

**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, with great disparities in planting progress across the state. The USDA *Crop Progress* report of April 20 indicates that 23% of the rice, 37% of the corn, and 8% of the soybean acreage in the state have been planted relative to an average of 45%, 69%, and 15%, respectively, in the last five years.

**Input and Output Markets**

There is growing concern among producers about the health of on-farm workers. Most farms do not have sufficient manpower to withstand the loss of personnel becoming ill with COVID-19. This, along with difficulty acquiring H-2A workers, could affect the progress of operations during the current growing season.

**Commodity Markets**

**Rice**

Prices in the global rice market continue to increase but at a slower rate, and Thai long grain 5% is quoted at $572 per ton in the week of April 13, very close to the quotes of U.S. rice, and at least $100 above quotes from other competing Asian countries. Vietnam is allowing some exports to core markets (such as the Philippines and China), and plans to continue exporting with restrictions until there is more certainty about the impact of COVID-19. Myanmar is also restricting exports to 100,000 tons a month, whereas Cambodia instated an export ban that apparently excludes China. Logistical issues due to COVID-19 are constraining the export capacity of India despite having plenty of rice available after a successful main Kharif crop. Pakistan is also reporting logistical issues due to COVID-19 that are affecting its export capacity in the short run.

Rice prices in the U.S. remain strong. Cash paddy prices in Arkansas range from $14.25-$15.00 per hundredweight. New crop future prices increased slightly by 0.5%, and closed at $12.11 the week of April 13. Year-to-date, new crop future prices have increased slightly from $12.03 at the closing of the first week in January.

**Corn**

Corn futures prices were down 2% last week and closed at $3.32 per bushel on April 17. The corn cash market this past week attempted its second trend reversal since the initial mid-March decline period. Arkansas cash corn price bottomed on Wednesday at $3.27 per bushel before rising to a closing statewide average of $3.32 on Friday April 17.

According to the U.S. Energy Information Administration, ethanol production decreased by 45% from March 6 to April 10, 2020, which is the main driver of the significant drop in corn prices observed since early March.

**Soybeans**

Soybeans futures prices were down 2.8% last week and closed at $8.51 per bushel the week of April 17. Cash soybean prices were unable to build off the recovery seen midweek before Easter and declined each trading day of the past week to an $8.30 closing average on Friday, April 17.

**Cotton**

Cotton prices remain under pressure as USDA projects global cotton consumption to fall to a 6-year low and world ending stocks to reach 5-year highs. In its April supply and demand estimates, USDA expects the U.S. 2019/20 season-average farm price to be 59 cents per pound.

Cotton consumption is highly correlated to changes in gross domestic product. Over the past four weeks, applications in the U.S. for unemployment benefits have swelled to more than 22 million people. This likely translates into a massive drop in textile and apparel sales and a significant impact on the global textile sector overall.

Retailers are responding to rapid declines in consumer spending by reducing and canceling orders for textiles and apparel worldwide. Per USDA, cotton spinning in China fell by upwards of 90 percent during the height of the COVID-19 crisis in early March[[1]](#footnote-1). The extent and length of shutdowns of spinning mills in China, where COVID-19 arrived earlier, may provide a basis for extrapolating impacts in other major cotton spinning countries such as India, Bangladesh, and Vietnam, as disruptions in the textile supply chain follow the spread of the virus. Reductions in cotton consumption this month are spread across all consuming countries of note. In the current marketing year, Vietnam is the largest export market for U.S. cotton. Bangladesh is the 5th largest.

In making 2020 planting decisions, producers will seek guidance from the December ’20 futures contract. The contract traded to a high of 73 cents in January only to collapse to a low of 50.18 cents the week of March 30. The current trading range for the December ’20 contract is between 54 and 56 cents per pound.

Anecdotal evidence in recent weeks indicates that growers are still evaluating planting decisions and, in some instances, reducing cotton acreage. Prices for competing or alternative crops such as soybeans or corn are also at historically low levels. However, these crops may offer advantages in terms of lower production costs and less intensive management. Further reductions in 2020 cotton acres may lay the foundation for a modest price recovery later in the 2020/21 marketing year.

**Others comments**

The Department of Agriculture has announced a $19 billion program that combines direct payments to producers and $3 billion in commodity purchases for distribution through food banks and faith-based organizations.

According to John Hoeven, R-N.D., Senate Appropriations Subcommittee chair, the $16 billion in direct payments are weighed heavily toward the livestock industry, but some $3.9 billion will be targeted to row crop producers. Producers will receive a single payment based on losses in two periods: (1) from the beginning of the year to April 15, in which the compensation will equal 85% of the price loss experienced in that period, and (2) from April 15 through the end of September, in which the compensation will equal 30% of expected losses. Only commodities that experienced at least a 5% decrease in prices between the beginning of the year and mid-April will be eligible. Under this eligibility rule, rice is likely to be excluded from this program since futures prices had increased slightly by April 15 relative to early January 2020.

It is important to note that USDA officials have not confirmed the program details outlined by Senator Hoeven, but they did confirm that there would be payment limits of $125,000 per commodity with an overall limit of $250,000 per individual.

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1. ”Cotton: World Markets and Trade”. (April 2020). USDA, Foreign Agricultural Service. Located at: https://www.fas.usda.gov/psdonline/circulars/cotton.pdf. [↑](#footnote-ref-1)