

## March Commodity Outlook

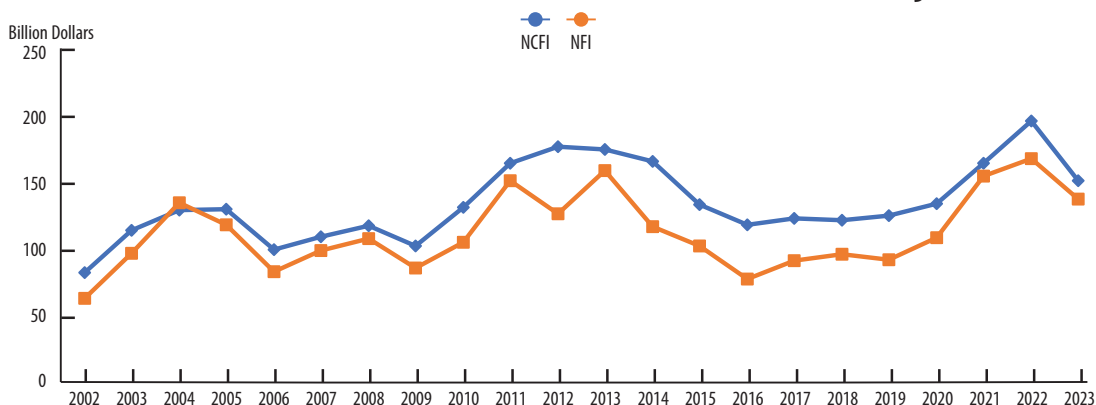
### Farm Income Forecast

Farmers are preparing to plant the 2023 crop amid a tough economic climate. In the latest Farm Sector Income Forecast, the USDA-Agriculture Research Service projected farm sector income to decline after two years of growth. Net farm income is based on the year in which the production took place. 2023's net farm income is projected to be \$136.9 billion, which is a decrease of \$25.9 billion or 15.9% (not adjusting for inflation). Adjusting for inflation shows a decrease of \$30.5 billion or 18.2% for 2023. Even with the decline, 2023 is still projected to be 26.6% above the 20-year average of \$108.1 billion.

2022 produced record-high net cash farm income attributing to strong cash positions and solid balance sheets for some producers. There are positive economic signals, but uncertainty is high as inflationary pressures persist and interest rates rise. Net cash farm income is based on the year in which the sales occur. Net cash farm income is projected to be \$150.6 billion in 2023, which is a decrease of \$39.4 billion or 20.7% (not adjusting for inflation). Adjusting for inflation shows a decrease of \$44.7 billion or 22.9% relative to 2022. Like net farm income, net cash farm income for 2023 is still projected to be above its 20-year average (\$130.5 billion).

A decrease is projected for cash receipts from the sale of agricultural commodities. This is expected to be a \$23.6 billion drop from the 2022 forecast high of \$543.4 billion. Total crop receipts are also expected to decrease by \$8.9 billion, led by lower receipts for soybeans and corn. Other factors contributing to the lower forecasted income in 2023 are lower direct Government payments and higher production expenses. While Government payments are projected to fall by \$5.4 billion (34.4%) in 2023, total production expenses are projected to increase by \$18.2 billion (4.1%).

**U.S. Net Farm Income and Net Cash Farm Income, Inflation Adjusted 20-Yr.**



## 2023 U.S. Agriculture Outlook

At their Annual Outlook Forum, USDA provided the first look at what they are expecting U.S. farmers to plant. These initial estimates are not based on surveys—the first survey-based estimates will be released on March 31, 2023. Yield estimates are based upon the historical trendline yields and will be updated throughout the growing season in reaction to changes in the condition of the crops.

Expectations for 2023 total planted area indicate growth for corn, wheat, and soybeans relative to the previous year. These commodities are projected to have a combined acreage of 228 million acres, or a nearly 3% increase from 2022. Rice acres are also projected to increase, while cotton seedings are projected lower. This year’s season average prices received by farmers are projected to be lower than last year but remain higher compared to historical averages over the past 10 years.

