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# USDA Outlook for the 2012 U.S. Farm Economy

Timothy Park & Kevin Patrick  
Farm and Rural Business Branch  
Resource and Rural Economics Division

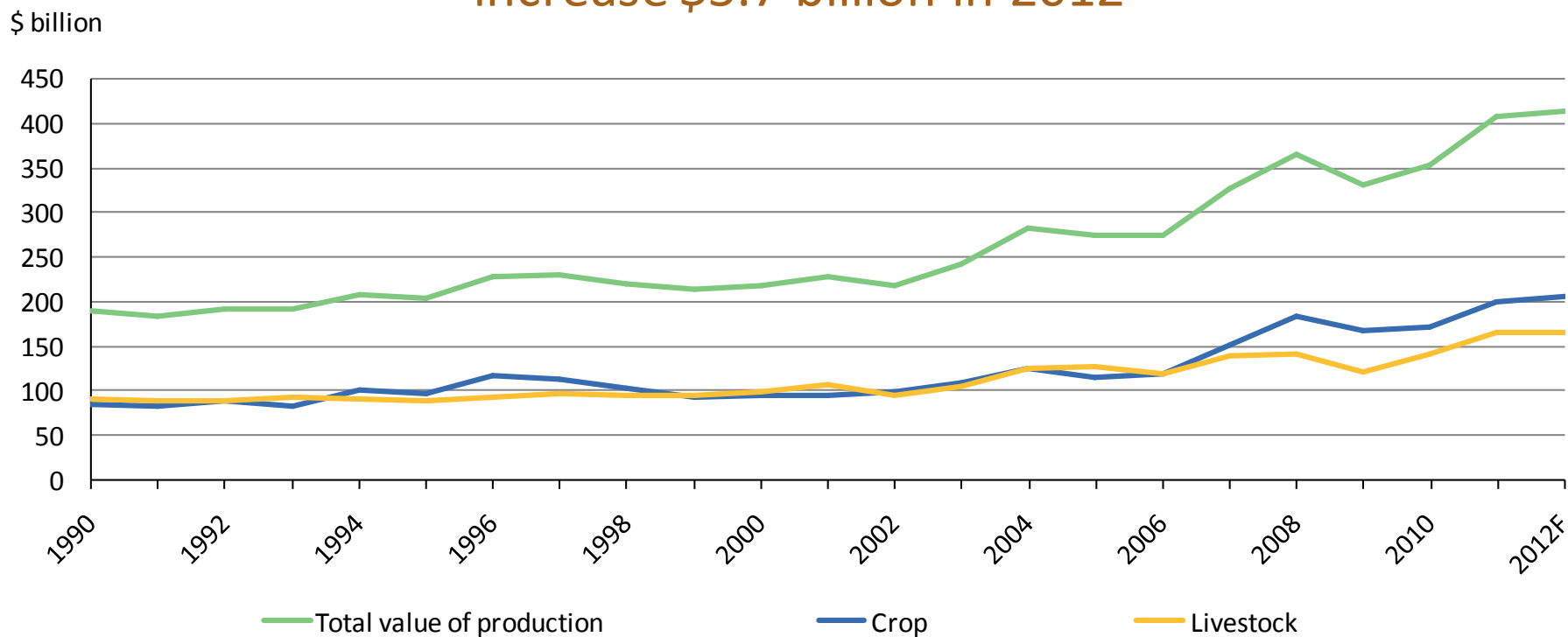
2012 USDA Ag Outlook Forum



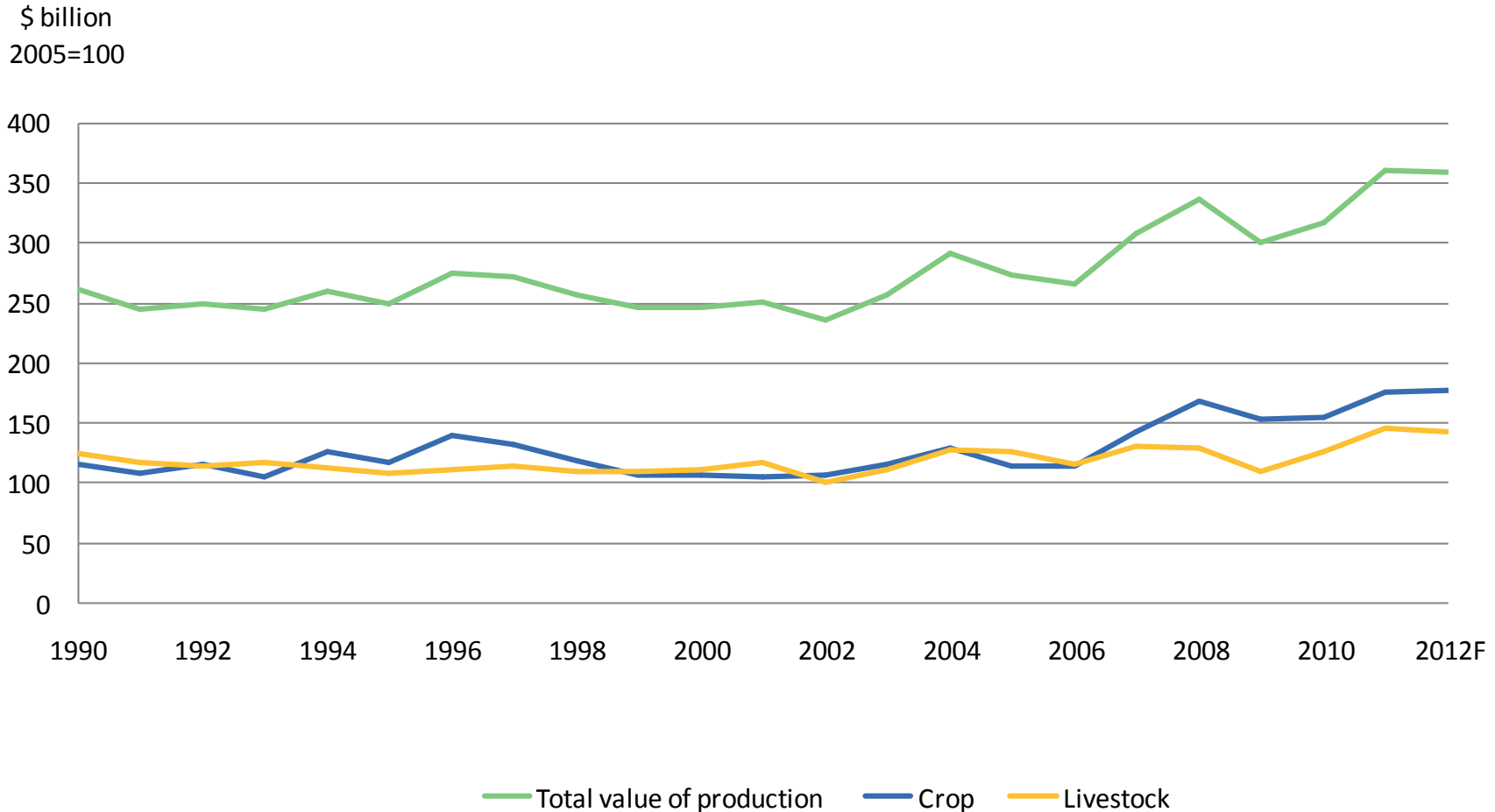
## SUMMARY

- Agriculture's strong financial performance is projected to ease in 2012, with declines for all three measures of sector earnings.
- Net farm income is forecast to fall to \$91.7 billion in 2012, down 6.5 percent from the 2011 forecast, but still the second highest nominal value on record.
- Increases in receipts for corn, most other feed grains, and peanuts are predicted to offset declines in wheat, hay, vegetables and melons, fruits and tree nuts.
- Cattle/calves and broilers are forecast up over 3 percent.
- Total expenses are projected to increase \$12.5 billion (3.9 percent).
- Farm asset values are likely to increase by more than 5 percent for the third consecutive year. Debt is expected to rise 3.8 percent. The inflation-adjusted value of the farm sector's equity is expected to establish a new record high.

