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The Feed Refresh – Fall 2021

September 28, 2021

Agenda

Highlights from the analysis

Why they are important for producers and lenders alike

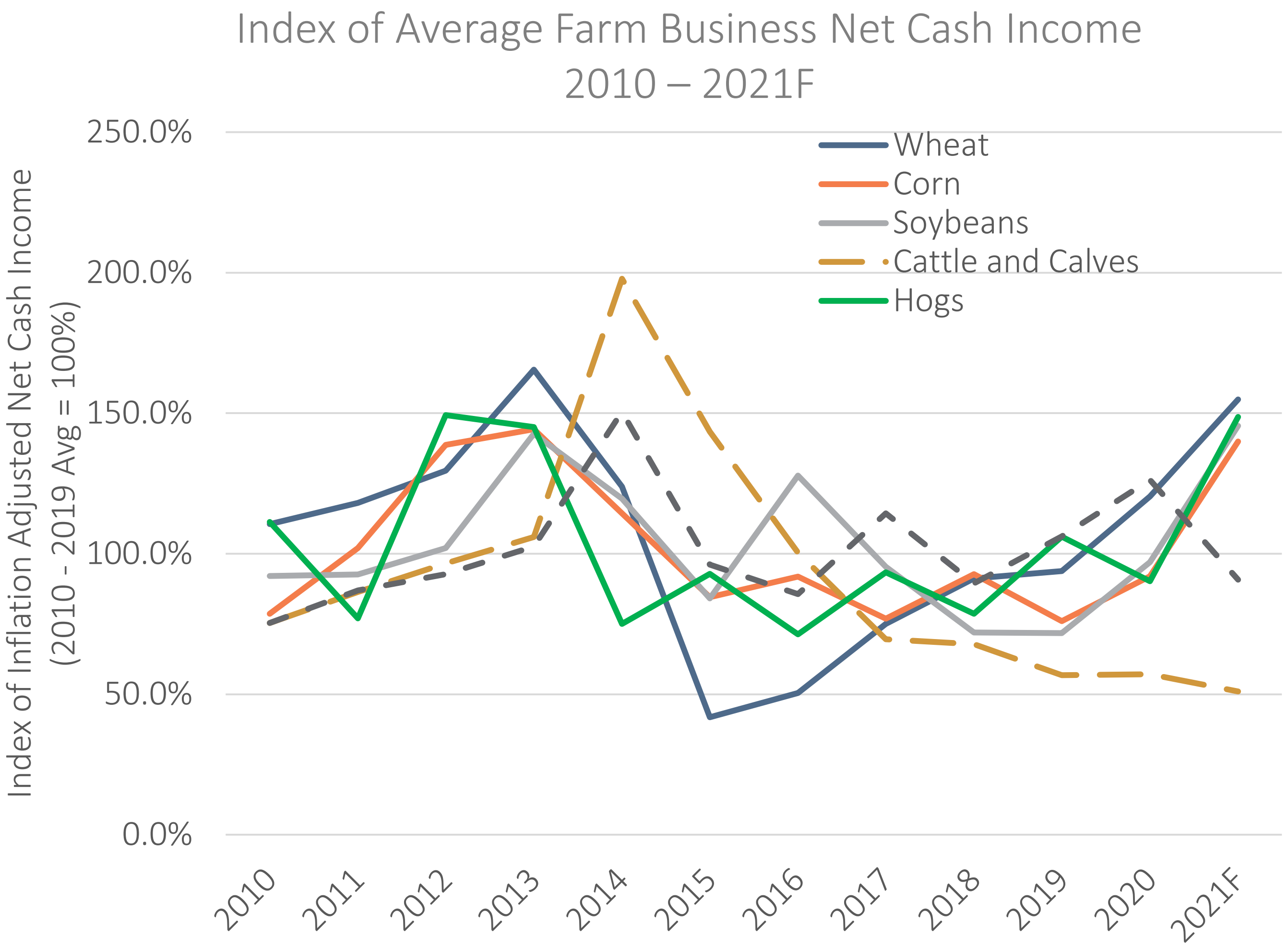
Other news and factoids

How you can access this and future editions

Q&A

Highlight 1: New forecasts suggest strong 2021 incomes – but not for all

- Net cash income forecast to be $134.7 billion in 2021, but strong residual government support buttresses receipts
- Cash grain and hog producers forecast to see near-supercycle incomes, while cattle and specialty producers are forecast near their lowest incomes since 2010
- New estimates for 2020 were far lower than prior forecasts, with Midwest farm incomes lowered more than other regions

