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United States Department of Agriculture

2018 Farm Sector Income and Household Income Forecast

Agricultural Outlook Forum
February 22, 2018

Presented by
Carrie Litkowski



Farm Sector Overview

2+

million farms

820+

thousand farm businesses

6+

million people living in
farm households

Source: Farm Income and Wealth Statistics Data Product & Census of Agriculture



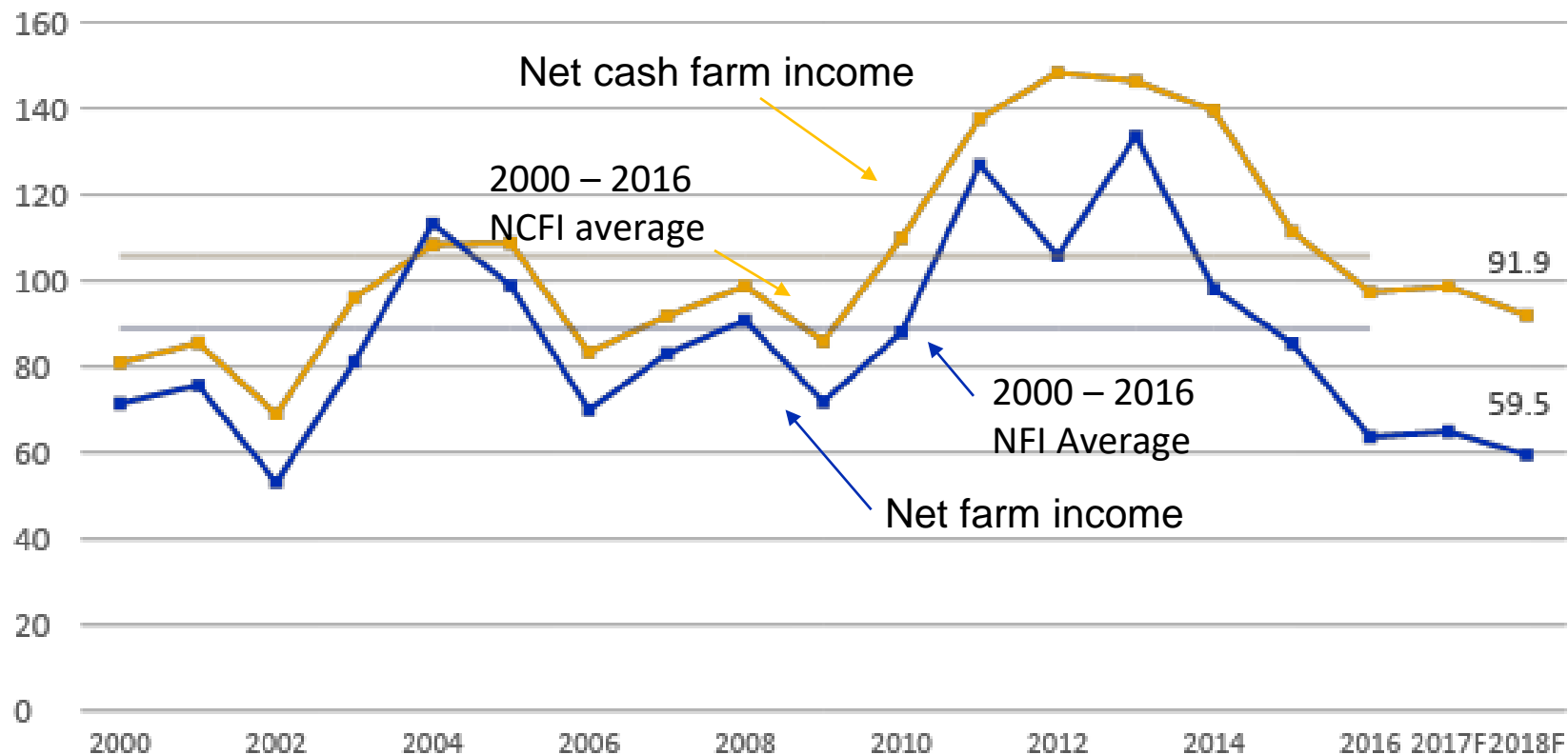
Summary and Outline

- Net cash farm income for 2018 is forecast at \$91.9 billion (down 5.1 percent relative to 2017, in nominal dollars). Net farm income, a broader measure of profits, is forecast at \$59.5 billion (down 6.7 percent).
- The value of agricultural sector production is forecast to be relatively unchanged from 2017 as a \$2.0 billion (0.5 percent) decline in cash receipts is expected to be off-set by a \$1.8 billion (22.5 percent) increase in commodity insurance indemnities.
- Government payments are projected to fall \$2.1 billion (18.6 percent) in 2018.
- Total production expenses are forecast to be relatively flat in 2018, increasing \$3.5 billion (1 percent) and remaining relatively stable across 2016-2018.
- Farm sector assets and debt are both forecast to be largely unchanged from 2017, with overall equity rising by 1.6 percent.
- Median farm household income is forecast to be relatively unchanged from 2017 at \$78,886 in 2018, but up 3.5 percent from its 2016 level.



Farm sector profits expected to decline in 2018

\$ Billions (2018)



F= Forecast. Values are inflation adjusted using the chain-type GDP deflator, 2018=100.

