

FARM INCOME SITUATION AND OUTLOOK

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2022 Wisconsin Agricultural Outlook Forum

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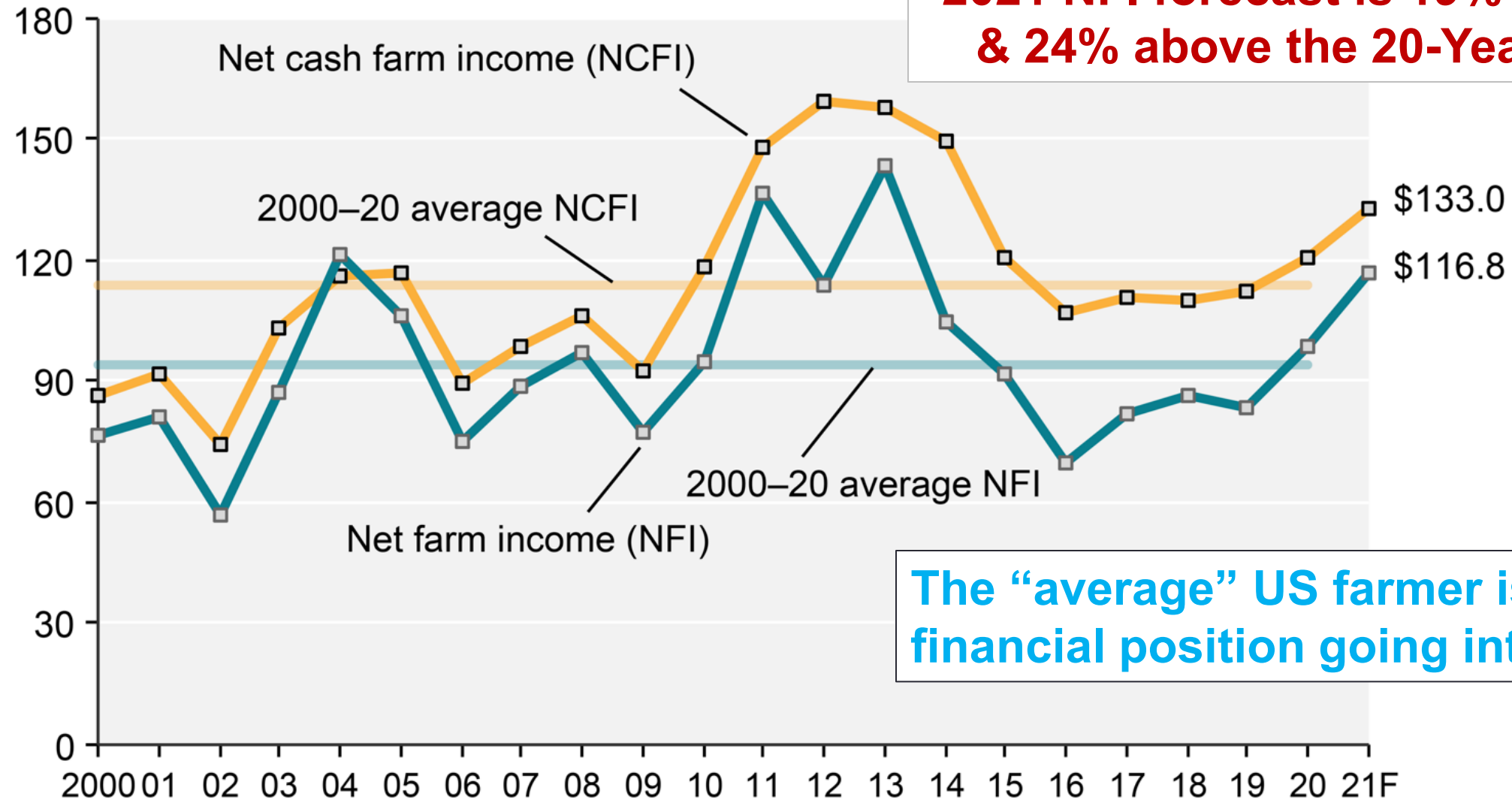
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U.S. net farm income and net cash farm income, 2000–21F

\$ billion (2021)



