

How Will Your Farm Emerge from the Coronavirus Pandemic?

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It has been more than a year since Coronavirus was declared a pandemic. Everyone has been touched by the pandemic either directly or indirectly. As an industry, Agriculture has experienced market disruptions and slowdowns in the processing sector due to the pandemic. In response, the United States government provided billions of dollars in economic relief in 2020 to assist farmers affected by the disruptions. This assistance has continued into 2021 as just recently the United States Department of Agriculture (USDA) announced details about the [“Pandemic Assistance for Producers”](#) Initiative.¹ This article takes a look at federal farm support, forecasts for net farm income in 2021, and challenges farm managers to examine how their business will emerge from the coronavirus pandemic.

US Governmental Farm Support

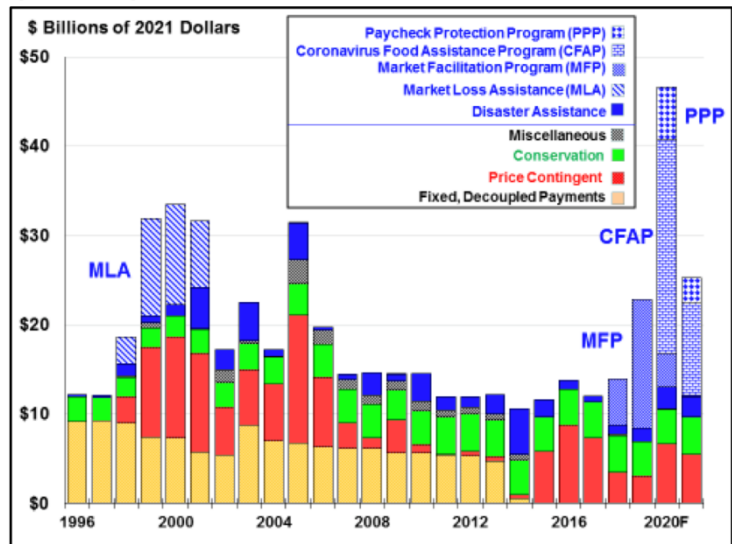
The following figure from the [University of Illinois²](#) (Figure 3) shares the government farm support programs for the past fifteen years with a forecast for 2021. Farm program payments have been cyclical and have ranged from a low of approximately \$10 billion in 2014 to a high of nearly \$45 billion in 2020. The forecast for government payments in 2021 is around \$25 billion.

Farm Income Forecast

The USDA’s Economic Research Service (ERS) [2021 Farm Income Forecast³](#) projects U.S. net farm income (NFI) to decrease \$9.8 billion (8.1%) to \$111.4 billion in 2021. When indexed for inflation, net farm income is anticipated to decrease by \$12 billion or 9.7%. Net farm income is a broad measure of farm sector profitability that incorporates noncash items, including changes in inventories, economic depreciation, and gross credited rental income. Despite the decline, NFI in 2021 is still expected to be 21 percent higher than the twenty-year average. ERS predicts U.S. net cash farm income to decrease \$10.4 billion (7.5 percent) to \$128.3 billion in 2021. Net cash farm income is defined as cash receipts minus cash expenses and does not include changes in inventories or depreciation.

Underlying these forecasts, cash receipts for farm commodities are projected to rise \$20.4 billion (5.5%) in 2021. Total animal receipts are expected to increase by \$8.6 billion (5.2%) and total crop receipts are forecasted to increase by \$11.8 billion (5.8%). Direct government payments to farmers are expected to be 45.3% lower - a \$21 billion decrease from 2020. This decline is largely caused by lower anticipated

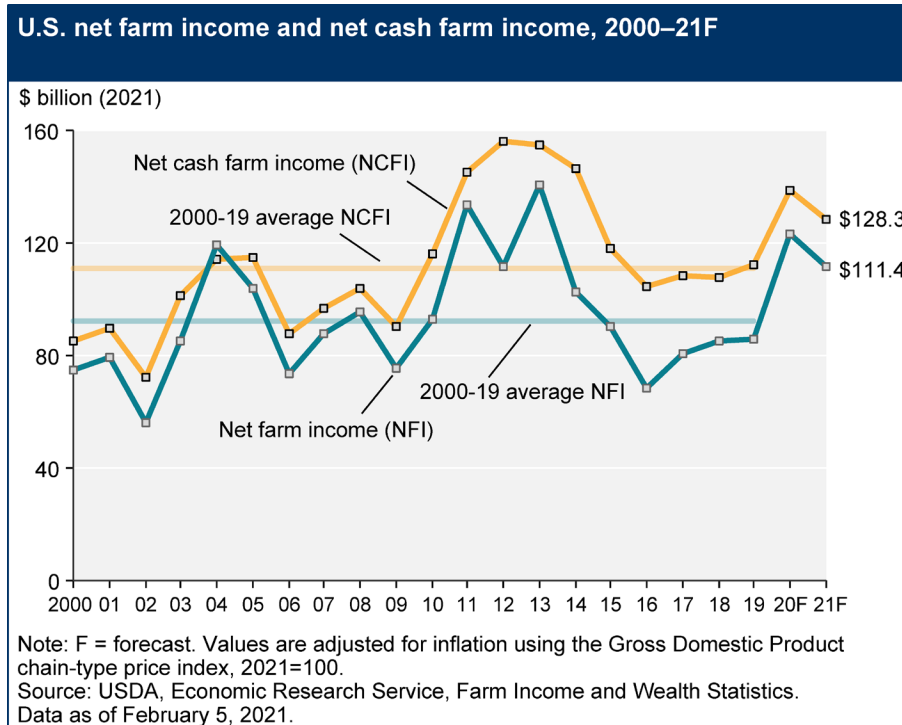
Figure 3. U.S. Government Farm Support, 1996-2021 (forecast)



Source: CRS using data from USDA, ERS, “2021 Farm Income Forecast,” February 5, 2021. All values adjusted for inflation with the BEA chained GDP deflator, where 2021 = 100.

