



Rural & Farm Finance Policy Analysis Center

University of Missouri

Fall 2023 *Kansas Farm Income Outlook*

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RaFF Report #05-2023

Produced in collaboration with

KANSAS STATE
Agricultural Economics



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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 and 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 is about the same in 2028 as it was in 2022, but the use of biomass-based diesel increases by more than a billion gallons over the same period.

Acknowledgments

Reader note: Kansas 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: *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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This report is authored by the following individuals: John Kruse*, Joe Parcell*, Jennifer Ifft*, Daniel O'Brien*, Gregory Ibendahl* and TaylorAnn Washburn. For questions and comments, please contact Scott Brown (browns@missouri.edu). [* denotes Kansas State University Department of Agricultural Economics; + denotes WAEES, LLC] The [Kansas Farm Management Association](#) is recognized as a valuable information source used in review of Kansas farm income data.

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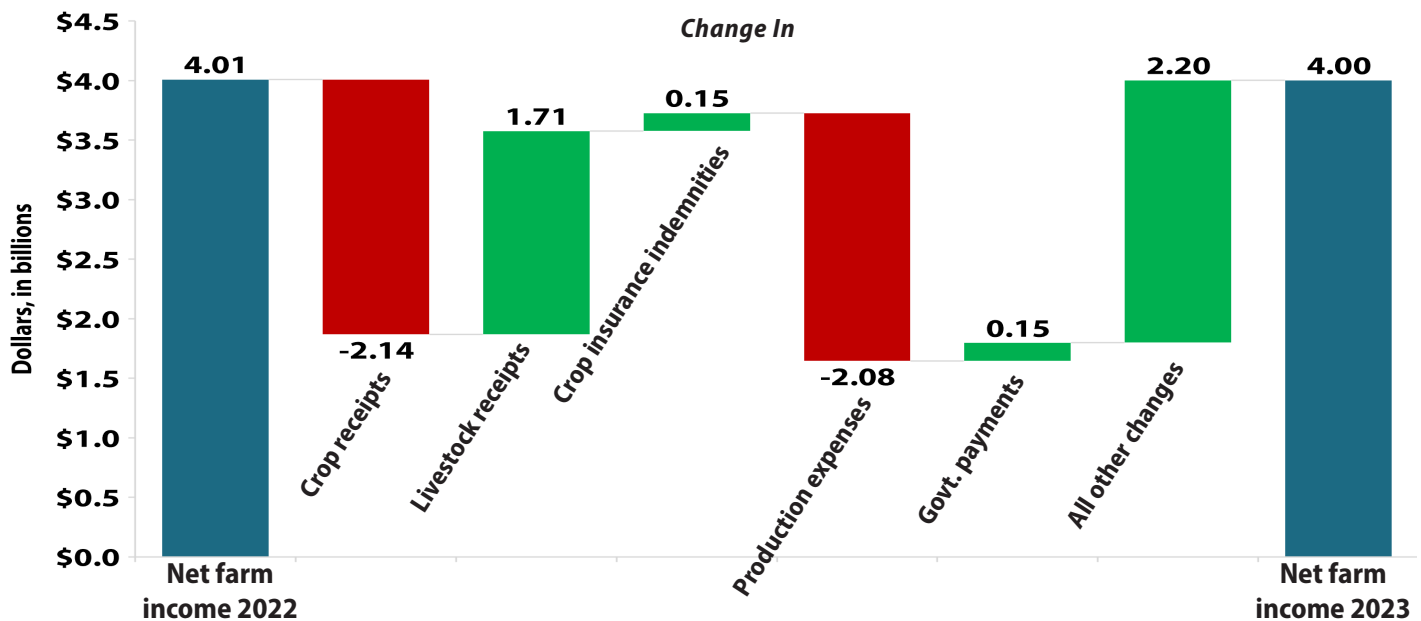
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Kansas farm income to remain largely unchanged from 2022 to 2023

