

Agricultural Market Situation and Outlook

April 24, 2020

WEBINAR BEGINS AT 12:30 P.M. CST

NDSU

EXTENSION

Agricultural Market Situation and Outlook

April 24, 2020

WELCOME!

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Agricultural Market Situation and Outlook

Microphone & camera off

Use Chat for questions

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At the End

Q&A: Please use Chat

Feedback: 3 quick questions

<https://bit.ly/AgEconCOVID>

Unemployment and Credit Tightening Under COVID-19

Bryon Parman

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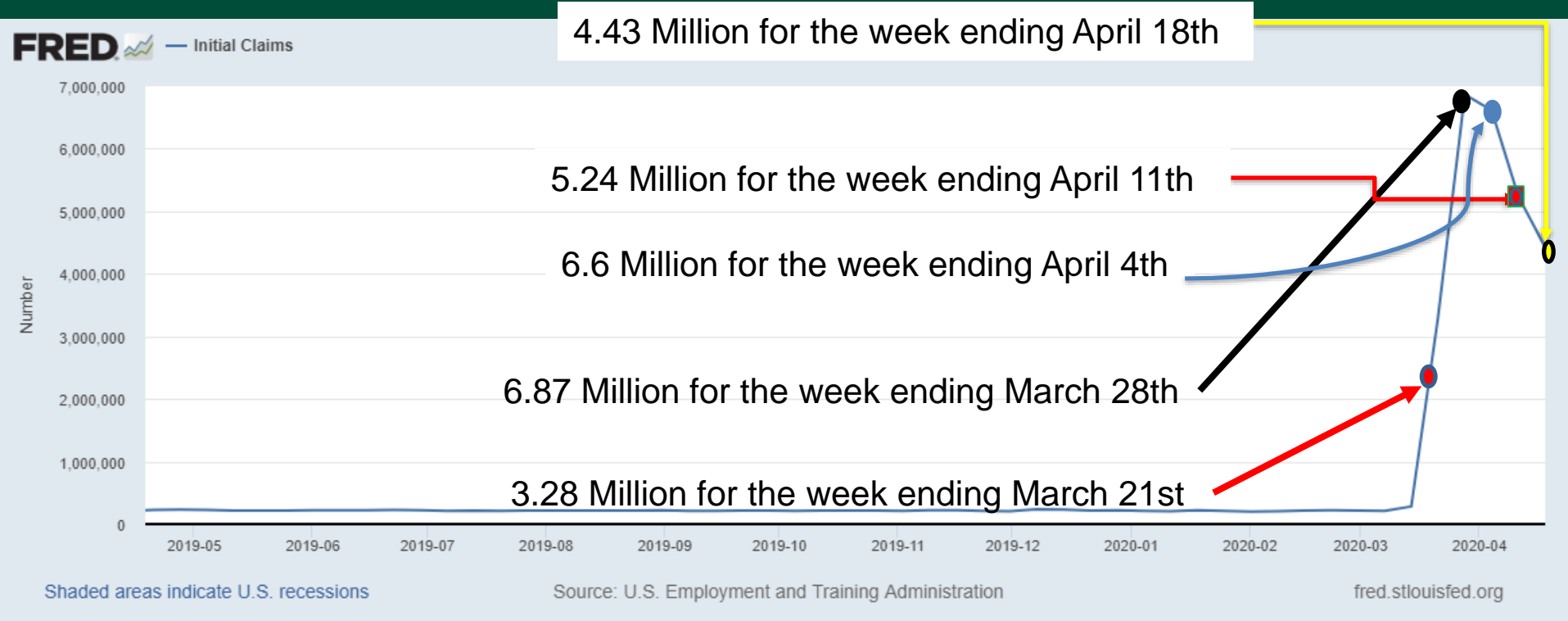
Distinguishing Factors in a Depression vs. a Recession

- Great recession lasted 18 months (6 quarters) Dec. 2007 – June 2009
- Double dip 1980's recession lasted 6 months in 1980, then 18 months
 - July 1981 to Nov 1982
- Great depression: 1929 – 1939
 - Multiple recessions back to back

Distinguishing Factors in a Depression vs. a Recession

- Permanent Structural Changes from a Depression
 - Industry segments change drastically after a depression, or go away completely
 - Societal and market expectations for unemployment, growth, prices change semi-permanently
 - Sweeping and dramatic regulatory changes
 - Permanent consumer behavioral changes for those who live through it

Weekly U.S. New Jobless Claims Since April 2019



Unemployment: The Numbers

- Total Newly Unemployed since week ending March 21st
 - 26.43 Million Newly Unemployed
- Continuing Jobless claims week ending April 11th 15.98 Million
- Total Unemployment
 - $15.98\text{m} + (5.24\text{m} + 4.43\text{m}) = 25.65$ Million unemployed
 - 162-164m ppl in the labor force
 - **15.5 - 16% unemployment**

Unemployment rate peaks: 2009 – 9.9% / 1982 10.8% /
1933 – 25% /

Home Loans in Forbearance – As of 12 April

- Ginnie Mae – 8.26% of loans
- Fannie and Freddie – 4.64%
- Independent mortgage bank servicers-5.7%
- Depository servicers - 6.6%
- Overall, Mortgage forbearance at 5.95%
- The week ending March 2nd – 0.25%
 - Likely to increase as the May 1st payment deadline approaches

Credit Tightening

- **“JPMorgan Chase Stops Accepting HELOC Applications Due to Coronavirus Uncertainty”- TMF**
 - HELOC applications were up 33%
- **“Fannie, Freddie May Soon Buy Home Loans in Forbearance to Help Mortgage Firms” - WSJ**

Credit Tightening

- JPMorgan Chase
 - “From Tuesday, customers applying for a new mortgage will need a credit score of at least 700, and will be required to make a down payment equal to 20% of the home’s value” - *CNBC*
- Across the Country
 - “The availability of conventional loans dropped 24.2% in March, while jumbo loan availability dipped 36.9%. Government loans, which include USDA, VA and FHA mortgages, fell 6.6%.” - *Forbes*

Pending Home Sales

- Mortgage applications to purchase a new home down 31% from a year ago despite a 30 yr fixed rate of 3.45%, the lowest since it began being tracked in 1990 – (CNBC)
- Signed contracts for new home purchases down 32% (Zillow)
- Refinance Demand up 225% from a year ago (CNBC)

The Good News

- New unemployment filings are decelerating so far
- Cautious optimism that some states may be able to re-open sooner rather than later
- Low interest rates should persist for the foreseeable future
- Markets have rebounded some reflecting some improvement in consumer and investor sentiment

Using Technical Analysis to Monitor Price Trends

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Technical Analysis (Charting Tools)

- Evaluates historical price movements.
- Does not directly consider supply and demand conditions.
- Is commonly used by market traders and analysts to evaluate **short-term** price trends.
 - Looking for price turning points.
 - Primary tool used by hedge fund and index fund traders.
- Helps gain insights into the “market psychology”.

