

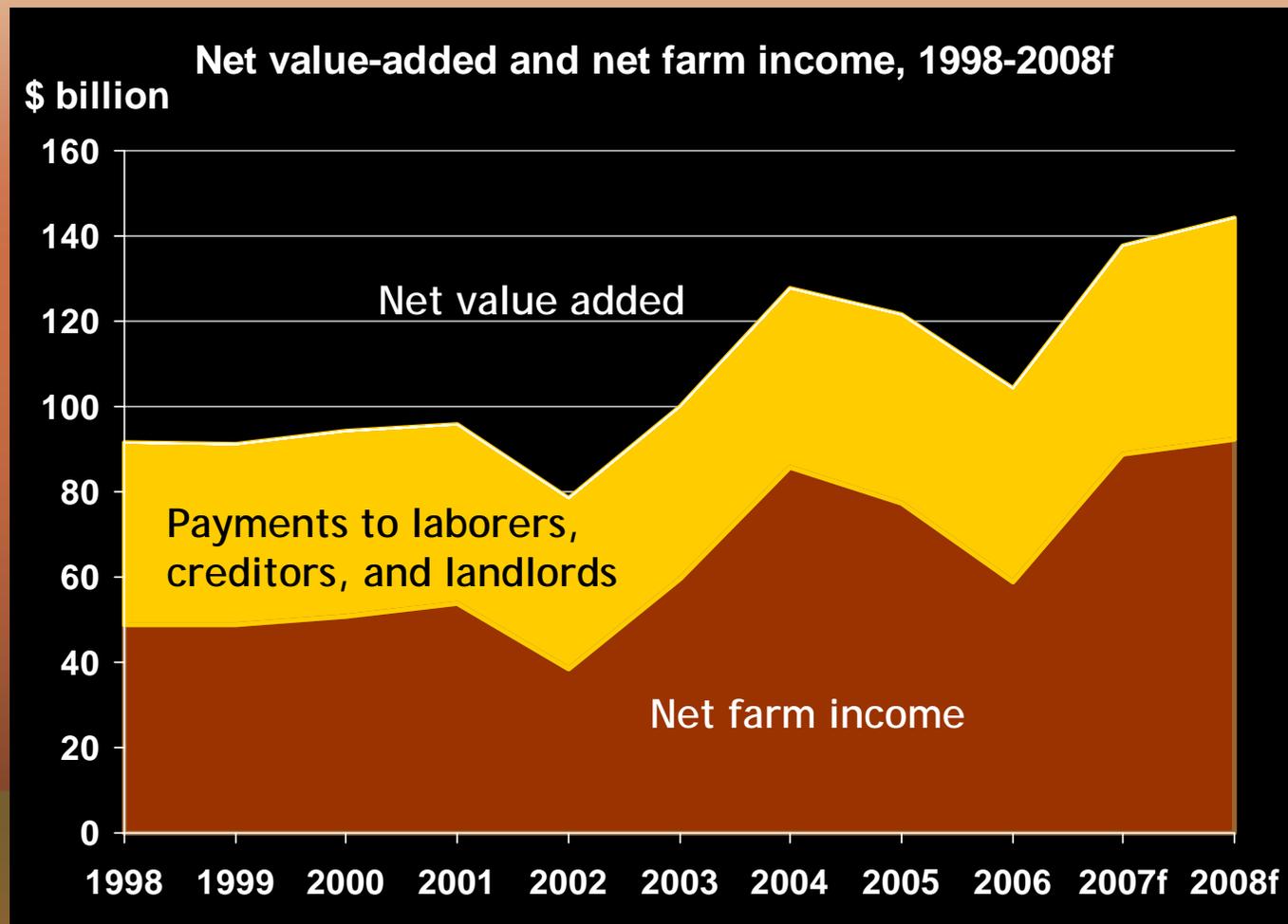


# Income Outlook for U.S. Farms and the Farm Economy in 2008

Economic Research Service

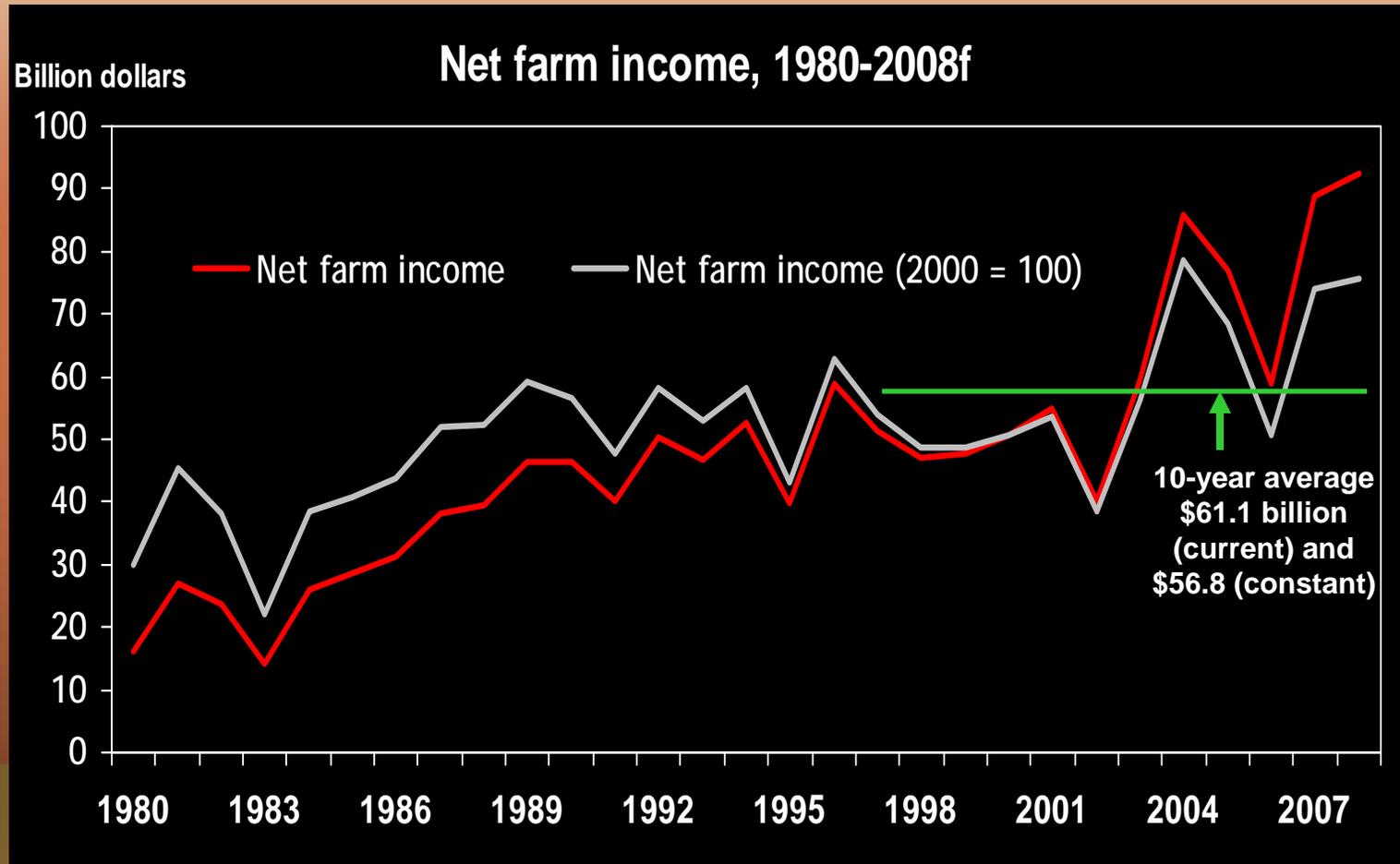
USDA Outlook Forum  
February 2008

# Net value-added and net farm income rising in 2008

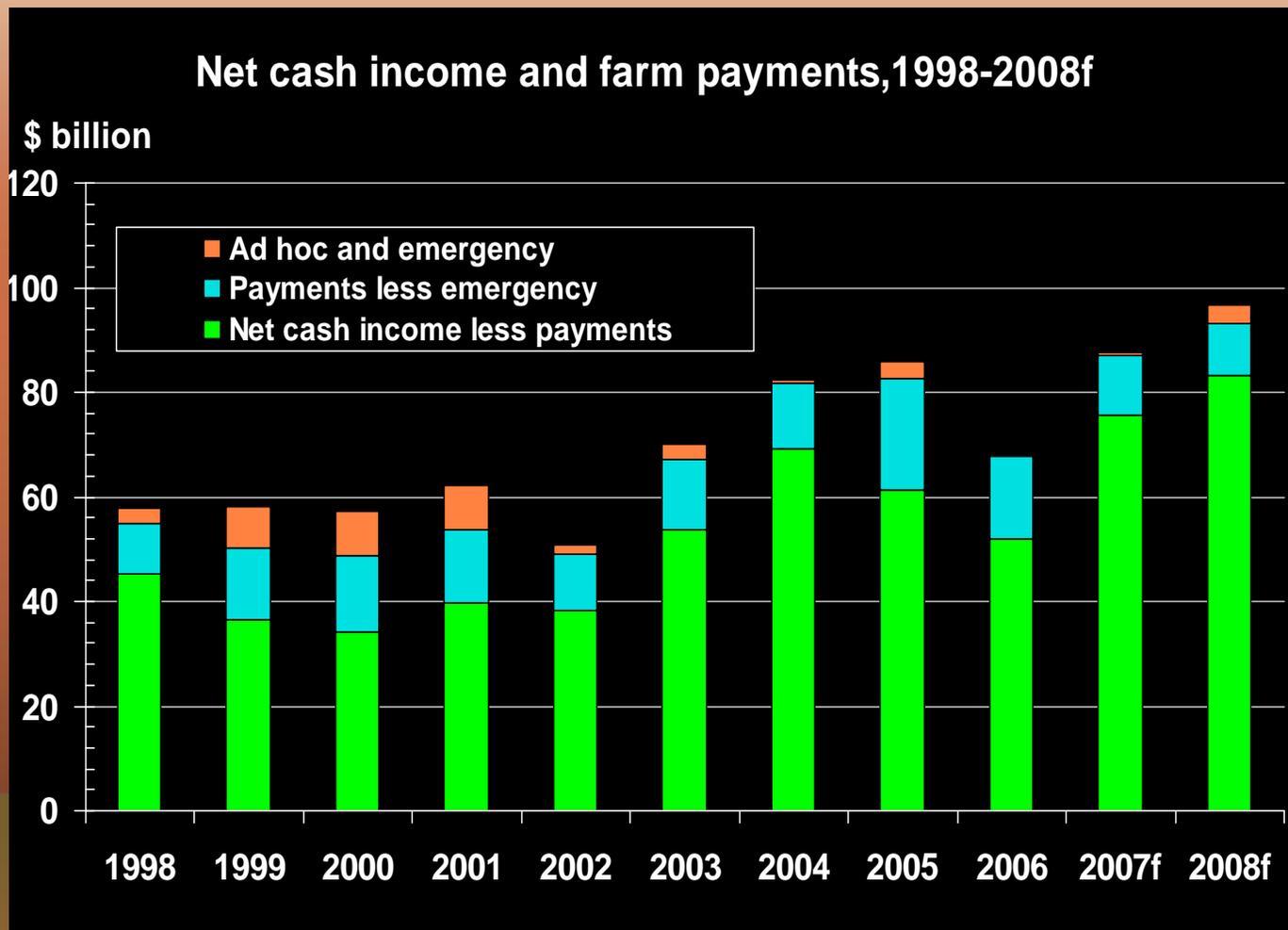




