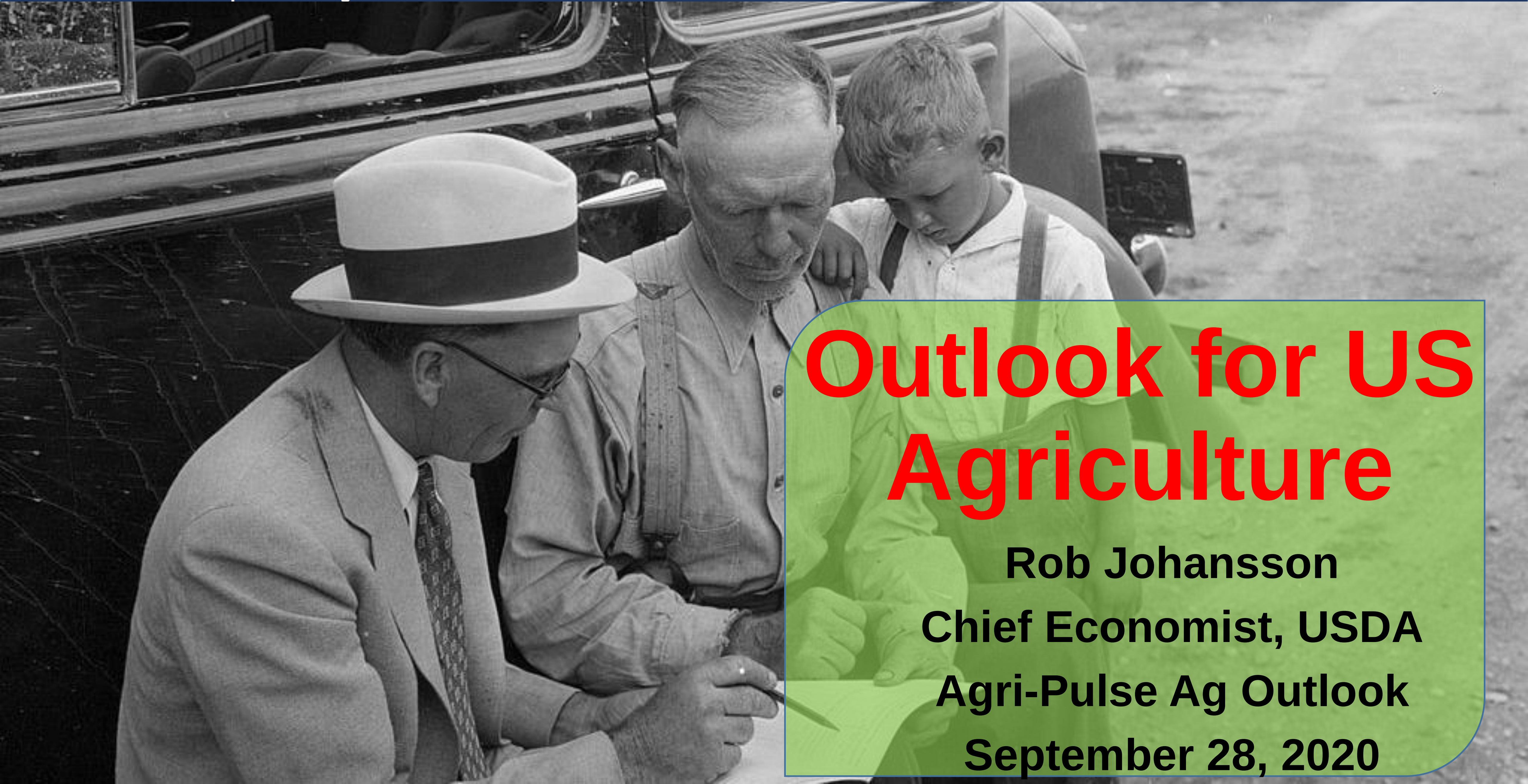
Office of the Chief Economist
United States Department of Agriculture



Outlook for US Agriculture

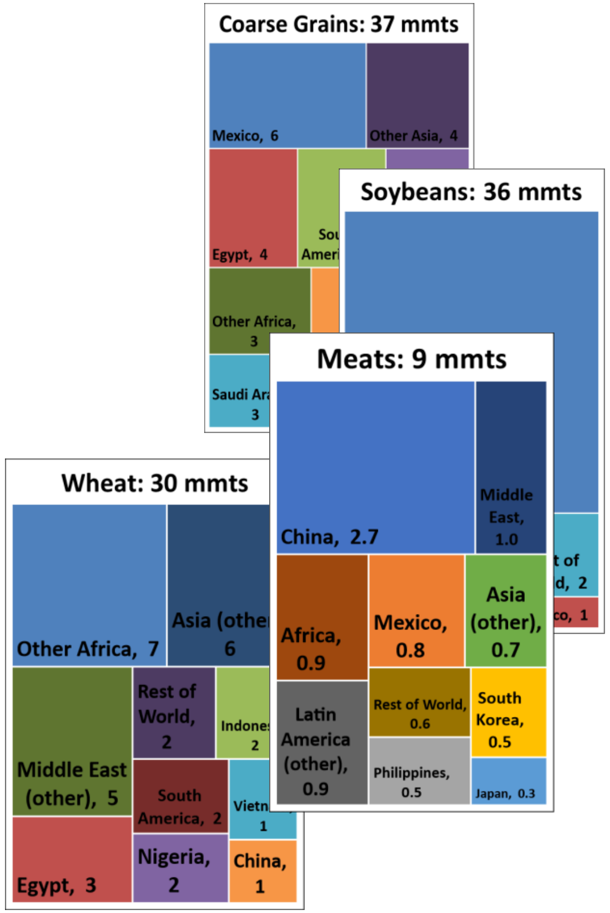
Rob Johansson
Chief Economist, USDA

Agri-Pulse Ag Outlook

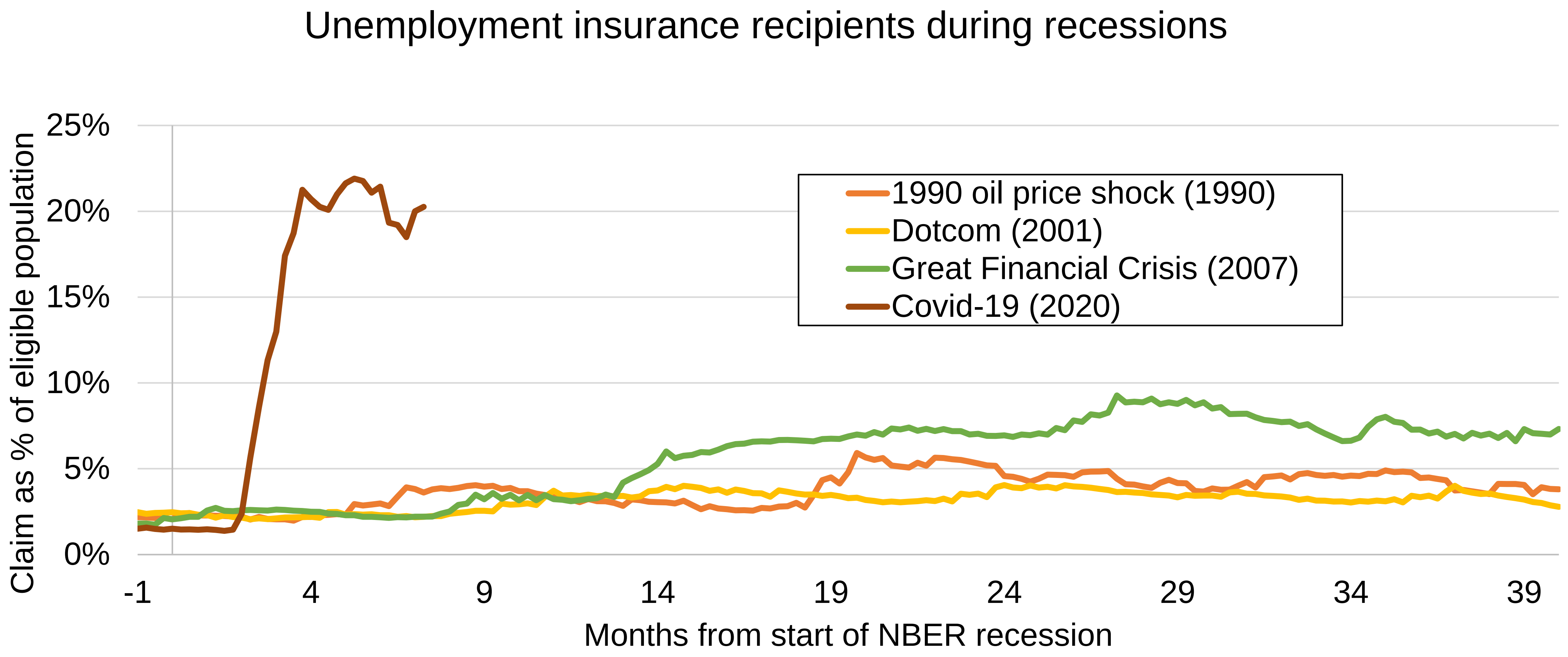
September 28, 2020

Main points to cover

1. Recap where we were in Feb
   - Economics
   - Weather and planting expected to be better
   - Trade agreements (Japan, USMCA, China)
2. What has happened since --- COVID + some recovery
   - Prices
   - Trade
3. Policy developments

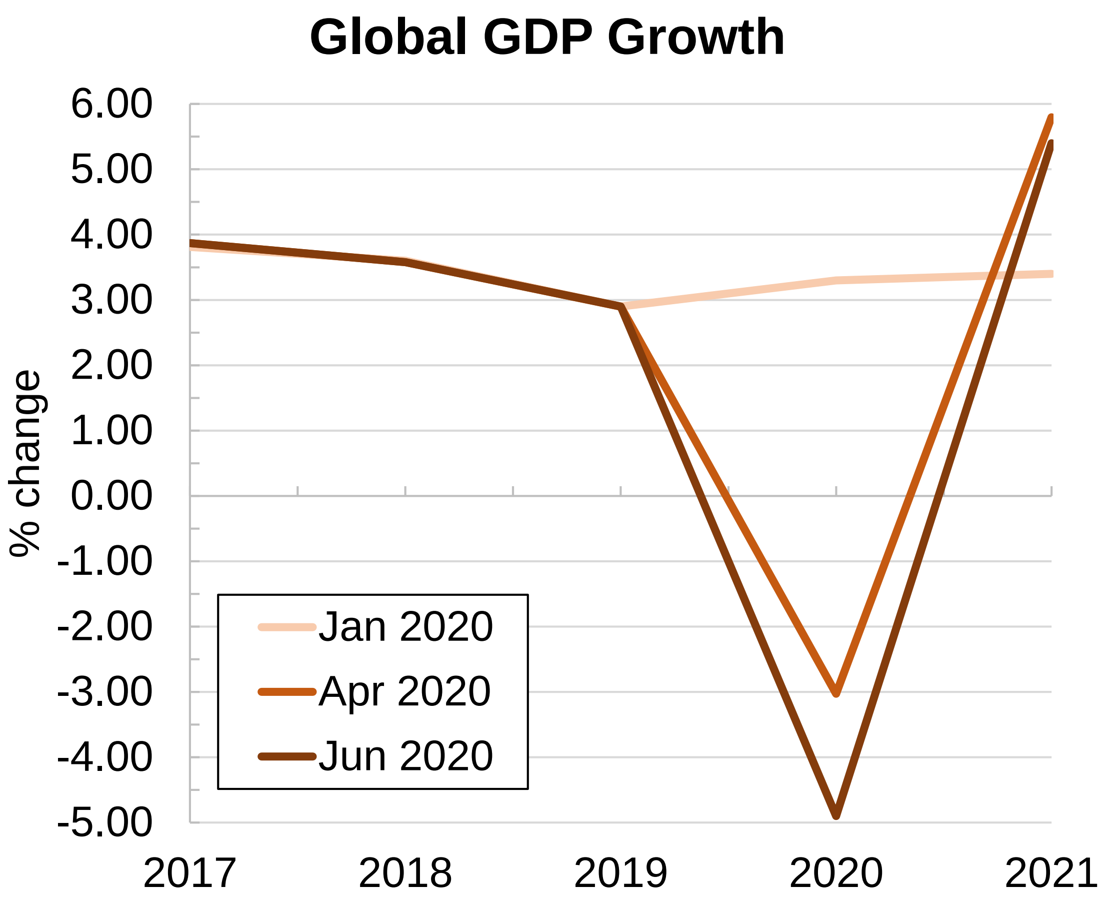


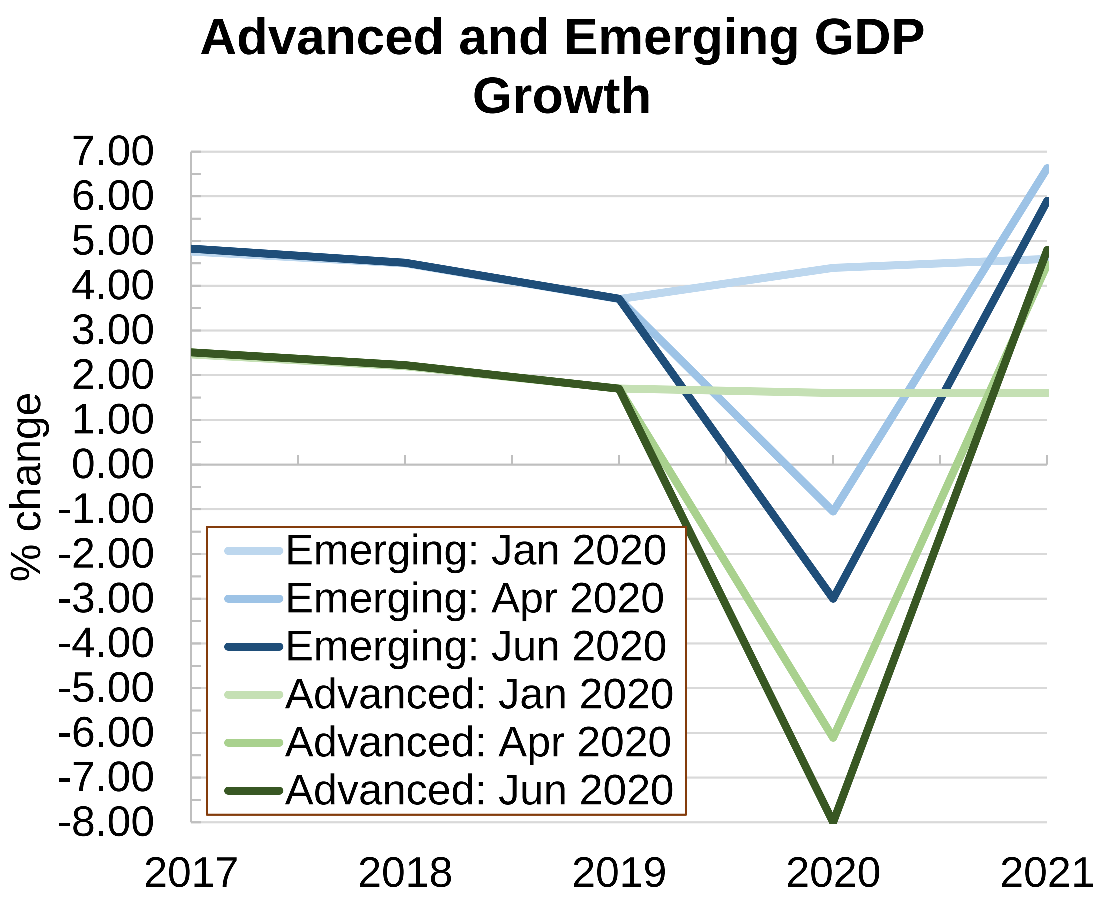
Unprecedented shock to all economic sectors



