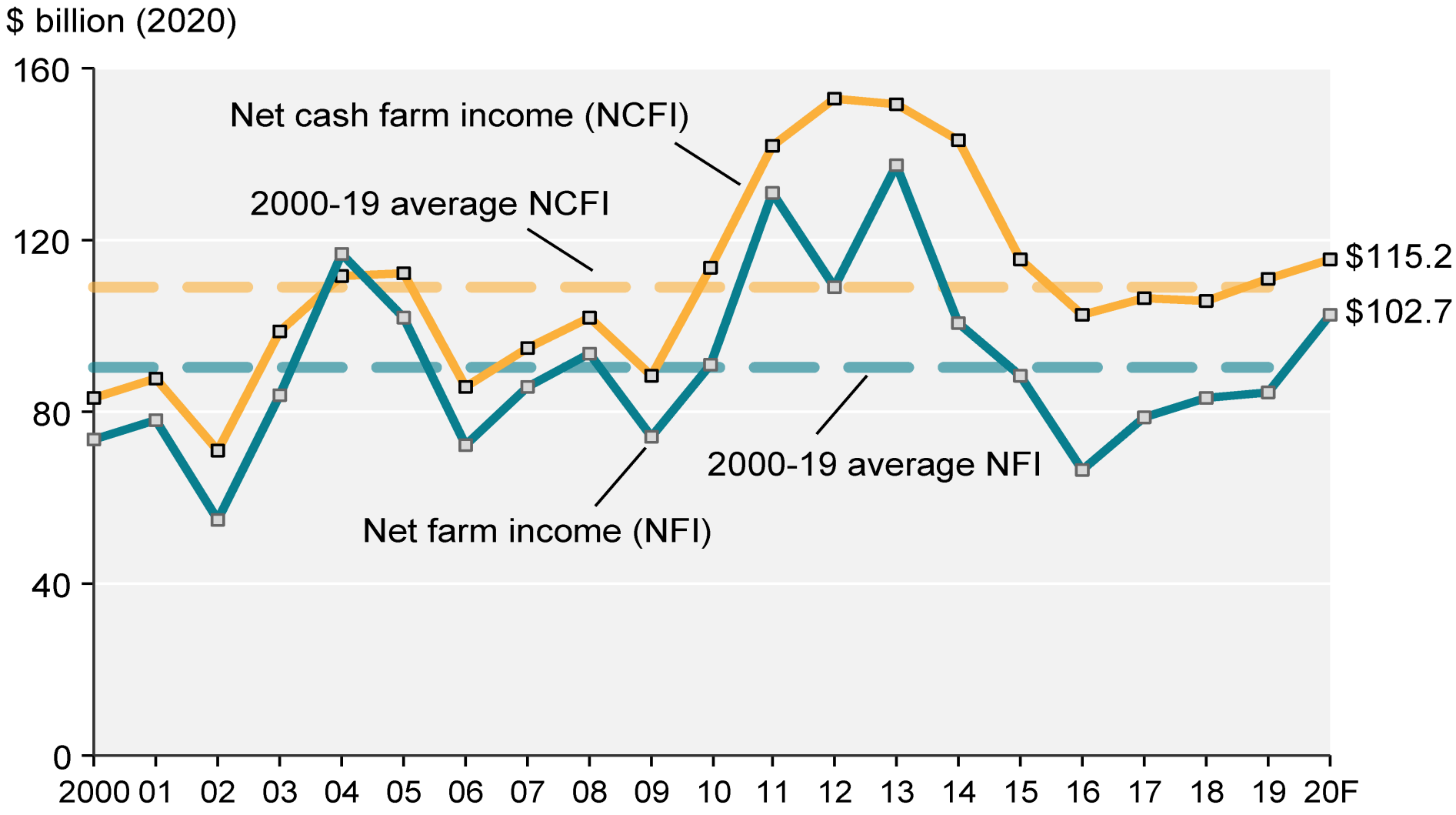


Agriculture and Covid Update
September 23, 2020

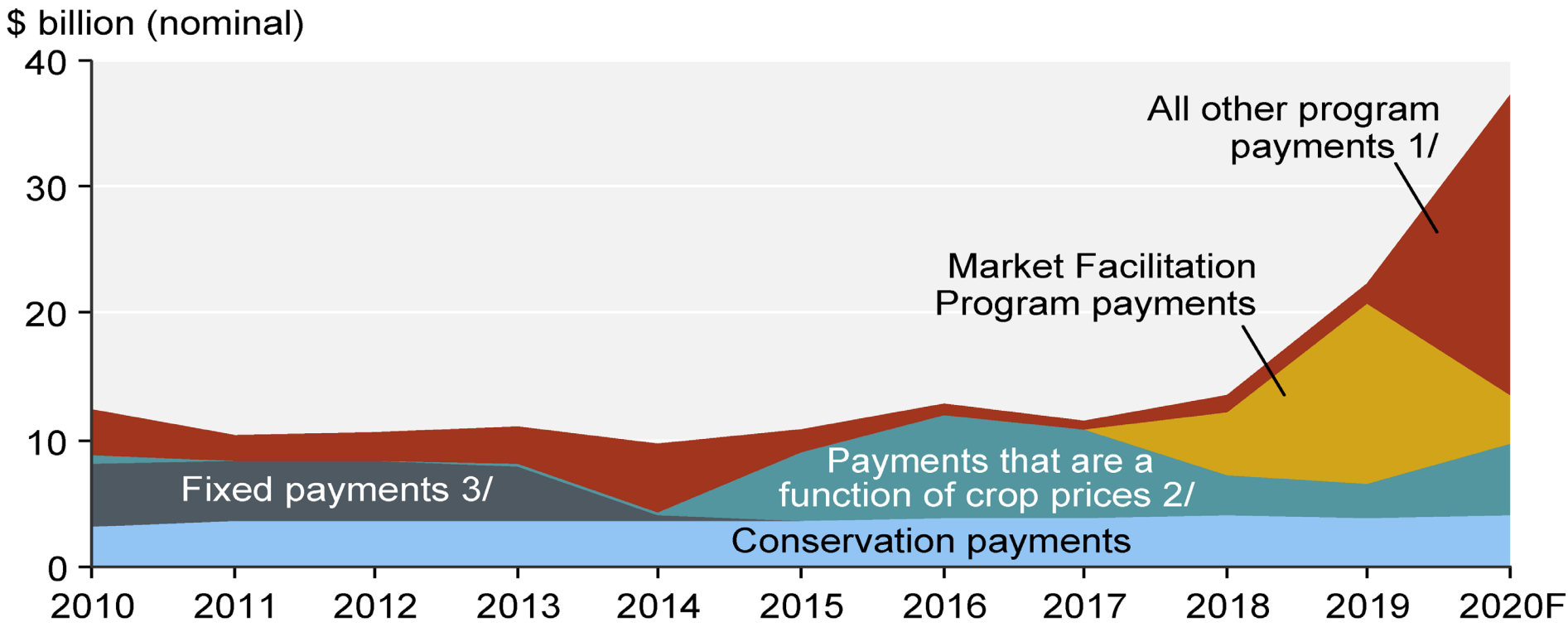
Dr. Blake Brown
Hugh C. Kiger Professor
Agriculture & Resource Economics
College of Agriculture & Life Sciences

