

2016 Farm Income and 2017 Cost Outlook

Dr. Paul D. Mitchell

Associate Professor, UW Ag and Applied Economics
Extension State Specialist, Cropping Systems Management
Director, Renk Agribusiness Institute
Co-Director, Nutrient & Pest Management Program

January 19, 2017 Madison WI

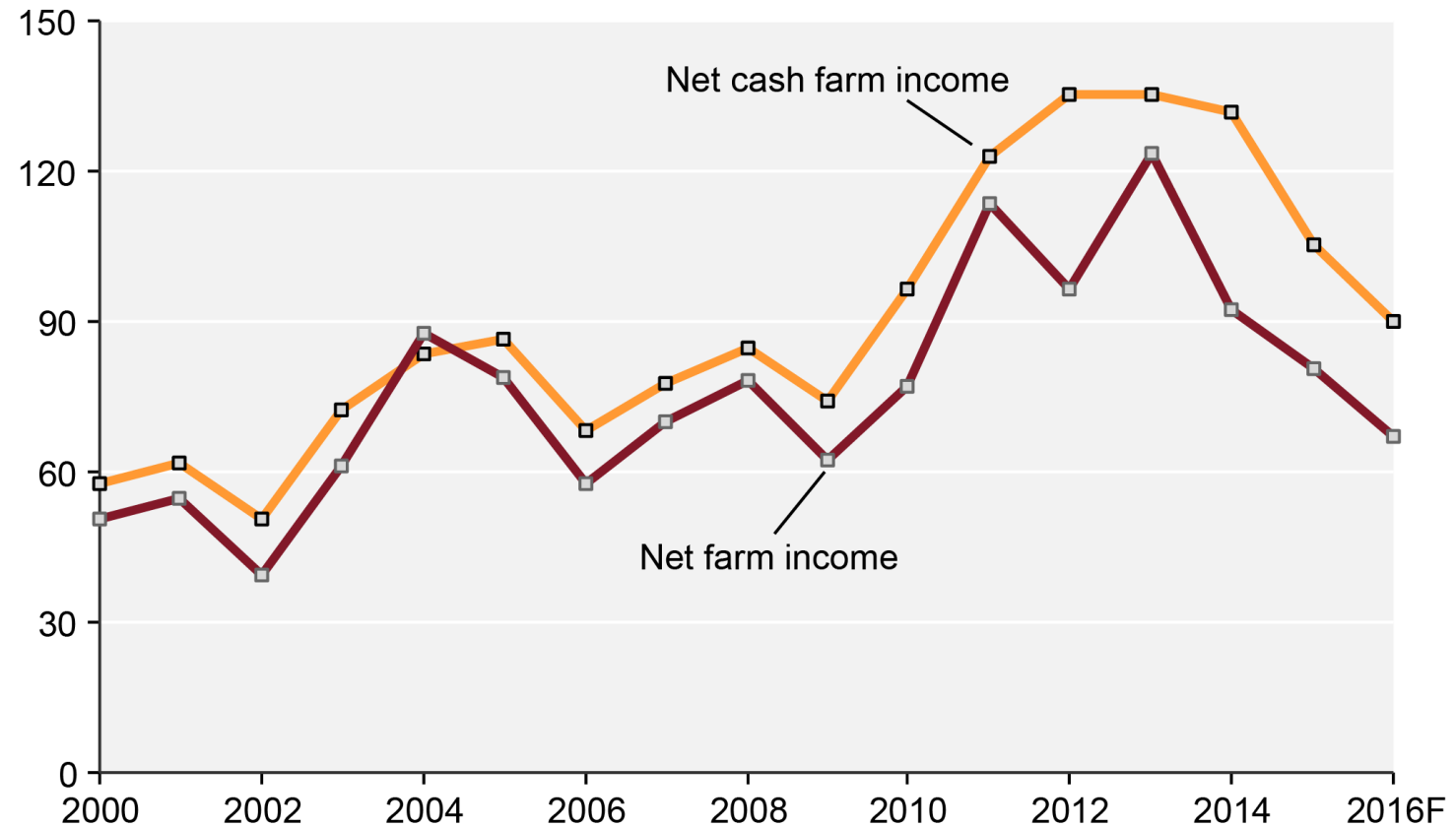
608-265-6514, pdmitchell@wisc.edu, [@mitchelluw](https://twitter.com/mitchelluw) 

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

Net farm income and net cash farm income, 2000-2016F

\$ billion, nominal



\$90.1B

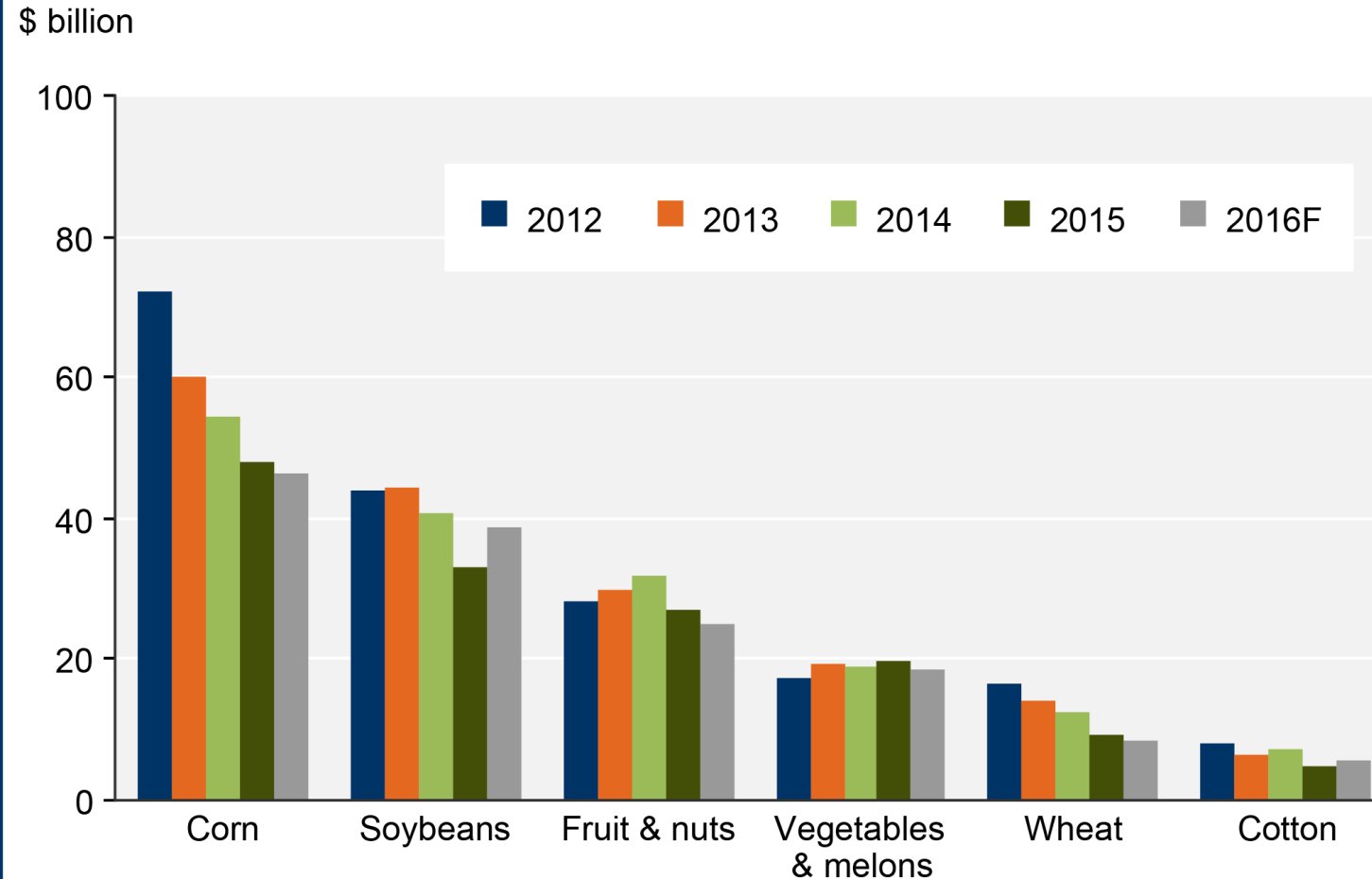
\$66.9B

Note: F = forecast

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of November 30, 2016.

U.S. cash receipts for selected crops, 2012-2016F

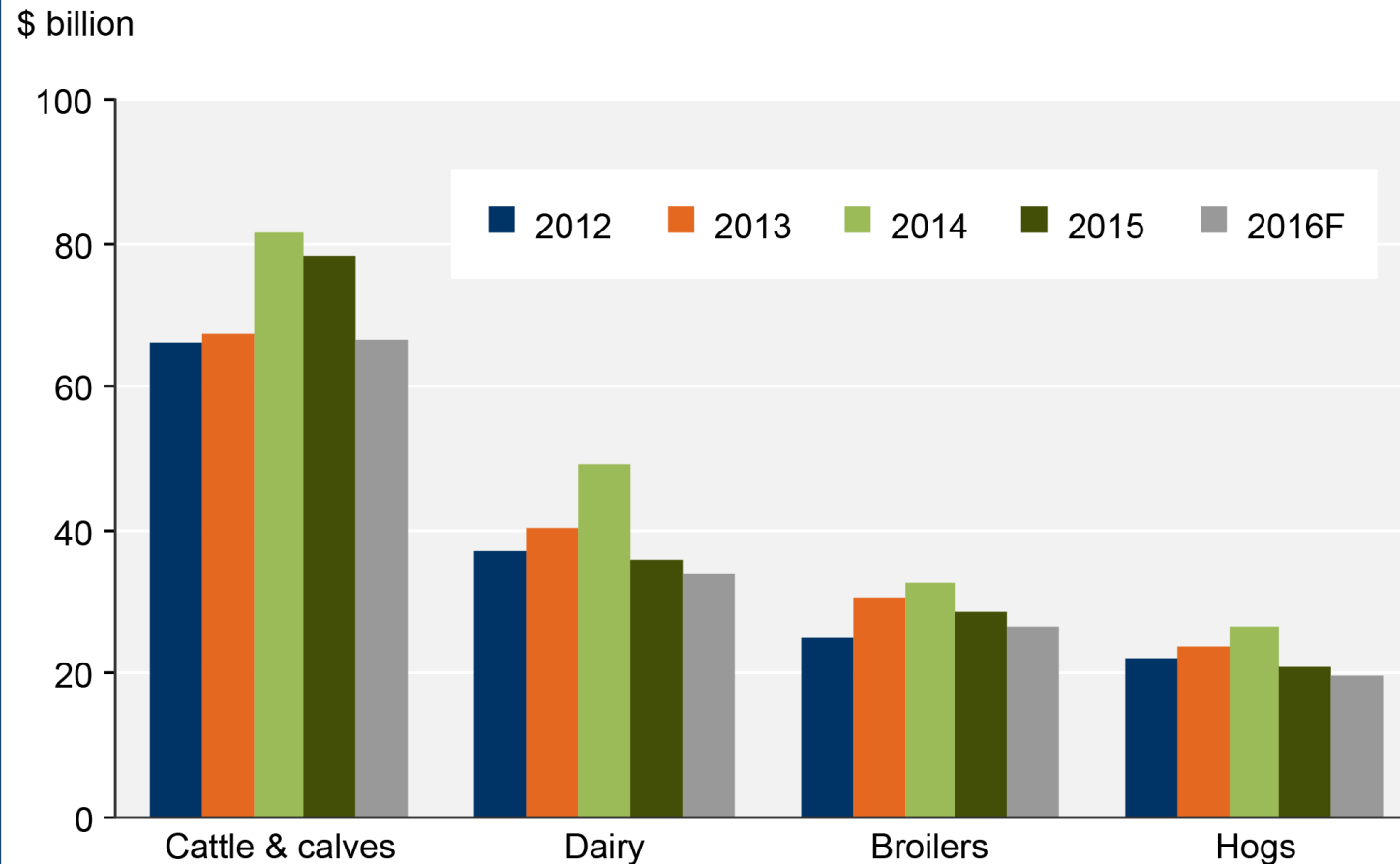


Note: F = forecast

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of November 30, 2016.

