Webinar Transcript: Farm Income and Financial Forecasts – September 2020 Update

Slide 1:
Good afternoon everyone and welcome to our webinar: Farm Income and Financial Forecast, September 2020 Update. My name is Valerie Negron and I will be your host. As a reminder this webinar is being recorded and it will be posted on the ERS website next week. At any time during the webinar, you may enter a question into the chat feature on your left-hand corner, and our speaker will answer questions at the end of the presentation. Our speaker today is Carrie Litkowski. Carrie is a senior economist and farm income team leader at USDA's Economic Research Service. She is responsible for developing sector-wide measures of farm income value-added, and the aggregate farm sector balance sheet. Previously, Carrie served as an economist at the Bureau of Economic Analysis where she was responsible for the production of farm income and employment statistics nationwide. I think we're ready to start, so Carrie, you may begin your presentation.

Great, thank you, and thank you all for joining me today. I am pleased to have this opportunity to present the latest USDA data on U.S. farm sector income and wealth. The Economic Research Service farm income and finance program measures, forecasts, and explains indicators of economic performance for the U.S. farm sector. We release forecasts three times a year, and with today's release we're releasing our updated calendar year forecast for 2020 for the U.S. This is to include some new and updated data that has become available since our last release in February, including some survey-based data on 2020 crop planting, production, and prices. We're also using the latest forecasts from the August World Agricultural Supply and Demand Estimates report (WASDE). With this release we're also converting our 2019 forecast into an estimate, and we have our first state level farm income estimates for 2019 now.

Slide 2:
So what does our forecast cover, and what are we going to talk about in today's webinar? First, we'll start by looking at the farm sector as a whole, which is comprised of two million farms who operate 900 million acres of land. Next, I'll discuss the income and finances of the approximately 951,000 farm businesses that account for over 90 percent of the total value of agricultural sector production – these are the larger farms and where farming is the principal occupation of the operator. Lastly, we'll look at the well-being of the over 6 million people who live in households attached to a farm.

Slide 3:
Here's a brief overview of our results on our forecast, and it's also the order in which I'll discuss the topics today. So, in this chart I'm talking about changes and values in nominal dollars, so I'm not making any sort of inflation adjustment here.

Overall, our farm sector income is expected to increase in 2020. Net cash farm income is 4.5 percent relative to 2019, and net farm income is forecast to increase almost 23 percent in 2020. Now, this increase is despite lower cash receipts from commodity sales in 2020. We're forecasting cash receipts to fall 3.3 percent or 12 billion dollars. So, much of the increase in net income is coming from direct government payments to farmers from farm programs which are forecast to increase 14.7 billion dollars, or nearly 66 percent in 2020. Also contributing to

income are total production, which are forecast to decline 4.6 billion dollars, thereby boosting income.

On the farm sector balance sheet, farm sector assets and debt are both forecast to, with overall equity rising just slightly when not adjusted for inflation. Looking at farm businesses, average net cash farm income is forecast to increase almost 5 percent in 2020 to 82,600 – so that's average per farm – and looking at farm households median total farm household income is to increase almost 8 percent to almost 90,000 at the median in 2020.

Slide 4:
We have two primary measures of farm income. Now this chart is in 2000 dollars so we're adjusting for inflation prior years to be consistent with 2020 dollars. The yellow line is net cash farm income, which includes cash receipts from farming or the sales of farm commodities, as well as cash related income and government payments from farm programs less cash expenses or those costs that farmers incur to produce their agricultural commodities. We use the word cash, just meaning that there's a market transaction. Net cash farm income is forecast to increase almost 4 billion dollars. Well 4 billion dollars or almost 4 percent in 2020 when adjusted for inflation. This would put it at its highest level since 2015.

Net farm income, the blue line, is a broader measure of income that incorporates non-cash items like economic depreciation and accounting or changes in inventories. Like net cash farm income, net farm income has been trending upwards since 2017. And in 2020 net farm income is forecast to increase nearly 22 percent or 18 billion dollars, putting it at its highest level since 2013. Both measures in 2020 are forecast to be above their average from 2000 to 2019.

