

# Economics of Agriculture During the COVID-19 Pandemic: A Series of Online Gatherings *Macroeconomic Update*

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# The COVID-19 pandemic will negatively impact GDP...but by how much and, for how long?

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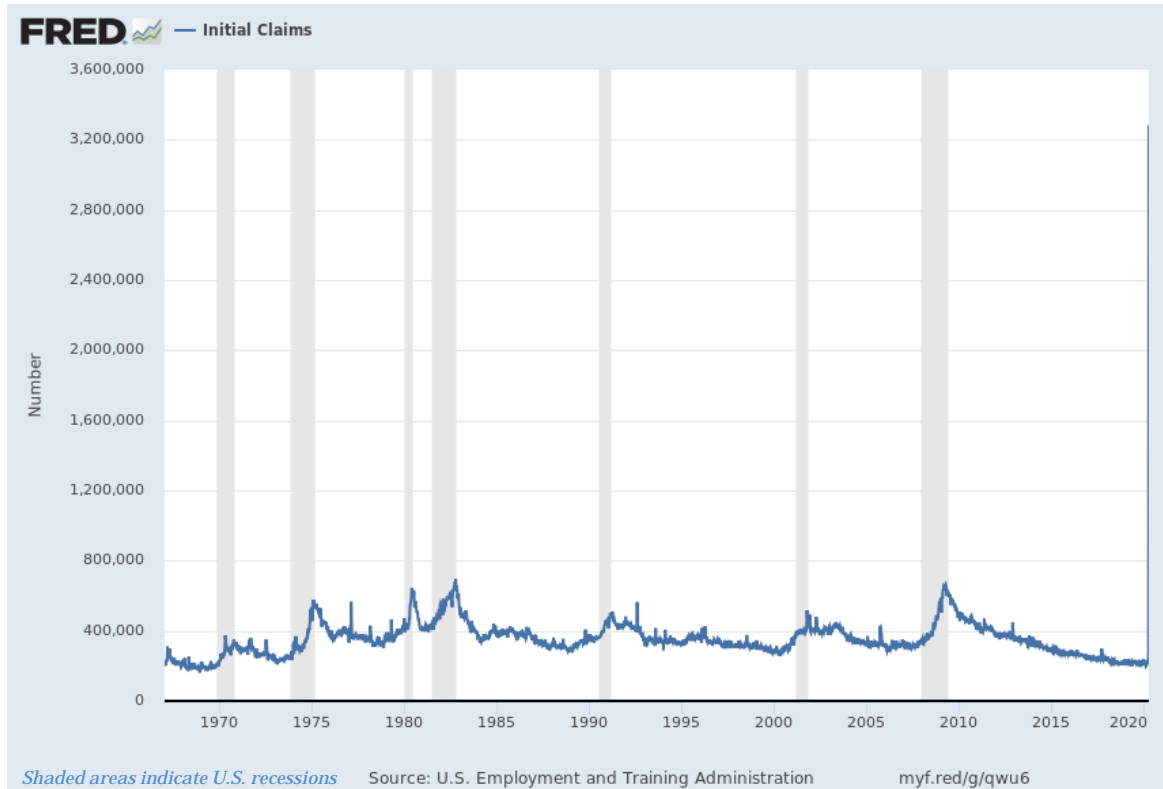
- According to the Bureau of Economic Analysis (BEA)

$$\begin{array}{rcccccc} 2019 \text{ US GDP (Y)} & = & \text{Consumption (C)} & + & \text{Investment (I)} & + & \text{Government Spending (G)} & + & \text{Net Exports (NX)} \\ \$21.43 \text{ Tn (Y)} & & \$14.56 \text{ Tn (C)} & & \$3.74 \text{ Tn (I)} & & \$3.76 \text{ Tn (G)} & & -\$0.63 \text{ Tn (NX)} \end{array}$$

