Fall 2022 *Nebraska Farm Income Outlook*

September 2022

RaFF Report #02-2022

Produced in collaboration with

CENTER FOR AGRICULTURAL PROFITABILITY
Institute of Agriculture and Natural Resources
UNIVERSITY *of* NEBRASKA–LINCOLN

Global and National Factors

The war in Ukraine and weather-reduced crop supplies have contributed to higher prices for many agricultural commodities, while higher prices for fertilizer, fuel and other inputs have increased farm production expenses. Projected prices for a range of farm commodities and farm inputs are expected to decline in the years ahead but nominal prices remain above historical standards.

Key considerations:

- Crop prices are at or near record levels for major commodities, due in part to reduced exports from Ukraine and unfavorable weather reducing crop production in key countries. Input prices have also increased sharply in 2022 and are expected to only decline slightly. If better growing conditions result in trend line crop yields in 2023 and beyond, crop prices could also decline from current levels.
- Tight global supplies result in record prices for wheat and cotton and near-record prices for corn and soybeans. For the 2022-23 marketing year, wheat prices are projected to exceed $9 per bushel, corn tops $6 per bushel, soybean prices are more than $14 per bushel and cotton prices average 96 cents per pound.
- Prices for fertilizer, fuel and many other farm inputs are also up sharply in 2022. Projected input costs moderate in the years ahead, but remain well above the 2021 level.
- Total U.S. meat production is estimated to be about the same in 2022 and 2023 as it was in 2021, in part because of higher costs for feed and other inputs. Drought conditions in important cow-calf areas are causing producers to send cows to slaughter early, lifting beef production in the short term but leading to fewer cows and higher prices in the future.
- The supply of liquid motor fuels, including biofuels, seems to have recovered from pandemic lows. Renewable diesel production is projected to overtake methyl-ester biodiesel as soon as 2023, and tax credit provisions in the Inflation Reduction Act will lead to a modest expansion of sustainable aviation fuel production. Foreign income growth and policies, as well as rising petroleum prices, will lead to strong U.S. ethanol exports.

Acknowledgments

Reader note: Data for year 2021 are USDA/ERS first estimates and subject to revision in subsequent publications. Nebraska crop production data were sourced from USDA's August report and farm income data were sourced from the September 1 USDA-ERS data release.

Co-published by the Rural and Farm Finance Policy Analysis Center (RaFF) at the University of Missouri (MU), 130 Mumford Hall, Columbia, MO 65211, and the Center for Agricultural Profitability (CAP) at the University of Nebraska-Lincoln (UNL), 102 Filley Hall, Lincoln, NE 68583.

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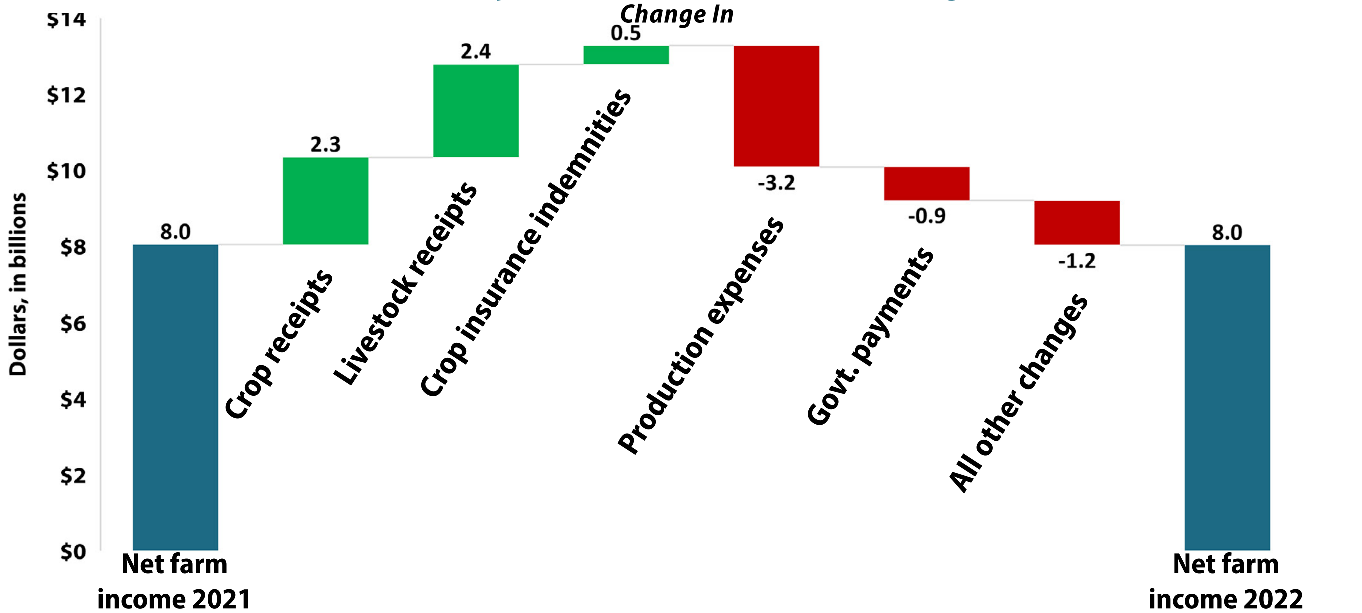
Recommended citation: Maltsbarger, B., Lubben, B., Brunkow, T., Dennis, E,. McClure, G., Parsons, J., Thompson, E., Van Tassell, L. & C. Walters. September 2022. Fall 2022 Nebraska Farm Income Outlook. RaFF Report #02-2022. Available at: https://ruralandfarmfinance.com/publications/#state-farm-income-estimates

