Agricultural Market Situation and Outlook

May 1, 2020

WEBINAR BEGINS AT 12:30 P.M. CST

NDSU EXTENSION
Agricultural Market Situation and Outlook

Microphone & camera off
Use Q&A for questions
At the End

Q&A: Please use the Q & A

Feedback: 3 quick questions
https://bit.ly/AgEconCOVID
Unemployment and Credit Tightening Under COVID-19

Bryon Parman
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Bryon.Parman@ndsu.edu
## BLS Unemployment Metrics

<table>
<thead>
<tr>
<th>Measure</th>
<th>Seasonally Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force</td>
<td>1.2</td>
</tr>
<tr>
<td>U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)</strong></td>
<td><strong>3.5</strong></td>
</tr>
<tr>
<td>U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers</td>
<td>3.7</td>
</tr>
<tr>
<td>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</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>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</strong></td>
<td><strong>6.7</strong></td>
</tr>
</tbody>
</table>
Estimates of the Unemployment Rate

• 30.4 Million new unemployment filings due to shutdown
  – 37.12 Million filed during the ENTIRE GREAT RECESSION (December 2007 – June 2009)

• U3 projections between 18-24%
  – U6 projections around 30%

• The question will be, how many and how fast do the COVID-19 lost jobs come back
EU GDP Growth Rate

Mexico GDP Growth Rate

SOURCE: TRADINGECONOMICS.COM | EUROSTAT

SOURCE: TRADINGECONOMICS.COM | INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA (INEGI)
Initial Q1 GDP Contraction

- Initial data reflects a 4.8% contraction in Q1 of 2020 (3.5% expected)
  - Expectations are it will be revised downward (a larger drop) showing a larger contraction once all the data is in
  - This number could double as large revisions often occur during recession

- Predictions are that Q2 2020 will be the largest single quarter drop in history
  - CBO projects a 12% 2nd quarter decline, if annualized would be a 40% contraction in U.S. GDP
Large Affected U.S. Sectors Q1

- Consumer spending (70% of GDP) Declined 7.6%
- Durable goods spending down 16.1%
- Services down 10.2%
- Exports Down 8.7%
- Imports down 15.3%
Fed Says Interest Rates to Stay Near Zero

• Rates will stay accommodative (low) until economy reaches full employment (about 5% unemployment) and 2% inflation
  – Indicated it may be years as deflation is the biggest immediate concern

• Fed Chairman indicated more spending will be needed from congress
COVID-19’s Impact on Major U.S. Trading Partners

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701-715-3673 (c)
Definition of *Demand*

- A consumer’s desire to purchase goods or services and willingness to pay a price for a specific good or service.

- “Effective Demand” is a consumer want or a need supported by an ability to pay.
  - Income provides individuals with a purchasing power which they exercise in a market.
  - Consumers have a budget constraint.
## Top 10 World Economies

(GDP – Billion U.S. Dollars)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>18,715.05</td>
<td>19,519.40</td>
<td>20,580.25</td>
<td>332,639,102</td>
</tr>
<tr>
<td>China</td>
<td>11,221.84</td>
<td>12,062.29</td>
<td>13,368.07</td>
<td>1,394,015,977</td>
</tr>
<tr>
<td>Japan</td>
<td>4,926.67</td>
<td>4,859.79</td>
<td>4,971.77</td>
<td>125,507,472</td>
</tr>
<tr>
<td>Germany</td>
<td>3,468.19</td>
<td>3,664.51</td>
<td>3,951.34</td>
<td>80,159,662</td>
</tr>
<tr>
<td>India</td>
<td>2,289.75</td>
<td>2,652.25</td>
<td>2,718.73</td>
<td>1,326,093,247</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2,669.11</td>
<td>2,640.07</td>
<td>2,828.83</td>
<td>65,761,117</td>
</tr>
<tr>
<td>France</td>
<td>2,472.28</td>
<td>2,591.78</td>
<td>2,780.15</td>
<td>67,848,156</td>
</tr>
<tr>
<td>Italy</td>
<td>1,869.95</td>
<td>1,950.70</td>
<td>2,075.86</td>
<td>62,402,659</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,795.37</td>
<td>2,052.81</td>
<td>1,867.82</td>
<td>211,715,973</td>
</tr>
<tr>
<td>Canada</td>
<td>1,530.02</td>
<td>1,649.93</td>
<td>1,712.48</td>
<td>37,694,085</td>
</tr>
</tbody>
</table>
### Top 6 Buyers of U.S. Ag Products (U.S. Dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>20,988,423,676</td>
<td>20,308,767,886</td>
<td>20,494,208,078</td>
</tr>
<tr>
<td>China</td>
<td>20,242,526,772</td>
<td>21,401,393,249</td>
<td>19,612,135,009</td>
</tr>
<tr>
<td>Mexico</td>
<td>17,695,338,492</td>
<td>17,832,525,534</td>
<td>18,615,063,430</td>
</tr>
<tr>
<td>Japan</td>
<td>11,136,306,400</td>
<td>11,036,438,671</td>
<td>11,929,127,053</td>
</tr>
<tr>
<td>European Union</td>
<td>12,132,629,327</td>
<td>11,522,751,366</td>
<td>11,478,228,700</td>
</tr>
<tr>
<td>South Korea</td>
<td>6,028,084,757</td>
<td>6,185,578,341</td>
<td>6,889,455,200</td>
</tr>
</tbody>
</table>
GDP Growth Rate: Emerging Ag Trading Partners

