

# Current State of the Farm Economy and Outlook for 2025

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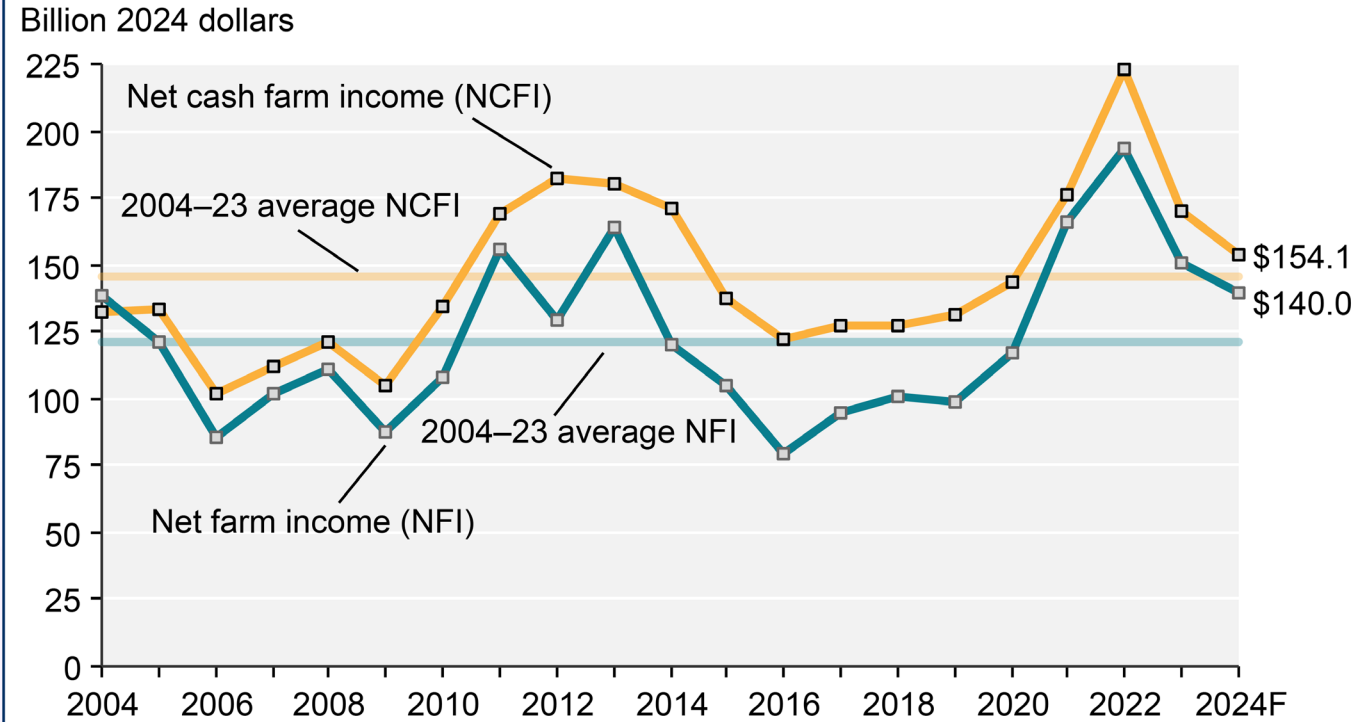
K-State Agricultural Economics

# Where are we today?

- Lower Farm Income compared to recent years
  - Lower commodity prices with the exception of beef cattle
- Input costs still relatively high
  - Higher interest rates environment
- Tighter margins and lower profitability for many farms
  
- Uncertainty about what lies ahead

# USDA Expected 2024 Net Farm Income

**U.S. net farm income and net cash farm income, inflation adjusted, 2004–24F**



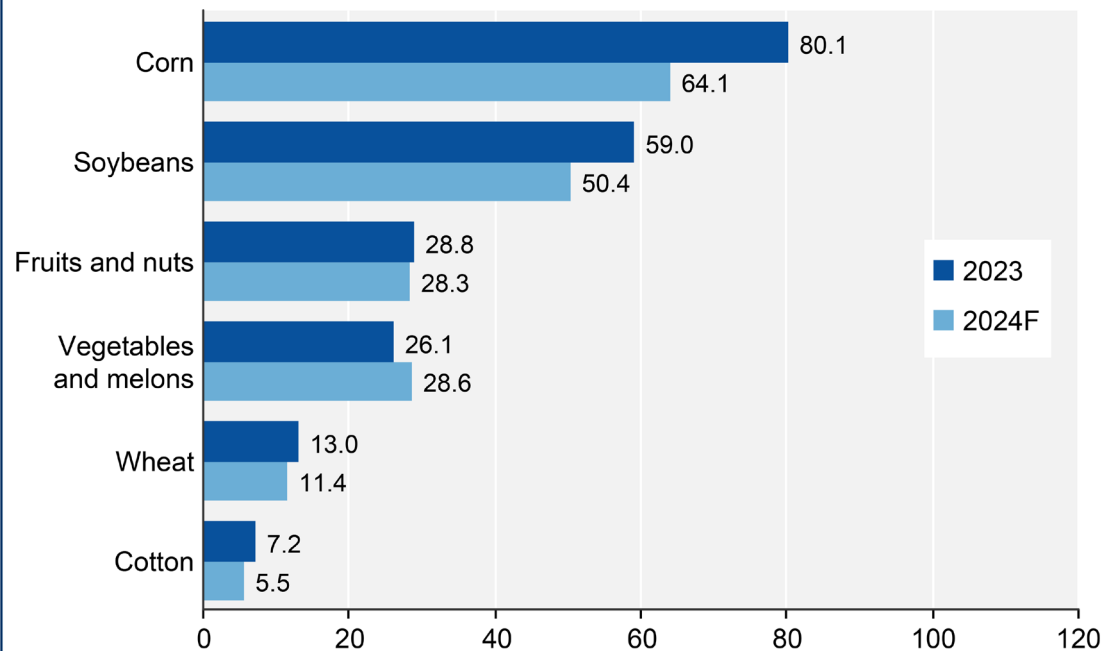
Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.



# What is driving this?

## U.S. cash receipts for selected crops, 2023–24F

Billion dollars (nominal)

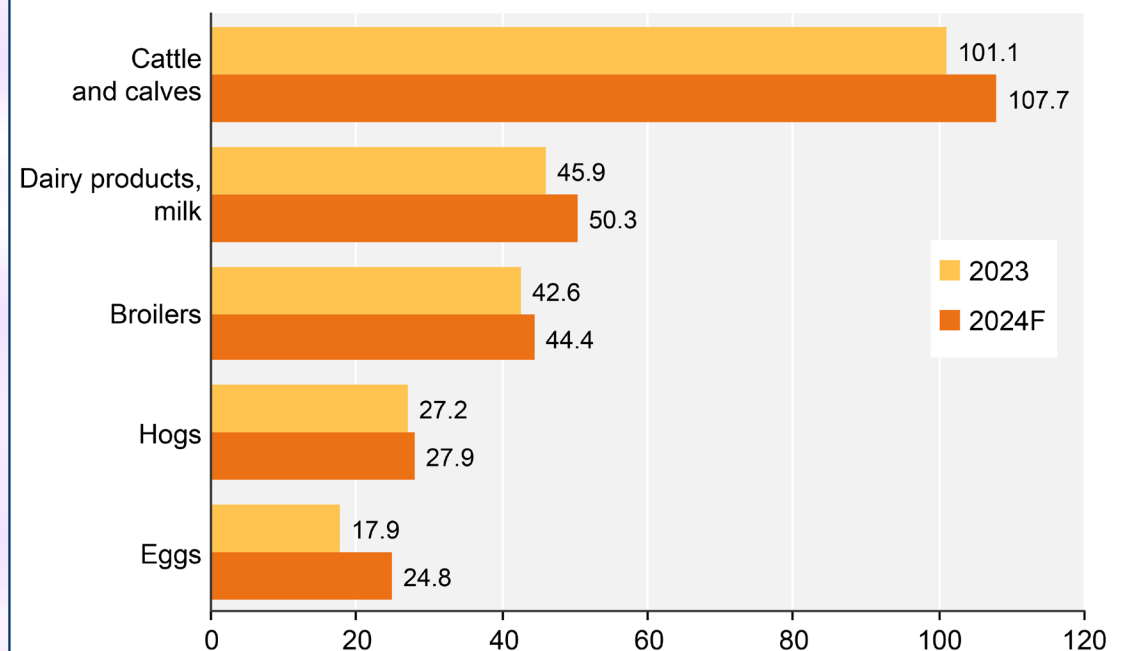


Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.  
Data as of September 5, 2024.

