

Knowledge Exchange Report

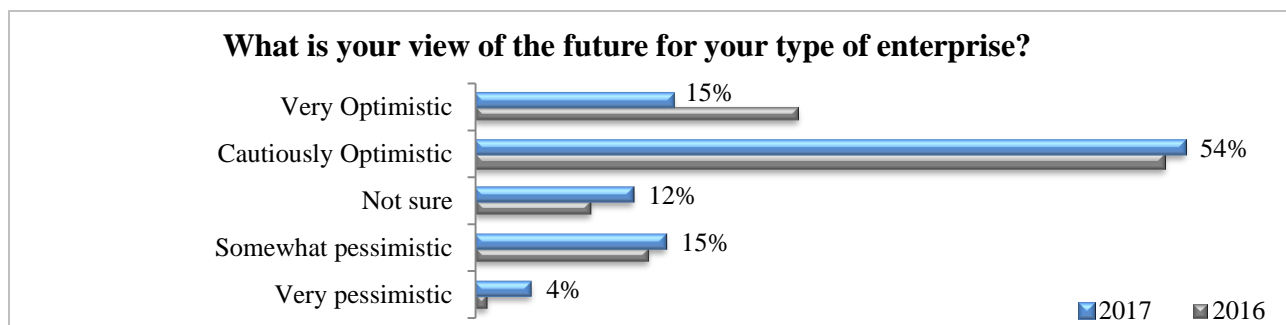
Outlook for Northeast Farming, Commercial Fishing and Forest Products

As the calendar turns to a new year, Farm Credit East polled Northeast producers in its “Pulse of Agriculture” survey. This year, a cross section of more than 150 Northeast producers provided their perspectives on doing business in 2017 and some preliminary feedback about their 2016 business results.

As indicated by the results, despite challenges, Northeast producers are generally optimistic and looking to grow, thereby demonstrating their resilience and Farm Credit East’s positive outlook. The following charts compare this year’s survey results to those from last year.

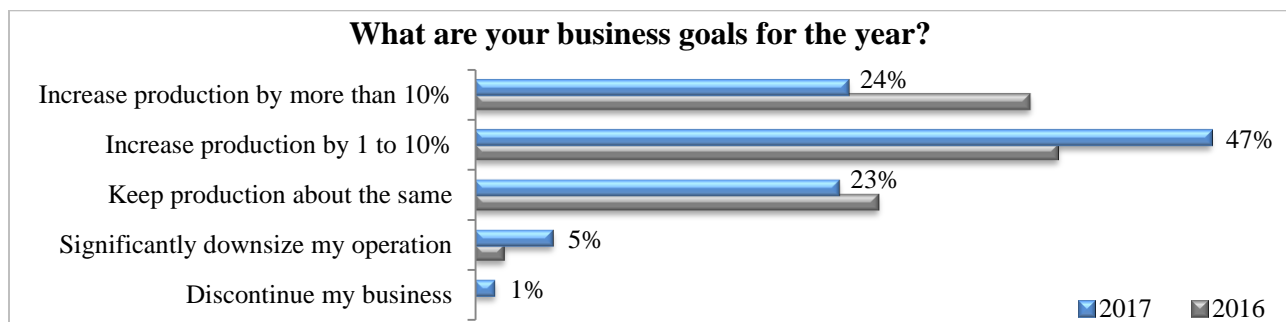
Northeast producers cautiously optimistic about their future

Going into 2017, almost 70 percent of participants indicated they are optimistic or cautiously optimistic for the future of their enterprise.