Slide 5:
We derive net farm income by first measuring its component parts, or from the bottom up. This allows us to further analyze the forecast change from 2019. This chart is – we're back to nominal dollars, so we're not making any inflation adjustments. The forecast increase in income is largely due to higher government payments from farm programs and lower expenses in 2020, as shown by this chart. Here we have on the far left, the net farm income estimates in 2019 at 83.7 billion dollars, and at the far right we have the net farm income forecast for 2020 at 100 – sorry at 102.7 billion dollars.

So, if we work our way from left to right. crop cash receipts are forecast to increase 2 billion dollars. Next, we make an adjustment to account for changes in crop inventory, as net farm income represents income from current production only. When you combine cash receipts with this adjustment it gives us a measure of the value of production for the current year. So, in 2020 the value of crop production is forecast to increase 14.2 billion dollars. Continuing to move left, livestock, or animal and animal product receipts, are forecast to fall 14.3 billion dollars and there's only a very small adjustment for changes in inventory.

Production expenses are forecast to decrease 4.6 billion dollars. This is shown as contributing to income on this chart because lower expenses would be higher income, because we subtract out expenses in the calculation of net farm income. But the single largest contributor to higher income in 2020 is direct government payments for farm programs, which are forecast to increase

14.7 billion in 2020 – and I'll talk a lot more about this later. So overall net farm income was forecast to increase 19 billion dollars.

Slide 6:
So, in the previous chart we saw that cash receipts overall are forecast to fall, for crops and livestock combined, by 12.3 billion dollars in 2020 relative to 2019 – that's the 3 percent drop. This would put them at their lowest level since 2010 in nominal dollars. In this chart we showed why cash receipts are forecast to decline. Through a simulation we can deconstruct the change in cash receipts into a price effect, and a quantity effect. In other words, we can identify whether changes in prices, or quantities sold, are driving the change in cash receipts. Other changes, that are shown here in gray, include those commodities for which data doesn't exist, to allow us to separate our price and quantity effects.

So, starting from the left, in 2020 total cash receipts are forecast to decrease 12.9 billion due to lower prices – that's the orange bar. Higher quantities sold are expected to increase receipts by only 0.3 billion bars – that's the blue bar. So, on net total receipts are forecast to fall 12.3 billion dollars after we account for these "all other" changes. So, the price effect is dominating the decline in total cash receipts. While, crop prices are expected to rise and lead to higher crop receipts in 2020, the decrease in total receipts is coming from expected lower prices for livestock, or animal and animal products, which is forecast to cause livestock receipts to fall in 2020. So, prices more than account, lower prices more than account, for the decline in cash receipts in 2020.

Slide 7:
Next, we can look at cash receipts by commodity. Note that these cash receipt estimates, or forecasts, are calendar year forecast, and in this chart, we are in nominal dollars. We forecast receipts for about 25 different crops, and this chart just focuses on the major crops, or major crop groupings. After remaining relatively stable across 2017 to 2019, total crop cash receipts are forecast to increase 1 percent or 2 billion dollars in 2020, led by increases in receipts for: fruits, nuts, vegetables, and melons – which are expected declines that we're seeing for other commodities.

So, looking at the chart, cash receipts for corn are forecast to decrease 6 percent, or 3 billion dollars, due to lower prices and lower quantities sold in 2020. Receipts for soybeans are forecast to decline for the fourth consecutive year. While prices are forecast to increase a little, we're anticipating lower quantities sold for soybeans in 2020. Receipts for fruits and nuts are forecast to increase 17 percent or 15 billion dollars due to higher prices received by farmers for fruits and nuts. And this is driving most of the overall increase in total receipts.

Slide 8:
Total animal, and animal products cash receipts are forecast to decrease 3 Percent or about 12.3 billion, with most commodities expected to see a decline. This would put them at their lowest level since 2010 in nominal dollars. Cash receipts for cattle, calves, dairy, broilers, and hogs are all expected to decline in 2020 because of lower prices. Receipts for broilers are expected to see the largest dollar and percent decline, falling 6.6 billion dollars. or about 23 percent in 2020. Higher prices are expected for eggs, and we're forecasting egg receipts to increase 12 percent.