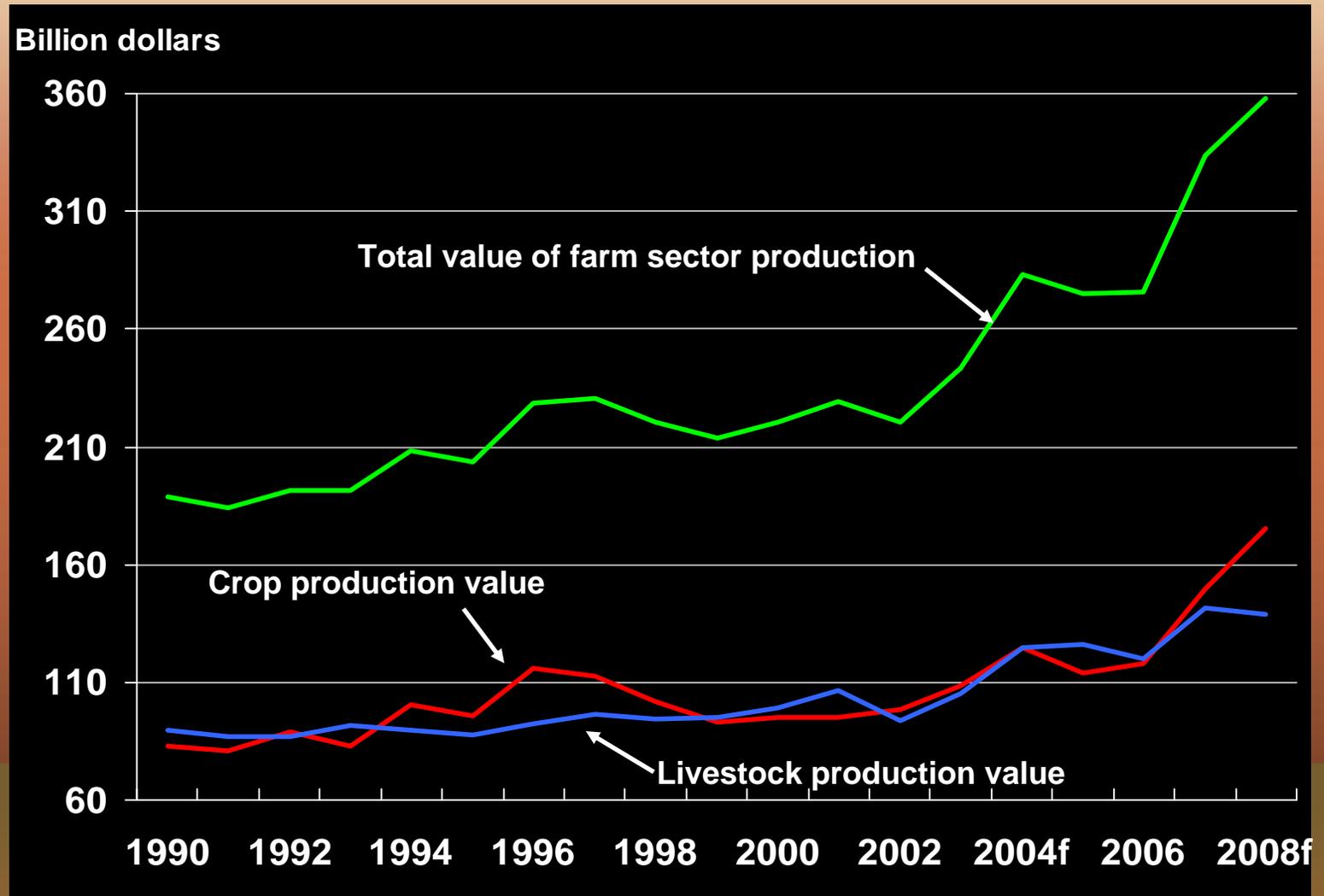
## Farm sector 2008 net income substantially above 10-year average in current dollars and after adjusting for price-level changes



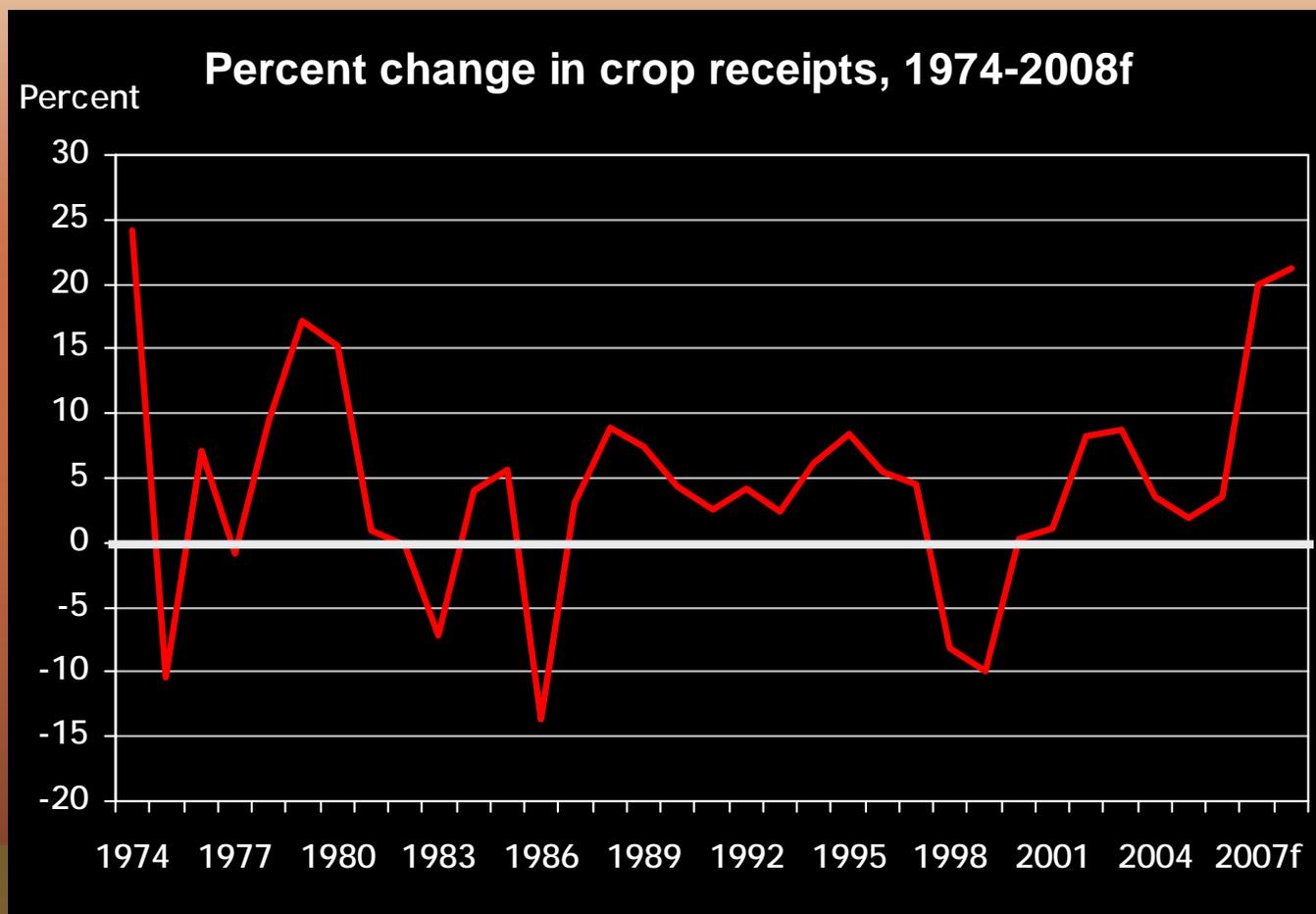
# Cash income projected to establish new record of \$96.6 billion in 2008



