

# Economic Update

July 16, 2020

Dr. S. Aaron Smith Associate Professor and Extension Economist

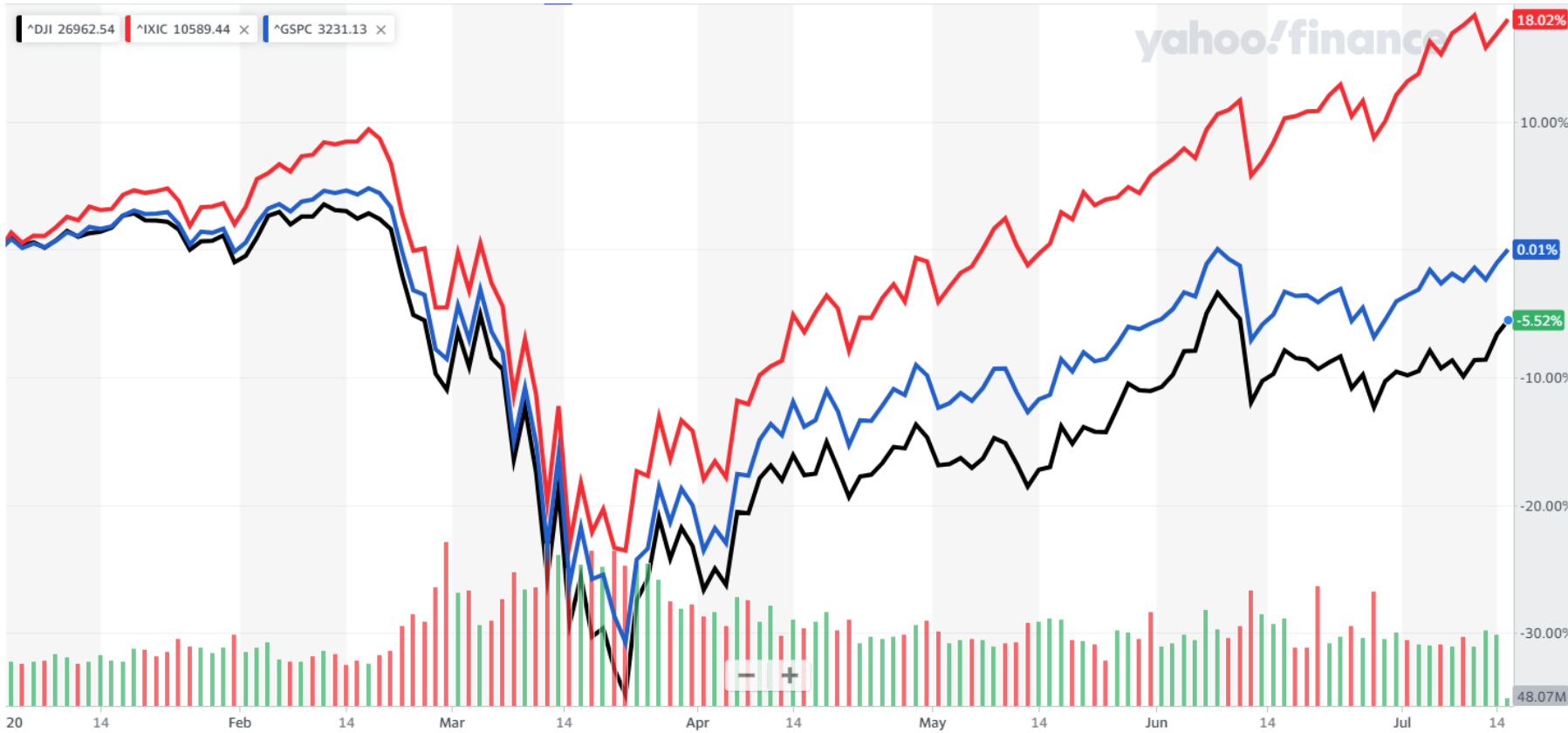
Department of Agricultural and Resource Economics

University of Tennessee Institute of Agriculture

Email: [aaron.smith@utk.edu](mailto:aaron.smith@utk.edu)