## U.S. cash receipts for selected animals/products, 2023–24F

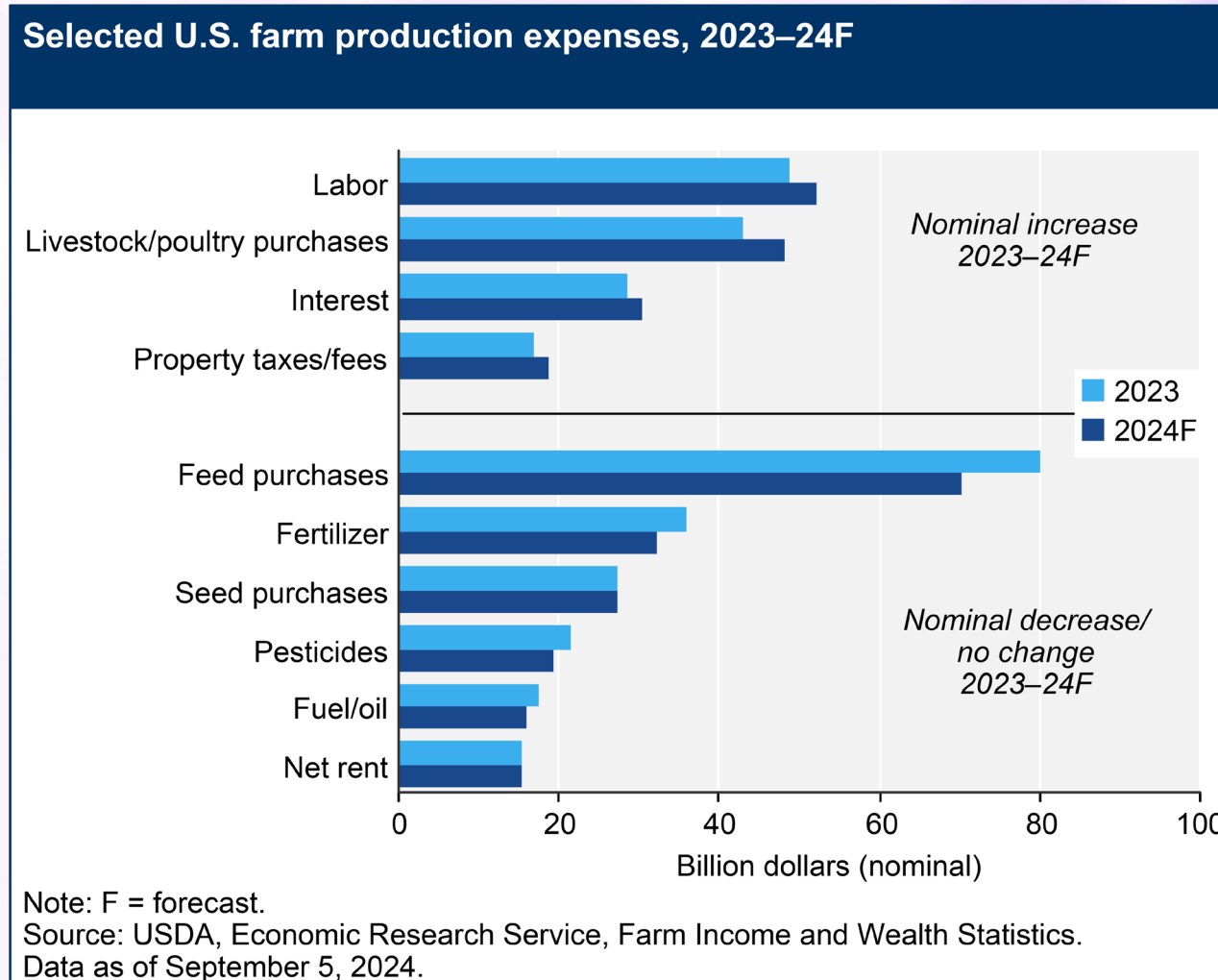
Billion dollars (nominal)



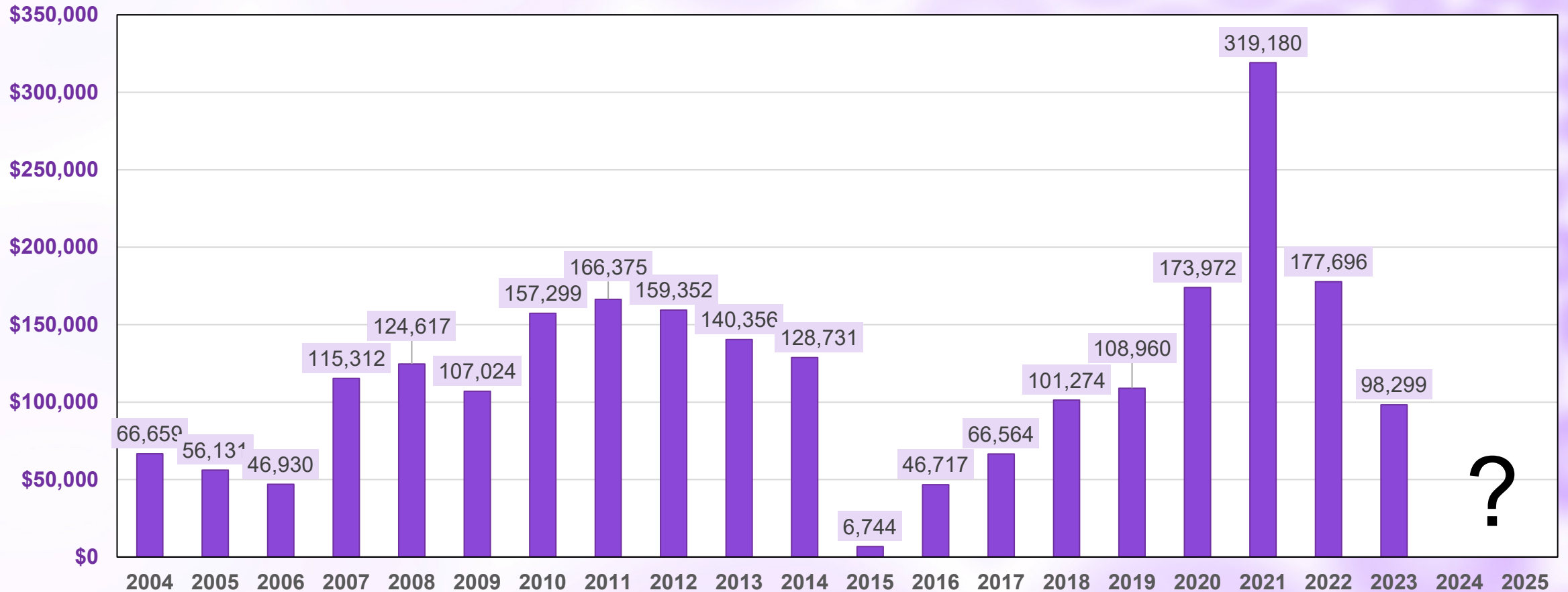
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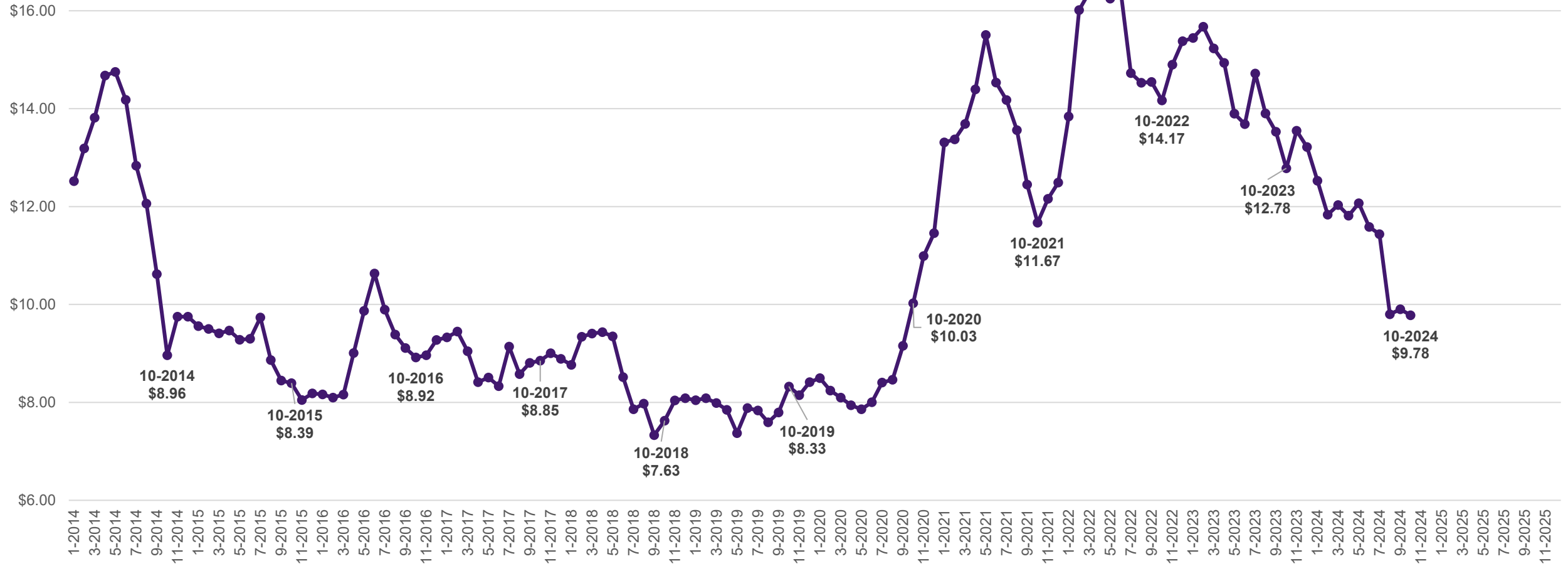
# Production Expense Forecast



