



FARMER  MAC

*COVID-19 and the
Health of the U.S. Farm*

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Chief Economist*

Agenda



COVID
Emergency
Patterns

Ag Sector
Impacts

Government
Interventions

Farm
Financial
Projections

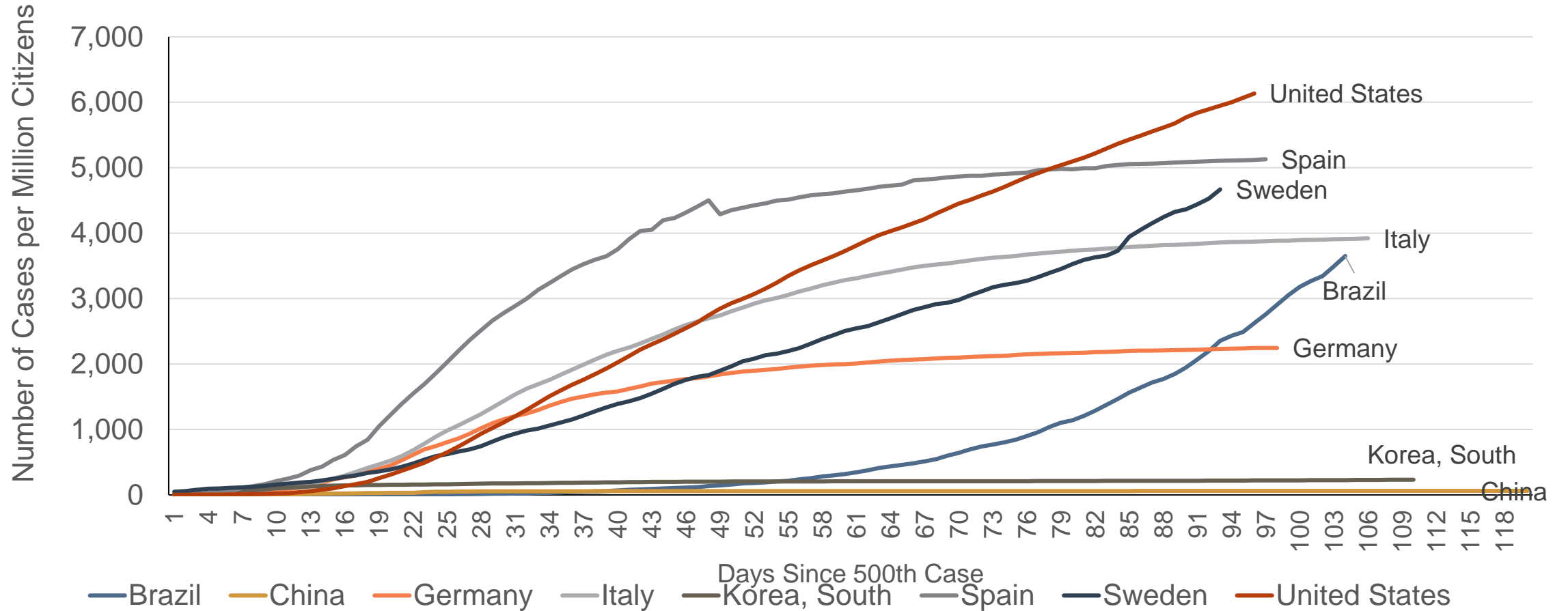
Q&A



COVID-19 Emergence in Rural and Agricultural States

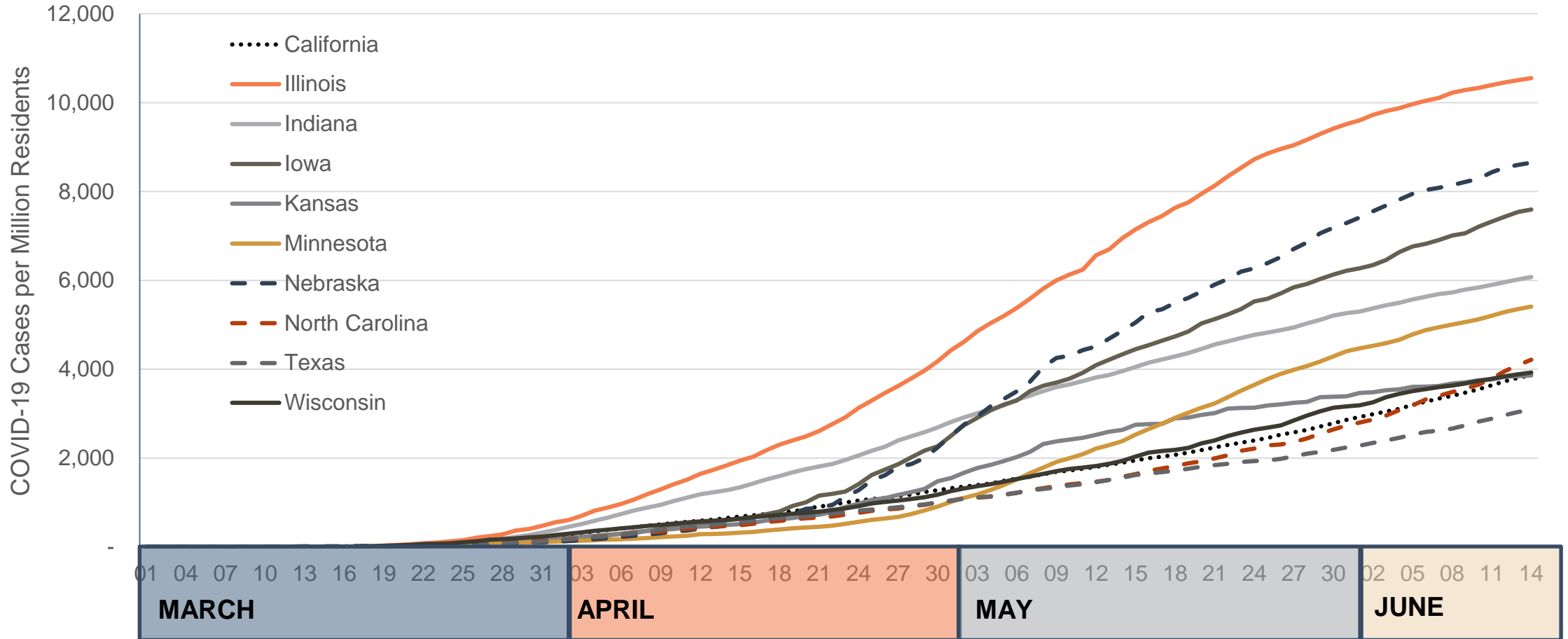
U.S. COVID-19 Emergence Compared to Global

COVID-19 Cases Per Million Since 500th Case



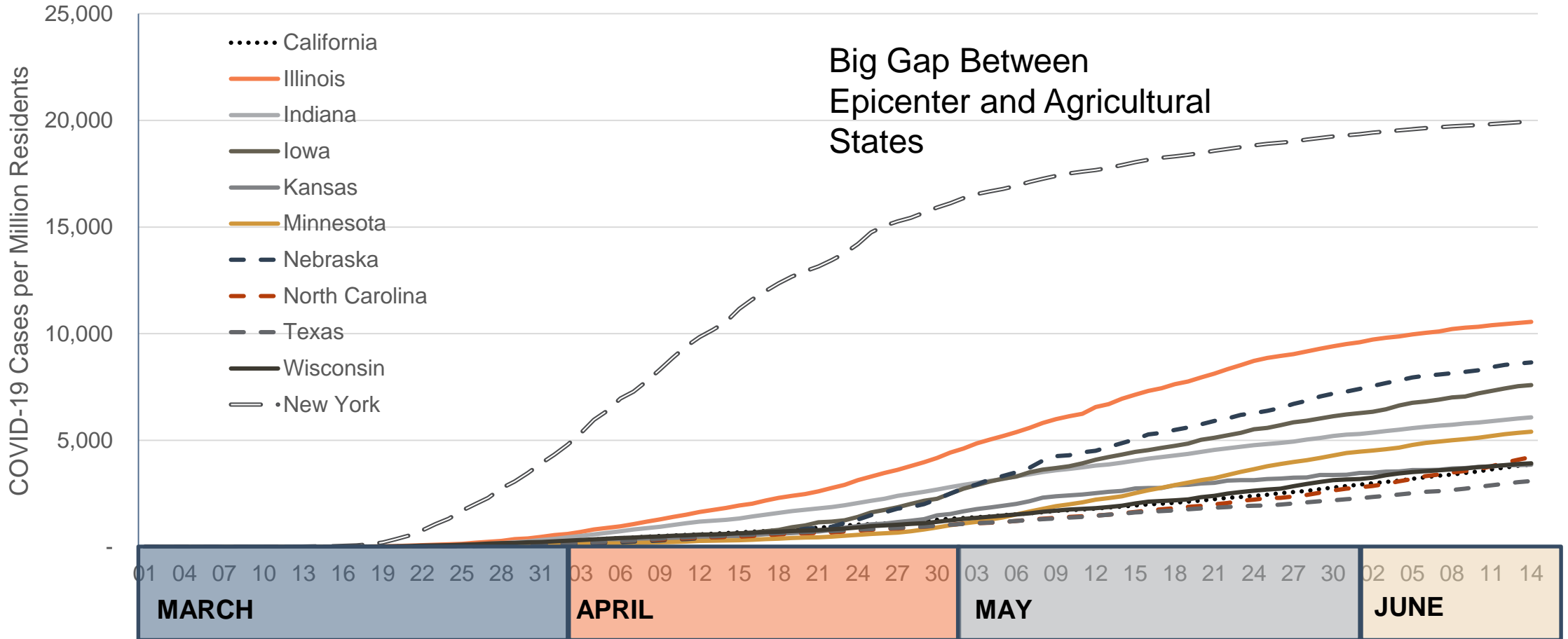
Case Development Slower Start in Agricultural Areas

