

# Farm Income Enhancement Program

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## BACKGROUND

US agriculture is experiencing a downturn which started in 2013, and the overall financial situation of farms is concerning, as debt is increasing at faster rates than assets and equity. Moreover, Ohio farmers are facing negative profitability ratios and debt-to-asset ratios greater than national averages. Even though farm income is not as low as that witnessed during the farm crisis of the 1980s, we should still be concerned, as this agricultural downturn that started in 2013 is already of significant duration and is showing no signs of ending. Current data on Ohio net farm income point to 2018 being the fifth consecutive year that it remains below the long-term average of \$2 billion in 2018 dollars (Figure 1). This situation of increased financial stress is unhealthy and has left farmers struggling to cope financially.

**Figure 1: Ohio and U.S. real net farm income from 1949 to 2018**



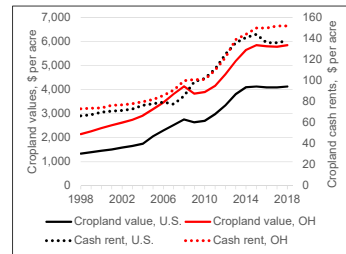
Source: USDA – ERS, Farm Income and Wealth Statistics. Graph elaborated by the authors, (see Sant'Anna, Katchova, Brown 2018)

Although farmers' balance sheets remain relatively strong during the ag downturn, farm assets and equity are growing at smaller rates than farm debt. Farm assets are expected to increase by 1.2%, farm equity by 0.8%, while farm debt by 3.5% in 2018. So the overall financial position of farms is expected to worsen.

Farmers in Ohio who rely on renting land face sticky cash rents. Ohio's cash rents seem more resilient to the downturn. While cash rents in the U.S. saw no change since the previous year, in Ohio, cash rents increased slightly by 1% to \$152 in 2018.

Land values in Ohio, generally higher than average US values, have been increasing since the 90s.

**Figure 2: Ohio and US cropland values and cash rents**



Source: USDA – NASS.

## RESEARCH

To address these problems that threaten the sustainability of agriculture by negatively impacting farm financial health, the Farm Income Enhancement (FIE) Program engages in cutting-edge research to identify the factors affecting farm businesses and to understand the best strategies to improve farm finances. Recent projects have studied:

- 1) Farm Financial Stress:
  - Investigating the financial performance and stress level of U.S. farmers
  - Examining macroeconomic factors' impact on delinquencies/bankruptcies
- 2) Farmland Tax Issues:
  - Analysis and forecasting of Ohio's Current Agricultural Use Value (CAUV) (Figure 3)
  - Identifying scope of tax transfers from landlords to tenants

## 3) Farmland Values and Cash Rent (Figure 5):

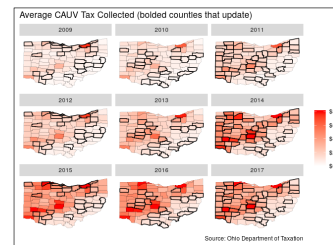
- Answering how factors like bank liquidity/interest rates affect land values

## 4) Agricultural Credit and Lending Institutions:

- Studying the effects of bank concentration on agricultural loans
- Understanding how bank deregulation affects farm debt.

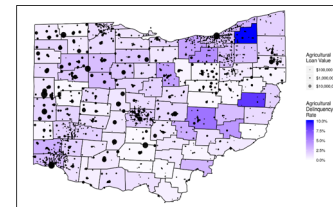
These are a few examples of the research conducted at the FIE Program. Through robust empirical analysis the FIE team hopes to enable farmers in Ohio and across the nation to better weather financial downturns and to properly position themselves to thrive into the future.

**Figure 3: CAUV values from 2009 to 2017**



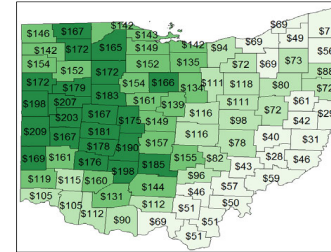
Only 23 of 88 counties in Ohio will receive an update in 2018.

**Figure 4: Agricultural loans delinquency rates in Ohio, 2017-2018**



Source: FDIC Call Reports and Summary of Deposits

**Figure 5: Cash rents in Ohio in 2017**



Source: USDA-NASS, Cash Rent Survey

## OUTREACH ACTIVITIES

The FIE Program is involved in disseminating results to agricultural managers, agribusiness executives, and practitioners across Ohio. By actively and widely sharing the conclusions from our analyses, we desire to promote the long-term stability of farm businesses and also hope to foster financially resilient farmers. Examples of our outreach activities include:

- Dr. Katchova is serving as a chair for a review panel for the USDA's Economic Research Service (ERS) Farm Income and Wealth Forecast Program.
- OSU Farm Science Review "Ask the Expert" Info Sessions.
- Annual Agricultural Policy and Outlook Conference presentations.
- Federal Reserve Bank of Kansas City Ag Symposium presentation (upcoming).
- Media mentions in Columbus Dispatch, Ohio's County Journal, Feedstuffs, etc.
- Agricultural Outlook Newsletters.

Through this work and with the help of our community partner, the Ohio Farm Bureau Federation, the FIE program hopes to provide a pathway to sustainable agriculture in Ohio, in the U.S. around the world.

**Figure 6: Farm Science Review 2018**



Ani Katchova and Ana Claudia Sant'Anna talking about the financial fitness of farms in Ohio at the Ask the Expert in the 2018 Farm Science Review.

**Figure 7: Farm Income Enhancement Team**



From left to right: Eric Davis, Bob Dinterman, Kevin Kim, Ani Katchova, Ana Claudia Sant'Anna, Sridhartha Bora and Jian Chen.

## SAMPLE LIST OF OUR PUBLICATIONS

- Journal Articles**
- Katchova, A.L. and R. Dinterman. "Evaluating Financial Stress and Performance of Beginning Farmers during the Agricultural Downturn." *Agricultural Finance Review* 78(2018).
  - Dinterman, R., A.L. Katchova, and J.M. Harris. "Financial Stress and Farm Bankruptcies in U.S. Agriculture." *Agricultural Finance Review* 78(2018).
  - Katchova, A.L. and M.C. Ahearn. "Farm Entry and Exit from U.S. Agriculture." *Agricultural Finance Review* 77, (2017), 50-63.
  - Katchova, A.L. and M.C. Ahearn. "Dynamics of Farmland Ownership and Leasing: Implications for Young and Beginning Farmers." *Applied Economic Perspectives and Policy* 38.2 (2016):334-350.
- Reports**
- Davis, E., R. Dinterman, and A. Katchova. *Ohio Agricultural Lending Outlook: Fall 2018*
  - Dinterman, R., A.L. Katchova. *Ohio CAUV Value Projections for 2018*
  - Sant'Anna, A.C. and A. Katchova. *Ohio Land Values and Cash Rent Outlook in AEDE Agricultural Outlook, Summer 2018*
  - Dinterman, R. and A. Katchova. *Ohio CAUV Value Projections for 2018 in AEDE Agricultural Outlook, Summer 2018*
  - Sant'Anna, A.C., A. Katchova and B. Brown. *Net Farm Income Expected to Decline Again in 2018 After a Small Rebound Last Year*

## SUPPORT

The FIE Program benefits greatly from the support of our FIE community partner. Ohio Farm Bureau Federation



## CONTACT INFORMATION

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