Income Outlook for U.S. Farms and the Farm Economy in 2008

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Net value-added and net farm income rising in 2008

Net value-added and net farm income, 1998-2008f

$ billion

Net value added

Payments to laborers, creditors, and landlords

Net farm income

Farm sector 2008 net income substantially above 10-year average in current dollars and after adjusting for price-level changes.

![Net farm income, 1980-2008f graph](image)

- **Net farm income** (red line)
- **Net farm income (2000 = 100)** (gray line)

10-year average:
- $61.1 billion (current) and $56.8 (constant)
Cash income projected to establish new record of $96.6 billion in 2008
Farm sector production establishes new record value in 2008

- Total value of farm sector production
- Crop production value
- Livestock production value

Graph showing the total value of farm sector production, crop production value, and livestock production value from 1990 to 2008, with a significant increase in 2008.
Largest annual increase in crop receipts since the 1970’s
The growth in crop receipts is concentrated among a few crops

Receipts for selected crops, 2005-2008f

- Hay
- Greenhouse and nursery
- Vegetables
- Fruits and nuts
- Wheat
- Soybeans
- Corn

$ billion

2005 2006 2007f 2008f

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After strong increase in 2007, livestock receipts decline
Livestock receipts decline 2 percent from 2007 record; still exceed $100 billion for fifth consecutive year
Government payments expected to increase slightly in 2008

1/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, and certificate exchange gains, where payment rates vary with market prices.
2/ Ad hoc and emergency program payments, tobacco transition program payments, milk income loss program payments, peanut quota buyout payments, and other program payments.
Input costs higher in 2008

Percentage change in production expenses versus inflation rate

Percent change in production expenses

-8 -6 -4 -2 0 2 4 6 8 10 12


Input costs higher in 2008
Farm expenses are forecast to be 9 percent higher in 2008, with fertilizer and feed increasing most over 2007.
Fertilizer and fuel costs continue to drive manufactured input cost increases.
Ratio of cash expenses to gross cash income indicates less funds needed to pay cash costs in 2008
Organizing decisions and operating arrangements affect allocation of farm output and distribution of income

Decisions affecting allocation of output-value-added

- Share leasing (7% of farms)
- Cash leasing land (27% of farms)
- Labor hire (23% of farms)
- Debt financing (36% of farms)

Decisions affecting distribution of a farm’s net income

Ownership structure
- Multiple owners (61% of farms)
- Single owner (39% of farms)
- Part of larger firm (1% of farms)
- Legal form of business

Operating structure
- Multiple operators (45% of farms)
- Contracts (2% of farms)
- Joint ventures, alliances, etc.
Average incomes forecast to increase for most program crop farm businesses

Farm businesses refer to commercial and intermediate size farms.
Expense increases and lower receipts result in declining Livestock farm business incomes

Average net cash income for livestock farm businesses

Farm businesses refer to commercial and intermediate size farms.

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Average net cash income is projected to increase most in the Heartland, Mississippi Portal, and Northern Great Plains.
Farm Assets, Debt and Equity at Record High Nominal Levels in 2008

Farm sector assets, debt, and equity 1980-2008f

Billion dollars

Assets

- Debt
- Equity


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Farm Sector Debt/Asset Ratio and Debt Repayment Capacity Utilization (DRCU), 1984-2008f

[Graph showing the debt/asset ratio and debt repayment capacity utilization from 1984 to 2008f, with data points indicating a decreasing trend in both metrics over time.]
Long-term projections indicate expansion of value-added to State and national output.