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U.S. Farm Income

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Summary

According to USDA's Economic Research Service (ERS), national net farm income—a key indicator of U.S. farm well-being—is forecast at $57 billion in 2009, down 34.5% from the previous year's near-record of $87.1 billion. Lower commodity prices are expected to generate declines in both output receipts and input costs. However, the forecast declines in cash receipts for crops (down 11% to $163.6 billion) and livestock sales (down 16% to $118.4 billion) far exceed the forecast decline in production costs (down $11.9 billion, or 4%, to $278.1 billion), thus resulting in the sharp fall-off in the farm income outlook.

The global economic crises and subsequent recession that emerged during the last half of 2008 carried into the first half of 2009. The resultant rising unemployment and falling household incomes have combined to lower demand for exports in general, and for meat and dairy products in particular. As a result, commodity prices have fallen precipitously from record or near-record highs in early 2008.

Government farm payments are projected up about 2% in 2009 at $12.5 billion, as lower commodity prices are expected to trigger higher payments under the marketing loan and counter-cyclical payment programs (up a combined $1.1 billion), thereby partially offsetting lower disaster payments (down $1.8 billion) under ad hoc disaster and emergency programs. Nearly all of the year-to-year increase in payments under the marketing loan and counter-cyclical payment programs will be directed to cotton producers, as cotton prices have fallen below relatively high support prices.

Farm real estate values declined 3.2% during 2008, the first decline since 1987. The decline has negatively influenced the national farm balance sheet. Total farm asset values declined 2.4% in 2008 and are expected to drop another 3.1% in 2009 to $1,944 billion. Meanwhile, total farm debt hit a record $239 billion in 2008 and is expected to hold steady in 2009. As a result of these changes, the debt-to-asset ratio, which had been steadily declining since 1998, falling to 10.4% in 2007, has reversed itself and is expected to rise to 11.9% for 2008 and 12.3% for 2009. This suggests a mildly weaker financial position for the agriculture sector as a whole.

Considerable uncertainty continues to surround the longer-term farm income outlook. On the one hand, the global financial crisis, economic recession, rising unemployment, limited credit availability, and plummeting asset values that persisted in early 2009 have contributed to substantial "demand destruction" (i.e., a severe weakening of consumer demand), which bodes poorly for farm commodity price prospects in the near term. On the other hand, weak energy markets and declining input prices could provide some spark to both producer investment and consumer demand for agricultural sector products, perhaps early in 2010.

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Introduction

The U.S. farm sector is vast and varied. It encompasses production activities related to traditional field crops (such as corn, soybeans, wheat, and cotton), livestock and poultry products (including meat, dairy, and eggs), as well as fruits, tree nuts, and vegetables. In addition, U.S. agricultural output includes greenhouse and nursery products, forest products, custom work, machine hire, and other farm-related activities. The intensity and economic importance of each of these activities, as well as their underlying market structure and production processes, vary regionally based on the agro-climatic setting, market conditions, and other factors. As a result, farm income and rural economic conditions may vary substantially across the United States.[1] However, this report focuses singularly on aggregate national net farm income and the farm debt-to-asset status as reported by the U.S. Department of Agriculture (USDA).[2]

Annual U.S. net farm income is the single most watched indicator of farm sector well-being, as it captures and reflects the entirety of economic activity across the range of production processes, input expenses, and marketing conditions that have persisted during a specific time period. When national net farm income is reported together with a measure of the national farm debt-to-asset situation, the two summary statistics provide a quick indicator of the economic well-being of the national farm economy.

Two different indicators measure farm profitability: net cash income and net farm income.

- **Net cash income** compares cash receipts to cash expenses. As such, it is a cash flow measure representing the funds that are available to farm operators to meet family living expenses and make debt payments. For example, crops that are produced and harvested but kept in on-farm storage are not counted in net cash income. Farm output must be marketed (i.e., exchanged for payment) before it is counted as part of the household's cash flow.
- **Net farm income** is a value of production measure, indicating the farm operator's share of the net value added to the national economy within a calendar year, independent of whether it is received in cash or noncash form. In contrast to net cash income, net farm income includes the value of home consumption, changes in inventories, capital replacement, and implicit rent and expenses related to the farm operator's dwelling that are not reflected in cash transactions during the current year. Thus, once a crop is grown and harvested it is included in the farm's net income calculation, even if it remains in on-farm storage.

Net cash income is generally less variable than net farm income. Farmers can manage the timing of crop and livestock sales and of the purchase of inputs to stabilize the variability in their net cash income. For example, farmers can hold crops from large harvests to sell in the forthcoming year, when output may be lower and prices higher. Off-farm income, which has increased in importance in recent decades, is not included in the calculation of aggregate farm income. Instead, it is included in the discussion of farm income at the household level.

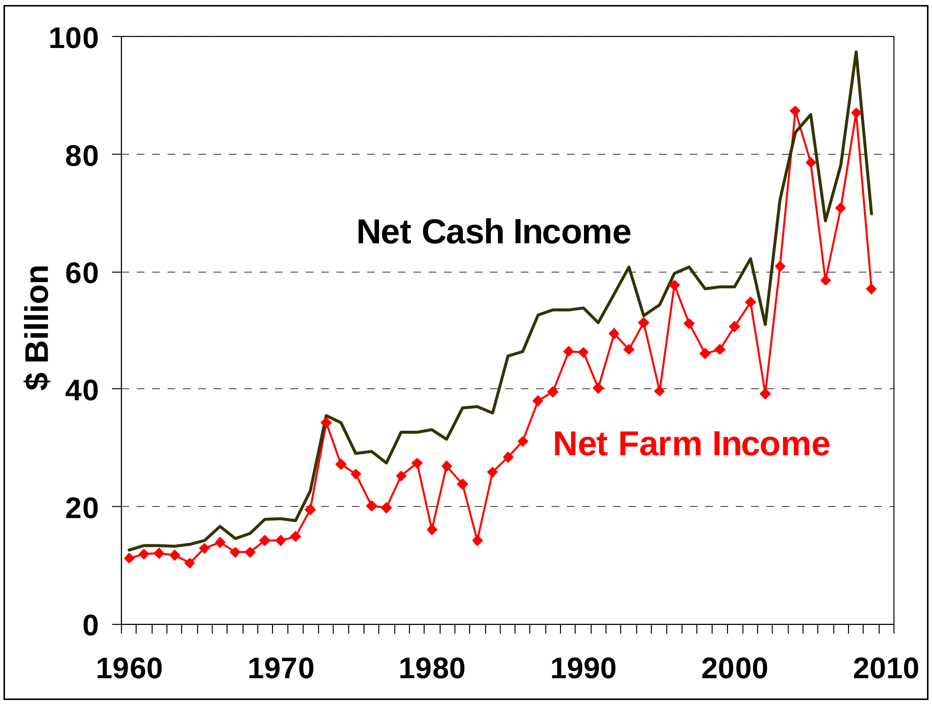
[1] For information on state-level farm income, see the "U.S. and State Farm Income Data," available as part of the Farm Income Data Files, Farm Income and Costs Briefing Room, Economic Research Service (ERS), USDA, at http://www.ers.usda.gov/data/FarmIncome/finfidmu.htm.

[2] For a more detailed discussion of the issues in this report, see the Briefing Room "Farm Income and Costs: 2009 Farm Sector Income Forecast," ERS, USDA, at http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm.

Calendar Year 2009: Farm Income Forecast Down

After reaching record net cash income and near-record net farm income in 2008, USDA forecasts a sharp turnaround for the U.S. farm economy in 2009 (**Figure 1**) as falling global demand and weak commodity prices have dampened the economic outlook for most major field crops and livestock products heading into the second half of 2009 (**Figure 2** and **Figure 3**). USDA forecasts net farm income at $57 billion, down 34.5% from the previous year's near-record $87.1 billion (**Table 1**).[3] When measured in cash terms, net cash income in 2009 is projected down about 28% to $69.8 billion, compared with the previous year's record of $97.5 billion. Net cash income is projected to fall less than net farm income because of the carryover of unsold crops from 2008 for sale in 2009.

