



# COVID-19 Impact on the Economy and Agricultural Sectors

July 8, 2020

## Presentations by:

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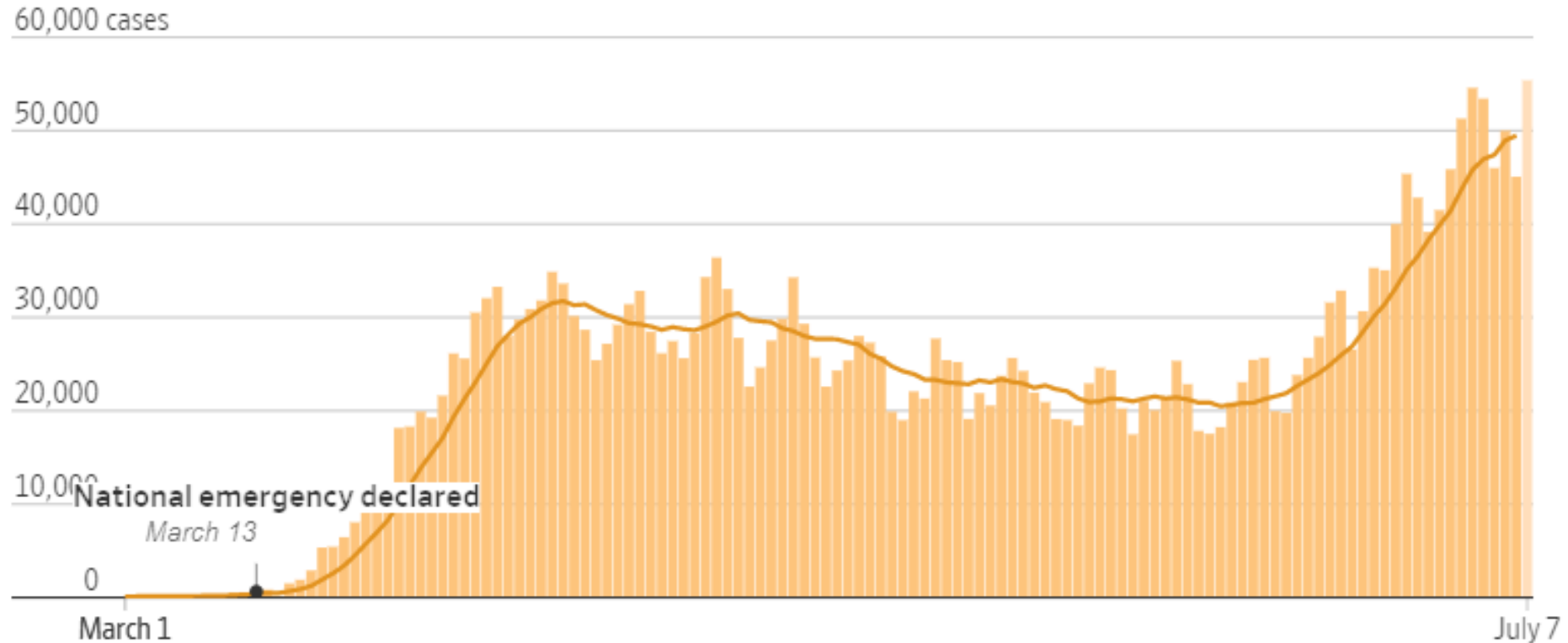
# **Economic Outlook**

Dan Kowalski

# U.S. COVID cases have hit a new high. To solve the economic crisis, we will have to solve the health crisis

## Daily reported Covid-19 cases in the U.S.

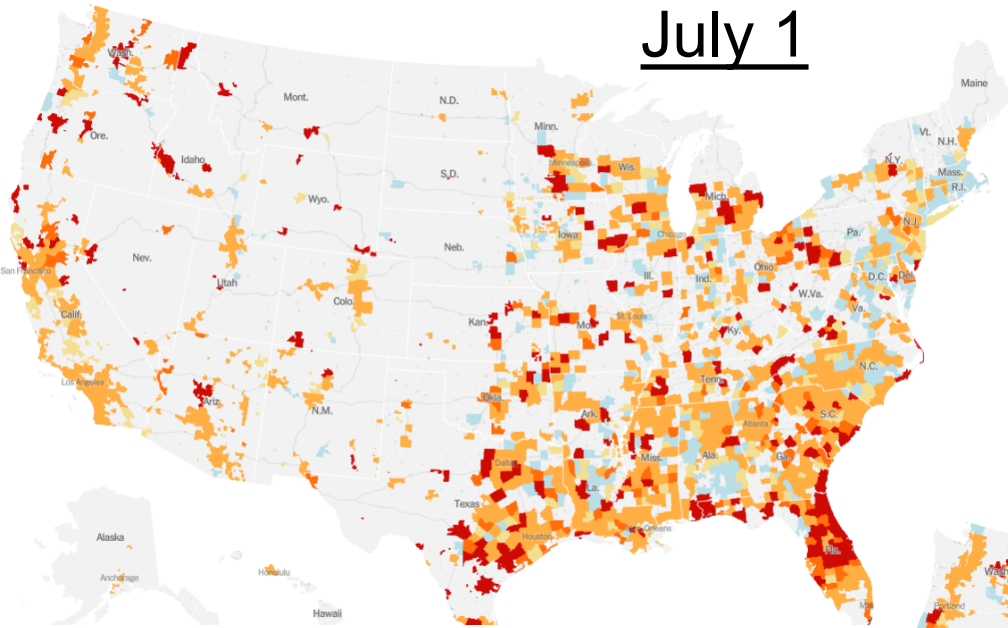
— Seven-day rolling average



“If you don’t want to shut down the economy, you’ve got to decide what you’re for and if you’re going to be against universal masking, and against testing, against tracing and you don’t want to shut down the economy, you’re just going to have to tolerate then a very large epidemic.” – Dr. Scott Gottlieb, Former FDA chief on 6/25

# Hot spot cases are still rising, but at a slower rate

July 1



## Hot spots in the United States

Hot spots

Total cases

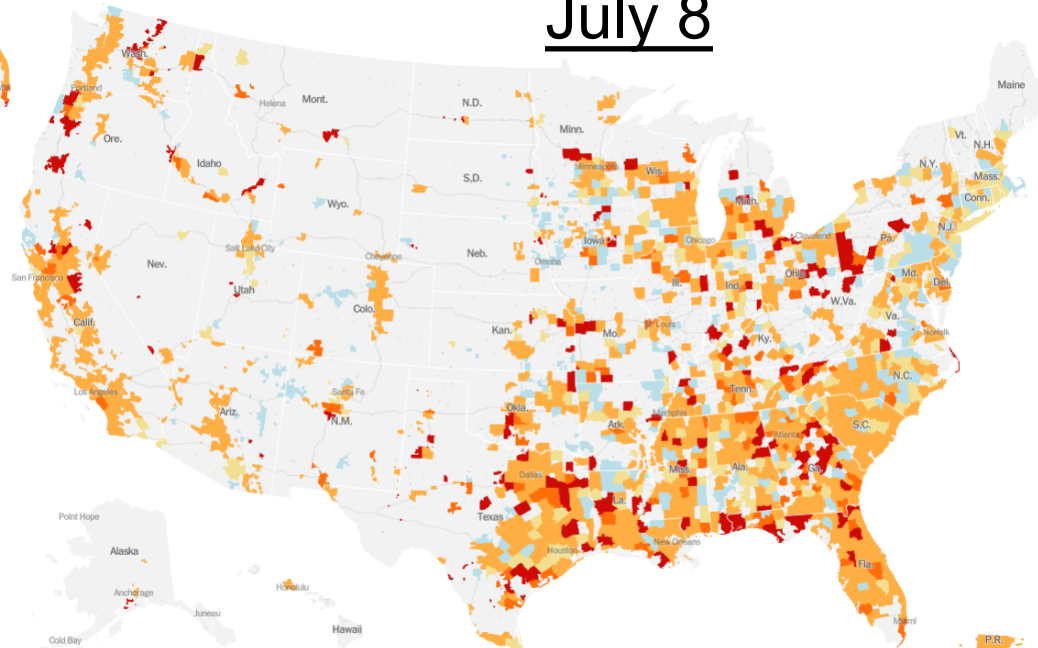
Deaths

Per capita

How the number of new cases has changed in the last two weeks



July 8

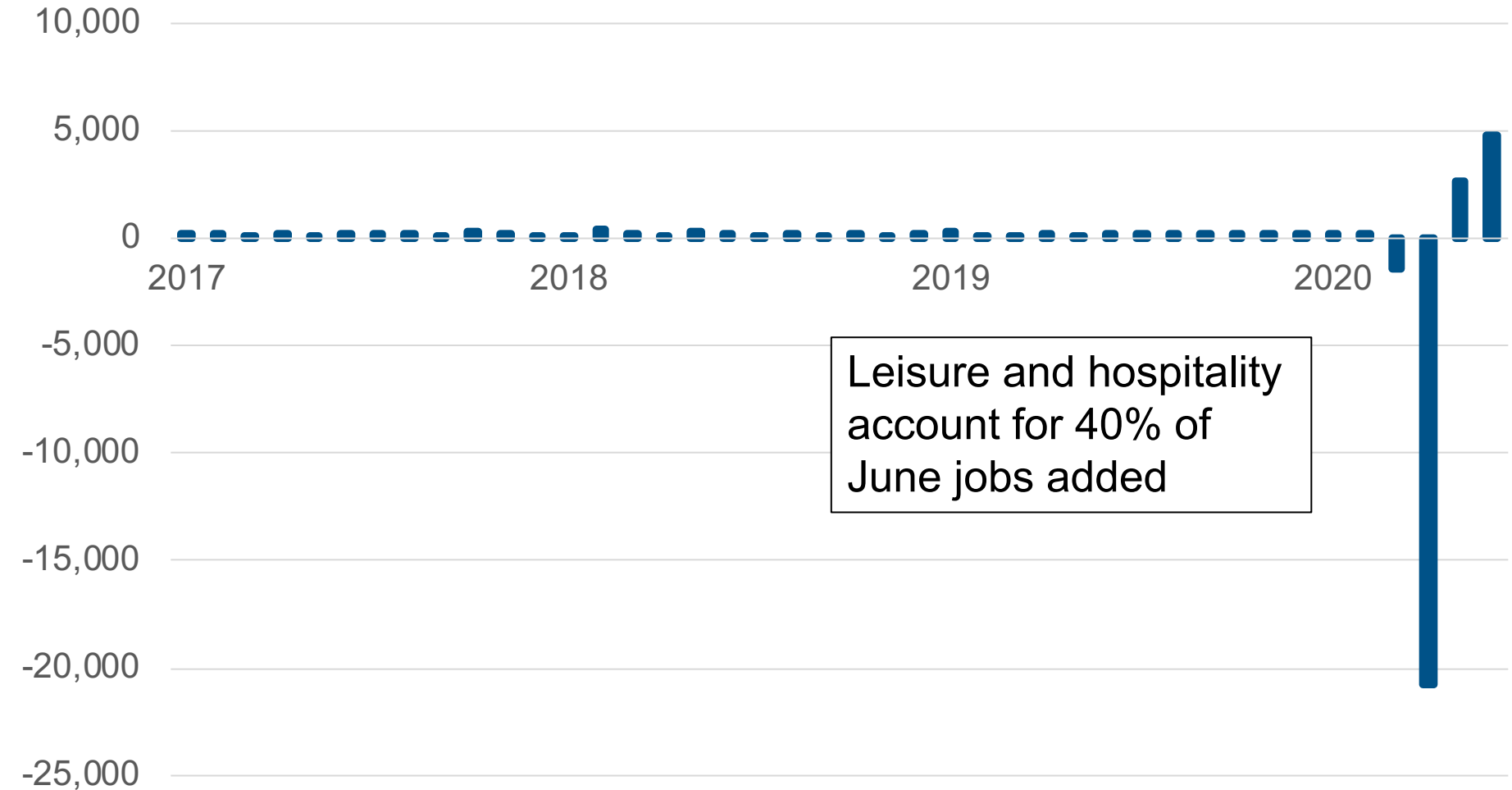


# 4.8M jobs were added in June. 34% of jobs lost during COVID have been recovered



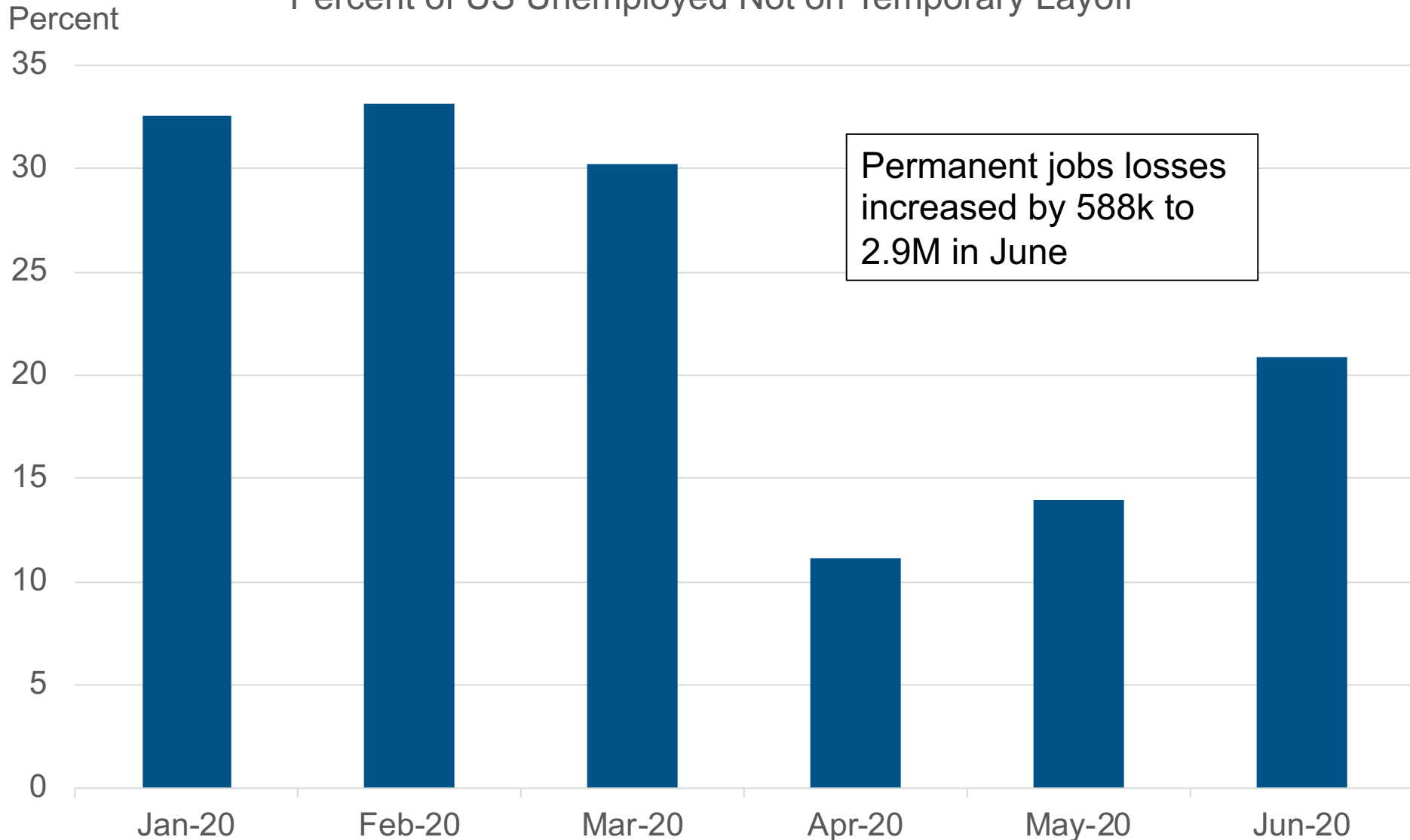
## U.S. Nonfarm Payrolls (MoM Change)

