

Income Outlook for U.S. Farms and the Farm Economy in 2008

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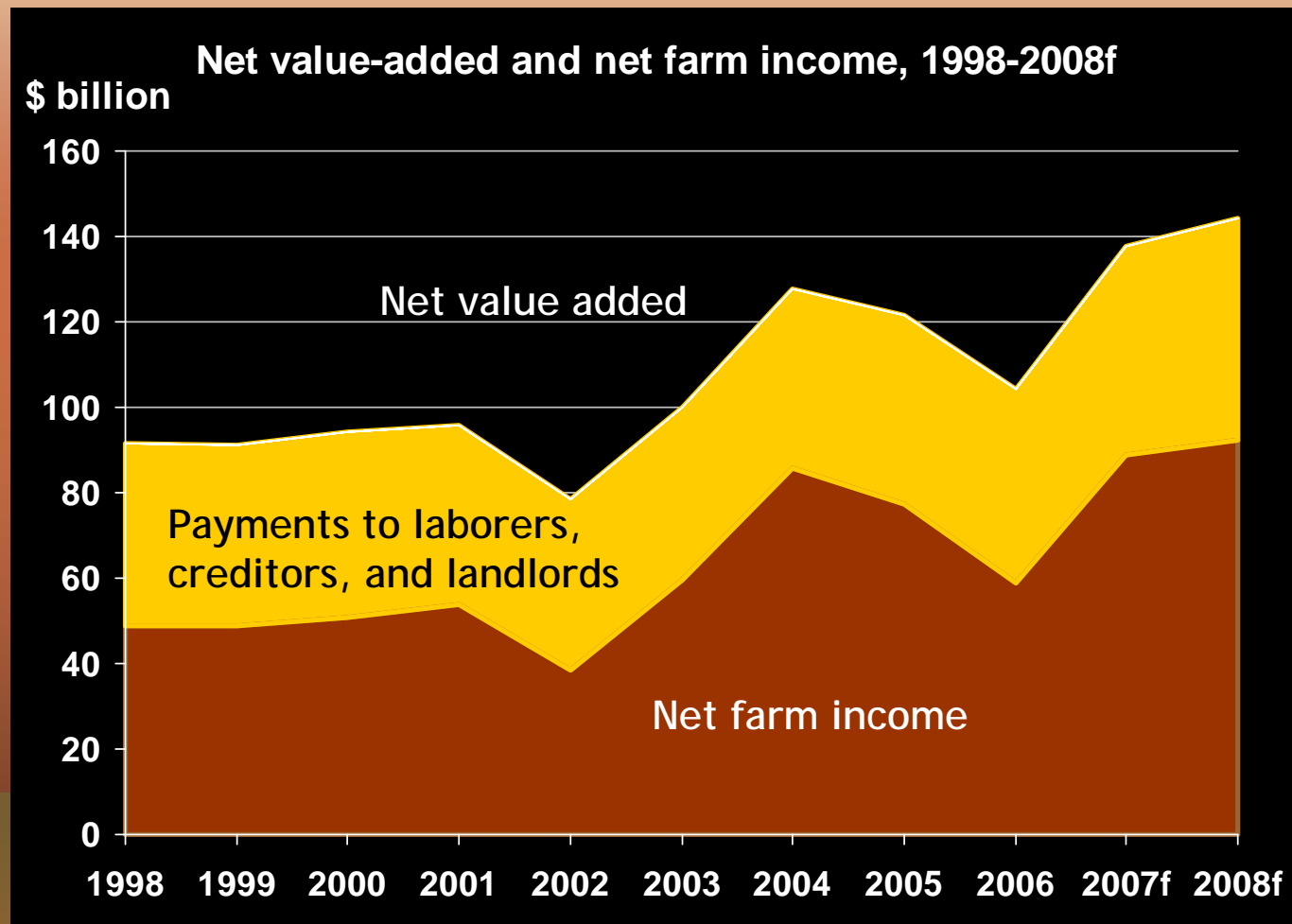
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Economic Research Service

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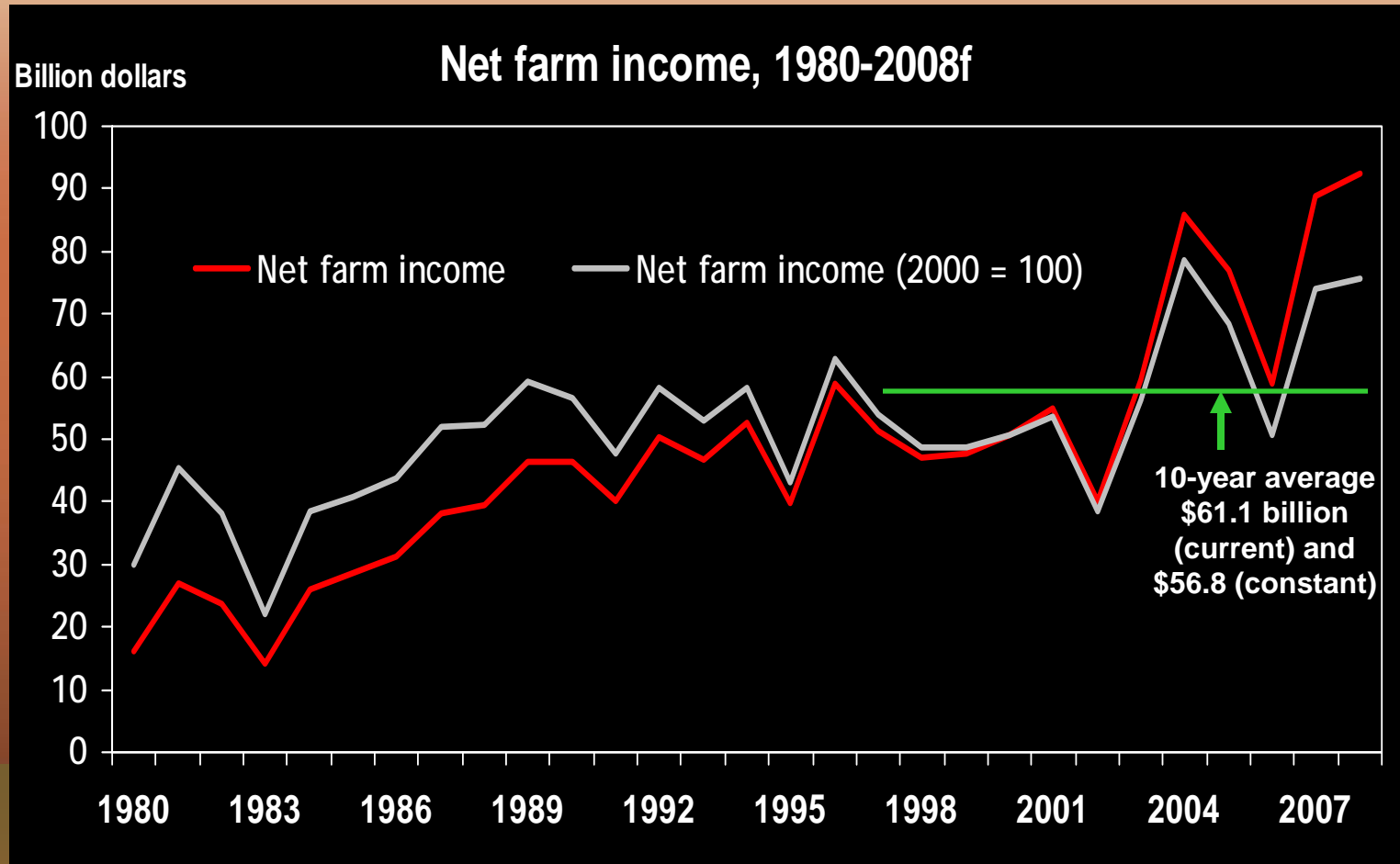


