2018 net farm income expected to be about half of 2013 and program payments are lower

The United States Department of Agriculture (USDA) forecast 2018 net farm income (2018F) at $65.7 billion in its August 30, 2018 data release (https://tinyurl.com/ycj89lbr), the third lowest level over the 2009-2018 period—2016: $61.6 billion and 2009: $62.2 billion. This is a decline of $9.8 billion from a year earlier. Given the current uncertainty in the trade arena, this estimate could be less precise than forecasts released during late August in previous years.

Compared to 2013, the 2018 forecast is down by 46.9 percent or $58.1 billion.

With the current low prices, it is no surprise that 2018F crop cash receipts are $23.1 billion below 2013 at $197.8 billion. Federal government direct farm program payments are forecast at $9.5 billion, $200 million less than a year earlier and $1.5 billion below 2103.

While the forecast spreadsheet indicates that the data reflect information available on August 30, it appears that the trade adjustment payments announced on August 27 are not included in the forecast. With 2018 soybean production forecast at 4.6 billion bushels, and an announced trade adjustment payment of $1.65/bu. on 50 percent of production, soybean farmers can expect to receive $3.8 billion. The addition of those payments to farmers could increase the 2018 forecast to $66.0 billion. Payments to corn farmers are miniscule and the extent of other payments and purchases are still unclear.

Cash receipts for animals and products in the 2018F are $176.2 billion, $6.5 billion below 2013 levels. Animal receipts equal 89.1 percent of crop receipts compared to 82.7 percent in 2013.

Cash farm-related 2018F income which includes receipts from custom work, machine hire, recreational activities, forest product sales, and other farm sources is $34.7 billion, $6.3 billion below 2013.

Total gross cash income for 2018F is $418.2 billion, $37.3 billion below 2013.

Nonmoney income (value of home consumption of farm products plus the imputed rental value of operator and hired labor dwellings) for 2018F is $19.8 billion, $2.1 billion above the 2013 level.

The value of inventory adjustment is -$6.5 billion, $17.0 billion below a positive inventory adjustment of $10.6 billion in 2013.

Total gross income for 2018F is $431.6 billion, $52.2 billion less than 2013. Total expenses for farm production are $365.9 billion, $5.9 billion greater than 2013, leaving farmers with $58.1 billion less than they earned in 2013.

Without some means of securing a price for the products that they produce and barring multi-year production problems, farmers seem destined to face additional years of low income levels.

Several recent farm bills were written during periods of high prices and the policy instruments adopted reflected the view that these high prices would continue well into the future. Perhaps the current extended low-price period will prod major farm and commodity groups to urge their members of Congress to abandon the failed revenue support policies of the last 20+ years and consider giving price support policies a fresh look.

Without such a change, we foresee a continuation of the present low farm-income pattern wreaking havoc on farmers and farm families.

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