Source: Bureau of Labor Statistics. NBER. Values as of August 22nd, 2020

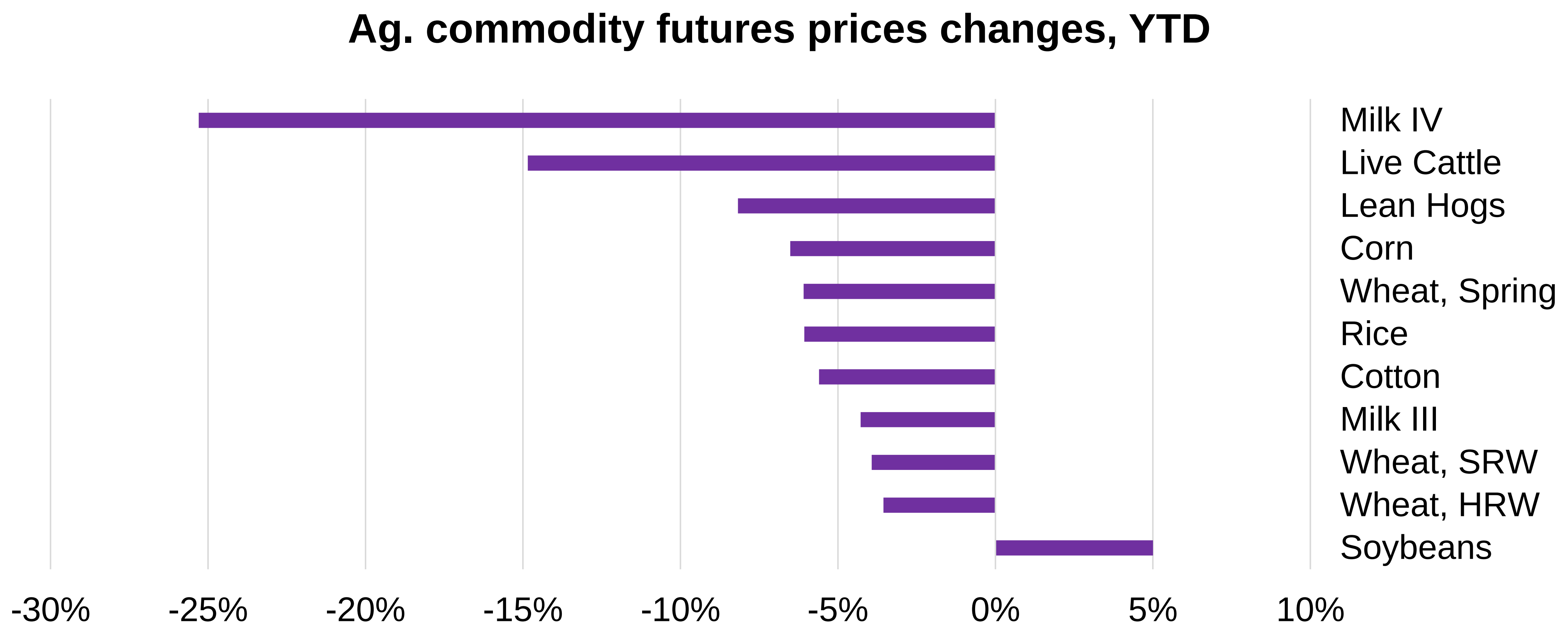
IMF forecasts continue be revised downward





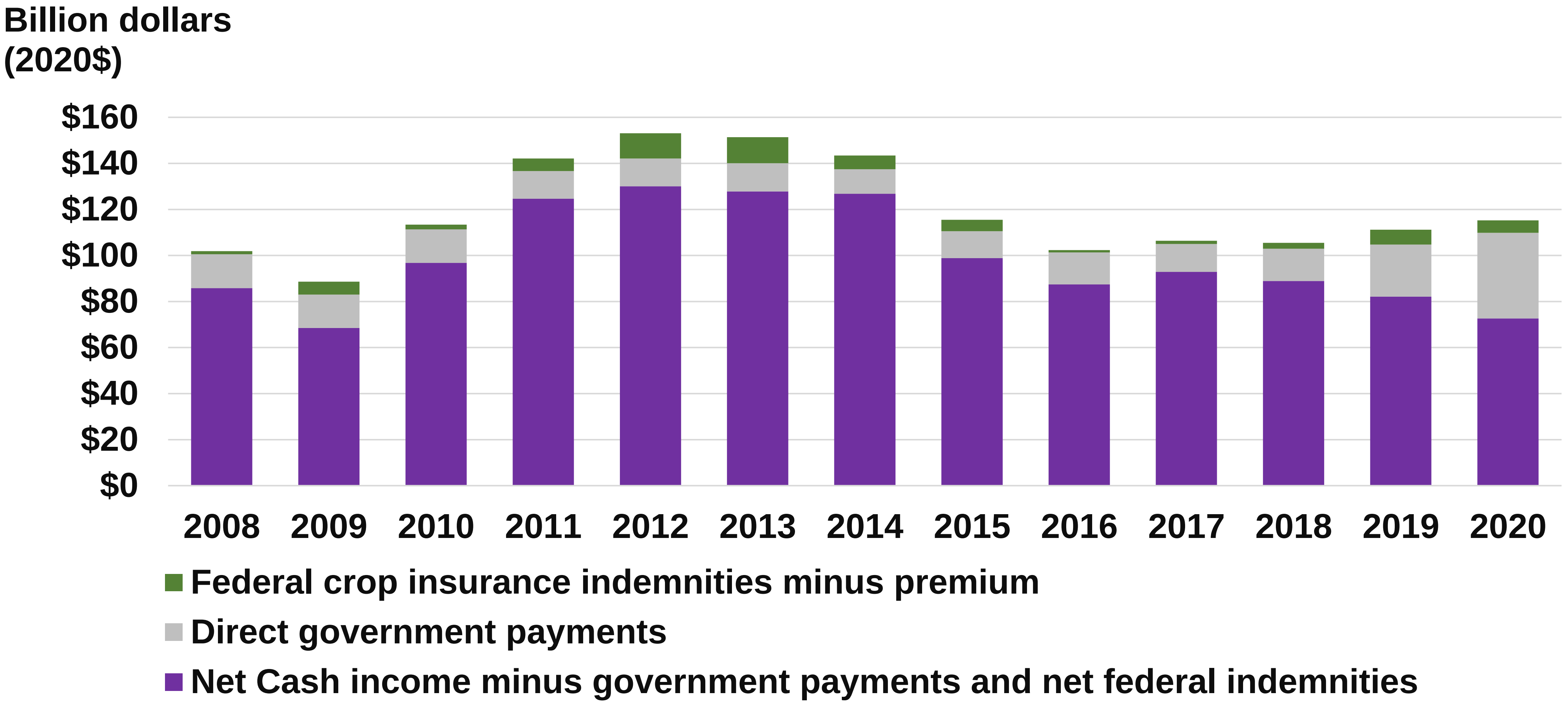
Source: IMF World Economic Outlook GDP forecasts as of June 24, 2020

Agricultural commodities most closely linked to macroeconomic conditions have seen largest price declines



Source: Refinitiv. Percentage changes as of closing September 15th, 2020

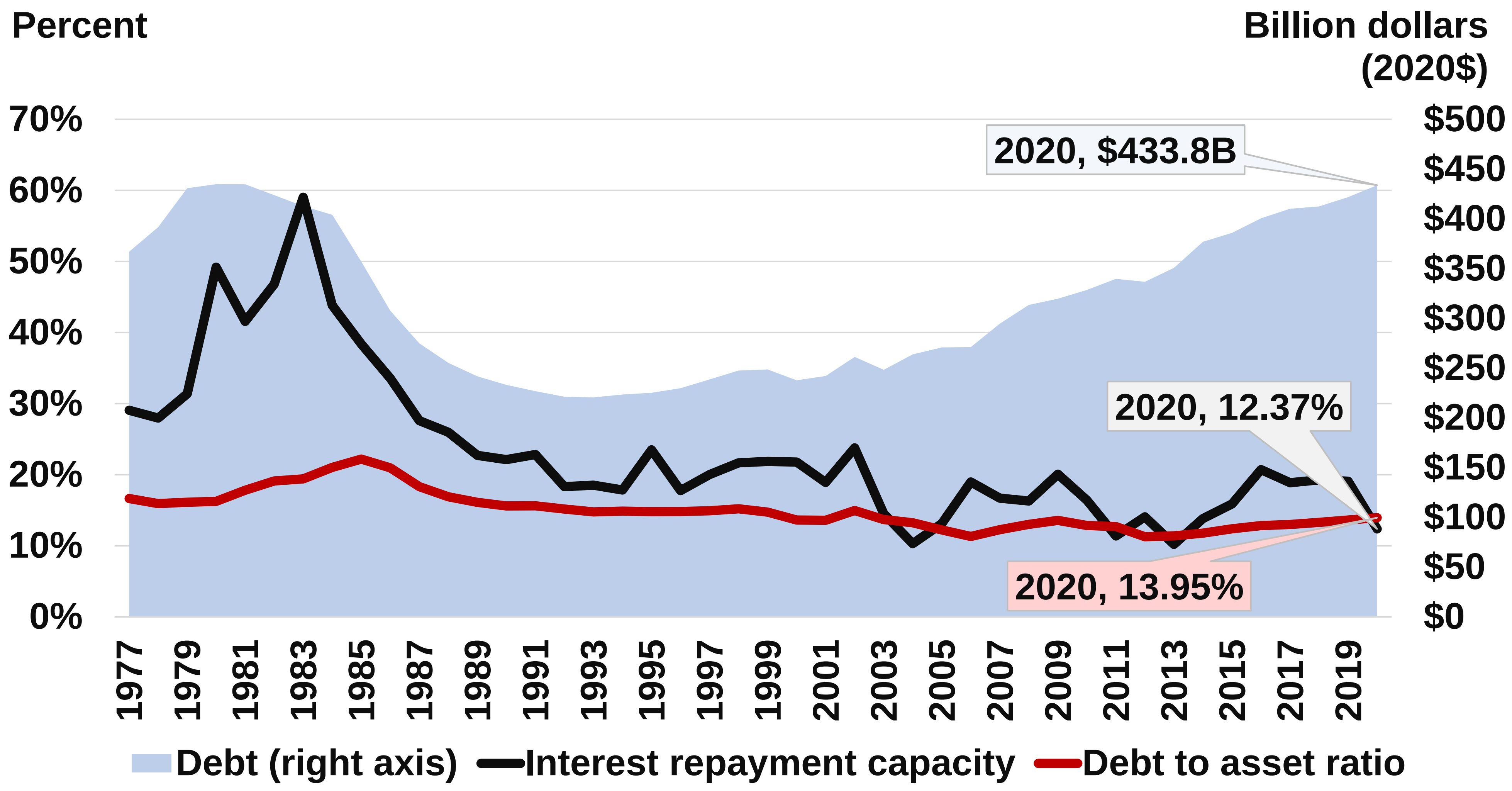
Forecast modest increase in net cash income, including an increase in direct government payments, but decline in cash receipts



