

# Agricultural Market Situation and Outlook

May 1, 2020

**WEBINAR BEGINS AT 12:30 P.M. CST**

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# Agricultural Market Situation and Outlook

May 1, 2020

**WELCOME!**

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# Agricultural Market Situation and Outlook

Microphone & camera off

Use Q&A for questions

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# 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

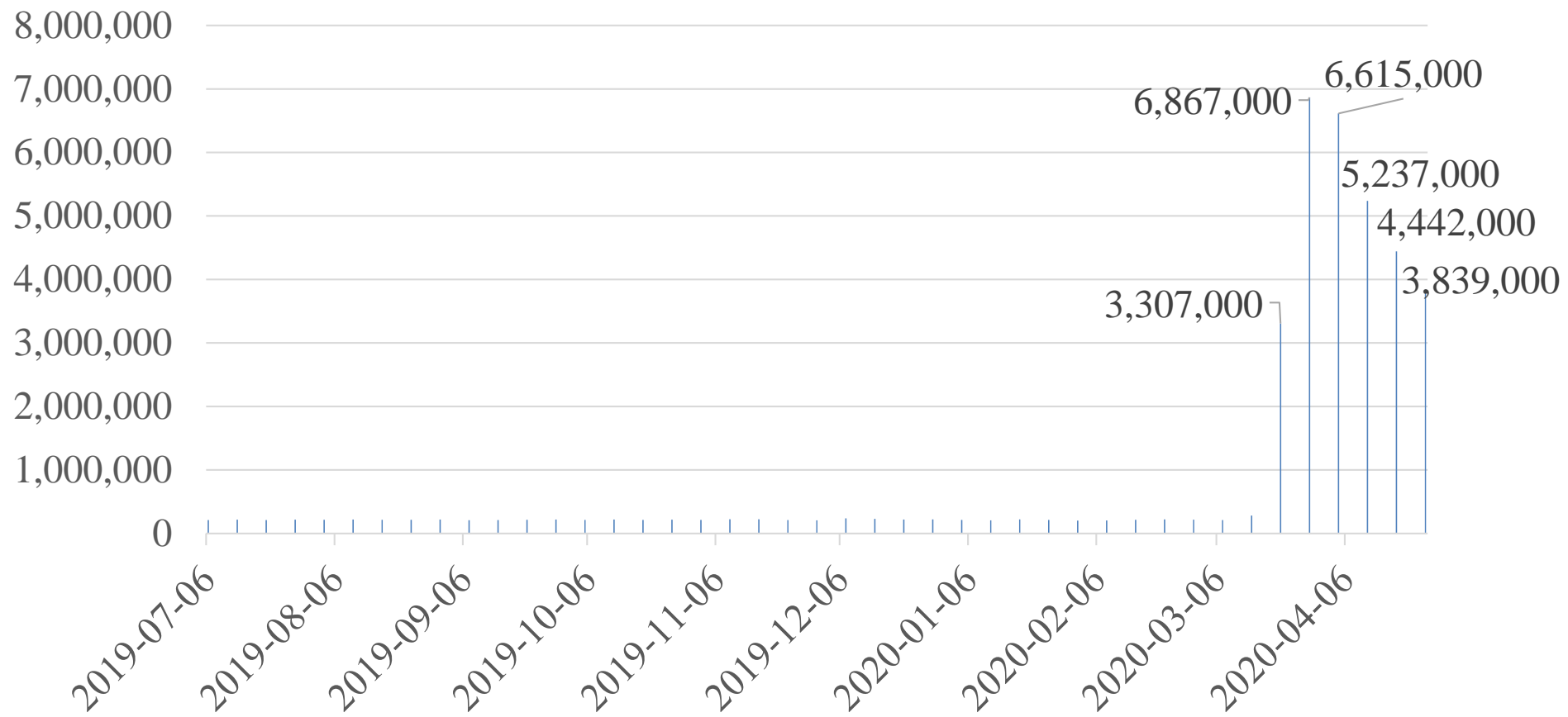
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# Weekly U.S. New Jobless Claims Since April 2019

