

2023 and 2024 Farm Sector Profitability: Issues for Congress

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2023 and 2024 Farm Sector Profitability: Issues for Congress

The U.S. Department of Agriculture (USDA) periodically forecasts farm sector income and other measures of the U.S. agricultural sector's economic well-being. Historically, Congress has used these farm income forecasts to inform deliberations regarding annual appropriations, farm bill programs, tax policy, and other legislative proposals. Congress may consider the recent state of farm sector income in the context of negotiations to reauthorize the Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) and/or discussions authorizing supplemental agricultural disaster assistance for calendar 2024.

This report analyzes the results of the September 2024 forecast, which is second of three official USDA national farm income outlook forecasts scheduled for release in 2024 by USDA's Economic Research Service (ERS). This forecast provides USDA's most comprehensive view of annual net farm income for the previous year, 2023, and an updated forecast for 2024. USDA's forecast does not include the effects associated with hurricanes Helene or Milton. USDA is scheduled to release the third forecast on December 3, 2024.

USDA ERS estimated that net farm sector income (i.e., a measure of total farm sector profit) was approximately \$146.5 billion in calendar year 2023. USDA ERS forecasts that net farm sector income will be approximately \$140.0 billion in 2024. These values are less than net farm sector income for 2022, \$182.0 billion, which was the highest net farm income on record for 1910-2023 in nominal and inflation-adjusted terms. These values are also above the average for the prior 10 years (\$124.1 billion in 2024 dollars). While USDA forecasts that the farm sector will be profitable in 2024 as a whole, the profitability of individual farms can vary based on the commodities that they produce and their specific revenues and costs. USDA forecasts that 2024 average net cash farm income for farm businesses (i.e., a measure of profit for the average farm operated by individuals who are not retired and work primarily on the farm) will be below 2023 levels and below the inflation-adjusted average for the prior 10 years for farm businesses specializing in wheat, corn, soybeans, cotton, specialty crops, or other crops. USDA forecasts that 2024 average net cash farm income for farm businesses will be above 2023 levels and above the inflation-adjusted average prior 10 years for farm businesses specializing in cattle and calves, dairy, and other livestock. Net farm sector income and average net cash farm income include contributions from direct government payments and crop insurance.

Crop margins are another method for analyzing the average profitability of all farms producing specific crops. Crop margins are the difference between the value of the crop produced and the average costs incurred to produce the crop and do not include contributions from direct government payments or crop insurance. On average, the value of sales of corn, soybean, wheat, rice, sorghum, and oats in 2024 are forecast to be sufficient to cover the operating costs (i.e., costs for seed, fertilizer, chemicals, fuel, electricity, interest payments, and other crop-specific expenses) for producing these commodities. On average, the value of sales of corn, soybean, wheat, rice, sorghum, and oats in 2024 are forecast to be insufficient to cover the total costs (i.e., operating costs and other business expenses, including labor, capital, land, taxes, insurance, and other business overhead costs) incurred for the farms producing these crops. On average, the value of sales of cotton is forecast to be insufficient to cover either operating or total costs, and the value of sales of barley is forecast to be sufficient to cover both operating and total costs.

Changes to the value of crops and livestock sold are one factor contributing to the decline in net farm sector income from 2022 to 2024. In inflation-adjusted terms, the value of crops sold in 2023 exceeded the average for the prior 10 years and is forecast to be below the prior 10-year average for 2024 as a result of declining market prices for corn, soybeans, and other crops. Losses associated with declining crop sales were partially offset by gains in livestock sales. In inflation-adjusted terms, the value of livestock sold exceeded the average for the prior 10 years and is forecast to be above the prior 10-year average for 2024. Other factors contributing to the declines in net farm income from 2022 to 2024 include rising production costs, declining direct government payments, declining crop insurance payments, and other factors. In inflation-adjusted terms, farm production costs exceeded the average for the prior 10 years and are forecast to exceed the prior 10-year average for 2024 as a result of increasing costs for farm labor, livestock, and other farm expenses. Direct government and crop insurance payments are forecast to decrease as a result of declining ad hoc disaster assistance payments, commodity support from farm-bill authorized programs, and crop market prices.

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Based on the USDA ERS forecast, farm sector profitability declined in 2023 and is forecast to decline further in 2024 after reaching record levels in 2022. Some farm stakeholders have suggested that these conditions warrant additional farm income and/or disaster support. Options for Congress include taking no additional action, providing ad hoc assistance, reauthorizing and expanding farm bill support programs, taking action to reduce farm production costs, and/or reducing farm support.

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Introduction

The U.S. Department of Agriculture (USDA) periodically forecasts several measures of the U.S. agricultural sector economic well-being. Historically, Congress has used these economic forecasts to inform deliberations regarding annual appropriations, farm bill programs, tax policy, and other legislative proposals. Congress may consider the recent state of farm sector income in the context of negotiations to reauthorize the Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334). The 2018 farm bill expired on September 30, 2023. Congress enacted a one-year extension (P.L. 118-22, Division B, §102), which expired on September 30, 2024. Commodity support provisions in the 2018 farm bill that provide direct farm income support expire at the end of the 2024 crop year (i.e., the 12-month period that begins at crop harvest and varies by crop). Congress may also consider the recent state of farm sector income in the context of discussions about supplemental assistance for natural disasters that occurred in calendar year 2024.

This report focuses on two measures of U.S. farm sector profits: net farm income and net cash farm income (see the text box titled “Net Farm and Net Cash Farm Income”). Net farm income measures the value of all goods and services produced on U.S. farms during the year—similar in concept to gross domestic product. Net cash farm income measures only cash transactions for the year and is a measure of current funds available for the sector. These measures provide indicators of the economic well-being of the national farm economy and vary from year to year as a result of changes in crops and livestock produced, expenses incurred, market prices for crops and livestock, payments received from government programs, and other factors.

Net Farm and Net Cash Farm Income

This report discusses two indicators of farm sector profitability: net farm income and net cash farm income.

- *Net farm income* is the accrual value of all goods and services produced on U.S. farms during the year. Crop production is recorded as the value at harvest, regardless of whether the crops are sold or stored on farms. Net farm income also accounts for the imputed rental value of farm dwellings and depreciation of farm equipment—neither of which is included in net cash farm income.
- *Net cash farm income* measures only cash transactions for the year and is a measure of current funds available for the sector. Net cash farm income records a commodity's value after it is sold in the marketplace. Net cash farm income also records expenses in the year they are purchased. Net cash farm income includes inventory sales of stored commodities from prior years' harvests.

Net cash farm income generally is less variable than net farm income. Farmers can manage the timing of crop and livestock sales and purchase of capital equipment and inputs to stabilize the variability in their net cash farm income and manage taxable income. For example, farmers can hold crops from large harvests in on-farm storage to sell in the forthcoming year when output could be lower and prices higher than the current year.

Net farm and net cash farm income include direct government payments and crop insurance indemnities. Crop insurance subsidies are not included in net farm income or net cash farm income. Crop insurance subsidies reduce farmers' costs for purchasing crop insurance and thereby increase farm sector income.

Farm households earn income from farming (i.e., on-farm income) and from other household sources (i.e., off-farm income). Off-farm income includes wages from off-farm employment, investment income, pensions, and other household income. Off-farm income is not included in net farm income or net cash farm income. Since 1974, off-farm income has contributed more than on-farm income for the average U.S. farm household.

Net farm income and net cash farm income are measures of profitability for the farm sector as a whole. The profitability of individual farms may vary based on the commodities produced and on farm-specific revenues and costs. This report discusses forecasts for the profitability of an average farm for certain types of farms. First, the report discusses forecasts of average farm sector profit—measured as average net cash farm income—for all farms and for certain types of farms. Average net cash farm income is a measure of the average profitability of farms that includes all

revenue streams and costs incurred for activities on the farm. Second, this report discusses crop margins for specific crops. Crop margins are the difference between the value of the crop produced and the average costs incurred to produce the crop for all farms producing that crop. Crop margins provide indicators of the average profitability of a given crop for the farm sector excluding crop insurance indemnities, government payments, and profits from other farm activities.

This report analyzes the results of the September 2024 USDA forecast, which is the second of three official national farm income outlook forecasts scheduled for release in 2024 by USDA's Economic Research Service (ERS). The forecast released in September 2024 provides the most comprehensive view of annual net farm income for 2023 and an updated forecast for 2024.¹ USDA is expected to make additional updates to the forecast for 2024 as additional data become available in 2024 and 2025.²

This report analyzes USDA ERS's estimates for 2023 farm profits and forecasts for 2024 farm profits. To provide additional context for these values, this report includes various measures of recent and long-term averages. Recent averages are generally calculated as the average for the prior 10 years, or 2013-2022. This report calculates the long-term average beginning in 1996; significant changes to farm support, crop insurance, and trade policies were enacted at or around this time that had significant implications for farm sector incomes.³ Where data are not available as far back as 1996, the report calculates the long-term average based on the earliest available data. Comparisons between values in 2023 and 2024 are not adjusted for inflation. Comparisons with multiyear averages are on an inflation-adjusted basis in 2024 dollars.

Farm Sector Income in 2023 and 2024

In September 2024, USDA ERS estimated that net farm sector income was approximately \$146.5 billion in calendar 2023 and forecast that net farm sector income will be approximately \$140.0 billion in calendar 2024.⁴ These values are less than net farm sector income for 2022, \$182.0 billion, which was the highest net farm income on record for 1910-2023 in nominal and inflation-adjusted terms. Between 2022 and 2023, net farm sector income declined by \$35.6 billion (19.5%). USDA forecasts net farm sector income to decline an additional \$6.5 billion (4.4%) from 2023 to 2024. This would be a total decline from the 2022 peak of \$42.0 billion (23.1%) by 2024.⁵

In inflation-adjusted terms, 2023 net farm income exceeded the average for the prior 10 years of \$124.1 billion for 2013-2022 and the long-term average of \$110.9 billion for 1996-2022 (**Figure**

¹ U.S. Department of Agriculture (USDA) Economic Research Service (ERS), *Farm Sector Income & Finances: Farm Sector Income Forecast*, September 5, 2024, <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/farm-sector-income-forecast/>.

² USDA ERS is scheduled to release the next forecast on December 3, 2024.

