



# Rural & Farm Finance Policy Analysis Center

University of Missouri

## **Fall 2023 *Missouri Farm Income Outlook***

*October 2023*

*RaFF Report #07-2023*

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

## Acknowledgments

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

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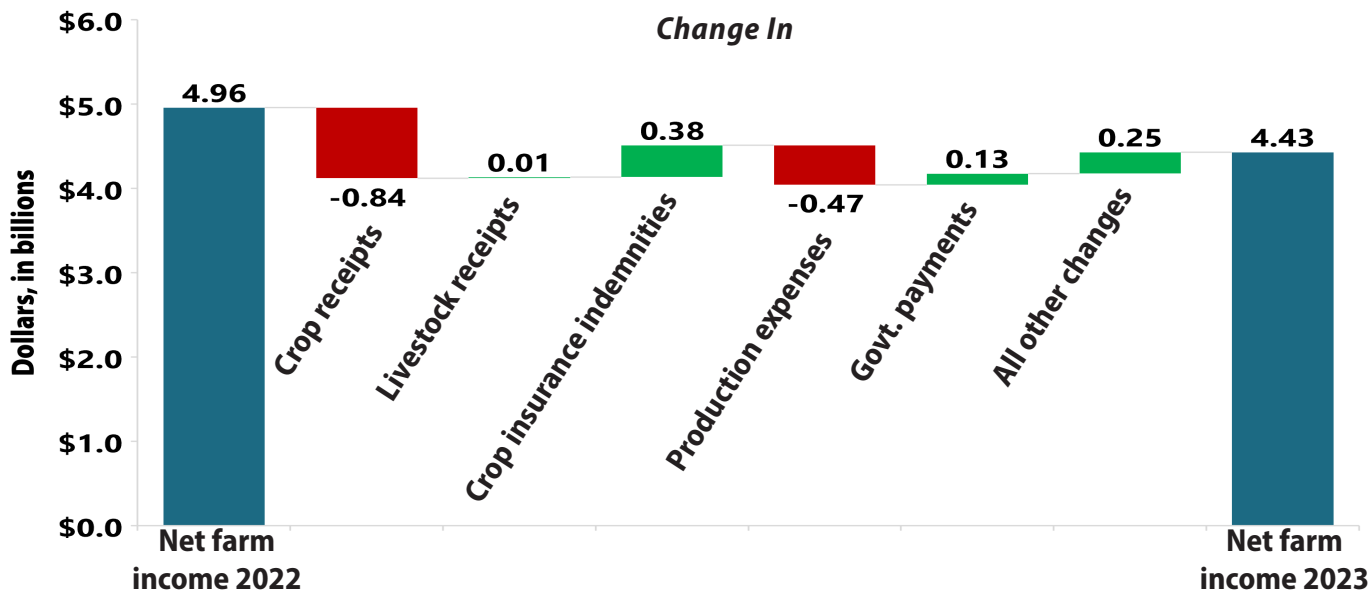
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# Missouri net farm income projected to decrease in 2023



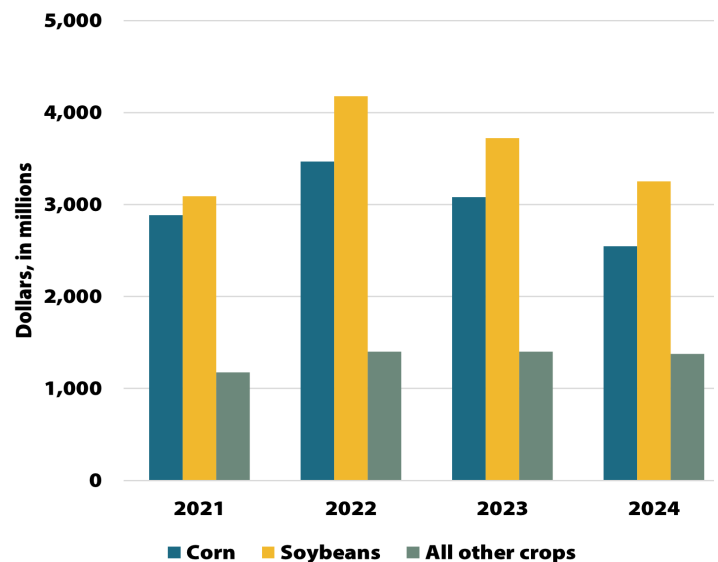
Retreating from a record high in 2022, Missouri net farm income is projected to decrease \$0.53 billion in 2023. Missouri's 2023 net farm income of \$4.43 billion is still higher than the 2021 net farm income of \$3.85 billion. In 2023, crop receipts decline \$0.84 billion, while livestock receipts see a slight increase. A \$0.47 billion increase in production expenses further exacerbates the sting of lower receipts. Direct government payments increased \$0.13 billion and crop insurance indemnities increased \$0.38 billion. **Missouri's projected 11% decrease in net farm income is less than the forecasted 23% decrease in 2023 U.S. net farm income.**



