

Agricultural Market Situation and Outlook

WELCOME!

May 22, 2020

Use the Q&A tool
to ask questions

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

Quarterly Ag. Credit Conditions in the 9th District and Unemployment

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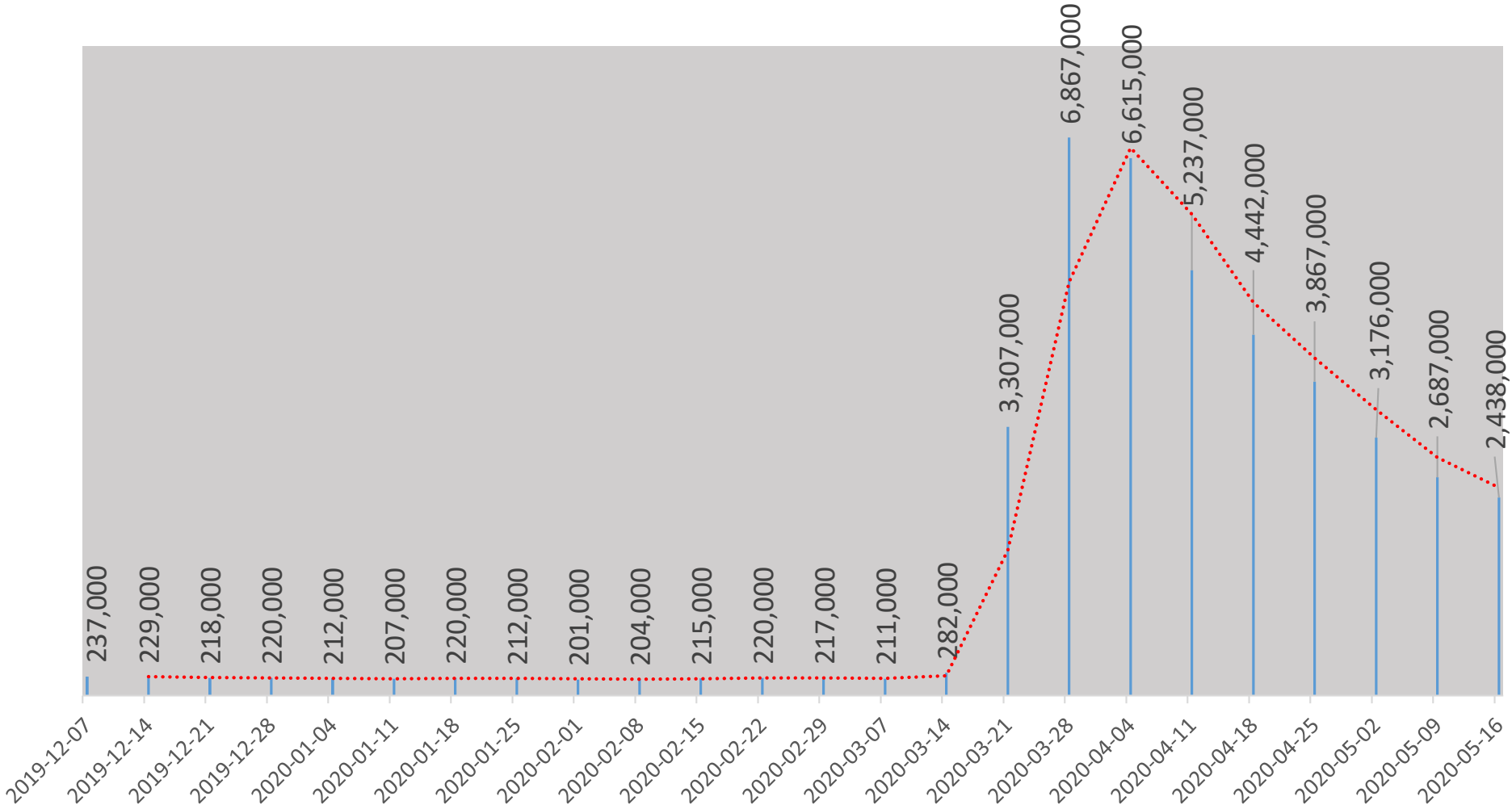


Senate Bill De-listing Chinese Firms From U.S. Exchanges

- Would have to submit audits to SEC,
 - SEC can Audit the Audit
 - Refusal = Delisting
- 156 Chinese firms listed on U.S. exchanges valued at \$1.2 Trillion
- Billions lost over the last 10 years due to fraud by U.S. Investors
 - Luckin Coffee may have fabricated \$310 million in sales for 2019

