

August 19, 2024

The Honorable John Boozman
555 Dirksen Senate Office Building
Washington, DC 20510

The Honorable French Hill
1533 Longworth HOB
Washington, DC 20515

The Honorable Tom Cotton
326 Russell Senate Office Building
Washington, DC 20510

The Honorable Steve Womack
2412 Rayburn House Office Building
Washington, DC 20515

The Honorable Rick Crawford
2422 Rayburn HOB
Washington, DC 20515

The Honorable Bruce Westerman
202 Cannon House Office Building
Washington, DC 20515

Dear Senator Boozman, Senator Cotton, Congressman Crawford, Congressman Hill, Congressman Womack, Congressman Westerman:

We, the undersigned organizations, representing the interests and well-being of Arkansas agriculture, write to express our deep concern regarding the escalating economic pressures that are threatening the viability of our agricultural communities. Commodities such as rice, corn, cotton and soybeans play a vital role in contributing approximately \$21 billion to Arkansas's annual economy. We are writing to express our concern about the growing disparity between crop prices and input costs that farmers in Arkansas and across the U.S. are currently experiencing. Adding in the heightened interest expense only compounds the challenges our farmers are facing.

Many farmers are reaching a crisis point in their operations. 2023 U.S. net farm income is forecast by USDA at \$155 billion, down from \$185.5 billion in 2022. This represents a drop of nearly \$30 billion, or 16.5%. USDA also estimates 2024 net farm income will be \$43 billion lower, down more than 25%, than 2023 when adjusted for inflation, representing the largest recorded year-to-year dollar decrease in net farm income. That estimate is based upon the February commodity outlook forecasts, and the price outlook for most commodities continues to worsen. The outlook for the remainder of the year and the next crop season is bleak.

Arkansas farmers are currently experiencing significant economic challenges due to the combined impact of diminished crop prices, increased production costs and rising interest rates. If these issues are not addressed, they could have a lasting impact on the livelihoods of many farmers across the country. Crop prices have plummeted to their lowest levels since 2020, during the height of the COVID-19 pandemic, with crop values dropping by

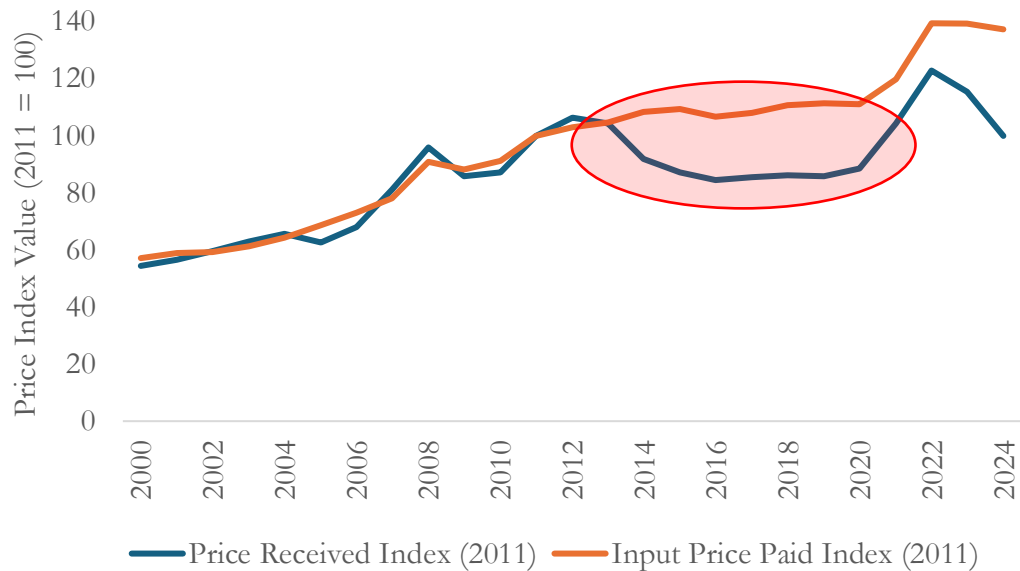
an average of 18% this year alone (corn, soybeans and cotton on new crop from January 2nd to August 7th).