Cumulative Case Counts Per Million Residents by State

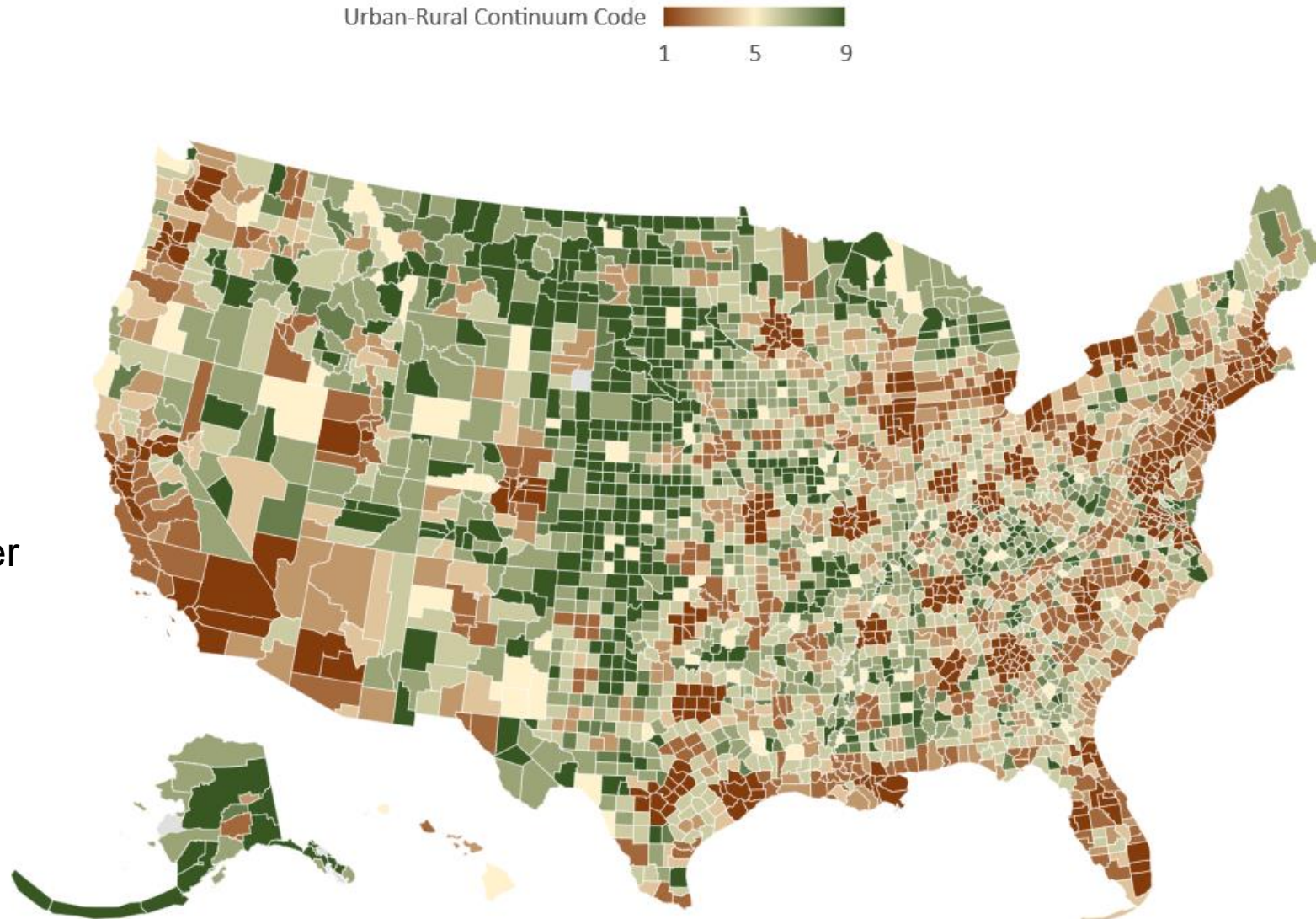


Case Development Slower Start in Agricultural Areas

Cumulative Case Counts Per Million Residents by State



COVID-19 Emergence in Rural Counties



Most ag production in green/yellow counties

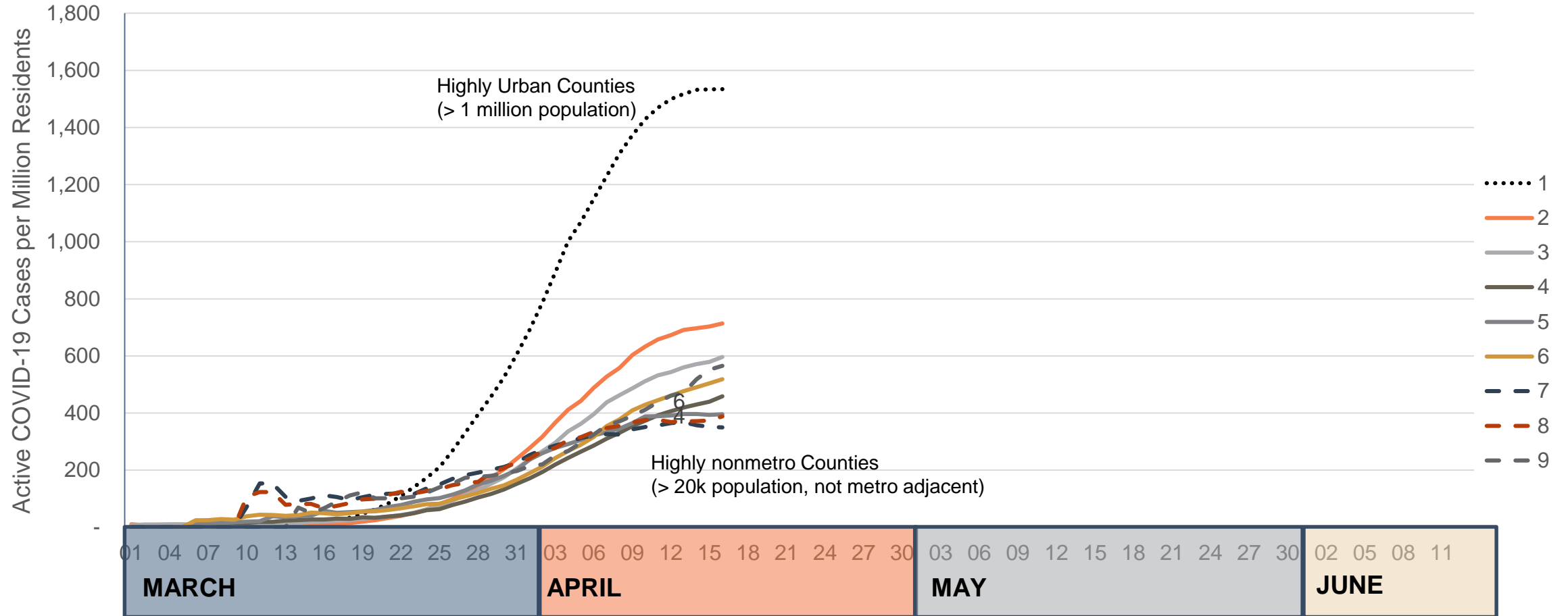
Red = Higher Population Density



Source: USDA County Urban-Rural Continuum

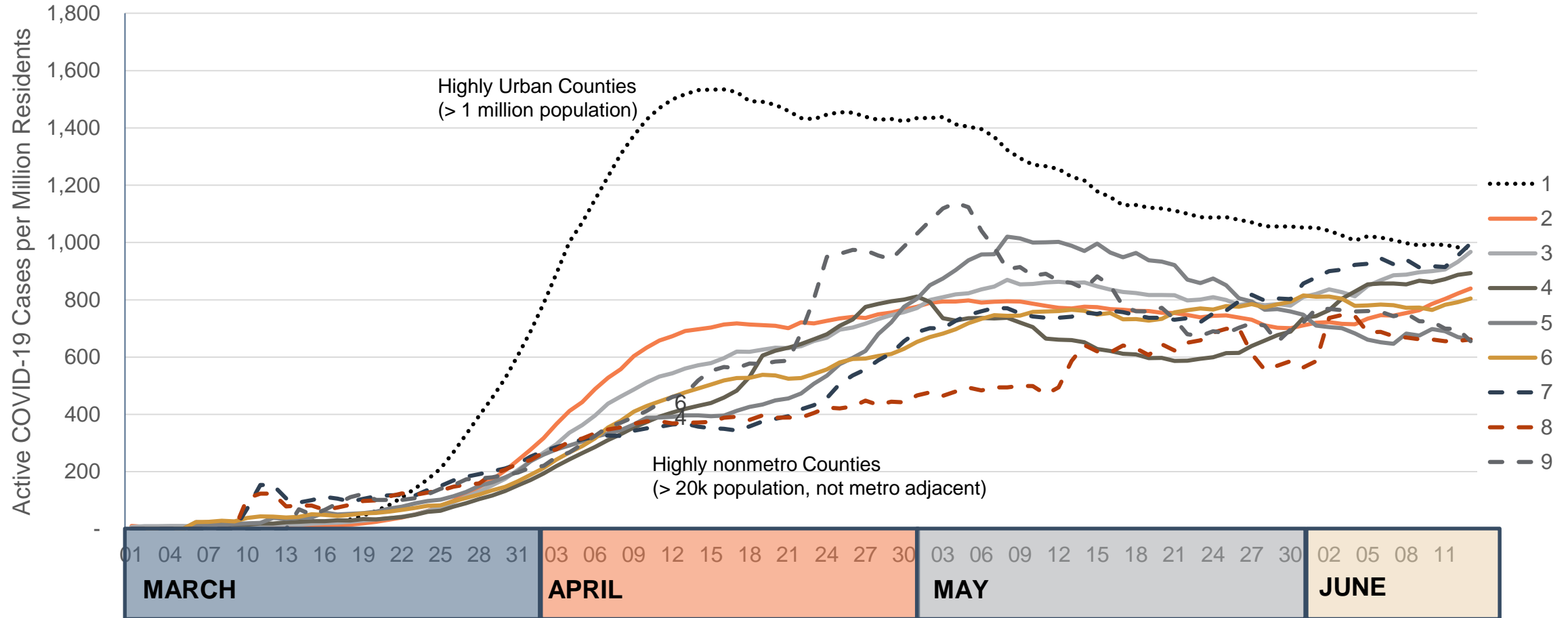
Urban Counties Started off Red Hot

Active Cases (last 14 days) by Urban/Rural Status

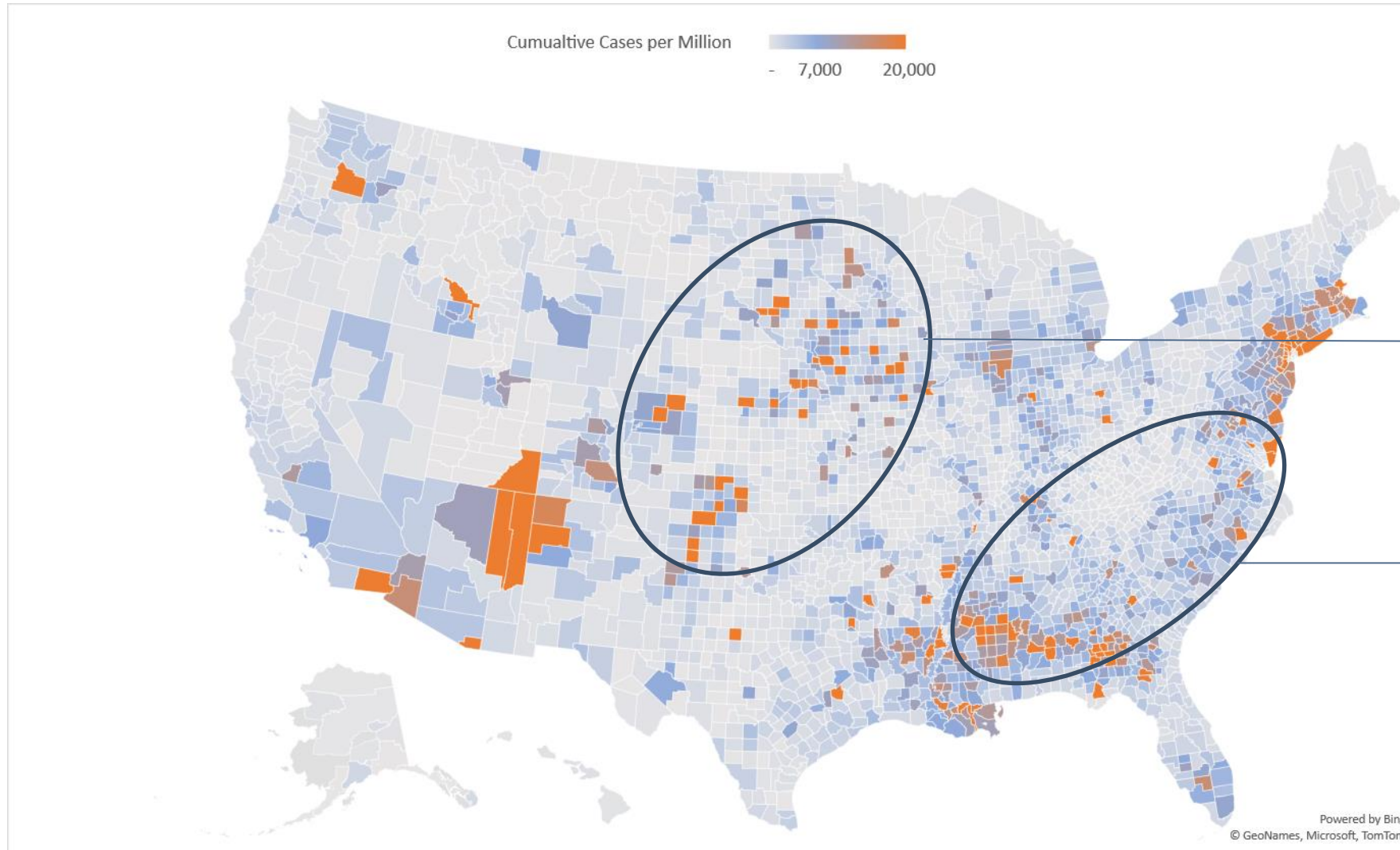


Urban Counties Started off Red Hot, But Rural Counties Caught Up

Active Cases (last 14 days) by Urban/Rural Status



Rural County Hot Spots Usually Explainable



Meat processor outbreaks in April and May

