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United States Department of Agriculture

# USDA's 2020 Farm Income Forecast

Agricultural Outlook Forum

Carrie Litkowski

February 20, 2020

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# Farm Sector Overview

2

million farms

951+

thousand farm businesses

6+

million people living in  
farm households

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



**Economic Research Service**  
[www.ers.usda.gov](http://www.ers.usda.gov)



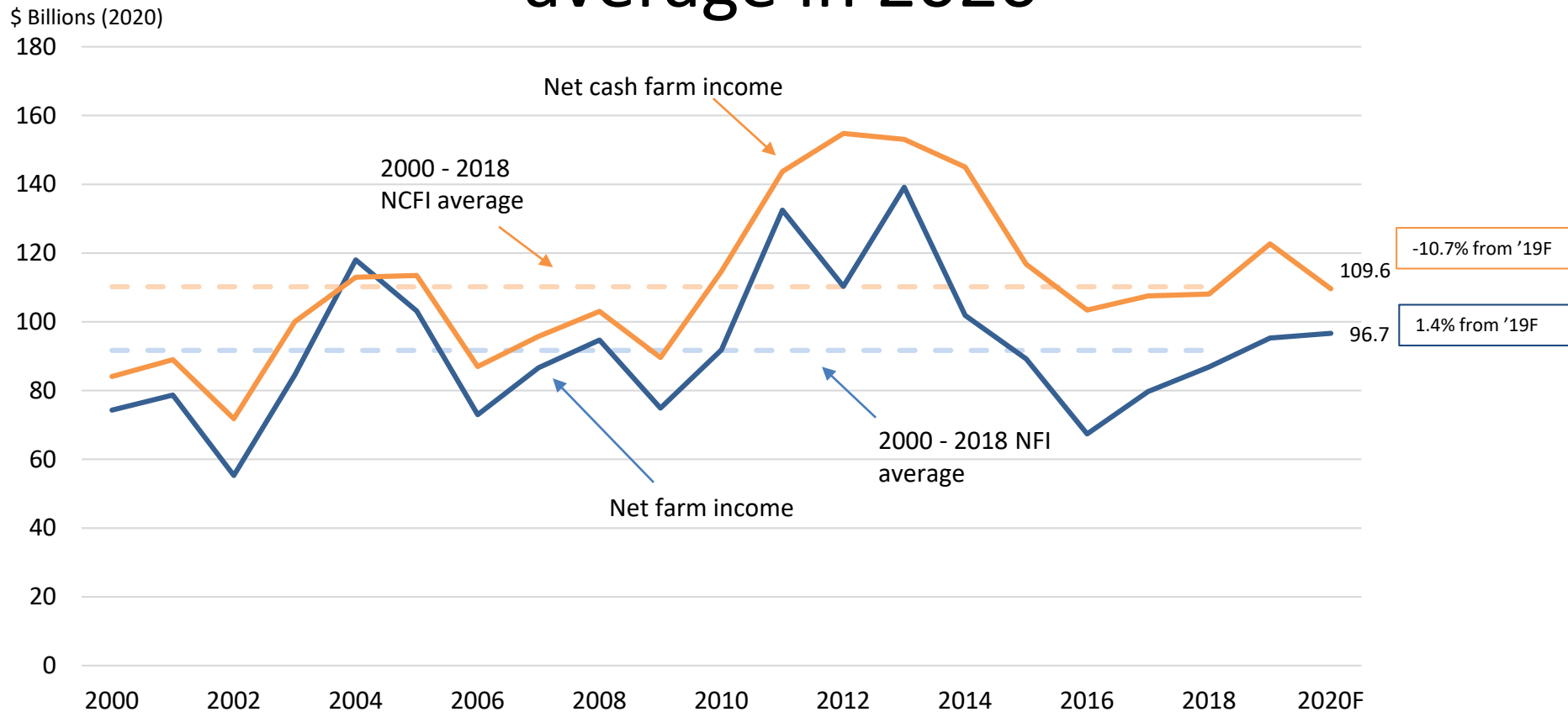
# Summary\*

1. Net cash farm income for 2020 is forecast at \$109.6 billion (down 9.0 percent relative to 2019, in nominal dollars). Net farm income is forecast at \$96.7 billion (up 3.3 percent).
2. Cash receipts from commodity sales are expected to increase \$10.1 billion (2.7 percent) in 2020.
3. Direct government payments are forecast to decrease \$8.7 billion (36.7 percent) and federal commodity insurance indemnities to decrease \$1.7 billion (16.6 percent).
4. Total production expenses are forecast to increase \$10.4 billion (3.0 percent).
5. Farm sector assets and debt are both forecast to increase (1.3 and 2.3 percent respectively), with overall equity rising by 1.1 percent.
6. Average net cash farm income for farm businesses is forecast to decrease 8.1 percent to \$85,200 in 2020.
7. Median farm household income is forecast to decrease 0.3 percent to \$76,590 in 2020.

\*All values here are in nominal dollars.  
Inflation is forecast at 1.8 percent in 2020.



