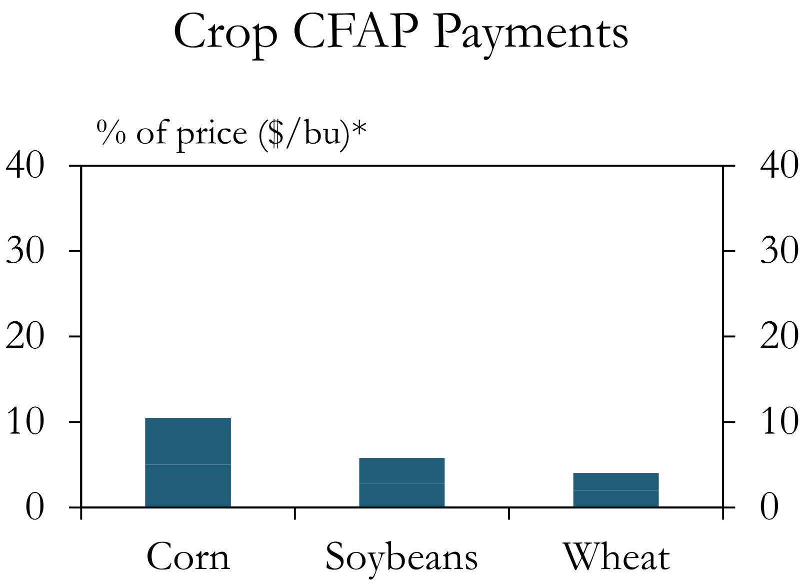
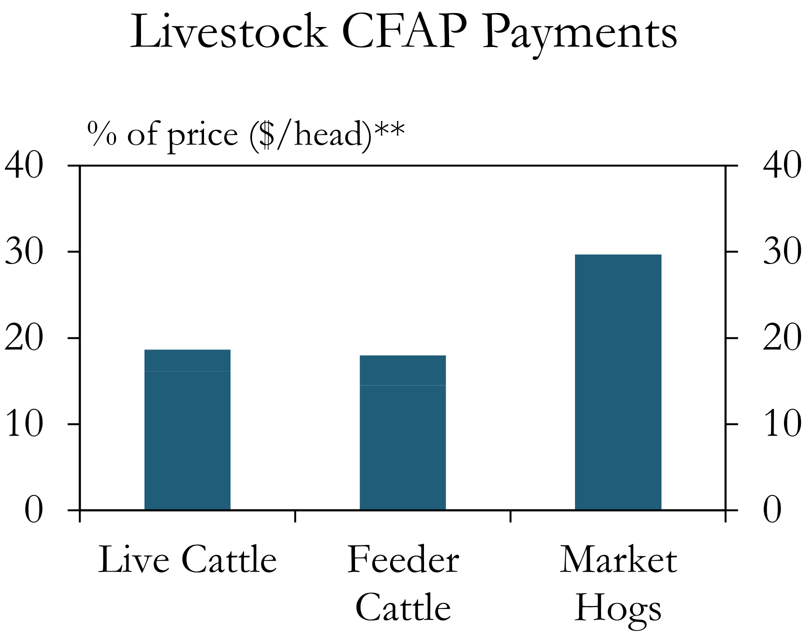
FEDERAL RESERVE BANK OF KANSAS CITY

COVID-19 Updates & Key Demand Drivers for Agriculture

June 22, 2020

The USDA Coronavirus Food and Aid Program (CFAP) will allocate support more heavily towards the livestock sector.





