

# COVID-19 Economic Developments and U.S. Agriculture

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*April 16, 2020*



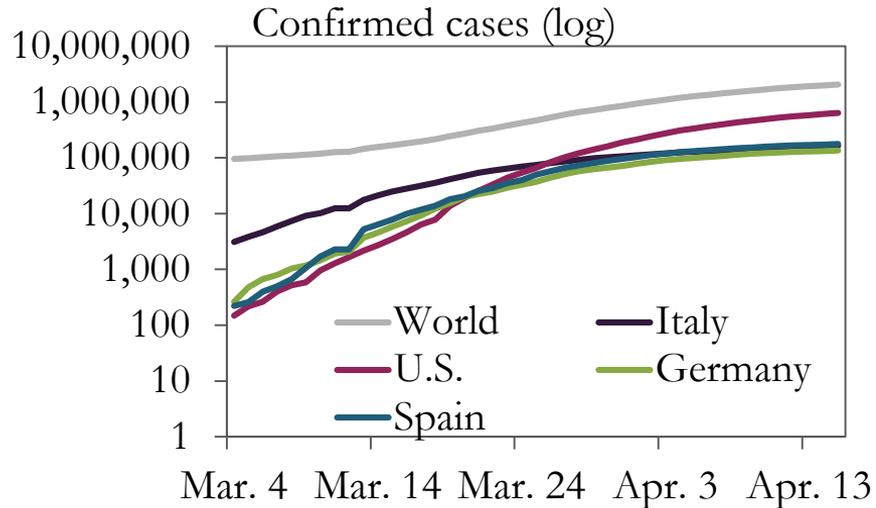
# Outlook Themes

- A sharp economic pullback tied to COVID-19 began in late February, with varying industry-level and regional effects.
- Recent data show a sharp increase in unemployment both in the nation, and regionally.
- Actions undertaken by the Federal Reserve are intended to ensure financial markets continue to function smoothly.
- While some industries were affected very directly, agriculture likely will also face additional pressure in the coming months.

