

Webinar Transcript:

Farm Income and Financial Forecasts, September 2025 Update

September 3, 2025

Ashley: Good afternoon, everyone. I'm Ashley, your host for today. On behalf of USDA's Economic Research Service, welcome to the Farm Income and Financial Forecast webinar, September 2025 Update. For those of you returning, thank you for your continued interest in ERS research, and to those attending for the first time, we're delighted to have you here.

Before we dive in, let me quickly note that this webinar is being recorded and will be posted to the ERS website within the next week. If you have any questions during today's presentation, please enter them using the Q&A icon, and we'll do our best to address them after the presentation.

Now, it's a pleasure to introduce today's speaker, Carrie Lekowski. Carrie is a Senior Economist and program leader in our Resource and Rural Economics Division. As the farm income team leader, she oversees the planning and implementation of an estimation, research, and analysis program focused on developing sector-wide measures of farm income, value added, and the aggregate farm sector balance sheet. Welcome back, Carrie. I'll go ahead and turn it over to you now.

Carrie: Thank you, Ashley. Good afternoon, everyone. Thank you for joining me online today as I present to you the latest USDA short-run forecasts on farm sector in commonwealth.

Farm income is one of the most frequently cited USDA statistics, which USDA has been producing data on for over 100 years. It provides an overview of the financial performance or profitability of the farm sector as a whole. And it reflects a variety of data points and sources of information. This provides guidance to policymakers, lenders, commodity organizations, farmers, and others. And helps with planning and decision making.

But the U.S. farm sector is diverse, from the range or scope of agricultural commodities produced to the size and characteristics of farm operations and their operators. So, one member doesn't describe all farms.

One objective of this webinar and the data we produce is to explain the drivers of the forecasted change in farm income by looking at the components of farm income. It's to understand the complexity that underlines the farm sector income and wealth forecasts. And then take that information to evaluate how the 2025 outlook might vary across different types of farms or different regions of the country.

We release our forecasts 3 times a year. With today's release, we've updated our U.S.-level calendar year forecasts for 2025 to include some new and revised data as it has become available since our last release in February. This includes some survey-based data on 2025 crop plantings, production, and prices. And it incorporates the latest forecasts from the August World Agricultural Supply and Demand Estimates Report, the WASDE report.

We've also converted our 2024 forecasts into estimates, and with this additional data, we're able to produce our first state-level farm income estimates for 2024. The new and updated data went live on the ERS website at 11 a.m. Eastern Time this morning, along with a written discussion and some charts of our main findings.

So, what does our data cover? It's the farm sector as a whole, which is comprised of nearly 2 million farms and ranches who operate just under 900 million acres of land. About half of those farms are what we consider to be farm businesses, defined as larger farms and those where the principal occupation of the operator is farming. These farm businesses account for over 90% of the total value of agricultural production in the U.S. And we have some additional data and forecasts on their finances. Lastly, we'll look briefly at the well-being of 4.6 million people who live in households that operate a farm.

Here's an overview of what I'll be covering in today's webinar. Starting with farm sector profits as a whole, which are forecast to increase in 2025. First, net cash farm income is forecast at almost \$181 billion, which is a \$40 billion increase from 2024, or a 28% increase. Net farm income is forecast to increase \$52 billion, or almost 41%. Underlying these forecasts and driving the forecast increase are commodity cash receipts, or cash sales, which are forecast to increase \$24 billion, or almost 5%. This is almost... or this is entirely from animal and animal products. Also, direct government payments are forecast at \$40.5 billion, an increase of \$30 billion from 2024. However, dampening income growth a bit are total production expenses, which are forecast to increase \$12 billion or 2.6%. On the farm sector balance sheet, assets, debt, and equity are each forecast to rise about 5% in 2025. And then looking at these farm businesses, these larger farms I talked about on the previous slide, average net cash farm income is forecast to increase 12% to \$127,000. And we'll look at these breakouts for these farm businesses by specialization and region. And lastly, for those households that operate a farm, median total farm household income is forecast to increase almost 7% to just under \$110,000. All values in this slide are in nominal dollars, meaning they are not adjusted for inflation. But many of my slides later on will be inflation adjusted, particularly those that look at data across multiple years.

