

FARM INCOME SITUATION AND OUTLOOK

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2023 Wisconsin Agricultural Outlook Forum

January 24, 2022 Madison WI

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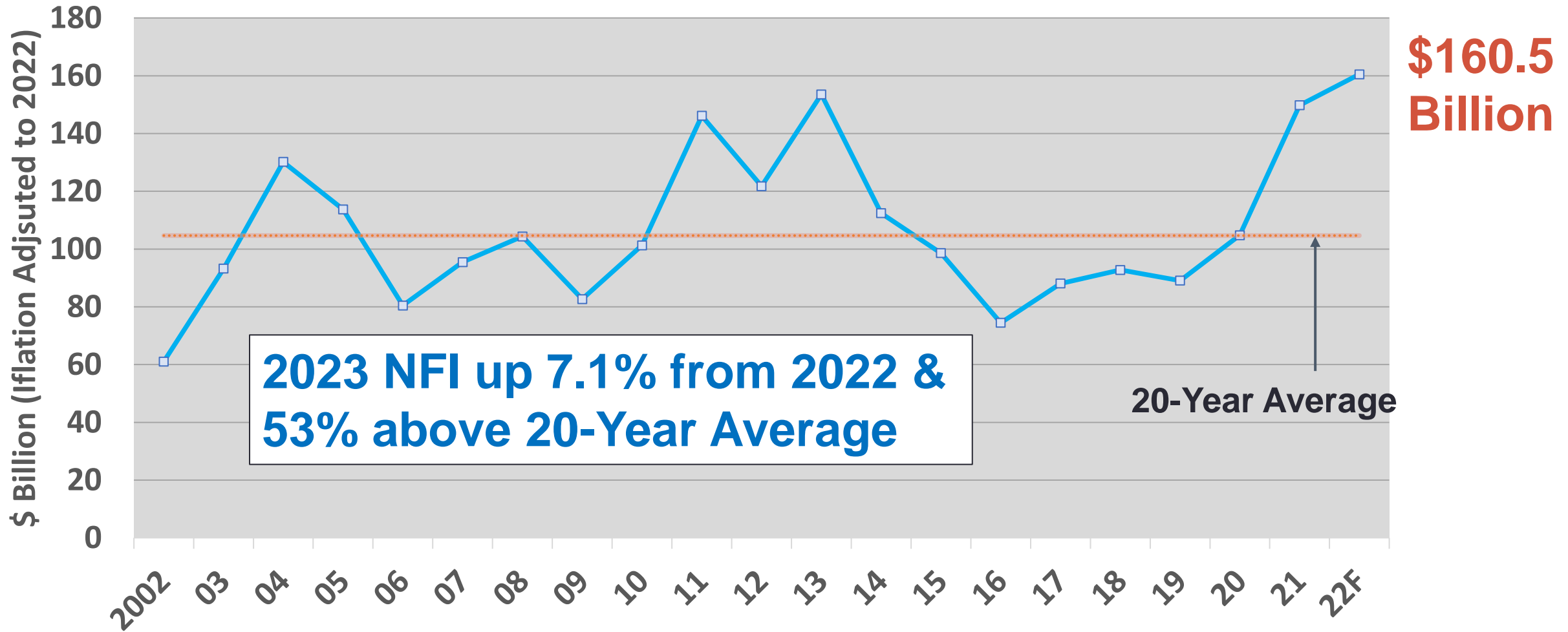


RENK AGRIBUSINESS INSTITUTE
College of Agricultural & Life Sciences



Division of Extension
University of Wisconsin-Madison

US Net Farm Income 2002-2022F

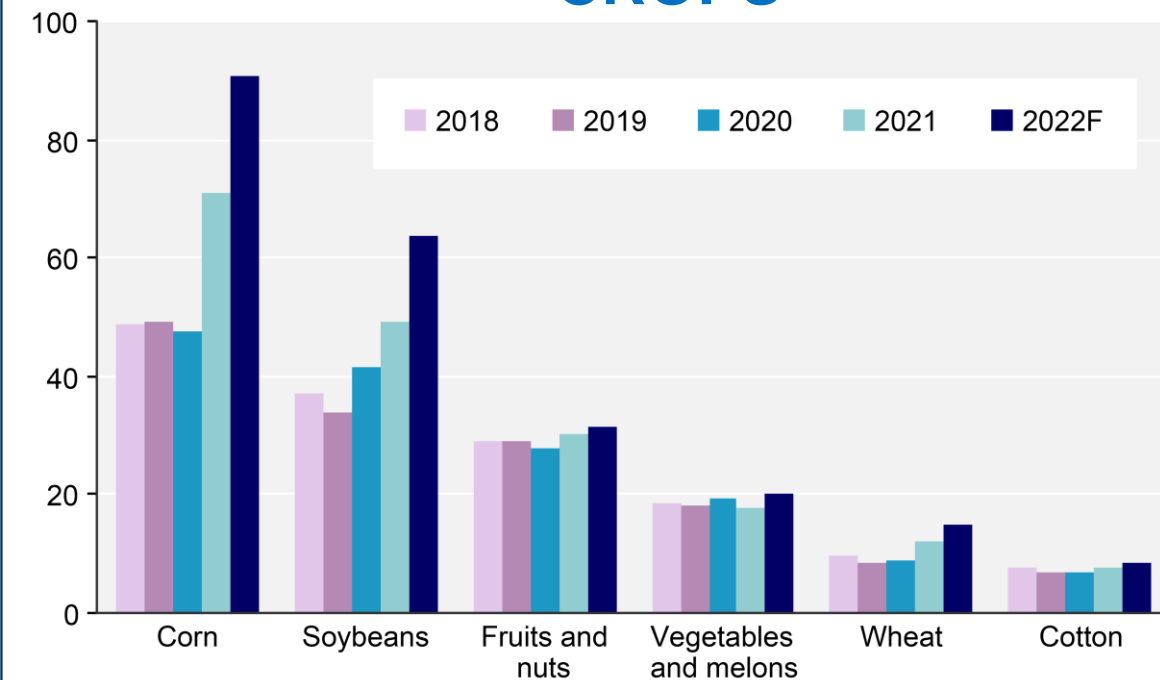


Cash Receipts 2018-2022F by Commodity

U.S. cash receipts for selected crops, 2018–22F

Billion dollars (nominal)

CROPS



Note: F = forecast.