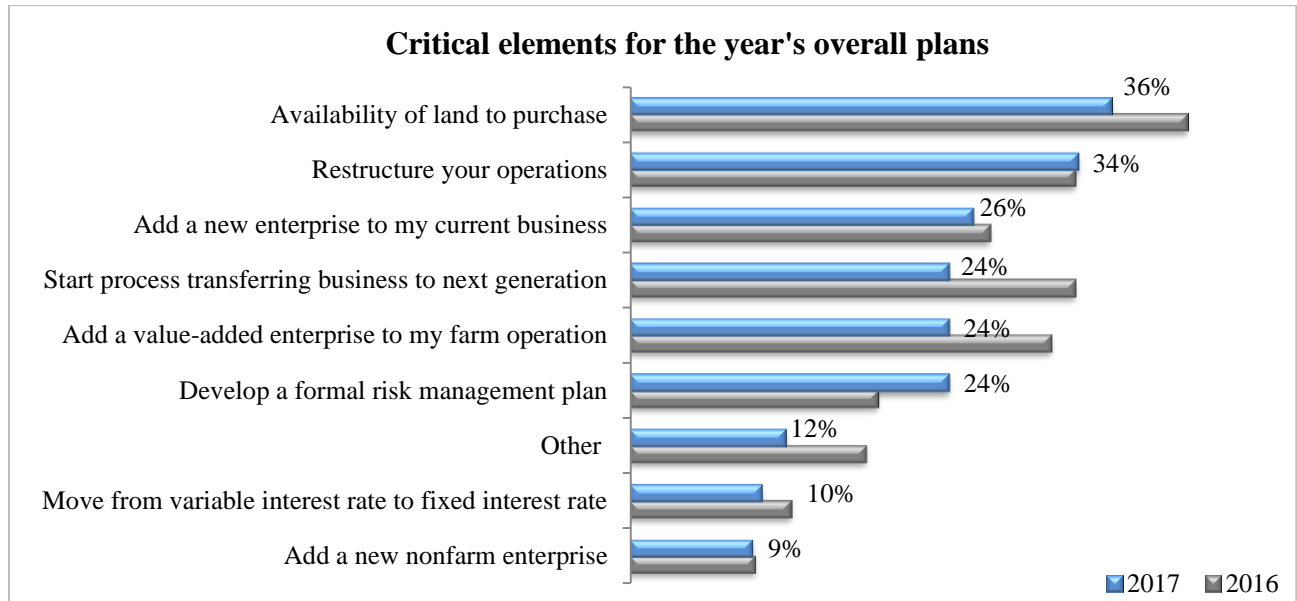
Northeast producers still growth-minded for 2017

Producers have similar business goals to grow production, as they did last year. However, growth is more modest compared to 2016, with almost half of the respondents choosing to increase production between only 1 to 10 percent. Still, 24 percent of producers are planning on a more than 10 percent increase.



Strategic plans for 2017

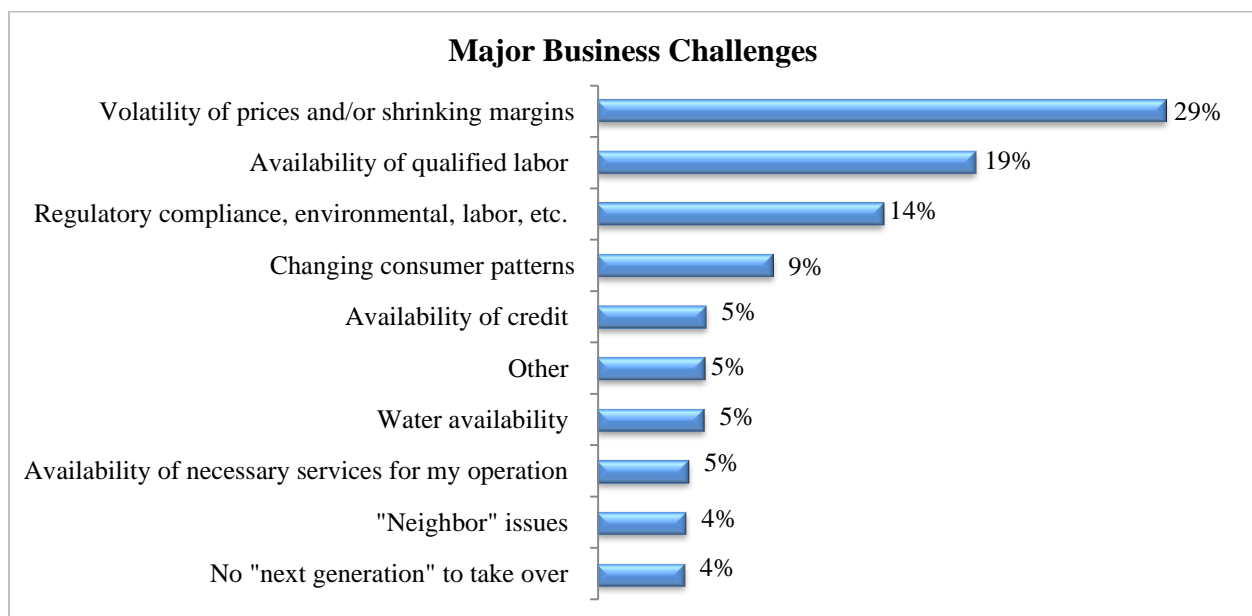
Northeast producers are targeting a number of areas for business improvement this year. Note that in answering this question, many indicated more than one strategic direction that they intend to pursue. The top consideration was the availability of land to purchase (36 percent of respondents), followed by restructuring of operations (34 percent) and adding a new enterprise to a current business (26 percent).



