

# FARM INCOME SITUATION AND OUTLOOK

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## **Wisconsin Agricultural Outlook Forum**

January 29, 2019      Madison WI

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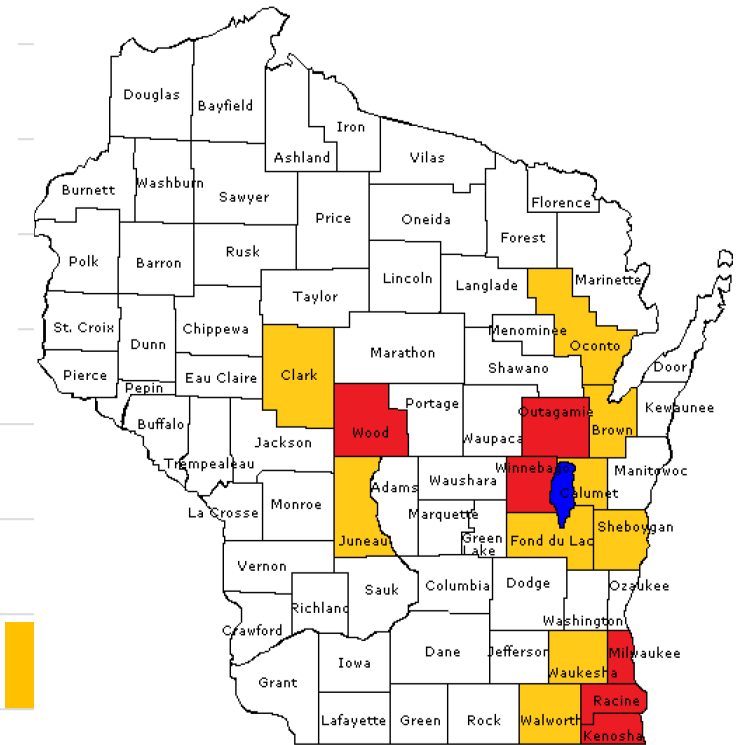
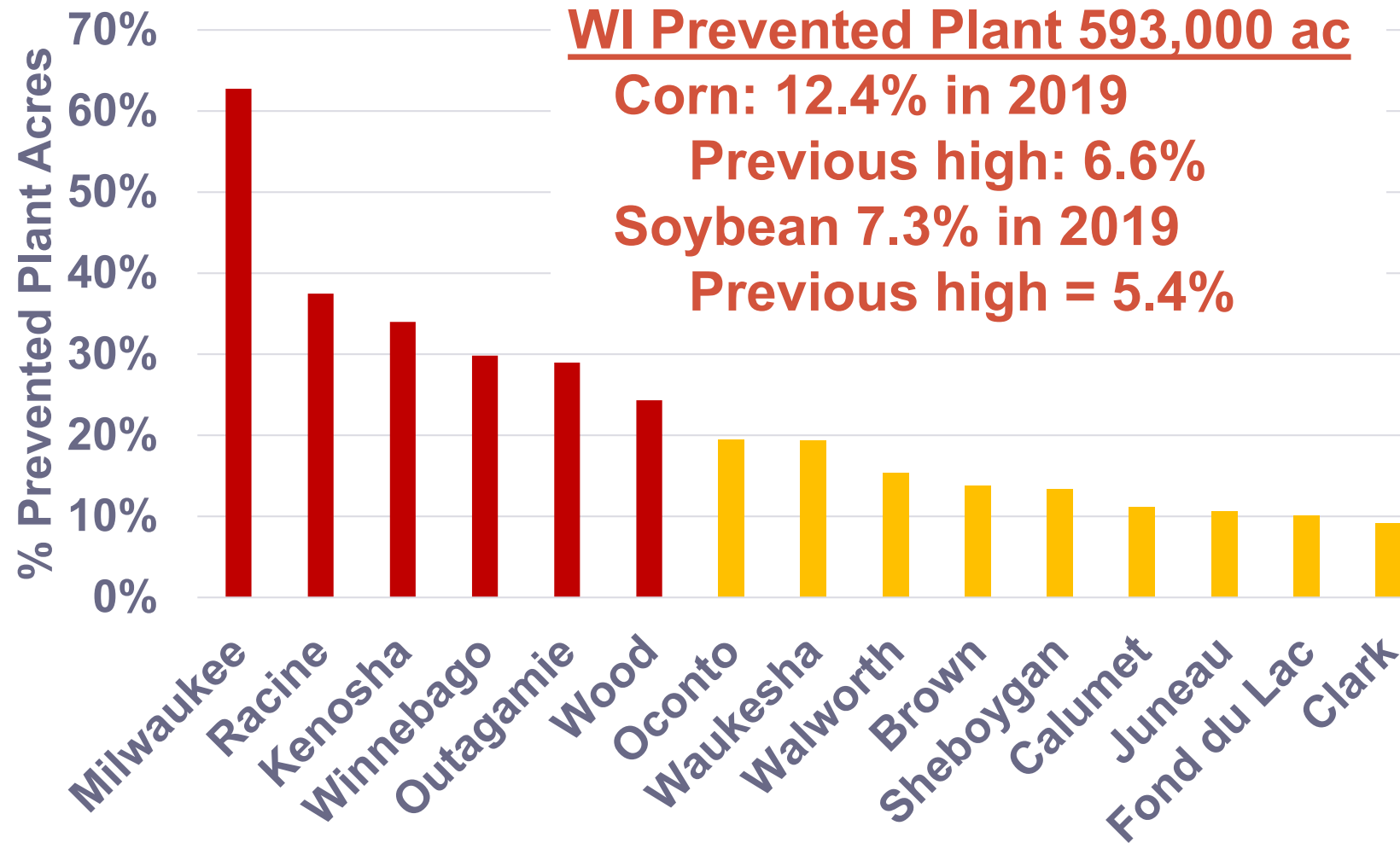
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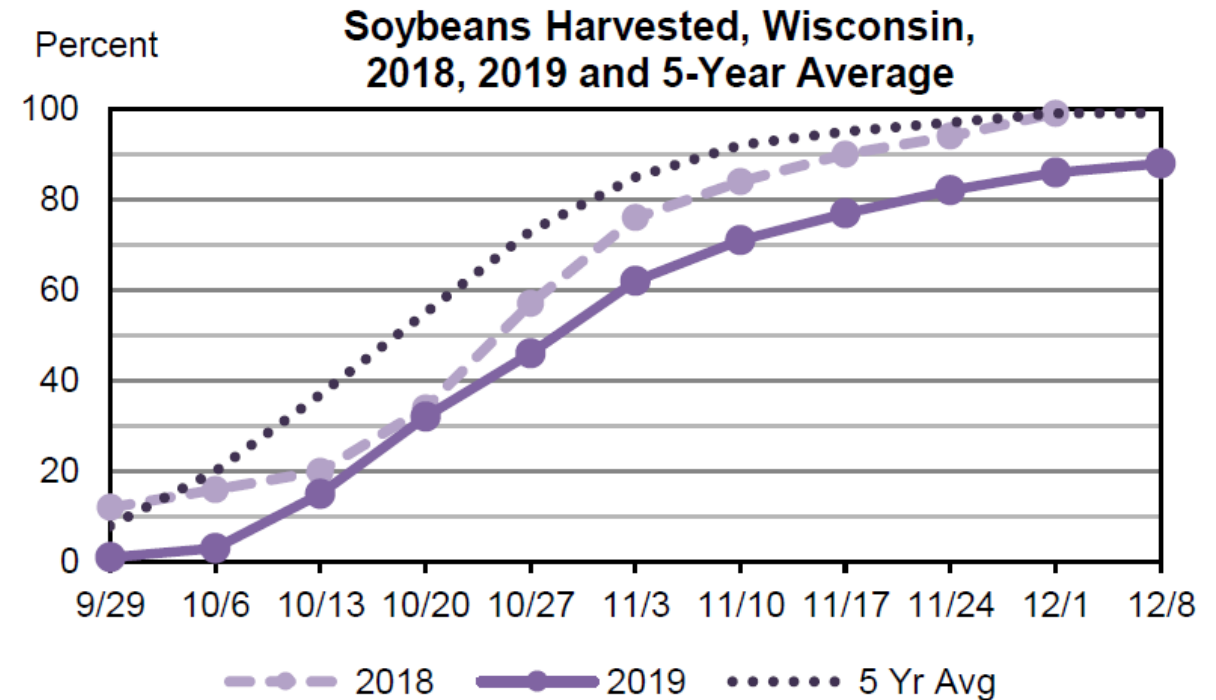
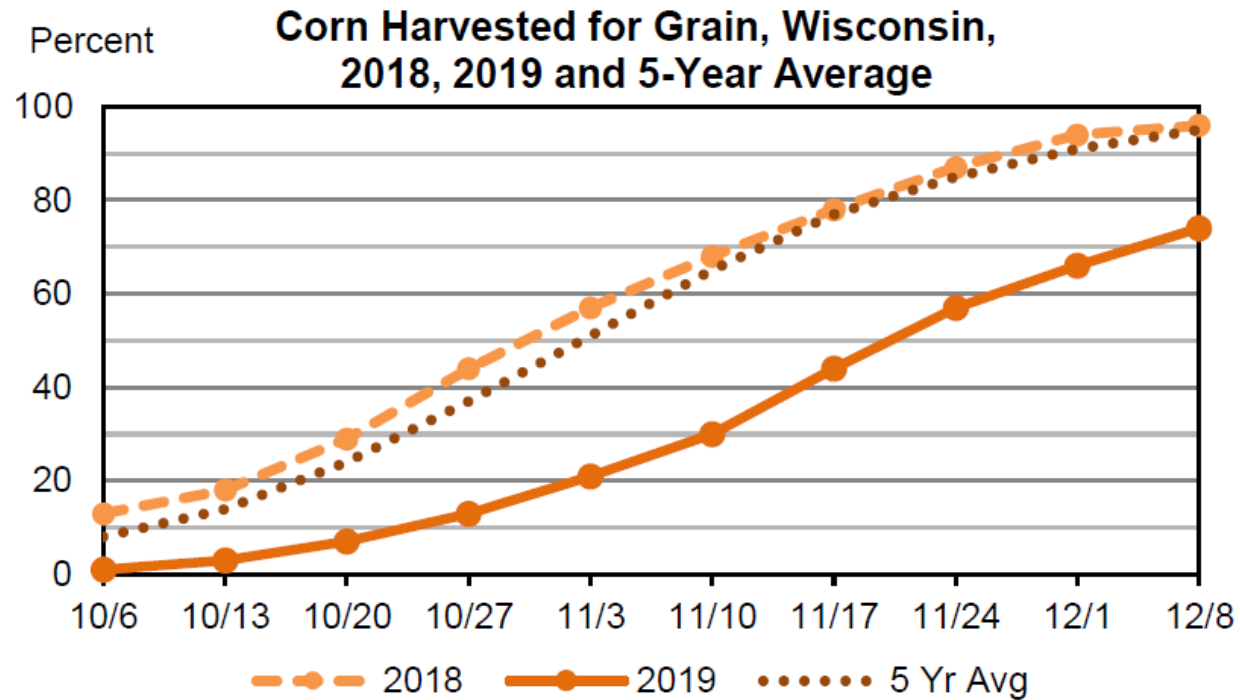
# Widespread Production Problems in 2019

