



Rural & Farm Finance
Policy Analysis Center
University of Missouri

Spring 2024 *Minnesota* Farm Income Outlook

April 2024
RaFF Report #08-2024

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: Minnesota historical agricultural data were sourced from USDA's February 2024 report and includes any 2022 census data and final estimates released before the end of February 2024. State-level historical farm income data were sourced from the Feb. 7, 2024, USDA-ERS data release and includes data through 2022.

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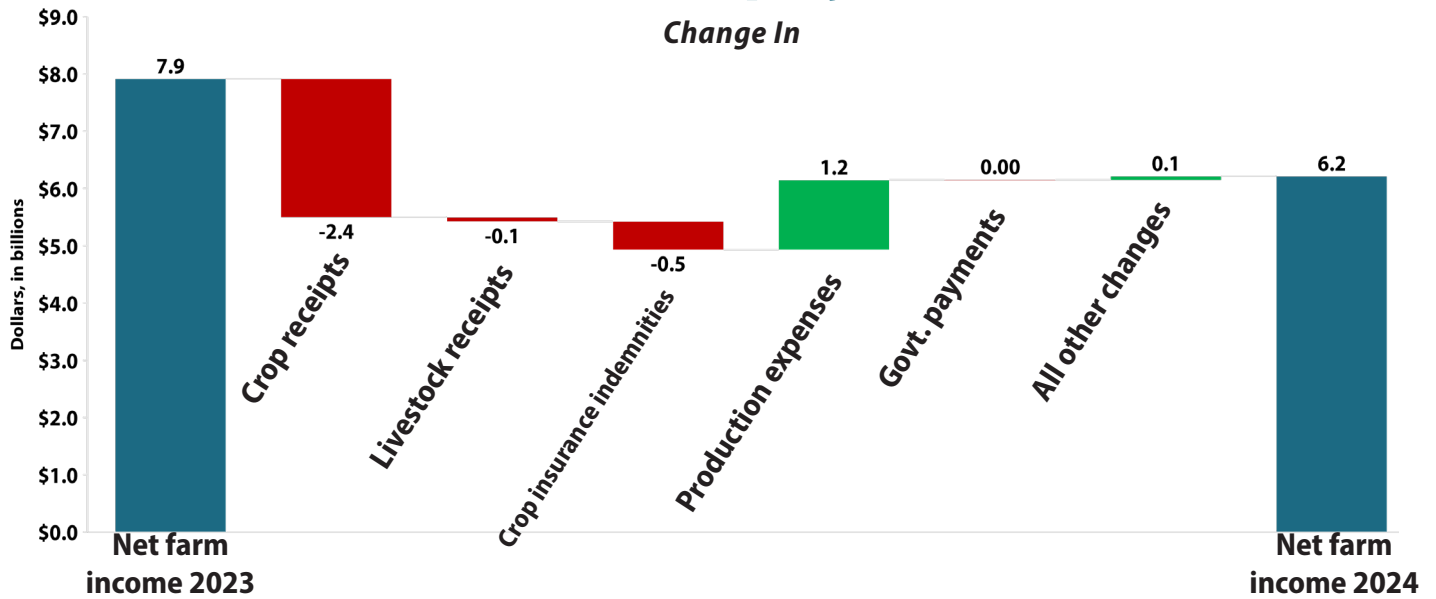
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Minnesota net farm income projected to sink in 2024



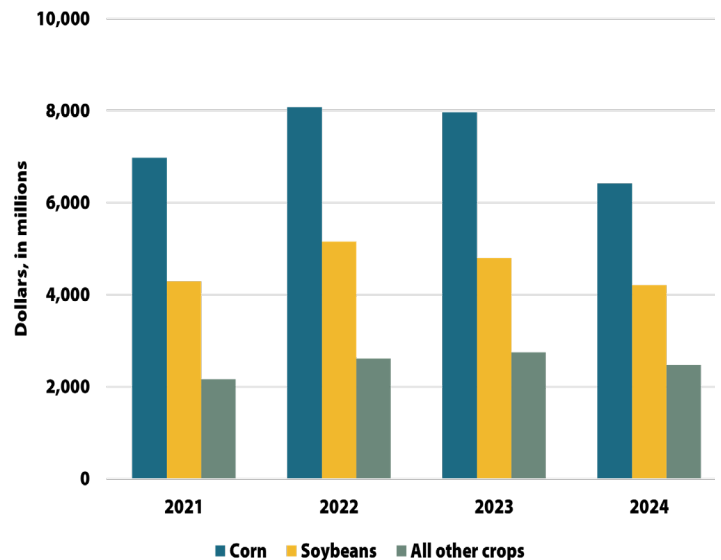
Minnesota net farm income is projected to decline by \$1.7 billion in 2024, continuing a downward trend seen as 2023 net farm income declined from the record- of \$9.7 billion in 2022. In 2024, combined crop and livestock receipts decrease by nearly \$2.5 billion. Production expenses, driven by lower costs for feed, fuel and fertilizer, are projected to fall by \$1.2 billion. Federal crop insurance indemnities decrease by almost \$0.5 billion, and direct government payments remain nearly unchanged from 2023. **Minnesota's projected 21% decrease in 2024 net farm income is slightly smaller than the projected 25.5% decrease in U.S. net farm income.**