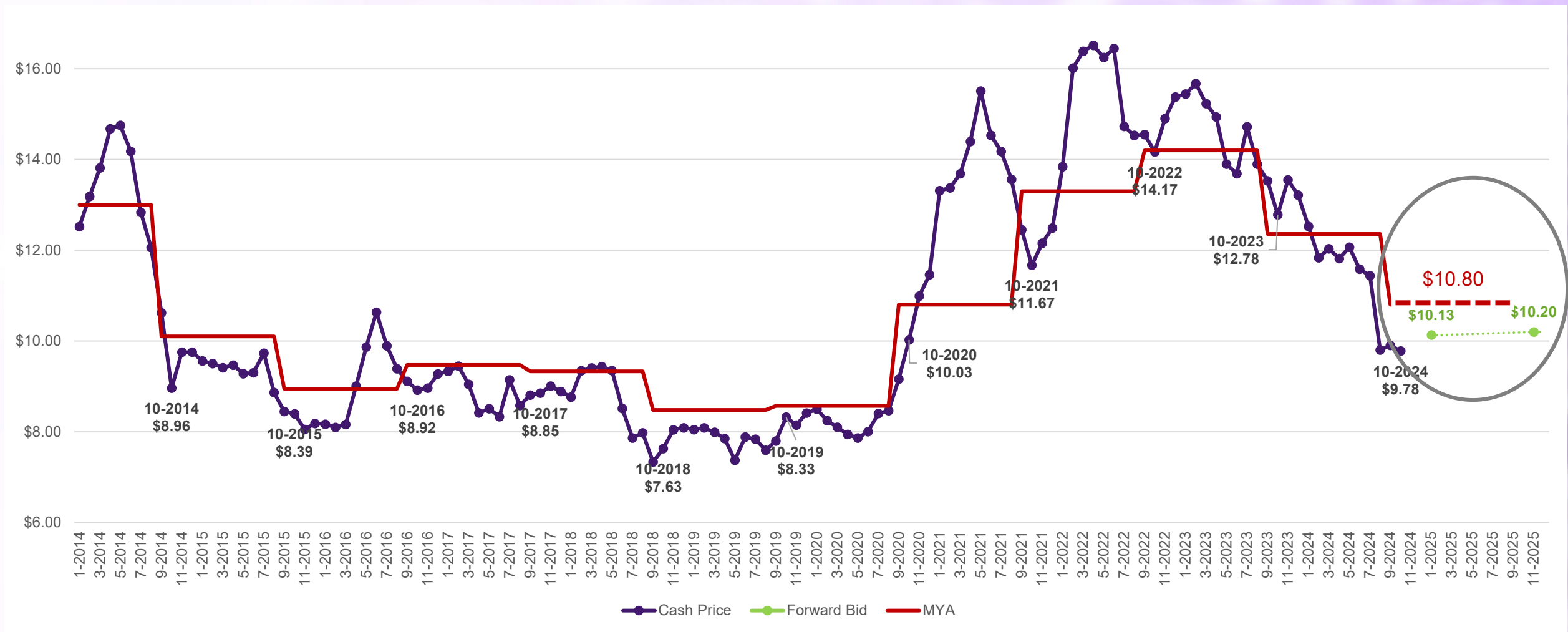
# Net Farm Income – Kansas Farm Management Association