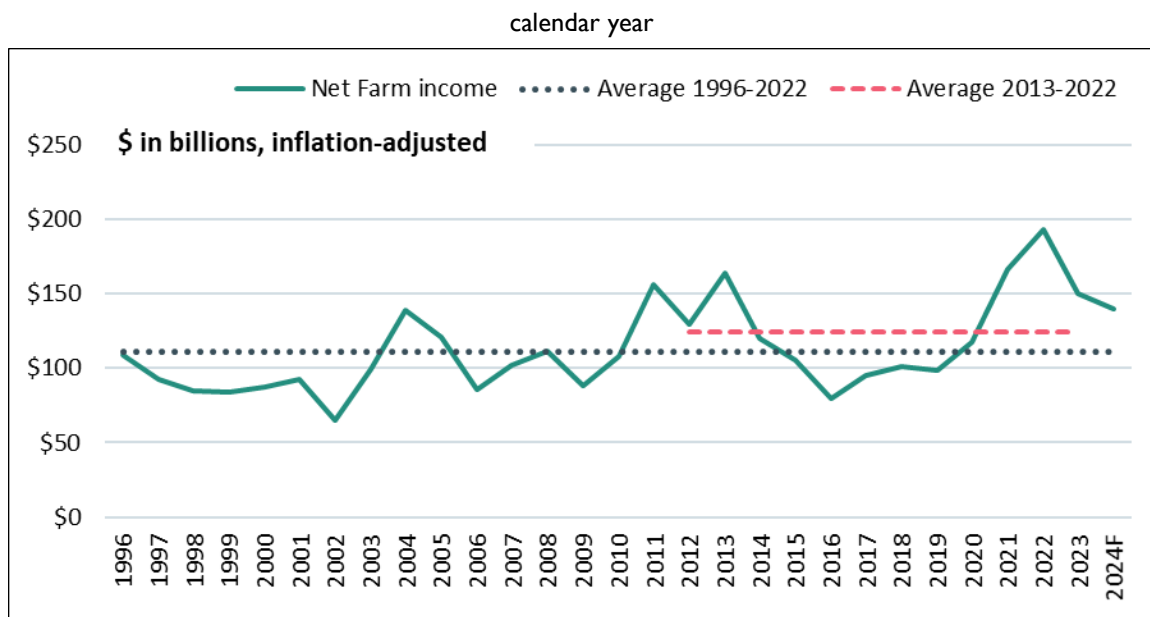
³ USDA ERS reports net farm sector income beginning in 1910. Major changes were enacted to farm commodity support programs and the Federal Crop Insurance Program (FCIP) in the Federal Agriculture Improvement and Reform Act of 1996 (1996 farm bill; P.L. 104-127) that altered direct farm support and crop insurance program enrollments and payment formulas. Additionally, the World Trade Organization's Agreement on Agriculture global agricultural trade rules came into effect on January 1, 1995. Once these trade rules came into effect, the U.S. farm sector responded to the new trade environment in ways that impacted net farm sector income.

⁴ USDA ERS, *Farm Income and Wealth Statistics*, U.S. farm sector financial indicators, 2017-2024F, https://www.ers.usda.gov/media/b1mb24ku/farmsectorindicators_september2024.xlsx.

⁵ These comparisons are not adjusted for inflation.

1).⁶ In inflation-adjusted terms, 2024 net farm income is forecast to exceed the previous 10-year average for 2013-2022 and the long-term average for 1996-2022.

Figure 1. Net Farm Sector Income, 1996-2024



Source: CRS calculations using data from U.S. Department of Agriculture (USDA) Economic Research Service (ERS), Farm Income and Wealth Statistics, updated September 2024.

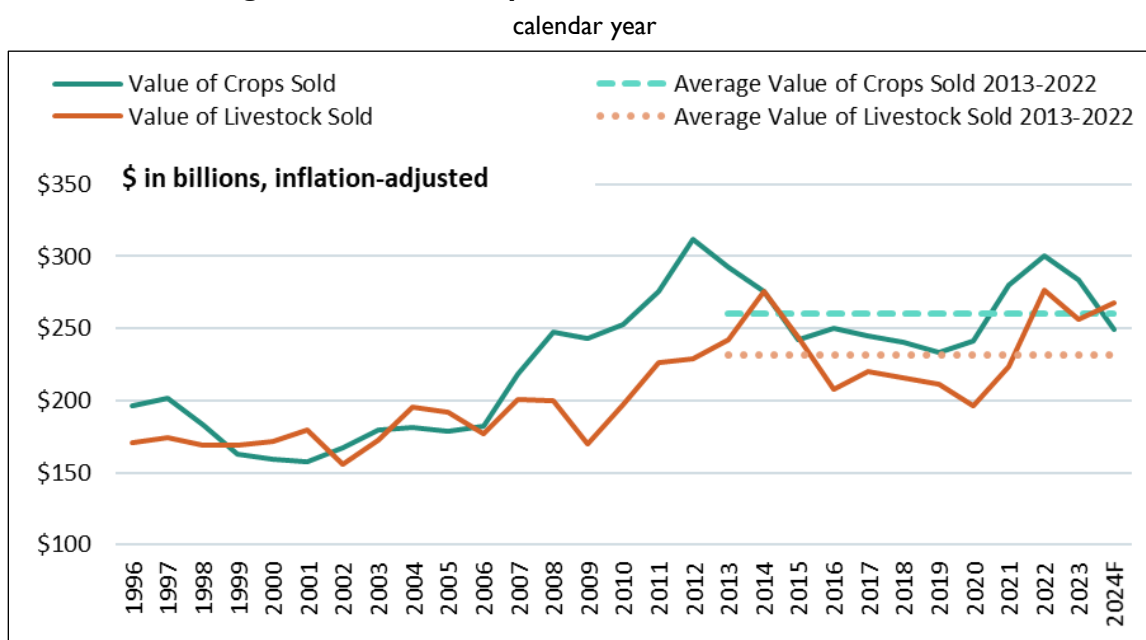
Notes: Value for 2024 is forecast (F) by USDA ERS. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS.

Changes to the value of crops and livestock sold are one factor contributing to the decline in net farm sector income from its 2022 peak. From 2022 to 2023, the value of crops sold declined by \$6.1 billion (2.2%) and the value of livestock sold declined by \$10.2 billion (3.9%) (**Figure 2**). The value of crops sold is forecast to decline by \$27.7 billion (10.0%) from 2023 to 2024 for a total decline of \$33.8 billion (11.9%) from 2022. These losses are partially offset by gains in the value of livestock sold, which is forecast to increase by \$17.8 billion (7.1%) from 2023 to 2024 for a total increase of \$7.6 billion (2.9%) from 2022.⁷ In inflation-adjusted terms, the value of crops sold in 2023 exceeded the average for the prior 10 years of \$259.9 billion for 2013-2022 and is forecast to be below the prior 10-year average for 2024.⁸ In inflation-adjusted terms, the value of livestock sold exceeded the average for the prior 10 year of \$231.4 billion for 2013-2022 and is forecast to be above the prior 10-year average for 2024.

⁶ Where data are not available as far back as 1996, the report calculates the long-term average based on the earliest available data. Comparisons with multiyear averages are on an inflation-adjusted basis.

⁷ These comparisons are not adjusted for inflation.

⁸ Comparisons with multiyear averages are on an inflation-adjusted basis.

Figure 2. Value of Crops and Livestock Sold, 1996-2024

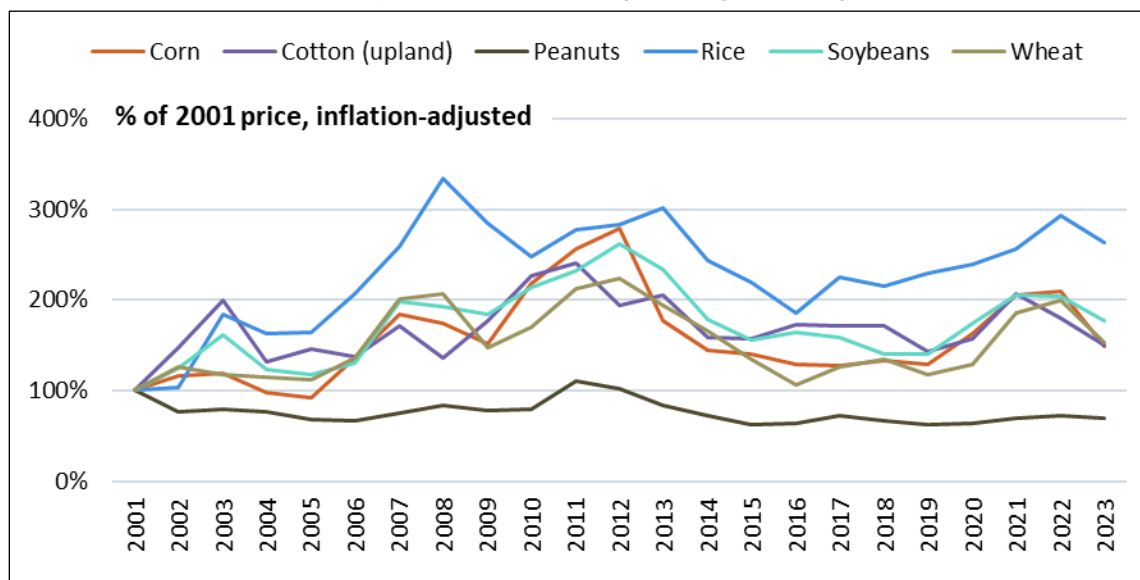
Source: CRS calculations using data from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: Value of livestock sold includes sales of animal products. Value for 2024 is forecast (F) by USDA ERS. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS.

From 2020 to 2022, net farm incomes reflect increasing prices for crops and livestock. Since 2022, prices for crops have declined, leading to declines in the value of crops sold from 2022 to 2024 and contributing to the decline in net farm income (**Figure 3**). Since 2022, prices for some livestock and animal products have declined; however, the value of livestock sales has increased overall as a result of increasing cattle prices (**Figure 4**).

Figure 3. Marketing Year Average Prices for Selected Crops, 2001-2023

Inflation-adjusted and shown as a percentage of 2001 prices

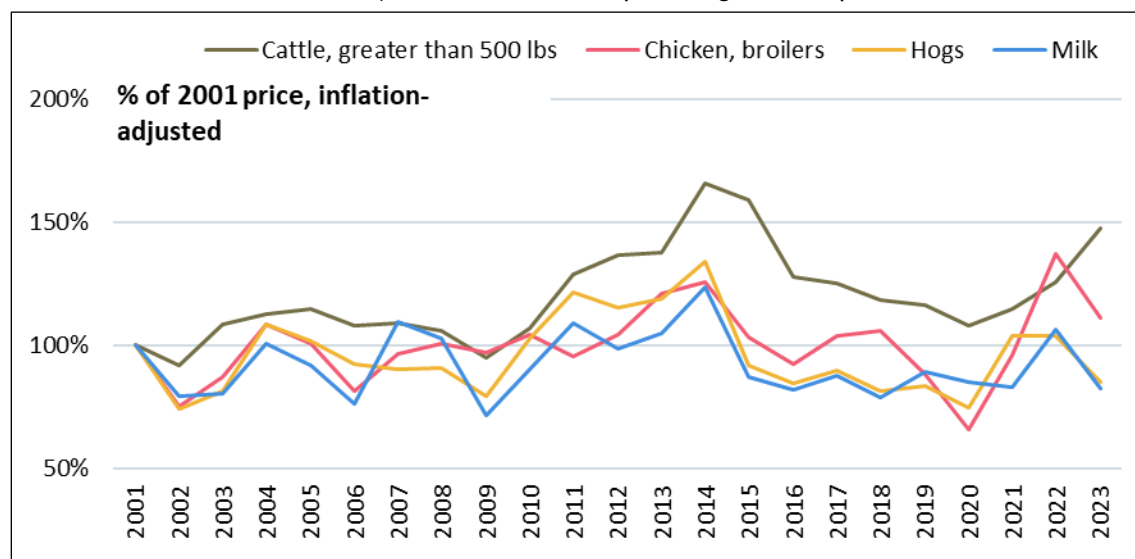


Source: CRS calculations using data from USDA National Agricultural Statistics Service (NASS), Quick Stats database, downloaded September 16, 2024.