Data: USDA-ERS

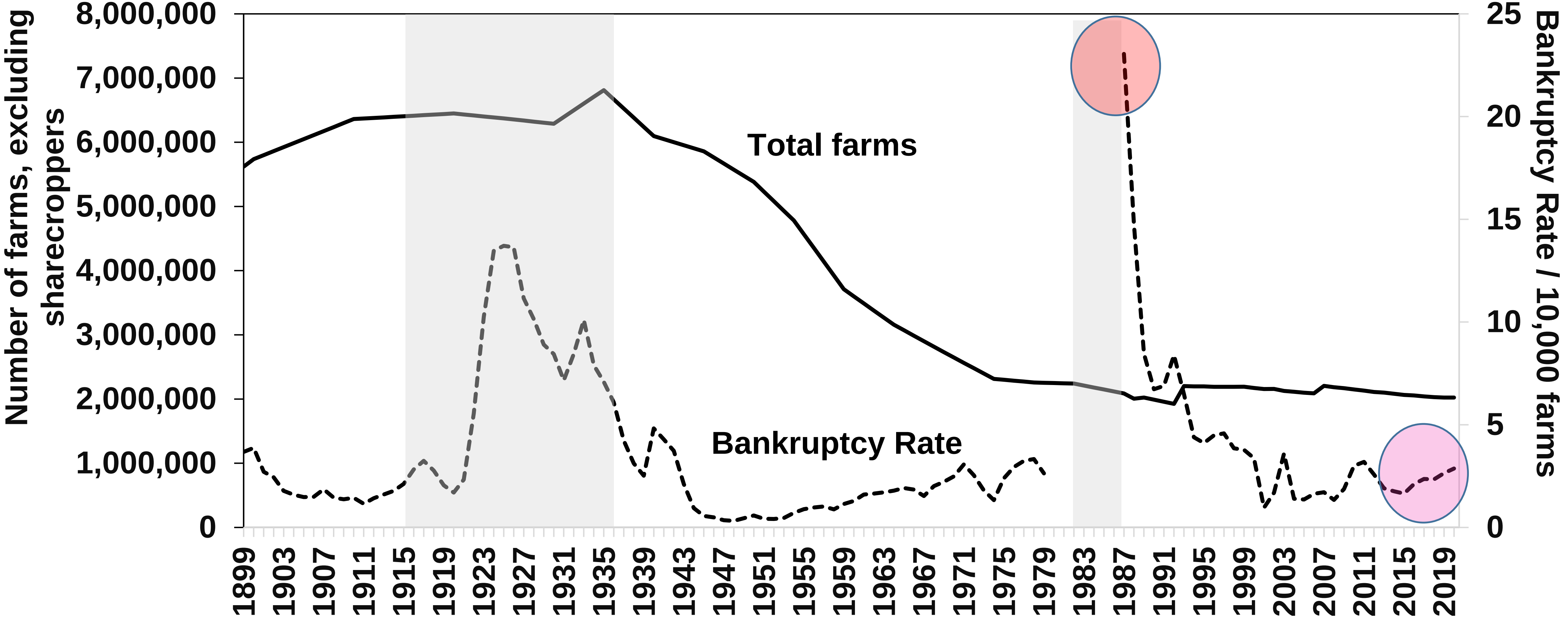
Debt-to-asset ratio remains low --- 13.95%, and debt financing cost falling despite total debt at historic levels

"Interest repayment capacity" =Interest Expenses divided by (NFI before interest and taxes)



Data: USDA-ERS

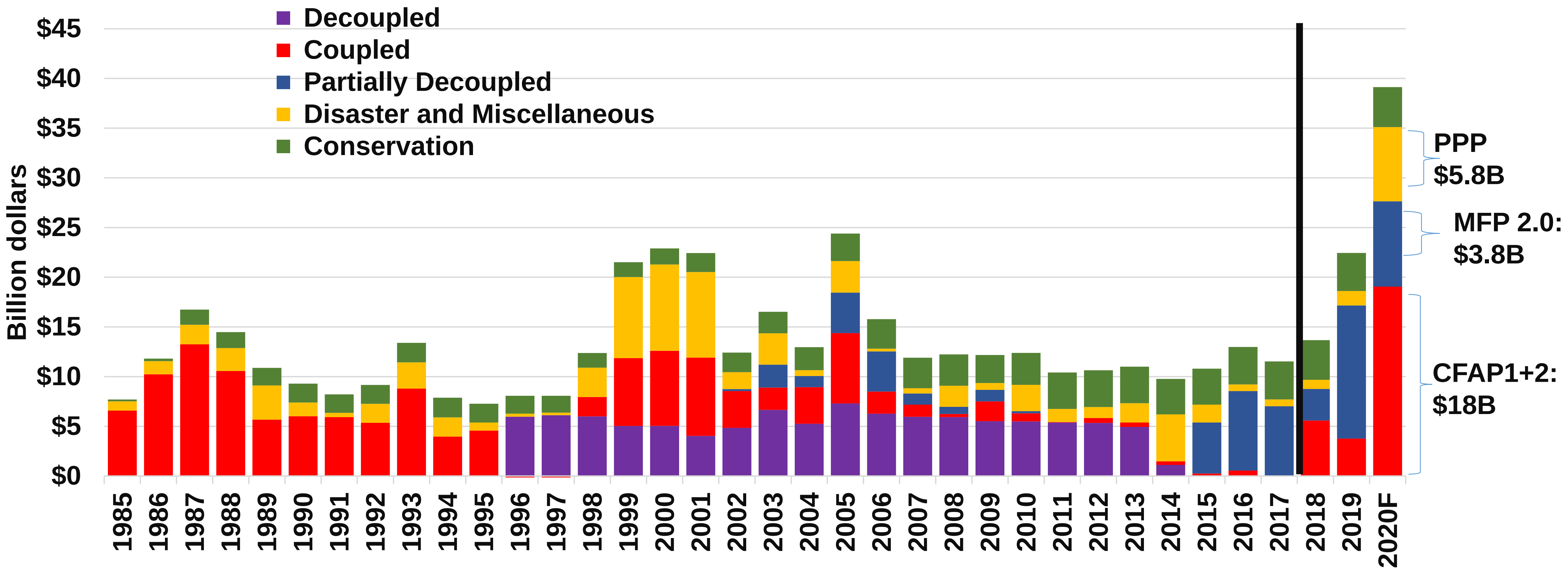
Farm bankruptcy rates are slowly increasing



Source: USDA-ERS, U.S. Courts

Note: Annual data runs from July 1 - June 30.

Characteristics of US farm programs over time



Data: USDA ERS (Sep 2020, calendar year), OCE calculations for CFAP 1 and 2 in 2020F

U.S. Crop and Livestock Outlook

https://www.theatlantic.com/business/archive/2018/10/young-dairy-farmers/567937/

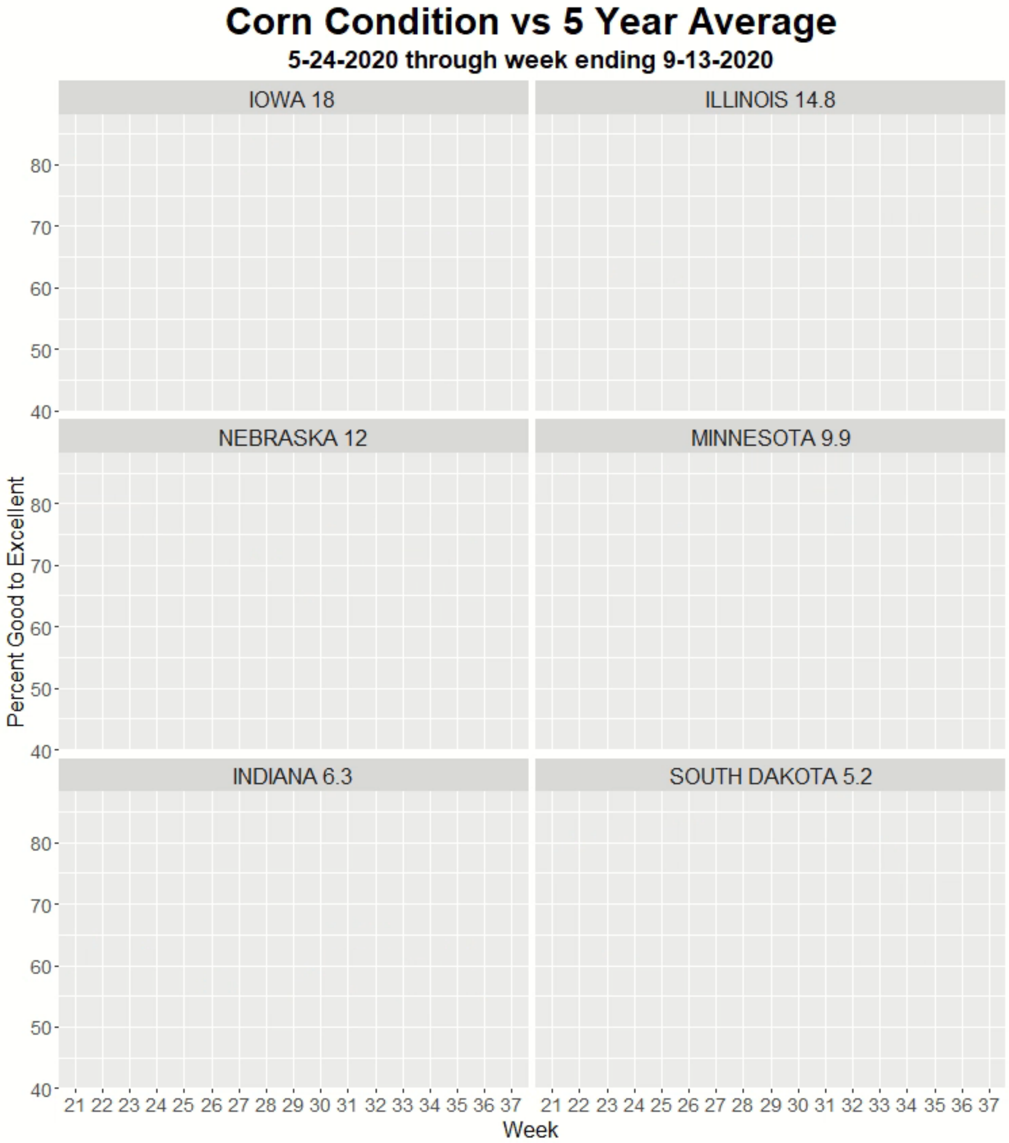
Cropland area mostly up from last year --- small changes

Crop (mil. acres)	2016	2017	2018	2019	2020F	2020
Corn	94.0	90.2	88.9	89.7	92.0	94.0
Soybeans	83.5	90.2	89.2	76.1	83.8	85.0
Wheat	50.1	46.1	47.8	45.2	44.3	45.0
Cotton	10.1	12.7	14.1	13.7	12.2	12.5
Other feedgrains	12.6	10.7	11.0	10.8	11.6	11.1
Rice	3.2	2.5	2.9	2.5	2.9	3.1

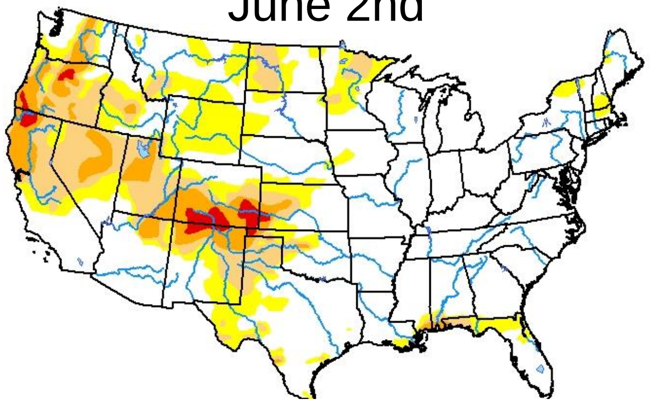
February AOF Sep WASDE

Source: USDA-OCE. Area planted. Values in red denote record levels.

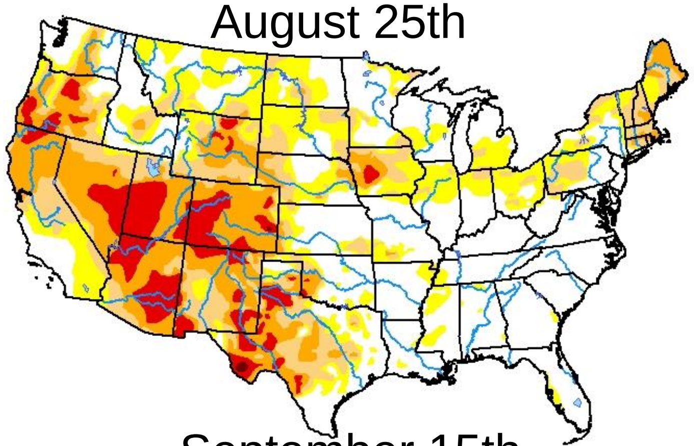
Corn condition declined in Iowa during the summer, while other areas saw periodic improvements.



