Utah Agriculture Outlook
Stakeholder Webinar
Tuesday August 11, 2020
10 am to 12 pm MT

Zoom Information
https://usu-edu.zoom.us/j/93047857406?pwd=Y2t3cjFOVGxLRHZGaExaSVFHZW5RUT09
Passcode: UAOutlook
Meeting ID: 930 4785 7406

Agenda

1. **Agricultural Markets Update**
   Ryan Larsen, Assistant Professor and Extension Specialist, Utah State University

2. **COVID-19 Impacts on Local Food Systems**
   Kynda Curtis, Professor and Extension Specialist, Utah State University

3. **Drought Outlook and Assessment Tools**
   Anastasia Thayer, Assistant Professor and Extension Specialist, Utah State University

4. **Farm Financial Health Programs and Resources**
   Ruby Ward, Professor and Extension Specialist, Utah State University

5. **Hemp Market Update**
   Tanner McCarty, Assistant Professor, Utah State University

Description
This two-hour webinar, hosted by USU Extension Economics, will cover the economic aspects of Utah’s agricultural situation including market updates for common commodities and livestock, as well as the impacts of covid-19 on local food systems affecting smaller scale farms and ranches in Utah. The current drought situation and assessment tools will be discussed along with updates on the hemp market in Utah and nationwide. Farm financial resources and programs at the state and federal level will be covered along with potential components of forthcoming federal programs. This outlook is targeted at agricultural stakeholders in Utah including, but not limited to, state and federal agency representatives, farmer and rancher groups, farm financial institutions, tribal government representatives, and Extension leadership. There will be time after each presentation for questions and discussion.
Utah Agricultural Outlook

Ryan Larsen
August 11, 2020
Macro Outlook

US COVID-19 Severity
Seven-day rolling average of new cases per million

- >50: Severe COVID-19 outbreaks
- 100-249: Moderate COVID-19 outbreaks
- <100: Mild COVID-19 outbreaks

Source: CT, CISD Tracking Project. Data as of August 1, 2020 © 2020 Driscoll Geography
Larger Drop Than in Great Recession

Real GDP, % change

Sources: IFS, IHS Markit
COVID Keeps Workers Idle at Home

Unemployment rate, %

Sources: EIA, IHS Markit
Food Spending Takes a Hit as Meals Shift to Home

*Real per capita food expenditures, $2012*

Sources: BEA, IHS Markit
Economic Weakness Induces Less Oil Demand

WTI price, $/bbl

Sources: EIA, IHS Markit
Weekly Ethanol Production

Thousands of Barrels per Day

Data: EIA

Year

2020: 1,079
2019: 617
5-Year Average: 537

Jan 03 to Dec 03
Interest Rates Will Help Reduce Borrowing Costs

 Interest rates, %

Sources: IFS, IHS Markit
Slower Cost Increases Ahead

Cost indices, 2015=100, 2020-2025 average

Sources: USDA, BLS, IHS Markit, UCED
Cattle Outlook
CATTLE SLAUGHTER
Federally Inspected, Weekly

Thou. Head

Data Source: USDA-AMS & USDA-NASS
Livestock Marketing Information Center
TOTAL RED MEAT IN COLD STORAGE
End of the Month

Mil. Pounds

Data Source: USDA-NASS
Livestock Marketing Information Center

M-S-11
06/22/20
PORK IN COLD STORAGE
Frozen and Cured, End of the Month

Mil. Pounds

JAN  MAR  MAY  JUL  SEP  NOV

Avg. 2014-18  2019  2020

Data Source: USDA-NASS
Livestock Marketing Information Center
LAMB AND MUTTON IN COLD STORAGE
Frozen, End of the Month

Mil. Pounds

Data Source: USDA-NASS
Livestock Marketing Information Center
06/22/20
TOTAL POULTRY IN COLD STORAGE
End of the Month

Mil. Pounds

Data Source: USDA-NASS
Livestock Marketing Information Center
JANUARY 1 TOTAL CATTLE INVENTORY
U.S., Annual

2020 = 94.4 Million Head
-0.4 Percent

Data Source: USDA-NASS
Livestock Marketing Information Center
Calf Crop
July Estimates, U.S., Annual

2020 = 35.8 Million Head
-0.7 Percent

Data Source: USDA-NASS
Livestock Marketing Information Center
PERCENT CHANGE IN CATTLE INVENTORY
U.S., January 1

