

# RIGHT RISK™

## RIGHT RISK NEWS

### DATES TO REMEMBER

**Spring-planted crops sales deadline:**  
- March 15, 2019

**Noninsured Crop Disaster Assistance Program (NAP)**  
Deadline for springseeded forage and all other crops  
- April 1, 2019

For more information see:  
<http://www.rma.usda.gov>  
<http://www.fsa.usda.gov>

## U.S. Farm Financial Stress: Current Status

The U.S. farm economy is much in the news recently, due to escalating tariffs on goods traded by the U.S. with China, the impact on soybean and other ag commodity shipments following the 2018 harvest, and the finalized trade agreement with Canada and Mexico. These changes, coupled with the recently-passed 2018 Farm Bill, suggest there is much to talk about.

Many have been asking “Where does the U.S. farm economy stand with regard to financial performance and financial health?” Data are available to help address these questions.

Figure 1. U.S. Agricultural Prices

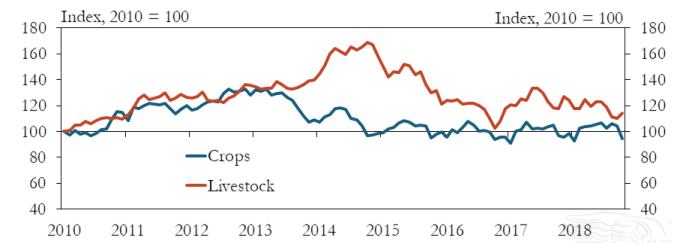
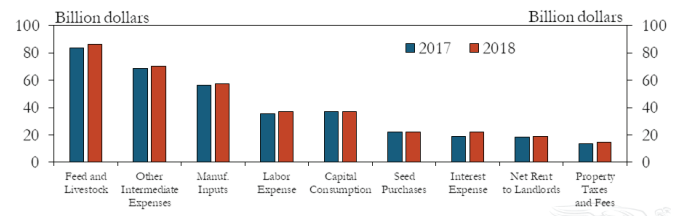


Figure 2. U.S. Farm Expenses by Component

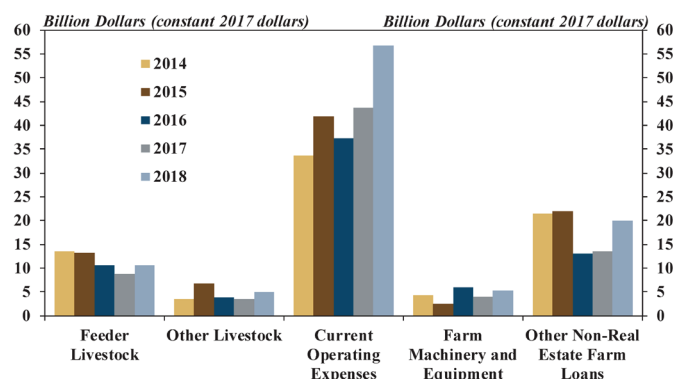


### U.S. Farm Income

As most are already aware, expectations for U.S. farm income in 2018 and beyond are at best flat. In addition, commodity prices in general have been relatively flat in recent years and are expected to continue into 2019, Figure 1.

Although not depicted in the graph, loan interest rates have been at historic lows for the past several years. However, Figure 2 shows that interest rate expense has indeed moved up over 2017 levels, while other categories of farm expenses have remained stable. The recent growth in farm loan portfolios has come in the form of increased operating debt, Figure 3. Other categories of farm debt have remained relatively stable when compared with the past four years.

Figure 3. Non-Real Estate Farm Loan Volumes by Purpose, Third Quarter



Source: Agricultural Finance Database, Table A.3.

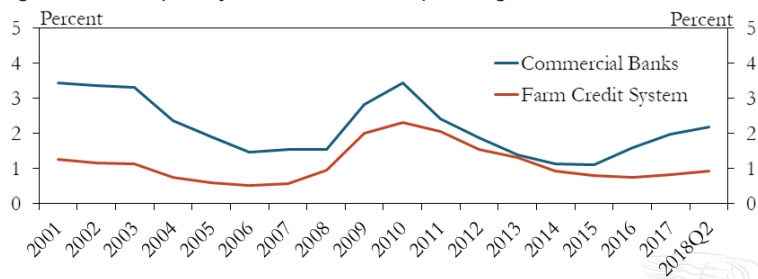
Reduced and declining farm income levels might reasonably be expected to lead to reduced capacity to make debt payments and to increased loan delinquency rates. While there is an increasing trend in operating loan delinquencies, as reported by commercial banks and the Farm Credit System that together account for roughly 80 percent of all U.S. farm operating loans, the trend is currently in the single digits and remains low on an overall, historic basis, Figure 4.