New Weekly Jobless claims



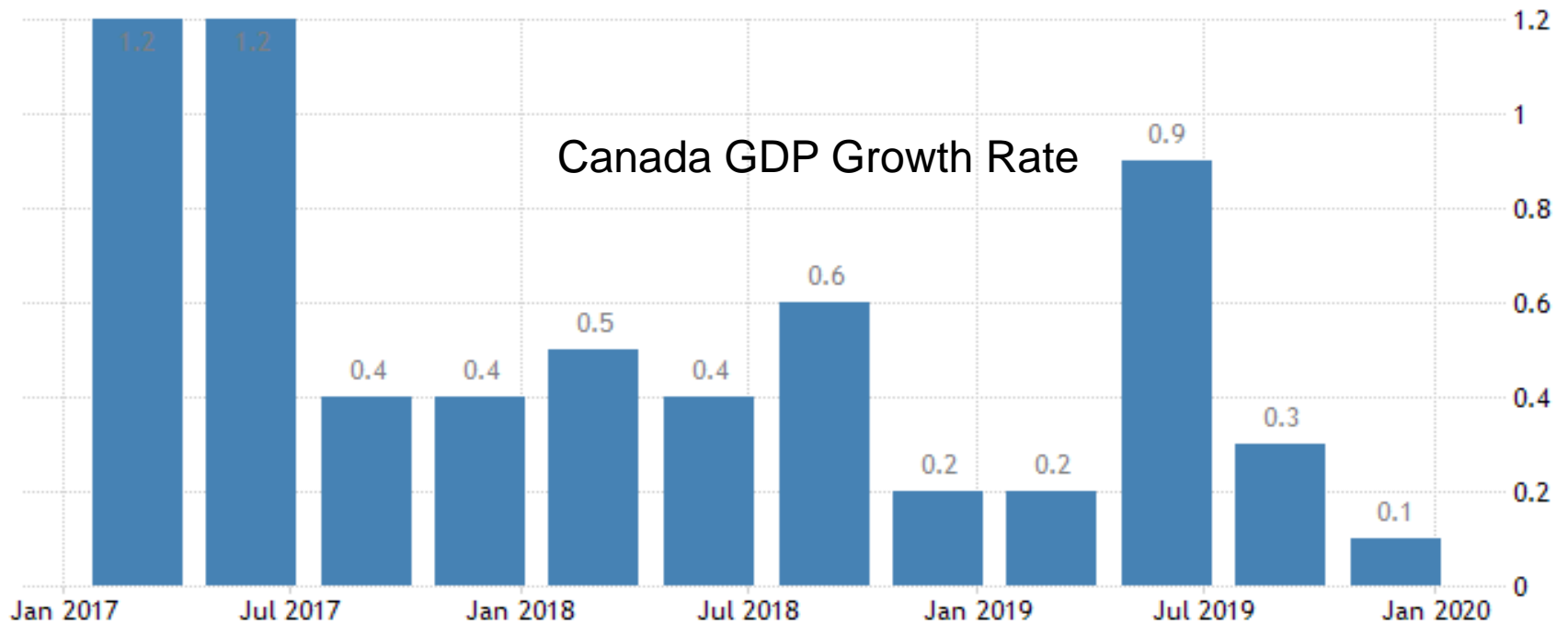
# BLS Unemployment Metrics

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>

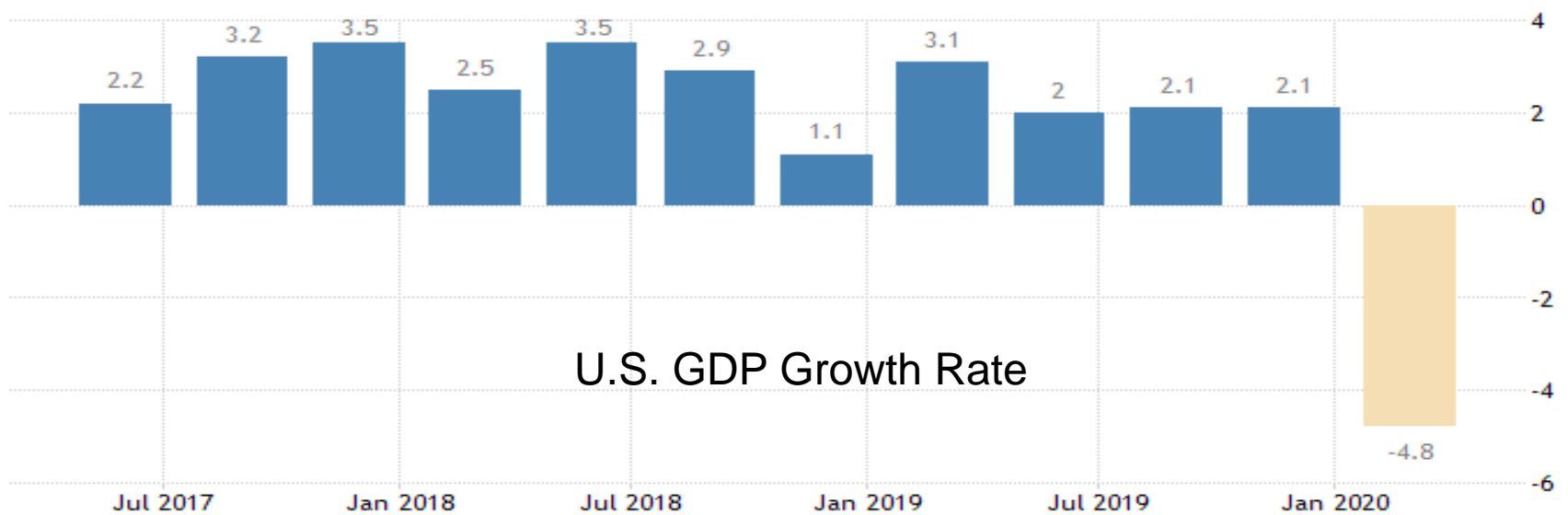
# Estimates of the Unemployment Rate

- 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



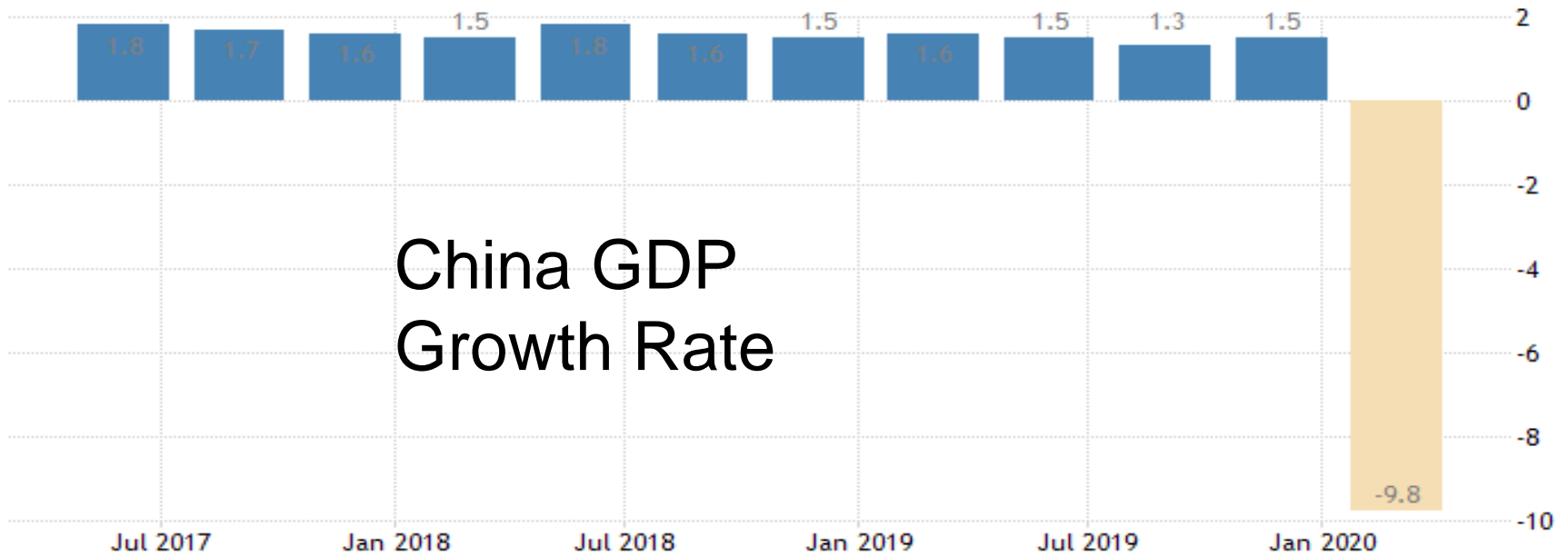


SOURCE: TRADINGECONOMICS.COM | STATISTICS CANADA



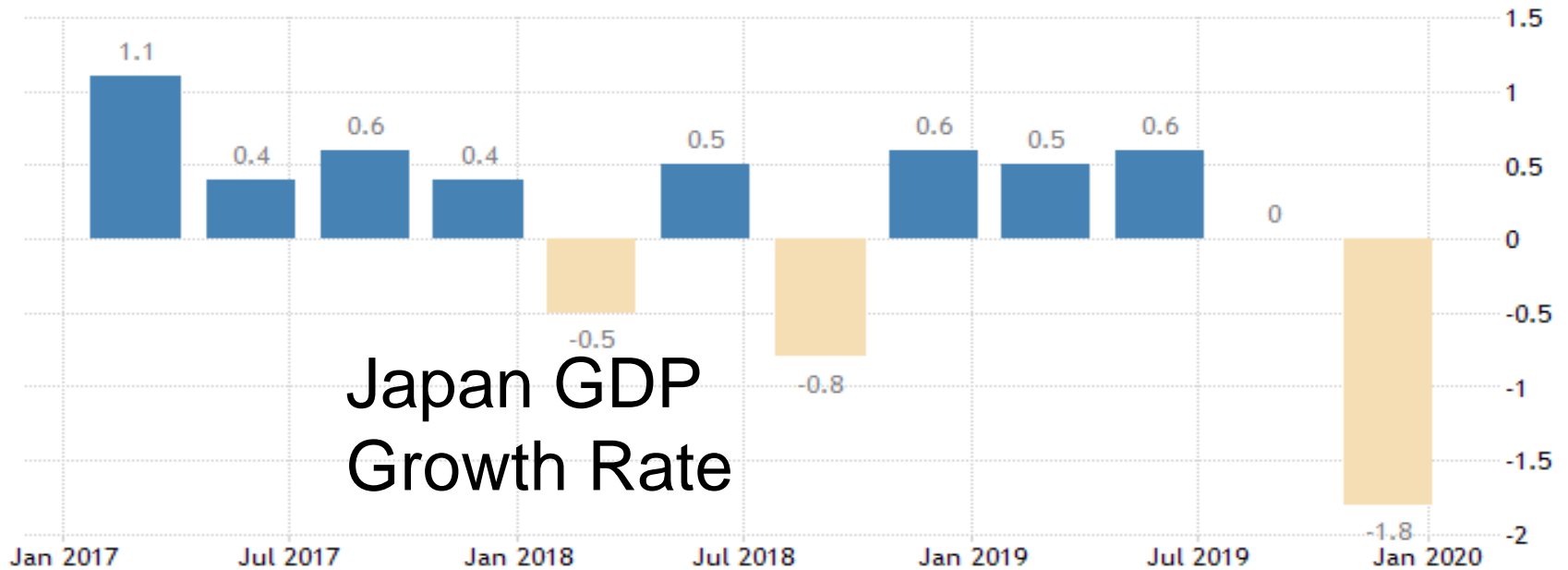
SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

