Kansas Farm Income Outlook

June 17, 2025



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Outline

- National farm income trends
- Kansas farm income outlook
- KFMA farm income analysis

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National Farm Income Trends

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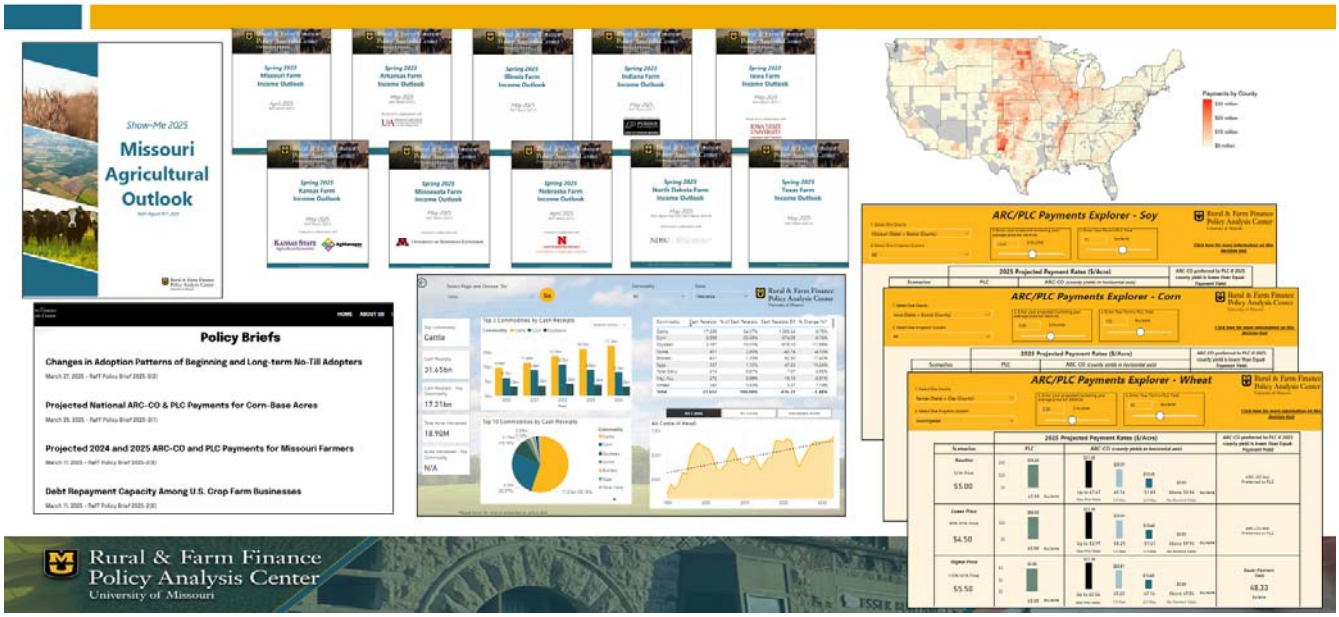
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- RaFF provides unbiased analyses to policymakers to help them understand how policies impact states and regions differently.
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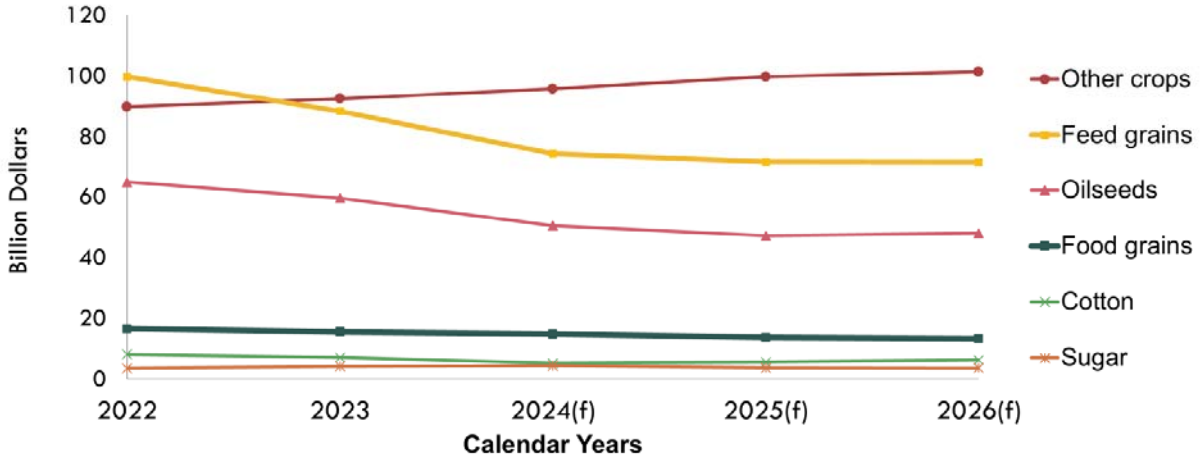
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The Bottom-Line

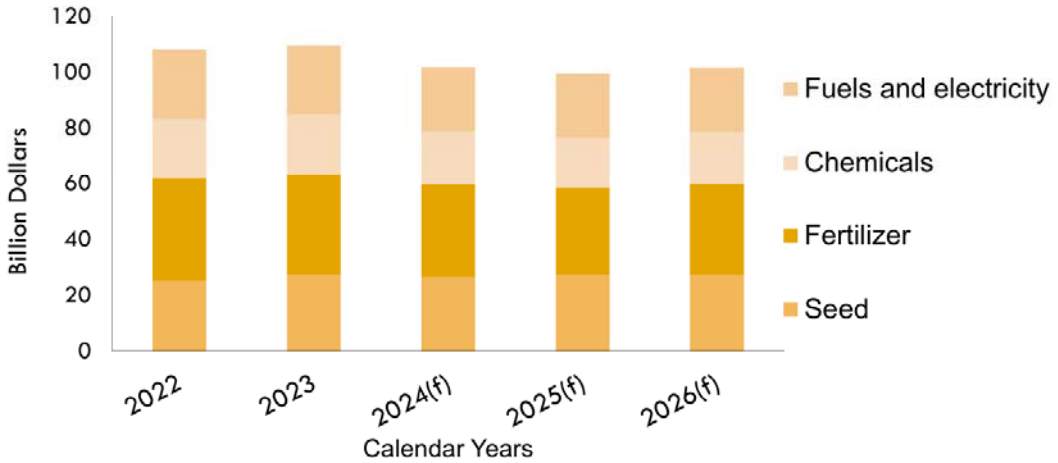
- Short & medium-term pain for field crops
  - Lower prices, some costs remain high
- Cattle sector in good shape
  - Limited supply, high prices, lower feed costs
- Sizable ad-hoc direct government payments in 2025
- Higher Net Farm Income in 2025
- Policy outlook very uncertain: tariffs and trade, Farm Bill, 2026?

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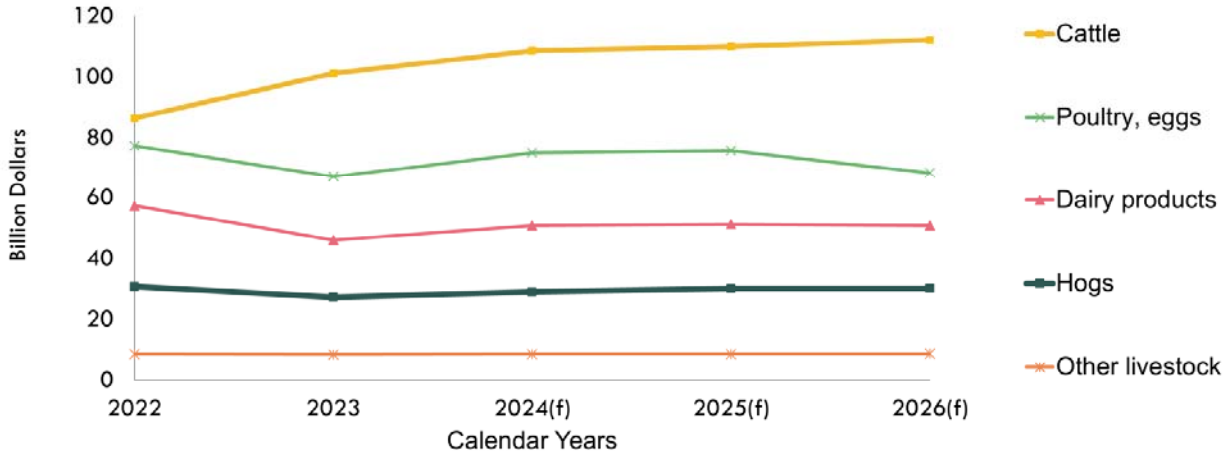
U.S. Cash Receipts from Crops (FAPRI)



