

# Agricultural Market Situation and Outlook

March 27, 2020

**NDSU**

EXTENSION

# Agricultural Market Situation and Outlook

Microphone & camera off

Use Chat for questions

**NDSU**

EXTENSION

# At the End

**Q&A:** Please use Chat

**Feedback:** 3 quick questions

<https://bit.ly/AgEconCOVID>

# Current Economic Conditions and Industry Exposure

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# How Historically Volatile Has March 2020 Been for The Stock Market?

Date	Close	pct change	Ranking Largest Losses
10/19/1987	1,738.7	-22.6%	1
<b><u>3/16/2020</u></b>	<b><u>2,0188</u></b>	<b><u>-12.9%</u></b>	<b><u>2</u></b>
10/28/1929	260.6	-12.8%	3
12/18/1899	42.2	-12.0%	4
10/29/1929	230.1	-11.7%	5
<b><u>3/12/2020</u></b>	<b><u>21,200</u></b>	<b><u>-10.0%</u></b>	<b><u>6</u></b>
11/6/1929	232.1	-9.9%	7
8/12/1932	63.1	-8.4%	8
3/14/1907	55.21	-8.3%	9
10/26/1987	1,793.9	-8.0%	10
7/21/1933	88.7	-7.9%	11
10/15/2008	8,577.91	-7.9%	12
<b><u>3/9/2020</u></b>	<b><u>23,851</u></b>	<b><u>-7.8%</u></b>	<b><u>13</u></b>
10/18/1937	125.7	-7.8%	14
12/1/2008	8,149.09	-7.7%	15

Date	Close	pct change	Ranking Largest Gains
3/15/1933	62.1	15.4%	1
10/6/1931	99.3	14.8%	2
10/30/1929	258.5	12.3%	3
9/21/1932	75.2	11.4%	4
<b><u>3/24/2020</u></b>	<b><u>20,704.91</u></b>	<b><u>11.4%</u></b>	<b><u>5</u></b>
10/13/2008	9,387.61	11.1%	6
10/28/2008	9,065.12	10.9%	7
10/21/1987	2,027.9	10.2%	8
12/14/1914	56.76	9.7%	9
2/11/1932	78.6	9.5%	10
8/3/1932	58.2	9.4%	11
<b><u>3/13/2020</u></b>	<b><u>23,185.62</u></b>	<b><u>9.4%</u></b>	<b><u>12</u></b>
11/14/1929	217.3	9.4%	13
12/18/1931	80.7	9.3%	14
2/13/1932	85.8	9.2%	15

# Weekly Initial Jobless Claims

## 1973 – Week Ending March 21<sup>st</sup> 2020

03/26/2020

3.28 Million Previous Record  
695,000 in 1982



# Unemployment Totals

- Bureau of Labor Statistics
  - March 6<sup>th</sup> report listed 5.8 Million people unemployed
    - Unemployment rate at 3.5%
  - Job growth in March will likely not exceed the monthly average of 193,000
  - That will likely push the Unemployment rate from 3.5% to 5.5% in the March (coming in April) BLS report



# Short - Longer Run Projection for GDP

- Morgan Stanley: (-30.1%) in 2<sup>nd</sup> quarter with 12.8% unemployment
- JPMorgan Chase & Co. (-14%) in 2<sup>nd</sup> quarter
- Goldman Sachs: (-24%) in 2<sup>nd</sup> quarter with approx. 9% unemployment
  - Also: (-6%) in the 1<sup>st</sup> quarter due to March shutdowns
  - Addition 12% Growth in 2<sup>nd</sup> quarter and 10% Growth in 4<sup>th</sup> Quarter
- Bank of America: (-25%) in 2<sup>nd</sup> Quarter
- Federal Reserve Projection: (Most Extreme) (-50%) GDP in Q2 and 30% unemployment
  - [The Great Depression was estimated to be around 21% unemployment]

# USCIS Announces Temporary Suspension of Premium Processing for All I-129 and I-140 Petitions Due to the Coronavirus Pandemic (As of Mar 20)

\$600 per week federal on top of state unemployment benefits

Someone working making \$22/hour receives \$880/week

Unemployment benefits with the \$600 federal kicker in N.D.  
would receive \$881.60/ week having averaged \$22/week  
in the previous 2.5 quarters.

