Is the US Agricultural Sector Recovering from COVID-19?

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Is the US Agricultural Sector Recovering from COVID-19?

To explore the extent of recovery in the US agricultural sector, we updated our previous comparison of USDA’s meat, corn, and soybean projections. Our previous comparison ran from January 2020 (before the first confirmed case of COVID-19 in the United States) to USDA’s June outlook. This update extended that to USDA’s recent October outlook.

The 2020 soybean market has seen the largest recovery from COVID-19. Compared to the June USDA forecast, the October report showed 1.7 billion bushels fewer soybean stocks on hand and 2.6 billion bushels more soybean exports. Similarly, corn stocks were 1.8 billion bushels lower and exports were 3.3 billion bushels higher. The combination of smaller supplies and increased exports have pushed prices higher, as USDA reversed its forecast of lower production and lower prices, the October update revealed not only higher production but also higher production and prices than the original forecast in January (pre-COVID-19).

The June 2020 USDA production forecast for soybeans was 4.25 billion bushels, compared to the 2.78 billion bushels estimated in January. The 2021 soybean market forecast production of 4.1 billion bushels was revised upward, compared to the 3.5 billion bushels estimated in January (both January and October were pre-COVID-19). Despite the derecho and drought, USDA projects soybean production to exceed 4.25 billion bushels in October, the highest forecast since 2012. Similarly, corn forecast production was revised upward, from 13.6 billion bushels in January to 13.7 billion bushels in June and 13.8 billion bushels in October, the highest forecast since 2014.

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In June, the 2019 soybean crop was experiencing increased domestic demand, mainly for livestock feed and residual usage for ethanol. The basis for the June production estimate was early planting and good crop development. For most of the summer, the market has recovered from the earlier COVID-19 losses and is now exceeding pre-pandemic highs for both production and prices. Export projections have jumped from 1.895 billion bushels in January to 2.200 billion bushels in October. Similarly, soybean stocks were revised upward, from 2.135 billion in January to 2.145 billion in June and 2.18 billion in October. Similarly, corn stocks were revised upward, from 2.99 billion in January to 3.05 billion in June and 3.105 billion in October. The 2020 corn market has also seen the largest recovery from COVID-19. Compared to the January USDA forecast, the October report showed 2.5 billion bushels fewer corn stocks on hand and 3.4 billion bushels more corn exports. Similarly, corn stocks were 2.7 billion bushels lower and exports were 4.0 billion bushels higher. The combination of smaller supplies and increased exports have pushed prices higher, as USDA reversed its forecast of lower production and lower prices, the October update revealed not only higher production but also higher production and prices than the original forecast in January (pre-COVID-19).