



Rural & Farm Finance  
Policy Analysis Center  
University of Missouri

# Spring 2023 *Nebraska* *Farm Income Outlook*

*March 2023*  
*RaFF Report #01-2023*

*Produced in collaboration with*



**CENTER FOR AGRICULTURAL PROFITABILITY**

*Institute of Agriculture and Natural Resources*

**UNIVERSITY of NEBRASKA-LINCOLN**

# Global and National Factors

Key considerations:

- Prices for many crops have been at or near record nominal levels in the 2022/23 marketing year. Unfavorable weather reduced crop production in the United States, the Russian invasion of Ukraine limited exports by a major competitor in world markets, and world economic growth supported demand.
- If weather conditions allow crop yields to return to trend-line levels in 2023, prices for corn, soybeans, wheat, cotton and many other crops are likely to fall.
- Higher fertilizer, fuel and feed costs contributed to a very sharp increase in farm production expenses in 2022. A smaller increase is projected in 2023, and lower prices for some inputs result in a reduction in production costs in 2024 and 2025.
- In 2023, most projected livestock sector prices fall as supplies rebound and demand growth slows. The one major exception is cattle, where drought-reduced inventories reduce the number of animals available for slaughter.
- Crop losses in 2022 result in high budgetary costs for the crop insurance program in fiscal year 2023. Crop insurance accounts for 45% of projected spending on major farm-related programs over the next decade. Commodity program spending associated with Title I of the farm bill is relatively low in FY 2023 and 2024, but rebound in later years given projected changes in commodity prices and program payment triggers under the price loss coverage (PLC) and agriculture risk coverage (ARC) programs.
- Net farm income reached a record level in nominal terms in 2022, as sharply higher crop and livestock receipts more than offset reduced government payments and increased production expenses. Projected net income declines in 2023 and 2024 as receipts and payments fall.
- Farm asset values have increased with land prices in recent years, and another increase is projected for 2023. Given assumptions of the outlook, lower farm income and high interest rates restrict further increases in farm real estate values in subsequent years.

## 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 January report and farm income data were sourced from the September 1 USDA-ERS data release.**

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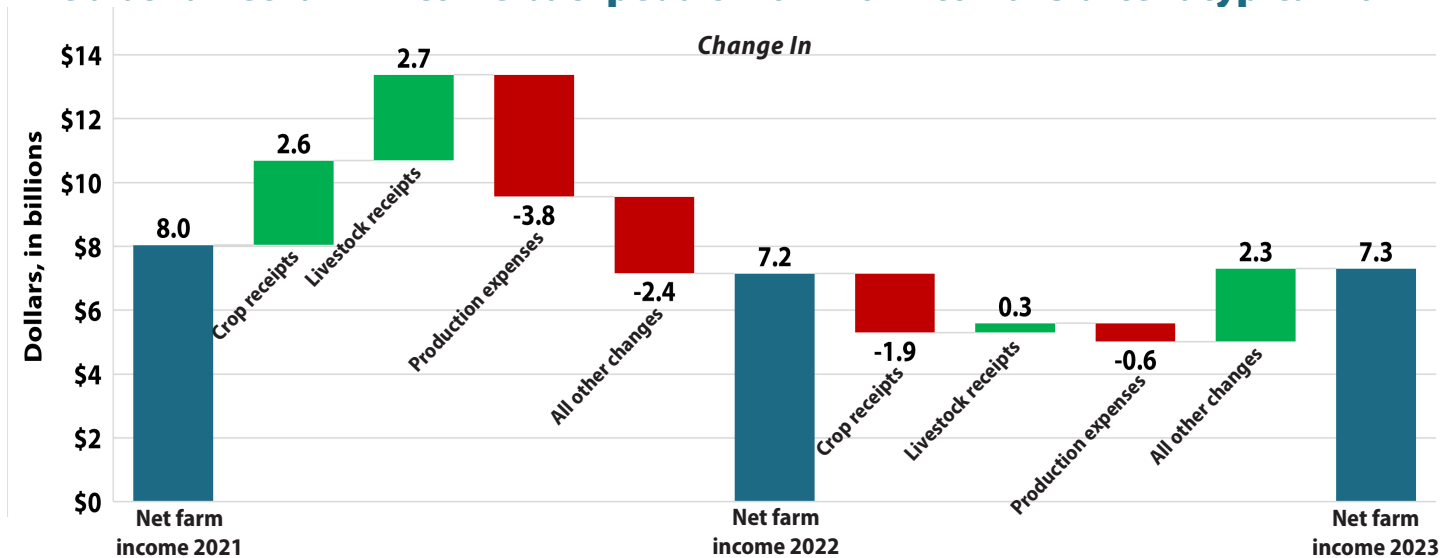
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## Nebraska net farm income backpedals from 2021 to 2023 after atypical 2022



