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United States Department of Agriculture, Economic Research Service

# Outlook for the 2014 U.S. Farm Economy

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## Overview

Net farm income in 2014 forecast: **\$95.8 billion**

Down more than 25% from 2013

Net cash income in 2014 forecast: **\$101.9 billion**

Down over 20% from 2013

Crop receipts are forecast down over 12 percent

Elimination of direct payments under the Agricultural Act of 2014



# 2014 Forecast

**2014 farm income is forecast based off of the 2013 forecast**  
In the next forecast (August 2014), 2013 will become an estimate

**The February 2014 forecast is based on the most recent forecasts of**

- Commodity demand
- Crop and livestock inventories
- Acres planted, yields, and production
- Input use and costs

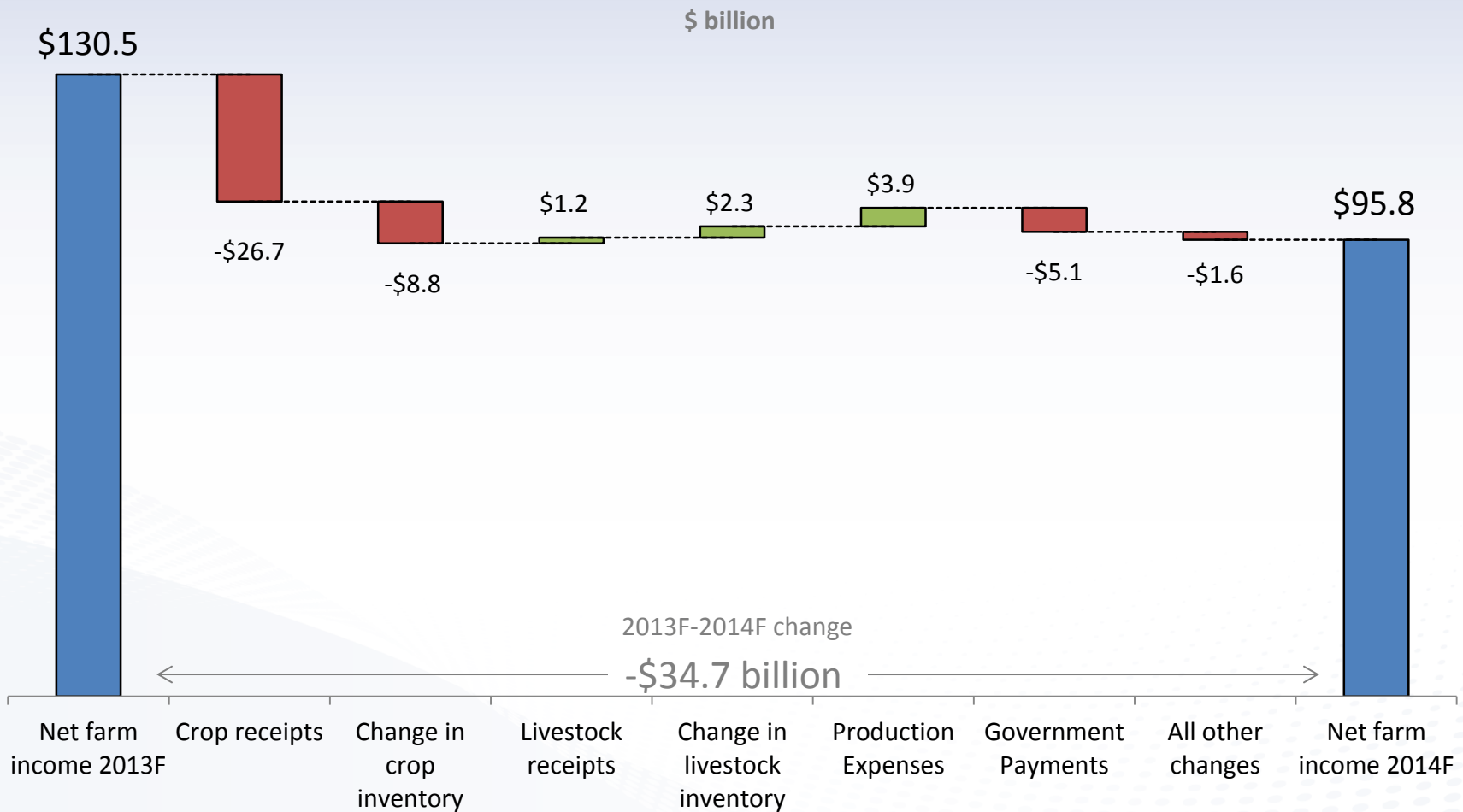
*AND is different from the USDA long-term projections that we formulated in December 2013*

**Several factors that will influence 2014 outcomes**

- Actual planting decisions
- Weather (during planting, growing, and harvesting)
  - Drought conditions in California
- Outcomes of the Agricultural Act of 2014