## Value of agricultural sector production expected to increase \$5.7 billion in 2012

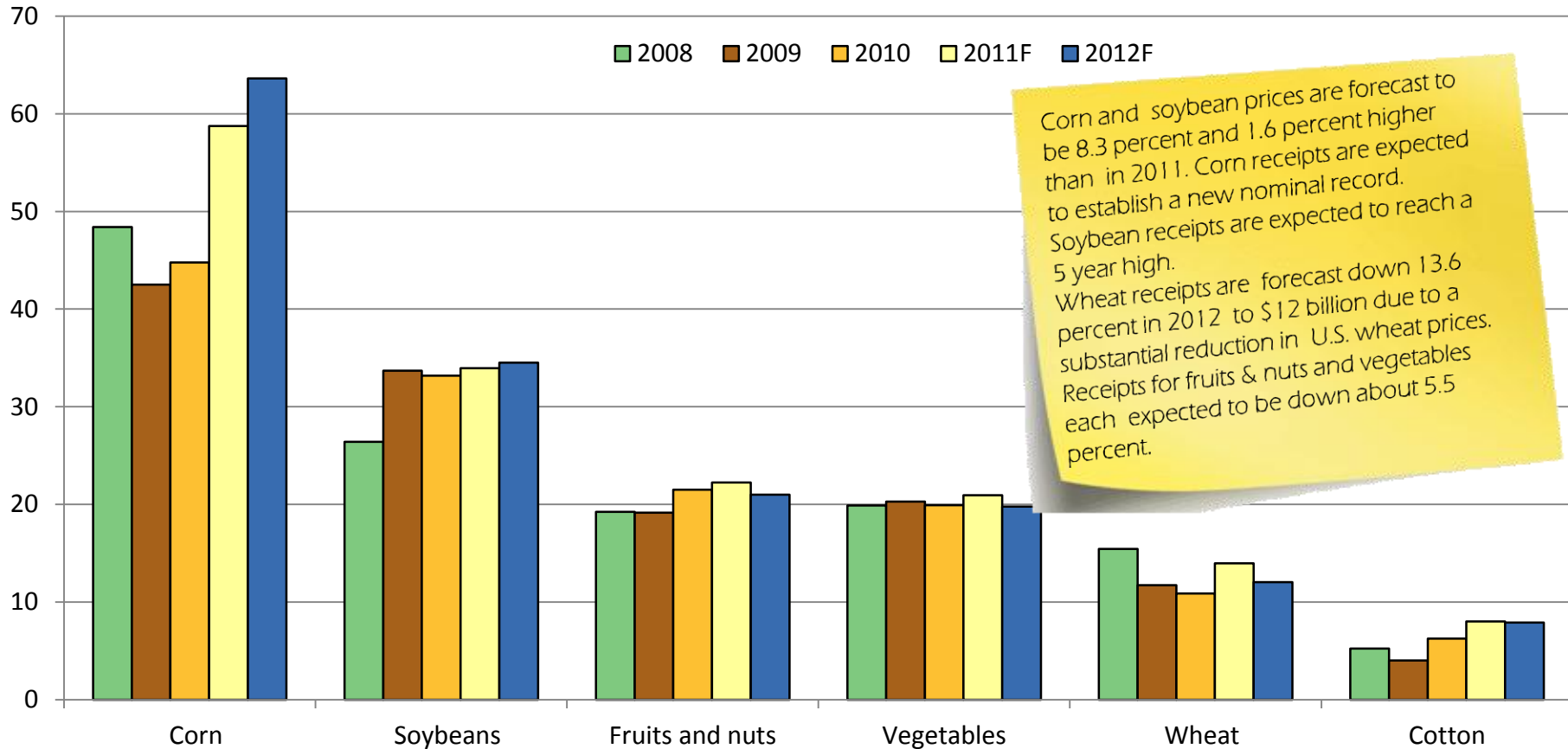


# Real value of projected agricultural sector production in 2012 is second highest in 30 years



# Receipts for selected crops, 2008-2012F

\$ billion



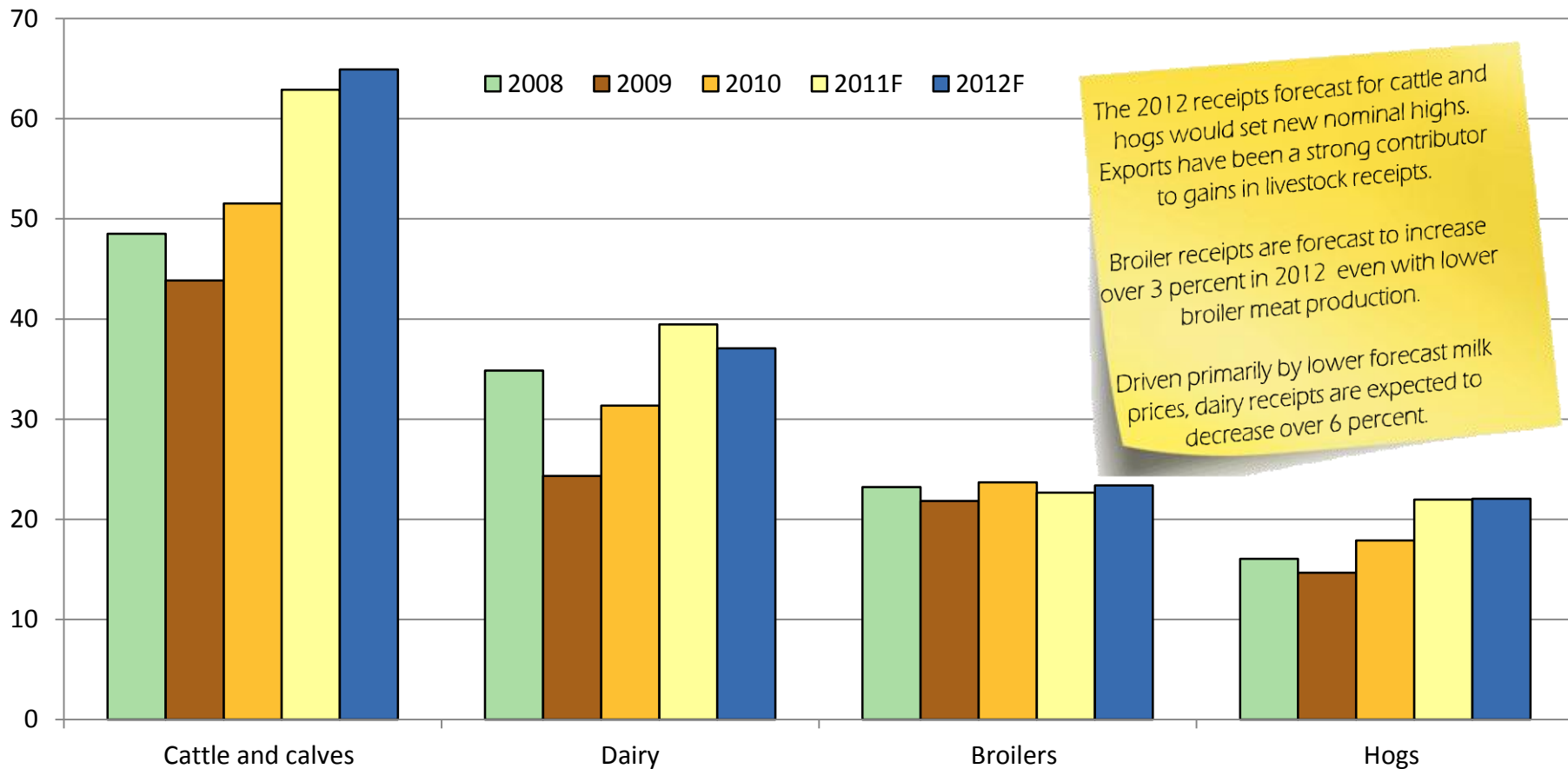
Corn and soybean prices are forecast to be 8.3 percent and 1.6 percent higher than in 2011. Corn receipts are expected to establish a new nominal record. Soybean receipts are expected to reach a 5 year high. Wheat receipts are forecast down 13.6 percent in 2012 to \$12 billion due to a substantial reduction in U.S. wheat prices. Receipts for fruits & nuts and vegetables each expected to be down about 5.5 percent.

Source: Economic Research Service, USDA

F = forecast

# Receipts for selected livestock products, 2008-2012F

\$ billion



Source: Economic Research Service, USDA

F = forecast

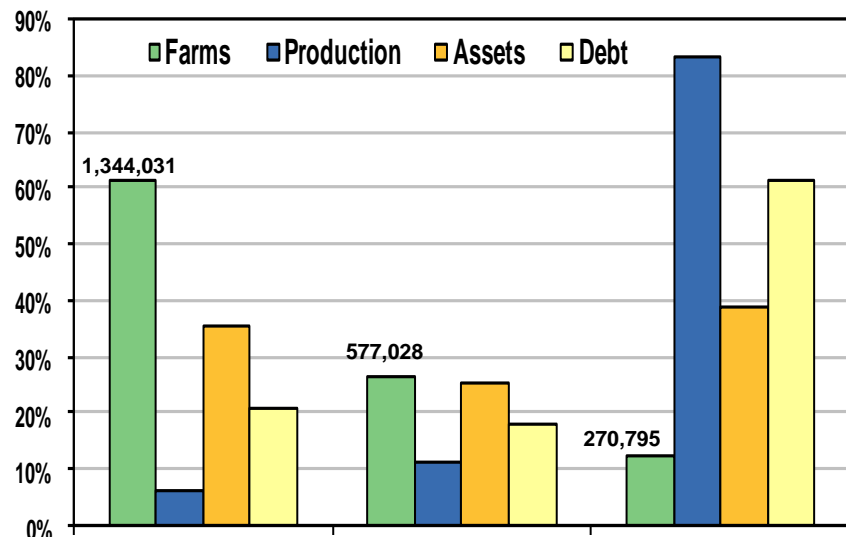
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Farm businesses represent almost 850,000 farms and account for 94 percent of production



Photo by: Daniel Marti



Rural Residence

Intermediate

Commercial

*Small farms whose operators report they are retired or they had a major occupation other than farming.*

*Small farms with sales less than \$250,000 whose operators report farming as their major occupation.*

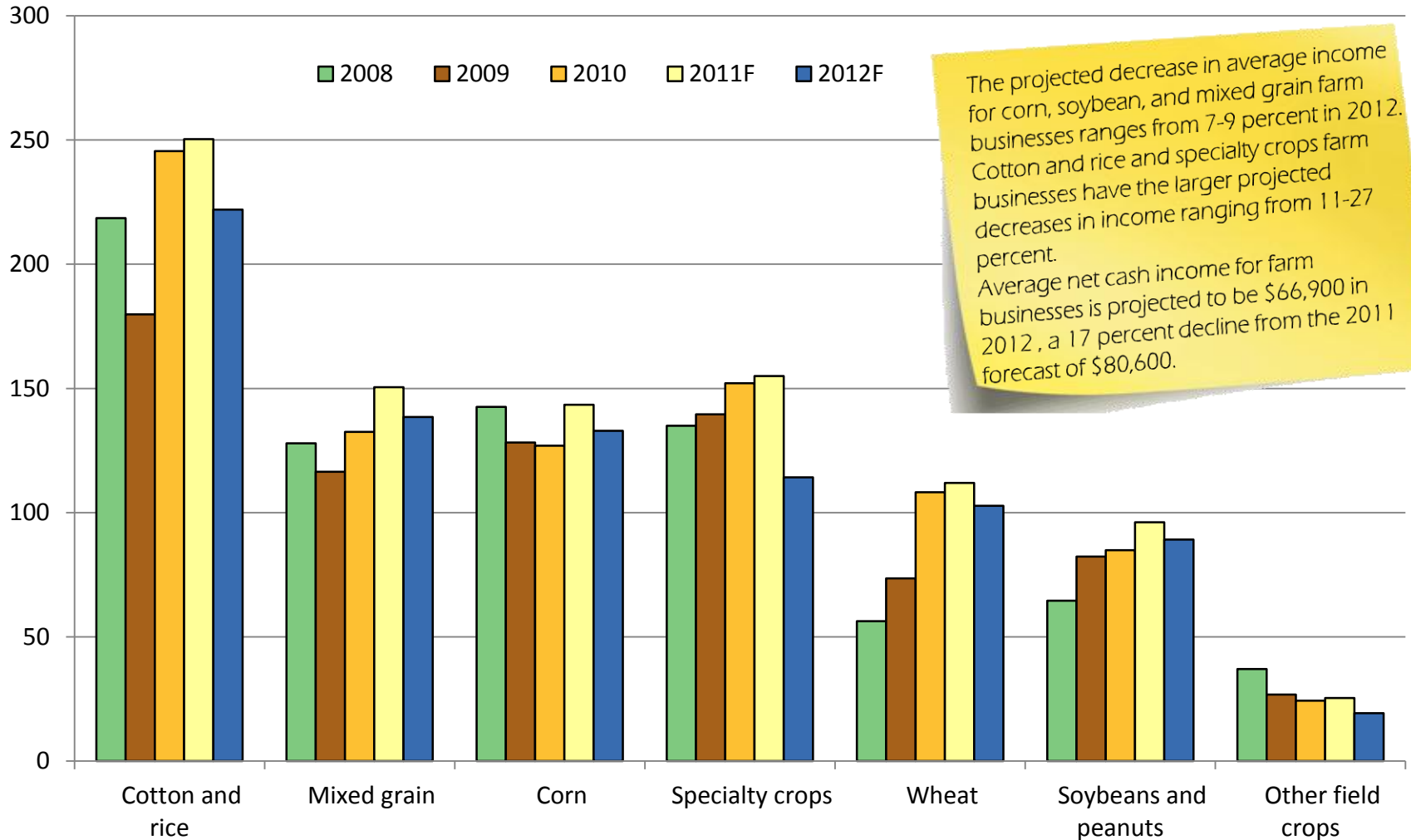
*Farms with sales greater than \$250,000 and farms organized as nonfamily corporations or cooperatives.*

