

# FARM PROGRAM POLICIES AND PAYMENTS FOR 2022 (EXCERPT FOR AAE 320)

## TRI-STATE AGRICULTURAL LENDERS SEMINAR

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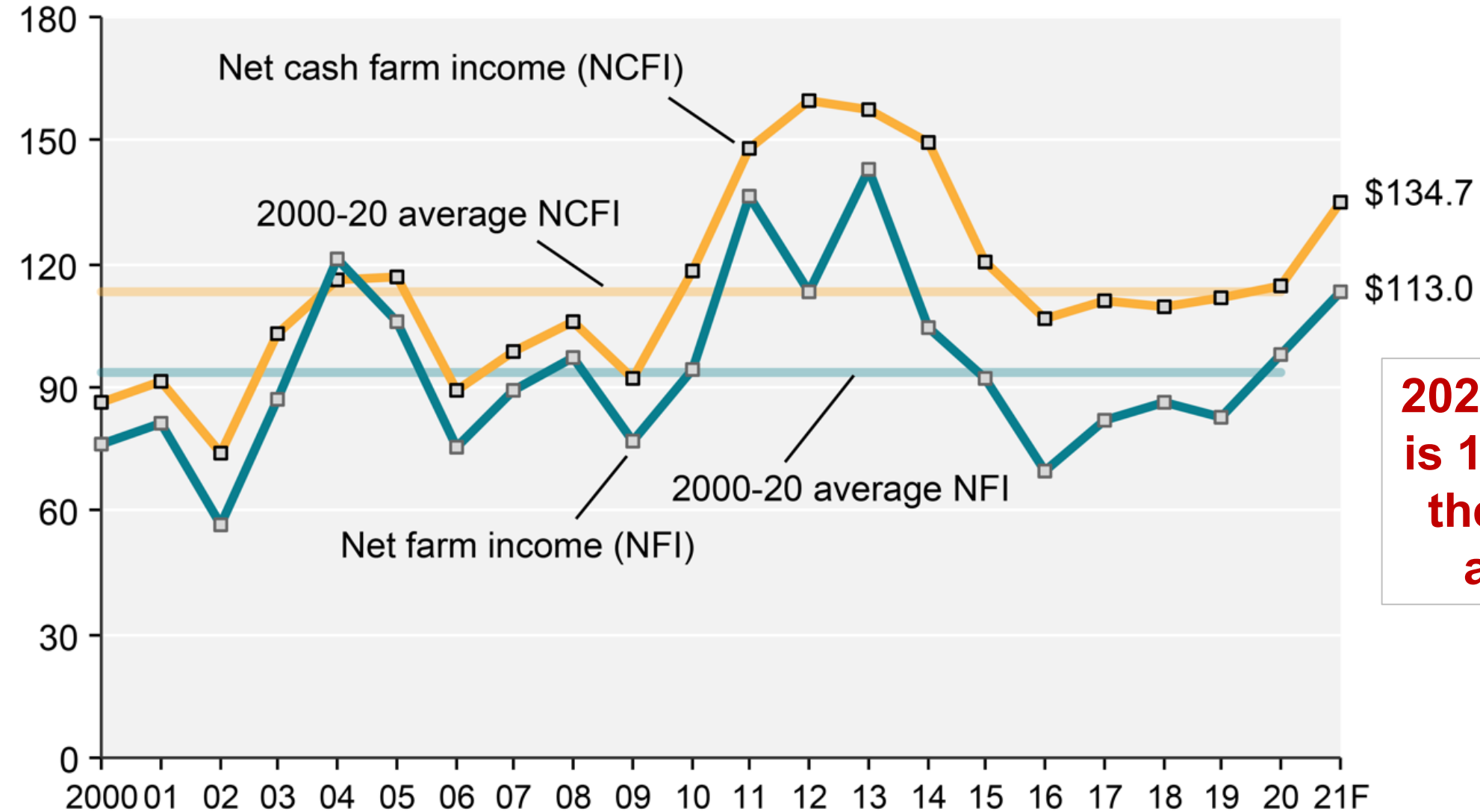
**November 9, 2021    Dubuque, IA**

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# U.S. net farm income and net cash farm income, 2000–21F

\$ billion (2021)



**2021 forecast is 19% above the 20-year average**

Source: USDA  
ERS Sep 2, 2021

# Quick set up

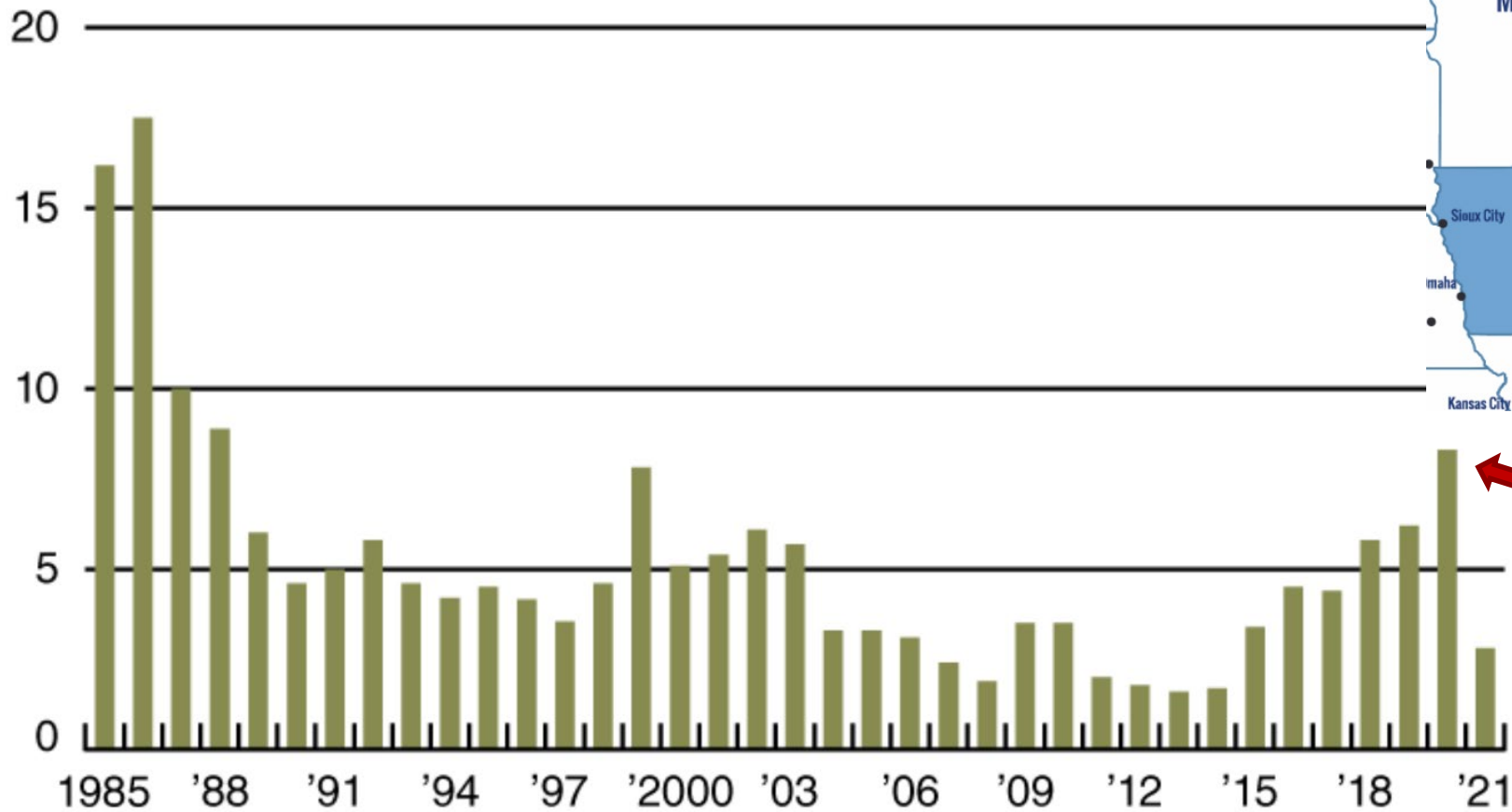
- Farm income is up due to high prices for grains and some livestock (not dairy) and large government payments for the pandemic
- **What are farmers doing with all this money?**
  - Paying off debt
  - Paying higher input costs: +20-30% for corn and soybeans
    - Inflation, supply chain disruptions, profit seeking, demand increase
  - Buying land