Net farm income and net cash farm income, 2000–20F



Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2020=100.
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
 Data as of September 2, 2020.

Government farm program payments to farm producers, 2010–20F



Note: F = forecast.

1/ All other payments includes supplemental and ad hoc disaster assistance which in 2020 includes payments from the Coronavirus Food Assistance Program and Paycheck Protection Program loans. It also includes tobacco transition, Cotton Ginning Cost Share, and dairy payments.

2/ Includes Price Loss Coverage (PLC), Agriculture Risk Coverage (ARC), counter-cyclical payments (CCP), Average Crop Revenue Election (ACRE) payments, loan deficiency payments (excluding grazeout payments), marketing loan gains, and certificate exchange gains. CCP and ACRE were not continued in the 2014 Farm Bill. PLC and ARC payments began in 2015.

3/ Includes direct fixed payments portion of Direct and Counter-Cyclical Program (DCP) and Cotton Transition Assistance Program (CTAP) payments (in 2014/15).

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of September 2, 2020.

Government Programs to Mitigate Coronavirus Impacts

- SBA Programs
 - Paycheck Protection Program (PPP)
 - Economic Injury Disaster Loan (EIDL) and Advance
- USDA Farm Programs
 - Coronavirus Food Assistance Program (CFAP)
<https://www.farmers.gov/cfap>

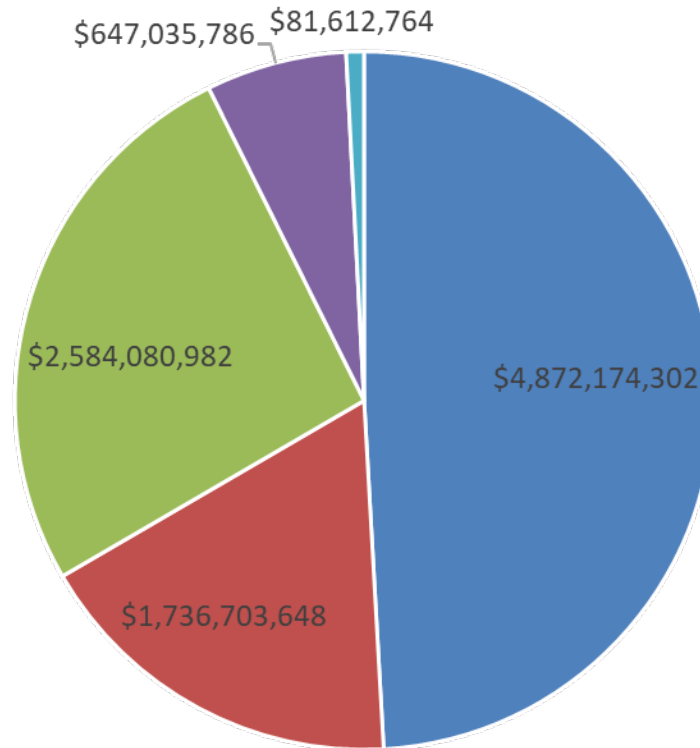
CFAP (1) Payments: \$9.9 billion

(as of Sept 14)