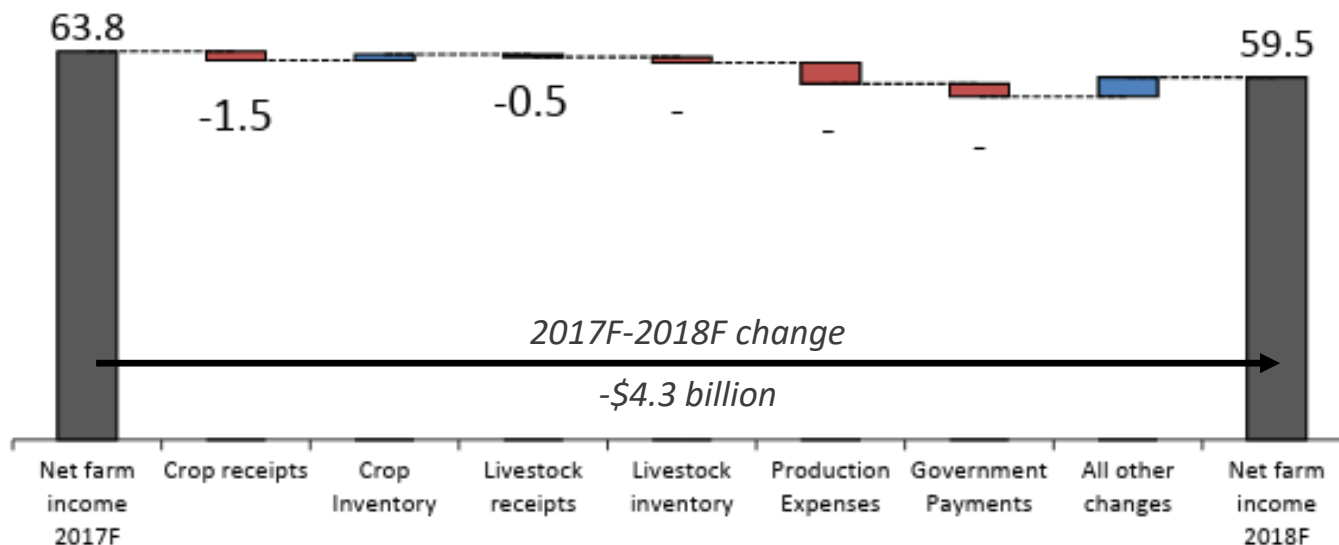
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of February 7, 2018



Increases in production expenses factor into overall decline in income

\$ Billion



Higher production expenses the largest contributor to declining income.

Crop and livestock receipts expected to decline.

Insurance indemnities forecast to increase.

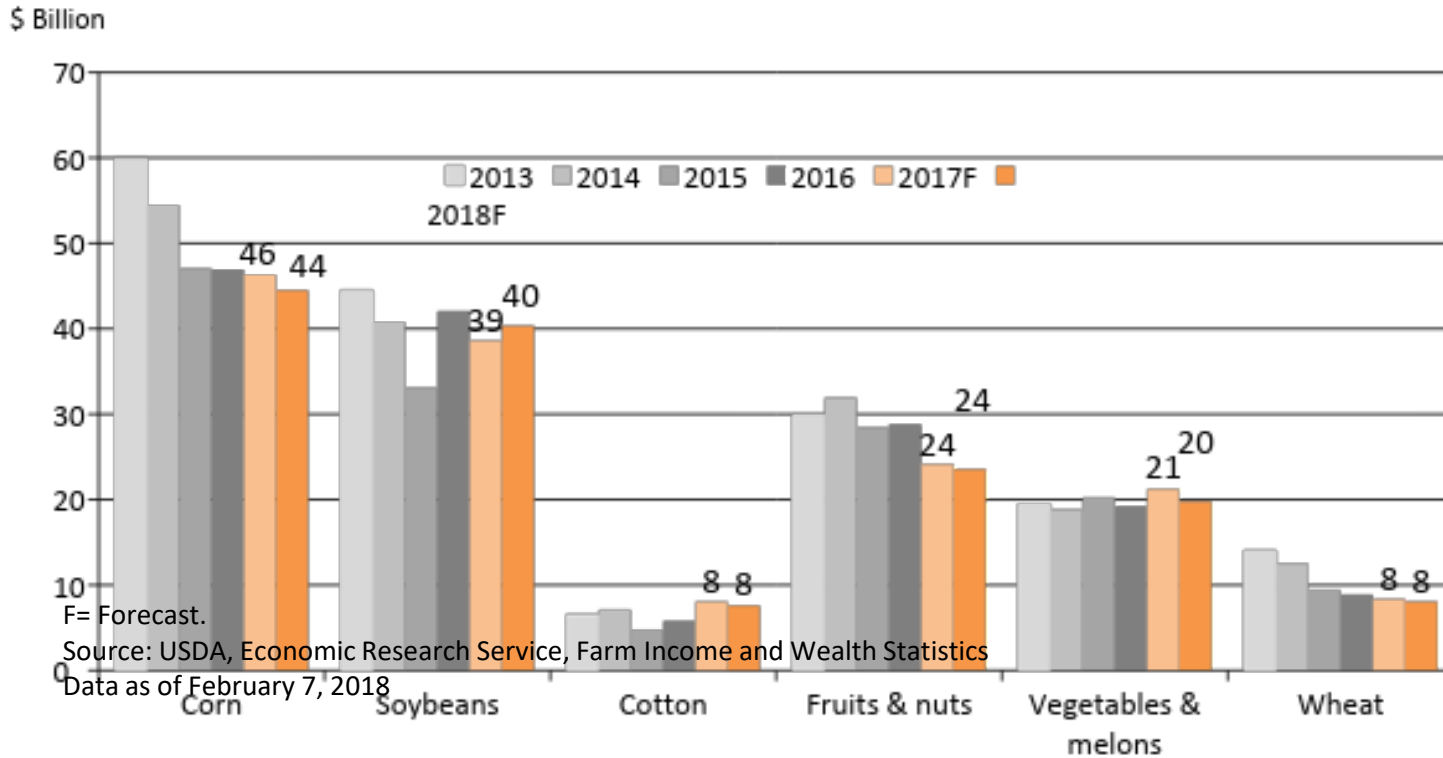
F= Forecast.

