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USDA's 2020 Farm Income Forecast

Agricultural Outlook Forum
Carrie Litkowski
February 20, 2020

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Farm Sector Overview

million farms

951+

thousand farm businesses

million people living in farm households

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











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).
- 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.

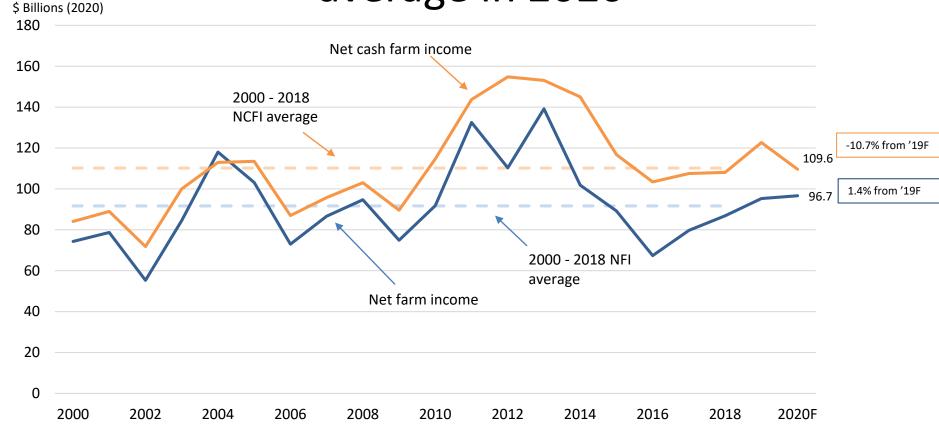








Farm sector profits expected to be near average in 2020



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



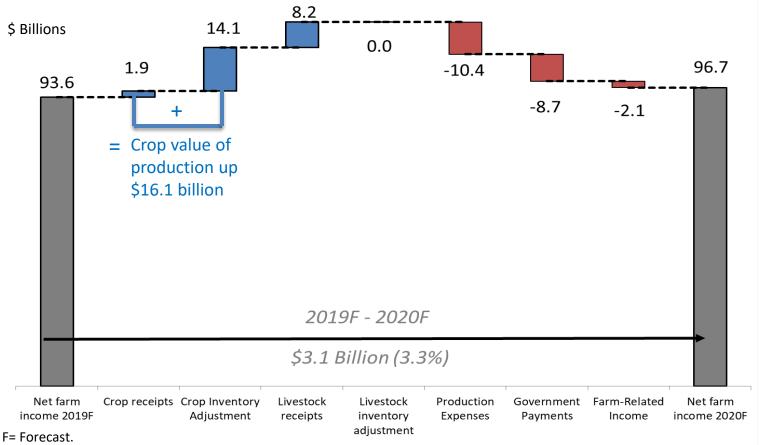








Forecast increase in net farm income driven by increases in value of production



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

Increase in production expenses is tempering growth somewhat.

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

Data as of February 5, 2020



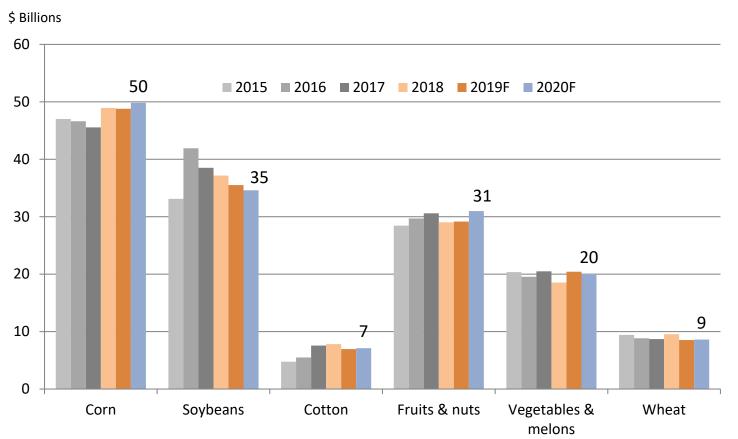








Total crop cash receipts forecast to increase in 2020



F= Forecast. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics Data as of February 5, 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%