Farm Businesses



# Average net cash incomes for 2012 are expected to remain above 2008- 2011F averages for crop farm businesses

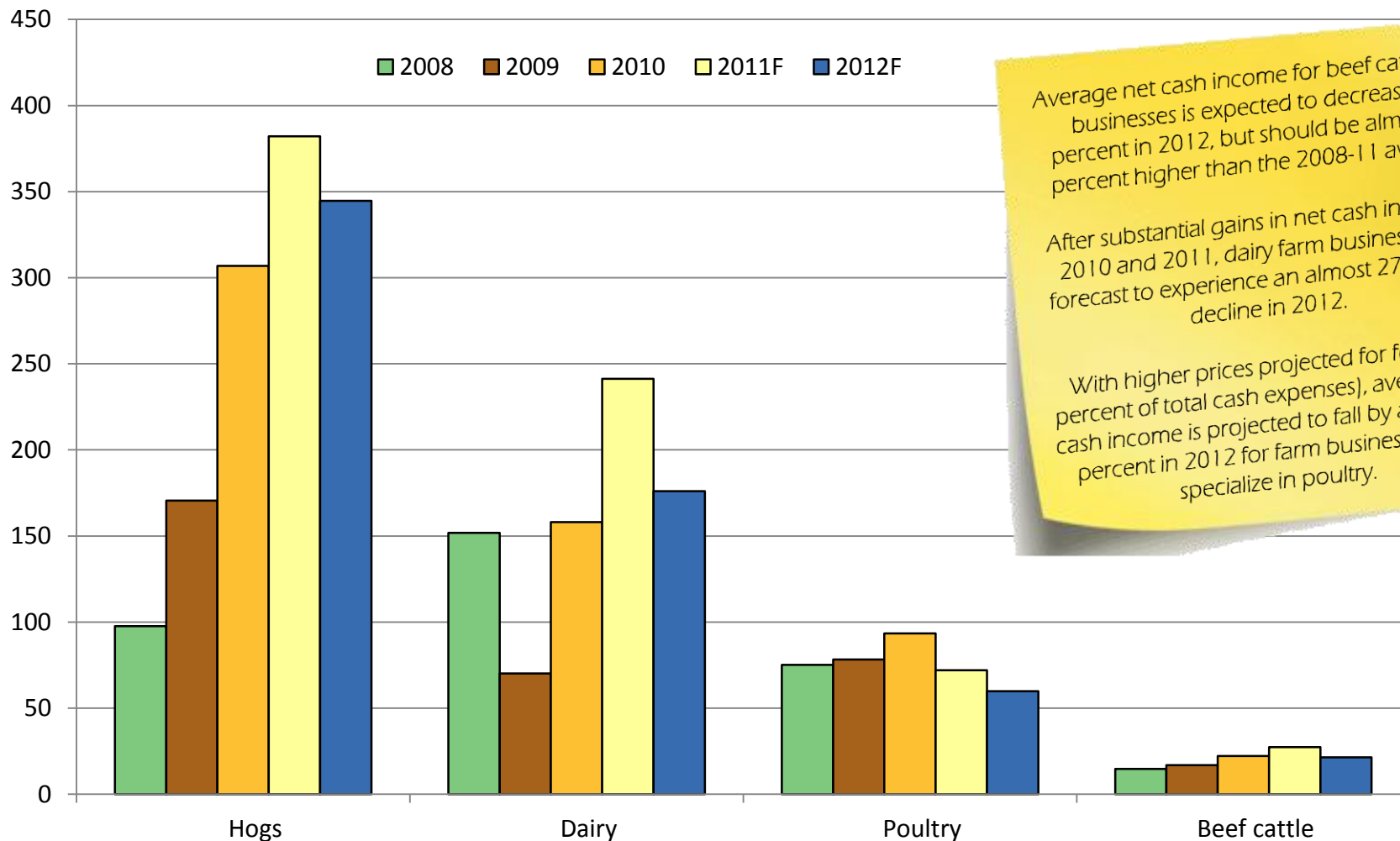
\$ thousands



The projected decrease in average income for corn, soybean, and mixed grain farm businesses ranges from 7-9 percent in 2012. Cotton and rice and specialty crops farm businesses have the larger projected decreases in income ranging from 11-27 percent. Average net cash income for farm businesses is projected to be \$66,900 in 2012, a 17 percent decline from the 2011 forecast of \$80,600.

# Average net cash income for livestock farm businesses expected to recede in 2012

\$ thousands



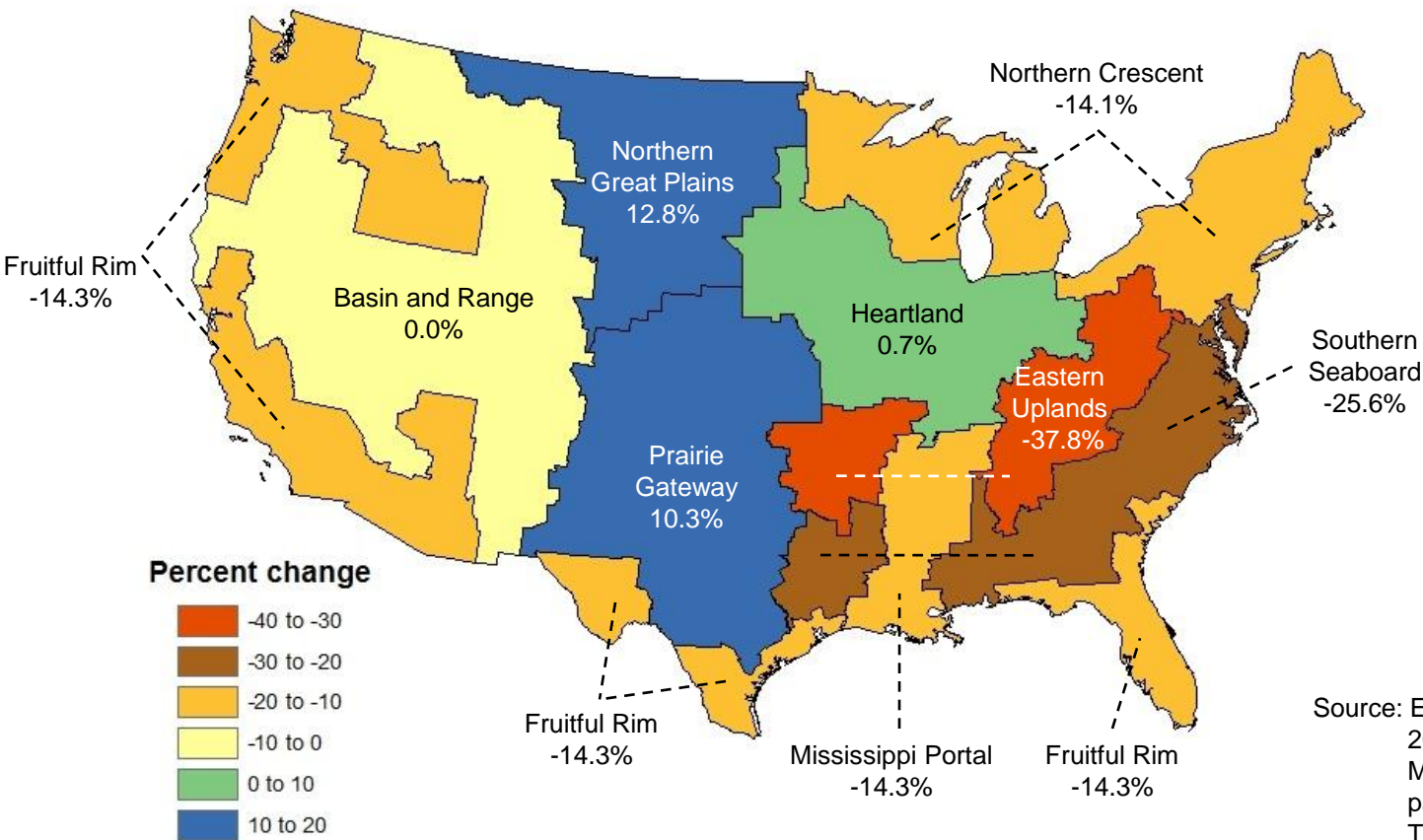
Average net cash income for beef cattle farm businesses is expected to decrease 21 percent in 2012, but should be almost 5.5 percent higher than the 2008-11 average.

After substantial gains in net cash income in 2010 and 2011, dairy farm businesses are forecast to experience an almost 27 percent decline in 2012.

With higher prices projected for feed (42 percent of total cash expenses), average net cash income is projected to fall by almost 17 percent in 2012 for farm businesses that specialize in poultry.

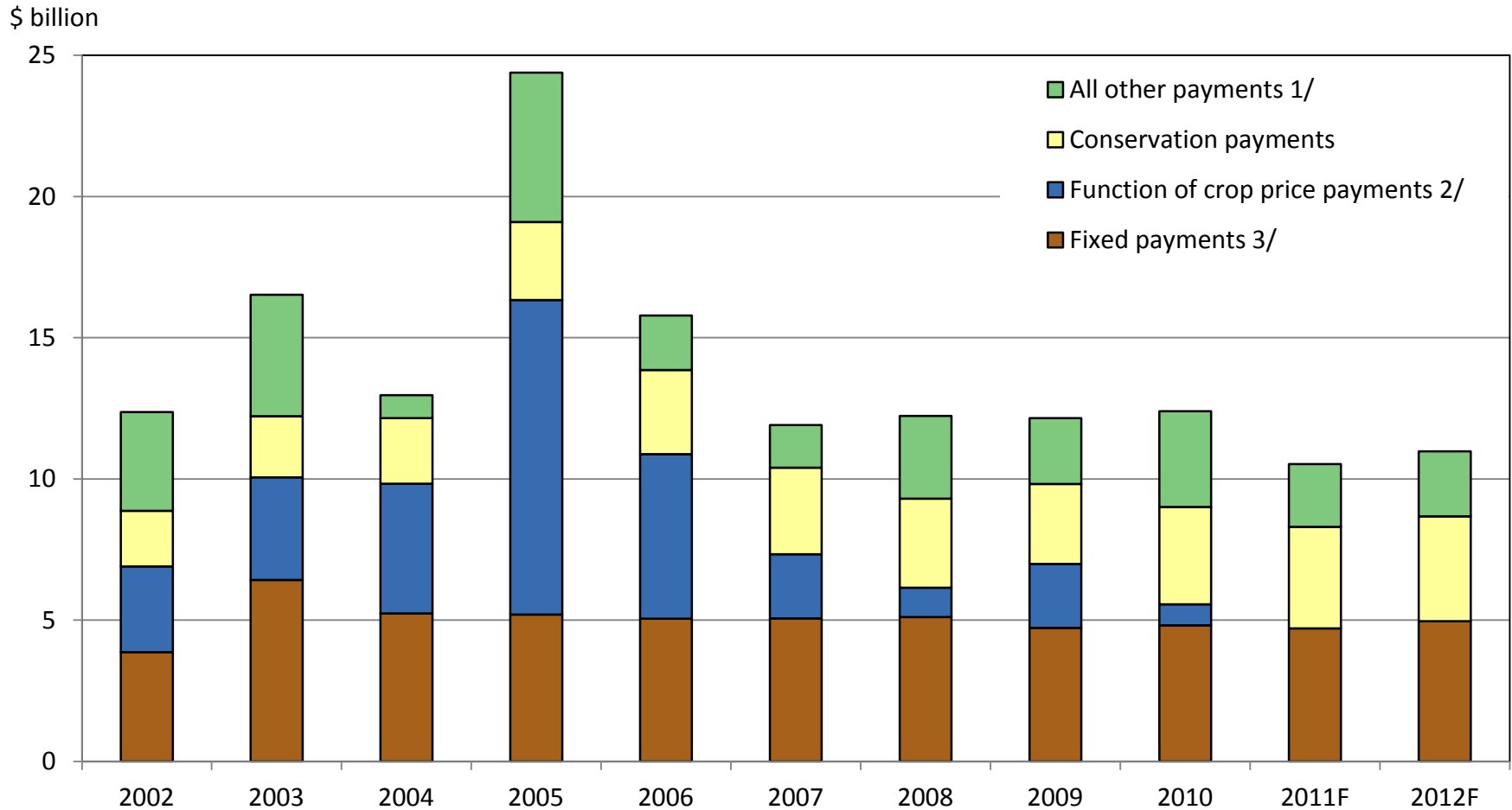
# Incomes are expected to be up in the Prairie Gateway and the Northern Great Plains for 2012 compared to 2008-2011 average

2012 Farm business net cash income forecast compared with 2008 – 2011F average



Source: ERS partial model based using the 2010 Agricultural Resource Management Survey (ARMS) and parameters from the sector forecasts. The model is static and therefore does not account for changes in crop production impacts the occurred after the base year. F = forecast

# Government payments forecast up in 2012 to \$11 billion



1/ All other payments include disaster relief payments, tobacco transition payments, and dairy program payments.

