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COVID-19 Impacts on Arkansas' Agricultural and Rural Economies

June 2020

John D. Anderson, Editor

Foreword

In response to the COVID-19 pandemic in 2020 and the unprecedented economic disruptions that it caused, faculty in the Agricultural Economics & Agribusiness Department (AEAB) at the University of Arkansas (UA) produced a series of regular economic updates for distribution by the UA Division of Agriculture, Cooperative Extension Service. These updates were originally posted to a COVID-19 resources page on the UA Division of Agriculture website (https://www.uaex.edu/life-skills-wellness/health/covid19/COVID-Economic_Impacts_in_Arkansas.aspx).

In order to preserve the information in these publications as well as to provide an easily referenced format for future research, outreach, and educational purposes, these publications are being reproduced as a series of AEAB Staff Papers. The table of contents on the following page individually lists each article compiled in this volume along with its original date of posting. The articles in this volume were all produced in the month of June 2020.

Table of Contents

Coronavirus Food Assistance Program Summary

John D. Anderson, C. Robert Stark, Jr.

June 3, 2020

The Coronavirus Food Assistance Program (CFAP), a relief program for agricultural producers to address losses related to COVID-19, was authorized in the Coronavirus Aid, Relief, and Economic Stability (CARES) Act. Details of CFAP were released recently, and sign-up for the program is currently open and will remain so until Aug. 28, 2020. Applications for support under this program are being accepted at USDA Farm Service Administration offices.

The program includes significant support for producers of cattle, hogs, and sheep; a variety of specialty crops; and a number of major row crops (referred to as non-specialty crops in program documents).

Non-Specialty Crops

Row crops produced in significant quantity in Arkansas that are eligible for support under CFAP include corn, upland cotton, soybeans, and grain sorghum. The program also includes support for malting barley, canola, millet, oats, sunflowers, and durum and hard red spring varieties of wheat.

The intent of the CFAP program for non-specialty crops is to compensate producers for the loss in the value of old crop inventories that occurred in early 2020 as a result of the COVID-19 pandemic. Payments are thus tied to the unpriced inventory of eligible crops held as of Jan. 15, 2020. A payment may be received on the smaller of 50 percent of 2019 production or the Jan. 15, 2020 inventory of 2019's production. **To document eligibility, producers will be asked to provide information on 1) 2019 production of the eligible commodity and 2) unpriced inventory of the 2019 crop as of Jan. 15, 2020.**

The criterion for payment eligibility is the crop inventory was subject to price risk at the onset of COVID-19 market disruptions. Thus, inventory held under contract may not be eligible for payment. USDA identifies the following contract types as ineligible for a CFAP payment: cash contract, fixed price contract, forward price contract, cash forward contract, minimum price contract, option contract, window contract, hedge-to-arrive contract, futures-fixed contract, and futures contract. If inventory was placed under any of these contract terms prior to Jan. 15, that inventory is not eligible for a CFAP payment. By contrast, inventory placed under a basis or basis-fixed contract or a delayed or deferred price contract would still be eligible for CFAP because those contract terms leave the covered inventory unpriced.

According to the CFAP Final Rule published by USDA, the CPAP will make a single payment that is based on both a CARES Act and Commodity Credit Corporation (CCC) payment rate for each crop according to the following formula:

1) CFAP Payment = [0.5 x (Eligible Inventory x CARES Rate)] + [0.5 x (Eligible Inventory x CCC Rate)],

where, as noted, eligible inventory is the lesser of the January 15 unpriced inventory of the 2019 crop or one-half of 2019 total production of the crop.

CFAP and CCC payment Rates for CFAP-eligible non-specialty crops are summarized in table 1 below.

Table 1. Payment Rates for CFAP Payment Calculation on Non-Specialty Crops

Commodity	Units	CARES Act Pmt. Rate	CCC Pmt. Rate
Corn	Bushels	$0.32	$0.35
Cotton (Upland)	Pounds	$0.09	$0.10
Sorghum	Bushels	$0.30	$0.32
Soybeans	Bushels	$0.45	$0.50
Barley (Malting)	Bushels	$0.34	$0.37
Canola	Pounds	$0.01	$0.01
Millet	Bushels	$0.31	$0.34
Oats	Bushels	$0.15	$0.17
Sunflowers	Pounds	$0.02	$0.02
Wheat (Durum)	Bushels	$0.19	$0.20
Wheat (HRS)	Bushels	$0.18	$0.20

For example, a farmer with 20 percent of a 50,000-bushel 2019 corn crop left unpriced as of Jan. 15, 2020 (i.e., 10,000 bushels), would be eligible for the following payment under CFAP:

2) 0.5($0.32 x 10,000 bushels) + 0.5($0.35 x 10,000 bushels) = $3,350

Specialty Crops

A variety of specialty crops are eligible for relief payment under CFAP. Because specialty crops may have actually been in production when COVID-19 market impacts began, the payment provisions for these crops are a bit different than for non-specialty crops. Specialty crop payments are intended to cover three sources of potential loss: 1) a 5 percent or greater price decline from mid-January through mid-April, 2) spoilage of already-shipped produce due to the loss of a marketing channel (i.e., food service closures), or 3) produce that did not leave the farm or that went unharvested due to lost markets. Payment rates (all in $/pound) related to each of these sources of losses for eligible specialty crops are included in Table 2. Note that not all crops are eligible for all three types of payment.

Payment calculation for specialty crops under CFAP is straightforward: quantity of product experiencing loss under any of the three categories multiplied by the relevant payment rate. Payment caps and AGI limitations apply as for non-specialty crops.

Table 2. Payment Rates for CFAP Payment Calculation on Eligible Specialty Crops

Commodity	CARES Rate for Price Loss	CARES Rate for Shipped Product	CCC Rate for Unshipped or Unharvested Product
Almonds	$0.26	$0.57	$0.11
Apples	--	$0.18	$0.03
Artichokes	$0.66	$0.49	$0.10
Asparagus	--	$0.38	$0.07
Avocados	--	$0.14	$0.03
Beans	$0.17	$0.16	$0.03
Blueberries	--	$0.62	$0.12
Broccoli	$0.62	$0.49	$0.10
Cabbage	$0.04	$0.07	$0.01
Cantaloupe	--	$0.10	$0.02
Carrots	$0.02	$0.11	$0.02
Cauliflower	$0.11	$0.31	$0.06
Celery	–	$0.07	$0.01
Corn, sweet	$0.09	$0.13	$0.03
Cucumbers	$0.13	$0.15	$0.03
Eggplant	$0.07	$0.15	$0.03
Garlic	–	$0.85	$0.17
Grapefruit	–	$0.11	$0.02
Kiwifruit	–	$0.32	$0.06
Lemons	$0.08	$0.21	$0.04
Lettuce, iceberg	$0.20	$0.15	$0.03
Lettuce, romaine	$0.07	$0.12	$0.02
Mushrooms	–	$0.59	$0.11
Onions, dry	$0.01	$0.05	$0.01
Onions, green	–	$0.30	$0.06
Oranges	–	$0.14	$0.03
Papaya	–	$0.32	$0.06
Peaches	$0.08	$0.32	$0.06
Pears	$0.08	$0.18	$0.03
Pecans	$0.28	$0.93	$0.18
Peppers, bell type	$0.14	$0.22	$0.04
Peppers, other	$0.15	$0.22	$0.04
Potatoes	–	$0.04	$0.01
Raspberries	–	$1.45	$0.28
Rhubarb	$0.15	$1.03	$0.20
Spinach	$0.37	$0.37	$0.07
Squash	$0.72	$0.39	$0.08
Strawberries	$0.84	$0.72	$0.14
Sweet potatoes	–	$0.18	$0.04
Tangerines	–	$0.22	$0.04
Taro	–	$0.23	$0.05
Tomatoes	$0.64	$0.38	$0.07
Walnuts	–	$0.45	$0.09
Watermelons	–	$0.02	–

Livestock

For cattle, CFAP includes two types of payments on four five classes of cattle. The payments are for 1) cattle marketing between January 15 and April 15 and 2) the highest inventory of livestock owned between April 16 and May 14. That is, the program provides a payment to address the loss in realized income on cattle sold and also the lost value on cattle owned. The five classes of cattle are 1) feeder cattle < 600 pounds, 2) feeder cattle >600 pounds, 3) slaughter cattle – fed cattle, 4) slaughter cattle – mature cattle, and 5) all other cattle (excluding cattle used for dairy production).

For hogs, the arrangement of payments is similar: one payment for lost revenue, another for lost inventory value. Two classes of hogs are specified: pigs < 120 pounds and hogs > 120 pounds. Lambs and yearling sheep are also eligible for payments based on number sold and number in inventory.

Payment rates under the program are summarized in table 3 below. As with the specialty crop program, payments are calculated simply as number of head in the eligible payment category multiplied by the relevant payment rate.

Table 3. Livestock Classes and Payment Rates under Coronavirus Food Assistance Program

Livestock	Eligible Livestock	Unit of Measure	CARES Act Part 1 Payment Rate	CCC Part 2 Payment Rate
Cattle	Feeder Cattle: Less than 600 Pounds	Head	$102.00	$33.00
	Feeder Cattle: 600 Pounds or More	Head	$139.00	$33.00
	Slaughter Cattle: Fed Cattle	Head	$214.00	$33.00
	Slaughter Cattle: Mature Cattle	Head	$92.00	$33.00
	All Other Cattle	Head	$102.00	$33.00
Hogs and Pigs	Pigs: Less than 120 Pounds	Head	$28.00	$17.00
	Hogs: 120 Pounds or More	Head	$18.00	$17.00
Lambs & Yearlings	All Sheep Less than 2 Years Old	Head	$33.00	$7.00

Other Payment Provisions

For all commodity classes covered by CFAP individuals are subject to a $250,000 payment cap. CFAP includes special payment limitation provisions such that corporations, limited liability companies, and limited partnerships may receive up to $750,000 if multiple shareholders (up to three) in the entity each contribute at least 400 hours of active personal management or labor. CFAP payments are also subject to a $900,000 adjusted gross income (AGI) limitation, meaning that individuals with AGI in excess of $900,000 are not eligible for CFAP payments unless at least 75% of that income is from farming, ranching, or forestry-related activities.

