

Agriculture's perfect storm

The normal economic characteristics of crop agriculture and the COVID-19 pandemic have combined to create what might be called a perfect storm for agriculture.

With weeks of sequestering in place, people have not driven to work, church, or most anywhere else. Fewer miles result in lower gasoline consumption, which results in less ethanol needed to be blended into the gasoline supply, which means fewer bushels corn are needed to produce the ethanol, resulting in higher year-ending stocks of corn and lower prices.

To add insult to injury, we are having a fairly normal crop planting season, so the good news for the 2020 crop means bad news for prices.

The COVID-19 pandemic has spread like wildfire in a significant number of packing plants in the US, resulting in many being shut down for deep sanitation and the hope to break the spread of the virus among plant workers. Despite the President's invocation of the Defense Production Act and the designation of processing plants as essential infrastructure, it will take time to get all the plants back in production and even then, they may be operating at reduced line-speeds as they try to space workers 6 feet apart.

For farmers with hogs maturing weekly, the closure of plants means they are unable to move this week's hogs to market to make room for the next batch coming down the pipeline. With few alternate marketing options, farmers are talking about euthanizing hogs, even though that represents a significant cost to them. Without open processing plants, they feel they have no other option.

Once farmers begin to reduce the number of pigs in the pipeline, that means the lower utilization of corn and soybeans for feed, resulting again in additional carryover stocks and lower prices for those commodities.

The vertical integration of the poultry industry means that the integrator/processor owns the birds from hatch to dispatch. The closure of processing plants as a result of COVID-19 has resulted in a reduction in the amount of chicken that is available at retail outlets. That would suggest that not all chickens maturing in recent weeks have been slaughtered in the processing plants. Because those animals are owned by the integrators, we have not seen any stories about the fate of those birds, but one way or another they have to be cleared out to make way for the next batch.

With the closure or reduced seating capacity of restaurants, Western vegetable producers find themselves in a bind because some vegetable crops are produced primarily for the restaurant market. As a result, we read stories of farmers harvesting crops and leaving the product to rot because they have no market for that production as home demand for those crops does not fully replace restaurant demand.

In some areas of the country, farmers are having to dump milk because the local processing plants have all the milk that they can handle.

In total, a wide range of farmers are having to hold storable commodities, dump milk, and destroy animals and vegetables they have raised as a result of this perfect storm. For nearly every farmer, this represents another year of a downward trend in net farm income and for some it raises the question of whether they will have to abandon farming as an occupation.

While the general population is supportive of family farmers, nothing shocks them like stories of dumped milk, rotting vegetables, and the slaughter of hogs. The question that we read over and over is "why can't they make those product available to the poor and newly unemployed who are having trouble putting food on the table?"

In future columns we will explore ways to address the public's concerns about destroyed food, but first a hint. The strategy that will work for vegetables is different from the one that will address the dairy and meat processing industries, though there is a common thread: money and the commitment of societal resources.

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