Figure 1. Annual U.S. Farm Sector Income, 1960 to 2009F



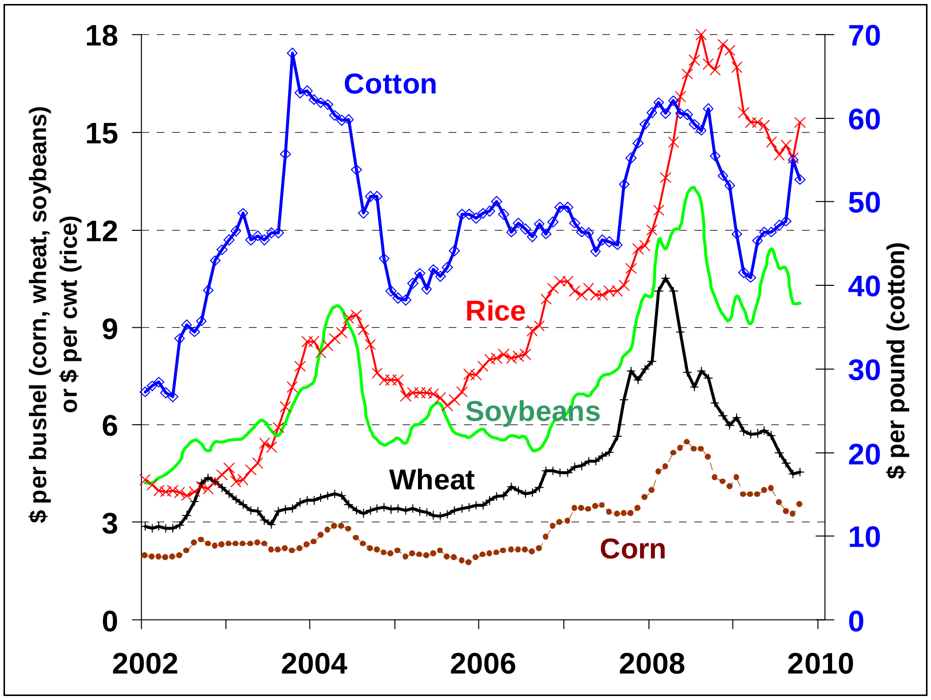
Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: All values are in nominal terms, i.e., not adjusted for inflation. 2008 is preliminary, 2009 is forecast.

The record farm income levels achieved in 2008 were driven largely by record high prices for most agricultural commodities. From a historical perspective, the six years extending from 2003 through 2008 represent the six highest years on record for U.S. farm income. National net cash income averaged over $81 billion per year during the 2003-2008 period, well above the previous single-year high of $62.2 billion achieved in 2001. USDA's 2009 forecast reverses the pattern of rising farm incomes, and suggests a period of potentially amplifying volatility.

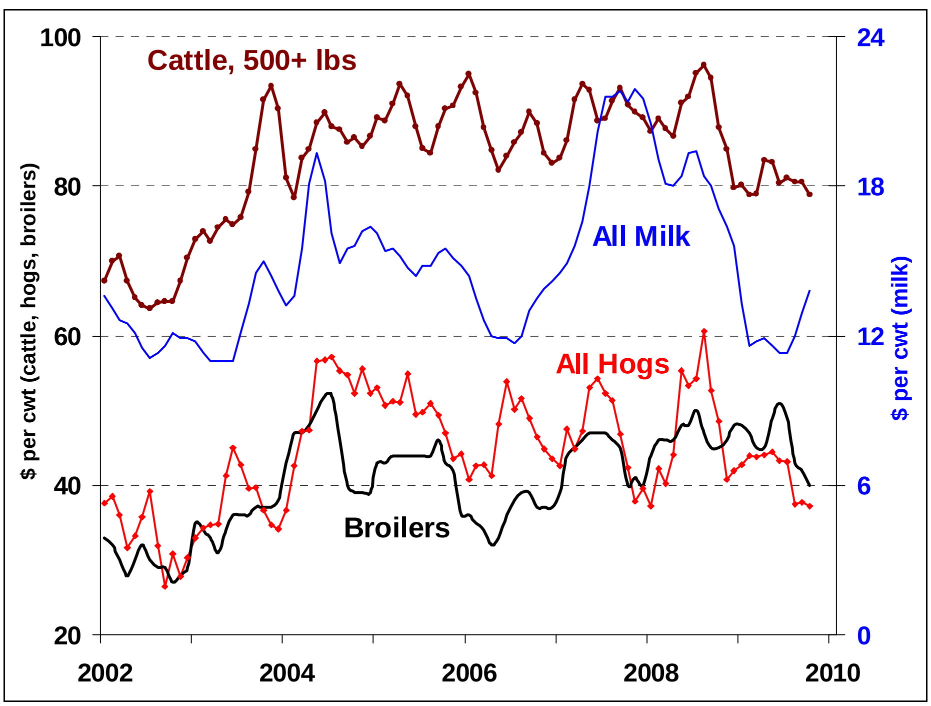
[3] ERS's 2009 farm sector income forecast, last updated on November 24, 2009, is available at the Farm Income and Costs Briefing Room, at http://www.ers.usda.gov/Briefing/FarmIncome/nationalestimates.htm.

Figure 2. Monthly Farm-Prices-Received for Major Field Crops



Source: USDA, National Agricultural Statistics Service.

Figure 3. Monthly Farm-Prices-Received for Major Livestock Products



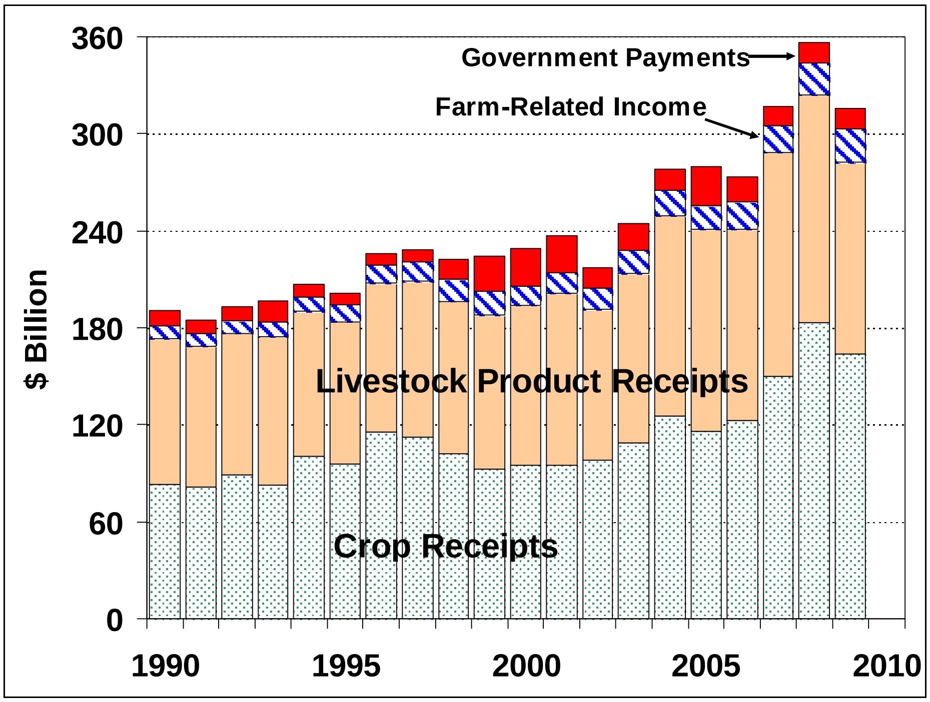
Source: USDA, National Agricultural Statistics Service.

Note: cwt = hundredweight or units of 100 lbs.

Cash Receipts

Most crop and livestock prices are expected to be substantially lower in the 2009/2010 marketing year (crops) and the 2009 calendar year (livestock)—prices for cotton and soybean oil are the major exceptions (**Table 4**). As a result, crop receipts are forecast down 11% while livestock receipts are forecast nearly 16% lower. The combined value of cash receipts from sales of both crop and livestock commodities is projected at $282 billion in 2009, down over $42 billion from the previous year's record amount (**Table 1** and **Figure 4**). A precipitous drop (down 31%) in producer milk prices (**Figure 3**) leads the decline in livestock receipts.

