U.S. Farm Income

Randy Schnepf
Specialist in Agricultural Policy

February 13, 2009

Congressional Research Service
7-5700
www.crs.gov
R40152

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

According to USDA's Economic Research Service (ERS), national net farm income—a key indicator of U.S. farm well-being—is forecast at $71.2 billion in 2009, down 20% from the previous year's record of $89.3 billion. Lower commodity prices are expected to generate declines in output receipts as well as input costs. Production costs are forecast to decline $13.5 billion (down nearly 5%) to $277.1 billion. However, the lower costs are more than offset by forecast declines in cash receipts for both crops (down 10% to $162.4 billion) and livestock sales (down 8% to $132.2 billion).

Despite the forecast fall-off, U.S. farm income remains high by historical standards, as the most recent seven-year period represents the most profitable period for the agricultural sector in U.S. history.

Government farm payments are projected down about 8% in 2009 at $11.4 billion. Most of the $1 billion decline from 2008 government payments results from sharply lower payouts (down $2.4 billion) under ad hoc disaster and emergency programs. However, forecast lower commodity prices are expected to trigger higher payments under marketing loan and counter-cyclical payment programs in 2009, thereby partially offsetting lower disaster payments.

Within the farm balance sheet, total farm asset value of $2,388 billion and total farm debt of $217 billion are both projected at record levels in 2009. The debt-to-asset ratio of 9.1% continues the downward trend ongoing since 1998 and represents the lowest level since 1960, suggesting a strong financial position for the agricultural sector as a whole.

However, less than ideal market conditions heading into 2009 suggest that considerable uncertainty continues to surround the longer-term farm income outlook. On the one hand, the global financial crisis, economic recession, rising unemployment, limited credit availability, and plummeting asset values that persist in early 2009 have contributed to substantial "demand destruction" (i.e., a severe weakening of consumer demand), which bodes poorly for farm commodity price prospects. On the other hand, weak energy markets and declining input prices could provide some spark to both producer investment and consumer demand for agricultural sector products, perhaps by the middle to latter half of the year.

Contents

Figures

Tables

Contacts

Introduction

The U.S. farm sector is vast and varied. It encompasses production activities related to traditional field crops (such as corn, soybeans, wheat, and cotton), livestock and poultry products (including meat, dairy, and eggs), as well as fruits, tree nuts, and vegetables. In addition, U.S. agricultural output includes greenhouse and nursery products, forest products, custom work, machine hire, and other farm-related activities. The intensity and economic importance of each of these activities, as well as their underlying market structure and production processes, vary regionally based on the agro-climatic setting, market conditions, and other factors. As a result, farm income and rural economic conditions may vary substantially across the United States.[1] However, this report focuses singularly on aggregate national net farm income and the farm debt-to-asset status as reported by the U.S. Department of Agriculture (USDA).[2]

Annual U.S. net farm income is the single most watched indicator of farm sector well-being, as it captures and reflects the entirety of economic activity across the range of production processes, input expenses, and marketing conditions that have persisted during a specific time period. When national net farm income is reported together with a measure of the national farm debt-to-asset situation, the two summary statistics provide a quick indicator of the economic well-being of the national farm economy.

Two different indicators measure farm profitability: net cash income and net farm income.

- **Net cash income** compares cash receipts to cash expenses. As such, it is a cash flow measure representing the funds that are available to farm operators to meet family living expenses and make debt payments. For example, crops that are produced and harvested but kept in on-farm storage are not counted in net cash income. Farm output must be marketed (i.e., exchanged for payment) before it is counted as part of the household's cash flow.
- **Net farm income** is a value of production measure, indicating the farm operator's share of the net value added to the national economy within a calendar year, independent of whether it is received in cash or noncash form. In contrast to net cash income, net farm income includes the value of home consumption, changes in inventories, capital replacement, and implicit rent and expenses related to the farm operator's dwelling that are not reflected in cash transactions during the current year. Thus, once a crop is grown and harvested it is included in the farm's net income calculation, even if it remains in on-farm storage.

Net cash income is generally less variable than net farm income. Farmers can manage the timing of crop and livestock sales and of the purchase of inputs to stabilize the variability in their net cash income. For example, farmers can hold crops from large harvests to sell in the forthcoming year, when output may be lower and prices higher. Off-farm income, which has increased in importance in recent decades, is not included in the calculation of aggregate farm income. Instead, it is included in the discussion of farm income at the household level.

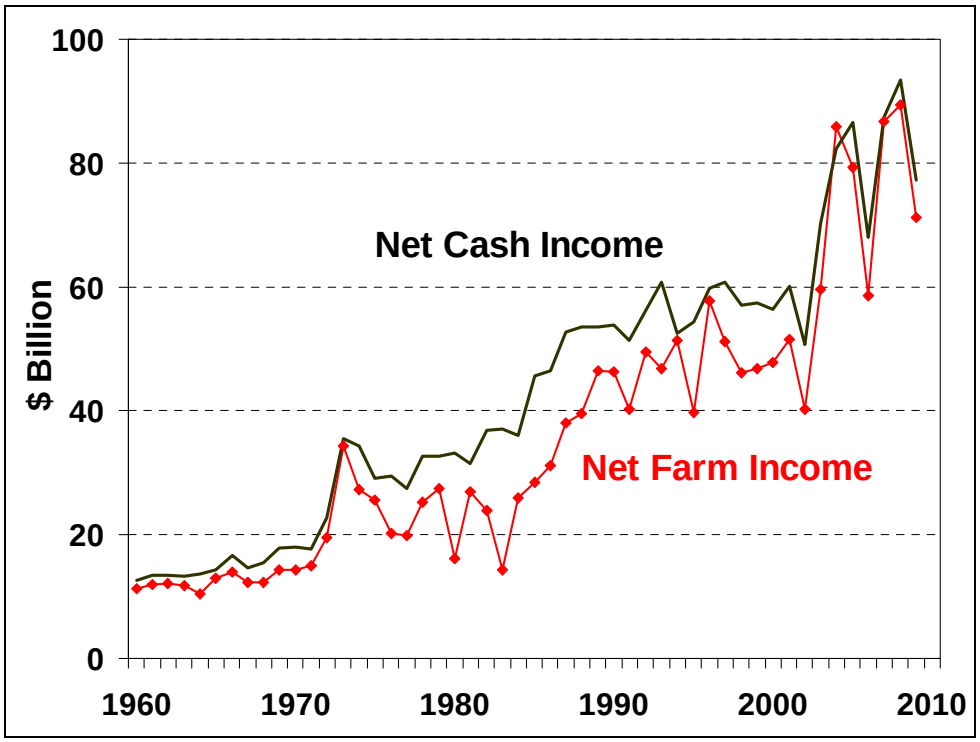
[1] For information on state-level farm income, see the "U.S. and State Farm Income Data," available as part of the Farm Income Data Files, Farm Income and Costs Briefing Room, Economic Research Service (ERS), USDA, at http://www.ers.usda.gov/data/FarmIncome/finfidmu.htm.

[2] For a more detailed discussion and presentation of statistics on the issues discussed in this report, see Agricultural Income and Finance Outlook, AIS-86, ERS, USDA, December 2008.

Calendar Year 2009: Farm Income Forecast Down

USDA forecasts another good year for the farm economy in 2009, but earnings will likely be down from the preceding two years (2007 and 2008) as commodity prices have weakened substantially for most major field crops and livestock products heading into 2009 (**Figure 2** and **Figure 3**). USDA forecasts net farm income at the $71.2 billion, down 20% from the previous year's record $89.3 billion (**Table 1**).[3] When measured in cash terms, net cash income in 2009 is projected down about 17% to $77.3 billion, compared with the previous year's record of $94.4 billion (**Figure 1**). Net cash income is projected to fall less than net farm income because of the carryover of unsold crops from 2008 for sale in 2009.