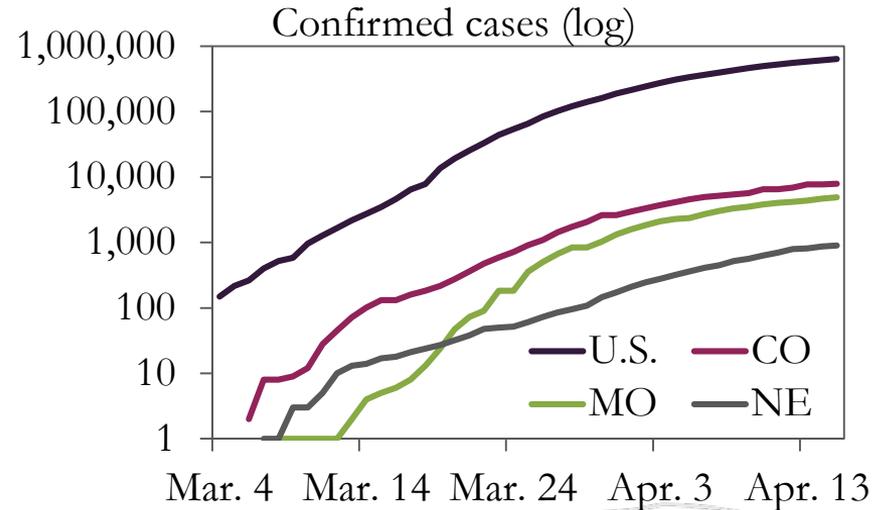


# The number of COVID-19 cases accelerated in March, but the increase has slowed recently.

## Global COVID-19 Cases

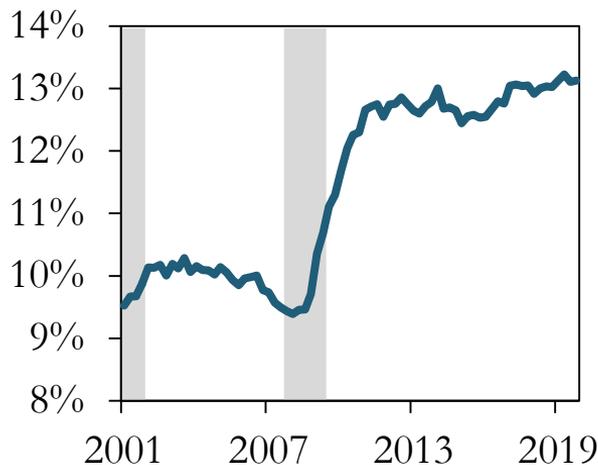


## Regional COVID-19 Cases

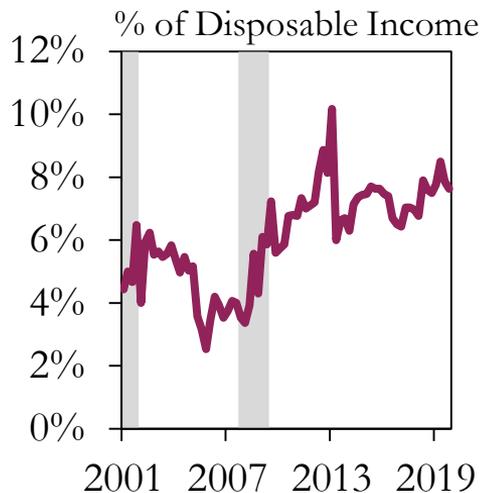


# The economic shock has been severe, but there are key differences when compared to the last recession.

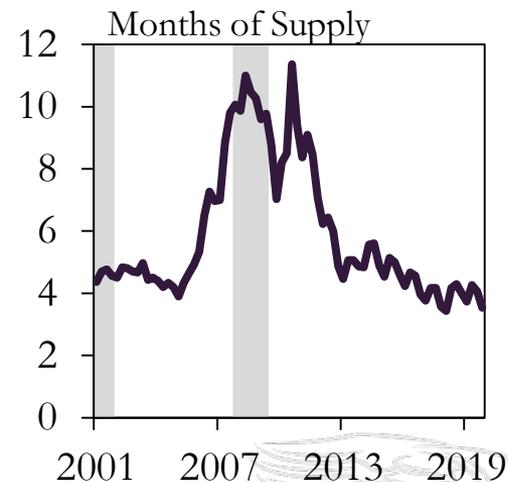
## Commercial Banks: Risk-Based Capital to Risk-Weighted Assets