Figure 4. Farm Cash Receipts by Source, 1990 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

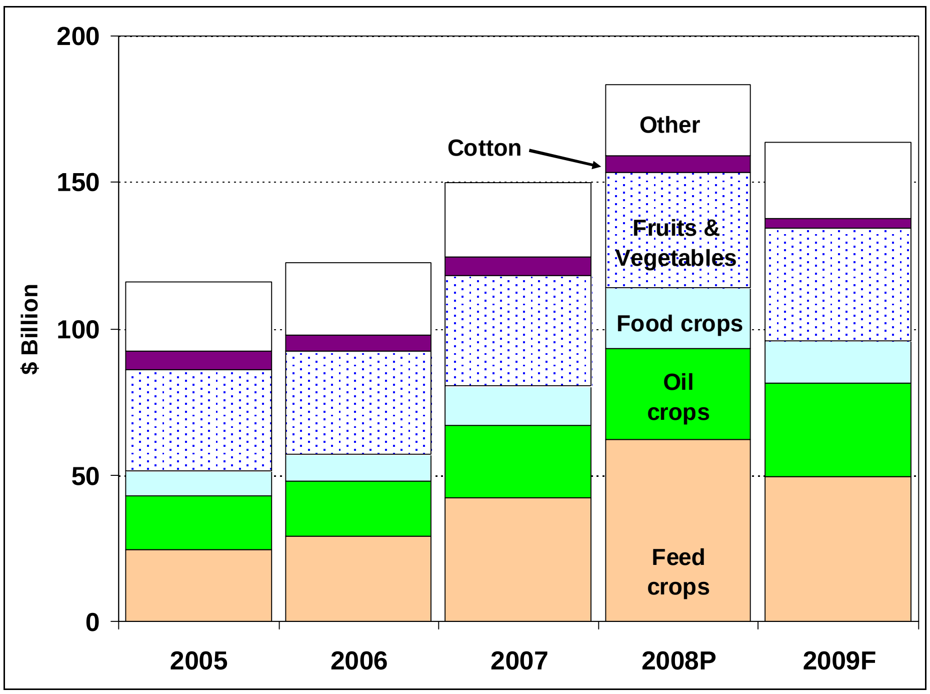
Notes: 2008 is preliminary, 2009 is forecast. Receipts from crop and livestock product sales, and government payments, are described in more detail below. Farm-related income includes income from custom work, machine hire, agri-tourism, forest product sales, insurance indemnities, and cooperative patronage dividend fees.

During the 2005-2008 period, U.S. domestic demand was supported by the rapid emergence of the U.S. agriculture-based ethanol industry. In addition, strong export demand through 2007 and the first half of 2008, aided in part by a weak dollar, helped to draw stocks for major grains and oilseeds to historically low levels in 2008, thus supporting higher market prices. However, the economic conditions that persisted into 2009—a global financial crisis, economic recession, rising unemployment, limited credit availability, and plummeting asset values—contributed to a severe weakening of consumer demand. As a result, domestic and international demand for biofuels, as well as meat and dairy products (and subsequently feed grain) has eroded dramatically.

Crops

Slumping commodity prices, although highly volatile since mid-2008, are expected to result in lower crop cash receipts in 2009 at $164 billion, down 11% (**Figure 5**). Sales of field crops (i.e., feed, food, and oil crops) are expected to decline 17% from 2008 to $99.2 billion. This total includes feed crop (i.e., corn, sorghum, barley, and oats) sales of $49.7 billion, down 20%, food crop (i.e., wheat and rice) sales of $14.5 billion, down 30%, and oil crop (i.e., soybeans, sunflowers, rapeseed/canola, and other minor oilseeds) sales of $31.7 billion, up 1.7%. Corn cash receipts alone are projected down by $10.5 billion to $41.1 billion in 2009, while wheat receipts decline by over $6.5 billion to $11 billion. Cotton sales are forecast at $3.3 billion, a decline of nearly 43% due to projected lower plantings and output in 2009, and sharply falling prices since mid-2008 (although cotton prices have turned around and risen since September).

Figure 5. Crop Cash Receipts by Source, 2005 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: 2008 is preliminary, 2009 is forecast.

During the 2005-2008 period, crop output and sales were influenced by the rapid expansion of corn-based biofuel production, due in large part to strong federal incentives. With this strong support, the U.S. corn-based ethanol industry has grown rapidly since mid-2004, when production capacity was estimated at around 3 billion gallons per year, to over 13.1 billion gallons as of October 22, 2009.[4] The U.S. ethanol sector received a substantial boost in December 2007 when the Energy Independence and Security Act (EISA) was signed into law (P.L. 110-140). EISA greatly expands the mandate for corn-based ethanol use from 4.7 billion gallons in 2007 to 12

[4] Production capacity estimates, Renewable Fuels Association, at http://www.ethanolrfa.org/industry/locations/.

billion in 2010 and 15 billion by 2015.[5] As a result of surging ethanol production, an ever-increasing share of the U.S. corn crop (estimated to reach nearly 33% in 2009/2010) has been used to produce ethanol.[6] This additional demand has helped to push corn and other crop prices steadily higher as they compete for a fixed amount of cropland (**Table 4**).

However, the ongoing global financial crisis and weakened economies have curtailed demand for energy, feed grain, meat, and dairy products (among other consumer goods), thereby pushing energy and commodity prices lower. The U.S. ethanol industry has been under substantial pressure and some restructuring is underway. In the meantime new plant construction has slowed dramatically and utilization of existing plant capacity has declined. As a result, USDA gradually lowered its projection of corn-for-ethanol use in the 2008/2009 corn marketing year from 4 billion bushels early in the year to 3.6 billion bushels, before adjusting it upward again to 3.7 billion bushels.[7] This pull-back in corn demand from the biofuels sector, combined with a weak export market and declining feed demand from the livestock sector (see below), also contributed to softer commodity prices for feed grains and other field crops. Given the weak corn price outlook, ethanol profit margins have improved substantially into late 2009, and USDA expects corn-for-ethanol use to reach a record 4.2 billion bushels in 2009/2010.

Fruit and tree nuts are expected to experience price declines in 2009, thereby contributing to 8% lower cash receipts, while vegetable and melon receipts are expected to increase slightly (3%) in 2009. Cash receipts for the “Other” crops category (projected up 1.8%) are also expected to increase for all its major components, including greenhouse and nursery, tobacco, and both sugarcane and sugarbeets.

Livestock

The livestock sector is projected to account for about 38% of total U.S. farm cash receipts in 2009, down from a 40% share in 2008. As with crop sales, the value of livestock product sales also is forecast lower in 2009 at $118 billion, down 16% from the previous year’s record of $141 billion (**Figure 6**).

Declining market prices for most major livestock categories—particularly for beef, poultry, and hogs—in 2009 are expected to be the driving factor behind lower cash receipts for livestock products. Most notable are sharply lower price forecasts for milk heading into 2009. Milk prices are projected 31% lower in 2009, before strengthening in 2010 (**Table 4**). Egg prices are also forecast down sharply by 22% in 2009. Choice steers are forecast down nearly 10% and hog prices are forecast down 16%. Broilers are expected to show the most resiliency, as they are forecast to fall by a modest 2.6% in 2009.

Largely the result of weak export markets and their price declines, beef and hog receipts are forecast down by 11% and 13%, respectively, in 2009, while broiler receipts are down nearly 6% from 2008. Egg receipts are forecast 24% lower in 2009 due to lower supplies during the first half of 2009 and sharply lower prices throughout the year.

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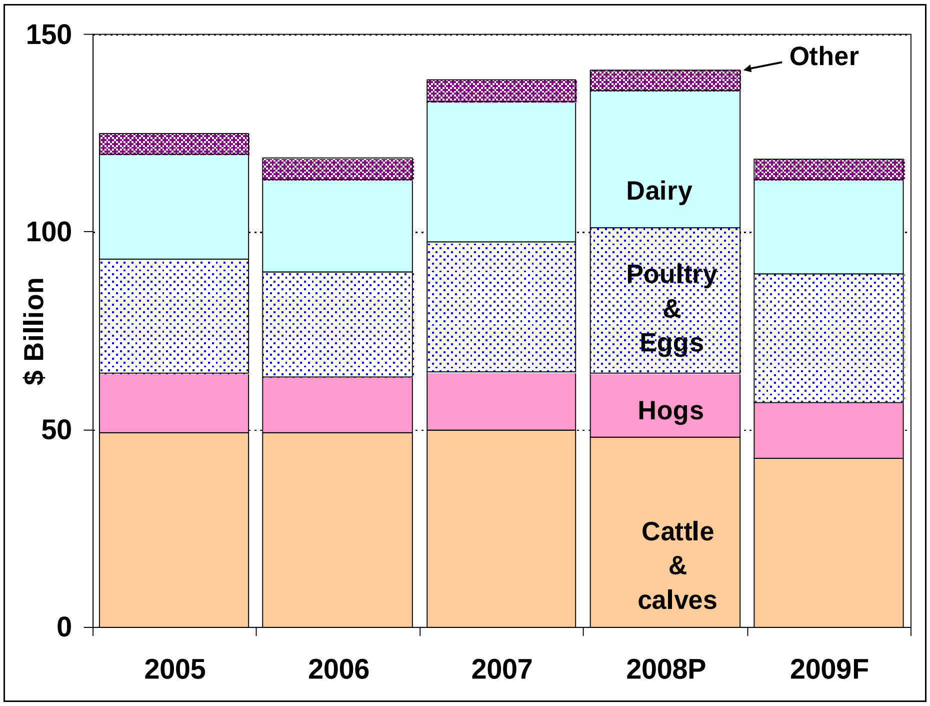
[5] For more information see CRS Report R40110, *Biofuels Incentives: A Summary of Federal Programs*, by Brent D. Yacobucci.

