

# Agricultural Market Situation and Outlook

May 8, 2020

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**NDSU**

EXTENSION

# At the End

**Q&A:** Please use Chat

**Feedback:** 3 quick questions

<https://bit.ly/AgEconCOVID>

# Unemployment, Mortgages, and Farmer Sentiment

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# BLS Unemployment Metrics

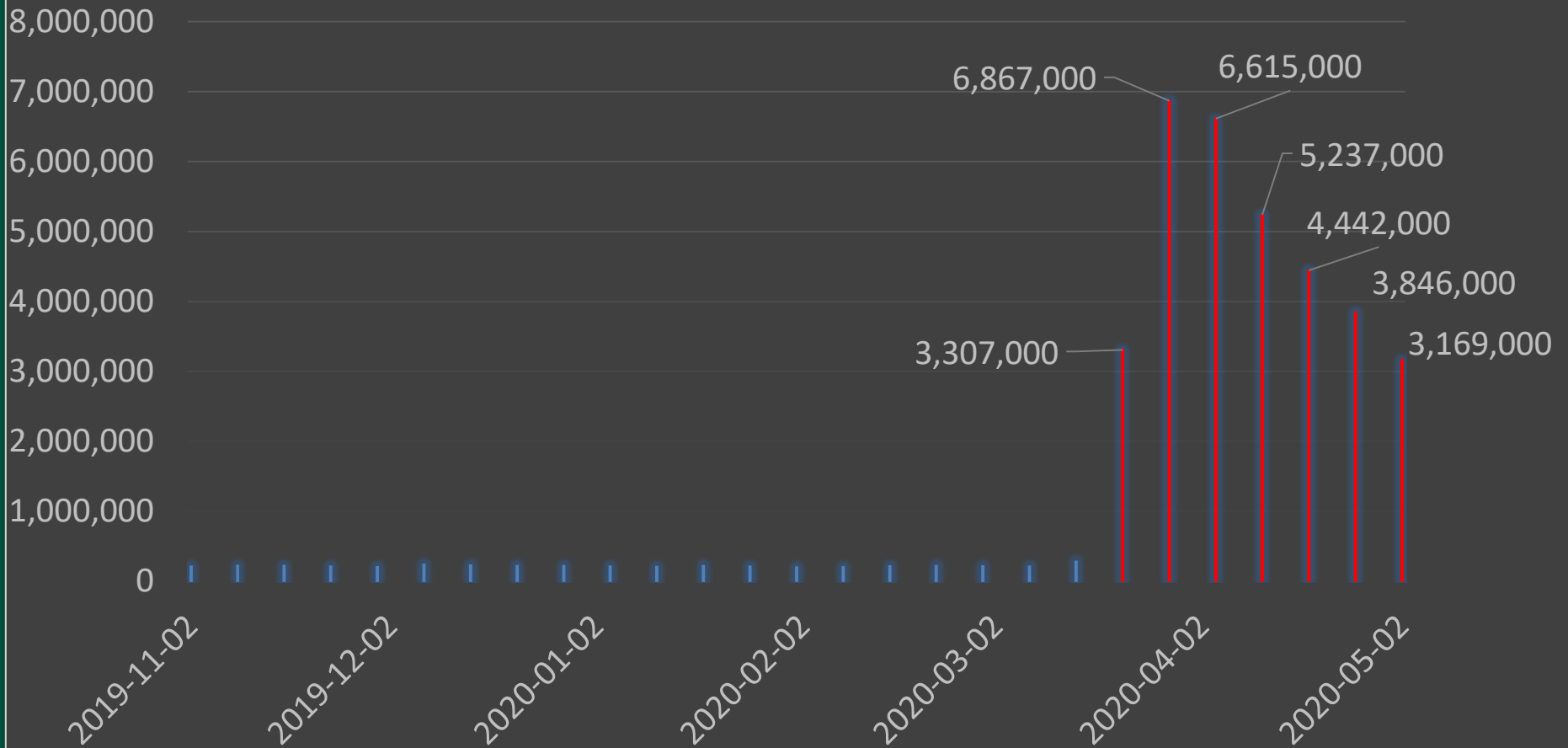
Measure	Seasonally Adjusted			
	Dec. 2019	Jan. 2020	Feb. 2020	Mar. 2020
<b>U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force</b>	1.2	1.2	1.2	1.2
<b>U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force</b>	1.6	1.6	1.7	2.4
<b>U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)</b>	<b>3.5</b>	<b>3.6</b>	<b>3.5</b>	<b>4.4</b>
<b>U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers</b>	3.7	3.8	3.8	4.7
<b>U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force</b>	4.2	4.4	4.4	5.2
<b>U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force</b>	<b>6.7</b>	<b>6.9</b>	<b>7</b>	<b>8.7</b>

# Job losses (BLS Data)

- Nonfarm payrolls lost 20.5 million jobs in April
  - This is the largest 1 month drop in employment in both percentage, and total number in history
- U-3 unemployment hit 14.7%
  - Up from 3.5% before COVID 19 crisis
  - Financial crisis was 10.8% during height
- U-6 Unemployment (“real unemployment”)
  - 22.8%, up from about 8.7%