Figure 1. Annual U.S. Farm Sector Income, 1960 to 2009F



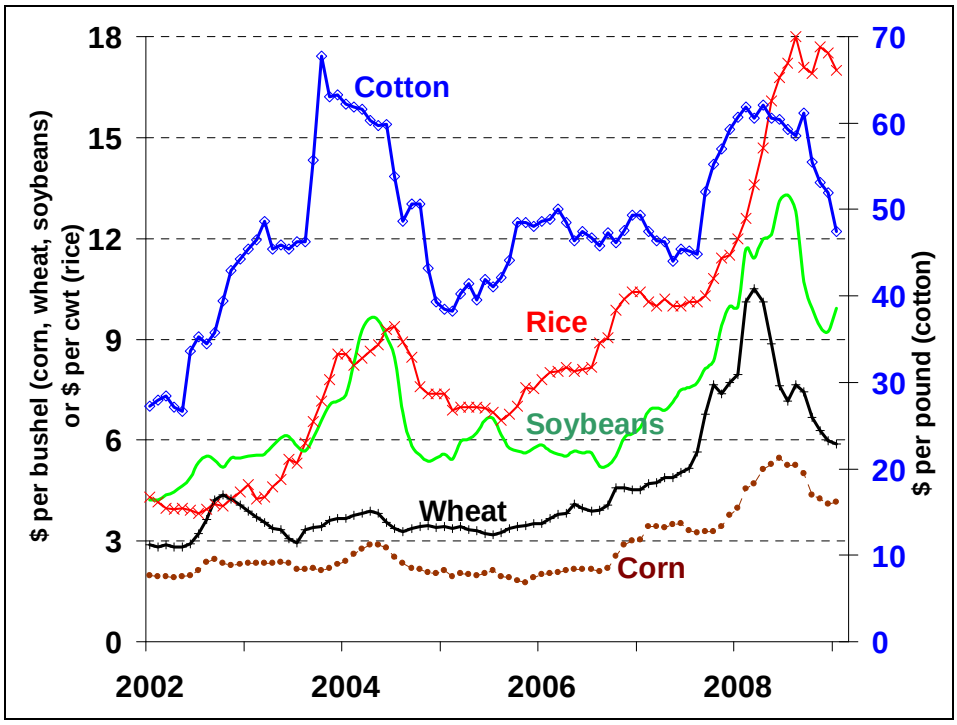
Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: All values are in nominal terms, i.e., not adjusted for inflation. 2008 is preliminary, 2009 is forecast.

The record farm income levels achieved in 2008 were driven largely by record high prices for most agricultural commodities. From a historical perspective, the six years extending from 2003 through 2008 represent the six highest years for U.S. farm income on record. USDA's 2009 forecast would extend that period to a seventh year. National net cash income averaged nearly $81 billion per year since 2003, well above the previous single-year high of $60.8 billion achieved first in 1993 and again in 1997.

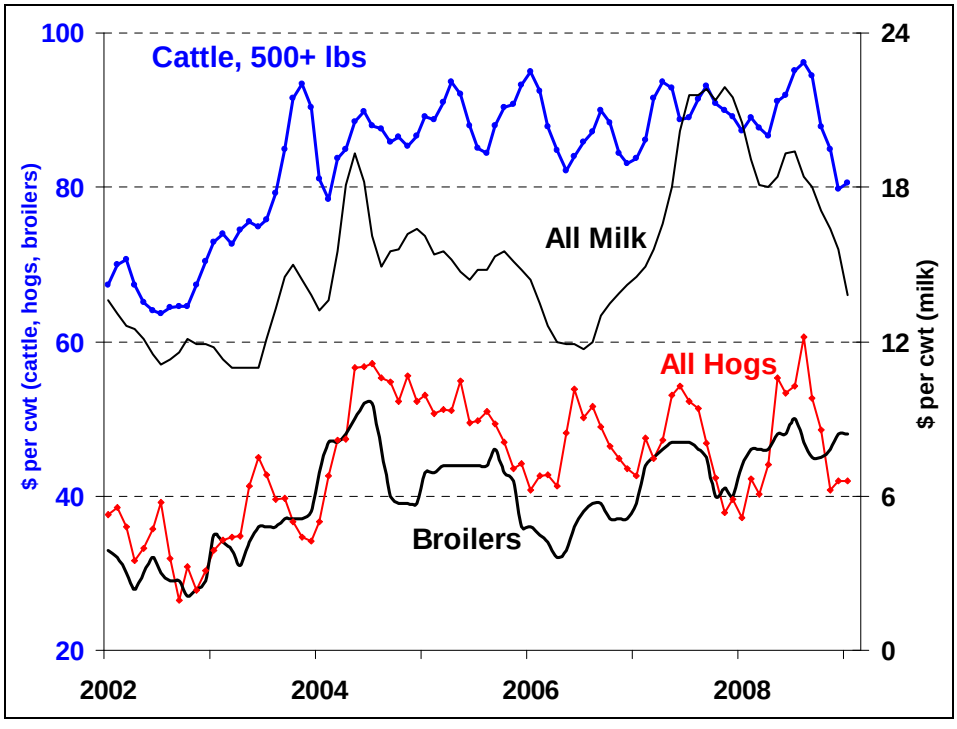
[3] ERS's 2009 farm sector income forecast, last updated on February 12, 2009, is available at the Farm Income and Costs Briefing Room, at http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm.

Figure 2. Monthly Farm-Prices-Received for Major Field Crops



Source: USDA, National Agricultural Statistics Service.

Figure 3. Monthly Farm-Prices-Received for Major Livestock Products



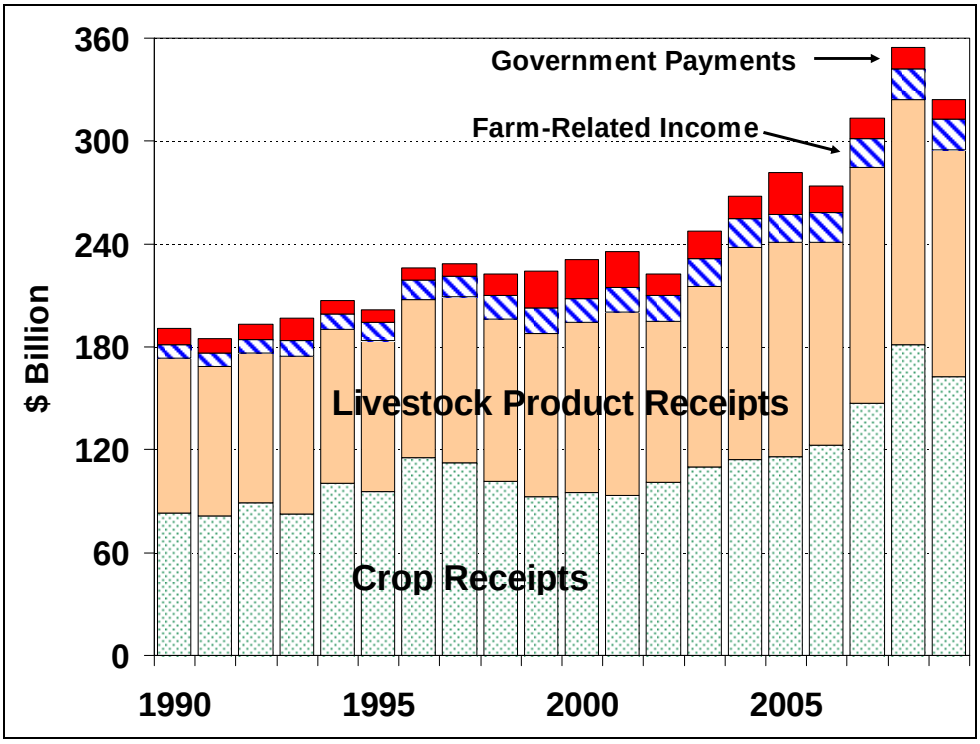
Source: USDA, National Agricultural Statistics Service.