[6] USDA, World Agricultural Outlook Board (WAOB), World Agricultural Supply and Demand Estimates (WASDE), November 10, 2009.

[7] USDA, WAOB, WASDE, various issues ranging from October 2008 through August 2009.

Dairy cash receipts are forecast 31% lower in 2009, due primarily to sharply weaker milk prices (also forecast down 31%).

Figure 6. U.S. Livestock Product Cash Receipts by Source, 2005 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: 2008 is preliminary, 2009 is forecast.

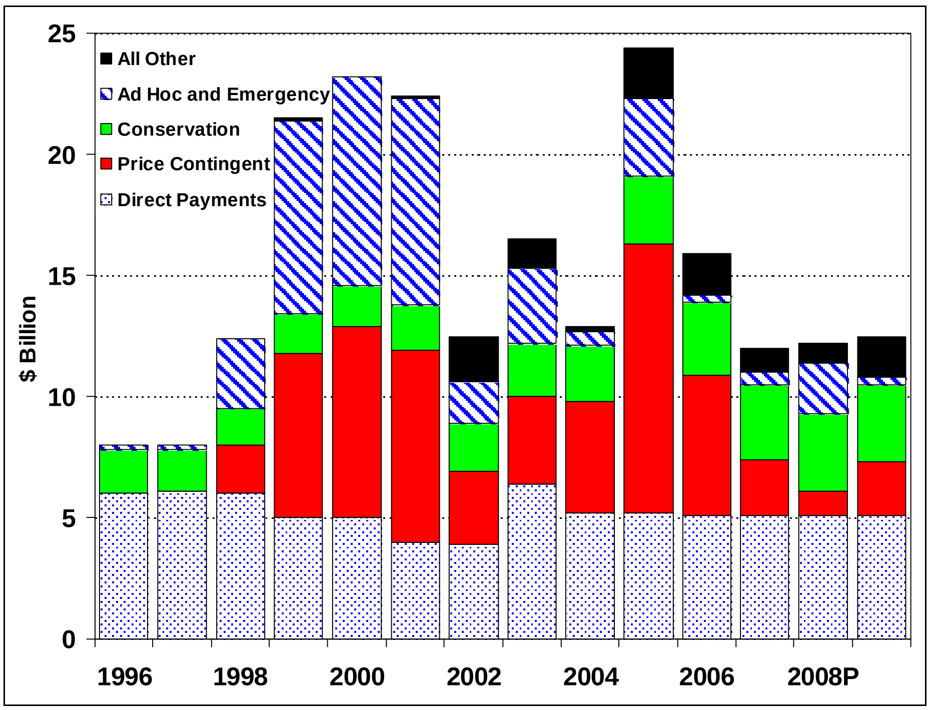
Government Payments

Direct government payments are forecast at $12.5 billion in 2009, up 1.8% from $12.2 billion in 2008 and well below the record of $24.4 billion in 2005. The biggest drop-off in government payments is a decline of $1.9 billion forecast to occur for ad hoc and emergency disaster assistance—which (along with other emergency assistance) has figured heavily in farm sector income in most of the previous 20 years (1989-2008).[8] Ad hoc and emergency disaster assistance is projected at $325 million in 2009. Previously appropriated disaster payments were largely paid out in 2008—hence, the projected 85% drop in these payments in 2009. The 2008 farm bill (P.L. 110-246) created a permanent fund for disaster assistance, the Agricultural Disaster Relief Trust Fund. Producers in disaster counties who are eligible for Supplemental Revenue Assistance (SURE) payments made from this trust fund will not begin receiving payments until calendar year 2010.

[8] For more information, see CRS Report RL31095, *Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2009*, by Ralph M. Chite; and CRS Report RS21212, *Agricultural Disaster Assistance*, by Ralph M. Chite and Dennis A. Shields.

Lower market prices forecast for 2009 are expected to generate moderate increases in payments under the two major price-contingent programs—counter-cyclical payments (CCP), which are projected to increase to about $1.2 billion, and marketing loan benefits (loan deficiency payments, marketing loan gains, and certificate exchange gains), which are projected to rise slightly to about $0.9 billion in 2009.[9] Nearly all of the year-to-year increase in payments under the marketing loan and counter-cyclical payment programs will be directed to cotton producers as cotton prices have fallen below relatively high support prices. Payments under the Milk Income Loss Contract Program (MILC)—which compensates dairy producers when domestic milk prices fall below a specified level—are also expected to rise to about $0.9 billion due to the falling milk prices.

Figure 7. U.S. Government Farm Support, Direct Outlays, 1996 to 2009F



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/; and USDA, Risk Management Agency, Current Year-to-Date National Summary of Business Reports, at http://www.rma.usda.gov/data/sob.html.

Notes: Data are on a fiscal year basis and may not correspond exactly with the crop or calendar year; 2008 is preliminary, 2009 is forecast. Direct payments include production flexibility contract payments enacted under the 1996 farm bill and fixed direct payments of the 2002 and 2008 farm bills; price-contingent outlays include loan deficiency payments (LDPs), marketing loan gains, and counter-cyclical payments (CCPs); conservation outlays include Conservation Reserve Program (CRP) payments along with other conservation program outlays; Ad Hoc and Emergency includes emergency supplemental crop and livestock disaster payments and market loss assistance payments for relief of low commodity prices; and "all other" outlays include peanut quota buyout payments, milk income loss payments, tobacco transition payments, and other miscellaneous expenditures.

Conservation payments have grown slowly but steadily since 1998; however, they are expected to remain steady at about $3.2 billion in 2009. Farm fixed direct payments, whose payment rates are

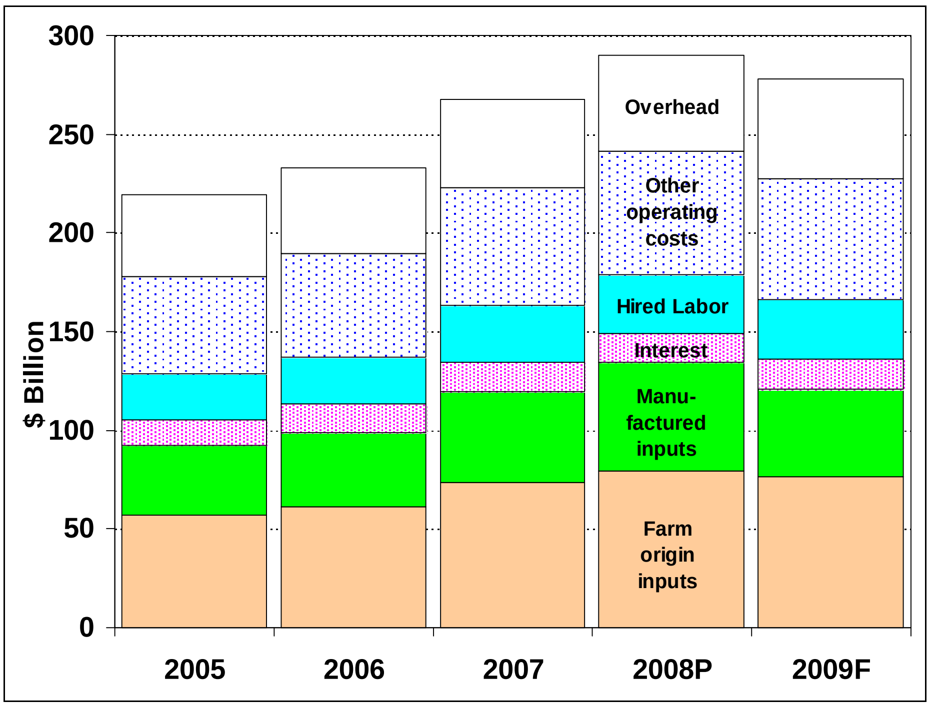
[9] For more information on commodity programs, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke.

fixed in legislation and are not affected by the level of program crop prices, are forecast essentially unchanged. Initially there was some uncertainty stemming from the potential for enrollment in the Average Crop Revenue Program (ACRE) in 2009 to result in reductions in direct payments. ACRE was authorized by the 2008 farm bill (P.L. 110-246) and provides revenue insurance to producers in exchange for a 20% reduction in their annual direct payment allotments. However, because producers' enrollments of base acres were lower than expected, the effect of ACRE participation on direct payments in calendar year 2009 is expected to be minimal.