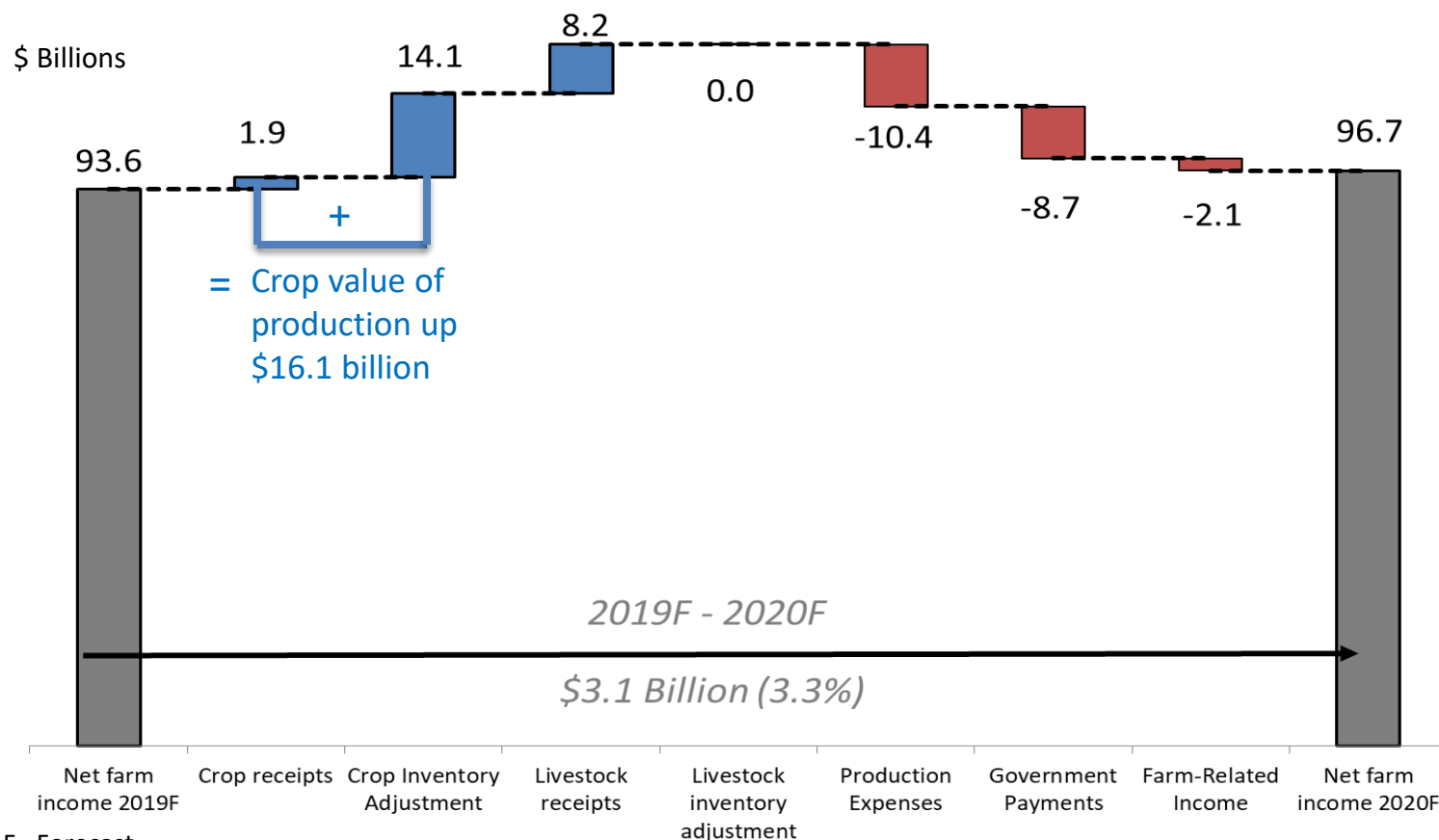
# Farm sector profits expected to be near average in 2020



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



# Forecast increase in net farm income driven by increases in value of production



Higher crop production values and livestock receipts are the largest contributors to rising income.

Increase in production expenses is tempering growth somewhat.

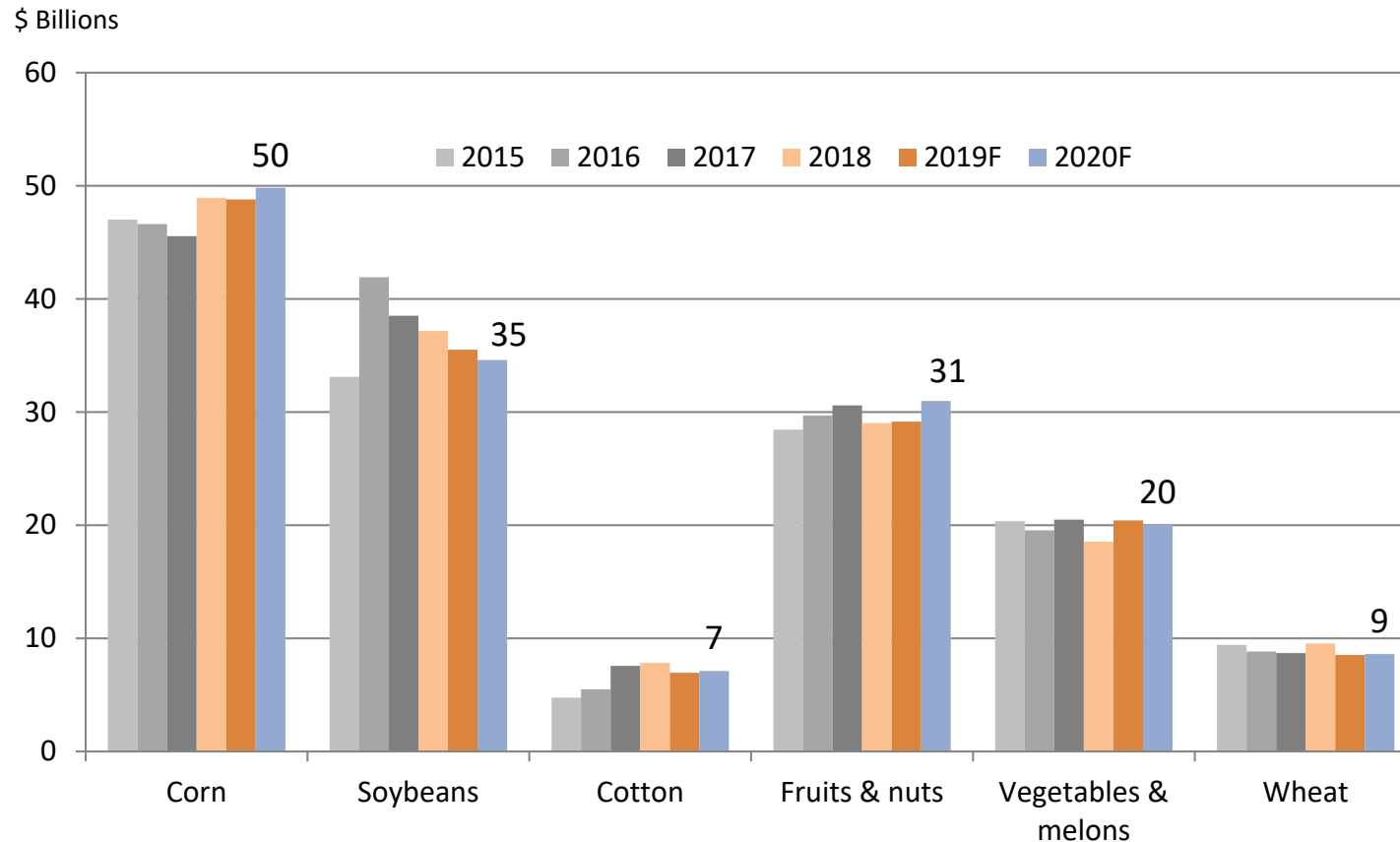
F= Forecast.