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



Note: F = forecast

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

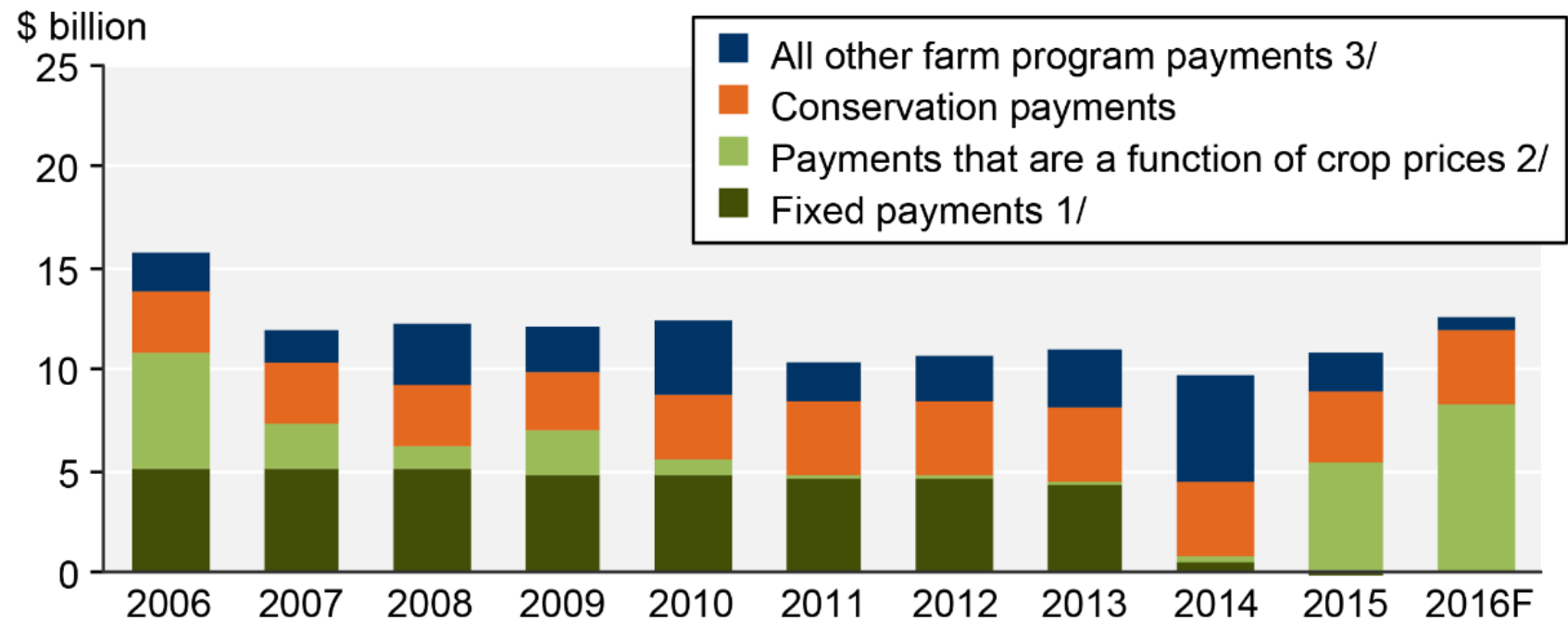
Data as of November 30, 2016.

ARC Payments in 2016 for 2015 crop year

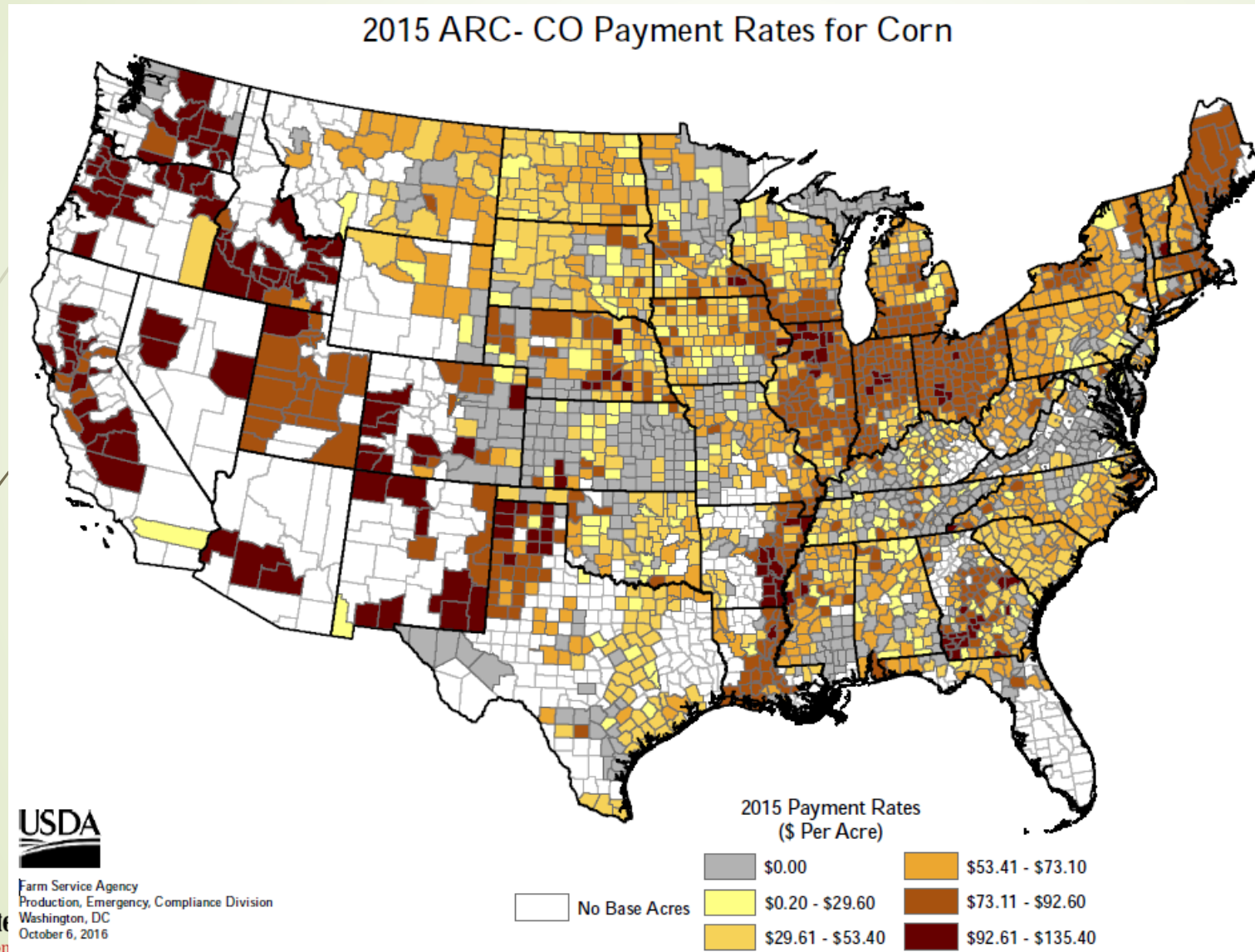
WI received \$198 M for corn, soybeans and wheat

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

Government farm program payments to farm producers, 2006-2016F

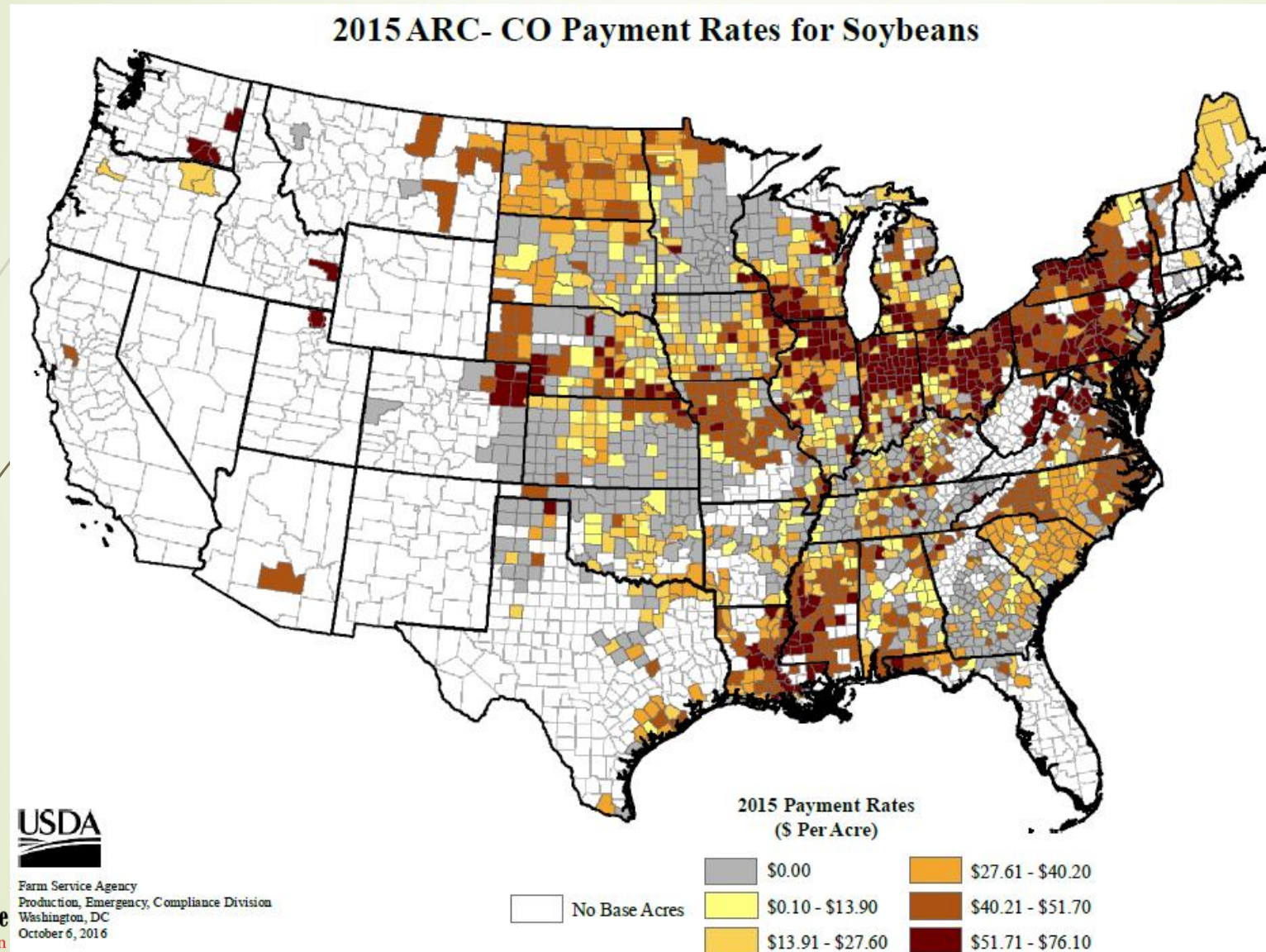


ARC Corn Payments for 2015 Paid in 2016 (\$/base acre)



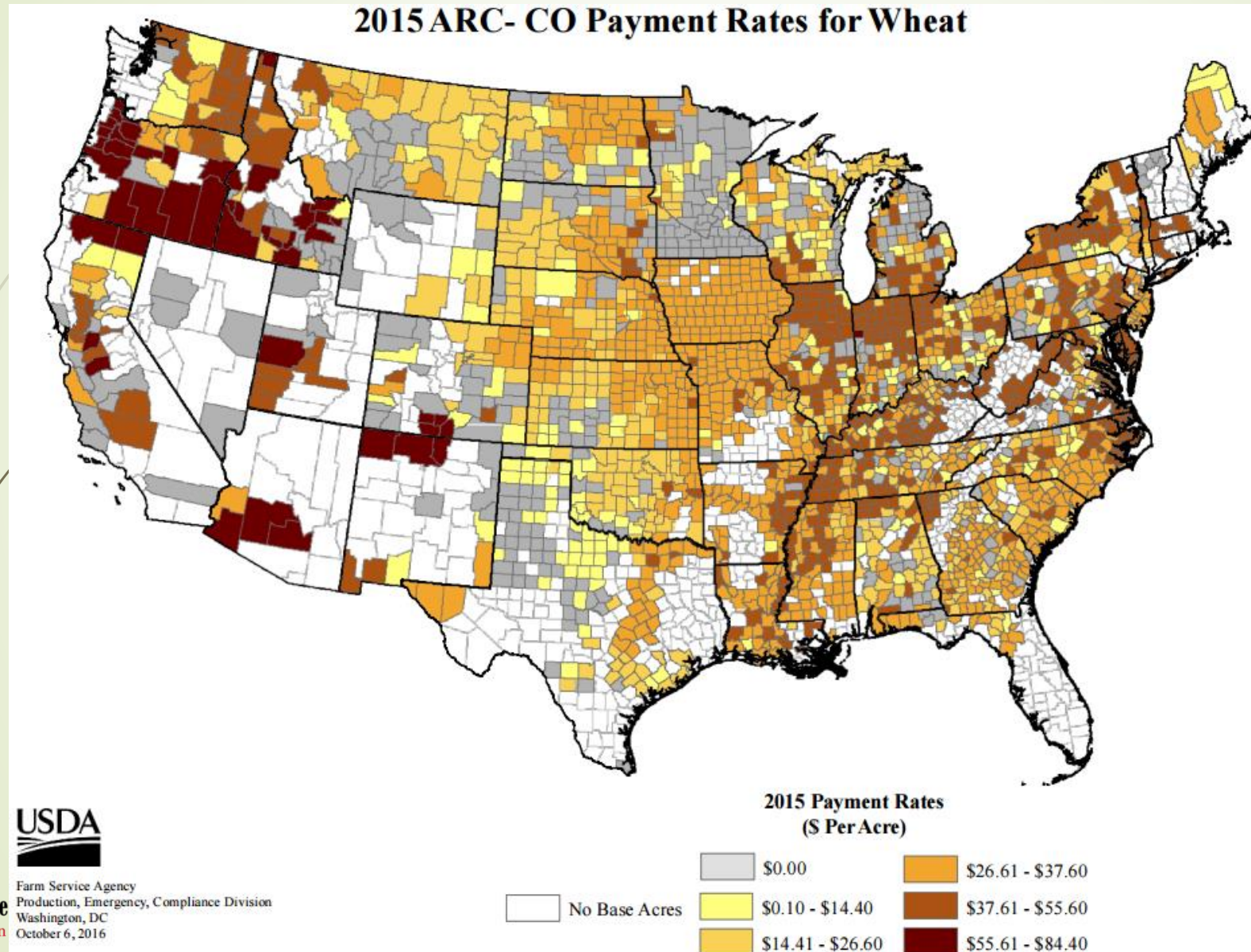
**Southern WI
farmers received
ARC payments
> \$70/Base Acre**

