

The Feed – Spring 2018

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March 14, 2018

Agenda

The Feed

Farmer Mac's Quarterly Perspective on Agriculture

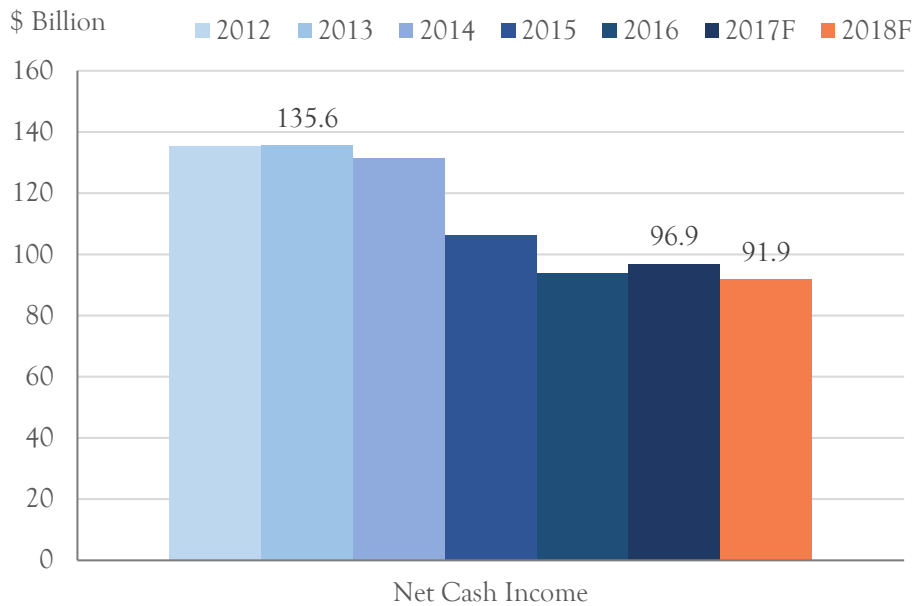
Spring 2018



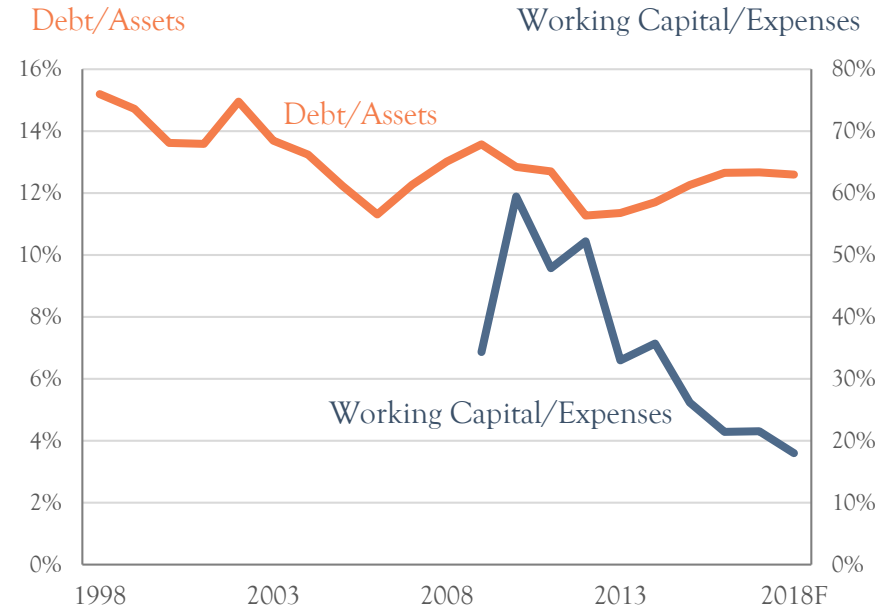
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- *Highlights from the analysis*
- *Why they are important for producers and lenders alike*
- *Other news since the issue's release*
- *How you can access this and future editions*
- **Q&A**