Early season farm workers in vegetables and melons in May and June

Summary

Rural cases
started slower

Little difference
between U/R
now

Ag sector
survived first
tests

Watch out for
farm labor pool

Make a plan for
Fall





Agricultural Impacts

Big Challenges for Ag in the first Half of 2020



Demand

- No schools
- Empty restaurants
- No driving



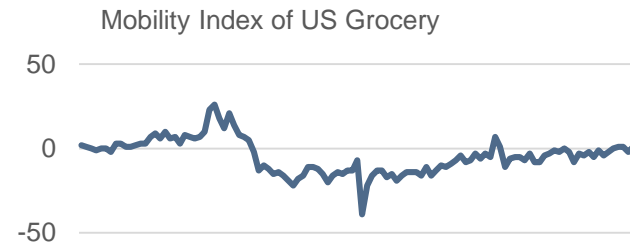
-78% Drop in Restaurant Reservations

% Restaurants Taking Reserv. **39%**



Supply Chain

- Grocery stores pressed
- Food supply chain ripples
- Meat processors



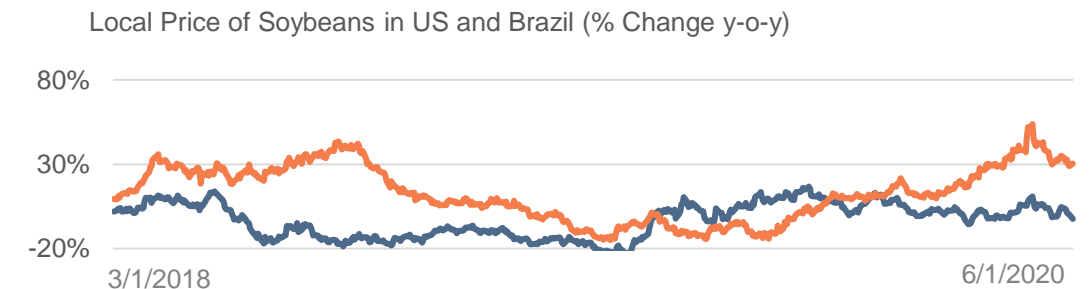
-36% Drop in Cattle Processing in April

Drop in Hog Processing in April **-42%**



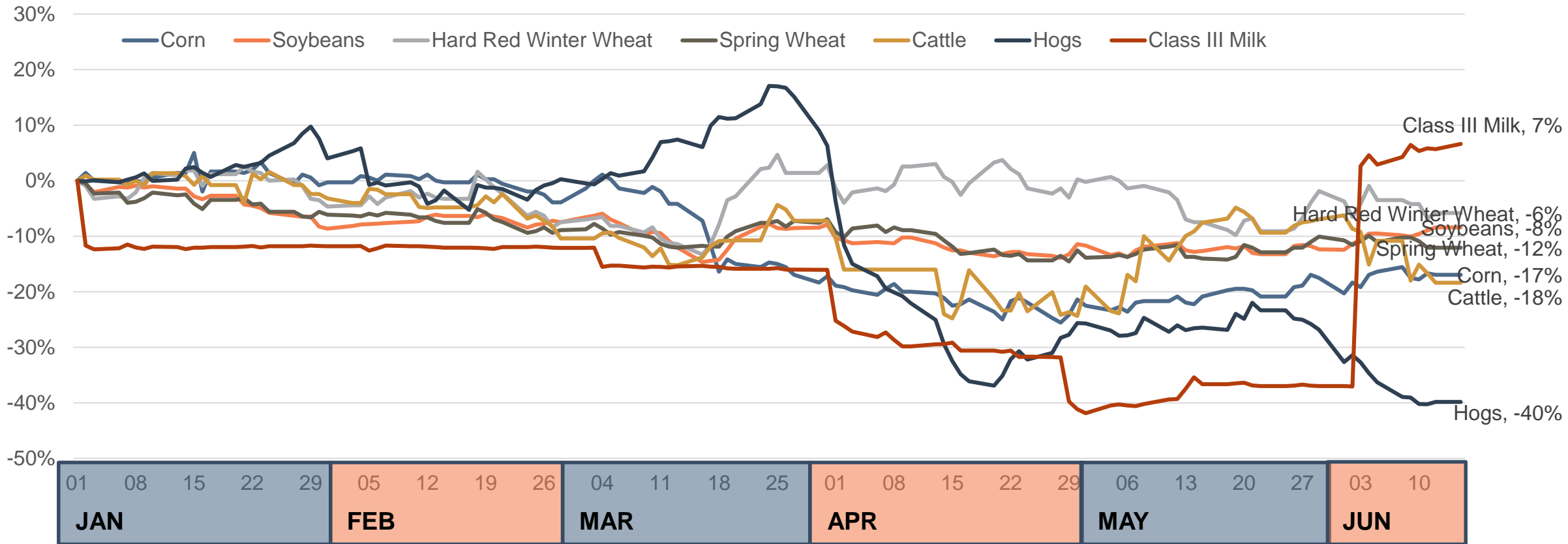
Foreign Woes

- Brazil and Argentina press on
- Stronger USD hinder sales
- China?