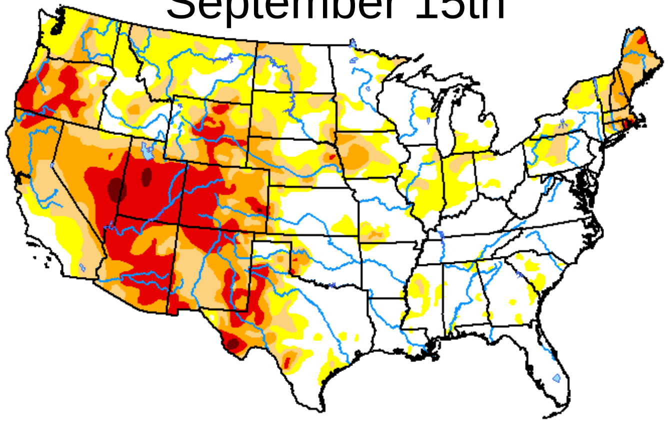
June 2nd



August 25th



September 15th

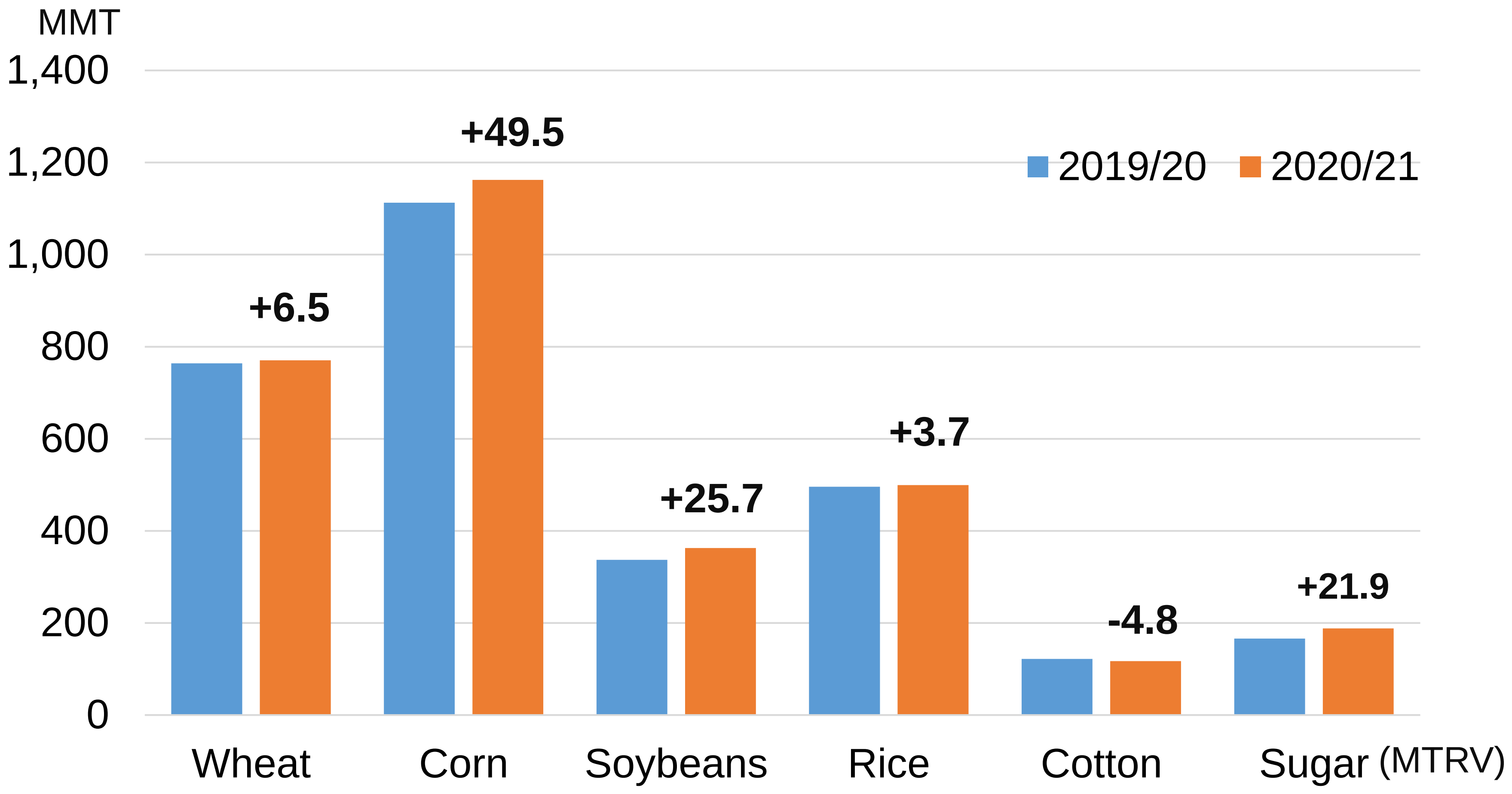


Better planting conditions and lower global demand are anticipated to lower prices

Crop	2016	2017	2018	2019	2020	%∆
Wheat ($/bu)	3.89	4.72	5.16	4.58	4.50	-2%
Corn ($/bu)	3.36	3.36	3.61	3.60	3.50	-3%
Soybeans ($/bu)	9.47	9.33	8.48	8.55	9.25	8%
Cotton (cents/lb)	70.5	68.6	70.3	59.5	59.0	-1%
All Rice ($/cwt)	10.4	12.9	12.6	13.2	12.6	-5%

Source: USDA-OCE. Marketing year national average price. Values as of Sep. 2020 WASDE.

2020/21 Global Crop Production Forecast to Increase Except Cotton



Data: USDA. Sep. 2020 WASDE. Million metric tons except cotton, which is million bales. Change from 2019/20 in volume.

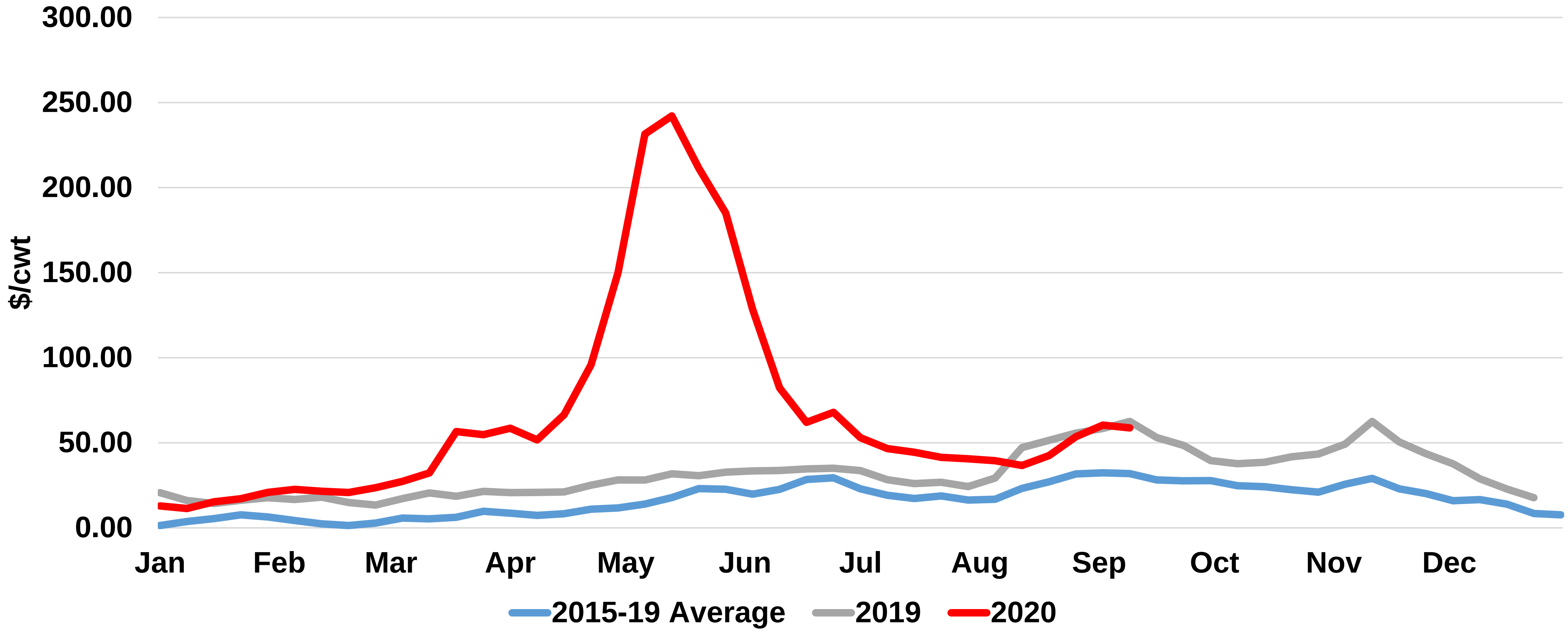
US beef production expected to slowdown in 2020 but pickup in 2021

Item	2017	2018	2019	2020f	2020	2021
Billion pounds						
Beef	26.3	26.9	27.2	27.5	27.0	27.4
Pork	25.6	26.3	27.6	28.9	28.2	28.4
Broilers	41.2	42.6	43.9	45.8	44.6	45.0
Total[1]	100.2	102.4	105.3	108.8	106.3	107.3
Billion pounds						
Milk	215.5	217.6	218.4	222.0	222.0	225.4

February AOF　　Sep WASDE

Source: USDA-OCE. Values in red denote record levels. Values as of Sep. 2020 WASDE. [1]Total includes all red meat and poultry

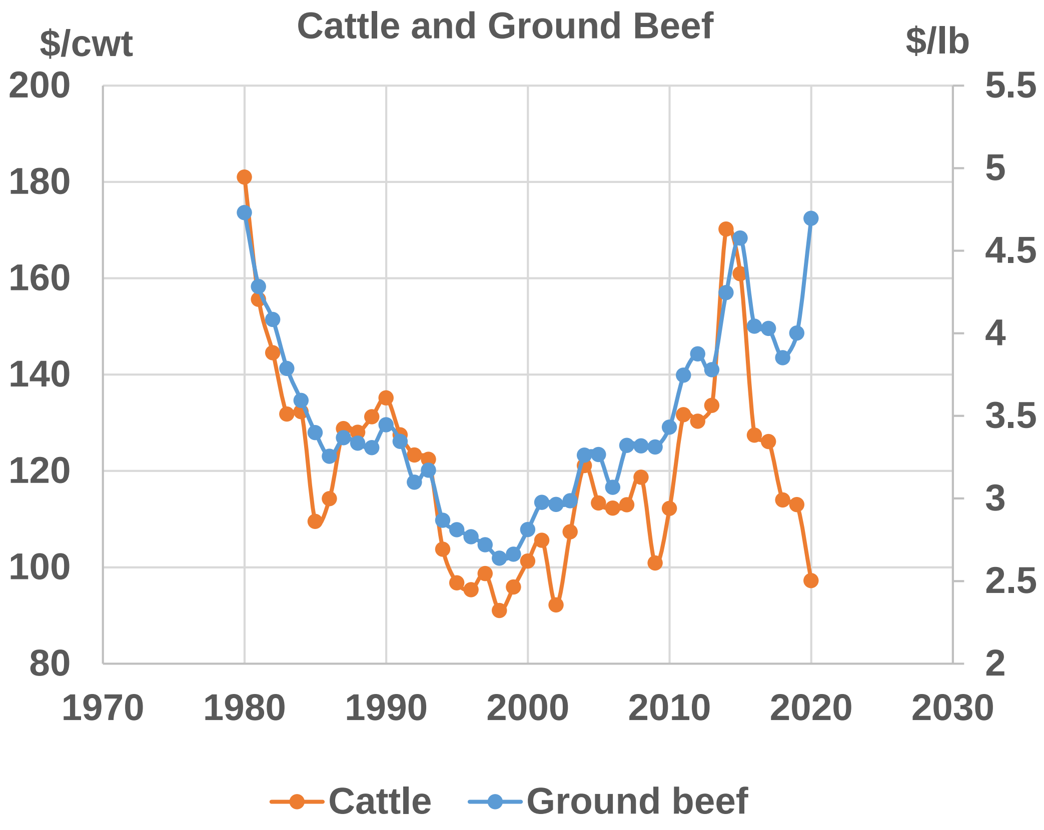
Spread Between Comprehensive Boxed Beef Price and Dressed Steer Price*

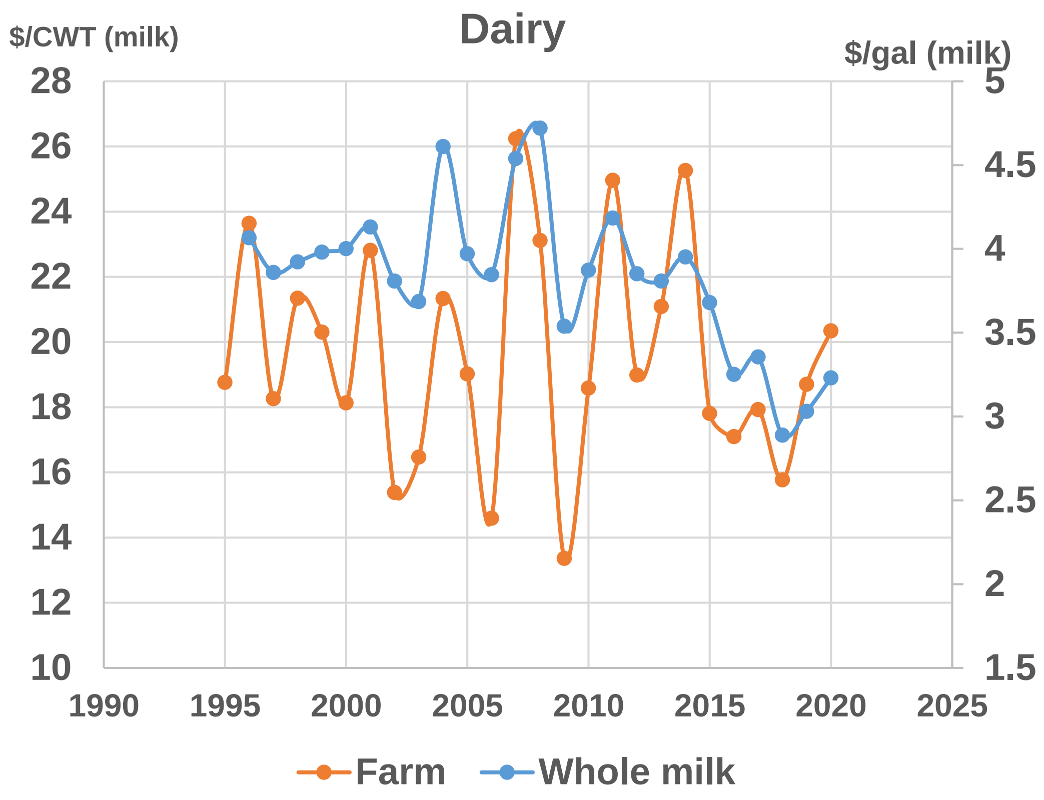


Source: USDA.