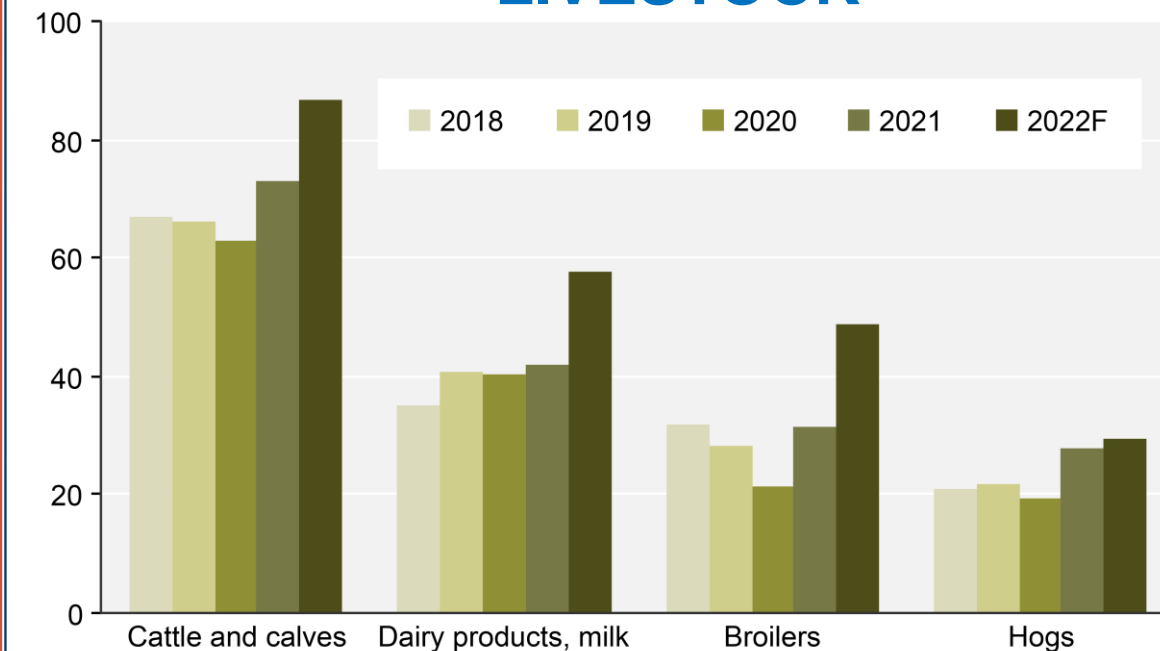
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of December 1, 2022.

U.S. cash receipts for selected animals/products, 2018–22F

Billion dollars (nominal)

LIVESTOCK



Note: F = forecast.

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

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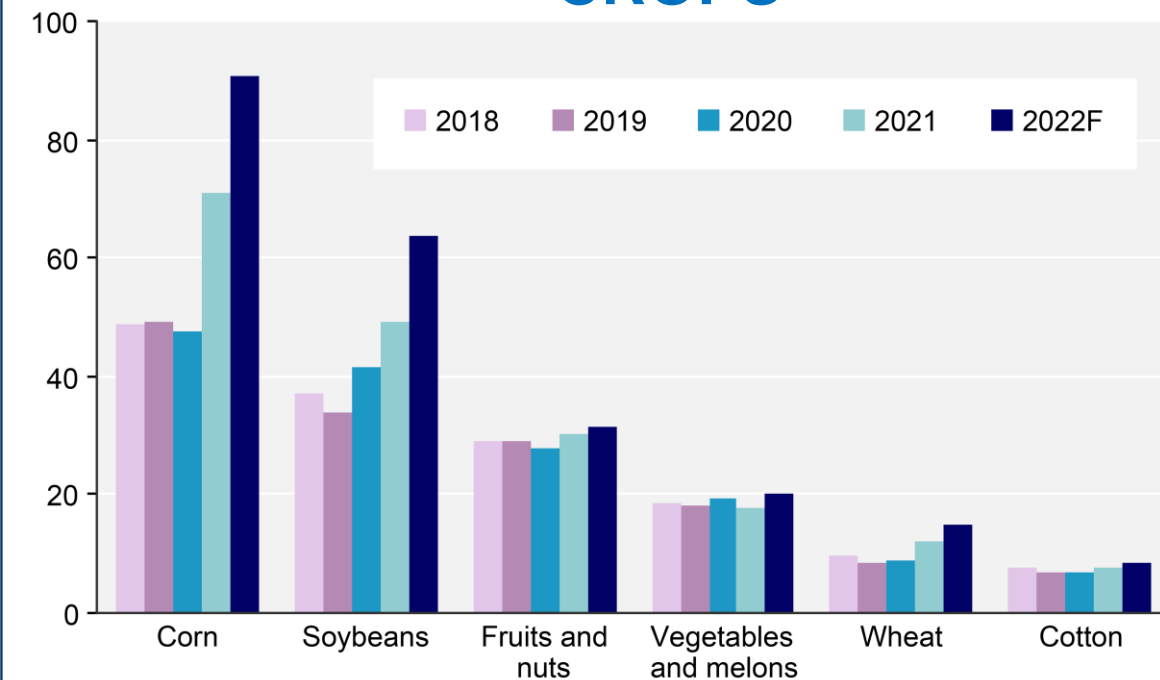
% Change Cash Receipts 2022 vs 2021 and 2020

Comparison	Corn	Soybean	Dairy	Cattle
2022 vs 2021	+28%	+30%	+38%	+19%
2022 vs 2020	+90%	+54%	+43%	+38%

U.S. cash receipts for selected crops, 2018–22F

Billion dollars (nominal)

CROPS



Note: F = forecast.

