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

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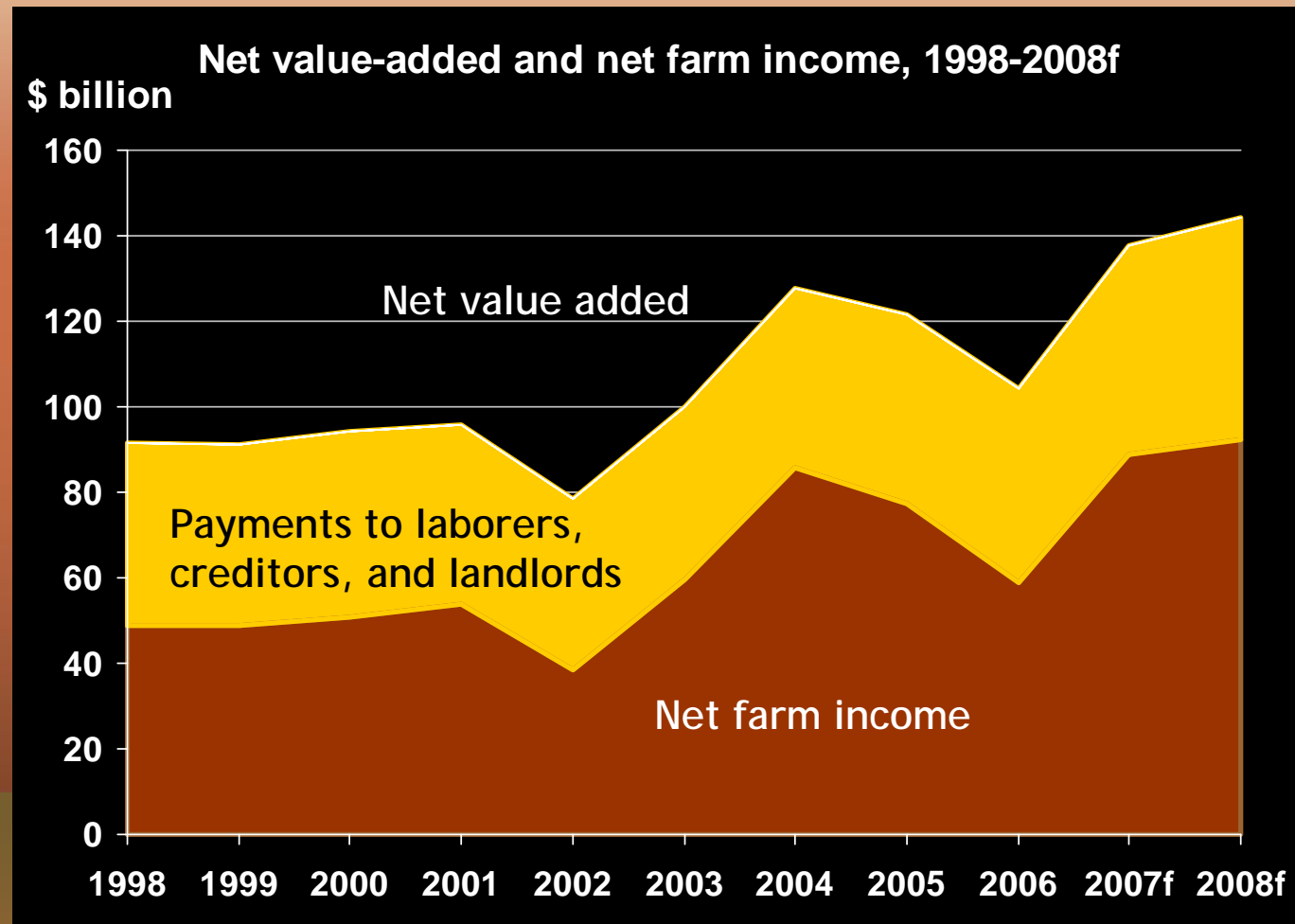