# Farm sector production establishes new record value in 2008

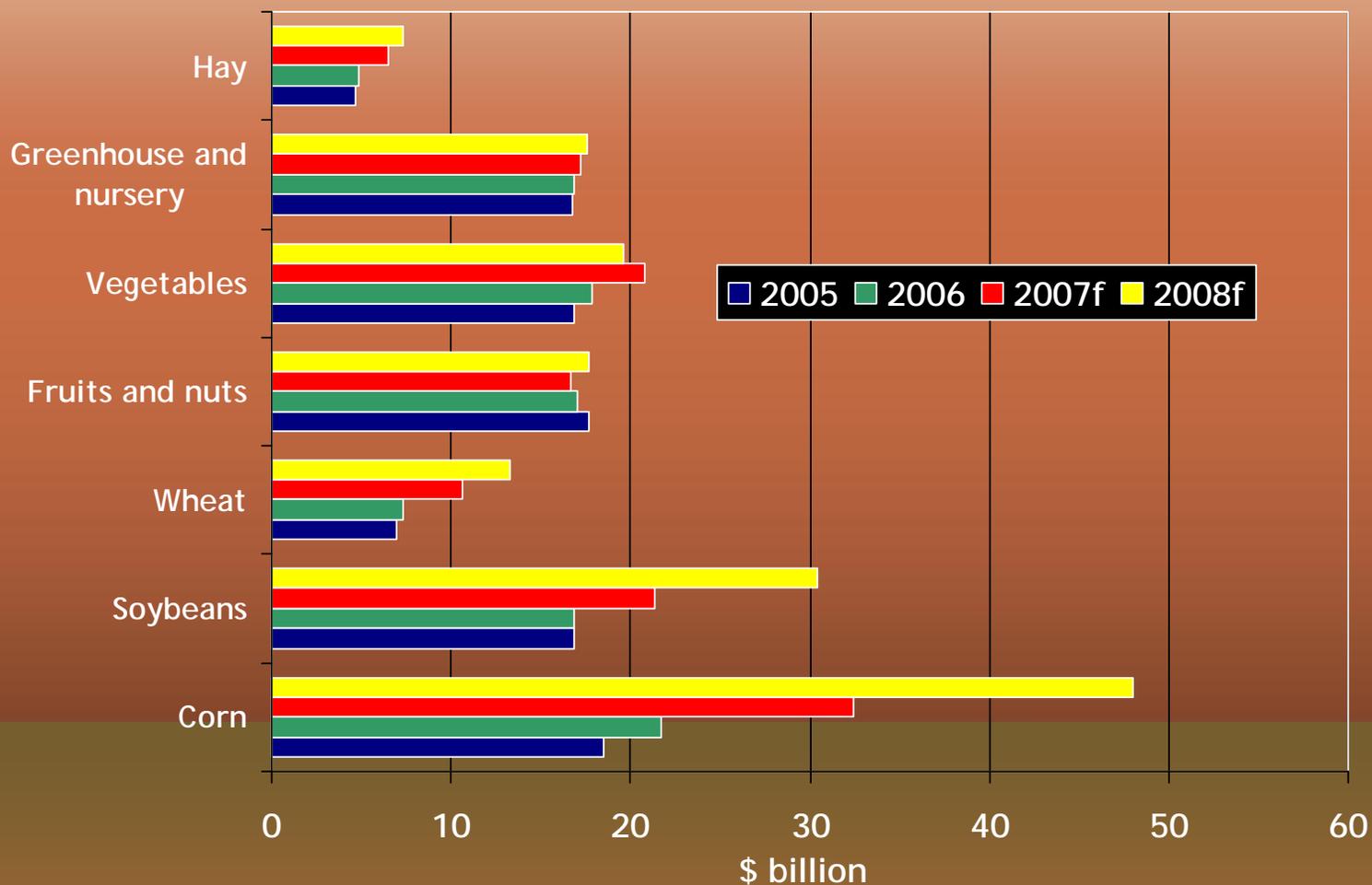


# Largest annual increase in crop receipts since the 1970's

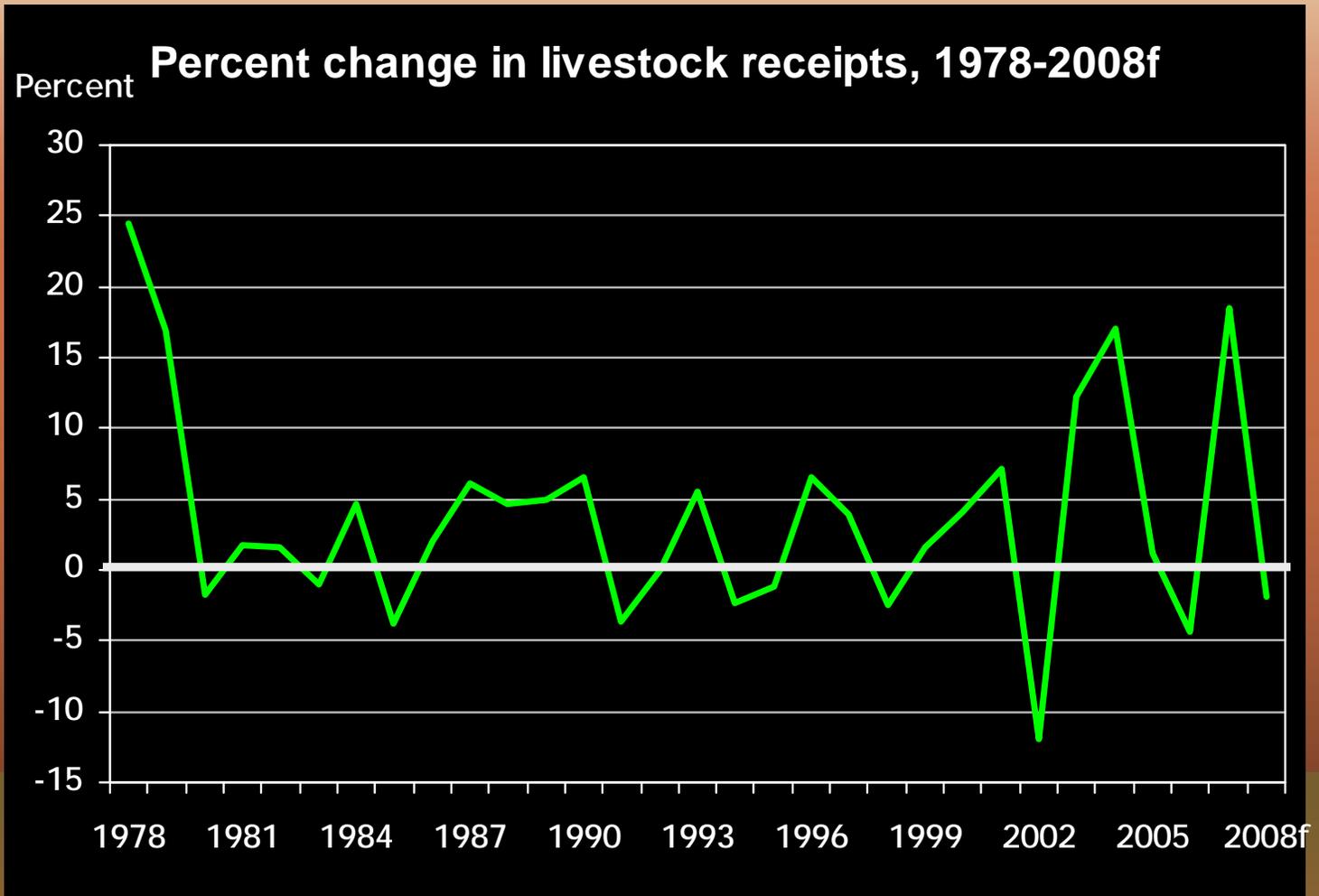


# The growth in crop receipts is concentrated among a few crops

Receipts for selected crops, 2005-2008f