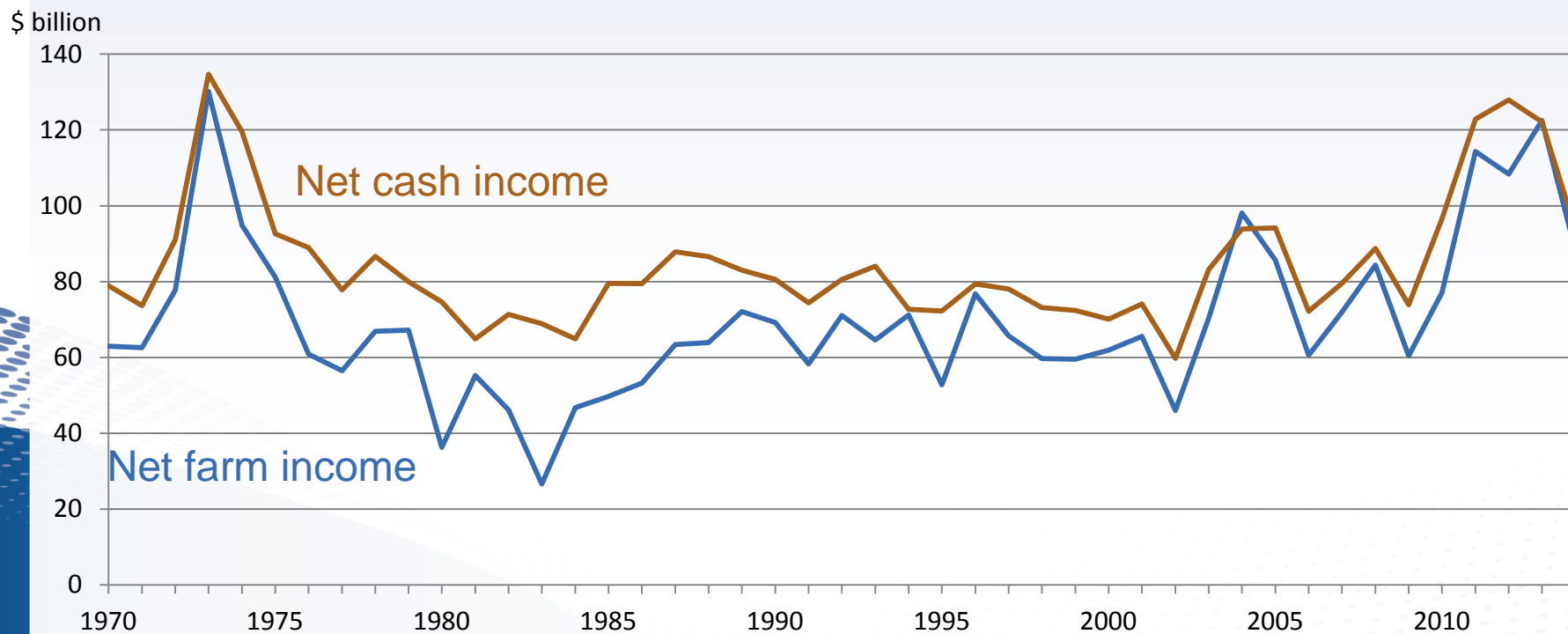


# Crop receipt forecast driving major changes to net farm income from 2013F to 2014F



# Income measures remain high despite declines

Inflation-adjusted net farm income and net cash income, 1970-2014F<sup>1/</sup>



2014 Net cash income \$101.9  
Net farm income \$95.8



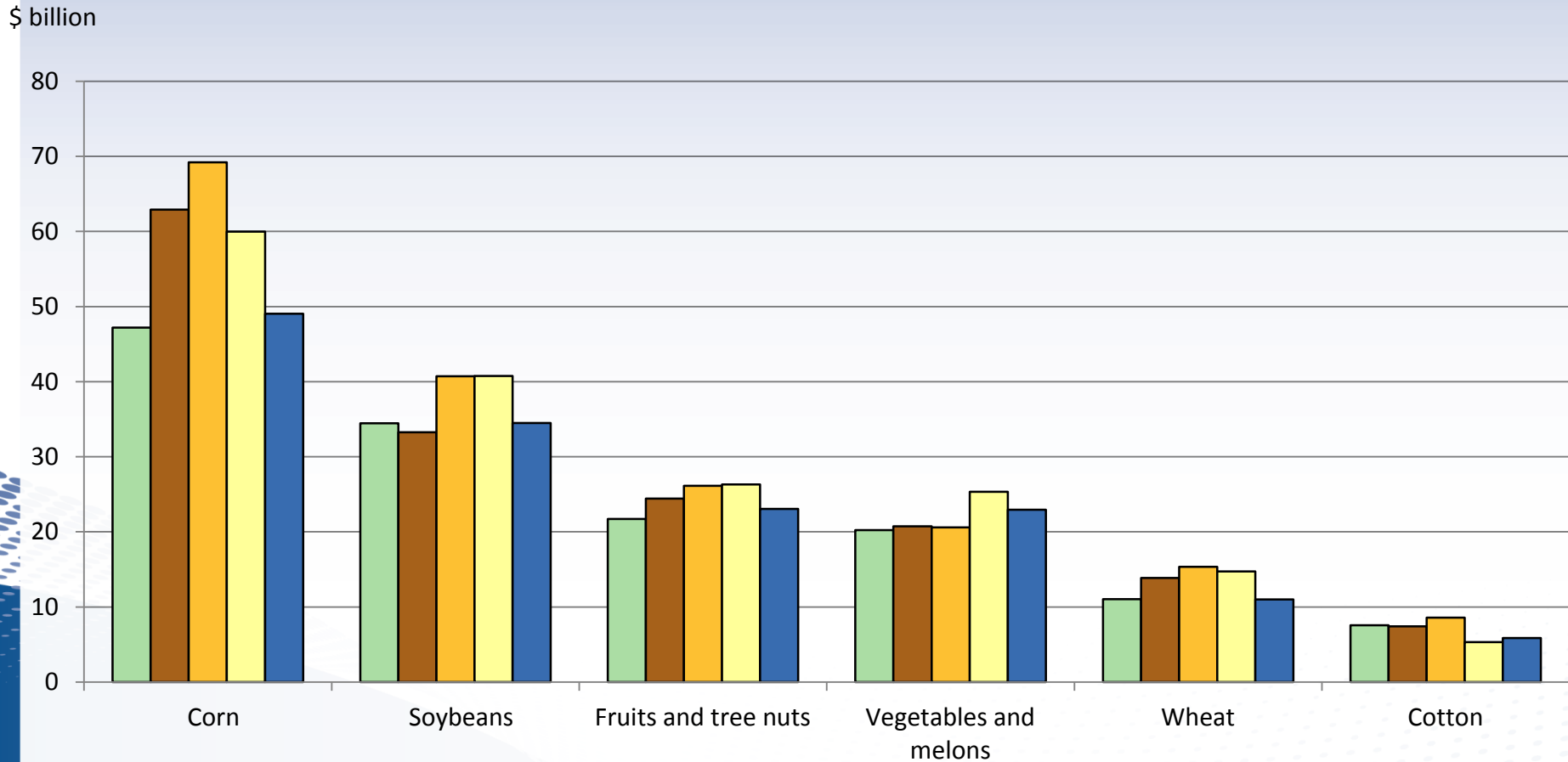
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<sup>1/</sup>The GDP chain-type price index is used to convert the current-dollar statistics to real (inflation adjusted) amounts (2009=100).

Source: Economic Research Service, USDA.  
F= forecast.