Minnesota Crops

- Total Minnesota crop planted area plus hay is expected to decrease by 123,000 acres in 2024. **Minnesota crop receipts are projected to decline by 16% in 2024.**
- Acreage mix changes lead corn planted area to decrease an estimated 362,000 acres. Despite increased production, **lower prices reduce corn receipts \$1.6 billion in 2024.**
- Soybean planted area is expected to increase by 136,000 acres as corn acres decrease. **Increased acreage and production are unable to lift soybean receipts, which decrease by almost \$0.6 billion in 2024.**
- In 2024, wheat planted area is projected to increase by 116,000 acres. **Wheat receipts see a slight decrease in 2024.**
- Sugarbeet planted area and hay harvested area are estimated to decline a combined 46,000 acres in 2024. **In 2024, both hay and sugarbeet receipts are projected to experience modest declines.**

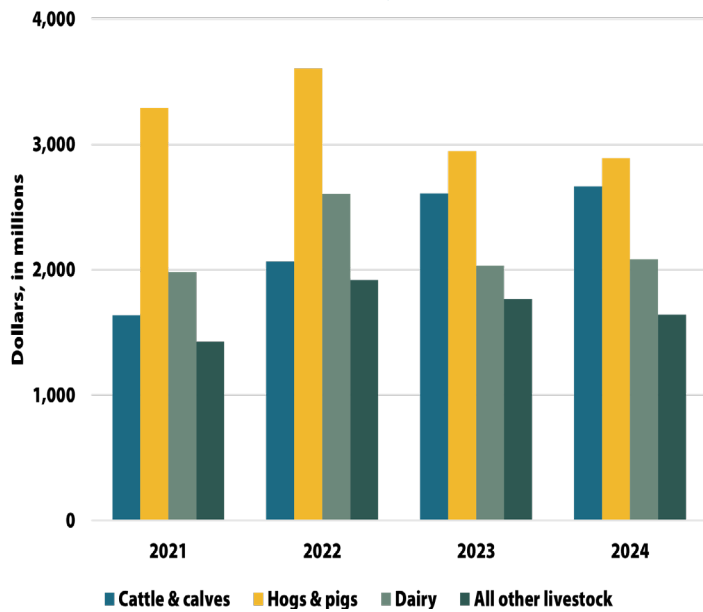
Crop receipts decline \$2.4 billion in 2024



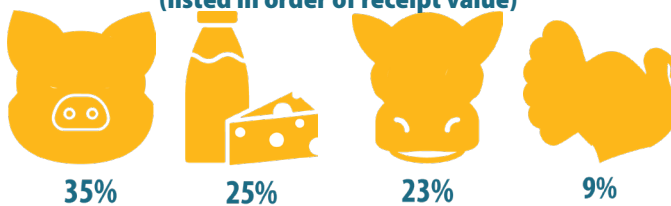
2018-2022 average share of crop receipts (listed in order of receipt value)



Livestock receipts nearly unchanged in 2024



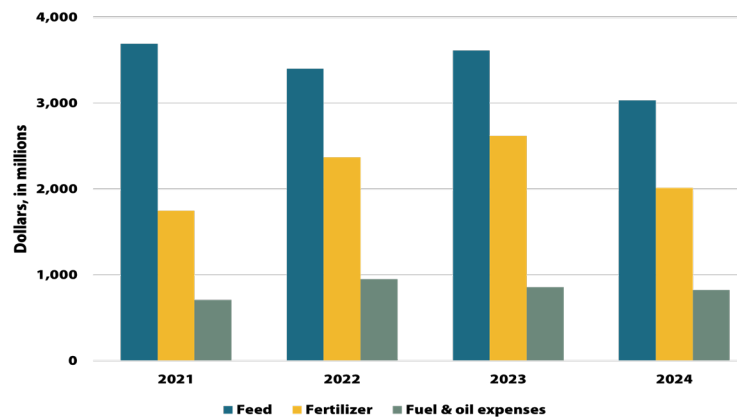
2018-2022 average share of livestock receipts (listed in order of receipt value)



Minnesota Expenses

- After record-setting expenses in 2023, **fertilizer expenses are expected to decrease by \$609 million in 2024.**
- **Feed expenses are forecast to decline by \$584 million in 2024,** and fuel and oil expenses are projected to decrease by \$33 million.
- **Total production expenses are anticipated to decrease by 6% in 2024.** Despite declining fertilizer, feed and fuel expenses, purchased livestock, seed, labor and taxes continue to climb.

Feed expenses decline \$0.6 billion in 2024



Minnesota Livestock

- Minnesota cattle and calves inventory remained nearly unchanged between 2023 and 2024. Cattle and calves receipts are projected to increase slightly in 2024. **Projected higher prices and increased marketings cause cattle cash receipts to increase in 2025 and 2026.**
- Minnesota's total hog inventory stood at 9.1 million head in December 2023, up 100,000 head from the year prior. **Decreased marketings cause a modest \$55 million decline in 2024 hogs and pigs receipts.** Projected strong prices support increased inventory and marketings and drive hogs and pigs receipts higher in 2025 and 2026.
- **Minnesota dairy receipts are anticipated to increase \$52 million in 2024,** supported by increased production and prices.
- **In 2024, poultry and egg receipts decline by \$117 million.** Despite a significant increase in turkey production, lower prices lead to a nearly \$115 million reduction in receipts for turkeys.

Tying it all Together

Minnesota 2024 net farm income is projected to decrease by \$1.7 billion from 2023. Crop and livestock receipts are projected to decline by a combined \$2.7 billion in 2024, partially offset by a \$1.2 billion decrease in production expenses. Total federal crop insurance indemnities are estimated to decrease by \$0.5 billion. The result is an expected 21% decline in 2024 net farm income. **Moving forward, Minnesota net farm income is projected to increase in 2025 and 2026 as production expenses continue to decline; net farm income averages \$6.5 billion across the 10-year baseline.**

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

