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United States Department of Agriculture, Economic Research Service

# Outlook for the 2015 U.S. Farm Economy

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## Overview

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*

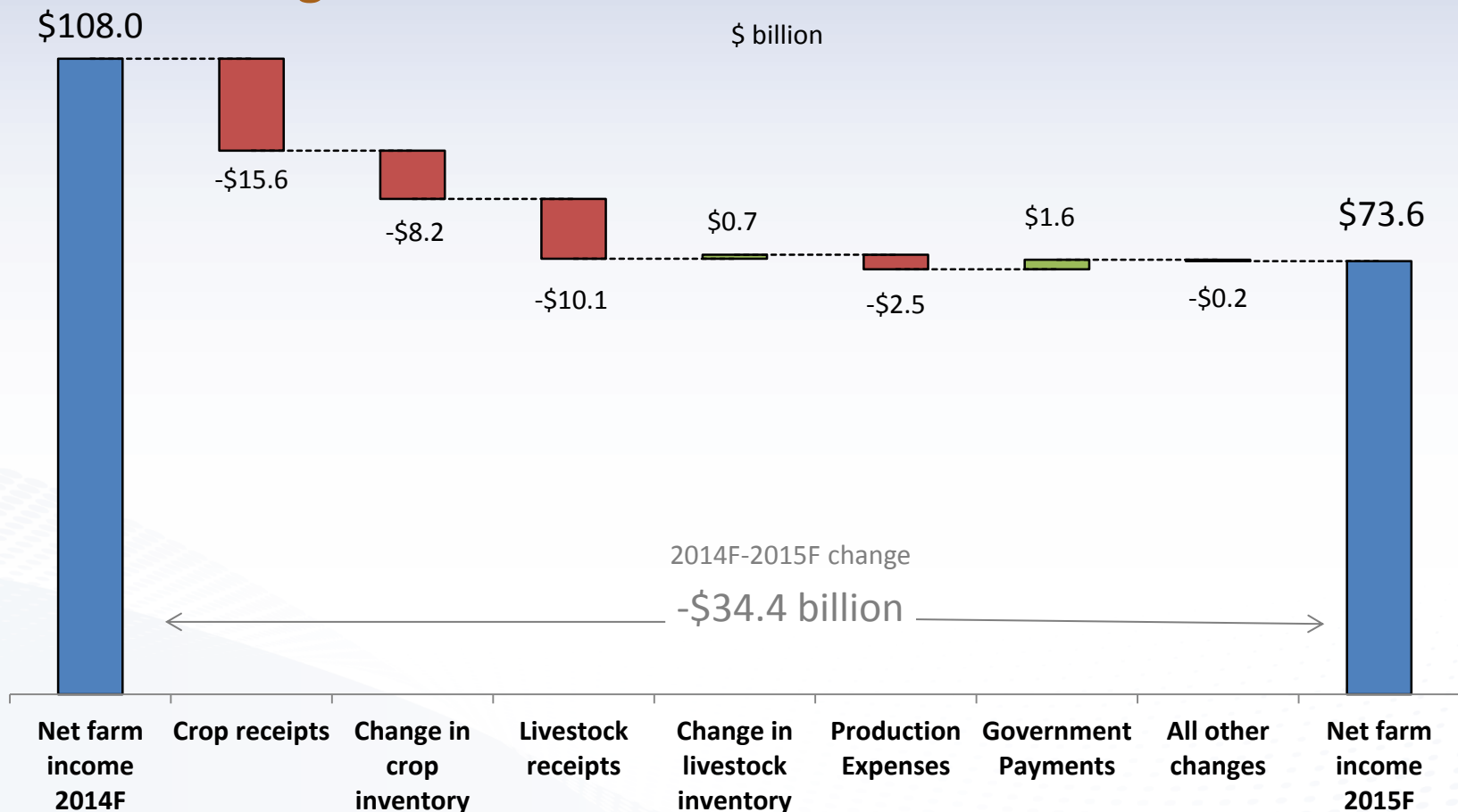
### Factors that will influence 2015 outcomes

- Actual planting decisions
- Weather (during planting, growing, and harvesting)
- Timing of sales



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## Crop and livestock receipt forecasts driving major changes to net farm income from 2014F to 2015F