And that includes this first chart. So here, the data values for years prior to 2025 are put in 2025 to better enable a long-term run comparison. This chart shows our two primary measures of farm sector income, or net profits over the past 20 years. According to both

measures, farm income reached a record high in 2022 and then declined in the next 2 years and it's forecast to increase in 2025. The yellow line is net cash farm income, and it includes cash receipts from farming, or sales of farm commodities as well as cash form-related income and government payments to farm operators less cash expenses, or the costs that farmers incur in order to produce their agricultural commodities. And when we use the word cash, I'm just meaning that there's a market transaction going on there.

For net cash farm income after reaching a record high in 2022, it fell 28% in 2023, and then fell another 12% in 2024. In 2025, net cash farm income is forecast to increase 25% or almost \$37 billion inflation adjusted. The blue line is a broader measure. It's net farm income. That also incorporates non-cashed items, like economic depreciation, and it accounts for changes in inventories. Net farm income fell 22% in 2023, and then fell another 15% in 2024. In 2025, net farm income is forecast to increase 37%, or almost \$49 billion. The forecasts for both measures would put them above their 20-year average.

We forecast farm income from the bottom up, meaning that we forecast its component parts first. And this allows us to identify what is driving the change in income from 2024. In this chart, I'm back to using nominal dollars, so I'm not adjusting for inflation. And most of the forecast increase in net farm income is being driven by government payments and receipts for animal and animal products. In this chart, we have on the far left the net farm income estimate for 2024 at \$127.8 billion. And then at the far right, we have the forecast for 2025 at \$179.8 billion. So how do we get from 2024 to 2025? We'll work our way from left to right, starting with crop receipts, which are forecast to fall or decrease, \$6 billion. However, it is expected that less will be sold from crop inventories in 2025 than in 2024, which is reflected by the crop inventory adjustment. The purpose of this adjustment is to remove sales from inventories, as net farm income is a measure of income from current production only. So, we don't want to include sales that came from the 2024 harvest. Combined, the value of crop production is forecast to increase about \$2 billion, or 1%. Next, animal and animal product receipts are forecast to increase \$30 billion in 2025. With just a small adjustment for changes in inventories. Production expenses are forecast to increase \$12 billion, which would lower income. Government payments to farm operators are forecast to increase by \$30 billion in 2025. All other sources of income are forecast to increase just \$0.3 billion. And the result is that net farm income is forecast to increase \$52 billion or 41% nominally from 2024.

Overall, cash receipts are the largest source of income for the sector. And they are forecast to increase in 2025. This chart looks at the totals for cash receipts for the sale of agricultural commodities since 1970 in inflation-adjusted dollars. And note that our cash receipt estimates and forecasts are based on the calendar year, so not a marketing year.

Like with net income, in 2022, total cash receipts reached an all-time high at about \$590 billion. Total receipts then fell in both 2023 and 2024. In 2025, total receipts are forecast to increase 2% or almost \$11 billion. This expected increase, the total, is being driven by animal and animal product cash receipts, which are forecast to increase 8%, or about \$23 billion to \$299 billion in 2025. So, this would follow an increase in animal-animal product receipts in 2024 as well. And if realized, this forecast at almost \$300 billion would put animal and animal product cash receipts at a record high in 2025. However, crop receipts are forecast to continue to decline in 2025. They are forecast to fall another 5%, or about \$12 billion from 2024. And that would put them at their lowest level since 2007.

We can also look at cash receipts by commodity. And again, we're looking at the data in inflation-adjusted dollars. We forecast receipts for about 25 different crop commodities, or commodity groupings. This chart focuses on some of the major crops. Receipts for corn, soybeans, and wheat are expected to continue to decline in 2025, driving most of the change in total crop cash receipts in 2025. This would be the third year in a row that receipts for each of these commodities have fallen. Corn receipts are forecast to decline 6% in 2025, while soybean receipts are forecast to decline 9%, and wheat receipts 12%. In contrast, receipts for fruits and nuts are forecast to increase nearly 4%, or \$1.2 billion in 2025.

