

**Dr. Wendong Zhang, Assistant Professor of Economics and Extension Farm Management Specialist, Iowa State University
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QUESTION 1: (250-400 words)

Do you expect the agriculture economy to pick up slow down or stay about the same in 2017? What will the impact be?

With corn and soybean prices stagnant or even lower than a year ago and deteriorating livestock profit conditions, I expect the agricultural economy in the U.S. especially across the Corn Belt states to further slowdown in 2017. No matter which commodity you examine in the U.S. agricultural sector, crops like corn, soybean or livestock like cattle or hog, you will see expanding production and inventories. This is a result of over-production on the global scale chasing the phenomenal profits in the late 2000s. These strong or sometimes record-level production has led to surplus, which have depressed crop and livestock prices.

Unfortunately, current projections show a loss at these prices. Preliminary Iowa State University cost of production estimates for 2017 indicate a 50 cents per bushel loss for corn and possibly break-even for soybean production with average costs and yields. Additionally, the hog, cattle, and dairy producers are embracing low-to-negative margins in the months ahead. A historical analysis of corn and soybean margins seems to suggest that it takes roughly six to eight years to move from the negative-margin eras to positive profits again for the industry.

These low crop and livestock prices have trickled down in the agricultural sector, leading to lowest U.S. net farm income level since 2009, declining repayment rates for agricultural loans and vendor credit, measurable declines in farmland values in major agricultural states. With the strong dollar, increasing interest rates and rising uncertainty in trade with key partners like China, the Federal Reserve Bank in both Chicago and Kansas City are reporting weakened expectations for repayment rates in each agricultural industry by bankers, signaling the heightened financial stress for producers and agricultural professionals.

However, there are glimpses of hope for 2017: the corn and soybean prices are improving as costs and rents are working their way down. Average Iowa farmland value has shown a decline for the third year in a row—the first time this has happened since the 1980s farm crisis. For a pessimist, there are reasons to worry, especially for landowners and/or producers who are over-leveraged. For an optimist, this decline is still modest, and the probability of a replay of the 1980s farm crisis is low. The likelihood of another farm crisis is low due to steady farm income accumulation before the downturn, a stronger government safety net, and an overall lower debt level in the agriculture sector.

QUESTION 2: (30-50 words)

Briefly, what's one threat to the economy that you are keeping a watchful eye on and why?

The elephant in the room to me would be the uncertainty on agricultural trade, as the new administration tries to renegotiate trade agreements with key partners like China and Mexico. For a country of surplus like U.S., the importance of trade for agriculture cannot be overstated.