

Farmer sentiment rises as income prospects improve, concerns about key policy issues remain

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WEST LAFAYETTE, Ind. and CHICAGO, Jan. 5, 2021 /PRNewswire/ -- There was a modest improvement in producer sentiment according to the December [Purdue University/CME Group Ag Economy Barometer](#). The barometer increased 7 points from November to a reading of 174. Both of the barometer's sub-indices, the *Index of Current Conditions* and the *Index of Future Expectations*, were also higher in December than in November. The *Index of Current Conditions* climbed 15 points to 202 and the *Index of Future Expectations* increased by 5 points to a reading of 161. The *Ag Economy Barometer* is calculated each month from 400 U.S. agricultural producers' responses to a telephone survey. This month's survey was conducted from December 7-11, 2020.

"The rise in the *Ag Economy Barometer* was primarily driven by farmers' perception that the current situation on their farms really improved. The sharp rise in the *Index of Current Conditions* is correlated with the farm income boost provided by the ongoing rally in crop prices. That appears to be the driving force behind producers' optimism," said [James Mintert](#), the barometer's principal investigator and director of Purdue University's Center for Commercial Agriculture.

Producers were noticeably more inclined to think now is a good time to make large investments in their farming operations than in November. The *Farm Capital Investment* Index increased 13 points in December to a record high of 93. The percentage of farmers expecting to increase their machinery purchases in the upcoming year rose 5 points to 15 percent in December, while the percentage expecting to reduce their purchases declined by the same amount.

They were also bullish about farmland values and cash rental rates. In December, the percentage of farmers expecting farmland values to rise over the next year increased 9 points from November to a reading of 35. The percentage expecting farmland values to rise over the next five years increased 11 points from November to a life of survey high 65 percent.

Reflecting the improvement in crop production profitability, more producers said they expect farmland cash rental rates to rise in 2021 when compared to survey results from late summer. In December, 18 percent of respondents said they expect cash rental rates to rise in 2021, double the percentage who felt that way in August and September. Moreover, it's clear that any downward pressure on cash rental rates evident earlier in the year has nearly disappeared, as just 5 percent of farmers said they expect to see cash rental rates decline in 2021 compared to 17 percent who felt that way in August.

Farmers were less optimistic when asked about the on-going trade dispute between U.S. and China. In the first quarter of 2020, an average of 76% of respondents thought the trade dispute's ultimate resolution would favor U.S. agriculture, by spring that average declined to 62 percent, and by December it dropped to an all-time survey low of 47 percent. When asked whether they expect U.S. ag exports to increase over the next five years, only 51 percent of respondents in December said they expect to see export growth.

To learn more about what factors might be motivating the shift in producers' sentiment pre- and post-November election, a series of questions focused on producers' future expectations for environmental regulations, taxes and other key aspects of the agricultural economy, were included on the October, November and December surveys. In December, farmers continued to express concerns following the November election about several key policy issues affecting agriculture. Over 80 percent of farmers said they expect environmental regulations to become more restrictive in December, compared to 41 percent who felt that way in October. Over 70 percent of producers expect to see higher income and estate taxes compared to 35 and 40 percent, respectively, in October. One-third of farmers said they expect the farm income safety net to weaken compared to 18 percent and just over one-fourth of producers said they expect government support for the ethanol industry to weaken compared to 17 percent who felt that way in October.

Read the full *Ag Economy Barometer* report at <https://purdue.ag/agbarometer>. The site also offers additional resources – such as past reports, charts and survey methodology – and a form to sign up for monthly barometer email updates and webinars.

Each month, the Purdue Center for Commercial Agriculture provides a short video analysis of the barometer results, available at <https://purdue.ag/barometervideo>, and for even more information, check out the *Purdue Commercial AgCast* podcast. It includes a detailed breakdown of each month's barometer, in addition to a discussion of recent agricultural news that impacts farmers. Available now at <https://purdue.ag/agcast>.

The *Ag Economy Barometer*, *Index of Current Conditions* and *Index of Future Expectations* are available on the Bloomberg Terminal under the following ticker symbols: AGECBARO, AGECCURC and AGECFTEX.

About the Purdue University Center for Commercial Agriculture

The [Center for Commercial Agriculture](#) was founded in 2011 to provide professional development and educational programs for farmers. Housed within Purdue University's Department of Agricultural Economics, the center's faculty and staff develop and execute research and educational programs that address the different needs of managing in today's business environment.

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Related websites:

Purdue University Center for Commercial Agriculture: <http://purdue.edu/commercialag>
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Photo Caption: Farmer sentiment rises as income prospects improve, concerns about key policy issues remain. (Purdue/CME Group Ag Economy Barometer/James Mintert) <https://www.purdue.edu/uns/images/2020/dec-barometerLO.jpg>

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