ARC Soy Payments for 2015 Paid in 2016 (\$/base acre)



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

ARC Wheat Payments for 2015 Paid in 2016 (\$/base acre)



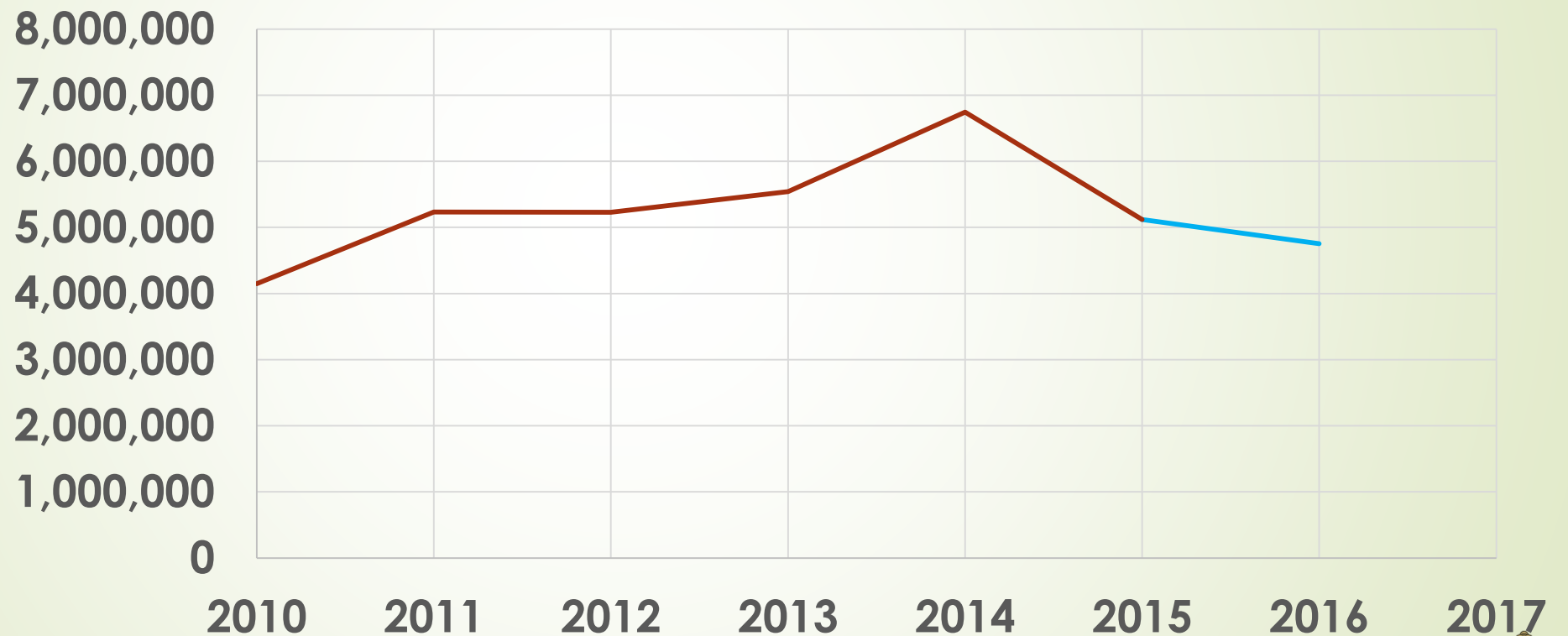
Some WI farmers
received ARC
payments
> \$40/Base Acre

2016 Crop Insurance Indemnities Paid (1/16/2017)

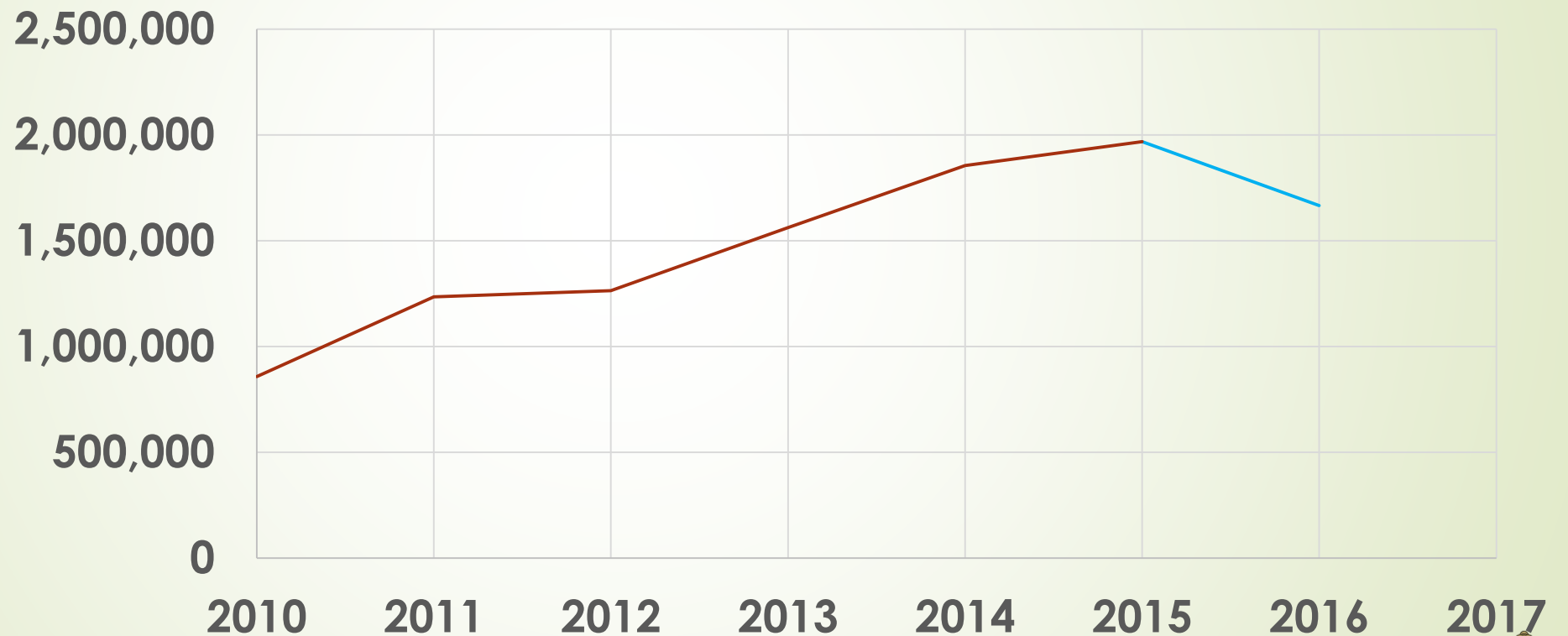
\$20 M paid so far, \$57 M for 2015, \$457 M for 2012

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

Wisconsin Dairy Cash Receipts (\$1,000)

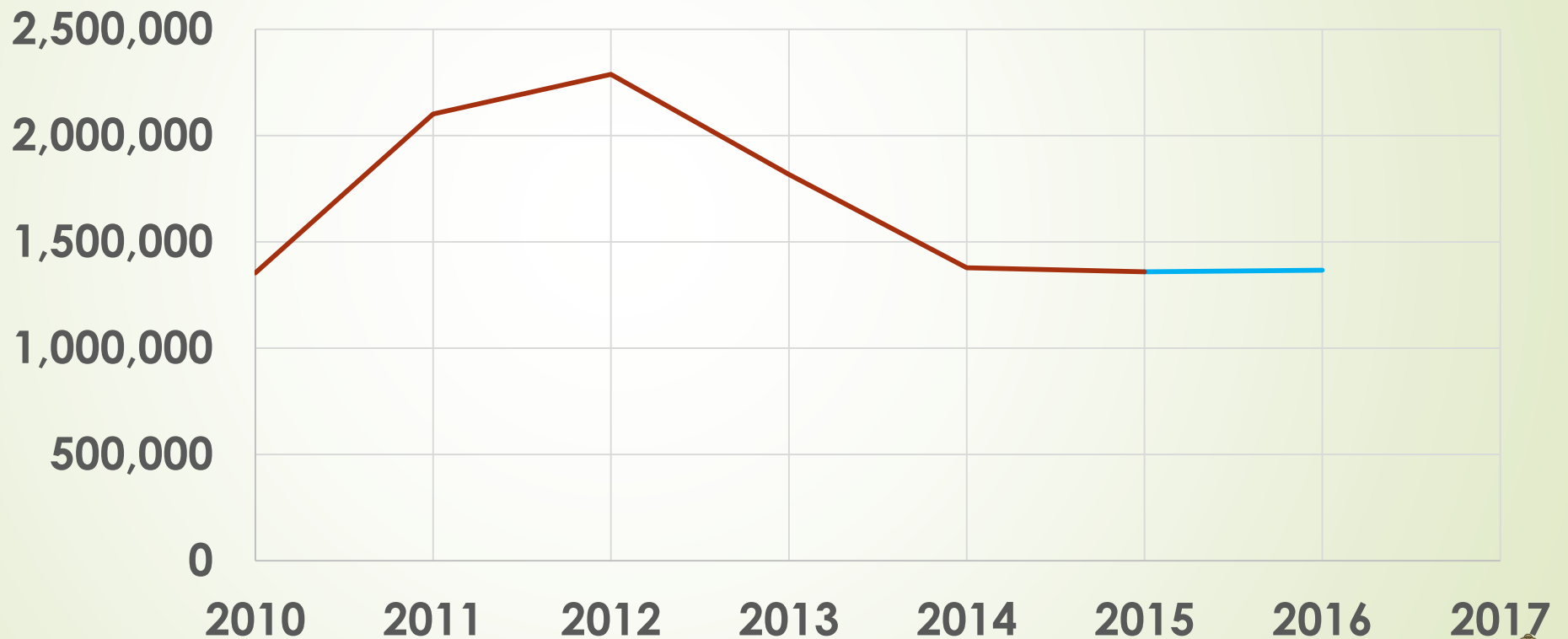


Wisconsin Cattle Cash Receipts (\$1,000)



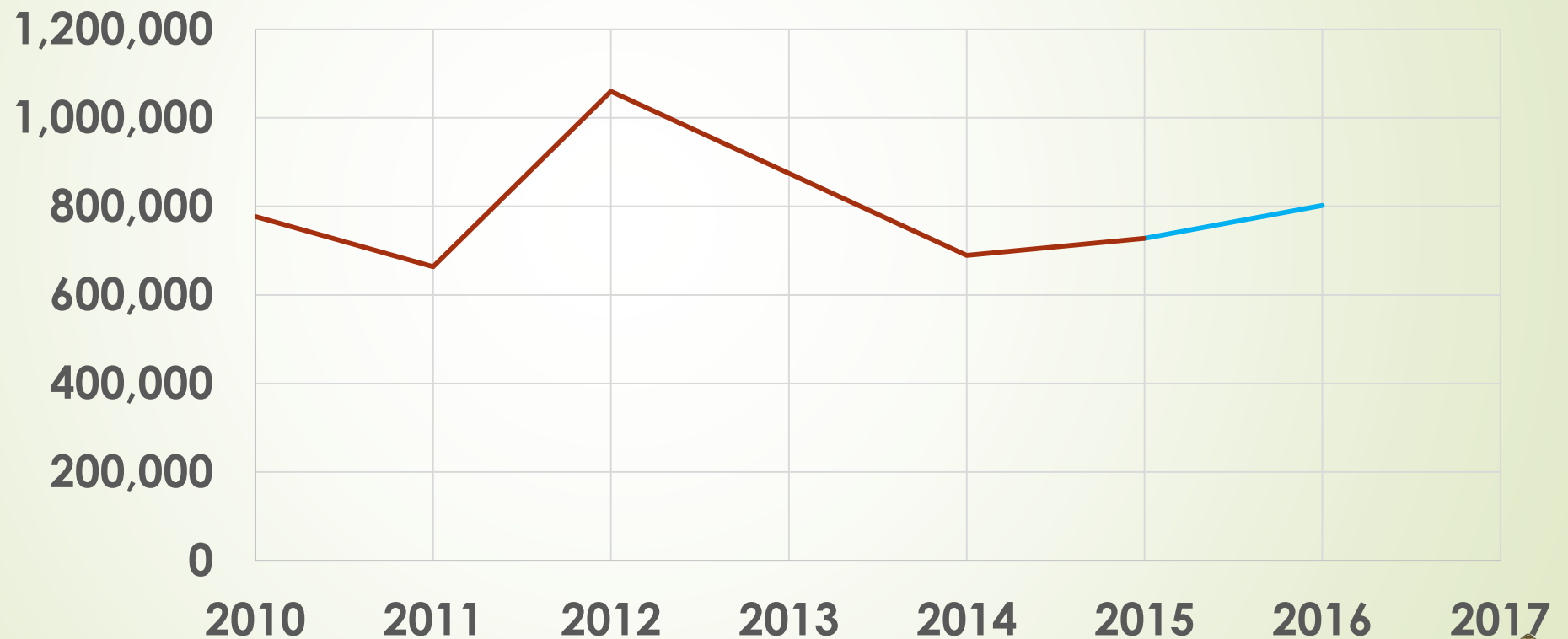
Wisconsin Corn Cash Receipts (\$1,000)