### What about farm bankruptcy rates?

Figure 5 describes U.S. farm bankruptcies and shows that they have increased only modestly over the last two years. The second panel offers some perspective on where those increasing financial pressures are felt most by farmers.

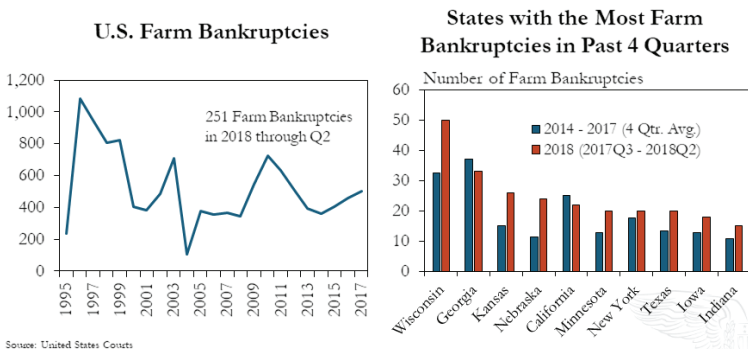
How Much Risk is Right for You?

Figure 4. Delinquency Rates on Farm Operating Loans



Sources: Federal Reserve Board of Governors and Farm Credit Administration.

Figure 5. U.S. Farm Bankruptcies and States with the Most Bankruptcies



Source: United States Courts

### U.S. Farm Real Estate Values

The debt crisis of the 1980s saw large drops in farmland values. How are U.S. land values trending in the current environment? Although there have been declines in land values in recent years, those drops have been fairly modest thus far. The changes that took place between 2000-2013 in Figure 7 (left), describe substantial increases in land values, particularly in mid-western states. Recent declines in land prices, as indicated in the 2013-2018 map (right), outline more modest changes, particularly when contrasted with the 2000-2013 map for the mid-west (left). These factors are likely to play a significant role in discussions with lenders in the next financing cycle on many U.S. farms.

Portions of this article are taken from comments made in a recent webinar by Dr. Nathan Kaufmann, Omaha Federal Reserve Bank Vice President. For more see: <http://bit.ly/FFinancialStress>.

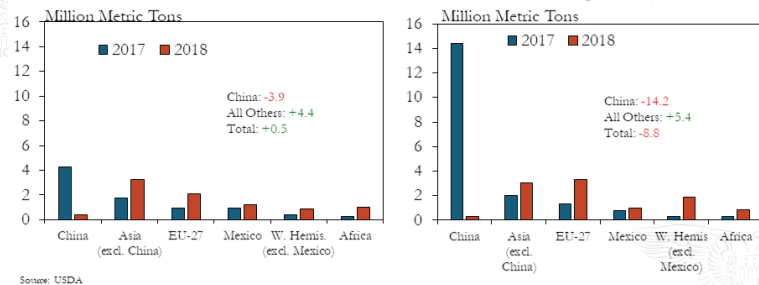
### U.S. Trade Relationships

How have changes in U.S. trade relationships affected farmers in recent months? Figure 6 describes soybean exports to China and other major trading partners. Clearly there has been a dramatic reduction in soybean trade over the past two quarters, where the fourth quarter is the period when most beans are historically exported to China.

In recent weeks there has been a substantial order for soybeans placed by China. It is also worth mentioning that, while trade with China has declined, trade with other trading partners has picked up. In general, the situation moving forward is likely to be rough, until a more stable trade agreement can be reached. That instability will likely impact both soybean and corn prices, as well as planted acreages looking into 2019.

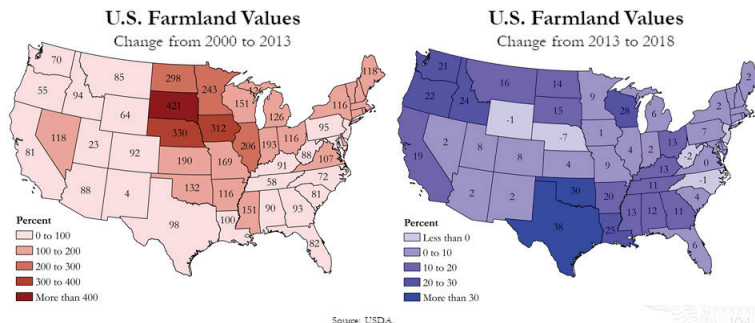
Figure 6. U.S. Soybean Exports in Quarter 3 - 4, 2018

U.S. Soybean Exports, Q3 U.S. Soybean Exports, Q4 (through Dec. 6)



Source: USDA

Figure 7. U.S. Farmland Value Change 2000 - 2013 and 2013 - 2018



Source: USDA.

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