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

Data as of 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%

F= Forecast.

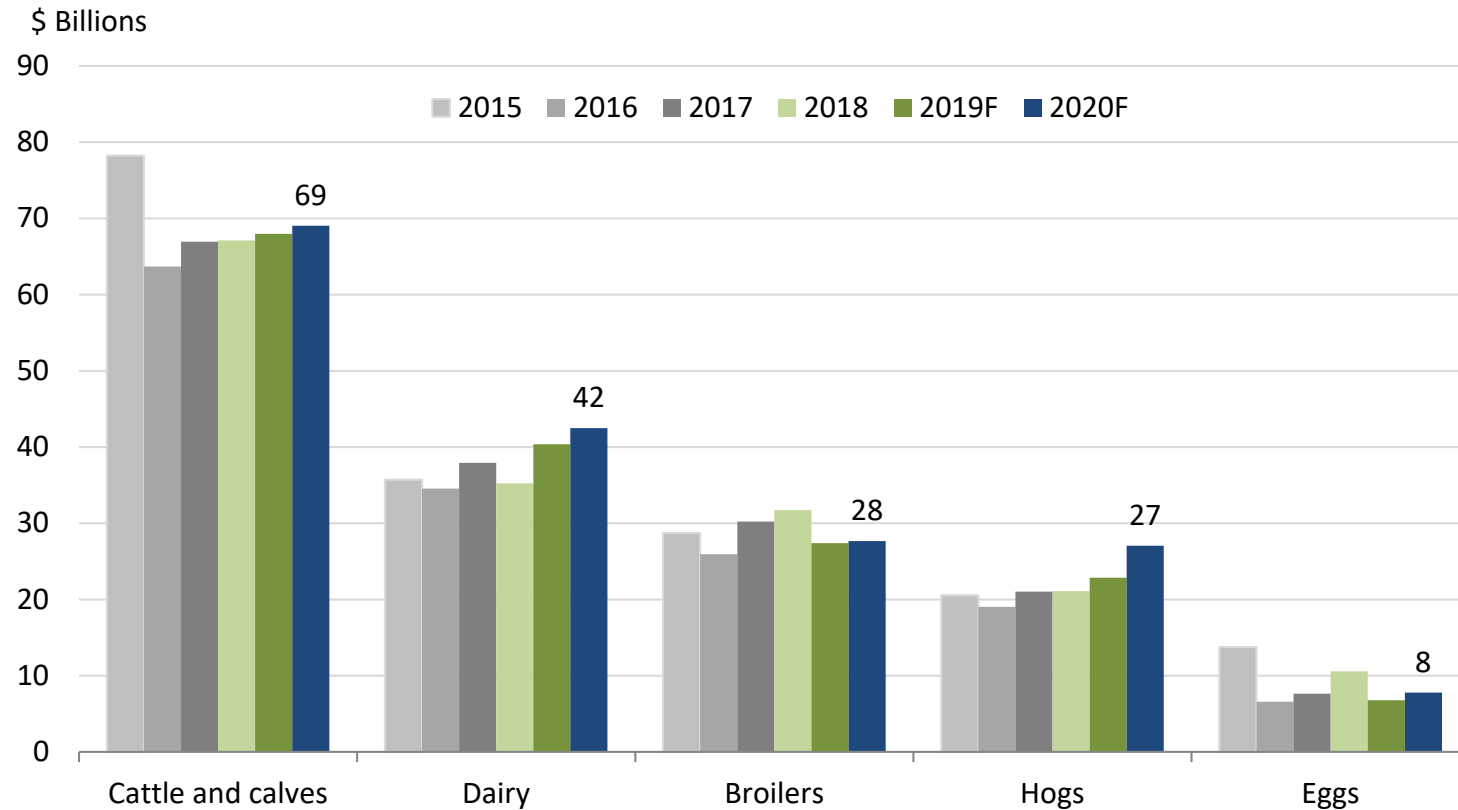
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of February 5, 2020





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



Receipts for **dairy** and **hogs** expected to increase following higher prices and quantities sold.

## Change from 2019F

Cow/calf +1.6%

Dairy +5.2%

Broilers +1.0%

Hogs +18.4%

Eggs +2.7%

F= Forecast.