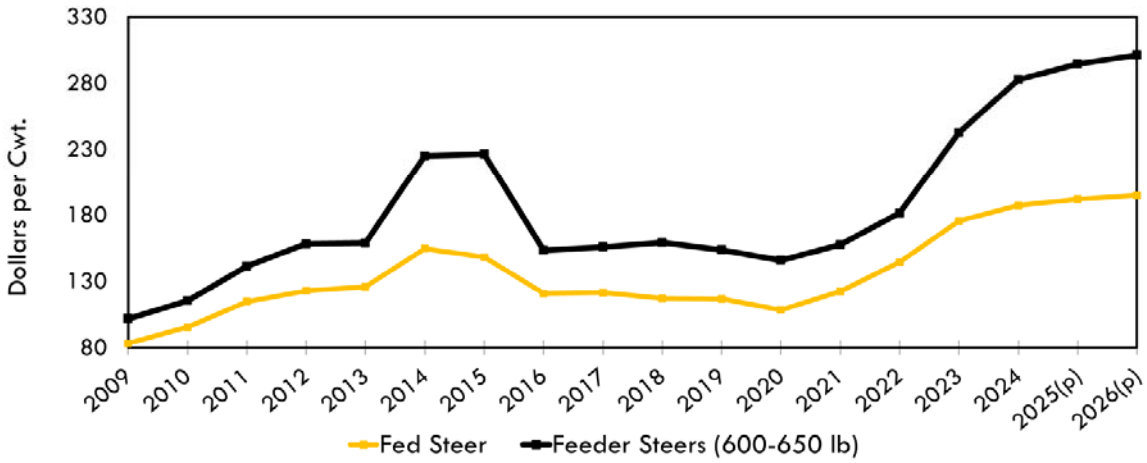
Variable Costs of Crop Production Down



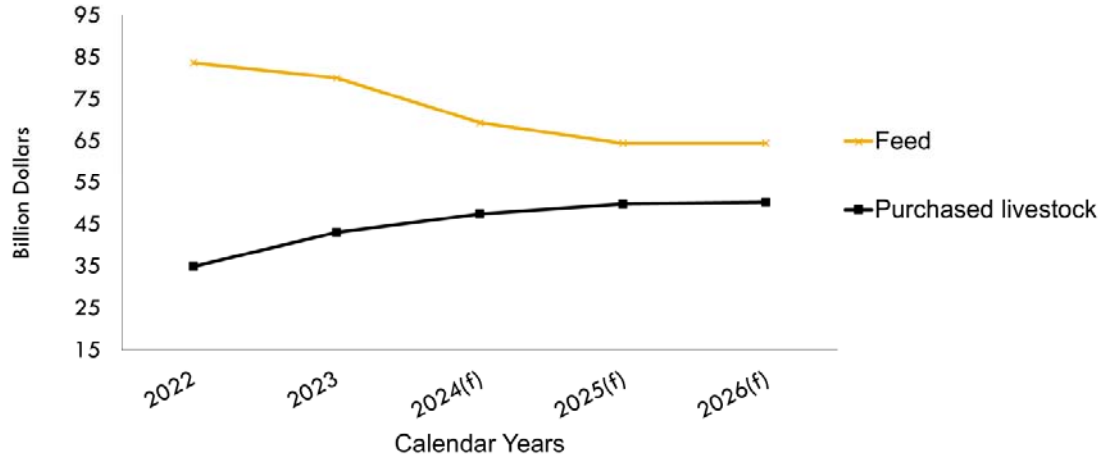
U.S. Cash Receipts from Livestock



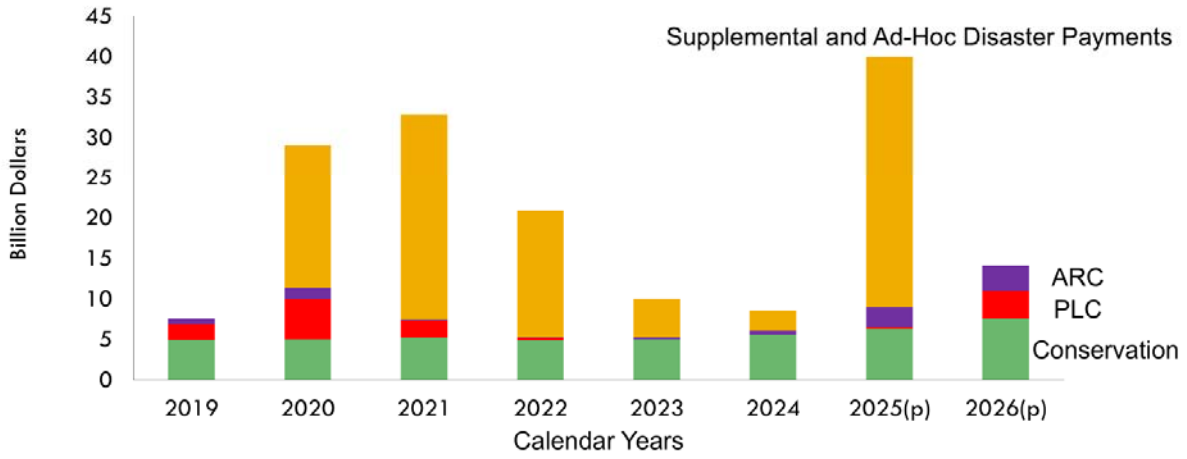
U.S. Cattle Prices



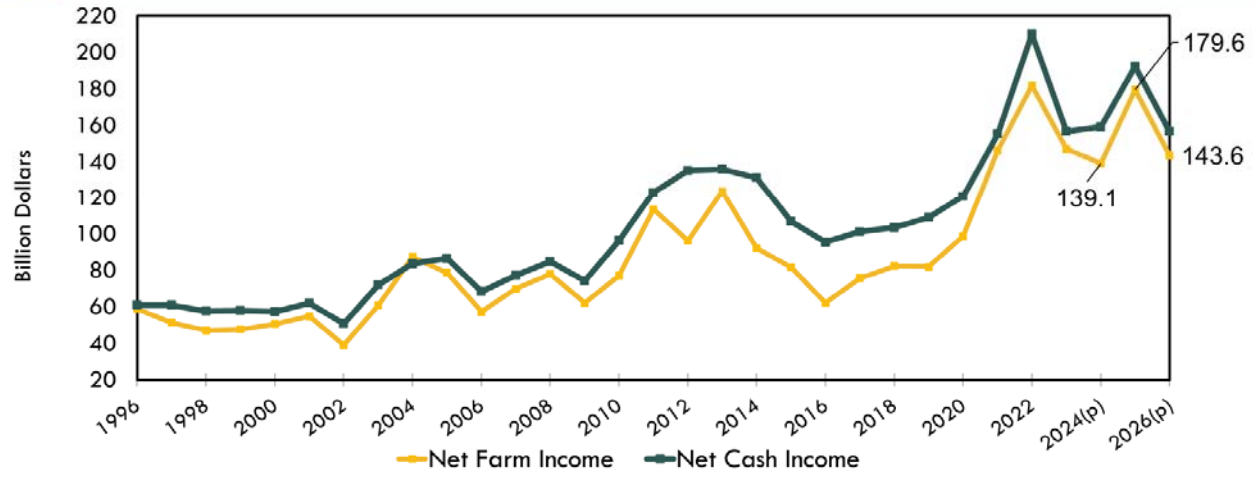
Costs of Purchased Livestock Increase, Feed Costs Decline



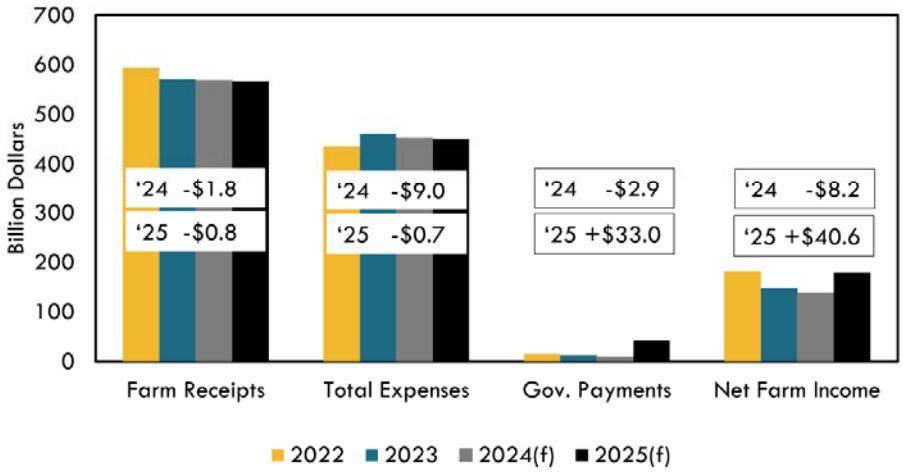
Direct Government Payments (FAPRI)



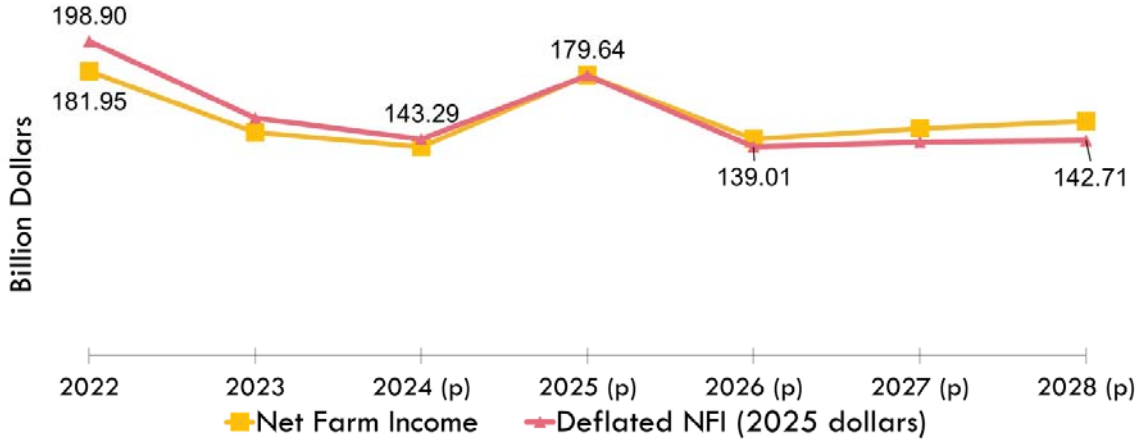
U.S. Net Farm Income: +30% in 2025, -20% in 2026



Farm Income Changes by Component (FAPRI)



Long-term U.S. Net Farm Income Projections (FAPRI)



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Thank you for your attention. What questions do you have?

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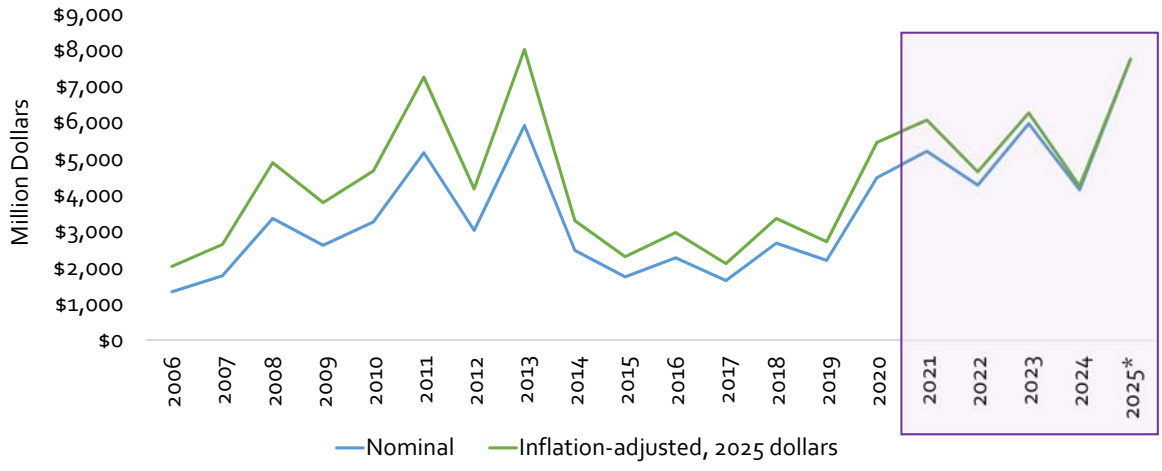
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Farm income projected to rebound in 2025.