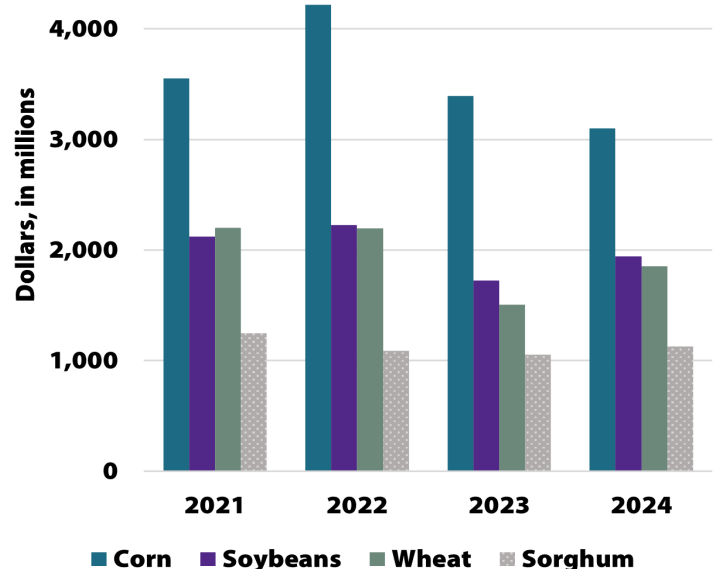


Kansas net farm income is projected to hover around \$4 billion for 2023, down from a record year in 2021. From 2022 to 2023, crop receipts decline by \$2.14 billion but are offset by a \$1.71 billion increase in livestock receipts. Production expenses, largely due to feed costs and purchased livestock, increase \$2.08 billion. Federal crop insurance indemnities increase by \$0.15 billion, and direct government payments see a similar \$0.15 billion increase. **Kansas' projected 0.16% decrease in net farm income is significantly smaller than the projected 23% decrease in U.S. net farm income for 2023 and is buoyed by cattle returns.**

Kansas Crops

- After a decrease in planted acres from 2021 to 2022, the top 9-crop planted area plus hay harvested area in Kansas expanded by 835,000 acres in 2023. The **top 9-crop plus hay area reached a new record of 24.9 million acres.** However, increased production is not enough to offset depressed commodity prices. Crop receipts in 2023 decline by 20%.
- Planted corn area saw a 200,000 acre increase, and production and yield are projected to see an increase from 2022 lows. **However, lower corn prices reduce receipts \$0.83 billion in 2023.**
- Soybeans lost acres in 2023, with planted area down nearly 600,000 acres. **Projected below-average production and yield, paired with lower prices, cause soybean receipts to fall \$0.50 billion in 2023.**
- Sorghum and wheat planted area increased a combined 1.1 million acres in 2023. **Despite increased acreage, reduced production and yields pull sorghum and wheat receipts down a combined \$0.73 billion from 2022.**

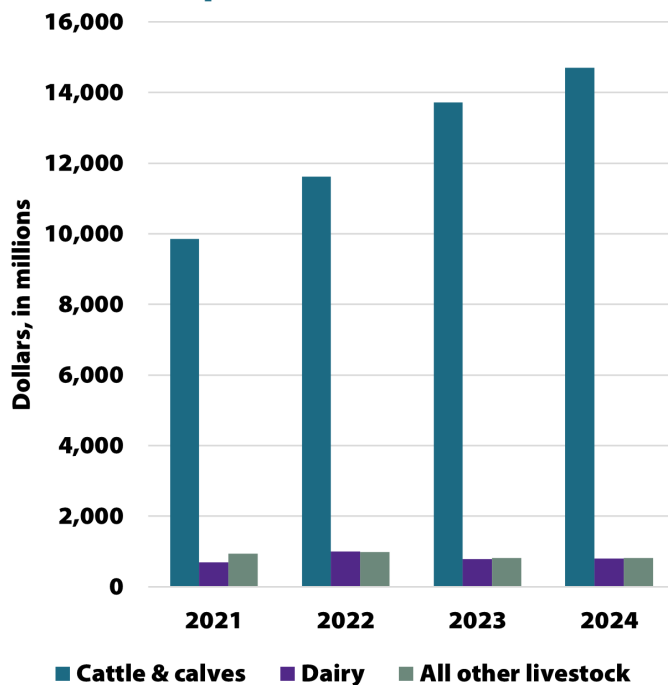
Crop receipts decline \$2.1 billion in 2023



