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# Baseline Update for U.S. Farm Income and Government Costs

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The projections reported here are based on the market outlook reported in the *Baseline Update for U.S. Agricultural Markets*, FAPRI-MU Report #04-21.

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## Summary

Higher commodity prices contribute to a sharp increase in U.S. net farm income in 2021. Under current policies, farm income could drop again in 2022, as government payments decline and production expenses continue to rise.

This report utilizes commodity supply, demand and price projections from the FAPRI-MU baseline update released in early September 2021 (FAPRI-MU Report #04-21, available at [www.fapri.missouri.edu](http://www.fapri.missouri.edu)). Historical data are from USDA and include the revision to farm income accounts released by the Economic Research Service (ERS) on September 2, 2021.

These baseline estimates reflect policies in place in late August 2021. It utilizes ERS estimates that farmers will receive about \$18 billion in 2021 from pandemic-related programs such as the Coronavirus Food Assistance Program (CFAP), the Pandemic Assistance for Producers (PAP) initiative, and the Paycheck Protection Program (PPP). No further ad hoc assistance is assumed for 2022 and subsequent years, nor do these current-policy projections include any payments that might result from prospective legislation.

Given the assumptions of the analysis, here are a few highlights of the results:

- Projected 2021 net farm income reaches the highest level since 2013. Relative to 2020, a sharp increase in receipts from sales of crop and livestock products more than offsets the impact of higher production expenses and reduced government payments.
- At \$122 billion, projected 2021 net farm income exceeds that reported by ERS by several billion dollars. FAPRI-MU and ERS estimates of 2021 livestock sector receipts, government payments and production expenses are similar, but FAPRI-MU estimates higher receipts for corn, soybeans and other crops.
- Total projected government spending on farm-related programs reaches a record \$52 billion in fiscal year (FY) 2021. Spending on pandemic-related programs accounts for most of the outlays. Spending on 2018 farm bill commodity and crop insurance programs account for less than one-third of total expenditures on the selected programs in FY 2021.
- Under current policies, government outlays drop to \$22 billion in FY 2022, and government payments to farmers fall from \$29 billion in calendar year 2021 to \$6 billion in 2022. Conservation programs account for most 2022 government payments.
- Projected market prices for several crops peak in the 2021/22 marketing year. As a result, feed grain and oilseed market receipts decline after 2021, but remain well above the levels of 2020.
- In contrast, receipts for cattle, dairy and poultry all continue to increase each year. Hog receipts jump in 2021 with sharply higher barrow and gilt prices and then fall back in 2022 as prices moderate.
- Higher costs for feed, purchased livestock, fertilizer and other farm inputs raise farm production expenses by \$27 billion in 2021, and a smaller increase is projected for 2022.
- In 2022, net farm income declines by \$23 billion and net cash income falls even more sharply. Reduced government payments and higher production expenses explain the decline, as there is little net change in farm receipts.
- In later years, projected net farm income remains fairly steady in nominal terms at just under \$100 billion each year. After adjusting for inflation, real net farm income declines each year, and the projected value in 2026 is similar to that in 2019.
- Rising asset values and slower growth in debt reduce the sector's debt-to-asset ratio in 2021 and 2022, temporarily reversing the trend of previous years. Lower projected farm income halts the rise in farm real estate values in 2023, and the debt-to-asset ratio again begins to increase.

In contrast to the 2021 FAPRI baseline prepared earlier this year, these estimates do not consider market uncertainty. Small proportional changes in market receipts or production expenses can dramatically change the outlook for net income.

