

# farmdocDAILY LIVE | Coronavirus and Ag

## Financial Perspectives on Agriculture and Coronavirus



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**ILLINOIS**  
Agricultural &  
Consumer Economics  
COLLEGE OF AGRICULTURAL, CONSUMER  
& ENVIRONMENTAL SCIENCES



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Federal Reserve Bank of Kansas City

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# Housekeeping

- Handout available via GoToWebinar control panel
- Webinar will be archived and available on farmdoc
- Submit questions during the webinar and we will answer them at the end of the webinar



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# How has the Coronavirus (COVID-19) outbreak changed your outlook for the farm economy in 2020 (short-run)?

- More optimistic
- Unchanged
- More pessimistic
- Uncertain

# U.S. JOBLESS CLAIMS SKYROCKET AMID CORONAVIRUS OUTBREAK

INITIAL CLAIMS, SEASONALLY ADJUSTED

3,283,000



yahoo!  
finance

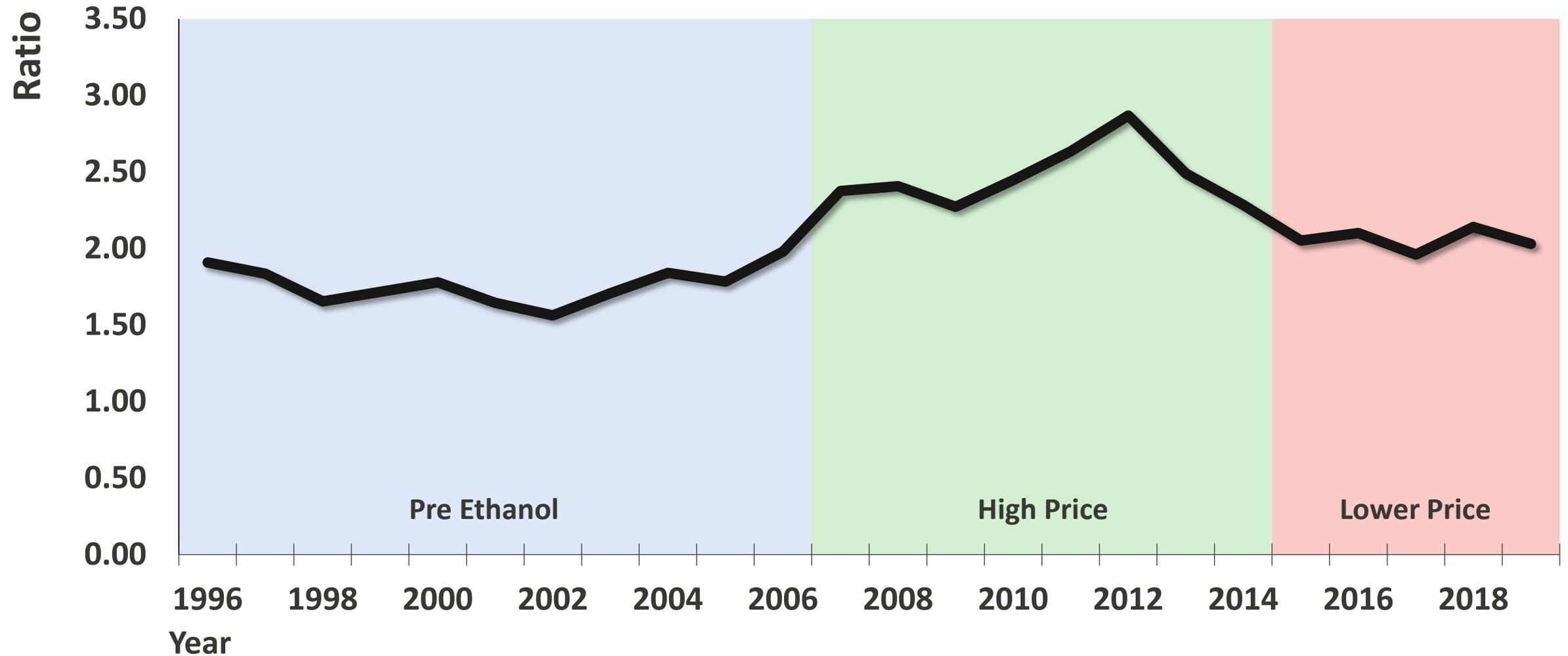
SOURCE: U.S. DEPARTMENT OF LABOR

## Initial Jobless Claims, week ending March 21<sup>st</sup>

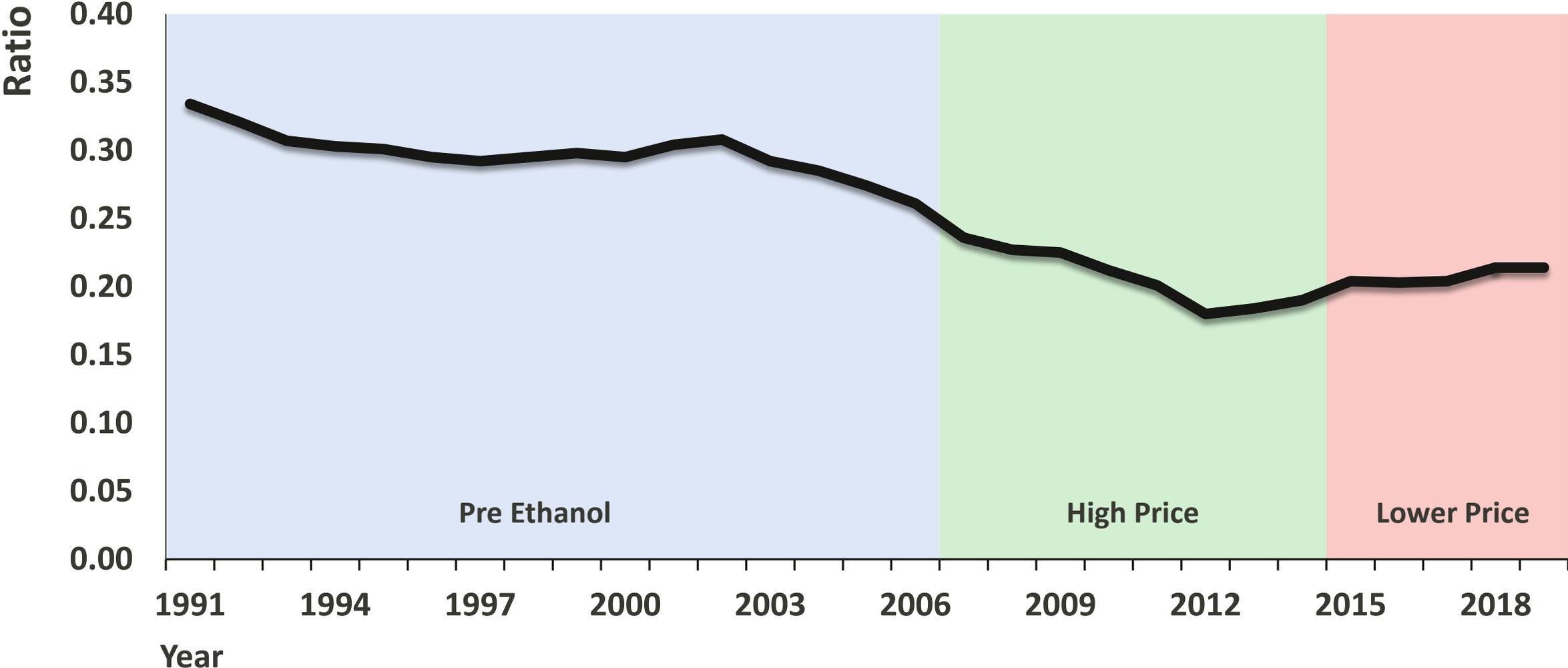
3.283 million filings for  
unemployment benefits  
last week