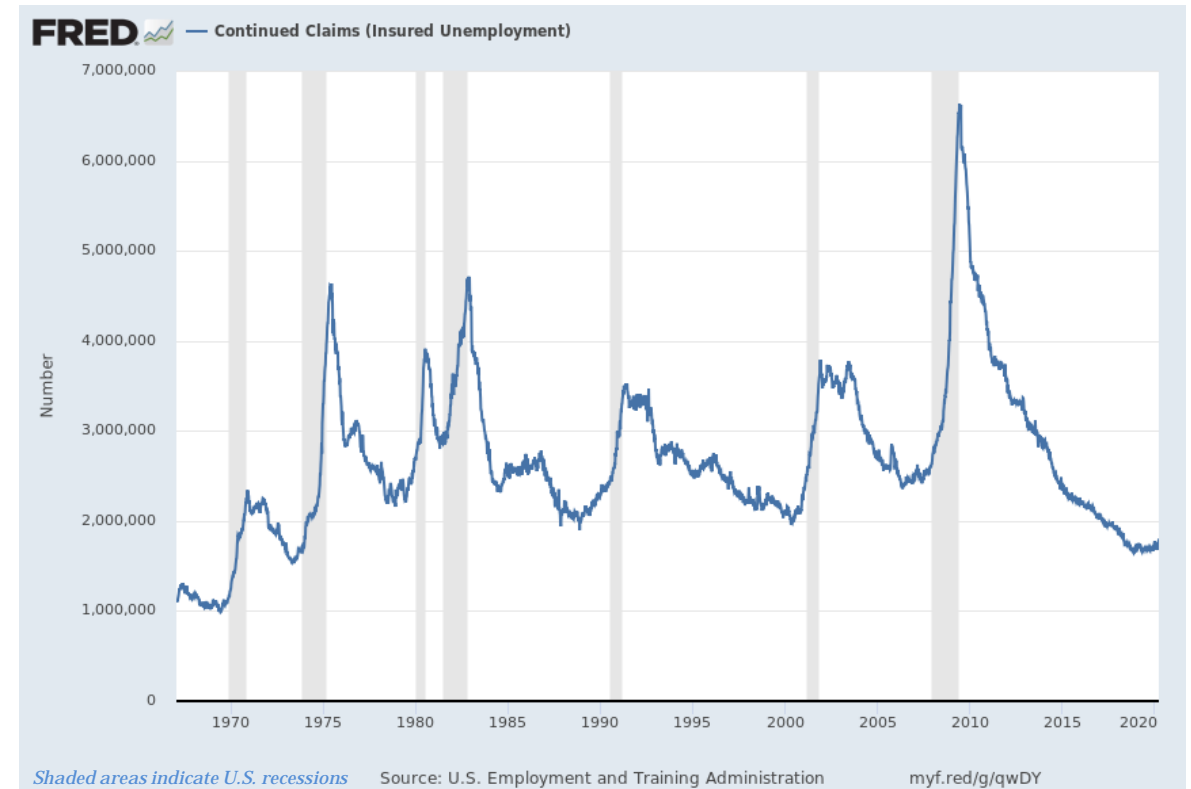
- Economic forecasts are wide ranging (made on or before March 21, 2020)
  - Forecasts are for 2020 2<sup>nd</sup> quarter annualized GDP
  - The Good: -3% (Wells Fargo)
  - The Bad: -25% (Bank of America)
  - The Ugly: -50% (James Bullard, Pres. FRB St. Louis)
  - In 2008, worst annualized GDP decline for one quarter was -8.8% (4<sup>th</sup> quarter 2008)
- The length of the decline hinges on (1) controlling/containing the COVID-19 pandemic and (2) improving employment and consumption