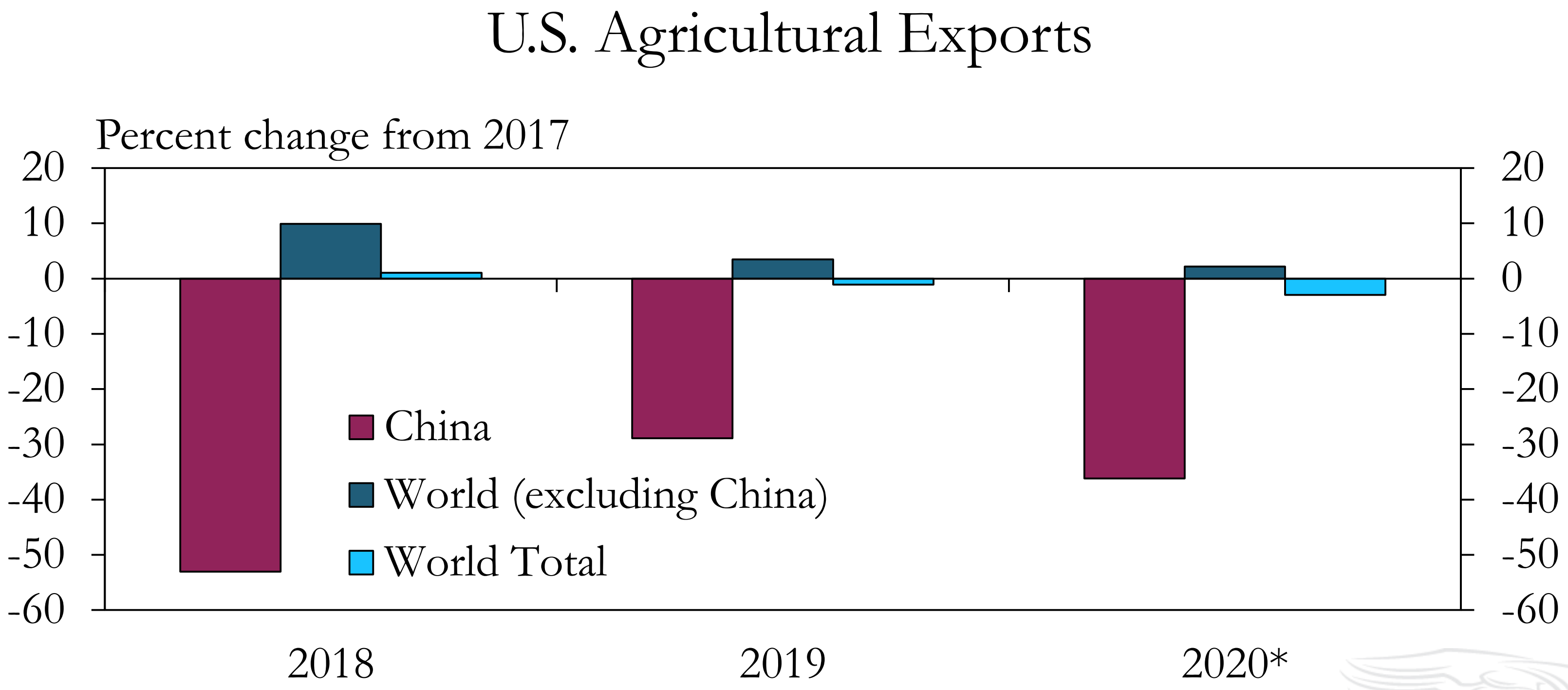
* Estimated using marketing year average price forecast from WASDE for the 2019/2020 MY.

** Estimated using monthly average prices from Jan through May 2020. For live cattle, $/head estimates assume market weight of 1200 lbs. For reference, feeder cattle weigh 600-800 pounds, and market hogs weigh more than 120 pounds.

Note: Crop CFAP payments will be made based on 50 percent of a producer's 2019 total production or 2019 inventory, whichever is smaller. Cattle and hog CFAP payments will be based on livestock sold between January and mid-April 2020 and the highest number of livestock on the farm between mid-April and mid-May.