Compare with peaks of just  
under 700,000 during Great  
Recession and recessions in  
early 80's

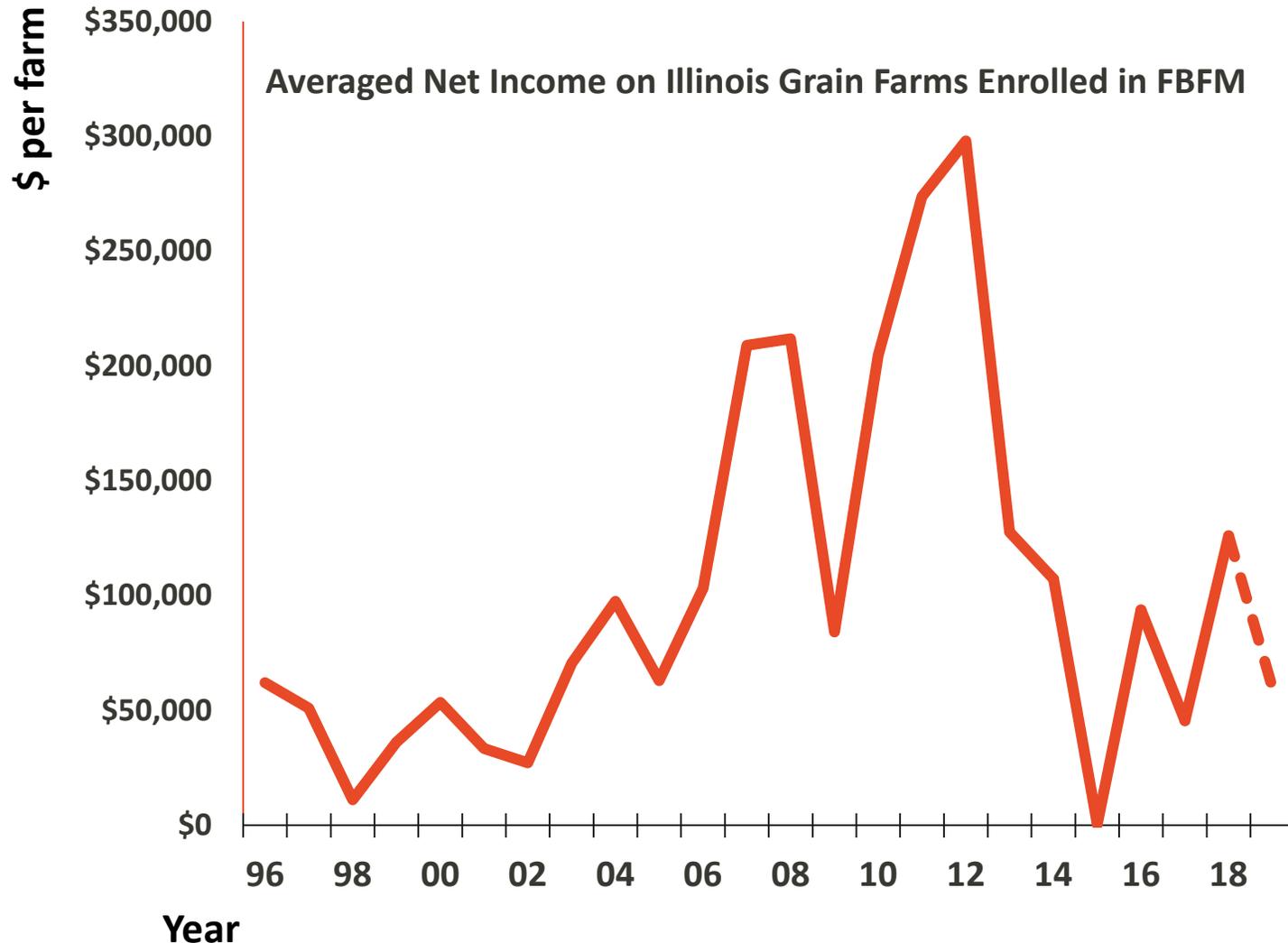
# Liquidity: Current Ratio 1996 to 2019



# Solvency: Debt-to-Asset Ratio 1991 to 2019



# Net Farm Income



## 2020 income outlook:

### Pre Covid-19

### Positive net farm income requires:

- 1) Above trend yields and/or
- 2) Income support similar to 2019 (i.e. MFP 3)

### Post Covid-19

- Increased uncertainty
- Commodity price movements impact on:
  - Safety net (ARC/PLC, crop insurance)
  - Old crop marketing
- Input prices
- Stimulus for ag

# What are your thoughts on the Senate's \$2 trillion federal stimulus package?

- Stimulus should be larger than current package
- Stimulus seems about right
- Stimulus should be smaller than current package
- No federal stimulus should be provided
- Not sure, uncertain