Note: For details on the program categories, see CRS Report R46676, *U.S. Farm Income Outlook: December 2020 Forecast*.

payments from supplemental and ad hoc disaster assistance for COVID-19 relief. Total production expenses are forecasted to increase \$8.6 billion (2.5%).



Implications

As the pandemic subsides, it is almost certain that U.S. government farm support payments in 2021 and future years will be significantly lower. The financial bottom line for many farm operations was positive in 2020 due to historically high ad-hoc payments. Looking forward to 2021 there is much optimism in the crop sector due to the recent surge in crop prices and lower stock reports. However, much can happen between now and next fall’s harvest. It is anticipated that livestock and dairy producers will feel the effects of high grain prices when purchasing feed.

Post-Pandemic Planning

As we analyze the crazy pandemic year of 2020 and its lingering impacts into this new year, we have been asked how successful farm businesses should plan as the pandemic subsides and life returns to “more normal.”

First, sound business practices and structure are the foundation for business to fall back on when facing internal and external disruptions. Take time to develop or review your farm’s written Mission Statement, a brief statement that explains why you are in business. Involve family and employees in the discussion. It is also recommended to develop written goals – both short-term and long-term. You are more likely to achieve goals that are WRITTEN and shared with others. Post pandemic is also a great time to conduct a SWOT Analysis – to review the Strengths, Weaknesses, Opportunities, and Threats related to your business. OSU Extension has some great resources to help you in analyzing the foundation of your business. Check out these resources at:

- Whole Farm Planning Model: <https://ohioline.osu.edu/factsheet/anr-52>

- Developing Goals for the Agricultural Business: <https://ohioline.osu.edu/factsheet/anr-45>
- Conducting a SWOT Analysis of Your Agricultural Business: <https://ohioline.osu.edu/factsheet/anr-42>

Secondly, we also offer the following suggestions for you to consider as we move forward from the rollercoaster for 2020 and the early part of 2021:

1. Do not rely on government farm programs as income sources as you develop enterprise budgets specific to your operation. Check out OSU budgets at: <https://farmoffice.osu.edu/farm-mgt-tools/farm-budgets>
2. Work toward being a low-cost producer by knowing your cost of production. Higher crop prices can be a temptation not to be detailed in tracking expenses. Make sure to track and monitor both variable and fixed expenses.
3. Develop contingency plans and emergency preparedness plans for overcoming disruptions which impact your business. How will work get done if employees get sick or are in quarantine? How will you overcome future slow-downs in the processing sector or if crops cannot be shipped to market?
4. Enroll in the Ohio Farm Business Planning and Analysis Program to fully understand your farm operations financial strengths and weaknesses. Learn more here: <https://farmprofitability.osu.edu/>
5. Review leases and contracts annually.
6. Hold family meetings – to discuss finances, review your mission statement, complete a SWOT analysis, and develop goals. See this OSU Extension Fact Sheet: <https://ohioline.osu.edu/factsheet/anr-43>
7. Network with your peers. Share successes and challenges.
8. Form and meet with a farm business advisory team that may include one or more of the following: Extension Educator, accountant, lender, nutritionist, crop advisor, insurance agent, and others important to your business. See this OSU Extension factsheet: <https://ohioline.osu.edu/factsheet/anr-43>
9. Utilize OSU Extension resources – Ohio Ag Manager (<https://u.osu.edu/ohioagmanager/>), Farm Office (<https://farmoffice.osu.edu/>), Crop Observation and Recommendation Network (<https://agcrops.osu.edu/>), Beef Cattle Newsletter (<https://u.osu.edu/beefteam/>), and Buckeye Dairy Newsletter (<https://dairy.osu.edu/>).

Summary

The coronavirus pandemic has revealed that agriculture is a resilient industry. Crops were still planted and harvested; livestock continued to be cared for. Despite some infrastructure issues related to food processing, Americans were still able to access safe and affordable food. The pandemic has revealed how dependent the agricultural supply chain is on timely delivery of goods and services, healthy and available agricultural workers, and a confident consumer willing to adapt and adopt new buying practices.

As Americans begin to exit the last throes of the pandemic's lockdowns, return to work and school, and begin life anew, reflection on emergency preparedness should be re-evaluated and adjusted plans put in place. Each farm business should continue to put contingency plans in place for the next disruption. And, make sure you keep an adequate supply of toilet paper on hand, just in case!

References

¹[USDA Pandemic Assistance for Producers. Accessed from: https://www.farmers.gov](https://www.farmers.gov)

²Good, Keith. USDA Announces “Pandemic Assistance for Producers”, New CFAP Aid. March 25, 2021. <https://farmpolicynews.illinois.edu/2021/03/usda-announces-pandemic-assistance-for-producers-new-cfap-aid/>

³2021 Farm Sector Income Forecast. Accessed from: <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/farm-sector-income-forecast/>