Webinar Transcript:
Farm Income and Financial Forecasts, February 2025

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Ashley: Good afternoon. Welcome and thank you for joining today's Farm Income and Financial Forecasts Webinar. This is our first farm income webinar for the 2025 calendar year. My name is Ashley, and I'll be your host today. Before we begin, I'll quickly note that this webinar is being recorded and will be available on the ERS website within the next week. If you have any questions about today's presentation, please submit them using the Q&A feature at the bottom of your screen.

Now, it's a pleasure to introduce Carrie Litkowski – our speaker today. Carrie is a senior economist and program leader in our Resource and Rural Economics Division. As the farm income team leader, she's responsible for planning and implementing an estimation, research, and analysis program focused on developing sector wide measures of farm income, value-added, and the aggregate farm sector balance sheet. Welcome back Carrie. The floor is yours.

Carrie: Thank you, Ashley. And thank you everyone online for joining us today. As Ashley said to present the latest USDA short-run forecasts on farm sector income and wealth. USDA's Economic Research Service farm income and wealth statistics measure, forecast, and explain indicators of economic performance for the U.S. farm sector. This data provides an overview of the sector in aggregate providing guidance to policy makers, lenders, commodity organizations, farmers and others with an interest in the health of the farm sector. We do release forecasts three times a year, and with today's release, we are putting out our first calendar year forecast for 2025 and we've updated our forecast for 2024 to include some new and revised data that has become available. Since our last release on December 3rd, our data for 2024 is still considered a forecast until we can incorporate more complete data including survey-based data, which we will do with our next data release in early September. The 2024 and '25 forecasts incorporate commodity projections from the January World Agricultural Supply and Demand Estimates reports, uh the WASDE report, as well as information provided by ERS analysts and other sources. The new and updated data went live on the ERS website at 11:00 a.m. eastern time along with a written discussion of our main findings.

So, our data covers the farm sector as a whole, which is comprised of about 2 million farms and ranches who operate nearly 900 million acres of land. About half of those farms are what we consider to be farm businesses defined as larger farms and those where the principal occupation of the operator is farming. These farm businesses account for over 90% of the total of value of a sector production in the U.S. And we have some additional data and forecasts on their finances by type of operation and by region. Lastly, we'll look at the well-being briefly of the well-being of the 4.6 million people who live in households that operate a farm.

Here's an overview of what I'll be covering today and the you know, the top-level findings, starting with profits for the farm sector as a whole, which are forecast to increase in 2025. We have two measures of income. Net cash farm income for the calendar year 2025 is forecast to increase

almost 22% in nominal dollars, and net farm income is forecast to increase almost 30%. However total cash receipts from commodity sales are expected to decline in 2025 about 1.8 billion or under 1%. Most the forecast increase in net income is following direct government payments, which are forecast to increase by $33 billion. Also, total production expenses are forecast to decrease by $2.5 billion or under 1% in 2025, which would also contribute to higher income although to a lesser degree. On the farm sector balance sheet, a farm sector assets, debt, and equity are each forecast to increase. For farm businesses, average net cash farm income is projected to increase about 11% to almost $129,000. And lastly for those households that operate a farm, median household income is forecast to increase 5% to about $106,000 in 2025. Note that in this summary the discussion is all in nominal dollars, and the values are not adjusted for inflation. But some charts in this presentation are inflation adjusted, particularly those that look at a longer time series.

And that includes this first one. This chart shows our two primary measures of farm sector net income or profits over the past 20 years, and it is in 2025 dollars. So, we're adjusting prior years to account for inflation to allow better comparison of levels of income over time. Both measures reached a record high in 2022, then declined in 2023, and are forecast to increase in 2025. The yellow top line uh is net cash farm income. And it includes cash receipts from farming, or the sale of farm commodities, as well as cash farm related income, government payments to farm operators, less cash expenses or the costs that farmers incur to produce their agricultural production. And cash just means that there's some sort of market transaction. Net cash farm income is forecast to have decreased slightly from 2023 to 2024, about 1%, and in 2025 net cash farm income is forecast to increase 19% or about $31 billion. Net farm income is the blue line, and it's a broader measure of income that also incorporates non-cash items like economic depreciation. And it accounts for changes in inventories. We're forecasting that net farm income fell from 2023 to 2024, and then in 2025, will increase 26% or almost $38 billion. The forecast for both measures would keep them above their 20-year average but would still be below the record high in 2022.