# Agricultural Finance Update

Nate Kauffman and Cortney Cowley, Federal Reserve Bank of Kansas City

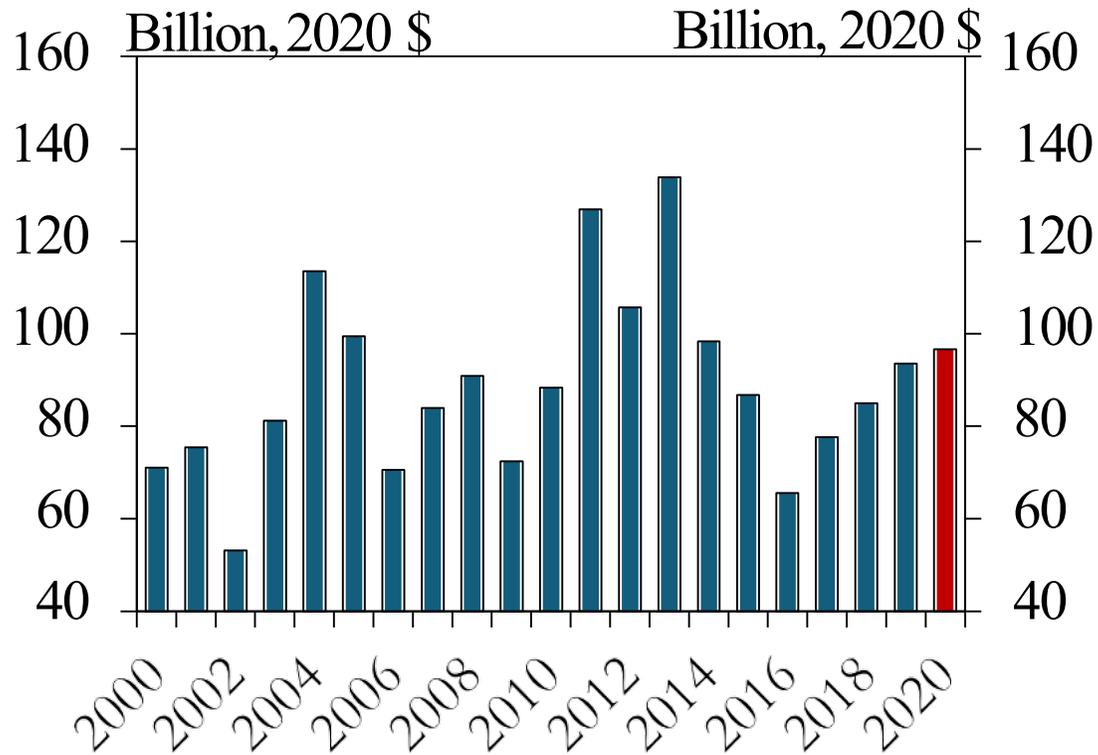
March 27, 2020

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

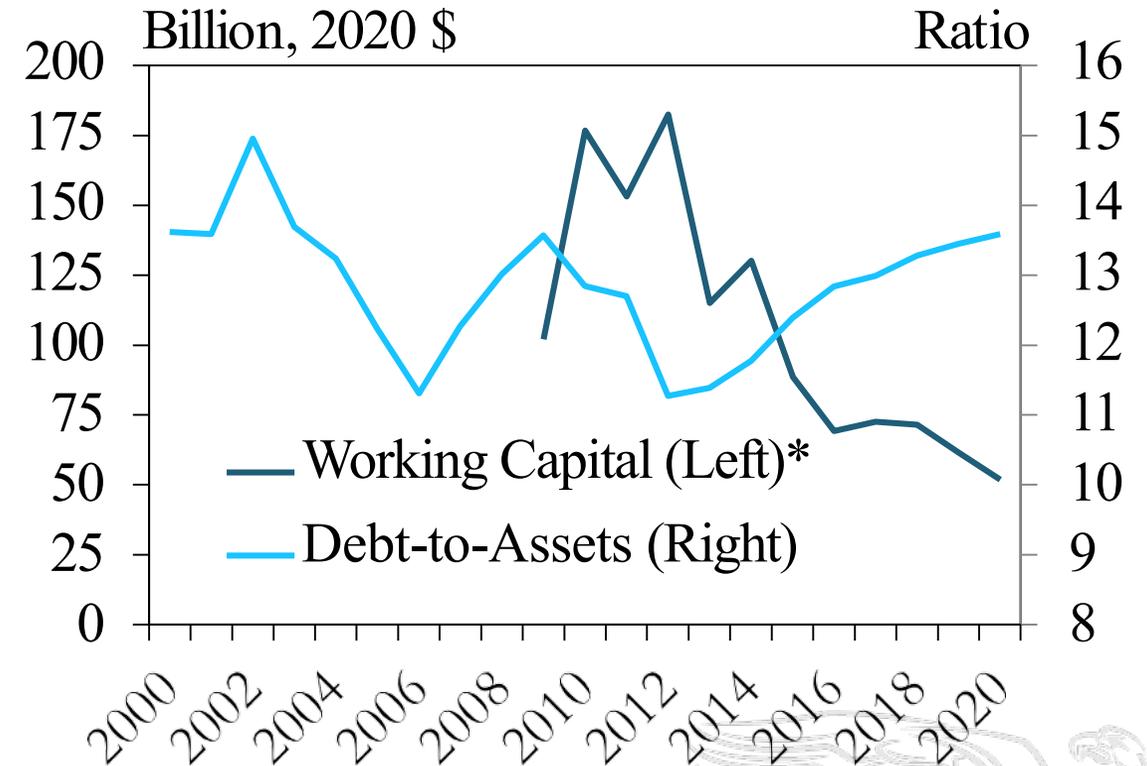


