2016 Farm Income and 2017 Cost Outlook

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2016 Farm Income and 2017 Cost Outlook

1. 2016 US farm income down, in Wisconsin too
2. Projected 2017 costs imply negative margins for crops and dairy for many farmers
3. Farmers are financially stressed, but so far most farmers are managing it
U.S. cash receipts for selected crops, 2012-2016F

$ billion

Note: F = forecast

U.S. cash receipts for selected animals/products, 2012-2016F

Note: F = forecast

ARC Payments in 2016 for 2015 crop year
WI received $198 M for corn, soybeans and wheat

- >$70/A for corn,
- >$50/A for soy

Southern WI farmers received ARC payments > $70/Base Acre
ARC Soy Payments for 2015 Paid in 2016 ($/base acre)

Many WI farmers received ARC payments > $50/Base Acre

Source: https://www.fsa.usda.gov/programs-and-services/arcpic_program/index
Some WI farmers received ARC payments > $40/Base Acre

Source: https://www.fsa.usda.gov/programs-and-services/arcplic_program/index
2016 Crop Insurance Indemnity Paid (1/16/2017)
$20 M paid so far, $57 M for 2015, $457 M for 2012

<table>
<thead>
<tr>
<th>Crop</th>
<th>Policies w/ loss</th>
<th>% Policies w/ loss</th>
<th>Average Indemnity $/Policy</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabbage</td>
<td>3</td>
<td>43%</td>
<td>$10,826</td>
<td>$32,478</td>
</tr>
<tr>
<td>Apples</td>
<td>10</td>
<td>38%</td>
<td>$122,502</td>
<td>$1,225,024</td>
</tr>
<tr>
<td>Snap Beans</td>
<td>67</td>
<td>27%</td>
<td>$29,876</td>
<td>$2,001,711</td>
</tr>
<tr>
<td>Sweet Corn</td>
<td>32</td>
<td>24%</td>
<td>$26,612</td>
<td>$851,596</td>
</tr>
<tr>
<td>Green Peas</td>
<td>25</td>
<td>21%</td>
<td>$17,131</td>
<td>$428,269</td>
</tr>
<tr>
<td>Wheat</td>
<td>290</td>
<td>13%</td>
<td>$3,129</td>
<td>$907,549</td>
</tr>
<tr>
<td>Corn</td>
<td>936</td>
<td>6%</td>
<td>$9,571</td>
<td>$8,958,524</td>
</tr>
<tr>
<td>Forage</td>
<td>106</td>
<td>6%</td>
<td>$16,108</td>
<td>$1,707,462</td>
</tr>
<tr>
<td>Cranberries</td>
<td>10</td>
<td>5%</td>
<td>$65,512</td>
<td>$655,121</td>
</tr>
<tr>
<td>Soybeans</td>
<td>468</td>
<td>4%</td>
<td>$5,061</td>
<td>$2,368,381</td>
</tr>
<tr>
<td>All Other</td>
<td>309</td>
<td>12%</td>
<td>$2,301</td>
<td>$710,984</td>
</tr>
</tbody>
</table>

Source: http://www.rma.usda.gov/data/sob.html
Wisconsin Dairy Cash Receipts ($1,000)

Wisconsin Cattle Cash Receipts ($1,000)
Wisconsin Corn Cash Receipts ($1,000)
State record corn yield of 178 bu/A

Wisconsin Soybean Cash Receipts ($1,000)

State record soybean yield of 55 bu/A
Wisconsin Net Farm Income ($ B)

2016 forecast ranges $1.71 to $2.10 billion

$1.95 billion 23% decline

What about Costs for 2017?
Projected 2017 Share of Costs by Category & Crop (Northern IL)

CORN
$839/A

- Land 27%
- Seed 15%
- Machinery 16%
- Overhead 6%
- Micellaneous 13%
- Nutrients 15%
- Pest Control 8%

SOYBEAN
$575/A

- Land 40%
- Seed 14%
- Machinery 20%
- Overhead 6%
- Micellaneous 11%
- Nutrients 4%
- Pest Control 5%

Source: http://www.farmdoc.illinois.edu/manage/2017_crop_budgets.pdf
Wisconsin Land Values Up Slightly in 2016
2016 Average Crop Land Rental Rate
Southern Crop Reporting Districts

Source: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/
2016 Average Crop Land Rental Rate
Central Crop Reporting Districts

Source: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/
2016 Average Crop Land Rental Rate
Northern Crop Reporting Districts

Source: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/
2016 Average Crop Land Rental Rate
Irrigated Land: Central and State Average

Source: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/
2016 Ag Land Rental Rate ($/A)

Source: https://www.nass.usda.gov/Surveys/Guide_to_NASS_Surveys/Cash_Rents_by_County/
Projected Average Machinery and Seed Costs ($/A, Northern IL)

Machinery

Seed

- Corn
- Soy

Projected Average Nutrient and Pest Control Costs ($/A, Northern IL)

**Nutrients**
- Corn
- Soy

**Pest Control**
- Corn
- Soy
Farmer 2017 Expected Margin $/bu (Northern IL)

- Corn Margin: $0.87/bu
- Soy Margin: $0.33/bu

Graph showing the margin for Corn and Soy from 2008 to 2017.
Farmer 2017 Expected Margin $/A


Corn Soy
US Monthly Milk Cost of Production, USDA-NASS

- Operating Costs
- Total Costs

$/cwt

May-13 Nov-13 Jun-14 Dec-14 Jul-15 Jan-16 Aug-16

2017 Wisconsin Agriculture Outlook Forum
Cost Summary for 2017

- Wisconsin Average Break-Even Costs
- Corn: $4.20-$4.60 range for many farmers
- Soybeans: $9.20-$9.60 range for many farmers
- Dairy: $21-$24/cwt for many farmers
- Many Wisconsin farmers expecting negative margins for 2017, another bad year
- How long can this go on?
Loan Delinquencies and Unemployment

Unemployment led increase in national ag delinquencies

Source: FDIC and FRED
Note: Includes 30-days and 90-days delinquent and nonaccrual loans

U.S. Farm Debt at Commercial Banks and Farm Income

Sources: Federal Reserve Bank of Kansas City, USDA and University of Missouri FAPRI

FEDERAL RESERVE BANK OF KANSAS CITY
Ag Finance Summary

- Farmers are financially stressed by negative margins, but so far most farmers are managing it.
- Loan delinquency rates are low in WI: Banks are not giving loans unless they see a viable plan for repayment.
- A lot of ag operating capital/liquidity is gone, Ag loan demand is up, and Debt to Asset Ratios are increasing.
- Longer term, this can’t go on, 2-3 more years and we will be at the start of a serious ag crisis.
Thanks for your Attention

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