

# Agricultural Market Situation and Outlook

**WELCOME!**

June 12, 2020

Use the Q&A tool  
to ask questions

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

# Macroeconomic: Unemployment and Housing Prices

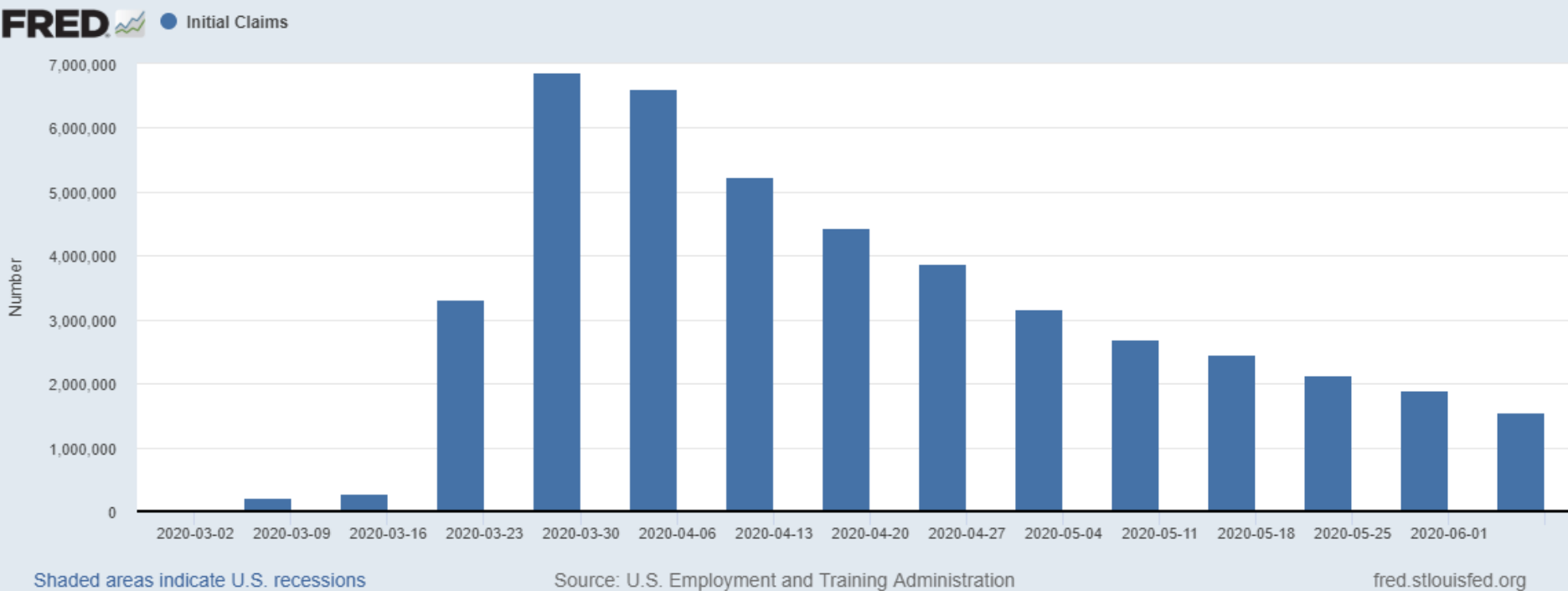
Bryon Parman

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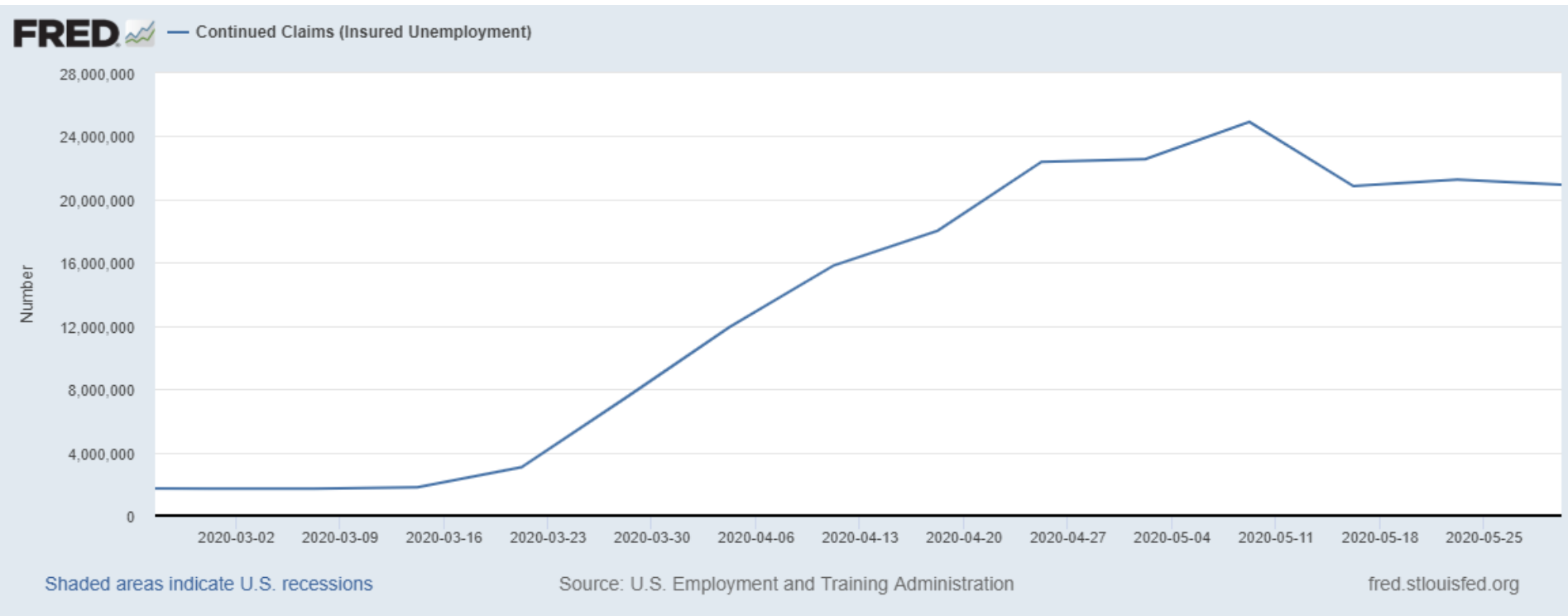
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# Weekly Initial Jobless Claims, St. Louis Federal Reserve



