More than 290,000 people in Kentucky, Ohio, and Pennsylvania rely on agriculture for their livelihood. While farmers in some areas of the Fourth District are cautiously optimistic about their income for 2000, others are bracing themselves for a worse year than the last two. In 1999, American farmers suffered their second straight year of economic hardship. Four consecutive years of record worldwide production, coupled with weak demand in Asian and other markets, kept commodity prices low—in some cases, the lowest in 30 years. Unfavorable weather devastated local crop yields, compounding the effect of globally depressed commodity prices.

Agricultural income at the state level is volatile, being dependent on both commodity yields and market prices. Production varies widely from region to region because weather patterns determine when and how much farmers can plant, how well the crops grow, and when they can be harvested.

The agricultural sector has fared better in Kentucky than in Ohio or Pennsylvania; in 1998, Kentucky’s base farming income was positive, despite reported losses in all of the surrounding states and at the national level. Kentucky farmers enjoyed positive returns because the prices of their primary commodities, tobacco and livestock, have not been hurt by international competition. Farmers in Ohio and Pennsylvania have been less fortunate. Ohio’s primary commodities, corn and soybeans, are highly vulnerable to foreign competition, and their market prices have fallen

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since 1997, making it difficult for base income to keep pace with rising production costs.

With cash receipts no longer covering production costs, farmers are depending more on other income sources to sustain their businesses. Imputed and miscellaneous income, along with government payments, have allowed the agricultural sector to report positive net income figures despite rising production costs and falling commodity prices.

Government payments, in the form of crop insurance, price supports, and farm subsidies, increased moderately from 1995 to 1997. Because payments depend on both yield and prices, a disastrous production year and low prices in 1998 caused a 63.0% increase in government payments nationwide, providing 43.4% of realized net income in the agricultural sector. Government payments remained high in 1999 and most likely will increase this year: The Omnibus Consolidated Appropriations Act of 2000 allotted a total of $1.386 billion for the Crop Disaster Program alone. By July 20 of last year, the Secretary of Agriculture had declared 636 U.S. counties to be disaster areas (eligible for assistance under the Crop Disaster Program); this year, the number already has reached 859. Every county in the Fourth District was eligible for emergency assistance in 1999 and most retained their eligibility into 2000.