

Baseline Update for U.S. Farm Income and the Farm Balance Sheet

An increase in government payments contributes to modest increases in two indicators of farm income in 2019. Those two indicators could move in opposite directions in 2020, with net farm income increasing, but net cash income declining.

This report utilizes commodity supply, demand and price projections from the FAPRI-MU baseline update released in August 2019 (FAPRI-MU Report #03-19, available at www.fapri.missouri.edu). Historical figures are from USDA's Economic Research Service, and reflect the large revision made in August 2019 to previous estimates of 2018 farm production expenses and farm income. These historical data revisions are the main reason why the levels of farm income reported here are higher than in FAPRI-MU projections released in April 2019.

The farm income projections incorporate the Market Facilitation Program (MFP) payments that have been announced. The payments are associated with 2018 and 2019 production, but it is assumed that some of the 2019 MFP payments will not be made until calendar year 2020. The baseline assumes a continuation of current trade disputes, and does not assume further rounds of MFP payments to compensate farmers for trade impacts in 2020 and subsequent years.

Some highlights from the projections:

- Cash receipts are down slightly in 2019, as lower receipts for soybeans, cotton, poultry and eggs outweigh increased sales of some other commodities. Cash receipts increase at a modest pace in 2020 and later years.
- Contrary to previous estimates, USDA now reports that farm production expenses fell for the fourth straight year in 2018. Projected expenses increase by about 1 percent per year from 2019 through 2021.
- MFP payments help push 2019 direct government payments to the highest levels since 2005. Given the assumption that no new MFP payments will be made for trade losses in 2020 and subsequent years, total government payments decline by \$9 billion between 2019 and 2021.
- Both net farm income and net cash income increase slightly in 2019, as increases in government payments and crop insurance indemnities (included as part of "farm-related" receipts) more than offset the small reduction in cash receipts and the small increase in production expenses.

Summary:

An increase in government payments contributes to modest increases in two indicators of farm income in 2019.

For more on this topic, see these FAPRI-MU publications:

Report #03-19
2019 August Baseline Update for
U.S. Agricultural Markets

Authors:

Patrick Westhoff
WesthoffP@missouri.edu

Farm income statistics

Calendar year	2011-15 avg.	2016	2017	2018	2019	2020	2021	2022	2023
	(Billion dollars)								
1. Farm receipts	430.95	386.37	403.13	402.59	403.80	408.16	412.78	422.78	435.81
Crops	210.64	195.75	194.86	196.97	192.90	192.81	195.33	200.42	205.52
Livestock	183.92	162.73	175.56	176.53	176.69	180.49	182.48	186.65	193.38
Farm-related	36.39	27.89	32.71	29.09	34.20	34.86	34.97	35.71	36.91
2. Government payments	10.53	12.98	11.53	13.67	20.79	16.27	11.67	10.70	9.49
(of which, market facilitation)	0.00	0.00	0.00	5.12	11.18	4.97	0.00	0.00	0.00
3. Gross cash income (1 + 2)	441.48	399.35	414.66	416.26	424.59	424.43	424.45	433.47	445.31
4. Nonmoney income	17.43	17.15	18.58	19.14	19.90	20.32	20.39	20.41	20.50
5. Value of inventory Change	-3.23	-4.25	-6.04	-6.76	-10.07	3.24	-0.46	0.23	0.13
6. Gross farm income (3 + 4 + 5)	455.68	412.25	427.20	428.64	434.42	447.99	444.38	454.12	465.93
7. Cash expenses	314.95	303.78	312.15	311.27	314.12	316.60	319.15	325.47	333.17
8. Total expenses	354.22	350.22	349.52	344.63	347.78	350.59	353.41	359.77	367.44
9. Net cash income (3 - 7)	126.53	95.57	102.52	104.99	110.47	107.83	105.30	108.00	112.14
10. Net farm income (6 - 8)	101.46	62.03	77.68	84.01	86.64	97.40	90.97	94.35	98.49
Deflated (2019 \$)	112.37	65.33	80.93	85.88	86.64	95.70	87.37	88.52	90.27

Land rental rates and real estate values

Year	2011-15 avg.	2016	2017	2018	2019	2020	2021	2022	2023
Rental rates	(Dollars per acre)								
Cropland	131.40	136.00	136.00	138.00	140.00	143.52	143.02	141.17	140.57
Pasture	12.20	13.00	12.50	12.50	13.00	13.36	13.54	13.56	13.65
Value of farm real estate	2,698	2,990	3,030	3,100	3,160	3,218	3,183	3,105	3,070

Balance sheet of the farm sector

Year	2011-15 avg.	2016	2017	2018	2019	2020	2021	2022	2023
	(Billion dollars)								
Farm assets	2,707	2,913	3,006	3,021	3,082	3,120	3,085	3,024	3,003
Real estate	2,170	2,400	2,471	2,510	2,555	2,598	2,572	2,514	2,488
Non-real estate	537	513	535	511	528	522	513	510	515
Farm debt	322	374	393	402	412	420	426	432	436
Real estate	186	226	238	246	254	260	265	267	266
Non-real estate	136	148	155	156	158	160	161	165	169
Debt/asset ratio	11.9%	12.8%	13.1%	13.3%	13.4%	13.5%	13.8%	14.3%	14.5%

Published by the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri (MU), 200 Mumford Hall; Columbia, MO 65211. This material is based upon work supported by the U.S. Department of Agriculture under Agreement No. 58-0111-18-024 and the USDA National Institute of Food and Agriculture, Hatch project No. MO-HASS0024. Any opinion, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the view of the USDA nor MU. Permission is granted to reproduce this information with appropriate attribution to the author and FAPRI-MU.