Web Page: <https://ag.tennessee.edu/arec/Pages/cropeconomics.aspx>

# Stock Market Bounce Back



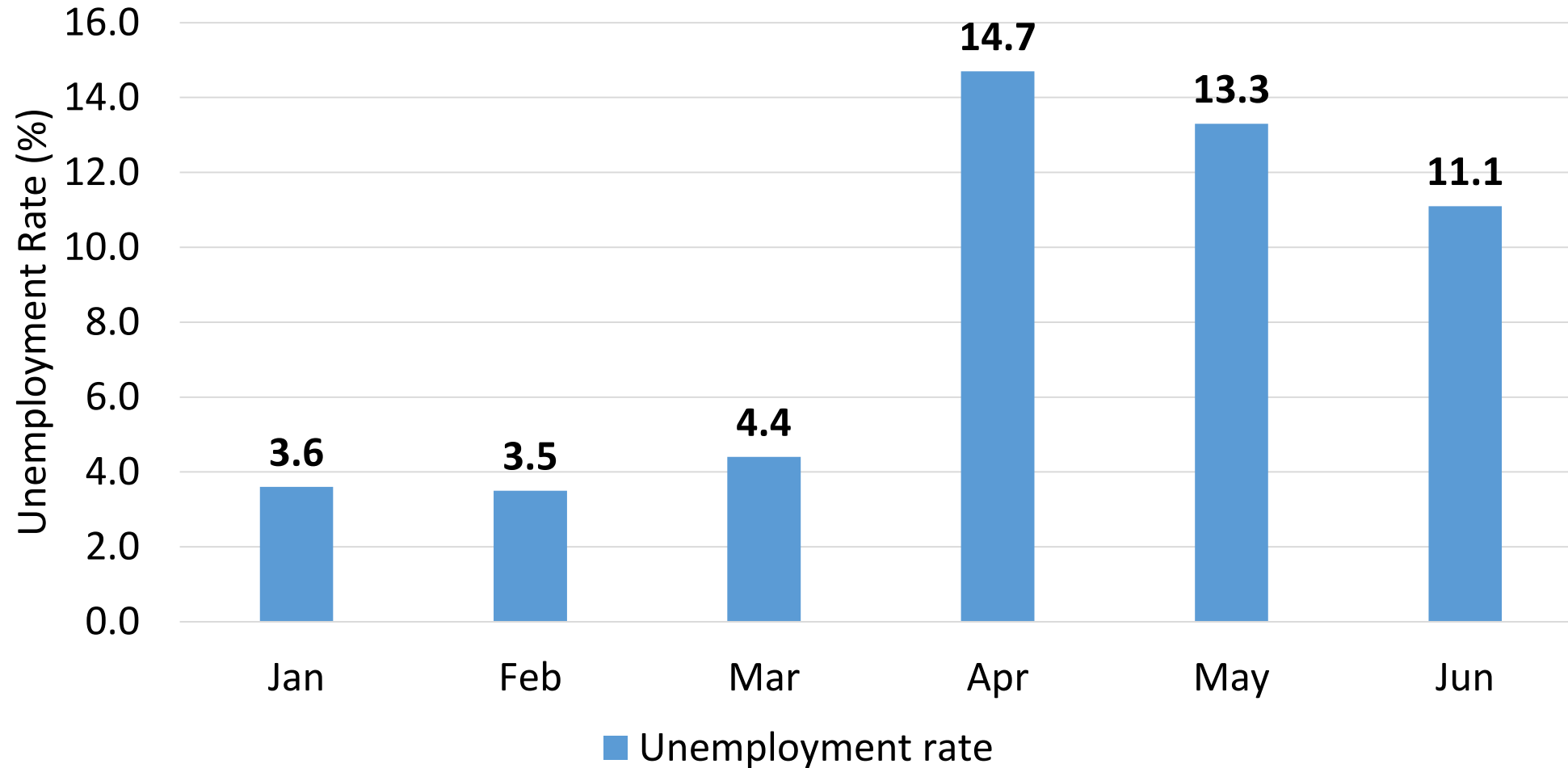
	DJIA	NASDAQ	S&P
Jan 2	28,868	9,092	3,258
Mar 23	18,592 (35.6%)	6,861 (24.5%)	2,237 (31.3%)
Jul 15	26,989	10,561	3,232

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

Real. Life. Solutions.

**UFEXTENSION**  
INSTITUTE OF AGRICULTURE  
THE UNIVERSITY OF TENNESSEE

# Monthly U.S. Unemployment Rate, 2020



Lower than expected.

