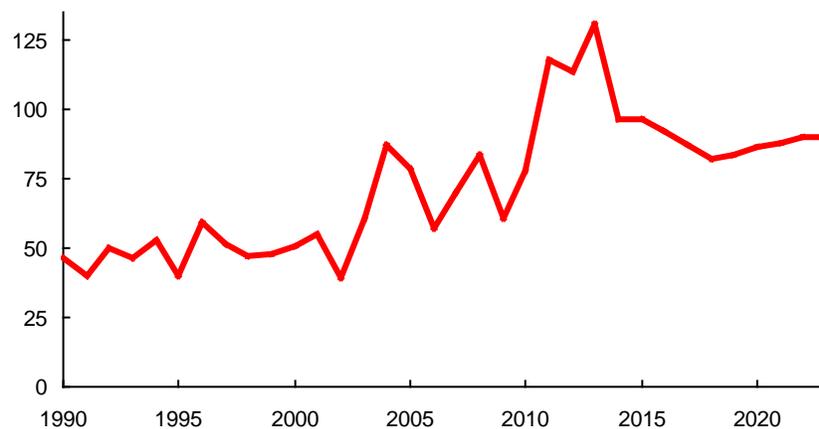


U.S. Farm Income and Agricultural Trade Value

High commodity prices led to record values of U.S. agricultural exports and U.S. net farm income in 2013. Projected reductions in prices for most major crops over the next several years result in declines in export values and farm cash receipts through 2016. Export values and cash receipts then grow over the rest of the projection period as steady domestic and international economic growth, a weak U.S. dollar, and continuing production of biofuels support longer term demand for U.S. agricultural products. Although farm production expenses also increase beyond 2015, net farm income remains historically high.

U.S. net farm income

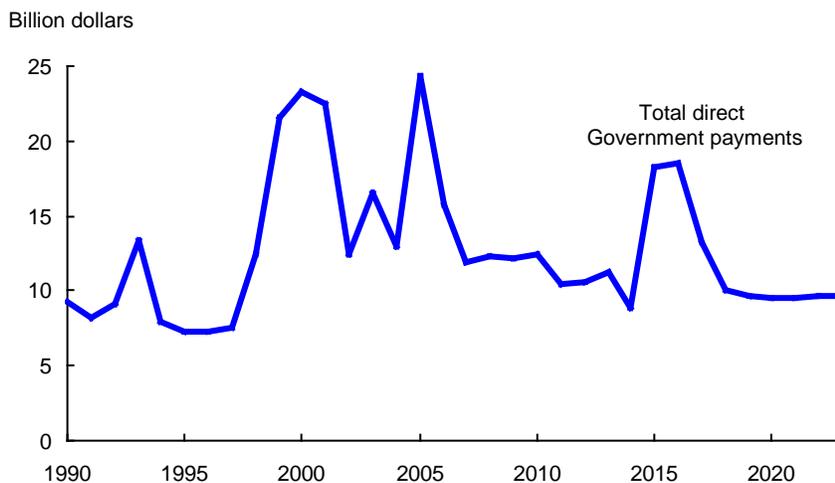
Billion dollars



Net farm income reached a record level in 2013, largely reflecting the runup in prices for many agricultural commodities. While net farm income is projected to stay below the 2013 record, it remains well above the average of the previous decade (2001 to 2010).

- Strengthening global food demand, a weak dollar, and continued biofuel demand are major factors underlying projections of rising cash receipts after 2016.
- Total direct Government payments are projected to be significantly higher in 2015-17 due to increased payments under the Average Crop Revenue Election (ACRE) program, part of the 2008 Farm Act that is assumed to remain in place for these projections.
- Farm production expenses remain relatively flat in the near term as declining feed expenses offset gains in most other expenses. Expenses rise after 2015 once effects of lower grain and oilseed prices on feed costs are completed.