## Prevented Planting: US Record at 20 Million Acres



# USDA Crop Progress: WI Corn & Soy about 2 weeks behind all year

## Dec 8<sup>th</sup>: Only 74% of Corn and 88% of Soybeans Harvested



	NW	NC	NE	WC	C	EC	SW	SC	SE
	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)	(percent)
Corn harvested for grain .....	70	46	67	63	68	72	83	85	78
Soybeans harvested .....	95	88	78	96	92	75	89	88	91

# Crop Insurance Indemnities Paid in Wisconsin

(\$204 Million as of Jan 27, 2020)



## **Hay Stocks very low in Wisconsin**

- May 2019: Lowest hay stocks in state since 1950
- Dec 2019: 2<sup>nd</sup> lowest hay stocks in Dec since 1950
- Farms had a hard time making hay this summer

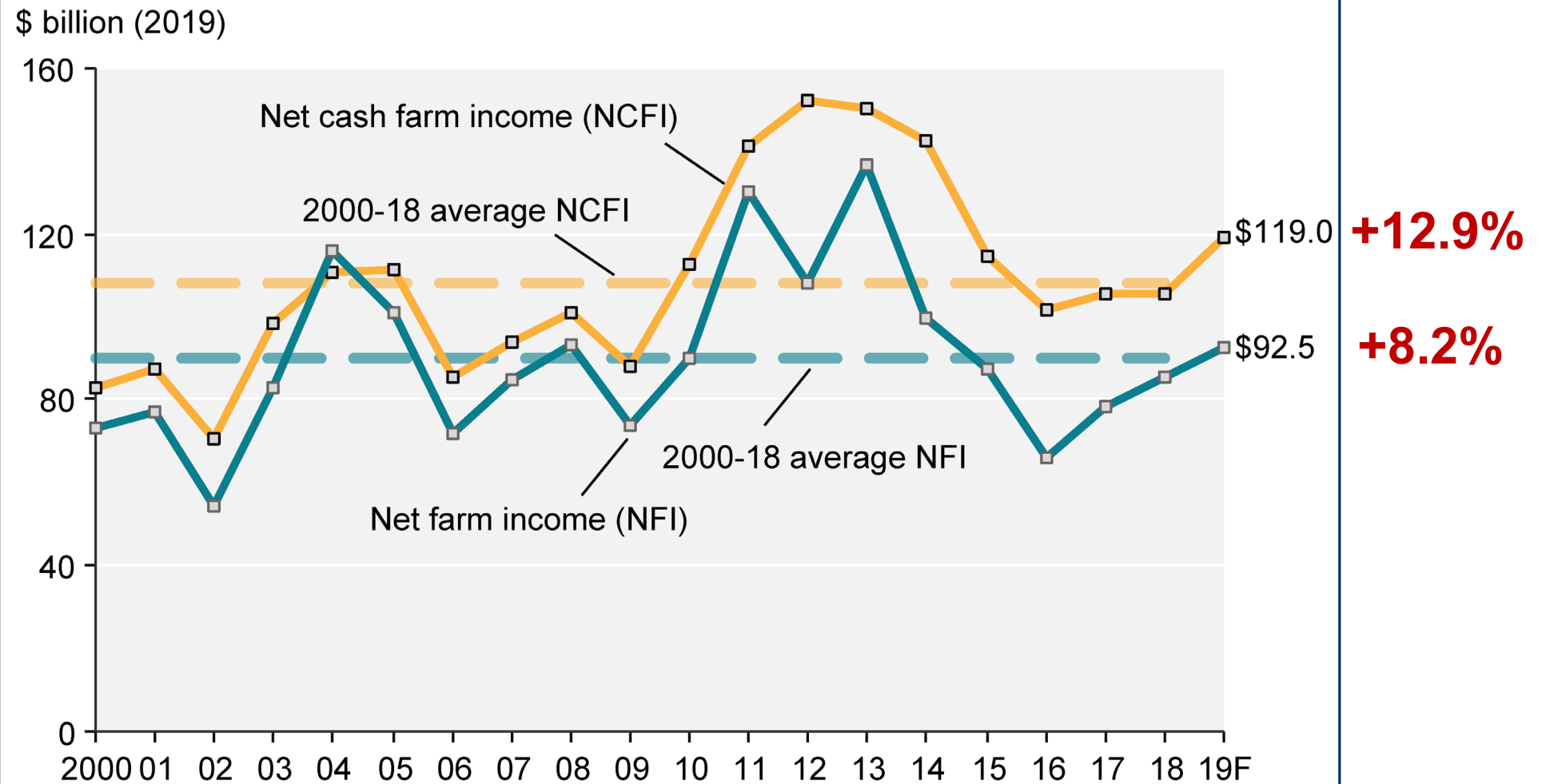
## **Silage in Wisconsin in 2019**

- Harvested over 1 million acres of corn silage: 2<sup>nd</sup> 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

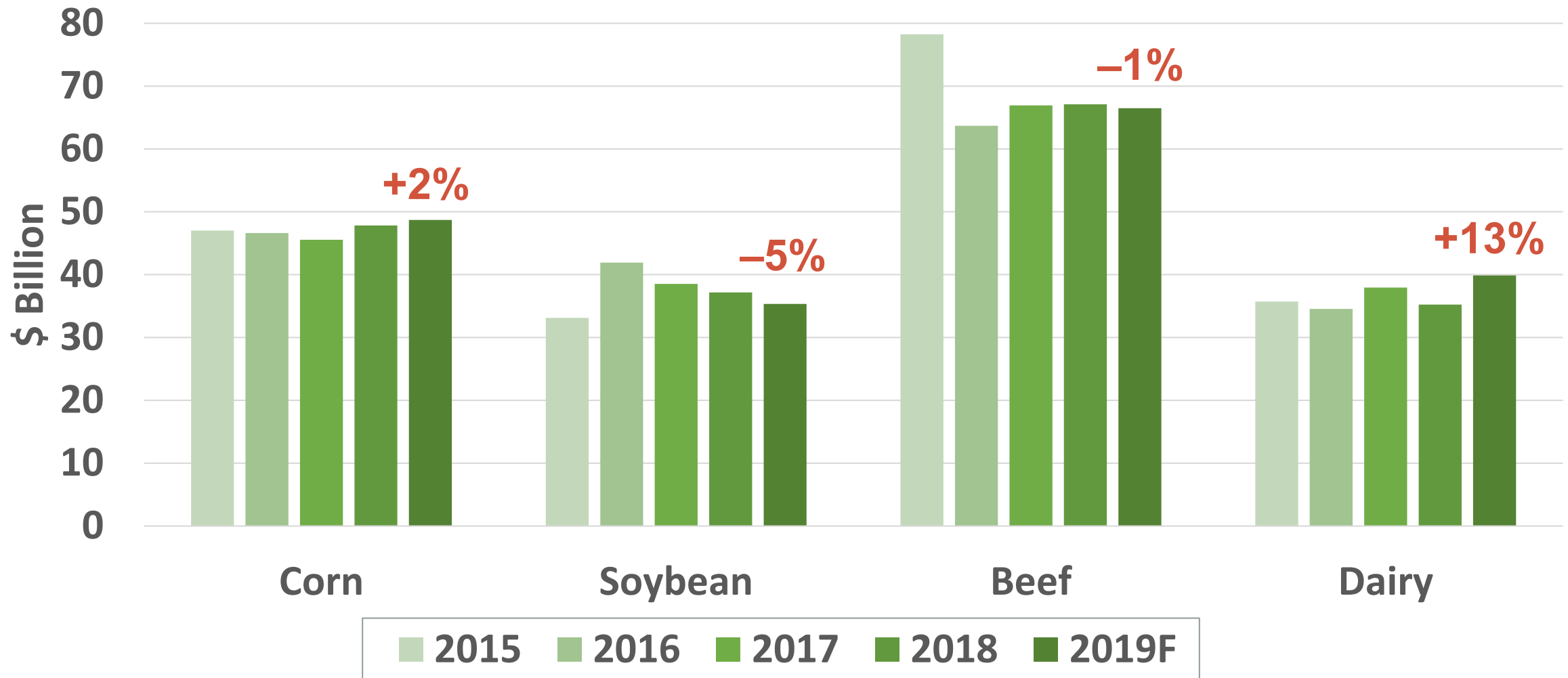
## Net farm income and net cash farm income, 2000-19F



Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.

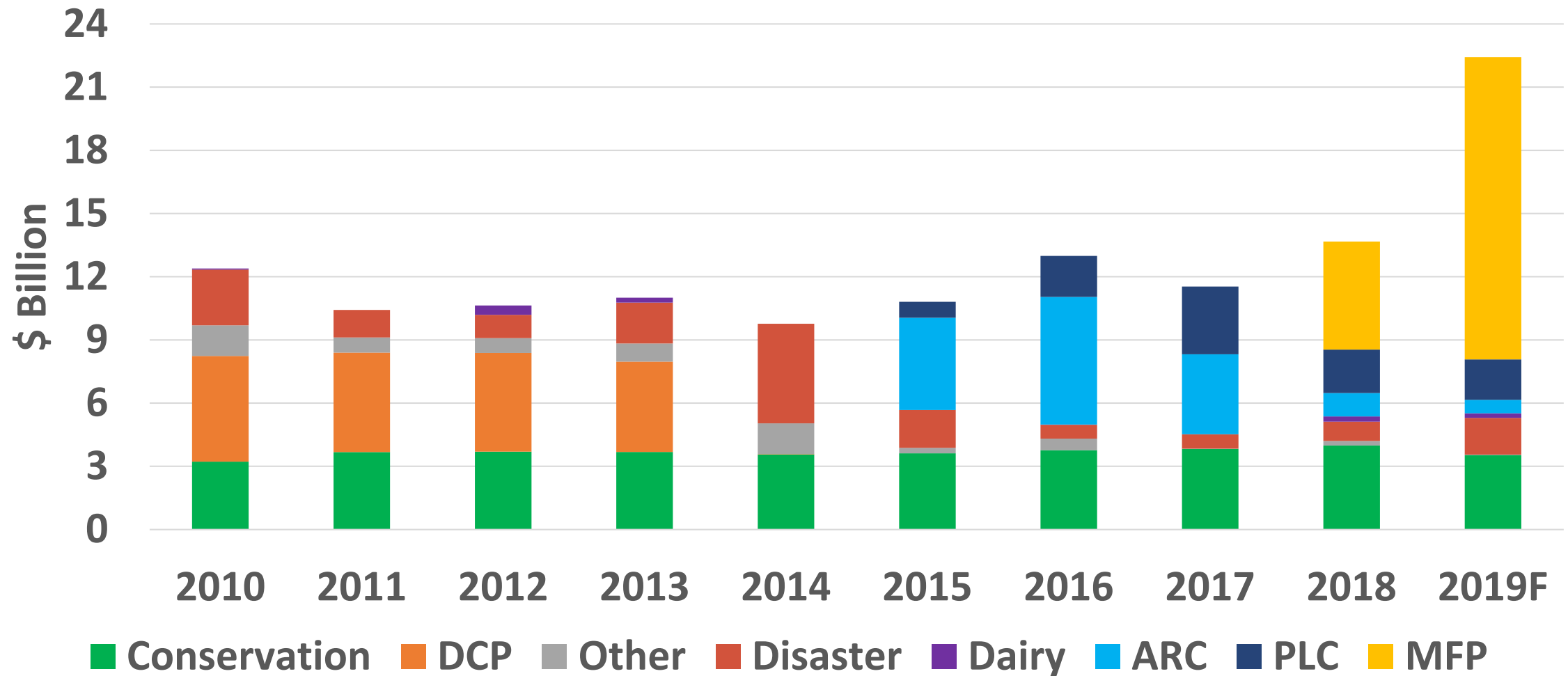
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of November 27, 2019.