More on the way-CFAP2

NC CFAP
Payments:
\$89.2 million
0.9%

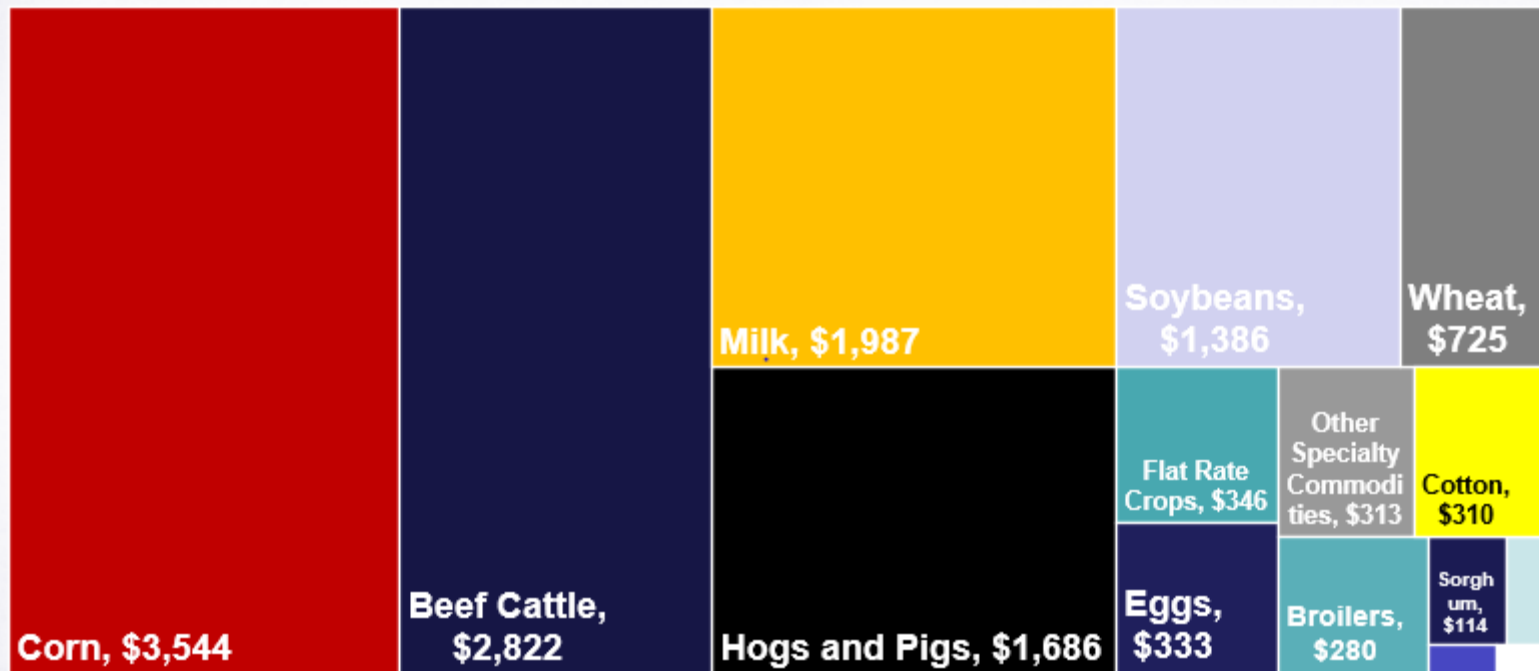
NC Farm Cash
Receipts as % of US:
2.9%



■ Livestock ■ Dairy ■ Non-Specialty Crops ■ Specialty Crops ■ Aqua Nursery Flora

Source: USDA

Figure 1. Estimated CFAP2 Outlays By Commodity Category



Price Trigger Row Crops

**Crop Payment: Max [Eligible Acres X \$15/acre] OR
[Eligible Acres X marketing % X CCC Rate X (2020 APH OR 85% ARC-CO Yield)]**

Commodity	Unit of Measure	Crop Marketing Percentage (%)	Payment Rate (\$/Unit)
Barley	Bushel	63	\$0.54
Corn	Bushel	40	\$0.58
Cotton, Upland	Pound	46	\$0.08
Sorghum	Bushel	55	\$0.56
Soybeans	Bushel	54	\$0.58
Sunflowers	Pound	44	\$0.02
Wheat (All Classes)	Bushel	73	\$0.54

Flat-Rate Row Crops

- alfalfa, amaranth grain, buckwheat, canola, Extra Long Staple (ELS) cotton, crambe (colewort), einkorn, emmer, flax, guar, hemp, indigo, industrial rice, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, sweet rice, wild rice, rye, safflower, sesame, speltz, sugar beets, sugarcane, teff, and triticale
- Eligible Crop Acres X \$15

Sales Commodities

- Specialty crops, aquaculture, nursery crops and floriculture, and other commodities not included in the price trigger and flat-rate categories, such as tobacco, goat milk, mink, mohair, wool, and specialty livestock not included under the price trigger category that were grown for food, fiber, fur or feathers. Specialty livestock eligible for CFAP2 consists of animals commercially raised for food, fur, fiber or feathers and includes: alpacas, bison, buffalo, beefalo, deer, ducks, elk, emus, geese, goats, guinea pigs, llamas, mink (including pelts), mohair, ostrich, pheasants, quail, rabbits, reindeer and turkey.

Tobacco:

eligible 2019 sales X payment rate for that range

2019 Sales Range	Percent Payment Factor for the Producer's 2019 Sales of Eligible Commodities Falling in the Range
\$0 to \$49,999	10.6%
\$50,000 to \$99,999	9.9%
\$100,000 to \$499,999	9.7%
\$500,000 to \$999,999	9.0%
Sales over \$1 million	8.8%

Example: 2019 sales of \$300,000

2019 Sales Range	Payment Factor	Amount of Sales to apply factor	Payment
\$0 to \$49,999	10.6%	\$49,999	\$5,300
\$50,000 to \$99,999	9.9%	\$50,000	\$4,950
\$100,000 to \$499,999	9.7%	\$201,000	\$19,497
\$500,000 to \$999,999	9.0%		
Sales over \$1 million	8.8%		
		Total Payment:	\$29,747

Livestock

- Owned eligible inventory, excluding breeding stock, of beef cattle, hogs or sheep multiplied by payment rate
- Beef cattle: \$55/head
- Hogs: \$23/head
- Sheep/lambs: \$27/head

Covid Impacts

Covid on Farms

- Early July: total number of positive cases of agricultural workers residing in camps in NC was 177
- Outbreaks in August on NC farms:
 - Alleghany County: 112 cases
 - Macon County: 46 cases
 - Greene County: 31 cases
 - Wilson County: 27 cases

Source: National Center for Farm Worker Health

Is the U.S. hog market on the up swing?

