

Agricultural Market Situation and Outlook

WELCOME!

June 5, 2020

Use the Q&A tool
to ask questions

After the webinar you'll be invited
to complete a short survey

Macroeconomic Update and Projections

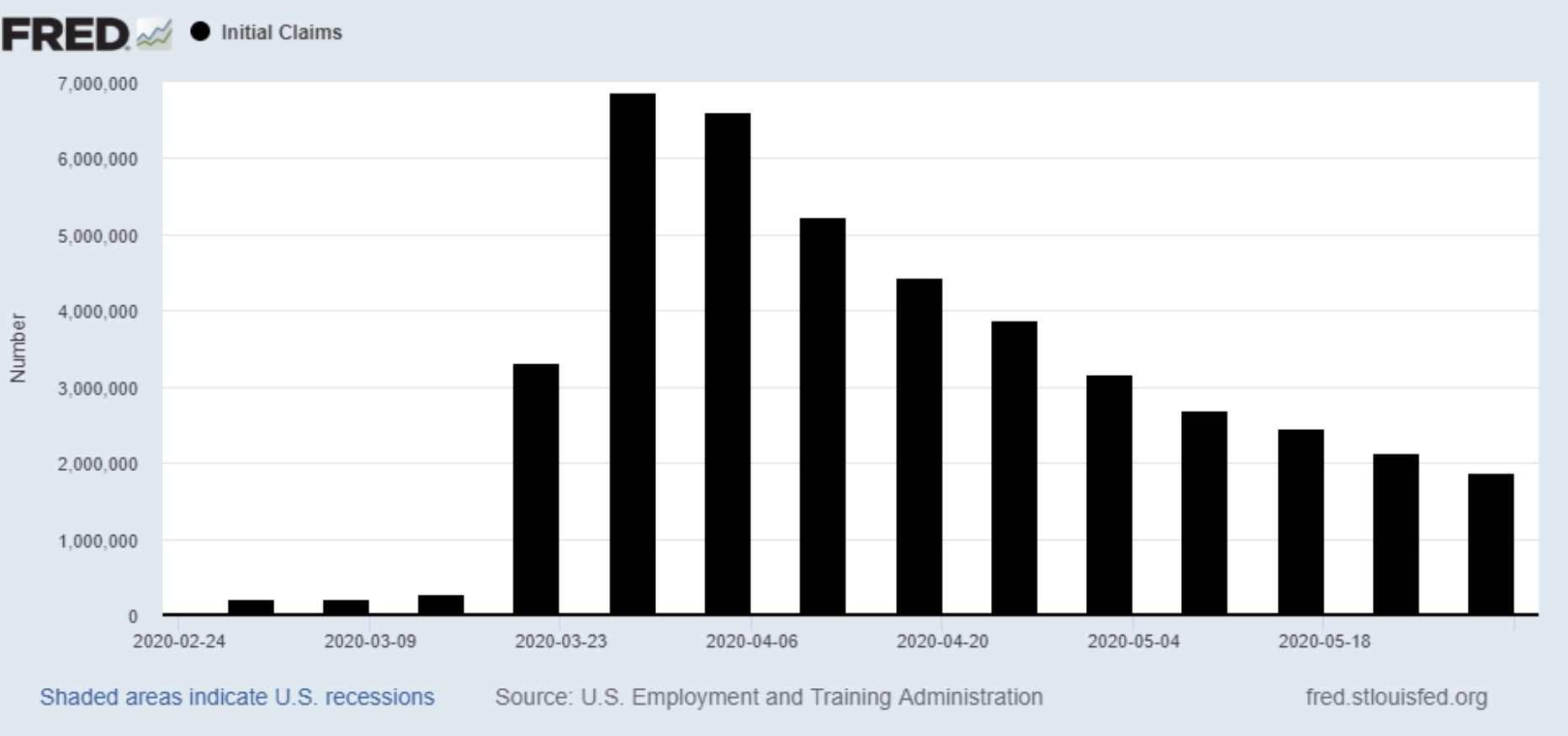
Bryon Parman

Cell – 701-261-5919

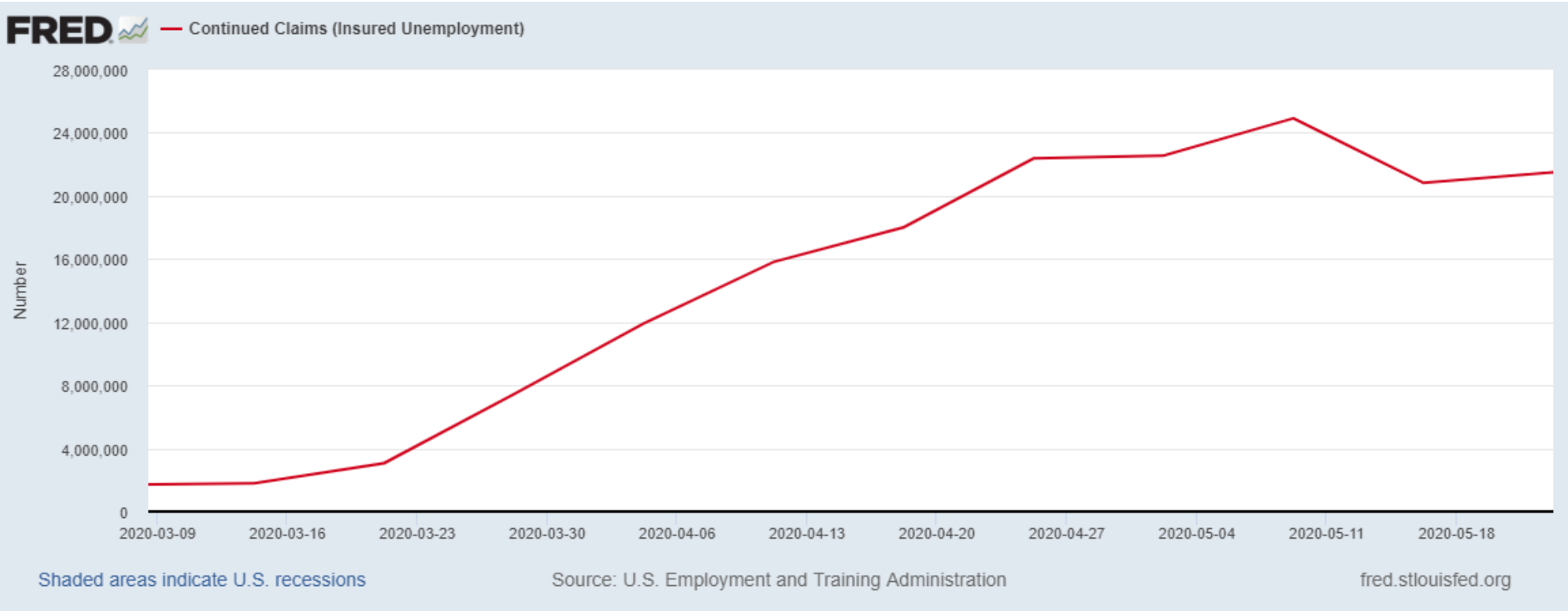
Bryon.Parman@ndsu.edu



Weekly Initial Jobless Claims, St. Louis Federal Reserve



Weekly Continuous Jobless Claims



June 5th Jobs Report

Expectations were for the unemployment rate to approach 20% for the month of May

Unemployment stood near 14.7% in April

HOWEVER: The U.S. economy GAINED 2.5 million jobs in May

- Unemployment rate dropped to 13.3%
- Possibly above 14.7% at some point, but finished out with 2.5 million more jobs than those lost during the month.

A Slower Death For Some Businesses

- Social Distancing is Expensive
 - Reduced business hours making time for sanitation
 - Increased material costs
 - Same overhead but reduced customer capacity
- Consumer Behavior
 - Many businesses are reporting much slower customer traffic

Survival After a Disaster

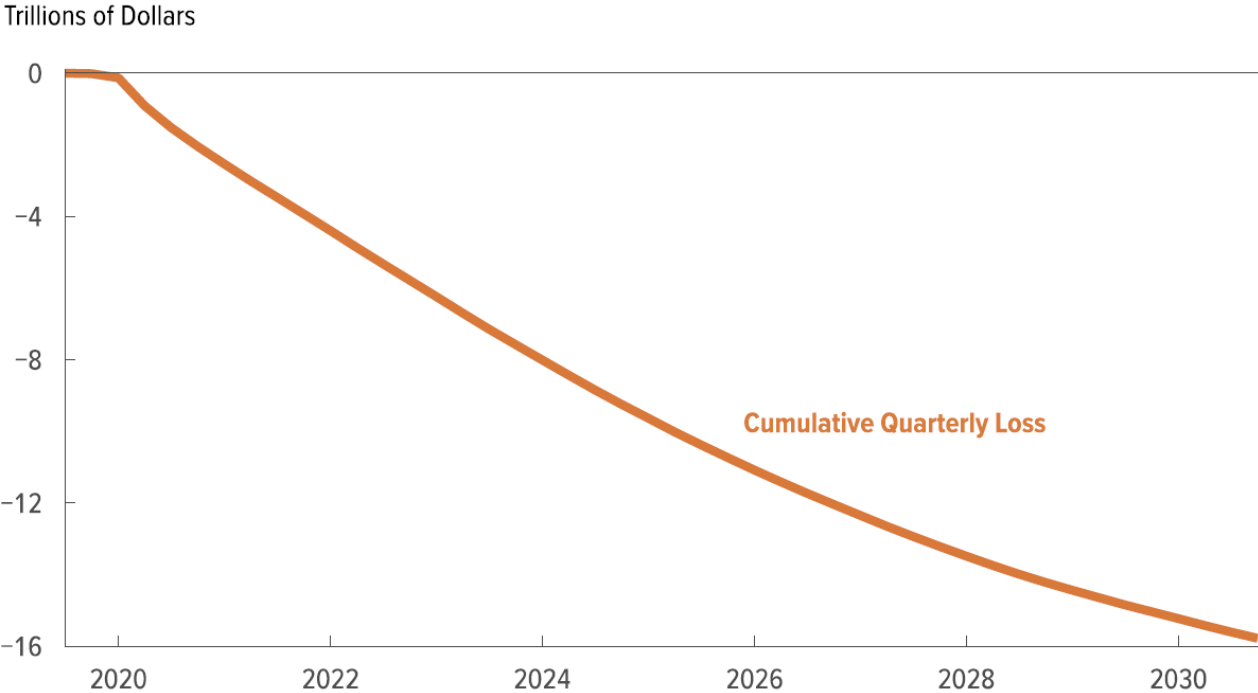
- 40% of small businesses NEVER re-open after a disaster (FEMA)
- 25% go on to fail within 1 year after a disaster (FEMA)
- 90% fail within 2 years after a disaster (SBA)
 - (Under normal circumstances, approximately 30% fail in the first 2 years and 50% fail in the 1st five years)

Congressional Budget Office Projections

- May Projection for 2nd Quarter “Real” GDP
 - Revised down 13.3% From January’s projection.