# Income Outlook for U.S. Farms and the Farm Economy in 2008

Economic Research Service

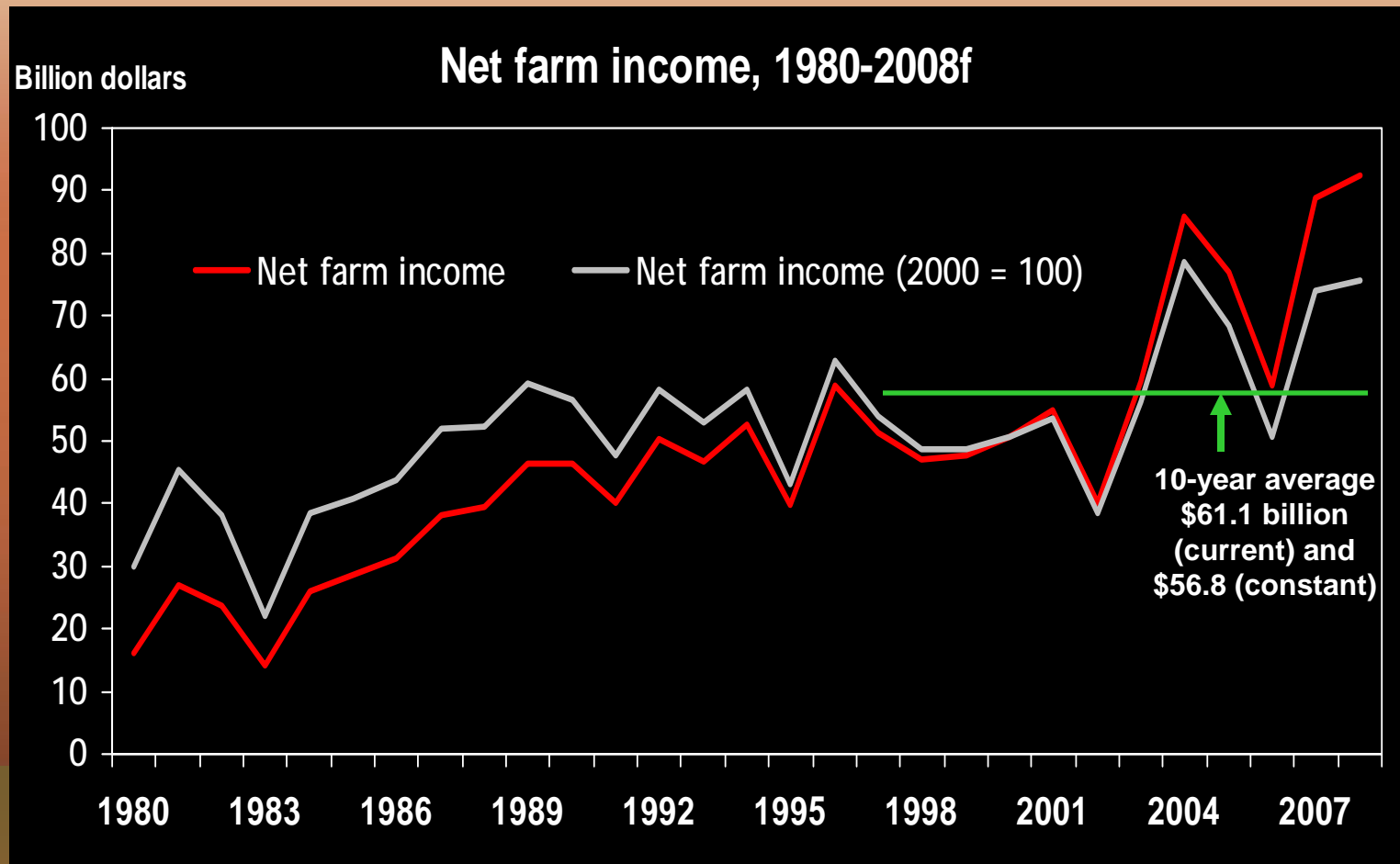
USDA Outlook Forum  
February 2008

# Net value-added and net farm income rising in 2008



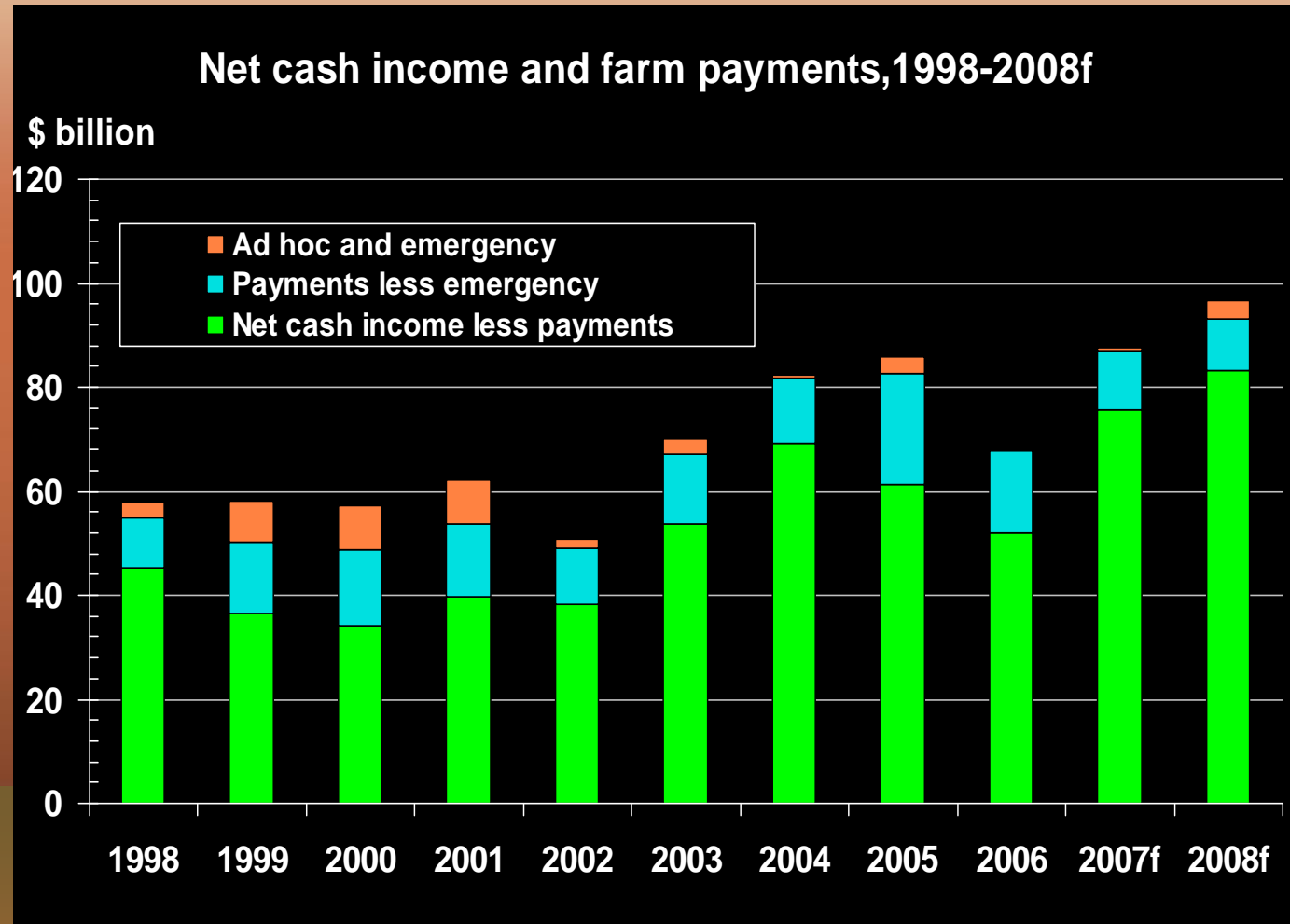


## Farm sector 2008 net income substantially above 10-year average in current dollars and after adjusting for price-level changes

