

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



Jonathan Coppess  
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Dr. Robert Johansson  
USDA Chief Economist

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# USDA

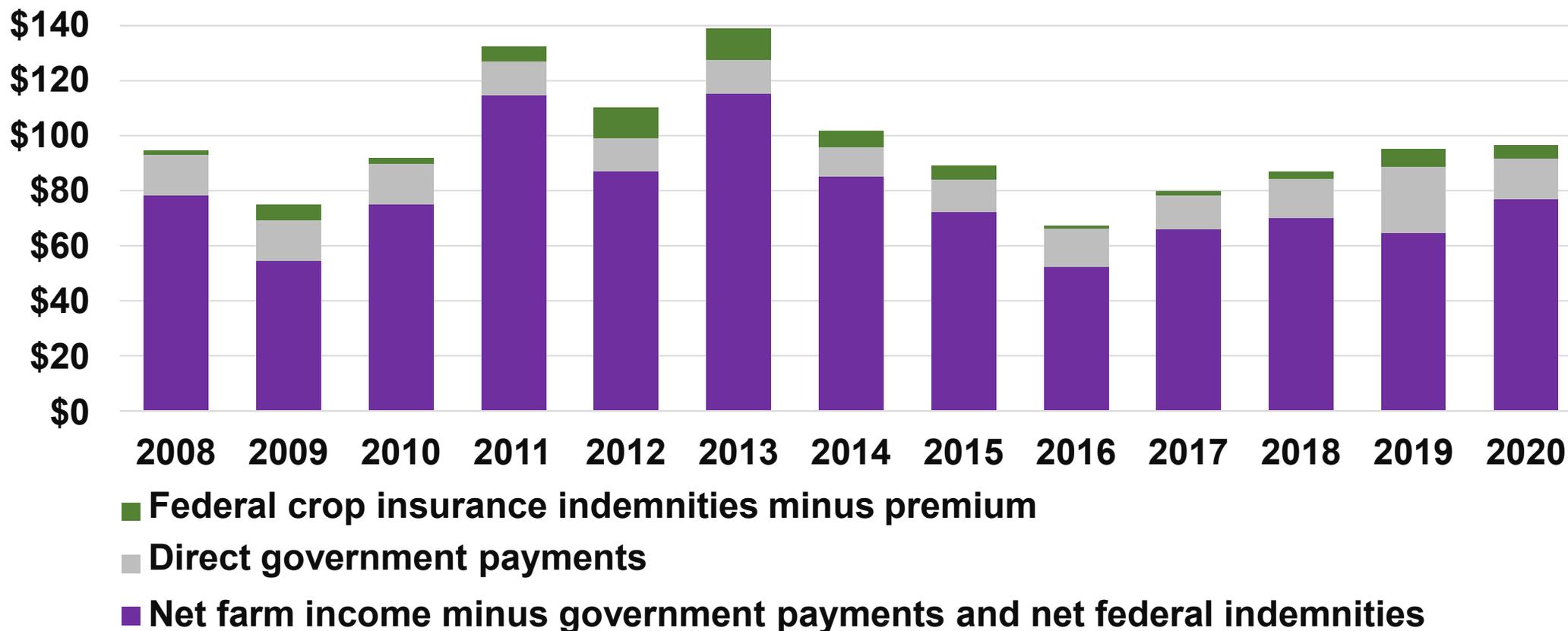


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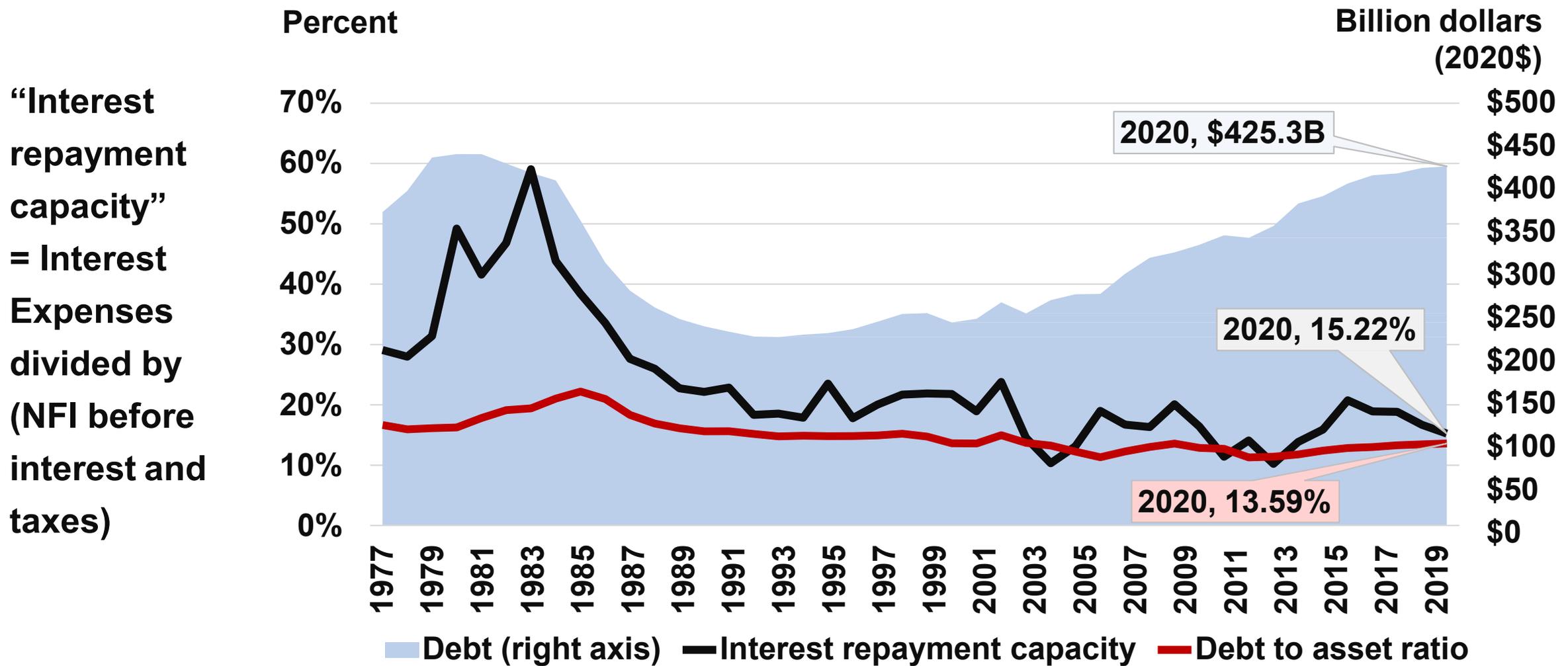


# In February, net returns were expected up, with lower expected government payments and crop insurance indemnities

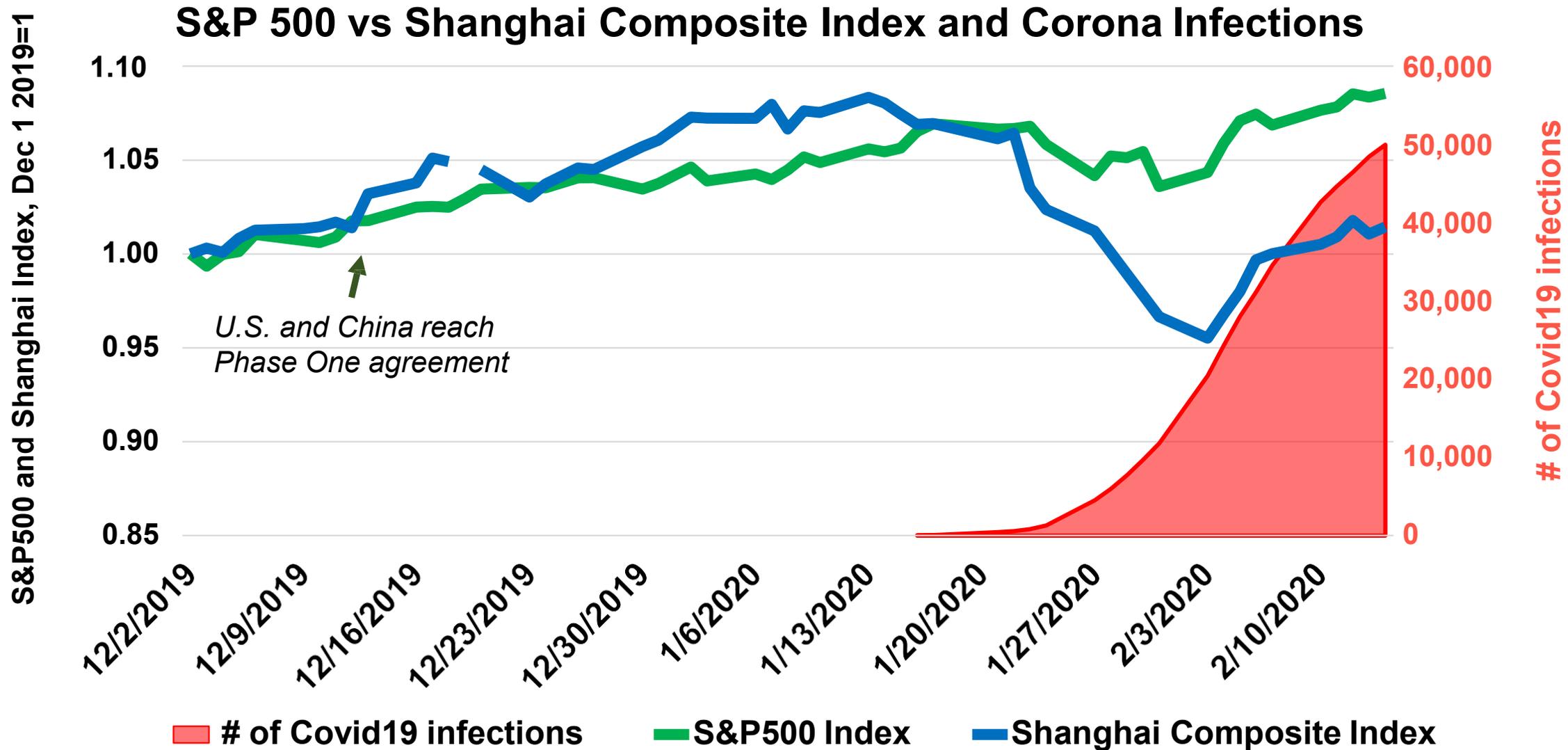
Billion dollars  
(2020\$)