Net value-added and net farm income rising in 2008

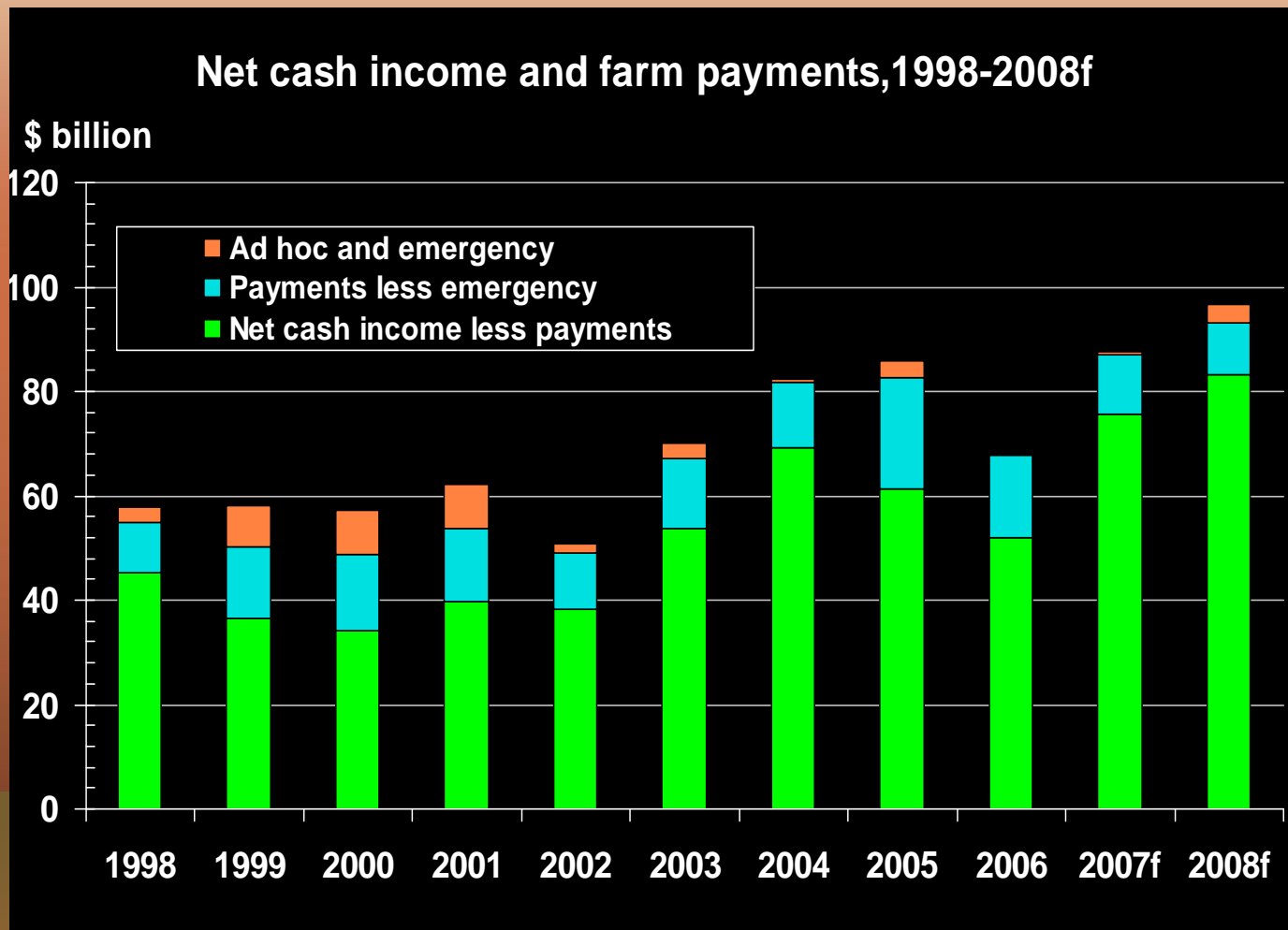




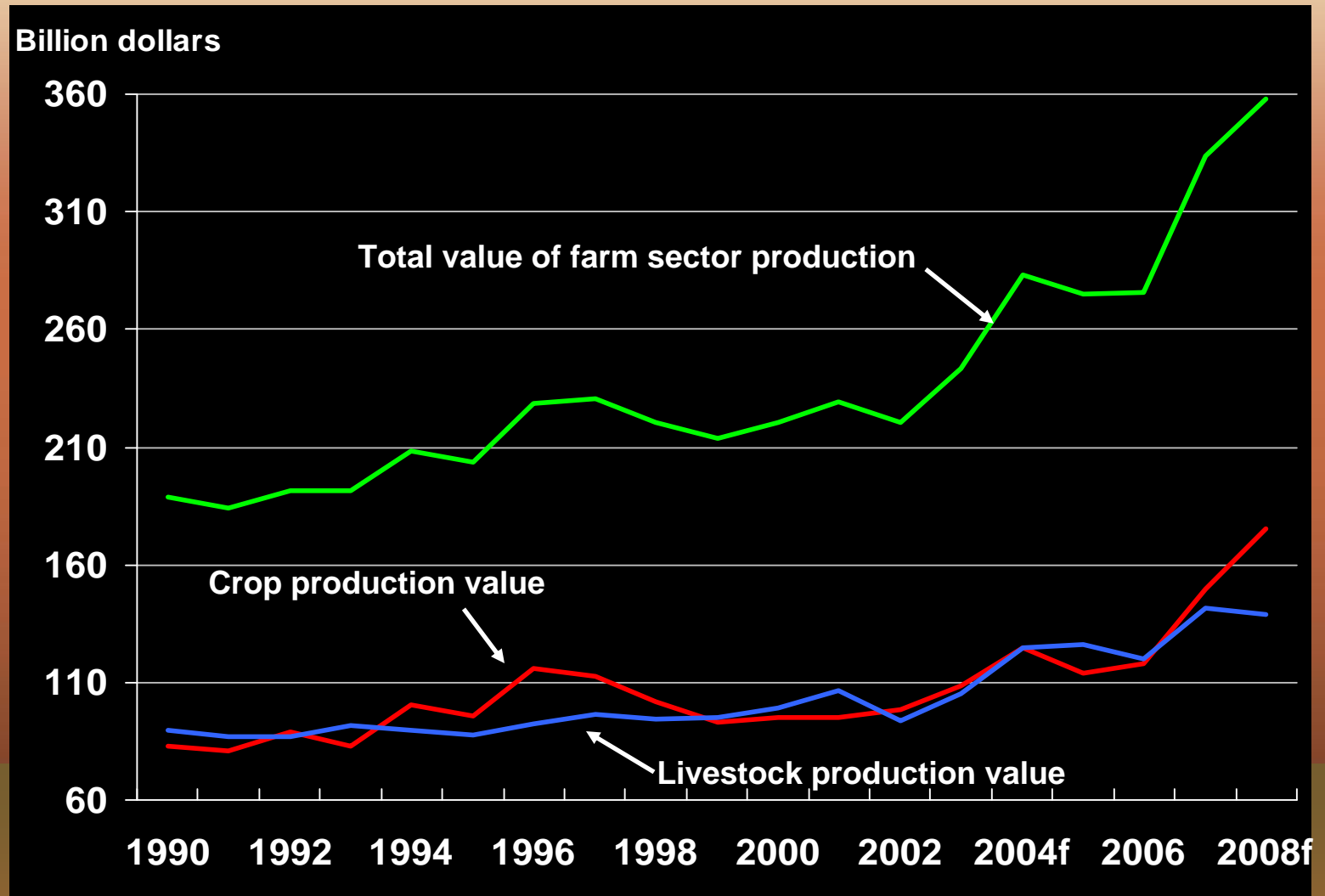
Farm sector 2008 net income substantially above 10-year average in current dollars and after adjusting for price-level changes



