Summary

U.S. farm income remained strong in the third quarter despite a further decline in agricultural commodity prices. Following a modest decrease late in the second quarter, agricultural prices, broadly defined, declined 2% in the third quarter as prices of many commodities pulled back from those of recent months. While some production costs eased in the third quarter, such as energy-related costs and some fertilizers, other costs remained elevated or increased further. Feed costs, for example, increased notably, particularly in areas facing severe drought. Interest expenses also rose sharply in the third quarter. Despite the downward pressure on profit margins associated with higher expenses and slightly lower commodity prices, financial stress remained historically low.

U.S. agricultural prices decreased slightly from the previous quarter, but were still 8% higher than at the beginning of 2022.

The price of several major commodities declined over the quarter, but some, such as eggs, potatoes and hay increased sharply.

U.S. Agricultural Price Index

Contribution to Price Index Change

Notes

1. Weighted based on share of total 2020 agricultural cash receipts attributed to each individual commodity. Individual commodities allocated account for 86% of total 2020 cash receipts.
2. Based on changes in weighted indices of individual commodities and corresponding contribution to the change in the sum of those individually weighted indices from the previous period. Above commodities accounted for 40% of total 2020 cash receipts [Broilers (8%), Dairy (11%), Soybeans (12%), Wheat (4%), Chicken Eggs (2%) and Potatoes (2%)].
Farm income is expected to be slightly lower than a year ago despite strong growth in revenues for both the crop and livestock sectors.

Crop yields are expected to be 2% below the post-2000 trend, with 40% of the U.S. in drought categorized as severe or worse.

Ag exports set a new third quarter record and were 16% above the previous high set in 2021.

Interest rates on farm loans increased sharply, but measures of financial stress remained low.

**Demand for U.S. Agricultural Products**

**U.S. Farm Income and Revenue**

**U.S. Crop and Meat Production**

**U.S. Agricultural Credit Conditions**

<table>
<thead>
<tr>
<th></th>
<th>Latest</th>
<th>1-Year Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Loan Delinquency Rate (%)</td>
<td>1.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Chapter 12 Bankruptcy Filings in 12-month period ending [Q3 2022]</td>
<td>182</td>
<td>344</td>
</tr>
<tr>
<td>Ag Bank Loan-to-Deposit Ratio (%) [Q2 2022]</td>
<td>67.4</td>
<td>68.5</td>
</tr>
<tr>
<td>Interest Rates on Non-Real Estate Farm Loans [Q3 2022]</td>
<td>4.93</td>
<td>3.19</td>
</tr>
<tr>
<td>Farm Debt-to-Assets (%) [Annual - 2022F]</td>
<td>13.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Farm Debt-to-Income Ratio [Annual- 2022F]</td>
<td>3.4</td>
<td>3.4</td>
</tr>
</tbody>
</table>

**Notes**

3. Crop and Livestock Revenues reported as cash receipts and accounted for 87% of total gross farm cash income in 2021. Other amounts of gross cash income are attributed to government direct farm payments and other farm-related income.

4. Crop Index includes all grains, oilseeds, fruits and vegetables weighted by share of total U.S. production measured in million metric tons. Meat Index includes the aggregate live weight of cattle, hogs, and poultry processed at U.S. federally-inspected plants weighted by share of total domestic production measured in pounds.

5. Domestic grain consumption includes food, feed, and industrial use of corn, sorghum, barley, oats, and wheat.

*2022 farm income and balance sheet figures are forecasts published by USDA as of September 1, 2022.