Farm Income Outlook

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Ag Outlook Themes

- **Farm income** is expected to decrease in 2023 due to lower cash receipts, higher production expenses, and lower government payments.
- **Farm assets and debt** are expected to grow, with assets outpacing debt growth.
- **Land values and cash rents** have increased significantly, but slowing down is expected.
- **Ag credit conditions** have improved but moderating due to increasing interest rates.

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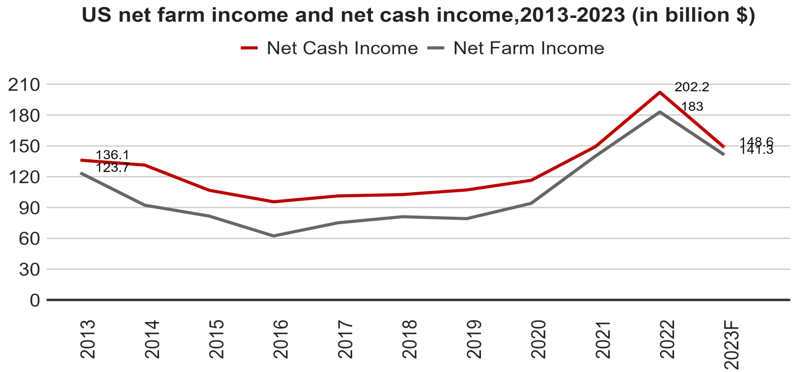
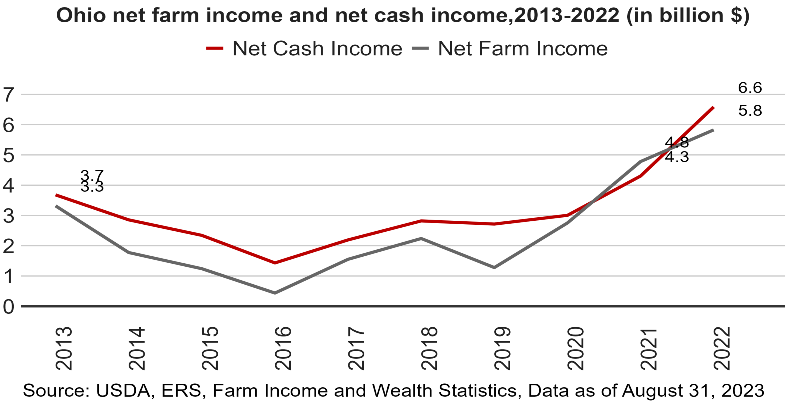
US Farm Income Estimates and Forecasts



Source: USDA, ERS, Farm Income and Wealth Statistics, Data as of August 31, 2023

- US net farm income ($141.3B) is expected to decrease by 22.8% in 2023.
- US net cash income ($148.6B) is expected to decrease by 26.5% in 2023.

Ohio Farm Income Estimates



- Ohio net cash income ($6.6B) and net farm income ($5.8B) increased in 2022.
- Ohio farm income is about 3% of US farm income, following similar trends.

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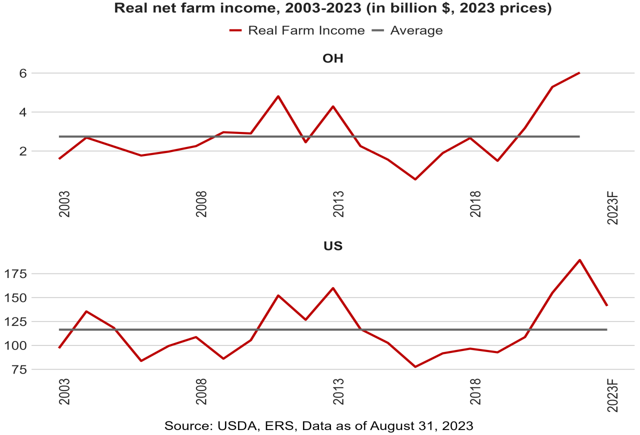
Real Net Farm Income



- Net farm incomes in real terms are expected to remain above their long-term average in 2023.