Cash income projected to establish new record of \$96.6 billion in 2008

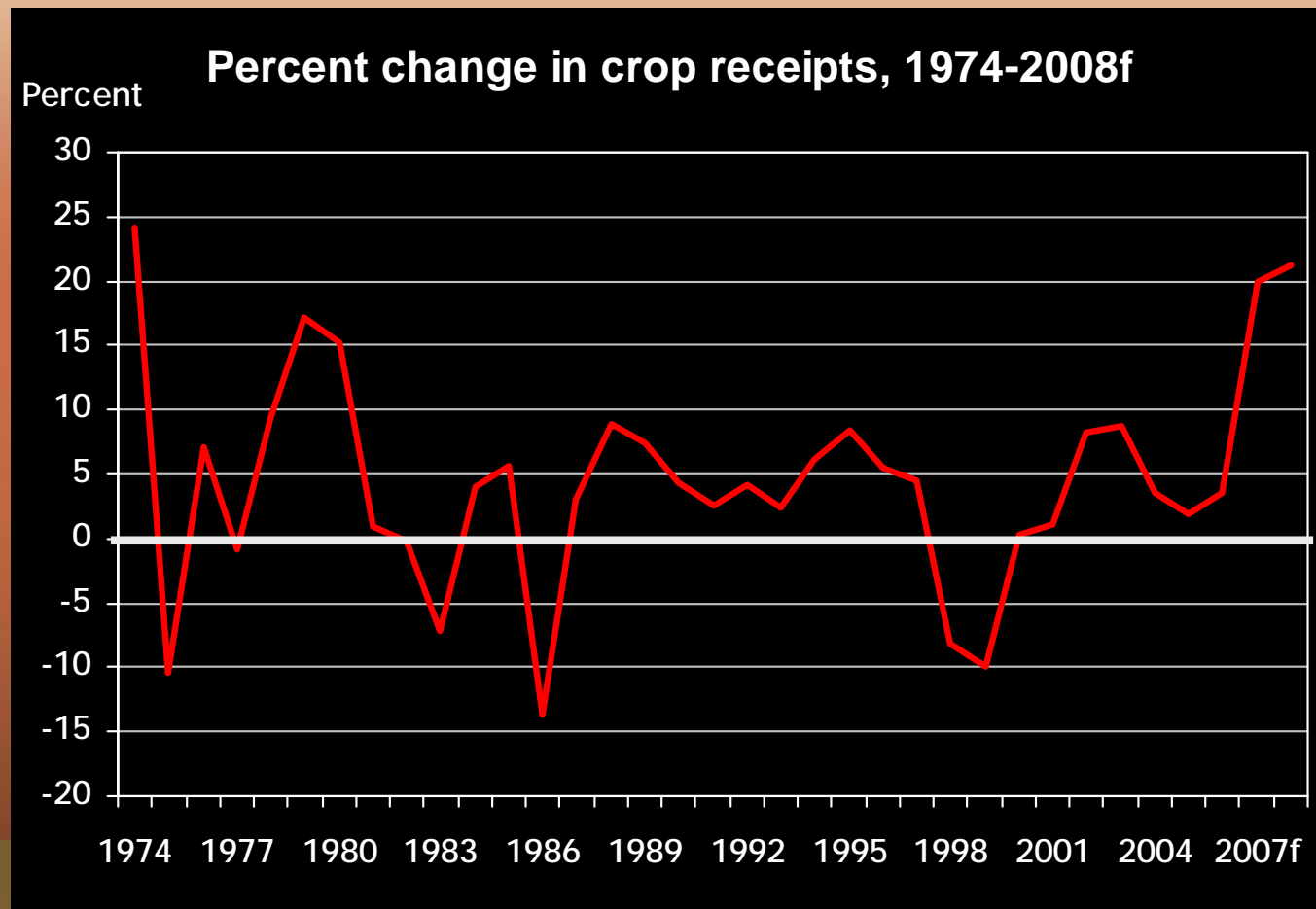


Farm sector production establishes new record value in 2008



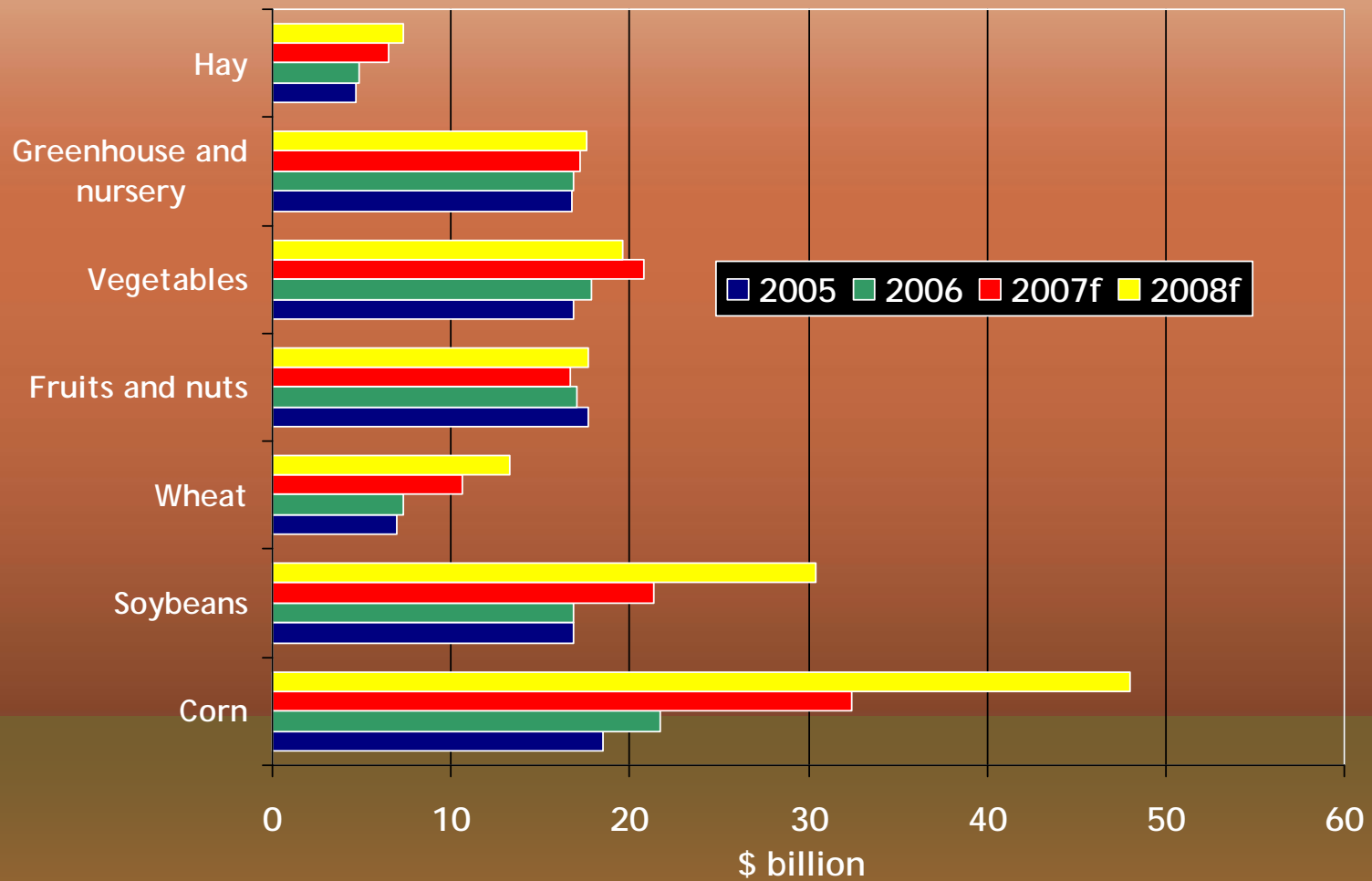


Largest annual increase in crop receipts since the 1970's

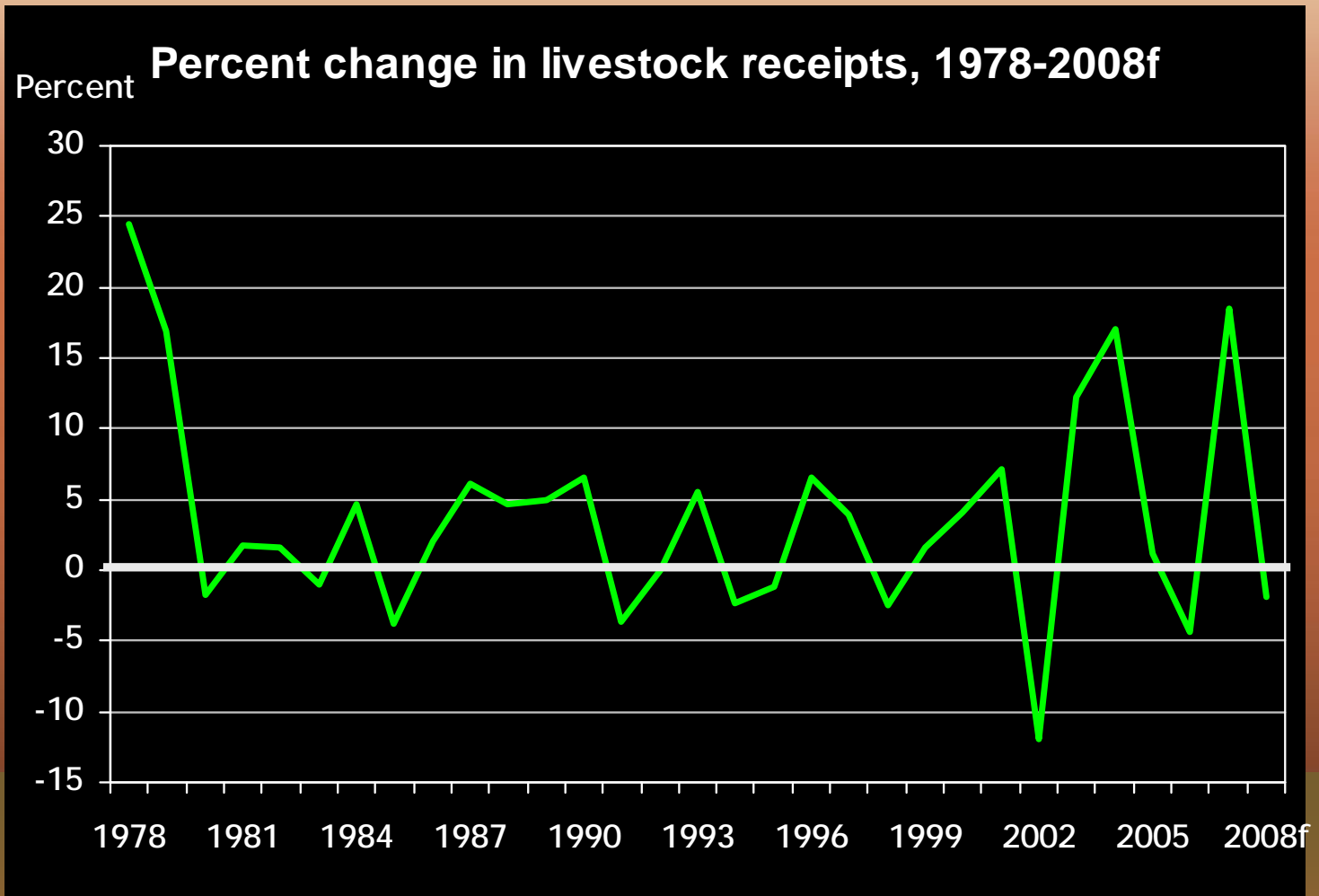


