Farm Income Situation and Outlook

Paul D. Mitchell
Professor, Agricultural and Applied Economics
Extension Specialist, Cropping Systems Management
Director, Renk Agribusiness Institute

Wisconsin Agricultural Outlook Forum
January 29, 2019 Madison WI
608-265-6514, pdmitchell@wisc.edu, @mitchelluw
Widespread Production Problems in 2019
Prevented Planting: US Record at 20 Million Acres

WI Prevented Plant 593,000 ac
Corn: 12.4% in 2019
Previous high: 6.6%
Soybean 7.3% in 2019
Previous high = 5.4%
USDA Crop Progress: WI Corn & Soy about 2 weeks behind all year
Dec 8\textsuperscript{th}: Only 74\% of Corn and 88\% of Soybeans Harvested
Crop Insurance Indemnities Paid in Wisconsin

($204 Million as of Jan 27, 2020)

My Guess: 2019 will exceed $284 M to become 3rd highest ever
Hay Stocks very low in Wisconsin

- May 2019: Lowest hay stocks in state since 1950
- Dec 2019: 2\textsuperscript{nd} lowest hay stocks in Dec since 1950
- Farms had a hard time making hay this summer

Silage in Wisconsin in 2019

- Harvested over 1 million acres of corn silage: 2\textsuperscript{nd} largest ever
- Lots of late corn, lower quality, wet → Low quality silage – “light”

It rained a lot, again

- Lots of soil damage from working and harvesting wet fields
- High water tables in many places: flooded fields, roads, buildings
Net farm income and net cash farm income, 2000-19F

$ billion (2019)

- Net cash farm income (NCFI)
- 2000-18 average NCFI
- Net farm income (NFI)
- 2000-18 average NFI

Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.
Data as of November 27, 2019.
US Farm Receipts for Major Commodities

- Corn: +2%
- Soybean: -5%
- Beef: -1%
- Dairy: +13%

Direct Payments to US Farmers in 2019

Market Facilitation Program (MFP) Payments exceeded $14.3 Billion

Farm income would have declined in 2019 without $14.3 billion in MFP Payments.

Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.
Data as of November 27, 2019.
2019 MFP Payment Rates in WI

Wisconsin MFP Total $260 million
- Crops $214 million
- Dairy $37 million
- Specialty Crops $9 million

- Dairy Margin Coverage (DMC) paid $69 million in WI in 2019
2019 & 2020 Costs Stable

- 2019 about same as 2018
- 2020: Costs flat or down a bit
- N & P fertilizer, fuel, LP gas costs lower
- Labor costs up
- WI average land rent up $2/ac

**Nominal and inflation-adjusted farm production expenses, 1970-2019F**

Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.
Data as of November 27, 2019.
Wisconsin Land Values Holding: + 1% in 2019

2019 Farm Real Estate Value by State
Dollars per Acre and Percent Change from 2018

$/Acre
- more than 8,400
- 5,001 - 8,400
- 3,201 - 5,000
- 2,201 - 3,200
- 2,200 or less

United States
3,160
1.8%

USDA - NASS August 6, 2019
Loan delinquency rates at ag banks has increased annually since 2016 to reach 2.0-2.5%.

Top concerns facing ag lenders (ABA-Farmer Mac)

• #1: Credit quality and ag loan deterioration (74%)
• #2: Lender competition (34%)
• ~50% report farmers asking about financing hemp
Wisconsin Dairy Farm Attrition Rate Still Exceeds 10% per year

- Wisconsin lost an average of 2.2 dairy herds per day in 2019
- Average herd size increased 31% over 4 years
- Jan 2016: 132 cows
- Jan 2020: 173 cows
WI still leads US states for Chapter 12 farm bankruptcy filings (year ending 9/30/19)
Summary

• Production issues dominated 2019
  • Still unharvested crops, damaged fields, shortage of quality forage
  • Hopefully 2020 will bring better weather
• Farm Income
  • 2019 was another tight year, 2020 looking to be the same
• Farm programs (Insurance, MFP, DMC, ARC, PLC) played a big role in 2019
  • Paid more than $500 million in WI in 2019
• Mixed signals of farm financial health and 2020 outlook
  • Signs of strength: stable costs, land values holding, ok price expectations
  • Signs of financial stress: dairy attrition, loan delinquency, farm bankruptcies
Thanks for your Attention

Paul D. Mitchell
Professor, Agricultural and Applied Economics
Extension Specialist, Cropping Systems Management
Director, Renk Agribusiness Institute
608-265-6514, pdmitchell@wisc.edu, @mitchelluw
Widespread Production Problems in 2019
Prevent Planting Set a Record at 20 Million Acres

Figure 2. All Acres Prevented From Being Planted, 2019
August 22 Release

Source: USDA FSA and Farm Bureau Compilations