# Cash Soybean Prices - Wichita

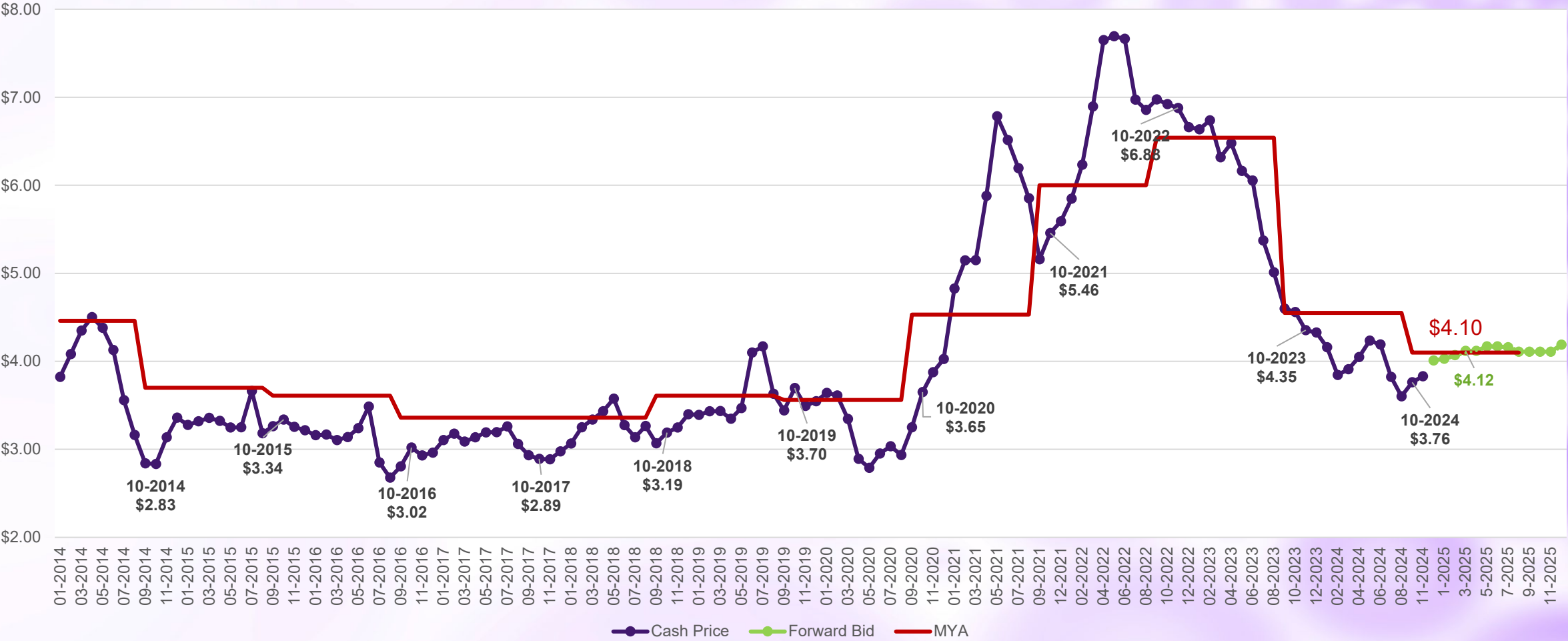


# Cash Soybean Prices - Wichita

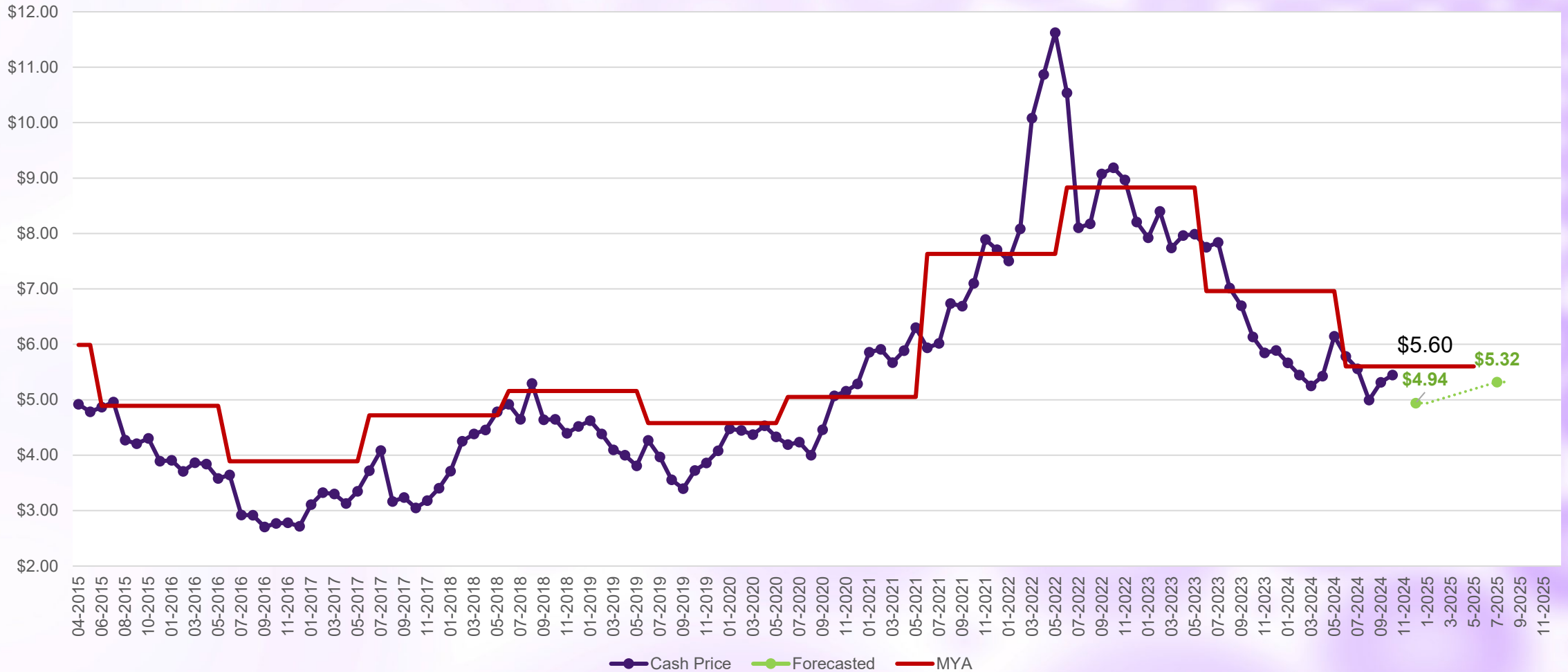




# Cash Corn Price – Marshall County



# Cash Wheat Prices – Ottawa County



# What is driving lower U.S. crop prices?

- Expansion of cropland acreage in Brazil & Argentina
- Large corn and soybean crops in the U.S.
  - Large stockpiles
- Strength of the U.S. dollar compared to other exchanges
- Tensions with China, the largest importer of grain in the world

# What does the election mean for ag?

- Farm Bill
  - Most likely another one-year extension
  - Possible disaster assistance to farmers? (FARM Act)
- Trade Uncertainty
  - Will tariff's suggested by President Trump be put into place?
- Labor
  - How will possible deportation of illegal immigrants effect ag?
- Less emphasis on environmental regulations & conservation-minded policy

# Proposed FARM Act

- Economic loss calculation = Expected Cost of Production – Expected Gross Return
- Pays 60% of the Economic Loss over planted acres of the crop in 2024 (plus 50% of PP acres)
- Separate Payment limit from other programs
  - \$175,000 if < 75% income from farming
  - \$350,000 if > 75% income from farming
- Estimated to cost \$21 Billion

Table 1. Estimated FARM Payment Rates

Crop	2024 MYA Price <sup>1</sup>	Yield <sup>2</sup>	ERS 2024 Production Cost <sup>3</sup>	Economic Gain/Loss <sup>4</sup>	FARM Payment Rate <sup>5</sup>
Corn	\$4.10	173.3	\$877.53	-\$166.88	\$100.13
Soybeans	\$10.80	49.8	\$620.03	-\$82.62	\$49.57
Wheat	\$5.70	47.5	\$413.20	-\$142.51	\$85.50
Cotton	\$0.660	861.8	\$902.14	-\$333.35	\$200.01
Rice	\$0.156	7532.2	\$1,309.79	-\$134.77	\$80.86
Sorghum	\$4.10	67.4	\$435.83	-\$159.65	\$95.79
Oats	\$3.50	65.6	\$523.41	-\$293.99	\$176.39
Barley	\$6.50	73.0	\$470.77	\$3.41	\$0.00

<sup>1</sup>Projections for the 2024 MYA price from the October 2024 WASDE; all prices in \$/bushel except for cotton and rice which are \$/lb

<sup>2</sup>Yields are 10-year averages (2014 to 2023) from NASS

<sup>3</sup>Cost of production (\$/acre) forecasts for major field crops from ERS-USDA:

<https://www.ers.usda.gov/data-products/commodity-costs-and-returns/>

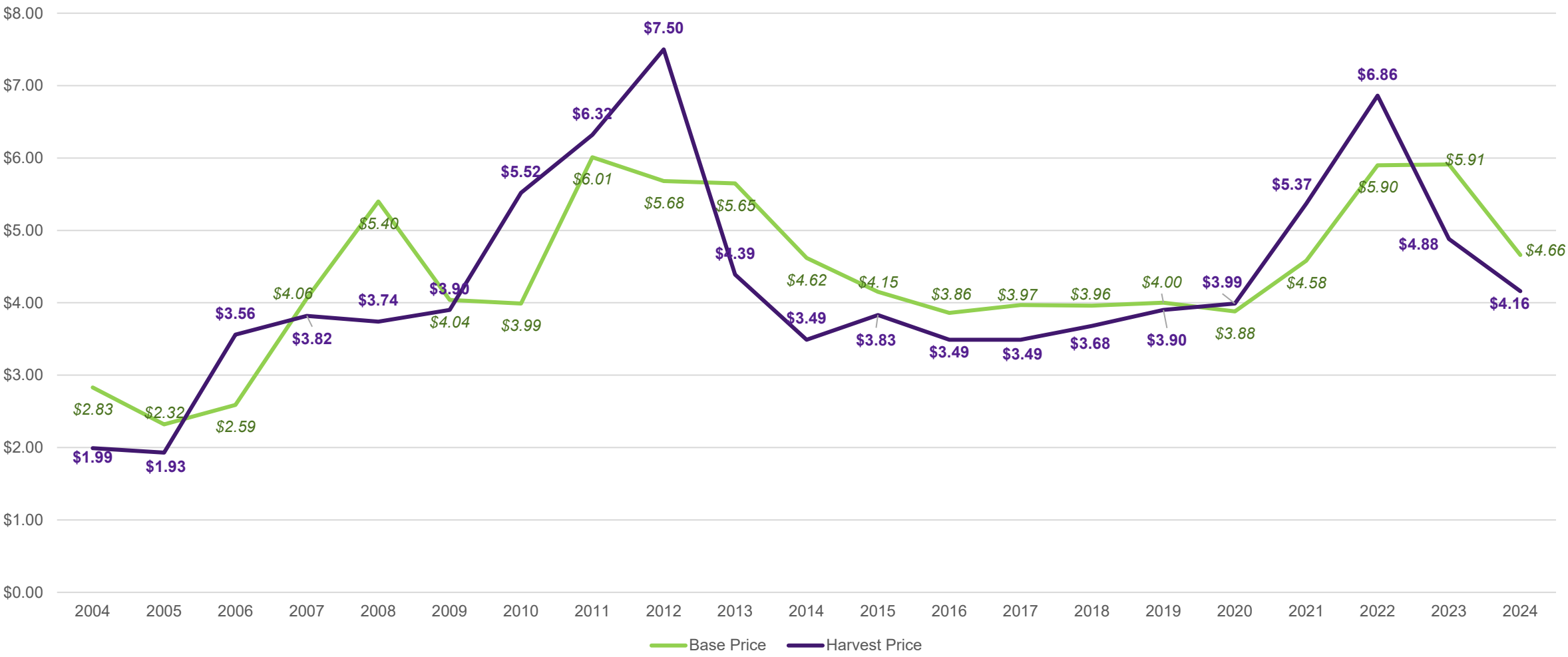
<sup>4</sup>Calculated as Price x Yield less Production Costs

<sup>5</sup>60% of economic loss

farmdocDAILY

<https://farmdocdaily.illinois.edu/2024/11/reviewing-the-latest-ad-hoc-payment-proposal-in-congress.html>