# Paying Down Their Debt

(Dave Oppendahl, Chicago Fed, AgLetter: Aug 2021)

Percentage of Seventh District farm loan portfolio with “major” or “severe” repayment problems

percent

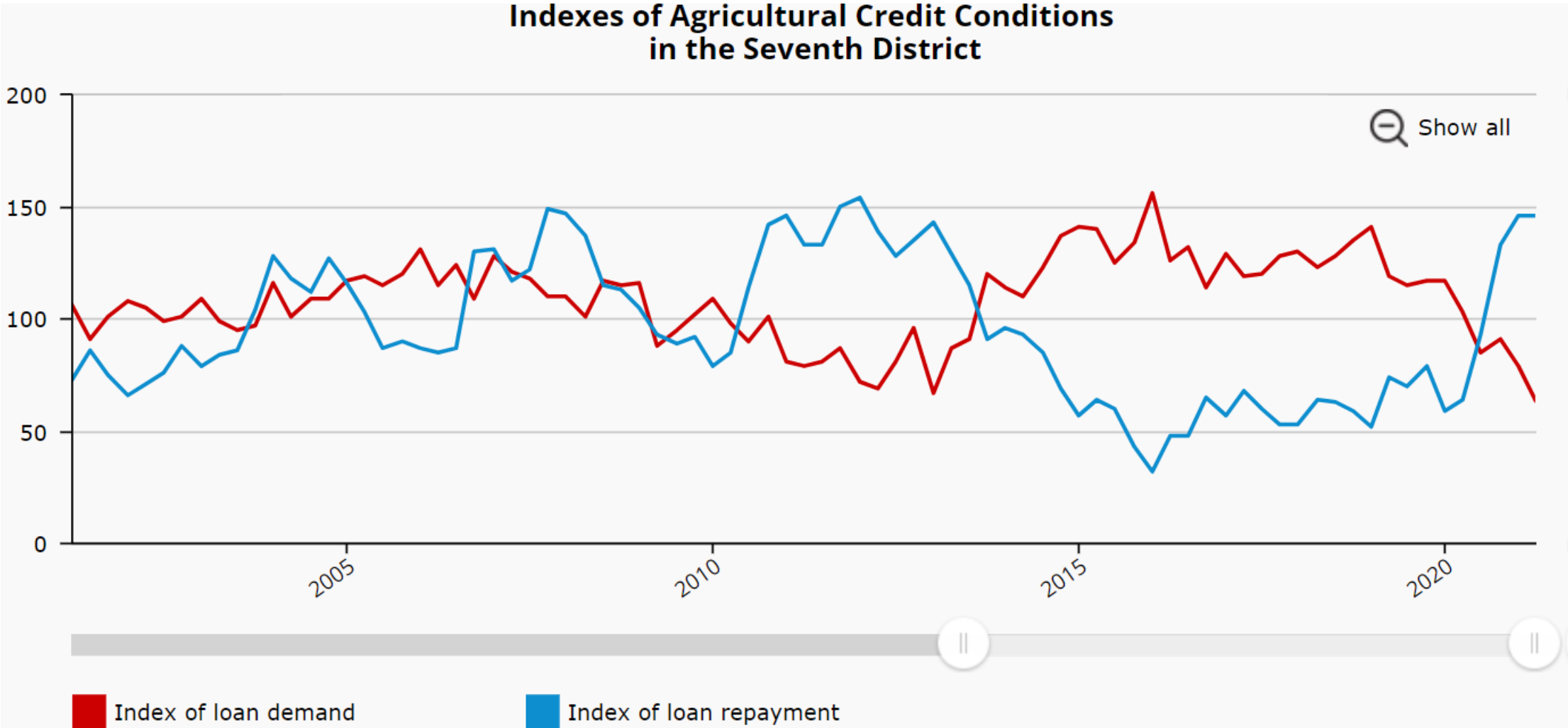


Seventh Federal Reserve District



2020: Highest since the 1980's

# Loan Demand is Down, Loan Repayment is Up

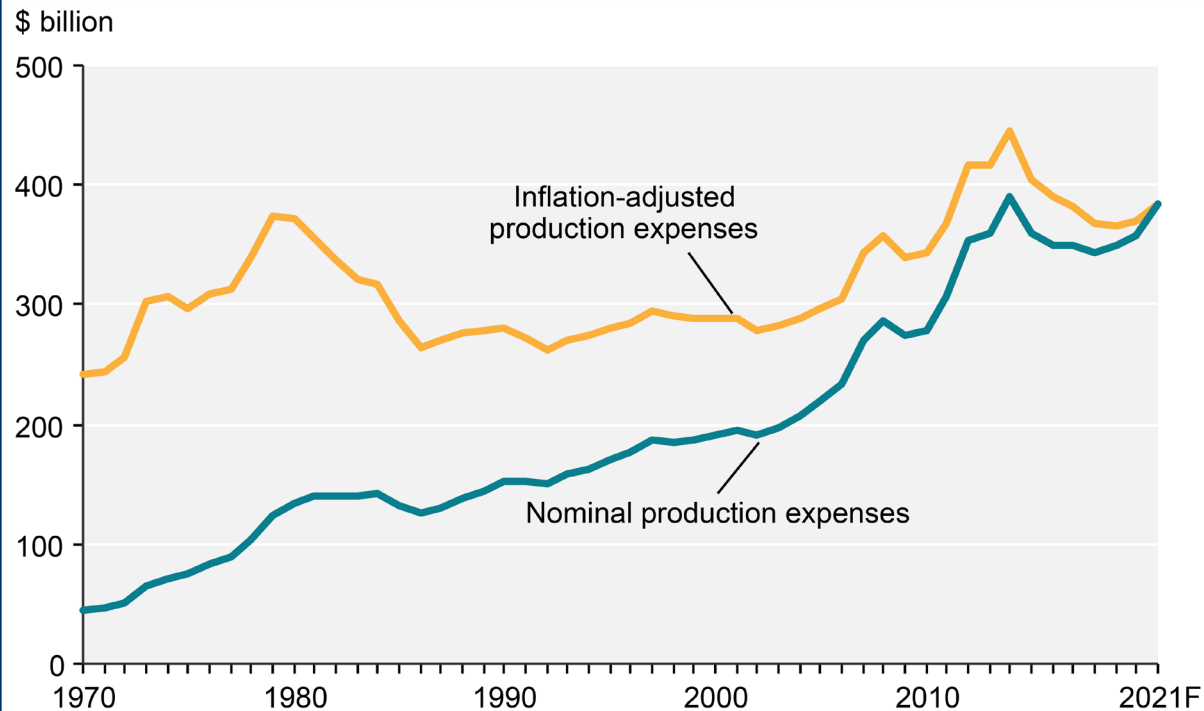


Source: Chicago Fed: <https://www.chicagofed.org/research/data/ag-conditions/index>