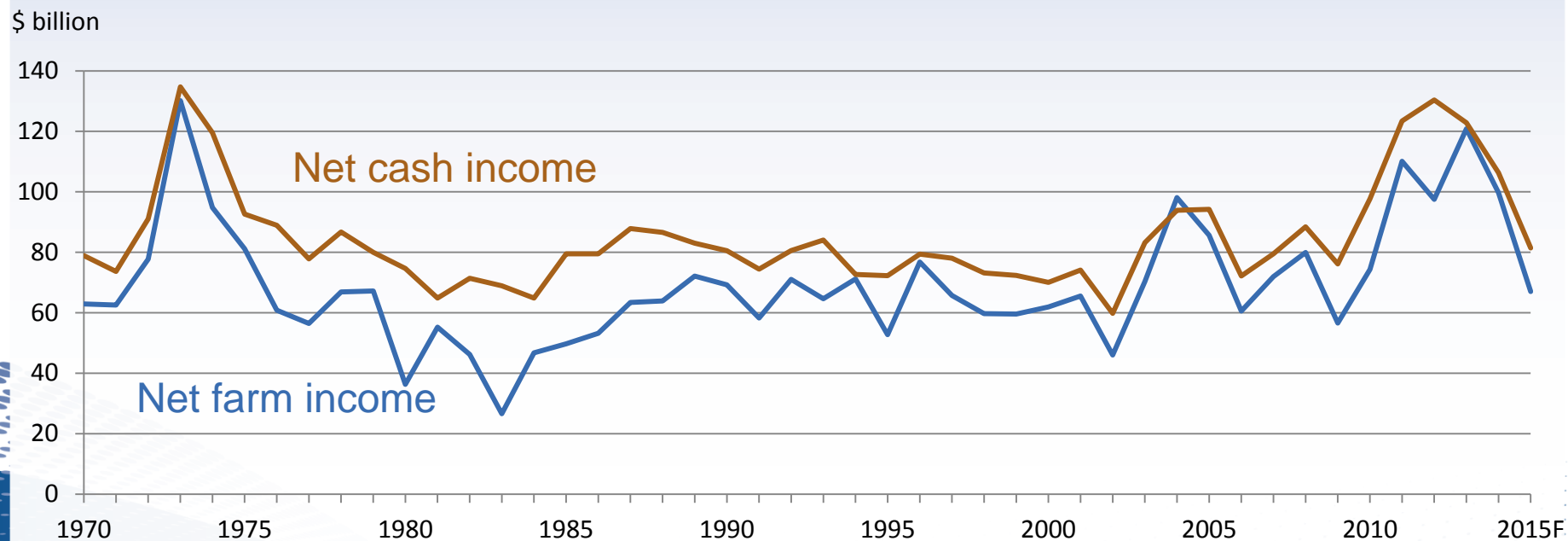


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Source: Economic Research Service, USDA.  
F= forecast.

# Income measures return to long-run trend levels

Inflation-adjusted net farm income and net cash income, 1970-2015F<sup>1/</sup>



2015 Net cash income \$89.4  
Net farm income \$73.6



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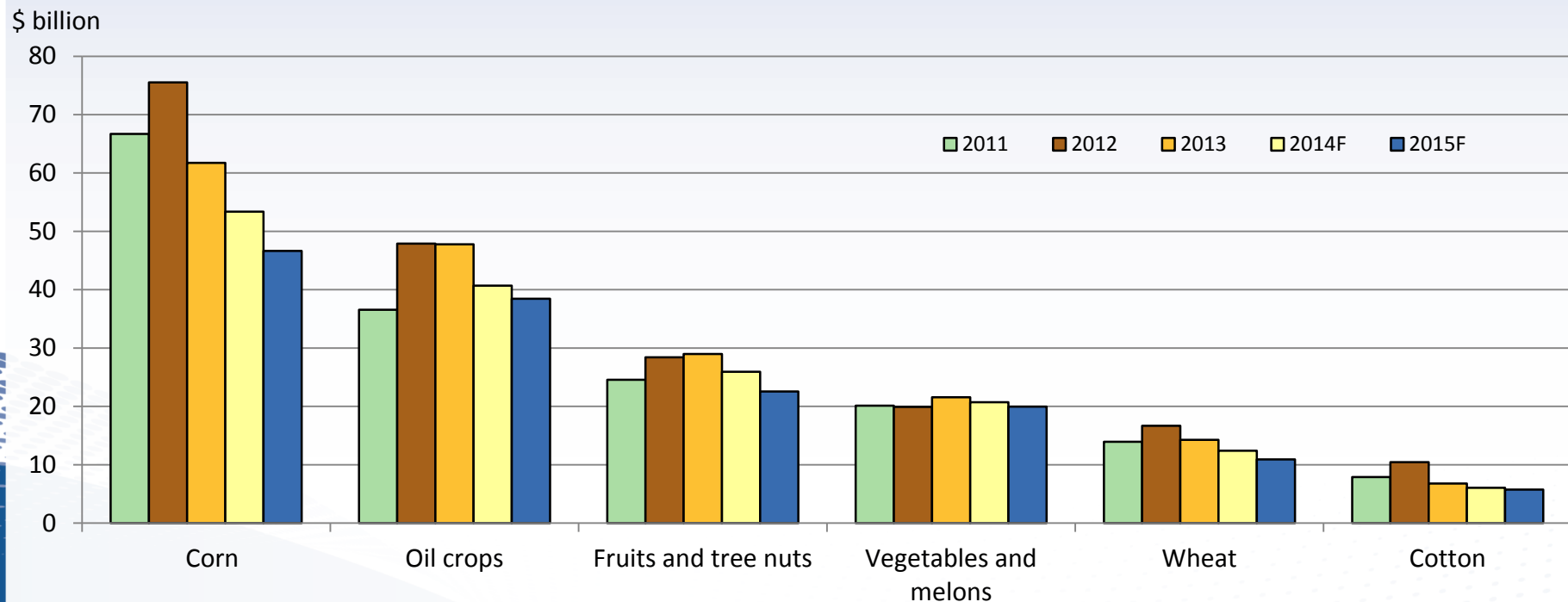
<sup>1/</sup> The GDP chain-type price index is used to convert the current-dollar statistics to real (inflation adjusted) amounts (2009=100).

Source: Economic Research Service, USDA.

F= forecast.

