COVID-19 completely upended our world and is impacting farmers and our food system in several ways. Our country’s entire infrastructure is based on a food system that treats food as a commodity, churning over vast amounts of mass-produced food and fiber to places all over the globe. On top of environmental and public health impacts, our increasingly consolidated food system has shuttered not only independent small and mid-sized farms, but also local processing plants, seed suppliers, grocery chains, equipment dealers and more. In short, the country’s once diverse local and regional foodsheds were systematically erased over time as corporate power in the food system accelerated, leaving us all more vulnerable to something like a pandemic.

As the need for social distancing closed restaurants, schools, processing plants, and other key markets for farmers, drops in demand and supply chain disruptions forced farmers to plow under fields of produce, dump milk and even euthanize animals. For farmers growing crops for biofuels or cotton and other fibers, sharp reductions in demand for fuel and clothing tanked prices for their goods, leaving business plans in tatters. Rising unemployment rates and tightening household budgets continue to constrict food consumption and the prices farmers receive. On top of these challenges are labor shortages, border closures across the globe hampering food transport, and costs of implementing safety measures to protect workers and customers from COVID-19. Snapshots of impacts on farmers so far include:

- **Consumers pay more, while farmers get a smaller piece of the pie:** Food prices at grocery stores are up 5.6% from a year ago, the largest increase in nearly a decade, while farmgate prices have dropped by 4.8%. In some cases, the contrast is severe: beef prices are 25% higher than a year ago, even while livestock prices for farmers fell by 17%. Price fixing by a handful of major meatpackers may be driving this problem. Today, farmers receive an average 14.6 cents for every dollar consumers spend on food.

- **Dairy farms on the edge:** Dairy farmers have been rocked by low prices over the last several years, and 2020 set them on a rollercoaster. In January, Class I milk prices were at $19.01 per hundredweight (cwt), hovering several dollars below the cost of production for most dairy farmers. By June 2020, prices plummeted by 40% to $11.42/cwt, an untenable level that shuttered hundreds of dairies for good. Today, while milk prices are back up, they are still far below the cost of production, causing dairy farmers to lose money every time they milk their cows. In dairy dependent states that have lost thousands of local dairies over
Despite rising demand for local food during 2020, total farm debt was 17% of farm income in 2020, equating to a loss of $37 per head, while the beef industry could not process. Hog farmers are forecast to lose $5 billion in net farm income this year, while a survey conducted in May 2020 estimated that nearly a third of small, independent farms would close down by the end of the year. An April 2020 report predicts that COVID-19 will cost farmers $20 billion in net farm income this year, while a survey conducted in May 2020 estimated that nearly a third of small, independent farms would close down by the end of the year. Even Before-COVID-19, Farm Families Had Negative Farm Income

Things have been bad in farm country for a while. Between 2013 and 2018, farmers experienced a nearly 50% drop in net farm income as the prices for corn, wheat, dairy, beef and other farm products crashed. While net farm income rose by 3% in 2019, government payments accounted for all of that increase (namely, via the trade bailout program). Without it, 2019 delivered farmers their second lowest income since 2013. As for 2020, while the U.S. Department of Agriculture (USDA) is forecasting a $13 billion (or 23%) drop in net cash income in 2020, the USDA has historically not included disposition in its income estimates, which would bring its total loss to nearly $22.4 billion, providing raw income data that varies from year to year. The largest increases in bankruptcies came from Michigan (33%), Oregon and Iowa. (33) and Kansas (32). In total, 23 states saw bankruptcy filings rise over the last 12 months, with the biggest increases occurring in Wisconsin, Oregon and Iowa. Some farmers are choosing to retire early while others are declaring bankruptcy in an effort to keep their farm. These tough choices are raising concerns that we are on the cusp of a slow but huge wave of farm losses not seen since the 1980s.

Chapter 12 bankruptcy was created during the 1980s Farm Crisis specifically for family farmers and fishermen and offers one indicator of extreme stress in the sector. Because most farmers who are in crisis do not end up filing a Chapter 12, bankruptcy data is really just the tip of the iceberg that contains much larger numbers of farmers in crisis. By June 2020, Chapter 12 bankruptcy filings totaled 580, representing an 8% rise from June 2019 levels. The largest increases in bankruptcies came from Wisconsin (117%), Florida (93%), Iowa (53%), Georgia (46%), and South Carolina (45%). The 1980s all over again?

