



Rural & Farm Finance
Policy Analysis Center
University of Missouri

Spring 2023 *Arkansas* *Farm Income Outlook*

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UofA **DIVISION OF AGRICULTURE**
RESEARCH & EXTENSION
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Global and National Factors

Key considerations:

- Prices for many crops have been at or near record nominal levels in the 2022/23 marketing year. Unfavorable weather reduced crop production in the United States, the Russian invasion of Ukraine limited exports by a major competitor in world markets, and world economic growth supported demand.
- If weather conditions allow crop yields to return to trend-line levels in 2023, prices for corn, soybeans, wheat, cotton and many other crops are likely to fall.
- Higher fertilizer, fuel and feed costs contributed to a very sharp increase in farm production expenses in 2022. A smaller increase is projected in 2023, and lower prices for some inputs result in a reduction in production costs in 2024 and 2025.
- In 2023, most projected livestock sector prices fall as supplies rebound and demand growth slows. The one major exception is cattle, where drought-reduced inventories reduce the number of animals available for slaughter.
- Crop losses in 2022 result in high budgetary costs for the crop insurance program in fiscal year 2023. Crop insurance accounts for 45% of projected spending on major farm-related programs over the next decade. Commodity program spending associated with Title I of the farm bill is relatively low in FY 2023 and 2024, but rebound in later years given projected changes in commodity prices and program payment triggers under the price loss coverage (PLC) and agriculture risk coverage (ARC) programs.
- Net farm income reached a record level in nominal terms in 2022, as sharply higher crop and livestock receipts more than offset reduced government payments and increased production expenses. Projected net income declines in 2023 and 2024 as receipts and payments fall.
- Farm asset values have increased with land prices in recent years, and another increase is projected for 2023. Given assumptions of the outlook, lower farm income and high interest rates restrict further increases in farm real estate values in subsequent years.

Acknowledgments

Reader note: Data for year 2021 are USDA/ERS first estimates and subject to revision in subsequent publications. Arkansas crop production data were sourced from USDA's January report and farm income data were sourced from the September 1, 2022 USDA-ERS data release.

Key terminology: poultry cash receipts are measured at the integrator level, using NASS Production, Disposition and Income Reports (PDI); net farm income represents a net value of production and residual income for producers, based on the latest ERS methodology ([find more information here](#)).

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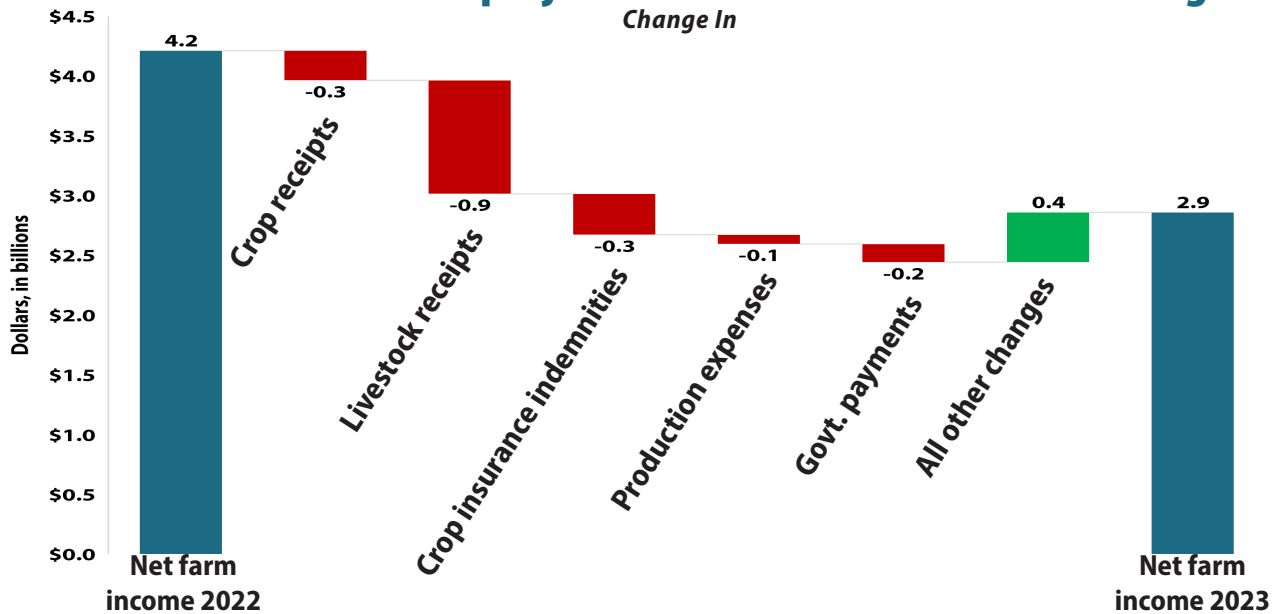
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Arkansas net farm income projected to retreat from record-setting 2022