Notes: Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2023 by CRS. USDA NASS database has data on marketing year average prices beginning in 1866 for certain commodities. CRS chose 2001 as the reference year, as this is the earliest year reported for certain commodities.

Figure 4. Calendar Year Average Prices for Selected Livestock and Animal Products, 2001-2023

Inflation-adjusted and shown as a percentage of 2001 prices



Source: CRS calculations using data from USDA NASS, Quick Stats database, downloaded September 16, 2024.

Notes: Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2023 by CRS. CRS chose 2001 as the reference year, as this is the earliest year reported for certain commodities.

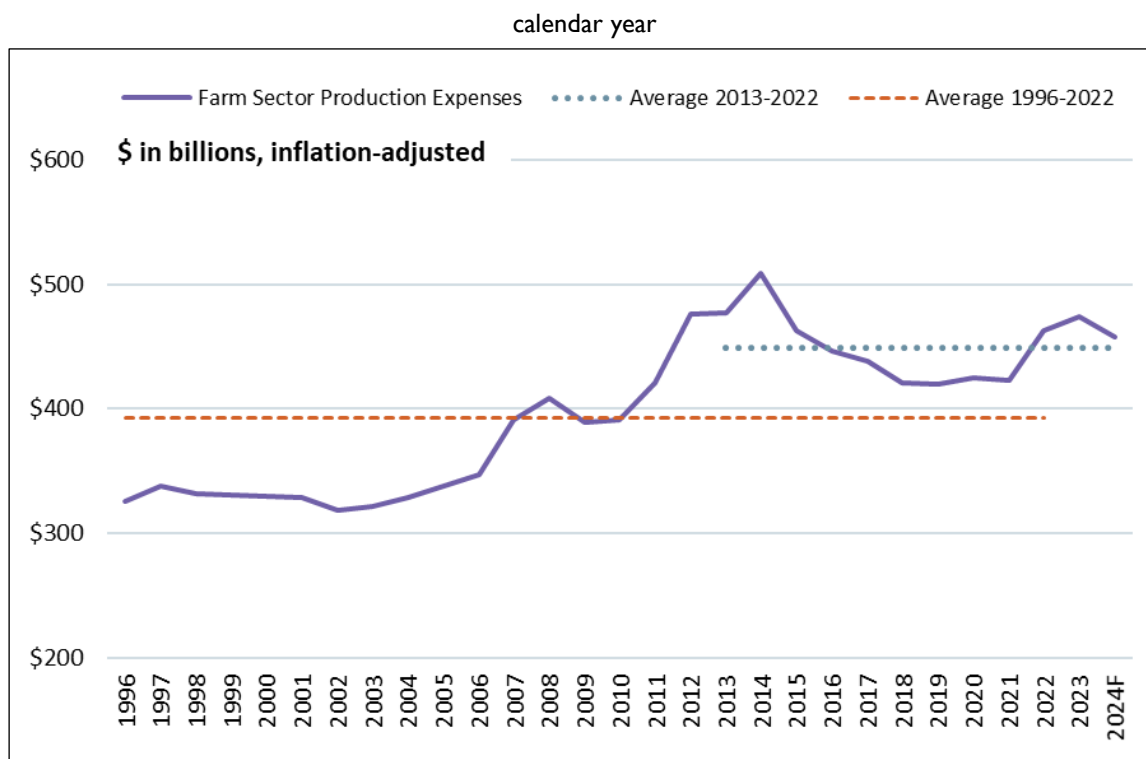
Other factors also contributed to the decline in net farm income from 2022 to 2024. Farm sector expenditures increased with rising costs of certain farm inputs (see “Farm Sector Production Costs in 2023 and 2024”). Direct government payments declined from 2022 to 2024 (see “Government Payments and Crop Insurance”), among other categories of declining farm sector revenues.

Farm Sector Production Costs in 2023 and 2024

In September 2024, USDA ERS estimated that farm sector production expenses were approximately \$461.9 billion in 2023 and forecast to be approximately \$457.5 billion in 2024. The forecasted decline in farm sector production expenses in 2024 would end a streak of annual increases between 2021 and 2023. Between 2022 and 2023, farm sector production expenses increased by \$26.2 billion (6.0%). Farm sector production expenses are forecast to decline by \$4.4 billion (1.0%) from 2023 to 2024 for a total increase of \$21.8 billion (5.0%) since 2022.⁹

In inflation-adjusted terms, 2023 farm sector production expenses exceeded the average for the prior 10 years of \$448.5 billion for 2013-2022 and the long-term average of \$392.5 billion for 1996-2022 (**Figure 5**).¹⁰ In inflation-adjusted terms, 2024 farm sector production expenses are forecast to exceed both the previous 10-year average and the long-term average.

Figure 5. Farm Sector Production Expenses, 1996-2024



Source: USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

⁹ The comparisons are not adjusted for inflation.

¹⁰ Comparisons with multiyear averages are on an inflation-adjusted basis.

Notes: Value for 2024 is forecast (F) by USDA ERS. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS.

Annual farm sector production expenses include spending on animal feed, electricity, fertilizers and soil conditioners, fuel and oil, interest payments on farm loans, labor costs, livestock and poultry, pesticides, rent paid to landlords, seed, taxes and fees, and other expenses. The types of production expenses incurred by each farm depend on the commodities produced.¹¹ For example, labor is an expense commonly incurred by all farms while feed and livestock and poultry purchases are expenses specific to farms that produce livestock.

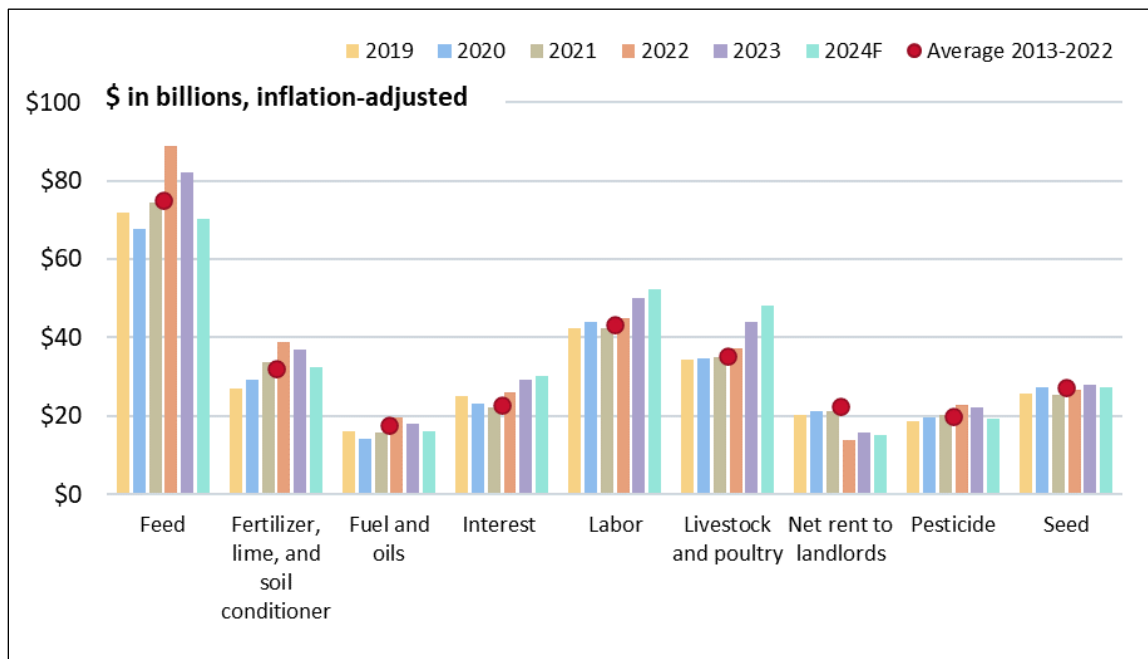
Feed, labor, and livestock and poultry purchases were the three largest categories of production expenses for 2023 and are forecast to remain so in 2024 (**Figure 6**). Between 2019 and 2022, farm sector expenditures increased for feed, livestock and poultry, pesticides, fertilizers and soil conditioners, fuels and oils, labor, and interest payments. Since 2022, farm sector expenditures have decreased for feed, pesticides, fertilizers and soil conditioners, and fuels and oils. Farm sector expenditures on livestock and poultry purchases, labor, and interest payments increased in 2023 and are forecast to continue to increase in 2024.¹²

When adjusted for inflation, 2023 expenses for purchased feed, livestock and poultry, seed, pesticides, fertilizers and soil conditioners, labor, and interest exceed their respective 10-year averages for 2013-2022 (**Figure 6**). When adjusted for inflation, 2024 expenses for livestock and poultry, labor, and interest are forecast to be above their respective 10-year averages; the other selected categories are forecast to be below their respective 10-year averages.

¹¹ Christine Whitt et al., *America's Diverse Family Farms 2021 Edition*, USDA, ERS, EIB-231, December 2021, <https://www.ers.usda.gov/webdocs/publications/102808/eib-231.pdf?v=290.5>.

¹² Electricity costs and taxes and fees are forecast to increase from 2023 to 2024. Other production expenses (e.g., repair and maintenance, and machine hire and custom work) are forecast to decrease from 2023 to 2024.

Figure 6. Annual and Average Selected U.S. Agricultural Production Expenses
calendar years 2019-2024, and 2013-2022 average



Source: CRS calculations using data from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS. Labor costs include both cash labor expenses and noncash employee compensation.

Various factors contributed to the changes in farm sector expenditures between 2019 and 2023 for feed, livestock and poultry, pesticides, fertilizers and soil conditioners, fuels and oils, labor, and interest payments. Increases in crop prices (**Figure 3**) contributed to increases in the cost of animal feed, and increases in livestock prices (**Figure 4**) contributed to increases in the costs of young livestock and poultry. Policy analysts noted that Russia's 2022 invasion of Ukraine contributed to increases in the costs of fertilizers and fuels and oils.¹³ As the Federal Reserve raised interest rates in 2022 to combat inflation, the costs of credit—including farm loans—increased.¹⁴ Agriculture experts reported that increasing farm wages—part of a recent trend of increasing wages in the general economy—contributed to increases in farm labor expenditures.¹⁵

¹³ See, for example, Naimat Chopra, "Fuel, Food, and Fertilizer: the Interwoven Impacts of the Russia-Ukraine War," Kleinman Center for Energy Policy, May 5, 2023, <https://kleinmanenergy.upenn.edu/commentary/blog/fuel-food-and-fertilizer-the-interwoven-impacts-of-the-russia-ukraine-war/>; and Jennifer Kee et al., "Global Fertilizer Market Challenged by Russia's Invasion of Ukraine," *Amber Waves*, USDA Economic Research Service, September 18, 2023, <https://www.ers.usda.gov/amber-waves/2023/september/global-fertilizer-market-challenged-by-russia-s-invasion-of-ukraine/>.