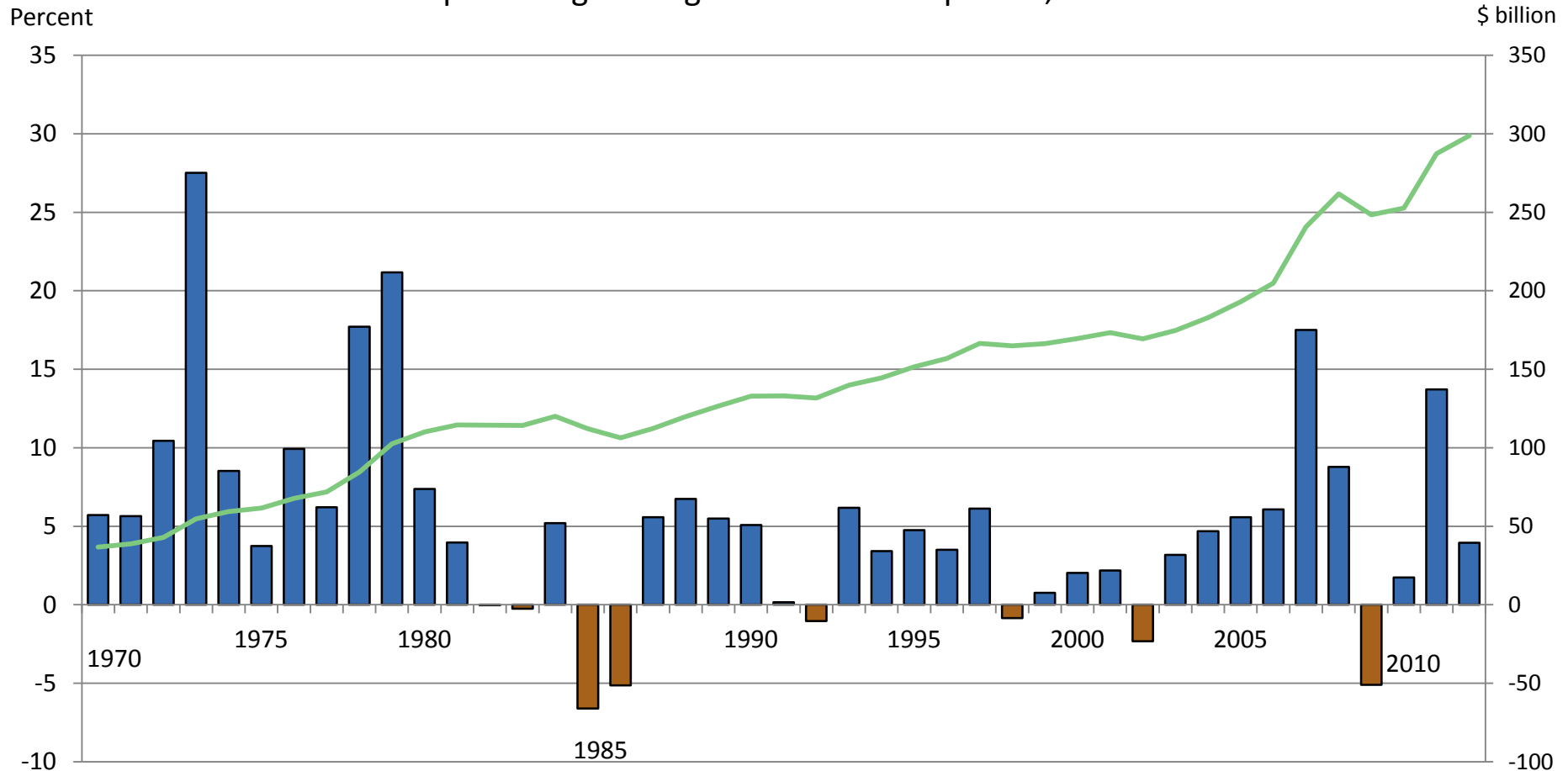
2/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, certificate exchange gains, and ACRE payments vary with crop prices.

3/ Production flexibility contract payments and direct payments are fixed by legislation.

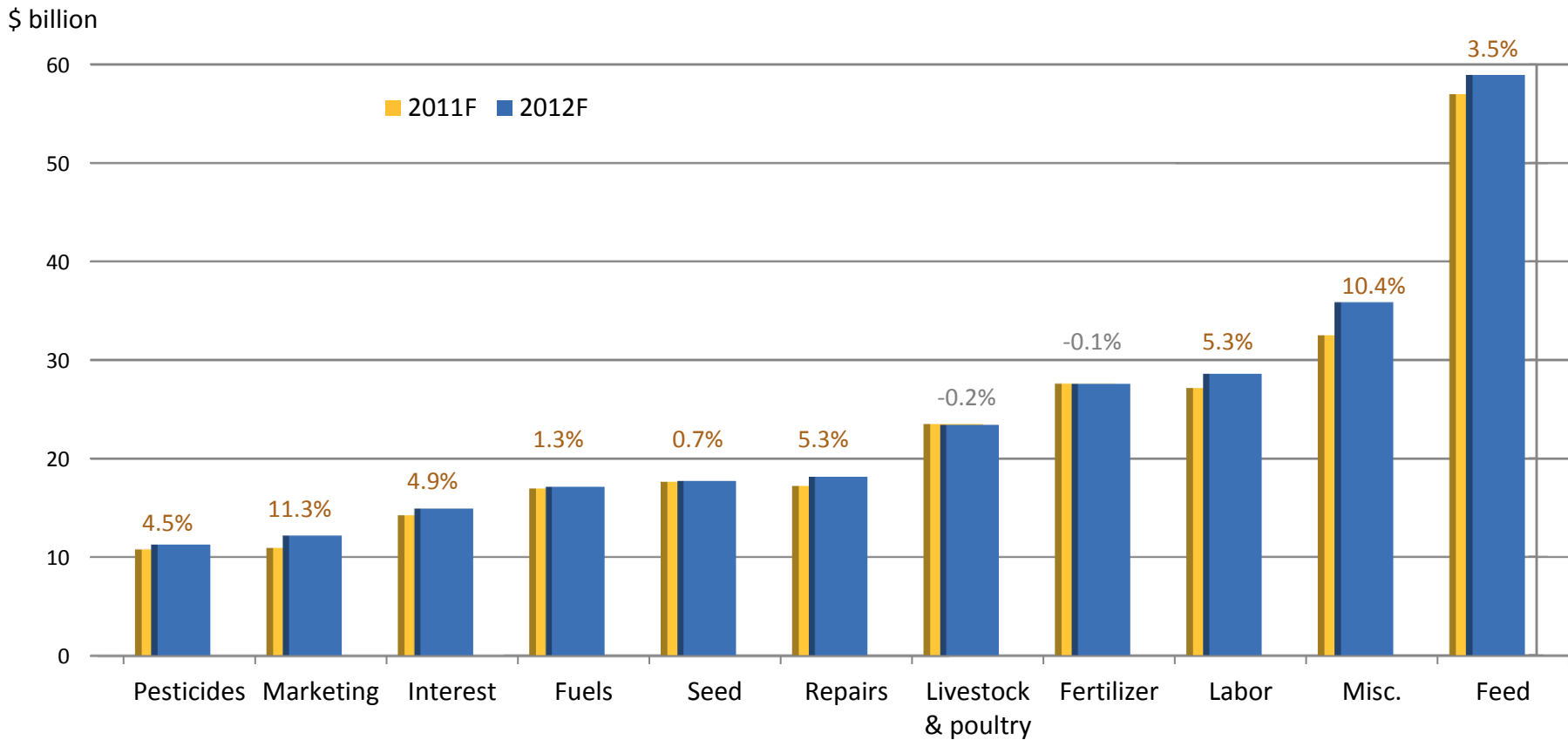
Source: FSA, NRCS, and CCC F= forecast

# Cash expenses expected to continue to climb in 2012

Annual percentage change in total cash expenses, 1970-2012F



# Changes in expense items, 2011F – 2012F

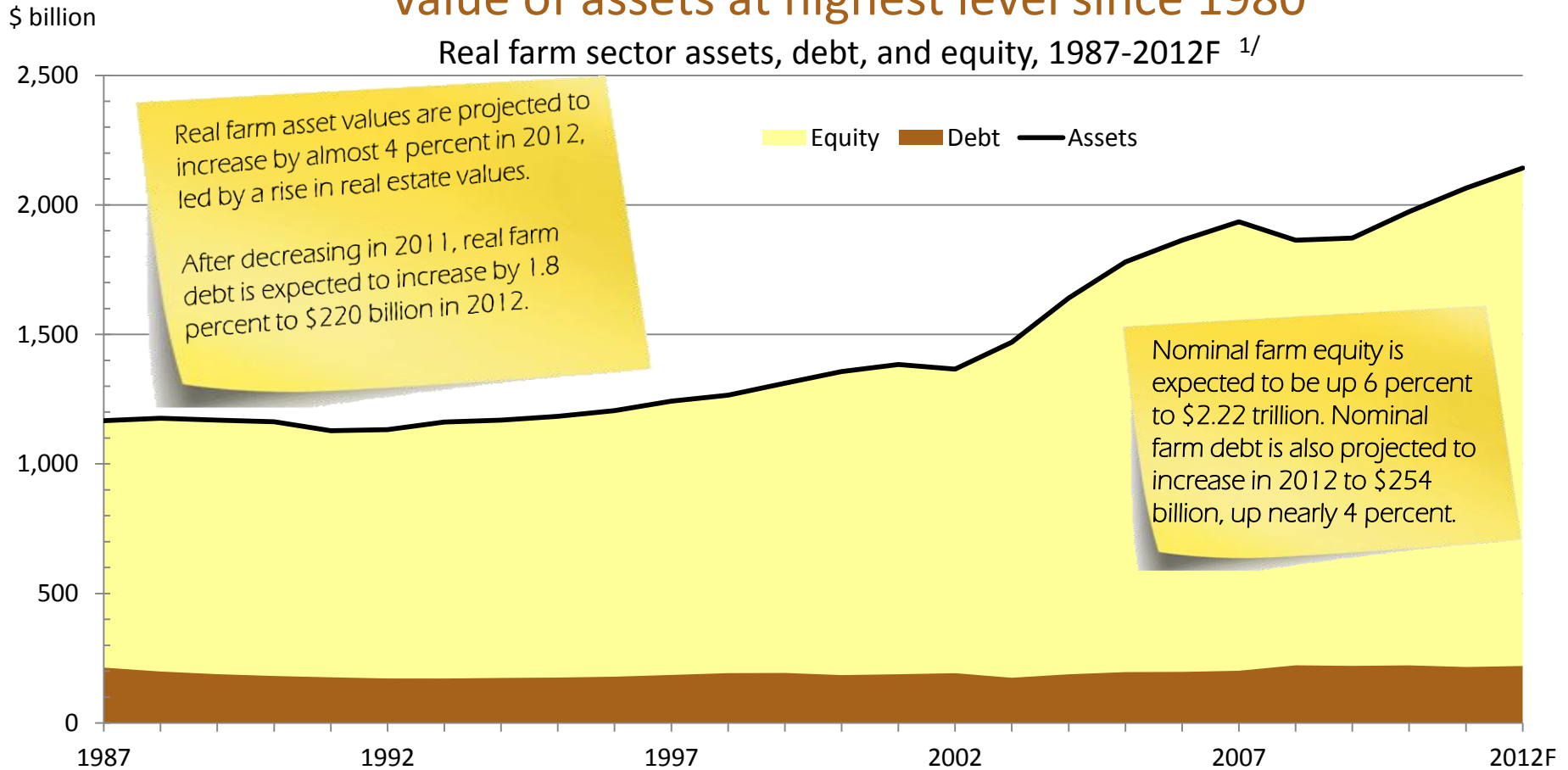


Note: Percent change from 2011 to 2012 is indicated at the top of each set of bars.

