

**June 29, 2020**

**To:**

**From: David Crow, Laurie-Ann Flanagan, David Beaudreau**

**Re: NCFAR Lunch-N-Learn Seminar: Economic Impacts of COVID19 on Food and Agricultural Markets**

On June 29, the National Coalition for Food and Agricultural Research (NCFAR) hosted a virtual seminar to discuss the Economic Impacts of COVID19 on Food and Agricultural Markets

**Introduction:**

Executive Vice President of the Council for Agricultural Science and Technology (CAST), Kent Schescke introduced a panel to summarize one of their [recent publications](https://www.cast-science.org/publication/economic-impacts-of-covid-19-on-food-and-agricultural-markets/) detailing the primary impacts of COVID-19 on food and agricultural markets as well as potential solutions. Dr. Jayson Lusk presented preliminary data about the timeline of economic effects observed by various markets. Dr. Timothy Richards discussed specific areas of agricultural impacts online retail, supply chain resilience, and reliance on foreign labor. Dr. Alison Davis discussed the pandemic’s impacts on Rural Health and healthcare systems. Dr. John Anderson discussed broader economic implications across both sectors of food and agriculture.

**Timeline of Disruptive Events:**

Recapitulating the timeline of disruptive events, Dr. Lusk identified the five stages of response, highlighting the stocking up of food at home in early-March, the destruction of the corresponding demand for food away from home (FAFH) a couple of weeks later, the gradual return to market normalcy in early-to-mid April followed by significant supply shocks to the beef and pork packing industry, and lastly a slow recovery in that industry as well as a slow return to FAFH to date.

**Vulnerabilities:**

Dr. Lusk detailed market supply weaknesses which corresponded to the degradation of the market in April and May, citing an inability to adjust to the shifts in supply chain requirements which in turn caused a waste of product. He pointed out that the majority of meat packing facilities are concentrated in 25 cattle and hog slaughterhouses in the midwest which bottlenecked the supply chain when lockdown orders and supply chain disruptions arose. He recommended retroactive analyses of the consumer psychology contributing to the stockpiling mentality, resiliency of food systems including plans for redundancy, excess capacity and flexibility, as well as the need for automation, online sales, targeted regulation to alleviate the pressures which contributed to the disruptions, and measures to ensure food security from purchasing patterns during national and global recession.

**Shift to Online Retail:**

Dr. Timothy Richards continued the discussion of resiliency, summarizing the damage to the food service industry as a result of the disruptions mentioned by Dr. Lusk. He pointed out that as stay-at-home orders crushed food services, many firms struggled to effectively transition to online retail, experiencing large amounts of waste, and reliance on foodbanks and government buy-back programs like Farmers to Families Food Boxes. He identified five primary implications of the shift to online retail: larger baskets, intensive searches, lower rates of impulse purchasing, increased demand for complementary infrastructure investments, and the “long tail” effect within the retail market following from inventory investments. Although the theoretical implications of lower search costs offered from online contexts include convergence on perfect competition and commoditization of retail markets for perishable items, Dr. Lusk pointed out that had not been the case. Consumer’s specific attribute demands were satiated by online retail markets, and the lower search costs drove up search intensity, leading to higher probabilities of consumer-product matches and higher equilibrium prices.

**Supply Chain Resiliency:**

Dr. Lusk presented data reinforcing the notion that fresh foods are not fungible between retail and food service. He mentioned that the pre-COVID food system had been very efficient, focused, and concentrated on traditional supply chains which did not lend themselves to the retail markets. Noting that efficiency and resiliency are tradeoffs, he recommended policy to sacrifice efficiency at the expense of creating market distortions to prevent the severity of future supply chain disruptions.

**Primacy of Labor in the Supply Chain:**

Lastly, Dr. Lusk discussed reliance of the agricultural and food service industries on foreign worker programs like H-2A which has historically been subject to cumbersome application processes and bureaucratic obstacles. These conditions were only worsened by the pandemic which contributed to apprehension of potential workers from crossing the border and risking their health, in turn reducing farmers’ access to labor. He strongly endorsed the need for the Farm Workforce Modernization Act which would streamline and modernize the H-2A program by creating a Certified Agriculture Worker (CAW) status, an electronic platform for H-2A applications, provisions for year-round agricultural work, and avenues for greencard application after 10 years of CAW status.