# Exact Language for Livestock and Specialty Crops

- For an additional amount for the “Office of the Secretary”, \$9,500,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus by providing support for agricultural producers impacted by coronavirus, including producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools, and livestock producers, including dairy producers: Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

# Exact Language for Common Commodities

- 94) under the heading “Commodity Credit Corporation Fund—Reimbursement

\$14,000,000,000, may be used, prior to the completion of the report described in 15 U.S.C. 713a–11, to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed, as reflected in the June 2020 report of its financial condition: Provided, that such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

# Crop Market Situation & Outlook

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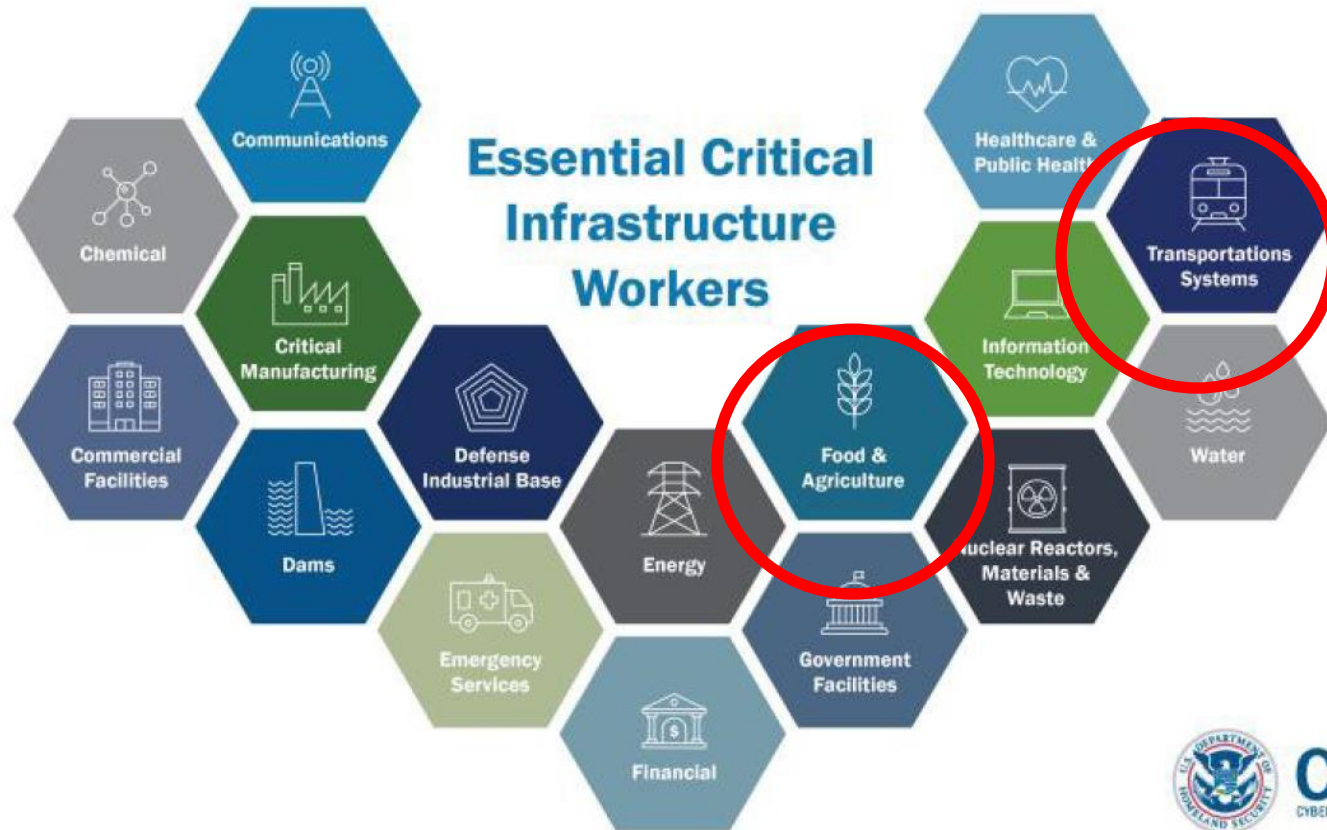
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# Supply Chain Risks

- Argentina:
  - More than 70 municipalities have enforced anti-coronavirus measures controlling grain truck movements.
- Brazil:
  - Farm organizations warned the government that grain, coffee and sugarcane growers face challenges with freight, harvest labor and farm equipment maintenance due to restricted movement.
  - Current port movements are normal, but some soybean shipments to China have delayed arrival.