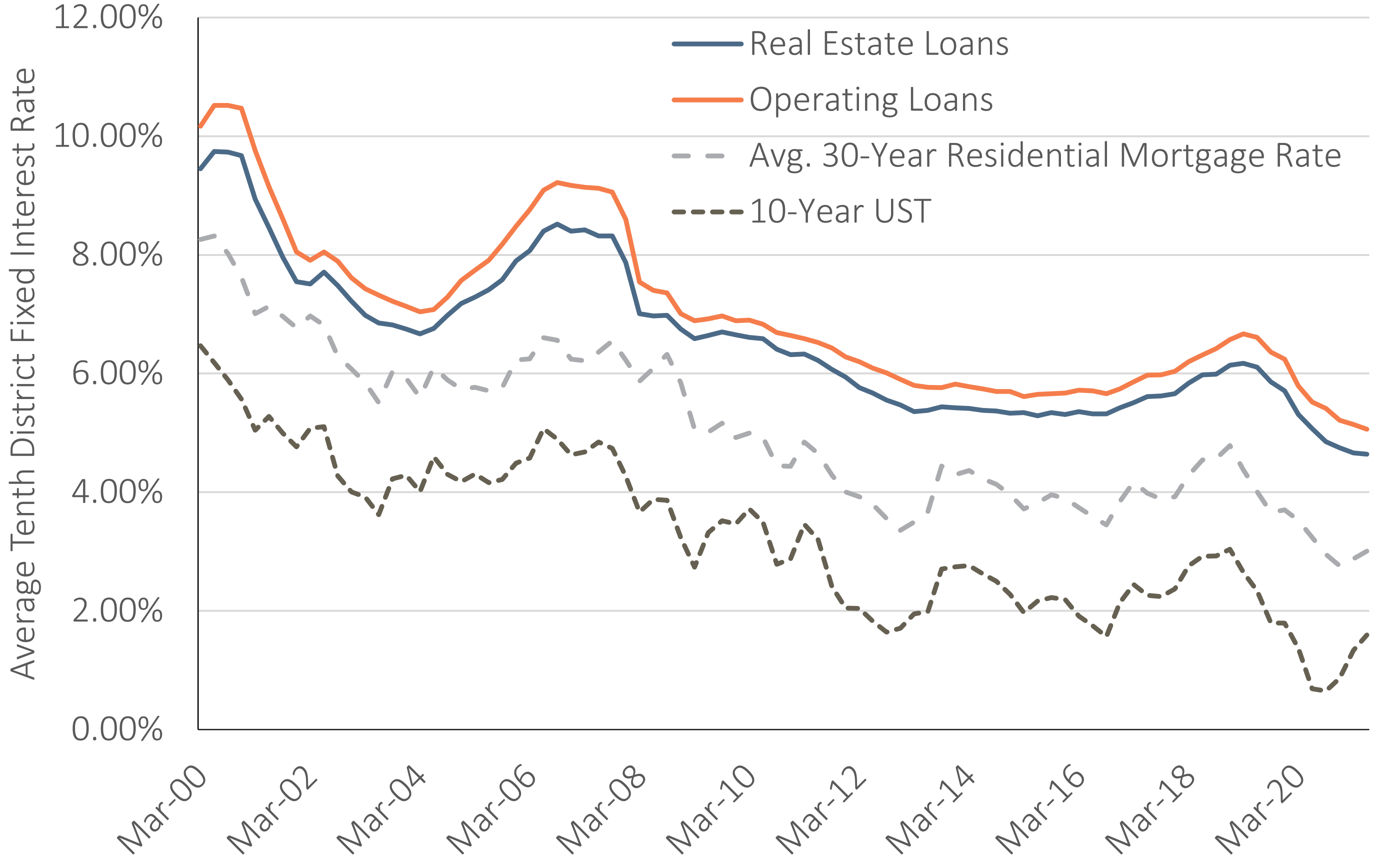


Source: USDA ERS Farm Income and Wealth Statistics

Highlight 2: Farmland values surge, but how long is the upside?

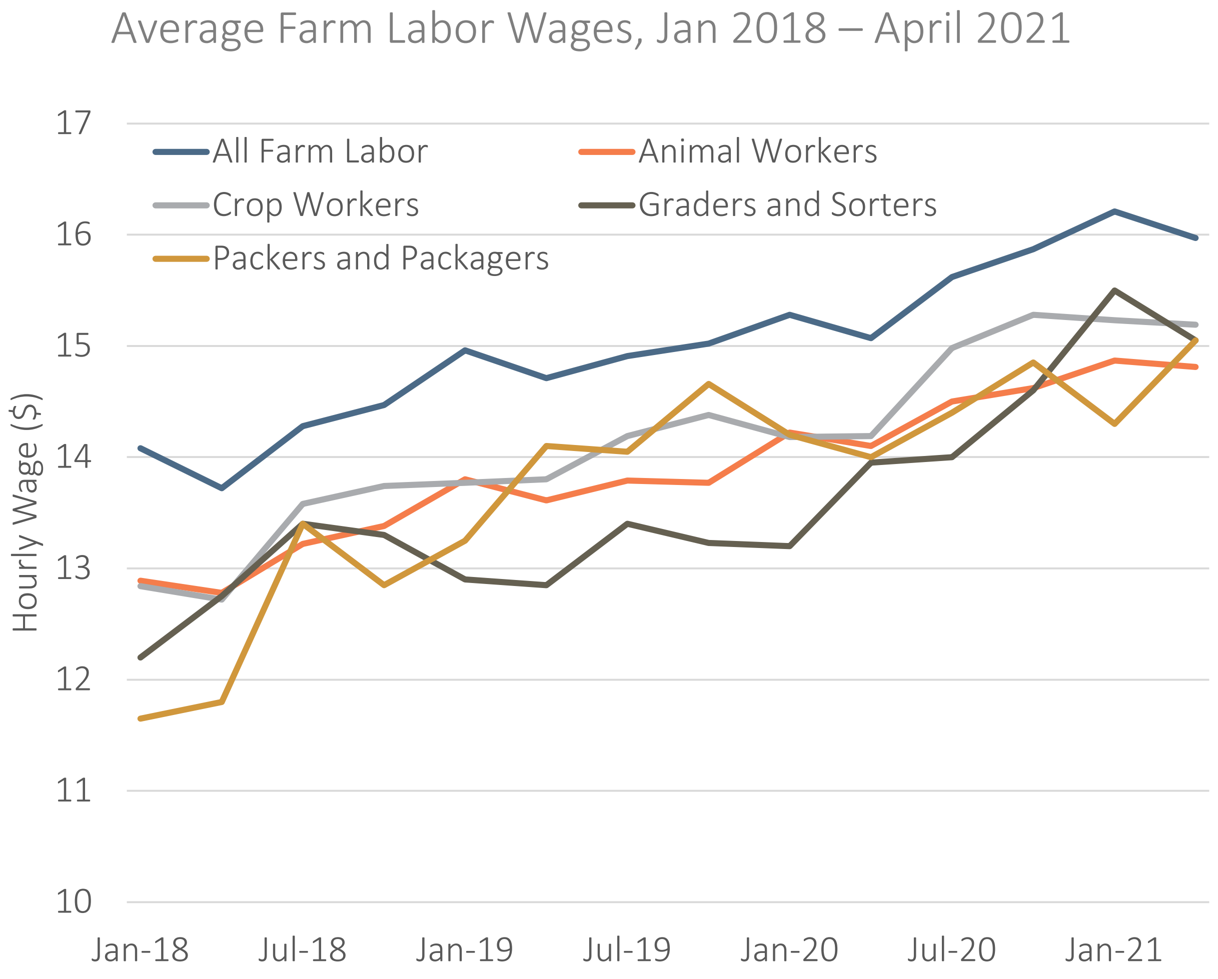
- USDA data indicate that average farm real estate values increased to $3,380 per acre in 2021, an increase of 7% over 2020 levels.
- Increases are a function of higher profitability, demand, increased borrower liquidity and a lower interest rate environment.
- Changes are highly regionalized, with large increases across grain-producing areas.