# Weekly Continuous Jobless Claims



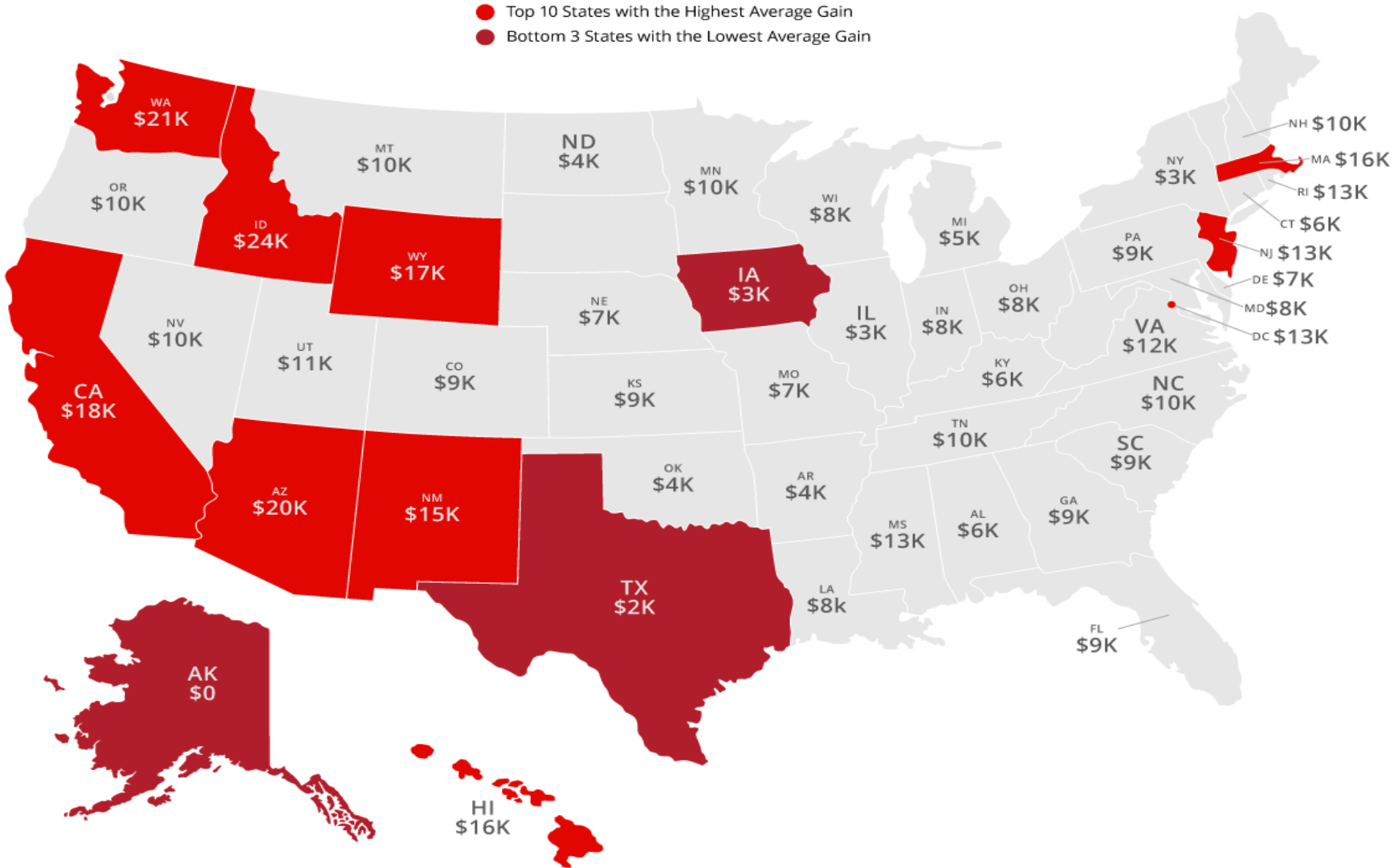
# Housing prices

- According to some indices, May home prices were up 5.4% (annualized) and 3.6% in April
- Housing prices up despite record unemployment
  - Short supply due to COVID
  - Some pent-up demand
- New Housing Starts decreased 30.2% in April, a record drop going back to 1959
- Equity will likely be the key to avoiding a future housing market crisis
  - Low interest rates have made paying down loans easier
  - Higher borrowing standards than before the financial crisis

# New Housing Starts since Dec - 2018



Figure 1: Map of Average Year-Over-Year Equity Gain/Loss per Borrower



From Core Logic equity reports and mortgage daily news:



# Future Home Values

- Zillow analysis ND
  - Median home value in North Dakota: \$237,454
  - Values have increased 1.8% over the last year
  - Mostly buyers market right now
- Zillow Forecast ND
  - A decrease of 2.2% in the next year for North Dakota
- Zillow analysis U.S.
  - U.S. home price up 4.1% in the last 12 months
  - Mostly Sellers Market right now
  - Predicting a decrease of -1.5% in the next 12 months

# Median Home Prices, Selected ND Cities

Bismarck	\$263,500
West Fargo	\$235,300
Mandan	\$230,600
Fargo	\$217,800
Minot	\$208,800
Dickinson	\$204,400
Jamestown	\$148,700
Grand Forks	\$147,500

# Overview of Global Imports and Exports

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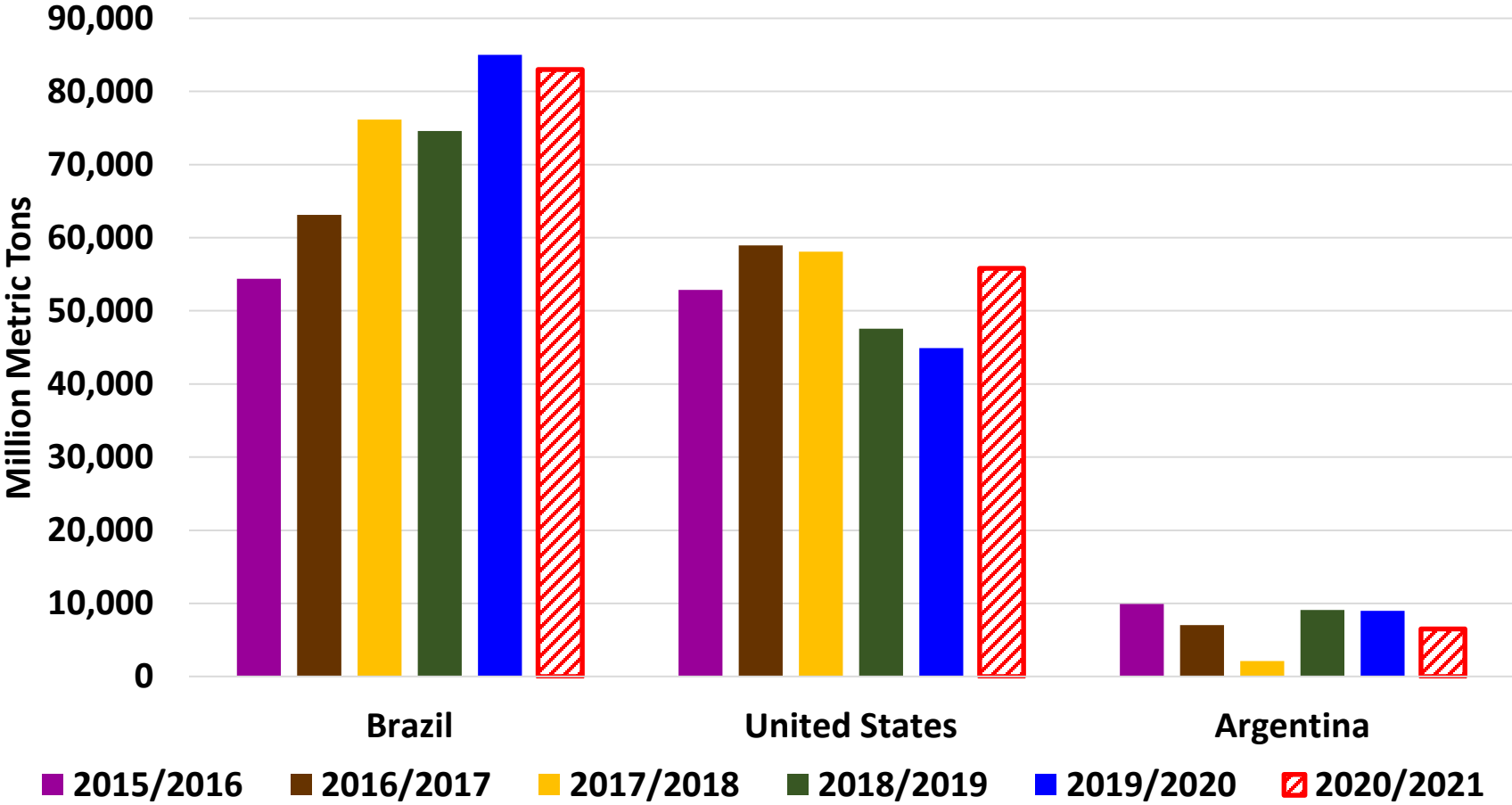