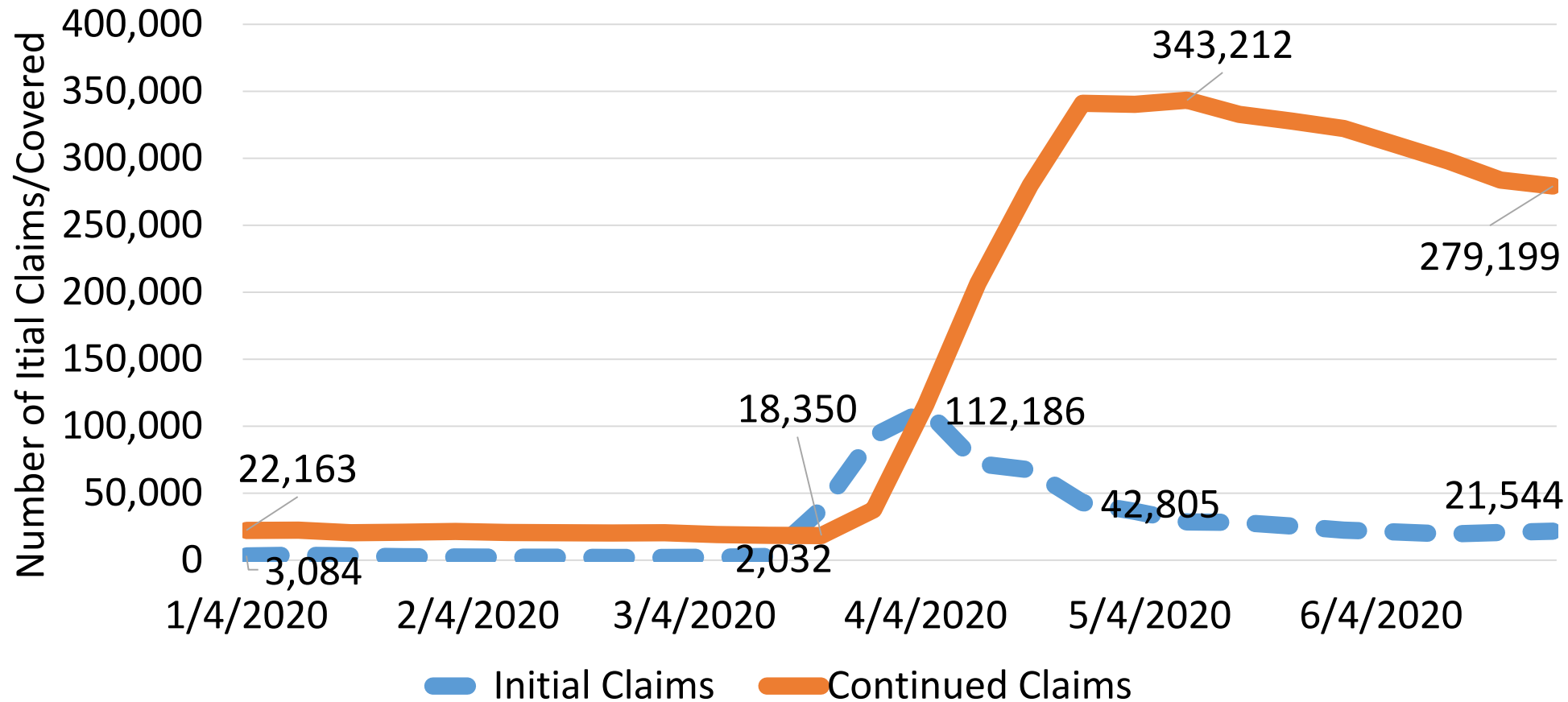
Trending in a good direction.

Once programs federal support (ie airlines, PPP) concludes, Is there a spike?

Will be subject to partial closures, COVID-19 hotspots etc?