# Historical Corn Crop Insurance Prices



# Deterioration of the Safety Net

## Crop Insurance Revenue Guarantee Corn Example

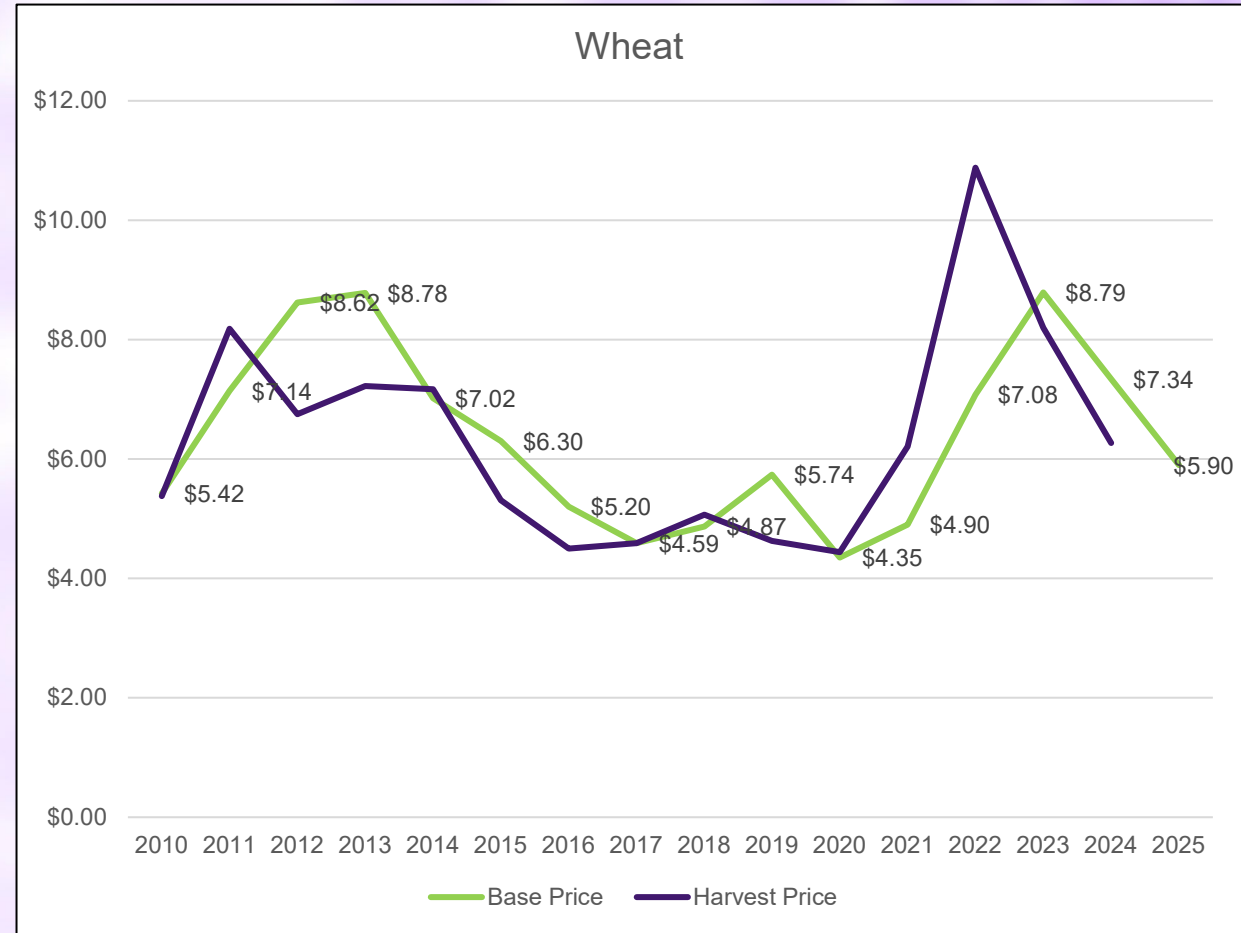
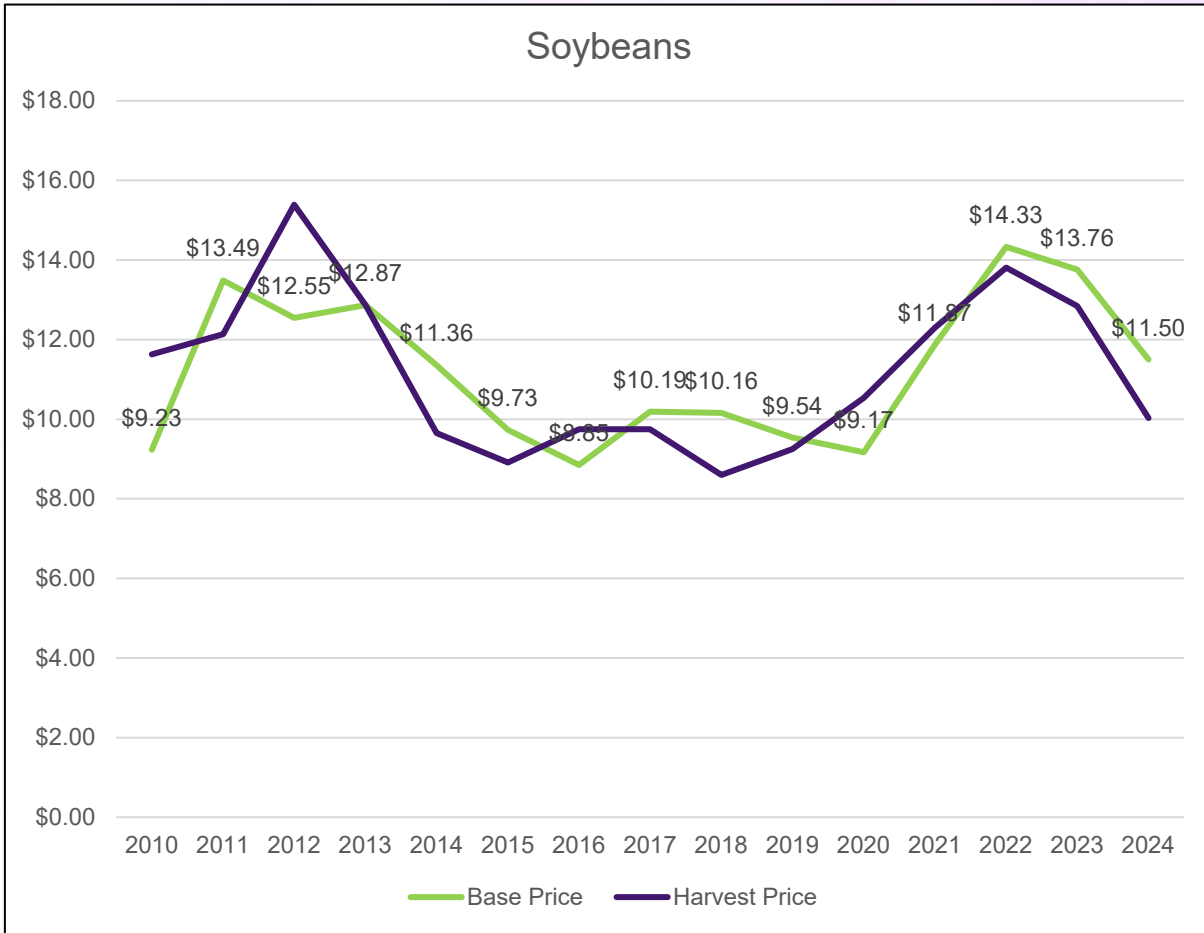
	2022	2023	2024	2025F
APH (bushel)	150	150	150	150
Coverage Election	75%	75%	75%	75%
Guaranteed Bushel	112.5	112.5	112.5	112.5
Base Price (per bushel)	\$5.90	<b>\$5.91</b>	<b>\$4.66</b>	<b>\$4.40</b>
Harvest Price (per bushel)	<b>\$6.86</b>	\$4.88	\$4.16	
Coverage (per acre)	\$772	\$665	\$524	\$495

← Decline of \$277 per acre since 2022 →

Cost of Production – NE KS	2023	2018-2022 Avg.
Variable Costs	\$656	\$459
Total Costs	\$902	\$643