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

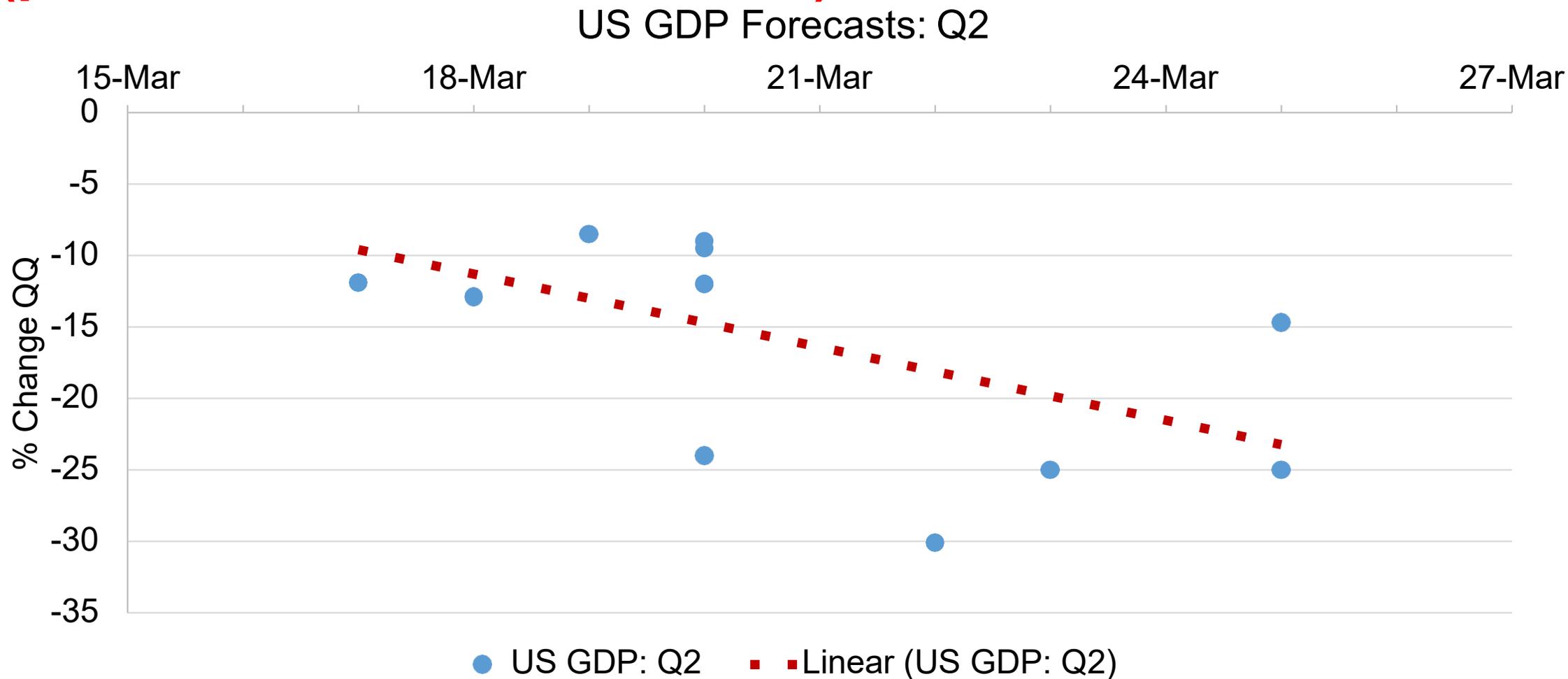


# Coronavirus topped macro global economy concerns; markets expecting recovery



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

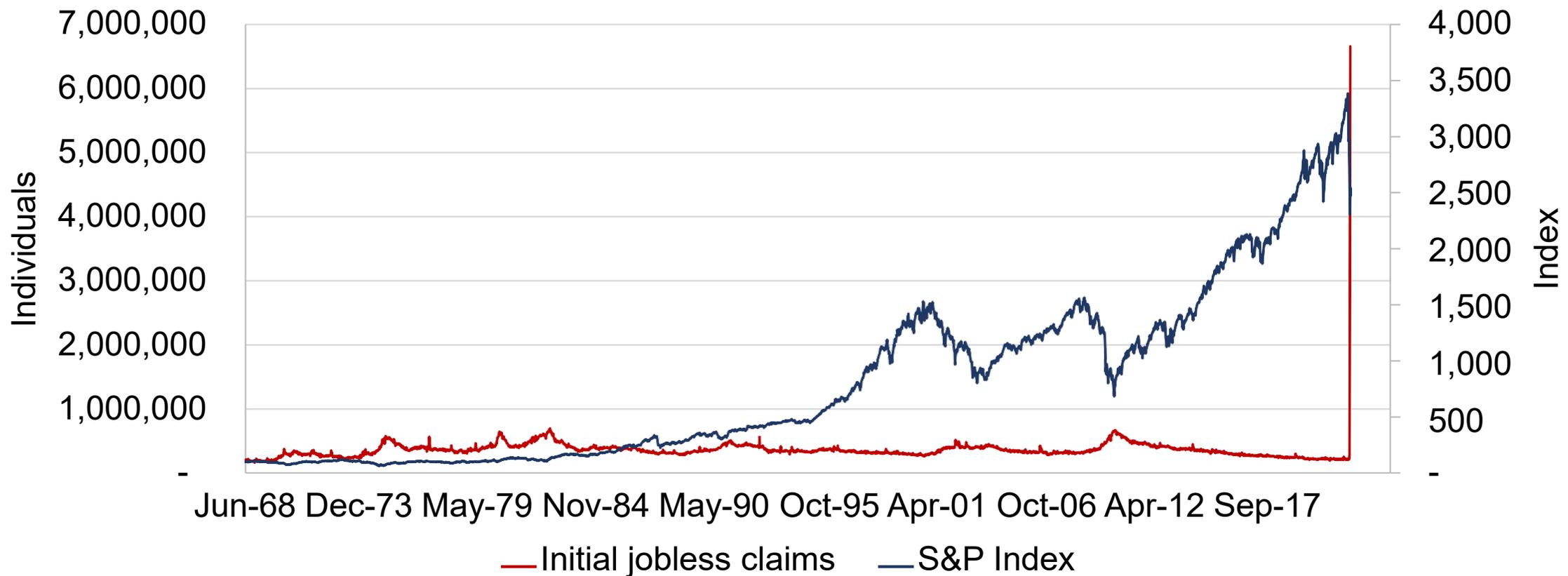
# Private forecasts for US Q2 GDP are unprecedently low (percent is at annualized rate)



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

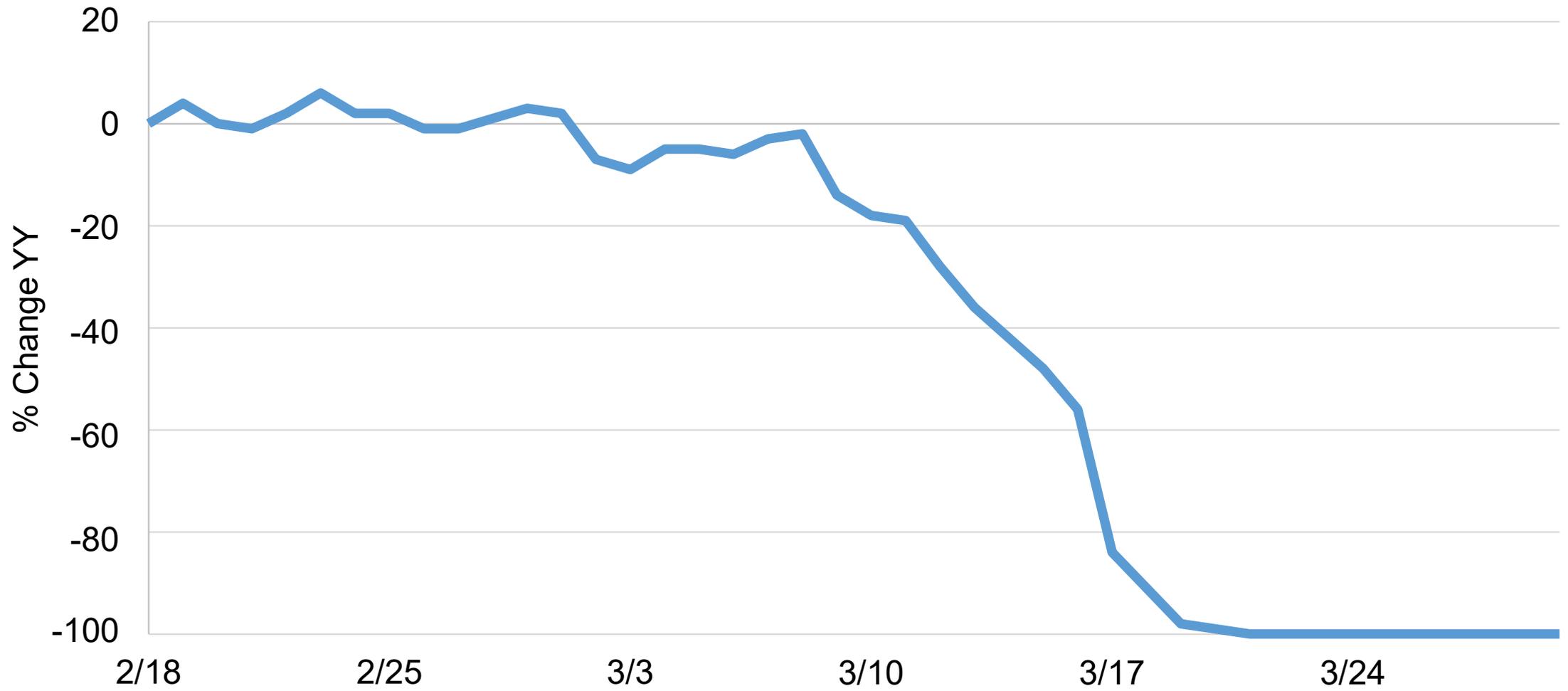
# Weekly initial jobless claims hit an all time record (6.648 million week ending 3/28)