Source: Economic Research Service, USDA. F = forecast

# Real equity expected to establish new record in 2012, value of assets at highest level since 1980

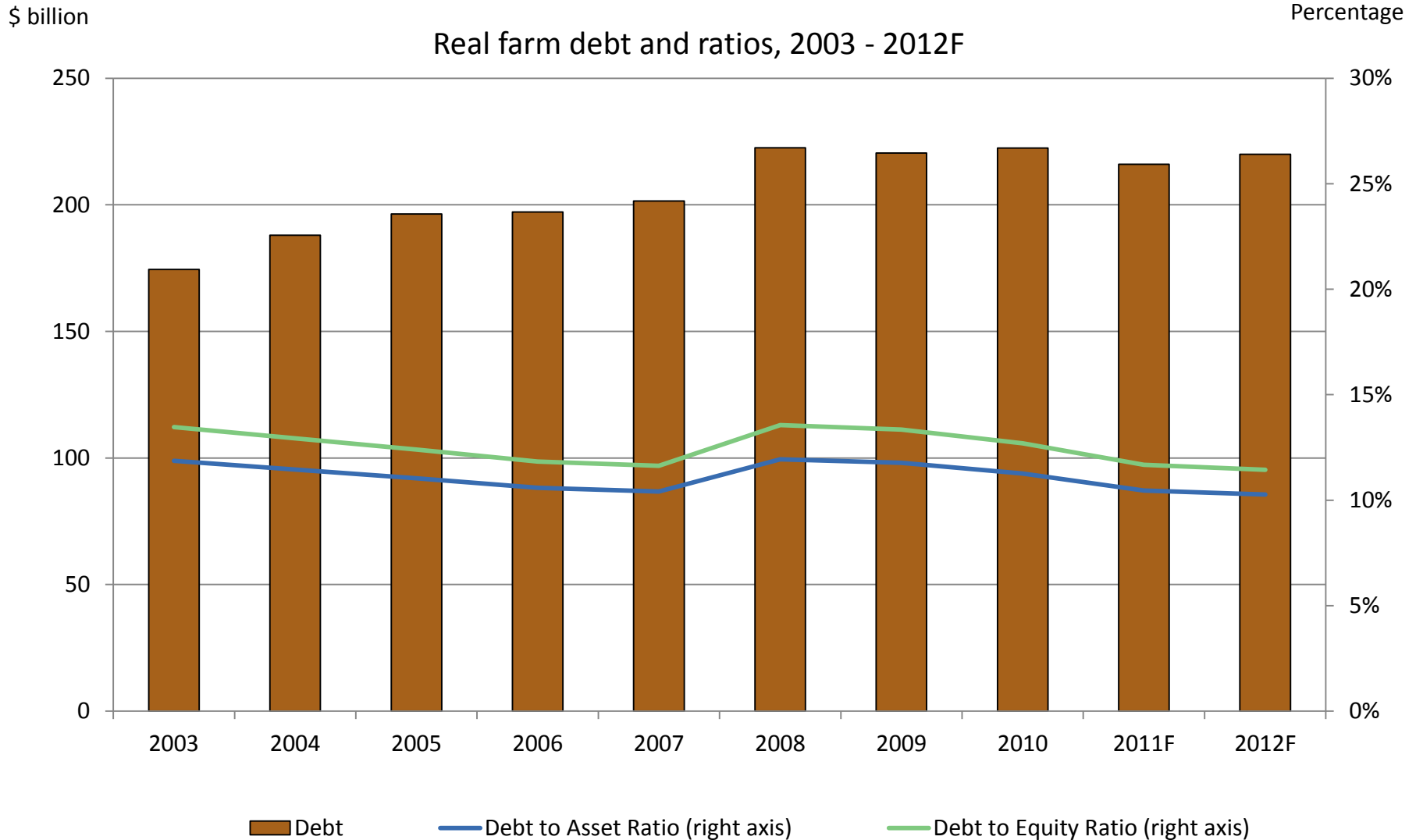
Real farm sector assets, debt, and equity, 1987-2012F <sup>1/</sup>



<sup>1/</sup> The GDP chain-type price index is used to convert current-dollar amounts to real (inflation adjusted) amounts (2005 = 100).

Source: Economic Research Service, USDA      F = forecast

# Real debt relatively unchanged since 2008





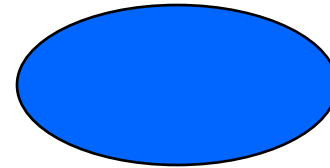
## Net farm income expected to fall in 2012

\$ billion	2012F	Change from 2011
Value agricultural sector production	\$414.5	\$5.7
( - ) Purchased inputs	\$235.1	\$8.5
( + ) Net government transactions	-\$1.8	-\$0.6
= Gross value added	\$177.7	-\$3.3
( - ) Capital consumption	\$32.5	\$0.9
= Net value added	\$145.1	-\$4.2
( - ) Payments to stakeholders	\$53.4	\$2.1
= Net farm income	\$91.7	-\$6.3

# Dynamic Production Expenses, 2008 to 2012F

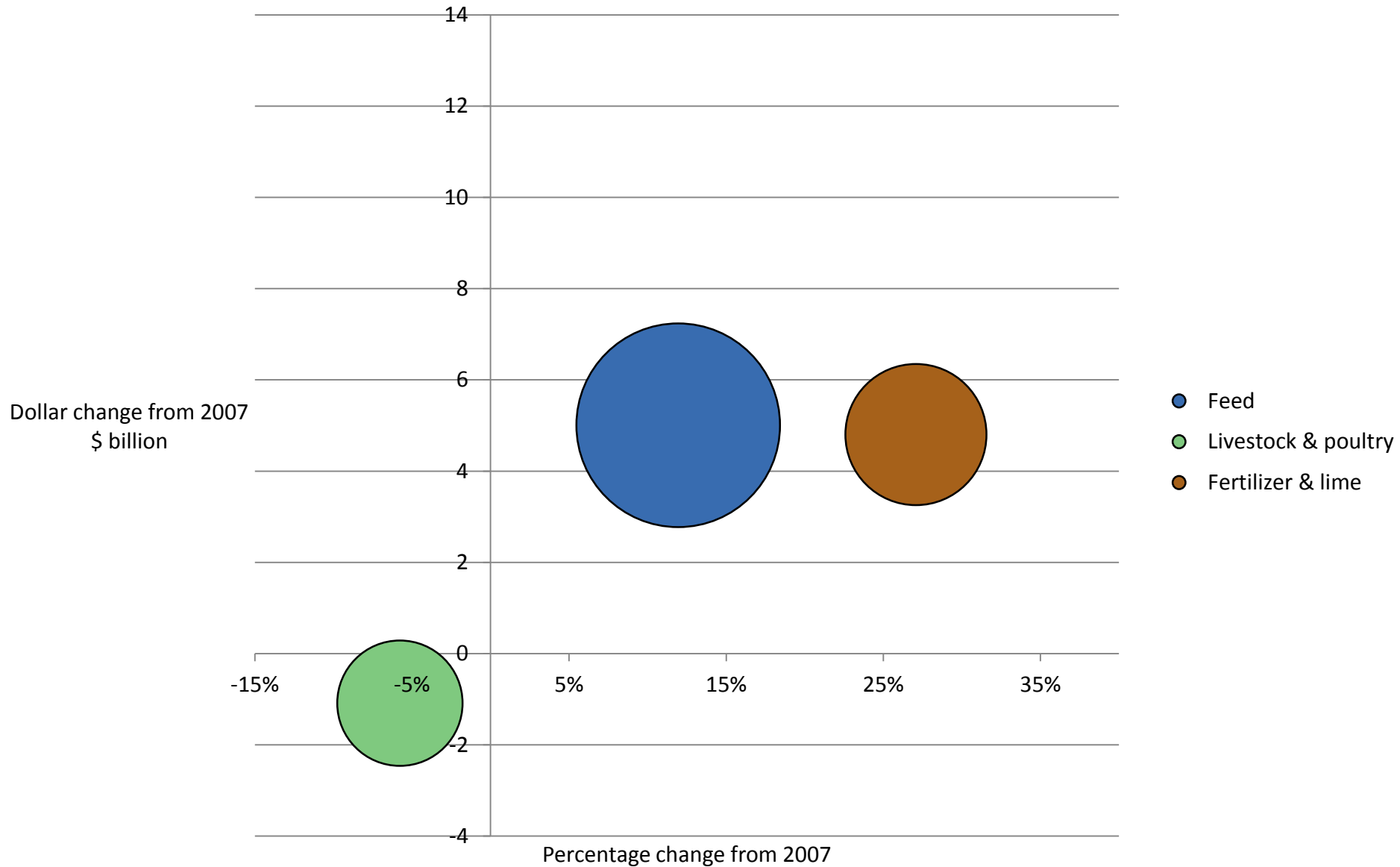
## Dynamic Bubble Charts

- ❑ 2011F saw large production expense increases, smaller increases for 2012
- ❑ Examine changes over time in these expenses
- ❑ Four years of data on major expense categories
  - ❑ Feed, Livestock & Poultry, Fertilizer