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

## Receipts for selected crops, 2011-2015F

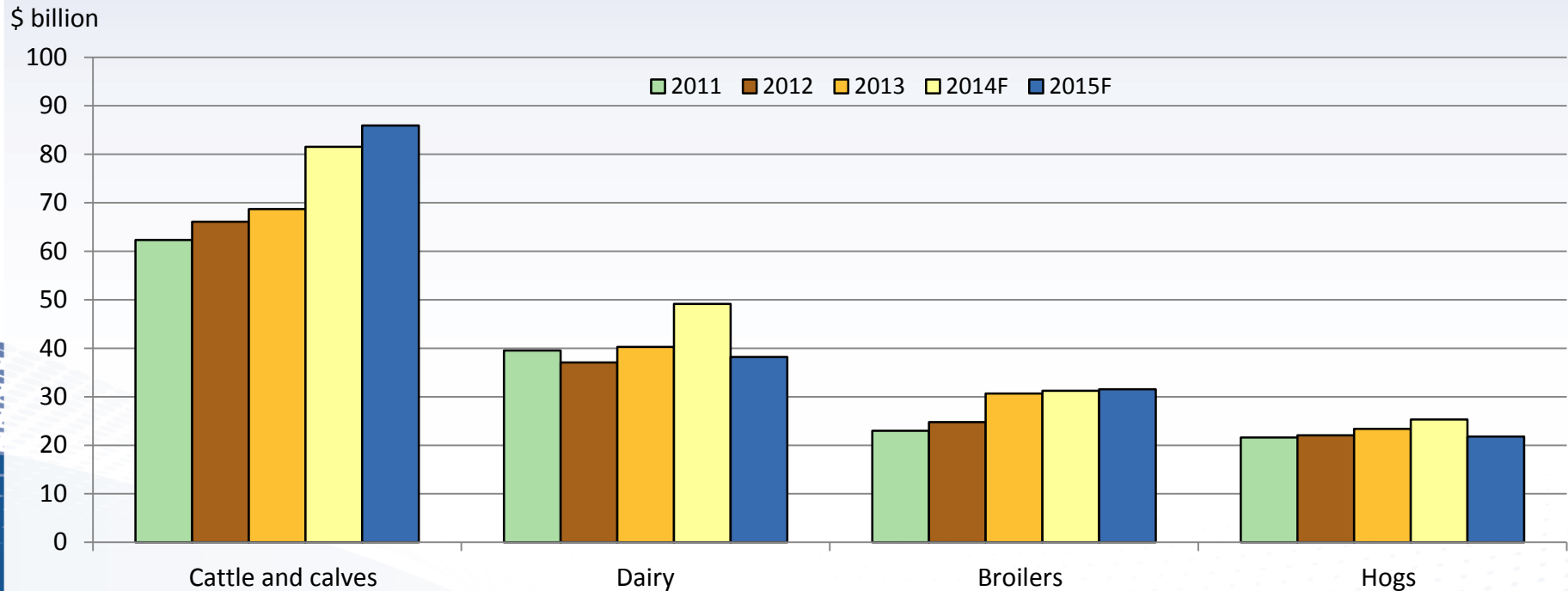


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Source: USDA, ERS  
Note: 2014, 2015 forecasts

# Total livestock receipts are forecast down 5 percent in 2015

## Receipts for selected livestock products, 2011-2015F

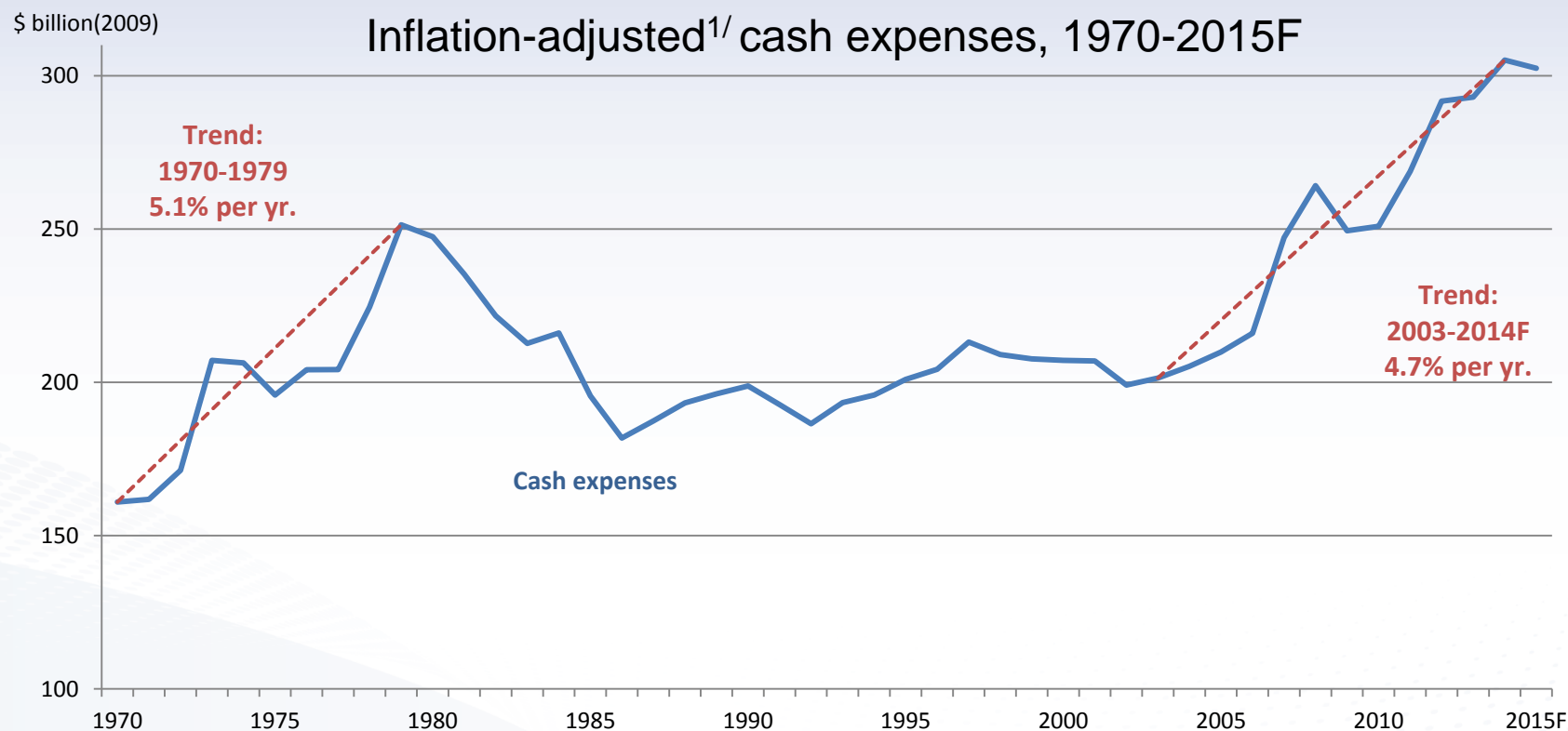


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Source: USDA, ERS  
Note: 2014, 2015 forecasts