## Personal Savings

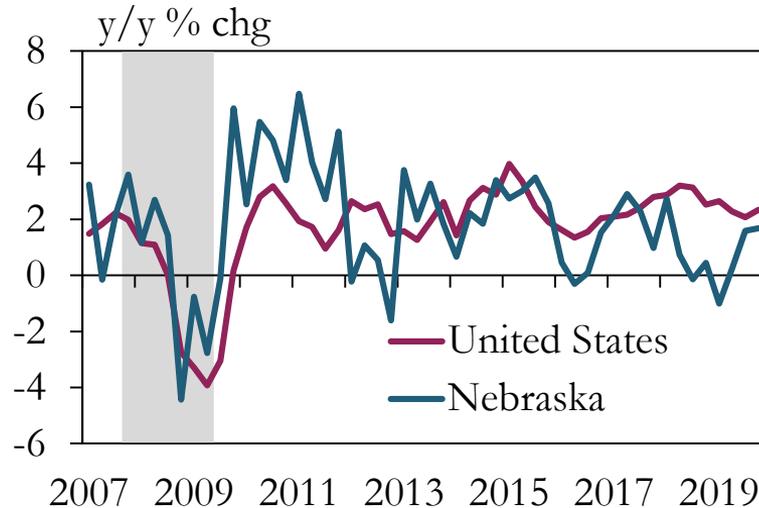


## Housing Inventory

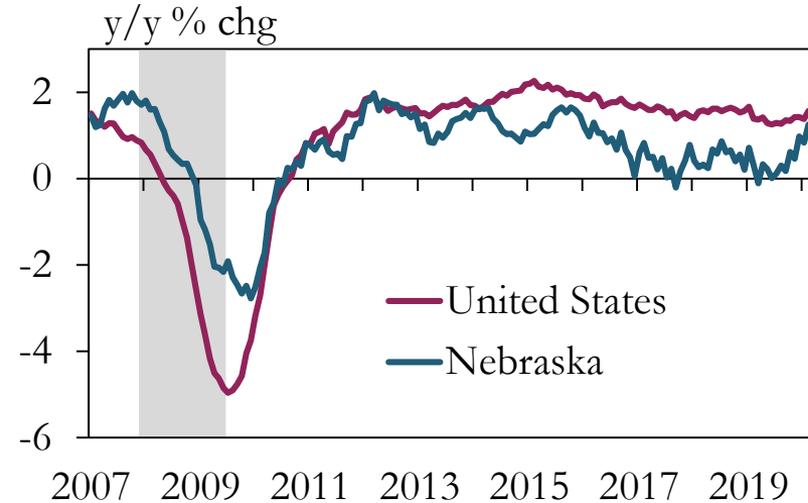


# Prior to the crisis, the U.S. and regional economy appeared to be on solid footing.

## Gross Domestic Product

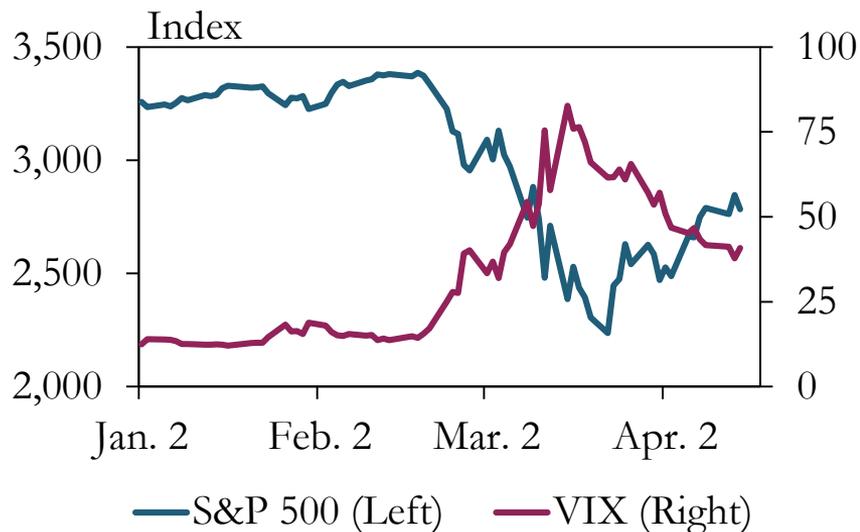


## Job Growth

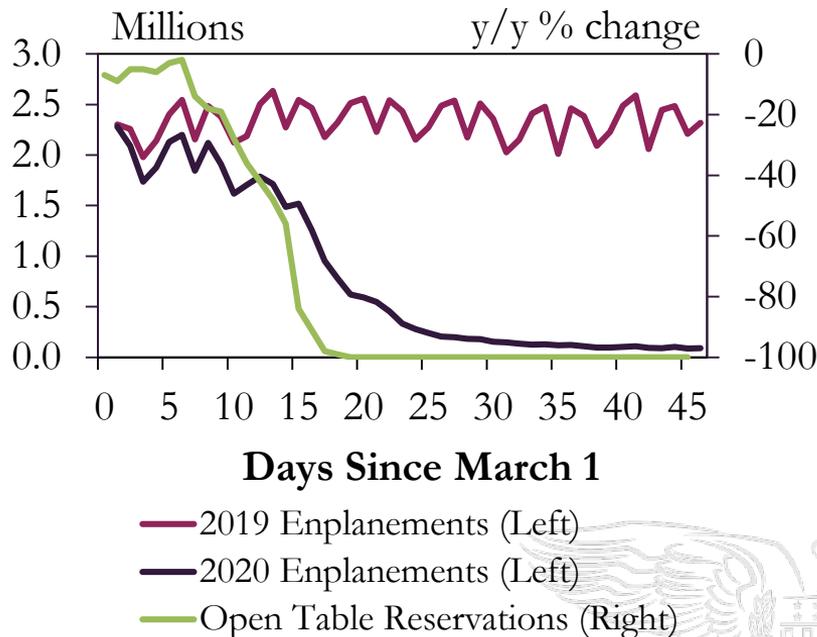


# Market turmoil began to accelerate in late February as a “global shutdown” took hold.

## Stock Market Index & Volatility

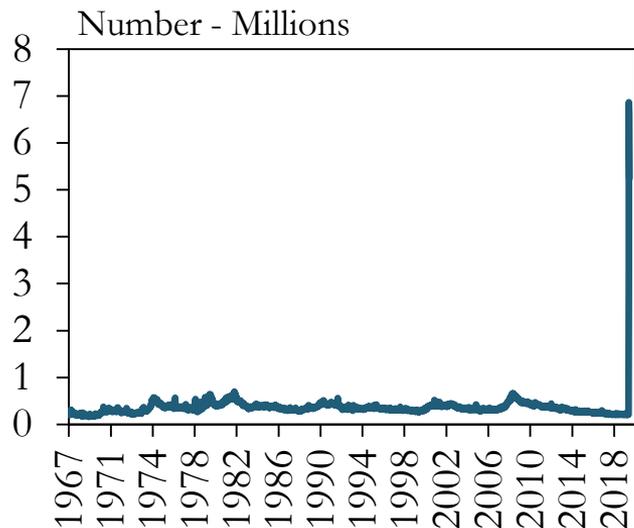


## U.S. Air & Restaurant Traffic

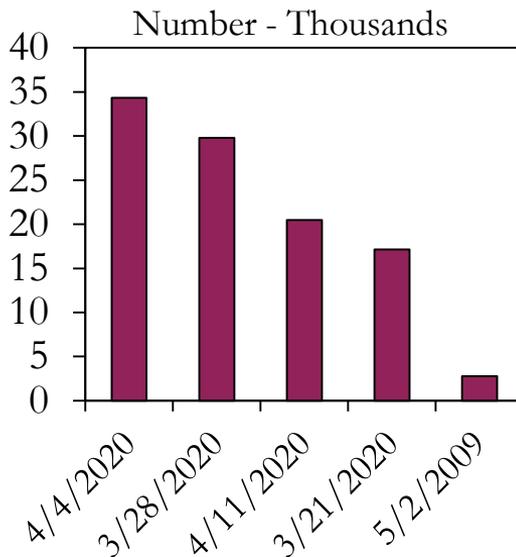


# As March progressed, scores of U.S. businesses began to announce layoffs.

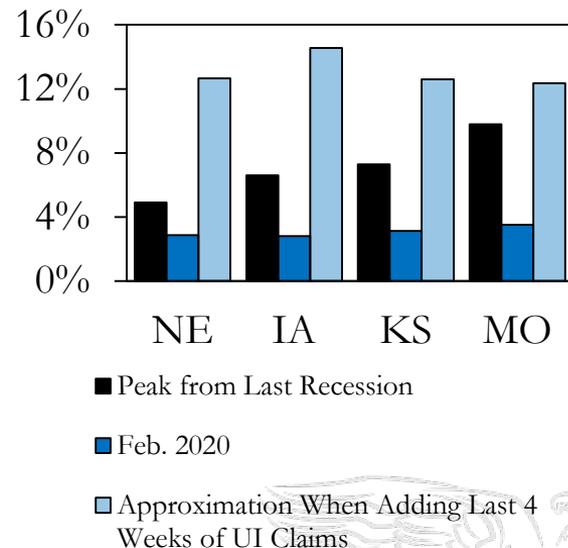
## Unemployment Insurance Initial Claims