- Slaughter plants are running near full capacity again
- Both live hog prices and cut-out values have been strengthening
- Market weights are down from May and about 5 lbs lower than one year ago
- Exports continue to strengthen
- ASF is still a major problem in China
- Germany, a major global competitor, has a reported case of ASF

Lean Hogs Continuous Contract

LH00 (U.S.: CME)

OVERVIEW ADVANCED CHARTING **CONTRACTS** **CASH PRICES** **FUTURES SETTLEMENT**

Chart Range: 1D 5D 10D 1M 3M 6M YTD 1Y 2Y **3Y** 5Y 10Y All Custom

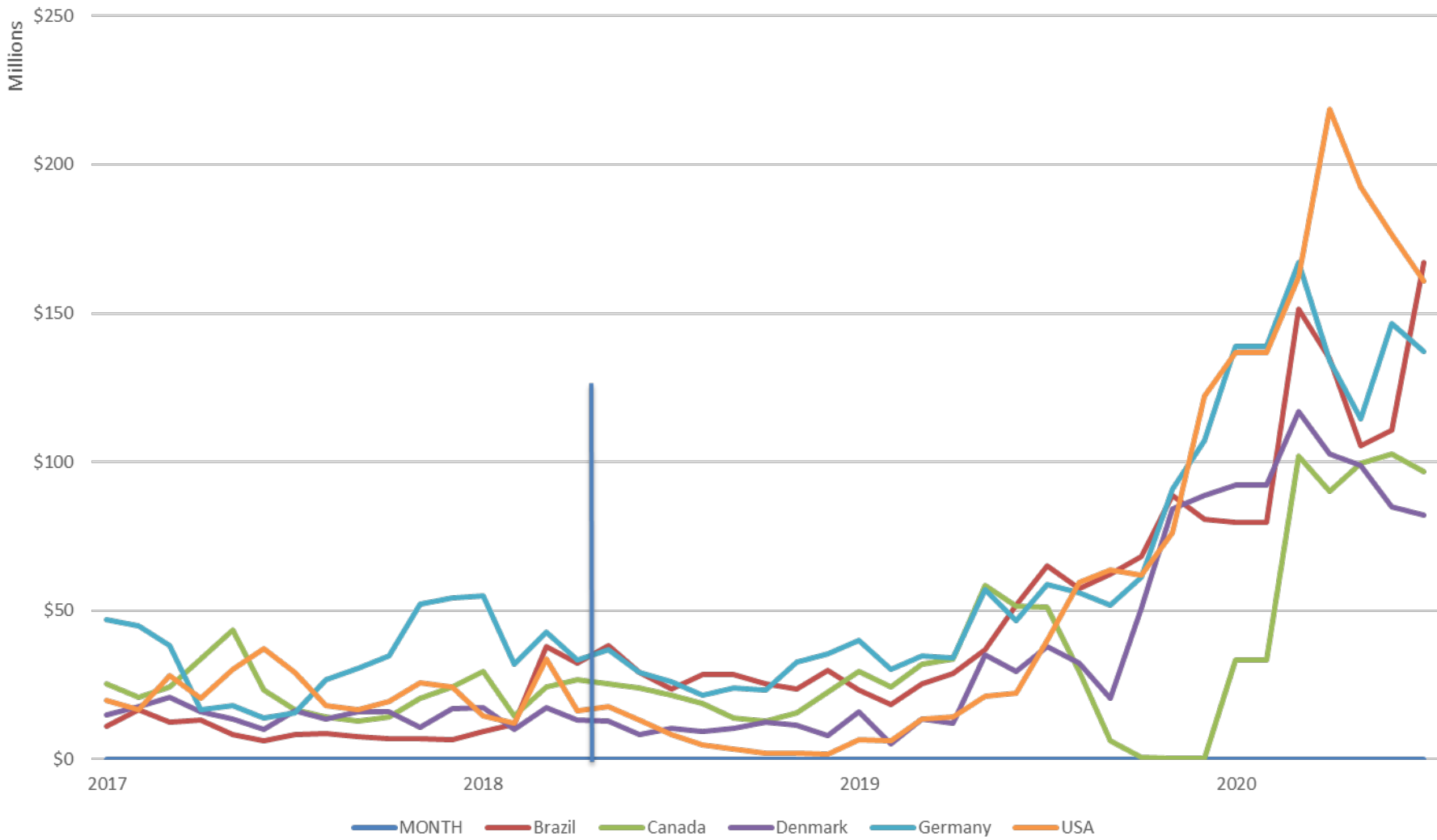
Frequency: Weekly ▾ Display: Line ▾

Indicators: Chart Overlays ▾ Lower Charts ▾ Events ▾ News ▾

Compare:



China Monthly Value of Imports of Pork: Top Source Countries



EUR/USD for Mar 1, 2020 to Aug 28, 2020



Maxwell Foods

- August 2019: Sells 46,000 sows to Country View Farms
- August 2020: Announces phasing out production of remaining 54,000 sows
- Means phasing out production of 1-1.2 million market hogs per year
- All processed at Smithfield Foods
- 150 contract growers
- Filed lawsuit against Smithfield

COVID-19 Economic Injury Disaster Loans

In response to the Coronavirus (COVID-19) pandemic, small business owners, including agricultural businesses, and nonprofit organizations in all U.S. states, Washington D.C., and territories can apply for an Economic Injury Disaster Loan. The EIDL program is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to coronavirus (COVID-19).