# China GDP Growth Rate



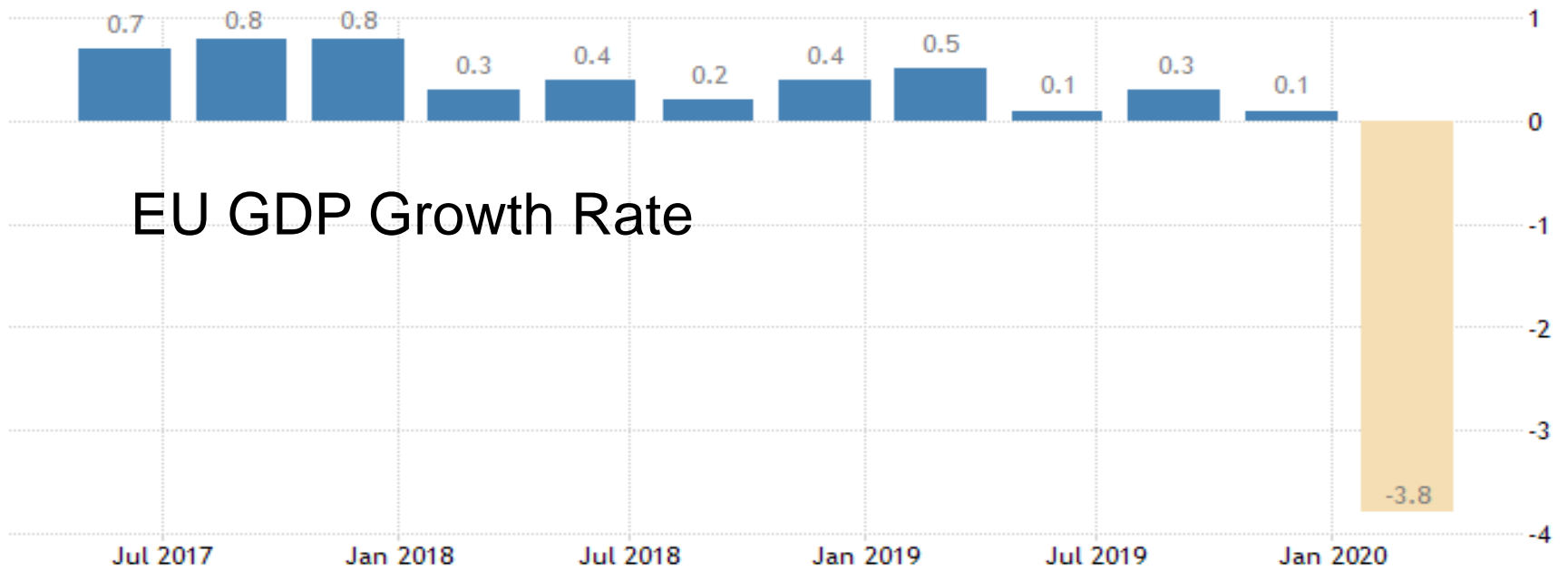
SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

# Japan GDP Growth Rate



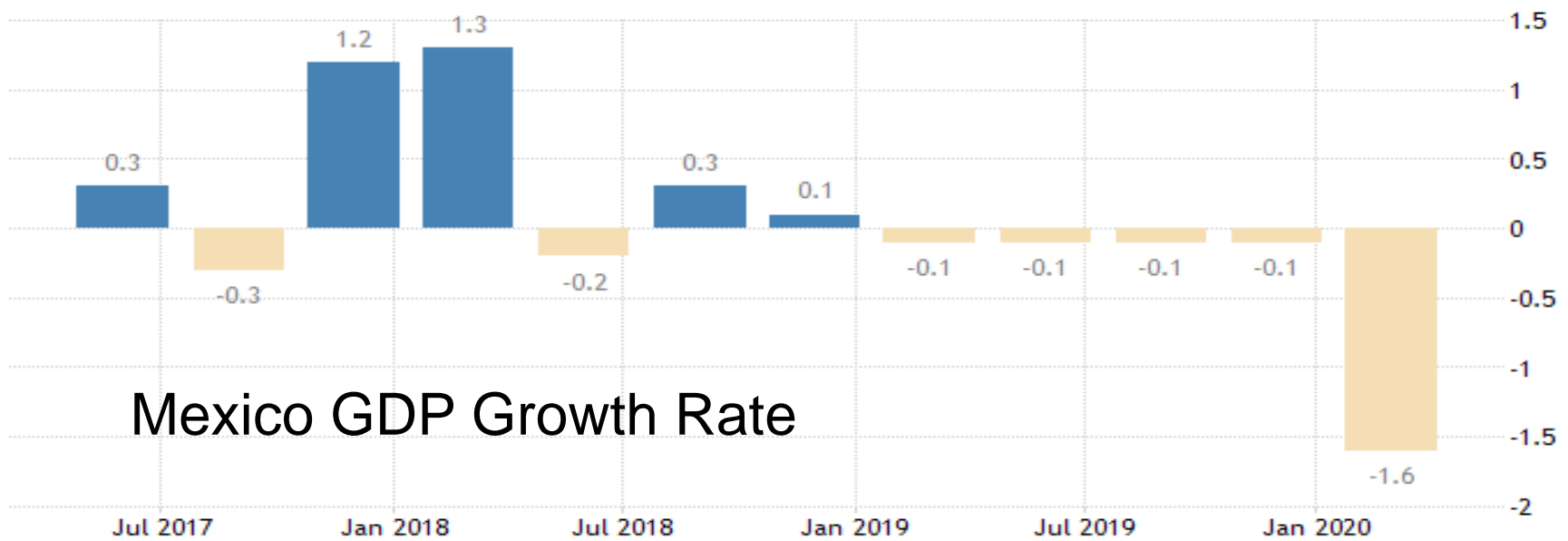
SOURCE: TRADINGECONOMICS.COM | CABINET OFFICE, JAPAN

## EU GDP Growth Rate



SOURCE: TRADINGECONOMICS.COM | EUROSTAT

## Mexico GDP Growth Rate



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% 2<sup>nd</sup> 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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# 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

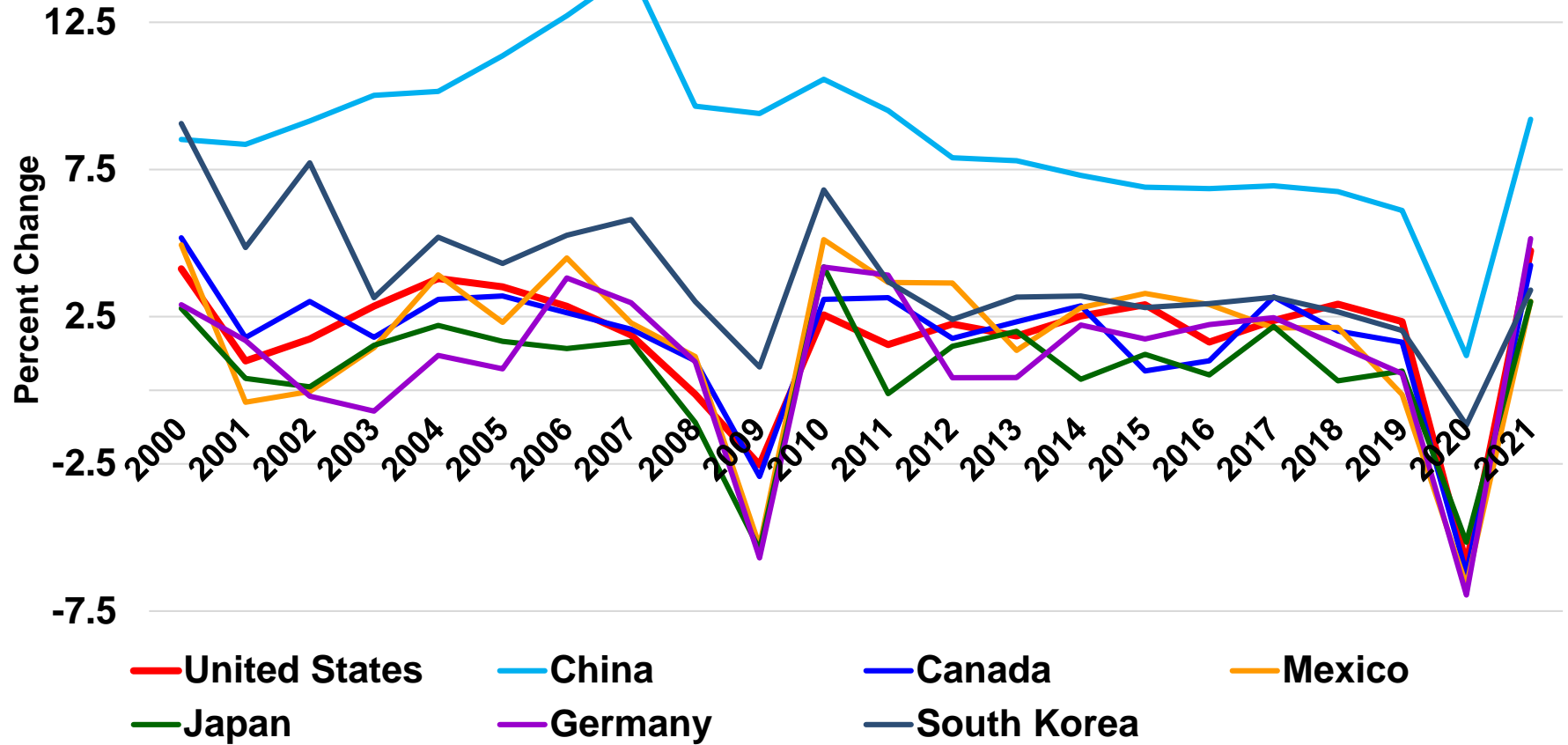
## (GDP – Billion U.S. Dollars)

