Summary

Economic conditions in U.S. agriculture improved dramatically in the fourth quarter of 2020 alongside sharp increases in the prices of several major commodities. A surge in the prices of corn and soybeans, supported by robust global demand and relatively tight inventories, helped boost expectations for farm income to the highest mark since 2013. Increased profitability and support from government payments provided significant financial support to U.S. producers, contributed to a further increase in farm real estate values, and may reverse a multi-year trend of increasing financial stress among U.S. farmers.

Agricultural prices, as a broad index, increased by 10% from the previous quarter.

Comprising a large share of the gain, corn and soybean prices increased 17% and 15%, respectively, from the previous quarter.

Notes

1. Weighted based on share of total 2019 agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 90% of total 2019 cash receipts.
2. Based on changes in weighted indices of individual commodities and corresponding contribution to the change in the sum of those individually weighted indices from the previous period. Above commodities accounted for 66% of total 2019 cash receipts (Corn (14%), Soybeans (9%), Broilers (8%), Hogs (8%), Cattle (18%), Dairy (11%)).
Farm income expectations for 2020 were revised up, with income now expected to be nearly 45% higher than 2019.

**U.S. Farm Income and Revenue**

![Graph of U.S. Farm Income and Revenue](image)

Sources: USDA and FAPRI

Agricultural exports strengthened in the fourth quarter supported by robust demand from China. Domestic consumption remained solid.

**Demand for U.S. Agricultural Products**

![Graph of Demand for U.S. Agricultural Products](image)

Source: USDA

Meat production was expected to be higher than in 2019 despite severe disruptions to supply chains last spring. Crop production was expected to be slightly below trend for the year.

**U.S. Crop and Meat Production**

![Graph of U.S. Crop and Meat Production](image)

Sources: USDA and staff calculations

Increases in financial stress showed early signs of moderating with a lower debt-to-income level and historically low interest rates.

**U.S. Agricultural Credit Conditions**

<table>
<thead>
<tr>
<th></th>
<th>Latest</th>
<th>1-Year Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Loan Delinquency Rate (%) [Q3 2020]</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Chapter 12 Bankruptcy Filings in 12-month period ending [Q4 2020]</td>
<td>552</td>
<td>595</td>
</tr>
<tr>
<td>Ag Bank Loan-to-Deposit Ratio (%) [Q3 2020]</td>
<td>0.78</td>
<td>0.82</td>
</tr>
<tr>
<td>Interest Rates on Non-Real Estate Farm Loans [Q4 2020]</td>
<td>3.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Farm Debt-to-Assets (%) [Annual - 2020F]*</td>
<td>13.8</td>
<td>13.6</td>
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<tr>
<td>Farm Debt-to-Income Ratio [Annual - 2020F]*</td>
<td>3.6</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Sources: USDA, U.S. Courts and Federal Reserve Board of Governors

Notes

3. Crop and Livestock Revenues reported as cash receipts and account for 89% of total gross farm cash income. Other amounts of gross cash income are attributed to government direct farm payments and other farm-related income.

4. Crop Index includes all grains, oilseeds, fruits and vegetables weighted by share of total U.S. production measured in million metric tons. Meat Index includes the aggregate live weight of cattle, hogs, and poultry processed at U.S. federally-inspected plants weighted by share of total domestic production measured in pounds.

5. Domestic grain consumption includes food, feed, and industrial use of corn, sorghum, barley, oats, and wheat.

*2020 farm income and balance sheet figures are forecasts published by USDA as of February 5, 2021.