Figure 2.

Cumulative Difference in Nominal Gross Domestic Product Between CBO’s May 2020 and January 2020 Projections



Source: Congressional Budget Office.

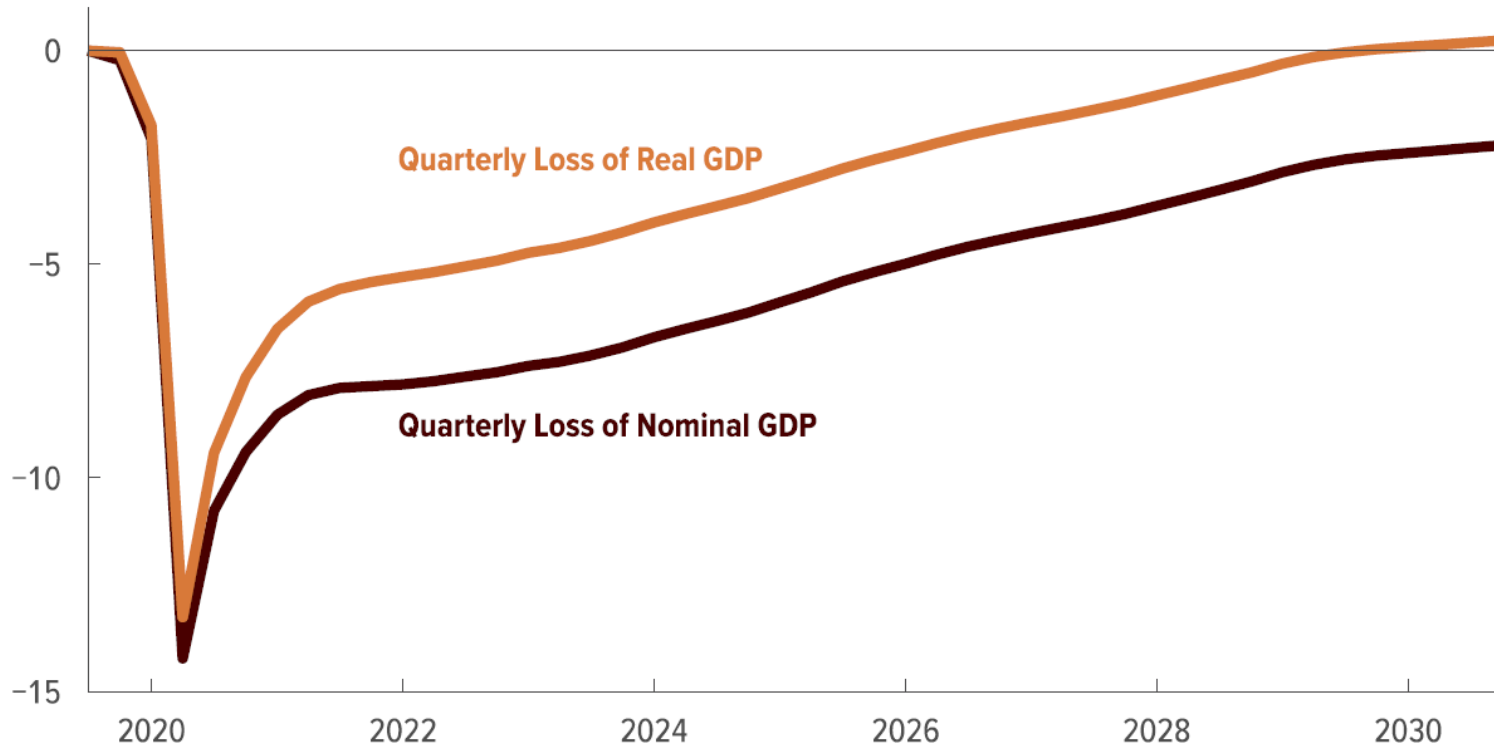
EXTENSION AGRIBUSINESS

Chart from Congressional Budget Office June 1, 2020 Report. Online at: <https://www.cbo.gov/system/files/2020-06/56376-GDP.pdf>



Figure 4.

Percentage Difference in Nominal and Real Gross Domestic Product Between CBO's May 2020 and January 2020 Projections



Source: Congressional Budget Office.

Chart from Congressional Budget Office June 1, 2020 Report. Online at: <https://www.cbo.gov/system/files/2020-06/56376-GDP.pdf>

Trying to Avoid the “Back Yard Syndrome”

Frayne Olson

Crop Economist/ Marketing
Specialist

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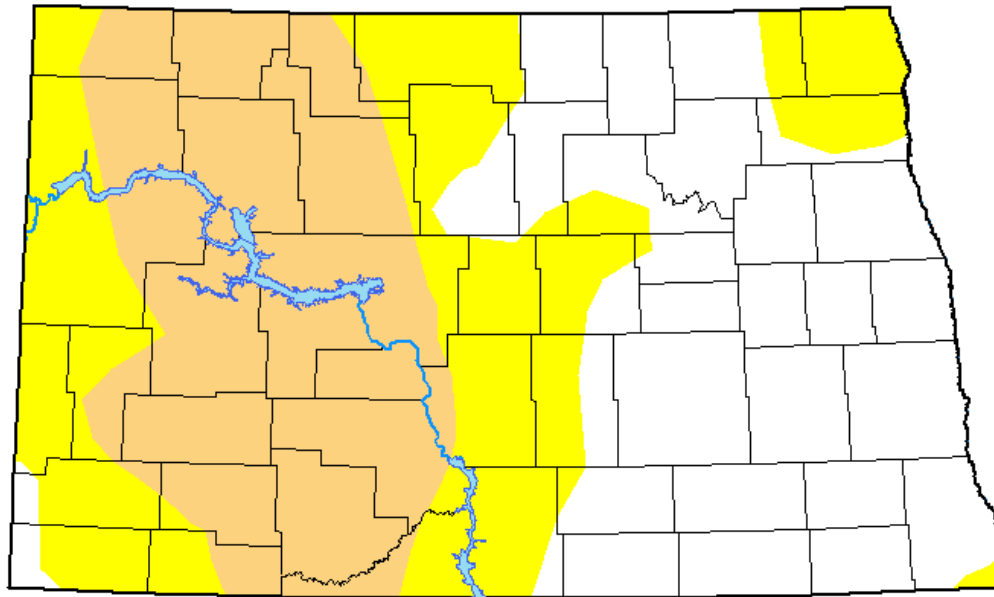
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701-715-3673 (c)









U.S. Drought Monitor North Dakota

June 2, 2020
(Released Thursday, Jun. 4, 2020)
Valid 8 a.m. EDT



Intensity:

-  None
-  D0 Abnormally Dry
-  D1 Moderate Drought
-  D2 Severe Drought
-  D3 Extreme Drought
-  D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

Author:

