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Baseline Update for U.S. Farm Income and Consumer Food Prices

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The projections reported here are based on the market outlook reported in the *Baseline Update for U.S. Agricultural Markets* (FAPRI-MU Report #03-24).

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Summary

U.S. net farm income has declined sharply from its 2022 peak, and a further decline is projected for 2025. Lower crop prices are largely responsible, as the impact of lower crop receipts outweighs the effects of high cattle prices and moderation of some production expenses. Consumer food inflation has also slowed, from 9.9% in 2022 to a projected 2.2% in 2024 and 1.6% in 2025.

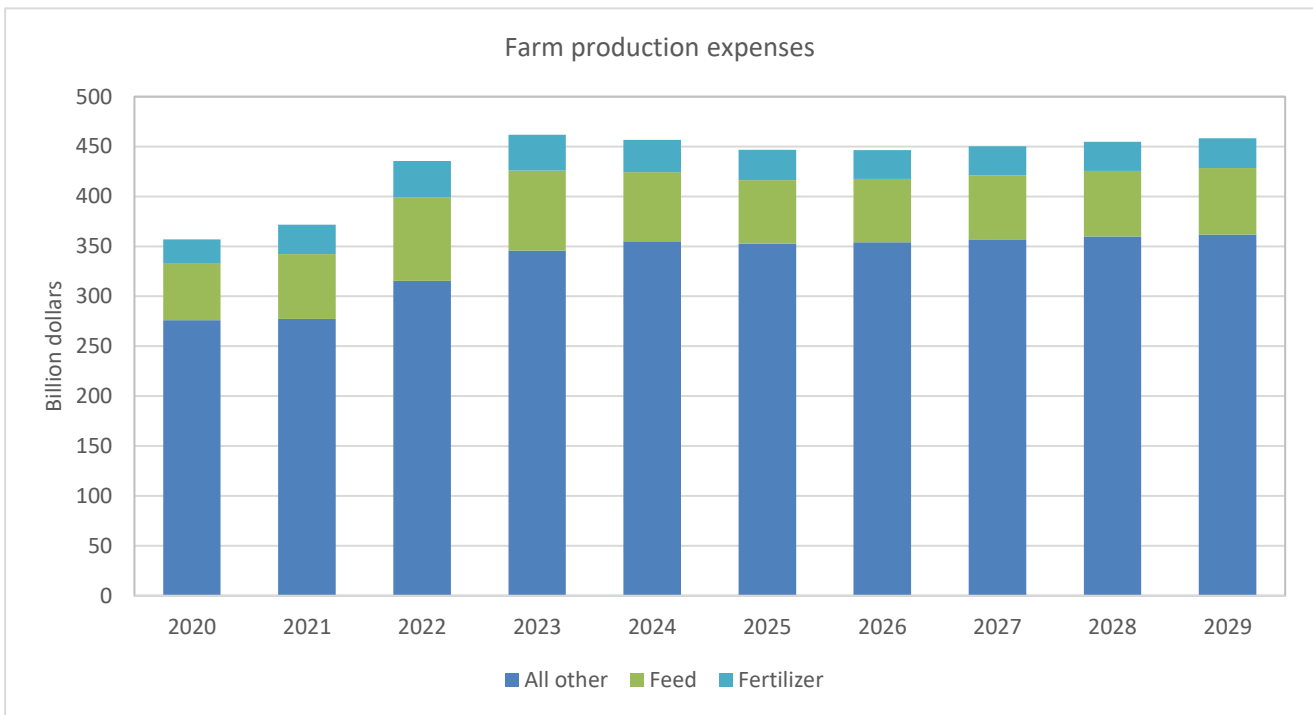
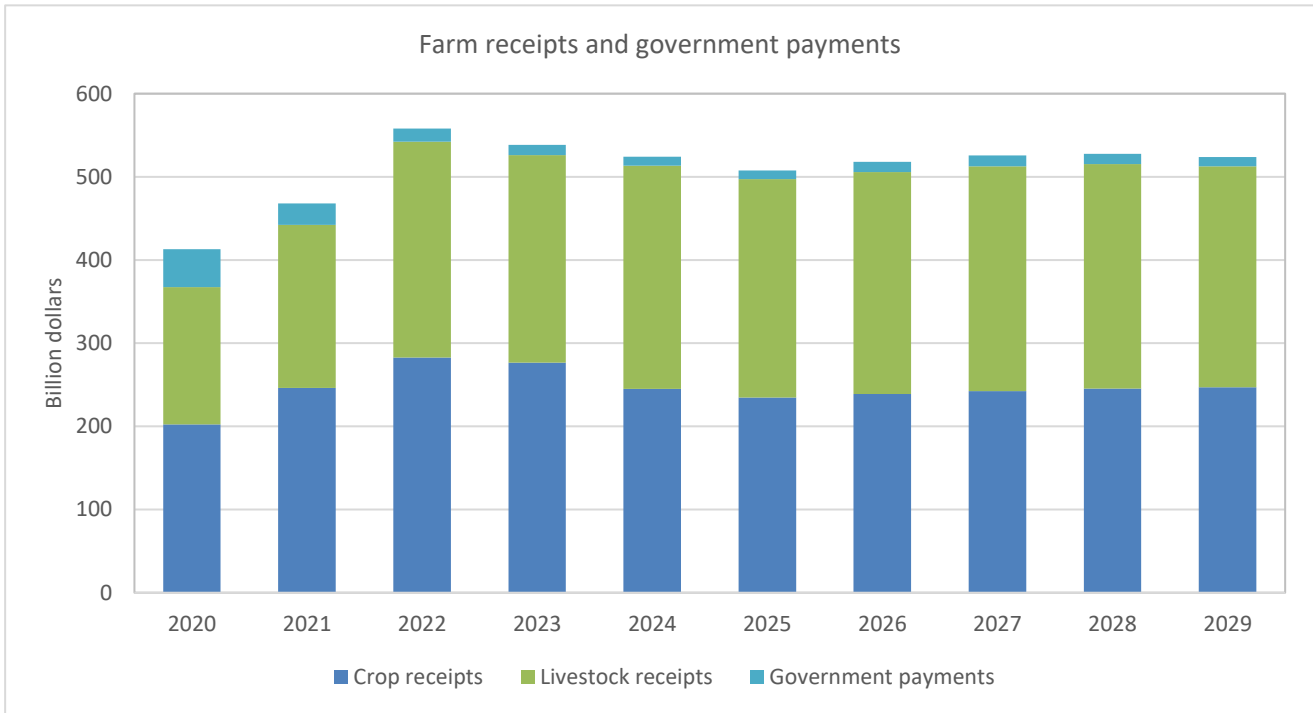
This report utilizes commodity supply, demand, and price projections from the FAPRI-MU August 2024 baseline update (FAPRI-MU Report #03-24, available at www.fapri.missouri.edu). Historical farm income data are from USDA and include the revision to farm income accounts released by the Economic Research Service (ERS) in early September 2024.