Commodity Prices Tumbled as a Result of the Economic Conditions

Spot Price Change from Jan 1, 2020



Mixed Signals for the Second Half

Did you see
that milk
price?

Ethanol
production
rebounding

Meat
processor
bounce

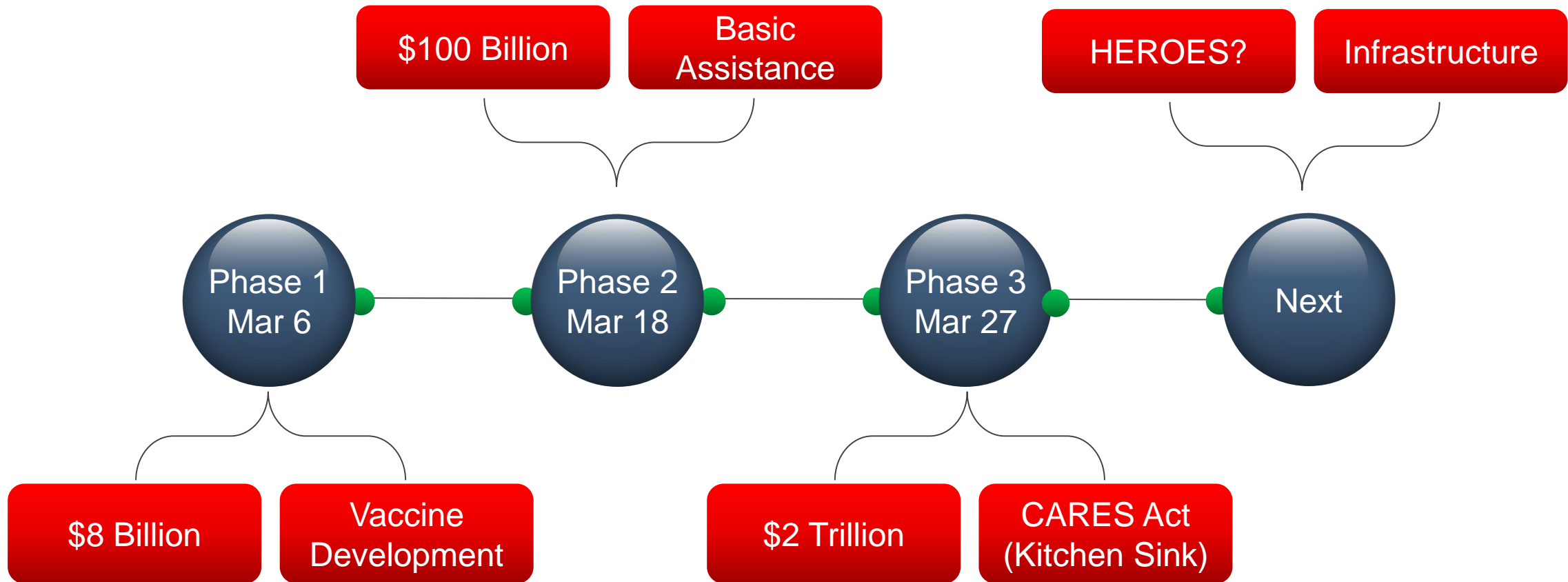
Supply glut
in '21?

Global GDP
drag



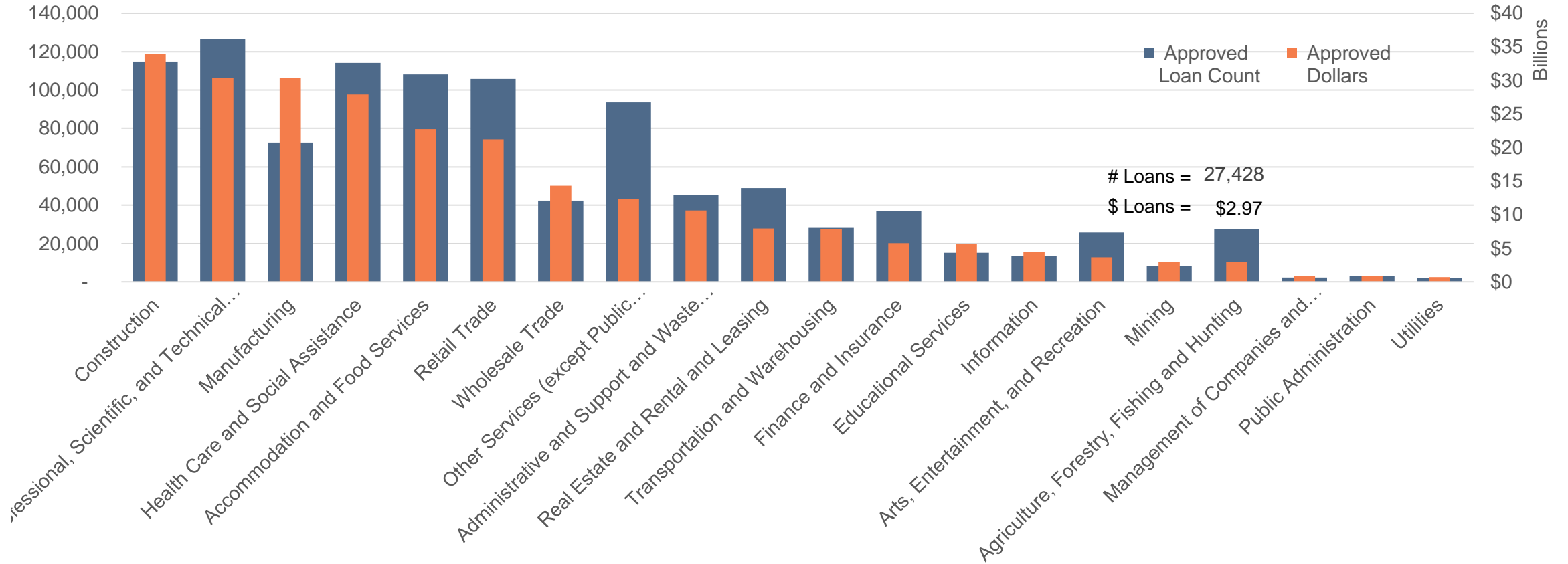
Government Intervention

Timeline and Relative Impact of Support

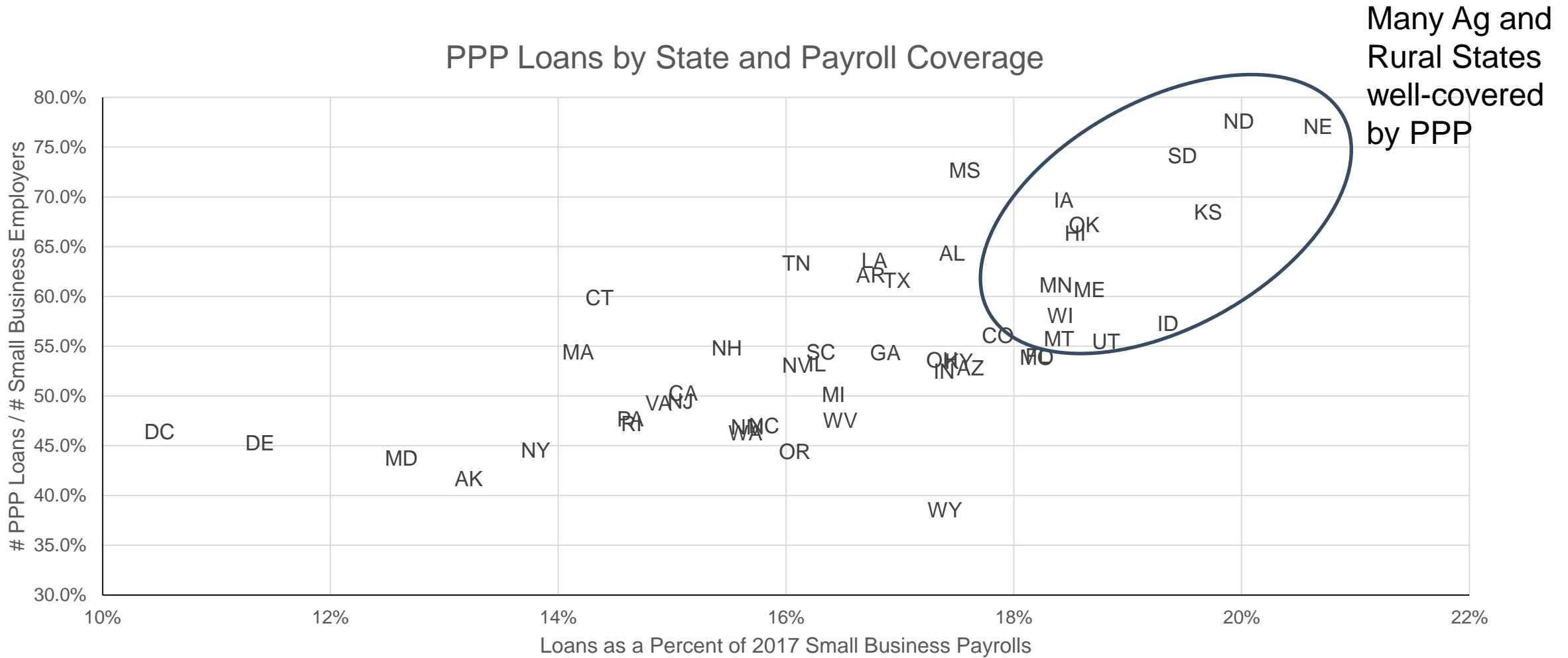


CARES PPP Payments (by industry)