Curtis Riganti
National Drought Mitigation Center

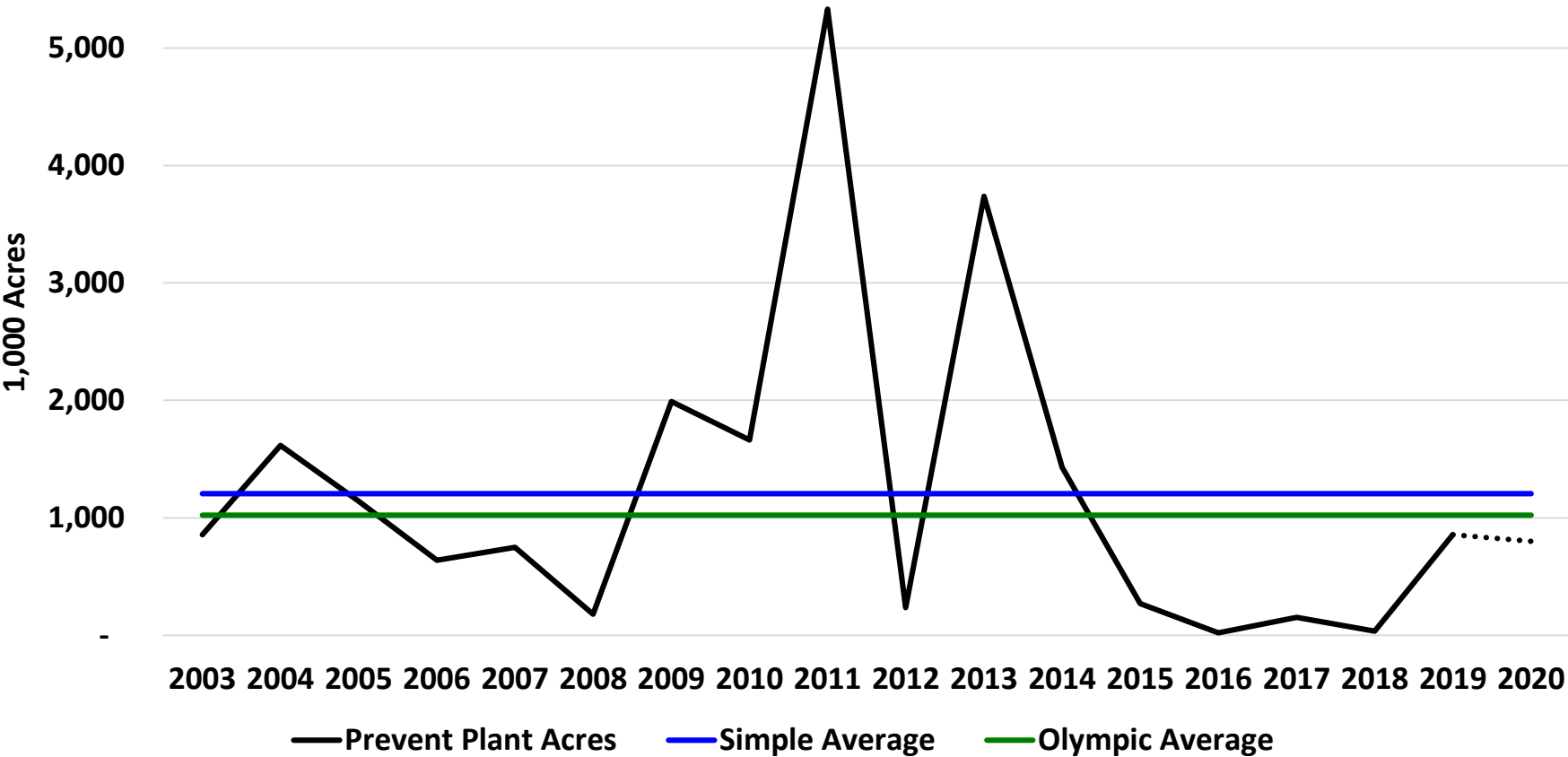


droughtmonitor.unl.edu

Drought Classification

Category	Description	Possible Impacts	Ranges				Objective Drought Indicator Blends (Percentiles)
			Palmer Drought Severity Index (PDSI)	CPC Soil Moisture Model (Percentiles)	USGS Weekly Streamflow (Percentiles)	Standardized Precipitation Index (SPI)	
D0	Abnormally Dry	<p>Going into drought:</p> <ul style="list-style-type: none"> short-term dryness slowing planting, growth of crops or pastures <p>Coming out of drought:</p> <ul style="list-style-type: none"> some lingering water deficits pastures or crops not fully recovered 	-1.0 to -1.9	21 to 30	21 to 30	-0.5 to -0.7	21 to 30
D1	Moderate Drought	<ul style="list-style-type: none"> Some damage to crops, pastures Streams, reservoirs, or wells low, some water shortages developing or imminent Voluntary water-use restrictions requested 	-2.0 to -2.9	11 to 20	11 to 20	-0.8 to -1.2	11 to 20
D2	Severe Drought	<ul style="list-style-type: none"> Crop or pasture losses likely Water shortages common Water restrictions imposed 	-3.0 to -3.9	6 to 10	6 to 10	-1.3 to -1.5	6 to 10
D3	Extreme Drought	<ul style="list-style-type: none"> Major crop/pasture losses Widespread water shortages or restrictions 	-4.0 to -4.9	3 to 5	3 to 5	-1.6 to -1.9	3 to 5
D4	Exceptional Drought	<ul style="list-style-type: none"> Exceptional and widespread crop/pasture losses Shortages of water in reservoirs, streams, and wells creating water emergencies 	-5.0 or less	0 to 2	0 to 2	-2.0 or less	0 to 2