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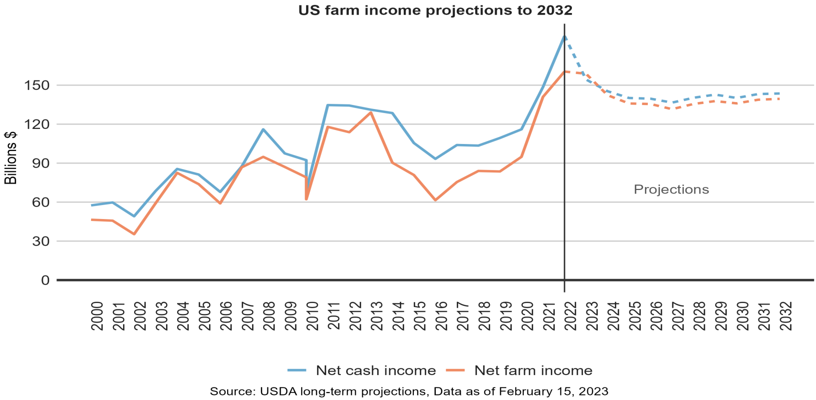
Long-term Projections of Farm Income



- USDA baseline projections show farm income is expected to decline until 2027 and then slightly increase, following a pattern in commodity prices.

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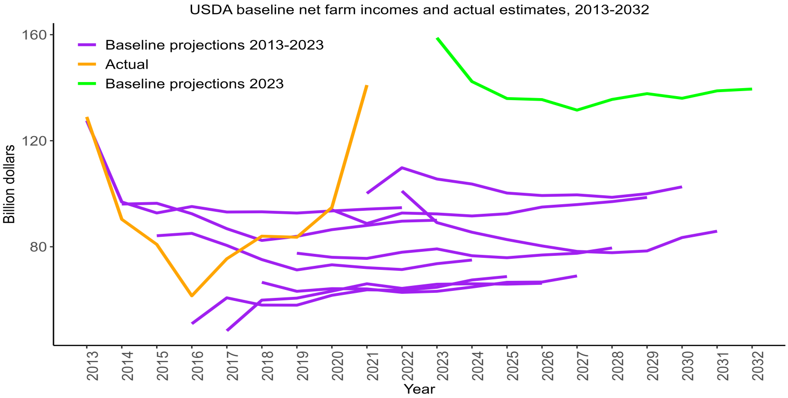
Historical Baseline Projections of Farm Income



- Bora, Katchova, and Kuethe (AJAE, 2023) show that projections remain informative for up to 2-3 years ahead and then become uninformative after that.

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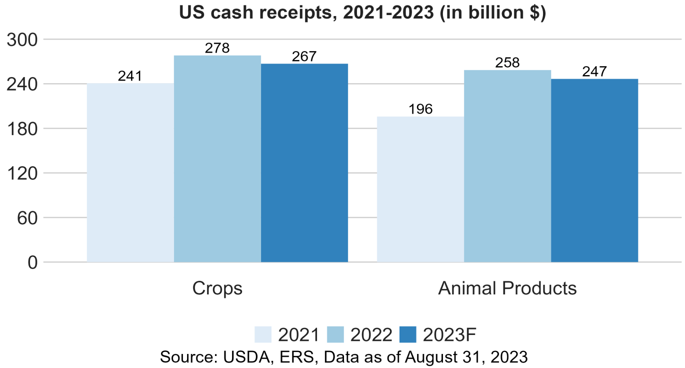
US Crop and Livestock Receipts



- Crop receipts are expected to decrease by 4% to $267 billion in 2023.
- Animal product receipts are expected to decrease by 4.6% to $247 billion in 2023.