International Monetary Fund – World Economic Outlook – April 2020
Unemployment Rate: Emerging Ag Trading Partners

- United States
- Philippines
- Indonesia
- Malaysia
- Thailand
- Vietnam

Source: International Monetary Fund – World Economic Outlook – April 2020
GDP Growth Rate: Major Ag Trade Competitors

- United States
- Brazil
- Argentina
- Russia
- Ukraine
- Australia

International Monetary Fund – World Economic Outlook – April 2020
Livestock Price Situation and Outlook

Tim Petry
Extension Livestock Marketing Economist
Tim.Petry@ndsu.edu
www.ndsu.edu/livestockeconomics
Cattle on Feed

<table>
<thead>
<tr>
<th></th>
<th>Average of Estimates</th>
<th>Range of Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-feed Apr 1</td>
<td>95.2</td>
<td>90.7 – 95.8</td>
</tr>
<tr>
<td>Placed in March</td>
<td>82.1</td>
<td>54.6 – 84.9</td>
</tr>
<tr>
<td>Marketed in March</td>
<td>112.3</td>
<td>111.3 – 112.6</td>
</tr>
</tbody>
</table>

Actual:
- 94.18
- 77.3
- 113.1

FEEDLOT PLACEMENTS
US Total, Monthly

FED CATTLE MARKETINGS
US Total, Monthly
## NORTH DAKOTA STOCKMEN'S ASSOCIATION
### 2019 2020 Livestock Report
**JANUARY - MARCH**

<table>
<thead>
<tr>
<th></th>
<th>STEERS</th>
<th>COWS</th>
<th>HEIFERS</th>
<th>BULLS</th>
<th>CALVES</th>
<th>HORSES</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>99,437</td>
<td>51,173</td>
<td>76,315</td>
<td>9,642</td>
<td>206,693</td>
<td>1,145</td>
<td>444,405</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>103,139</td>
<td>59,055</td>
<td>74,395</td>
<td>9,567</td>
<td>187,164</td>
<td>934</td>
<td>434,254</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Steers</th>
<th>Heifers</th>
<th>Calves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>99437</td>
<td>76315</td>
<td>206693</td>
<td>382445</td>
</tr>
<tr>
<td>2020</td>
<td>103139</td>
<td>74395</td>
<td>187164</td>
<td>364698</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-17747</td>
</tr>
</tbody>
</table>

**BEEF COWS THAT CALVED JANUARY 1, 2020**
(1000 Head)
## North Dakota Weekly Cattle Auction Summary

AMS Livestock, Poultry, & Grain Market News  
North Dakota Dept of Ag Mrkt News  

<table>
<thead>
<tr>
<th>Head</th>
<th>Wt Range</th>
<th>Avg Wt</th>
<th>Price Range</th>
<th>Avg Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>401-427</td>
<td>414</td>
<td>179.00-189.00</td>
<td>183.77</td>
</tr>
<tr>
<td>89</td>
<td>454-495</td>
<td>485</td>
<td>165.00-190.00</td>
<td>172.87</td>
</tr>
<tr>
<td>51</td>
<td>504-548</td>
<td>532</td>
<td>160.00-171.00</td>
<td>166.49</td>
</tr>
<tr>
<td>216</td>
<td>555-597</td>
<td>574</td>
<td>147.00-166.00</td>
<td>155.40</td>
</tr>
<tr>
<td>149</td>
<td>601-647</td>
<td>625</td>
<td>138.50-154.50</td>
<td>144.52</td>
</tr>
<tr>
<td>298</td>
<td>654-688</td>
<td>669</td>
<td>133.50-145.50</td>
<td>140.50</td>
</tr>
<tr>
<td>367</td>
<td>701-748</td>
<td>725</td>
<td>126.50-141.50</td>
<td>134.85</td>
</tr>
<tr>
<td>11</td>
<td>749</td>
<td>749</td>
<td>124.25</td>
<td>124.25</td>
</tr>
<tr>
<td>328</td>
<td>751-795</td>
<td>773</td>
<td>116.50-138.50</td>
<td>130.09</td>
</tr>
<tr>
<td>462</td>
<td>804-849</td>
<td>819</td>
<td>114.00-128.25</td>
<td>124.49</td>
</tr>
<tr>
<td>133</td>
<td>855-890</td>
<td>869</td>
<td>113.25-118.75</td>
<td>117.09</td>
</tr>
<tr>
<td>488</td>
<td>901-933</td>
<td>914</td>
<td>107.75-118.00</td>
<td>113.02</td>
</tr>
<tr>
<td>20</td>
<td>989</td>
<td>989</td>
<td>105.00</td>
<td>105.00</td>
</tr>
</tbody>
</table>