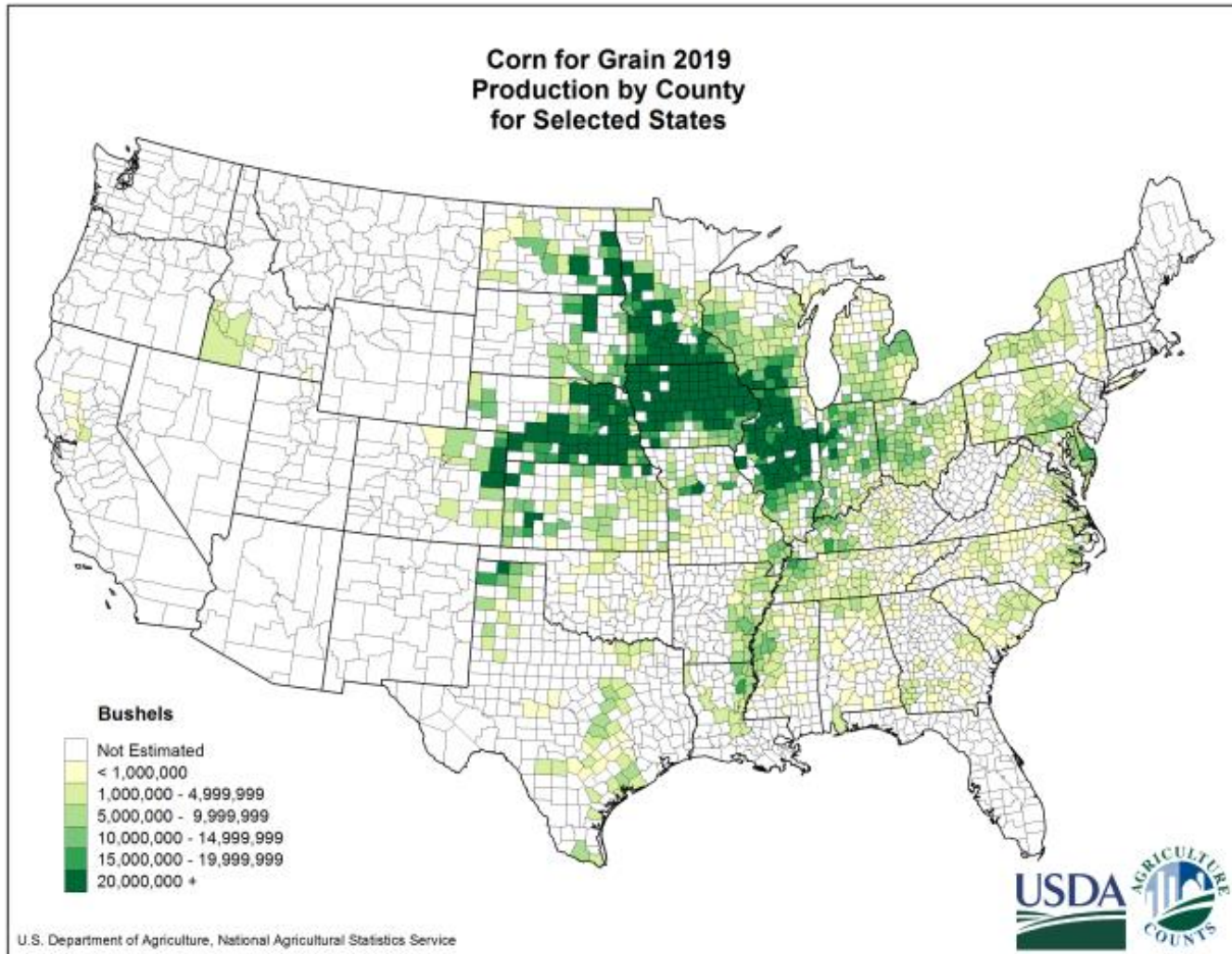
North Dakota Prevented Planting Acreage



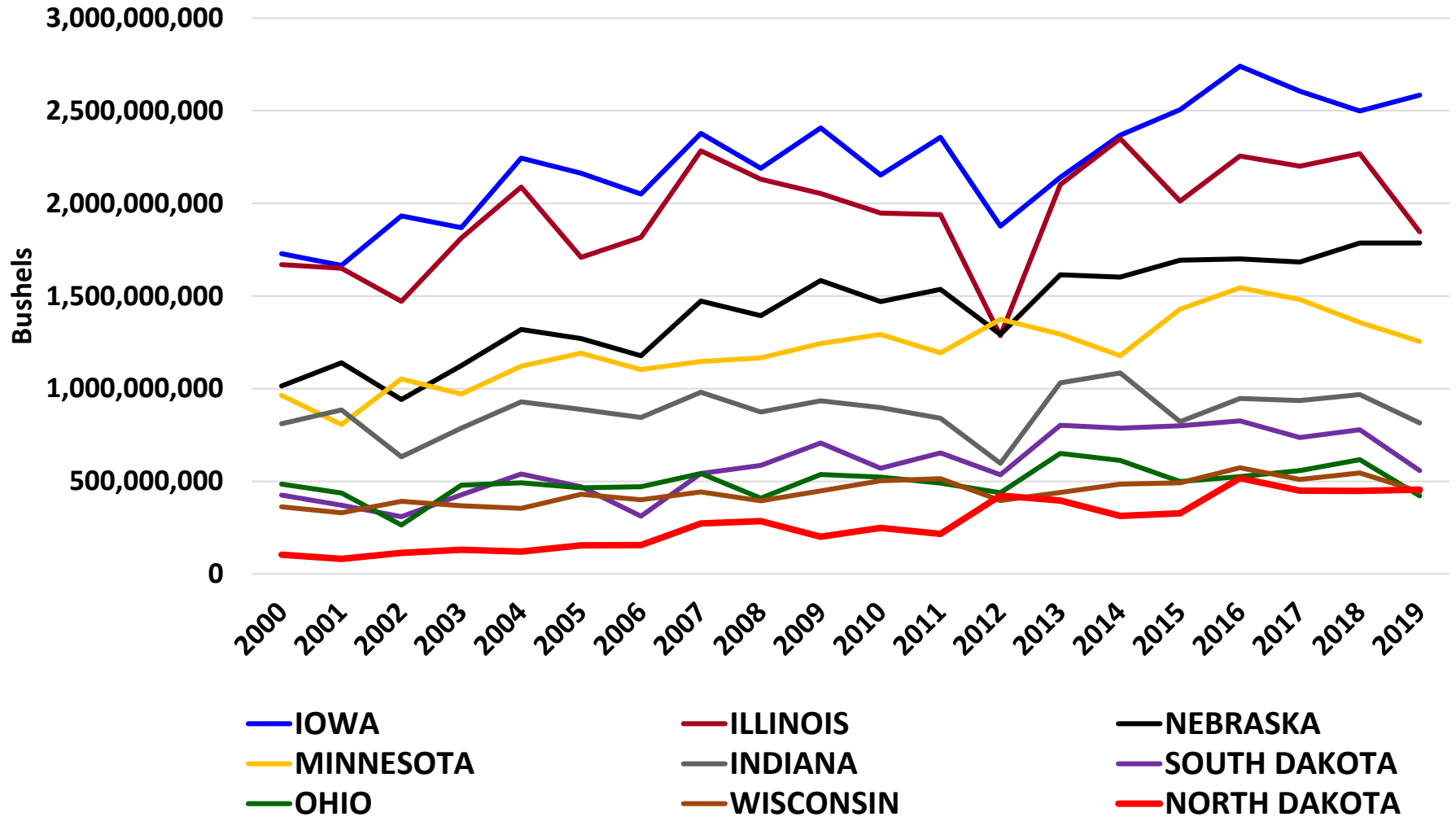
Simple Average = 1.206 million acres

Olympic Average = 1.022 million acres

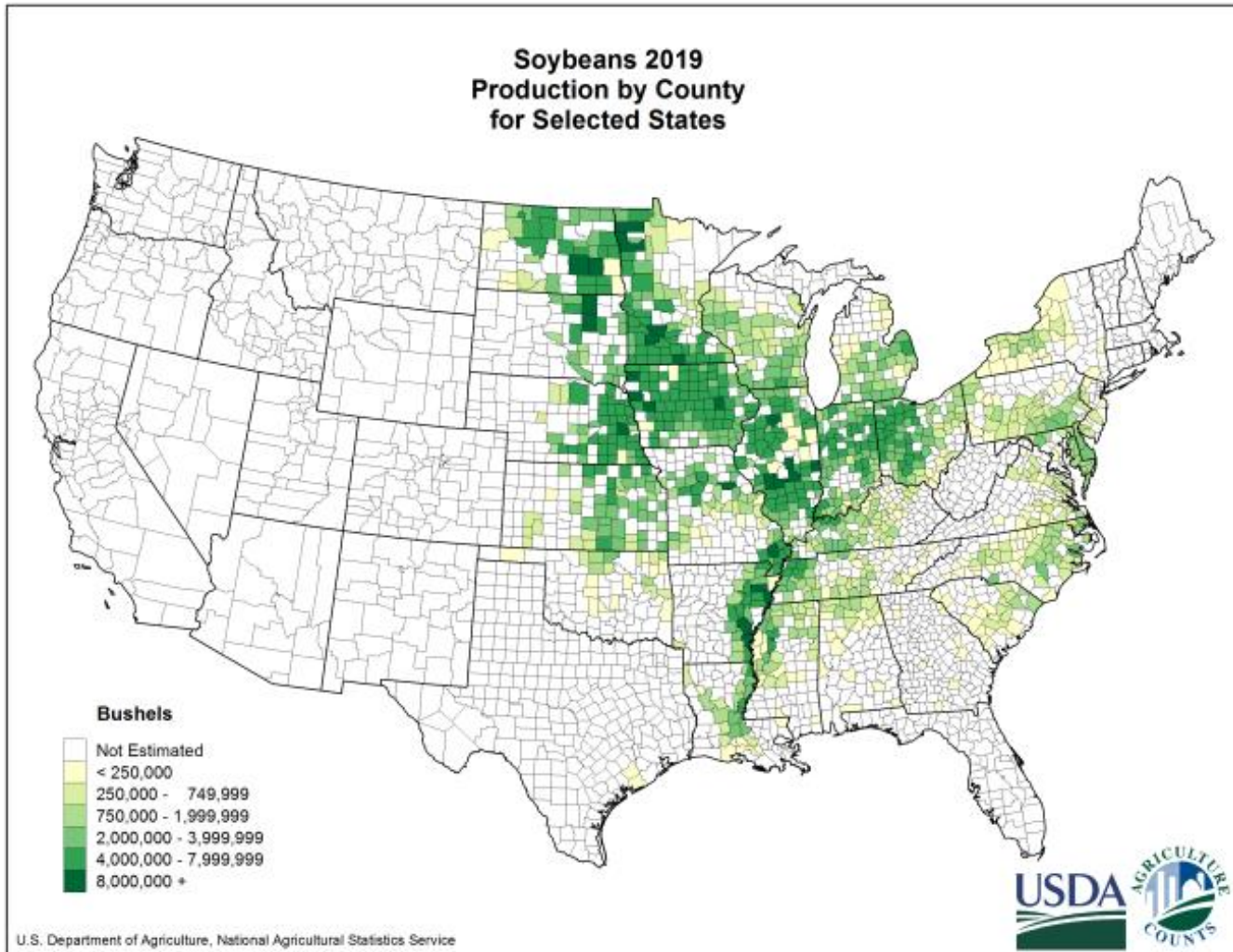
U.S. Corn Production by County



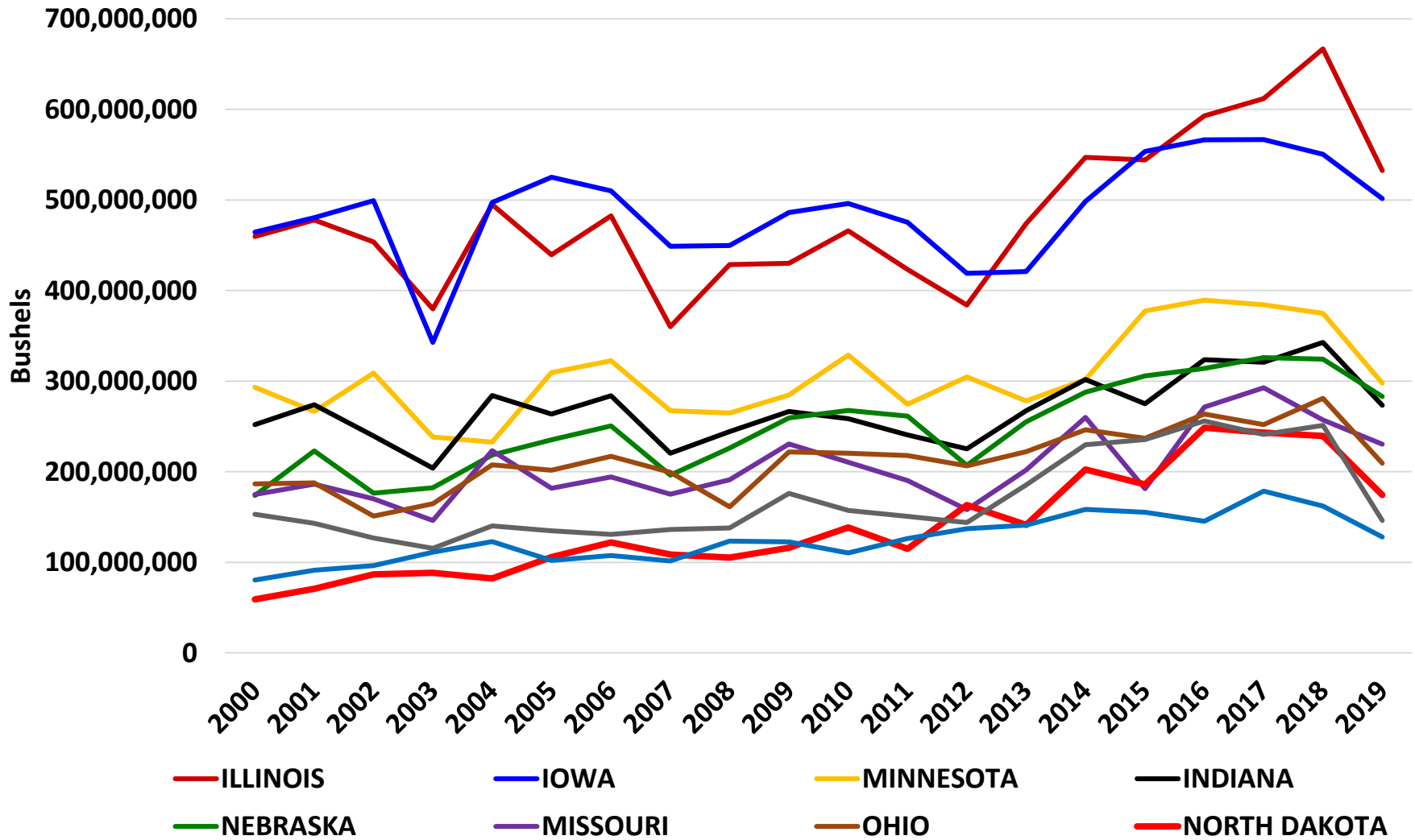
U.S. Corn Production by State



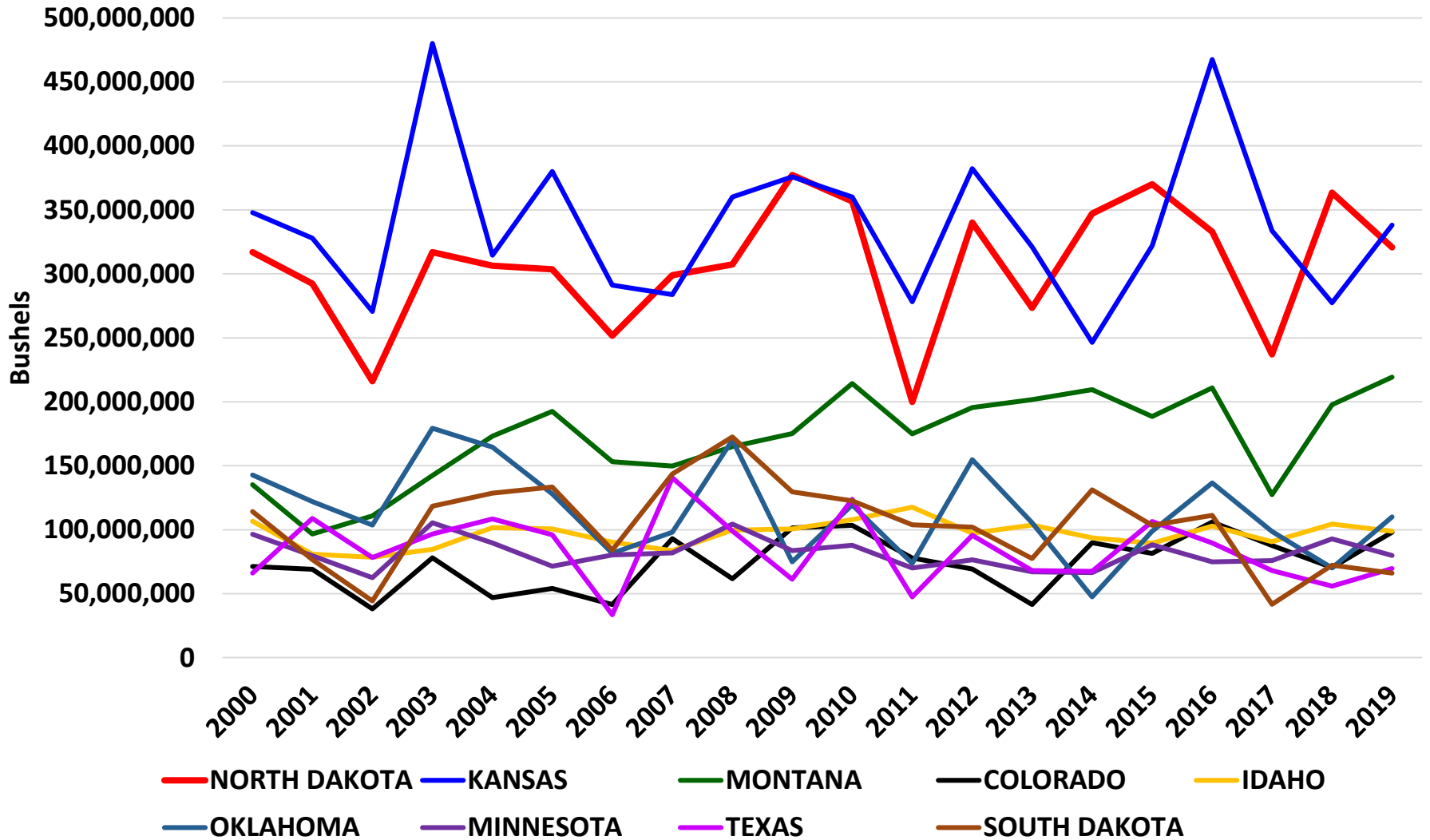
U.S. Soybean Production by County



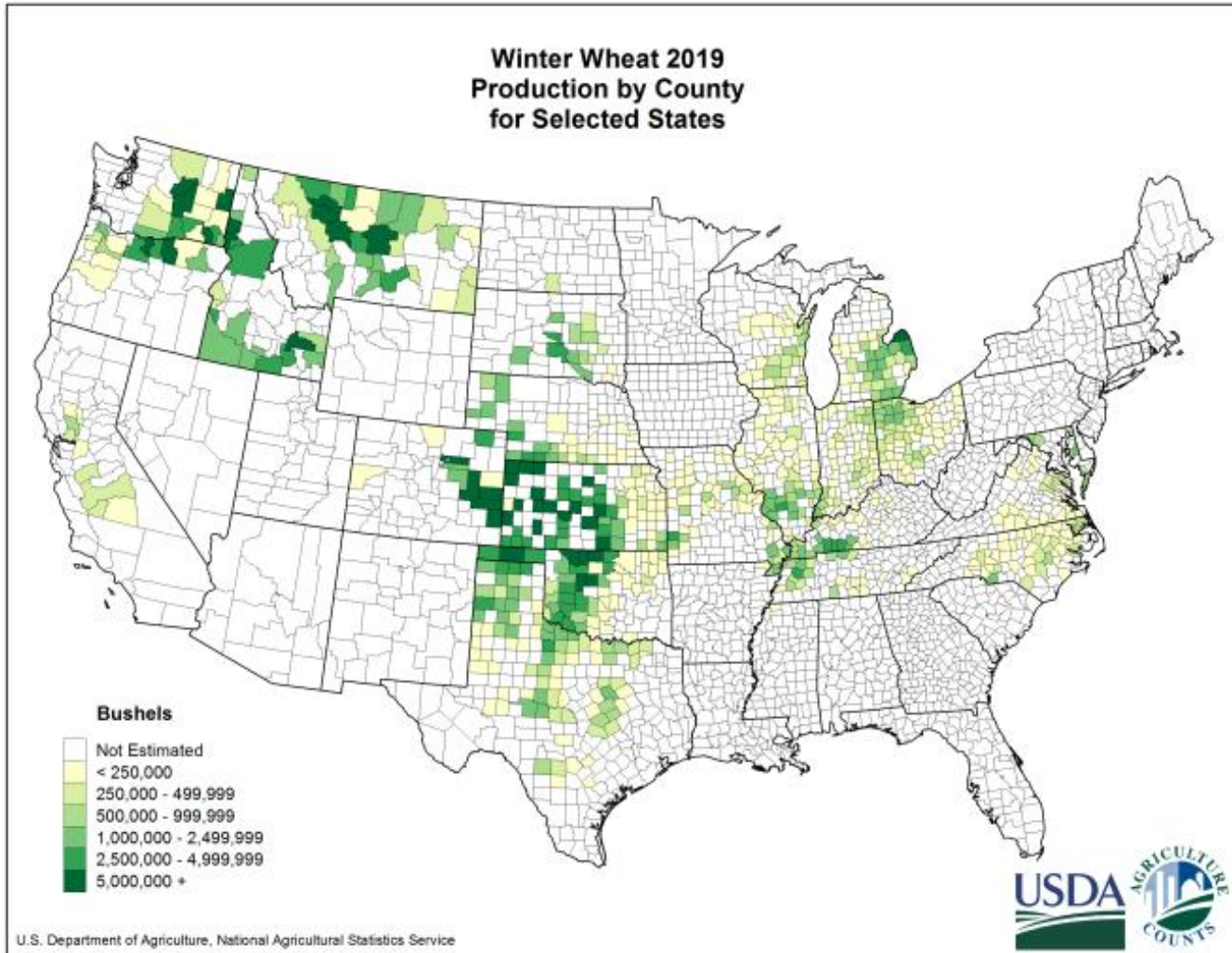
U.S. Soybean Production by State



