SPECIAL UPDATE: IMPACT OF COVID-19 ON AGRICULTURE

FARM ECONOMIC UPDATE 2020

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Farm Income Has Fallen Sharply From the “Golden Age” of Farm Income (2011 to 2014)

U.S. Farm Sector Net Cash Income, 2020 inflation-Adjusted Dollars

- Net Cash Income (Minus Federal Support)
- Net Crop Insurance
- Other Federal Support
- MFP Payments

- $89.9B Farm-Related Net Cash Income from Crop and Livestock Sales Down 2% or $2B from 2019
- $11.3B Net Federal Insurance Indemnities, Down 27%
- $4.7B Other Federal Support, +19%
- $3.7B Market Facilitation Program Payments Final Tranche Payment, Down 75%

Source: USDA ERS, Farm Bureau Calculations
We Were Already In The 8th Year of a Down Farm Economy

Duration Of Farm Economic Troughs

-29%

Current Downturn
Series Begins in 2012, 29% Decline in Net Cash Income Over 8 Years

-30%

Post WW2 Downturn
Series Begins in 1947, 30% Decline in Net Cash Income Over 8 Years

-45%

1980’s Farm Financial Crisis
Series Begins in 1973, 45% Decline in Net Cash Income Over 8 Years

Source: USDA ERS, Farm Bureau Calculations
Where Are We on the COVID-19 Curve?

Daily Change In Infected COVID-19 Cases

Source: Johns Hopkins GitHub, Farm Bureau Compilations
Americans Spent $1.7 Trillion in 2018 on Food

54% of Food Expenditures in 2018 Occurred Away From Home

- **$678B** Restaurants (Full- and Limited-Service)
- **$628B** Grocery Stores, Warehouses and Supercenters
- **$253B** Other Food Away From Home
- **$153B** Other Food At Home

Source: USDA ERS, Farm Bureau Calculations
COVID-Related Changes in Expenditures in Grocery Stores and Food Service Disrupts Food Supply Chains

Billion Dollars

$63B
Grocery Stores,
+15% April 2020 Compared to February 2020

$32B
Food Service and Drinking,
-47% April 2020 Compared to February 2020

Source: U.S. Census Bureau, Farm Bureau Compilations
In-Store Clothing Sales Have Plummeted

$2.3B
In-Store Clothing Sales, -88% April 2020 Compared to February 2020

Source: U.S. Census Bureau, Farm Bureau Compilations
Drop In Gasoline Demand Hit Ethanol Hard As Plants Lowered Capacity, Lowered Demand for Corn

42% Decrease
In Ethanol Production from April Month-End 2019 Compared to April Month-End 2020

Source: U.S. Energy Information Administration
Cattle and Hog Processing Declined Sharply Due to COVID-19-Related Plant Closures, Starting to Recover

Weekly Cattle Slaughter

-36%
Weekly Cattle Slaughter is Down 36% or nearly 260 Thousand head from the March high

Weekly Hog Slaughter

-45%
Weekly Hog Slaughter is Down Nearly 45% or more than 1 MILLION head from the March High

Source: USDA AMS, LMIC, Farm Bureau Calculations
“Packer Margin” Reached Record-High... But Add’l Packer Costs Include PPE and Lower Capacity

Cattle Live-to-Cutout Spread, Dollars Per Hundredweight

Source: USDA AMS, LMIC, Farm Bureau Calculations
Impact of COVID-19 on U.S. Commodity Futures Prices

Cumulative Percent Change in Price Since January

- Wheat, -10%
- Corn, -22%
- Class III Milk, UNCH
- Soybeans, -15%
- Hogs, -34%
- Cotton, -20%
- Ethanol, -25%
- #16 Sugar, -3%
- Class IV Milk, -25%
- Rice, +22%

Source: Barchart, Farm Bureau Compilations
USDA WASDE’s Commodity Value Change, Before and After COVID-19

$56 Billion
Change in WASDE Commodity Value for Select Commodities

Wheat
-Old Crop and 2020 Livestock
-New Crop and 2021 Livestock

Cotton

Pork

Soybeans

Corn

Beef

Broiler

Milk

Source: USDA WASDE, Farm Bureau Compilations
Food and Agriculture Provisions of the CARES Rescue Package

Million Dollars

- SNAP, $15,810 (32%)
- CCC Replenishment, $14,000 (29%)
- Child Nutrition Programs, $8,800 (18%)
- Office of the Secretary, $9,500 (19%)
- Other, $916 (2%)

Source: USDA, Farm Bureau Calculations
CFAP Direct Payments for Non-Specialty Crops

Dollars Per Bushel (all except Cotton, Canola and Sunflowers)