Slide 9:
Another component of farm income, or another source of revenue for farmers, are direct government payments from farm programs made directly by the U.S. governments to farmers and ranchers without any intermediaries. After increasing 8.8 billion dollars or 64 percent in 2019, government payments are forecast to increase 14.7 billion in 2020. The expected increase in 2020 is largely because of supplemental and ad-hoc disaster assistance for payments for COVID relief, which are included in the purple chart on this bar, which represents "all other" payments. For "all other payments", we're forecasting them at 23.7 billion dollars in 2020. These payments do include payments from the Corona Food Assistance Program (CFAP) which provides direct relief to producers who faced price declines, and additional marketing costs, due to COVID-19. Payments in calendar year 2020 for this USDA program are forecasted at 16 billion dollars.

Also included are loans from the Paycheck Protection Program administered by the Small Business Administration. Although administered as a loan, these loans will be forgiven if the program's requirements are met, so we treat these loans as a direct payment to farmers and forecast them out at 5.8 billion dollars based on data through July 8 from the Small Business Administration. This amount may be revised with any unforgiven amounts ending up as farm debt rather than a direct payment. The remainder of all other payments includes other supplemental and ad-hoc resistance assistance such as WHIP+ and additional programs that are not accounted for elsewhere in this chart.

The pink bar represents payments under the market facilitation program, or MFP programs, which are also included in our 2020 forecast. The program is part of an aid package to assist farmers in response to trade disruptions. Most payments under this program were received in 2019, but about 3.8 billion was paid out to farmers earlier this year compared to about 14.2 billion in 2009, and about 5 billion in 2018 payments.

Payments that are a function of crop prices, as represented by the orange bar segment, are forecast to increase by about 3 billion dollars in 2020. Mostly, because of higher payments under the Price Loss Coverage or PLC program, which are forecast to increase about 2.7 billion in 2020. Overall, in 2020 direct government payments are forecast to be at their highest level ever, even when prior years are adjusted for Inflation – and that is the blue line that you are seeing in this chart.

Slide 10:
Another source of income to farmers are commodity insurance indemnities, which are payments to farmers for losses covered by insurance. This chart looks at net insurance and government payments relative to the rest of net farm income for the ag sector as a whole, and this chart is in inflation adjusted dollars.

The top peach bar shows indemnity payments paid to farmers less the premiums paid by the farmer for federal commodity insurance – so, I'm referring to that as a net insurance payment. In 2019, insurance payments – net – included prevented planting payments, and more than doubled, following the extensive flooding that occurred throughout the Midwest in 2019, and other

factors. In 2020, net indemnities are forecast to decrease 1 billion or 16 percent, but this forecast doesn't take into account any weather conditions that occurred after august 1st. When combined with direct government payments the darker orange bar segment, which we talked about in the previous slide, these federal payments to farmers are forecast to account for about 41 percent of net farm income in 2020, compared to 34 in 2019. It is interesting to note that net farm income excluding these payments, as shown by the gray bar, are forecast to increase in 2020 even without government payments included.

Slide 11:
The expenses incurred by farmers to produce their agricultural output or production expenses are another critical component of farm Income. These include items such as feed, fertilizer, hired labor. In total, production expenses are forecast to continue to decrease in 2020. This chart shows total expenditures in both nominal and inflation-adjusted dollars. In nominal terms – so that's the blue lower line – expenses are forecast to decrease 4.6 billion dollars, or 1 percent in 2020. When adjusted for inflation, expenses are forecast to decrease 2 percent. This would mark the sixth consecutive decline in total expenses and inflation-adjusted dollars, but that is following five years of consistent growth in expenses from 2010 to 2014. We haven't seen a decline of this magnitude or duration since the farm crisis of the early 1980s.

Slide 12:
When we look at expenses by category of spending, the outlook is mixed relative to 2019. Now we're looking at nominal dollars. The chart compares 2019 to 2020 expenditures by category. Those above the dotted line are expected to see increases, and those below are expected to decline.

So, starting with the ones that increased. Feed purchased is the single largest category of expenses accounting for roughly 16 percent of total expenses, is expected to continue to increase in 2020, but at a much slower rate, increasing just 1 percent in 2020 compared to 10 percent in 2019. Cash labor expenses are also forecast to increase about 3 percent, as wage rates are expected to continue to rise in 2020.

Among those items for spending where we're expecting a decline, interest expenses are forecast to see the largest decline in 2020 at 27 percent, or 5.6 billion dollars due to lower interest rates. Spending on fuels and oils is forecast to decrease about 14 percent following the forecast for lower prices for diesel fuel in 2020 from the Energy Information Agency. expenditures for livestock and poultry purchases and pesticides are also forecast to decline in 2020.