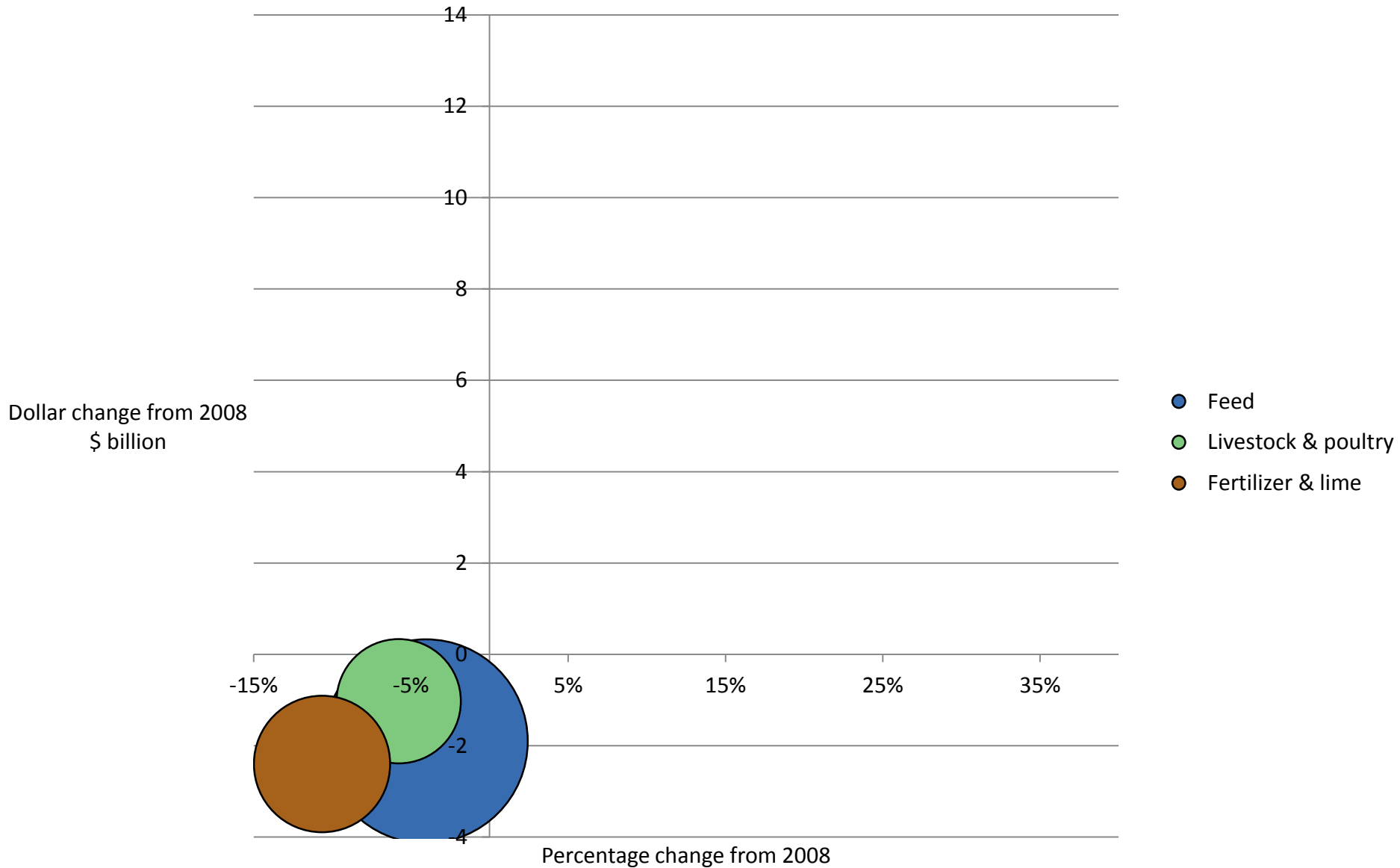


- ❑ X-axis is the percent change from the previous year
- ❑ Y-axis is the dollar change from the previous year
- ❑ Size of the bubble represents the item's share of total production expenses