S&P and initial jobless claims



# Restaurant reservations hit bottom on March 20

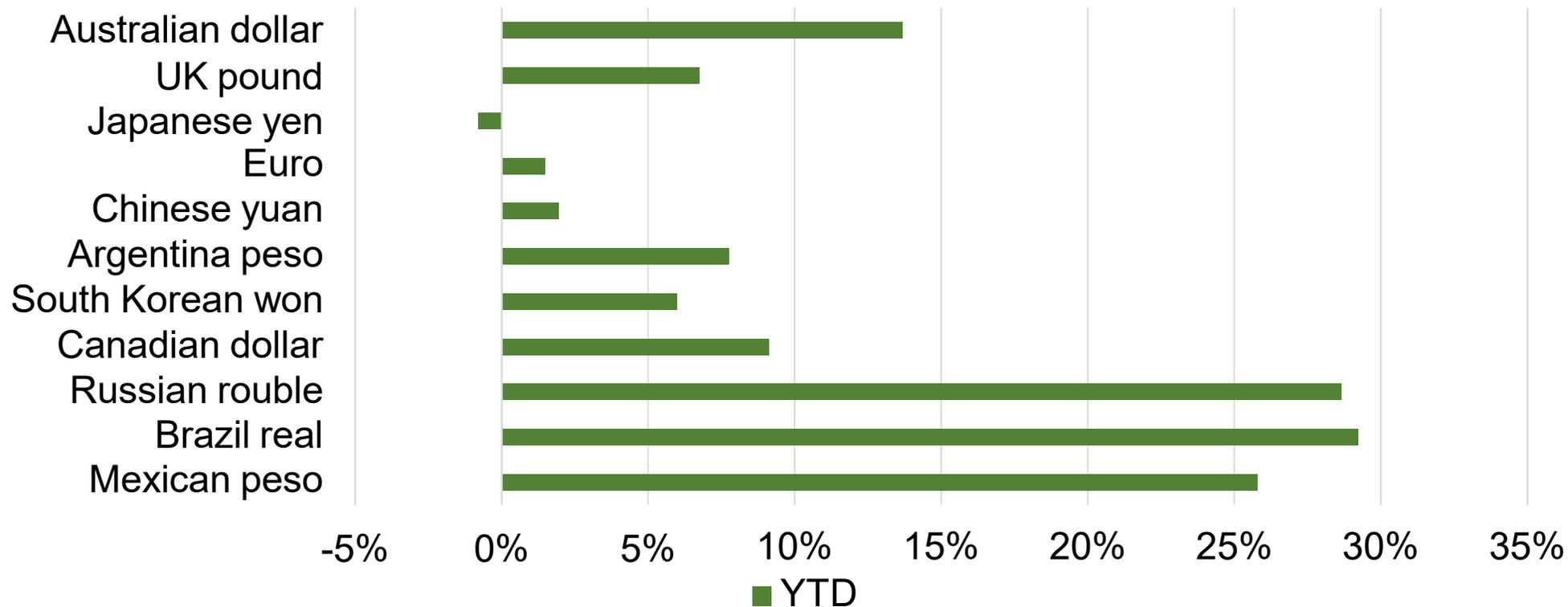
OpenTable Reservations (3/30): U.S. YY



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

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

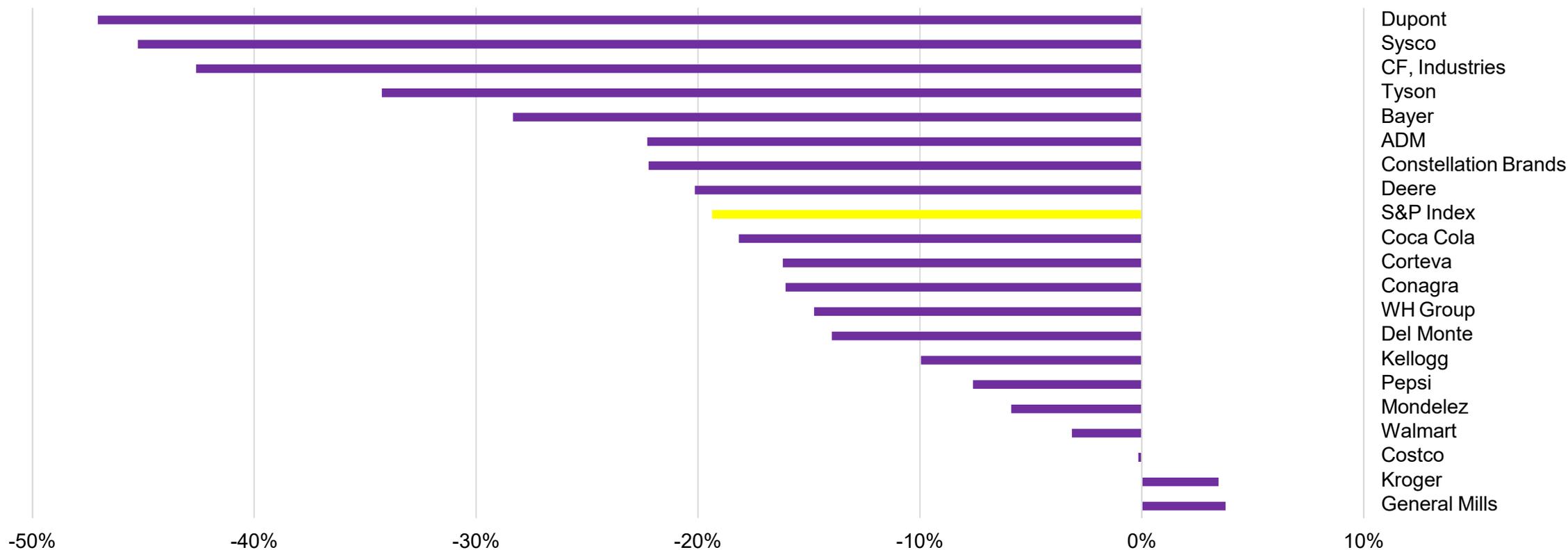
USD Denominated Exchange Rates, YTD



Source: Refinitiv. Percentage changes as of closing March 30<sup>th</sup>, 2020

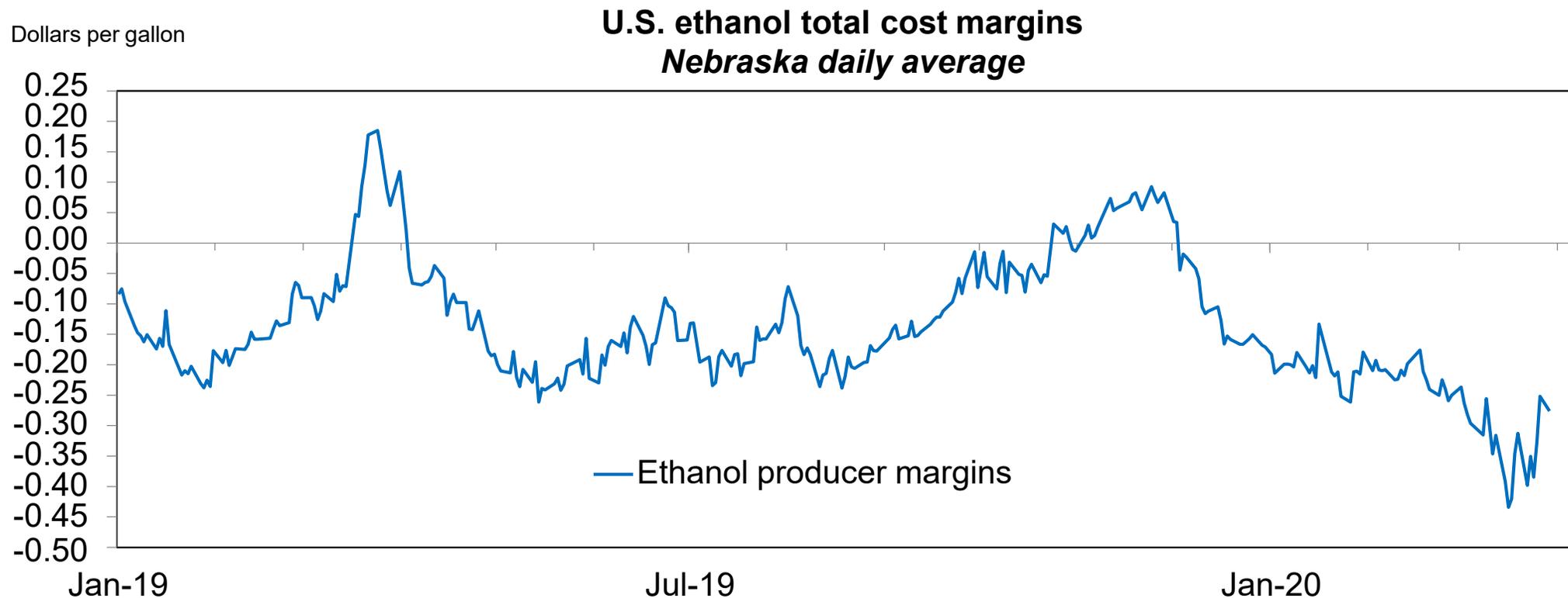
# Stock prices have declined across most of the agricultural and food industry

Ag. & Food Stock Prices, YTD



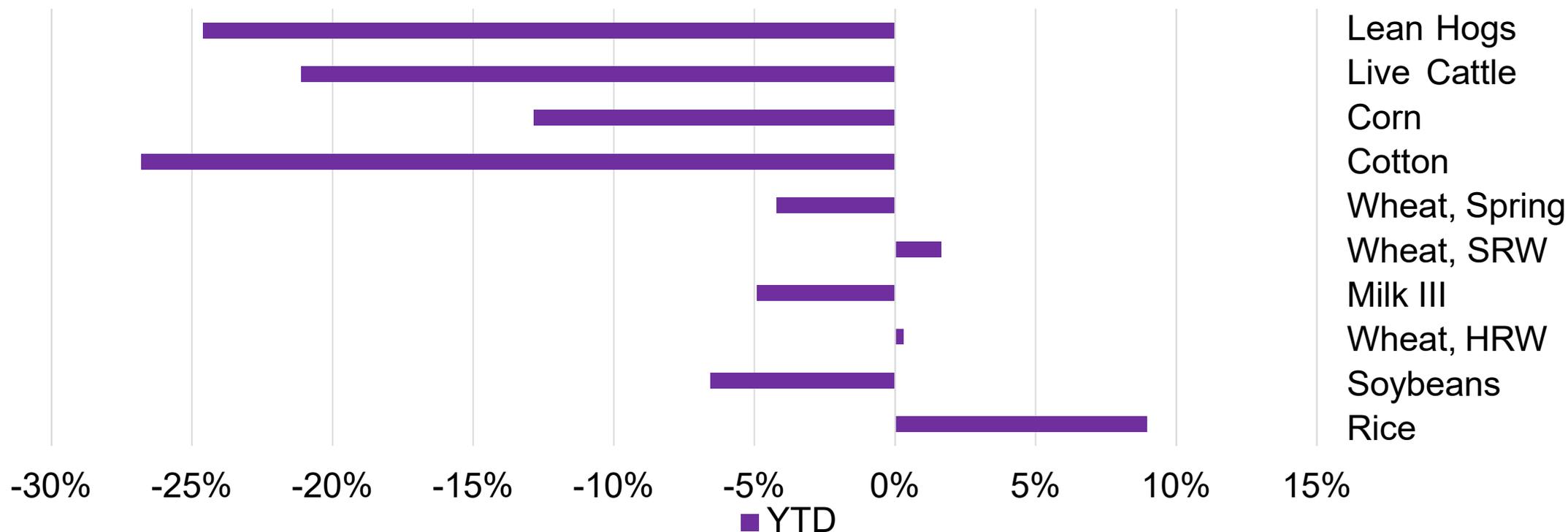
Source: Refinitiv. Percentage changes as of closing March 30<sup>th</sup>, 2020