*5-Area, Dressed Steer, Delivered – All Grades

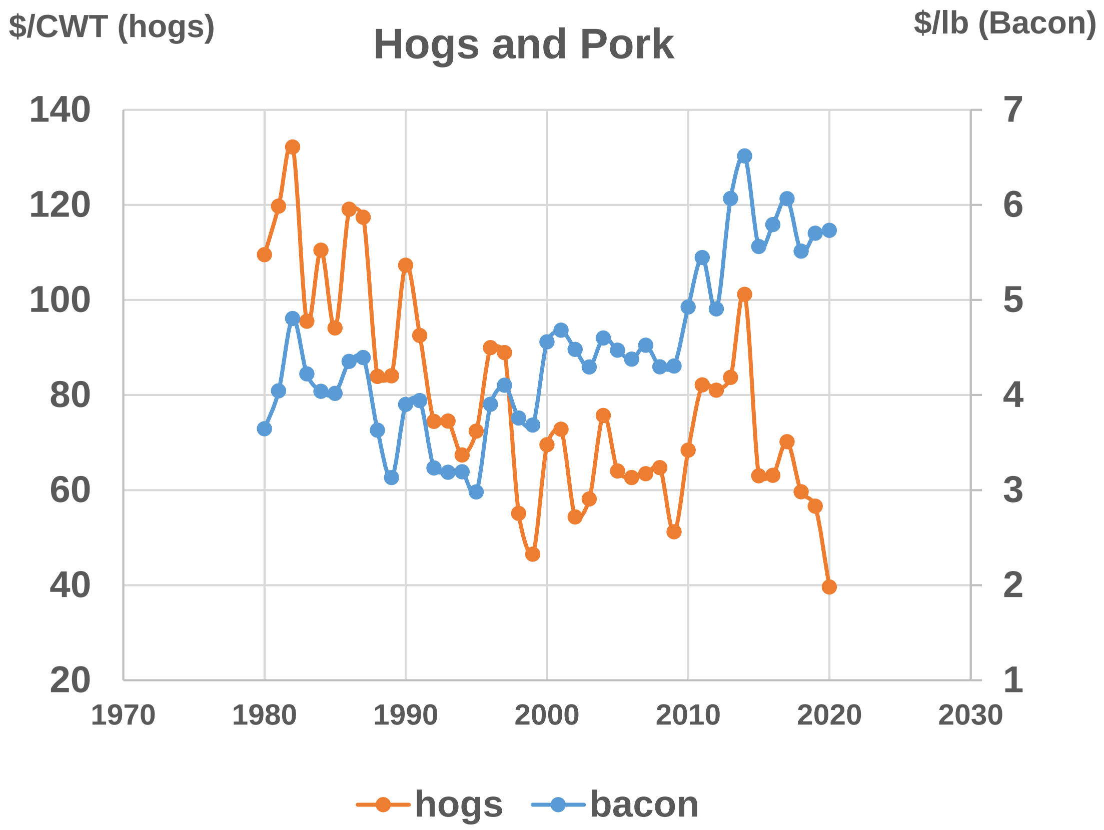
Producer prices moving in opposite directions

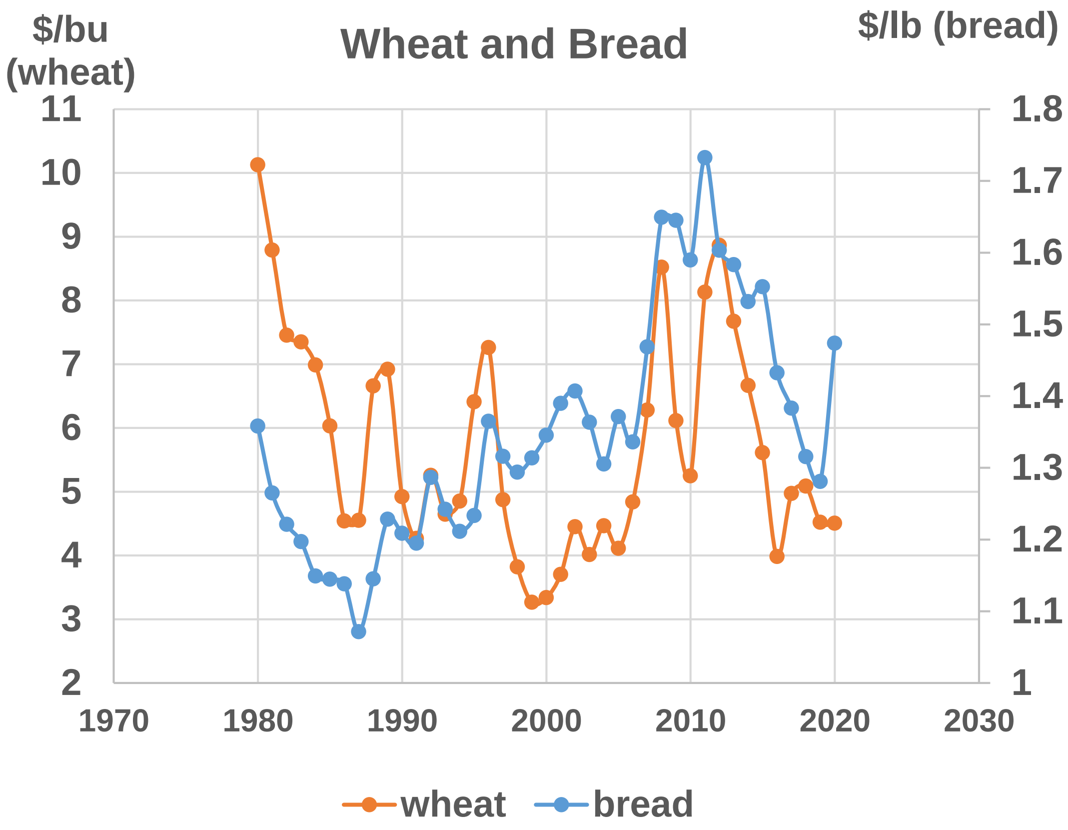




Data: BLS, USDA

Raising questions about margins





Data: BLS, USDA

US meat and dairy prices

Item	2017	2018	2019	2020	2021	%∆
	Dollars per cwt					
Steers	122.0	117.1	116.8	106.8	109.5	3%
Hogs	53.60	45.93	47.95	38.87	44.25	14%
Broilers	93.50	97.80	88.60	70.00	81.30	16%
Milk	17.69	16.27	18.63	18.25	17.05	-7%

Source: USDA-OCE. Values as of Sep. 2020 WASDE. [1]Total includes all red meat and poultry

Trade Outlook

https://www.capitalpress.com/nation_world/agriculture/virus-outbreak-disrupts-ag-trade-with-china/article_a9115cae-4f54-11ea-a30f-77b46dc33749.html

Covid19 Trade Disruption inflicted more sectorally than by country

Fig 4. Change in exports under Covid, 2020Q2 change over same quarter, previous year

Exporter	Pulses	Soybeans	Pork	Sugars	Wheat	Fresh Fruit	Rice	Palm Oil	Dairy Products	Food Preps	Fresh Veg	Corn	Total Agr	Beef	Poultry	Forest Products	Chocolate	Fish Products	Tree Nuts	Nursery	Tobacco	Wine & Beer	Cotton	Hides & Skins
Brazil	14%	48%	45%	54%		-20%	171%	51%	16%	-1%	180%	-87%	24%	30%	-21%	-9%	-19%	-6%	-5%	12%	-31%	-28%	-12%	
Russia	-12%	46%	173%	244%	30%	-35%	-73%	9%	10%	1%	41%	54%	9%	65%	92%	-10%	-22%	-12%	72%	-50%	-17%	-16%		-97%
Kenya	374%					27%		95%	-57%	34%	-6%		7%	-14%		-34%		-51%	-46%	-30%	46%	-53%		
Turkey	94%	624%		5%		23%	44%		-14%	17%	8%	69%	4%	-18%	-15%	-12%	-20%	-13%	18%	-13%	-14%	-26%	-3%	
Argentina	109%	62%	258%	11%	-35%	9%	6%		28%	1%	37%	16%	3%	-4%	-23%	-4%	-36%	10%	-42%		-57%	-14%	-63%	8%
Mexico	16%		36%	1%	226%	10%	63%	-11%	7%	15%	2%	66%	2%	42%	60%	-2%	-3%	-21%	-17%	-17%	-14%	-29%	-31%	
Japan			29%	10%		7%	9%		26%	27%	171%		0%	-20%	27%	-4%	-26%	-16%	-1%	13%		-38%		14%
Thailand	11%		112%	-25%		57%	0%	-75%	29%	6%	-20%	15%	-1%		1%	-13%	-69%	6%	-48%	-53%	23%	-55%		21%
Indonesia				-9%		88%		9%	34%	32%	-26%		-1%			-2%	-2%	5%	7%	0%	-17%	-25%		
Canada	60%	-6%	14%	18%	11%	-37%	25%		17%	-4%	22%	-49%	-1%	-5%	0%	-16%	-2%	-23%	-6%	-8%	-72%	-15%		-69%
China	11%	-25%	-13%	7%		52%	-15%	31%	-40%	9%	5%	-97%	-1%	-34%	-17%	-5%	-16%	-15%	8%	-3%	12%	-28%	-70%	-34%
World	40%	29%	26%	14%	14%	9%	9%	5%	3%	1%	-1%	-1%	-2%	-3%	-11%	-13%	-13%	-13%	-15%	-15%	-19%	-26%	-40%	-56%
Colombia				6%		-16%		27%	50%	23%	-21%		-2%	49%		-46%	-20%	-4%		-16%	-68%			-66%
South Africa	48%		-41%	-3%	187%	16%	14%	-19%	-19%	-15%	-26%	193%	-3%	61%	-32%	-49%	-18%	-26%	16%	-42%	-51%	-51%	-44%	-33%
Switzerland			40%	-21%			19%		-6%	-3%	0%		-4%	-12%	-50%	0%	-9%	-76%	-37%	-7%	-2%	-44%		-37%
Ukraine	-15%	-69%	5%	-36%	21%	-66%			-25%	10%	-36%	-24%	-5%	-14%	-16%	-13%	-24%	11%	-37%	-5%		-7%		-14%
New Zealand	33%		-50%	36%		2%			4%	-13%	-13%		-5%	-5%	-61%	-31%	20%	-33%		-24%		-5%		-15%
EU	4%	-65%	34%	7%	55%	-9%	0%	-16%	8%	3%	7%	-20%	-7%	-3%	-9%	-5%	-18%	-12%	-27%	-19%	-10%	-27%	-62%	-72%
Chile	0%		42%	5%		-11%			13%	1%	-4%		-7%	38%	-5%	-15%	-42%	-7%	-22%	-9%		-17%		-38%
USA	27%	-27%	11%	-15%	-9%	-1%	3%	-12%	12%	-6%	-15%	11%	-8%	-26%	-7%	-18%	-27%	-10%	-17%	-17%	-9%	-21%	-35%	-35%
Uruguay		-5%		82%	63%	36%	132%		-4%	54%			-9%	-23%		-2%	40%	-25%			-56%	-37%		48%
Singapore			111%	42%		-15%	50%	11%	20%	-3%	78%		-10%	-18%	53%	-63%	-2%	-26%	31%	-44%	-6%	-49%		-85%
Malaysia			-18%	36%		-16%	-12%	1%	-28%	-18%	1%		-11%	-42%	-27%	-39%	-11%	-6%	-4%	-51%		-56%	-89%	-93%
Hong Kong			49%	-31%		35%	-6%		-50%	51%	-54%		-11%	-65%	-3%	-38%	-50%	-46%	-69%			-28%		0%
Cote d'Ivoire				-96%		-10%	148%	-21%		15%			-11%			-23%	3%	-9%	-16%				-73%	
Morocco				41%		1%			-34%	-21%	-23%		-12%			-37%	-38%	-18%	47%	-24%		-55%		
Australia	26%		37%	-16%	3%	-2%	-47%		-12%	1%	-12%	5%	-12%	-5%	17%	-29%	10%	-20%	-38%	-41%		-11%	-76%	-36%
Taiwan			96%	-64%		-7%	216%		66%	-8%	-13%		-17%	-37%		-24%	-44%	-30%	-6%	-23%		-33%		
Norway			-12%						-27%	3%			-17%	-73%	13%	-7%	-37%	-19%	1%	-45%		-45%		-50%
Peru	-31%			30%		1%	8%	-39%	-73%	-14%	-13%	3%	-20%			-58%	-32%	-53%	-25%	6%		-80%		
Senegal						-11%	-89%			15%	43%		-25%			-10%	-28%	-20%	-78%		-76%		-10%	
Zambia				-39%					-34%	-36%		-29%	-25%		-13%	11%				-20%	-26%		-75%	-95%
Mozambique	-60%	82%		-55%		5%		-29%					-44%			-91%		-18%	-15%		-78%		-85%	