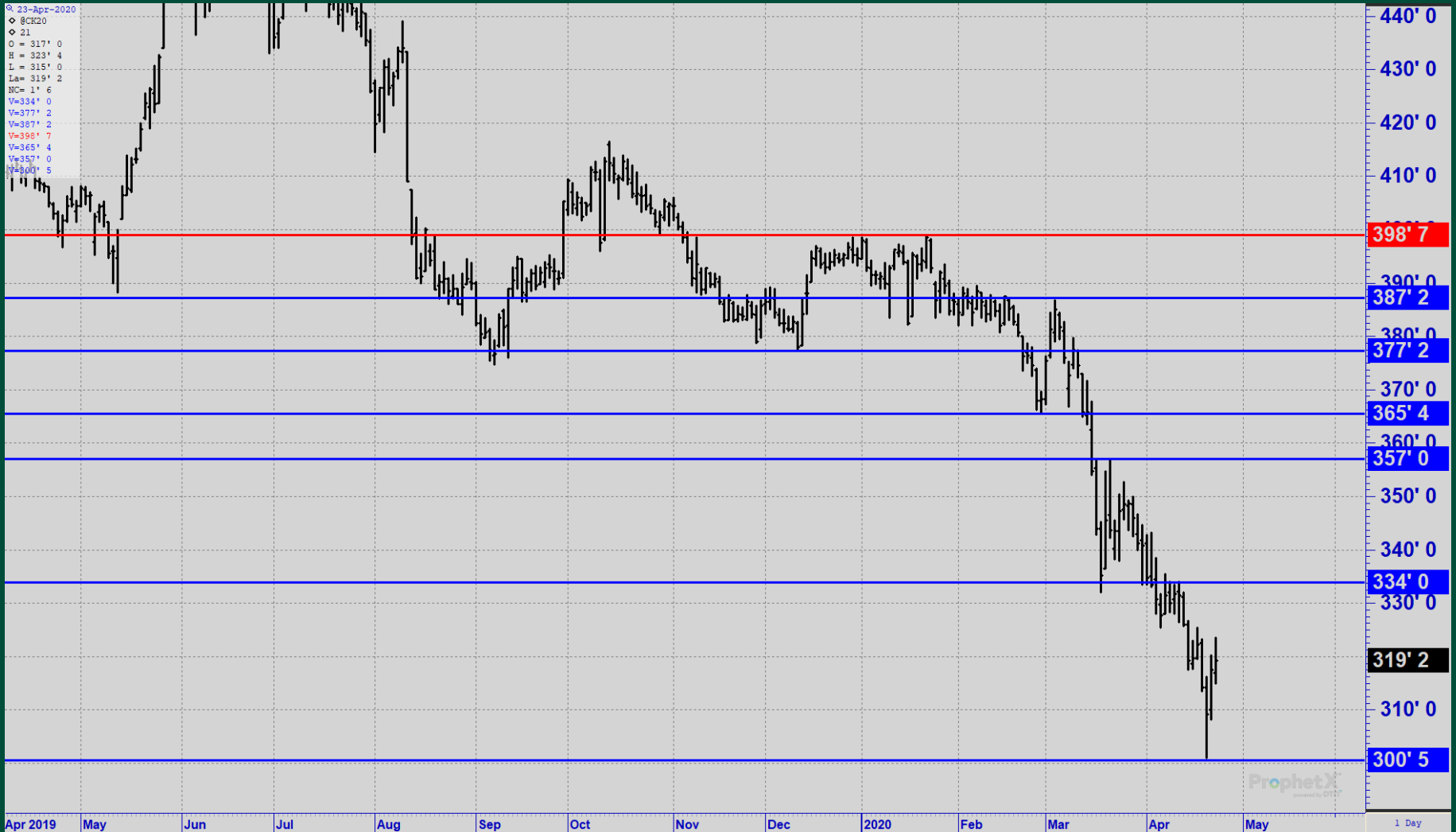
May Corn – Relative Strength Index



May Corn – MACD



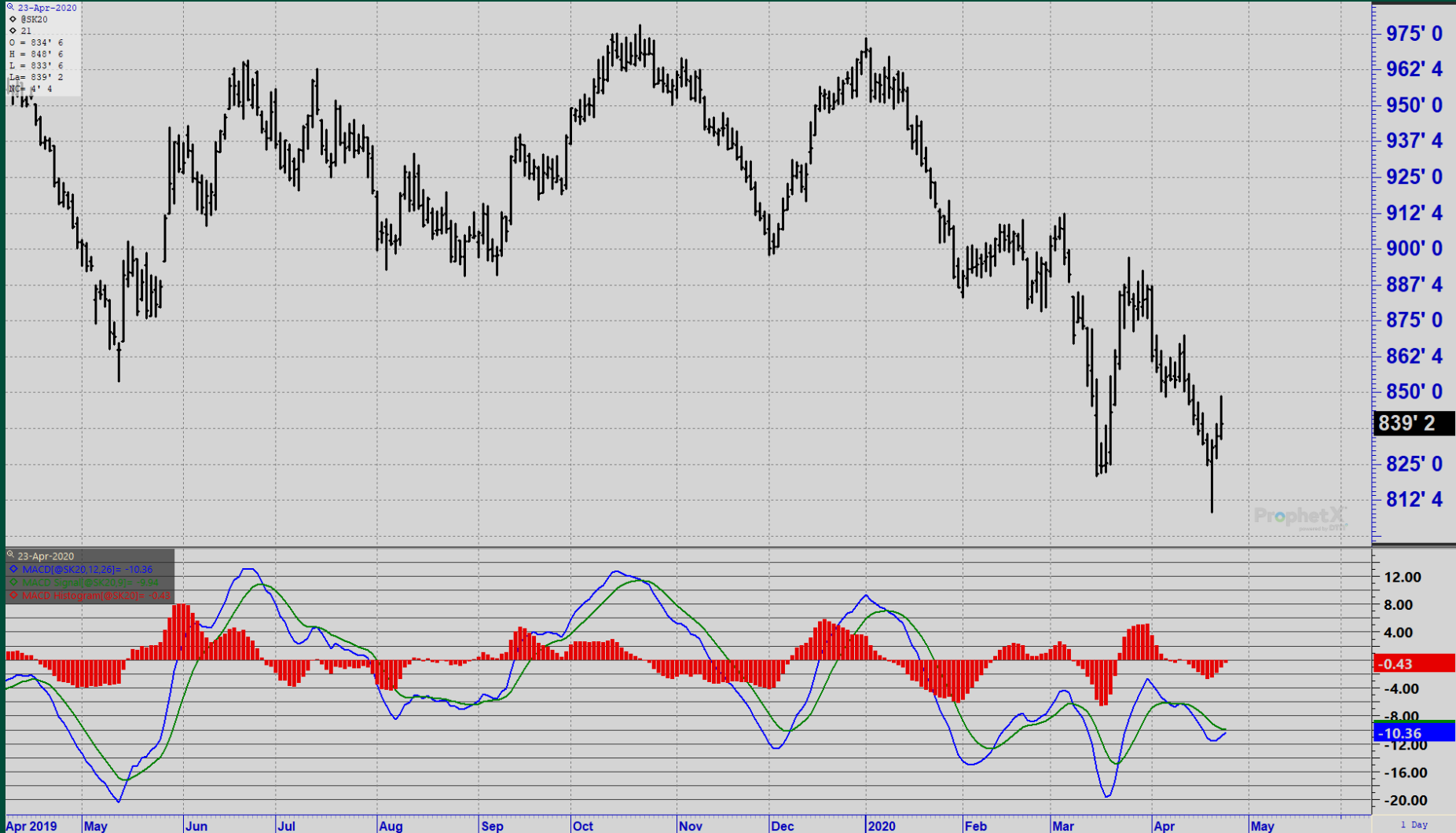
May Corn – Support & Resistance Levels