Direct Government payments

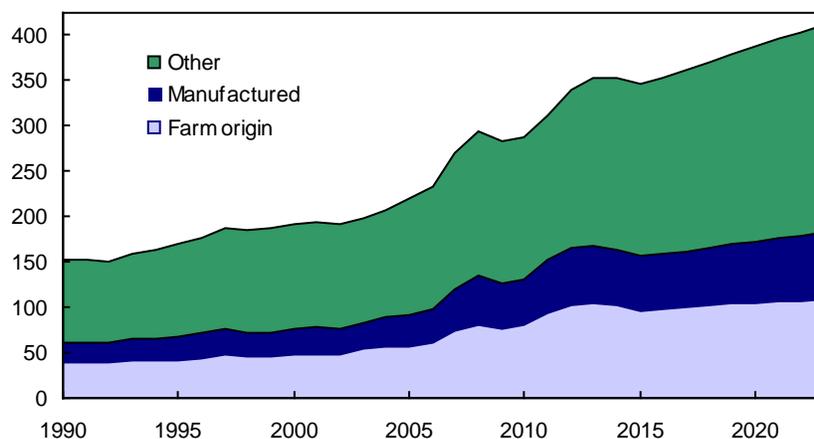


With lower crop prices projected over the next several years, direct Government payments to farmers rise sharply in 2015 and remain high in 2016 and 2017, mostly due to large payments under the ACRE program of the 2008 Farm Act (assumed to continue in the projection period). Direct Government payments average about \$9.6 billion over the remainder of the projection period, compared to an average of \$15 billion in 2001-10. The Conservation Reserve Program (CRP) and fixed direct payments are the largest Government payments to the agricultural sector beyond 2017.

- High crop prices in recent years made arable land more valuable, so rental rates for land in the CRP rose. However, high crop prices also led to reduced CRP enrollment, so overall CRP payments have been fairly flat. Acreage enrolled in the CRP is assumed to build back toward the legislative maximum of 32 million acres under the 2008 Farm Act. CRP payments are projected to rise from about \$1.8 billion in 2014 to \$2.75 billion in 2023.
- Fixed direct payments are projected to range from \$4 billion to \$5 billion annually. Within this range, these payments are lower in years when ACRE payments are anticipated to be high; farmers forgo part of their direct payments when they enroll in the ACRE program. In the later years of the projections, fixed direct payments average \$4.8 billion as enrollment in the ACRE program falls.
- As crop prices decline from recent high levels, incentives to enroll in the ACRE program rise. Payments under the program associated with 2014-16 crops (paid in 2015-17) are projected to be large, over \$9 billion annually in 2015-16 and more than \$4 billion in 2017. Once most of the benefits of the ACRE program due to the decline in prices are completed, enrollment returns to low levels, with expected ACRE payments averaging less than \$20 million annually over 2020-23.
- Government payments average less than 3 percent of gross cash income during the projection period (over 4 percent in the years of high-projected ACRE payments), compared to about 5.5 percent in 1981-2010. As a result, the sector relies more on the market for its income.