¹⁴ For additional background on actions taken by the Federal Reserve since 2022, see CRS Insight IN12427, *Why Is the Federal Reserve Reducing Interest Rates?*.

¹⁵ See, for example, Nick Paulson et al., "Rising Overhead Costs Driven by Labor and Interest," *farmdocdaily*, University of Illinois at Urbana-Champaign, December 19, 2023, <https://farmdocdaily.illinois.edu/2023/12/rising-overhead-costs-driven-by-labor-and-interest.html>; and Bailey Corwine, "Labor Challenges Increase Farm Economy Pressures," *American Farm Bureau*, December 7, 2022, <https://www.fb.org/news-release/labor-challenges-increase-farm-economy-pressures>.

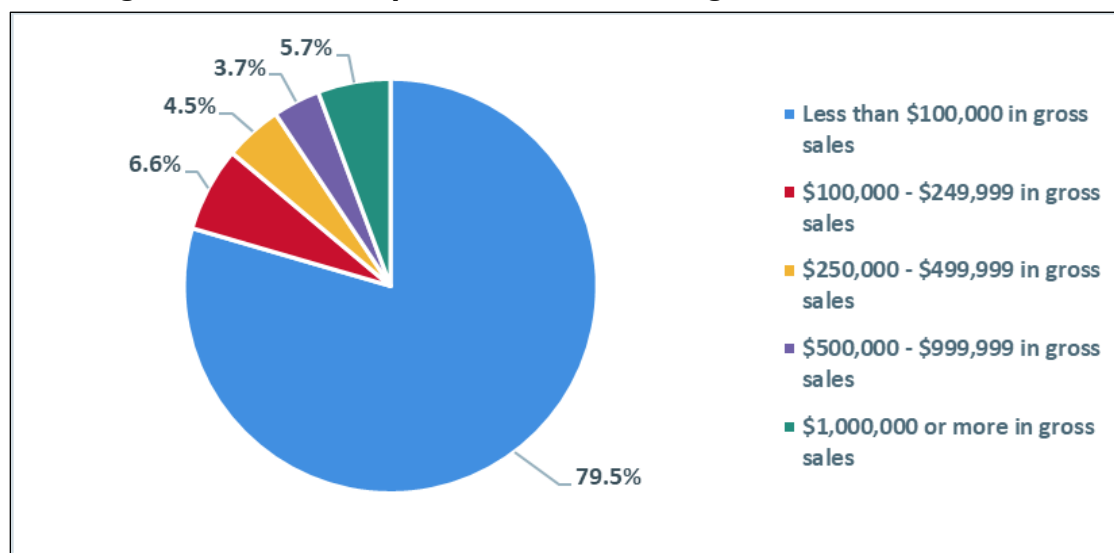
Since 2018, the average inflation-adjusted wages for farm workers have increased by 1.8% per year, which is an increase over the long-term average of 1.1% per year from 1990 to 2022.¹⁶

Average Farm Profitability by Type of Farm

The profitability of individual farms varies based on their specific revenues and costs. USDA ERS provides forecasts of farm profitability—measured as net cash farm income rather than net farm income—for an average farm for certain categories of farms, including farms classified by their total revenues and farms classified by their commodity specialization.

USDA defines a *farm* as any place from which \$1,000 or more of agricultural products were produced and sold, or normally would have been sold, during the year.¹⁷ This definition includes many farms with relatively low revenues from sales of agricultural products. In 2022, approximately 80% of U.S. farms had gross crop and livestock sales of less than \$100,000 (Figure 7).¹⁸ Approximately 7% of U.S. farms had gross sales between \$100,000 and \$249,999; approximately 5% of U.S. farms had gross sales between \$250,000 and \$499,999; approximately 4% of U.S. farms had gross sales between \$500,000 and \$999,999; and approximately 6% of U.S. farms had gross sales of \$1,000,000 or more.

Figure 7. U.S. Farms by 2022 Gross Sales of Agricultural Commodities



Source: CRS using data from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: Gross sales includes sales of crops, livestock, animal products, and other agricultural commodities.

¹⁶ USDA ERS, “Farm Labor,” August 2023, <https://www.ers.usda.gov/topics/farm-economy/farm-labor/>.

¹⁷ USDA ERS, “Glossary,” January 2023, <https://www.ers.usda.gov/topics/farm-economy/farm-household-well-being/glossary.aspx>.

¹⁸ A farm’s total sales of crops and livestock depends in part on the quantities of commodities produced on the farm, which may be contingent on the amount of labor that the farm operators contribute to the business. U.S. farms include farms operated by retirees, farms operated by individuals who are not retired and work primarily off of the farm, and farms operated by individuals who are not retired and work primarily on the farm. In general, farms operated by retirees and individuals who work primarily off of the farm produce a relatively small percentage of annual agricultural production. USDA reported that these farms accounted for 51.9% of all U.S. farms and produced 5.1% of total agricultural production in 2022. Christine Whitt et al., *America’s Farms and Ranches at a Glance 2023 Edition*, USDA ERS, EIB-263, December 2023, <https://www.ers.usda.gov/webdocs/publications/108074/eib-263.pdf?v=9652.2>.

Because the distribution of U.S. farms does not follow a bell curve (i.e., is not a normal distribution) and includes a large number of farms with relatively low gross sales, measures of average farm income calculated as a mean may exceed the income for the median U.S. farm. USDA does not forecast median farm income, only average (mean) farm income. USDA publishes data on median farm income at a lag. Data on 2023 median farm income is likely to be available beginning in 2025.

Average Profitability of Farms by Total Sales

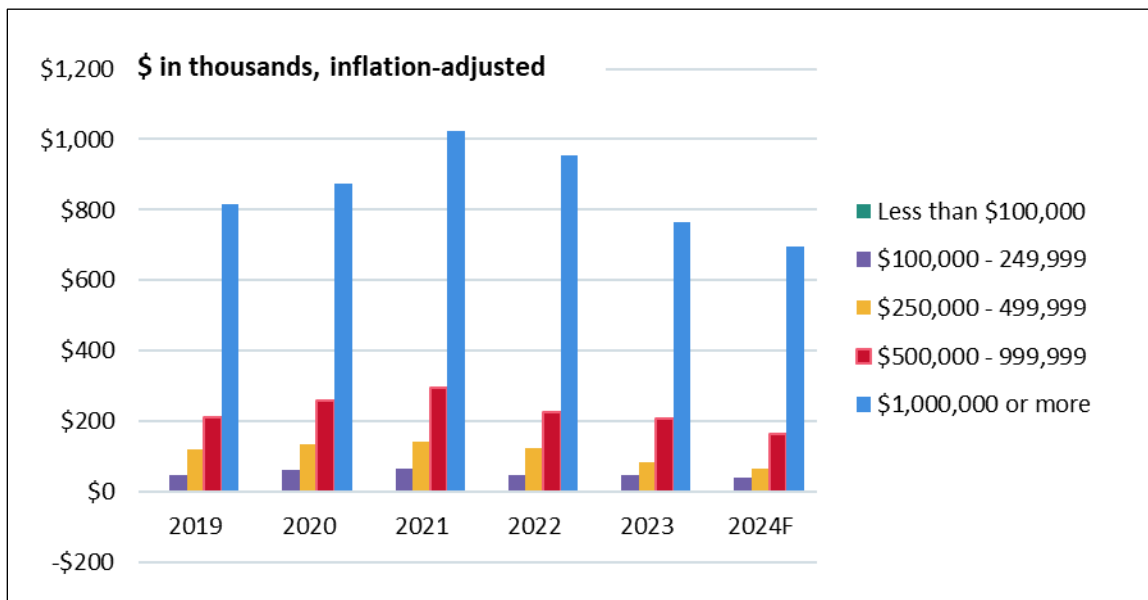
USDA forecasts average net cash farm income for all U.S. farms categorized by gross sales of agricultural commodities. Approximately 80% of farms earn less than \$100,000 in gross sales of agricultural commodities each year. The average net cash farm income for farms that had gross sales of less than \$100,000 was negative for 2019-2021 and positive in 2022 and 2023 (**Figure 8**).¹⁹ USDA forecasts that these farms will continue to be profitable on average in 2024, with average net cash farm income increasing from \$1,500 per farm in 2023 to \$1,600 per farm in 2024 (6.7% increase).

Approximately 20% of U.S. farms have gross sales of at least \$100,000 each year. For the farms earning \$100,000 or more in gross sales, USDA forecasts average net cash farm income to decline from 2023 to 2024 (**Figure 8**). For U.S. farms that have gross sales between \$100,000 and \$249,999, USDA forecasts that average net cash farm income will decrease by \$4,400 from \$46,000 per farm in 2023 to \$41,600 in 2024 (9.6% decrease). For the U.S. farms that have gross sales between \$250,000 and \$499,999, USDA forecasts that average net cash farm income will decrease by \$16,800 from \$83,500 per farm in 2023 to \$66,700 in 2024 (20.1% decrease). For the U.S. farms that have gross sales between \$500,000 and \$999,999, USDA forecasts that average net cash farm income will decrease by \$40,100 from \$204,100 per farm in 2023 to \$164,000 in 2024 (19.6% decrease). For the U.S. farms that have commodity sales of \$1,000,000 or more, USDA forecasts that average net cash farm income will decrease by \$48,900 from \$744,300 per farm in 2023 to \$695,400 in 2024 (6.6% decrease).

While net farm sector income for all farms peaked in 2022 (**Figure 1**), average net cash farm sector income peaked in 2021 for farms with at least \$100,000 in total sales of crops and livestock (**Figure 8**). On an inflation-adjusted basis, USDA forecasts that average net cash farm income will fall between 2021 and 2024 by 36.3% for farms with sales between \$100,000 and \$249,999; by 53.3% for farms with sales between \$250,000 and \$499,999; by 44.7% for farms with sales between \$500,000 and \$999,999; and by 31.9% for farms with sales of at least \$1,000,000.

¹⁹ Although 80% of farms earned negative farm incomes on average for 2019-2021, the median farm household had total household income exceeding \$80,000 in each of those years. U.S. farms may be operated by individuals who work primarily on the farm, individuals who work primarily off of the farm, and/or individuals who are retired. Farm households may have multiple sources of income, including profits from farming activities, wages from off-farm employment, investment income, pensions, and other sources of income. In most years, off-farm income contributes more than on-farm income for the median U.S. farm household. For 2024, USDA forecasts that the median farm household will earn \$99,683 in total household income, most of which will be from off-farm sources. For additional information, see USDA ERS, Farm Household Income and Characteristics, <https://www.ers.usda.gov/data-products/farm-household-income-and-characteristics/>.

