

## Memo: USDA Farm Income and Financial Forecasts

USDA Economic Research Service

Date: 2/5/2020

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### Overview

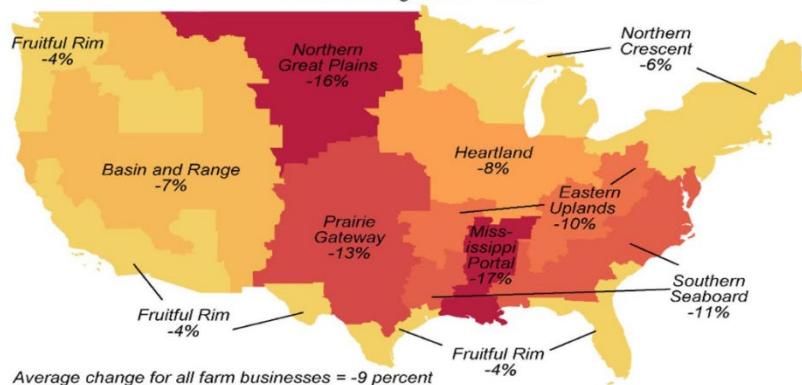
- This report gives an overview of projected farm sector profits, direct payments to farmers, and farm debt and equity. As of February 2020, there are 2 million farms, over 951,000 farm businesses, and more than 6 million individuals living in farm households.
- This forecast does not consider the Phase One agreement with China, nor ramifications from the Coronavirus outbreak.
- Though the report is typically quarterly, the next forecast will be released on September 2<sup>nd</sup>.

### Farm Sector Profits

- 2020 net cash farm income is forecast to decrease 9% to \$109 billion. All types of crop farm businesses are forecasted to have a lower average net farm income, while livestock outcomes are mixed.

Average net cash income for farm businesses expected  
to be down across all regions in 2020