U.S. farm production expenses

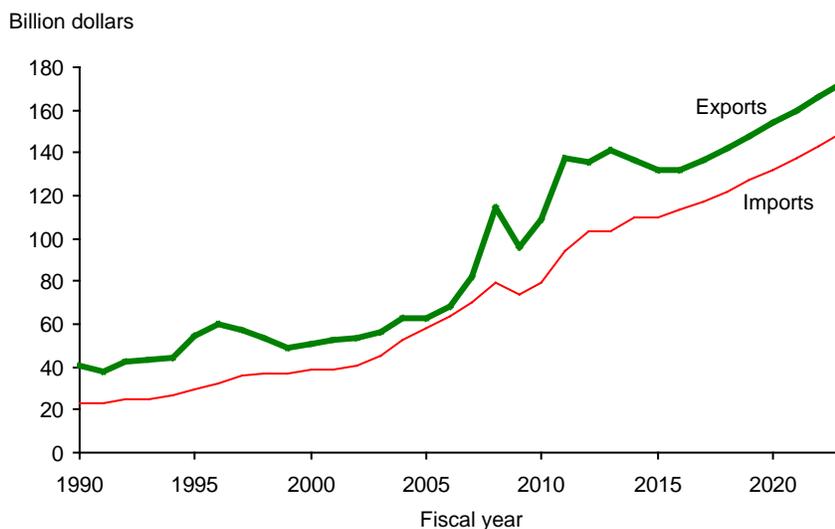
Billion dollars



Total farm production expenses are projected to rise only moderately in 2014 and then fall in 2015 as declining crop prices lower feed costs and lower planted acreage and lower near-term crude oil prices reduce manufactured input expenses. Beyond 2015, production expenses rise less rapidly than the overall rate of inflation through 2023. While interest expenses and manufactured input costs rise faster than the general inflation rate during these years, expenses for farm-origin inputs are up less than the general inflation rate. Aggregate expenses for other nonfarm-origin inputs increase at rates near the overall level of inflation.

- Interest costs rise faster than the general inflation rate over the projection period, reflecting rising farm debt levels as well as increasing interest rates due largely to tightening monetary policy.
- Production expenses for fuel and oil also rise faster than the general inflation rate after 2016, largely reflecting increases in crude oil prices. Reductions in planted acreage in 2014-17 combine with anticipated higher domestic nitrogen fertilizer production capacity and relatively low natural gas prices to decrease fertilizer expenses in this period, but these costs rise faster than inflation later in the projection period.

U.S. agricultural trade value



The value of U.S. agricultural exports declines for 2 years at the beginning of the projections as prices for major field crops fall from current highs. Agricultural exports then rise through the remainder of the projections because of sustained global economic growth, strengthening agricultural demand, and a weak U.S. dollar. Domestic economic growth boosts demand for U.S. agricultural imports.

- High commodity prices have pushed the value of U.S. agricultural exports to high levels the past several years, including a record \$141 billion in 2013. With prices for many crops projected to fall in the initial years of the projections, export values decline through 2016. Agricultural export values are then projected to grow over the rest of the decade and surpass the 2013 record. World economic growth, particularly sustained relatively high growth in developing countries, provides a foundation for increases in global food demand, trade, and U.S. agricultural exports. Continued global biofuel demand also contributes to rising commodity prices and gains in export values beyond 2016. Furthermore, a continued weak U.S. dollar remains an important factor underlying the projected longer term gains in U.S. exports.
- Exports of high-value products (HVP) are projected to grow to nearly three-fourths of total U.S. agricultural exports by 2023. Much of the growth in HVP exports is for animal products and horticultural products.
- U.S. agricultural import values rise throughout the projection period to almost \$150 billion by 2023, up from \$109.5 in 2014. These increases are boosted by gains in U.S. consumer incomes and demand for a large variety of foods. Strong growth in horticultural imports is assumed to continue, contributing more than half of the overall increase in agricultural imports in the projection period.
- With the value of U.S. exports initially falling, the agricultural trade balance is expected to decline to under \$19 billion in 2016, down from 2011's record of nearly \$43 billion. The surplus then rises over the rest of the projection period, reaching \$23 billion in 2023.