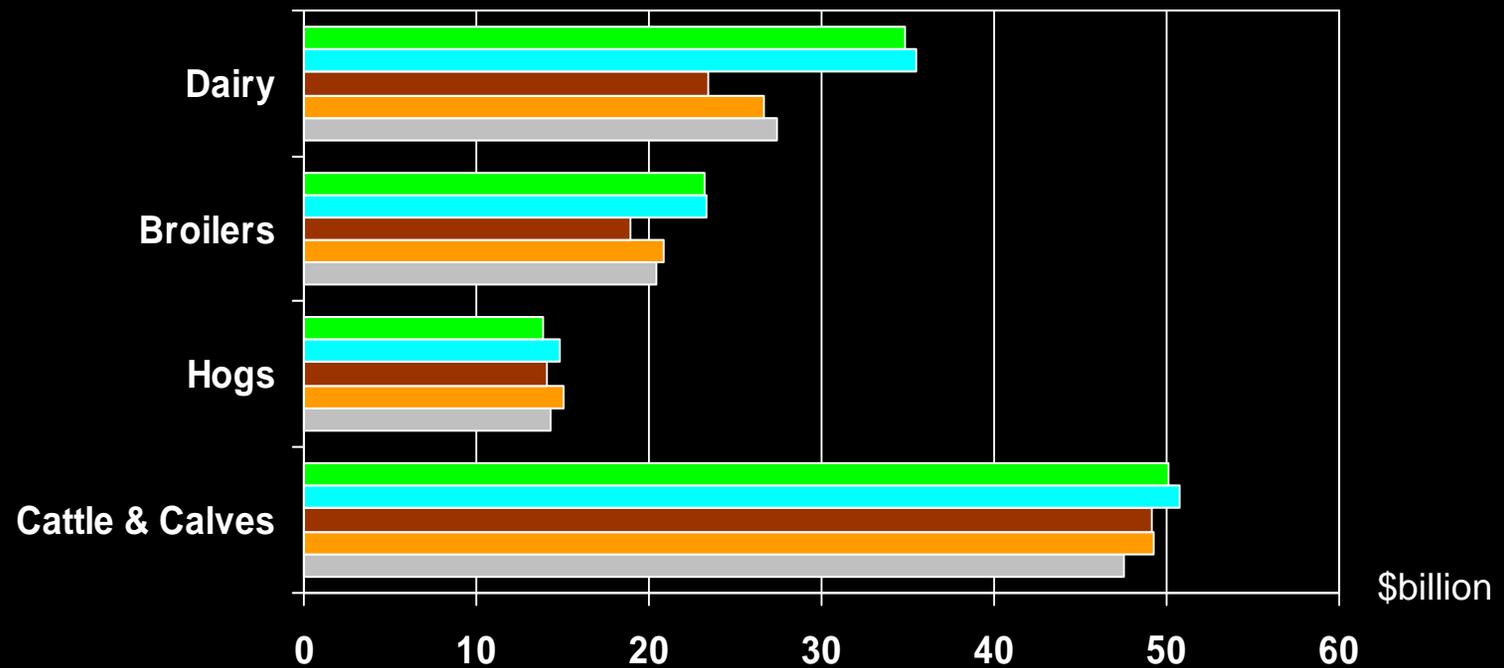
## After strong increase in 2007, livestock receipts decline



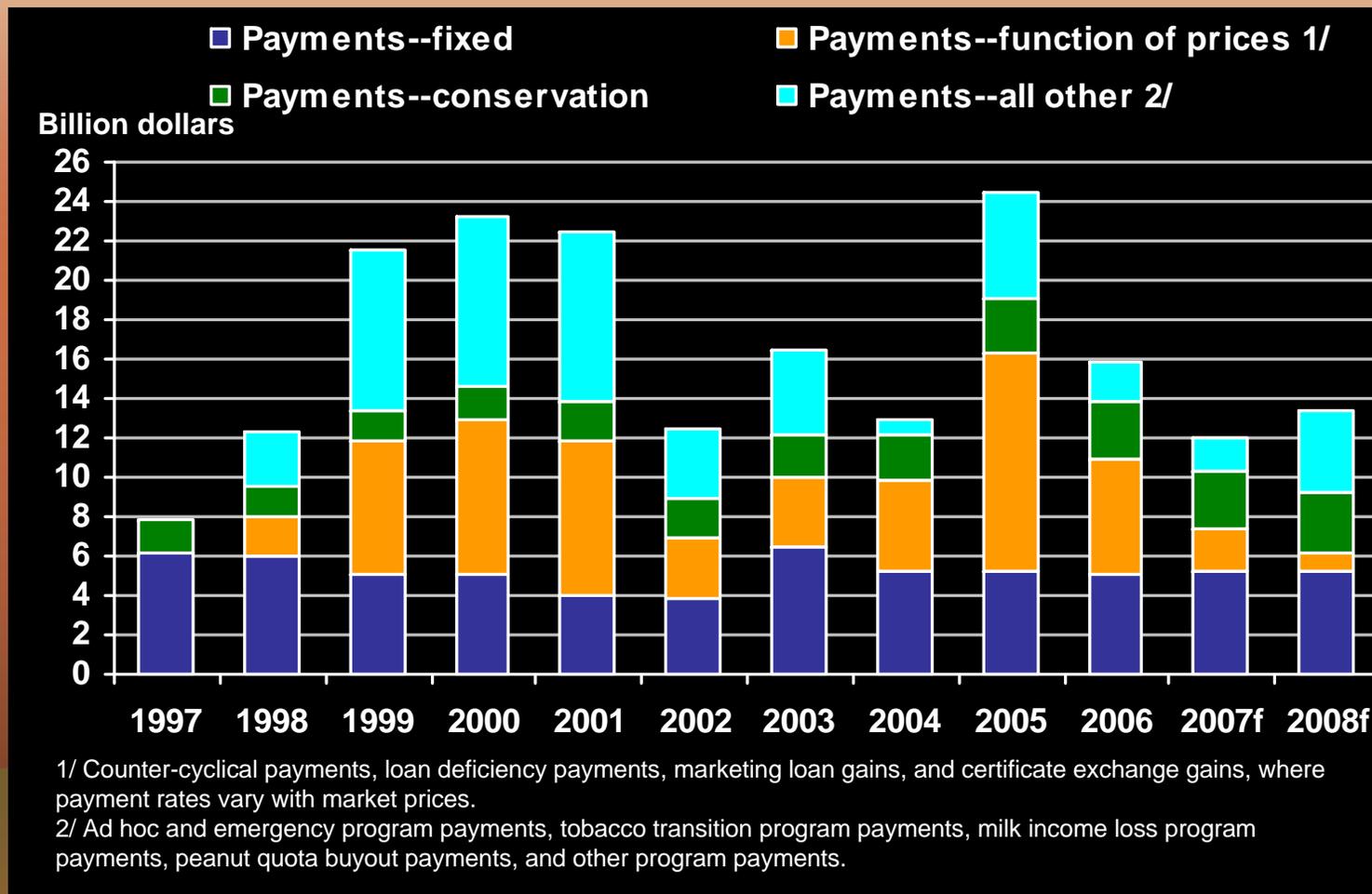
# Livestock receipts decline 2 percent from 2007 record; still exceed \$100 billion for fifth consecutive year