We forecast farm income from the bottom up, which means forecasting its component parts first, and this allows us to identify what is driving the change in income from 2024. Now on this chart I'm going back to nominal dollars, and most of the forecast increase in net farm income is because of higher government payments in 2025. But let's specifically go through this chart. On the left we have the net farm income forecast for 2024, and on the right, we have the forecast for 2025. So, if we go left to right, crop receipts are forecast to decrease by $5.6 billion, however it is expected that less will be sold from crop inventories in 2025 than in 2024, which is reflected by the crop inventory adjustment. Net farm income is meant to be a measure from current production only. When you combine the value of production with this inventory adjustment, you get a measure of the value... sorry cash receipts plus the inventory adjustment gives you a measure of the value of crop production. And it is forecast to increase slightly in 2005, about $0.4 billion. Note that for our net cash farm income measure, we don't adjust for changes in inventories, and we record sales when they occur. Next, we have animal and animal product receipts, which are forecast to increase $3.8 billion with just a small adjustment for inventory change. Production expenses are forecast to decrease $2.5 billion, which would raise income. And then we have direct government payments

from farm programs to farm operators that are forecast to increase $33.1 billion in 2025. All other sources of income are forecast to increase $0.7 billion. So, the result is that net farm income is forecast to increase $41 billion or almost 30% nominally.

The biggest source of income for the sector are cash receipts, which are represent the sale of agricultural commodities. And this chart looks at the totals for cash receipts since 1970 in inflation adjusted dollars. Note that these are calendar year estimates and forecasts, and not like a marketing year or crop year. Like with net income in 2022, total cash receipts reached an all-time high following growth in both animal products and crop receipts. After 2022 cash receipts are projected to fall through 2025. In total cash receipts are forecast to have fallen 2% or about $13 billion in 2024, and then fall another 3% or about $14 billion in 2025. Most of the expected decline in 2024 and 2025 is due to receipts for crops, which are forecast to have fallen 11% in 2024 and then fall another 5% in 2025, which would put them at their lowest level since 2019. Animal and animal product receipts are forecast to have increased 6% in 2024 and are expected to remain relatively stable in 2025. And I say stable because it is forecast to increase about 1% nominally but once you adjust for inflation it's a decline of about 1%.

We can also look at cash receipts by commodity. Still in inflation adjusted dollars, uh we forecast cash receipts for about 25 different crop commodity or commodity groupings. This chart focuses on some of the major crops. Receipts for corn and soybeans are expected to continue to decline driving most of the change in total crop receipts in 2025. Combined corn and soybeans generally account for about 50% or nearly half of total crop receipts. Corn receipts specifically are forecast to decline nearly 7% in 2025, and soybean receipts are forecast to decline 9%. That would mark the...have them declining for the third year in a row. On the other hand, receipts for vegetable and melons are forecast to increase 2%, and cotton receipts are also forecast to increase about 8%.

For animal and animal product cash receipts, the outlook for 2025 is mixed, but in 2024 all categories shown here saw cash receipts increase from 2023 to 2024. In 2025 cattle and calf receipts are forecast to decrease almost 3% in inflation adjusted dollars, which would be the first decline in the series since 2020. Receipts for eggs are also forecast to decline at about 4% yet remain relatively high in 2025. Conversely receipts for dairy, broilers and hogs are all forecast to increase in 2025.