# Even before COVID-19, an expectation of a further reduction in liquidity was a concern in ag finance.

## U.S. Net Farm Income



## U.S. Farm Sector Finances



\*Working Capital reported by USDA beginning 2012

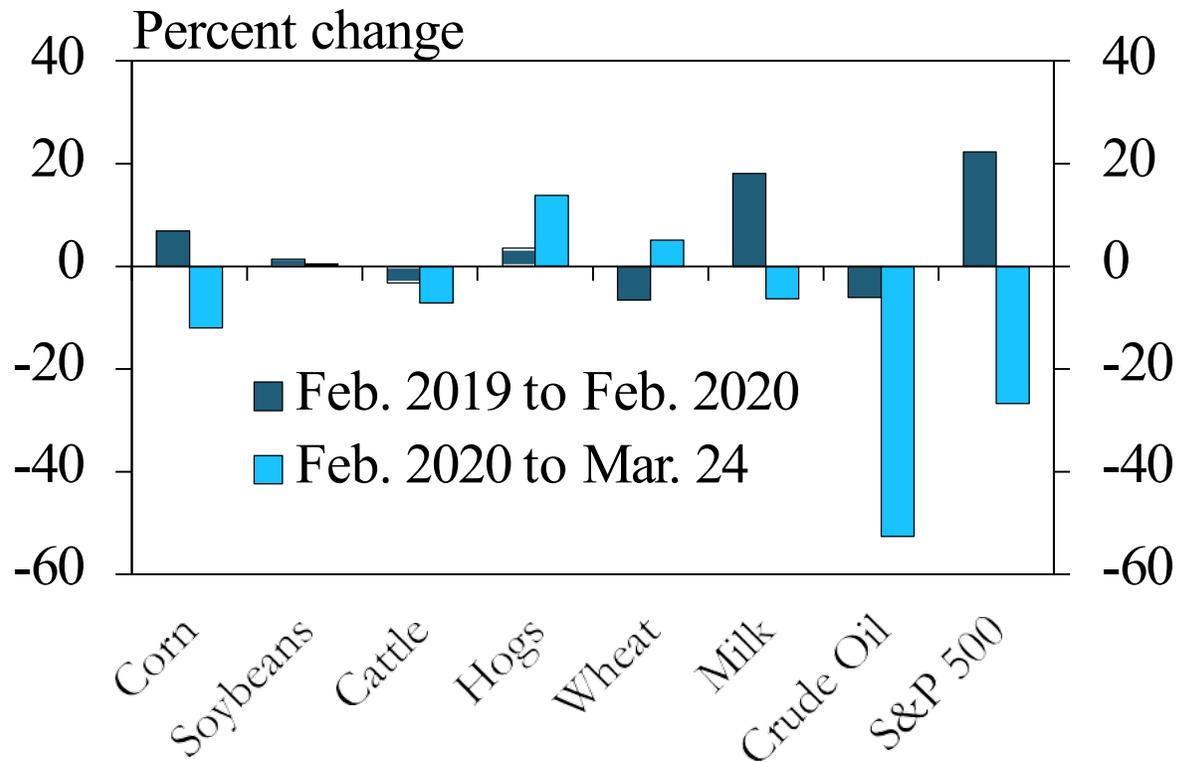
Note: 2019 and 2020 Forecast

Source: USDA.