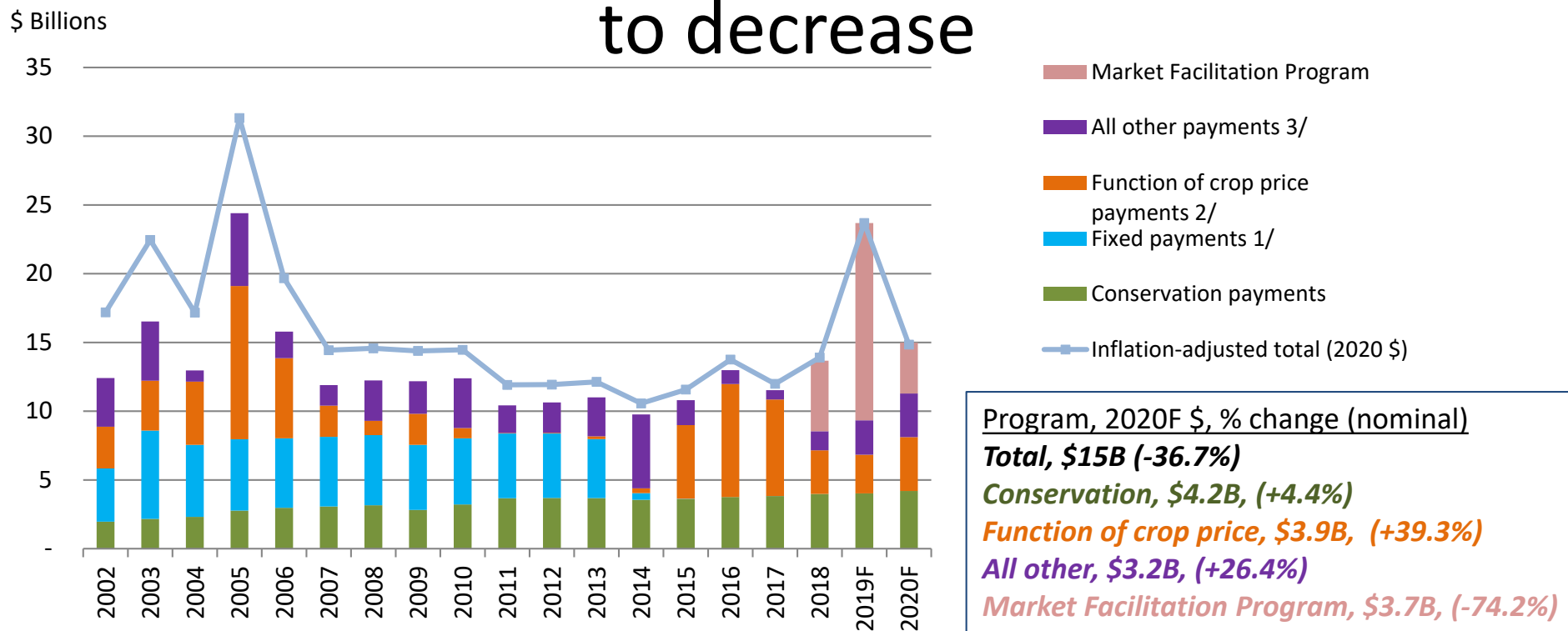
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of February 5, 2020





# Total direct payments to farmers expected to decrease



F= Forecast.

1/ Direct payments are through 2013 and cotton transition payments in 2014 whereby payment rates are fixed by legislation.

2/ Includes counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, certificate exchange gains, Price Loss Coverage (PLC), and Agriculture Risk Coverage (ARC) in which commodity payment rates vary with market prices.

3/ All other payments include supplemental and ad hoc disaster relief, tobacco transition, dairy programs and miscellaneous programs.

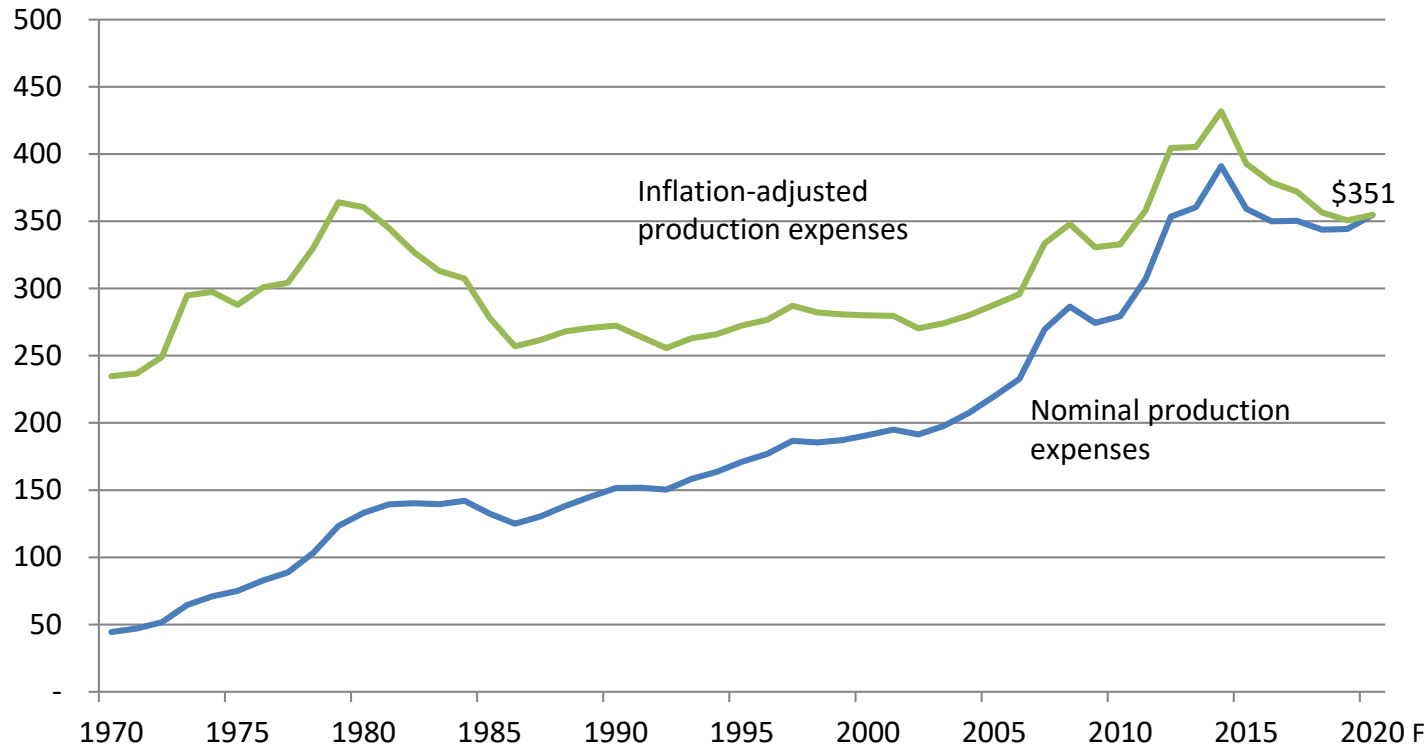
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics (using data from FSA, NRCS, and CCC)

Data as of February 5, 2020



# Total production expenses forecast to increase in 2020

\$ Billion (2020)