For animal and animal products, receipts for most commodity groupings are forecast to be higher in 2025. Cattle and calf receipts are expected to increase for the fifth year in a row. They are forecast to increase 13%, or almost \$15 billion, from 2024 levels to reach what would be a record high, \$130 billion in 2025. Receipts for eggs are also forecast to increase 32%, or almost \$7 billion, which would also put them at a record high in 2025.

Conversely, receipts for dairy are forecast to decrease in 2025 by about 3%, or a little under \$2 billion. These forecast changes in cash receipts are primarily reflecting expected changes in the prices received by farmers for their commodity production. Through a simulation, we can deconstruct the change in cash receipts into a price effect and a quantity effect. In other words, we can identify whether changes in prices received or quantities sold are driving the change in cash receipts. The changes here are shown in nominal dollars. Starting from the left, in 2025, total crop cash receipts are forecast to fall \$9.9 billion due to lower commodity prices. That's the orange bar. And that's for all crops in aggregate. Quantities sold are expected to increase, offsetting some of the decline in prices, and that's shown by the blue bar, that's quantities. The black bar represents commodities for which we can't do this price and quantity effect analysis. But when you combine all three, total cash receipts are forecast to decrease \$6 billion nominally. That's the green bar. For animal and animal products, higher prices are expected to increase

receipts by nearly \$33 billion, with only a slight decline due to lower quantities sold. In total, higher prices for animal and animal products account for most of the overall increase in total cash receipts in 2025.

Another factor driving the forecast increase in farm income in 2025 is government payments. We define government payments as direct payments made to farm operations by the federal government, generally from farm programs. We record them in the year in which they were received by the farmer. This chart is now in inflation-adjusted dollars, and shows payments by type. After reaching a record high in 2020, due to pandemic-related assistance, government payments have decreased every year since. In 2024, government payments fell to \$10 billion, which was their lowest level since 1982 in the inflation adjusted series. In 2025, total government payments are forecast to increase by \$30 billion to \$40.5 billion. Most of this increase is due to supplemental and ad hoc disaster assistance, which is represented by the gray bar. And it's forecast at \$35 billion in 2025. The increase from 2024 largely reflects payments appropriated in the American Relief Act of 2025 for disaster assistance for losses in 2023 and 2024. This includes realized and anticipated payments under the Emergency Commodity Assistance Program, the Emergency Livestock Relief Program, and Supplemental Disaster Relief Program, among others. In orange are payments that are a function of commodity prices, which are forecast to remain relatively low in 2025, and largely unchanged from 2024 levels. This includes payments under the agricultural risk coverage, price loss coverage, and dairy margin coverage programs. Conservation payments are forecast to increase 8%, or just...\$0.3 billion, and they're represented by the green bar segment.

This chart looks at government payments relative to the rest of net farm income. It also includes another source of income to farmers: commodity insurance indemnities, which are payments to farmers for losses that are covered by insurance. This chart is in inflation-adjusted dollars. The top of the bars in peach show indemnity payments paid to farmers, less premiums paid by the farmers for federal commodity insurance, which I'm going to refer to as net insurance. Net insurance payments are forecast to decrease about half a billion dollars, or 5%, in 2025. The darker orange bar segment shows direct government payments, which I talked about in the previous slide, which are forecast to increase in 2025. The gray bar represents net farm income excluding net insurance and direct government payments. After declining in 2023 and 2024, net farm income less these federal payments is forecast to increase in 2025. It's forecast to increase by about \$19 billion, or 17%. Another way to look at this chart, to put it in other words. Farm income is expected to increase in 2025, even without the forecast increase in government payments.

Next, let's look at production expenses, which is spending on inputs used in the production of farm commodities or the costs that are incurred by farmers and ranchers. These include spending on items such as feed, fertilizer, labor, taxes or property taxes. This chart shows total expenditures, cash and non-cash, in both nominal and inflation-adjusted dollars. After large increases in 2022 and 2023, total expenses fell in 2024, about 1% nominally. This was following lower spending on categories such as feed, fertilizer, and fuel and oil. We forecast that total expenses will rise in 2025, nearly 3%, or \$12 billion nominally. When adjusted for inflation, it is forecast to increase 0.1% remaining near 2,024 levels, at \$467 billion.