## U.S. government outlays

Fiscal year	2019	2020	2021	2022	2023	2024	2025	2026
<b>Commodity Credit Corporation</b> (Million dollars)								
Farm bill commodity programs	3,437	3,157	6,833	2,799	1,353	1,156	1,050	1,048
Corn	595	437	1,346	7	29	6	13	40
Wheat	1,049	470	1,675	858	71	38	25	35
Soybeans	270	184	616	1	19	6	11	42
Upland cotton and seed cotton	-77	567	941	507	50	93	53	40
Rice	495	635	363	249	241	162	160	151
Other major crops & dairy	1,105	864	1,891	1,178	944	852	788	741
Other CCC-funded programs	17,952	13,727	3,200	3,182	3,208	3,253	3,211	3,202
Market facilitation program	13,678	9,213	0	0	0	0	0	0
Conservation reserve	1,904	1,853	1,880	1,994	2,040	2,085	2,050	2,041
Disaster and all other	2,370	2,661	1,320	1,188	1,168	1,168	1,162	1,161
<b>Total CCC programs</b>	<b>21,389</b>	<b>16,884</b>	<b>10,033</b>	<b>5,981</b>	<b>4,561</b>	<b>4,409</b>	<b>4,261</b>	<b>4,250</b>
<b>Non-CCC programs</b>								
Crop insurance	11,995	9,894	7,657	10,266	10,587	10,138	10,127	10,127
Pandemic-related (CFAP, PAP*)	0	10,000	20,800	2,000	0	0	0	0
Paycheck protection program	0	6,000	8,700	0	0	0	0	0
NRCS conservation	3,084	3,210	3,624	3,396	3,281	3,468	3,504	3,562
Non-CCC disaster and all other	0	1,848	1,386	0	0	0	0	0
<b>Total non-CCC programs</b>	<b>15,079</b>	<b>30,952</b>	<b>42,167</b>	<b>15,662</b>	<b>13,868</b>	<b>13,606</b>	<b>13,631</b>	<b>13,689</b>
<b>Total, CCC &amp; non-CCC</b>	<b>36,468</b>	<b>47,836</b>	<b>52,200</b>	<b>21,643</b>	<b>18,428</b>	<b>18,015</b>	<b>17,891</b>	<b>17,939</b>

Note: Fiscal years begin on Oct. 1 (FY 2021: Oct. 1, 2020 to Sep. 30, 2021).

\* Coronavirus Food Assistance Program (CFAP) and Pandemic Assistance for Producers (PAP) initiative.

## U.S. government payments (farm income accounts)

Calendar year	2019	2020	2021	2022	2023	2024	2025	2026
<b>(Million dollars)</b>								
Price loss coverage	1,945	4,953	1,959	622	599	576	584	603
Agriculture risk coverage	710	1,269	60	105	38	37	107	266
Market facilitation program	14,203	3,782	42	0	0	0	0	0
Pandemic-related (CFAP, PAP)	0	23,500	9,300	0	0	0	0	0
Paycheck protection program	0	6,000	8,700	0	0	0	0	0
Conservation programs	3,830	3,815	4,092	4,032	4,016	4,125	4,128	4,161
Emergency and disaster	1,448	2,044	2,967	691	684	682	677	677
Dairy and all other	311	325	1,171	812	623	543	460	381
<b>Total direct payments</b>	<b>22,447</b>	<b>45,688</b>	<b>28,291</b>	<b>6,262</b>	<b>5,961</b>	<b>5,964</b>	<b>5,955</b>	<b>6,088</b>

## U.S. farm cash receipts

Calendar year	2019	2020	2021	2022	2023	2024	2025	2026
	(Billion dollars)							
Feed grains	58.59	56.46	81.42	80.70	74.85	74.58	73.91	73.12
Food grains	11.50	11.75	14.49	13.68	14.01	14.01	14.08	14.17
Oilseeds	36.22	39.04	58.41	56.17	53.54	52.71	52.00	51.81
Cotton	6.82	6.69	7.82	7.79	7.53	7.67	7.82	7.91
Sugar	2.30	2.56	2.61	2.58	2.59	2.62	2.65	2.68
Other crops	76.19	75.65	74.76	76.77	77.86	78.93	80.27	81.76
Cattle	66.27	63.09	70.33	72.07	74.15	76.40	77.77	78.89
Hogs	21.77	19.17	29.10	25.51	24.72	24.81	25.04	25.27
Dairy products	40.55	40.55	41.15	41.82	42.65	43.16	43.56	44.19
Poultry, eggs	40.01	35.55	44.25	43.92	43.88	44.65	45.76	46.95
Other livestock	6.86	6.64	6.86	6.89	6.99	7.14	7.27	7.41
Total cash receipts	367.08	357.16	431.20	427.90	422.76	426.68	430.11	434.16

