Fall 2024
Nebraska Farm Income Outlook

October 2024

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A copy of this report, along with supporting tables, is available at https://ruralandfarmfinance.com/publications/

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Additional Resources

UNL offers valuable support to farmers and ranchers through a variety of resources, including practical tools to organize farm finances, evaluate farm leasing options and capital investments, and develop effective risk management strategies. For more information and to explore resources, visit https://cap.unl.edu/

Disclaimer

The results presented in this report do not consider market uncertainty. Small proportional changes in cash receipts or production expenses can dramatically change the NFI outlook.

References

FAPRI-MU 2024. Baseline Update for U.S. Farm Income and Consumer Food Prices. FAPRI-MU Report #05-2024. Available at https://tinyurl.com/2p9j9dfe

USDA 2024a. Farm Income and Wealth Statistics: General Documentation. Available at https://tinyurl.com/52b53fka

USDA. 2024b. Farm Sector Income & Finances: Farm Sector Income Forecast. Available at https://tinyurl.com/f9yfdptd

What is the goal of this report?

In September 2024, the U.S. Department of Agriculture (USDA)'s Economic Research Service (ERS) released state-level farm income estimates through calendar year 2023. The present report published by the Rural and Farm Finance Policy Analysis Center (RaFF) provides an outlook for Nebraska farm income in calendar years 2024 and 2025. It intends to inform policymakers, industry analysts, and agricultural practitioners about the expected profitability of the state agricultural sector and its main drivers.

What methods were used to develop the outlook?

The RaFF Farm Income Model consists of a collection of equations calibrated using historical data from the USDA's ERS, Risk Management Agency, and Farm Service Agency. RaFF's state-level forecasts are obtained by feeding national and regional projections from the Food and Agricultural Policy Research Institute at the University of Missouri (FAPRI-MU) into the RaFF model. Published results incorporate expert insights from agricultural economists at the University of Nebraska-Lincoln (UNL).

How is farm income measured?

Following the ERS methodology (USDA 2024a), net cash farm income is calculated based on cash receipts, government payments, and insurance indemnities minus cash expenses in the calendar year when the cash flow occurred. Net cash farm income is adjusted by non-cash income and expenses and changes in inventory values to obtain a net farm income (NFI) measure.

National Farm Income Trends

The ERS projects 2024 U.S. NFI at $140 billion, which is $6.5 billion (-4%) lower in nominal terms than in 2023 (USDA 2024b). Driving this change were a $27.7 billion decrease in corn and soybean cash receipts that more than offset the $17.8 billion increase in livestock receipts led by eggs, cattle and calves, milk and broilers, and a projected $4.4 billion reduction in production expenses led by feed, fertilizer and pesticide expenses. In addition, 2024 direct government payments are forecast to decline by $1.8 billion from 2023 to tally $10.4 billion. It must be noted that the ERS substantially revised historical U.S. farm income data in September 2024, lowering the 2023 NFI estimate by $9.4 billion (-6%) from $155.9 billion in February 2024 to $146.5 billion in September 2024.[1]

Based on updated ERS data, FAPRI-MU projects a $9 billion (-6.2%) nominal reduction in 2024 national NFI — a more significant decline than the drop ERS projects — followed by a further $8.4 billion (-6.1%) decline in 2025. Anticipated lower prices for many crops and poultry would pressure 2025 cash receipts (FAPRI-MU 2024). By 2025, the cumulative decline in nominal NFI would amount to $53 billion (-29%) of its 2022 peak ($182 billion). Adjusted for inflation, such decline would total $67.3 billion (-35%) in 2024 dollars. Similarly to ERS, FAPRI-MU reasons that the negative effects of lower crop prices on farm receipts would more than offset the positive effects of higher cattle prices and moderating farm production expenses.

