

Agricultural Market Situation and Outlook

April 17, 2020

WEBINAR BEGINS AT 12:30 P.M. CST

NDSU

EXTENSION

Agricultural Market Situation and Outlook

April 17, 2020

WELCOME!

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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Weekly U.S. New Jobless Claims Since April 2019

5.24 Million for the week ending April 11th

6.6 Million for the week ending April 4th

6.87 Million for the week ending March 28th

3.28 Million for the week ending March 21st



Unemployment: The Numbers

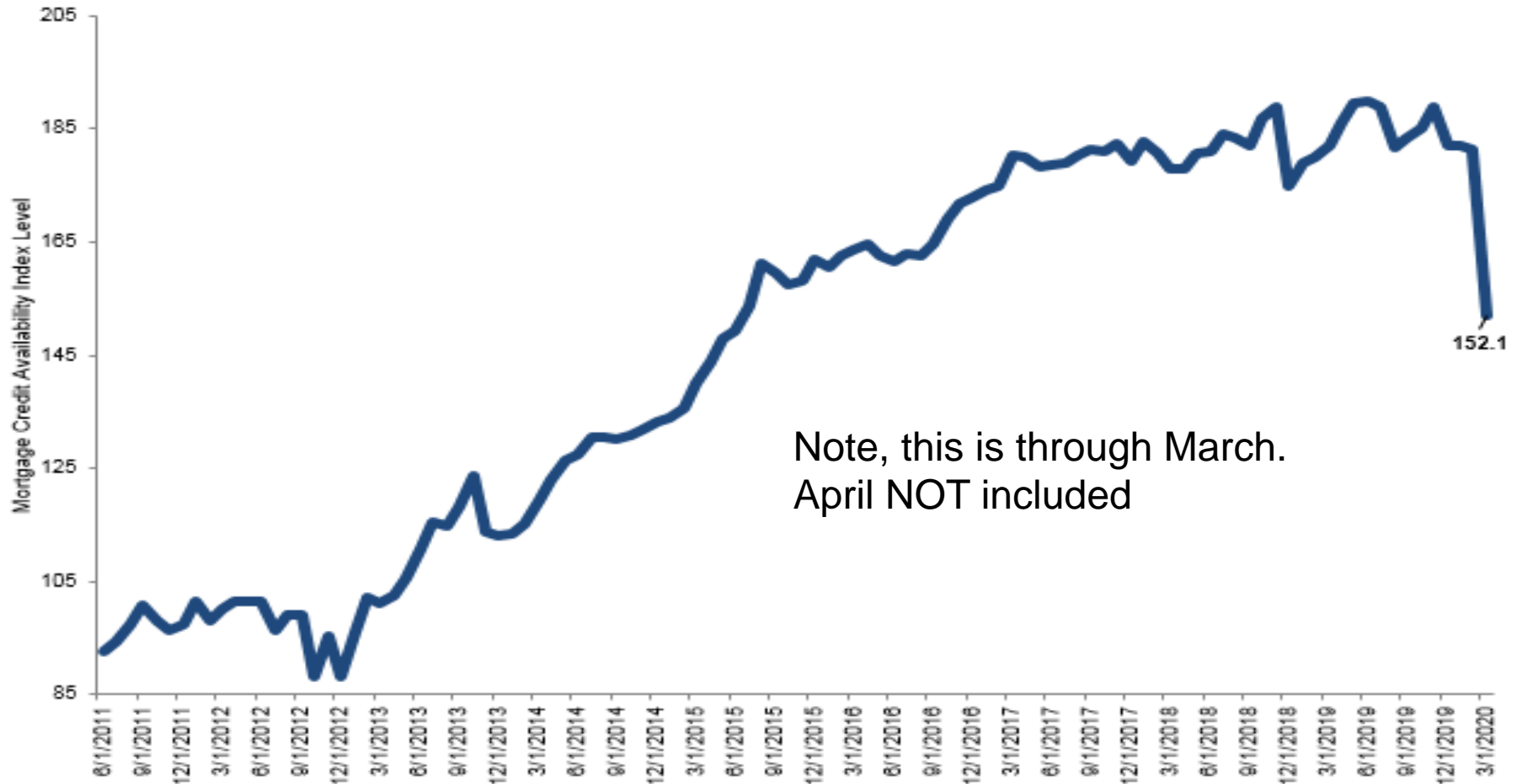
- Week Ending March 21th
 - New Unemployment 3.28 Million
- Week Ending March 28th
 - New Unemployment revised up to 6.87 Million
- Week ending April 4th
 - New Unemployment 6.6 Million
- Week ending April 11th
 - New Unemployment 5.25 Million
- U.S. Labor Force in February approximately 164.5 million
 - Estimated unemployment rate of about 16.5%, up from 3.5% a month ago.

Credit Tightening

- JPMorgan Chase
 - “From Tuesday, customers applying for a new mortgage will need a credit score of at least 700, and will be required to make a down payment equal to 20% of the home’s value” - *CNBC*
- Across the Country
 - “The availability of conventional loans dropped 24.2% in March, while jumbo loan availability dipped 36.9%. Government loans, which include USDA, VA and FHA mortgages, fell 6.6%.” - *Forbes*

March 2020 Mortgage credit availability index

Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)



Financial Institution Fallout

- Financial Institutions (Banks)
 - Bank of America, Goldman Sachs and Citi had 1st quarter profits fall by at least 40%
 - JP Morgan and Wells had drops of 69% and 89% each
- Banks anticipating a large spike in bad loans
 - Goldman Sachs set aside \$20 billion
 - B of A set aside another \$4.67 billion
 - Citi set aside \$7.03 billion

Direct Payments to Farmers

- \$16 Billion dollars in direct payments
- \$2-\$3 Billion in Milk and other protein purchases such as pork, beef etc. sent to food banks
- Specific mention to cattle, pork, specialty crops, and commodities hurt by COVID-19.
- The plan to be submitted this week or early next week
- Will re-evaluate the necessity/efficacy of the 1st round of payments later in the year to see if more is needed.