When we look at expenditures by category, some are forecast to increase, while others are expected to decline. And this chart is not adjusted for inflation, so it's in nominal dollars. And it compares expenditures by category in 2024 and 2025. With those categories where we expect spending to increase, being shown above the dotted line, and those where we expect spending to decline below the dotted line. Spending on livestock and poultry purchases is expected to see the largest increase in 2025 at 21%, or about \$10.6 billion, due to higher prices for animals. Labor expenses are forecast to increase 4% or about \$2 billion, as wage rates have been trending upward. If realized, both livestock and poultry purchases and labor expenses would be at a record high in 2025. Interest expenses, property taxes, net rent are also forecast to increase in 2025. Below the line, spending on feed is expected to continue to decline in 2025, falling about 6%, or almost \$5 billion. Feed is the single largest expense category. And prices paid for feed are expected to decline following lower prices for feed, grains in particular and components. Spending on pesticides, fuels, and oils are also forecast to fall in 2025.

Net farm income provides us with some really useful information about annual profits. But it doesn't tell us everything about the financial position of the farm sector. For more information, we can look at the U.S. Farm Sector Balance Sheet, which provides information on the value of assets, both physical and financial and the level of debt in the sector over time. We expect that the balance sheet will continue to improve in 2025. Farm sector equity, that's the value of assets less debt, is shown by the green area on this chart, and it has increased every year after 2019. It increased 2.1% from 2023 to 2024, when inflation adjusted and it's projected to increase another 2% in 2025. That expected, or projected growth rate is a bit below the average annual growth rate of 2.8% over the past 20 years. The forecast growth and equity primarily reflects increases in the value of farm sector real estate assets, which represents about 80% of total farm sector assets. But we're also forecasting growth in financial assets and the value of animal inventories in 2025. The level of debt held by the farm sector is shown by the blue area at the bottom of this chart. After falling in 2022, total debt is forecast to continue increasing through 2025.

In 2024, debt increased nearly 6%, which was the largest single-year increase since 2014, inflation adjusted. In 2025, debt is forecast to increase 2.4%, which is a little bit below the average growth rate in debt at 3.8% over the past 20 years. The increases in debt for 2025 are following increases in both real estate and non-real estate debt levels.

Here's another way to look at the balance sheet. It's the same information. But it's looking at the amount of debt relative to assets and relative to equity as a percentage. These are solvency ratios, which provide a measure of the sector's ability to repay financial liabilities, that's loans and debts, through the sale of assets, and can be an indicator of financial stress. These ratios started improving in 2021, as indicated by declining values. But in 2024, worsened, rising to 13.4% for the debt-to-asset ratio, as debt was growing at a faster rate than assets. We're forecasting that these ratios will remain stable in 2025, which would keep them above their 10-year moving average. But it's important to note that these solvency ratios are for the sector as a whole. And includes a lot of farm operations that have no debt. There's a lot of variation in the amount of debt held by individual farms. We have additional financial ratios, including ratios on liquidity and efficiency, available on our website. But let's just quickly look at farm sector liquidity.

The bankruptcy rate and the debt service ratio can provide information on liquidity, or the amount, which is the amount of capital that can be readily available as cash, or can easily be converted to cash without a significant loss in market value. As shown by the red bars, the farm bankruptcy rate has been declining since 2020. In 2023, it reached its lowest level in 20 years. Then in 2024, the bankruptcy rate increased to about 1 bankruptcy per 10,000 farms. We project that the bankruptcy will continue to increase in 2025 based on Chapter 12 filings through June of 2025. The debt service ratio, which is shown by the blue line describes the share of production income, or gross income, needed for debt payments. Lower values are preferred, meaning that less production income is needed to make debt payments, which improves liquidity. The debt service ratio rose in 2023 and 2024 as the value of ag sector production fell and interest expenses increased. But in 2025, we expect this ratio to improve following higher value of ag sector production and higher government payments, which are also factored into the ratio.