State record corn yield of 178 bu/A

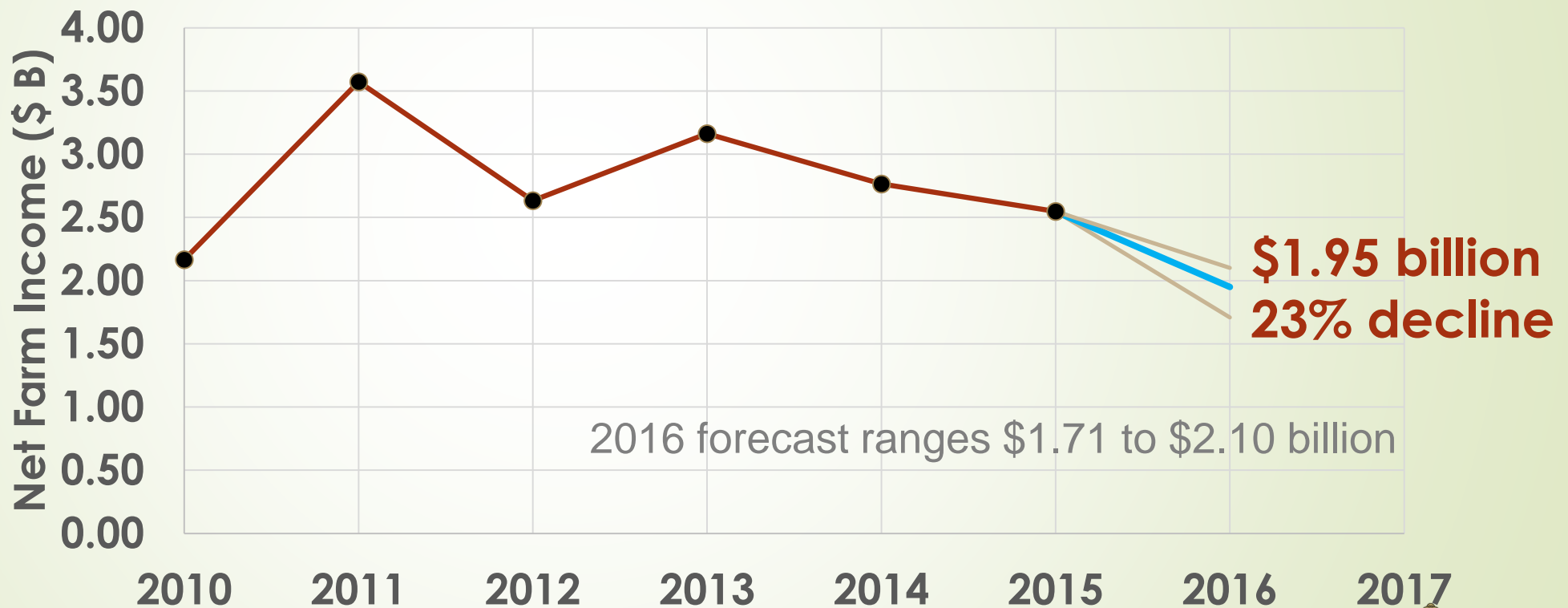


Wisconsin Soybean Cash Receipts (\$1,000)

State record soybean yield of 55 bu/A

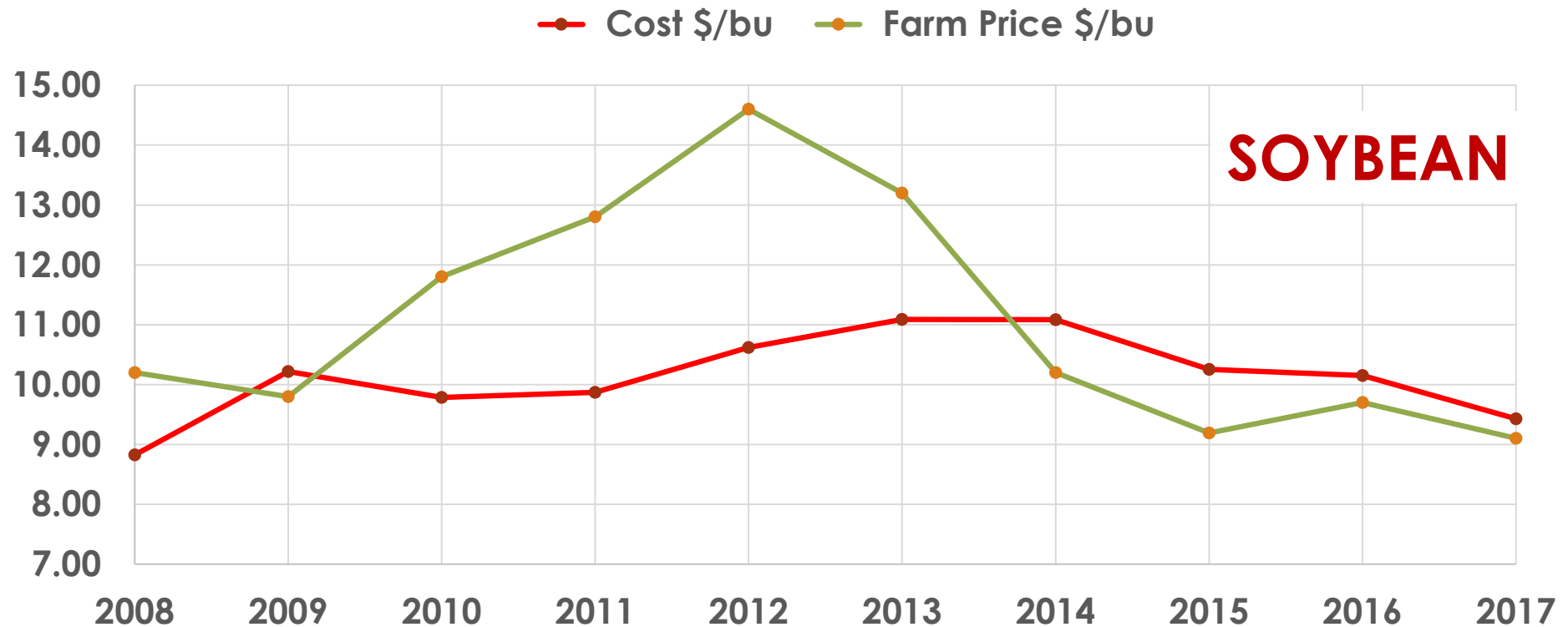
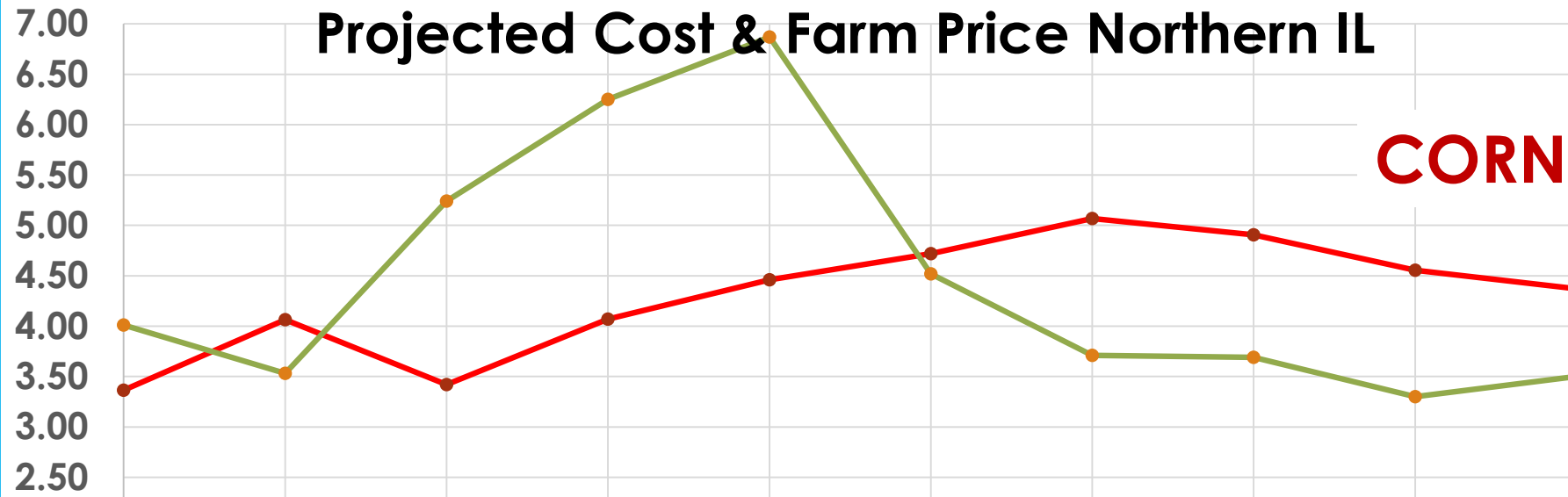


Wisconsin Net Farm Income (\$ B)

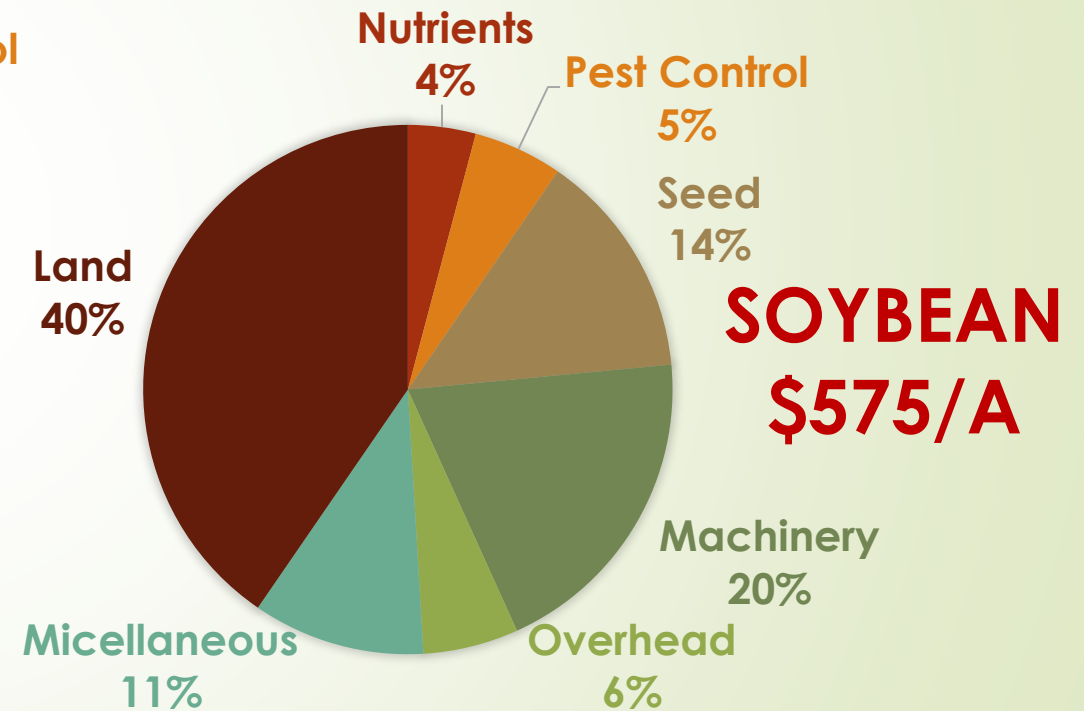
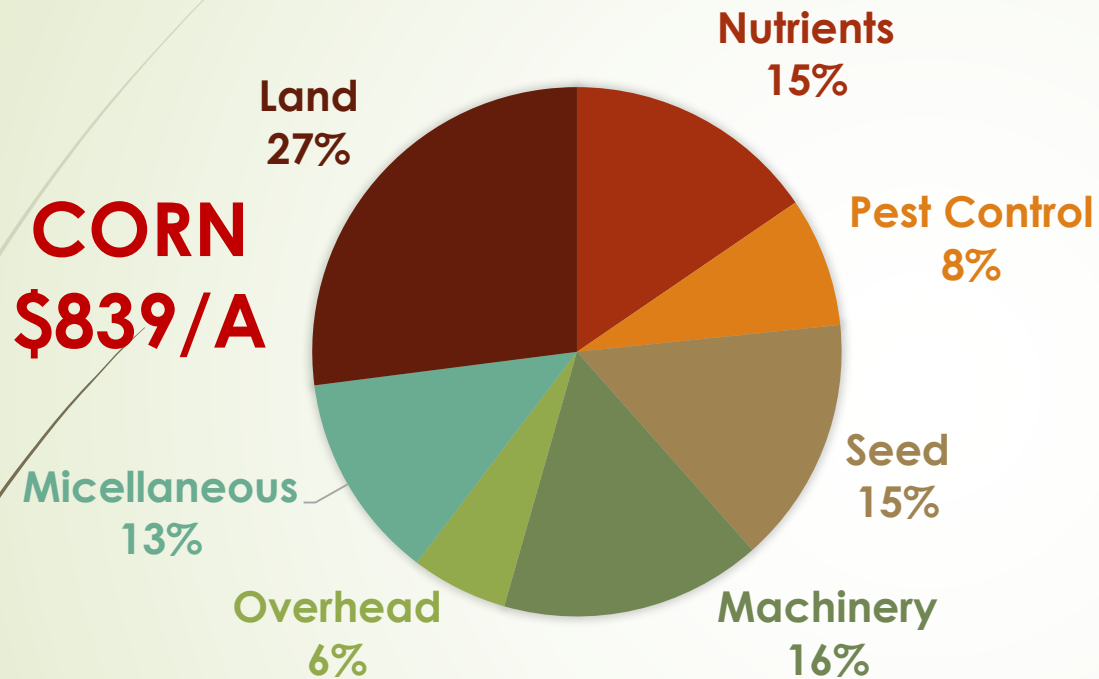


What about Costs for 2017?