Lower Interest Rates on Ag-Producing Assets
Q1 2000 – Q2 2021



Source: Federal Reserve Bank of Kansas City, Ag Credit Survey; Freddie Mac Rate Survey Data

Highlight 3: Farm labor saw less disruption than anticipated in 2020

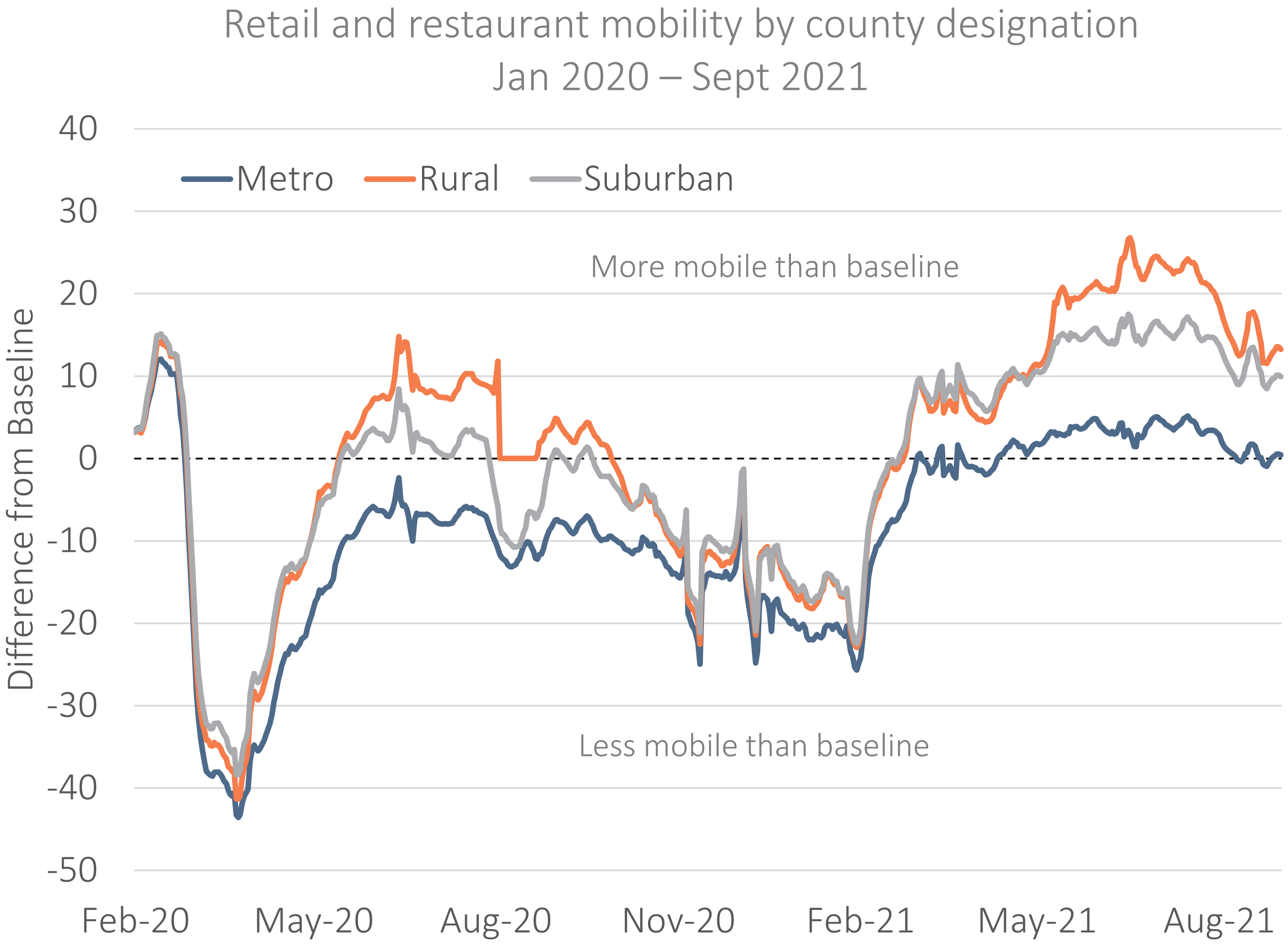


- Worker absenteeism, H-2A visa disruption, and rising labor costs were thought to be potential outcomes from last year.
- Actual results show negligible impacts; farm labor should be readily available going forward with minor exceptions.
- Average farm labor costs rose 3% between 2019 and 2020, in line with national averages; specialty commodities and dairy are most at risk from these increased expenses.

Source: U.S. NASS Farm Labor Reports

Highlight 4: Restaurant activity recovers – but may take a step back

- Many commodities are reliant on domestic restaurant activity to drive sales and have been waiting for the service sector to fully recover.
- Restaurant owners have been making historic investments in their operations and are expecting very strong sales growth through 2021.
- Americans' spending on restaurants has surged to new highs, but there are some recent warning signs.