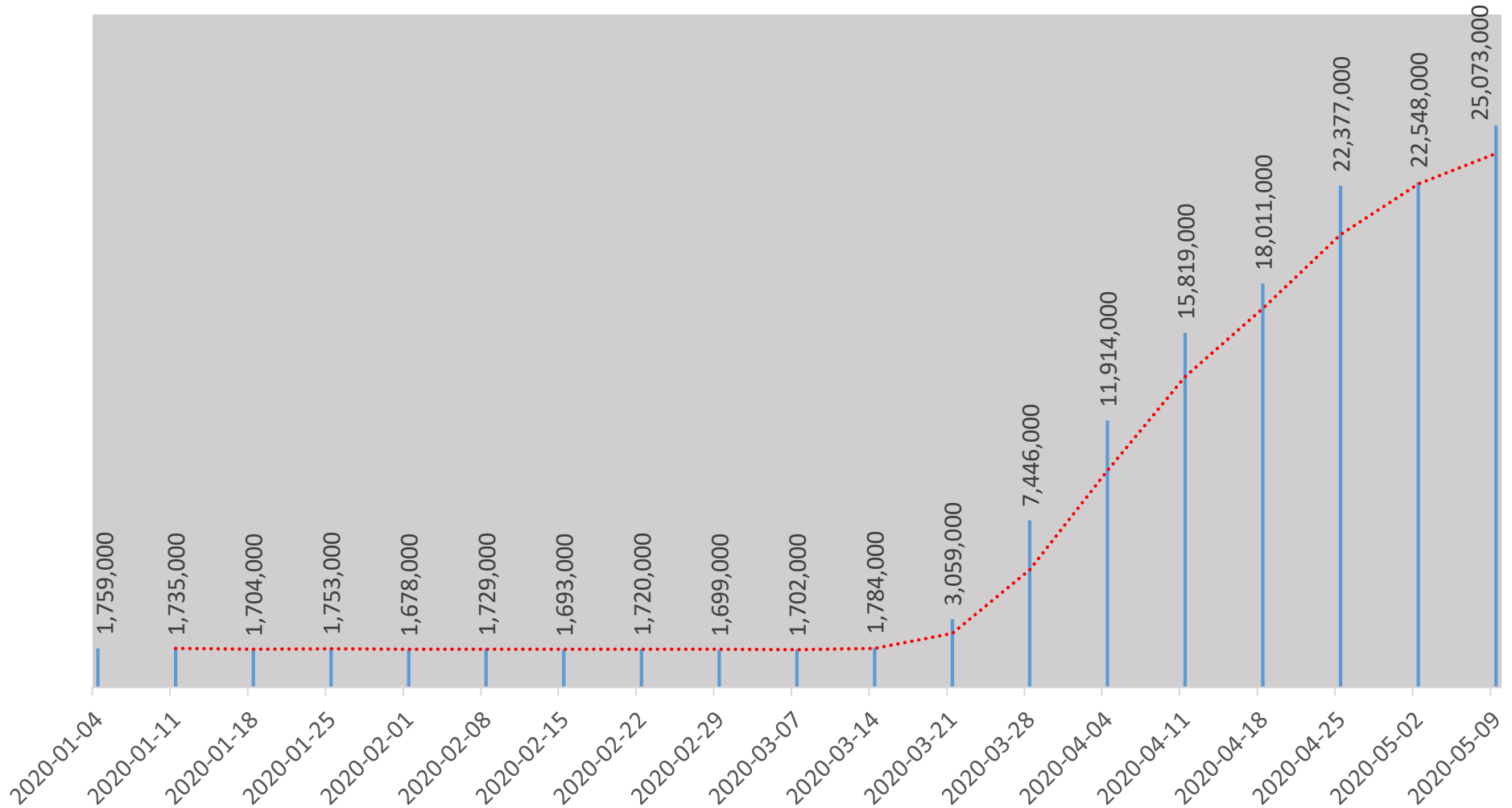
Weekly U.S. New Jobless During COVID-19

U.S. Weekly Jobless Claims



Continuous Jobless Claims

Continuous Jobless Claims since Jan 2020



Congressional Budget office Projections

- Unemployment to average 9.3% next year
 - Peak at 15.8% next quarter
 - End year at 11.5%
- Economy will contract at annualized 37.7% in Q2
- Increase 21.5% and 10.4% in Q3 & Q4
 - Finishing 2020 with a 5.6% contraction

AGRICULTURAL CREDIT CONDITIONS SURVEY FIRST-QUARTER 2020 (LAST 3 MONTHS)

	MN	MT	ND	SD	WI	Ninth District
Percent of respondents who reported decreased levels for the past three months compared with the same period last year:						
Rate of loan repayments	33	100	71	60	17	50
Net farm income	64	100	76	79	33	69
Farm household spending	36	50	47	29	17	36
Farm capital spending	72	100	59	79	67	70
Loan demand	20	–	12	7	17	14
Percent of respondents who reported increased levels for the past three months compared with the same period last year:						
Loan renewals or extensions	54	50	65	40	33	52
Referrals to other lenders	–	–	13	7	–	14
Amount of collateral required	28	–	12	27	17	22
Loan demand	56	–	47	20	33	43