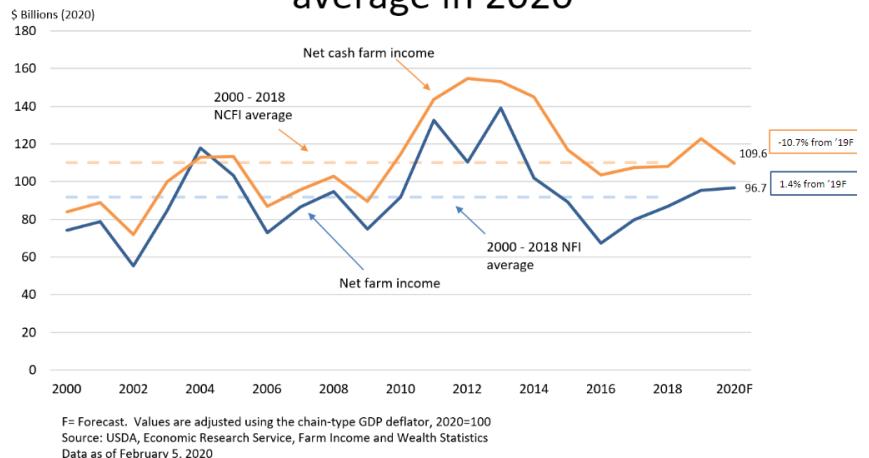
Percent change 2019F–2020F



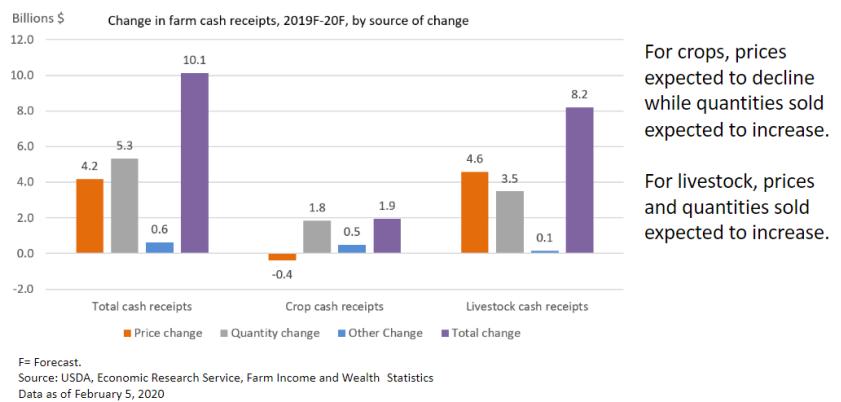
Farm businesses are defined as operations with gross cash farm income of over \$350,000 or smaller operations where farming is reported as the operator's primary occupation. The partial budget forecast model is based on the 2018 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and does not account for changes in crop rotation, weather, and other location-based production impacts that occurred after the base year. Data as of February 5, 2020. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

- Net farm income is forecast to increase 3.3% to \$96.7 billion. Net farm income does not include sales from inventory—these figures are integrated into the 2019 data. Increases in production expenses are expected to have a tampering effect on growth.
- Crop production values are expected to increase \$1.9 billion. Livestock receipts are expected to increase \$8.2 billion (see Appendix for additional graphs).
- Cash receipts from commodity sales are expected to increase 2.7% or \$10.1 billion.
- Corn is expected to see a slight increase in cash receipts and soybean cash receipts are expected to decline for the fourth year in a row, this year by 2.5%. Livestock, on the other hand, is projected to see increased cash receipts. Dairy and hogs are expected to make the greatest gains (see Appendix for additional graphs).
- Total production expenses are forecasted to increase 3% to \$10.4 billion. The largest increases are for feed and labor.

## Farm sector profits expected to be near average in 2020



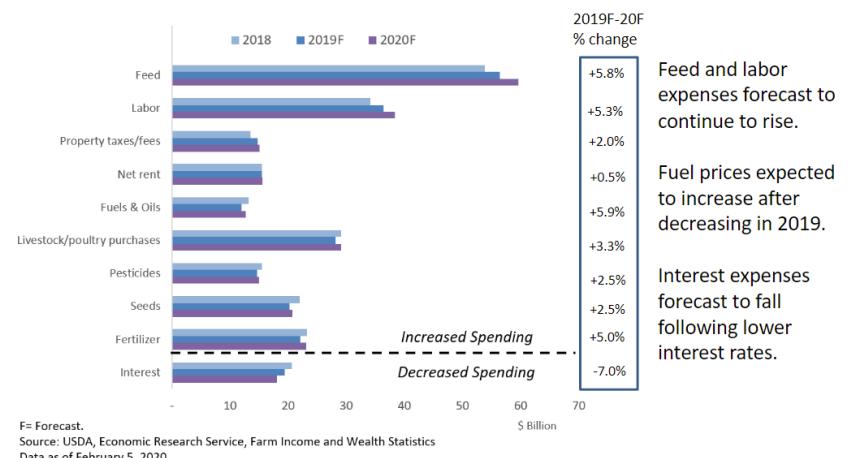
## Total cash receipts forecast to rise due to quantity and price increases



For crops, prices expected to decline while quantities sold expected to increase.

For livestock, prices and quantities sold expected to increase.