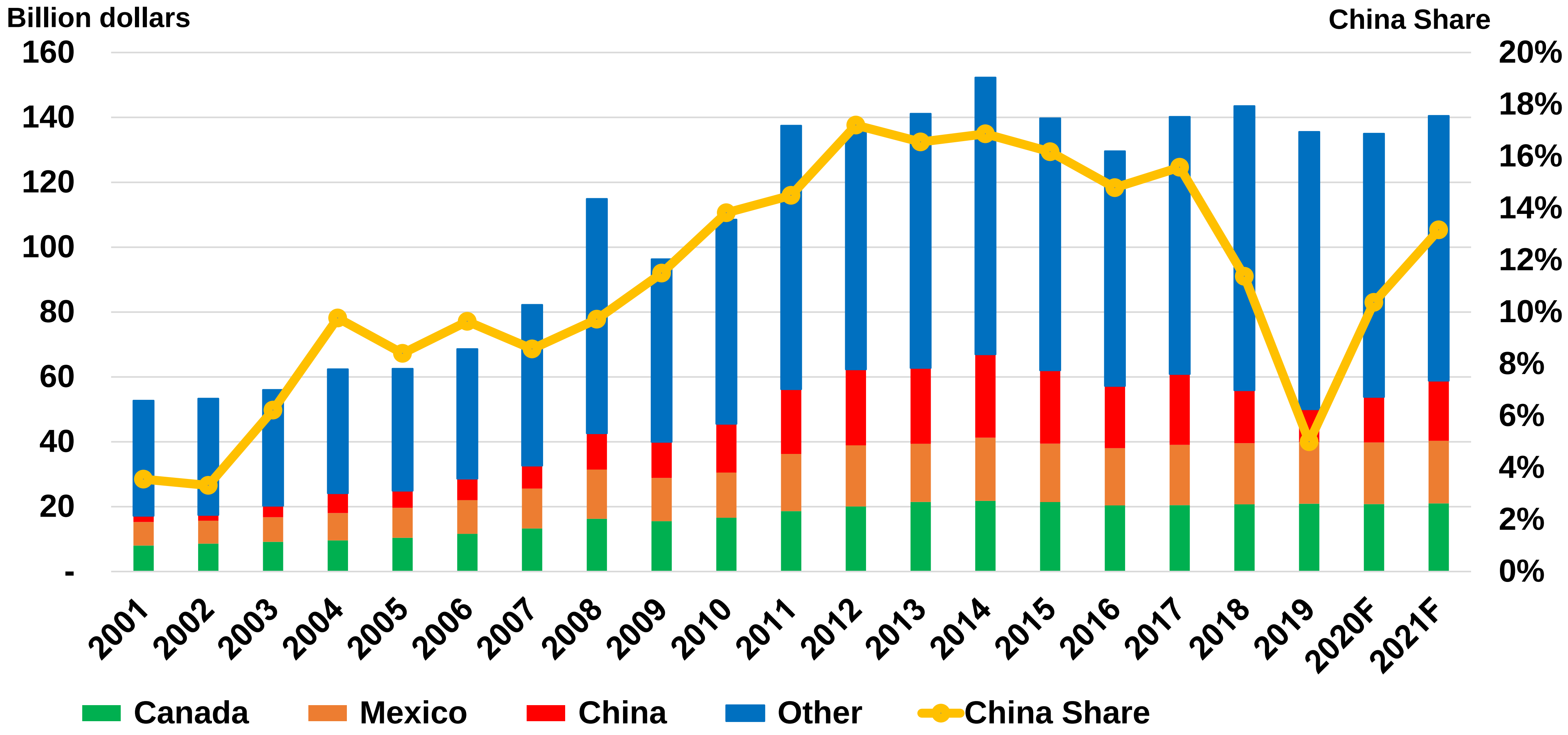
Source: USDA-OCE/Virginia Tech

$/mt

Sorghum prices continue to rise

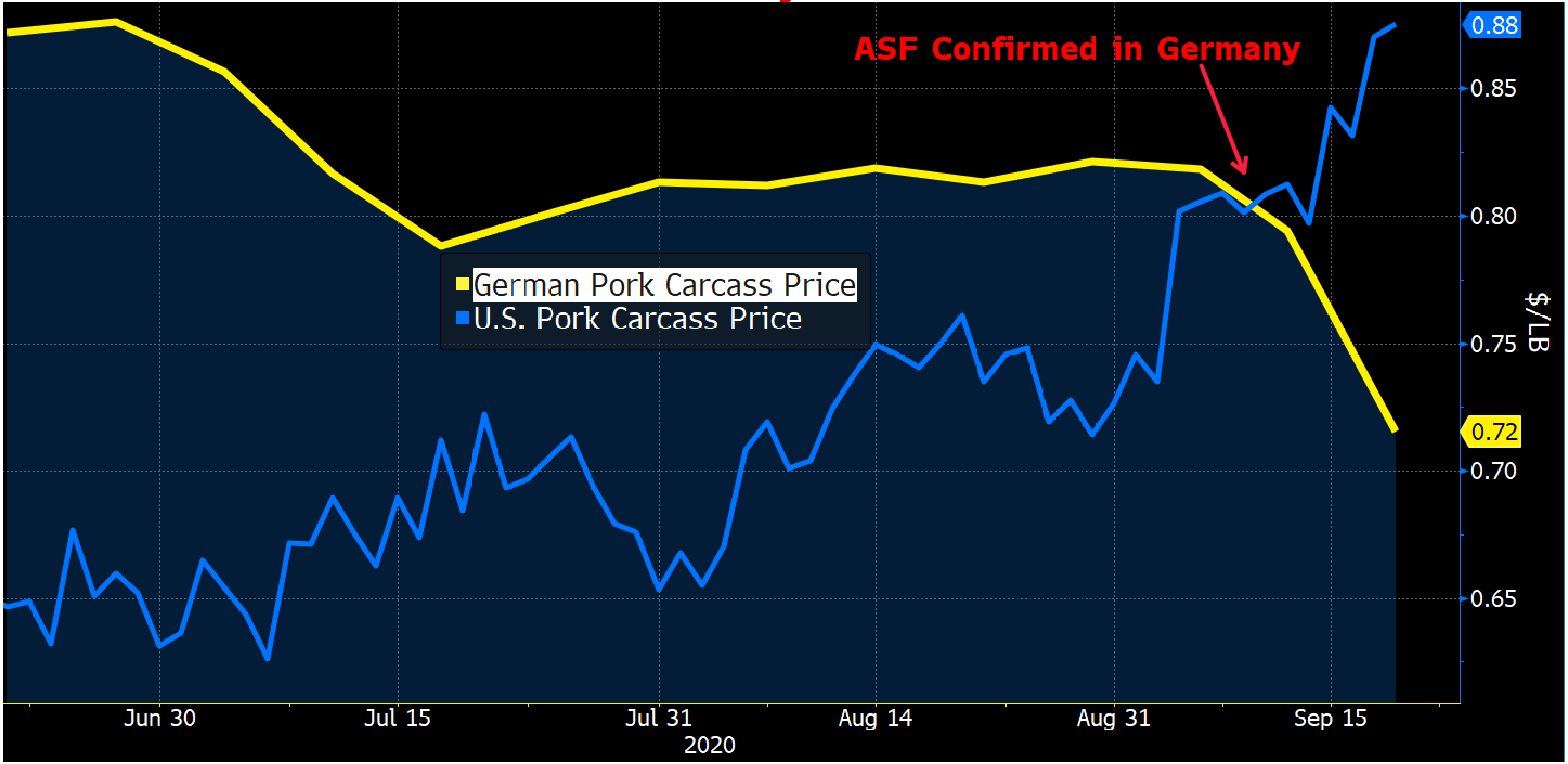
Data: IGC

Agricultural export values, China share, projected to rise slightly in FY2021



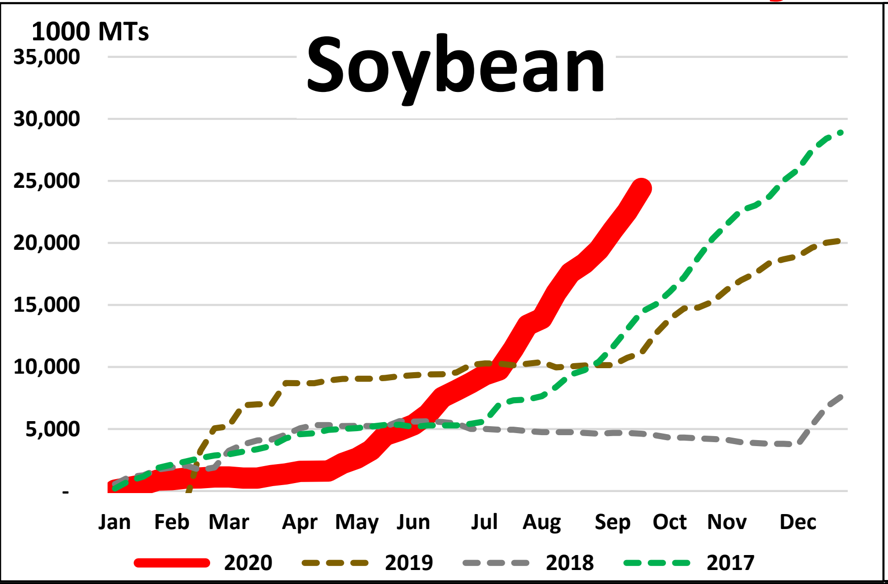
Data: USDA

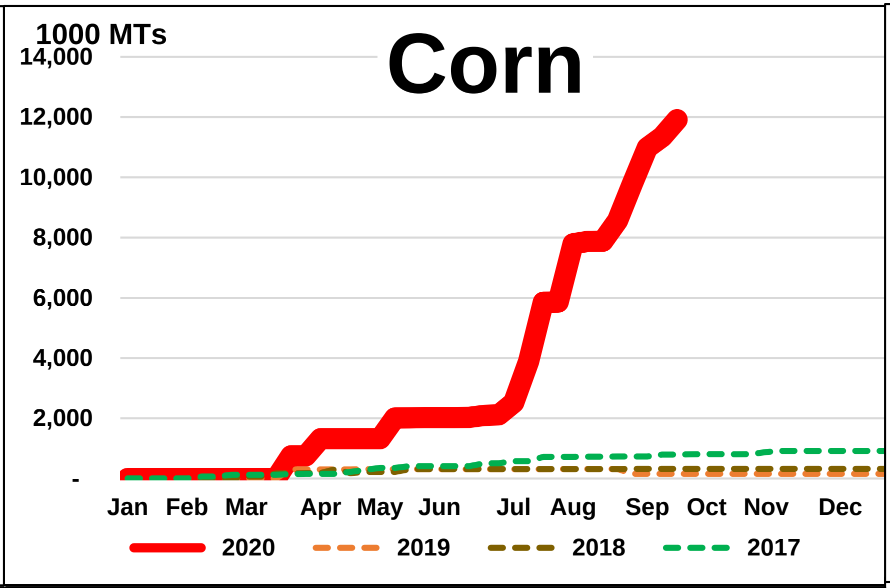
African Swine Fever hits Germany

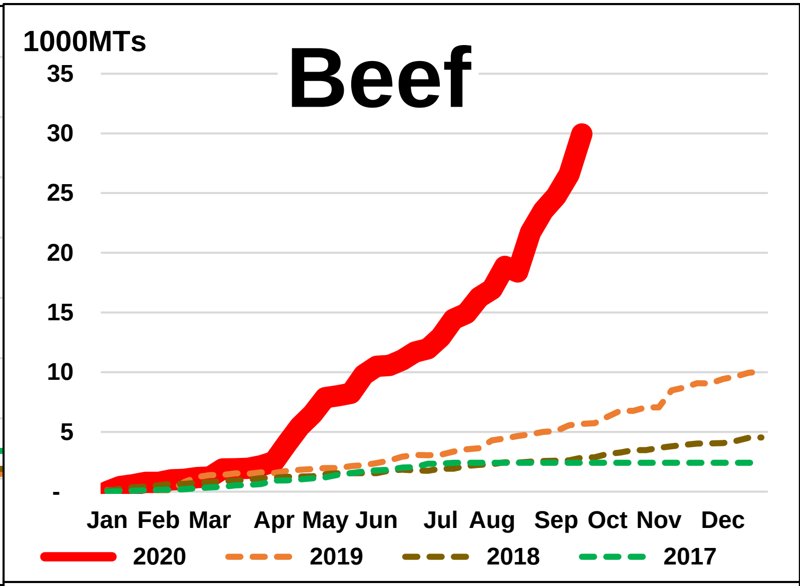


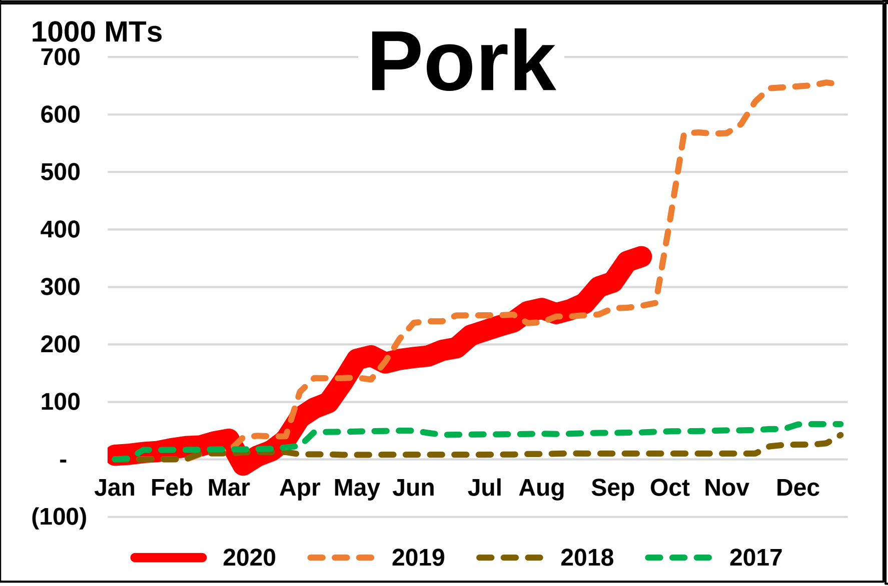
Source: USDA using Bloomberg data.