Highlight 1: First 2018 USDA Forecasts



Source: USDA ERS Farm Income and Wealth Statistics



Source: USDA ERS Farm Sector Financial Ratios

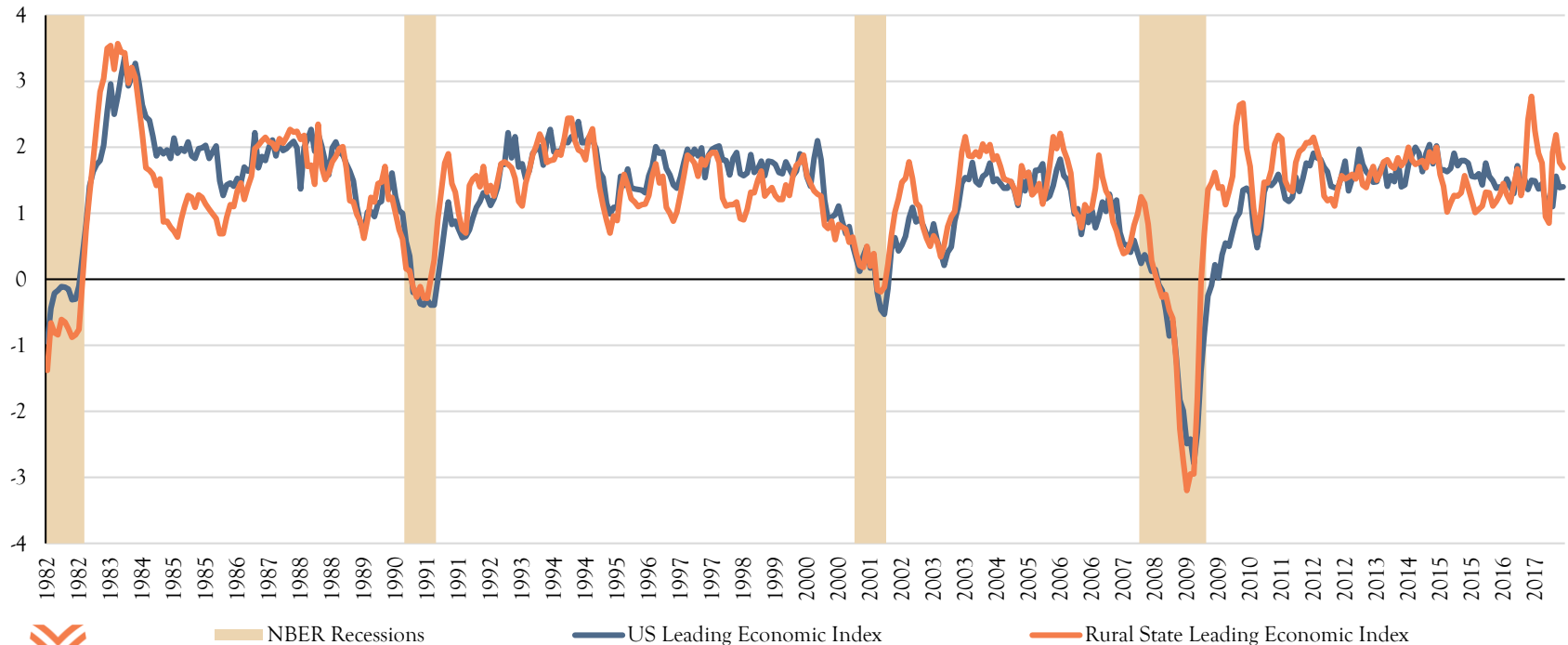
- **February farm income forecast show decline in both measures of farm income**
- **Very typical of early forecasts**
- **Given historical data, August net cash income could be revised to between \$96 and \$107 billion**
- **Working capital continues to erode but overall leverage holding**



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

Percent (Predicted Growth Rate)