Thousands



# More layoffs are becoming permanent

Percent of US Unemployed Not on Temporary Layoff



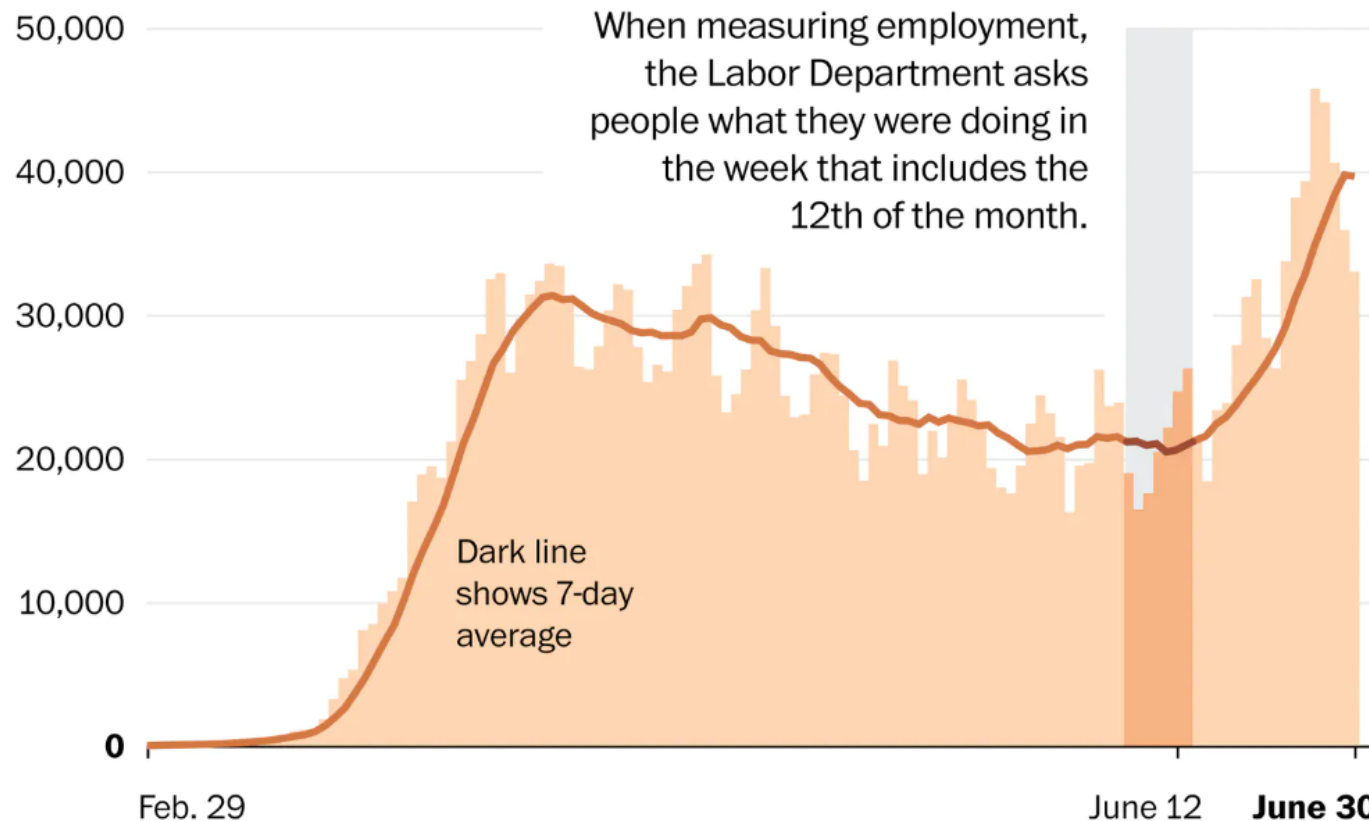


# Unfortunately the June jobs report is already stale. Survey was done when COVID cases were at their lowest

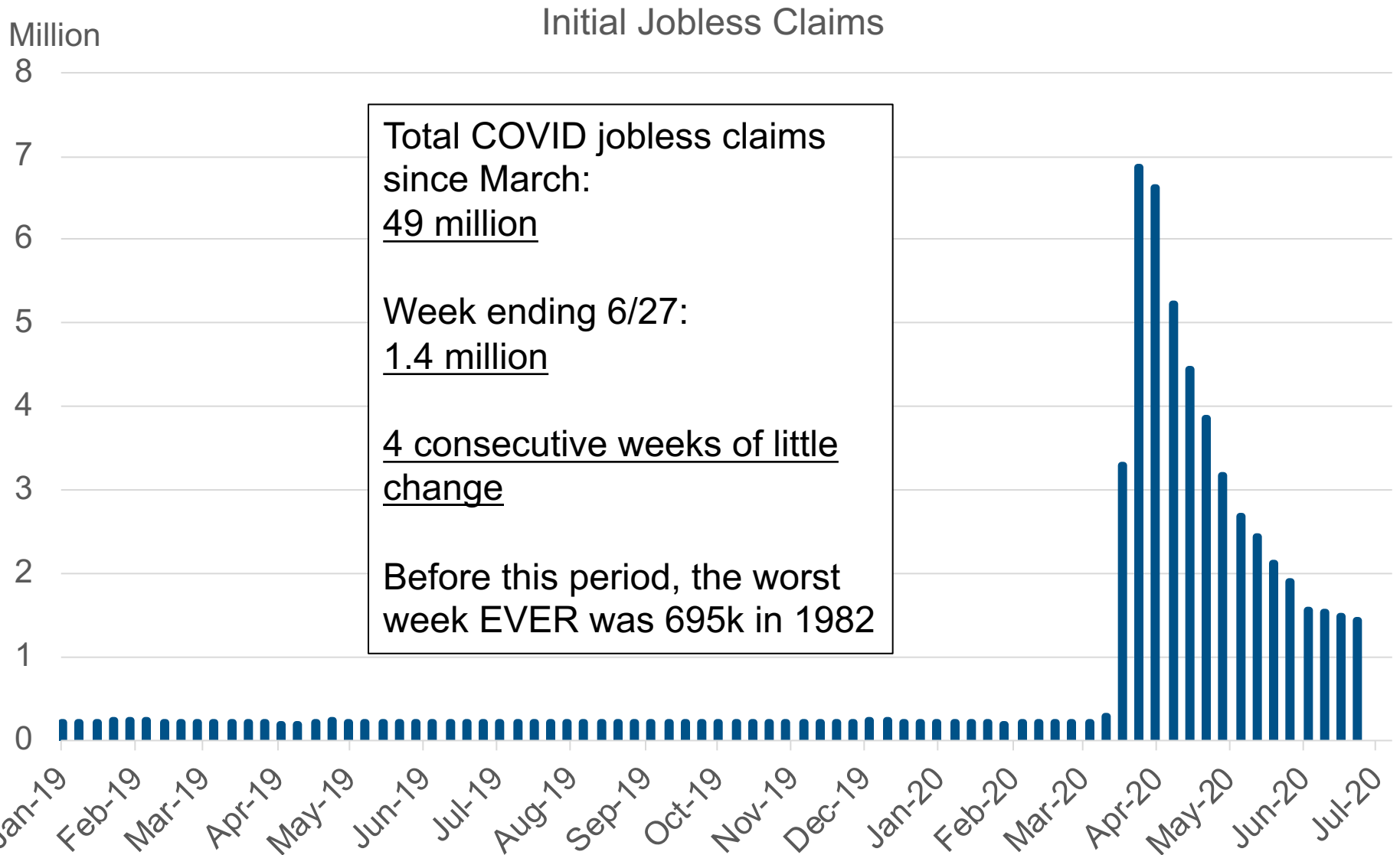
## A snapshot of a different time

**The June jobs numbers were measured for a week when coronavirus cases in the U.S. were at a low ebb.**

Reported U.S. Covid-19 cases



# Weekly jobless claims have plateaued at ~1.5M. Steady and rising cases are delaying reopening phases

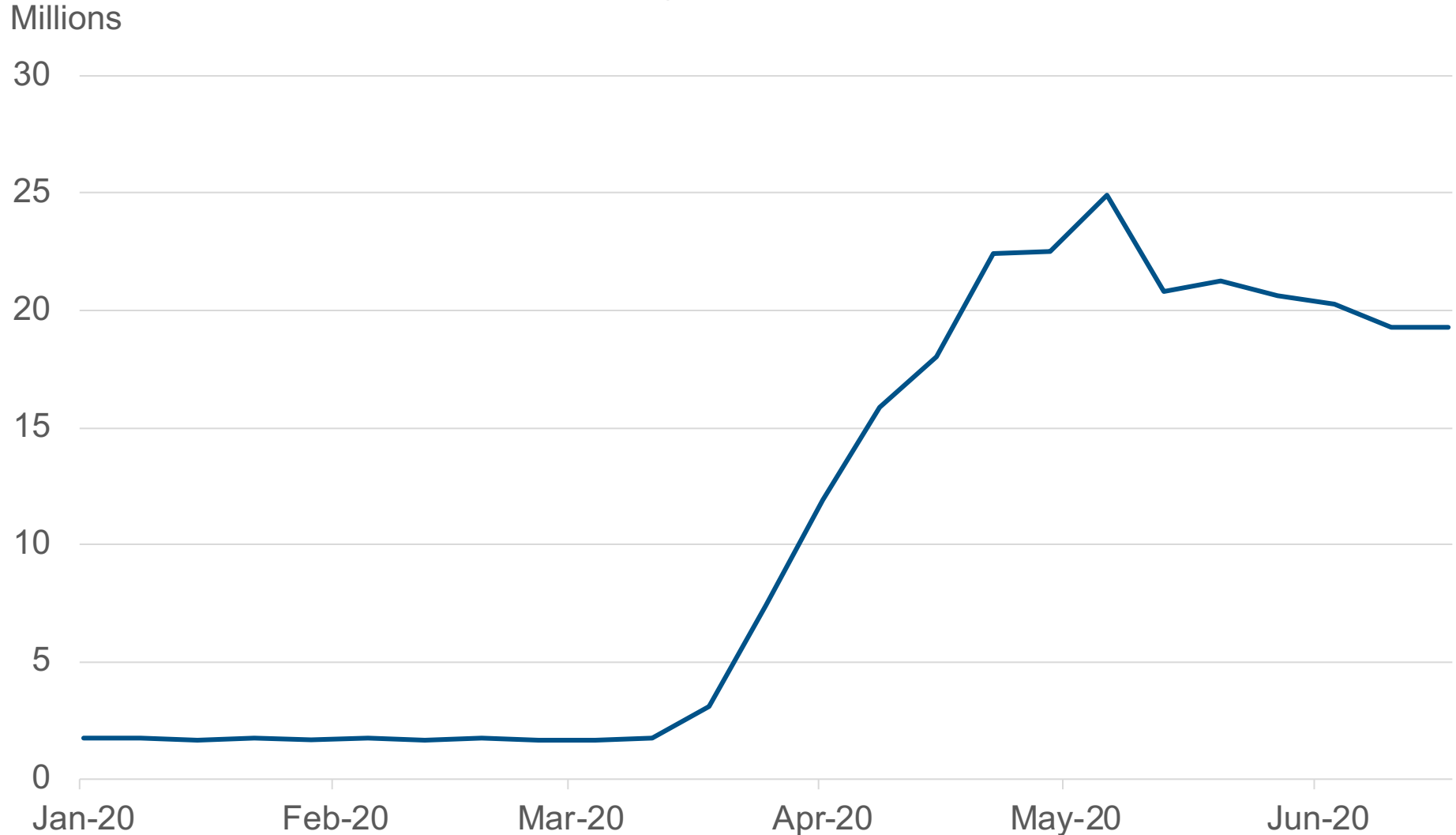




# Trend of total people on unemployment has been improving, but stalled last week



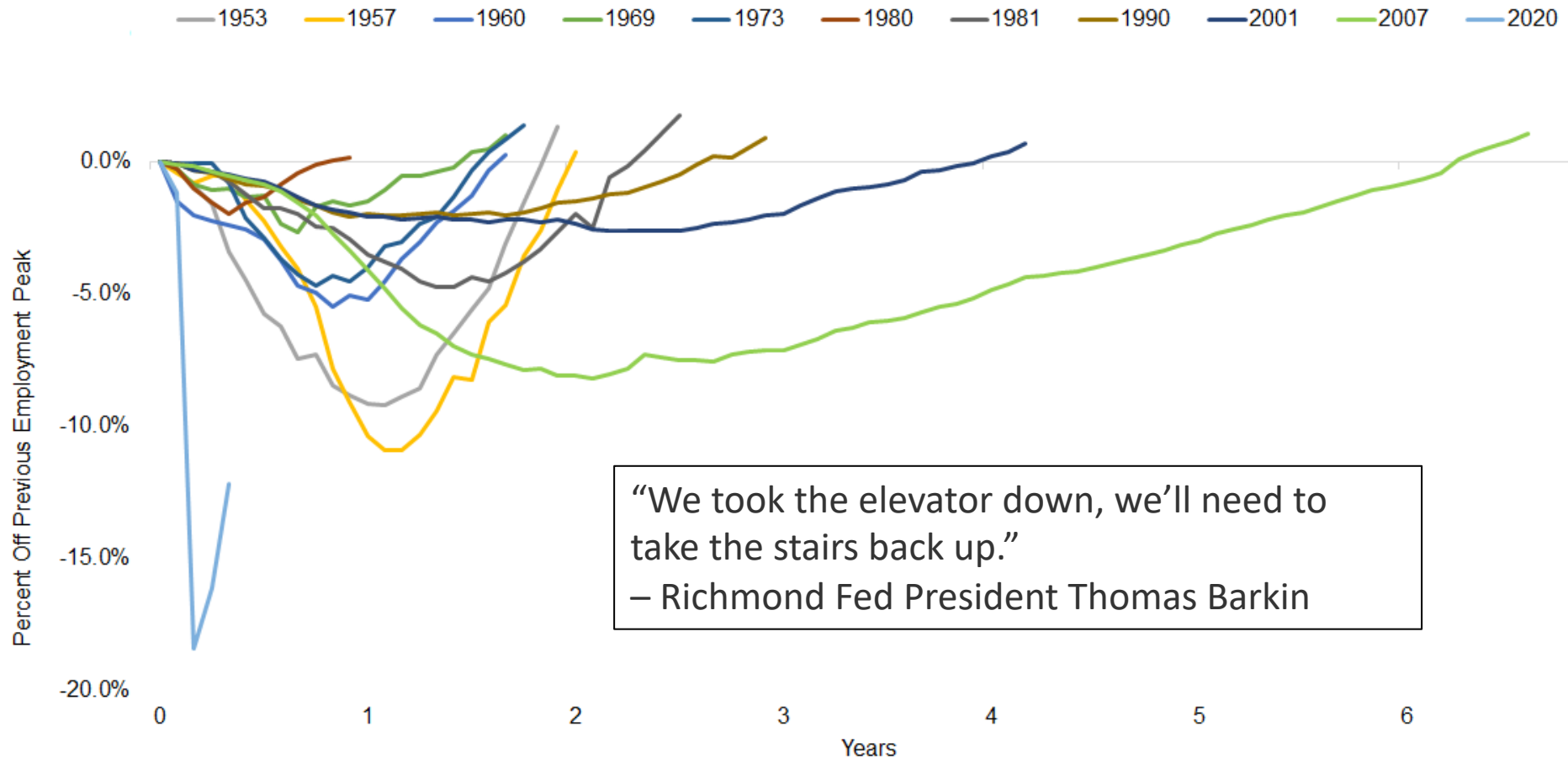
## Continuing Insurance Claims



# Recession recovery is typically measured in years

## Length Of Time Before Jobs Fully Returned After A Recession

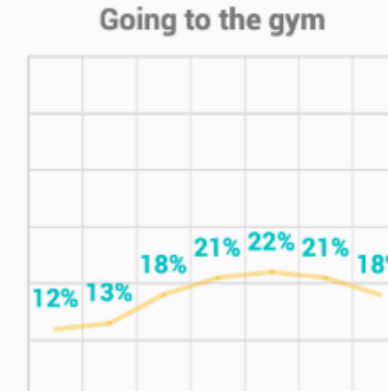
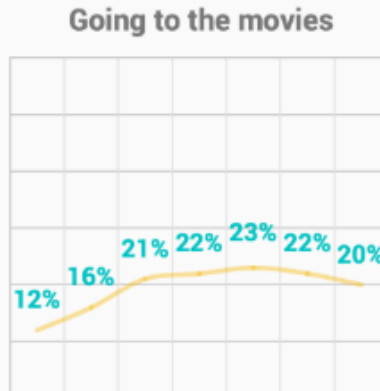
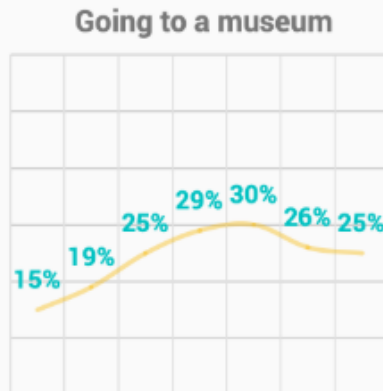
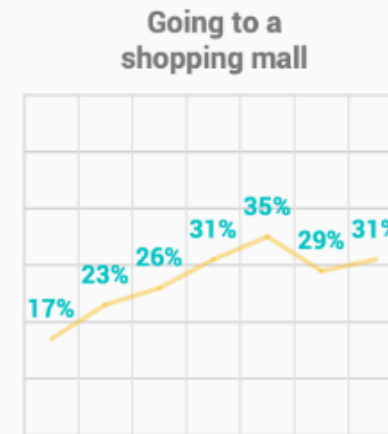
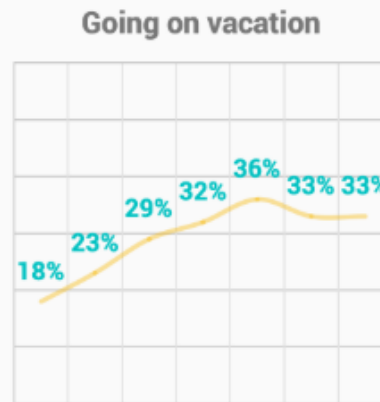
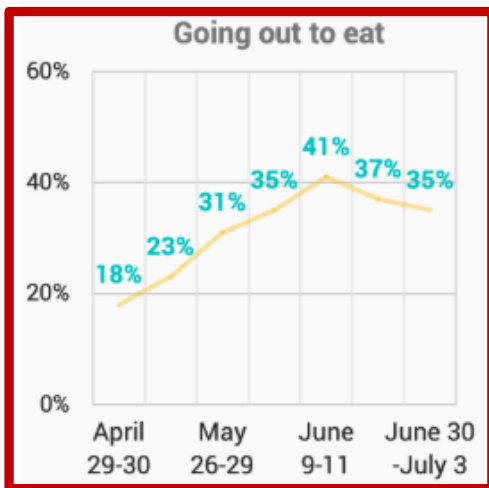