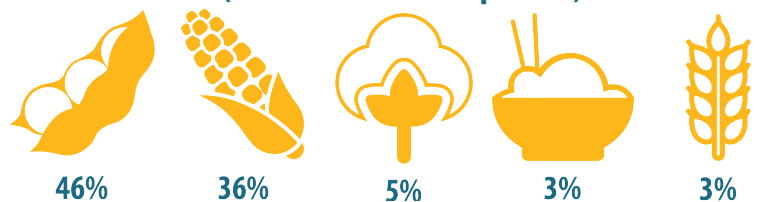
## Missouri Crops

- Favorable 2022 commodity prices led to a 258,000 acre increase in the 2023 top 6-crop planted acres plus hay. **Total area exceeds 14 million acres, the highest since 2014.**
- Despite a 500,000 acre increase in corn planted area and increased production, weather-related yield stress and depressed prices **drop corn receipts \$0.39 billion.**
- In 2023, soybean planted area fell 500,000 acres and saw a 9% decrease in production. Although **soybean receipts decrease by \$0.46 billion in 2023**, receipts are higher than the 2015-21 average.
- Wheat planted area saw a 200,000 acre increase in 2023, along with increased production and yields. **Wheat receipts increase by \$47 million in 2023.**
- Combined area for cotton, hay and rice increased 73,000 acres in 2023.** Despite increased planted area, decreased production (cotton, hay) and decreased prices (rice) cause a combined \$49 million decrease in receipts for 2023.

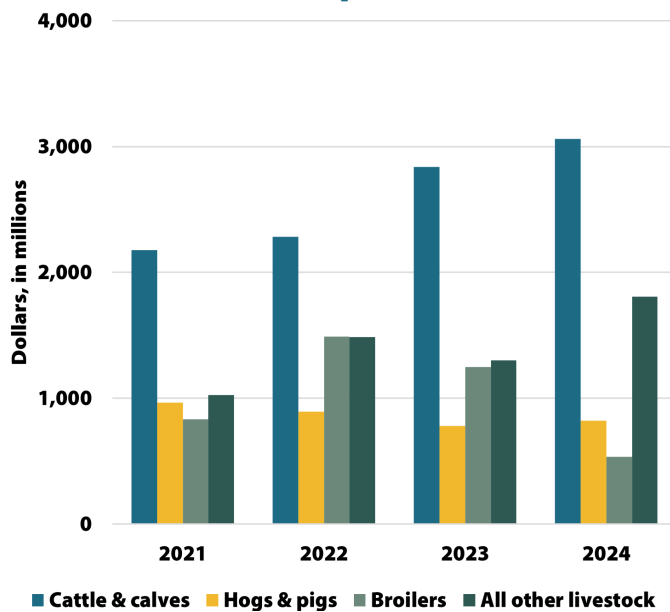
## Crop receipts decrease \$0.8 billion in 2023



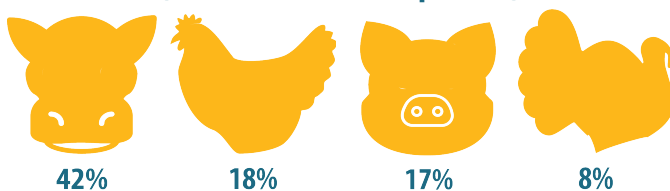
## 2018-2022 average share of crop receipts (listed in order of receipt value)



## Livestock receipts flat in 2023



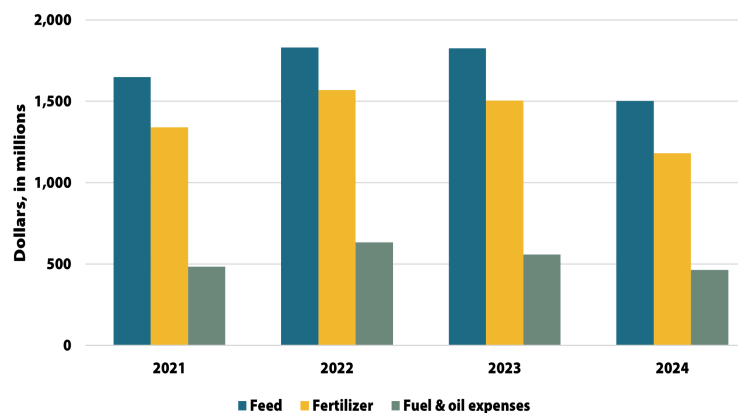
## 2018-2022 average share of livestock receipts (listed in order of receipt value)



## Missouri Expenses

- After a 17% increase in 2022, **2023 fertilizer expenses decline by \$65 million** and remain 12% higher than 2021 expenses.
- Feed expenses experience a minor decrease of \$3 million, and fuel and oils expenses fall \$74 million in 2023.
- Total production expenses for 2023 increase nearly 4%.** Despite small decreases in fertilizer, feed and fuel expenses, purchased livestock and other intermediate expenses increase in 2023.

## Fertilizer expense decreases \$65 million in 2023



## Tying it all Together

**Missouri 2023 net farm income is projected to decrease from the record set in 2022.** Receipts decline an overall \$0.38 billion, with a significant decrease in crop receipts offset by livestock receipts (cattle) and farm-related income (namely crop insurance indemnities). Production expenses rise \$0.47 billion and government payments increase \$0.13 billion. These factors result in a 11% decrease in net farm income. **Moving forward, Missouri net farm income averages \$3.52 billion across the 10-year baseline.**