# Historical Crop Insurance Prices





# Deterioration of the Safety Net

## Crop Insurance Revenue Guarantee Wheat Example

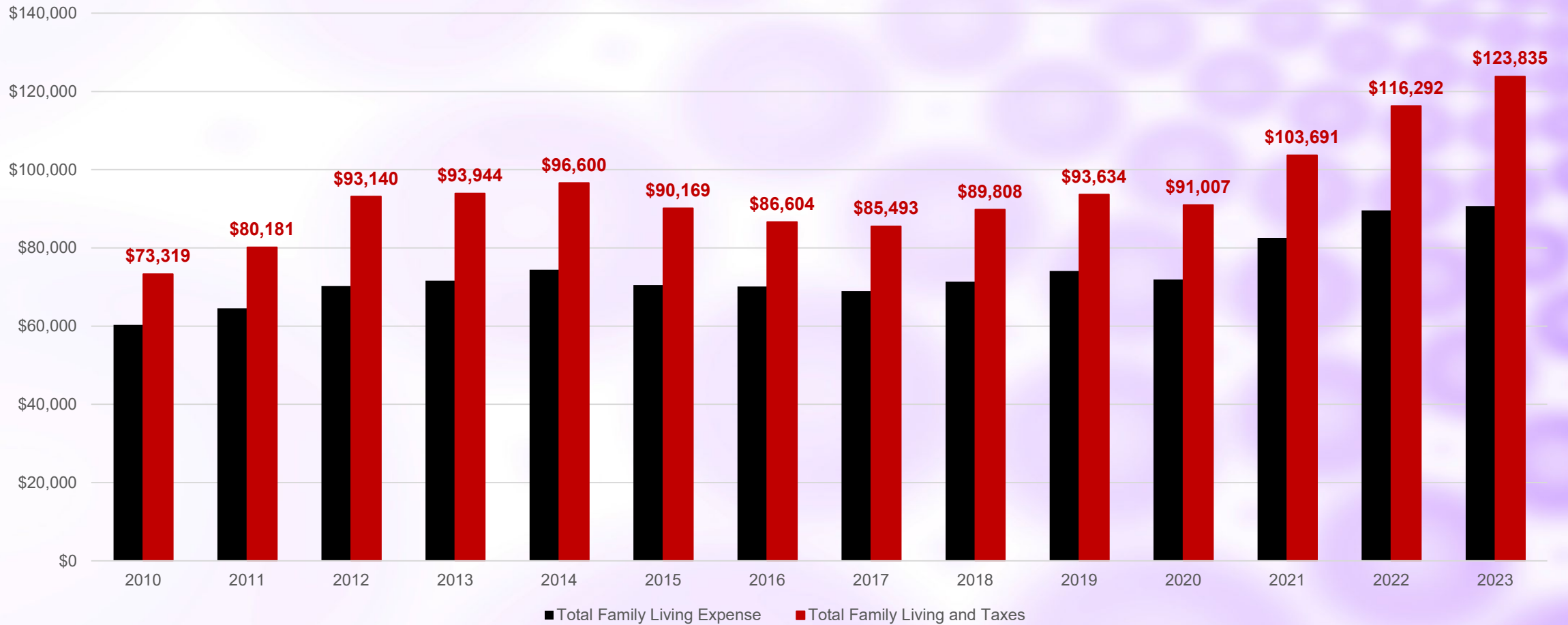
	2022	2023	2024	2025
APH (bushel)	40	40	40	40
Coverage Election	75%	75%	75%	75%
Guaranteed Bushel	30	30	30	30
Base Price (per bushel)	\$7.08	<b>\$8.79</b>	<b>\$7.34</b>	<b>\$5.90</b>
Harvest Price (per bushel)	<b>\$10.88</b>	\$8.20	\$6.27	?
Coverage (per acre)	\$326	\$264	\$220	\$177

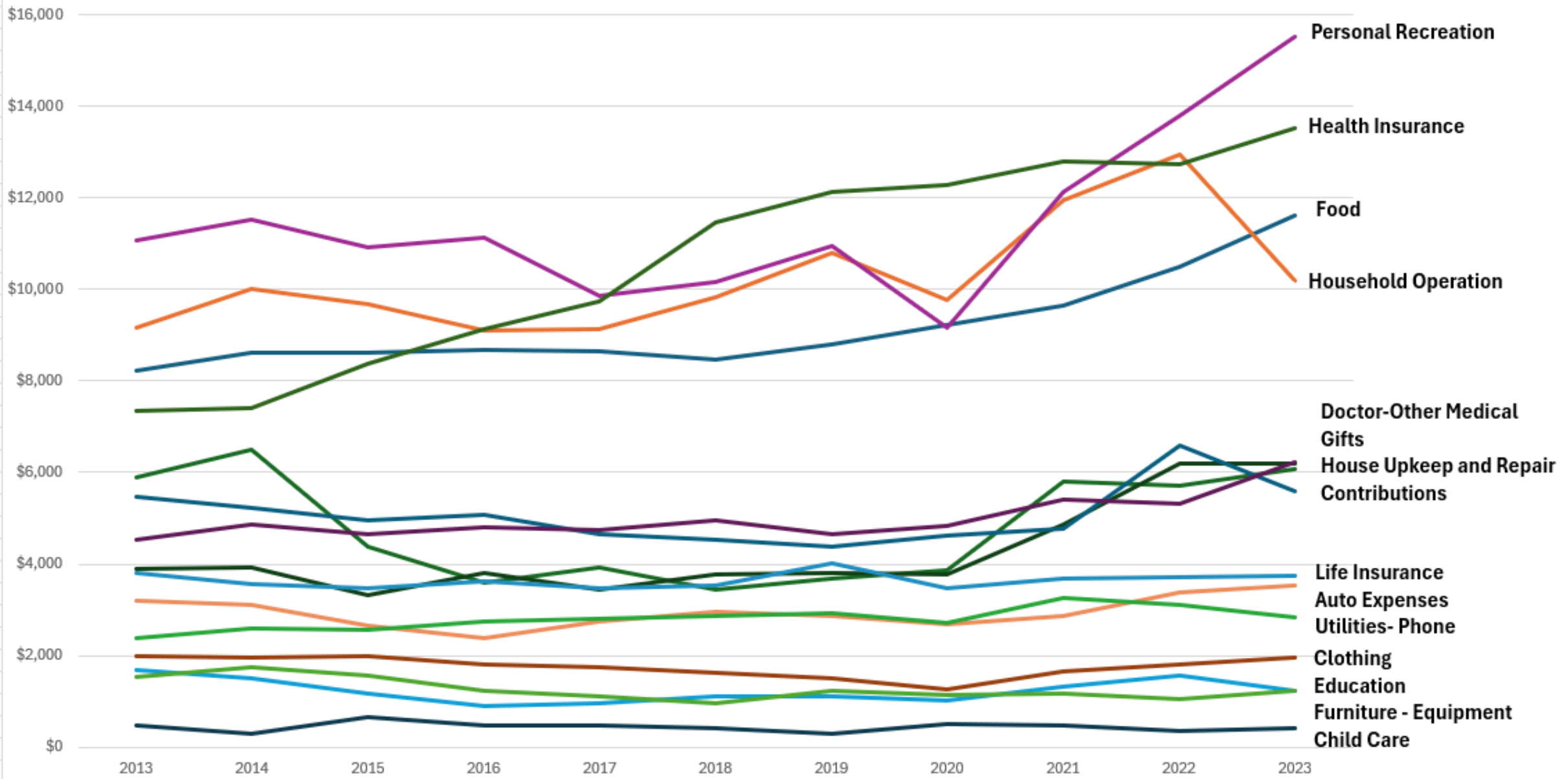
← Decline of \$87 per acre since 2023 →

Cost of Production – NC KS	2023	2018-2022 Avg.
Variable Costs	\$260	\$192
Total Costs	\$371	\$282



# KFMA Family Living Expenses





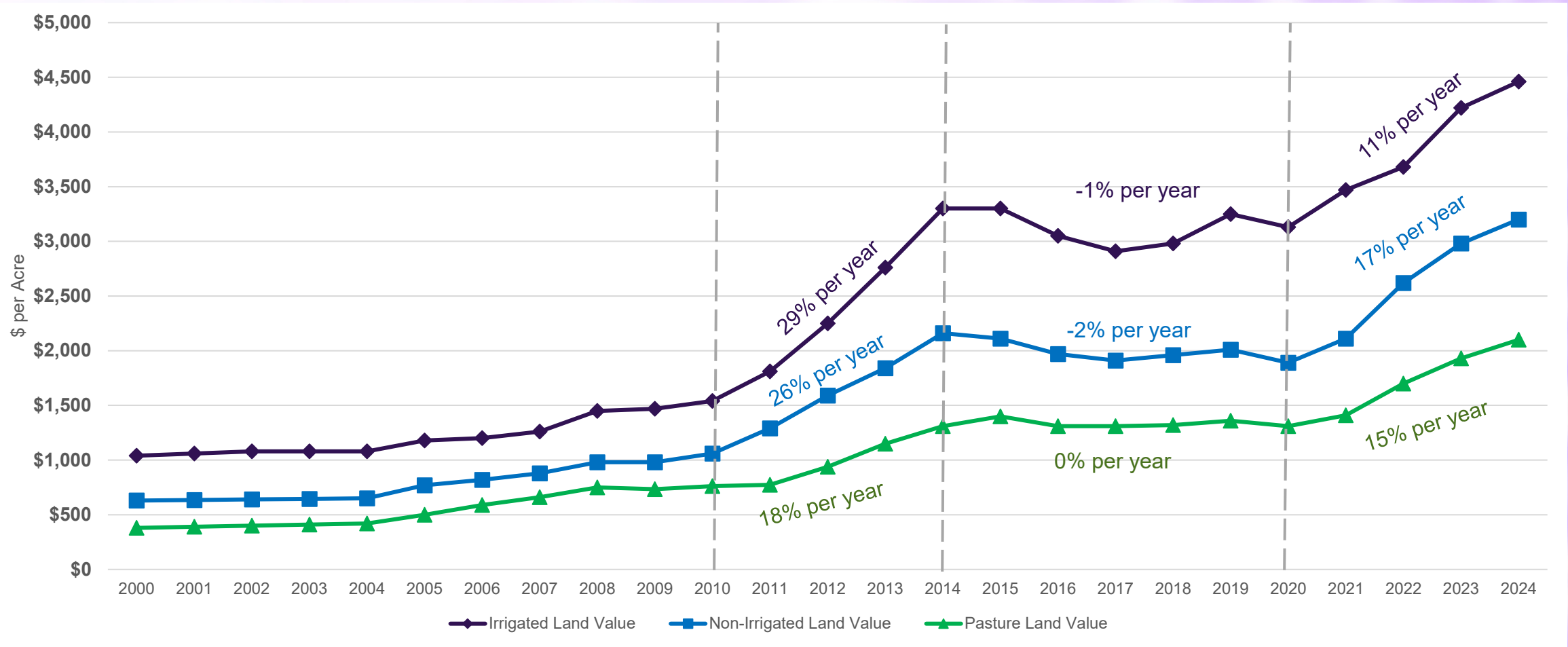
# Family Living Expense Distribution 2023