The growth in crop receipts is concentrated among a few crops

Receipts for selected crops, 2005-2008f



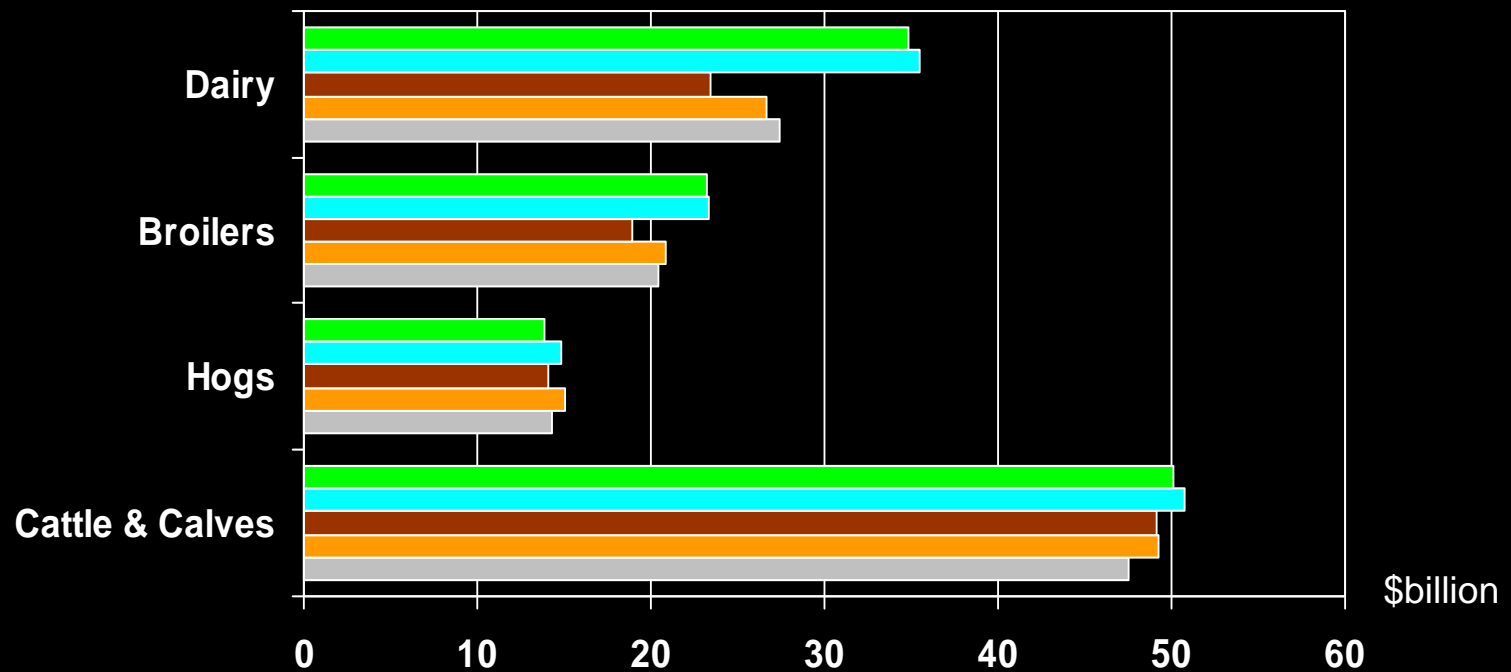
After strong increase in 2007, livestock receipts decline



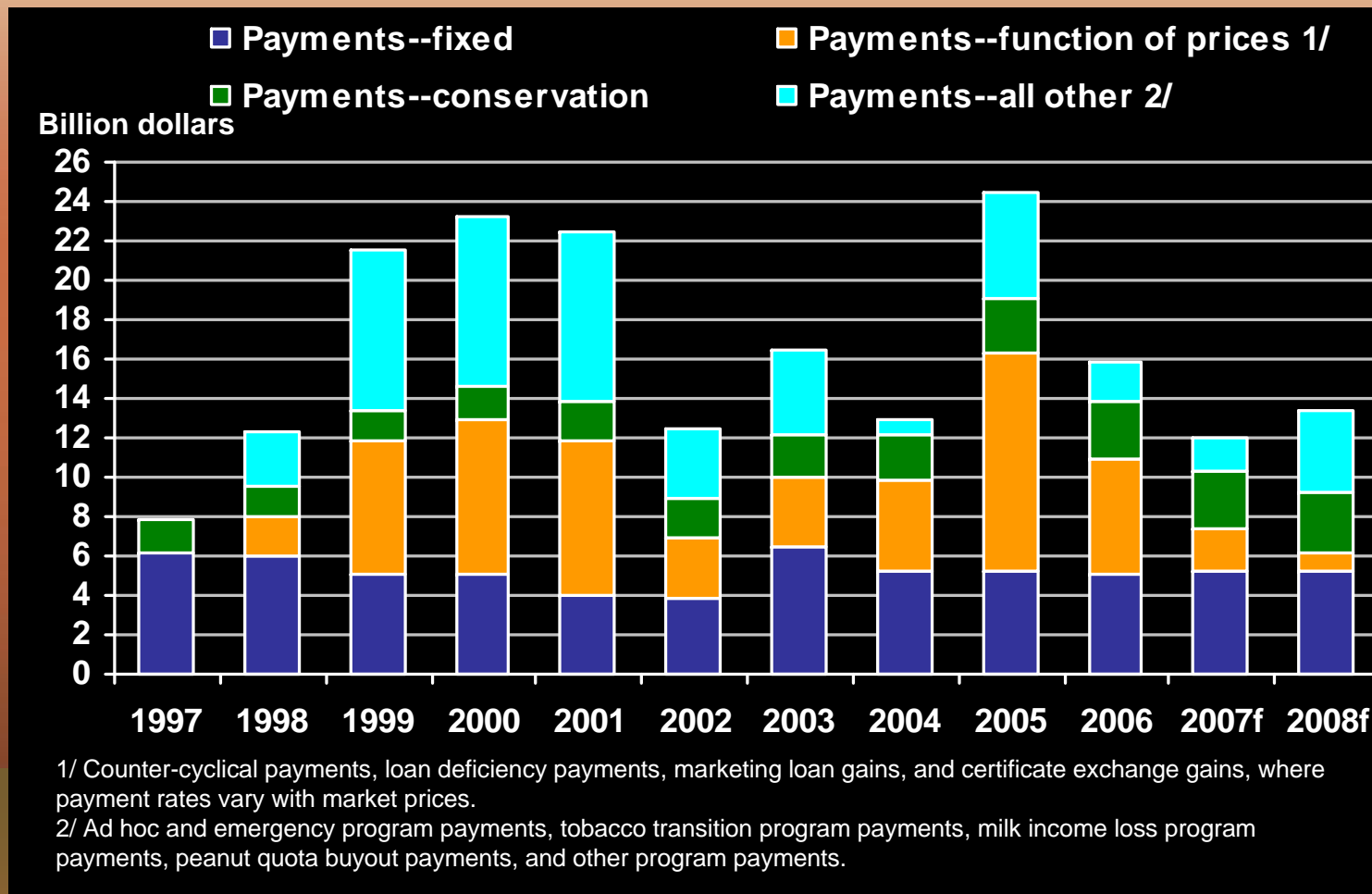
Livestock receipts decline 2 percent from 2007 record; still exceed \$100 billion for fifth consecutive year