# Ethanol margins have declined significantly recently



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

Ag. commodity futures prices, YTD



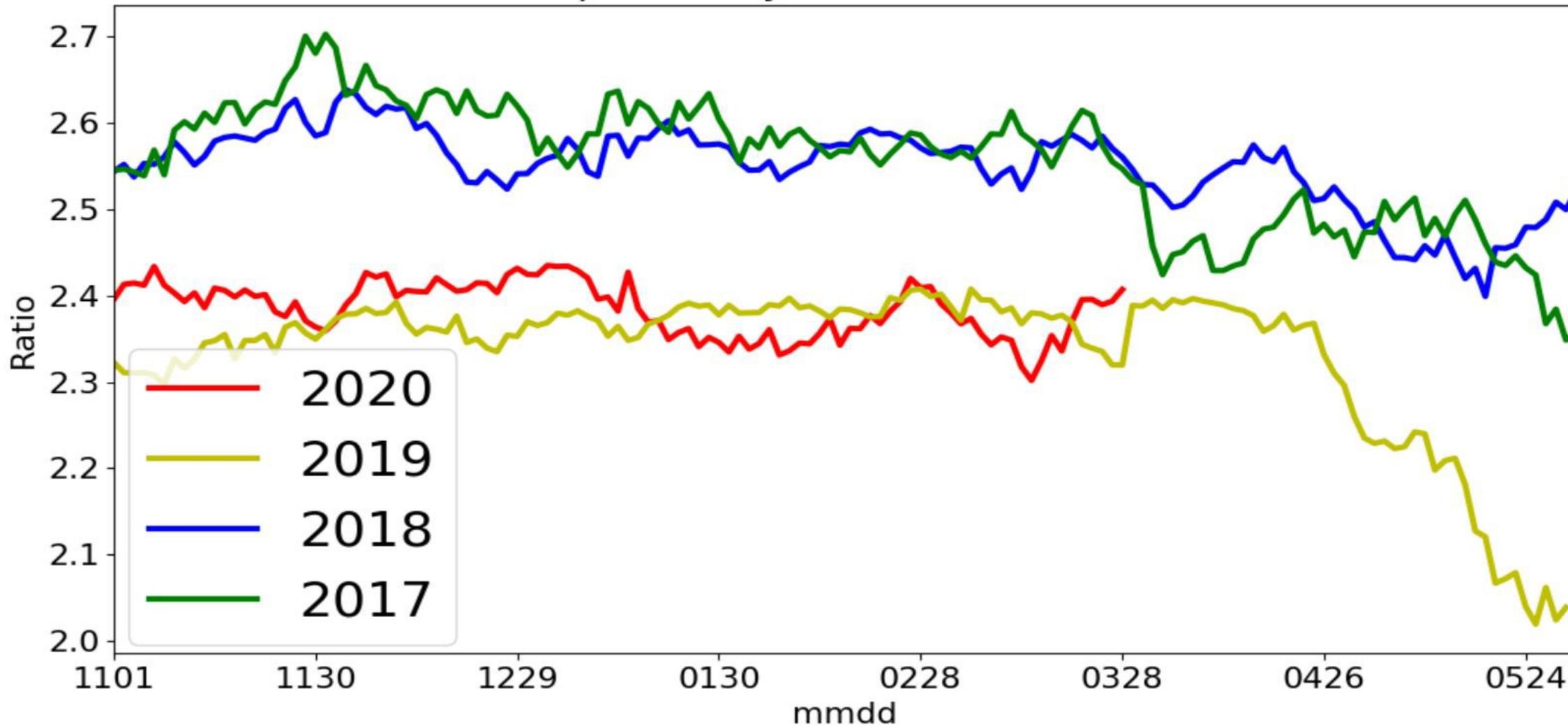
Source: Refinitiv. Percentage changes as of closing March 30<sup>th</sup>, 2020

## 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%
<b>Total 8 crops</b>	<b>253.4</b>	<b>252.3</b>	<b>253.9</b>	<b>238.0</b>	<b>253.5</b>	<b>6%</b>
CRP	23.9	23.4	22.6	22.6	22.7	0%
<b>8 crops + CRP</b>	<b>277.3</b>	<b>275.7</b>	<b>276.5</b>	<b>260.6</b>	<b>276.2</b>	<b>6%</b>

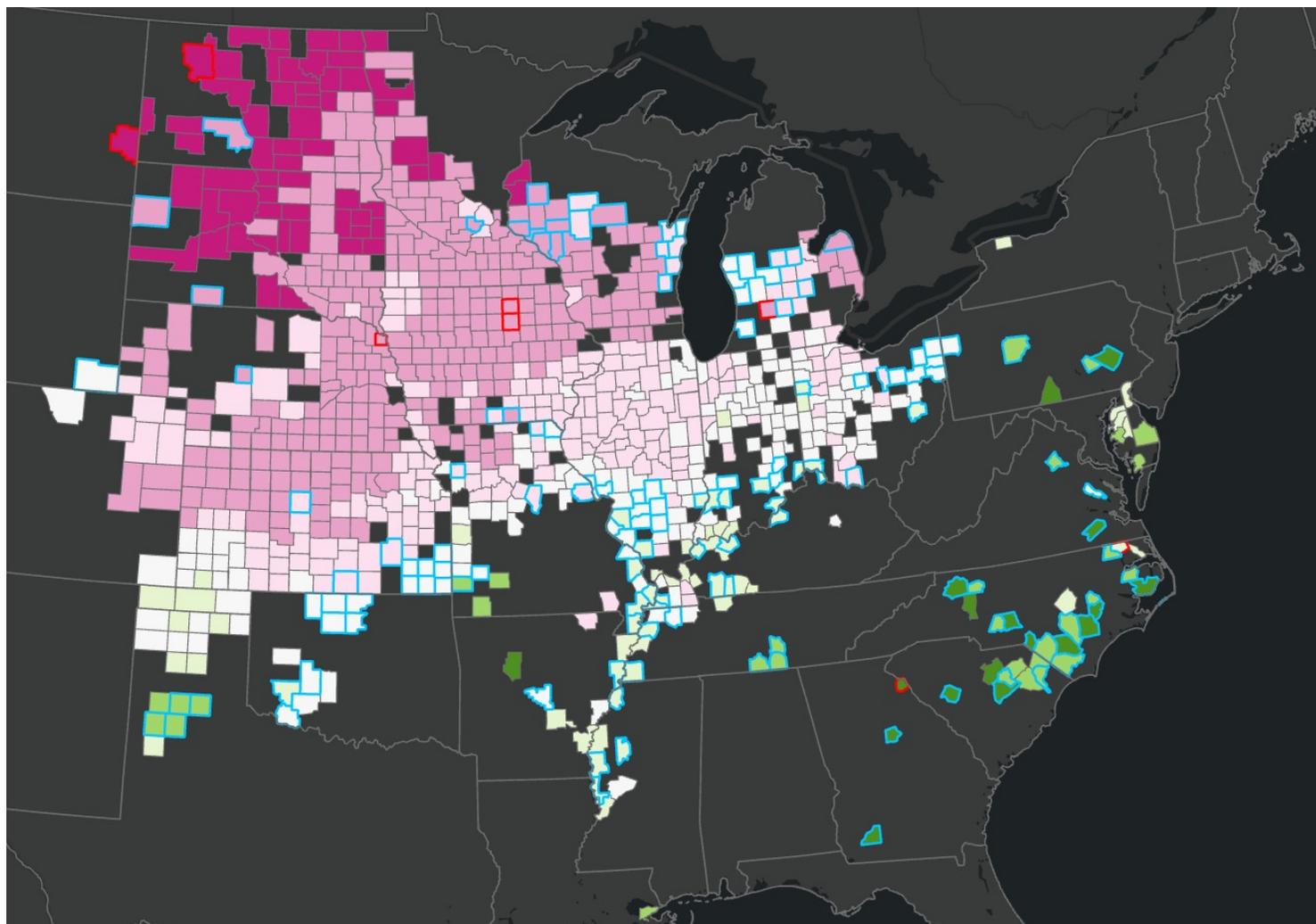
## Soybean to corn price ratio has moved up recently