Note: cwt = hundredweight or units of 100 lbs.

Cash Receipts

Most crop and livestock prices are expected to be substantially lower in the 2008/2009 marketing year (crops) and the 2009 calendar year (livestock) (**Table 4**). As a result, crop receipts are forecast down 10% while livestock receipts are forecast nearly 8% lower. The combined value of cash receipts from sales of both crop and livestock commodities is projected at $294.6 billion in 2009, down almost $30 billion from the previous year's record amount (**Table 1** and **Figure 4**). Broiler prices are the major exception to the declining price pattern as USDA forecasts a third consecutive year of higher broiler prices. However, a precipitous forecast drop (down 38%) in producer milk prices is expected to lead the decline in livestock receipts.

Figure 4. Farm Cash Receipts by Source, 1990 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

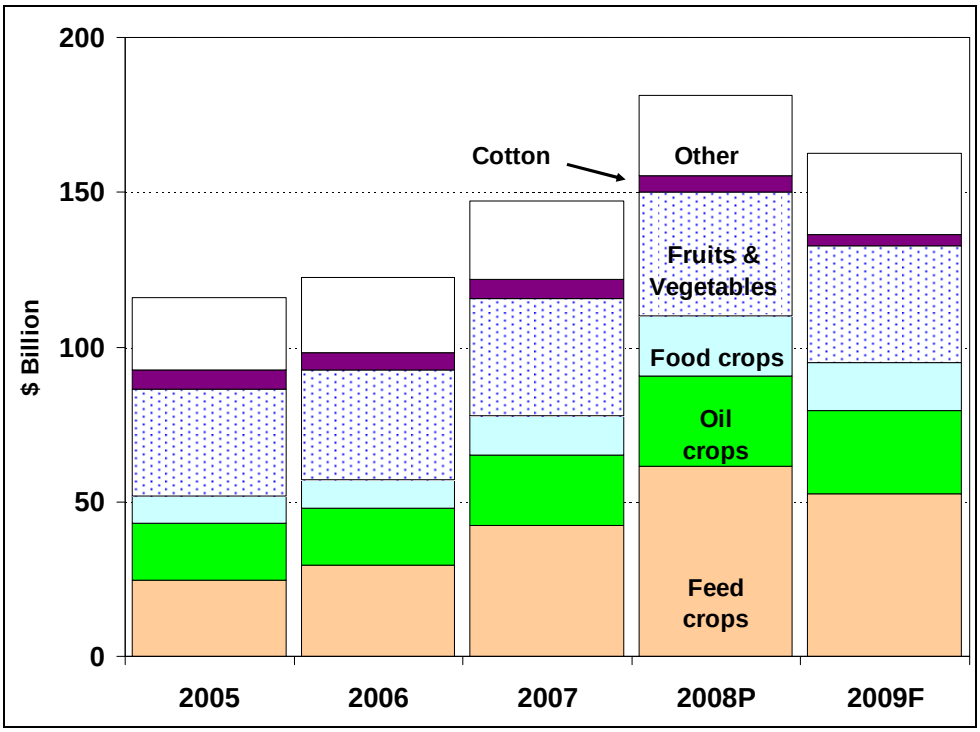
Notes: 2008 is preliminary, 2009 is forecast. Receipts from crop and livestock product sales, and government payments, are described in more detail below. Farm-related income includes income from custom work, machine hire, agri-tourism, forest product sales, insurance indemnities, and cooperative patronage dividend fees.

In recent years, U.S. domestic demand has been supported by the rapid emergence of the U.S. agriculture-based ethanol industry. In addition, strong export demand through 2007 and the first half of 2008, aided in part by a weak dollar, helped to draw stocks for major grains and oilseeds to historically low levels in 2008, thus supporting higher market prices. However, the economic conditions that persist in early 2009—a global financial crisis, economic recession, rising unemployment, limited credit availability, and plummeting asset values—have contributed to a severe weakening of consumer demand. As a result, domestic and international demand for biofuels, as well as meat and dairy products (and subsequent feed grain) has eroded dramatically.

Crops

Slumping commodity prices, although highly volatile since mid-2008, are expected to result in lower crop cash receipts in 2009 at $162 billion, down 10% (**Figure 5**). Sales of field crops (i.e., feed, food, and oil crops) are expected to decline over 14% from 2008 to $98.7 billion. This total includes feed crop (i.e., corn, sorghum, barley, and oats) sales of $52.4 billion, down 15%, food crop (i.e., wheat and rice) sales of $15.3 billion, down 22%, and oil crop (i.e., soybeans, sunflowers, rapeseed/canola, and other minor oilseeds) sales of $27.2 billion, down 7%. Corn cash receipts alone are projected down by $8 billion in 2009, while wheat receipts decline by over $4 billion. Cotton sales are forecast at $3.8 billion, a decline of nearly 24% due to lower plantings and output in 2008, and sharply falling prices since mid-2008.

Figure 5. Crop Cash Receipts by Source, 2005 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: 2008 is preliminary, 2009 is forecast.

During the 2005 to 2008 period, crop output and sales were influenced by the rapid expansion of corn-based biofuel production, due in large part to strong federal incentives. With this strong support, the U.S. corn-based ethanol industry has grown rapidly since mid-2004, when production capacity was estimated at around 3 billion gallons per year, to over 10.8 billion gallons as of December 30, 2008.[4] The U.S. ethanol sector received a substantial boost in December 2007 when the Energy Independence and Security Act (EISA) was signed into law (P.L. 110-140). EISA greatly expands the mandate for corn-based ethanol use from 4.7 billion gallons in 2007 to

[4] Production capacity estimates, Renewable Fuels Association, at http://www.ethanolrfa.org/industry/locations/.

9 billion in 2008 and 15 billion by 2015.[5] As a result of surging ethanol production, an ever-increasing share of the U.S. corn crop (estimated to reach nearly 30% in 2008/2009) has been used to produce ethanol.[6] This additional demand helped to push corn and other crop prices steadily higher during the 2005-to-2008 period as they competed for a fixed amount of cropland (**Table 4**).

However, the ongoing global financial crisis and weakened economies have curtailed demand for energy, feed grain, meat, and dairy products (among other consumer goods), thereby pushing energy and commodity prices lower. The U.S. ethanol industry has been under substantial pressure and some restructuring is underway. In the meantime new plant construction has slowed dramatically and utilization of existing plant capacity has declined. As a result, USDA has gradually lowered its projection of corn-for-ethanol use in the 2008/2009 corn marketing year from 4 billion bushels to 3.6 billion bushels.[7] This pull-back in corn demand from the biofuels sector, combined with a weak export market and declining feed demand from the livestock sector (see below), has contributed to softer commodity prices for feed grains and other field crops.

Fruit and tree nuts are expected to experience price declines in 2009, thereby contributing to lower cash receipts, while vegetable and melon receipts are expected to decline due to lower acreage and production in 2009. Cash receipts for the "Other" crops category are expected to increase for all its major components, including greenhouse and nursery, tobacco, and both sugarcane and sugarbeets.

Livestock

The livestock sector is projected to account for about 44% of total farm cash receipts in 2009, unchanged from 2008. As with crop sales, the value of livestock product sales also is forecast lower in 2009 at $132.2 billion, down 8% from the previous year's record of $143.1 billion (**Figure 6**).

Declining market prices for most major livestock categories—particularly for beef, poultry, and hogs—in 2009 are expected to be the driving factor behind lower cash receipts for livestock products. Most notable are sharply lower price forecasts for milk heading into 2009. Milk prices are projected about 38% lower in 2009, eggs are forecast down about 4.5%, choice steers down 3.5%, and hogs prices down slightly by 0.7% (**Table 4**). Broilers are the exception as they are forecast to experience a third consecutive year of increase into the 81-to-87-cents-per-pound range in 2009.