Projected Cost & Farm Price Northern IL



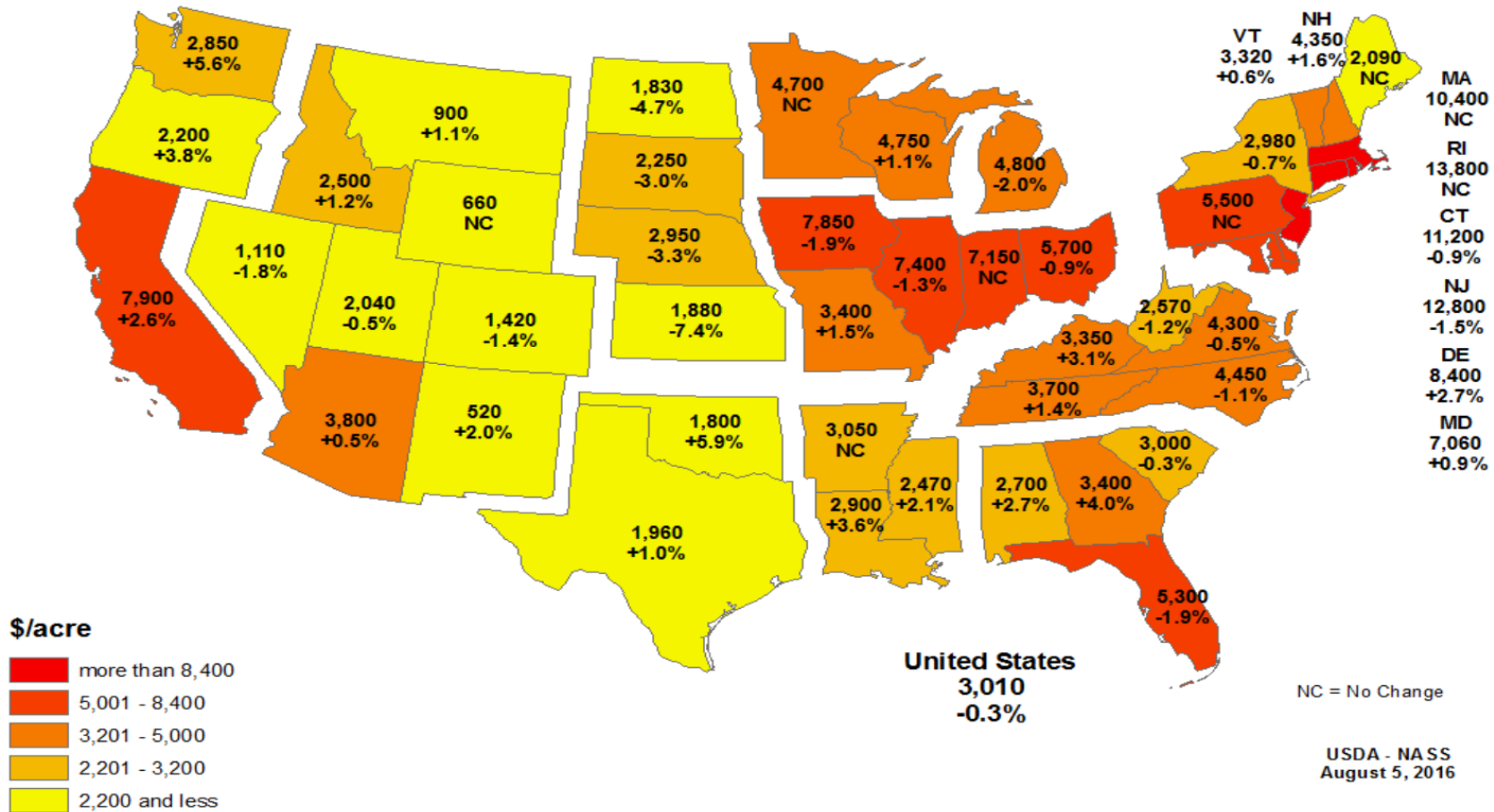
Projected 2017 Share of Costs by Category & Crop (Northern IL)



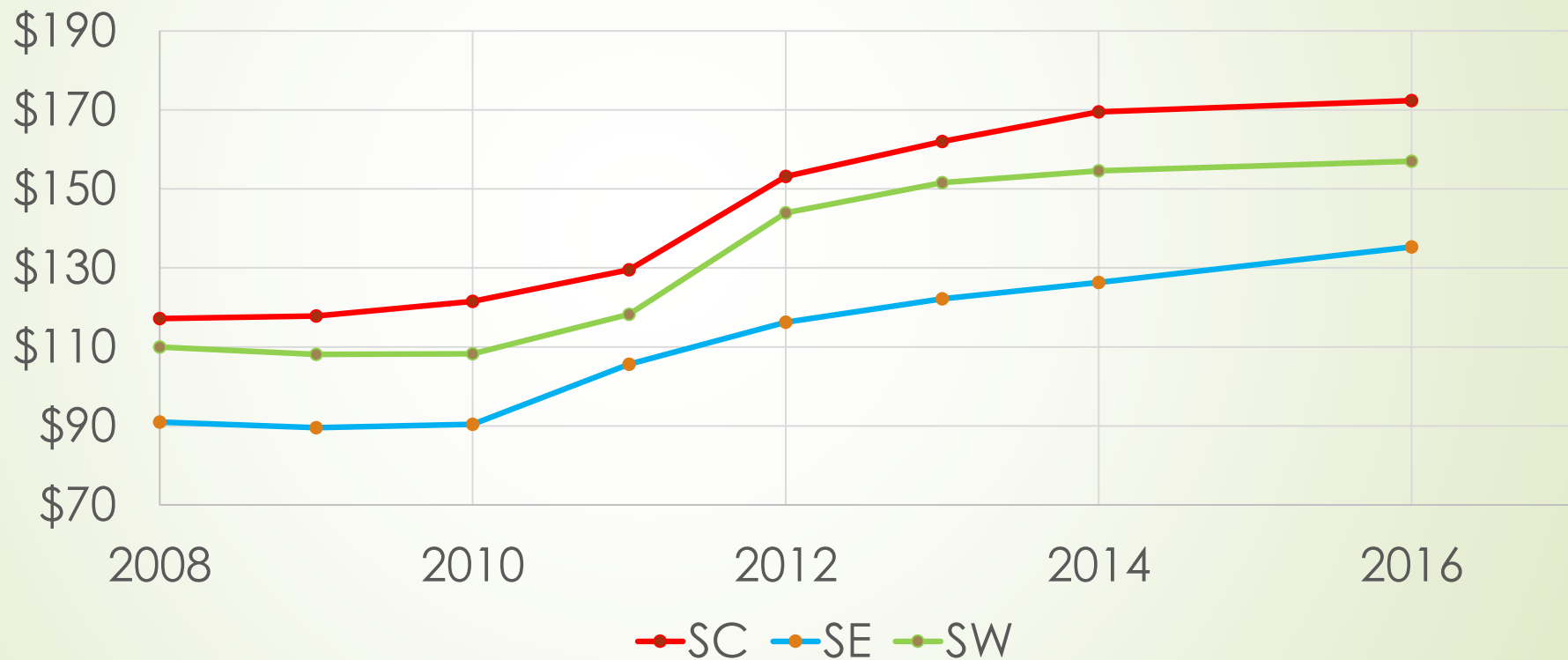
Wisconsin Land Values Up Slightly in 2016

2016 Farm Real Estate Value by State

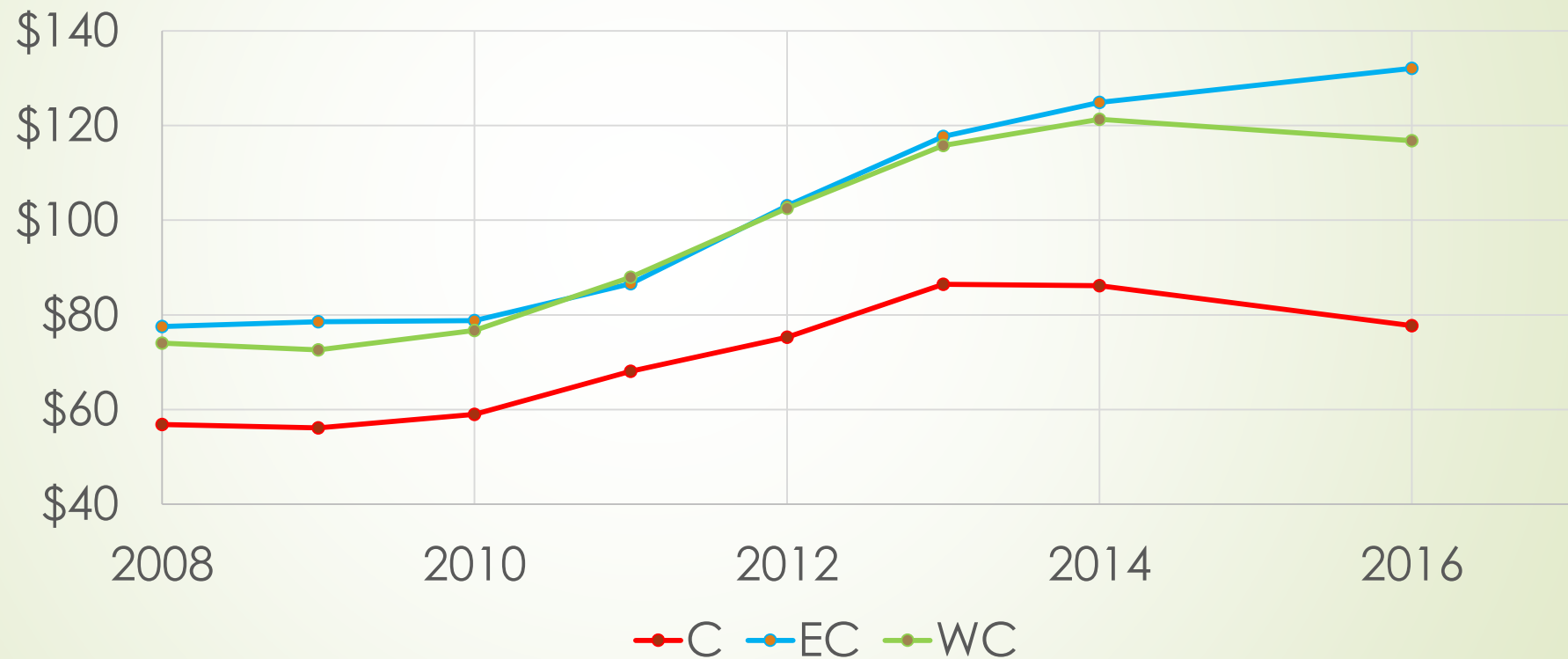
Dollars per Acre and Percent Change from 2015