- Soybeans: $0.50, CARES Act Payment Rate: $0.45
- Barley (malting barley only): $0.37, CCC Payment Rate: $0.35
- Corn: $0.35, CARES Act Payment Rate: $0.32
- Millet: $0.34, CARES Act Payment Rate: $0.31
- Sorghum: $0.32, CARES Act Payment Rate: $0.30
- Wheat, Durum: $0.34, CARES Act Payment Rate: $0.32
- Wheat, Hard Red Spring: $0.20, CARES Act Payment Rate: $0.19
- Oats: $0.32, CARES Act Payment Rate: $0.18
- Upland Cotton: $0.17, CARES Act Payment Rate: $0.15
- Sunflowers: $0.02, CARES Act Payment Rate: $0.01
- Canola: $0.01, CARES Act Payment Rate: $0.00

Source: USDA, Farm Bureau Compilations
“Blended” CFAP Direct Payments for Non-Specialty Crops

Dollars Per Bushel (all except Cotton, Canola and Sunflowers in Dollars per Pound)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Payment ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soybeans</td>
<td>$0.475</td>
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<tr>
<td>Barley (malting only)</td>
<td>$0.355</td>
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<tr>
<td>Corn</td>
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<td>Sorghum</td>
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<td>Oats</td>
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<tr>
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<tr>
<td>Sunflowers</td>
<td>$0.020</td>
</tr>
<tr>
<td>Canola</td>
<td>$0.010</td>
</tr>
</tbody>
</table>

Source: USDA, Farm Bureau Compilations
CFAP Direct Payments for Specialty and Non-Specialty Livestock

Dollars Per Head

- **Slaughter Cattle: Fed Cattle** - $214
- **Feeder Cattle: 600 lbs or More** - $139
- **Feeder Cattle: Less than 600 lbs** - $102
- **All Other Cattle** - $102
- **Slaughter Cattle: Mature Cattle** - $92
- **Pigs: Less than 120 lbs** - $28
- **Hogs: 120 lbs or More** - $18
- **All Sheep Less than 2 Years Old** - $7

**Source:** USDA, Farm Bureau Compilations
CFAP Specialty Crop Payment Rate Based on Funding Source

Specialty crop CFAP payments listed by CARES Act Payment Rate for Product that left the farm but spoiled due to loss of marketing channel.

Payment Rate per Pound

- CARES Act Payment Rate for Sales Losses
- CARES Act Payment Rate for Product that left the farm but spoiled due to loss of marketing channel
- CCC Payment Rate

Source: www.farmers.gov/cfap, Farm Bureau Compilations
Continued specialty crop CFAP payments listed by CARES Act Payment Rate for Product that left the farm but spoiled due to loss of marketing channel.
CFAP Estimated Ceiling for Initial Tranche, 80% of Estimated Gross Payments (in billion $)

- **Cattle**, $4.4
- **Dairy**, $2.8
- **Specialty Crops**, $2.3
- **Hogs and Pigs**, $2.1
- **Corn**, $1.8
- **Soybeans**, $0.7
- **Cotton**, $0.4
- **Other Livestock**, $0.8
- **Other Non-Specialty Crops**, $0.2

Source: USDA, Farm Bureau Compilations
FARMERS TO FAMILIES FOOD BOX PROGRAM

Million Dollars

- Fresh Fruit/Fresh Vegetable Box, $461
- Fluid Milk, $187
- Combination Box, $248
- Precooked Meat Box (Pork and Chicken), $190
- Dairy Products Box, $134

Total: $1.2B

Source: USDA, Farm Bureau Calculations
Chapter 12 Farm Bankruptcies By Region, 627 Filings, U.S. +23%

12-Month Period Ending in March 2020

Northwest, 46 Filings +109%
Midwest, 316 Filings +42%
Mid-Atlantic, 54 Filings -4%
Northeast, 19 Filings -24%
Southeast, 117 Filings +15%
Puerto Rico 11 Filings -42%
West, 26 Filings +44%
Southwest, 37 Filings -16%

Source: U.S. Courts, Farm Bureau Calculations
U.S. Unemployment Now At Depression-Era Levels

14.7% April
U.S. Unemployment

Source: BLS, Farm Bureau Calculations
U.S. Unemployment, Off-Farm Income and Loan Delinquency

Source: USDA ERS, Farm Bureau Calculations
Total Farm Debt at $425B & Real Estate Debt Rose to A Record-High $265B, +$3B, in Inflation-Adjusted Dollars

Source: USDA ERS, Farm Bureau Calculations
**Ag Sales Pace Needed to Reach $36.5 Billion Phase 1**

Actual Sales to China, Implied Export Value Based on Historical Pace, and Sales Needed to Meet USDA Forecast and Phase 1 Commitment

**$14 Billion***

USDA's Current Projection for Exports to China

*Assumes 15% for insurance and freight, fiscal year 2020 adjusted to include aquaculture.

Source: USDA, FAS GATS, Farm Bureau Compilations
MarketIntel
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