Outlook for the 2014 U.S. Farm Economy

Kevin Patrick
Farm Economy Branch
Resource and Rural Economics Division
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

Source: Economic Research Service, USDA.
F= forecast.
Income measures remain high despite declines

Inflation-adjusted net farm income and net cash income, 1970-2014F\(^1\)

Net cash income $101.9
Net farm income $95.8

\(^1\) 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

$ billion

Corn
Soybeans
Fruits and tree nuts
Vegetables and melons
Wheat
Cotton

Source: USDA, ERS
Note: 2013, 2014 forecasts
Total livestock receipts are forecast up 1 percent in 2014

Receipts for selected livestock products, 2010-2014F

Cattle and calves
Dairy
Broilers
Hogs

$ billion

Source: USDA, ERS
Note: 2013, 2014 forecasts
Real cash expenses expected to decline for the first time since 2009

Inflation-adjusted\(^1\) cash expenses, 1970-2014F

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

Source: USDA, ERS

Note: 2013, 2014 forecasts
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.

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.

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

$ trillion

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

Source: USDA, ERS
Note: 2013, 2014 forecasts
Farm affordability
Farm real estate values, 1970-2014F

$ trillions

Actual real estate value

Real estate value that current income and interest rates can support

United States Department of Agriculture, Economic Research Service
Debt to asset and debt to equity ratios forecast to continue downward trend in 2014

Farm debt ratios, 1970 - 2014F

Source: USDA, ERS
Note: 2013, 2014 forecasts
Farm businesses represent over 950,000 farms and account for over 90 percent of production.

### Farm Businesses

<table>
<thead>
<tr>
<th>Residence</th>
<th>Intermediate</th>
<th>Commercial</th>
</tr>
</thead>
<tbody>
<tr>
<td>operators report they are retired or have a major occupation other than farming.</td>
<td>Gross cash farm income less than $350,000 and operators report farming as their major occupation.</td>
<td>Gross cash farm income greater than $350,000 and farms organized as nonfamily corporations or cooperatives.</td>
</tr>
</tbody>
</table>

Source: 2012 Agricultural Resource Management Survey (ARMS)
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\(^1/\)

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.
2014 Forecasts up for dairy and poultry farm businesses

Average net cash income for livestock farm businesses

$ thousand

Hogs | Dairy | Poultry | Beef cattle
---|---|---|---
2010 | 2011 | 2012P | 2013F | 2014F

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.

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.

Percent Change:
-5 to -15
-15 to -25
-25 to -35

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

$ billion

Net farm income 2013F: $130.5 billion

Crop receipts: -$26.7 billion
Change in crop inventory: -$8.8 billion
Livestock receipts: $1.2 billion
Change in livestock inventory: $2.3 billion
Production Expenses: $3.9 billion
Government Payments: -$5.1 billion
All other changes: -$1.6 billion
Net farm income 2014F: $95.8 billion

2013F-2014F change: -$34.7 billion

Questions?

Check out our website:
http://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances

Contact me:
ktpatrick@ers.usda.gov