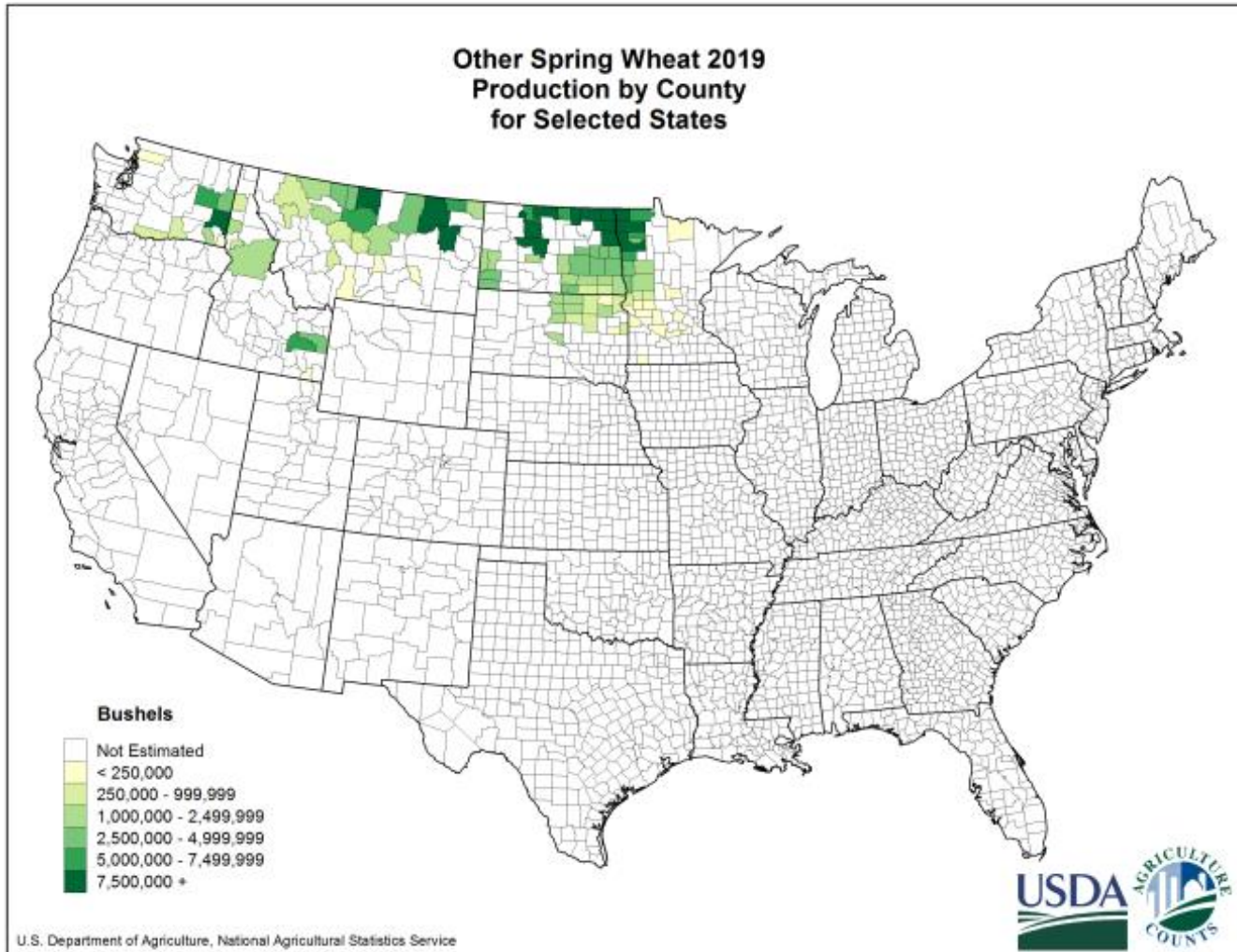
U.S. All Wheat Production by State



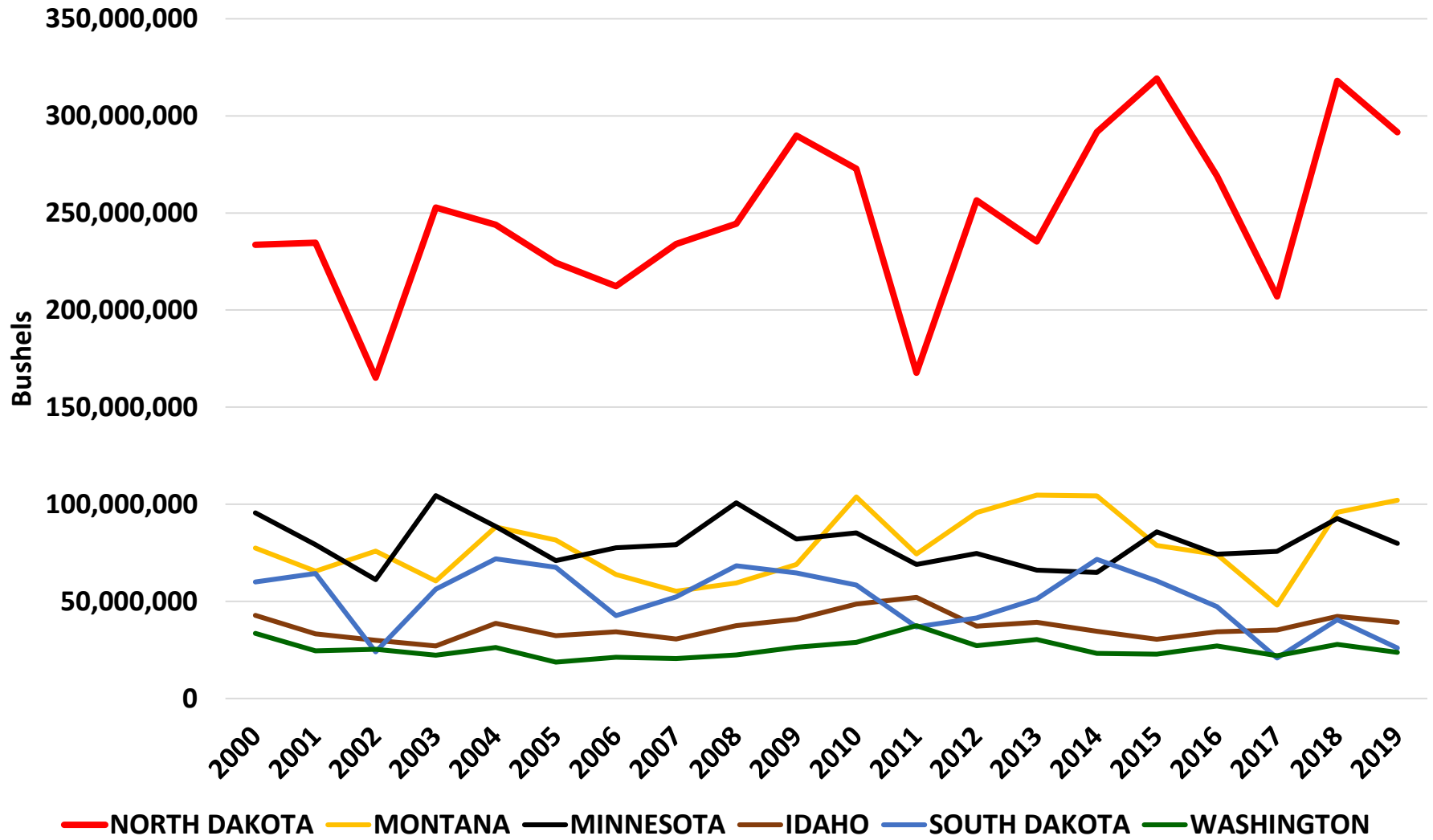
U.S. Winter Wheat Production by County



U.S. Spring Wheat Production by County



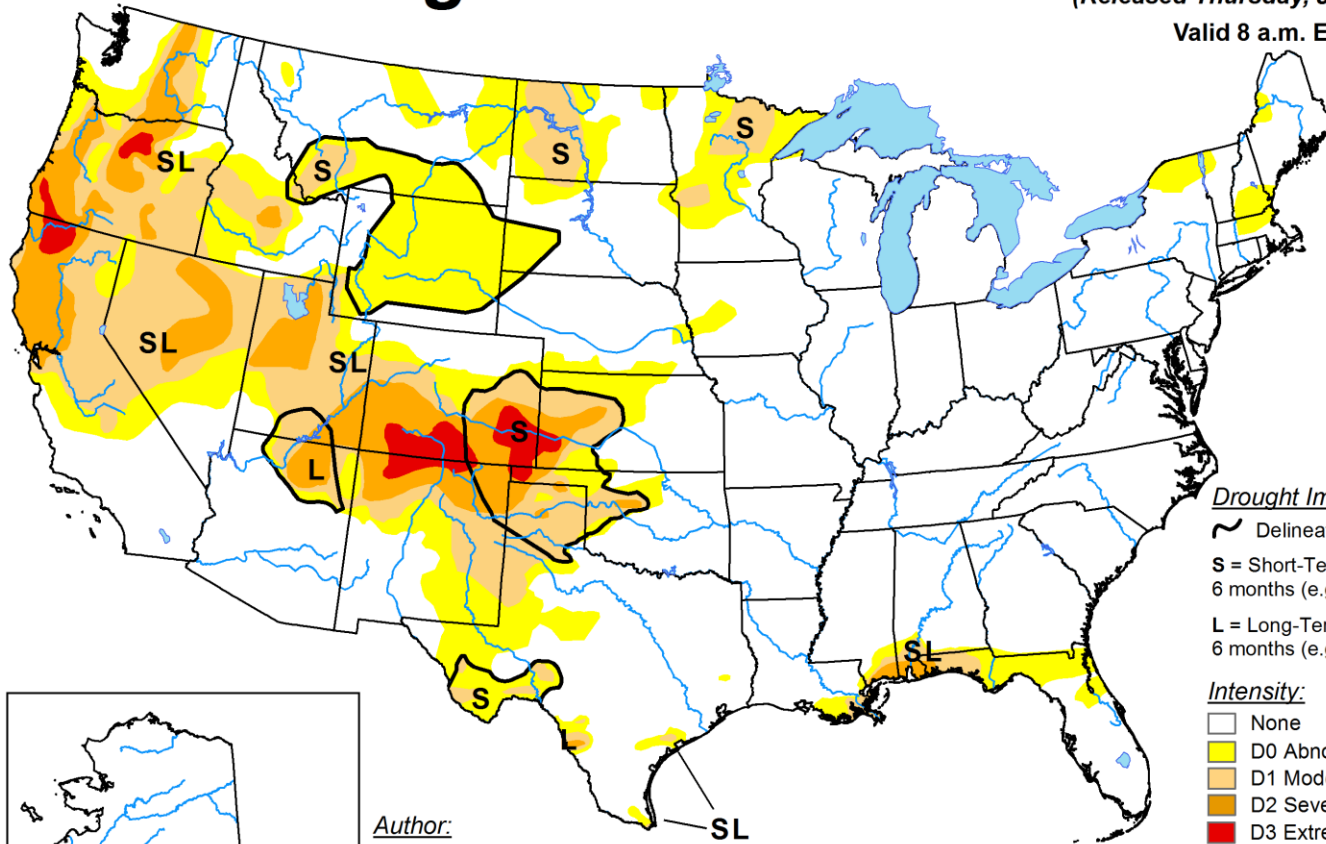
U.S. Spring Wheat Production by State



U.S. Drought Monitor

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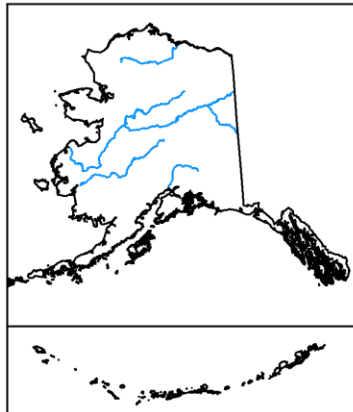


Drought Impact Types:

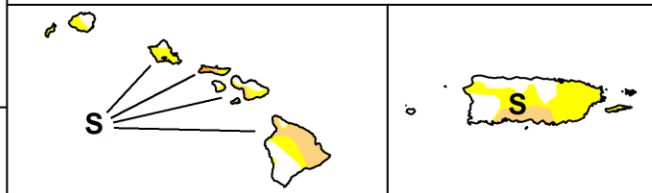
- Delineates dominant impacts