Production Expenses

Falling prices for major farm inputs (including fertilizers, feed, and fuels) are expected to lower total production expenses by over 4% to $278 billion in 2009, down $11.9 billion from 2008's record level (**Figure 8** and **Figure 9**).

Figure 8. Farm Cash Production Expenses by Source 2004 to 2009F



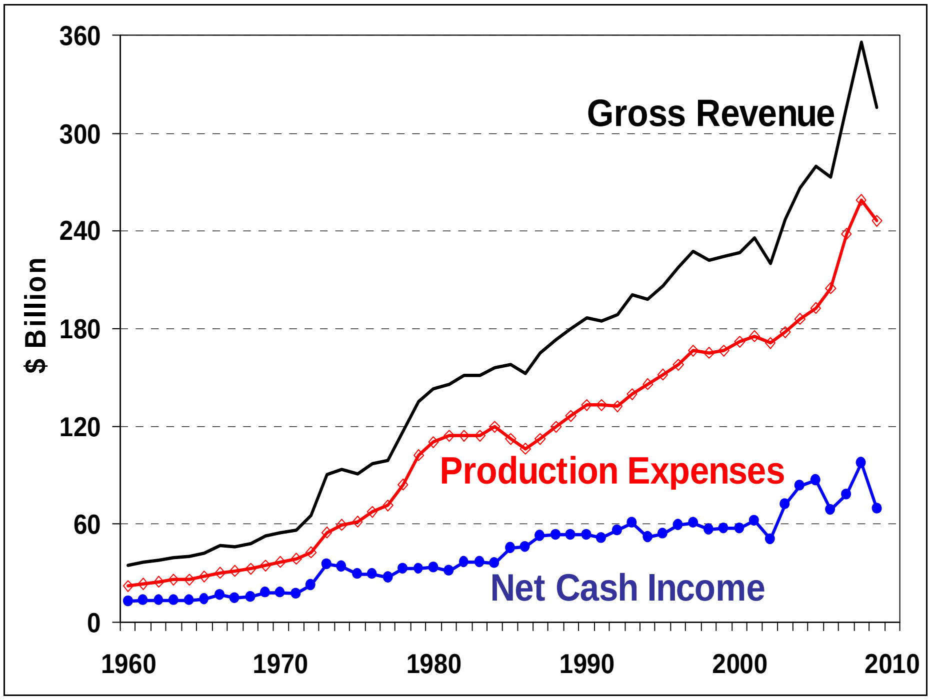
Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: 2008 is preliminary, 2009 is forecast. Farm origin inputs include purchases of feed, livestock and poultry, and seed. Manufactured inputs include fertilizers and lime, pesticides, petroleum fuel and oils, and electricity. Other operating costs include repair and maintenance of capital items, machine hire and custom work, marketing storage, transportation expenses, and other miscellaneous expenses. Overhead expenses include property taxes, net rent to a non-operator landlord, and capital consumption.

Expenditures on manufactured inputs—fertilizer, fuels, electricity, and pesticides—which account for about 16% of farm expenses, are expected to decline by nearly 20% in 2009. Another major farm expense for livestock producers is feed costs. Lower forecast prices for most feed grains are expected to sharply lower feed costs (classified as farm-origin inputs) to $43.4 billion, down over 7% year-to-year for livestock producers. As a result of lower feed and livestock costs, outlays for other farm-origin inputs are forecast down slightly despite higher seed costs.

Figure 9. U.S. Farm Gross Revenue, Production Expenses, and Net Income, Since 1960

(cash basis)



Source: USDA, Economic Research Service (ERS), "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Notes: All values are in nominal terms, i.e., not adjusted for inflation. 2008 is preliminary, 2009 is forecast.

Long-Run Farm Income Projections to 2018

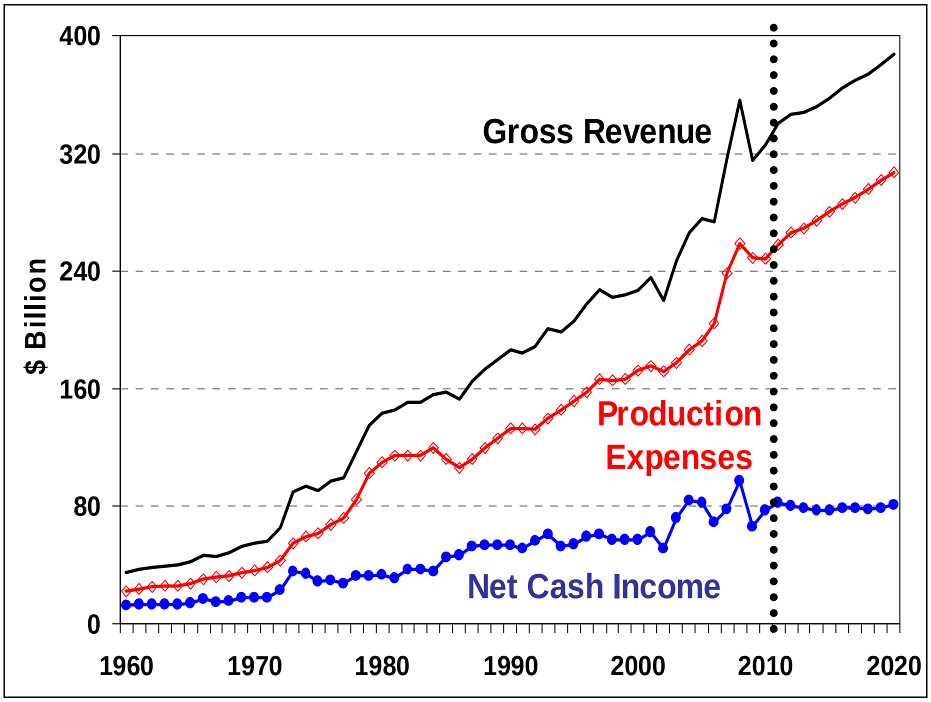
Several institutions (both public and private)—including USDA, the Organization for Economic Cooperation and Development (OECD), the Food and Agricultural Policy Research Institute (FAPRI), and IHS Global Insight—routinely produce long-run 10- to 15-year agricultural projections for the U.S. farm sector. These annual projections cover agricultural commodities, agricultural trade, and aggregate indicators of the sector, such as farm income and food prices. The most recent projections available at the time of this report's preparation covered the period 2009-2020.[10] The projections are highly conditional on critical long-term assumptions made for U.S. and international macroeconomic conditions, U.S. and foreign agricultural and trade policies, and growth rates of agricultural productivity in the United States and abroad.

Appending IHS Global Insight's projections for the 2010-2020 period to the current USDA agricultural outlook for 2009 produces the chart seen in **Figure 10**. Based on October macroeconomic conditions, IHS Global Insight projects net farm income levels at around $80 billion (slightly above 2009's projected $68.2 billion) with no significant improvement through

[10] IHS Global Insight, U.S. Agricultural Forecasts, October 29, 2009; at http://www.globalinsight.com/.

2020. This outlook is more pessimistic than USDA's February 2009 long-run agricultural projections for the U.S. farm sector.[11]

Figure 10. USDA Long-Run Farm Income Projections, 2010-2020



Source: Data for 1960-2009 are from USDA, ERS, Briefing Room: Farm Income and Costs, at http://www.ers.usda.gov/Briefing/FarmIncome/; data for 2010 to 2020 are from Global Insights, U.S. Agricultural Forecasts, October 29, 2009.

