The State of Arkansas Agriculture

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Arkansas is clearly an agriculture-dependent state. In 2018, the most recent state-level data available from USDA, cash receipts from agricultural production amounted to just over $9 billion. The returns generated by agriculture support a considerable portion of the state's total economic activity. According to the most recent economic impact analysis conducted by Jennie Popp, Wayne Miller, and Leah English in the Department of Agricultural Economics and Agribusiness at the University of Arkansas, the agriculture sector accounted for 1 in 6 Arkansas jobs. Over 16% of the state's labor income was attributable to agriculture. If you look at state gross domestic product (or GDP) – a measure of the size of the state's economy – around 8% of state GDP is derived from agriculture. That is about twice the average share of state GDP for the Southeastern region and well over twice the average share for the U.S. as a whole. Arkansas' economy is much more dependent on agriculture than is the case for most other states.

Given the significance of agriculture to this state, it is worth taking a few minutes to take stock of where we are, economically speaking, and to look ahead to where we might be going. Arkansas farmers endured a difficult year in 2019. For row crop farmers, abnormally wet spring weather made for an unusually difficult planting season. This led to record-large prevented planted acreage in the state. Despite the late start, a mild fall helped with harvest and yields ended up generally at or close to normal. The livestock and poultry sector probably fared somewhat better than the crop sector. Prices for the major livestock and poultry species were generally stable in 2019, though for cattle and chickens in particular, those stable prices were fairly low relative to the past several years.

Despite these challenges, farm income appears to have held up better than might have been expected. While state-level data from 2019 are not yet available, national farm income data suggest that Net Farm Income (NFI) increased modestly in 2019 compared to 2018, rising from $83.8 billion to $93.6 billion. Practically all of that increase, though, was attributable to an increase in government payments. According to the most recent Congressional Budget Office agriculture baseline, the Market Facilitation Program paid almost $14 billion, nationally, in 2019 to compensate farmers for lost income resulting from trade disputes affecting commodity markets in 2018 and 2019. These payments undoubtedly helped to shore up farm incomes in 2019; however, they cannot provide long-term stability to the sector, subject – as they necessarily are – to the vagaries of our political process.

Overall, financial conditions in the farming sector seem to be leveling off after a few years of decline. Measures of liquidity and solvency reported by USDA are, in general, steady to a bit worse in 2019 compared to 2018. Credit conditions reported by the Kansas City Fed – a useful barometer of ag credit conditions, though not specific to Arkansas producers – remain rather weak, though things appear to be leveling off. Looking ahead, 2020 appears to be, potentially, a pivotal year for the agricultural sector. A good year in terms of production and profitability would give farmers a much-needed opportunity to rebuild equity, alleviating incipient concerns about farm liquidity and solvency. On the other hand, a bad year would compound those concerns and possibly result in a substantial increase in financial distress in the sector. In short, this is not a terribly unusual year in the world of agriculture: we have some clear and concrete reasons to be hopeful and some clear and concrete reasons to be nervous. For the next few months, our farmers will be living and working and making many materially significant decisions within that uncertainty. Whoever said farming was easy?

Because agriculture plays such an important role in our economy, it is absolutely vital to the economic well-being of this state and of its citizens that we maintain a healthy and innovative agricultural sector. That is a big part of the reason that we are here today. A diverse agricultural sector is a healthy agricultural sector. This is not cheap sloganeering. This is, from my point of view, the application of the principle of a portfolio to our agricultural economy. ***Like a thoughtfully-developed investment portfolio, a diverse agricultural sector will be resilient to shocks: economic shocks, political shocks, environmental shocks (and those shocks are inevitable). A more diverse agricultural sector will more consistently produce economic value despite commodity- or sector-specific ups and downs. It will reach into every community in the state to provide healthy products, good jobs, and attractive economic opportunities.***

It is important, I think, to evaluate diversity across a number of different dimensions. For example, we might constructively evaluate agricultural diversity in terms of the racial and ethnic composition of farmers, the size distribution of farms, the types of production systems employed (for example, conventional or organic), the number and type of commodities being produced on the farm, or the marketing channels engaged (for example, commodity sales versus branded products or direct marketing). ***The more complete our portfolio across all of these dimensions, the more likely we are to have a healthy and resilient ag sector that is making a meaningful economic contribution in all of the state's communities.***

In terms of agricultural diversity, I think there is some work to be done – not just in our state but across the country. Let's start with racial diversity. According to

2017 Census of Agriculture data, 95% of the agricultural producers in the state are white; right at 2% are African American; no other race is higher than 1%. This means that ***the population of farmers in our state is considerably less racially and ethnically diverse than our rural population generally***. I think this may be changing: it's a little difficult to compare census data across years because of some changes in the way operator data is collected in the census. But we do have quite a few newcomers to farming, which is encouraging. Almost 30% of producers in the 2017 census data had been farming for less than 10 years. And small farm numbers are on the rise, suggesting that there is quite a lot of interest in farm start-ups.

Speaking of farm size, consolidation in the farm sector resulting in fewer and larger farms is long-standing and well-studied phenomenon. According to research published in 2018 by USDA's Economic Research Service, in 2015 just over half of the value of farm production came from the 3.2% of farms with gross cash farm income of $1 million or more. According to 2017 ag census data, almost 40% of all farmland was on farms of 2,000 or more acres. Thirty years ago, this figure was 15%. ***Now, this is not to say that big is bad. Our large, commercial farms play an indispensable role in providing the food, feed, and fiber that are absolutely essential to our growing world. We ought to be proud of the role they play because they play that role very well. But our large farms are not enough. We need something else to go along with our large, commercial operations. Because a smaller and smaller number of larger and larger farms more specialized in the production of a small set of commercial commodities does not provide a particularly broad economic base for our rural communities.*** We know from experience how this game plays out if the only available path to success for our farmers is to increase scale: farms consolidate, families relocate to a handful of growing regional population centers, local rural populations dwindle, local businesses close up, and another rural community is lost.

If we are to have any real hope of maintaining the quality of life that so many of us associate with the small towns and rural communities of this state, we should be committed to fostering diversity in agriculture: diversity of farmers, diversity of farms, diversity of farm products and farm markets. We need to be building many different paths to success in agriculture for as many different people as we can. That is why this meeting is so significant.

I would like to thank Arkansas Farm Bureau for their leadership in organizing this conference and the other sponsors for pitching in to make it happen. This is an important topic. I think in agriculture we often operate as though outcomes in our industry are inevitable. Market forces, technological advances, economic pressures all act to produce the industry landscape that we observe. But I don't think that's accurate. We certainly don't have complete control our own destiny – anybody who has ever stood at the edge of a parched field and prayed for rain understands that in his bones – but there are a lot of things we can do to influence our destiny in positive ways. That is what we are trying to do with this conference and other efforts like it. I am honored to have been invited to play a part. Thank you.