Data Source: USDA-NASS, Analysis by LMIC
Livestock Marketing Information Center
MED. & LRG. #1 STEER CALF PRICES
400-500 Pounds, Billings Weekly

Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center
MED. & LRG. #1 STEER CALF PRICES
500-600 Pounds, Billings Weekly

Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center
MED. & LRG. #1 FEEDER STEER PRICES
700-800 Pounds, Billings Weekly

Data Source: USDA-AMS, Compiled by LMIC
Livestock Marketing Information Center

07/27/20
Corn and Alfalfa Outlook
### Corn Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2019-20 USDA Forecast</th>
<th>2019-20 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planted Acreage (mill. Ac.)</td>
<td>89.7</td>
<td>89.7</td>
</tr>
<tr>
<td>Harvested Acreage (mill. Ac.)</td>
<td>81.3</td>
<td>81.3</td>
</tr>
<tr>
<td>Yield (Bu. / Ac.)</td>
<td>167.4</td>
<td>167.4</td>
</tr>
<tr>
<td>Total Production (mill. Bu.)</td>
<td>13,617</td>
<td>13,617</td>
</tr>
<tr>
<td>Beginning Stocks (mill. Bu.)</td>
<td>2,221</td>
<td>2,221</td>
</tr>
<tr>
<td>Imports (mill. Bu.)</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total Supply (mill. Bu.)</strong></td>
<td><strong>15,883</strong></td>
<td><strong>15,883</strong></td>
</tr>
</tbody>
</table>

| **Consumption:**            |                        |                  |
| Feed and Residual (mill. Bu.) | 5,700                  | 5,600            |
| Food, Seed, and Industrial (mill. Bu.) | 6,305                  | 6,255            |
| Ethanol (mill. Bu.)         | 4,900                  | 4,850            |
| Exports (mill. Bu.)         | 1,775                  | 1,775            |
| **Total Consumption (mill. Bu.)** | **13,780**             | **13,630**       |

| **Ending Stocks (mill. Bu.)** | 2,103 | 2,253 |
| **Stocks-to-Use**            | 15.3% | 16.5% |
| **Average Price ($/bu.)**    | $3.60 | $3.60 |
CORN – MONTHLY AVERAGE PRICE
Received by Farmers, U.S., Crop Year

Data Source: USDA-NASS
Livestock Marketing Information Center
US ALL HAY SUPPLY
Crop Year

Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center
Alfalfa Prices Remain Strong in Early 2020

Utah hay prices, $/ton

Sources: USDA, UCED
Early Hay Cuttings About As Expected

Utah hay acreage, ths

Source: USDA
Modest Cost Increases Do Not Erode Profitability

Utah alfalfa, \$/harvested acre

Sources: USDA, USU, UCED
Dairy Outlook
DAIRY COW INVENTORY
US Total, Monthly

Thou. Head

Data Source: USDA-NASS
Livestock Marketing Information Center
MILK PRODUCTION
US Total, Monthly

Data Source: USDA-NASS
Livestock Marketing Information Center
Data Source: USDA-AMS, Dairy Market News
Livestock Marketing Information Center
CHEDDAR CHEESE PRICES
500 Pound Barrel, CME, Monthly

Data Source: USDA-AMS, Dairy Market News
Livestock Marketing Information Center
CHEESE AND CURD EXPORTS
Monthly

Data Source: USDA-FAS
Livestock Marketing Information Center

08/05/20
CLASS III MILK PRICES
FMMO, Monthly

Data Source: USDA-AMS, Dairy Market News
Livestock Marketing Information Center
CLASS IV MILK PRICES
FMMO, Monthly

$ Per Cwt.

Data Source: USDA-AMS, Dairy Market News
Livestock Marketing Information Center

08/07/20
ALL MILK PRICE
U.S., Monthly

Data Source: USDA-NASS
Livestock Marketing Information Center

08/07/20
Summary

• Markets are continuing to adjust to current factors

• Still a lot of uncertainty
  – Global trade
  – Weather
  – Domestic policy
  – Macroeconomy

• Identify potential risk management strategies
COVID-19 Impacts on Local Food Systems

Dr. Kynda Curtis
Professor & Extension Economist
Utah Total Consumer Spending

Percent Change in All Consumer Spending*
In **Utah**, as of July 26 2020, total spending by all consumers decreased by **6.1%** compared to January 2020.