10 Recessions Since 1950 Took 30 Months On Average To Reach The Previous Employment Peak



# Consumer COVID fears are increasing for the first time since April

## Consumers' Comfort Level With Some Leisure Activities Falls Amid COVID-19 Surge

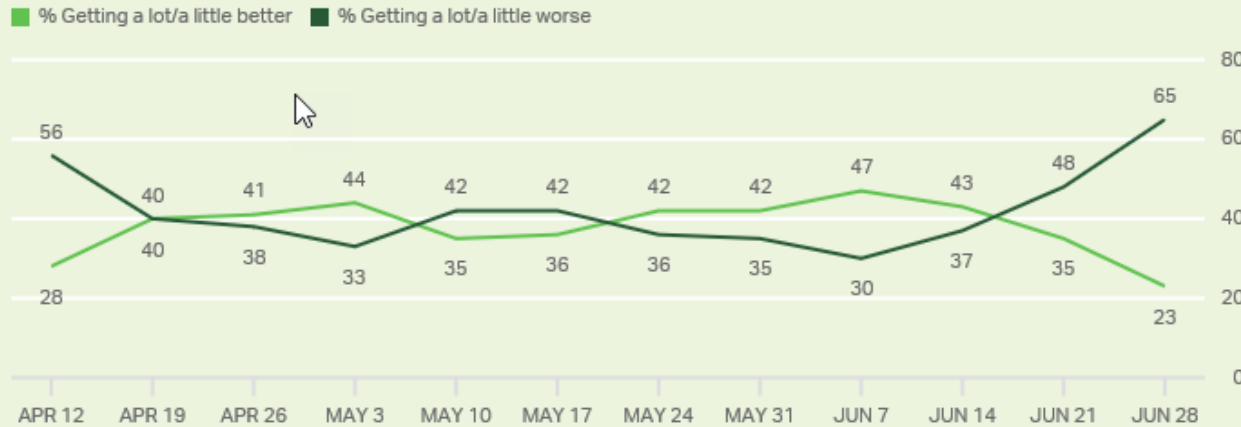
Share of U.S. adults who said they'd feel comfortable doing the following activities **right now**. Activities are ordered by the share who said they'd feel comfortable doing them in the initial poll.



# Americans are bracing for COVID to get worse and last longer

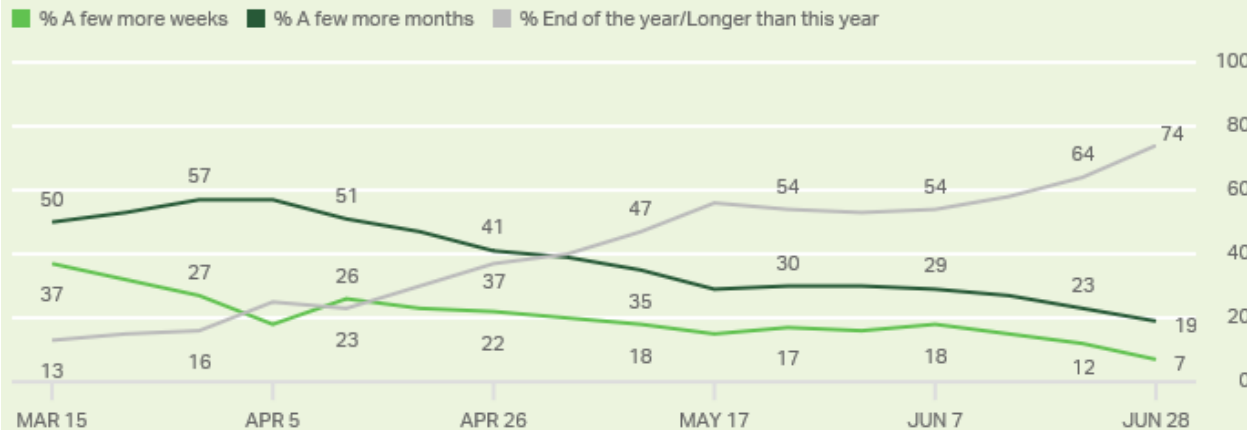
## New High of Americans Say Coronavirus Situation Getting Worse

What's your impression of the coronavirus situation in the U.S. today?



## Nearly Three in Four Americans Expect Disruption to Persist Through End of 2020 or Longer

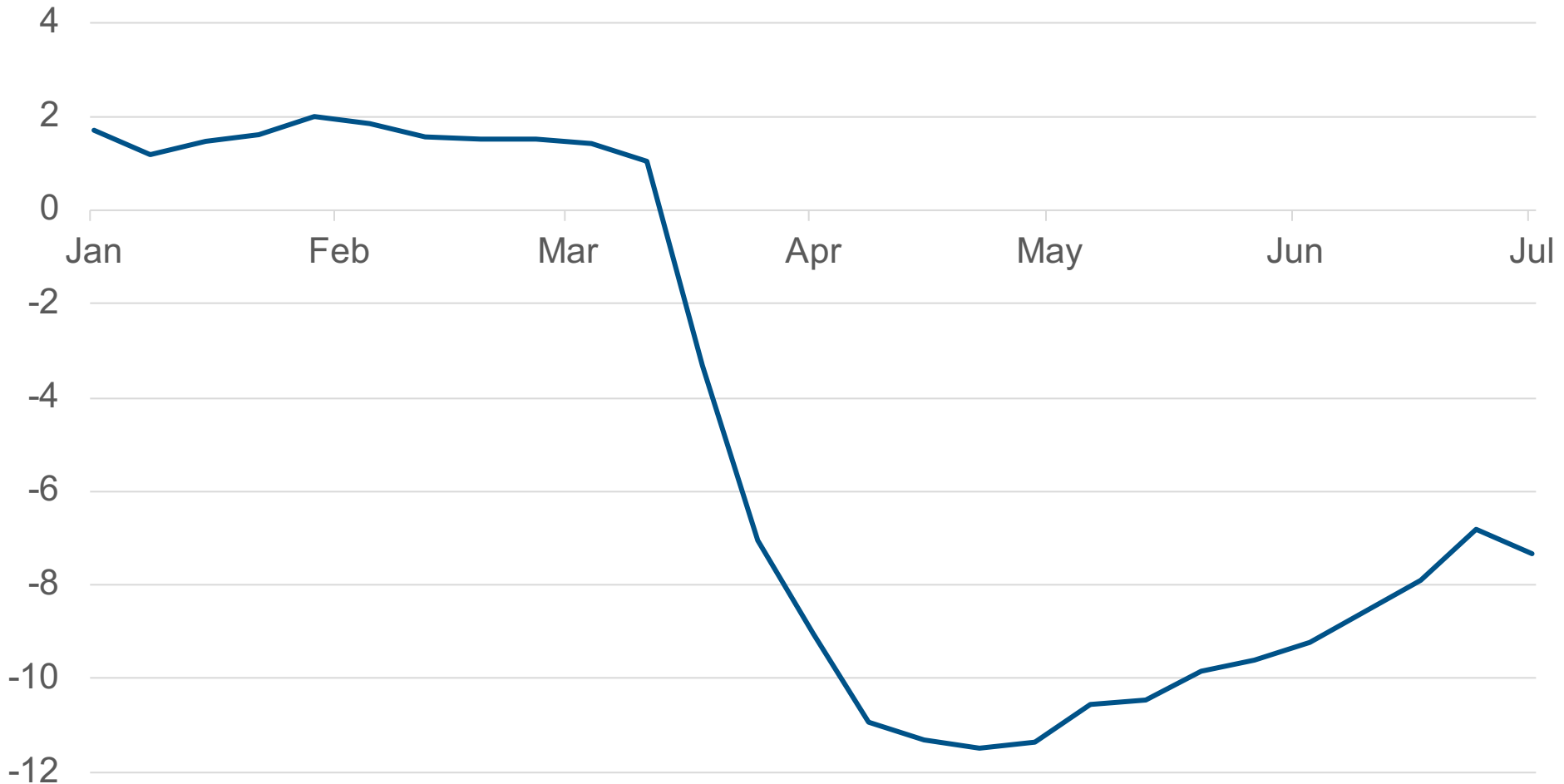
How long do you think the level of disruption occurring to travel, school, work and public events in the U.S. will continue before it starts to improve?



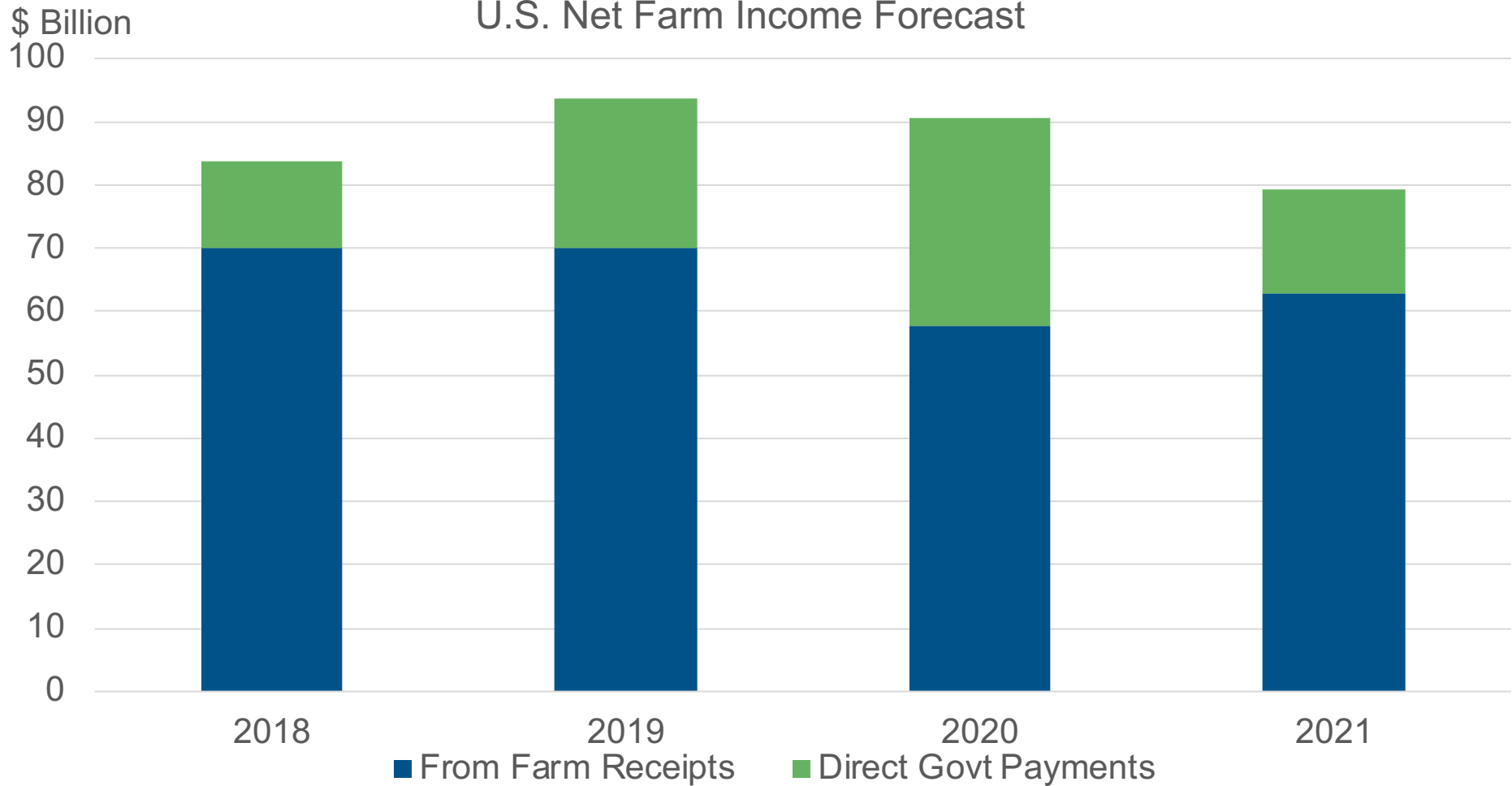
# The NY Fed index is showing its first decline since April