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



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

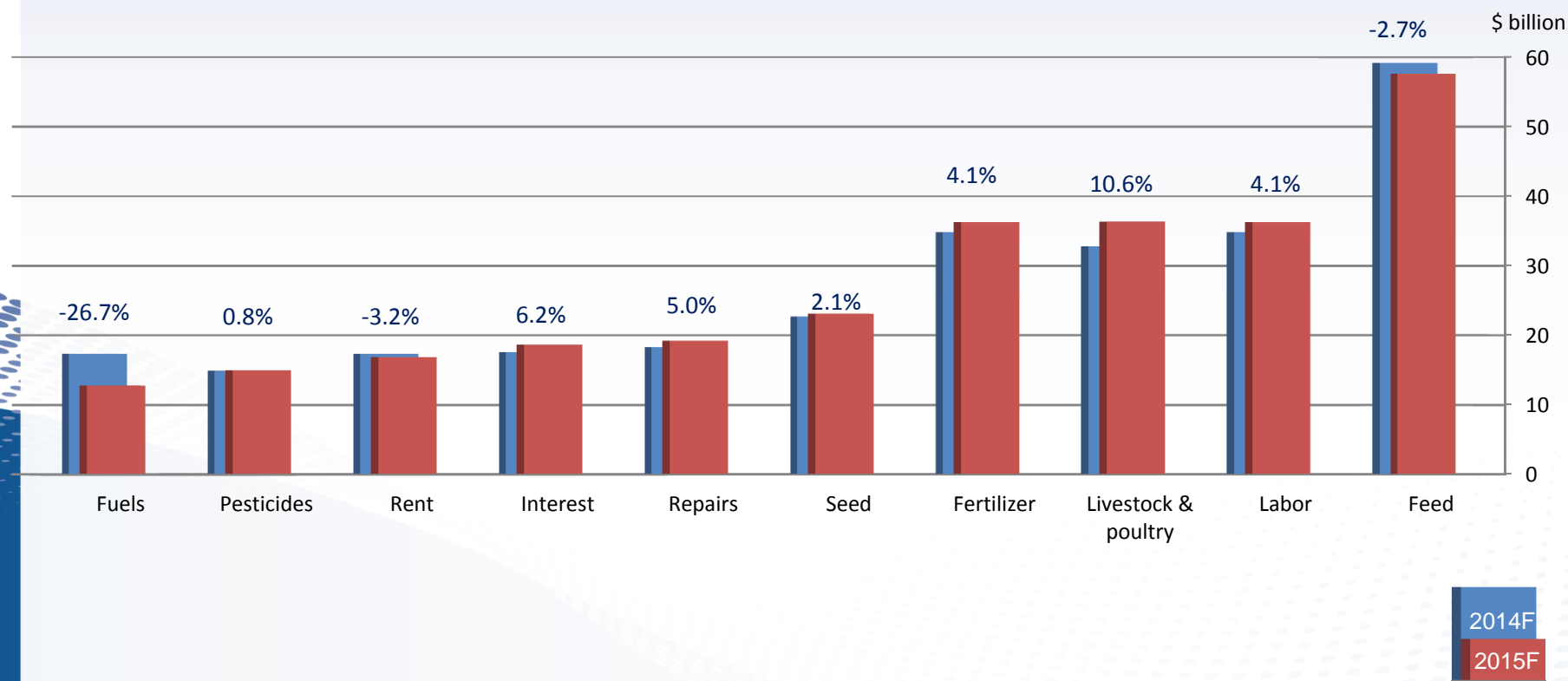


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Source: USDA, ERS  
Note: 2014, 2015 forecasts

# Fuel forecast down 26.7 percent; Production expenses up \$2.5 billion

## Changes in expense items, 2014F - 2015F



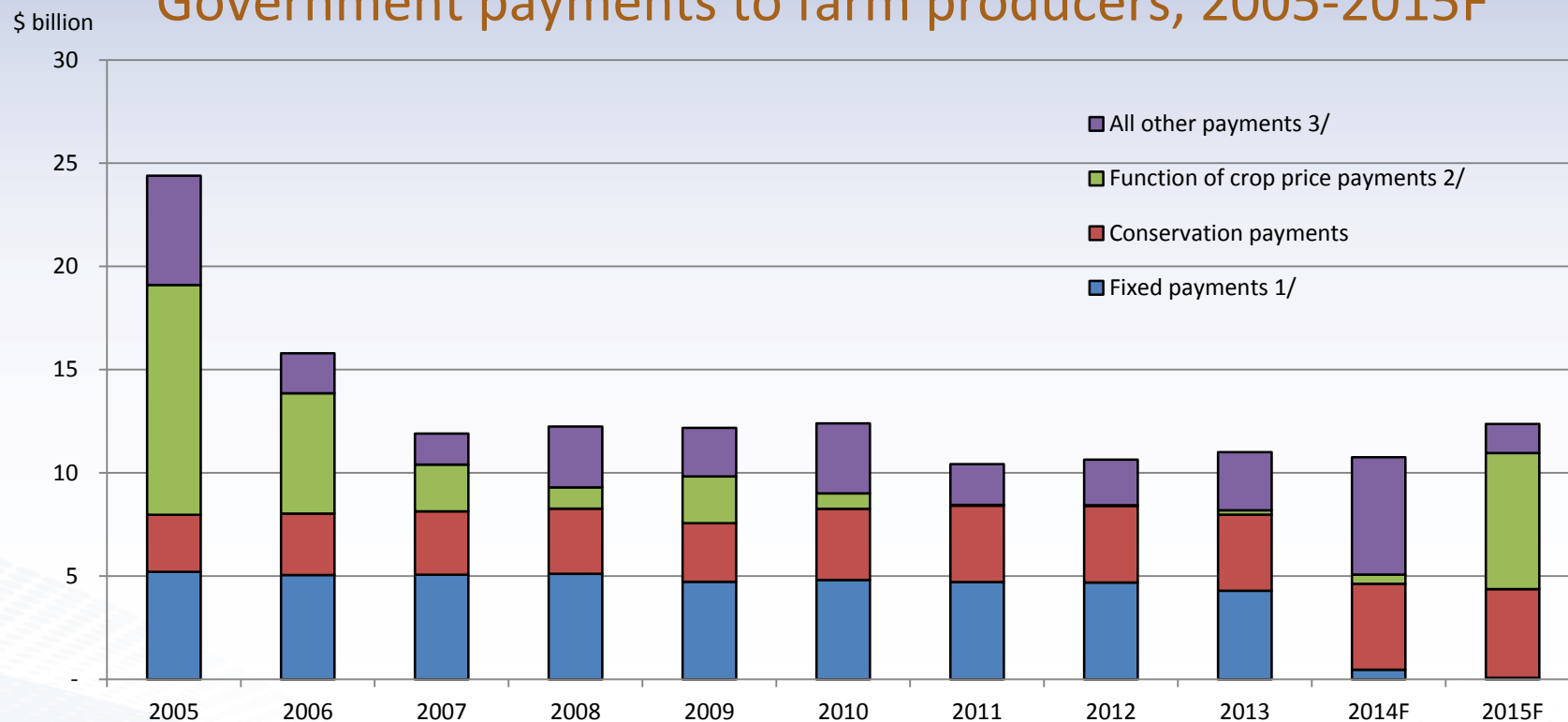
Note: Percent change from 2014 to 2015 is indicated at the top of each set of bars.