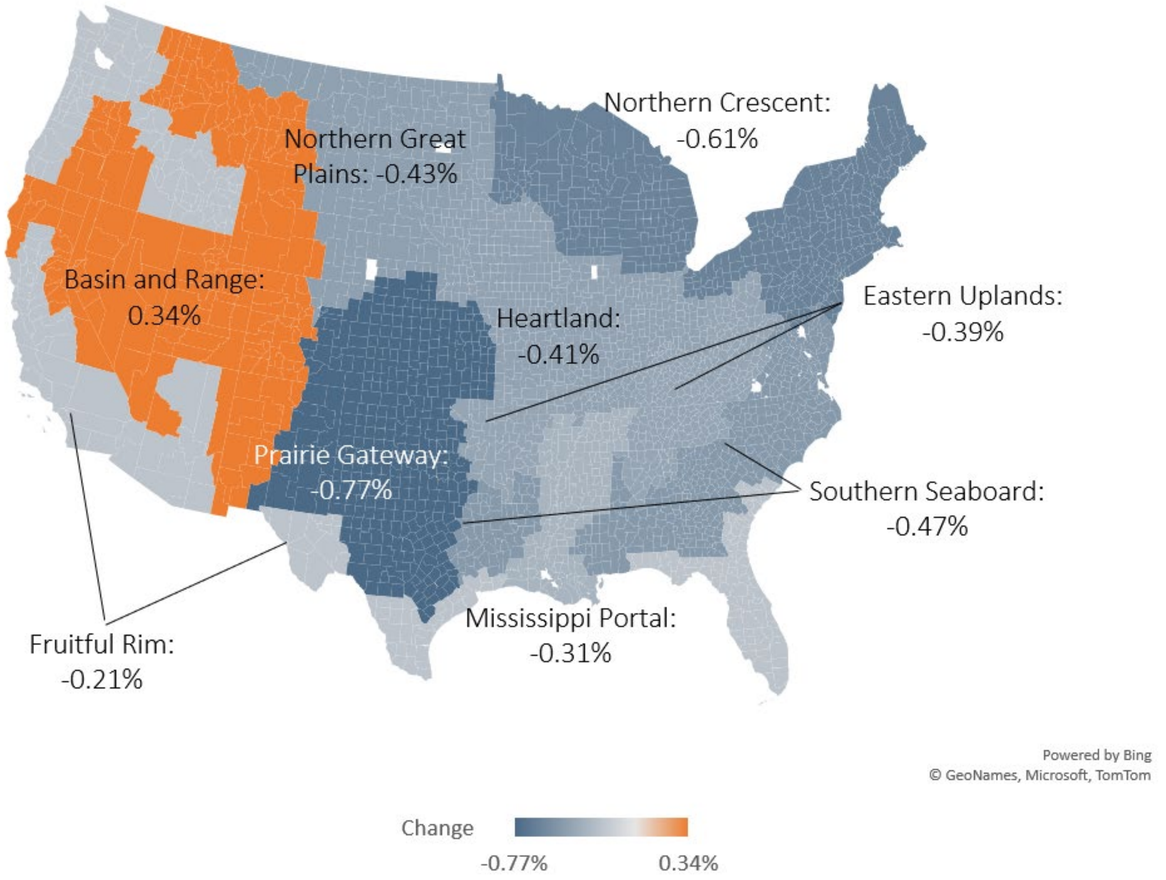


Source: USDA ERS Rural-Urban Continuum Codes, Google Mobility Data

Highlight 5: Borrower financial strain improving through 2021

- Overall levels of financial strain have continued to fall; systemwide strain is the lowest it has been since 2017.
- Improvements have varied by region, in line with major local commodities
- Q2 2021 farm bankruptcies were the lowest nationally since 2014, and the bankruptcy rate has reversed a 5-year trend of rising financial strain.

Change in Agricultural Delinquency Rate
Q2 2020 – Q2 2021