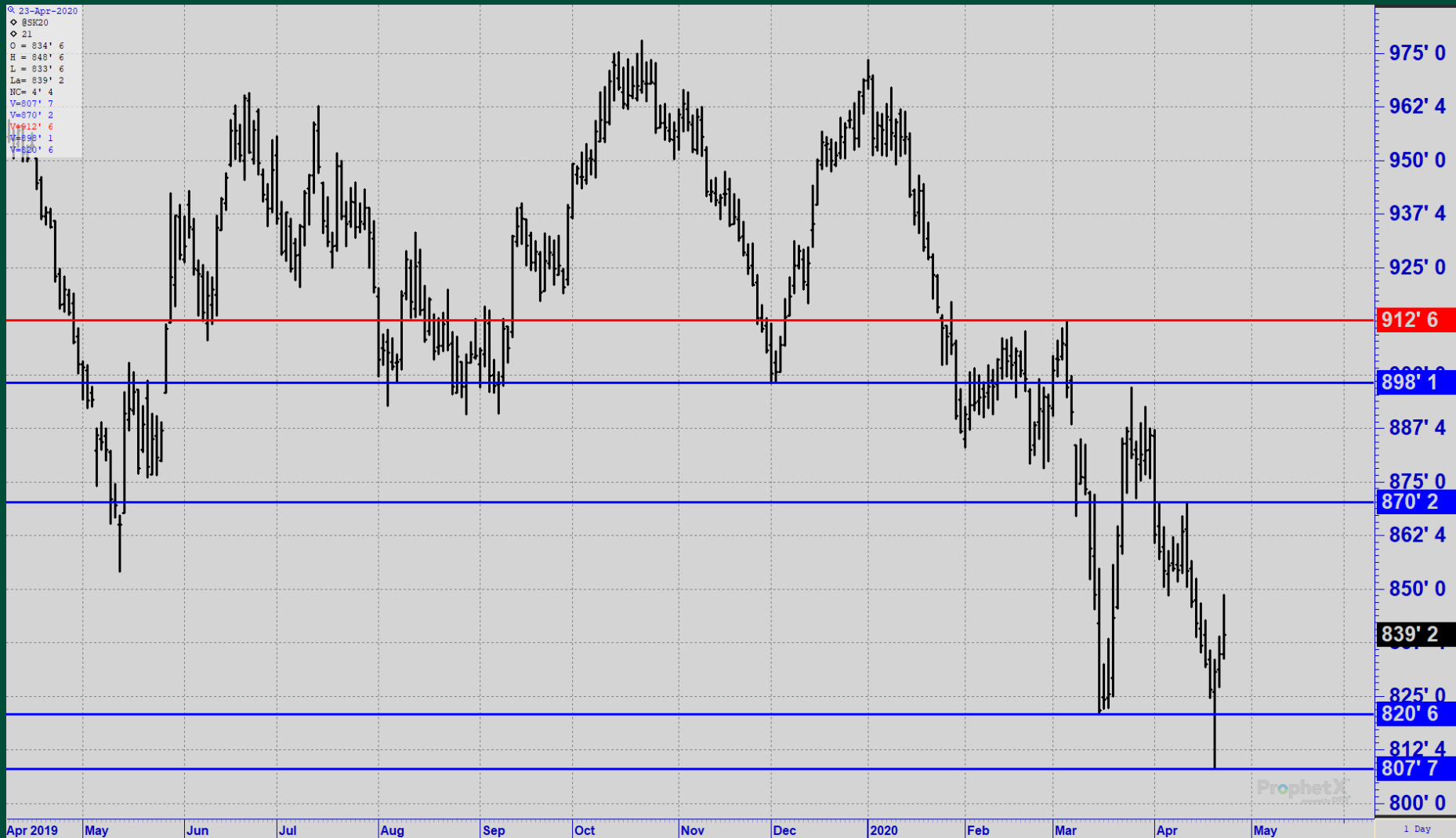
May Soybean – Relative Strength Index



May Soybean – MACD



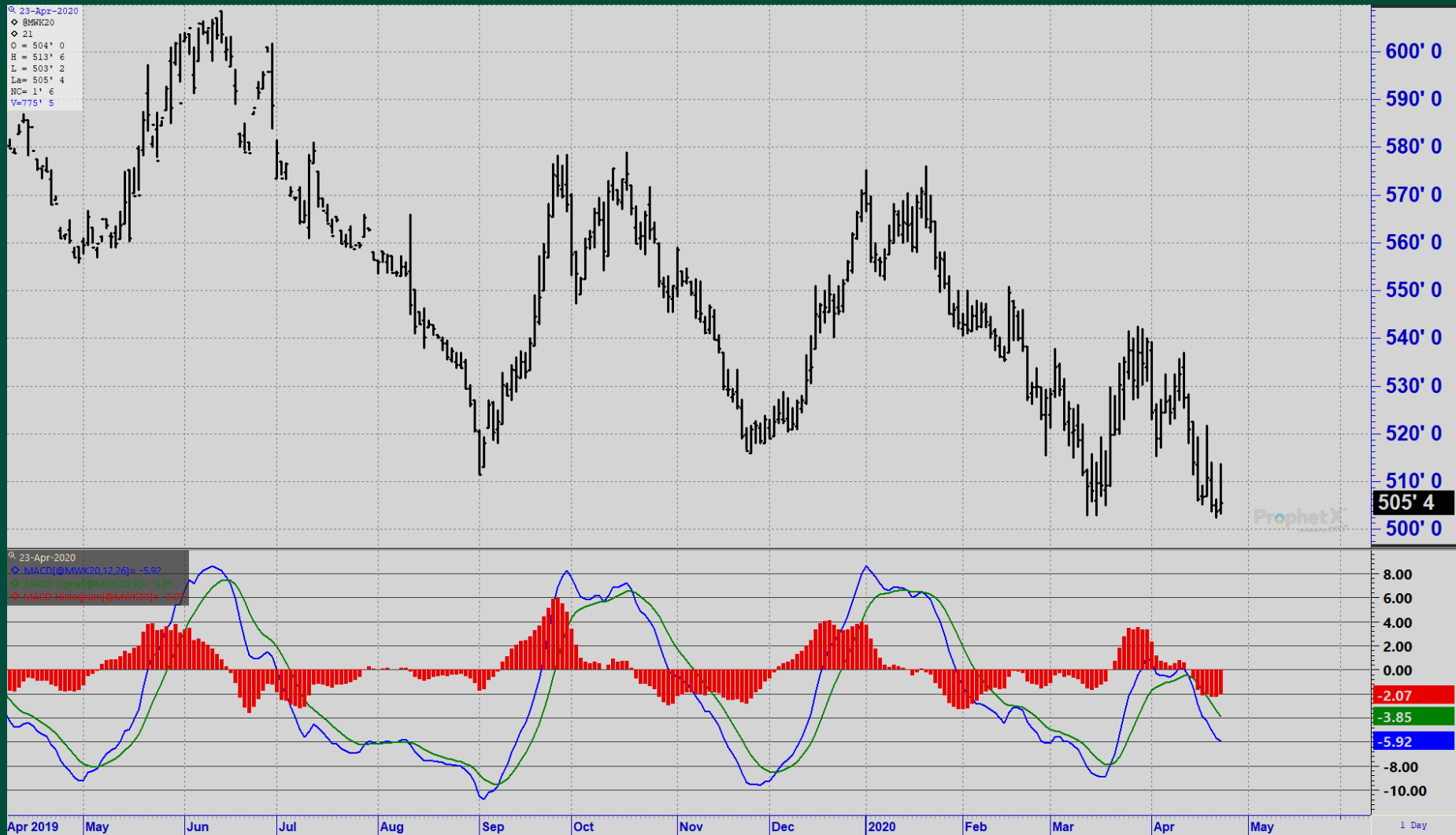
May Soybean – Support & Resistance Levels