# USDA WASDE Summary

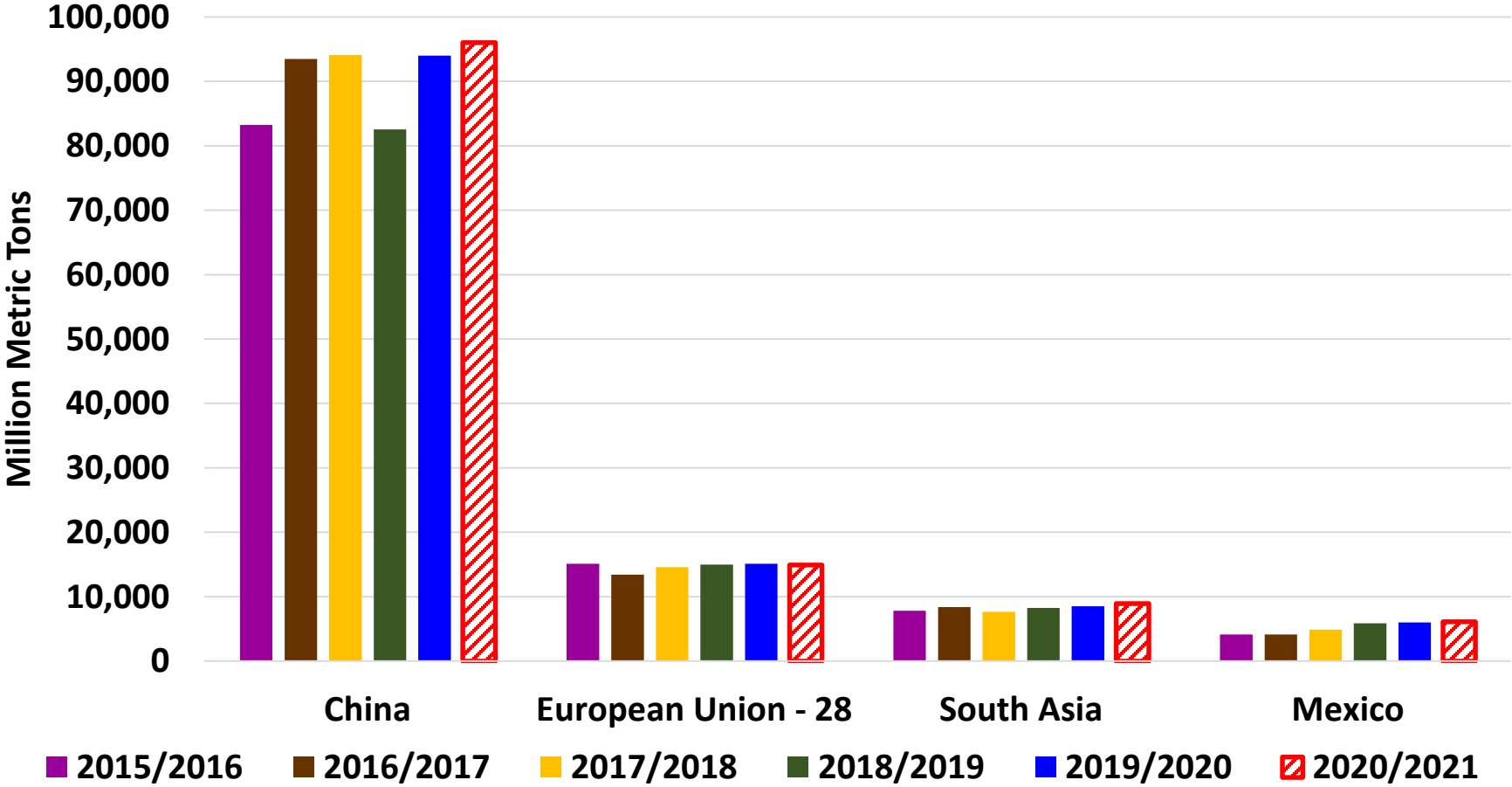
<b>U.S. 2019-20 Ending Stocks (billion bushels)</b>			
	<b>All Wheat</b>	<b>Corn</b>	<b>Soybean</b>
<b>Average Trade Estimate</b>	<b>0.980 bill. bu.</b>	<b>2.163 bill. bu.</b>	<b>0.578 bill. bu.</b>
Highest Trade Estimate	0.998 bill. bu.	2.303 bill. bu.	0.630 bill. bu.
Lowest Trade Estimate	0.958 bill. bu.	2.075 bill. bu.	0.497 bill. bu.
USDA May 12, 2020	0.978 bill. bu.	2.098 bill. bu.	0.580 bill. bu.
<b>USDA June 11, 2020</b>	<b>0.983 bill. bu.</b>	<b>2.103 bill. bu.</b>	<b>0.585 bill. bu.</b>

<b>U.S. 2020-21 Ending Stocks (billion bushels)</b>			
	<b>All Wheat</b>	<b>Corn</b>	<b>Soybean</b>
<b>Average Trade Estimate</b>	<b>0.901 bill. bu.</b>	<b>3.356 bill. bu.</b>	<b>0.429 bill. bu.</b>
Highest Trade Estimate	0.988 bill. bu.	3.595 bill. bu.	0.572 bill. bu.
Lowest Trade Estimate	0.820 bill. bu.	2.897 bill. bu.	0.350 bill. bu.
USDA May 12, 2020	0.909 bill. bu.	3.318 bill. bu.	0.405 bill. bu.
<b>USDA June 11, 2020</b>	<b>0.925 bill. bu.</b>	<b>3.323 bill. bu.</b>	<b>0.395 bill. bu.</b>