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

Data as of February 7, 2018



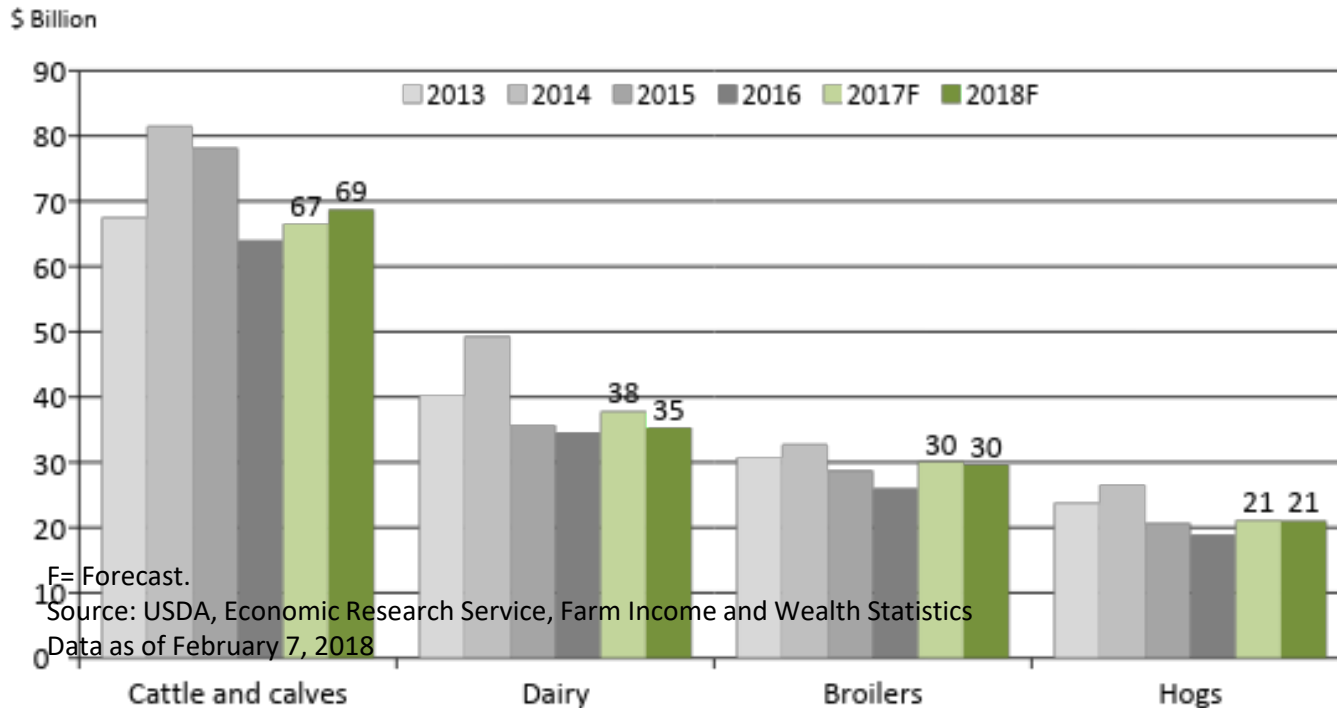
Lower crop cash receipt forecast largely reflects lower prices



Exceptions:
soybeans,
 higher
 quantities sold
 off-set lower
 prices;
wheat lower
 quantities sold
 off-set higher
 prices.



Animal/animal product cash receipts steady despite drop in dairy

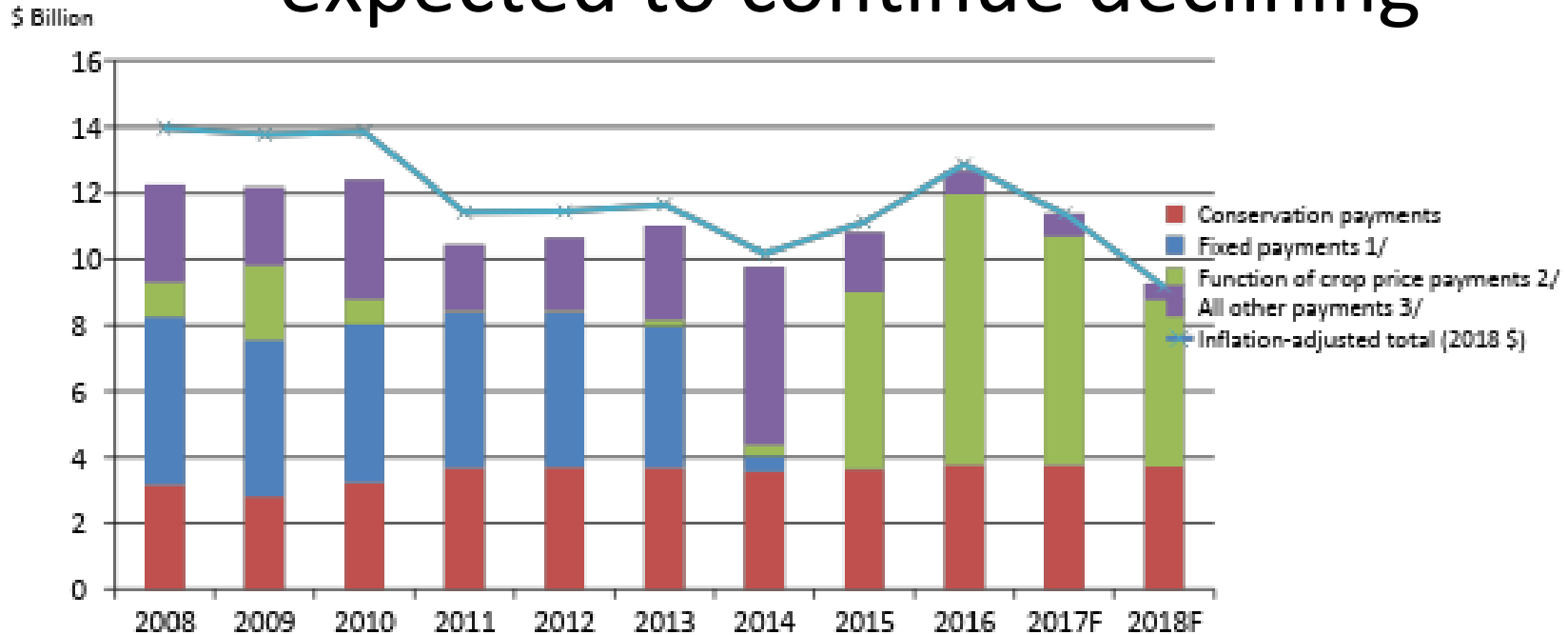


Overall, livestock prices expected to decline.

For cattle, increase in quantities sold to more than offset expected drop in prices.



Total farm program payments to farmers expected to continue declining



F= Forecast.

1/ Direct payments are through 2013 and cotton transition payments in 2014 whereby 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.