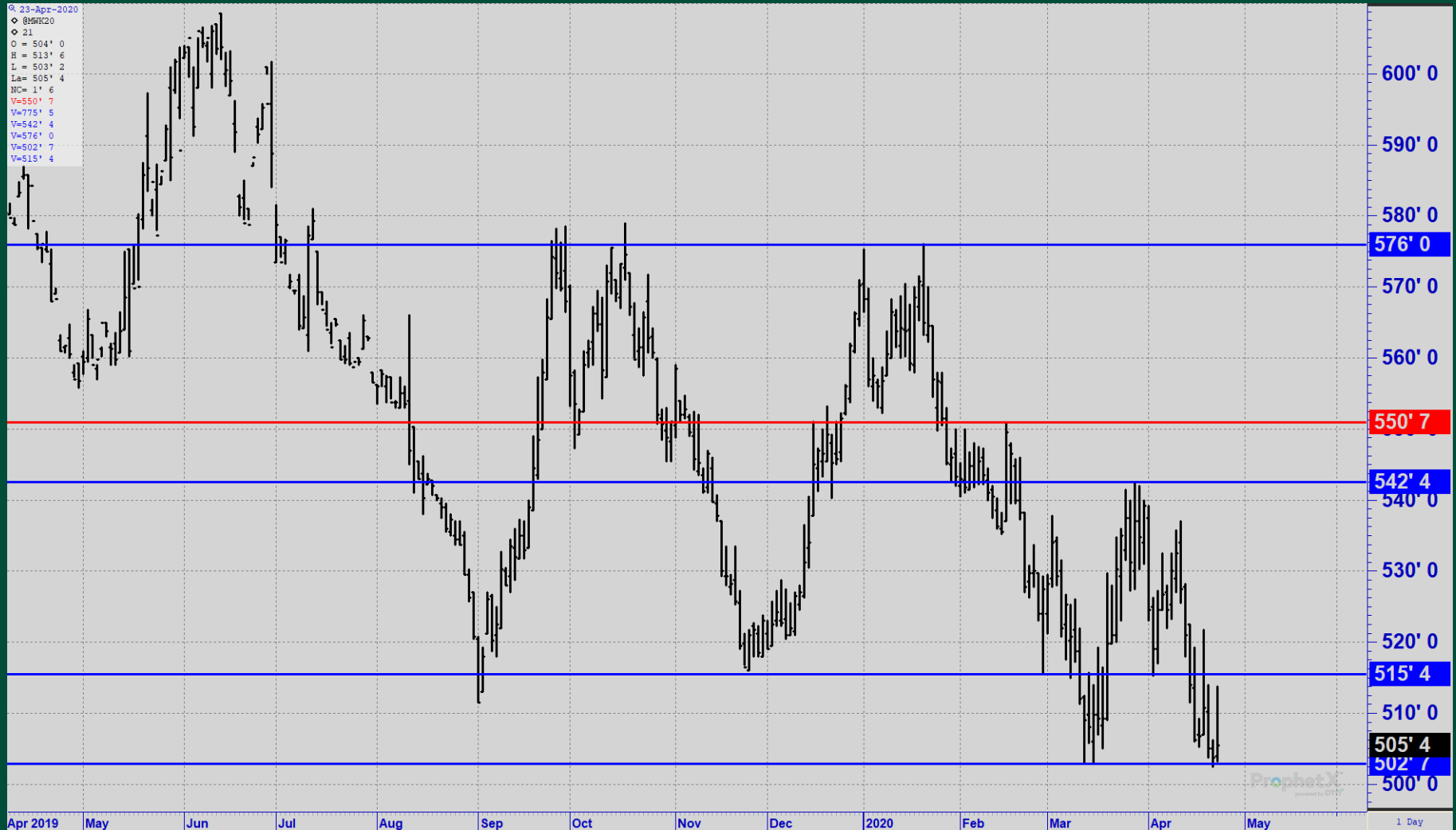
May HRSW – Relative Strength Index



May HRSW – MACD



May HRSW – Support & Resistance Levels



Legislation

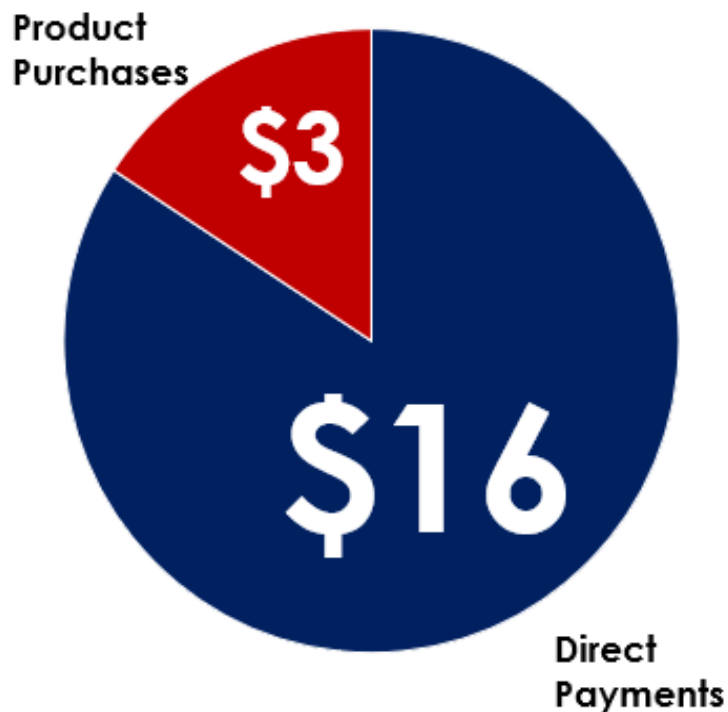
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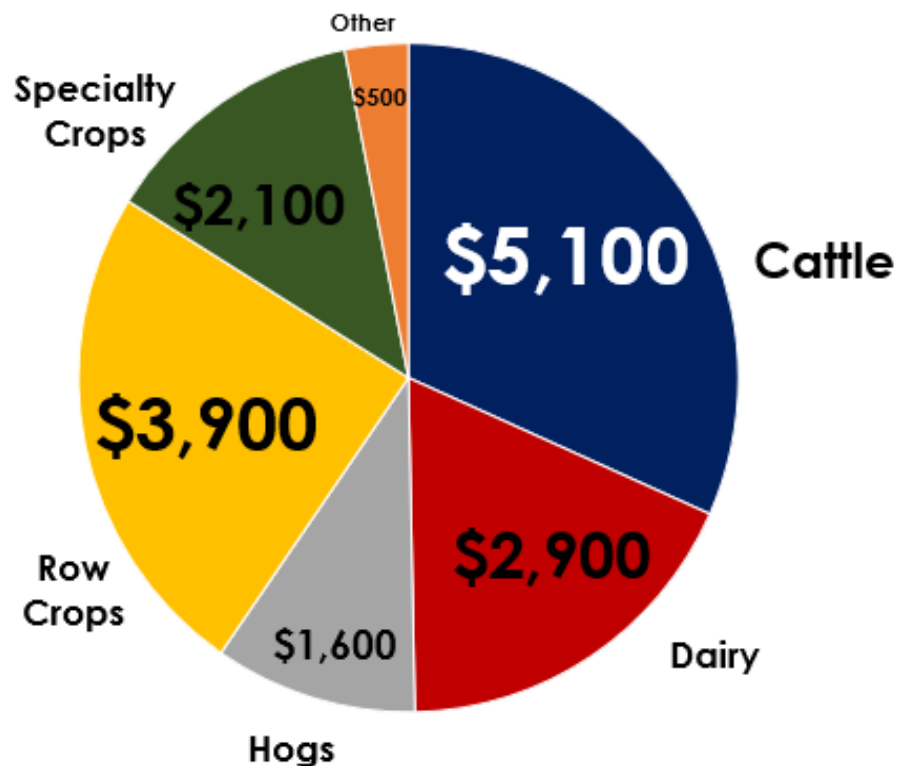
CFAP Agricultural Appropriation

Figure 3. Expected CFAP Funding By Program and Commodity

CFAP Funding By Program (Billion \$)



Direct Payments By Commodity (Million \$)



