



Rural & Farm Finance Policy Analysis Center

University of Missouri

Spring 2023 *Missouri Farm Income Outlook*

April 2023
RaFF Report #03-2023

Global and National Factors

Key considerations:

- Prices for many crops have been at or near record nominal levels in the 2022/23 marketing year. Unfavorable weather reduced crop production in the United States, the Russian invasion of Ukraine limited exports by a major competitor in world markets, and world economic growth supported demand.
- If weather conditions allow crop yields to return to trend-line levels in 2023, prices for corn, soybeans, wheat, cotton and many other crops are likely to fall.
- Higher fertilizer, fuel and feed costs contributed to a very sharp increase in farm production expenses in 2022. A smaller increase is projected in 2023, and lower prices for some inputs result in a reduction in production costs in 2024 and 2025.
- In 2023, most projected livestock sector prices fall as supplies rebound and demand growth slows. The one major exception is cattle, where drought-reduced inventories reduce the number of animals available for slaughter.
- Crop losses in 2022 result in high budgetary costs for the crop insurance program in fiscal year 2023. Crop insurance accounts for 45% of projected spending on major farm-related programs over the next decade. Commodity program spending associated with Title I of the farm bill is relatively low in FY 2023 and 2024, but rebound in later years given projected changes in commodity prices and program payment triggers under the price loss coverage (PLC) and agriculture risk coverage (ARC) programs.
- Net farm income reached a record level in nominal terms in 2022, as sharply higher crop and livestock receipts more than offset reduced government payments and increased production expenses. Projected net income declines in 2023 and 2024 as receipts and payments fall.
- Farm asset values have increased with land prices in recent years, and another increase is projected for 2023. Given assumptions of the outlook, lower farm income and high interest rates restrict further increases in farm real estate values in subsequent years.

Acknowledgments

Reader note: Data for year 2021 are USDA/ERS first estimates and subject to revision in subsequent publications. Missouri crop production data were sourced from USDA's January report and farm income data were sourced from the September 1, 2022 USDA-ERS data release.

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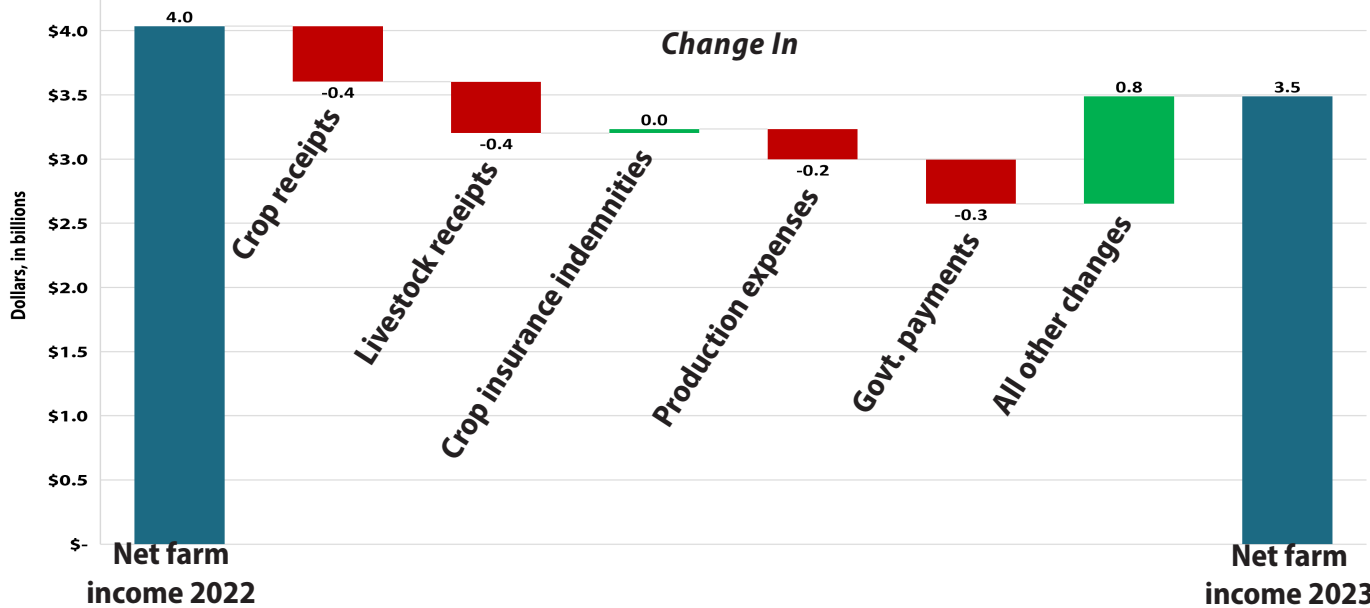
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Missouri net farm income projected to decrease in 2023



