OVERVIEW OF THE MN FARM ECONOMY

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What should a farmer care about most?

- 10% well-being of their animals
- 55% providing safe, healthy, abundant and affordable food
- 28% sustainability
- 6% providing for their employees, family or community
- 1% other

Representative sample of 4,000 consumers in the U.S., China, Mexico and Spain

Feed4Thought
FSA Prevented Planting Acreage

- South Dakota: 3.86 million acres
- 1 Million to 1.5 million acres
- 400,000 to 999,000 acres

Map created with mapchart.net ©
Figure 1. 2019 Prevent Plant Acres as a Percent of 2019 Total Acres

Source: Farm Service Agency
AG TRADE, THEN AND NOW

**WHEAT**

Average price per bushel

1979: $4.02
1980: $4.57
1981: $4.28
1982: $3.51

President Jimmy Carter announces Russian grain embargo, dramatically cutting U.S. wheat exports.

**SOYBEANS**

Average price per bushel

2016: $9.87
2017: $9.78
2018: $9.35
2019: $8.84

President Donald Trump enacts tariffs on Chinese goods; China, a large importer of soybeans, responds with tariffs on U.S. ag products and shops elsewhere for soy.

Source: Macrotrends.net

Forum News Service
Large industries hit hard by first wave of Chinese tariffs

At left are the values of exports to China in five industries from October 2017 to March 2018, before tariffs were enacted. At right are the values from October 2018 to March 2019, after tariffs went into effect.

Before tariffs
- Soybeans: $9.1B
- Fossil fuels: $6.5B
- Vehicles: $5.9B
- Wood: $1.7B
- Copper: $1.1B

After tariffs
- Soybeans: $4.1B
- Fossil fuels: $1.8B
- Vehicles: $1.4B
- Wood: $1.0B
- Copper: $0.6B

Source: U.S. Census Bureau
U.S. Farm-Level Soybean Prices
(Monthly)
APPROVAL OF USMCA AGREEMENT
What About RFS Blending Waivers?
What is the Future Status of E-15?
Farm Economy Has Been In A Downturn For 6 Years
Median farm income, median off-farm income, and median total income of farm operator households, 2014-19F

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Farm Income</th>
<th>Median Off-farm Income</th>
<th>Median Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>-</td>
<td>72,762</td>
<td>6,529</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>73,224</td>
<td>6,264</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>67,314</td>
<td>6,264</td>
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<tr>
<td>2017</td>
<td>-</td>
<td>67,314</td>
<td>6,264</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>67,314</td>
<td>6,264</td>
</tr>
<tr>
<td>2019F</td>
<td></td>
<td>74,768</td>
<td></td>
</tr>
</tbody>
</table>

Note: F = forecast.
Median Net Farm Income
FINBIN Database, Minnesota

Data Sources: Minnesota Farm Business Management Education, Minnesota State
Southwestern Minnesota Farm Business Management Associations, U of M
Copyright 2019, Center For Farm Financial Management, University of Minnesota
Term Debt Coverage Ratio
FINBIN Database, Minnesota Average

Data Sources: Minnesota Farm Business Management Education, Minnesota State
Southwestern Minnesota Farm Business Management Associations, U of M
Copyright 2019, Center For Farm Financial Management, University of Minnesota
Family Living Costs

![Chart showing Family Living Costs from 2009 to 2018]

- **Total Cash**
- **Taxes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Cash</th>
<th>Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>86,33</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>84,378</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>96,315</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>108,746</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>118,506</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>110,312</td>
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</tr>
<tr>
<td>2015</td>
<td>101,316</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>86,584</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>87,463</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>86,327</td>
<td></td>
</tr>
</tbody>
</table>
Non-Farm Income & Family Living

- Family living has stabilized over the past few years
- In many cases, the employee benefits of off-farm employment adds significant value
- Non-farm income pays for more than half of household and personal spending

![Chart showing family living costs and non-farm income from 2009 to 2018. The chart indicates a stabilization of family living costs and a significant contribution by non-farm income over the years.](chart.png)
Each farmer, on average, spent $781,520 in the Greater Community in 2018.

- $135,207 Capital Purchases (17.3%)
- $82,500 Family Living (10.6%)
- $55,769 Feed Livestock & Cust Wk (7.1%)
- $143,067 Seed, Fert, Chem (18.3%)
- $20,060 RE Taxes & Utilities (2.6%)
- $52,868 Interest & Leases (6.8%)
- $40,809 Hired Labor (5.2%)
- $68,813 Fuel & Repairs (8.8%)
- $36,998 Other Livestock Exp (4.7%)
- $25,449 Other Crop Exp (3.3%)
- $81,022 Purchased Feed (10.4%)
- $38,958 General Farm Exp (5.0%)
Farm & Family Spending

• In 2018, the average farm business spent a total of $781,520 for farm business operating, capital purchases and family living. Much of this was spent in the local community for supplies and inputs, labor, real estate taxes, interest, real estate purchase, and rent. Some of it left the community for the purchase of machinery and equipment, utilities, income taxes, etc.