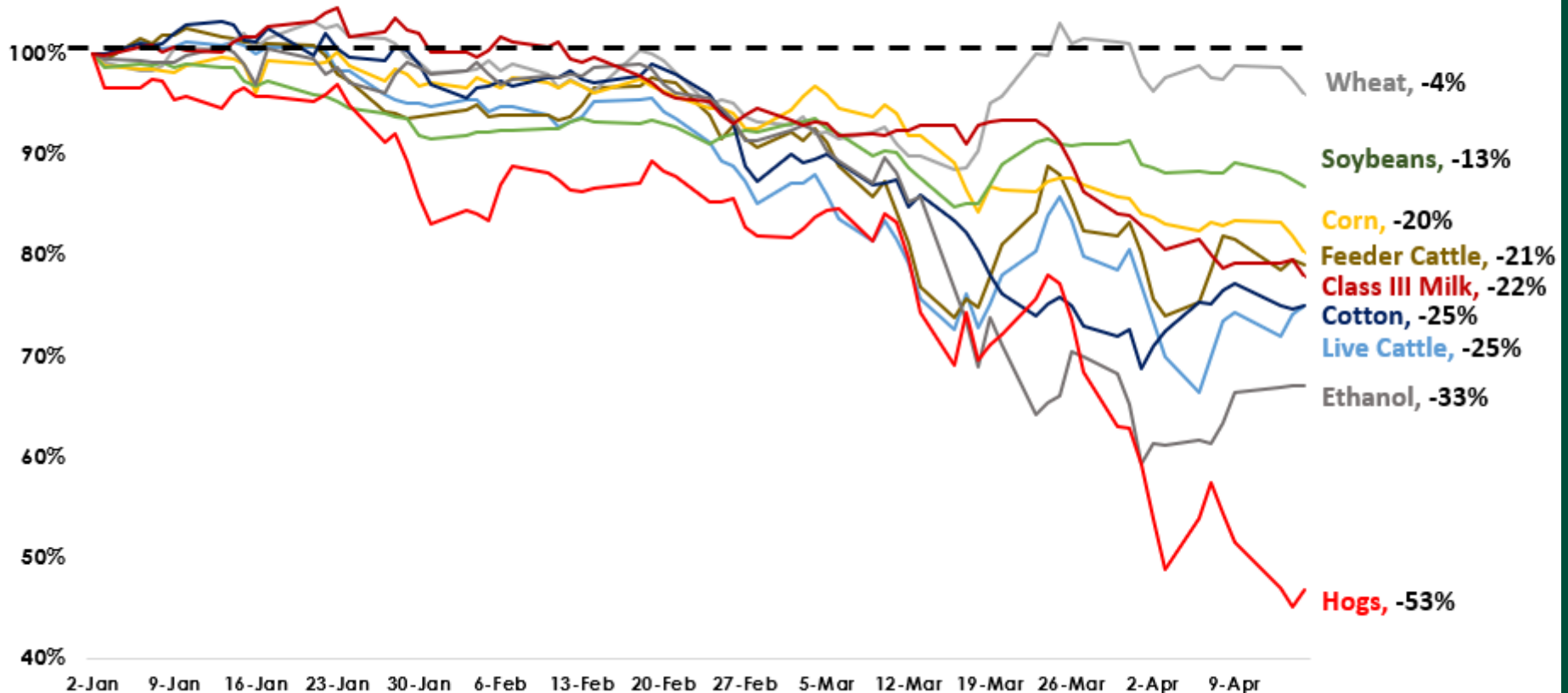
Coronavirus Food Assistance Program (CFAP)

- No line-items for
 - lamb, sheep
 - horticulture
- Product purchases
 - \$100M/mo fruits and vegetables
 - \$100M/mo dairy
 - \$100M/mo meat

Price Impact

Figure 2. COVID-19 Impact on Agricultural Futures Prices

Percentage Change January 2 to April 15 for Nearby Contract



CFAP Calculations

- Producers will receive a single payment using two calculations:
 - Price losses that occurred January 1-April 15, 2020, producers will be compensated for 85% of price loss
 - Second part of the payment will be expected losses from April 15 through the next two quarters and will cover 30% of expected losses
- Questions on what price data set to be used

CFAP Calculations

- Payment limit \$125K per commodity, overall limit \$250K per individual or entity
- Qualified commodities must have experienced a 5% price decrease between January and April
- Bill to be reviewed by OMB
- USDA expects to begin sign-up for the new program in early May and to get payments out to producers by the end of May or early June

CARES Supplemental

- \$310B replenishment for PPP, \$60B of this must go to small lenders
- SBA clarified that in making the required certification, borrowers must take into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business
- \$50B EIDL (Economic Injury Disaster Loan)
- \$10B EIDL grants (\$10K grants)
- EIDL OKed for farmers/ranchers, can get EIDL and PPP
- No tie to ARC/PLC and other government programs.
- Also \$75B for hospitals and \$25B for testing

Livestock Price Situation and Outlook

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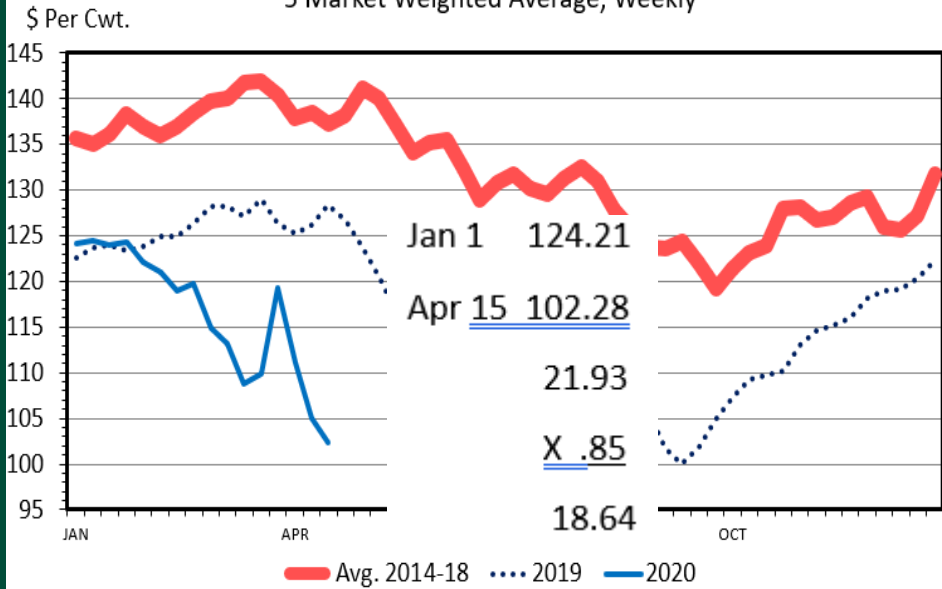