Initial CFAP payments to individuals will only amount to 80 percent of the calculated payment for which the producer is eligible. The remaining 20 percent of the CFAP payment will be made at a later date, subject to the availability of funds. These funds are limited. According to the CFAP final rule, the total of all CFAP payments is limited to a total of $9.5 billion for CARES Act funds and $6.5

billion for CCC funds. Given that USDA has included a mechanism for additional crops to receive consideration for payment under this program, there is a very good chance that those spending limits will be tested.

Data on CFAP provisions, including all data in tables 1-3 were obtained from USDA's CFAP information page: https://www.farmers.gov/cfap. Additional information on the program – including access to the final rule; detailed provisions for non-specialty crops, specialty crops, and livestock; and a CFAP payment calculator – is available at that link.

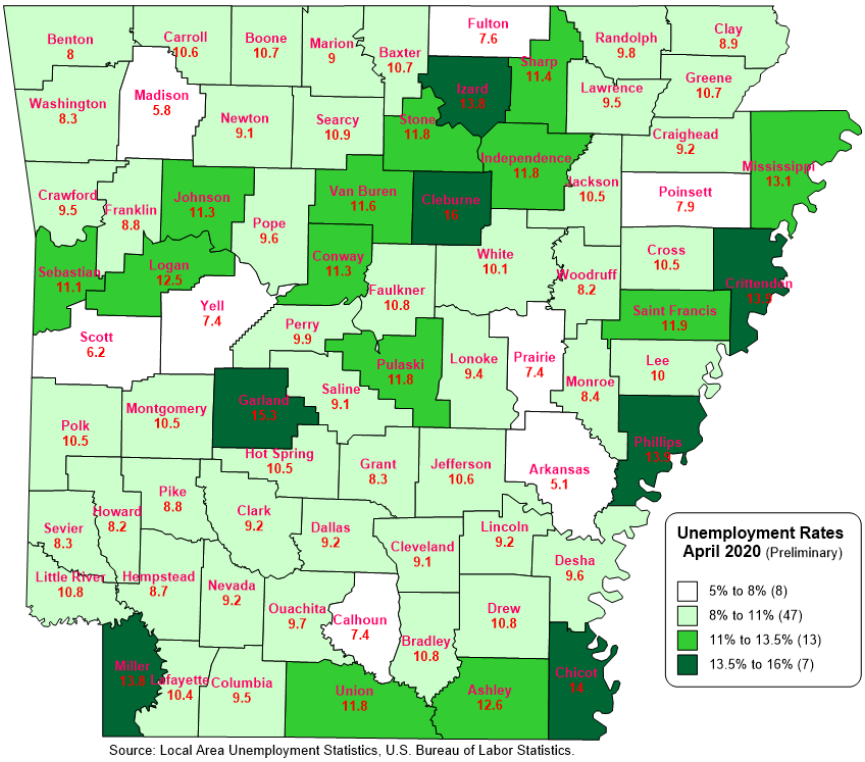
The COVID-19 Pandemic Affects Unemployment in Arkansas Counties Differently

Wayne Miller

June 4, 2020

While the April 2020 unemployment rate for Arkansas was 10.2 percent, which was less than the national average of 14.7 percent, the unemployment rate varied greatly among counties in the state and underestimated the number of people without work. Also, the number of unemployed grew faster in Urban counties resulting in a somewhat higher average unemployment rate in Urban (10.8 percent) compared to Rural (10.0 percent) counties of the state.[i] Historically unemployment rates have been higher in Rural counties.

There were vast differences in unemployment rates among both Rural and Urban counties in the state. In Rural counties, the unemployment rate varied from a little more than 5 percent in Arkansas County to 16 percent in Cleburne County (Figure 1). One possible reason for the high unemployment rate in Cleburne County is that the county economy relies heavily on the travel and tourism industry, which has been affected by the travel restrictions related to COVID-19. Other rural counties with high unemployment rates approaching 14 percent are Chicot, Phillips and Izard counties. Although their unemployment rates increased between March and April of this year, these three counties had much higher unemployment rates than the statewide average even before the start of the COVID-19 pandemic.



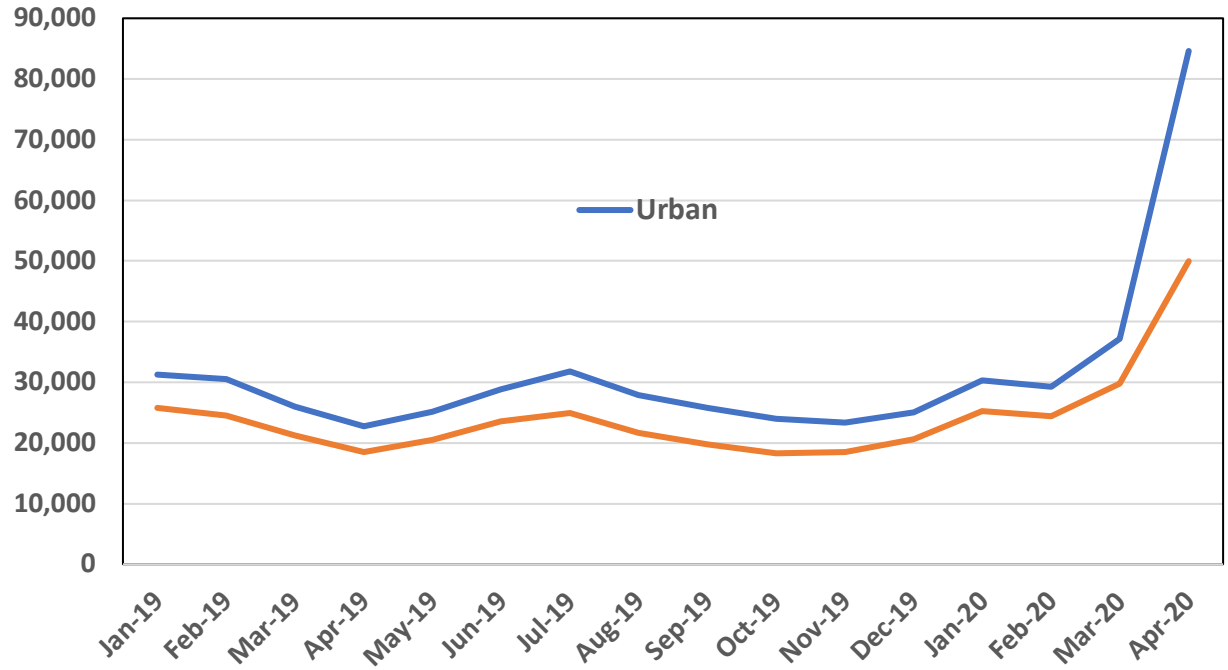
Source: Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

Figure 1. Unemployment Rates April 2020

The unemployment rate in Urban counties ranged from a low of 8 percent in Benton County to a little more than 15 percent in Garland County. One explanation for the high unemployment rate in many Urban counties, especially Garland County, is that the county is heavily dependent on the travel and tourism industry, which was greatly impacted by the travel restrictions due to COVID-19. Crittenden and Miller are two other Urban counties, that also had high unemployment rates approaching 14 percent.

April 2020 has been the first time the average unemployment rate in Urban counties has been higher than the average for Rural counties for at least ten years.

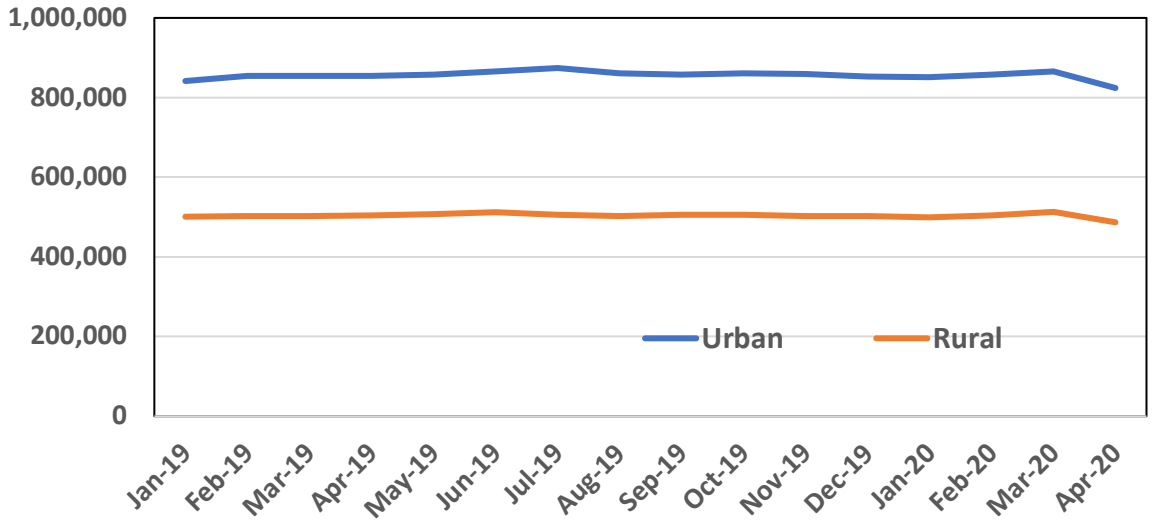
The unemployment rate in Arkansas increased from 5.0 percent in March to 10.2 percent in April as a result of an increase in approximately 67,600 newly unemployed workers. As shown in Figure 2, Urban counties experienced the sharpest increase in the number of unemployed workers, accounting for 70 percent of newly unemployed workers.



Source: Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

Figure 2. Unemployment by Urban and Rural Counties in Arkansas

However, unemployment rates do not provide a true picture of the increase in workers without employment during the COVID-19 pandemic. Unemployment rates are calculated as the percent of people in the labor force that are unemployed. However, between March and April of 2020, many workers dropped out of the labor force and so were not included in the unemployment count (Figure 3). Many workers may have dropped out of the labor force as a result of the COVID-19 pandemic and others may not have been included in the labor force count if they lost their job, but their unemployment insurance claim has not yet been processed. In Arkansas the labor force declined by a little over 67,000 workers, or about 5 percent of the labor force, between March and April of this year.



