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.
US net farm income and net cash income, 2013-2023 (in billion $)

- 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.

Source: USDA, ERS, Farm Income and Wealth Statistics, Data as of August 31, 2023
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.
Net farm incomes in real terms are expected to remain above their long-term average in 2023.
USDA baseline projections show farm income is expected to decline until 2027 and then slightly increase, following a pattern in commodity prices.
Bora, Katchova, and Kuethe (AJAE, 2023) show that projections remain informative for up to 2-3 years ahead and then become uninformative after that.
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.
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 for selected commodities, 2020-2022 (in billion $)

- Cattle and Calves: 0.6 (2020), 0.6 (2021), 0.9 (2022)
- Corn: 1.6 (2020), 2.9 (2021), 3.7 (2022)
- Hogs: 0.7 (2020), 0.9 (2021), 1.0 (2022)
- Soybeans: 2.6 (2020), 3.1 (2021), 4.2 (2022)
- Wheat: 0.2 (2020), 0.2 (2021), 0.3 (2022)

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

Ohio cash receipts increased for all selected commodities in 2022.
US corn receipts are expected to decrease in 2023.
Ohio corn receipts increased in 2022.
US soybean receipts are expected to decrease in 2023.
Ohio soybean receipts increased in 2022.

Source: USDA, ERS, Data as of August 31, 2023
US farm expenses are expected to increase by 7% in 2023.
Interest expenses are expected to increase the most: by 38%.

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

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

Source: USDA, ERS, Data as of August 31, 2023
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.
Farm assets, equity, and debt are expected to increase in 2023.

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

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

Farm Assets by Type

Farm sector assets by type (in billion $)

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

Source: USDA, ERS, Data as of August 31, 2023
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.
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.
Cropland values show major differences by state.

- Midwest land values are typically above the national average.
Ohio cropland values increased by 8.6% in 2023.

All states reported increases in cropland values.

Source: USDA, NASS, Data as of August 6, 2023
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.
Cash rents in the Midwest are relatively higher than other states in the US, except for the West.

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

Ag Lender Expectations

The diffusion index shows the percentage of lenders who responded “higher” versus “lower”.

- Lenders expected same loan demand and loan repayment rates, but lower loan fund availability in 2023.

Source: Federal Reserve Bank of Kansas City, Ag Credit Survey, Data as of August 10, 2023
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
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.
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
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