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Agricultural Income and Finance Situation and Outlook: 2024 Edition

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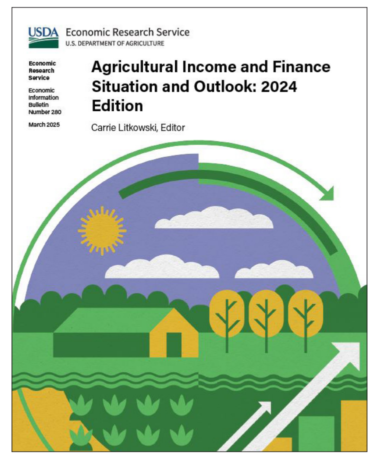

What Is the Issue?

The outbreak of the Coronavirus (COVID-19) pandemic in the United States resulted in significant disruptions to the U.S. economy, including the farm sector. While income levels for the sector as well as for farm households at the median in calendar year 2020 were minimally affected after consideration of receipt of COVID-19 relief, these aggregate statistics mask some notable differences in the financial well-being of farm operations and farm households in the first year of the COVID-19 pandemic. This report presents research on three major farm income and finance topics: COVID-19-related payments to farm operations, farm household susceptibility and resilience to off-farm unemployment, and developments in farmland rental rates and real estate markets.

What Did the Study Find?

In 2020, farm operations received COVID-19-related financial assistance from the Federal Government through the Coronavirus Food Assistance Program (CFAP) and the Paycheck Protection Program (PPP). With these programs, more farm operations received direct Government payments, and average payments were higher in 2020 compared to 2019. In examining how these payments and total Government payments were distributed among farm operations by gross cash farm income (GCFI) category, this study found:

- The program design and payment structure, which included an exception on the adjusted gross income (AGI) limit of $900,000, resulted in larger farm operations (GCFI of $1 million or more), which account for 3 percent of all farms and 61 percent of farm sector gross cash farm income, received more than half of all CFAP and total Government payments in 2020.

- Six percent of farms that received CFAP payments in 2020 would have had a negative net farm income (NFI) in 2020 without those payments.

- While the largest farm operations (GCFI of $5 million or more) account for 57 percent of the sector's total hired labor expense, these farms received only 39 percent of total PPP loans, which was administered by the U.S. Small Business Administration and had certain participation requirements.

In 2020, farm households experienced levels of off-farm unemployment similar to unemployment levels experienced by nonfarm households. But some farm households saw higher rates of off-farm unemployment and experienced greater income losses in 2020 than other farm households. In particular:

- Farm households in the Midwest and Atlantic regions had the highest rates of off-farm unemployment, and farm households located in metro counties had higher rates of off-farm unemployment than farm households located in completely rural counties.
- Low wage and part-time off-farm workers were more likely to be unemployed compared to high wage off-farm workers.
- Off-farm unemployed households used specific strategies to increase their income in 2020 and compensate for the loss of income due to unemployment of at least one member of the household (like increasing hours worked off-farm and selling an asset for gain); however, the amount of income generated from these activities was greater for more resilient households.

Measures of the farmland market indicate that the COVID-19 pandemic was a period of increased demand for the purchase of cropland and pastureland. In particular:

- Nationally, over the course of the pandemic (2019–21), year-over-year increase in real value of cropland and pastureland averaged 2.2 percent and 0.2 percent, respectively. This represented the first increase in real land values since 2014 (for cropland) and 2015 (for pastureland).
- Real value of cropland and pasture rents decreased over this period by 4.7 and 7.1 percent, respectively, suggesting that this increased demand had not reached rental markets by 2021.
- Price-to-value (PTV) measures suggested farmland values aligned with rents during the pandemic primarily due to low interest rates, while rent-to-value (RTV) measures suggested returns to ownership of farmland remained competitive in a low-interest rate environment.
- A total of 2.9 million acres of cropland and 2.4 million acres of pastureland were sold annually between 2019 and 2020, an increase of 11 percent (cropland) and 12 percent (pastureland) from 2017 to 2018 levels.

How Was the Study Conducted?

The study of the distribution of Government payments was conducted using data from the 2020 Agricultural Resource Management Survey (ARMS). The study on farm households' susceptibility and resilience to off-farm unemployment also used data from the 2020 ARMS, as well as the 2018 ARMS and the Bureau of Labor Statistics 2020 Current Population Survey (CPS). The study of farmland rental and real estate markets used data on historical land values and rents collected by the USDA, National Agricultural Statistics Service's June Area Survey and Cash Rents Survey. The portion of the study examining values, rents, and price-to-value and rent-to-value ratios also used data collected from Federal Reserve Economic Data (FRED). The authors calculated farmland parcel measures with data obtained from CoreLogic's real estate transaction database.

In addition, throughout this report, the data reported on direct Government payment program totals, net cash farm income, and cash receipts agree with USDA, Economic Research Service's Farm Income and Wealth Statistics data product published on February 4, 2022.