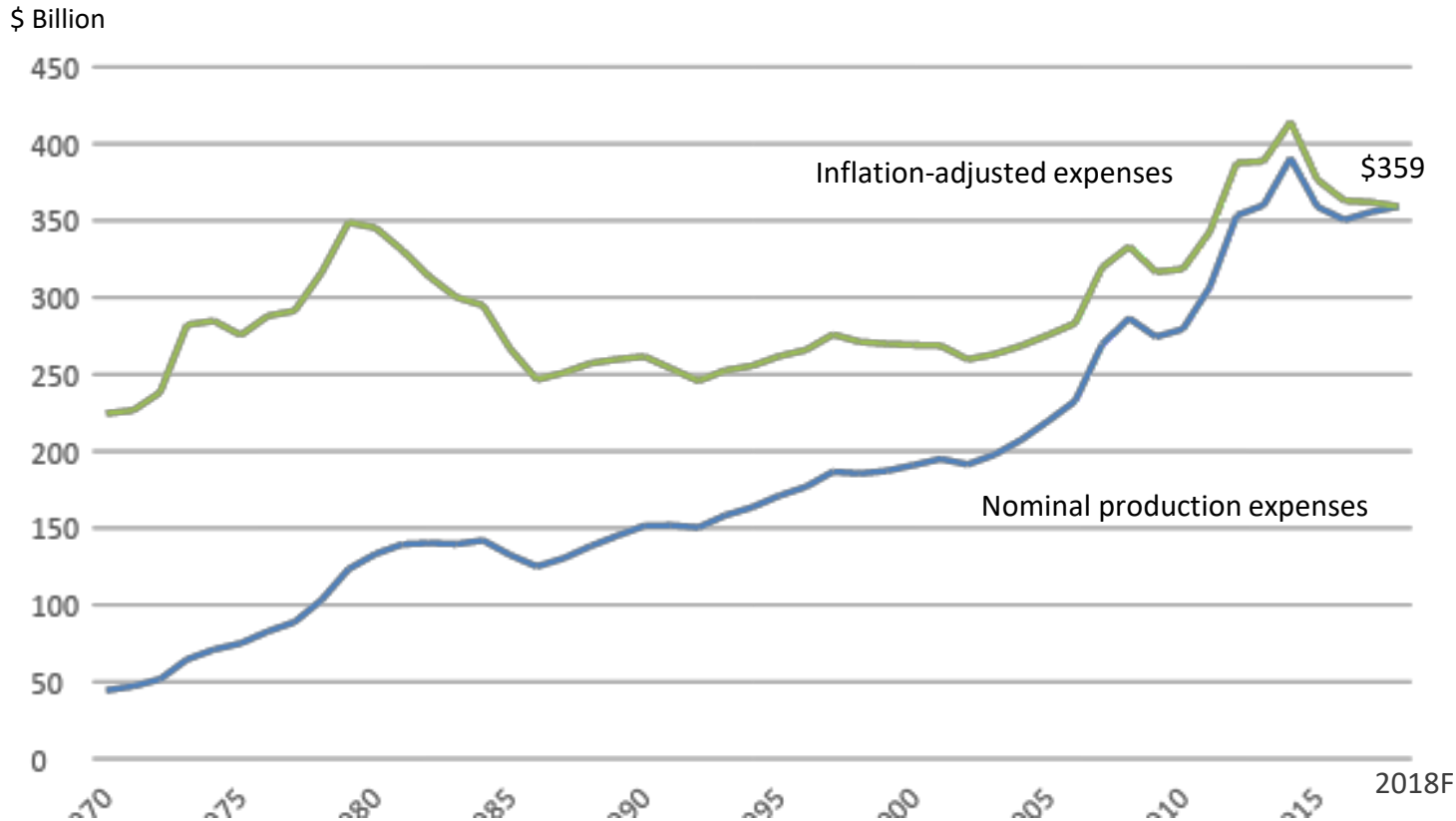
3/ All other payments include disaster relief payments, tobacco transition payments, and dairy program payments.

Source: FSA, NRCS, and CCC.

Data as of February 7, 2018



2018 production expenses forecast to be flat relative to 2017



Expenses largely flat across 2016-2018.

Down 13% from peak in 2014 in inflation-adjusted dollars.

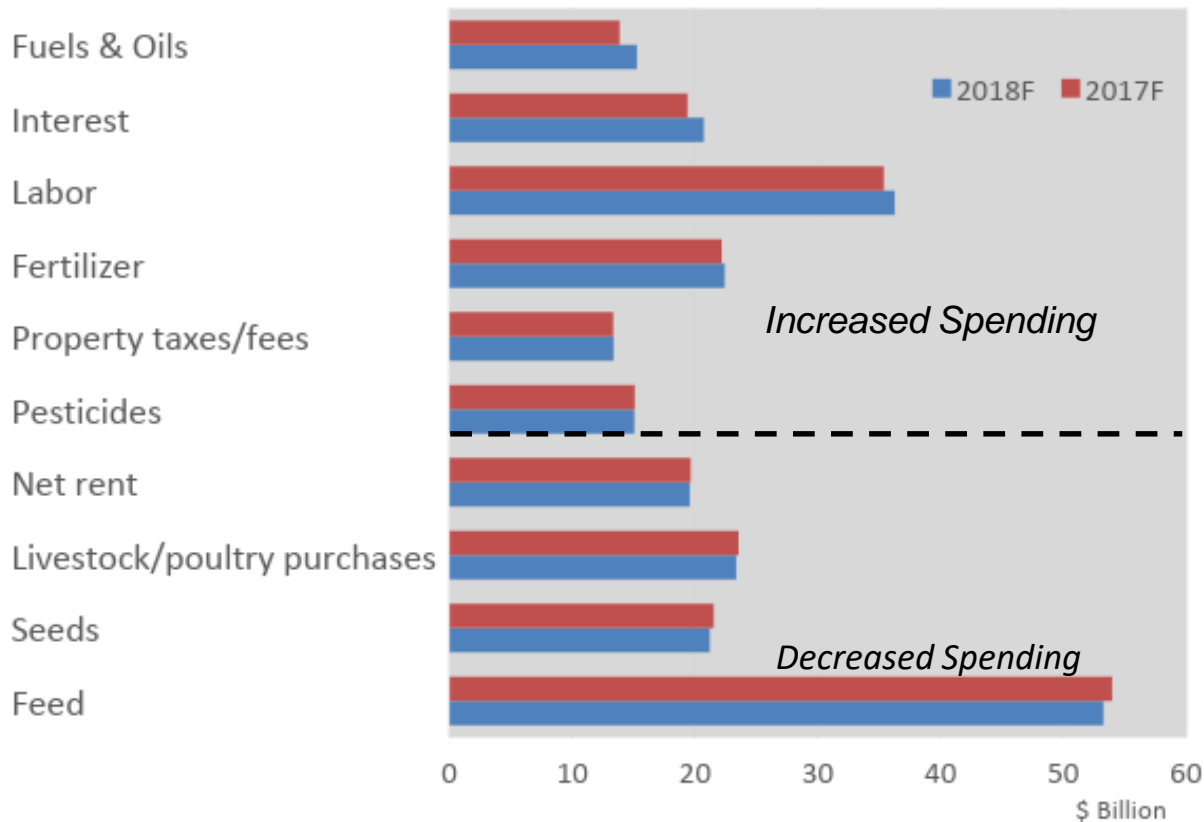
F= Forecast. Inflation-adjusted expenses are adjusted using the chain-type GDP deflator, 2018=100

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

Data as of February 7, 2018



Expense forecast reflect higher costs for certain inputs



Interest expenses expected up for 5th consecutive year.