### Corn

Initial expectations for 2023 planted area indicate growth in total planted area for corn at 91.0 million acres, up 2.4 million (3%) from a year ago. The corn crop is forecasted to be 15.1 billion bushels, about 10% above a year ago. 181.5 bushels per acre is the projected yield, based on a weather-adjusted trend assuming normal planting progress and summer growing season weather.

| Corn                  | 2022        | 2023        | Change |
|-----------------------|-------------|-------------|--------|
| Planted Acres         | 88.6 M      | 91.0 M      | 3%     |
| Harvested Acres       | 79.2 M      | 83.1 M      | 5%     |
| Yield/Harvested Acres | 173.3 bu/ac | 181.5 bu/ac | 8%     |
| Production (bu)       | 13.7 B      | 15.1 B      | 10%    |

Supplies are expected to be up about 8% from the previous year. The price for corn is forecasted lower for 2023/24, from \$6.70 in 2022 to \$5.60 for 2023. These lower prices are due to expected acreage increase and higher yields, based on normal weather assumptions during the growing season. With an increase in the U.S. supply, pressure is expected to be put on global prices as well, despite expected lower exportable supplies out of Ukraine.

### Wheat

Wheat acreage is expected to grow the most due to rising global prices and tighter US and global supplies from the ongoing war in Ukraine. Though the wheat acres are expected to recover, this is unlikely to be a trend reversal for the long-term. Initial expectations for 2023 planted area is at 49.5 million acres, up nearly 3.8 million acres from last year. U.S. wheat production is projected 14%

| Wheat                 | 2022       | 2023       | Change |
|-----------------------|------------|------------|--------|
| Planted Acres         | 45.7 M     | 49.5 M     | 8%     |
| Harvested Acres       | 35.5 M     | 38.4 M     | 8%     |
| Yield/Harvested Acres | 46.5 bu/ac | 49.2 bu/ac | 6%     |
| Production (bu)       | 1.7 B      | 1.9 B      | 14%    |

above 2022/23 at 1,887 million bushels. The all-wheat yield is projected to be 49.2 bushels per acre, up 6% from last year’s drought-affected yield. It has been noted that Ukraine’s exportable wheat stocks will decline in 2023/24 due to the ongoing war. Prices for this year are expected to drop from \$9.00 in 2022 to \$8.50 in 2023.

### Soybeans

Initial expectations for 2023 planted area indicate growth in total planted area for soybeans at 87.5 million acres, consistent with the previous year. Soybean production is forecasted to grow 5% from 2022 to 4.5 billion bushels. Projected yield is 52.0 bushels per acre based on trends in weather conditioning assuming normal weather during the growing season. Total soybean supply is expected to increase by about 4% year-on-year. Average seasonal prices for

soybeans are expected to be lower this year, from \$14.30 in 2022 to \$12.90 in 2023. This is as global stocks rise due to the bumper crop currently taking place in Brazil. Supplies are expected to be higher for South America this year, with another large South American harvest

| Soybeans              | 2022       | 2023     | Change |
|-----------------------|------------|----------|--------|
| Planted Acres         | 87.2 M     | 87.5 M   | 0%     |
| Harvested Acres       | 86.3 M     | 86.7 M   | 0%     |
| Yield/Harvested Acres | 49.5 bu/ac | 52 bu/ac | 5%     |
| Production (bu)       | 4.3 B      | 4.5 B    | 5%     |

expected in early 2024. However, soybean demand is expected to be driven by rising demand for domestic crush, which is used in biofuel. The U.S. soybean oil for biofuel is expected to grow 8% to 12.5 billion pounds in 2023/24, supporting domestic crush.

### Cotton

USDA pegged 2023 cotton seedings at 10.9 million acres, reflecting an expected shift away from cotton and into corn throughout the Mid-South. If realized, this would be a 20.8% decrease from the previous crop. The National Cotton Council recently released the results of their 2023 grower survey, which revealed that farmers intend to plant 11.4 million acres of cotton, including 200,000 acres of extra-long staple cotton. That's down 17.3% from 2022, but significantly higher than the USDA estimate. According to NCC, Arkansas farmers reported planting intentions that are down 17.7% from last year. Cotton prices are down significantly from a year ago when relatively high prices resulted in planted acres of 13.8 million acres.

| Cotton               | 2022    | 2023    | Change  |
|----------------------|---------|---------|---------|
| Planted acres        | 13.76 M | 10.9 M  | -20.80% |
| Harvested acres      | 7.44 M  | 8.9 M   | 19.60%  |
| Abandonment Rate     | 45.90%  | 18.30%  | -27.60% |
| Yield/harvested acre | 947 lbs | 852 lbs | -10%    |
| Production (bales)   | 14.68 M | 15.80 M | 7.60%   |