Figure 8. Annual Average Net Cash Farm Income by Farm Size, 2019-2024
calendar year



Source: USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS. Farm size is based on annual gross sales, which include income from selling and/or raising livestock and crop, direct government payments, and other income sources. Values for farms with average net cash farm income less than \$100,000 are not visible on the graph in each of 2019-2024. Average net cash farm income in inflation-adjusted dollars for farms earning less than \$100,000 in annual gross sales was -\$1,800 in 2019, -\$1,900 in 2020 and 2021, \$800 in 2022, \$1,600 in 2023, and forecast to be \$1,600 in 2024.

Average Farm Profitability and Margins by Commodity

USDA forecasts two sets of information related to the profitability of producing specific commodities. First, USDA forecasts the average profitability by commodity specialization for a subset of farms and commodities. This method accounts for all revenues received and costs incurred for the farms included. Second, USDA forecasts average production costs, yields, and market prices for all farms producing certain crops. These forecasts can be used to forecast operating and total margins per planted acre (i.e., the difference between value of commodity sales and the costs incurred) for the commodity—which is a measure of the average farm's return from producing the commodity before government payments, crop insurance indemnities, and other farm revenues and costs. USDA constructs these forecasts using different methodologies, and these forecasts may provide different assessments of the financial well-being of farms engaged in producing specific commodities.

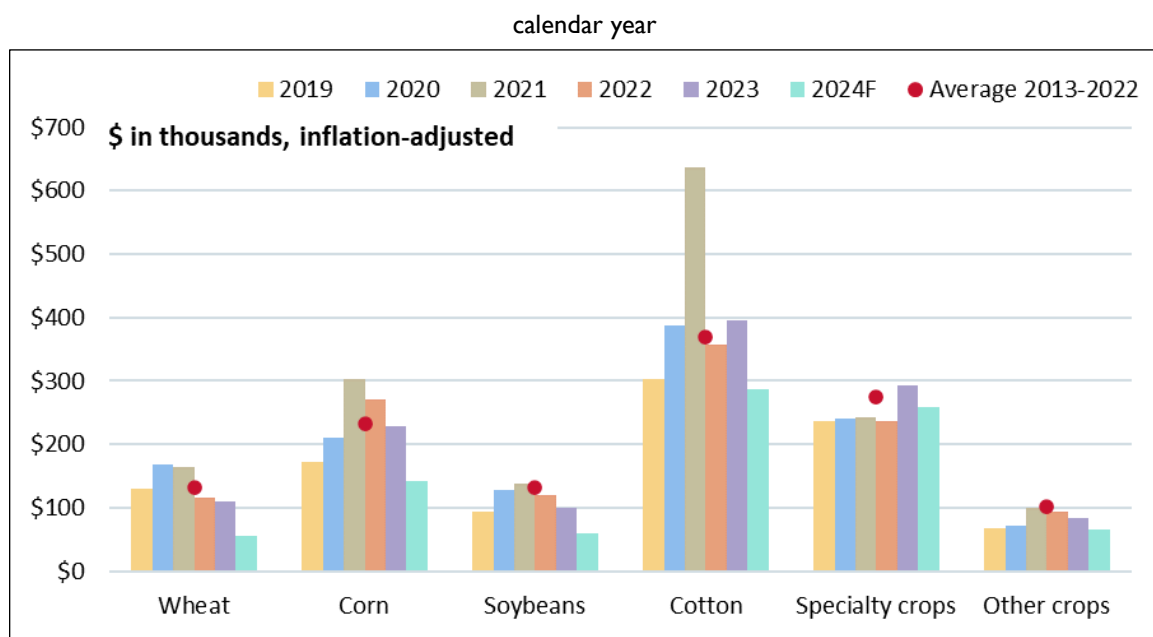
Average Profitability of Farm Businesses by Commodity Specialization

USDA forecasts average profitability by commodity specialization for a subset of all farms by calendar year. This forecast is for farm businesses, which include (1) farms with revenues of at least \$350,000 and (2) farms with revenues of less than \$350,000 where the operators work

primarily on the farm. Farm businesses accounted for approximately 48.1% of all farms in 2022.²⁰ Farm businesses exclude farms operated by individuals who are retired or who work primarily off of the farm—approximately 51.9% of all farms in 2022. For this forecast, USDA classifies farm businesses based on the commodity that accounts for at least 50% of the total value of production for the farm.

USDA forecasts that 2024 average net cash farm income will be below 2023 levels and below the inflation-adjusted average for 2013-2022 for farm businesses specializing in wheat, corn, soybeans, cotton, specialty crops, or other crops (**Figure 9**). USDA forecasts that 2024 average net cash farm income will be above 2023 levels and above the inflation-adjusted average for 2013-2022 for farm businesses specializing in cattle and calves, dairy, and other livestock (**Figure 10**). For farm businesses specializing in hogs and poultry, USDA forecasts that 2024 average net cash farm income will be above 2023 levels and below the inflation-adjusted average for 2013-2022. The 2024 forecast values are approximately 42% of the inflation-adjusted average for 2013-2022 for wheat, 61% for corn, 46% for soybeans, 78% for cotton, 95% for specialty crops, 64% for other crops, 149% for cattle and calves, 56% for hogs, 98% for poultry, 155% for dairy, and 139% for other livestock.²¹

Figure 9. Annual Average Net Cash Farm Income for Farm Businesses Specializing in Selected Crops, 2019-2024 and Average 2013-2022



Source: CRS calculations using data from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

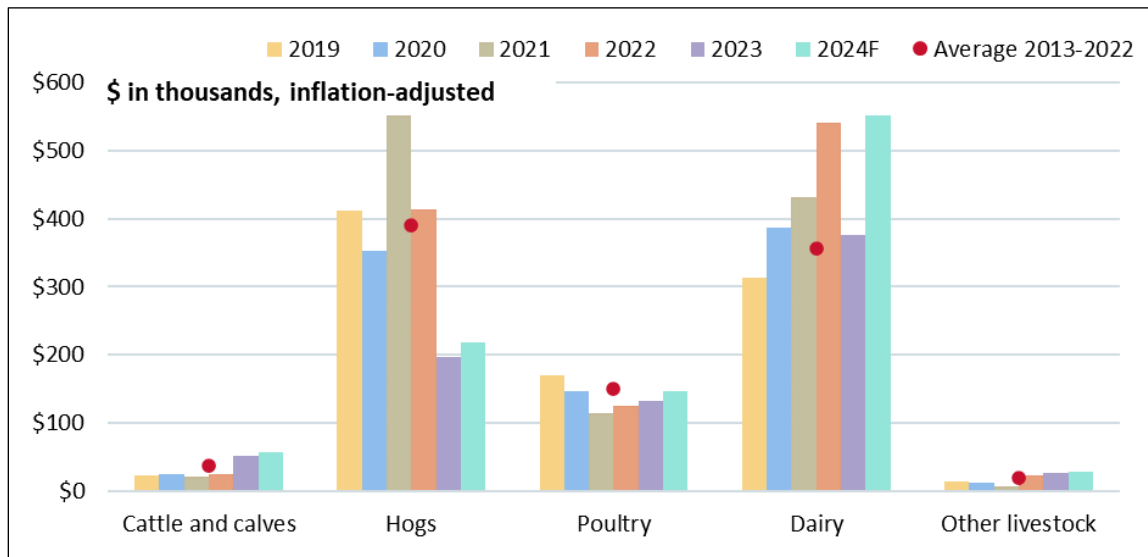
Notes: Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA. Farm businesses include farms with revenues of at least \$350,000 and farms with revenues of less than \$350,000 where the operators work primarily on the farm. In the case of multiple operators, the principal farm operator is the person most responsible for making day-to-day decisions on the farm. A farm's commodity specialization is

²⁰ Christine Whitt et al., *America's Farms and Ranches at a Glance 2023 Edition*, USDA ERS, EIB-263, December 2023.

²¹ CRS calculations using USDA ERS, "Farm business average net cash income by resource region and commodity specialization," September 2024, accessed October 2024, <https://data.ers.usda.gov/reports.aspx?ID=17840>.

determined by the one commodity or related group of commodities that accounts for at least 50% of the farm's total value of production.

Figure 10. Annual Average Net Cash Farm Income for Farm Businesses by Selected Livestock and Animal Products, 2019-2024 and Average 2013-2022
calendar year



Source: CRS calculations using data from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA. Farm businesses include farms with revenues of at least \$350,000 and farms with revenues of less than \$350,000 where the operators work primarily on the farm. In the case of multiple operators, the principal farm operator is the person most responsible for making day-to-day decisions on the farm. A farm's commodity specialization is determined by the one commodity or related group of commodities that accounts for at least 50% of the farm's total value of production.

Many factors contributed to the declines in average profits for farm businesses specializing in crops in 2023 and the forecast declines for 2024. Prices of many commodity crops declined in 2023 compared to prior years (**Figure 3**) and are forecast to continue to decline in 2024.²² Farm expenses were also higher than they had been on average for 2013-2022 for many categories of farm expenses (**Figure 6**), further eroding net cash farm income for farm businesses specializing in crops. For farm businesses specializing in livestock, average profits are forecast to increase in 2024 as a result of decreasing expenses for feed and other cost components (**Figure 6**), among other factors.

Average Margins for Selected Crops

USDA forecasts marketing year average prices, yields, and per planted acre costs for specific crops by crop year.²³ These values can be used to calculate crop margins per planted acre (i.e.,

²² See, for example, USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*, October 11, 2024, <https://www.usda.gov/oce/commodity/wasde>.

²³ USDA forecasts per planted acre costs for barley, corn, cotton, oats, peanuts, rice, sorghum, soybeans, and wheat. In addition to these forecasts, USDA publishes estimates of per unit production costs for a broader set of commodities, including milk, cow-calves, and hogs. Estimates for 2024 production costs are expected to be made available in calendar year 2025.

average price multiplied by average yield less per planted acre costs). Crop margins are an average for all farms that produce the commodity—which includes more farms than just the farm businesses that specialize in the producing the commodity. Margins can be calculated with respect to operating costs or total costs. The *operating margin* compares the value of the crop produced against the costs incurred to plant and harvest the crop (i.e., costs of seed, fertilizer, chemicals, fuel, electricity, interest payments, and other crop-specific expenses). The *total margin* compares the value of the crop produced against all costs incurred—operating costs and other business expenses (i.e., labor, capital, land, taxes, insurance, and other business overhead costs). A positive operating margin indicates that revenues from crop sales are covering operating costs on average for all farms growing the crop. A positive total margin indicates that revenues from crop sales are covering all business costs on average for all farms growing the crop.