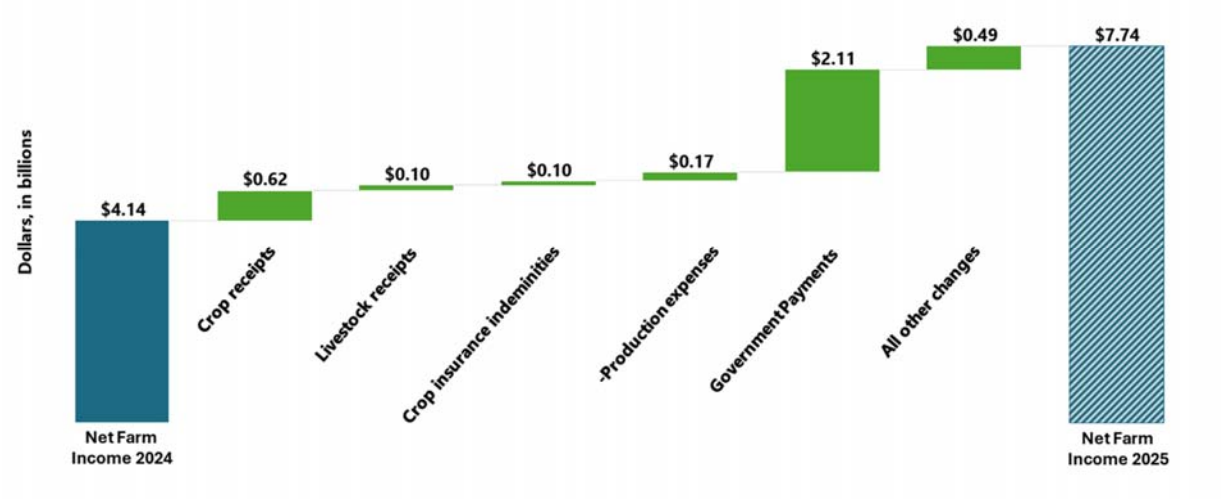


* 2025 farm income is projected, and inflation adjustment uses ERS deflator.

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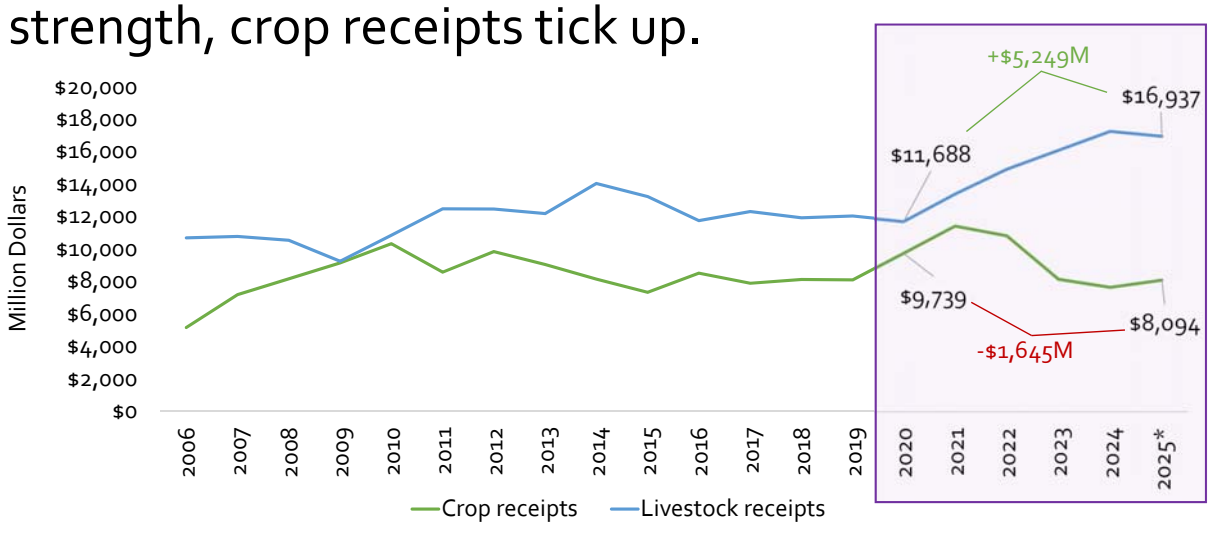
Government payments drive 2024-25 increase.



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Inflation-adjusted livestock receipts maintain strength, crop receipts tick up.

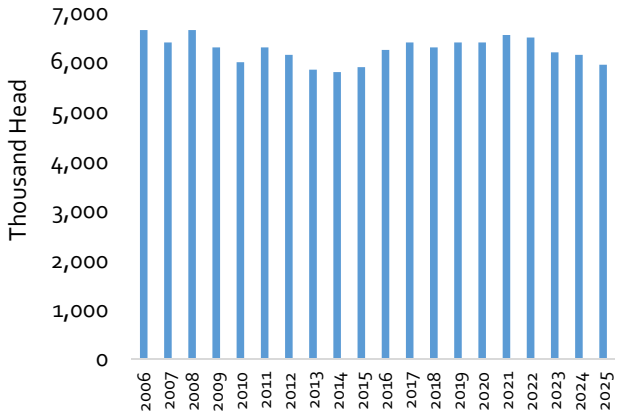


* 2025 farm income is projected. Data reported in 2025 dollars.

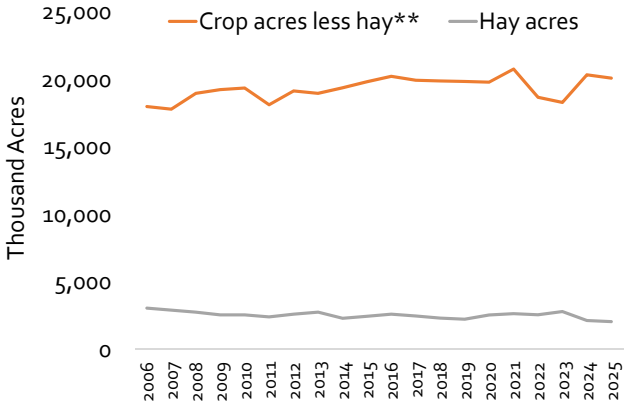
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Cattle inventories^ low, crop acres* slip a bit.



^ All cattle and calves inventory, including milk cows

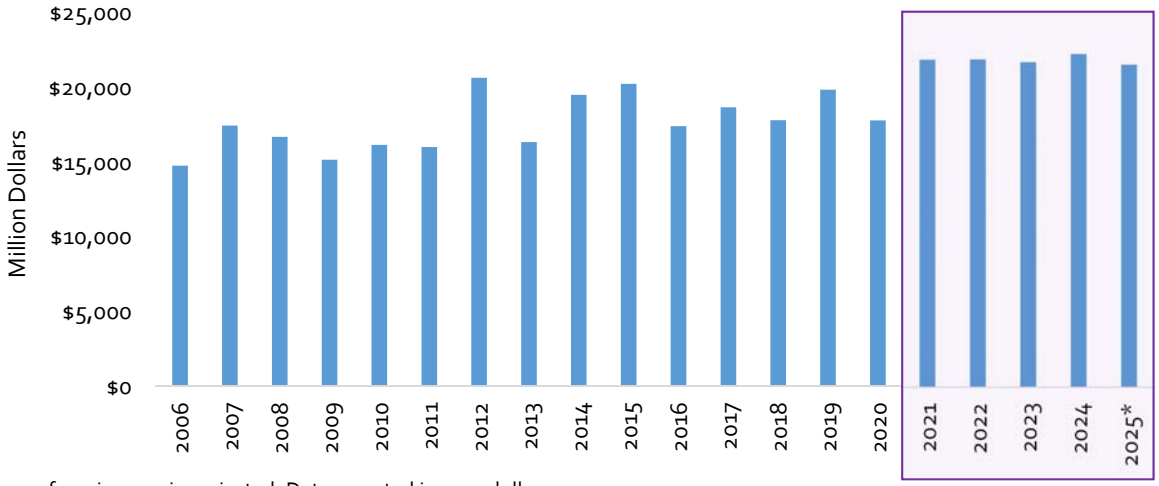


* Crops represented are barley, canola, corn, cotton, oats, sorghum, soybeans, sunflowers and wheat.
** All harvested acreage, except planted acreage for canola.

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Cash production expenses recede slightly in '25.

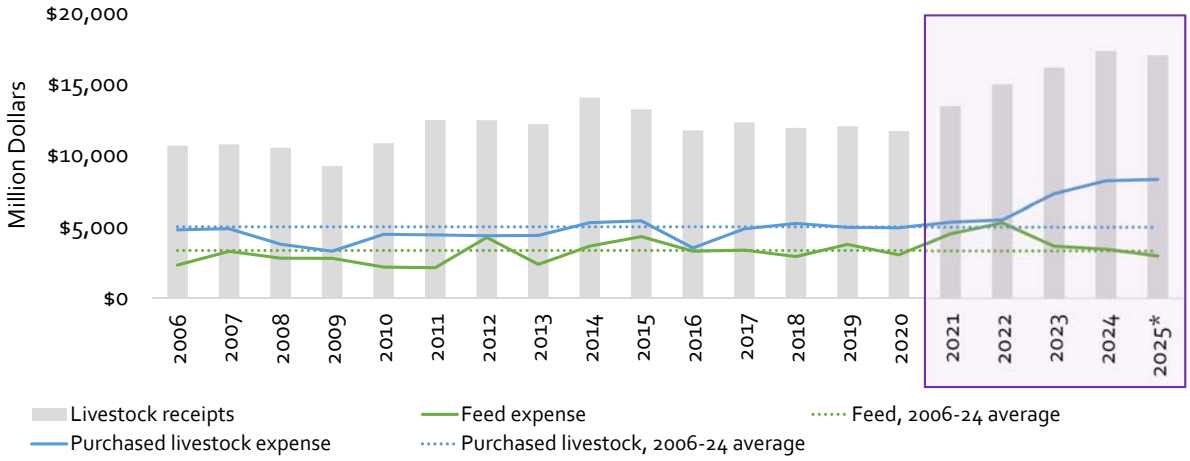


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Livestock producers see feed cost drop as purchased livestock costs follow receipts trend.

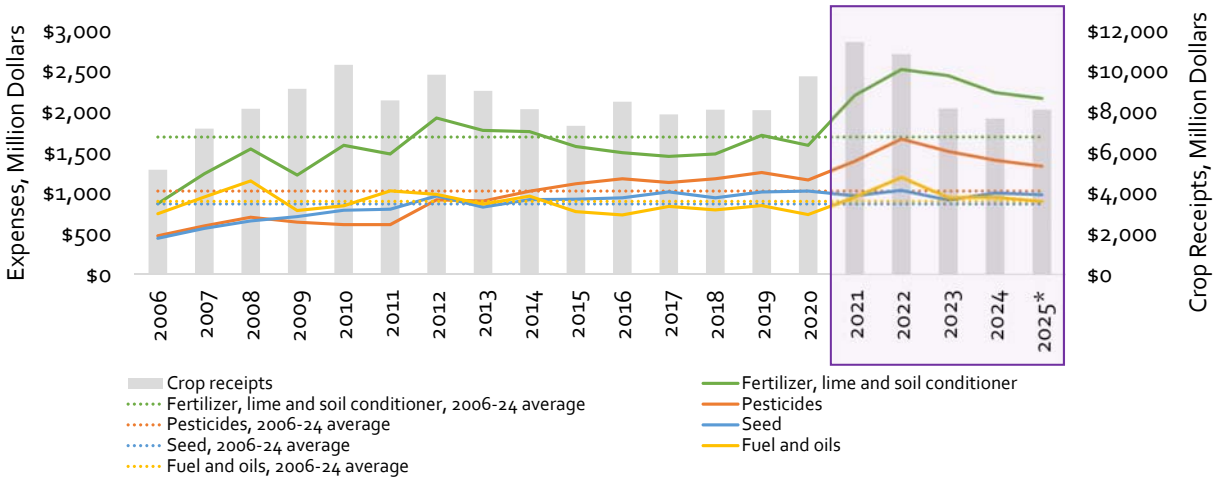


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Crop farms feel some input expense relief as receipts stall.

