United States Department of Agriculture

Farm Income and Financial Forecasts for 2016 and 2017

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CFARE Briefing on Dynamics of Farm Profitability

Summary

- **Net cash farm income, a narrow measure of sector wellbeing, is forecast to rise by 1.8 percent, while net farm income, a broader measure, is forecast to decline by 8.7 percent, relative to the 2016 forecast.**

- **The value of agricultural sector production is forecast to fall for the third straight year** but the rate of decline has slowed.

- **Government payments are projected to fall 4 percent to $12.5 billion in 2017,** driven by declines in revenue-based and conservation programs, offset by an increase in price-based programs.

- **Total commodity insurance indemnities and premiums are forecast to rise in 2017.**

- **Total production expenses are forecast to remain stable, after falling for two straight years.** Since 2014, feed and livestock/poultry purchase expenses have been declining and are forecast to be down again, while fuels and oils expenses are forecast to rise.

- **Declining farm sector assets (down 1.1 percent) and rising debt (up 5.2 percent) are forecast to erode sector equity by 2.1 percent.**

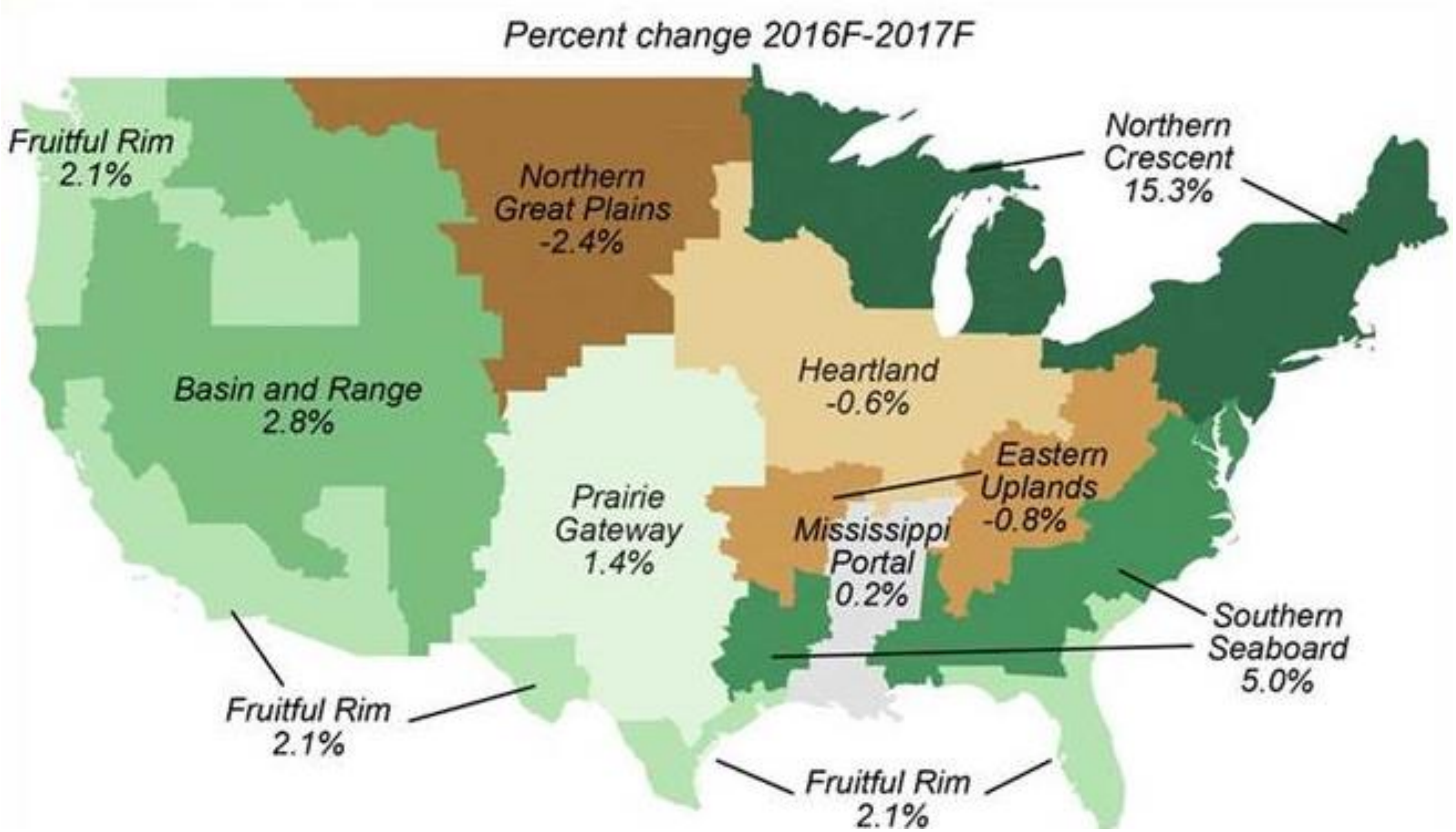
Net farm income forecast to decline in 2017, lowest since 2002 after adjusting for inflation

Net farm income forecast to decline by 8.7% in 2017

Net farm income is more inclusive measure of sector well-being than net cash farm income.

F= Forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of February 7, 2017

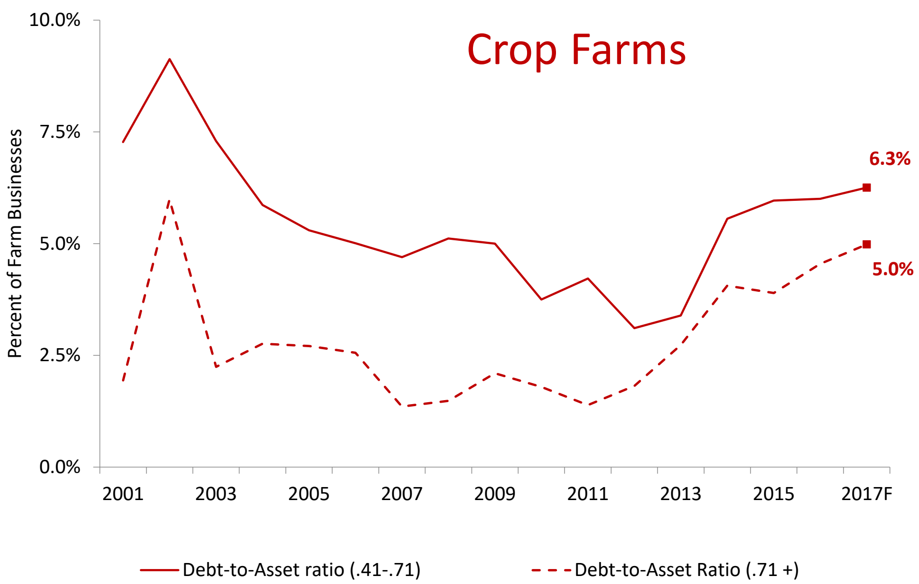
Net Cash Income for farm businesses largely up in dairy/cotton regions, down in cattle/calf regions

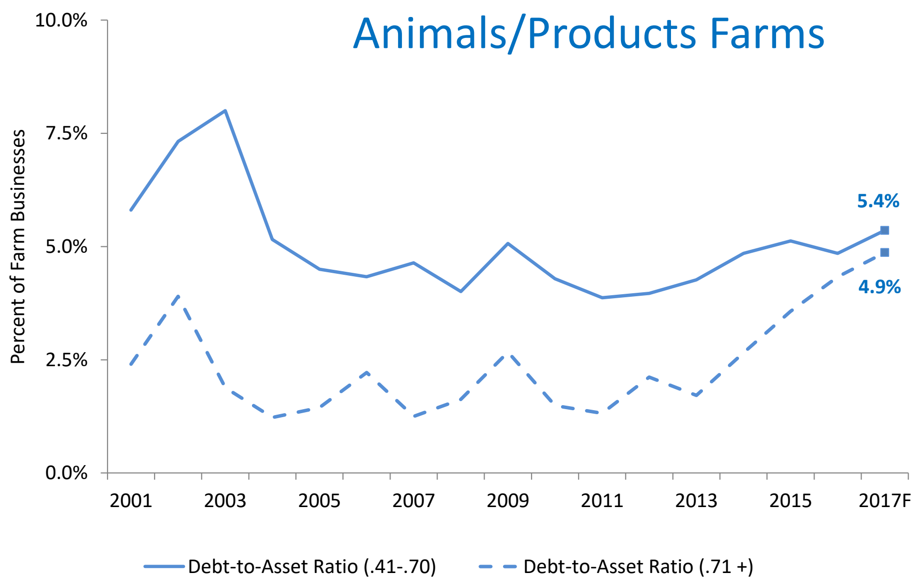


The partial budget forecast model is based on the 2015 Agricultural Resource Management Survey (ARMS using parameters from the sector forecasts. The model is static and does not account for changes in crop rotation, weather, and other location-based production impacts that occurred after the base year. Data as of February 7, 2017. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics

Share of highly leveraged farms increasing since 2013

- Shares of farms with high and very high leverage levels has increased as farm incomes have fallen.
- With exception of Animals/Products farms with 0.71+ debt to asset, share is below 2002 peak





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