Source: Local Area Unemployment Statistics, U.S. Bureau of Labor Statistics.

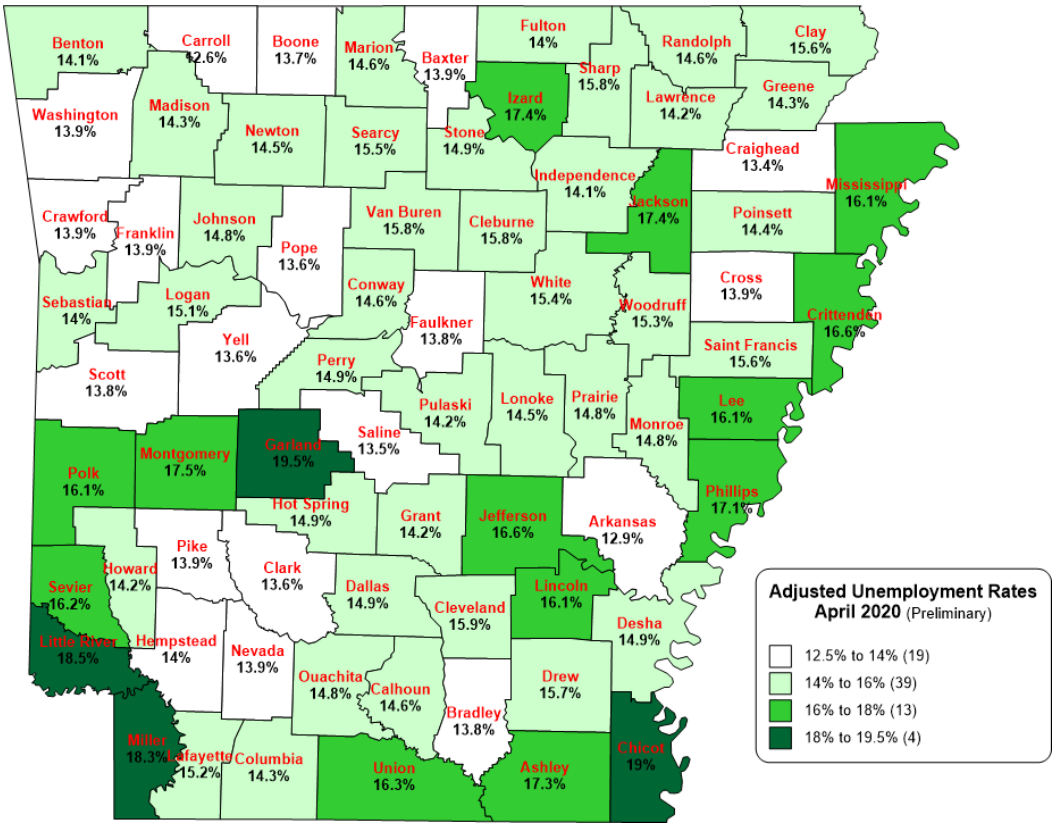
Figure 3. Labor Force in Rural and Urban Counties of Arkansas

Rural and Urban counties alike saw declines in their labor force, declining a little over 5% in Rural counties and slightly less in Urban counties (4.7 percent). Since there is a larger labor force in Urban counties, it is not surprising that nearly 41,000 of the 67,000 workers no longer counted in the labor force are in Urban counties.

Increase in Workers not Employed

If we include those who dropped out of the labor force between March and April as part of the labor force and include them in the unemployment count, we get a somewhat different picture of unemployment in Arkansas. The Arkansas "adjusted" unemployment rate jumps from 10.2 percent to 14.6 percent in April 2020 and the difference between Urban and Rural counties is smaller, with Rural counties having a slightly higher average unemployment rate (14.8 percent) than Urban counties (14.5 percent).

There is also a smaller range between the lowest and highest unemployment rates, ranging from a low of 12.6 percent in Carroll County to a high of 19.5 percent in Garland County (Figure 4).



Source: Local Area Unemployment Statistics: U.S. Bureau of Labor Statistics.

Figure 4. Adjusted Unemployment Rates April 2020

While these are only preliminary numbers, they provide us with an estimate of the effect of the COVID-19 pandemic on the number of workers without employment as of the middle of April 2020.

[i] For a classification of Rural and Urban counties in Arkansas, see our publication, Rural Profile of Arkansas 2019 at www.uaex.edu/ruralprofile/.

Retail Meat Prices in May

John D. Anderson

June 10, 2020

On June 10, the U.S. Department of Agriculture's Economic Research Service (ERS) updated its monthly meat price spread data. This data reports monthly average retail prices for beef, pork, and chicken based on information collected by the Bureau of Labor Statistics for computation of the monthly Consumer Price Index, the most commonly used measure of inflation.

Not surprisingly, beef, pork, and chicken retail prices all continued to move higher in May. Processing plant disruptions related to COVID-19 continued to affect all three of the major meat species last month, resulting in reduced availability of meat at retail and, consequently, higher retail prices. By far, the largest month-to-month increase in average retail price was for beef. The average retail price for all fresh beef in May was 704.5 cents/pound – over 13 percent higher than in April. (See figure 1 for detail.) That is not only a record price; it is also the largest month-to-month price increase in this data series, which goes back to 1987. USDA also reports on the average retail price for Choice beef (i.e., excluding all other grades, which are included in the all fresh beef calculation). The average retail price of Choice beef increased by almost 18 percent in May, also the largest month-to-month increase in that data series which goes all the way back to 1970. Clearly, in historical context, last month's retail meat price behavior was exceptional.

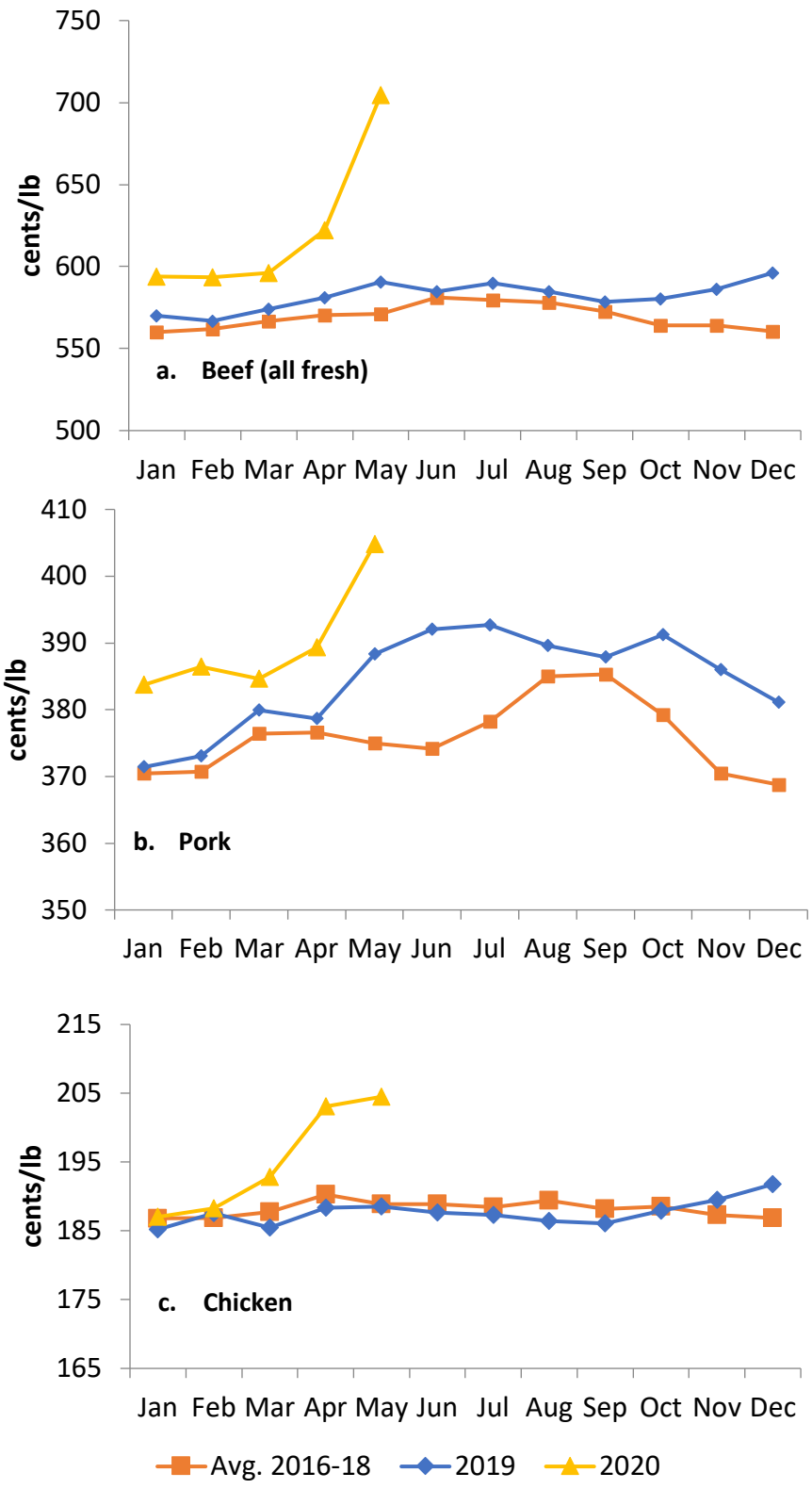
The average retail pork price in May was 404.8 cents/pound – an increase of about 4 percent from April. While not a record, this is a relatively large month-to-month increase in retail price for this product. It has been about three years since the retail pork price changed by more than 3 percent in a single month.

Retail chicken prices were also higher in May compared to April but just barely. The retail chicken price in May averaged 204.5 cents/pound, just 0.7 percent higher than April's price. In April, retail chicken price gains outstripped all others, rising by over 5 percent from the prior month. Despite some continuing production problems in May, supply was sufficient to keep prices close to steady.