PPP Round 1 by Industry NAICS

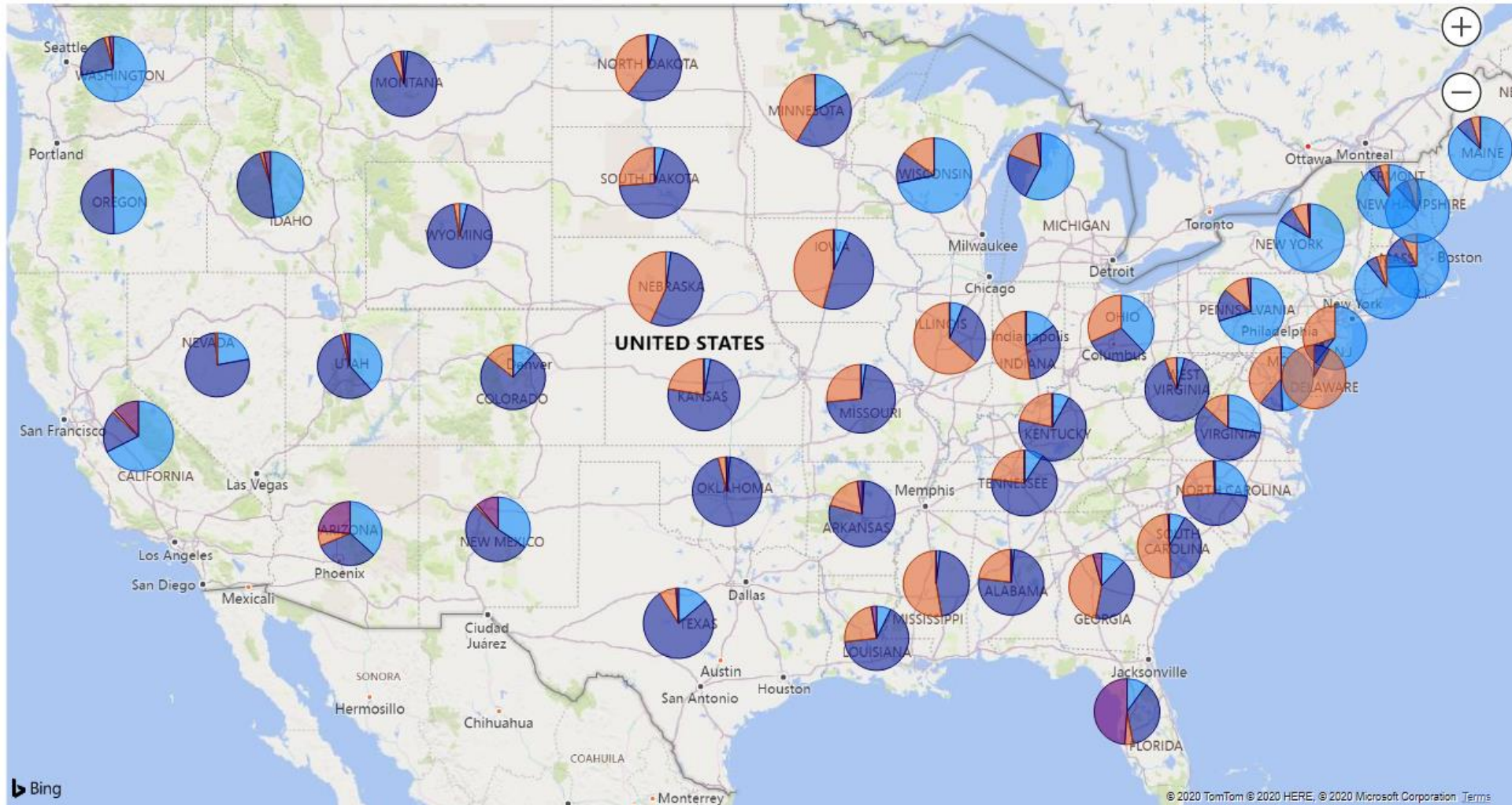


CARES PPP Payments (by state)

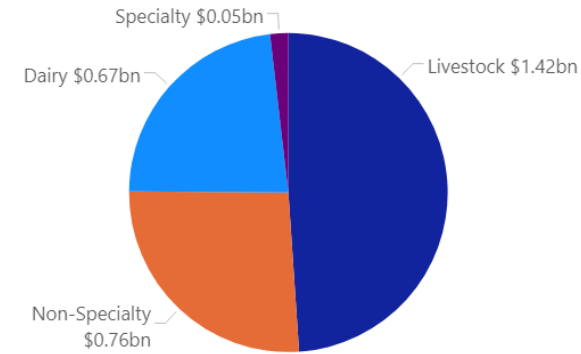


CFAP Payments to Date (\$2.9 of \$16 billion)

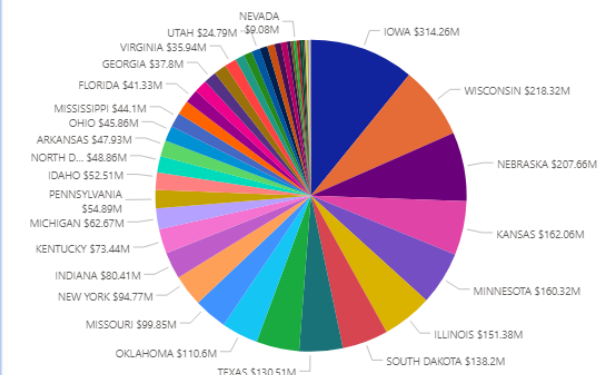
Type of CFAP ● Dairy ● Livestock ● Non-Specialty ● Specialty