Source: US Department of Labor - <https://www.bls.gov/cps/tables.htm>

## Weekly Tennessee Unemployment Insurance Data (not seasonally adjusted), 2020



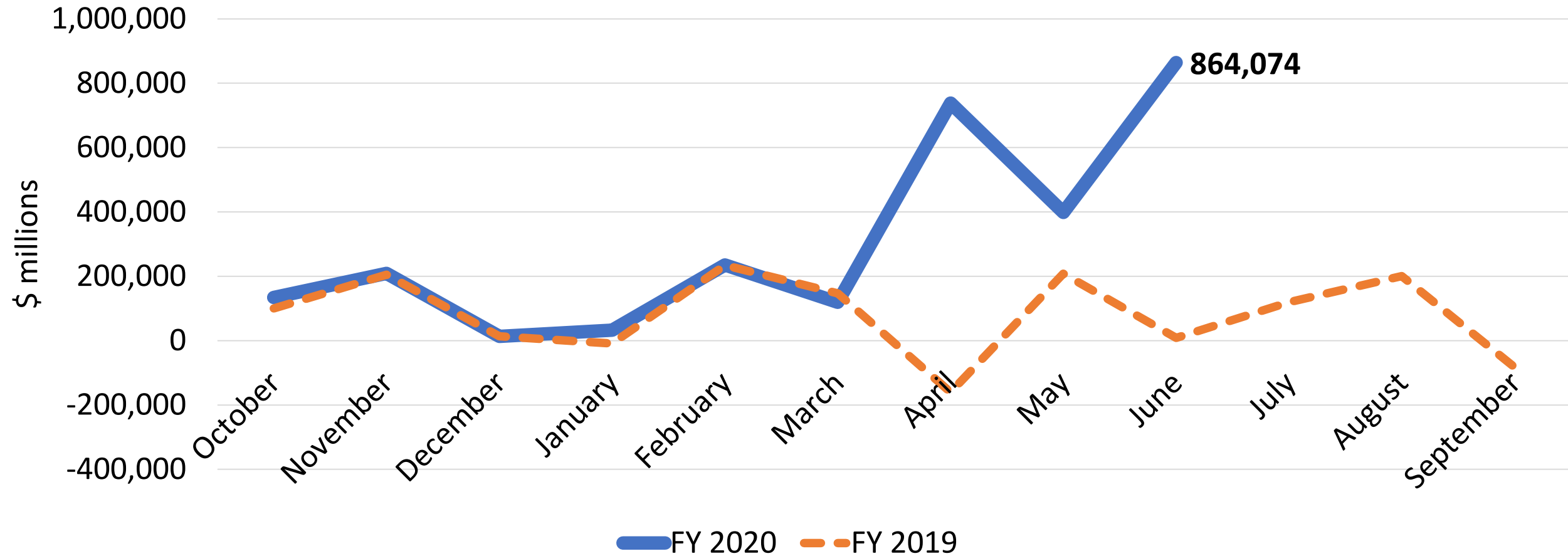
The (Federal Pandemic Unemployment Compensation) \$600 can be paid for weeks ending no later than the week ending prior to Friday, July 31, 2020. For all states except (New York), that is Saturday, July 25th.

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?