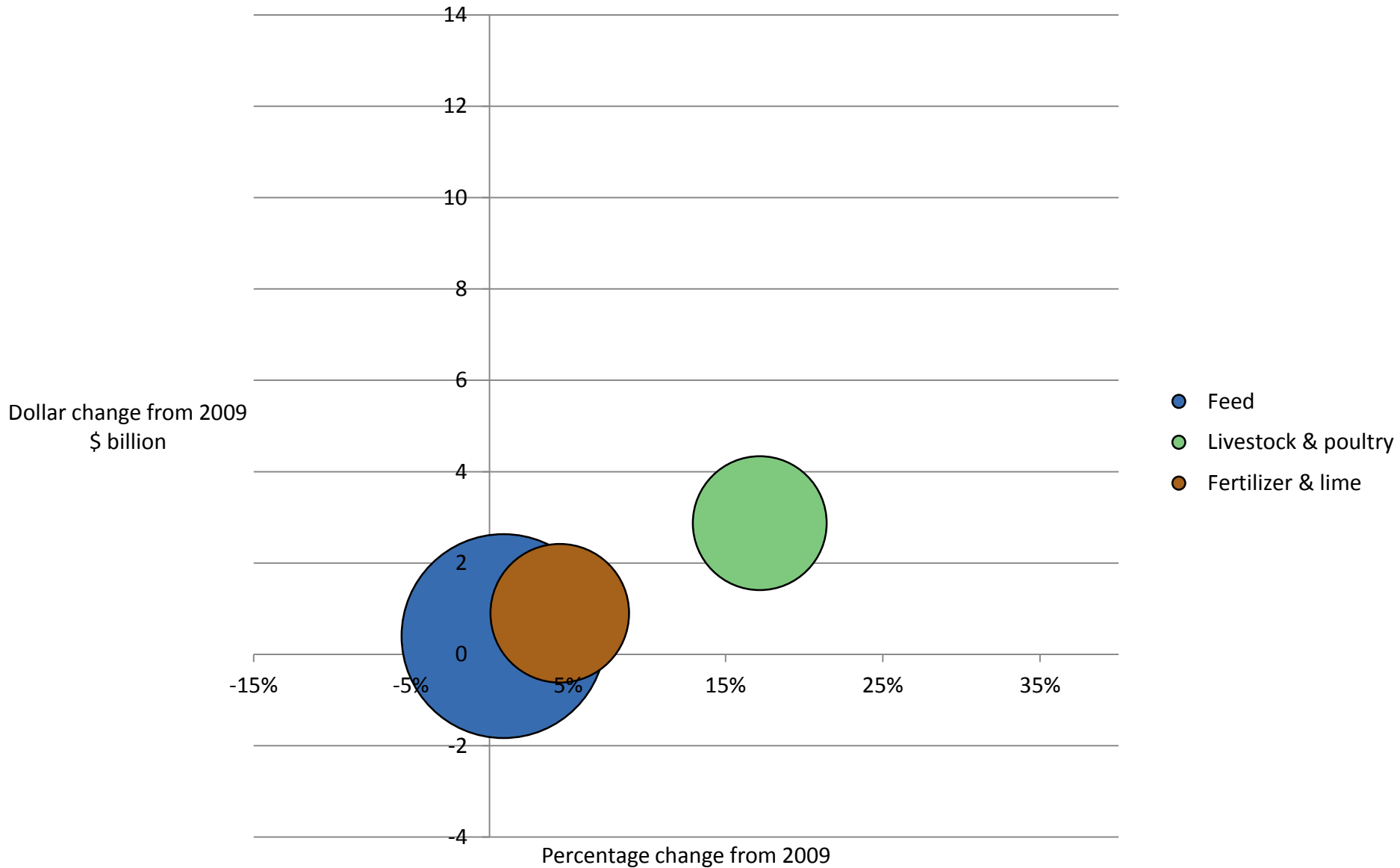
# Production expense changes, 2008



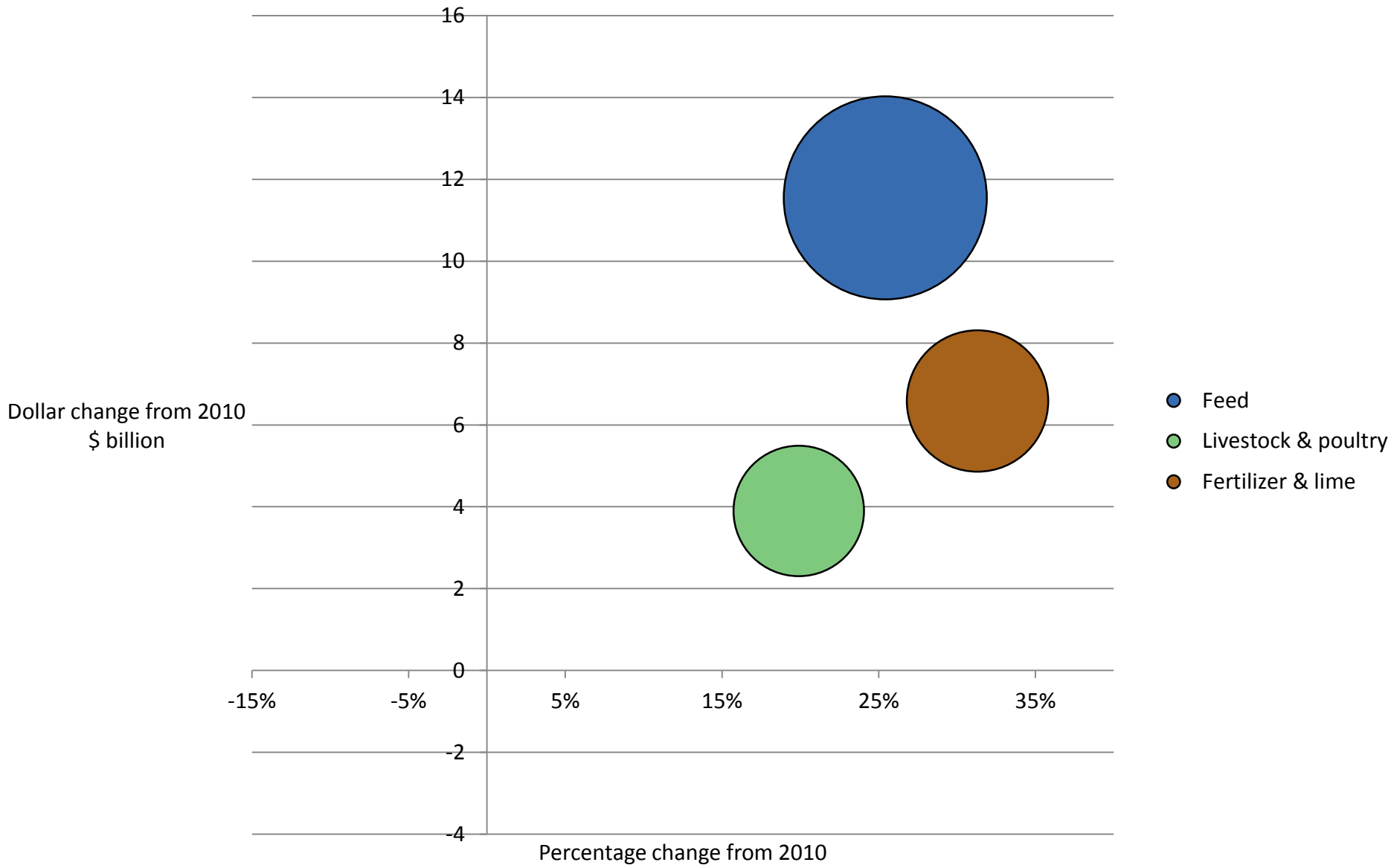
# Production expense changes, 2009



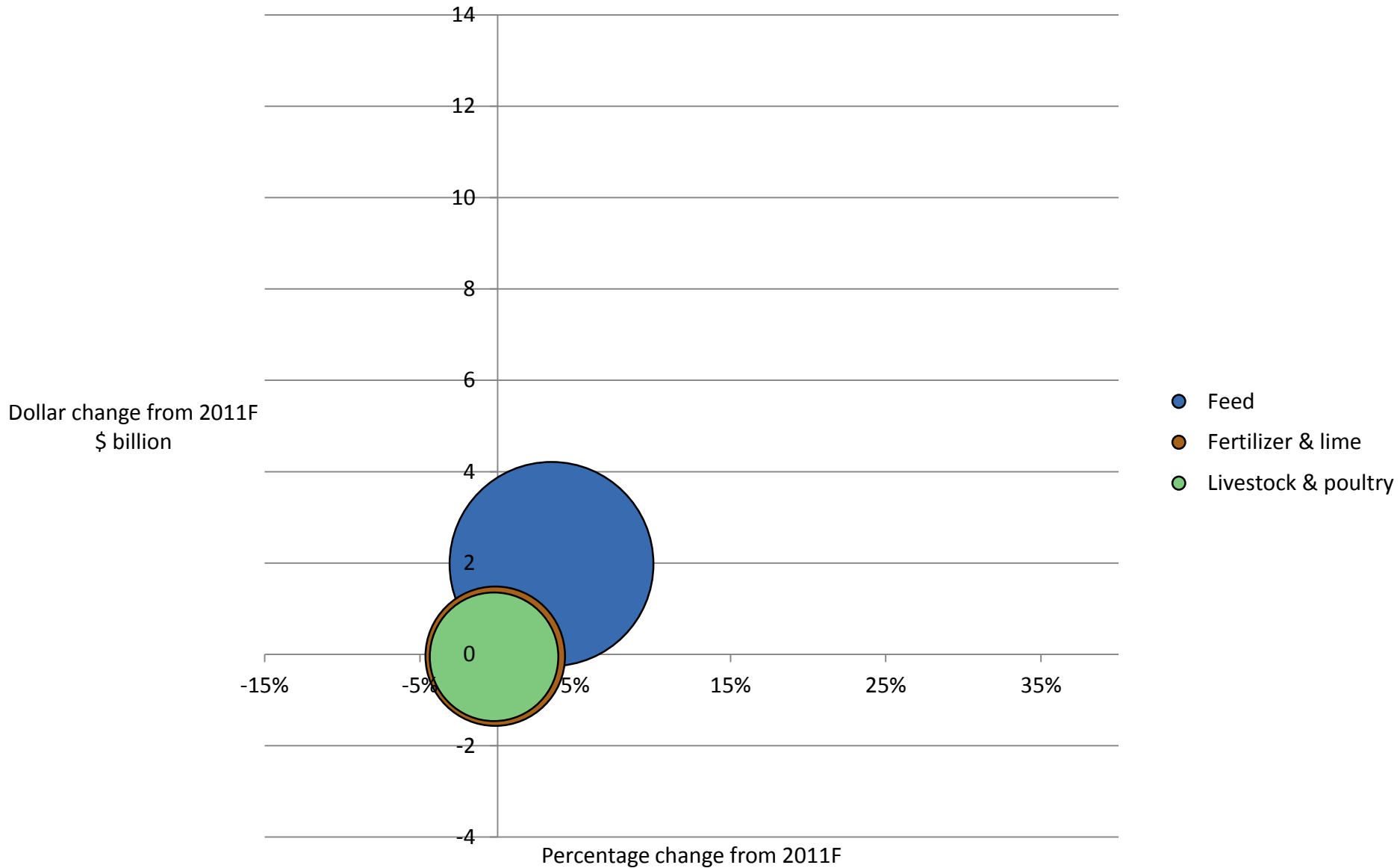
# Production expense changes, 2010



# Production expense changes, 2011F



# Production expense changes, 2012F



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## Briefing Room: Farm Income and Costs

<http://www.ers.usda.gov/Briefing/FarmIncome/>

- **Farm Income and Costs**
- [Overview](#)
- [2012 Farm Sector Income Forecast](#)
- [2011 Farm Sector Income Estimates](#)
- [2010 Farm Sector Income Estimates](#)
- [Farm Business Income](#)
- [Assets, Debt, and Wealth](#)
- [Farms Receiving Government Payments](#)
- [Data Sources](#)
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- [Glossary](#)
  
- [Debt Landscape for U.S. Farms Has Shifted](#)

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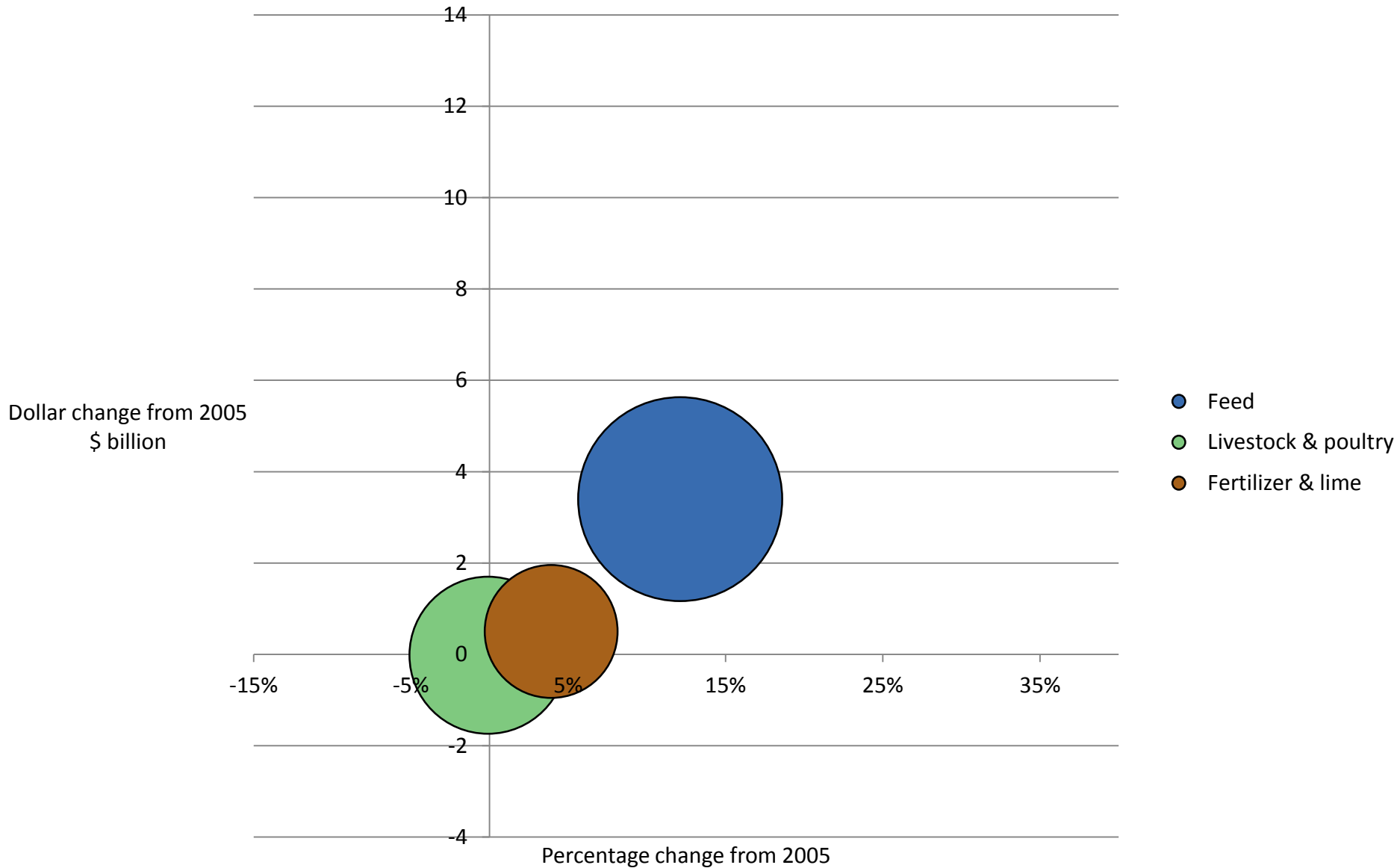
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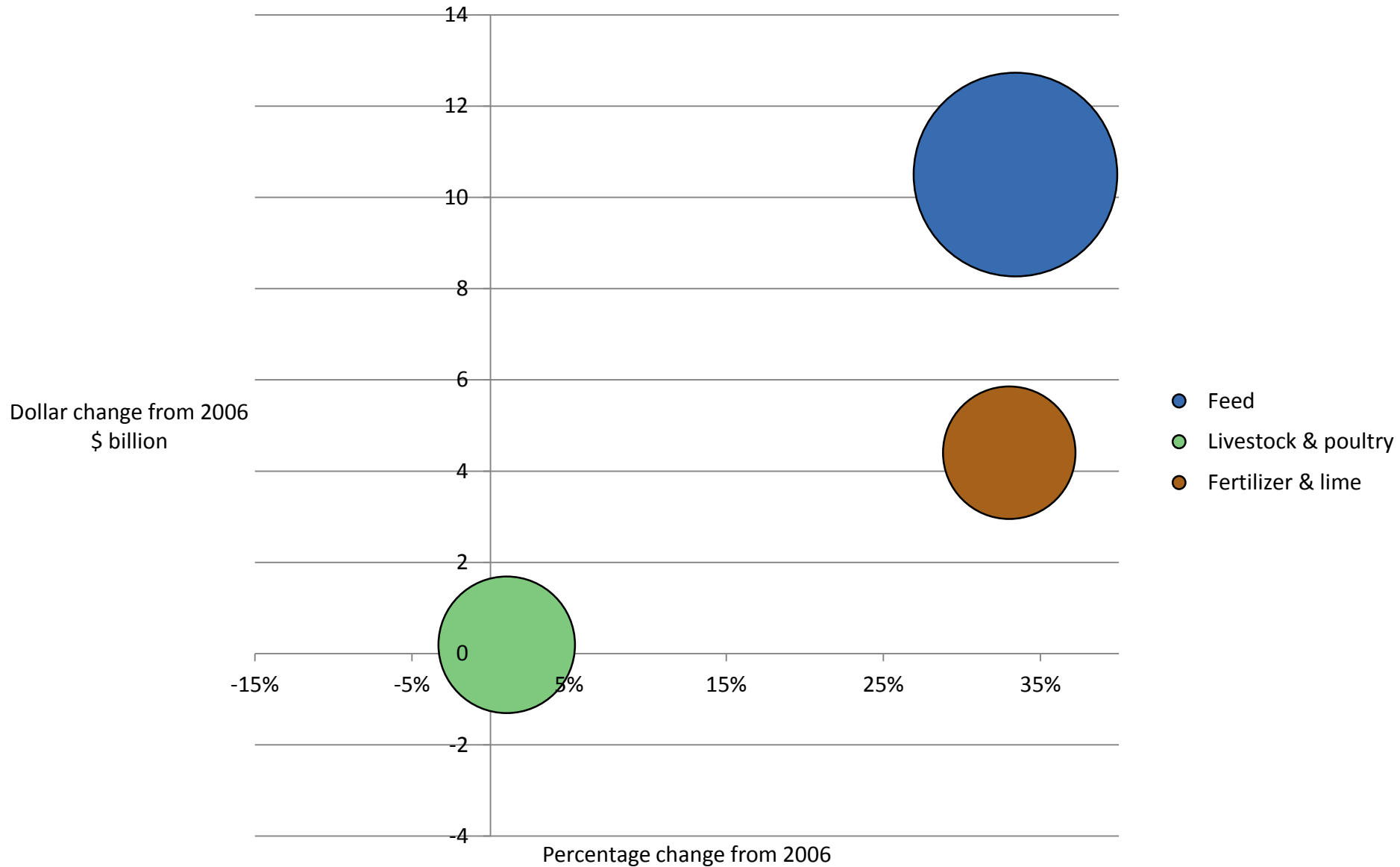
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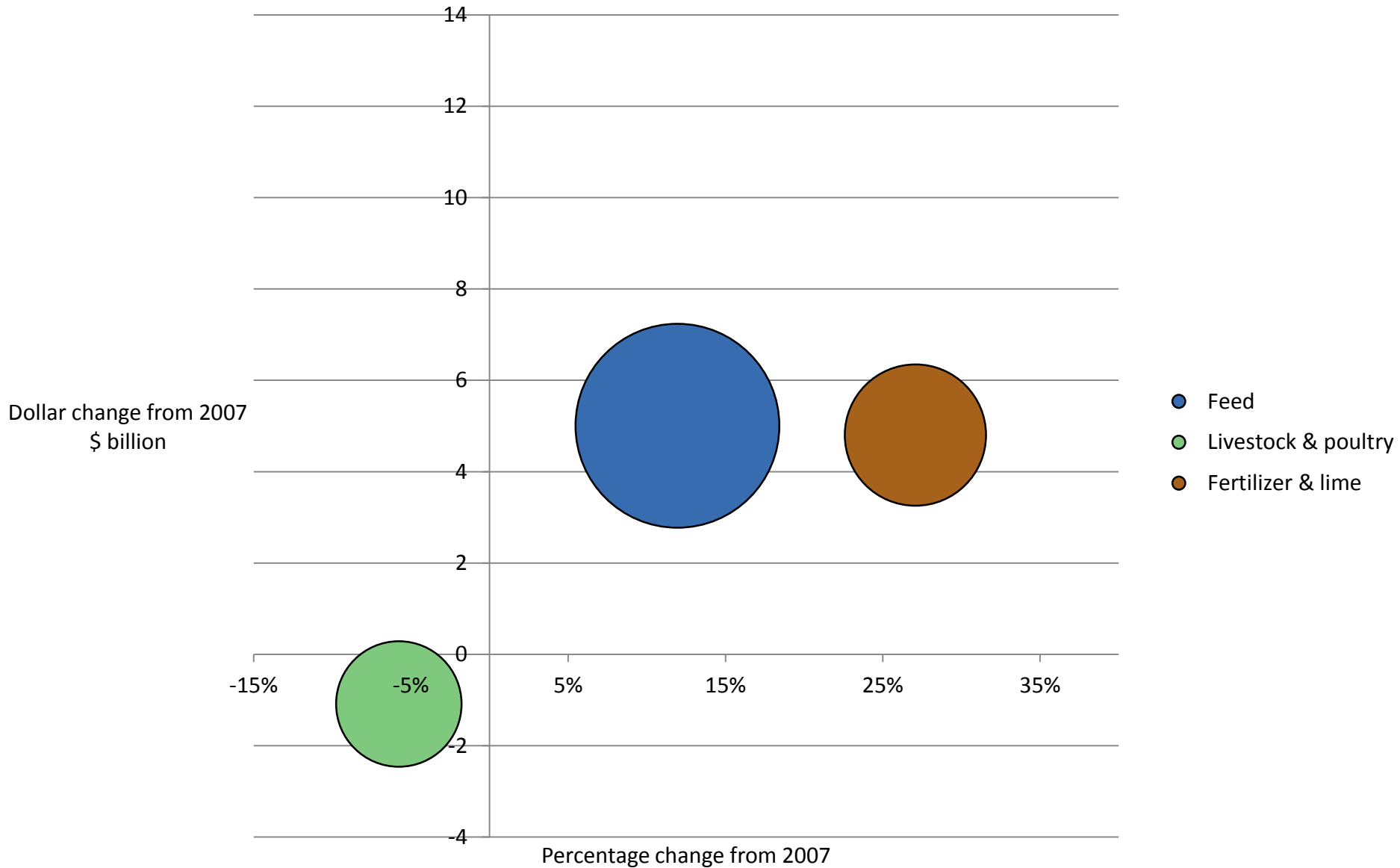
# Production expense changes, 2006



