

# **AGRICULTURAL ECONOMY OUTLOOK: IMPLICATIONS FOR PROCESSING VEGETABLES**

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**Processing Crops Conference**

**Wisconsin Dells, WI**

**Dec 3, 2019**



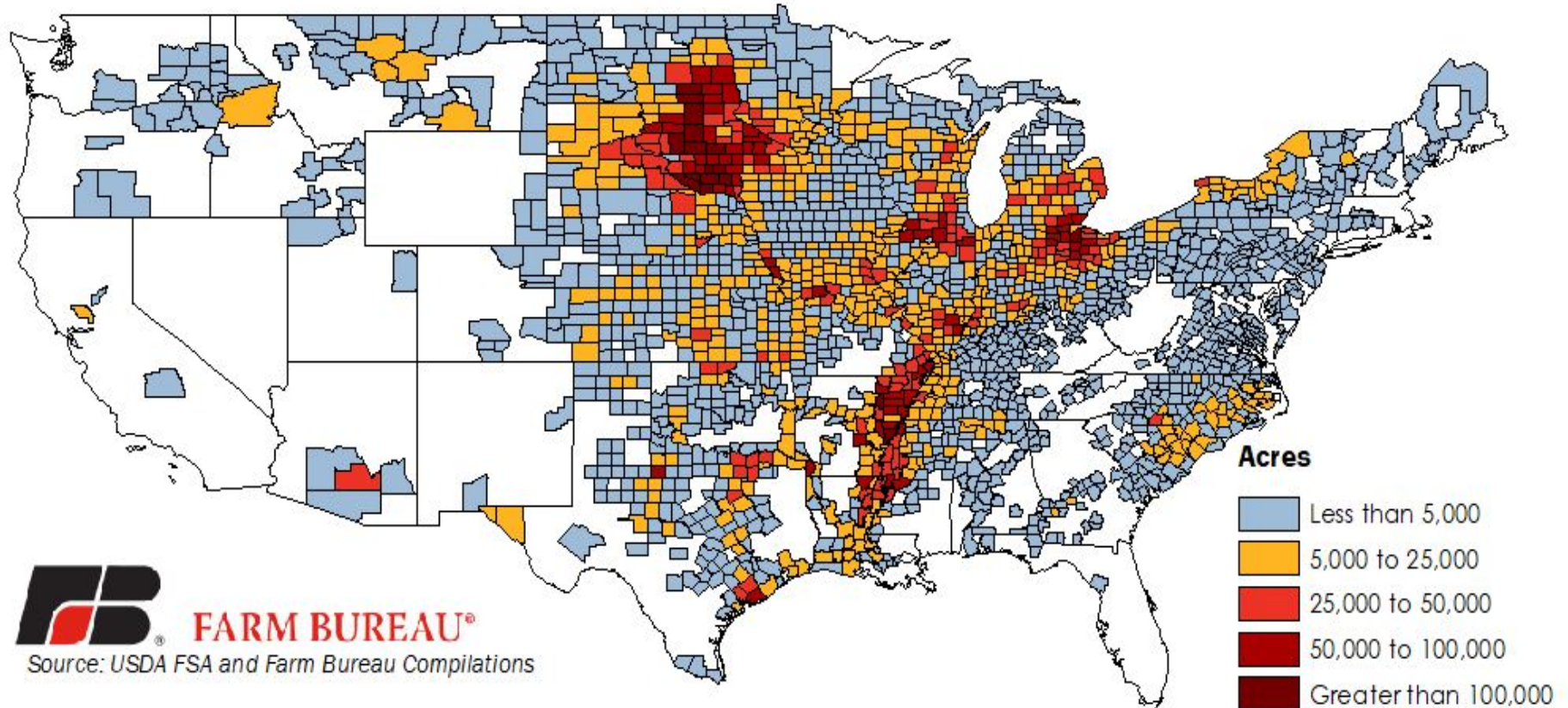
**Division of Extension  
University of Wisconsin-Madison**

# Goal Today

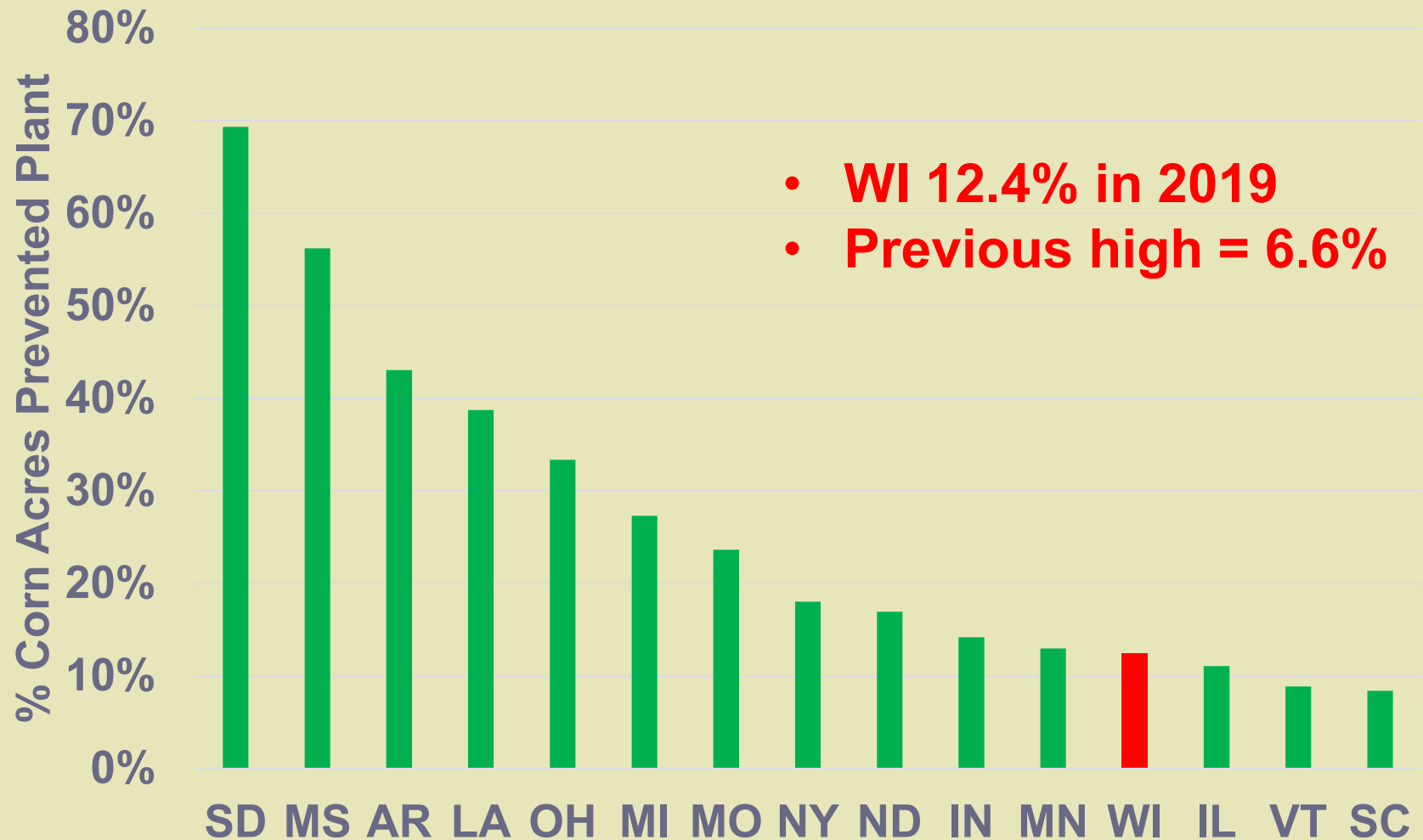
- Review 2019 production issues for corn and soybeans
- 2020 market expectations for corn and soybeans
- Evidence on the farm financial situation

# Prevent Planting Set a Record in 2019 at 20 Million Acres

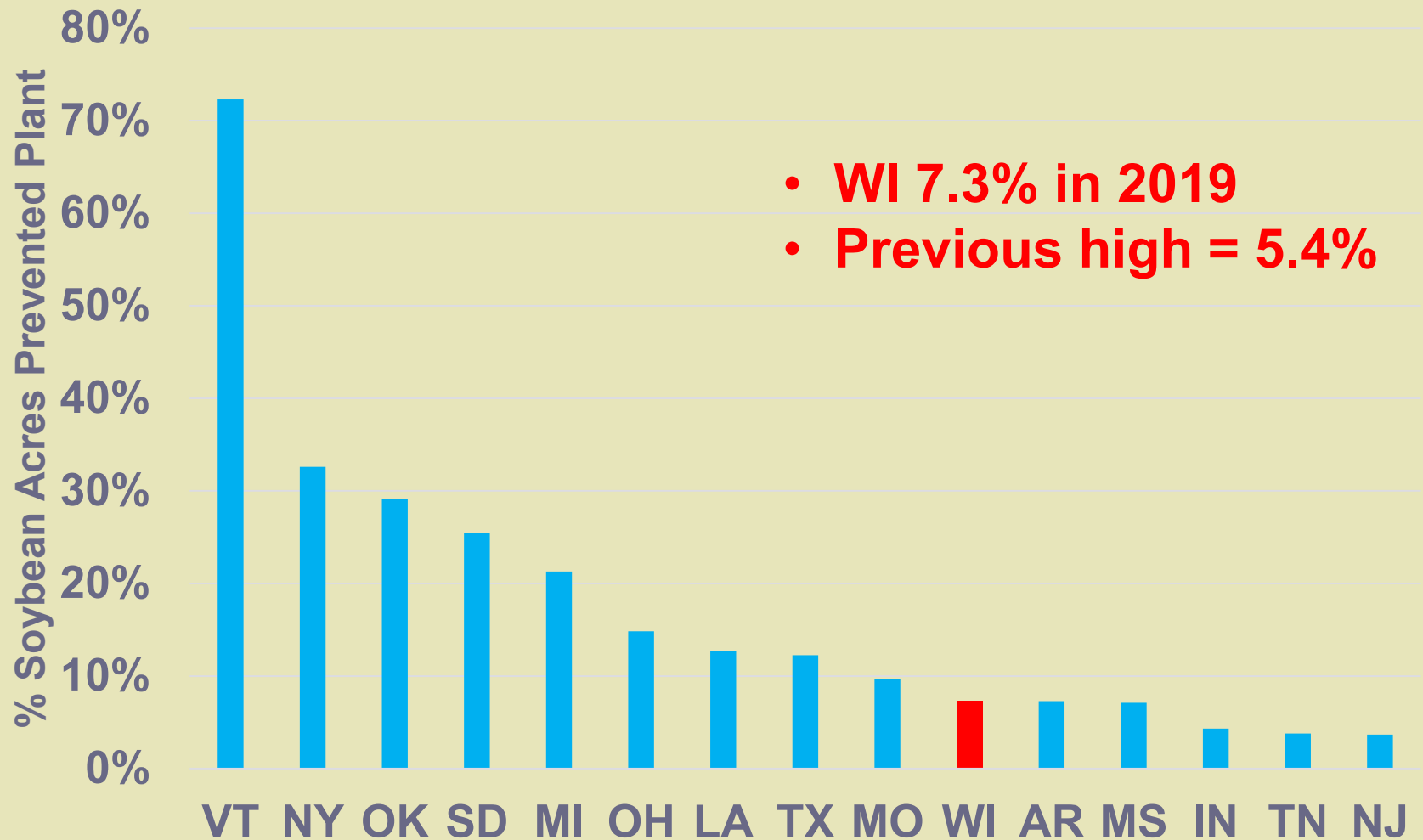
**Figure 2. All Acres Prevented From Being Planted, 2019  
August 22 Release**



