

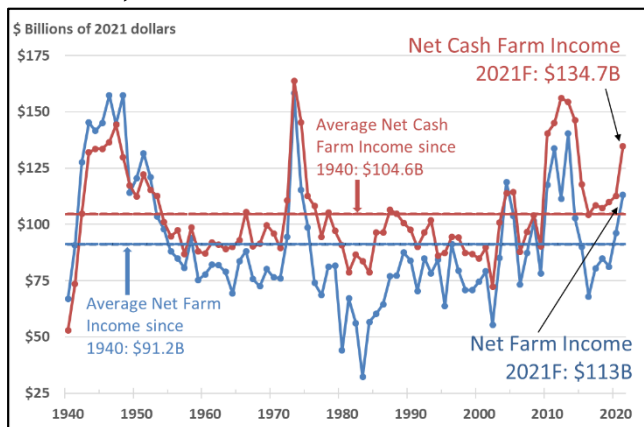
September 29, 2021

U.S. Farm Income Outlook: September 2021 Forecast

USDA Projects Higher Farm Income in 2021

Two major indicators of U.S. farm sector financial well-being are net farm income and net cash farm income (see below for an explanation of these indicators). In its September 2021 forecast, the U.S. Department of Agriculture (USDA) Economic Research Service (ERS) anticipates both indicators will be higher for 2021 than 2020 (**Table 1**), and 2021 will be above historic long-run averages (**Figure 1**). ERS expects these increases—driven by projections of higher agricultural commodity prices and earnings from sales in 2021 than in 2020—to more than offset year-on-year decreases in government support and increases in farm expenses. In inflation-adjusted dollars, the 2021 net farm income projection of \$113.0 billion, if realized, would be the highest since 2013. Congress uses the ERS farm income forecast to inform deliberations regarding annual appropriations and farm bill programs.

Figure 1. Farm Sector Inflation-Adjusted Income Measures, 1940-2021



Source: CRS using data from USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

Notes: 2021 F = 2021 forecast. Adjusted for inflation using the Bureau of Economic Analysis (BEA) chain-type GDP deflator where 2021 = 100.

Net Farm Income vs. Net Cash Farm Income

ERS forecasts 2021 net farm income at \$113.0 billion, an increase of \$18.5 billion (19.5%) from 2020. Net farm income represents an accrual value of all goods and services produced on U.S. farms during the year—similar in concept to gross domestic product. Crop production is recorded as the value at harvest, regardless of whether the production is sold or stored on farms. Net farm income also accounts for the imputed rental value of farm dwellings and depreciation of farm equipment—neither of which is included in net cash farm income.

ERS forecasts 2021 net cash farm income at \$134.7 billion, an increase of \$23.8 billion (21.5%) from 2020. Net cash

income measures only cash transactions for the year and is a measure of current funds available for the sector. Net cash income records a commodity’s value only after it is sold in the marketplace. Net cash income includes inventory sales of stored commodities from prior years’ harvests.

Table 1. Farm Sector Income Measures, 2019-2021

Item	2019 \$B	2020 \$B	2021 \$B	2020-2021 % Change
1. Cash Receipts	424.3	437.2	486.4	11.3%
Crops	191.6	192.2	230.1	19.7%
Livestock	175.4	165.0	191.5	16.0%
2. Government Payments	22.4	45.7	28.0	-38.6%
3. Farm-Related ^a	34.7	34.3	36.8	7.4%
4. Cash Expenses	317.4	326.3	351.6	7.8%
Net Cash Income (1+2+3-4)	106.9	110.9	134.7	21.5%
5. Gross Income	427.6	451.9	496.5	9.9%
6. Total Expenses ^b	348.6	357.4	383.5	7.3%
Net Farm Income (5-6)	79.1	94.6	113.0	19.5%

Source: CRS using USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

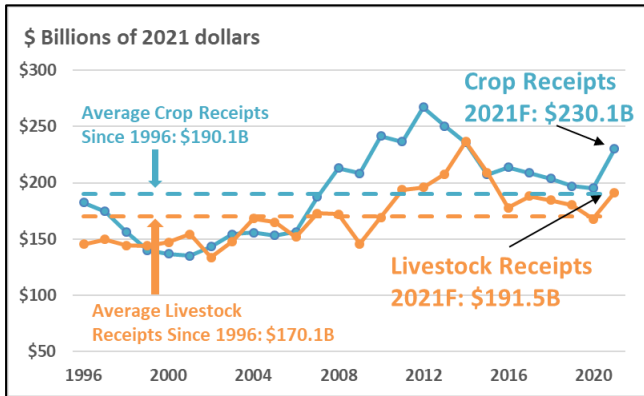
Notes: \$B = billion. 2021 F = 2021 forecast. Not adjusted for inflation.

- a. Includes crop insurance indemnities, custom work, machine hire, agritourism, forest product sales, and other farm sources.
- b. Includes depreciation of capital assets.

Cash Receipts and Expenses Up from 2020

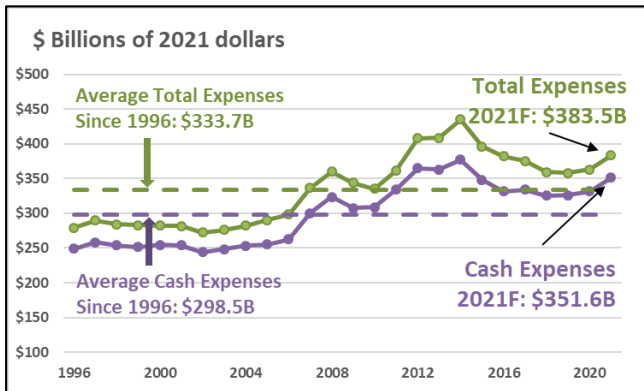
ERS forecasts increased crop receipts by 19.7% and livestock receipts by 16.0% in 2021 compared with 2020. Adjusting for inflation, the 2021 crop and livestock receipt projections, if realized, would be the highest since 2015 and 2016, respectively (**Figure 2**).

