Farm Financial Outlook

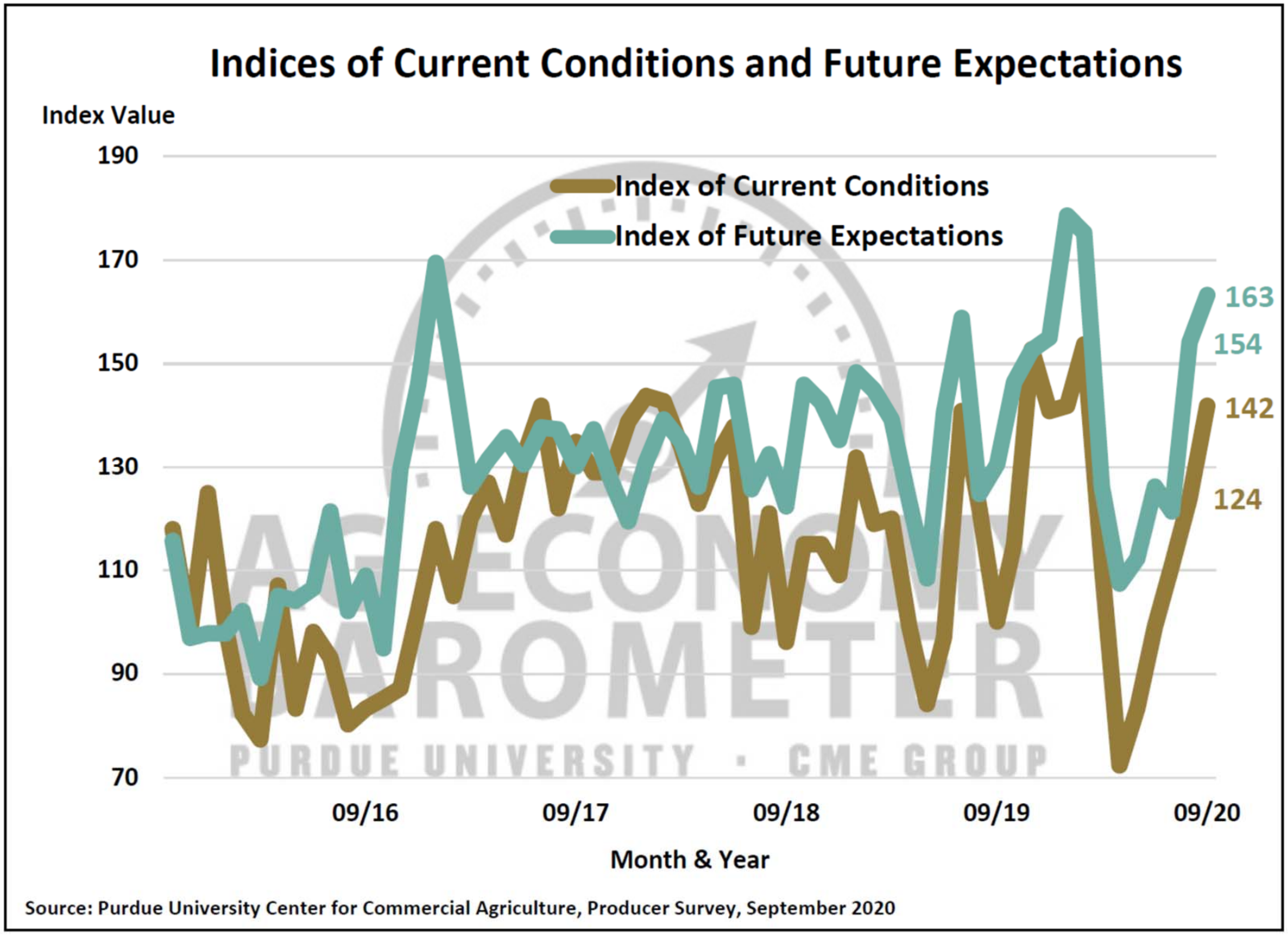
Bryon Parman

Cell – 701-261-5919

Bryon.Parman@ndsu.edu

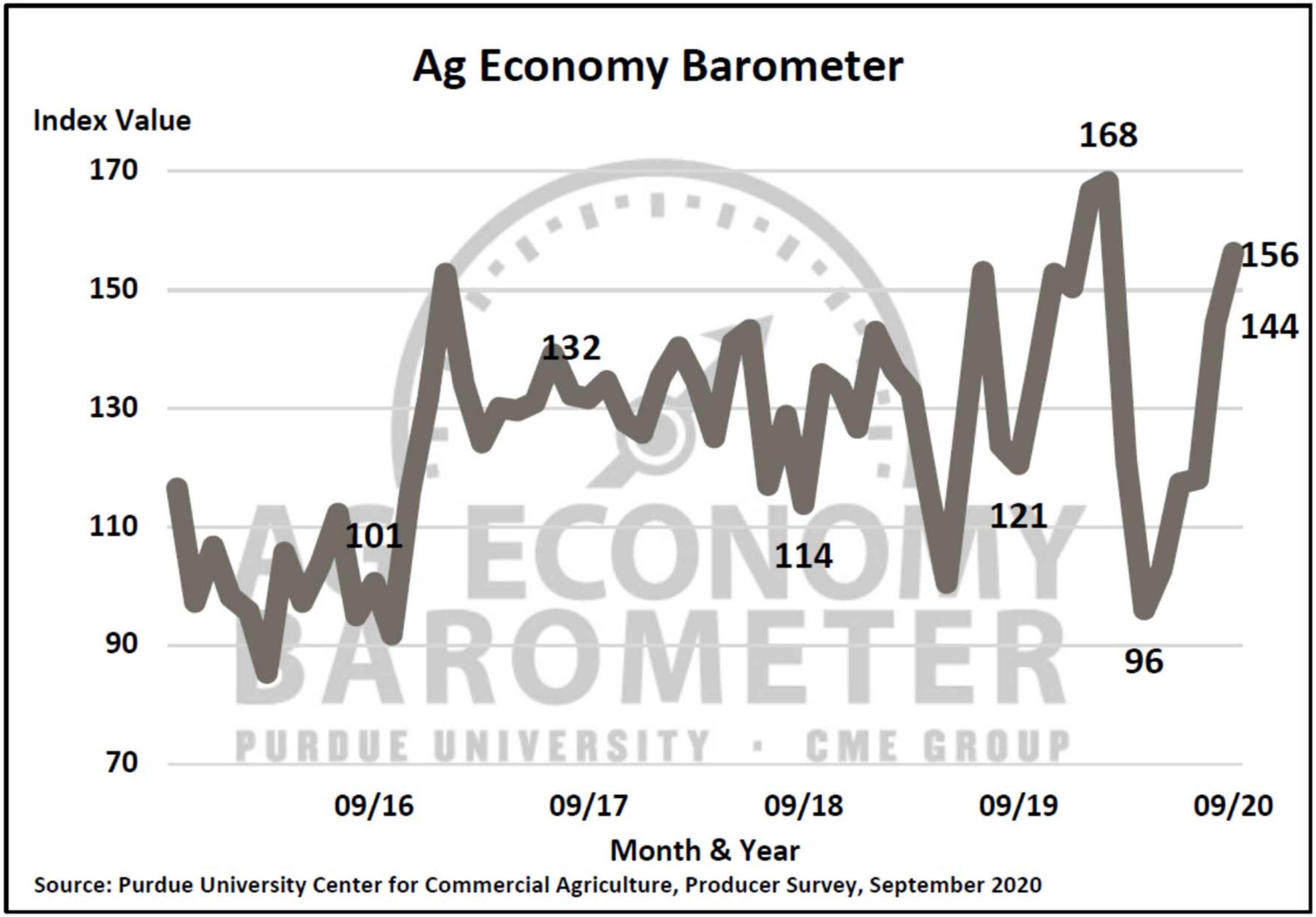
NDSU | EXTENSION AGRIBUSINESS

Purdue University and CME Group Ag. Economy Barometer



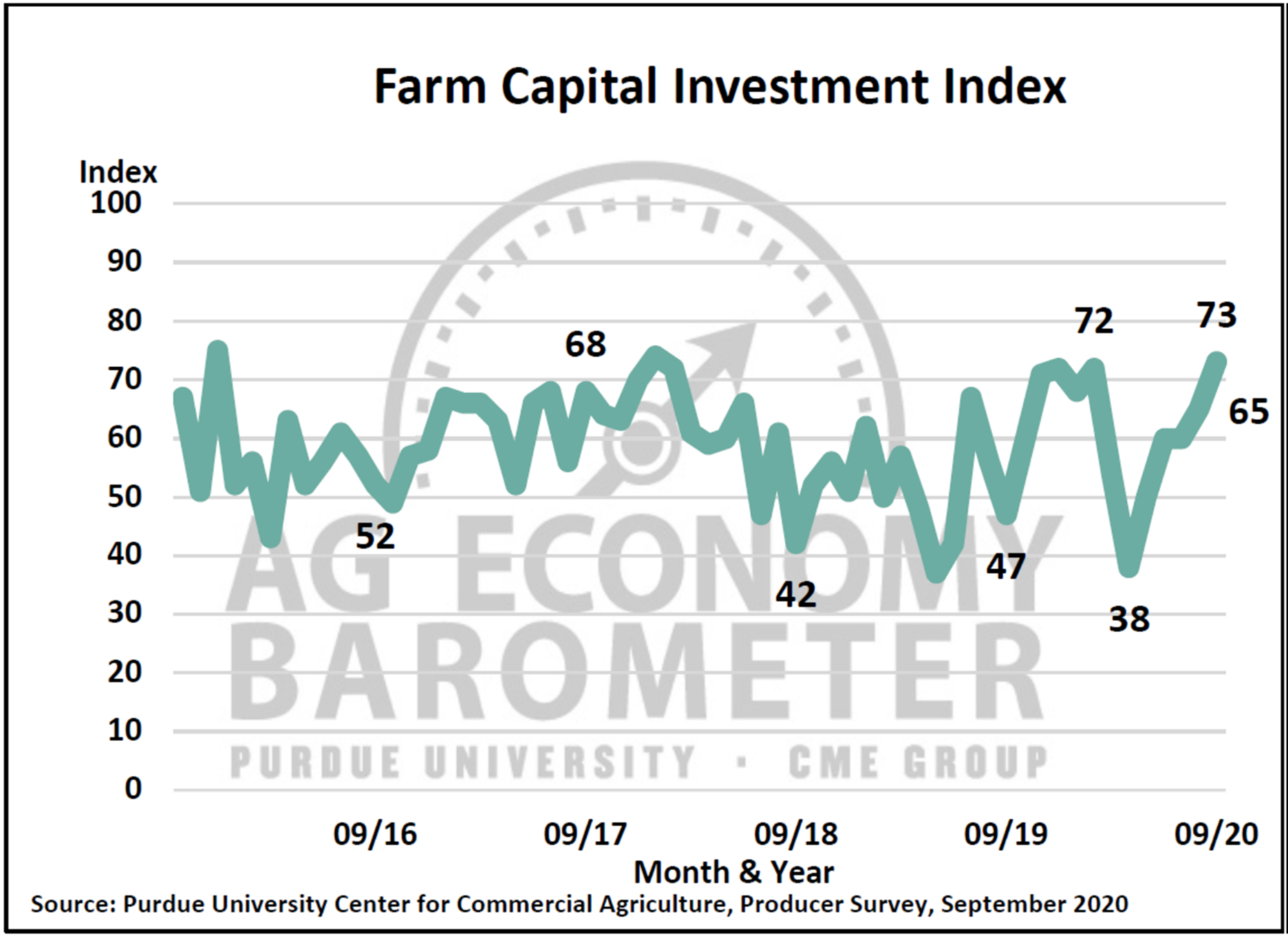
NDSU

Purdue University and CME Group Ag. Economy Barometer



NDSU

Purdue University and CME Group Ag. Economy Barometer



NDSU

	MN	MT	**ND**	SD	WI	Ninth District
Percent of respondents who reported **decreased levels** for the past three months compared with the same period last year:						
Rate of loan repayments	33	33	**–**	25	–	35
Net farm income	81	83	**90**	94	60	85
Farm household spending	52	50	**60**	50	40	53
Farm capital spending	74	83	**80**	88	60	78
Loan demand	20	33	**10**	6	20	15

	MN	MT	ND	SD	WI	Ninth District
Percent of respondents who reported **increased levels** for the past three months compared with the same period last year:						
Loan renewals or extensions	52	17	**60**	38	40	37
Referrals to other lenders	8	17	**–**	6	–	6
Amount of collateral required	15	–	**10**	56	20	22
Loan demand	26	–	**35**	25	20	26