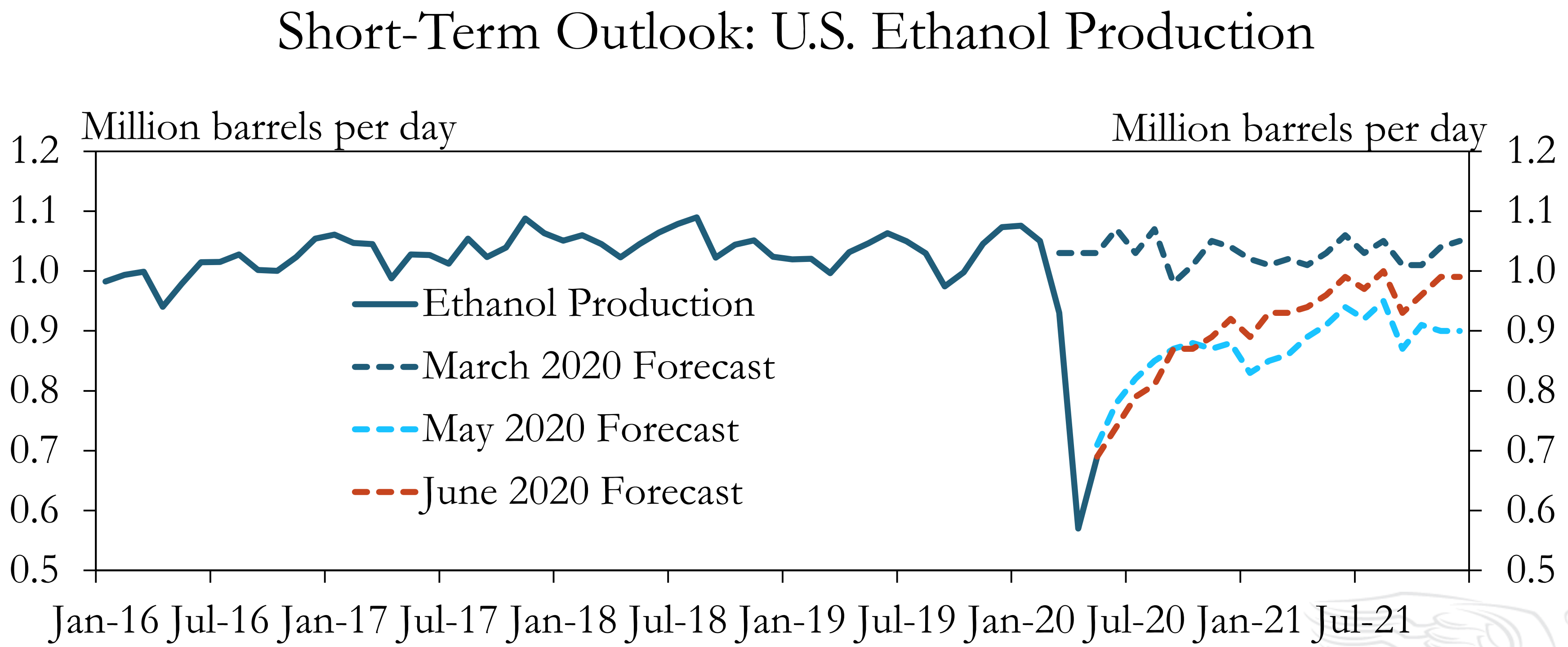
Sources: USDA, Iowa State University, and KC Fed calculations.

Increases in U.S. agricultural exports have remained limited, particularly with respect to China.



*January to April YTD total compared to same period in 2017
Sources: USDA and KC Fed Calculations.

Ethanol production declined sharply in March, April, and May and appears likely to remain subdued in the coming months.