## Largest Weeks of Unempl. Ins. Claims (Nebraska)

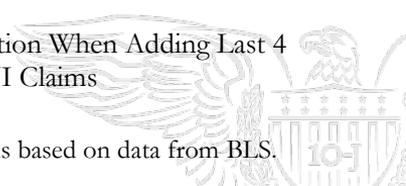


## Unemployment Rates



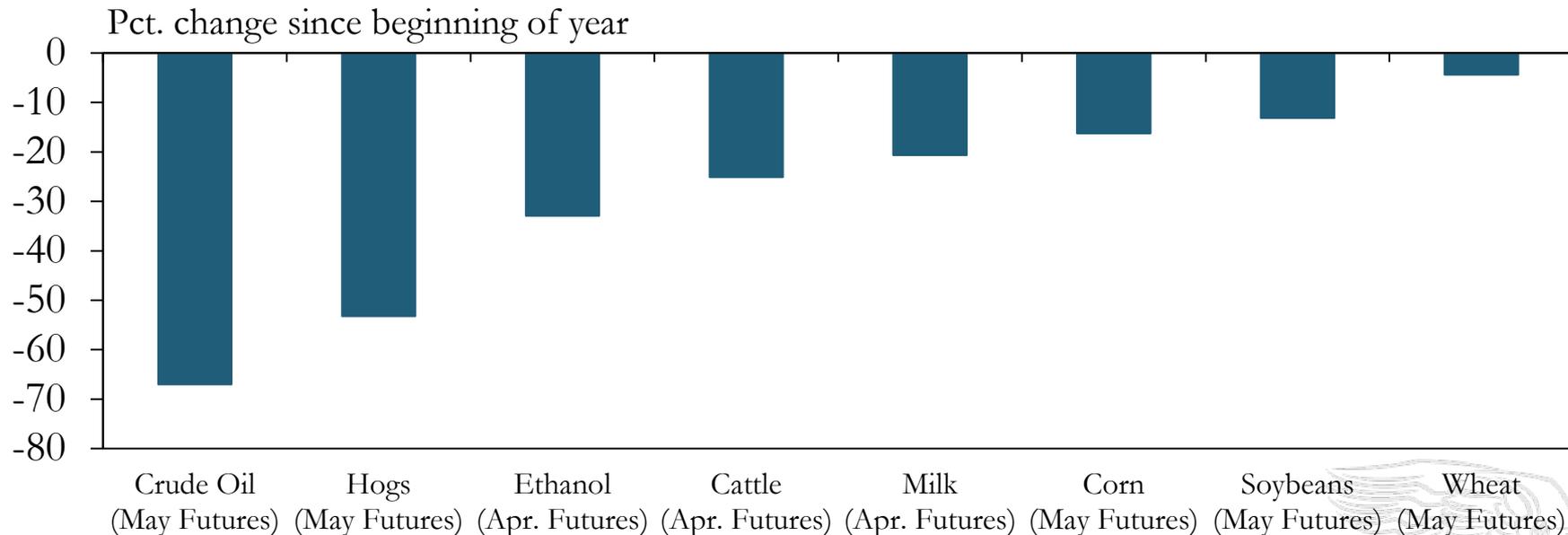
Sources: Department of Labor, BLS, Haver Analytics.

Note: Calculations based on data from BLS.