# Crop receipts are forecast to decline 12.4 percent in 2014

## Receipts for selected crops, 2010-2014F

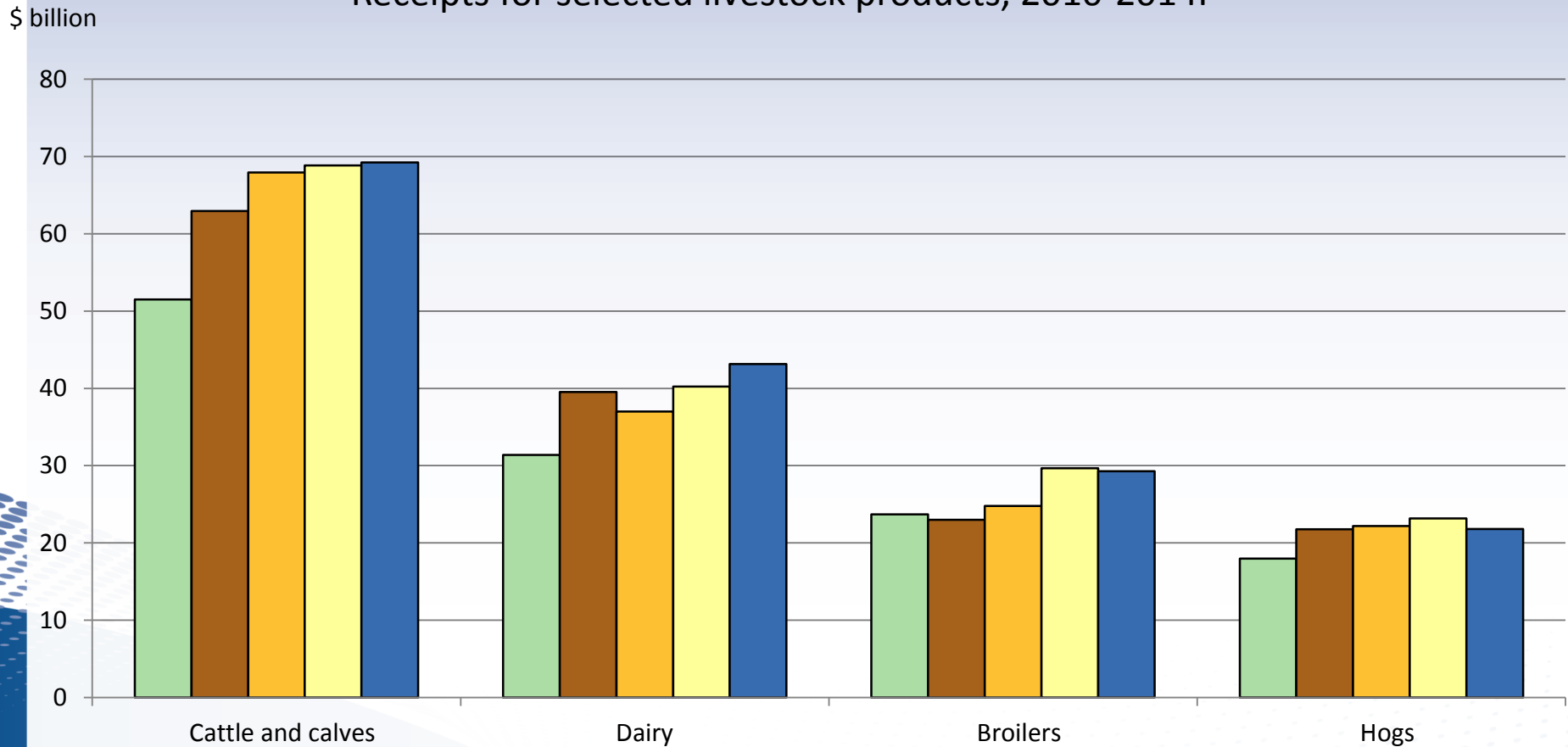


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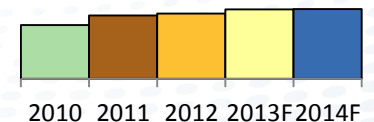
2010 2011 2012 2013F 2014F  
Source: USDA, ERS  
Note: 2013, 2014 forecasts

# Total livestock receipts are forecast up 1 percent in 2014

## Receipts for selected livestock products, 2010-2014F



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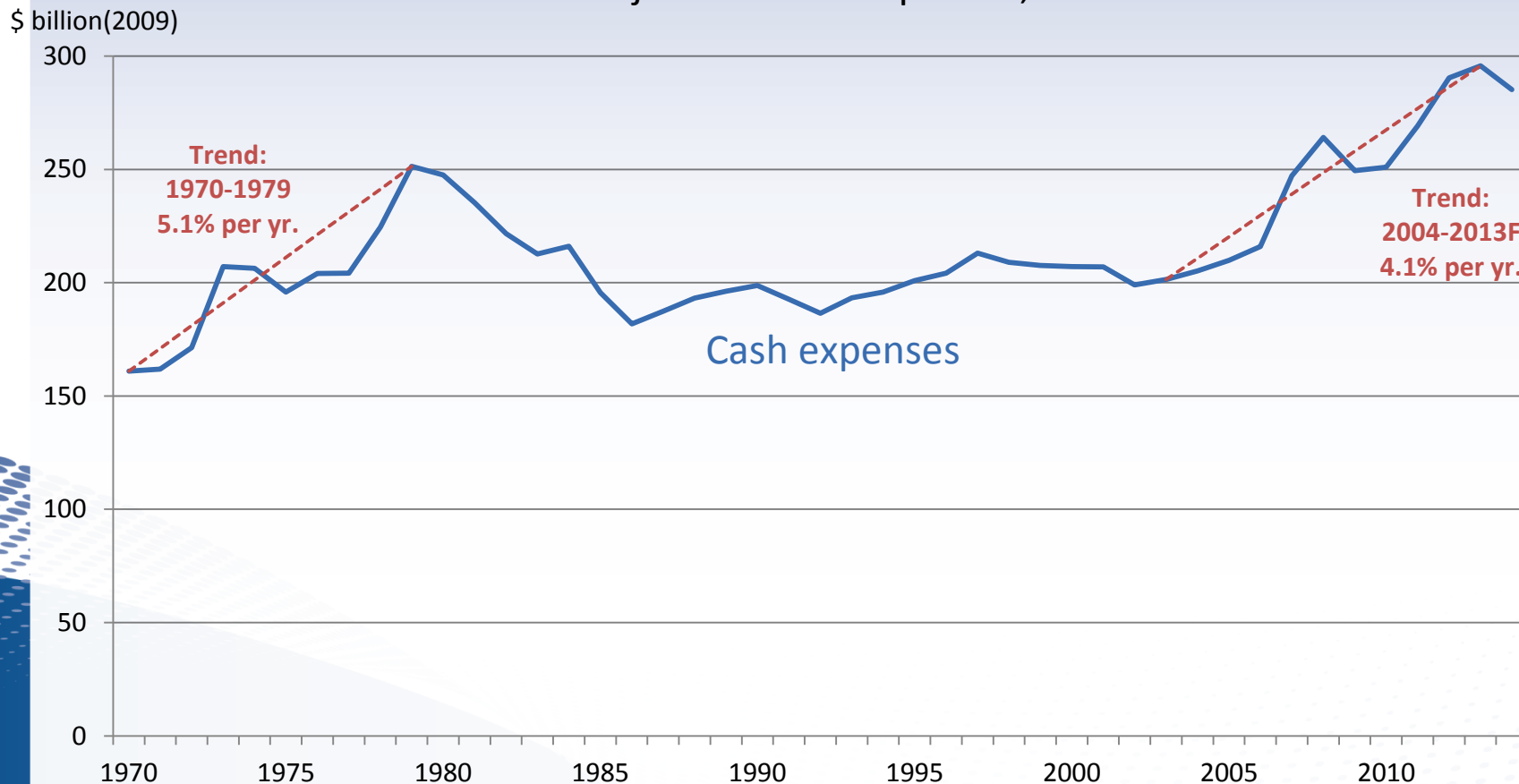