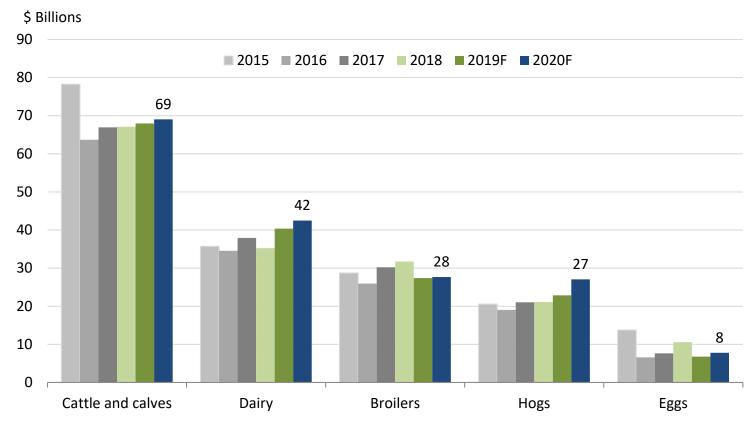








Total animal/animal product cash receipts forecast to increase in 2020



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



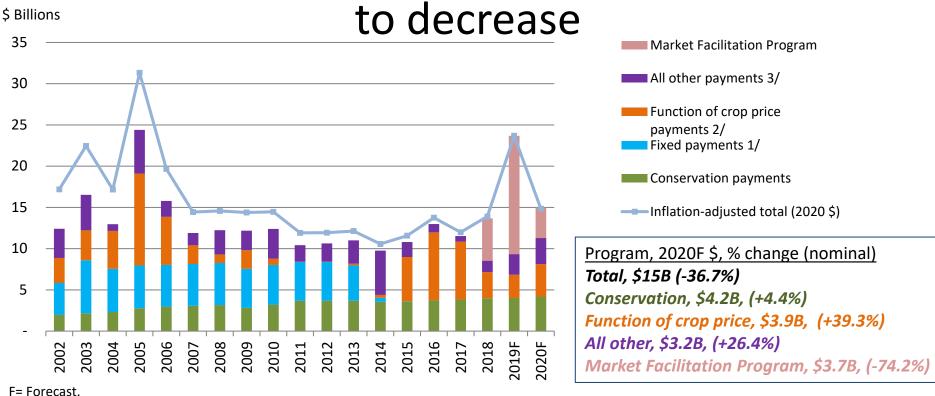








Total direct payments to farmers expected



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



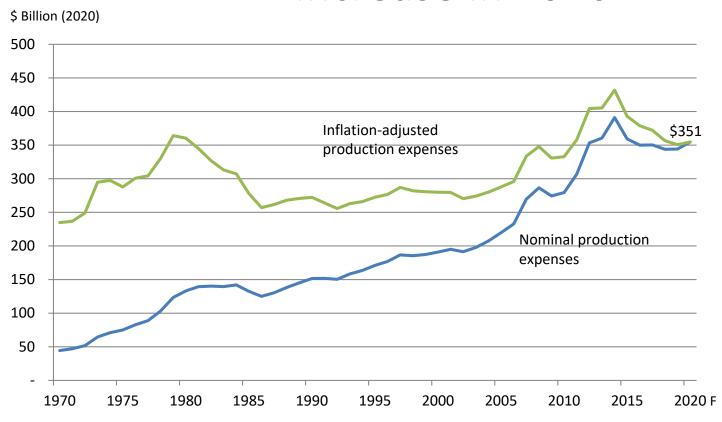








Total production expenses forecast to increase in 2020



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.