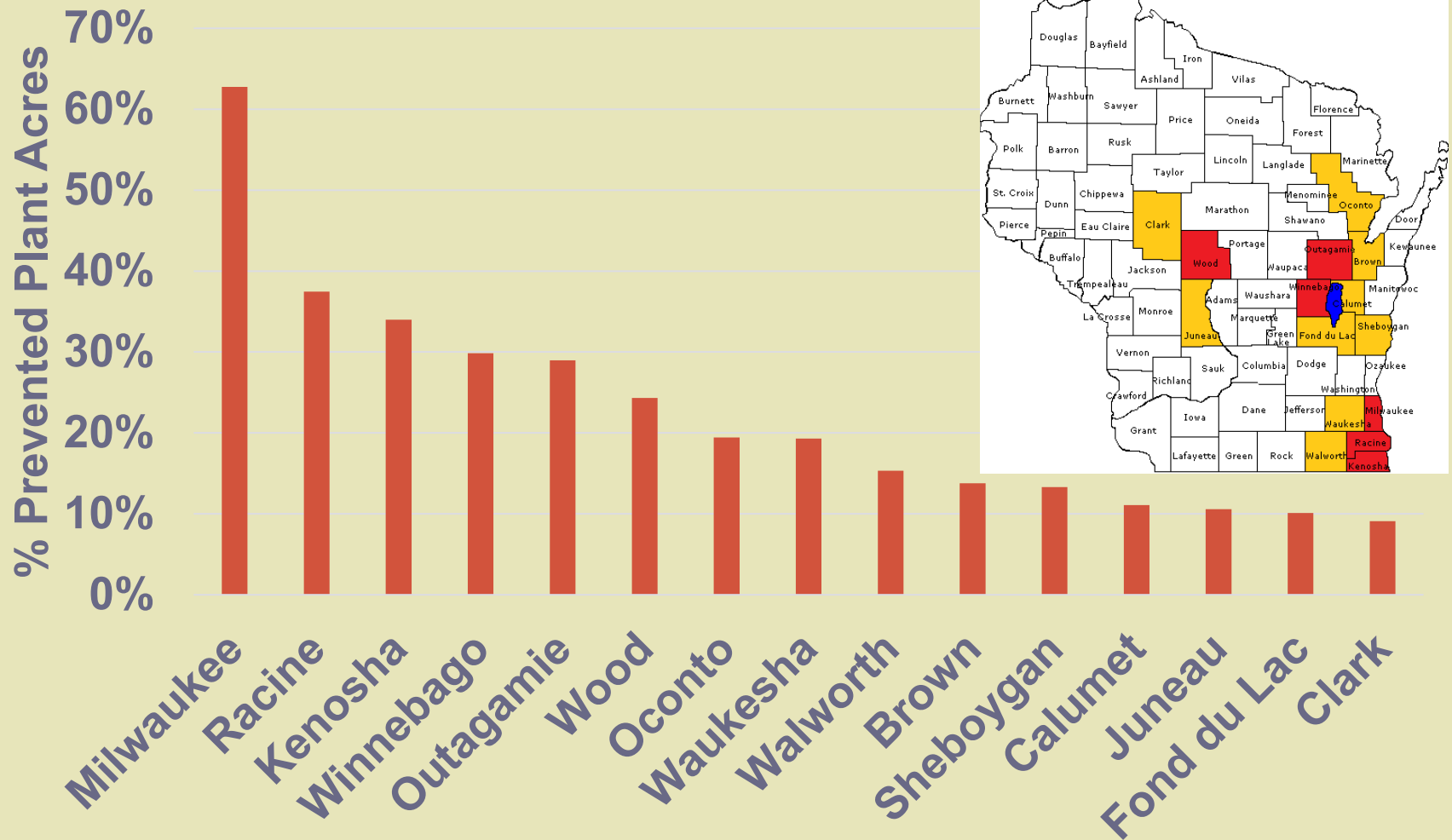
# % Corn Acres Prevented Plant By State



# % Soybean Acres Prevented Plant By State



# % Prevented Plant Acres by WI County

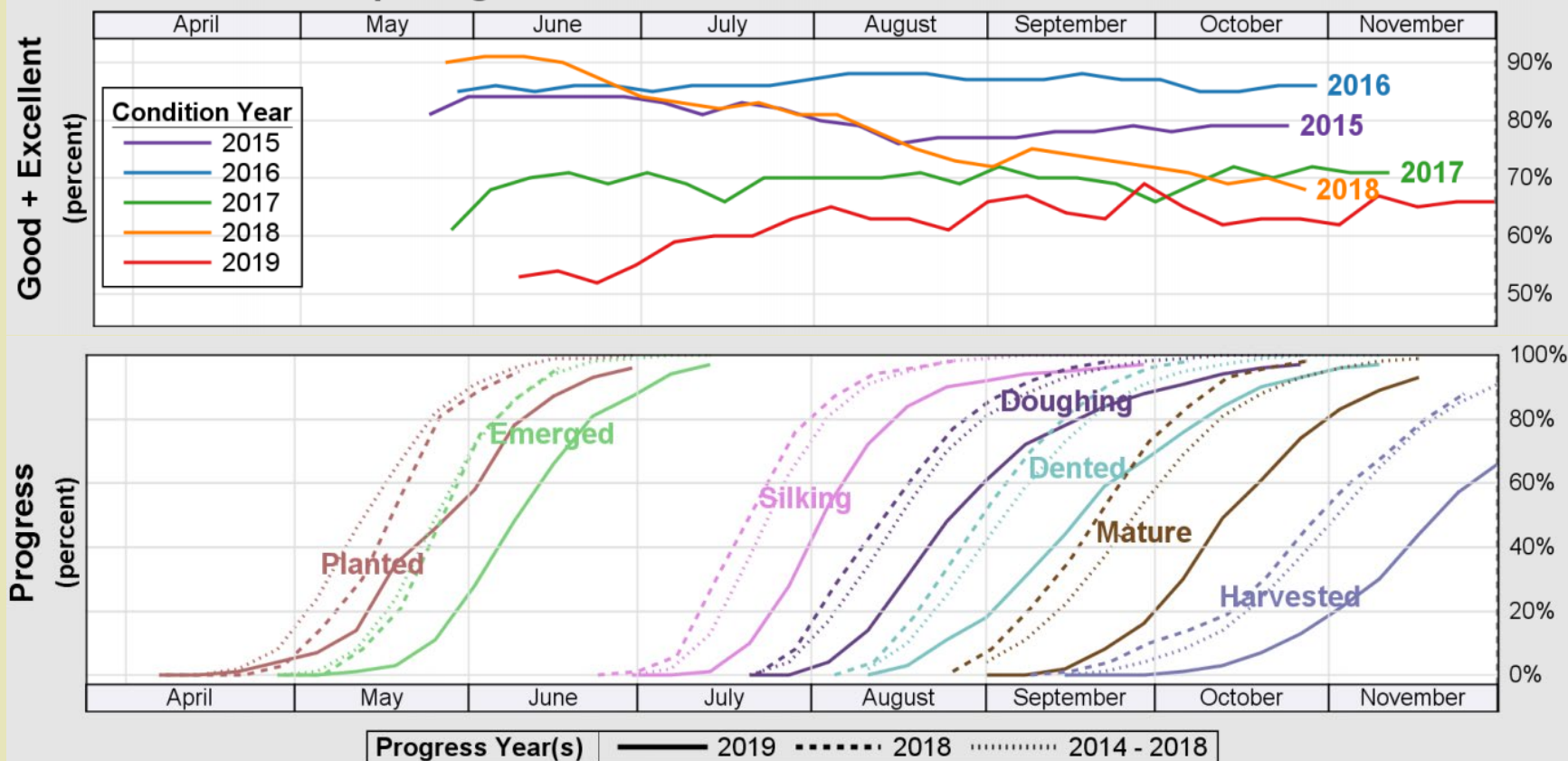


# Corn 10-14 days behind much of summer and much less good to excellent condition

USDA

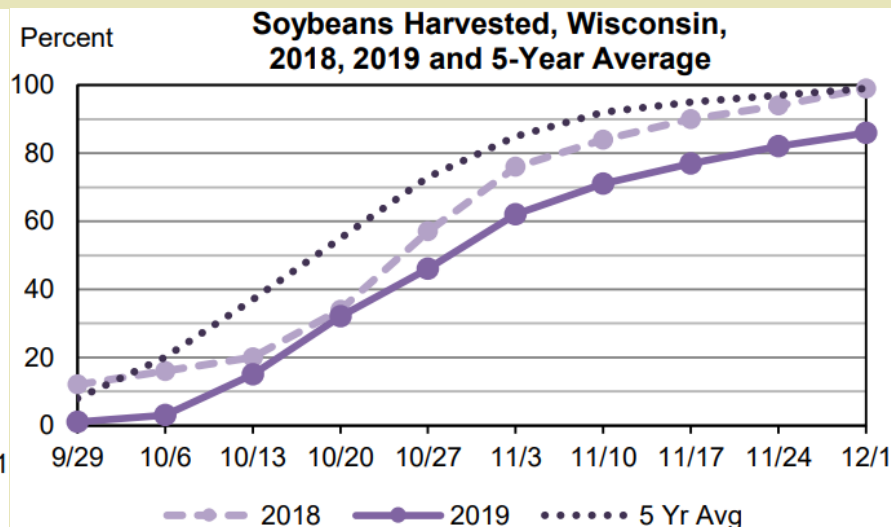
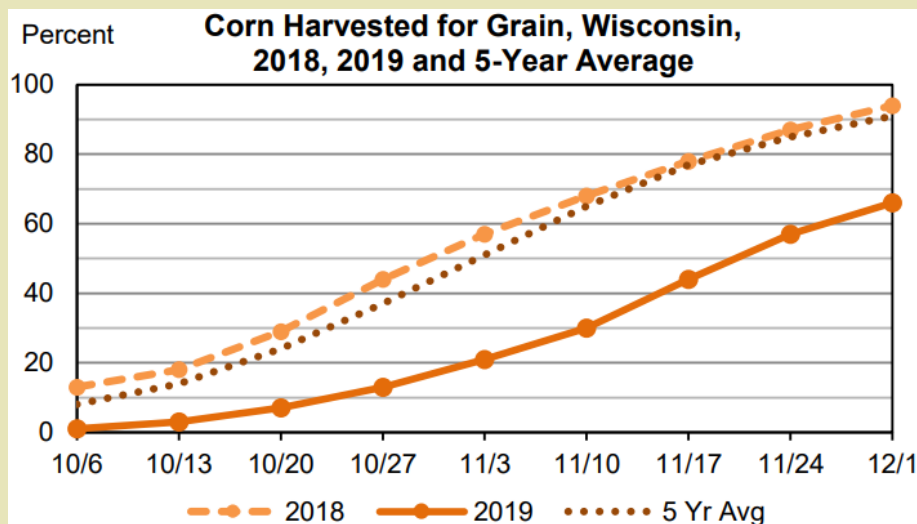
## Crop Progress and Condition: Corn in Wisconsin , 2019

NASS



Source: [https://www.nass.usda.gov/Charts\\_and\\_Maps/Crop\\_Progress\\_&\\_Condition/2019/WI\\_2019.pdf](https://www.nass.usda.gov/Charts_and_Maps/Crop_Progress_&_Condition/2019/WI_2019.pdf)

# Dec 1 Crop Progress Report for WI



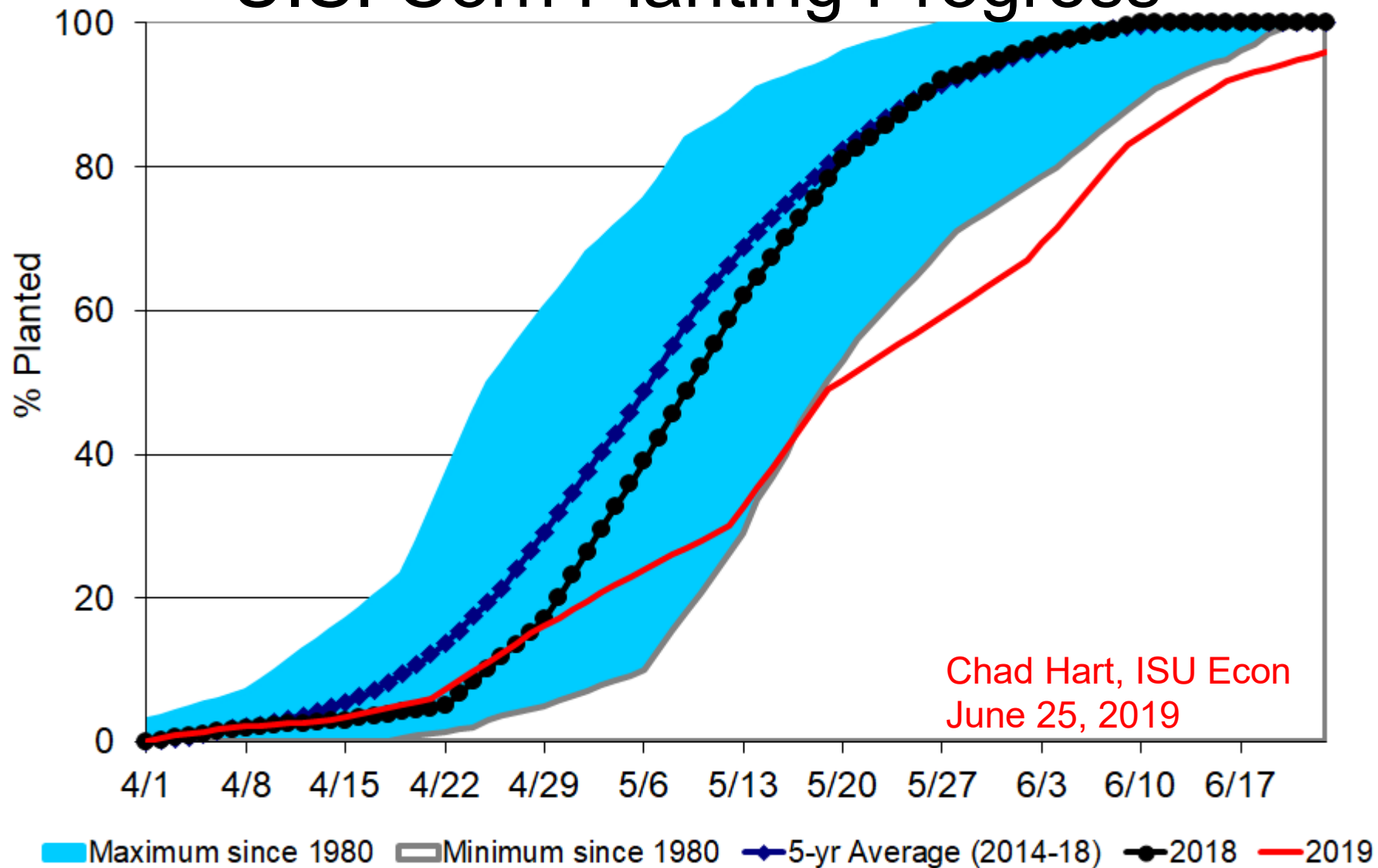
## Crop Progress as of December 1, 2019

Item	Districts									State			
	NW	NC	NE	WC	C	EC	SW	SC	SE	This week	Last week	Last year	5-year average
Corn harvested for grain .....	(percent) 64	(percent) 43	(percent) 55	(percent) 57	(percent) 57	(percent) 62	(percent) 80	(percent) 75	(percent) 65	(percent) 66	(percent) 57	(percent) 94	(percent) 91
Soybeans harvested .....	93	81	75	95	91	73	84	86	86	86	82	99	99