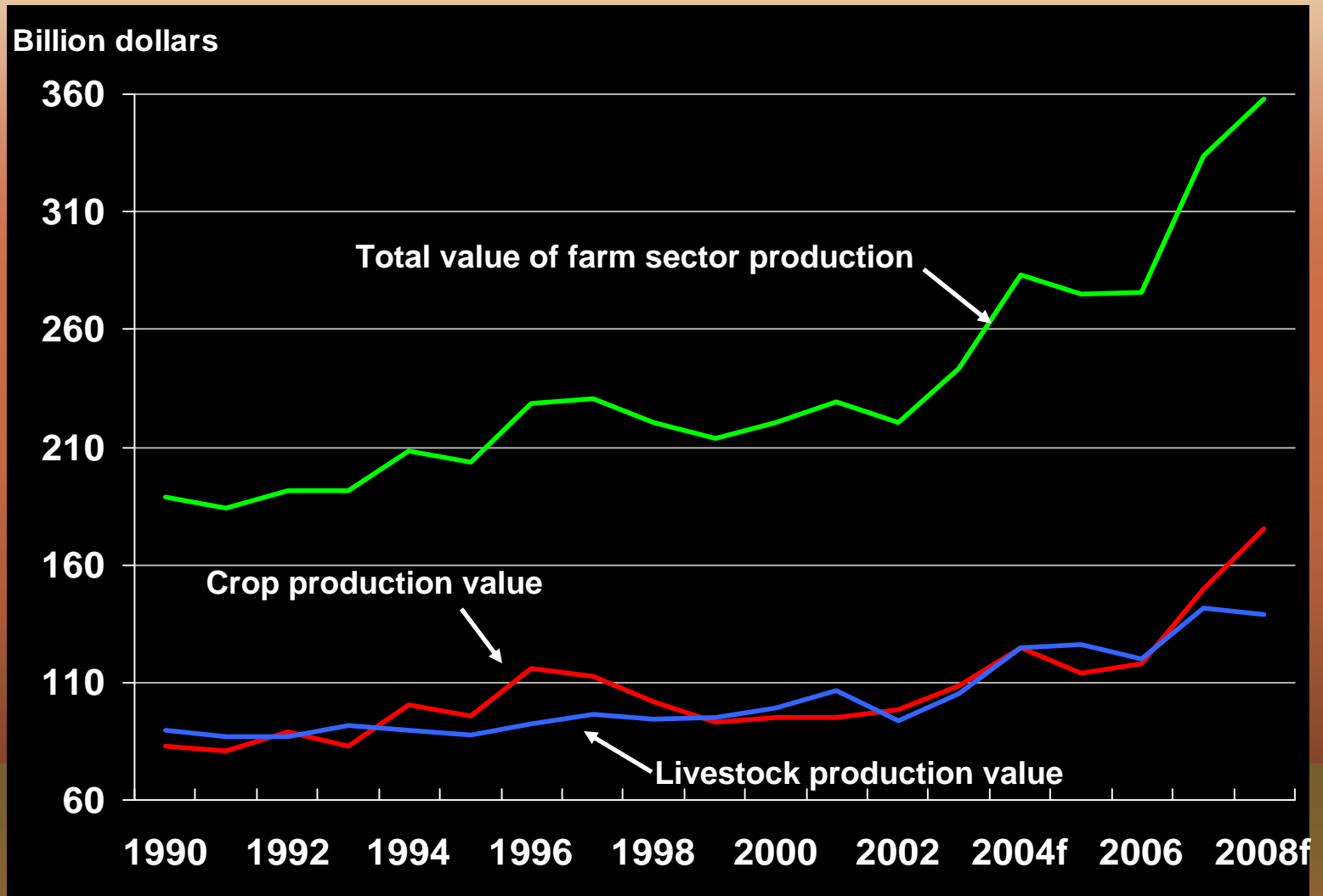




# Cash income projected to establish new record of \$96.6 billion in 2008

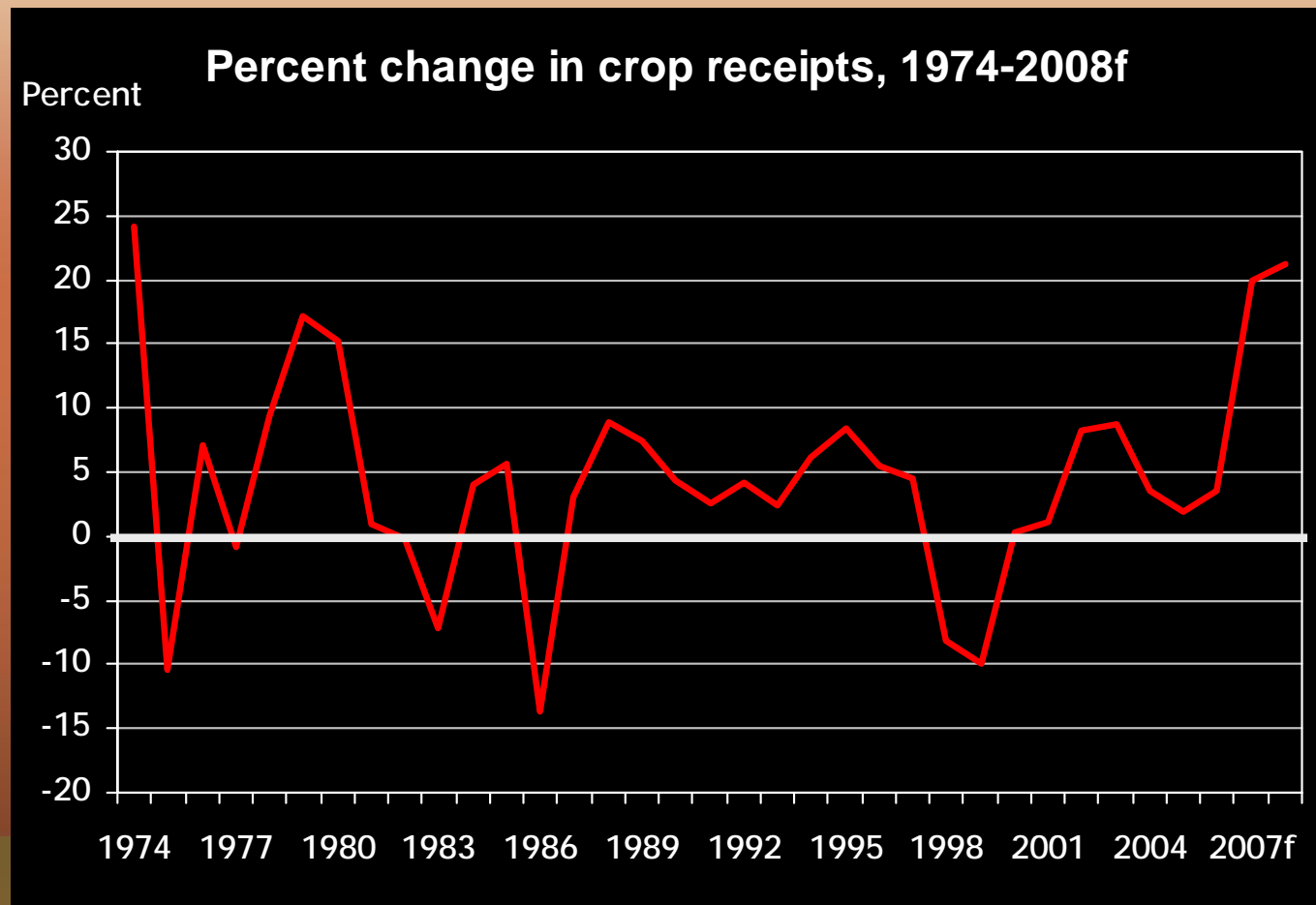


# Farm sector production establishes new record value in 2008





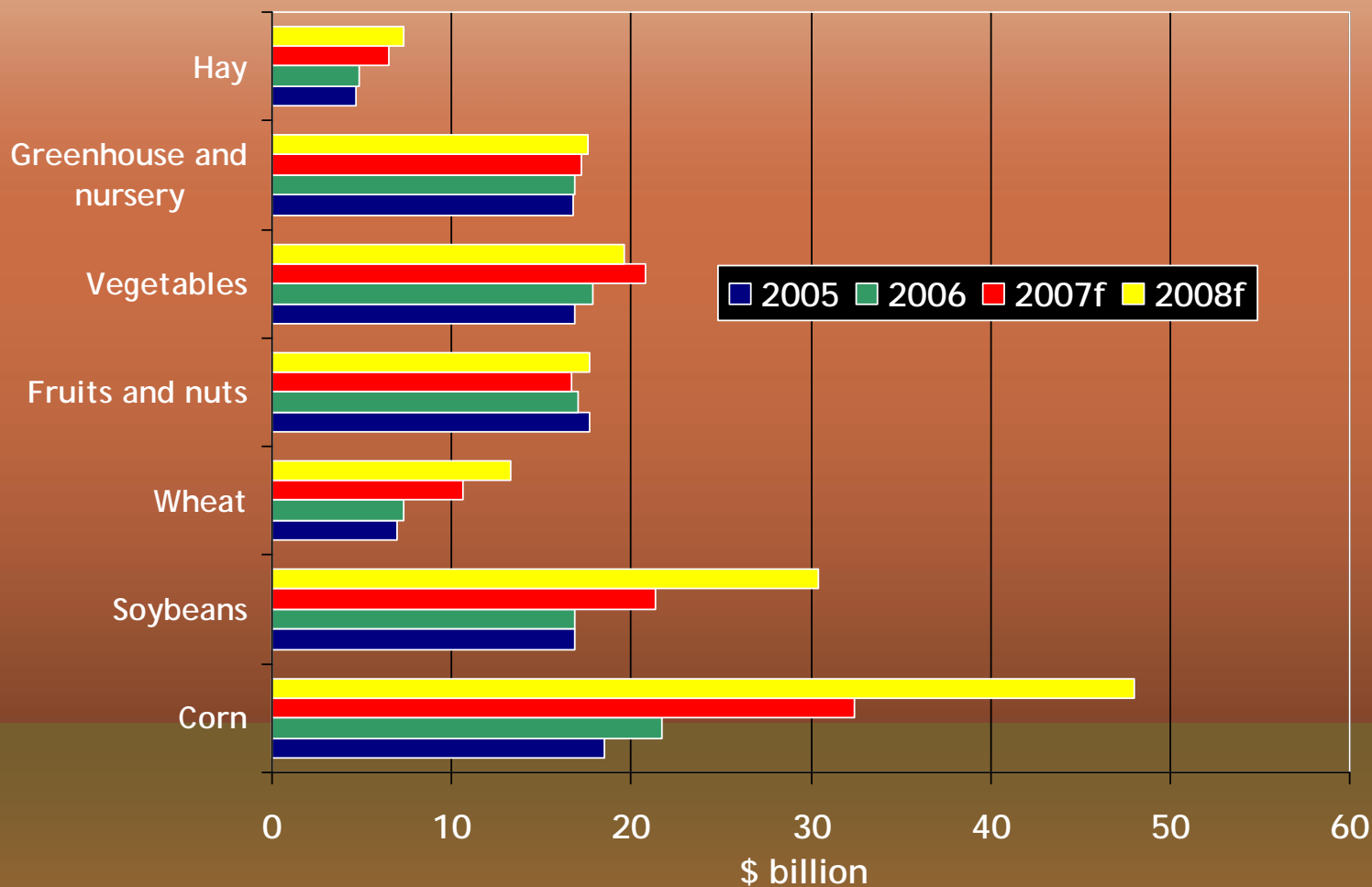
## Largest annual increase in crop receipts since the 1970's