# Weekly U.S. New Jobless Claims Since April 2019

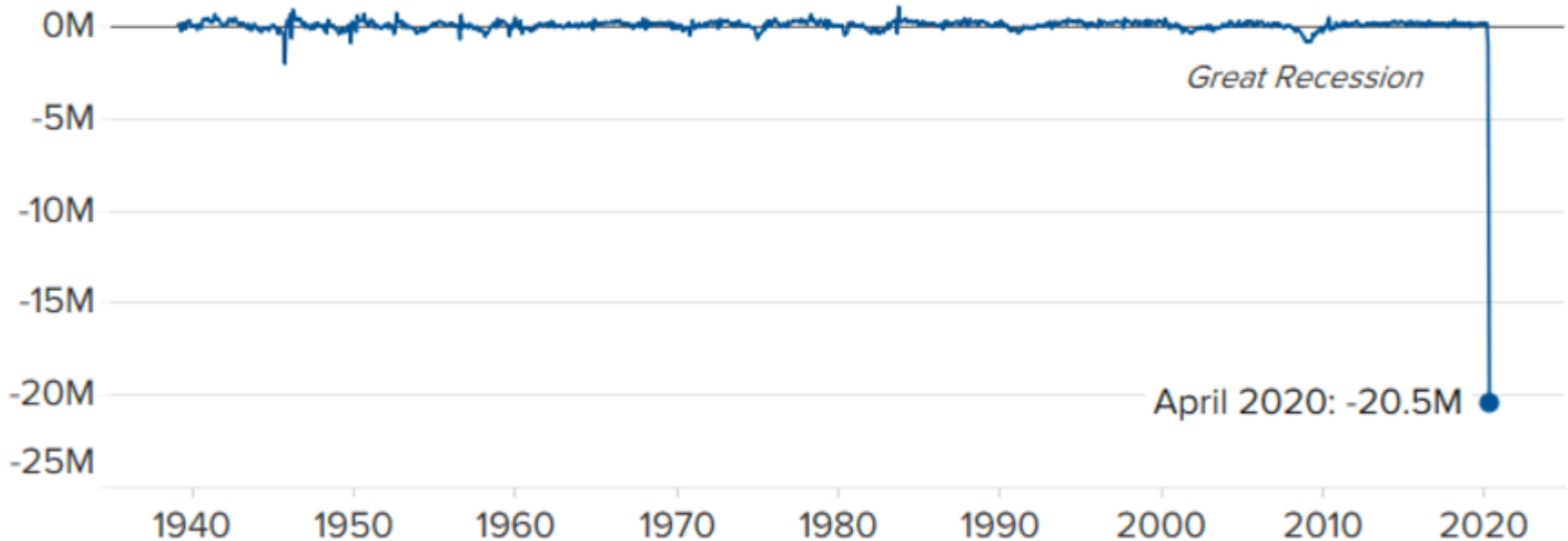
U.S. Weekly Jobless Claims



# Chart from CNBC – Jeff Cox

## Historic job loss figures reported for April

Total nonfarm payrolls, change from previous month, since 1939



SOURCE: Bureau of Labor Statistics. 1939 is earliest data available from the BLS.



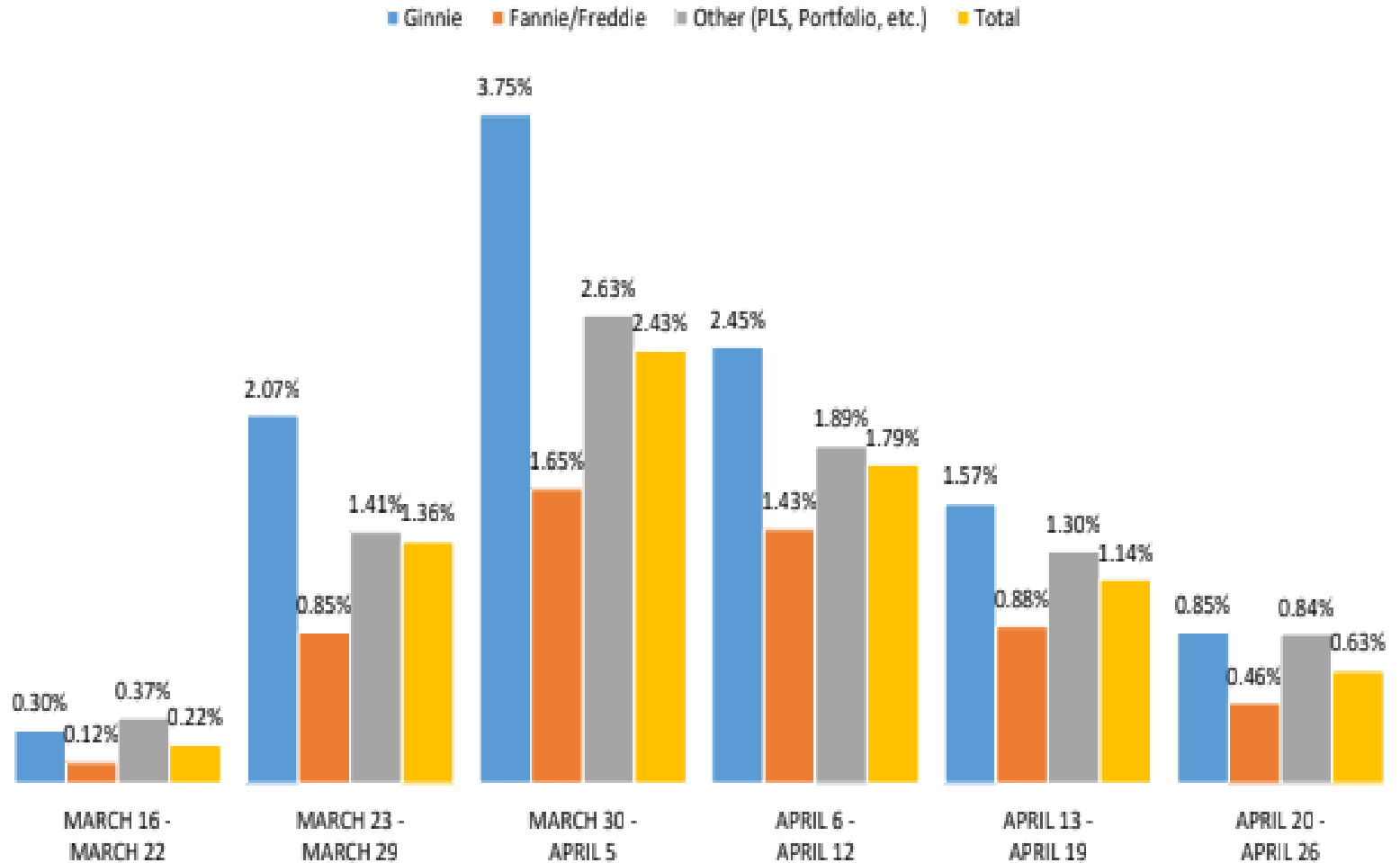
<https://www.cnbc.com/2020/05/08/jobs-report-april-2020.html>

# Labor Force

- What jobs will come back and how fast?
  - Opinions vary widely on how many businesses will wind up surviving
  - How long until new businesses replace those that did not survive
- What will happen to Hourly Earnings
  - Long term unemployment tends to depress wages



# Weekly Borrower Forbearance Requests as % of Servicing Volume (#)



Source: Chart from Mortgage daily News, Jann Swanson, "Forbearance Problem Remains Huge, But the Pace is Slowing" 4 May 2020.

