Most states see large declines in net farm income during the last five years

When talking about the seriousness of the downturn in the farm economy since the 2013 peak, most analysts use the USDA's calculation of net farm income (NFI) (https://tinyurl.com/vafwly8) as the measuring stick. We used it in this column as recently as last week. In most cases, the analysis deals with the change in NFI at the national level.

The download file from the USDA that contains the national numbers also contain separate spreadsheets for each of the states. We wondered what the state-level sheets would tell us. Though the most recent release of NFI contains forecast numbers through the 2019 calendar year, the state level spreadsheets only show information through 2018.

As one flips through the individual state spreadsheets it becomes clear that the national numbers do not reflect what is happening at the state level. In this column we will be looking at the changes in NFI that have taken place between 2013 and 2018. National NFI declined by 31.1 percent between 2013 and 2018.

In 2013, 8 states, California, Iowa, Illinois, Nebraska, Kansas, Minnesota, Indiana, and Texas accounted for half of the national NFI, $63.8 billion of $123.8 billion in national NFI.

By 2018, 8 states accounted for a little less than $41.2 billion out of $84.0 billion in national NFI in that year. Florida was added to that list while Indiana sank to 14th place. Six states accounted for just over half of that decline, $20.8 billion out of a $39. 7 billion decline in NFI.

Only six states, Florida, Delaware, Wyoming, Nevada, Rhode Island, and North Dakota, and Alaska saw an increase in NFI between 2013 and 2018, though Alaska's NFI remains negative throughout the period.

Between 2013 and 2018, 6 states experience a decline in NFI greater than 50 percent, Tennessee (79.0 percent), Nebraska (64.8 percent), South Carolina (61.8 percent), Indiana (61.3 percent), Kansas (53.4 percent), and Missouri (51.8 percent).

While the Market Facilitation Payments may make a difference for some states when 2019 state-level NFI numbers are released, they are not a long-term solution, or even short-term for many farmers. A serious shortfall in the production of grains and oilseeds in the US or elsewhere in the world may have a one-time positive impact on prices but such a situation is unlikely to have a permanent impact on crop prices.

Unless we want to see a continued increase in the number of farm bankruptcies, something needs to change. It is difficult to see an income support program that will stabilize NFI somewhat evenly among states with very different agricultural production patterns.

While others may want to deny it, the $16 billion in Market Facilitation Payments look an awful lot like the Emergency Payments we saw in the 1998-2001 period. The difference this time is that Congress did not have to approve legislation for the 2-year total of $28 billion in payments.

So where does that leave US farmers? They are left between a rock and a hard place. Income support programs cannot equitably solve the farm income problem and to date Congress has refused to consider a price support program.

If 2020 is a relatively normal production year, it may be Congress that is between a rock (angry farmers) and a hard place (their past disdain for supply management programs).

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Dr. Harwood D. Schaffer: Adjunct Research Assistant Professor, Sociology Department, University of Tennessee and Director, Agricultural Policy Analysis Center. Dr. Daryll E. Ray: Emeritus Professor, Institute of Agriculture, University of Tennessee and Retired Director, Agricultural Policy Analysis Center.
Email: hdschaffer@utk.edu and dray@utk.edu; http://www.agpolicy.org.