Crop Market Situation & Outlook

Frayne Olson

Crop Economist/
Marketing Specialist

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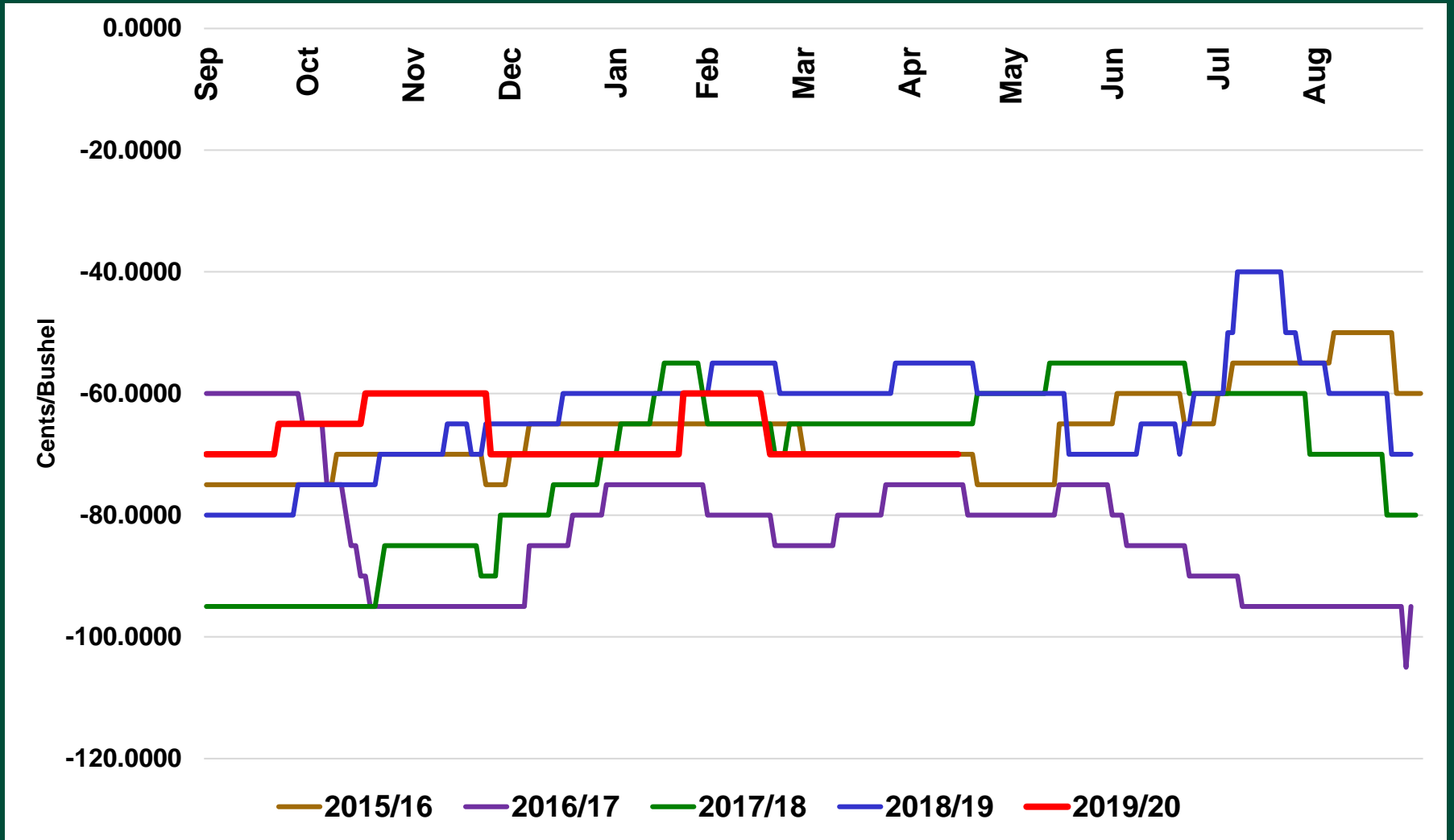


Definition of *Basis*

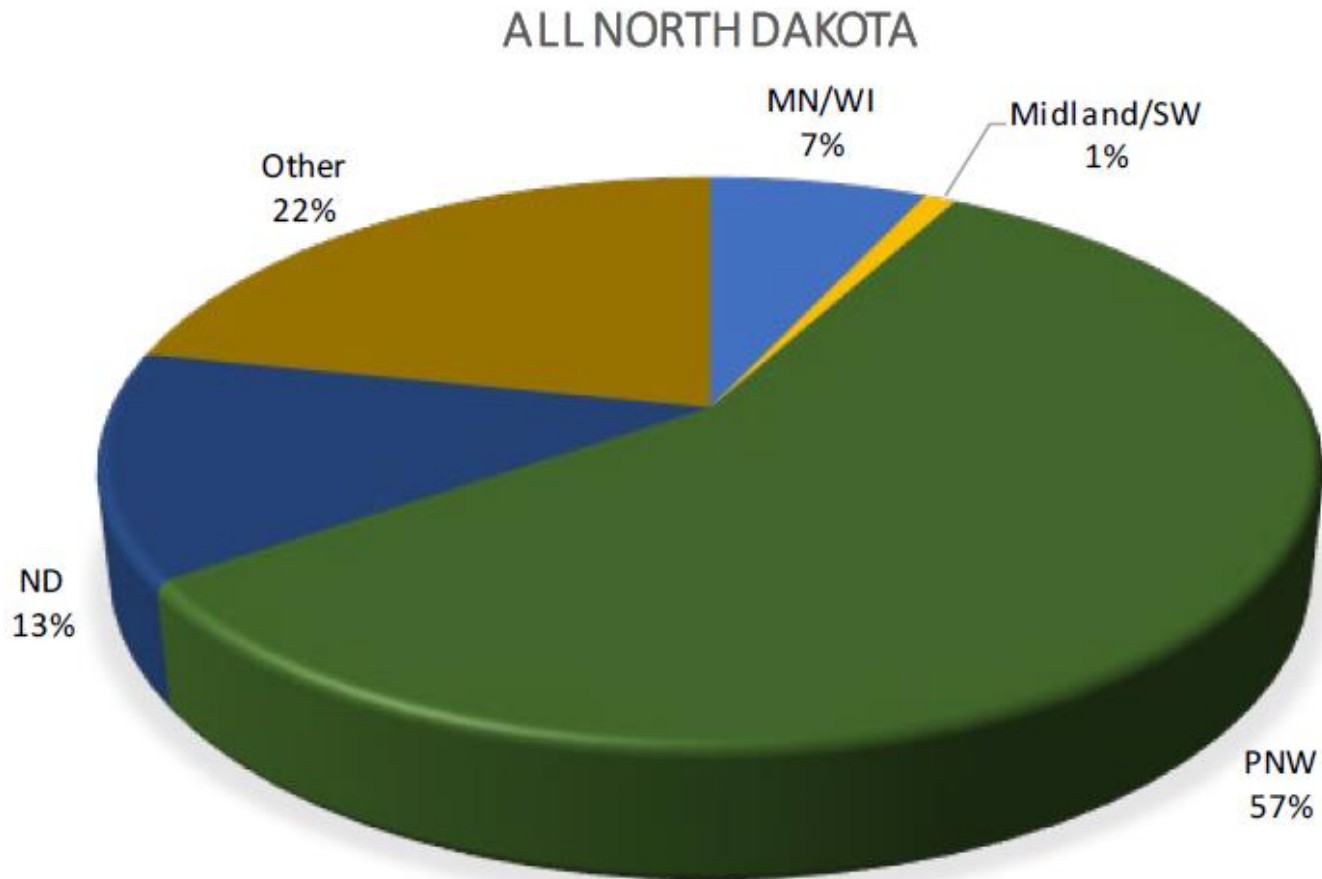
- Mathematical:
 - Basis = Cash – Futures
 - Specific to location and delivery time period
- Theoretical:
 - Difference between national supply & demand (futures market) and local supply & demand (local cash market), for a given time period.
- Operational:
 - Basis is the local cash market regulating the flow of grain, over time and space.