# Paying More for Inputs

2021 Farm Sector Expenses up 7.3% from 2020 (Sep 2, 2021)

Nominal and inflation-adjusted U.S. farm production expenses, 1970–2021F

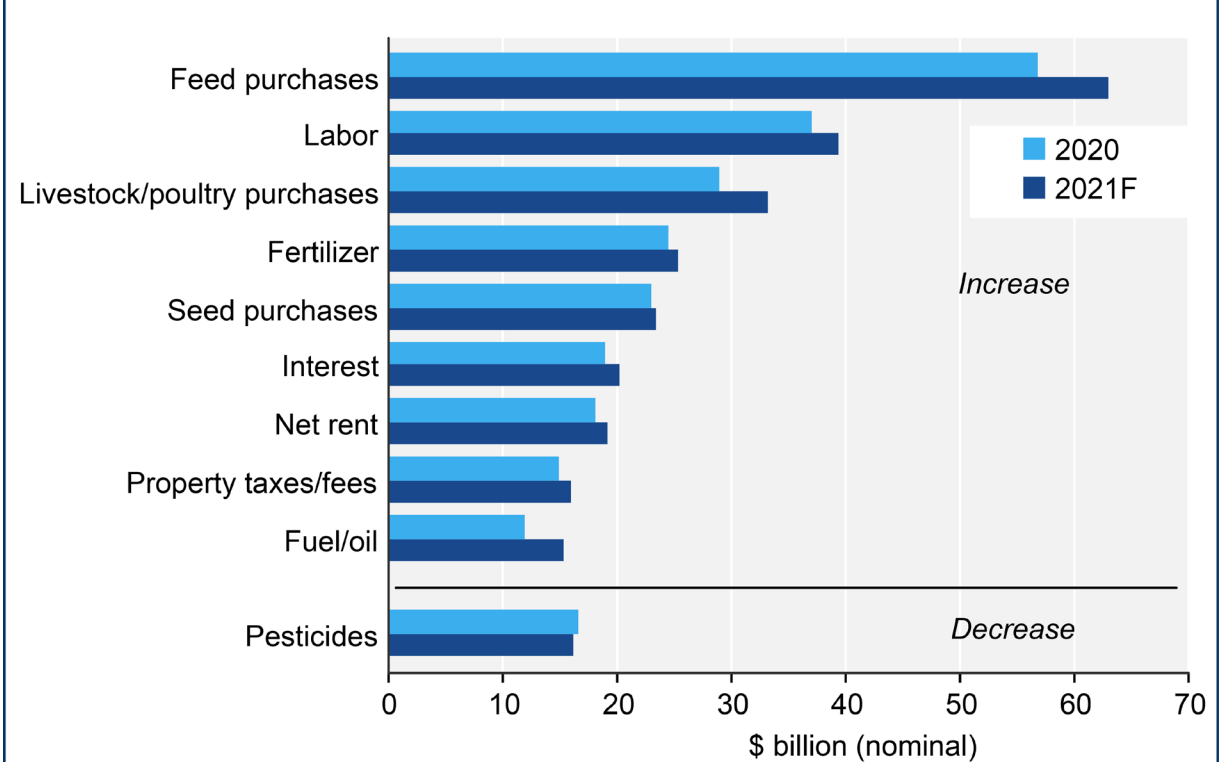


Note: Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 2, 2021.

Selected U.S. farm production expenses, 2020–21F



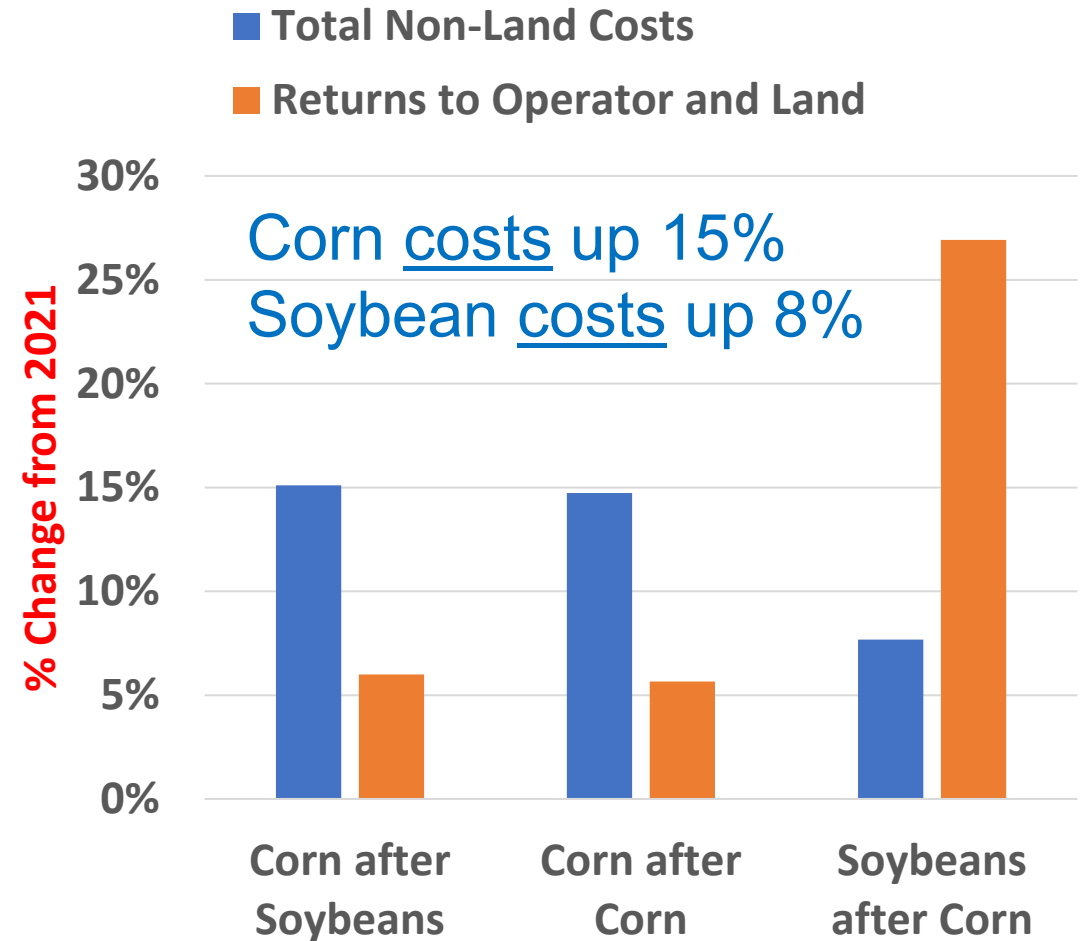
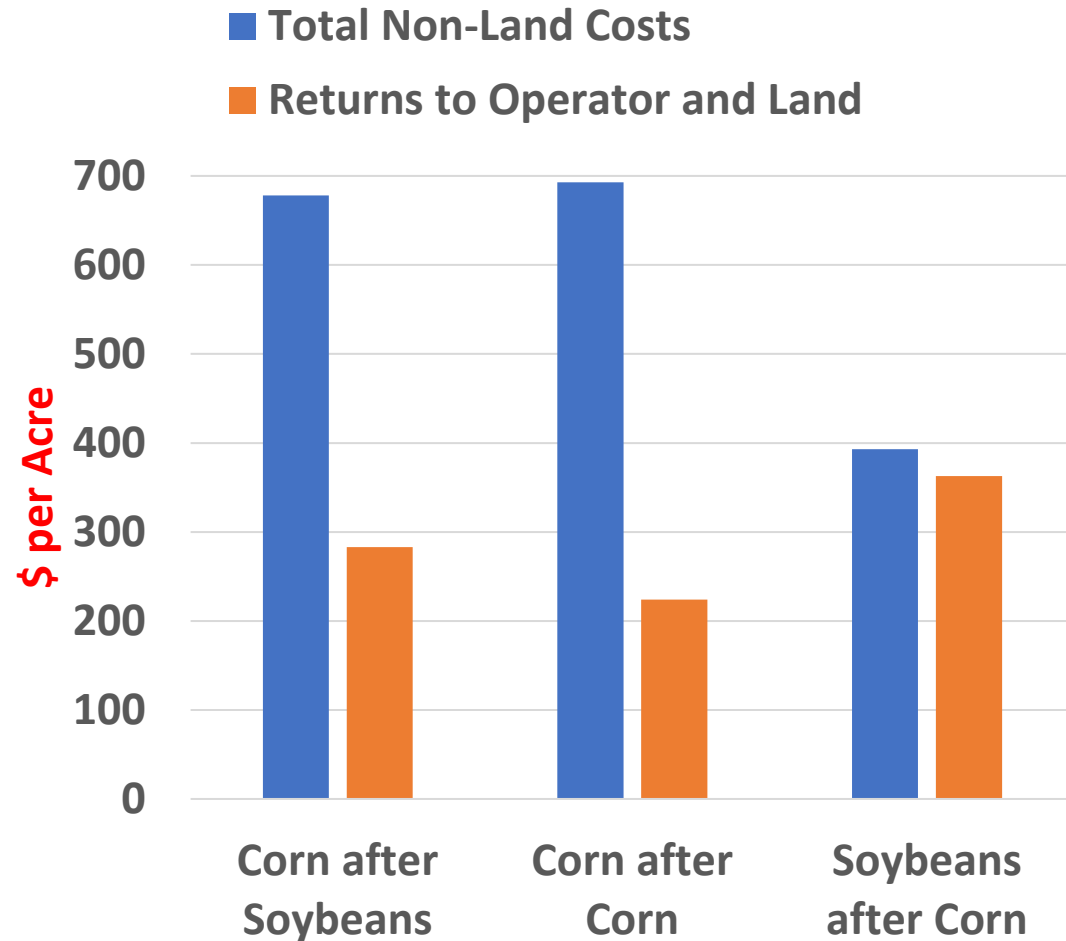
Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