Table 35. Farm receipts, expenses, and income, long-term projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	<i>Billion dollars</i>											
Cash receipts:												
Crops	223.5	217.2	199.8	186.7	183.3	185.6	189.7	194.7	199.6	204.3	208.9	212.5
Livestock and products	171.6	181.5	180.6	182.2	185.3	188.6	192.5	197.5	202.0	205.8	209.2	212.8
All commodities	395.1	398.7	380.4	368.9	368.6	374.2	382.2	392.2	401.6	410.0	418.1	425.3
Farm-related income	33.6	36.0	30.9	29.1	29.3	29.6	29.9	30.2	30.4	30.7	31.0	31.3
Government payments	10.6	11.3	8.8	18.3	18.5	13.2	10.0	9.6	9.5	9.5	9.6	9.6
Gross cash income	439.3	446.0	420.1	416.3	416.4	417.0	422.1	432.0	441.6	450.2	458.7	466.2
Cash expenses	304.9	316.3	315.7	308.3	312.2	320.4	329.3	337.2	344.4	351.5	358.8	365.8
Net cash income	134.4	129.7	104.4	108.0	104.1	96.6	92.9	94.8	97.2	98.7	99.9	100.4
Value of inventory change	-8.1	12.0	2.9	0.7	0.9	2.8	2.3	1.9	1.9	1.9	2.3	2.1
Non-money income	23.7	25.1	26.1	26.7	27.5	28.3	29.1	30.0	30.9	31.8	32.8	33.8
Gross farm income	454.9	483.0	449.1	443.7	444.8	448.1	453.5	463.8	474.4	483.9	493.8	502.1
Noncash expenses	23.1	23.1	24.4	26.0	26.9	27.7	28.4	29.1	29.8	30.6	31.3	32.1
Operator dwelling expenses	13.0	12.6	12.9	13.0	13.2	13.3	13.4	13.6	13.7	13.9	14.0	14.2
Total production expenses	341.1	352.0	353.0	347.3	352.3	361.3	371.1	379.9	387.9	395.9	404.1	412.1
Net farm income	113.8	131.0	96.1	96.4	92.5	86.8	82.4	83.9	86.5	88.0	89.7	90.0

The projections were completed in December 2013.