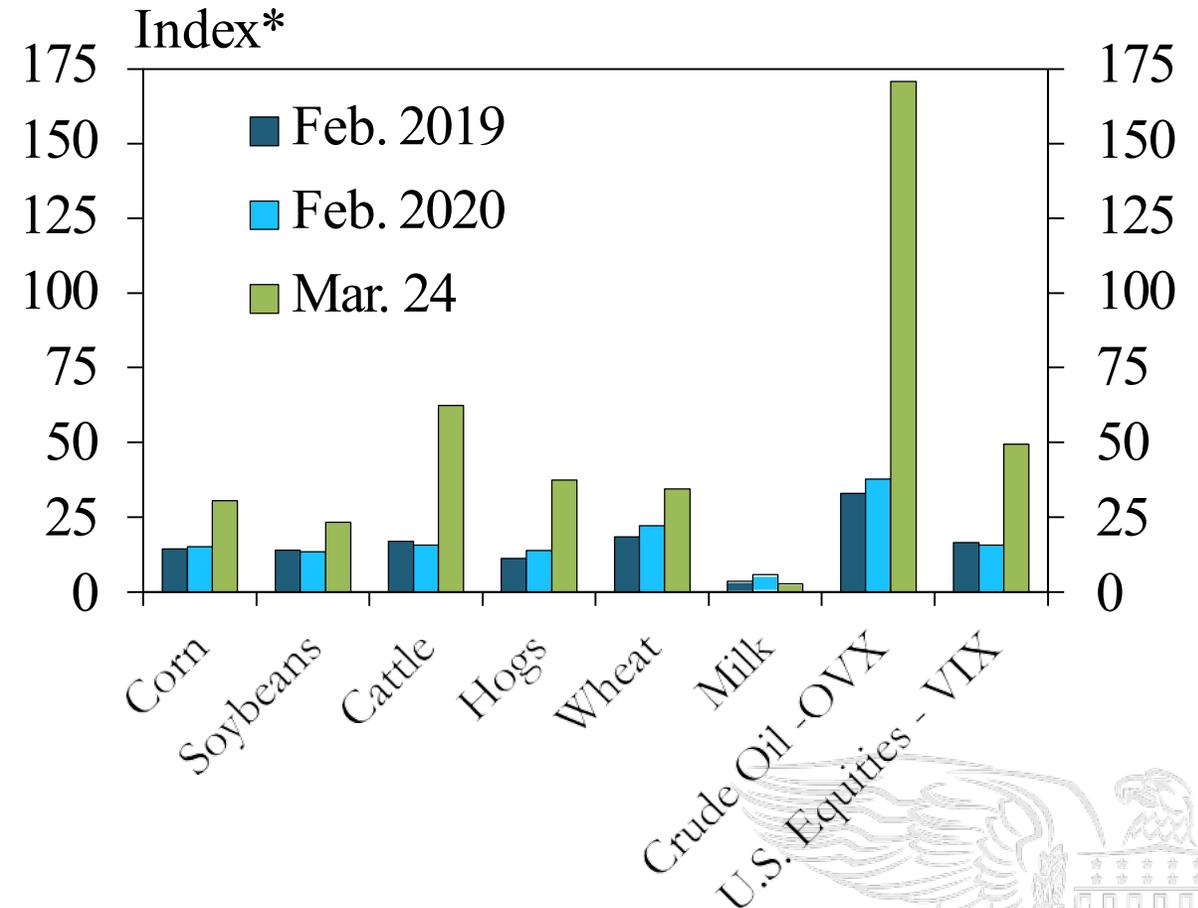


# Since mid-February, some ag commodity prices have declined, with notable volatility, but generally not like other markets.

## Change in Prices



## Volatility



\*Implied volatility of daily nearest futures contracts for agricultural commodities

Sources: WSJ, S&P500, CBOE, Yahoo Finance and Barchart.com.