# Alongside the sharp economic contraction, ag and energy prices have dropped.

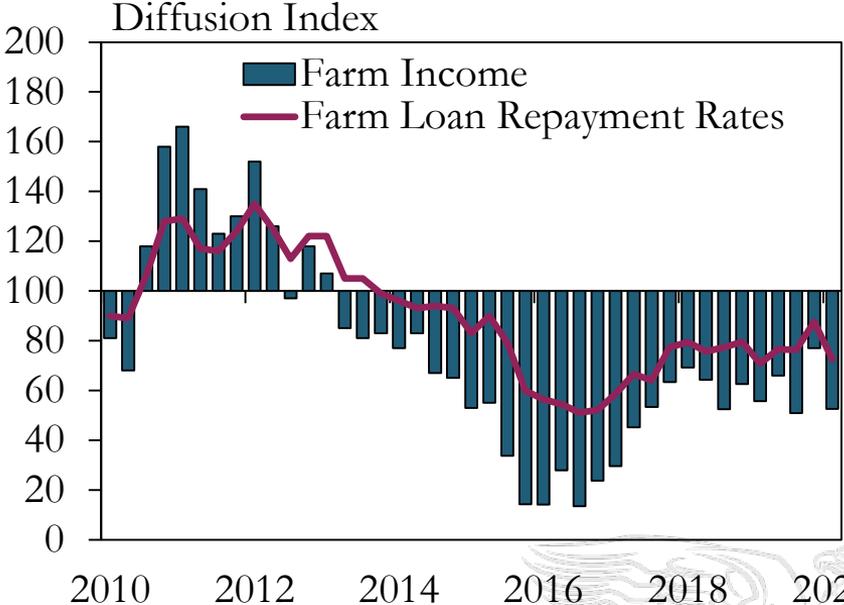
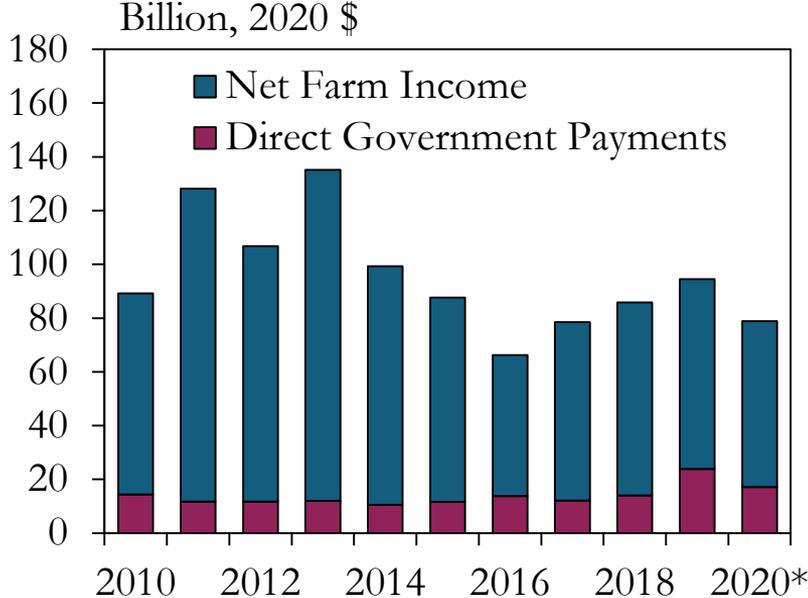
## Commodity Prices



# Notably, ag had been in the midst of a prolonged downturn before COVID-19.

### U.S. Net Farm Income

### KC Fed District Ag Credit Conditions

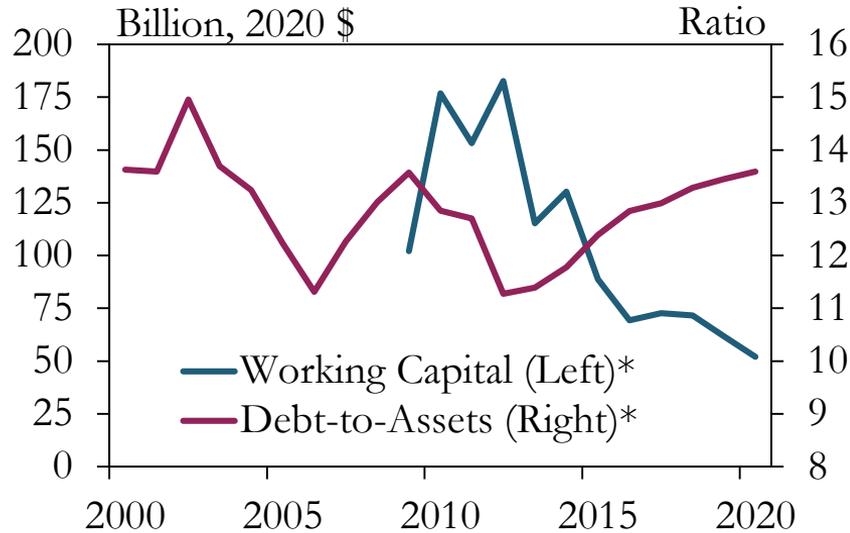


\*April 13<sup>th</sup> University of Missouri FAPRI Estimate. All others USDA.  
Sources: USDA, Federal Reserve Bank of Kansas City.