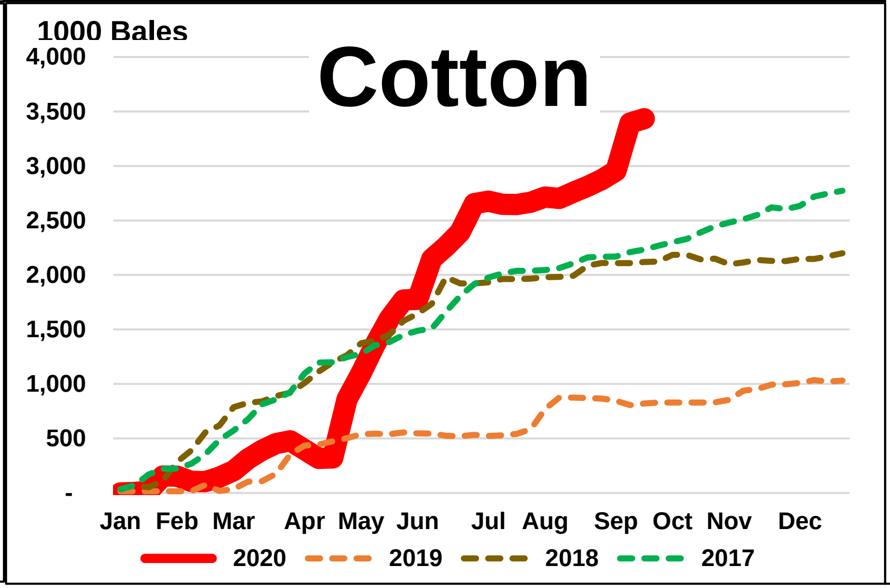
Accumulated Weekly New Sales To China

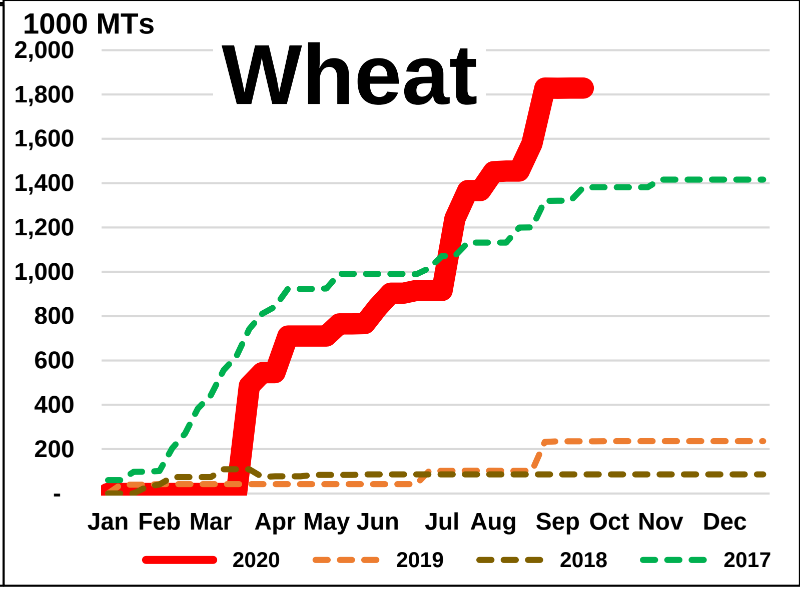






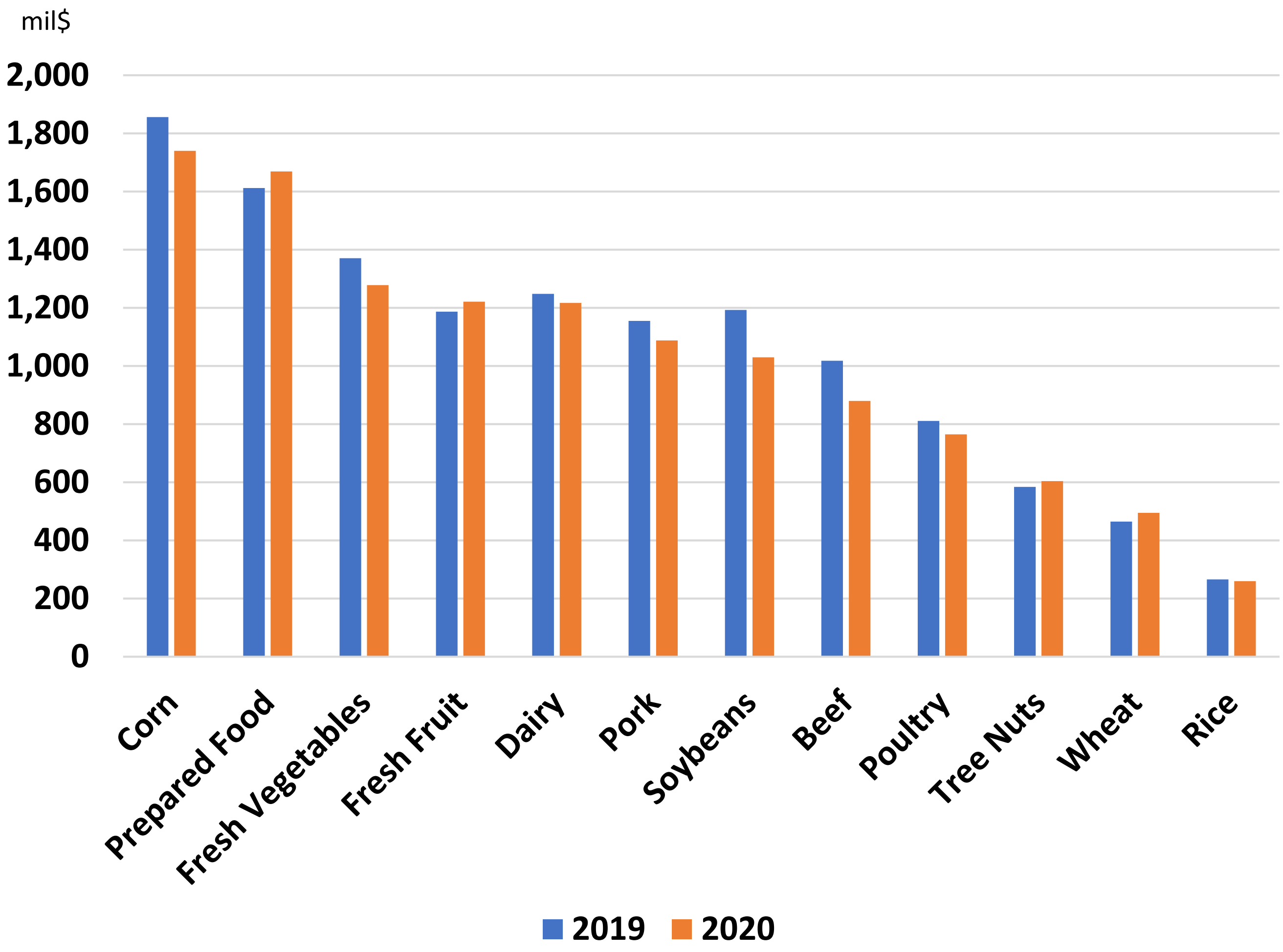






Data: USDA-FAS ESR

U.S. ag and food exports to Canada and Mexico slightly down in 2020 compared to 2019 (Jan.-July.)



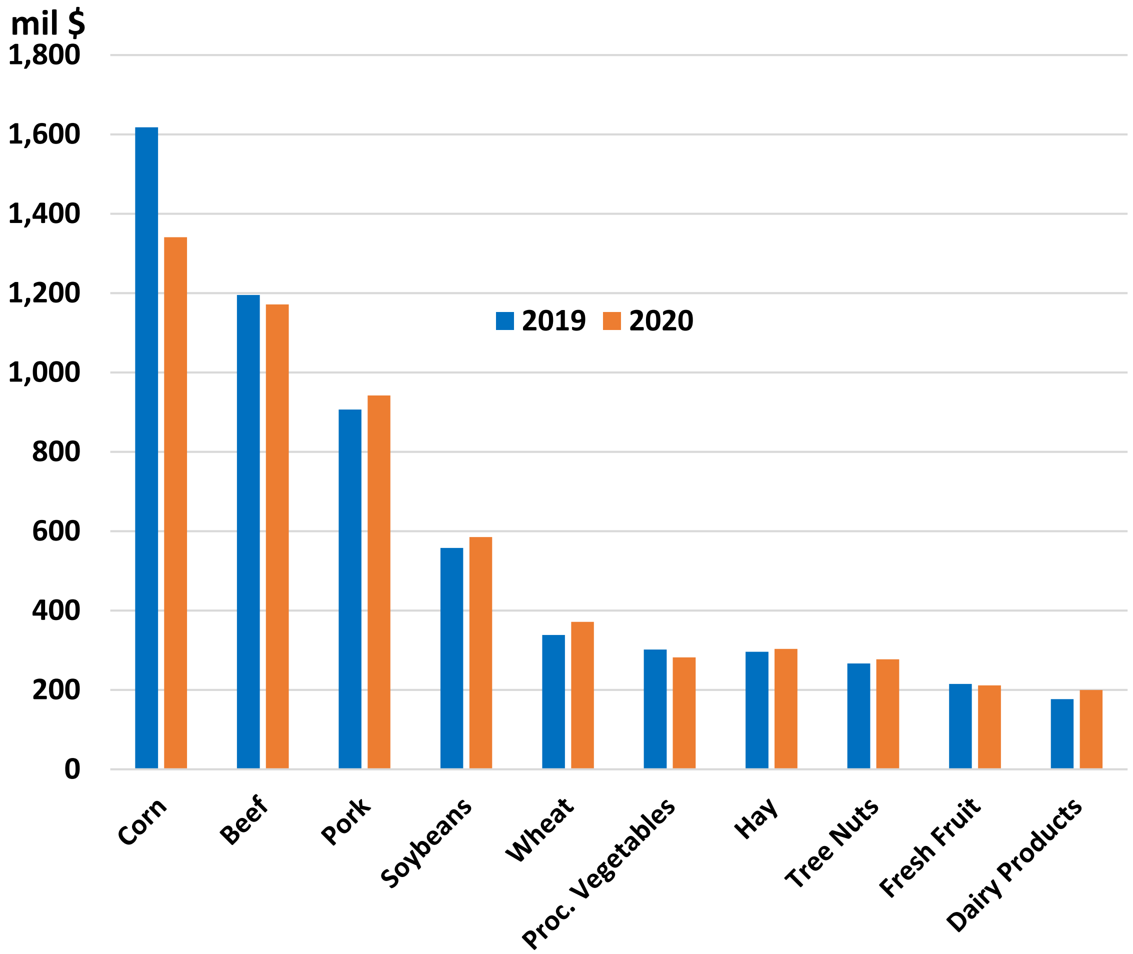
Data: USDA using U.S. Census data.

Top Agricultural Exports to Canada and Mexico, 2019

1. Corn ($3.1 billion)
2. Prepared Food ($2.8 billion)*
3. Fresh Vegetables ($2.2 billion)*
4. Dairy ($2.2 billion)
5. Soybeans ($2.1 billion)
6. Fresh Fruits ($2.1 billion)
7. Pork & Pork Products ($2.1 billion)
8. Beef & Beef Products ($1.8 billion)
9. Snack Foods ($1.7 billion)*
10. Poultry Meat (ex. Eggs) ($1.4 billion)

*Record level.

U.S. ag and food exports to Japan slightly down in 2020 compared to 2019 (Jan.-July.)



Top Agricultural Exports Japan, 2019

1. Corn ($2 billion)
2. Beef ($1.9 billion)
3. Pork ($1.5 billion)
4. Soybeans ($0.97 billion)
5. Wheat ($0.61 billion)
6. Proc. Vegetables ($0.5 billion)
7. Hay ($0.49 billion)
8. Tree Nuts ($0.42 billion)
9. Fresh Fruit ($0.32 billion)
10. Dairy ($.28 billion)

Source: USDA using U.S. Census data.