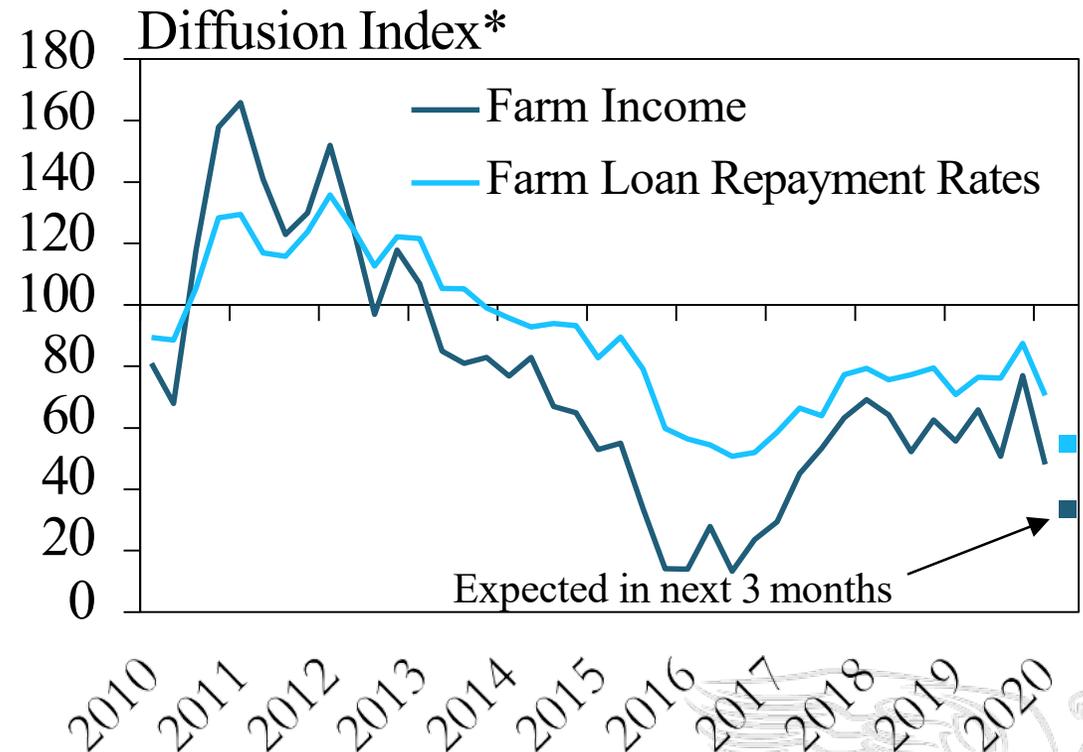


# Future impacts associated with COVID-19 are highly uncertain. Preliminary KC Fed survey data suggests some weakening.

## Agricultural Banker Sentiment

- “It was going to be a tough year ahead even before coronavirus” – Kansas
- “MFP payments were very significant to our region.” – Oklahoma (and numerous others)
- “The uncertainty creating unique market situations will be the most challenging, but if we work with our customers and remain flexible, we’ll get through it” – South Dakota
- “Since the boom in the ag sector, farm banks have steadily bolstered their capital positions. Most of the risk is in the tails.” - Minnesota

## KC Fed: Farm Income and Credit Conditions (preliminary)



Source: Federal Reserve District Surveys of Agricultural Credit Conditions.

# How has the Coronavirus (COVID-19) outbreak changed your outlook for the farm economy in the longer-run?

- More optimistic
- Unchanged
- More pessimistic
- Uncertain



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# Upcoming Webinars

## March 31<sup>st</sup> Tuesday

**11:00am farmdoc daily live: Coronavirus and Ag  
Global Transportation and Cash Flow Considerations**

by Gary Schnitkey and Ryan LeGrand from the US Grains Council

**2:00pm Updated Supply and Demand for Corn and Soybeans**

by Scott Irwin and Todd Hubbs