Using USDA forecasts, CRS calculates 2024 operating margins will be positive for corn, soybeans, wheat, rice, sorghum, oats, and barley (**Table 1**). CRS calculates 2024 operating margins for cotton will be negative. CRS calculates total margins will be positive for barley and negative for corn, soybeans, wheat, cotton, rice, sorghum, and oats. On average, the value of barley produced in 2024 is forecast to be sufficient to cover the total costs associated with that crop for all farms producing barley. On average, the value of corn, soybean, wheat, rice, sorghum, and oats in 2024 is forecast to be sufficient to cover the operating costs for producing these commodities but be insufficient to cover the total costs incurred for the farms producing these crops. On average, the value of cotton in 2024 is forecast to be insufficient to cover the operating or total costs for all farms producing cotton.

Table 1. Calculated Crop Year 2024 Average Operating and Total Margins Per Acre for Selected Crops using USDA Forecast Data

Commodity	Operating Cost per Acre (A)	Total Cost per Acre (B)	Average Yield per Acre (C)	Average Price per Unit (D)	Average Value of Production per Acre (E)	CRS Calculated Operating Margin (F)	CRS Calculated Total Margin (G)
Corn	\$446.32	\$879.10	183.1	\$4.10	\$750.71	\$304.39	-\$128.39
Soybeans	\$241.96	\$625.29	51.7	\$10.80	\$558.36	\$316.40	-\$66.93
Wheat	\$158.68	\$388.19	51.2	\$5.60	\$286.72	\$128.04	-\$101.47
Cotton	\$535.72	\$894.56	789	\$0.66	\$520.74	-\$14.98	-\$373.82
Rice	\$784.51	\$1,314.84	7,590	\$0.156	\$1,184.04	\$399.53	-\$130.80
Peanuts	\$642.00	\$1,184.95	NA	NA	NA	NA	NA
Sorghum	\$180.68	\$437.14	60.8	\$4.10	\$249.28	\$68.60	-\$187.86
Oats	\$167.43	\$524.48	76.5	\$3.50	\$267.75	\$100.32	-\$256.73
Barley	\$185.41	\$472.01	76.7	\$6.60	\$506.22	\$320.81	\$34.21

Source: CRS calculations using USDA Economic Research Service (ERS), Cost of Production Forecasts for Major U.S. Field Crops, 2024-2025F, updated November 2024; and USDA World Agricultural Outlook Board (WAOB), World Agricultural Supply and Demand Estimates, updated November 2024.

Notes: NA = not available. The 2024 operating and total costs per acre are forecasts by USDA ERS. The 2024 average yield per acre and average price per unit are forecasts by USDA WAOB. The 2024 value of production is calculated as column C multiplied by column D. The 2024 operating margin is calculated as column E less column A. The 2024 total margin is calculated as column E less column B. Operating costs include costs for seed, fertilizer, chemicals, fuel, electricity, interest payments, and other crop-specific expenses. Total costs include operating costs and other business expenses, including labor, capital, land, taxes, insurance, and other business

overhead costs. Average yield is measured in bushels per acre for corn, soybeans, wheat, sorghum, oats, and barley, and in pounds per acre for cotton and rice.

Comparing Average Margins and Profitability

For 2024, the calculated total margins for wheat, corn, soybeans, and cotton are negative (**Table 1**), while the forecast of average profit for the farm businesses producing these commodities is positive (**Figure 9**).²⁴ Several factors contribute to the differences in the calculated margins and the forecasts of average profit for farm businesses producing these commodities. Margins are calculated for all farms producing the crop, while profitability is calculated only for the subset of farms operated by individuals who work primarily on the farm and specialize in producing the commodity. Margins are calculated solely on the value of the crop produced, while profitability includes crop insurance indemnities, direct government payments, revenues and costs from other commodities produced on the farm, and other farm revenues and costs. Margins are calculated based on a crop year (i.e., the 12-month period beginning at harvest time). Profitability is calculated on a calendar basis and may reflect the profits and losses associated with more than one crop year.

Additionally, the population of all farms that produce a commodity may include a range of small, medium, and large farms as defined by their acreage planted and the volume of commodity produced. Crop farming may exhibit economies of scale—wherein larger farms have lower per unit costs to produce their crops compared with smaller farms.²⁵ Farm businesses tend to operate larger farms in terms of acreage planted and volume of commodity produced than farms operated by individuals who work primarily off of the farm or are retired.²⁶ If economies of scale are present for the crops in **Table 1**, associated farm businesses may have larger operating and total margins on average than the margins calculated in **Table 1**, and farms operated by individuals who work primarily off of the farm or are retired may have smaller operating and total margins on average than the margins calculated in **Table 1**.

Government Payments and Crop Insurance

Participating farmers receive direct payments from the federal government through programs authorized under the 2018 farm bill and other legislation. Direct payments augment the income farmers earn from agricultural production (i.e., positive contribution to net farm sector income). These programs include commodity support, conservation, disaster assistance, and other programs. Farm bill-authorized programs provide varying levels of payments each year based on enrollments, program parameters, annual production, market prices, and/or other factors.²⁷ Participation in these programs is voluntary. Eligibility for each program may be limited to

²⁴ The 2024 total forecast margins for rice, sorghum, and oats are negative. USDA ERS does not report the average profit for the farm businesses specializing in these commodities. Therefore, CRS cannot compare the total margin and average profit for farm businesses specializing in rice, sorghum, or oats.

²⁵ See, for example, Nigel Key, “Farm size and productivity growth in the United States Corn Belt,” *Food Policy*, vol. 84 (April 2019).

²⁶ Christine Whitt et al., *America’s Farms and Ranches at a Glance 2023 Edition*, USDA ERS, EIB-263, December 2023.

²⁷ For additional background on farm-bill authorized programs that provide direct payments to farmers, see CRS Report R45730, *Farm Commodity Provisions in the 2018 Farm Bill (P.L. 115-334)*; CRS Report R40763, *Agricultural Conservation: A Guide to Programs*; and CRS Report RS21212, *Agricultural Disaster Assistance*.

specific producers, and producers may be eligible to participate in multiple programs.²⁸ Programs authorized under other legislation (referred to as *ad hoc programs*) provide varying levels of payments in specific years based on enrollments and program parameters. Eligibility requirements for ad hoc programs may vary.

Farmers pay premiums and receive indemnities for insurance policies purchased from the Federal Crop Insurance Program (FCIP). USDA subsidizes the premiums depending on the policy and coverage level purchased.²⁹ FCIP indemnities augment the income farmers earn from agricultural production (i.e., positive contribution to net farm sector income) when farmers experience production shortfalls and/or declining farm revenues. FCIP premiums are an expense that farmers incur to purchase insurance coverage (i.e., negative contribution to net farm sector income) and FCIP premium subsidies reduce the expense that farmers incur for their FCIP coverage (i.e., positive contribution to net farm sector income). FCIP net indemnities—the net contribution to farm sector income from the FCIP—are calculated as indemnities plus subsidies minus total premiums. FCIP net indemnities are positive in years when indemnities exceed the portion of the total premium paid by farmers and are negative in years when indemnities are less than the portion of the total premium paid by farmers. Most farms are eligible to purchase FCIP policies.

USDA ERS estimated that direct government payments were approximately \$12.3 billion in calendar 2023 and forecast that they will be approximately \$10.4 billion in calendar 2024 (**Figure 11**). Between 2022 and 2023, direct government payments declined by approximately \$3.3 billion (21.2%). Direct government payments are forecast to decline by \$1.8 billion (15.1%) from 2023 to 2024 for a total of \$5.1 billion (33.1%) from 2022 to 2024.

Using USDA ERS data, CRS calculates that FCIP net indemnities were approximately \$11.4 billion in calendar 2023 and that they will be approximately \$8.8 billion in calendar 2024. Between 2022 and 2023, net FCIP indemnities increased by approximately \$1.7 billion (18.0%). Net FCIP indemnities are forecast to decline by approximately \$2.6 billion (22.7%) from 2023 to 2024 for a total of \$0.8 billion (8.8%) from 2022 to 2024.

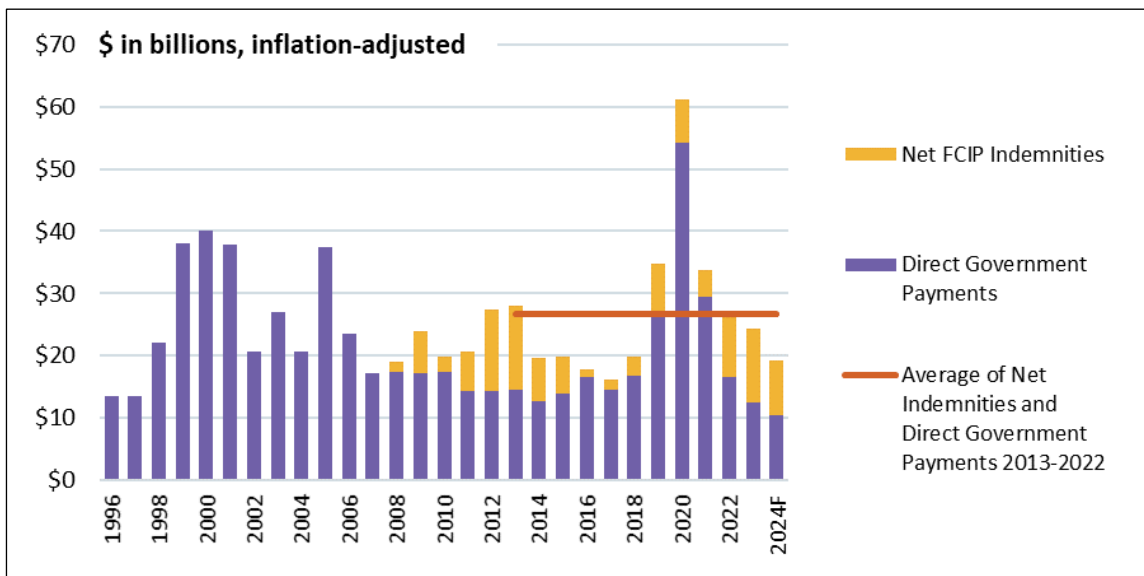
In inflation-adjusted terms, 2023 direct government payments and net FCIP indemnities combined were below the prior 10-year average of approximately \$26.8 billion for 2013-2022 (**Figure 11**).³⁰ In inflation-adjusted terms, 2024 direct government payments and net FCIP indemnities combined are forecast to be below the prior 10-year average for 2013-2022.

²⁸ For background on farm program eligibility requirements, see CRS Report R46248, *U.S. Farm Programs: Eligibility and Payment Limits*.

²⁹ For additional background on subsidies in the Federal Crop Insurance Program (FCIP), see CRS Report R46686, *Federal Crop Insurance: A Primer*.

³⁰ Although the FCIP has been in operation since the 1930s, USDA ERS records for contributions to net farm sector income from the FCIP begin in 2008. Using program data from USDA Risk Management Agency, CRS calculates that annual net FCIP indemnities averaged approximately \$2 billion for the 1996-2007 crop years on an inflation-adjusted basis. Using data from USDA ERS, CRS calculates that annual net FCIP indemnities averaged approximately \$6.1 billion for the 2008-2022 calendar years on an inflation-adjusted basis. Using data from USDA ERS, CRS calculates that directed payments averaged approximately \$22.5 billion for 1996-2022 calendar years on an inflation-adjusted basis.