# Major World Soybean Exporters

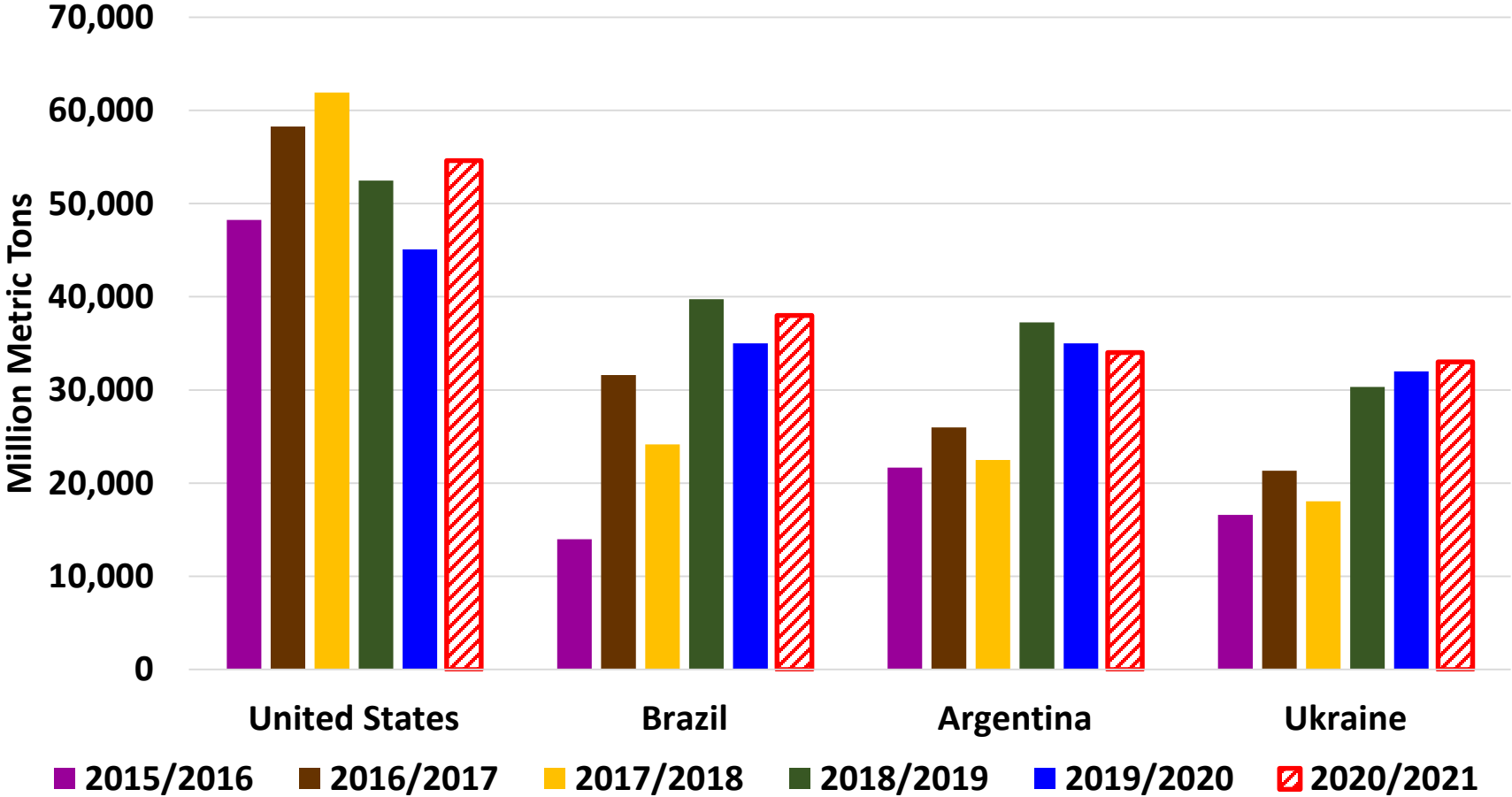


# Major World Soybean Importers

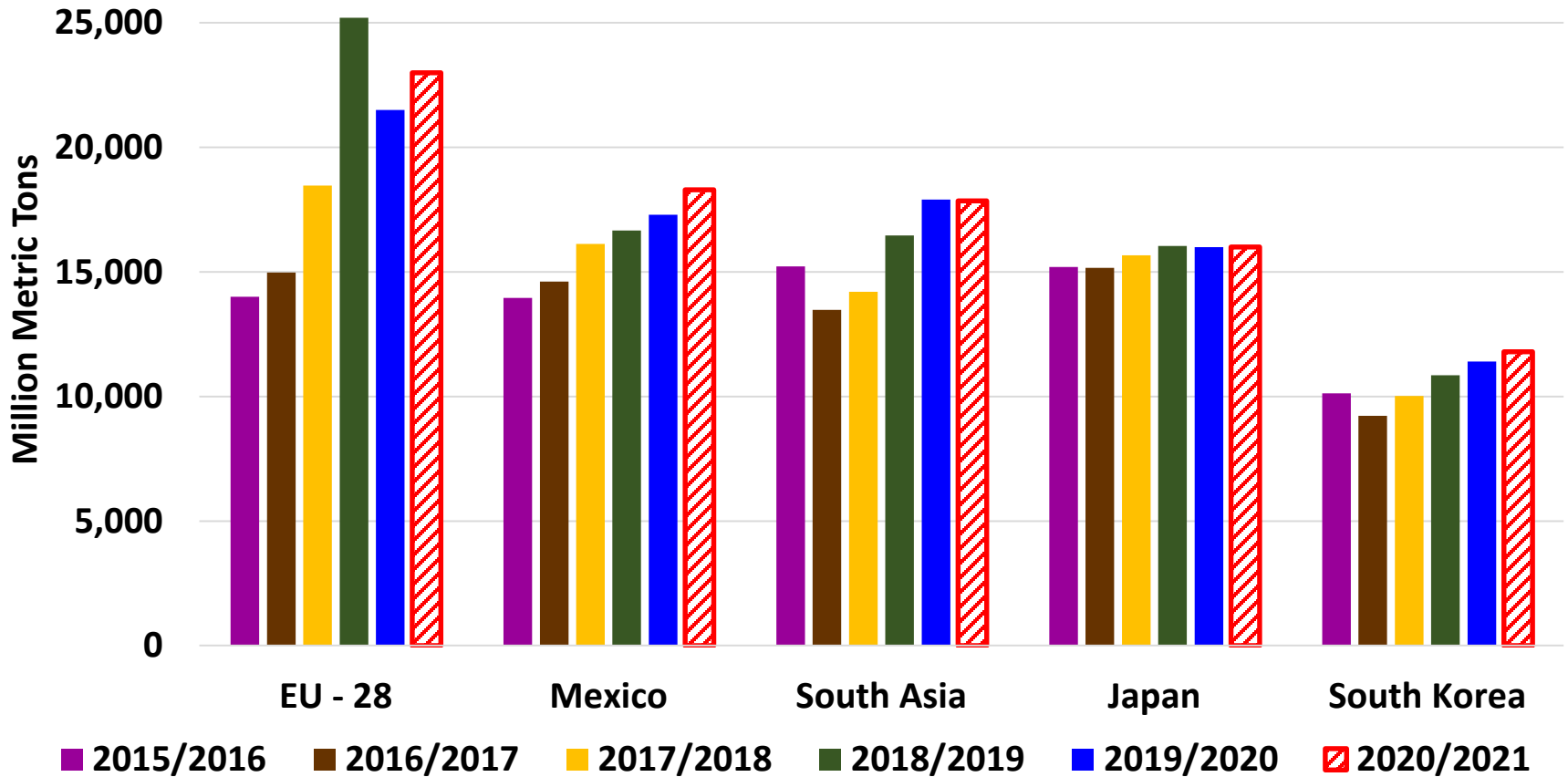


South Asia: Indonesia, Malaysia, Philippines, Thailand and Vietnam

# Major World Corn Exporters



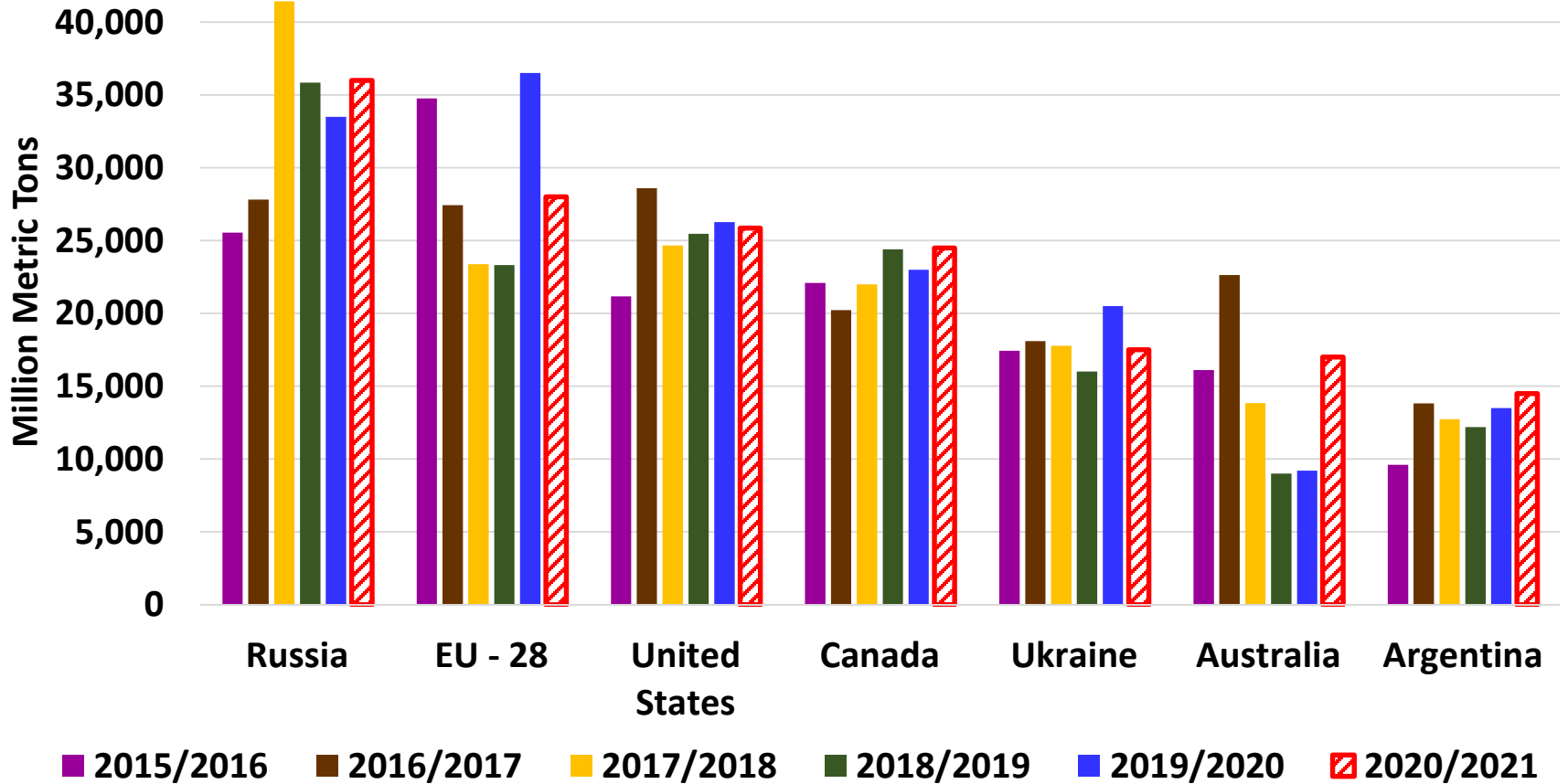
# Major World Corn Importers



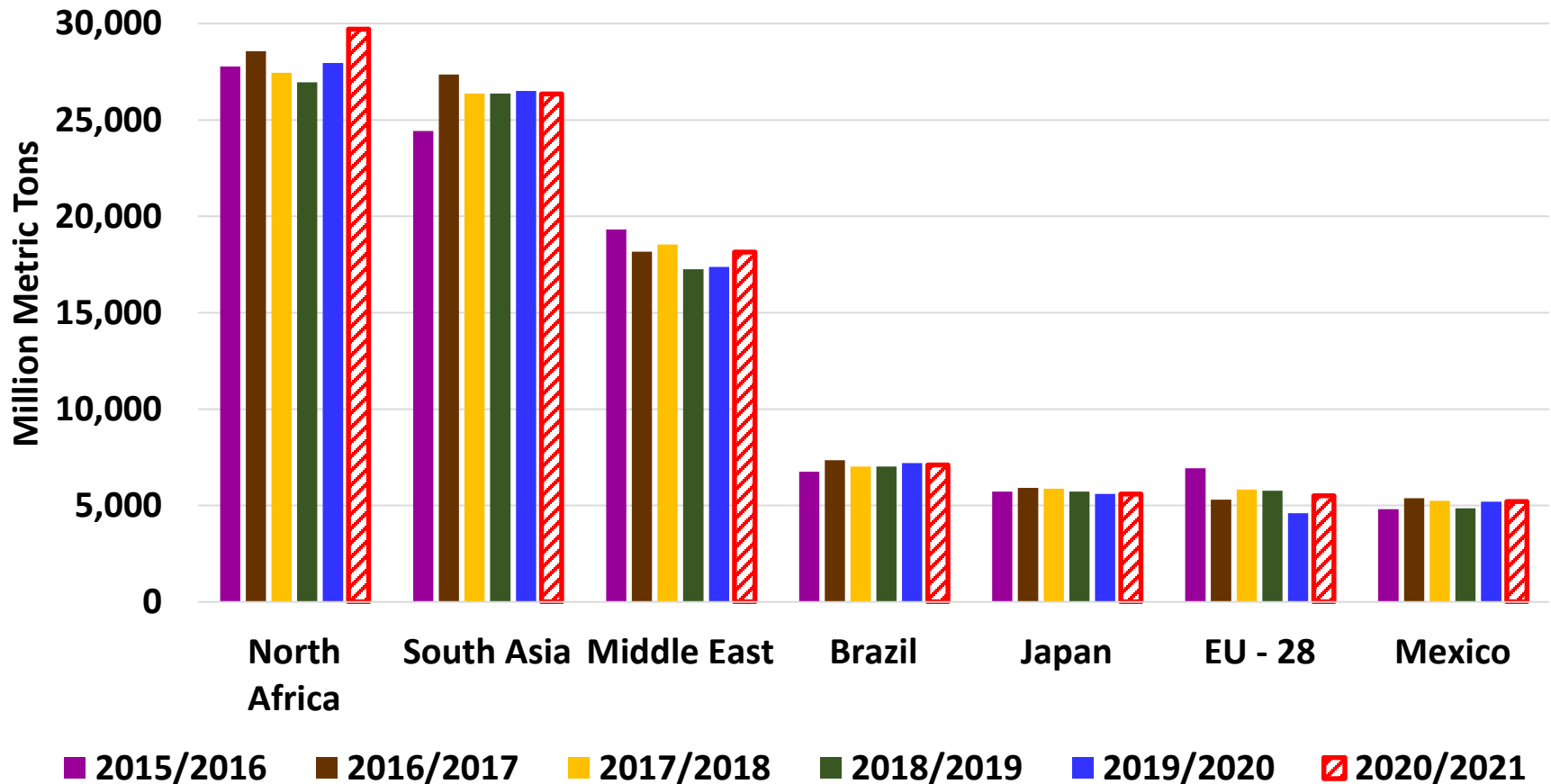
South Asia: Indonesia, Malaysia, Philippines, Thailand and Vietnam



# Major World Wheat Exporters



# Major World Wheat Importers



North Africa: Algeria, Egypt, Libya, Morocco and Tunisia

South Asia: Indonesia, Malaysia, Philippines, Thailand and Vietnam

Middle East: Lebanon, Iraq, Iran, Israel, Jordan, Kuwait, Saudi Arabia, Yemen, UAE and Oman

# Payroll Protection Program (PPP) Flexibility Act

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# CFAP Stats

- So far (June 8, 2020):
- \$16.15M paid out in ND for CFAP
- Non-specialty: \$7.2M, 1,234 applications
- Specialty: \$25K, 1 application
- Livestock: \$7.9M, 1,148 applications
- Dairy: \$927K, 11 applications
- Note: \$30M paid out in ND for WHIP+
- Note: silage and hay are eligible for CFAP payments

# PPP Flexibility Act

- The Paycheck Protection Program (PPP) Act of 2020 was signed into law June 5, 2020
- More guidance will be issued in the coming days
- As of today: \$148B left in PPP fund

# Extension of Loan Maturity

- Loan repayment term extended to 5 years (previously it was 2 years)
- Lenders and borrowers may mutually agree to modify the maturity terms for loans issued before June 5 , 2020
- No change in the 1% interest rate

# Extension of Loan Period

- Extends the 8 week covered period to 24 weeks or December 31, 2020 whichever is earlier
- A borrower who received a PPP loan prior to June 5, 2020 may elect to retain the original 8 week loan forgiveness covered period