Notes: Global Insights projections are used here because they represent the most up-to-date, publically available projections of the U.S. agricultural sector.

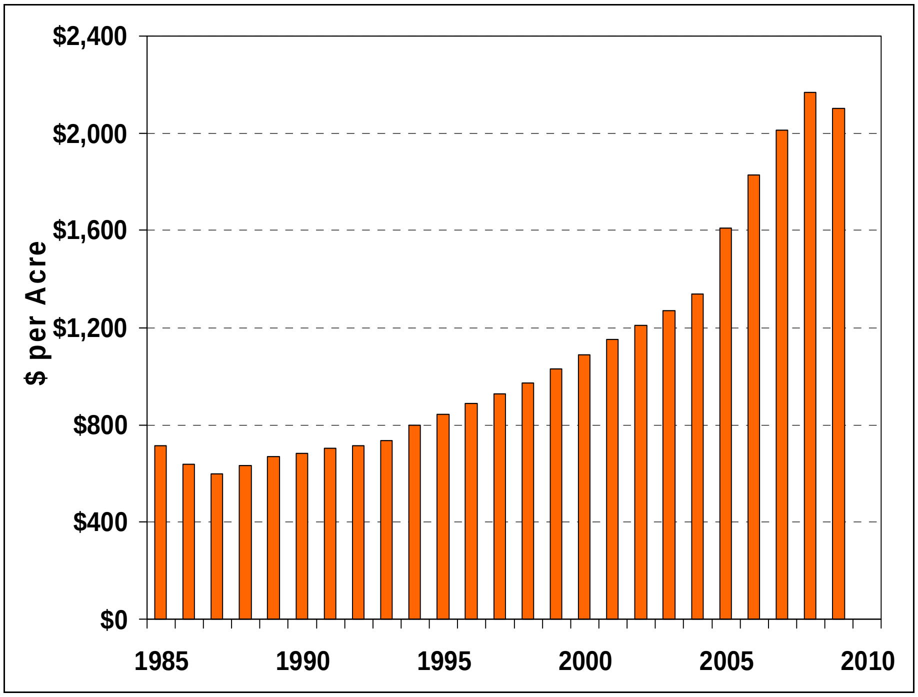
Key differences between USDA's February 2009 projections and IHS Global Insight's more recent October 2009 projections include assumptions about the deepness and duration of the ongoing world economic slowdown and the nature and timing of a recovery, as well as differing forecasts of the long-term outlook for agriculture-based biofuels and other economic factors. USDA's next long-run agricultural projections for the U.S. farm sector will be released in early 2010.

[11] *USDA Agricultural Projections to 2018*, OCE-2009-1, USDA, Economic Research Service, February 2009; available at http://www.ers.usda.gov/Briefing/Baseline/.

Farm Asset Values and Debt

Farm asset values—which reflect farm investors' and lenders' expectations about long-term profitability of farm sector investments—declined 2.4% in 2008 to $2,006 billion, and are expected to drop another 3.1% in 2009 to $1,944 billion (**Table 3**). Lower farm asset values are due primarily to a decline in farm real estate values (**Figure 11**), which fell by 3.2% during 2008, the first decline since 1987. Farm land cash markets through the first half of 2009 suggest that land values could see a further decline in 2009.

Figure 11. U.S. Average Farm Real Estate Value, 1990 to 2009



Source: USDA, NASS, *Land Values and Cash Rents, 2009 Summary*, August 2009.

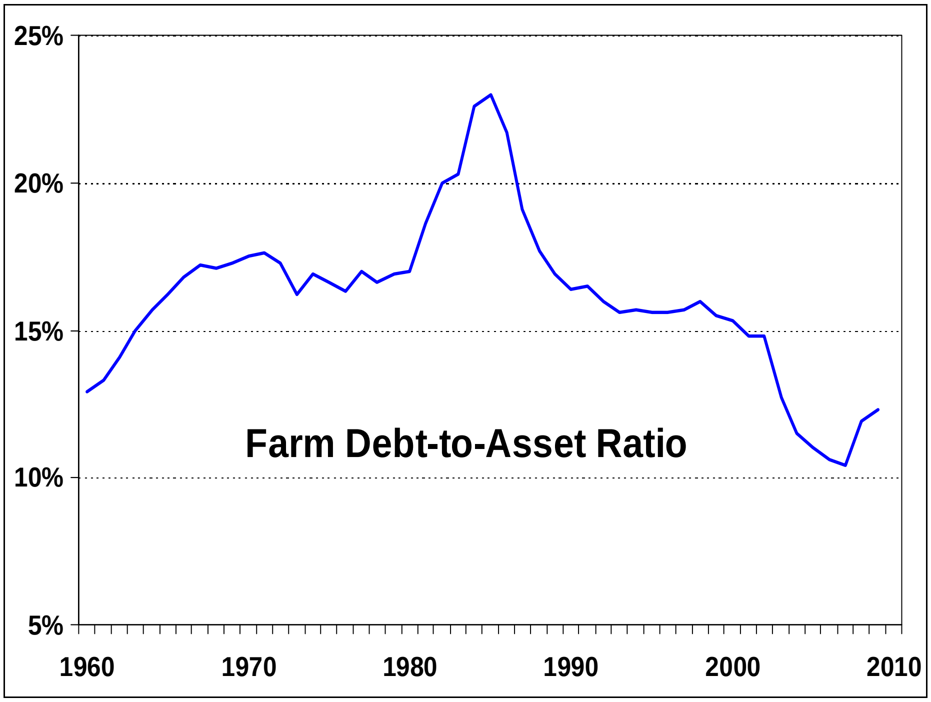
Notes: Farm real estate value measures the value of all land and buildings on farms.

Meanwhile, total farm debt hit a record $239 billion in 2008 and will repeat that figure in 2009. Since the decline in farm asset values is greater than the decline in farm debt, farm equity (or net worth, defined as asset value minus debt) is projected to decline for a second consecutive year in 2009 to $1,705 billion.

As a result of these developments, the farm debt-to-asset ratio (**Figure 12**)—which had been steadily declining since 1998, falling to 10.4% in 2007—reversed its downward pattern in 2008, when it is expected to show a rise to 11.9%. The ratio is projected to rise slightly in 2009 to 12.3%. These data suggest a mildly weaker financial position for the agriculture sector as a whole.

The U.S. farm debt-to-asset ratio peaked in 1985 at 23%.

Figure 12. U.S. Farm Debt-to-Asset Ratio Since 1960



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Note: 2008 is preliminary, 2009 is forecast.

Average Farm Household Income

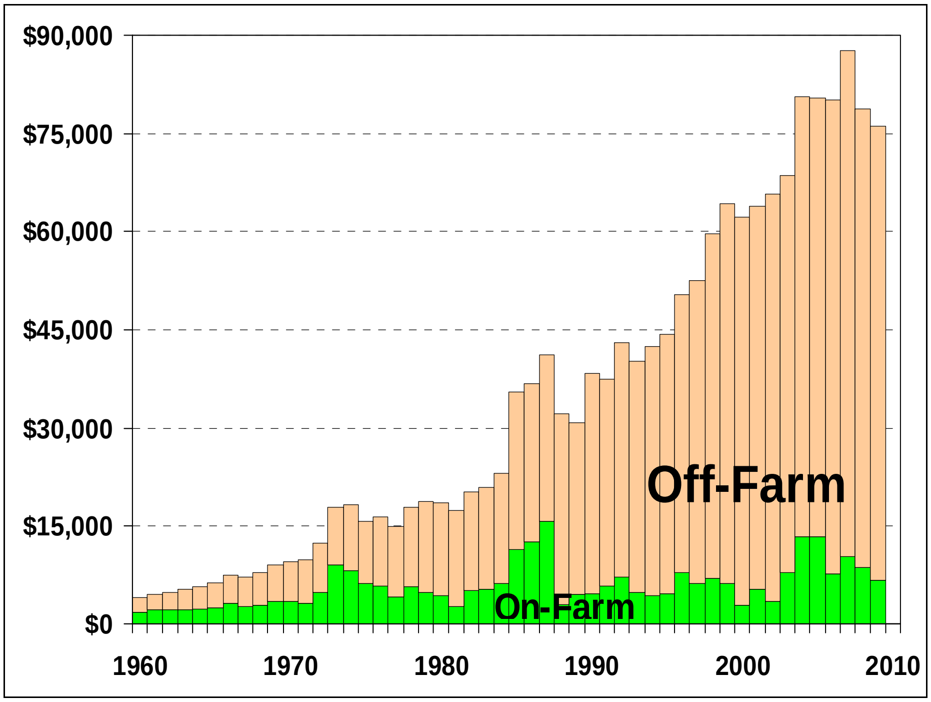
Average farm household income is forecast at $76,065 in 2009, down over 13% from the record of $87,740 achieved in 2007. The share of farm income derived from off-farm sources has increased steadily in recent decades and appears to have peaked at about 95% in 2000. In 2009, off-farm income sources are forecast to account for about 91% of the national average farm household income, compared with less than 5% from farming activities (**Figure 13**).