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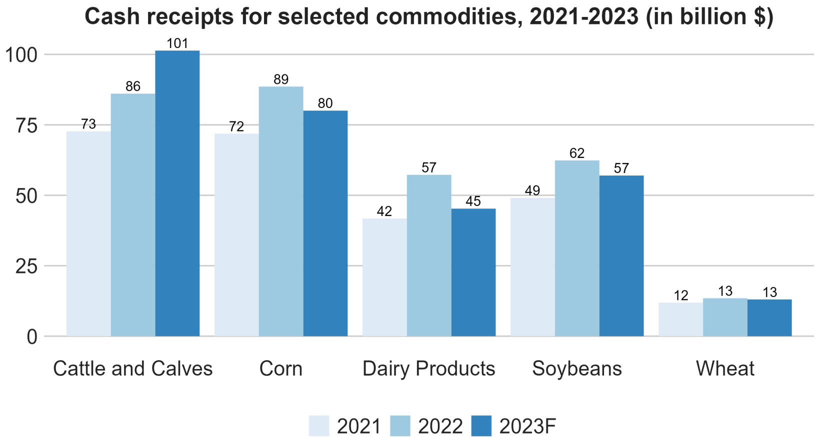
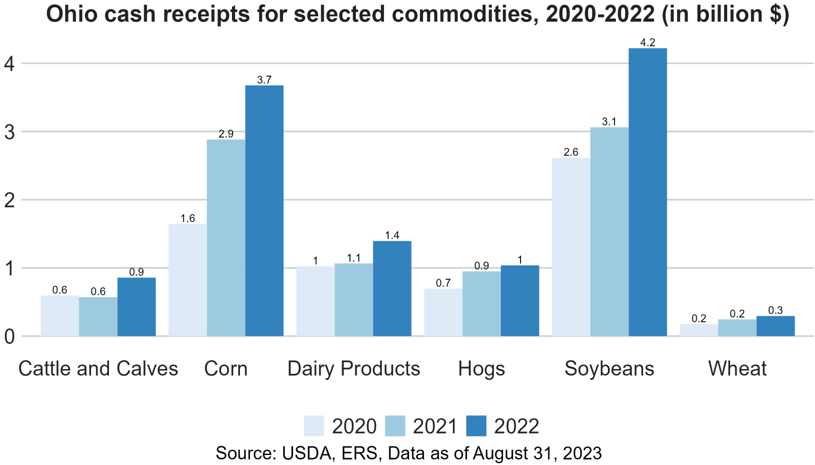
US Cash Receipts by Commodity



Source: USDA, ERS, Data as of August 31, 2023

- Receipts for corn, soybeans, and dairy products are expected to decrease in 2023, after increases in 2022.
- Receipts for cattle and calf are expected to increase in 2023.

Ohio Cash Receipts



- Ohio cash receipts increased for all selected commodities in 2022.

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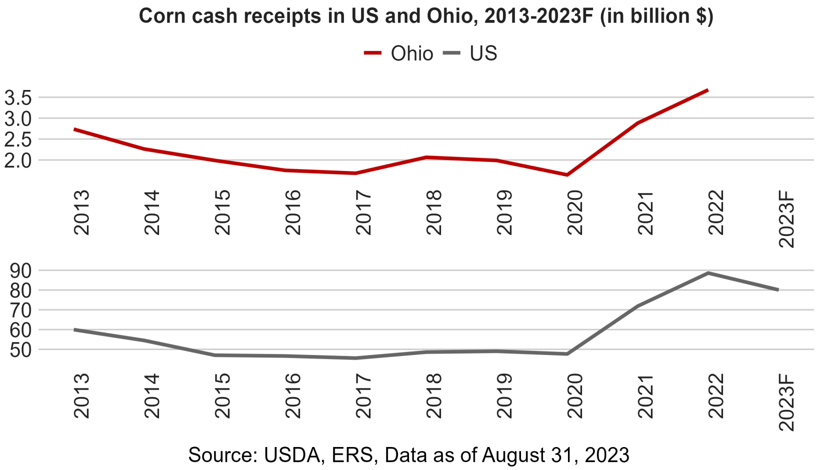
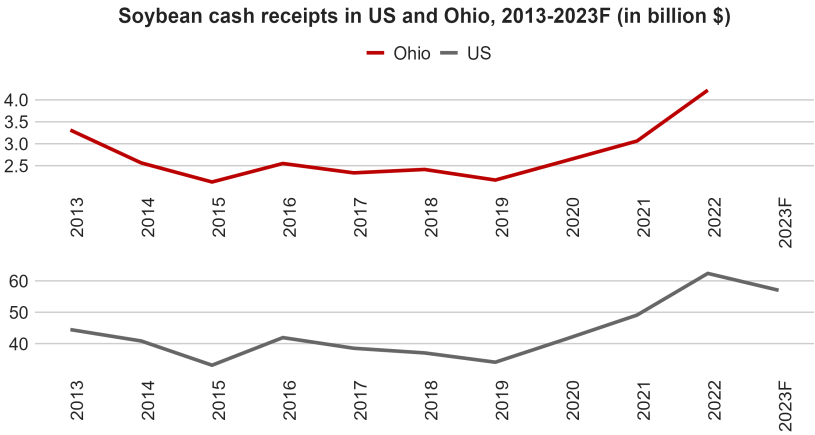
US and Ohio Corn Cash Receipts



- US corn receipts are expected to decrease in 2023.
- Ohio corn receipts increased in 2022.