Slide 13:
In addition to farm income, the balance sheet is another tool we can use to measure or gauge the health of the farm Sector. It provides information on the value, or the physical value of physical and financial assets, and the level of debt in the U.S. sector over time. Historically the balance sheet remains strong and relatively stable. Farm equity is represented by green. In 2020 it is forecast to be nearly unchanged from 2019 in inflation-adjusted dollars, but since 2014, it has declined 5 percent. Similarly, farm sector assets are forecast to be relatively stable in 2020 and 3 percent below its peak in 2014. Farm real estate assets – this is the value of land and buildings – account for about 80 percent of farm sector assets, and are expected to increase just slightly 0.4

percent or 9 billion dollars in 2020, but declines are forecast for farm Inventories, for animals crops, and purchase inputs, thus countering that slight increase in real estate asset values.

Farm sector debt is expected to continue to rise and is forecast to increase by nearly 3 percent in 2020, that would put debt at its highest level since 1981 in inflation-adjusted dollars. The increase is being driven by rising real estate debt, which accounts for about 60 percent of total debt. But the value of farm sector assets still greatly exceeds the value, or the level of debt, resulting in farm sector equity of 2.7 trillion dollars.

Slide 14:
However, farm sector debt has been growing at a faster rate than the sector's assets. As illustrated in this chart which looks at the amount of debt relative to assets, and relative to equity, we're showing them as a percentage here – you know, debt as a percentage of equity, debt as a percentage of assets. These are solvency ratios, which provide a measure of the sector's ability to repay financial liabilities – their debt and their loans – through the sales of the assets of the farms. Both ratios gradually have been increasing since 2013 and are expected to continue to increase through 2020. The ratios are above their average for the prior 10 years and have been so for several years. The sector risks of insolvency is now at its highest level since 2002. However, the solvency ratios for the sector remain the low peak levels that we saw in the early 1980s from the farm crisis and remain low enough to suggest that the likelihood of default across the sector remains low. We have additional financial ratios on our website if you would like to see more, but I'm going to show you one more.

Slide 15:
We have a liquidity measure called the debt service ratio, as shown in this line… by this chart… by the blue line. From 2014 to 2018, the debt ratio – or the debt service ratio – increased in each year. And what that means is that a greater share of production from income is needed to make debt payments, meaning debt payments as a share of production have increased, and this suggests lower liquidity… means… gives them less capital that is readily available to them as cash. In 2019 the ratio decreased slightly and is expected to decrease even further in 2020, largely because of lower interest rates.

While the debt service ratio fell in 2019, the farm bankruptcy rate reached its highest level in 2019 since 2010. According to data from the U.S. courts, there were about 585 bankruptcies in 2019, that was a 22 percent increase from the prior year, which equates to a bankruptcy rate of nearly 3 bankruptcies per 10,000 farms. So, we're charting the rate here on this chart. Data through June of 2020 this year, suggest that bankruptcies in 2020 may be lower than 2019.

Slide 16:
Up to this point, we've been discussing the forecast for the farm sector as a whole. Now let's look at farm businesses, an important subset from business of all forms. What is a farm business? We define it as all farms where the primary occupation of the operator is farming, plus those farms that had 350,000 dollars or more in gross cash farm income – so that's income before expenses. There are roughly 951,000 farms that meet this definition, represented by the blue and red segments, for commercial and intermediate farms on this chart.

According to the 2018 data from the Agricultural Resource Management Survey (ARMS), residence farms account for the majority of all farms, but commercial and intermediate farms account for over 90 percent of all agricultural production, and they hold most of the sector's assets and debt. Using preliminary data from the 2019 ARMS, we're able to project how the farm sector level forecasts can be expected to affect farm businesses in 2020, and breakdown the forecast for farm businesses by commodity specialization in geographic region. So, we're applying our forecast for 2019 to what we know about farms from the 2019 ARMS survey.

Slide 17:
So, looking only at foreign businesses, average – we'll talk about average net cash farm income now – for farm businesses in total is expected to increase in 2020, after increase 2019 as well. Using ARMS, again we can categorize farms commodity specialization, that means that at least 50 percent of the value of production coming is from a commodity. Average net cash farm income in all categories of crop businesses is expected to increase in 2020, as shown on this chart in inflation-adjusted dollars.