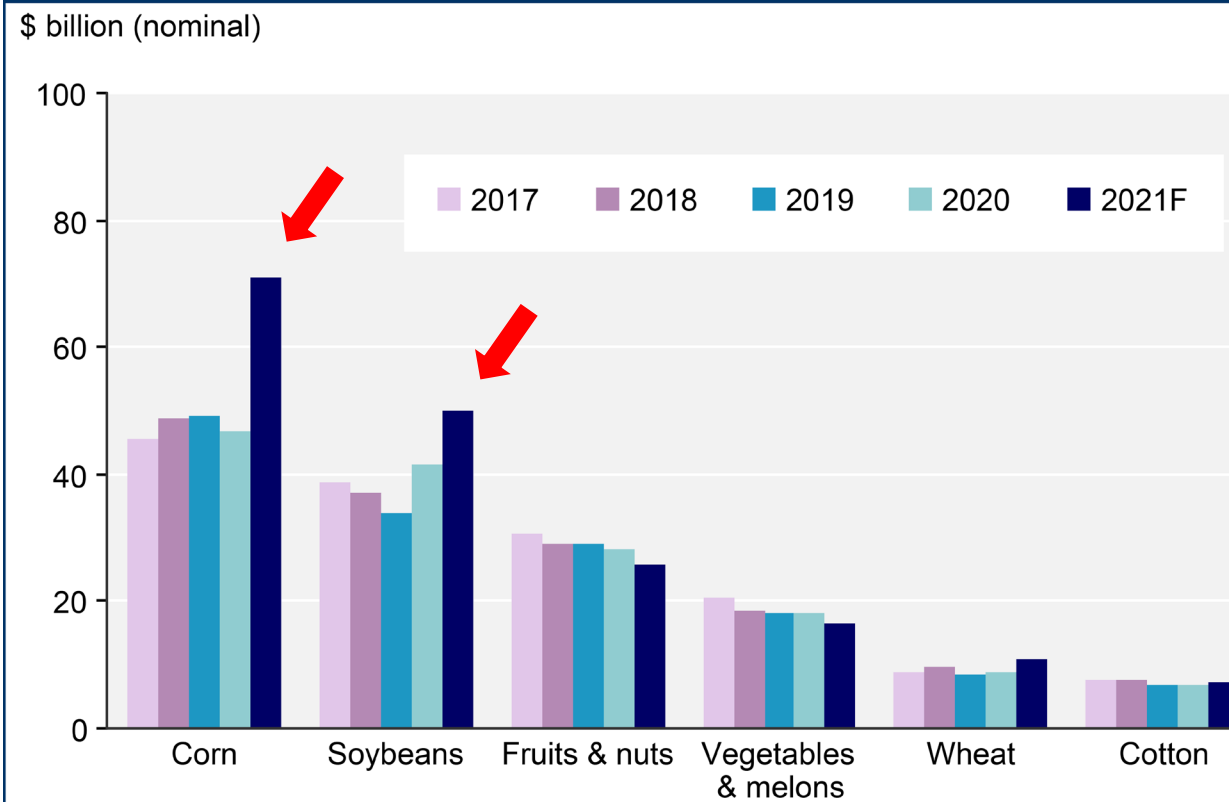
**2021 NFI forecast is 19% above 2020
& 24% above the 20-Year Average**

**The “average” US farmer is in a solid
financial position going into 2022**

Source: USDA
ERS Dec 1, 2021

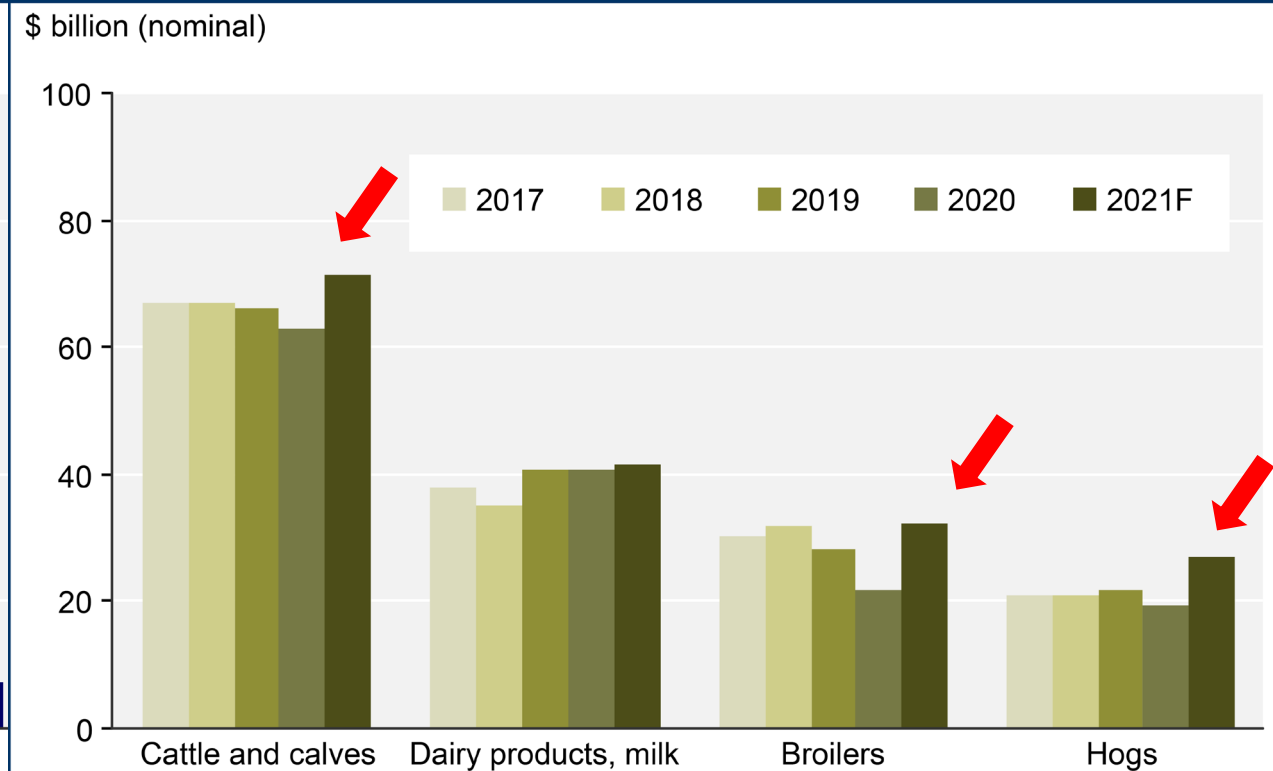
Most of the 2021 Farm Income Increase was from Corn and Soybeans and Livestock (but not Dairy)