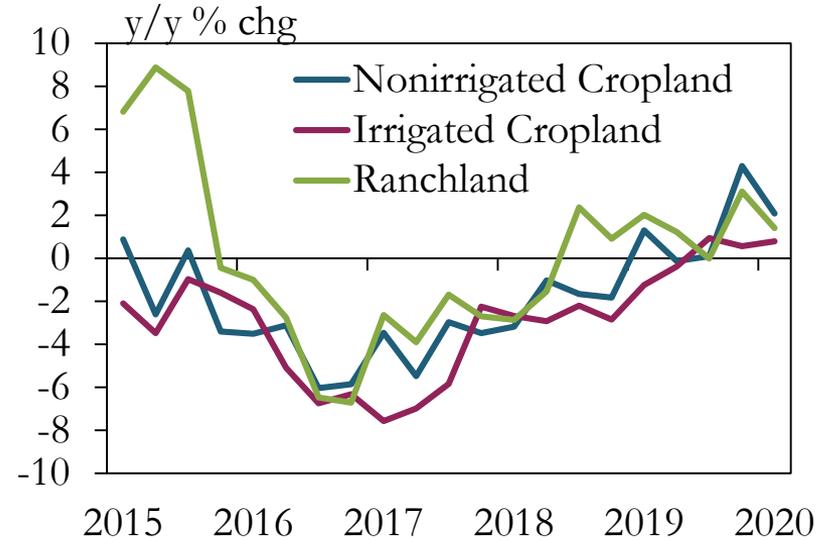
# At the beginning of 2020, financial pressure in ag remained, but farmland values have provided support.

## U.S. Farm Sector Finances



## Farmland Values

KC Fed District



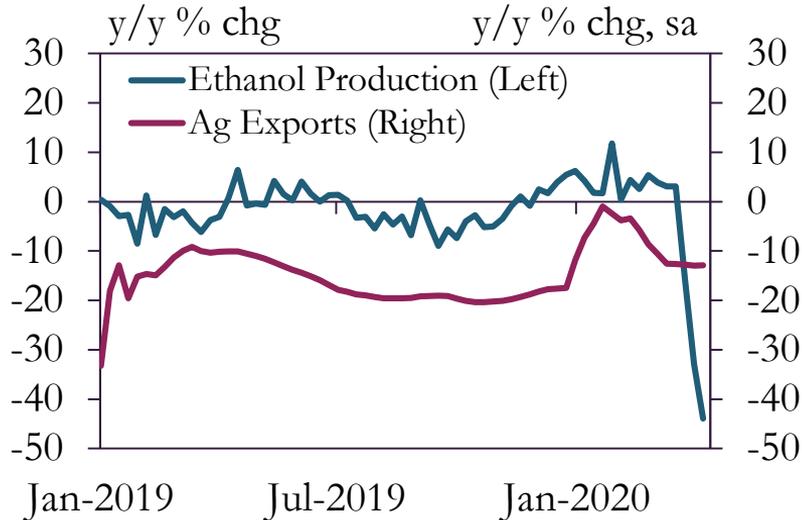
Sources: USDA, Federal Reserve Bank of Kansas City.