Country	2016	2017	2018	Estimated Population (2020)
United States	18,715.05	19,519.40	20,580.25	332,639,102
China	11,221.84	12,062.29	13,368.07	1,394,015,977
Japan	4,926.67	4,859.79	4,971.77	125,507,472
Germany	3,468.19	3,664.51	3,951.34	80,159,662
India	2,289.75	2,652.25	2,718.73	1,326,093,247
United Kingdom	2,669.11	2,640.07	2,828.83	65,761,117
France	2,472.28	2,591.78	2,780.15	67,848,156
Italy	1,869.95	1,950.70	2,075.86	62,402,659
Brazil	1,795.37	2,052.81	1,867.82	211,715,973
Canada	1,530.02	1,649.93	1,712.48	37,694,085

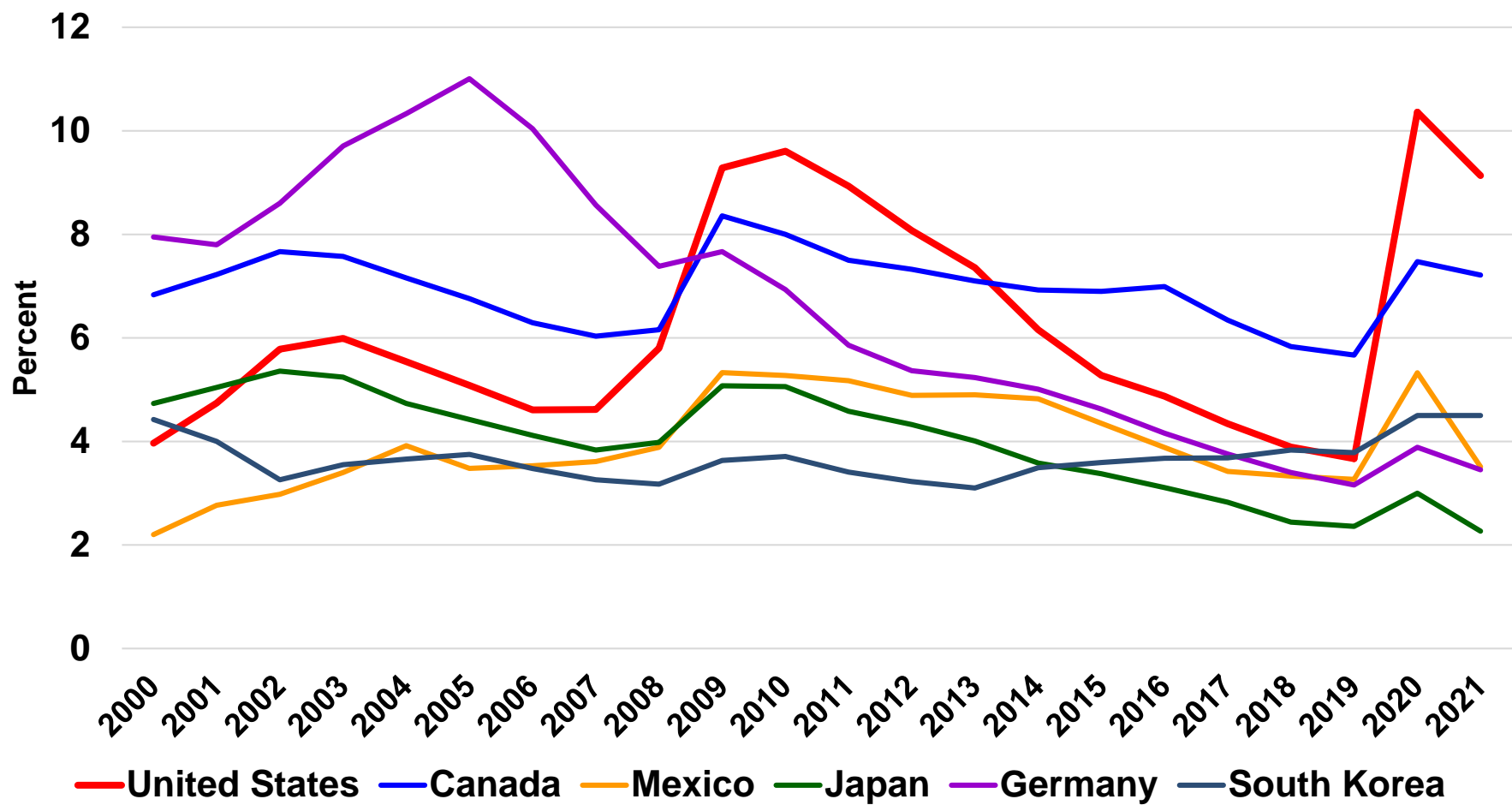
# Top 6 Buyers of U.S. Ag Products (U.S. Dollars)

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

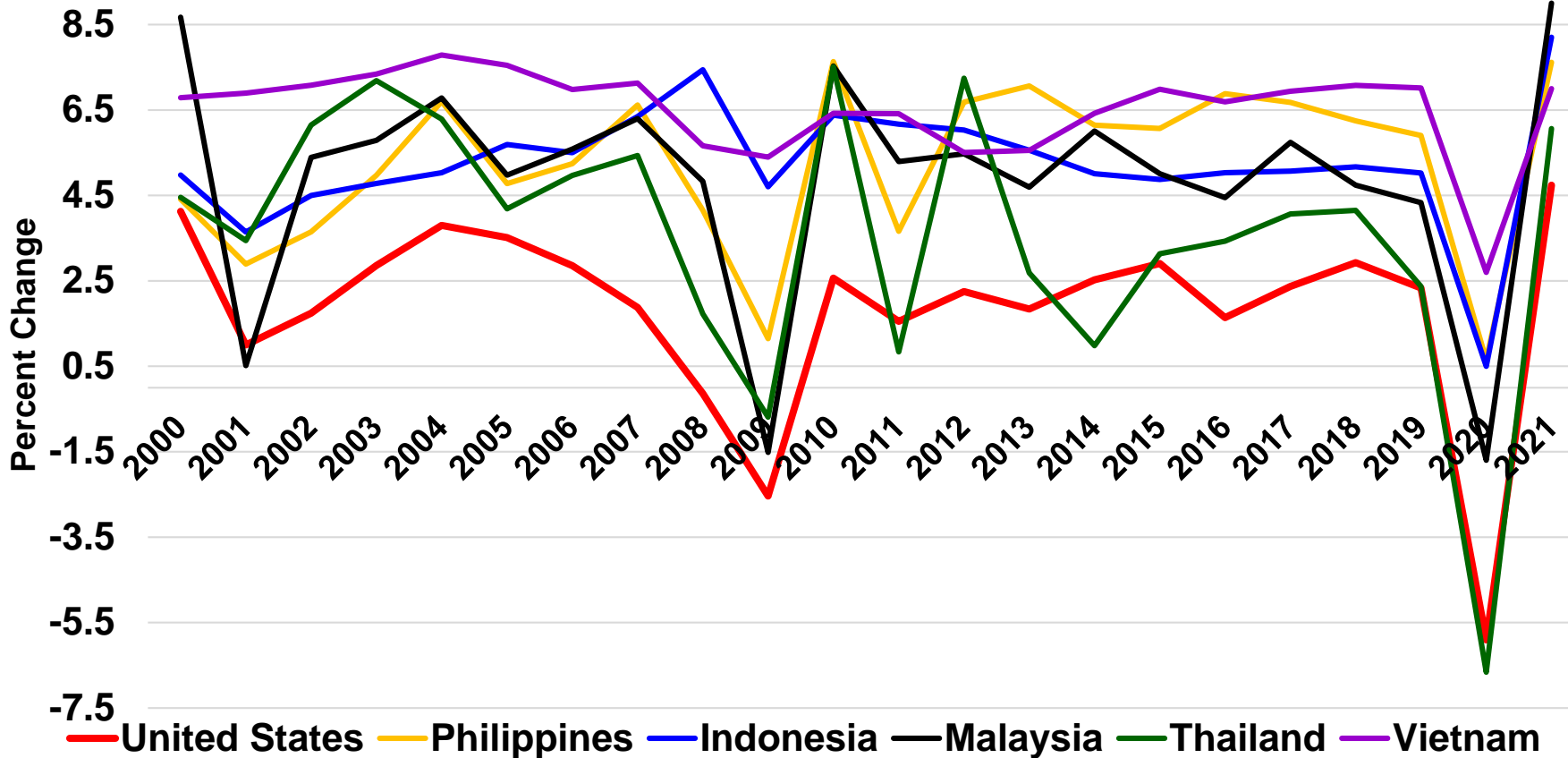
# GDP Growth Rate: Major Ag Trading Partners