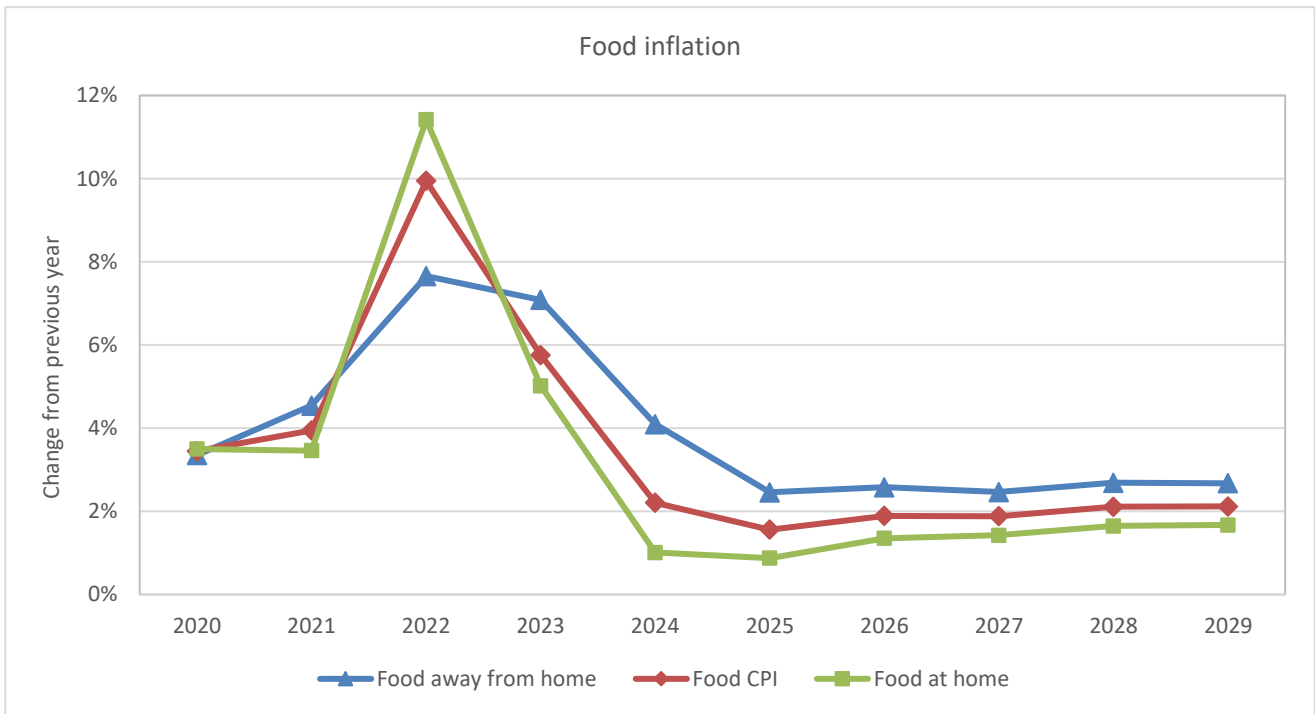
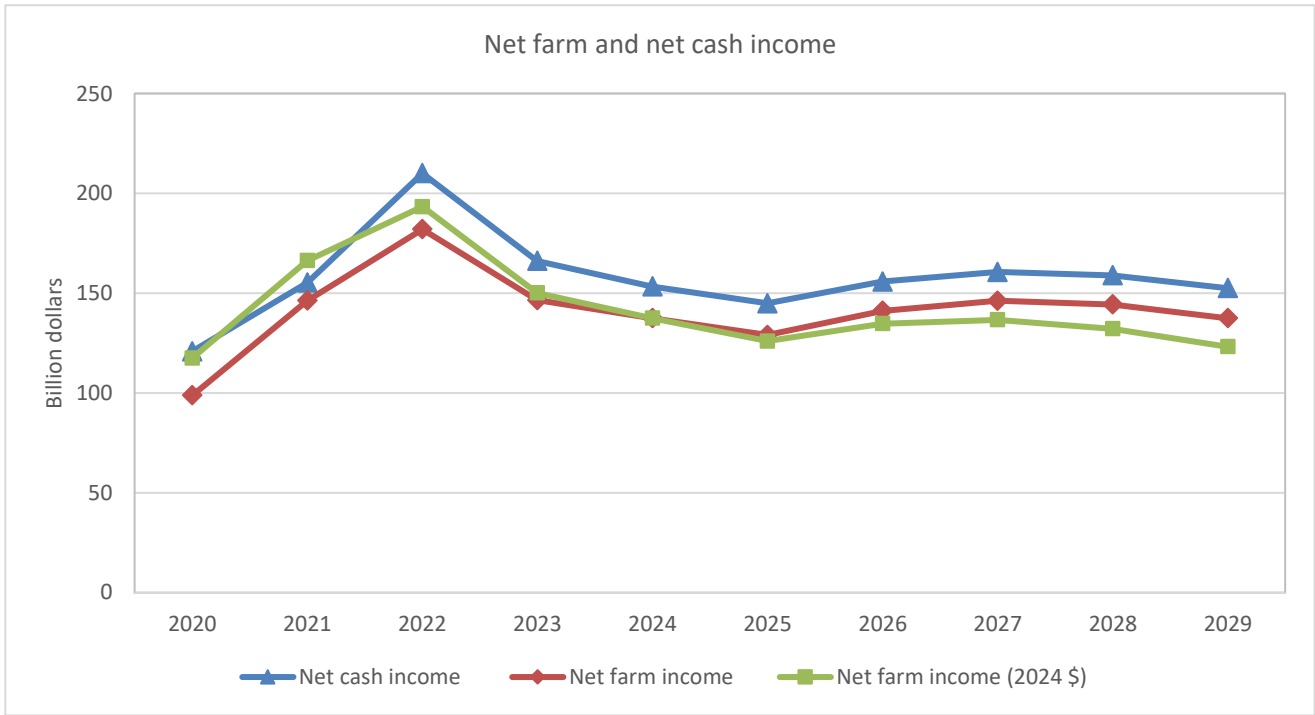
These baseline estimates reflect policies in place in late August 2024. Provisions of the 2018 farm bill are assumed to be extended when they would otherwise expire in the months ahead.