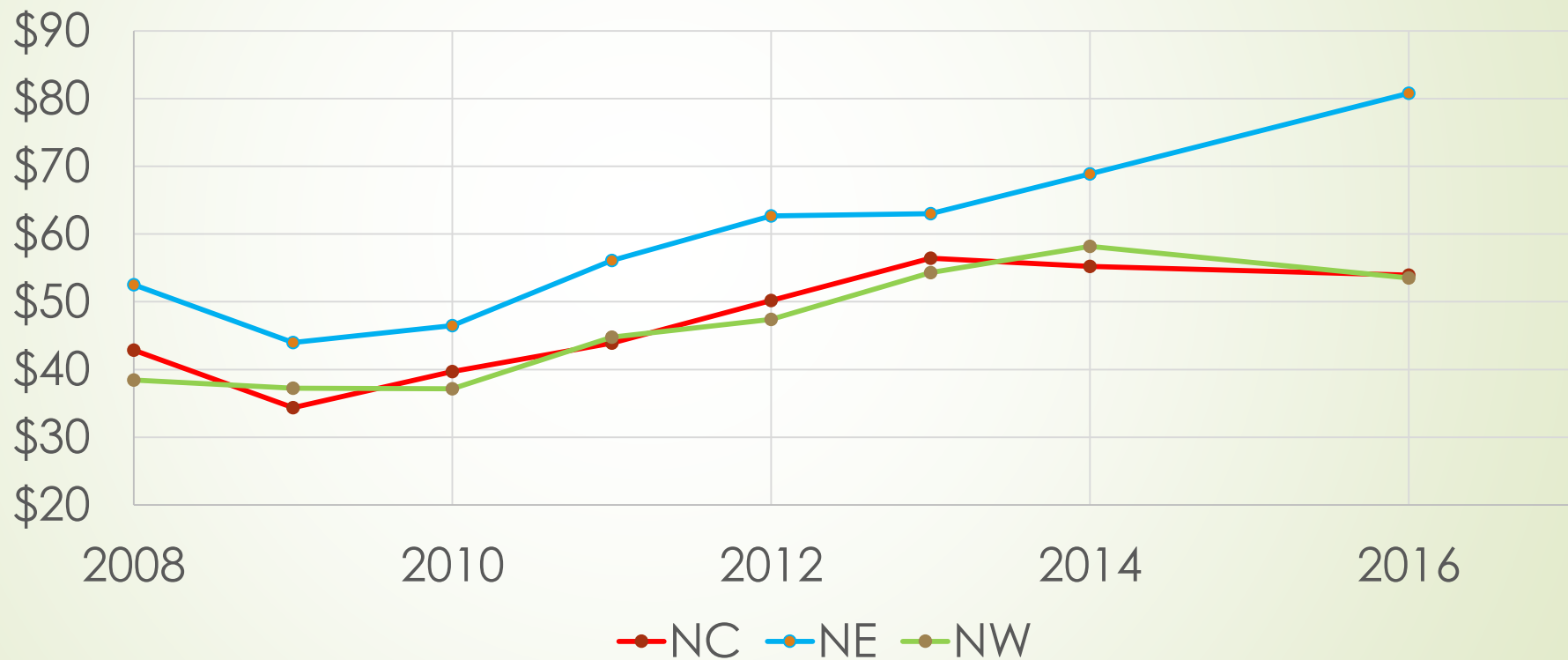
2016 Average Crop Land Rental Rate Southern Crop Reporting Districts



2016 Average Crop Land Rental Rate Central Crop Reporting Districts

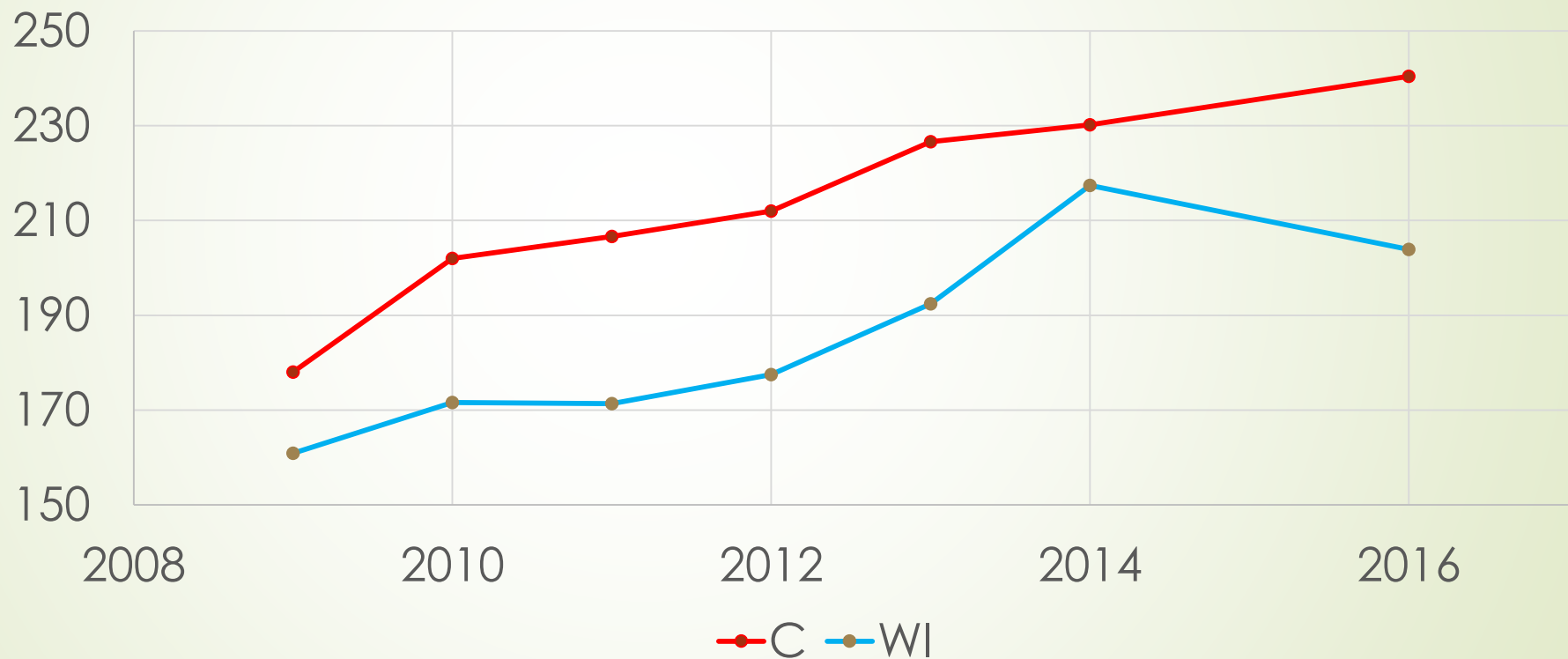


2016 Average Crop Land Rental Rate Northern Crop Reporting Districts

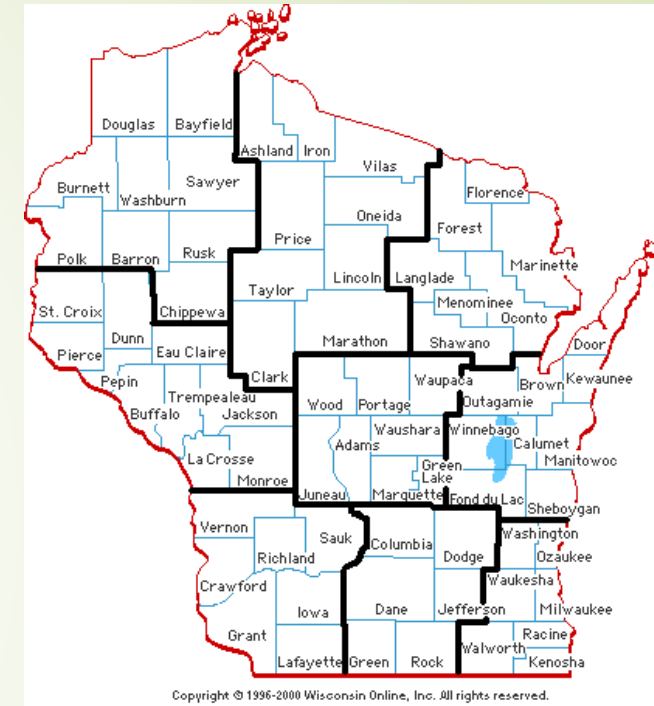
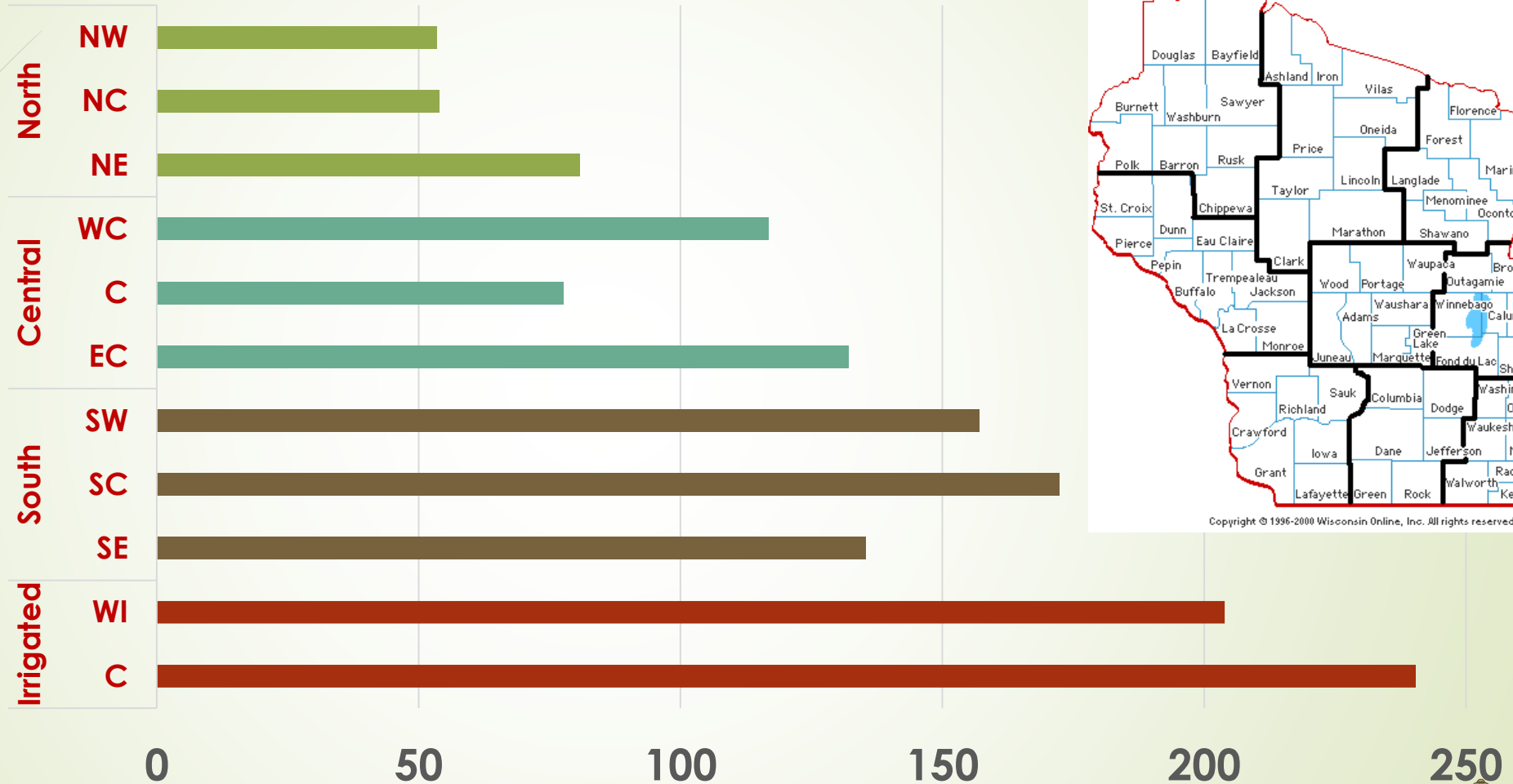


2016 Average Crop Land Rental Rate

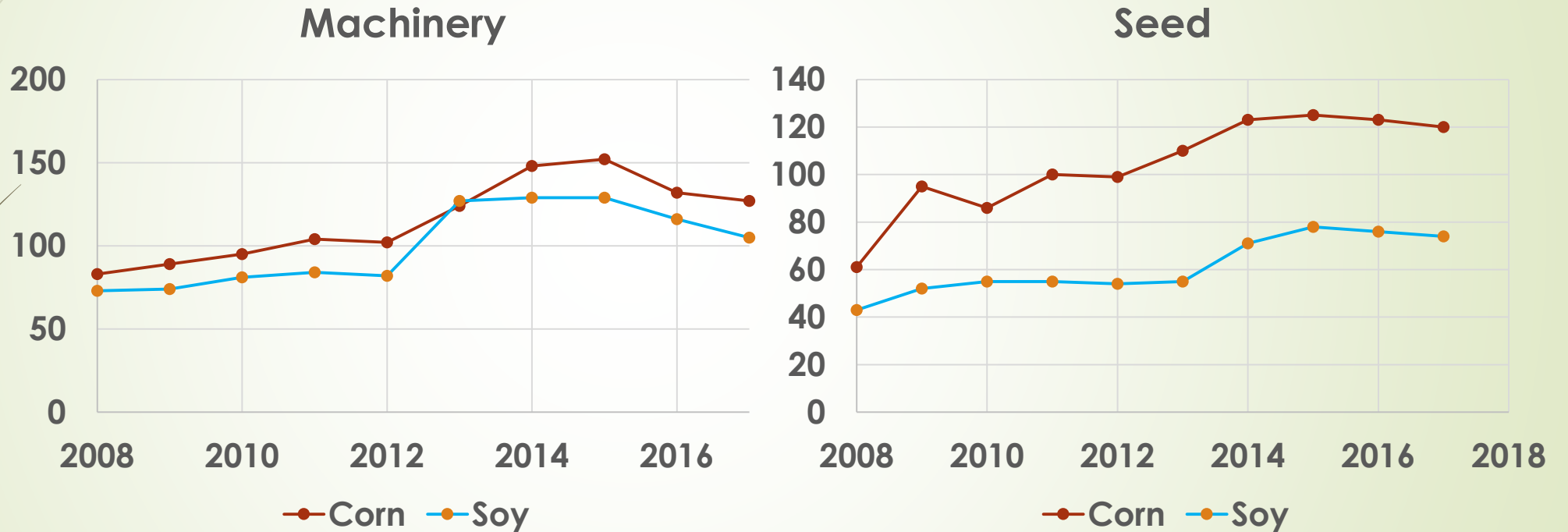
Irrigated Land: Central and State Average



