

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

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

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Despite the wet weather limiting the time to do fieldwork, the USDA *Crop Progress* report of May 18 indicates that 76% of the rice, 93% of the corn, and 47% of the soybean and cotton acreage in the state has been planted, which is an improvement from last year for all crops but still behind the average of 88%, 97%, 57%, and 71%, respectively, in the last five years. Sixty seven percent of the corn and 62% of the rice acreage is in good condition or better.

**Commodity Markets**

**Rice**

Prices in the global rice market have receded in the last two weeks but still remain around $100 per ton above pre-COVID levels for most Asian origins except Thailand and India. Thai and Viet long grain 5% were quoted at $480 and $470 per ton in the week of May 11, while India’s 5% was quoted very competitively at $370 per ton. However, the stay-at-home orders that remain in place in India, Pakistan, and others still impair their export capacity.

The U.S. rice market seems to be back on trend after the surge in domestic demand due to COVID-19. Market prices remain strong due to the short old-crop supply remaining. Old-crop prices (2019-20 marketing year, July CME contract) increased by almost 4% and closed at $16.015 per hundredweight, while new crop (September) futures prices decreased slightly and closed at $11.905 the week of May 11. Year-to-date, new crop futures prices have decreased slightly from $12.03 at the closing of the first week in January, in expectation of a larger 2020 crop. The May *World Agricultural Supply and Demand Estimates* (*WASDE*) report estimates that U.S. long grain production will reach 155.5 million hundredweight in 2020, a 24% increase from 2019.

**Corn and Soybeans**

Feed demand is showing uncertain short-term direction. Some livestock are being held longer on feed in hopes of still having marketing opportunities. National news reports of livestock being euthanized due to a lack of available processing capacity are easing, but the reduced output of these facilities over the recent days and weeks is still being fully factored into prices. Reduced placements in grow-out facilities will eventually reduce demand for both corn and soybean feed components. Crop markets appear to be taking a “wait-and-see” approach that may linger for several weeks, at least until crop planting is finished and the first crop condition reports appear.

Export markets are also uncertain as China rapidly moves to repopulate its swine production while also changing its feed ration ingredient proportions to maximize technical and economic efficiencies. Prospects for fulfillment of the Phase 1 export agreement between China and the U.S. remain open to speculation. Adjustments of this type will likely continue through the summer and inject ongoing uncertainty into crop prices. U.S. and world stocks of corn and soybean are high and projected to increase, barring some type of crop yield decline. These levels will place further pressure on prices along with production in competitive export countries.

Arkansas corn cash market prices remained fairly stable in the last two weeks and closed the week of May 11 at $3.27 per bushel. Corn futures prices decreased slightly and closed at $3.23 per bushel the week of May 11. Year-to-date, corn futures prices are down significantly by around 20%.

Arkansas soybeans cash market prices closed the week of May 11 at an average of $8.34 per bushel, with an overall 27 cent loss from the previous week. Soybean futures prices fell 1.5% and closed at $8.454 per bushel the week of May 11. Year-to-date, soybean futures prices are down significantly by around 14%.

**Cotton**

It is becoming more apparent that significant damage has been dealt to apparel retailers. The U.S. Commerce Department released a report May 15th indicating retail spending fell a record 16.4% in April from the previous month. The hardest hit sector was clothing stores. Sales were down 78% compared to March and 89% compared to April 2019. Furniture and home furnishing sales were down 58.7% in April.

Considerable uncertainty remains regarding how long the economic downturn will last and what form the eventual recovery will take. Given that China was the first country affected and the first to show signs of recovery from COVID-19, consumer behavior there may provide some insight. Retail sales data from China for March and April are not encouraging, with overall spending down approximately 20% year-over-year in each month. This might suggest that consumer spending in other parts of the world will be conservative for a period following the reopening of economies.

Despite the negative effects of COVID-19 on consumer spending, cotton futures prices have been able to gain 5.5 cents or 10% over the past month. One supportive factor has been strong U.S. export sales to China--perhaps as part of the Phase 1 trade agreement. Another source of support could be from financial markets. Stock indexes have also edged higher on optimism that parts of the economy would begin to reopen soon. Price upside for cotton remains limited as market fundamentals are solidly bearish. In USDA’s May *WASDE* report, world mill use was lowered by 5.58 million to 105 million bales. This would be lowest global mill use since 2011. World ending stocks for the current marketing year are projected at a 5-year high of 97.16 million bales.

**Others comments**

It is expected that the USDA will announce signup for the $16 billion Coronavirus Food Assistance Program any day after the White House Office of Management and Budget completed its review of USDA’s plans last Friday (May 15).