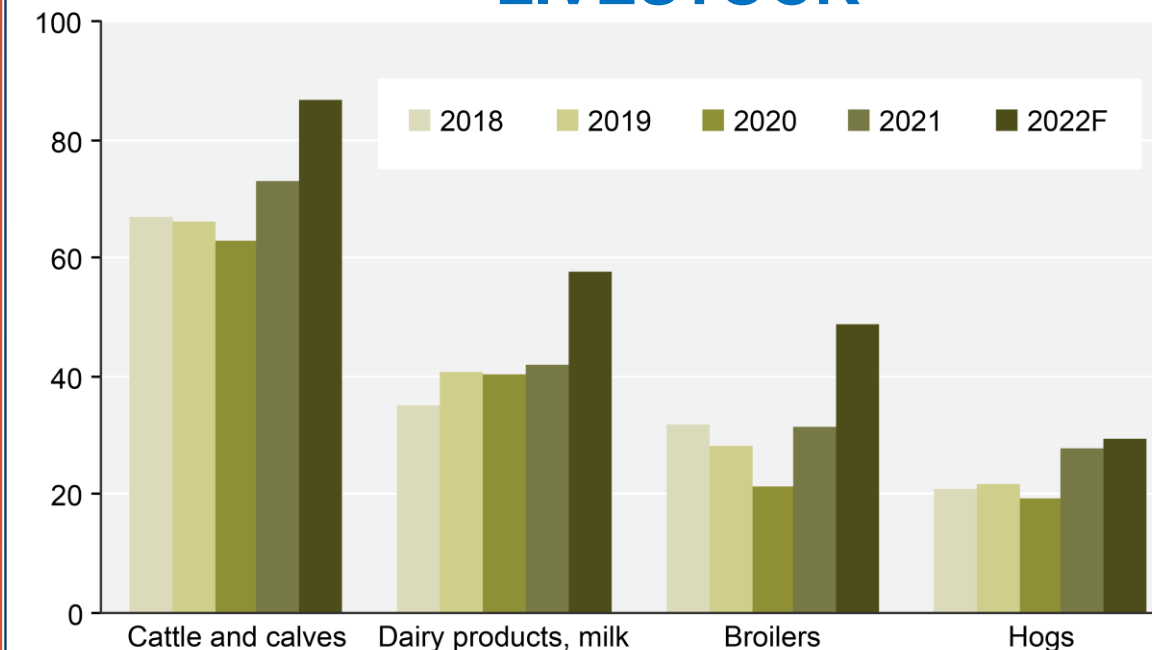
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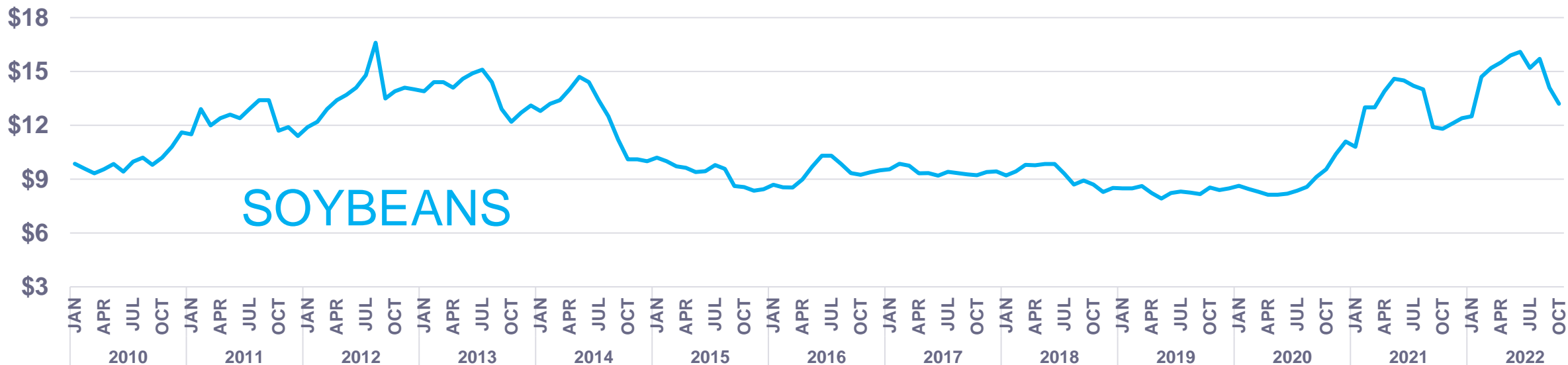
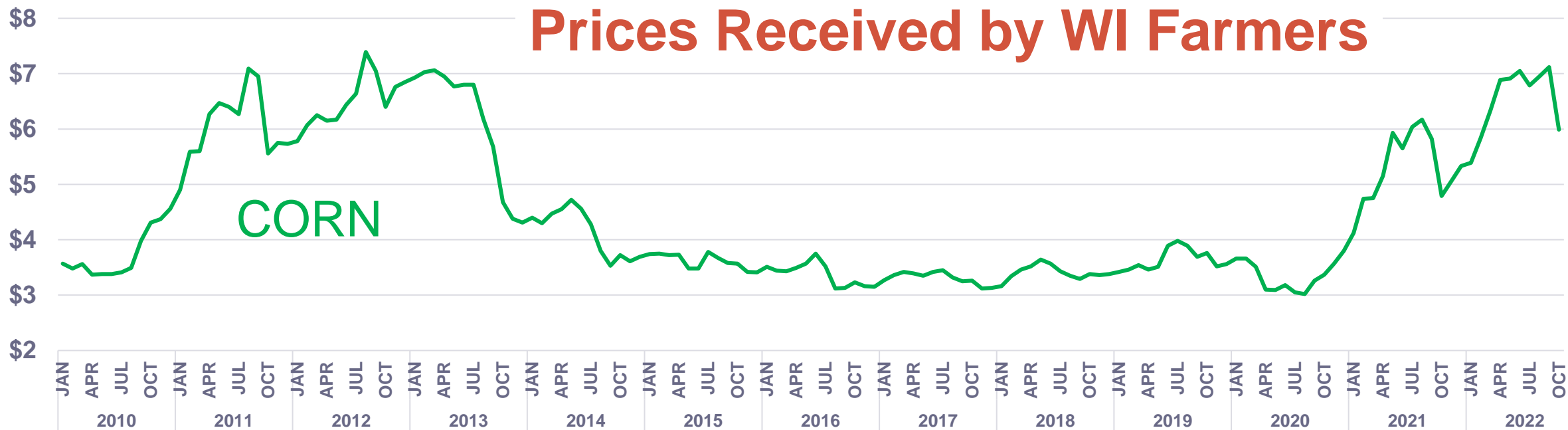


Note: F = forecast.

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

Data as of December 1, 2022.