For most consumers, at some level, all of the major meat species are substitutes for one another. Changes in relative prices thus have significant implications for demand. All else equal, consumer demand shifts away from relatively more expensive products to relatively less expensive products. For now, beef has become quite a bit more expensive than usual compared to both chicken and pork. Percentage changes in chicken and pork retail prices have, so far, been fairly similar so that their relative price relationship is basically unchanged from its pre-COVID position. Of course, expectations are that the current situation is temporary: when processing facilities get back to normal, or close to it, prices ought to revert to something like their pre-COVID levels. For now, though, beef is almost certainly giving up market share to pork and chicken due to it sharply higher relative price.

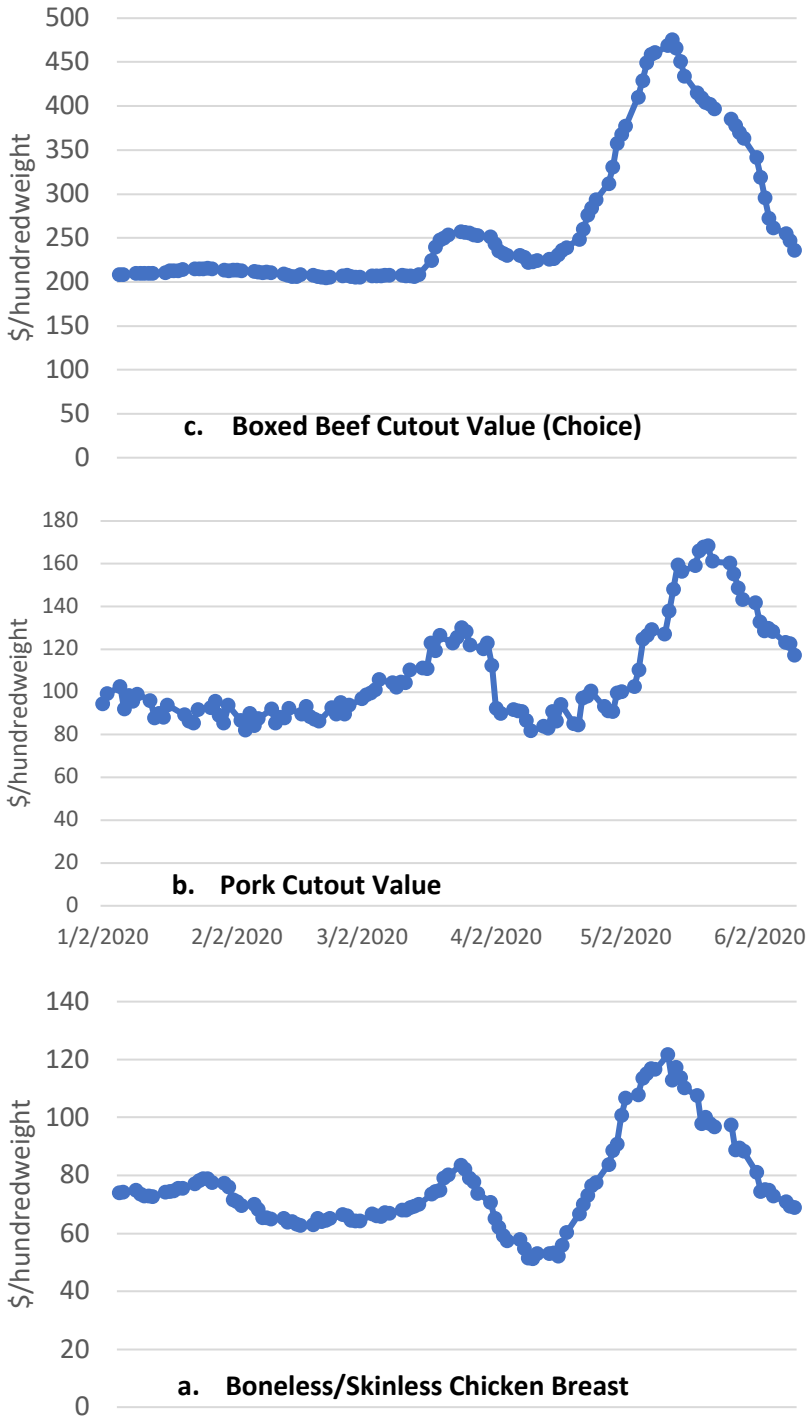
Looking ahead, the argument for a relatively quick retreat in retail prices is supported by recent wholesale meat price behavior. At the wholesale level, prices for beef, pork, and chicken have all fallen sharply in the last couple of weeks. This data is reported much more frequently than retail data and so provides a more current reflection of market conditions. On June 10, the Choice boxed

beef cutout value (a weighted average of the wholesale value of cuts from a typical beef carcass) worked out to $236.06/hundredweight. On May 12, the Choice beef cutout peaked at $475.39/hundredweight; so, the wholesale price of beef has essentially halved in just under a month's time. (See figure 2 for detail.) The pork cutout has behaved similarly. On June 10, the pork cutout value was $68.84/hundredweight, down 43 percent from a peak of $121.66 on May 11. Daily chicken wholesale prices are reported a bit differently, so it's probably best to look at prices for a single chicken part. On June 10, the wholesale price of boneless/skinless breasts was $117.25/hundredweight, down 30 percent from a recent high of $168.22/hundredweight on May 21. In short, while retail prices have reached record levels as a result of COVID-19-related processing disruptions in April and May, the spike in retail prices is likely to be short-lived. Wholesale prices for all three of the major species have retreated from recent highs and are now not much different from pre-COVID levels.



Data Source: USDA Economic Research Service, Meat Price Spreads.

Figure 1a-c. Beef (a), Pork (b), and Chicken (c) Monthly Average Retail Prices



Data Source: USDA Agricultural Marketing Service through Livestock Marketing Information Center.

Figure 2a-c. Daily Beef, Pork, and Chicken Wholesale Prices: 2020 year-to-date

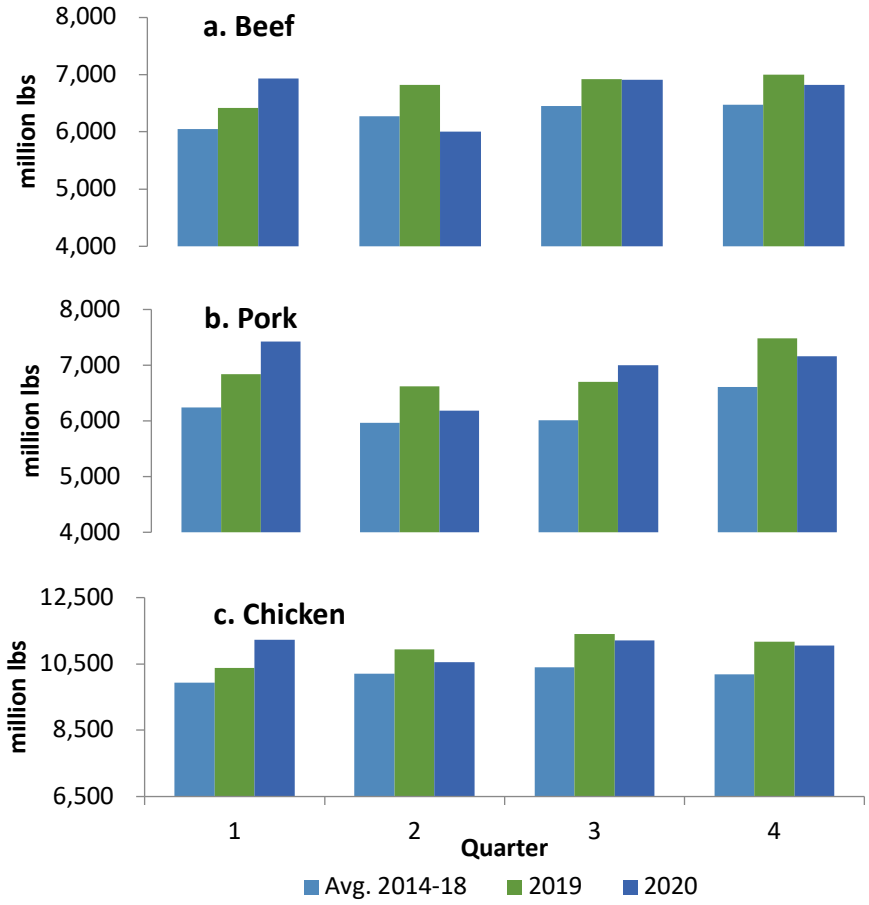
Meat Production Forecasts

John D. Anderson

June 12, 2020

Last week, USDA World Agricultural Outlook Board released the latest *World Agricultural Supply and Demand Estimates* (*WASDE*) report. This report provides a current assessment of supply and demand data for all major crops and livestock products. Compared to the May report, meat production projections appear to be a bit more optimistic. Estimates of 2020 production for all three of the major meat species – beef, pork, and chicken – were raised from last month. The report notes that beef and pork processing volumes have recovered faster than was expected. For chicken, the report cites growth in egg sets as consistent with higher third and fourth quarter production.

Figure 1 shows quarterly production for beef, pork, and poultry reported by USDA-WAOB. To be sure, the impacts of COVID-19 on meat production for 2020 remain significant. The decline in production between the first and second quarters of this year was unprecedented for all thee species.



Notes: 2020 figures are projected. Data Source: USDA World Agricultural Outlook Board.

