

farmdocDAILY LIVE | Coronavirus and Ag Outlook and Farm Policy Moving Forward



Jonathan Coppess
University of Illinois



Dr. Robert Johansson
USDA Chief Economist

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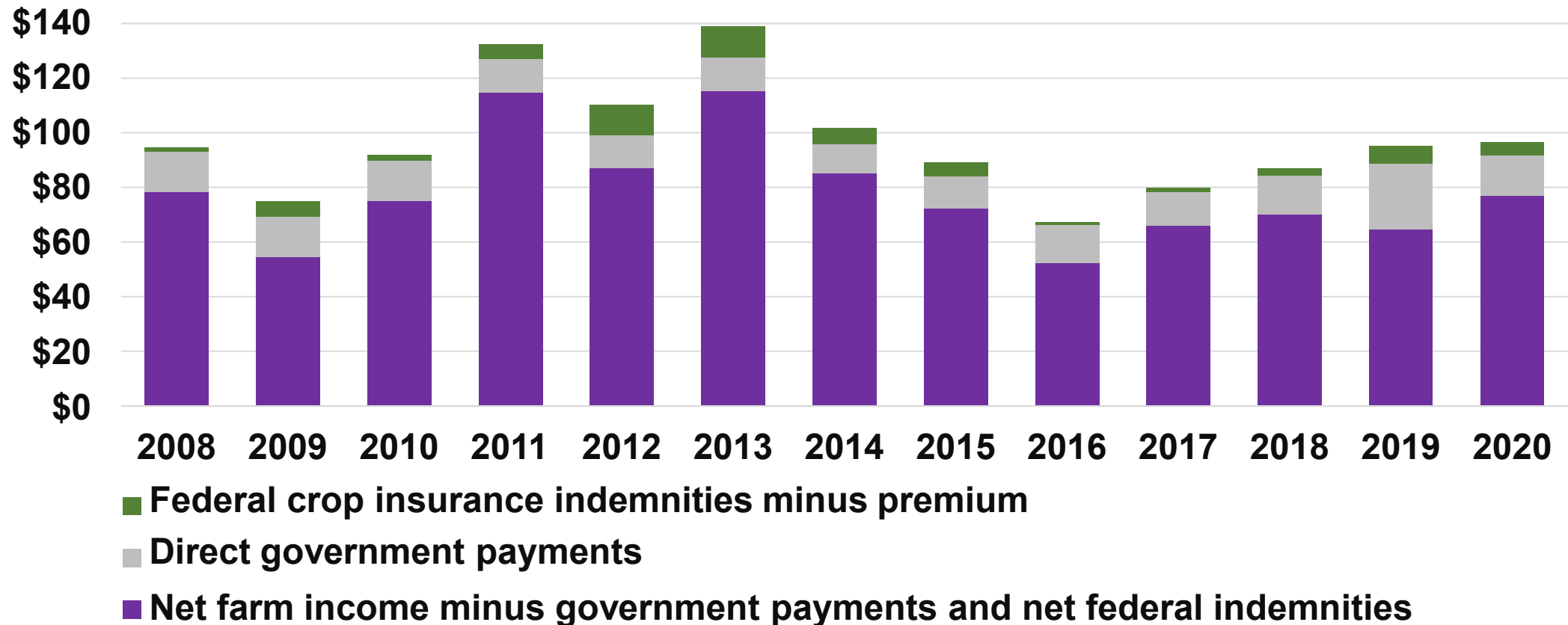


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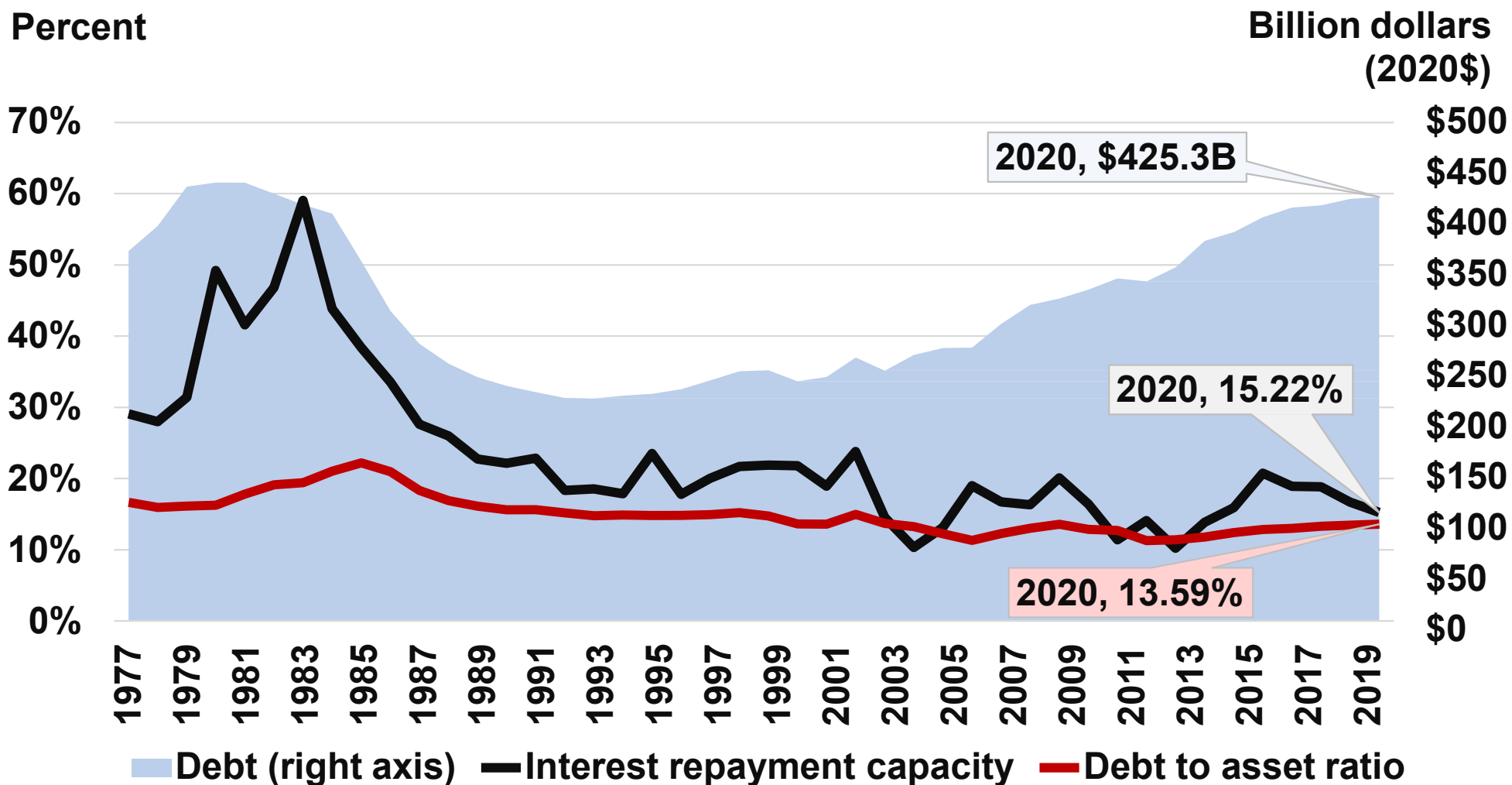
In February, net returns were expected up, with lower expected government payments and crop insurance indemnities

Billion dollars
(2020\$)

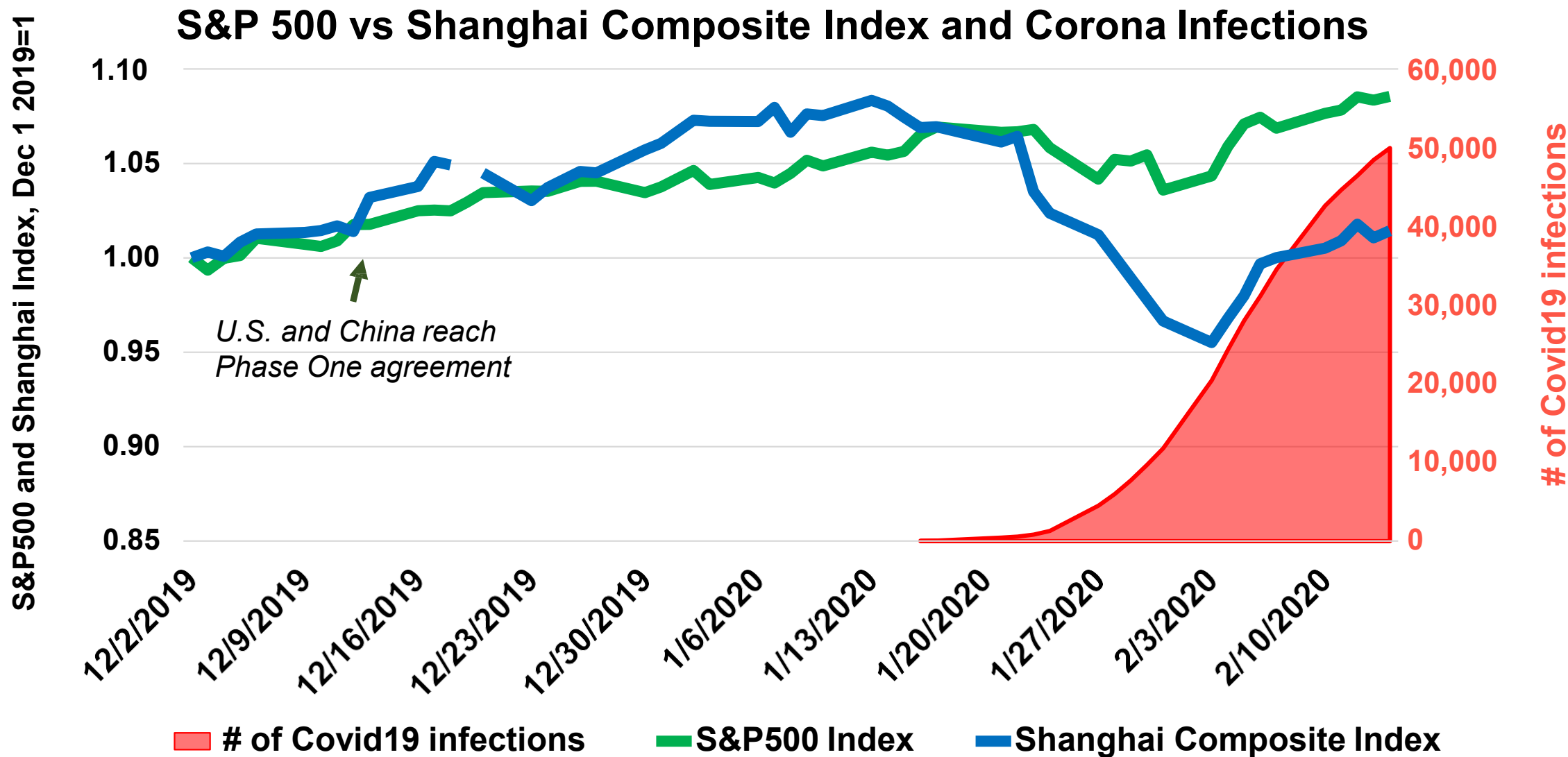


In February, debt-to-assets ratio were forecast to remain low --- 13.59%, and financing cost falling despite debt at historic levels

