

AFPC Report: Texas' Ag Losses From Pandemic Could Be \$6-8 Billion

Thursday, May 7, 2020 By Paul Schattenberg, AgriLife TODAY
The Agricultural and Food Policy Center at Texas A&M University has released a new report showing the economic impact the COVID-19 pandemic has had on production agriculture in Texas.

Since the beginning of the pandemic many agricultural commodity prices have dropped 20% to 30%, according to the report. Many Texas producers have already experienced losses, and if prices do not recover soon for livestock and prior to row crop harvest, they could easily see losses in the range of \$6 billion to \$8 billion – down 27% to 36% overall.

“Our goal in producing the COVID-19 Economic Impact to Texas Agriculture report was to frame agricultural issues related to the COVID-19 pandemic, as well as provide insights and discussion on how various production agriculture commodities in Texas were affected,” said Joe Outlaw, Ph.D., Texas A&M AgriLife Extension Service agricultural economist and co-director of the center.

Outlaw said Texas is an important agricultural state, ranking only behind California and Iowa in terms of cash receipts from the sales of agricultural commodities.

“In 2018, those agricultural receipts totaled about \$22 billion,” he said.

Some of the factors affecting agricultural production include supply chain issues, labor shortages and instability in agricultural commodities markets, as well as the general change in where people are now spending their food dollars due to COVID-19-related restrictions.

“The COVID-19 pandemic has had a negative impact on the food production and supply and has also exposed many longtime vulnerabilities across the food and agriculture value chain,” said Patrick J. Stover, Ph.D., vice chancellor of Texas A&M AgriLife, dean of the College of Agriculture and Life Sciences and director of Texas A&M AgriLife Research, College Station. “This has had a profound and far-reaching impact on those front-line farmers we depend on to meet our needs for food and nutrition.”

Shutting down schools and restaurants to dine-in customers has led to a dramatic shift in food purchasing and has affected agricultural supply chains for many food products, the report noted. Thus far, the effects have been particularly troublesome for producers of livestock, fruits and vegetables and dairy products, including milk. It also noted many retail clothing outlets around the world have been closed as well, and that has dramatically decreased the demand for cotton, Texas' largest cash crop. The Texas agricultural commodities most affected by the COVID-19 pandemic thus far are weaned calves, stocker calves, feeder steers, sheep and goats, fruits and vegetables, and dairy products.

“These commodities are currently selling at substantially lower prices than prior to the pandemic,” Outlaw said. “Agricultural producers marketing products now are losing

money, and if this pandemic persists, there may be even greater losses than what we have currently estimated.”

Row crops

The report notes row crops such as corn, cotton, wheat, sorghum, rice and soybeans have been especially hard hit.

“Farmers are going into this crop year with crop insurance price elections that are lower than in the past two years,” Outlaw said. “This means farmers could lose 20% to 30% of their crops before getting any benefit from insurance.”

He said row crops in Texas are either planted and growing in most regions or are about to be planted in the northern part of the state.

“The only losses row crop farmers would currently be incurring are from the sale of 2019 crops from storage,” Outlaw said. “And while Texas producers typically do not store commodities this far into the marketing year, many continue to work through carryover stocks from the 2019 crop year.”

He said while all row crops are affected, wheat and rice may fare somewhat better due to their being consumer staples.

Outlaw said risk management strategies, crop insurance and farm bill program provisions will play a key role in providing relief for depressed prices, but absent additional aid, the financial stress producers were already facing is likely to grow significantly.

“Row crop producers are now being asked to take on a lot of risk to grow crops that very well may lose them a lot of money,” Outlaw said.

For Texas row crop agriculture, the most immediate and visible impact is on commodity market prices, he said, but effects can reasonably be expected to ripple through the industry supply chain from production inputs to retail consumers.

Livestock and dairy

Many of the losses related to livestock are a result of shifting demand from food consumed away from home to food consumed at home. Processing plant closures also threaten to drive prices paid to producers even lower in the wake of reduced demand. At the same time, retail prices are increasing due to reduced supply.

“While a lot of losses have yet to materialize, for those producers marketing now, including dairy products, which are marketed daily, the pain is immediate,” Outlaw said.

Texas is the fifth- largest milk-producing state in the U.S., and the shift from restaurants to grocery store sales has hit the industry especially hard. A large share of milk products, including cheese and butter and other products, goes through food service outlets and with the loss of those outlets, milk processing quickly found themselves with more milk than they could sell as finished products.

On the livestock side, the report notes both futures and cash prices of stocker cattle, feeder cattle and calf prices have dropped dramatically as the societal impacts of COVID-19 took hold.

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“Stocker cattle producers are facing significant price losses as calves purchased in the autumn, long before the COVID-19 pandemic, have been selling at much lower prices. The impacts of COVID-19 on individual ranches will depend on the production system but will eventually accrue to all cow-calf producers.”

The COVID-19 pandemic has created substantial economic losses across all livestock agriculture, Outlaw said. This impact will be felt over the course of the year as sales occur, production responds to financial losses and more long-term economic effects become apparent.