AGRICULTURAL CREDIT CONDITIONS SURVEY

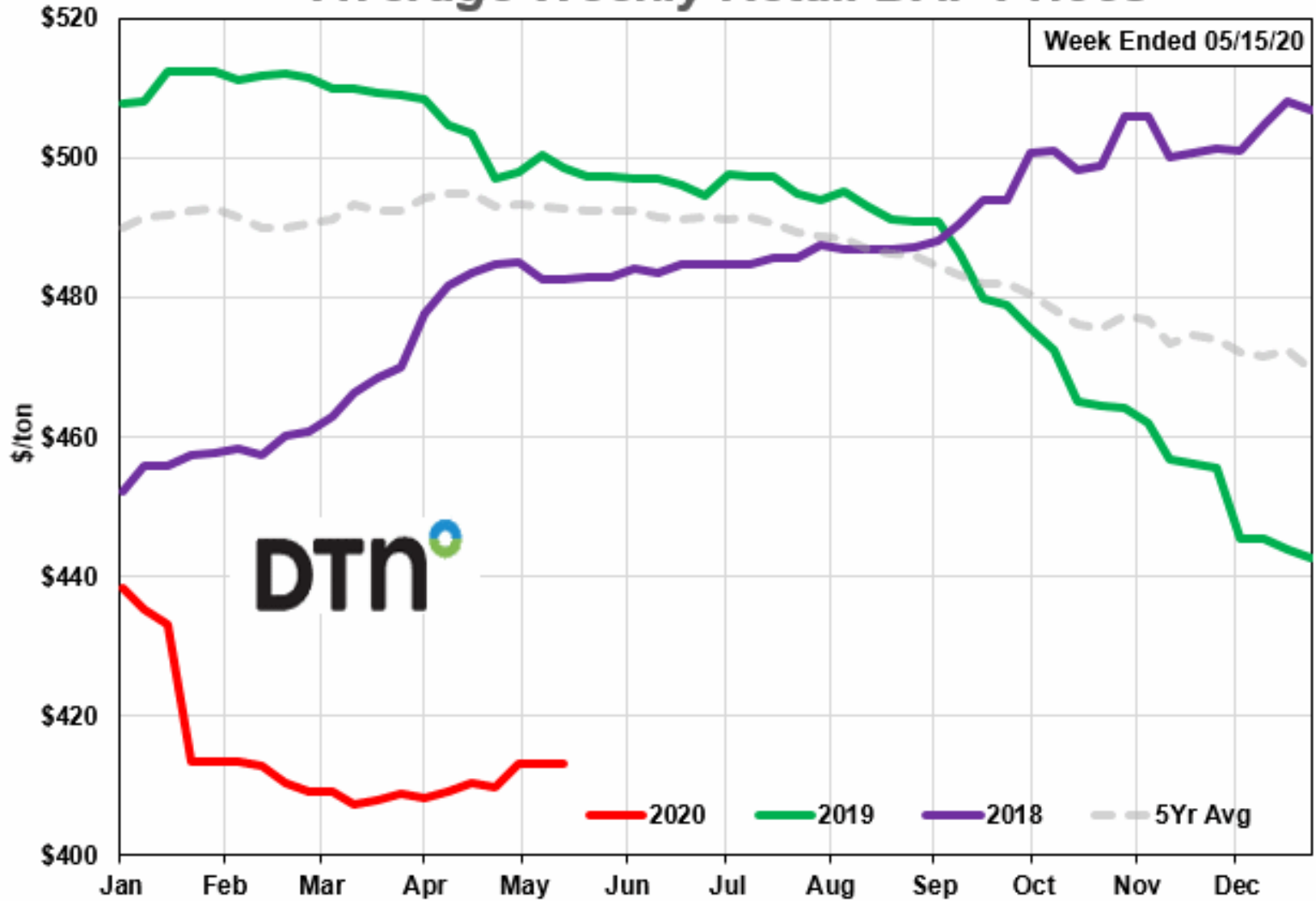
FIRST-QUARTER 2020 (EXPECTATIONS)

	MN	MT	ND	SD	WI	Ninth District
Percent of respondents who expect decreased levels for the next three months:						
Rate of loan repayments	40	100	53	50	17	45
Net farm income	80	100	82	79	17	75
Farm household spending	52	100	59	36	17	48
Farm capital spending	84	100	76	79	33	77
Loan demand	12	–	–	–	17	6
Percent of respondents who expect increased levels for the next three months:						
Loan renewals or extensions	60	100	71	43	33	57.81
Referrals to other lenders	4	–	6	14	–	11
Amount of collateral required	20	–	6	26	–	17
Loan demand	68	100	71	43	33	61

AGRICULTURAL INTEREST RATES FROM THE FEDERAL RESERVE BANK OF MINNEAPOLIS,
 QUARTERLY SURVEY OF AGRICULTURAL CREDIT CONDITIONS

		<u>Operating</u>		<u>Machinery</u>		<u>Real Estate</u>	
		Fixed	Var.	Fixed	Var.	Fixed	Var.
Q2-18	July	6.0	5.8	6.0	5.7	5.7	5.5
Q3-18	Oct	6.1	5.9	6.1	5.8	5.9	5.6
Q4-18	Jan	6.2	6.0	6.1	5.9	5.9	5.7
Q1-19	Apr	6.4	6.2	6.2	6.0	6.0	5.8
Q2-19	July	6.3	6.1	6.1	6.0	5.9	5.7
Q3-19	Oct	6.1	5.9	5.9	5.8	5.7	5.5
Q4-19	Jan	5.8	5.7	5.7	5.6	5.5	5.3
<u>Q1-20</u>	<u>Apr</u>	<u>5.3</u>	<u>5.1</u>	<u>5.2</u>	<u>5.1</u>	<u>4.9</u>	<u>4.8</u>