*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. This series is based on data from Affinity Solutions.

Last updated: August 04, 2020  next update expected: August 11, 2020
Initial impacts of COVID-19 on smaller-scale farmers and ranchers

• Schools/restaurants close, stay at home orders – Mid March

• Loss of some markets
  • Restaurants
    • Many closed
    • Some take-out/curbside
    • Farm-to-fork
    • Established relationships
    • Specialty/unique items
Relative Foot Traffic (Visits) Sit-Down Restaurants, 2020 vs 2019, US

Industry Level Patterns

Counter Service Restaurants

Relative Foot-Traffic (visits)

- 2020 Data
- 2019 Data

Jan 5, Jan 19, Feb 2, Feb 16, Mar 1, Mar 15, Mar 29, Apr 12, Apr 26, May 10, May 24, Jun 7, Jun 21, Jul 5, Jul 19, Aug 2
Utah Restaurant/Hotel Spending

Percent Change in All Consumer Spending*

In Utah, as of July 26 2020, restaurant and hotel spending by all consumers decreased by 30.8% compared to January 2020.

*Change in average consumer credit and debit card spending, indexed to January 4-31 2020 and seasonally adjusted.
This series is based on data from Affinity Solutions.
Latest update: August 04, 2020  next update expected: August 11, 2020
Initial impacts of COVID-19 on smaller-scale farmers and ranchers

• Market losses/unknowns
  • Schools - closed from mid-March
    • Farm-to-school
    • Special items/packaging
  • Farmers’ markets unknown, pre-season

• Market improvements
  • Grocery sales increase
  • Local/smaller chains purchasing locally
Relative Foot Traffic (Visits)  
Supermarkets, 2020 vs 2019, US
Utah Grocery Store Spending

Percent Change in All Consumer Spending*
In Utah, as of July 26 2020, grocery spending by all consumers increased by 24% compared to January 2020.

*Change in average consumer credit and debit card spending, indexed to January 1-31 2020 and seasonally adjusted. This series is based on data from Affinity Solutions.
Consumer reactions to COVID-19 – notable impacts on local food systems

• Consumer concerns
  • Food availability
  • Food safety
• Consumer spending on food up
• Large increase in demand for local foods
  • CSA subscriptions
  • Farmers market attendance
  • Online sales
  • Meat/egg purchases
• Interest in gardening & food preservation up
  • Bulk items
  • Non processed foods
Mid-term impacts of COVID-19 on smaller-scale farmers and ranchers

- Farmers’ market changes
  - Few closures
  - New distance & cleaning regulations
  - Food only
  - No sampling
  - Smaller markets, need to assess feasibility, consumers attending
Adjustments made by small farmers to address market changes

• Pivot/scale-up other direct outlets
  • Farm stands
  • CSAs – up to 300% increase in subscriptions, new CSA programs
  • Coops/food hubs – increased cooperation among growers
Adjustments made by small farmers to address market changes

• Move to online sales & promotion
  • Websites
  • Social media pages
  • Email/newsletters
  • Online meat sales increase 500%
  • Harvie, represents about 100 CSA/Food Hubs, saw a 200% increase
• Large demand for online sales & promotion information/webinars, etc.
Utah Local Food Impacts – Five months out

- Few farmers’ market closures
  - 9 total (38 operating)
- Restaurant permanent closings
  - 20 in SLC by 7/20
  - 16K nationwide
- Expansions
  - New CSA programs
  - New farm stands/stores
  - Agritourism running
“Local Produce” Stand – Logan Utah
First Frost Farm – Nibley Utah

• New CSA program
Red Acre Farm - Cedar City Utah
Agritourism Resumed
Utah Small/Urban Grower Needs Survey

• Conducted in April
  • 57 respondents (35 completed most questions)
  • Basics of operation/farm
  • Potential farmers’ market issues
  • Interest in CSA program
  • Interest in online sales
    • Strategies and outlet preference
  • Hurdles to online and CSA sales
  • Information and educational content of need
Utah Grower Needs Survey Primary Results