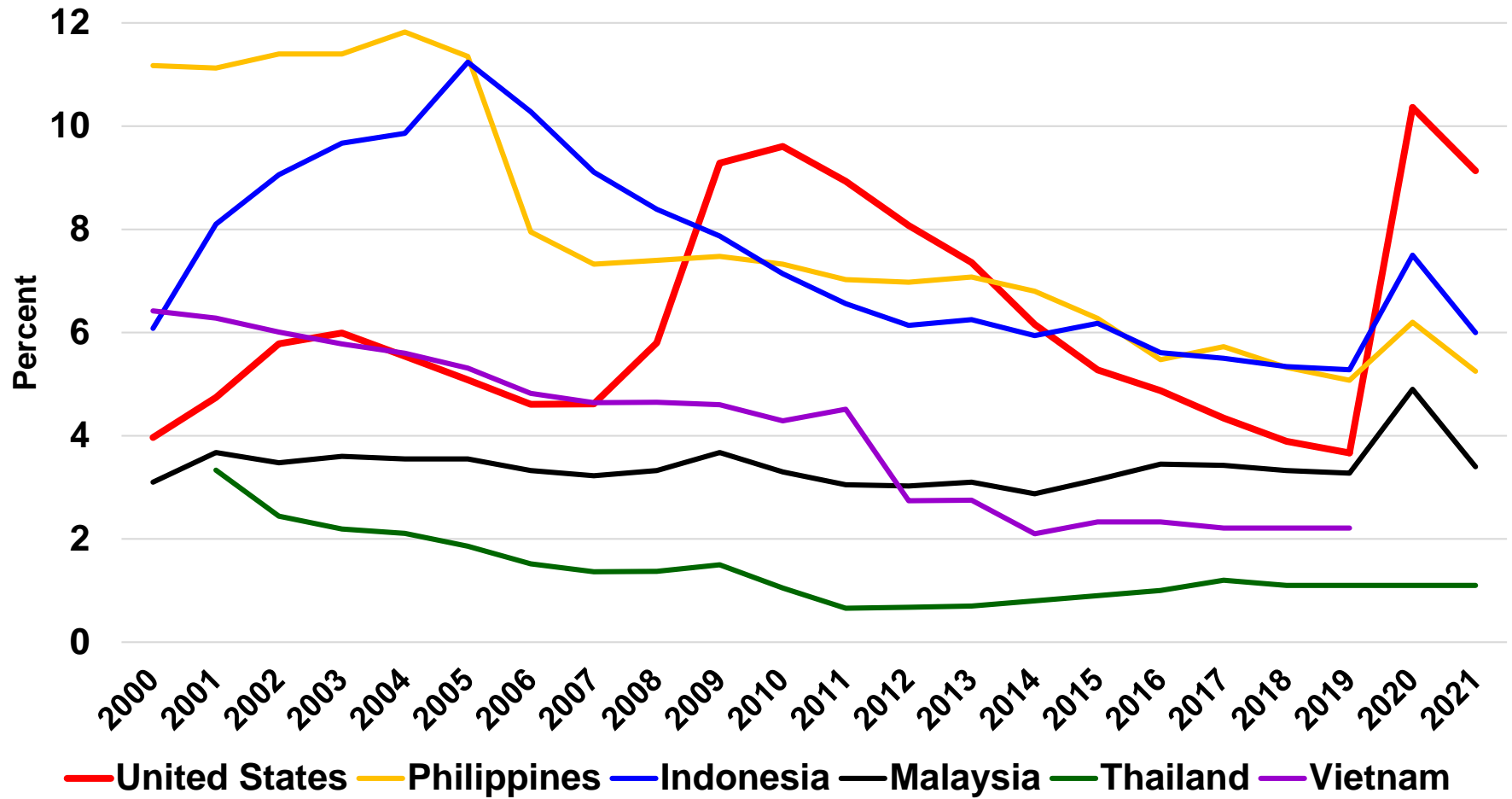
# Unemployment Rate: Major Ag Trading Partners



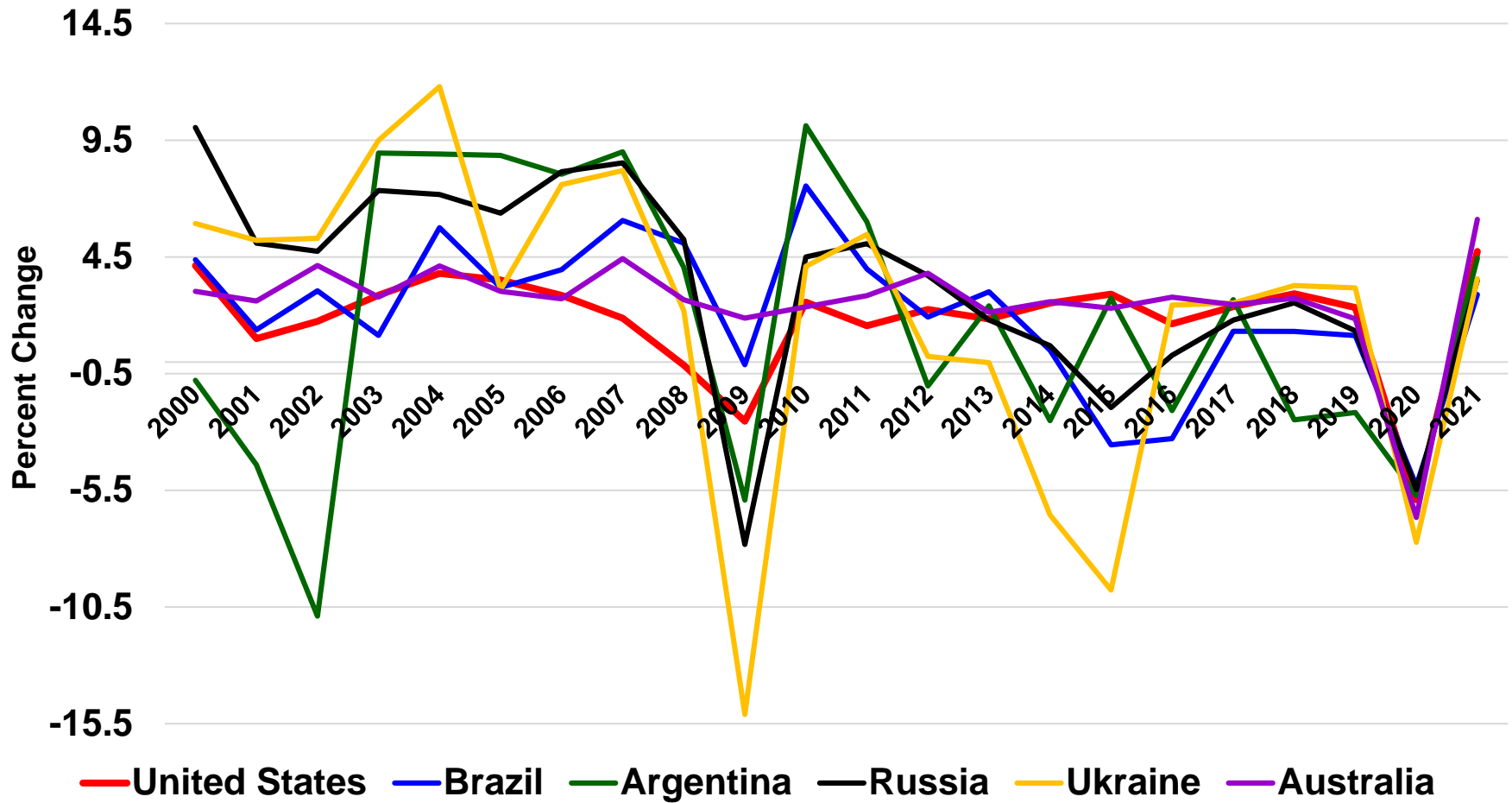
# GDP Growth Rate: Emerging Ag Trading Partners