Corn Basis

(09/01/2015 – 04/16/2020)

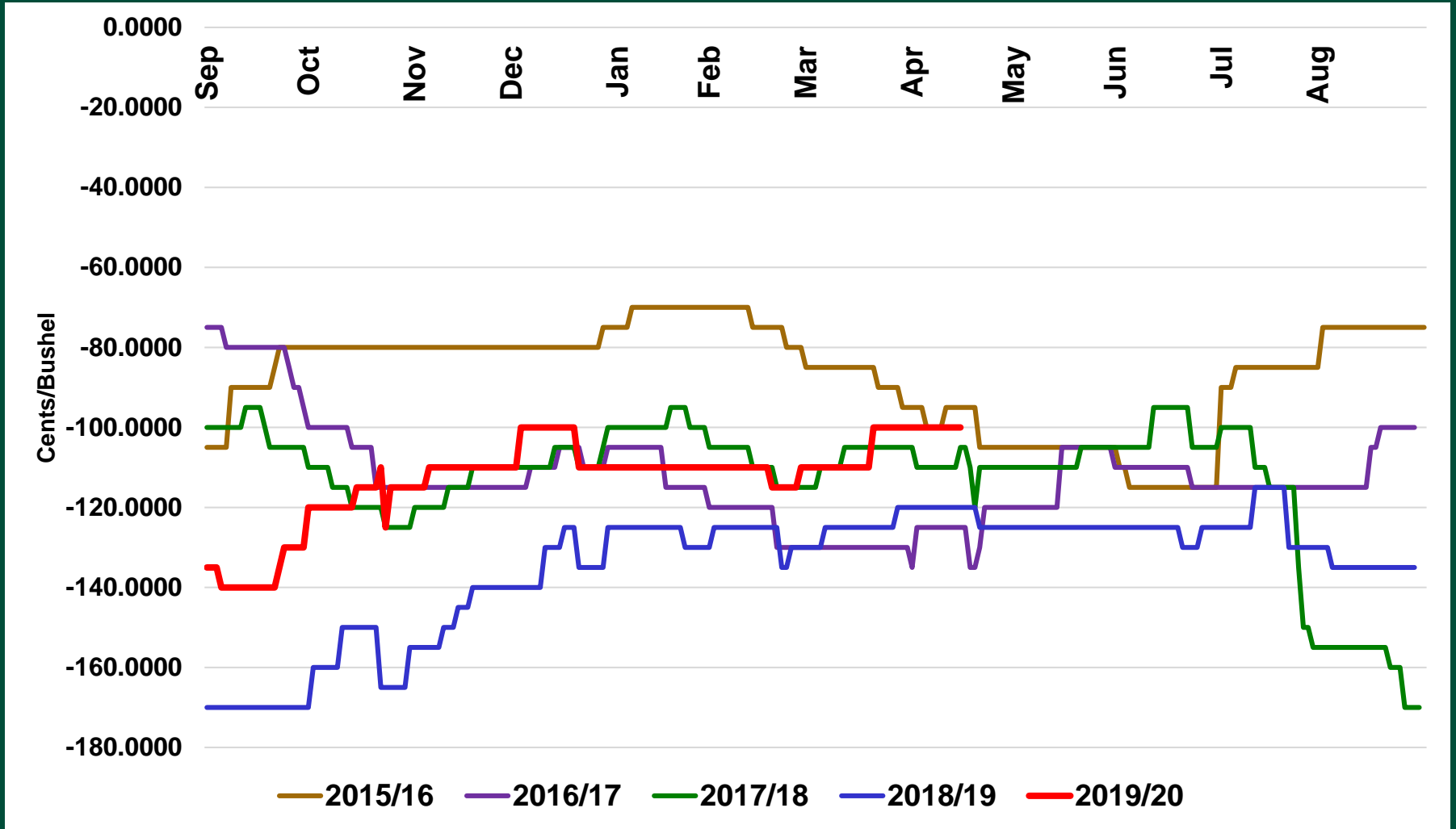


Corn Shipments 2018-19

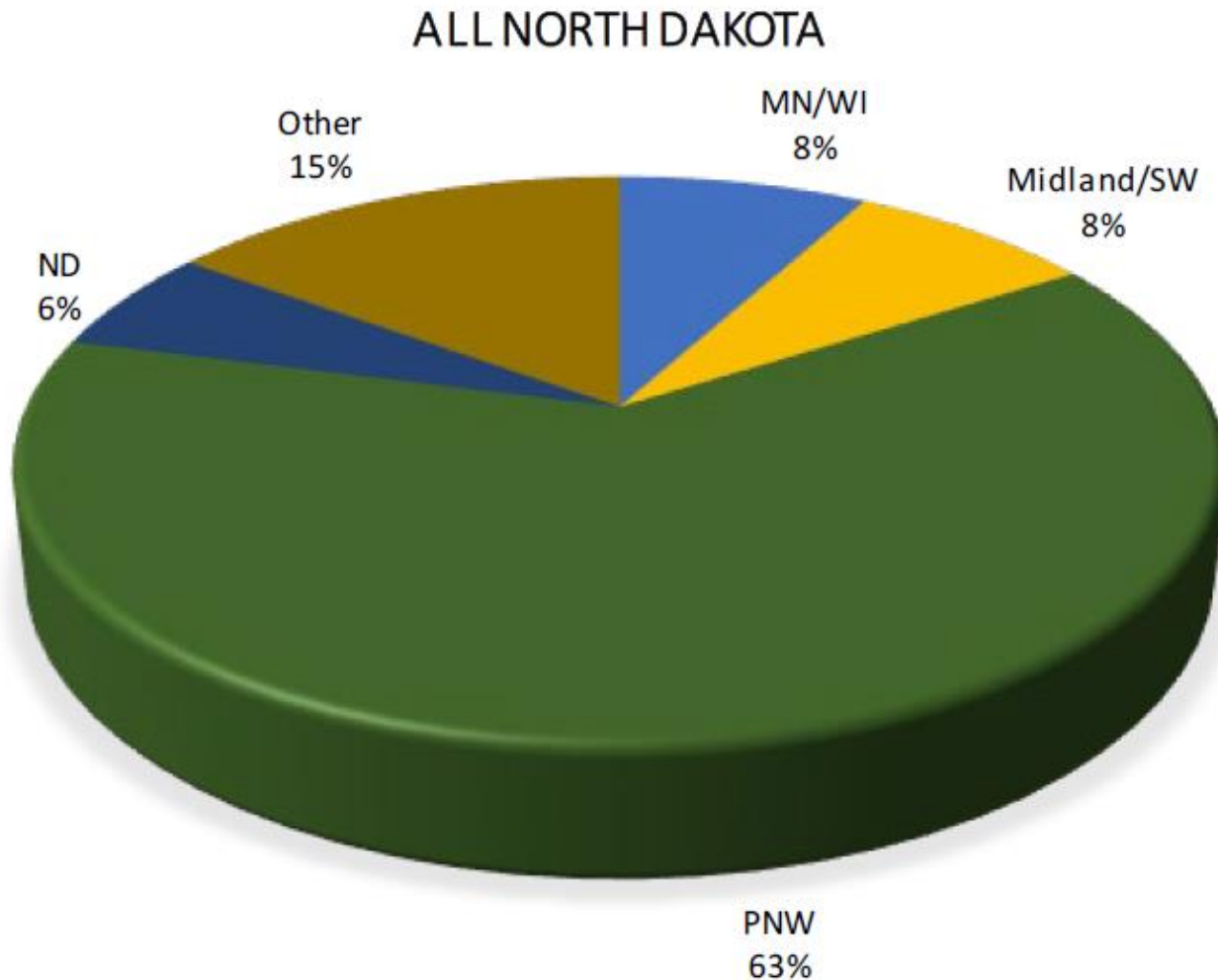


Soybean Basis

(09/01/2015 – 04/16/2020)