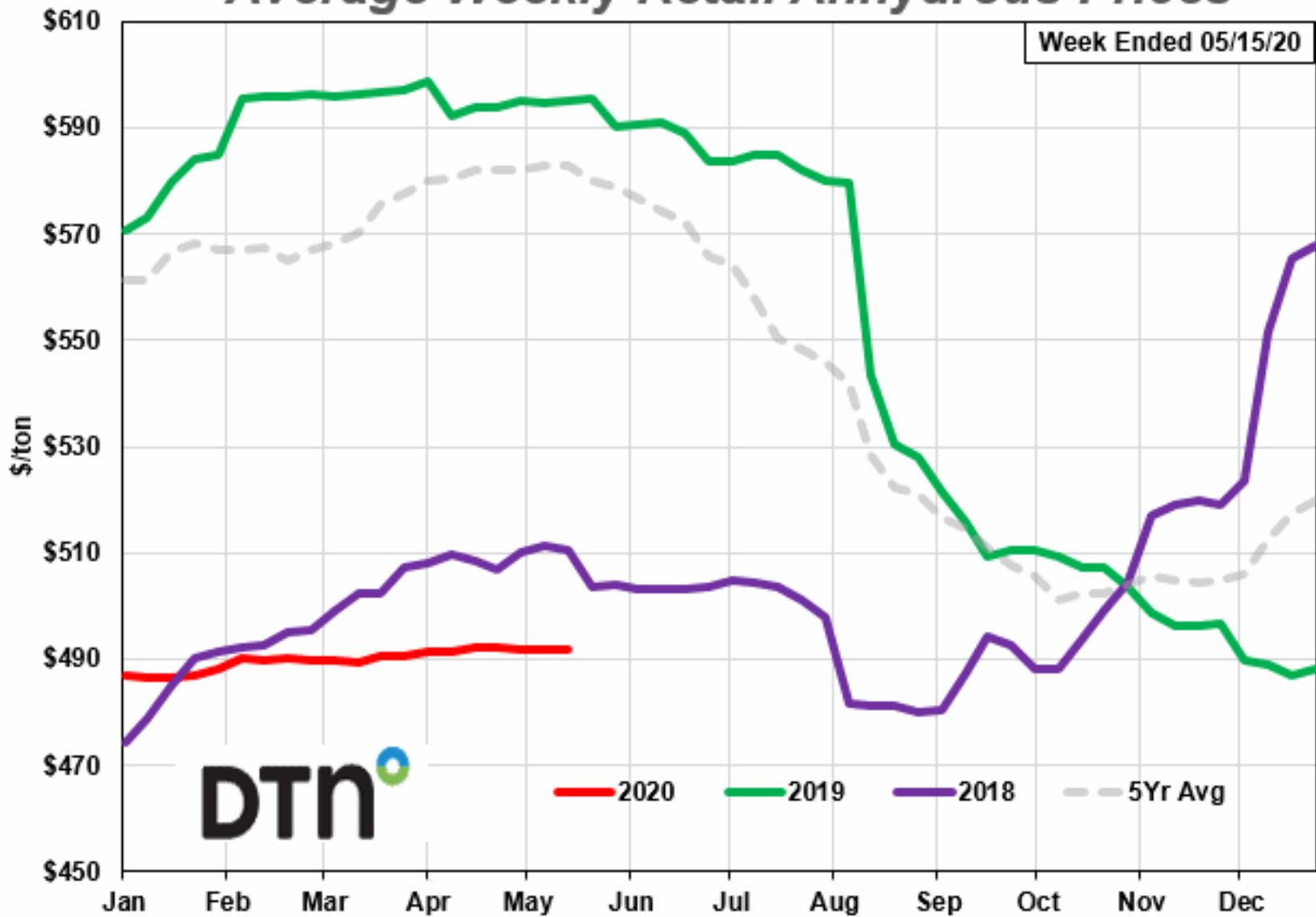
Average Weekly Retail DAP Prices



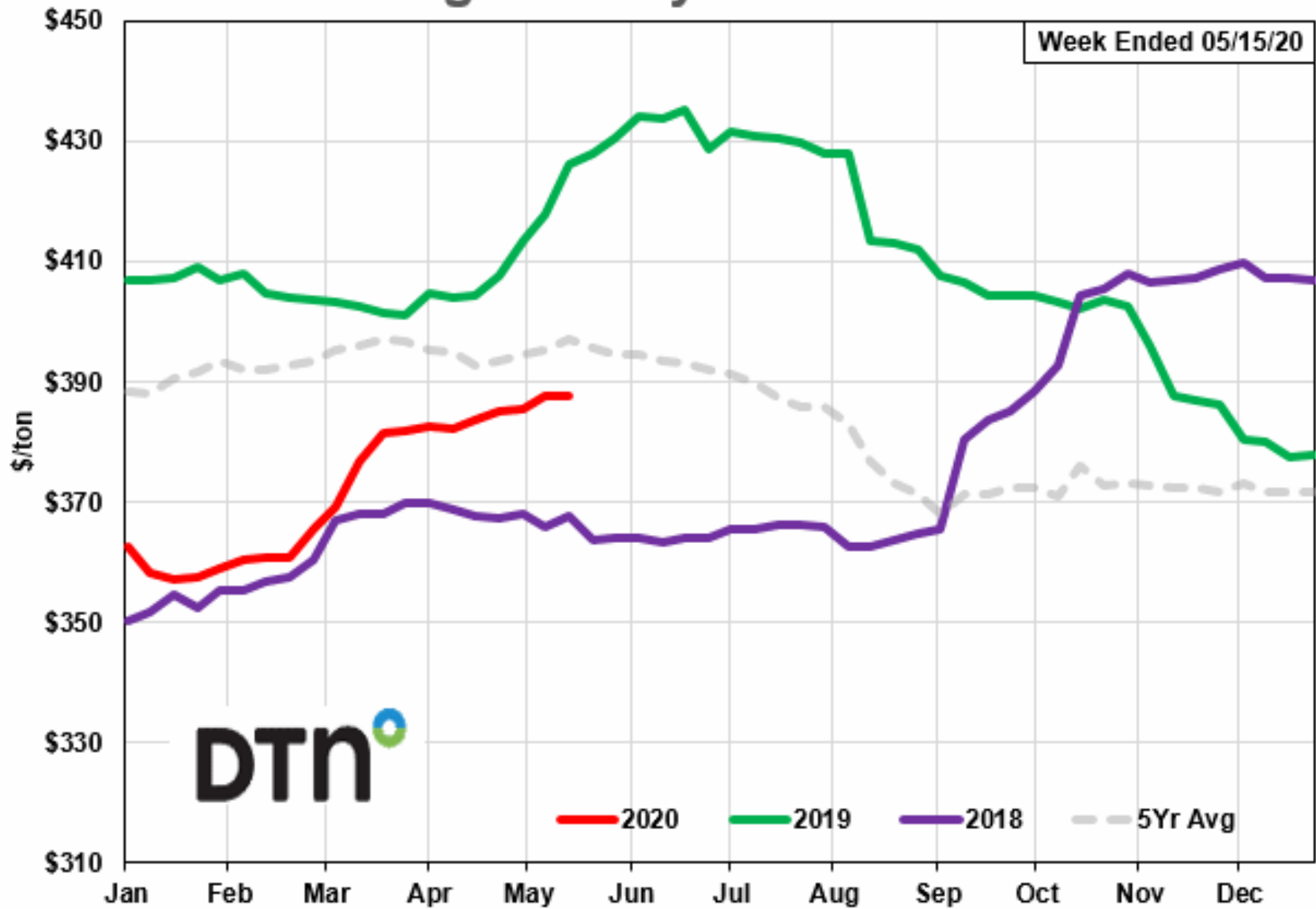
DTN

2020 2019 2018 5Yr Avg

Average Weekly Retail Anhydrous Prices



Average Weekly Retail Urea Prices



Coronavirus Food Assistance Program