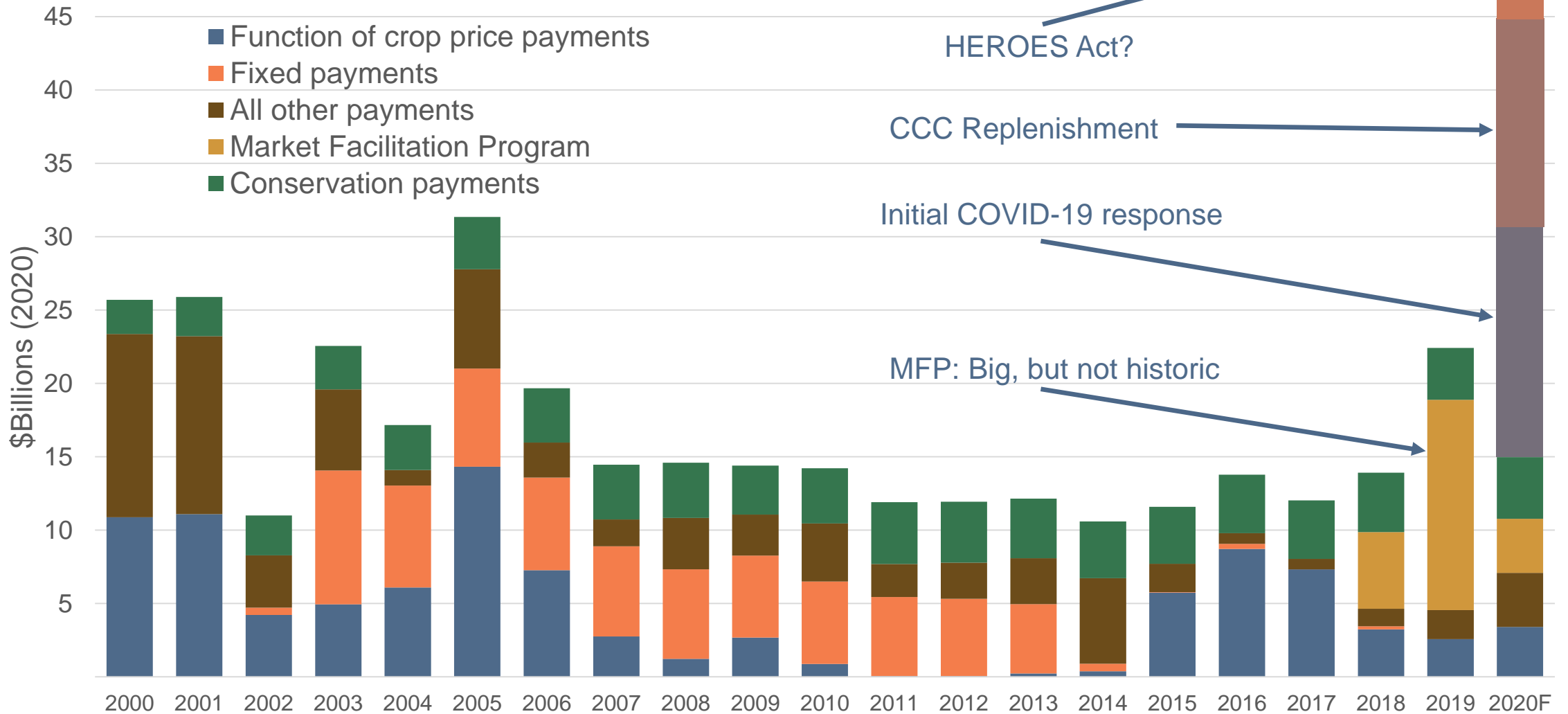
Amount by Type of CFAP



Amount by State



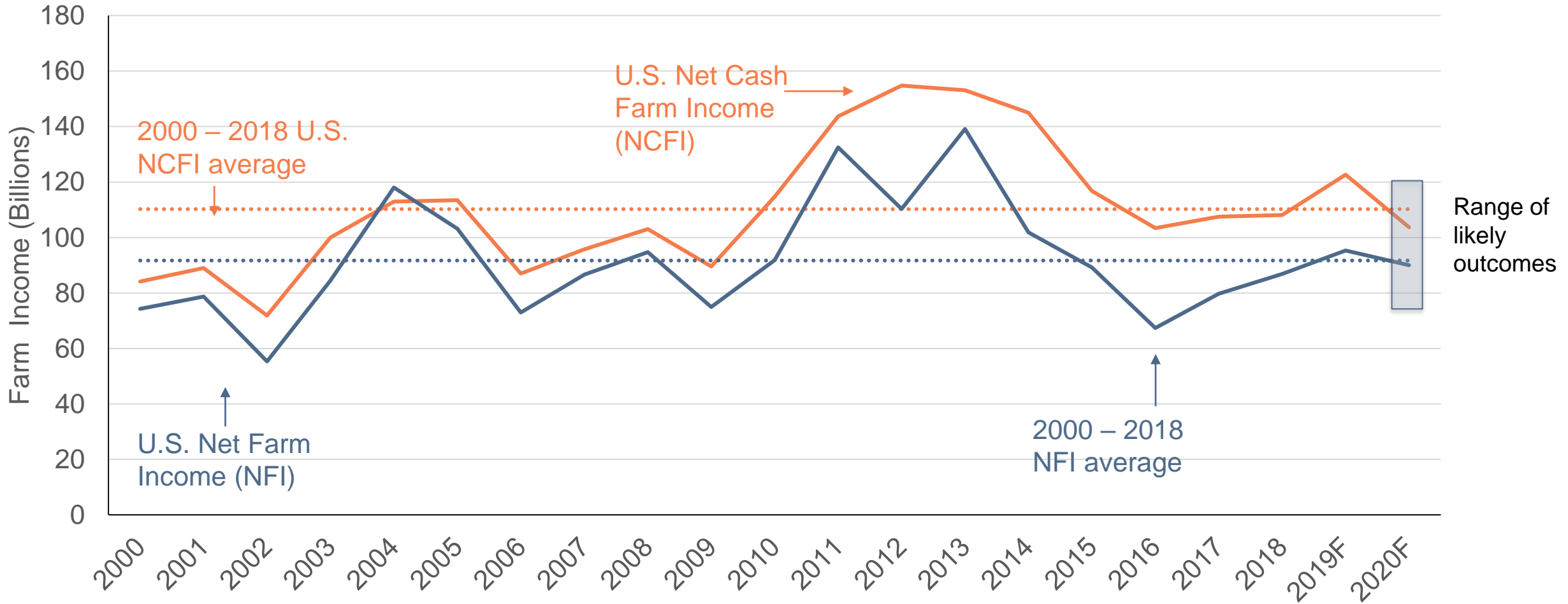
How big has the government response been?





Farm Financial Projections

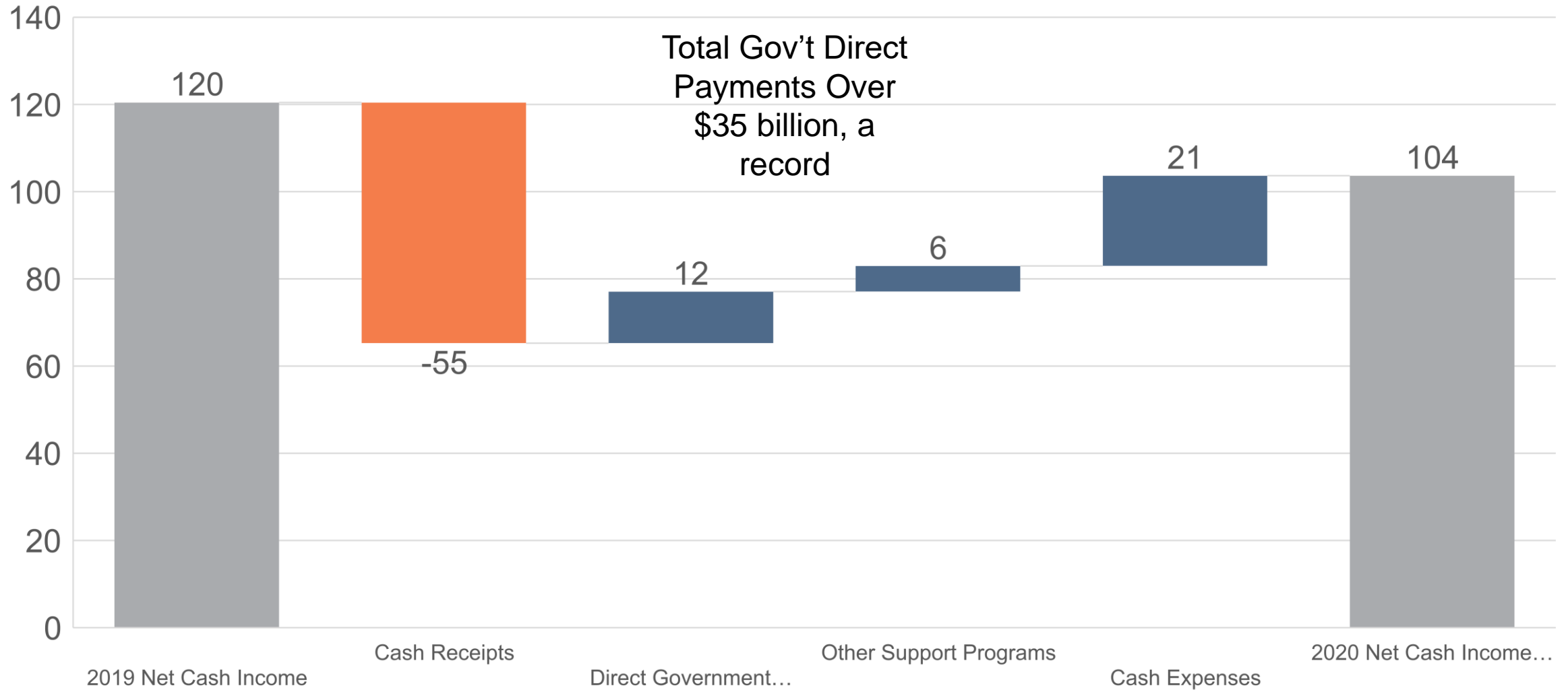
Farm Financial Ratios – Net Income



Source: USDA, Economic Research Service, February 2020 Farm Income and Wealth Statistics data, Author's Calculations.