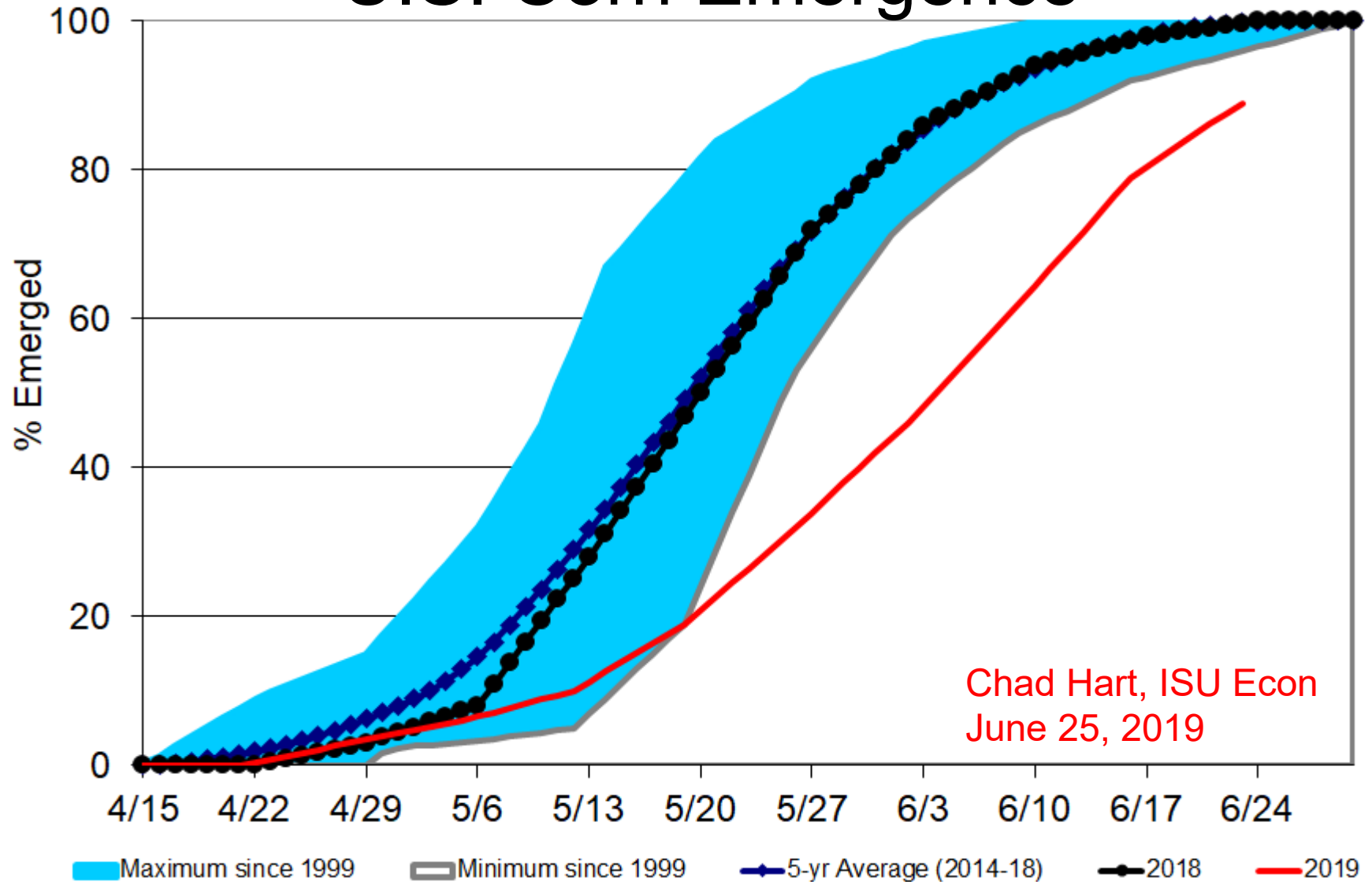
- Corn 66% harvested (91% 5-yr avg), Low = 45% in NC
- Soybeans 86% harvested (99% 5-yr avg), Low = 75% in NE