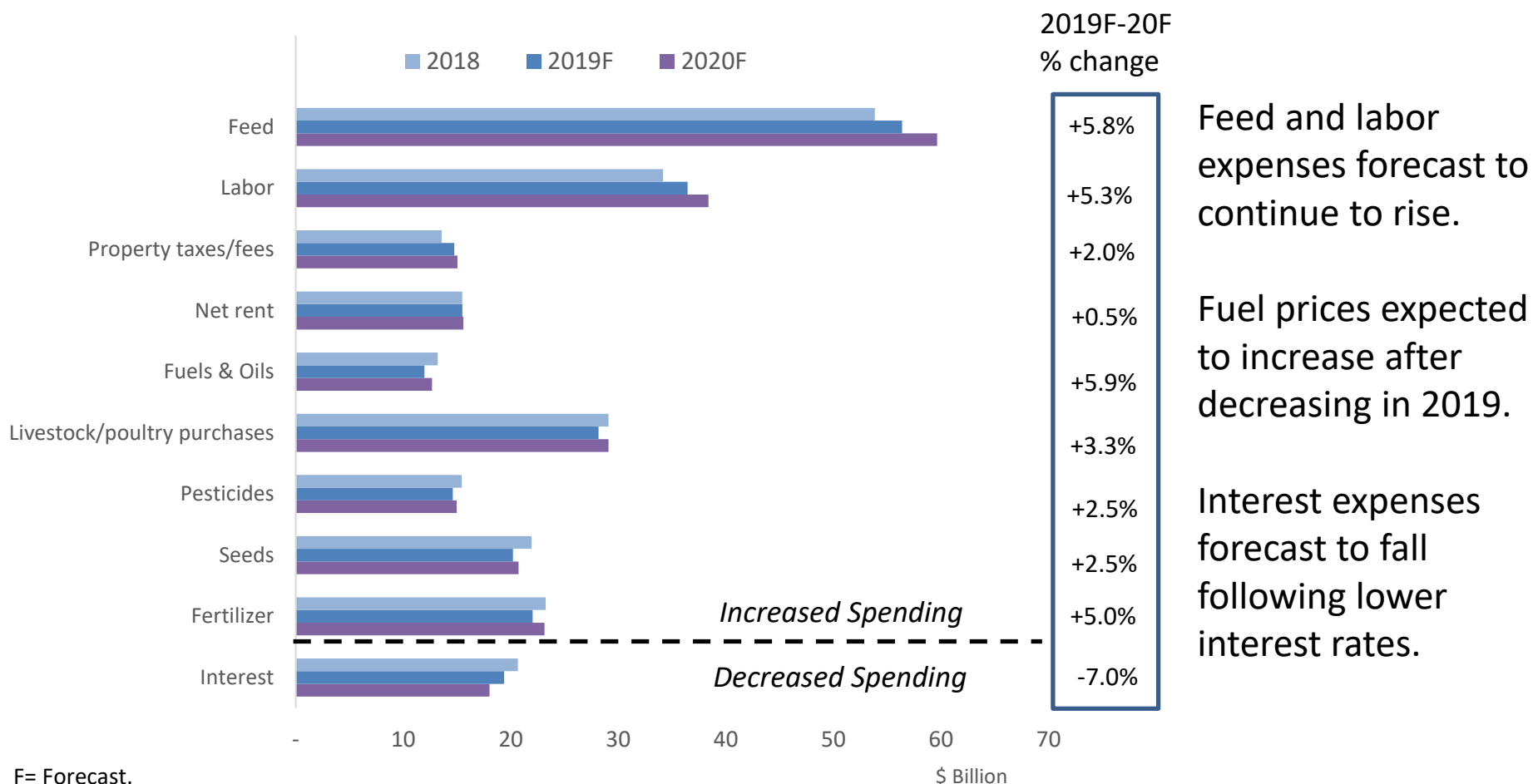


Expenses up 3.0 percent (nominal) in 2020, and up 1.1 percent when inflation-adjusted.

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.



# 2020 forecasts for most individual expense items to increase



F= Forecast.

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

Data as of February 5, 2020.