Many challenges faced by Northeast farming, fishing and forestry businesses

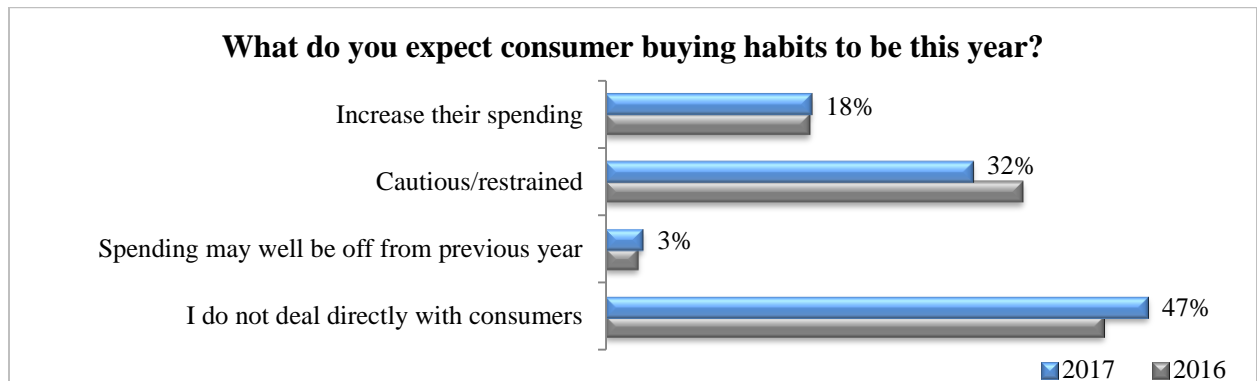
Participants were asked to award 100 points in total to various challenges that their businesses face in 2017 to understand their view of the business climate and any headwinds they are facing. Producers 2017 concerns are spread across the board, with volatility of prices and/or shrinking margins, labor availability and regulatory compliance topping the list.

Many of these concerns were also cited in the 2016 survey, though 2016 results are not shown as some of this question's categories were modified from the previous year.



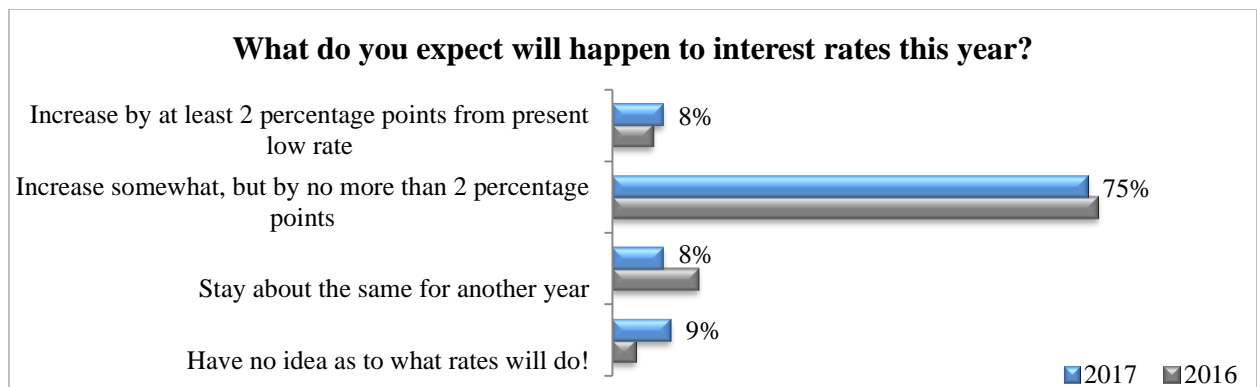
Consumer spending expected to remain cautious and restrained

Of the respondents who provided their perspective on consumer buying habits for the coming year, the majority expects a continuation of the conservative spending habits of the past several years.