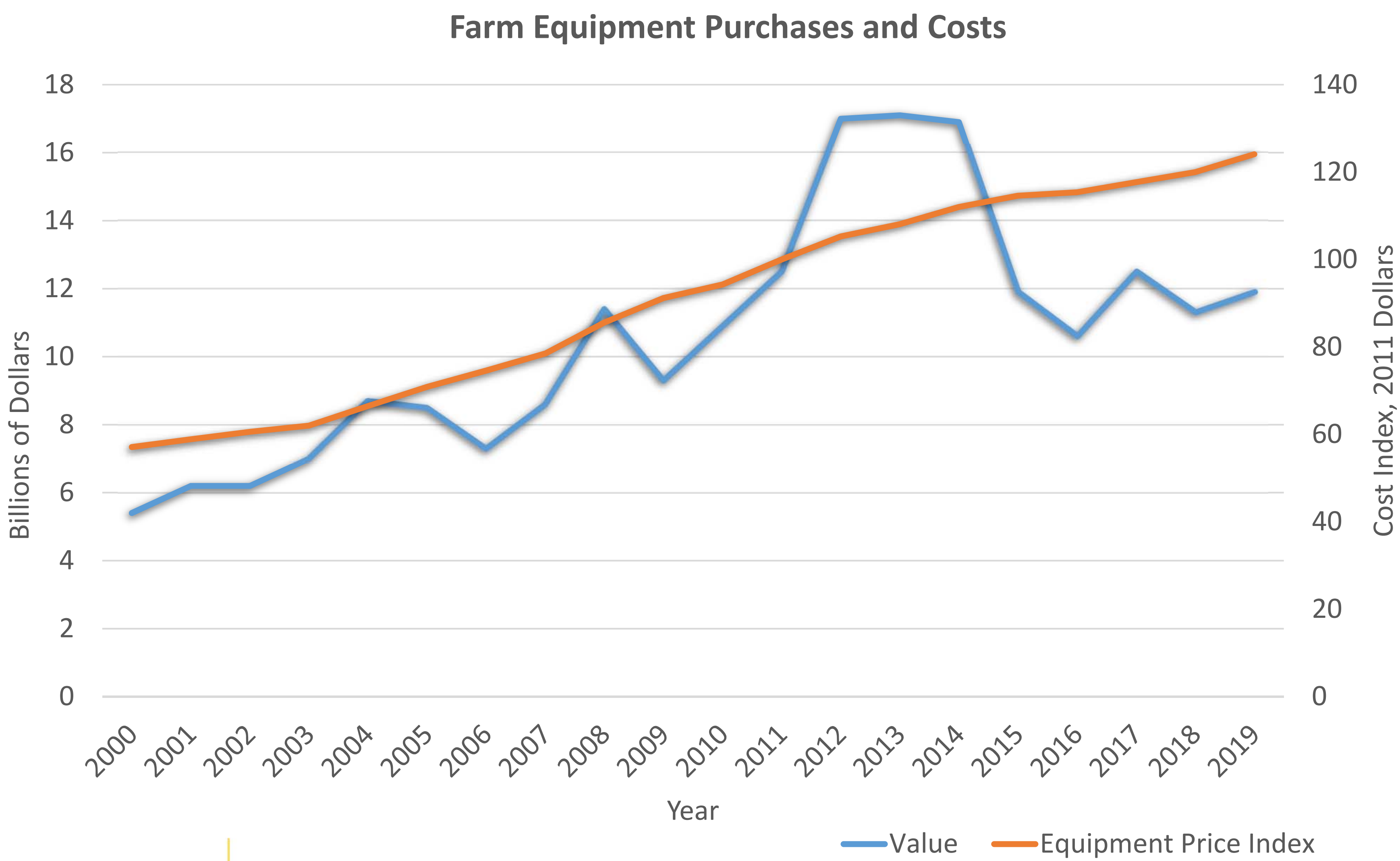
	MN	MT	**ND**	SD	WI	Ninth District
Percent of respondents who **expect decreased** levels for the next three months:						
Rate of loan repayments	33	50	**45**	40	–	37
Net farm income	81	83	**70**	81	40	76
Farm household spending	48	67	**55**	44	20	49
Farm capital spending	74	83	**65**	81	40	72
Loan demand	19	–	**20**	19	–	16

	MN	MT	**ND**	SD	WI	Ninth District
Percent of respondents who expect **increased** levels for the next three months:						
Loan renewals or extensions	56	67	**35**	25	20	42
Referrals to other lenders	11	–	**11**	7	–	16
Amount of collateral required	15	33	**5**	31	–	8
Loan demand	44	67	**40**	44	20	43

Production Costs

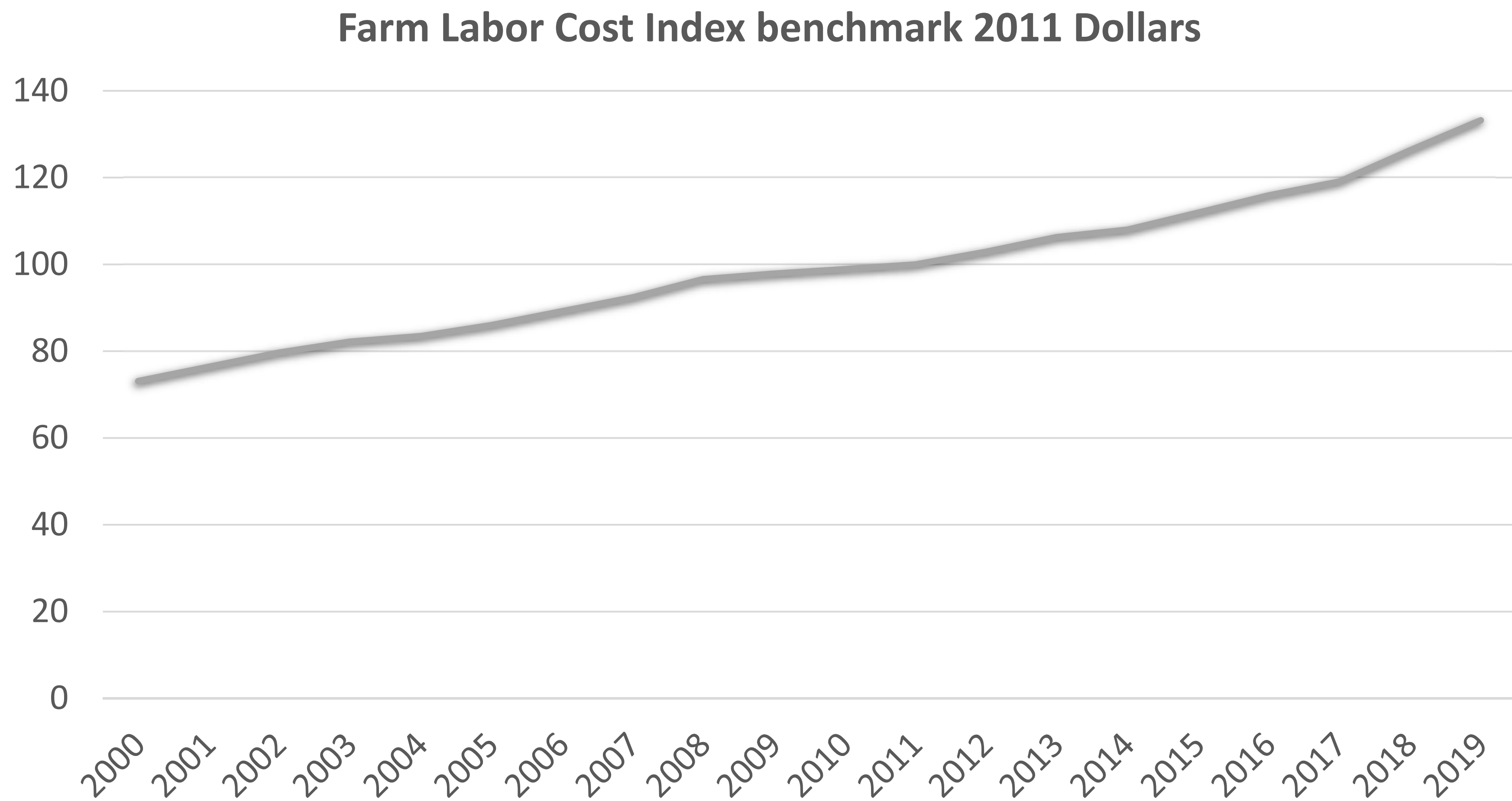
- Equipment
- Labor
- Fertilizer
- Interest Rates
- Chemicals
- Propane
- Feed

Production Costs - Equipment

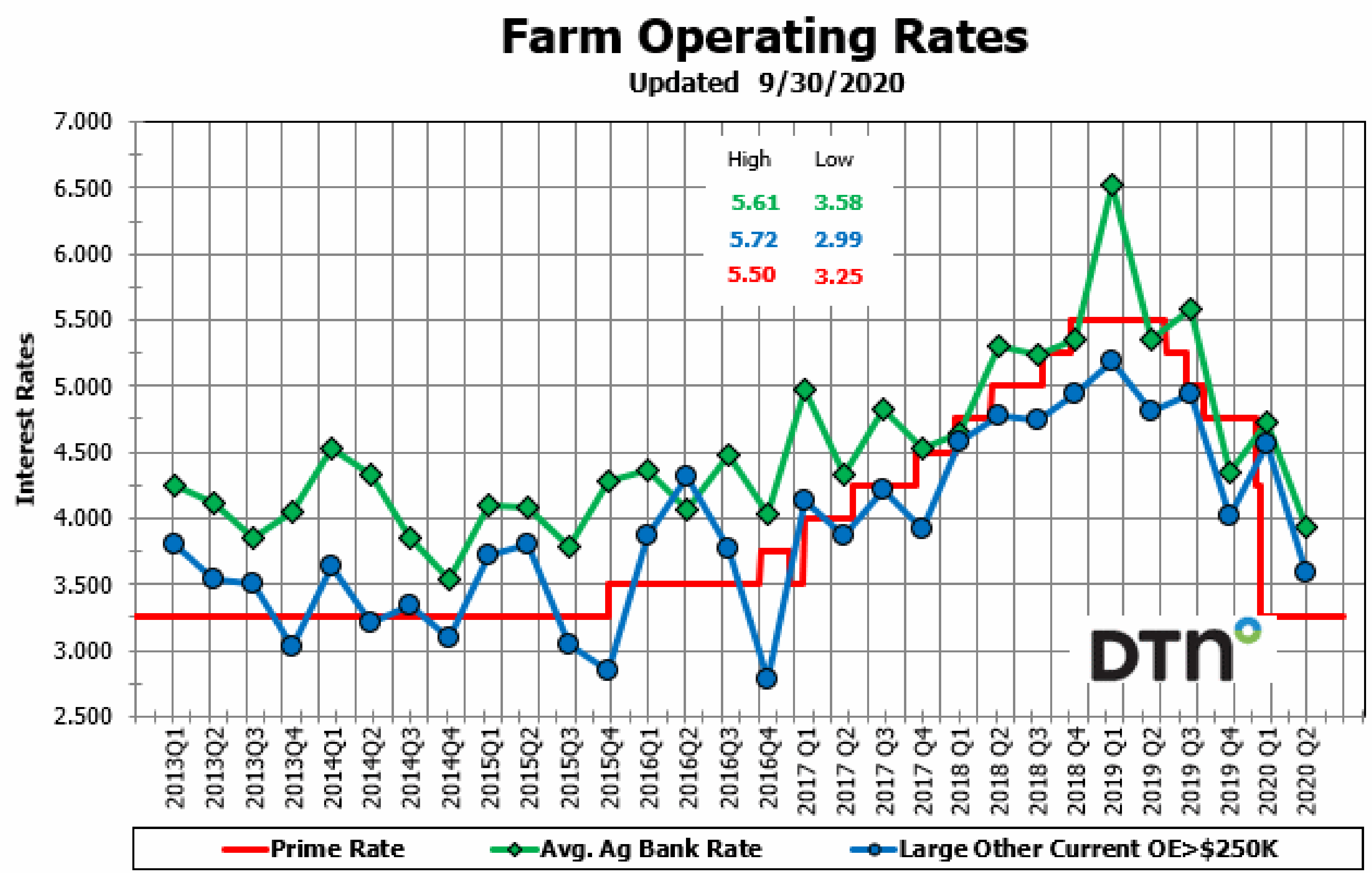


NDSU | EXTENSION AGRIBUSINESS

Production Costs - Labor



NDSU | EXTENSION AGRIBUSINESS

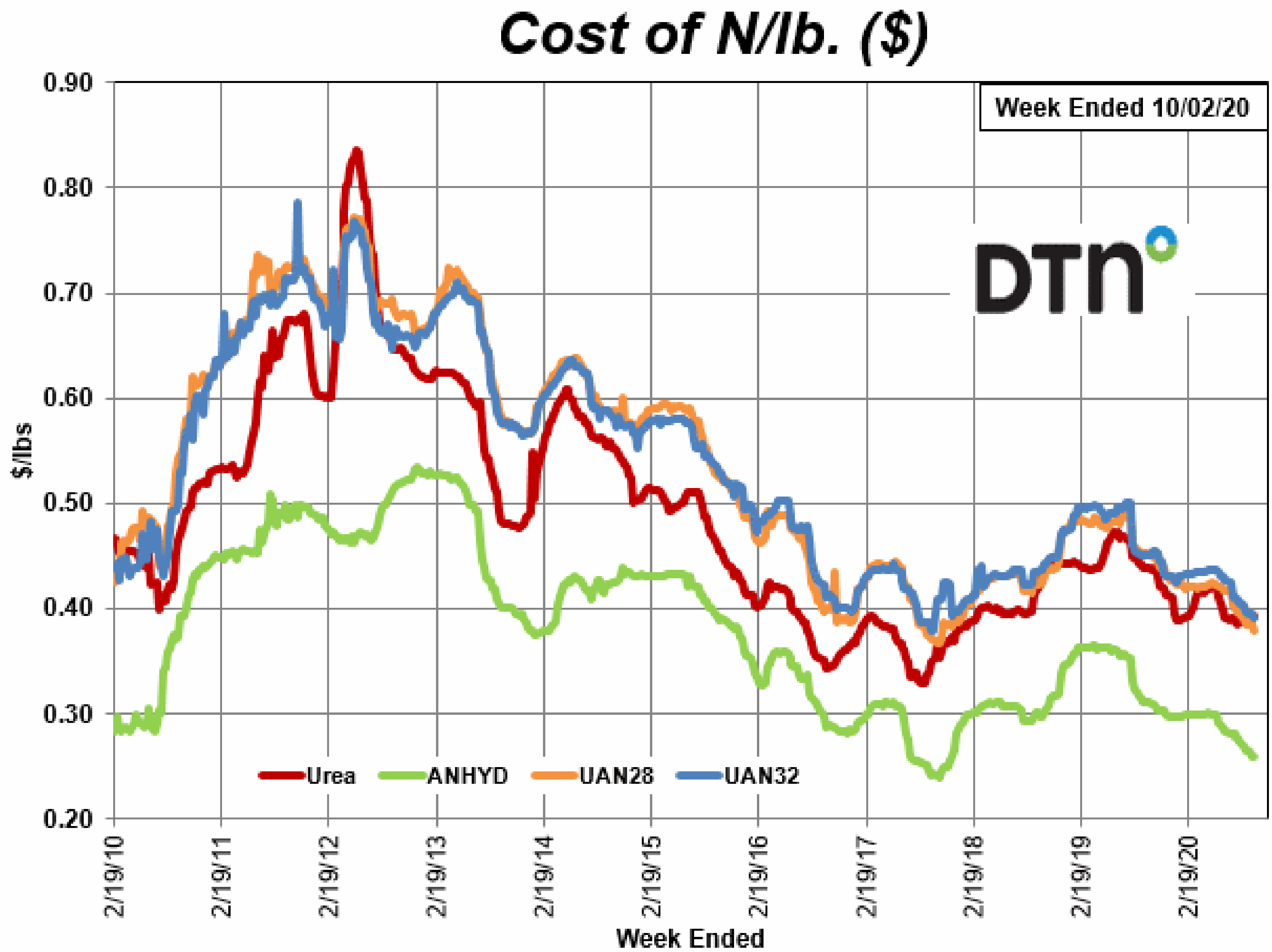


Farm operating rates remain near 60-year lows. Farm lenders with >$25 million farm portfolios discount rates even further for loans >$250K.