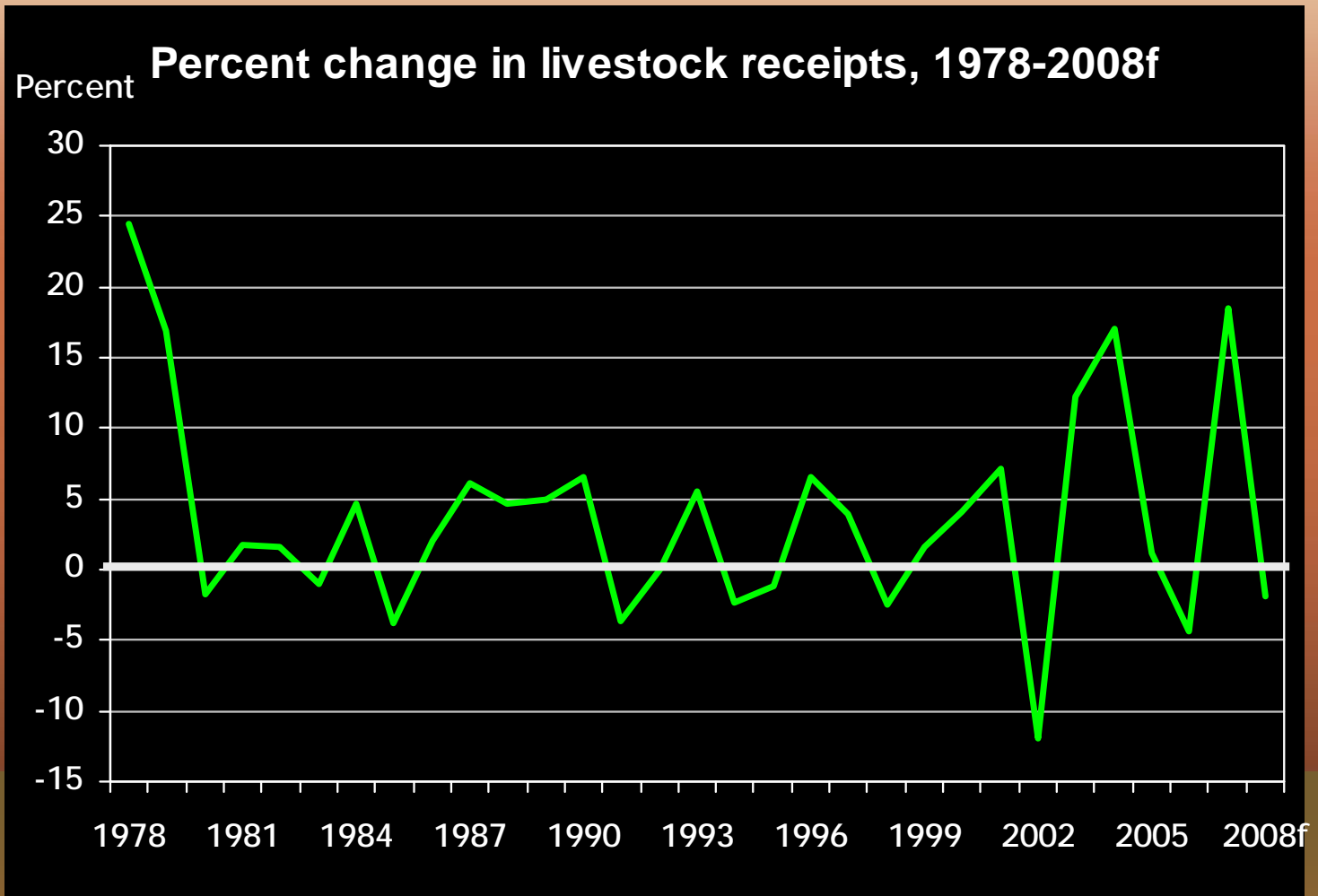


# The growth in crop receipts is concentrated among a few crops

Receipts for selected crops, 2005-2008f



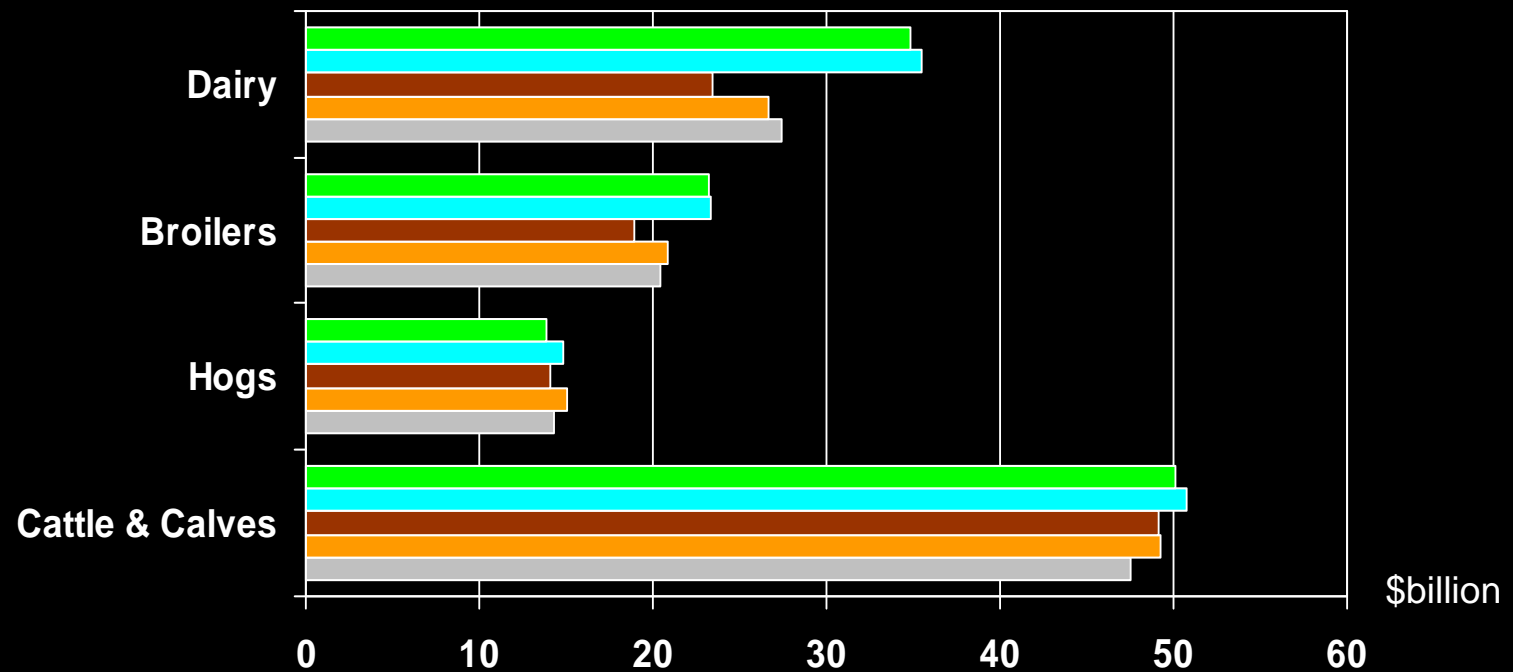
## After strong increase in 2007, livestock receipts decline



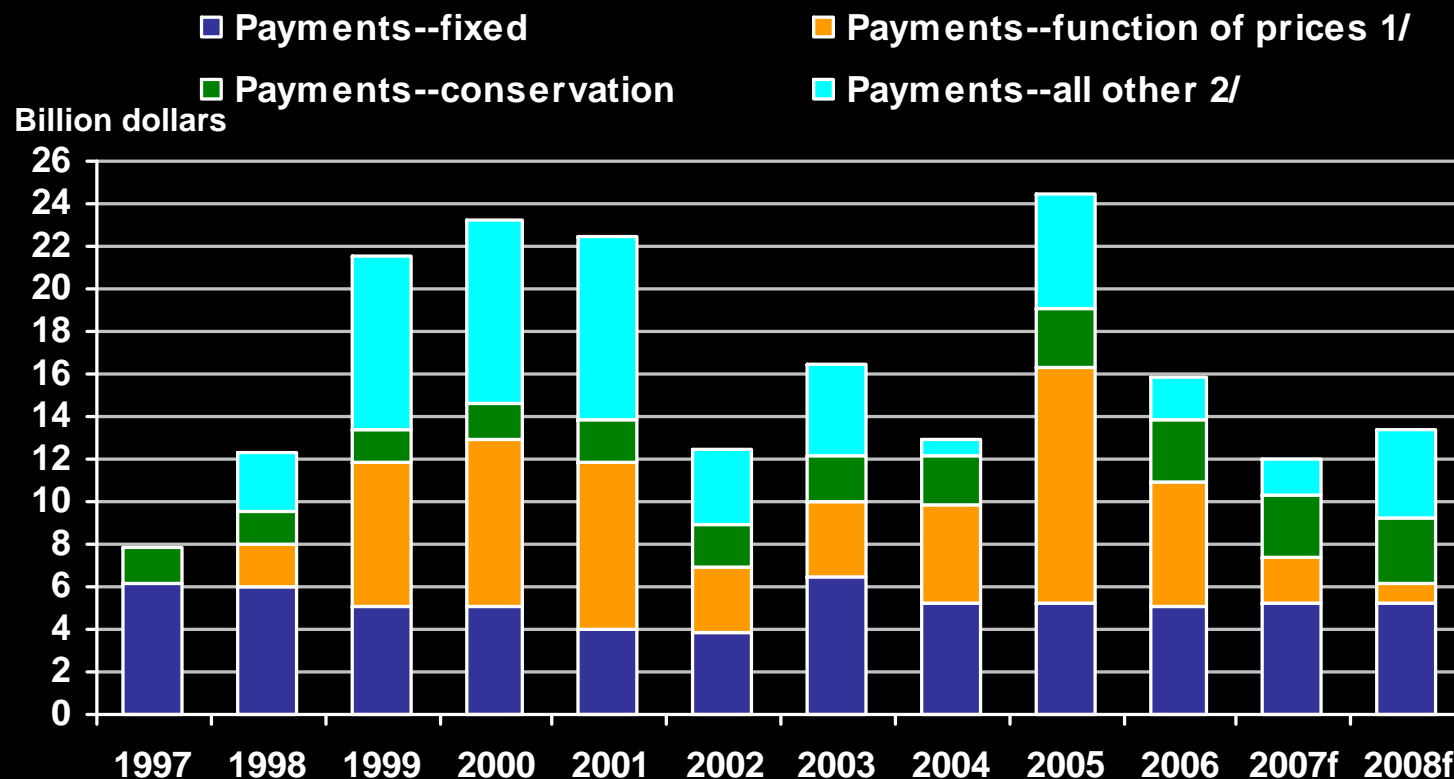
## Livestock receipts decline 2 percent from 2007 record; still exceed \$100 billion for fifth consecutive year