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Source: USDA, ERS  
Note: 2014, 2015 forecasts

# Government payments to farm producers, 2005-2015F



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

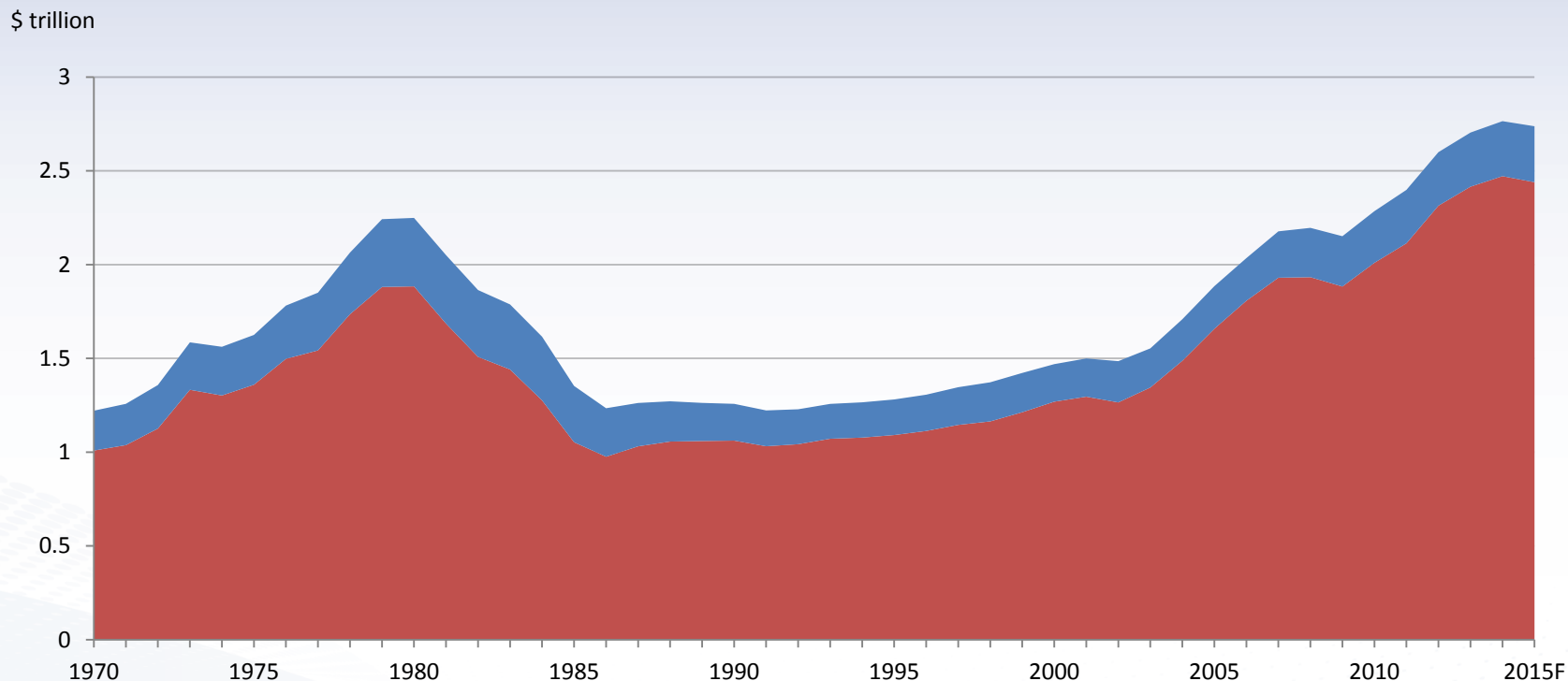


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Source: FSA, NRCS, and CCC  
Note: 2014, 2015 forecasts

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

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

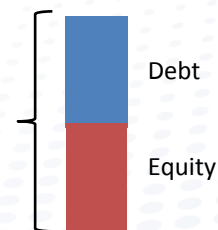


Note: GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2009 = 100).