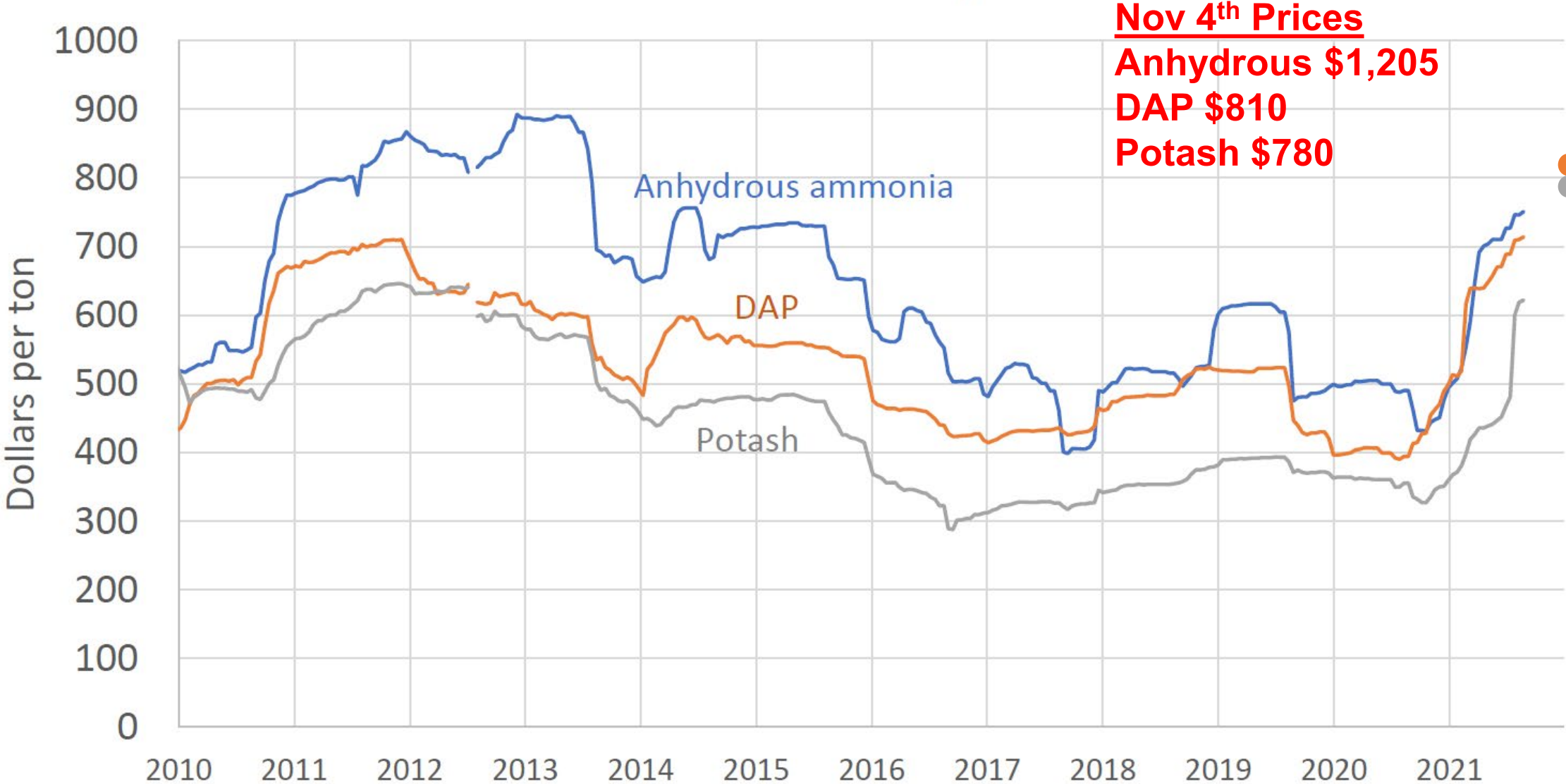
Data as of September 2, 2021.