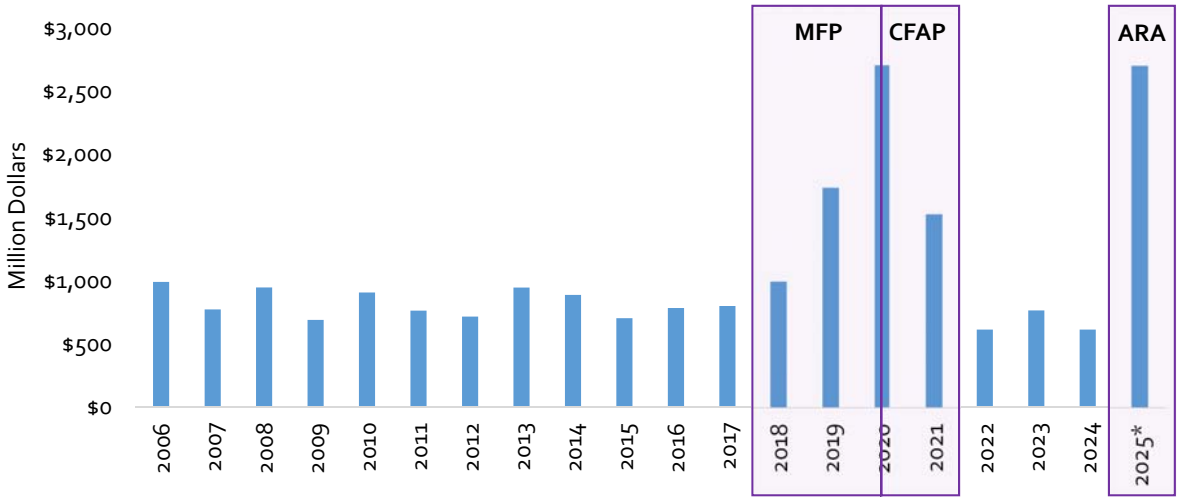


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2025 direct government payments top recent years'.

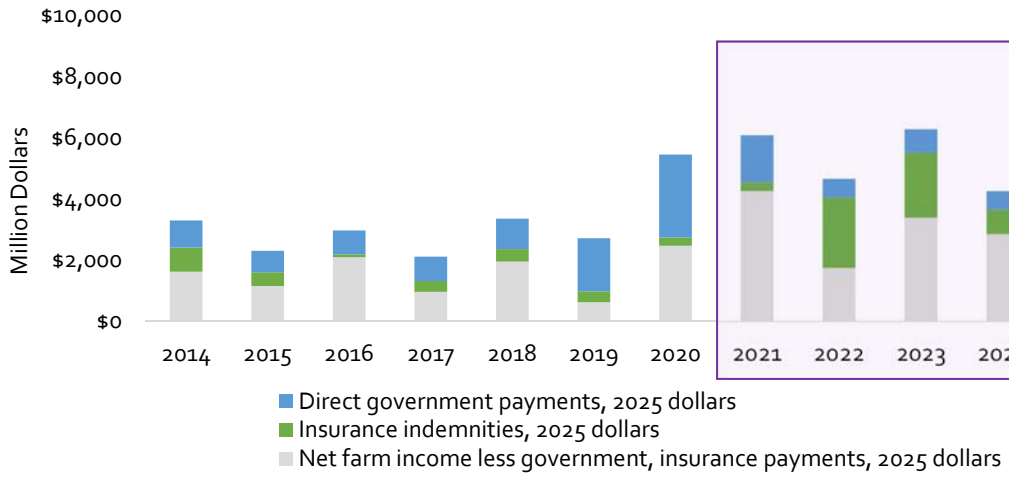


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Insurance, direct government payments contribute notably to net farm income.

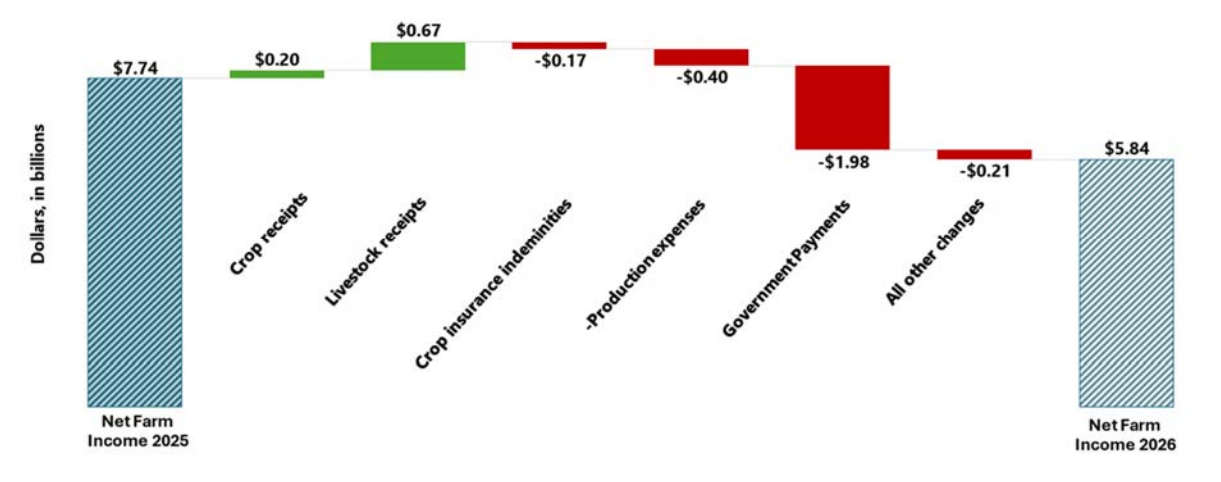


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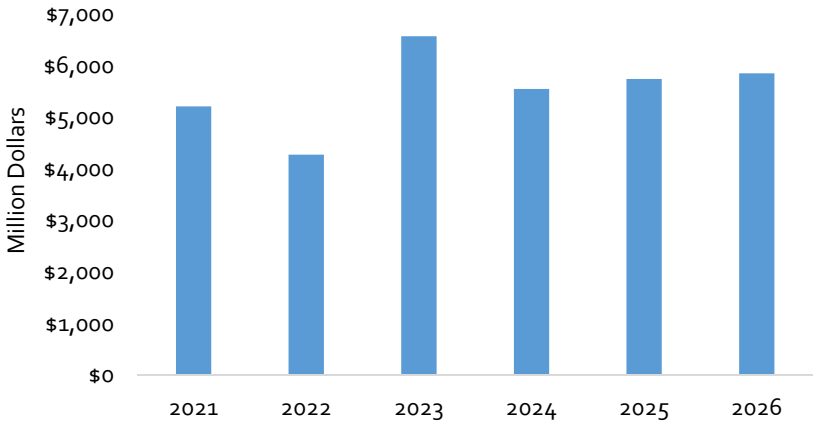
Outlook suggests drop in 2026 farm income as government payments normalize.



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Demonstration: Allocating American Relief Act funds to year stress occurred rebalances net farm income.



Assumptions

- ECAP funding earned in 2024 rather than 2025.
- Other ad hoc/supplemental direct government payments in 2025 total $350 million.
- Split remaining ad hoc/supplemental funds from 2025 in half to represent disaster aid in 2023 and 2024.

Chart produced for demonstration purposes only. Data not adjusted for inflation.

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The bottom line

2024, 2025, and 2026 farm income outlooks are comparable after an "accrual adjustment" to ARA-authorized payments

Livestock receipts in 2025 are well above historic levels due to high prices

- Feed expenses are at the 20-year average

Crop receipts are below the 20-year average

- Evidence of a continued margin squeeze despite recent declines in crop input prices

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Questions?
Comments?
Thank you!

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Appendix

ARA Economic Assistance and Natural Disaster Payments

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In progress

- Emergency Commodity Assistance Program
  - Payments have been made ($8 billion to date)
  - Sign up ends August 15
- Emergency Livestock Relief Program

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https://www.fsa.usda.gov/resources/programs/20232024-supplemental-disaster-assistance

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Supplemental Disaster Relief Program

- Indemnified losses: July 7 target deadline for sign-up
- Shallow losses: Sept 15 target deadline for sign-up

https://www.fsa.usda.gov/resources/programs/20232024-supplemental-disaster-assistance

Agricultural Disaster Aid (~$21 billion)

- Covers necessary expenses related to the losses of revenue, quality or production of:
  - Crops
  - Trees, Bushes, Vines

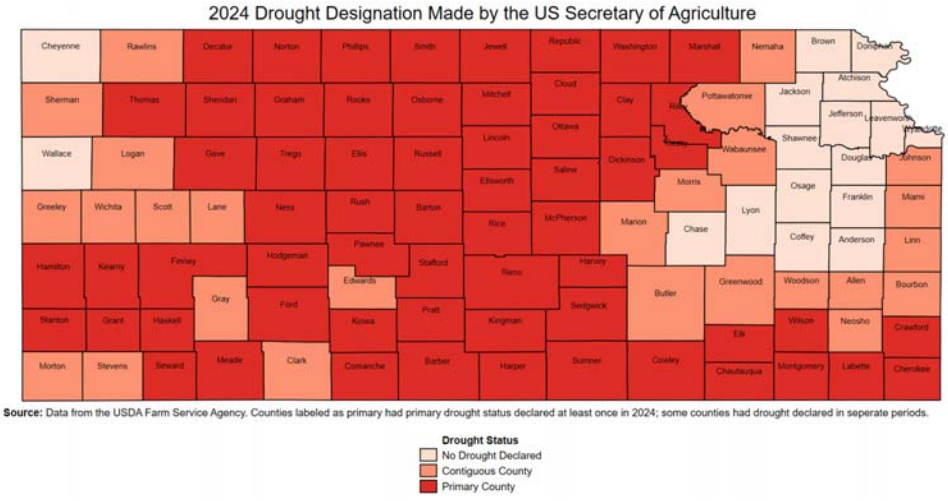
Due to:

- Drought
- Excessive heat
- Wildfire
- Hurricane
- Flood
- Derecho
- Tornado
- Winter storm, freeze
- Smoke exposure
- Excessive moisture