Source: USDA, ERS  
Note: 2013, 2014 forecasts



# Real cash expenses expected to decline for the first time since 2009

## Inflation-adjusted<sup>1/</sup> cash expenses, 1970-2014F

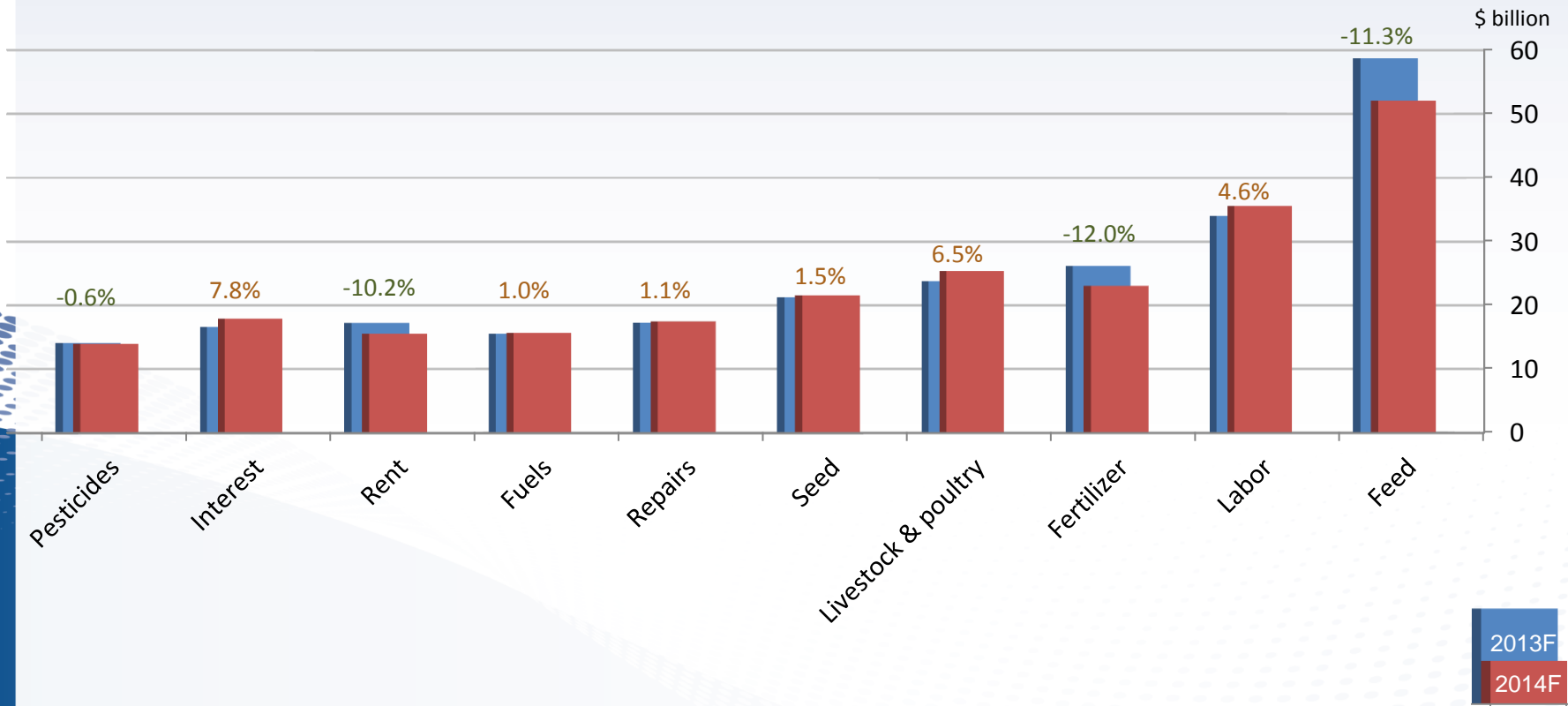


<sup>1/</sup> The GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2009= 100).



# Production expenses forecast down \$4 billion led by lower feed expenses

Changes in expense items, 2013F - 2014F



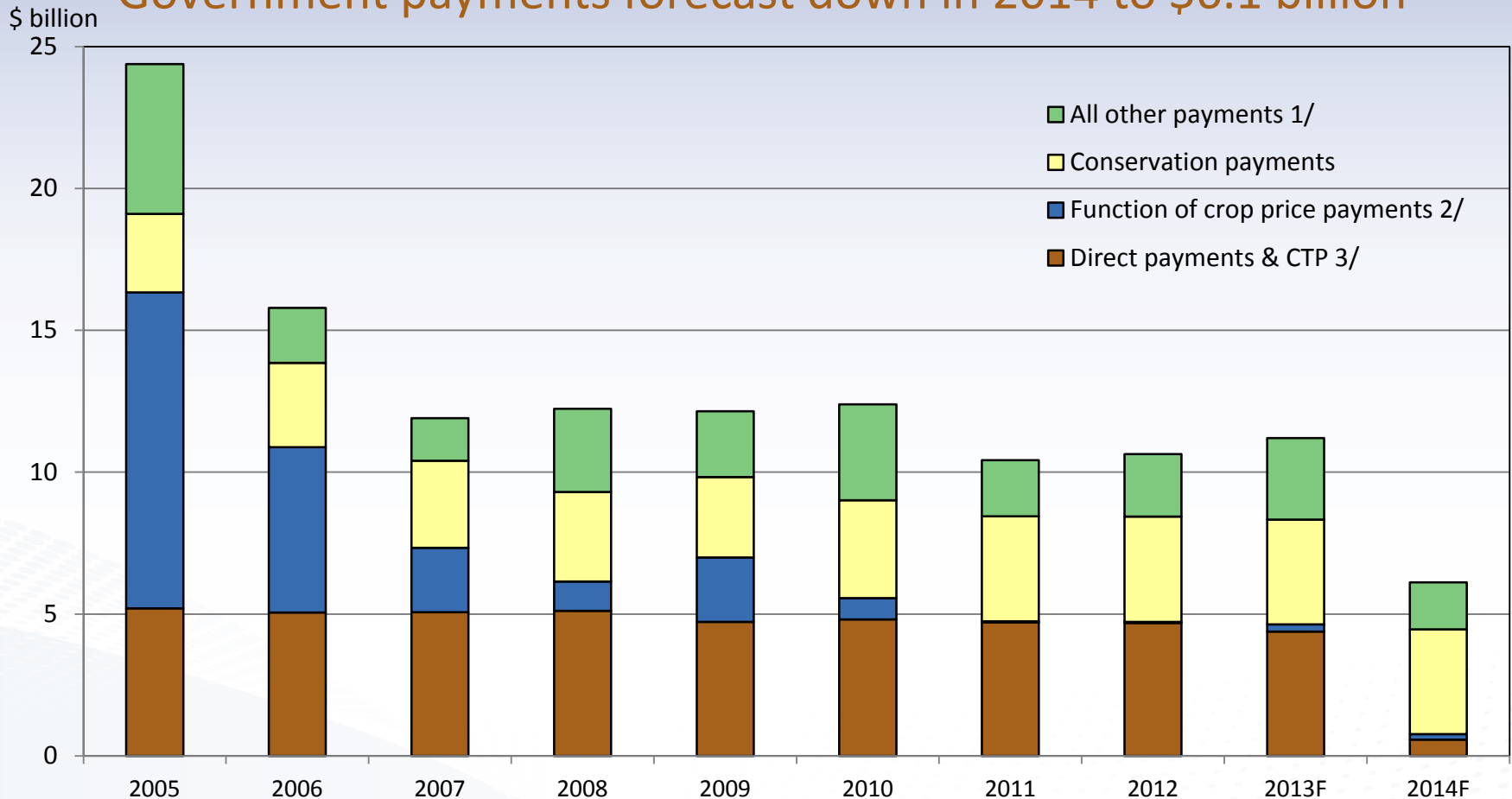
Note: Percent change from 2013 to 2014 is indicated at the top of each set of bars.



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Source: USDA, ERS  
Note: 2013, 2014 forecasts

# Government payments forecast down in 2014 to \$6.1 billion



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

2/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, certificate exchange gains, ACRE payments, ARC, and PLC program payments vary with crop prices.