Selected livestock receipt components

■ 2004 ■ 2005 ■ 2006 ■ 2007f ■ 2008f



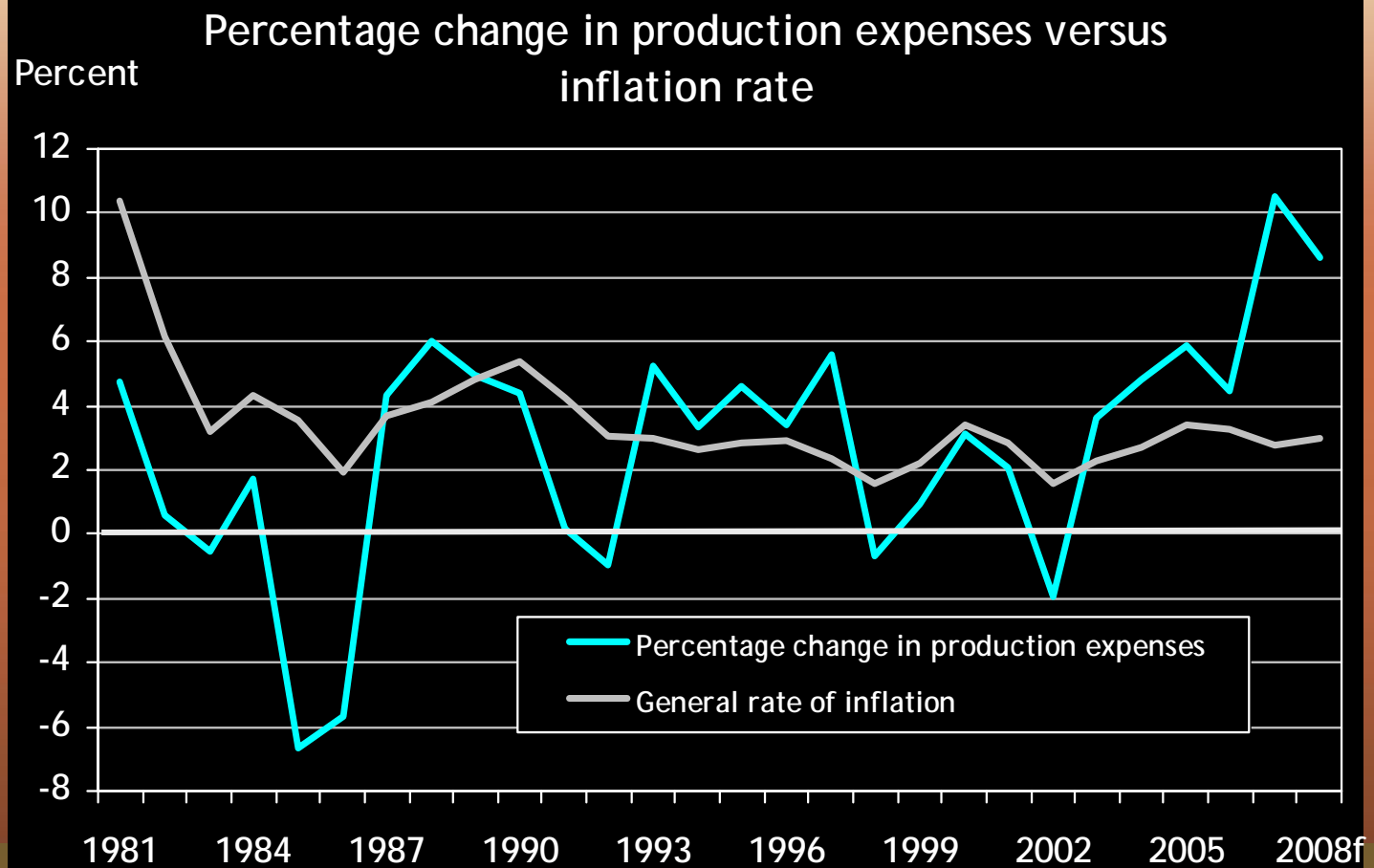
# Government payments expected to increase slightly in 2008



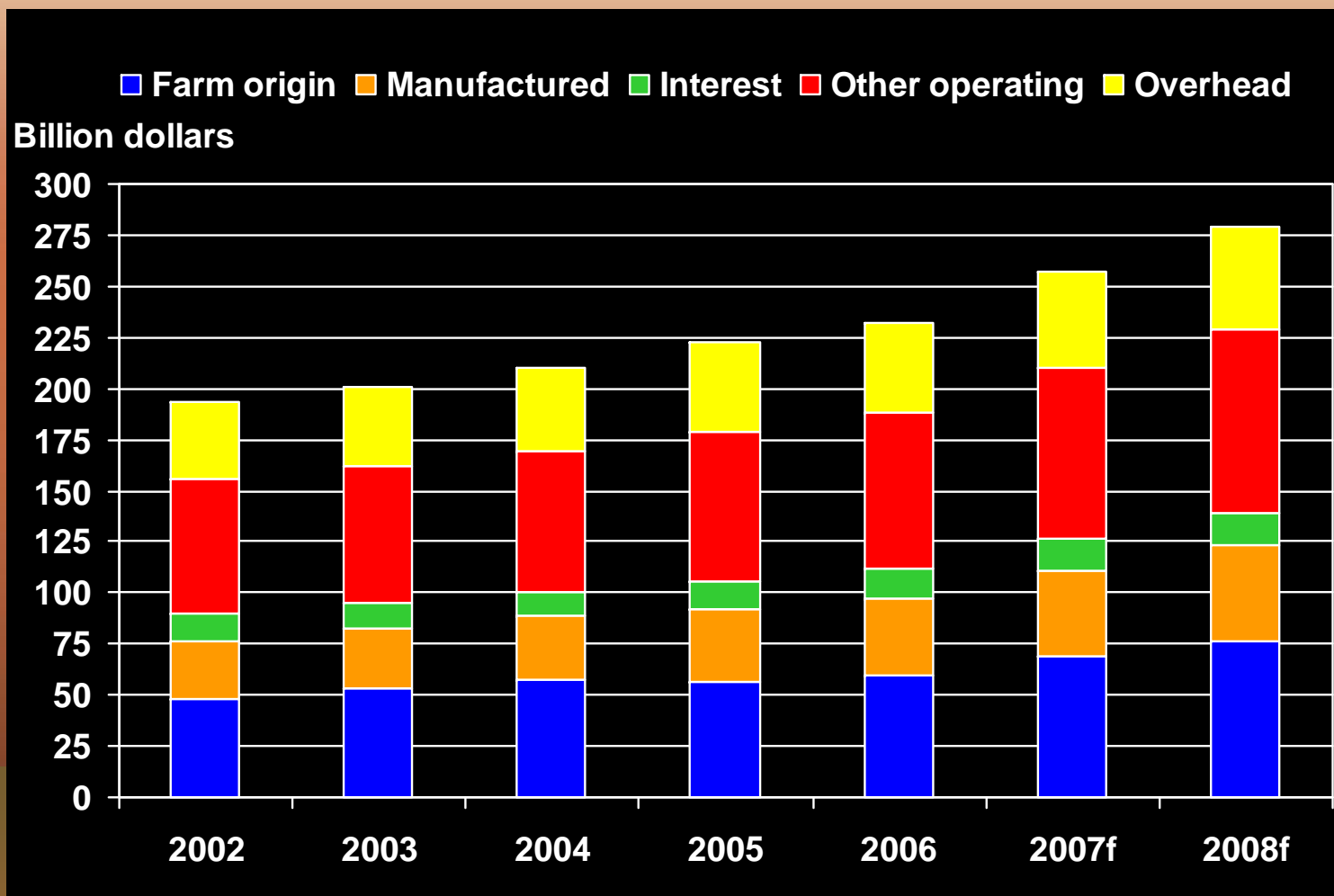
1/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, and certificate exchange gains, where payment rates vary with market prices.

2/ Ad hoc and emergency program payments, tobacco transition program payments, milk income loss program payments, peanut quota buyout payments, and other program payments.