Given the assumptions of the analysis, here are a few highlights of the results:

- Projected net farm income in 2024 is \$137 billion, a \$9 billion reduction from the 2023 level and slightly below USDA's September forecast. Crop receipts are down by \$32 billion in 2024 because of lower prices for grains, oilseeds, cotton, and many other crops.
- In contrast, higher prices for cattle contribute to a \$19 billion increase in livestock sector receipts in 2024. After increasing sharply in 2022 and at a slower pace in 2023, overall farm production expenses are expected to decline in 2024. Lower costs for feed, fertilizer, and pesticides outweigh increased expenses for farm labor and some other farm inputs.
- A further reduction in cash receipts is projected for 2025, primarily because of lower prices for many crops and for poultry. This results in a third straight year of declining net farm income before a modest recovery in 2026.
- In 2024 dollars, the decline in real net farm income between 2022 and 2025 is \$67 billion, or 35%. However, even after that decline, real net farm income remains above the levels of 2015-2020.
- Payments to farmers under farm bill commodity programs generally are inversely related to commodity prices, but with a lag. Because of recent higher prices, 2024 will mark the third straight year when payments under the price loss coverage (PLC) and agriculture risk coverage (ARC) programs will total less than \$1 billion.
- Under the assumed continuation of current farm bill provisions, lower projected prices result in higher government payments, with total ARC and PLC payments topping \$5 billion in 2026 and 2027. Payments are made a year after crops are harvested; 2026 payments are based on prices for crops harvested in 2025.
- After spiking in 2022, overall consumer food price inflation is slowing, to a projected 2.2% in 2024. The consumer price index (CPI) for food at home is increasing at an even slower rate (1.0%) this year, but prices for food consumed away from home increase by 4.1%.
- Inflation for most major food categories is projected to cool in 2024 with some exceptions. Lower beef production pushes up prices of beef while the resurgence of bird flu outbreaks drives egg prices up again. Assuming avian influenza is less of a concern in 2025, projected egg prices fall. Continued supply constraints could result in further increases in beef prices in 2025 and 2026.
- Assuming a continuation of current policies and normal economic conditions, food inflation is projected to stabilize at around 2% per year beyond 2025. Nevertheless, the prices of major food categories will remain well above their pre-pandemic levels.

In contrast to the 2024 FAPRI baseline prepared earlier this year, these estimates do not consider market uncertainty. Small proportional changes in market receipts or production expenses can dramatically change the outlook for net income.





U.S. farm cash receipts

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
	(Billion dollars)							
Feed grains	99.72	92.84	73.89	69.65	70.98	71.73	72.84	73.45
Food grains	16.62	16.59	14.62	14.10	13.86	13.92	13.98	13.96
Oilseeds	64.79	62.37	50.50	47.01	47.75	49.35	50.77	51.42
Cotton	8.19	7.16	5.92	5.87	6.45	6.82	6.96	6.99
Sugar	3.60	5.24	4.29	4.36	4.46	4.57	4.64	4.63
Other crops	89.86	92.50	95.62	93.56	95.46	95.83	96.31	96.66
Cattle	86.29	101.11	111.31	111.75	113.35	113.93	111.32	106.53
Hogs	30.63	27.18	27.72	27.90	29.98	30.75	30.85	30.79
Dairy products	57.24	45.93	48.73	47.68	47.95	49.28	50.01	50.19
Poultry, eggs	77.21	67.05	72.40	66.61	66.47	67.29	68.35	69.01
Other livestock	8.46	8.31	8.73	8.82	9.04	9.21	9.30	9.34
Total cash receipts	542.61	526.28	513.73	497.31	505.75	512.68	515.33	512.97

