COVID-19

Farmers join rush for SBA relief loans; money running out

Agribusinesses across the U.S. apply for Payroll Protection Program loans

By SIERRA DAWN MCCLAIN
Capital Press

Farm Credit

Many sectors of agriculture are seeking help through forgivable Small Business Administration loans during the COVID-19 crisis, but the money is running out.

Farmers and agribusiness owners across the U.S. are racing to apply at banks, credit unions and agricultural lenders for small business loans that are part of a COVID-19 federal relief package — before the money runs out.

The Payment Protection Program, run by the U.S. Small Business Administration, authorizes up to $349 billion in forgivable loans to support payroll so small businesses can keep workers employed during the pandemic.

The program is part of the Coronavirus Aid, Relief and Economic Security Act Congress passed and the president signed March 27 to stimulate a virus-crippled economy.

The aid comes at a critical time when farms — especially those wracked by lost profits from displaced restaurant and wholesale markets — are hurting, industry leaders say. But because demand for PPP loans has been enormous, the loan pool is quickly evaporating.

“We expect the money to run out by the end of the week unless Congress puts more in the system,” said Tom Van Hoose, president and CEO of the Farm Credit Council, the national trade association for 72 farm credit system lenders across the U.S.

Monday, the Paycheck Protection Program had already approved 880,000 applications totaling $217 billion, or 62% of allocated dollars, according to SBA figures.

Within just 36 hours of launching PPP, Columbia Bank, a commercial bank with locations in Washington, Oregon and Idaho, received more loan requests than would typically be received in six to eight months and can handle no new applications, said a spokesperson.

“A lot of anxious farmers want to apply,” said Mark Hayes, spokesperson for the Farm Credit Council.

PPP loans are not just for agriculture. Across sectors, small businesses with fewer than 500 employees are eligible to apply.

According to SBA, businesses can apply for a loan up to 2 1/2 times their monthly payroll — enough to keep their workers employed two more months.

SBA will forgive all PPP loans if a business keeps all its employees on payroll for eight weeks and at least 75% of the loan is used for payroll. The remainder can be used for utilities, rent or mortgage interest. If a business breaks a requirement, the aid converts to a two-year loan at 1% interest.

Experts say non-agricultural lenders were typically first to get applications processed.

Hayes said this is because many banks and credit unions were already SBA lenders and could start immediate processing, while the farm credit system was new to working with SBA and “had a lot of government agency hurdles to get through.”

Van Hoose estimates only 20 to 25 of the 72 farm credit programs are ready to process applications.

“It’s been chaotic,” said Van Hoose. “Really, our lenders are just getting started right when the money is about to run out.”

The Farm Credit Council encourages farmers to consult with their local agricultural lenders, but said farmers with relationships with commercial SBA-lender banks should apply there first.

Although applications won’t be processed once money runs out, the Farm Credit Council encourages farms to apply anyway so they will be at the top of the queue if Congress approves more money later.

Van Hoose and Hayes say they hope Congress will recognize agricultural industry needs and increase loan resources.

“Farms have been hurting for a long time, and now they’re really hurting in this pandemic,” said Hayes. “This is timely assistance, but it’s a finite pool of money and I hope more help is on the way.”

Hog farmers face dire decisions

By CAROL RYAN DUMAS
Capital Press

Capital Press File

The COVID-19 shutdown has created a crisis for the nation’s hog farmers, who are seeking help from the federal government.

National Pork Producers Council is calling on the federal government to quickly assist hog farmers facing a financial crisis due to the coronavirus situation.

Foodservice shutdowns, trade slowdowns, record-large supplies of pork and labor issues at processing plants have led to a surplus of swine.

As a result, hog values have plummeted, and market-ready hogs have nowhere to go, Howard A.V. Roth, a Wisconsin hog farmer and NPPC president, said in a conference call with reporters on Tuesday.

Coronavirus has had a sudden and devastating impact on hog farmers, who are facing dire decisions on the farm, he said.

Hog farmers are already exiting the business. And while euthanizing animals is the last thing producers would ever do, it’s going to happen unless there is immediate government intervention, he said.

“We need swift government action to stabilize our family farms,” he said.

About 10,000 hog farmers are in jeopardy. If they don’t get help, they will be forced to make decisions that would affect the world pork supply for many years to come, he said.

Most important is direct payments to producers, Nick Giordano, NPPC vice president and counsel for global government affairs, said.

“A very significant number of hog farmers are at risk,” he said.

Producers were already in a bad situation with trade retaliation from China and Mexico, which took $20 per head off the price of hogs in 2018 and 2019. A recent analysis estimates hog producers will lose $37 per hog and $5 billion collectively this year due to coronavirus.

Industry asks government to buy potato backlog

By MATTHEW WEAVER
Capital Press

The COVID-19 shutdown of U.S. restaurants has forced Washington potato processors to reduce production, leaving more than 1 billion pounds of last year’s potato crop stranded in storage even as farmers finish planting this year’s crop.