Source: Economic Research Service, USDA

F = forecast

Assets



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

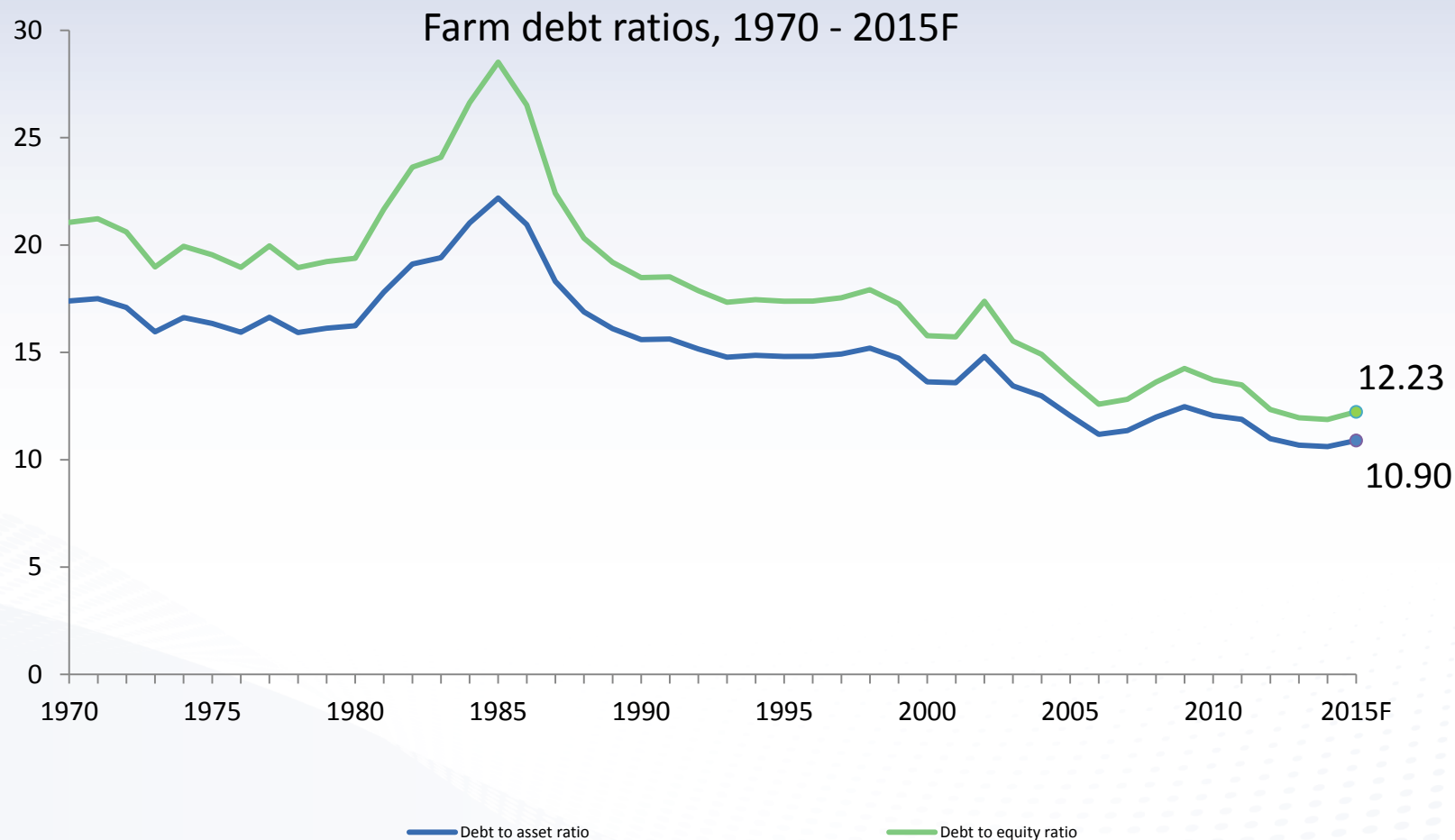


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Source: USDA, ERS  
Note: 2014, 2015 forecasts

## Debt to asset and debt to equity ratios forecast to increase for first time since 2009

Percent



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Source: USDA, ERS  
Note: 2014, 2015 forecasts

# Farm businesses represent over 930,000 farms and account for over 90 percent of production

Percent



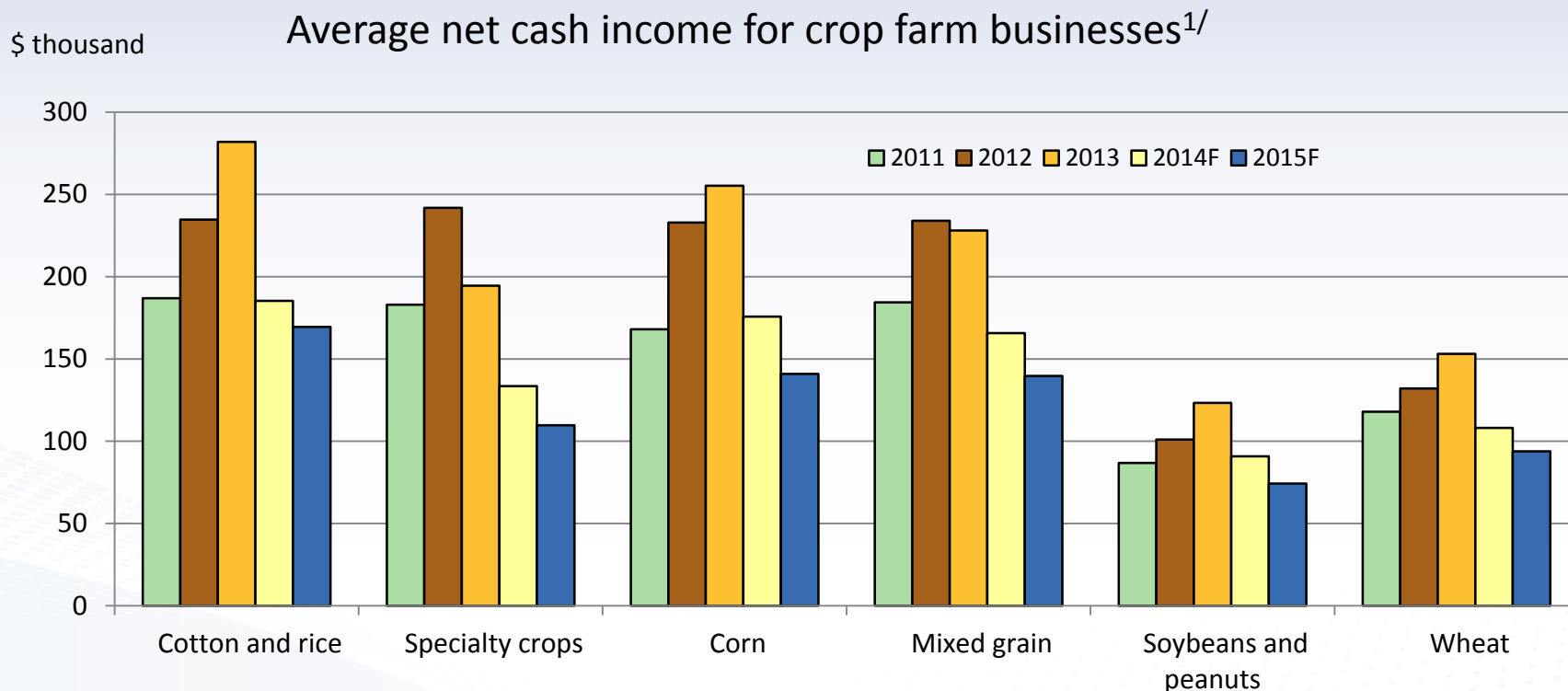
Farm Businesses		
Residence	Intermediate	Commercial
operators report they are retired or have a major occupation other than farming.	Gross cash farm income less than \$350,000 and operators report farming as their major occupation.	Gross cash farm income greater than \$350,000 and farms organized as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