U.S. cash receipts for selected crops, 2017–21F



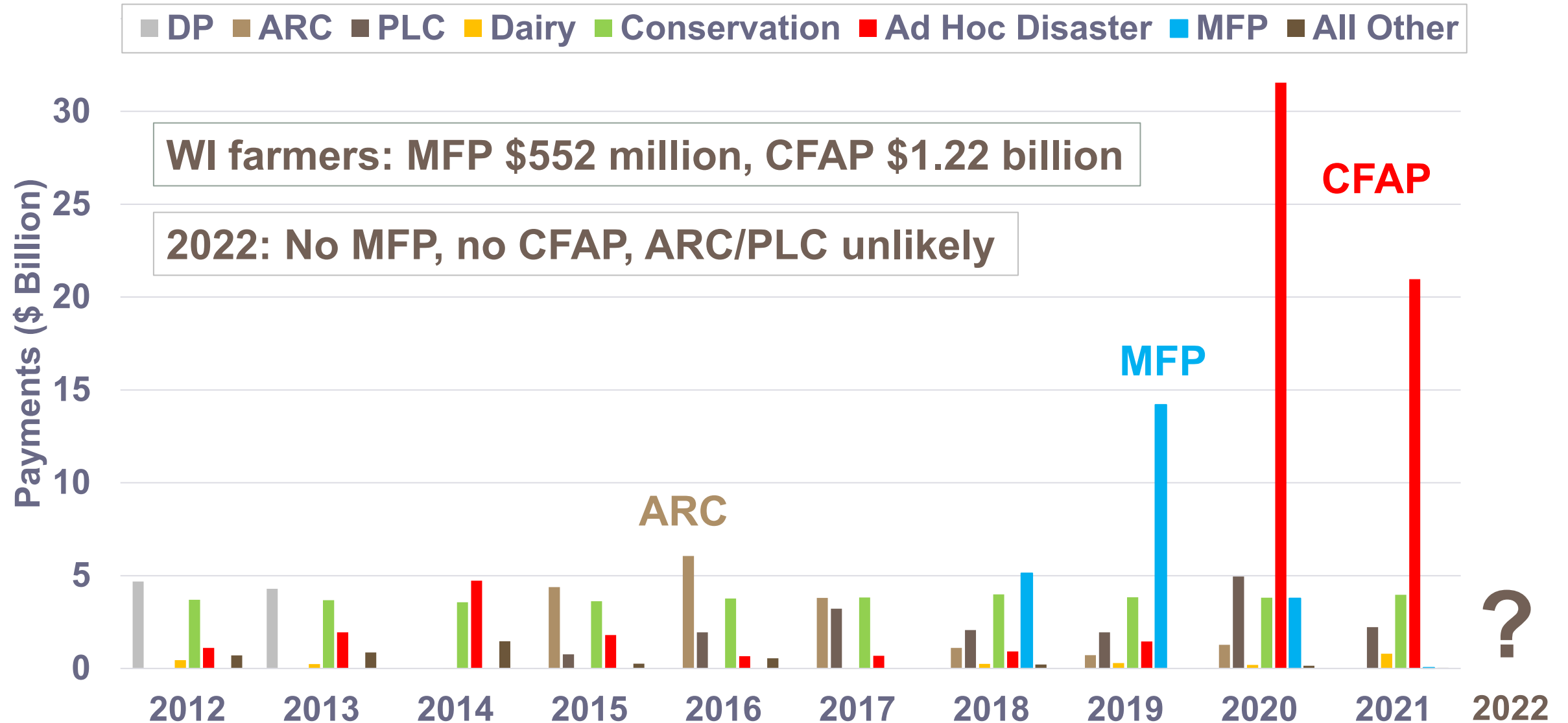
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of December 1, 2021.

U.S. cash receipts for selected animals/products, 2017–21F



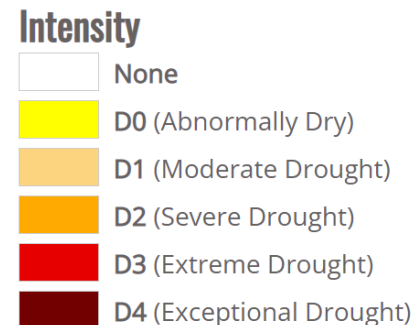
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of December 1, 2021.

Government Payments by Program

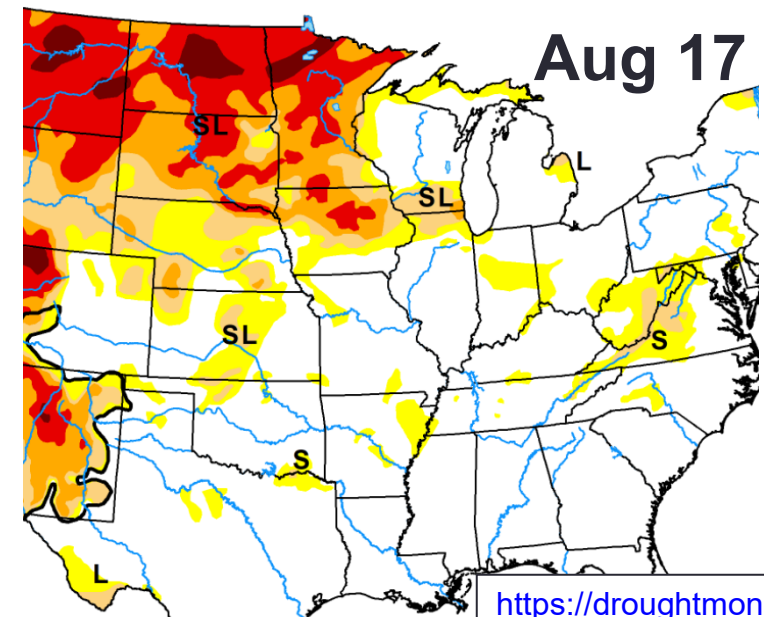
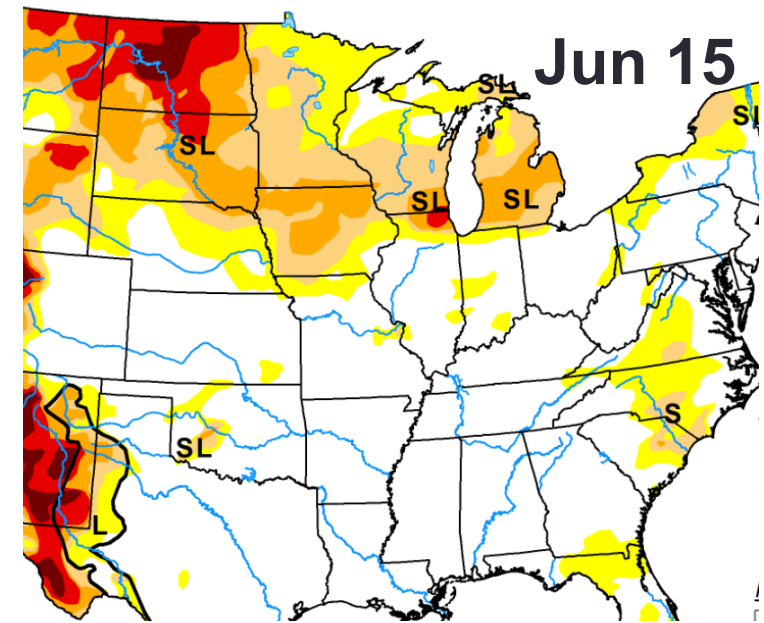