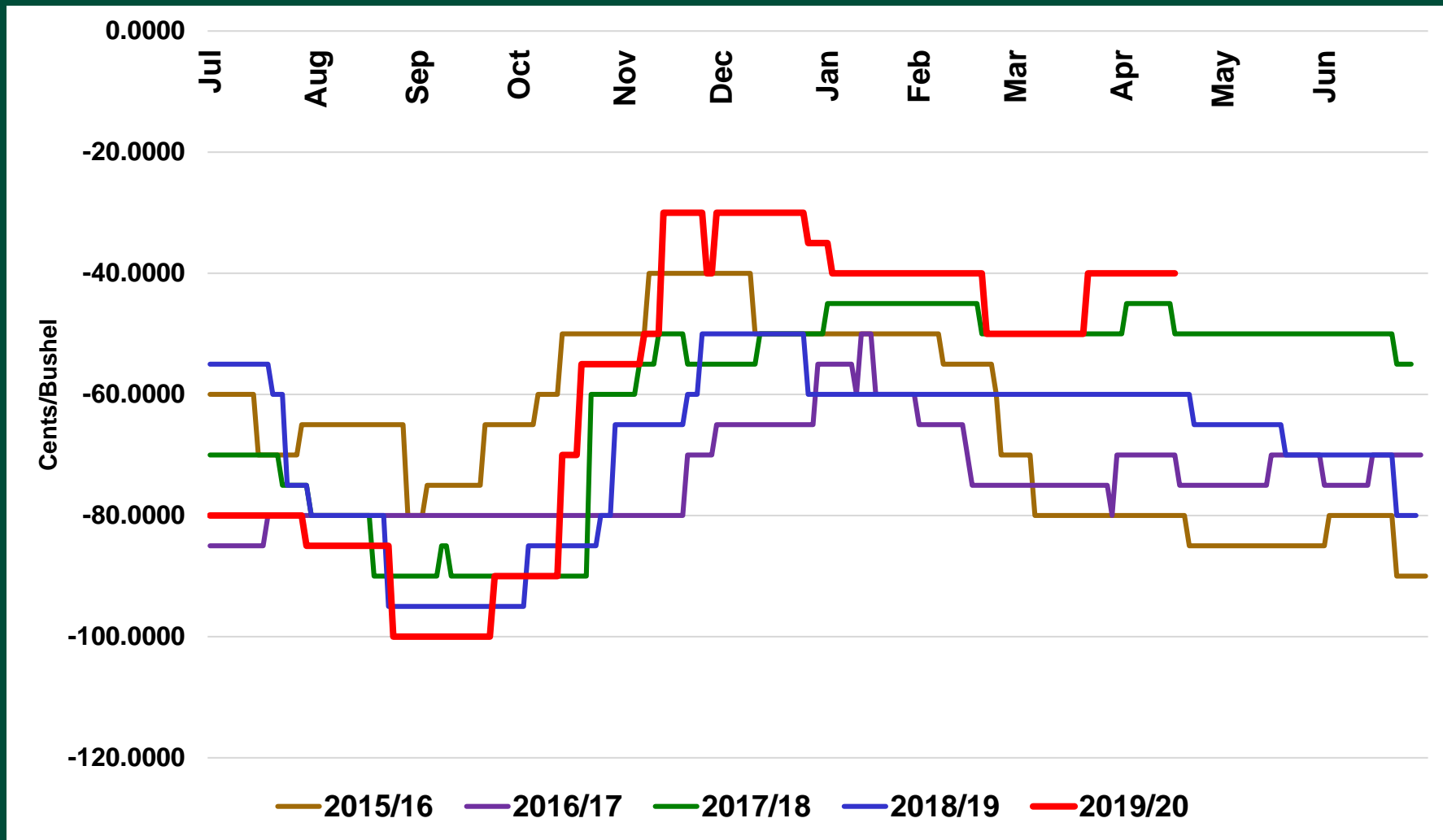


Soybean Shipments 2018-19

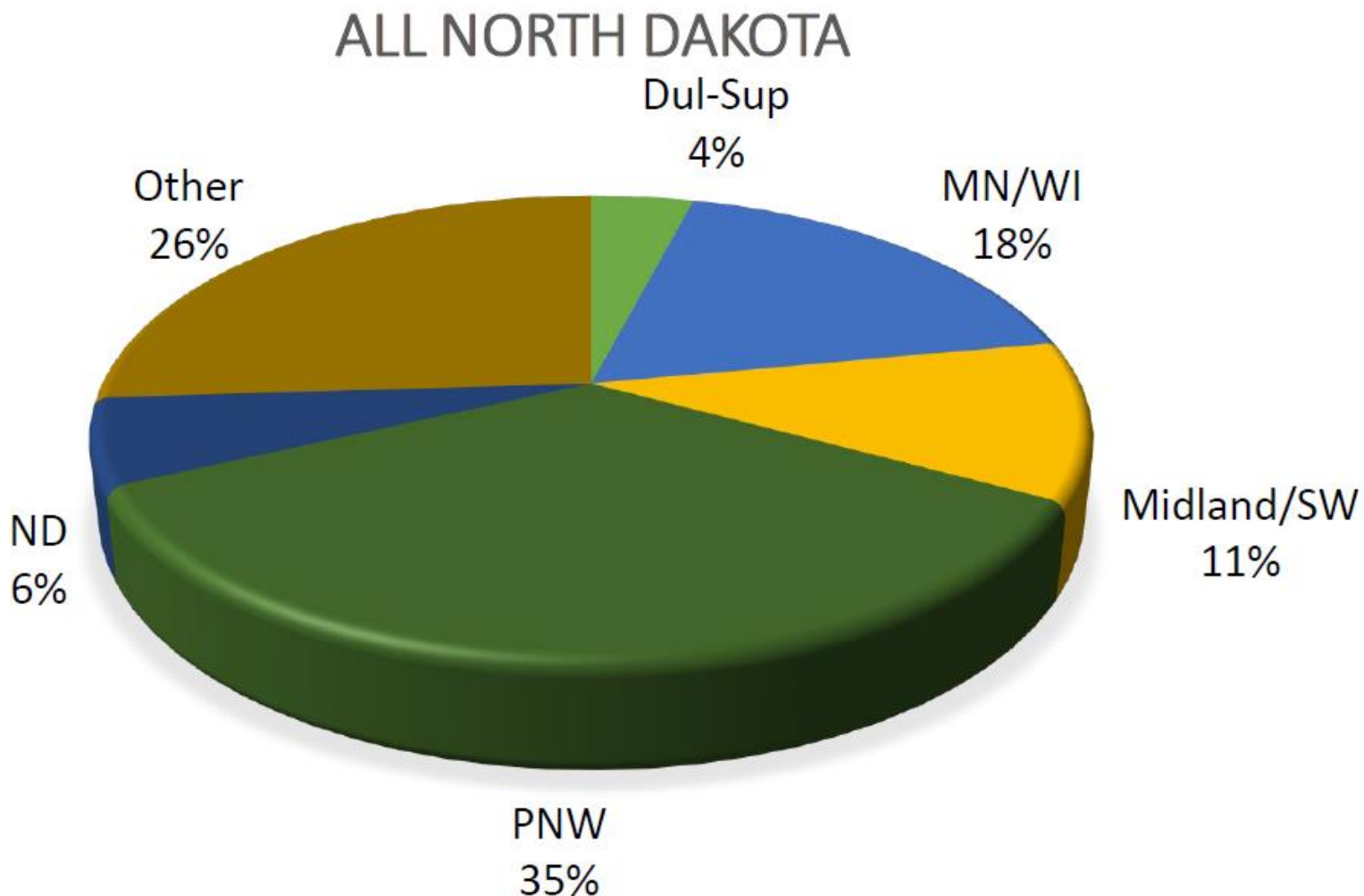


Hard Red Spring Wheat Basis

(07/01/2015 – 04/16/2020)



Hard Red Spring Wheat Shipments 2018-19



Livestock Price Situation and Outlook

Tim Petry

Extension Livestock
Marketing Economist

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



LIVESTOCK COMMODITY GROUP COVID-19 LOSSES

NCBA

Coronavirus-Related Cattle Industry Losses

Estimated at \$13.6 Billion

NPPC

Pork Industry Faces \$5 Billion Loss

ASI

impact to the American lamb industry may be in excess of \$300 million.

According to the letter, the health emergency's impact on dairy prices has already translated to an estimated \$5.7 billion loss at the farm

Senators Urge USDA