[http://www.mortgagenewsdaily.com/05042020\\_covid\\_19\\_forbearance.asp](http://www.mortgagenewsdaily.com/05042020_covid_19_forbearance.asp)

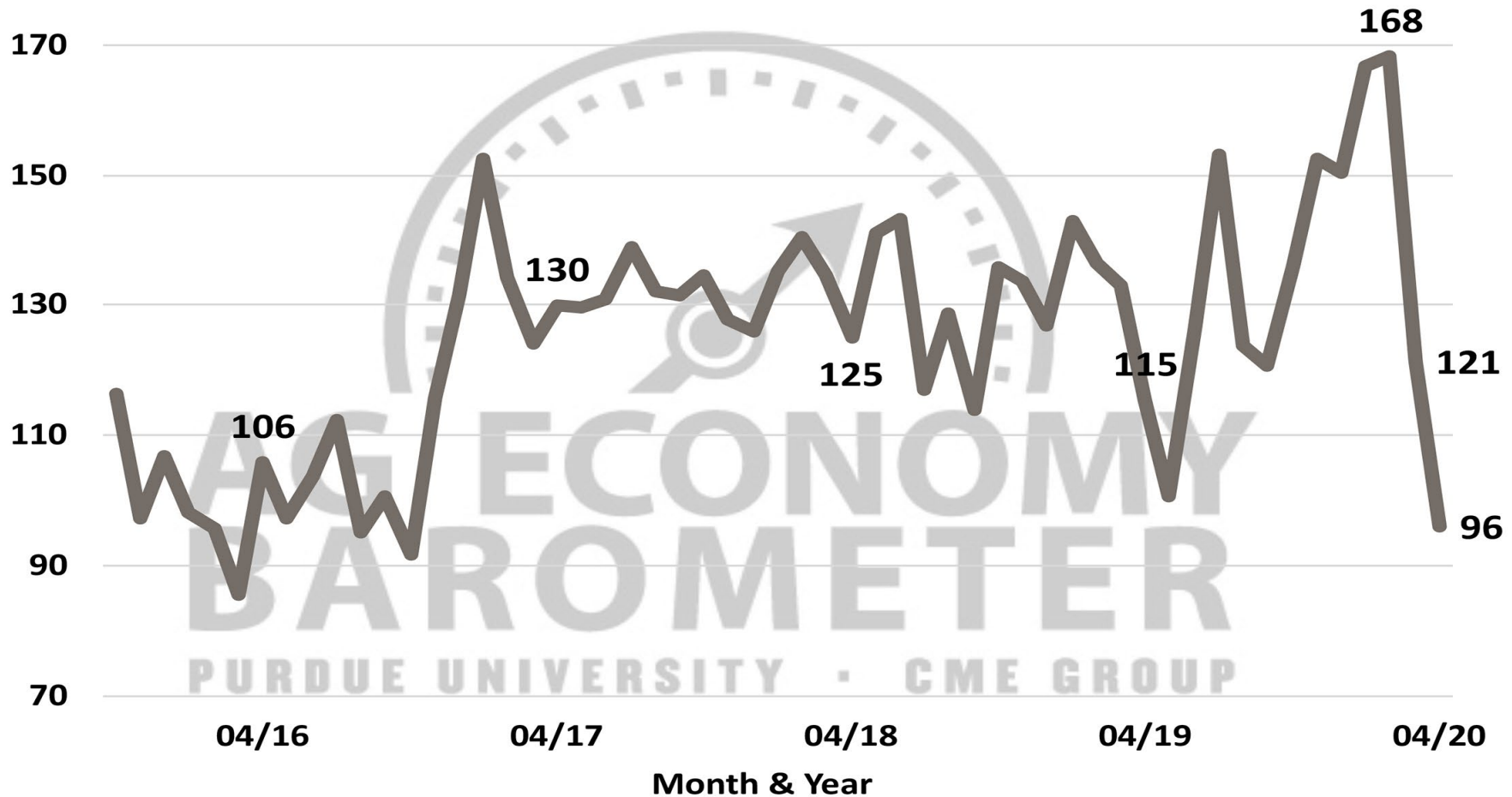
# Forbearance Plans

- Some plans add the payments onto the end of the loan w/ interest
- Some plans have interest continue to accrue w/ a lump-sum payment due once the forbearance ends
- In total 3.5 Million borrowers (approximately 7%) have requested forbearance