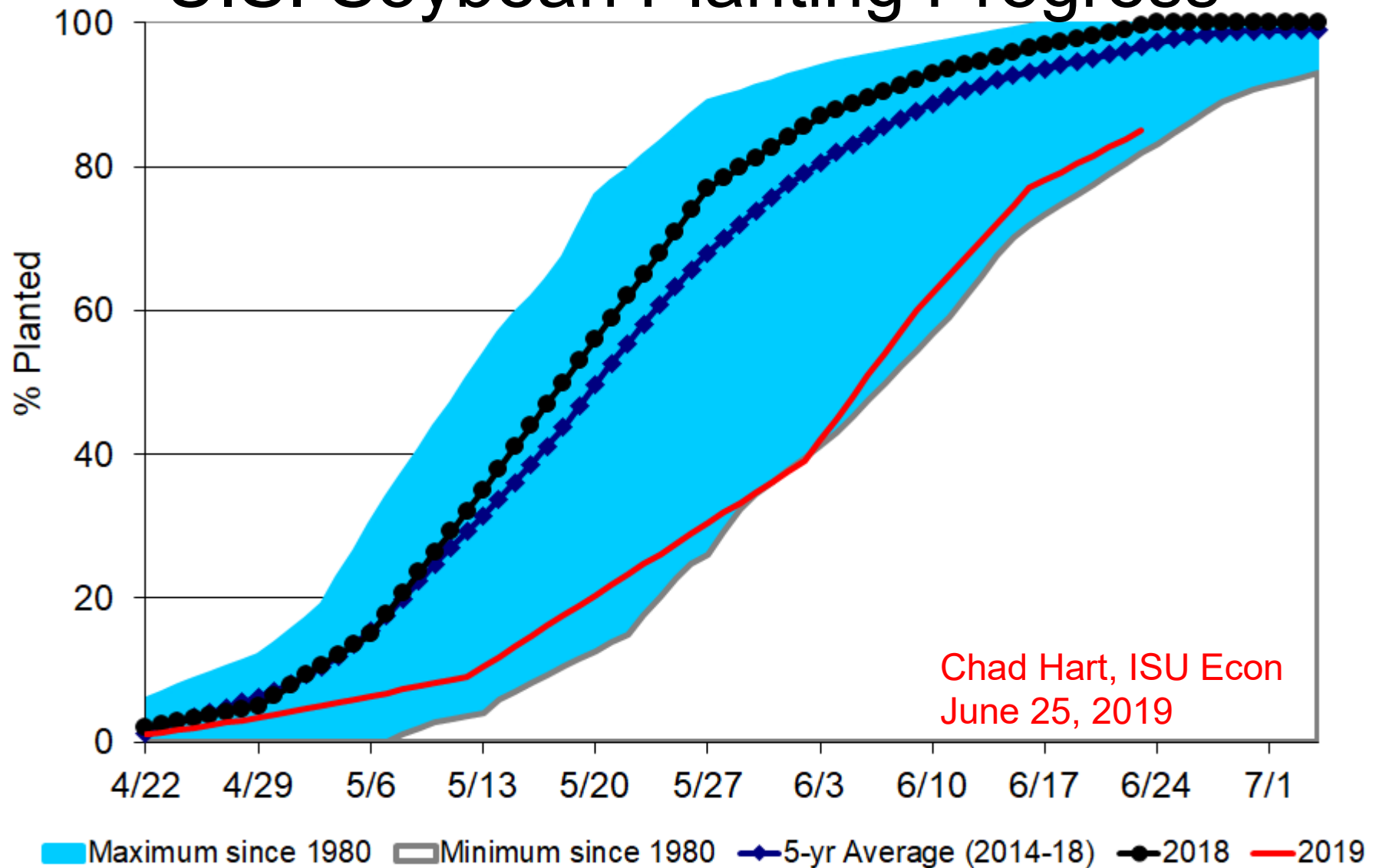
# U.S. Corn Planting Progress



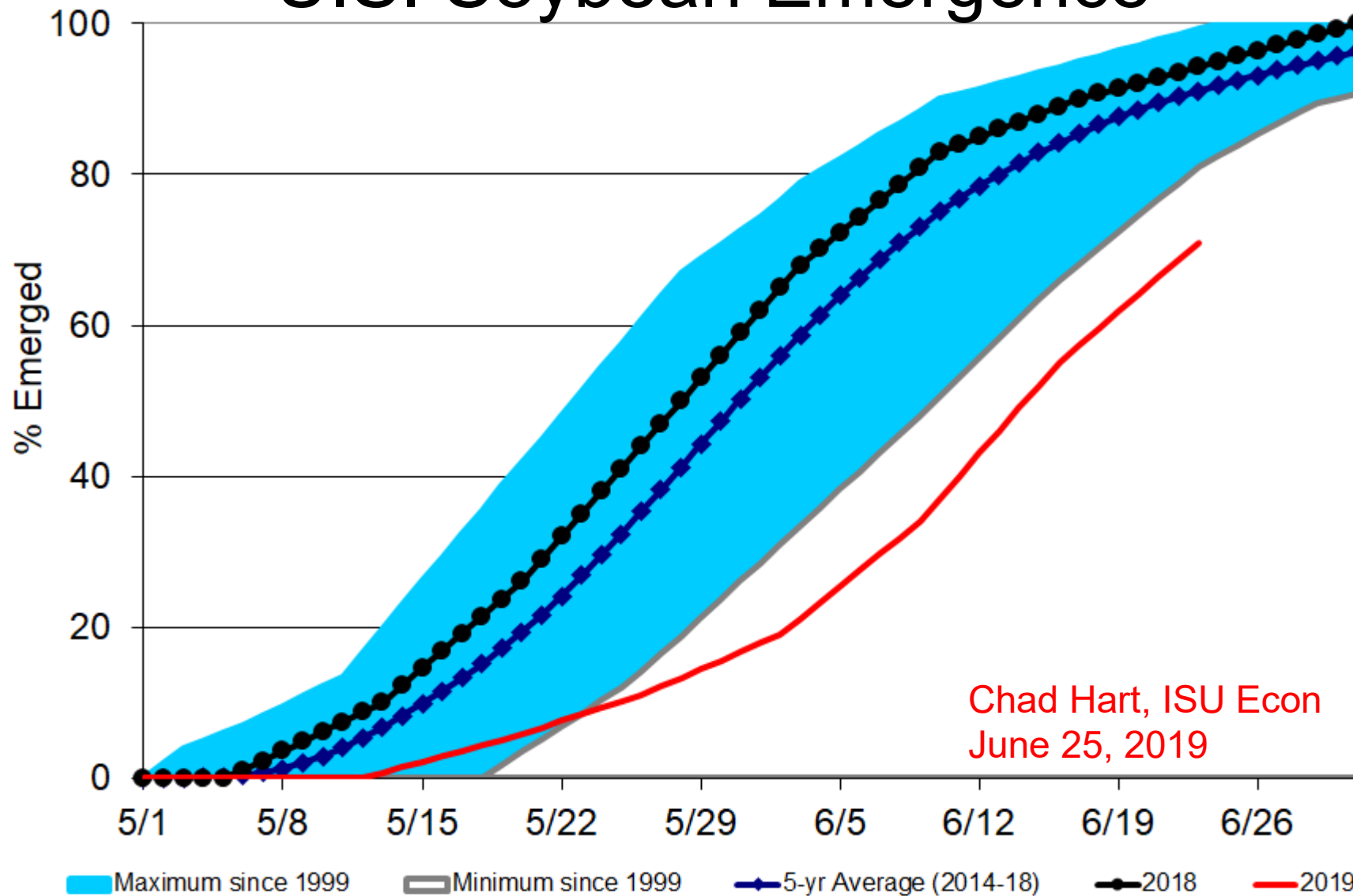
# U.S. Corn Emergence



# U.S. Soybean Planting Progress



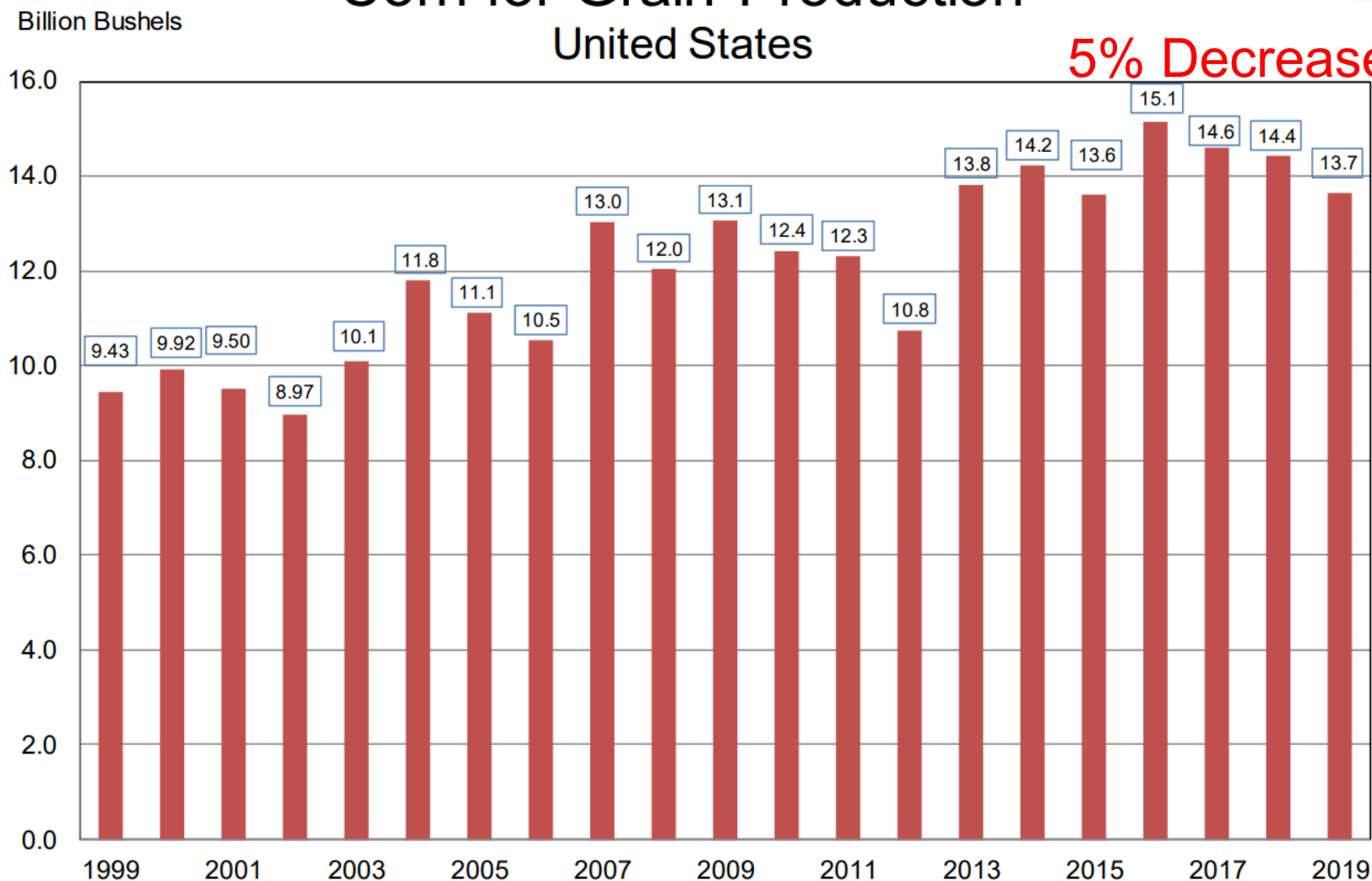
# U.S. Soybean Emergence





# Corn for Grain Production United States

5% Decrease

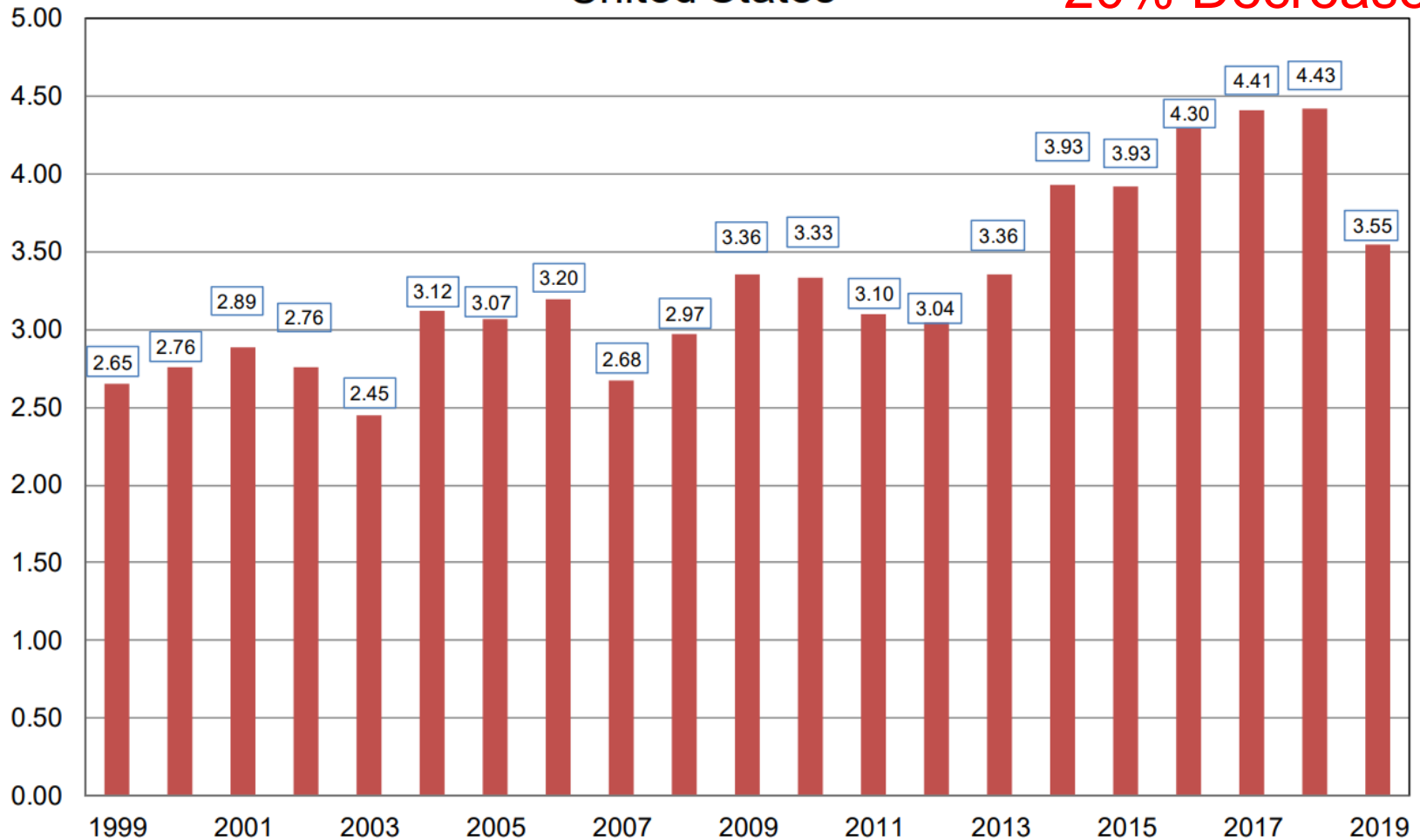




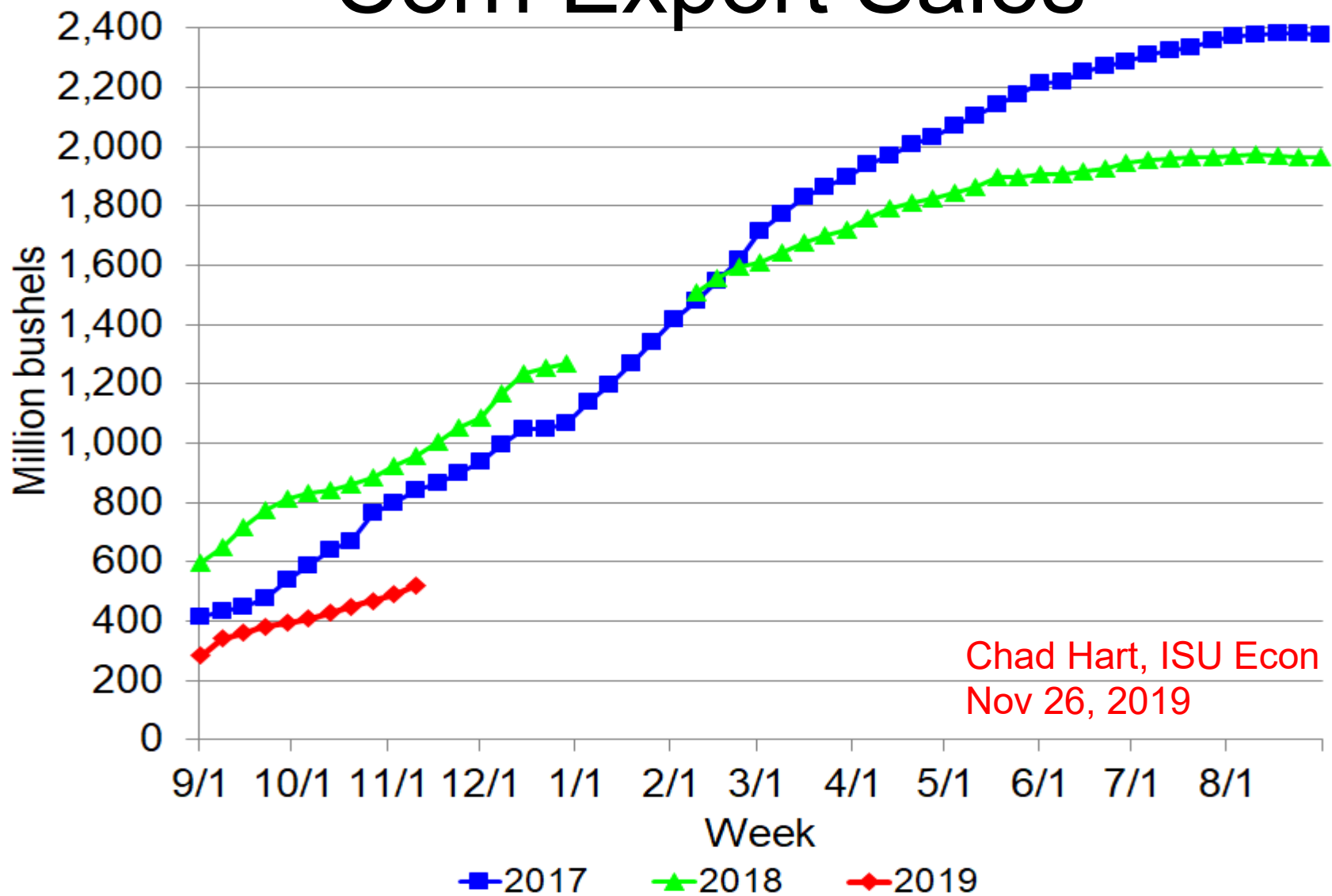
# Soybean Production United States

20% Decrease

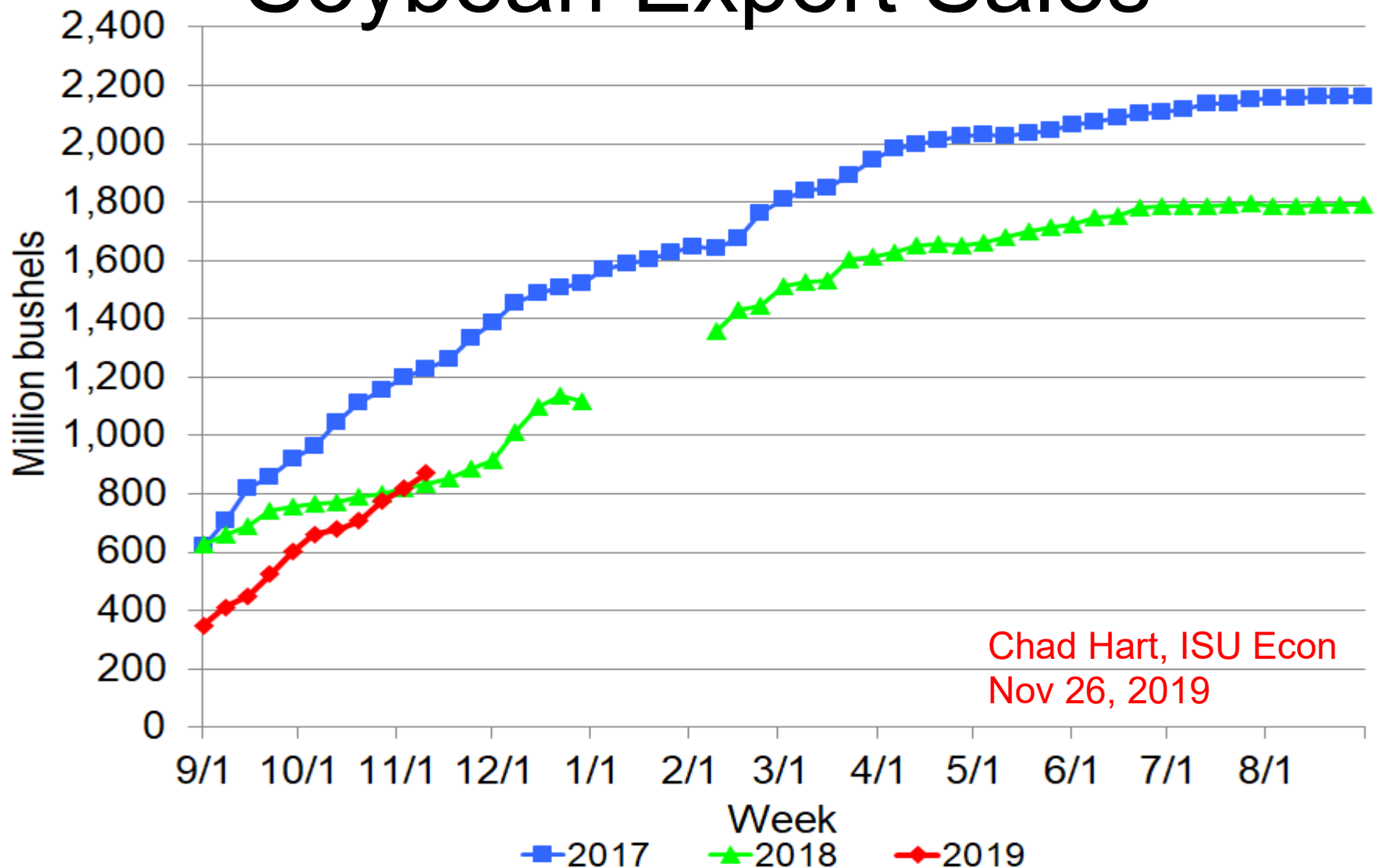
Billion Bushels



# Corn Export Sales



# Soybean Export Sales





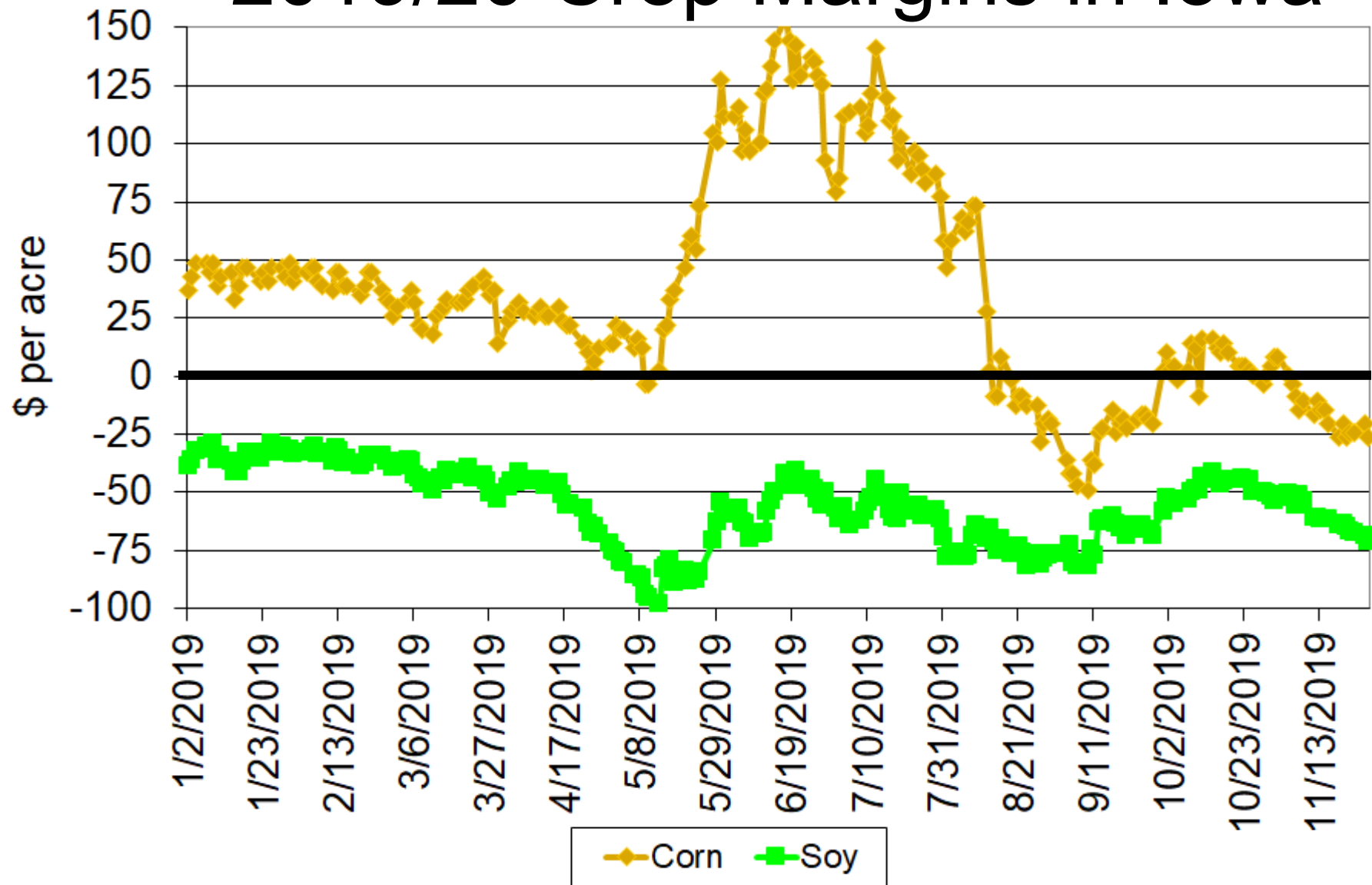
# U.S. Corn Supply and Use

		2016	2017	2018	2019	2020
Area Planted	(mil. acres)	94.0	90.2	89.1	89.9	94.5
Yield	(bu./acre)	174.6	176.6	176.4	167.0	178.5
Production	(mil. bu.)	15,148	14,609	14,420	13,661	15,545
Beg. Stocks	(mil. bu.)	1,737	2,293	2,140	2,114	1,910
Imports	(mil. bu.)	57	36	28	50	25
Total Supply	(mil. bu.)	16,942	16,939	16,588	15,825	17,480
Feed & Residual	(mil. bu.)	5,470	5,304	5,618	5,275	5,775
Ethanol	(mil. bu.)	5,432	5,605	5,376	5,375	5,450
Food, Seed, & Other	(mil. bu.)	1,453	1,451	1,425	1,415	1,420
Exports	(mil. bu.)	2,294	2,438	2,065	1,850	2,100