Selected livestock receipt components

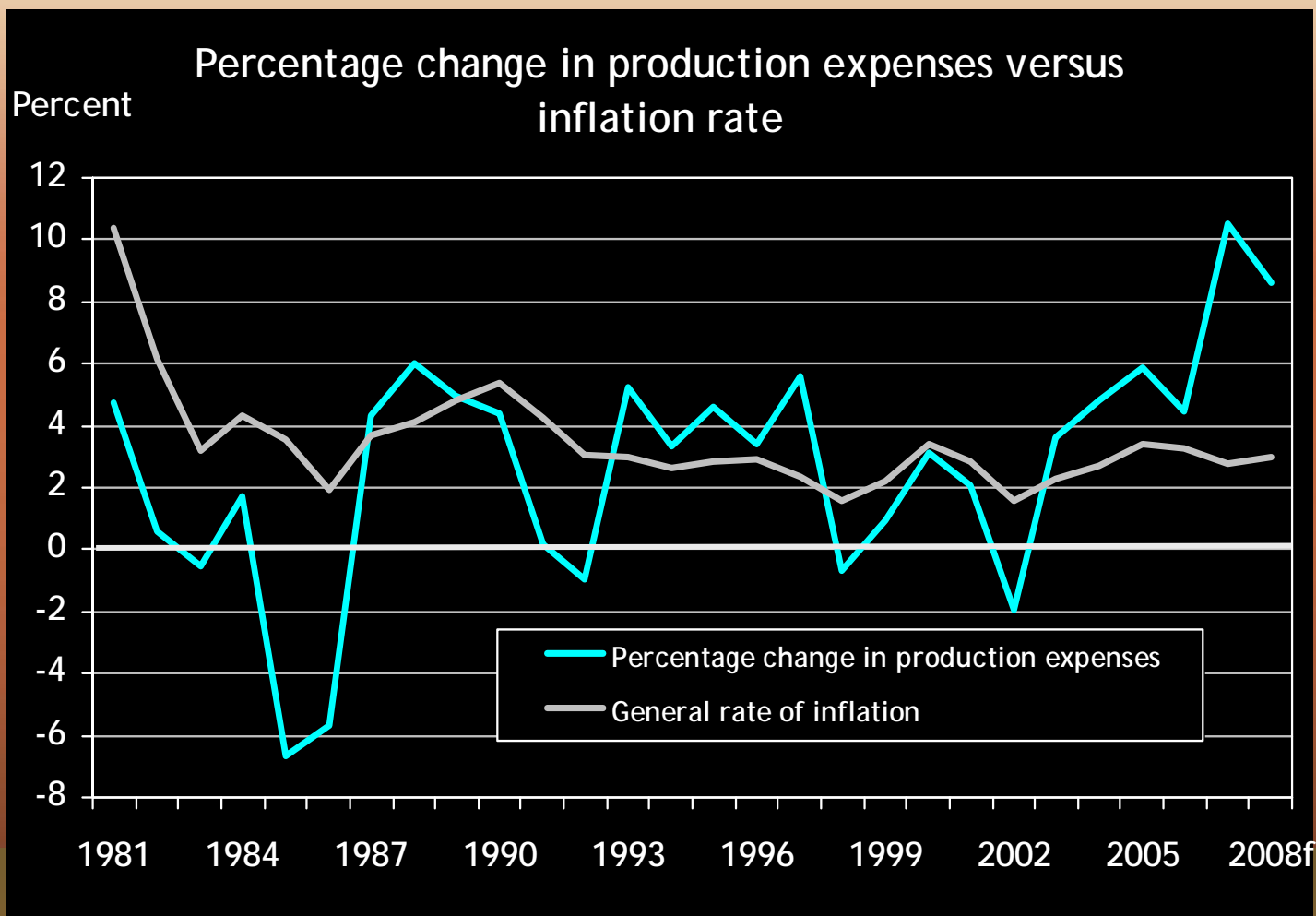
■ 2004 ■ 2005 ■ 2006 ■ 2007f ■ 2008f



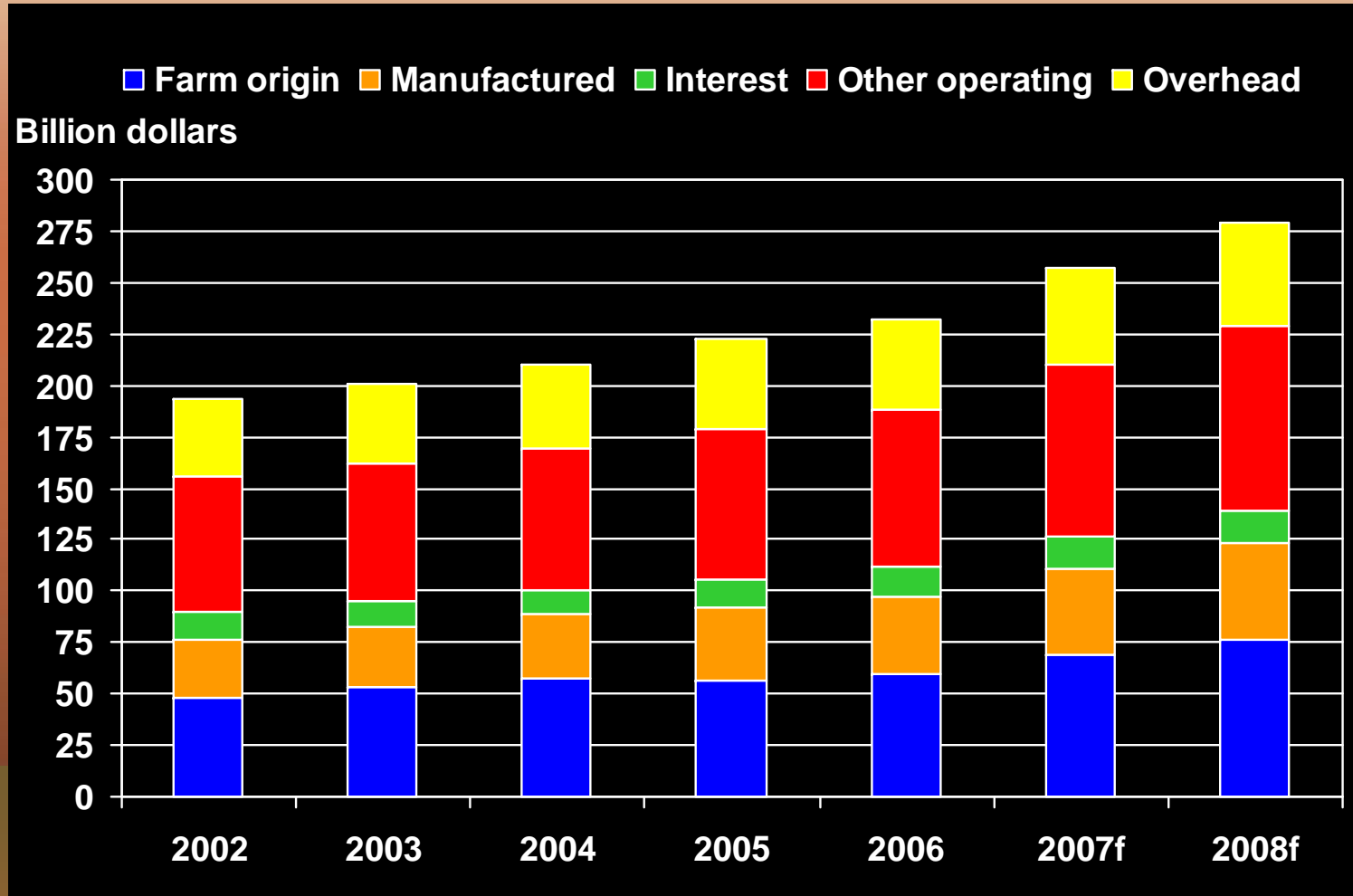
Government payments expected to increase slightly in 2008