U.S. farm production expenses

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
	(Billion dollars)							
Feed	83.64	80.04	69.06	63.41	63.33	64.30	65.75	66.57
Purchased livestock	34.90	42.98	49.33	49.43	49.97	49.91	48.17	45.46
Seed	25.02	27.33	27.35	27.12	26.96	26.89	26.97	27.17
Fertilizer	36.63	35.83	32.35	30.41	29.00	28.87	29.17	29.80
Pesticides	21.42	21.62	19.22	18.53	18.77	19.07	19.42	19.78
Fuels and electricity	24.90	24.68	23.39	22.97	23.25	23.73	24.53	25.45
Interest	24.32	28.47	30.16	29.50	27.82	27.21	27.09	27.08
Contract and hired labor	41.62	48.38	51.32	51.82	53.22	54.21	55.32	56.41
Capital consumption	32.71	33.22	33.01	32.81	32.72	32.86	33.16	33.49
Rent to landlords	12.91	15.19	15.69	15.46	15.16	15.21	15.40	15.56
All other	97.59	104.16	105.83	105.37	106.41	108.02	109.83	111.62
Total production expenses	435.67	461.90	456.71	446.82	446.62	450.28	454.81	458.39

U.S. farm income

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
	(Billion dollars)							
Farm receipts	594.4	580.0	563.7	545.7	554.5	562.0	565.4	563.8
Crops	282.8	276.7	244.8	234.5	239.0	242.2	245.5	247.1
Livestock	259.8	249.6	268.9	262.8	266.8	270.5	269.8	265.9
Farm-related	51.8	53.7	50.0	48.4	48.7	49.3	50.1	50.9
Direct government payments	15.6	12.3	10.6	10.5	12.4	13.3	12.4	10.8
Gross cash income	610.0	592.2	574.3	556.2	566.9	575.3	577.8	574.6
Nonmoney income	22.6	22.5	22.9	22.6	22.5	22.6	22.7	22.7
Value of inventory change	-14.8	-6.4	-3.1	-3.0	-1.6	-1.4	-1.4	-1.5
Gross farm income	617.7	608.4	594.2	575.8	587.7	596.4	599.1	595.9
Cash expenses	399.9	426.1	421.0	411.3	411.1	414.7	418.9	422.2
Total expenses	435.7	461.9	456.7	446.8	446.6	450.3	454.8	458.4
Net cash income	210.1	166.1	153.3	144.9	155.8	160.6	158.9	152.5
Net farm income	182.0	146.5	137.4	129.0	141.1	146.2	144.3	137.5
Deflated (2024 \$)	193.3	150.1	137.4	126.0	134.7	136.7	132.1	123.1

U.S. farm balance sheet

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
	(Billion dollars)							
Farm assets								
Real estate	3,156	3,339	3,498	3,497	3,493	3,535	3,579	3,611
All other	632	675	692	657	651	660	666	664
Total assets	3,788	4,014	4,189	4,154	4,143	4,195	4,246	4,275
Farm debt								
Real estate	334	345	359	372	379	383	387	391
All other	162	174	180	177	174	173	174	175
Total debt	496	519	540	548	553	557	561	566
Debt/asset ratio	13.1%	12.9%	12.9%	13.2%	13.3%	13.3%	13.2%	13.2%

U.S. government outlays

Fiscal year	2022	2023	2024	2025	2026	2027	2028	2029
Commodity Credit Corporation (Million dollars)								
Farm bill commodity programs	2,145	1,416	708	631	4,017	5,229	5,591	4,517
Corn	-13	37	179	258	2,334	2,280	2,645	1,990
Wheat	871	53	152	90	286	329	334	401
Soybeans	-17	14	74	129	791	1,428	1,424	1,176
Upland cotton and seed cotton	490	26	109	121	295	490	360	280
Rice	246	58	35	5	202	277	241	208
Other major crops & dairy	568	1,228	159	28	108	424	586	462
Other CCC-funded programs	4,502	5,902	6,168	6,161	6,090	6,600	6,584	6,582
Conservation reserve	1,808	1,880	1,897	1,908	1,898	1,920	1,904	1,902
Disaster and all other	2,694	4,022	4,272	4,252	4,192	4,681	4,679	4,680
Total CCC programs	6,647	7,318	6,876	6,792	10,108	11,829	12,174	11,099
Non-CCC programs								
Crop insurance	10,867	16,562	13,981	10,845	10,835	10,868	11,007	11,185
Pandemic-related (CFAP, PAP*)	5,795	533	30	0	0	0	0	0
NRCS conservation	3,159	3,184	3,650	4,294	5,347	6,412	6,674	6,720
Non-CCC disaster and all other	9,830	4,177	3,940	0	0	0	0	0
Total non-CCC programs	29,651	24,456	21,601	15,139	16,182	17,280	17,681	17,905
Total, CCC & non-CCC	36,298	31,774	28,477	21,931	26,290	29,109	29,855	29,003