Fuel prices expected to continue to increase.

Feed expenses down for third straight year.

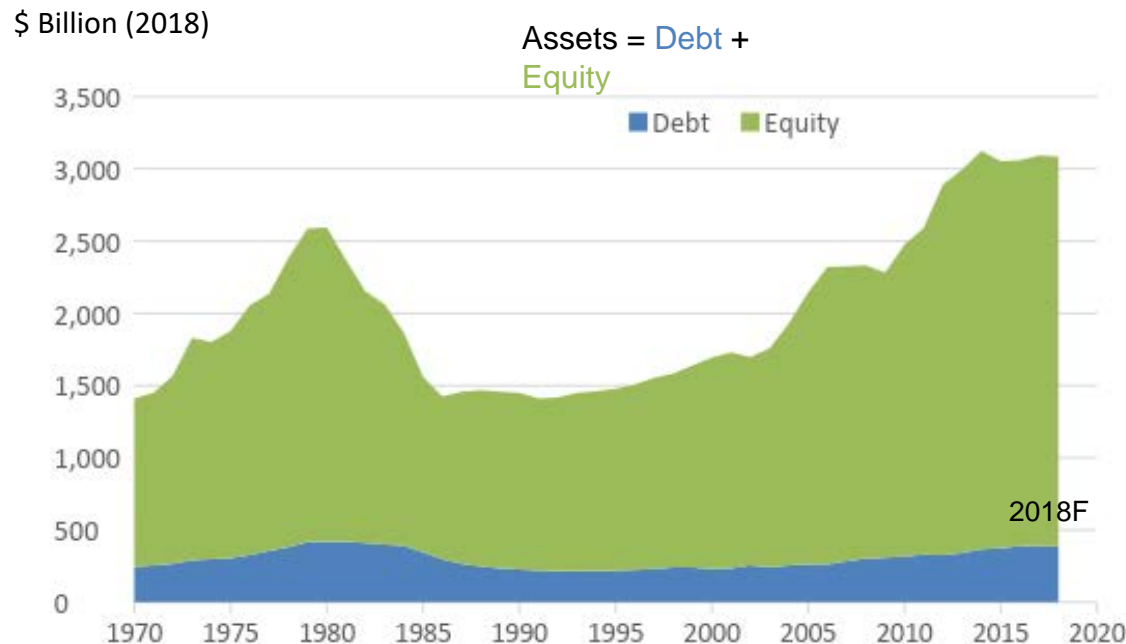
F= Forecast.

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

Data as of February 7, 2018



2018 balance sheet forecast relatively unchanged from 2017



Overall debt forecast to fall 0.8% (inflation adjusted), with decreases in both real estate and non-real estate debt.

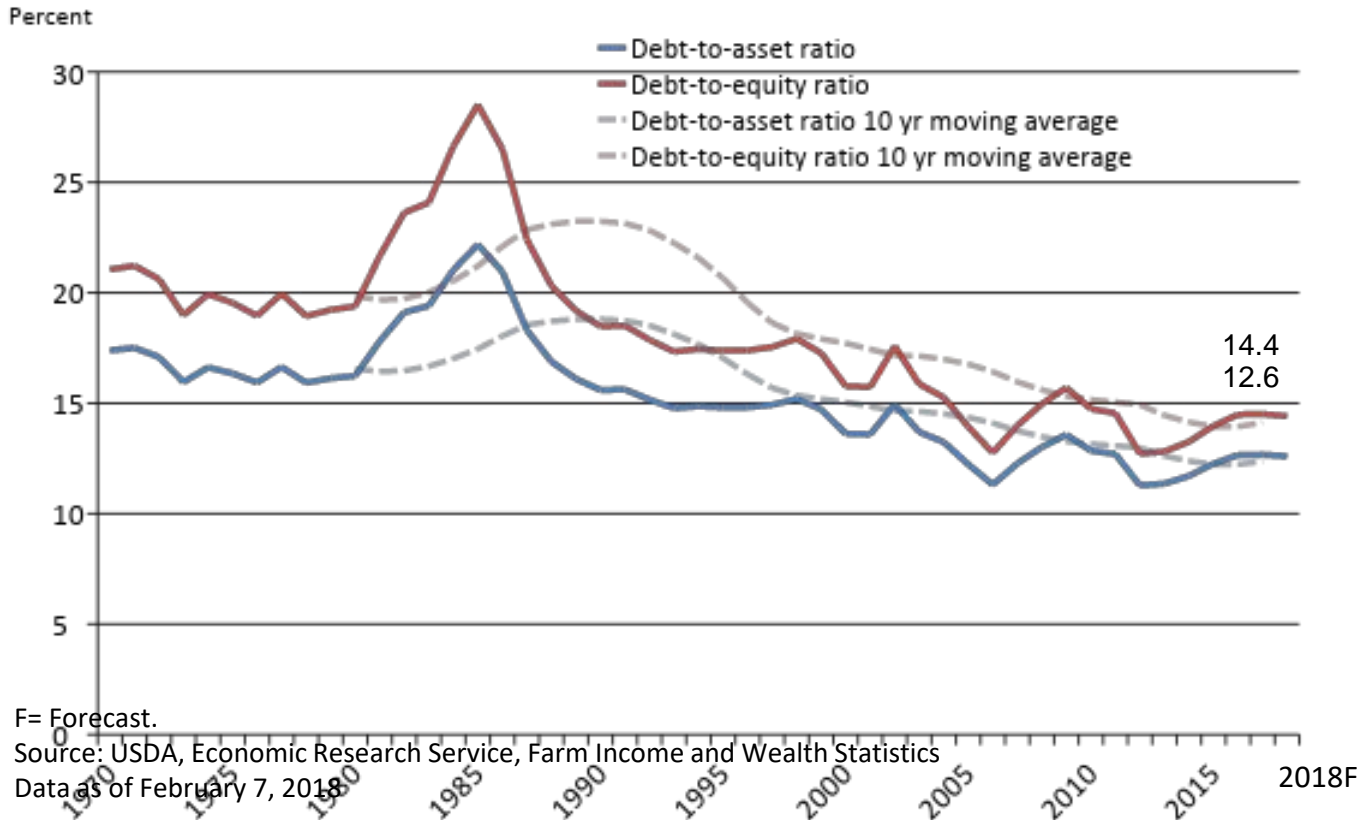
Value of farm sector assets forecast to decline by 0.2% (inflation adjusted), following a 8.2% decrease in farm sector inventories.