So far, we've been discussing forecasts for the farm sector as a whole. In the next few slides, we'll be looking at an important subset of farms, which we call farm businesses. These are defined as farms where the primary occupation of the operator is farming, plus those farms that had \$350,000 or more in gross cash farm income or income before expenses. According to data from the Agricultural Resource Management Survey, or ARMS, about half of all farms meet this definition, and they are represented on this chart by the blue and green segments for intermediate and commercial farms. These farm businesses

account for over 90% of all agricultural production, and whole... most...of the sector's assets and debt. Residence farms are those farms where the operator is retired or whose primary occupation is not farming, and they account for the remaining share of farms and contribute a much smaller share of production assets and debt. Using farm-level data, from the 2024 ARMS, we're able to do a micro-simulation and project average income levels in 2025, based on the forecasts for the sector as a whole. And we can break down those forecasts for foreign business income by commodity specialization and geographic region. So we're shifting perspective here now, and looking only at farm businesses and at average net cash farm income levels.

So let's start by looking at farm businesses that specialize in crops. These are in inflation-adjusted values. Using ARMS, we can categorize farms by commodity specialization, which is determined by the one commodity or commodity group that makes up at least 50% of the farm's total value of agricultural production. The 2025 outlook for farm businesses specializing in crops is mixed, but generally down from 2024. All farm businesses, regardless of specialization, are forecast to see government payments increase on average in 2025, following the forecast for the sector as a whole. But cash receipts for crops are forecast to decline. And this projected decline is expected to lead to lower average net cash farm income in 2025 for farms specializing in corn and soybeans. For corn farms, this would be the fourth year of declining income, on average. For farms specializing in specialty crops, which we define as fruits, vegetables, nut melons, and, like, nursery, as well as far as specializing in wheat, average net cash farm income is projected to remain relatively stable from 2024, declining slightly, 1-2% when inflation adjusted. Average net cash farm income for cotton farm businesses is projected to increase in 2025, but remain low after declining in 2024 with the 2024 estimates shown here being based entirely on the ARMS data. The increase in 2025 follows expected higher government payments in 2025, with cotton receipts projected to hold relatively stable based on the sector forecasts.

For farm businesses specializing in animals and animal products, we are projecting that farm businesses across all specializations will see average net cash farm increase in 2025. Cattle and calf farm businesses are forecast to see the largest percentage increase from 2024 to 2025 at 67%, following higher cash receipts and government payments forecast at \$71,000. This average would be the highest average for these farms since 2014. Average net cash farm income for dairy, poultry, and hog farm businesses is forecast to continue to increase through 2025. Hog farm businesses are projected to see the largest dollar increase from 2024 to 2025, with an increase of \$65,000 or 18%. And again, these increases follow the sector-level forecast for higher government payments and higher receipts for animal and animal products. We can project how average net cash farm income for farm businesses can be expected to change in 2025 by resource region by

looking at how agricultural production is distributed geographically. Your regional performance can vary considerably due to strong geographic concentration of certain production specialties, or the average size of farms in a region. Across all farm businesses in all regions, average net cash farm income is forecast to increase 12% from 2024 to 2025 in nominal dollars. And this is following the sector-level forecasts. And we project that nearly all regions will see an increase in average net cash farm income for farm businesses. Farm businesses in the Basin and Range are projected to see the largest increase at 61%, followed by the Prairie Gateway at 42%. On average, farms in these two regions get most of their income from cattle and calf receipts, which are forecast to increase in 2025. We also expect higher government payments in these two regions. The Heartland is the only region where we're projecting a decline in average net cash farm income in 2025. And this is being driven by the expectation for lower crop receipts. This region leads the U.S. in corn and soybean production.

With my final slides, we'll look at income forecasts for households that operate farms. Up to this point, we've been discussing the financial performance of farm operations, but the well-being of households that own and operate farms is not equivalent to the farm's earnings. Farm profits are often shared with other stakeholders, like landlords, contractors, and the well-being of farm operator households is determined by a combination of on-farm and off-farm activities. So now we're going to look at family farms only.

And the households of the principal farm operator. In 2023, family farms accounted for about 96% of all farms and about 83% of total agricultural production in the U.S. Nearly 5 million people live in a household attached to a farm.