Source: US Department of Labor - <https://oui.doleta.gov/unemploy/claims.asp>

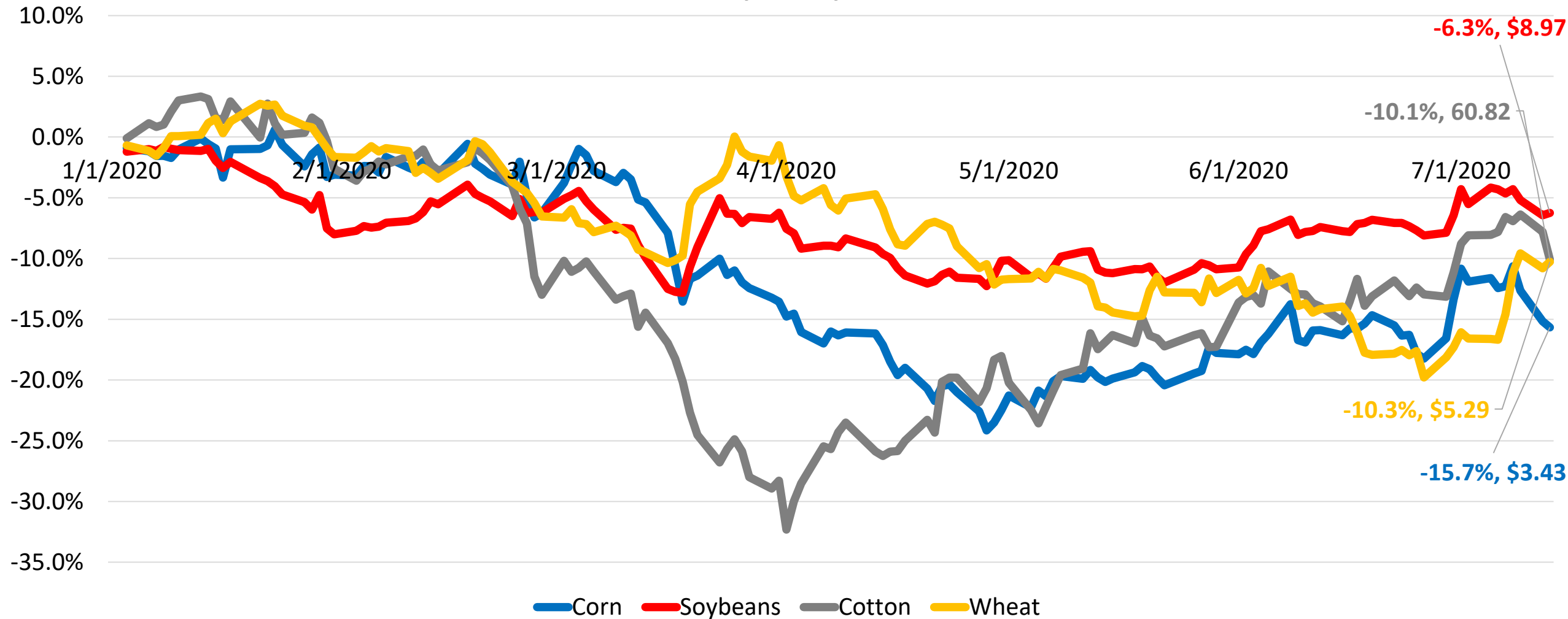
# Summary of Receipts, Outlays, and the Deficit (+)/Surplus (-) of the U.S. Government Fiscal Year 2020, by Month



Source: Bureau of the Fiscal Service - <https://www.fiscal.treasury.gov/reports-statements/mts/current.html>

Real. Life. Solutions.