## 2020 forecasts for most individual expense items to increase



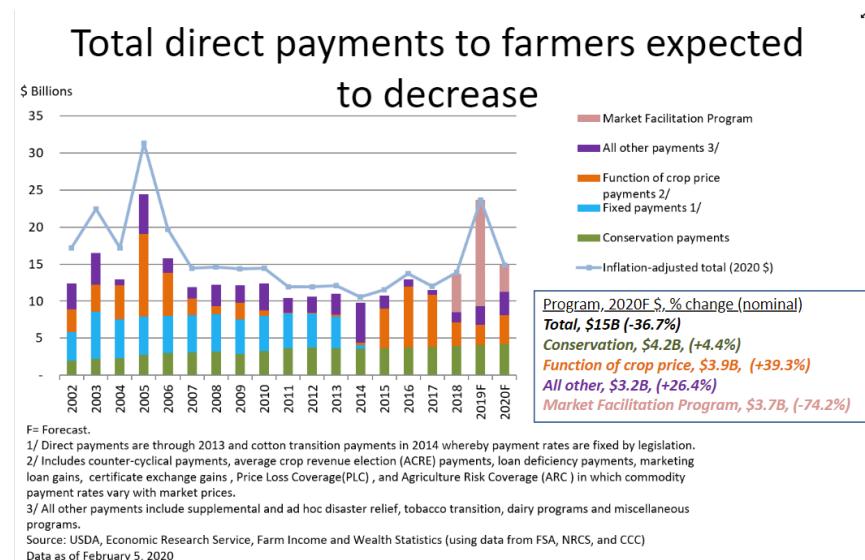
Feed and labor expenses forecast to continue to rise.

Fuel prices expected to increase after decreasing in 2019.

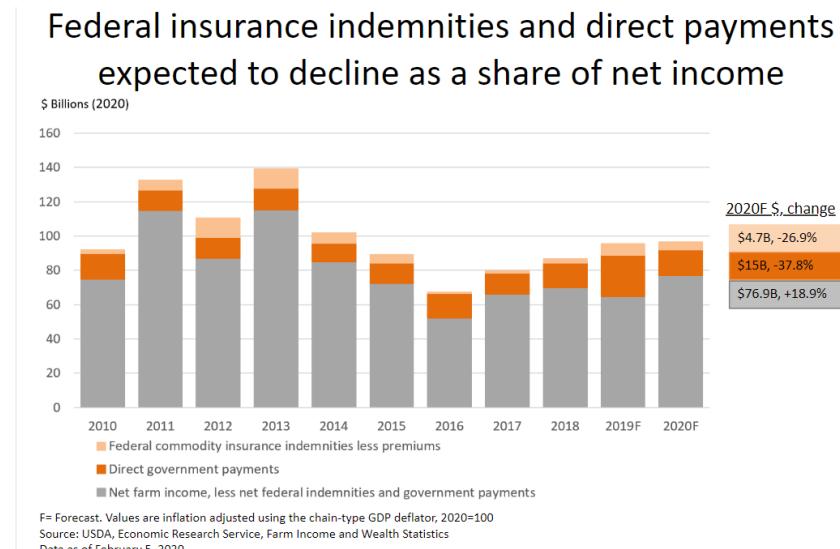
Interest expenses forecast to fall following lower interest rates.

## Direct Payments to Farmers

- ERS forecasts that direct government payments to farmers will decrease 37% in 2020, to \$15 billion.
  - While this seems like a dramatic drop, the number is comparable to the 2018 levels, before implementation of the Market Facilitation Program. This model assumes that the third tranche of MFP payments will be the final tranche.
- Price Loss Coverage and Dairy Margin Coverage payments are expected to see small increases, and are represented by the purple category in the graph below.



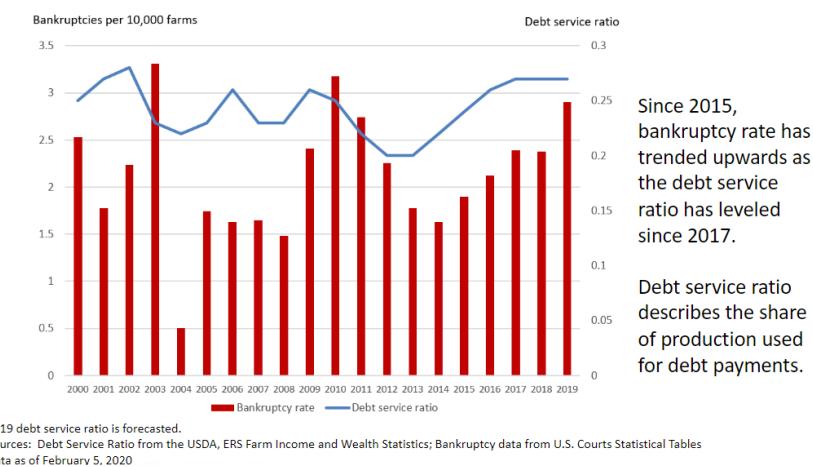
- Federal crop insurance indemnities are expected to drop nearly 27% next year. Indemnities increased in 2019 with the Prevented Plant “top up” payments, and payment amounts are expected to return to levels similar to 2018.