“Interest repayment capacity” = Interest Expenses divided by (NFI before interest and taxes)

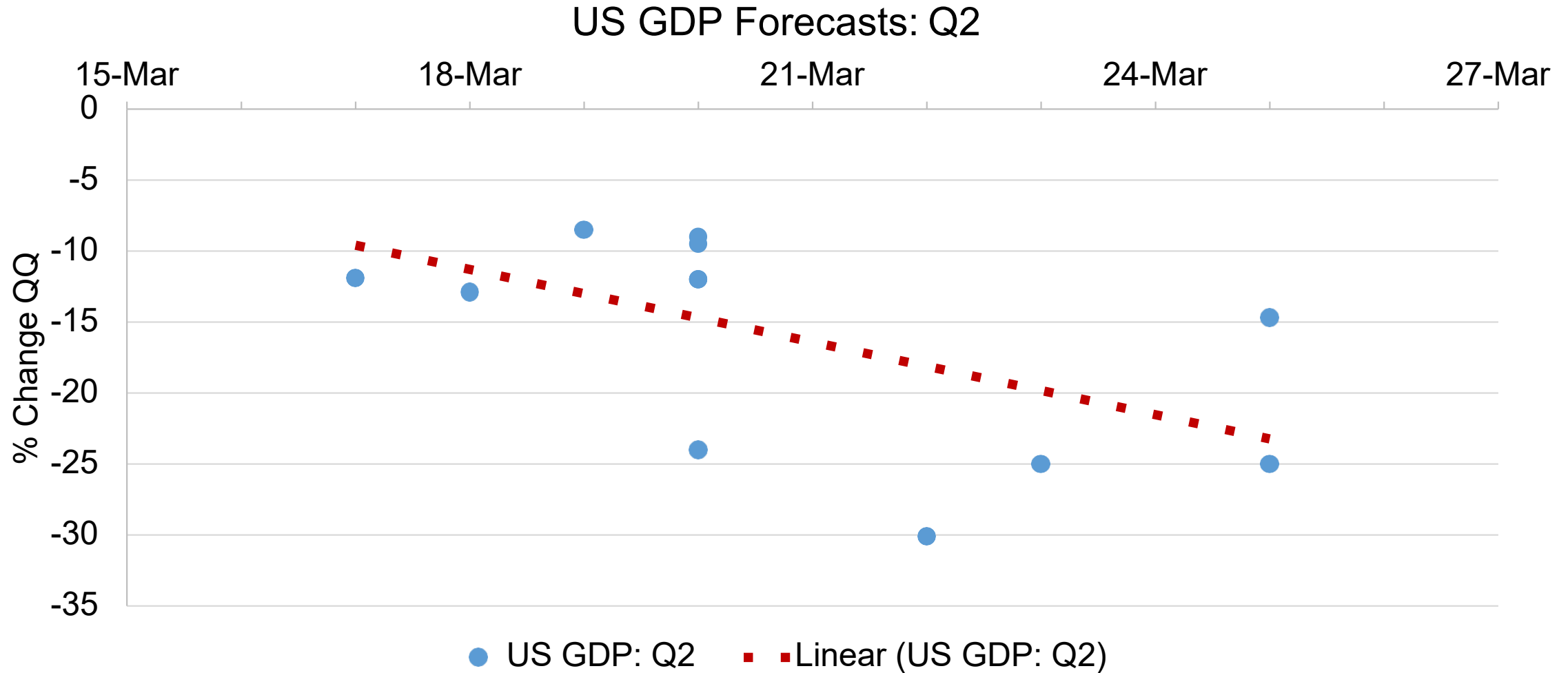


Coronavirus topped macro global economy concerns; markets expecting recovery



**That was then,
this is now.**

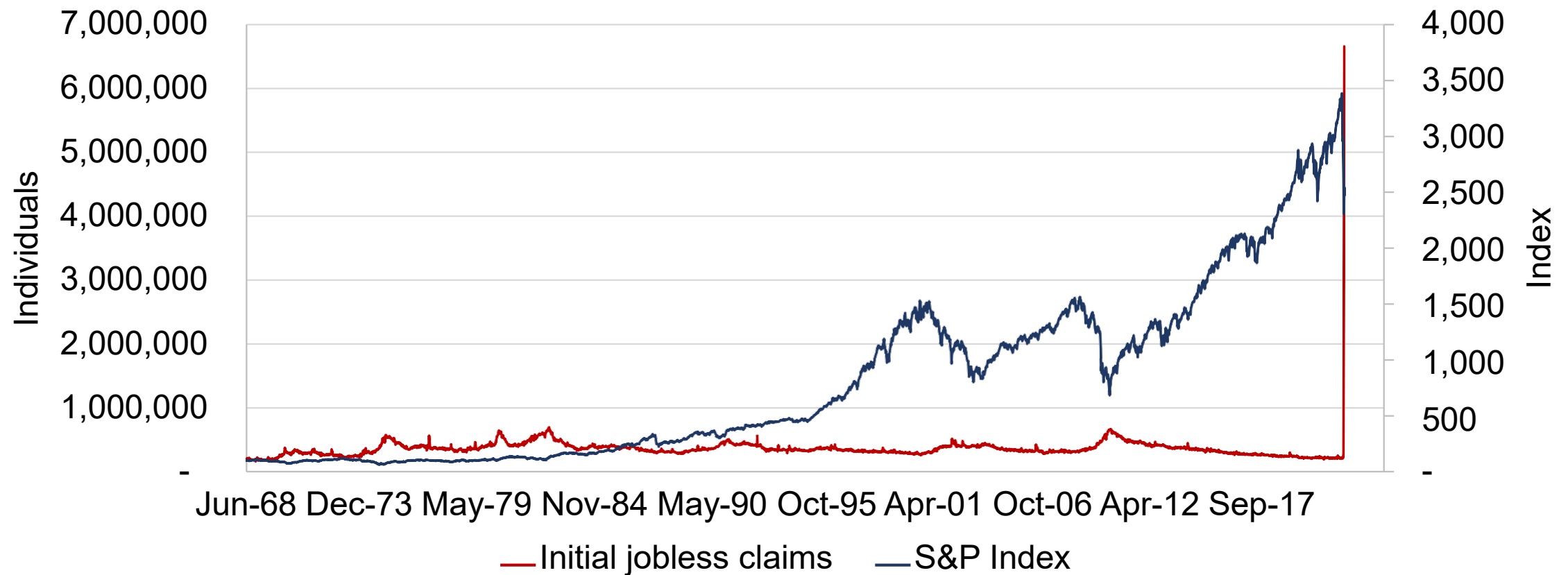
Private forecasts for US Q2 GDP are unprecedently low (percent is at annualized rate)



Source: Bloomberg News. Date represents date forecast was reported. Percentage values are annualized rates

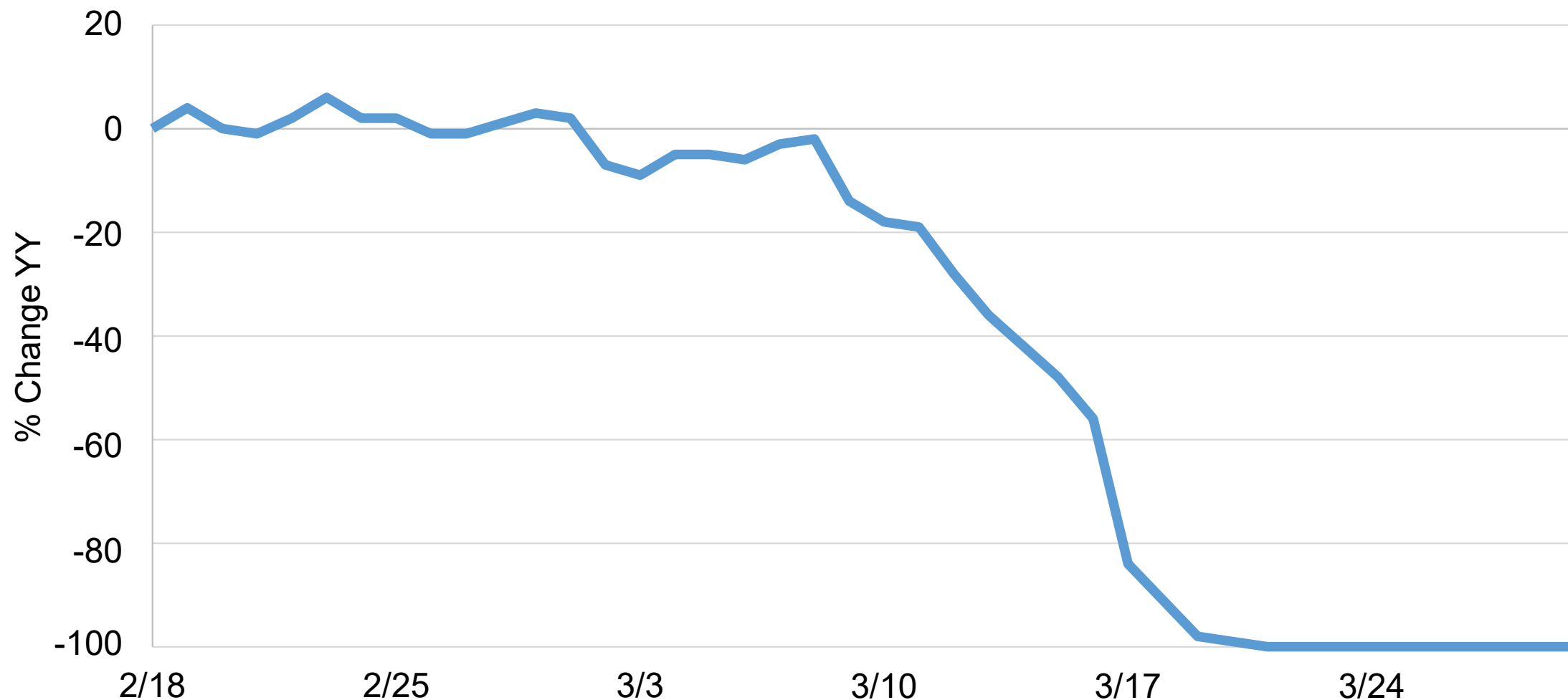
Weekly initial jobless claims hit an all time record (6.648 million week ending 3/28)