The forecast change in cash receipts in 2025 is relatively small overall. And for the most part prices received by farmers are driving these expected changes, at least in aggregate. Through a simulation we can deconstruct the change in cash receipts into a price effect and a quantity effect. In other words, we can identify whether changes in prices received, or quantities sold are driving the change in cash receipts. This allows us um...the changes shown here are in nominal dollars now. So, let's start from the left. In 2025 total crop cash receipts are forecast to fall 5.6 sorry $6.4 billion uh as shown by the orange bar. And then lower quantities sold are expected to contribute only slightly to lower cash receipts... um by a $0.3 billion. The black bar are for commodities for which we can't do this price and quantity or price uh yeah, this price and it quantity effect analysis. But when you combined, you see that the total change in crop cash receipts is that they're forecast to decrease

$5.6 billion. For animal and animal products higher prices are expected to account for nearly all of the forecast and increase in receipts with only a slight decline due to lower quantities sold. Again, nominally this is an increase um for animal and animal products. Then in total the last set of bars... lower prices for crops are contributing most to the overall decline in total cash receipts in 2025, but also lower quantities sold are expected to contribute.

Government payments are another source of income to farmers and are forecast to account for most of the forecast growth in net income in 2025. We define direct government payments as payments made to farm operations by the federal government without any intermediaries generally from farm programs. We record them in the year in which they were received by farmers. Now we're going back to inflation adjusted dollars, and this chart shows payments by type or category of payment. After reaching a record high in 2020 due to pandemic related assistance, government payments have decreased every year since. In 2025 total government payments are forecast to increase almost $33 billion from 2024, which would put them at $42.4 billion in 2025. The primary driver of this increase is supplemental and ad hoc disaster assistance, which is represented by the gray bar, and is forecast at almost $36 billion in 2025. The increase from 2024 largely reflects payments from to farmers appropriated in the American Relief Act of 2025, which authorized economic assistance for producers and other payments related to losses due to natural disasters in 2023 and 2024. Also forecast to increase in 2025, although to a lesser degree, are payments that are a function of commodity prices as represented by the orange bar. And this uh is largely due to expected higher payments under the agriculture risk coverage and price loss coverage programs. Conservation payments are represented in the green bar and are also forecast to increase.

This chart looks at government payments relative to the rest of net farm income, and it also includes another source of income to farmers. That's commodity insurance indemnities, which are payments to farmers for losses covered by Insurance. We're still in inflation adjusted dollars here. The top peach bar segment shows indemnity payments paid to farmers less the premiums paid by the farmers for federal commodity insurance, which I'll refer to as net insurance payments. Net insurance payments are forecast to decrease 0.4 billion or about 4% in 2025. The darker orange bar segment shows direct government payments, which I talked about in the previous slide. This is just the total here. The gray bar then represents net income excluding net insurance and direct government payments. So, after declining in 2023, net farm income less net insurance and government payments is forecast to remain somewhat stable historically in 2024 and 2025. It is forecast to increase just $5.2 billion or 4% from 2024, meaning that net income less these government payments and insurance would account for about 14% of the total increase in net farm income in 2025. Another factor affecting net income are production expenses, which is spending on inputs used in the production of farm commodities. This includes a wide range of items such as feed, fertilizer, hired labor. This chart shows total expenditures, cash and non-cash, in both nominal and inflation adjusted dollars. Nominally, the blue line, production expenses increased every year from 2019 to 2023 with the strongest growth in 2022. Actually in 2022 that was the largest single year increase in government in the production expenses on record. In 2024 we forecast that production expenses fell about 2% nominally as prices for some inputs declined. And we forecast

total expenses will continue to fall in 2025, but at a slower rate, declining just under 1% nominally or about 3% when adjusted for inflation.

However not all production expenses are forecast to decline in 2025. This chart compares expenditures by category in 2023, 2024 and 2025. Above the line we have those categories of spending where we expect increases in 2025, and then below the categories where we think spending will fall. So, at the top we have labor expenses and spending on livestock and poultry purchases, which are forced to have increased in 2024 and are expected to continue to increase in 2025 to record highs. Also forecast to increase our spending on seeds, property taxes and net rent. Spending on below the line, spending on feed, is expected to continue to decline in 2025, falling about 10%. Feed is the single largest expense category for the U.S. farm sector, and prices paid for feed are expected to decline following lower prices for feed grains. Interest expenses, spending on fertilizer pesticides, fuel and oils are also forecast to fall in 2025.