US and Ohio Soybean Cash Receipts



Source: USDA, ERS, Data as of August 31, 2023

- US soybean receipts are expected to decrease in 2023.
- Ohio soybean receipts increased in 2022.

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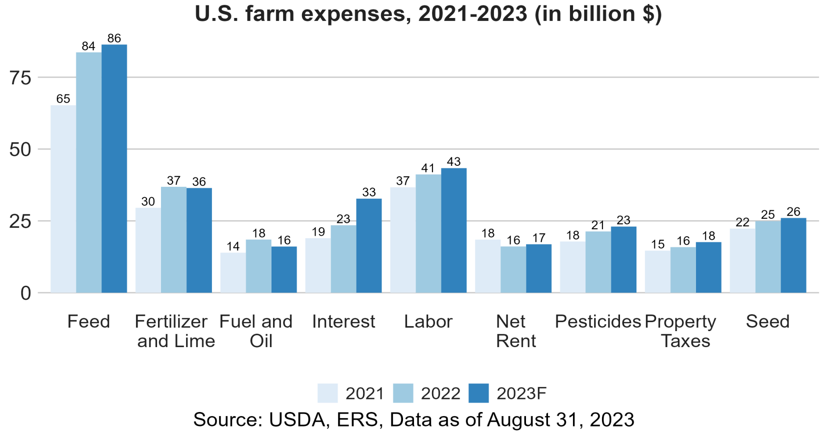
US Farm Expenses



- US farm expenses are expected to increase by 7% in 2023.
- Interest expenses are expected to increase the most: by 38%.

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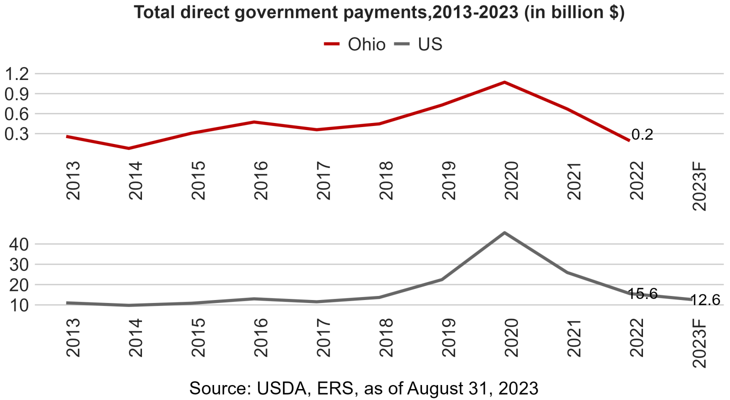
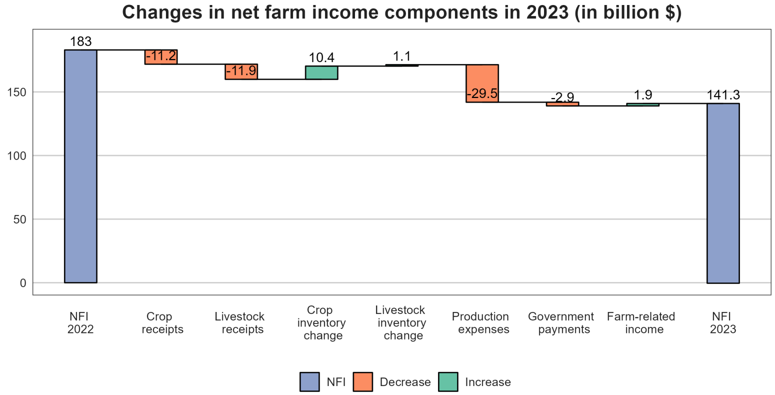
Government Payments



- Direct government payments are expected to decrease by 19% to $12.6 billion in 2023, due to lower supplemental and ad hoc disaster assistance.
- Government support was highest in 2020, followed by 3 years of decline.

Changes in Net Farm Income Components



Source: USDA, ERS, Data as of August 31, 2023

- Lower farm income in 2023 is due to lower cash receipts, higher production expenses, and lower government payments.

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Farm Income Outlook

- **Farm income forecast outlook**: lower expected farm income in 2023.
  - Lower expected cash receipts for 2023 mostly due to weakening commodity prices.
  - Higher production expenses, especially interest expenses.
  - Lower government payments due to lower supplemental and ad hoc disaster assistance.
- However, farm income is still higher than the 20-year average in real terms.
- **Baselines projections outlook**: farm income is expected to decline until 2027 due to lower expected commodity prices and lower expected government payments.