The letter said that the fresh produce industry has experienced \$5 billion in losses from the

NCC Requests Relief for Chicken Farmers EST. \$4B

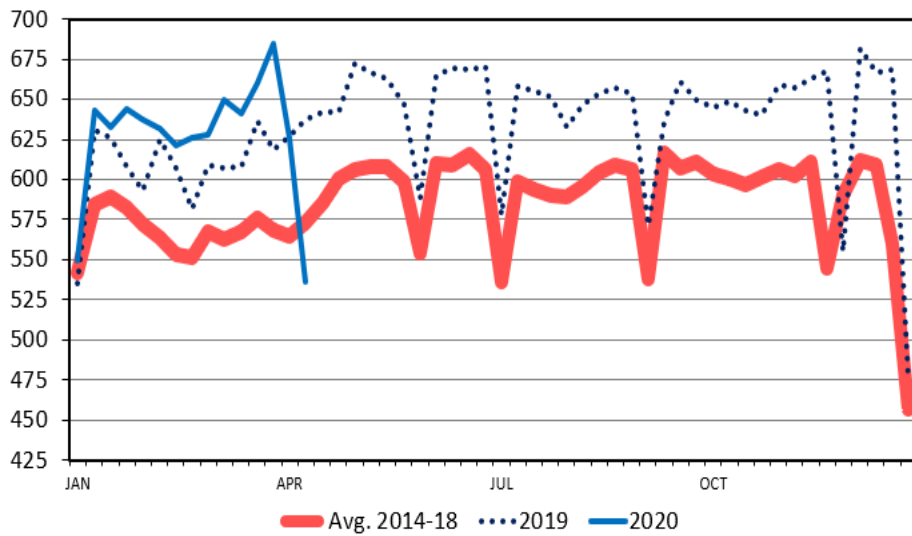
U.S. seafood industry

asking federal government leaders for various forms of help, including \$1.5 billion in direct relief to fishing communities, processors and other businesses, and \$500 million to buy surplus seafood. The federal aid package approved in late March included \$300 million of relief for the seafood industry.

CATTLE SLAUGHTER

Federally Inspected, Weekly

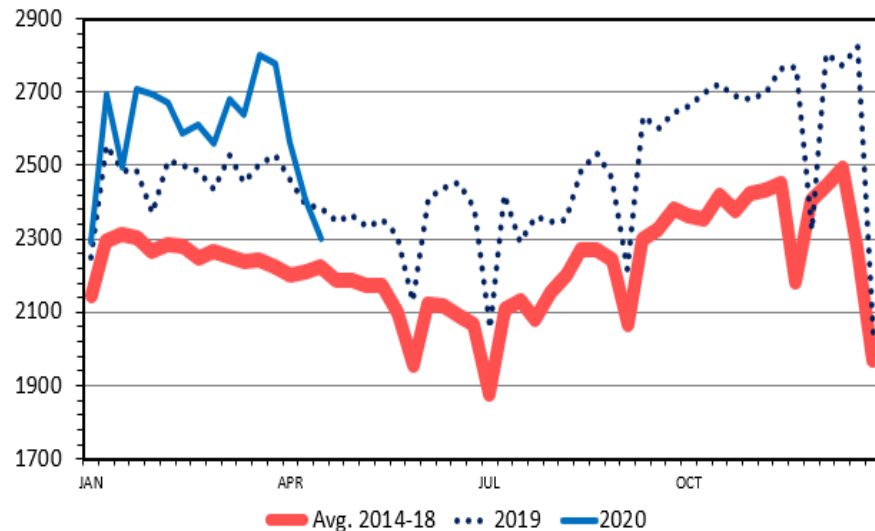
Thou. Head



HOG SLAUGHTER

Federally Inspected, Weekly

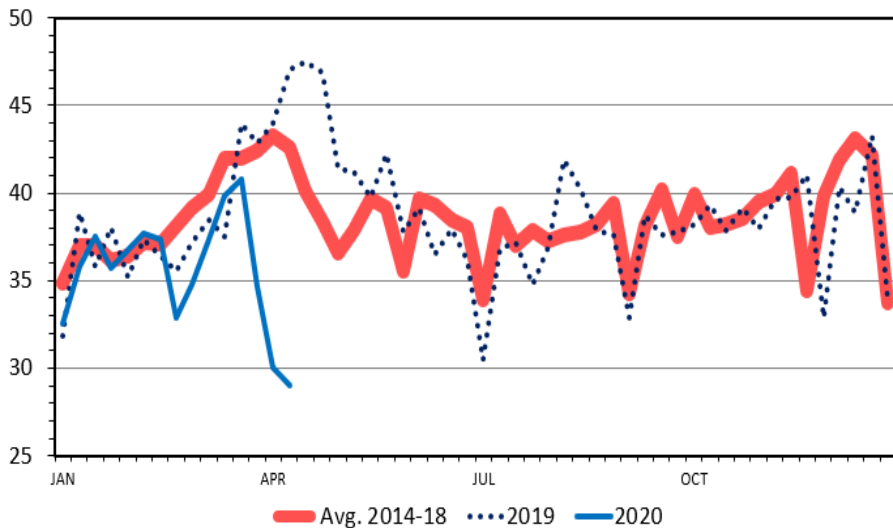
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SHEEP & LAMB SLAUGHTER