Input costs higher in 2008

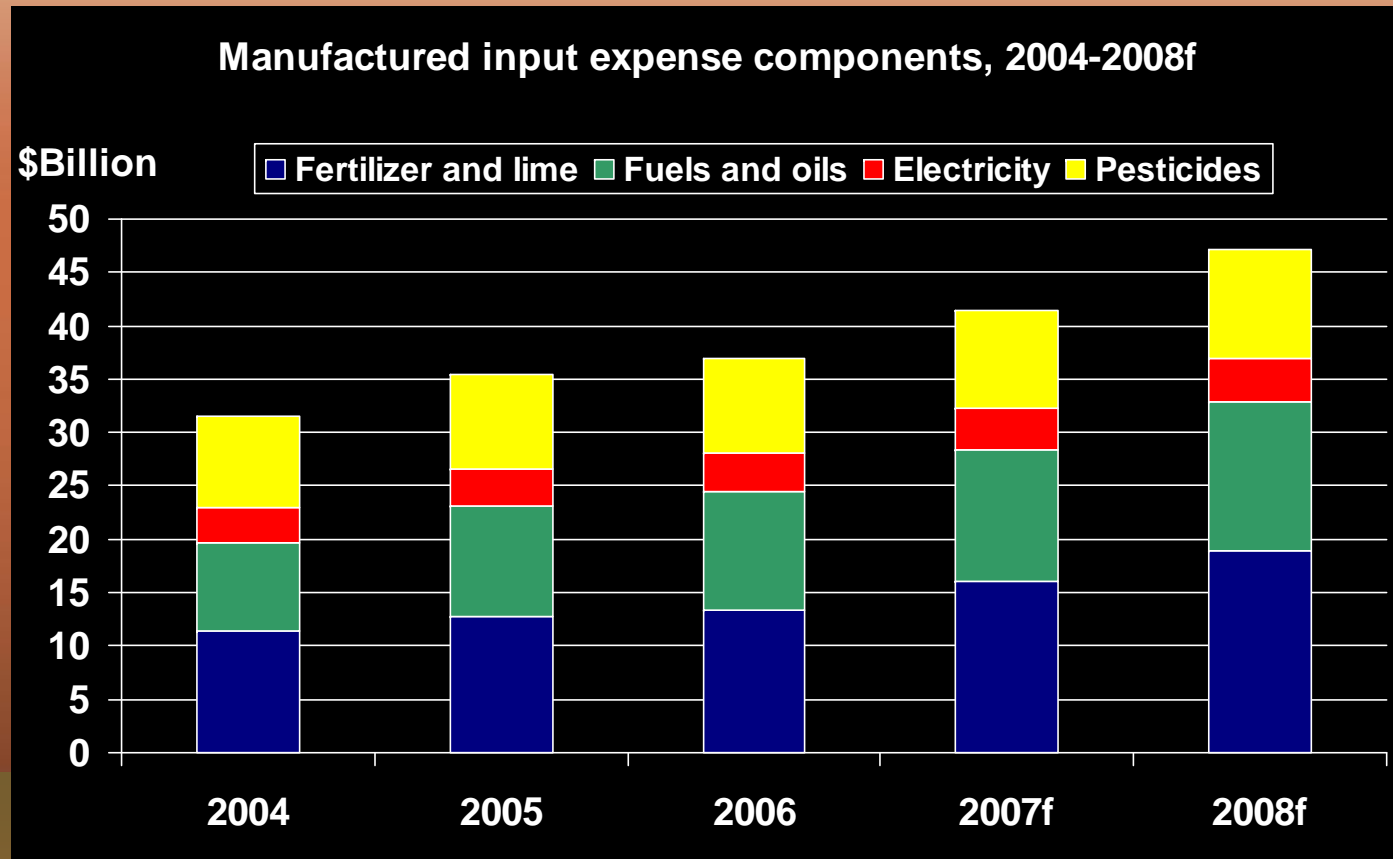


Farm expenses are forecast to be 9 percent higher in 2008, with fertilizer and feed increasing most over 2007

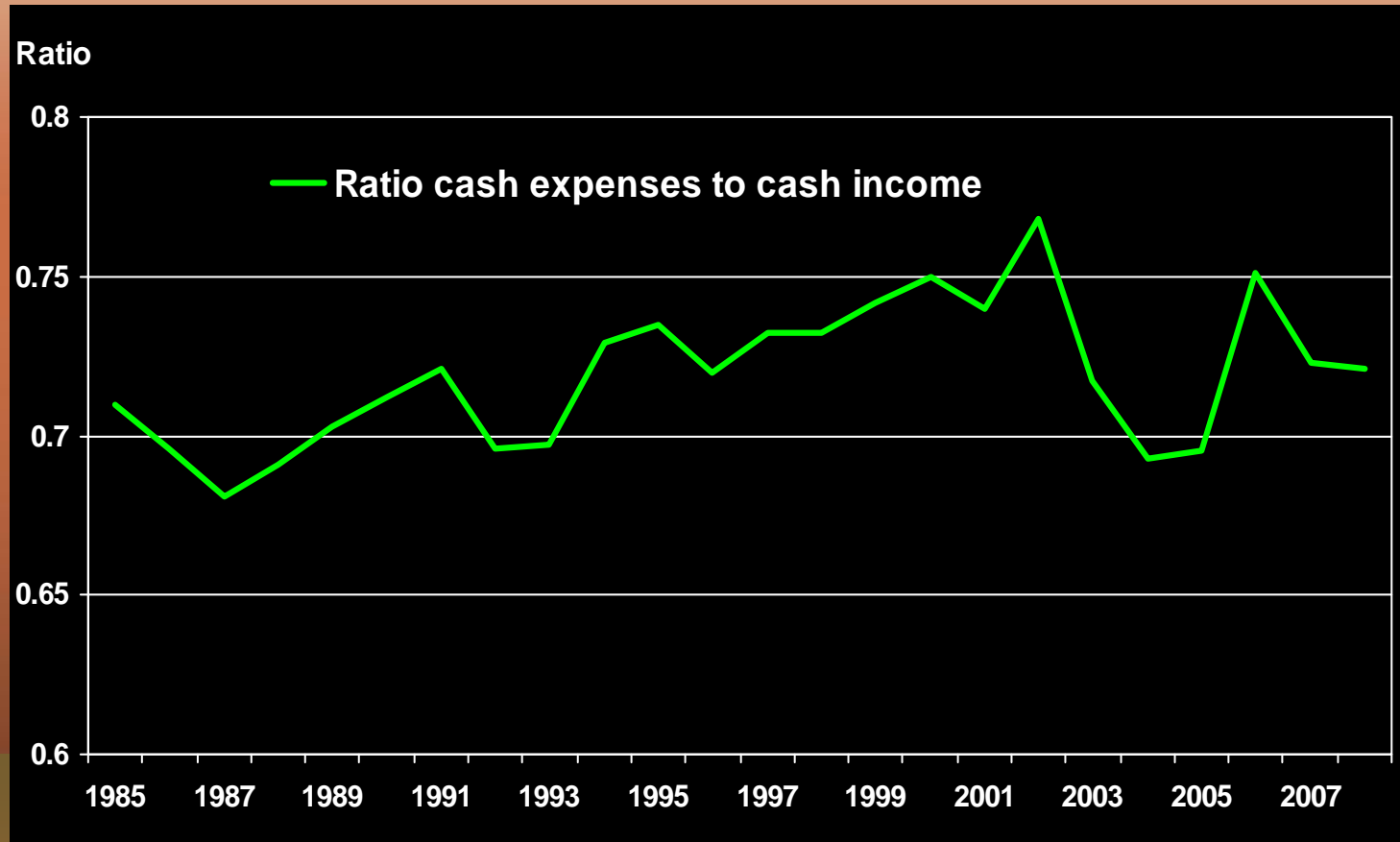





Fertilizer and fuel costs continue to drive manufactured input cost increases



Ratio of cash expenses to gross cash income indicates less funds needed to pay cash costs in 2008





Organizing decisions and operating arrangements affect allocation of farm output and distribution of income

Decisions affecting allocation of output-value-added

Share leasing	(7% of farms)
Cash leasing land	(27% of farms)
Labor hire	(23% of farms)
Debt financing	(36% of farms)

Decisions affecting distribution of a farm's net income

Ownership structure

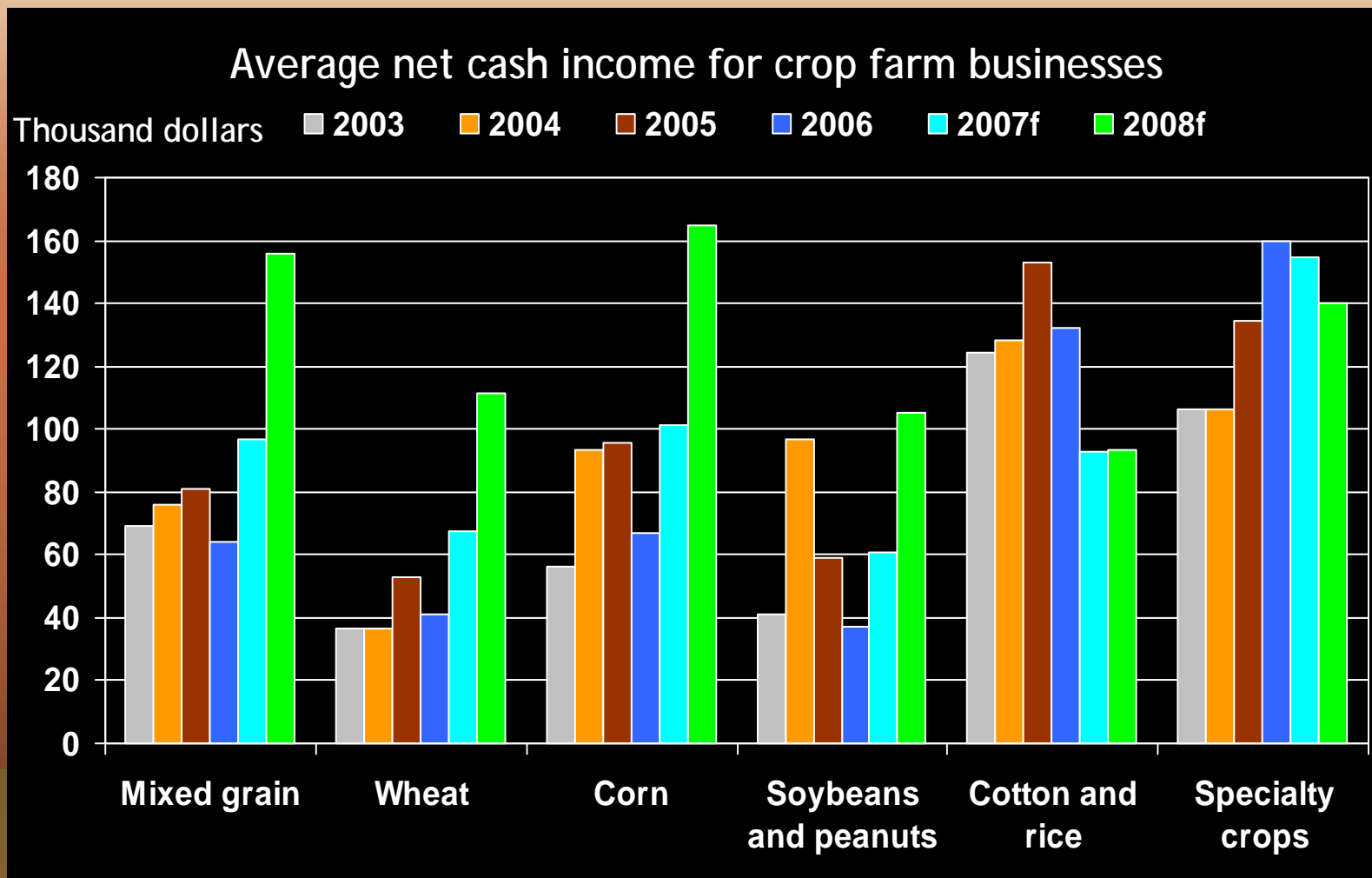
Multiple owners	(61% of farms)
Single owner	(39% of farms)
Part of larger firm	(1% of farms)
Legal form of business	