ERS forecasts 2021 farm cash expenses and total expenses to increase by 7.8% and 7.3%, respectively, compared with 2020. Adjusting for inflation, the 2021 projections for cash and total expenses, if realized, would be the highest since 2014 and 2015, respectively (**Figure 3**). ERS forecasts increases for several expense categories, with the largest dollar increases for feed costs, livestock and poultry purchases, and fuel and oil expenses.

Figure 2. Farm Sector Inflation-Adjusted Crop and Livestock Receipts, 1996-2021

Source: CRS using data from USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

Notes: 2021 F = 2021 forecast. Values are adjusted for inflation using the BEA chain-type GDP deflator where 2021 = 100.

Figure 3. Farm Sector Inflation-Adjusted Expenses, 1996-2021

Source: CRS using data from USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

Notes: 2021 F = 2021 forecast. All values are adjusted for inflation using the BEA chain-type GDP deflator where 2021 = 100.

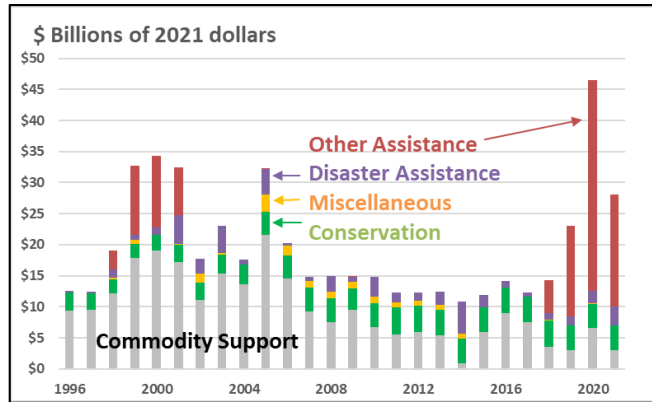
Lower Government Payments Projected

ERS projects 2021 total government direct payments to farmers at \$28.0 billion, a decrease of 38.6% from 2020 (**Figure 4**). These payments occur through a variety of programs and authorities. Farm bill programs consisting of commodity support, conservation, and miscellaneous programs provided the majority of direct payments to farmers from 1996 to 2017. Disaster assistance funds include farm bill-funded programs and ad hoc appropriations. Since 2018, farmers have received other assistance from ad hoc programs created in response to trade retaliation and the Coronavirus Disease 2019 (COVID-19) pandemic. ERS forecasts payments under ad hoc programs will decline in 2021, citing improved market and trade conditions. For details, see CRS Report R46676, *U.S. Farm Income Outlook: December 2020 Forecast*.

Outlook for Farm Businesses by Region

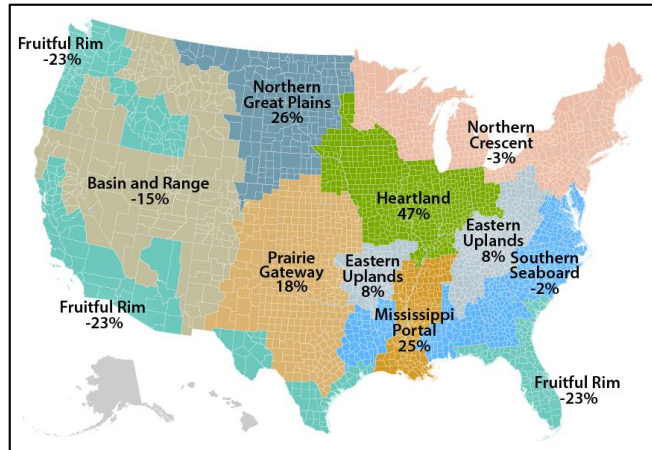
ERS forecasts income by types of farms and geographic regions. *Farm businesses* are the subset of producers who specialize in farming or have annual gross cash incomes of at least \$350,000; they produce approximately 79% of all

U.S. agricultural commodities by value. ERS forecasts average net cash farm income for this subset to increase by 12% in 2021, with the following regions to experience the largest year-over-year income gains: Heartland, Northern Great Plains, and Mississippi Portal (**Figure 5**). ERS forecasts coastal fruit- and vegetable-producing regions to experience the largest year-over-year income declines.

Figure 4. Government Payments to Farmers, 1996-2021

Source: CRS using data from USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

Notes: 2021 data represent a forecast. Values are adjusted for inflation using the BEA chain-type GDP deflator where 2021 = 100.

Figure 5. Change in Average Net Cash Farm Income for Farm Businesses by Resource Region 2021 forecast compared with 2020

Source: USDA, ERS, “2021 Farm Income Forecast,” September 2, 2021.

Notes: Farm businesses are the subset of producers who specialize in farming or have gross cash incomes of at least \$350,000. ERS resource regions include the continental United States only.

The next forecast is expected in December 2021. For information on the prior forecast, see CRS In Focus IF11770, *U.S. Farm Income Outlook: February 2021 Forecast*.

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