- S** = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L** = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

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- None
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Author:
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National Drought Mitigation Center



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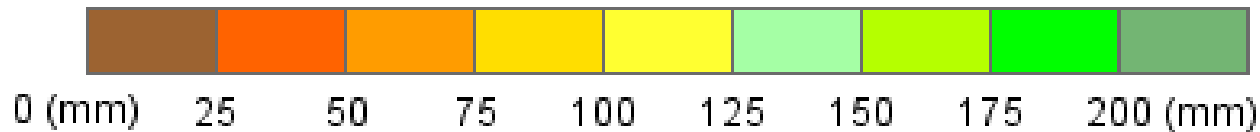
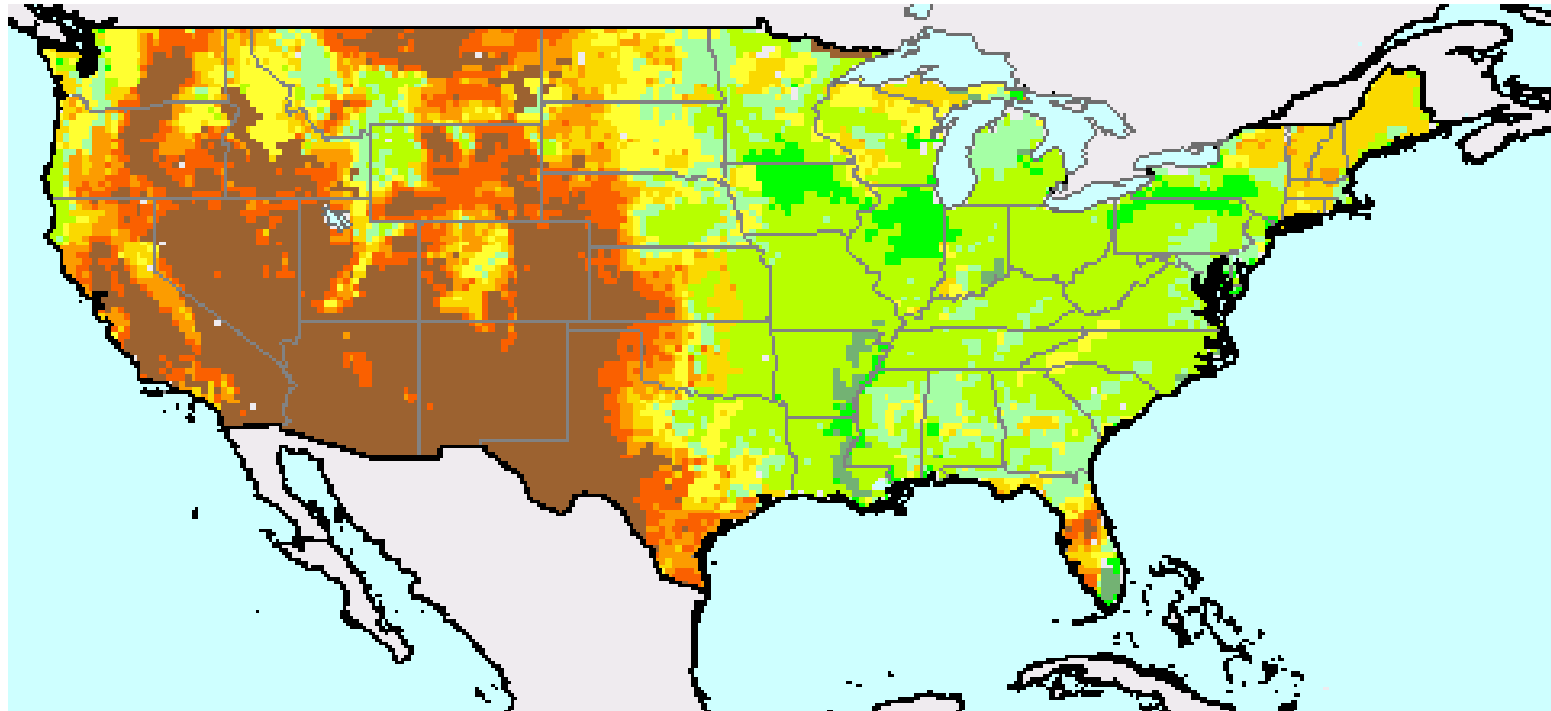


droughtmonitor.unl.edu

Estimated Soil Moisture

Subsurface Soil Moisture (USAF 557th WW)