Farm equity to fall 0.1%.

F= Forecast. Values are adjusted using the chain-type GDP deflator, 2018=100
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of February 7, 2018.



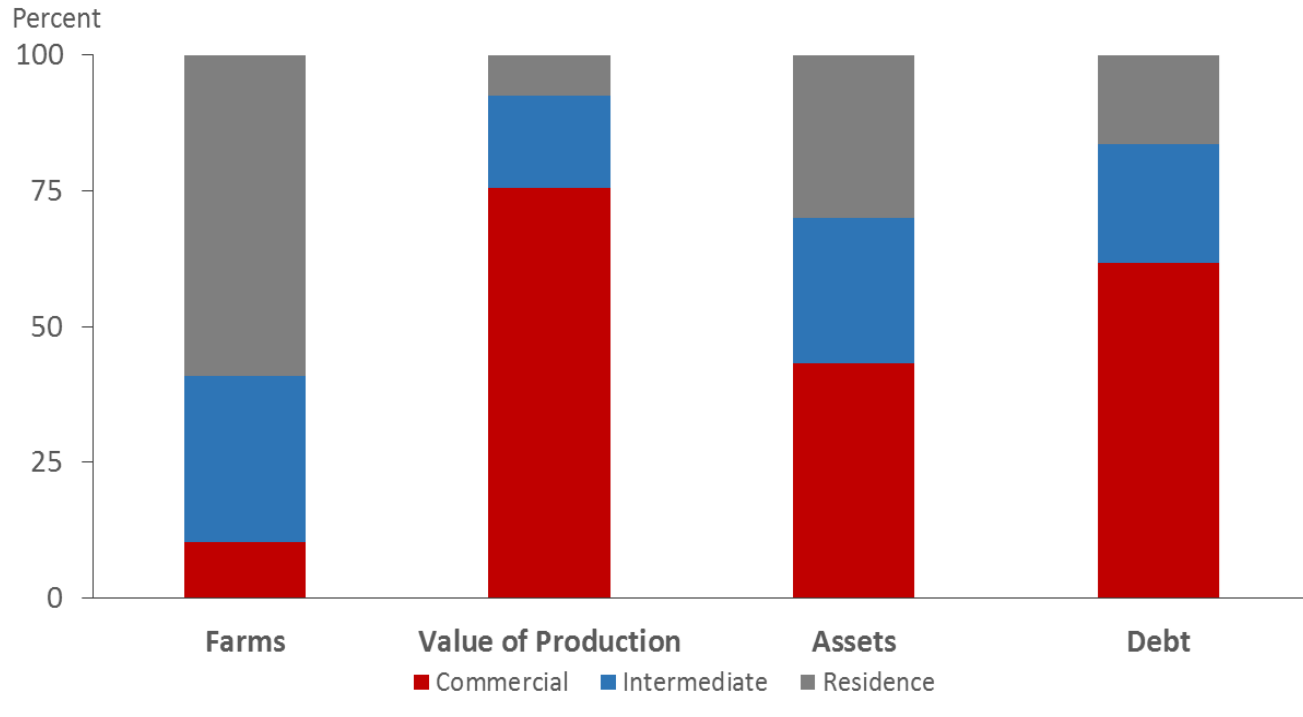
Sector Solvency Ratios have been increasing and are now above their 10-year average



Likelihood of default across the sector remains relatively low due to sizable amounts of equity within the sector.



“Farm businesses” include operations with most production, assets, and debt



Farm businesses include **intermediate and commercial farms** and are approximately 820,000 farm operations out of roughly 2 million farms in the U.S.

ERS uses ARMS to classify the sector into a typology of farms that are **residences** (retired or non-farm primary occupation, GCFI less than \$350K), **intermediate** (primary occupation is farming, GCFI less than \$350K), and **commercial farms** (GCFI of \$350K or more, plus non-family farms)