• 55% considering selling through CSA for first time
• 72% considering online sales for first time
  • Own website, social media, and join existing methods most popular
  • 50% would sell individual items, 45% would sell a basket of items
• Major hurdles to online sales
  • Distribution, delivery, and packaging
  • Software
  • Customer service/time
  • Credit card processing
• Major hurdles to CSA sales
  • Having enough product
  • Dealing with customers
  • Managing distribution and promotion
Utah Grower Needs Survey Primary Results

• Information/content needed
  • Online sales,
  • Working with others (CSAs)
  • Loans/grant programs
  • Social media marketing

• Adjustments to operation already made
  • CSA pick up times assigned
  • Increased employee hours
  • Provide home delivery
Thank you
Utah Agriculture Outlook Stakeholder Webinar 2020

Drought Outlook and Assessment Tools
August 11, 2020

Anastasia Thayer
About Me

Anastasia Thayer Hassett

Assistant Professor and Extension Specialist

Water use, drought, and climate in agriculture
National Weather Service: the majority of Utah is in a drought

BY HEATHER KELLY | AUGUST 7, 2020 AT 11:49 AM
UPDATED: AUGUST 7, 2020 AT 11:54 AM

After arid July, 99% of Utah now in drought condition

By MARK SHENEFELT Standard- Examiner  Aug 6, 2020  0
Categories of US Drought Monitor

**D0 - Abnormally Dry**
- Short-term dryness slowing planting, growth of crops
- Some lingering water deficits
- Pastures or crops not fully recovered

**D1 - Moderate Drought**
- Some damage to crops, pastures
- Some water shortages developing
- Voluntary water-use restrictions requested

**D2 - Severe Drought**
- Crop or pasture loss likely
- Water shortages common
- Water restrictions imposed

**D3 - Extreme Drought**
- Major crop/pasture losses
- Widespread water shortages or restrictions

**D4 - Exceptional Drought**
- Exceptional and widespread crop/pasture losses
- Shortages of water creating water emergencies
Utah Drought Monitor

August 4, 2020
(Released Thursday, Aug. 6, 2020)
Valid 8 a.m. EDT

D0 - Abnormally Dry
- Short-term dryness slowing planting, growth of crops
- Some lingering water deficits
- Pastures or crops not fully recovered
5.0% of State
D0-D4

D1 - Moderate Drought
- Some damage to crops, pastures
- Some water shortages developing
- Voluntary water-use restrictions requested
30.9% of State
D1-D4

D2 - Severe Drought
- Crop or pasture loss likely
- Water shortages common
- Water restrictions imposed
52.6% of State
D2-D4

D3 - Extreme Drought
- Major crop/pasture losses
- Widespread water shortages or restrictions
10.2% of State
D3-D4

D4 - Exceptional Drought
- Exceptional and widespread crop/pasture losses
- Shortages of water creating water emergencies
0.0% of State
Utah Drought Monitor

August 4, 2020
(Released Thursday, Aug. 6, 2020)
Valid 8 a.m. EDT

Drought Conditions (Percent Area)

<table>
<thead>
<tr>
<th></th>
<th>None</th>
<th>D0-D4</th>
<th>D1-D4</th>
<th>D2-D4</th>
<th>D3-D4</th>
<th>D4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1.26</td>
<td>98.74</td>
<td>93.71</td>
<td>62.77</td>
<td>10.20</td>
<td>0.00</td>
</tr>
<tr>
<td>Last Week</td>
<td>1.26</td>
<td>98.74</td>
<td>93.71</td>
<td>62.76</td>
<td>9.28</td>
<td>0.00</td>
</tr>
<tr>
<td>3 Months Ago</td>
<td>13.53</td>
<td>86.47</td>
<td>60.66</td>
<td>4.61</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Start of Calendar Year 12-31-2019</td>
<td>17.19</td>
<td>82.81</td>
<td>55.72</td>
<td>30.47</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Start of Water Year 10-01-2019</td>
<td>45.02</td>
<td>54.18</td>
<td>29.59</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>One Year Ago</td>
<td>85.51</td>
<td>14.49</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Intensity:
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