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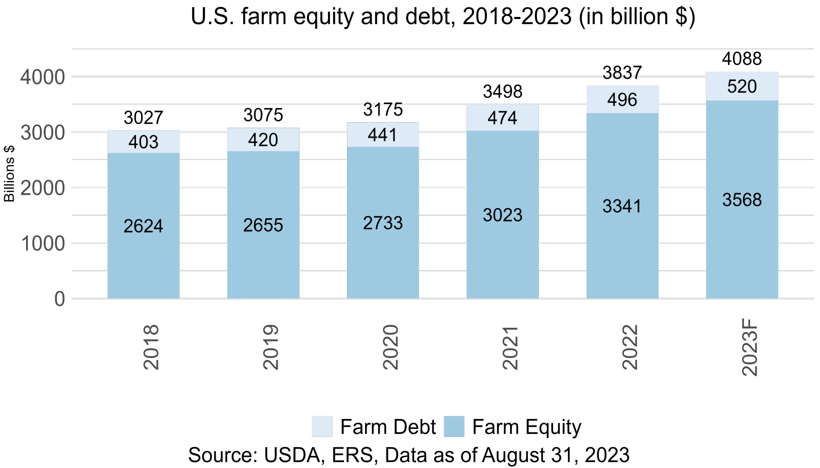
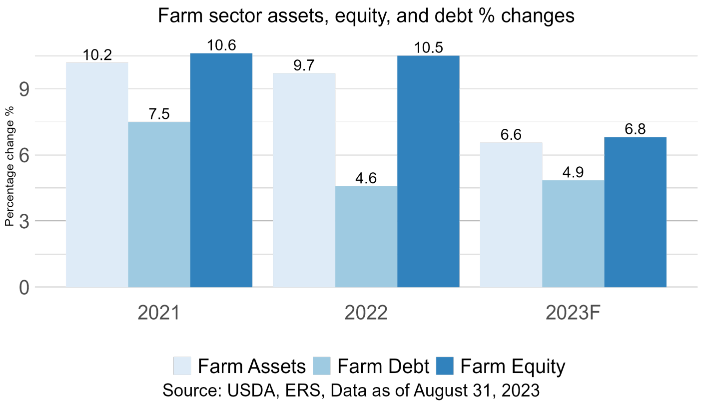
Farm Assets, Equity, and Debt



- Farm assets, equity, and debt are expected to increase in 2023.

Changes in Farm Assets, Equity, and Debt



- Farm assets are expected to increase by 6.6% and farm equity by 6.8%, outpacing the farm debt growth of 4.9%.
- Debt-to-asset levels are expected to improve to 12.7% (historic lows).
- Working capital is expected to decrease by 5.5% in 2023.

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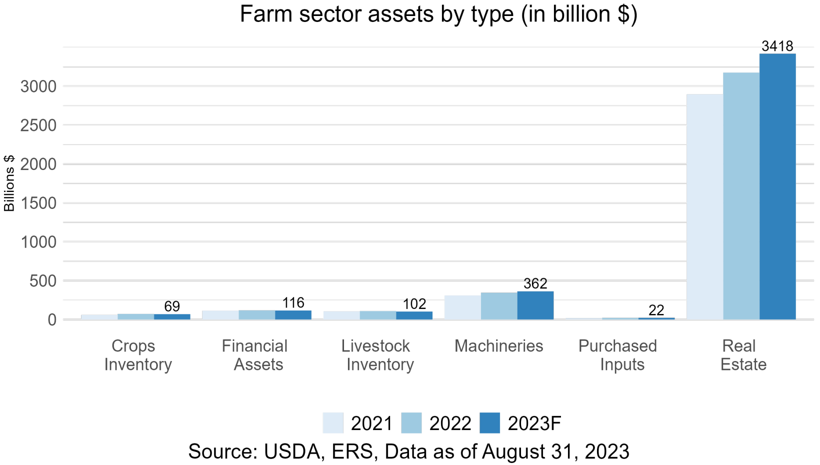
Farm Assets by Type



- Farm real estate assets, representing 83% of farm assets, are expected to increase in 2023.

Farm Assets and Debt Outlook

- **Farm balance sheets** are very strong and expected to improve slightly in 2023.
- Farm assets and equity growth is expected to outpace the growth in debt.
- **Farm sector solvency** is strong, with debt-to-asset ratios at historic lows.
- Concerns about worsening working capital, liquidity, and ability to repay debt.
- Weakening farm incomes in 2023 will result in lower farm profitability.