Federally Inspected, Weekly

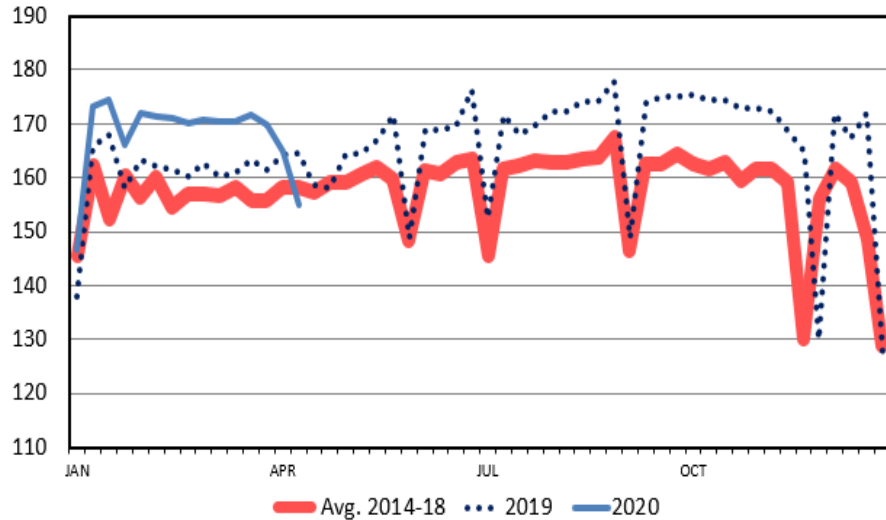
Thou. Head



BROILER CHICKEN SLAUGHTER

Federally Inspected, Weekly

Mil. Birds



RETAIL MEAT MARKETING CHANGING

COSTCO-16.36lb Prime brisket \$3.49=\$57.10



Thick Cut Bacon, 10-14 Slices per Pound, 24 Pound Case

Mountaire Employee Parking Lot
101 East Raleigh St., Siler City, NC

MOUNTAIRE

Truckload Sale

Purchase 10 lb. bags:
Black Label Boneless Breast
\$10/bag

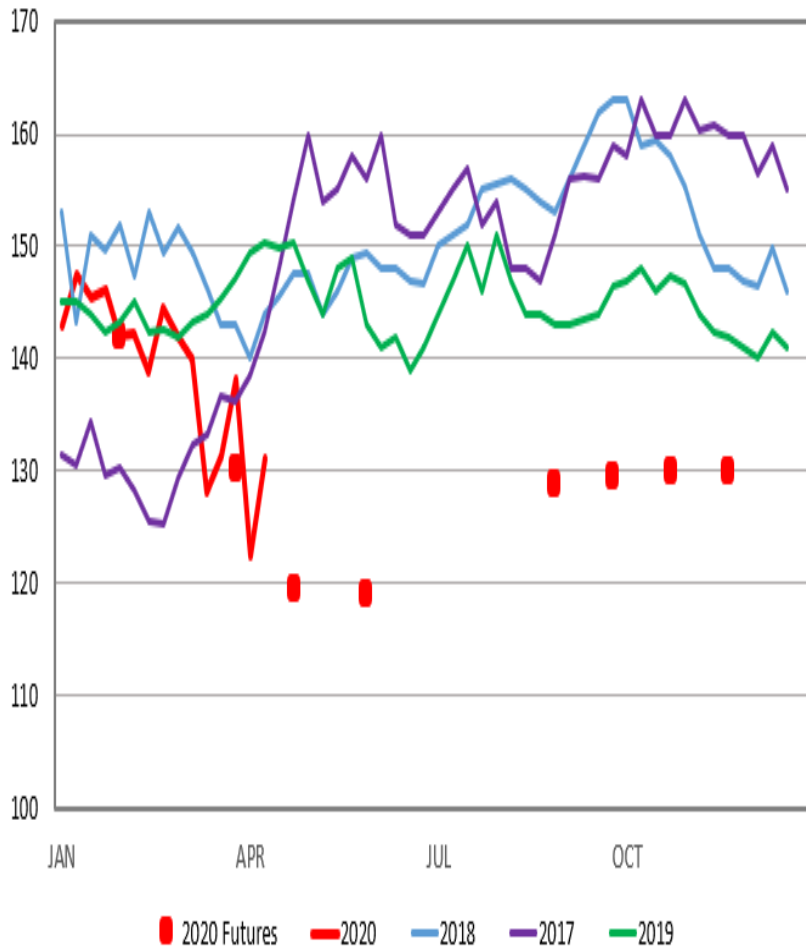
*10 bag limit (5 cases)

Noon - 4pm | Sunday, April 5
While supplies last!
Stay in your car for pickup!
Exact cash & credit card accepted