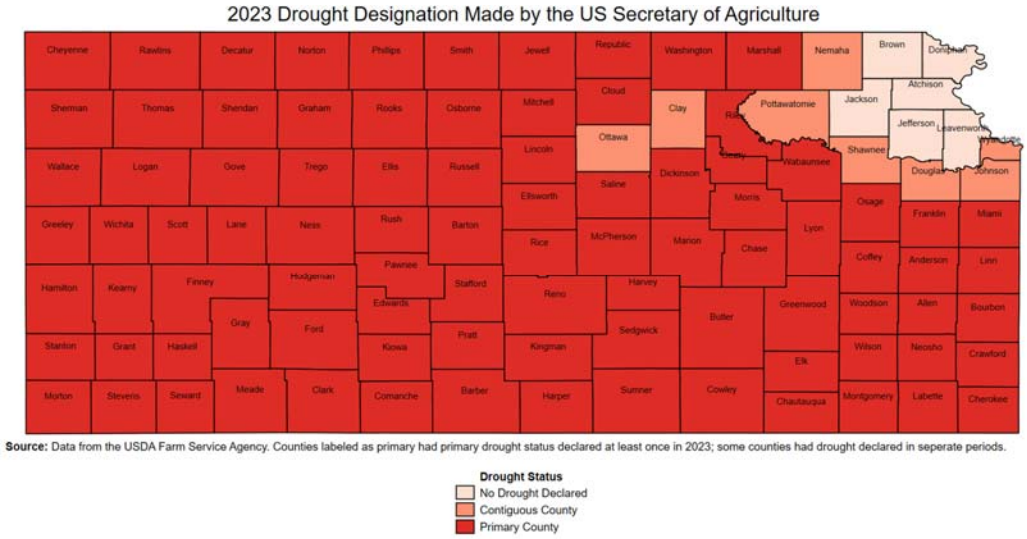
*Including milk, on-farm stored commodities, crops prevented from planting and harvested adulterated wine grapes

Details

- Maximum of 90% losses covered for producers with Crop Insurance or NAP, 70% otherwise
- $2 billion must be used for livestock
- If uninsured losses are only a "de minimis" percentage of producer's overall revenue losses, the USDA may allow payments up to 90% of total loss
- USDA may provide the disaster aid through block grants, allowing compensation for timber, citrus, pecan, poultry (incl. infrastructure) and losses due to the failure of Mexico to deliver water to the U.S. in accordance with the 1944 water treaty
- $220 million in block grants for 8 small states; $3 million for molasses testing at points of entry



Disclaimer: These maps are designed to show the extent of natural disaster (drought) in Kansas and its likely impact on crop yields and income. We do not yet know the rules and timeline for natural disaster aid authorized under the American Relief Act, 2025.

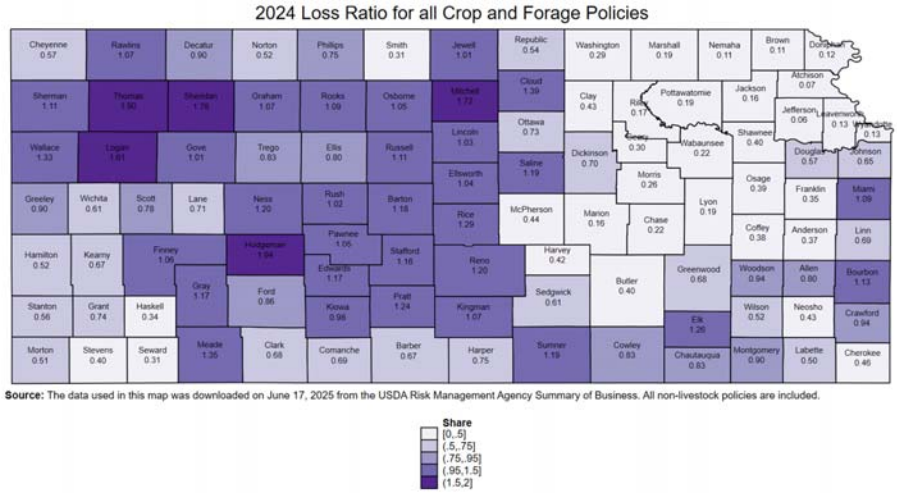


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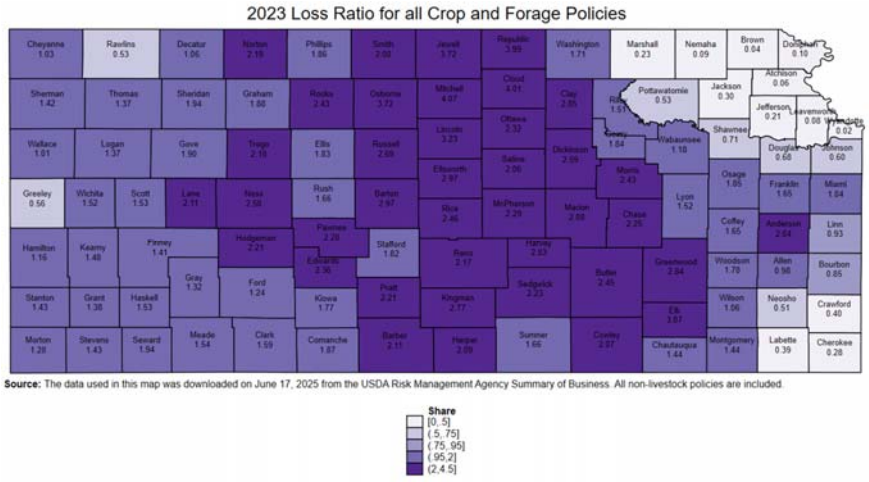
High 2024 yield declines in NW, Central Kansas



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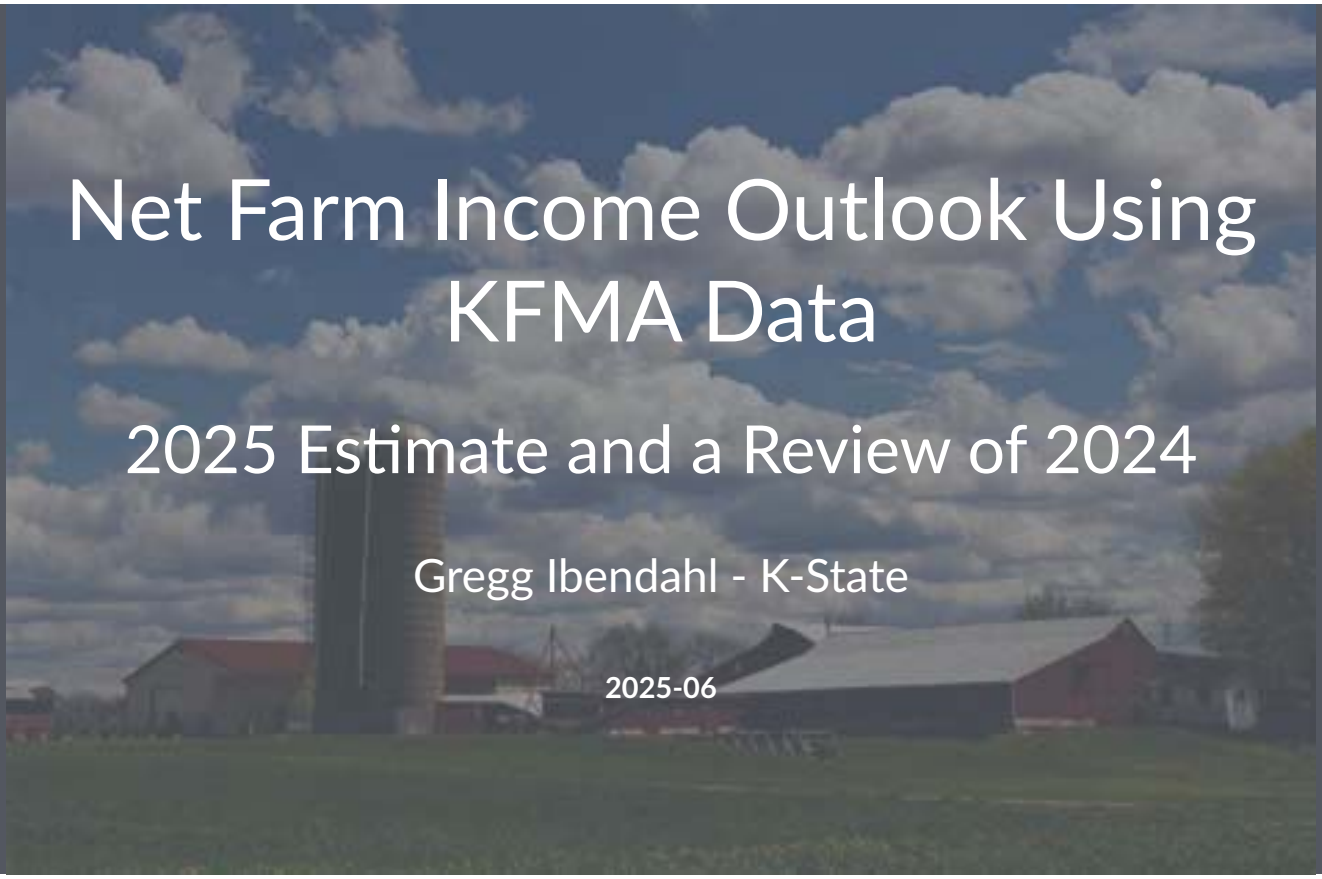
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2023 – Large yield declines statewide



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Net Farm Income Outlook Using KFMA Data

2025 Estimate and a Review of 2024

Gregg Ibendahl - K-State

2025-06

A farm level approach to estimating NFI

- Use of KFMA farms with 3 years of data
- Advantages
  - Provides a distribution of NFI
  - May be easier to grasp
- Disadvantages
  - Allocating from state back to farm level (yields)
- Rewrote model in R this last winter (4,000 lines of code)

Income and expenses that are fully estimated

- Yields (I estimate yields every week)
  _ Prices
  - State grain prices from NASS
  - Future prices
- Fertilizer
  - Based on nutrient removal
  - Nov to Dec fertilizer prices
- Crop insurance revenue
- Government payments

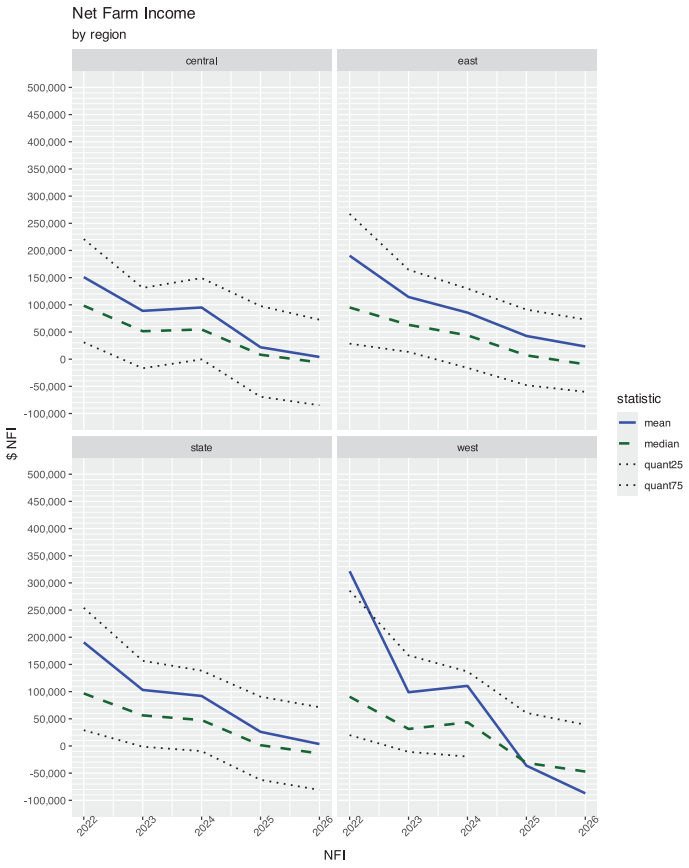
Other differences

- Assumption of accrual accounting
- ECAP payments were counted in government payments for 2024
- I haven't modeled any other supplemental ad hoc payments for 2025 yet
- KFMA NFI is highly correlated to Kansas NFI