# US Farm Receipts for Major Commodities



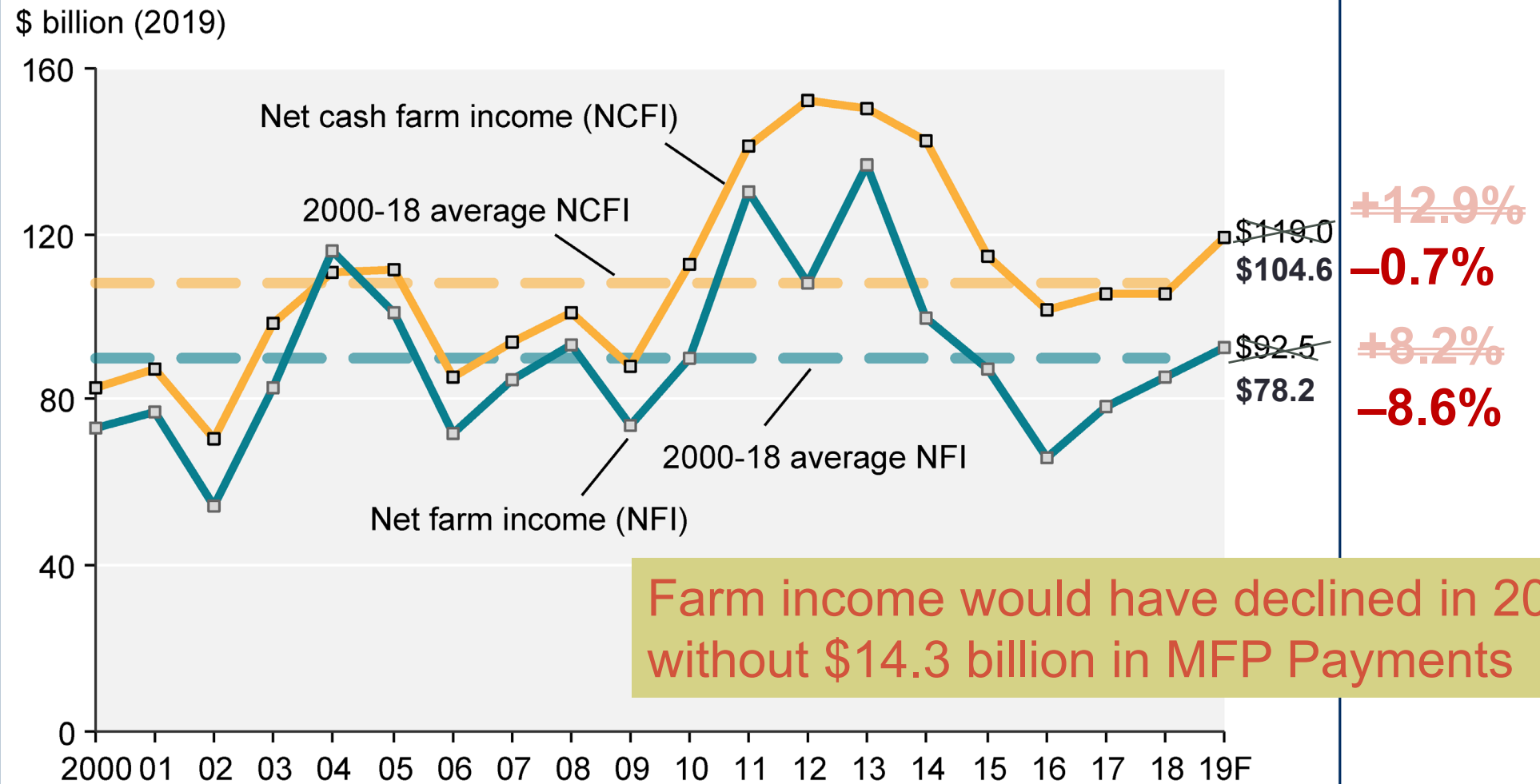
# Direct Payments to US Farmers in 2019

Market Facilitation Program (MFP) Payments > exceeded \$14.3 Billion





## Net farm income and net cash farm income, 2000-19F



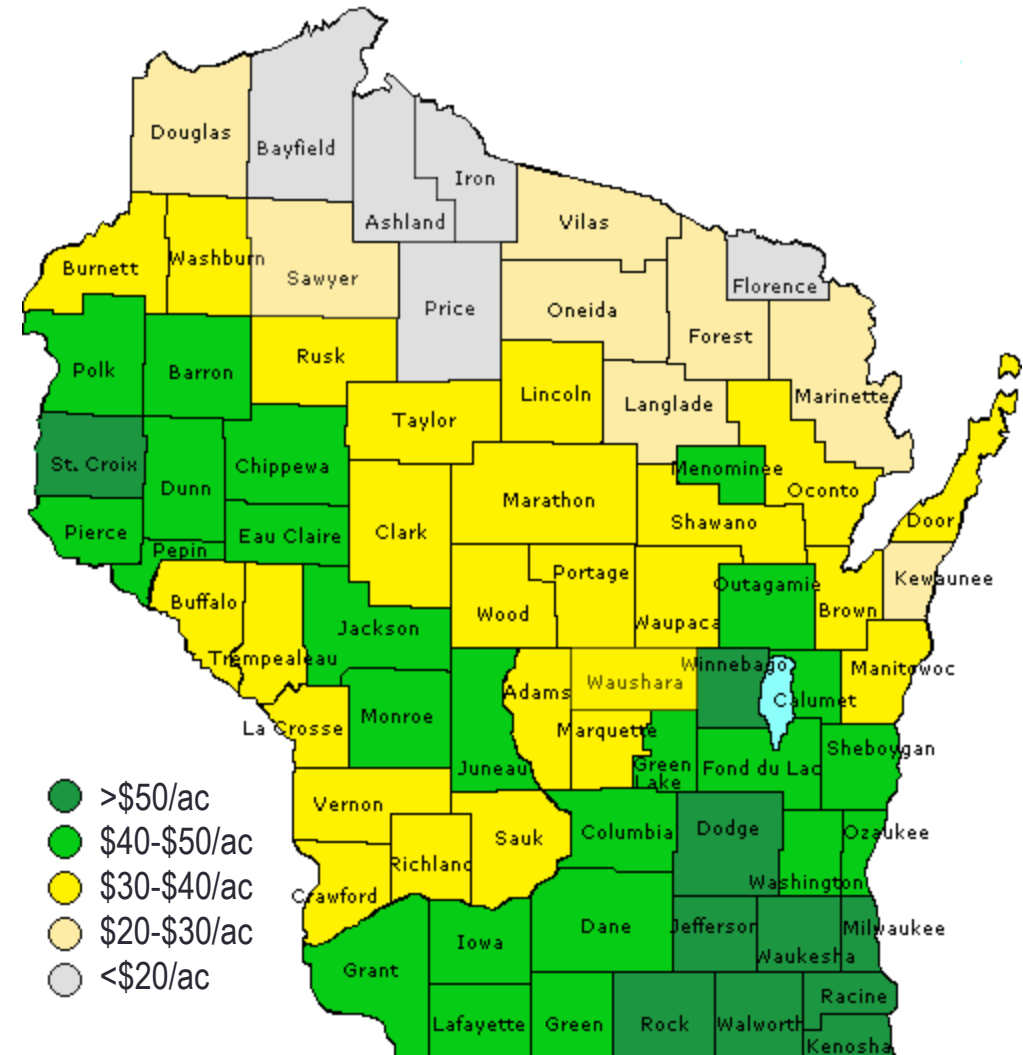
Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of November 27, 2019.