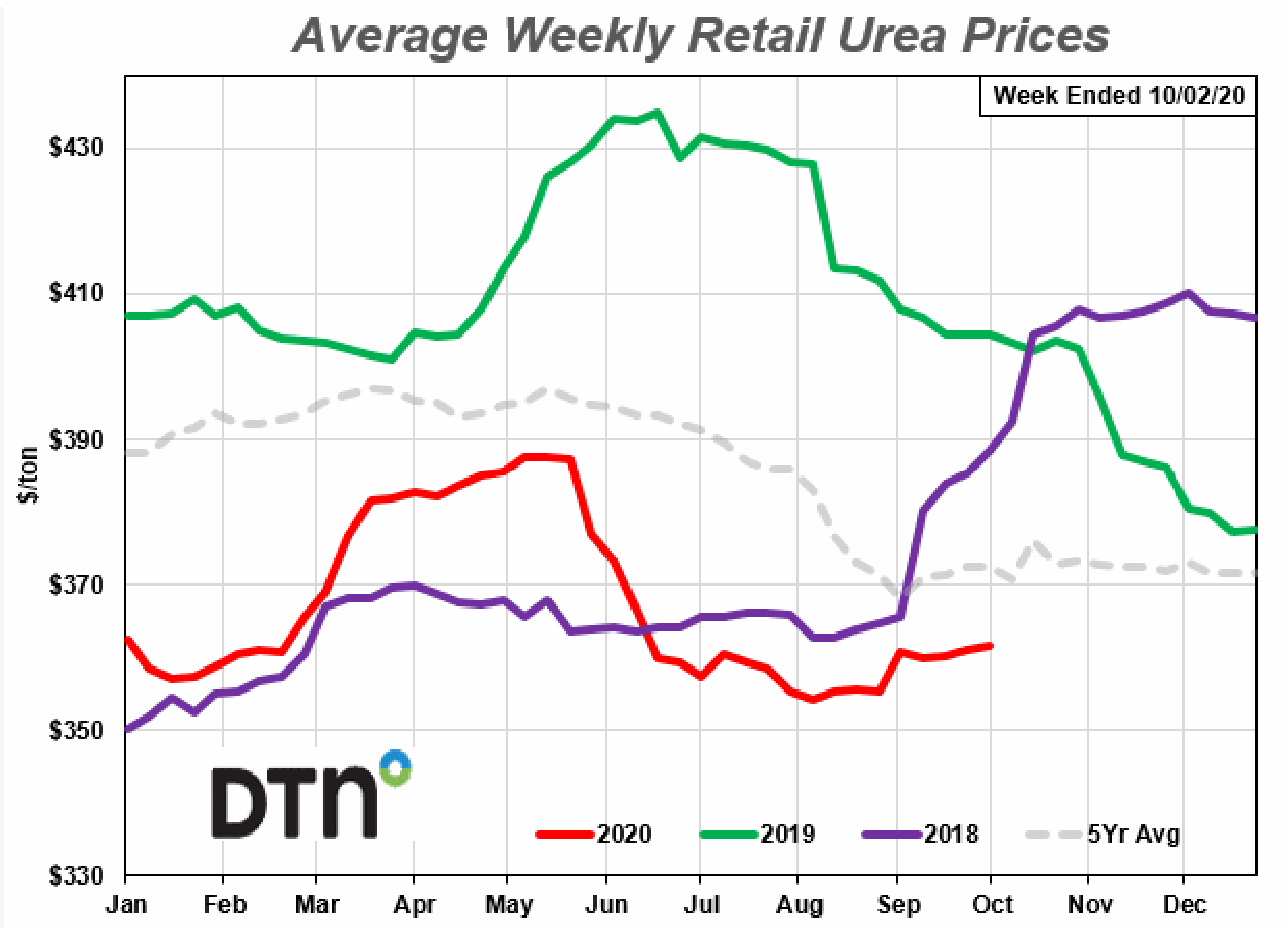
Source: DTN and Federal Reserve Data

NDSU EXTENSION AGRIBUSINESS

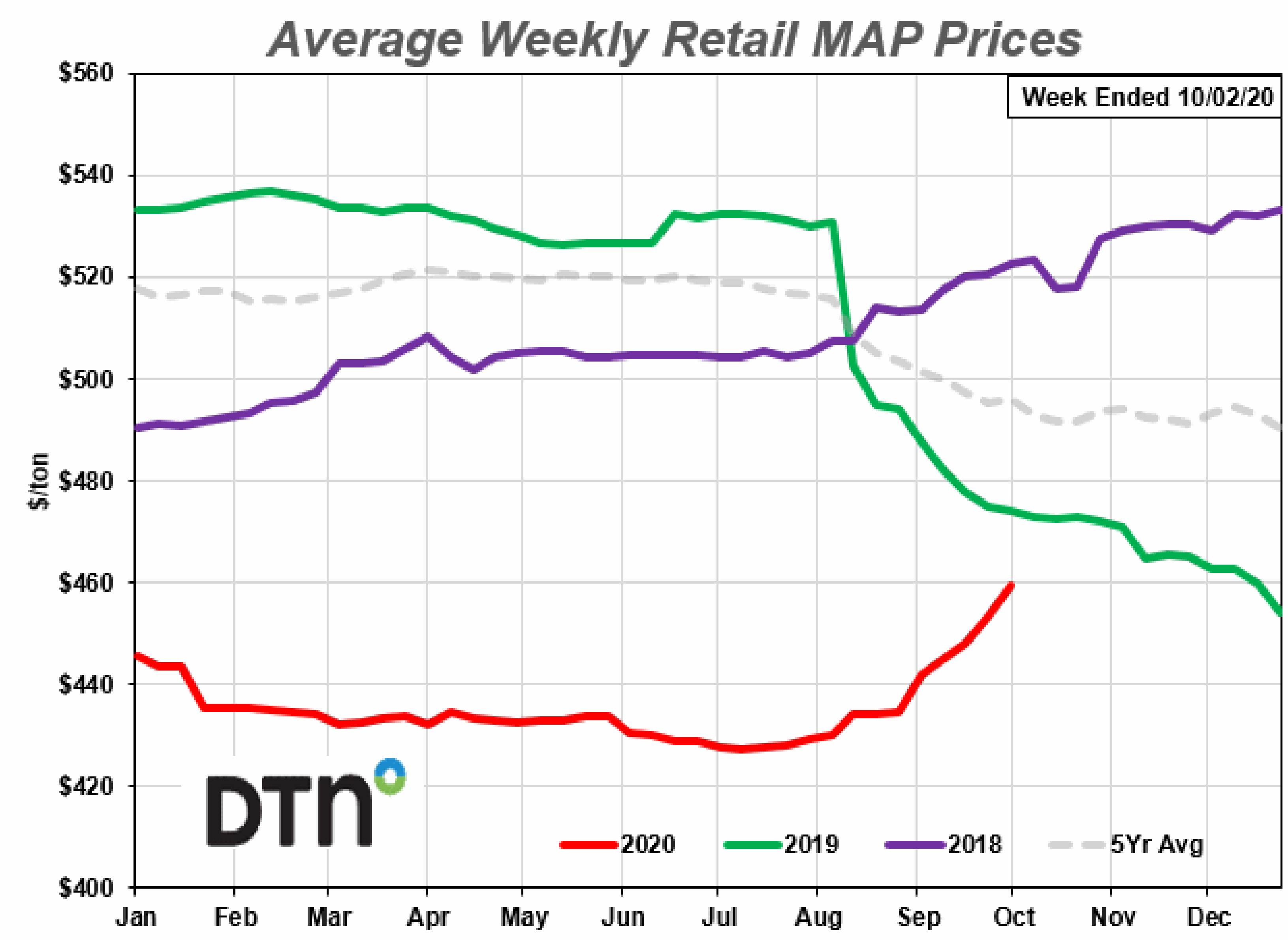
Agricultural Interest rates from the Federal Reserve Bank of Minneapolis, Quarterly Survey of Agricultural Credit Conditions							
		Operating		Machinery		Real Estate	
		Fixed	Var.	Fixed	Var.	Fixed	Var.
Q3-18	October	6.1	5.9	6.1	5.8	5.9	5.6
Q4-18	January	6.2	6.0	6.1	5.9	5.9	5.7
Q1-19	April	6.4	6.2	6.2	6.0	6.0	5.8
Q2-19	July	6.3	6.1	6.1	6.0	5.9	5.7
Q3-19	October	6.1	5.9	5.9	5.8	5.7	5.5
Q4-19	January	5.8	5.7	5.7	5.6	5.5	5.3
Q1-20	April	5.3	5.1	5.2	5.1	4.9	4.8
Q2-20	July	5.1	4.9	5.0	4.8	4.8	4.6