Net Farm Income - state				
	2022	2023	2024	Est 2025
NFI	$ 190,599	$ 103,079	$ 92,015	$ 25,982
% Change		-46%	-11%	-72%

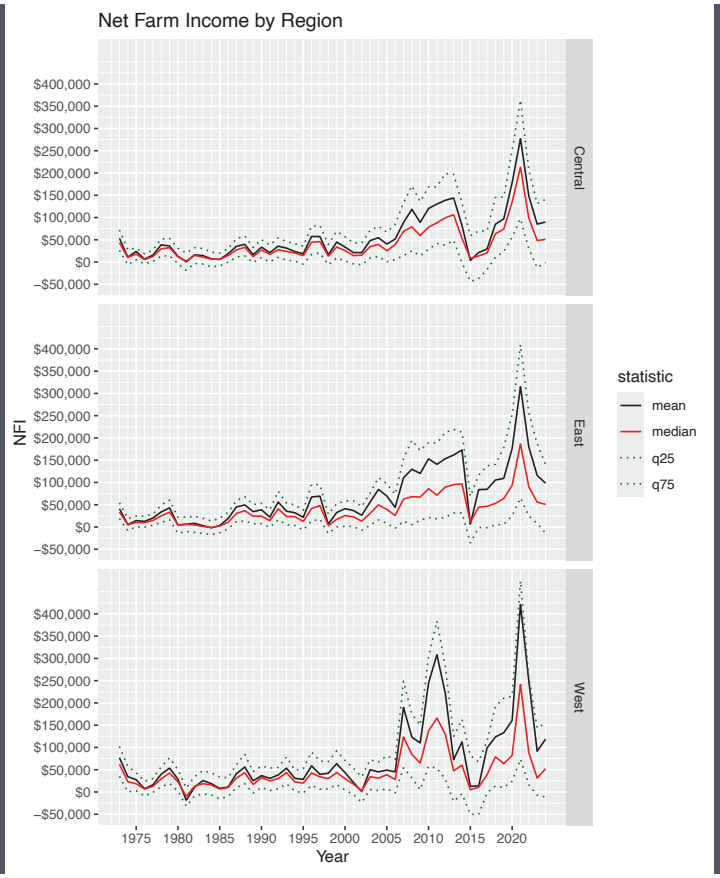
Forecast for 2025

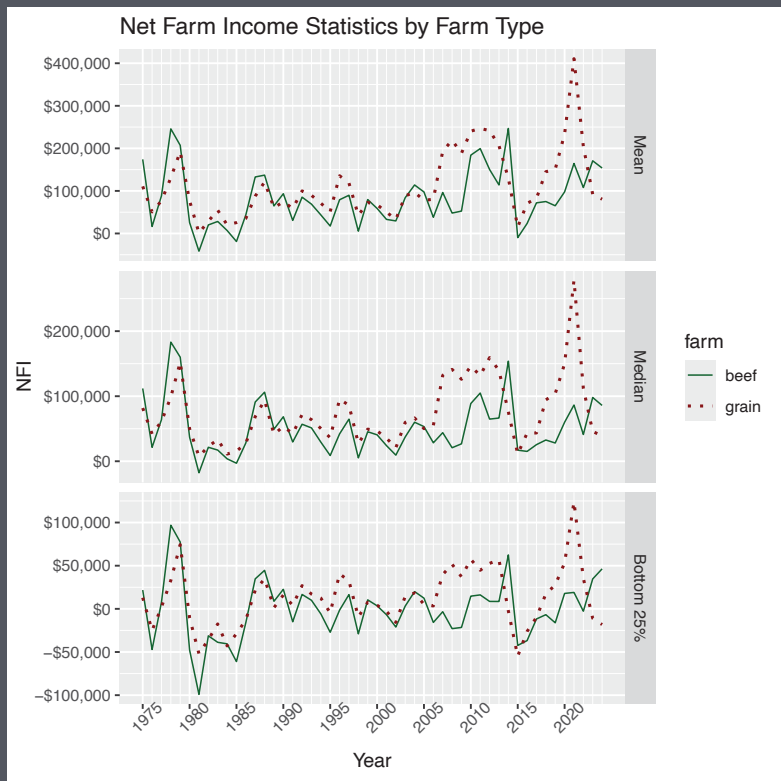
- ECAP payments counted in 2024
- Nothing currently in model for additional ad hoc payments in 2025
- Other factors
  - Crop ins revenue down by $35K
  - Overall expenses are about the same as last year even with fertilizer $10K less than last year
  - I've already factored in a good wheat crop

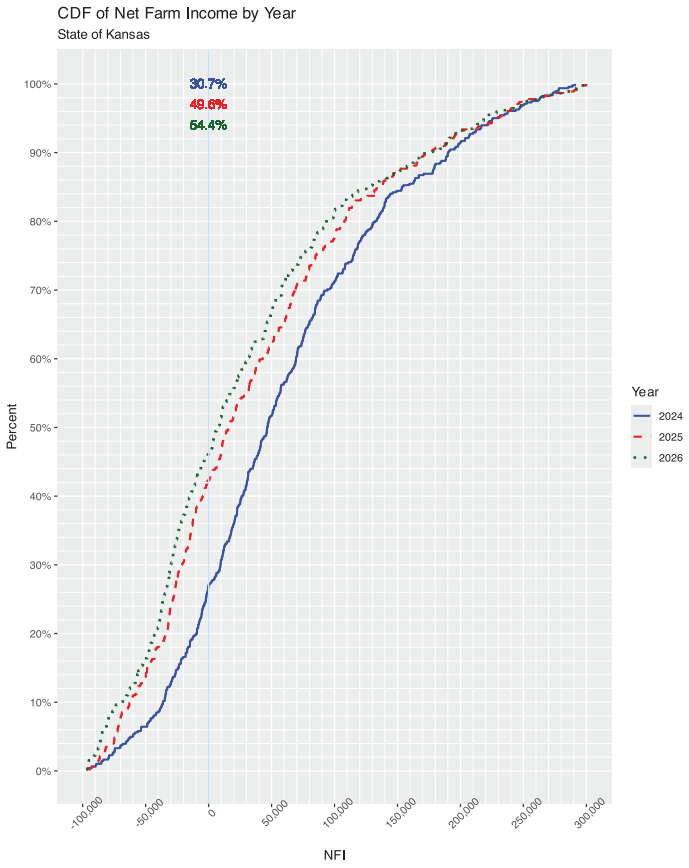


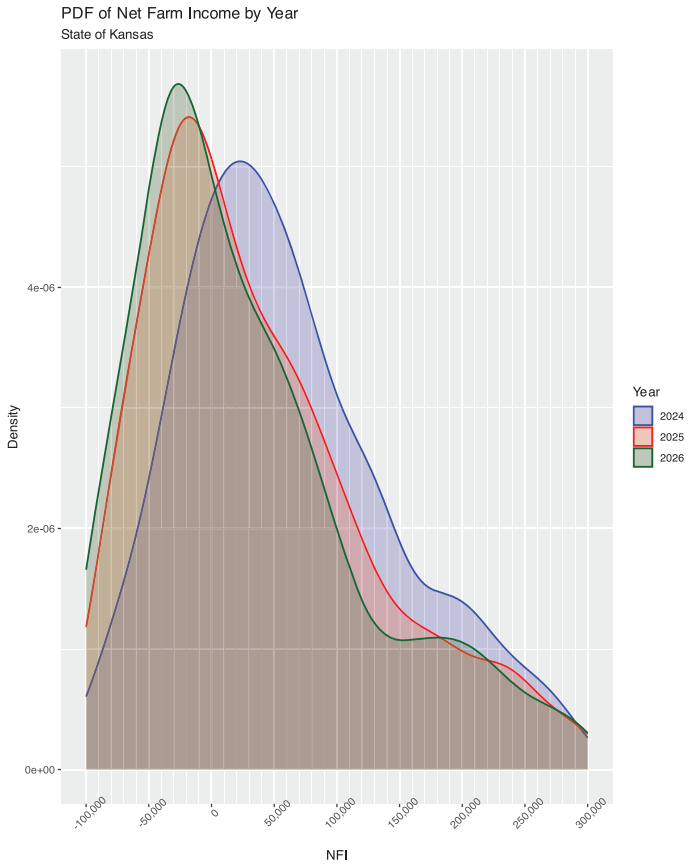
Net Farm Income by Region

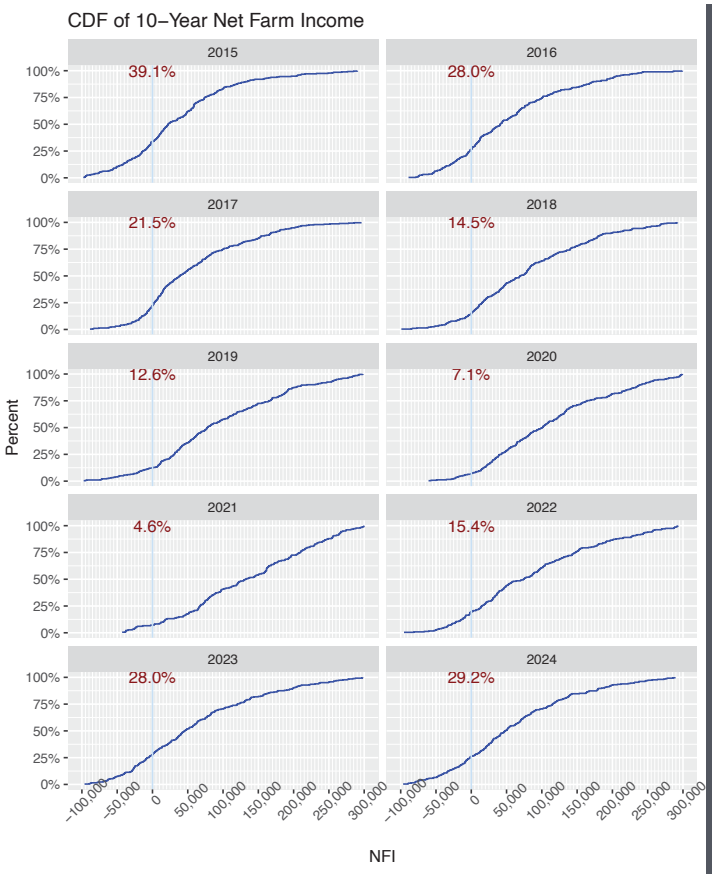
- The trend in NFI is bleak
- Mean is almost always higher than the medium
  - skewed distribution
- Biggest decline in western Kansas
- Bottom 25% is not always the same farms