May. 31, 2020



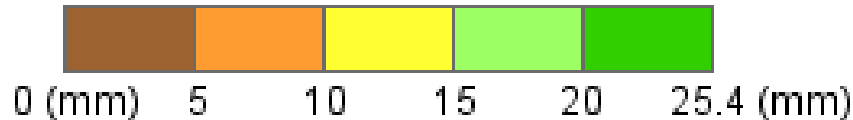
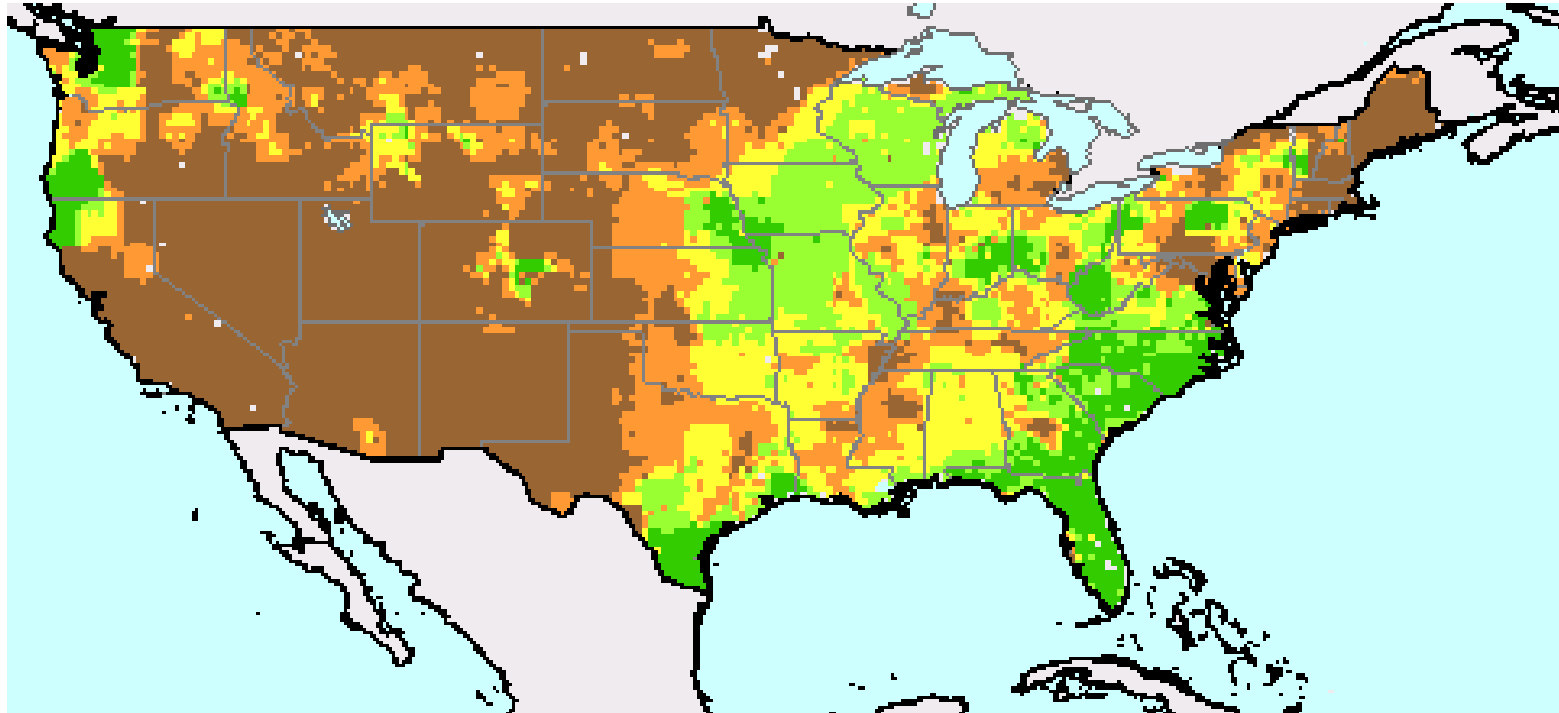
Foreign Agricultural Service
Global Market Analysis
International Production Assessment Division

Source: United States Air Force
557th Weather Wing
<http://www.557weatherwing.af.mil/>

Estimated Soil Moisture

Surface Soil Moisture (USAF 557th WW)

May. 31, 2020



Foreign Agricultural Service
Global Market Analysis
International Production Assessment Division

Source: United States Air Force
557th Weather Wing

<http://www.557weatherwing.af.mil/>

LIVESTOCK PRICE SITUATION AND OUTLOOK

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Mechanics of a Marketing Plan



- **Set pricing objectives.**
- **Set timing objectives.**
- Choose the correct marketing tool.
- Monitor market conditions.
- Update or modify when needed.
- Implement!

Price Risk Management Tools

- Cash forward contract
- Video and internet auctions
- CME futures
- CME options
- Livestock Risk Protection (LRP)
- Which one or combination fits your marketing plan?
- **“If you don’t manage risk, risk will manage you”**

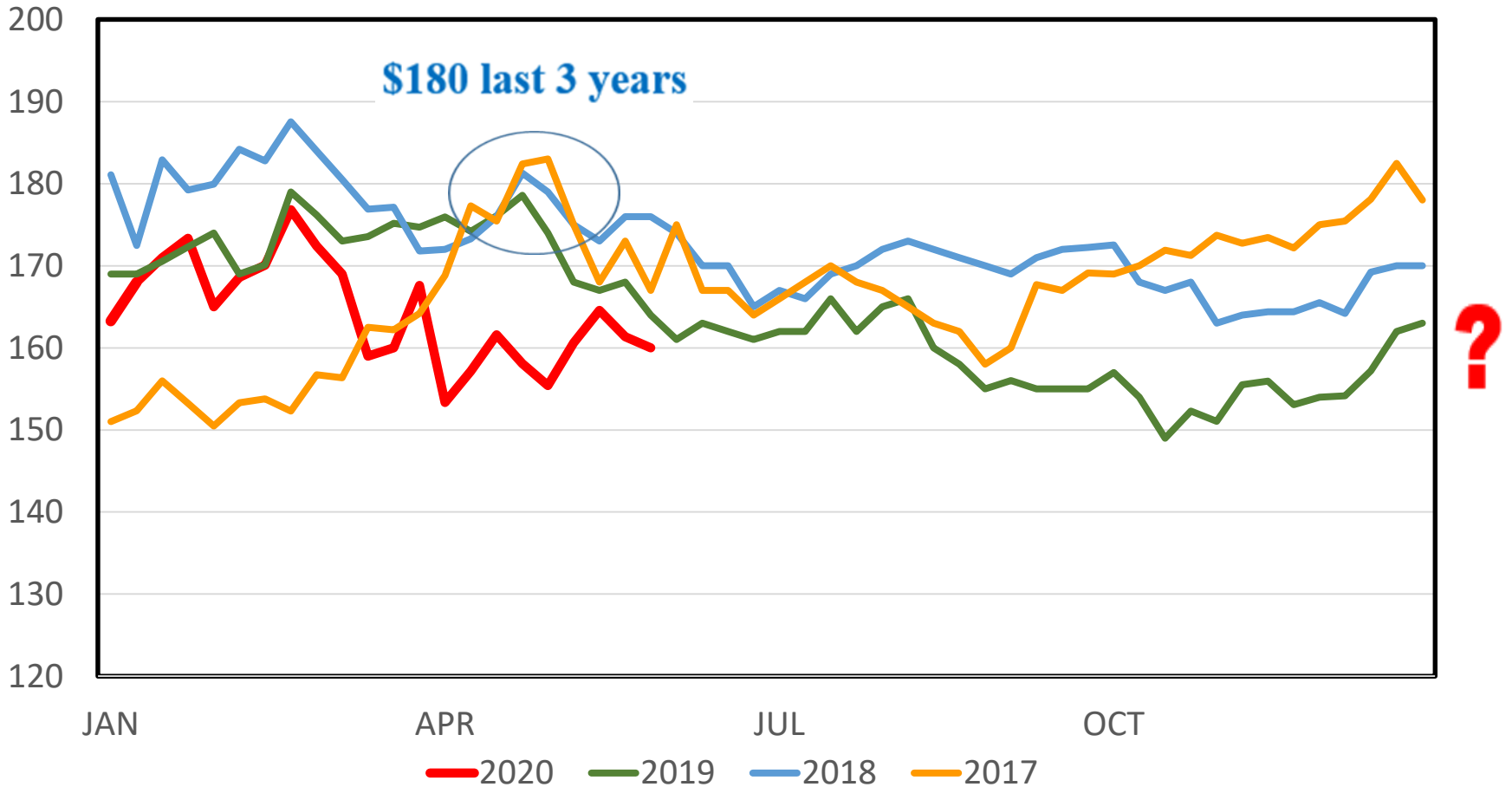
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EXTENSION

NDSU

EXTENSION AGRIBUSINESS

MED. FRAME #1 STEER CALF PRICES 550-600 Pounds, N.D., Weekly



Risk Management?



590 lb. STEERS

LRP Coverage Prices, Rates, and Actual Ending Values - Report for 06/04/2020

20% Prem. Subsidy
X.80

State	County	Endorsement Length	Commodity	Type	Practice	Crop Year	Exp. End Value	Coverage Price	Coverage Level	Rate	Cost Per CWT	End Date
38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$149.600	0.990700	0.057853	8.655 6.92	10/29/2020
38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$147.400	0.976100	0.052134	7.685 6.15	10/29/2020
38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$145.200	0.961600	0.046712	6.783 5.43	10/29/2020

25% Subsidy
X.75

38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$143.000	0.947000	0.041523	5.938 4.45	10/29/2020
38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$140.800	0.932400	0.036828	5.185 3.89	10/29/2020
38 North Dakota	998 All Counties	21	0801 Feeder Cattle	809 Steers Weight 1	997 No Practice Specified	2020	151.003	\$138.600	0.917900	0.032706	4.533 3.40	10/29/2020

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

2020 Calf Marketing Plan

100 Cow Spring Calving Herd

46-590 lb. steer calves

26-570 lb. heifer calves (20 replacement kept)

Expected Market Date Oct. 29

Goal: Pre-price 50 % of production

Expected price trend ?

Marketing Tool: LRP-Under 600 lbs.