# U.S. Essential Workers



U.S. Dept. of Homeland Security – Essential Critical Infrastructure Workers During COVID-19 Response

# U.S. Supply Chain Risks

- ***Food and Agriculture.***
  - Food manufacturer employees.
  - Farm and Animal Agriculture workers.
  - Employees/firms supporting food, feed and beverage distribution.
  - Employees/firms in production of chemicals, medicines, vaccines,...
  - Employees/firms in the manufacture and maintenance of equipment & infrastructure necessary to ag. production & distribution.

U.S. Dept. of Homeland Security – Essential Critical Infrastructure Workers During COVID-19 Response



# U.S. Supply Chain Risks

- ***Transportation and Logistics.***
  - Employees/Firms providing logistics operations services.
  - Employees/Firms enabling transportation functions:
    - Dispatchers, maintenance/repair techs, warehouse workers, maintenance & inspection infrastructure...
  - Maritime transportation workers – port workers, mariners, equipment operators...

U.S. Dept. of Homeland Security – Essential Critical Infrastructure Workers During COVID-19 Response

# U.S. Supply Chain Risks

- Agricultural industries that may be impacted:
  - Import/export facilities, wheat mills, oilseed crush, ethanol mfg., slaughter plants, grain elevators, fertilizer plants, chemical warehouses, railroads, trucking,...
- Each company must set their own protocols regarding employee interaction, sanitizing facilities, customer interaction and working from home.

# U.S. Supply Chain Risks

- Two greatest risks within companies:
  - COVID-19 spread between employees and customers.
    - Receiving, shipping & handling systems have been changed.
  - COVID-19 spread within a company.
    - Employee absenteeism is a concern.
    - Some companies are using skeleton crews to keep workers in reserve that will be able to carry on essential functions if outbreak occurs.

# Livestock Price Situation and Outlook

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# APR FEEDER CATTLE/CME FEEDER CATTLE INDEX

GFJ20 - Feeder Cattle - Daily OHLC Chart

■ Op:128.525, Hi:129.150, Lo:124.275, Cl:125.100 ■ GFY00: 128.500



# 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?

## New LRP Premium Subsidy Rates

<u>Coverage Level %</u>	<u>Subsidy Rate %</u>
95-100	20
90-94.9	25
80-89	30
70-79	35

Previous rate was 13%

**NOT OFFERED IF FUTURES MOVE LIMIT**



Compared to last week; Feeder Steers 600-650lbs 23.00 to 24.00 higher, 800lbs and higher steady to 5.00 higher except 850-900lbs up to 17.00 higher. Feeder heifers 650-750lbs 8.00-13.00 higher. Not all weights well tested for comparison. Flesh condition light to moderate.

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

Head	Wt Range	Avg Wt	Price Range	Avg Price
9	422-433	427	176.00-179.00	177.35
11	461-473	466	179.00-181.00	179.92
37	514-543	533	165.00-175.00	170.17
110	558-593	576	161.00-171.50	167.59
173	603-645	630	159.25-168.00	164.26
117	651-698	668	143.50-160.75	152.23
610	702-749	726	134.00-150.50	143.19
284	760-799	778	126.00-143.50	138.26
352	806-845	828	124.75-141.50	130.12
265	852-887	873	116.50-133.00	126.19
88	917-949	931	114.00-119.00	116.46
187	955-978	963	117.75-122.00	120.22
53	1000	1000	122.00	122.00