Net farm income provides us useful information about annual profits, but it doesn't tell us everything about the financial position of the farm sector. For more information we can look at the U.S. farm sector balance sheet, which provides information on the value of assets both physical and financial and the level of debt in the sector over time. We expect the balance sheet will continue to improve in 2025. Farm sector equity, or the value of assets less debt, is shown by the green area in this chart. And it has increased every year after 2019. It’s forecast to have increased nearly 3% from 2023 to 2024 and is projected to increase another 2% in 2025. The forecast growth in equity primarily reflects increases in the value of farm sector real estate assets, which represents about 80% of total farm sector assets. And real estate assets are the value of land and buildings. The level of debt held by the farm sector is shown in the blue area at the bottom of this chart. Since 1994 debt levels have generally trended upward, but debt levels did fall in 2022, which was the first decline since 2012, but since 2022 are have increased and they are forecast to continue to increase uh through 2025. In 2025 specifically, debt is forecast to increase about 1% inflation adjusted following increases in both real estate and non-real estate debt levels.

Here's another way to look at the balance sheet. This chart looks at the amount of debt relative to equity and relative to assets as a percentage. These are solvency ratios, which provide a measure of the sector's ability to repay financial liabilities, debts and loans, through the sale of assets, and that can be an indicator of financial stress. These ratios have been improving since 2021 as indicated by declining values, and we forecast that they will continue to improve slightly through 2025, which would put them below their 10-year moving average. It is important to note that these solvency ratios are for the sector as a whole and include farm operations with no debt. So, there's a lot of variation in the amount of debt that is held by individual farms. Additional financial ratios including liquidity and efficiency measures are available on our website, but I'm going to give you one more and that is the debt service ratio, which is a one measure of liquidity uh or the amount with liquidity being the amount of capital that is readily available as cash or can be easily converted to cash. And the debt service ratio here is charted along with the bankruptcy rates. As shown by the red bars, the farm bankruptcy rate has been declining since 2020. In 2023 it reached its lowest level since 2004, so lowest level in 20 years. In 2024 the bankruptcy rate is projected to increase to about one

bankruptcy per 10,000 farms, yet they would remain relatively low historically. The debt service ratio as shown by the line in this chart describes the share of production income or gross income that is needed for debt payments. Lower values are preferred meaning that less production income is needed to make these debt payments, which improves liquidity. The debt service ratio rose in 2023 and is forecast to have increased in 2024 following lower value of ag sector production and higher interest expenses in those years. But in 2025 we expect this ratio to decline or improve as interest expenses are forecast to fall and government payments to increase, which are also factored into the calculation of the ratio.

So far, we've been discussing forecast for the farm sector as a whole. In the next few slides, we will be looking at an important subset of all farms, which we call farm businesses. They are defined as farms where the primary occupation of the operator is farming plus those farms that had $350,000 or more in gross cash farm income, so that's income before expenses. According to data from the Agricultural Resource Management Survey (ARMS), about half of all farms meet this definition and are represented in this chart by the green and blue segments for intermediate and commercial farms. These farm businesses account for over 90% of all agricultural production and hold most of the sector's assets and debt. Residence farms as shown by the gold or yellow bars are those farms where the operator is retired, whose primary occupation is not farming and is it's a small farm. And they account for the remaining share of farms and contribute a much smaller share of production, assets and debt. So, what we can do in these next slides is show the results of a micro simulation. Using farm level data from the 2023 ARMS, were able to project average income levels in 2024 and 2025 based on the forecast for the sector as a whole, and we can break down these forecast for farm business income by commodity specialization and geographic region. So, we're going to shift here a little bit and only look at farm businesses and average net cash farm income levels.

Let's start by looking at farm businesses that specialize in crops. This chart is an inflation adjusted dollars. Using ARMS, we can categorize farms by commodity specialization, which is determined by the one commodity or group of commodities that makes up at least 50% of the farm's total value of production. For almost all types of farm businesses specializing in crops, average net cash farm income is forecast to have decreased from 2023 to 2024 due to lower crop cash receipts. In 2025 all farm businesses, crops and livestock, are forecast to see government payments increase on average following the forecast for the sector as a whole. Note that our model projects 2024 and ‘25 government payments based on information from the 2023 ARMS. But despite higher income from government payments, not all types of farm businesses are projected to see higher average net cash farm income in 2025. Farm businesses specializing in corn and soybeans, their average net cash farm income is forecast to decline in 2025 as corn and soybean cash receipts are forecast to fall as we talked about earlier. For farm businesses specializing in wheat and cotton, average net cash farm income is projected to increase in 2025 after a projected decline in 2024. And this reflects the forecast for higher government payments on average and for cotton farms also higher cash receipts.