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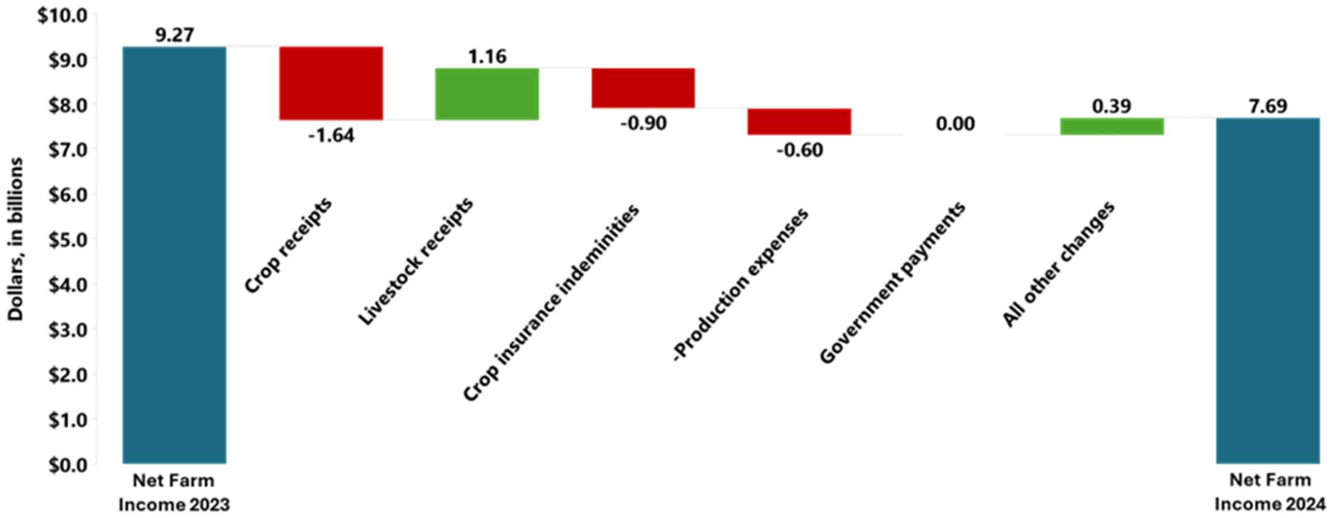
[1] Major drivers of the downward revision in estimated 2023 U.S. NFI include higher cash expenses in net rent to nonoperator landlords (+$14.5 billion); labor (+$5.0 billion); fertilizer (+$5.4 billion); livestock purchases (+$1.8 billion); seed (+$1.7 billion); fuel and oil (+$1.3 billion); and marketing, storage and transportation (+$1.0 billion) as well as lower cash receipts from broilers (-$1.1 billion). Higher cash receipts from eggs (+$3.7 billion), vegetables (+$3.3 billion), fruits and nuts (+$2.0 billion), cattle and calves (+$1.7 billion), corn (+1.4 billion), soybeans (+1.4 billion), hogs (+1.0 billion) and sugar beets (+1 billion) as well as lower interest expenses (-$5.7 billion) and property taxes (-$1.6 billion) only partially mitigate the downward revision in NFI.

