Fall 2022 *Missouri Farm Income Outlook*

September 2022

Global and National Factors

The war in Ukraine and weather-reduced crop supplies have contributed to higher prices for many agricultural commodities, while higher prices for fertilizer, fuel and other inputs have increased farm production expenses. Projected prices for a range of farm commodities and farm inputs are expected to decline in the years ahead but nominal prices remain above historical standards.

Key considerations:

- Crop prices are at or near record levels for major commodities, due in part to reduced exports from Ukraine and unfavorable weather reducing crop production in key countries. Input prices have also increased sharply in 2022 and are expected to only decline slightly. If better growing conditions result in trend line crop yields in 2023 and beyond, crop prices could also decline from current levels.
- Tight global supplies result in record prices for wheat and cotton and near-record prices for corn and soybeans. For the 2022-23 marketing year, wheat prices are projected to exceed $9 per bushel, corn tops $6 per bushel, soybean prices are more than $14 per bushel and cotton prices average 96 cents per pound.
- Prices for fertilizer, fuel and many other farm inputs are also up sharply in 2022. Projected input costs moderate in the years ahead, but remain well above the 2021 level.
- Total U.S. meat production is estimated to be about the same in 2022 and 2023 as it was in 2021, in part because of higher costs for feed and other inputs. Drought conditions in important cow-calf areas are causing producers to send cows to slaughter early, lifting beef production in the short term but leading to fewer cows and higher prices in the future.
- The supply of liquid motor fuels, including biofuels, seems to have recovered from pandemic lows. Renewable diesel production is projected to overtake methyl-ester biodiesel as soon as 2023, and tax credit provisions in the Inflation Reduction Act will lead to a modest expansion of sustainable aviation fuel production. Foreign income growth and policies, as well as rising petroleum prices, will lead to strong U.S. ethanol exports.

Acknowledgments

Reader note: Data for year 2021 are USDA/ERS first estimates and subject to revision in subsequent publications.

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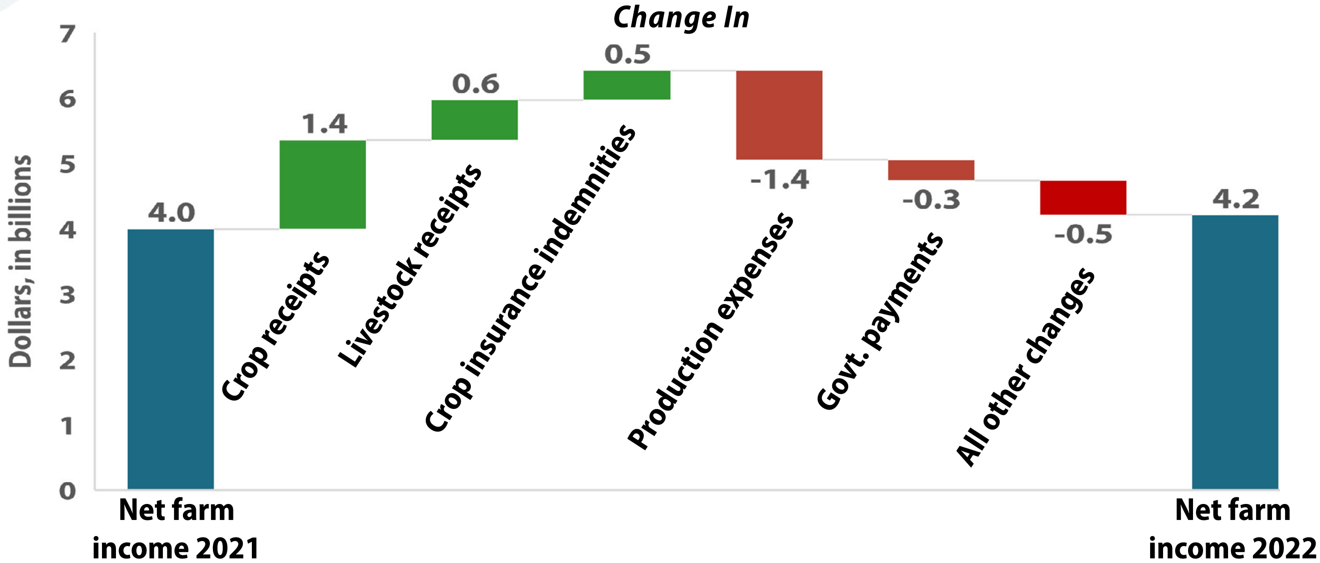
2022 Missouri net farm income projected to exceed 2021