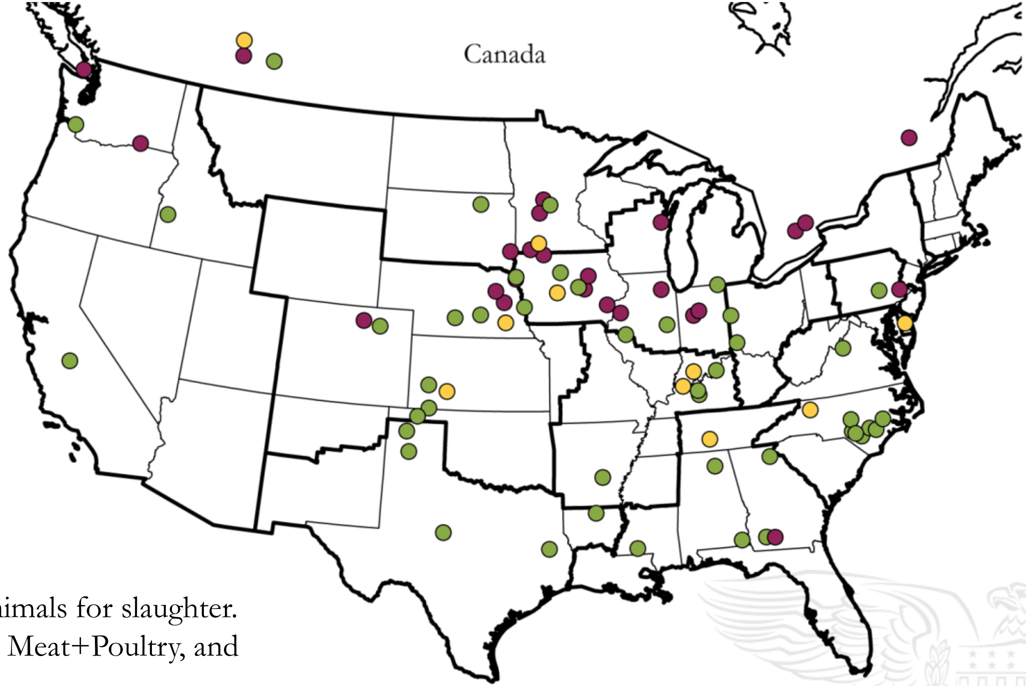
Source: EIA.

All meat packing plants have reopened, but the effects of COVID-19 in the supply chain could persist.