- Crops \$214 million
- Dairy \$37 million
- Specialty Crops \$9 million

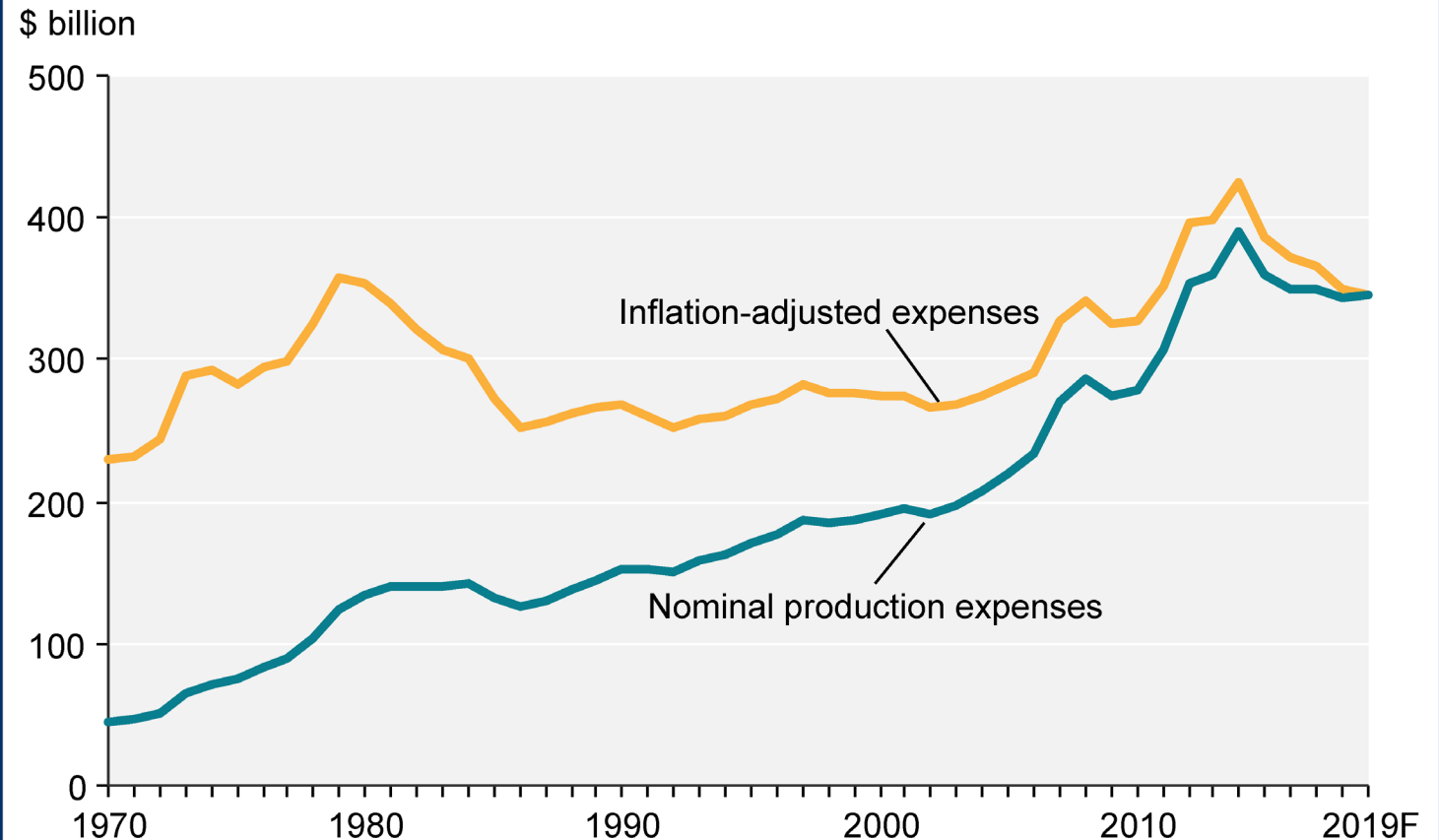
- Dairy Margin Coverage (DMC) paid \$69 million in WI in 2019