### Rice

Rice acreage is expected to rebound in 2023. USDA is estimating a total of 2.5 million acres to be seeded to rice across the U.S., up 13% from 2022. Long-grain acres are projected at 2 million, with medium- and short-grain acres expected to come in at 500,000 acres. All-rice production is projected to be 185 million hundredweight (CWT), up 15%. Average yields were estimated to be 2% higher than last year at 7,523 lb/acre. Additional bearish news for rice prices came from the March Supply/Demand report, which raised the 22-23 carryout by 3 million CWT to 36.1 million, due to an equal reduction in the export projection. World carryout was also increased by more than 4 million metric tons (MMT) based on higher production in India.

| Rice                  | 2022      | 2023      | Change |
|-----------------------|-----------|-----------|--------|
| Planted Acres         | 2.2 M     | 2.5 M     | 13%    |
| Harvested Acres       | 2.2 M     | 2.5 M     | 12%    |
| Yield/Harvested Acres | 7,383 lbs | 7,523 lbs | 2%     |
| Production (bu)       | 160.4 M   | 185 M     | 15%    |

### Beef

2023 looks to be a promising year for beef prices in the southern plains. Several factors have contributed to ongoing strong prices in the feeder cattle and fed cattle markets. Beginning U.S. cattle and calves inventory for 2023 showed another year of decreasing herd numbers. The year started with 89.3 million head of cattle, 2.6 million head fewer than 2022. This is the fourth consecutive year of declining total cattle numbers with the most recent peak in 2019 at 94.8 million head. Since 2019 there has been about a 6% decrease in the total number of cattle and calves in the U.S.

However, this number can be somewhat deceiving because dairy cattle inventory has remained steady and slightly higher over the same period. Breaking it down to just beef cow inventory, a decrease can be seen from 31.6 million head in 2019 to 28.9 million head in 2023. This represents an almost 9% decrease in beef cow inventory in the last four years and a 3.6% decrease since 2022.

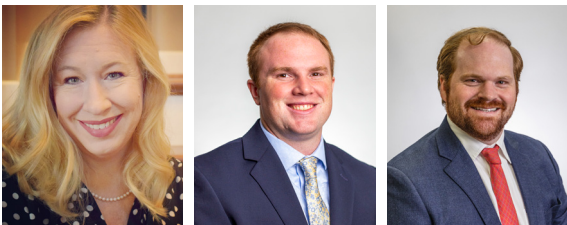
| Beef               | 2022               | 2023              | Change |
|--------------------|--------------------|-------------------|--------|
| All Cows & Heifers | 39.36 M            | 38.32 M           | -2.7%  |
| Beef Cows          | 29.98 M            | 28.91 M           | -3.6%  |
| Cattle on Feed     | 14.7 M             | 14.2 M            | -3.5%  |
| Beef Production    | 28.29 billion lbs. | 26.7 billion lbs. | -5.7%  |

Feeder cattle prices have seen a strong bull run over the last year. Current March 5wt steer prices are averaging \$218.47/CWT, this is \$40.18/CWT higher than March 2022. Forecasts by the University of Arkansas are projecting November prices to be upwards of \$230/CWT. Additionally, 8wt steers, ready to hit the feed yards, appear to have a strong upside as well. University estimates have 700 – 800 pounds steers trading close to \$200/CWT by November. This tracks with feeder calves holding about \$40/CWT above the previous year. Commercial fed cattle numbers are forecasted to decrease by 750,000 – 800,000 head this year, giving cattle buyers strong incentive to uphold prices to fill orders. Much of this decline is a result of decreased cow-calf inventory and lower cow slaughter levels.

A key factor to success in Arkansas this year will be weather patterns. After an extremely rough year in 2022, which saw severe drought in the majority of the state, timely rainfall and a better distribution of precipitation events throughout the 2023 grazing season will determine many producers’ ability to restock hay supplies and retain cattle.

**Conclusion**

In summary, the USDA anticipates a decrease in net farm income and net cash farm income for 2023. It is important to mention that the 2022 USDA forecast that farm income would also decline that year by 4.5%. However, the final December 2022 update recorded a 13.8% increase in farm income. Much uncertainty remains regarding production, use, stocks, prices, and weather-related challenges for 2023. Currently, the USDA has prices softening for many of the commodities compared to last year which makes it more important for producers to have access to comprehensive risk management options. As the year goes on, the USDA will revise their projections with the next key report being the Prospective Plantings Report at the end of March.



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