

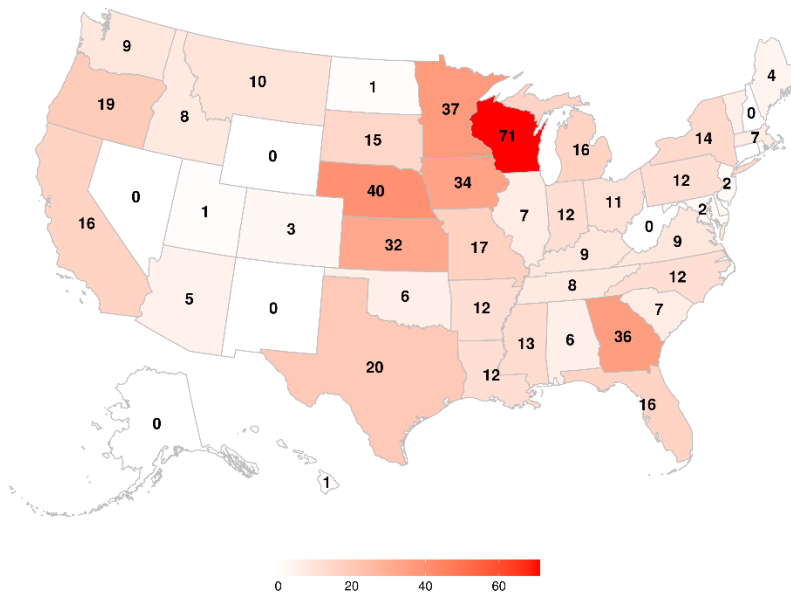
Farm Bankruptcies Update: Second Quarter of 2020

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The US Courts recently released the bankruptcy filing numbers for the second quarter of 2020. Despite the growing concerns over the coronavirus outbreak and its impacts on the U.S. agricultural sector, a total of 115 Chapter 12 bankruptcies were reported in the second quarter of 2020, which is a decrease from the 164 bankruptcy filings in the second quarter of 2019. Specifically, the number of bankruptcy filings were 39, 38, and 38 for April, May, and June of 2020, respectively. Compared to the previous year, the bankruptcy filing numbers were lower for both April and May (60 and 68 in the previous year), and slightly higher for June (36 in the previous year).

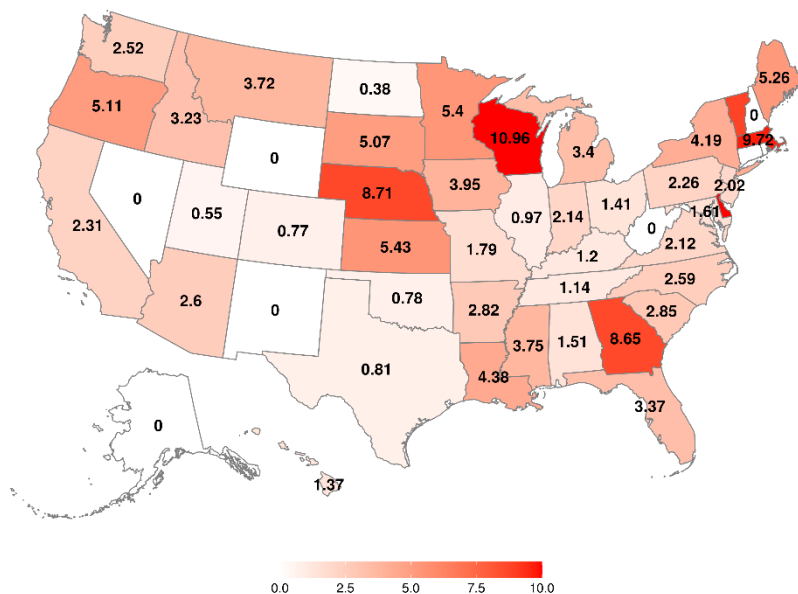
Combined with the first quarter bankruptcy filings, there were a total of 284 Chapter 12 bankruptcies filed for the first half of 2020, which is a slight decrease compared to last year, as there were a total of 294 bankruptcy filings for the first half of 2019. Historically, the number of farm bankruptcy filings has been lower for the second half of each year, based on statistics since 2010. The only exception from this trend was in 2019, when the number of Chapter 12 bankruptcy filings were 294 in the first half of the year and 307 for the second half of the year, respectively.

Total Chapter 12 Bankruptcies Filed
 From July 2019 through June 2020: 591



In the past 12 months period from July 2019 through June 2020, there were 591 Chapter 12 bankruptcy filings. This represents the fourth consecutive quarter with an increase in Chapter 12 filings over the previous 12 months and is the highest seen since the second quarter of 2011. In comparison, there were 541 bankruptcy filings for the 12 months period prior to the second quarter of 2019. This increase is mainly driven by higher bankruptcy filings in the third and fourth quarter of 2019. Since 2016, there have been between 450 and 500 Chapter 12 filings for the previous 12 months period.

Total Chapter 12 Bankruptcies Filed per 10,000 Farms
From July 2019 through June 2020: 2.83



If the number of bankruptcy filings are converted into rates, the bankruptcy rate shows that there were 2.83 Chapter 12 bankruptcies per 10,000 farms from July 2019 through June 2020. The bankruptcy rate is still below the historical average of 4.21 but is still higher than the last year's rate of 2.2. Again, the increase in bankruptcy rates is primarily caused by higher bankruptcy filings in the second half of 2019. Even though the increase might be worrisome, the increase can be viewed as not as rapid especially when considering the fact that the COVID-19 outbreak started to adversely affect the world economy in the second quarter of 2020. The U.S. farm economy has been supported by strong farmland values; last year, farmland values increased by less than one percent in real terms. Even though the increase is small, this was the first time that the U.S. agricultural sector experienced an increase and not a decrease in farmland values since 2014. The Federal Reserve Bank of Chicago states that exceptionally low interest rates and consistent demand for farmland are the main drivers of strong farmland values. Also, ad hoc payments and other types of government payments increased significantly this year, which also contributes to the health of the farm economy.

Overall, the number of Chapter 12 bankruptcy filings has not increased as rapidly as some may have expected. However, the number of farm bankruptcies needs to be monitored more cautiously in upcoming months as the impact of COVID-19 would continue and prolonged economic recession may further hamper the farm economy.