2020 Decrease Offset by Government Support

■ Increase ■ Decrease ■ Total



Some Help from Expenses

Feed costs
following grains

Animal
replacement
costs lower

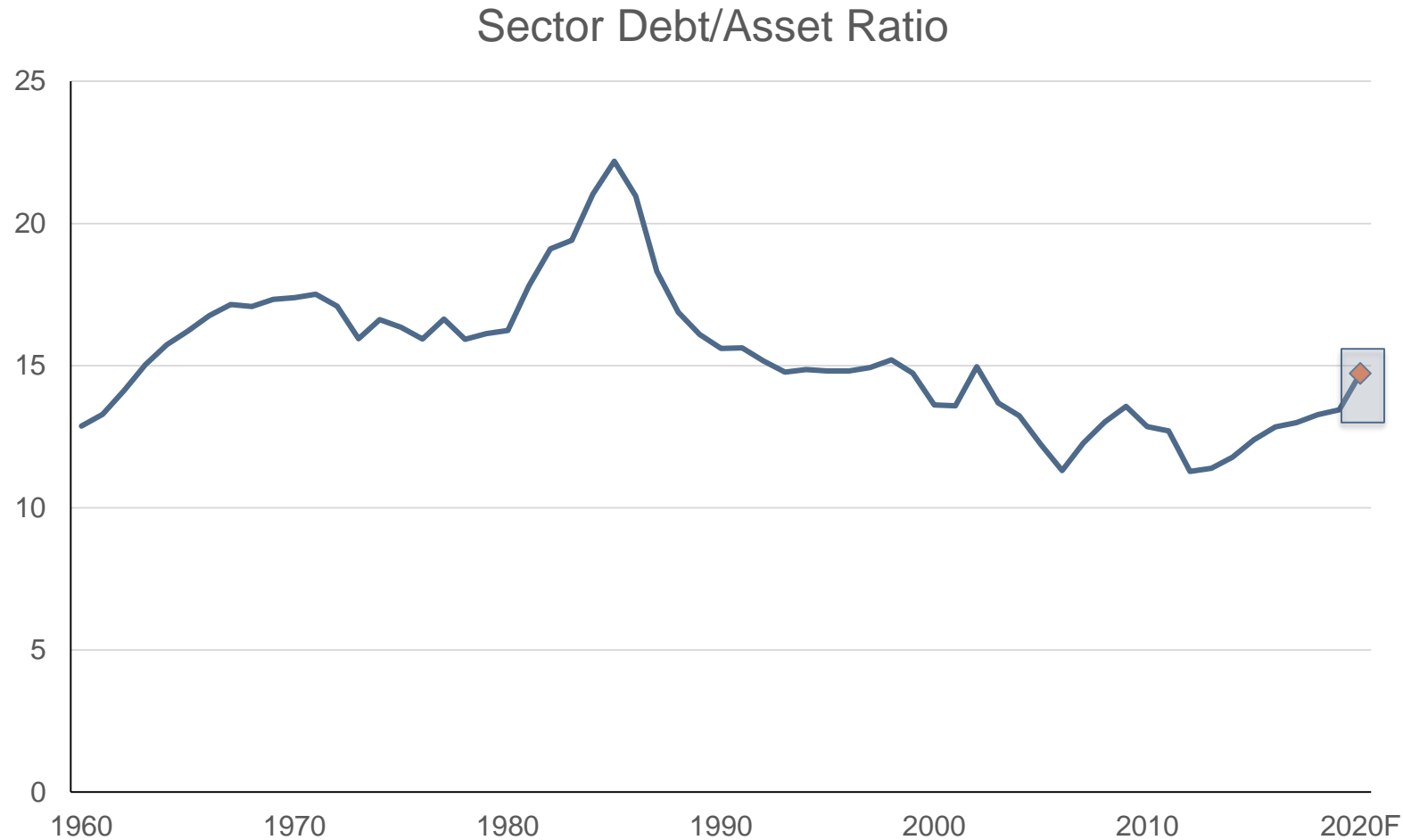
Fuel and oil
costs
dramatically
down

Fertilizer costs
down

Offset by higher
labor expense



Farm Financial Ratios – Solvency



Continued Rise in Debt

- Higher real estate secured debt
- Stable operating debt
- Lots of refinancing at record-low rates

Flat Asset Values

- Stable to rising real estate
- Lower inventory values
- Lower financial asset values



Will land values hold up in 2020?

Potential warning signs

- Bank expectations
- REIT performance
- Auction data

Mitigating factors

- Interest rates
- Investor interest
- Limited supply



Farm Financial Ratios – Liquidity

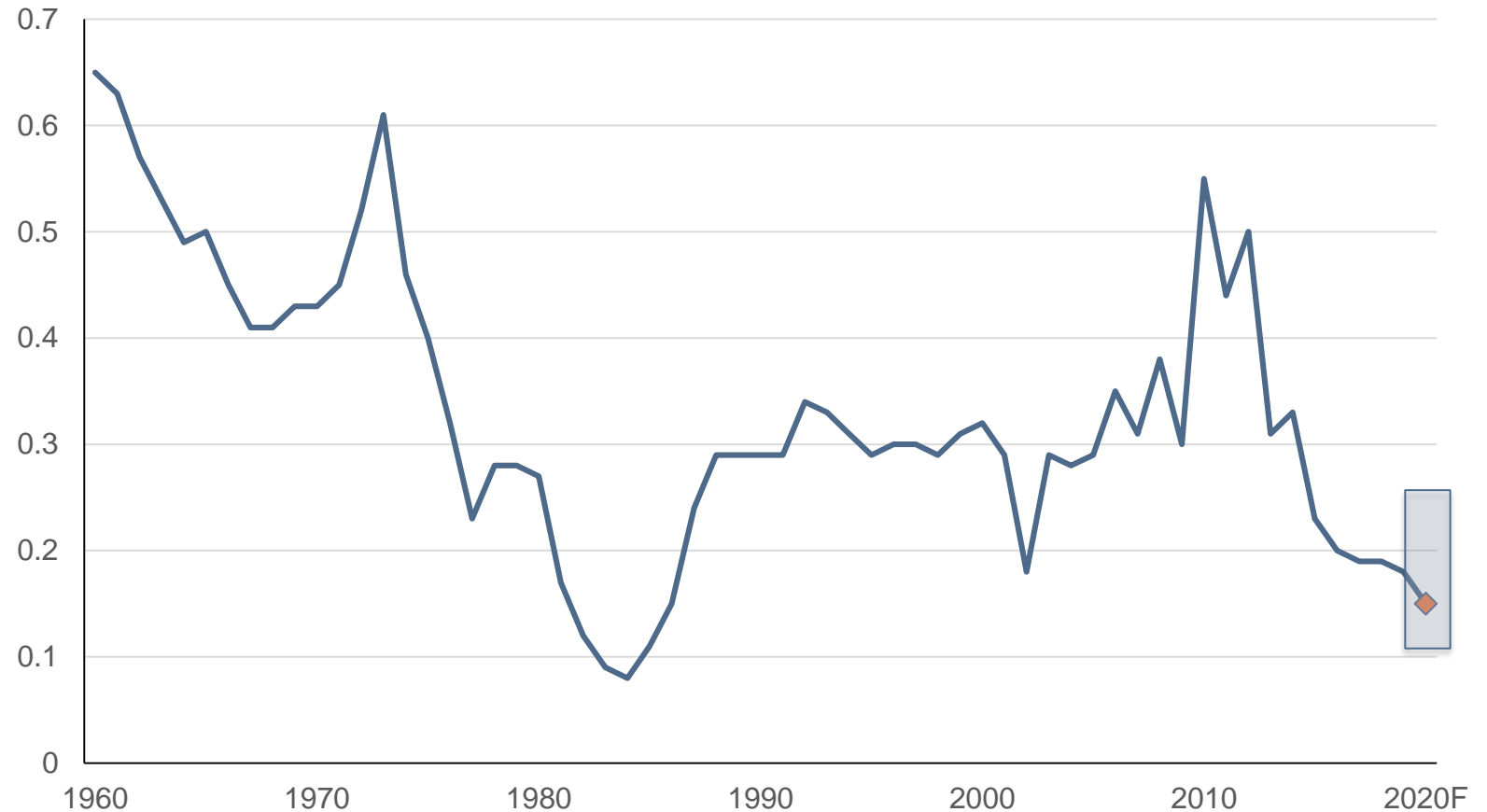
Expenses Fall Small

- Sticky seed prices and rental rates
- Higher and more uncertain labor costs

Declining Current Assets

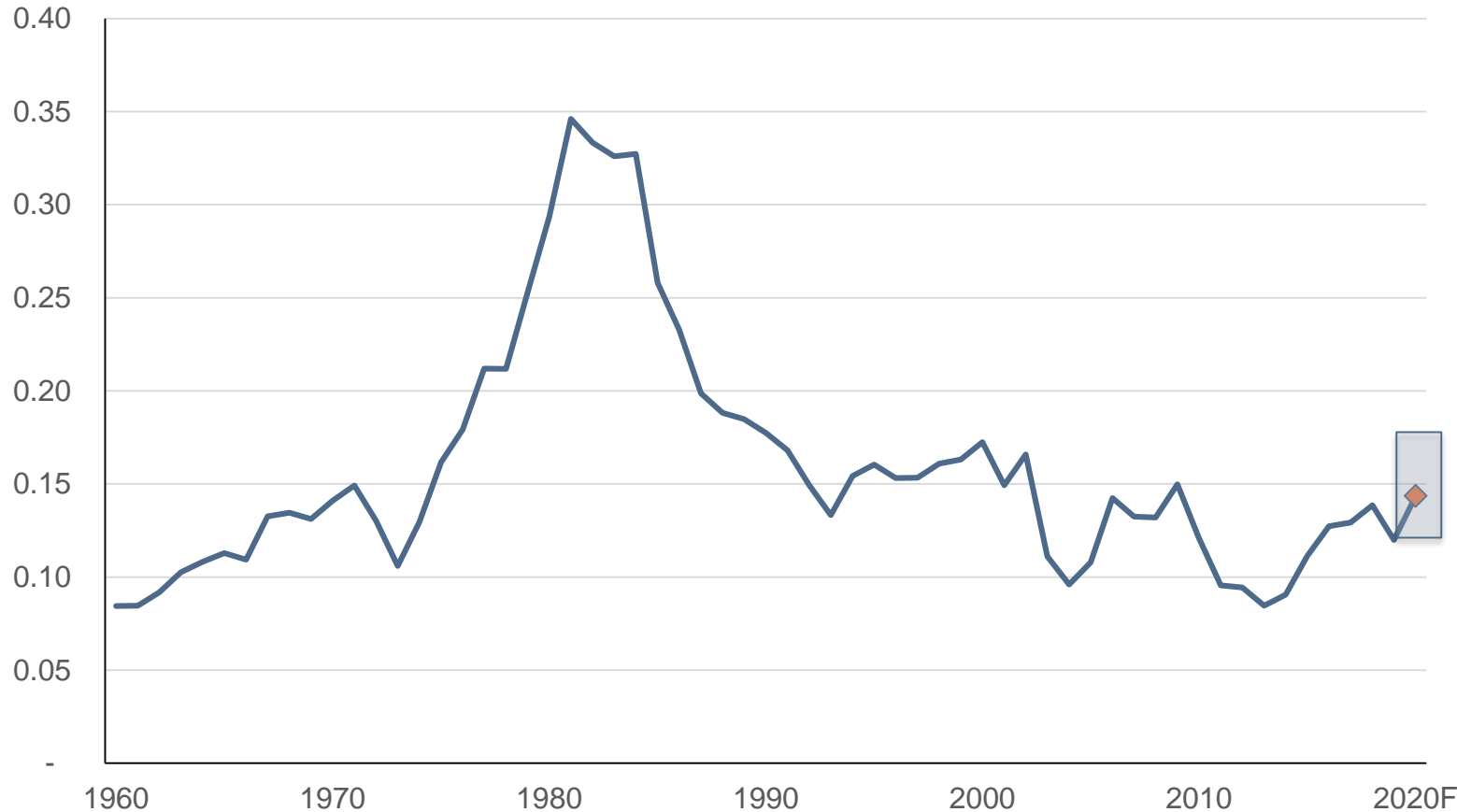
- Lower market prices hurt carryover stocks and livestock inventory
- Decline in liquid assets partially offset with cash from payment programs