# The swift and sharp contraction in labor markets is on an unprecedented scale...how will it continue?

## Initial Claims: U.S. Unemployment Insurance (Weekly)



## Continued Claims: U.S. Unemployment Insurance (Weekly)



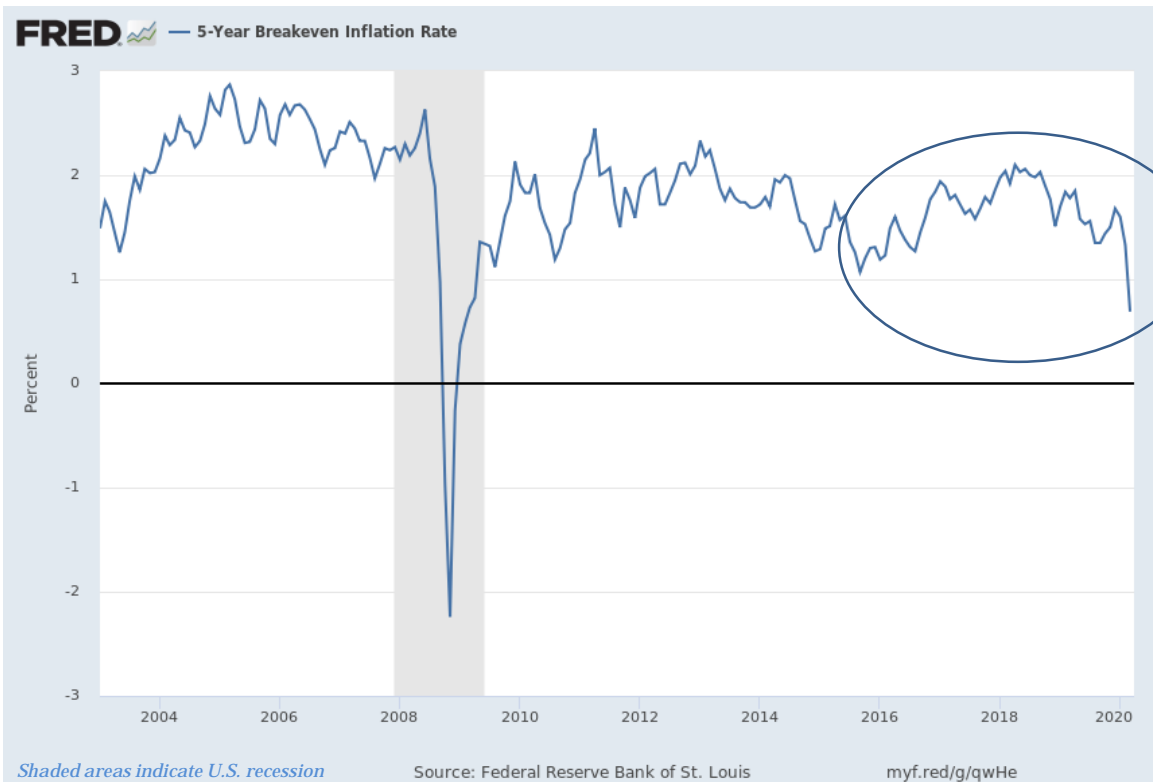
Graphs created using FRED, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org>

# The U.S. Government and the Federal Reserve response will be key to stabilizing the US economy

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- U.S. Government passed a \$2.1 trillion stimulus package (WSJ estimates)
  - Loans: \$809 billion
  - Direct Relief: \$951 billion
  - Supplemental: \$340 billion
- Federal Reserve is using and ramping up every monetary policy tool available to them...during the week of March 23<sup>rd</sup>
  - Will buy \$375 billion in treasury securities and \$250 billion in mortgage securities
  - Restored Term Asset-Back Securities Loan Facility (TALF), support consumer and business credit markets
  - Taking unprecedented move to be a “direct” lender in the market
    - One facility aimed at providing new financing to the \$6 trillion corporate debt market
    - One facility aimed at providing financing to the existing financing corporate debt market
    - One *planned* facility aimed at Main Street (small and medium sized businesses)

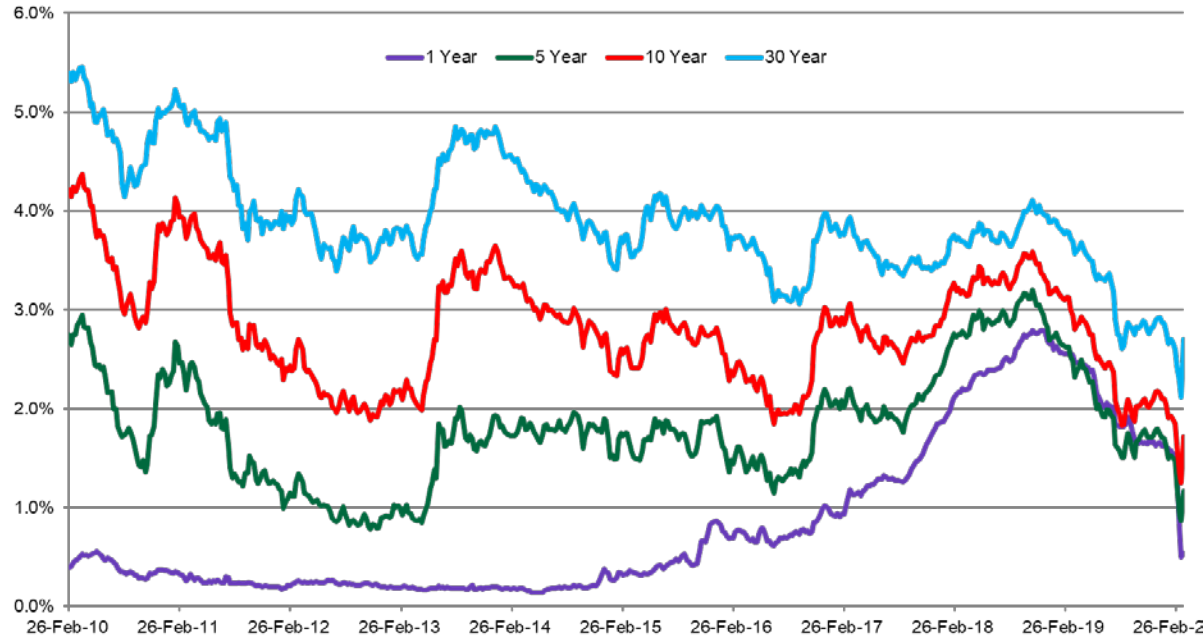
# Future inflation will need to be monitored – Daily 5-Year Breakeven Inflation Rate shown below