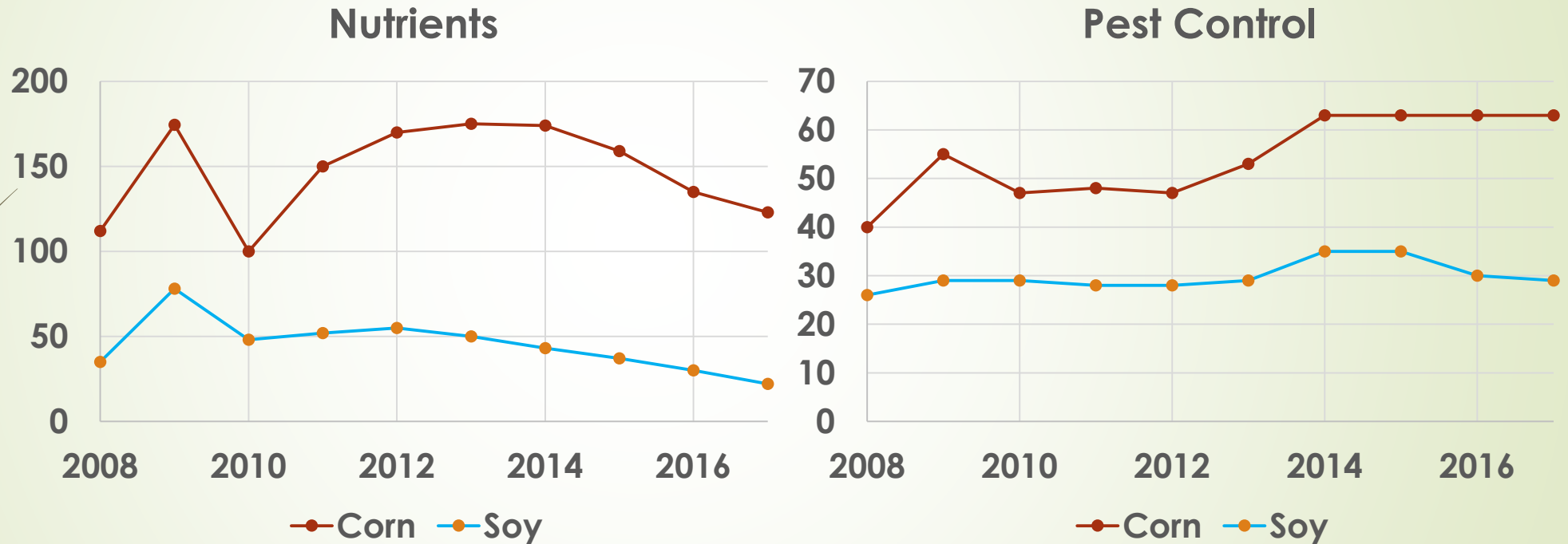
2016 Ag Land Rental Rate (\$/A)



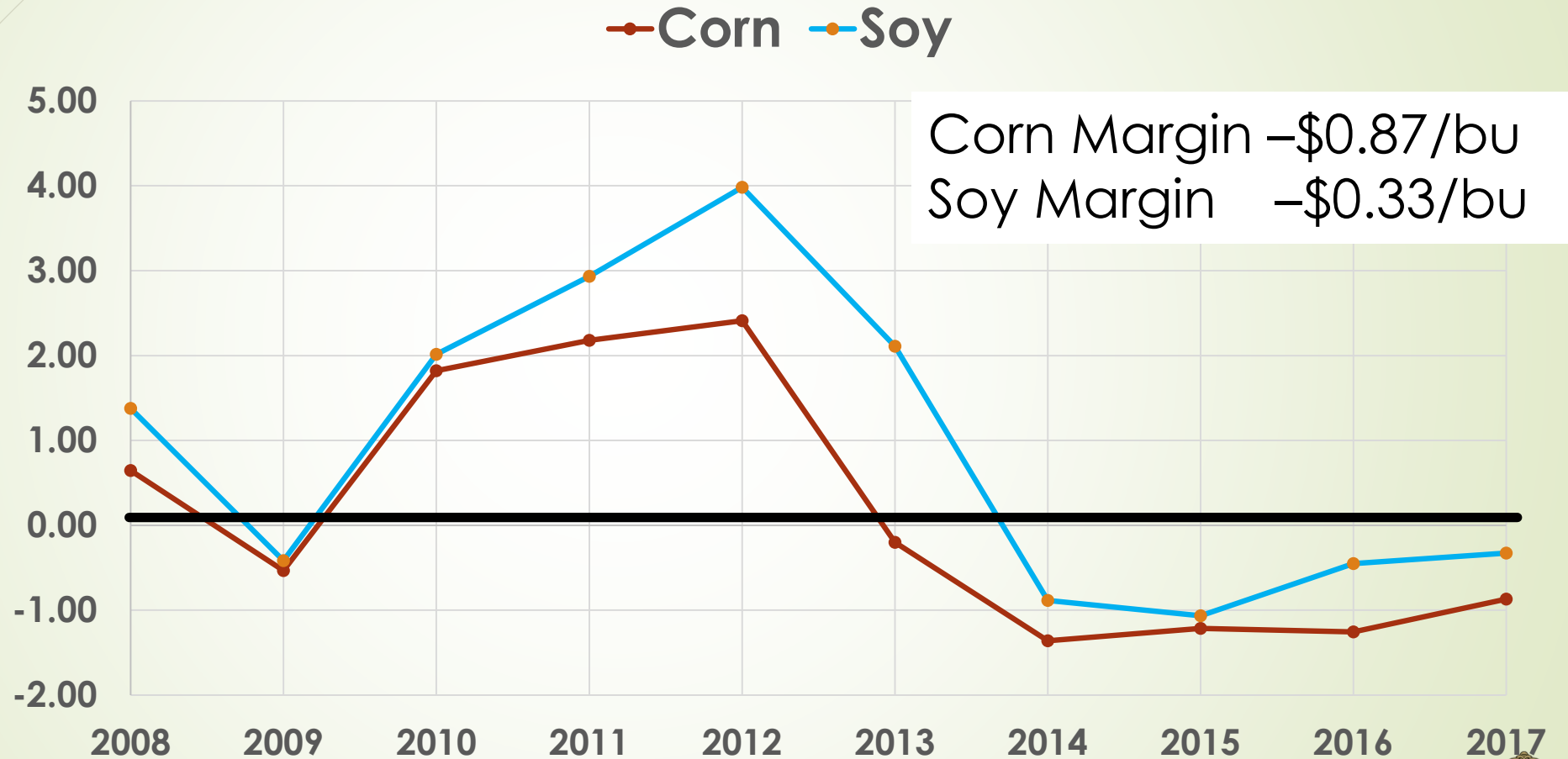
Projected Average Machinery and Seed Costs (\$/A, Northern IL)



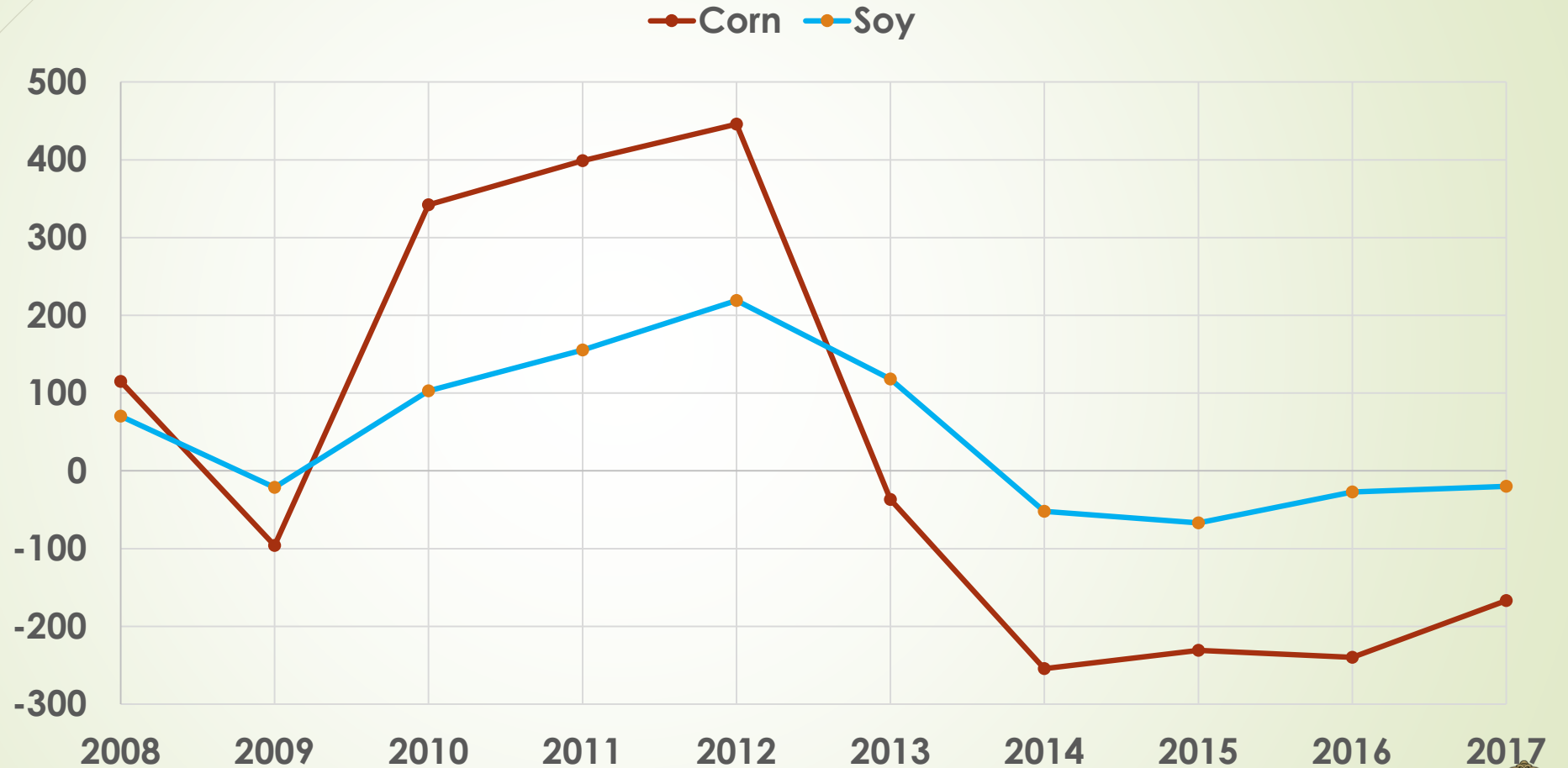
Projected Average Nutrient and Pest Control Costs (\$/A, Northern IL)



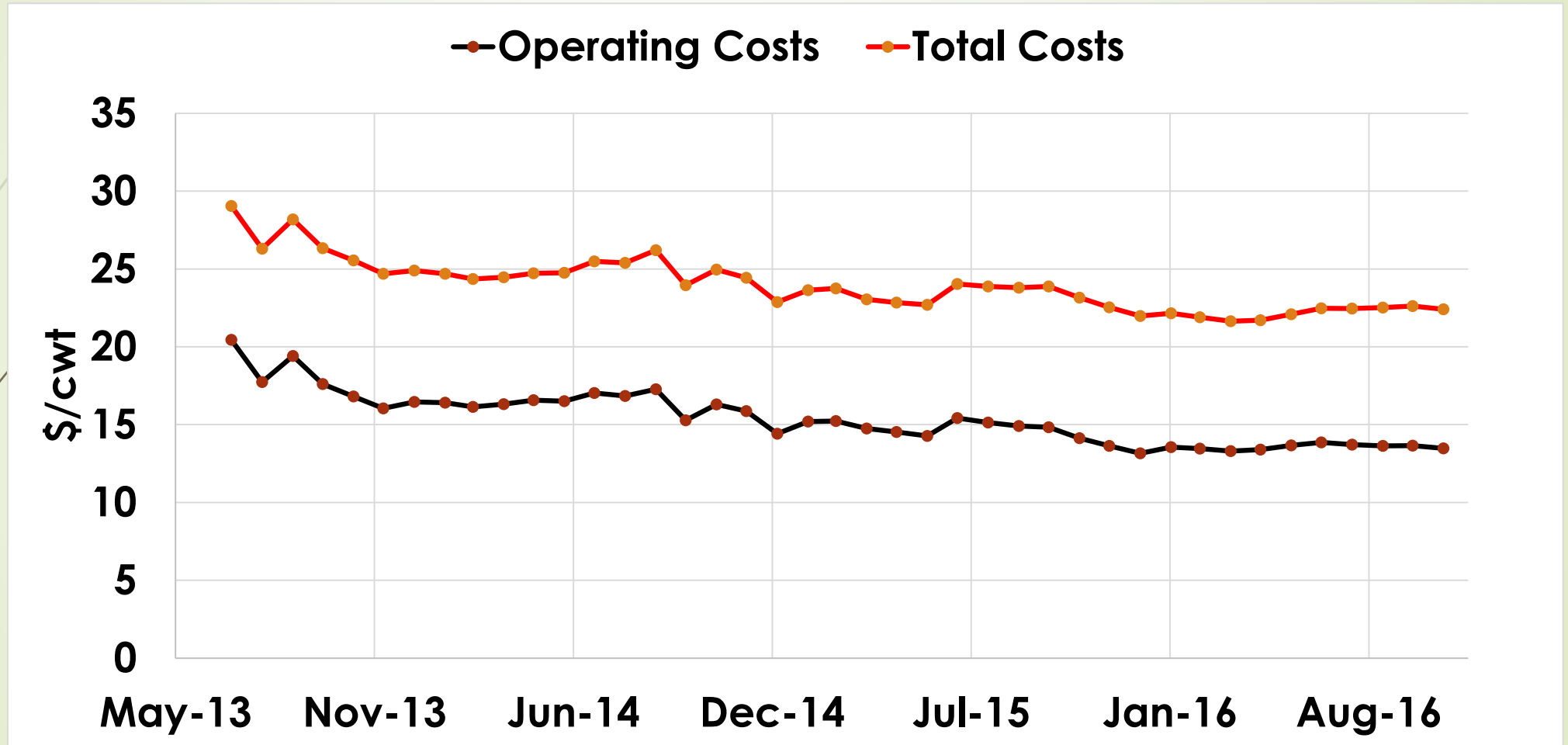
Farmer 2017 Expected Margin \$/bu (Northern IL)