Total Use	(mil. bu.)	14,649	14,799	14,474	13,915	14,745
Ending Stocks	(mil. bu.)	2,293	2,140	2,114	1,910	2,735
Season-Average Price	(\$/bu.)	3.36	3.36	3.61	3.85	3.40

# U.S. Soybean Supply and Use

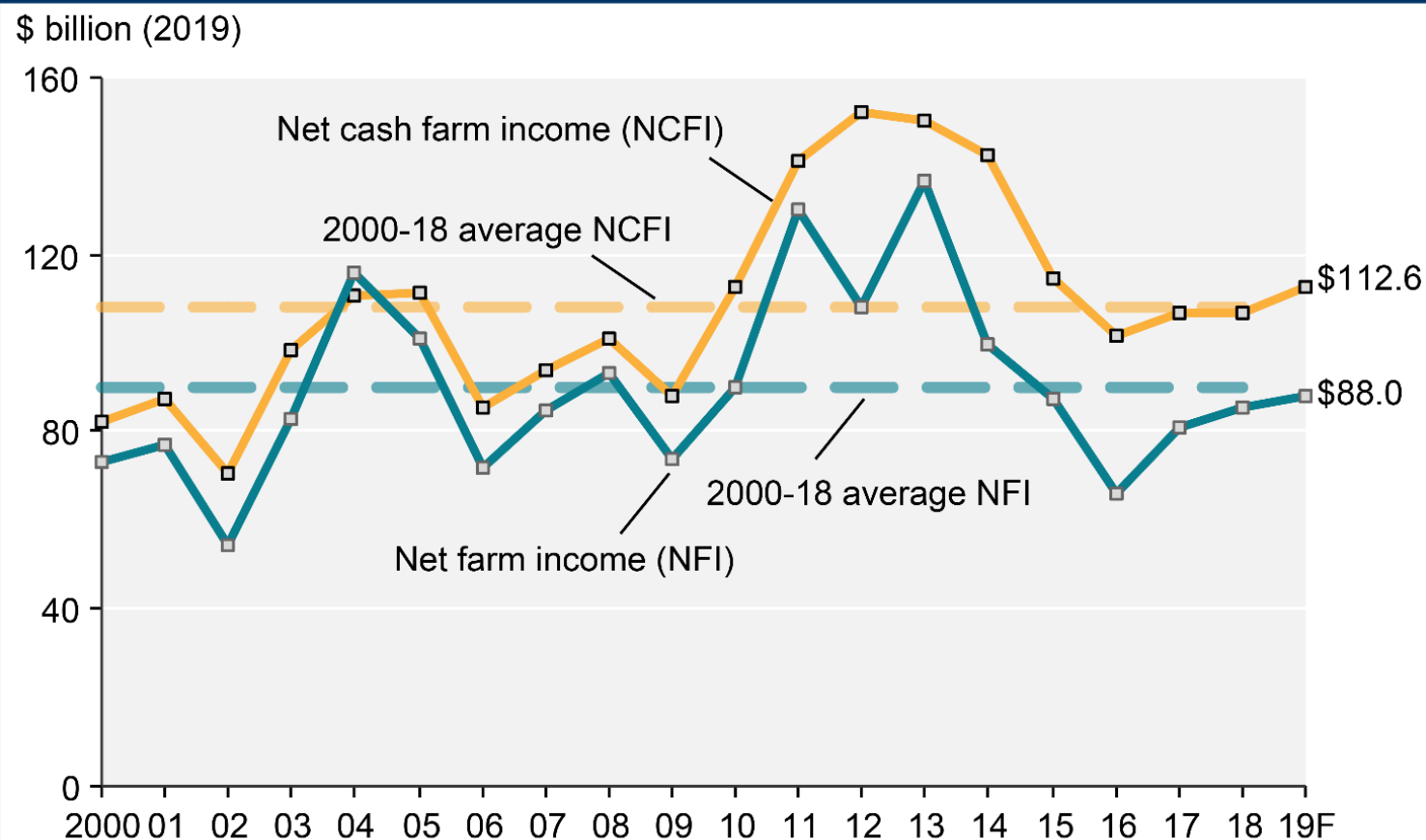
		2016	2017	2018	2019	2020
Area Planted	(mil. acres)	83.4	90.2	89.2	76.5	84.0
Yield	(bu./acre)	52.0	49.3	50.6	46.9	50.5
Production	(mil. bu.)	4,296	4,412	4,428	3,550	4,200
Beg. Stocks	(mil. bu.)	197	302	438	913	475
Imports	(mil. bu.)	22	22	14	20	20
Total Supply	(mil. bu.)	4,515	4,735	4,880	4,483	4,695
Crush	(mil. bu.)	1,901	2,055	2,092	2,105	2,135
Seed & Residual	(mil. bu.)	146	113	138	128	132
Exports	(mil. bu.)	2,166	2,129	1,748	1,775	1,895
Total Use	(mil. bu.)	4,214	4,297	3,967	4,008	4,162
Ending Stocks	(mil. bu.)	302	438	913	475	533
Season-Average Price	(\$/bu.)	9.47	9.33	8.48	9.00	8.85

# 2019/20 Crop Margins in Iowa



# US Farm Income Near Long-Run Average

## Net farm income and net cash farm income, 2000-19F

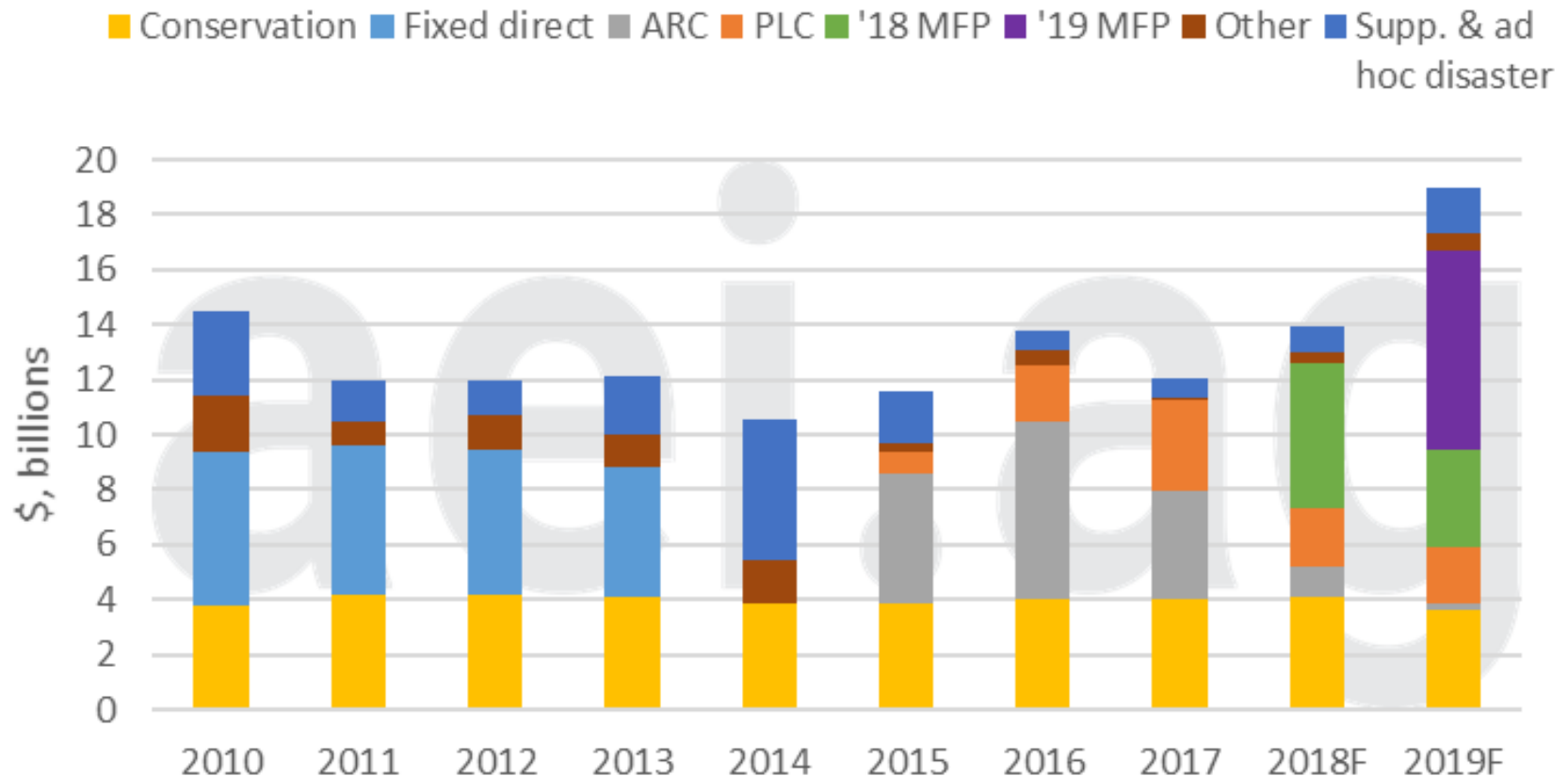


Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2019=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of August 30, 2019.

