2019 is one of THOSE years

For many of us, certain years are permanently imprinted in the brain: 1983, 1993, 1995. While rainfall in generally welcomed, there are those years when one wishes that it would just hold off long enough to get the crop in the ground.

2019 is destined to join that company. Worse than that, it looks like 2019 will be a perfect storm of adversity for corn and soybean producers.

To start with, there are tens of thousands, if not millions, of acres that will not get planted to corn this year. While soybeans are the usual follow-up when it’s too late for corn, the soybean price is not encouraging, and more soybeans will not help the price.

Depending on the type and level of coverage selected, crop insurance may do little more than cover some of the input costs. It certainly will not provide the level of protection it did in response to the 2012 drought, but it’s better than waiting for Congress to pass an ad hoc disaster relief package.

With late planting and soggy ground, several problems arise. The crop may be slow to emerge, and development may be delayed. The damp environment may give rise to the spread of plant diseases. And with late planting, growing degree days become a major factor for corn that is already in the ground.

In contrast to production problems in the US, reports coming out of South America indicate that the safrinha corn crop may be at near record levels. In addition, a record or near-record Eastern European wheat crop could put additional pressure on feed grain prices including corn.

This year we are seeing the potential effect of the spread of African Swine Fever (ASF) in the Chinese hog herd on soybean imports. If the reported level of the slaughter of hogs to control the spread of the disease is as large as might be expected, the need for imported soybeans could be reduced for an extended period of time.

Most of the issues we have discussed so far are ones that familiar to farmers. What is different is the trade environment. The last time farmers had to deal with a situation like the US-China trade dispute was 1980 when the Carter administration placed an embargo on grain shipments to Russia in response to their invasion of Afghanistan. Even if the dispute were to be resolved in the next month, it would be months and more likely years—if ever—before US soybean markets would return to the relative level they were before the Trump administration levied tariffs on Chinese imports. It takes years to develop export markets, but it only takes one mistake to undo all that work.

Farmers could take most of this adversity in stride, if the US agricultural economy had not taken a severe hit over the last five years. For the 2011-2013 period, US net farm income averaged $111 billion. In the 5 years since then, net farm income has seen a steep decline to the $63 billion forecast for 2018. That leaves farmers with little remaining financial resilience to weather the consequences of crop production problems this year. And, the current farm bill with its weak commodity programs has little to offer farmers who are facing grim circumstances this year.

It didn’t have to be this way. Farm programs could have been designed in 2014 and 2018 in a way that would leave farmers in a position where they could make their way through a year like 2019. If we had adopted a supply management program that set the nonrecourse loan rate at 95 percent of the previous five years’ olympic average of the cost of production, farmers would have the wherewithal that they need to get through a year like this.

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