This material is based upon work supported by the U.S. Department of Agriculture, under Agreement 58-0111-21-009. Any opinion, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the view of the U.S. Department of Agriculture, the University of Missouri, nor the University of Nebraska-Lincoln. Permission is granted to reproduce this information with appropriate attribution to the authors and RaFF.

Nebraska net farm income projected to remain unchanged from 2021 to 2022

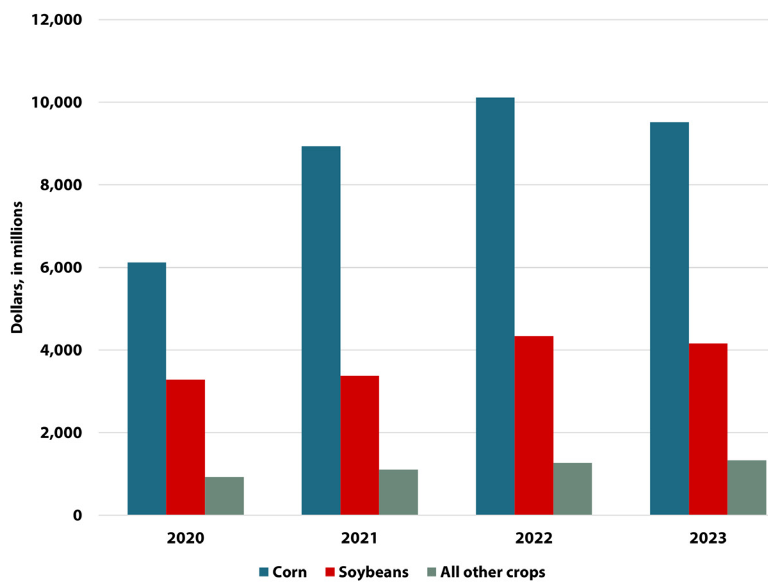


Net farm income in Nebraska is projected to remain nearly stable, decreasing just $0.01 billion from 2021 to 2022. Total crop and livestock receipts grow $4.7 billion, countered by a $3.2 billion increase in production expenses. Crop insurance indemnities increase by $0.5 billion, while direct government payments fall $0.9 billion. **Nebraska's projected flat net farm income differs substantially from the outlook for a 6% increase in U.S. net farm income**, with a key factor being the difference in growth between state and national livestock receipts. Additional crop yield losses below already lower August estimates due to drought concerns could further drag on Nebraska net farm income prospects for the year.

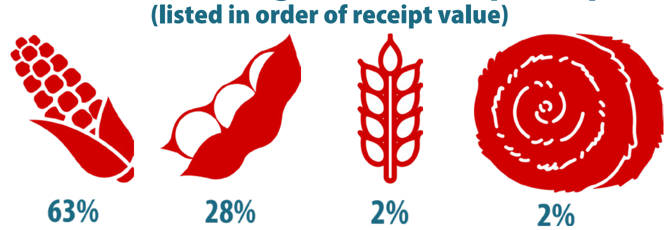
Nebraska Crops

- Despite strong commodity prices, a dry growing season led the **top 7-crop planted acres in Nebraska to decline 378,000 acres in 2022**. Drought impacts can be seen in yield and production changes.
- Corn planted area fell 200,000 acres in 2022. **Despite declines in area, yield and production, an increase in price pushes corn receipts to rise $1.1 billion**.
- Soybean planted area remained flat at 5.2 million acres in 2022, and production fell 13% from 2021. Despite weaker production, **prices climb and pull soybean receipts 28% higher over 2021**.
- Wheat planted area increased in 2022, but drought decreased production by 11.9 million bushels. **Although prices increased in 2022, production caused wheat receipts to fall $4.5 million from 2021**.