2021 was a Great Year for Crops in Wisconsin

- Corn averaged 180 bu/ac (new record)
- Silage averaged 21.5 tons/ac (new record)
- Soybeans averaged 55 bu/ac (new record)
- Hay Stocks are up 18% from Dec 2020 after three years of record lows
- All of this despite a lingering drought all summer



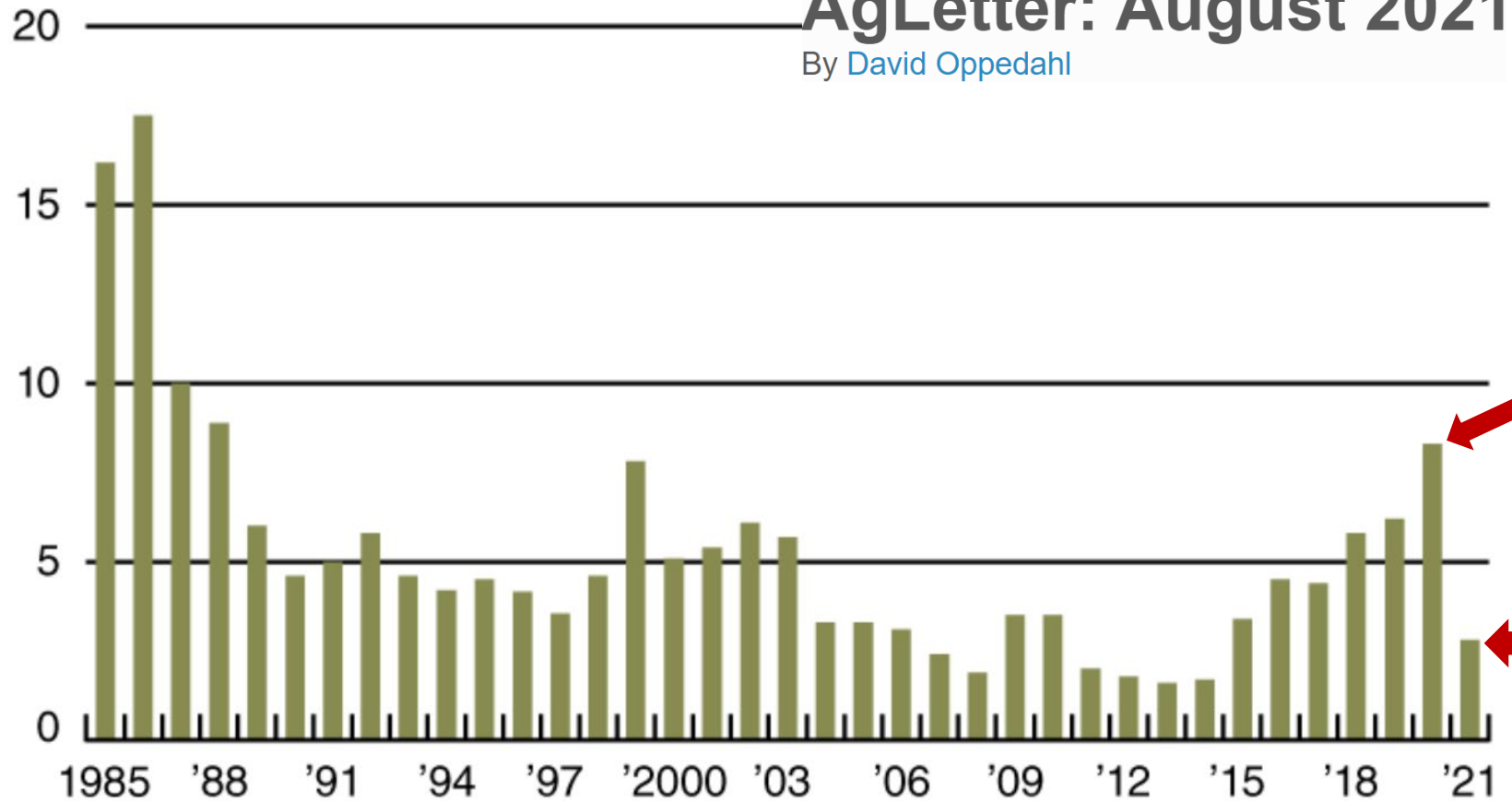
US Drought Monitor



Farmers are Paying Down Debt

Percentage of Seventh District farm loan portfolio with “major” or “severe” repayment problems

percent



Seventh Federal Reserve District



2020: Highest rate of repayment problems since the 1980's

2021: Not since 2014 have repayment problems been this low

Farmers are Paying Higher Costs

☆ Producer Price Index by Commodity: All Commodities (PPIACO)