For farms specializing in animal or animal products, we are projecting that farm businesses across all specializations will see average net cash farm income increase in 2025, which would follow

increase in 2024. Dairy farm businesses are forecast to see the largest increase in average net cash farm income in both 2024 and 2025. And this reflects the forecast for higher milk receipts and lower expenses, particularly for feed. For farm businesses specializing in cattle and poultry, the upward trend in average net cash farm income since 2022 is forecast to continue through 2025. Average net cash farm income for farm businesses specializing in hogs is forecast to improve but remain below 2021 and 2022 levels. The increases for hogs in 2024 and 2025 are following expectation for higher hog receipts and lower expenses.

By looking at how agricultural production is distributed geographically, we can project how average net cash farm income for farm businesses can be expected to change in 2025 by resource region. But first across all farm businesses, average net cash farm income is forecast to increase 11% from 2024 to 2025 in nominal dollars. And this is following the sector forecast for higher net cash farm income. We project that the Prairie Gateway will have the largest increase in average net cash farm income at 28%, and the Heartland is projected to see the smallest increase in average net cash farm income at 3%. Here we think income growth um will be moderated somewhat by lower cash receipts particularly for corn and soybeans.

On my final slides we're going to look at income forecasts for household that operate farms. You know up to this point we've been discussing the financial performance of the farm operation itself, but the well-being of households that own and operate farms is not equivalent to the farm earnings. Farm profits are often shared with other stakeholders like landlords or contractors, and the well-being of farm operator households is determined by a combination of on farm and off- farm activities. So now we're going to look at family farms and the households of the principal farm operator. In 2023 family farms accounted for about 96% of all farms and 83% of total agricultural production. There are nearly 5 million people who live in households attached to a farm.

One measure of their well-being is household income. Farm households typically receive income from both farm and off-farm sources, and this chart looks at farm income, off farm income, and total household income at the median where the median represents the income level at which half of all households have lower incomes and half have high higher incomes. And this chart is an inflation adjusted dollars. So, at the median income earned on the farm is low. And although forecast to increase in 2024 and 2025, it is expected to remain below zero at 328 at the median in 2025. That means that at the median or the median, farm household is operating the farm at a loss. But recall that half of all farms are residential farms, which are small farms where the primary occupation of the operator is not farming, or the operator is retired. And this results in low and usually negative farm income at the median. Therefore, many farm households rely primarily on off farm income. Off farm income sources include off farm wage income, uh of both the operator and family members, nonfarm business earnings, dividends and transfers. Median off farm income is forecast to increase 3% in 2025 or about 1% when adjusted for inflation. And then these last bars on the far right are total farm household income, which at the median is forecast to increase 5% nominally or 3% when adjusted for inflation. This would put median total farm household income at its highest level since 2021.

This chart looks at household income by the type of farm that the household operates. For households attached to residential and intermediate farms, median total household income, as shown by the red line, tracks very closely with off farm income, that's the blue line, and is forecast to increase in 2025. Another interesting takeaway I think from this chart is that off farm income accounts for essentially all of the household's income at the median for those households that operate intermediate and residence farms. For households attached to a commercial farm, total household income follows the trends in on farm income, which usually accounts for most of the household income at the median. So, for commercial farms farm income, the gray line, is expected to increase in 2025 driving the forecast 5% increase in total household income.

The information I presented today is available on our website and we have data tables visualizations charts and maps and a written discussion of our summary findings with even more information available. Our next release is scheduled for September 3rd at which time we're going to update our 2025 forecast, and we'll have our estimates for 2024 including at the state level.