Source: Federal Reserve Bank of Philadelphia



Highlight 3: Tax Implications for Farmers

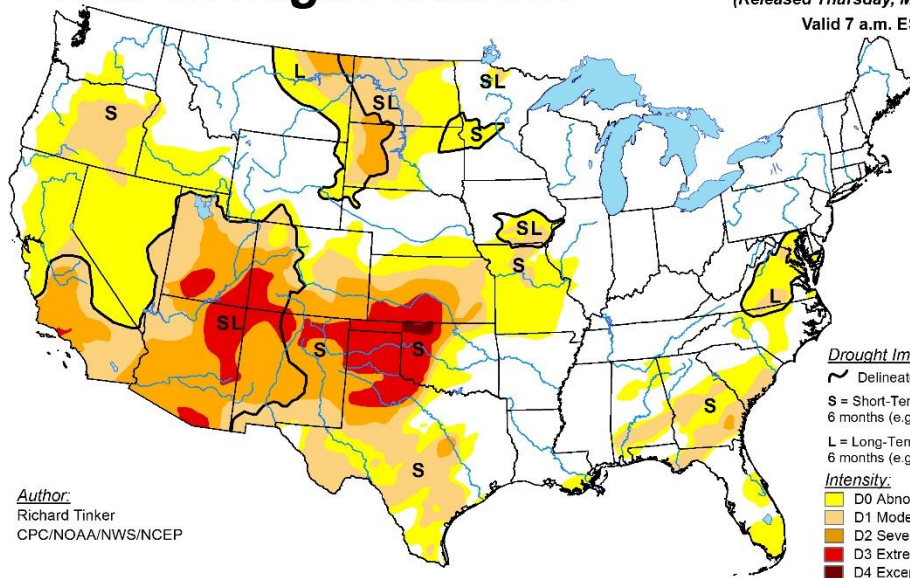
Tax Code Change	Who Does This Affect Most?
<u>Tax Bracket Changes</u>	Everyone, with the greatest proportional decreases in lower brackets and the greatest dollar decreases in higher brackets.
<u>Standard Deduction Increase</u>	Those who do not itemize many expenses, or whose itemized expenses are not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



Highlight 4: Weather

U.S. Drought Monitor

March 6, 2018
 (Released Thursday, Mar. 8, 2018)
 Valid 7 a.m. EST

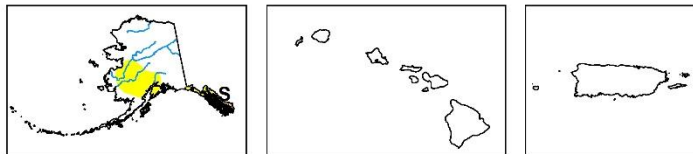


Drought Impact Types:
 ~ Delineates dominant impacts
 S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
 L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:
 D0 Abnormally Dry
 D1 Moderate Drought
 D2 Severe Drought
 D3 Extreme Drought
 D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Author:
 Richard Tinker
 CPC/NOAA/NWS/NCEP

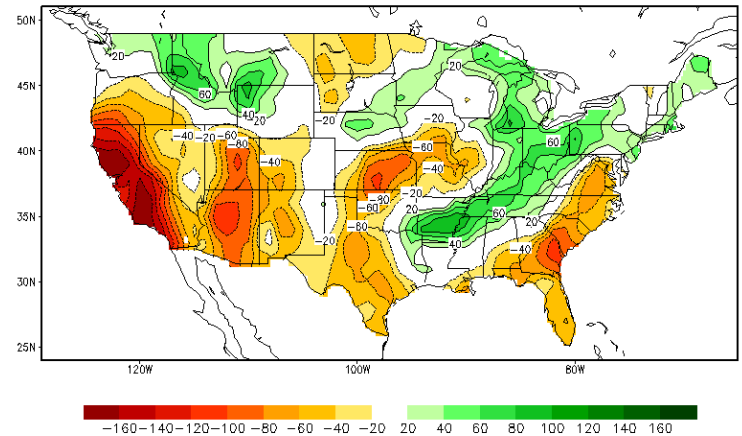


USDA NDMC NOAA

<http://droughtmonitor.unl.edu/>

- **La Nina dryness in Southwest and upper Midwest**
- **Above-average moisture in eastern Corn belt/Delta**
- **Short snow-pack in California and drought developing**