Meat Packing Plants Affected by COVID-19

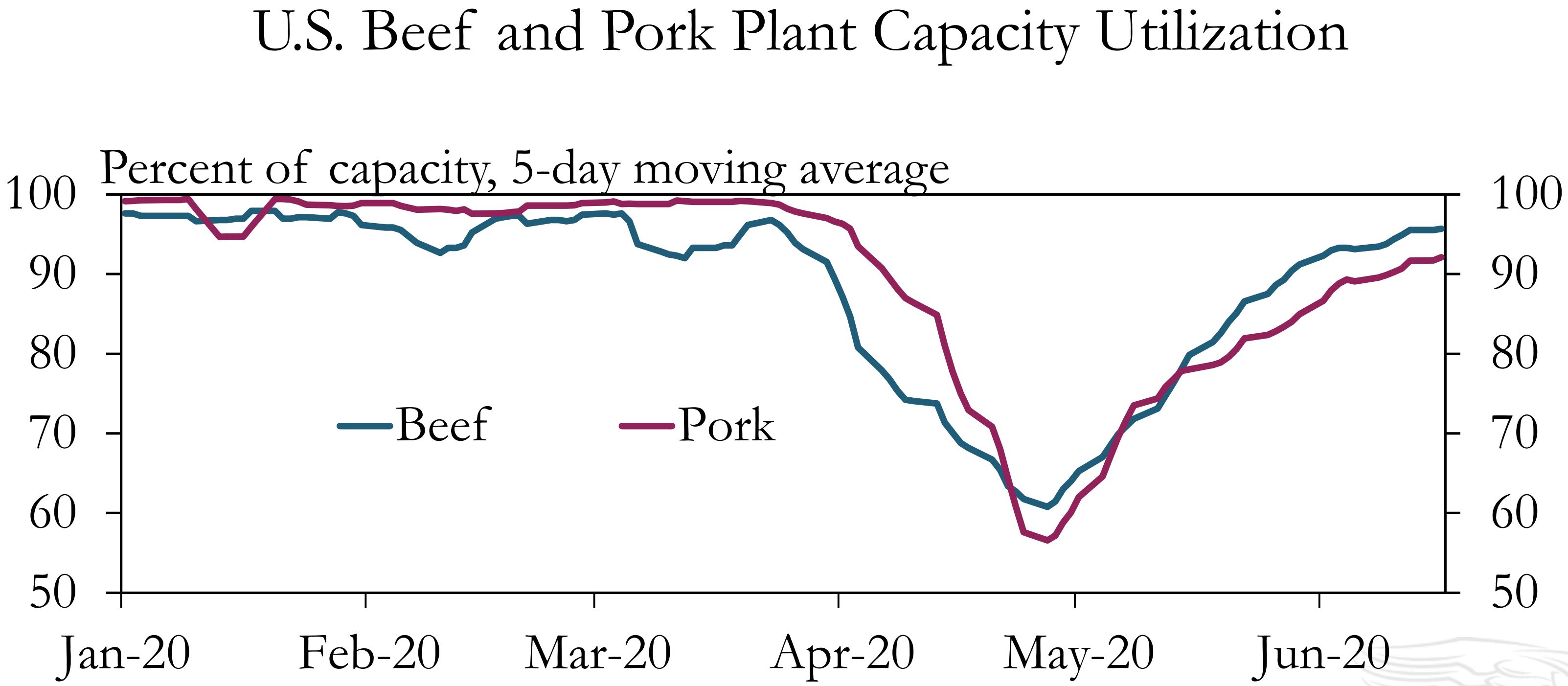
Status as of 6/22/2020

- Positive COVID-19 cases, but never closed
- Closed for less than one week - subsequently reopened
- Closed for more than one week - subsequently reopened



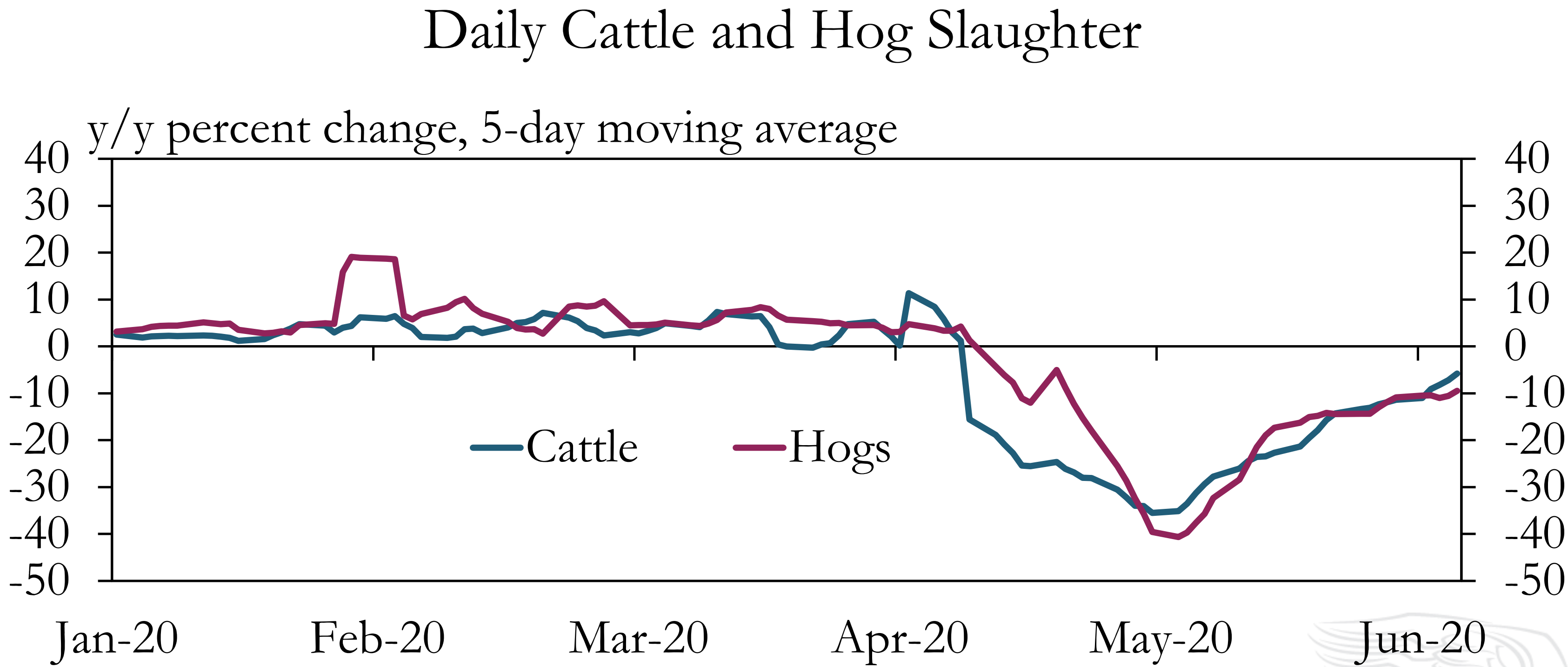
Note: Includes beef, pork, and poultry plants that purchase animals for slaughter.
Sources: Food & Environment Reporting Network, Drovers, Meat+Poultry, and various local news outlets.