# Purdue University Ag. Barometer

## Ag Economy Barometer

Index Value



# Purdue Ag. Barometer Continued

## Indices of Current Conditions and Future Expectations

Index Value

190

170

150

130

110

90

70

Index of Current Conditions

Index of Future Expectations

175

154

126

108

72

04/16

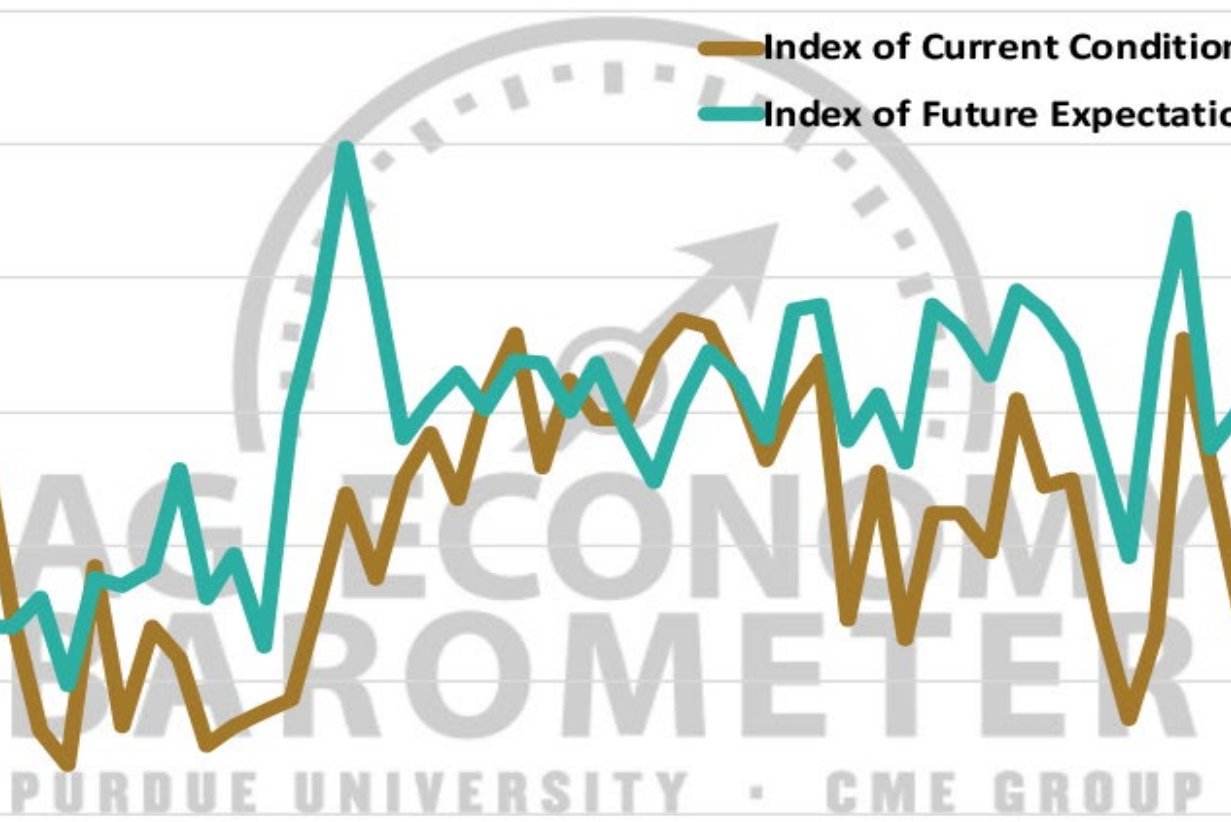
04/17

04/18

04/19

04/20

Month & Year



# Preview of the May USDA – WASDE Report

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# World Agricultural Supply and Demand Estimates (WASDE)

- *May* is the first month the USDA World Board provides forecasts for the new marketing year; 2020/21.
  - Corn and Soybean MY = Sept. 1 to Aug. 31
  - Wheat MY = Jun. 1 to May 31
- Will also update forecasts for 2019/20 usage (demand).
- Report will be released at **11:00 am CT on Tuesday, May 12, 2020.**

# Pre-report Industry Estimates

U.S. Ending Stocks (Billion Bushels)						
	2019/20 MY			2020/21 MY		
	Wheat	Corn	Soybean	Wheat	Corn	Soybean
<b>Average Estimate</b>	<b>0.969</b>	<b>2.224</b>	<b>0.488</b>	<b>0.814</b>	<b>3.389</b>	<b>0.430</b>
Highest Estimate	1.041	2.457	0.542	0.971	4.295	0.635
Lowest Estimate	0.925	2.092	0.430	0.696	2.665	0.299
<b>USDA – April Est.</b>	<b>0.970</b>	<b>2.092</b>	<b>0.480</b>	----	----	----

Note: Industry estimates of USDA forecasts.

# World Agricultural Supply and Demand Estimates (WASDE)

- 2020/21 Production Estimates:
  - Prospective Plantings Report for acreage.
    - Corn = 96.99 million acres (89.70 last year)
    - Soybean = 83.51 million acres (76.10 last year)
    - All Wheat = 44.66 million acres (45.16 last year)
  - Trend line yields adjusted for planting progress.
    - May 4, 2020 Crop Progress report
    - Corn = 51% (39% is five year average)
    - Soybean = 23% (11% five year average)
    - Spring Wheat = 6% (16% five year average)



# World Agricultural Supply and Demand Estimates (WASDE)

- 2020/21 Usage (Demand) Estimates:
  - Based on statistical forecasting at both the national and world levels.
    - World supply/use is needed to forecast U.S. export levels.
  - Very complex process and difficult to do well.
    - Many private analytical firms use subjective forecasts for usage (increase/decrease from last year's levels).
    - Export levels are most difficult to forecast accurately.

# World Agricultural Supply and Demand Estimates (WASDE)

- 2019/20 Usage (Demand) Estimates:
  - Statistical forecasting updated with actual values, when available.
  - Examples:
    - Forecasted total export levels are revised based upon actual weekly export sales.
    - Forecasted total ethanol use for corn is revised based upon actual weekly ethanol production.
    - Forecasted total soybean crushing is revised based upon monthly survey of oilseed crushers.

# What Am I Watching?

- 2020/21 Estimates:
  - Corn Usage:
    - Ethanol – Recovery in miles driven?
    - Feed – Adjustments to livestock inventories?
    - Exports – World production of meat?
  - Soybean Usage:
    - Exports – U.S. – China Phase One Agreement implementation and world production of meat?
  - Wheat Usage:
    - Exports – Will the U.S. be price competitive?

# Pre-report Industry Estimates

## 2019/20 South American Production (Million Metric Tons)

	Argentina		Brazil	
	Corn	Soybean	Corn	Soybean
<b>Average Estimate</b>	<b>49.54</b>	<b>51.36</b>	<b>99.28</b>	<b>123.13</b>
Highest Estimate	50.00	52.50	101.00	124.50
Lowest Estimate	49.00	50.00	97.00	120.58
<b>USDA – April Est.</b>	<b>50.00</b>	<b>52.00</b>	<b>101.00</b>	<b>124.50</b>
<i>USDA – 2018/19</i>	<i>51.00</i>	<i>55.30</i>	<i>101.00</i>	<i>117.00</i>
USDA – 2019/20 U.S. Production	347.78	96.84	347.78	96.84

Note: Industry estimates of USDA forecasts.

# Livestock Price Situation and Outlook

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[www.ndsu.edu/  
livestockeconomics](http://www.ndsu.edu/livestockeconomics)



**USDA sends proposed CFAP rule to OMB..** USDA on Tuesday morning finally sent the proposed rule to implement the Coronavirus Food Assistance Program (CFAP) to the White House Office of Management and Budget (OMB). USDA Secretary Sonny Perdue previously said he wanted sign-up for the CFAP to take place early this month, with payments by the end of May to early June. OMB staffers have been working with USDA personnel on the rule, so it should not take as long as some traditional rulemaking proposal timelines—turnaround could be as soon as week's end. A major question is whether USDA will scrap or raise pay cap levels for the program.