## NY Fed Weekly Economic Index

Percent (GDP growth units)



# Net farm income expected to fall in 2020 despite record-level government support



Current committed government funding for ag in 2020:

Total farm support: \$50B

Direct payments: \$33B



Both Record High

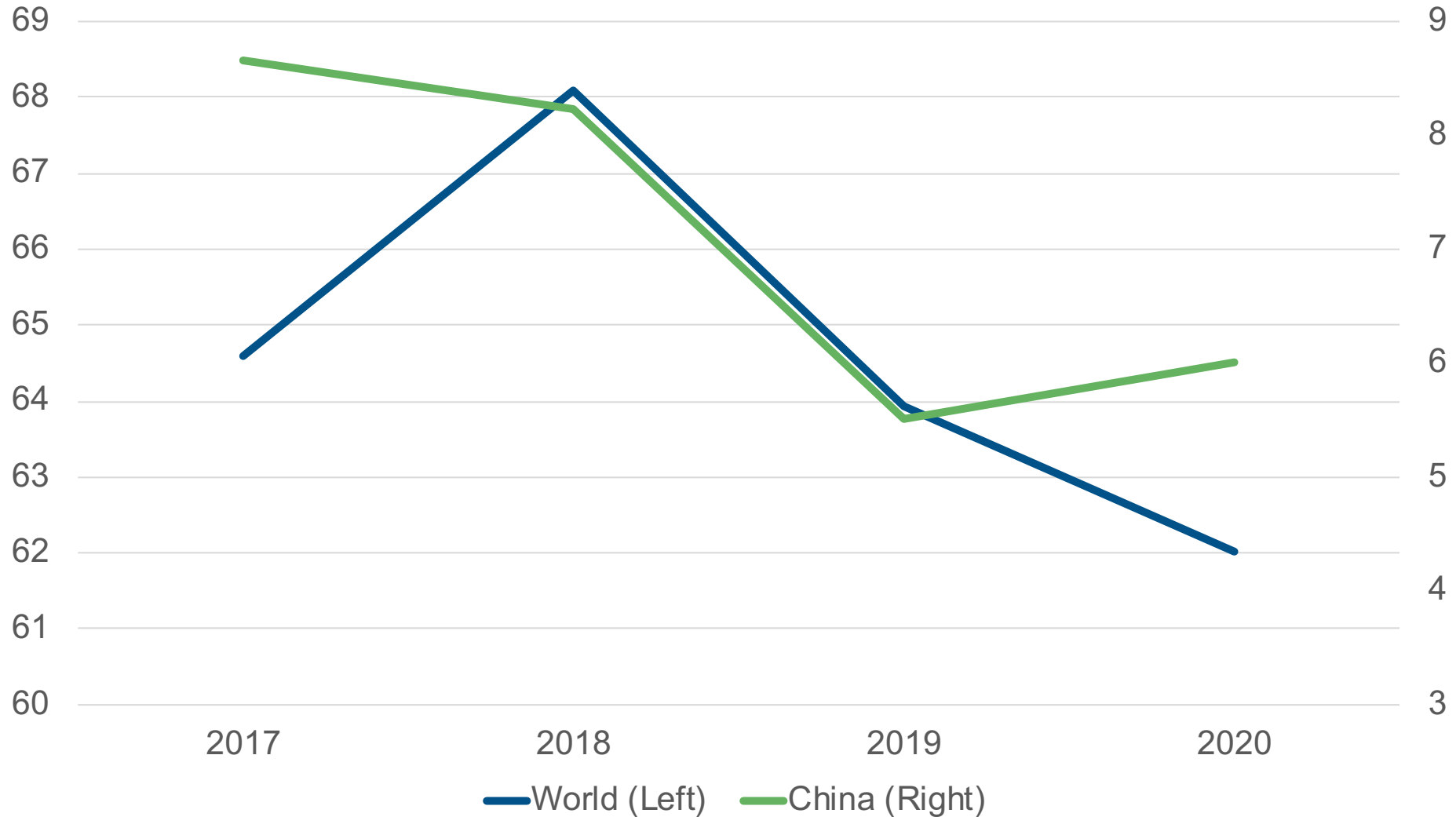
# Weak ag exports are contributing to the decline in prices



## U.S. Ag Exports: Jan-May YTD Totals

World: \$ Billion

China: \$ Billion





The dollar has slipped as risk appetite has increased. Strength is impressive considering US COVID cases and Fed support