Calculated Soil Moisture Anomaly (mm)
 MAR 12, 2018

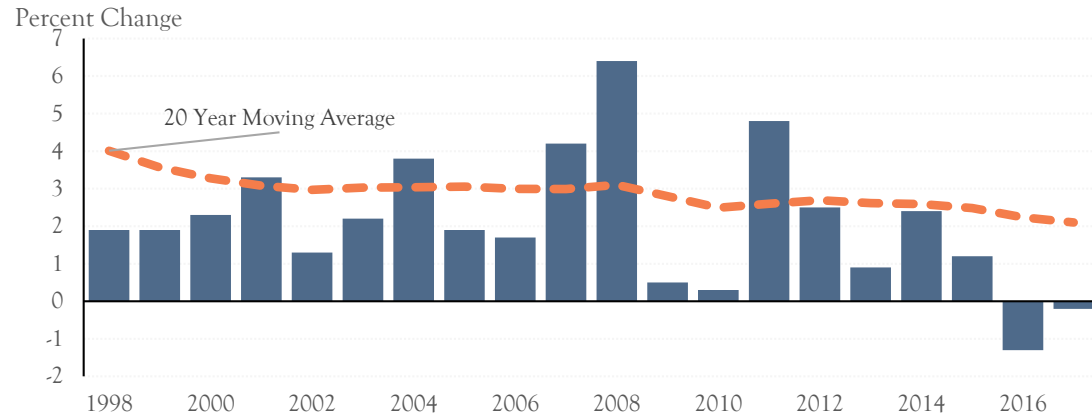


Source: Drought Monitor, University of Nebraska-Lincoln; NOAA

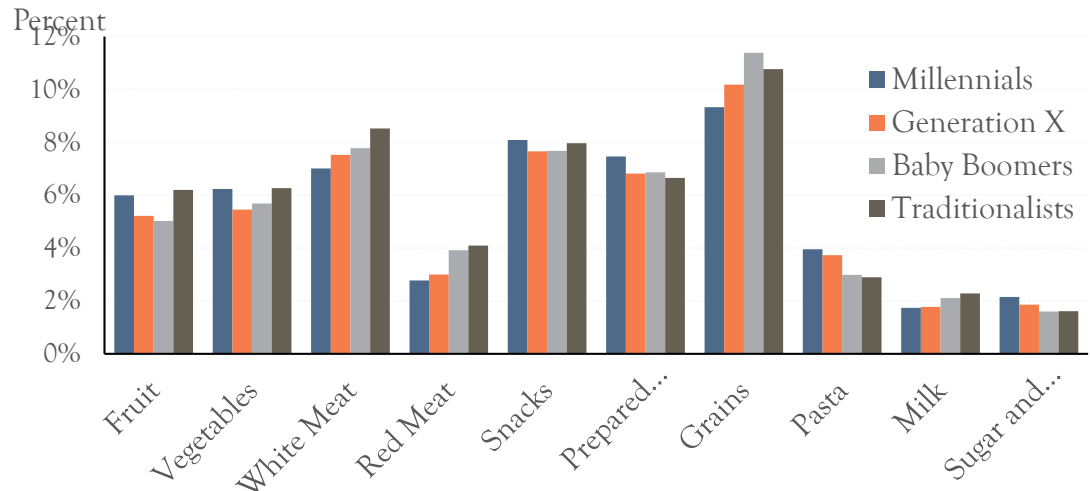


Highlight 5: Food Prices and Preferences

- **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**



Source: USDA, Economic Research Service using data from the U.S. Bureau of Labor Statistics' Consumer



Note: This chart does not include all food categories. Source: USDA Economic Research



Other News

Interest
rates.

Is the grain
rally real?

Trade wars

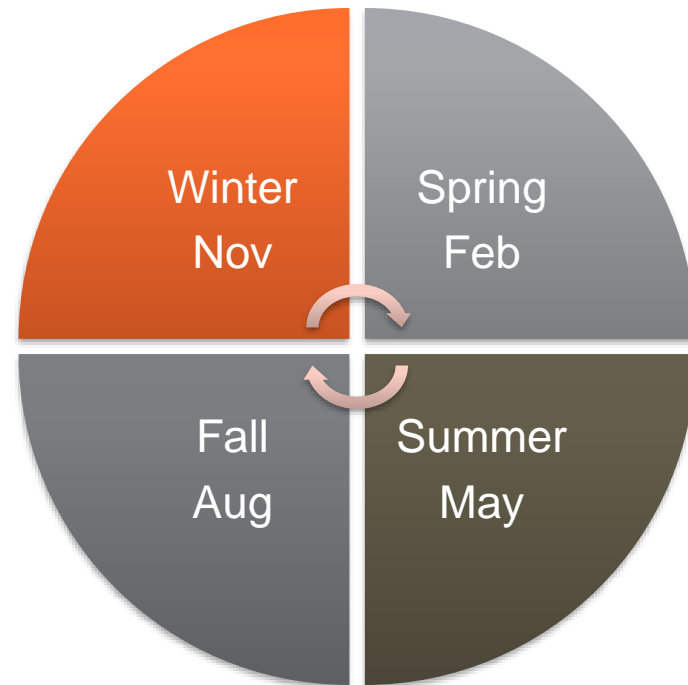
Good and
not so good



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/>)
- **Subscribers automatically receive it via email**
- **Send comments and requests to thefeed@farmermac.com**

Publication Schedule





Questions?



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Thank You!