Despite their price declines, beef and hog receipts are forecast up slightly (1.4% and 2.5%, respectively) on high slaughter numbers that partially offset the lower prices, while broiler receipts are forecast up 4% over 2008. However considerable uncertainty surrounds the export markets for beef, pork, and poultry meat in 2009. Egg receipts are forecast 3.8% lower in 2009 due to lower supplies during the first half of 2009 and weaker prices through the year.

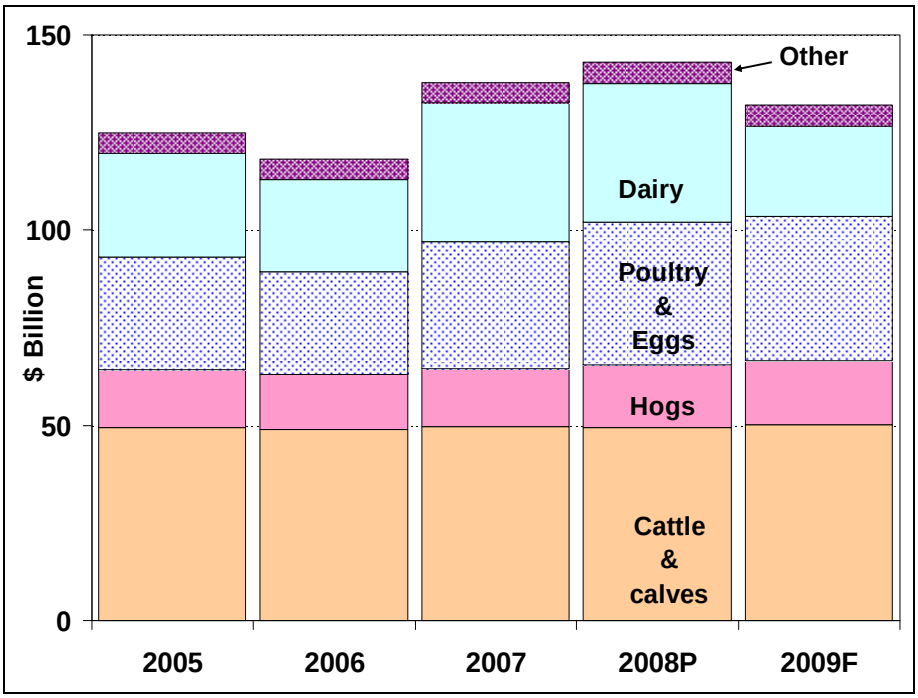
Dairy cash receipts are forecast 35% lower in 2009, due primarily to sharply weaker milk prices (forecast down 38%). Dairy supplies are expected to remain similar to 2008.

[5] For more information see CRS Report R40110, *Biofuels Incentives: A Summary of Federal Programs*, by Brent Yacobucci.

[6] USDA, World Agricultural Outlook Board, World Agricultural Supply and Demand Estimates, Feb. 10, 2009.

[7] Ibid.

Figure 6. U.S. Livestock Product Cash Receipts by Source, 2005 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: 2008 is preliminary, 2009 is forecast.

Government Payments

Direct government payments are forecast at $11.4 billion in 2009, down about 8% from $12.4 billion in 2008 and well below the record of $24.4 billion in 2005. The biggest drop-off in government payments is a decline of $2.4 billion forecast to occur for ad hoc and emergency disaster assistance—which (along with other emergency assistance) has figured heavily in farm sector income in most of the previous 20 years (1989-2008).[8] Ad hoc and emergency disaster assistance is projected at $0.26 billion in 2009. The 2008 farm bill (P.L. 110-246) created a permanent fund for disaster assistance, the Agricultural Disaster Relief Trust Fund. Producers in disaster counties who are eligible for Supplemental Revenue Assistance (SURE) payments made from this trust fund will not begin receiving payments until calendar year 2010.

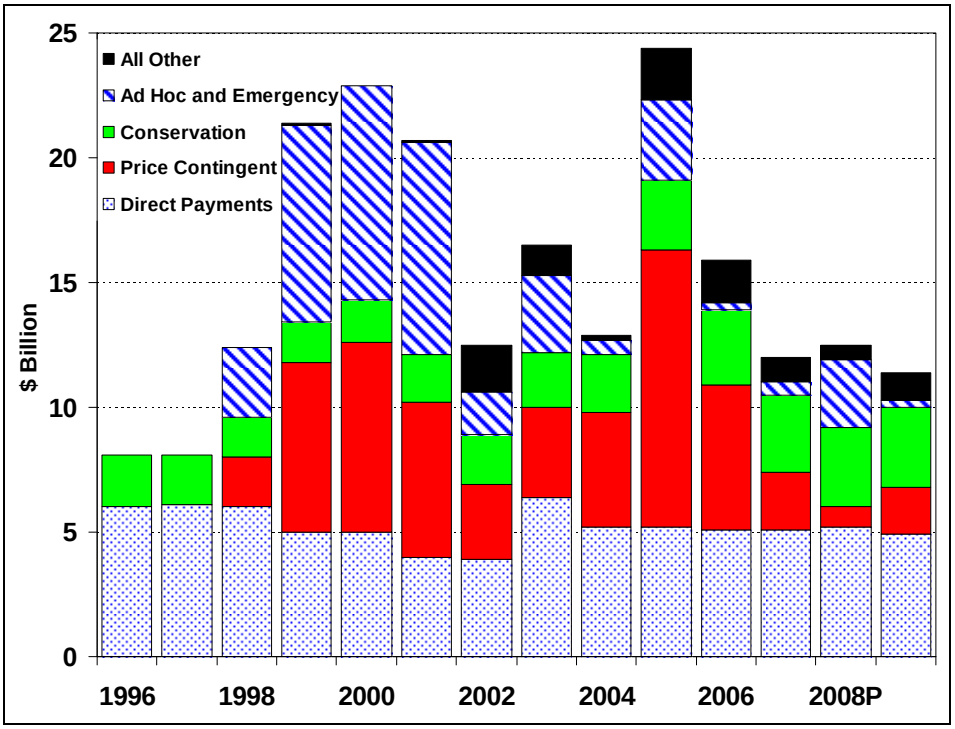
Lower market prices forecast for 2009 are expected to generate moderate increases in payments under the two major price-contingent programs—counter-cyclical payments (CCP), which are projected to increase to about $1.2 billion, and marketing loan benefits (loan deficiency payments, marketing loan gains, and certificate exchange gains), which are projected to rise slightly to about $0.7 billion in 2009.[9] Payments under the Milk Income Loss Contract Program

[8] For more information, see CRS Report RL31095, *Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2009*, by Ralph M. Chite; and CRS Report RS21212, *Agricultural Disaster Assistance*, by Ralph M. Chite.

[9] For more information on commodity programs, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke.

(MILC)—which compensates dairy producers when domestic milk prices fall below a specified level—are also expected to rise to about $0.7 billion due to the falling milk prices.

Figure 7. U.S. Government Farm Support, Direct Outlays, 1996 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/; and USDA, Risk Management Agency, Current Year-to-Date National Summary of Business Reports, at http://www.rma.usda.gov/data/sob.html.

Notes: Data are on a fiscal year basis and may not correspond exactly with the crop or calendar year; 2008 is preliminary, 2009 is forecast. Direct payments include production flexibility contract payments enacted under the 1996 farm bill and fixed direct payments of the 2002 and 2008 farm bills; price-contingent outlays include loan deficiency payments (LDPs), marketing loan gains, and counter-cyclical payments (CCPs); conservation outlays include Conservation Reserve Program (CRP) payments along with other conservation program outlays; Ad Hoc and Emergency includes emergency supplemental crop and livestock disaster payments and market loss assistance payments for relief of low commodity prices; and "all other" outlays include peanut quota buyout payments, milk income loss payments, tobacco transition payments, and other miscellaneous expenditures.