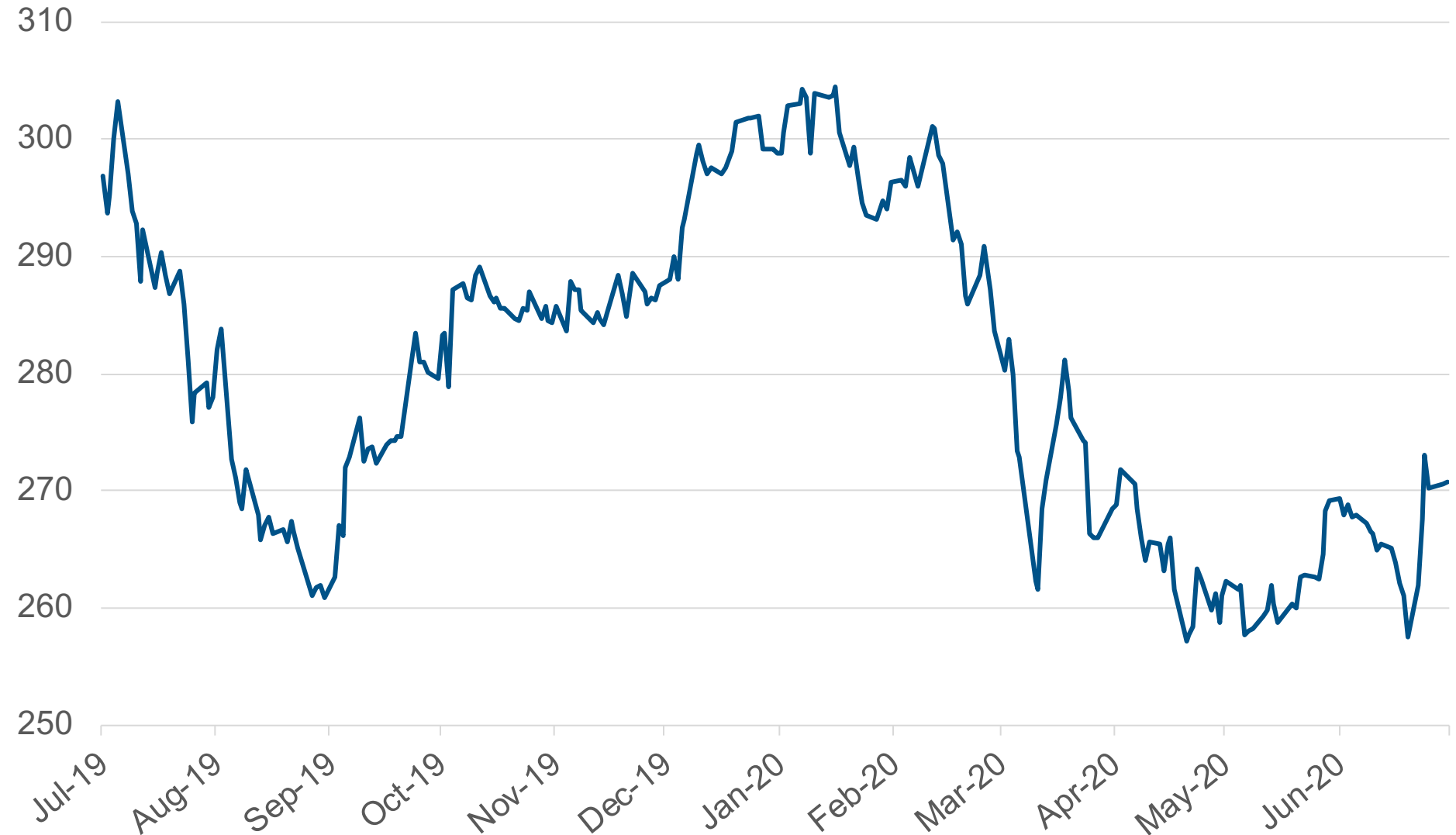
U.S. Dollar Index




# Some ag prices have really bounced from COVID lows, others less so



## S&P GSCI Agriculture Price Index

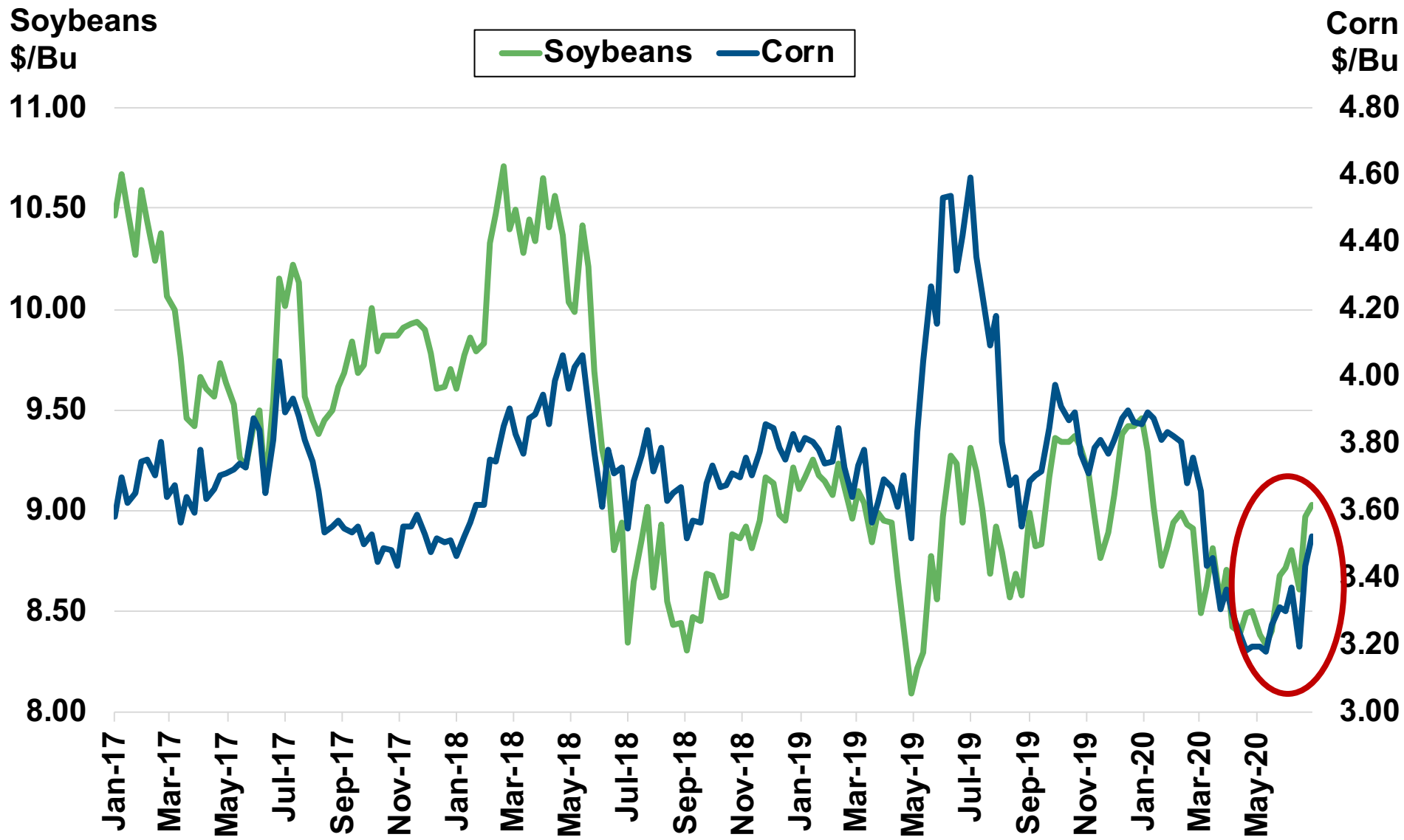




# Grain Outlook

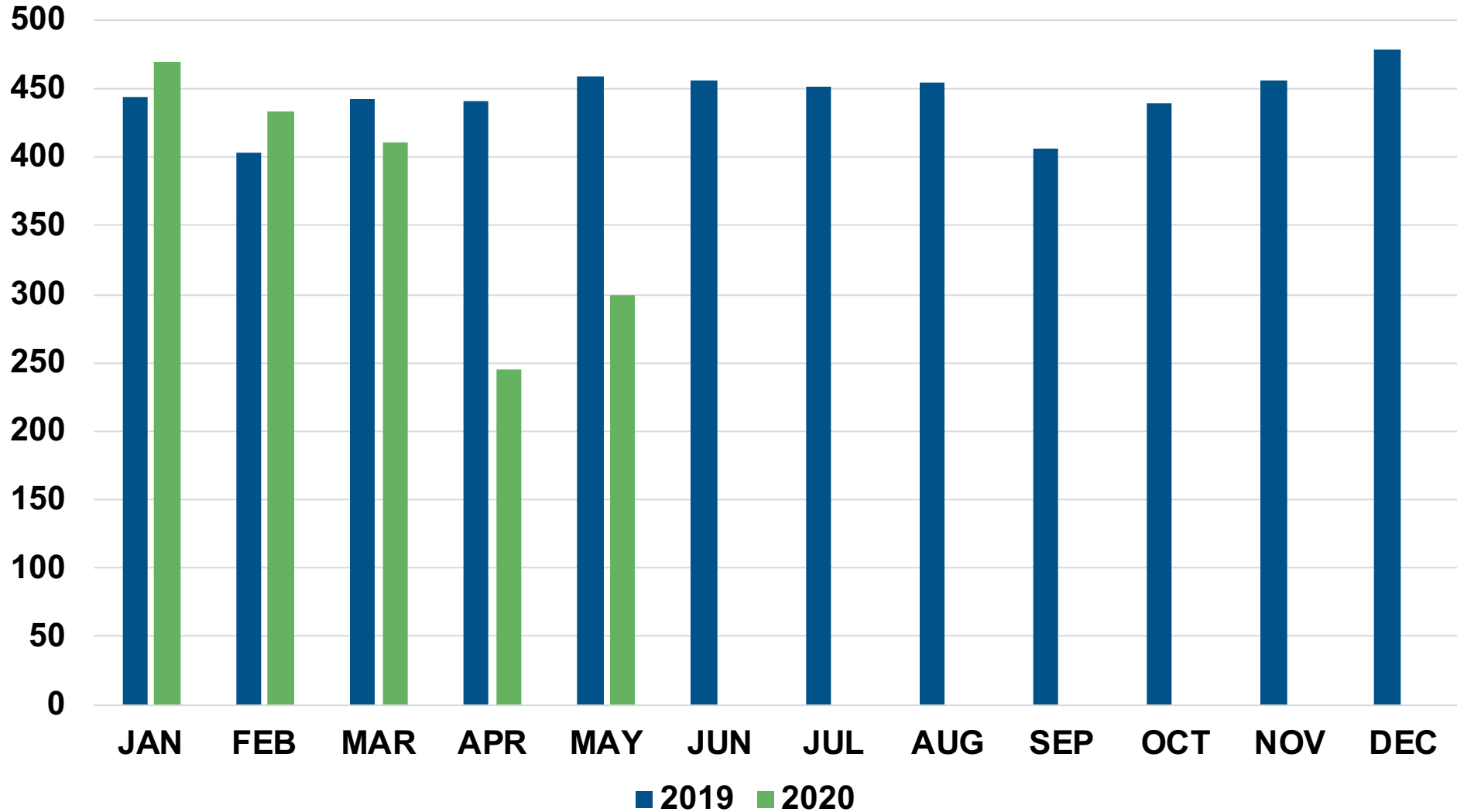
Tanner Ehmke

# Corn, Soy Rising on Hot Weather, Ethanol Recovery



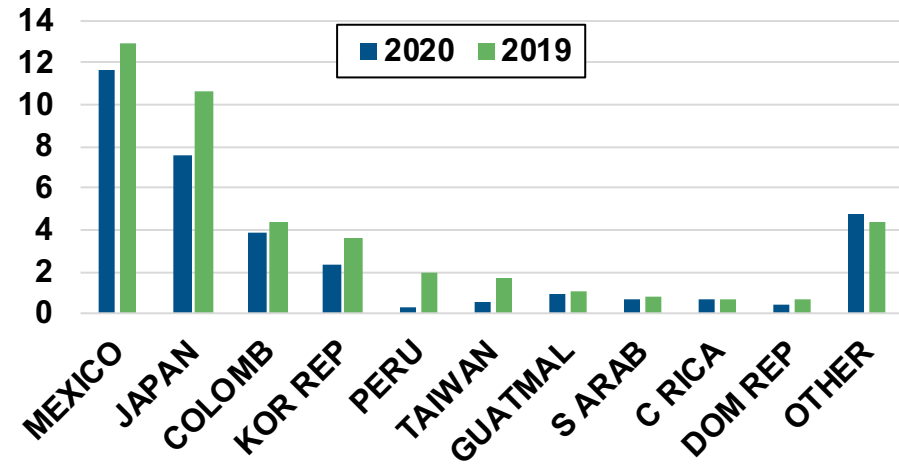
## Grain Crushings for Ethanol

Million Bushels

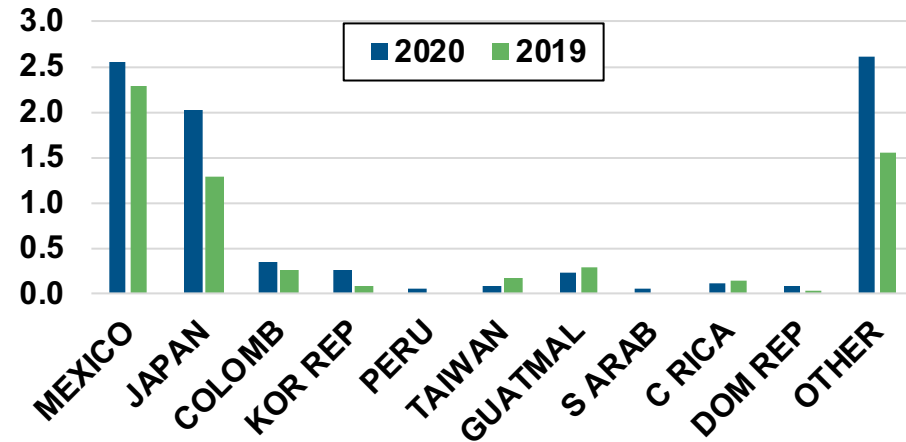


# Corn and Soybean Exports (MMT)

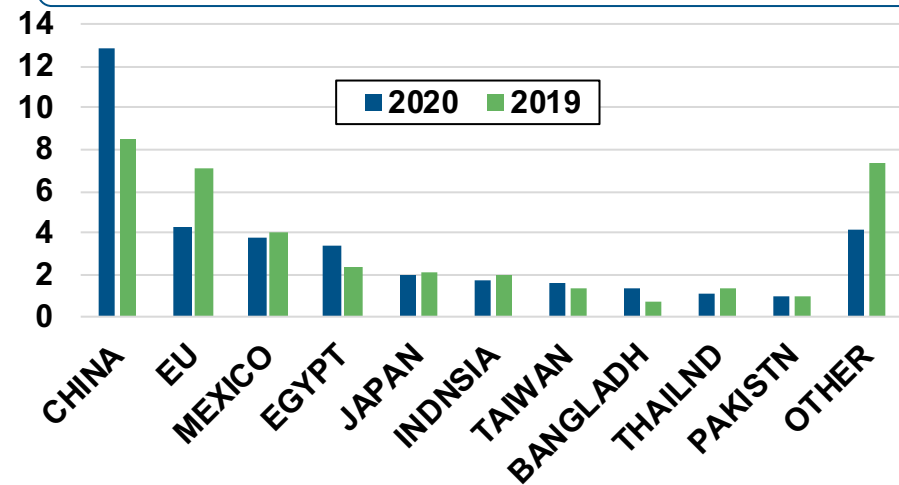
## Corn Exports 21%



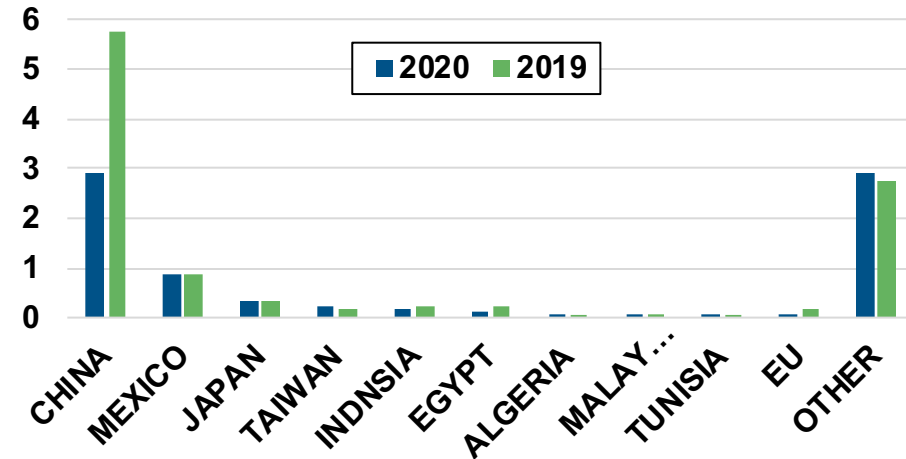
## Corn Outstanding Sales 40%



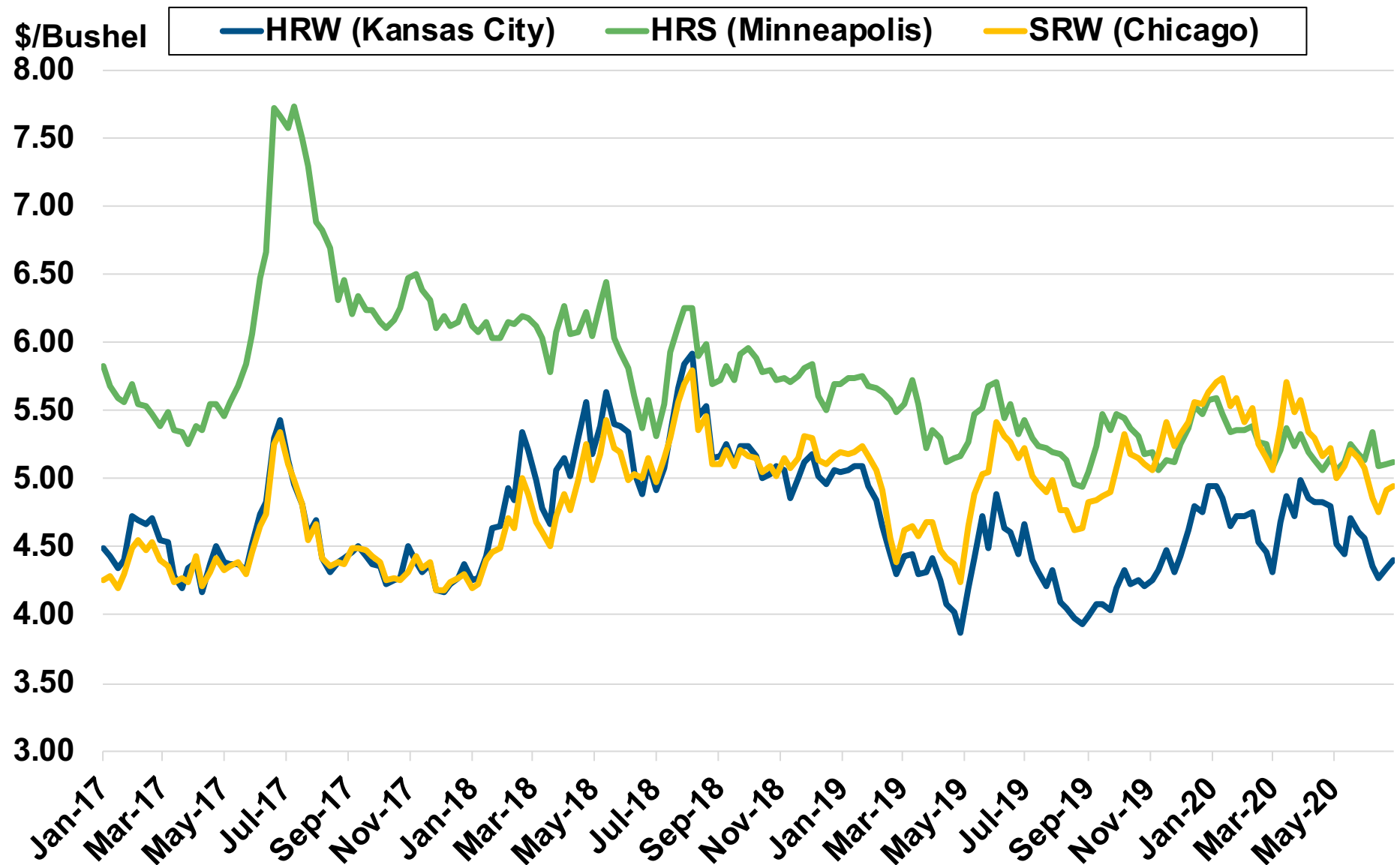
## Soybean Exports 1%



## Soybean Outstanding Sales 27%



# Winter Wheats Trending Lower as Harvest Advances

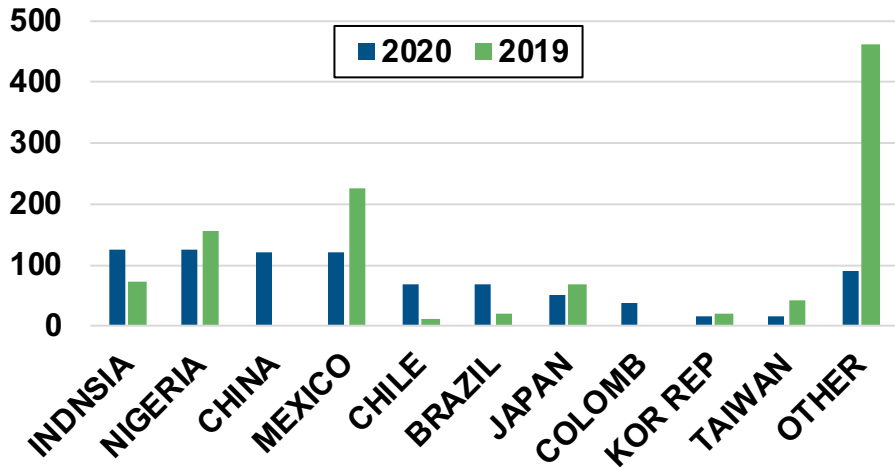


Source: CME Group; Barchart.com

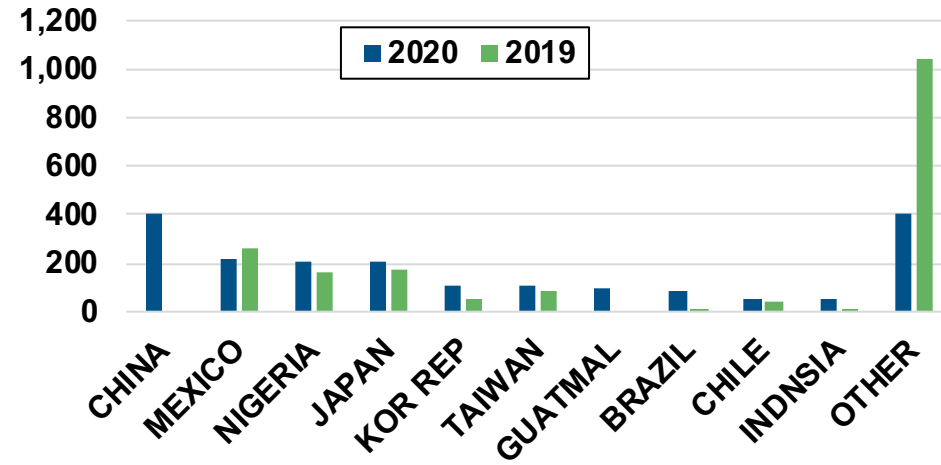


# Wheat Exports (1,000 MT)

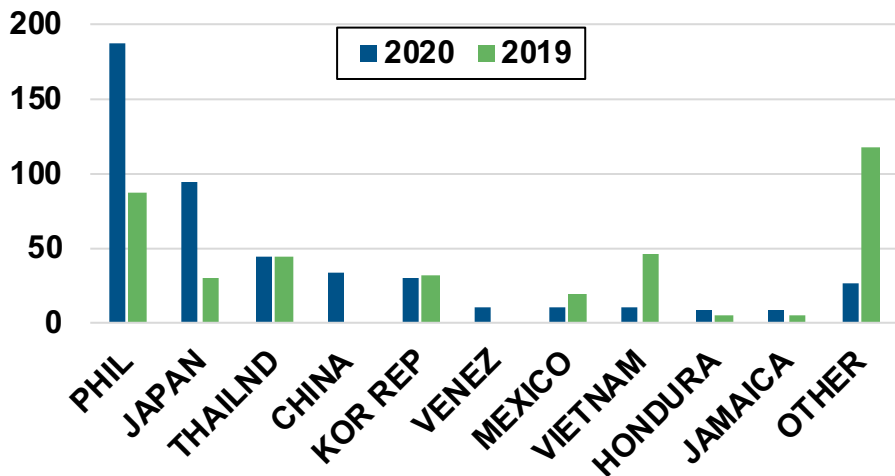
## HRW Exports 22%



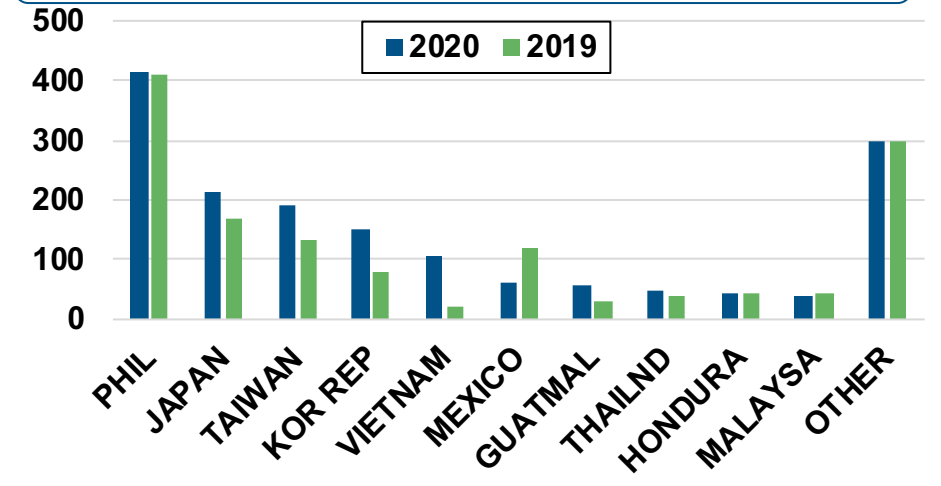
## HRW Outstanding Sales 6%



## HRS Exports 20%



## HRS Outstanding Sales 17%



# U.S. Grain Exports to China, Jan-May

MMT