Source: <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/farm-sector-income-forecast/>

# Northern IL Crop Budgets for 2022 (Aug 2021)



# Illinois fertilizer cash prices

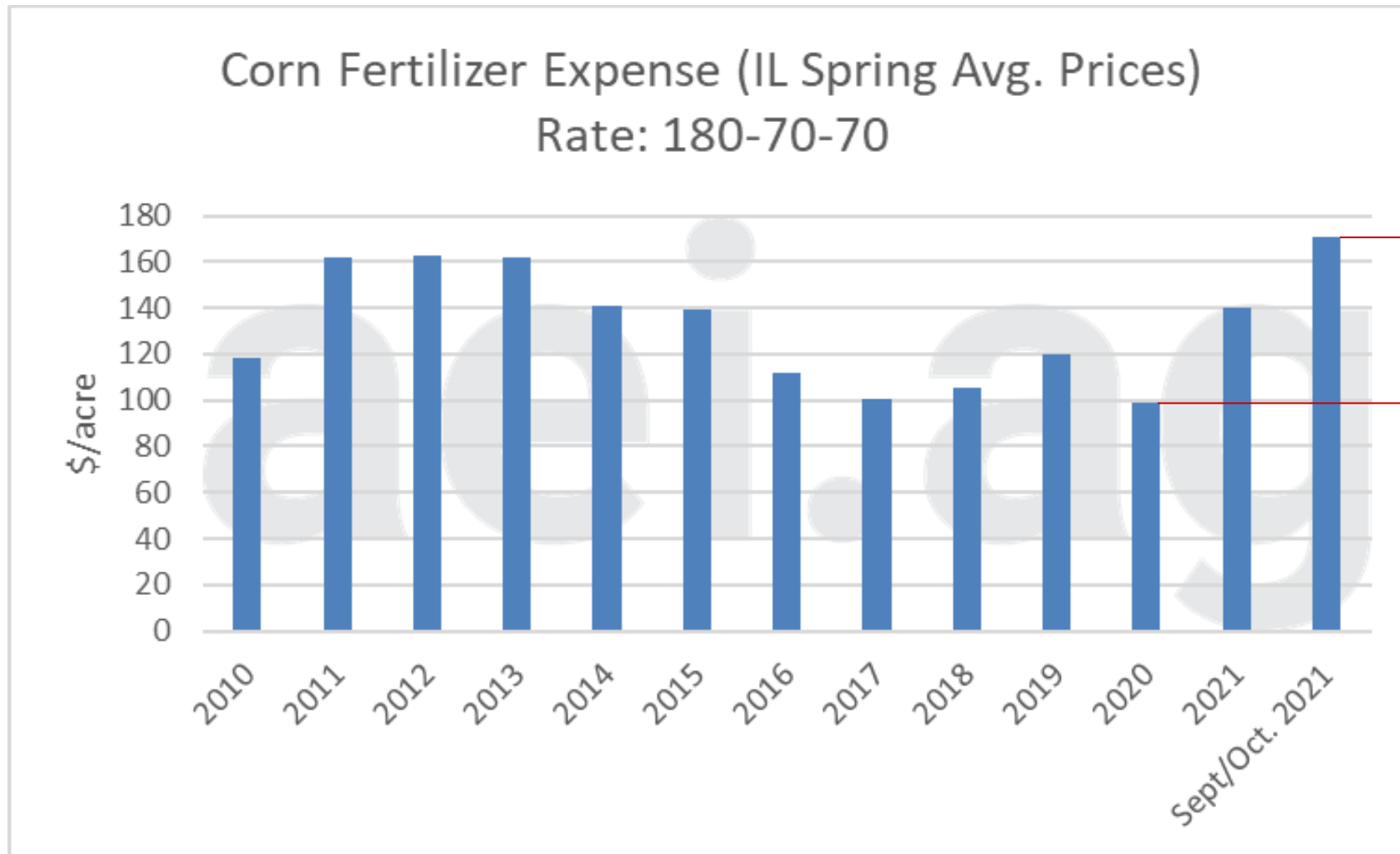


**Nov 4<sup>th</sup> Prices**  
**Anhydrous \$1,205**  
**DAP \$810**  
**Potash \$780**





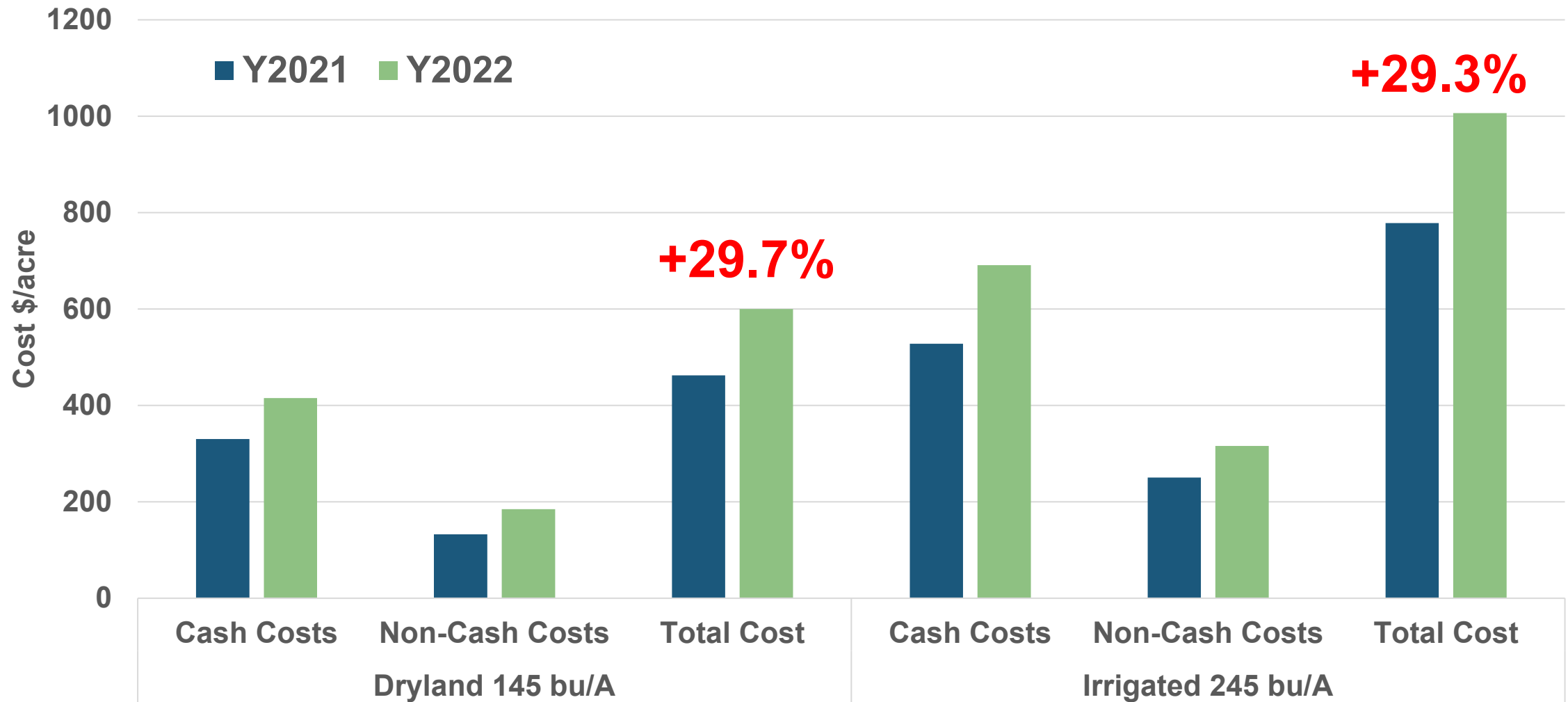
# Record Fertilizer Expenses in Illinois for 2022