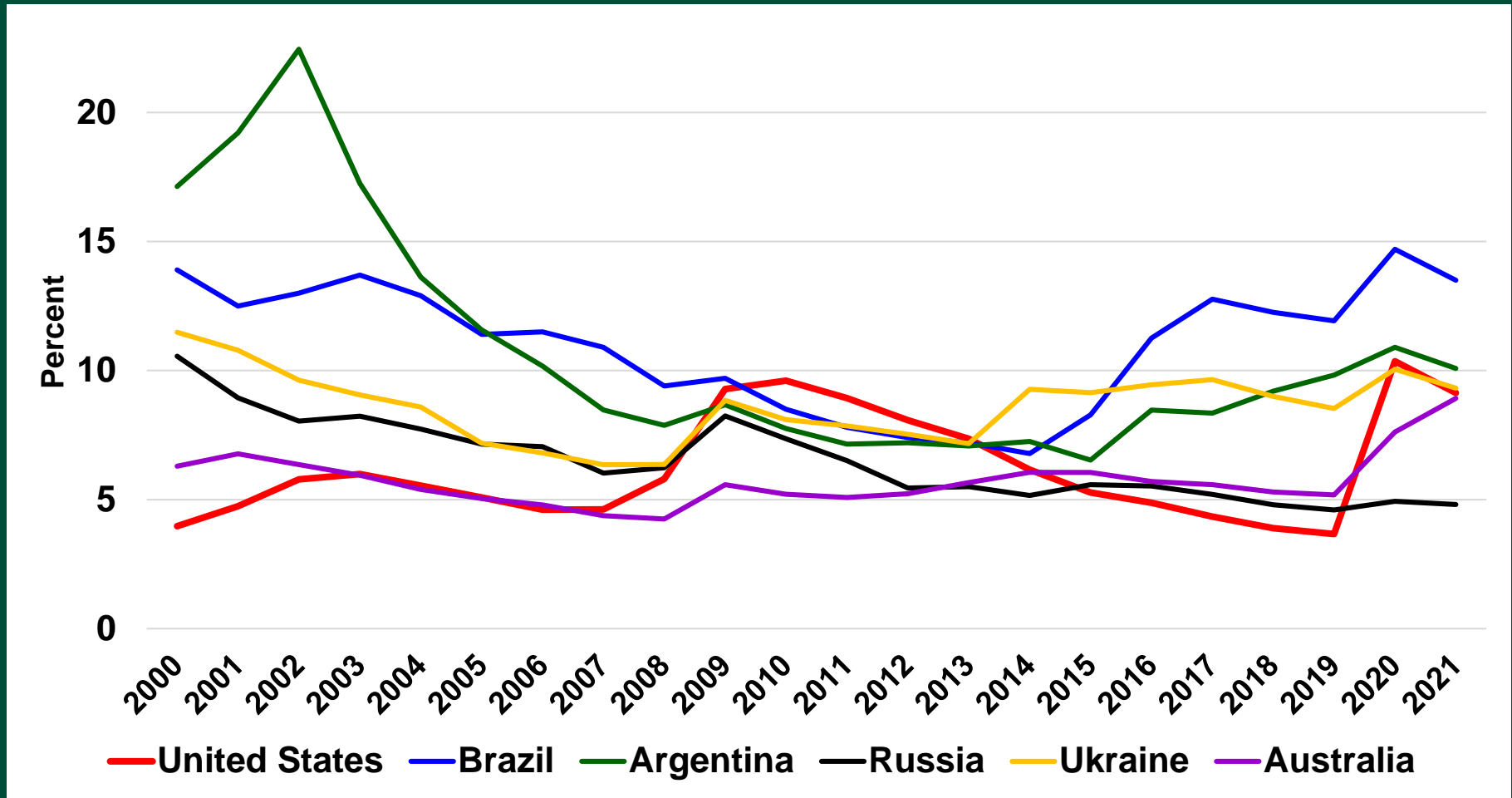
# Unemployment Rate: Emerging Ag Trading Partners



# GDP Growth Rate: Major Ag Trade Competitors



# Unemployment Rate: Major Ag Trading Competitors





# Livestock Price Situation and Outlook

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





# Cattle on Feed

	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

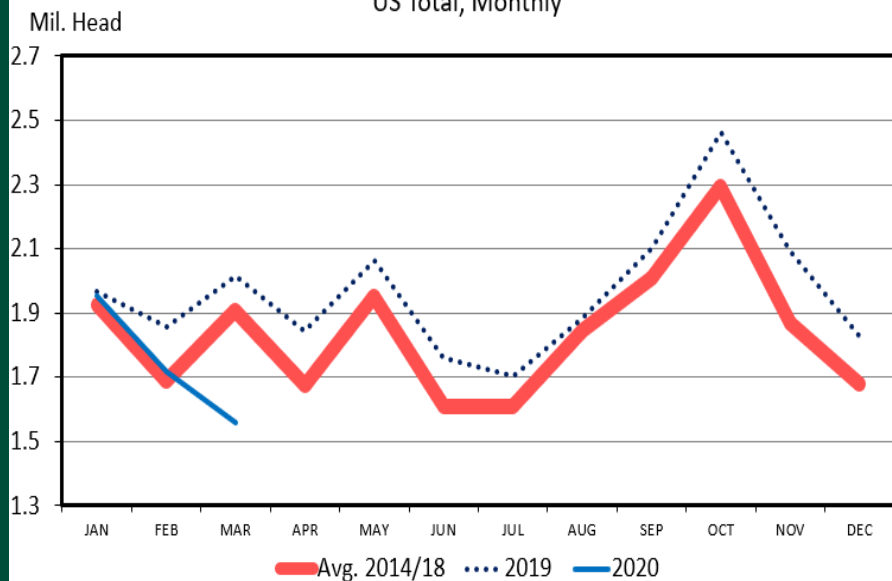
**ACTUAL**

**94.18**

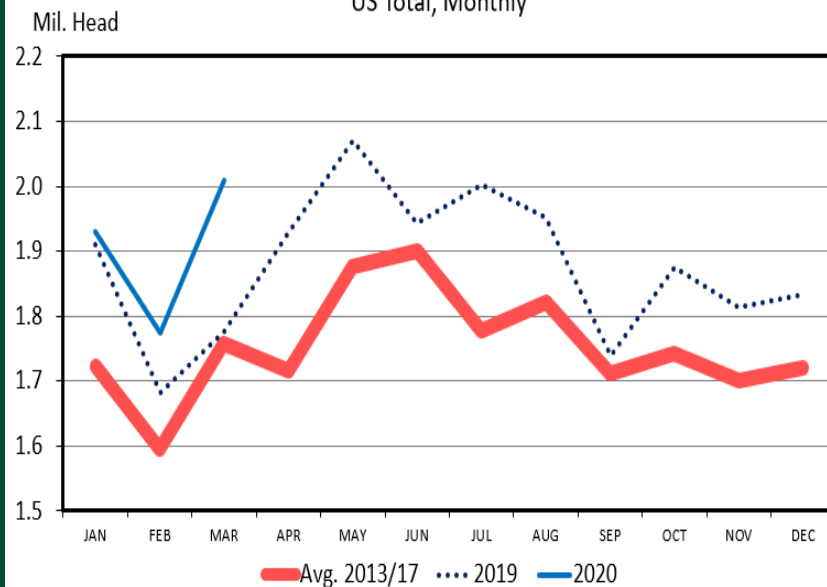
**77.3**

**113.1**

**FEEDLOT PLACEMENTS**  
US Total, Monthly



**FED CATTLE MARKETINGS**  
US Total, Monthly



**NORTH DAKOTA STOCKMEN'S ASSOCIATION**  
**2019 2020 Livestock Report**  
**JANUARY - MARCH**

<i>STEERS</i>	<i>COWS</i>	<i>HEIFERS</i>	<i>BULLS</i>	<i>CALVES</i>	<i>HORSES</i>	<i>TOTAL</i>
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<b>2019</b>	<b>GRAND TOTAL</b>	99,437	51,173	76,315	9,642	206,693	1,145	444,405
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<b>2020</b>	<b>GRAND TOTAL</b>	103,139	59,055	74,395	9,567	187,164	934	434,254
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	<u>Steers</u>	<u>Heifers</u>	<u>Calves</u>	<u>Total</u>
2019	99437	76315	206693	382445
2020	103139	74395	187164	<u>364698</u>
				-17747

**BEEF COWS THAT CALVED JANUARY 1, 2020**  
(1000 Head)





Fri May 1, 2020

Last Reported  
4/20/2020

Total Receipts:

Current Week

7,564

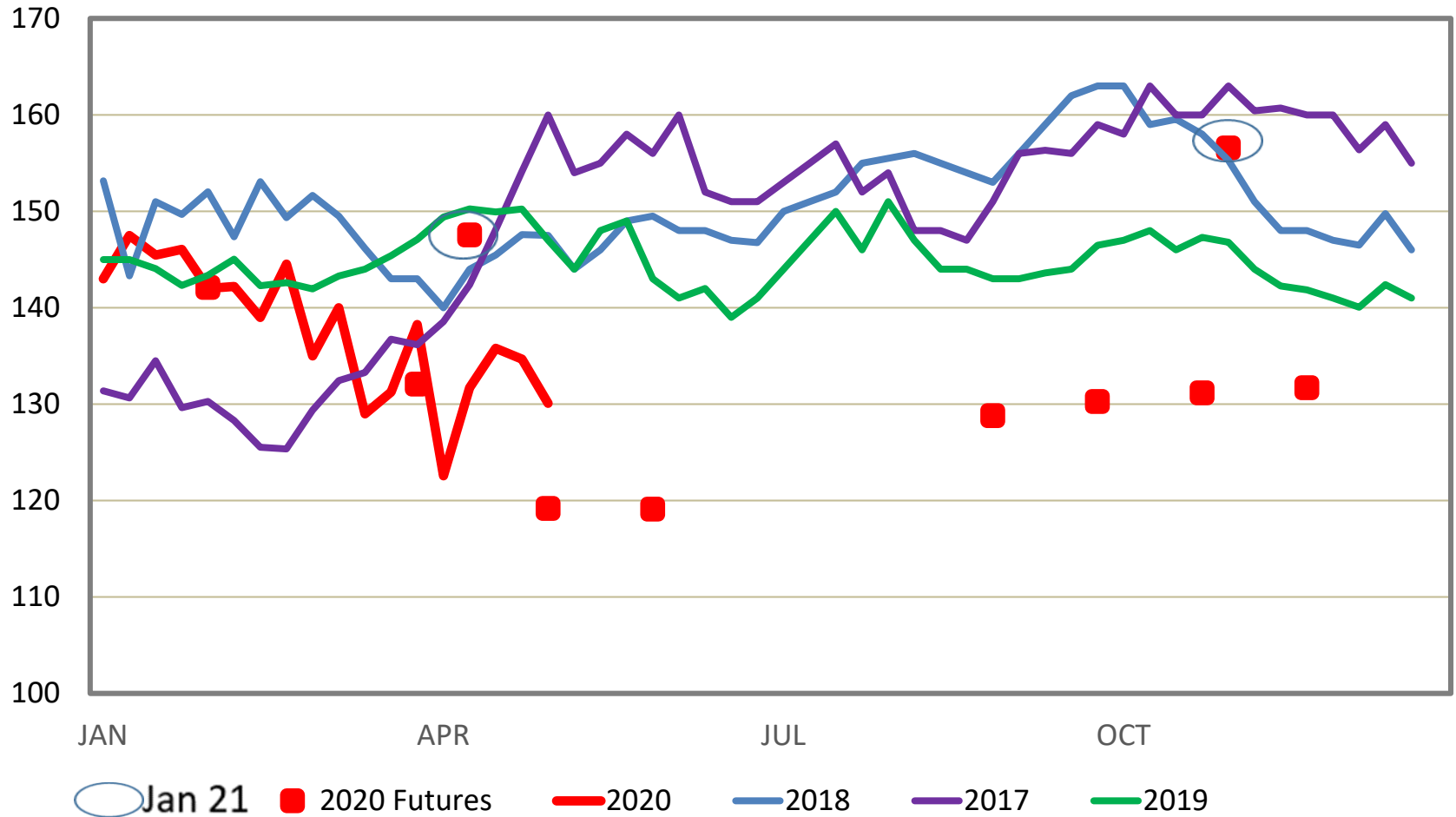
5,668

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

# MED. & LRG. #1 FEEDER STEER PRICES

750-800 Pounds, N.D., Weekly



# APR FC/CME CASH INDEX



**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**

**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...**

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

**Tyson's Dakota City plant pauses production until next week**

### **Executive Order No Quick Fix For Bottlenecks**

### **JBS USA reopens Greeley beef facility**

Tyson pausing Dakota City production; Smithfield Monmouth to reopen  
JBS reopens Minn. pork plant, but only to euthanize pigs

**Tyson to double bonuses for frontline workers**

# **Ag committee chair sets up task force to reopen pork plant**

### **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.



**Peterson Promises Indemnity for Depopulation in Next COVID Bill**

# Bank of North Dakota Loans

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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](http://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

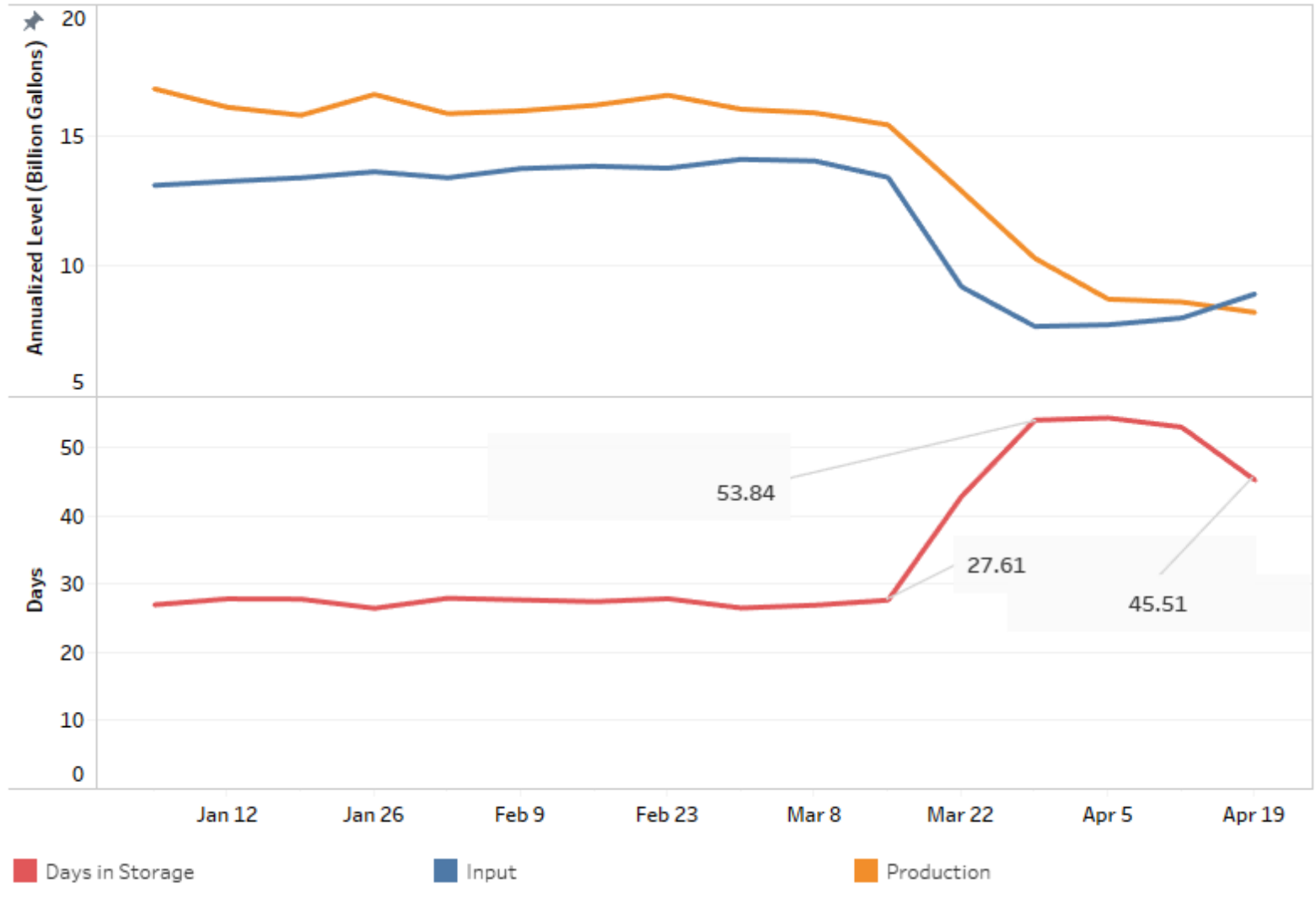
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Bioproducts/Bioenergy  
Economics Specialist  
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# Situation