3/ Direct payments and Cotton Transition payments (CTP) are fixed by legislation

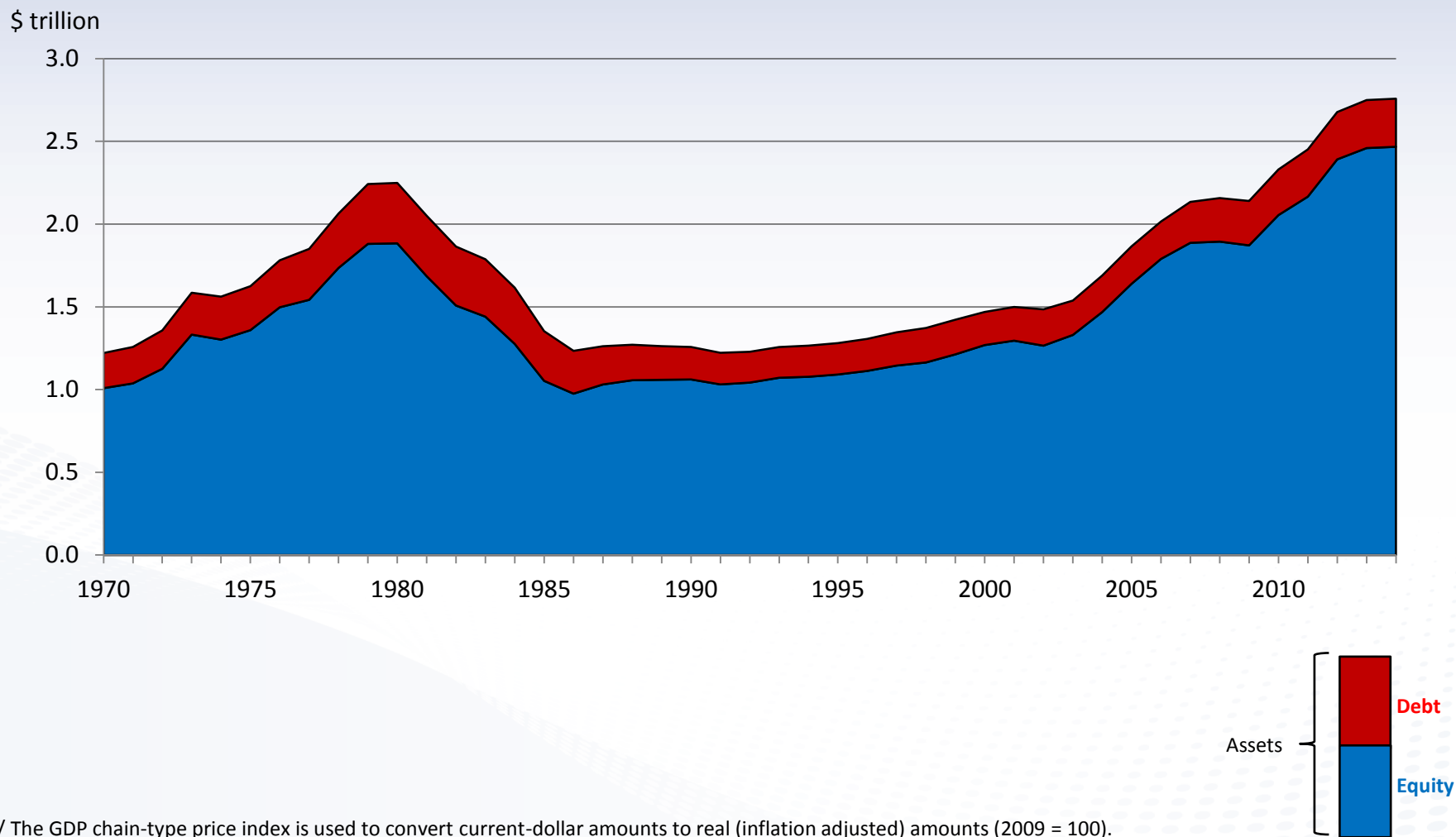


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Source: FSA, NRCS, and CCC  
Note: 2013, 2014 forecasts

# Inflation-adjusted asset values expected to set new record in 2014

## Inflation-adjusted farm sector assets, debt and equity, 1970-2014F



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

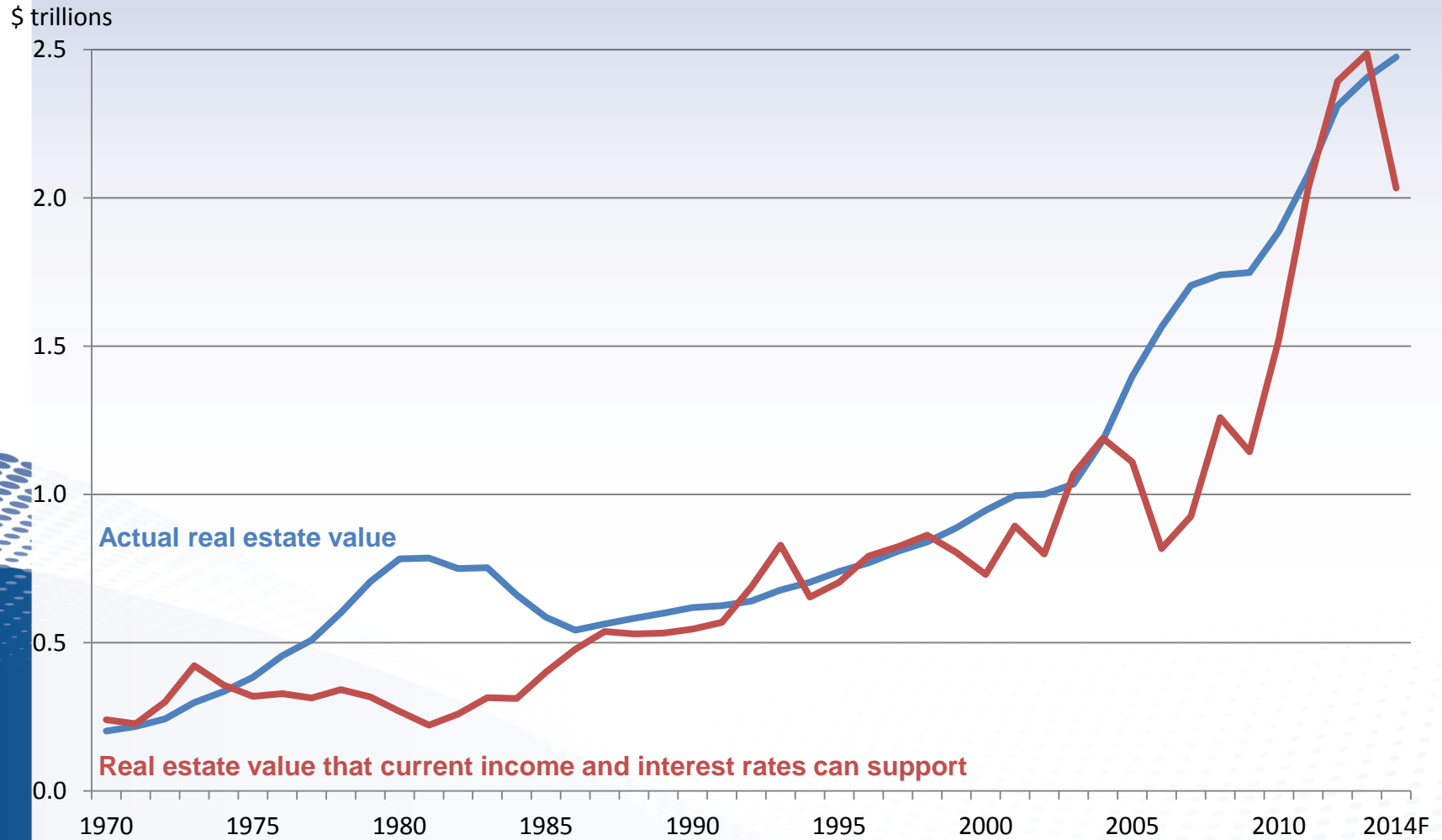


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Source: USDA, ERS  
Note: 2013, 2014 forecasts