One measure of their well-being is household income. As I said a minute ago, farm households typically receive income from both farm and off-farm sources. And this chart looks at farm income, off-farm income, and total household income at the median, which represents the income level at which half of all households have lower incomes and half have higher incomes. This chart is in inflation-adjusted dollars. At the median income earned on the farm is low. And it declined across 2022 to 2024. And although... on-farm income is forecast to increase in 2025, it is expected to remain below zero. That's... negative \$1,189 in 2025 meaning that, at the median, the farm household is operating the farm at a loss. But recall that half of all farms are residential farms, which are small farms, where the primary occupation of the operator is not farming. So this results in low and usually negative farm income at the median. Therefore, many farm households rely primarily on off-farm income. Off-farm income sources include off-farm wage income, so off-farm jobs of the operator and their family members, non-farm business earnings, dividends, and transfers. Median off-farm income is forecast to increase 3% in 2025, or less

than 1% when adjusted for inflation. Total farm household income at the median is forecast to increase almost 7% nominally, or 4% when adjusted for inflation.

This chart looks at household income by the type of farm the household operates. For households attached to residential and intermediate farms, median total household income, as shown by the red line, tracks very closely with off-farm income, the blue line. And it's forecast to increase in 2025. But these farms' off-farm income accounts for essentially all of the household's income at the median. For households attached to commercial farms, total household income follows more the trends in on-farm income, which usually accounts for most of the household income at the median. Here, farm income, the gray line, for commercial farms is expected to increase slightly in 2025, and total household income to fall slightly.

The information I presented today is available on our website. We also have data tables, data visualizations with charts and maps, and a written summary of findings with even more information. We also now have state-level income and expense estimates for 2024. Our next scheduled release is on December 2nd, which at that time, we will update our 2025 forecast again. With that, I will pause and take any questions. So, Ashley, please take the floor back.

Ashley: Great, thanks so much, Carrie. We'll go ahead and open for questions now. As a reminder, questions can be submitted through the Q&A feature at the bottom of your screen. For our first question, why was average net cash farm income for cotton farms so low in 2024?

Carrie: Yeah, let's see if I can bring that chart up real quick. Let's see here. Yeah, in 2024, just to be clear, the data here for 2020-24 is based solely on the ARMS tabulation, so it's what the Agricultural Resource Management Survey is telling us. It's not modeled, it's not projected. And when we took a closer look at the data, because it did seem like a really you know, really low. It's the lowest value ever for average net cash farm income for cotton farm businesses. We saw that cash receipts for cotton as well as their non-cotton commodities and income from marketing contracts fell considerably in 2024. But on the reverse side, we saw that actually their inventories had increased in 2024. So, net cash farm income was...extremely low in 2024, but net farm income, which counts more for production rather than sales, was actually a much smaller decline in 2024. So I think what happened here, to kind of make a long story short, is in 2024, farmers at least in the ARMS data, instead of selling all their cotton, they actually stored it probably, to sell at a later date. But I think it's also kind of to keep in mind, important, that cotton farms represent the lowest share of all farms by commodity specialization, so there are very few cotton farms in the U.S, relatively speaking. And as such, you know, the number of farms, the sample in the ARMS data is

relatively low, which can contribute to some, you know, year-to-year volatility in these forecasts for cotton farms.

Ashley: Got it. Thanks, Carrie. Our next question asks. What falls under other farm income on the value-added table, aside from insurance indemnities and net cash receipts received?

Carrie: Yeah, other farm-related income. We have both cash and... in the net cash income statement and the value added. And it basically includes any other sources of income that the farm operation may receive that are related or that they earn because of the assets they have for the farm, you know. So, for instance, if they charge people to hunt on their property, you know, their agricultural land, that would be considered farm-related income. That's perhaps not a huge source of farm-related income, but some larger sources of farm-related income in recent years, in particular, are income that farmers may receive for allowing for energy production on their farms....They're also machine hire and custom work, like, so if they...do... use their farm equipment to do custom work for other farms. That would get captured here as well. But it can really be anything. And that's kind of... we asked the data... we asked for the data in ARMS, which just asks for farmers, you know. We've got some categories, but then we also say just any production, any income that you earn that's related to the assets that you have for the farm.

Ashley: Thanks, Carrie. For this next question, does your forecast include any payments to farmers from the One Big Beautiful Bill Act?