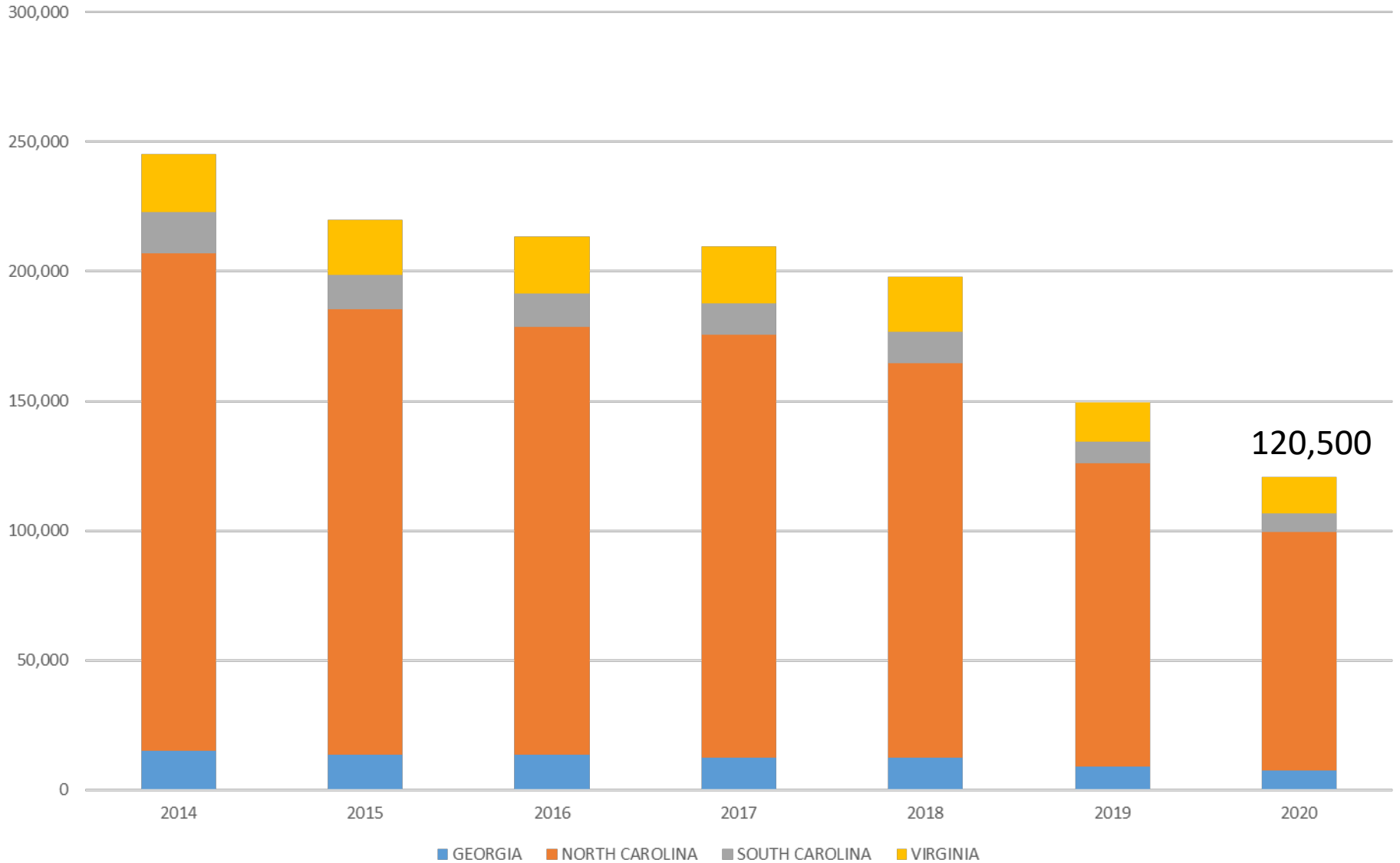
[Frequently Asked Questions about COVID-19 EIDL Loans](#)

PURPOSE	To meet financial obligations and operating expenses that could have been met had the disaster not occurred
TERMS	<ul style="list-style-type: none">◦ 3.75% for businesses (fixed)◦ 2.75% for nonprofits (fixed)◦ 30 years◦ No pre-payment penalty or fees
USE OF PROCEEDS	Working capital & normal operating expenses <i>Example: continuation of health care benefits, rent, utilities, fixed debt payments.</i>
COLLATERAL REQUIREMENTS	<ul style="list-style-type: none">◦ Required for loans over \$25,000◦ SBA uses a general security agreement (UCC) designating business assets as collateral, e.g. machinery and equipment, furniture and fixtures, etc.
FORGIVABLE	<ul style="list-style-type: none">◦ NO – EIDL Loan◦ YES – EIDL Advance* <i>*Advance funds have been fully allocated and are not currently available</i>
MATURITY	30 years
PAYMENTS	Deferred 1 year; interest still accrues <i>Borrower may make payments if they choose to do so.</i> Set up online payments through Pay.gov OR mail payments to: U.S. Small Business Administration 721 19th Street Denver, CO 80202 <i>Be sure to include EIDL loan number on mailed-in checks.</i>