New Crop U.S. Soybean to Corn Price Ratio



# Corn Basis for Week Ending March 27<sup>th</sup>

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

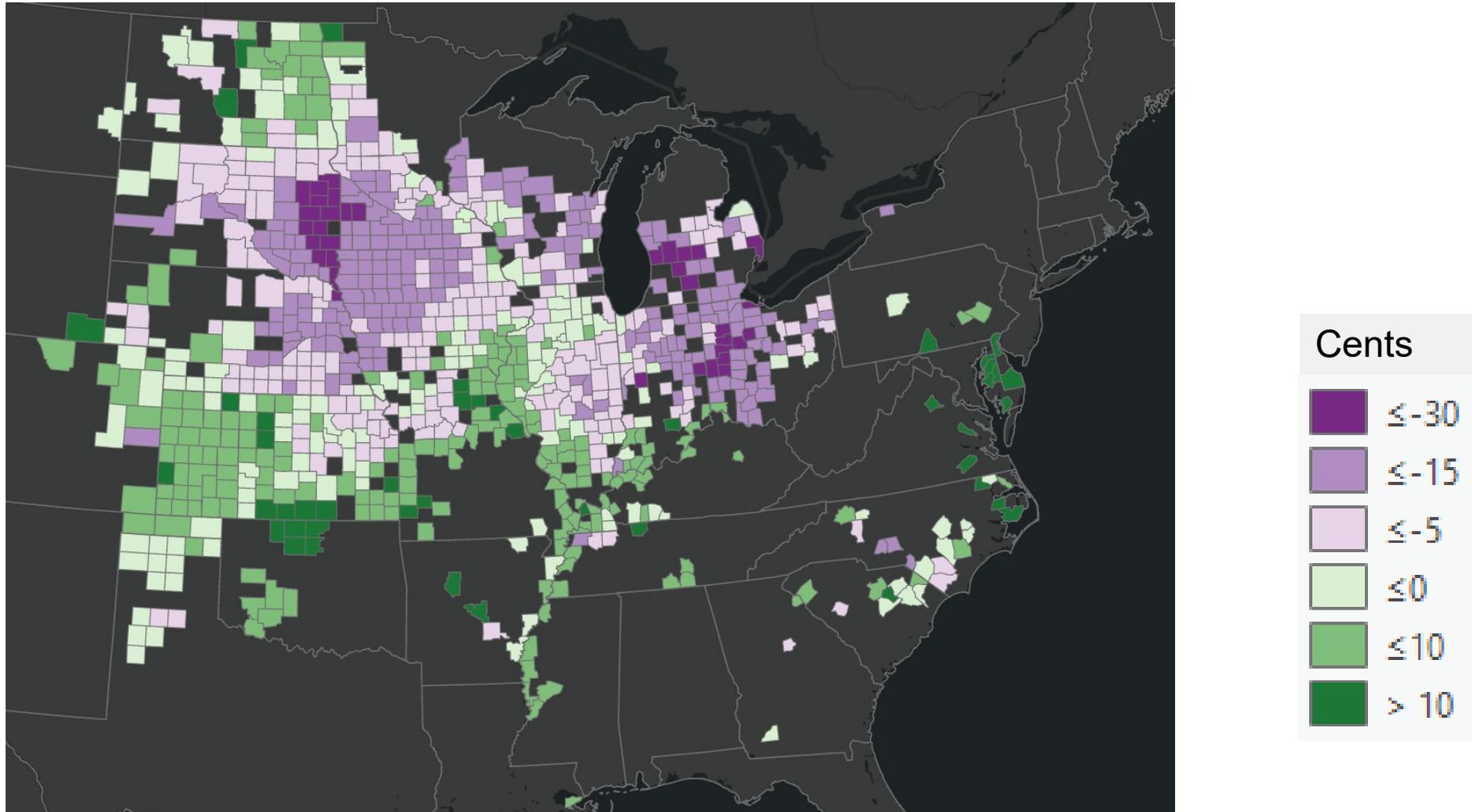


Cents

- ≤ -60
- ≤ -30
- ≤ -10
- ≤ 10
- ≤ 30
- ≤ 60
- > 60

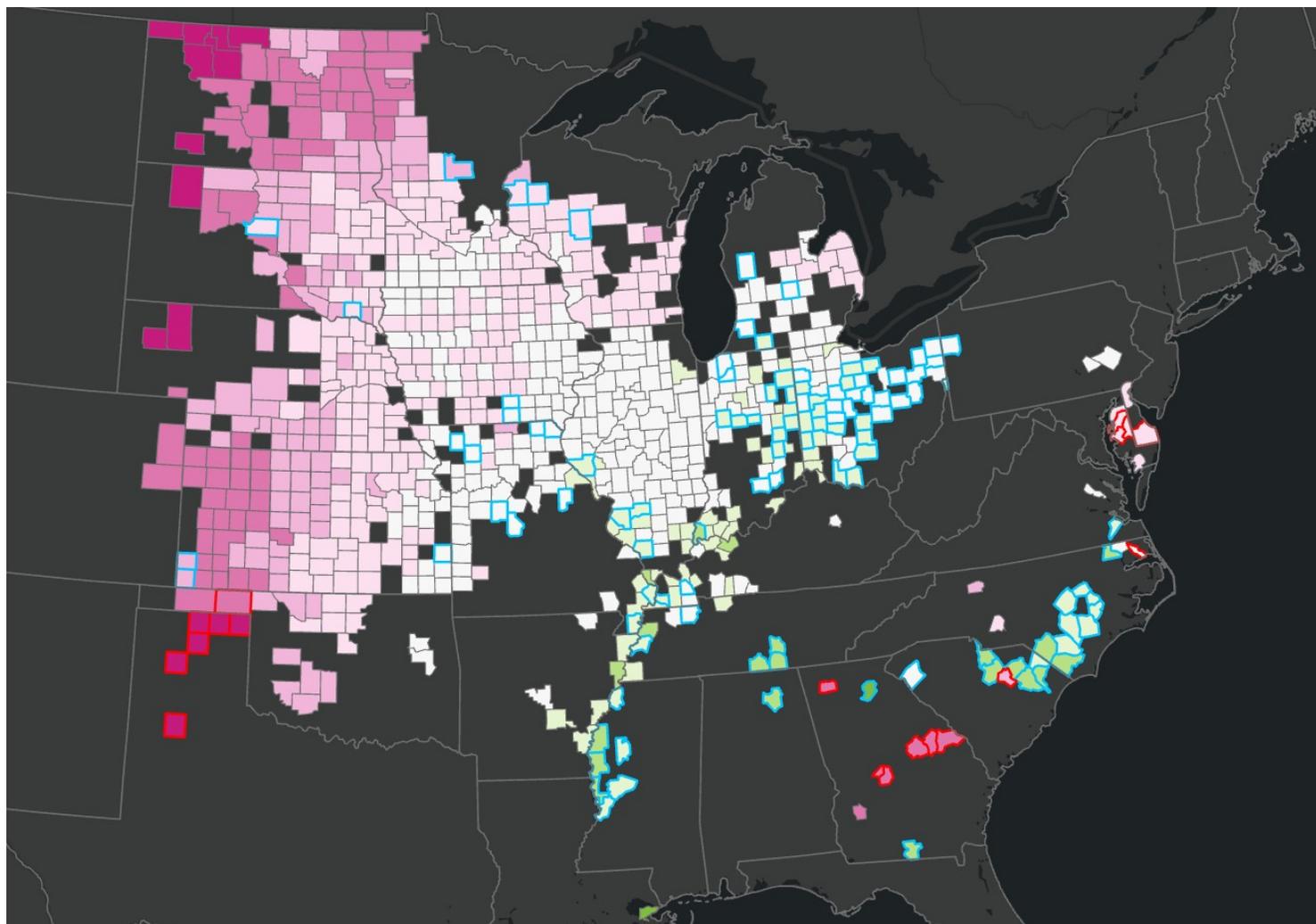
- < 1 st. dev.
- > 1 st. dev.

# Corn Basis Change for Week Ending March 27<sup>th</sup> from Jan. 2020

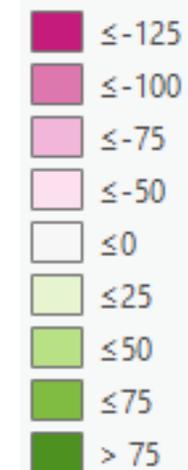


# Soybean Basis for Week Ending March 27<sup>th</sup>

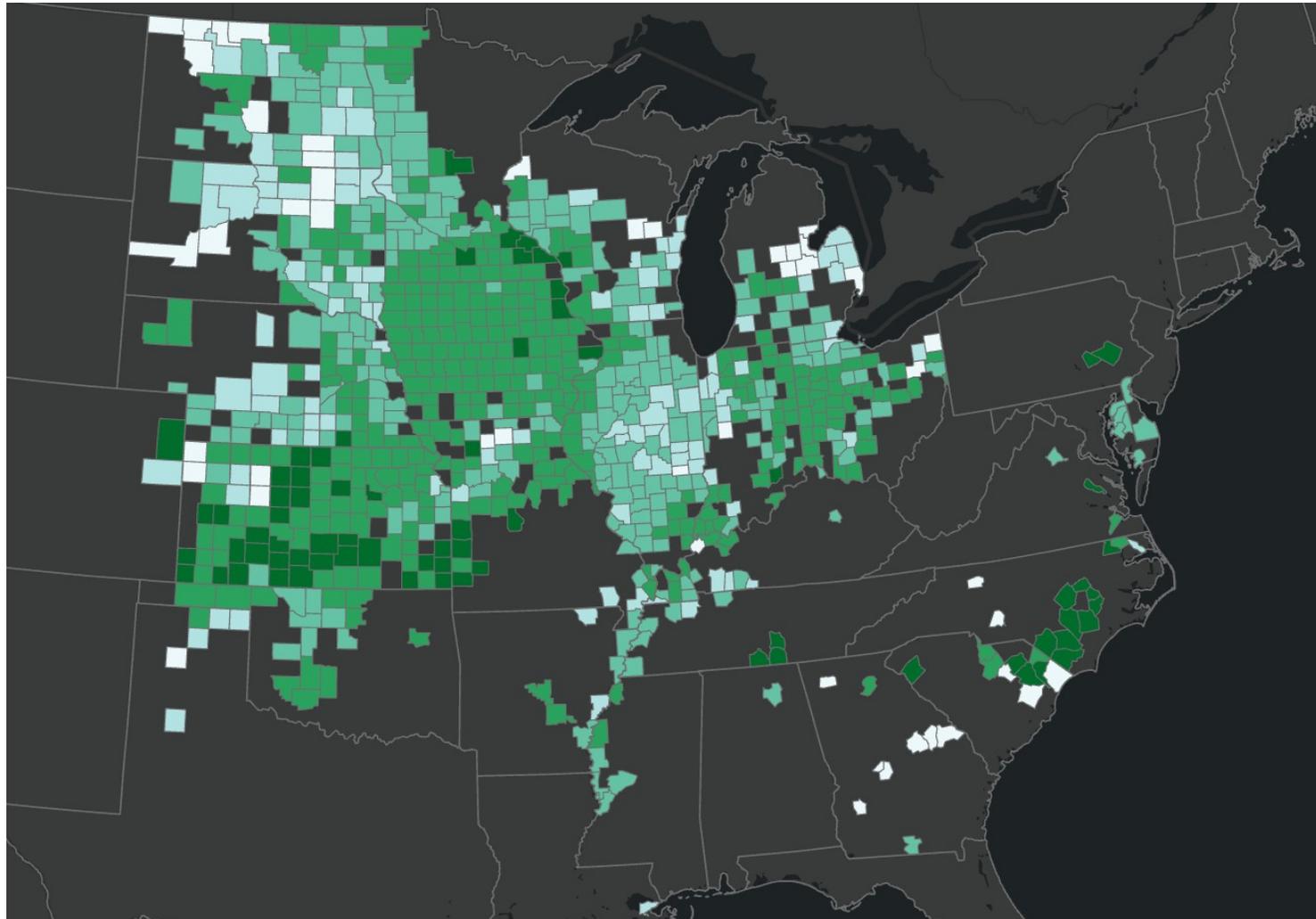
## Highlighted Counties 1 st. dev from 2009 - 2019 Average Basis



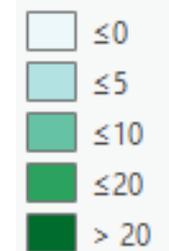
Cents



# Soybean Basis Change for Week Ending March 27<sup>th</sup> from Jan. 2020



Cents



**[As of March WASDE]**

Item	2016	2017	2018	2019	2020	%Δ
<b>Billion pounds</b>						
<b>Beef</b>	<b>25.3</b>	<b>26.3</b>	<b>26.9</b>	<b>27.2</b>	<b>27.7</b>	<b>2%</b>
<b>Pork</b>	<b>25.0</b>	<b>25.6</b>	<b>26.3</b>	<b>27.6</b>	<b>29.0</b>	<b>5%</b>
<b>Broilers</b>	<b>40.3</b>	<b>41.2</b>	<b>42.6</b>	<b>43.9</b>	<b>46.1</b>	<b>5%</b>
<b>Total<sup>1</sup></b>	<b>97.6</b>	<b>100.2</b>	<b>102.4</b>	<b>105.3</b>	<b>109.4</b>	<b>4%</b>