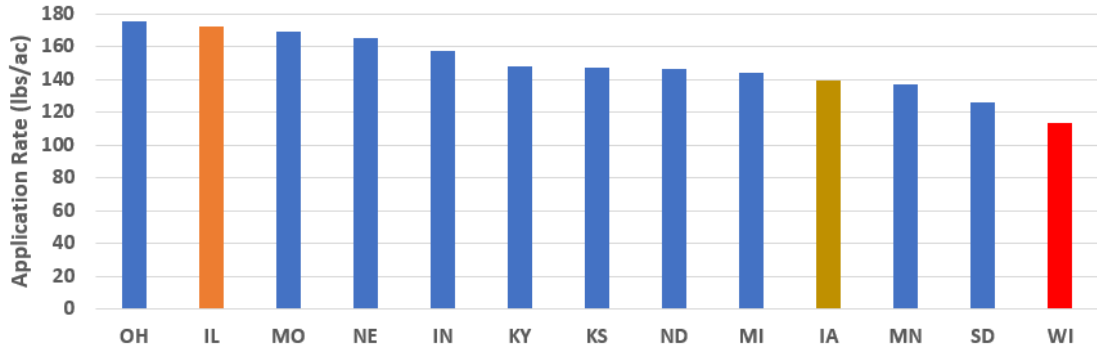
72% cost increase from spring 2020

# U of NE Corn Budgets (Oct 18, 2021)

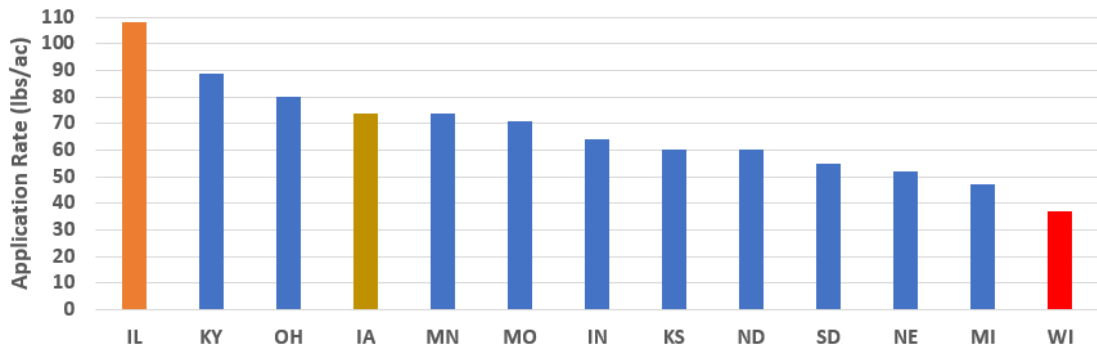
(with fertilizer, fuel, pesticide, seed, machinery cost increases)



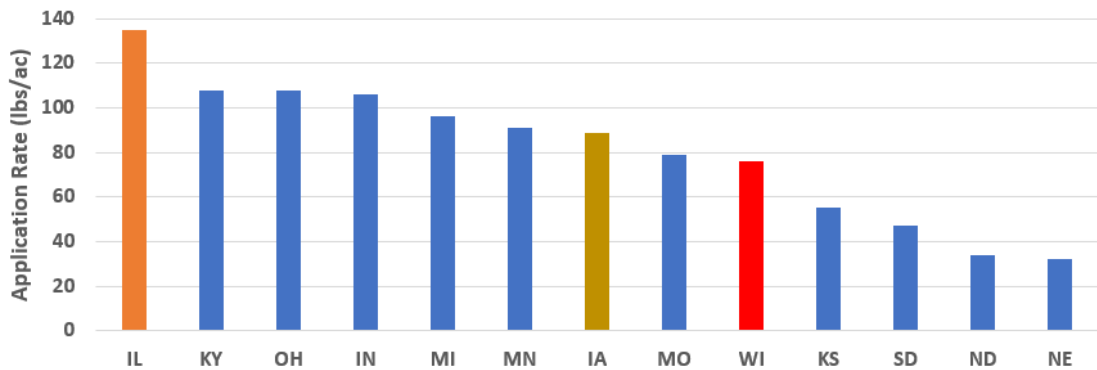
### Nitrogen



### Phosphate



### Potash



# High fertilizer prices hit Illinois and Iowa farmers harder than in Wisconsin

State average fertilizer application rates for corn in 2018 (USDA NASS)

Source: Dairy Helps Insulate Wisconsin Farmers from Fertilizer Price Spikes (Mitchell, Oct 21 Blog post)

<https://aae.wisc.edu/pdmitchell/2021/10/20/dairy-helps-insulate-wisconsin-farmers-from-fertilizer-price-spikes/>

# ☆ Producer Price Index by Commodity: All Commodities (PPIACO)

## PPI up to Sep 1, 2021

DOWNLOAD 

Observation:  
Sep 2021: 235.4 (+ more)  
Updated: Oct 14, 2021

Units:  
Index 1982=100,  
Not Seasonally Adjusted

Frequency:  
Monthly

1Y | 5Y | 10Y | Max

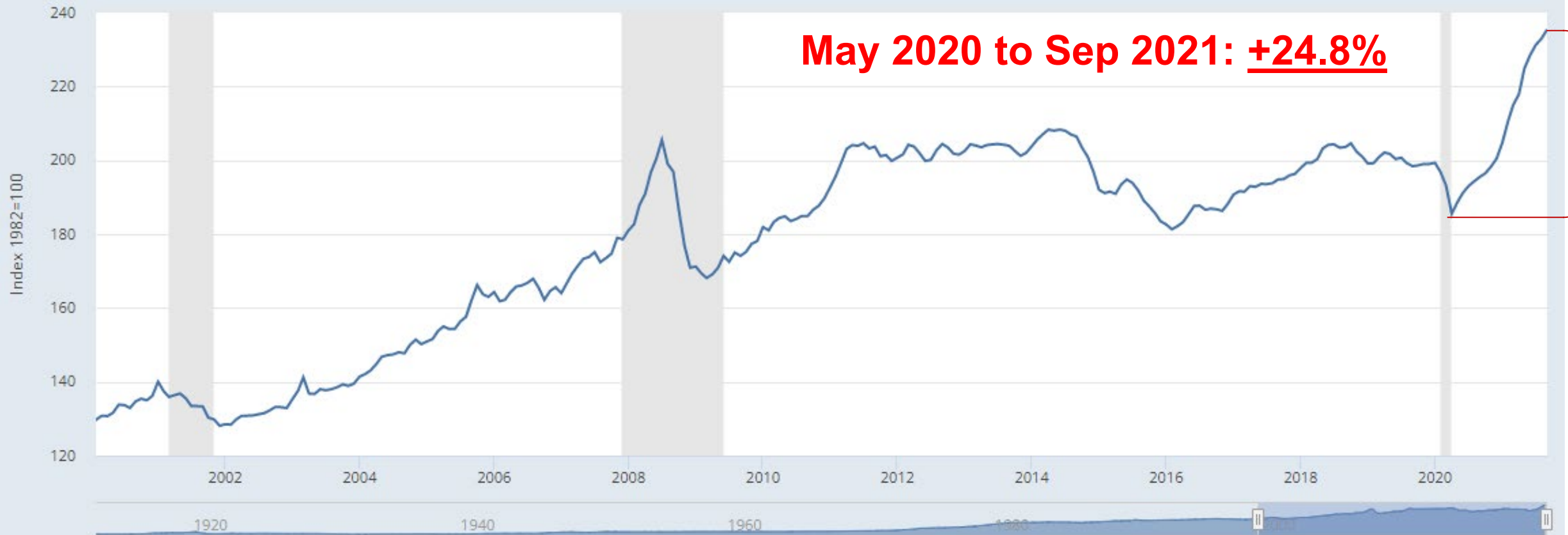
2000-01-29

to

2021-09-01

EDIT GRAPH 

### FRED — Producer Price Index by Commodity: All Commodities



Shaded areas indicate U.S. recessions.

