



Rural & Farm Finance
Policy Analysis Center
University of Missouri

Fall 2023 *Arkansas* Farm Income Outlook

September 2023
RaFF Report #04-2023

Produced in collaboration with

UofA **DIVISION OF AGRICULTURE**
RESEARCH & EXTENSION
University of Arkansas System

Global and National Factors

Many of the factors that pushed prices of agricultural commodities to record or near-record levels in 2022 have reversed, or at least moderated, in 2023. World grain production is up this year, central banks have tightened monetary policy and some input costs have receded. With the exception of cattle, prices for most U.S. farm products have declined in 2023.

Key considerations:

- USDA estimates show a rebound in corn production, along with a slight decline in soybean production, and projected prices for both commodities fall in 2023/24. Wheat prices have fallen after an upward spike in 2022, while cotton prices are supported by a second consecutive year of reduced U.S. cotton production. Corn, wheat, soybean and cotton prices could all decline again in 2024/25 if growing conditions allow yields to recover to trendline levels.
- Prices for fertilizer increased dramatically in 2022 but have since declined. Estimated per-acre variable costs for many crops decline in 2023, but the result is sensitive to when producers made input purchase decisions. Given projected prices for fertilizer and other inputs, costs for corn and other crops decline further in 2024 and 2025.
- Drought has reduced cattle numbers, pushing up prices for fed and feeder cattle and reaching a peak in 2025. Projected U.S. pork production remains in a narrow range between 2022 and 2025, and rising poultry production and domestic use moderates the decline in overall U.S. meat and poultry consumption in 2023.
- Increased biofuel use of vegetable oil supports the price of soybean oil and soybeans. U.S. crush increases, pushing down the price of soybean meal relative to soybeans and soybean oil. Projected domestic use of ethanol remains steady from 2022 to 2028, while the use of biomass-based diesel increases by more than a billion gallons over the same period.

Acknowledgments

Reader note: Arkansas crop production data were sourced from USDA's September report, and farm income data were sourced from the Aug. 31, 2023, USDA-ERS data release.

Key terminology: *poultry cash receipts* are measured at the integrator level, using NASS Production, Disposition and Income Reports (PDI); *net farm income* represents a net value of production and residual income for producers, based on the latest ERS methodology ([find more information here](#)).

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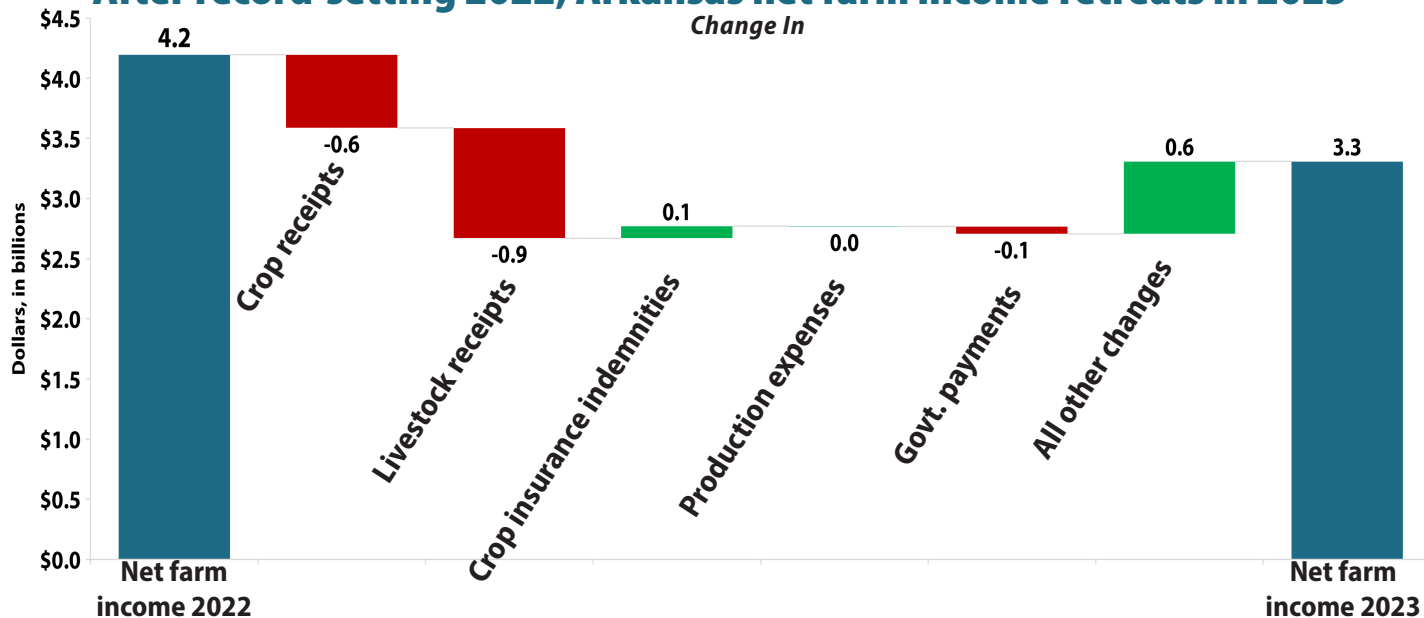
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After record-setting 2022, Arkansas net farm income retreats in 2023