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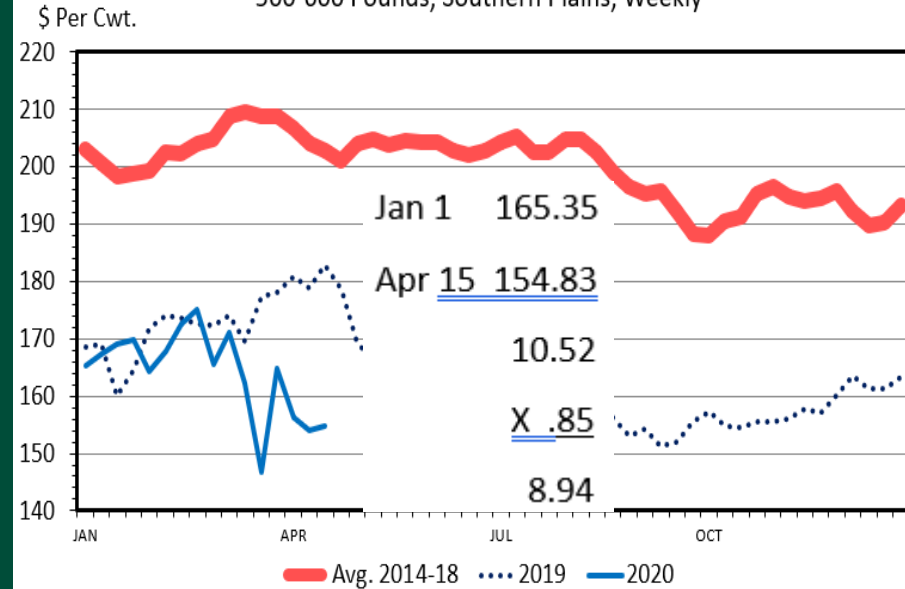
SLAUGHTER STEER PRICES