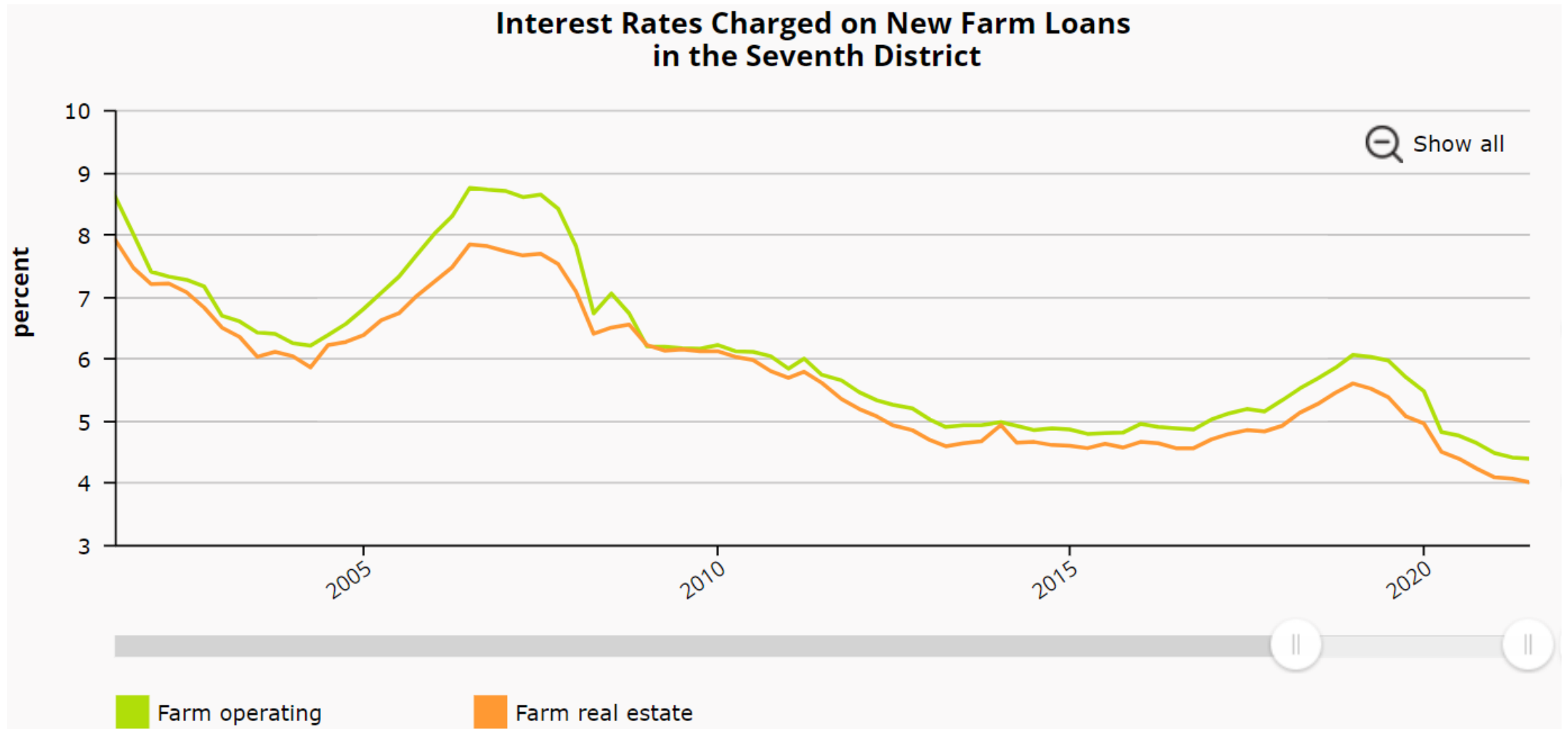
Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org



Source: <https://fred.stlouisfed.org/series/PPIACO>

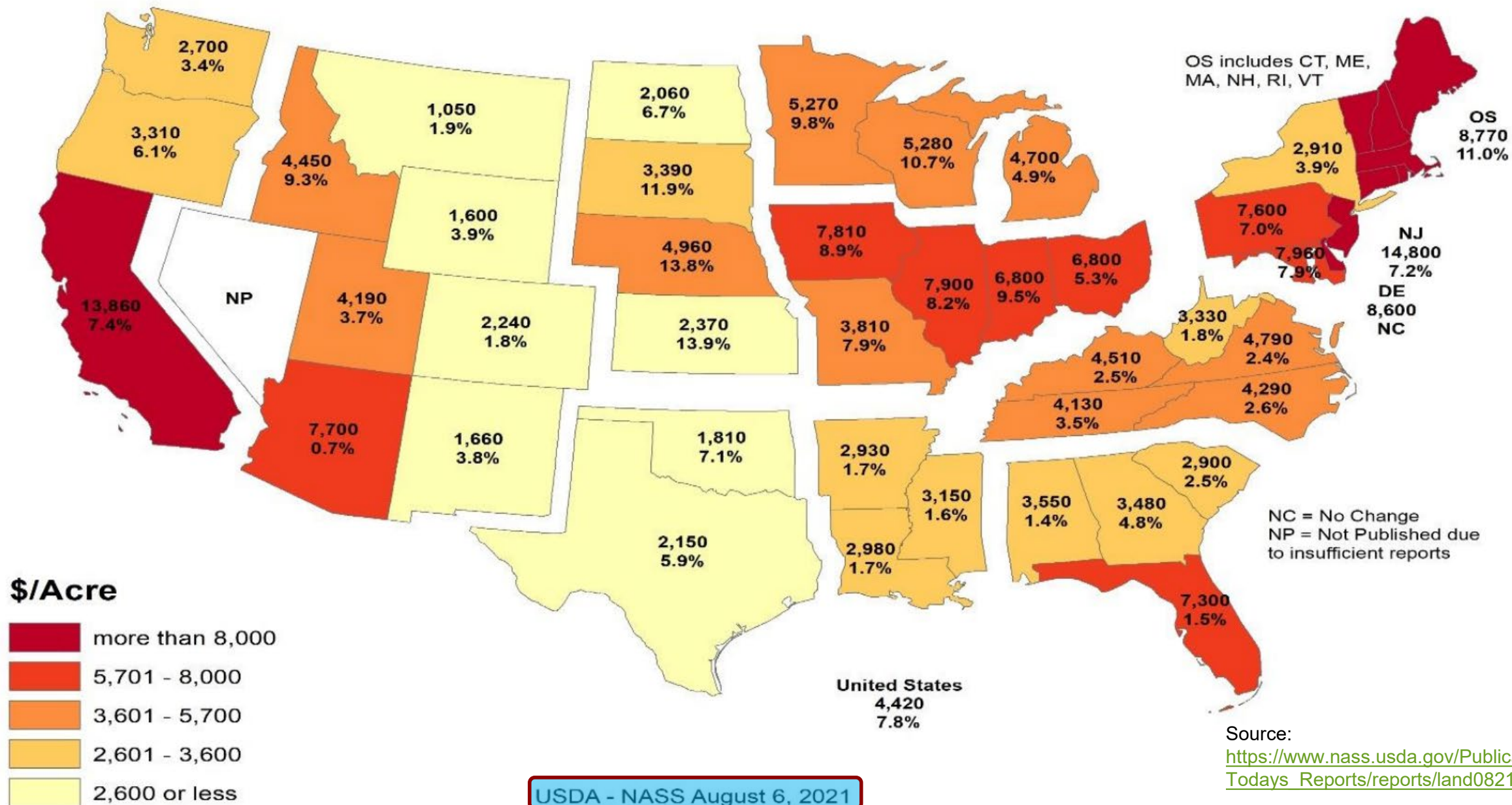
# Agricultural Interest Rates at Record Lows