\* 2020 Forecast

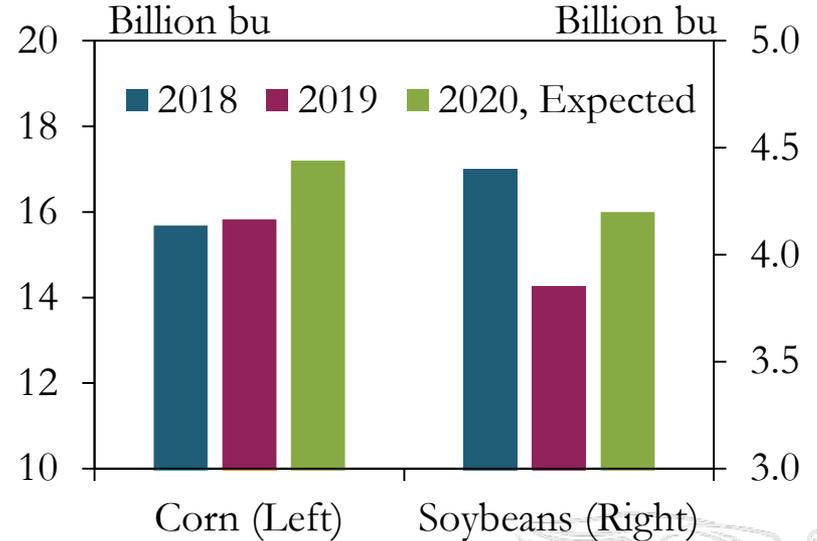


# Looking ahead, both demand and supply factors are likely to weigh on ag commodity prices.

## U.S. Ethanol Production & Ag Exports

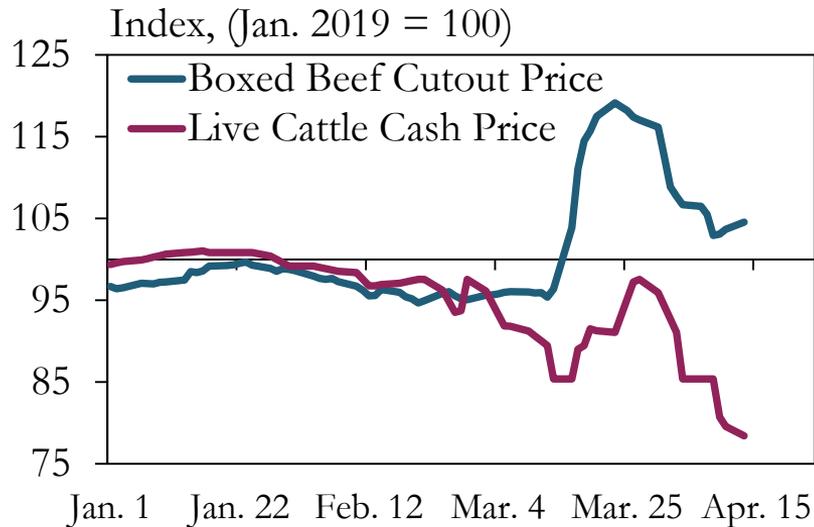


## U.S. Corn & Soybean Production

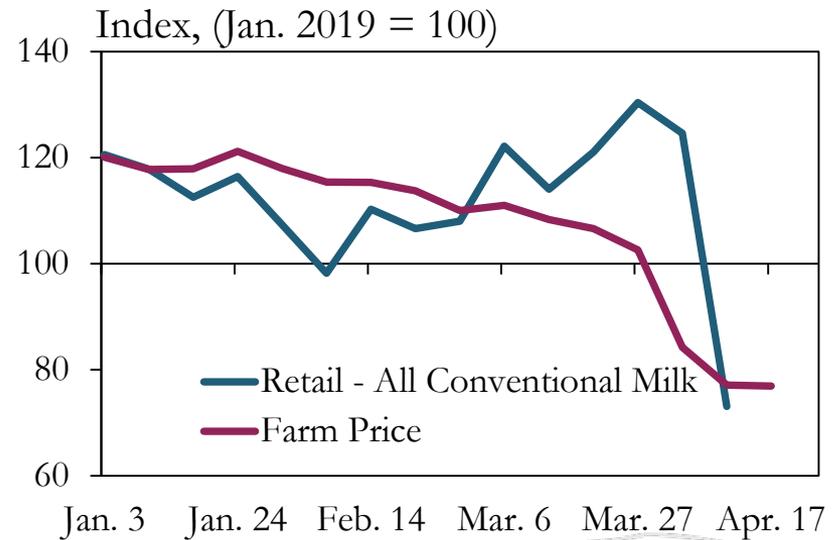


# There are also significant risks in the cattle market and supply chain disruptions.

## Beef & Cattle Prices

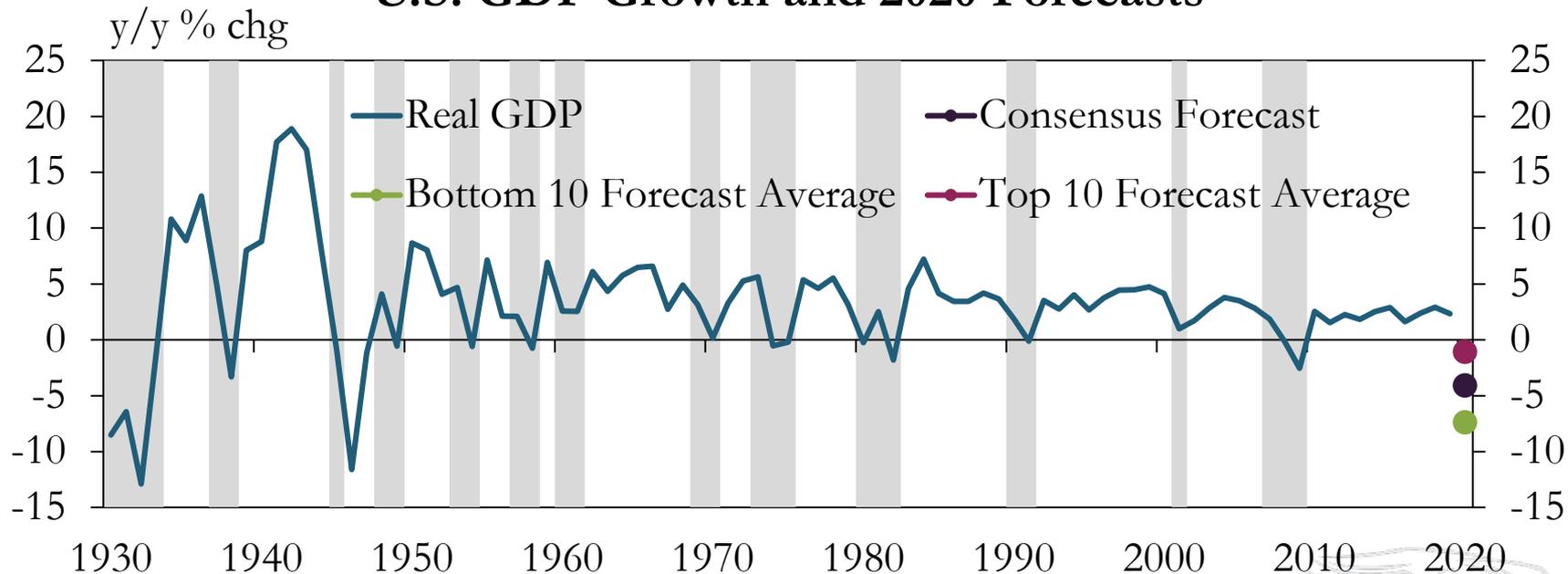


## Retail & Farm Milk Prices



# The severity of the economic contraction will depend heavily on the virus, and the associated response.

## U.S. GDP Growth and 2020 Forecasts



# A number of programs have been implemented in response to COVID-19.

## Monetary Policy Actions

- March 3: emergency **rate cut**
- March 15: Fed Funds **rate cut** to zero, enhances currency swap lines, eliminates reserve requirements
- March 17: commercial paper **credit facility** and primary dealer **credit facility** created
- March 18: money market mutual fund **liquidity facility** created
- March 23: **asset purchases**, primary market and secondary market corporate **credit facilities**, term asset-backed securities **loan facility**
- April 6: small business **lending facility** via the PPP
- April 9: PPP **liquidity facility**, main street **lending program**, and municipal **lending facility**