**Billion pounds**

<b>Milk</b>	<b>212.5</b>	<b>215.5</b>	<b>217.6</b>	<b>218.4</b>	<b>222.3</b>	<b>2%</b>
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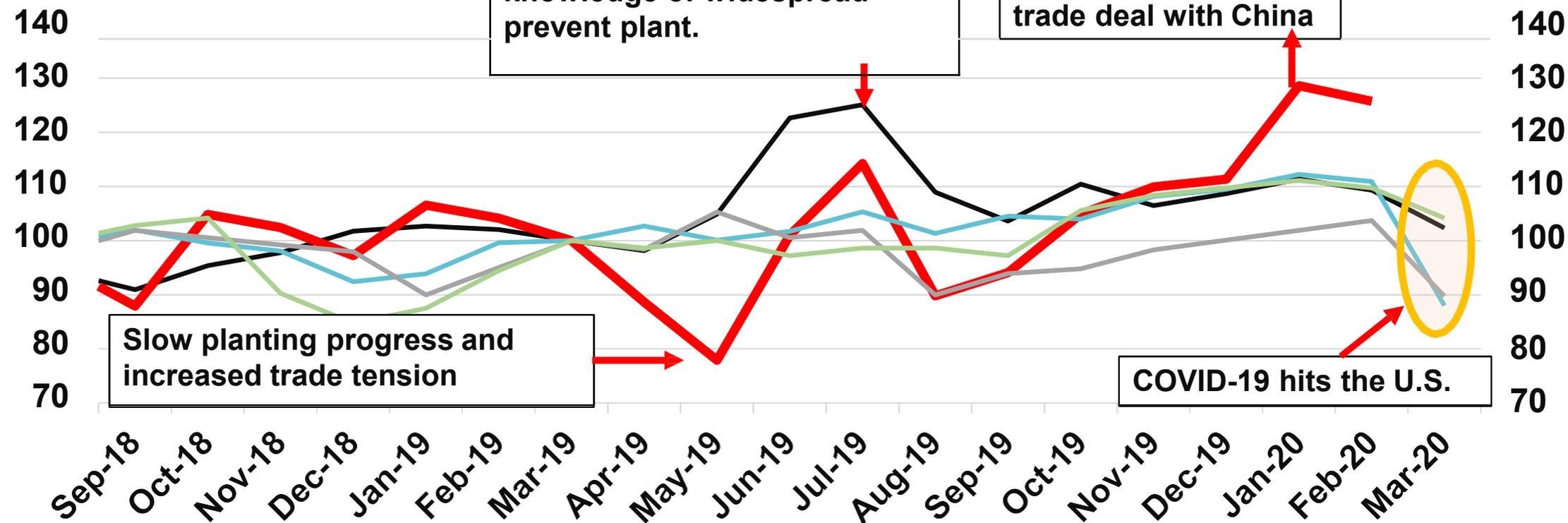
Source: USDA-OCE. Values in red denote record levels. Values as of March 2020 WASDE.

## 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 <sup>1</sup>	52- week low <sup>2</sup>	52- week high <sup>2</sup>
<b>Continuous nearby commodity futures</b>							
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
<b>Other</b>							
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

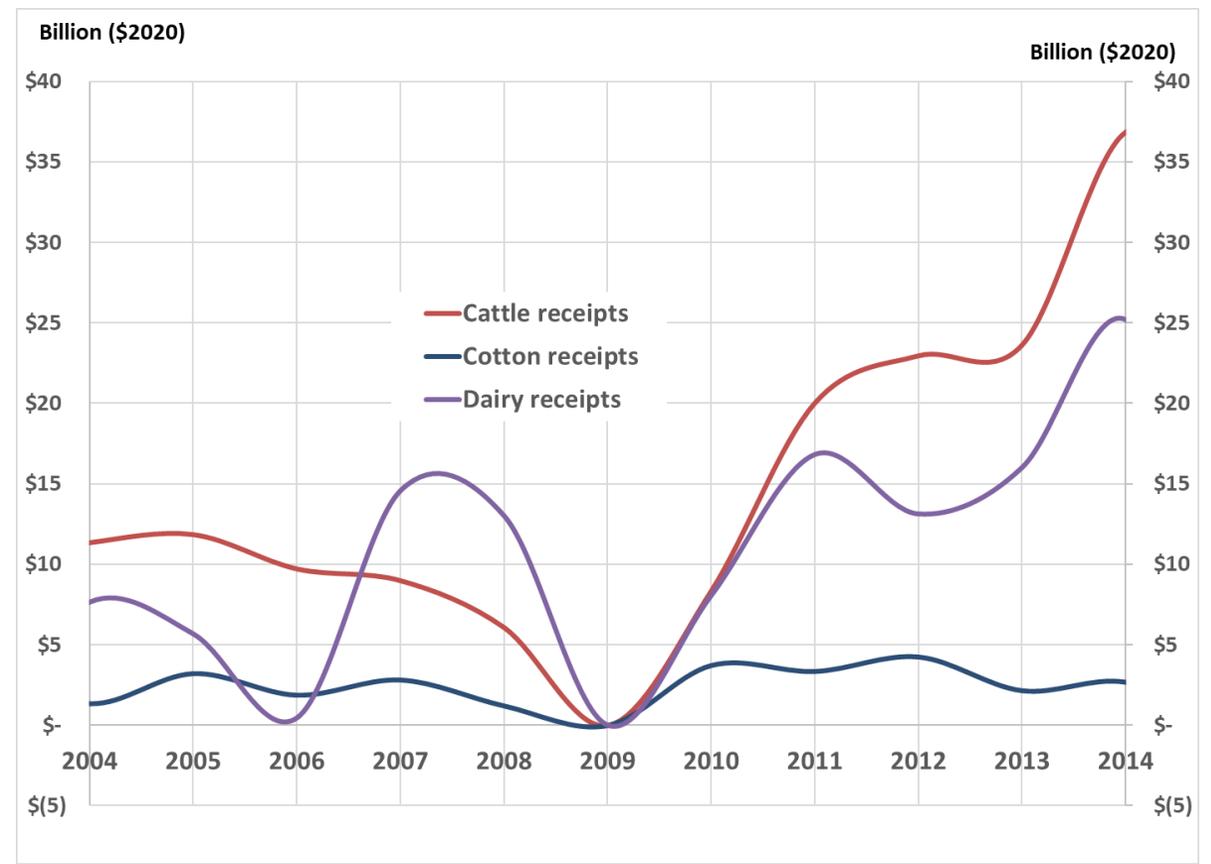
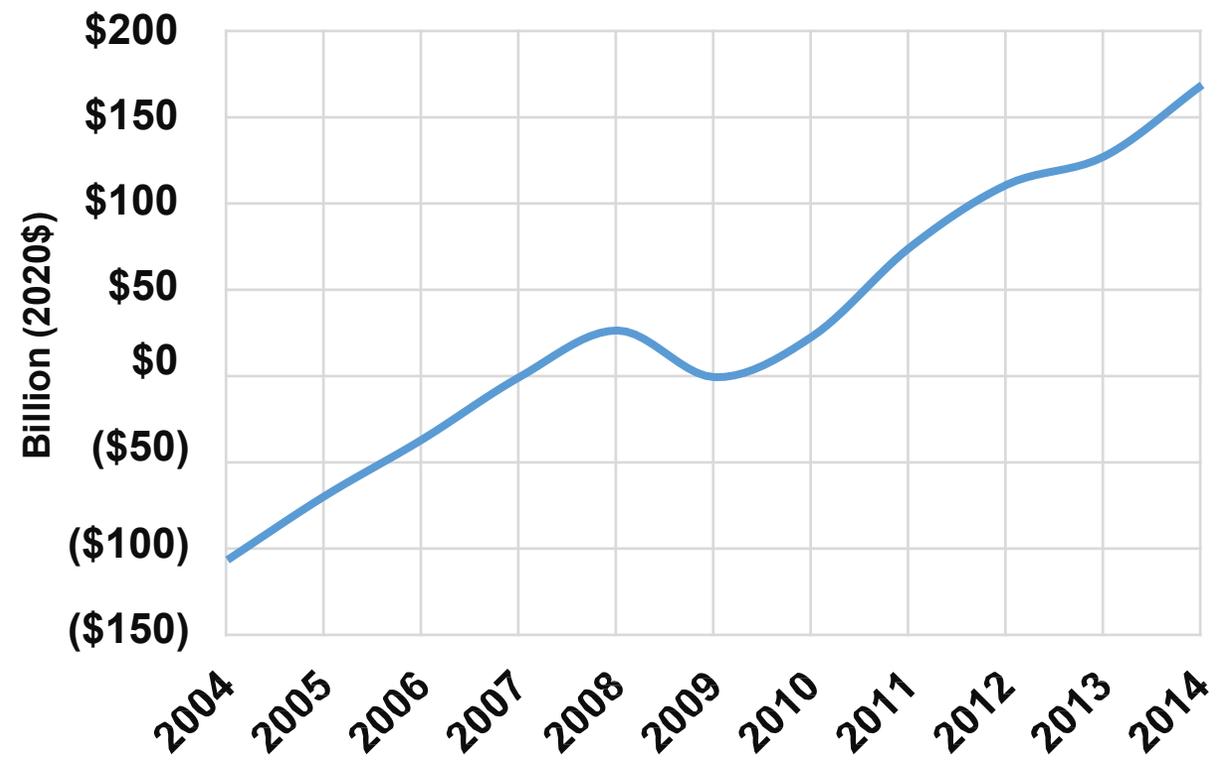


Mar 2019 = 100

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

# Last recession

Food Expenditure





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**Jonathan W. Coppess**

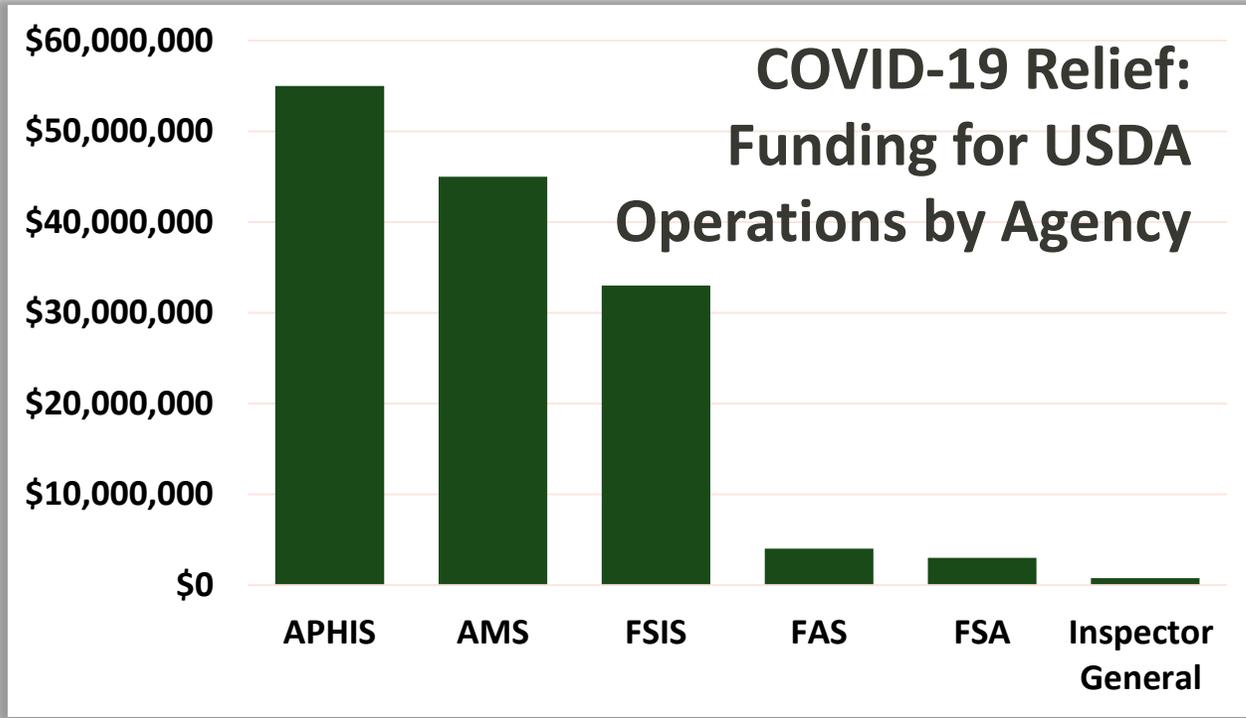
**Director, Gardner Agriculture Policy Program**