	Age of Oldest Child <5	Age of Oldest Child 6-13	Age of Oldest Child 14-17	Age of Oldest Child >17	Couples
Number of Families	13	17	11	34	138
Average Family Size	3.8	4.5	4.6	4.1	2
Family Living Expenses	\$86,100	\$89,947	\$113,240	\$124,069	\$84,572
Income & Self-Employment Tax	\$17,478	\$29,729	\$24,255	\$44,907	\$34,972
<b>Total FL &amp; Taxes</b>	<b>\$103,578</b>	<b>\$119,675</b>	<b>\$137,495</b>	<b>\$168,976</b>	<b>\$119,453</b>
Net Farm Income	\$75,052	\$73,808	\$90,995	\$95,913	\$71,056
Non-Farm Income	\$66,982	\$112,144	\$65,139	\$62,129	\$82,120
<b>Total Income</b>	<b>\$142,035</b>	<b>\$185,952</b>	<b>\$156,135</b>	<b>\$158,042</b>	<b>\$153,176</b>
<b>Total Income – FL &amp; Taxes</b>	<b>\$38,457</b>	<b>\$66,277</b>	<b>\$18,640</b>	<b>-\$10,934</b>	<b>\$33,723</b>

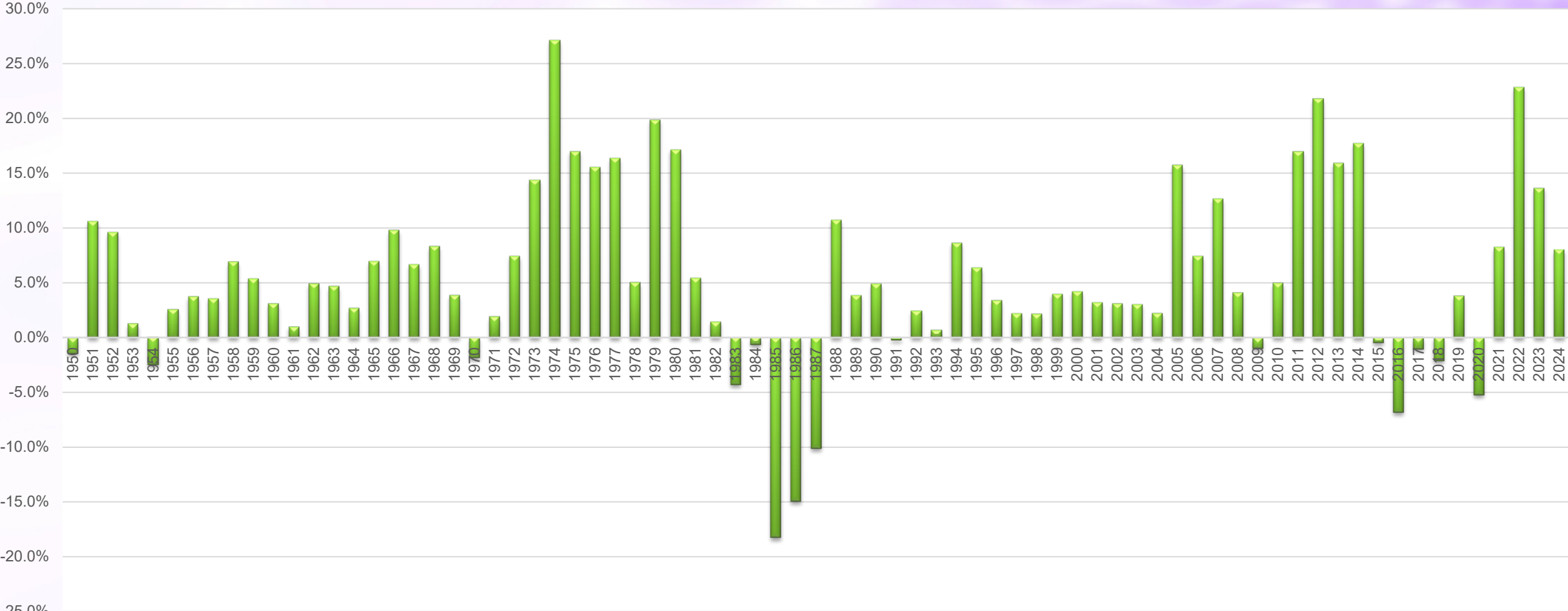
# What is going on in the Ag. Land market?

- Farm Income was historically strong fueling large increases in land value
  - High commodity prices + gov. payments during COVID = Escalating land prices
  - Current farm profitability uncertain
- Interest rates historically high
- Are agricultural land values at a tipping point?