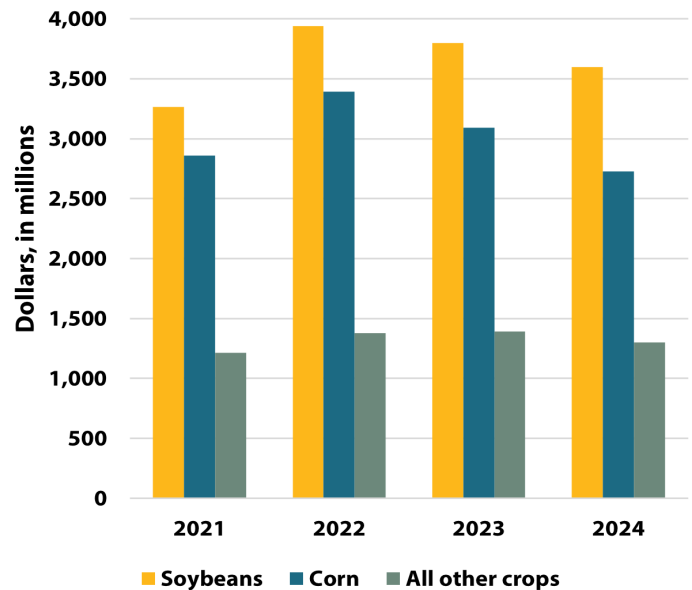
After a record-setting 2022, 2023 net farm income in Missouri is projected to decrease \$546 million and return to a level on par with the 2011-14 average. Crop and livestock receipts decline \$832 million; increased production expenses compound the impact of lower receipts. Total insurance indemnities increase \$30 million, while direct government payments fall \$346 million. **Missouri's 14% decrease in net farm income is less significant than the 19% decrease in U.S. net farm income.** A key difference lies in state livestock receipts; extended drought across the country reduced cattle inventories and supported cattle prices. Fewer drought issues in Missouri strengthens revenue for cattle and calves in 2023.



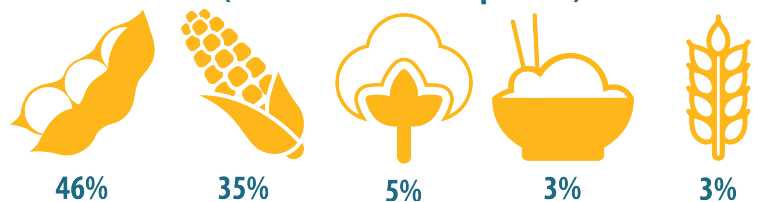
Missouri Crops

- Higher commodity prices leads to a projected 251,000 acre increase in Missouri's 2023 top 6-crop planted acres plus hay acres. **Total area is projected to exceed 14 million acres, a level not seen since 2014.**
- In 2023, soybean planted area is forecasted to exceed 5.9 million acres for the second year in a row. **Soybean remains the top field crop by area, exceeding corn planting by 2.5 million acres.**
- Projected 2023 corn planted area is nearly flat, but projected improvement in yields causes production to climb 47 million bushels from 2022. Despite production changes, **corn receipts decline \$302 million in 2023 as weaker prices negate increased bushels.**
- Estimated 2023 hay, wheat and rice increase relative to 2022, with combined area harvested increasing 216,000 acres.** Assuming a return to trend yields in 2023, combined receipts are projected to increase \$75 million.

