Economic Update

July 16, 2020

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Web Page: https://ag.tennessee.edu/arec/Pages/cropeconomics.aspx
Stock Market Bounce Back

Source: https://finance.yahoo.com/

<table>
<thead>
<tr>
<th>Date</th>
<th>DJIA</th>
<th>NASDAQ</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2</td>
<td>28,868</td>
<td>9,092</td>
<td>3,258</td>
</tr>
<tr>
<td>Mar 23</td>
<td>18,592</td>
<td>6,861</td>
<td>2,237</td>
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<tr>
<td></td>
<td>(35.6%)</td>
<td>(24.5%)</td>
<td>(31.3%)</td>
</tr>
<tr>
<td>Jul 15</td>
<td>26,989</td>
<td>10,561</td>
<td>3,232</td>
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</tbody>
</table>
Monthly U.S. Unemployment Rate, 2020

Unemployment Rate (%)

Jan  3.6
Feb  3.5
Mar  4.4
Apr  14.7
May  13.3
Jun  11.1

Lower than expected.
Trending in a good direction.
Once programs federal support (ie airlines, PPP) concludes, Is there a spike?
Will be subject to partial closures, COVID-19 hotspots etc?

The (Federal Pandemic Unemployment Compensation) $600 can be paid for weeks ending no later than the week ending prior to Friday, July 31, 2020. For all states except (New York), that is Saturday, July 25th.

How does the unemployment numbers react after the $600 federal unemployment boost ends (end of Q3 and Q4).

Will there be a program to replace it or encourage hiring employees?

Summary of Receipts, Outlays, and the Deficit (+)/Surplus (-) of the U.S. Government Fiscal Year 2020, by Month

Percent Change in Tennessee Row Crop Spot Prices reported by Elevators and Barge Points, January 1- July 13, 2020

-6.3%, $8.97
-10.1%, 60.82
-10.3%, $5.29
-15.7%, $3.43
Crops Summary

• Bearish global and national supply fundamentals for most crops (large stocks, good production, diverse production regions).
  – Weather will continue to drive supply projections.

• COVID-19 continues to provide demand uncertainty particularly for corn (ethanol) and cotton (retail).

• Trade (China) remains unpredictable.

• Prices are likely to continue at or below cost of production for many producers.
Percent Change in August Contracts Lean Hogs, Feeder Cattle, and Class III Milk, January 2 to July 15, 2020

Feeder Cattle (GFQ20)
Class III Milk (DLQ20)
Lean Hogs (HEQ20)
Livestock Summary

- Milk prices 16-18 in the fall?
  - Impact of schools etc.
  - USMCA?

<table>
<thead>
<tr>
<th></th>
<th>700-800 lb. Steers</th>
<th>700-800 lb. Heifers</th>
<th>500-600 lb. Steers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug</td>
<td>133-137</td>
<td>118-122</td>
<td>133-137</td>
</tr>
<tr>
<td>Oct</td>
<td>133-137</td>
<td>118-122</td>
<td>126-130</td>
</tr>
<tr>
<td>Nov</td>
<td>132-136</td>
<td>117-121</td>
<td>127-131</td>
</tr>
<tr>
<td>Jan</td>
<td>133-137</td>
<td>118-122</td>
<td>142-146</td>
</tr>
</tbody>
</table>

- 700-800 lb. load lot price
- 500-600 lb. weekly auction
Accumulated CFAP Payments to Tennessee Producers (signup ends August 28)

- Livestock
- Non-specialty Crop
- Dairy
- Specialty

June 8, 2020: $0
June 15, 2020: $0
June 22, 2020: $21.67
June 29, 2020: $5.75
July 6, 2020: $80.23
July 13, 2020: $80.23

Accumulated Payments

- Millions

$0 to $80.23
Farms and CFAP applications will not match up one-for-one.

- Tennessee has approximately:
  - 180 licensed dairies
  - 33,000 beef farms
  - 8,000 corn, cotton, and soybean farms.

There will be overlap (farms counted in multiple commodities).
CFAP Payments

• Keep getting the word out.
• Send notifications out to member/client lists providing information on signup.
• Strategies to reach non-traditional ag audiences (particularly beef cattle)
  – EX) If you owned 10 cows and 10 calves between April 16 and May 14, 2020 you will receive a minimum of $660 ($33/head).
  – This is federal money that can help Tennesseans make loan, payments, cover feed bills, purchase inputs, etc.
Economic Impact

• Impacts of COVID-19 Pandemic on Tennessee’s Agriculture and Economy
  - Agri-Industry Modeling & Analysis Group (AIM-AG)
    – Projected Crop Market and Tennessee Farm Income Impacts from the COVID-19 Pandemic
    – Economic Impacts of the COVID-19 Virus on Tennessee Producers of Major Program Crops
    – Economic Impact Methods Employed to Estimate Regional Impacts
    – Tennessee Cattle Marketing Influenced by COVID-19
    – Covid-19 Impact on Activity for Smaller Agricultural Processing and Marketing Firms During May 17-23, 202
    – Covid-19 Impact on Tennessee Household Food Sufficiency
• https://ag.tennessee.edu/arec/Pages/COVIDImpacts.aspx
Summary

• Most prices are still below early 2020 levels.

• Covid-19 continues to influence supply chains and demand for agricultural products and goods. This is likely to continue into 2021.

• Government support (EI bump, PPP, EIDL, CFAP, ARC/PLC, MFP) has been substantial.

• Policy uncertainty moving forward is complicated by the federal election.
THANK YOU!

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