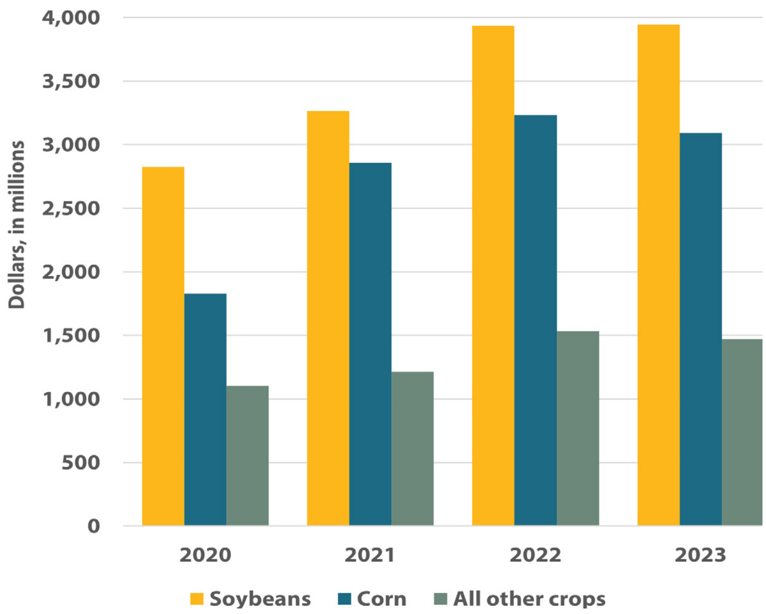


Net farm income in Missouri is projected to increase by $0.2 billion from 2021 to 2022. Total crop and livestock receipts grow nearly $2 billion, countered by increased production expenses. Crop insurance indemnities increase by $0.5 billion, while direct government payments fall $0.3 billion. **Missouri's 5% increase in net farm income is only slightly lower than the 6% increase in U.S. net farm income.** One contributing factor is the state's livestocks receipts, which increased at a slower pace than national receipts; severe drought in other areas of the country resulted in accelerated herd liquidation, bumping national marketings.

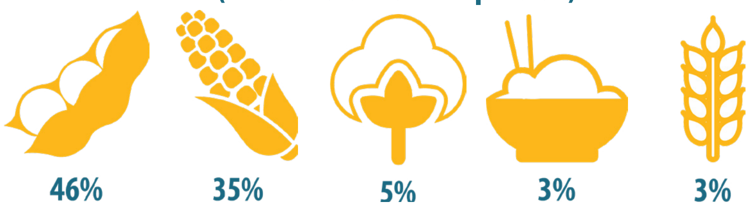
Missouri Crops

- Higher commodity prices led the top 7-crop planted acres in Missouri to expand by 270,000 in 2022. **This drove the top 7-crop planted acres to 13.9 million, a level not seen since 2014.**
- **Soybean planted area exceeded 5.9 million acres in 2022.** Soybean production costs were less impacted than other crops more reliant on fertilizer.
- Corn planted area was flat in 2022, but a projected year-on-year decline in yields causes production to fall 24 million bushels from 2021. Despite reduced production, **corn receipts are expected to be nearly $400 million higher in 2022**.
- **Hay, wheat and rice planted areas experienced modest increases in 2022, with combined area planted growing 95,000 acres.** Despite increased planted area, production declines for these crops in 2022 versus 2021 due to projected lower yields.