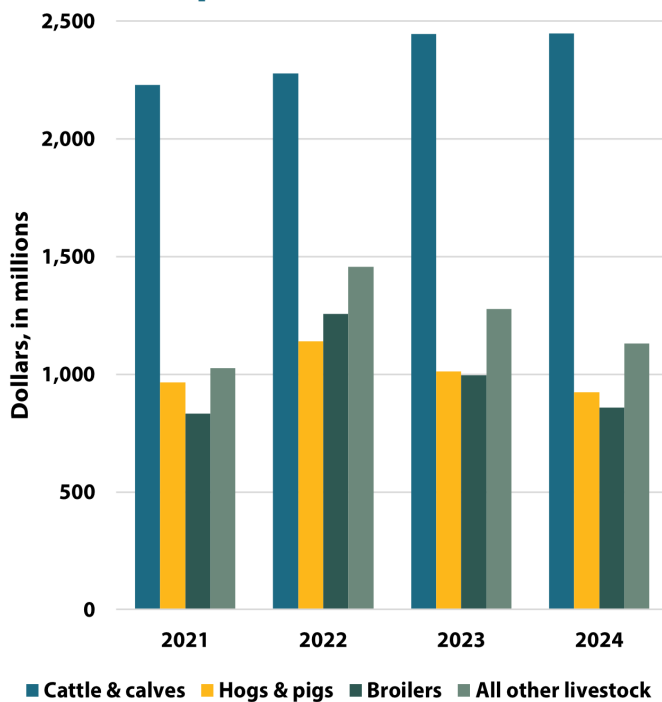
Crop receipts decrease \$0.43 billion in 2023



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



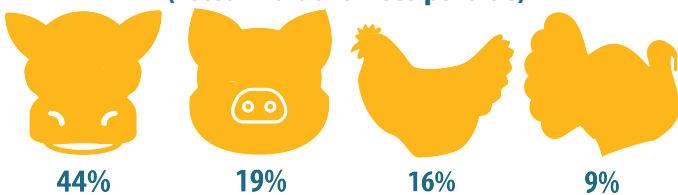
Livestock receipts decrease \$0.4 billion in 2023



Missouri Livestock

- Robust consumer meat demand supported strong livestock prices. **Missouri modestly increased breeding hog and beef cow inventories during 2022.**
- The **number of cattle and calves in early 2023 was 20,000 head higher than 2022**, although that total remains 200,000 head lower than January 2021. Lower inventories have longer-run implications, with marketings projected to decline in 2023, 2024 and 2025.
- The market hog inventory declined in December 2022 for the second consecutive year. **Total market hog inventory turns higher in 2023** as a larger breeding herd inventory allows the number of sows farrowed and the pig crop to increase in 2023.
- Receipts for meat animals, poultry and dairy are projected to turn lower in 2023. **Stronger boiler and turkey production is offset by weak prices, driving receipts for poultry and eggs \$392 million lower in 2023.**

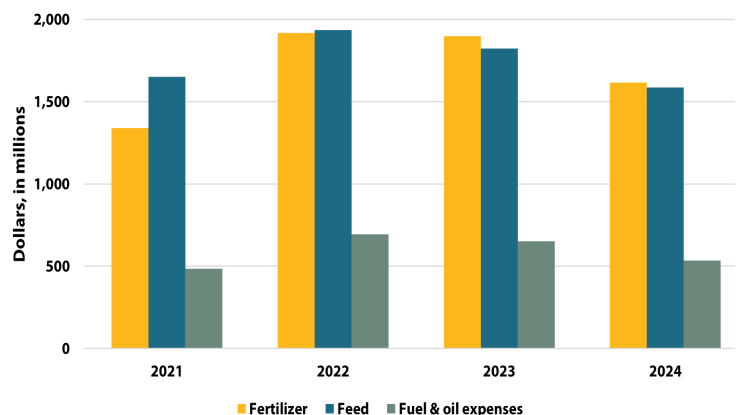
2017-2021 average share of livestock receipts (listed in order of receipt value)



Missouri Expenses

- Export restrictions, high natural gas prices and production disruptions contribute to **higher fertilizer expenses, which increased \$576 million in 2022**. Feed expenses increased \$363 million, and fuel and oils expenses increased \$210 million.
- Total production expenses for 2023 increase a modest 2% as fertilizer, feed and fuels decline.**

Fertilizer expense decreases \$18 million in 2023



Tying it all Together

Missouri 2023 net farm income is projected to decrease from the record set in 2022. Receipts decline \$780 million and government payments fall \$346 million, while production expenses rise \$236 million. These factors result in a 14% decrease in net farm income. **Moving forward, projected softening crop prices weakens receipts faster than the decline to input costs, and Missouri net farm income averages \$2.7 billion across the 10-year baseline.**