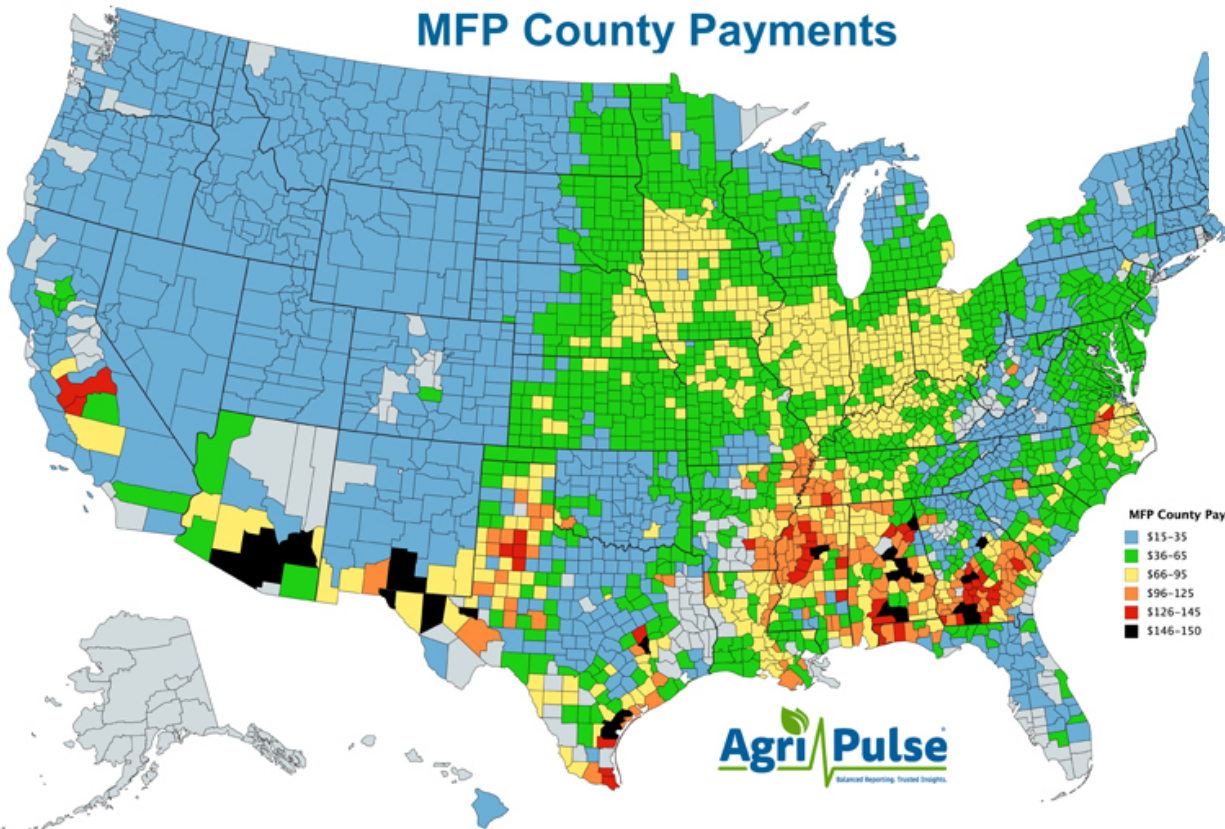
# MFP Payments in 2019 almost \$11 Billion

## Form of Direct Farm Payments

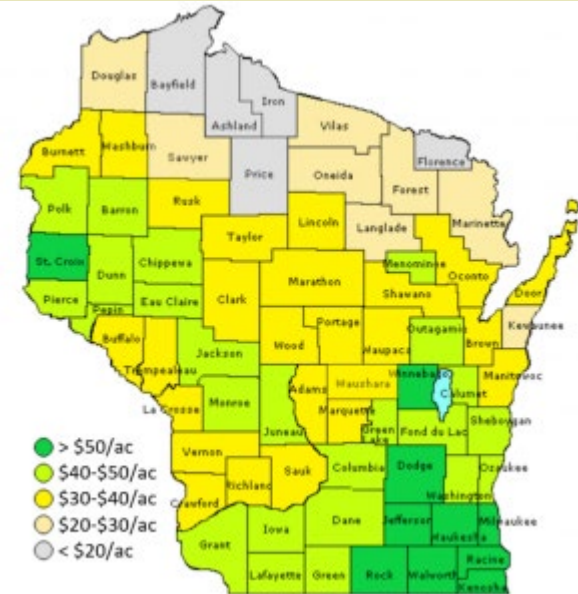


# 2019 MFP Payment Rates

MFP County Payments



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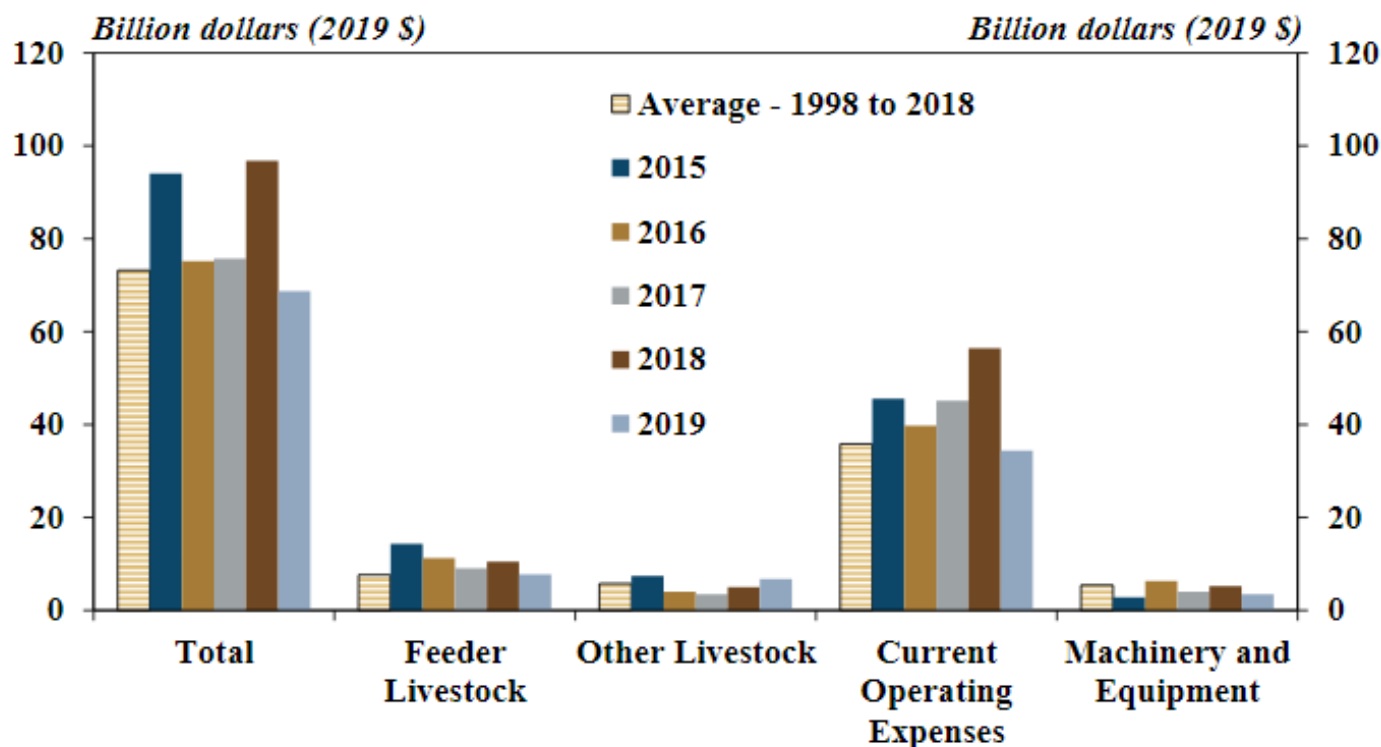
MFP County Payments

- \$15-35
- \$36-65
- \$66-95
- \$96-125
- \$126-145
- \$146-150

## Farm Lending Slows but Remains High

Cortney Cowley, Economist and Ty Kreitman, Assistant Economist OCTOBER 17, 2019

### Chart 2: Volume of Non-Real Estate Farm Loans by Purpose, Third Quarter

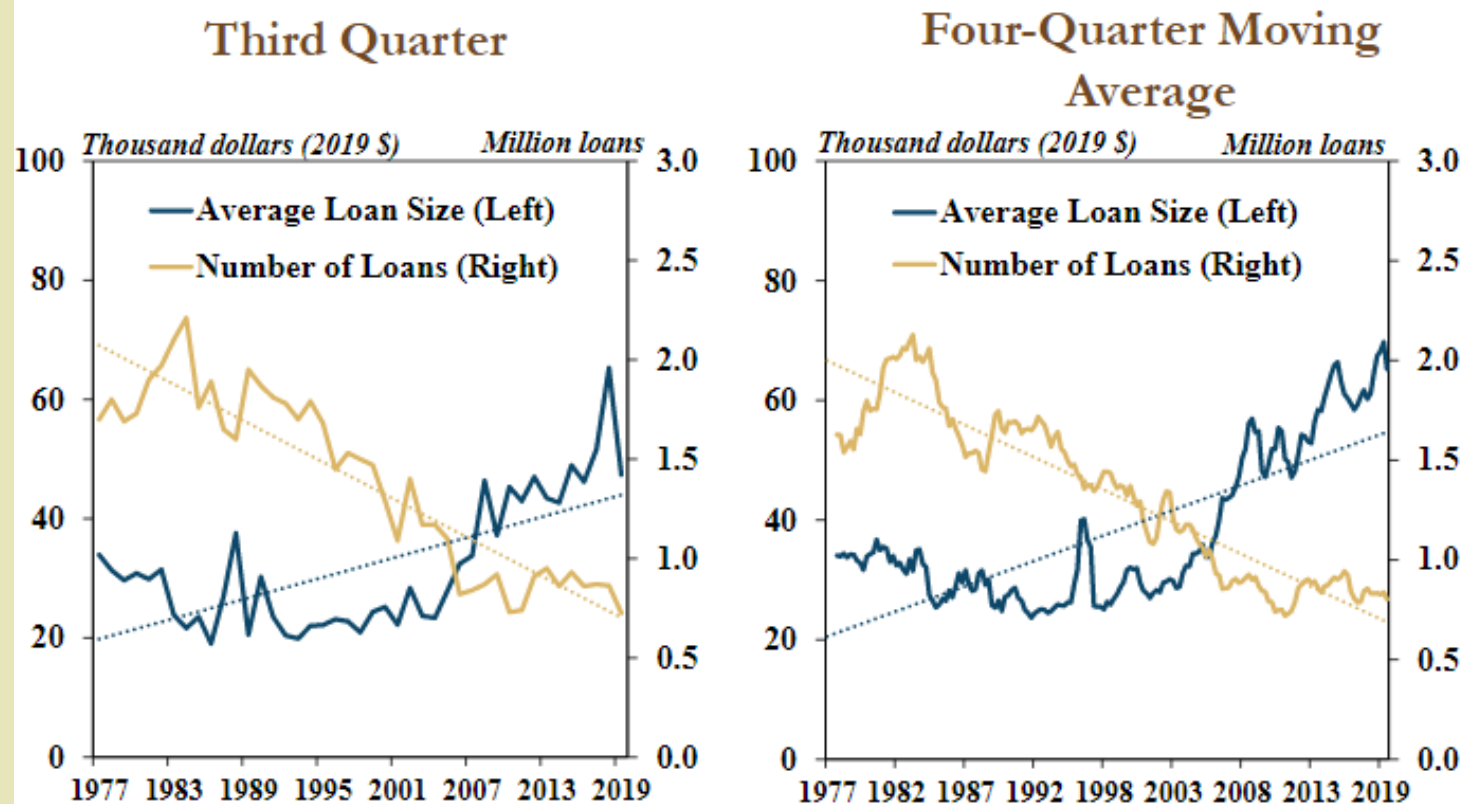




## Farm Lending Slows but Remains High

Cortney Cowley, Economist and Ty Kreitman, Assistant Economist OCTOBER 17, 2019

### Chart 3: Average Size and Number of Farm Operating Loans



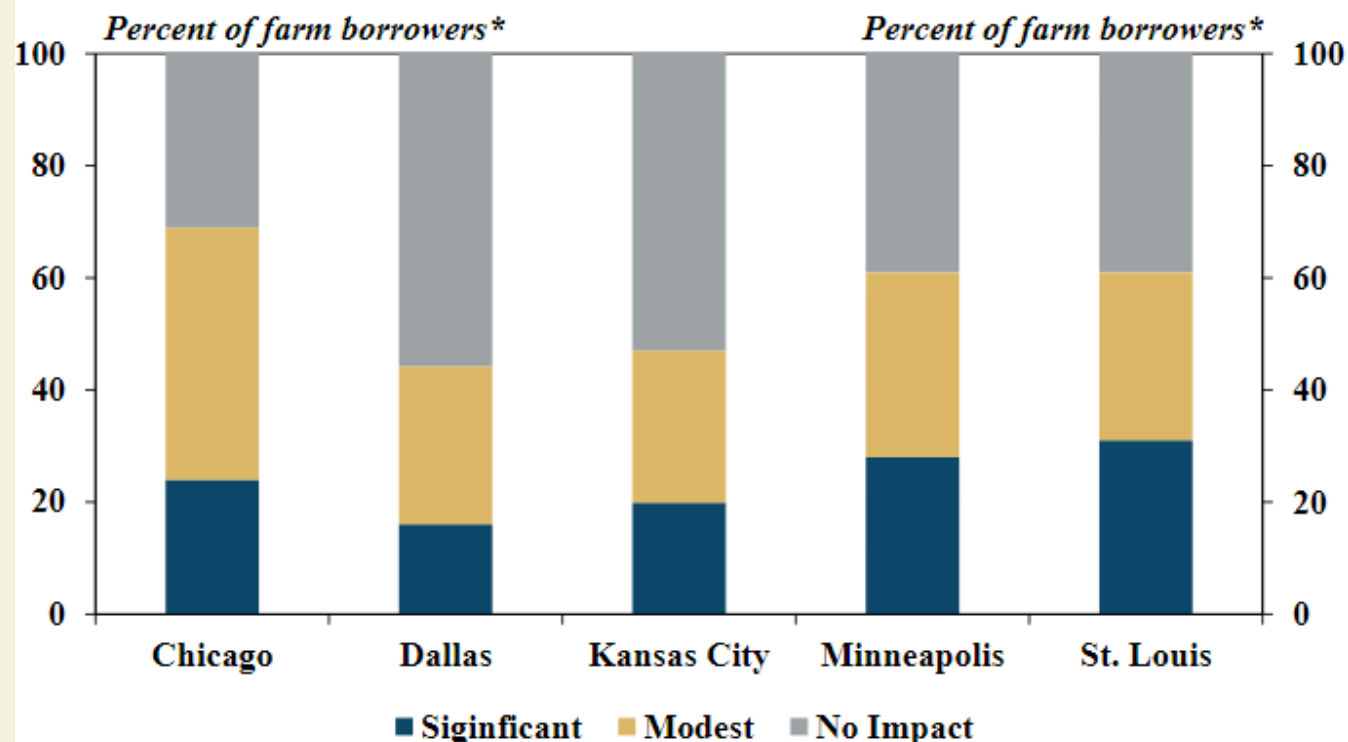
Source: Agricultural Finance Databook, Tables A.1. and A.2.