**Perdue: Payment limits will be increased on CFAP payouts** from initial expectations... As expected, USDA Secretary Sonny Perdue capitulated to a crescendo of complaints that the initial payment caps under the coming Coronavirus Food Assistance Program (CFAP) should be higher than initially suggested. Perdue made the comments in interview with Brownfield Ag News. "We've adjusted those payment limits and we'll see those when the rules come out," he said.

Hoeven said he sees synergy building around a push to boost USDA's Commodity Credit Corporation funding program to \$50 billion, at least to get through the coronavirus.

**ALL BEEF PACKERS REOPEN BUT CARGILL-SCHUYLER NEB CLOSES**

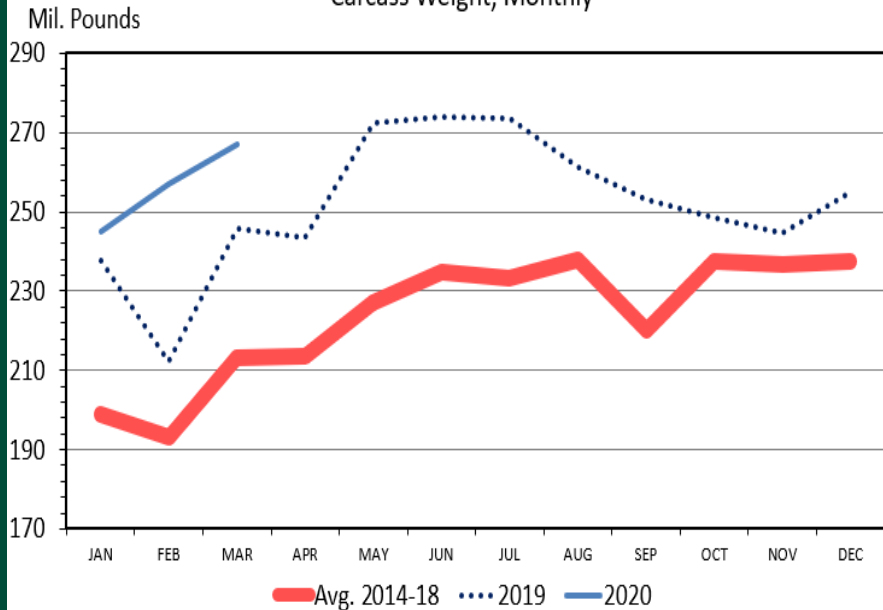
**Perdue Issues Letters On Meat Packing Expectations**

**Trump Asks DOJ To Investigate Meat Packers**

**Talk surfaces of a "Fed Cattle Set Aside Program"**

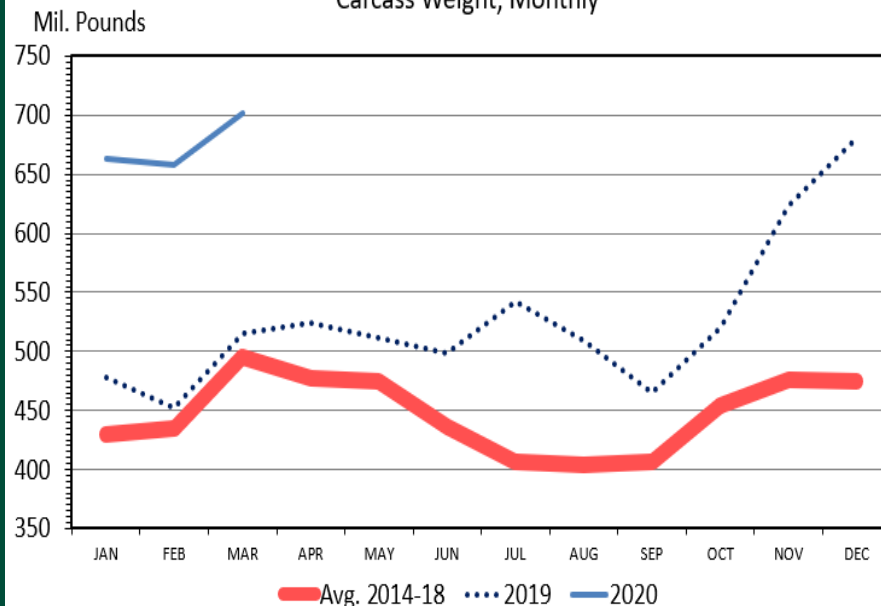
### US BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