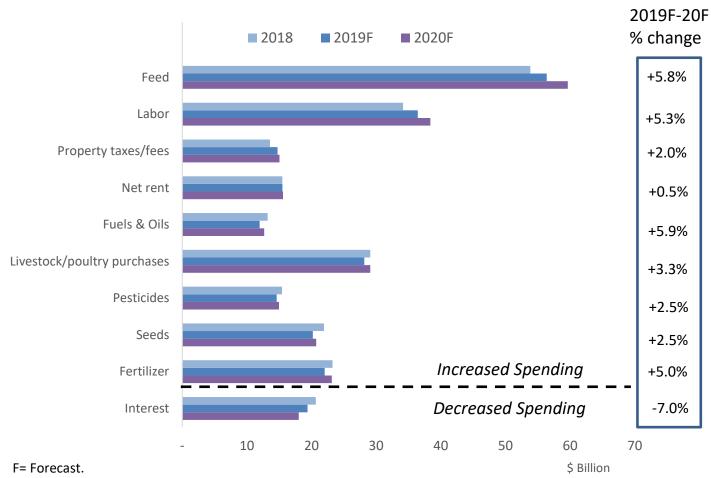








2020 forecasts for most individual expense items to increase



Feed and labor expenses forecast to continue to rise.

Fuel prices expected to increase after decreasing in 2019.

Interest expenses forecast to fall following lower interest rates.

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

Data as of February 5, 2020.







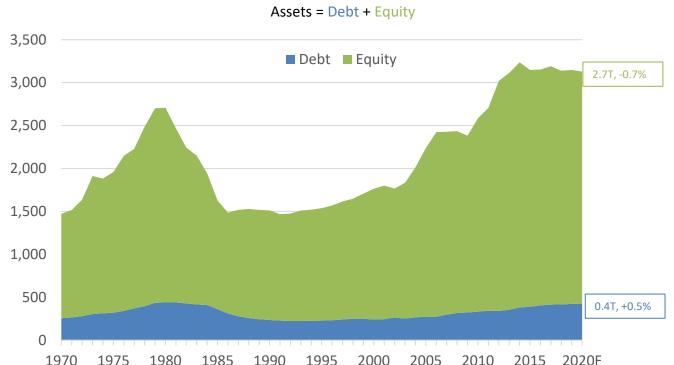






Balance sheet forecast remains strong...

\$ Billions (2020)