S&P and initial jobless claims



Restaurant reservations hit bottom on March 20

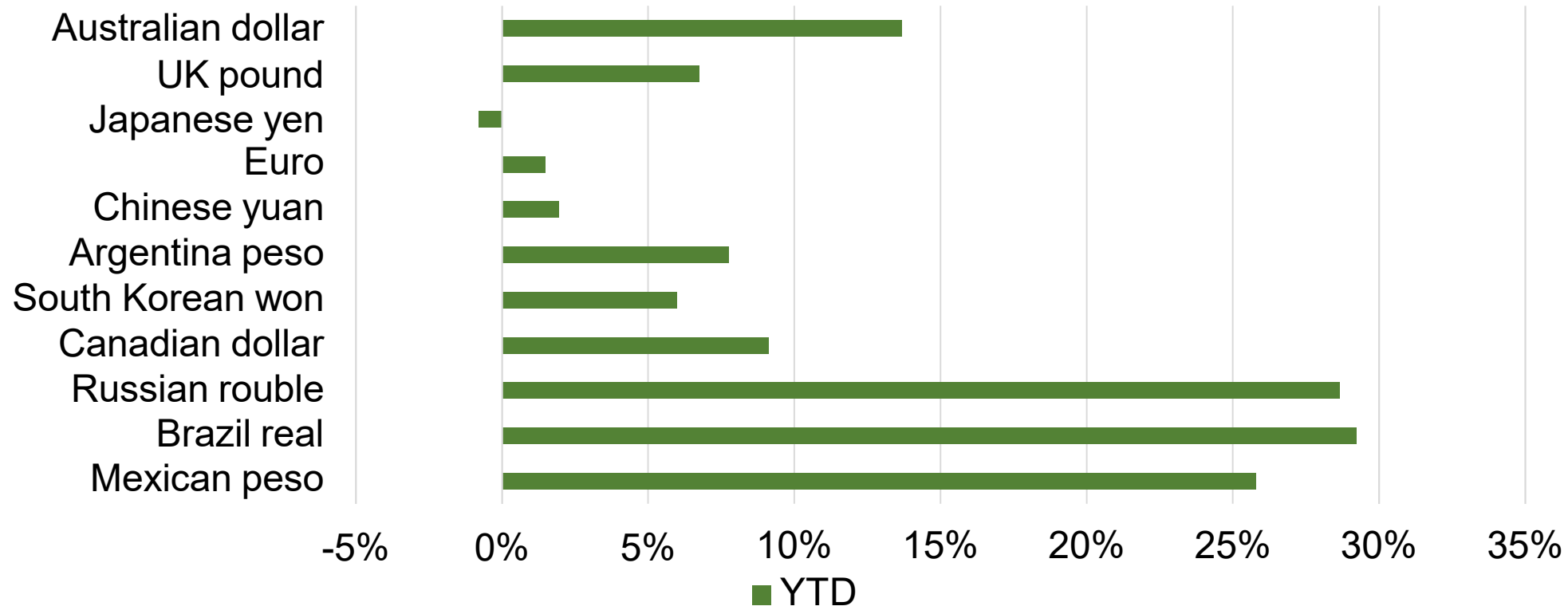
OpenTable Reservations (3/30): U.S. YY



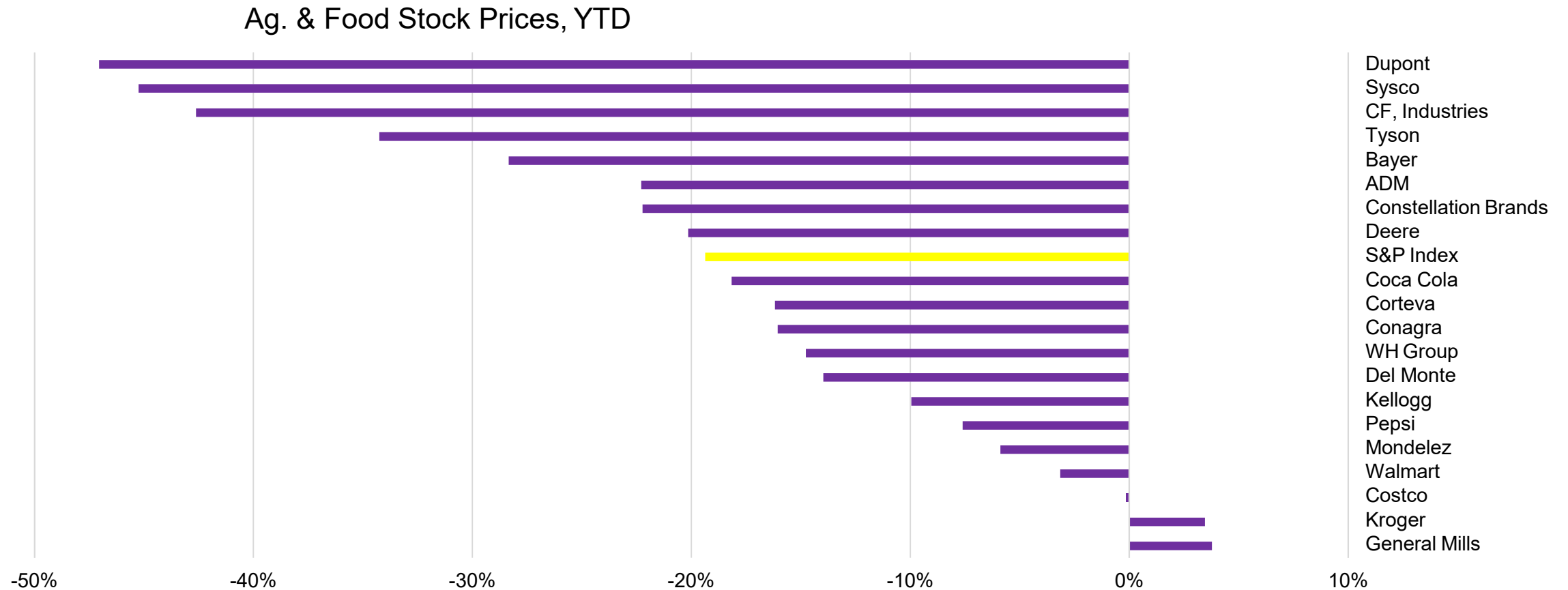
Source: OpenTable % change from prior year. Date as of 3/30/2020.

US Dollar has appreciated against most currency, emerging markets in particular

USD Denominated Exchange Rates, YTD

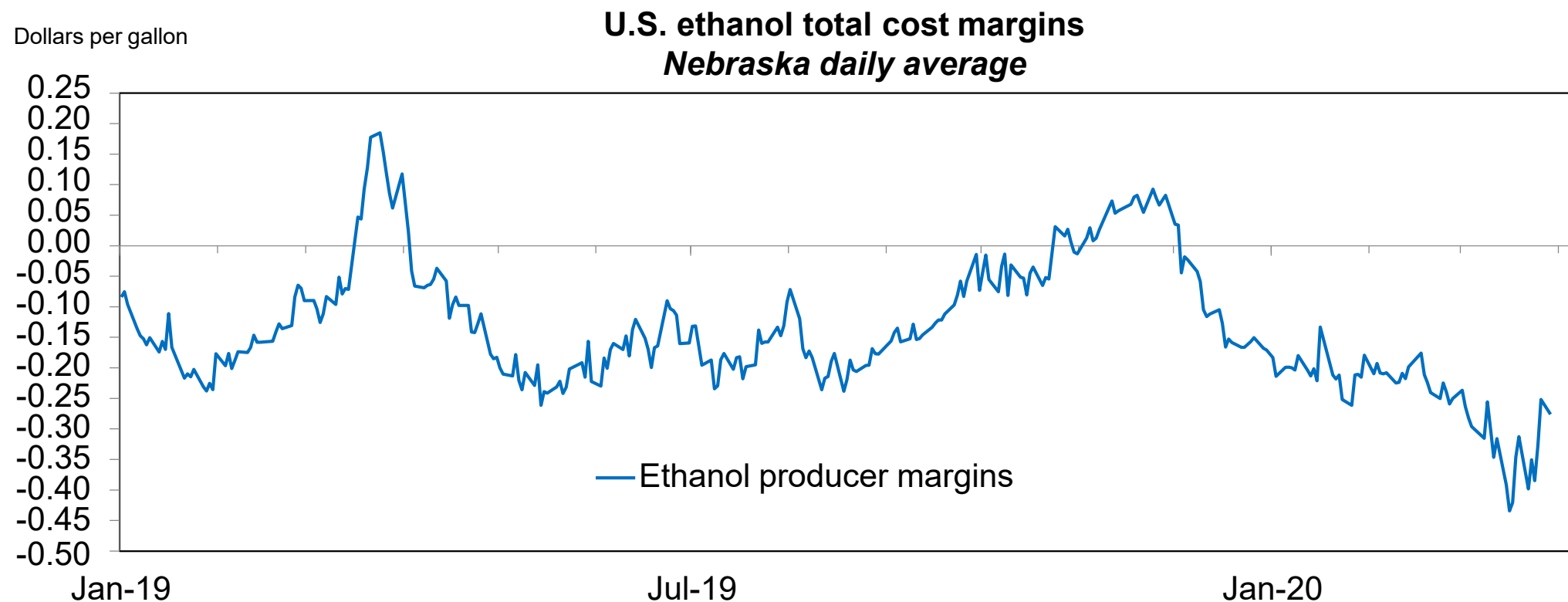


Stock prices have declined across most of the agricultural and food industry



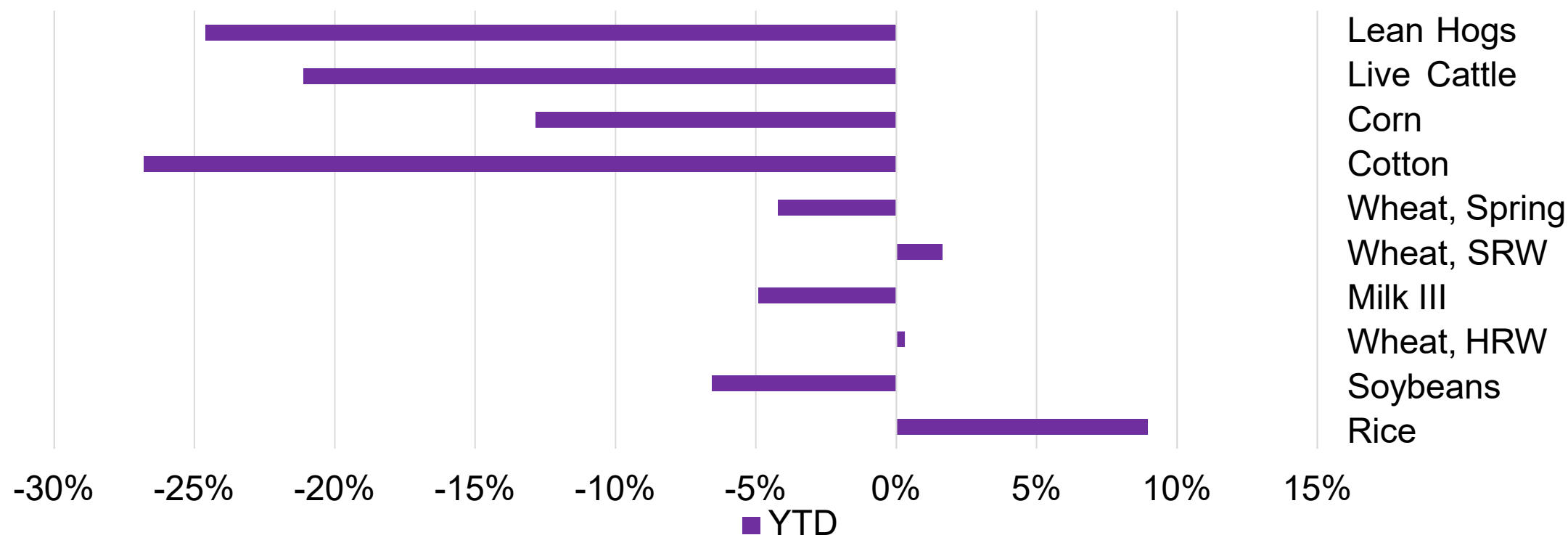
Source: Refinitiv. Percentage changes as of closing March 30th, 2020

Ethanol margins have declined significantly recently



Agricultural commodities most closely linked to macroeconomic conditions have seen largest declines