All crop farm businesses are forecast to benefit from higher government payments in 2020. Of those, the increase is expected to be the largest for farm businesses specializing in cotton, where average net cash farm income is projected to increase 24 percent. While the increase is expected to be smallest for corn farms, for which average net cash farm income is forecast to increase just 6 percent, as corn receipts are expected to decline in 2020.

Slide 18:
For farm businesses specializing in livestock, most are expected to see average net cash farm income decline in 2020, following declines in cash receipts for animal and animal products. For farm businesses specializing in cattle or calves, average net cash farm income is forecast to continue to decline for the sixth consecutive year. Note that farms specializing in cattle calves account for about 16 percent of all farm businesses. That's the largest share. So, while there are a lot of cattle and calves' farms, and they produce a lot of output, the average per farm is low.

Hog farm businesses is forecast to see the largest decline in average cash … net cash farm income in 2020 at 36 percent. This is because we're expecting large decline in receipts that are going to be larger than the increase in government payments, and the decline in cash expected for hog farms.

Slide 19:
In this chart we can see how agricultural production is distributed geographically. We can forecast how average net cash farm income for farm businesses can be expected to change in 2020 by resource region. The regional performance of farm businesses can vary considerably due to strong geographic concentration of certain production specialties. In seven out of the nine resource regions are expected to see average net cash farm income increase in 2020. For all foreign businesses in total, average net cash farm income is forecast to decrease 5 percent from 2019, in nominal dollars. This reflects the forecasted increase... I'm sorry that's an increase…I'm sorry…average net cash for income is forecast to increase 5 percent reflecting the forecasted increase in net cash farm income for the sector as a whole.

Farm businesses in the Mississippi portal are expected to see the largest increase at 21 percent because of higher government payments. The next largest increase is expected for the fruitful rim at 14 percent following the forecast increase in fruit, nut, vegetable, and melon cash receipts for the sector, and expectations of higher government payments. The two regions where average net cash farm income is expected to decline slightly, are the heartland and prairie gateway which our forecasts decline 2 and 1 percent respectively. This is largely the result of lower livestock cash receipts in 2020. Just a reminder that we do have state estimates for 2019 so, if you're interested in a more geographic breakdown of income, I encourage you to check out our website.

Slide 20:
Up to this point we've discussed the financial performance of the farm sector as a whole and farm businesses, but this may not give us an accurate or complete picture of the well-being of farm households that own and operate farms. Farm profits are often shared with other stakeholders, maybe landlords and contractors, and the well-being of farm operator households is determined by a combination of on-farm and off-farm activities.

So now we're going to look at all family farms so, that's 98 percent of all the two million farms. and the farm operator households. There are over 6 million people who live in a household attached to a farm.

Slide 21:
One measure of their well-being is household income which is forecast to increase in 2019 and 2020 at the median. This chart looks at income earned on-farm and off-farm, which when combined gives us a total household income. This chart is an inflation-adjusted dollars – it is. For farm households, median income, that's just the person at the middle of the farm, at the middle of the population, is forecast to increase in 2019 and again in 2020 following the farm income forecast for the sector which reflects the higher government payments from farm programs going to farms. If realized 2019 and 2020 would be the first time median on-farm income was positive since 1995. Although it remains very small at under a thousand dollars at the median.

Recall though that most farms are residential, which means farming is not their primary occupation and they're small by definition, this results in a low median farm income. So, most household income at the median is coming from off-farm sources. Median-off farm income is forecast to increase in both 2019, and 2020. Off-farm income sources include off-bound wages, non-farm businesses, dividends, interests, and transfer payments. For 2020 off-farm income includes estimates of the economic impact payments, or the stimulus payments that were received by farm households earlier this year. In total, median farm household income is forecast to increase almost 15 percent in 2019, and nearly 8 percent in 2020, to 89,674 dollars at the median.

It's really important to note that the median represents only just one farm at the middle of the spectrum of all farms. There are certainly farm households that aren't expected to fare as well in 2000. Because these are mediums, and values for on on-farm and off-farm income, the values for those two off and on farm income will not sum up.