## Selected livestock receipt components

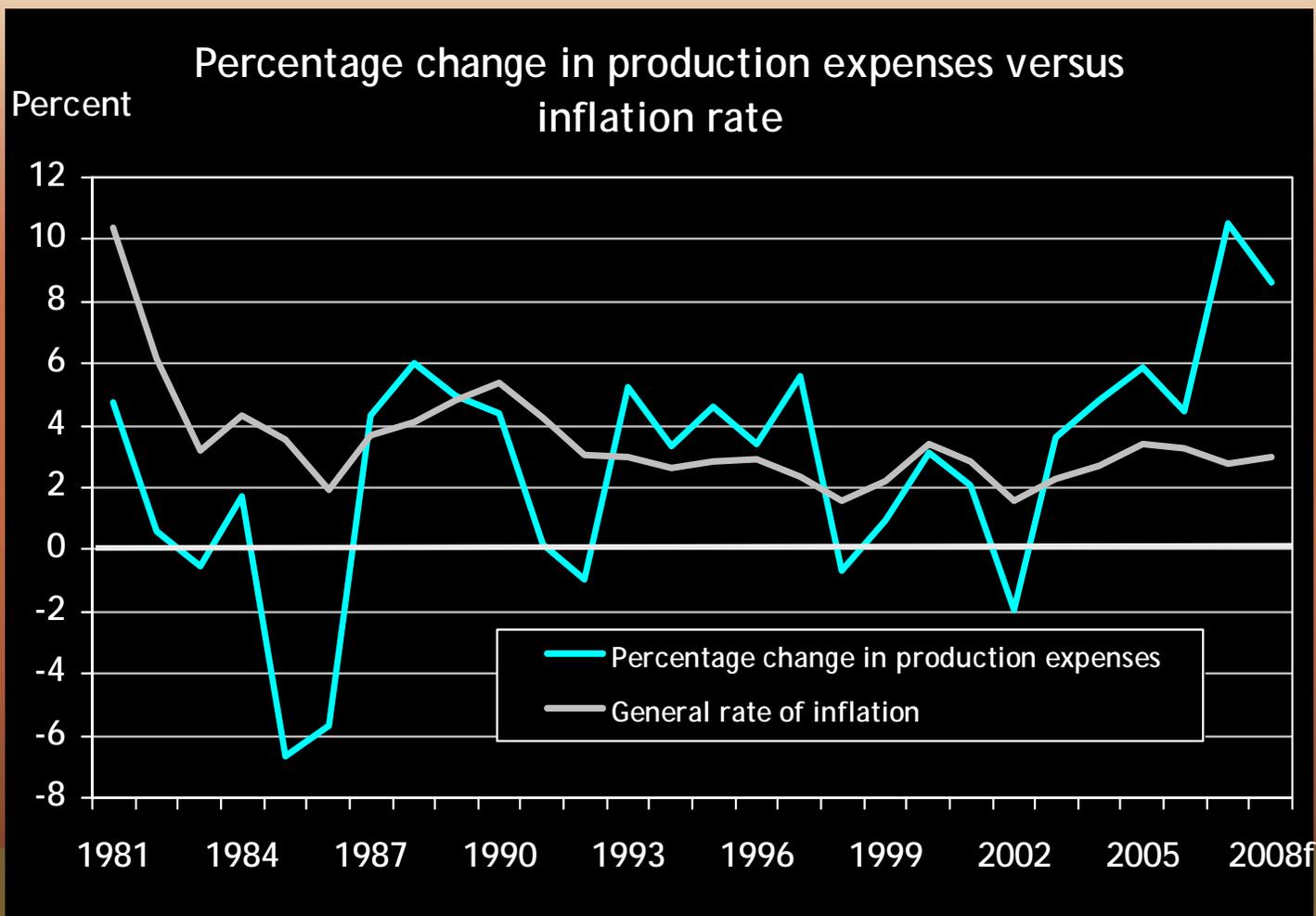
■ 2004 ■ 2005 ■ 2006 ■ 2007f ■ 2008f



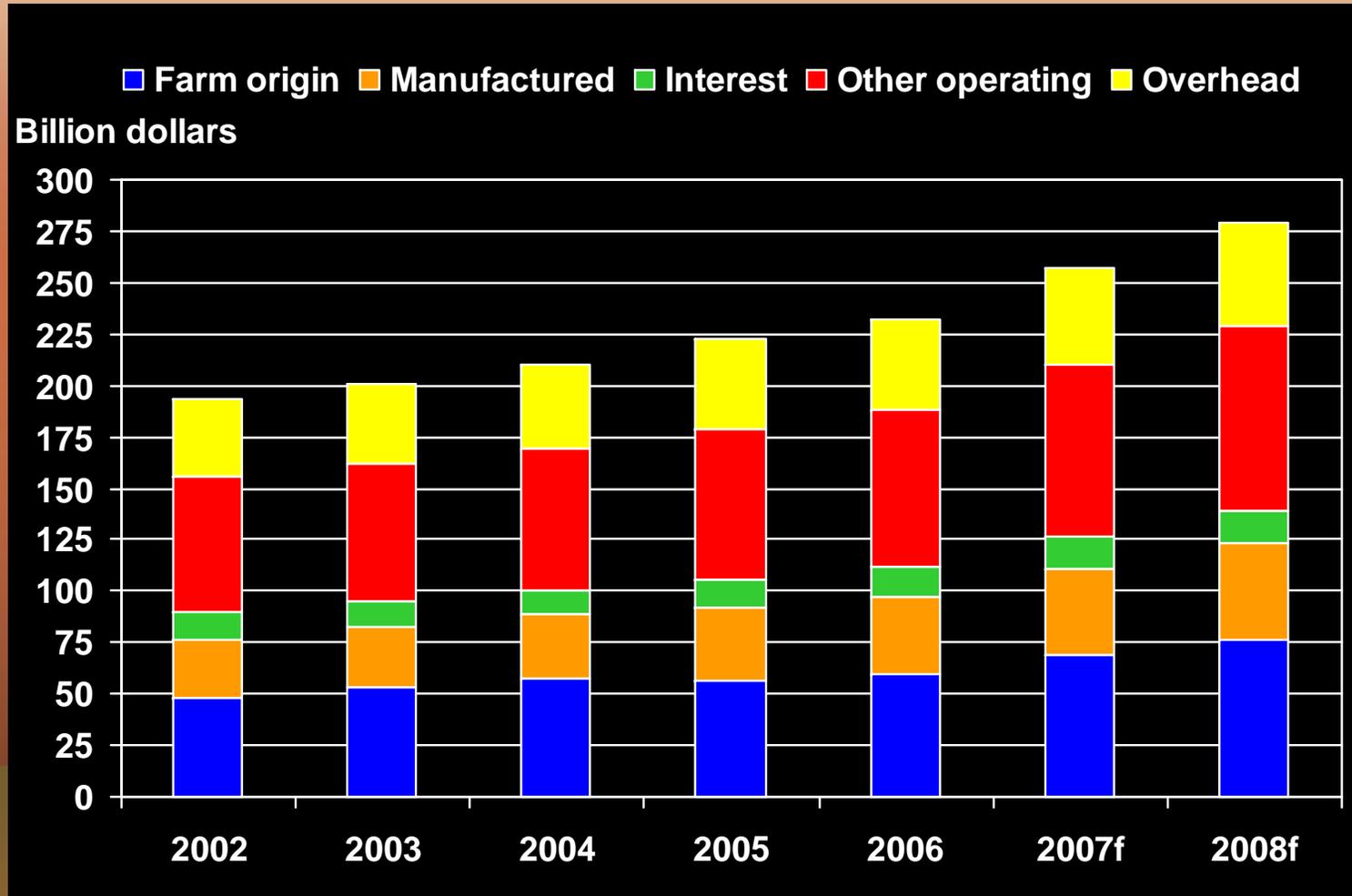
# Government payments expected to increase slightly in 2008