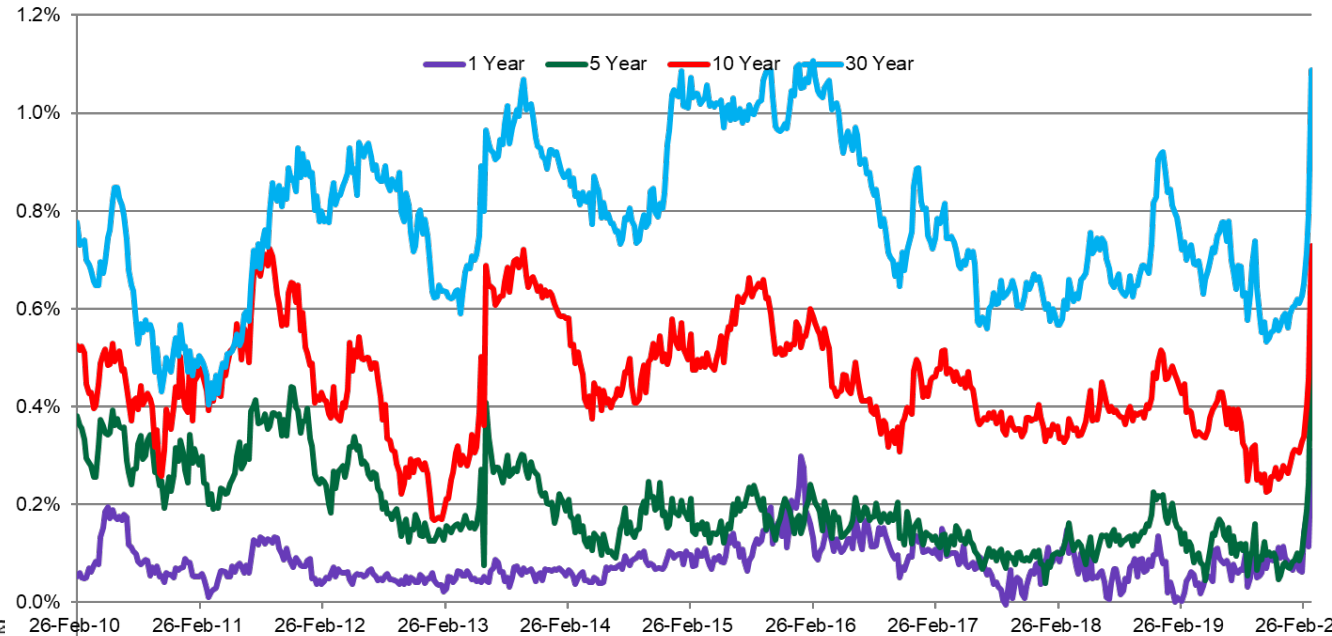
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# In late 2019, falling interest rates benefited agricultural producers...will this trend continue?

## Weekly Farm Credit Bond Rates



## Weekly Farm Credit Bond and Treasury Bill Spread



Source: Graphs created by Dr. Allen Featherstone using Federal Farm Credit Banks Funding Corporation data and Board of Governors of the Federal Reserve System

# Questions going forward for the impact of COVID-19 on the agricultural industry

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- When will the COVID-19 Pandemic abate?
- How will US labor markets recover? Farm labor? Truckers? Temporary workers?
- How will markets respond to US government stimulus?
- Can the Federal Reserve continue to ensure credit is flowing? How long will interest rates remain exceptionally low?
- How will agricultural loan interest rates change over time?
- What about potential supply chains disruptions?
- Compared to past economic downturns, how is the agricultural industry positioned today?

# Additional questions on any topic?

Macro

Grains

Livestock

Land Values

Other industry questions?

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