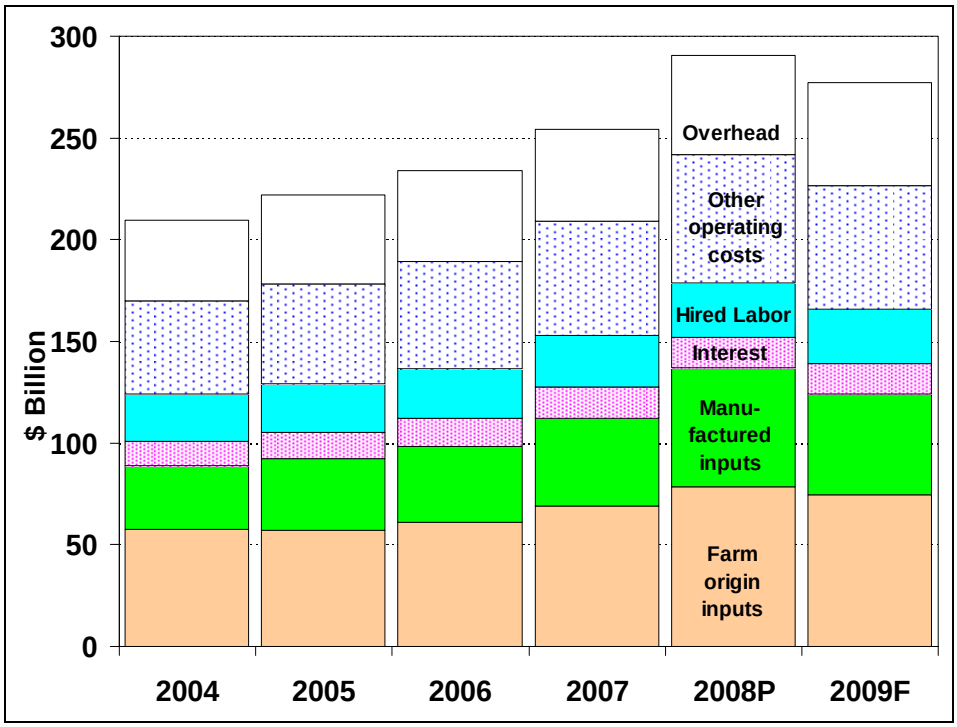
In contrast, farm fixed direct payments, whose payment rates are fixed in legislation and are not affected by the level of program crop prices, are expected to decline slightly due to producers giving up a portion of their direct payments upon enrolling in the Average Crop Revenue Program (ACRE) in 2009.

Conservation payments have grown slowly but steadily since 1998; however, they are expected to remain steady at about $3.2 billion in 2009.

Production Expenses

Falling prices for major farm inputs (including fertilizers, feed, and fuels) are expected to lower total production expenses by nearly 5% to $277.1 billion in 2009, down $13.5 billion from 2008's record level (**Figure 8** and **Figure 9**).

Figure 8. Farm Cash Production Expenses by Source 2004 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

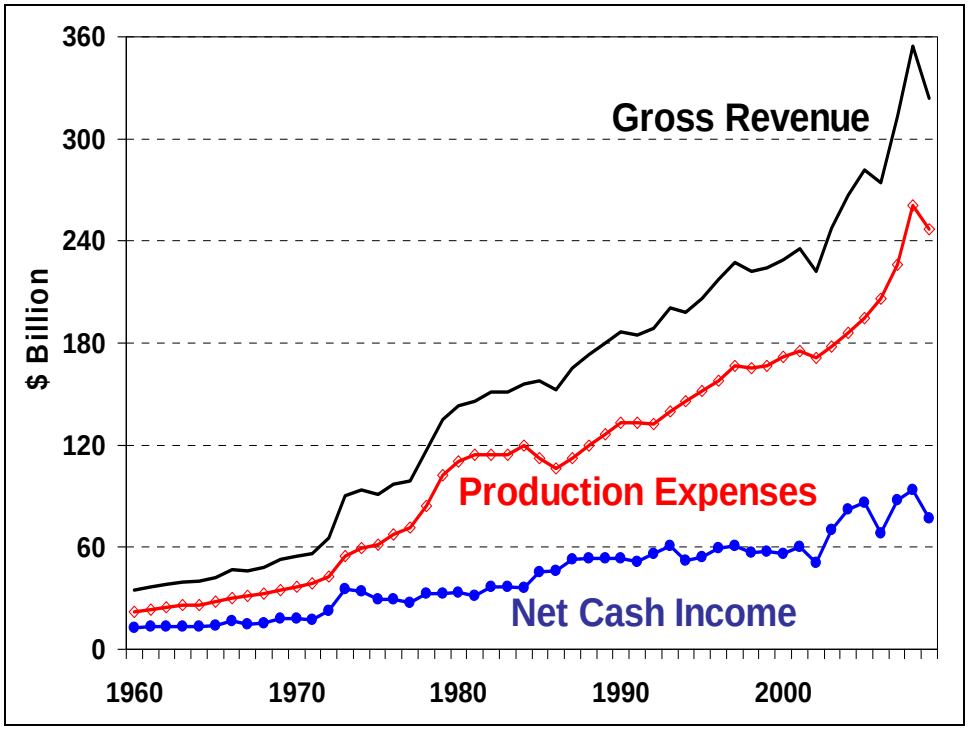
Notes: 2008 is preliminary, 2009 is forecast. Farm origin inputs include purchases of feed, livestock and poultry, and seed. Manufactured inputs include fertilizers and lime, pesticides, petroleum fuel and oils, and electricity. Other operating costs include repair and maintenance of capital items, machine hire and custom work, marketing storage, transportation expenses, and other miscellaneous expenses. Overhead expenses include property taxes, net rent to a non-operator landlord, and capital consumption.

Manufactured inputs—fertilizer, fuels, electricity, and pesticides—which account for about 18% of farm expenses, are expected to decline nearly 16% in expenditures in 2009. Another major farm expense for livestock producers is feed costs. Lower forecast prices for most feed grains are expected to sharply lower feed costs (classified as farm-origin inputs) to $40.8 billion, down nearly 10% year-to-year for livestock producers. Costs for other farm-origin inputs, livestock and seed, are forecast up slightly.

Costs for hired labor and other operating expenses are forecast slightly lower in 2009, due in large part to a weakening labor market and lower energy costs.

Figure 9. U.S. Farm Gross Revenue, Production Expenses, and Net Income, Since 1960

(cash basis)



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: All values are in nominal terms, i.e., not adjusted for inflation. 2008 is preliminary, 2009 is forecast.

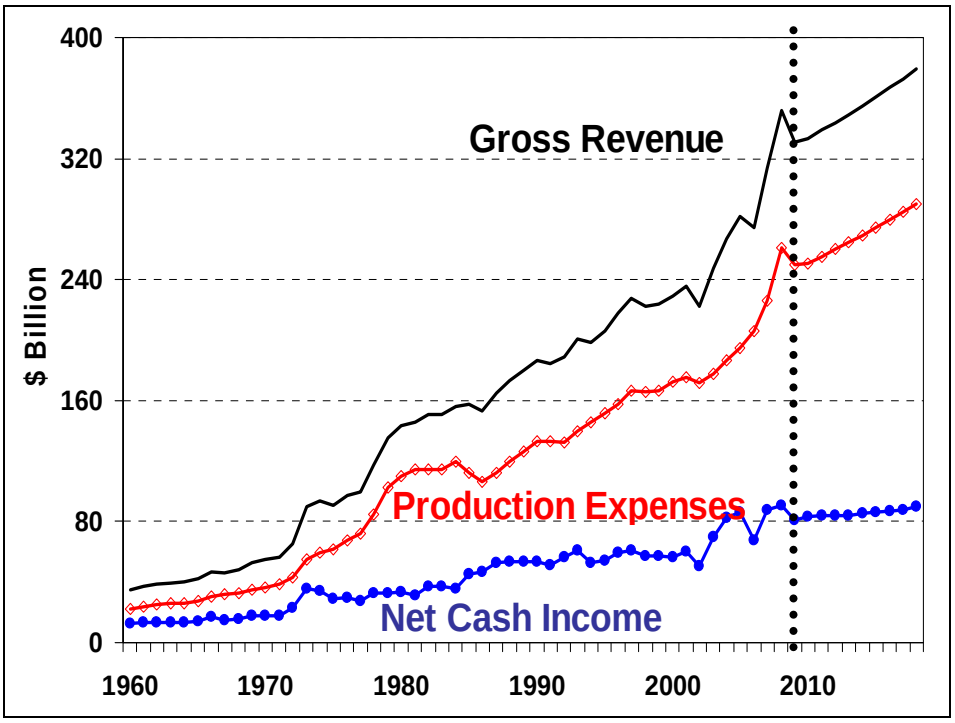
Long-Run Farm Income Projections to 2018