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Source: 2013 Agricultural Resource Management Survey (ARMS)

# Lower average net cash income is forecast for farm businesses that specialize in crop production in 2015



<sup>1/</sup> 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

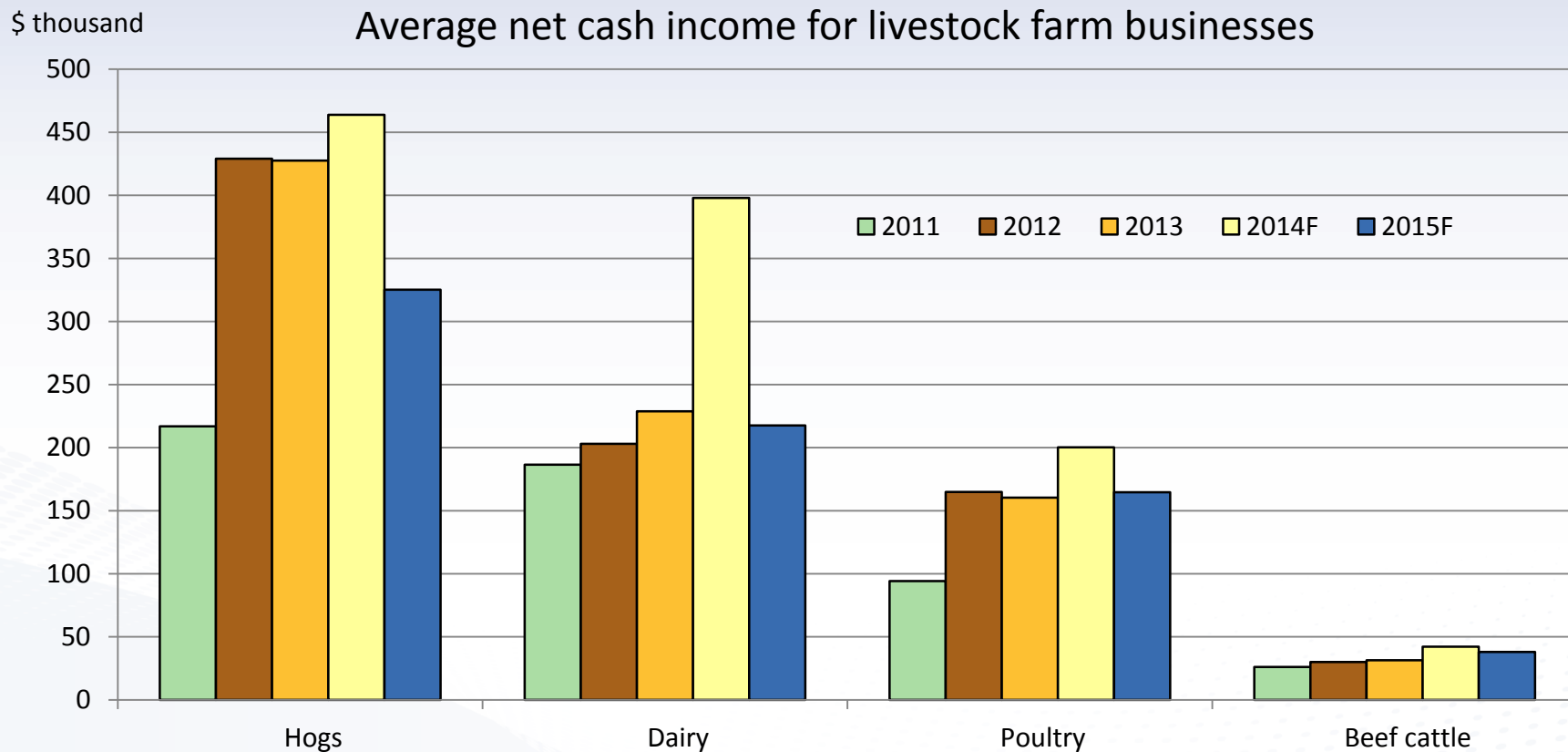
F = forecast



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Source: USDA, ARMS  
Note: 2014, 2015 forecasts

## 2015 forecasts down for all farm businesses specializing in livestock and poultry production



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.