Growers are asking the USDA to buy the backlog of potatoes.

Processors have roughly 1 billion pounds of potatoes from the 2019 crop still in storage that cannot be used in a timely manner, said Dale Lathim, executive director of the Potato Growers of Washington.

The voluntary organization negotiates pre-season contracts with major potato processing companies on behalf of 65 member growers representing more than 80% of the frozen processing contracted acres in the state.

A government program to buy all of those potatoes would cost roughly $100 million, Lathim said.

“Then they could be dumped,” he said. “That way, those potatoes would not be interfering with any other markets and the entire industry — whether you’re fresh, dehydrated, frozen processing, chipping potatoes — you would benefit from those dollars and it would be the most cost-effective bang for the buck dollar that the taxpayer or anyone else could use.”

All regional processing plants are cutting back on production, Lathim said.

“... It is very devastating to some individuals,” he said.

Some farmers growing for several companies have been cut back as much as 75%, Lathim said. Much of that acreage had already been planted.

“The economic hit to a handful of growers is bigger than anything I’ve seen in my 26 years,” Lathim said. “For the vast majority of growers, it’s a painful hit, but it’s one that’s manageable and they should survive. But a handful of growers, without some assistance through government programs ... it could be their last year.”

The Columbia Basin is hit harder because processors there primarily serve high-end quick service restaurants, the segment of the restaurant industry hurt the most, Lathim said.

Total contracted acreage in the Pacific Northwest is normally 225,000. Lathim said 55,000 acres have been cut, a 24% reduction.

Contracted acreage is reduced from 190,000 acres by nearly 31,000 acres, a 16% reduction in the Columbia Basin. Roughly 14,000 acres in Idaho and more than 10,000 in Alberta have also been cut.

The intended expansion of McCain Foods in Othello, Wash., has also been paused due to the quarantine, Lathim said.

The company planned to add a new facility in 2021 that would produce nearly 400 million pounds of potato products a year.

The Washington Potato Commission and other potato organizations are waiting on a pending USDA announcement to help the commodity groups most affected by foodservice shutdowns.

“We’re hoping they can immediately buy as many fresh potatoes out of storage as well as processed potato products and get them to food banks,” said Chris Voigt, executive director of the commission.

That process ordinarily takes three months, Voigt said.

But food banks may also have cold storage and distribution capacity issues for the size of excess potatoes and french fries available, Voigt said. Some potatoes may need to be diverted to livestock feed channels.

The industry is also working on a direct payment to potato farmers.

Voigt advises growers to document their expenses and losses. They’re working with USDA and other produce groups to create a quick, easy system to get dollars flowing as fast as possible, he said.

Restaurant exodus has poultry producers changing structure to meet consumer demand

By SIERRA DAWN MCCLAIN
Capital Press

Poultry processors are ramping up production to restock bare coolers at grocery stores, where consumer demand has surged even as restaurant demand has plummeted during the COVID-19 shutdown.

The pandemic has hit the nation’s poultry industry in checkerboard fashion: specialty and restaurant-focused producers are suffering enormous losses; food giants are diverting poultry from restaurants to retailers; and direct-to-consumer farms are having their day in the sun.

“This is the most significant shift we’ve ever initiated,” Dean Banks, president of Tyson Foods, said in a statement. Tyson is the biggest U.S. meat processor.

Tyson spokesperson Worth Sparkman declined to comment on numbers, but said the company was shifting much of its meat from foodservice to retail channels.

Tyson’s employees are working weekends to fill supermarket orders, but logistics have been challenging. Deep cleaning of facilities has sometimes required “suspending at least one day of production,” said Tyson CEO Noel White in a statement.

Industry leaders say shifting sales venues is complex. Transportation routes differ. Supermarket shoppers prefer different cuts than those restaurants use. Retailers require special packaging. Even the preferred age and weight of birds differs.

Tyson isn’t the only company leaping to meet these challenges.

Sanderson Farms Inc. — which has relied on 60% foodservice sales — has added weekend shifts at several plants that process for grocery stores and is poised to transform other facilities.

According to company statements, Pilgrim’s Pride Corp. is also shifting its supply to retail.

Diana Souder, spokesperson for Perdue Farms Inc., said the company is altering its supply lines to meet a “significant uptick” in both retail orders and orders through Perdue’s new direct-to-consumer e-commerce website.

Even Campbell Soup Co. is cranking out more of its iconic chicken noodle soup cans.

“Consumers have turned to in-home dining,” said Bill Mattos, president of the California Poultry Federation, noting the state’s producers moved up to 400% more chicken this March than the same month last year.

Chicken was already America’s most popular meat, according to the National Chicken Council, but the pandemic caused a “chicken run” on supermarkets.

Across the U.S., according to Nielsen Global Media, a market insights company, in the third week of March, fresh chicken sales were 83% higher than the same week in 2019.

In April, poultry panic-buying has slowed.

“Today, we are seeing sales leveling off as consumers settle into a more managed shopping approach,” said Mattos.