Capacity utilization at meat plants increased, but remained slightly limited by modified operations.



Sources: USDA, National Pork Board, and KC Fed Calculations.

Alongside reduced operations at packing plants, meat production continued to lag 2019 levels.

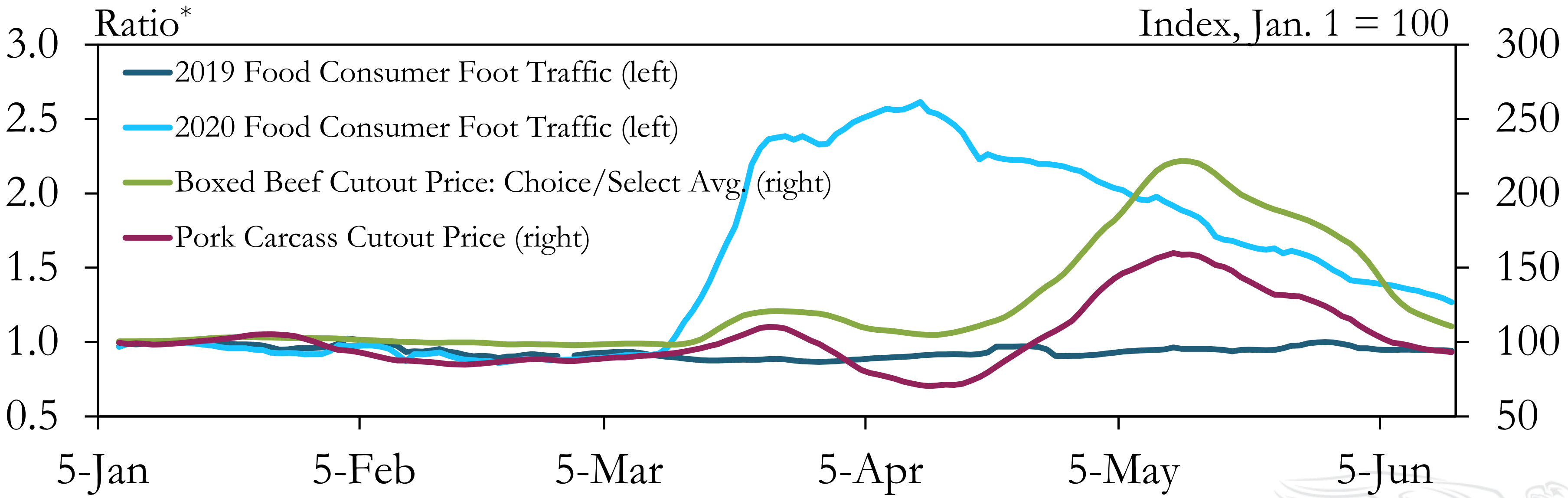


Note: Excludes weekend operations.

Source: USDA.

In addition to the packing plant disruptions, consumers have shifted their food purchases to retail outlets.

Foot Traffic at Supermarkets vs. Restaurants and Wholesale Meat Prices



* Ratio of foot traffic at supermarkets to foot traffic at restaurants. A ratio equal to one indicates that foot traffic at supermarkets is equal to foot traffic at restaurants.

Sources: SafeGraph, USDA and KC Fed Calculations