Figure 11. Direct Government Payments and Net FCIP Indemnities, 1996-2024
calendar year



Source: CRS calculations of net FCIP indemnities and average of net indemnities and direct government payments for 2013-2022 using USDA ERS, Farm Income and Wealth Statistics, updated September 2024; and USDA data on direct government payments from USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

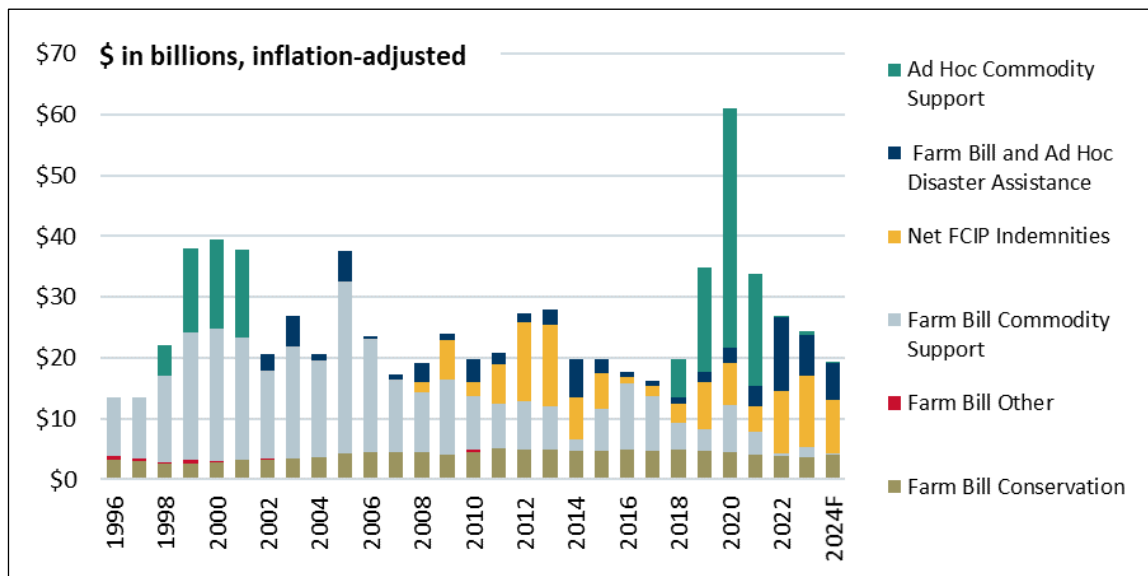
Notes: FCIP = Federal Crop Insurance Program. Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS. Net FCIP indemnities—the net contribution to farm sector income from the FCIP—are calculated as indemnities plus subsidies minus total premiums. USDA ERS records for contributions to net farm sector income from the FCIP begin in 2008. Using program data from USDA Risk Management Agency, CRS calculates that annual net FCIP indemnities averaged approximately \$2 billion for the 1996-2007 crop years on an inflation-adjusted basis (not illustrated on the figure). A crop year is the 12-month period beginning at planting time and varies by commodity.

Since 2018, changes in ad hoc commodity support, farm bill and ad hoc disaster assistance, and farm bill-authorized commodity support have been the biggest drivers of changes in direct payments to the farm sector (**Figure 12**). Between 2018 and 2022, Congress and USDA provided ad hoc commodity support to mitigate the impacts to the farm sector from trade disputes and the COVID-19 pandemic.³¹ Direct government payments in 2020 were the highest on record in nominal and inflation-adjusted terms between 1933 and 2024. Since 2020, ad hoc commodity assistance declined as disruptions from the trade disputes and COVID-19 pandemic normalized. Farm-bill authorized commodity support declined after 2020 as market prices improved for crops (**Figure 3**). Farm bill and ad hoc disaster assistance increased from 2017 to 2022 in response to specific natural disaster events. Although farm bill and ad hoc disaster assistance decreased in 2023 and are forecast to decrease in 2024, these programs accounted for and are forecast to account for more than half of total direct government payments in 2023 and 2024.

³¹ For background on ad hoc commodity support provided between 2018 and 2022, see CRS Report R45310, *Farm Policy: USDA's 2018 Trade Aid Package*, CRS Report R45865, *Farm Policy: USDA's 2019 Trade Aid Package*, CRS Report R46395, *USDA's Coronavirus Food Assistance Program: Round One (CFAP-1)*, CRS Report R46645, *USDA's Coronavirus Food Assistance Program: Round Two (CFAP-2)*, and CRS In Focus IF11764, *U.S. Agricultural Aid in Response to COVID-19*.

Figure 12. Direct Government Payments by Program and Net FCIP Indemnities, 1996-2024

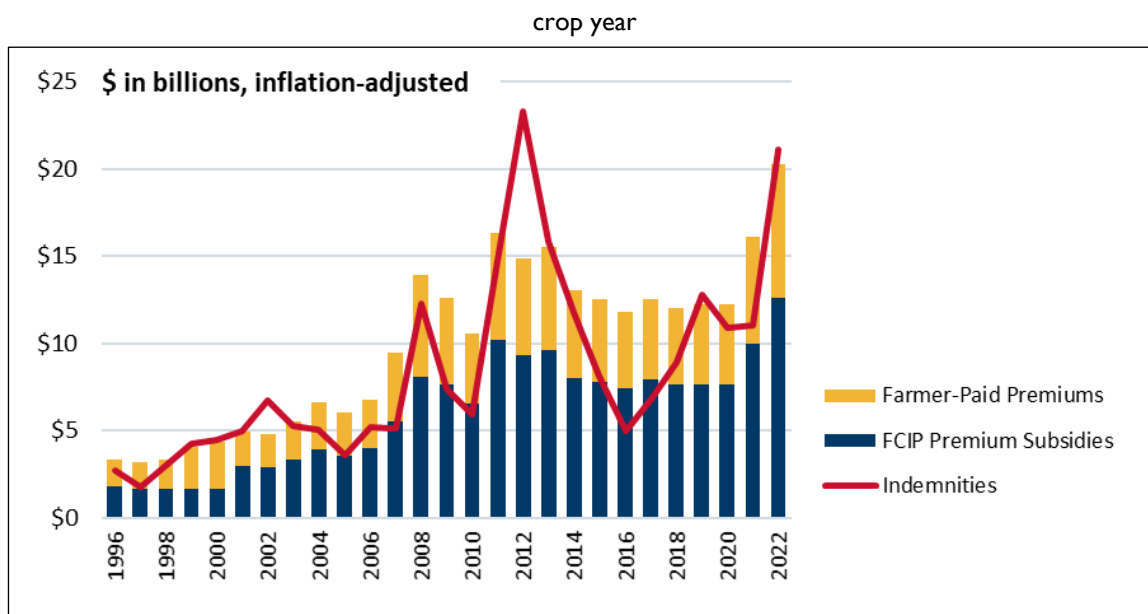
calendar year



Source: CRS calculations using USDA ERS, Farm Income and Wealth Statistics, updated September 2024.

Notes: FCIP = Federal Crop Insurance Program. Farm bill refers to the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127); the Farm Security and Rural Investment Act of 2002 (P.L. 107-171); the Food, Conservation and Energy Act of 2008 (P.L. 110-246); the Agricultural Act of 2014 (P.L. 113-79); and the Agriculture Improvement Act of 2018 (P.L. 115-334). Ad hoc refers to programs authorized through legislation other than farm bills. Value for 2024 is forecast (F) by USDA. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA ERS. Net FCIP indemnities—the net contribution to farm sector income from the FCIP—are calculated as indemnities plus subsidies minus total premiums. USDA ERS records for contributions to net farm sector income from the FCIP begin in 2008. A crop year is the 12-month period beginning at planting time and varies by commodity.

Since 2018, natural disasters and market prices contributed to changes in net FCIP indemnities, along with growth in program enrollments, new policies introduced, and other factors. Increasing market prices between 2020 and 2022 led to higher premiums paid by farmers and higher premium subsidies, while higher prices combined with relatively severe and widespread natural disasters led to higher FCIP indemnities paid. In 2022, FCIP indemnities were the highest ever in nominal terms and the second highest ever in inflation-adjusted terms (**Figure 13**). FCIP net indemnities exceeded farm bill and ad hoc disaster assistance in each year between 2008 and 2023 with the exception of 2022, and are forecast to exceed farm bill and ad hoc disaster assistance in 2024 (**Figure 12**).

Figure 13. FCIP Premium Subsidies, Farmer-Paid Premiums, and Indemnities, 1996-2023

Source: CRS calculations using USDA Risk Management Agency, Summary of Business Database, downloaded September 19, 2024, and adjusted for inflation to 2024 dollars.

Notes: FCIP = Federal Crop Insurance Program. Values adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by CRS.

Between FY2018 and FY2023, Congress appropriated ad hoc funds each year for losses caused by natural disasters, including losses not covered via farm bill disaster programs or through the FCIP (e.g., losses in excess of purchased FCIP coverage, on farm storage losses, and harvested adulterated wine grapes).³² USDA used these funds to create various ad hoc disaster assistance programs. These programs were available for producers who purchased FCIP coverage, producers who were eligible but opted not to purchase FCIP coverage, and producers who were ineligible for FCIP coverage. Individuals receiving assistance from these ad hoc disaster assistance programs were required to purchase two years of FCIP or other farm bill disaster assistance coverage. USDA administered these ad hoc disaster funds using eligibility requirements and payment limits that differ from the farm bill disaster programs. For example, producers with an average adjusted gross income (AGI) above \$900,000 are ineligible for direct payments from farm bill disaster assistance programs but may have been eligible for ad hoc disaster assistance.³³

Congress appropriated different levels of supplemental disaster assistance funding for each of FY2018 through FY2023. In some years, claims for disaster assistance did not exhaust available funds. In other years, claims for disaster assistance exceeded available funds. USDA employed multiple mechanisms across these programs to allocate available funds to eligible claimants. For some programs, USDA provided payments in tranches where the level of funding available in the later tranches was contingent on the amount of funds outstanding after the previous tranches. For the most recent ad hoc funding, USDA provided one round of payments and applied a *progressive*

³² For more information about farm bill and ad hoc disaster assistance, see CRS Report RS21212, *Agricultural Disaster Assistance*.