Ag. commodity futures prices, YTD



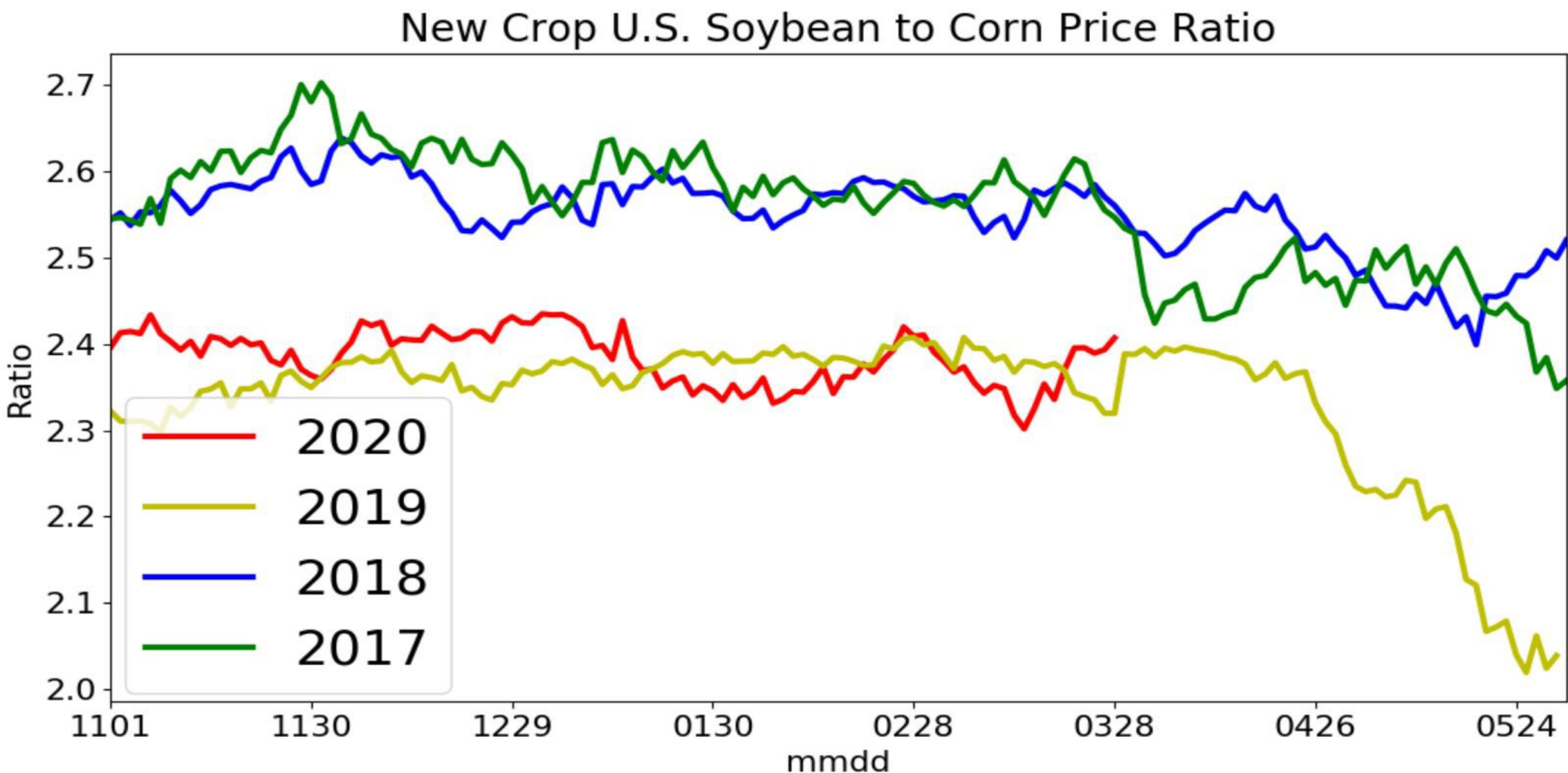
Source: Refinitiv. Percentage changes as of closing March 30th, 2020

Planted acres up from prior year

Crop (mil. acres)	2016	2017	2018	2019	2020	%Δ
Corn	94.0	90.2	88.9	89.7	97.0	8%
Soybeans	83.5	90.2	89.2	76.1	83.5	10%
Wheat	50.1	46.1	47.8	45.2	44.7	-1%
All cotton	10.1	12.7	14.1	13.7	13.7	0%
Other feedgrains	12.6	10.7	11.0	10.8	11.8	9%
Rice	3.2	2.5	2.9	2.5	2.8	12%
Total 8 crops	253.4	252.3	253.9	238.0	253.5	6%
CRP	23.9	23.4	22.6	22.6	22.7	0%
8 crops + CRP	277.3	275.7	276.5	260.6	276.2	6%

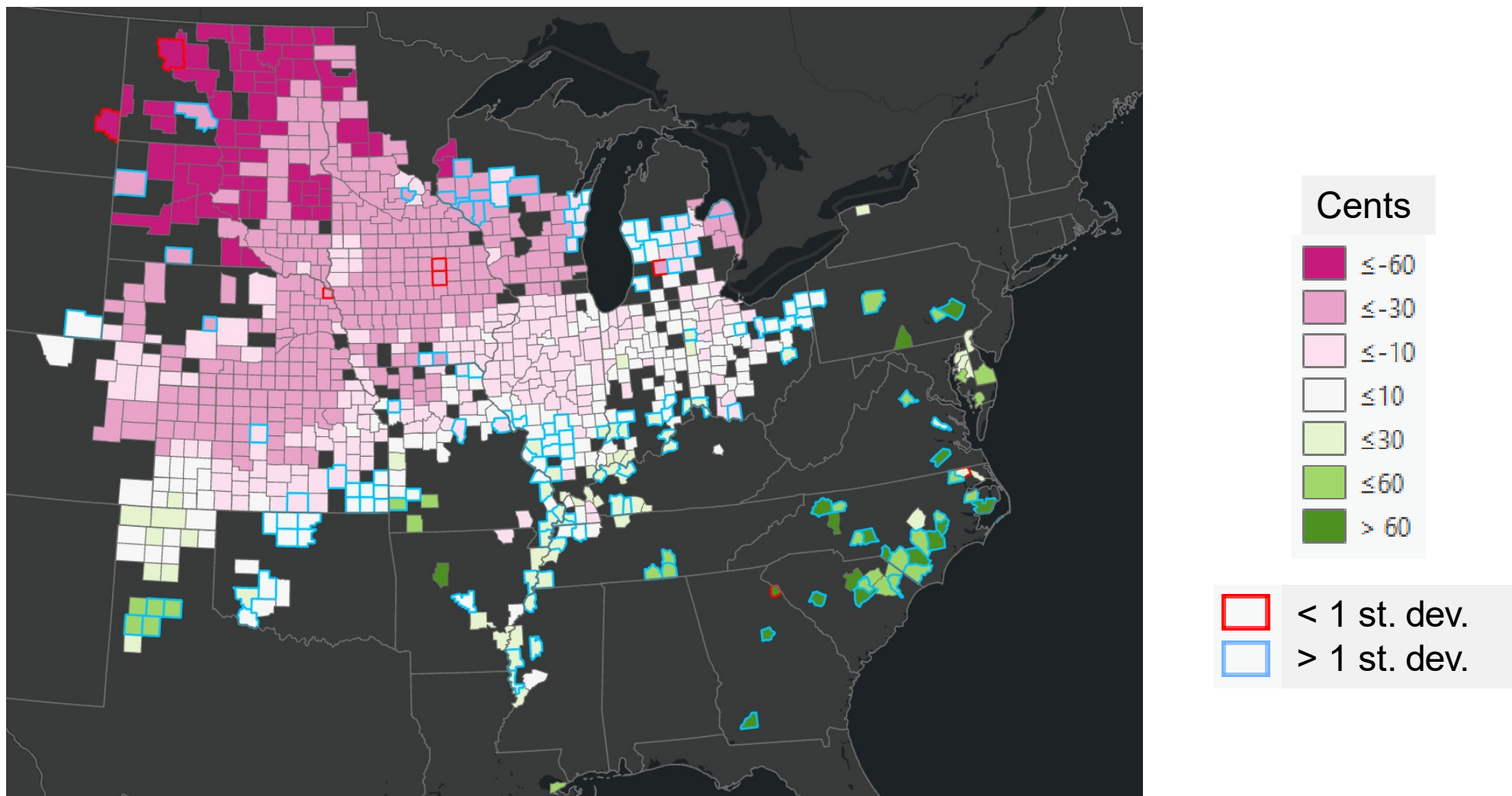
Source: USDA-OCE. Area planted. Values in red denote record levels. 2020: NASS *Prospective Plantings*, except for CRP