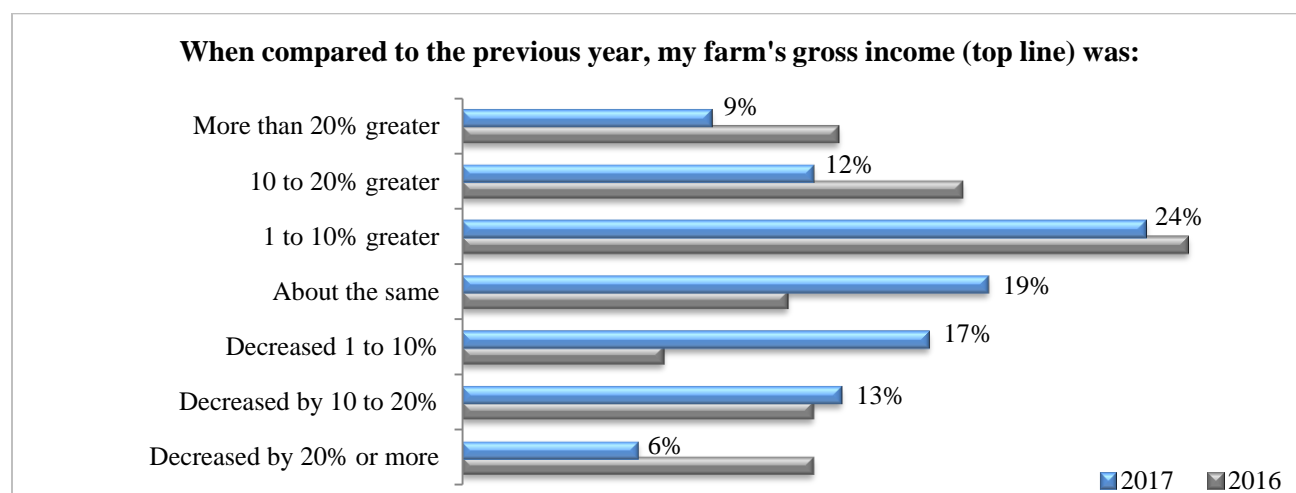
Interest rates expected to remain steady....

There is only a slight change in what producers think interest rates will do in the coming year as compared to last year. Three-quarters of our participants expect interest rates to increase somewhat, but by no more than two percentage points in the coming year. Given the Federal Reserve's decision to raise interest rates in December of last year, participants showed that they expect additional increases in 2017.

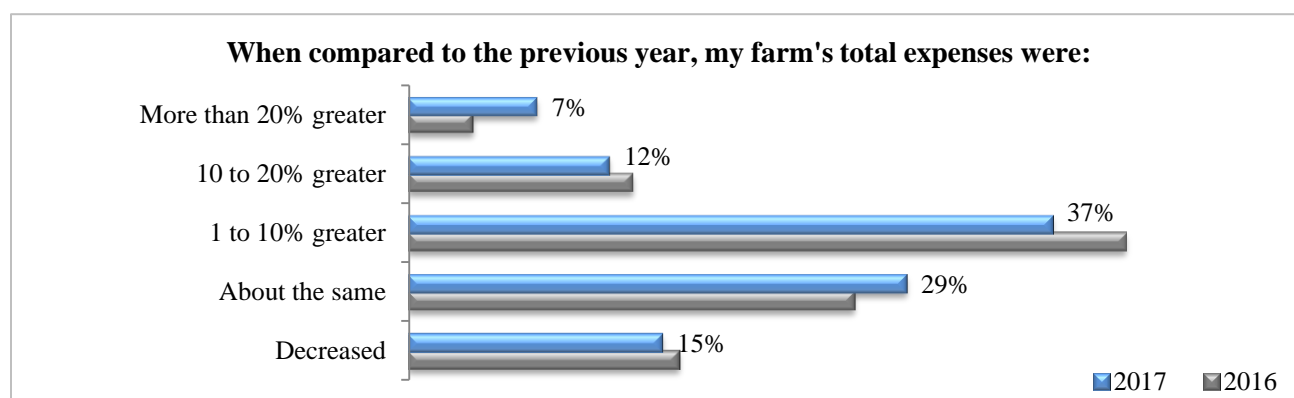


Looking back....

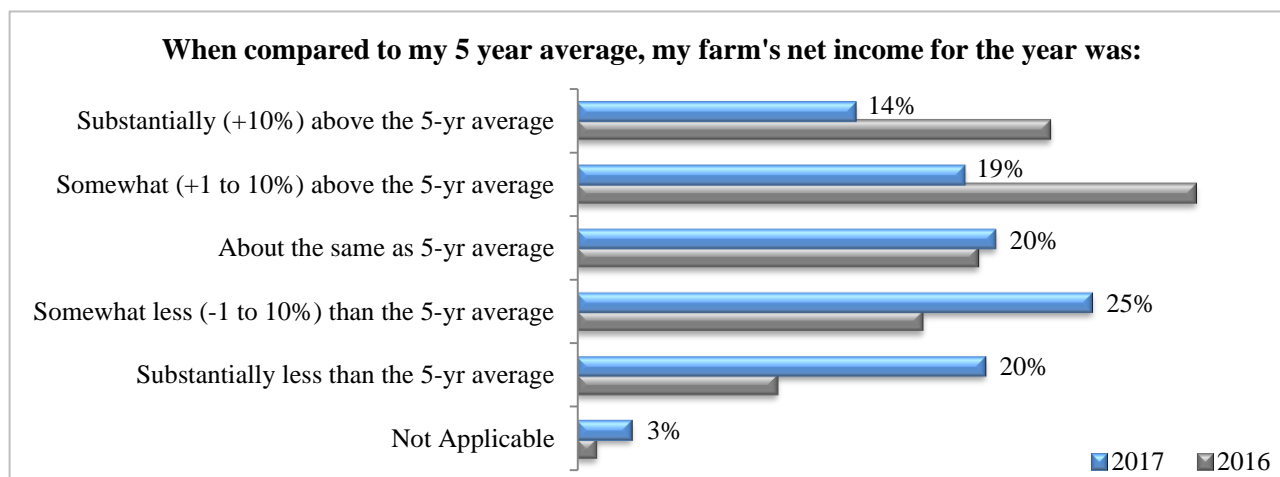
We asked respondents about the previous year's operating conditions and results.



