# Record Levels of Cash Receipts and Income Forecast in 2008

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Cash receipts from crops will likely continue increasing at their record-setting pace, totaling an estimated $174.6 billion in 2008. Even after adjusting for inflation (constant dollars), crop receipts are expected to reach their highest level since the early 1970s and the second largest amount on record. Production and sales of feed grains and oilseeds will contribute significantly to record-level crop receipts in 2008. During 2007 and 2008, corn receipts, forecast at $48 billion, will have more than doubled, and soybeans receipts will have increased an estimated 80 percent to $30.5 billion. Cash receipts for wheat, rice, other feed grains, and hay are also forecast to increase in 2008.
Higher prices for many program commodities mean fewer Government transfer payments through price-dependent programs (counter-cyclical payments, loan deficiency payments, marketing loan gains, and certificate exchange gains). Payments under these programs are forecast at $940 million in 2008, compared with nearly $6 billion in 2006 and over $11 billion in 2005. After accounting for direct payments and payments from a variety of programs that provide conservation, disaster and emergency assistance to farmers, total government payments are forecast at $13.4 billion in 2008—a $1.4-billion increase over the 2007 forecast for payments.

In 2008, total agricultural production expenses are forecast to increase 8.6 percent to $279.2 billion. For the third straight year, feed expenses are forecast to increase more than other production expenses--over 18 percent--to a record $45.0 billion. A projected increase in corn and soybean meal prices largely accounts for the rise in feed expenses.

Higher fertilizer prices may be of greater concern to farmers than fuel costs in 2008. Following a $2.7-billion (20.2-percent) increase in 2007, fertilizer expenses are forecast to rise another 18.8 percent or $3.0 billion in 2008. Land rental expenses are forecast to rise more than 16 percent in 2008, following a 10-percent increase in 2007. Nationally, 30 percent of farmers rent some farmland, usually for cash, and land rental is much more common for larger commercial operations.

The 2008 outlook for commodity market receipts, production expenses, and government payments translates into record amounts of all three measures of farm sector income—net value added, net farm income, and net cash income. Net value added, a measure of agriculture’s contribution to the U.S. economy’s production of goods and services, is forecast to rise to $144.1 billion in 2008. Net farm income is currently forecast to be about $92.3 billion, $3.6 billion higher than in 2007. Four of the past 5 years have resulted in nominal record-level amounts of net cash income, which is forecast at $96.6 billion in 2008. Net cash income generated from the production and sale of farm goods and services has never before exceeded the $90 billion-level in a single year.

Projected changes in net cash income vary widely by commodity specialization, location and size of farming operation in 2008. Average net cash income is forecast to increase for producers of all types of crops, except specialty crops. For most livestock producers, however, average net cash incomes are expected to fall below levels in 2007. Projected net cash income in 2008 varies considerably by size of farming operation. Commercial operations (sales greater than $250,000), which represent about 11 percent of farms and 75 percent of production, are expected to experience a 7-percent increase in average net cash income. Intermediate farms (primary occupation of farming and gross sales below $250,000), are expected to have the largest year-to-year increase in net cash income (20 percent). The remaining 65 percent of U.S. farms are classified as rural residences; their operators typically earn most of their household income from off-farm sources. For these operations, net cash income from farming is forecast to increase by 8 percent, but will remain negative as has been the long-term trend.

The value of farm real estate, which represents more than 85 percent of total farm assets, is projected to increase by 15 percent in 2008. This rise would reflect the fifth consecutive year of double-digit increases in land values and the second largest annual increase of the decade.

This finding is drawn from . . .
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