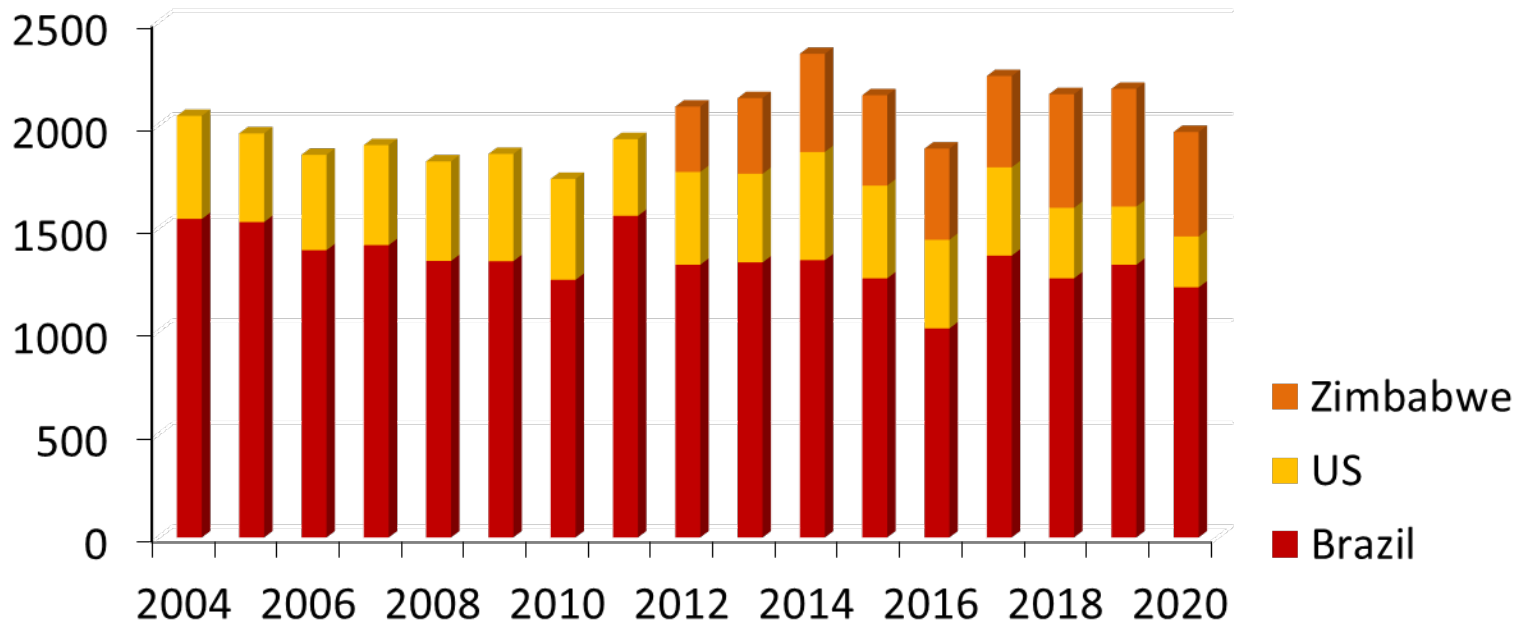
SBA is currently accepting new Economic Injury Disaster Loan (EIDL) applications from all qualified small businesses, including agricultural businesses, and private nonprofit organizations.

Tobacco

U.S. Flue-Cured Tobacco Acreage



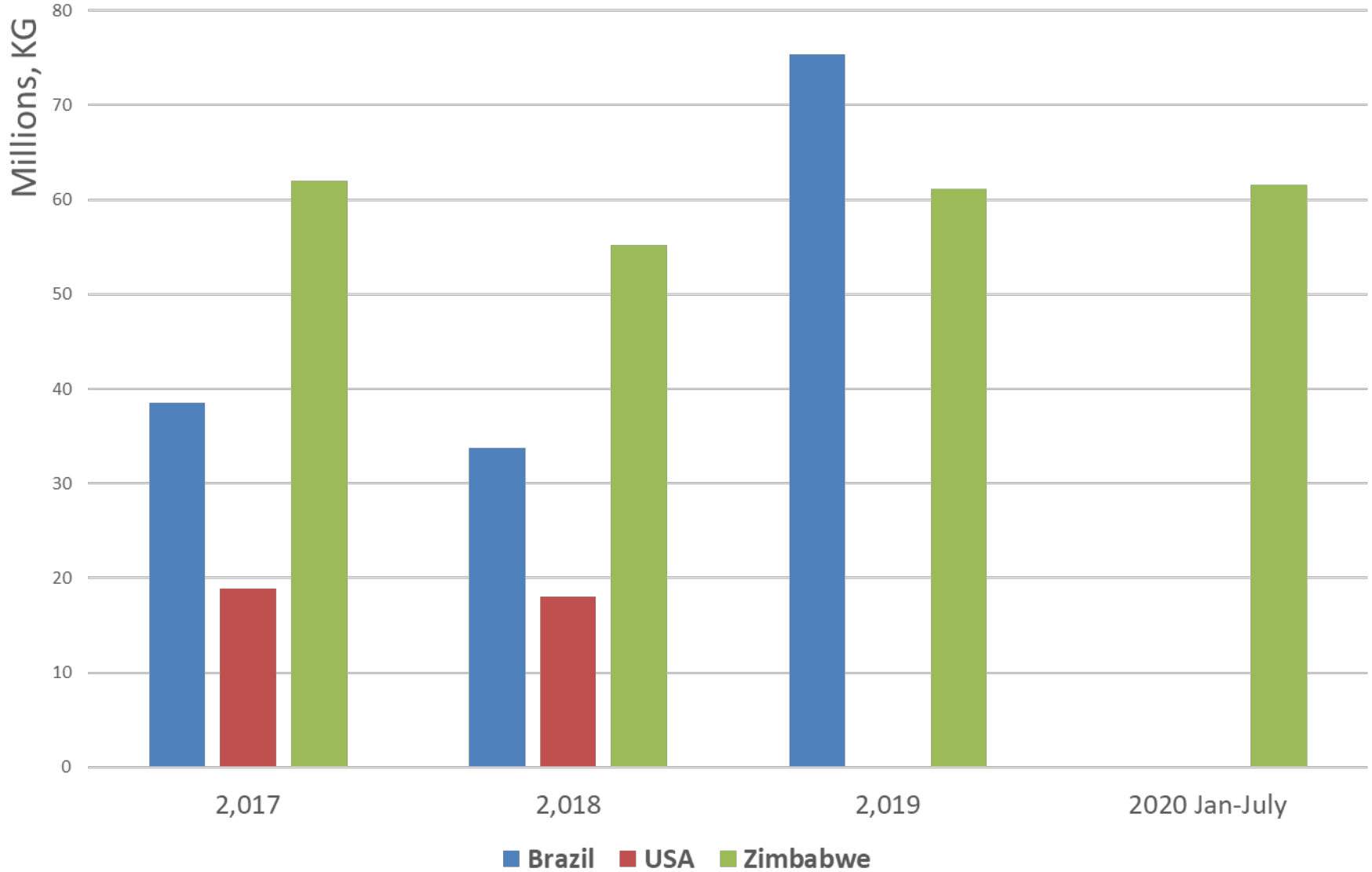
Global Supply: U.S., Brazil and Zimbabwe Flue-Cured Tobacco Production