Slide22:
The information I presented today is available on our website along with estimates for prior years. We have data tables, charts, maps, and a written summary of our findings. We also have tables and maps with our new state level estimates for 2019. Our next release is scheduled for December 2nd 2020, at which time we will update the 2020 Forecast again, and we will have more information on 2019 household income.

With that I will open it up to questions.

Thank you, Carrie looks like we have a few questions coming in. Why are labor expenses forecast to increase?

Yeah, it's one of the larger expense items, single expense items, and we are forecasting it to increase in 2020 largely well, reflecting higher wage rates. We use data from the National Agricultural Statistics Service or NASS in USDA, and they put out a Prices Paid Index, and that prices paid index has been trending upward in 2020 relative to 2019. So, while we don't really know if farmers are employing less labor, you know, we have to wait for the next ARMS survey to get that information. It does look like farmers are spending more, the cost of that labor is increasing.

Thank you Carrie, here's another question. Does the net farm income take in adjustment since COVID began?

Did it take-in adjustment, is that your question?

Correct, does the net-farm income take uh … has taken an adjustment since COVID began.

Yeah, certainly. You know, we last forecasted net farm income and net cash income back in February, and that was before the COVID outbreak in the U.S. So, this forecast that we're putting in now does consider COVID impacts. We're using value of production forecasts you know, and price forecasts like I mentioned at the top, from the World Agricultural Supply and Demand Estimates – the WASDE report – and they consider these COVID effects as they view them. And for commodities that aren't published in the WASDE report, we're using forecasts from ERS subject matter experts, and they as well are considering um the expected implications for COVID-19. But it's really important to know that we're still in the midst of this, so it's going to be a while I think, until we sort out all of the impacts, and we know the full implications that COVID has had on farm production. And perhaps, you know, the most obvious place you can see the COVID impacts in our forecast are with our forecast for government payments, because we talked about the 16 Billion in the Corona Virus Foods – the CFAP program – and the nearly 6 billion in the PPP loans, those were both intended to help farmers in response to the COVID pandemic.

Thanks Carrie, here's an interesting question. How might recent weather events, like the August derecho, and hurricane Laura affect the forecast?

Yeah, this is another one where I'm going to have to claim it's a little too early to know. I mean, especially even more so than COVID. These events are extremely recent and it's going to take a while to sort out the actual effect that it may have had on agricultural production and agricultural expenses, or the balance sheet and debt. But for the derecho, you know, that largely hit Iowa and there are reports of notable damage especially as lead to cornfields. The hurricane Laura, I think we're most interested in the effect that it may have on rice, because it hits a notable share of the rice production in the U.S. and I believe a number came out the other day that maybe 5 percent of the U.S. rice crop is potentially affected, but hopefully we'll have more information on that when we get to our December second release. We'll know more, still probably not everything, but we'll have a better idea if this is going to affect income for the sector as a whole.

All right, looking at a previous slide, we have a question, does the purple bar on the direct payment slide include CFAP? So, the question is, does the purple bar on the direct payment slide include CFAP?

Yes, it does include the Corona Food Assistance Program, and it is more than half of the total of that bar. So, we're forecasting out 16 billion dollars for CFAP. and that is included in the purple bar.

Okay, next question. Is the decrease in livestock receipts related specifically to the decline of the ability to have them processed?

Yeah that's an interesting question, I don't claim to be an animal, cattle, beef, or hog specialist. So, we rely on the WASDE data to give us the forecast for the price and quantities, and what the WASDE data is forecasting or projecting, is they're projecting a strong decline in prices for beef and pork. But they're also projecting, while the quantity, so the amount of production, while it declines particularly in the second quarter, because of some of these processing problems, they are forecasting that it will rebound in the third and fourth quarter resulting back that by the end of the year the production quantity, the physical amount that was produced, should be pretty close or in some cases maybe slightly above what we saw in 2019. so, we are seeing decline but it's due to prices.

Next question is related to this slide you have up. Are the CFAP estimates on what was allocated or what was already paid out?

Yeah that's a good question, the 16 Billion, when the CFAP program was announced that was the amount that USDA said they would pay up to that amount for this sign up of the CFAP. To date, payments are not 16 billion dollars, they are on the range of I think 9 to 10 billion dollars that have been paid out to date, but checks are still going out and the USDA… the Secretary Perdue has indicated that there will be a CFAP 2, and that sign up will start in September I believe, but the rules are still being worked out on that. But this forecast, I believe, or I feel, considers that. That it's our best guess at this point without knowing the rules of CFAP 2 of what will be paid out. So, it's a forward looking. So, it's not to date, it's not payments to date, it's expected payments by the end of the year.