## 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



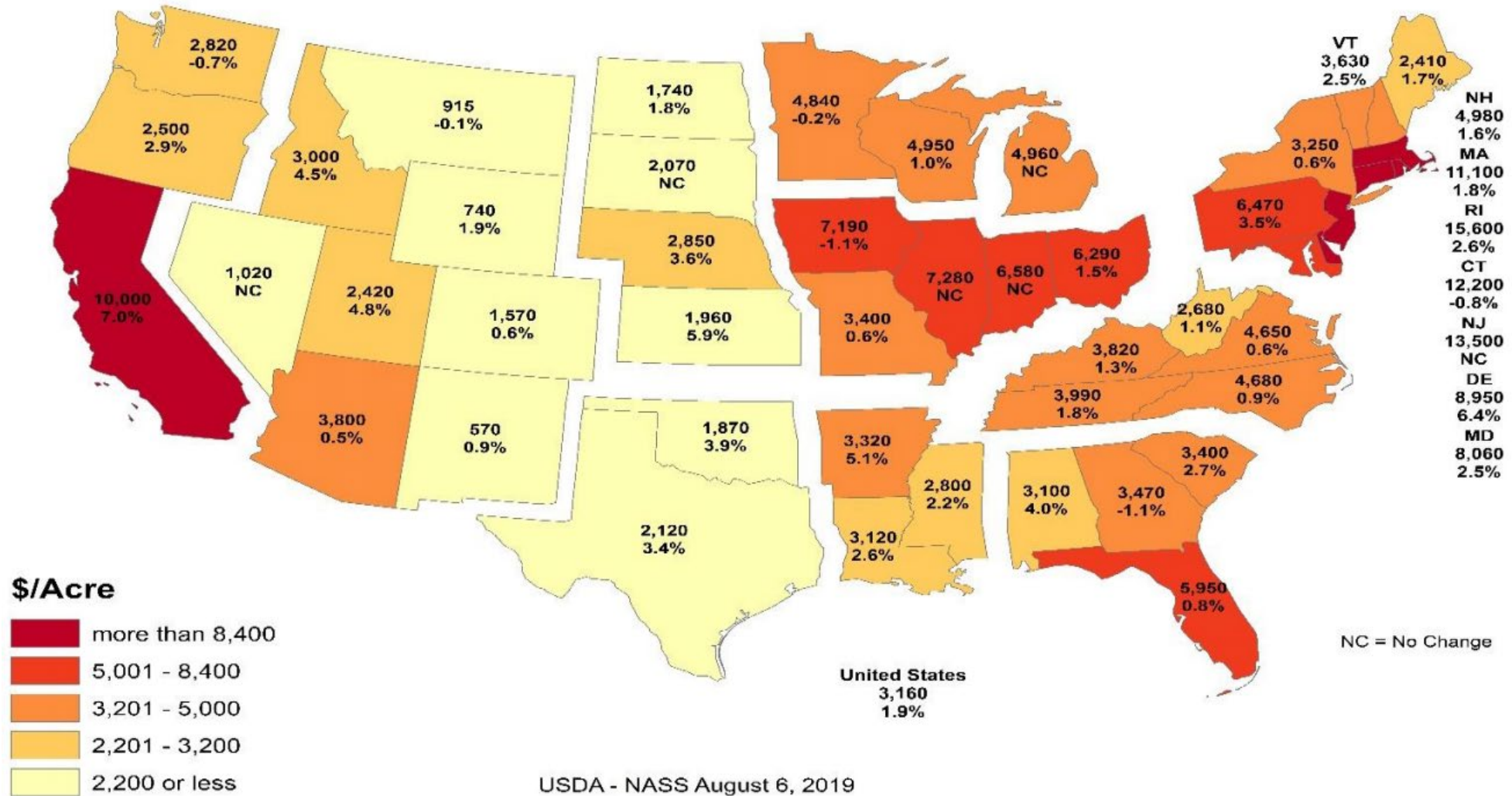
Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.

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

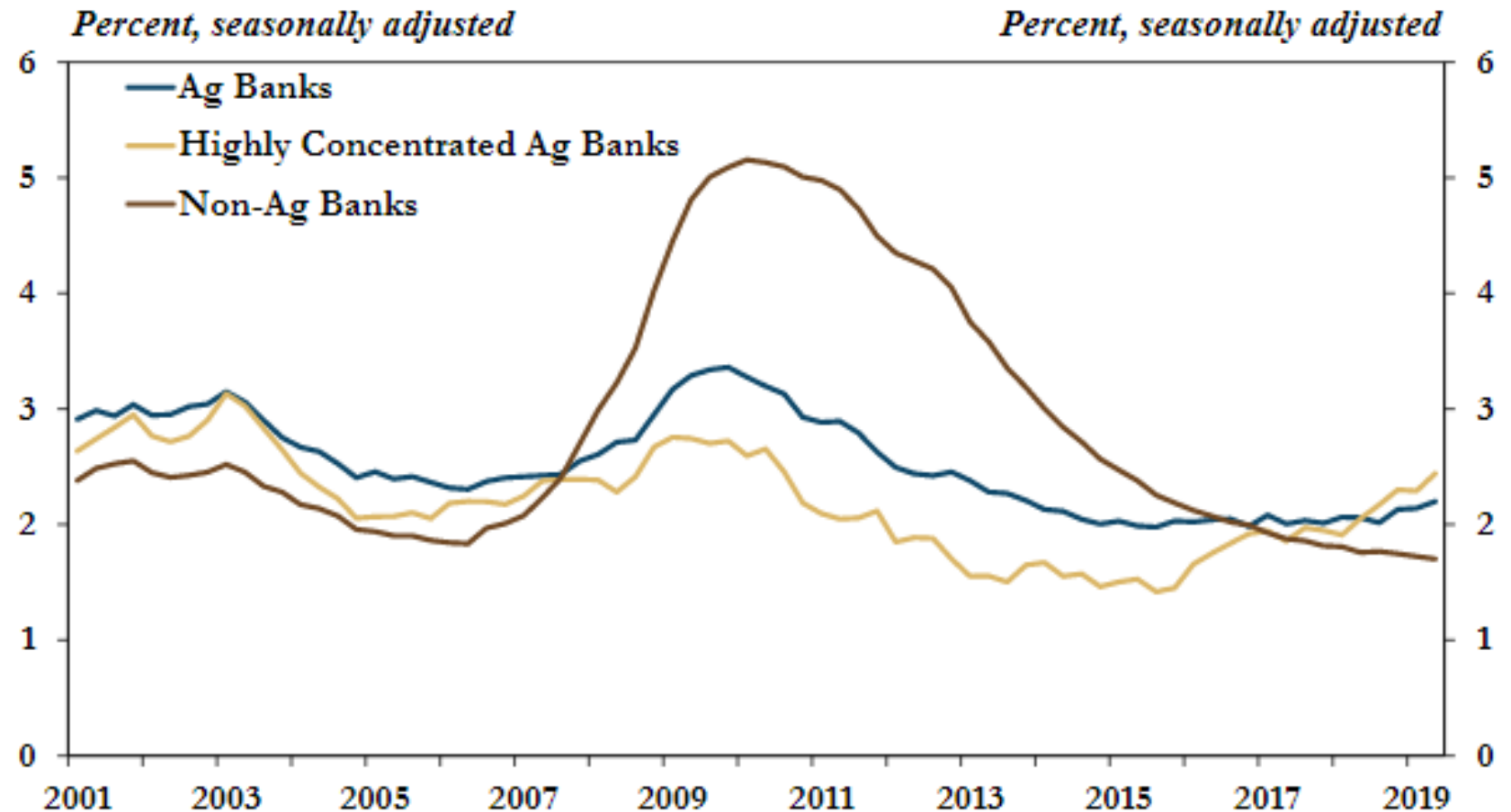


USDA - NASS August 6, 2019

## Chart 7: Delinquency Rates at Commercial Banks

Loan delinquency rates at ag banks has increased annually since 2016 to reach 2.0-2.5%