# Input costs higher in 2008

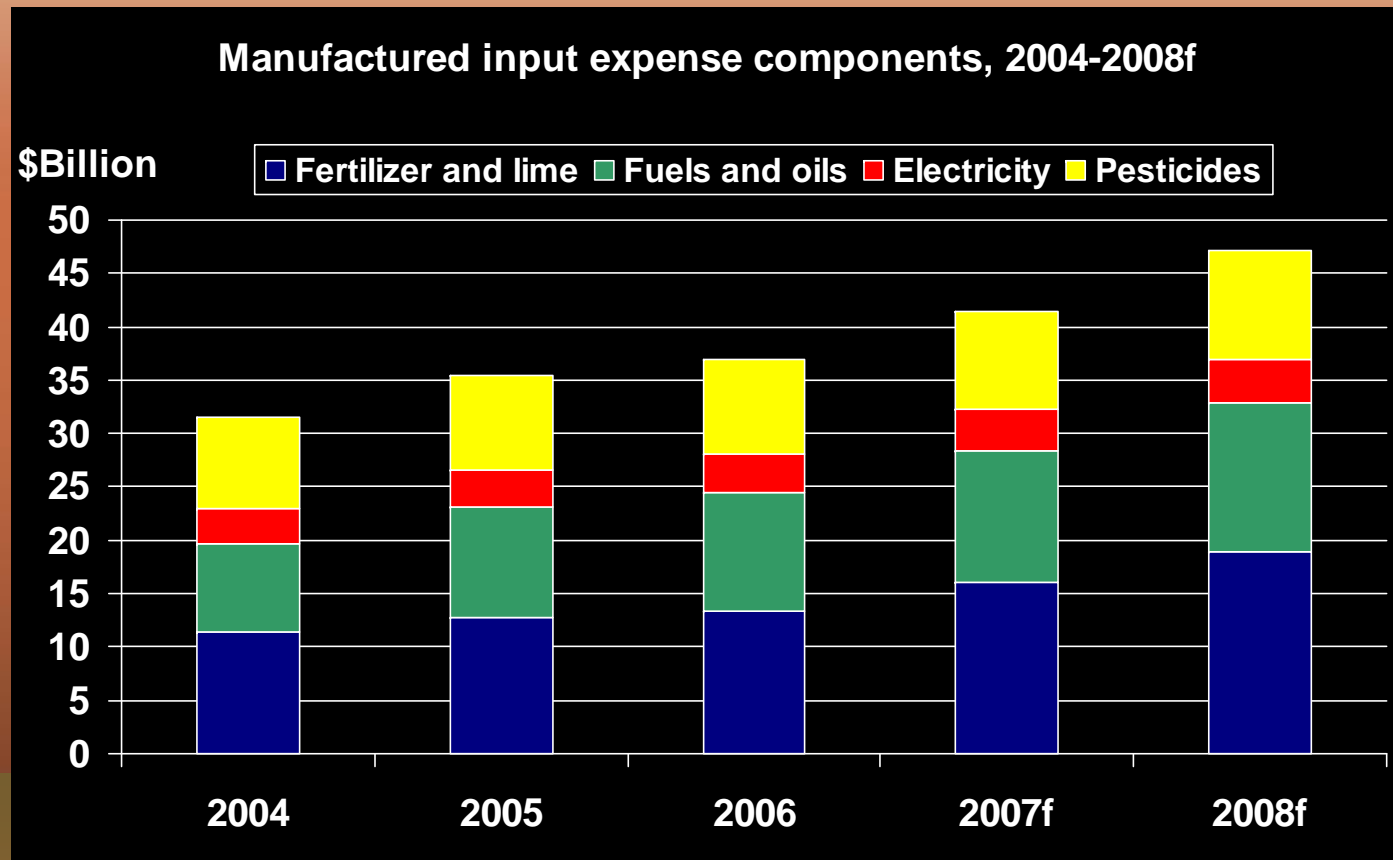


**Farm expenses are forecast to be 9 percent higher in 2008, with fertilizer and feed increasing most over 2007**

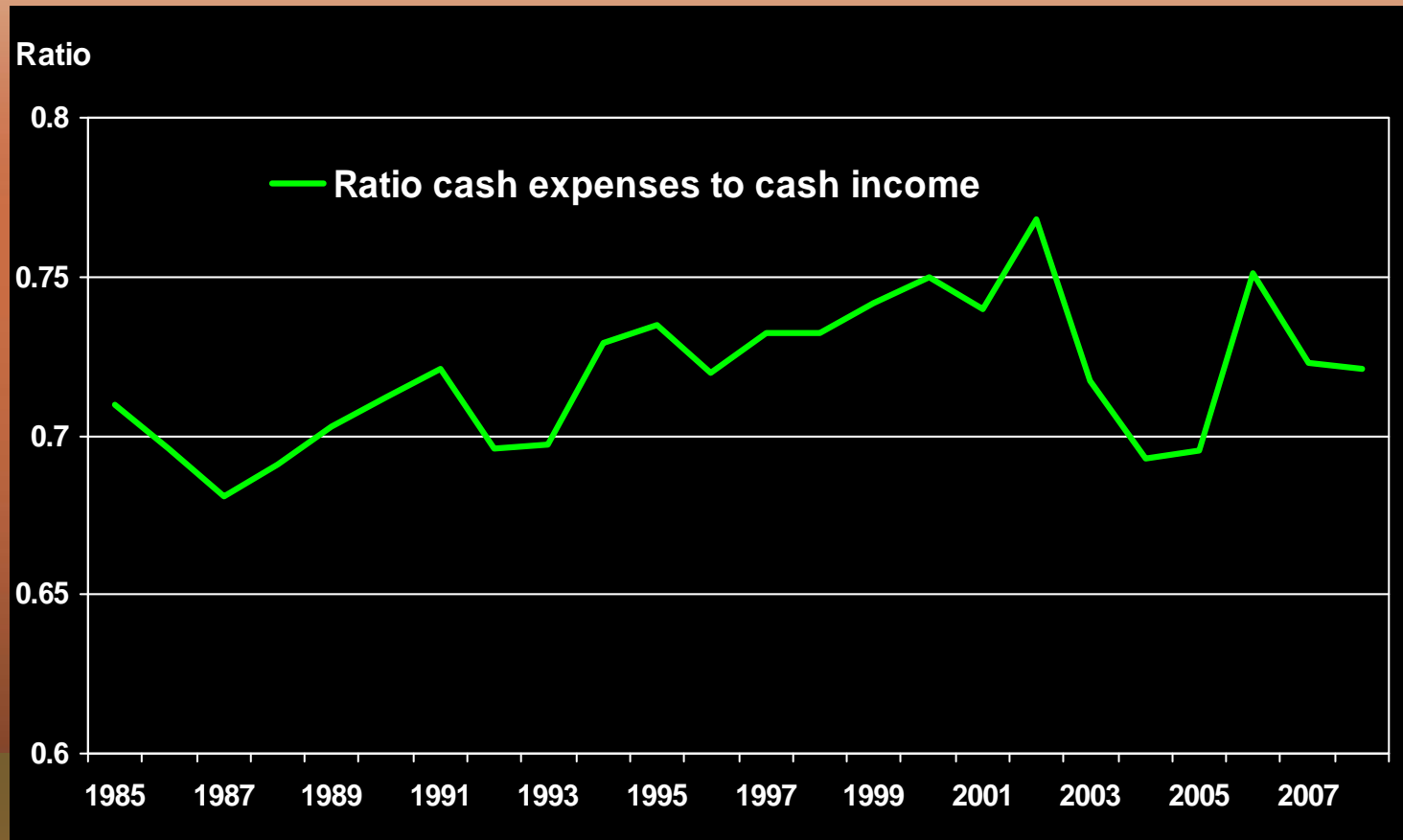





# Fertilizer and fuel costs continue to drive manufactured input cost increases



**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

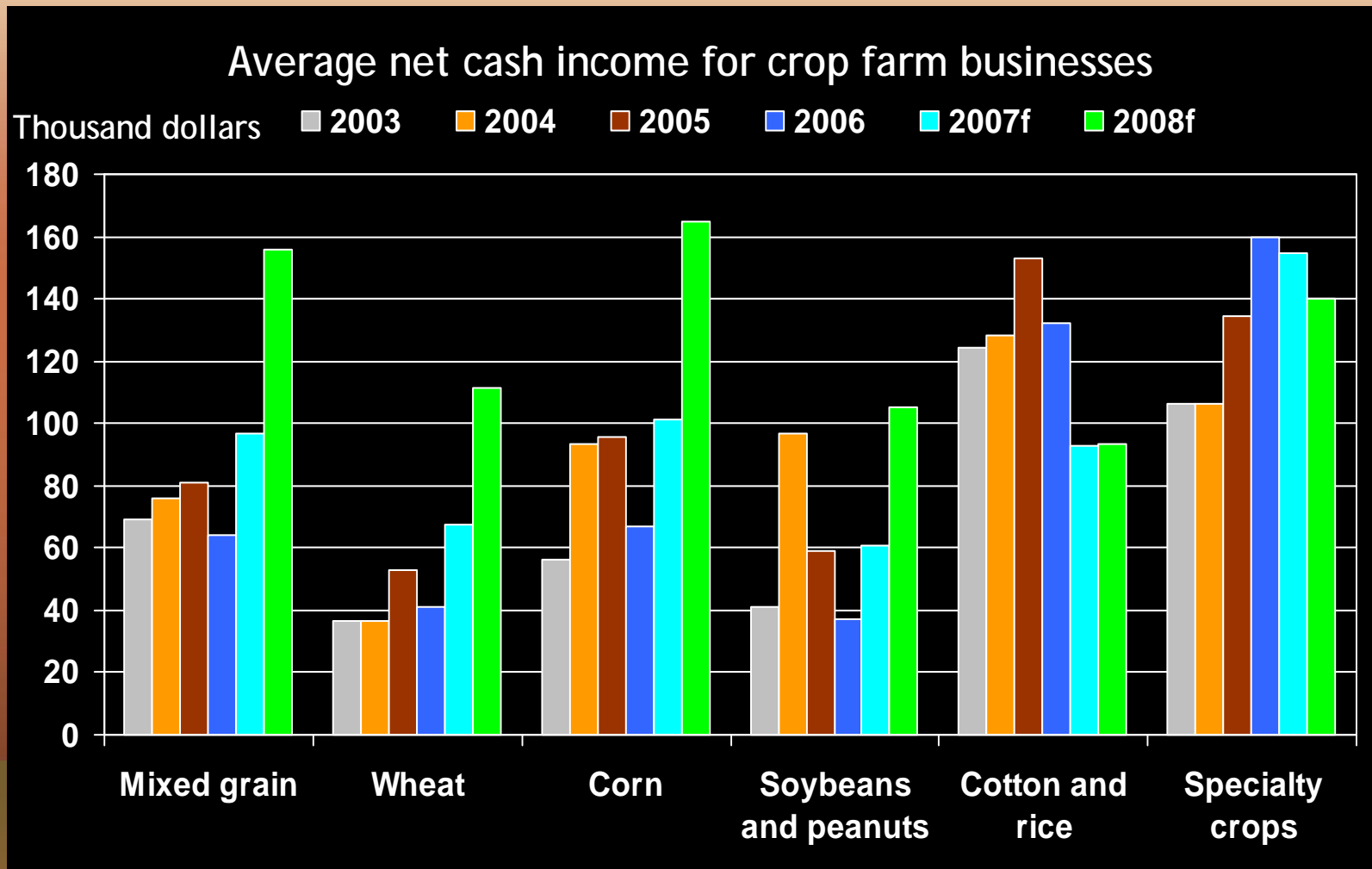
### Ownership structure

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

