

NCGA + COVID-19



NCGA is Prepared

As the COVID-19 pandemic continues to unfold across both urban and rural America, the National Corn Growers Association (NCGA) is doing our part in continuing to learn how this outbreak impacts the American corn farmer. We're looking at how to manage those impacts and how we can address the large degree of uncertainty it creates for the future.

Farmers are no strangers to uncertainty. Amid unpredictable variables including weather, international trade dynamics, and global economic challenges, farmers have continued to feed and fuel the world. COVID-19 represents yet another level of unpredictability. NCGA has been a long-time champion for building and protecting a safety net for uncontrollable circumstances such as these. Existing farm and risk management programs, while not intended to make a producer whole, help farmers to continue to operate in uncertain times, ensuring they can continue production well into the future.

ARC and PLC

The Agriculture Risk Coverage (ARC) program and the Price Loss Coverage (PLC) program provide the front line of financial defense for producers as revenues (ARC) or prices (PLC) fall. For 2019-2020, calculators from the University of Illinois and Texas A&M generally recommended that most producers take PLC for corn acres. If corn prices stay at their current lows for the rest of the marketing year, then PLC will generate a corn payment for the 2019 crop. If prices increase, then no payment will be generated, a positive sign that corn prices are recovering, and the safety net's PLC program is working exactly as intended.

While the ARC program is unlikely to pay out for the 2019 crop year, producers in this program will be protected against revenue losses for their 2020 crop, particularly if low prices persist for an extended period of time or yields unexpectedly decline.

Crop Insurance

The Federal Crop Insurance Program is designed to provide additional protection for producers in the case of a more significant loss. Because the crop insurance program is a public-private partnership, the producer bears a portion of the burden. Current projections indicate it is unlikely a payment will be generated under the widely used 85 percent Revenue Protection policies for corn (farmdoc daily March 24, 2020). However, crop insurance will be key to managing the uncertainty created by COVID-19. If yields decline due to unexpected weather, or prices fall dramatically as a result of an economic downturn, then crop insurance support may kick in to manage the damage to producers. Corn growers can take comfort in the ability of crop insurance to protect them against financial uncertainty this year.

Access to Capital

Access to adequate cash flows to continue operating their business is a key need for farmers, especially when prices are low and the future is uncertain. The USDA Farm Service Agency (FSA) operates as a lender of last resort, providing a variety of programs and opportunities for producers that have limited resources available through traditional lending institutions. The 2018 Farm Bill increased the limits of FSA's Direct and Guaranteed operating and ownership loans. The wide variety of credit programs already in existence at USDA, in addition to COVID-19 specific support for farmers at the department, farmers will continue to have access to the capital they need.

Livestock Markets

As corn growers' number one customer, we always strive to work closely with our livestock industry partners. The cattle industry in particular has been hit by economic damage from COVID-19 with live cattle prices falling by as much as 30 percent. Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress provided \$9.5 billion to USDA for agricultural coronavirus response. Livestock was one of the key sectors that was prioritized for this relief, and NCGA continues to work with the cattle industry to ensure USDA can effectively support our customers to keep markets working.

Biofuels Markets

Another significant corn customer, ethanol production, has been hit hard by two compounding factors. 1) Plummeting oil prices as a result of the Saudi-Russia oil price war have destroyed the economic incentive of ethanol production, and 2) Reduced travel due to COVID-19 safety measures has dropped gasoline demand by as much as 50 percent, similarly impacting ethanol demand.

The federal Renewable Fuel Standard (RFS) keeps the closed transportation fuel market open to ethanol. Without the RFS requirement for renewable fuels blending, the current blending economics would put ethanol at a disadvantage compared to gasoline. The RFS requires that ethanol blending in gasoline standards be met to maintain market access for biofuels in the nation's transportation fuel supply.

Existing USDA authorities can also be used to help ethanol producers survive this damaging price and demand drop and come back online as the situation improves. NCGA supports ethanol producers' request to USDA to use Commodity Credit Corporation (CCC) authority for assistance that will help preserve this corn market.

NCGA's Trade Strategy

Despite the uncertainty brought about by COVID-19, international trade has continued to flow. So far, U.S. food and agriculture supply chains have not been significantly impacted by COVID-19. With international trade driving 33 percent of a corn farmers' income, the continuity of grain trade and transportation system operations will establish another degree of stability in the midst of uncertainty. NCGA will continue to monitor trade conditions, transportation systems, and supply chain logistics. We will work closely with the U.S. Grains Council and other industry partners to prevent disruption, enforce existing agreements, and aggressively pursue new market opportunities.

Conclusion

NCGA has spent years developing and protecting an effective risk management system for corn farmers. Farming is inherently risky, and these tools are essential to ensure a stable supply of feed and fuel for our country, and the rest of the world. Although COVID-19 will continue to bring unique challenges, NCGA is prepared to meet them. A strong farm safety net, partnerships with our key customer industries, and an aggressive international trade strategy create a stable foundation in a time when so many are facing total uncertainty.