Situation and Trends in Agriculture

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Presentation at the Federal Reserve Bank of Chicago Perspectives on the Future of Agriculture in the Midwest, December 1, 2009
Organization of presentation

- Mega trends in structure of agriculture
- Latest financial picture for agricultural sector
- Off-farm employment opportunities
Long-run structural trends across U.S. agriculture

- Increasingly strong financial position of farm families relative to other U.S. families
- Dependence of most farm households on off-farm sources of income
- Strength of farm land values and increasing ownership by nonoperators
- The distribution of government payments largely following production of certain row crops
- Increasing use of production and marketing contracts since the 1950s
- Increasing concentration in the production of agriculture
- Increase in the absolute number of small farms
Share of farms and total farm acres by acreage class, 1959-2007

Source: Census of Agriculture.
Farm size is often based on gross sales class

...and size distribution varies across the 12 districts, Changes occurred in between the last two censuses
Percentage of farms with sales less than $10,000 in 2007, by county*

* 2007 Census of Agriculture
Percentage of farms with sales greater than $250,000 in 2002, by county

* 2002 Census of Agriculture
Latest financial picture

- All standard measures of farm sector and farm household financial performance indicators are projected to decline from 2008 to 2009:
  - Sector income
  - Farm household income from farm and off-farm sources and health insurance coverage
  - Farm land values and net worth

Nevertheless, debt-to-asset ratio is relatively low and farm household financial indicators are strong relative to other US households.
Net cash income forecast to decline by 28 percent in 2009

Net cash income* is forecast at $69.8 billion in 2009, down 28 percent from 2008’s nominal record $97.5 billion.


* Net cash income is a measure of cash available to farmers to meet expenditures, pay taxes, and service debt.
First decline in both crop and livestock receipts in the same calendar year since 1998; only the second time since 1983.
After rising $99 billion from 2002 to 2008, total farm expenses are forecast to fall $12 billion in 2009.

Source: Economic Research Service, USDA.
Government payments, 1999-2009f

$ billion

1/ Production flexibility contract payments and direct payments whereby payment rates are fixed by legislation.
2/ Countercyclical payments, loan deficiency payments, marketing loan gains, and certificate exchange gains whereby commodity payment rates vary with market prices.

Source: FSA, NRCS, and CCC, p – preliminary; f – forecast.
States ranked by 2008 net farm income as percent of 10-year (1998-2007) average

- Green: 20% or more above 10-year average
- Blue: Within 20% of average
- Red: 20% or more below average

Source: Economic Research Service, USDA.
Farm sector debt and repayment capacity, 1970-2009f

$ billion

- Maximum feasible farm debt
- Unused repayment capacity
- Farm business debt

f = forecast.
Note: 2008 and 2009 are forecasts

Source: Economic Research Service, USDA.
From a sector perspective, to a family farm perspective, the latest story is similar.
Farm operator household income, by size of farm, 2008

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Source of health insurance coverage for farm and U.S. persons, 2008

Share of farm persons uninsured, by commodity specialization, 2008

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Average farm household assets, debt, and net worth, 2004-2008

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Cumulative distribution of wealth among households, 2007


Method of acquiring land in operation, 2008

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Distribution of farms and value of production, 2008, by FRB district

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Family farm income sources, 2008, by FRB district

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Off-farm employment potential
Off-farm work of farm operators and spouses, 2008

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Industry of wage and salary jobs, operator and spouse, 2008

- Agriculture, forestry, fishing, hunting, or mining
- Manufacturing
- Other government services
- Finance, insurance, real estate and other professional services
- Construction
- Education and health care
- Wholesale, utilities, and transportation
- Retail and other services

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.

Operator

Spouse
Industry of nonfarm businesses, operator and spouse, 2008

- Operator:
  - Agriculture, forestry, fishing, hunting, or mining: 11.9%
  - Construction: 35.7%
  - Finance, insurance, real estate, and other professional services: 8.3%
  - Retail and other services: 31.0%
  - All other: 6.7%

- Spouse:
  - Agriculture, forestry, fishing, hunting, or mining: 13.3%
  - Construction: 6.7%
  - Finance, insurance, real estate, and other professional services: 6.7%
  - Retail and other services: 63.3%

Source: Agricultural Resource Management Survey, ERS and NASS, USDA.
Average annual percent change in third quarter employment for the years 2007 - 2009, by county*

* U.S. Bureau of Labor Statistics

FRB districts
Concluding comments: Looming issues

- Employment growth during recovery
- Impacts of biofuel production on structure and prices
- Questions about the magnitude and impact of the consumer interest in local foods, safer foods, and organic foods
- Implementation of climate change mitigation strategies
- Sustainability of the agricultural policy environment, consumer biotech acceptance abroad, and biotech industry concentration, given renewed interest in addressing world hunger