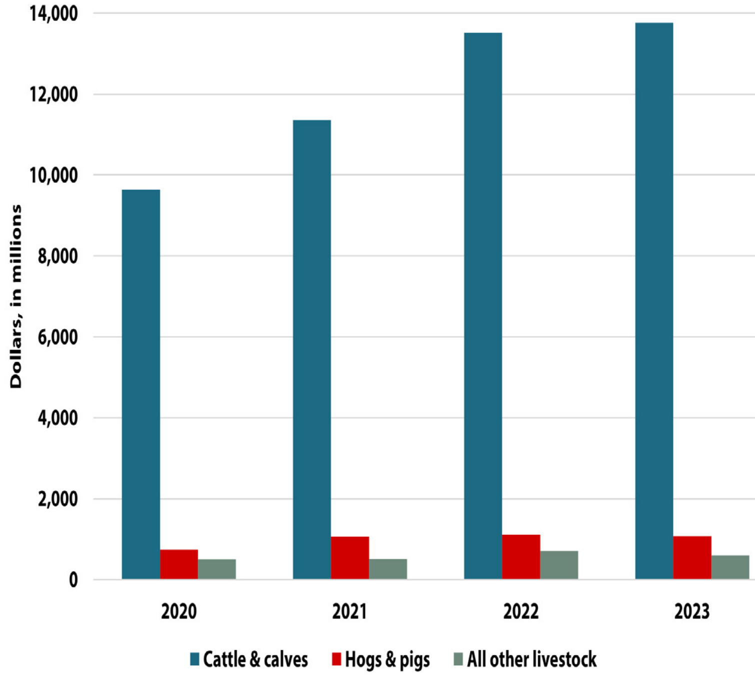
Crop receipts increase $2.3 billion in 2022



2017-2021 average share of crop receipts
(listed in order of receipt value)



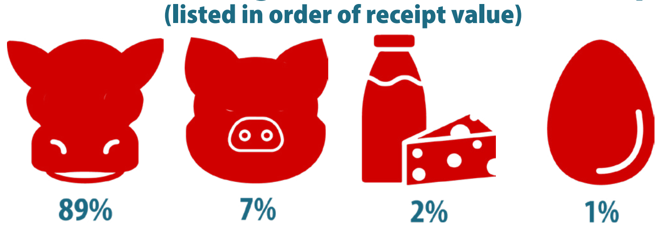
Livestock receipts increase $2.4 billion in 2022



Nebraska Livestock

- Consumer meat demand remains strong and supports higher livestock prices, though **drought and high feed costs lead to further liquidation of the cattle and calves inventory in 2022**.
- The number of cattle and calves in early 2022 was 50,000 head lower than 2021, with inventory dropping another 388,000 head by January 2023. The reduction in inventories has longer-run implications, resulting in smaller marketings through 2025.
- Strong 2022 marketings and elevated prices drive **cattle and calves receipts to increase $2.2 billion from 2021**.
- **Hogs and pigs receipts increase $53 million in 2022**. Even though marketings decline from 2021, increased prices compensated for reduced sales.
- **Dairy, poultry and eggs, and other livestock receipts increase by a combined $202 million**. This is largely attributed to stronger egg and milk prices.

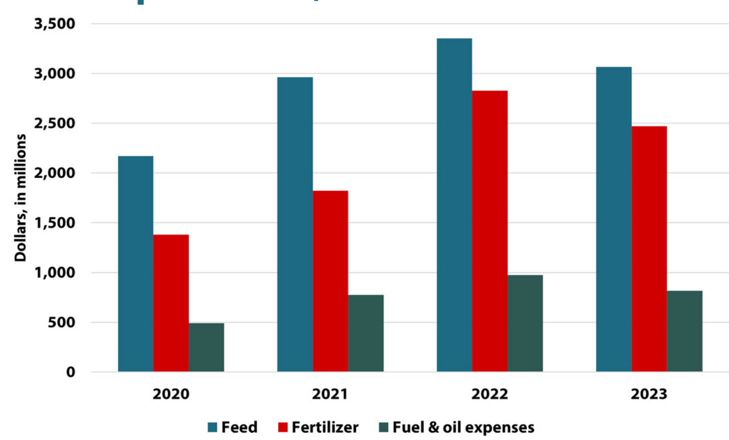
2017-2021 average share of livestock receipts
(listed in order of receipt value)



Nebraska Expenses

- Export restrictions, high natural gas prices and production disruptions contribute to **record fertilizer expenses, which increased $440 million in 2021 and another $1 billion in 2022**.
- **Feed expenses increased $1.2 billion from 2020 to 2022**, and fuel and oils expenses increased $200 million in 2022.

Feed expenses rise $1.2 billion from 2020-2022



Tying it all Together

Nebraska's 2022 net farm income is projected to remain almost unchanged from 2021. Although receipts experience strong growth, increased input costs offset these gains and result in a projected 0.2% decrease in net farm income. While projections for 2022 may be essentially flat relative to 2021, they could prove to be overly optimistic as harvest yields are assessed and the full impacts of drought on crop yields are better estimated. **Looking to 2023, projected declines in receipts are larger than declines in expenses, resulting in a modest decline in net farm income**. Projected net farm income declines in the next few years as commodity prices ease from their 2022 highs and sticky input prices are unable to completely offset the reduction to receipts.

All data for this report can be found at https://ruralandfarmfinance.com/publications/#state-farm-income-estimates