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

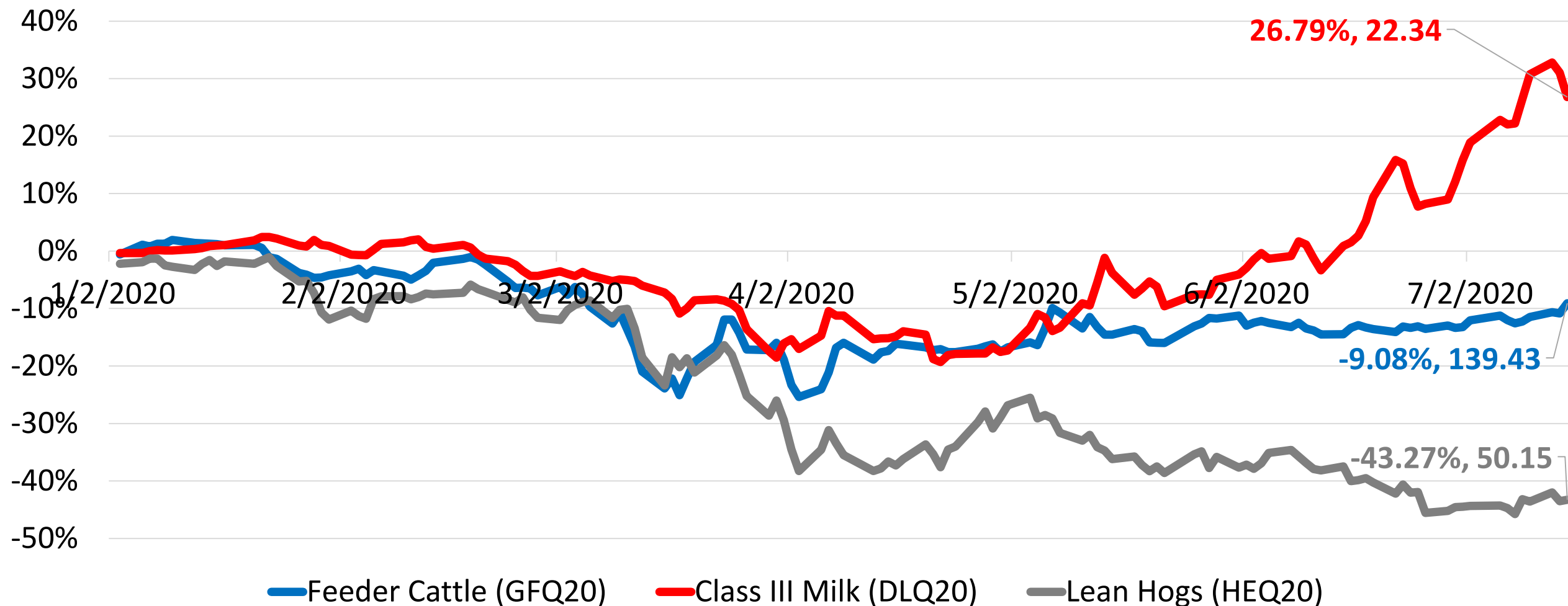


Real. Life. Solutions.

# 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





# Livestock Summary

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

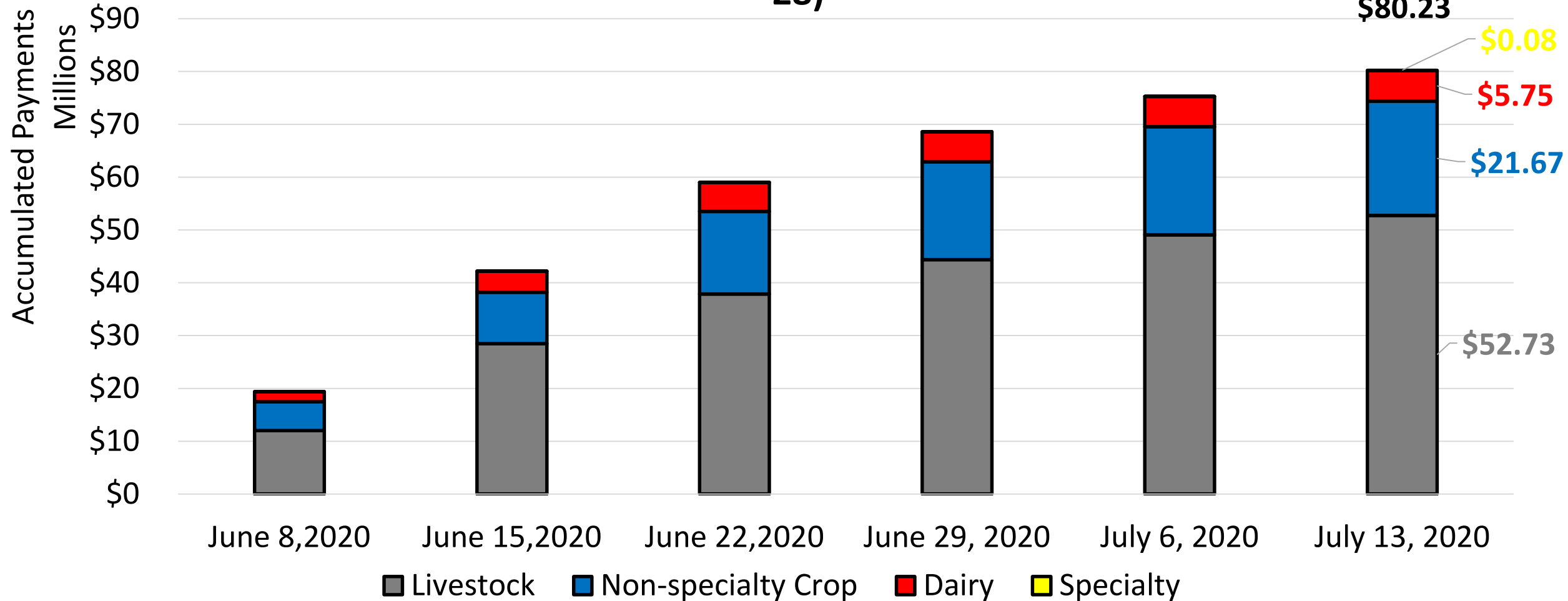
Futures Based Feeder Cattle Price  
Forecast

	700-800 lb. Steers	700-800 lb. Heifers	500-600 lb. Steers
Aug	133-137	118-122	133-137
Oct	133-137	118-122	126-130
Nov	132-136	117-121	127-131
Jan	133-137	118-122	142-146