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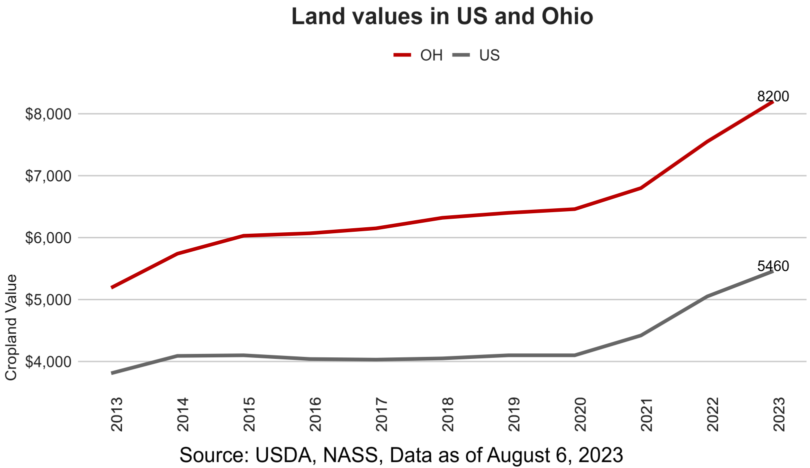
Land Values in the US and Ohio



- US cropland values increased by 8.1% to $5,460/acre in 2023, showing double digit increases in the last 3 years.
- Ohio cropland values increased by 8.6% to $8,200/acre in 2023.

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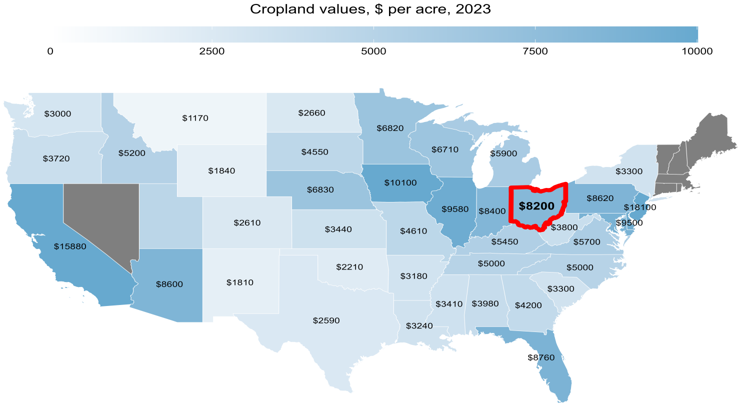
Cropland Values by State



Source: USDA, NASS, Data as of August 6, 2023

- Cropland values show major differences by state.
- Midwest land values are typically above the national average.

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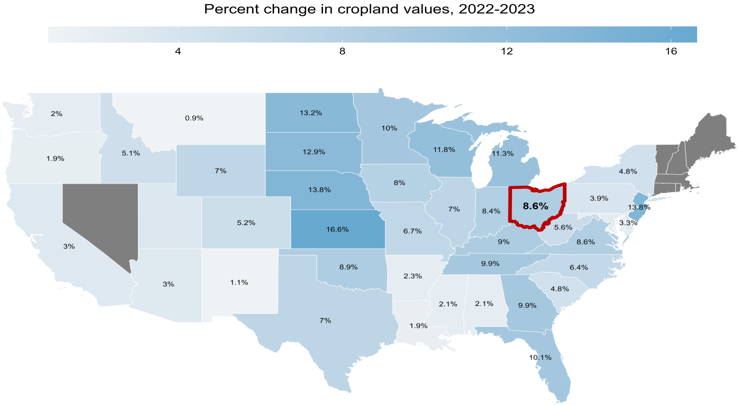
Changes in Cropland Values



Source: USDA, NASS, Data as of August 6, 2023

- Ohio cropland values increased by 8.6% in 2023.
- All states reported increases in cropland values.

