For many down on the farm, the wolf is at the door

We hate to sound like the little boy who cried wolf, but for US farmers there really is a wolf out there and that wolf is called low prices. While the pain is not evenly spread across the nation and across farm types, for those involved it is serious.

To get a picture of what is happening to farm income, we will look at 3 sources of information: USDA's "US farm sector financial indicators, 2012-19F" (http://tinyurl.com/y6tcj8ep), a University of Minnesota press release "Minnesota farm income hits historic low: Farmers struggled [with] low prices and low profitability in 2018" (http://tinyurl.com/y32qqgau), and the Federal Reserve Bank of Minneapolis' "Chapter 12 bankruptcies on the rise in the Ninth District: Low crop and livestock prices also bleeding through to ag bank loans (http://tinyurl.com/yxcakd3n).

The USDA's farm sector financial indicators spread sheet (March 6, 2019) shows the 2018 forecast of net farm income (2018F) at $63.1 billion, down $12.0 billion from the previous year. This is the second lowest level of net farm income since its $123.4 billion peak in 2013, a decline of 48.9 percent.

In 2013 Federal Government direct farm payments were $9.8 billion or 10.6 percent of net farm income. The forecast for 2018 has farm payments at $13.8 billion or 21.8 percent of net farm income. Crop insurance payments to farmers for losses are included in net farm income while crop insurance subsidies are not. Farm equity of $2.621 trillion in 2018F is $161.1 billion higher than it was in 2013 while the debt-to-equity ratio has increased from 12.8 percent (2013) to 15.7 percent (2018F). The 2019F debt-to-equity ratio increases to 16.1 percent.

The University of Minnesota (UM) released the results of a study of farm income in Minnesota for 2018. The numbers UM analyzed includes "data from 2,209 participants in farm business management programs, as well as 101 members of the Southwest Minnesota Farm Business Management Association" and are reported on a per farm basis rather than the aggregate basis used by USDA to measure net farm income.

UM reported that "median net income was $26,055, down 8 percent from the previous year." But more distressing than that is the fact that "farmers in the lowest 20 percent reported losing nearly $72,000." By sector, median crop farm income was $30,650, median pork producer income was $27,739, median dairy farm income was $14,697, and median beef producer income was $6,000.

According to UM: "across all farms, 34 percent lost money on their farming operations in 2018, and 40 percent lost net worth after family living expenses and taxes. Fifty-three percent lost working capital. The working capital picture would have been worse…but many farms were forced to restructure debt, moving short-term debt down the balance sheet and securing it with land and other collateral."

The Minneapolis Federal Reserve reported that between July 2017 and June 2018, 84 farm operations had filed for bankruptcy protection. This is twice the level of the year ending June 2014. The largest number of bankruptcies were filed by dairy farms in Wisconsin. The Ninth Fed ominously suggested that the current trajectory of increasing numbers of farm bankruptcy proceedings "has not yet seen a peak." In addition, non-current ag loans in Montana, North Dakota, and South Dakota are approaching 5 percent.

Taken together, these numbers indicate that for a significant number of farmers, the wolf is at the door, while tragically for others it has big eyes and wears grandma's cap.

If these numbers are not convincing enough, how many bankruptcies will it take for our members of Congress to rethink the approach they have taken to farm policy over the last 23 years?

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