Soybean to corn price ratio has moved up recently

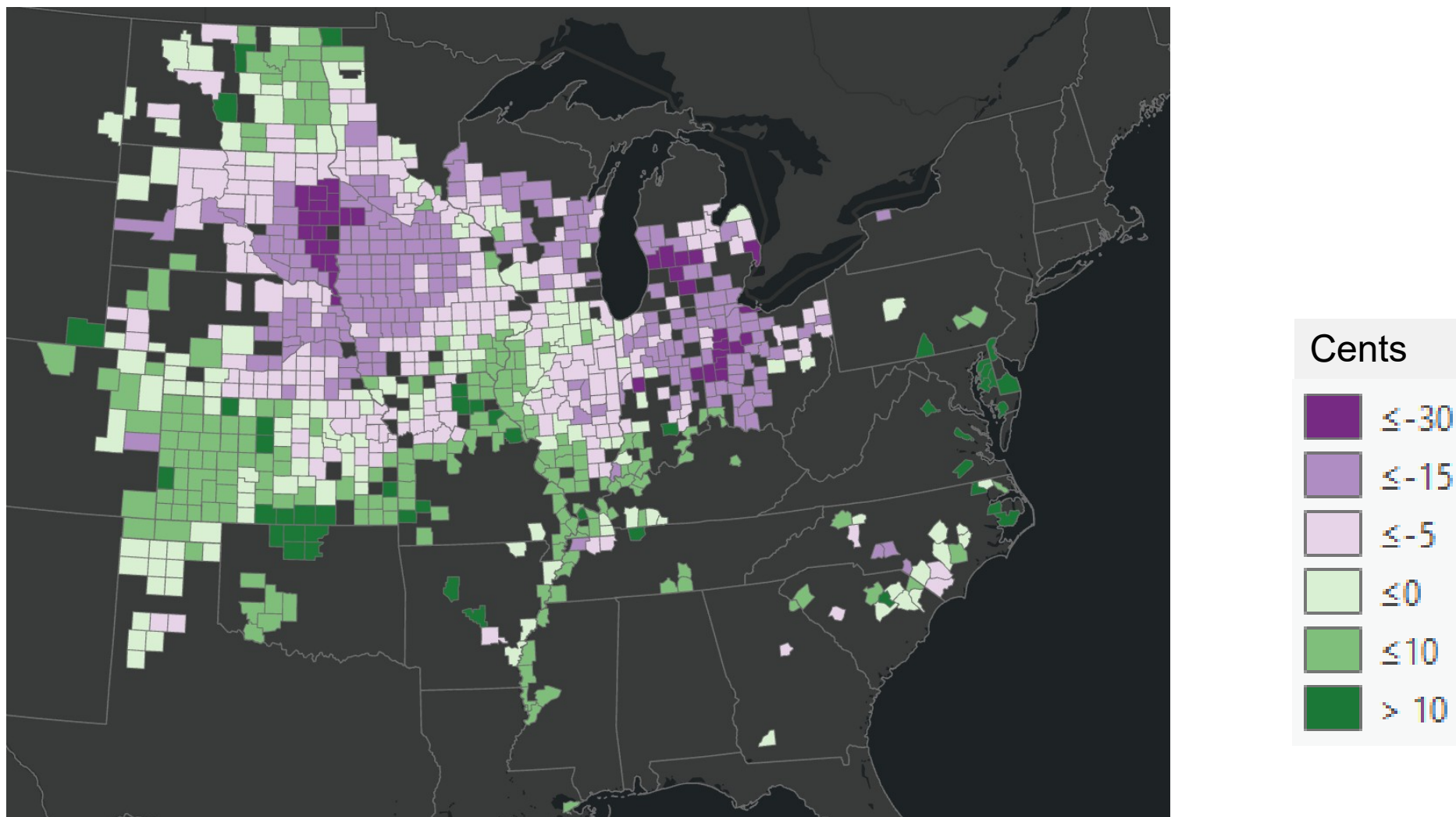


Corn Basis for Week Ending March 27th

Highlighted Counties 1 st. dev. from 2009 - 2019 Average Basis

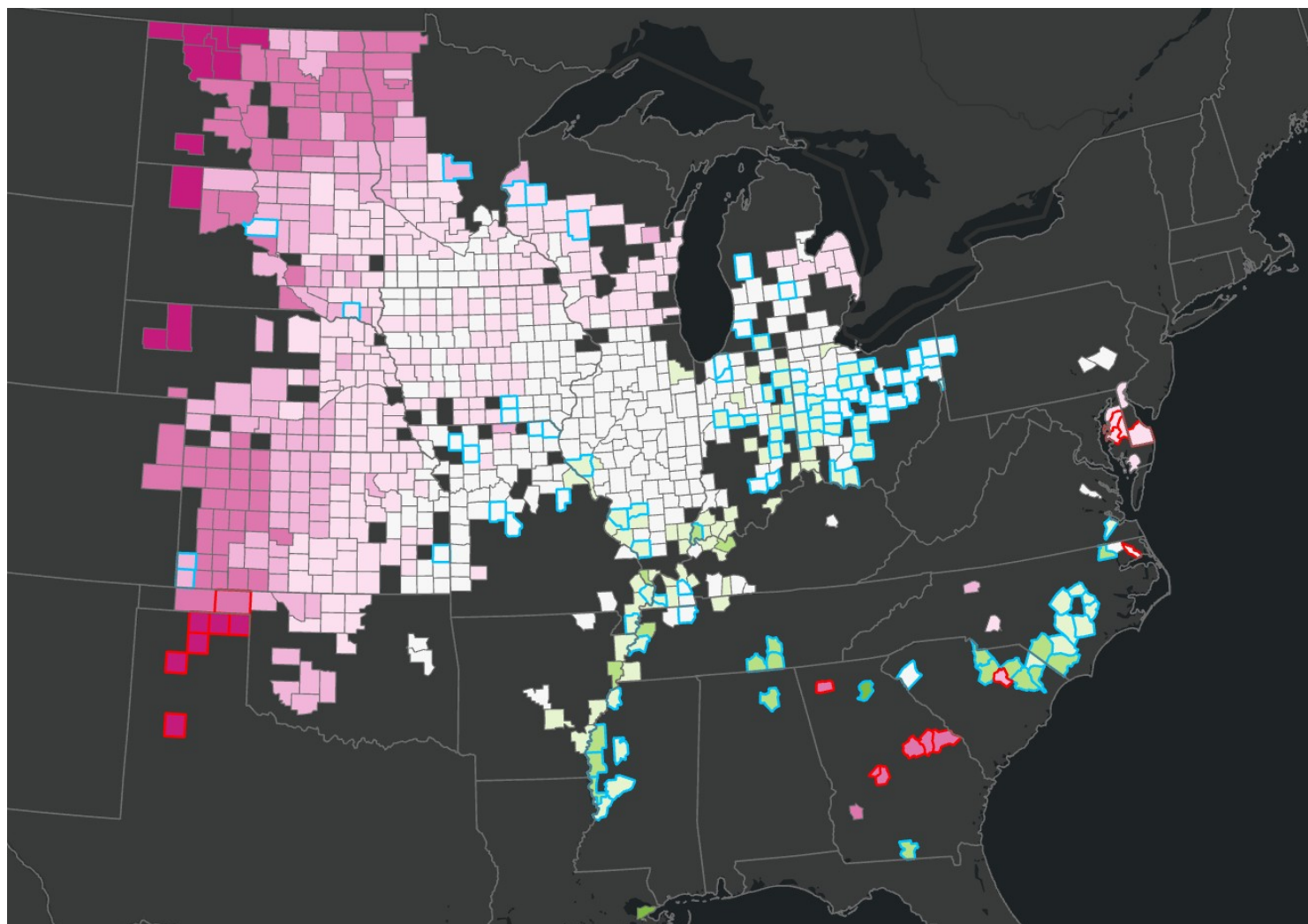


Corn Basis Change for Week Ending March 27th from Jan. 2020

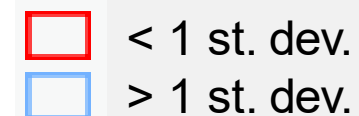


Soybean Basis for Week Ending March 27th

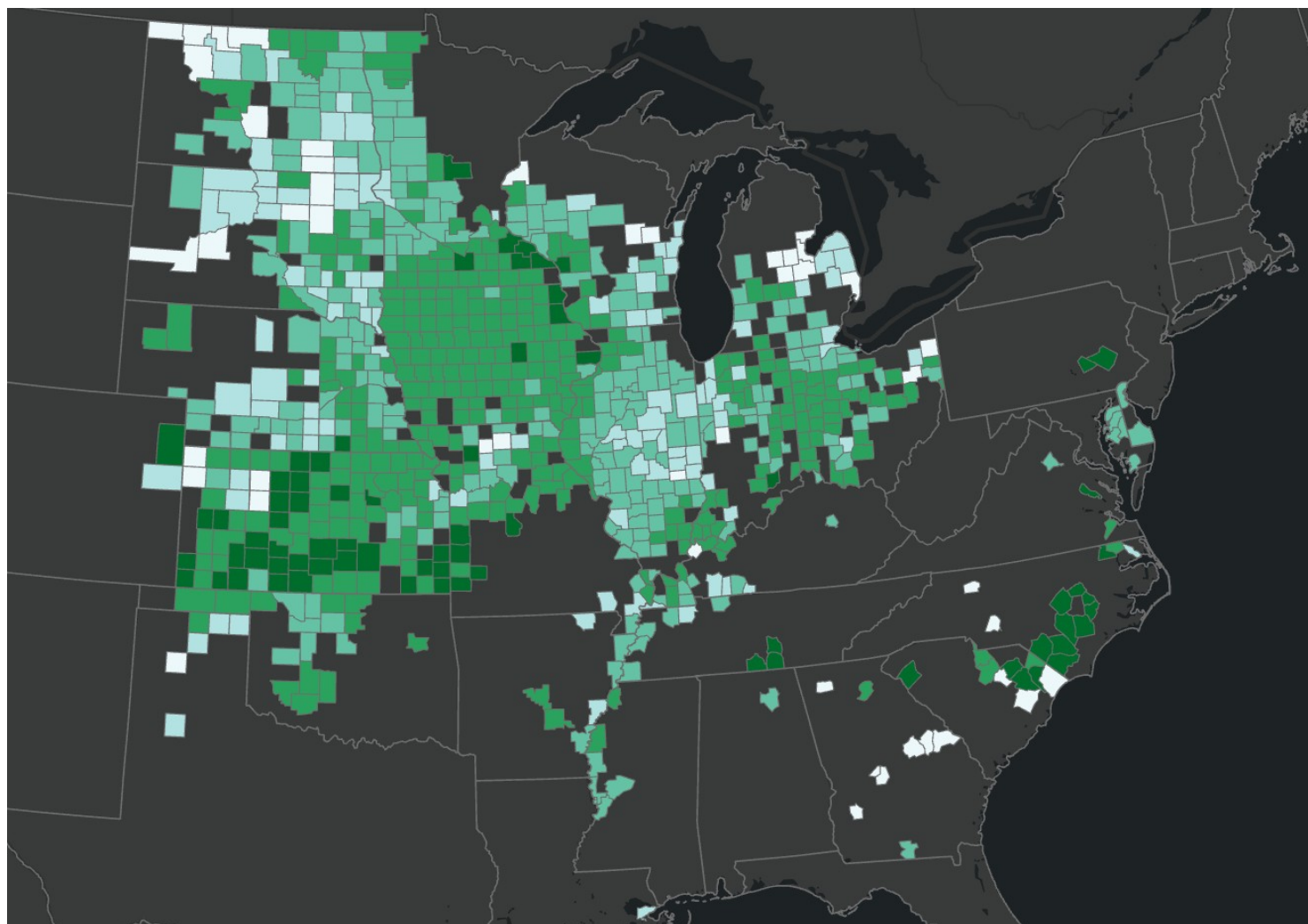
Highlighted Counties 1 st. dev from 2009 - 2019 Average Basis



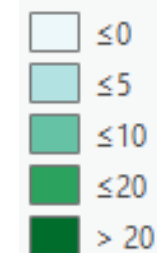
Cents



Soybean Basis Change for Week Ending March 27th from Jan. 2020



Cents



[As of March WASDE]

Item	2016	2017	2018	2019	2020	%Δ
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Billion pounds

Beef	25.3	26.3	26.9	27.2	27.7	2%
Pork	25.0	25.6	26.3	27.6	29.0	5%
Broilers	40.3	41.2	42.6	43.9	46.1	5%
Total ¹	97.6	100.2	102.4	105.3	109.4	4%

Billion pounds

Milk	212.5	215.5	217.6	218.4	222.3	2%
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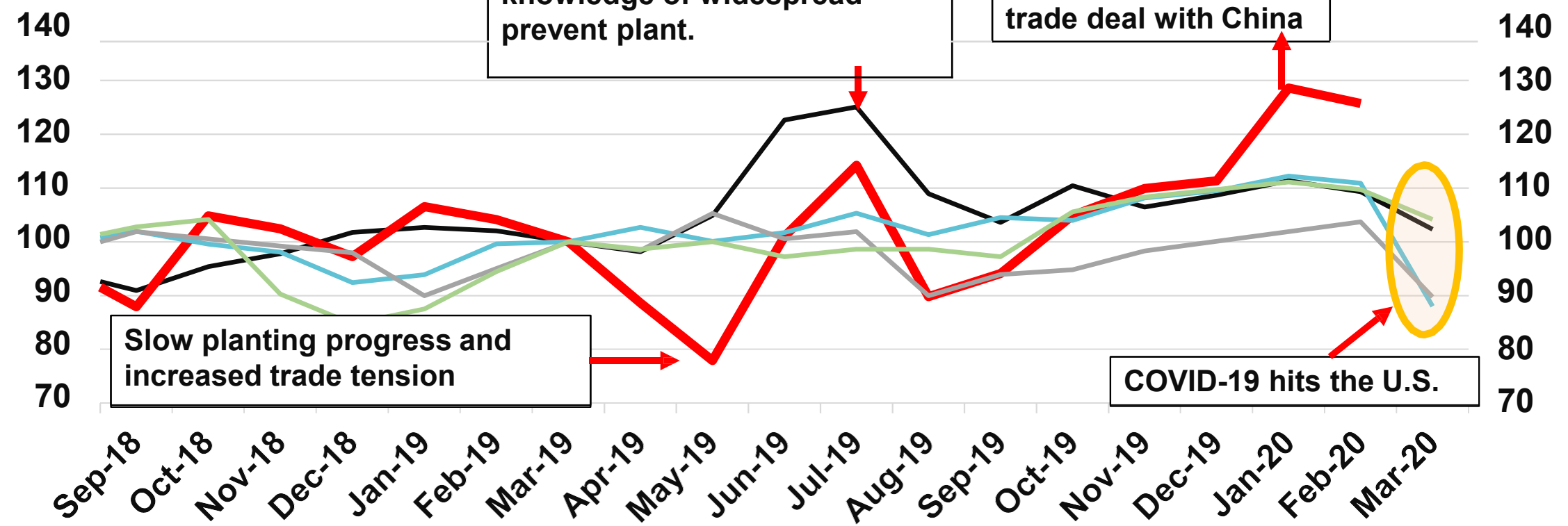
Futures reflecting downturn in expected prices

