Just the FACTS…

… about the financial health of the agriculture sector

Supporters of increasing spending in the 2018 Farm Bill claim that every agricultural business is in dire financial straits. While prices for many commodities and the national net income for agricultural businesses are lower than in recent years, this is simply a moderation from some of the most profitable years on record. As a sector, agriculture has the tools and abilities to adapt to current production and economic conditions without billions in additional taxpayer subsidies.

1

Fact: Proponents of increased federal spending on agricultural business income subsidies use 2013 as the reference point for ideal farm income. Net farm income in 2013, adjusted for inflation, was the highest experienced since 1973, fully 63 percent higher than the 30 year average.

2

Fact: Farm household income is stable. The USDA reports that median farm household income was $77,304 in 2017 and is forecast to be $78,886 in 2018. As a risk management technique, most farm households earn a majority of income off farm, and this income is expected to increase 2.04 percent in 2018.

3

Fact: Farm production expenses are relatively unchanged. USDA forecasts inflation-adjusted total expenses to decrease 0.8 percent in 2018 after falling 0.3 percent in 2017. The farm sector is adjusting to lower commodity prices.

4

Fact: While median farm household income and U.S. household income were nearly the same in 2008, since the Great Recession, farm household income has significantly exceeded non-farm household income. In 2016, the most recent year available, median farm household income was 32 percent higher than the median national household income ($76,250 compared to $57,617).

5

Fact: Agricultural businesses continue to experience low debt-to-asset ratios, one indicator of financial health. The projected debt-to-asset ratio of 12.6 for farm businesses is well below 40 - the upper bound of what the USDA deems a favorable financial position.

Our Take: Years of record profitability in the agriculture sector from 2011-2014 enabled responsible agricultural businesses to acquire the capital, assets, and resources needed to weather an inevitable cyclical downturn in agricultural commodity prices and incomes. Agricultural businesses should be expected to draw down their capital reserves, capitalize on record low interest rates and increase their loan volume, and reduce costs before turning to taxpayers for additional financial assistance.

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