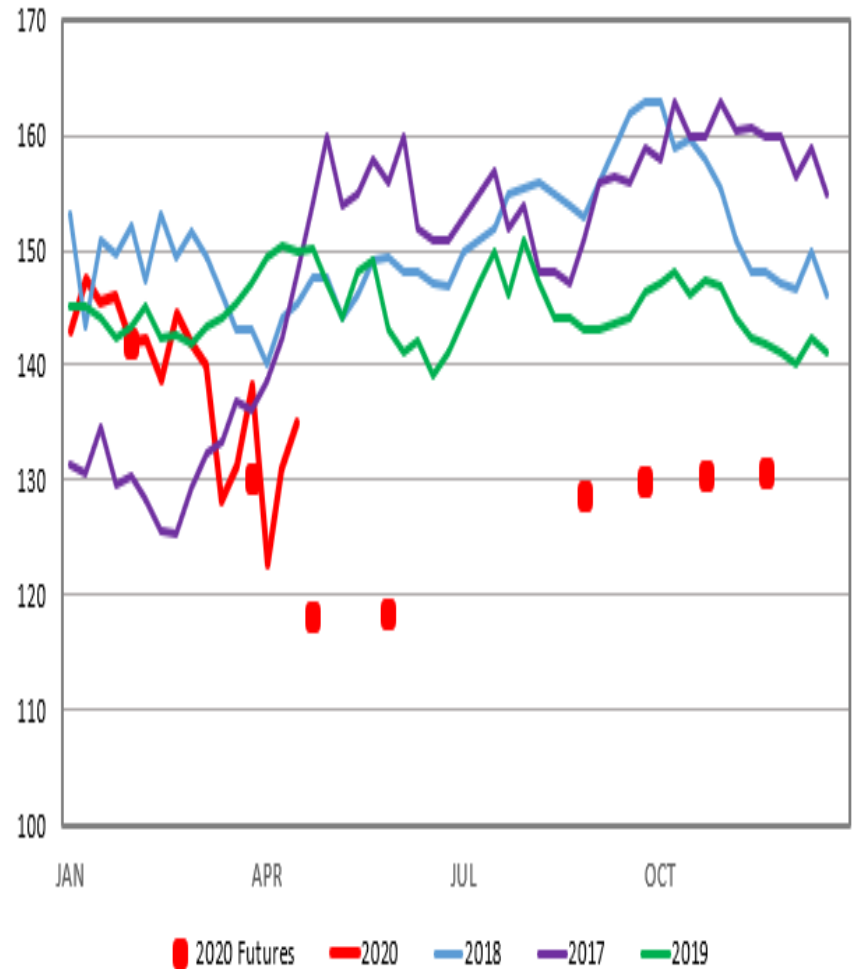
Fri Apr 10, 2020

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



Fri Apr 17, 2020

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





Fri Apr 10, 2020

Fri Apr 17, 2020

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

Head	Wt Range	Avg Wt	Price Range	Avg Price
32	438-448	445	178.00-183.50	181.18
45	450-483	477	176.00-180.00	177.04
48	513-534	520	160.00-173.25	167.15
184	574-597	592	144.00-159.50	157.16
135	600-647	629	143.00-157.50	150.80
32	670-687	677	137.50-142.00	139.42
54	714-739	727	130.00-143.50	137.07
319	756-786	777	116.00-135.50	131.71
120	828-839	834	120.00-123.00	121.49
413	853-881	866	103.00-120.00	117.43
26	900-925	918	99.00-102.00	101.01
60	965	965	104.75	104.75

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

Head	Wt Range	Avg Wt	Price Range	Avg Price
3	348	348	182.50	182.50
9	373-379	376	180.00-186.00	182.69
14	443	443	182.00-182.50	182.32
8	470	470	172.00	172.00
23	520-542	530	163.00-167.00	165.00
81	557-597	568	153.00-166.00	161.89
125	608-640	628	148.50-160.75	153.91
37	650-666	656	154.50-157.50	155.93
76	701-739	713	140.00-148.75	145.09
146	752-799	780	129.00-138.75	135.80
321	801-847	813	118.00-136.75	131.84
195	851-889	878	115.50-128.25	123.01
61	902	902	120.50	120.50
38	969	969	115.00	115.00
106	1006-1022	1014	108.75-112.00	110.33

Payroll Protection Program

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Payroll Protection Program Updates

PPP: part of CARES Act to help keep people employed

\$349B appropriated **ALL USED UP**

\$250B replenishment is being considered by Congress

1.66M loans by almost 5K lenders

SBA 14 years of loans in 14 days

“Interim Final Rule”: farmers, self-employed

Normally SBA loans do not apply for agriculture, however, the CARES act specifically states all businesses qualify including agricultural enterprises

Payroll Protection Program Eligibility

Eligibility: Must have been in operation on February 15, 2020 and meet one of the following criteria:

- Small business with fewer than 500 employees
- A 501(c) (3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed
- Other SBA definitions

Payroll Protection Program Details

Authorization: banks w/SBA affiliation, other banks, FCS

Justification for loan: “current economic uncertainty”

Max amount is lesser of 2.5 x average month payroll costs or \$10M capped at \$100K per employee

Terms: 2 year 1% ,Gov’t guarantee, No collateral, Fees waived

Allowable uses: payroll, health care benefits, mortgage interest, rent, utilities, interest on other debt obligations before Feb 15

Use Sch C (Sch F) profit as self-employed payroll, \$100K limit
“owner compensation replacement”

Payroll Protection Program Forgiveness

Must be used in eight-week period after loan origination

75 percent must be used for payroll for forgiveness

Forgiveness will be prorated on percentage of employees reduced compared to 2019.

If rehire by June 30 will not be penalized

Self-employed payroll calculation, "owner compensation replacement" use 8/52 weeks of Sch C (Sch F) profit

Loans forgiven are not taxable

Payroll Protection Program Take Away Points

Need a justification

Communicate with lender

DOCUMENT! Recommended to keep a separate account

Not a guarantee of a low interest loan

Not a guarantee of forgiveness

Up to \$250K fine and 5 years in prison for false statements

Ag-Energy Situation and Outlook

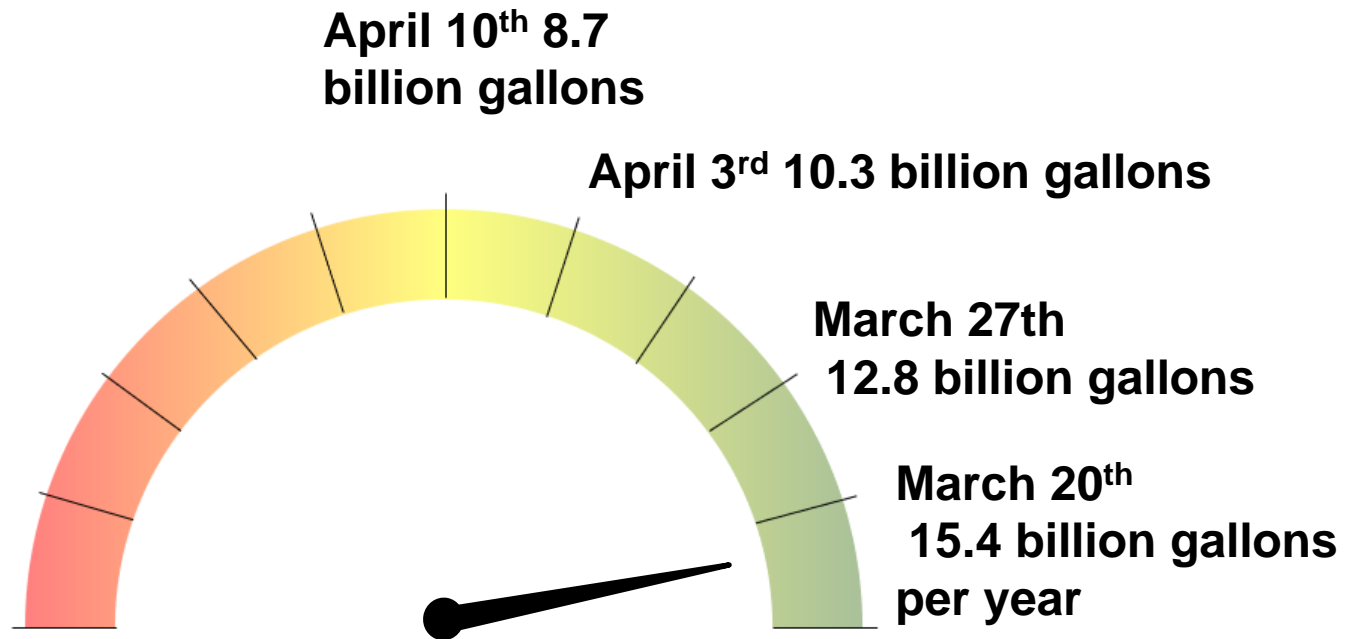
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Economics Specialist
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Situation