DOWNLOAD 

Observation:
Nov 2021: **243.602** (+ more)
Updated: Dec 14, 2021

Units:
Index 1982=100,
Not Seasonally Adjusted

Frequency:
Monthly


1Y | 5Y | 10Y | Max

1999-11-27

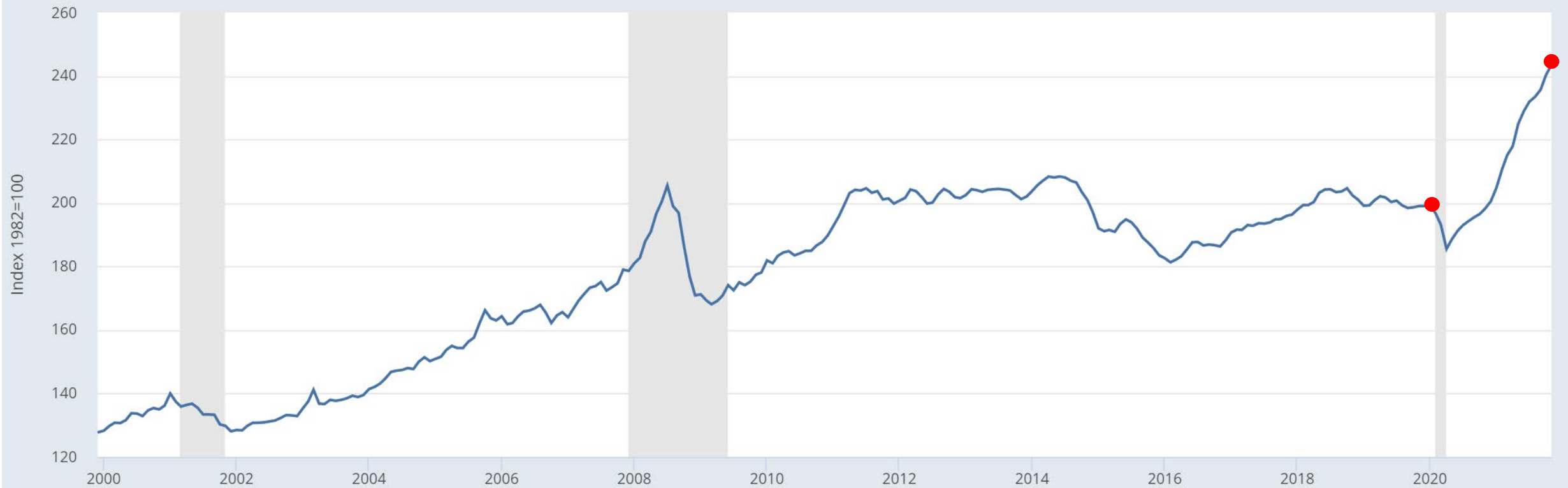
to

2021-11-01

EDIT GRAPH 

FRED  — Producer Price Index by Commodity: All Commodities

PPI up 22% from Jan 2020 to Nov 2021

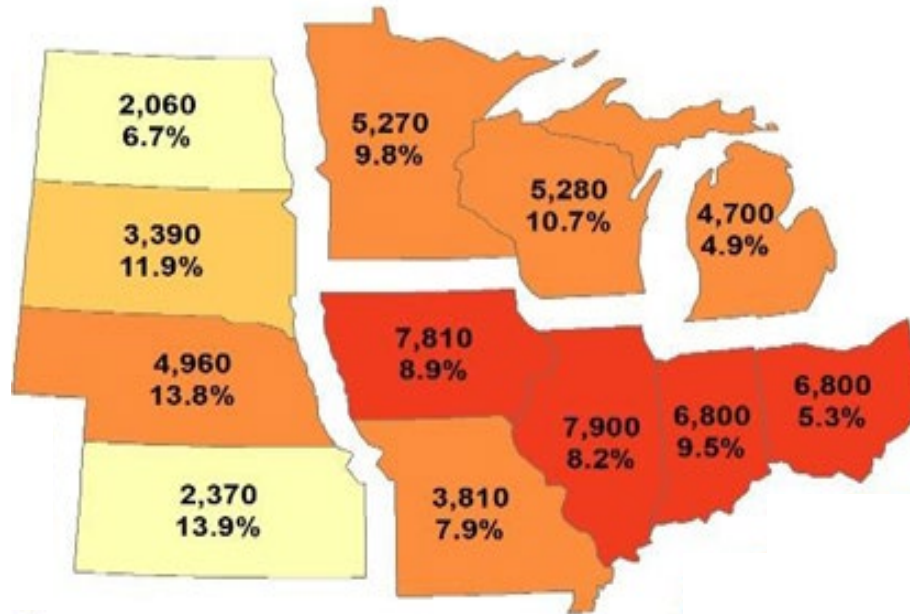


Source: <https://fred.stlouisfed.org/series/PPIACO>

Land Values are Up

2021 Cropland Value by State

Dollars per Acre and Percent Change from 2020

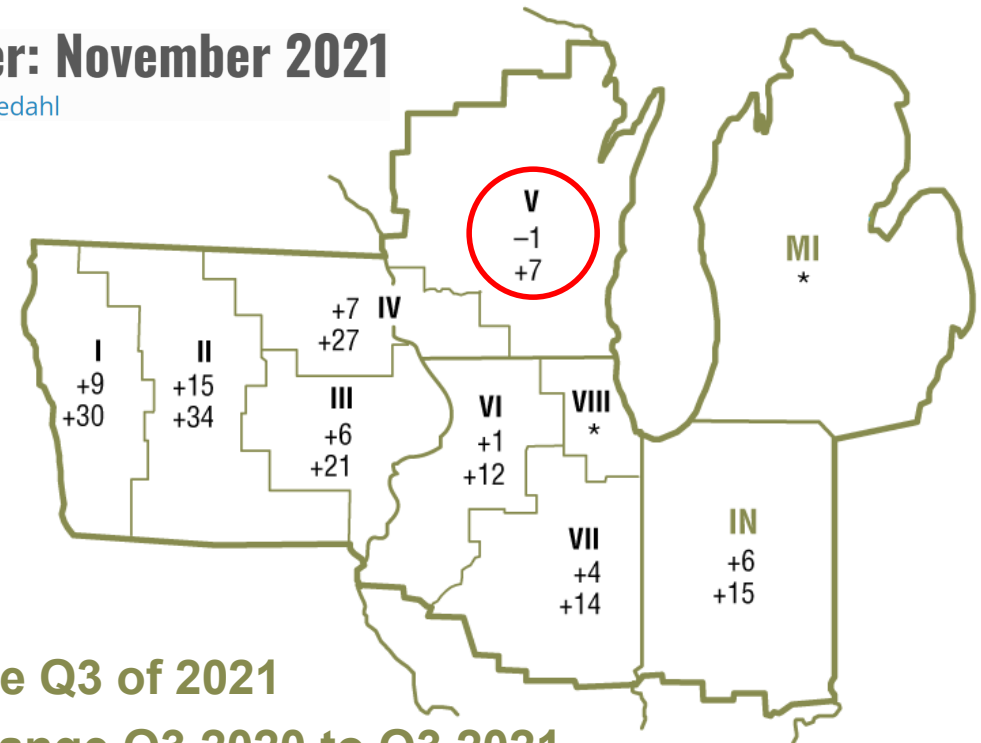


Land Values 2021 Summary (August 2021)
USDA, National Agricultural Statistics Service

