Agenda

The Feed
Farmer Mac’s Quarterly Perspective on Agriculture

Spring 2018

• Highlights from the analysis
• Why they are important for producers and lenders alike
• Other news since the issue’s release
• How you can access this and future editions
• Q&A
Highlight 1: First 2018 USDA Forecasts

- **February farm income forecast show decline in both measures of farm income**
- **Very typical of early forecasts**
- **Given historical data, August net cash income could be revised to between $96 and $107 billion**
- **Working capital continues to erode but overall leverage holding**

Source: USDA ERS Farm Income and Wealth Statistics

Source: USDA ERS Farm Sector Financial Ratios
Highlight 2: Rural Economies Slowly Bounce Back

- After dipping in 2014/15, many rural-state economic indicators have normalized
- Lost farm income partially offset by higher off-farm wages and job growth
- But recovery not uniform and urban/suburban economic growth outpacing

Source: Federal Reserve Bank of Philadelphia
### Highlight 3: Tax Implications for Farmers

<table>
<thead>
<tr>
<th>Tax Code Change</th>
<th>Who Does This Affect Most?</th>
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<tbody>
<tr>
<td><strong>Tax Code Change</strong></td>
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<tr>
<td><strong>Tax Bracket Changes</strong></td>
<td>Everyone, with the greatest proportional decreases in lower brackets and the greatest dollar decreases in higher brackets.</td>
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<tr>
<td><strong>Standard Deduction Increase</strong></td>
<td>Those who do not itemize many expenses, or whose itemized expenses are not much higher than the previous standard deduction.</td>
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<td><strong>Removal of Exemptions</strong></td>
<td>Everyone, with the impact correlated directly with the number of exemptions you were previously able to claim.</td>
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<td><strong>Child Tax Credit Increase</strong></td>
<td>Anyone with qualifying children, with the highest impact on a proportional and dollar basis for lower and middle brackets due to phaseouts.</td>
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<td><strong>Section 199A Deductions</strong></td>
<td>Any farmer operating as a small business, especially those selling to cooperatives. Pay close attention for upcoming changes to this section.</td>
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<tr>
<td><strong>Section 179 and Bonus Depreciation Increase</strong></td>
<td>Those who purchase and put into service a large amount of depreciable machinery in a given year.</td>
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<td><strong>Estate Tax Limit Increase</strong></td>
<td>Those who have built substantial equity in a large operation, in the event that they pass away.</td>
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<td><strong>State and Local Tax Deduction Restriction</strong></td>
<td>Those living in states with very high tax rates.</td>
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<tr>
<td><strong>Switch to Chained CPI</strong></td>
<td>Everyone, although you may not notice the effects as they are happening.</td>
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Highlight 4: Weather

La Nina dryness in Southwest and upper Midwest

Above-average moisture in eastern Corn belt/Delta

Short snow-pack in California and drought developing

Source: Drought Monitor, University of Nebraska-Lincoln; NOAA
Highlight 5: Food Prices and Preferences

- **Food prices at the grocery store falling last two years**
- **Most of the decline is coming out of retailer margins**
- **Changing demographic tastes will have a big impact for farmers in the future**

![Chart showing food prices and preferences](chart)

Other News

Interest rates.

Is the grain rally real?

Trade wars

Good and not so good
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/thefeed/](https://www.farmermac.com/thefeed/))
- Subscribers automatically receive it via email
- Send comments and requests to thefeed@farmermac.com
Questions?
Thank You!