Today’s pandemic provides tremendous challenges. Rising meat prices have led to a 27% per head increase in farm income since 2013. And national debt

Farm Credit Conditions Weak

Farmers rely heavily on credit to buy the seeds, fertilizer, machinery, livestock and other inputs that make their farms running. Because most farmers require operating loans at the start of each season, a critical aspect of a farm’s financial health relates to its ability to make loan payments on time. Economists utilize various solvency measures to measure this, including the debt-to-asset ratio, debt-to-equity ratio and equity-to-asset ratio. All of these measures weakened for the eighth consecutive year in 2020. As farm debt continues to rise, the risk of insolvency in 2020 is at its highest level since 2007.

The following trends reveal weakening credit conditions for farmers and ranchers in today’s strained economy:

• Farmers struggle to make loan payments. Farm loan delinquency rates are rising. The Federal Reserve Bank of Kansas City, which covers Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma and Wyoming, reports that the volume of delinquent farm real estate and operating loans increased by about 7% in 2019 and 13% in 2020 compared with the prior year, respectively. Meantime, the Federal Reserve Bank of Chicago, covering Illinois, Indiana, Iowa, Michigan and Wisconsin, reports the share of farm loans with “major” or “severe” repayment problems is now at 3.8% — a level not seen since 1998.

• The 1980s all over again? Pre-COVID-19, total farm debt was estimated to hit a record $925 billion, just shy of the 1980 peak of $936 billion. Since 2014, real estate debt has been rising to historic levels, potentially indicating not just rising land values, but farmers refinancing higher-interest loans or other debt into farm real estate. In a time where low-interest loans are rare, where farmers are defaulting on loans, this trend places a lot of farmland at risk of liquidation.

• Growing demand for credit. If farmers can’t secure affordable and timely credit, they face an economic uncertainty that threatens the survival of their farms. Several bankers are reporting growing demand for loans, yet significant decreases in both the number and the size of agricultural loans in their portfolios.

While economists and lenders note that federal relief has helped farmers navigate these conditions, many remain concerned that without more intervention, a wave of foreclosures will strike farm communities. These conditions are challenging for begining farmers, smaller and midsized farmers, as well as other disadvantaged farmers in particular to continue.

Bankruptcies Tick Up in Key Sectors

Faced with multiple years of losses that have whittled away equity, many farmers are making hard choices. Many are selling off land, livestock or equipment in an effort to hold on. Others are finding off-farm jobs to supplement farm income, only to see those jobs go away.

• Local farmers left out: Despite rising demand for local food during the pandemic, the closure of farmers’ markets, schools and other outlets has had dramatic impacts not only on local farmers’ income, but on their costs. One economic analysis estimated a decline of up to $688.7 million in sales across key local and regional markets from March to May 2020, leading to up to $1.32 billion in total loss to the economy from March to May 2020. “This particularly harms smaller, socially disadvantaged, and beginning farms and the markets they serve. Unfortunately, federal relief programs have tended to leave out most of these growers, delivering the lion’s share of support to the very largest farms.

• Bad news for beef and hog producers: By late August, at least 772 meatpacking and food processing plants reported cases of COVID-19 with at least 3,566 workers testing positive and hundreds dying from the illness. Several reports indicate meatpacking workers were forced to work without adequate protection, while major meatpacking companies received federal relief money from the CARES Act. Due to forced closings, beef and pork processing plants slowed by 25% and 40%, respectively, plummeting prices and leaving farmers stuck with animals they could not process. Hog farmers saw losses of up to 6 billion in 2020, equating to a loss of $37 per head, while the beef industry anticipates $13.6 billion in economic damage, with ranchers losing well over $100 per head.

Perhaps more troubling is USDA’s pre-pandemic data. In February, USDA forecast 2020 median farm household income at -$1,840 — meaning that farm households would lose money from the farm.