Just want to take a couple seconds to note the Agricultural Outlook Forum that USDA will be hosting in about 3 weeks. It will be in person just outside of Washington D.C. or you can join remotely. You can see the full agenda online at the website here. It is USDA's largest annual gathering, which attracts more than 1,800 people in person and several thousand virtual attendees from the U.S. and around the world. But it's not just USDA participants. The agenda includes producers, policy makers, lenders, non-governmental organizations and others including this year's state governor. I'll be there, and I hope to meet some of you there too.

This is our contact information. Feel free to reach out to the team if you have any questions about our data uh or we you we also have the press office that you could contact for media. And with that I'm going to turn it back over to Ashley.

Ashley: Thanks Carrie. Let's go ahead and open the floor for questions. Just a reminder if you do have a question, um you can submit that through the Q&A feature at the bottom of your screen.

But first up, how accurate are the farm income forecasts released in February usually?

Carrie: We have done some analysis that to look at what I like to call reliability, and to do that we compare the first for first forecast for a given year, at least in February, against the first published estimate that is released about 19 months later in late August or September of the following year. Historically the first forecasts for net cash farm income and net farm income have been around 14 or 16% of the estimate. So that's like the amount of difference between the forecast and the published estimate. And that average is based on the past 20 years of data releases. We do have an FAQ on this on our ERS website. So, if you go, it's on our data product page, or the page where you can get all of our data files. You can actually see more information about how we look at the uh reliability of these forecasts, and we generally you know, vast majority of the time we get the direction of the change correctly. So, when we say farm income is going to increase, we're usually right about that, just sometimes the magnitude is within 14, 15, 16% of what we initially forecast.

Ashley: Thanks Carrie. This next question asks where do government payments come from and why are they larger this year?

Carrie: The way we, in our accounts government payments are those payments that come from the federal government. Yes, farmers can receive state and local government payments, but those aren't captured in our direct government payments total. Those are in other income, but because most of the farm government payments are coming from the federal government. And sorry, I think I forgot the last part of that question.

Ashley: No worries, um let's see...the last part asks: and why are they larger this year?

Carrie: Great, yes, they are larger because largely from the American Relief Act of 2025 that was passed in late December. It included um very roughly about $30 billion in aid that was to go to farmers. Some of it as economic assistant payments and some of it for uh relief from disasters like natural disasters that happened in uh 2023 and 2024. And that's where most of the expected increase is coming from. We don't have all the details on how that money is going to be spent, but it was authorized by the Act or by you know by the legislation.

Ashley: Got it. This next question's also pertaining to government payments specifically your government payment slide, and they're asking: what do you mean by payments that are a function of commodity prices?

Carrie: Right so that... I learned a new feature on these slides here. So, payments that are a function of commodity prices, that's the orange bar on the chart, and that refers to payments where the payment rate or payment amount varies with market prices. You know these payments can be triggered when commodity prices fall below a certain point or when revenues or margins fall. Sometimes these are referred to generally as counter cyclical payments. In recent years these are primarily payments from the price loss coverage program, the uh agricultural risk coverage program and dairy margin coverage program.

Ashley: Thanks Carrie. Next up here, regarding the economic impact payments for wheat, do the payments apply to the crop that was planted in 2023 but would have been harvested in the summer of 2024?

Carrie: I probably I cannot answer that question right now. You know that's in the legislation but if you reach out to us you know maybe we can get back to you on an answer, but at this time I don't have a specific answer on how this um I know I believe it is in the legislation though. Sorry I can't answer that one right now.

Ashley: Okay and that question actually was a two-part question, so I'm guessing the same response is going to apply to the second part, but just to be sure they also went on to ask: are double crops included? So will double crops, those that follow another crop, also count for a payment? Same response to that one as well?

Carrie: Yeah, I think you know this legislation is very recent and I look for more guidance um coming out from USDA in the future.

Ashley: Okay let's see for our next question: which programs are included in the all other programs of government payments?