Table 36. Summary of U.S. agricultural trade long-term projections, fiscal years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Billion dollars</i>												
Agricultural exports (value):												
Livestock, poultry, and dairy	29.8	31.5	31.8	32.8	34.3	36.0	37.7	39.5	41.3	43.0	44.9	46.9
Livestock products	18.5	18.9	19.4	20.4	21.4	22.5	23.7	25.1	26.3	27.5	28.8	30.2
Dairy products	5.2	6.1	5.9	5.9	6.2	6.6	6.9	7.1	7.4	7.7	8.1	8.4
Poultry products	6.2	6.5	6.4	6.5	6.7	6.9	7.1	7.3	7.6	7.8	8.0	8.2
Grains and feeds	33.4	31.3	28.1	24.2	23.4	24.1	25.2	26.5	27.8	29.0	30.3	31.7
Coarse grains	11.7	6.2	8.3	7.9	7.5	8.0	8.4	9.0	9.6	10.1	10.6	11.2
Feeds and fodder	6.9	8.2	6.1	6.4	6.7	7.0	7.3	7.6	8.0	8.4	8.7	9.1
Oilseeds and products	28.7	32.1	28.8	25.5	23.3	23.8	24.9	25.7	26.6	27.3	28.0	28.8
Soybeans and products	24.5	27.5	24.6	21.8	19.9	20.3	21.3	22.0	22.7	23.3	23.9	24.6
Horticultural products ¹	28.6	31.4	34.5	35.8	37.1	38.5	40.0	41.4	43.0	44.6	46.3	48.1
Fruits and vegetables, fresh	7.0	7.3	8.1	8.3	8.6	8.8	9.1	9.4	9.7	9.9	10.2	10.6
Fruits and vegetables, processed	6.8	7.1	8.0	8.2	8.5	8.7	9.0	9.2	9.5	9.8	10.1	10.4
Tree nuts, whole and processed	6.1	7.2	7.8	8.1	8.5	8.9	9.3	9.7	10.1	10.6	11.1	11.6
Cotton	6.5	5.6	4.3	4.0	3.9	3.9	3.8	4.0	4.2	4.3	4.6	4.7
Sugar and tropical products	6.2	6.3	6.9	7.1	7.3	7.6	7.7	8.0	8.3	8.6	9.0	9.3
Other exports ²	2.5	2.8	2.5	2.6	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.9
Total agricultural exports	135.8	140.9	137.0	131.9	131.9	136.5	142.0	147.9	153.9	159.7	165.9	172.4
Major bulk products ³	49.5	46.2	42.3	37.3	34.8	35.6	36.9	38.4	39.9	41.1	42.5	44.1
High-value product exports ⁴	86.3	94.7	94.7	94.6	97.1	100.9	105.1	109.5	114.0	118.6	123.4	128.3
High-value product share	63.5%	67.2%	69.1%	71.7%	73.6%	73.9%	74.0%	74.0%	74.1%	74.2%	74.4%	74.4%
<i>Million metric tons</i>												
Agricultural exports (volume):												
Bulk commodity exports	112.0	93.4	112.5	122.7	125.5	128.7	131.5	133.3	135.2	137.1	139.1	141.0
Agricultural imports (value):												
Livestock and dairy products	13.3	13.7	14.6	15.3	16.0	16.5	17.0	17.6	18.2	18.8	19.5	20.3
Livestock and meats	9.7	10.1	10.7	11.4	12.0	12.3	12.7	13.2	13.6	14.1	14.6	15.2
Dairy products	3.0	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.9	4.0	4.1
Grains and feeds	9.5	11.3	9.3	7.2	6.8	7.0	7.5	7.9	8.3	8.6	9.0	9.4
Grain products	5.7	6.2	6.7	4.8	4.5	4.6	4.9	5.2	5.5	5.7	5.9	6.1
Oilseeds and products	8.7	8.8	8.9	7.5	7.0	7.2	7.3	7.5	7.8	8.0	8.1	8.4
Vegetable oils	5.8	5.2	5.5	4.7	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.2
Horticultural products	41.6	44.1	48.1	50.2	52.4	54.8	57.2	59.7	62.4	65.2	68.1	71.1
Fruits and vegetables, fresh	13.4	14.9	16.3	17.1	17.9	18.7	19.6	20.5	21.5	22.5	23.6	24.7
Fruits and vegetables, processed	8.6	8.9	9.7	10.1	10.6	11.1	11.6	12.1	12.7	13.3	13.9	14.5
Wine and beer	8.8	8.9	9.7	10.1	10.4	10.8	11.2	11.6	12.1	12.5	13.0	13.5
Sugar and tropical products	28.3	23.5	25.3	26.6	27.4	28.1	29.0	30.3	31.7	32.9	34.2	35.5
Sugar and related products	5.2	4.6	4.9	5.4	5.3	5.0	5.0	5.3	5.6	5.7	5.9	5.9
Cocoa, coffee, and products	11.9	10.1	10.6	11.0	11.5	11.9	12.3	12.8	13.3	13.8	14.3	14.9
Other imports ⁵	2.1	2.4	3.4	3.5	3.6	3.7	3.8	4.0	4.1	4.2	4.4	4.5
Total agricultural imports	103.4	103.8	109.5	110.2	113.3	117.3	121.8	127.1	132.4	137.7	143.4	149.2
Net agricultural trade balance	32.4	37.1	27.5	21.7	18.6	19.2	20.2	20.8	21.5	22.0	22.5	23.2

Sources: U.S. Department of Agriculture and Bureau of Census, U.S. Department of Commerce.

U.S. trade value projections were completed in December 2013. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and December.

¹Includes wine, beer, essential oils, nursery crops, hops, and mint.

²Includes planting seeds, unmanufactured tobacco, and cotton lintens.

³Includes bulk grains, soybeans, cotton, and tobacco.

⁴High-value product (HVP) exports is calculated as total exports less bulk commodities. HVP's include semiprocessed and processed grains and oilseeds, animals and animal products, horticultural products, and sugar and tropical products.

⁵Includes planting seeds, unmanufactured tobacco, and cotton.