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



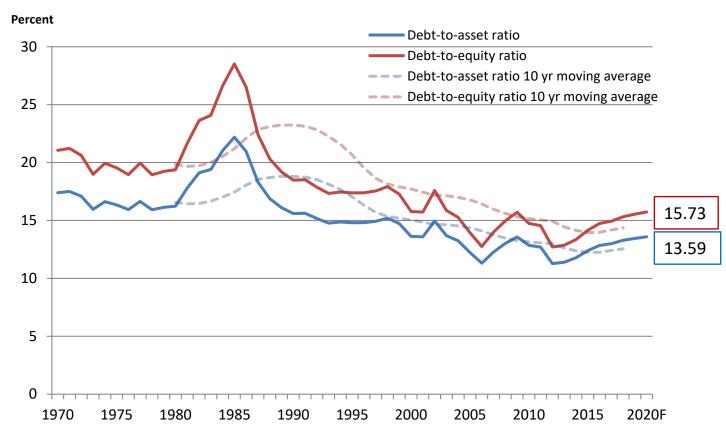








...but trends indicate growing financial stress



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

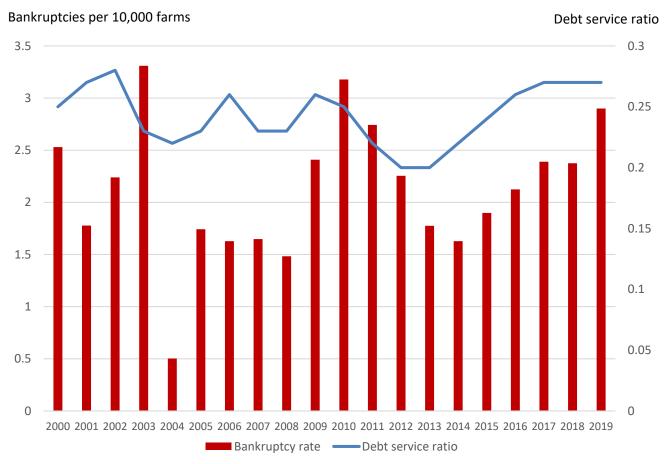








Bankruptcies trending upwards in recent years



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



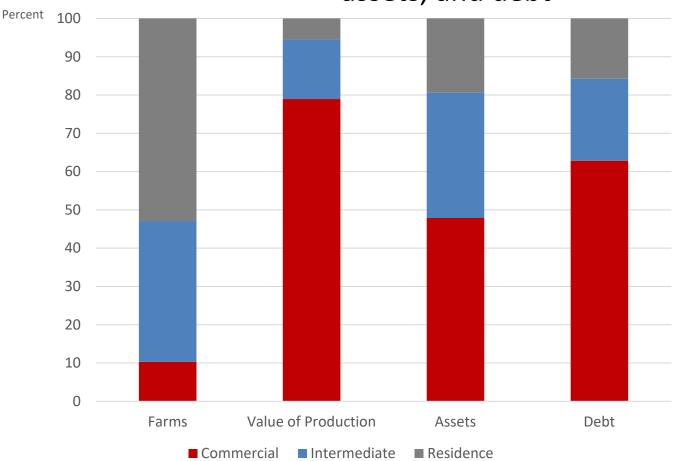








"Farm businesses" include operations with most production, assets, and debt



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)

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

GCFI = gross cash farm income (before expenses)







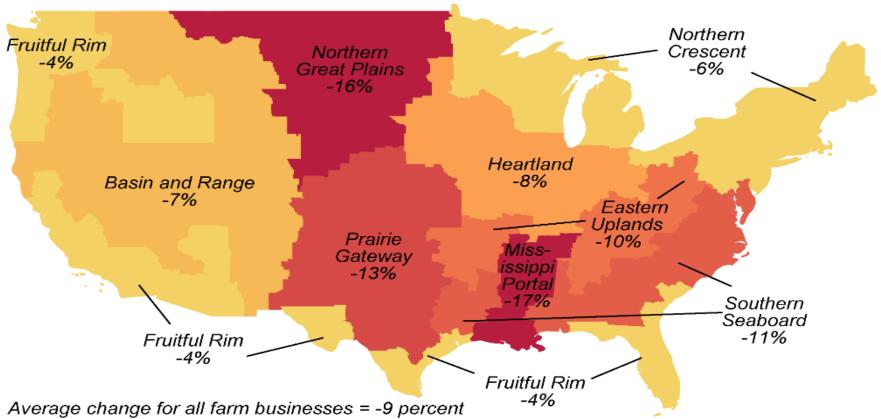






Average net cash income for farm businesses expected to be down across all regions in 2020

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.