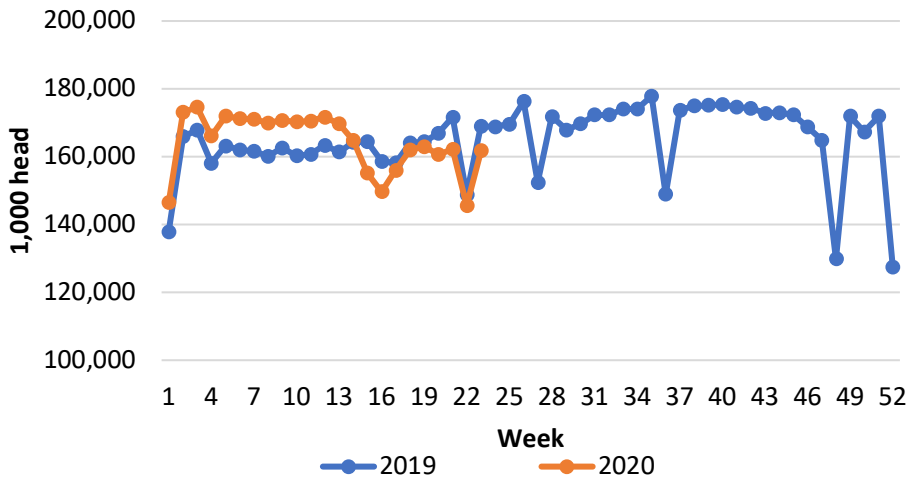
Figure 1a-c. Quarterly Beef, Pork, and Chicken Production

The recovery in production projected between second and third quarters would be equally dramatic. How likely is that recovery to materialize? That is a very difficult question to answer.

USDA appears to be putting a lot of stock into the recent weekly slaughter data. That data has demonstrated remarkable resilience over the past few weeks. In fact, a press release from Secretary of Agriculture last week touted the fact that cattle, hog, and poultry processing facilities were operating at 98 percent, 95 percent, and 98 percent, respectively, of year-ago levels. (Presumably, based on the information in the release, these figures reference daily slaughter data for June 9.)

The relationship between the almost-recovered slaughter volume data and the most recent *WASDE* meat production projections is worth digging into a bit. Last week, weekly cattle slaughter was over 98 percent of the volume from the same week in 2019. Hog slaughter was essentially even with the year-ago level. Still, hitting the 2020 production figures in last week's *WASDE* remains a pretty heavy lift. To reach the projection of 26.7 billion pounds of beef production (a 1.8 percent decline from 2019), weekly beef production for the rest of the year will have to essentially match 2019 levels. To reach the projection of 27.8 billion pounds of pork production (actually a slight increase from 2019), weekly pork production for the rest of the year will have to surpass 2019 levels by about 1.3 percent. Both of these things are certainly possible. However, to achieve these outcomes, plants will have to consistently match or beat last year's weekly production levels while dealing with the social distancing and enhanced cleaning and sanitation requirements under which they are now operating. Moreover, it is certainly premature to conclude that the COVID-19 production disruption is over. Recent production data are encouraging, but COVID-19 continues to circulate in the population. The possibility of a recurrence of plant disruptions due to widespread illness and/or COVID-19-related absenteeism, as was common several weeks ago, cannot yet be completely discounted.

Interestingly, chicken slaughter – which never declined as sharply as either cattle or hog slaughter – is furthest below year-ago volumes of the three major species for the most recent full-week data available. Figure 2 shows weekly chicken slaughter reported by USDA Agricultural Marketing Service.



Data Source: USDA Agricultural Marketing Service; data through week ending June 6, 2020.

Figure 2. Weekly Federally Inspected Young Chicken Slaughter

Since about week 12, chicken slaughter has trended lower. Last year, chicken slaughter turned higher at about that time in the year. If chicken slaughter holds generally steady at about recent levels, the gap with year-ago slaughter volumes will still continue to increase modestly due to last year's relatively strong Q2-Q4 slaughter volumes. Similar to the other two species, to reach the current *WASDE* projection for 2020 (which implies a small increase in annual production from 2019), weekly chicken production for the balance of the year will have to pretty much match year ago production levels for the rest of the year. Currently, the market is operating substantially below that level; and prospects for further production disruptions remain fairly high.

One other point about USDA's press release is in order. The fact that weekly processing volumes have substantially recovered to close to year-ago levels is a good indication of how the processing sector is adapting to post-COVID reality. However, it is not necessarily a good guide to assessing losses for the sector as a whole. It is important to remember that prior to COVID-19, USDA was projecting increases in production of all three of the major species. In the January *WASDE,* beef, pork, and chicken production were projected to be up by 1.1 percent, 3.6 percent, and 3.6 percent, respectively. So even a full recovery to 2019 production levels – while it would be a remarkable accomplishment – would still represent a significant loss for the industry compared to pre-COVID expectations.

Finally, I would like to note that none of the foregoing is intended to dispute the projections in last week's *WASDE* but rather to provide some additional context for interpreting those projections. USDA does an exceptional job each month of evaluating massive quantities of data and turning that data into point-in-time estimates of future supply and demand factors for a wide array of agricultural commodities. But the relevant data is continually shifting – that's why projections are updated monthly. If the positive production trends of the past three or four weeks continue uninterrupted, it will be possible to approach (perhaps slightly exceed) 2019 production levels for the major meat species. With COVID-19 still a significant threat and with modifications to plant operations an ongoing challenge, this may be difficult to achieve. Future *WASDE* updates will, of course, provide more clarity on this issue.

Coronavirus Food Assistance Program Payments in Arkansas

Scott Stiles, Brad Watkins, C. Robert Stark, Jr., Alvaro Durand-Morat

June 16, 2020

Almost $48 million in direct payments have been approved for Arkansas farmers and ranchers through the Coronavirus Food Assistance Program (CFAP) as of Monday, June 15 according to USDA reporting.

Nearly 7,300 applications have been made for direct payments through June 15, with $47,933,103 in payments approved. Payments to livestock producers comprise nearly 78 percent of the approved CFAP payments for Arkansas. Non-specialty crops account for 18 percent of the total to date. Non-specialty crops eligible for CFAP payments include malting barley, canola, corn, upland cotton, millet, oats, soybeans, sorghum, sunflowers, durum wheat, and hard red spring wheat. Rice and soft red winter wheat were excluded from the CFAP program.

Table 1. Coronavirus Food Assistance Program Payments, Arkansas (as of June 15, 2020)

	Payments	Payments (percent of Total)	Applications
Non-specialty	$8,796,423	18 percent	1,368
Specialty	$1,131,746	2 percent	27
Livestock	$37,535,913	78 percent	5,880
Dairy	$469,021	1 percent	24
Total	**$47,933,103**		**7,299**

Source: USDA, Farm Service Agency.

Table 2. below provides a comparison of CFAP payments to date to U.S and Arkansas producers. USDA Farm Service Agency (FSA) has already approved nearly $2.9 billion in payments to U.S. producers who have applied for the program. FSA began taking applications May 26, and the agency has received almost 275,000 applications for this program. Arkansas' share of CFAP payments is relatively small at 1.7 percent of the total. Iowa, for example, leads all states in payments for both non-specialty crops (18.9 percent) and livestock (10.6 percent). Florida leads in specialty crop payments (37.9 percent). Wisconsin is the top recipient of dairy payments (23 percent).

Table 2. Coronavirus Food Assistance Program Payments, U.S. and Arkansas (as of June 15, 2020).

Commodity	U.S. Payments ($)	Arkansas Payments ($)	Arkansas percent of U.S. Total	Arkansas Ranking
Non-specialty	$758,430,326	$8,796,423	1.2 percent	19
Specialty	$53,274,067	$1,131,746	2.1 percent	9
Livestock	$1,416,446,899	$37,535,913	2.7 percent	11
Dairy	$666,975,746	$469,021	.1 percent	46
Total	**$2,895,127,039**	**$47,933,103**	**1.7 percent**	**19**

Source: USDA, Farm Service Agency.

Created through the Coronavirus Assistance, Relief and Economic Security Act (CARES) and coordinated by the USDA Farm Service Agency, CFAP direct payments are designed to provide relief to eligible farmers and ranchers facing financial losses due to the impacts of the COVID-19 pandemic. Through CFAP, USDA is making available $16 billion in financial assistance to farmers.

Eligible farmers and ranchers may apply for CFAP direct payments through county USDA Farm Service Agency offices until August 28, 2020. More information on the CFAP program and the application process may be found at farmers.gov/cfap. CFAP payment data will be updated and released by the USDA each Monday at 1 p.m. central time at CFAP Payment Report.

June *Cattle on Feed* Report and Implications for the Cattle Market

John D. Anderson

June 22, 2020

In many respects, the cattle market has made great strides in getting back to something like pre-COVID normalcy. For example, last week's federally inspected cattle slaughter amounted to 656,000 head, down less than 2% from the same week a year ago. Also, wholesale beef prices have retreated sharply from the record highs reached as a consequence of processing plant disruptions. Last week, the Choice boxed beef cutout value averaged $220.34/hundredweight (cwt): about even with its value a year ago.

But despite these apparent signs of normalcy, the cattle market has been significantly disrupted by COVID-19; and for the industry as a whole, the effects of that disruption are not over. A good place to look to see how profoundly the cattle industry has been affected by COVID-19 is at the monthly on-feed figures compiled by USDA National Agricultural Statistics Service (NASS). On Friday, USDA released their latest *Cattle on Feed* (*COF*) report. Headline numbers in the report are summarized in Table 1.

Table 1. June 2020 *Cattle on Feed* Summary: Actual vs. Pre-Report Figures

	1,000 head	% of Prior Year	Pre-Report Estimates*
On Feed June 1	11,671	99.5	99.7
May Placements	2,037	98.7	101.3
May Marketings	1,500	72.5	73.2

*Source: Livestock Marketing Information Center.

May placements are worth digging into a bit (***see figure 1***). The number of cattle placed into feedlots in May was about 1% below last May (and a little smaller than pre-report expectations). Still, this represents a dramatic recovery from both March and April placements, which were both over 20% below the prior year. At some point, placements in heavier weight categories will likely increase beyond normal as calves that were held back in March and April make their way into feedlots. That has not happened yet, though. In May, placements in the under-600-pound category were up by 1.4% year-over year; but placements in all other weight categories were steady to lower than the prior year.