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reap a financial benefit. While there have been many important improvements in farm credit policy at the federal level, there is still much work needed to ensure that farmers of all kinds can secure the credit they need to thrive on the land.

Historically, there have been inequities in who can access agricultural financing. Beginning farmers, organic farmers or those engaged in diversified production or more local and regional markets have often struggled to secure credit or find loan packages that make sense for their farms. In addition, there is a long history of racial discrimination at USDA Farm Service Agency offices (something the last Administration took strides to rectify), where Black, Latino, Native American and other socially disadvantaged farmers were denied the loans needed for their farms, ultimately leading to dispossession of their land.

Farm Aid also supports food sovereignty, the right of communities and nations to determine their own food and agriculture policies and the broader democratization of food and farming systems. Opening up trade through free trade agreements, especially when large corporations write the rules, often leads to weakening hard-fought environmental protections, worker protections, food safety standards and financial regulations. Far too often, our rural communities are hit hard as trade deals undermine supply control and price support policies that intend to keep prices stable for family farmers.

Trade deals should not undermine the food sovereignty of farmers and eaters here and abroad. Instead, trade with foreign nations should strengthen our economy and create jobs, while preserving the environmental, labor, health and safety standards that Americans depend upon.

Reining in Corporate Control

A handful of corporations control our food from farm to fork. Their unbridled power grants them increasing political influence over the rules that govern our food system and allows them to manipulate the marketplace, pushing down the prices paid to family farmers and driving them out of business. Below are some of the policies Farm Aid advocates for to rein in corporate power in our food system:

- **Stop mega mergers** occurring throughout the food and agricultural sector.
- **Enact comprehensive pricing reform in the dairy industry** and expose corporate price manipulation. Institute supply management programs to stop the overproduction of milk.
- **Reissue and finalize the USDA Farmer Fair Practice Rules** to increase market transparency, establish fair contracts and protect the First Amendment rights of livestock and poultry growers.
- **Reform federal checkoff programs** that tax cattle ranchers, hog producers, dairy farmers and other farmers on their goods in order to fund marketing campaigns that benefit corporations.
- **Reinstate Country of Origin Labeling (COOL)** and other programs that increase transparency in the food system and allow eaters to support American farmers and ranchers.

- **Preserve local control laws** and defend the rights of local communities to stop the creation or expansion of factory farms that threaten their air, water, soil and quality of life.
- **Advance food sovereignty** and limit the role corporations can play in writing our trade deals.

What Farm Aid Is Doing

Farm Aid started in the midst of the 1980s Farm Crisis, a time when the farm economy contracted severely and pushed hundreds of thousands of family farmers off the land. The core strategies of Farm Aid’s work that emerged during that time — raising awareness, providing support for farmers in crisis and advocating for policies to create a more fair and just agricultural system — have remained to this day.

Farm Aid works with local, regional and national organizations to promote fair farm policies and grassroots organizations coordinating campaigns designed to defend and bolster family farm-centered agriculture. We’ve worked side by side with farmers to protest factory farms and inform farmers and eaters about issues like genetically modified food and growth hormones. By strengthening the voices of family farmers, Farm Aid stands up for the people who we all depend on. Our Action Center allows concerned citizens to become advocates for farm policy.

In response to the pandemic, Farm Aid launched the Farmer Resilience Initiative, working with more than 120 local, state and regional organizations across the country to pair immediate relief efforts with longer-term resilience strategies. Farm Aid is proud to invest in our farm and food system, from farm to plate, and take care of the farmers and ranchers who are providing essential services by feeding their communities.

We continue to amplify stories we hear from farmers over our hotline and through our partners to highlight the urgent need to bolster our nation's farm economy; we’re advocating for critical emergency measures to support farmers immediately; and we’re working to secure long-term policies that provide farmers with fair prices and fair, competitive markets. We also are strengthening our Farm Aid hotline, resource network and Farm Advocate Link, a national network of Farm Advocates who work with farmers to increase their ability to stay on the land and succeed.

To view all sources cited in this fact sheet, please visit farmaid.org/FarmEconomy.