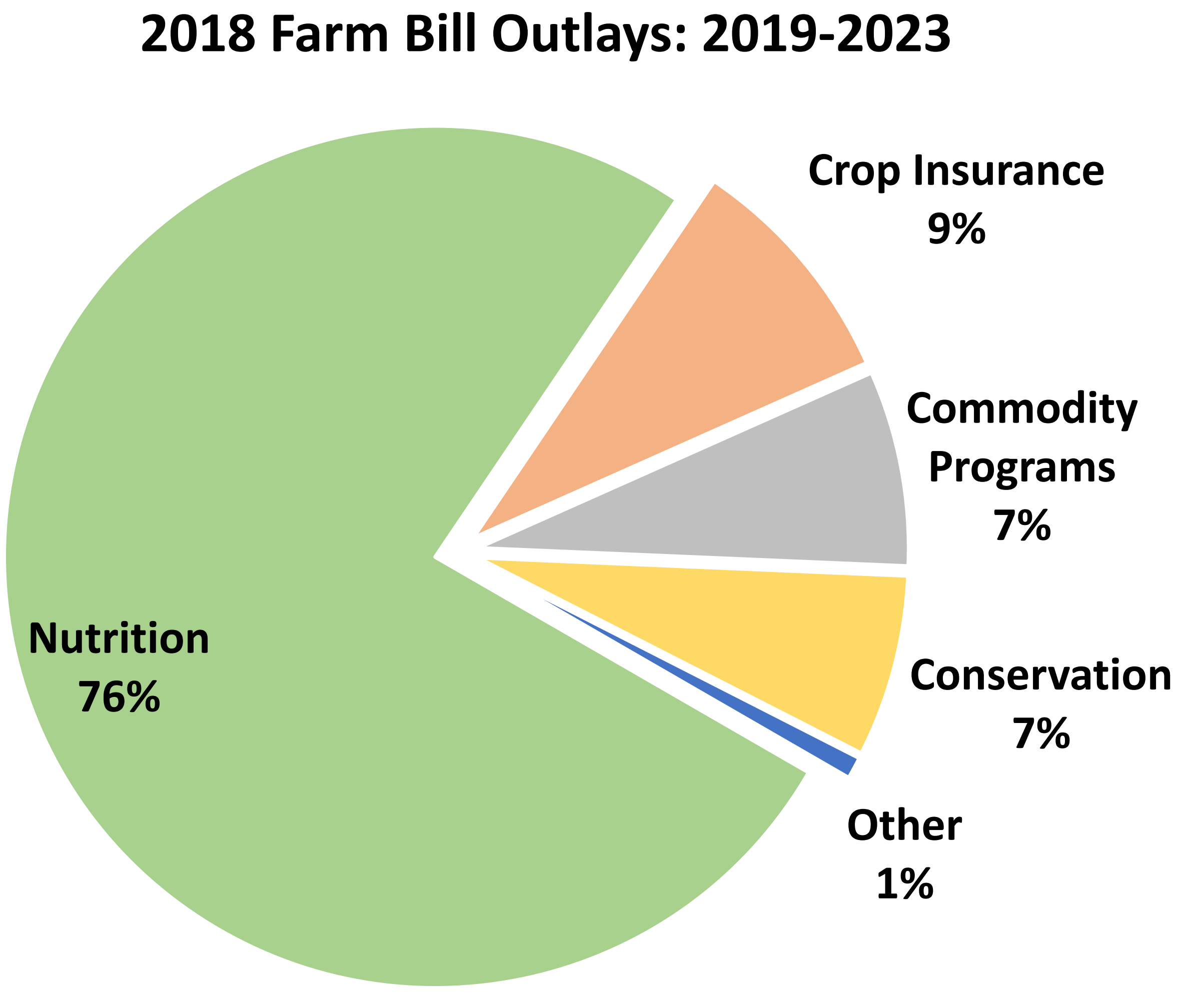
U.S. Farm Policy

USDA

2018 Farm Bill: 4 titles dominate projected outlays

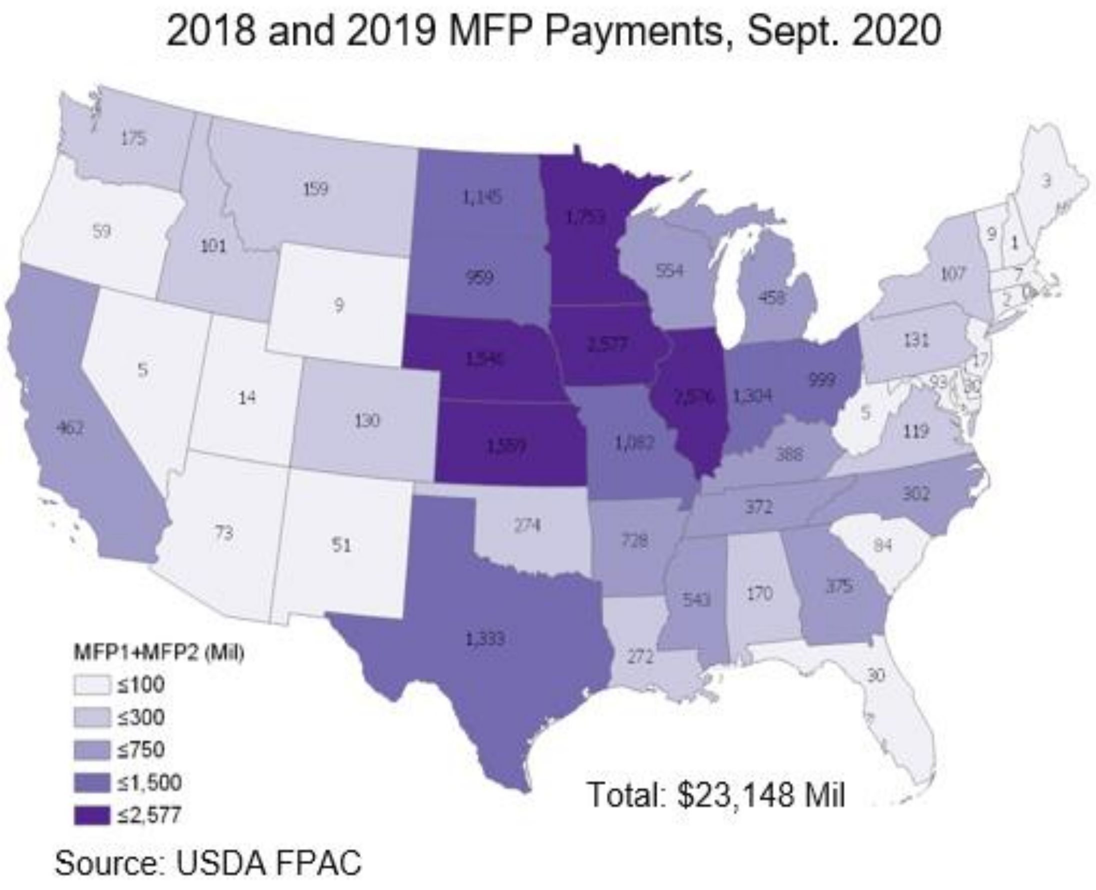
Nutrition ($326 billion)
Crop Insurance ($38 billion)
Commodity Policy ($31.4 billion)
Conservation ($29.3 billion)
Other ($3.5 billion)
- Trade
- Credit
- Rural Development
- Research, Extension, and Related Matters
- Forestry
- Energy
- Horticulture
- Miscellaneous

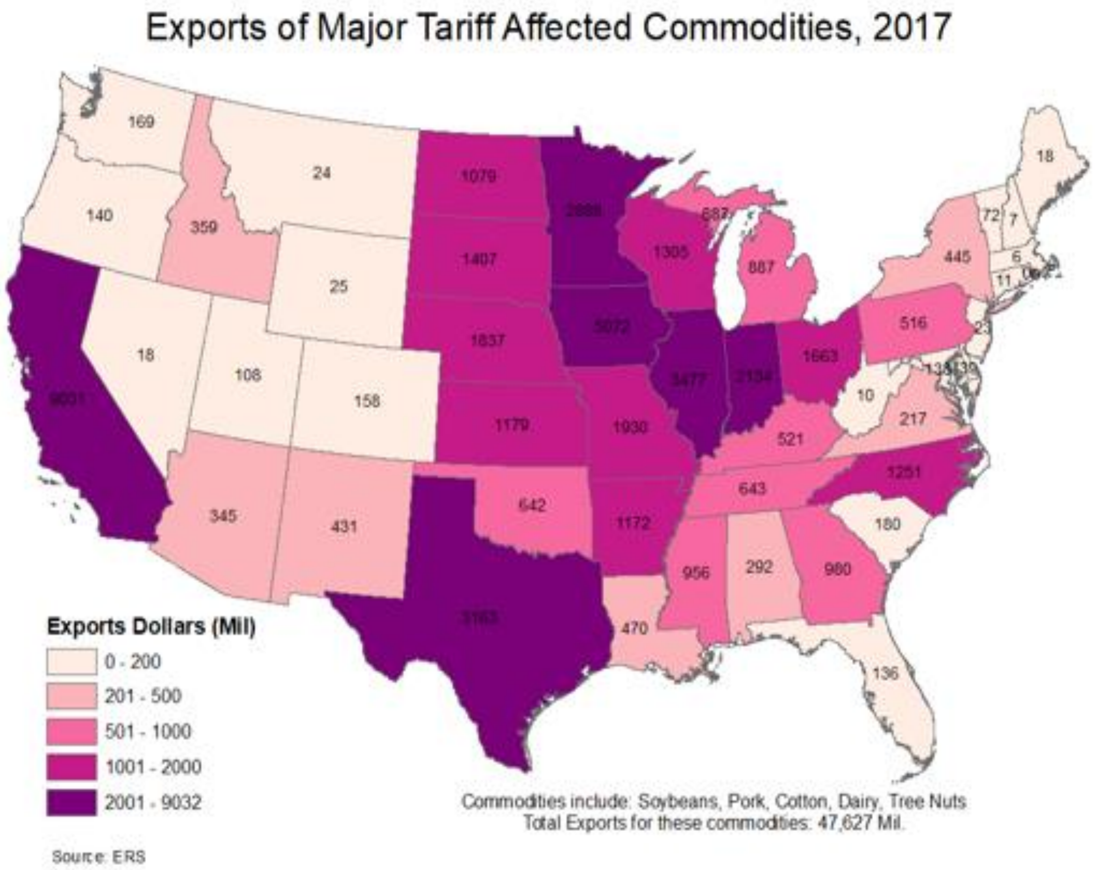
5-yr total = $428 billion



Data: CBO 2018 Farm Bill score.

MFP Payments (million dollars)



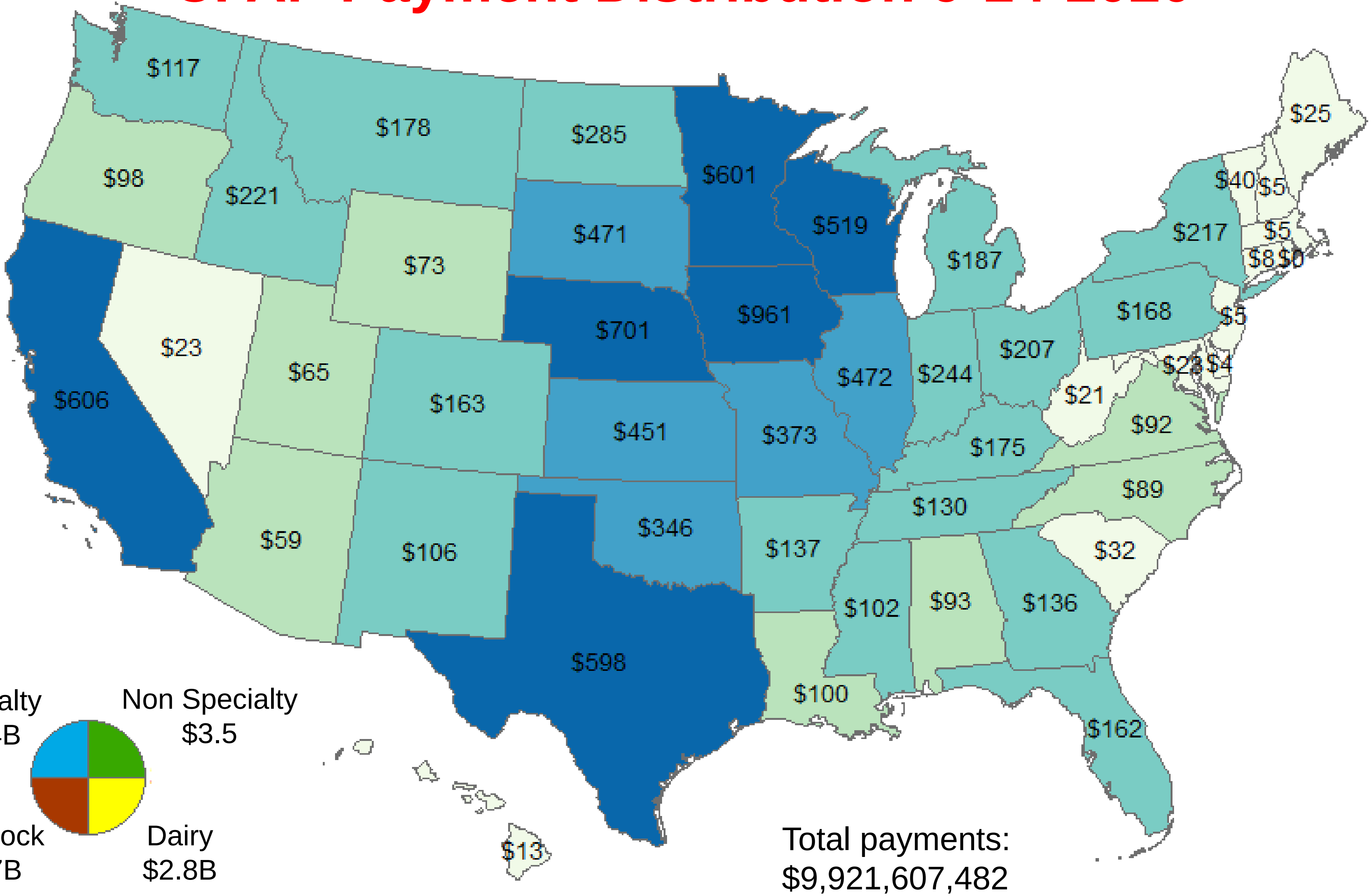


Data: USDA.

Coronavirus Food Assistance Program (CFAP) 1

- **Direct assistance to producers of agricultural commodities who either suffered a 5%+ price decline or had losses due to market supply chain disruptions due to COVID-19 and face additional significant marketing costs.**
- **Eligibility Commodities**
  - **Livestock and animal products:** cattle, swine, sheep, dairy, wool, aquaculture, frozen and liquid eggs
  - **Row crops:** malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat
  - **Specialty Crops**, including nursery and floriculture
- **Sign-up: May 26, 2020 – September 11, 2020**
- **As of September 13, 2020**
  - Over 150 different commodities have received payments
  - $9.92 billion in payments

CFAP Payment Distribution 9-14-2020



Total payments:
$9,921,607,482

Data: USDA.

Coronavirus Food Assistance Program (CFAP) 2

- **The program will provide up to $14 billion in support**
- **Sales Commodities,** including specialty crops, tobacco, and aquaculture, use a sales-based approach, where producers are paid based on five payment gradations associated with their 2019 sales.
- **Price trigger commodities**, including row crops and livestock, are major commodities that meet a minimum 5-percent price decline from January through July.
- **Flat-rate row crops** that do not meet the 5-percent price decline trigger or do not have data available to calculate a price change will have payments calculated based on eligible 2020 acres multiplied by $15 per acre.
- **Sign-up: Sept. 21, 2020 - Dec. 11, 2020.**

Visit the OCE website for the latest USDA commodity reports and Agriculture Outlook Forum information @ www.usda.gov/oce

Questions? Robert.Johansson@usda.gov

Save the Date! USDA's 97th Annual **Agricultural Outlook Forum: February 18-19, 2021**

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