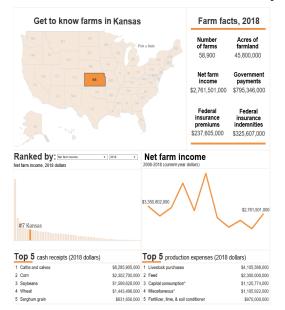


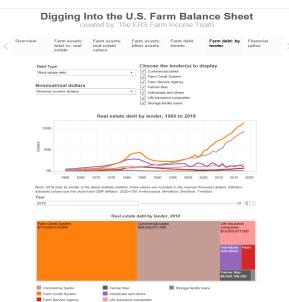


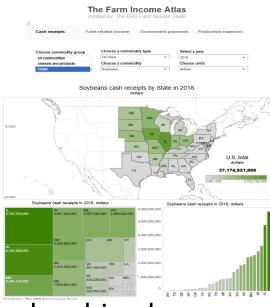
Many Ways to Explore the Data

https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/

Visualizations let you dive into the financials of the farm sector







Tailored financial reports



Current and archived comprehensive datasets

rear	State	artificialKey	VariableDescriptionTotal	VariableDescriptionPart1	VariableDescriptionPart2		unit_desc	PublicationDate	ChainType_GDP_Deflator
2016		CRAUSACVAP	Cash receipts value, all cor		All	352971127		Data as of November 30, 2016	111.364
2016	US	CRAUSADCOVAP	Cash receipts value, other	All other crops	All other crops	27561596		Data as of November 80, 2016	111.366
2016	US	CRAUSBRVAP	Cash receipts value, broile	Broilers	All	26476130	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSBYVAP	Cash receipts value, barley		All	924341		Data as of November 30, 2016	111.364
2016		CRAUSCHFAVAP	Cash receipts value, farm i		All		\$1,000	Data as of November 80, 2016	111.366
2016	US	CRAUSCLVAP	Cash receipts value, cattle	Cattle and calves	All	66629206		Data as of November 30, 2016	111.364
2016		CRAUSCNLSVAP	Cash receipts value, cottor		Long staple	297928		Data as of November 30, 2016	111.364
2016	US	CRAUSCNUPVAP	Cash receipts value, cottor	Cotton lint	Upland	4529322		Data as of November 80, 2016	111.366
2016	US	CRAUSCNVAP	Cash receipts value, cottor	Cotton lint	All	4817250		Data as of November 30, 2016	111.364
2016	US	CRAUSCOVAP	Cash receipts value, crops	Crops	All	186492013	\$1,000	Data as of November 30, 2016	111.364
2016	US	CRAUSCRVAP	Cash receipts value, com,		All	46191912		Data as of November 80, 2016	111.366
2016	US	CRAUSCSVAP	Cash receipts value, cottor	Cottonseed	All	955928	\$1,000	Data as of November 30, 2016	111.364
2016	US	CRAUSCTVAP	Cash receipts value, cottor	Cotton	All	5773173	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSCWVAP	Cash receipts value, cane t	Cane for sugar	All	1048840		Data as of November 80, 2016	111.366
2016	US	CRAUSC2VAP	Cash receipts value, canol	Canola	All	458133		Data as of November 30, 2016	111.364
2016		CRAUSDBVAP	Cash receipts value, dry be		All	939439		Data as of November 30, 2016	111.364
2016		CRAUSDYVAP	Cash receipts value, dairy		All	33944278		Data as of November 80, 2016	111.366
2016	US	CRAUSEGVAP	Cash receipts value, chicke	Chicken eggs	All	6399899	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSFEVAP	Cash receipts value, feed i		All	55804943		Data as of November 30, 2016	111.364
2016		CRAUSFLVAP	Cash receipts value, flaxse		All		\$1,000	Data as of November 80, 2016	111.366
2016	US	CRAUSENVAP	Cash receipts value, fruits,	Fruits/Nuts	All	25106394	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSFOVAP	Cash receipts value, food ;		All	10979176		Data as of November 30, 2016	111.364
2016	US	CRAUSEPVAP	Cash receipts value, forest		All	737114		Data as of November 80, 2016	111.366
2016	US	CRAUSHGVAP	Cash receipts value, hogs,	Hogs	All	19582722	\$1,000	Data as of November 30, 2016	111.366
2016	US	CRAUSHYVAP	Cash receipts value, hay,	Hay	All	6975079	\$1,000	Data as of November 30, 2016	111.364
2016	US	CRAUSLVMIVAP	Cash receipts value, livest	Animals and products	Miscellaneous animals an			Data as of November 80, 2016	111.366
2016	US	CRAUSLVVAP	Cash receipts value, livest	Animals and products	All	166379114	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSMAVAP	Cash receipts value, meat		All	86211927		Data as of November 30, 2016	111.364
2016		CRAUSMLVAP	Cash receipts value, millet		All		\$1,000	Data as of November 80, 2016	111.366
2016	US	CRAUSMISSIDVAP	Cash receipts value, musti	Mustardseed	All	9292	\$1,000	Data as of November 30, 2016	111.364
2016	US	CRAUSOCMIVAP	Cash receipts value, oil cro	Oil crops	Miscellaneous	470595	\$1,000	Data as of November 30, 2016	111.364
2016	US	CRAUSOCVAP	Cash receipts value, oil cro	Oil crops	All	40860859		Data as of November 80, 2016	111.366
2016	US	CRAUSOTVAP	Cash receipts value, oats,	Oats	All	77129	\$1,000	Data as of November 30, 2016	111.364
2016		CRAUSPGVAP	Cash receipts value, poulti		All	39291615		Data as of November 30, 2016	111.364
2016		CRAUSPNVAP	Cash receipts value, peanu		All	1164022		Data as of November 80, 2016	111.366
2016	US	CRAUSPOVAP	Cash receipts value, potat-	Potatoes	All	3766751	\$1,000	Data as of November 30, 2016	111,369











Questions?

Farm Sector Income and Finances:

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

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