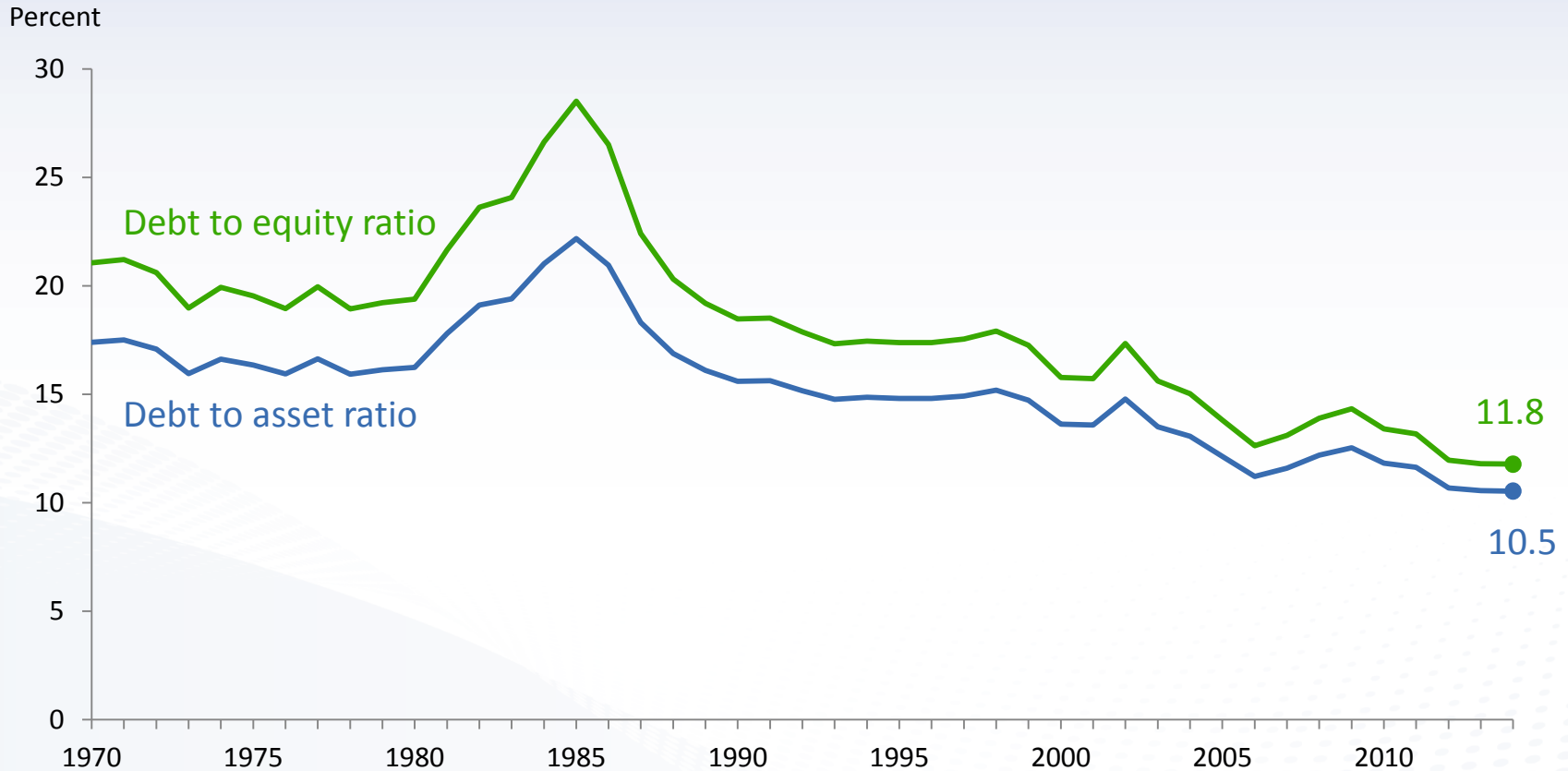
# Farm affordability

## Farm real estate values, 1970-2014F



# Debt to asset and debt to equity ratios forecast to continue downward trend in 2014

Farm debt ratios, 1970 - 2014F

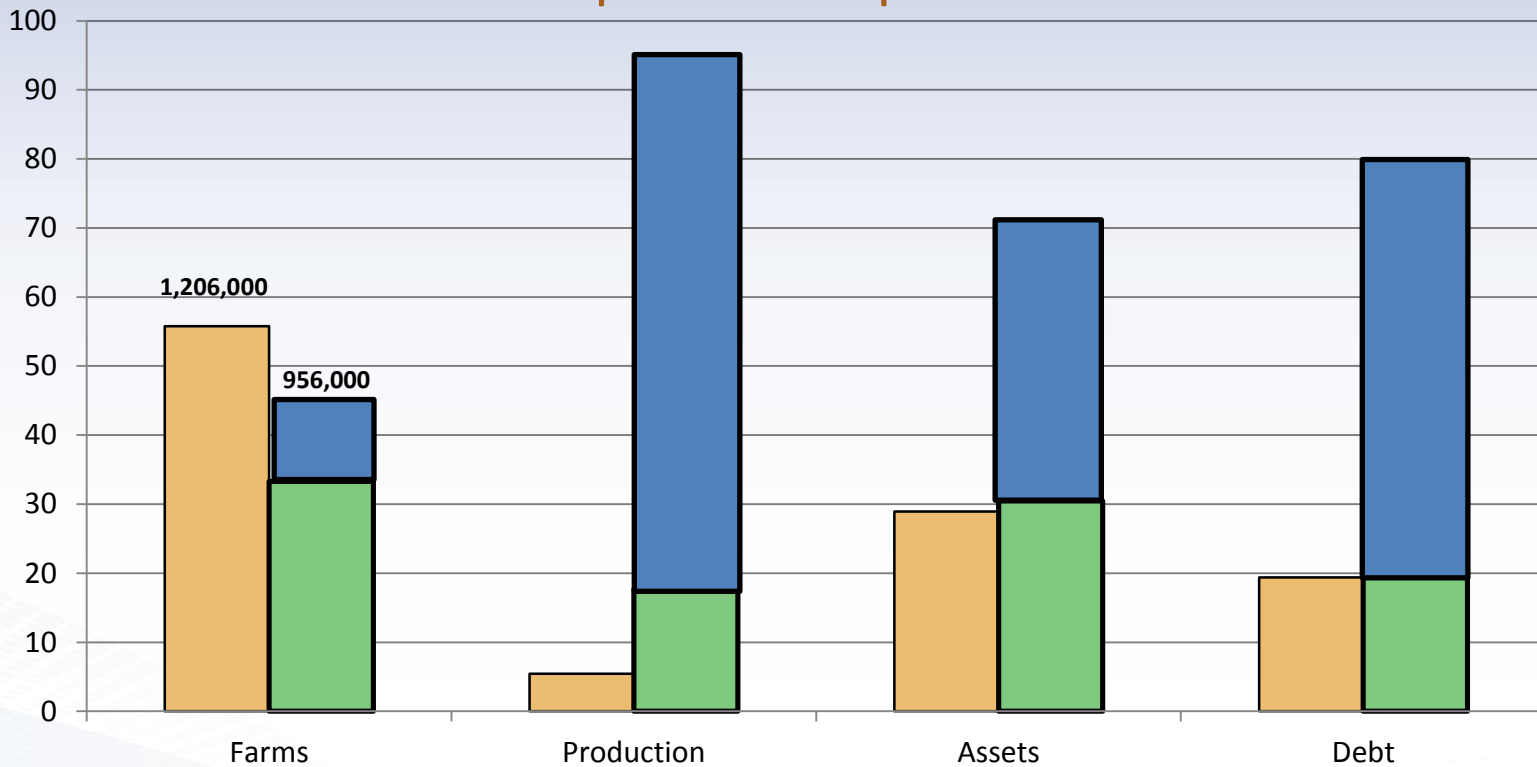


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Source: USDA, ERS  
Note: 2013, 2014 forecasts