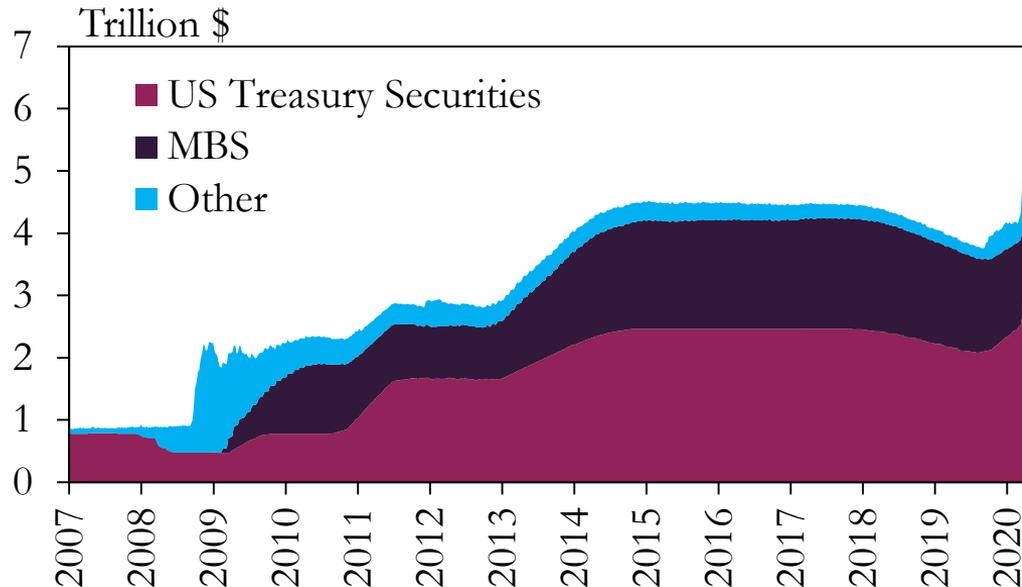
## Fiscal Policy (CARES Act Provisions)

- Cash payments - \$1,200 to individuals and \$500 per child. (Phase outs apply.)
- Unemployment payments increased by \$600 per week
- Paycheck Protection Program (PPP) for businesses with 500 or fewer employees – offered through SBA
- Assistance to airlines
- Public health provisions
- Aid to state and local governments



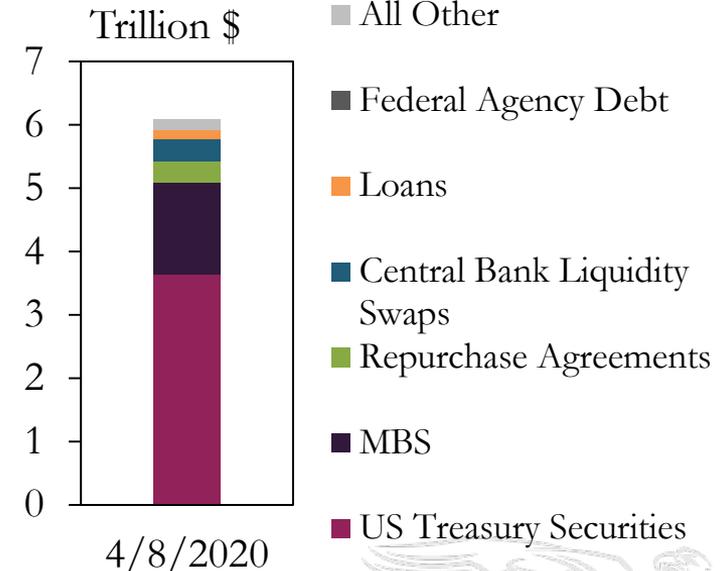
# As a result of Fed actions, the balance sheet has begun to grow again.

## Federal Reserve Balance Sheet



Source: Federal Reserve Bank of St. Louis.

## Current Balance Sheet Allocations



# Concluding Thoughts

- Much of the near-term economic outlook is dependent on the trajectory of COVID-19.
- The economic shock is likely to have some persistence, but uncertainty about timing is extremely high.
- No economic sector has been unaffected, but some more than others.
- Agriculture had been in a prolonged downturn prior to the crisis. The effects of COVID-19 are likely to pressure further, with key areas of risk:
  - Ethanol
  - Livestock Industry



# Questions?

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