Prices Received by WI Farmers

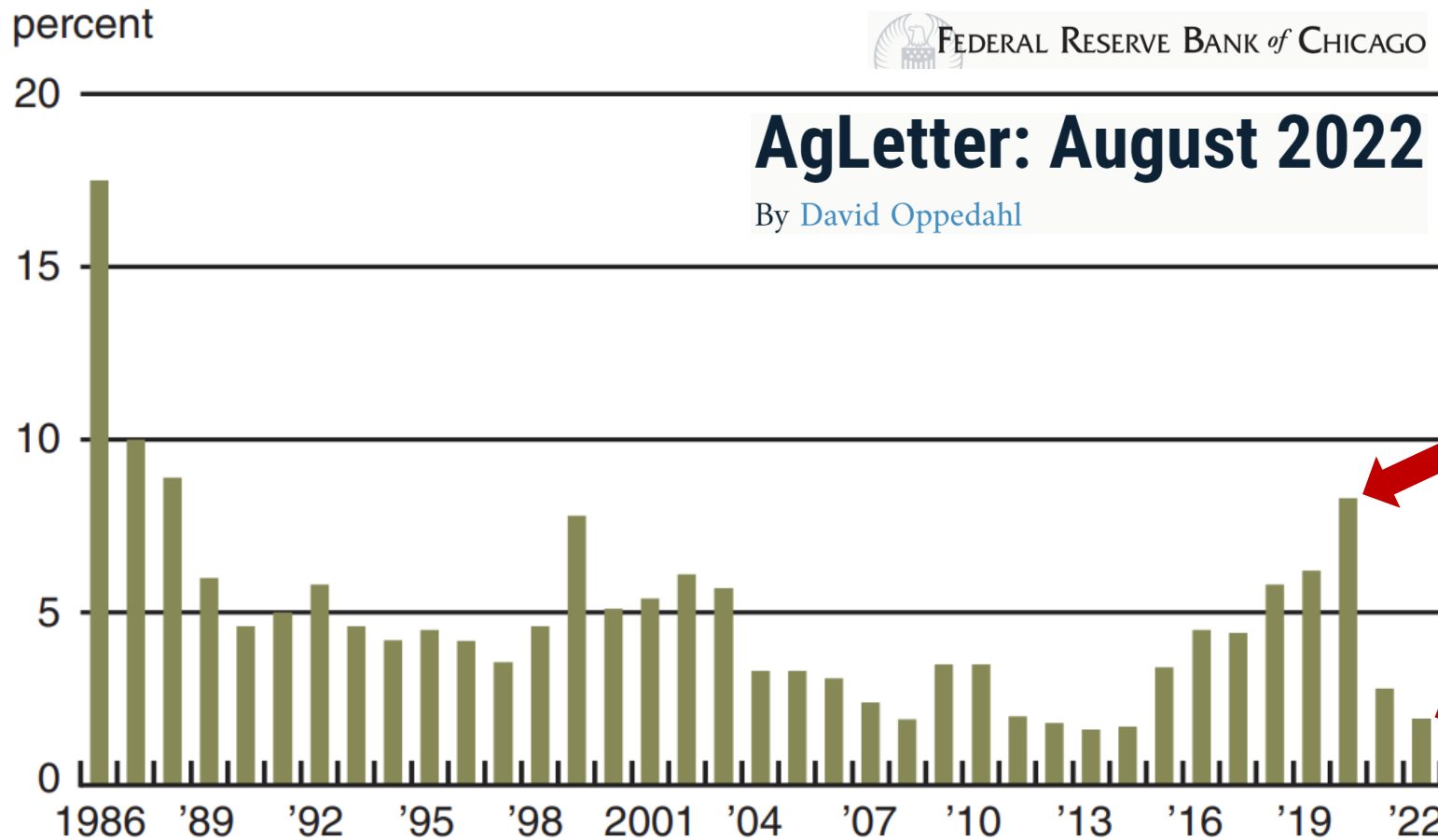


What goes great with high prices? High Yields!

- 2022 was another great year for crops in Wisconsin
- Record or near record state average yields for major crops
 - **Corn: 180 bu/ac** (tied last year's record)
 - **Silage: 22.5 tons/ac** (new record)
 - **Soybean: 54 bu/ac** (2nd highest, 1 bu below last year's record)
 - **Wheat: 78 bu/ac** (2nd highest, 1 bu below record)
 - **Dec Hay Stocks:** up 3% from 2021 after record lows in 2018-2020

Farmers Continue to Pay Down Debt

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



Seventh Federal Reserve District



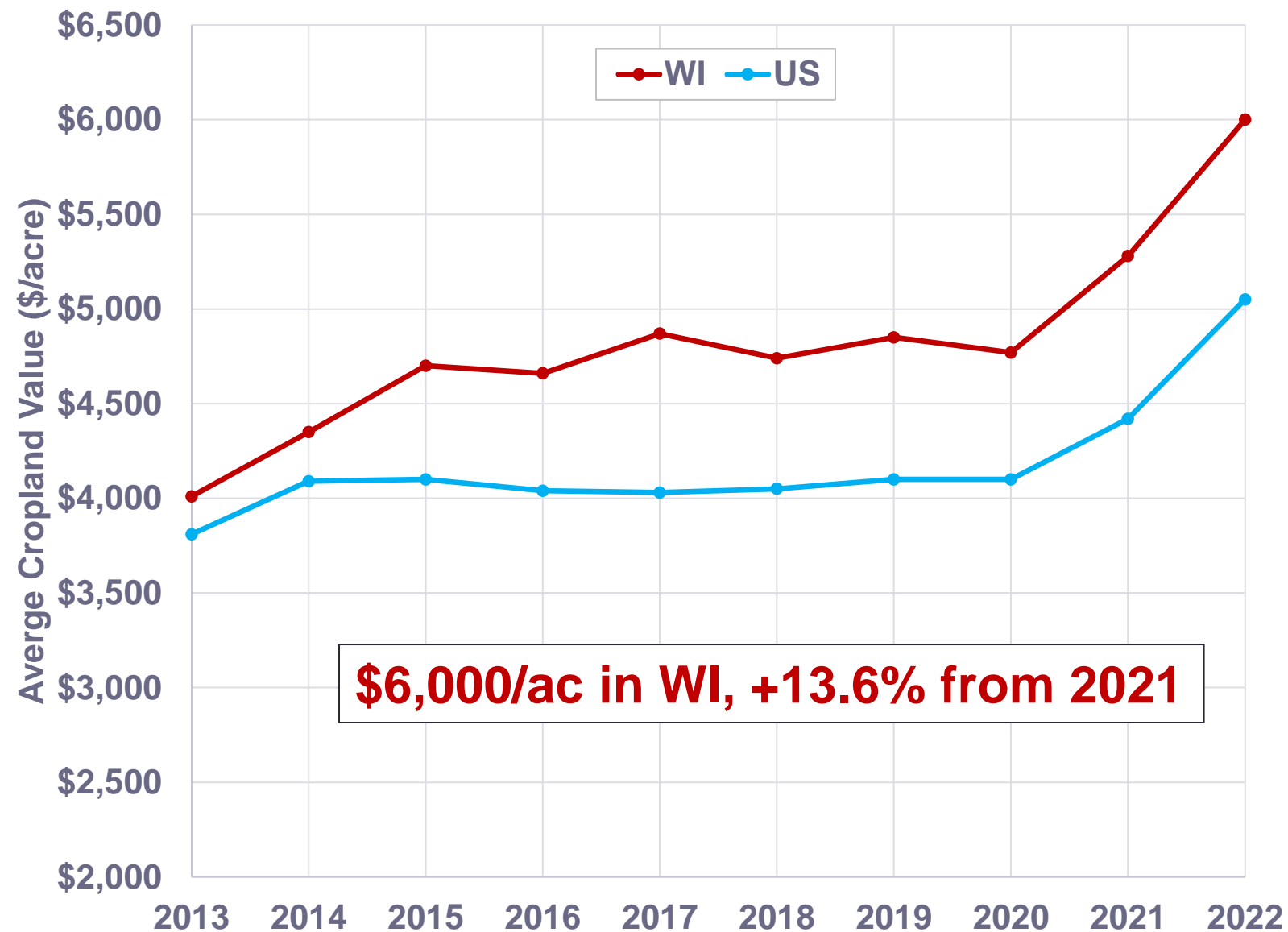
2020: Highest rate of repayment problems since the 1980's