# Forgiveness

- Changes from 75% to 60%, the percent of proceeds that must be used for payroll in order to receive forgiveness
- If you use less than 60% for payroll you are eligible for partial loan forgiveness



# Extension of Deferral Period

- A change from 6 months to the date on which the amount of forgiveness is remitted to the lender, the borrower is not required to make interest payments until this date

# Rehire Worker Deadline

- The June 30, 2020 deadline to rehire workers has changed to December 31, 2020

# Delay of Employer Payroll Taxes

- **Eliminates the rule** that borrowers who have PPP loan debt forgiven are ineligible to defer payroll

# Exemption

- From February 15, 2020 to December 31, 2020 loan forgiveness is determined **without regard** to a proportional reduction in the number FTE employees if the borrower in good faith is able to document
- **1)** the inability to rehire employees employed as of February 15, 2020 and inability to rehire similar qualified employees for unfilled positions on or before December 31, 2020 **or**
- **2)** the inability to return to the he same level of business activity that the business was operating at on or before February 15, 2020 due to compliance with federal requirements and guidance related to COVIC-19

# LIVESTOCK PRICE SITUATION AND OUTLOOK

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# New LRP Premium Subsidy Rates

Coverage Level %

Subsidy Rate %

7/01/2020

95-100

20

25

90-94.9

25

30

80-89

30

35

70-79

35

**Premium due at maturity, not in advance**

# 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

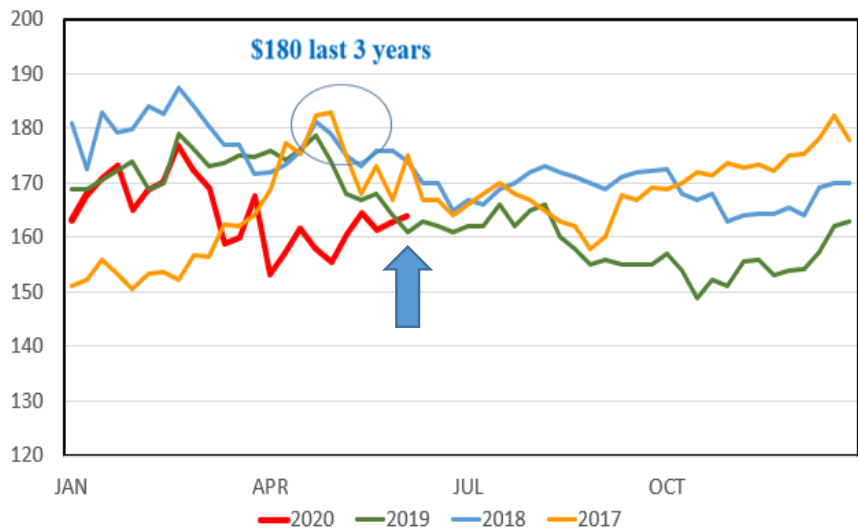
Goal: Pre-price 50 % of production

Expected price trend ?