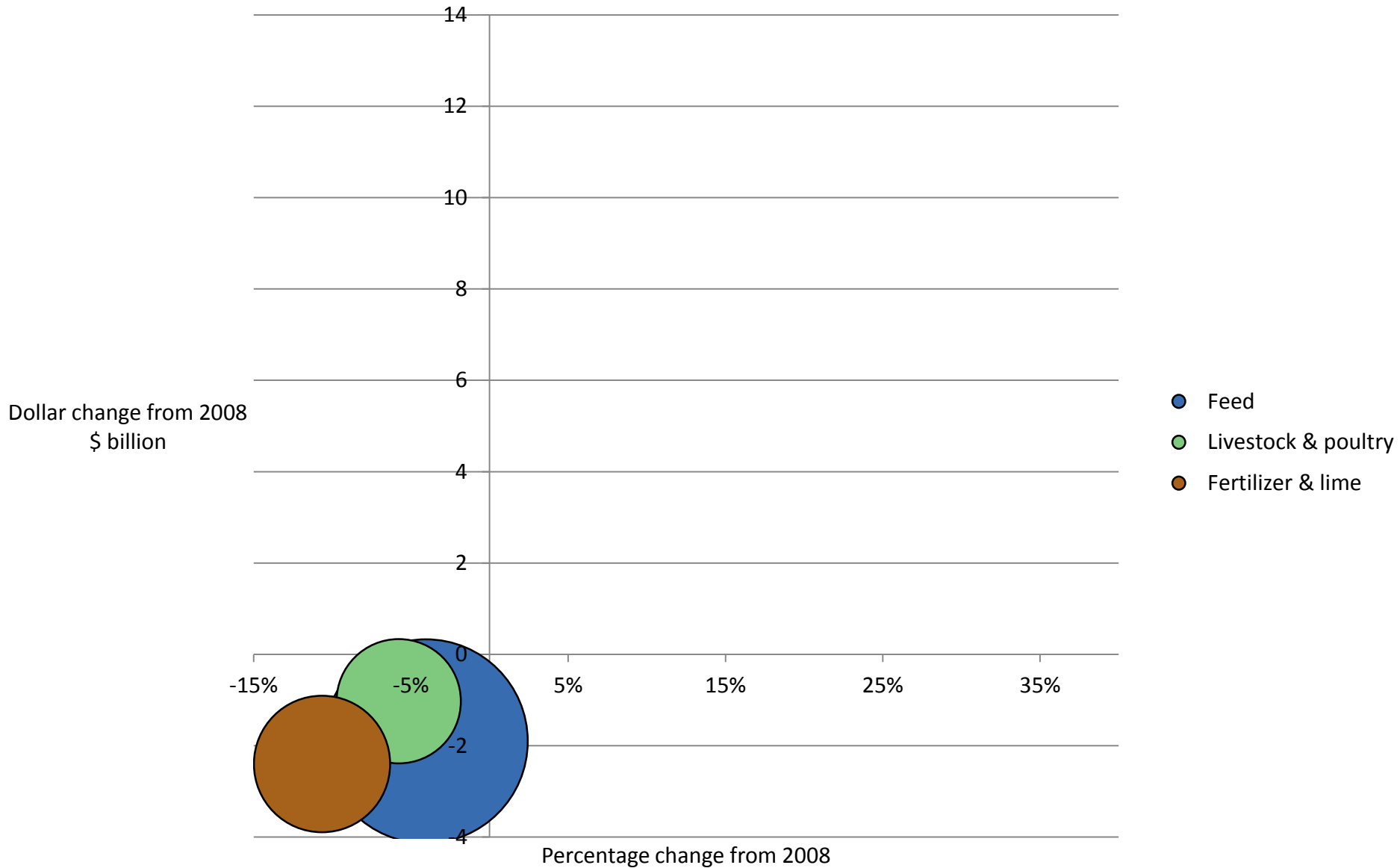
# Production expense changes, 2007



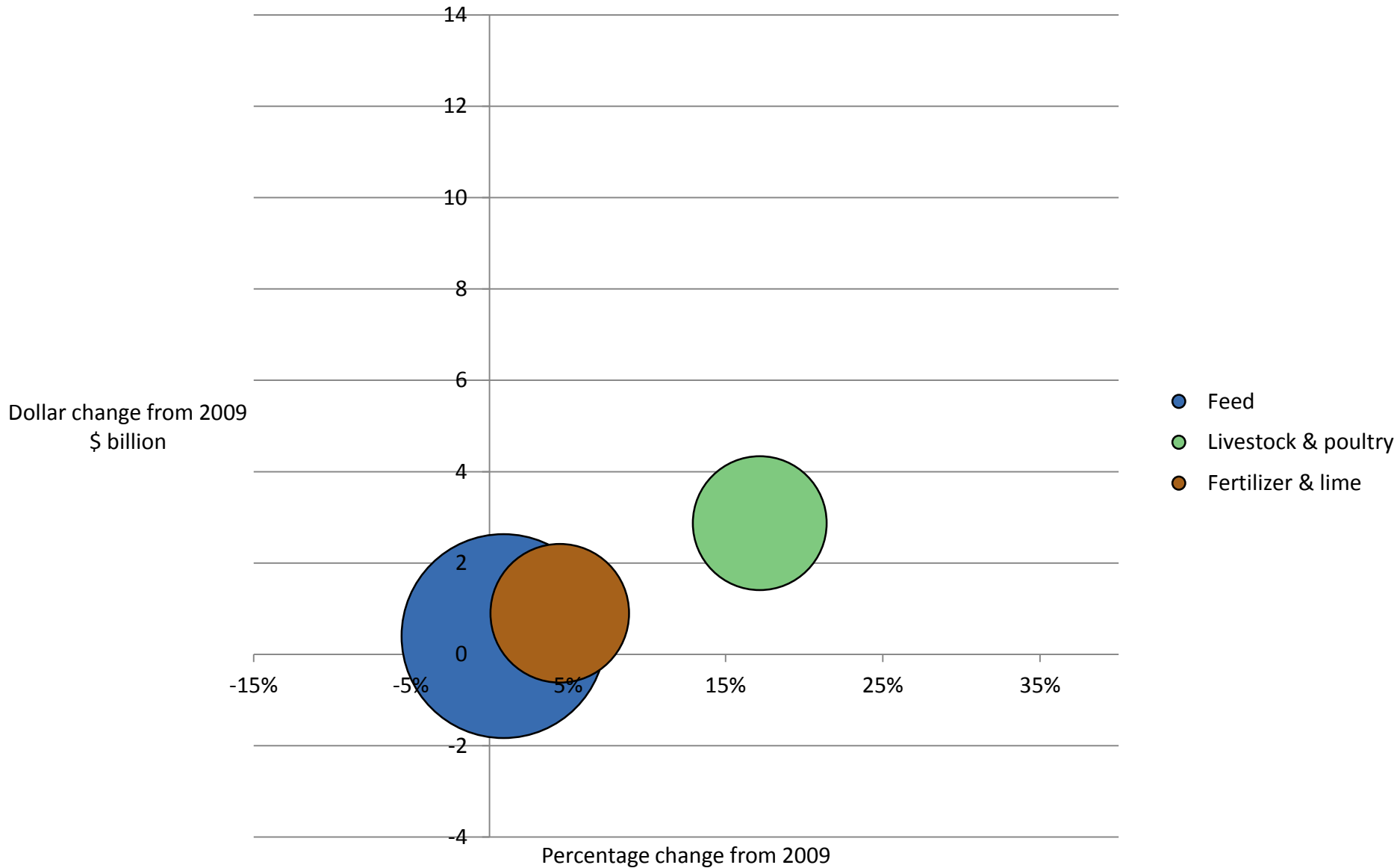
# Production expense changes, 2008



# Production expense changes, 2009



# Production expense changes, 2010



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