Sector Working Capital to Expenses



Farm Financial Ratios – Interest Coverage and Cash Flow

Farm Interest Expense / EBITC



Interest Expense Saves

- More debt but...
- Low rates
- Greater fixed rate financing

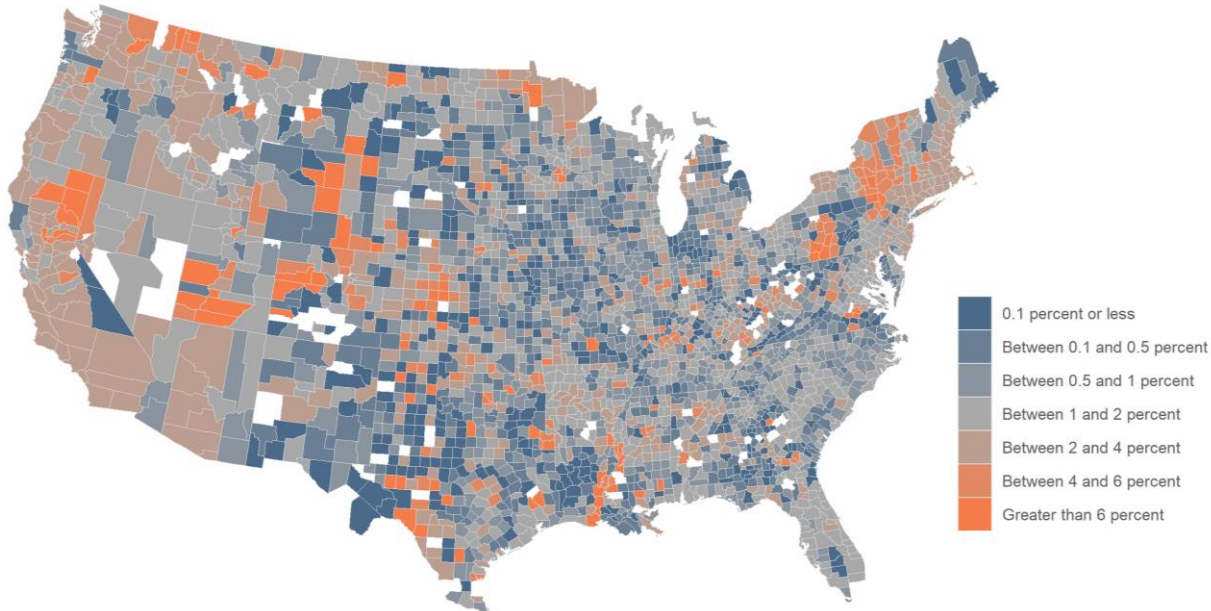
Earnings Lower

- Near-record Debt-to-Earnings
- But debt is more serviceable and lower interest rate risk

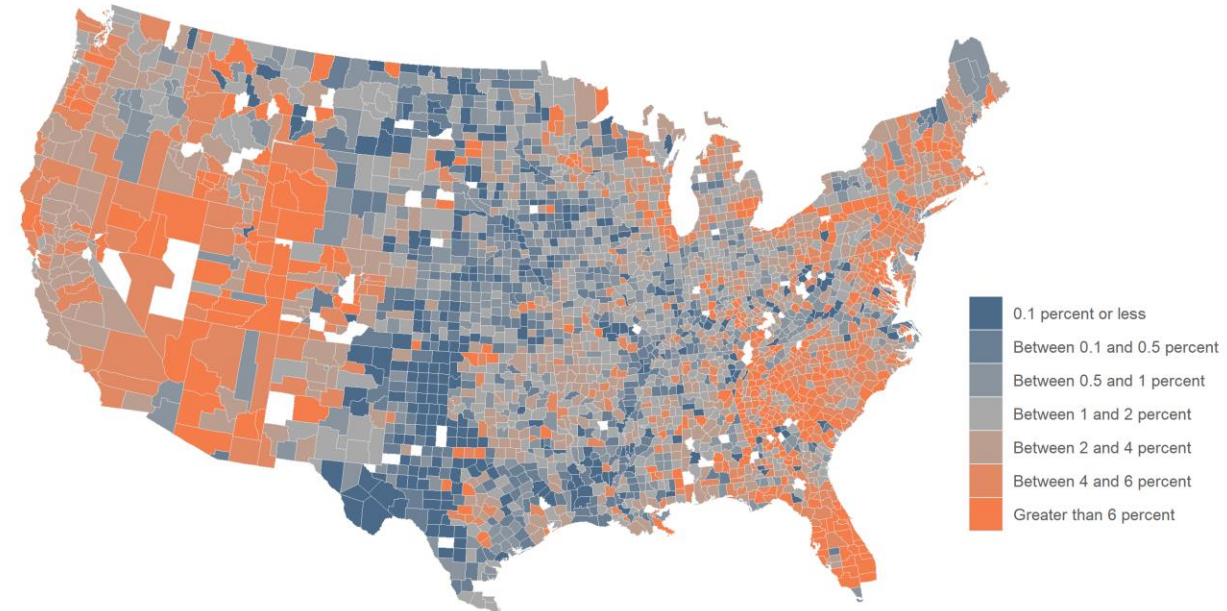


However, the General Economy Can Influence Farm Loan Performance

2003 (Lowest Farm Incomes)



2010 (Financial Crisis)



Summary

Farm Incomes
Likely Down but
Not Dramatically

Delivery of Gov't
Support and Low
Interest Rates
Keys

Liquidity One
Area of Concern
in 2020

Look Ahead to
2021 – Ending
Stocks to
Pressure Prices

Coronavirus and
General
Economy
Important

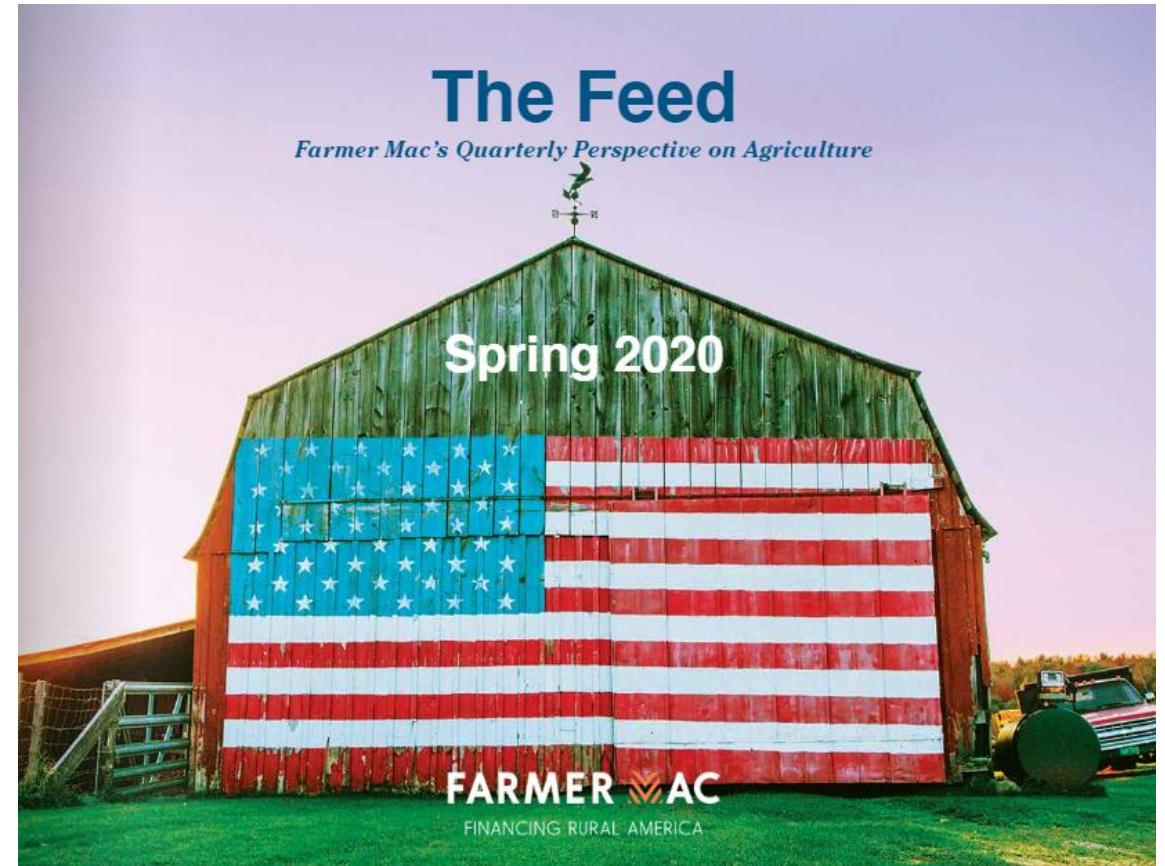




Questions?

The Feed – Farmer Mac’s Quarterly Perspective on Agriculture

- *Quarterly publication*
- *Focus on sectors and stories relevant to the season*
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Thank You

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