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

*Last Reported 4/20/2020*
MED. & LRG. #1 FEEDER STEER PRICES
750-800 Pounds, N.D., Weekly

Jan 21  2020 Futures  2020  2018  2017  2019
USDA still has not sent CFAP rule to OMB... USDA Secretary Sonny Perdue has said he wants direct payments under the Coronavirus Food Assistance Program (CFAP) to begin late May. But USDA still has not sent the rule to implement the program to the Office of Management and Budget (OMB). The initial target date for sending was this Friday, but some sources signal sending to OMB could be delayed until early next week.

Bad News becoming Worse News

Trump orders meatpackers to open

Packers are to follow CDC and OSHA guidelines to help ensure employee safety.

Executive Order No Quick Fix For Bottlenecks

Trump issues EO to keep meat plants operating... As expected, President Donald Trump issued an executive order that invokes the Defense Production Act to mandate meat processing facilities continue to operate during the coronavirus pandemic, deeming such facilities "critical.

Perdue says EO gives packers a "defensible answer" if they are sued...

Tyson’s Dakota City plant pauses production until next week

JBS USA reopens Greeley beef facility

Tyson to double bonuses for frontline workers

Ag committee chair sets up task force to reopen pork plant

Peterson Promises Indemnity for Depopulation in Next COVID Bill

USDA APHIS Establishes Coordination Center to Help Livestock Producers

USDA’s APHIS is establishing a National Incident Coordination Center to provide direct support to producers whose animals cannot move to market as a result of processing plant closures due to COVID-19.
Bank of North Dakota Loans

Ron Haugen
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Bank of North Dakota

• Two financing programs to assist North Dakota businesses available April 29, 2020
  • SELF (Small Employer Loan Fund)
  • CPRP (COVID-19 PACE Recovery Program)
  • $200M interest buydown
  • $50M low interest loans
  • Buydown leveraged to provide $2B in loans
  • These programs are not available for farmers
  • BND website: bnd.nd.gov
  • Contact Bank of North Dakota for details
BND Small Employer Loan Fund (SELF)

- Economic injury as a result of COVID-19
- ND business w/10 employees (10 FTE) or less
- Proceeds to support working capital, recurring expenses and inventory replenishment
- Not for capital purchases, business expansion, refinancing existing debt or providing dividends
- Receipt of PPP loans do not affect eligibility
- Lesser of $50K or 6 mo. operating expenses
- Terms: 1% interest, 120 months (6 mo. deferral)
BND COVID-19 PACE Recovery Program (CRPR)

- Economic injury as a result of COVID-19
- Proceeds to support working capital
- Not for capital purchase, business expansion, refinancing existing debt or relocation
- Receipt of PPP loans do not affect eligibility
- \( \leq 500 \) emp: Lesser of $5M or 6 mo. oper. exp.
- \( >500 \) emp: Lesser of $10M or 6 mo. oper. exp.
- Terms: 3.75% interest fixed 5 yr, 1% buydown available, up to 10 yr amortization w/ 5 yr balloon (6 mo. deferral at lender discretion)
Ag-Energy
Situation and Outlook

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david.ripplinger@ndsu.edu
Situation

- Ethanol
  - Operating at 50% capacity
  - Margins improved since bottom, but still very low
  - Turned corner with use > production
- Gasoline use is up 10% over mid April, 15% over low
- Oil
US Ethanol Production, Input, and Days in Storage

Data EIA
Figure NDSU Extension
## Ethanol Margins

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Corn</td>
<td>2.59</td>
<td>2.68</td>
<td>3.35</td>
</tr>
<tr>
<td>Ethanol</td>
<td>0.73</td>
<td>0.73</td>
<td>1.16</td>
</tr>
<tr>
<td>Dried Distillers</td>
<td>172.50</td>
<td>172.50</td>
<td>134.00</td>
</tr>
<tr>
<td>Crush</td>
<td>0.91</td>
<td>0.89</td>
<td>1.09</td>
</tr>
</tbody>
</table>

Data USDA/AMS
US Oil Supply & Demand

Daily supply is 1.6 million barrels per day greater than use and exports.

Data EIA
Graphic NDSU Extension
Cushing, Oklahoma Storage

Total Working Storage: 76 MMBBLs

- April 24th 61.2 MMBBLs
- March 13th 36.3 MMBBLs
- +24.9 MMBBLs

Data EIA
Figures NDSU Extension
Q&A: Please use Q & A

Feedback: 3 quick questions
https://bit.ly/AgEconCOVID

Recording & More Info:
www.ag.ndsu.edu/extension/economics
www.ag.ndsu.edu/alerts/coronavirus