

## **Update On U.S. Farm Income and Exports**

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## **Introduction**

The U.S. Department of Agriculture's Economic Research Service (ERS) has recently released its August Outlook for Agricultural Trade and Farm Sector Income Forecast. The publications indicate that despite the current trade disputes, farm exports are relatively close to 2024 levels. One exception is soybean and soybean meal which is facing difficulties.

While farm income is expected to increase in 2025, it is very dependent on the type of farm operation. Animal protein producers are expected to see an increase in income, this is especially true for beef producers. Farm income for fruit and vegetable farmers is also expected to increase slightly. The profitability of row crop farmers is likely to decrease due to lower prices and higher input costs. Globally, crop yields are high which is putting downward pressure on prices of major row crops. To offset this decline government payments are expected to increase.

## **Farm Income**

The ERS forecasts that total farm sales are expected to be \$535.2 billion in 2025, an increase of \$24.0 billion or 4.7 percent from 2024. Due to lower sales of corn, wheat and soybeans, crop sales are projected to decline by \$6.1 billion to \$236.6 billion. This would represent a decline of 2.5 percent from 2024.

Total animal product and animal sales are projected to increase by \$30.0 billion or 11.2 percent to a total of \$298.6 billion in 2025. Very high beef prices have supported rising pork and poultry prices. Milk sales are anticipated to decline by 1.0 percent in 2025, primarily due to lower prices farmers receive for their milk.

Michigan is an important source of vegetables and fruit. The ERS projects that vegetable and melon sales will decline by \$500 million or 2.1 percent, and that sales of fruits and nuts will increase by \$2.0 billion or 6.5 percent. The difficulty in obtaining labor will continue to put downward pressure on profitability for fruit and vegetable producers.

Government payments to farmers are expected to be \$40.5 billion in 2025, a \$30.4 billion increase from 2024. Currently, the increase is primarily due to an increase in disaster payments. However, government spending may remain high if access to export markets is curbed. After several decades of the government slowly reducing direct support to farmers, the government may once again become more involved in supporting farm income, especially if access to export markets is reduced.

Total production expenses are forecasted to rise by 2.6 percent compared to 2024 to \$467.4 billion. This represents an increase of \$12.0 billion. The major increase in input costs are livestock which are forecasted to rise 21.5 percent. Feed prices are anticipated to decline by 6.2 percent. Other input costs such as fertilizer and pesticides are fairly steady. Labor costs continue to rise. Increases in farm rental rates are forecasted to moderate. Lower row crop prices may put downward pressure on rents.

Average net cash farm income is a better measure of farm profitability compared to sales. The ERS estimates that net farm income for the average commercial sized farm (sales of \$350,000 or greater) to be \$127,000 for calendar year 2025. The average net cash farm income for corn and soybean growers is

anticipated to decline by 13 percent and 12 percent, respectively. The average net cash farm income for wheat growers is unchanged from 2024 to 2025.

The situation for livestock producers is much better. Average net cash farm income for dairy producers is expected to increase by 14 percent, for hog producers 21 percent, for poultry producers 30 percent and for cattle producers by 71 percent. Lower feed prices have reduced the income for row crop producers but have improved the profitability of livestock producers.

## **Exports**

The outlook for exports remains difficult to forecast. The ERS forecast for wheat exports is 22.4 million metric tons, which would be an increase of 7.7 percent from 2024. In dollar terms wheat exports are expected to remain unchanged from 2024 at \$5.8 billion. Corn exports are forecasted to be 71.3 million metric tons, an increase of 22.0 percent. In dollar terms, corn exports are forecasted to be \$15.7 billion, an increase of 19.2 percent. Beef and pork exports forecasts are similar to 2024. It appears that U.S. beef and pork exports are less valuable cuts of meat. In volume terms forecasted exports of broiler meat is similar to last year at around 3.0 to 3.1 million metric tons. In dollar terms, exports are estimated to be \$4.4 billion in fiscal year 2025, an increase of 5.9 percent.

The commodity facing the most difficulty is soybeans. While in volume terms soybean exports are estimated to be 51.0 billion metric tons, an increase of 8.8 percent, in dollar terms exports are estimated to fall by \$2.7 billion to \$21.5 billion. Exports of soybean meal are estimated to be up in fiscal year 2025 in volume terms but down in dollar terms. The bright spot is exports of soybean oil, soybean oil exports are estimated to increase by 400,000 metric tons or by 50 percent. The value of soybean oil exports is estimated to grow by almost 400 percent to \$1.3 billion.

One thing that has helped the competitiveness of U.S. agricultural exports has been the decline in the value of the U.S. dollar. Since February 1, 2025, the dollar has declined by 5.6 percent against the Brazilian Real, 5.8 percent against the Canadian Dollar and 12.6 percent against the Euro. This has helped offset the impacts of tariffs on exports but has made the price of imported inputs more expensive.

At least in the short term it appears that U.S. tariff policy has had little if any impact on exports of bulk agricultural commodities. One reason may be that trading partners may be waiting to see if the Supreme Court will overturn the tariffs. The court will hear the case in November. If allowed to stand, the tariffs on Brazil and China may promote trade between those two countries. This, in turn, could also lead to expanded acres devoted to crop production in Brazil as well as additional investment in storage and transportation infrastructure in that country that could adversely impact U.S. exports in the long run.

Another factor to consider is the response of consumers to U.S. goods and services. There has been a noticeable decline in tourists from Canada. Also, Canadian liquor outlets and consumers are boycotting U.S. alcohol products, especially Whiskeys. Denmark's largest food retailer has developed branding strategy that allows consumers to identify which products are from Europe. This retailer also operates stores in Germany and Poland. If this trend continues, higher value food products and beverage products may face difficulty finding export markets.

## Conclusions

The state of agriculture is mixed. The profitability of major row crops is decreasing. This is primarily due to lower commodity prices. The outlook for corn and soybeans is worse than the outlook for wheat. The livestock sector is in relatively good shape. The profitability of beef, dairy, pork, and poultry sectors are all expected to be higher in fiscal year 2025. The beef industry is in particularly strong shape, which has helped support the prices of substitute products such as pork and chicken.

Despite the trade disputes export markets have not been dramatically impacted yet. The possible exception is soybeans which is facing difficulty. A decline in the value of the dollar has helped make U.S. exports more competitive. In the longer term other countries may find other trading partners. This may be especially true for valued added food products. Some consumers in other countries are already boycotting U.S. food products or are looking for alternatives to U.S. products.

## References

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