

Revised Net Farm Income Projections for 2022 and 2023 - September Update

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In April, Ibendahl and O'Brien released a net farm income estimate for 2022. At that time, Net Farm Income (NFI) was projected to be \$292K for 2022 (<https://www.agmanager.info/farm-management/farm-profitability/update-net-farm-income-projections-2022>). Since then, it hasn't rained very much in many parts of the state, grain prices have retreated, and input prices remain high. This update to the NFI forecast, incorporates those changes. Full details of how this estimate is put together can be found in the January article of estimating net farm income. This forecast is for Kansas Farm Management Association grain farms only.

At this point of the year, wheat yields are known and we have a pretty good idea of what the yields look like for the spring planted crops. In addition, there are more months of grain prices available. Compared to 2021, grain revenue is expected to be lower in 2022 due to poor yields. Crop insurance will make up some of the shortfall in revenue but certainly not all the difference.

On the expense side, farmers will face more of the higher expenses that started to increase the last half of 2021. Anhydrous was near \$1500 a ton this spring which is triple what it was a year earlier. Farmers may have been able to purchase some of these inputs ahead of all increases in price so the full effect of higher input prices won't be felt until 2023. Even assuming farmers avoided some of the increase in fertilizer in 2022, the total cost of fertilizer is still expected to be double that of 2021.

The combination of very dry conditions and much higher input prices results in a net farm income forecast for 2022 of \$97,124. While this net income is lower than the last few years, it's in line with many earlier years. The trouble for farmers really begins in 2023 when nearly every farm will face the full effect of higher input prices. Unless there are supplemental government programs, farmers are likely looking at a potential negative net farm income in 2023. However, much can and will change before then so this forecast will be regularly updated.

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Table 1. 2020, 2021, Predicted 2022 and Estimated 2023 KFMA Net Farm Income

	2020	2021	2022(p)	Est 2023
Income				
Beef	\$ 57,021	\$ 72,372	\$ 83,228	\$ 91,551
Dairy-livestock	152	45	48	50
Dairy-milk	-	-	-	-
Sheep	164	198	198	198
Swine	2,139	2,851	3,421	3,421
Poultry and eggs	227	241	241	241
Other livestock	864	518	523	523
Custom feeding	8,640	11,481	12,284	12,284
Ad hoc pmt - Livestock	12,874	3,443	-	-
minus Feed purchased	26,397	30,338	37,923	41,715
Livestock VFP	\$ 55,684	\$ 60,811	\$ 62,020	\$ 66,553
Corn	233,332	359,103	284,622	310,624
Grain sorghum	50,125	70,058	62,883	58,491
Soybeans	221,696	259,624	248,470	280,675
Sunflowers	2,419	979	-	-
Wheat	76,169	149,149	169,091	166,575
Hay and forage	12,540	18,578	20,435	22,479
Other crop	-	-	-	-
Govt payment (farm bill only)	32,420	19,384	-	-
Ad hoc pmt - Crops	49,292	43,826	-	-
Crop ins proceeds	23,038	16,279	114,493	29,237
Machine work	16,963	16,923	17,092	17,946
Other income and hedging	37,527	31,302	32,867	33,525
Crop VFP	\$ 755,522	\$ 985,205	\$ 949,955	\$ 919,553
TOTAL VFP	\$ 811,205	\$ 1,046,016	\$ 1,011,975	\$ 986,106
Expenses				
Hired Labor	26,278	28,251	30,891	33,980
Machinery Repairs	56,046	63,311	72,488	78,287
Irrigation Repairs	2,271	2,312	2,543	2,925
Building Repairs	3,609	4,038	4,240	4,664
Seed/Other Crop Expenses	80,923	83,100	108,398	122,685
Crop Insurance	20,350	28,775	33,620	36,982
Fertilizer-Lime	90,825	107,127	200,558	239,274
Machine Hire	25,854	29,243	37,553	41,309
Organization Fees, Publications	5,598	6,039	6,310	6,941
Vet-Med-Drugs	4,133	4,086	4,413	4,855
Misc Crop Expense	4,423	6,359	6,894	7,584
Misc Livestock Expense	2,251	2,325	2,558	2,686
Dairy Expense	-	-	-	-
Gas-Fuel-Oil	22,761	29,863	59,477	71,372
Irrigation Energy	4,892	5,607	6,728	8,747
Real Estate Taxes	12,194	12,402	12,650	13,282
Personal Property Taxes	2,513	2,548	2,666	2,799
General Farm Insurance	14,211	15,178	15,909	17,500
Utilities	6,555	7,535	8,262	9,088
Cash Farm Rent	51,467	55,856	58,649	64,514
Herbicide-Insecticide	77,048	88,068	117,621	129,383
Conservation	2,191	2,617	2,891	3,036
Auto Expense	796	860	1,526	1,679
Other expenses	(79)	33	33	33
Total Operating Expenses	\$ 517,111	\$ 585,537	\$ 796,880	\$ 903,604
Interest paid	29,356	24,376	26,326	28,432
Depreciation - machinery	65,612	72,283	83,126	91,438
Depreciation - buildings	8,160	8,353	8,520	8,520
Total Farm Expenses	\$ 620,239	\$ 690,549	\$ 914,852	\$ 1,031,994
Net Farm Income	\$ 190,966	\$ 355,467	\$ 97,124	\$ (45,888)