2022: lowest since 2014

<https://www.chicagofed.org/publications/agletter/2020-2024/august-2022>

Average Cropland Values 2013-2022

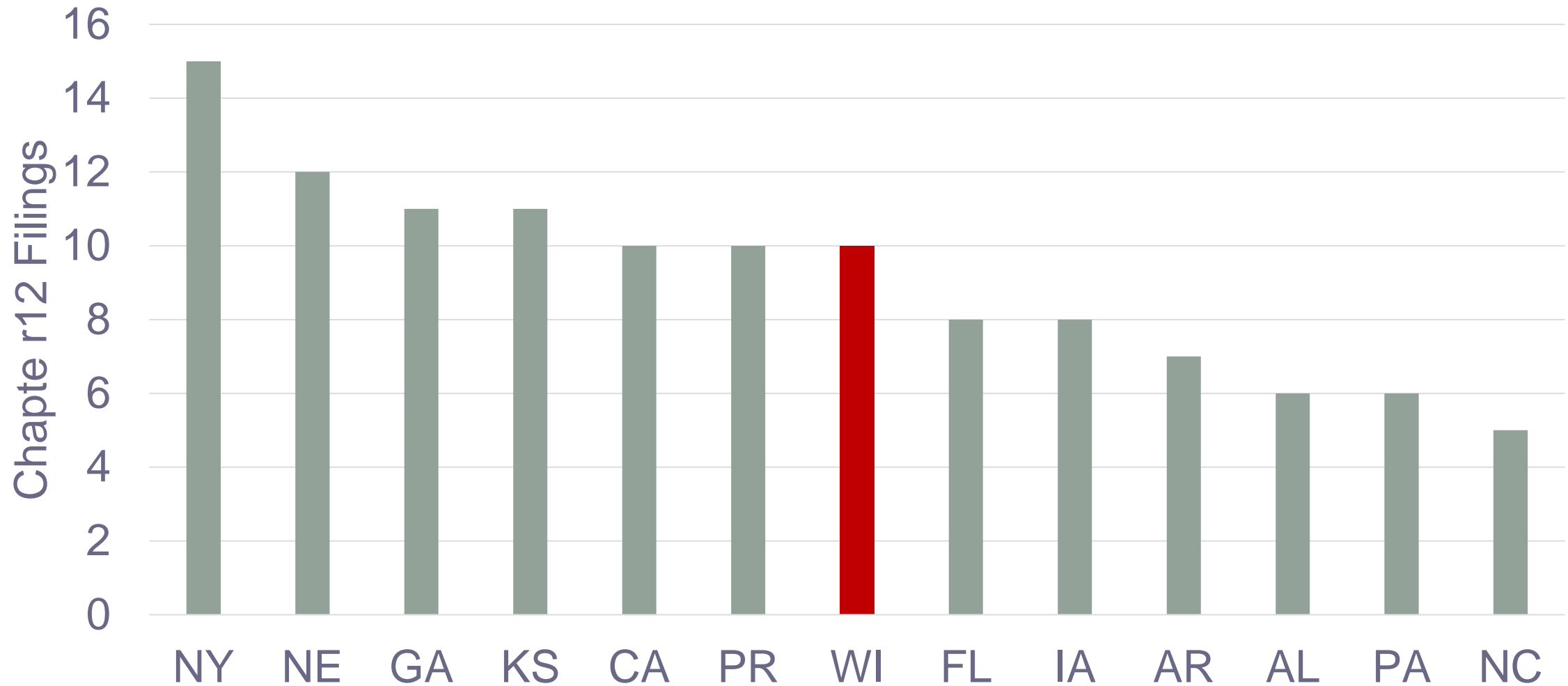
- After several years of steady land values, rapid rise in 2021-2022



After 2 years of high income and increased land values, the average farmer is going into 2023 in a solid financial position, with debts paid down, loans refinanced with low interest, and increased equity on their balance sheets

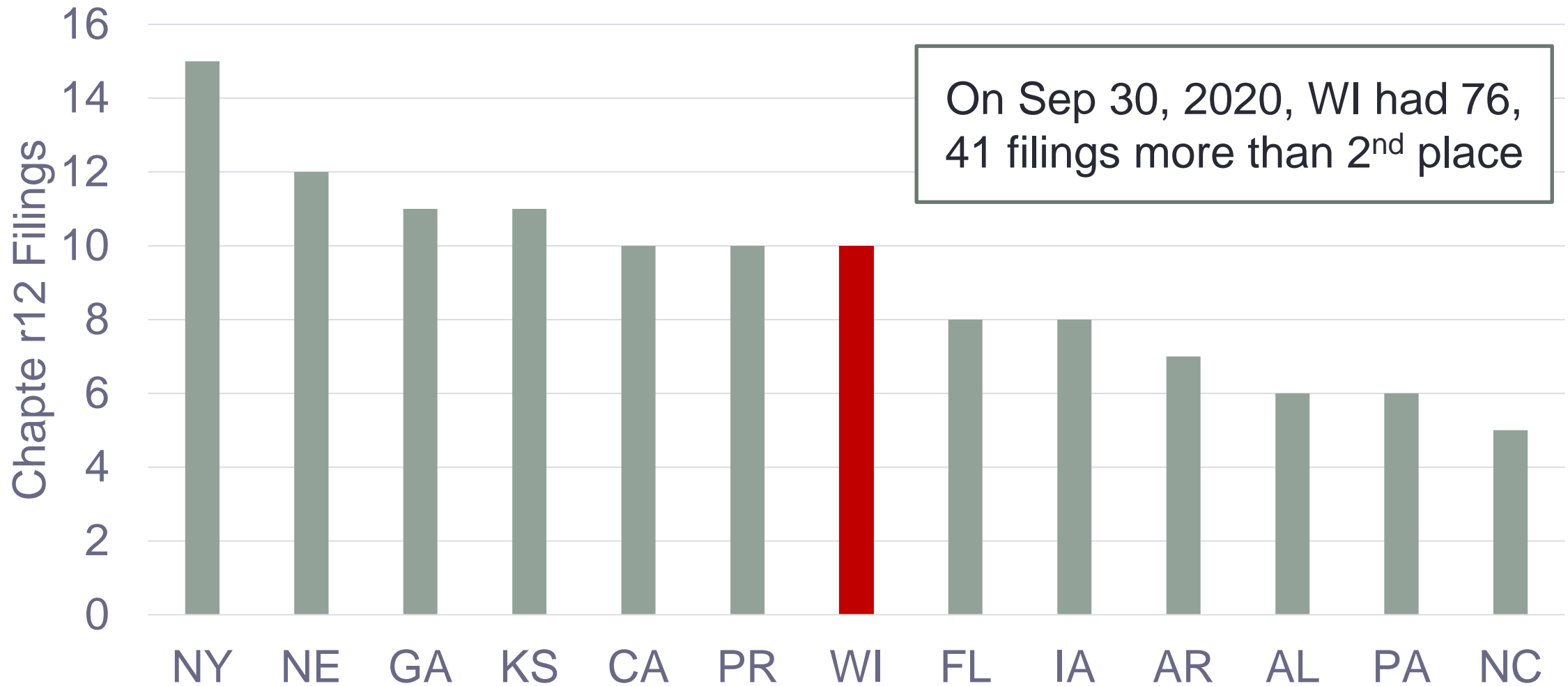


Wisconsin no Longer Leads the Nation in Chapter 12 Farm Bankruptcy Filings (Sep 30, 2022)



US Courts: <https://www.uscourts.gov/statistics/table/f-5a/bankruptcy-filings/2022/09/30>