% Change in value of “good” farmland

AgLetter: November 2021

By David Oppedahl



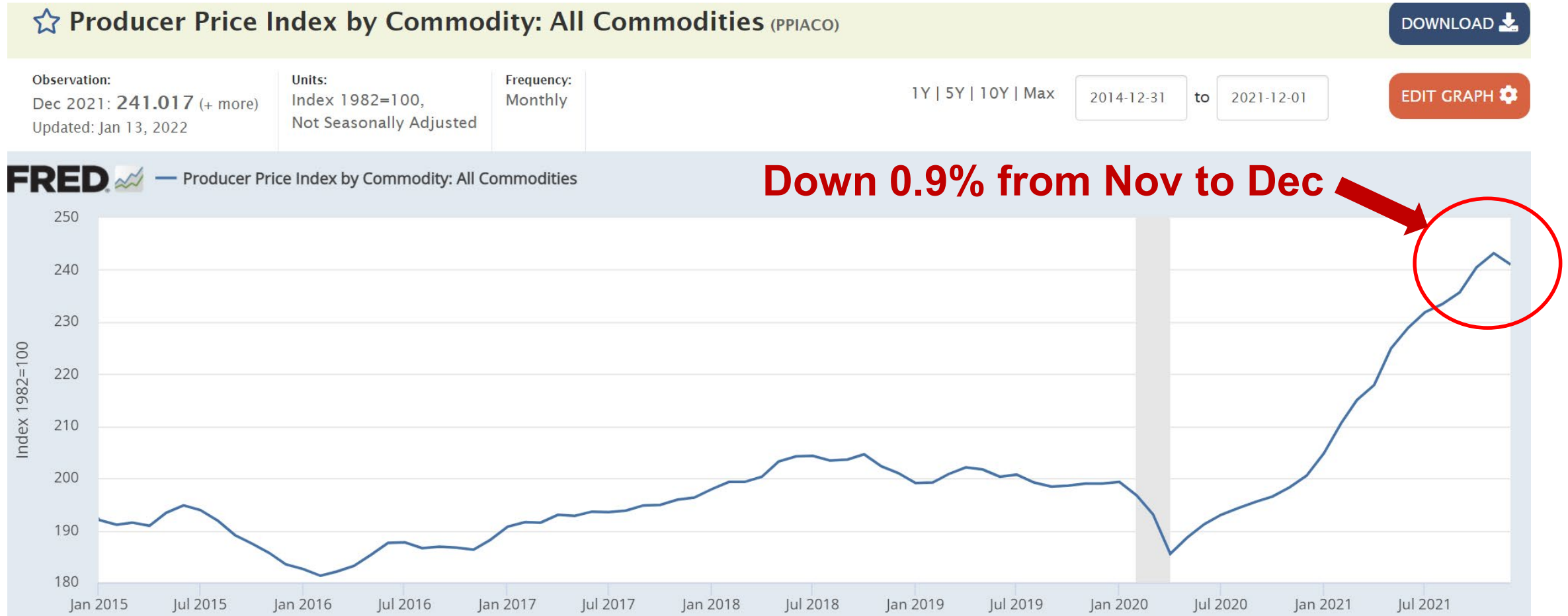
Top: Change Q3 of 2021

Bottom: Change Q3 2020 to Q3 2021

2022 Cost of Production for Corn and Soybeans is up about 25% from 2021, but farmers can still make money

Location	Corn after Corn	Corn after Soybeans	Soybeans after Corn
----- % Change in Non-Land Costs 2021 to 2022 -----			
Northern Illinois	25%	26%	24%
Iowa	25%	27%	23%
----- Breakeven Price with High Rental Rate -----			
Northern Illinois	\$5.04	\$4.74	\$11.52
Iowa	\$4.98	\$4.24	\$11.03
----- Breakeven Price with Average Rental Rate -----			
Northern Illinois	\$4.76	\$4.47	\$10.59
Iowa	\$4.68	\$3.96	\$10.09