³³ Adjusted gross income (AGI) is defined as an individual's or legal entity's total annual income minus eligible adjustments determined by the Internal Revenue Service. The average AGI is calculated from the previous three-year period but excluding the most recent complete taxable year.

factor.³⁴ Under the progressive factor, the higher the calculated payment, the lower the progressive factor percentage applied.³⁵ Reportedly, USDA's justification for implementing this rule was "when we have less resources than the need, that's when we have to try to figure out some policy decisions and determinations."³⁶ Some policymakers disagreed with the progressive factor because it "may result in significant producers receiving minimal or no assistance."³⁷

Issues for Congress

After reaching record levels in 2022, farm sector profitability declined in 2023 and is forecast to decline further in 2024 based on the September 2024 forecast. While the farm sector is profitable on average, the profitability of individual farms varies based on the farm's specific commodities produced, revenues, and costs. Corn, soybeans, wheat, cotton, rice, sorghum, and oats are forecast to have negative total margins for 2024. The profitability for the average farm business specializing in corn, cotton, soybeans, specialty crops, wheat, and other crops is forecast to be below the prior 10-year average in inflation-adjusted terms. In addition, since the September 2024 forecast, the United States was hit by several hurricanes—the full impact of these events on the agricultural sector is still to be determined.

Some agricultural stakeholders have suggested that the declining farm sector income and negative margins for certain crops warrants congressional action.³⁸ The Farmer Assistance and Revenue Mitigation Act of 2024 (H.R. 10045) would authorize ad hoc payments for producers of commodities eligible for farm bill commodity support programs. USDA has not published data on the number of producers growing these commodities in 2024. In 2022, approximately 23% of U.S. farms had sales of grains, oilseeds, or cotton, and 18% of U.S. farms specialized in either grain, oilseed, or cotton production.³⁹ Analysis by agricultural experts suggests that this bill may authorize ad hoc commodity support payments of approximately \$20 billion or more.⁴⁰

Stakeholders have also suggested that Congress provide ad hoc disaster assistance to address losses from Hurricanes Helene and Milton and other natural disasters in 2023 and 2024.⁴¹ Previously, Congress authorized ad hoc disaster assistance for natural disasters that occurred in

³⁴ The most recent program covered losses that occurred in calendar year 2022 and called the Emergency Relief Program (ERP) 2022. For more information about the ERP, see CRS In Focus IF12544, *Department of Agriculture's Emergency Relief Program (ERP)*.

³⁵ For example, if the estimated ERP 2022 payment is \$5,000, then the progressive factor is 100% for the first \$2,000, 80% for the next \$2,000, and 60% for the final \$1,000, resulting in an adjusted payment of \$4,200.

³⁶ Chris Clayton, "Farm Disaster Aid Dollars Fall Short," *Progressive Farmer*, December 2023, <https://www.dtnpf.com/agriculture/web/ag/news/article/2023/12/05/disputes-payment-factors-erp-aid>

³⁷ Jim Wiesemeyer, "USDA May Face Court Challenge in Its Implementation of ERP for 2022 Losses," December 2023, <https://www.profarmer.com/news/policy-update/usda-may-face-court-challenge-its-implementation-erp-2022-losses>.

³⁸ For example, see comments from Members of Congress as quoted in Grace Yarrow, "Ag negotiators under ad hoc pressure," *Politico*, September 23, 2024.

³⁹ CRS calculations using data from the 2022 Census of Agriculture, Table 48 Selected Characteristics of farms by North American Industry Classification System: 2022 and Table 71 Summary of Size of Farm: 2022.

⁴⁰ Cheyenne Kramer, "Everything Farmers Need to Know About the FARM Act in Congress," *Farm Journal AgWeb*, October 22, 2024, at <https://www.agweb.com/news/crops/crop-production/everything-farmers-need-know-about-farm-act-congress>; Jonathan Coppess et al., "Reviewing the Latest Ad Hoc Payment Proposal in Congress," University of Illinois at Urbana-Champaign *farmdocdaily*, November 4, 2024, <https://farmdocdaily.illinois.edu/2024/11/reviewing-the-latest-ad-hoc-payment-proposal-in-congress.html>.

⁴¹ See, for example, Sarah Fortinsky, "Lawmakers press for agricultural disaster relief funds in wake of Helene," *The Hill*, October 1, 2024, at <https://thehill.com/policy/energy-environment/4909565-lawmakers-look-for-federal-agriculture-disaster-aid/>.

calendar 2017-2022. On November 18, 2024, the Biden Administration requested \$24 billion for USDA to respond to natural disasters in 2023 and 2024, including \$21 billion in payments to producers for losses incurred from natural disasters in 2023 and 2024.⁴² As of November 15, 2024, FCIP indemnities for 2023 agricultural losses due to insured causes exceeded \$17.5 billion dollars, including approximately \$267 million for hurricane and tropical storm policies.⁴³ On November 19, 2024, USDA announced that the FCIP had paid \$6 billion in indemnities for the 2024 crop year.⁴⁴ Of these funds, nearly \$1 billion was paid to producers impacted by hurricanes and tropical storms, including \$792 million for hurricane and tropical storm policies. USDA also announced that it would provide \$2.14 billion to support specialty crop producers and producers seeking pre-market storage for their crops after severe weather events.⁴⁵

Some of the options that Congress may consider in the context of the September 2024 farm income forecast include

- **Taking no additional action.** Eligible farmers are currently authorized to receive commodity support payments for the 2023 and 2024 crop years. The FCIP and standing agricultural disaster assistance programs are permanently authorized, and may provide support to farmers impacted by natural disasters and other adverse growing conditions. This option does not require additional government outlays but would not provide support to farmers who are ineligible or opted not to participate in these programs.
- **Providing ad hoc assistance.** Between 2018 and 2023, Congress and USDA have provided ad hoc assistance each year to address natural disasters and/or other economic events impacting the farm sector (e.g., trade disruptions, COVID-19 pandemic). This assistance was provided to individuals who are eligible to participate in the FCIP, standing agricultural disaster assistance programs, and farm bill commodity support programs, as well as to individuals who were ineligible or opted not to participate in these programs. Congress may consider ad hoc assistance to address natural disasters and/or economic events affecting farm sector income in 2024. In addition, Congress may consider directing USDA on how to administer ad hoc funds in the event that claims exceed appropriated levels. Providing additional resources in this manner would be discretionary spending, subject to discretionary spending caps. In the past, Congress has often designated such assistance as emergency spending, thus exempting it from the caps or not requiring a budgetary offset.⁴⁶
- **Reauthorizing and expanding farm bill support programs.** Historically, Congress has responded to periods of perceived low farm incomes as part of farm bill reauthorization. Some stakeholders advocate financial assistance to help

⁴² Biden Administration, Letter to Speaker of the House Mike Johnson, November 18, 2024, <https://www.whitehouse.gov/wp-content/uploads/2024/11/Letter-regarding-critical-disaster-funding-needs.pdf>.

⁴³ CRS calculations using data from USDA Risk Management Agency Summary of Business, downloaded November 15, 2024.

⁴⁴ USDA, "USDA Announces More than \$2 Billion to Strengthen Specialty Crops Sector, Expand Crop Storage for Producers Following 2024 Natural Disasters," press release, November 19, 2024.

⁴⁵ USDA, "USDA Announces More than \$2 Billion to Strengthen Specialty Crops Sector, Expand Crop Storage for Producers Following 2024 Natural Disasters," press release, November 19, 2024.

⁴⁶ For more information about spending caps, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*.

farmers navigate economic challenges and market and production uncertainties.⁴⁷ On May 23, 2024, the House Committee on Agriculture ordered the Farm, Food, and National Security Act of 2024 (H.R. 8467) reported favorably to the House. Among other provisions, this bill would increase the amount of commodity support available to farmers and expand eligibility for commodity support programs.⁴⁸ The Congressional Budget Office estimates that for FY2025-FY2033 this bill would increase outlays for commodity support and standing disaster assistance programs for farmers by approximately \$32.1 billion and FCIP outlays by approximately \$4.2 billion.⁴⁹ On November 18, 2024, the chairwoman of the Senate Committee on Agriculture, Nutrition, and Forestry released draft bill text for the Rural Prosperity and Food Security Act of 2024 and stated that the bill would provide \$20 billion in additional support to farmers.⁵⁰ This option would require additional government outlays and provide additional support to farmers eligible to participate in these programs.

- Taking action to reduce farm costs.** USDA forecasts farm expenses to increase in 2024 overall and for certain categories of farm expenses. The Biden Administration identified consolidation and lack of competitive markets as factors increasing farm input costs and limiting prices for certain commodities.⁵¹ USDA has taken administrative actions to increase investments in domestic fertilizer production, increase investments in meat processing capacity, increase enforcement of competition rules for livestock markets, and promote competition in seed markets.⁵² Congress may consider taking additional action to target these priority areas identified by USDA and/or targeting other cost drivers relevant for the farm sector. For example, farm labor costs in 2024 are tending above the 10-year average. Congress may consider options published by the House Agricultural Committee's Agricultural Labor Working Group's March 2024 report *Final Report with Policy Recommendations*.⁵³ If enacted, some of these options may require additional government outlays and could support farmers regardless of their eligibility for farm support programs.

⁴⁷ See, for example, Daniel Munch, "Crop Insurance Provides a Critical ROI for Taxpayers," American Farm Bureau *Market Intel*, May 07, 2024, <https://www.fb.org/market-intel/crop-insurance-provides-a-critical-roi-for-taxpayers>.

⁴⁸ For additional background on commodity support provisions in H.R. 8467, see CRS Report R48167, *The 2024 Farm Bill: H.R. 8467 Compared with Current Law*.

⁴⁹ Congressional Budget Office (COB), *Estimate of H.R. 8467 Relative to CBO's June 2024 Baseline Projections*, November 2024, https://www.cbo.gov/system/files/2024-11/hr8467_Letter_Thompson_Stabenow.pdf.

⁵⁰ Chairwoman Debbie Stabenow, U.S. Senate Committee on Agriculture, Nutrition, & Forestry, *The Rural Prosperity and Food Security Act Summary*, November 18, 2024, https://www.agriculture.senate.gov/imo/media/doc/summary_of_the_rural_prosperity_and_food_security_act.pdf.

⁵¹ USDA, *Agricultural Competition: A Plan in Support of Fair and Competitive Markets*, Report to the White House Competition Council, May 2022, https://www.ams.usda.gov/sites/default/files/media/USDAPlan_EO_COMPETITION.pdf.

⁵² USDA, "USDA is Delivering on its Commitment to Fair, Competitive, and Transparent Markets," press release, June 25, 2024.

⁵³ House Committee on Agriculture Agricultural Labor Working Group, *Final Report with Policy Recommendations*, March 2024, https://agriculture.house.gov/uploadedfiles/alwg_final_report_-_3.7.23.pdf.

- **Reducing farm support.** Some stakeholders advocate for eliminating commodity support, eliminating commodity support payments for individuals receiving FCIP indemnities, and/or reduce crop insurance premium subsidies.⁵⁴

⁵⁴ See, for example, Project 2025 Presidential Transition Project, Chapter 10 Department of Agriculture, https://static.project2025.org/2025_MandateForLeadership_CHAPTER-10.pdfhttps://static.project2025.org/2025_MandateForLeadership_CHAPTER-10.pdf.

- These stakeholders argue that reducing farm support may reduce market distortions, which could discourage proper farm risk management and innovation. This option would reduce government outlays and reduce support to farmers eligible to participate in these programs.

Congress may consider such competing views while determining the role for the federal government in supporting farm income.

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