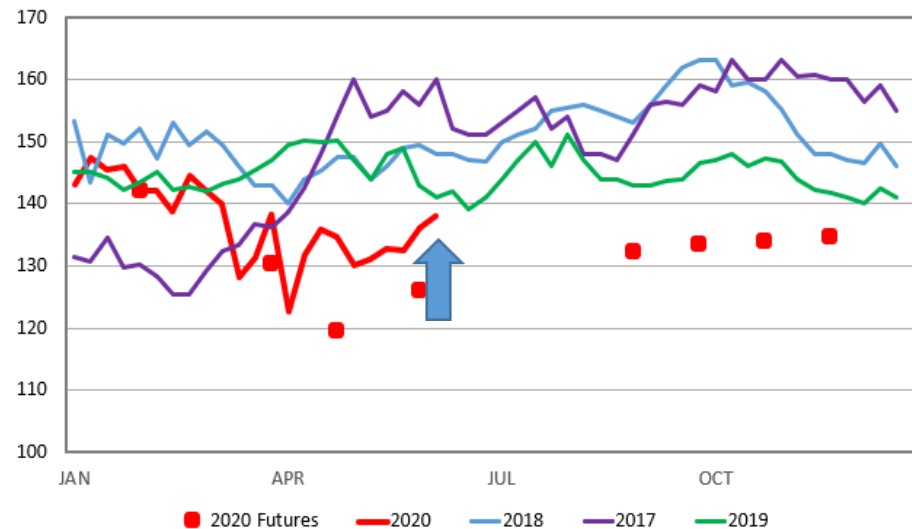
Marketing Tool: LRP-Under 600 lbs.

<u>Strategy</u>	<u># of Head</u>	<u>Price Objective</u>	<u>Time Deadline</u>
LRP-21 wk.	12 steers	\$155	<del>Jun 30</del> Jul 1
	7 heifers	\$140	
LRP-13 wk.	11 steers	\$165	Jul. 30 <b>LAST DAY</b>
	6 heifers	\$149	
Market	46 steers 26 heifers		Oct. 29

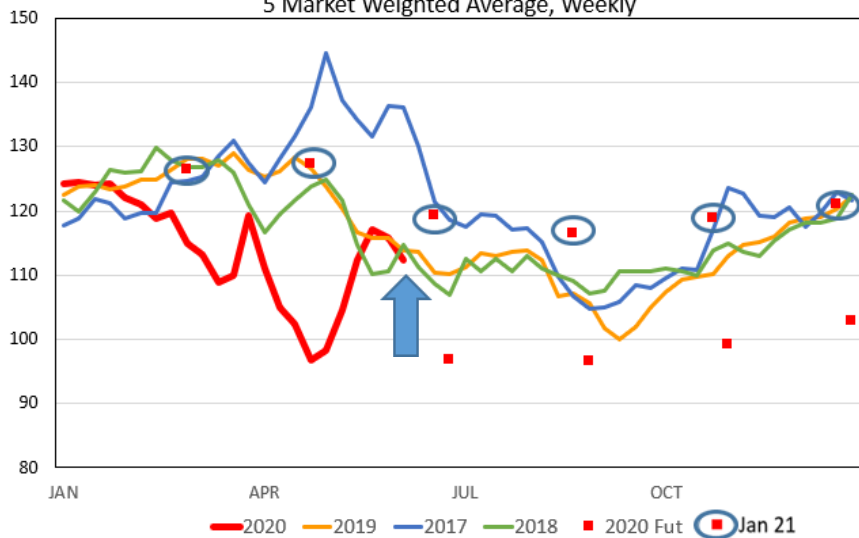
### MED. FRAME #1 STEER CALF PRICES 550-600 Pounds, N.D., Weekly



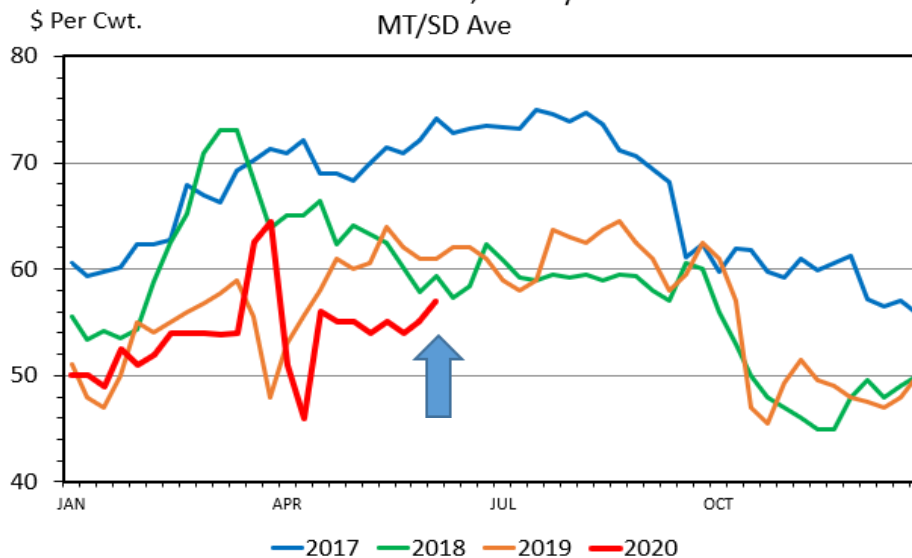
### MED. & LRG. #1 FEEDER STEER PRICES 750-800 Pounds, N.D., Weekly