Item	Contract	Settle (4/1/20)	Change from previous day (3/31/20)	Change from 1st US Covid-19 (1/21/2020)	One year ago ¹	52- week low ²	52- week high ²
Continuous nearby commodity futures							
Wheat, SRW (\$/bu)	20-May	5.5	-0.19	-0.31	4.67	4.19	5.82
Wheat, HRW (\$/bu)	20-May	4.75	-0.18	-0.25	4.35	3.62	5.01
Wheat, Spring (\$/bu)	20-May	5.25	-0.15	-0.38	5.36	4.67	5.7
Corn (\$/bu)	20-May	3.35	-0.06	-0.53	3.63	3.35	4.55
Soybeans (\$/bu)	20-May	8.63	-0.23	-0.53	9	7.91	9.44
Cotton (¢/lb)	20-May	48.41	-2.72	-20.83	77.45	50.7	78.92
Rice (\$/cwt)	20-May	14.06	0.02	0.64	10.68	10.16	14.29
Live Cattle (¢/lb)	20-Jun	87.58	-4.5	-38.8	126.37	91.85	128.53
Lean Hogs (¢/lb)	20-Apr	49.2	-3	-18.15	78.81	53.95	92.38
Crude Oil (WTI, \$/bbl)	20-May	20.9	0.42	-37.44	62.36	20.09	66.3
Other							
S&P 500 Index		2,468.26	-116.33	-852.53	2,875.99	2,237.40	3,386.15
ICE U.S. dollar Index		99.5	0.45	1.97	97.28	94.9	102.82

How optimistic are you about economic prospects over the next 6 months?

Mar 2019 = 100

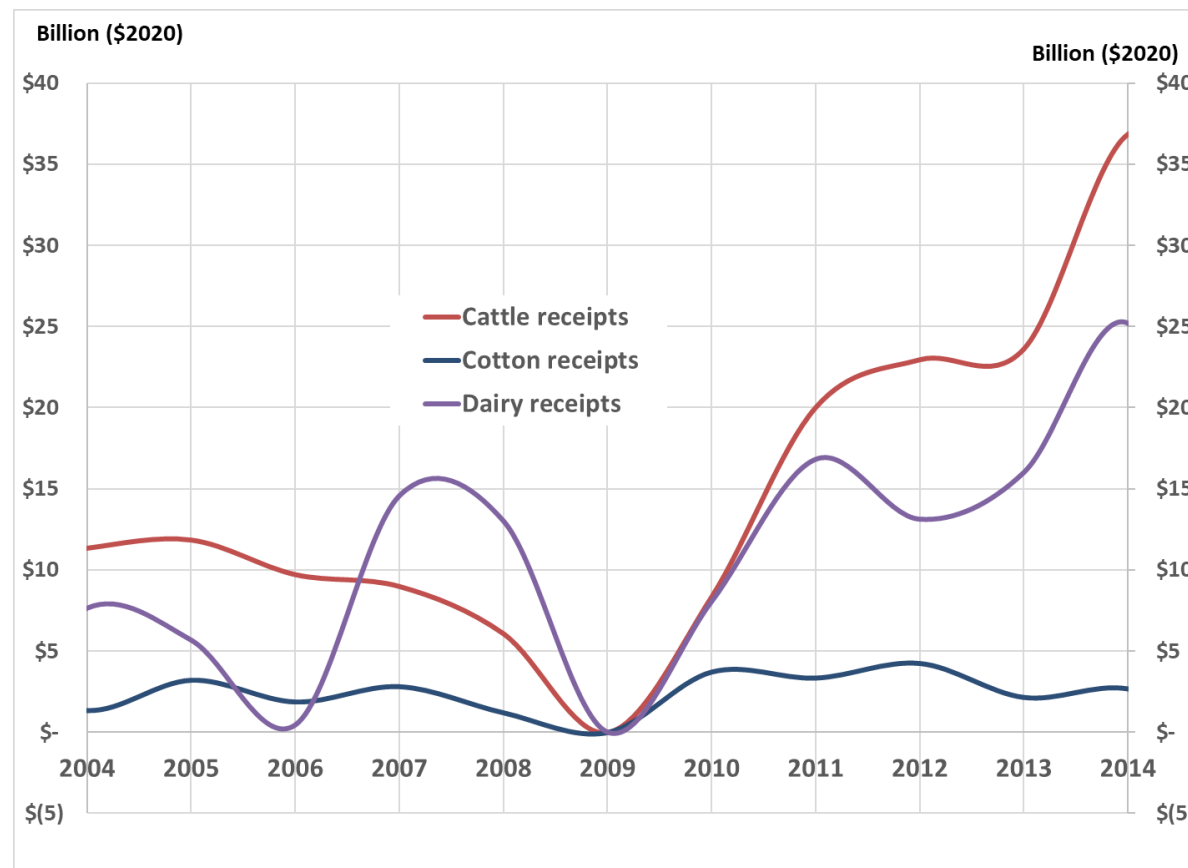
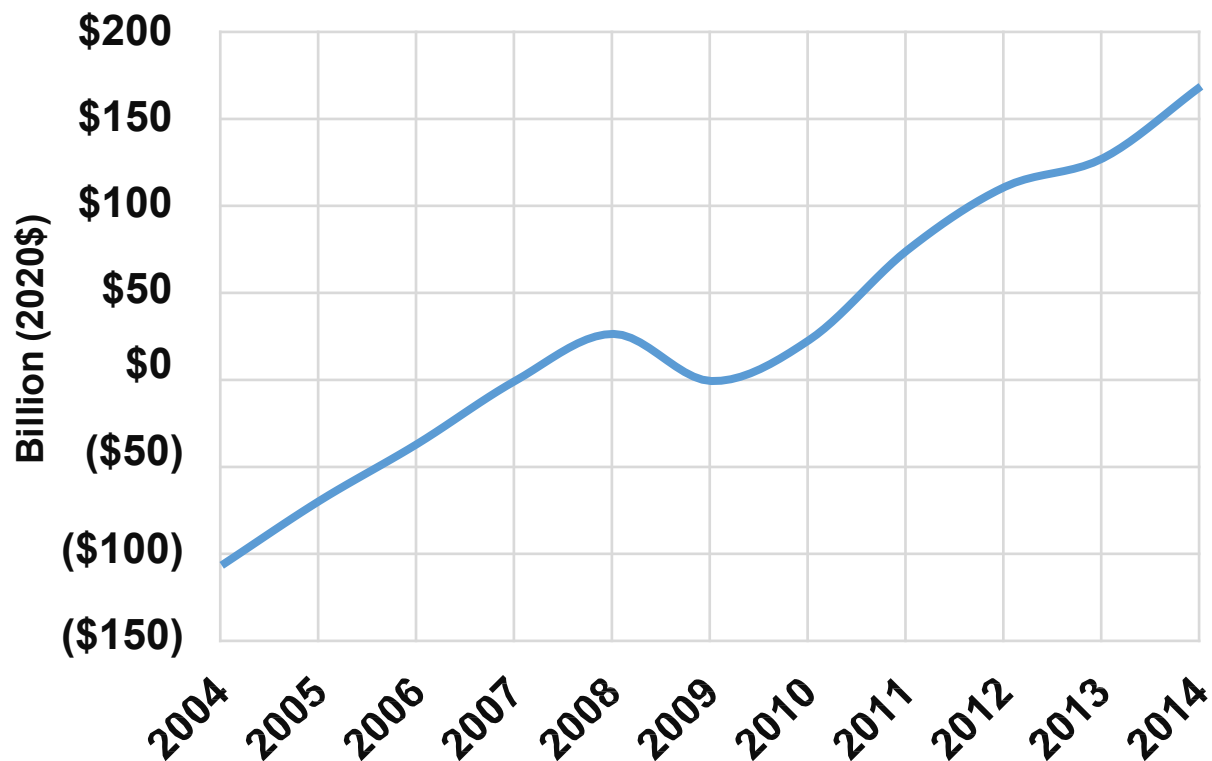
Mar 2019 = 100



—Corn Price —Agbarometer —DJIA —Consumer Sentiment —Rural Mainstreet —Housing Market

Last recession

Food Expenditure





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Jonathan W. Coppess

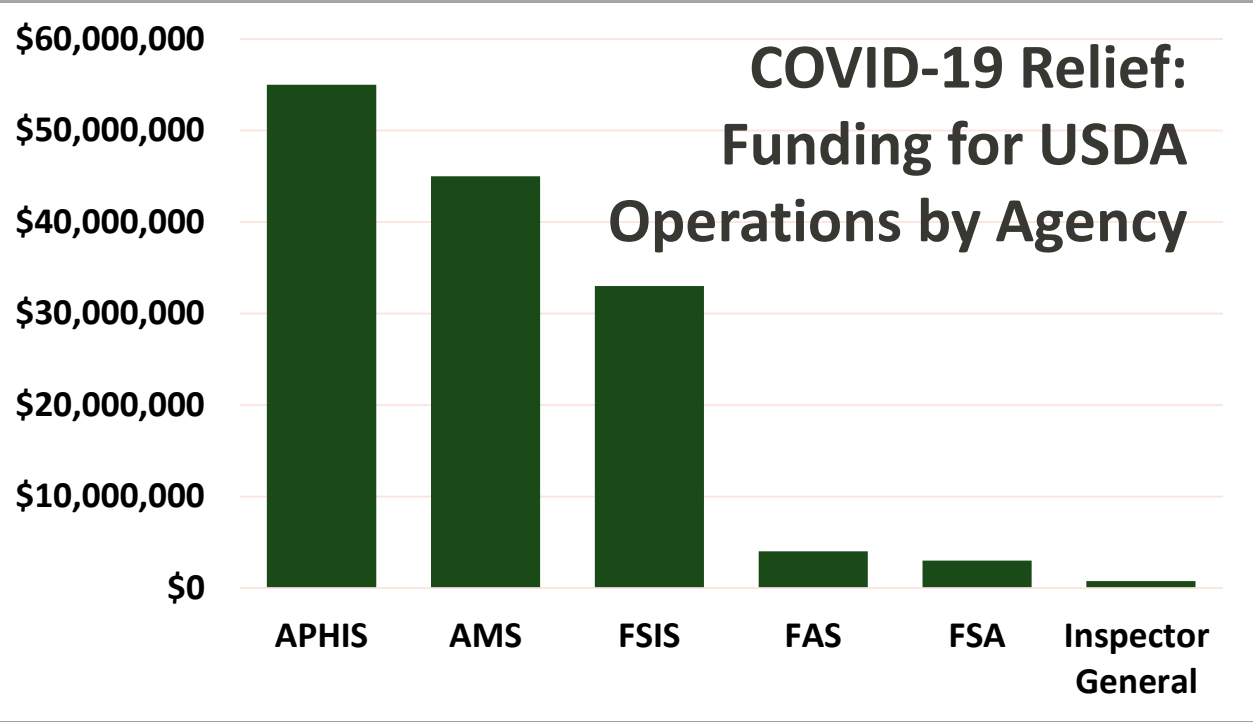
Director, Gardner Agriculture Policy Program