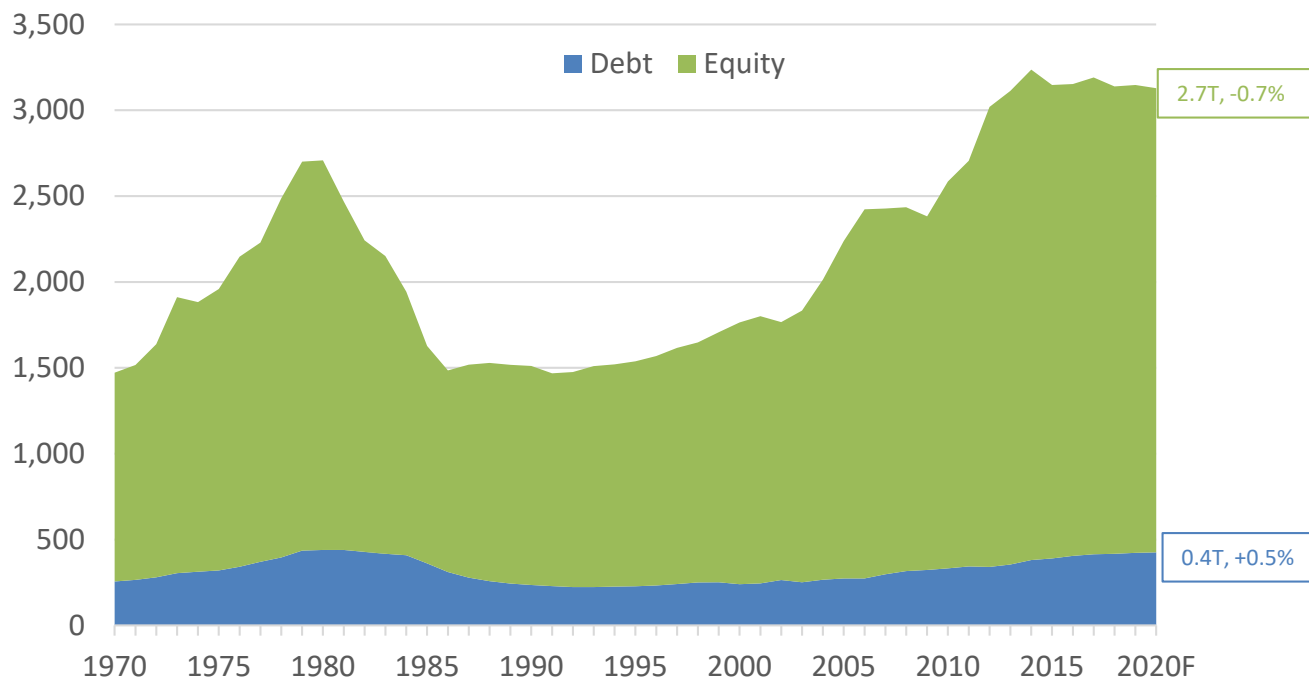


# Balance sheet forecast remains strong...

\$ Billions (2020)

Assets = Debt + Equity

■ Debt ■ Equity



Farm equity forecast to decrease 0.7% (inflation adjusted) in 2020.

Value of farm sector assets is forecast to decrease 0.6% (inflation adjusted) in 2020.

Overall debt forecast to increase 0.5% (inflation adjusted), led by an increase in real estate debt.

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

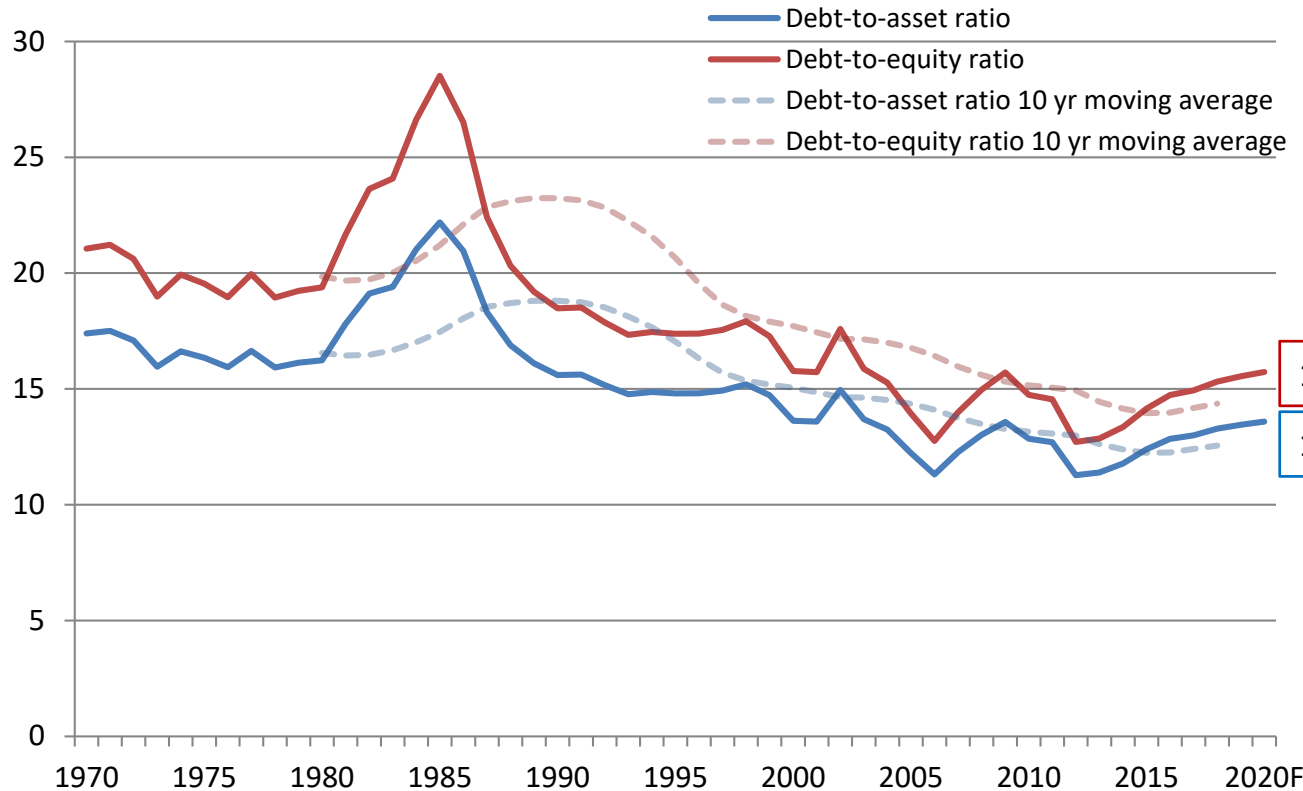
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Data as of February 5, 2020



# ...but trends indicate growing financial stress

Percent



The sector's risk of insolvency at highest level since 2003.

Likelihood of default across the sector remains historically low despite increases since 2013.

F= Forecast.