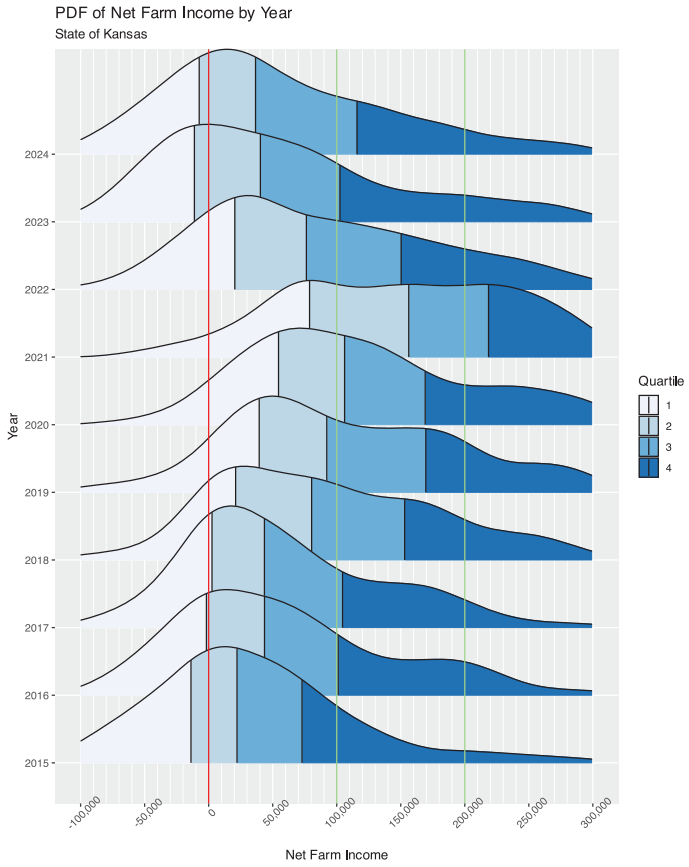

Net Farm Income by Region
Central
East
West
NFI
Year
statistic
mean
median
q25
q75

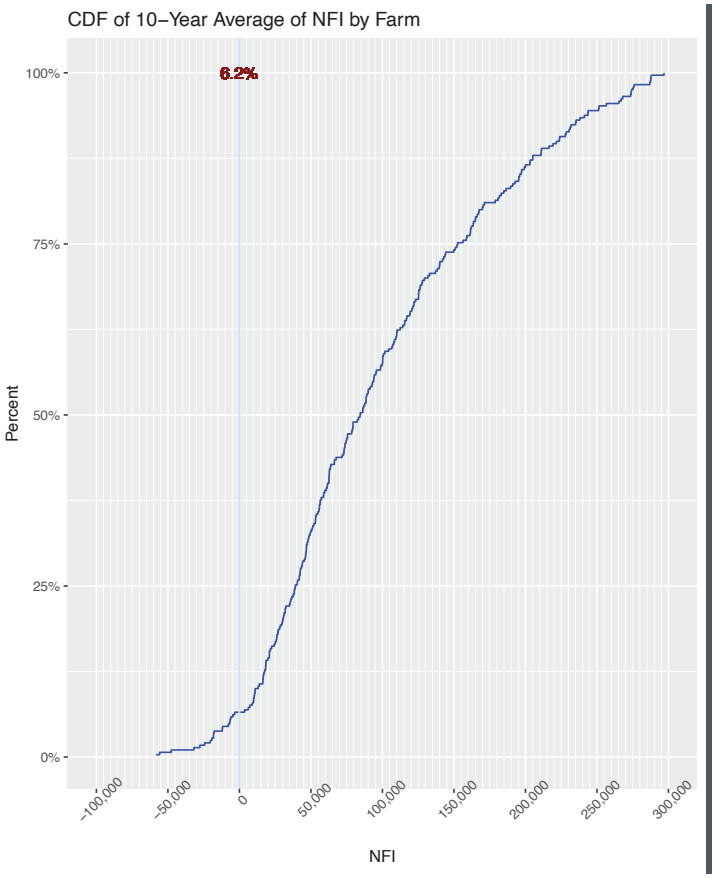

Net Farm Income Statistics by Farm Type
Mean
Median
Bottom 25%
NFI
Year
farm
beef
grain


CDF of Net Farm Income by Year
State of Kansas
30.7%
49.6%
64.4%
Percent
NFI
Year
2024
2025
2026


PDF of Net Farm Income by Year
State of Kansas
Density
NFI
Year
2024
2025
2026

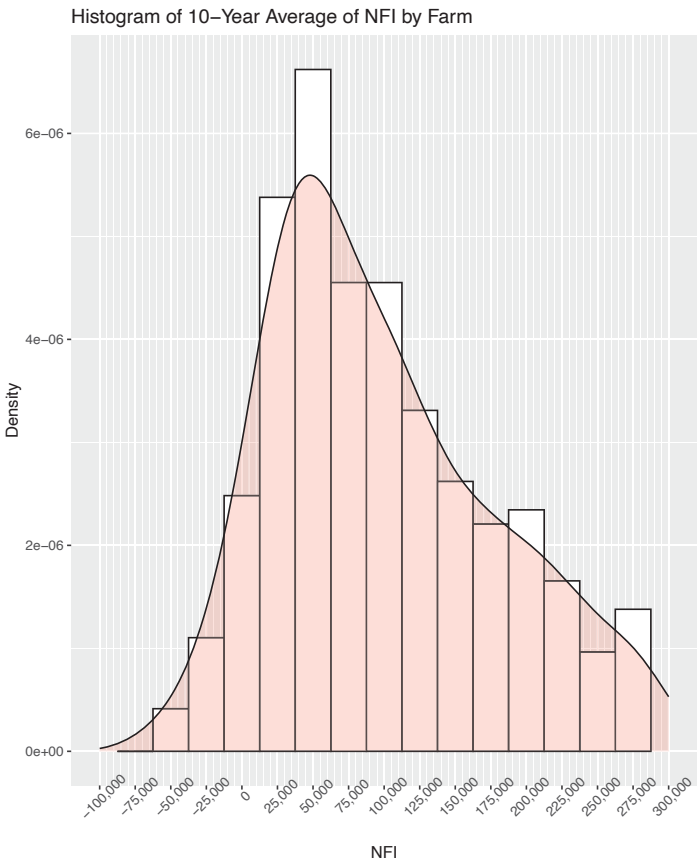


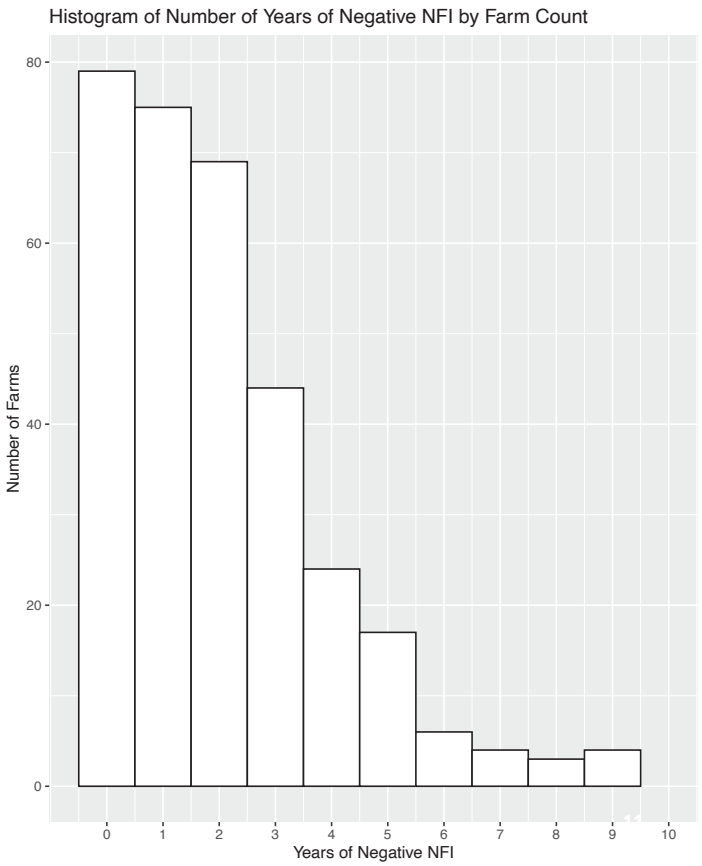


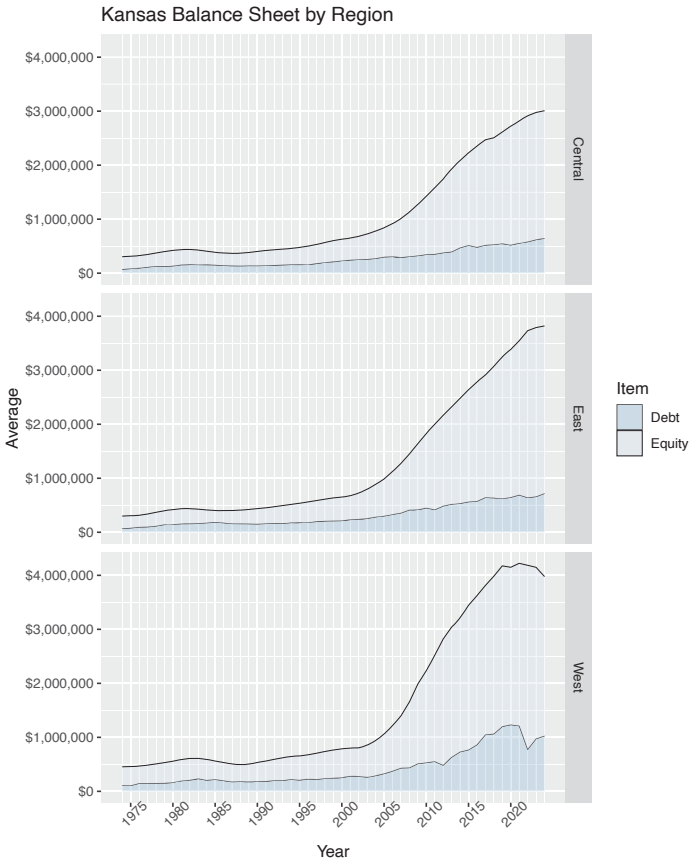


Distribution of NFI - 10 yr combined

- When averaged across 10 years, most farms are doing OK
  - Based on a panel dataset (consistent set of farms)
- There may be motives other than profit contributing to the 6% of farms with a negative 10-yr NFI
- The median NFI over 10-years was about $75,000 per year