Source: FFIEC Call Report Data, USDA ERS Resource Regions, Author's Calculations

Other News

Intense scrutiny on final yields, acres

Historic drought finally receding?

Export, other concerns harm grain outlook

Poultry producers see strong returns

Dairy – worse than it looks?

Details on The Feed

- Quarterly publication
- Focus on sectors and stories relevant to the season
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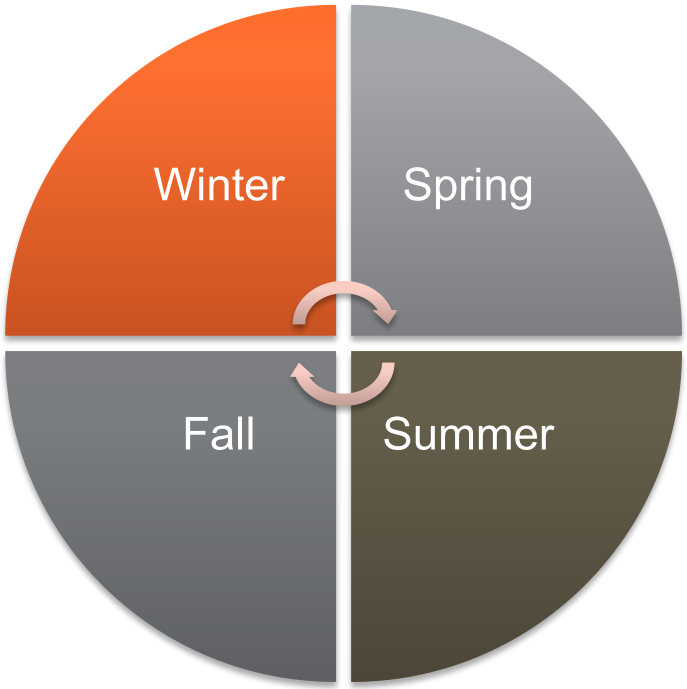
- Send comments and requests to thefeed@farmermac.com

Publication Schedule



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Thank You!