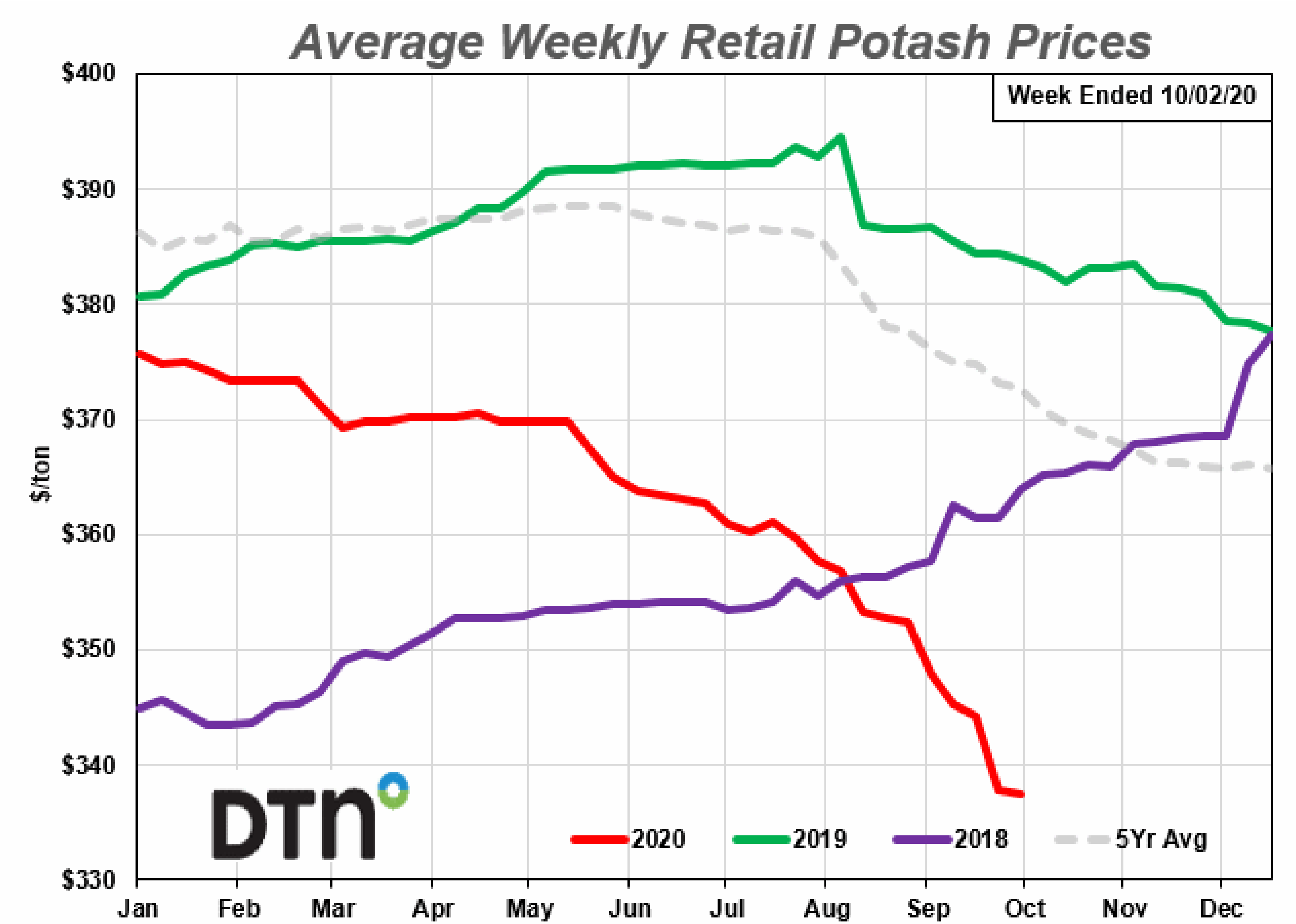
NDSU EXTENSION AGRIBUSINESS



NDSU | EXTENSION AGRIBUSINESS



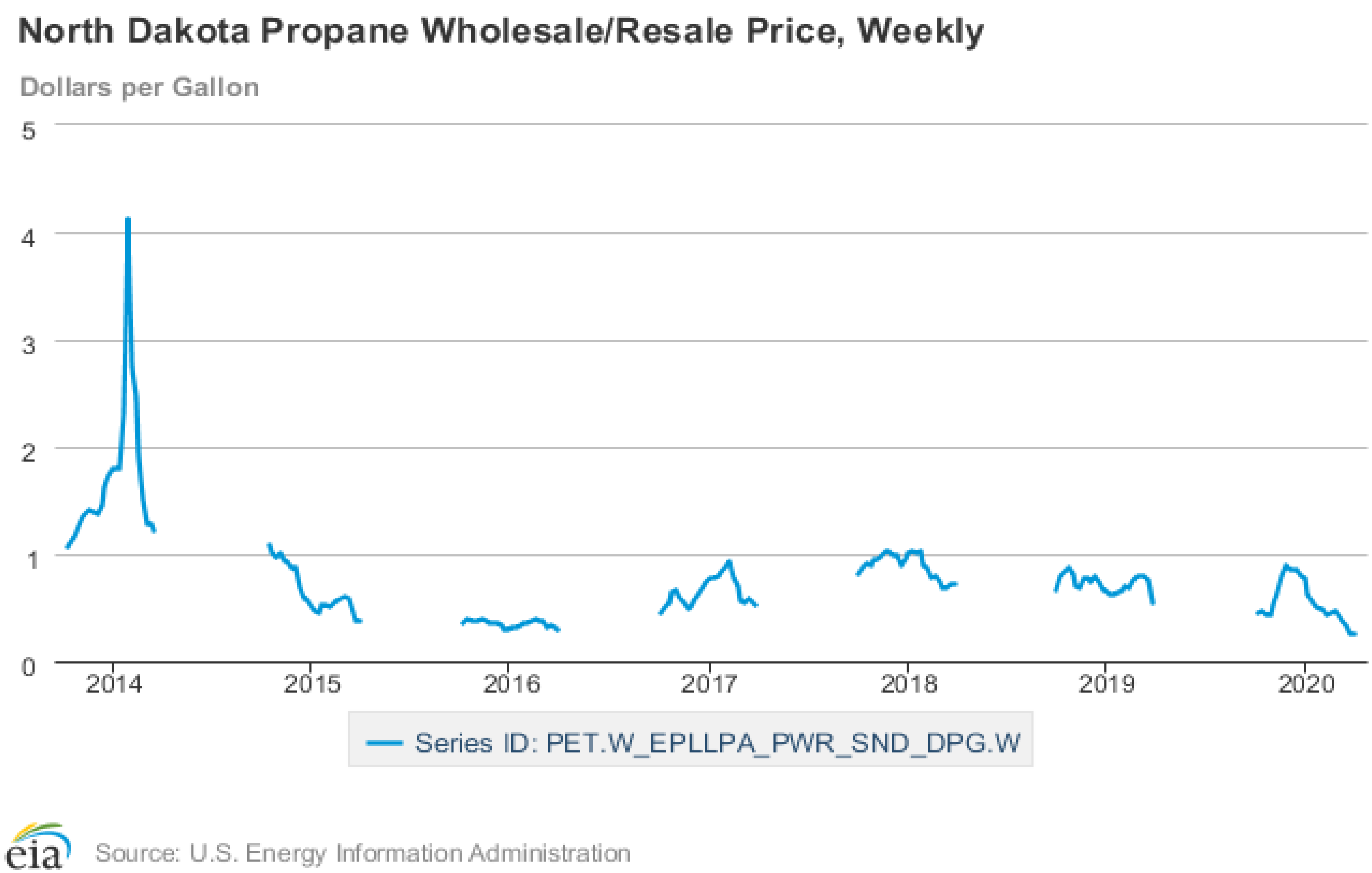
NDSU EXTENSION AGRIBUSINESS



NDSU EXTENSION AGRIBUSINESS

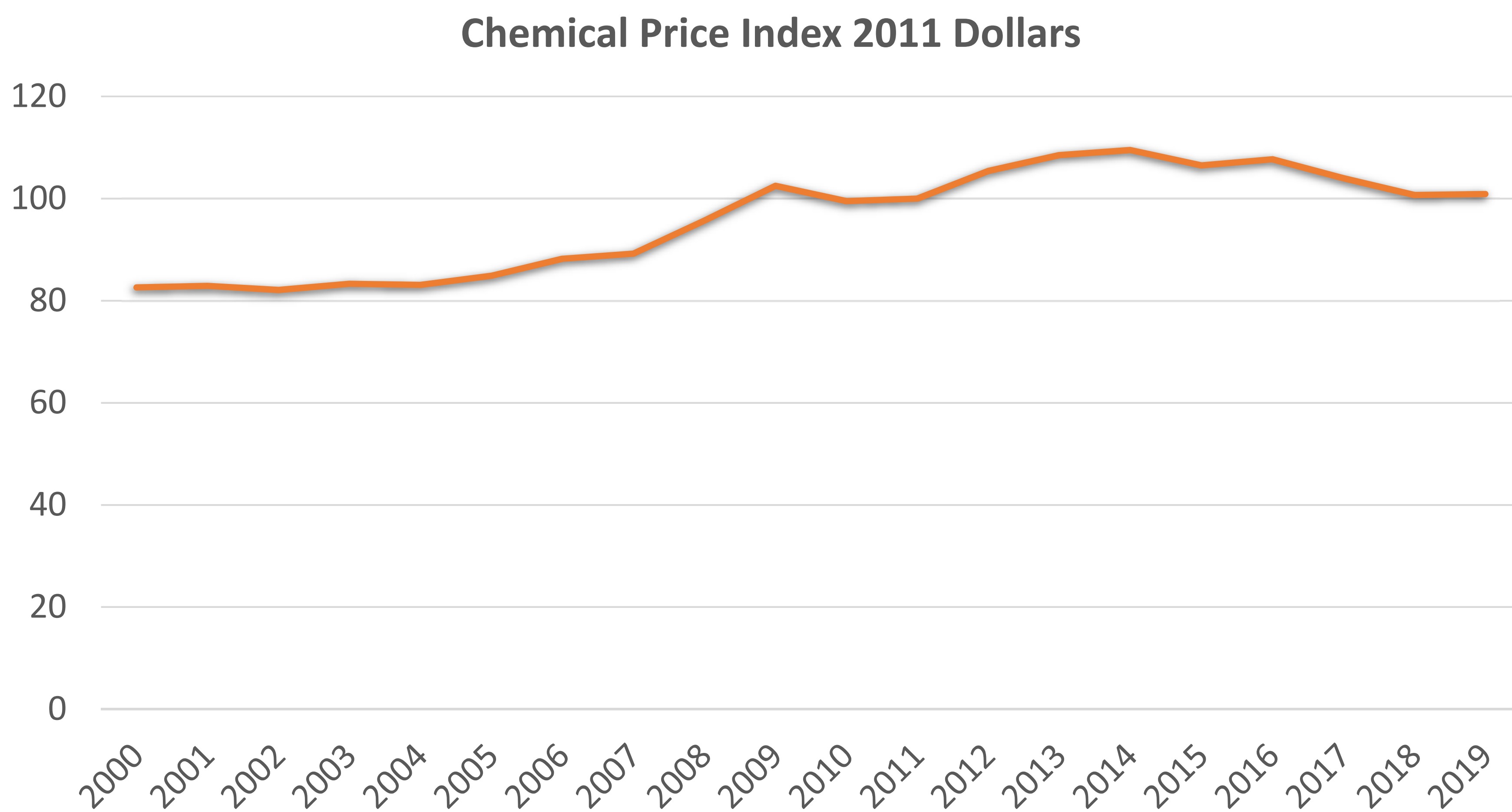
1 Year Fuel Prices - Diesel

EIA Wholesale ND Propane Prices



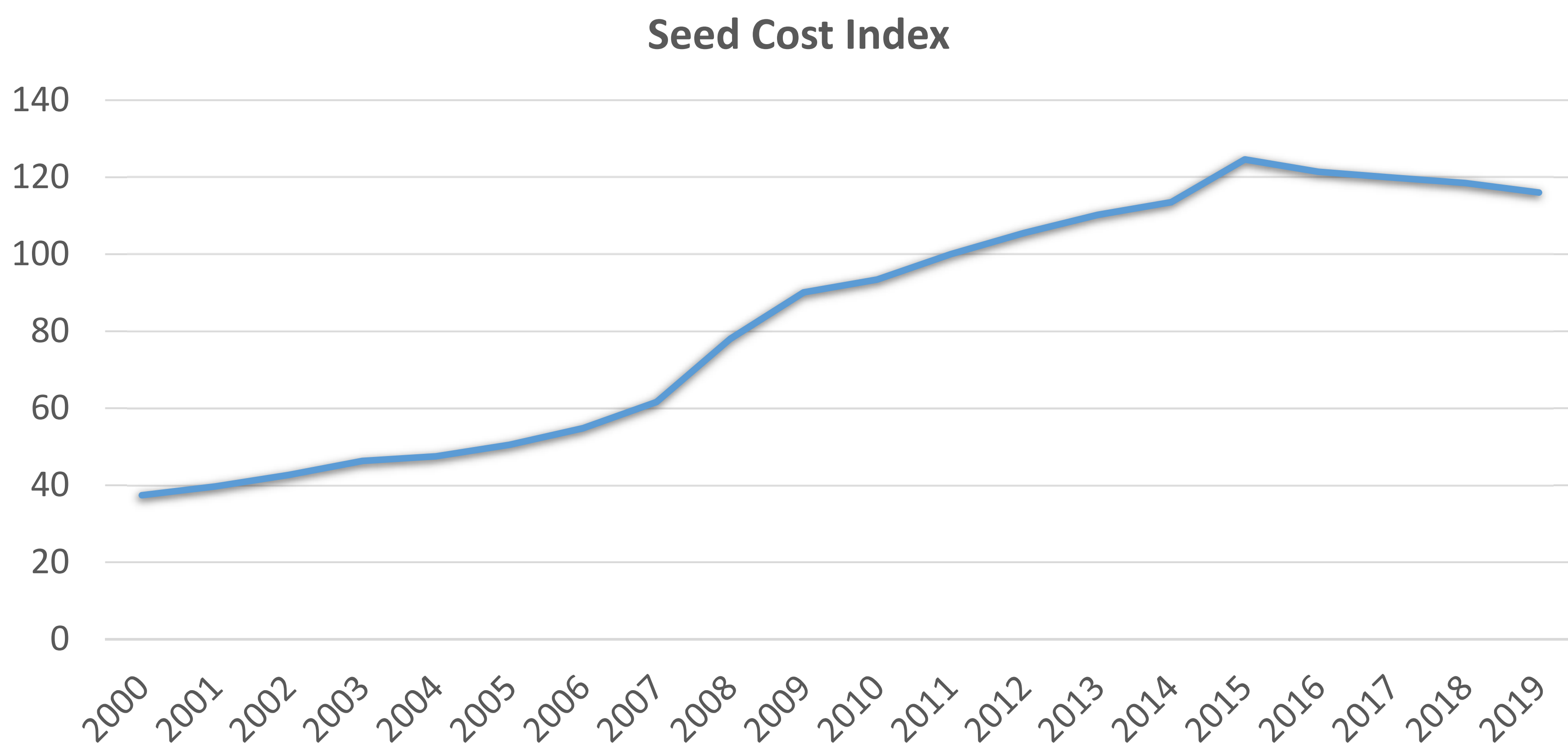
NDSU | EXTENSION AGRIBUSINESS

Chemical Price Index



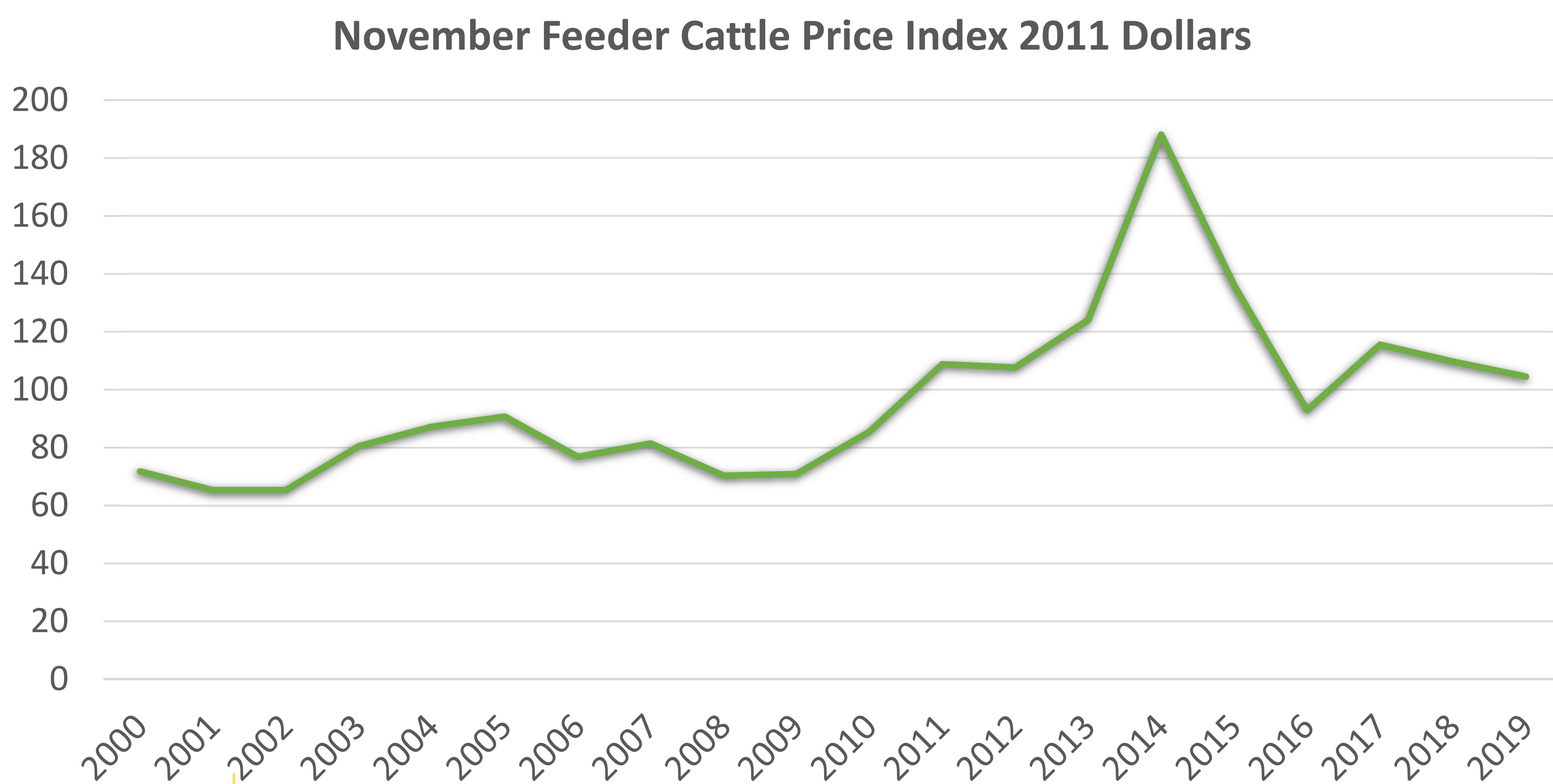
NDSU | EXTENSION AGRIBUSINESS

Seed Cost Index in 2011 Dollars



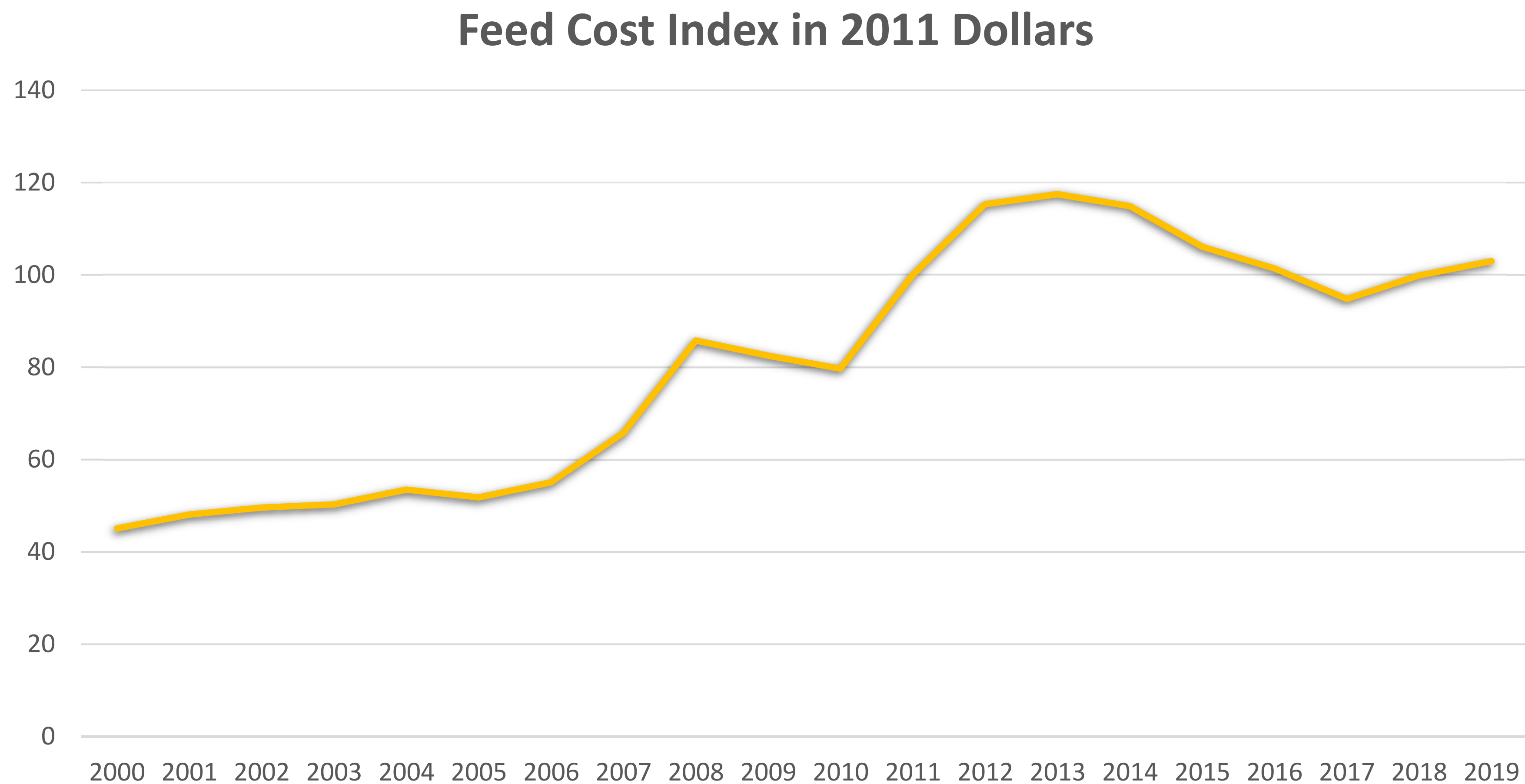
NDSU EXTENSION AGRIBUSINESS

Feeder Calf Index Cost Index



NDSU | EXTENSION AGRIBUSINESS

Animal Feed Cost Index



NDSU | EXTENSION AGRIBUSINESS

FAPRI (MIZZOU) Farm Production Expense Projections

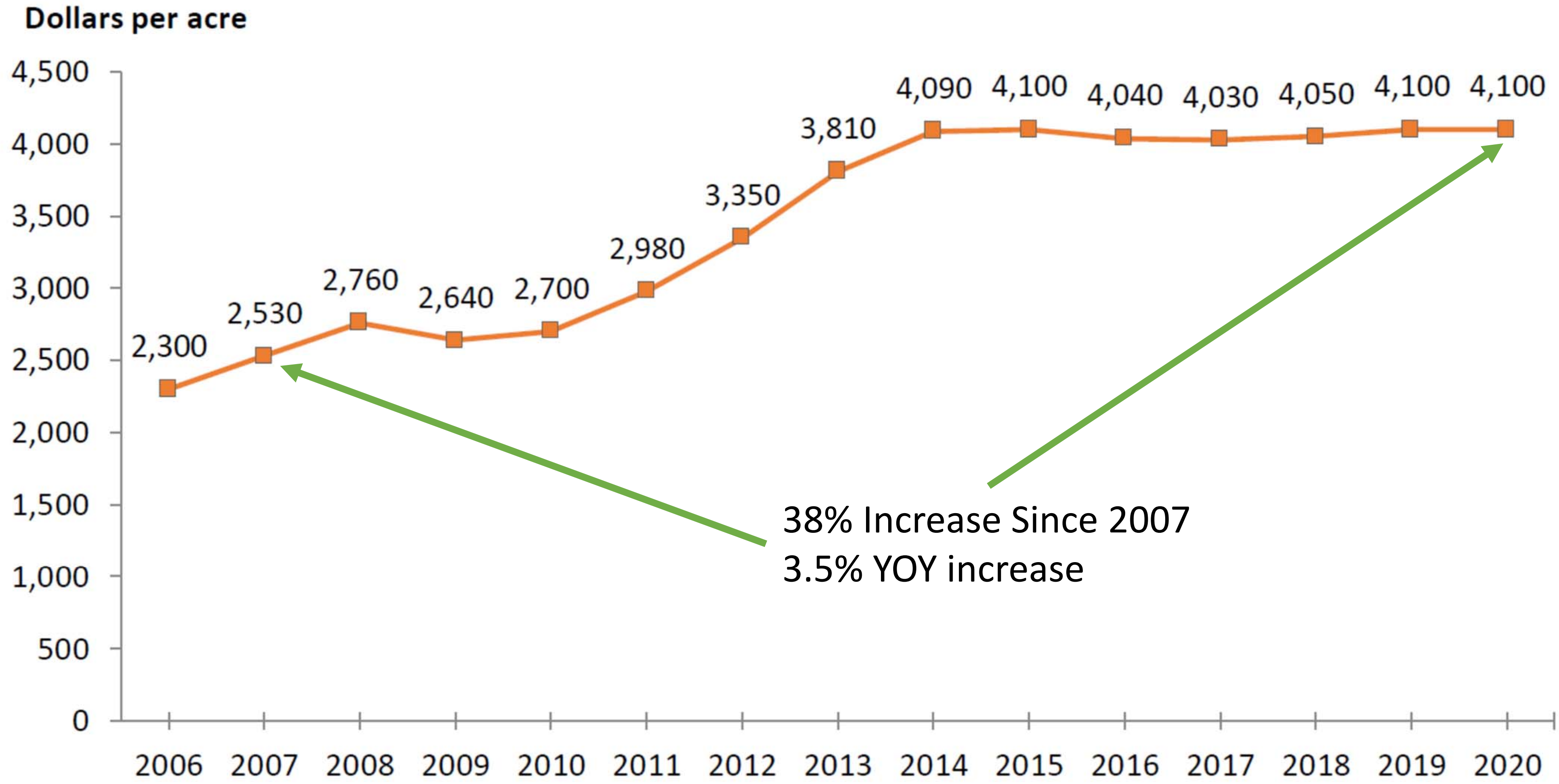
U.S. farm production expenses

Calendar year	2018	2019	2020	2021	2022	2023	2024	2025
				(Billion dollars)				
Feed	53.84	59.44	58.93	58.17	59.74	61.27	62.08	62.63