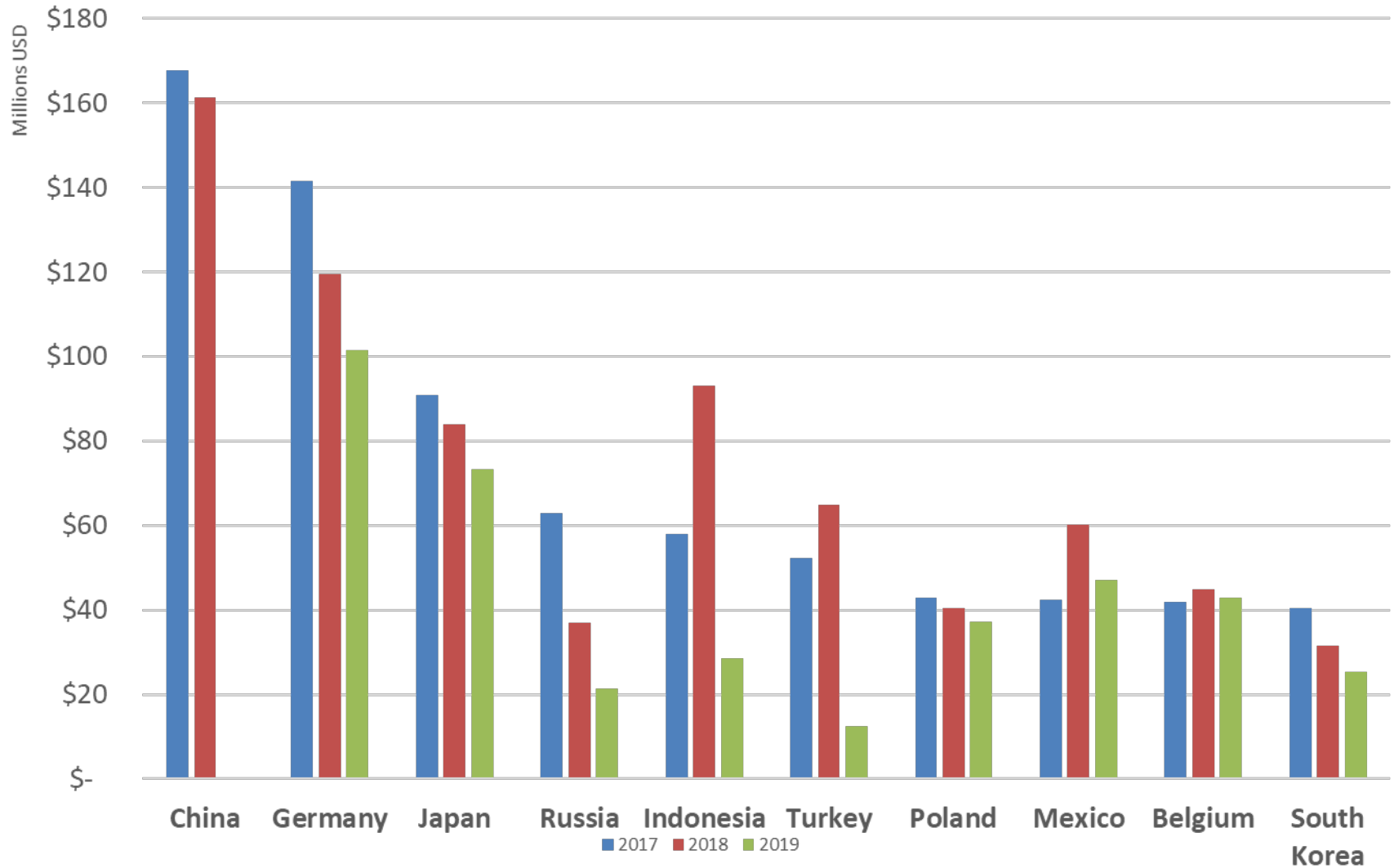
Source Brazil & U.S.: Universal Corporation. "World Leaf Production as of May 2020."