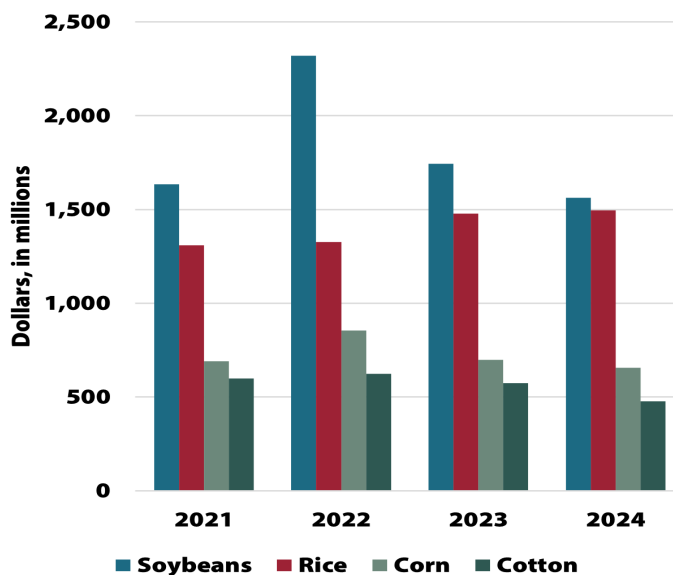


Arkansas net farm income reached a record high in 2022 and is projected to decline \$0.9 billion in 2023. Crop and livestock receipts decline a combined \$1.5 billion; production expenses are nearly unchanged and do little to offset lower receipts. Federal crop insurance indemnities decrease \$0.14 billion, while direct government payments fall by \$60 million. Despite a decrease in 2023, Arkansas net farm income remains higher than levels seen in 2021. **Arkansas' 21% decrease in net farm income is slightly smaller than the projected 23% decline in U.S. net farm income.**

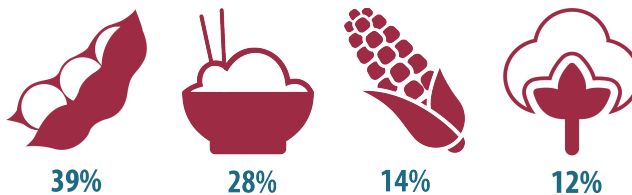
Arkansas Crops

- Higher 2021-22 commodity prices lead the top 7-crop planted area plus hay harvested area in Arkansas to grow 220,000 acres **to 7.2 million acres in 2023, and is forecast to hover around 7 million acres in 2024 and 2025.**
- Soybean planted area retreated from a record high in 2022 to 2.9 million acres in 2023.** Despite a decrease in 2023 planted area, soybeans remain the top field crop by area and is projected to regain planted acres in 2024.
- Rice planted area saw a 330,000 acre increase in 2023, and production climbs 26 million hundredweight from 2022. As increased production and yield offset declining prices, **rice receipts rise \$150 million in 2023 and are projected to taper in 2024.**
- In 2023, **corn planted area grew by 140,000 acres.** This increase in planted area juxtaposes a 130,000 acre decrease in cotton planted area. **Receipts for both cotton and corn are projected to decline in 2023, and even further in 2024.**

