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*Finding: Farm Economy*

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## Net Farm Income Is Expected To Decline in 2012 But Remain at a Near Record Level

by Timothy Park, Christopher McGath, Kevin Patrick, Jennifer Ifft, and Theodore Covey



After 2 straight years of rapid growth, U.S. net farm income is forecast to decline by 6.5 percent in 2012 to \$91.7 billion. Nonetheless, net farm income in 2012 is still expected to be the second highest nominal amount on record, and after adjusting for inflation, it should be the third highest amount since 1980. The other two common measures of farm earnings--net cash income and net value added--are also expected to decline in 2012 to \$96.3 billion and \$145.1 billion, respectively. Farm income can vary widely from year to year; the expected declines in each of these three farm income measures are relatively small.

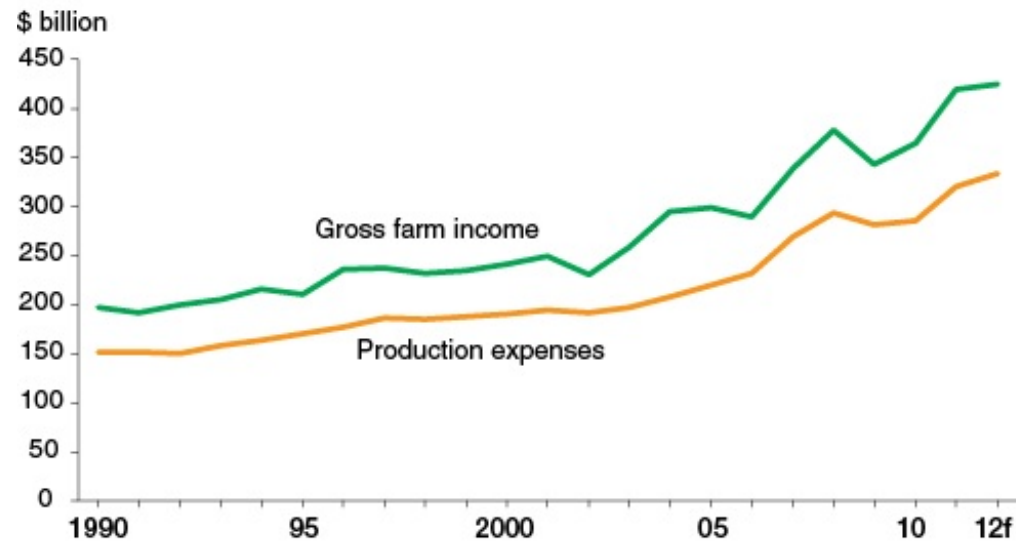
Crop receipts are expected to rise slightly in 2012, as increases in sales of corn, most other feed grains, and peanuts offset declines in sales of wheat, hay, vegetables/melons, and fruit/tree nuts. U.S. livestock sales are expected to decrease marginally in 2012.

Total U.S. agricultural production expenses are expected to rise slowly in 2012, increasing by 3.9 percent; at \$333.8 billion, the value of production is expected to set both nominal and inflation-adjusted records in 2012. While much lower than increases in 2011, increases in farm production costs in 2012 are still expected to more than offset the small increases expected in farm sales, resulting in a drop in net farm income.

Average net cash income for farm businesses (farms with annual sales exceeding \$250,000 and smaller farms whose principal operators consider farming their main occupation) is projected to be \$66,900 in 2012, decreasing less than 5 percent from average incomes recorded during 2008-11. These declines, however, are not likely to have the same effect on every region or farm specialization. Regions that specialize in program crops, dairy, beef, and/or pork are expected to have much stronger performance compared to their respective 2008-2011 averages than other regions of the country.

All crop and livestock farms are expected to experience declines in average net cash income in 2012 relative to that in 2011. But most farm businesses specializing in program crops are expected to experience either an increase (mixed grains, wheat, soybeans, and peanuts) or a slight decrease (corn, cotton, and rice) in net cash income in 2012 relative to the 2008-11 average. Businesses specializing in nonprogram crops (fruit, vegetables, hay, sugar crops, silage, trees, and woody crops) are expected to experience declines, on average, relative to levels in 2008-11.

### Gross farm income expected to exceed \$425 billion for the first time



f = forecast.

Source: USDA, Economic Research Service.

#### This article is drawn from...

[Farm Sector Income & Finances](#), by Mitch Morehart, USDA, Economic Research Service, February 2013

#### You may also be interested in...

[Farm Income and Wealth Statistics](#), by Theodore Covey, Ken Erickson, Michael Harris, Christopher McGath, Kevin Patrick, Stephen Vogel, and Robert Williams, USDA, Economic Research Service, February 2013





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