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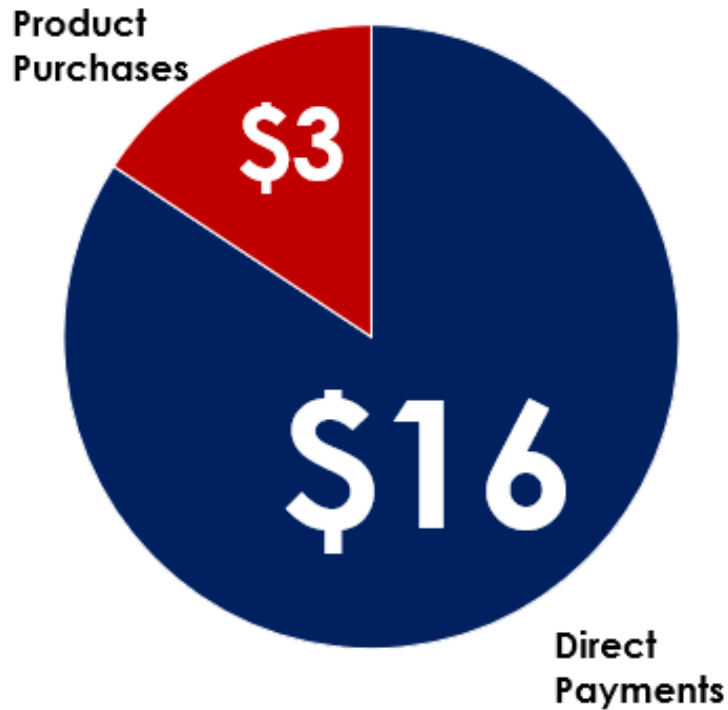
ronald.haugen@ndsu.edu



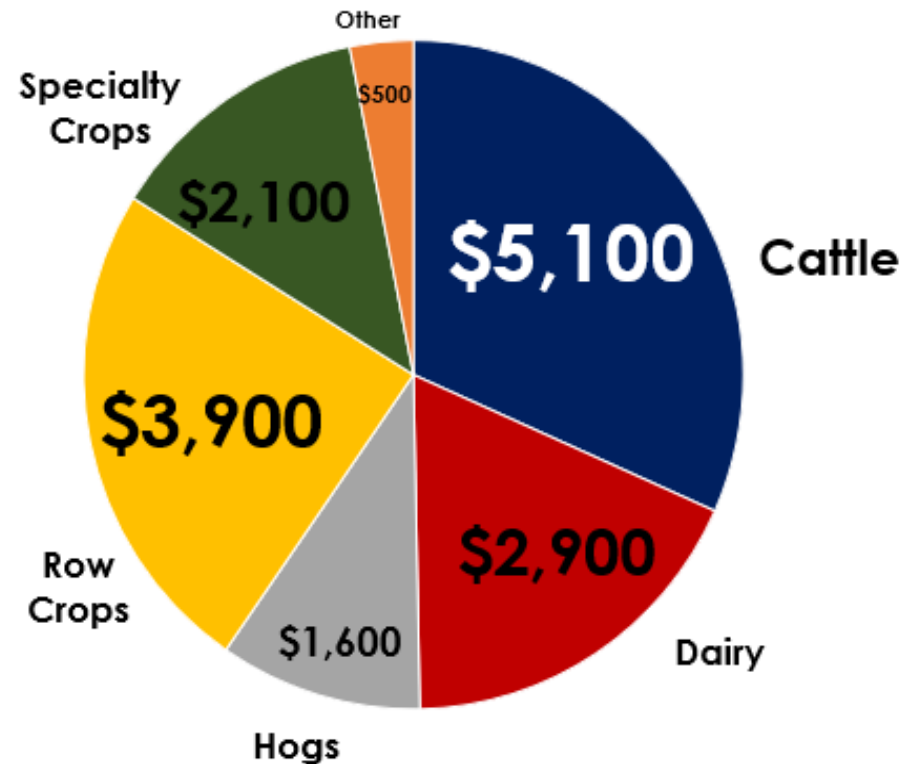
CFAP Agricultural Appropriation

Figure 3. Expected CFAP Funding By Program and Commodity

CFAP Funding By Program (Billion \$)



Direct Payments By Commodity (Million \$)