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



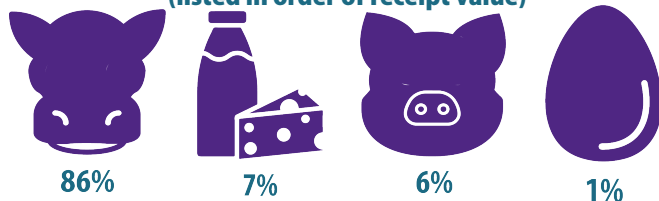
Livestock receipts increase \$1.7 billion in 2023



Kansas Livestock

- Kansas cattle and calves inventory shrank nearly 4% to start 2023. An increase in inshipments and marketings in 2023 will have lasting effects into 2024 and 2025. **Climbing prices support cattle and calves receipts, which rise \$2.1 billion in 2023.**
- The total market hog and breeding herds dropped 4% for December 2022. Despite increases in the 2023 pig crop, along with increased inshipments and marketings, **hogs and pigs receipts are weakened by \$135 million for the year.**
- Dairy, poultry and egg cash receipts are projected to turn lower in 2023. **This combined category declines \$273 million; dairy accounts for a majority of the decline.**

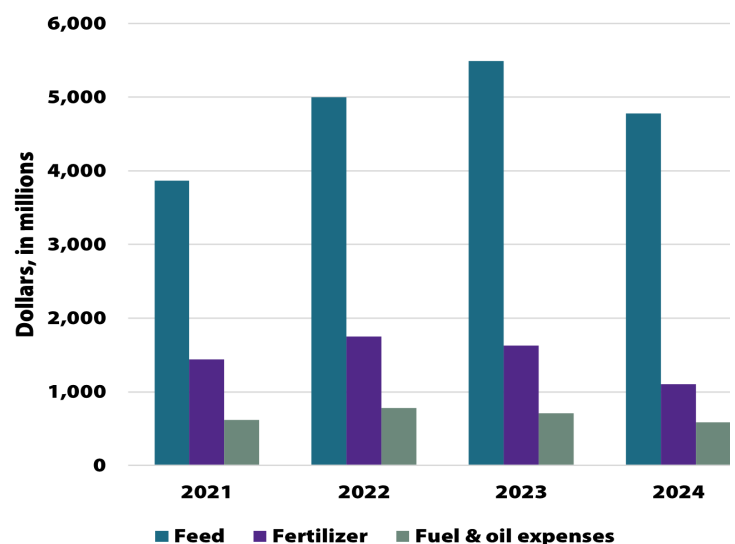
2018-2022 average share of livestock receipts (listed in order of receipt value)



Kansas Expenses

- After a record-setting 2022, **fertilizer expenses in 2023 are projected to decrease by \$123 million and drop further in 2024.**
- **Feed expenses increased by \$491 million in 2023.** Fuel and oils expenses dropped \$75 million.
- **Total production expenses increase by 9.5% for 2023.** Purchased livestock account for a lion's share of the increase.

Feed expenses increase \$491 million in 2023



Tying it all Together

Kansas 2023 net farm income is projected to remain on par with 2022 net farm income, but slides back from a record \$5.19 billion in 2021. Total farm receipts decline \$0.44 billion as livestock receipts offset crop receipts. Production expenses climb \$2.08 billion, and combined crop insurance indemnities and direct government payments increase \$0.30 billion. This combination results in a 0.16% decrease in net farm income. **Moving forward, Kansas net farm income is projected to increase in 2024 and 2025, due largely to strong cattle markets, lower expenses and a forecast return to normal yields for major crops; net farm income averages \$4.7 billion across the 10-year baseline.**

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