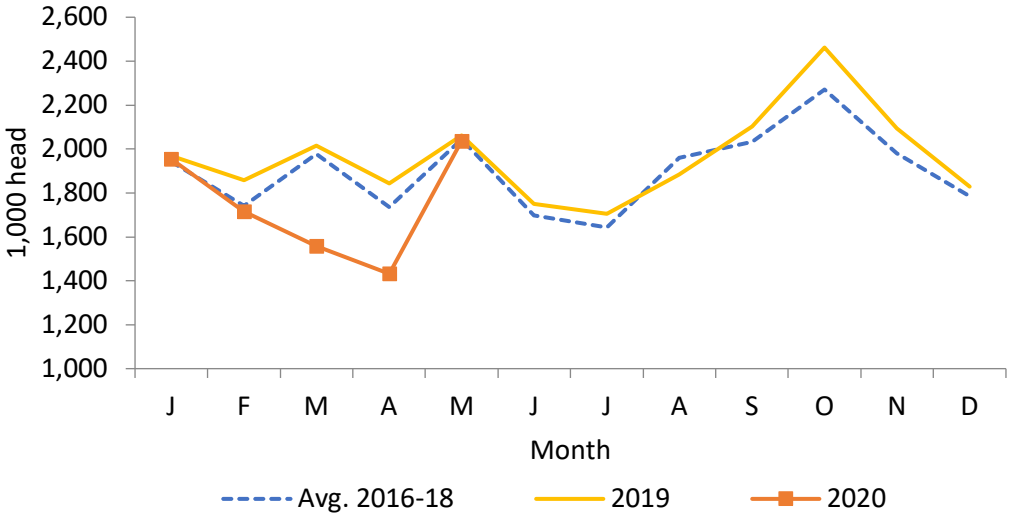
By contrast with placements, fed cattle marketings in May remained well below the level of the prior year (***see figure 2***). To be specific, May fed cattle marketings were down 28% compared to 2019, representing the smallest marketing figure for May in this COF series, which goes back to 2016.

The net effect of higher placements and continued sluggish marketings was a rather substantial increase in the total inventory of cattle on feed (***see figure 3***). The May 1 on-feed inventory was 5% below the prior year. The large spread between May placements and marketings has led to a counter-seasonal increase in the on-feed inventory so that it is now just about even with the 2019 level.

The fact that the on-feed inventory now closely matches the year-ago level should not be interpreted as a return to normal. With relatively fewer cattle being moved out of feedlots than are being moved in to feedlots, the proportion of the total on-feed inventory represented by market-ready cattle has grown. The number of cattle that have been on feed for at least 120 days can be approximated by taking the on-feed inventory in a given month and subtracting the last four months of net placements (placements minus other disappearance). For the current year, that number was tracking closely with 2019 through April 1. Since that time, though, it has surged sharply higher as fed cattle marketings have fallen in response to reduced processing capacity. For June 1, the number of cattle on feed for 120 days or more was 23% higher than a year ago (***see figure 4***).

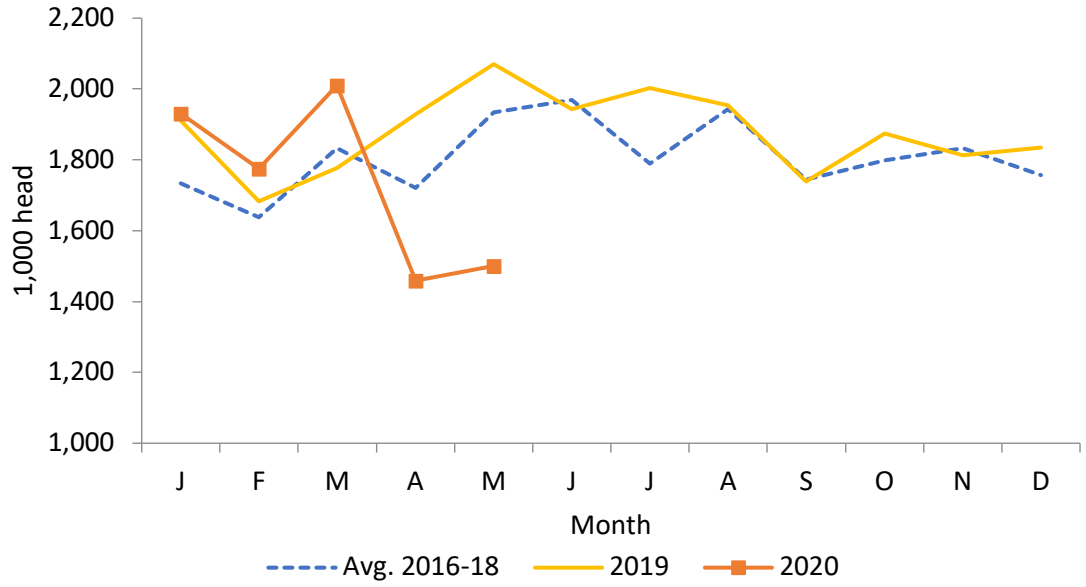
Another way to assess these front-end supplies in the fed cattle market is with reference to fed cattle dressed weights. An over-abundance of market ready fed cattle typically shows up as an increase in dressed weights, as delays in marketing required to work through an over supply lead to heavier final weights. For the first week of June (most recent data available), the average steer dressed weight was 892 pounds: 5.4% (or about 45 pounds) higher than a year ago (***see figure 5***).

The large supply of market-ready cattle facing a significantly constrained capacity for handling that supply represents a real challenge for the cattle market. This situation creates strong downward pressure on fed cattle prices that, in turn, tends to depress feeder and stocker markets as well. Last week, cash fed cattle prices fell by almost $4/cwt, the fourth straight week of decline after rallying from initial COVID-19 losses (***see figure 6***). That rally put fed cattle prices at about even with 2019 prices, which is where the market started the year. A seasonal decline from that point would not have been unusual – falling fed cattle price in the summer is one of the most reliable seasonal phenomena in an agricultural market; but the pace of decline over the past three or four weeks suggests that normal seasonal forces are being compounded considerably by the large front-end supplies that have developed as a result of earlier processing plant disruptions. This backlog of market ready cattle, and the pace at which it can be worked through the system, will likely be the biggest factors influencing cattle prices for the rest of the year.



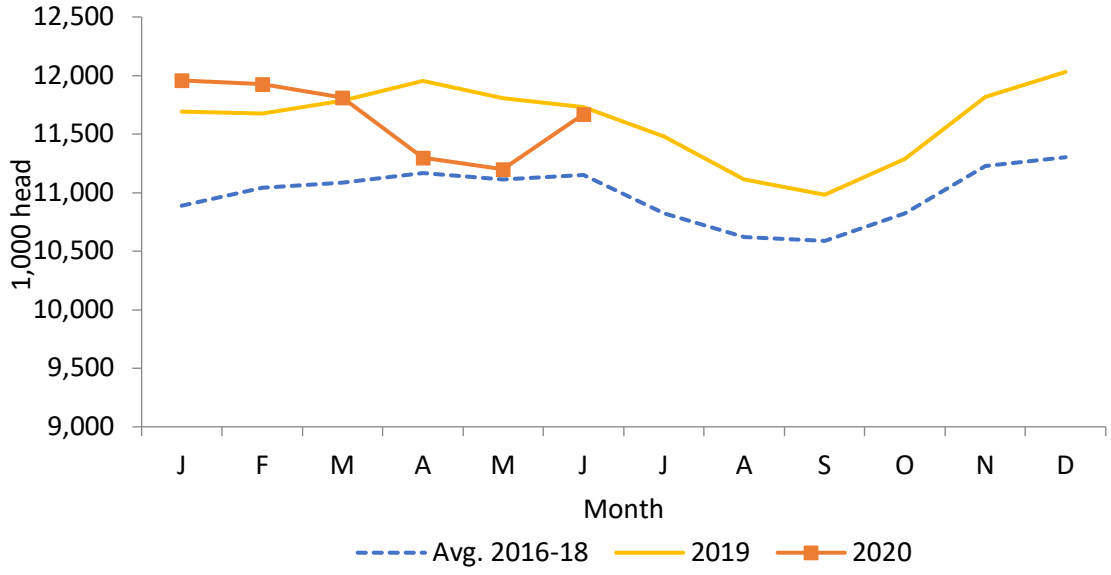
Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

Figure 1. Number of Cattle Placed into Feedlots (1,000+ head Capacity): Monthly



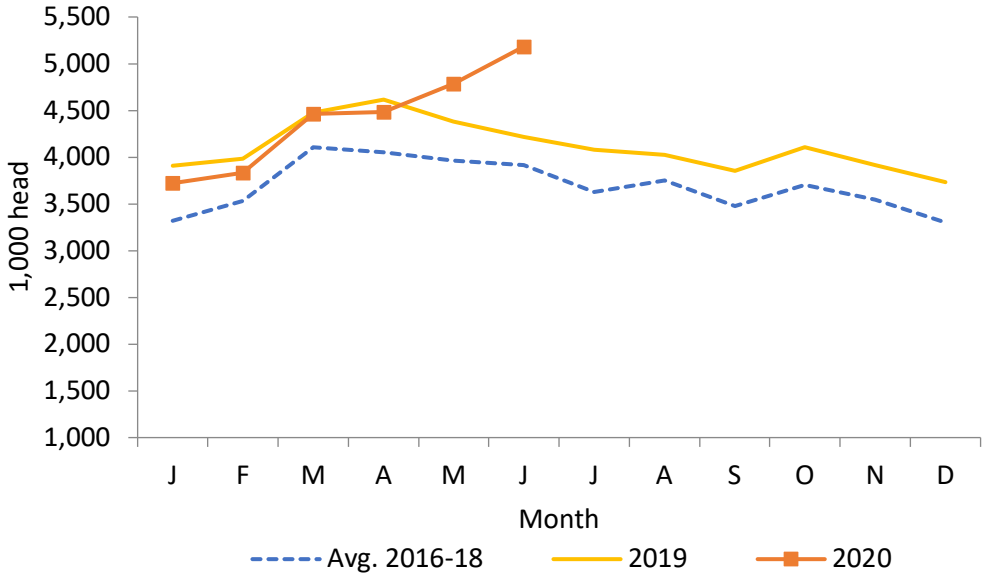
Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