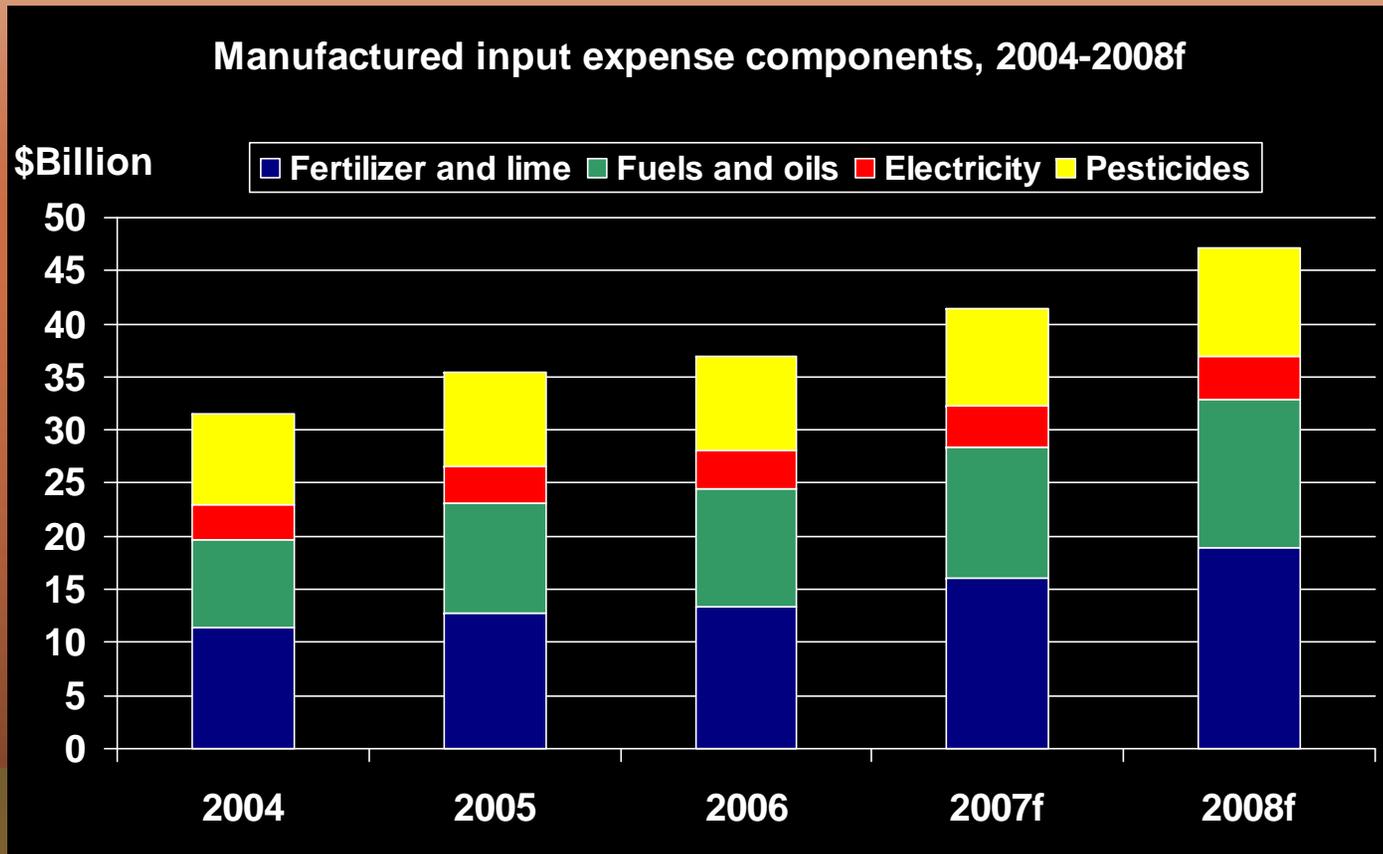
# Input costs higher in 2008



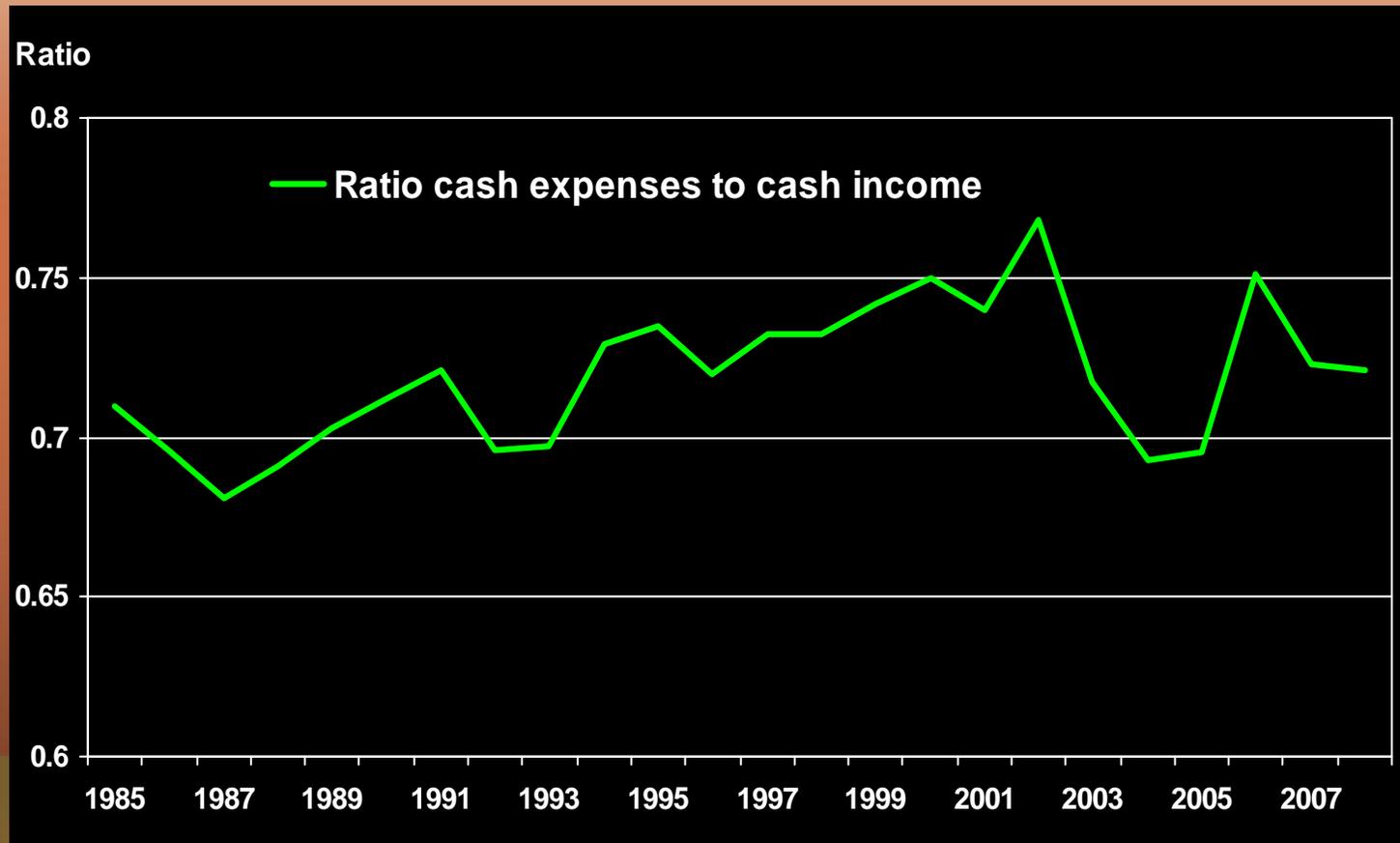
## Farm expenses are forecast to be 9 percent higher in 2008, with fertilizer and feed increasing most over 2007



# Fertilizer and fuel costs continue to drive manufactured input cost increases



## Ratio of cash expenses to gross cash income indicates less funds needed to pay cash costs in 2008





## Organizing decisions and operating arrangements affect allocation of farm output and distribution of income

### Decisions affecting allocation of output-value-added

Share leasing	(7% of farms)
Cash leasing land	(27% of farms)
Labor hire	(23% of farms)
Debt financing	(36% of farms)

### Decisions affecting distribution of a farm's net income

#### Ownership structure

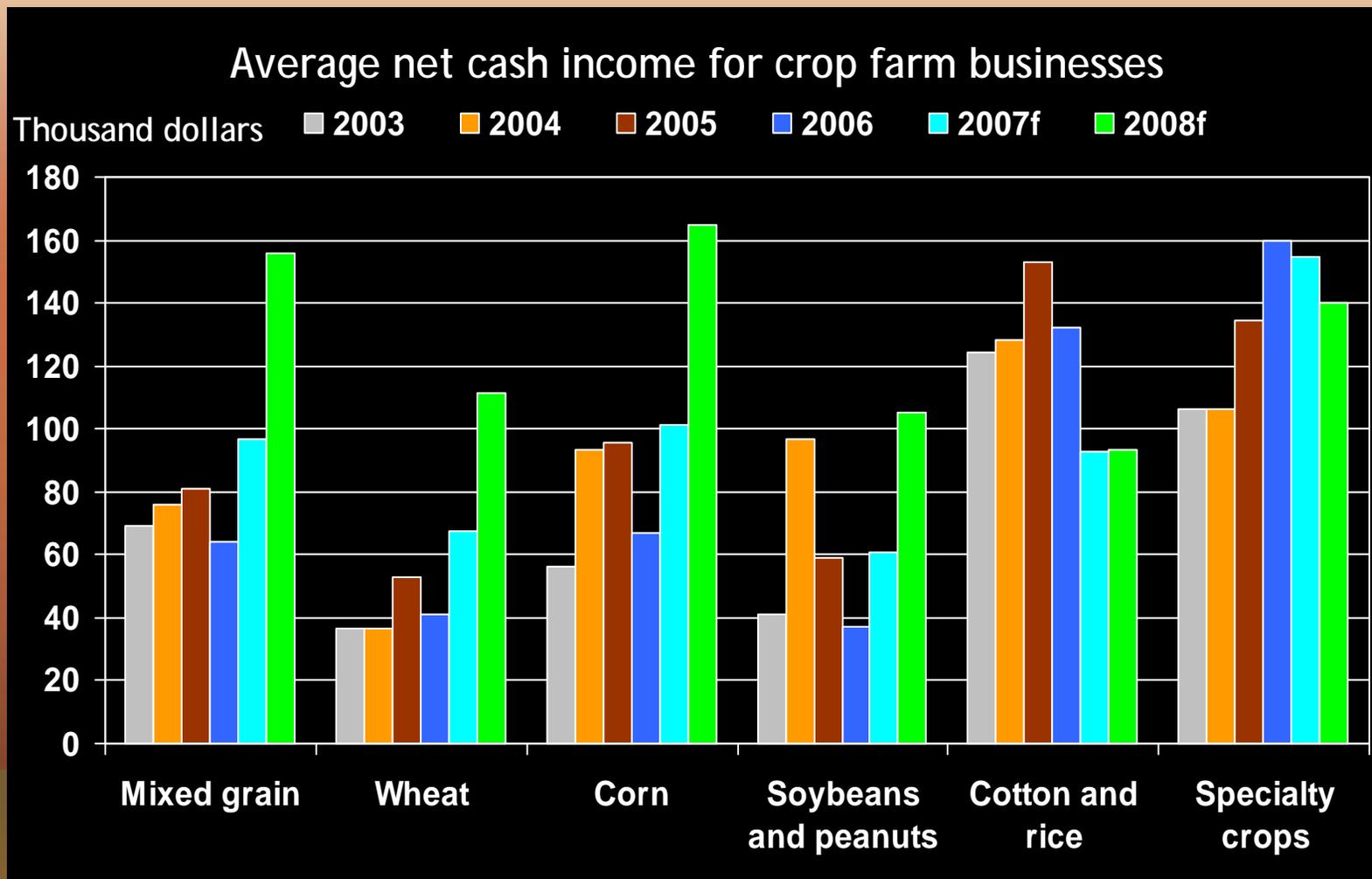
Multiple owners	(61% of farms)
Single owner	(39% of farms)
Part of larger firm	(1% of farms)
Legal form of business	

