we will get some weather relief in time to plant a spring seeded crop

Dec '23 Corn



What That Implies For a Current Local Price Forecast

- I expect relatively strong local basis for both corn and milo (close to zero, or maybe even positive)
- Depending on location in Oklahoma, implies a local price forecast of \$5.40 to \$5.70 per bushel for both corn and milo

Nov '23 Soybeans



What That Imply For a Current Local Price Forecast

- Around \$13.00 per bushel would be a reasonable estimate.

Cost of Production Projection Summaries

- Grain Sorghum --- \$290 to \$320 per acre before land cost (3 years ago we were in the \$200 area). Add land cost \$335 to \$385 per acre. (corn costs higher by seed cost difference)
- Soybeans --- \$215 to \$245 per acre before land cost. Add land cost \$265 to \$285 per acre.
- Details of major cost components later

What Does That Imply for B.E. Yields

Milo

- Low cost no land charge (\$290 per acre), and high end of current price forecast (\$5.70), BE yield = 51
- High cost including a high land rent (\$385 per acre) and low end of current price forecast (\$5.40), BE yield = 71
- Corn 8 to 10 bushels higher

Soybeans

- Low cost no land charge (\$215 per acre), and current price forecast (\$13.00), BE yield = 17
- High cost including a high land rent (\$285 per acre) and current price forecast (\$13.00), BE yield = 22

Close to The Long-Term Normal Expectation

- Slim margin projections, not a lot of “economic” profit potential for “average” production expectations
- Low cost, or higher yielding producers can expect higher returns
- Difference between now and the past is the magnitude of dollars involved (50% more capital is at risk for each acre), and the obvious ongoing drought challenges

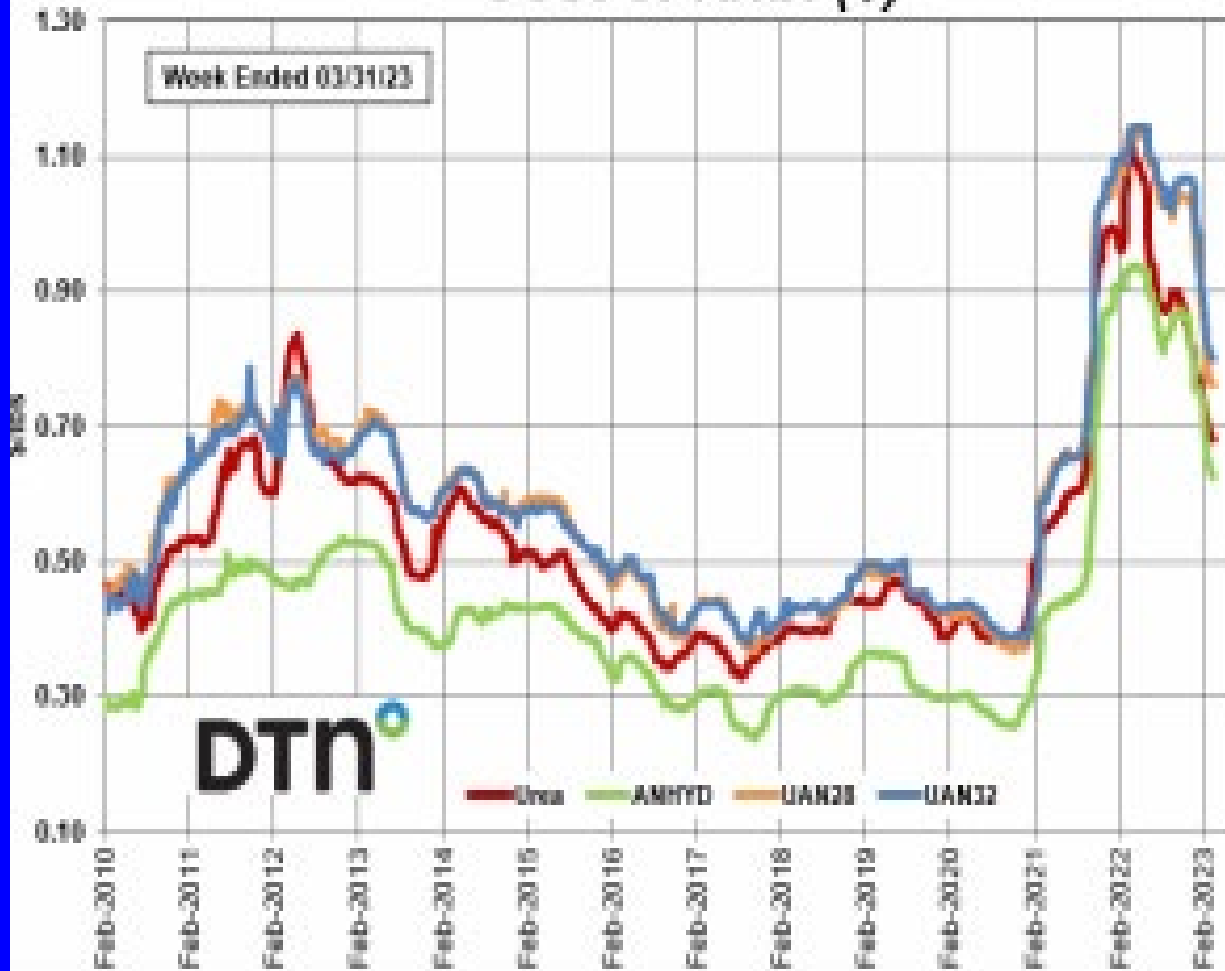
Possibilities For Better Margins

- Look at the Cost Components
 - Seed
 - Fertilizer
 - Harvest
 - Pesticide
 - Crop Ins
 - Machinery Operations
 - Interest
 - Misc
 - Rent or Land Charge