14

12

10

8

6

4

2

0

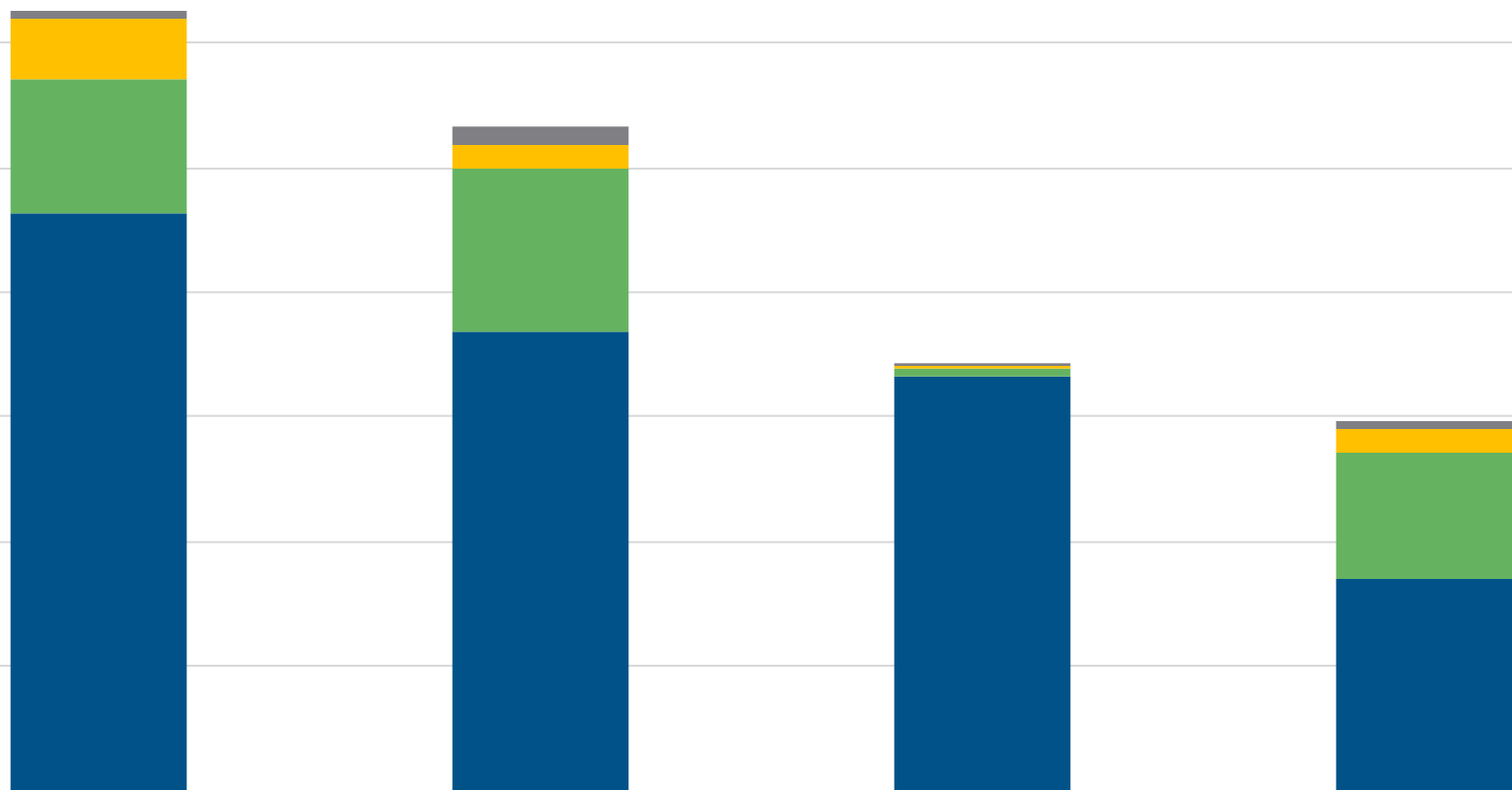
2017

2018

2019

2020

■ Soybeans ■ Grain Sorghum ■ Wheat ■ Corn

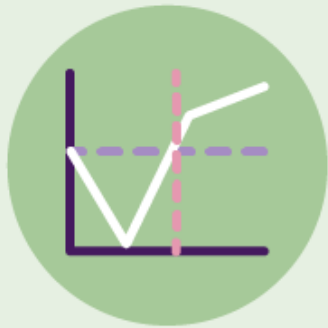




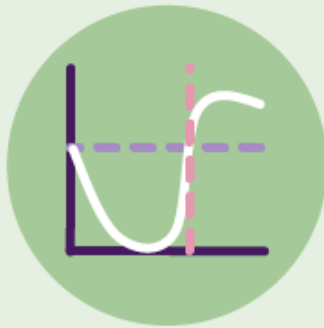
# Animal Protein

Will Sawyer

# The Many Shapes of Recovery



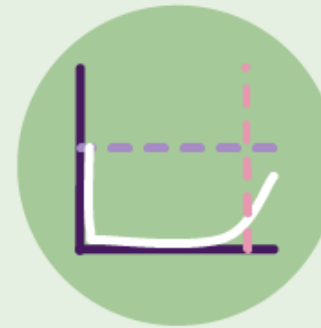
“V-shaped” rebound



“U-shaped” rebound



“W-shaped” rebound



“L-shaped” rebound



“Swoosh/tick/italicised V-shaped” rebound

Consumer Spending

Plant Capacity

Unemployment

Producer Profitability

Producer-to-Processor

Trade

China

Business Travel

Labor

\$\$\$\$

Foodservice

Feed Prices

## “Winners” of COVID-19

Direct-to-Consumer

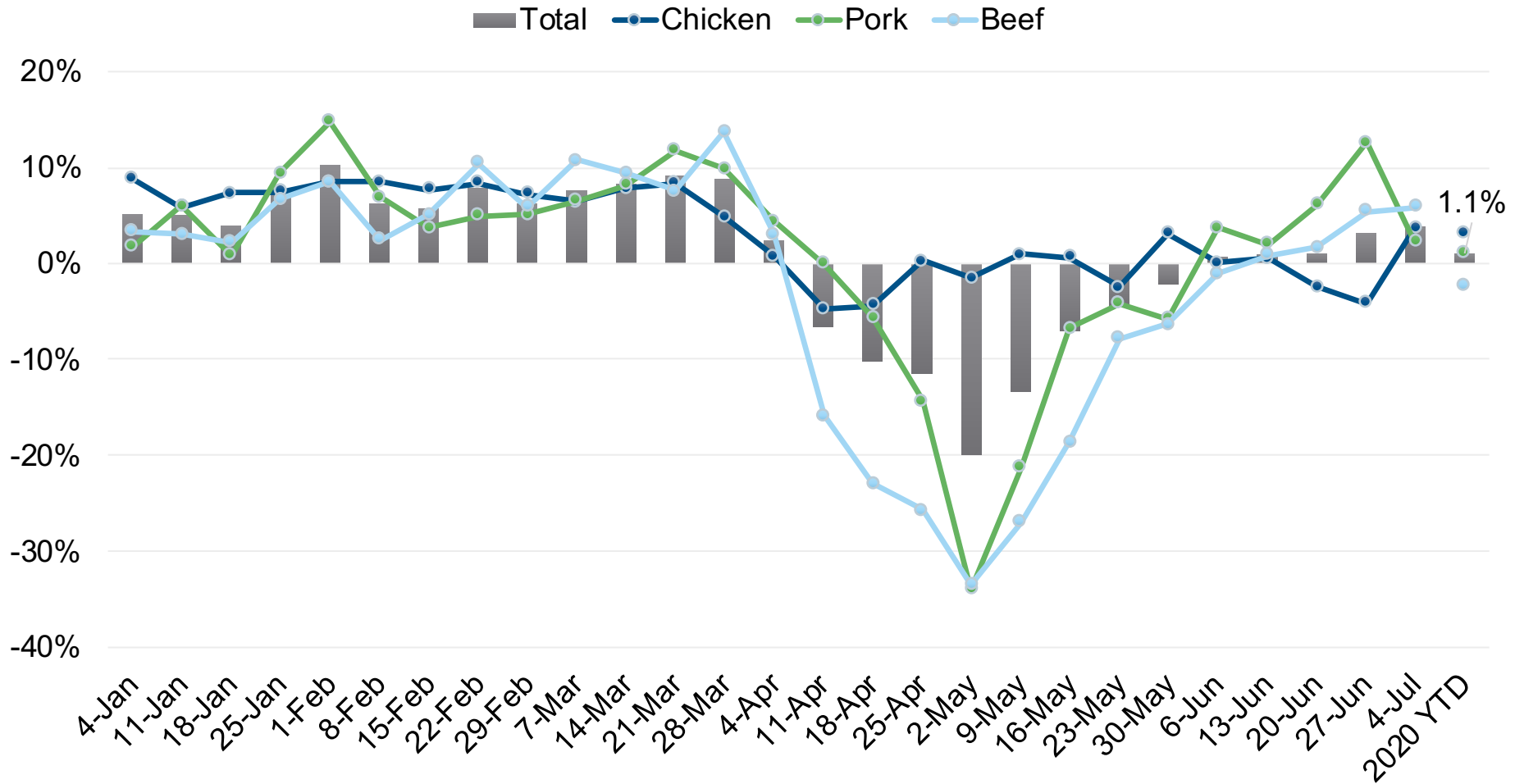
Processor Profitability

Retail Demand

Government Benefits

# U.S. Animal Protein Supply Has Normalized

## U.S. Animal Protein Production (versus year-ago)

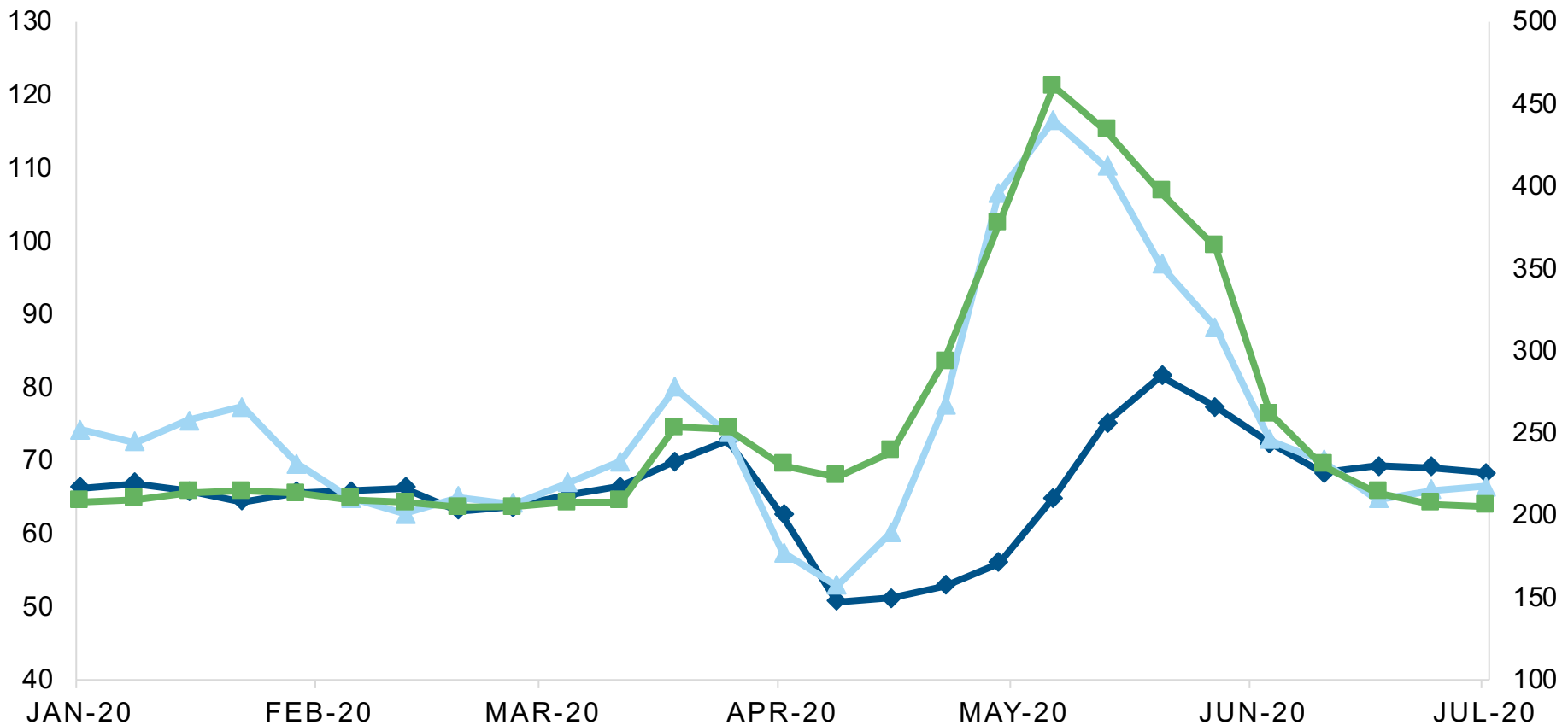


# U.S. Animal Protein Prices Have Largely Returned to Pre-COVID Levels



## U.S. WHOLESALE MEAT AND POULTRY PRICES (CENTS/LB.)

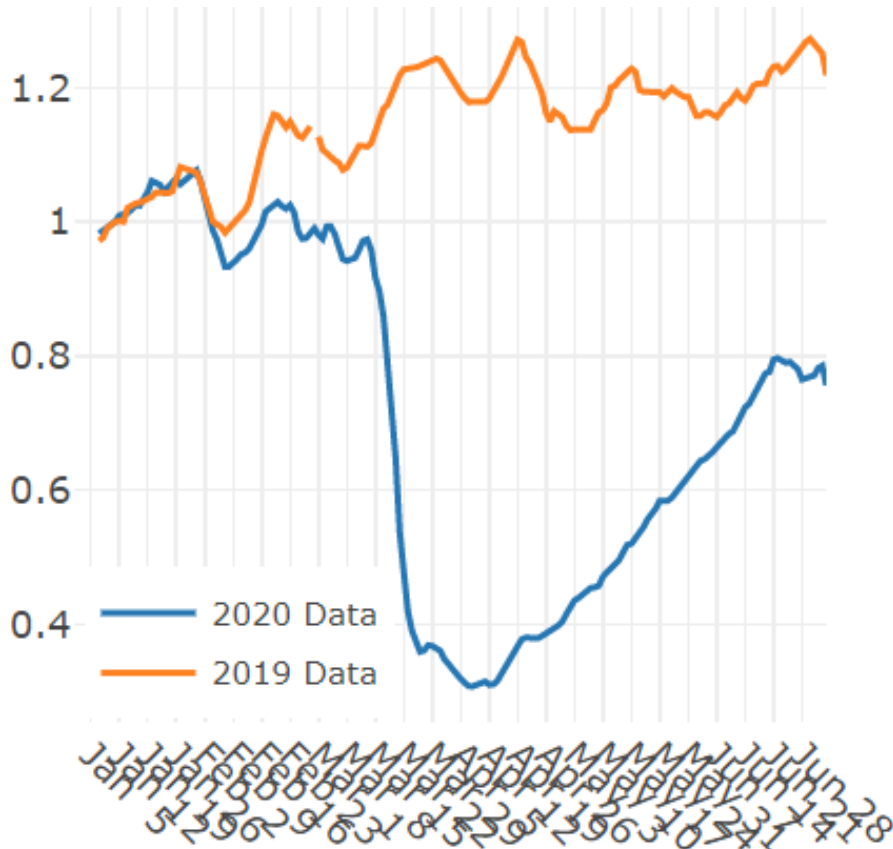
Chicken Composite    Pork Cutout    Boxed Beef