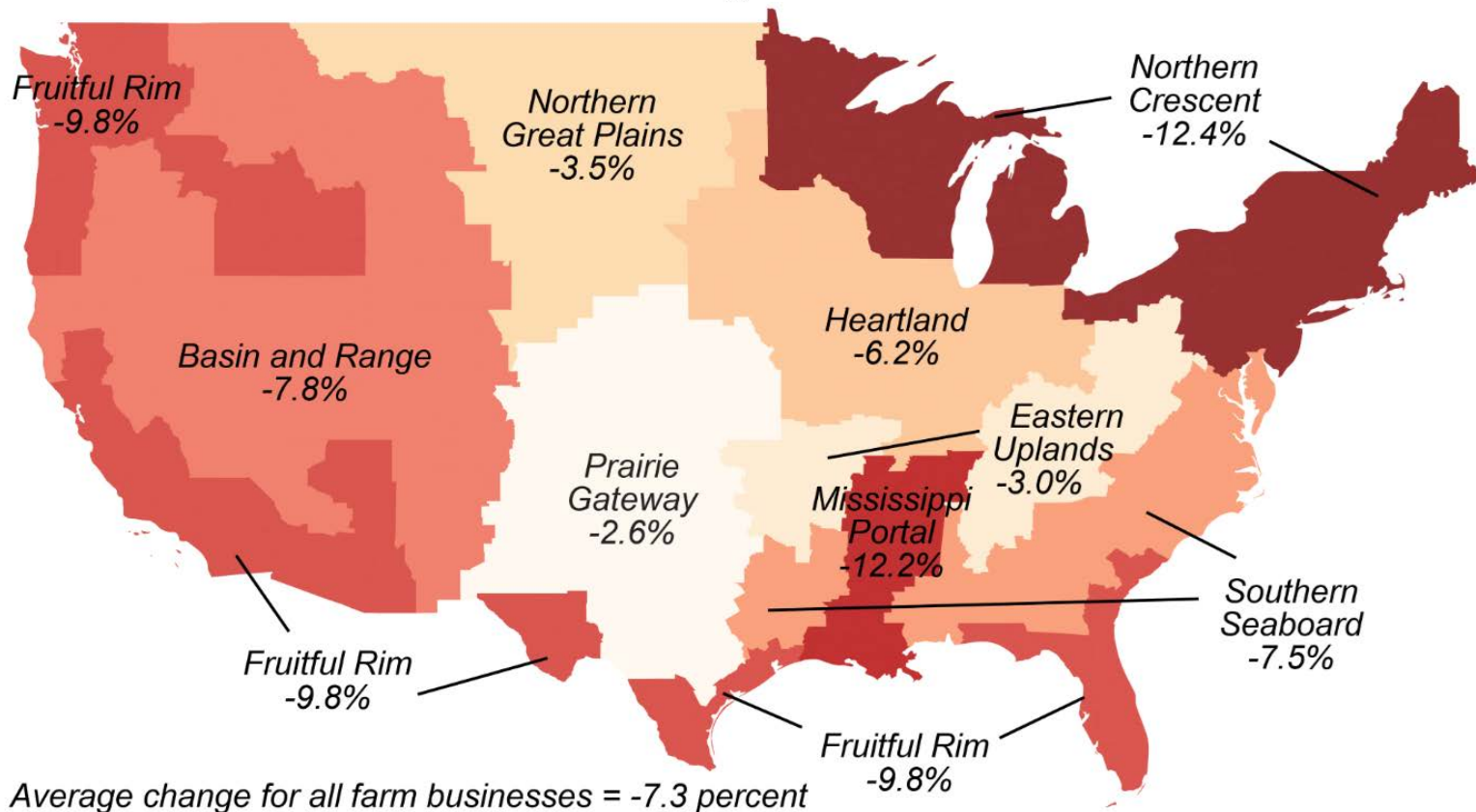
Source: USDA, Agricultural Resource Management Survey (ARMS), 2016

GCFI = gross cash farm income (before expenses)



Average net cash income for farm businesses expected to be down across all regions in 2018

Percent change 2017F-2018F



The partial budget forecast model is based on the 2016 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 7, 2018. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

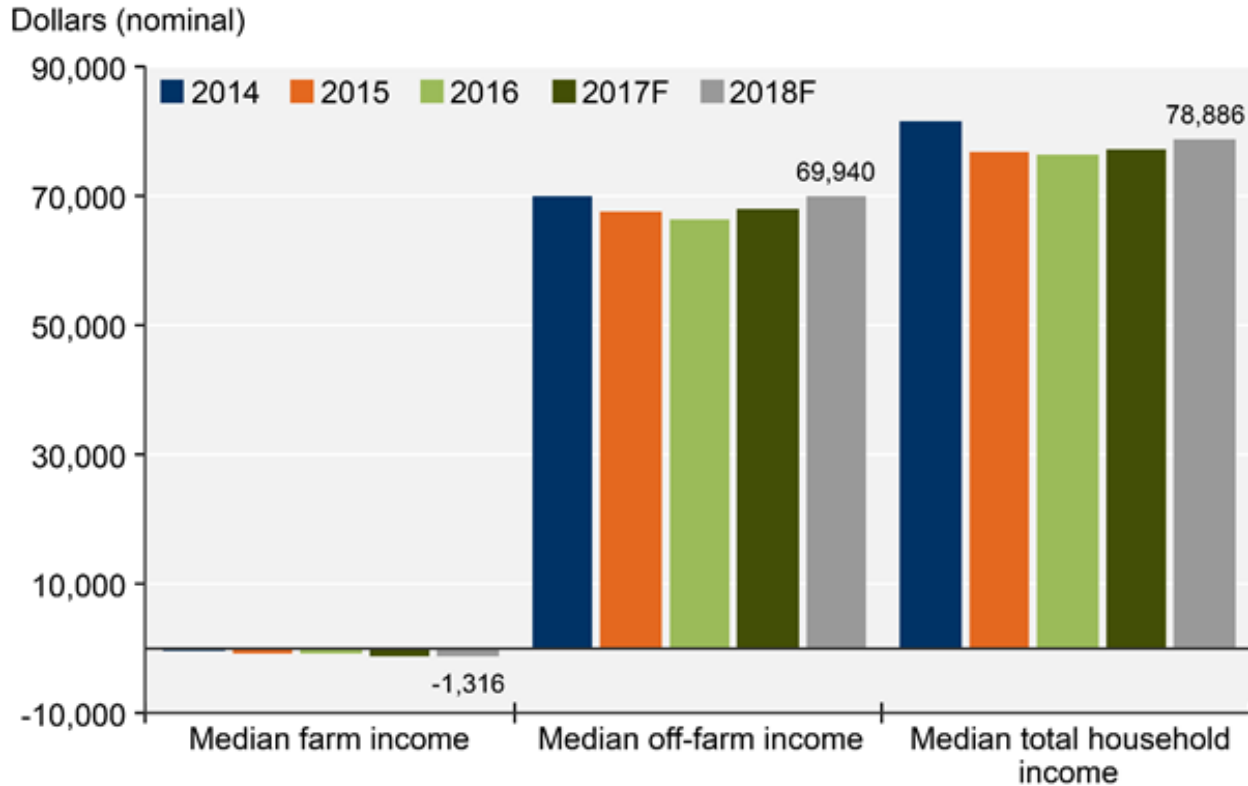


Distributional Impacts: Farm Households

The well-being of farm-operator households is not equivalent to the financial performance of the farm sector or of farm businesses. This is due to the influence of other stakeholders in farming, such as landlords and contractors, who do not actively operate farms, but who often claim a share of farm income. At the same time, farm-operator households often have nonfarm investments, jobs, businesses, and other links to the nonfarm economy that are separate from their farming interests. Given this, finances at the farm household level are set apart for review.