The share of income from farming increases with farm size (as measured by gross sales). "Large" commercial farm households (farms with annual sales between $250,000 and $499,999), on average, obtained 60% of their total household income from farming activities in 2007, while "very large" family farms (farms with annual sales in excess of $500,000) obtained nearly 80% of household income on-farm.[12] These two classes of farms represented slightly less than 8% of family farms. Intermediate family farms (farms with annual sales in excess of $100,000 but less than $250,000) represented about 28% of family farms and obtained about 32% of household income from on-farm sources. The remaining 64% of family farms are classified as rural residence farms and either receive little or no income from farm sources or have a total income level that qualifies them as limited-resource farms.

[12] For more information on farm typology, see the ERS Briefing Room, *Farm Household Economics and Well-Being: Farm Operator Household Income Forecasts*, at http://www.ers.usda.gov/Briefing/WellBeing/farmhouseincome.htm.

Over the past decade, farm household incomes have surged ahead of average U.S. household incomes (**Figure 14** and **Figure 15**). In 2008 (the last year for which comparable data were available), the average farm household income of $78,803 was about 15% higher than the average U.S. household income of $68,424 (**Table 2**).

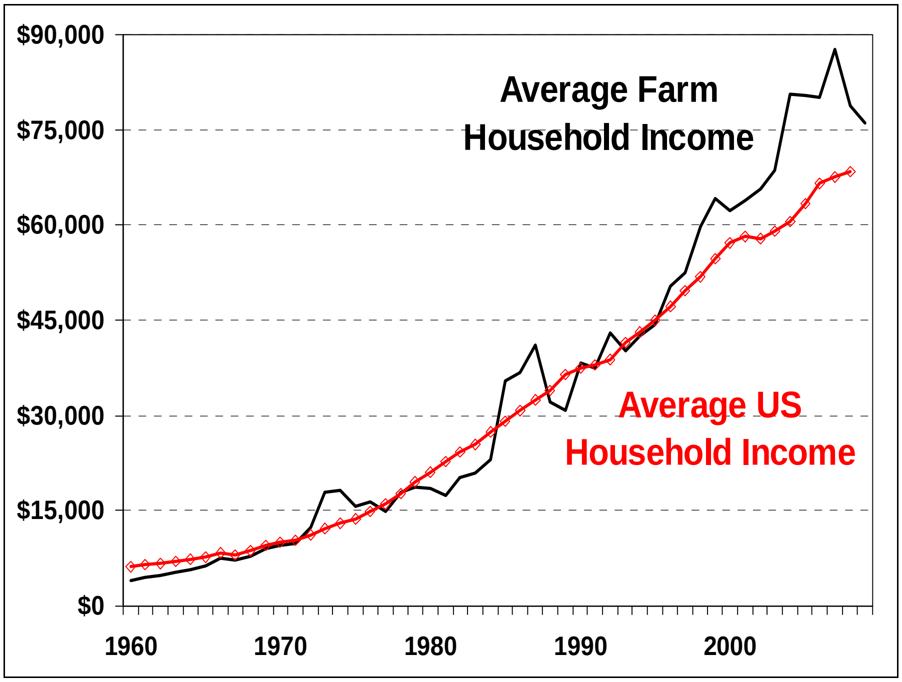
Figure 13. U.S. Average Farm Household Income, by On- and Off-Farm Sources, Since 1960



Source: USDA, Economic Research Service, Briefing Room: Farm Household Economics and Well-Being: Historic Data On Farm Operator Household Income, November 24, 2009, at http://www.ers.usda.gov/Briefing/WellBeing/Gallery/historic.htm.

Notes: 2008 is preliminary, 2009 is forecast.

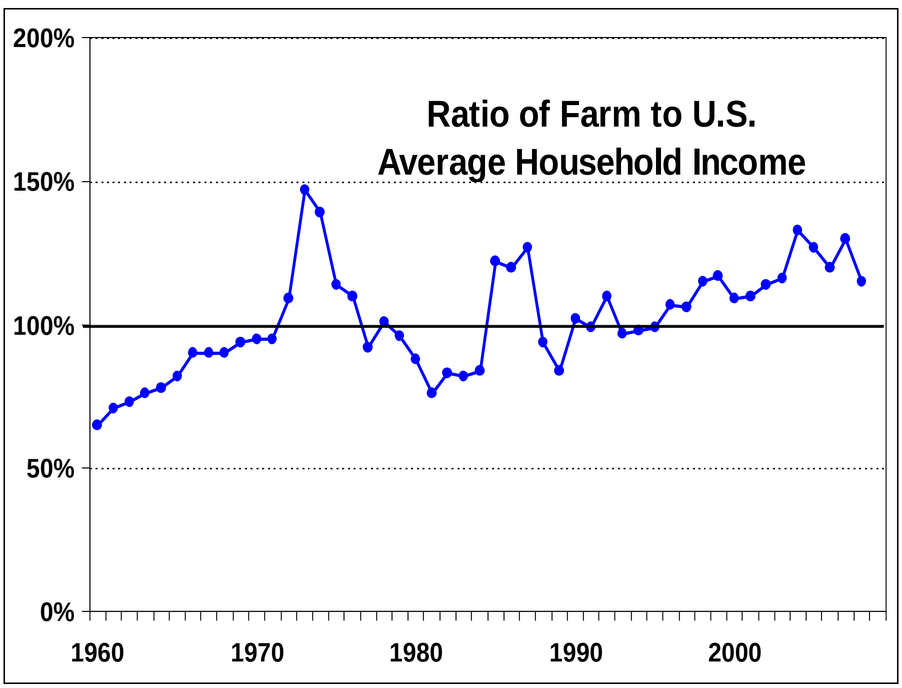
Figure 14. Comparison of Farm to U.S. Average Household Income Since 1960



Source: USDA, Economic Research Service, "2009 Farm Income Forecast," November 24, 2009, at http://www.ers.usda.gov/Briefing/FarmIncome/.

Note: 2008 is preliminary, 2009 is forecast.

Figure 15. Ratio of Farm to U.S. Average Household Income Since 1960



Source: See sources for Figure 14.

Note: 2008 is the last year with comparable data.

Table 1. Annual U.S. Farm Income Since 2002

($ billions)

Item	2002	2003	2004	2005	2006	2007	2008	2009[a]
1. Cash receipts	194.6	216.1	238.0	241.0	240.9	288.5	324.2	282.1
Crops[b]	100.7	110.5	114.6	116.1	122.3	149.9	183.1	163.6
Livestock	94.0	105.6	123.4	124.9	118.6	138.6	141.1	118.4
2. Government payments[c]	12.4	16.5	13.0	24.4	15.8	11.9	12.2	12.5
Fixed direct payments[d]	3.9	6.4	5.2	5.2	5.1	5.1	5.1	5.1
CCP[e]	0.2	2.3	1.1	4.1	4.0	1.1	0.7	1.2
Marketing Loan Benefits[f]	2.8	1.3	3.5	7.1	1.8	1.1	0.3	0.9
Conservation	2.0	2.2	2.3	2.8	3.0	3.1	3.2	3.2
Ad hoc and emergency	1.7	3.1	0.6	3.2	0.3	0.5	2.1	0.3
All other[g]	1.9	1.2	0.2	2.1	1.7	1.0	0.8	1.7
3. Farm-related income[h]	13.1	14.1	15.3	14.2	16.6	16.3	19.8	21.3
4. Gross cash income (1+2+3)	220.2	246.7	266.3	279.6	273.3	316.7	356.2	315.9
5. Cash expenses[i]	169.2	174.5	182.6	192.8	204.5	238.5	258.7	246.0
6. NET CASH INCOME	**51.0**	**72.3**	**83.7**	**86.8**	**68.8**	**78.2**	**97.5**	**69.8**
7. Total gross revenues[j]	230.6	258.6	294.6	298.4	291.2	338.4	377.1	335.2
8. Total production expenses[k]	191.4	197.7	207.3	219.7	232.7	267.5	290.0	278.1
9. NET FARM INCOME	**39.2**	**61.0**	**87.3**	**78.7**	**58.5**	**70.9**	**87.1**	**57.0**