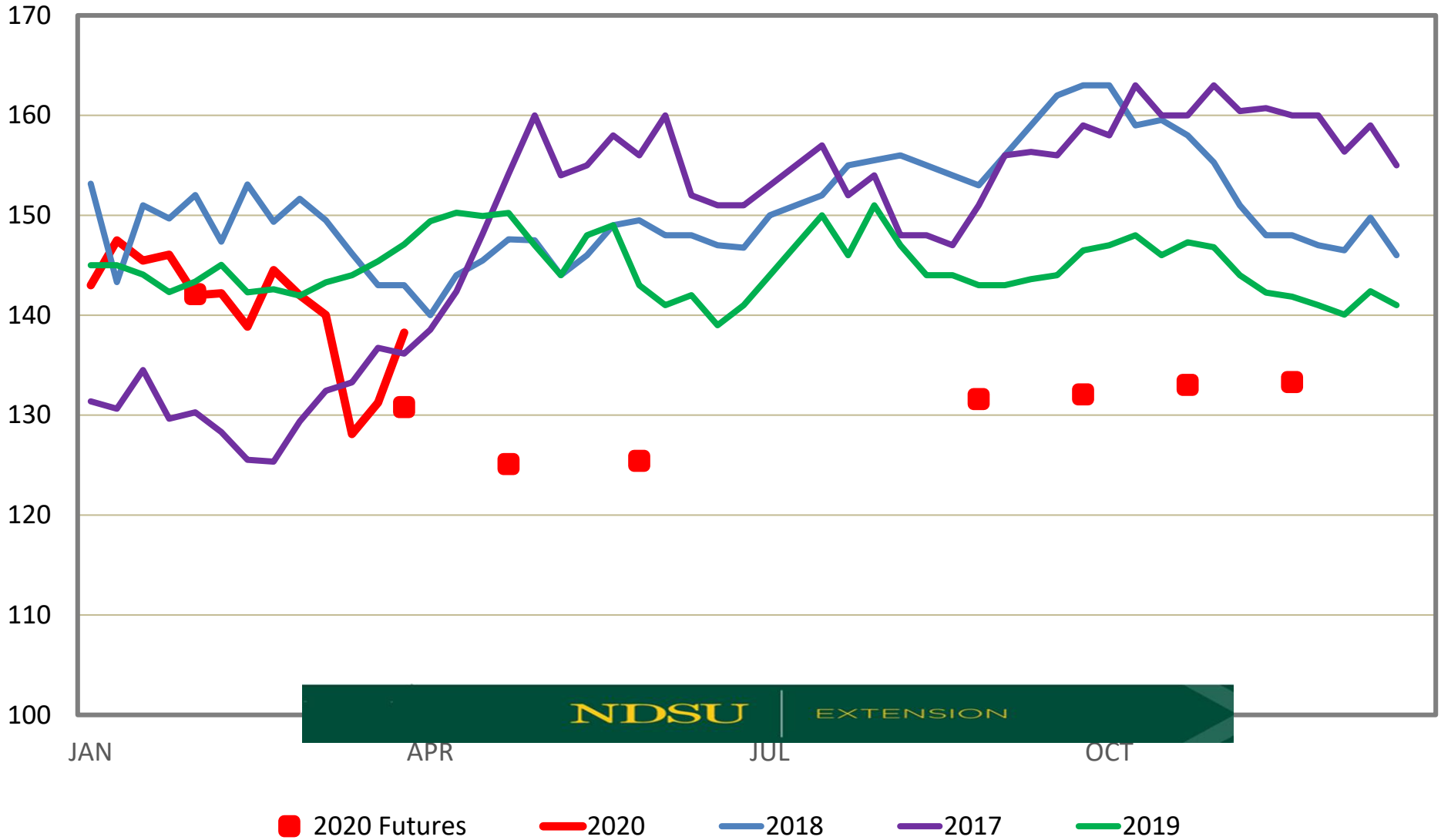
**HEIFERS - Medium and Large 1 (Per Cwt / Actual Wt)**

Head	Wt Range	Avg Wt	Price Range	Avg Price	
6	395	395	145.00	145.00	
8	417	417	149.50	149.50	
42	464-477	473	144.00-162.50	153.15	
33	503-530	525	147.50-150.00	149.47	
148	557-597	577	139.25-147.00	143.34	
98	581	581	156.00	156.00	Fancy
205	605-645	632	135.50-142.00	140.18	
610	651-698	671	132.75-142.00	138.84	
735	701-748	733	122.50-135.75	130.54	
175	754-778	765	116.00-131.00	126.94	
32	764-782	774	120.00-134.00	129.57	Replacement
120	809-842	833	110.00-117.00	111.90	
13	844	844	133.00	133.00	Replacement
45	856-857	857	108.50-118.00	114.62	
50	861	861	124.50	124.50	Replacement
13	958-974	969	96.00-103.00	101.12	