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

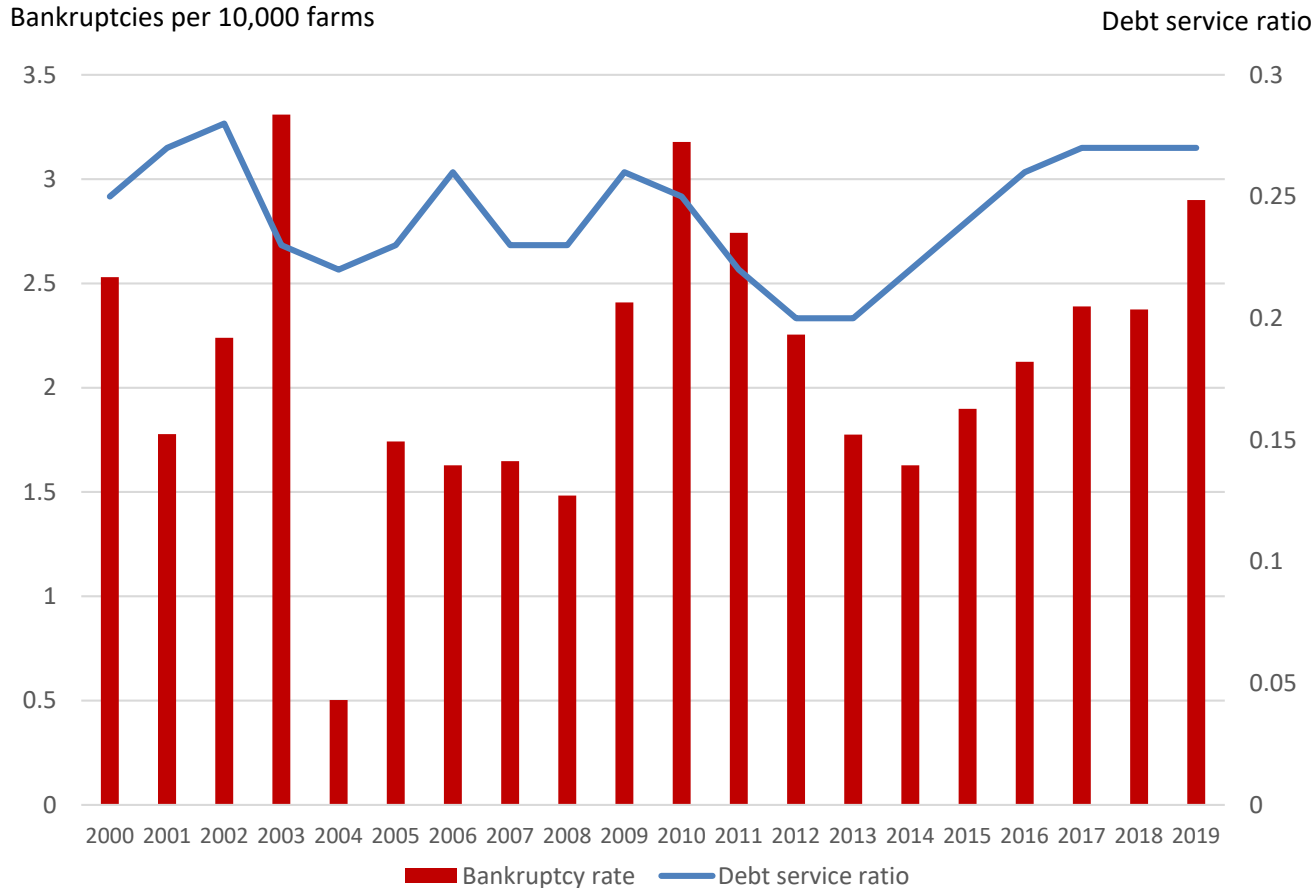
Data as of February 5, 2020



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# Bankruptcies trending upwards in recent years



Since 2015, bankruptcy rate has trended upwards as the debt service ratio has leveled since 2017.

Debt service ratio describes the share of production used for debt payments.

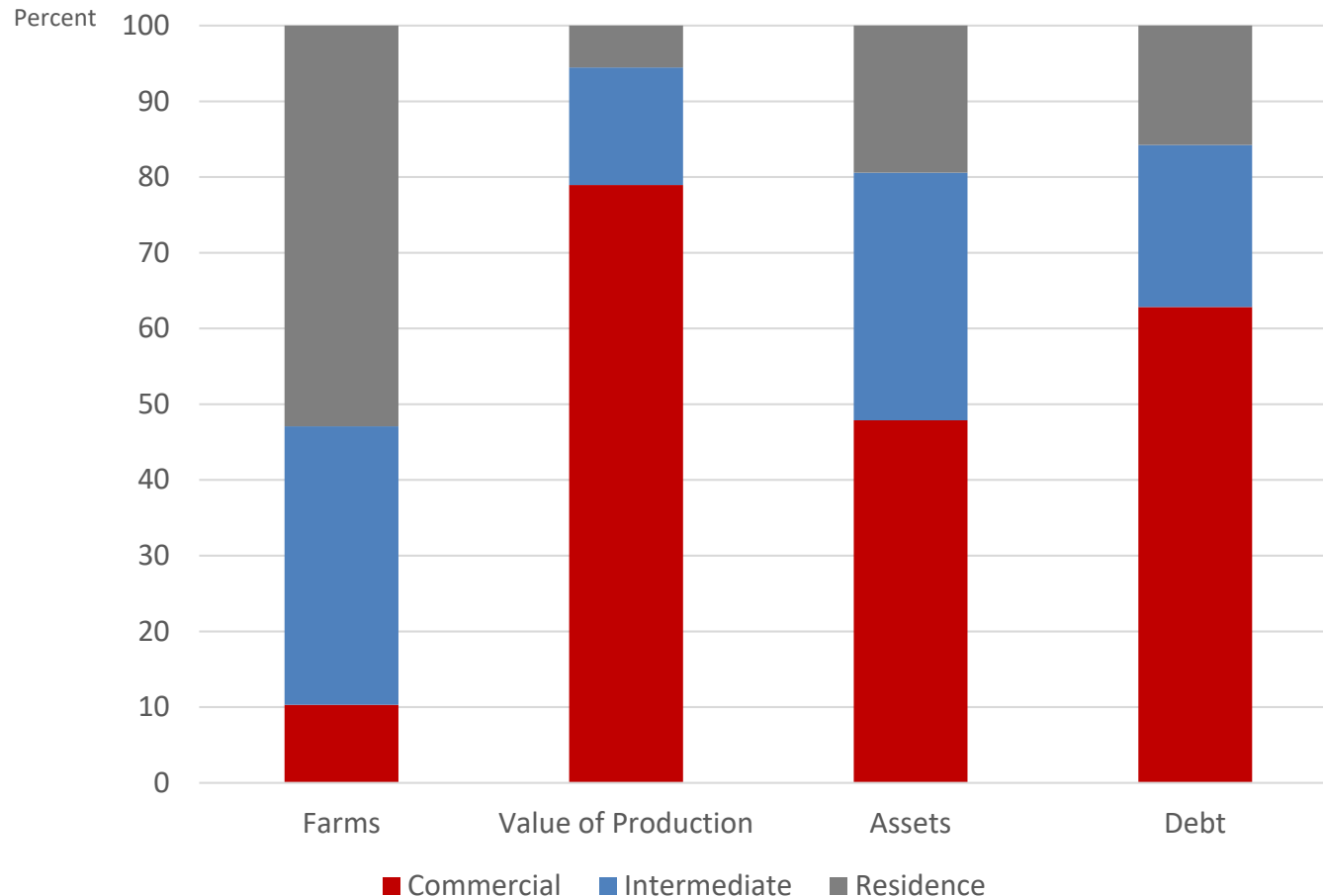
2019 debt service ratio is forecasted.