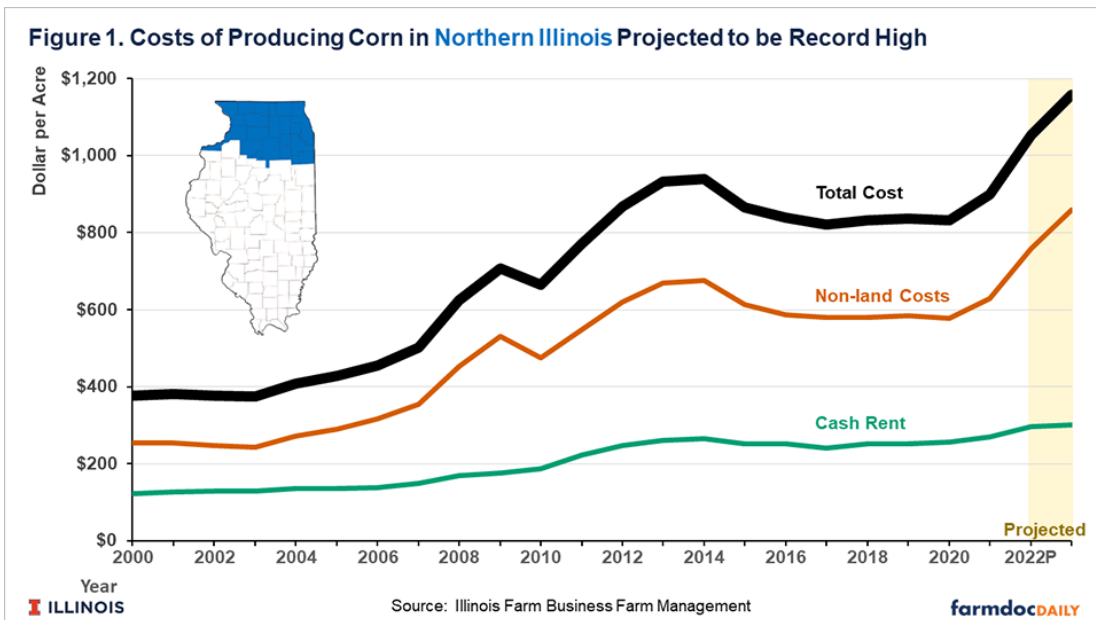
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Record Costs to Plant Corn and Soybean in 2023



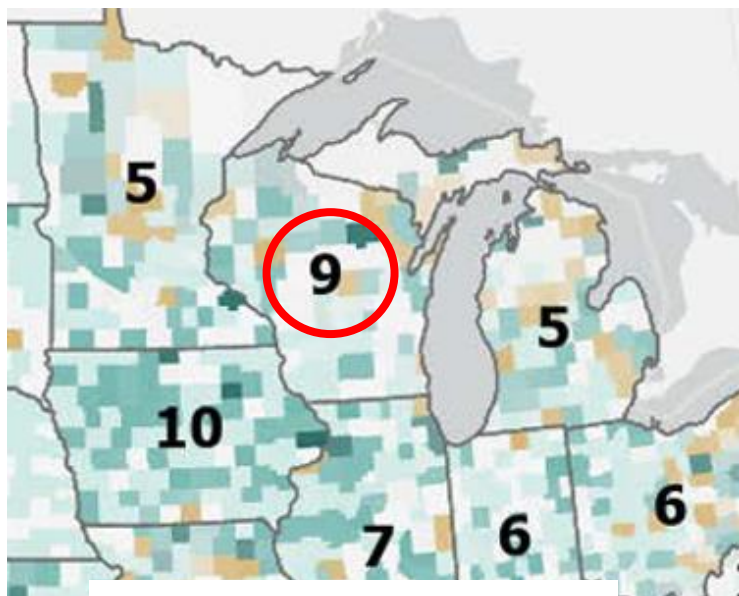
- UW: <https://cropsandsoils.extension.wisc.edu/article-topic/economics-budgets-financial/>
- ISU: <https://www.extension.iastate.edu/agdm/crops/html/a1-20.html>
- IL-N: <https://farmdocdaily.illinois.edu/2022/12/revised-2023-crop-budgets.html>

	Corn	Silage	Soybean	Rent
UW	\$1,017	\$1,134	\$696	\$185
ISU	\$1,091	\$1,310	\$758	\$296
NIL	\$1,168	--	\$820	\$301
Breakeven Prices				
UW	\$5.81	\$60.65	\$13.39	
ISU	\$5.50	\$50.39	\$11.66	
NIL	\$5.38	--	\$12.62	