#### Operating structure

Multiple operators	(45% of farms)
Contracts	(2% of farms)
Joint ventures, alliances, etc.	

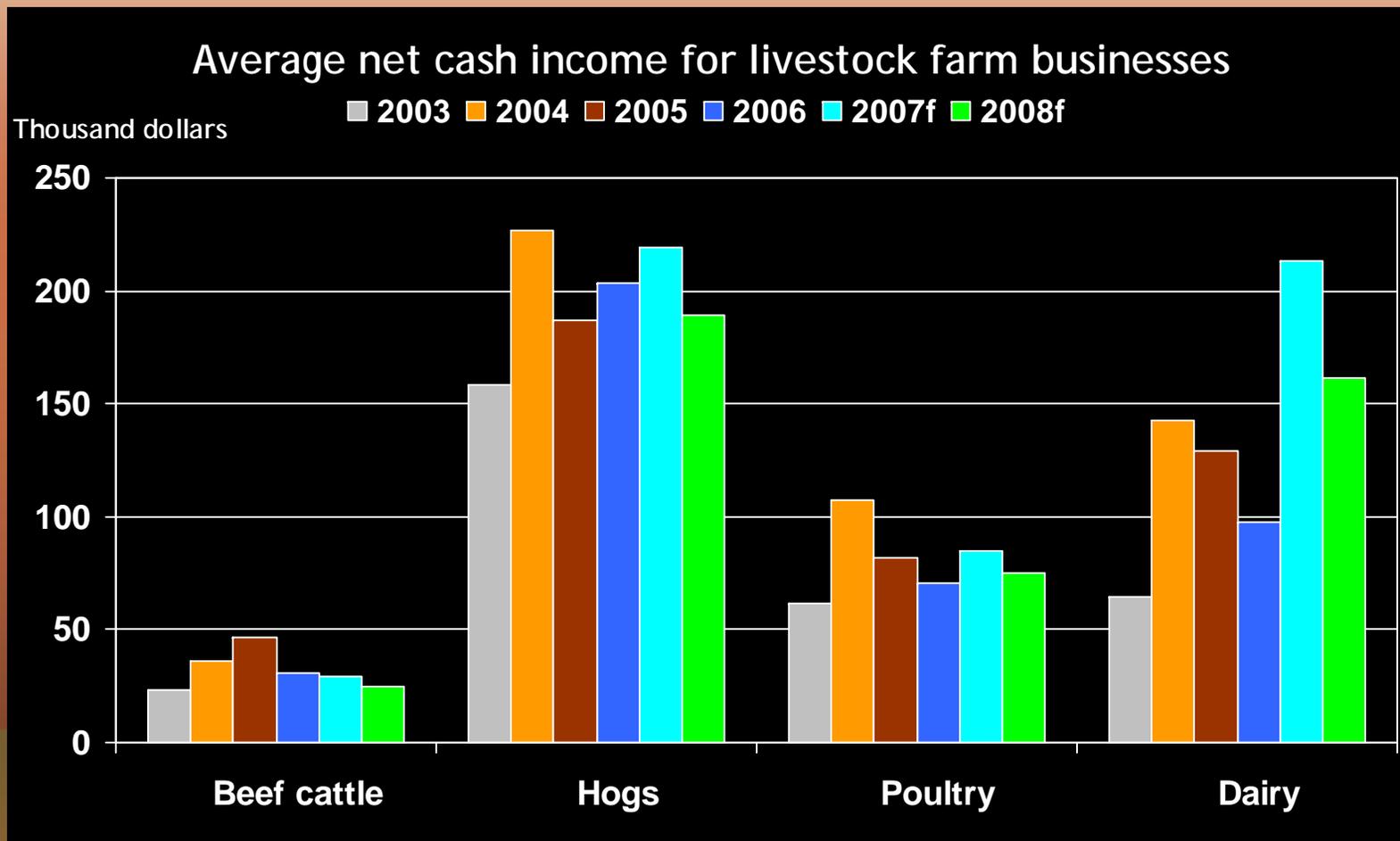


## Average incomes forecast to increase for most program crop farm businesses



Farm businesses refer to commercial and intermediate size farms

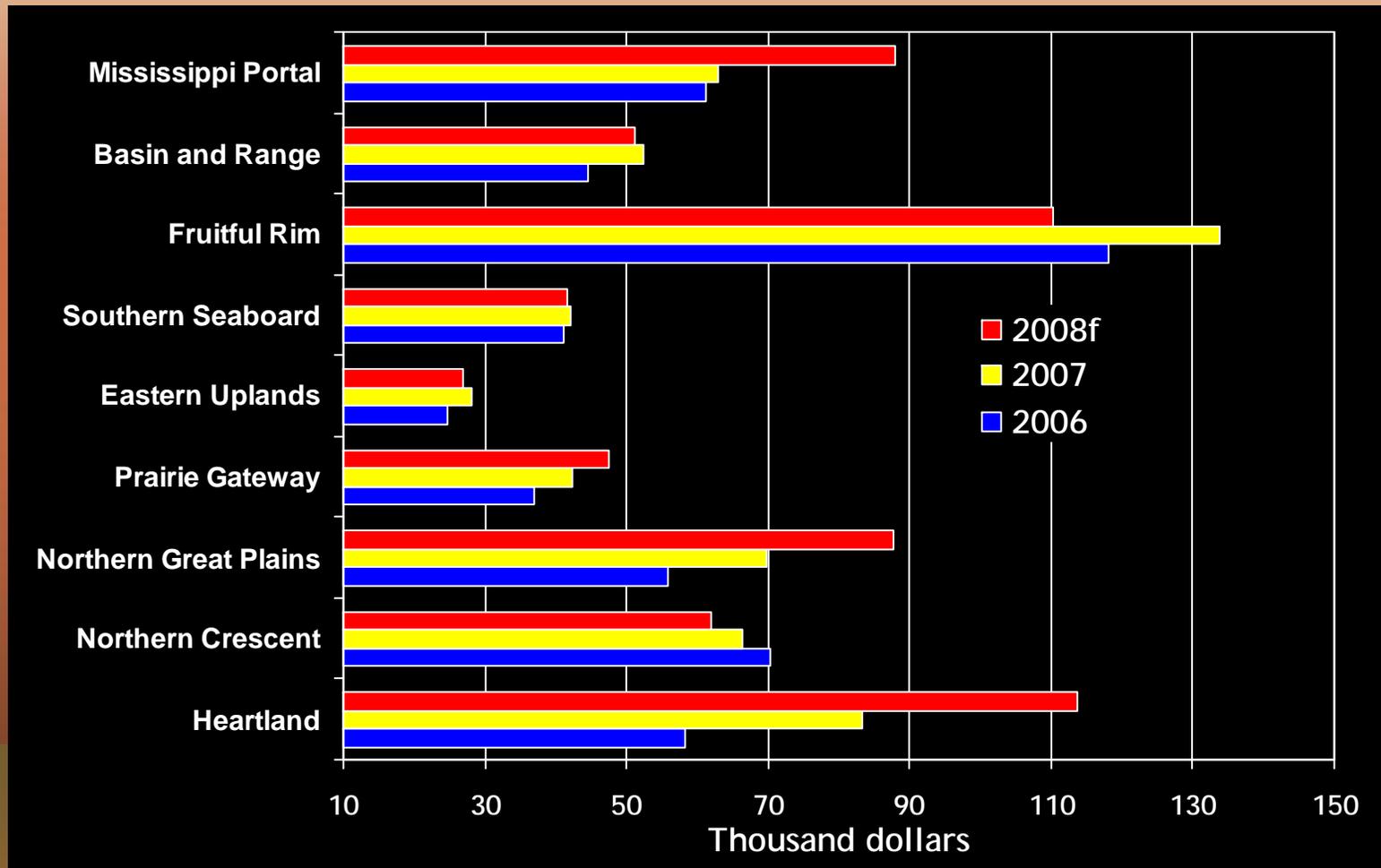
## Expense increases and lower receipts result in declining Livestock farm business incomes