5 Market Weighted Average, Weekly



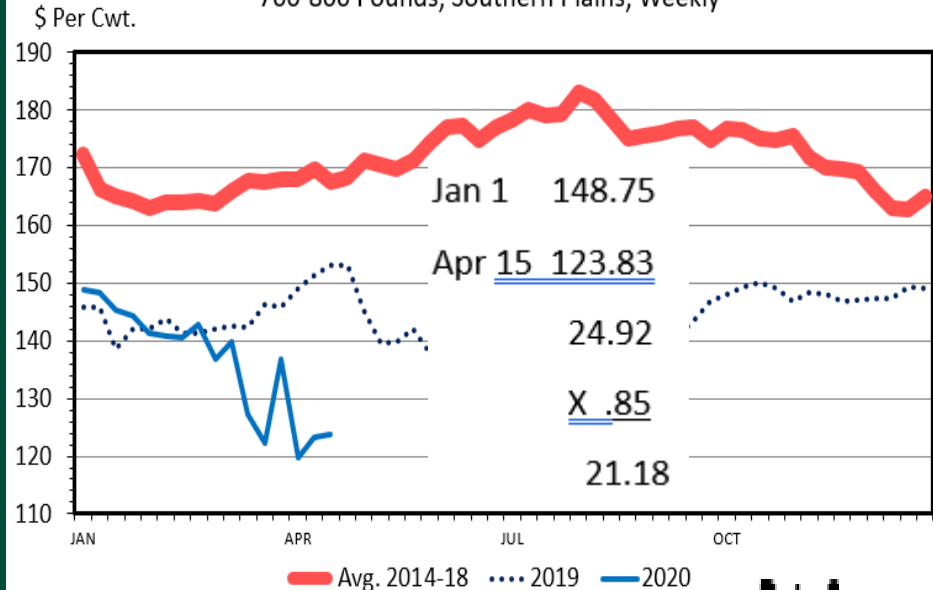
MED. & LRG. #1 STEER CALF PRICES

500-600 Pounds, Southern Plains, Weekly



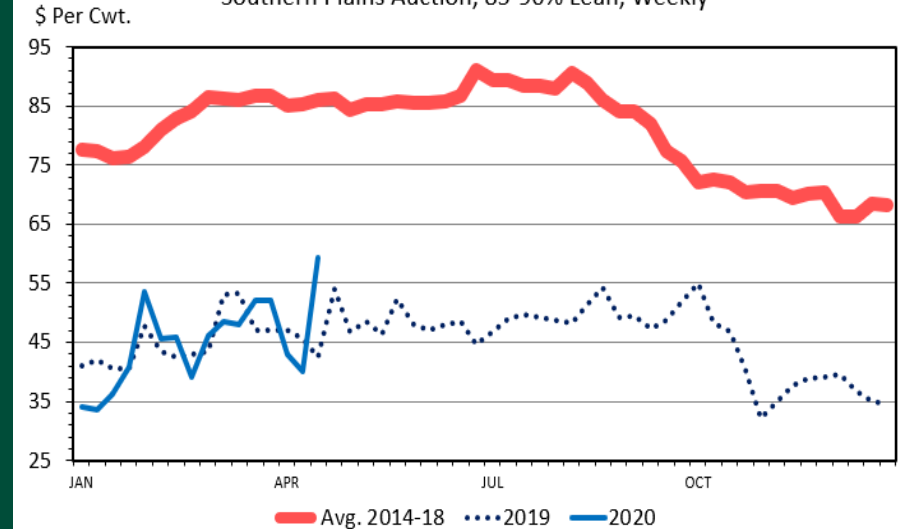
MED. & LRG. #1 FEEDER STEER PRICES

700-800 Pounds, Southern Plains, Weekly



SLAUGHTER COW PRICES

Southern Plains Auction, 85-90% Lean, Weekly



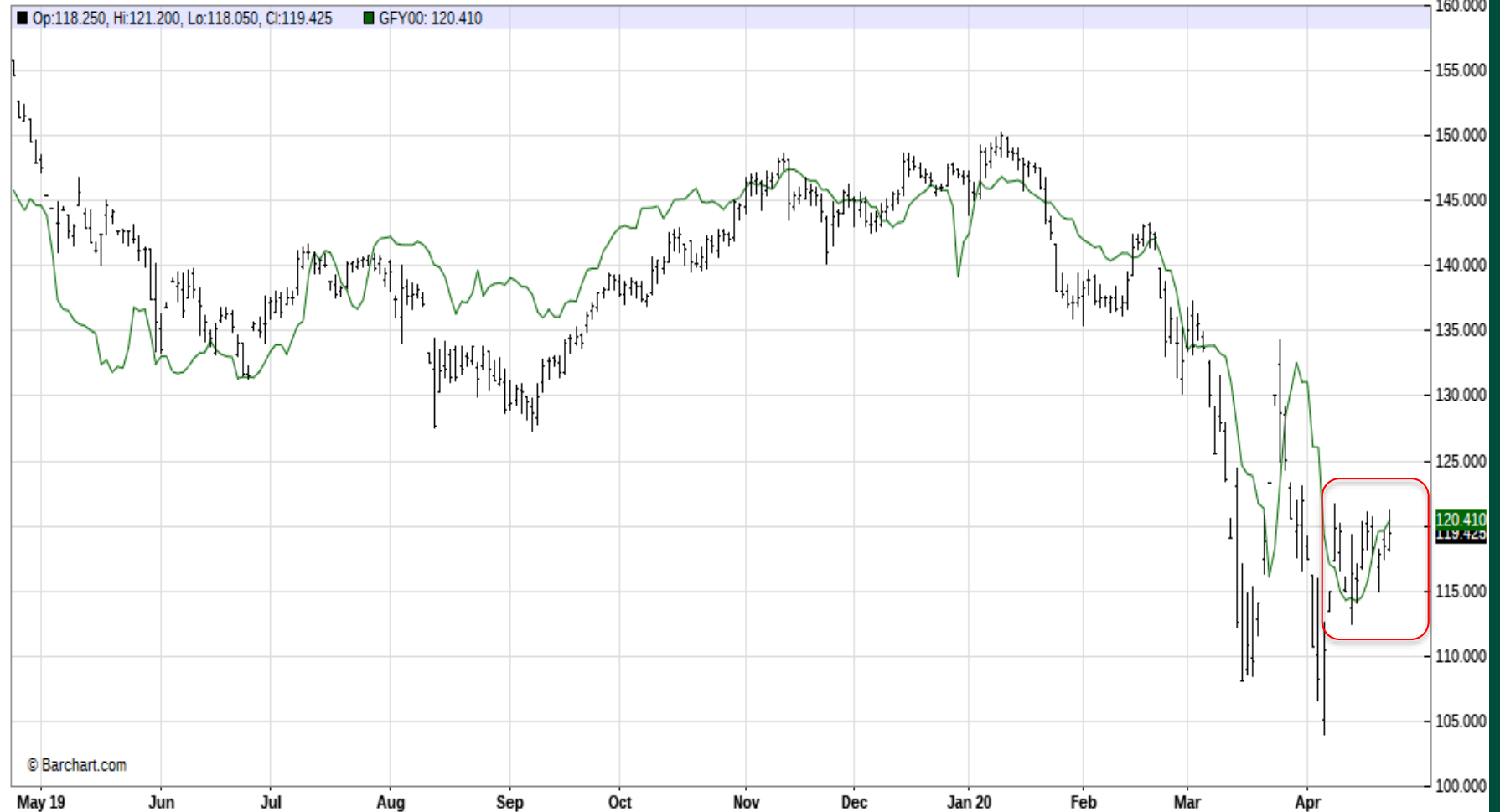
CME FDR CAT INDEX

All 700-899 M&L 1&2 Steers-USDA-AMS



APR FDR CAT/CME FDR CAT INDEX

GFJ20 - Feeder Cattle - Daily OHLC Chart



CME Index Spreadsheet

DATE	LOCATION	TTL HEAD	TTL WEIGHT	WTD AVG WEIGHT	TTL PRICE	WTD AVG PRICE
4/15/2020	ABERDEEN	495	396251.0039	801	51741259.84	130.58
4/15/2020	ADA	23	18682	812	1905990.00	102.02
4/15/2020	BILLINGS	335	264555	790	31933119.84	120.71
4/15/2020	BLOOMFIELD	203	153652.0051	757	19906171.74	129.55
4/15/2020	CLOVIS	132	107204	812	11751427.44	109.62
4/15/2020	CRESTON	138	110086	798	12913070.06	117.30
4/15/2020	DODGE CITY	740	596816	807	68217388.02	114.30
4/14/2020	EL RENO	1137	905614.9968	796	103602678.08	114.40
4/15/2020	FARMINGTON	24	18812	784	2127443.16	113.09
4/15/2020	LA JUNTA	193	144686	750	17266466.58	119.34
4/15/2020	SPRINGFIELD	90	70216	780	8251827.00	117.52
4/15/2020	ST JOSEPH	38	28287	744	3362070.91	118.86
4/15/2020	WINDSOR	22	16010	728	2141503.60	133.76
4/15/2020	DAILY TOTALS	3570	2830872.006	793	335120416.27	118.38
4/15/2020	SEVEN-DAY TOTALS	16865	13696368.02	812	1569033179.58	114.56

SJ_LS710

St Joseph, MO Thu Apr 23, 2020 USDA Market News

Estimated Daily Livestock Slaughter under Federal Inspection

	CATTLE	CALVES	HOGS	SHEEP
Thursday 04/23/2020 (est)	84,000	1,000	375,000	6,000
Week ago (est)	92,000	2,000	437,000	6,000
Year ago (act)	121,000	1,000	469,000	9,000
Week to date (est)	339,000	7,000	1,457,000	25,000
Same Period Last Week (est)	376,000	8,000	1,609,000	24,000
Same Period Last Year (act)	477,000	7,000	1,753,000	39,000
Previous Day Estimated	Steer and Heifer	Cow and Bull		
Wednesday	62,000	23,000		

Source: USDA Livestock, Poultry, and Grain Market News Division, St Joseph, MO

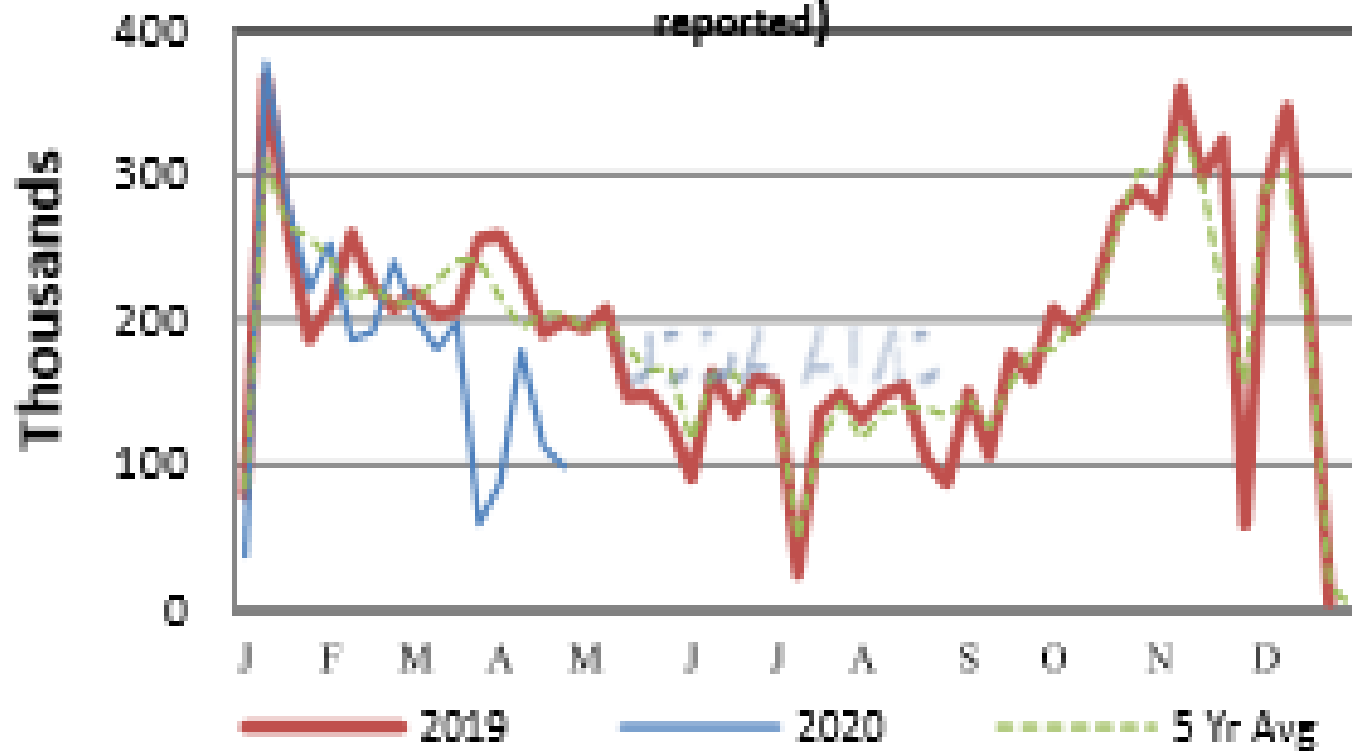
816-676-7000 e-mail: stjoe.lpgmn@ams.usda.gov

www.ams.usda.gov/mnreports/SJ_LS710.txt

www.ams.usda.gov/market-news/livestock-poultry-grain

NATIONWIDE REPORTED WEEKLY FEEDER CATTLE AUCTION RECEIPTS

(Receipts vary depending on the number of auctions reported)





Cattle on Feed

Upcoming releases: Apr 24 2020 3:00 PM,

	Average of Estimates	Range of Estimates
On-feed Apr 1	95.2	90.7 – 95.8
Placed in March	82.1	54.6 – 84.9
Marketed in March	112.3	111.3 – 112.6

Analyst	On-Feed Mar 1	Placed in Feb	Marketed Feb
Allegiant	95.4	82.4	112.6
HedgersEdge.com	95.5	81.2	111.3
Linn Group	90.7	54.6	111.4
LMIC	96.0	86.1	112.6
Mike Sands	94.5	83.0	112.0
New Frontier Capital	95.8	84.9	112.5
N.Dakota State Univ.	95.5	81.0	112.3
Steiner Consulting	95.2	81.0	112.5
US Commodities	95.1	81.1	112.5