**Director, Bock Ag Law/Policy Program**

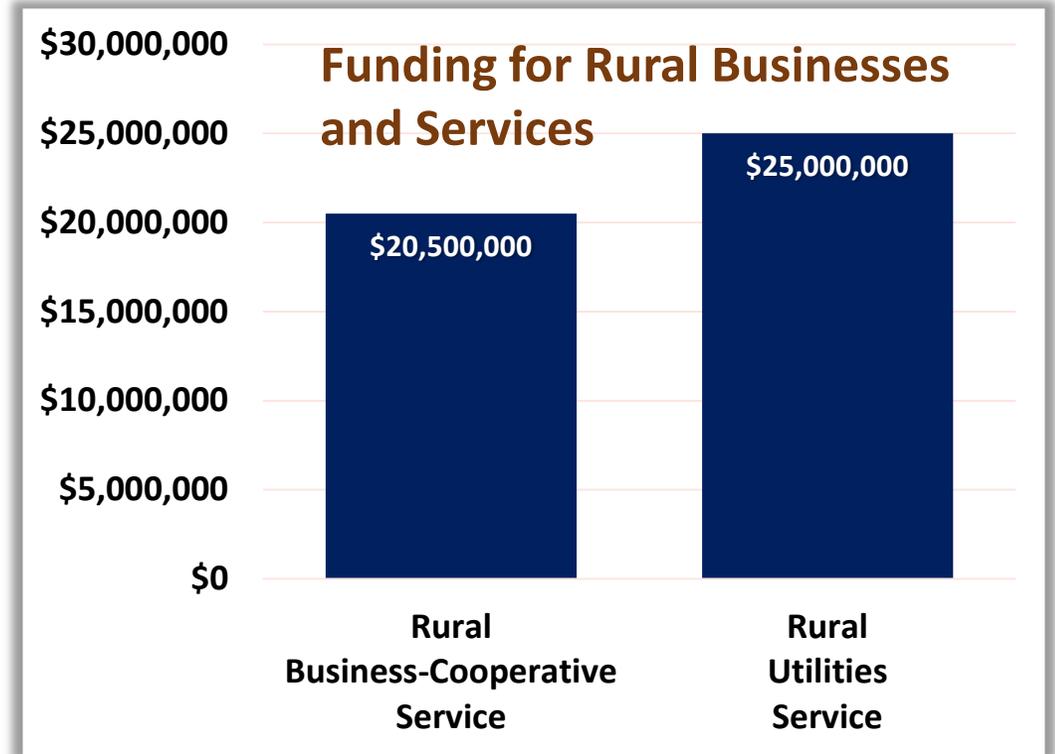
**Clinical Assistant Professor**

**University of Illinois**

# Agencies and Rural Businesses



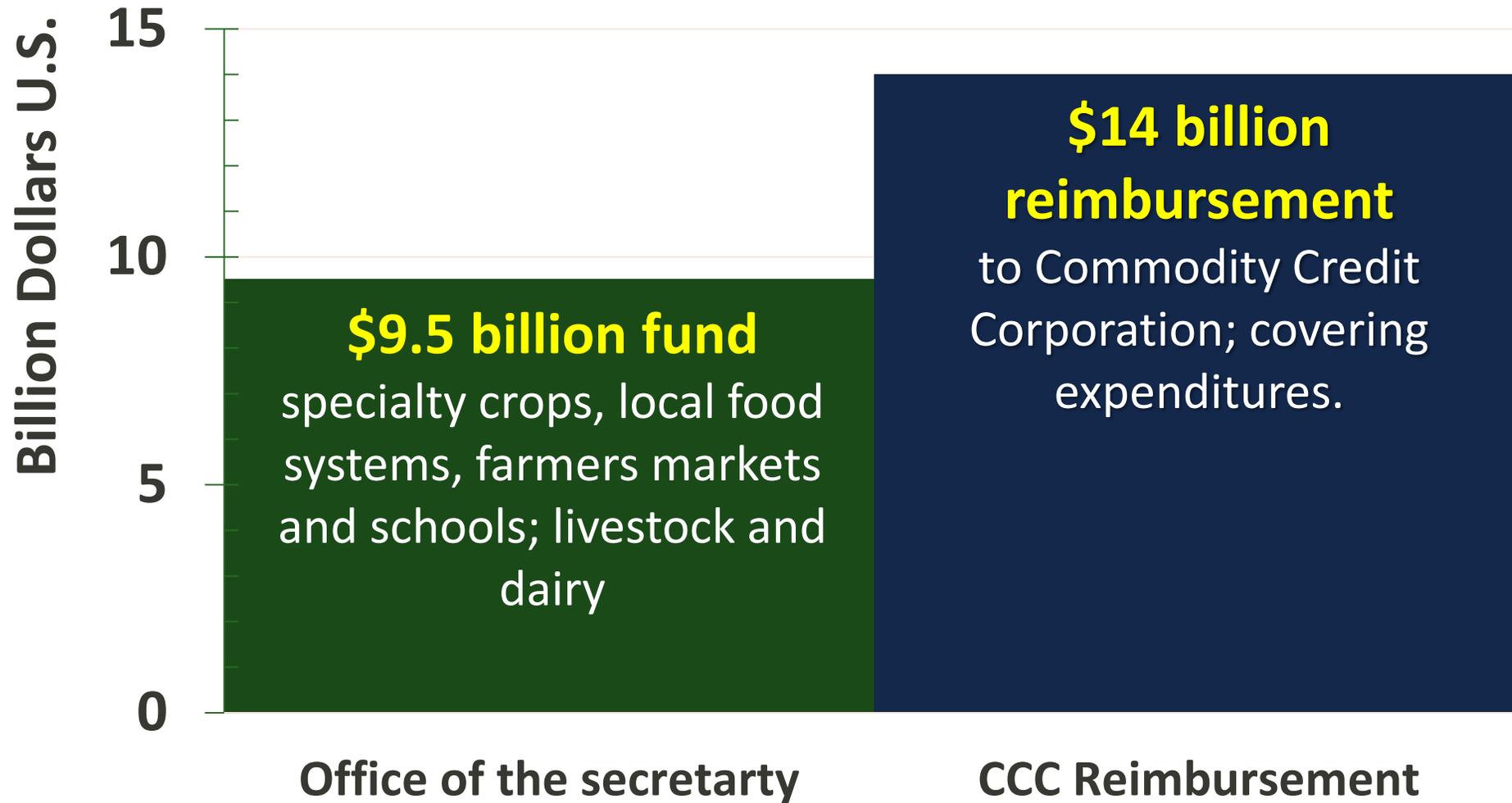
Additional funding for loans to rural businesses; and for telemedicine and distance learning services.



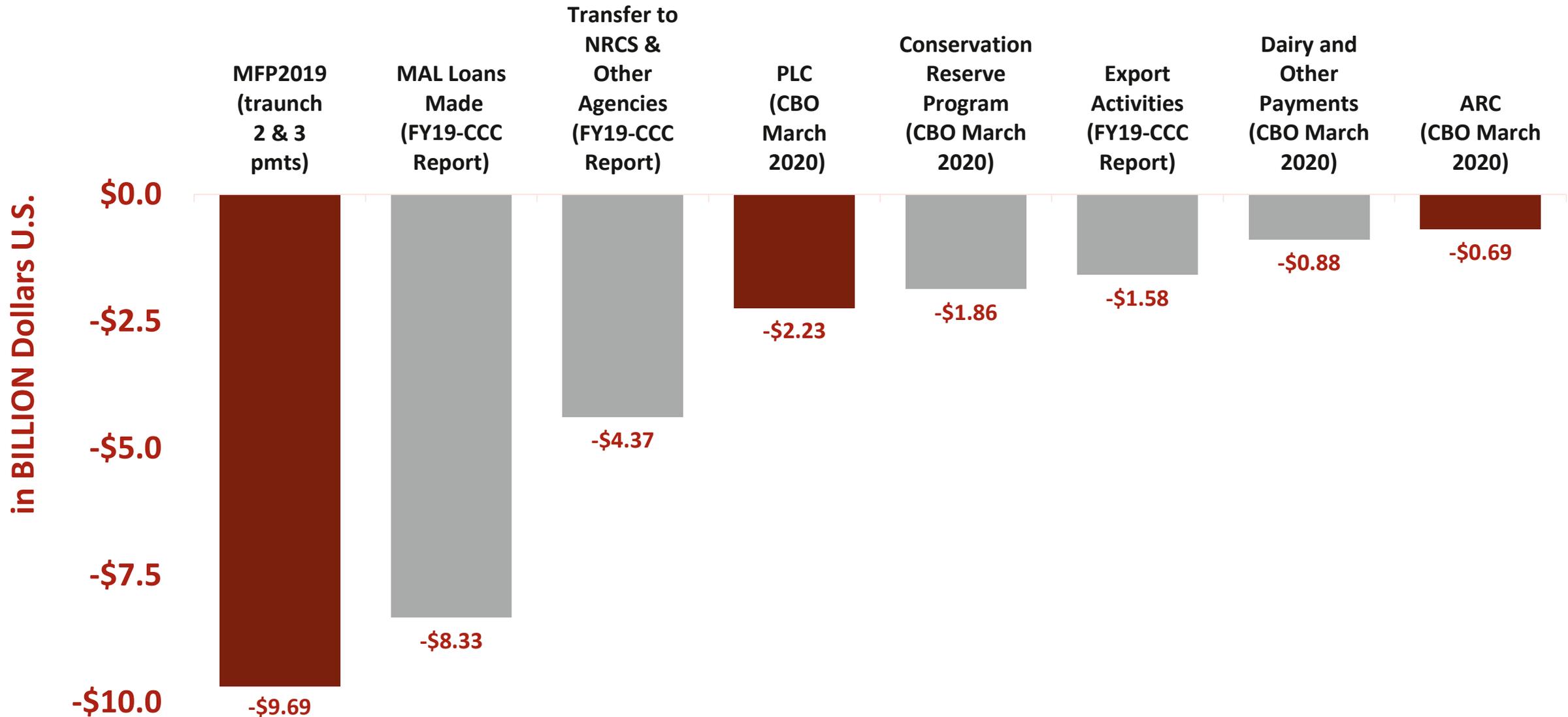
Additional funding for inspectors: meat, poultry, eggs, plants, grains, etc.