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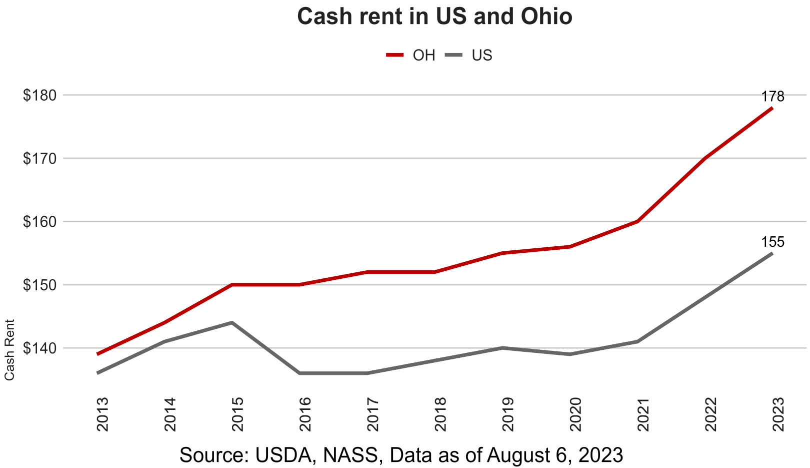
Cash Rents in the US and Ohio



- US cash rents for cropland increased by 11.5% to $155/acre in 2023.
- Ohio cash rents increased by 4.7% to $178/acre in 2023.
- Growth in cash rents was lower for Ohio than the U.S.

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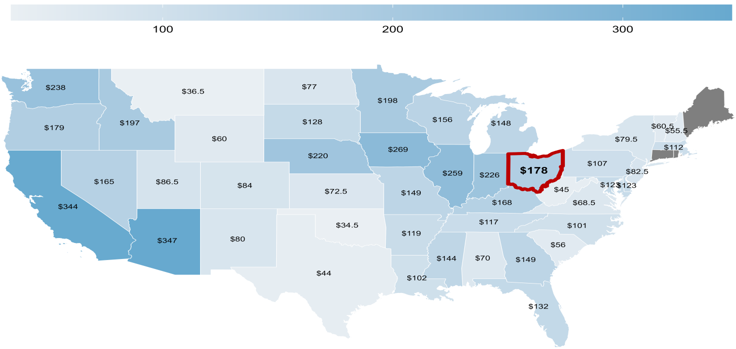
Cash Rents by State

Cash rent, $ per acre, 2023



Source: USDA, NASS, Data as of August 6, 2023

- Cash rents in the Midwest are relatively higher than other states in the US, except for the West.

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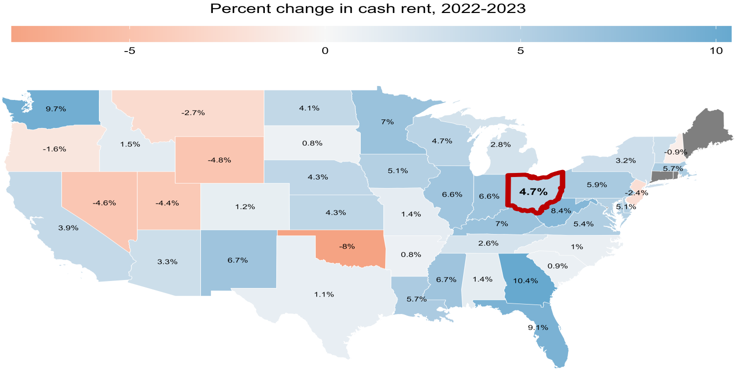
Changes in Cash Rents



Source: USDA, NASS, Data as of August 6, 2023

- Cash rents increased in the Midwest, with Ohio cash rents increasing by 4.7%. Some states had decreases in cash rent in 2023.

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Land Values and Cash Rents Outlook

- **Land values** have increased significantly in the last 3 years.
  - Main contributing factors for the increase in land values: high crop prices, high farm income, and cash reserves.
  - High inflation last year also drove up land values.
  - High interest rates and lower farm incomes in 2023 will slow the demand for farmland and moderate land values.
- **Cash rents** also increased though not as much as land values in Ohio.
  - Cash rents are affected by the same factors.
  - Reduced liquidity will likely moderate the growth in cash rents.

Ag Credit Conditions

- **Interest rates** have risen rapidly since March 2022 to levels unseen since the financial crisis of 2007/8.
- **Inflation rate** dropped to 3.7% from 8% last year.
- **Ag credit conditions**: lower farm incomes, decreased liquidity, high land values, and high interest rates.
- **Ag loan demand** remained stable but softened in 2023.
- **Ag loan repayment rates** improved but are moderating.