Figure 2. Number of Cattle Marketing by Feedlots (1,000+ head Capacity): Monthly



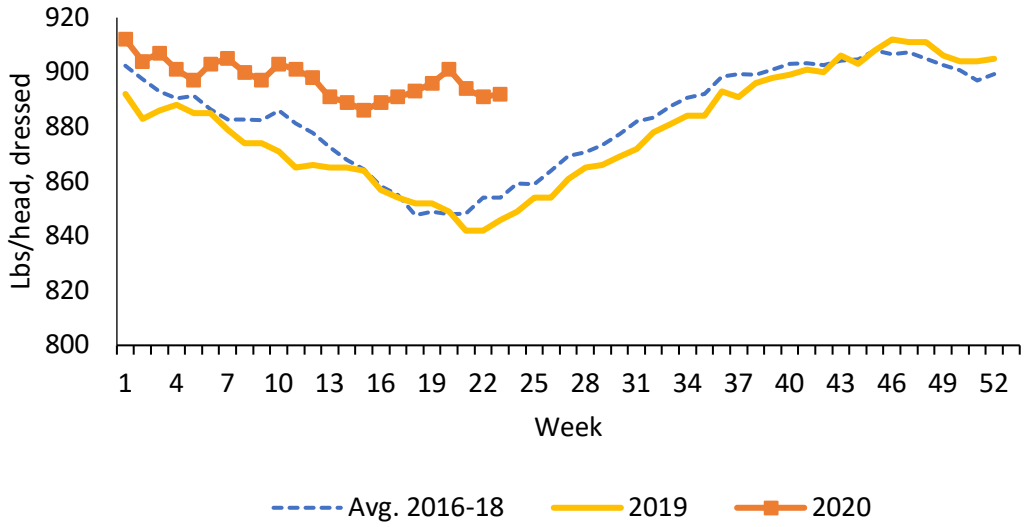
Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

Figure 3. Inventory of Cattle in Feedlots (1,000+ head Capacity): Monthly



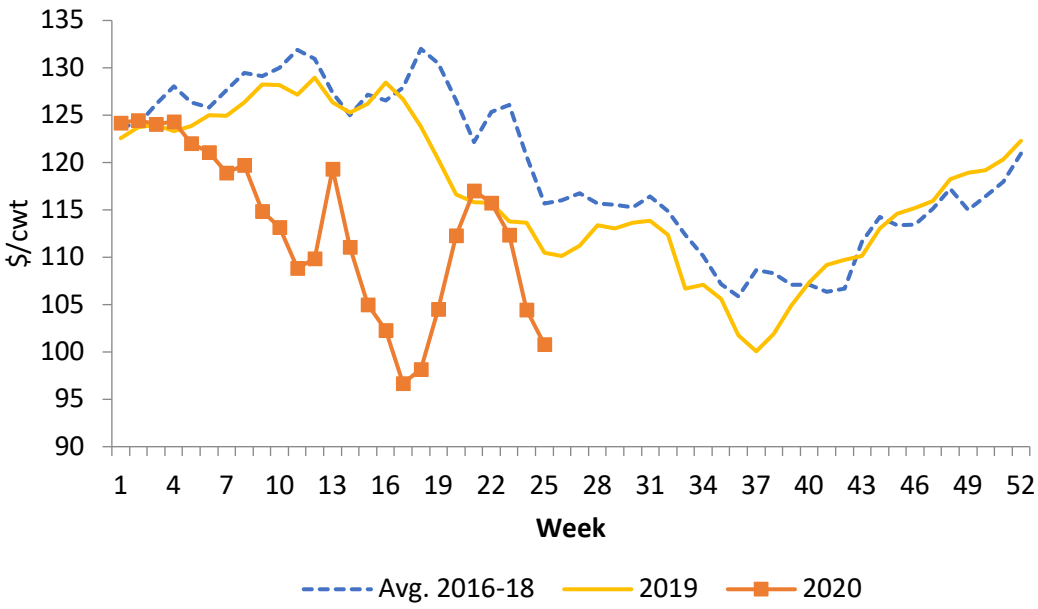
Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

Figure 4. Estimated Inventory of Cattle in Feedlots (1,000+ head Capacity) over 120 Days on Feed: Monthly



Data Source: USDA Agricultural Marketing Service through Livestock Marketing Information Center.

Figure 5. Weekly Average Steer Dressed Weight



Data Source: USDA Agricultural Marketing Service through Livestock Marketing Information Center.

Figure 6. Weekly 5-Area Weighted Average Fed Steer Price: Live Negotiated, FOB

Personal Income and Outlays for May Livestock and Poultry Slaughter Red Meat and Poultry in Cold Storage

John D. Anderson

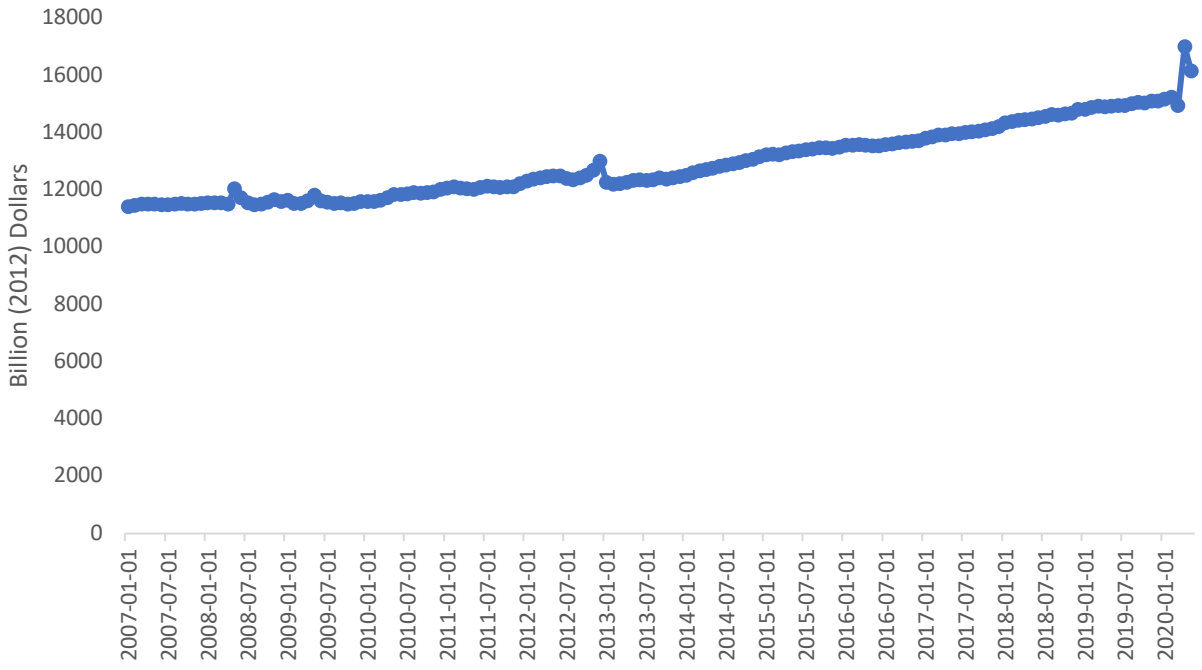
June 26, 2020

Last week was a big week for monthly economic reports. These reports continue to bring the nature and extent of the COVID-19 pandemic into clearer focus.

Personal Income and Outlays for May

On Friday, the Bureau of Economic Analysis (BEA) released their estimates of personal consumption and expenditures for May. This time period captures the beginning stages of reopening in many states. The headline number in the report may seem negative: personal income down 4.2% in May compared to the prior month. However, that figure is not as negative as it might seem. In April, personal income had been buoyed by the unprecedented flow of emergency relief funds, primarily in the form of direct payments to all taxpayers and enhanced benefits to unemployed workers. Personal income declined in may primarily due to a slowdown in government transfers. At roughly $5.2 billion, government social benefits to persons remain historically large but were a little over $1 billion less than in the prior month. Compensation of employees was actually higher in May than in April -- $10.8 billion versus $10.5 billion – but not by enough to offset to slowing pace of government relief payments.

Real (i.e., inflation adjusted) disposable personal income provides a relevant assessment of consumer income considering all income sources. For May, real disposable personal income declined by 5% from April but remained at a historically higher value, as shown in figure 1.

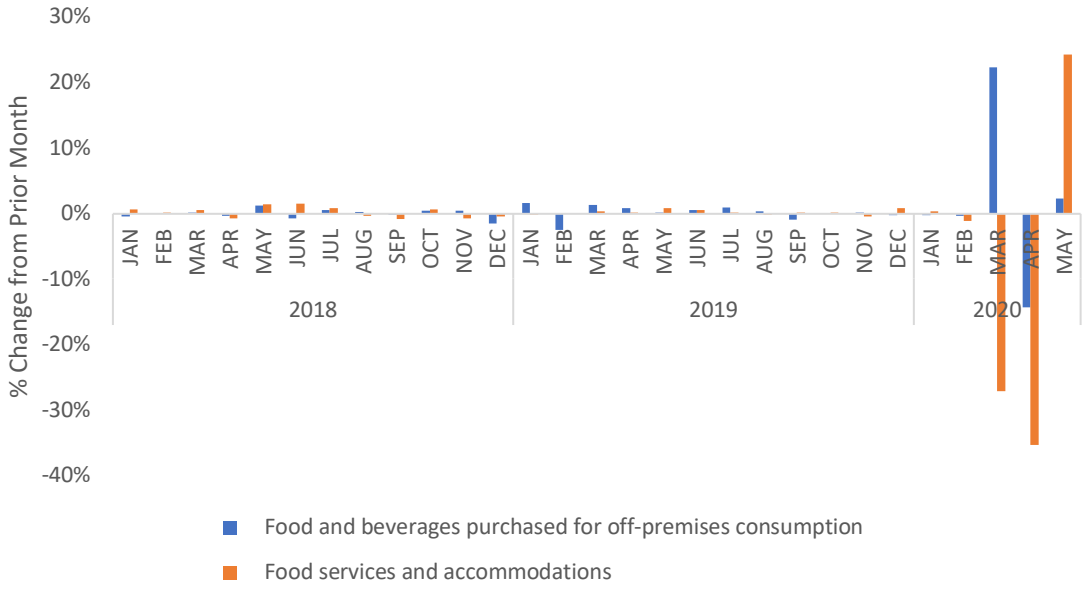


Data Source: Bureau of Economic Analysis through St. Louis Federal Reserve Bank FRED Database.