# Farm businesses represent over 950,000 farms and account for over 90 percent of production

Percent

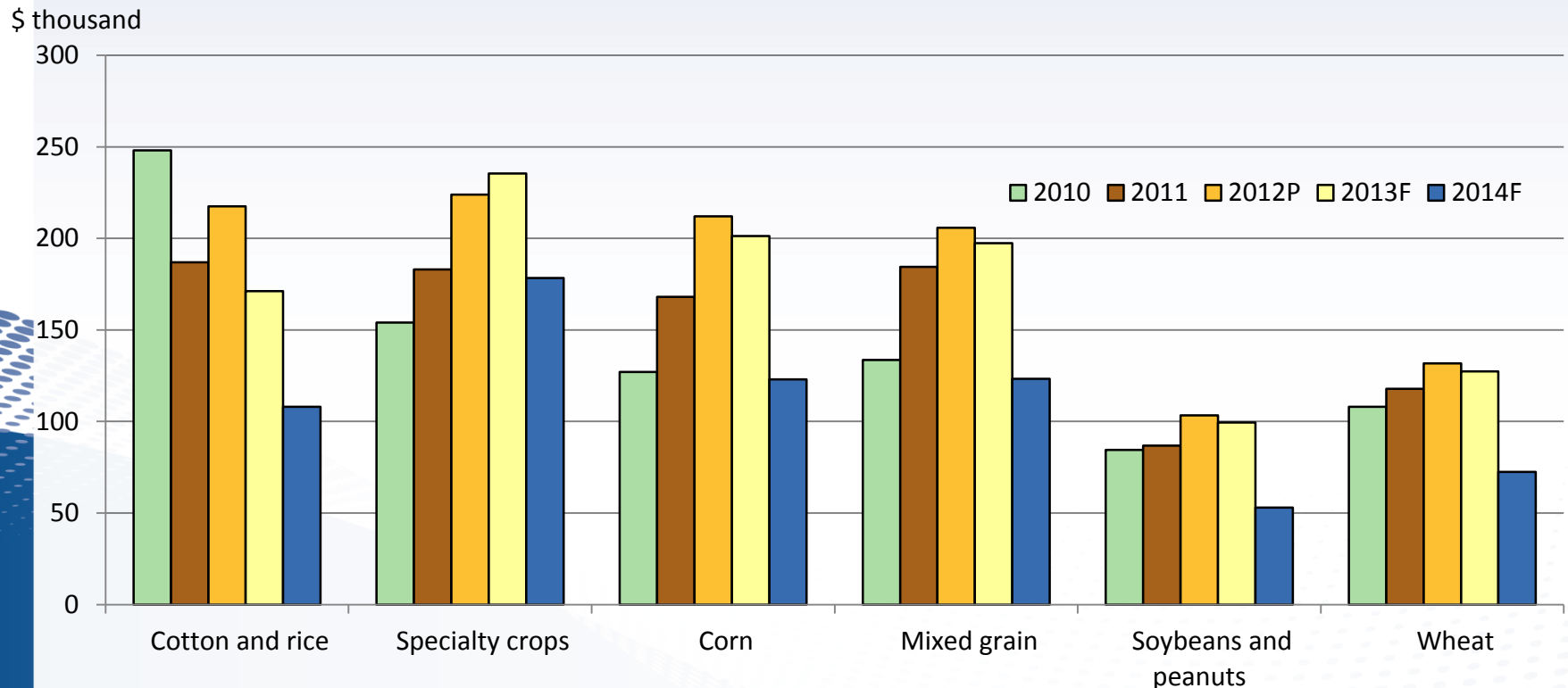


Farm Businesses		
Residence	Intermediate	Commercial
<i>operators report they are retired or have a major occupation other than farming.</i>	<i>Gross cash farm income less than \$350,000 and operators report farming as their major occupation.</i>	<i>Gross cash farm income greater than \$350,000 and farms organized as nonfamily corporations or cooperatives.</i>



# Lower average net cash income is forecast for farm businesses that specialize in crop production in 2014

## Average net cash income for crop farm businesses<sup>1/</sup>



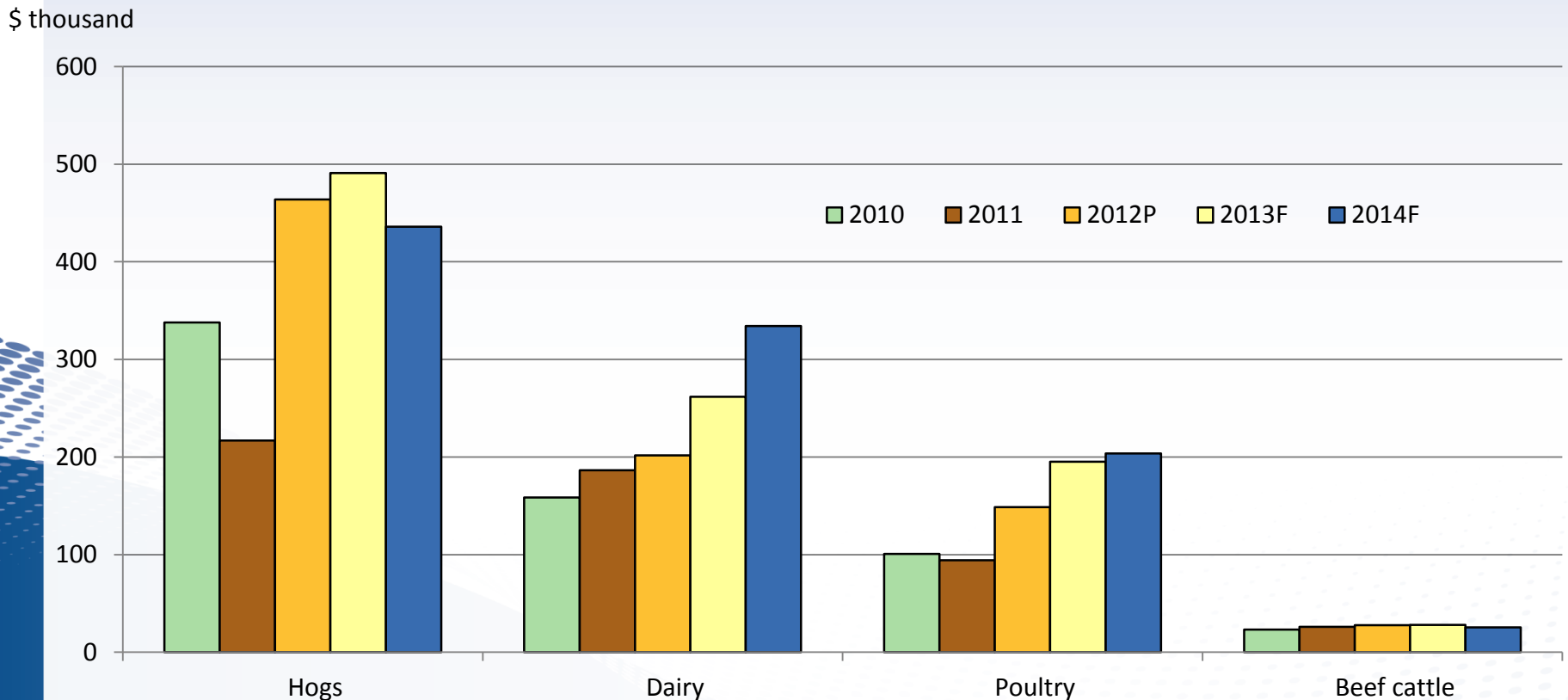
<sup>1/</sup> The farm level forecasts are derived from partial budget modeling on the 2012 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other local production impacts that occurred after the base year