Median income of farm households income expected to remain level in 2018



Despite losses at the sector level, farm households as a whole have had relatively steady incomes at the median since 2014.

In 2018, median household income relatively flat from 2017, up 3.5% from 2016.

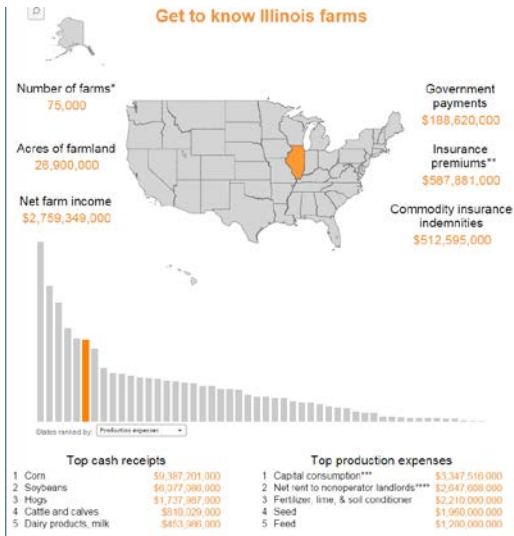
Note: F = forecast.

Source: USDA, Economic Research Service and National Agricultural Statistics Service, Agricultural Resource Management Survey. Forecast as of February 7, 2018.

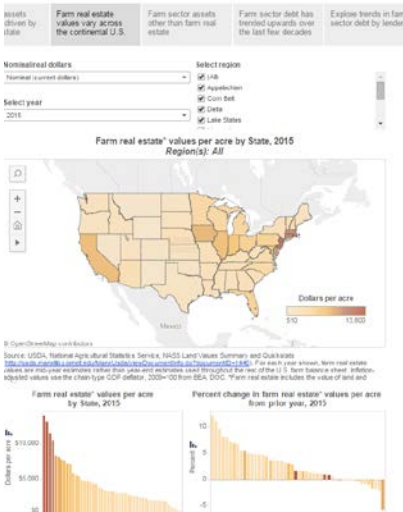


Many Ways to Explore the Data

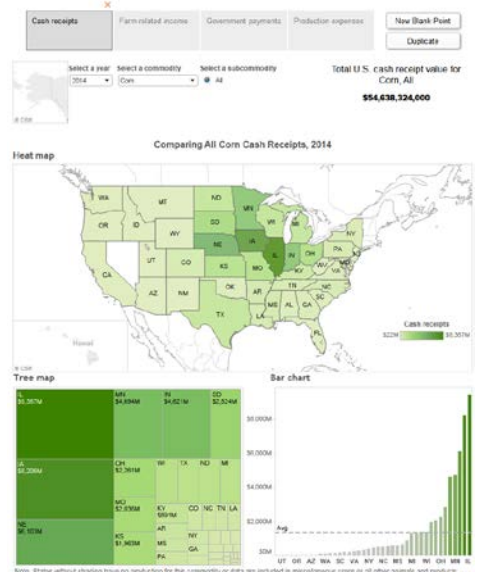
Visualizations let you dive into the financials of the farm sector



Digging Into the U.S. Farm Balance Sheet



The Farm Income Atlas



Tailored financial reports

Decade: 2010

Year	2010	2011	2012	2013	2014	2015	2016
United States	41,400	41,400	41,400	41,400	41,400	41,400	41,400
Alabama	18,126,763	18,336,790	21,107,030	233,642,156	235,074,106	182,790,480	182,250,010
Alaska	183,398,824	281,843,824	231,814,279	238,843,243	211,362,683	199,484,935	187,452,010
Arizona	9,748,642	9,533,912	9,533,648	9,614,834	9,111,108	4,813,842	4,979,472
Arkansas	18,142,761	17,173,144	82,176,336	78,933,871	68,738,689	67,194,801	63,634,343
California	142,214,219	143,537,396	159,266,117	122,200,000	150,000,000	124,214,350	124,764,176
Colorado	21,512,807	24,105,208	29,127,618	28,968,034	31,603,203	27,084,002	26,108,386
Connecticut	38,184,912	31,324,888	40,920,892	47,274,007	42,520,034	39,101,089	40,809,891
Delaware	5,188,881	5,188,788	5,187,847	5,186,905	5,185,963	5,185,021	5,184,079
District of Columbia	19,429,407	19,429,407	19,429,407	19,429,407	19,429,407	19,429,407	19,429,407
Florida	28,848,465	29,202,113	29,191,171	28,522,843	27,168,832	27,768,679	27,881,886
Georgia	38,828	78,372	38,828	38,828	38,828	38,828	38,828
Hawaii	-12,038,916	-1,931,887	-18,915,037	1,813,888	8,433,296	33,847,861	14,028,342
Idaho	145,106,760	163,834,161	169,174,000	189,843,768	214,841,668	193,987,110	163,837,544
Illinois	143,514,967	148,718,174	189,818,178	182,748,688	212,762,828	199,788,073	189,378,174
Indiana	13,197,567	13,811,587	17,864,211	40,279,708	48,163,865	34,718,243	33,646,275
Iowa	63,194,780	63,853,111	65,102,234	67,213,689	107,188,118	96,281,131	86,271,027
Kansas	1,618,250	1,602,081	1,623,280	1,634,177	1,650,034	1,639,983	1,649,241
Kentucky	18,698,107	18,412,812	18,203,247	18,363,629	18,368,868	18,268,089	18,247,472
Louisiana	249,792	249,231	249,213	252,251	249,541	262,789	278,052
Maine	6,208,861	6,208,768	6,207,875	6,206,982	6,206,089	6,205,196	6,204,303
Maryland	23,800,000	23,800,000	23,800,000	23,800,000	23,800,000	23,800,000	23,800,000
Massachusetts	18,742,960	18,742,960	18,742,960	18,742,960	18,742,960	18,742,960	18,742,960
Michigan	4,776,340	4,776,340	4,776,340	4,776,340	4,776,340	4,776,340	4,776,340

Current and archived comprehensive datasets

Year	State	Commodity	Variable	Value	Unit	Year	Value	Unit
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2010	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2011	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2012	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2013	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2014	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2015	48,102,000	\$
2010	VA	CORN	Cash receipts val.	48,102,000	\$	2016	48,102,000	\$

Questions?

Farm Sector Income and Finances:

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

Contact Information:

farmincometeam@ers.usda.gov