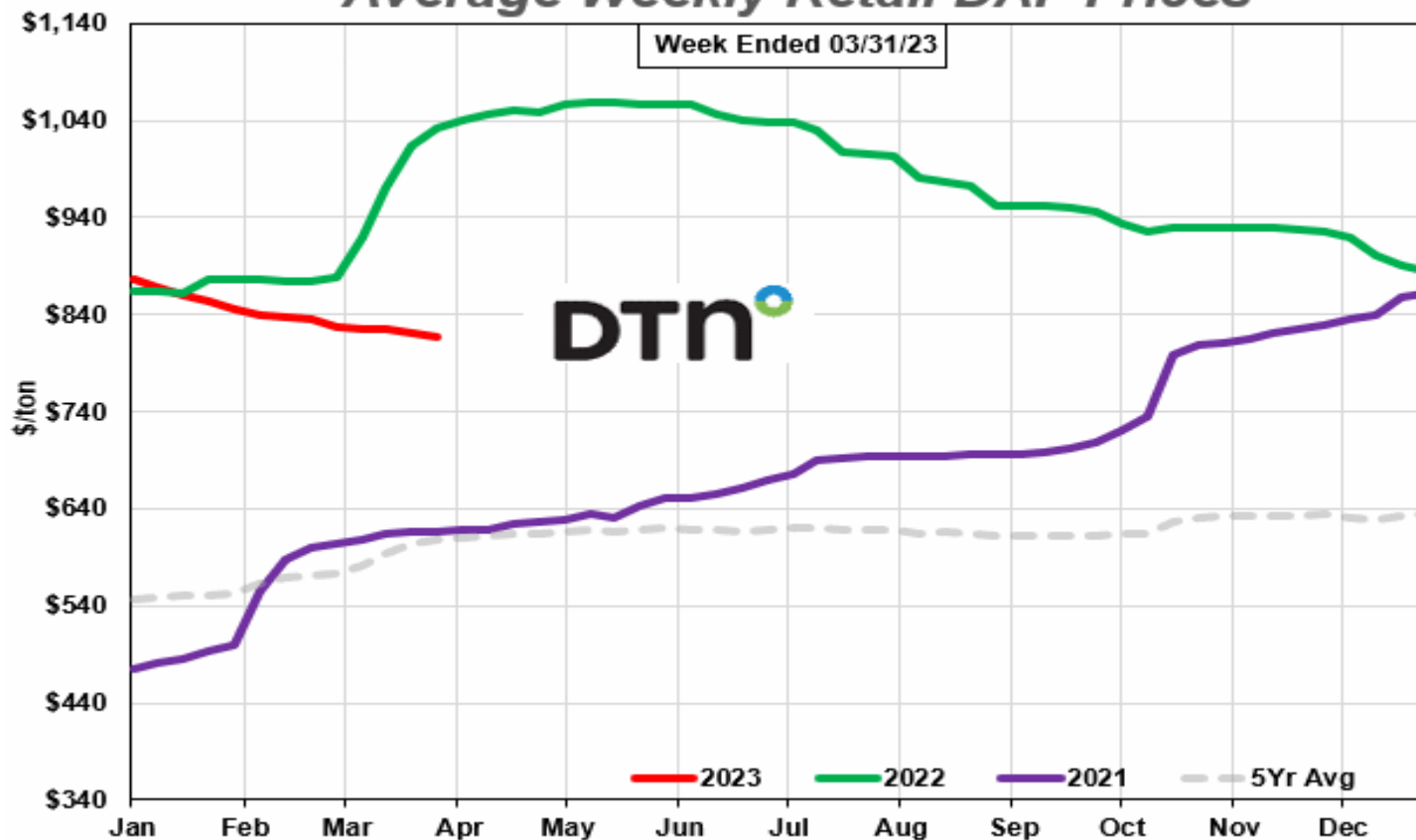
Cost Components

- Seed, more significant component of overall costs for corn. Can we manage seeding rate to cut costs.
- Fertilizer (major contributor to the cost increase recently. Good news it has backed off some.
 - Are you following a crop that yielded poorly in 2022, if so you may have some residual fertilizer out there, may not have to apply the normal amount for the 2023 crop. (There are ways to find out)