Figure 1. Real Disposable Personal Income: Monthly, billions of chained 2012 dollars

Personal consumption expenditures (PCE) rose substantially – by 8.2% – in May compared to the prior month as states began to lift stay-at-home orders. Expenditures were up across all major categories of spending: durable goods, non-durable goods, and services. It is clear that quite a bit of pent-up demand developed in several product categories over the course of the shutdown. For example, real PCE on clothing/footwear increased by 43% in May compared to April. Spending on recreation increased 15%. This is not to say the spending has recovered: aggregate expenditures in these categories (and pretty much all others) remains well below pre-COVID levels. But spending did bounce back considerably in May compared to the historically low lockdown-induced levels of April.

Spending on both food at home and food away from home increased in May compared to April. Food-at-home spending was still considerably lower than during the March stockpiling phase of the pandemic, but it remained high relative to normal – perhaps because food was one of the few things that those under stay-at-home orders could go out and routinely purchase. Food service spending in May increased by well over 20% from April as restaurant trade began to resume in much of the country. Again, while the percentage change from April is impressive, aggregate spending levels on food away from home remain well below pre-COVID levels. Figure 2 shows the month-to-month percentage change in spending on food away from home and at food service for the past three years. Clearly, the past three months represent an unprecedented disruption in both sectors.



Data Source: Bureau of Economic Analysis.

Figure 2. Real Personal Consumption Expenditures on Food: Month-to-Month Percentage Change

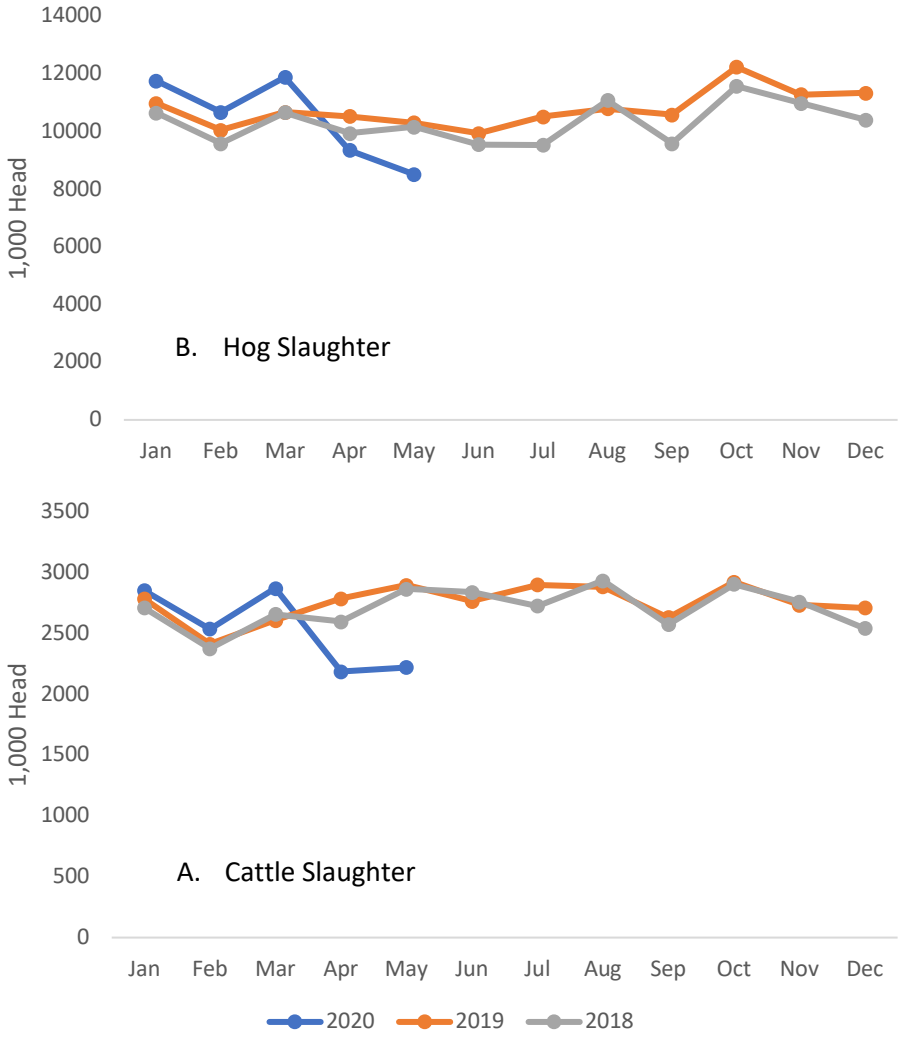
With disposable income down and PCE up, the savings rate retreated some from April's record shattering level. Still, the saving rate topped 23% in May – about three times the normal saving rate. As noted last month, these high savings rates suggest that the financial fuel for economic recovery is in place once consumer confidence returns.

Livestock and Poultry Slaughter

Last week, USDA National Agricultural Statistics Service released their monthly *Poultry Slaughter* and *Livestock Slaughter* reports, updating production data through the end of May.

In May, chicken slaughter held up much better than might have been expected, given the disruptions in processing operations that received so much attention at that time. According to the *Poultry Slaughter* report, young chicken slaughter was down 9% compared to last May and 3% compared to April; however, most of that decline is actually due to the fact that May 2020 had two fewer slaughter days than May 2019 and one fewer than last month.

With respect to cattle and hogs, both were down markedly from a year ago, even accounting for the fewer slaughter days: May 2020 cattle slaughter was 23% lower than May 2019, and May 2020 hog slaughter was 17% lower than May 2019. On a month-to-month basis, though, cattle slaughter in May actually represented a slight increase from April while hog slaughter remained lower in May compared to the prior month. In other words, cattle slaughter fell more sharply than hog slaughter but stabilized more quickly. This is evident if figure 3.



Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

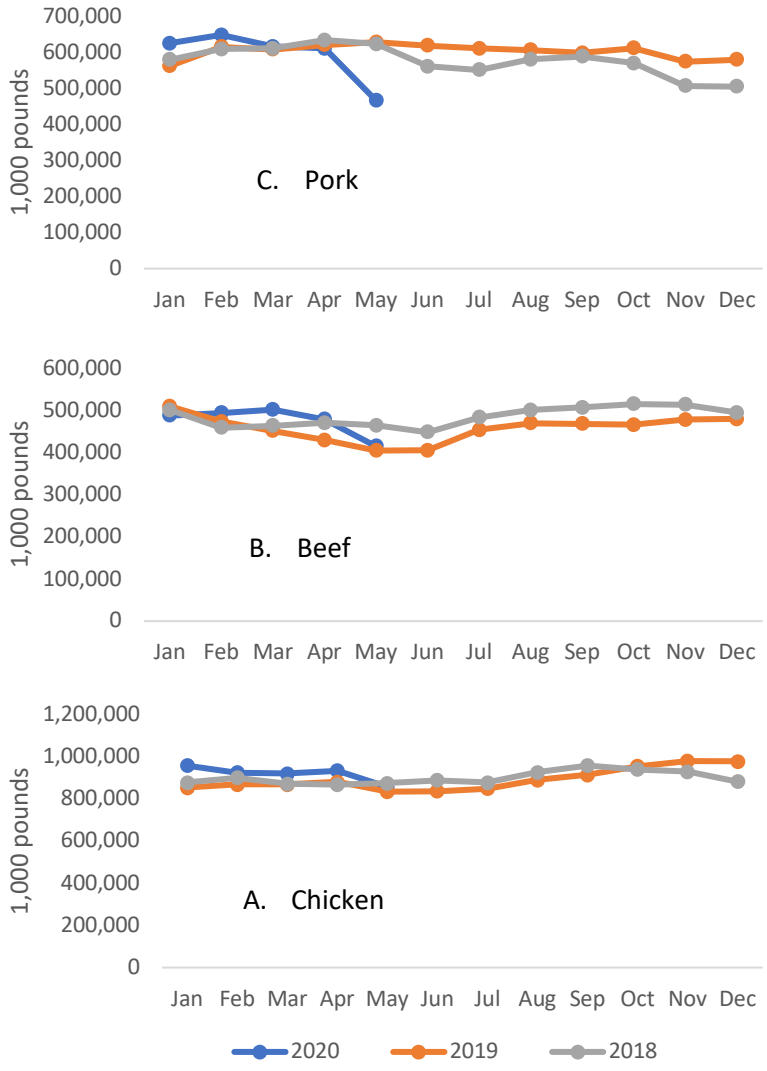
Figure 3 A-B. Monthly Federally Inspected Hog and Cattle Slaughter

Looking ahead, weekly slaughter data suggest that by the time June is wrapped up, cattle and hog slaughter will likely both be within five percent or less of the prior year.

Red Meat and Poultry in Cold Storage

Last week, USDA also released their monthly *Cold Storage* report. The disruption in hog slaughter discussed previously, coupled with strong demand (including exports) for pork, has led to a sharp drawing down in pork stocks. Stocks of frozen pork in cold storage declined by 24% from April and are 26% lower than a year ago. At 467 million pounds, frozen pork supplies are the lowest since August 2011.

While stocks of frozen beef and chicken also declined in May, those declines were much more modest than for pork. In fact, frozen stocks of both beef and chicken remain above 2019 levels despite the decline from April to May. Figure 4 shows monthly frozen stocks of pork, beef, and chicken for the past three years.



Data Source: USDA National Agricultural Statistics Service through Livestock Marketing Information Center.

Figure 4 A-C. Monthly Frozen Stocks of Pork, Beef, and Chicken in Cold Storage