• Repeat – Most remained in the local community.

    Thank your local farmers!
Welcome to FINBIN

FINBIN is one of the largest and most accessible sources of farm financial and production benchmark information in the world. FINBIN places detailed reports on whole farm, crop, and livestock financials at your fingertips.

With just a few clicks of the mouse, you can see reports such as:

- Soybean cost and returns by tillage system
- Dairy cost and returns by size or location of herd
- Farm financial standards measures by type or size of farm

The possibilities are endless. Select Whole Farm Reports, Crop Reports, or Livestock Reports to create your own custom report.

Data providers:

- Farm business management associations
- Farm management education programs

www.finbinbin.umn.edu
The "Cash Flow Squeeze"
Potential Additional Income Sources for 2019

- Better than expected 2019 Yields.
- Improved Grain Prices.
- Crop Insurance Income
- 2018 ARC-CO Payments.
- Crop Disaster (WHIP) Payments.
- Market Facilitation (MFP) Payments.
Figure 3. MFP “Round 2” Specialty Crop and Animal Protein Payments

- Dairy: $0.20/cwt
- Nuts: $146/acre
- Ginseng: $2.85/lb
- Table Grapes: $0.03/lb
- Hogs: $11/head
- Cranberries: $0.03/lb
- Sweet Cherries: $0.17/lb
Total direct payments to farmers expected to increase

$ Billions

- All other payments 3/
- Function of crop price payments 2/
- Fixed payments 1/
- Conservation payments
- Inflation-adjusted total (2019 $)

Program, 2019F $, % change (nominal)
- Total, $19.5B (+42.5%)
- Conservation, $3.7B, (-8.4%)
- Function of crop price, $2.8B, (-12.4%)
- All other, $13.1B, (+100.3%)

Market Facilitation Program payments:
- 2018 = $5.1 billion
- 2019F = $10.7 billion

F= Forecast.
1/ Direct payments are through 2013 and cotton transition payments in 2014 whereby payment rates are fixed by legislation.
2/ Includes counter-cyclical payments, average crop revenue election (ACRE) payments, loan deficiency payments, marketing loan gains, certificate exchange gains, Price Loss Coverage (PLC), and Agriculture Risk Coverage (ARC) in which commodity payment rates vary with market prices.
3/ All other payments include supplemental and ad hoc disaster relief, tobacco transition, dairy programs, cotton ginning cost share, and miscellaneous programs (including the Market Facilitation Program).

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics (using data from FSA, NRCS, and CCC)
Data as of August 30, 2019
Federal insurance indemnities and direct payments expected to boost income

$ Billions (2019)


- Federal commodity insurance indemnities less premiums
- Direct government payments
- Net farm income, less net federal indemnities and government payments

2019F $, change:
- $6.6B, +160%
- $19.5B, +40%
- $62.0, -10.3%

F: Forecast. Values are inflation adjusted using the chain-type GDP deflator, 2019=100
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics
Data as of August 30, 2019
Bankruptcies trending upwards in recent years

Since 2016, bankruptcy rate has trended upwards as the debt service ratio has leveled.

Debt service ratio describes the share of production used for debt payments.

F = Forecast Data
Sources: Debt Service Ratio from the USDA, ERS Farm Income and Wealth Statistics; Bankruptcy data from U.S. Courts Statistical Tables
Data as of August 30, 2019
24/7 Confidential Hotline

MINNESOTA FARM & RURAL HELPLINE
833-600-2670
Free. Confidential. 24/7.

NEED TO TALK?
Are you struggling with feeling alone, sad, stressed, or worried and feel like you have no one to turn to?
CALL US.
Minnesota Farm Advocates

- Since 1984
- Peer farmers
- Natural or financial disaster
- In the farmer’s corner
- Help navigate solutions to difficult and complex problems
  - Lending/lender negotiation, mediation, farm programs, crisis counseling, disaster programs, legal and/or social services
- 2017: ~8,400 hours with clients

651-201-6311

11/16/18
Mediation uses a neutral facilitator to help resolve disputes:

- Offers farmers the chance to renegotiate, restructure, or resolve farm debt
- No cost
- Informal, confidential process
- Debtor has 14 days to respond and file mediation request after getting notice from a creditor

218-935-5785

11/16/18
Trends for 2020 & Beyond …

• Tight Margins in Crop & Livestock Production.

• Interest rates will likely be stable or lower.

• High level of market & farm income volatility.

• Land values & Land Rents will continue to be steady to slightly lower.

• Continued emphasis on Ag Trade Issues.

• “Stress level” will remain high (Use resources !).

• Not all is bad …… there will be opportunities !
QUESTIONS?

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Best Wishes For 2019 & Beyond!