Operating structure

Multiple operators	(45% of farms)
Contracts	(2% of farms)
Joint ventures, alliances, etc.	

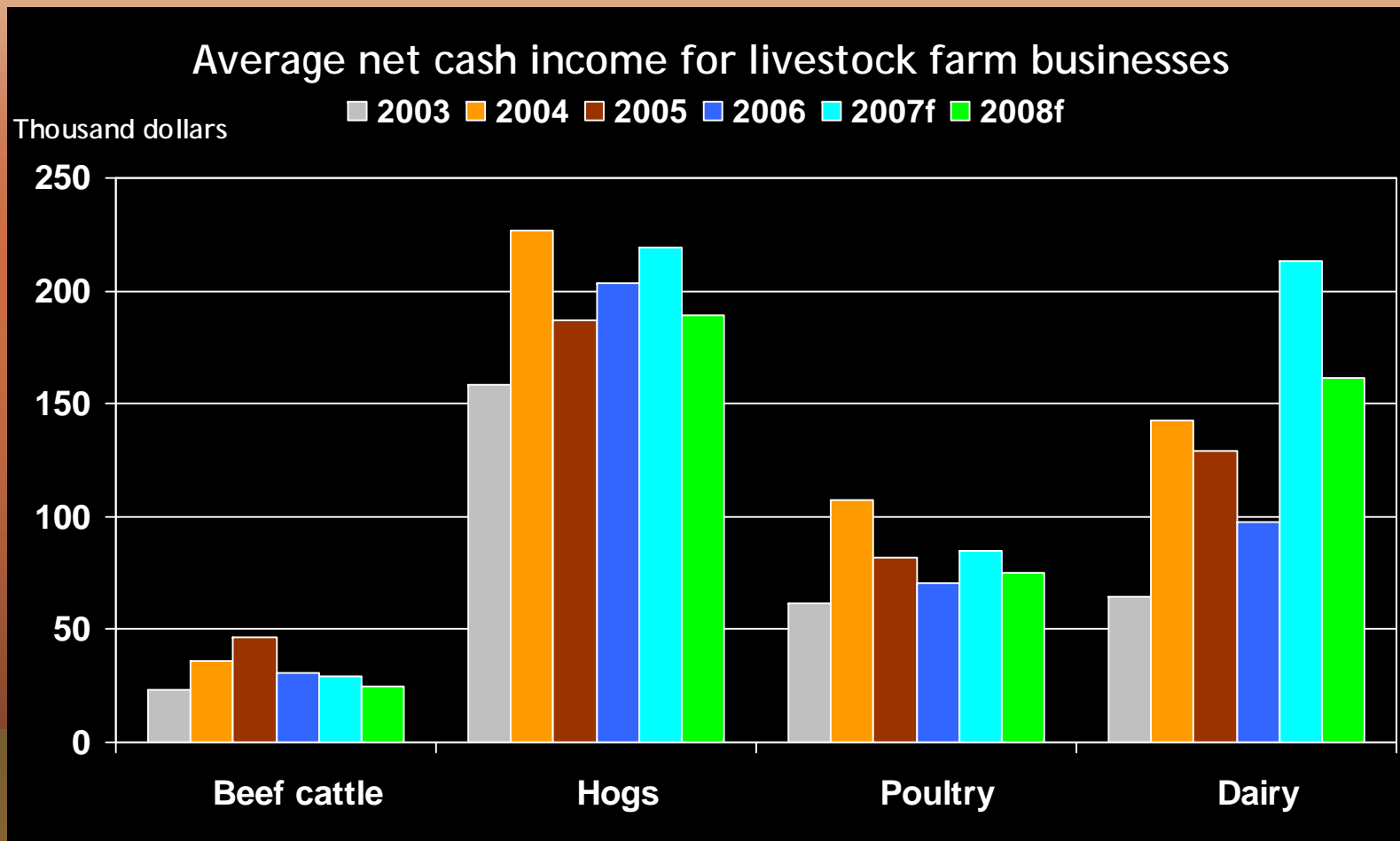


Average incomes forecast to increase for most program crop farm businesses



Farm businesses refer to commercial and intermediate size farms

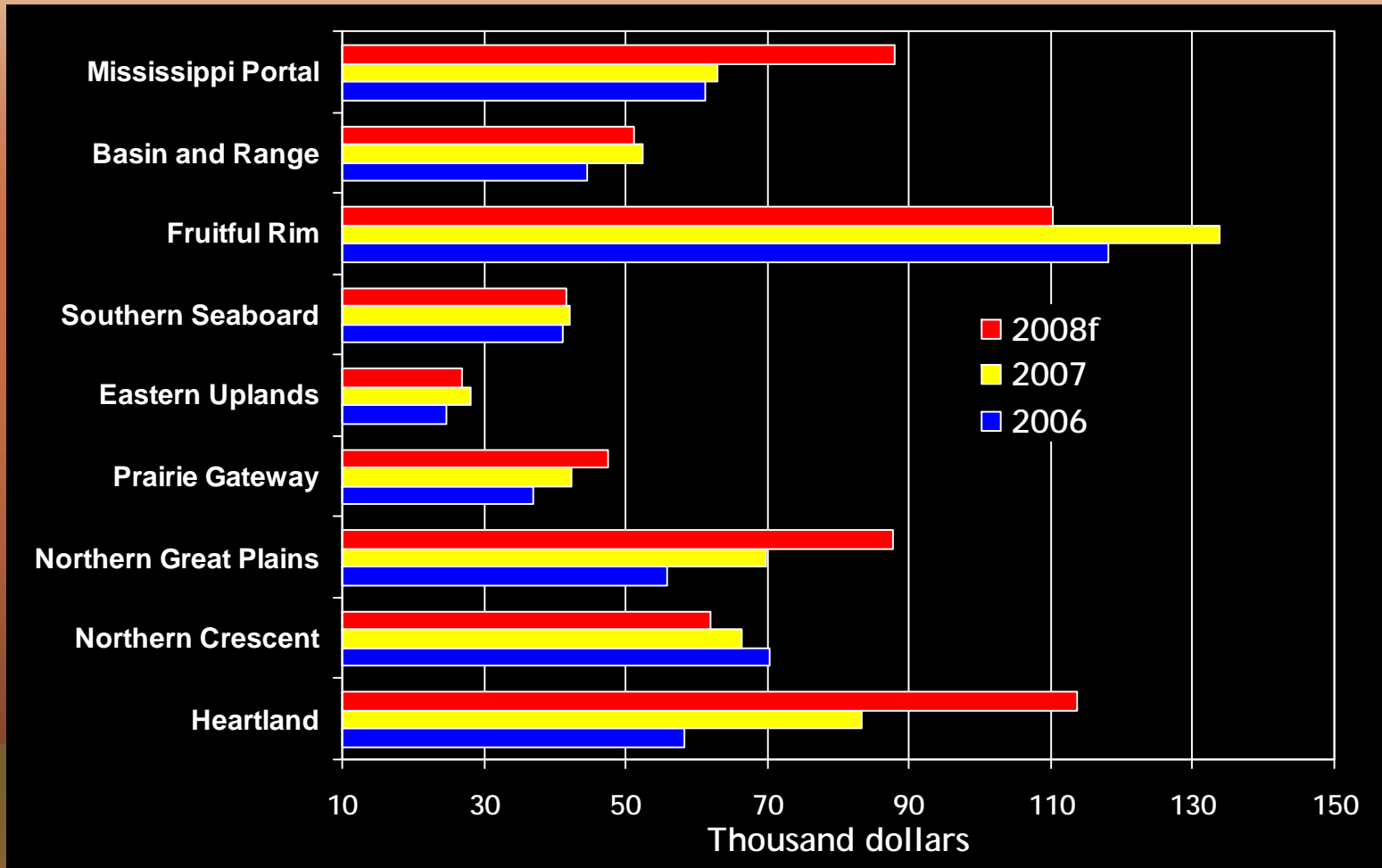
Expense increases and lower receipts result in declining Livestock farm business incomes