Note: Fiscal years begin on Oct. 1 (FY 2025: Oct. 1, 2024 to Sep. 30, 2025).

* Coronavirus Food Assistance Program (CFAP) and Pandemic Assistance for Producers (PAP) initiative.

U.S. government payments (farm income accounts)

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
(Million dollars)								
Price loss coverage	267	8	10	461	1,869	2,095	1,235	538
Agriculture risk coverage	105	270	204	3,448	3,278	3,377	3,126	2,197
Market facilitation program	1	1	0	0	0	0	0	0
Pandemic-related (CFAP, PAP)	182	533	30	0	0	0	0	0
Conservation programs	3,540	3,640	4,043	4,352	4,997	5,582	5,745	5,737
Emergency and disaster	11,330	6,618	6,110	2,169	2,169	2,169	2,169	2,169
Dairy and all other	135	1,194	182	103	93	88	142	179
Total direct payments	15,561	12,265	10,579	10,533	12,406	13,311	12,417	10,820

U.S. consumer food inflation

Calendar year	2022	2023	2024	2025	2026	2027	2028	2029
			(Change from the previous year)					
Food	9.9%	5.8%	2.2%	1.6%	1.9%	1.9%	2.1%	2.1%
Food at home	11.4%	5.0%	1.0%	0.9%	1.4%	1.4%	1.6%	1.7%
Cereal and bakery	13.0%	8.4%	0.5%	0.6%	1.7%	1.7%	2.0%	2.2%
Meat	10.9%	1.8%	2.2%	1.5%	1.6%	1.7%	1.8%	1.5%
Beef	5.3%	3.6%	5.8%	3.5%	2.0%	1.5%	1.4%	0.8%
Pork	8.7%	-1.2%	1.6%	1.4%	2.5%	2.1%	1.7%	1.7%
Poultry	14.6%	3.1%	1.1%	1.2%	1.2%	1.2%	1.7%	1.8%
Eggs	32.2%	1.4%	6.2%	-5.1%	-2.2%	2.2%	2.0%	1.5%
Fish	9.1%	0.3%	-1.8%	1.4%	2.0%	1.8%	2.1%	2.2%
Dairy	12.0%	4.0%	-0.4%	1.1%	1.1%	1.5%	1.7%	1.7%
Milk	14.0%	0.6%	-0.3%	0.4%	0.2%	1.1%	1.1%	1.0%
Cheese	8.9%	2.0%	-2.3%	2.0%	2.1%	2.4%	2.5%	2.5%
Ice cream	9.9%	7.4%	0.2%	0.6%	0.5%	0.9%	1.1%	1.3%
Fruit and vegetables	8.5%	2.5%	0.3%	0.5%	0.8%	0.8%	1.1%	1.2%
Other food at home	13.0%	7.1%	1.2%	0.6%	1.3%	1.3%	1.6%	1.7%
Sugar and sweets	10.4%	8.7%	3.2%	1.2%	1.8%	1.8%	2.0%	2.1%
Fats and oils	18.5%	9.0%	2.4%	0.2%	1.4%	1.9%	2.0%	2.3%
Other prepared items	12.7%	6.6%	0.7%	0.5%	1.4%	1.3%	1.6%	1.7%
Non-alc. beverages	11.0%	7.0%	2.0%	0.7%	1.0%	1.0%	1.3%	1.3%
Food away from home	7.7%	7.1%	4.1%	2.5%	2.6%	2.5%	2.7%	2.7%