EXTENSION.USU.EDU
UtahStateUniversity
Utah Drought Monitor

August 4, 2020
(Released Thursday, Aug. 6, 2020)
Valid 8 a.m. EDT

<table>
<thead>
<tr>
<th>Drought Conditions (Percent Area)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
</tr>
<tr>
<td><strong>Current</strong></td>
</tr>
<tr>
<td><strong>Last Week</strong></td>
</tr>
<tr>
<td><strong>3 Months Ago</strong></td>
</tr>
<tr>
<td><strong>Start of Calendar Year 12-31-2019</strong></td>
</tr>
<tr>
<td><strong>Start of Water Year 10/01/2019</strong></td>
</tr>
<tr>
<td><strong>One Year Ago</strong></td>
</tr>
</tbody>
</table>

**Intensity**
- None
- D2 Severe Drought
- D0 Abnormally Dry
- D3 Extreme Drought
- D1 Moderate Drought
- D4 Exceptional Drought

EXTENSION.USU.EDU
UtahStateUniversity
Historic Percentages for Utah
Drought Vegetation Response Index

August 2, 2020

Vegetation Condition
- Extreme Drought
- Severe Drought
- Moderate Drought
- Pre-drought stress
- Near Normal
- Unusually Moist
- Very Moist
- Extreme Moist
- Out of Season
- Water
Precipitation

Percent of Normal Precipitation (%)  
10/1/2019 – 8/8/2020

[Map showing precipitation distribution across the western United States]
Temperature

Departure from Normal Temperature (F)
7/10/2020 – 8/8/2020
Ag in Drought-- Hay

Reflects August 4, 2020
U.S. Drought Monitor data

Approximately 19% of hay acreage is within an area experiencing drought.

Drought Areas
Major Hay Area
Minor Hay Area
Ag in Drought-- Hay

Approximate Percentage of Hay Located in Drought *
August 4, 2020

Crop production percentages and associated drought categories

- Percent in Moderate Drought (D1)
- Percent in Severe Drought (D2)
- Percent in Extreme Drought (D3)
- Percent in Exceptional Drought (D4)

[Bar chart showing the percentage of hay located in drought for various states as of August 4, 2020.]
Ag in Drought -- Hay

United States Hay Areas Located in Drought

- Moderate or more intense drought (D1+)
- Severe or more intense drought (D2+)
- Extreme or more intense drought (D3+)
- Exceptional drought (D4)
Ag in Drought-- Cattle

Reflects August 4, 2020
U.S. Drought Monitor data

Approximately 27% of cattle inventory is within an area experiencing drought.

USDA
United States Department of Agriculture

Drought Areas
Major Cattle Area
Minor Cattle Area

EXTENSION.USU.EDU
Utah State University
Future Outlook for Drought

U.S. Monthly Drought Outlook
Drought Tendency During the Valid Period

Valid for August 2020
Released July 31, 2020

http://go.usa.gov/3eZGd

Author:
Yun Fan
NOAA/NWS/NCEP/Climate Prediction Center
Future Outlook for Drought

U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period

Valid for July 16 - October 31, 2020
Released July 16

Author: Rich Tinker
NOAA/NWS/NCEP/Climate Prediction Center

http://go.usa.gov/3eZ7

Drought persists
Drought remains but improves
Drought removal likely
Drought development likely

EXTENSION.USU.EDU
Utah State University
Recommended Resources

• US Drought Monitor (Utah specific):
  https://www.drought.gov/drought/states/utah

• Utah Water Supply Outlook:

• USDA Domestic Weather Reports
  https://www.usda.gov/oce/weather-drought-monitor/publications
Questions?

Contact: Anastasia Thayer Hassett
anastasia.thayer@usu.edu
Farm Financial Health Programs and Resources

Dr. Ruby Ward, Department of Applied Economics
DISCLAIMER

The information in this publication/presentation is provided only for educational purposes and to inform the reader of relevant topics. This is not to be perceived or utilized as formal tax or legal advice. It is up to the reader to seek the necessary and appropriate tax and legal professionals that specialize in these areas for specific guidance.
• January 2020
  • Ag Production was up and markets were good in general
• March 2020
  • Shutdown
  • Meat processing capacity down 40%
  • Run on food at grocery stores, but farmers dumping some products
  • Tax filing deadline extended to July 15th
• April SBA started PPP and EIDL, shutdown and restarted
• May CFAP started end of May
• June PPP loan forgiveness extended
• August – still many unknowns
Alphabet Soup

• SBA – PPP
• SBA – EIDL
• UDAF – Grant Relief
• FSA – CFAP
• Tax filing deadline extended to July 15\textsuperscript{th}. Announced on March 21st

