

COVID-19 & NEBRASKA AGRICULTURE POTENTIAL ESTIMATED LOSSES

(June 10, 2020)

The estimates below provide a snapshot of potential revenue losses resulting from the price declines for select Nebraska agriculture commodities which have occurred since the onset of COVID-19. Unless otherwise specified, they represent the potential difference in revenues to agriculture given price changes which have occurred between the beginning of the year and May 18. The estimates do not account for any financial assistance agriculture might receive through the CARES Act, farm program payments, or other means of financial assistance. Market volatility and daily events mean prices are ever-changing. Thus, the figures are not meant to be an accurate accounting. Instead, they are intended to offer a sense of the magnitude of the impacts to Nebraska. Finally, the impacts are not all inclusive. There are other sectors of Nebraska agriculture acutely affected by the outbreak, that are not included in the analysis.

CORN/SOYBEANS

Using data provided by the Nebraska Corn Board on when crops are marketed, last year's crop production numbers, assumptions concerning this year's crop production, and the differences in cash bids between January and May 18, potential revenue losses to corn and soybean producers could be:

2019 crop in storage: **\$613 M**
2020 crop sold this year: **\$554 M**
Potential Estimated Loss: **\$1.17 B**

The estimated losses equate to 14 percent of the state's corn and soybean receipts in 2018.

BEEF CATTLE

Using changes in the United States Department of Agriculture (USDA) price forecasts for feeder cattle in 2020 and applying them to assumptions regarding the 2019 and 2020 calf crops, we are able to estimate losses to the cow-calf sector. Agricultural economists from several universities calculated the potential impacts to the beef industry of the coronavirus for the National Cattlemen Beef Association. Borrowing per head loss figures for the feedlot and backgrounder sectors from the analysis and applying them to estimated Nebraska cattle numbers gives estimates of potential revenue losses for those sectors:

Cow-Calf Sector: **\$188 M**
Feeders: **\$511 M**
Backgrounder/Stocker: **\$272 M**
Potential Estimated Loss: **\$971 M**

The estimated losses equate to 9 percent of the state's cattle and calves receipts in 2018.

PORK

An analysis by agricultural economists at Iowa State University performed for the National Pork Producers Council (NPPC) found hog producers could lose an estimated \$37/head for each head marketed this year. The NPPC states 115 million head of hogs on average are marketed each year. Nebraska is estimated to have 4.7 percent of the national inventory of market hogs. Using these figures and inventory for Nebraska yields a potential loss estimate of:

Potential Estimated Loss: **\$166.5 M**

The estimated loss equates to 20 percent of the state's hog receipts in 2018.

WHEAT

Wheat prices have not fallen as much as other commodities due to happenings in international markets and increased consumer demand for food staples. Nebraska farmers planted 920,000 acres of wheat last fall. Assuming average yields results in a potential loss to wheat producers on this year's crop of:

Potential Estimated Loss: **\$8.7 M**

The estimated loss equates to 4 percent of the state's wheat receipts in 2018.

ETHANOL

There are two different impacts to Nebraska's ethanol industry—the reduced production and subsequent loss of revenue from the drop in gasoline demand and the price declines on gallons produced. At last report, eight ethanol plants in Nebraska remain idled, and two plants are operating at decreased capacity. All told, it has been estimated Nebraska's ethanol industry is currently operating at 65 percent capacity. Based on these assumptions, and earlier reports on the reduction in production during March and April, and making assumptions for what the remainder of the year will bring in terms of production and prices, the potential loss in sales to the state's ethanol industry for the remainder of the year are shown below.

Potential Estimated Loss:

Mar.-April – Industry at 59% production capacity **\$305 M**

May-July – Industry at 65% production capacity **\$458 M**

Aug.-Dec. – Industry at 75% production capacity **\$540 M**

Potential Estimated Loss: **\$1.303 B**

The estimated direct losses equate to 34 percent of the sector's total sales in 2017.

DAIRY

Using the differences in 2020 price estimates by the USDA for all milk between the January and May forecasts, and assumptions of 2020 Nebraska milk production based on Jan.-March production, the potential losses to Nebraska's dairy producers is:

Potential Estimated Loss: **\$66.1 M**

The estimated loss equals 28 percent of the state's milk receipts in 2018.

SUMMARY

Based on the total estimated losses for the Nebraska agriculture commodities examined, Nebraska agriculture could face a cumulative potential estimated loss of \$3.685 billion.



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