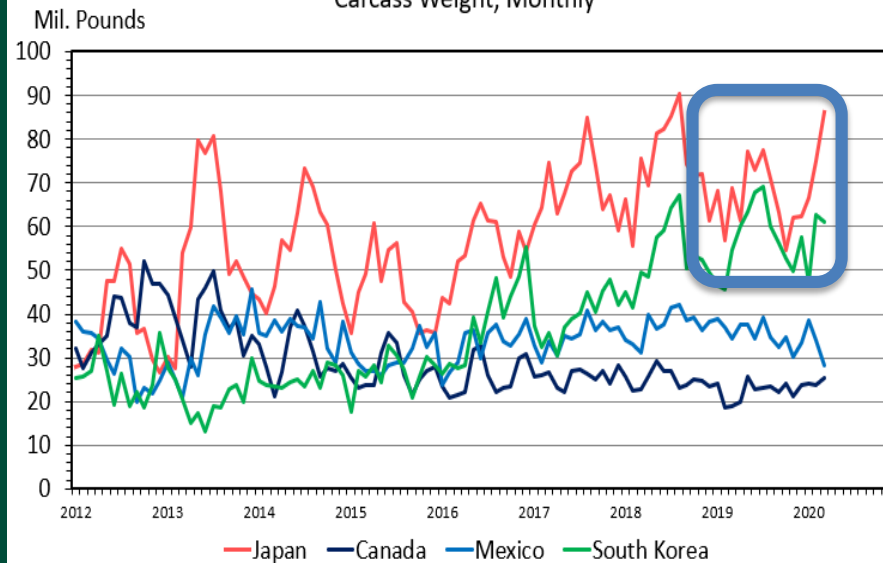
### US PORK EXPORTS

Carcass Weight, Monthly



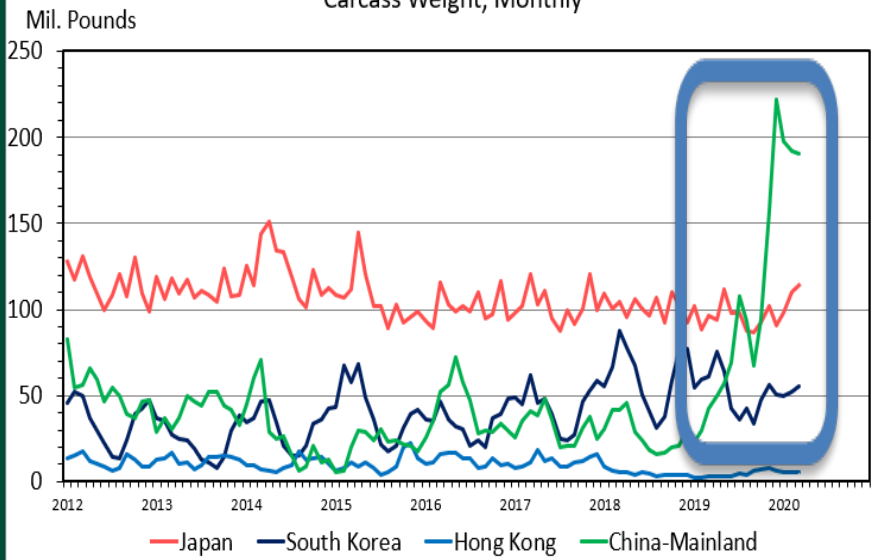
### US BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



### US PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly





**LIVESTOCK SUMMARY**

	Current Week	Last Reported 4/27/2020	Last Year
Total Receipts:	1,625	7,564	
Feeder Cattle:	1,625(100.0%)	7,564(100.0%)	0(0.0%)

Compared to last week: Only 1 reported auction this week, too few offered to make a complete comparison. Demand moderate to good,

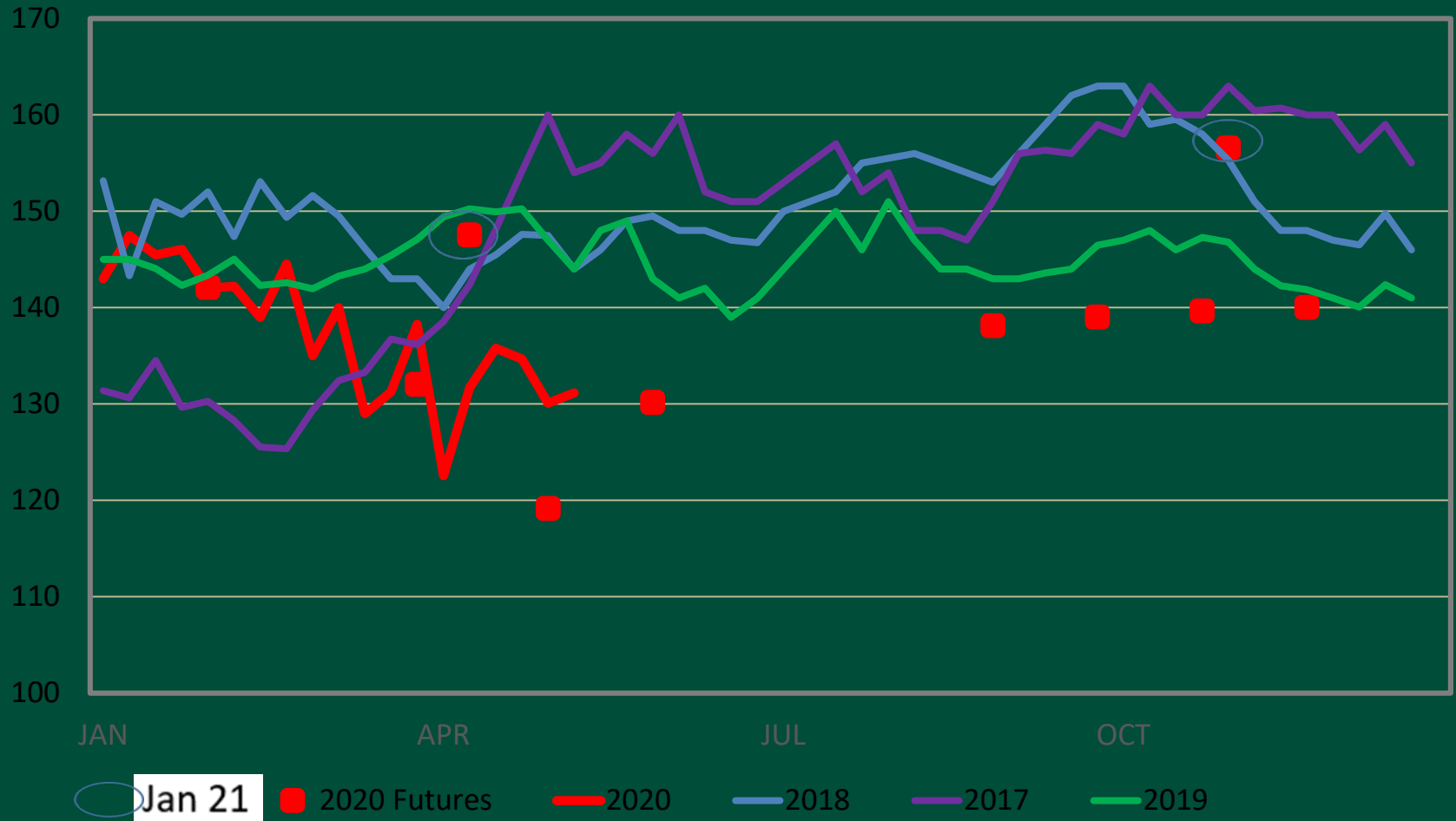
**STEERS - Medium and Large 1 (Per Cwt / Actual Wt)**