## U.S. farm production expenses

Calendar year	2019	2020	2021	2022	2023	2024	2025	2026
	(Billion dollars)							
Feed	59.44	56.84	69.40	68.24	63.34	62.52	61.73	61.21
Purchased livestock	28.49	28.99	31.49	31.77	33.02	33.92	34.35	34.74
Seed	21.21	23.02	23.28	23.87	24.49	25.07	25.47	25.76
Fertilizer and chemicals	37.85	40.95	43.25	46.80	46.66	46.22	45.87	45.70
Fuels and electricity	18.94	17.95	19.69	21.64	21.67	21.92	22.23	22.57
Interest	20.69	18.96	18.78	19.30	19.83	20.42	21.09	21.77
Contract and hired labor	34.72	36.60	38.06	39.39	40.62	41.78	42.95	44.19
Capital consumption	28.81	29.25	30.16	31.26	31.63	31.70	31.75	31.85
Rent to landlords	16.82	18.11	18.33	19.33	19.29	19.20	19.35	19.56
All other	81.61	86.69	92.22	95.94	96.76	98.06	99.35	100.69
Total production expenses	348.59	357.37	384.67	397.55	397.30	400.82	404.15	408.03

## U.S. farm income

Calendar year	2019	2020	2021	2022	2023	2024	2025	2026
	(Billion dollars)							
Farm receipts	401.8	391.5	468.1	467.6	462.2	466.4	470.3	474.9
Crops	191.6	192.2	239.5	237.7	230.4	230.5	230.7	231.5
Livestock	175.4	165.0	191.7	190.2	192.4	196.2	199.4	202.7
Farm-related	34.7	34.3	36.9	39.7	39.4	39.7	40.2	40.8
Direct government payments	22.4	45.7	28.3	6.3	6.0	6.0	6.0	6.1
Gross cash income	424.3	437.2	496.4	473.9	468.1	472.4	476.3	481.0
Nonmoney income	18.4	18.5	19.9	20.7	20.4	20.1	19.9	19.7
Value of inventory change	-15.0	-3.8	-9.3	2.3	-0.3	0.1	0.2	0.4
Gross farm income	427.6	451.9	506.9	496.9	488.3	492.6	496.4	501.1
Cash expenses	317.4	326.3	352.5	364.3	363.4	366.6	370.0	373.8
Total expenses	348.6	357.4	384.7	397.5	397.3	400.8	404.1	408.0
Net cash income	106.9	110.9	143.8	109.6	104.8	105.7	106.3	107.2
Net farm income	79.1	94.6	122.3	99.3	91.0	91.7	92.3	93.1
Deflated (2021 \$)	81.4	95.7	122.3	96.1	86.0	84.9	83.5	82.4

## U.S. farm balance sheet

Calendar year	2019	2020	2021	2022	2023	2024	2025	2026
	(Billion dollars)							
<b>Farm assets</b>								
Real estate	2,546	2,641	2,742	2,875	2,818	2,760	2,750	2,751
All other	529	534	594	593	572	536	524	520
Total assets	3,075	3,175	3,335	3,468	3,390	3,296	3,275	3,270
<b>Farm debt</b>								
Real estate	268	292	300	309	317	320	321	322
All other	152	153	151	156	157	160	162	165
Total debt	420	445	451	466	474	480	484	488
<b>Debt/asset ratio</b>	13.6%	14.0%	13.5%	13.4%	14.0%	14.6%	14.8%	14.9%