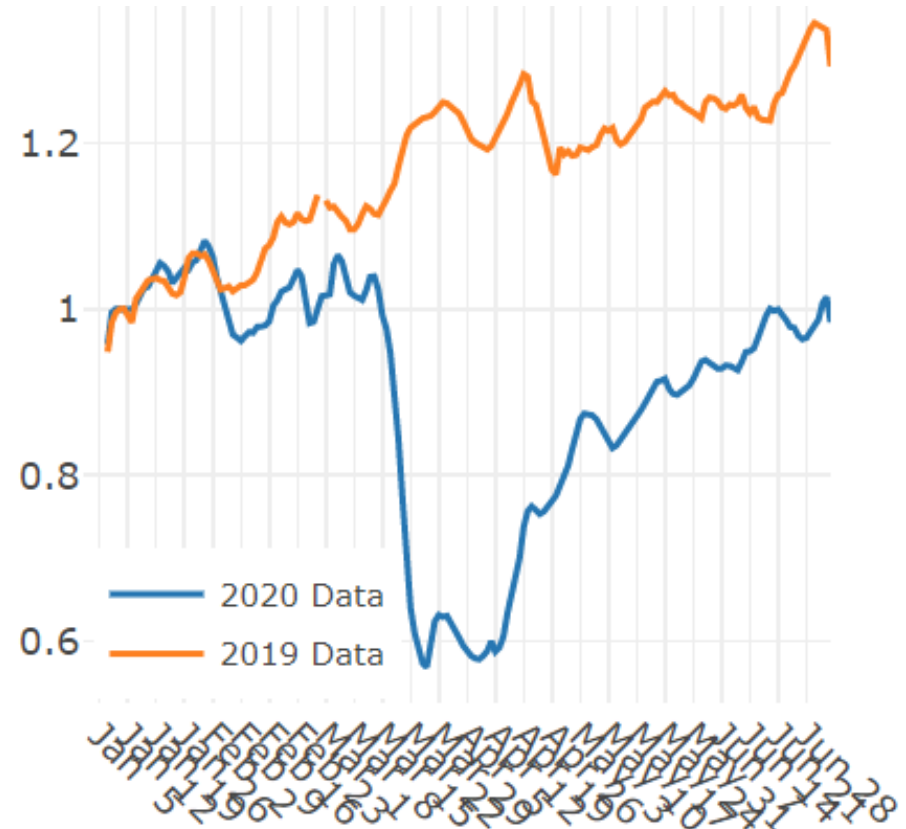
# The Recovery in Foodservice Traffic Has Stalled



## Full Service Restaurants



## Counter Service Restaurants



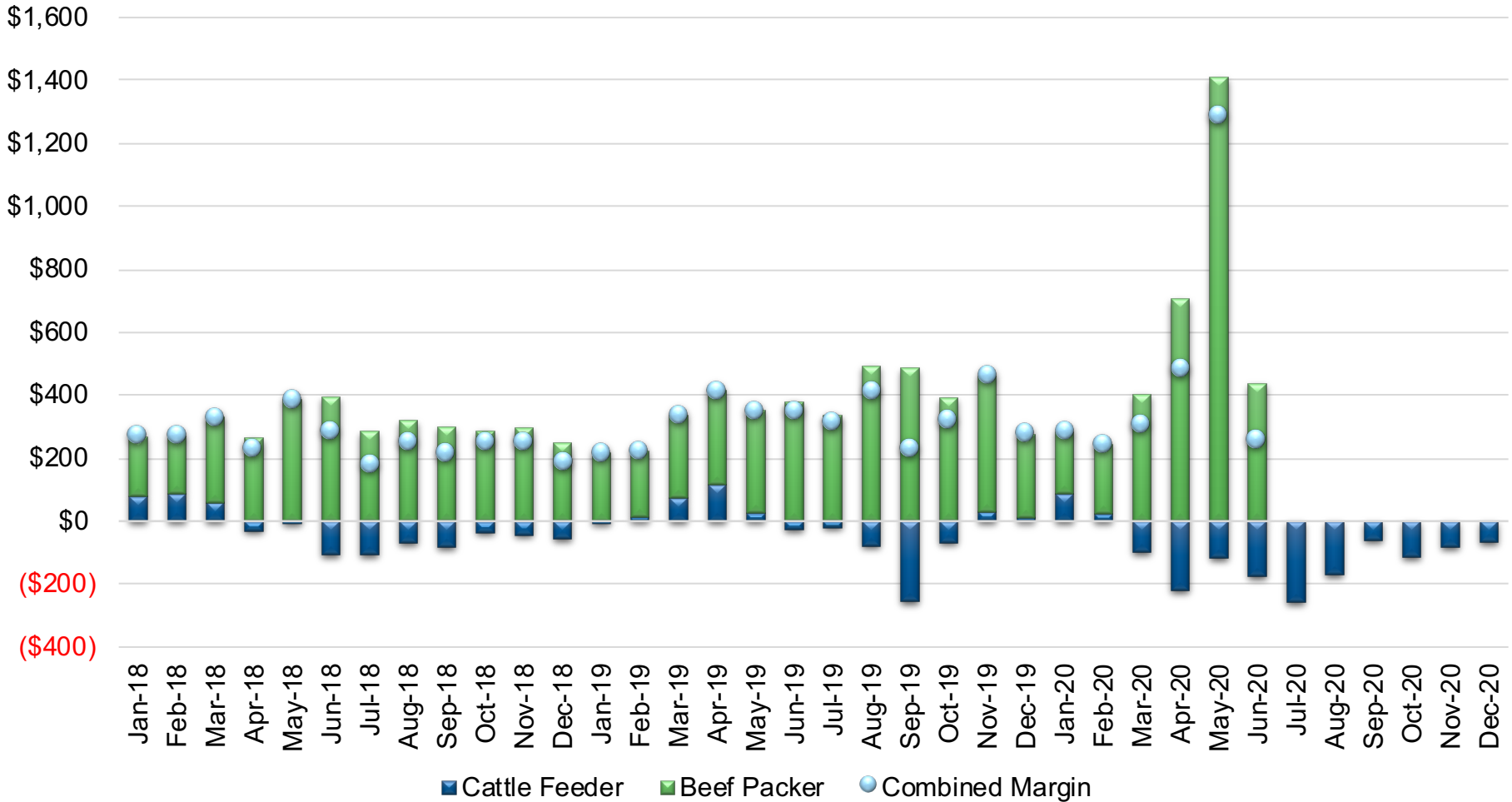
\*Relative Foot-Traffic



# Beef Packer Margins Have “Normalized” but Stress on the Cattle Feeding Sector Continues



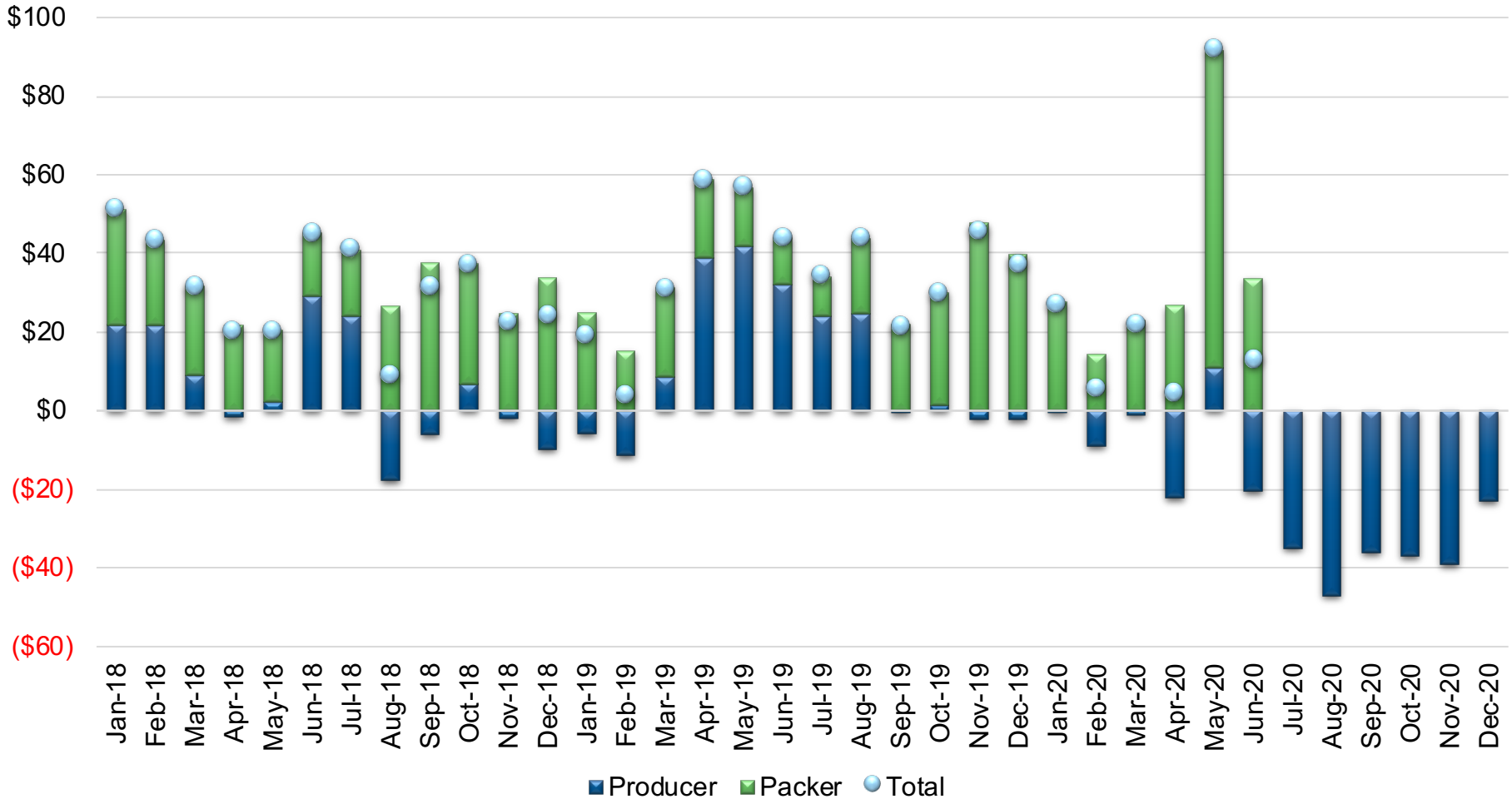
## U.S. Cattle/Beef Supply Chain Margin per Head



# Hog Producers Have Faced a Difficult 2020 With More Challenges on the Horizon



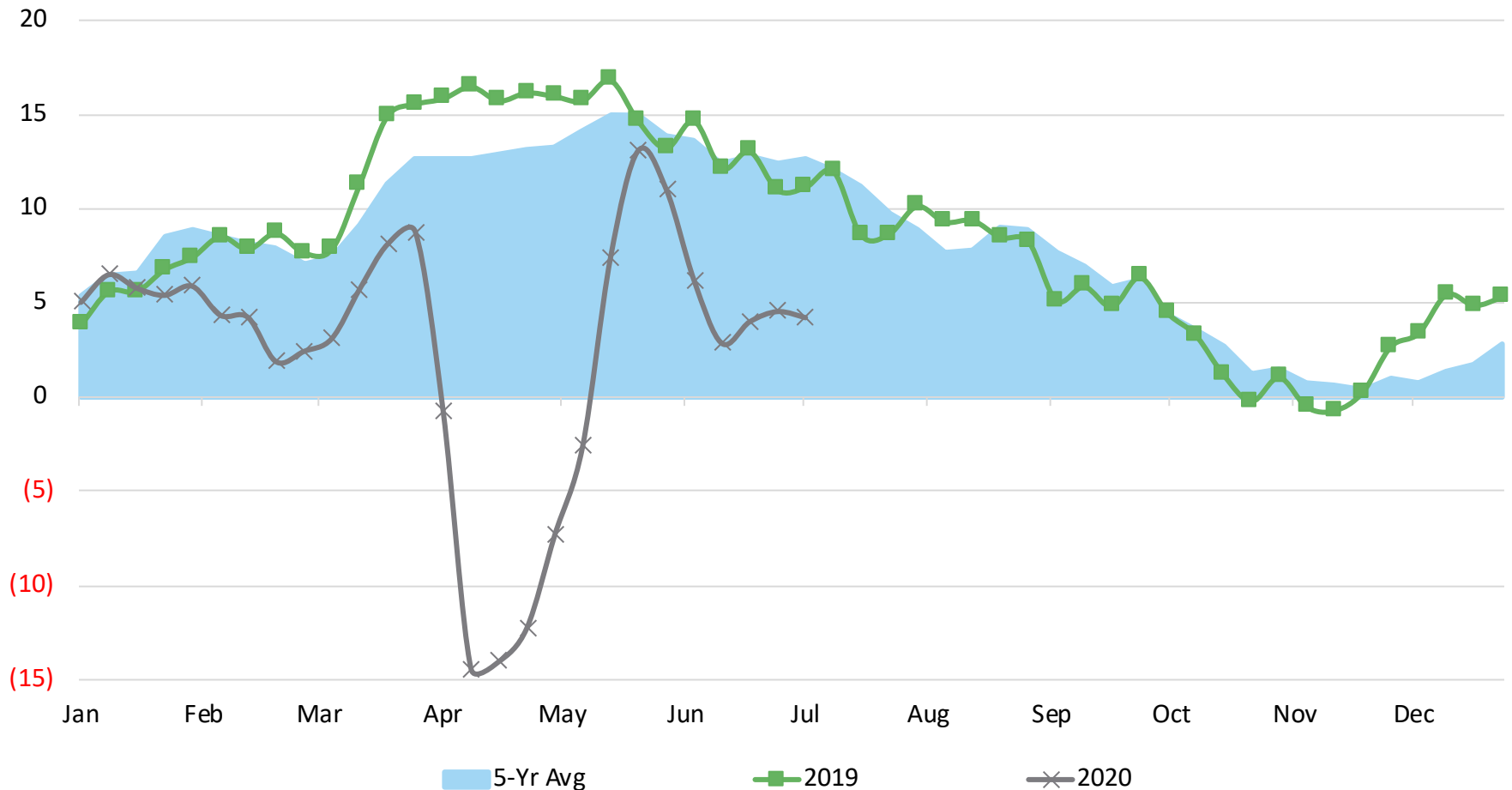
## U.S. Hog/Pork Supply Chain Margin per Head



