

**COVID-19 Impacts on Arkansas’ Agricultural and Rural Economies**

**UPDATE: Implications of COVID-19 for Arkansas’ Row Crop Producers**

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The weather continues to be the main challenge for Arkansas’ row crop producers. Planting is underway on a very limited basis. The USDA *Crop Progress* report of April 13 indicates that 8% of the rice, 15% of the corn, and 1% of the soybean acreage in the state has been planted relative to an average of 28%, 52%, and 9%, respectively, in the last five years.

**Input and Output Markets**

Input supplies for the current growing season appear to be intact, and input dealers feel comfortable about having sufficient inventories on hand for the 2020 growing season. Their main concern is the health of their employees within the next three months. Delays in services could arise with increased cases of employees succumbing to COVID-19. Health of truck drivers is also a concern, as trucks are a vital mode of transport for fertilizer, fuel, and other agricultural inputs. The agricultural input market is benefiting somewhat from closing of many food-service industries which has resulted in a freeing up of truck drivers for the input sector. However, delays in input transport can occur if large numbers of truck drivers become sick and must self-quarantine.

The impact of COVID-19 could also have an impact on input application during the growing season. Pesticide labels require applicators to use protective gear when applying pesticides. Shortages in personal protective equipment (PPE), particularly N95 respirators, could result in delays in pesticide application during the growing season.

**Commodity Markets**

**Rice**

Prices in the global rice market soared, with quotes for Thai long grain 5% at $560 per ton in the week of April 6, which represents an increase of $100/ton in the last two weeks. The measures to ban or curtail exports taken by large exporters such Vietnam, India, Cambodia, and Myanmar are the main reasons for such a run-up in global prices, since global supply and demand fundamentals indicate that plenty of rice is available to cover demand.

Rice prices in the U.S. remain strong, in line with global prices and the tight domestic market situation. The current projected stocks-to-use ratio of 12.7% would be the lowest since 2007/08. Year-to-date, new crop futures prices are up slightly (+1%) and closed at $12.07 the week of April 6.

**Corn**

Year to date, futures prices for corn are down 14%, but have stabilized in the week of April 6, closing at $3.42 per bushel. Corn cash market prices in Arkansas weakened in the first ten days of April, but stability returned immediately prior to the early market break for Easter, closing at $3.41 per bushel on Thursday, April 9.

USDA dropped their projection of corn use for ethanol production by 375 million bushels in April’s *World Agricultural Supply and Demand Estimates* (*WASDE*). USDA reduced corn use for ethanol by around 7% to 5.05 billion bushels from 5.42 billion bushels estimated in March. To put this in perspective, we reported that the Renewable Fuels Association expects a decline in biofuel demand of 20 to 25% in the near term. With supply down fractionally and use declining, ending stocks were raised 200 million bushels to 2.092 billion.

On the bright side, China continues to buy U.S. corn. The USDA reported on April 3 that China bought 567,000 tons (22.3 million bushels) of corn, most of which is for delivery in the 2020/21 marketing year. Since early March, China has bought around 800,000 tons (31.5 million bushels) of the current U.S. corn crop.

**Soybeans**

Year to date, futures prices for soybeans are down 11%, and closed at $8.76 per bushel the week of April 6. Soybean cash market prices in Arkansas began the month with three straight days of losses totaling 37 cents per bushel before turning around and recovering 13 cents to an $8.58 statewide average on Thursday prior to Easter. USDA increased the domestic soybean meal use in April’s *WASDE* report amid an expected reduction in available supplies of distillers dried grains (DDGs) resulting from lower ethanol production. Brazil and Argentina continue applying severe restrictions to cope with the COVID-19 pandemic, which are affecting all agricultural supply chains, including soybeans. However, USDA Foreign Agricultural Service (FAS) reports that Brazil exported 12 million tons (440.9 million bushels) of soybeans in March, most of which was destined for China.

**Cotton**

Year to date, December futures prices for cotton have declined by 25%. The decline was sharper in recent weeks, largely due to a slowdown of economic activity caused by the COVID-19 pandemic. Following the passage of financial relief legislation such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, U.S. equity markets as well as cotton futures are showing signs of stability in early April.

As commercial and industrial activity in many parts of the world has come to a standstill, retail demand for clothing and textiles has contracted dramatically. As a result, garment manufacturers have seen a wave of order cancellations from major retailers and brands. Demand for cotton yarn has slowed sharply and spinners are delaying receipt of raw cotton shipments. In response to the rapid pace at which events unfolded during March, USDA’s estimates of trade and consumption for the 2019/20 season were reduced significantly in its April *WASDE*. The U.S. export total was reduced 1.5 million bales to 15 million.

The collapse in December futures will likely be a consideration in planting decisions for Arkansas producers, although prices for alternative crops are also under pressure.

**Others comments**

The CARES Act appropriated $349 billion for the Paycheck Protection Program (PPP), a guaranteed loan program administered by the Small Business Administration (SBA). PPP provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. Republican congressional leaders are trying to come up with another $250 billion in PPP funding, but such a push was blocked by Democrats asking for funds to cover other needs as well.

Agricultural producers, farmers, and ranchers with 500 or fewer employees whose principal place of residence is in the United States are eligible for PPP. Eligibility requirements include (1) that the farm has 500 or fewer employees, or (2) that it fits within the revenue-based sized standard, which is on average annual receipts of $1 million. Farms can also be eligible under the “alternative size standard.” Moreover, as long as other eligibility requirements are met, small agricultural cooperatives may receive PPP loans. Other forms of cooperatives may be eligible provided they comply with all other Loan Program Requirements. For more information, see PPP’s Fact Sheet at <https://home.treasury.gov/system/files/136/PPP%20--%20Overview.pdf>

Agricultural businesses, other than an aquaculture enterprise, agricultural cooperative or nursery, are not eligible for assistance under SBA’s the Economic Injury Disaster Loan program (EIDL). A coalition of farm groups and a bipartisan group of more than 80 House members from agricultural districts are lobbying SBA to make the 3% EIDL loans available to farms.

USDA is collecting proposals and ideas from all agricultural sectors to define how to allocate the $9.5 B provided in the CARES Act plus the additional $6 B in Commodity Credit Corporation (CCC) funding.

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