Farm Bureau

Analyst: ‘Irrational’ fluctuations may help crop prices

Commodity prices often related to market emotions

By MATEUSZ PERKOWSKI
Capital Press

NEW ORLEANS — Though economic fundamentals don’t support a sharp surge in commodity crop prices, that doesn’t mean the outlook for U.S. farmers is entirely pessimistic, according to a market analyst.

Farmers in the coming year may be able to take advantage of swings in the commodity crop market due to “irrational” shifts that are divorced from actual supply and demand over the long term, said Todd Hultman, grain market analyst with the DTN information service.

Mateusz Perkowski/Capital Press

Todd Hultman, grain markets analyst with the DTN information service, speaks about crop prices at the American Farm Bureau Federation’s convention in New Orleans on Jan. 13.

“When it comes down to it, markets are people. Prices don’t come from a textbook or mathematical models, they come from people,” Hultman said at the American Farm Bureau Federation’s annual convention in New Orleans on Jan. 13.

Corn’s price is highly correlated with other crops, such as soybeans and wheat, but it also tends to track other commodities, such as gold, copper and crude oil, Hultman said.

Volatile swings in these markets can be triggered by perceptions that don’t directly relate to market fundamentals, he said. For example, corn prices dropped from roughly $8 to $3 per bushel during the 2008 financial crisis without dramatic changes in yield or inventory.

Mere fears of a drought or another weather event can affect this “big interconnected haggling process” enough to have a significant financial impact on farmers, Hultman said. “It doesn’t take a lot to move a market.”

That’s likely to be particularly true in 2019, since inventory levels of corn are expected to be in a range that’s associated with wide price fluctuations, he said.

Current projections anticipate “ending stocks” of corn will represent about 14 percent of corn usage in 2019, Hultman said.

When the ratio of ending stocks to usage is below 7 percent, it signals a “bull market” for corn prices, but if it’s above 16 percent, it signals a “bear market,” he said.

When the ratio falls between those two benchmarks, however, corn prices tend to be less predictably associated with supply and demand, he said. “It’s not as well defined as we think it is.”

In light of uncertainties such as Chinese tariffs on U.S. farm exports, Hultman said the price of corn next year could fall between $2.80 and $3.80 per bushel.

“In times of surplus, these irrational rallies are the best opportunities to shoot for,” he said.

Western federal lands policy open to challenge, attorney says

By MATEUSZ PERKOWSKI
Capital Press

Federal ownership of vast acreage across the West is vulnerable to a constitutional challenge by affected state governments, according to a public lands attorney.

While court rulings until now have supported the federal government’s control over Western public lands, attorney George Wentz said those cases predate the Federal Land Policy and Management Act of 1976, which made federal ownership permanent.

An argument could be made that federal ownership of major swaths of 12 Western states effectively deprives them of the same sovereignty as the remaining 38 states, he said.

George Wentz,

“Why are we inferior because we chose to live in the West?”

Wentz asked growers at the American Farm Bureau Federation’s annual convention in New Orleans on Jan. 13.

For reasons of legal standing, it’s likely that FLPMA would have to be challenged by a state government impacted by the law, but none have stepped up to the challenge so far, said Wentz, who has represented Utah in a dispute over federal land management.

In the case of Oregon, Idaho, Utah, Nevada and Alaska, the federal government owns more than half the land mass.

Realistically, such vast federal ownership of public land limits the ability of Western states to develop economically and attract residents, effectively hindering their political power permanently, Wentz said.

“A less-than-sovereign state can’t protect its citizens in the way a fully sovereign state can,” he said. “How do I compete with Texas, how do I compete with New York, how do I compete with Florida?”

The U.S. electoral system has basically been “gerrymandered” to favor populous states in the East and Midwest over sparsely populated ones in the West, he said.

Guest farmworker reforms unlikely, attorney says

By MATEUSZ PERKOWSKI
Capital Press

NEW ORLEANS — The showdown over immigration and border security may have an upside if U.S. lawmakers reconsider improving the agricultural guestworker system, according to an attorney tracking the issue.

However, attorney Leon Sequeira told growers attending the American Farm Bureau Federation’s convention in New Orleans on Jan. 13 this outcome didn’t have a high probability of materializing in the coming year.

At the conclusion of his presentation, Sequeira compared such a development to other unlikely occurrences as he showed a slide depicting a sasquatch, a leprechaun, and several extraterrestrials.

Mateusz Perkowski/Capital Press

Bob Boehm, left, general manager of Great Lakes Agricultural Labor Services, and attorney Leon Sequeira, center, speak about guest farmworkers with attendees at the American Farm Bureau Federation’s annual convention in New Orleans on Jan. 13.

Since 2005, the federal government’s H-2A agricultural guestworker program has grown by roughly 400 percent, to more than 240,000 annual positions, and is on track to hit 300,000 positions, he said.

The expansion is partly propelled by the participation of large farms in Washington, each of which can employ hundreds or even more than a thousand H-2A workers, Sequeira said.

What’s worrisome to farmers is the rising minimum wage paid to these workers, known as the adverse effect wage rate, which has climbed from a national average of $8.61 per hour in 2015 to $12.96 in 2019, he said.

With Democrats winning a majority in the House and the retirement of a longtime champion of agricultural guestworker reform — Rep. Bob Goodlatte, R-Va. — it’s unlikely Congress will soon undertake such controversial legislation, Sequeira said.

The Democrat-controlled House is more likely to now focus on providing a path to citizenship for workers who are in the U.S. illegally, he said.

Disputes over the status of farm workers already living in the U.S. illegally helped sink several attempts at agricultural guestworker reform since 2017, he said.

It became apparent there was strong Republican support for a bill to make the guest farm worker program more flexible, such as one proposed by Goodlatte that would have allowed up to 450,000 such positions annually and permitted year-round operations, such as dairies, to participate, Sequeira said.

“We were within striking distance,” he said.

The attempts ultimately weren’t successful partly because employers on the West Coast, some of whom heavily rely on undocumented farm workers, were unhappy with provisions impeding a path to legal status for such immigrants, Sequeira said.

While the American Farm Bureau Federation tries to take incremental steps toward improving access to legal guestworkers, the situation becomes complicated if the changes favor some growers over others, said Paul Schlegel, the organization’s managing director for public policy.

“You get into a political tug-of-war,” he said.

For now, the existing H-2A program will largely remain the only viable legal option for many labor-dependent farmers, said Bob Boehm, general manager of Great Lakes Agricultural Labor Services, which assists growers with the program.

Foreign workers consider obtaining an H-2A visa “like winning the lottery” due to higher wages and free housing, while farmers appreciate the predictability of the program, he said. For example, H-2A workers can be depended upon to stay through the end of the growing season instead of moving elsewhere.

“It’s often those tail ends where your profit is,” Boehm said.