Nebraska net farm income to decrease in 2024

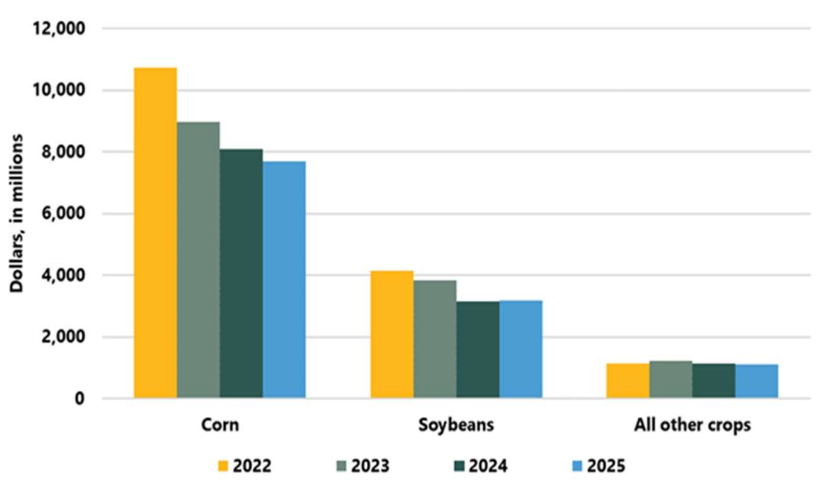


RaFF and collaborators at UNL forecast Nebraska's NFI to decrease by $1.58 billion (-17%) to $7.69 billion in 2024. Nebraska's 2024 NFI would still be the third highest on record, following those posted in 2023 and 2021. In 2024, total farm receipts are projected to decline by $1.40 billion (-4%), as the $1.16 billion (+6%) increase in livestock receipts would only partially offset the $1.64 billion (-12%) fall in crop receipts and the $924 million (-37%) reduction in crop insurance indemnities. A $602 million (2%) increase in production expenses would exacerbate the effect of lower total receipts. Direct government payments are projected stable at $626 million and strong livestock prices support higher inventory values in 2024. The expected 17% decline in Nebraska's NFI is larger than the corresponding 6.2% reduction in U.S. NFI for 2024. However, the drop in NFI between 2022 and 2024 for Nebraska is less than the reduction seen in the United States (-7% vs. -29%), due to the state's relatively larger specialization in livestock production.

Nebraska Crops

- After persistent drought conditions in Nebraska, improved yields in 2024 are expected to increase production levels for all field crops. However, lower commodity prices would reduce crop receipts by 12% to $12.42 billion in 2024, extending the cumulative decline from their 2022 peak at $16.04 billion to 23%.
- In 2024, lower receipts for corn (-$888 million) and soybeans (-$698 million) explain most of the projected decline in crop receipts, and in both cases substantially lower prices (-17% for corn and -22% for soybeans) counteract the effect of higher production levels (9% for corn and 16% for soybeans).

Crop receipts decline $1.6 billion in 2024



- Hay acres continue to rebound from the drought-impacted low of 2022. However, a 31% drop in hay prices is projected to more than offset the positive effect of a 20% larger crop on hay receipts. Similarly, an expected 31% increase in wheat production would be mostly offset by a 23% drop in prices, leaving 2024 farm receipts for wheat almost unchanged from 2023.

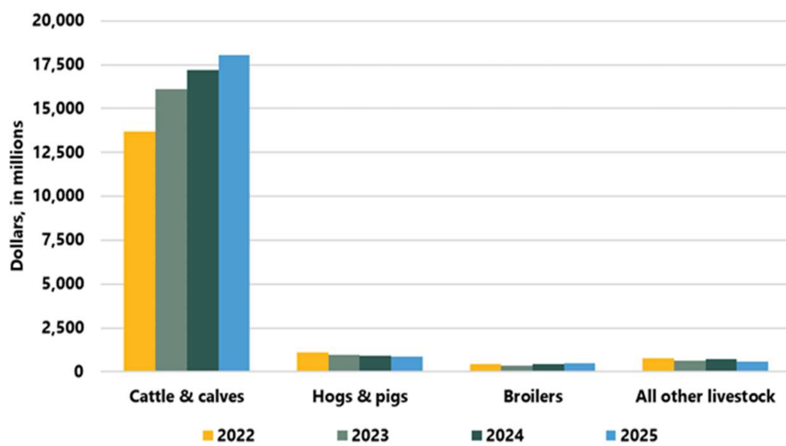
2024 share of crop receipts

(listed in order of receipt value)