A lot of unknowns
Outline

• What has happened with programs?
• What are continuing questions?
• What might happen?
**SBA – Paycheck Protection Program**

- Aim to keep people employed.
- Can only take one loan.
- General Terms Originally
  - Apply through lender
  - Amount – 2 months of average monthly payroll for last year + 25%
  - Forgiveness if:
    - 75% used for payroll (capped at salary of $100,000 per employee)
    - Rest used for rent, utilities and mortgage interest.
    - Keep or restore full time staff by June 30th
  - 1% interest, 2 year loan (payments deferred for 6 months).
  - Certify that – “Current economic uncertainty makes the loan necessary to support ongoing operations.”
SBA – Paycheck Protection Program

• Existing Program with Small Business Administration (SBA)
• CARES act funded it with $349 billion and modified some of the intent.
  • April 3rd Started would go until June 30th or fund run out
  • April 10th self-employed and contractors can apply
  • April 14th Treasury issues guidance
  • April 16th Ran out of funds!!
  • In final days SBA allocating $3-4 billion per hour.
• PP and Healthcare Enhancement Act (April 24th) added $310 Billion
  • April 27th began accepting loans again
• April 30th US Dept. Treasury addresses seasonal employees
SBA – Paycheck Protection Program

• June 5th Paycheck Protection Flexibility Program
  • Extend loan term from 2 years to 5 years (only for new loans)
  • Coverage period from 8 weeks to 24 weeks or December 31st
  • Full-time employee requirement
    • If could not rehire same employees or others, or
    • Business unable to return to same level of business activity due to CDC, HHS, or OSHA standards.
  • Payroll only needs to be 60% of funds used for loan forgiveness
• Still had questions on what counts as self-employed farm income
SBA – PPP Remaining Issues

• Will there be blanket forgiveness?
• The loan forgiveness will not be taxable
  • Does that mean the expenses funds were used for are not tax deductible?
  • If expenses should not be on schedule F
    • If payroll reduced on schedule F – does not match with W-2s
    • Banks cannot use schedule F and compare to other years
  • If not included in expenses – what about income reporting?
SBA-EIDL and Agriculture Enterprises

- 2 Parts
  - Advance
    - Up to $10,000
    - To be received in 3 days
    - EIDL reduced PPP amount of loan forgiven
    - Available through December 2020 (specific by State)
    - July 11th All available funds have been used
  - Loan
    - Rate is 3.75%
    - Max 30 year repayment
    - No pre-payment penalty
SBA-EIDL and Agriculture Enterprises

• Loan Terms
  • > $25,000 must be secured
  • Can they be used for replacement heifers
    • Not for expansion, but can be used for regular, recurring
    • Unclear
  • Cannot sell collateral without SBA approval
SBA-EIDL and Agriculture Enterprises

• Economic Injury Disaster Loans for Small Businesses
  • Traditional for small business not Agriculture
  • Agriculture Traditionally serviced by USDA/FSA disaster programs

• CARES Act did not modify provision that excepted ag enterprises
  • Small ag cooperatives and **greenhouses were eligible**
  • **Evidence that congress did not** intend to exclude agriculture enterprises

• May 4, 2020 EIDL extended to Agriculture Enterprises and for a
time limited new application to Agriculture only
UDA F – Relief Grant 2020

• Up to $40,000 per agriculture operation
• [https://ag.utah.gov/relief-grant/](https://ag.utah.gov/relief-grant/)
• Detailed Explanation
  • How operation has been financially impacted due to Covid19
  • Accurate financial accounting on Expense and Income Statement
• Deadline January 1, 2021
FSA-CFAP

- Coronavirus Farm Assistant Program
  - [https://www.farmers.gov/cfap](https://www.farmers.gov/cfap)
- May 26th to August 28th
- Over $16 billion in direct support to producers on actual losses for the 2020 marketing year caused by COVID-19.
  - $9.6 billion for livestock producers (including wool)
    - $5.1 billion for cattle
    - $2.9 billion for dairy
    - $1.6 billion for hogs
  - $3.9 billion for row crop producers
  - $2.1 billion for specialty crop producers
  - $500 million for other crops
FSA-CFAP

• FSA offices were by phone appointment only.
• Only paid 80% of payments listed
• USU Extension/FSA webinar June 4th
• Mostly dairy, cattle, sheep and, wool
  • Must have had price drop from Jan. 15 to April 15th
• FSA employees said it was the busiest they had been in 20 years.
Farm Financial Stress

