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.

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
- Available on the Farmer Mac website to download or subscribe (https://www.farmermac.com/thefeeds/)
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