Sources: Debt Service Ratio from the USDA, ERS Farm Income and Wealth Statistics; Bankruptcy data from U.S. Courts Statistical Tables

Data as of February 5, 2020



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



Farm businesses include **intermediate and commercial farms** and are approximately 951,000 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 **residence** (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)

GCFI = gross cash farm income (before expenses)

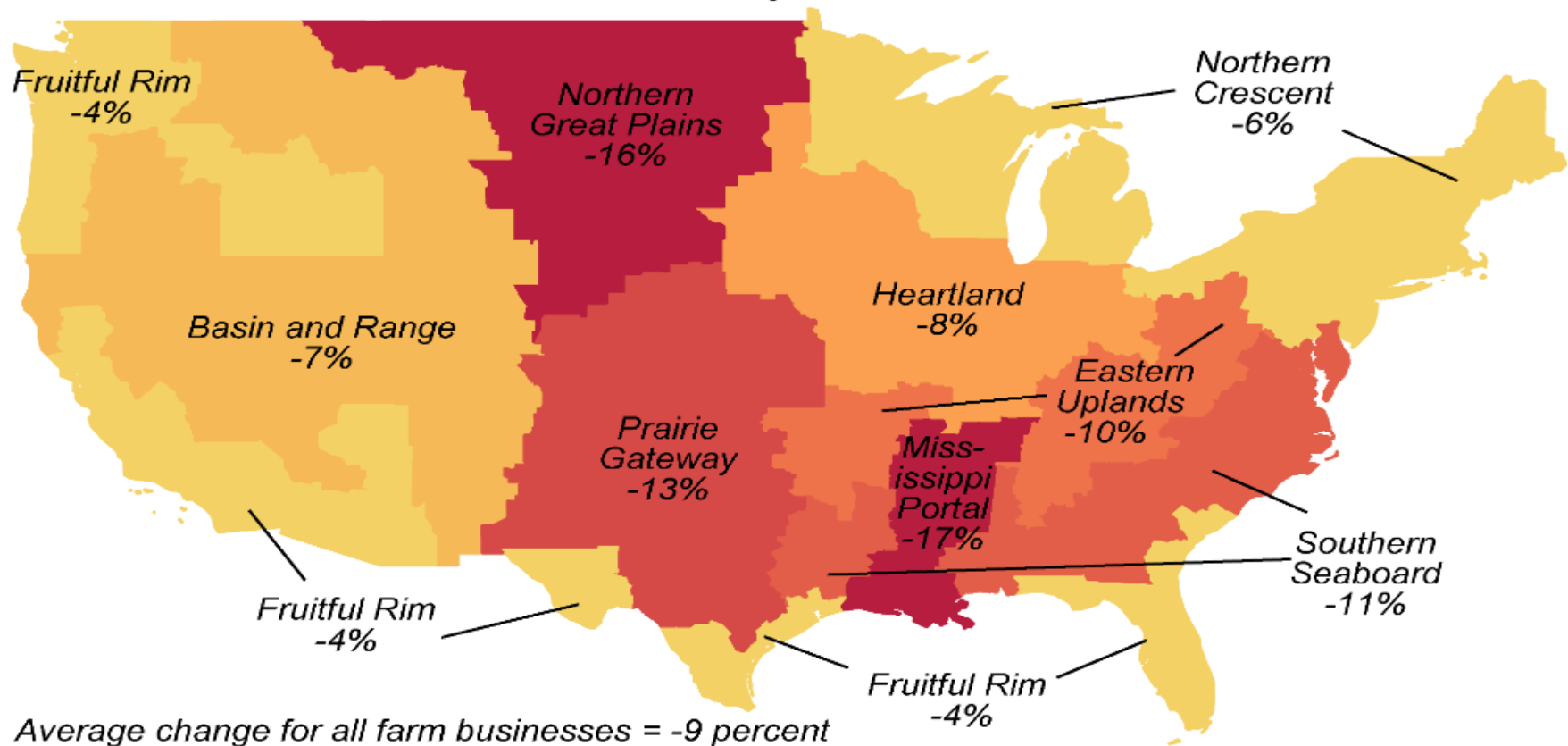
Source: USDA, Agricultural Resource Management Survey (ARMS), 2018





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

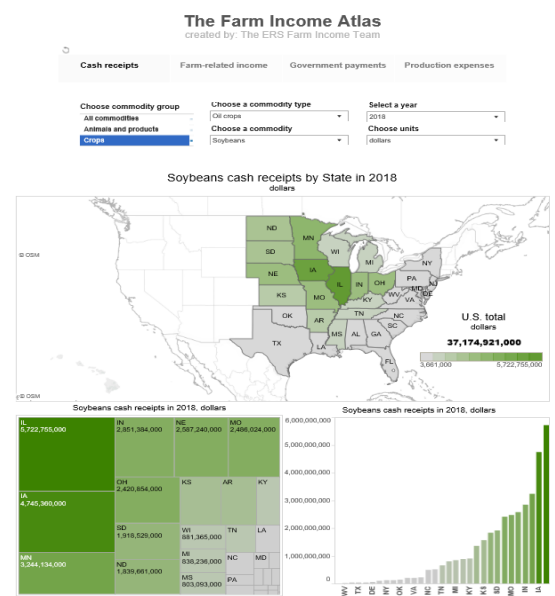
*Percent change 2019F–2020F*



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.



## Visualizations let you dive into the financials of the farm sector



## Current and archived comprehensive datasets



# Questions?

## Farm Sector Income and Finances:

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

## Contact Information:

[farmincometeam@ers.usda.gov](mailto:farmincometeam@ers.usda.gov)