Crop costs in 2023 are up 10% to 20% from 2022

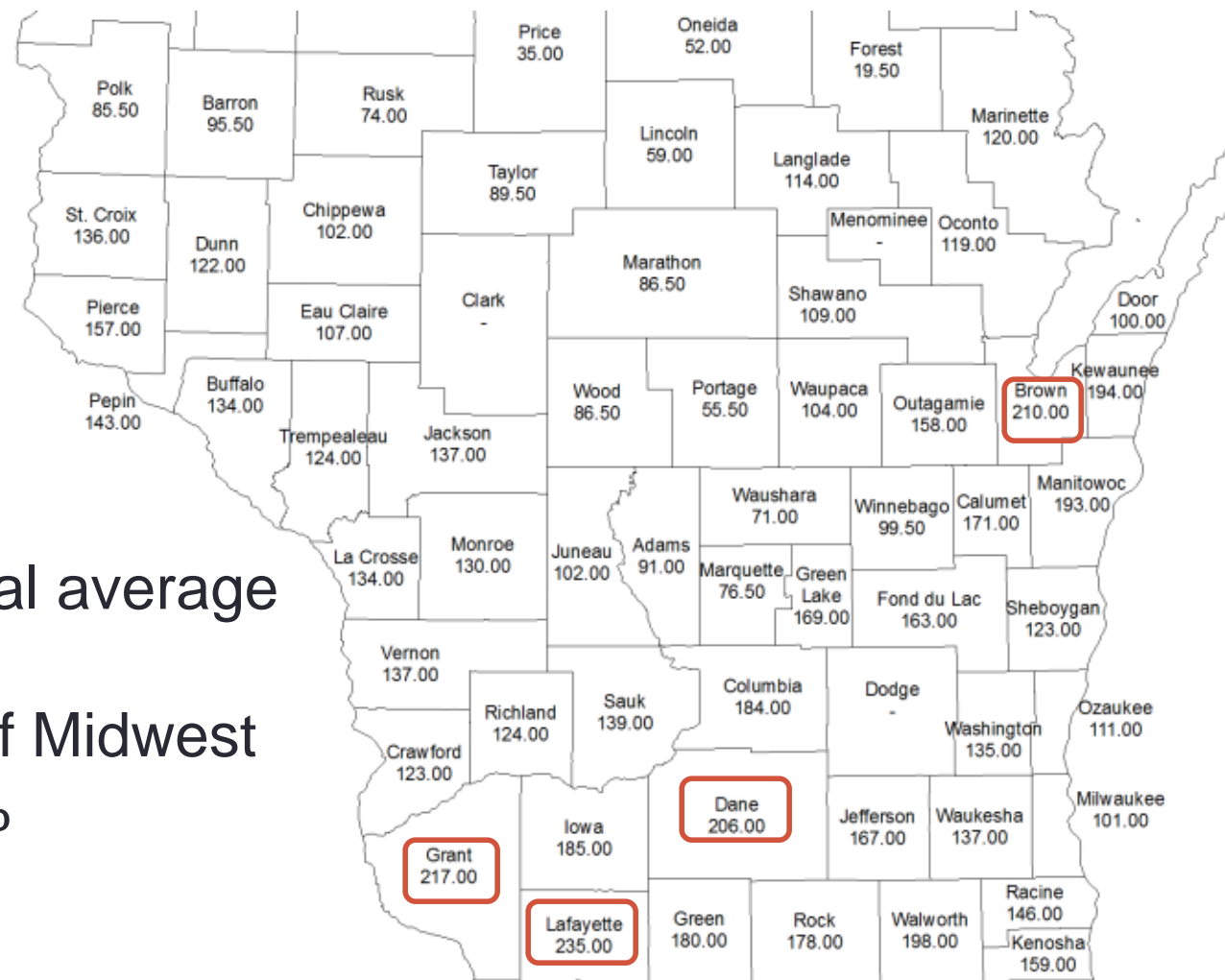
Land Rents up all over the Midwest

- WI average \$145/ac in 2022, up 9%
- WI irrigated average \$250/ac, up 5.5%



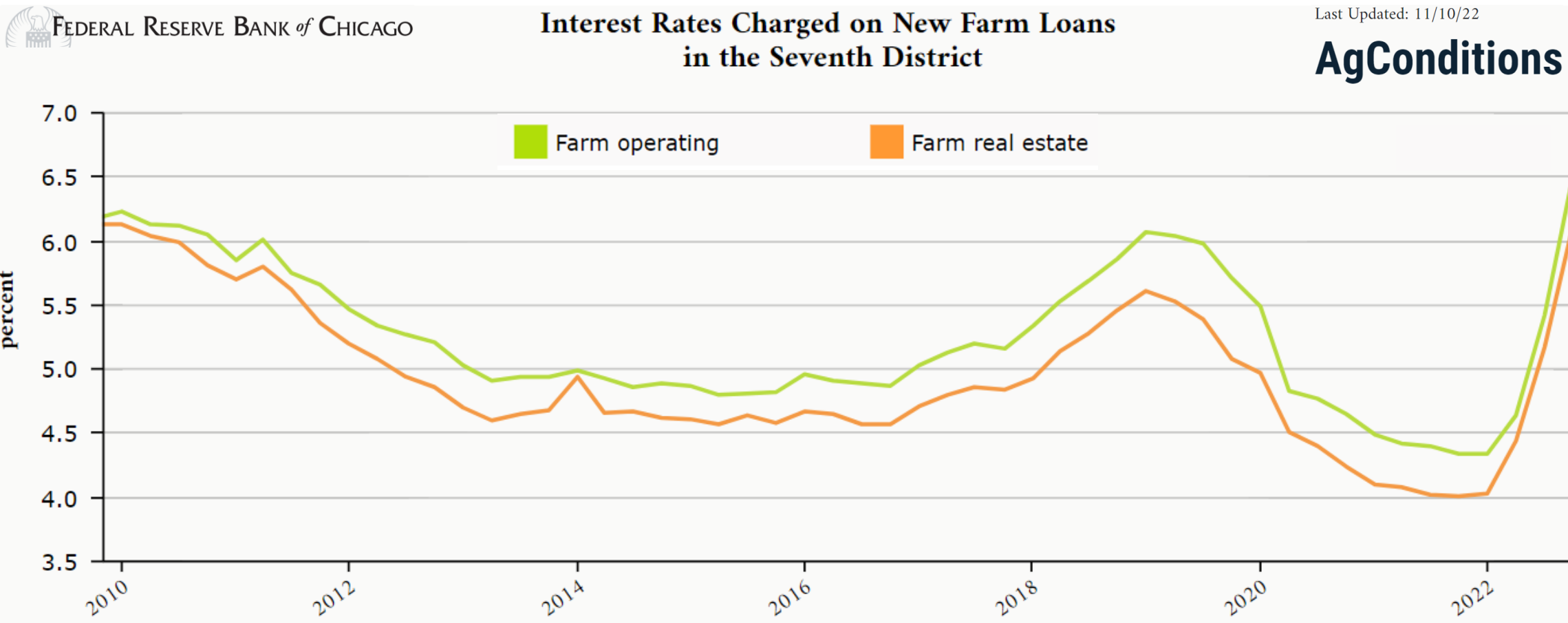
Seth Meyer, USDA OCE, Sep 2022 AOF
<http://www.agbizkc.com/agoutlookforum>