Purchased livestock	29.15	28.66	26.56	27.14	29.08	30.09	30.53	31.03
Seed	21.92	21.21	21.37	21.24	21.27	21.56	21.97	22.42
Fertilizer and chemicals	38.65	37.85	38.50	39.07	40.56	41.61	42.14	42.96
Fuels and electricity	19.24	18.94	18.09	18.74	20.62	21.79	22.44	23.24
Interest	20.64	20.66	17.63	16.68	16.09	15.72	15.56	15.59
Contract and hired labor	33.80	34.72	35.89	35.99	37.09	38.25	39.41	40.58
Capital consumption	29.93	28.81	28.24	28.15	28.11	28.15	28.31	28.47
Rent to landlords	15.47	16.81	16.70	16.79	16.43	16.40	16.54	16.68
All other	81.18	81.61	82.77	84.24	86.62	88.85	90.64	92.49
Total production expenses	343.81	348.72	344.69	346.20	355.61	363.69	369.62	376.09

Land Values and Cash Rents

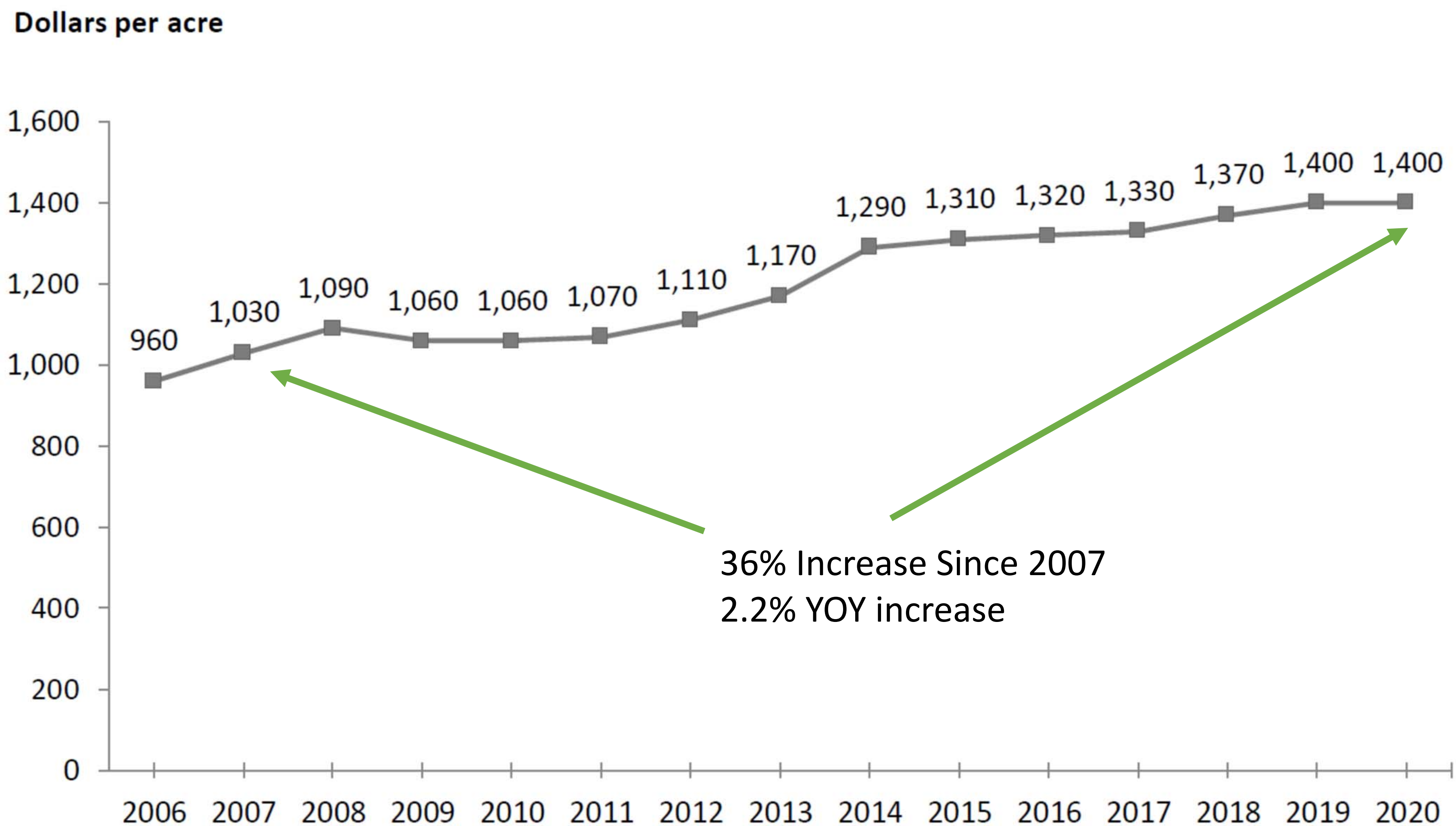
- Have we seen the drop everyone has been expecting for 5 years?
- What are farmers around the country expecting into next year?
- How are new or capital crunched farmers handling potential expansion with high land prices?