• Farm Bankruptcy (Chapter 12)
  • 580 between July 1, 2019 to June 30, 2020
  • That was an 8% increase
  • It was an 8 year high

• CALT – held farm financial stress workshop last week including special rules for Chapter 12 bankruptcy
  • Participation was low
  • May still be too early

• Collective Farm Balance Sheet is pretty good
  • Rents have not come down, farm equipment has not seen a fall off
USU Extension Resources

• Ruraltax.org/covid19
• Marketing in Motion Blog (extension.usu.edu/apec)
• CFAP webinar
  • Extension.usu.edu/apec
• Farm Financial Health
  • Will launch this fall
• Examining Meat Processing in Utah in partnership with UDAF
Where are we at?

• Will there be a farm program?
• Can we deduct expenses paid with non-taxable income?
  • PPP loan income was non-taxable.
  • What if expenses in one year and loan forgiveness in another?
  • Senator Grassley says yes
• Will PPP loan program be reauthorized?
  • What level?
  • Could someone take a 2\textsuperscript{nd} loan? Only if income is 50% or less of prior year?
• Will there be a PPP loan amount that is forgiven automatically?
  • Farm Bureau pushing for $125 K.
Questions?

• Ruby Ward
• Email: Ruby.ward@usu.edu
• Office: (435) 797-2323
Utah Agricultural Outlook: Hemp Market Update

Dr. Tanner McCarty
Applied Economics Department
Why Hemp?

- Versatile plant with host of high value end products.
  - Food, fiber, textile, beauty, therapeutic products

- CBD U.S. market value in 2018 estimated between $0.6-$2 billion (Azer et. al, 2019)

- Expected to hit $15 billion by 2025 (Azer et. al 2019)

- Revenue for 1 acre of CBD can exceeded $50,000 in revenue under the right conditions

Policy Background

• 2018 Farm Bill reclassified federal status of industrial hemp.
  • Controlled substance to agricultural commodity
  • Must be under 0.3% THC content
  • Must obtain permit to grow
Types of Hemp

- Various cultivars include seed, fiber and floral hemp.

Risk Level

- Seed ($231 to $624) / acre
- Fiber ($27 to $248) / acre

Potential Return

- Floral “CBD” $−1,432 to $7,555 / acre

https://extension.psu.edu/industrial-hemp-production
https://extension2.missouri.edu/g670
Sources of Farmer Risk For Floral Hemp

• Production Risk
  • Yield
  • CBD concentration
  • Cross pollination
  • Seed risk
  • THC concentration
Sources of Farmer Risk For Floral Hemp

- Policy Uncertainty
  - Rapidly evolving state policies
  - Interstate regulations
Sources of Farmer Risk For Floral Hemp

• Price Risk

  • Thin markets primarily traded through contract
    • Information asymmetry
    • Volatile prices

  • Processors breaking contracts
Floral Hemp Price Volatility Over 2019

Floral hemp prices (% CBD Content/lb) started at approximately $3.50/% cbd/lb in January 2019 (PanXchange, 2020)

They rose to approximately $4.40 in July of 2019 (PanXchange, 2020)

They fell to approximately $0.75 by January of 2020 (PanXchange, 2020)

*Price data is from January 2019 to January 2020

Hemp Acreage Over Time

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed hemp acreage</th>
<th>Planted hemp acreage</th>
<th>Estimated planted acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Takeaways

• Prices in 2020?
  • Demand predicted to continue grow for final CBD products
  • If enough CBD processors come online could increase prices
  • Unlikely anywhere near 2018 levels

• Contract, contract, contract
  • Guarantees buyer at harvest
  • Locks in price at planting
  • Qualifies farmer’s crop for Whole Farm Revenue Protection Insurance

• Don’t plant more than you can afford to lose

• To support the formation of this potentially important industry the availability of data, academic research and extension needs to expand
Industry Questions Looking Forward

• What will processing capacity look like going forward?

• Is current trajectory for CBD product demand sustainable?

• Which CBD health benefits are real and which are conjecture?

• When will we get to a point of price discovery for floral hemp?

• Will other cannabinoid compounds play a relevant role going forward? (e.g. CBG)
Questions?