Good News: The PPI has stopped increasing



Source: <https://fred.stlouisfed.org/series/PPIACO>

Fertilizer prices also have stopped increasing

	Last 12 Months		Last 2 Weeks	
	Des Moines, IA	Springfield, IL	Des Moines, IA	Springfield, IL
Anhydrous	205%	197%	0.6%	-0.6%
Urea	123%	142%	-1.3%	-1.8%
Liquid N	190%	158%	-0.1%	-0.9%
DAP	---	66%	1.8%	0.1%
MAP	71%	67%	-0.4%	-4.7%
Potash	111%	120%	-0.1%	0.6%

USDA AMS: https://www.ams.usda.gov/mnreports/gx_gr210.txt

“Prices for New Orleans urea ... fell **6.2%** ... as **reports of full warehouses signal ‘the new price level is here to stay,’** said Alexis Maxwell, an analyst at Bloomberg’s Green Markets.”

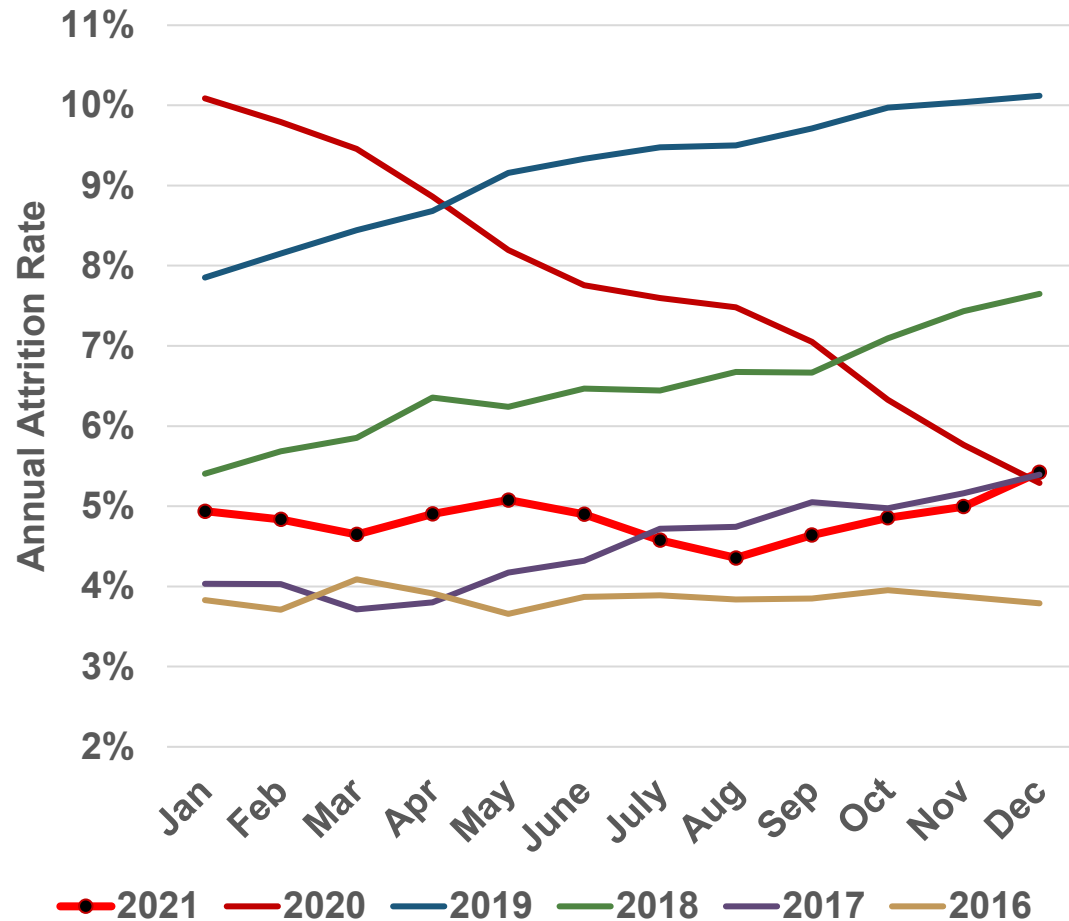
Consumer Price Index (annual change by month)