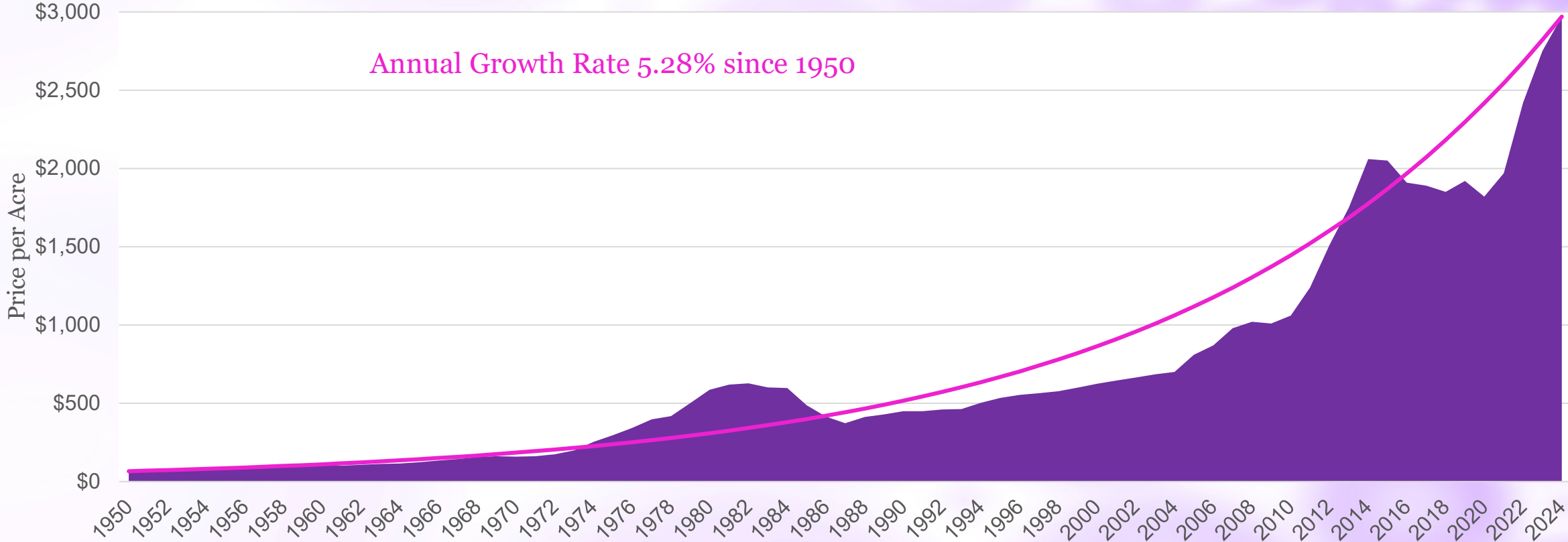
# Kansas Land Values



# Annual Percent Change in Kansas Land Values

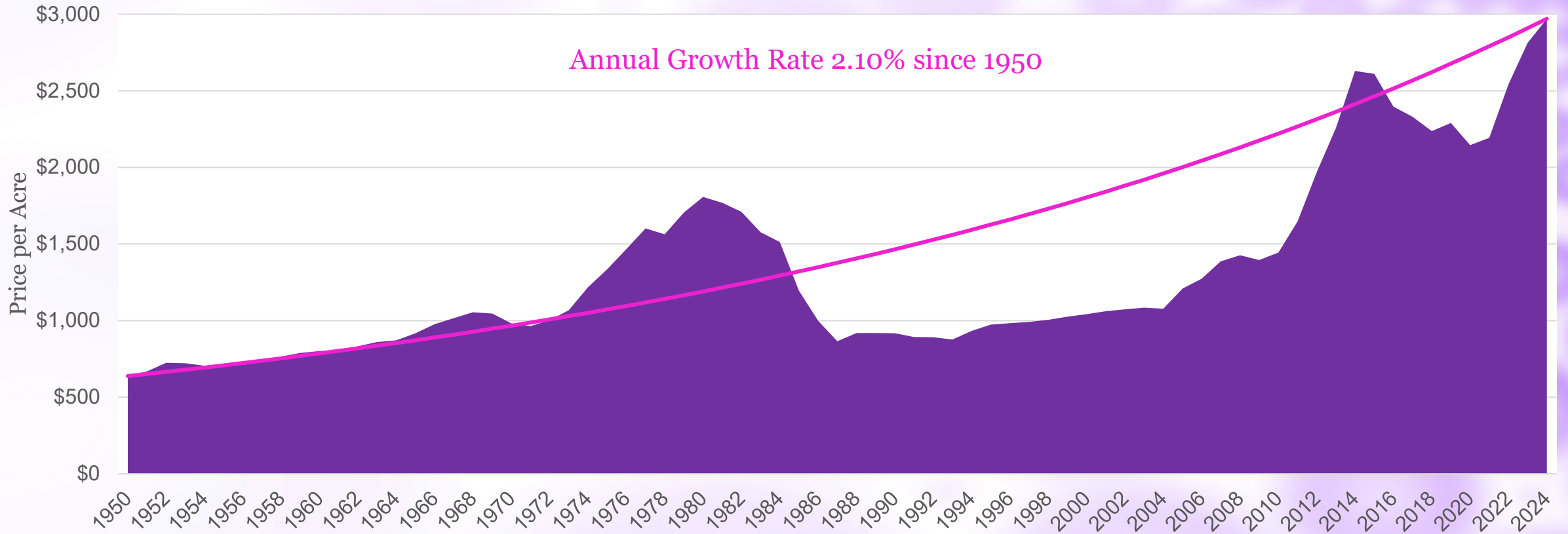


# Kansas Land Values from 1950





# Inflation-Adjusted Kansas Land Values



# Where will land values go from here?

- How long will lower farm profitability persist?
- Cattle prices historically high right now
  - Adds support for pasture prices in the short run
  - When will cowherd expansion occur and beef prices come down?
- What about hunting/recreational interest?
  - Will the general economy remain strong?
- How about investors?
  - Are there better returns elsewhere?

# A word about cash rental rates...

- Will every farmer drop their cash rents for 2025?
- Answer: They are starting to...
- What is keeping the adjustment from occurring quickly?

# A word about cash rental rates...

- Residual cash from better revenue years will allow farmers to be competitive a little longer
  - Neighbors with more carry-over cash will keep bids high
  - But adjustments will occur if commodity prices remain low
- Contracts length in Kansas averages 3 to 5 years
  - Farmers are locked in for the short run
  - Adjustments will be made as the contracts are renewed

# How do Farmers Manage in Tighter Times?

- Focus on basic farm management principles
- Maintain working capital (cash)
  - Opportunity to refinance may not be there like it was in the low interest era
  - FSA loan programs
- Managing costs will be critical
- Cash rental rates
- Think critically about machinery and land purchases
- Is it time to retire? What about the next generation?

# What can KAMS do for you? 1-800-321-FARM

## Connect you to helpful resources

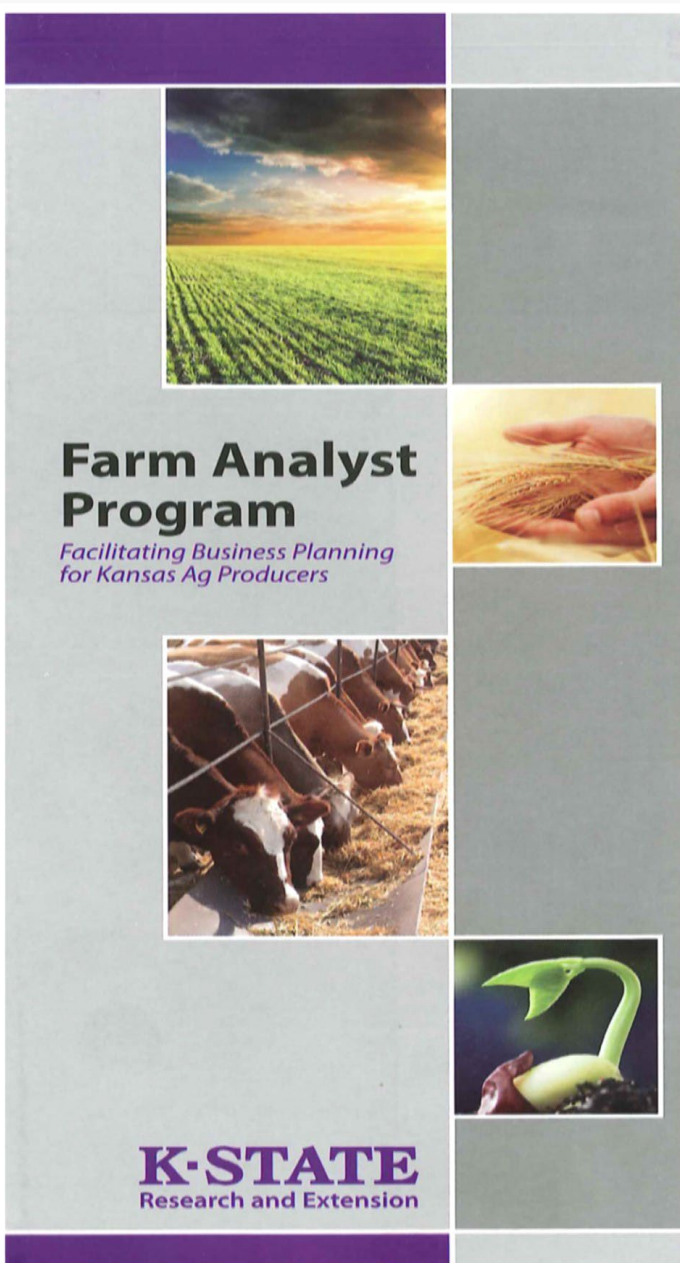
- Farm analysts
- Attorneys
- Mediators
- Referrals

## Discuss appeal options for adverse decisions

- Farm loan delinquency or denial
- USDA Farm Programs

## Provide resources for farm families

- Successions
- Transitions
- Communication
- Disputes



**Farm Analyst Program**  
*Facilitating Business Planning for Kansas Ag Producers*

**K-STATE**  
Research and Extension

- Analysts travel to the producer's home, providing private and confidential business advice
- Uses nationally recognized financial analysis software, FINPACK, to develop a balance sheet, enterprise budgets, and a base long-range business plan.
- Will show projected impact on Net Farm Income and Cash Flow
- Assistance when working with creditors
- Facilitates discussion among family members and sets goals for the farm business

Call 1-800-321-FARM to set up an appointment with a Farm Analyst



## The Office of Farm and Ranch Transition

[www.agkansitions.org](http://www.agkansitions.org)

Offers:

One-on-one consultations to discuss farm transition planning

Land-Link program

Education and Resources



# www.AgManager.info

The screenshot shows the website's header with the Kansas State University logo and 'Agricultural Economics' text. A navigation menu includes links for Home, About, Contributors, Events, Custom Rates, Farm Budgets, Tools, News, WASDE, KFMA, Programs, KSFMRA, and Sponsors. Below the menu is the AgManager.info logo and a search bar. The main content area features a large image of a combine harvester in a field with the heading 'Grain Basis Maps' and a sub-heading 'Basis Levels for Soybeans, Corn, Wheat, and Grain Sorghum'. A 'View Maps' button is visible. The footer contains the Kansas State University logo, the text 'Agricultural Economics', the website name 'AgManager.info', a 'Welcome to AgManager.info' message, and a section for 'Upcoming Events' listing the 'Kansas Income Tax Institute' for 'November 13 - 14, 2024' in Lawrence.

Questions?

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