## Farm Lending Slows but Remains High

Cortney Cowley, Economist and Ty Kreitman, Assistant Economist OCTOBER 17, 2019

### Chart 11: Farm Borrowers Impacted by Extreme Weather or Flooding in the First Half of 2019

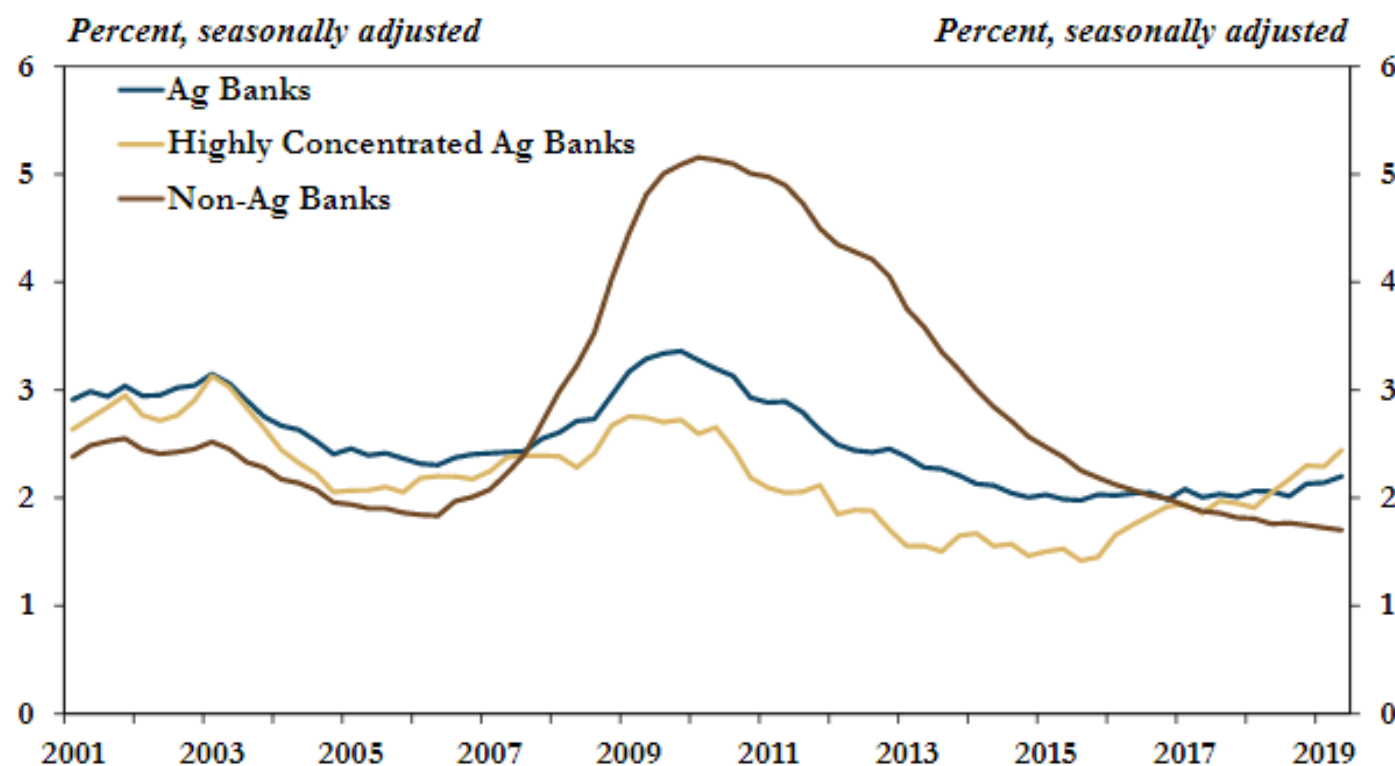


\* Average response of all borrowers in each District.

## Farm Lending Slows but Remains High

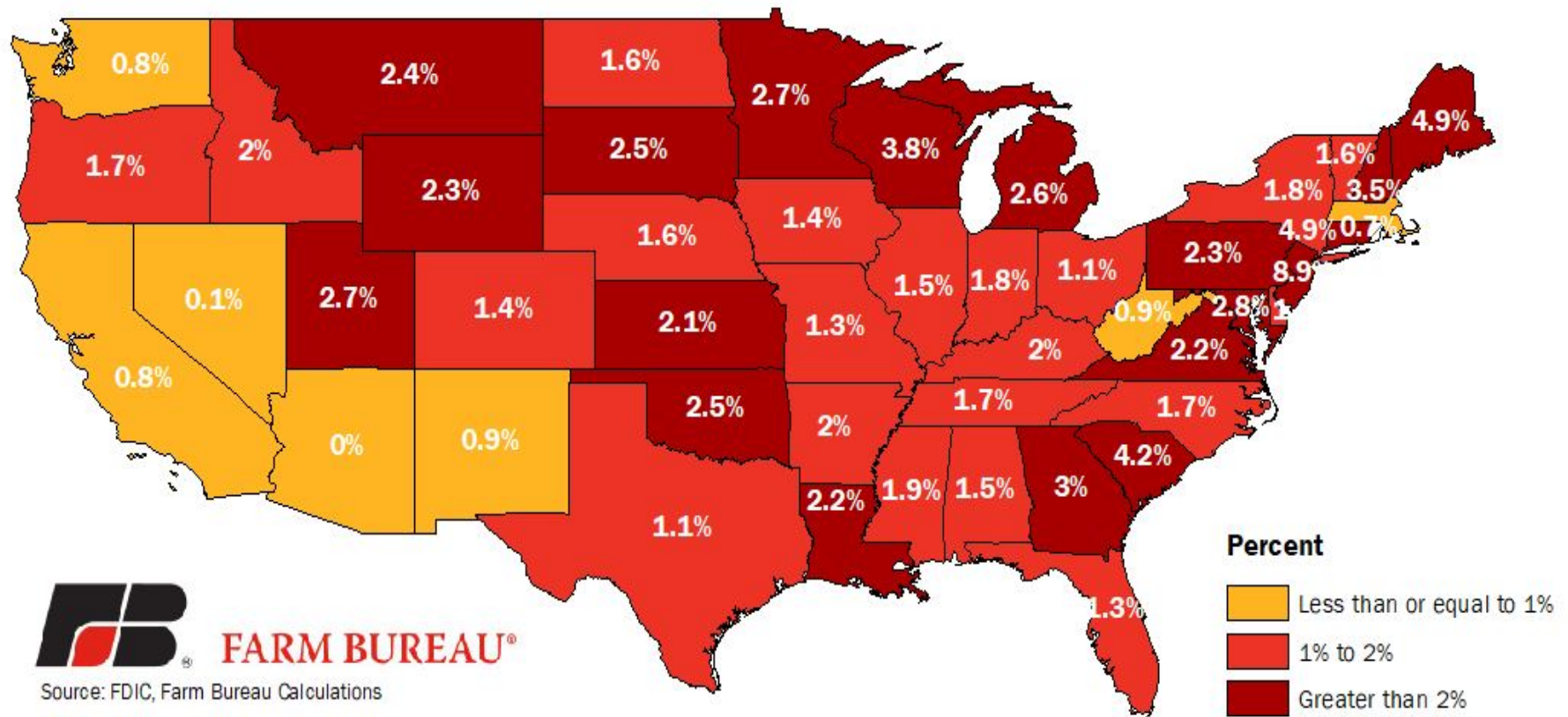
Cortney Cowley, Economist and Ty Kreitman, Assistant Economist OCTOBER 17, 2019

### Chart 7: Delinquency Rates at Commercial Banks

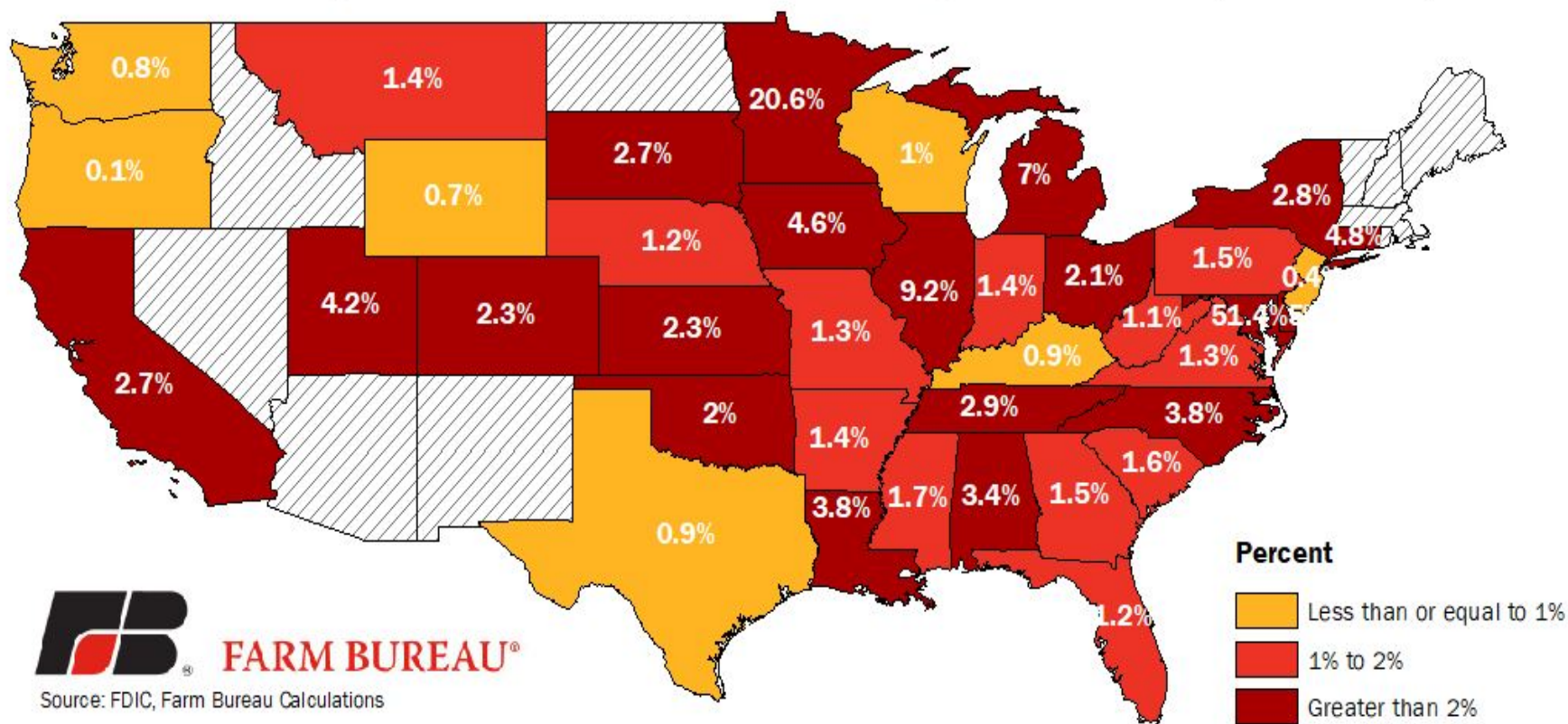


Note: Includes the share of all past due, nonaccruing and net charge-off loans. This chart shows delinquency rates on all loans made at commercial banks. Ag banks are banks where farm production and real estate loans account for 25 percent or more of the bank's loan portfolio. Highly concentrated ag banks are banks where farm loans account for 300 percent or more of the bank's risk-based capital. Sources: Board of Governors and author calculations.

**Figure 2. Percent of Commercial Agricultural Loans Held By Community Banks More Than 30 Days Past Due, June 30, 2019**



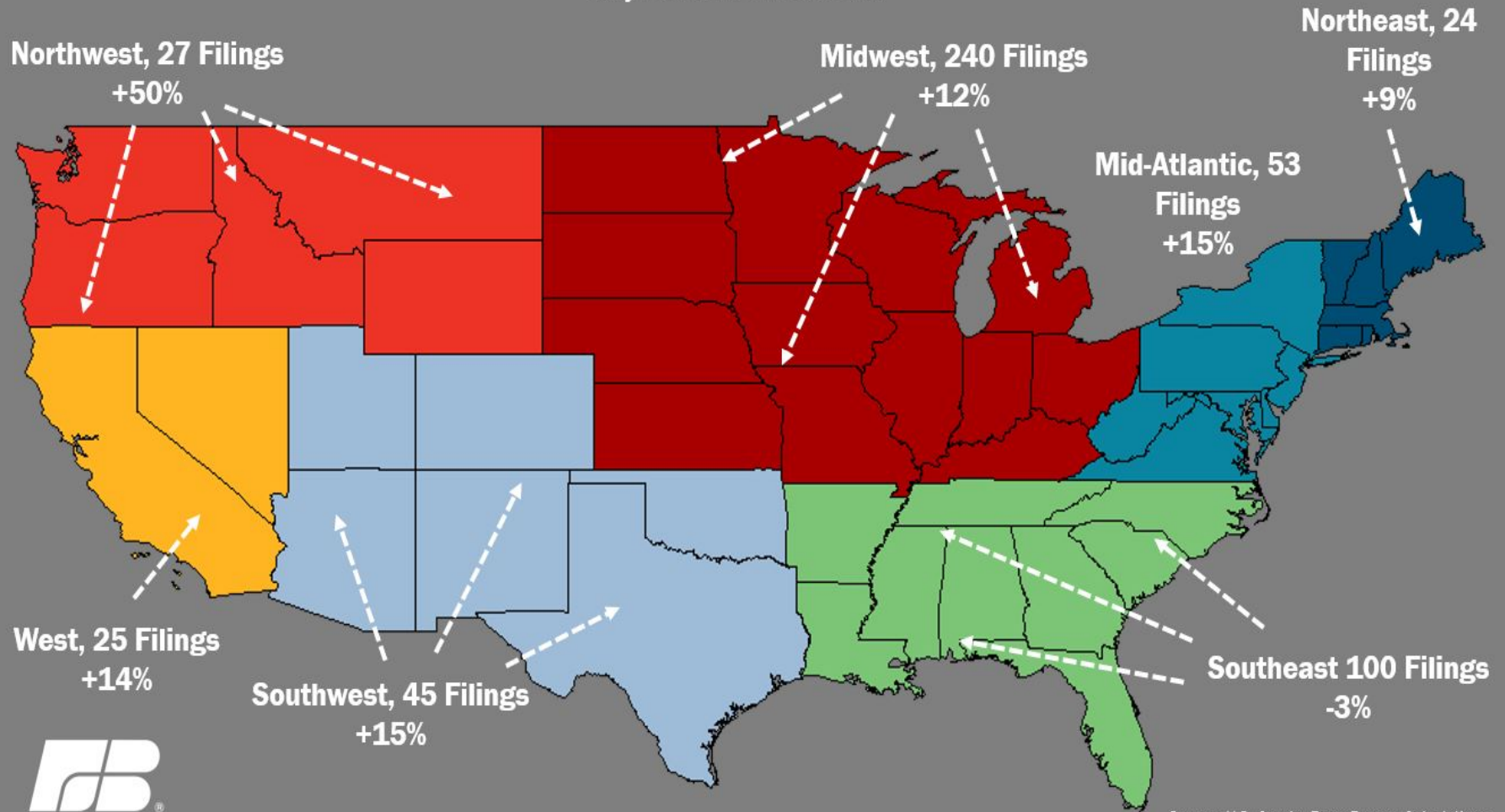
**Figure 3. Percent of Commercial Agricultural Loans Held By Non-Community Banks More Than 30 Days Past Due, June 30, 2019**





