National Farmers Union

FACT SHEET

Farm Economy

Issue Summary: *Several consecutive years of low commodity prices and high agricultural input costs have depleted the financial capital of many farmers and ranchers across the country, and market forecasts predict these trends will continue. Combined with a growing inability to access affordable credit, the economic reality in the farm sector has significantly increased in severity in 2016, and many producers may be forced to make tough decisions about the future viability of their operations.*

- **Net farm income continues to decline.** Forecasted net farm income for 2016 is more than 42 percent lower than reported net farm income in 2013 and an 11 percent drop from 2015. (U.S. Department of Agriculture Economic Research Service)

- **Farm expenditures continue to rise as commodity prices remain low.** Total farm production expenditures were 4 percent higher last year than in 2011, 2012 and 2013, while many commodity prices have fallen 40 percent or more since that same time period. (U.S. Department of Agriculture Economic Research Service)

- **Cash receipts across all major commodities are projected to fall.** Cash receipts across all commodities are expected to fall by nearly $9.6 billion in 2016**,** largely reflective of the continued falling commodity prices, according to USDA. (U.S. Department of Agriculture Economic Research Service)

- **Farm debt-to-asset and debt-to-equity ratios are both forecast to rise, suggesting a higher amount of financial stress in the farm sector.** Total farm asset values are expected to drop for a second consecutive year as commodity prices and farm income continue to decline, while farm debt continues to rise. As a result, the sector’s debt-to-asset and debt-to-equity ratios are forecast to rise to 13.23 and 15.25 percent, respectively, in 2016. (U.S. Department of Agriculture Economic Research Service)

- **The significantly increased demand of FSA operating loans in FY2016 depleted the loan fund two-months before the end of the fiscal year on September 30.** Fiscal Year 2016 obligations of Direct and Guaranteed Operating and Farm Ownership loan funds exceeded the record-setting obligations of FY2015, which were the highest ever in the Farm Service Agency's history. The previous record was set 30 years ago in FY 1985, during the 1980's farm crisis. (U.S. Department of Agriculture Farm Service Agency)

- **Loan repayment rates continue to decline in the ag sector.** According to the Kansas City Federal Reserve, slimmer profit margins in the ag sector have pulled down the rate of loan repayments. Almost half of all lenders in the Tenth District reported that loan repayment rates in the second quarter were lower than a year ago. (Kansas City Federal Reserve Annual Survey of Agriculture Credit Conditions)

- **In response to a weakening farm economy and increased problems with loan repayments, ag lenders are reporting an increase in the number of loan applications denied.** Almost 15 percent of bankers reported that they denied more than 10 percent of applications for farm operating loans in 2016, compared to only 5 percent indicating they had denied loan applications at this rate in 2015. (Kansas City Federal Reserve Annual Survey of Agriculture Credit Conditions)