Source: USDA, Economic Research Service, briefing rooms: *Farm Income and Costs: Farm Sector Income*, and *Costs: Farm Sector Income*, available at http://www.ers.usda.gov/Briefing/FarmIncome/; U.S. farm income data updated as of November 24, 2009.

a. Data for 2009 are USDA forecasts.

b. Includes Commodity Credit Corporation loans under the farm commodity support program.

c. Government payments reflect payments made directly to all recipients in the farm sector, including landlords. The non-operator landlords' share is offset by its inclusion in rental expenses paid to these landlords and thus is not reflected in net farm income or net cash income. For more information on U.S. farm commodity programs, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke; for more information on conservation programs see CRS Report RL34557, *Conservation Provisions of the 2008 Farm Bill*, by Tadlock Cowan, Renée Johnson, and Megan Stubbs.

d. Direct payments include production flexibility payments of the 1996 Farm Act through 2001, and fixed direct payments under the 2002 Farm Act since 2002.

e. CCP = counter-cyclical payments.

f. Includes loan deficiency payments (LDP); marketing loan gains (MLG); and commodity certificate exchange gains.

g. Peanut quota buyout, milk income loss payments, and other miscellaneous program payments.

h. Income from custom work, machine hire, agri-tourism, forest product sales, and other farm sources.

i. Excludes depreciation and perquisites to hired labor.

j. Gross cash income plus inventory adjustments, the value of home consumption, and the imputed rental value of operator dwellings.

k. Cash expenses plus depreciation and perquisites to hired labor.

Table 2. Average Annual Income per U.S. Household, Farm versus All, 2002-2009F

($ per household)

	2002	2003	2004	2005	2006	2007	2008	2009F
Average U.S. Farm Income by Source								
On-Farm Income	$3,477	$7,884	$13,325	$13,381	$7,620	$10,302	$8,770	$6,626
Off-Farm income	$62,284	$60,713	$67,279	$67,091	$72,502	$77,438	$70,032	$69,440
Total Farm income	$65,761	$68,597	$80,604	$81,472	$80,122	$87,740	$78,803	$76,065
Average U.S. Household Income	$57,852	$59,067	$60,466	$63,344	$66,570	$67,609	$68,424	na
Farm Household Income as Share of U.S. Avg. Household Income (%)	114%	116%	133%	127%	120%	130%	115%	na

Source: USDA, ERS Briefing Room: Farm Household Economics and Well-Being: Historic Data On Farm Operator Household Income, at http://www.ers.usda.gov/Briefing/WellBeing/Gallery/historic.htm; as of November 24, 2009.

Note: Data for 2009 are USDA forecasts.

Table 3. Average Annual Farm Sector Debt-to-Asset Ratio, 2002-2009F

($ billions)

	2002	2003	2004	2005	2006	2007	2008	2009F
Farm Assets	$1,304.0	1,378.8	1,588.0	1,779.4	1,923.6	2,055.3	2,005.5	1,943.7
Farm Debt	193.3	175.1	181.9	196.4	203.6	214.1	238.9	238.9
Farm Equity	1,110.7	1,203.6	1,406.1	1,583.0	1,720.0	1,841.2	1,766.6	1,704.8
Debt-to-Asset Ratio (%)	**14.8%**	**12.7%**	**11.5%**	**11.0%**	**10.6%**	**10.4%**	**11.9%**	**12.3%**

Source: USDA, ERS Briefing Room: Farm Household Economics and Well-Being: Farm Business Balance Sheet,, at http://www.ers.usda.gov/data/FarmBalanceSheet/fbsdmu.htm; as of November 24, 2009.

Note: Data for 2009 are USDA forecasts.

Table 4. U.S. Prices and Support Rates for Selected Farm Commodities Since 2004

Commodity[a]	Unit	Year	2004/05	2005/06	2006/07	2007/08	2008/09F[b]	2009/10F[b]	% change from 2008/09[c]	2010/11F	% change from 2009/10[d]	2009 Loan rate[e]	2009 Target Price
Wheat	$/bu	Jun-May	3.40	3.42	4.26	6.48	6.78	4.65-5.05	-28.5%	—	—	2.75	3.92
Corn	$/bu	Sep-Aug	2.06	2.00	3.04	4.20	4.06	3.25-3.85	-12.6%	—	—	1.95	2.63
Sorghum	$/bu	Sep-Aug	1.79	1.86	3.29	4.08	3.20	2.85-3.45	-1.6%	—	—	1.95	2.57
Barley	$/bu	Jun-May	2.48	2.53	2.85	4.02	5.37	4.10-4.60	-19.0%	—	—	1.85	2.44
Oats	$/bu	Jun-May	1.48	1.63	1.87	2.63	3.15	2.00-2.30	-31.7%	—	—	1.33	1.44
Rice	$/cwt	Aug-Jul	7.33	7.65	9.96	12.80	16.80	13.85-14.85	-14.6%	—	—	6.50	10.50
Soybeans	$/bu	Sep-Aug	5.74	5.66	6.43	10.10	9.97	8.20-10.20	-7.7%	—	—	5.00	5.80
Soybean oil	¢/lb	Oct-Sep	23.0	23.4	31.0	52.0	32.16	33.0-37.0	8.8%	—	—	—	—
Soybean meal	$/st	Oct-Sep	182.9	174.2	205.4	335.9	331.2	250-310	-15.5%	—	—	—	—
Cotton, Upland	¢/lb	Aug-Jul	41.6	47.7	46.5	59.3	47.8	52.0-60.0	17.2%	—	—	52.00	71.25
Choice Steers	$/cwt	Jan-Dec	84.8	87.3	85.4	91.8	92.27	83.32	-9.7%	87-94	8.6%	—	—
Barrows/Gilts	$/cwt	Jan-Dec	52.5	50.1	47.3	47.1	47.84	40.19	-16.0%	43-46	10.7%	—	—
Broilers	¢/lb	Jan-Dec	74.1	70.8	64.4	76.4	79.7	77.60	-2.6%	75-81	0.5%	—	—
Eggs	¢/doz	Jan-Dec	82.2	65.5	71.8	114.4	128.3	99.8	-22.2%	99-107	3.2%	—	—
Milk	$/cwt	Jan-Dec	16.05	15.14	12.90	19.13	18.29	12.60-12.70	-30.8%	16.05-16.95	30.4%	—	—

Source: Various USDA agency sources as described in the notes below.

a. Season average farm price for grains and oilseeds are from USDA, National Agricultural Statistical Service, Agricultural Prices. Calendar year data is for the first year, e.g., 2000/2001 = 2000; F = forecast from World Agricultural Supply and Demand Estimates (WASDE) August 12, 2009;—= no value; and USDA's out-year 2009/2010 crop price forecasts will first appear in the May 2009 WASDE report. WASDE reports are available at http://www.usda.gov/oce/commodity/wasde/. Soybean and livestock product prices are from USDA, Agricultural Marketing Service (AMS): soybean oil—Decatur, IL, cash price, simple average crude; soybean meal—Decatur, IL, cash price, simple average 48% protein; choice steers—Nebraska, direct 1100-1300 lbs.; barrows/gilts—national base, live equivalent 51%-52% lean; broilers—wholesale, 12-city average; eggs—Grade A, New York, volume buyers; and milk—simple average of prices received by farmers for all milk.

b. Data for 2008/2009, 2009/2010, and 2010/2011 are USDA forecasts.

c. Percent change from 2008/2009, calculated using the difference from the midpoint of the range for 2008/2009 with the estimate for 2008/2009.

d. Percent change from 2009/2010, calculated using the difference from the midpoint of the range for 2010/2011 with the estimate for 2009/2010.

e. Loan rate and target prices are for the 2009/2010 crop year. For more information, see CRS Report RL34594, *Farm Commodity Programs in the 2008 Farm Bill*, by Jim Monke.

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