Carrie: Not really. Most of the provisions in the One Big Beautiful Bill Act that are related to government payments or farm programs, they would affect payments more starting in 2026. So, our forecasts really, you know. It's really negligible, their impact on our forecast for 2025, but in 2026, is probably the soonest that we'll start to see changes in payments to farmers due to provisions in the Act, like, you know, particularly provisions that affected maybe ARC and PLC.

Ashley:

Thanks. For this next one, also in regards to payments, they're asking, do government payments include those from the Inflation Reduction Act?

Carrie: Yes, They do...There were provisions in that legislation as well that authorized additional ad hoc and supplemental disaster assistance, and those are factored in to both our estimates. I think some of those payments started going out maybe in 2024, but also any payments that are expected to come out in 2025.

Ashley: Alright, our next question asks, what are the main drivers of changes to the forecast since the February update?

Carrie: Yeah, I'm always interested to see how our forecast kind of evolves from release to release. And one of the big things that I saw change was just higher prices for animal and animal product commodities in particular. That was probably by far, the single largest change. You know, we didn't, you know, in February, we're based on early projections from the WASDE, but, you know, since February, we've got more months of data that show an even larger increase or suggest an even larger increase in animal and animal product cash receipts. We're also forecasting, you know, some changes in production expenses, you know, different than what we had previously. I do have a supplemental chart here, which I think is really interesting... So this looks at the change from 2024 to 2025 in net farm income and here you can see right away the animal and animal products, we were forecasting only a modest, almost \$4 billion increase in 2025, in February, but now we're showing a much larger increase based on the observed information so far in this year, as well as continued expectations for the remainder of the year. And then production expenses in February, we forecast they were going to fall, but now we're expecting that they will increase. And this is incorporating, Both the revised estimates for 2024, as well as again, more information, particularly on the prices for agricultural inputs.

Ashley: Thanks, Carrie. Our next question asks if you can clarify when the data for these reports are collected, what timeframe they reference. For example, do production expenses refer to prices paid to produce this year's crop? Or for prices being paid now for next year's crop.

Carrie: Yes, that was worded very well. They are, you know, when we're talking about production expenses. We're talking about the spending that occurs in this calendar year. So doesn't... it's regardless of what crop they're going to apply for. You know, if they're going to... if it's feed, to feed cattle this year, that's included, but also if they're going to pre-purchase any inputs to be used in the future, in next year we're counting that as well. So, we're counting purchases in the year in which the purchase was made. So they're reflecting prices at the time you know, they were purchased.

Ashley: Got it. Next question, could you please talk a bit more about accounting for old crop versus new crop sales on the farm income forecast?

Carrie: Yeah, that... Here we're kind of talking about the inventory adjustment. When we're measuring net farm income, and this does not apply to net cash income, but net farm income. We're trying to get at income from current production. So, the inventory adjustment can go one... can go one of two ways. It can either be positive or negative. So, if

farmers sell more in a given calendar year than they actually harvest...harvested in that year, that means I had sales in that calendar year from the prior harvest, from the old crop. And so that would be a reduction in inventory, so we'd have a negative inventory adjustment, so that we're removing any sales that came from the old crop. But you can also have the situation where farmers add to their inventory. So, they may have a big harvest. And at the end of the year, they have sold less than what their harvest was. So then that indicates that they added to their inventories. And what we're seeing in 2025 in particular is that, well, we'll start with 2024. In 2024, you know, a chunk, maybe about \$9 billion of cash receipts, you know, were from the old crop. In 2025, we expect...much less sales from the old crop, with an inventory adjustment that's very low, almost, almost zero in net in aggregate for all crops. Just to be clear, with the net cash farm income. That's simply a measure of, you know, cash receipts. So, there's no inventory adjustment, it's only recording income or receipts from sales when they occurred. It doesn't matter if they came from the old crop or the new crop.

Ashley: Thanks, Carrie. Our next question asks, is disaggregated data available at the individual state level, and how can it be accessed?