## April 3<sup>rd</sup> Friday

**11:00am farmdoc daily live: Coronavirus and Ag  
Farm Policy Going Forward**

by Jonathan Coppess and

Rob Johansson, Chief Economist of the U.S. Department of Agriculture

# Thank You for joining us!

## Please submit your questions



A screenshot of the farmdoc website. The header includes 'ILLINOIS' and 'EXTENSION farmdocDAILY Farm Policy News'. The main navigation bar has 'farmdoc DECISION OUTREACH CENTRAL' and links for 'Market Prices', 'Sections', 'Tools', 'Publications', 'Events', 'Sponsors/Donate', and 'About Us'. The page title is 'Coronavirus and Ag'. A paragraph explains that the farmdoc team discusses the impact of the Coronavirus on farmers and agriculture, and invites users to submit questions via a 'Submit Questions' button. Below this, there are four featured articles: 'Setting the Stage' (March 17th, 2020), 'Lessons from Infectious Disease and Livestock' (March 24th, 2020), 'Financial Perspectives on Agriculture and Coronavirus' (March 27th, 2020), and 'Farmer Safety Net' (March 31st, 2020). Each article has a thumbnail image and a 'Register for Series' button. At the bottom left, there is a section for 'Farm Policy Going Forward' (April 3rd, 2020) with a 'Register for Series' button.

Visit our new Coronavirus and Ag page for the latest information  
[farmdoc.illinois.edu/coronavirus-and-ag](https://farmdoc.illinois.edu/coronavirus-and-ag)

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