Director, Bock Ag Law/Policy Program

Clinical Assistant Professor

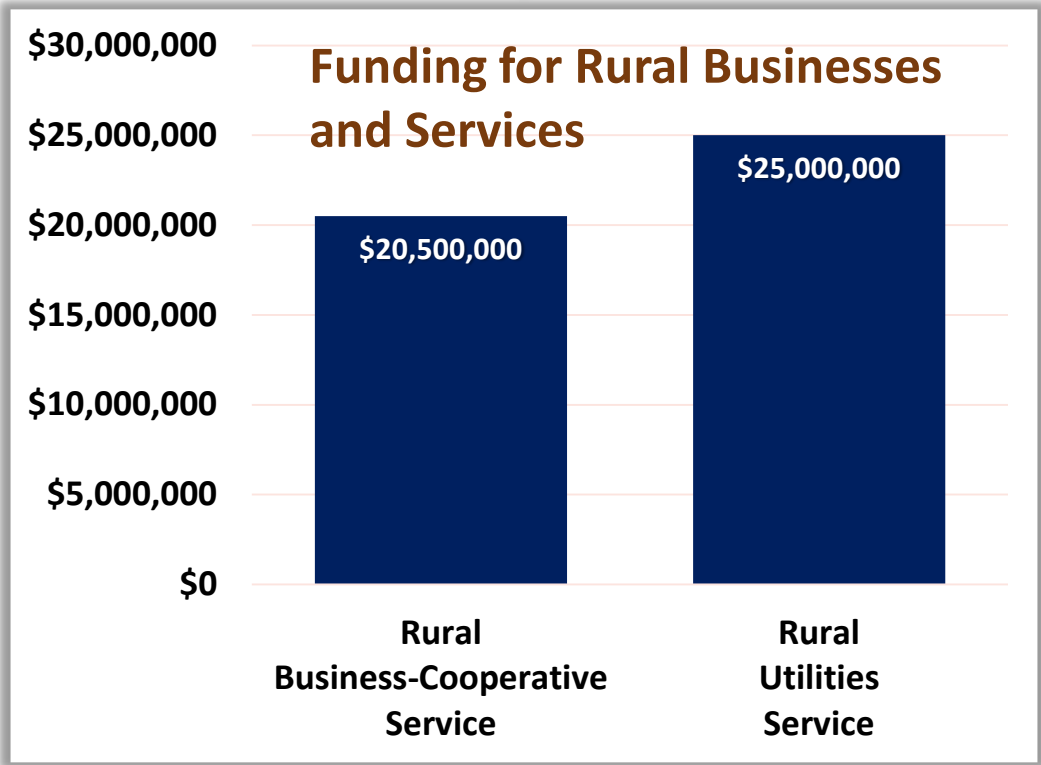
University of Illinois

Agencies and Rural Businesses



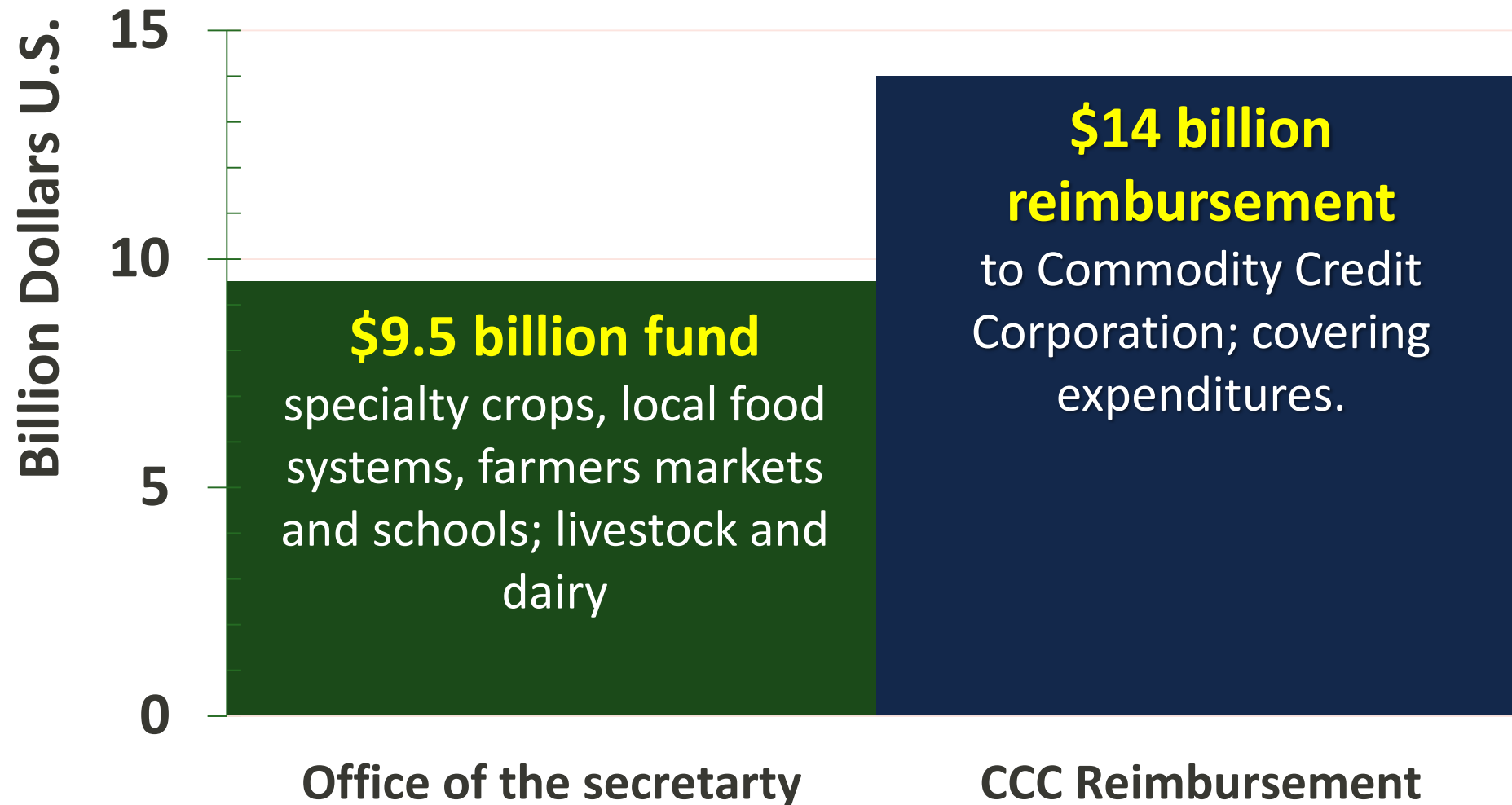
Additional funding for inspectors: meat, poultry, eggs, plants, grains, etc.

Additional funding for loans to rural businesses; and for telemedicine and distance learning services.