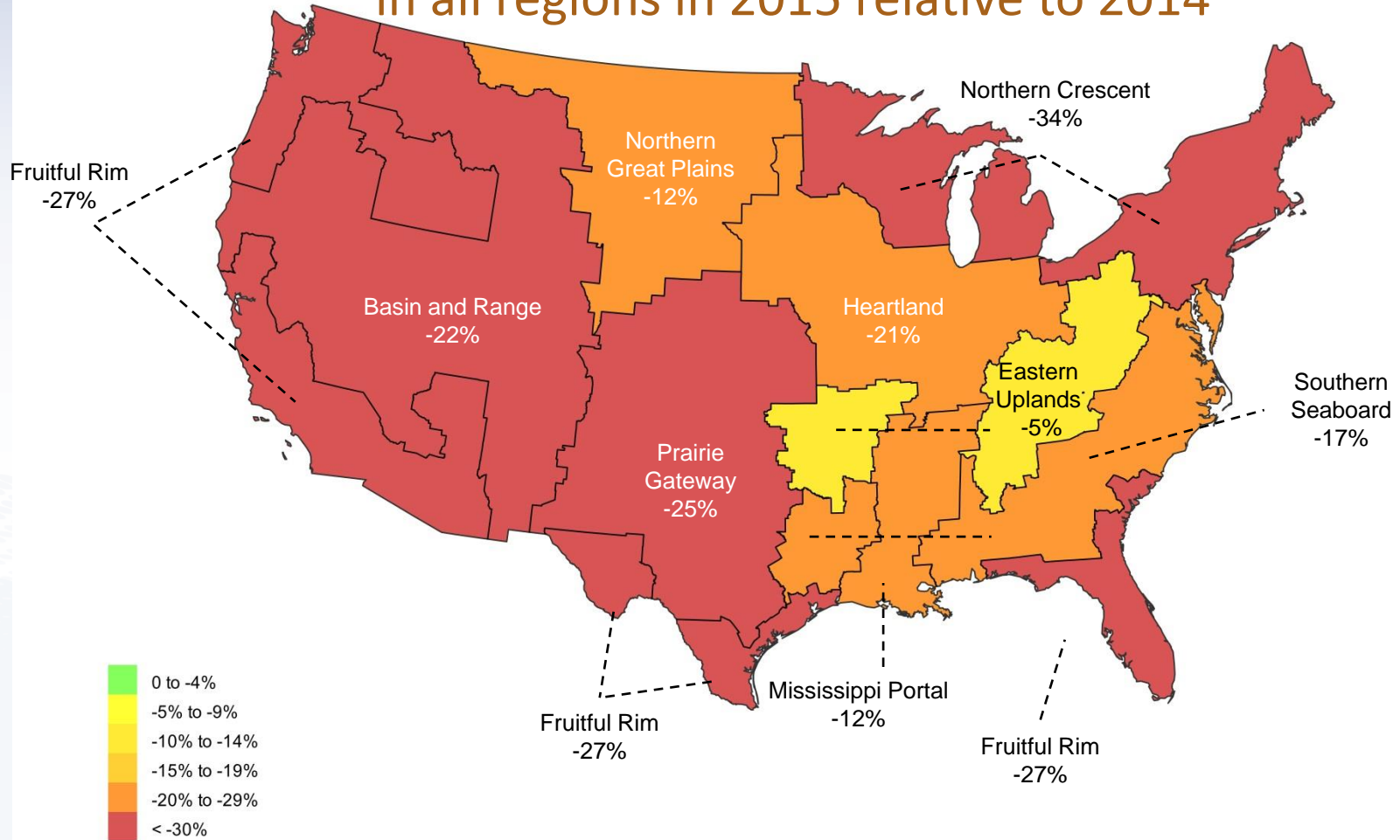


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Source: USDA, ERS  
Note: 2014, 2015 forecasts



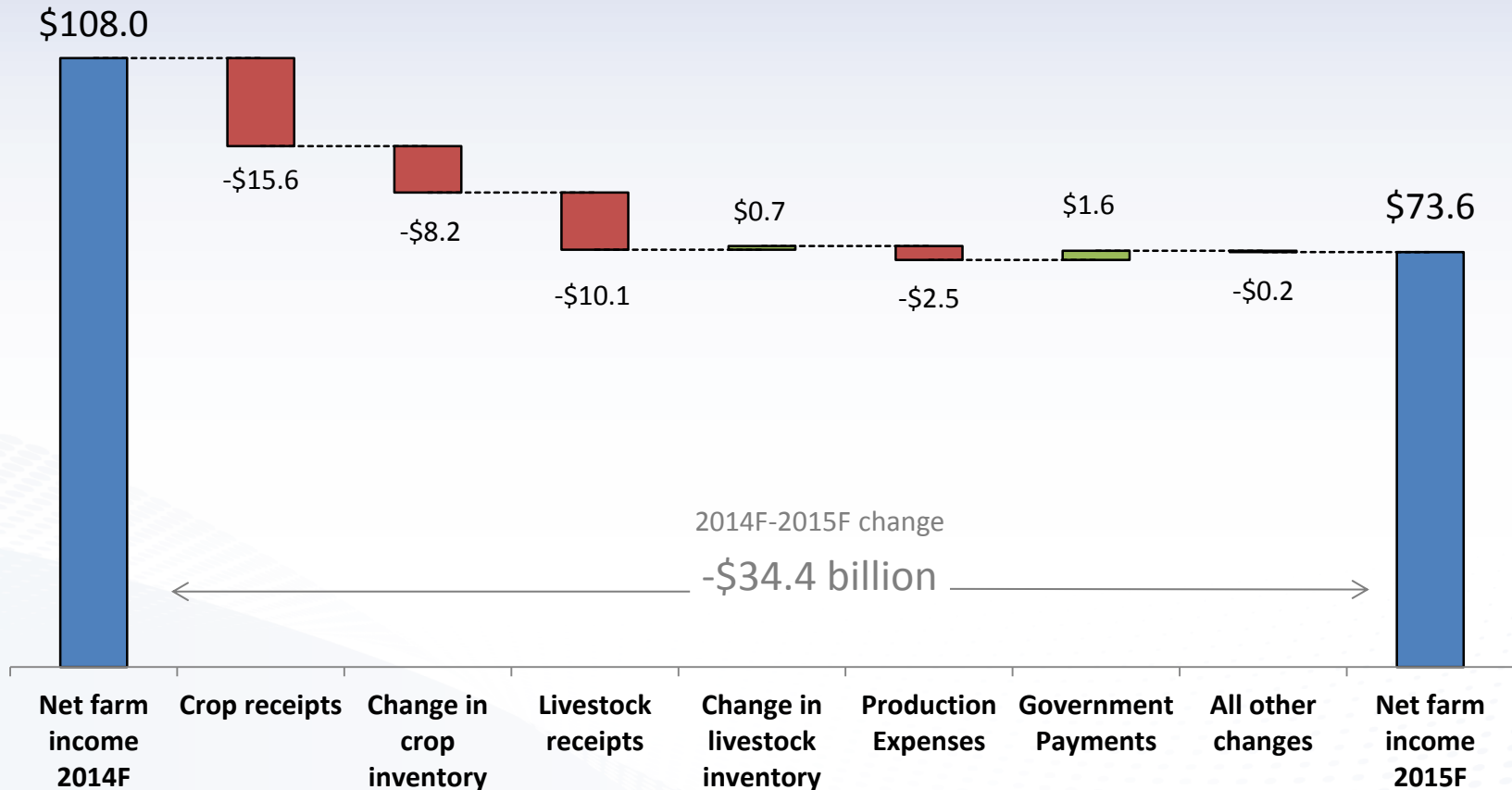
# Average net cash incomes are forecast down for farm businesses in all regions in 2015 relative to 2014



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

\$ billion



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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:

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