## Farm Debt and Equity

- Farm sector assets and debt are forecast to increase 1.3% and 2.3% respectively. Overall equity is expected to rise by 1.1%.
- Farm equity is forecast to decrease 0.7% and the value of farm assets is forecast to decrease 0.6%. Overall debt is forecast to increase 0.5%.
- Trends indicate growing financial stress, as the sector's risk of insolvency is at its highest level since 2013.
- Farm bankruptcies increased by 22% (586 bankruptcies) in 2019, which averages to three bankruptcies per 10,000 farms.

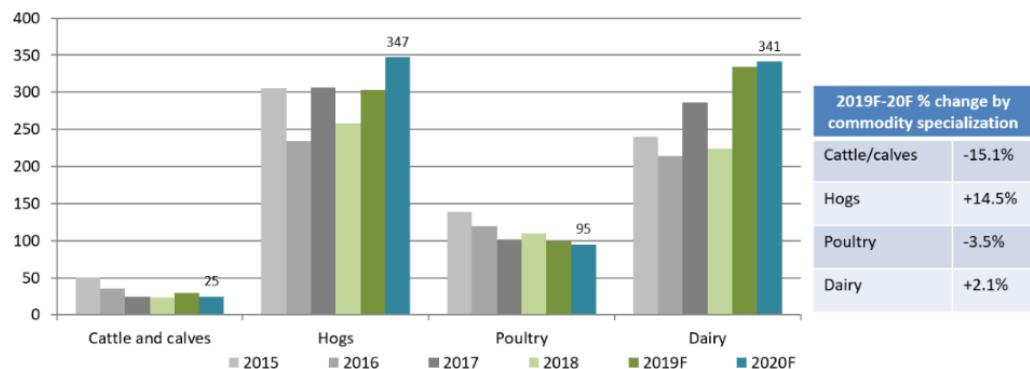
### Bankruptcies trending upwards in recent years



## Appendix

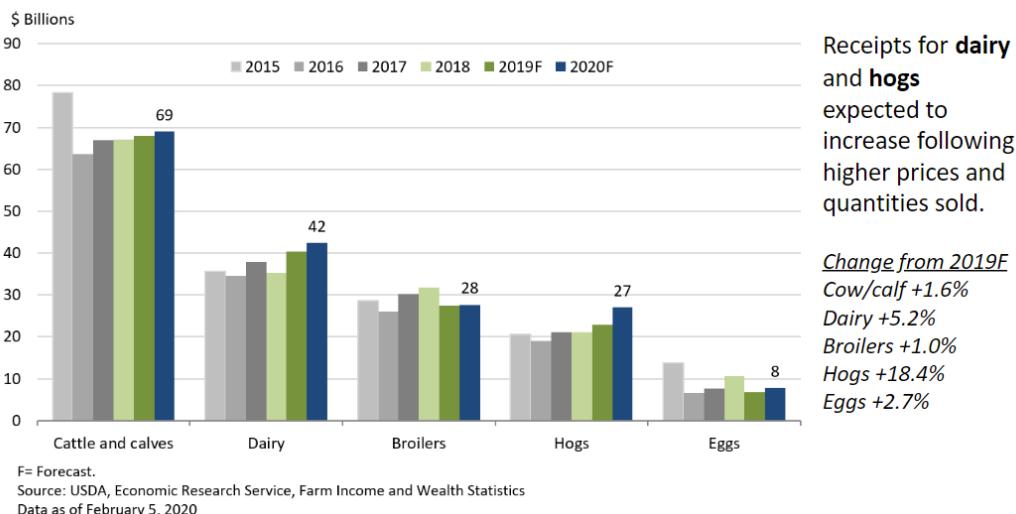
### Outlook for average net cash farm income for livestock farm businesses mixed