Farmer 2017 Expected Margin \$/A



US Monthly Milk Cost of Production, USDA-NASS

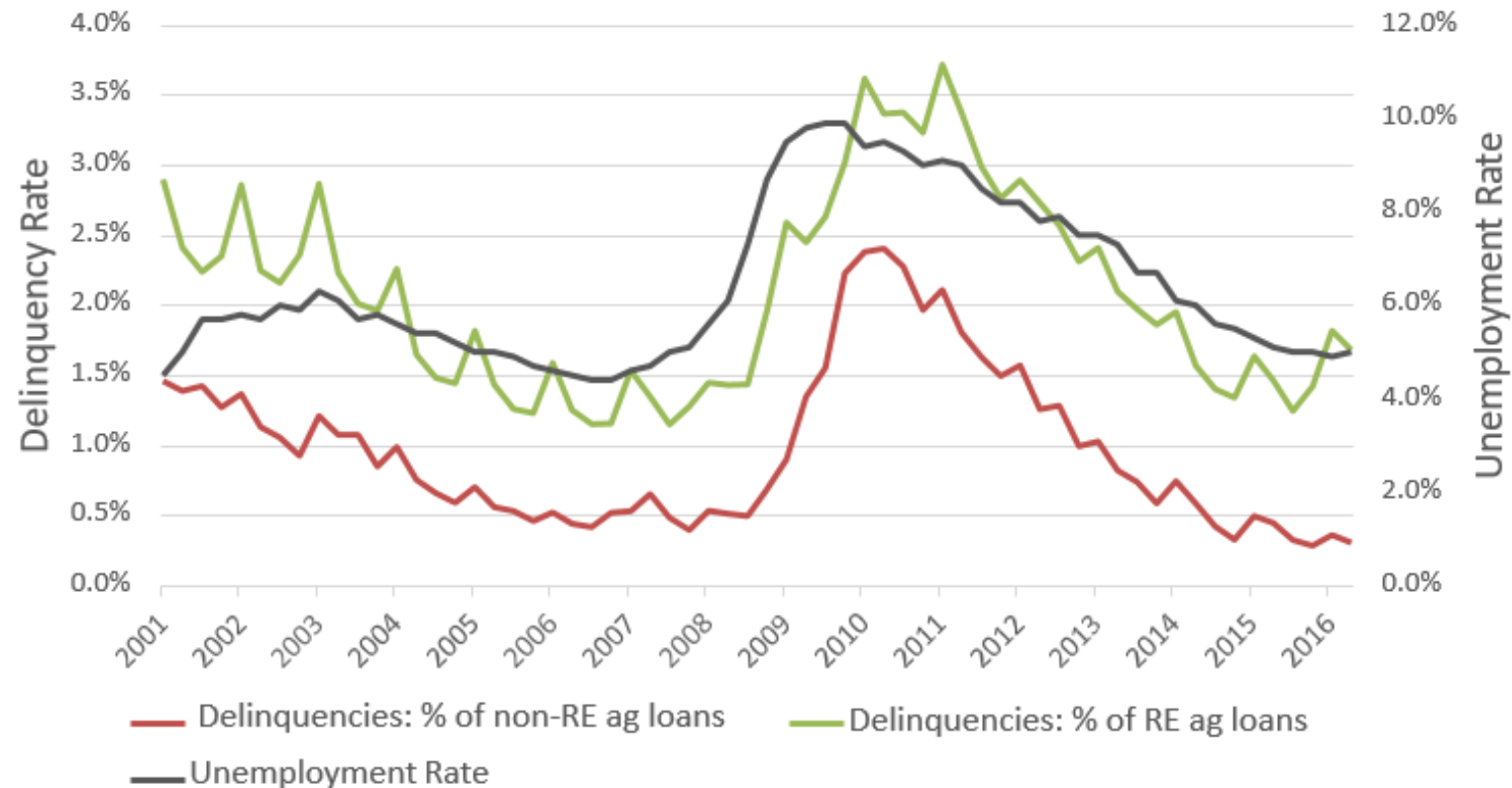


Cost Summary for 2017

- 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

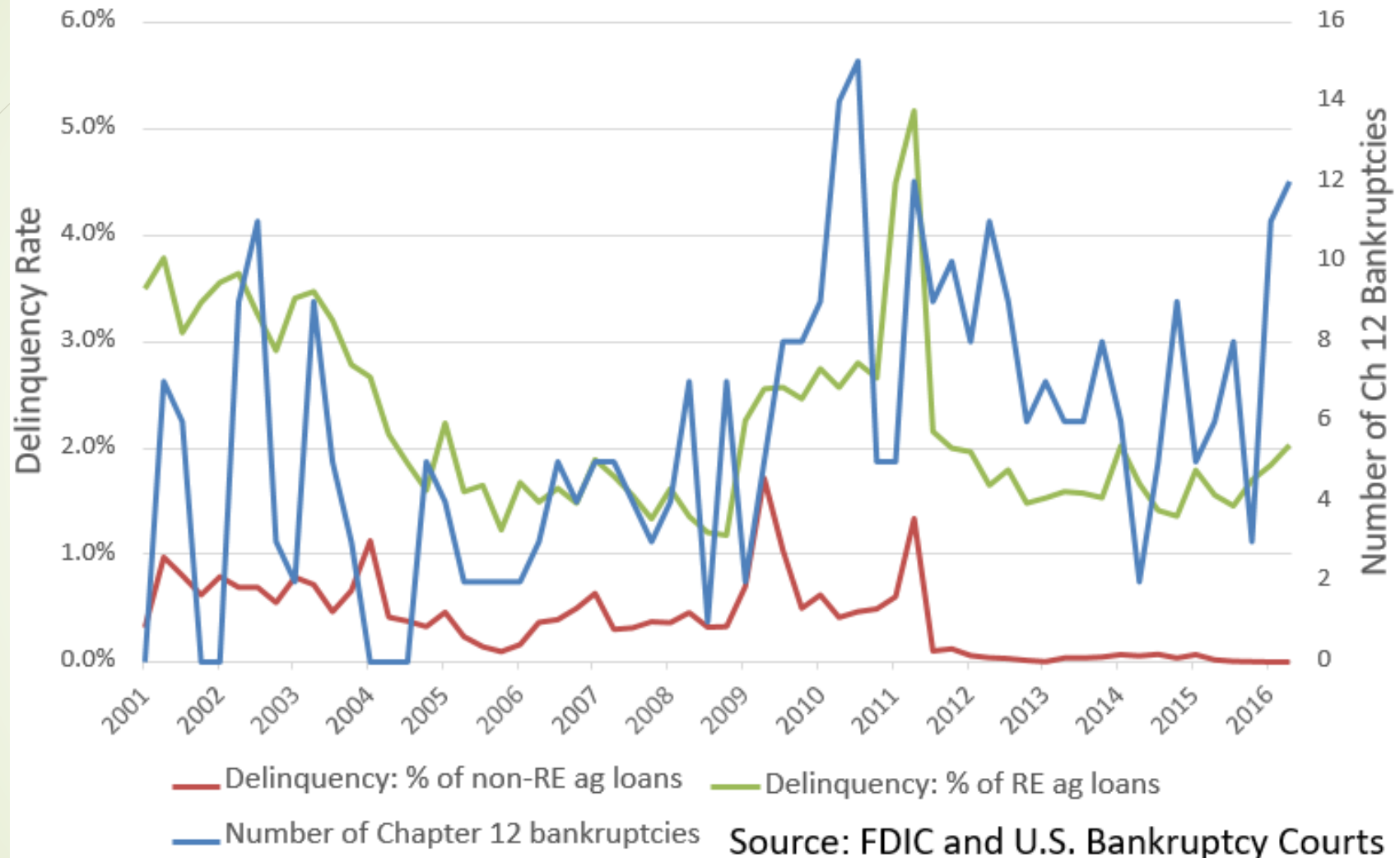
Unemployment led increase in national ag delinquencies



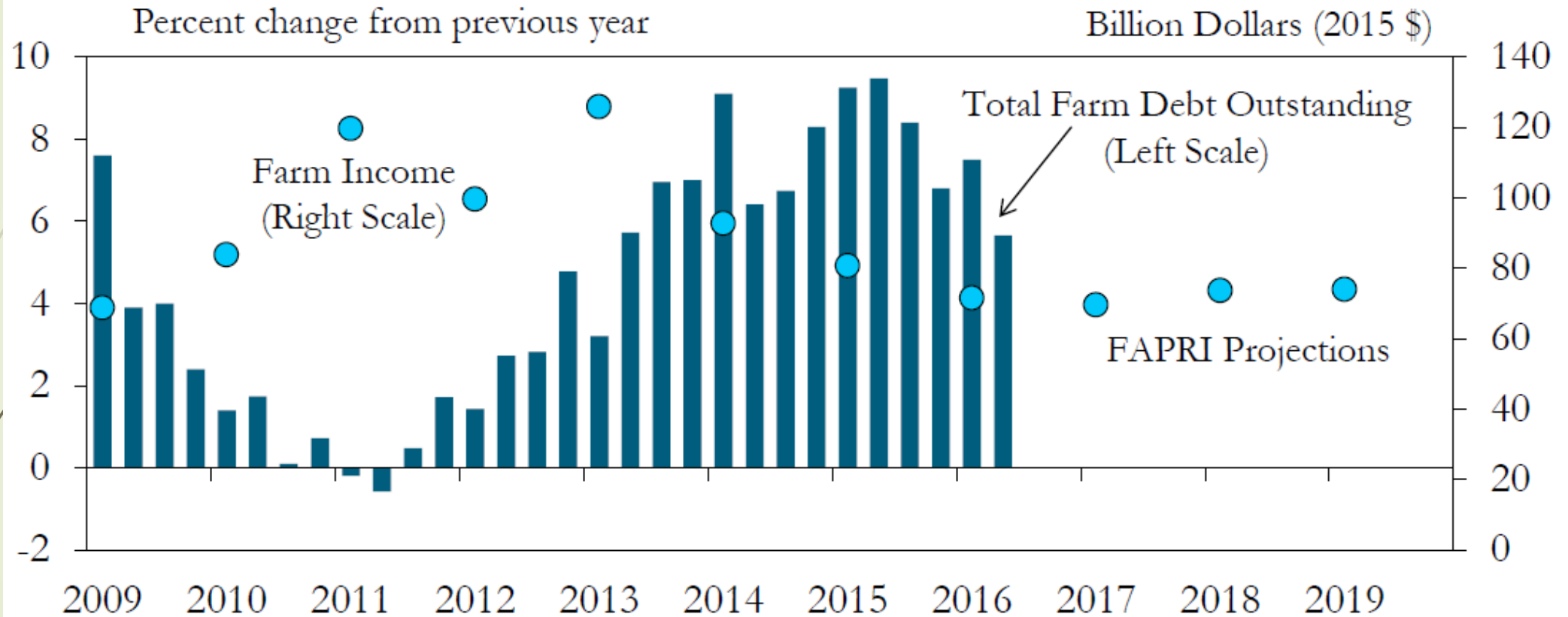
Source: FDIC and FRED

Note: Includes 30-days and 90-days delinquent and nonaccrual loans

Delinquency and Bankruptcy: Wisconsin



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
 - More soybeans & forage in 2017 for WI: lower cost
- 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

Dr. Paul D. Mitchell

Associate Professor, UW Ag and Applied Economics
Extension State Specialist, Cropping Systems Management
Director, Renk Agribusiness Institute
Co-Director, Nutrient & Pest Management Program

January 19, 2017 Madison WI

608-265-6514, pdmitchell@wisc.edu, [@mitchelluw](https://twitter.com/mitchelluw) 