45 percent of respondents saw growth in their top line income in 2016, a drop of 11 percent from 2015. About 36 percent saw a decrease in their farm's gross income, while 19 percent felt they had about the same gross income.



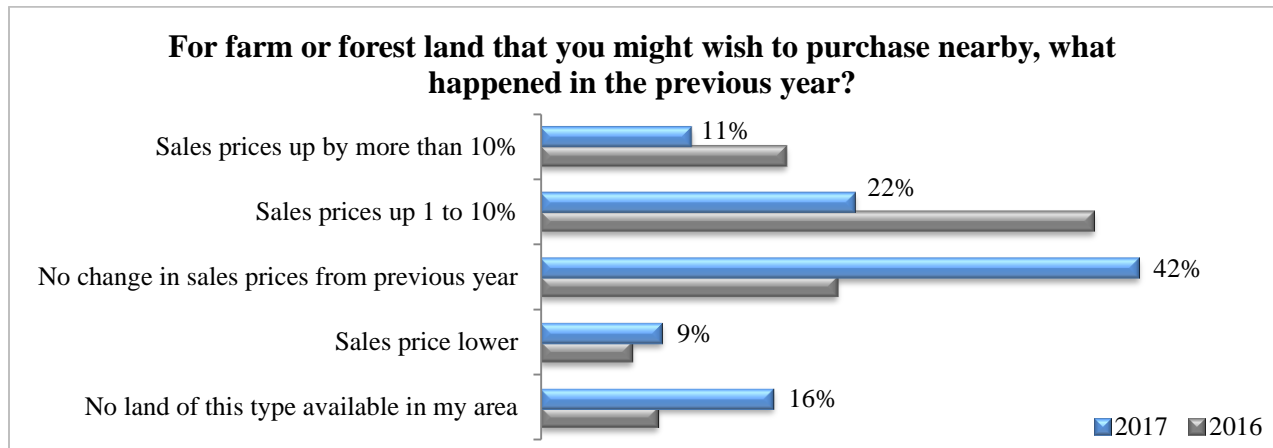
A majority of producers (56 percent) continued to see cost inflation in their business compared to 60 percent in 2015.



45 percent of participants indicated their 2016 net income was lower than 2015; however, 33 percent indicated net income was still somewhat or substantially above the 5-year average.

Farm real estate market largely unchanged

Many respondents (42 percent) reported that there was no change in sales price from the previous year.



Our Survey Respondents

As might be expected, those responding to this survey closely match Farm Credit East's customer demographics:

- 55 percent were from New York State, nine percent from New Jersey and 36 percent from the five New England states in Farm Credit East territory.
- Dairy was the largest farm product with 36 percent, followed by cash grains with 11 percent, hay and fresh market vegetables at 10 percent and a variety of other enterprises comprising the rest of the respondents.
- The majority of respondents were from a full time family farm (67 percent). Large commercial businesses and part-time farms were each 11 percent and forest products/timber represented five percent of the sample. The remaining six percent were from other types of operations.
- Operators over 55 years of age accounted for 33 percent of responses, with those between 35 and 55 years old representing 50 percent of participants and 17 percent were less than 35 years.
- 86 percent of respondents were male and 14 percent were female.

About the Survey

The survey was open to any farm, fishing or forestry producer operating within the seven states served by Farm Credit East, ACA. It was conducted as an internet survey and promoted in a variety of ways – email, postings on our website and through various social media networks. The survey was open for response during the month of December 2016 and early January 2017. It is not purported to be a scientific random sample; however, it is believed to be a reasonable insight into the perspectives of a significant cross section of Northeast producers.

February 2017