Average net cash farm income, 2010-2020F (\$ thousand. 2020)



F= Forecast. Values are adjusted using the chain-type GDP deflator, 2020=100  
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics  
 Data as of February 5, 2020

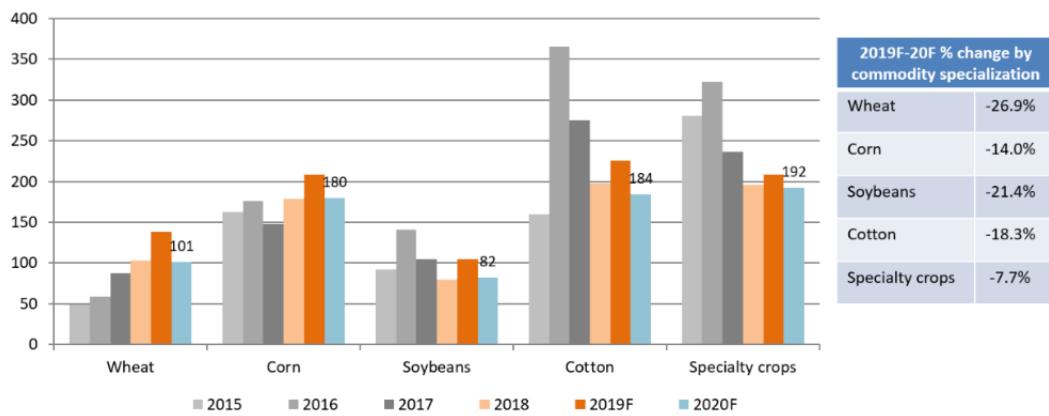
### Total animal/animal product cash receipts forecast to increase in 2020



## Appendix

### All types of crop farm businesses forecast to have lower average net cash farm income

Average net cash farm income, 2010-2020F (\$ thousand, 2020)

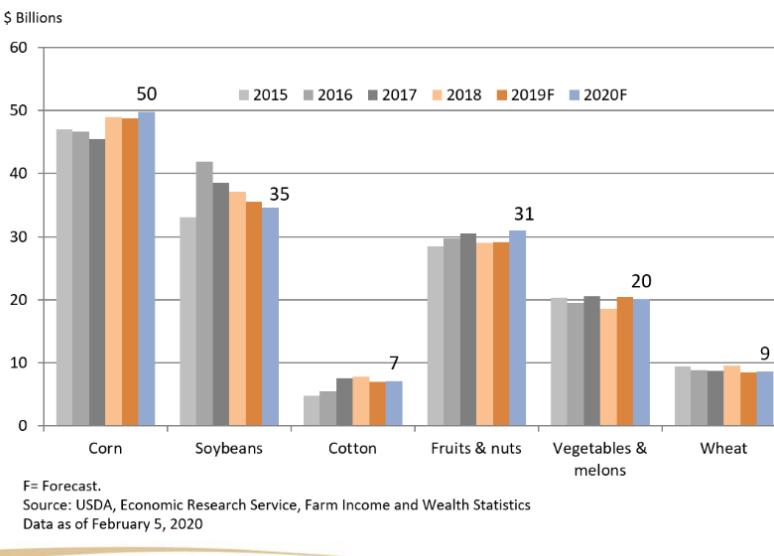


F= Forecast. Values are adjusted using the chain-type GDP deflator, 2020=100

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

Data as February 5, 2020

### Total crop cash receipts forecast to increase in 2020



Lower prices temper increases in **Corn** cash receipts.

**Soybean** cash receipts expected to fall due to lower quantities, should outweigh higher prices.

Change from 2019F  
 Corn +2.1%  
 Soybeans -2.5%  
 Cotton +2.1%  
 Fruits/Nuts +6.3%  
 Veg/Melons -1.8%  
 Wheat +0.9%