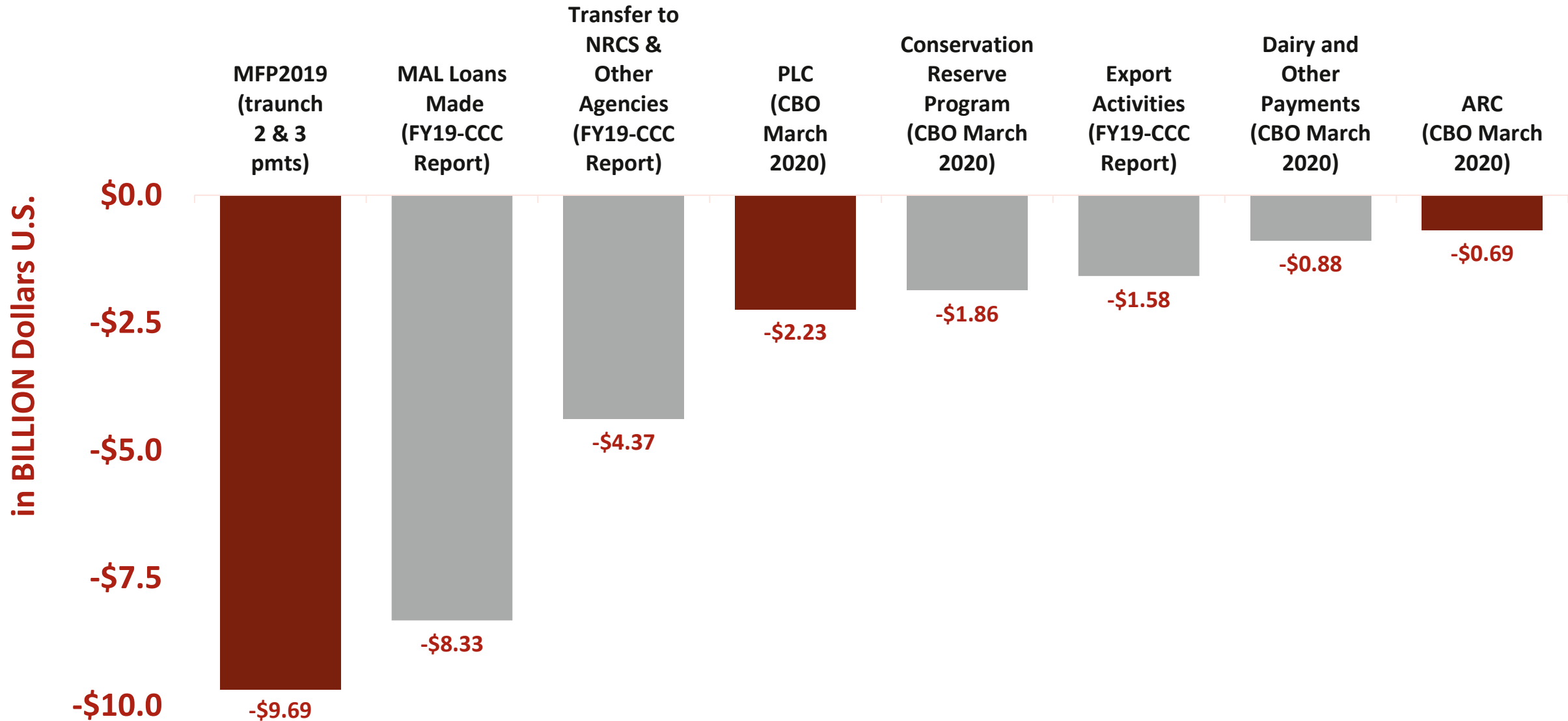


Assistance for Farmers

Funding Related to Assisting Producers

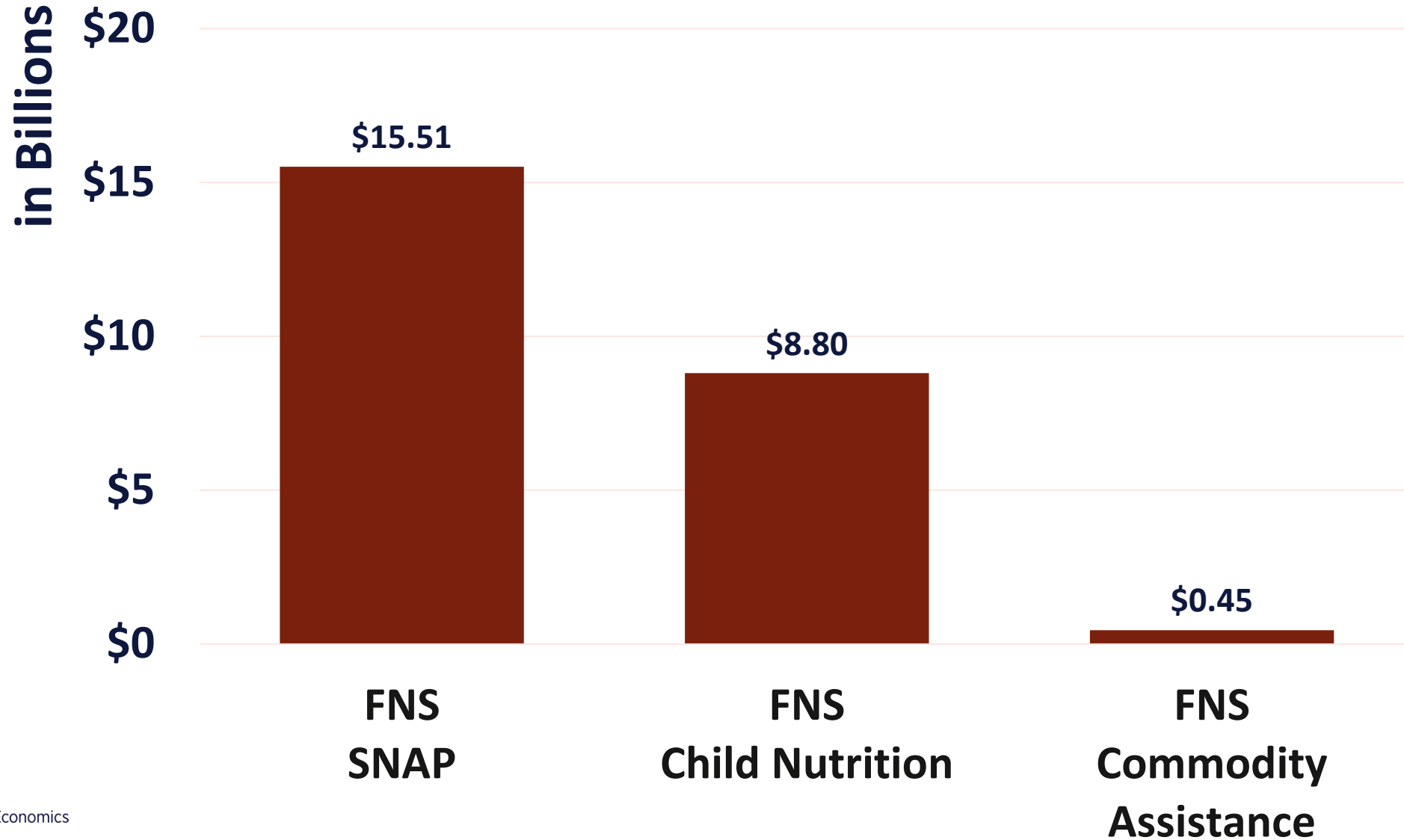


Estimated Expected CCC Expenditures FY2020 (CBO and CCC)



Food Assistance

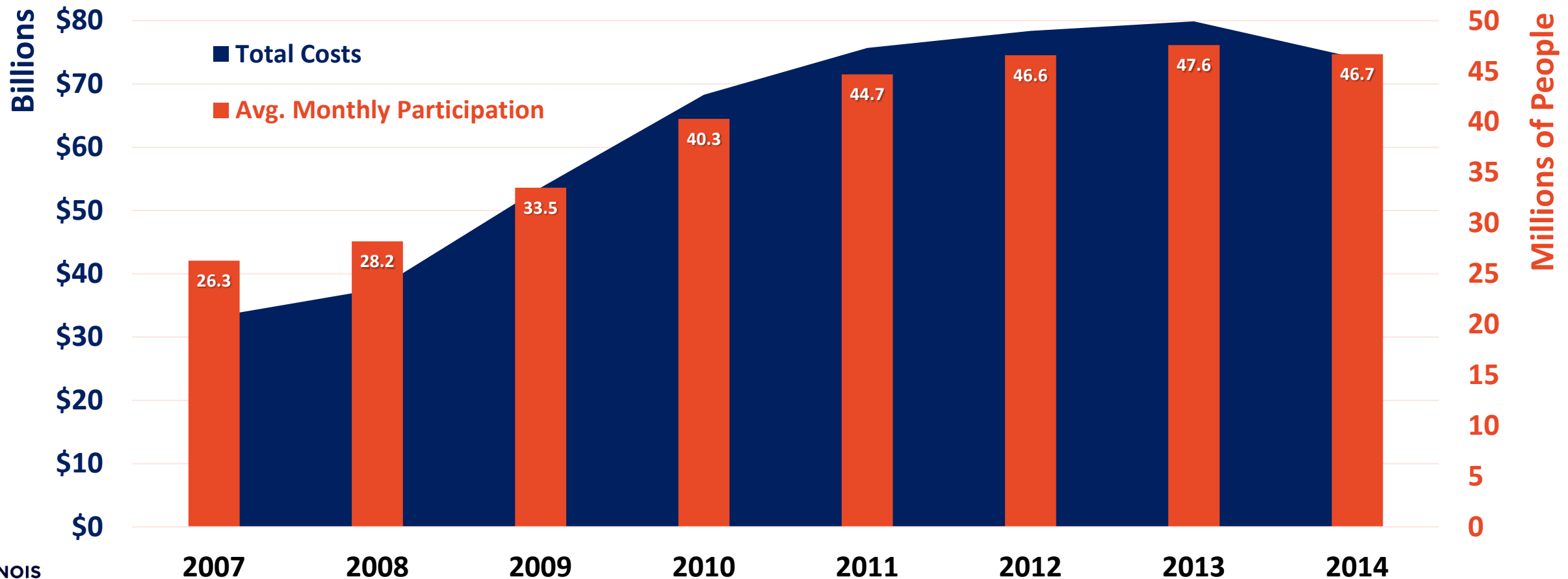
Funding Related to Food Assistance



Food Assistance

SNAP Spending and Participation (USDA-FNS)

SNAP: Counter-cyclical (e.g., Great Recession); expectations with nearly 10m people filing for unemployment in 2 weeks; CARES provides \$15b contingency but not increased benefits.



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Upcoming Webinars

Acreage Decisions 2020

11:00 to 11:30am CT, Tuesday April 7th

Todd Hubbs will provide the latest outlook on acreage decisions for 2020. Gary Schnitkey will examine the cash flow and management decisions associated with 2020 acreage shifts.

Crop Management Outlook for 2020

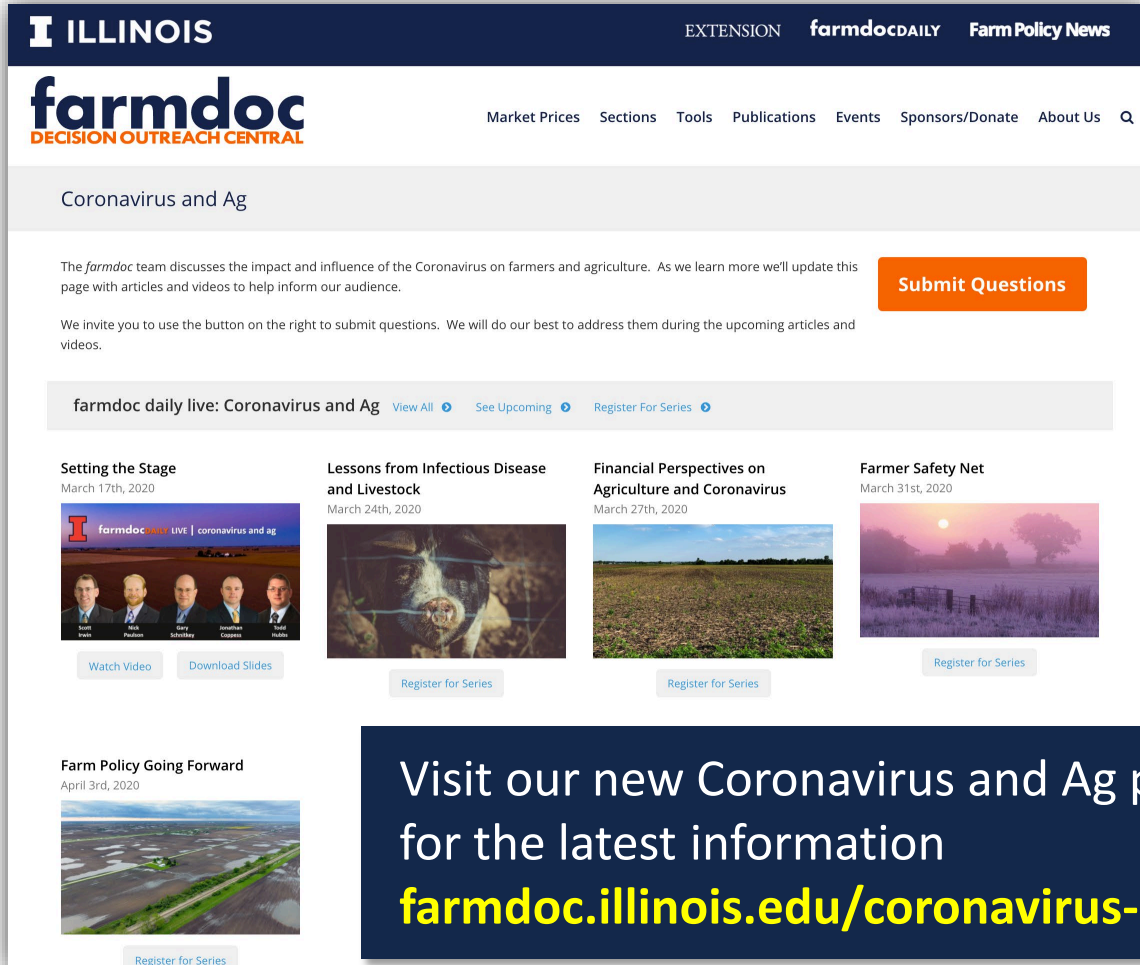
10:00 to 11am CT, Wednesday April 8th

Join Extension specialists from the University of Illinois Departments of Crop Science and Agricultural and Consumer Economics to discuss management recommendations for 2020 related to insect pests, weeds, diseases, and commodity prices.

Register at <https://go.illinois.edu/fd>

Thank You for joining us!

Please submit your questions



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