# 2014 Forecasts up for dairy and poultry farm businesses

Average net cash income for livestock farm businesses



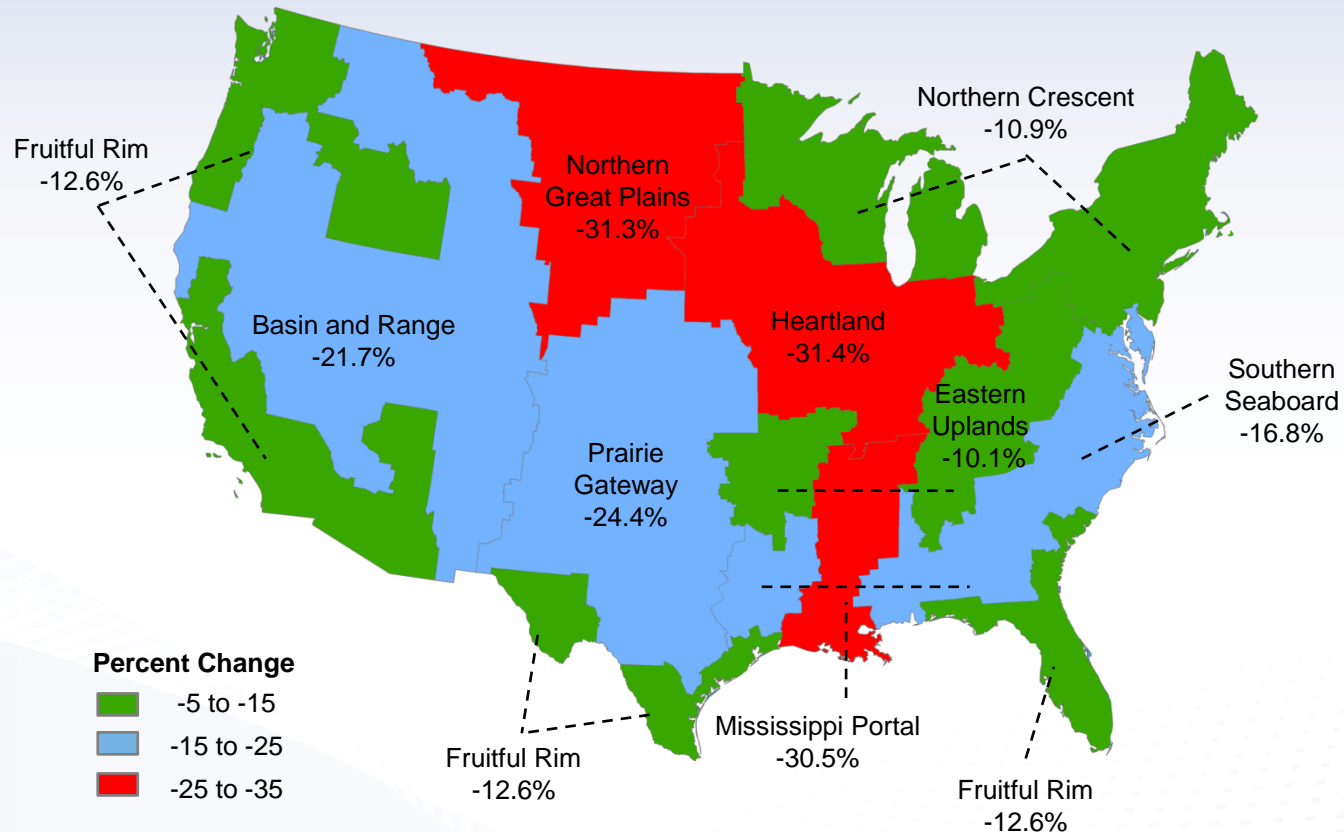
1/ The farm level forecasts are derived from partial budget modeling on the 2012 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and therefore does not account for changes in crop rotation, weather, and other local production impacts that occurred after the base year



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Source: USDA, ERS  
Note: 2013, 2014 forecasts

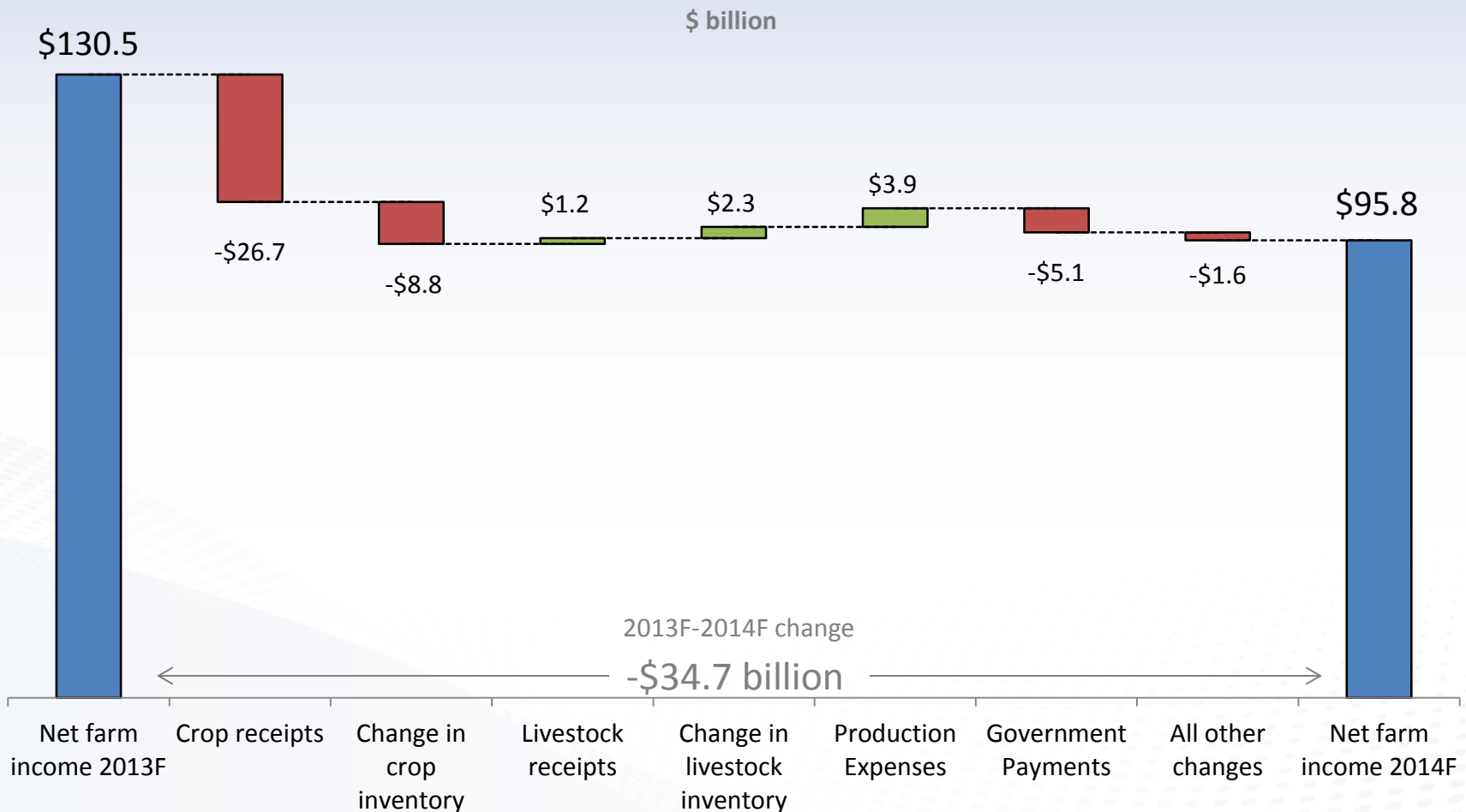
# Average net cash incomes are forecast down for farm businesses in all regions in 2014 relative to 2013



Source: ERS partial model based using the 2012 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. 2012 ARMS data is preliminary.



# Crop receipt forecast driving major changes to net farm income from 2013F to 2014F



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Source: Economic Research Service, USDA.  
F= forecast.

## Questions?

Check out our website:

<http://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances>

Contact me:

ktpatrick@ers.usda.gov