Specialty crops

Similar to livestock, many of the losses in specialty crops—primarily composed of fruits and vegetables—are related to shifting demand.

“The specialty crop sector has been one of the hardest-hit sectors of agriculture due to the COVID-19 pandemic,” Outlaw said. “Most fruits and vegetables are consumed fresh and are highly perishable, and as a result of the COVID-19 pandemic, the closure of most restaurants and schools has caused a major reduction in demand.”

He noted while the reduction in demand in some areas has translated to higher demand at grocery stores, different packaging requirements, changes in volume demanded, altered consumer purchasing habits and overall uncertainty are all having a negative effect on produce prices—mainly at the farmgate level.

If COVID-19 issues persist, Texas fruit and vegetable producers could be left without outlets for their highly perishable products and ultimately could lose over \$397 million.

Financial relief for farmers and ranchers

The report also notes the federal government has responded with a series of three stimulus or relief acts agricultural producers may benefit from — the most useful likely being the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. Along with authorizing additional funding for the U.S. Department of Agriculture so it may provide direct assistance to agricultural producers, the CARES Act established the Payroll Protection Program.

A detailed description of all three legislative responses can be found in the “Initial COVID-19 Response for Agricultural Producers” publication recently issued by the Agricultural and Food Policy Center.

“While farmers and ranchers are grateful for the assistance the federal government is providing, many of their financial difficulties are immediate, and if not quickly addressed could have long-term negative effects on much of the state’s agricultural production,” Outlaw said.

Discredited Environmental Working Group Stabs Farmers in the Back - Again

Thursday, May 7, 2020

From Farm Policy Facts

Under the false pretense of helping “actual farmers,” the Environmental Working Group (EWG) appeared on 60 Minutes on Sunday to stab actual farmers in the back by misrepresenting who benefits from farm aid.

The EWG has proven once again how low it will stoop to carry out its ideological vendetta against American farm and

ranch families who feed, clothe, and fuel this nation in a manner that is unrivaled in history.

This latest tin-eared stunt by the EWG comes at a time when farmers, ranchers, and dairy producers have been declared critical infrastructure by the U.S. government and expected to continue working to ensure the food chain is not interrupted – even though they know when they go into their fields, pastures, and dairy parlors that they will lose money on what they are producing, while risking their own personal health and potentially the economic viability of their operations.

Due to the effect of COVID-19, actual farmer and rancher debt levels are nearing the all-time highs reached during the 1980s farm financial crisis and agricultural receipts are expected to nosedive by \$32 billion this year from their already depressed levels – with net income from dairy and cattle down by 58 percent and crop producers’ ending cash down 62 percent.

If the EWG had its way, any farmer or rancher with \$1 million or more in gross receipts would be excluded from help. Remember, this \$1 million is before expenses are paid, which means the farmer could still be deep in the red – and almost certainly is right now. Make no mistake, the EWG is targeting real, dirt-under-the-fingernails, full-time farm and ranch families who actually make their living off the farm or ranch.

Under the EWG’s approach, nearly half of our nation’s agricultural production – including 69 percent of all the dairy production and over 62 percent of high-value crops like fruits and vegetables – would be ineligible for help in the face of desperate economic conditions that are forcing producers to dump their milk, depopulate their herds, and plough under their crops because there are no other options.

Perhaps the EWG’s latest reckless move is why the Chairman of the House Agriculture Committee Collin Peterson has previously stated that the “EWG has no credibility.”

We have fact checked EWG’s false rhetoric time and time again at Farm Policy Facts.

But rather than spend more ink exposing the discredited EWG’s ideological agenda, we’ll just share with you a best of – or rather, worst of – compilation of some of EWG’s more egregious attacks on farmers and ranchers and the farm policies that support them:

- EWG Recklessly Ignoring the Facts
- EWG’s ‘New’ Database Used For Same, Old Purpose:

To Attack Farmers

- They’re Baaaack...and They’re Still Wrong
- Common-Sense Lessons for Critics of American Agriculture
- Will Anything Ever Satisfy Farm Critics? No

And of course, we can’t forget this Capitol Hill takedown of EWG and their dishonest tactics (<https://www.farmpolicyfacts.org/2015/05/capitol-hill-leaders-dismiss-ewg/>).

Thank you to the Administration and bipartisan members of Congress who have worked hard to provide farmers and ranchers with the aid they need to survive trade conflicts and the global pandemic despite these misguided attacks on their good work.

Actual farmers and ranchers across the heartland are in desperate need of relief.

Editor’s Note:
 “Cotton News”, a weekly service of Plains Cotton Growers to the cotton industry and news media in the 41-county High Plains area, is mailed from Lubbock each Friday. Its contents are confined to news items and comments pertaining to the High Plains cotton industry which is so vital to U.S. all. Anyone interested in making comments about the contents of this column can call 806-792-4904 or Email PCG at: editor@plainscotton.org