Nebraska Livestock

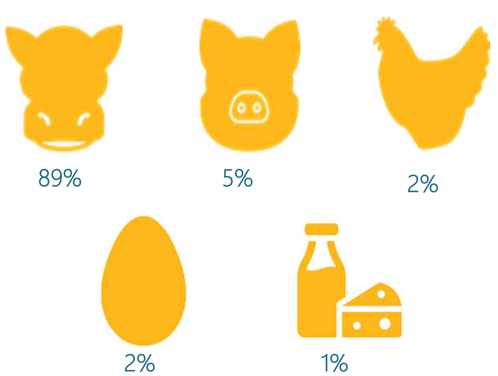
- After experiencing herd liquidation in 2022, Nebraska's cattle inventory fell again throughout 2023. With improved forage conditions, all cattle and calves inventory is projected to grow modestly in 2024, increasing beginning stocks for 2025 by 164,000 head.
- Supported by higher prices and stable marketings, cattle receipts are expected to increase $1.09 billion (+7%) to $17.21 billion in 2024, before climbing further to $18.07 billion in 2025.

Livestock receipts $1.2 billion higher in 2024



2024 share of livestock receipts

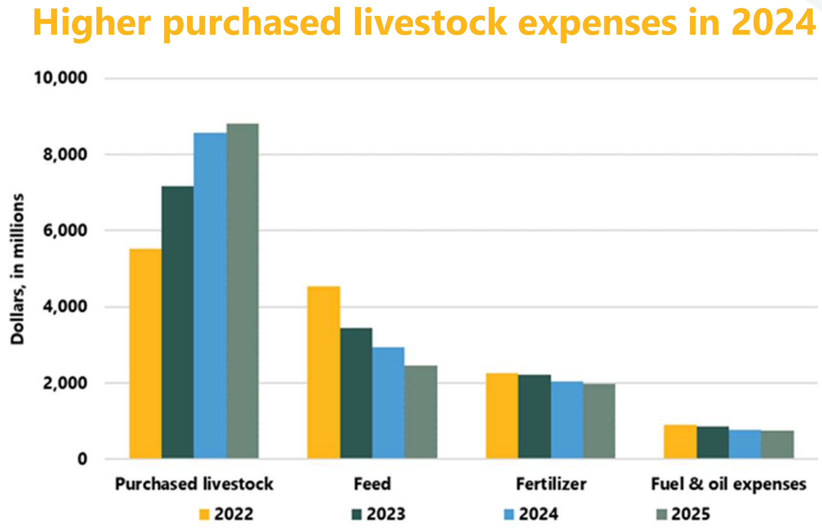
(listed in order of receipt value)



- Hog inventories increased in December 2023 and are projected to move higher by December 2024. Hog and pig receipts are projected to decline slightly in 2024 and 2025, as marketings recede with relatively stable prices.
- Combined receipts for dairy, poultry and eggs are projected up by $114 million in 2024, due mainly to higher egg and milk prices.
- Total livestock receipts increase 6% in 2024.

Nebraska Expenses

- Expenses in feed are projected to fall $513 million (-15%) in 2024, at $2.94 billion, as drought dissipates across the state.
- Expenses in fertilizer, pesticides, and fuel & oils would decline, respectively, by $187 million (-8%), $125 million (-10%), and $77 million (-9%) in 2024.
- Net rents to non-operator landlords increases $76 million (+8%) to $1.05 billion, after two consecutive years of decline.
- However, due to a $1.41 billion increase in purchased livestock expenses in 2024 to a record $8.58 billion, total production expenses are expected to increase by $602 million (2%) to a record-high of $27.21 billion.



Tying it all Together

Nebraska NFI is projected to decrease by 17% in 2024 to $7.69 billion. Farm receipts are expected to fall $1.40 billion, driven by lower crop receipts and farm-related income (namely crop insurance indemnities) offsetting higher cattle receipts. Production expenses would raise by $602 billion, and government payments remain unchanged at $626 million.

Moving forward, Nebraska NFI is projected to decline slightly to $7.44 billion in 2025, driven by lower crop receipts and government payments, and substantial reductions in inventory values due to lower commodity prices, despite higher projected livestock receipts and slight reductions in production expenses.