# Assistance for Farmers

## Funding Related to Assisting Producers

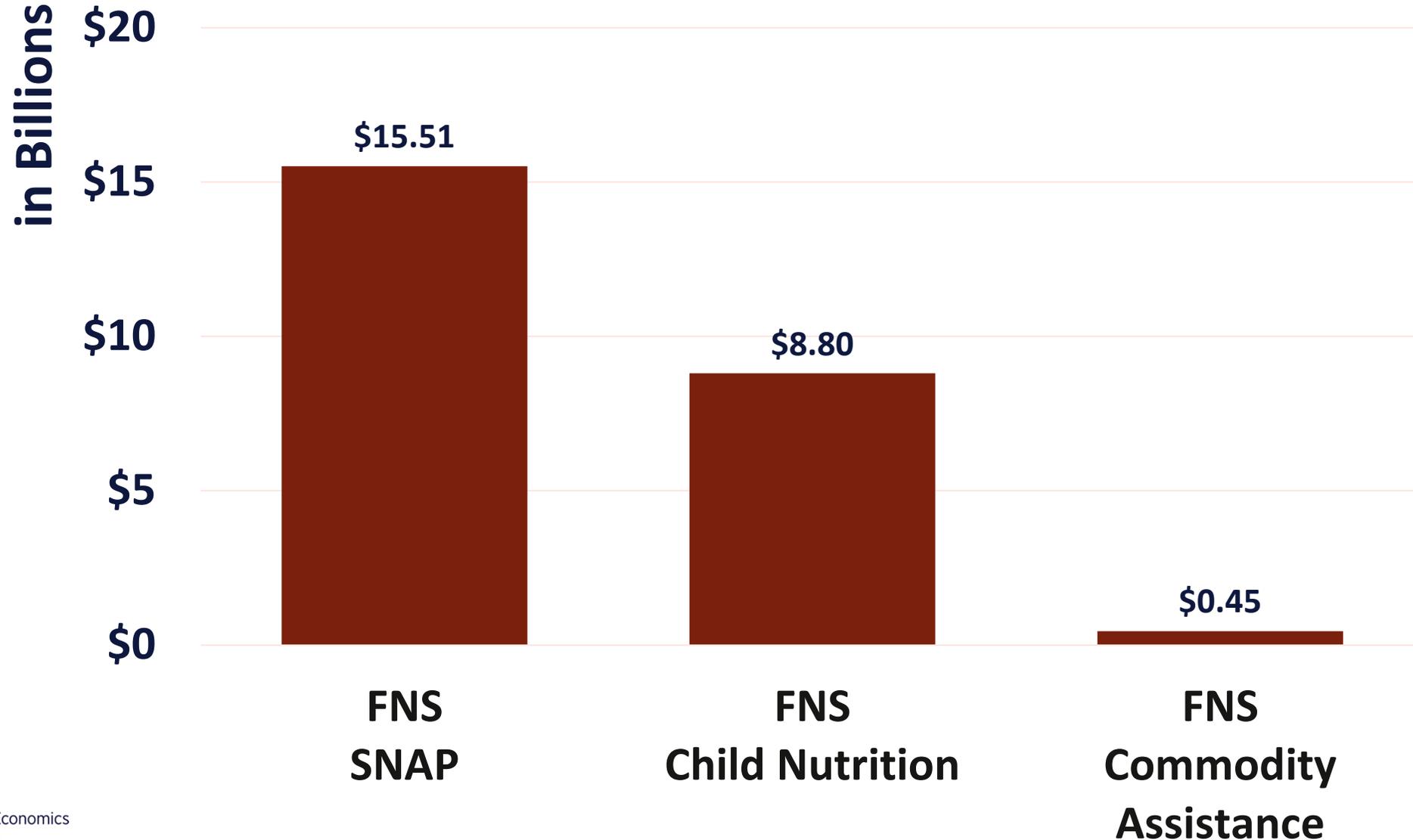


# Estimated Expected CCC Expenditures FY2020 (CBO and CCC)



# Food Assistance

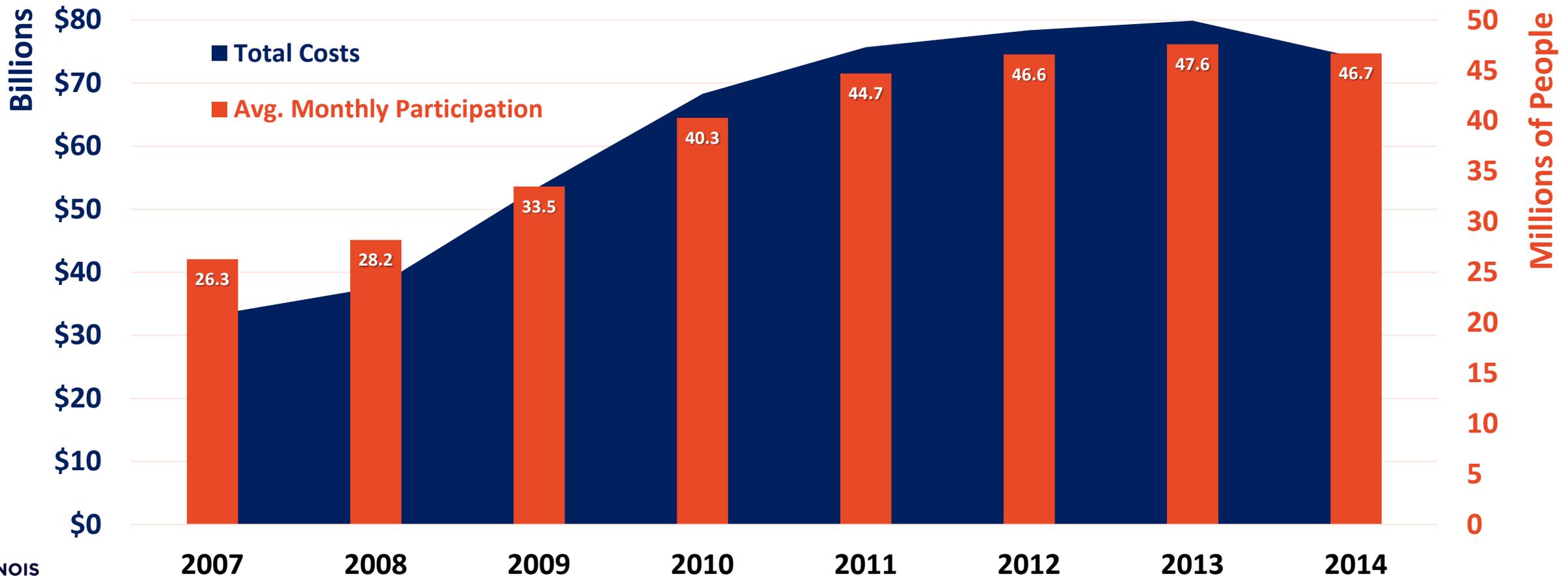
## Funding Related to Food Assistance



# 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 7<sup>th</sup>**

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

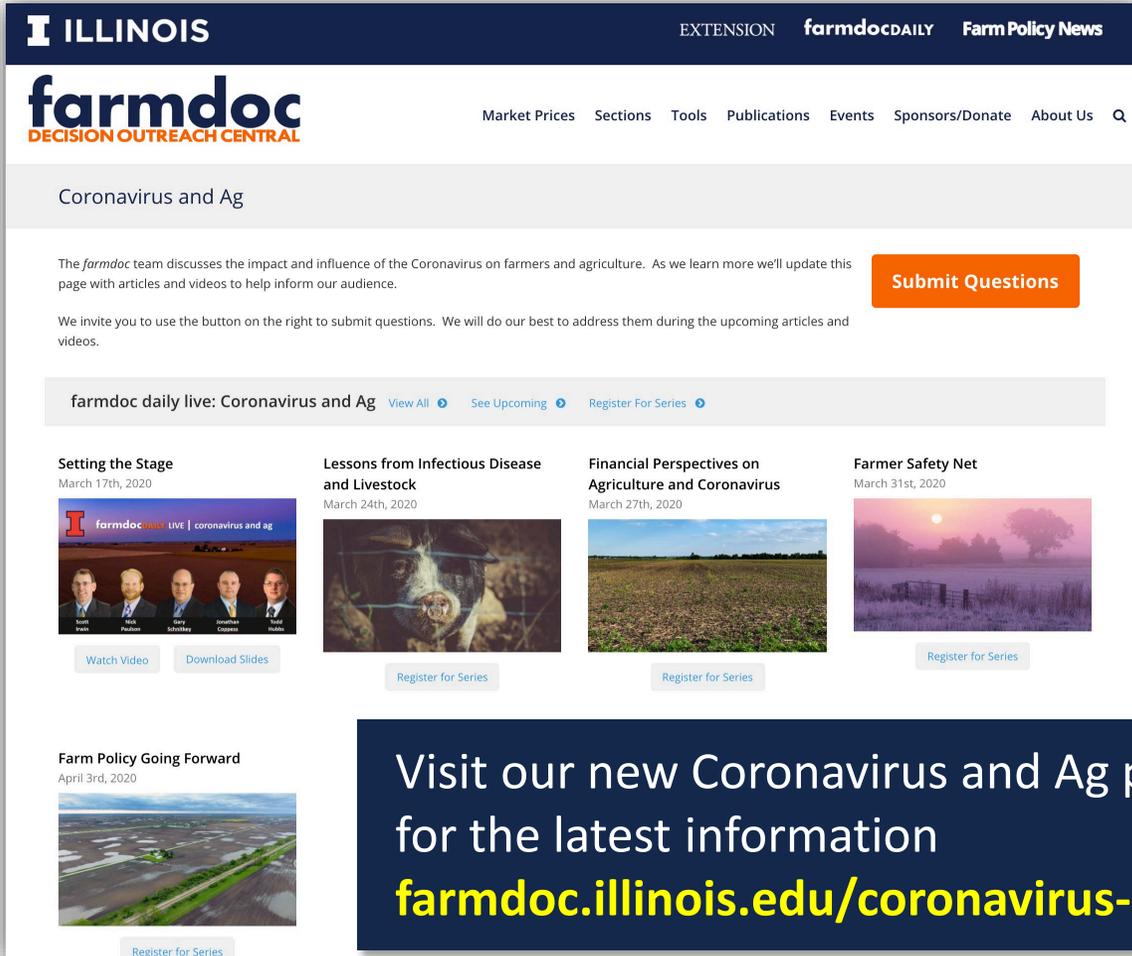
**10:00 to 11am CT, Wednesday April 8<sup>th</sup>**

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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