## Figure 4. Chapter 12 Farm Bankruptcies By Region

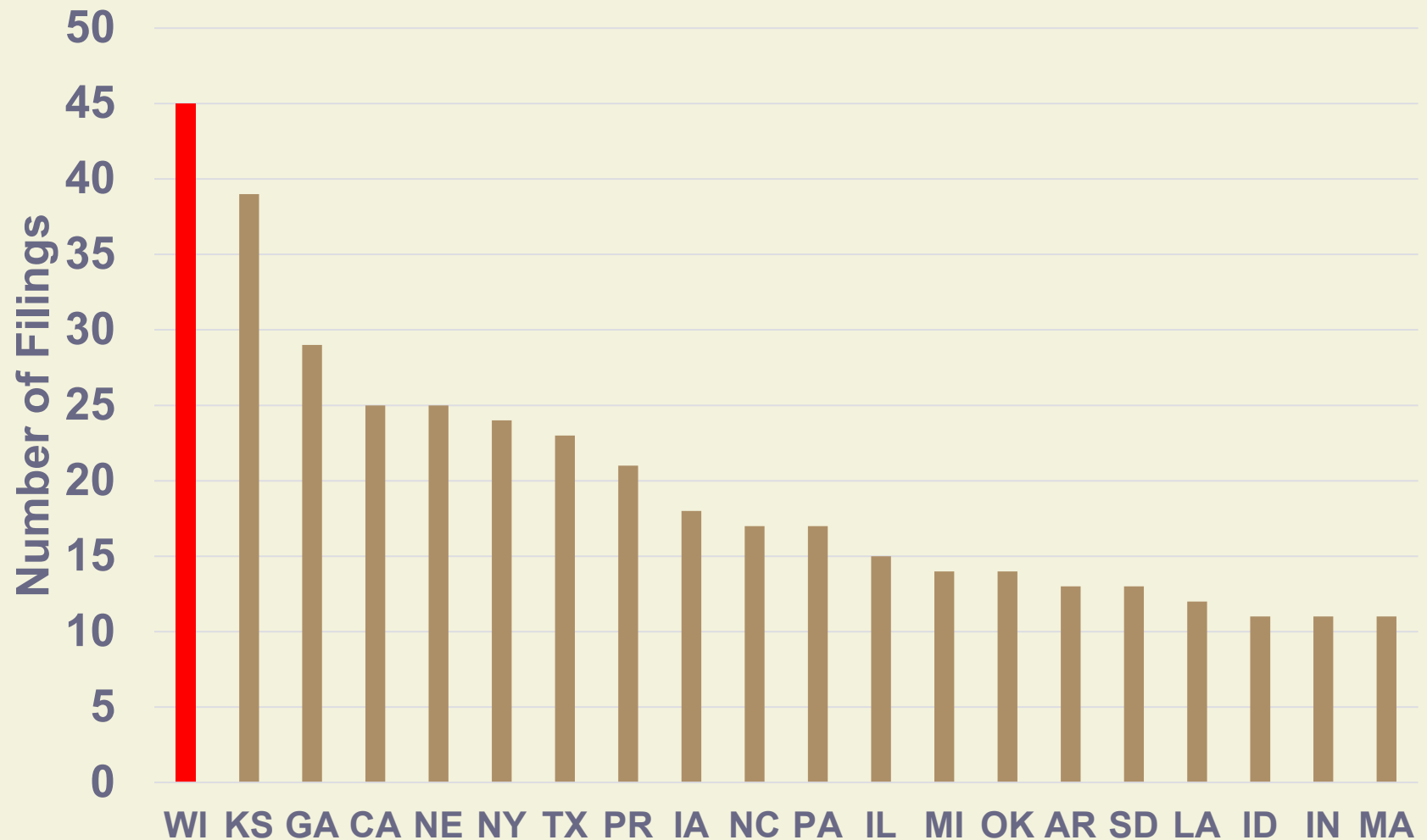
July 2018 to June 2019



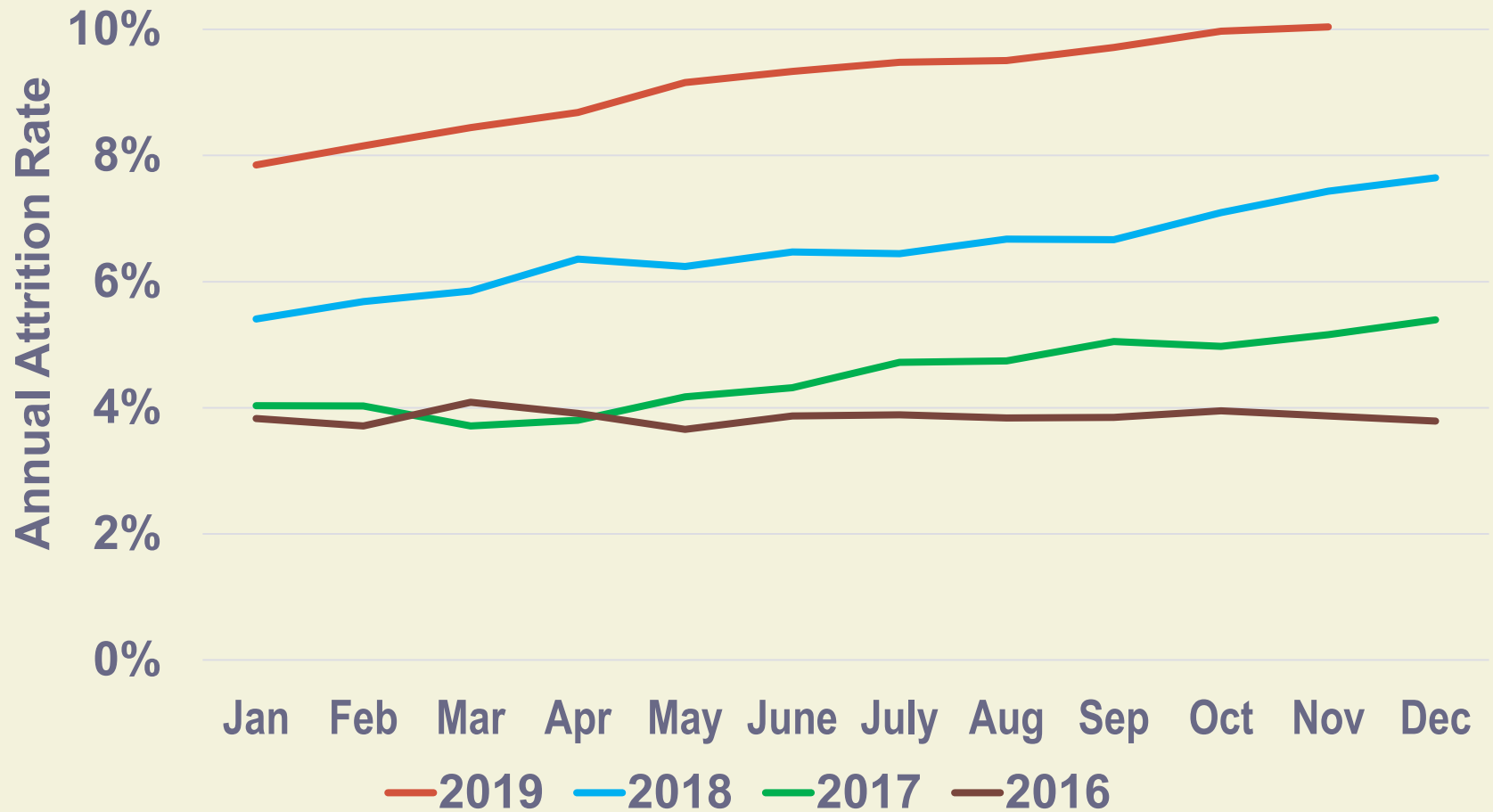
Source: U.S. Courts, Farm Bureau Calculations

<https://www.fb.org/market-intel/farm-loan-delinquencies-and-bankruptcies-are-rising>

# WI still leads US states for Chapter 12 farm bankruptcy filings (year ending 6/30/19)



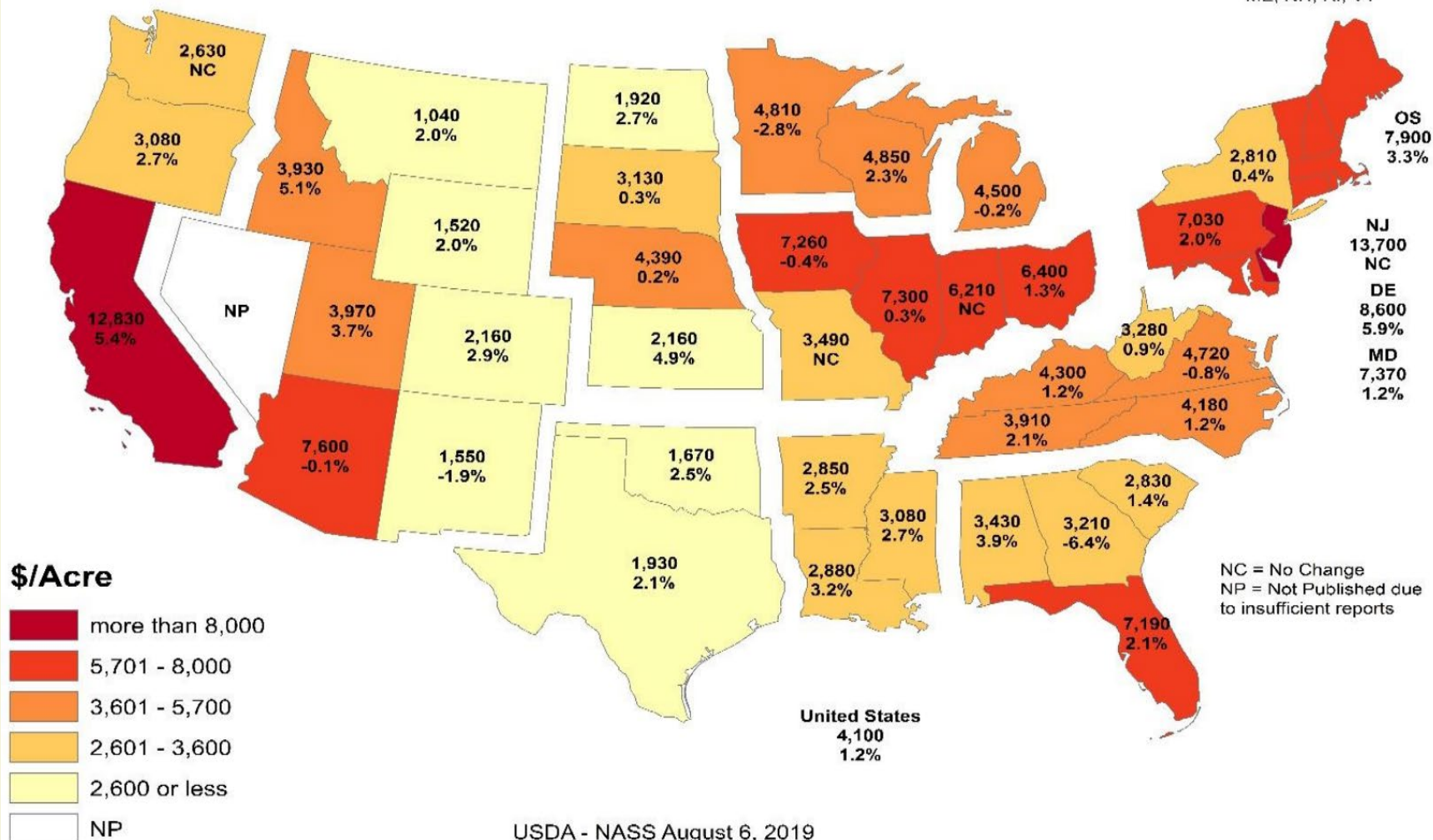
# WI Dairy Farm Annual Attrition Rate



# 2019 Cropland Value by State

## Dollars per Acre and Percent Change from 2018

OS includes CT, MA, ME, NH, RI, VT



USDA - NASS August 6, 2019



# Implications for Processing Crops

- 2019 production issues may carry forward into 2020
  - Soil damage, high water tables, weeds and diseases
- Prices for corn and soybeans projected to remain low
  - USDA 2020 farm prices: Corn \$3.40, Soybean \$8.85
  - CBOT 2020 harvest prices: Corn \$3.91, Soybean \$9.26
  - No pressure from row crops on veg contract prices
- Evidence of weak farm financial situations, but mixed
  - MFP propped up farm income, keeping growers going
  - Some farmers are doing okay, some are struggling
  - Be aware that some of the growers you contract with may be struggling
  - Clear credit policies if you offer credit to growers

# Questions? Comments?

**Presentation Posted:**

**<https://aae.wisc.edu/pdmitchell/extension/>**

## **Paul D. Mitchell**

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