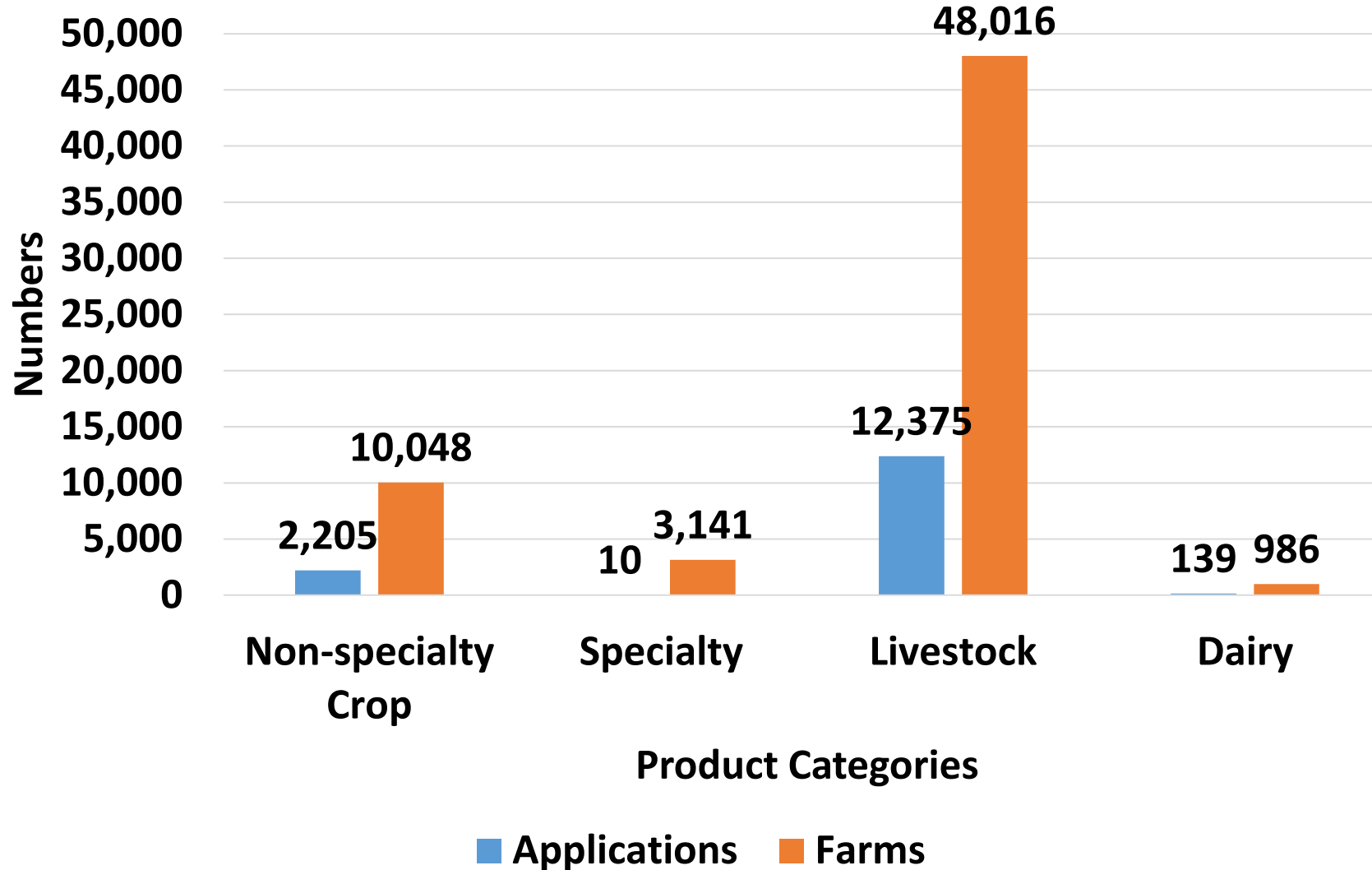
➤ 700-800 lb. load lot price

➤ 500-600 lb. weekly auction

## Accumulated CFAP Payments to Tennessee Producers (signup ends August 28)



# Tennessee Applications and Farm Numbers



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 over lap (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.

July 16, 2020

Dr. S. Aaron Smith Associate Professor and Extension Economist

Department of Agricultural and Resource Economics

University of Tennessee Institute of Agriculture

Email: [aaron.smith@utk.edu](mailto:aaron.smith@utk.edu)

Web Page: <https://ag.tennessee.edu/arec/Pages/cropeconomics.aspx>

# THANK YOU!



Real. Life. Solutions.