- Ethanol
 - Continued decline in production
 - At least 30 refineries are closed, 80 running at less than 50% capacity
 - Nearing equilibrium
 - Margins are improving, but negative
- Oil
 - Wells beginning to be shut-in
 - Storage crisis continues to loom

US Ethanol Production



Data: EIA
Animation: NDSU Extension

Stocks – Days in Storage

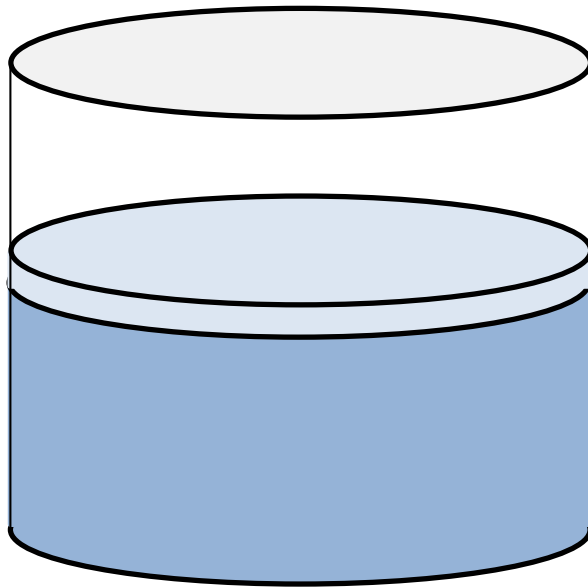
	3/20/20	4/17/20	4 Year Average
Crude	28.9	35.3	27.9
Gasoline	25.8	40.9	25.4
Ethanol	27.6	54.3	24.2

Data: EIA

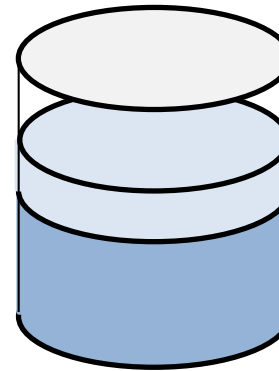
Calculations: NDSU Extension

US Crude Oil Storage

US Total



Cushing, Oklahoma



Total Working Storage:
76 MMBBLS

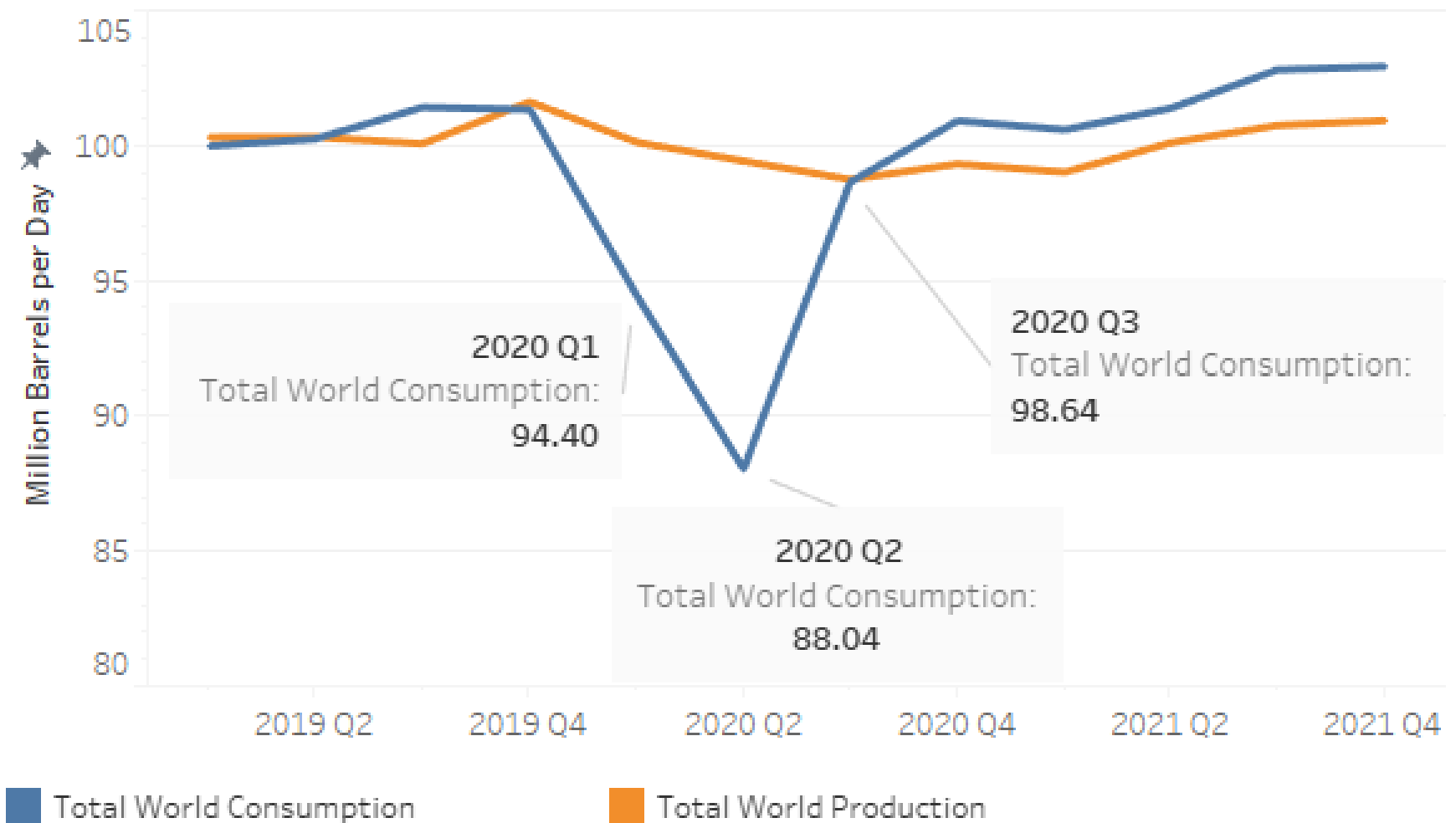
4 Week Change:
+16.5 MMBBLS (21%)

March 13th Level:
36.3 MMBBLS

U.S. TOTAL	March 13	April 10
Total stocks	453,737	503,618
Pipeline fill and stocks in transit by water and rail	128,581	128,794
Net stocks	325,156	374,824
Working storage capacity ⁵	653,448	653,448
Percent of working storage capacity	50%	57%

Cushing, OK	March 13	April 10
Total stocks	38,445	54,965
Pipeline fill and stocks in transit by water and rail	2,083	2,083
Net stocks	36,362	52,882
Working storage capacity ⁵	76,093	76,093
Percent of working storage capacity	48%	69%

STEO Global Crude Production and Consumption



Data: EIA

Q&A: Please use Chat

Feedback: 3 quick questions

<https://bit.ly/AgEconCOVID>

Recording & More Info:

www.ag.ndsu.edu/extension/economics

www.ag.ndsu.edu/alerts/coronavirus