### SLAUGHTER STEER PRICES 5 Market Weighted Average, Weekly



### BEEF CULL COW PRICES 85-90% Lean, Weekly MT/SD Ave



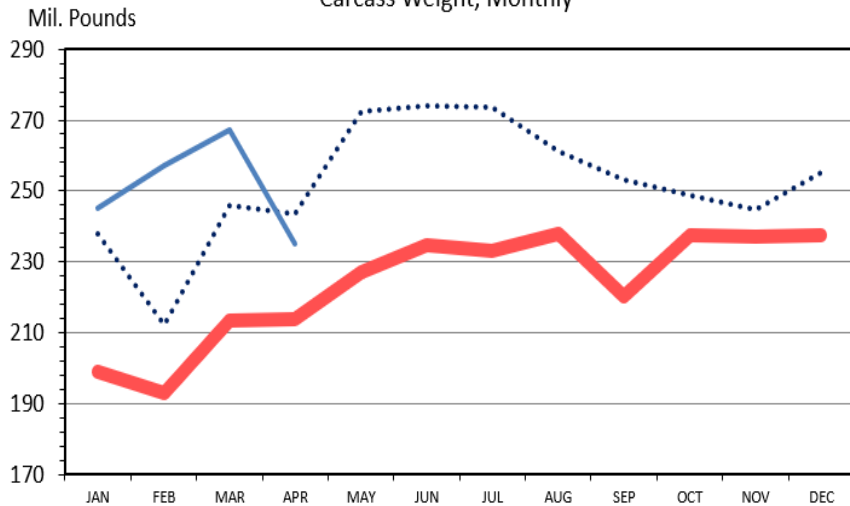




# Livestock and Meat International Trade Data

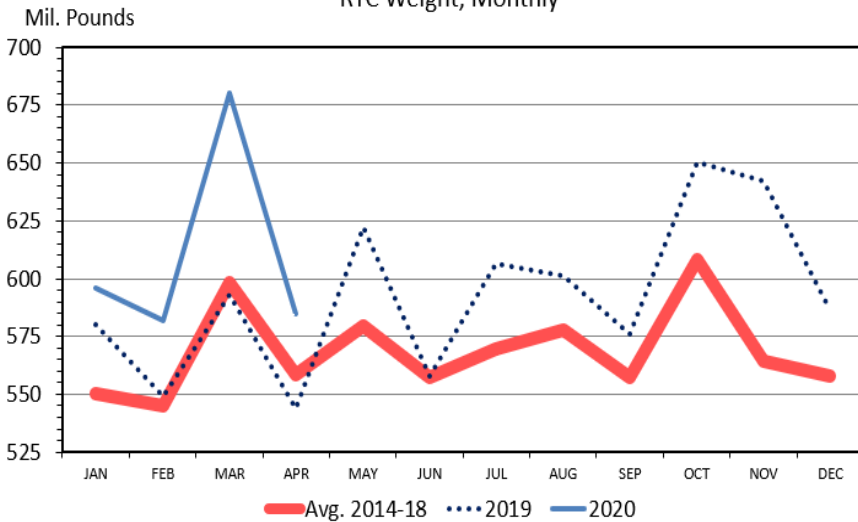
### US BEEF AND VEAL EXPORTS

Carcass Weight, Monthly



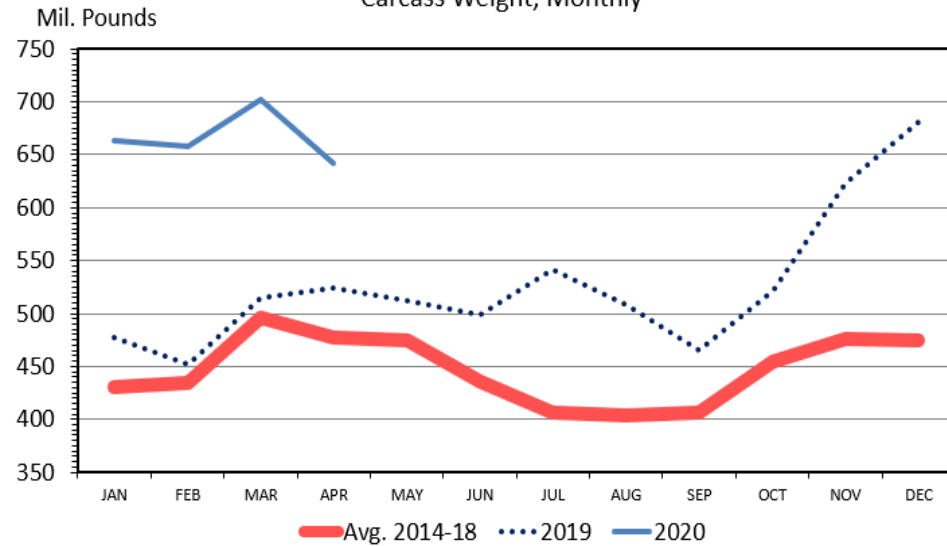
### US BROILER EXPORTS

RTC Weight, Monthly



### US PORK EXPORTS

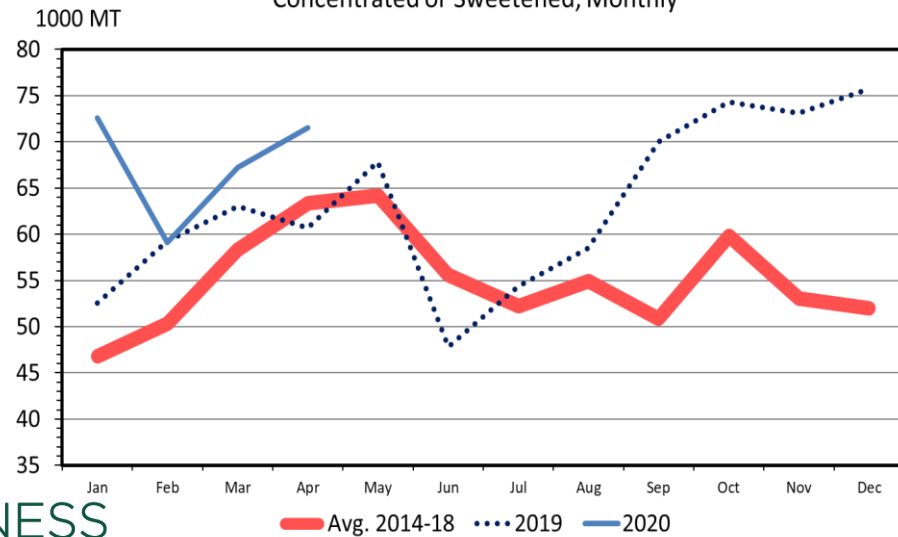
Carcass Weight, Monthly



— Avg. 2014-18    ···· 2019    — 2020

### MILK AND CREAM EXPORTS

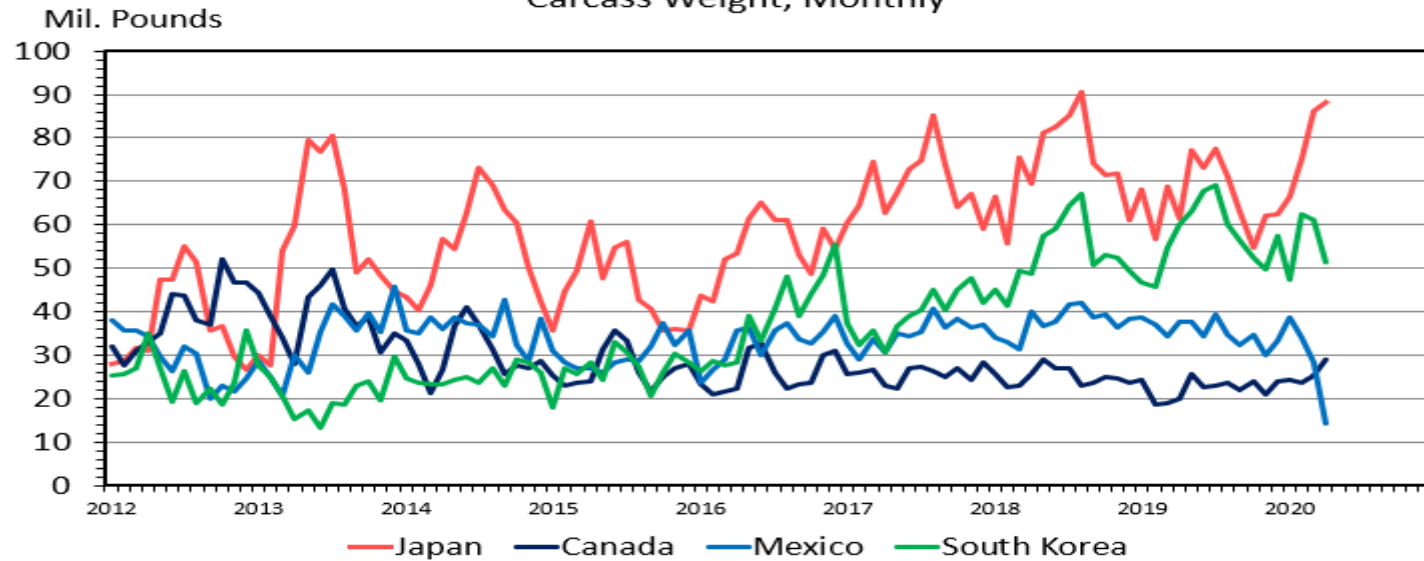
Concentrated or Sweetened, Monthly



— Avg. 2014-18    ···· 2019    — 2020

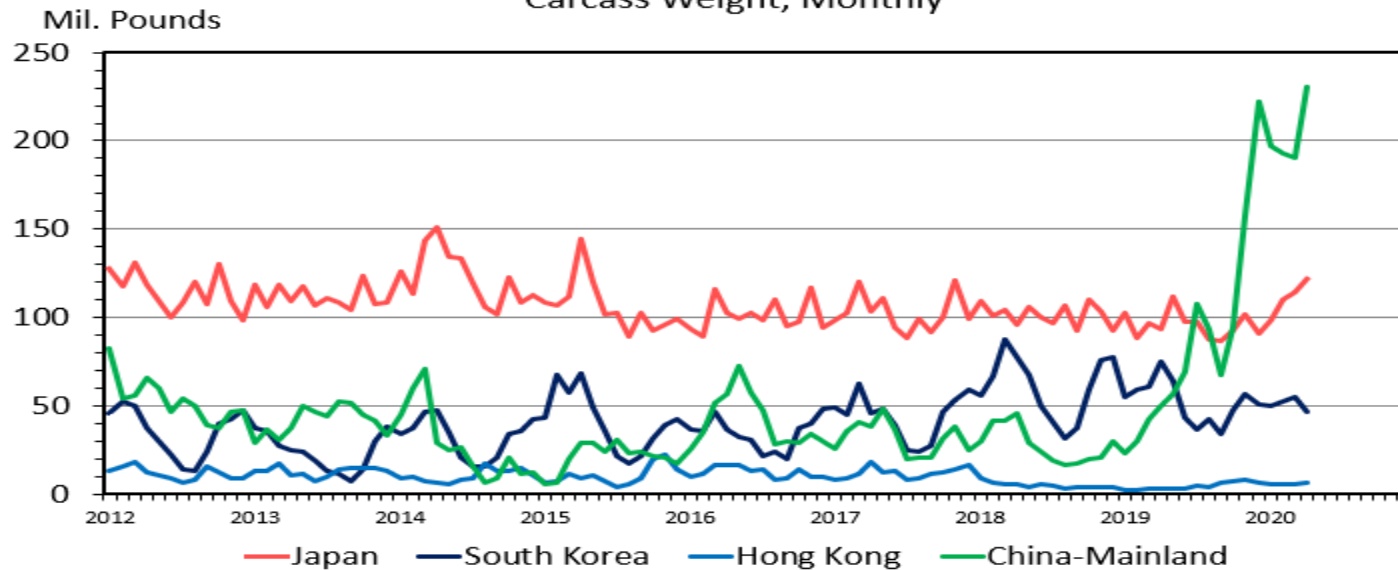
## US BEEF EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly