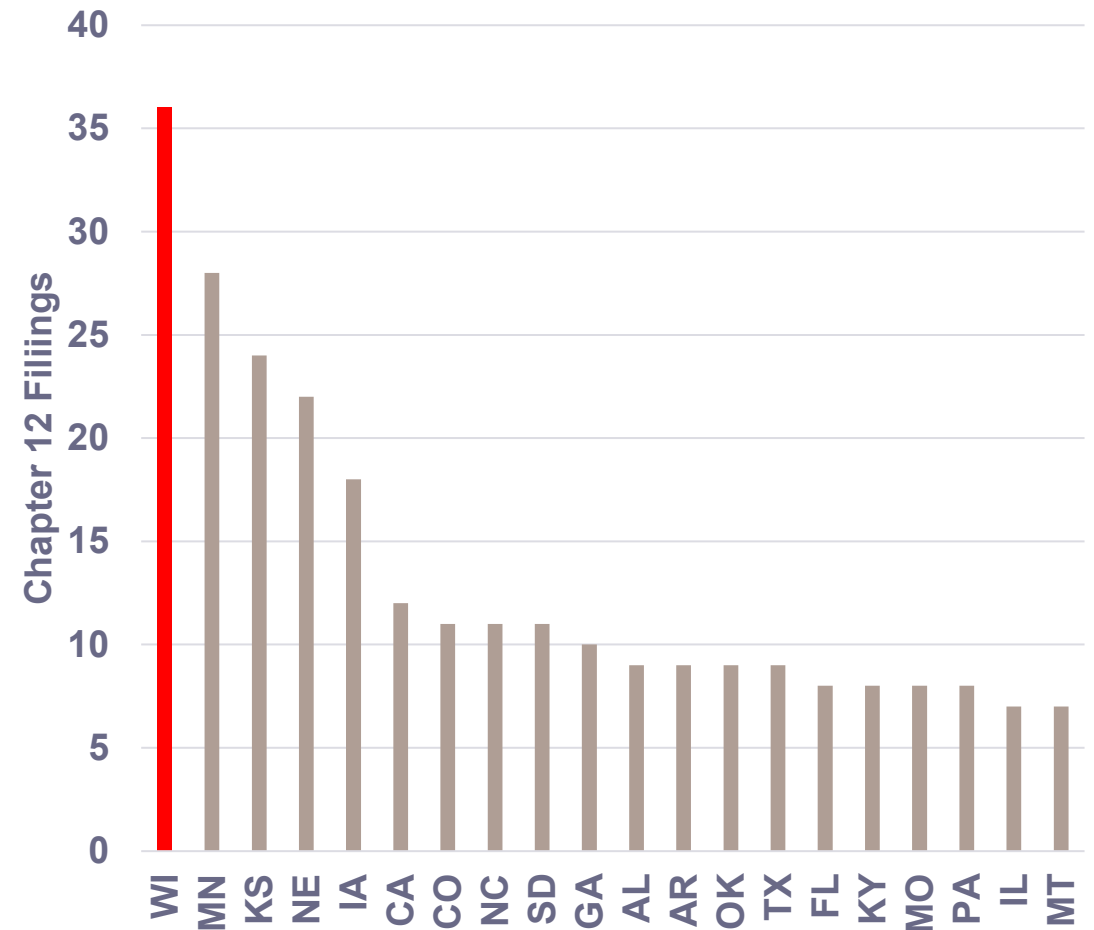
PPI is up 22% since Jan 2020, so a lot of inflation remains to be pushed through the economy to Consumers

All is not Rosy in America's Dairyland

Dairy herd consolidation continues, annual attrition rate is rising again



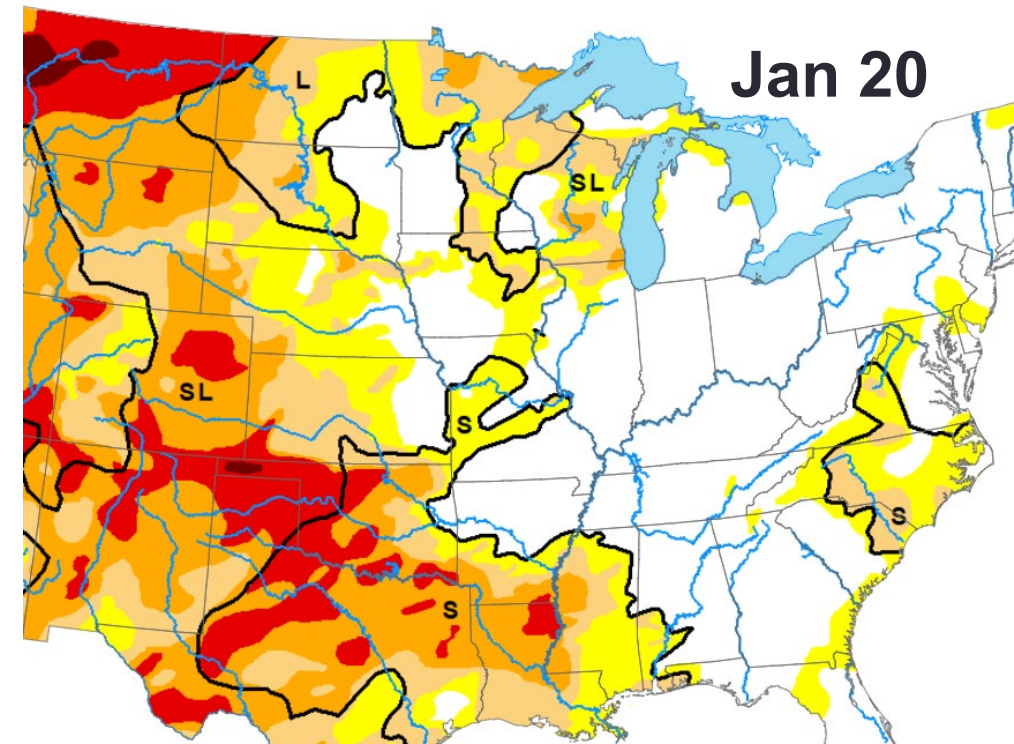
Wisconsin still leads the nation in farm bankruptcy filings



Summary and 2022

- Most Wisconsin farms are going into 2022 in a solid financial position after a good year
 - High yields and revenues from crops & livestock, high government payments
 - 2022 costs are up 20-30%, but farmers can still earn profits at expected prices
 - Lock in current margins for corn and soybeans, but allow upside gains
- My concern in 2022 is drought in Wisconsin
- Unlike 2021, we are going into 2022 with a soil water deficit: Madison ended 2021 13 inches behind, Milwaukee 10 inches behind

US Drought Monitor



Intensity

None	None
D0 (Abnormally Dry)	D0 (Abnormally Dry)
D1 (Moderate Drought)	D1 (Moderate Drought)
D2 (Severe Drought)	D2 (Severe Drought)
D3 (Extreme Drought)	D3 (Extreme Drought)
D4 (Exceptional Drought)	D4 (Exceptional Drought)

Thanks for your Attention

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