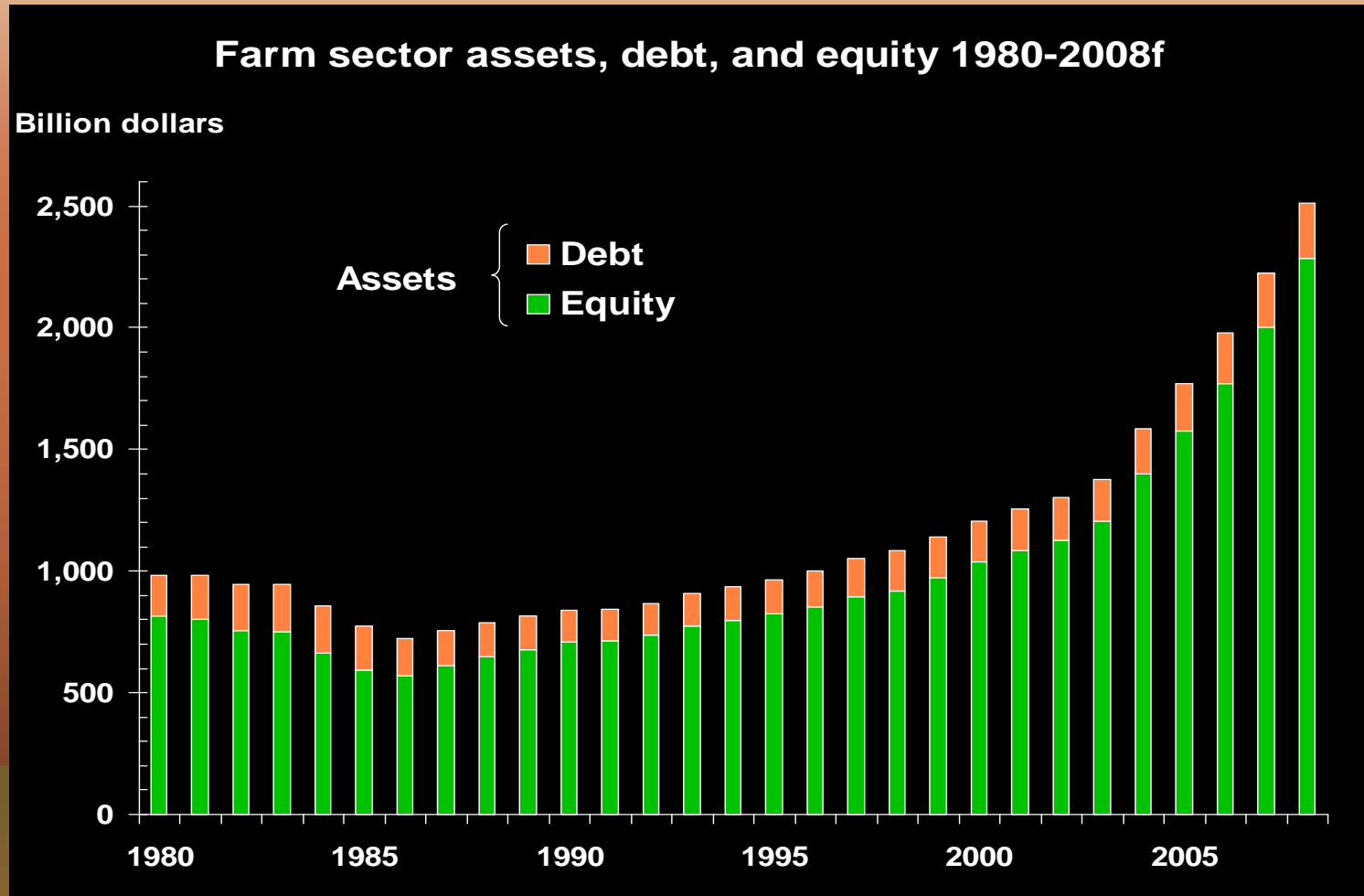
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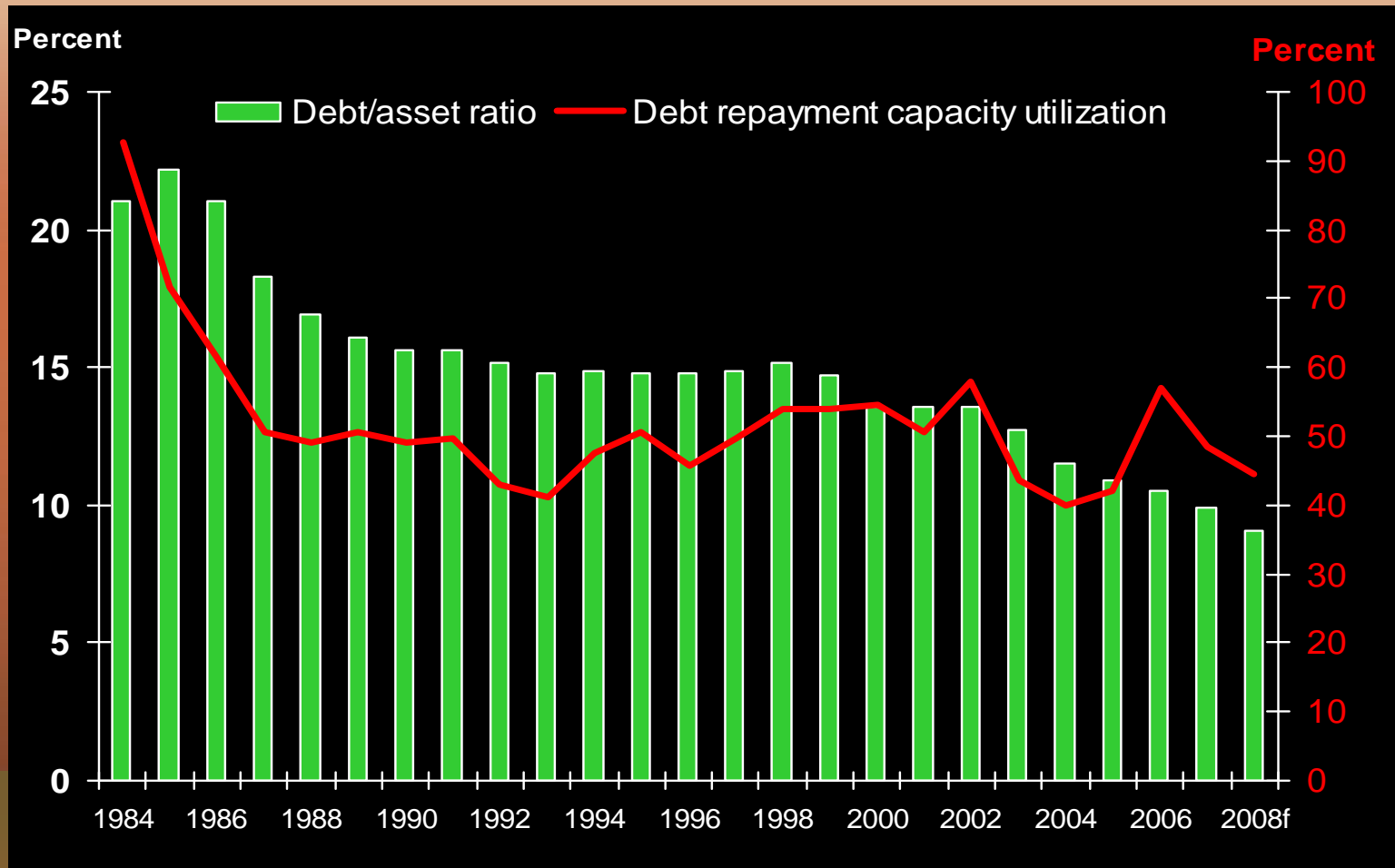
Average net cash income is projected to increase most in the Heartland, Mississippi Portal, and Northern Great Plains



Farm Assets, Debt and Equity at Record High Nominal Levels in 2008



Farm Sector Debt/Asset Ratio and Debt Repayment Capacity Utilization (DRCU), 1984-2008f





Long-term projections indicate expansion of value-added to State and national output