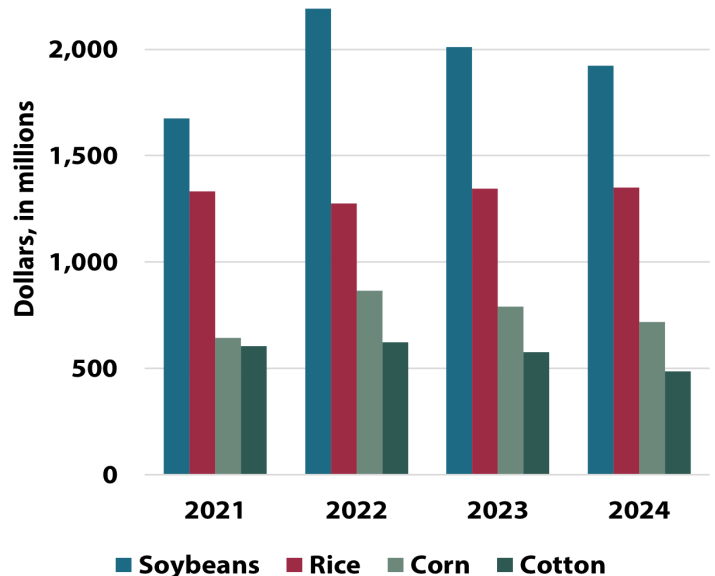


After a record-setting 2022, 2023 Arkansas net farm income declines \$1.3 billion and is projected to return to levels closer to 2021. Total farm receipts decline \$1.6 billion and are further compounded by increased production expenses. Federal crop insurance indemnities decrease by \$342 million, while direct government payments fall \$152 million. **Arkansas' 32% decrease in net farm income is a larger decline than the projected 19% decrease in U.S. net farm income.** One contributing factor is the state's livestock receipts, which decrease more rapidly than national receipts. In Arkansas, poultry and egg receipts make up a larger share of state farm receipts than national receipts; weaker poultry and egg prices in 2023 more than offset any improvements in production.

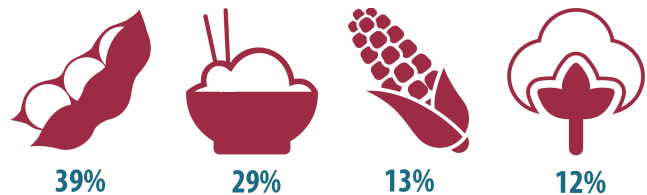
Arkansas Crops

- Higher commodity prices lead the top 7-crop planted area plus hay harvested area in Arkansas to expand 35,000 acres in 2023. The **top 7-crop plus hay area hovers around 7 million acres** for the third year in a row.
- In 2023, **soybean planted area exceeds 3.18 million acres for the second year in a row.** This keeps soybean as the top field crop by area, exceeding rice planting by 1.9 million acres.
- Rice planted area sees an increase of 163,000 acres in 2023; production climbs 16.3 million hundredweight from 2022. With increased production compensating for declining prices, **rice receipts rise \$68 million in 2023.**
- In 2023, **corn planted area rebounds by 60,000 acres.** This increase seems to come at the cost of cotton acres, which decline by 154,000 acres. **Even assuming a return to trend yields in 2023, cotton production and receipts are projected to decline this year.**