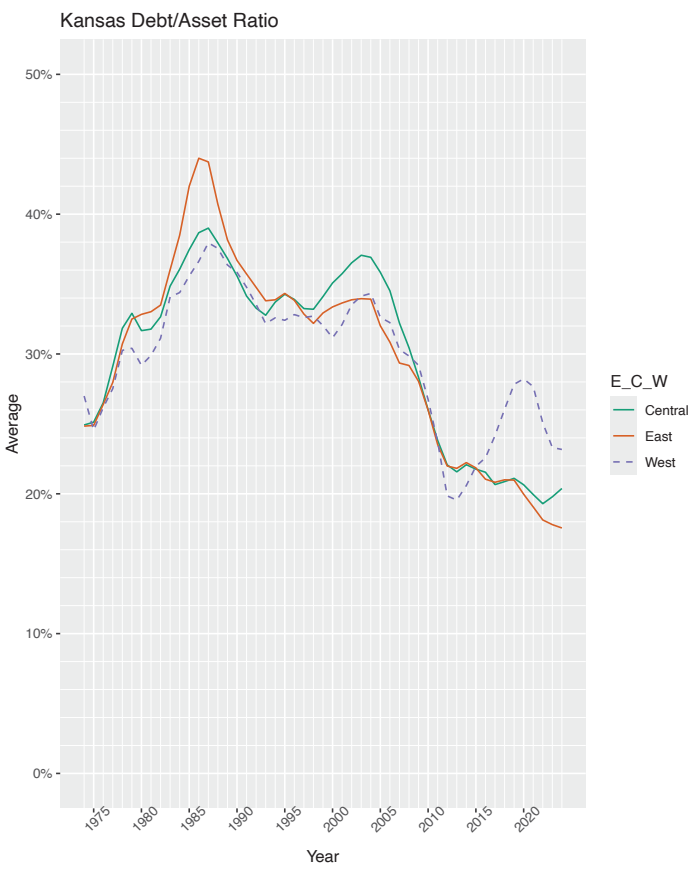


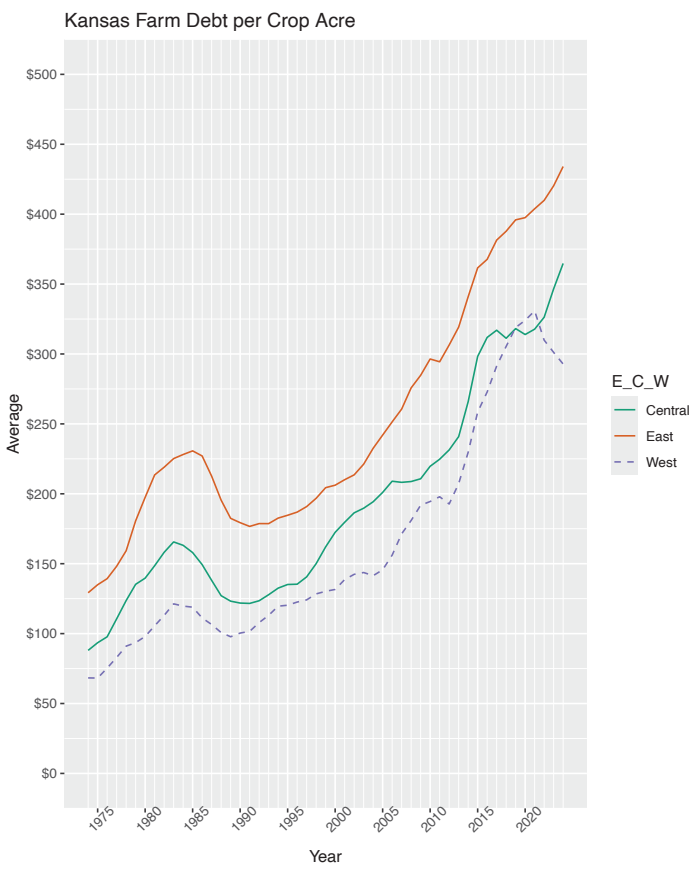


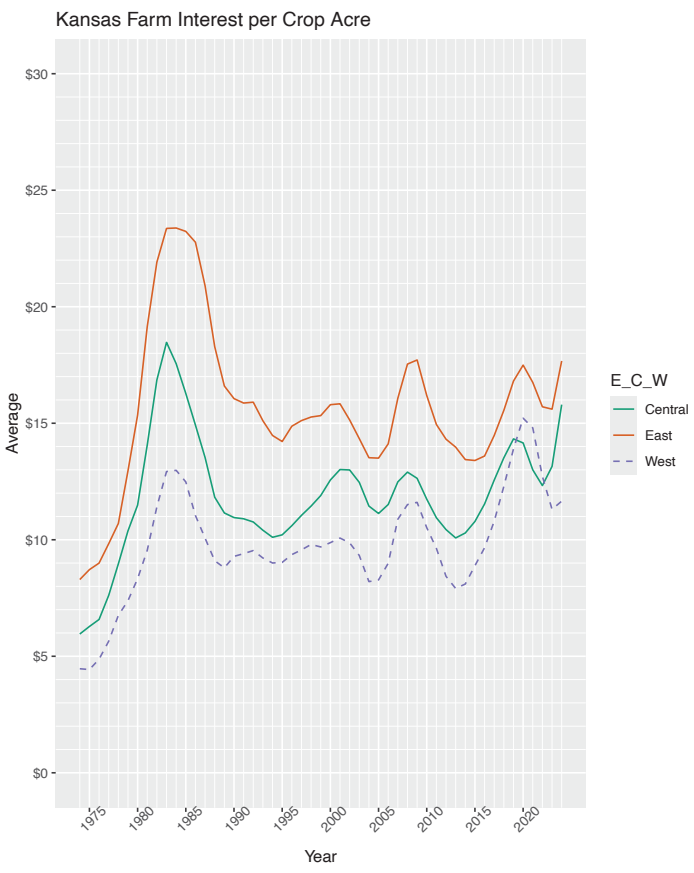


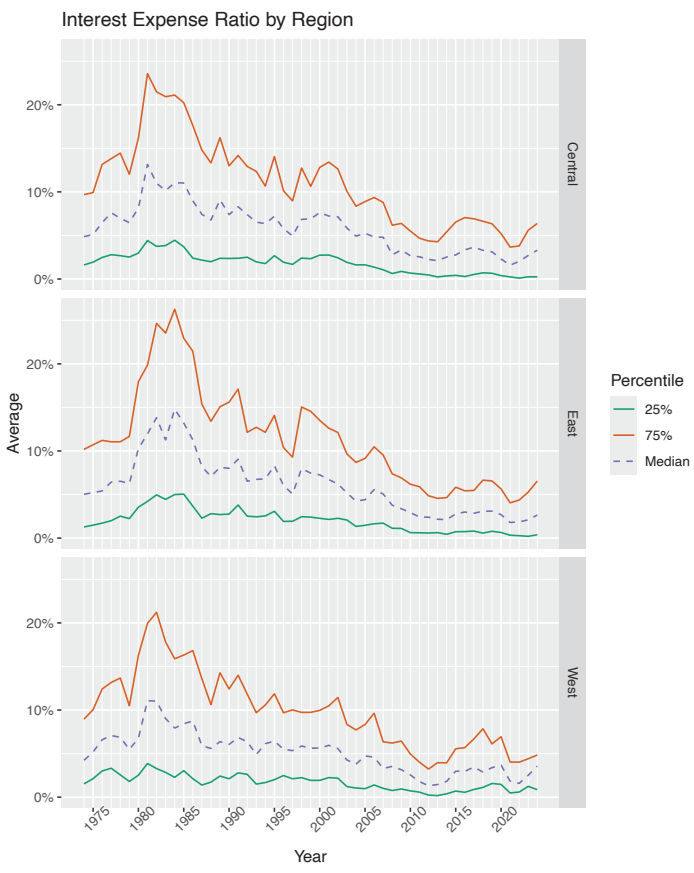
Balance sheets are strong

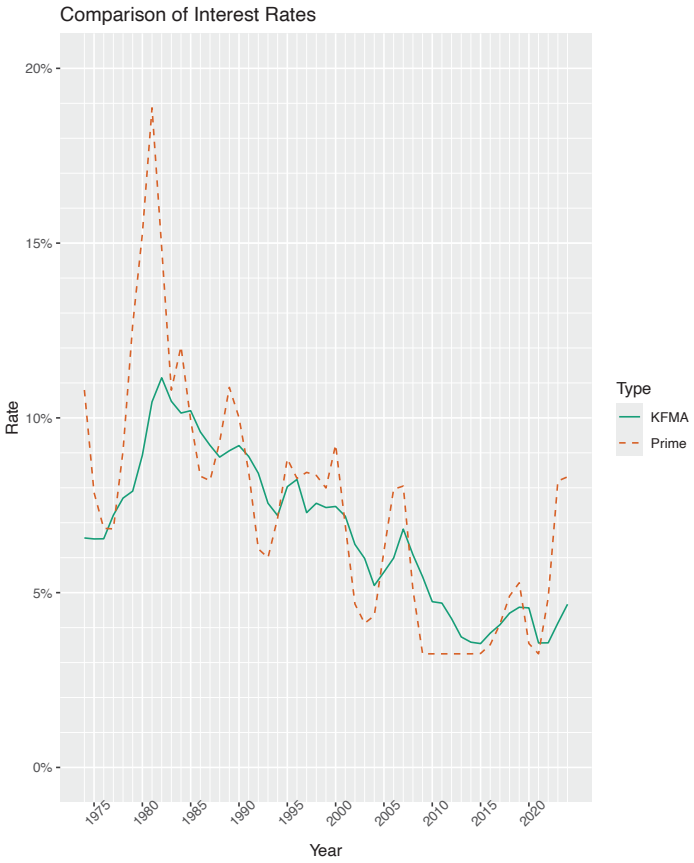
- Rising land values contribute to higher equity
- D/A ratios are strong
  - D/A ratio is a lagging indicator of farm troubles
- Masked in this graph is the increase in debt


Kansas Debt/Asset Ratio
50%
40%
30%
20%
10%
0%
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Kansas Farm Debt per Crop Acre
$500
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Kansas Farm Interest per Crop Acre
$30
$25
$20
$15
$10
$5
$0
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Interest Expense Ratio by Region
20%
10%
0%
Central
East
West
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
Percentile
25%
75%
Median



Interest rates paid by farmers are relatively low

- This is across all debt
- Increase in overall rate the last 2 years as short-term rates increase
- At what point do rates and interest become a problem?

Other issues

- Oil supply
  - So far, oil is still in the low $70 range
  - Could be a factor for fertilizer prices
- Machinery is still the biggest expense item on most farms
  - Do prices ever come down?
  - Farmers can manage this more than most other expenses

Questions?

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