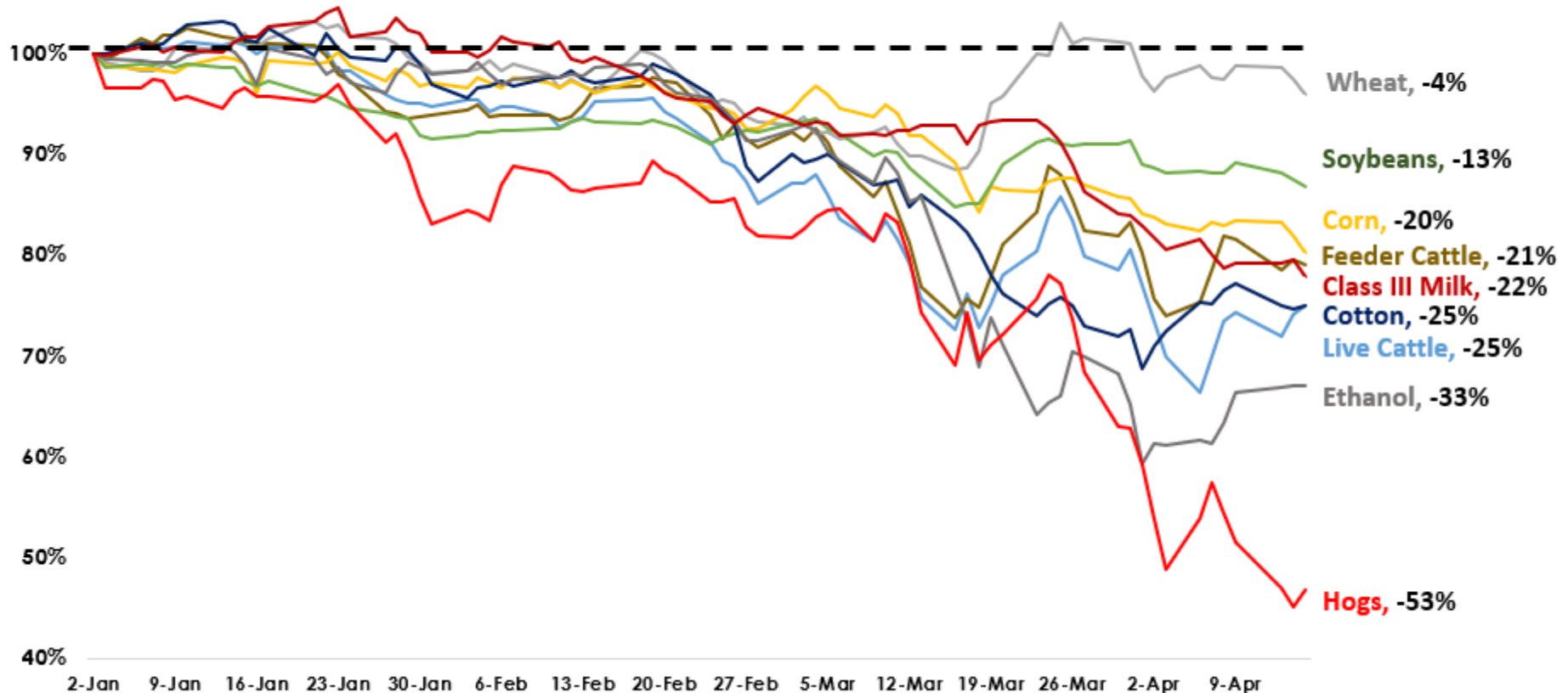
Background

- Separate payment rates (CARES and CCC) for each commodity are calculated in a similar fashion—estimating the price drop from the week of January 13-17, 2020, to the week of April 6-9, 2020.
- Any commodity that did not experience a price drop of more than five percent is ineligible for support under CFAP.
- USDA may reconsider the excluded commodities if credible evidence is provided that supports a five percent price decline.

Price Impact

Figure 2. COVID-19 Impact on Agricultural Futures Prices

Percentage Change January 2 to April 15 for Nearby Contract



Source: Barchart, Farm Bureau Analysis

Non-Specialty Crops and Wool

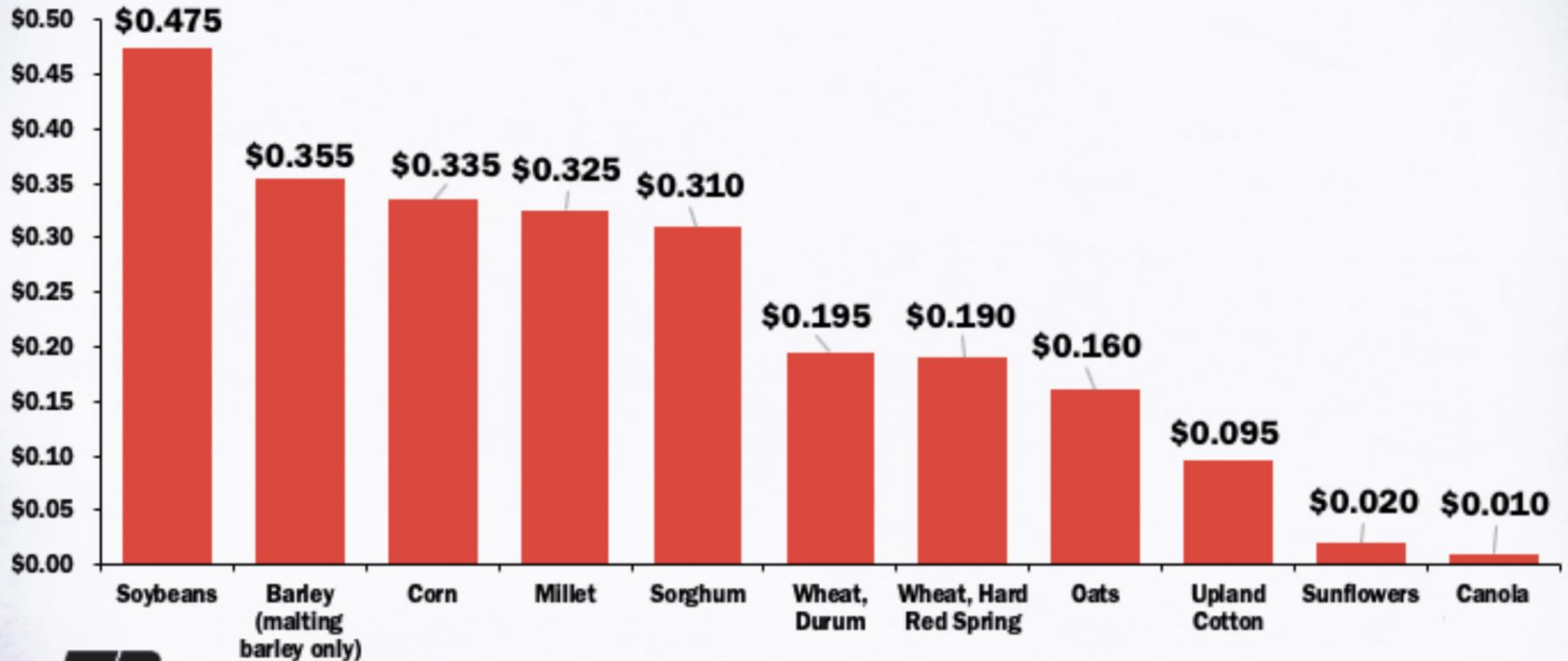
- Eligible crops include: malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, hard red spring wheat
- Wool
- Payment based on inventory subject to price risk held as of January 15, 2020
- Payment made based 50 percent of a producer's 2019 total production or the 2019 inventory as of January 15, 2020, whichever is smaller, multiplied by the commodity's applicable payment rates