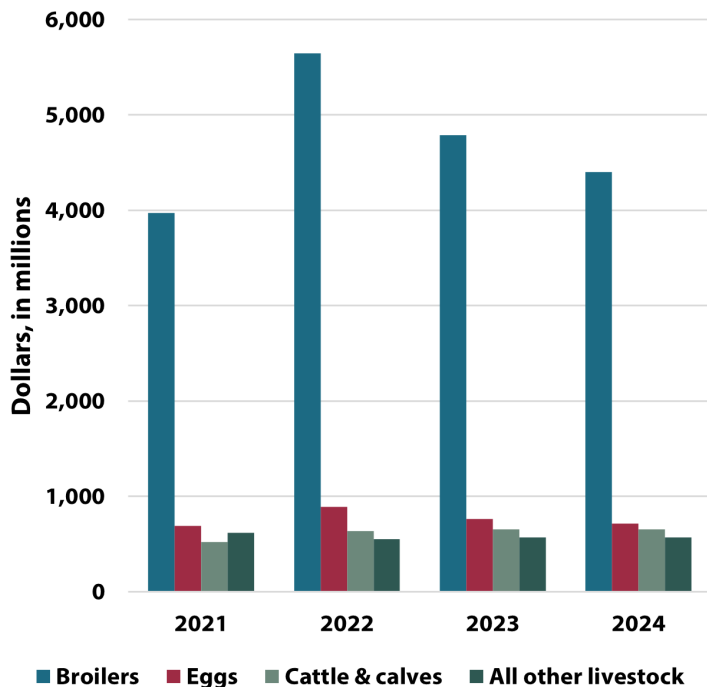
Crop receipts decrease \$0.25 billion in 2023



2017-2021 average share of crop receipts (listed in order of receipt value)



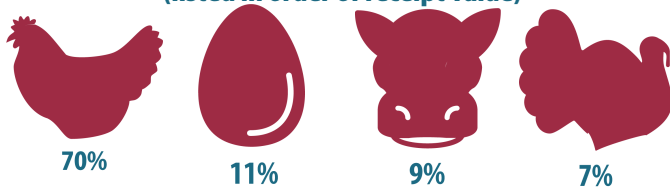
Livestock receipts decline \$0.95 billion in 2023



Arkansas Livestock

- Poultry and eggs cash receipts are projected to turn lower in 2023. **This combined category declines \$954 million, driven largely by lower prices.** More broiler, egg and turkey production will not be enough to offset softer prices.
- After experiencing herd liquidation in 2021, Arkansas cattle and calves inventory shrank to start 2023. This may be contributed to drought across the state, which limited quality grazing and forage options through the summer. **Despite tighter marketings in 2023, cattle and calves receipts rise \$15 million.**
- The total market hog and breeding herds rose for December 2022. This leads to more sows farrowed and increased marketings in 2023, although a **decline in swine prices weaken hogs and pigs receipts \$2.28 million for the year.**

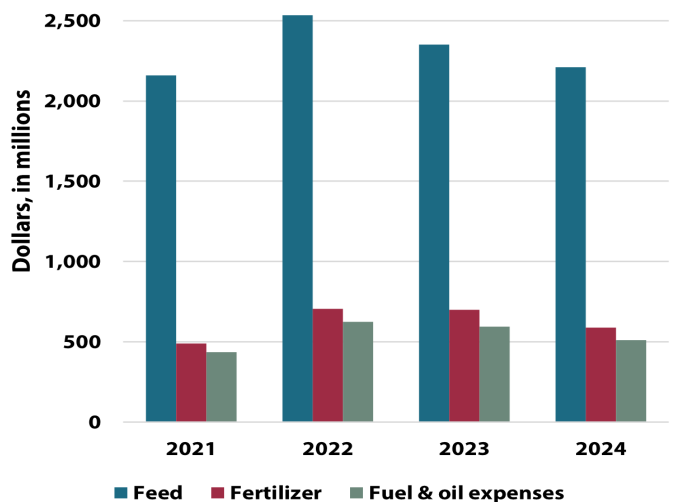
2017-2021 average share of livestock receipts (listed in order of receipt value)



Arkansas Expenses

- Export restrictions, high natural gas prices and production disruptions contribute to **record fertilizer expenses, which increased \$217 million in 2022. Feed expenses increased \$374 million**, and fuel and oils expenses increased \$189 million.
- **Total production expenses increase by a modest 0.7% even as expenses for fertilizer, feed and fuels decline in 2023.**

Feed expenses decline \$0.18 billion in 2023



Tying it all Together

Arkansas 2023 net farm income is projected to decrease from the record set in 2022. Receipts decline \$1.6 billion, while production expenses increase by \$78 million and direct government payments fall by \$152 million. This combination results in a 32% decrease in net farm income. **Moving forward, projected softening crop prices weaken crop receipts faster than the decline to input costs, keeping net farm income at an average \$2.4 billion across the 10-year baseline.**

All data for this report can be found at <https://ruralandfarmfinance.com/publications/#state-farm-income-estimates>

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