Average Cropland Value – United States: 2006-2020



USDA - NASS
August 6, 2020

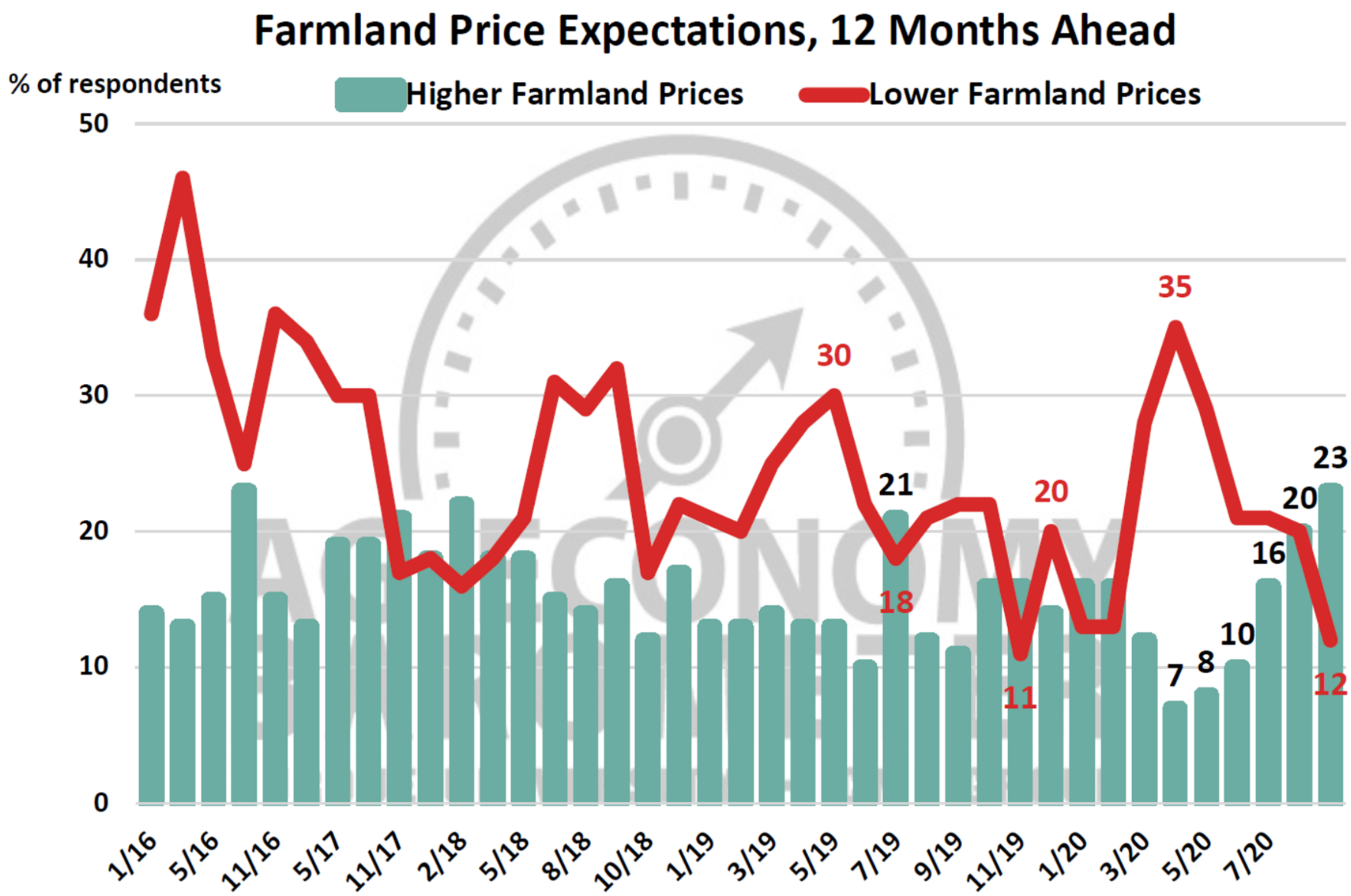
Average Pasture Value – United States: 2006-2020



USDA - NASS
August 6, 2020

NDSU EXTENSION AGRIBUSINESS

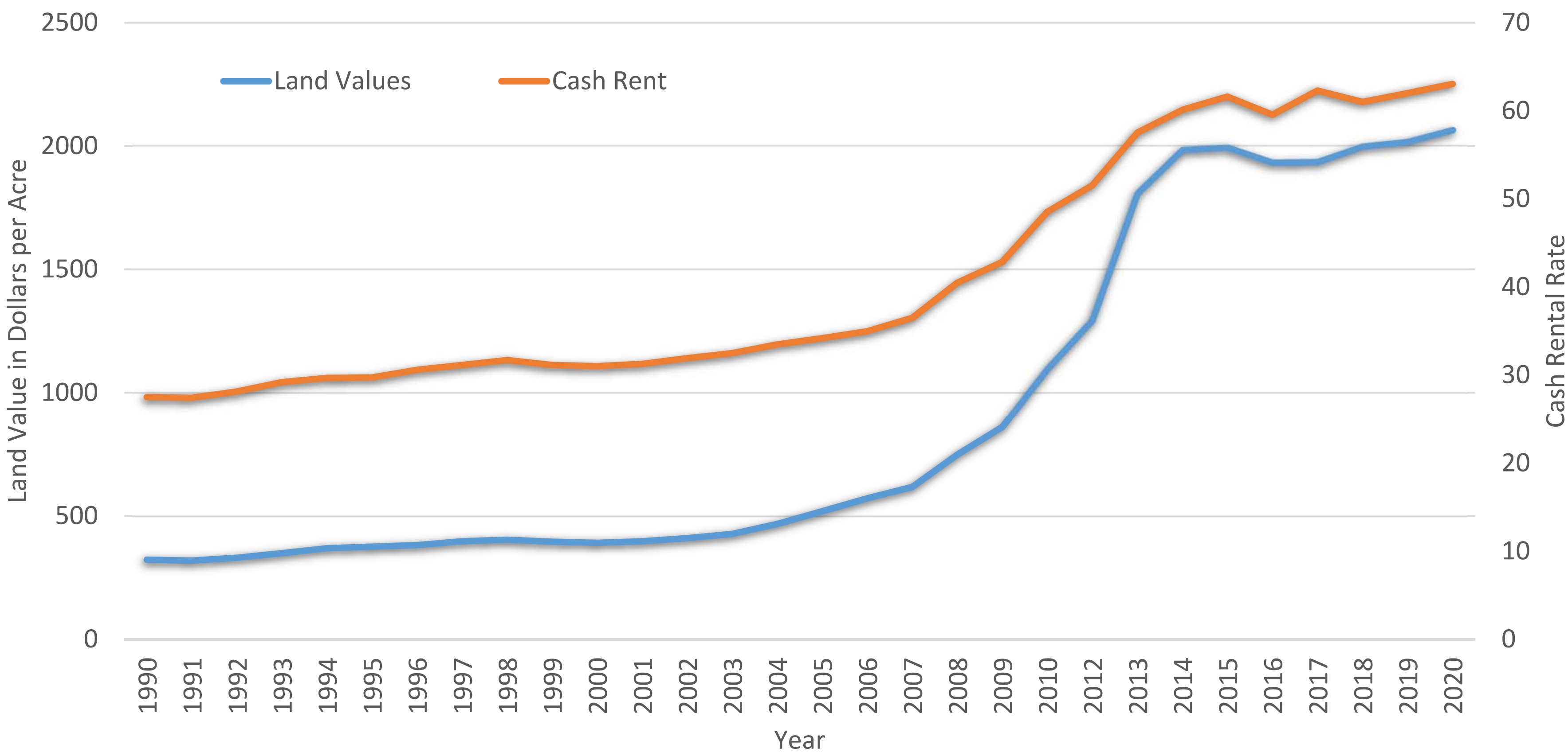
Purdue University and CME Group Ag. Economy Barometer



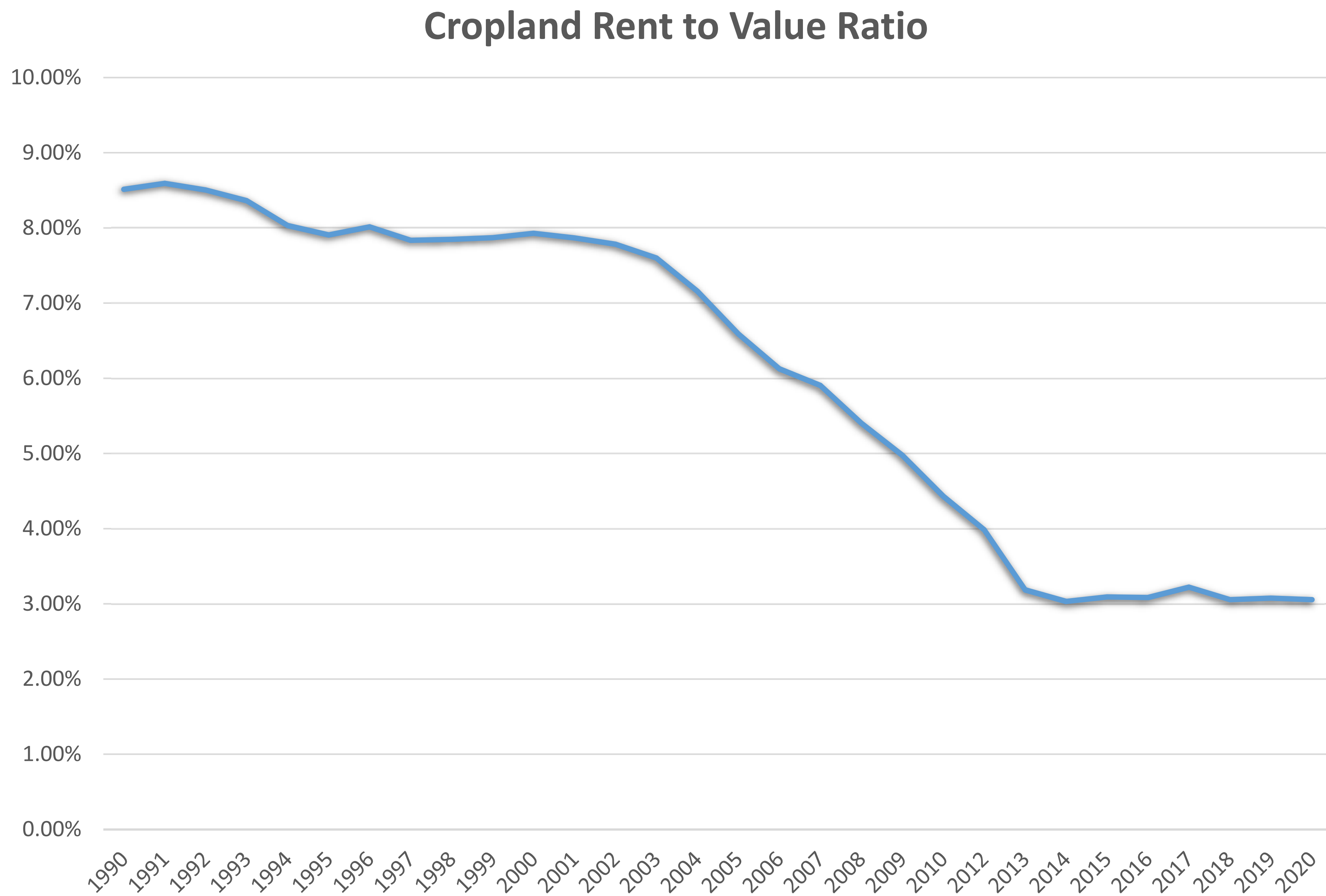
Source: Purdue Center for Commercial Agriculture, Producer Survey, September 2020

NDSU

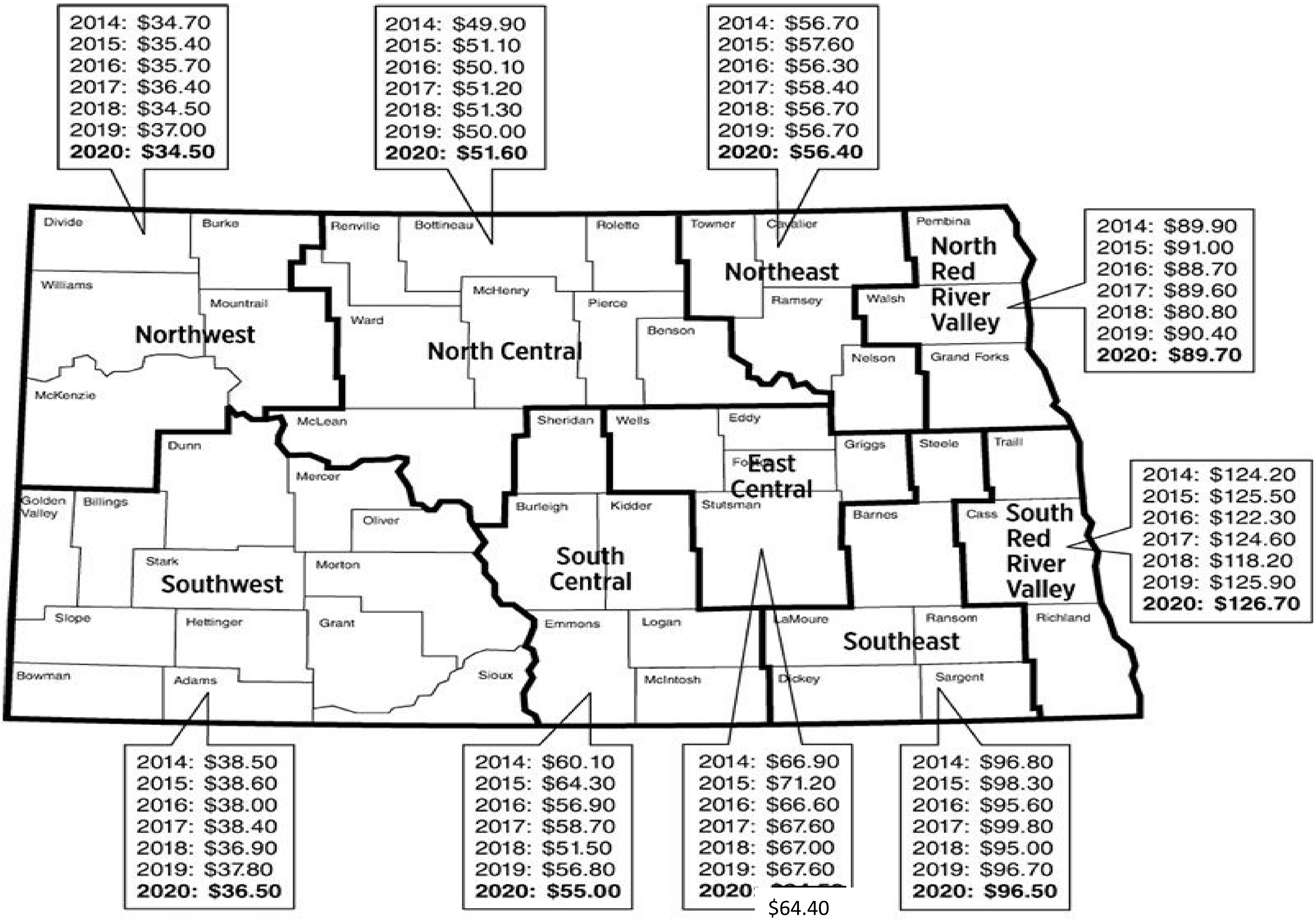
North Dakota Cropland Values and Cash Rents – State Averages