Source: Federal Reserve Bank of Kansas City, 2023 Ag Credit Survey

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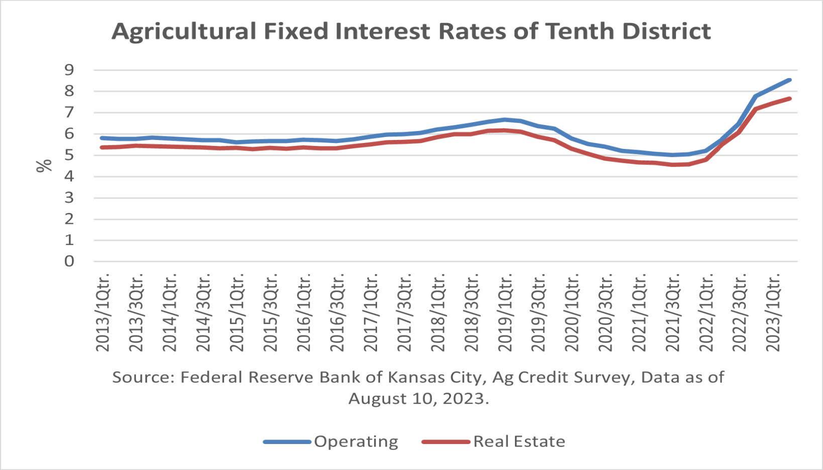
Ag Loan Interest Rates



- Interest rates have sharply increased since 2022 and reached 8%.

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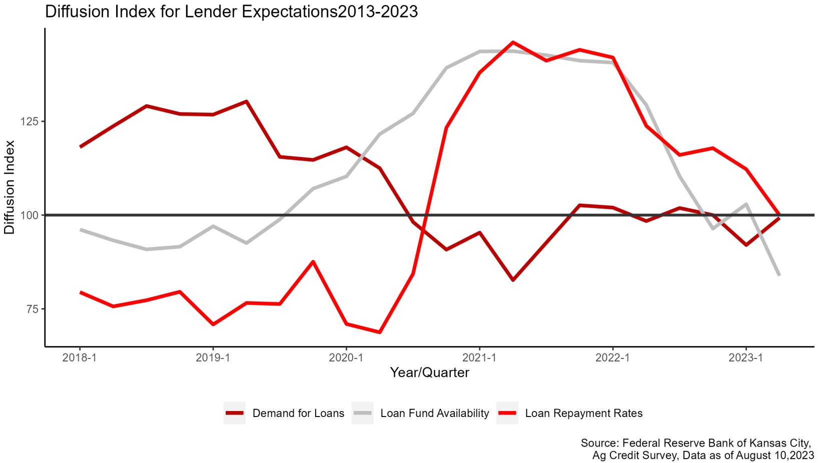
Ag Lender Expectations



- Diffusion index shows % lenders who responded "higher" vs "lower".
- Lenders expected same loan demand and loan repayment rates, but lower loan fund availability in 2023.

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Ag Lender Concerns

- Ag lenders' top concerns:
  - Rising interest rates
  - Lower farm income and liquidity
  - Weak ag loan demand
  - Credit quality deterioration
  - Ag lender consolidation and competition

Source: American Bankers Association and Farmer Mac, 2023 Ag Lender Survey

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Ag Credit Outlook

- **Ag credit**: expectation of moderating and weakening due to both high interest rates and lower farm incomes.
- **Demand for ag loans** is expected moderate due to lower farm incomes.
- **Demand for production loans** is expected to increase due to lower profitability.
- **Farm loan repayment rates** are expected to weaken to historic levels.

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Ag Outlook and Policy

- **Still strong but moderating outlook** for the farm economy, with expectations of weakening and moderation.
- Coming down from high incomes, high commodity prices, strong government support, and rising land values in the last 3 years.
- **Farm income** forecasted to decrease in 2023 after several years of continued growth, with lower cash receipts, higher production expenses, and lower government payments.
- **Long-term baseline projections** show farm income steadily declines in the next four years.

Ag Outlook and Policy

- **Land values** are strong but expected to moderate mostly due to rising interest rates and lower incomes.
- **Ag credit conditions** are still strong but expected to weaken amid concerns about rising interest rates.
- The farm economy shows resiliency but still faces many challenges and uncertainty.
- Anticipating the passing of the **2023 Farm Bill**.
- **Long-term projections** raise some concerns regarding the continuation of government aid to stabilize falling farm incomes.

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Farm Income Enhancement Program
http://aede.osu.edu/programs/farm-income-enhancement-program

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