- National average +5.5%
- Most of Midwest 5%-7%

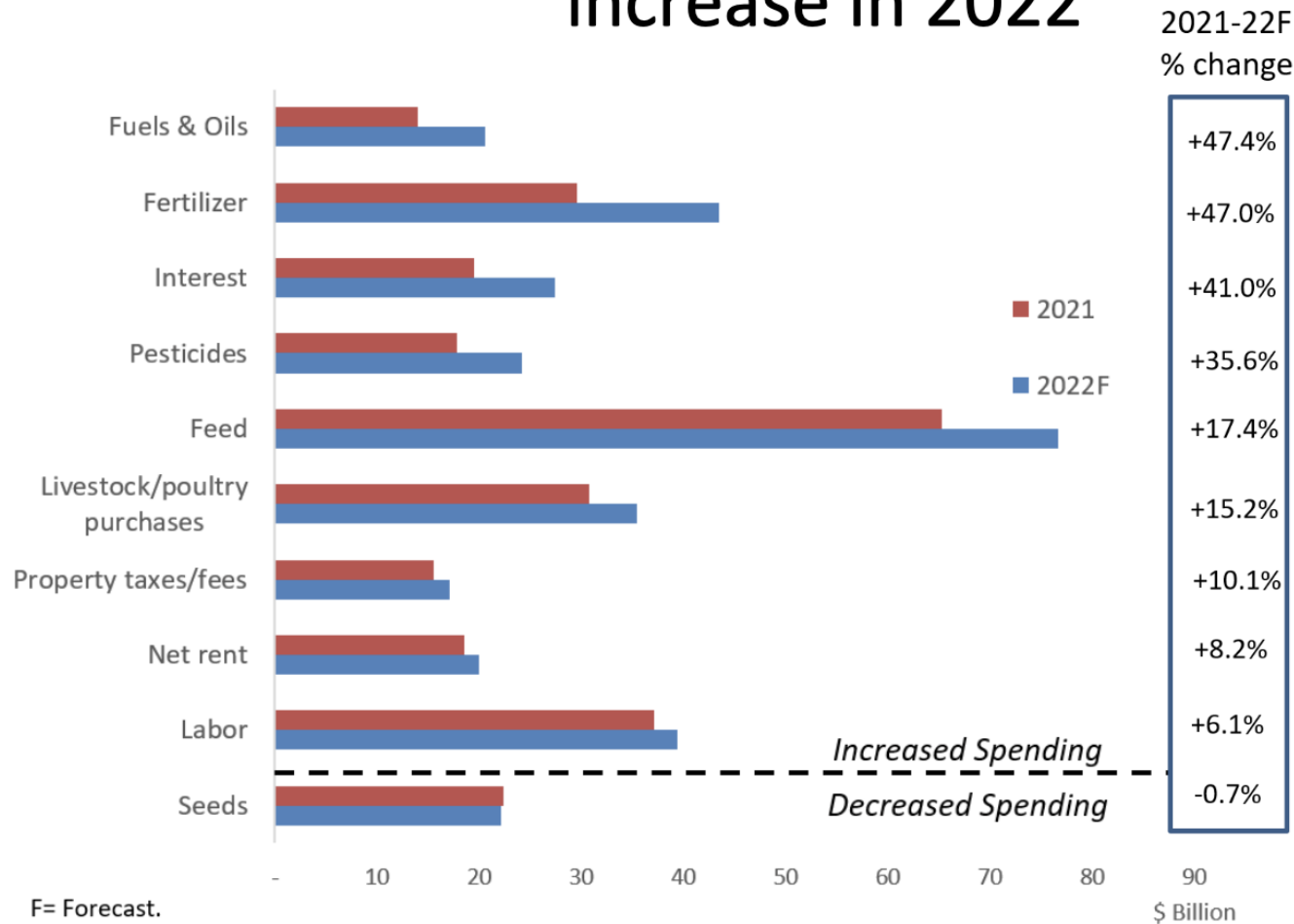


USDA NASS Aug 26, 2022: https://www.nass.usda.gov/Statistics_by_State/Wisconsin/Publications/County_Estimates/2022/WI-CtyEst-Cash-Rent-08-22.pdf

Record Low Interest Rates Have Ended



Almost all individual expense items forecast to increase in 2022



F= Forecast.

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

Data as of December 1, 2022

Farmers are anxious going into 2023

- How high will costs go?
- When will costs start to decline?
- Will commodity prices stay high enough to justify these costs?



Farm Income Situation and Outlook

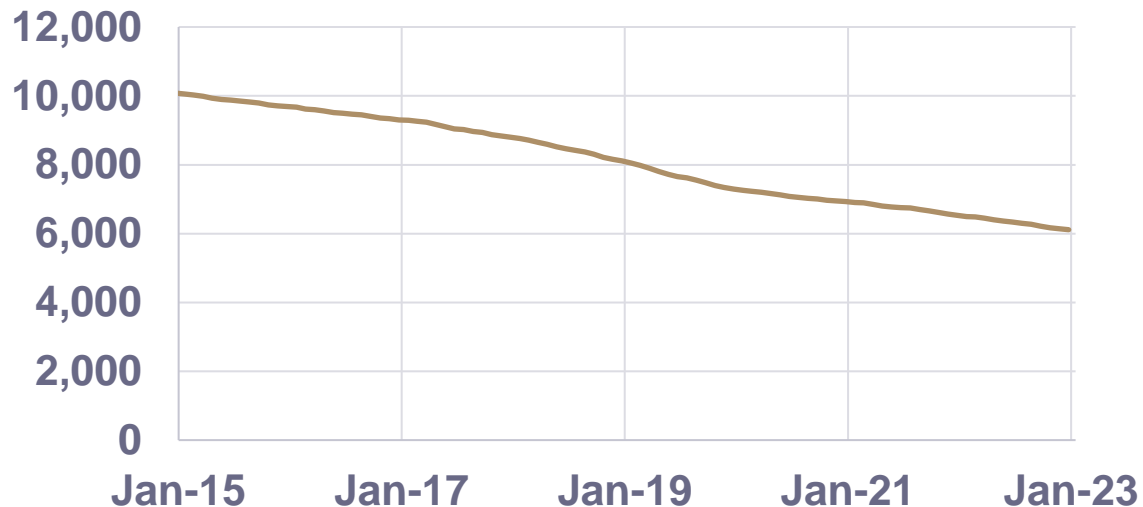
- **Situation:** After 2 years of high income & land value increases, the average farmer is starting 2023 in a solid financial position
 - Wisconsin no longer leads the nation in farm bankruptcies
- **Outlook:** High costs have farmers anxious going into 2023
 - Surprisingly thin margins for such high commodity prices

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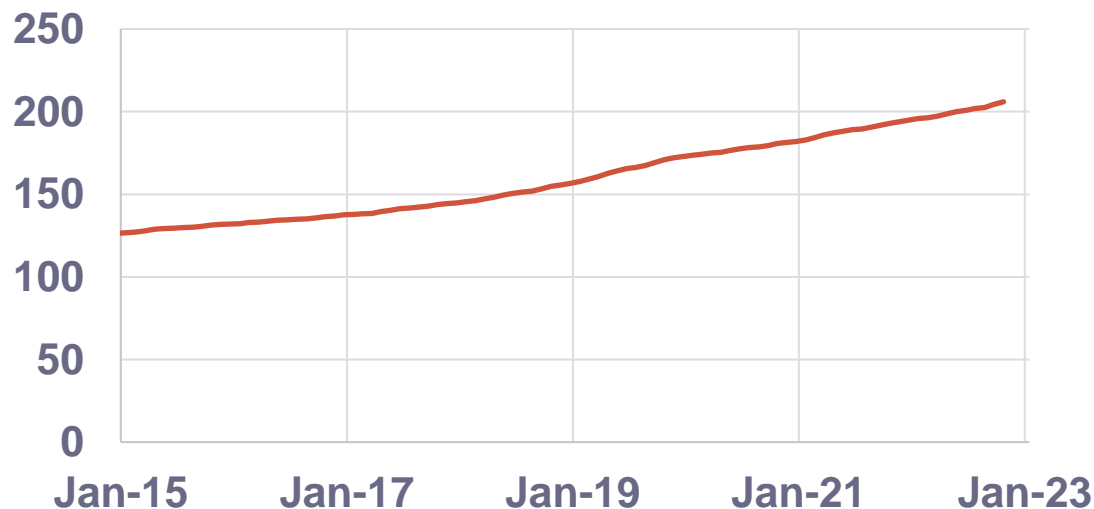
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Number of Herds



Average Cows per Herd



Dairy Consolidation Continues

- At the current loss rate, WI will have fewer than 6,000 herds by May 2023
- Average number of cows per herd exceeded 200 cows in June 2022

Change in last 5 years

Total Cows	# of Herds	Cows per Herd
-0.5%	-30%	+43%

Production Costs Up Throughout the Economy

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

DOWNLOAD

Observation:
Nov 2022: **263.235** (+ more)
Updated: 7:52 AM CST

Units:
Index 1982=100,
Not Seasonally Adjusted

Frequency:
Monthly

1Y | 5Y | 10Y | Max

2007-11-01 to 2022-11-01

EDIT GRAPH

FRED

— Producer Price Index by Commodity: All Commodities



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