Outlook for the 2015 U.S. Farm Economy

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Net farm income in 2015 forecast: **$73.6 billion**
Down more than 32% from 2014

Net cash income in 2015 forecast: **$89.4 billion**
Down over 20% from 2014

Crop and livestock receipts are forecast down over 5 percent

Government payments expected to increase by 15 percent
2015 Forecast

2015 farm income is forecast based on the 2014 forecast
In the next forecast (August 2015), 2014 will become an estimate

The February 2015 forecast is based on the most recent forecasts of
- Commodity demand
- Crop and livestock inventories
- Acres planted, yields, and production
- Input use and costs

AND is different from the USDA long-term projections that we formulated in December 2014

Factors that will influence 2015 outcomes
- Actual planting decisions
- Weather (during planting, growing, and harvesting)
- Timing of sales
Crop and livestock receipt forecasts driving major changes to net farm income from 2014F to 2015F

2014F-2015F change

- $34.4 billion

Income measures return to long-run trend levels

Inflation-adjusted net farm income and net cash income, 1970-2015F

The GDP chain-type price index is used to convert the current-dollar statistics to real (inflation adjusted) amounts (2009=100).

Net cash income $89.4
Net farm income $73.6

Crop receipts are forecast to decline for all major categories in 2015.

Receipts for selected crops, 2011-2015F

Source: USDA, ERS
Note: 2014, 2015 forecasts
Total livestock receipts are forecast down 5 percent in 2015

Receipts for selected livestock products, 2011-2015F

Source: USDA, ERS
Note: 2014, 2015 forecasts
Real cash expenses expected to decline for the first time since 2009

Inflation-adjusted\(^1\) cash expenses, 1970-2015F

1/ The GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2009 = 100).

Source: USDA, ERS
Note: 2014, 2015 forecasts
Fuel forecast down 26.7 percent; Production expenses up $2.5 billion

Changes in expense items, 2014F - 2015F

Note: Percent change from 2014 to 2015 is indicated at the top of each set of bars.

Source: USDA, ERS
Note: 2014, 2015 forecasts
Government payments to farm producers, 2005-2015F

$ billion

F = Forecast.

1/ Direct payments are through 2013 and cotton transition payments in 2013. Cotton transition payments begin in 2014. Payment rates are fixed by legislation.

2/ Counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, certificate exchange gains, Price Loss Coverage (PLC), and Agricultural Risk Coverage (ARC) in which commodity payment rates vary with market prices. The certificate exchange program ended after making payments for the 2009 crop year.

3/ All other payments include disaster relief payments, tobacco transition payments, and dairy program payments.

Source: FSA, NRCS, and CCC.

Data as of February 10, 2015
Debt

Inflation-adjusted assets and equity values expected to decline for first time since 2009

Inflation-adjusted farm sector assets, debt and equity, 1970-2015F

Note: GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2009 = 100).

Source: Economic Research Service, USDA F = forecast

1/ The GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2009 = 100).

Source: USDA, ERS
Note: 2014, 2015 forecasts

United States Department of Agriculture, Economic Research Service
Debt to asset and debt to equity ratios forecast to increase for first time since 2009

Farm debt ratios, 1970 - 2015F

Source: USDA, ERS
Note: 2014, 2015 forecasts
Farm businesses represent over 930,000 farms and account for over 90 percent of production.

Source: 2013 Agricultural Resource Management Survey (ARMS)
Lower average net cash income is forecast for farm businesses that specialize in crop production in 2015

Average net cash income for crop farm businesses

1/ The farm level forecasts are derived from partial budget modeling on the 2013 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other local production impacts that occurred after the base year.

F = forecast

Source: USDA, ARMS
Note: 2014, 2015 forecasts
2015 forecasts down for all farm businesses specializing in livestock and poultry production

Average net cash income for livestock farm businesses

$ thousand

Hogs | Dairy | Poultry | Beef cattle

1/ The farm level forecasts are derived from partial budget modeling on the 2010 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other local production impacts that occurred after the base year.

Source: USDA, ERS
Note: 2014, 2015 forecasts
Average net cash incomes are forecast down for farm businesses in all regions in 2015 relative to 2014.

Fruitful Rim -27%
Basin and Range -22%
Heartland -21%
Northern Great Plains -12%
Prairie Gateway -25%
Mississippi Portal -12%
Eastern Uplands -5%
Northern Crescent -34%
Southern Seaboard -17%

Source: ERS partial model based using the 2013 Agricultural Resource Management Survey (ARMS) and parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other local production impacts that occurred after the base year.
Crop and livestock receipt forecasts driving major changes to net farm income from 2014F to 2015F

Net farm income 2014F: $108.0 billion
Crop receipts: -$15.6 billion
Change in crop inventory: -$8.2 billion
Livestock receipts: -$10.1 billion
Change in livestock inventory: $0.7 billion
Production Expenses: -$2.5 billion
Government Payments: $1.6 billion
All other changes: -$0.2 billion
Net farm income 2015F: $73.6 billion

2014F-2015F change: -$34.4 billion

Questions?

Check out our website:
http://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances

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