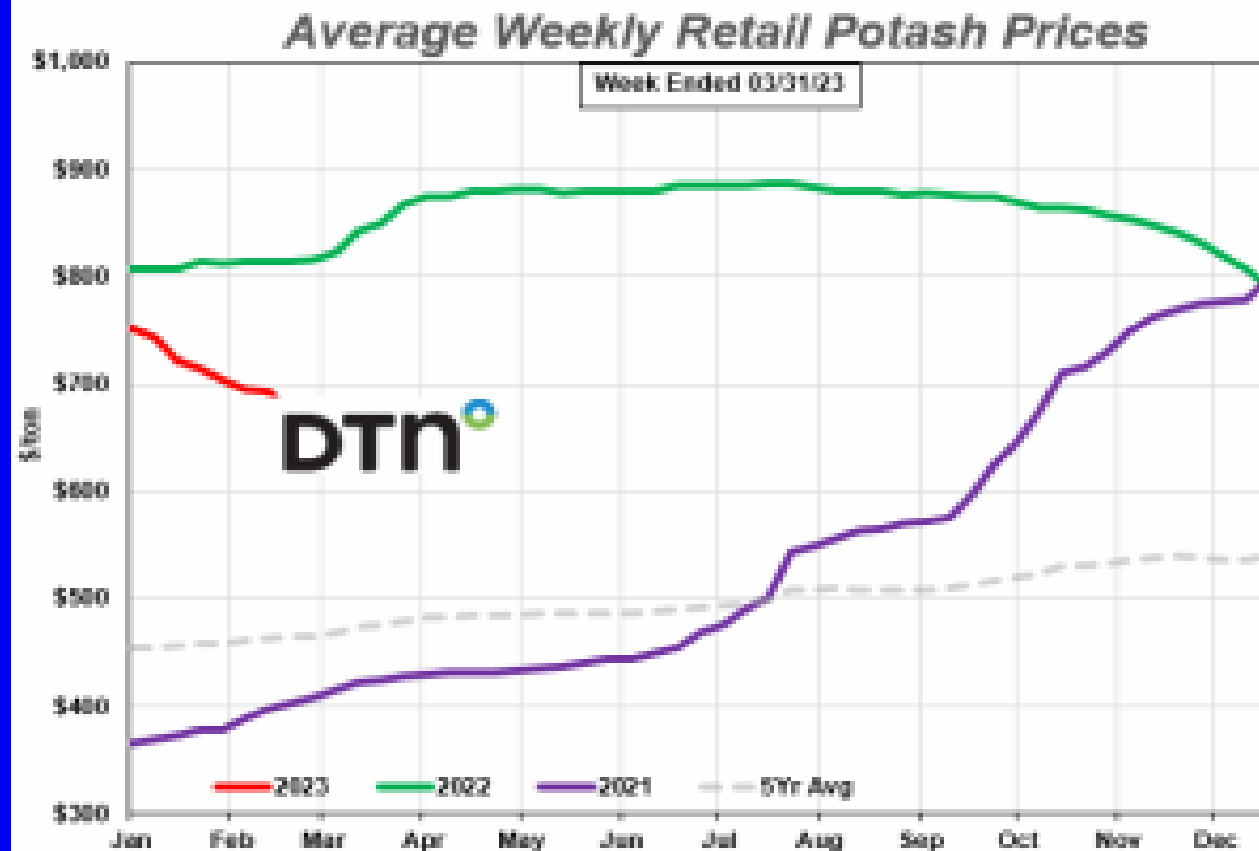
Cost of N/lb. (\$)



Average Weekly Retail DAP Prices



Weekly Potash Chart



Weekly Urea Chart

Cost Components

- Harvest costs will remain high, 30% to 40% higher than a few years ago.
- Herbicide and other pesticide costs are easier to manage than a year ago.
- Crop Insurance, higher, but with the increased risk it is hard to recommend cutting coverage. Enterprise unit coverage saves a lot on premiums, changes the way you have to look at risk

Cost Components

- Machinery operations. Anything that involves using fuel, or wearing out parts is much more expensive now (25% to 40% higher than a few years ago depending on operation).
- The cost of machinery operation has remained high relative to the cost of herbicides (as a general observation), so reduced tillage may be something to consider to reduce costs.

Cost Components

- Interest: has not been a huge component of overall non-land costs. However, rising rates will increase the interest cost component. It becomes a bigger contributor to “land costs” for those producers trying to buy land using borrowed funds
- Rent: strong upward pressure in other regions of the U.S., not hearing as much talk about it here yet.

Possibilities For Better Margins

- Revenue (marketing) opportunities
 - Market price moves are large from an historical perspective. Use a combination of your crop-insurance choice, and forward pricing opportunities to take advantage when positive margins present themselves

Summary

- **Tremendous concern about the ongoing drought conditions. With that in mind, as conditions allow planning for spring crop planting**
 - **Margin projections are a bit tight, a lot more investment per acre is on the line**
 - **There may be some potential for cost management**
 - **A market upswing may provide opportunity to lock in modest positive margins**

I Wish I Had “Better” Answers

- Post any questions or comments in the chat box
- Please give us some feedback
- https://okstatecasnr.az1.qualtrics.com/jfe/form/SV_3f3t9jGcS4dV1Km