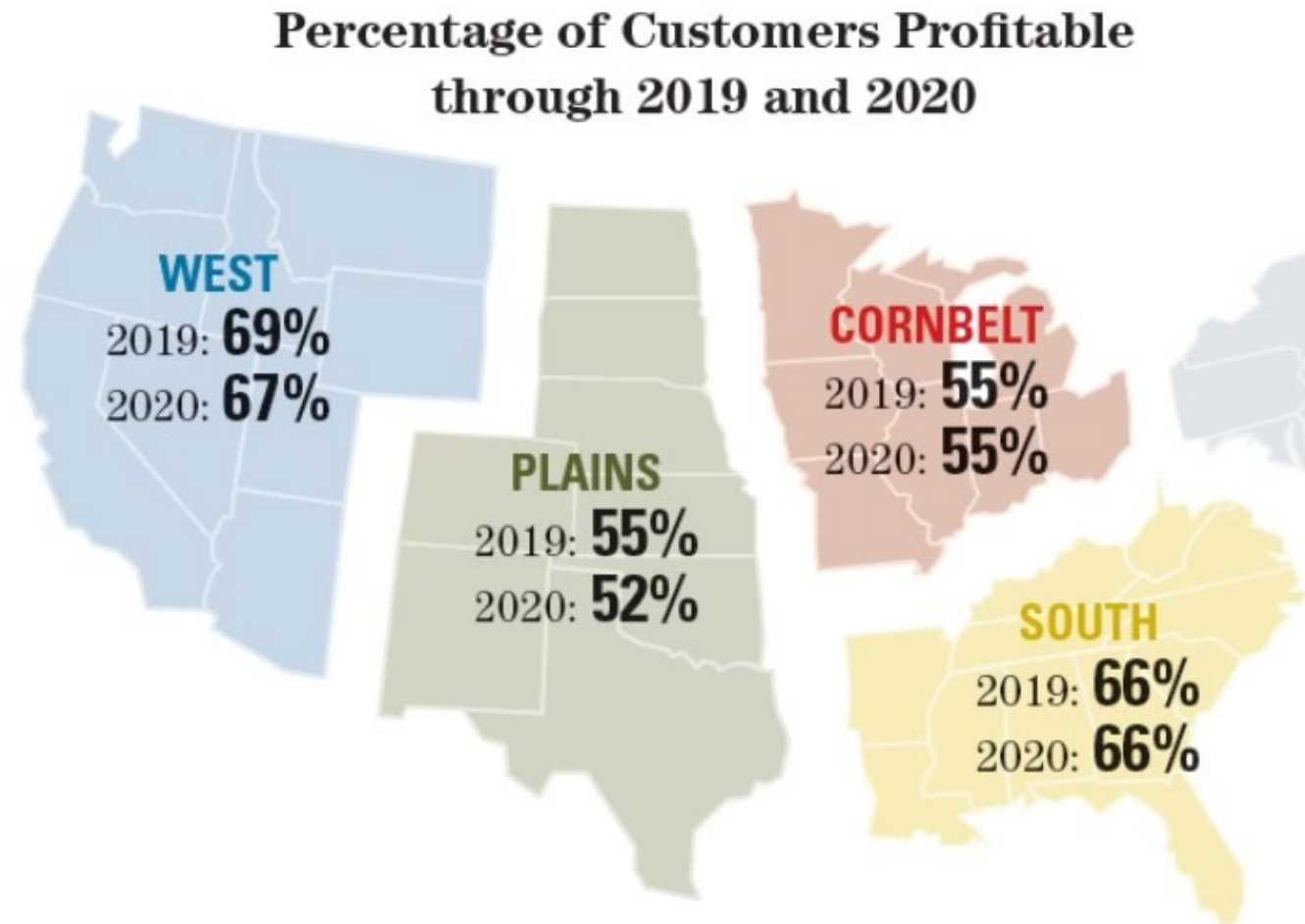
<https://www.kansascityfed.org/research/indicatorsdata/agfinancedatabook/articles/2019/10-17-19/ag-finance-dbk-10-17-2019>



Note: Includes the share of all past due, nonaccruing and net charge-off loans. This chart shows delinquency rates on all loans made at commercial banks. Ag banks are banks where farm production and real estate loans account for 25 percent or more of the bank's loan portfolio. Highly concentrated ag banks are banks where farm loans account for 300 percent or more of the bank's risk-based capital. Sources: Board of Governors and author calculations.

## Top concerns facing ag lenders (ABA-Farmer Mac)

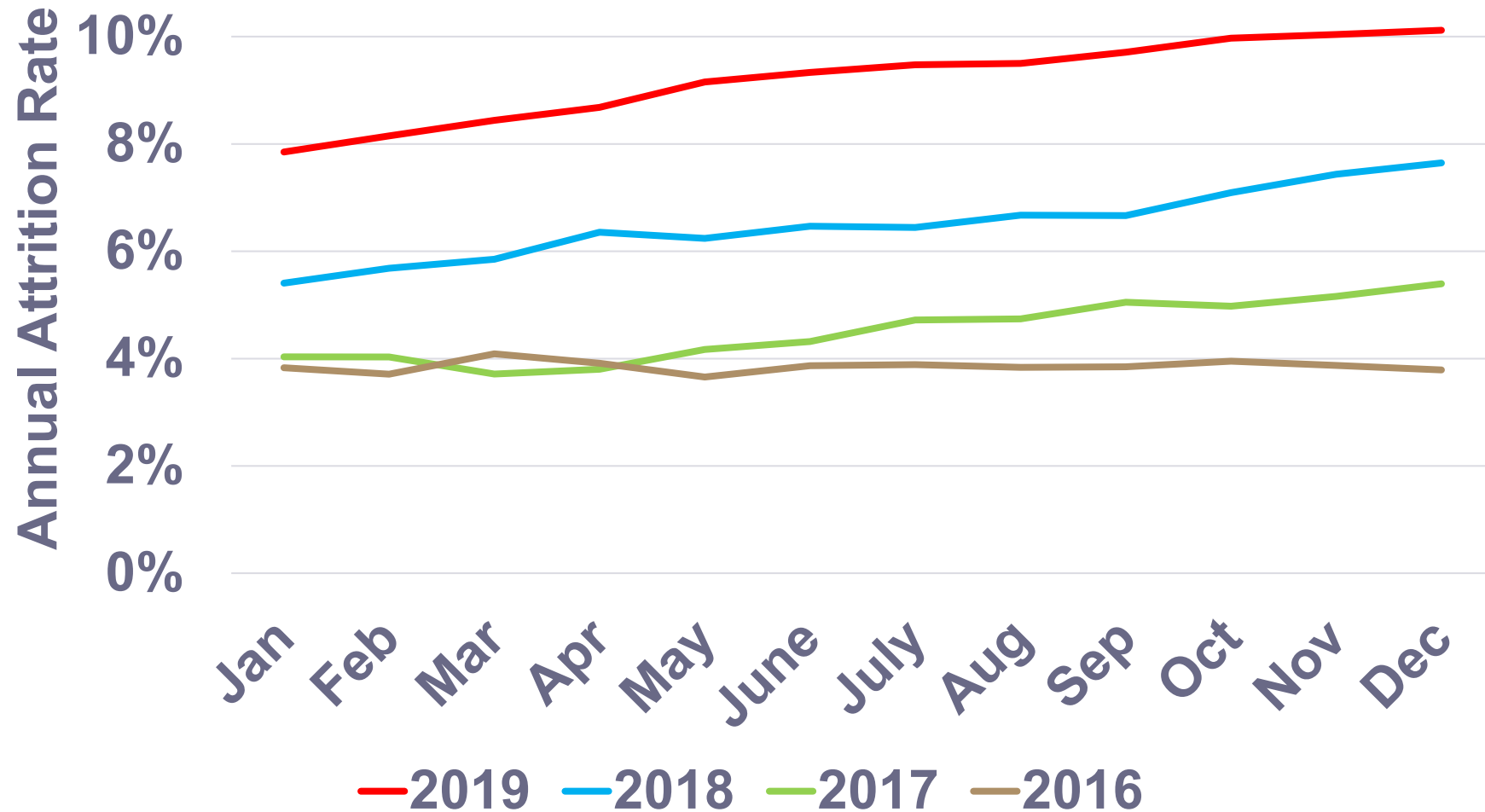
- #1: Credit quality and ag loan deterioration (74%)
- #2: Lender competition (34%)
- ~50% report farmers asking about financing hemp