Non-Specialty Crops

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)	Average Payment Rate (\$/unit)
Barley (malting)	bu	\$0.34	\$0.37	\$0.355
Canola	lb	\$0.01	\$0.01	\$0.010
Corn	bu	\$0.32	\$0.35	\$0.335
Durum wheat	bu	\$0.19	\$0.20	\$0.195
Hard red spring wheat	bu	\$0.18	\$0.20	\$0.190
Millet	bu	\$0.31	\$0.34	\$0.325
Oats	bu	\$0.15	\$0.17	\$0.160
Sorghum	bu	\$0.30	\$0.32	\$0.310
Soybeans	bu	\$0.45	\$0.50	\$0.475
Sunflowers	lb	\$0.02	\$0.02	\$0.020
Upland cotton	lb	\$0.09	\$0.10	\$0.095

“Blended” CFAP Direct Payments for Non-Specialty Crops

Dollars Per Bushel (all except Cotton, Canola and Sunflowers in Dollars per Pound)



AMERICAN FARM BUREAU FEDERATION™

Source: USDA, Farm Bureau Compilations

Non-Specialty Crop Example

- Assume a farmer produced 80,000 bushels of corn in 2019 and was still holding 50,000 bushels in inventory as of January 15, 2020. Further assume that the inventory was unpriced. In this case, payments would be limited to 40,000 bushels (50 percent of 80,000 bushels) and would be paid \$0.335/bu for a total CFAP payment of \$13,400

Wool

- CFAP payments for wool are calculated the same way as non-specialty crops. Payments are based on unpriced inventory that is harvested but held in inventory as of January 15, 2020, not to exceed 50 percent of 2019 total production. Half of that eligible inventory is paid the “CARES Act Payment Rate” and the other half is paid the “CCC Payment Rate.”

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Wool (graded, clean basis)	lb	\$0.71	\$0.78
Wool (non-graded, greasy basis)	lb	\$0.36	\$0.39

Livestock

- A single CFAP payment will be made to livestock producers, but it is based on the sum of two distinct components:
 - (1) a payment for livestock marketed between January 15, 2020, and April 15, 2020, and
 - (2) a payment for the highest inventory of unpriced livestock between April 16, 2020, and May 14, 2020

Livestock

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Slaughter cattle—mature cattle	head	\$92	\$33
Slaughter cattle—fed cattle	head	\$214	\$33
Feeder cattle less than 600 pounds	head	\$102	\$33
Feeder cattle 600 pounds or more	head	\$139	\$33
All other cattle	head	\$102	\$33
Pigs	head	\$28	\$17
Hogs	head	\$18	\$17
Lambs and yearlings	head	\$33	\$7

Cattle Example

- Consider an operation with 100 cow/calf pairs (including 100 unweaned, 250-pound calves). Assume that the previous year's 100 weaned calves were retained. Further assume that the 100 weaned calves were sold on April 13, 2020, weighing approximately 800 pounds.
- The total CFAP payment for the operation would be:
- Weaned Calves: $100 \text{ head} \times \$139/\text{head} = \$13,900$
- Cows: $100 \text{ head} \times \$33/\text{head} = \$3,300$
- Unweaned Calves: $100 \text{ head} \times \$33/\text{head} = \$3,300$
- Total: $\$20,500$ (*80% percent of this amount*)

Cattle Example 2

- Instead, assume that the weaned calves were sold a week later on April 20, 2020. In that case, total CFAP payments for this operation would be cut as noted below:
- Weaned Calves: 100 head x \$33/head = \$3,300
- Cows: 100 head x \$33/head = \$3,300
- Unweaned Calves: 100 head x \$33/head = \$3,300
- Total: \$9,900 (*80% of this amount*)

Hogs and Pigs

- Pigs are considered any animal weighing less than 120 pounds at sale
- Producers of pigs sold between January 15 and April 15, 2020, are eligible for a payment of \$28/head sold
- Hogs are considered any animal weighing 120 pounds or more at sale
- Producers of hogs sold between January 15 and April 15 are eligible for a payment of \$18/head sold
- Producers of all hogs and pigs are eligible for a payment of \$17/head on unpriced hog and pig inventory between April 16 and May 14, 2020

Sheep

- Producers of all sheep less than two years old that were sold between January 15 and April 15, 2020, are eligible for a \$33/head payment
- Producers of all sheep less than two years old are eligible for a payment of \$7/ head on unpriced lamb and yearling inventory between April 16 and May 14, 2020

Dairy

- Dairy producers are eligible to receive \$4.71/cwt on milk produced in the first quarter of 2020. For the second quarter, they are eligible to receive \$1.47/cwt on 101.4 percent of milk produced in the first quarter of 2020. Effectively, this means that dairy producers are eligible to receive \$6.20/ cwt on all milk produced in the first quarter of 2020 ($= \$4.71/\text{cwt} + [1.014 \times \$1.47/\text{cwt}]$).
- For example, assume a dairy with 500 cows produces 20.25 cwt/cow/month. Over the first quarter, the dairy would produce 30,375 cwt of milk. In this example, the dairy would be eligible for \$188,325 ($= \$6.20/\text{cwt} \times 30,375 \text{ cwt}$).