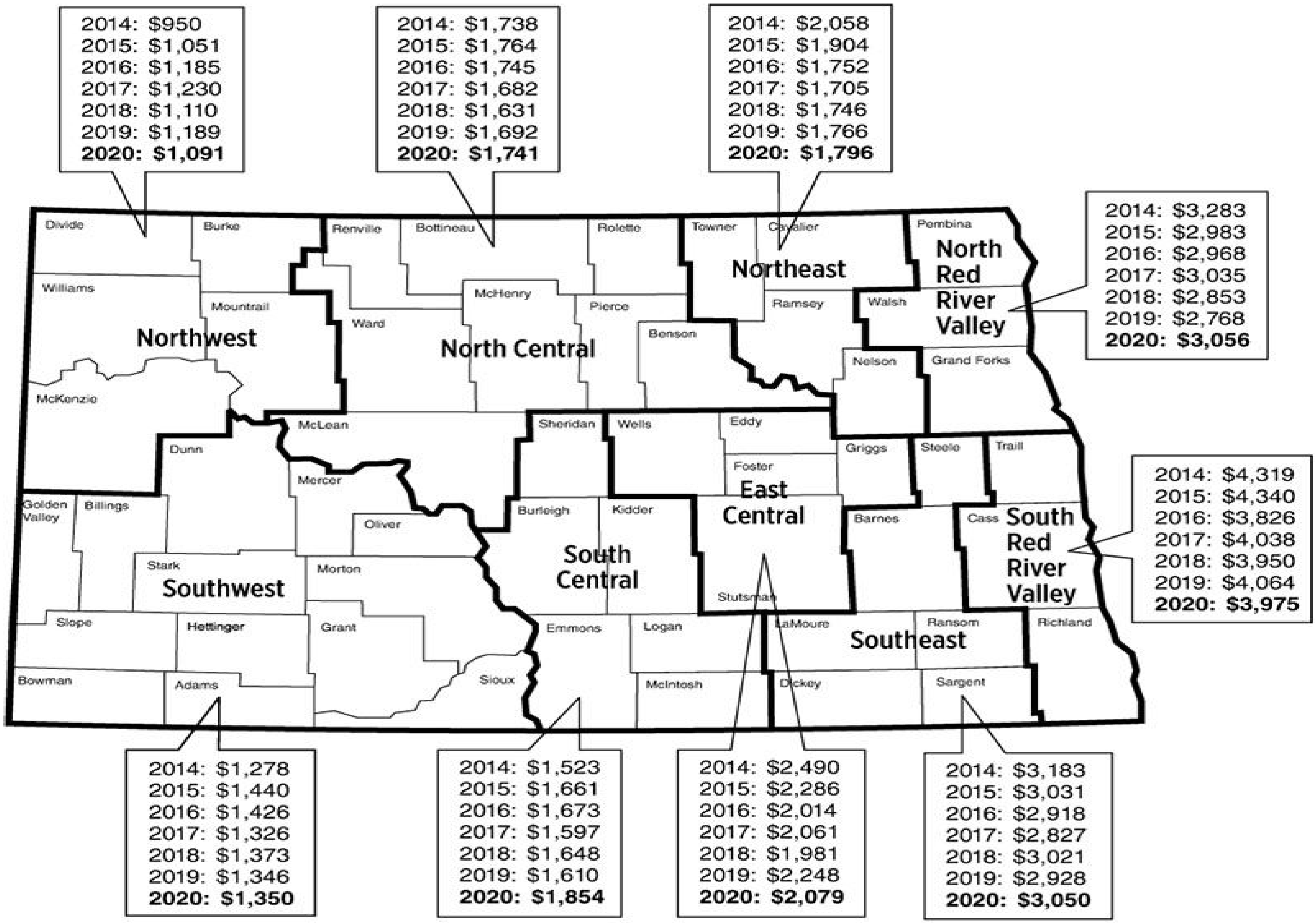
NDSU EXTENSION AGRIBUSINESS



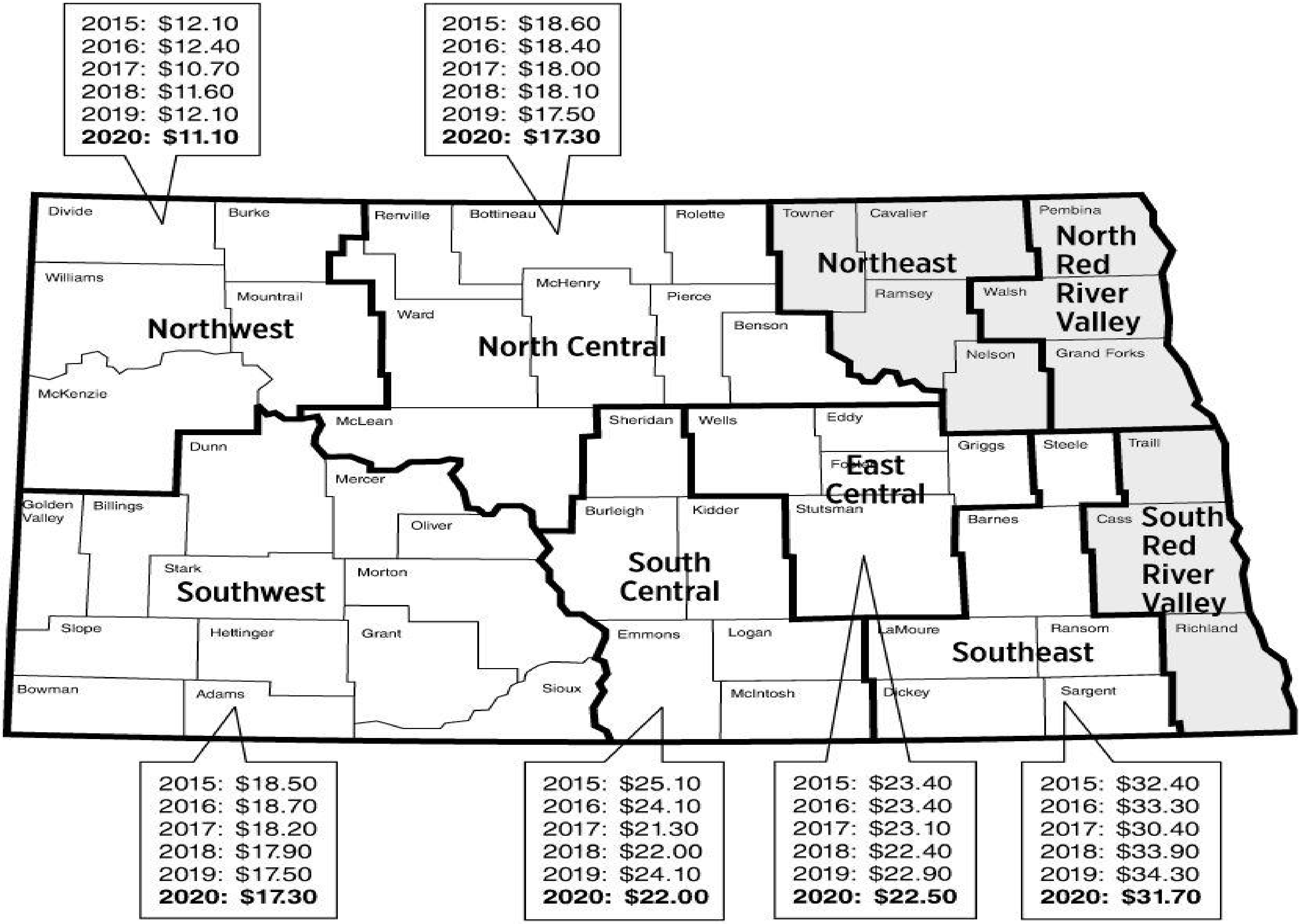
NDSU | EXTENSION AGRIBUSINESS



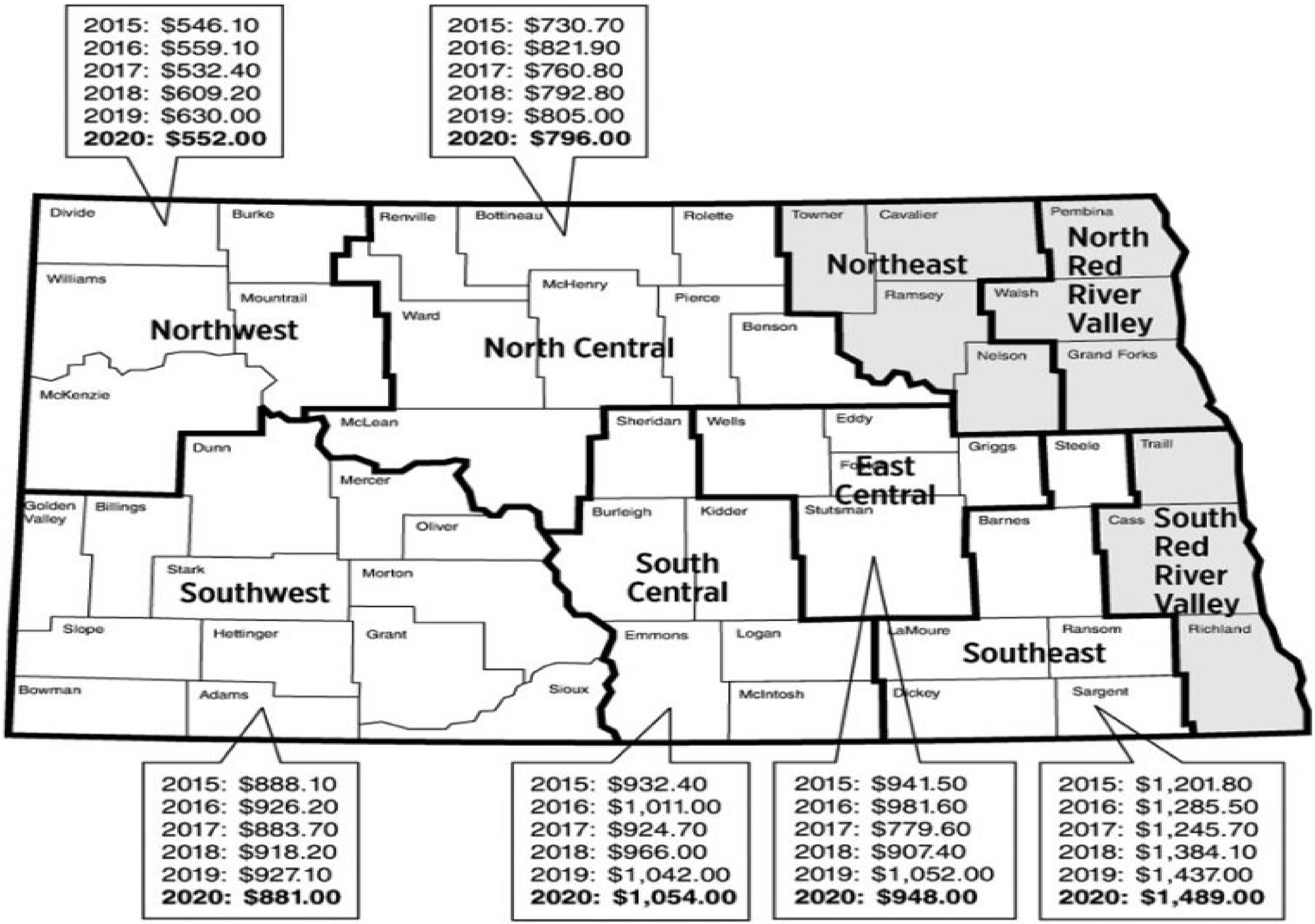
Estimated average cash rent per acre of cropland in North Dakota from 2014 to 2020.



Estimated average per-acre values of cropland in North Dakota from 2014 to 2020.