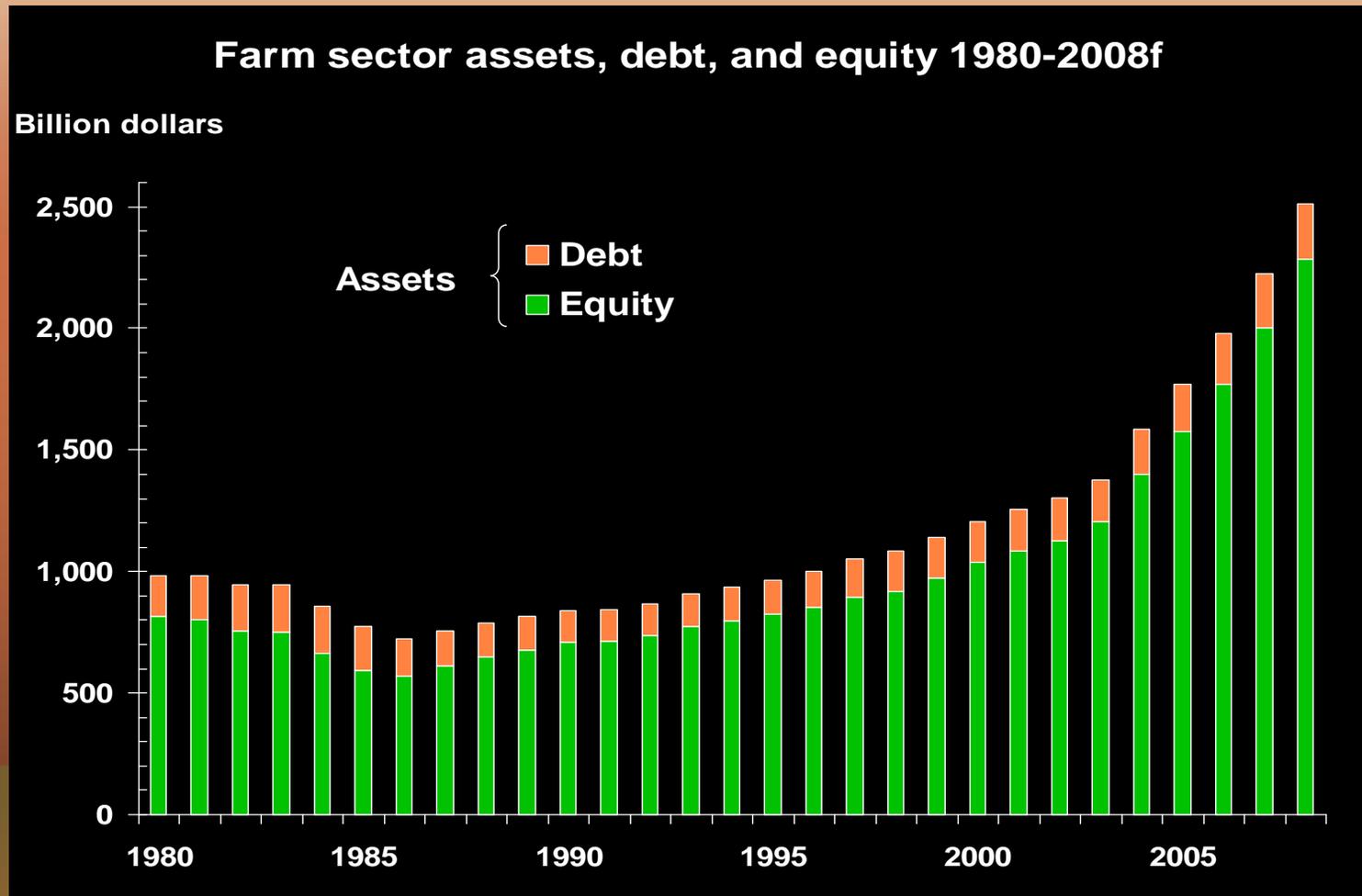
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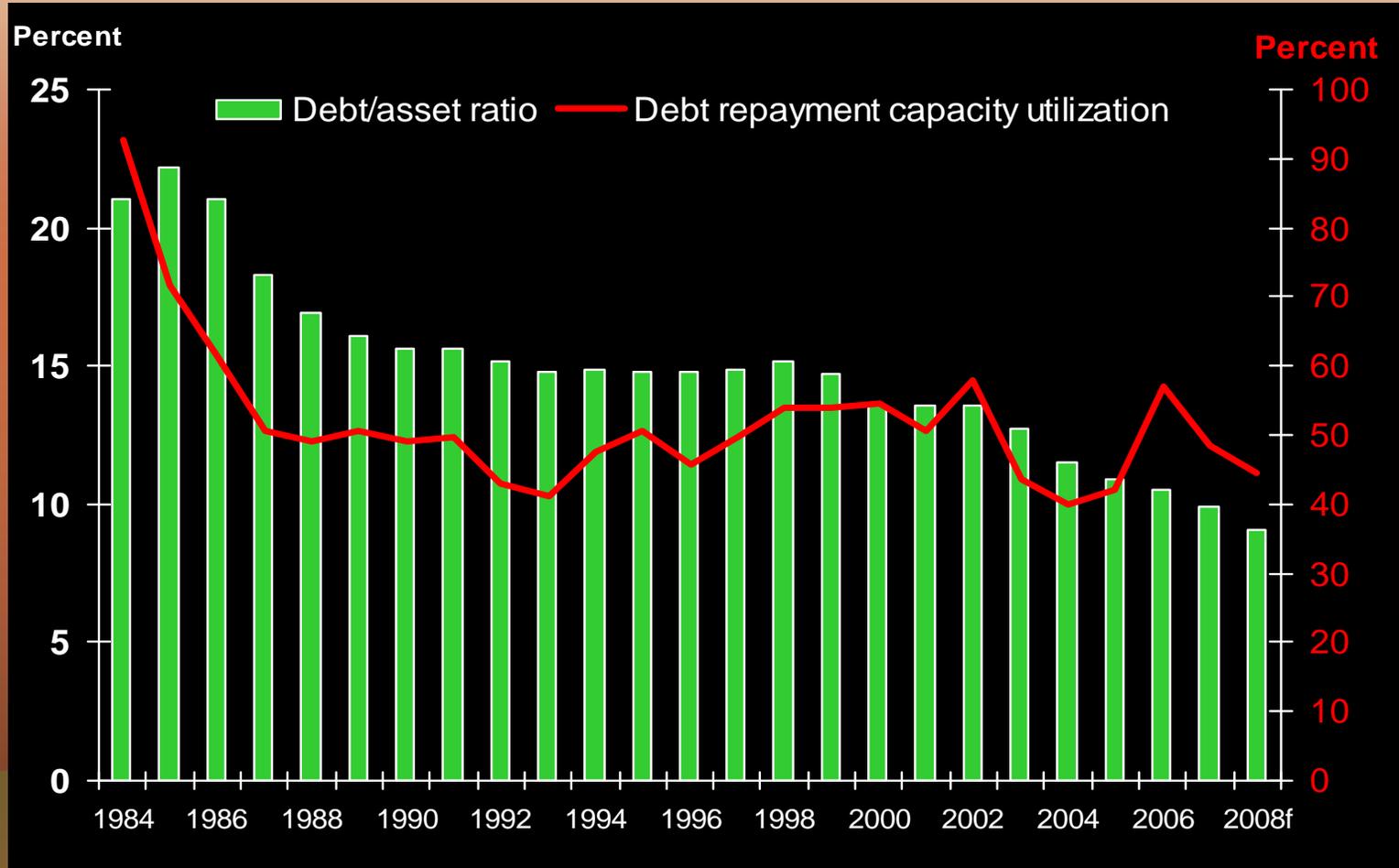
## Average net cash income is projected to increase most in the Heartland, Mississippi Portal, and Northern Great Plains



# Farm Assets, Debt and Equity at Record High Nominal Levels in 2008



# Farm Sector Debt/Asset Ratio and Debt Repayment Capacity Utilization (DRCU), 1984-2008f



# Long-term projections indicate expansion of value-added to State and national output

