

## 2015 U.S. Net Farm Income Projection (November 9, 2015)

According to the most recent (August 2015) USDA/ERS Farm Income and Wealth Statistics data, U.S. net farm income in 2015 is projected to decline 36.0% to \$58.3 billion compared the previous year (\$91.1 billion). If realized, this will be the largest drop in net farm income since 1983 (both in nominal and real terms).

Based on declining crop prices, U.S. crop cash receipts are forecast to drop 6.2% to \$195.0 billion compared to the previous year (\$207.9 billion). U.S. Corn cash receipts are expected to decrease 13.1% to \$46.6 billion year-over-year (\$53.7 billion), whereas U.S. soybean cash receipts are expected to drop 8.3% to \$37.8 billion relative to 2014 (\$41.3 billion).

U.S. meat animal (cattle and calves and hogs) cash receipts are forecast to fall by 7.2% (\$7.8 billion). The decline is mainly due to lower hog receipts, falling from \$26.4 billion in 2014 to \$19.2 billion in 2015, representing a 27% reduction in 2015 compared to 2014. USDA's October 2015 Livestock, Dairy, and Poultry Outlook report indicates that the national base, live equivalent prices (\$/hundredweight) of barrows & gilts in 2015 are expected to decline 33.2% compared to 2014, from an average of \$76.0/cwt in 2014 to \$50.8/cwt in 2015.

USDA/ERS cash receipt state data are available up to 2014. We estimated 2015 Iowa's cash receipts for corn, soybeans, and hogs, assuming USDA's projected national level percent reduction for the corresponding commodities for 2015 relative to 2014. Based on this assumption, Figure 1 indicates that 2015 Iowa's corn cash receipts would decrease by \$1.1 billion (from \$8.4 billion in 2014 to \$7.3 billion in 2015), whereas soybean cash receipts would decline by \$0.4 billion (from \$5.3 billion in 2014 to \$4.8 billion in 2015). 2015 Iowa's hog cash receipts would decline to \$6.7 billion compared to \$9.2 billion in 2014.

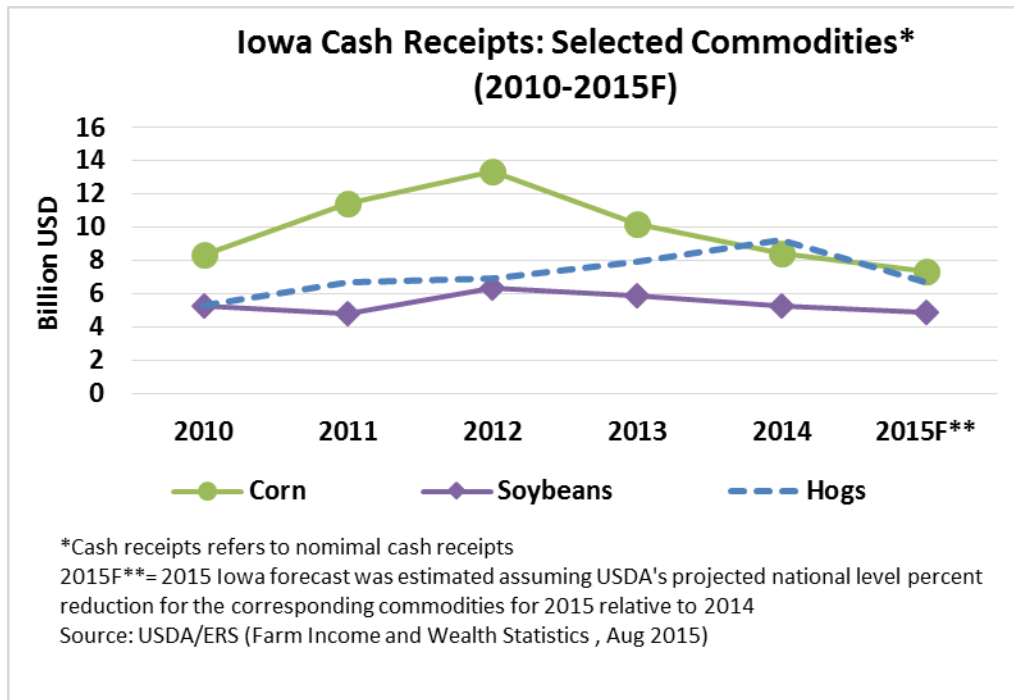


Figure 1. Iowa Cash Receipts: Selected Commodities

USDA/ERS projections also indicate total production expenses will decrease year-over-year in 2015. Input expenses are expected to decline by \$7.3 billion, from \$67.5 billion in 2014 to \$60.2 billion this year. The largest decline in the input category is expected for petroleum fuel and oil expenses (\$4.9 billion reduction) and fertilizer, lime, and soil conditioner (about \$2.0 billion decline). Feed purchases are also forecast to drop from \$63.7 billion in 2014 to \$58.8 billion in 2015. Expenses that are expected to increase in 2015 relative to 2014 include labor (\$1.5 billion increase), interest (\$3.7 billion increase), and property taxes (\$1.5 billion growth).

U.S. government payments are expected to increase by \$1.6 billion, from \$9.8 billion in 2014 to \$11.4 billion in 2015. If realized, U.S. government payments will be the largest in the last 4 years. The forecast indicates 44% (\$5.0 billion) of total U.S. government payments in 2015 would be for the Agricultural Risk Coverage (ARC) program and 32% (\$3.7 billion) for conservation program. In addition, 14.0% (\$1.6 billion) of total U.S. government payments in 2015 is projected for supplemental and ad hoc disaster assistance. However, the 2015 projection for supplemental and ad hoc disaster assistance, shows a 66% decline from \$4.7 billion in 2014 to \$1.6 billion in 2015. This reduction, though, is expected to be offset in part by indemnity payments due to losses from Highly Pathogenic Avian Influenza (HPAI) on the U.S. poultry industry in 2015. USDA indicated that the 2014 supplemental and ad hoc disaster assistance payments were above average because of Livestock Forage Disaster program payments which were retroactive to 2011. The Price Loss Coverage (PLC) program is expected to represent 6% (\$635 million) of the total U.S. government program.

A financial risk indicator, debt-to-asset ratio, is expected to increase in 2015 to 13.0% compared to 11.8% in 2014, indicating increasing financial pressure in the farm sector.

USDA/ERS will update the 2015 forecast once again by the end of November 2015.