### Operating structure

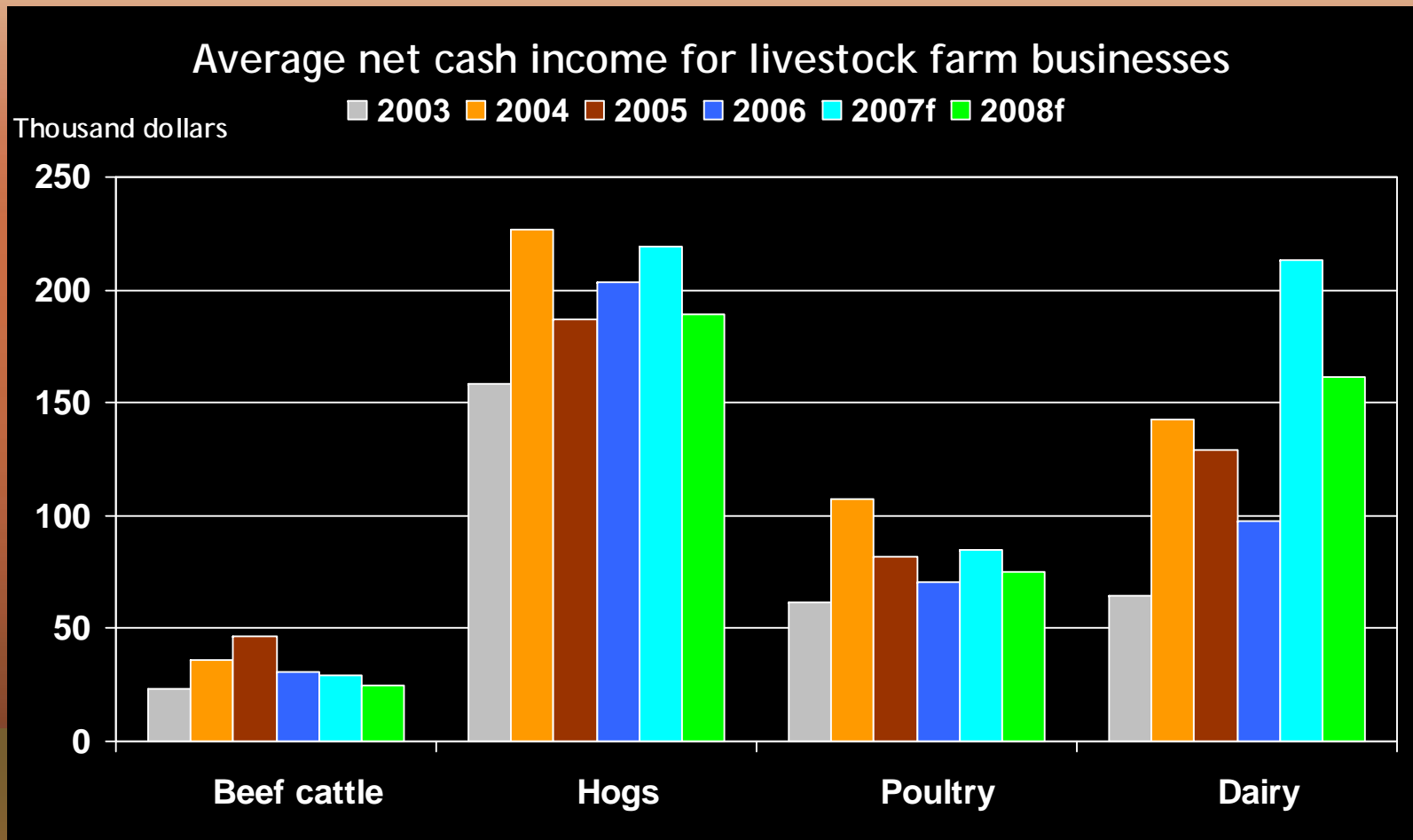
Multiple operators	(45% of farms)
Contracts	(2% of farms)
Joint ventures, alliances, etc.	

# Average incomes forecast to increase for most program crop farm businesses



Farm businesses refer to commercial and intermediate size farms

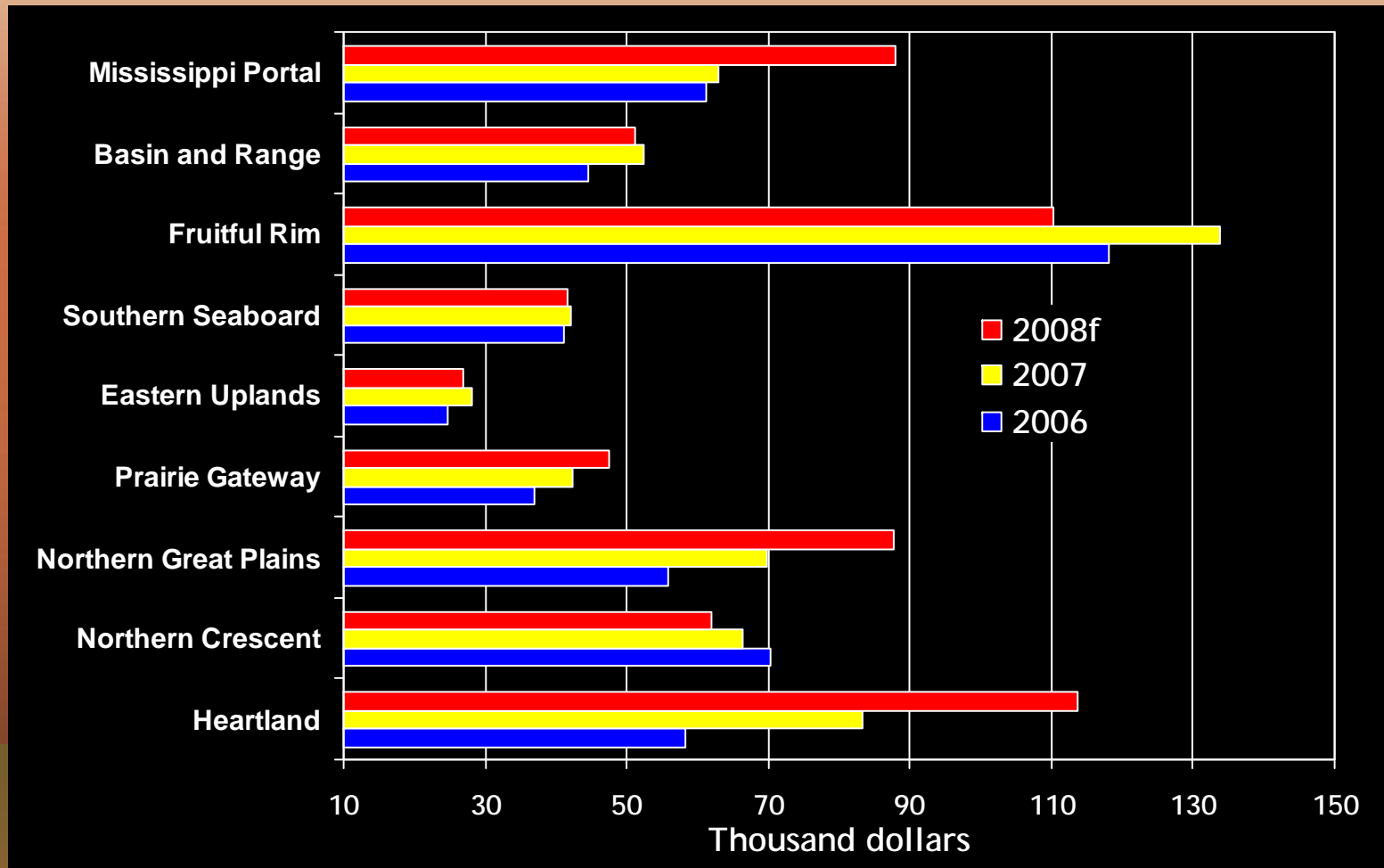
## Expense increases and lower receipts result in declining Livestock farm business incomes