Source: Chicago Fed: <https://www.chicagofed.org/research/data/ag-conditions/index>

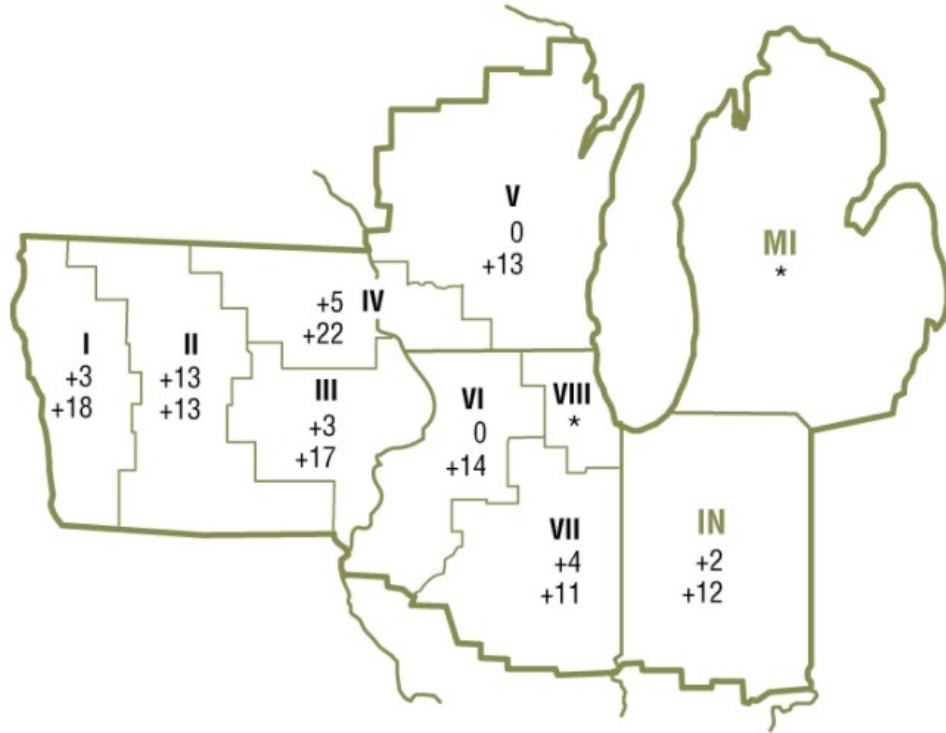
# 2021 Cropland Value by State

Dollars per Acre and Percent Change from 2020



# Chicago Federal Reserve Banker Survey

(Dave Oppendahl: AgLetter: Aug 2021)



Top: April 1, 2021 to July 1, 2021

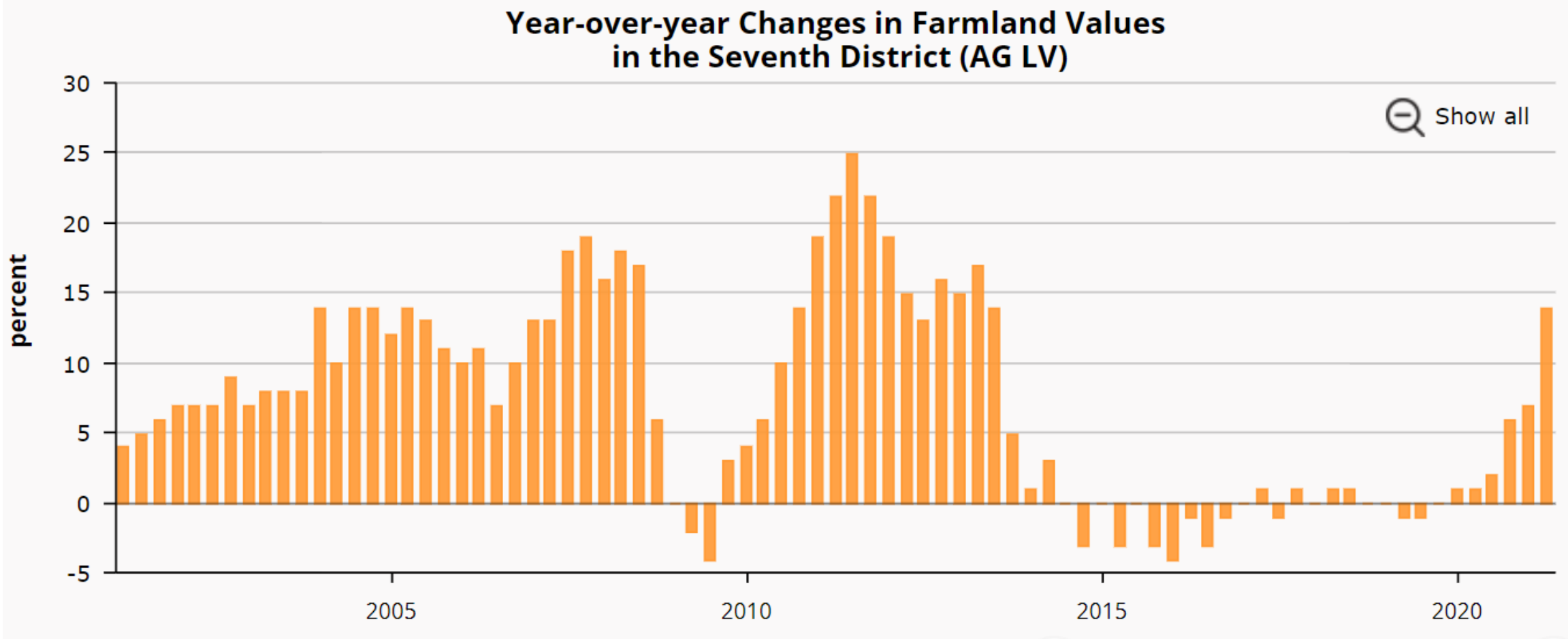
Bottom: July 1, 2020 to July 1, 2021

## Percent change in dollar value of "good" farmland

	April 1, 2021 to July 1, 2021	July 1, 2020 to July 1, 2021
Illinois	+3	+12
Indiana	+2	+12
Iowa	+6	+18
Michigan	*	*
Wisconsin	0	+13
Seventh District	+3	+14

Source: <https://www.chicagofed.org/publications/agletter/2020-2024/august-2021>

# Historical Context for Land Prices in Seventh District



Source: Chicago Fed: <https://www.chicagofed.org/research/data/ag-conditions/index>



# Questions? Comments?

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