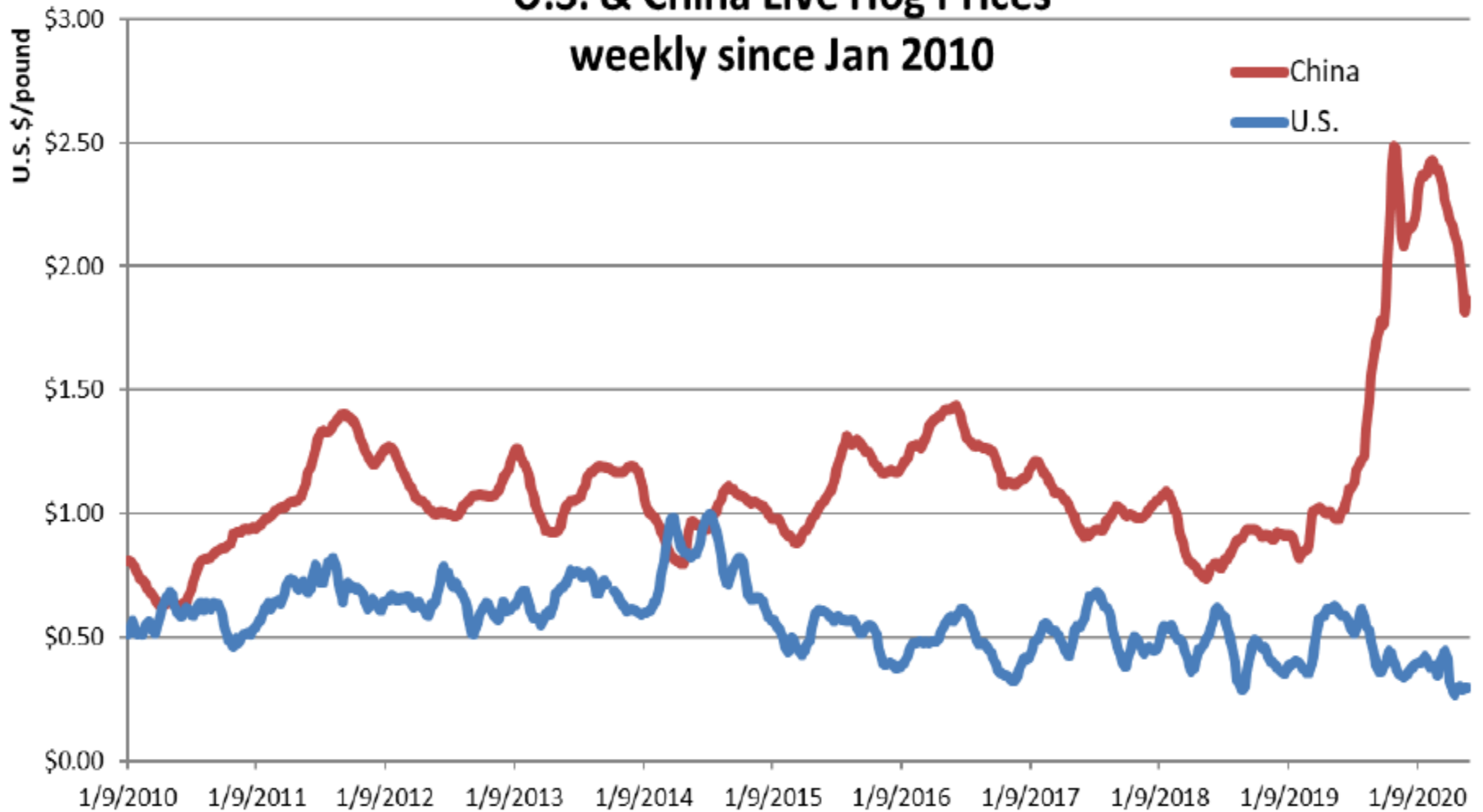


## US PORK EXPORTS TO MAJOR MARKETS

Carcass Weight, Monthly



## U.S. & China Live Hog Prices weekly since Jan 2010



Sources: USDA/AMS, China's MARA & industry quoted prices, USMEF Beijing

# The Director's Cut

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Each month, Lynn Helms, Director of the North Dakota Department of Mineral Resources (DMR), provides an update on the state's oil and gas industry in what is referred to as **The Director's Cut**.

The presentation includes information from the most recent reporting month (two month's prior).

This month's directors cut is this afternoon (June 12<sup>th</sup>) at 2 pm. You can watch in real time by following a link located at <https://www.dmr.nd.gov/oilgas/presentations/webinarsmedia.asp>

# Why it's important

## Indicator

- economic activity/recovery
- energy consumed and associated activity

## Jobs, wealth creation, tax revenue generation

- More than 1,000 jobless claims each of the first three weeks of April
- 6,399 continued claims through last Saturday
- \$3.5 million (~25%) of UE payments

(ND Job Service)

# Definitions

Completion: casing, cementing, perforating, fracking, and other activities required to produce oil

Shut-in (inactive) well: when production is stopped due to a lack of a suitable market

Abandoned well: permanently plugged, equipment removed, surface remediated if necessary\*

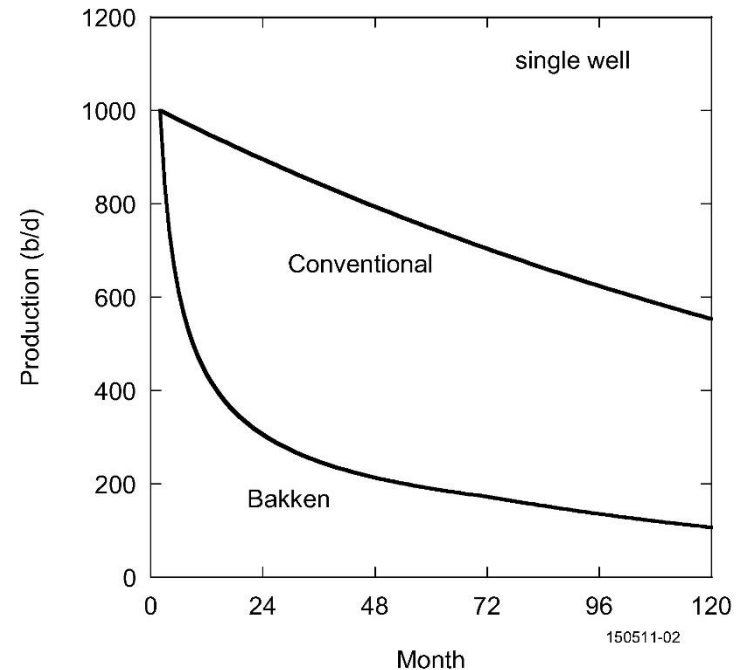
NDIC changed rule allowing wells to be inactive for more than 12 months.

# Definitions

Depletion rate: the rate at which production declines for a specific well

Legacy well: a well that has been producing prior to the current reporting period

Associated gas: natural gas produced as a co-product to crude oil



Kleinberg et al 2018



# What I'm listening for

This month's directors cut includes official data for the month of April, the first full month of covid-19 impacts.

Shut-ins (wells producing)

Production

Comments beyond the data

Use the Q&A tool  
to ask questions

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Recording and Additional Information

[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)