# Chicken Margins Are Positive, But Well Below Prior Year or Normal Seasonal Levels



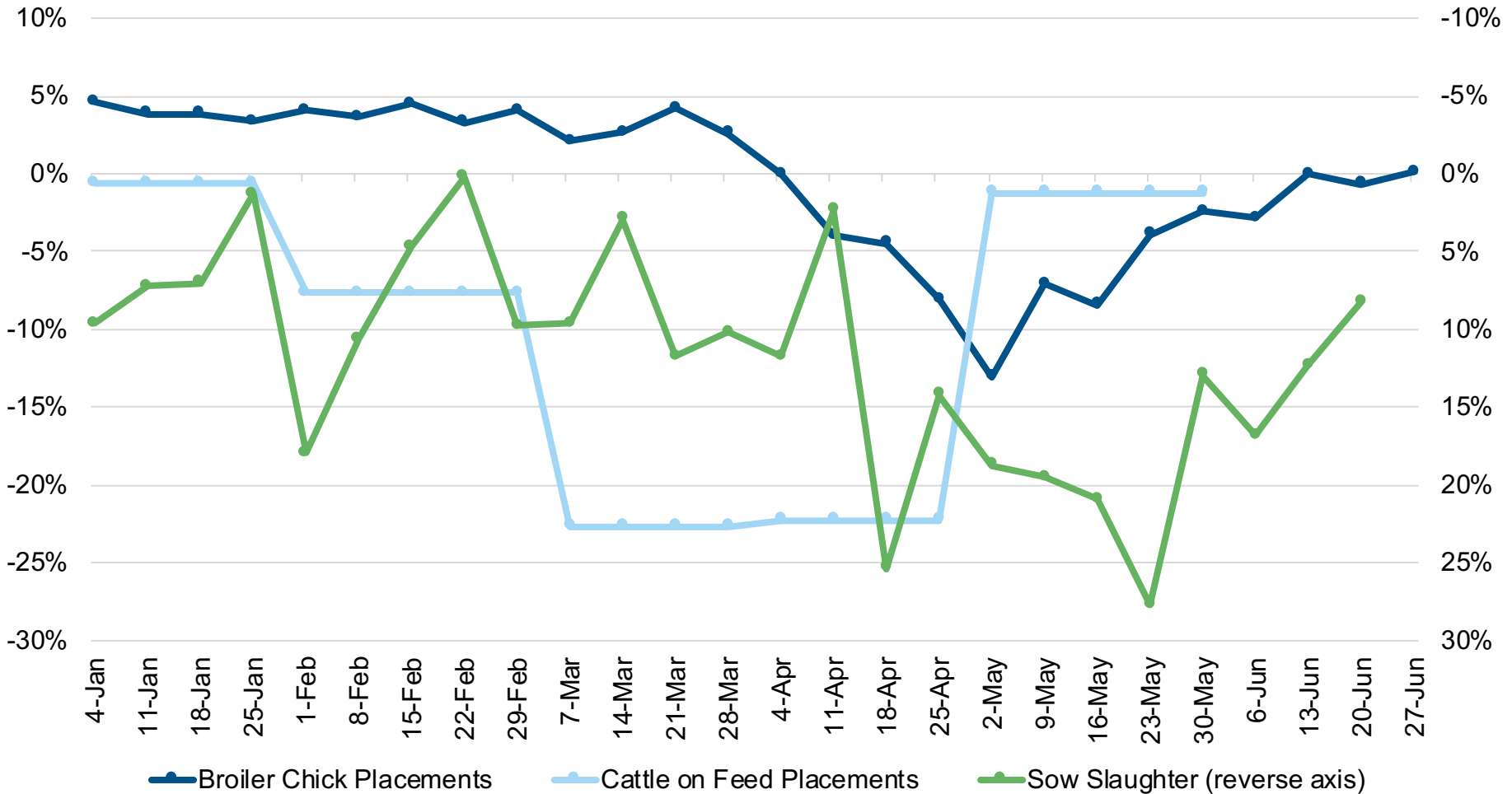
## Composite Chicken Margins (cents/lb)



# Indications of Lower U.S. Animal Protein Production on the Horizon



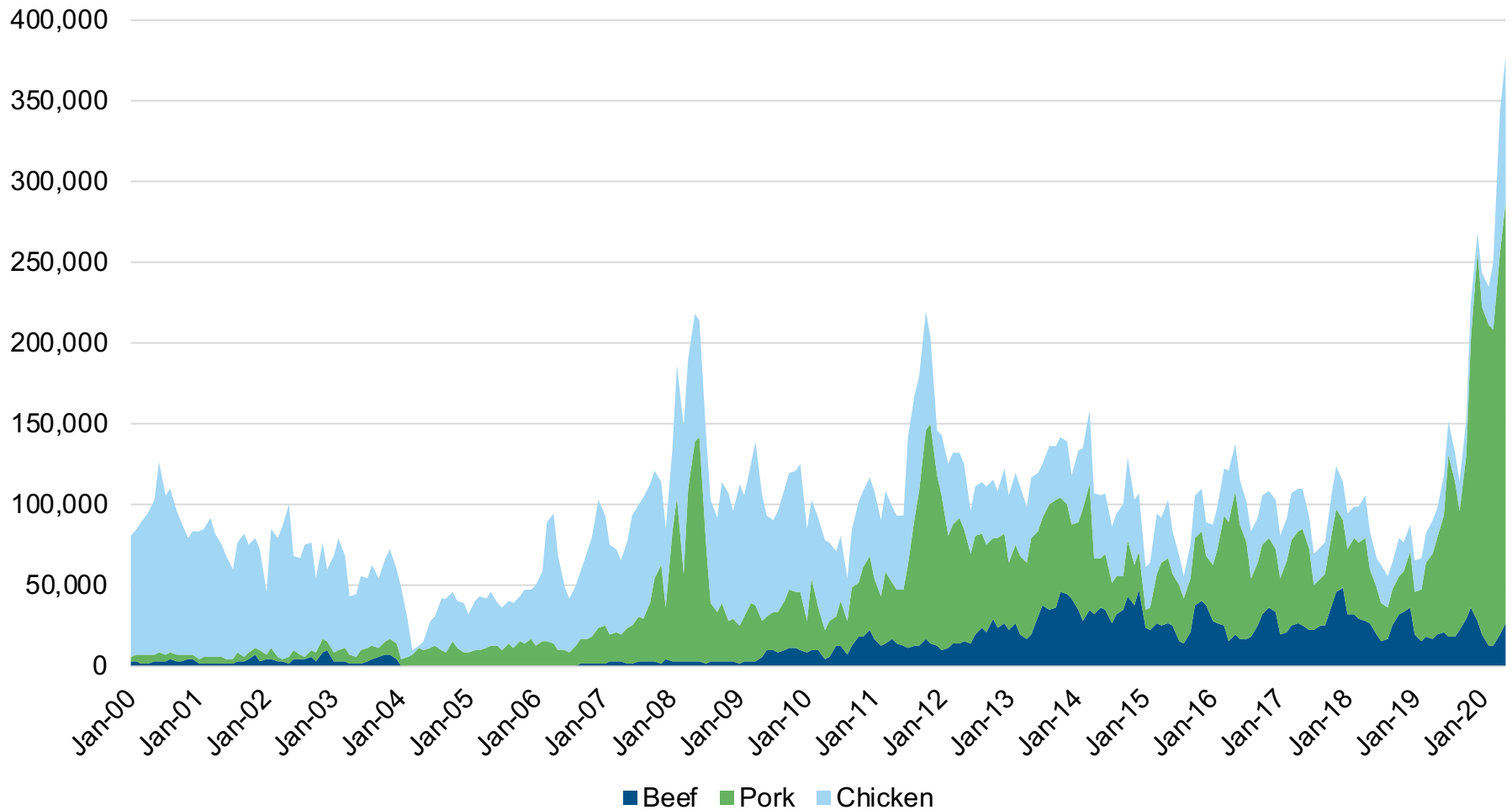
## U.S. Animal Protein Future Supply Indicators



# Animal Protein Trade with China and Hong Kong May Determine the Outlook for the Remainder of 2020



## U.S. Animal Protein Exports to China & Hong Kong (000s lbs)





# Dairy

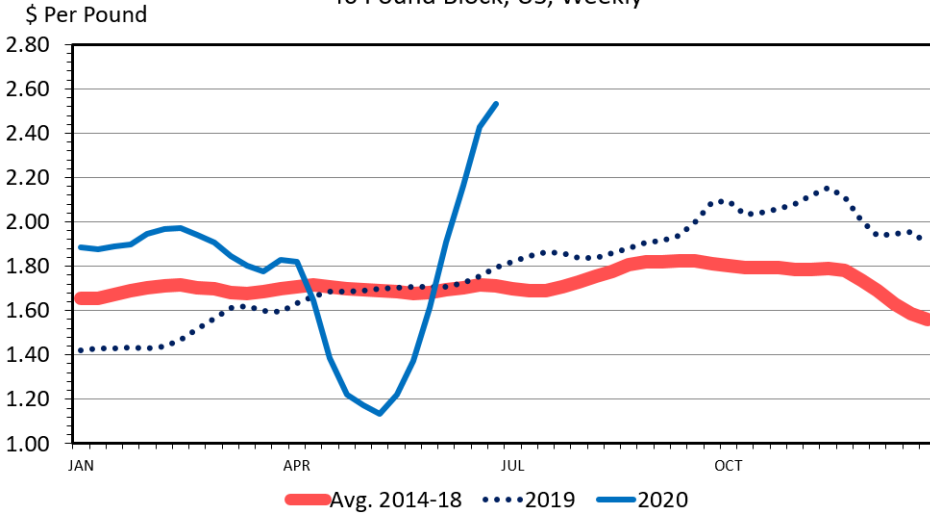
Dan Kowalski

# Cheese prices keep marching higher. Milk margins look positive for rest of 2020.



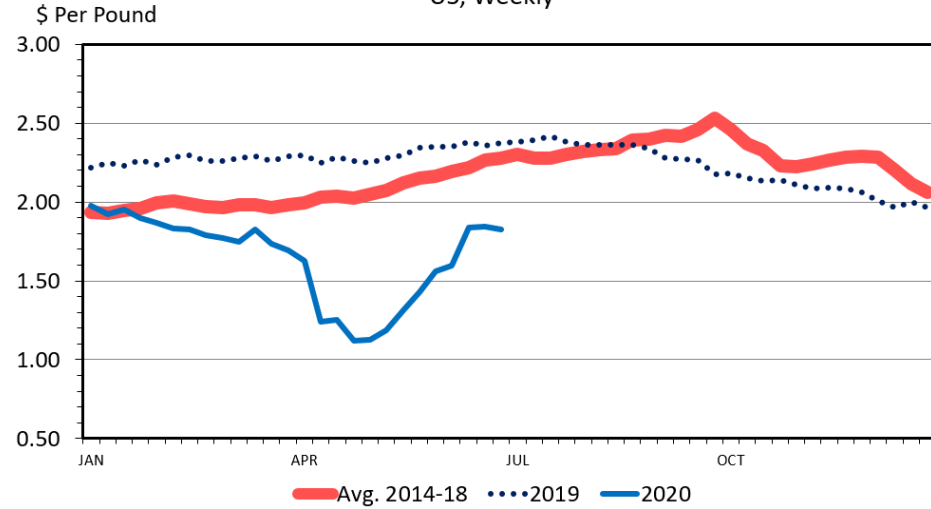
## CHEDDAR CHEESE PRICES

40 Pound Block, US, Weekly

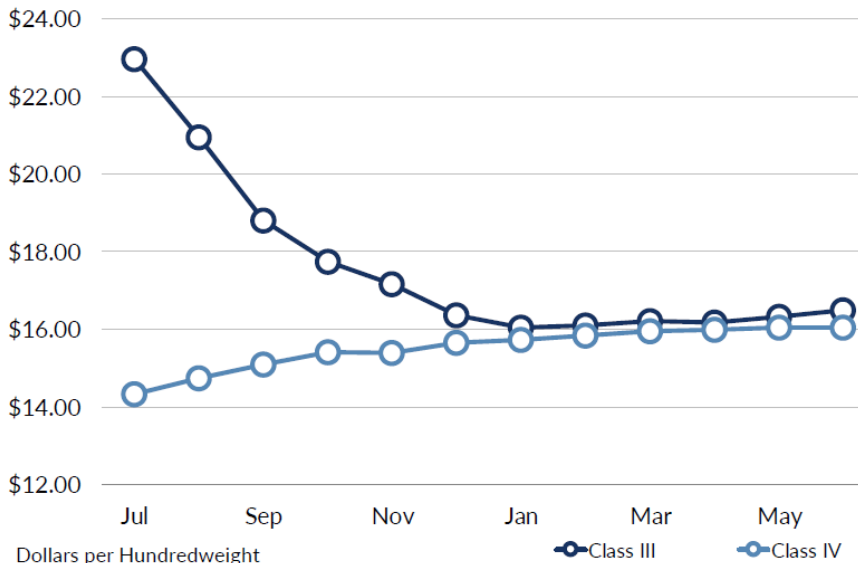


## BUTTER PRICES

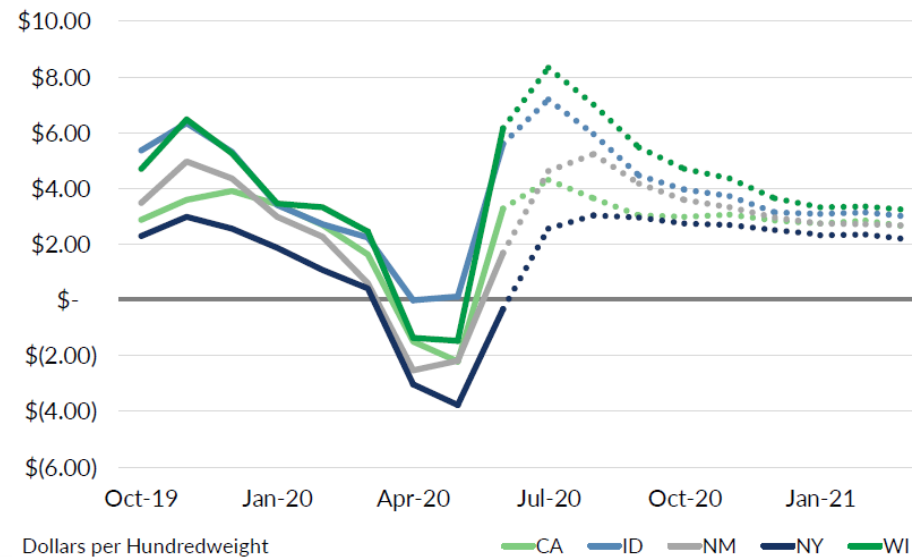
US, Weekly



## Futures Price Curves



## Regional Milk Margins







# Questions

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