Specialty Crops

- Fruits: apples, avocados, blueberries, cantaloupe, grapefruit, kiwifruit, lemons, oranges, papaya, peaches, pears, raspberries, strawberries, tangerines, tomatoes, watermelons
- Vegetables: artichokes, asparagus, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, garlic, iceberg lettuce, romaine lettuce, dry onions, green onions, peppers, potatoes, rhubarb, spinach, squash, sweet potatoes, taro
- Nuts: almonds, pecans, walnuts
- Other: beans, mushrooms

Specialty Crops

- For specialty crops sold between January 15 and April 15, 2020, the quantity sold is multiplied by the “CARES Act Payment Rate for Sales Losses”
- For specialty crops harvested and shipped but subsequently spoiled due to loss of marketing channels between January 15 and April 15, 2020, the harvested and shipped quantity that spoiled is multiplied by the “CARES Act Payment Rate for Product that Left the Farm but Spoiled Due to Loss of Marketing Channel”
- For unpriced specialty crop shipments that did not leave the farm between January 15 and April 15, 2020—including mature crops that remained unharvested—the total quantity is multiplied by the “CCC Payment Rate”

Eligibility

- \$250K limit per person of entity for all commodities combined
- Must certify that you meet the \$900K AGI limitation unless 75% or more of income is derived from farming, ranching or forestry
- Must be in compliance with the Highly Erodible Land and Wetland Conservation provisions

Payments

- \$125K per commodity limit is eliminated
- \$250K per recipient limit
- USDA will pay 80% of maximums direct payment
- 20% may be paid at a latter date depending if funding is used up

Applying for Assistance

- Applications will be taken May 26, 2020
- Call to apply at local FSA office
- Streamlined process
- May need to furnish documentation at a later date
- May be audited
- Applications accepted though August 28,2020
- Website: farmers.gov/cfap

Concerns

- Corn in the field
- Some crops not included that may have a 5% drop
- Commodities excluded: sheep more than two years old, eggs/layers, soft red winter wheat, hard red winter wheat, white wheat, rice, flax, rye, peanuts, feed barley, Extra Long Staple (ELS) cotton, alfalfa, forage crops, hemp, and tobacco.

LIVESTOCK PRICE SITUATION AND OUTLOOK

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- (1) a payment for livestock marketed between January 15, 2020, and April 15, 2020, and
- (2) a payment for the highest inventory of unpriced livestock between April 16, 2020, and May 14, 2020.

In both cases, the number of head are multiplied by the relevant payment rate in Table 2.

Table 2. Payment Rates for Livestock.

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)
Slaughter cattle—mature cattle	head	\$92	\$33
Slaughter cattle—fed cattle	head	\$214	\$33
Feeder cattle less than 600 pounds	head	\$102	\$33
Feeder cattle 600 pounds or more	head	\$139	\$33
All other cattle	head	\$102	\$33
Pigs	head	\$28	\$17
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Source: Coronavirus Food Assistance Program Final Rule (<https://www.farmers.gov/sites/default/files/documents/CFAP%20Final%20Rule.pdf>)

100 BEEF COW SPRING CALVING HERD/BACKGROUNDING

INVENTORY: Apr 16 - May 14

<u>Class</u>	<u>\$ Per Head</u>	<u>\$ Total</u>
100 beef cows	33	3300
95 spring calves	33	3135
17 repl. heifers	33	561
4 bulls	33	132

SALES: Jan 15 – Apr 15

45 850 lb. steers	139	6255
28 775 lb. heifers	139	3892
17 cull cows	92	1564
1 cull bull	92	<u>92</u>
		18931
		<u>X.80%</u>
	Payment 1	15144.80
	? Payment 2	3786.20

Production and inventory amounts are generally self-certified, and producers must be able to provide supporting documentation if requested by the Farm Service Agency (FSA). According to the final rule, “examples of supporting documentation include evidence provided by the producer that is used to substantiate the amount of production or inventory reported, including copies of receipts, ledgers of income, income statements of deposit slips, veterinarian records, register tapes, invoices for custom harvesting, and records to verify production costs, contemporaneous measurements, truck scale tickets, or contemporaneous diaries that are determined acceptable by USDA.”



	Current Week	Last Reported 5/11/2020	Last Year
Total Receipts:	3,172	6,319	

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>
29	400-448	441	170.00-189.50	180.20
26	478-496	485	179.00-183.00	180.71
92	507-537	526	170.00-179.50	174.84
89	552-596	580	156.00-173.00	161.38
59	603-640	622	147.00-158.00	151.74
235	655-695	672	138.00-147.00	143.90
85	700-748	721	132.00-146.00	138.48
155	752-799	775	123.00-138.50	132.42
49	809-845	822	128.25-133.25	131.04
113	867-890	879	119.00-126.50	123.34
41	940	940	117.00	117.00
57	954-980	960	108.00-114.50	112.54



Cattle on Feed

	Average of Estimates	Range of Estimates
On-feed May 1	94.8	90.8 – 95.7
Placed in April	77.1	70.0 – 86.7
Marketed in April	74.6	71.9 – 82.7

Analyst	On-Feed May 1	Placed in April	Marketed April
Allegiant	95.2	78.8	74.6
Allendale Inc	95.1	86.7	82.7
HedgersEdge.com	94.1	71.8	74.6
Linn Group	95.0	71.9	70.0
LMIC	94.9	77.3	75.0
Mike Sands	95.0	78.0	75.0
New Frontier Capital	94.4	74.1	74.7
N.Dakota State Univ.	94.5	76.2	74.0
Steiner Consulting	90.8	78.0	75.0
Texas A&M University	95.4	80.0	75.0
US Commodities	95.7	80.5	74.0

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Recording and Additional Information

www.ag.ndsu.edu/extension/economics

www.ag.ndsu.edu/alerts/coronavirus