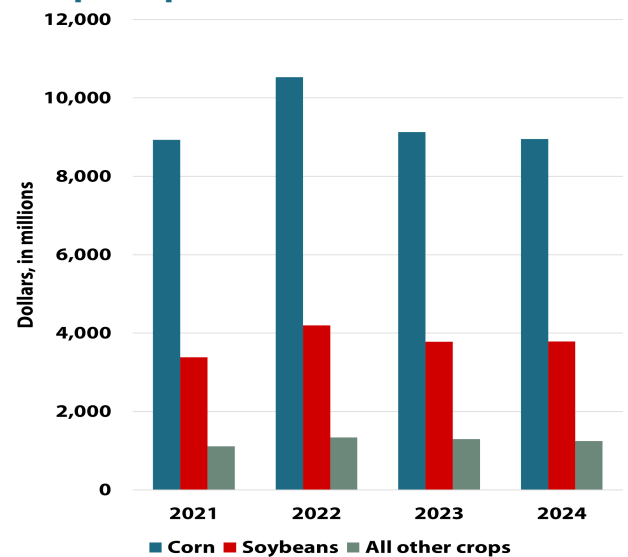
Farm income projections from 2021 to 2022 and into 2023 illustrate the challenging conditions Nebraska farmers and ranchers are facing. **While U.S. farm income projections rose to a new record in 2022 before falling for 2023, Nebraska producers struggled in 2022 with drought conditions that pulled income down from 2021.** Receipts increased in 2022 due to higher prices, but lower production, lower ending inventories for crops and smaller government program payments pulled 2022 farm income down substantially from 2021. Moving into 2023, lower projected crop prices will pressure farm receipts despite expected growth in acres and a return to trend yields. That downward pressure will be offset primarily by carryover crop insurance indemnities from 2022 and expected recovery in ending inventories, resulting in a slightly improved income outlook from 2023.



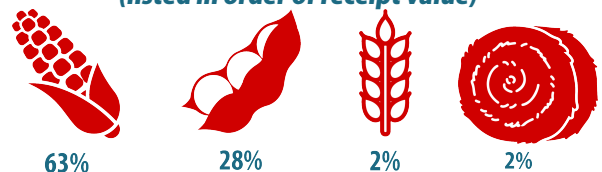
### Nebraska Crops

- Responding to strong 2022 commodity prices, total crop acres in Nebraska grow in 2023. Following recovery from 2022 drought levels, yield and production improve for the top-8 crops plus hay. **Increased production will not be enough to offset lower prices, reducing crop receipts by 12% in 2023.**
- Corn planted area rises almost 500,000 acres (5%) in 2023 along with expectations for a return to trend yields. **Despite the increased acres, yields and production, lower corn prices will reduce receipts by \$1.4 billion.**
- Soybeans lose acres to corn in 2023, with planted area down nearly 200,000 acres (3%). **A return to trend yields increases production, but lower prices cause soybean receipts to fall \$400 million.**
- Hay and wheat acres increase in 2023 over drought-impacted 2022 levels, but the potential remains for lingering drought concerns that impact winter wheat and first-cutting hay. **Reduced yields would pull total crop receipts further below the already-projected decline for 2023.**

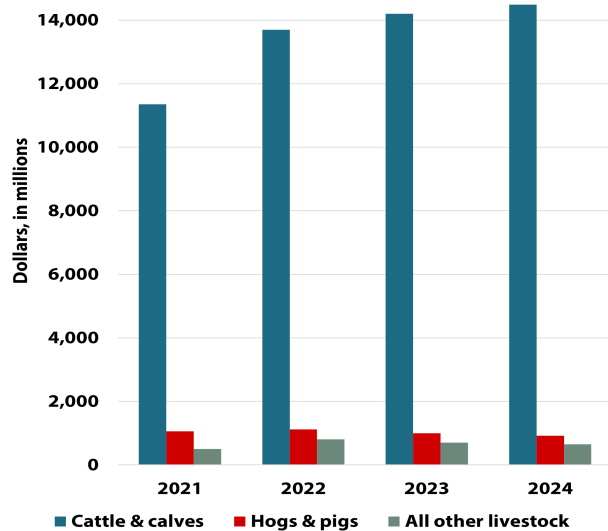
### Crop receipts decrease \$1.9 billion in 2023