And you may have probably answered this in your answer right now, but does the estimate of government payments include any expectation of a CFAP 2 payment from existing authority? Yes, not directly, not in the sense that we have the rules that would allow us to make a forecast that's a more explicit forecast. So, this may get revived in December when we have more information about CFAP 2, and we kind of maybe start to see the pace of payments with that, but we're thinking, our best guess right now is probably 16 billion will be spent, but it's really fluid, I mean the rules are coming out, you know, are changing and I think it's going to be a story with government payments as a whole that we're still responding to the crisis, and we have several months left to go.

Another question related to CFAP. While 16 billion in CFAP were available, it doesn't look like we will get their under existing CFAP program at this point, what drove your choice to include all 16 billion dollars for FY 2020.

Right, what drove our choice is we know that USDA has money that is available to be spent so […]. We don't have any insider information, but we knew that congress had authorized the money, there was money already available, and we decided the money likely was going to be spent. So, 16 billion seemed reasonable.

We have someone asking, what is supporting fruits and vegetable receipts? Is there more details?

Yeah there's not a ton of detail at this point. These are some of the hardest forecasts to do because it's hard to get aggregates for fruits and nuts. You've got so many commodities in there that it's hard to kind of decide how they're all going to aggregate together. But mostly what we're looking at here is an expected increase in prices received for fruits and nuts. I don't think… it's practically all price increase and not quantity increase. We get a forecast from our MTED expert here, on fruits and nuts. We can also look at the prices paid, sorry the price received index, that comes from NASS – from USDA, that shows that prices received by farmers for fruits and nuts is trending higher in 2020 relative to 2019, and that's really informing this estimate. Again you know it would be interesting to … and this is for the whole year, so we're looking at not just through the first two quarters, but what we think might happen through the rest of the year, and we're thinking higher prices in aggregate.

Carrie, next question. Why are corn receipts expected to fall when production is forecast to increase in 2020?

Yeah, we're on the side for that aren't we? Yeah, I mentioned in my talk that it's a reflection of both lower prices and quantities, but it's primarily prices – lower prices that we are seeing in 2020 so far. They're declining notably. We are expecting a really small increase in quantities, but I think the important thing to keep in mind when we're talking about crops like corn and soybeans, are that these cash receipt forecasts are calendar year forecasts. So what you … when farmers are selling corn in 2020, it's from, the forecast at least, combination of what was actually harvested in 2019 and sold in 2020, plus what is expected to be harvested and sold in 2020 after the harvest. So, it's a weird way of saying, it's a combination of two marketing year crops – 19 and 20. And, in 2019 the marketing year production was down relative to 2018 […] in 2019. And

although the forecast is for a pretty strong increase in corn production in 2020, receipts for calendar year through 2020, reflect a combination of the lower production in 2019 and the higher production in 2020. But the bigger takeaway is that it's the lower prices that are driving he corn receipts down in 2020.

Hers another question, who is eligible for CFAP?

Yes I am going to have to direct you to other USDA resource, I believe the link is like www.farmers.gov/cfap. There are all kinds of information there about eligibility and how you apply under the current program. But the current program may have ended or they're just about to end, The sign up deadline is September 11th for this version of CFAP. So, there is information on the USDA website that I mentioned, to give you more information about who is eligible. But it's quite a different number of types of farms, different commodities are eligible for these payments,

Carrie, it looks like we have time for one last question. Would farm income still be increasing without the large increase in government payments?

Yes, and that was one of the points I was trying to make on this chart here, is that even if you take away at the increase in 2020 government payments, you would see an increase in net farm income. Mostly what we're seeing here is that the value of ag sector production – so this is the value of your crop production and your animal production – is forecast to be pretty stable in 2020. But expenses are forecast to decline, so that's boosting income up, and that would be enough to boost income up in 2020 alone. Even if you were to take out the change in government payments or the growth that we're anticipating in government payments.

Thank you very much Carrie and thank you all for joining us today for this Webinar. Have a great afternoon and tune in for our next Farm income forecast. Thank you.