<u>Strategy</u>	<u># of Head</u>	<u>Price Objective</u>	<u>Time Deadline</u>
LRP-21 wk.	12 steers 7 heifers	\$155 \$140	Jun 30
LRP-13 wk.	11 steers 6 heifers	\$165 \$149	Jul. 30 LAST DAY
Market	46 steers 26 heifers		Oct. 29

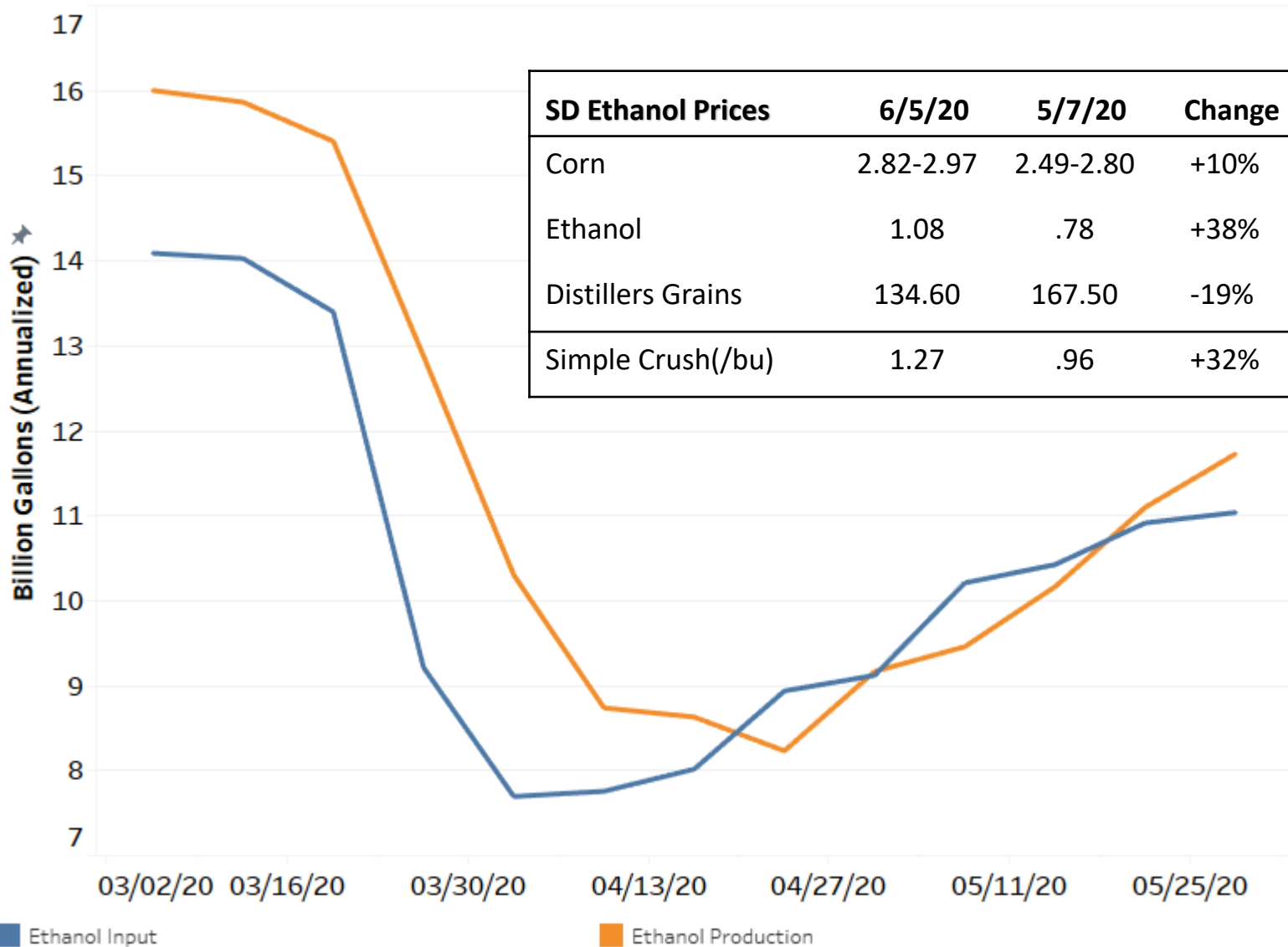
Ag-Energy Situation and Outlook

David Ripplinger

Bioproducts/Bioenergy
Economics Specialist

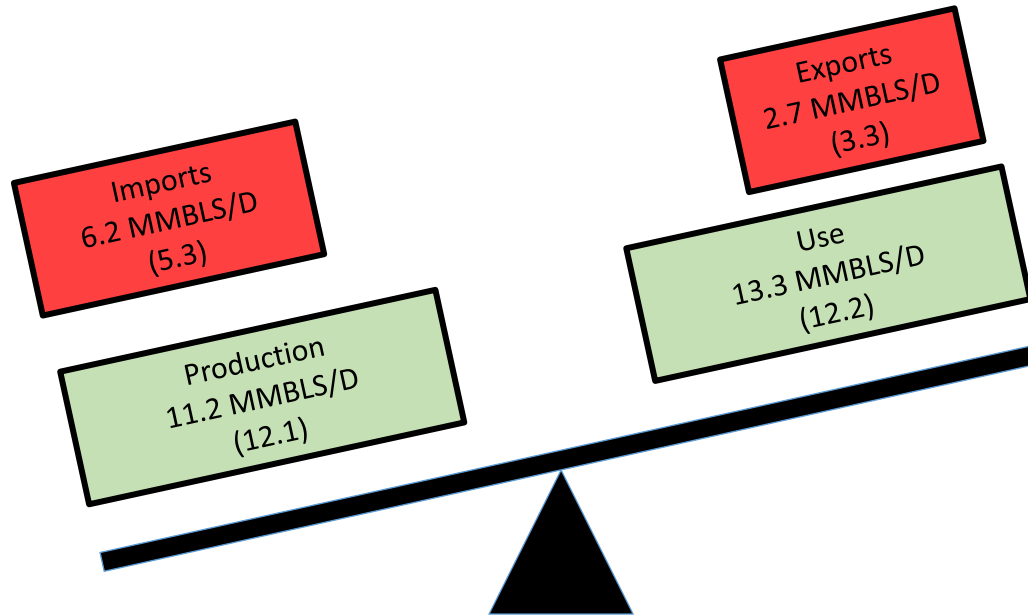
david.ripplinger@ndsu.edu





Data: EIA, USDA/AMS
 Calculation: NDSU Extension

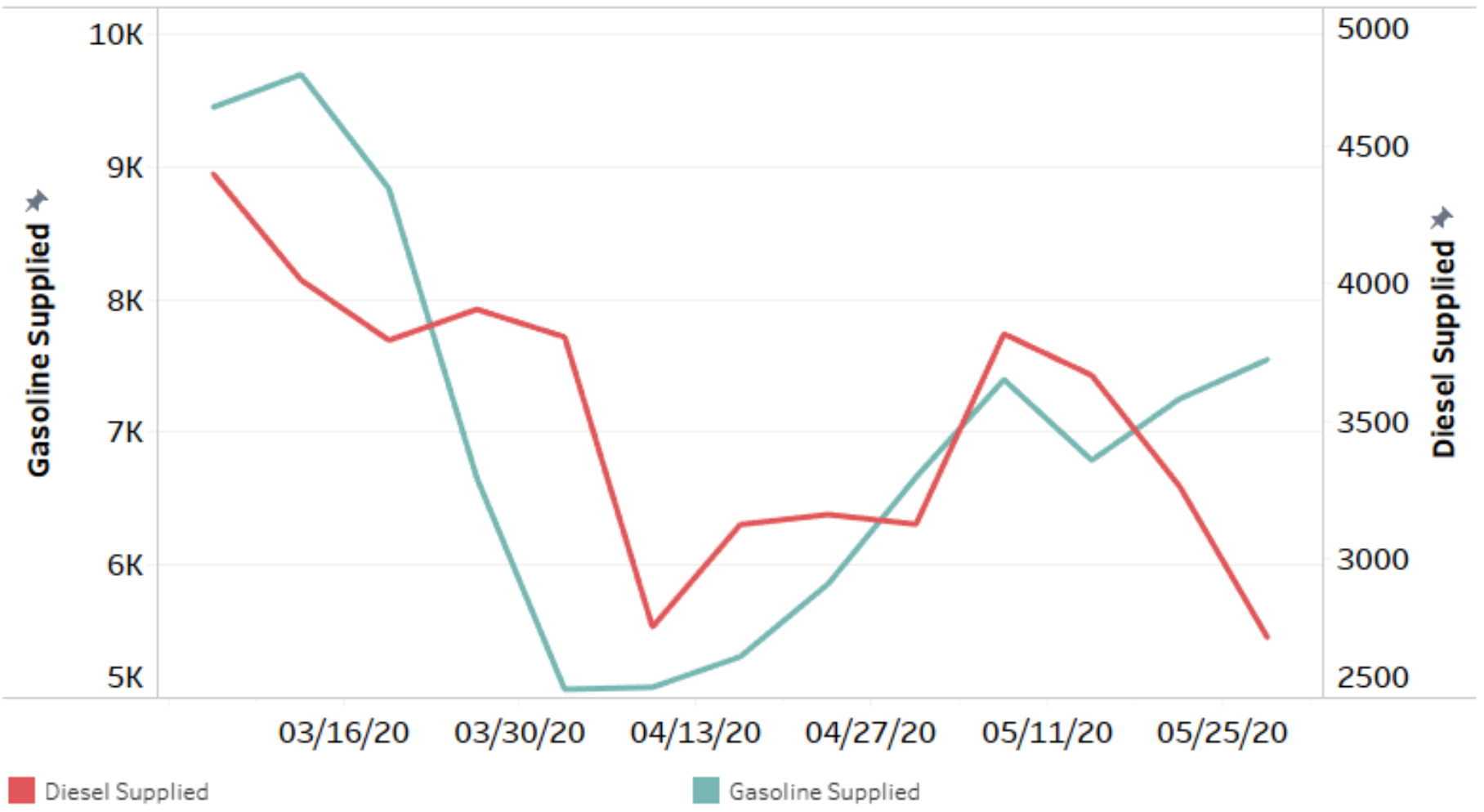
US Oil Supply & Demand



Quantity supplied is 1.6 (1.9) million barrels per day greater than the quantity demanded

Week of 5/29/20
(Week of 4/24/20)

Data EIA
Graphic NDSU Extension



Data: EIA

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to ask questions

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Recording and Additional Information

www.ag.ndsu.edu/extension/economics

www.ag.ndsu.edu/alerts/coronavirus