Carrie: Yes, we do, like, our value-added table, and so information on net income, net cash farm income, and production expenses, so all the income statements, those... we do have data at the state level through 2024 now. It is all on our...data product page for the farm sector income and finances. I know we're looking here at the link for the topic page, but you could follow the link to the topic page and get to the data files. And all of our reports you know, you can download them, say, like, the income statement, and you'll be able to see the U.S. total as well as all states. And so you can get all the data via those interactive reports, or there's also a CSV file at the bottom of the data file page that has every single data value that we put out, for all the years that we have it, and so it includes the state-level information as well. So that could be a helpful resource if you're trying to get a lot of data at once. It may be, in the end, more efficient than going from report to report, but it is all there on our website.

Ashley: Great, thanks, Carrie. A lot of great insight there. For our next question, why do we see bankruptcies increasing in 2025 if farm income is on the rise?

Carrie: I think a lot of it is a lagged effect, that, you know, one bad year may not put a farmer out of business, but multiple bad years may lead to a failure in the following year. And we did see farm income decline in multiple years. It fell in 2023, and it fell in 2024, which may be contributing to the higher bankruptcy rates that we're starting to see in 2024. We also... I really like this chart in that it kind of illustrates to me that the debt service ratio is perhaps kind of an indicator, a leading indicator of the bankruptcy rate. In that, usually we see kind

of a worsening of the debt service ratio, you know, right before we start seeing an increase in the bankruptcy rate. I also think, perhaps, too, that, you know, very few farms actually declare bankruptcy in any given year. So, these aren't farms that follow the sector forecast, necessarily, that we're, you know, talking about as a whole. These are farms that are very individual, they have very individual reasons for declaring bankruptcy.... And they're definitely in the minority of all forms.

Ashley: Thanks, Carrie. Next up, does net farm income include any income other than from the production of agricultural commodities or cash receipts?

Carrie: Yes, it does, and there was a question earlier that was asking similar, in that, you know, we will pick up any income that is... that are related to the operation of the farm or to the assets of the farm. So...you know, that includes... we do lump insurance indemnities in there. We put in net rent that a farm operator may receive through the rental of other farmland properties that they have, and just any other farm-related income, like, you know, payments from energy income, payments for recreational services that they may offer on their farm and such. So yeah, they are included. Oh, and the net farm income measure also includes something which I don't talk about too often, but it includes a gross imputed rental value of farm dwellings. So, it includes an imputation for the value that the farm household, or the operator receives for being able to live on his farm, because, you know, theoretically, he operates the farm, or she, they live on their farm, and they're not having to pay rent, so we kind of impute a value to being able to live on the farm, which is included in the net farm income measure.

Ashley: Thanks, Carrie. We have time for one last question here. This one asks, how do you forecast the 2025 prices for crops and feed versus meats and livestock prices, and what are the main drivers for the year-to-year change?

Carrie: For the commodity outlook, so for prices for farm commodities that the farmers might receive, so...prices received by farmers for farm commodities, we are relying on commodity projections that come from elsewhere at USDA. A lot of them are coming from the World Agricultural Supply and Demand Estimates Report, the WASDE report, you know, because every month they put out price and production forecasts and for...you know, for the coming... for the current and or coming year, we use those. For commodities that aren't covered in the WASDE, we're using forecasts that are developed internally in ERS by commodity analysts here. And...so I'm not a commodity specialist, and I rely very heavily on their expertise, and for information on what's driving these price changes for these commodities, I highly recommend checking out the outlook reports that ERS puts out. We have outlook reports for you know, for a lot of the major commodity or commodity groupings, like we have a, you know, outlook report on, oil crops, feed grains, as well as

animal, production and fruits and nuts, vegetables and melons that are put out regularly by ERS and provide a lot of good information on what's really, you know, what's driving those expected price changes for those commodities.

Ashley: Thank you, Carrie. That's all we have, or that's all the time we have for today. Thanks again, Carrie, for sharing the latest from our farm income and wealth forecasts, and thank you to all of our listeners for joining us today.... If you could go to the closing slide real quick? For more about today's update and other ERS research, please visit our website at www.ers.usda.gov. There, you can subscribe for topics of interest, including our popular charts and Notes series, offering fast facts and visual snapshots of ERS research. You can also catch us on social via LinkedIn and X. Again, thank you all for joining us. This concludes our webinar.