<u>Head</u>	<u>Wt Range</u>	<u>Avg Wt</u>	<u>Price Range</u>	<u>Avg Price</u>
4	374	374	190.00	190.00
20	469-493	475	179.00-179.50	179.37
15	510-521	517	165.00-172.00	170.24
19	567-583	570	156.00-161.50	160.61
80	606-635	624	148.50-155.00	151.46
59	656-697	686	133.00-143.50	140.41
119	708-747	723	137.50-143.00	141.32
109	758-792	770	125.00-134.75	131.15
6	816	816	126.00	126.00
48	875-878	875	111.00-117.00	116.37
9	902-925	917	112.75-115.00	113.49



# MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



# Current Livestock Risk Protection Coverage

Feeder cattle and fed cattle not offered on Wed and Thurs due to limit up Live Cattle and Feeder Cattle futures

Lamb LRP not offered since Mar 30 due to insufficient price reporting

<https://public.rma.usda.gov/livestockreports/main.aspx>

# The Intersection of the Cattle and Beef Industries Webinar Series



Cattle producers, consumers and decision makers will have an opportunity to learn more about the current issues in the cattle and beef industries through the **Intersection of the Cattle and Beef Industry** webinar series. North Dakota State University Extension is co-hosting the series with Texas A & M Agrilife Extension and West Virginia University.

The first two-hour webinar in the "Intersection of the Cattle and Beef Industries" series will be held May 7 at 7 p.m. CDT.

**Registration is required.**

[www.ag.ndsu.edu/livestockextension/intersectionwebinars](http://www.ag.ndsu.edu/livestockextension/intersectionwebinars)

## Webinar Schedule

- May 7, 2020, Overview of MCOOL, Imports and Exports, Packer Profits, Local Meats, Protein Industry Euthanasia, and Beef Check Off
- May 12, 2020, In depth perspective of MCOOL, Imports and Exports
- May 14, 2020, In depth perspective of Packer Profits
- May 19, 2020, In depth perspective: Will we be euthanizing cattle like hogs and poultry?
- May 21, 2020, In depth perspective of Local meats: Challenges and Opportunities
- May 26, 2020, In depth perspective of The Beef Checkoff
- May 28, 2020, In-depth perspective of how cattle are priced: a discussion about price and value discovery, and the futures market
- June 2, 2020, Virtual Packing Plant Tour
- June 4, 2020, In depth perspective of Ground beef, heavy carcasses and imports
- June 9, 2020, In depth perspective of Domestic and International supply and demand
- June 11, 2020, In depth perspective of Historical Overview of the Beef Industry from the Jungle to Today
- June 16, 2020, In depth perspective of Changes in how beef is supplied to grocery stores and restaurants
- June 18, 2020, In depth perspective of Steer and Heifer Complex
- June 23, 2020, In depth perspective of Cow and Bull Complex
- June 25, In depth perspective of Drop credit, hide and offal

# IRS and PPP Updates

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# Payroll Protection Program Updates

- Treasury Department says businesses have until May 14th to pay back PPP loans if they had other adequate sources of liquidity
- Of the \$310B 2nd allocation, \$175B has been used for approximately 2.2M loans

# Payroll Protection Program Taxation

- IRS Notice 2020-32
- If you received a PPP loan the IRS says:
  - on the **unforgiven** part (loan) there is deductibility of expenses paid from proceeds
  - on the **forgiven** part there is no deductibility of expenses paid from proceeds
- The CARES Act has stated the loan forgiveness amount was not taxable (typically it would be)
- Talk of Congress reversing the IRS decision

# Payroll Deferral

- All businesses eligible, defer Mar 27 to year end
- Employer part of social security taxes can be deferred. 6.2% soc sec, not 1.45% Medicare tax
- Self-employed: 50% of SECA tax can be deferred
- 50% deferred to Dec 31, 2021 and 50% deferred to Dec 31, 2022
- PPP loans forgiven that were used for payroll are not eligible for payroll tax deferral after the date of forgiveness, any amount deferred before the forgiveness date will continue to be deferred

# Ag-Energy Situation and Outlook

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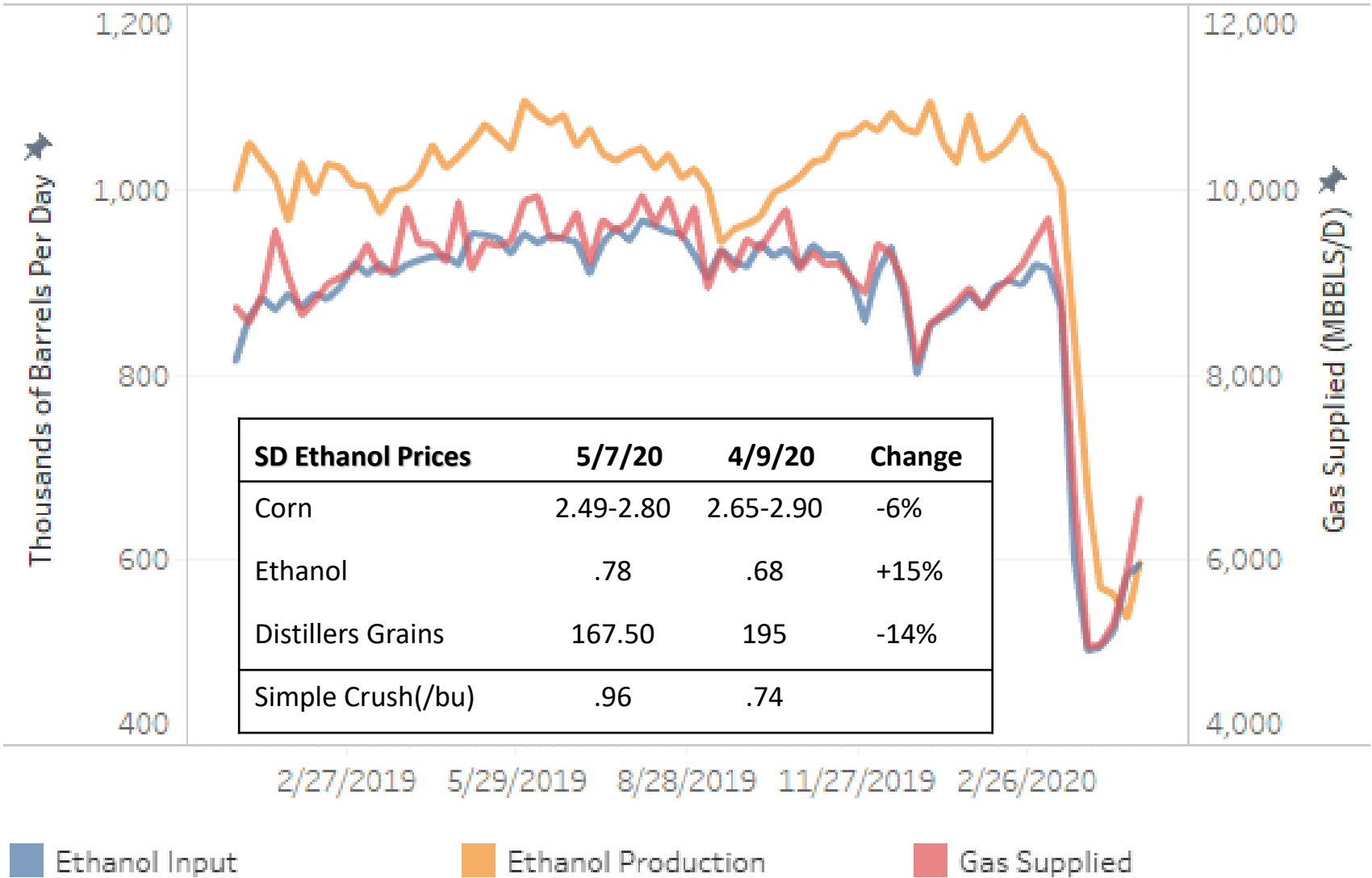