Carrie: Okay so we're on the right slide for that one. It is an ex...it is a very long list especially if you're looking historically because there have been some programs that have come and gone. But I'll say some of the items that are included here, especially in the most recent years, uh sorry I'm trying to get to that notes page, are things like.... well certainly, it's mostly ad hoc or what we generally refer to is ag hoc and supplemental disaster assistance. But this includes things like the emergency livestock relief program, the marketing assistant for specialty crops, livestock forage program, uh assistance for distressed borrowers, and then of course the assistance authorized in the American Relief Act. Just some examples there.

Ashley: Good to know. We have a lot of questions about the payments and this one is one as well. And it asks: can you provide any breakdown of payments by commodity type and livestock?

Carrie: That is a very popular question that we get pretty regularly. For the farm income and wealth statistics, no we cannot. We get you know the data that we get like to put together this chart is all payments you know lumped together, not distinguished by any characteristics of the farm operator. But I do suggest, we do have the ARM, we call it the Agricultural Resource Management web tool, or interactive reports, that is available on the ERS website. And there you can look at data on government payments from the Agricultural Resource Management, and you can kind of you know cut into it or slice it by commodity specialization or by region for example. But that's based on ARMS data. This chart in particular is based on um what I'll call administrative data, data that we get from the agencies that make the payments. And we don't have information on the operator characteristics that go along with it to allow us to kind of break that down. But the ARMS web tool can provide some insight on how their payments are made out by crop or by livestock product.

Ashley: Good to know. Alright, next up: why is the data for 2024 still considered a forecast and what new data will be incorporated later?

Carrie: Yeah, it's still a forecast. This is our usual procedure that we're not going to finalize it or turn it into an estimate until uh the second release of the year in late August or early September. And it's primarily because we don't have complete data for 2024. It's still early in the year and a lot more data will become available later that allows us to make this conversion to an estimate which at and at the same time will allow us to get state level data. You know some key information that we'll incorporate, but we don't have yet, is annual survey data. You know particularly data from the 2024 Agricultural Resource Management Survey. We'll also incorporate other data from NASS that's not yet available, like um and NASS being the National Agricultural Statistics Service of USDA, um like the agricultural land values, fruit and vegetable um production and value data that will come out as the year progresses.

Ashley: Thanks Carrie. Next question, do you know if the decline in fertilizer expenses is due to lower fertilizer prices or lower fertilizer application rates?

Carrie: Yeah, so this is modeled data for 2025 obviously, and largely it's reflecting um expectations for lower fertilizer prices through 2025. You know, we don't really have any information on fertilizer prices yet for this year so we're relying a lot on trends. So, we think the trend will push fertilizer prices down. It's not so much the quantity applied in that when we do fertilizer, we also consider um you know planted acres, which are not expected really to drop in 2025, so it's primarily due to expectations for lower prices for a fertilizer.

Ashley: Alright, this next question asks where can I find the list of programs like the American Relief Act that helps farmers?

Carrie: I will say be um well you can always find the actual text of the legislation. You know that's available from Congress, um but you know keep your ears out. I think um that would be my best source of information right now that from the government to look at but like I said I think you know more information will start coming out. I think um not that I have any inside information, but um check the, you can check the language of the legislation at least to get you started.

Ashley: Thanks Carrie I think we have time for one more question here. This one asks: what are the potential drivers of the increased liquidity over the last 2 to 3 years?

Carrie: Well, it's kind of debated. You know, I think for the most part, I think we um projected that liquidity would actually fall um as least as measured by the debt service ratio in 2023 and 2024. And I think that primary driver is lower income, like lower income from crops in particular. So, you know net income is dropping, income from the production income is generally dropping for large parts of the farm sector, and 2025 though and um we the government payments or higher income levels should improve liquidity giving farmers more, uh we think farmers will have more profits with which to make the debt payments. And also, interest rates are expected you know to fall a little bit in 2025, which would help with liquidity.

Ashley: Alright, that's all the time we have for today. Carrie, thanks so much for this insight on the Farm Income and Financial Forecasts February 2025 update and thank you to our listeners for taking time to join us. For more about today's update and other ERS research, please visit our website at www.ers.usda.gov. There you can subscribe for topics of interest including our popular Charts of Note series offering fast facts and visual snapshots of ERS research. Or catch us on social at LinkedIn and X. Thanks again for joining us. This concludes today's webinar.