Source: ABA-Farmer Mac Agricultural Lenders Survey August 2018

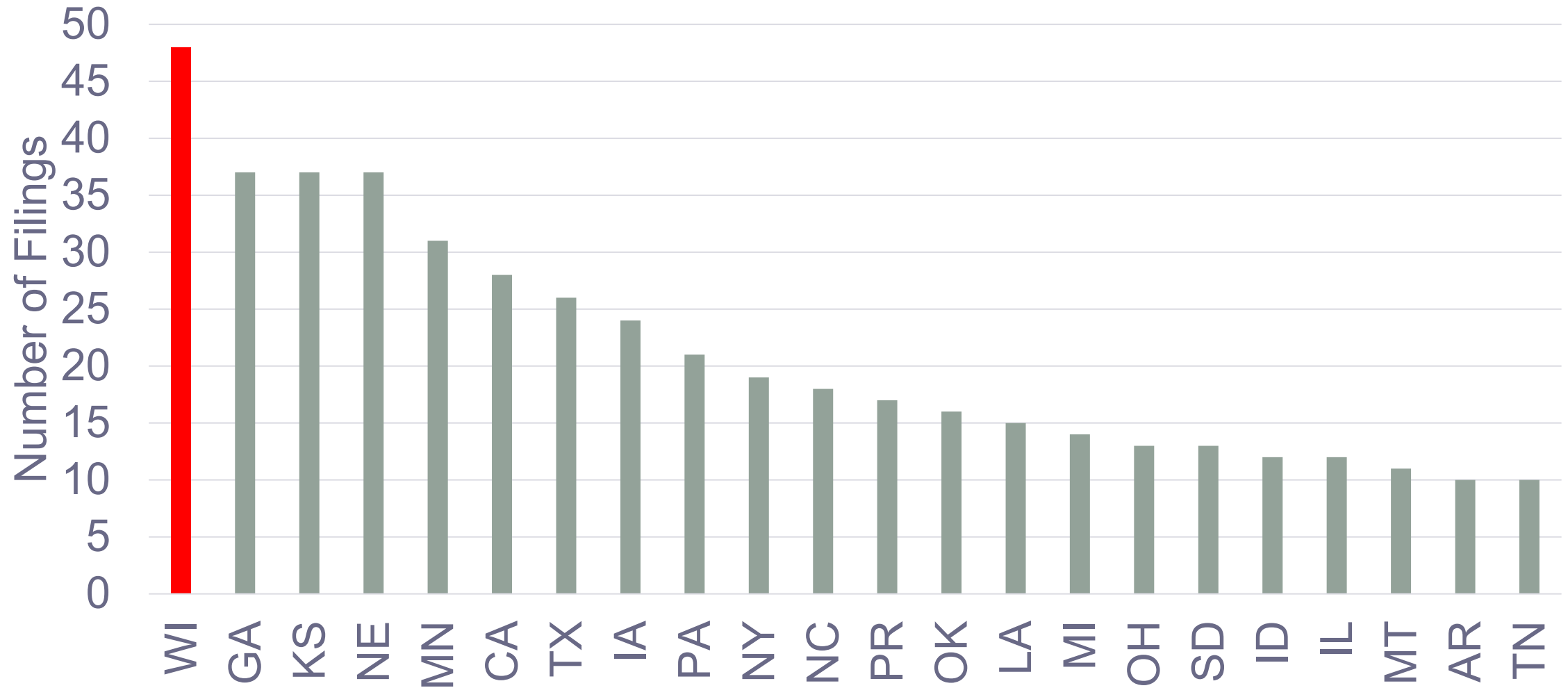


# Wisconsin Dairy Farm Attrition Rate Still Exceeds 10% per year



- 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

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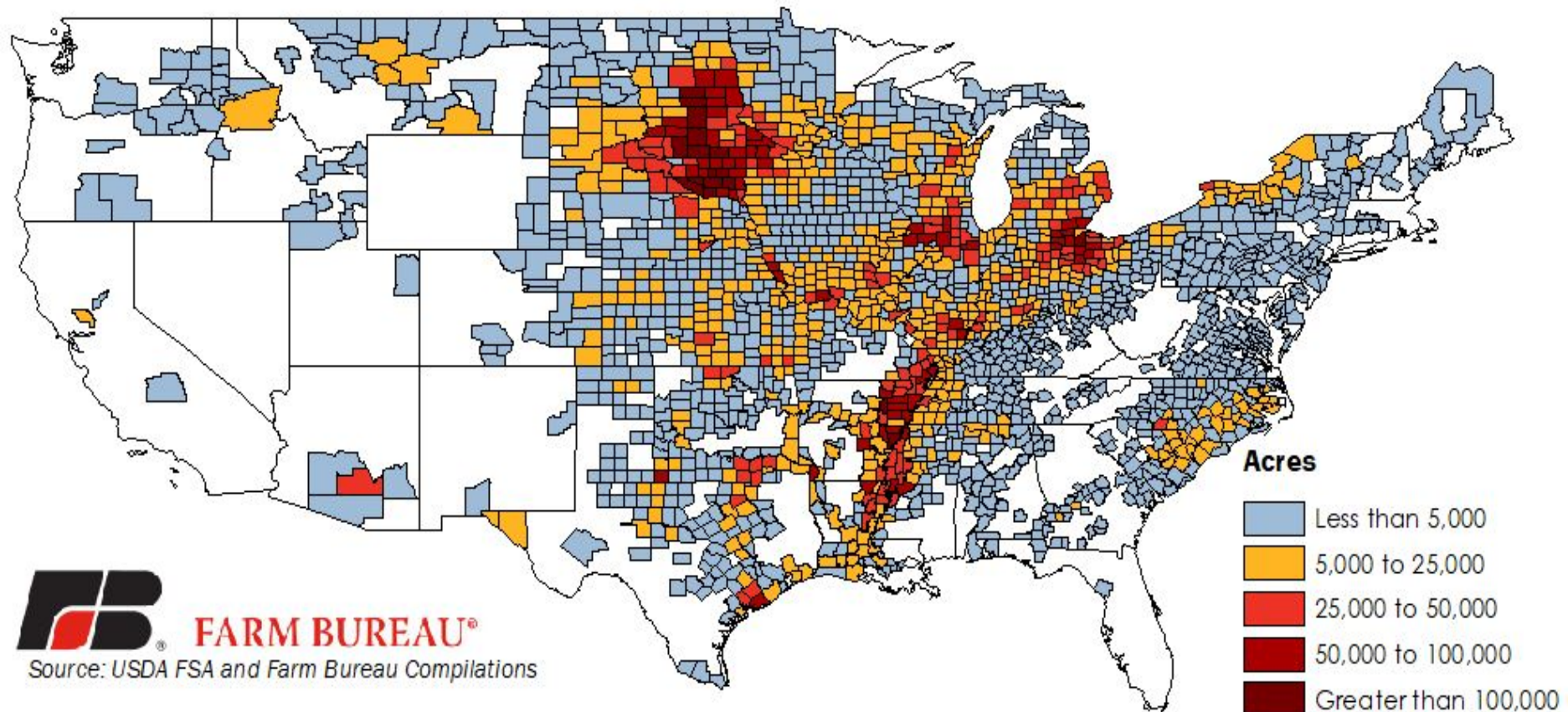


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# Widespread Production Problems in 2019

## Prevent Planting Set a Record at 20 Million Acres

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



Source: <https://www.fb.org/market-intel/prevent-plantings-set-record-in-2019-at-20-million-acres>