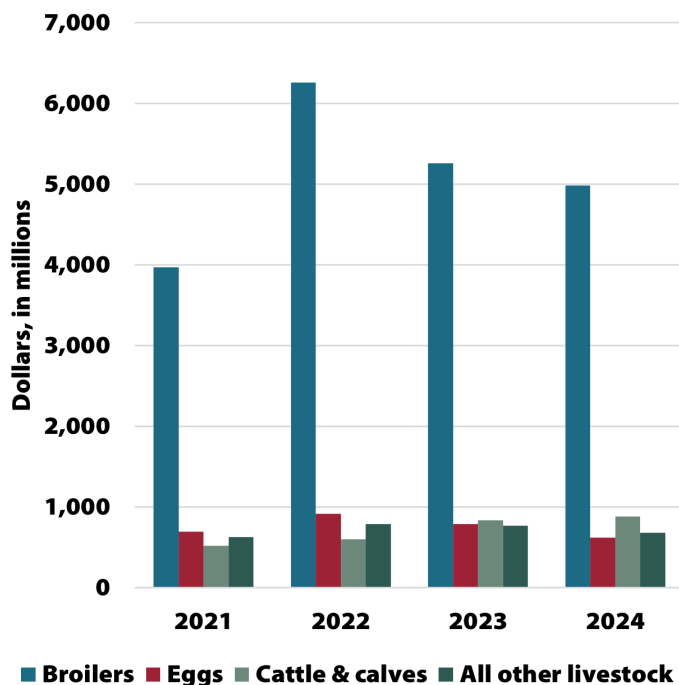
Crop receipts decline \$0.6 billion in 2023



2018-2022 average share of crop receipts (listed in order of receipt value)



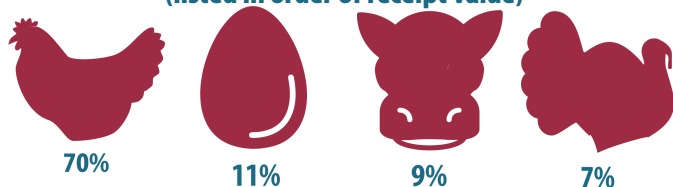
Livestock receipts decline \$0.9 billion in 2023



Arkansas Livestock

- Poultry and egg receipts turn lower in 2023, declining a combined \$1.1 billion over last year's level. Increased broiler production is not enough to offset decreased prices. Lower egg and turkey prices also pressure poultry and egg receipts.
- Arkansas cattle and calves inventory started 2023 at 1.6 million head, a 4% decrease from January 2022 inventory. This may be contributed to drought conditions, which limited quality grazing and forage options. **In spite of tighter 2023 marketings, cattle and calves receipts grow by \$233 million and are projected to decline in 2024 and beyond.**
- The total market hog and breeding herds rose for December 2022. Although marketings increased slightly in 2023, a decline in prices weaken hogs and pigs receipts \$9 million for the year.

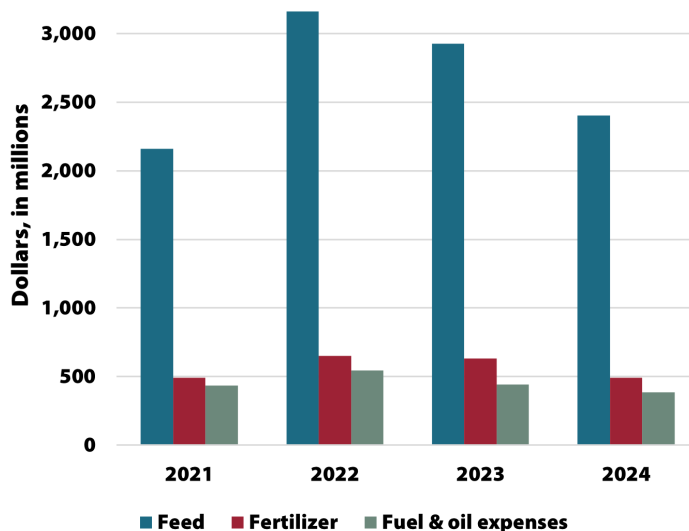
2018-2022 average share of livestock receipts (listed in order of receipt value)



Arkansas Expenses

- After record fertilizer expenses in 2022, 2023 expenses for fertilizer decrease \$20 million.
- Feed expenses saw a significant drop in 2023, to the tune of \$234 million; fuel and oils expenses dropped \$102 million in 2023.
- Total production expenses decrease a very slight 0.03% in 2023, with a projected additional 6% decrease in 2024.

Feed expenses decline \$234 million in 2023



Tying it all Together

Arkansas 2023 net farm income is projected to decrease from the record set in 2022. Total farm receipts decline \$1.4 billion (with farm-related receipts offsetting a \$1.5 billion decline in crop and livestock receipts), while production expenses decrease by \$3 million and direct government payments fall by \$60 million. This combination results in a 21% decrease in net farm income. Despite a decrease from 2022 to 2023, Arkansas net farm income is still above 2015-22 averages. **Moving forward, net farm income remains at an average \$3.3 billion across the 10-year baseline.**

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