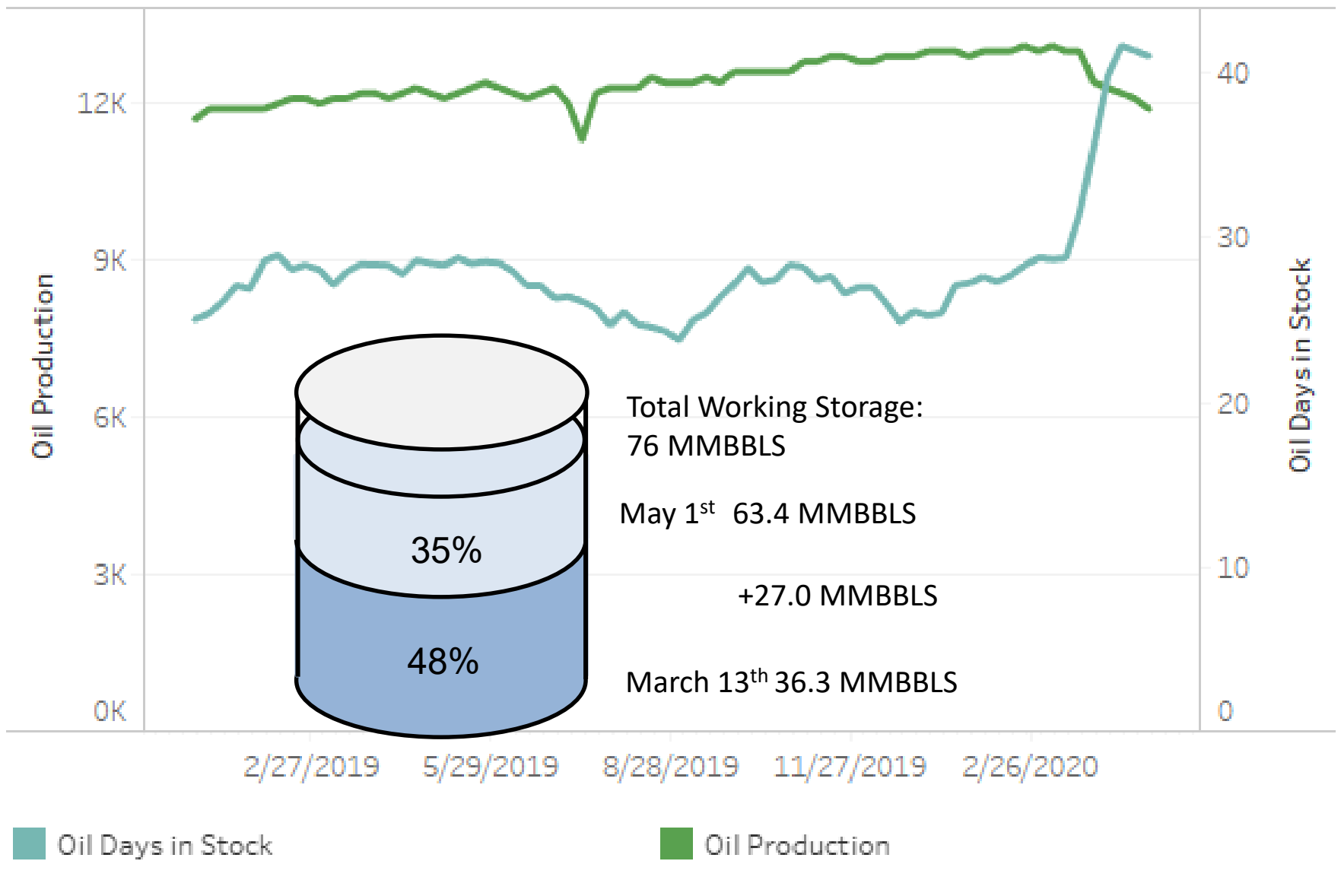


# Situation

- Increased gas and ethanol use
- Coal Creek Station scheduled for closure
- Spiritwood Station to be converted to natural gas
- Crude stocks building
- More than a third of ND wells shut-in



Data: EIA, USDA/AMS  
 Calculation: NDSU Extension



Data: EIA

Calculation: NDSU Extension

**Q&A:** Please use Chat

**Feedback:** 3 quick questions

<https://bit.ly/AgEconCOVID>

**Recording & More Info:**

[www.ag.ndsu.edu/extension/economics](http://www.ag.ndsu.edu/extension/economics)

[www.ag.ndsu.edu/alerts/coronavirus](http://www.ag.ndsu.edu/alerts/coronavirus)