Every February, USDA releases its 10-year long-run agricultural projections for the U.S. farm sector. These annual projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The most recent projections cover the period 2009-2018.[10] The projections are highly conditional on critical long-term assumptions made for U.S. and international macroeconomic conditions, U.S. and foreign agricultural and trade policies, and growth rates of agricultural productivity in the United States and abroad. The macroeconomic assumptions were completed in October 2008. The report uses as a starting point the short-term projections from the November 2008 World Agricultural Supply and Demand Estimates report.

Accordingly, looking out over the 2009-2018 period, USDA projects that net farm income declines in the near term from the high levels of 2007 and 2008, but remains historically strong and rebounds to near-record levels by the end of the projections (**Figure 10**). Key points that emerge from the USDA farm income projections include:

[10] *USDA Agricultural Projections to 2018*, OCE-2009-1, USDA, Economic Research Service, February 2009; available at http://www.ers.usda.gov/Briefing/Baseline/.

Figure 10. USDA Long-Run Farm Income Projections, 2010-2019



Source: *USDA Agricultural Projections to 2018*, OCE-2009-1, USDA, ERS, February 2009.

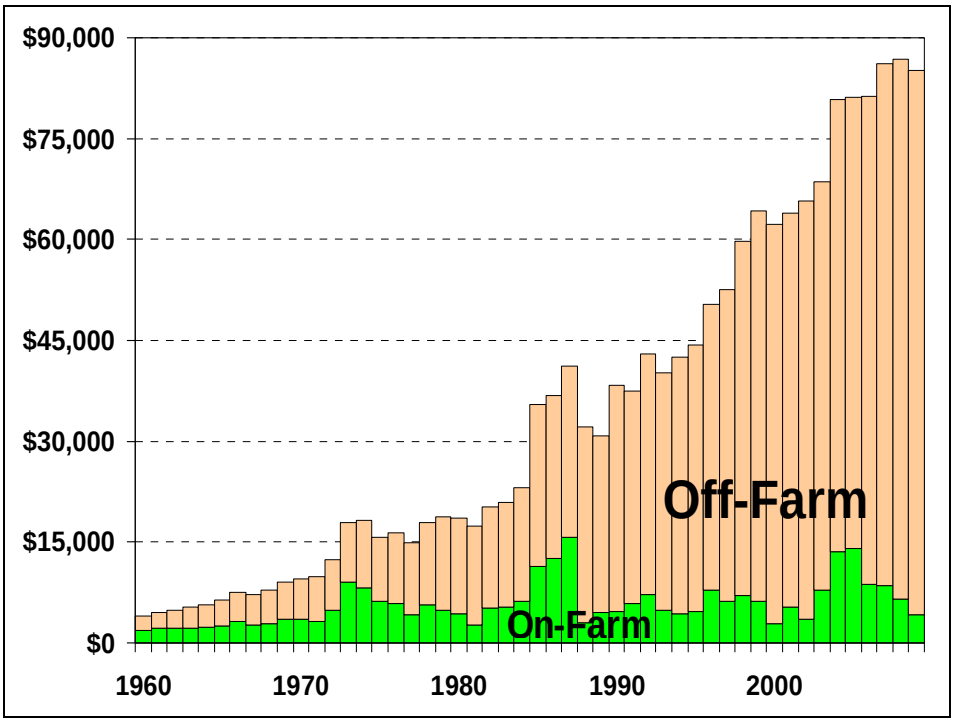
Notes: Data for years 2009 through 2018 are conditional USDA projections.

- The ongoing world economic slowdown underpins a retreat in global consumption, trade, and prices in the near term, reducing the U.S. agricultural trade value and farm income from 2008 levels.
- However, once global economies recover, steady domestic and international economic growth supports gains in the U.S. agricultural sector.
- Sustained biofuel demand and strengthening global food demand provide a major impetus for projections of rising cash receipts after 2009.
- Thus, after declining in the near term, farm income and U.S. agricultural trade grow through the rest of the projection period.
- Lower government payments (which result in large part from strengthening commodity prices) and rising farm production expenses offset some of the gains in cash receipts and other sources of farm income.

Average Farm Household Income

Average farm household income is forecast at $85,140 in 2009, down slightly from the record of $86,798 in 2008. The share of farm income derived from off-farm sources has been increasing steadily in recent decades. In 2009, off-farm income sources are forecast to account for over 95% of the national average farm household income, compared with less than 5% from farming activities (**Figure 11**).

Figure 11. U.S. Average Farm Household Income, by On- and Off-Farm Sources, Since 1960



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at [http://www.ers.usda.gov/Briefing/FarmIncome/].

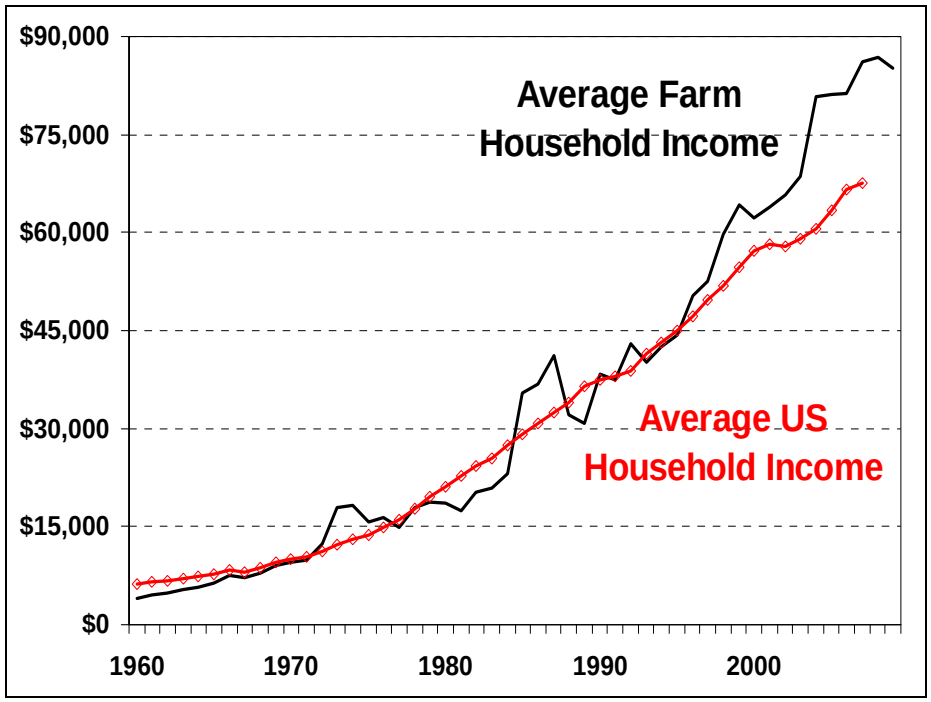
Notes: 2008 is preliminary, 2009 is forecast.