# MED. & LRG. #1 FEEDER STEER PRICES

## 750-800 Pounds, N.D., Weekly



# Ag-Energy Situation and Outlook

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# Situation

RFA – 2 billion gallons of capacity shutdown

POET – 957 million gallons (331 million bushels)  
of use lost through May 2020 (2% of the 2019 crop)

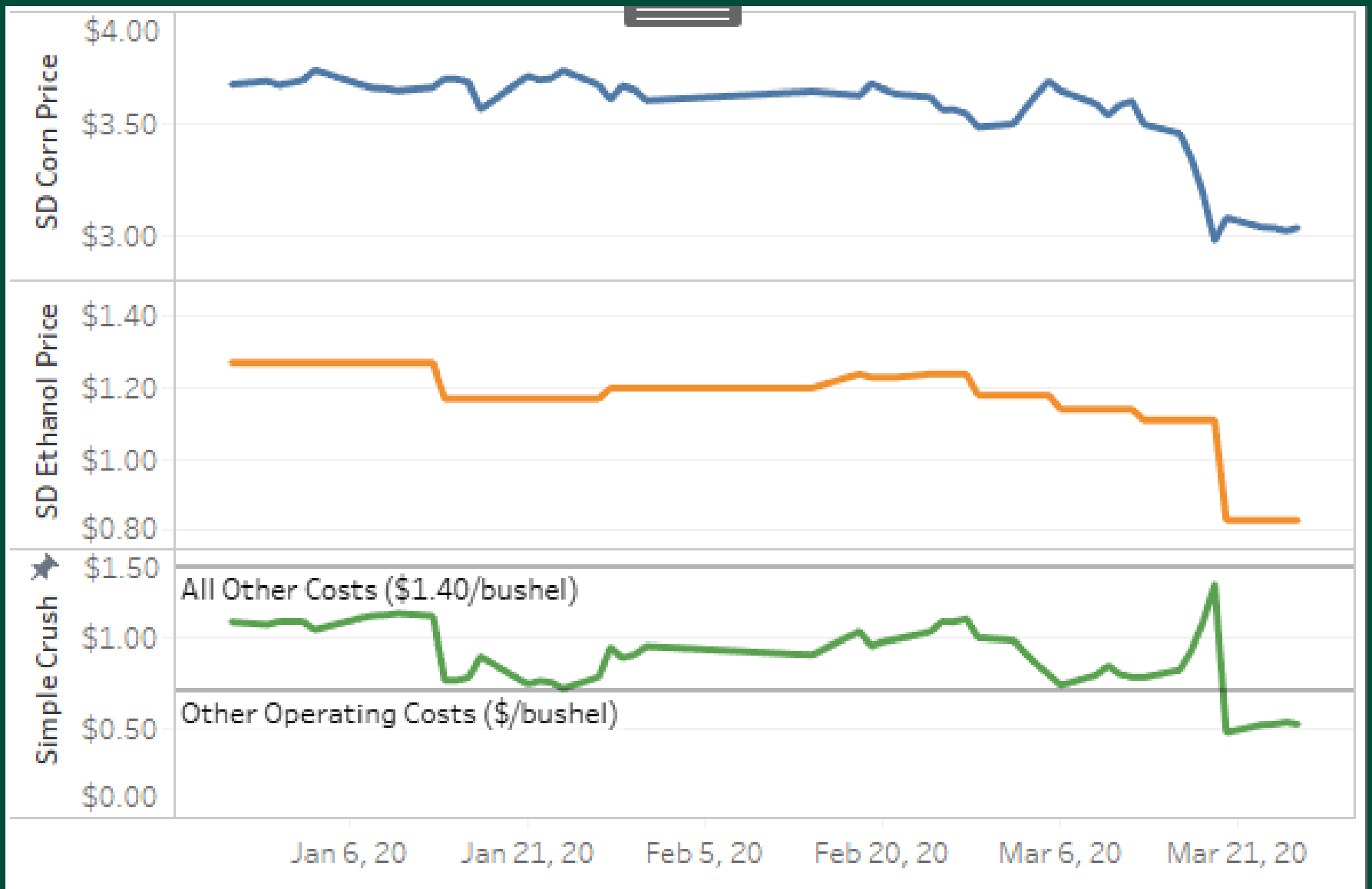
Valero – Force majeure two plants