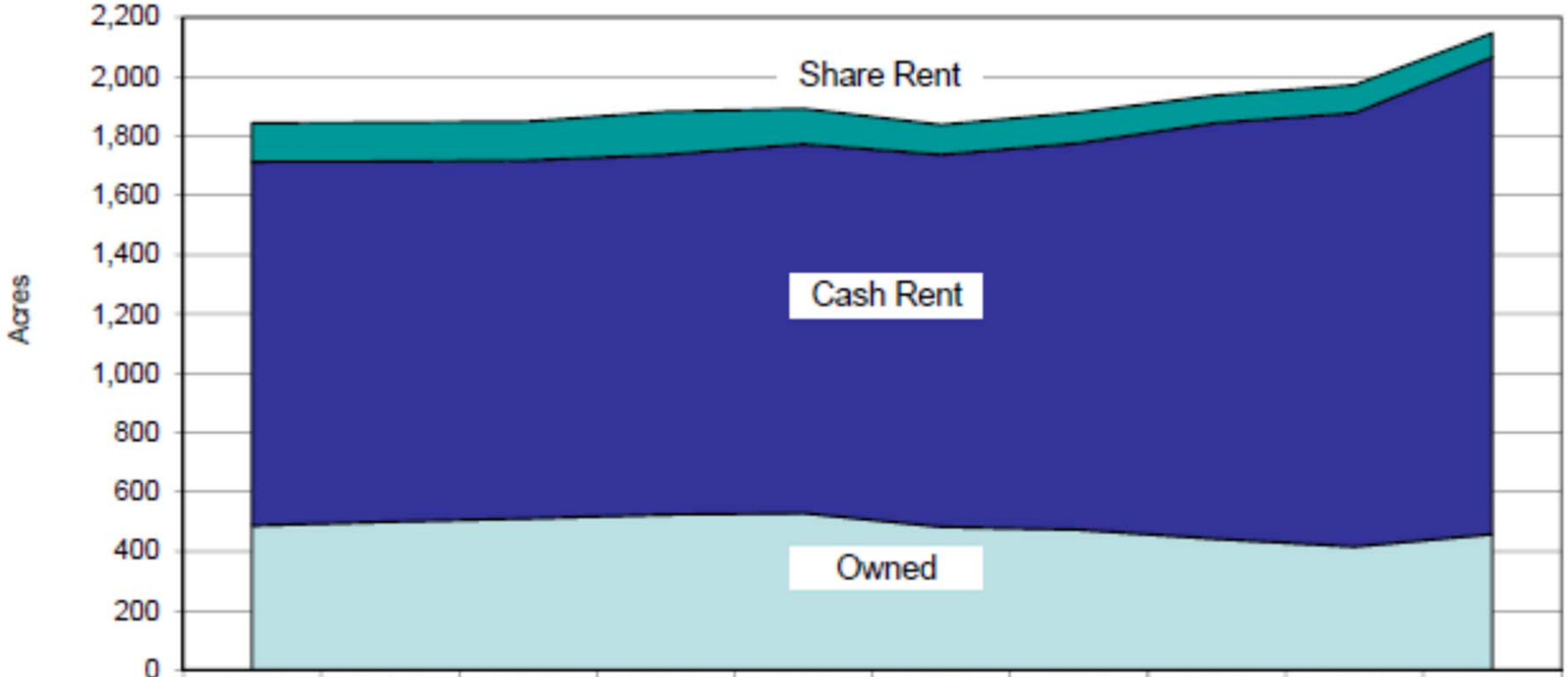


Estimated average cash rent per acre of pasture in North Dakota from 2015 to 2020.



Estimated average per acre values of pasture in North Dakota from 2015 to 2020.

Figure 8. Crop Acreage Per Farm
N.D. Farm Business Management Education Program



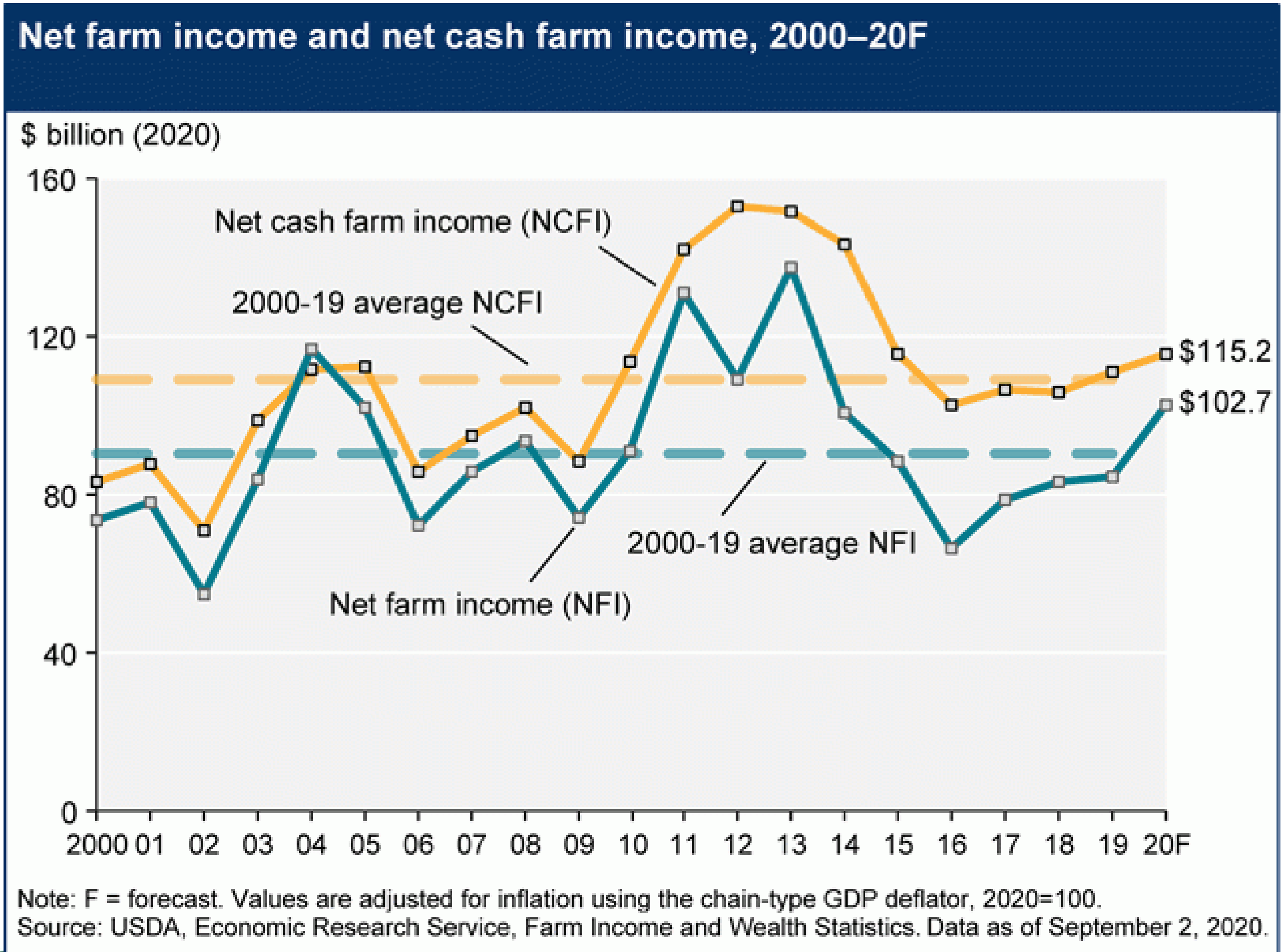
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share Rent	131	132	131	145	119	101	103	92	94	81
Cash Rent	1,226	1,214	1,207	1,213	1,244	1,254	1,303	1,403	1,462	1,608
Owned	487	500	511	524	529	483	473	442	416	458

Governmental Assistance and Net Farm Income

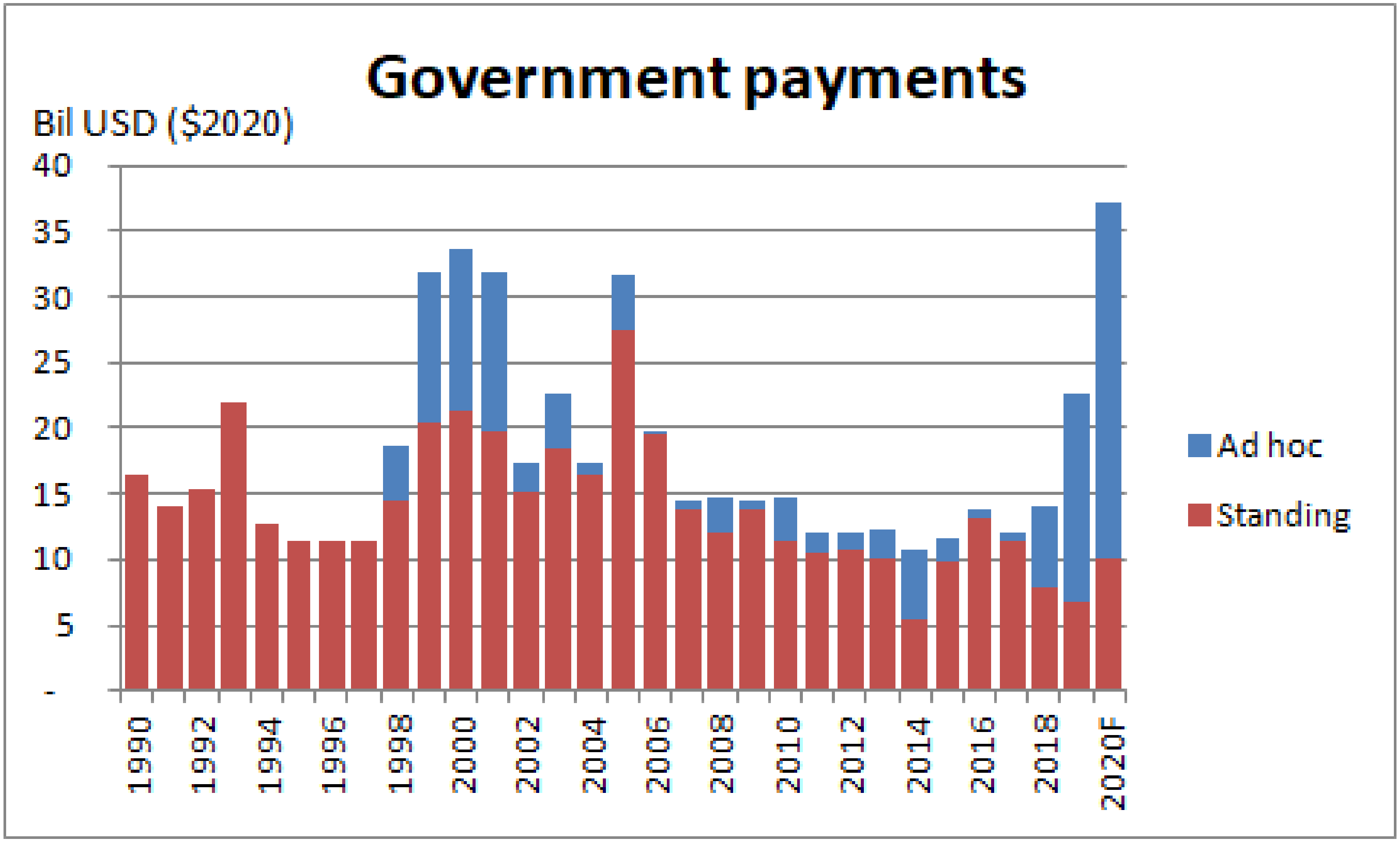
- A Large Share of Net Farm Income in ND over the last 3 years coming from one-off government programs

- How does Net Farm Income look for 2020/2021?

Net Farm Income Up in 2020?



Ad hoc vs. Standing Farm Government Payments



NDSU EXTENSION AGRIBUSINESS

Chart from Joe Glauber IFPRI
30 Sep 2020

2018 Net Farm Income and Government Payments for the Low, Mid and Highest Net Farm Income Groups.

	State Avg.	Low 20%	40-60%	High 20%
Gross cash farm income	$772,147	$630,177	$640,028	$1,419,845
Crop government payments	$23,347	$17,734	$18,523	$46,221
CRP payments	$1,119	$1,119	$437	$1,623
Other government payments (MFP & Disaster)	$35,734	$25,106	$35,269	$57,246
Total government payments	$60,200	$43,959	$54,229	$105,090
Net farm income	$116,227	-$42,700	$80,927	$365,638

2019 Net Farm Income and Government Payments for the Low, Mid and Highest Net Farm Income Groups.

	State Avg.	Low 20%	40-60%	High 20%
Gross cash farm income	$846,523	$954,899	$514,996	$1,534,550
Crop government payments	$16,943	$13,808	$7,367	$38,279
CRP payments	$1,222	$527	$1,044	$3,102
Other government payments (MFP & Disaster)	$68,404	$63,903	$43,275	$127,817
Total government payments	$86,569	$78,238	$51,686	$169,198
Net farm income	$74,100	-$96,157	$39,002	$317,478

FAPRI U.S. Farm Income Projections to 2025

U.S. farm income

Calendar year	2018	2019	2020	2021	2022	2023	2024	2025
				(Billion dollars)				
Farm receipts	400.6	405.4	391.8	395.5	415.7	430.5	439.8	447.7
Crops	195.1	194.6	193.8	197.7	204.9	210.6	214.8	218.4
Livestock	176.3	176.0	163.2	168.9	180.9	189.0	193.2	196.5
Farm-related	29.1	34.7	34.8	29.0	29.8	30.9	31.9	32.8
Direct government payments	13.7	22.4	32.8	15.3	12.1	10.5	9.5	9.0
Gross cash income	414.2	427.8	424.5	410.8	427.7	441.0	449.3	456.7
Nonmoney income	19.1	18.4	18.9	19.0	18.9	18.9	19.0	19.0
Value of inventory change	-8.2	-13.7	-0.2	-1.5	-0.3	0.0	0.3	0.4
Gross farm income	425.1	432.4	443.3	428.3	446.4	459.9	468.6	476.1
Cash expenses	311.4	317.5	313.9	315.7	325.1	333.1	338.9	345.2
Total expenses	343.8	348.7	344.7	346.2	355.6	363.7	369.6	376.1
Net cash income	102.8	110.3	110.6	95.1	102.7	107.9	110.5	111.6
Net farm income	81.3	83.7	98.6	82.2	90.8	96.2	99.0	100.1
Deflated (2020 $)	84.7	85.2	98.6	81.2	88.9	92.9	93.9	93.3

Concluding Comments

- Production costs and land values remain mostly flat or lower including land values and rental rates as well as interest rates
- Farmer optimism has improved since the early months of the pandemic
- 1-off government program payments have been a major life line for ND and US producers
- Projections for 2021 lower than 2020 in absence of assistance beyond disaster and 2018 farm bill payments. Projected to improve into 2022 and beyond