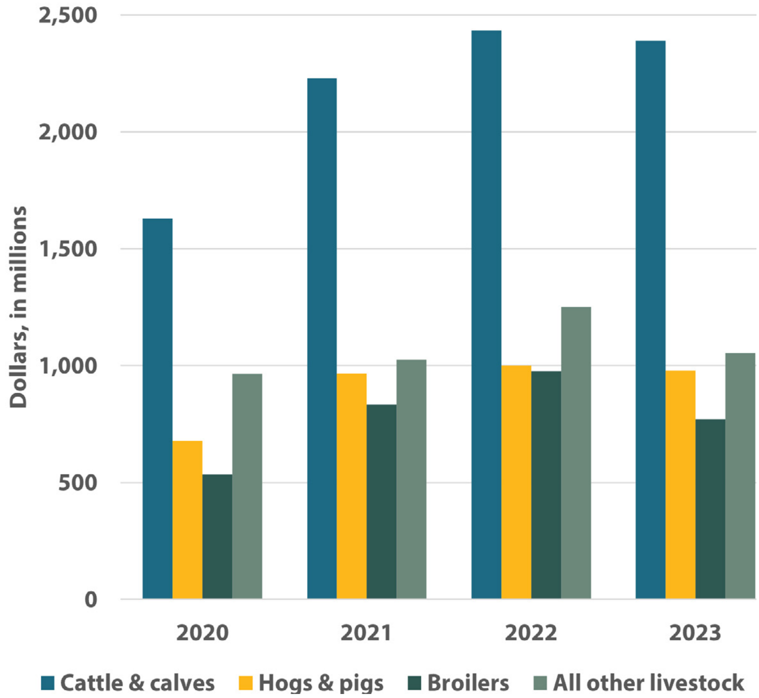
Crop receipts increase $1.4 billion in 2022



2017-2021 average share of crop receipts
(listed in order of receipt value)

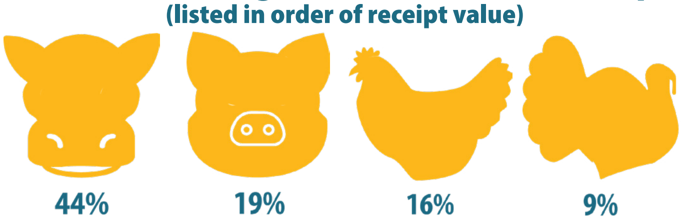


Livestock receipts increase $0.6 billion in 2022



2017-2021 average share of livestock receipts

(listed in order of receipt value)



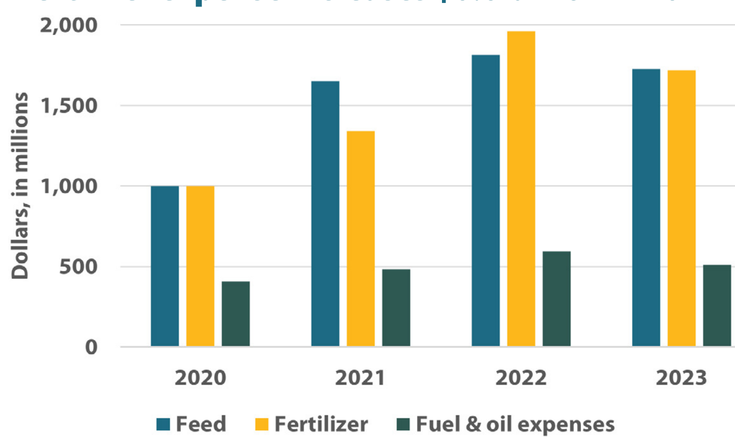
Missouri Livestock

- Continued strong consumer meat demand has supported higher livestock prices, although **liquidation of 2021 cattle and hog herds reduced inventories in 2022**.
- The number of cattle and calves in early 2022 was 270,000 head lower than the previous year. Beef cow inventory fell 94,000 head and milk cow inventories were 6,000 head lower. **The reduction in inventories has longer-run implications, resulting in smaller marketings through 2027**.
- The hog breeding herd declined in December 2021 and is expected to decline again in 2022. Total market hog inventory continues to fall through the end of 2022 before expanding again to close 2023.
- **Livestock, poultry and dairy cash receipts are projected to turn lower in 2023**. This is driven largely by lower prices, especially for poultry and eggs. Stronger chicken and egg production is more than offset by weaker prices, driving receipts lower in 2023.

Missouri Expenses

- Export restrictions, high natural gas prices and production disruptions have contributed to **record fertilizer expenses, which increased $340 million in 2021 and another $620 million in 2022**.
- **Feed expenses increased $815 million from 2020 to 2022**, and fuel and oils expenses increased $184 million.

Fertilizer expense increases $0.6 billion in 2022



Tying it all Together

Missouri's 2022 net farm income is projected to increase modestly from the record set in 2021. Although receipts experience strong growth, increased input costs offset most of the receipt growth, resulting in a modest 5% increase in net farm income. The decline in 2023 cash receipts is larger than the projected decline of expenses, resulting in a $560 million decline in Missouri net farm income. Projected net farm income for Missouri declines in the next few years as commodity prices ease from their 2022 highs and input price declines are unable to completely offset the receipt decline.

All data for this report can be found at https://ruralandfarmfinance.com/publications/#state-farm-income-estimates