The share of income from farming increases with farm size (as measured by gross sales). "Large" commercial farm households (farms with annual sales between $250,000 and $499,999), on average, obtained 60% of their total household income from farming activities in 2007, while "very large" family farms (farms with annual sales in excess of $500,000) obtained nearly 80% of household income on-farm.[11] These two classes of farms represented slightly less than 8% of family farms. Intermediate family farms (farms with annual sales in excess of $100,000 but less than $250,000) represented about 28% of family farms and obtained about 32% of household income from on-farm sources. The remaining 64% of family farms are classified as rural residence farms and either receive little or no income from farm sources or have a total income level that qualifies them as limited-resource farms.

Over the past decade, farm household incomes have surged ahead of average U.S. household incomes (**Figure 12** and **Figure 13**). In 2007 (the last year for which comparable data were available), the average farm household income of $86,233 was nearly 28% higher than the average U.S. household income of $67,609 (**Table 2**).

[11] For more information on farm typology, see the ERS Briefing Room, *Farm Household Economics and Well-Being: Farm Operator Household Income Forecasts*, at http://www.ers.usda.gov/Briefing/WellBeing/farmhouseincome.htm.

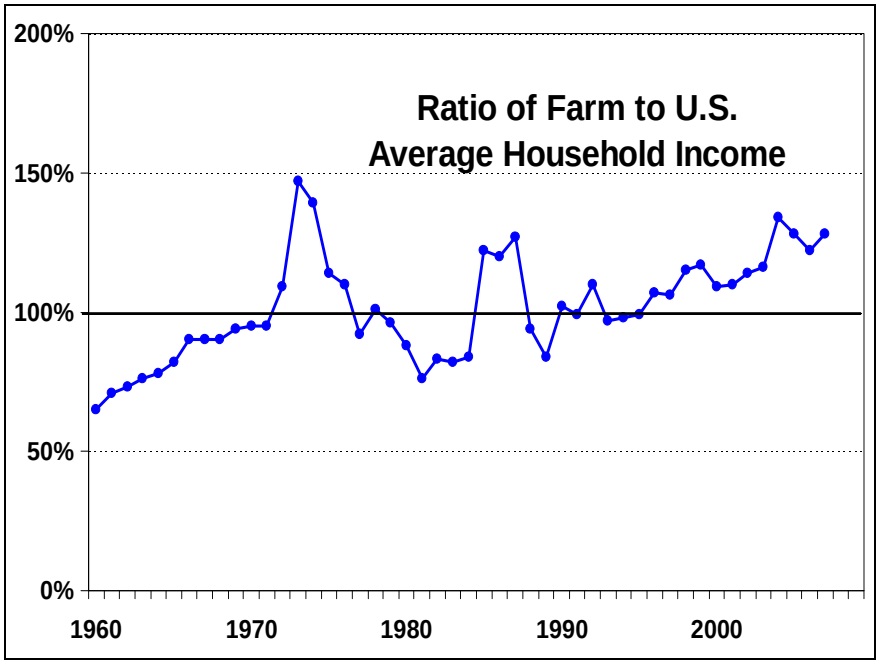
Figure 12. Comparison of Farm to U.S. Average Household Income Since 1960



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Note: 2008 is preliminary, 2009 is forecast.

Figure 13. Ratio of Farm to U.S. Average Household Income Since 1960



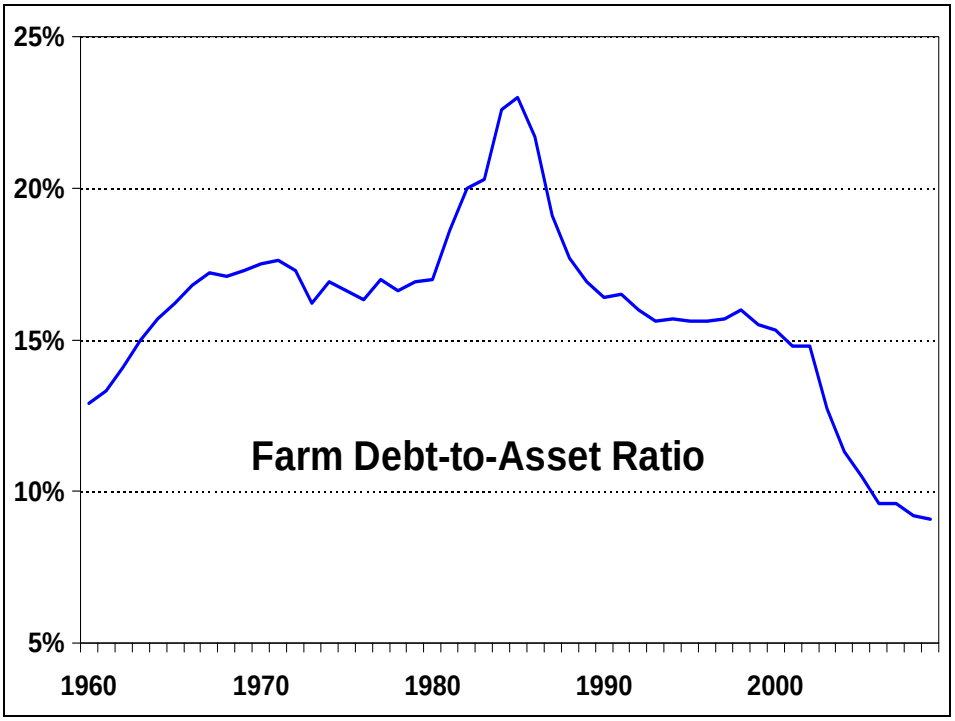
Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Note: 2007 is the last year with comparable data.

Farm Asset Values and Debt

Farm asset values—which reflect farm investors' and lenders' expectations about long-term profitability of farm sector investments—are projected up 1.6% in 2009 to a record $2,388 billion, on the strength of continued growth in real estate values. Farm debt is projected up $2 billion from the previous year's record to $217.1 billion in 2009. As a result, farm equity (or net worth, defined as asset value minus debt) is projected at a record $2,171 billion, while the farm debt-to-asset ratio in 2009 is expected to decline to a 50-year low of 9.1%. The U.S. farm debt-to-asset ratio peaked in 1985 at 23%.

Figure 14. U.S. Farm Debt-to-Asset Ratio Since 1960



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," February 12, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Note: 2008 is preliminary, 2009 is forecast.

Table 1. Annual U.S. Farm Income Since 2002

($ billions)

Item	2002	2003	2004	2005	2006	2007	2008[a]	2009[b]
1. Cash receipts	195.0	215.6	237.2	240.9	240.8	284.8	324.2	294.6
Crops[c]	101.0	109.9	113.6	116.0	122.6	147.0	181.1	162.4
Livestock	94.0	105.6	123.6	124.9	118.2	137.9	143.1	132.2
2. Government payments[d]	12.4	16.5	13.0	24.4	15.8	11.9	12.4	11.4
Fixed direct payments[e]	3.9	6.4	5.2	5.2	5.1	5.1	5.2	4.9
CCP[f]	0.2	2.3	1.1	4.1	4.0	1.1	0.7	1.2
Marketing Loan Benefits[g]	2.8	1.3	3.5	7.1	1.8	1.1	0.1	0.7
Conservation	2.0	2.2	2.3	2.8	3.0	3.1	3.2	3.2
Ad hoc and emergency	1.7	3.1	0.6	3.2	0.3	0.5	2.7	0.3
All other[h]	1.9	1.2	0.2	2.1	1.7	1.0	0.6	1.1
3. Farm-related income[i]	14.8	15.7	17.1	16.2	17.5	16.6	17.7	18.1
4. Gross cash income (1+2+3)	222.2	247.8	267.3	281.5	274.1	313.4	354.3	324.1
5. Cash expenses[j]	171.6	177.6	185.0	194.8	206.0	226.0	260.9	246.8
6. NET CASH INCOME	50.7	70.2	82.3	86.6	68.0	87.4	93.4	77.3
7. Total gross revenues[k]	233.6	260.0	295.6	301.1	292.4	341.1	379.9	348.3
8. Total production expenses[l]	193.4	200.3	209.8	221.8	233.9	254.4	290.6	277.1
9. NET FARM INCOME	40.2	59.7	85.8	79.3	58.5	86.8	89.3	71.2