Source Zimbabwe: "Troubled Zimbabwe hopes for some relief in tobacco sales." *Federal News Network* May 8, 2020

China Imports of Tobacco

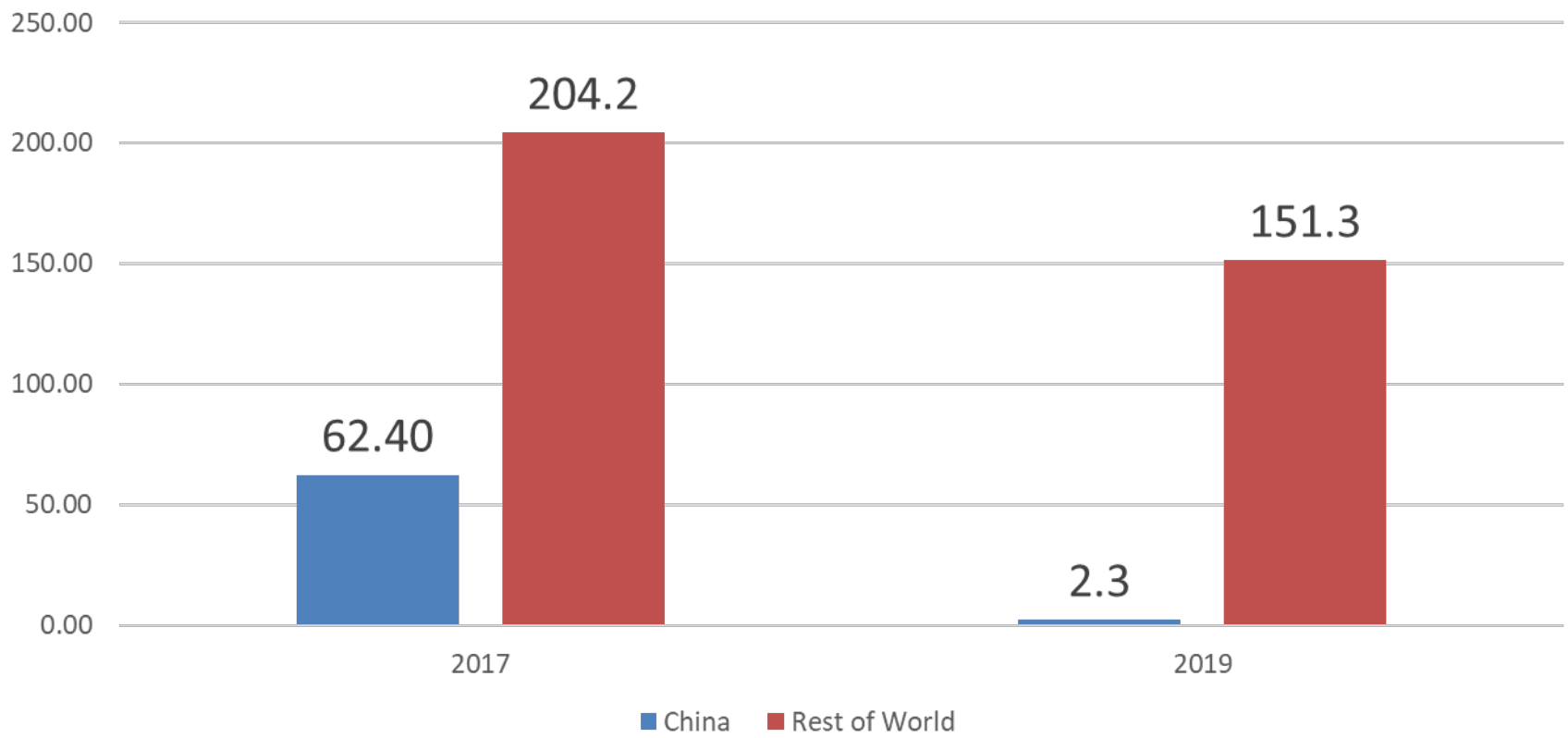


Value of U.S. Exports of Unmanufactured Tobacco



U.S. Flue-Cured Unmanufactured Exports: Jan-Nov China & Rest of World

(millions of lbs, FSW)



IQOS receives FDA Modified Risk Tobacco Product status

- Receives “Exposure modification” status
- Permits the marketing of a product as containing a reduced level of or presenting a reduced exposure to a substance or as being free of a substance when the issuance of the order is expected to benefit the health of the population.

Tobacco

- Accelerated decline in demand for combustibles
- All new technologies contain less tobacco per unit
- China ????
- Exports to other Buyers down...
- **Bottom Line: overall trend is declining demand**

2020 U.S. Cotton Acreage

	2019	2020		
	Planted	Planted	Harvested	% Abandonment
Southeast	2,965	2,380	2,337	2%
Mid-South	2,400	1,800	1,772	2%
Southwest	7,865	7,525	4,505	40%
West	278	210	198	6%
All Upland	13,508	11,915	9,005	24%

Total may not add due to rounding.

Source: National Cotton Council

Cotton: U.S. Balance Sheet

Million Bales

	19/20	20/21	Change
Production	19.9	17.1	-2.8
Mill Use	2.1	2.5	+0.4
Exports	15.5	14.6	-0.9
Stocks	7.2	7.2	0
Stocks/Use	41%	42%	+1%

Source: National Cotton Council

Cotton: World Balance Sheet

	19/20	20/21
Production	122.0	117.2
Mill Use	102.1	112.7
Trade	40.7	41.7
Stocks	99.4	103.8
Stocks/Use	97.4%	92.1%

Source: National Cotton Council

Peanut Situation

- Stocks declined from 1.63 billion to 1.36 billion from July 2019 to July 2020
- Production is forecast up 23%
- Use is up 6% from 2018/19 to 2019/2020

	2019 Production million lbs	2020 Production million lbs (Aug Forecast)	2020 Harvested Acres (Aug Forecast)
Georgia	2,772	3,600	800,000
North Carolina	444	441	105,000
US	5,496	6,793	1,623,200

U.S. Peanut Use

Million pounds	Candy	Snacks	Peaut Butter	Other Products	Total Shelled Edible Grades	Total Shelled All Grades	In Shell
Aug-July 2018/19	381	468	1,342	113	2,304	2,790	138
Aug-July 2019/20	396	481	1,410	92	2,379	2,959	141