Farm businesses refer to commercial and intermediate size farms

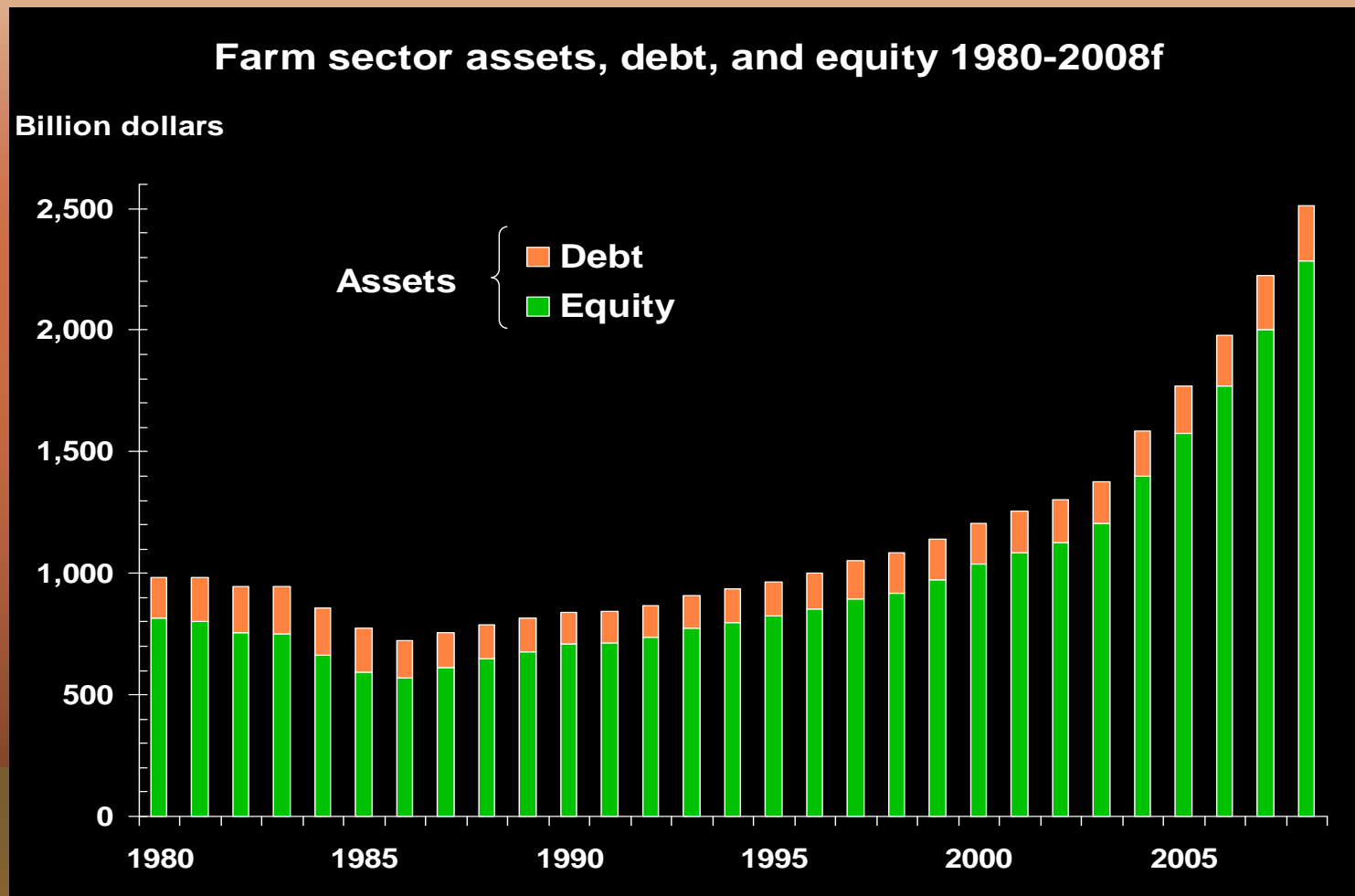


## Average net cash income is projected to increase most in the Heartland, Mississippi Portal, and Northern Great Plains

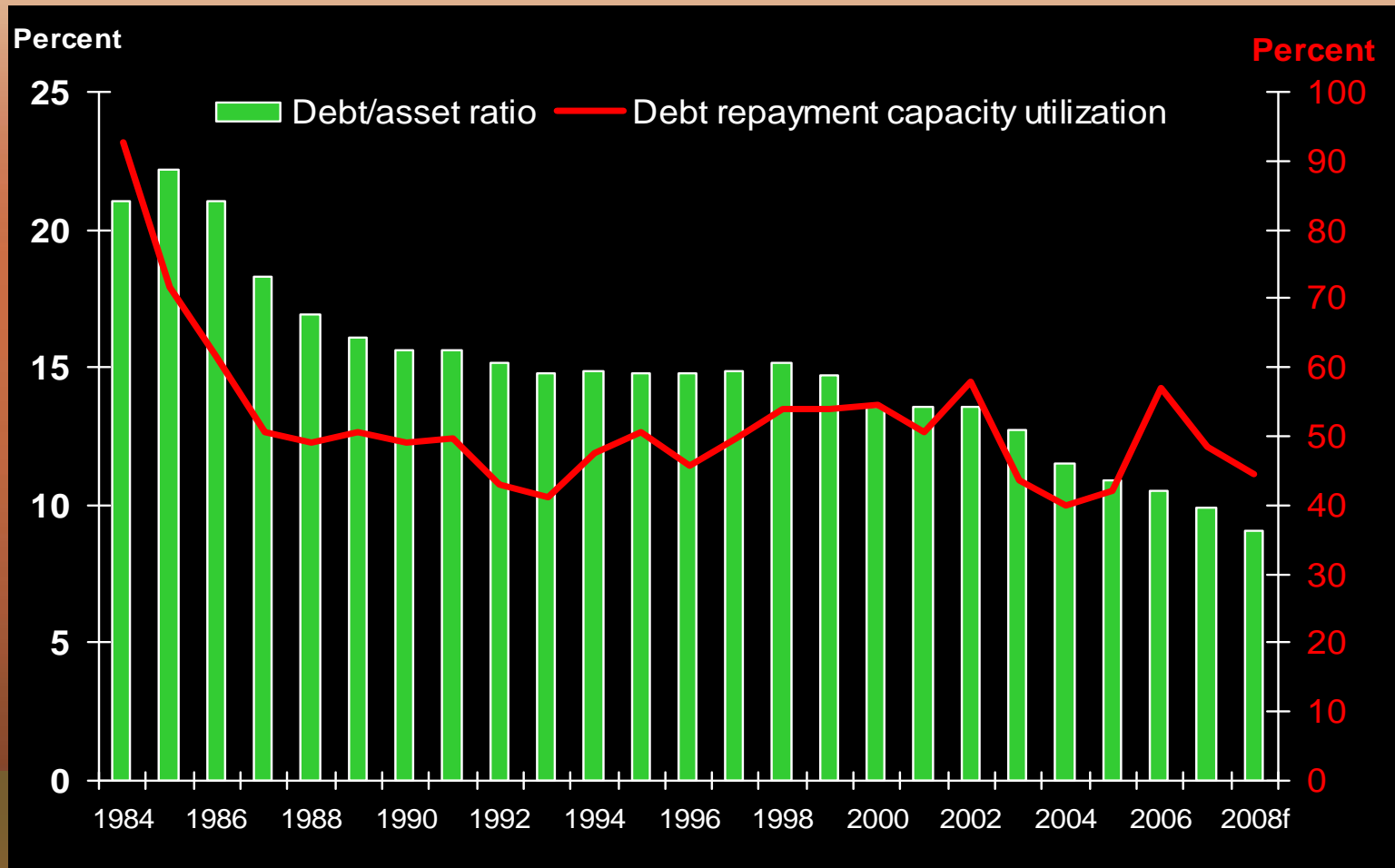




# Farm Assets, Debt and Equity at Record High Nominal Levels in 2008



## 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