- 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



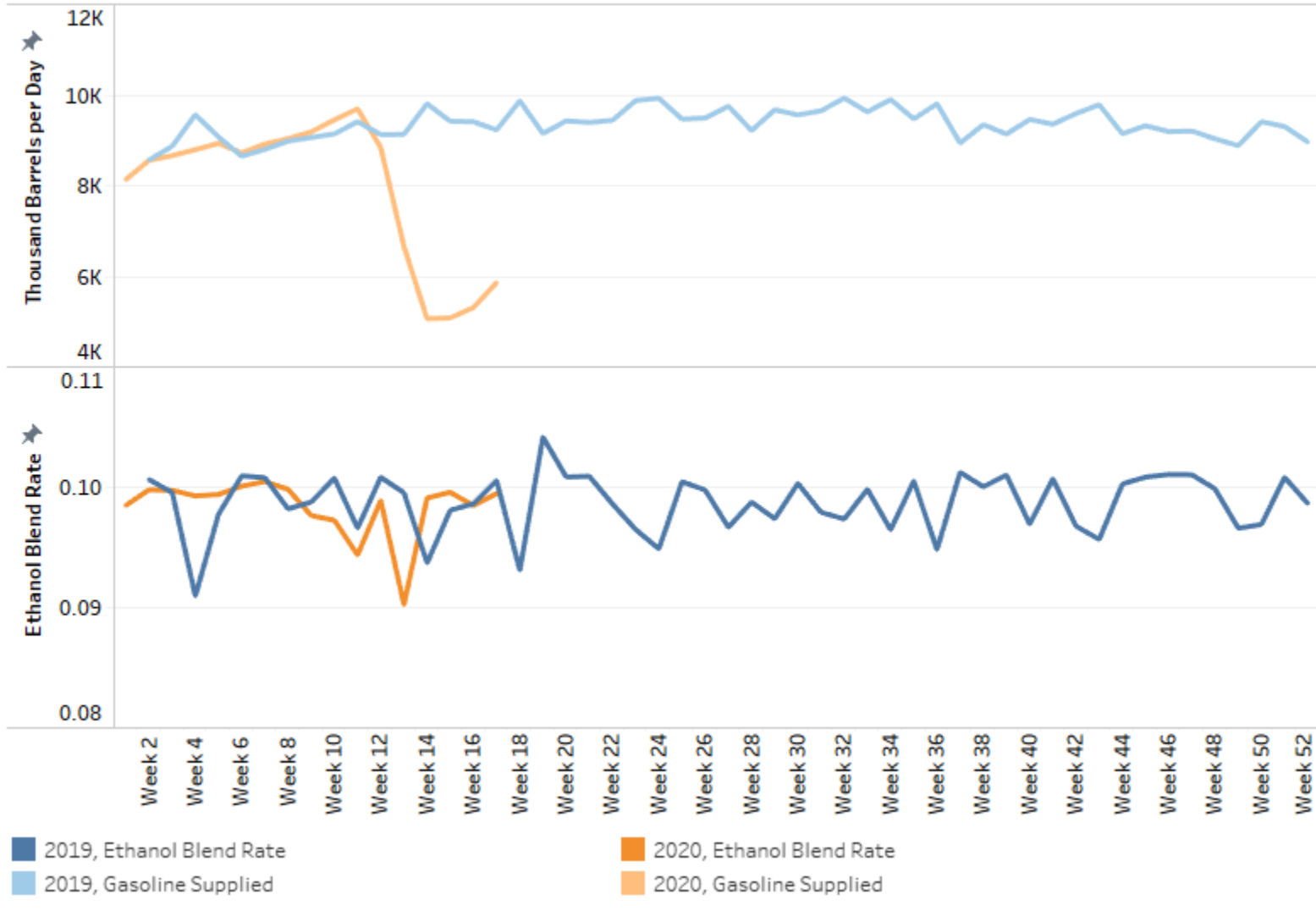
Data EIA  
 Figure NDSU Extension

# Ethanol Margins

	5/1/2020	4/24/2020	4/26/2019
<b>Corn</b>	2.59	2.68	3.35
<b>Ethanol</b>	0.73	0.73	1.16
<b>Dried Distillers</b>	172.50	172.50	134.00
<b>Crush</b>	0.91	0.89	1.09

Data USDA/AMS

# US Gasoline Supplied & Ethanol Blend Rate

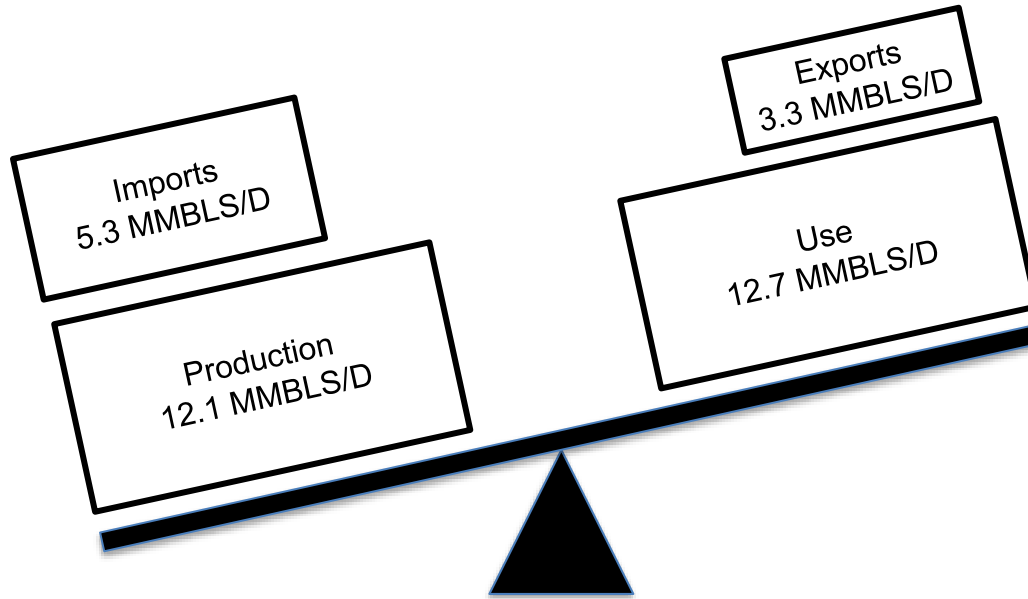


Data EIA

Figure NDSU Extension



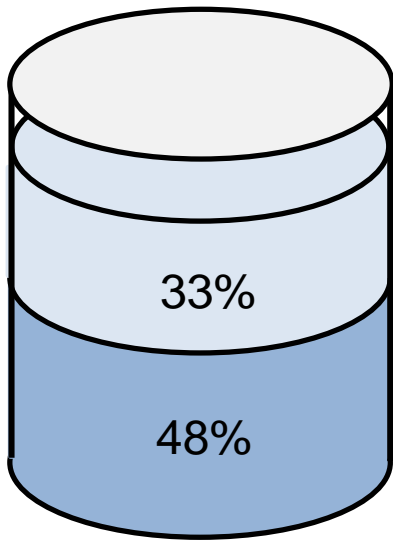
# US Oil Supply & Demand



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

Data EIA  
Graphic NDSU Extension

# Cushing, Oklahoma Storage

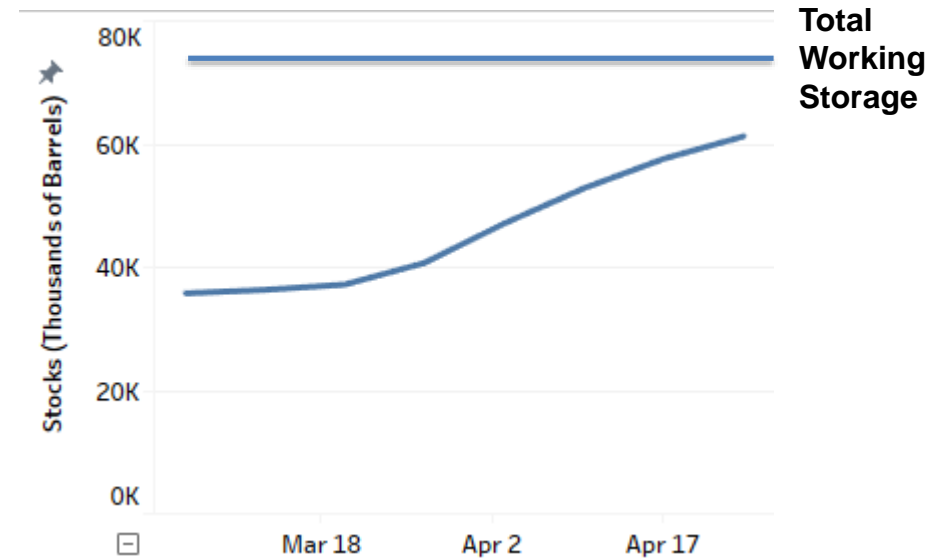


Total Working Storage:  
76 MMBBLS

April 24<sup>th</sup> 61.2 MMBBLS

+24.9 MMBBLS

March 13<sup>th</sup> 36.3 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](http://www.ag.ndsu.edu/extension/economics)

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