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STATE SENATOR • 17TH SENATE DISTRICT

Capitol Update

By Senator Howard Marklein

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The Economic Outlook for Agriculture Has Improved *Recapping the Ag Economic Outlook Forum*

Each year, I eagerly await the Agricultural Economic Outlook Forum that is hosted by the Renk Agribusiness Institute at the University of Wisconsin Madison. This forum is always a terrific way to see the data side of agriculture in Wisconsin. It also provides a view of the potential for the future of this important economy. This year, the event was entirely virtual and I appreciate the Institute's work to provide a high-quality program.

Last year's forum took place right before the COVID-19 pandemic arrived in Wisconsin. While the forecasting was positive, we were coming off of a difficult year for agriculture and none of us had any idea what we were in for within just a couple weeks. I don't think any of us could have predicted the way COVID-19 impacted supply chains, slaughtering operations and supply versus demand. Our economy shifted and agriculture was deeply impacted.

Several speakers at the forum this year reflected on the horrible decisions farmers had to make early last spring. From dumping milk to euthanizing animals, our farmers made difficult decisions to stay in business. Consumer behavior changed overnight and our supply chains developed gaps and holes. One day, restaurants were placing orders for cheese, meat and milk. The next, they were closed with no re-open date. One day, a local slaughtering facility had a predictable, yet full, schedule. The next, their operations abruptly halt.

Despite the difficult decisions and uncertainty we experienced in agriculture last spring, Paul Mitchell, Director of the Renk Institute, said that the unprecedented government support for agriculture saved the industry. Farm income was up in 2020, despite the difficulties and he predicts income to be up in 2021 too, even without the government support programs that buoyed the economy in 2020. He points to better prices with flat costs, declining loan balances, flat loan delinquency rates, rising and consistent land values and a normalized dairy farm exit rate as signs that the ag economy is strong.

Mitchell said that Wisconsin still leads the nation in farm bankruptcies and there remains a lot of financial stress in rural Wisconsin. However, he said that the Dairy Farm Attrition Rate is almost back to its "long-term" rate, rather than the crisis levels we have been experiencing in recent years. The rate is about even with 2017 and just slightly over the rates in 2015 and 2016.

The weather also helped agriculture this year. Mitchell reminded me that planting and harvesting was way ahead in 2020. I remember talking to Rep. Travis Tranel (R-Cuba City) and Rep. Tony Kurtz (R-Wonewoc) in mid-December 2019 and they were still trying to chop corn before the snow started to fall. This year, they were finished in November! They were also way ahead for planting last spring because conditions were right. So, despite the COVID-19 pandemic challenges we faced, the planting and

harvesting season for crops was very favorable. This is reflected in data we observed throughout the forum.

Mark Stephenson, the Director of Dairy Policy Analysis and the Director of Dairy Profitability at UW Madison, reflected the severe impacts of COVID-19 on the dairy sector. Several of his graphs and charts illustrate an unimaginable drop in consumption of milk, cheese, butter and other dairy products during the pandemic. But he also illustrated a shift.

Stephenson said that more than half of all butter is usually used in out-of-home eating through food service and institutional uses. However, the notable trend of pandemic cooking and baking can be seen in the data. Retail butter sales are way up. Therefore the total commercial disappearance of butter is down only 0.2% for the year.

Stephenson discussed the fact that the United States is a consumption-based economy. As a result, when our consumption habits change, so does our economy. Stephenson is optimistic about Foodbox programs encouraged by our governments, grocery store sales and the reemergence of home cooking, restaurants and schools reopening, a return to “normal”, export opportunities and vaccines.

Again, the Ag Economic Outlook Forum is a tremendous event. You can view all of the videos and materials from the Forum on the Renk Institute’s youtube channel and website:

<https://renk.aae.wisc.edu/2021-agricultural-outlook-forum/>

As always, please do not hesitate to connect with me to provide input, ideas or to seek assistance. Send an email to sen.marklein@legis.wisconsin.gov or call 608-266-0703.