

# High Prices Offset Some Crop Yield Loss

**COLUMBIA, MO.**

Despite drought, Missouri net farm income could reach almost \$2.8 billion for 2012. That ranks above the average for 2004 to 2011, but below 2011, which hit a record-breaking \$3.33 billion.

While outlooks are for low crop yields, commodity prices went up in face of short supply. Higher prices are expected to propel net farm income to \$4 billion in 2013.

"Sharply higher prices help offset a much smaller crop," says agricultural economist Scott Brown, coauthor with Daniel Madison of "Missouri Farm Income Outlook 2012."

The economists used yields from the USDA September Crop Production Report. Missouri yields are down more than U.S. yields.

While harvest isn't over, Missouri corn yields are expected to be the lowest since 1999. Soybeans yields are the smallest since 1995.

Corn prices in the 2012-13 market year are estimated to top \$8 per bushel, up from near \$6.50 for 2011. Soybean prices are estimated at \$16 per bushel for 2012-13, up from \$12.45 last year.

Wheat, a fall-planted crop, missed most drought damage. Yields were the highest since 2003, bringing the best cash receipts since 1989.

Crop receipts for 2012 are projected at \$5.5 billion out of Missouri farm receipts total of \$9.95 billion.

"Drought impact on livestock producers will bring more harm – and last longer," Brown says. "Many beef and dairy producers will liquidate part of their inventory to combat high feed prices.

"Some will sell animals to get through the winter," he says. "There is simply not enough hay to feed them."

Missouri beef cow numbers are expected to decline for the seventh consecutive year in 2013. Likewise, the Missouri dairy industry will continue a long-term contraction.

"Most meat and milk prices will go higher, but there will be a lag," Brown says. As herds are sold, more meat becomes available. Livestock farmers face multiyear production cycles, from breeding to marketing.

"The relative profitability advantage enjoyed by crop producers since 2008 is expected to persist through next year," he says.

While projected net farm income drops in 2012, it bounces back to record-setting levels in 2013. That depends on assumed normal weather and trend-line yields.

If farm receipts boom in 2013, Brown urges caution. Expenses jump by almost 70 percent relative to 2004. "Average returns increase for most producers, but risks continue to grow."

Inventory adjustments play a big role in the

change from 2012 to 2013. "Short crop years tend to have a large negative inventory adjustment to totals," Brown says. "Bumper crops have a large positive figure."

While 2012 has been challenging, Brown says, no long-lasting downturn is expected.

"Perhaps the largest lasting effect will be reductions in the cattle industry," he says. "A lot depends on weather." Fall rains can grow grass that will offset need for winter hay.

Brown also cautions that the report's overall

## Drought Was A Doozy

**COLUMBIA, MO.**

Exceptionally hot, dry weather with extreme lack of rain hit Missouri farmers hard in 2012, cutting net farm income.

The MU authors of the "Missouri Farm Income Outlook 2012" gave background on that drought, the driest in six decades, back to 1953.

When looking at May, June and July, important months in the growing season, the shortage of rain was compared to a 30-year average, 1981 to 2010. Of 111 counties with complete rain records, every county had at least 20 percent less rain than normal. Half of Missouri counties had 40 percent, or less, of normal rainfall.

Drought occurs somewhere in Missouri almost every year, but in 2012 the drought hit statewide.

The results are an estimated corn yield of 75 bushels per acre. That's down 45 percent compared to the 2004-11 average. Only Kentucky has a worse state average. Soybean yields in 2012 are projected at 38 bushels per acre, down 29 percent from the previous eight-year average.

Those two crops made up 45 percent of total cash farm receipts in 2011 in the state. Δ

averages can mask financial hardships faced by individual farms. Drought was spotty in many localities.

"On average, Missouri agriculture remains amazingly resilient."

For a copy of the seven-page report, go to [web.missouri.edu/~browndo](http://web.missouri.edu/~browndo).

The report comes from a new analytical center, the Integrated Policy Group in the Division of Applied Social Sciences. All are in the MU College of Agriculture, Food and Natural Resources. Δ



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