Source: USDA, Economic Research Service, briefing rooms: *Farm Income and Costs: Farm Sector Income*, and *Costs: Farm Sector Income*, available at http://www.ers.usda.gov/Briefing/FarmIncome/; U.S. farm income data updated as of February 12, 2009.

a. Data for 2008 are preliminary and may still be subject to revision.

b. Data for 2009 are USDA forecasts.

c. Includes Commodity Credit Corporation loans under the farm commodity support program.

d. Government payments reflect payments made directly to all recipients in the farm sector, including landlords. The non-operator landlords' share is offset by its inclusion in rental expenses paid to these landlords and thus is not reflected in net farm income or net cash income. For more information on U.S. farm commodity

programs, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke; for more information on conservation programs see CRS Report RL34557, *Conservation Provisions of the 2008 Farm Bill*, by Tadlock Cowan, Renée Johnson, and Megan Stubbs.

e. Direct payments include production flexibility payments of the 1996 Farm Act through 2001, and fixed direct payments under the 2002 Farm Act since 2002.

f. CCP = counter-cyclical payments.

g. Includes loan deficiency payments (LDP); marketing loan gains (MLG); and commodity certificate exchange gains.

h. Peanut quota buyout, milk income loss payments, and other miscellaneous program payments.

i. Income from custom work, machine hire, agri-tourism, forest product sales, and other farm sources.

j. Excludes depreciation and perquisites to hired labor.

k. Gross cash income plus inventory adjustments, the value of home consumption, and the imputed rental value of operator dwellings.

l. Cash expenses plus depreciation and perquisites to hired labor.

Table 2. Average Annual Income per U.S. Household, Farm versus All, 2002-2008

($ per household)

	2002	2003	2004	2005	2006	2007	2008	2009
Average U.S. Farm Income by Source								
On-Farm Income	$3,477	$7,884	$13,564	$13,996	$8,750	$8,605	$6,511	$4,144
Off-Farm income	$62,284	$60,713	$67,279	$67,091	$72,502	$77,618	$80,354	$80,996
Total Farm income	$65,761	$68,597	$80,843	$81,086	$81,251	$86,223	$86,864	$85,140
Average U.S. Household Income	$57,852	$59,067	$60,466	$63,344	$66,570	$67,609	na	na
Farm Household Income as Share of U.S. Avg. Household Income (%)	114%	116%	134%	128%	122%	128%	na	na

Source: USDA, ERS Briefing Room: Farm Household Economics and Well-Being: Historic Data On Farm Operator Household Income, at http://www.ers.usda.gov/Briefing/WellBeing/Gallery/historic.htm; as of February 12, 2009.

Table 3. Average Annual Farm Sector Debt-to-Asset Ratio, 2002-2008F

($ billions)

	2002	2003	2004	2005	2006	2007	2008	2009
Farm Assets	$1,304.0	1,378.8	1,617.6	1,835.5	2,047.4	2,209.9	2,349.7	2,388.2
Farm Debt	193.3	175.1	183.0	193.2	196.4	211.5	215.1	217.1
Farm Equity	1,110.7	1,203.6	1,434.6	1,642.2	1,851.0	1,998.4	2,134.5	2,171.1
Debt-to-Asset Ratio (%)	14.8%	12.7%	11.3%	10.5%	9.6%	9.6%	9.2%	9.0%

Source: USDA, ERS Briefing Room: Farm Household Economics and Well-Being: Farm Business Balance Sheet,, at http://www.ers.usda.gov/data/FarmBalanceSheet/fbsdmu.htm; as of February 12, 2009.

Note: 2008 is projected.

Table 4. U.S. Prices and Support Rates for Selected Farm Commodities Since 2002

Commodity[a]	Unit	Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09F[b]	% change from 2007/08[c]	2009/10F	% change from 2008/09[d]	Loan rate[e]	Target Price
Wheat	$/bu	Jun-May	3.40	3.40	3.42	4.26	6.48	6.70-6.90	4.9%	—	—	2.75	3.92
Corn	$/bu	Sep-Aug	2.42	2.06	2.00	3.04	4.20	3.65-4.15	-7.1%	—	—	1.95	2.63
Sorghum	$/bu	Sep-Aug	2.39	1.79	1.86	3.29	4.08	3.05-3.35	-21.6%	—	—	1.95	2.57
Barley	$/bu	Jun-May	2.83	2.48	2.53	2.85	4.02	4.95-5.35	46.8%	—	—	1.85	2.44
Oats	$/bu	Jun-May	1.48	1.48	1.63	1.87	2.63	3.00-3.20	17.9%	—	—	1.33	1.44
Rice	$/cwt	Aug-Jul	8.08	7.33	7.65	9.96	12.80	16.00-17.00	28.9%	—	—	6.50	10.50
Soybeans	$/bu	Sep-Aug	7.34	5.74	5.66	6.43	10.10	8.75-9.75	-8.4%	—	—	5.00	5.80
Soybean oil	¢/lb	Oct-Sep	30.0	23.0	23.4	31.0	52.0	31.0-34.0	-37.5%	—	—	—	—
Soybean meal	$/st	Oct-Sep	256.1	182.9	174.2	205.4	335.9	265-305	-15.2%	—	—	—	—
Cotton, Upland	¢/lb	Aug-Jul	61.8	41.6	47.7	46.5	59.3	47.0-54.0	-14.8%	—	—	52.00	71.25
Choice Steers	$/cwt	Jan-Dec	84.7	84.8	87.3	85.4	91.8	92.27	0.5%	86-92	-3.5%	—	—
Barrows/Gilts	$/cwt	Jan-Dec	39.5	52.5	50.1	47.3	47.1	47.84	1.6%	46-49	-0.7%	—	—
Broilers	¢/lb	Jan-Dec	62.0	74.1	70.8	64.4	76.4	79.7	4.3%	81-87	5.4%	—	—
Eggs	¢/doz	Jan-Dec	87.9	82.2	65.5	71.8	114.4	128.3	12.2%	119-126	-4.5%	—	—
Milk	$/cwt	Jan-Dec	12.52	16.05	15.14	12.90	19.13	18.32	-4.2%	10.95-11.65	-38.3%	—	—

Source: Various USDA agency sources as described in the notes below.

a. Season average farm price for grains and oilseeds are from USDA, National Agricultural Statistical Service, Agricultural Prices. Calendar year data is for the first year, e.g., 2000/2001 = 2000; F = forecast from World Agricultural Supply and Demand Estimates (WASDE) February 10, 2009;—= no value; and USDA's out-year 2009/2010 crop price forecasts will first appear in the May 2009 WASDE report. WASDE reports are available at http://www.usda.gov/oce/commodity/wasde/. Soybean and livestock product prices are from USDA, Agricultural Marketing Service (AMS): soybean oil—Decatur, IL, cash price, simple average crude; soybean meal—Decatur, IL, cash price, simple average 48% protein; choice steers—Nebraska, direct 1100-1300 lbs.; barrows/gilts—national base, live equivalent 51%-52% lean; broilers—wholesale, 12-city average; eggs—Grade A, New York, volume buyers; and milk—simple average of prices received by farmers for all milk.

b. Data for 2008/2009 and 2009/2010 are USDA forecasts.

c. Percent change from 2007/2008, calculated using the difference from the midpoint of the range for 2008/2009 with the estimate for 2007/2008.

d. Percent change from 2008/2009, calculated using the difference from the midpoint of the range for 2009/2010 with the estimate for 2008/2009.

e. Loan rate and target prices are for the 2008/2009 crop year. For more information, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke.

Author Contact Information

Randy Schnepf
Specialist in Agricultural Policy
rschnepf@crs.loc.gov, 7-4277