Hand sanitizer

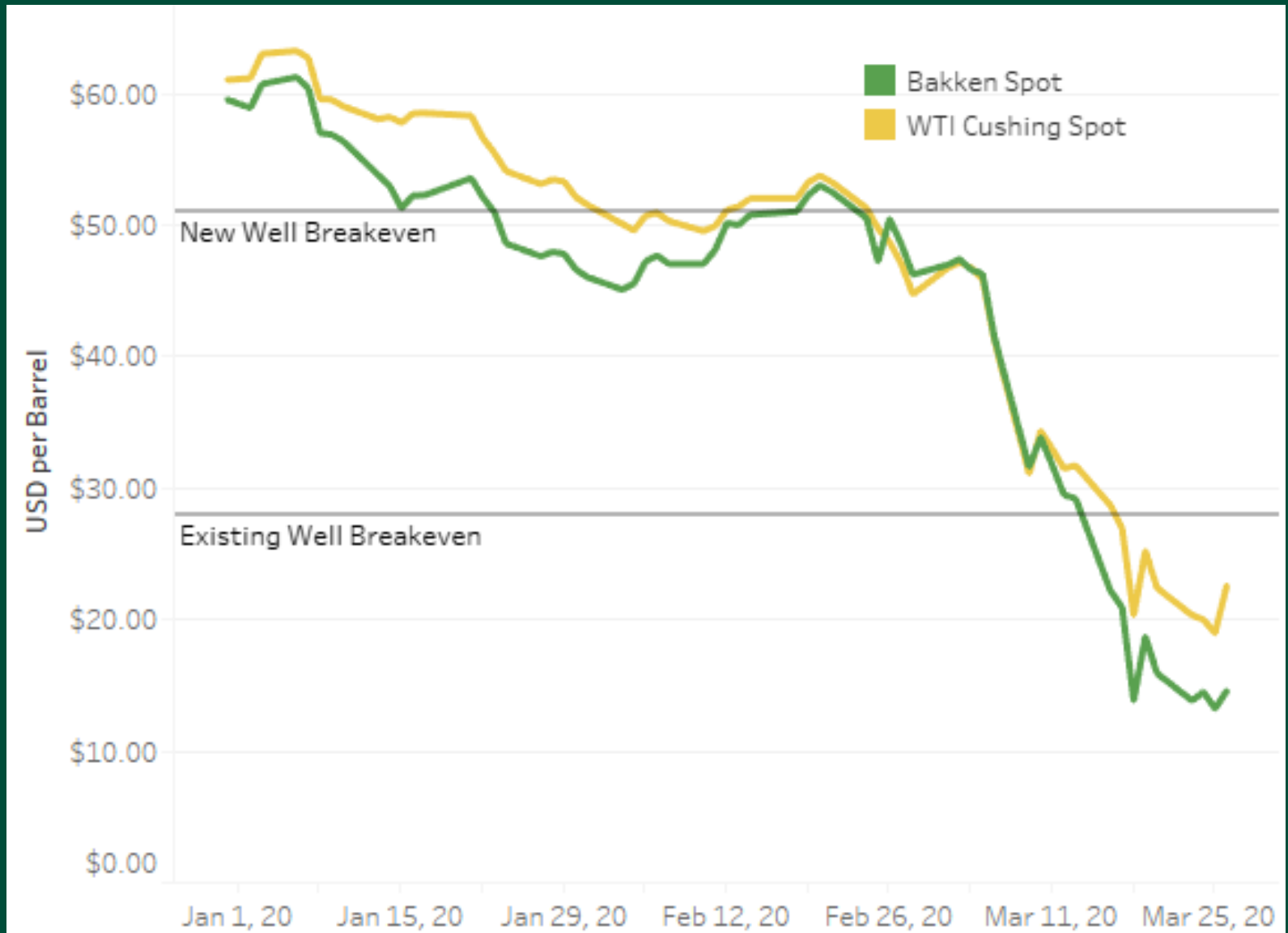
Five closed, four down for maintenance

Storage

Strong Dollar



Source: USDA, NDSU Extension Calculations



Source: Bloomberg, Dallas Federal Reserve

**Q&A:** Please use Chat

**Feedback:** 3 quick questions

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**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)