Fri Apr 17, 2020

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>
3	348	348	182.50	182.50
9	373-379	376	180.00-186.00	182.69
14	443	443	182.00-182.50	182.32
8	470	470	172.00	172.00
23	520-542	530	163.00-167.00	165.22
81	557-597	568	153.00-166.00	161.89
125	608-640	628	148.50-160.75	153.91
37	650-666	656	154.50-157.50	155.93
76	701-739	713	140.00-148.75	145.09
146	752-799	780	129.00-138.75	135.80
321	801-847	813	118.00-136.75	131.84
195	851-889	878	115.50-128.25	123.01
61	902	902	120.50	120.50
38	969	969	115.00	115.00
106	1006-1022	1014	108.75-112.00	110.33

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>
28	413-438	426	180.00-183.00	181.65
16	450-461	454	164.00-169.00	165.90
25	501-549	529	161.00-169.00	163.62
150	550-594	570	152.00-165.00	158.08
126	601-645	624	139.75-156.00	144.62
525	654-699	677	134.00-149.25	140.55
402	706-747	726	131.50-147.85	139.36
217	757-789	767	125.25-142.00	134.67
263	807-845	821	112.00-132.25	124.50
228	862-890	883	113.00-124.00	119.97
216	908-943	922	111.50-120.00	116.66
5	976	976	106.00	106.00
52	1033	1033	110.50	110.50
15	1066	1066	106.25	106.25

Ag-Energy Situation and Outlook

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Situation

- Ethanol
 - Getting close to equilibrium
 - ADM announce idling of Columbus, NE, and Cedar Rapids, IA refineries (600 million gallons/3.5% or national capacity)
- Oil
 - May futures excitement
 - Storage crisis continues to loom
 - Breakdown of price relationships

US Ethanol Days in Storage

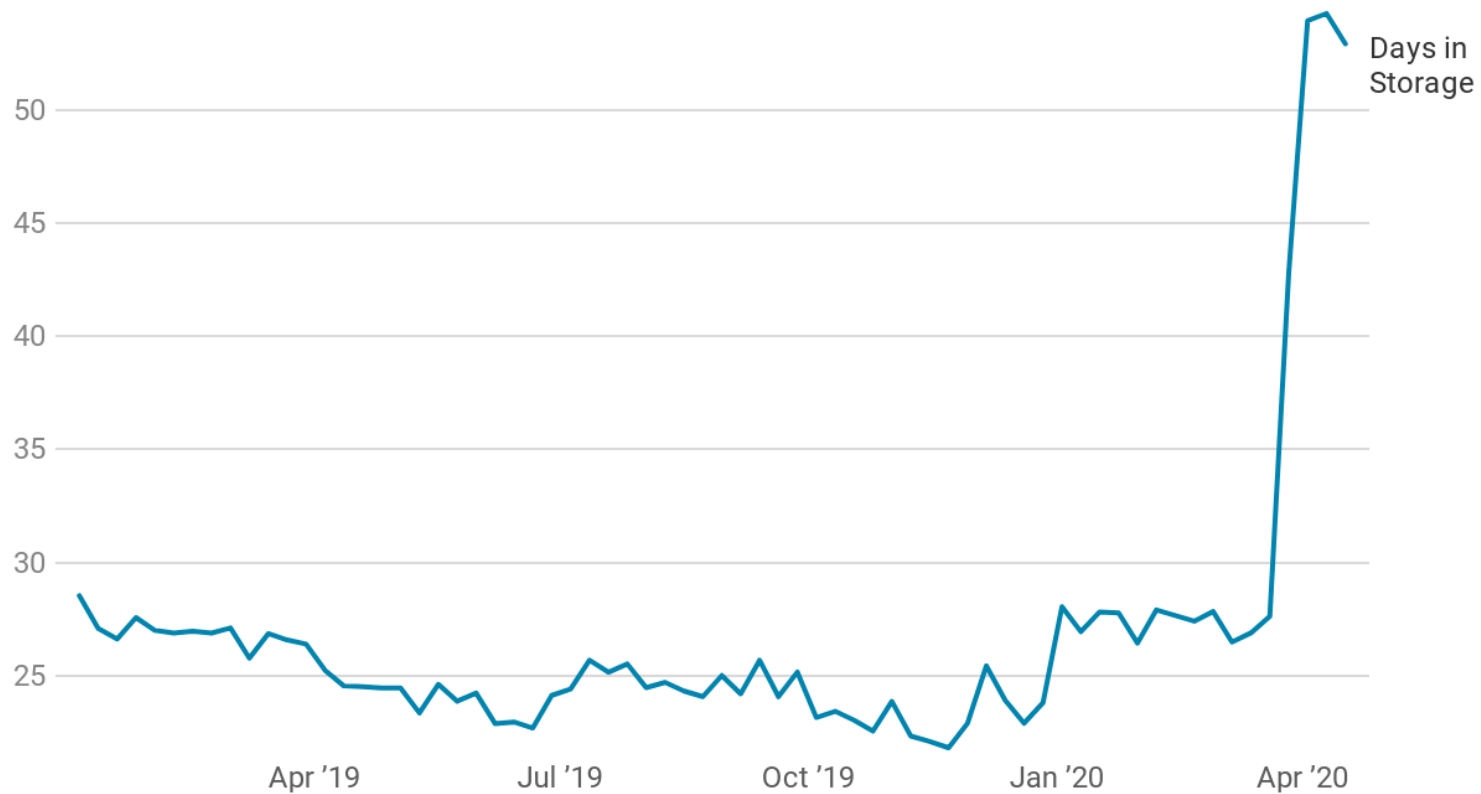


Chart: NDSU Extension • Source: EIA • Created with Datawrapper

Weekly production fell at an annual rate of 107 million gallons

Use rose at a 260 million gallon per year rate

Days in storage actually declined from 54 to 53

May Crude Oil Futures Contract

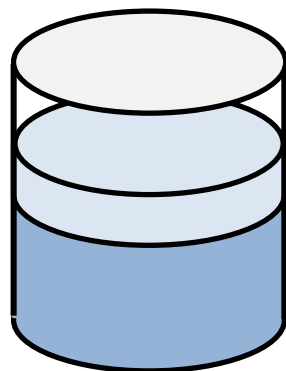
Crude oil fundamentals are bearish

- Weak demand

- Storage concerns

The extreme behavior on the last day of the May contract was the result of a long squeeze. This was in part the result of the large number of positions held by oil ETFs who didn't unwind their positions earlier enough.

Cushing, Oklahoma Storage



Total Working Storage:
76 MMBBLS

5 Week Change:
+21 MMBBLS (28%)

March 13th Level:
36.3 MMBBLS

Cushing, Oklahoma	13-Mar-20	17-Apr-20
Total stocks	38,445	59,741
Pipeline fill and stocks in transit by and rail	2,083	2,083
Net stocks	36,362	57,658
Working storage capacity	76,093	76,093
Percent of working storage capacity	48%	76%

The Breakdown of Price Relationships

Local imbalances in crude and refined markets has led to a breakdown in price relationships.

- WTI futures and spot
- WTI and other domestic crude
- Crude oil and rack prices

FSA Webinar Series

Last webinar in series on Wednesday, April 29th at 11 am.

Topics: Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) signup, 2020 PLC yield update, acreage reporting and payment eligibility

Visit ag.ndsu.edu/farmmanagement to join or view recordings of previous webinars.

Q&A: Please use Chat

Feedback: 3 quick questions

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Recording & More Info:

www.ag.ndsu.edu/extension/economics

www.ag.ndsu.edu/alerts/coronavirus