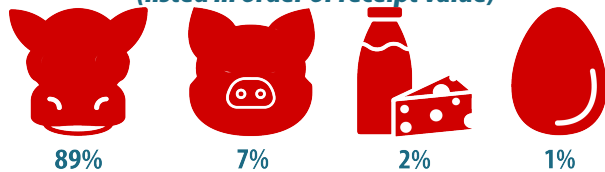
### 2017-2021 average share of crop receipts (listed in order of receipt value)



## Livestock receipts increase \$0.3 billion in 2023



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



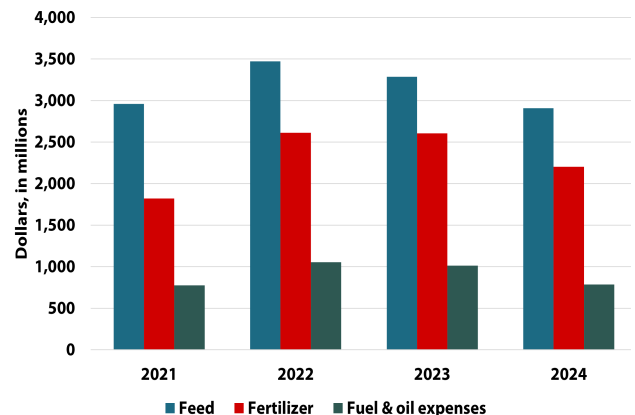
## Nebraska Expenses

- Export restrictions, high natural gas prices and production disruptions contribute to record fertilizer expenses, which increased \$791 million (43%) in 2022 after sharp increases in 2021 as well. **Fertilizer expenses should level off in 2023, but are not likely to fall back for at least another year.**
- Feed expenses increased \$513 million in 2022 on short feed supplies, but are expected to moderate in 2023.
- Fuel and oil expenses increased \$279 million (36%) in 2022 after even sharper increases in 2021, but are projected to fall modestly in 2023.
- **Total production expenses increase by a modest 2% in 2023 in comparison to the double-digit increases in 2021 and 2022.**

## Nebraska Livestock

- **After experiencing herd liquidation in 2021, Nebraska cattle and calf inventory fell again during 2022.** This was largely driven by drought across the state, which significantly limited quality grazing and forage options.
- Cattle herd liquidation is expected to continue in 2023. Beef cow inventory does not rise until 2024 as higher cattle prices will eventually incentivize a turn to heifer retention.
- **Despite tighter inventories in 2023, cattle and calf receipts rise \$506 million.** This is largely driven by higher prices, as the liveweight basis of marketings declines 4% year-on-year.
- **Hog and pig receipts decline \$117 million in 2023,** resulting from weaker prices and fewer marketings.
- **Dairy, poultry, egg and other livestock receipts decrease by a combined \$96 million.** This is largely attributed to weaker egg and milk prices in 2023.

## Fertilizer expenses rise \$0.8 billion in 2023



## Tying it all Together

Nebraska's farm income outlook shifted from fall 2022 to spring 2023, with net farm income projections for 2022 reduced from \$8.0 billion to \$7.2 billion largely due to drought impacts. Higher commodity prices translated into higher crop receipts, but smaller crops due to drought mean smaller year-end supplies and an estimated \$1.1 billion decline in inventory value over the course of 2022. That is the largest annual decline since the 2012 drought. **Looking forward, Nebraska's net farm income is projected to experience a modest rebound in 2023. It rises slightly to \$7.3 billion and is largely supported by a return to trend yields, which improves production and limits the downward effects of softer crop prices on receipts.** The balance of decreased crop receipts and increased year-end inventory results in an increase of nearly \$400 million year-on-year. The livestock sector sees modest improvement in 2023, as higher cattle receipts offset lower hog, dairy, and poultry prospects. A return to more normal growing conditions will help improve the bottom line for the state.

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

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