

# Trade Wars

## Meat Processing Among Key Farm & Ag Issues During COVID-19

Dairy, meat and crop supplies are available...but processing is not. Decreased demand for ethanol leads to changing priorities from farmers, and Midwest family farms, already impacted by rising machinery prices, struggle to survive. For Farm & Ag insurers, the COVID-19 pandemic has resulted in unexpected challenges requiring quick, creative solutions to help keep the farm industry afloat.

At the Virtual Main Event, AAIS Farm & Ag Product Manager Rich Pelkofsky spoke to Laurus Consulting Principal Casey Roberts on the rising issues farmers and agriculture insurers face as the U.S., and the world, respond to the COVID-19 pandemic.

Livestock and dairy processing bottlenecks have been a major challenge. Ranchers, poultry farmers and dairy producers report an ample supply of meat, milk, and cheese, but food processors are unable to meet their pre-pandemic order levels. Some processing factories have been shuttered due to COVID-19 outbreaks amongst their employees, causing a shortage in the manpower needed to process food safely and efficiently for consumption. Others are reporting a demand suppression from customers as schools and restaurants have shuttered during the pandemic as well.

This leads to massive food waste and depressed dairy and livestock prices, both impacting farmer revenues. And as revenues fall, food producers search for ways to cut costs, including reducing their insurance coverage. Mr. Roberts is concerned that these cost cuts may persist after the initial pandemic period is over. Farmers may forget to readdress their insurance coverage once recovery begins.

Trade tensions between the US and China increased during the pandemic, which also affects farmer

**“Rising production, equipment and operating costs have led to a dramatic increase in farm bankruptcies, particularly in the Midwest.”**

revenue. The trade crisis has resulted in depressed corn prices, already impacted by falling ethanol consumption, down more than 20% in March due to drivers staying off the road. Domestic farmers now struggle to decide if they should continue to plant corn, or if soybeans would produce better results.

While these challenges are not new, the pandemic has only heightened the struggles some Midwest farmers already faced. Rising production, equipment and operating costs have led to a dramatic increase in farm bankruptcies, particularly in the Midwest. A recent study from the American Farm Bureau said family farm bankruptcies were up by 23% in March 2020, particularly in Wisconsin, Iowa, and Nebraska. When faced with the additional challenges brought by COVID-19, the farm industry is facing significant challenges.

Despite this, technology advances, including vertical farming, drones, automated farm vehicles and predictive analytics, will help farmers continue to respond to challenges.

**For more on emerging trends in the farm and agribusiness, check out the full Virtual Main Event discussion, available on-demand in the VME Library.**