To break even with current commodity and input prices, farmers would need to produce a crop yielding more than 220 bushels per acre for corn and 58 bushels per acre for soybeans. For reference, the 10-year average yield in Arkansas is 180 bushels per acre for corn and 51 bushels per acre for soybeans. Last year's average yield of 54 bushels per acre set a new state record, surpassing 52 bushels per acre for the first time. Farmers are now receiving the same price for their grain as they did back in the 20/21 crop year but are facing approximately 5% higher input prices.

Cotton prices are experiencing a similar disparity. Since the beginning of the year, cotton prices have declined by approximately 15%, while production costs remain at all-time highs. Comparing cotton prices in the same way as corn and soybeans, the cost of production today is 7% higher (adjusting for inflation) than when prices were at the same level as today. To break even, cotton farmers would have to produce 3.1 bales per acre. That's a whopping 1,488 pounds per acre, well above the 10-year average of 1,177 pounds, or 2.45 bales per acre.

Rice prices have remained relatively stagnant and did not see major increases during the same period when compared with other commodities. Rice is a crop with an extremely high cost of production. Fertilizer prices were down slightly in 2024, but the cost for seed, labor, machinery, insurance, and interest all increased. For some farmers, the breakeven yield now tops 200 bushels per acre. That means farmers will have to yield more than 30 bushels per acre above the state 10-year average of 164 bushel per acre.

The United States Department of Agriculture releases a monthly index on crop prices received and input prices paid (Figure1). As you can see in the graph below crop prices relative to input prices have declined, and the spread between the indices continued to widen from the 2014 farm bill until the pandemic in 2020 (red oval). The 2018 farm bill continued programs and reference prices from the 2014 bill, which proved to be inadequate in providing a valid safety net. In fact, economic disaster programs totaling billions of dollars have been necessary to protect the farm economy. Crop prices spiked in 2022/23 due to supply chain disruptions, narrowing the gap somewhat. But the same supply chains carry fertilizer and input prices also spiked, ultimately negating the benefits of higher crop prices. The two indices have diverged further since that time, and now there are no programs to help farmers bridge the gap.



Farmers increasingly rely on lenders to sustain their operations, but with farm debt at commercial banks on the rise, the cost of credit is becoming a significant burden. According to the Kansas City Federal Reserve, farm debt at commercial banks reached over \$744 billion in 2023, up from \$709 billion in 2022. Eleven interest rate increases between March 2022 and January 2024 have made this debt vastly more expensive. Farmers are getting hit by both sides of the equation; inflation causing input costs to skyrocket, and the interest rate hikes meant to curb inflation are making their credit unaffordable. The rate increases have led to a 43% increase in aggregate U.S. farm interest expenses from 2022 to 2023, and a 73% increase since 2018.

Rural economies across Arkansas rely on agriculture to support local schools, hospitals, public services, and businesses. Livestock farmers rely on row crop agriculture to provide a reliable source of feed and to support the agricultural supply chain, creating a sustainable food production system. The rising costs of inputs and the decline in crop prices are likely to have significant repercussions for animal agriculture. The current crisis facing row crop farmers will reach far beyond the turnrows to impact people and businesses in every sector of the economy of Arkansas.

We respectfully request swift action by Congress to help secure the farm economy through the passage and enactment of a new farm bill that includes a strong safety net similar to the Farm, Food and National Security Act of 2024, passed recently by the House Agriculture Committee. Extending the 2018 farm bill is not a viable option without incorporating immediate supplemental assistance for Arkansas farmers. Immediate assistance that is comparable to the safety net created in the House Bill is necessary to bridge the gap between the past two crop years and the implementation of any new farm

bill. Even if a new bill is passed this year, its benefits won't reach farmers until fall 2026, which is far too late to address the pressing challenges they face today.

Farmers operate on razor-thin margins, and the rising costs of inputs, declining crop prices, and increasing interest expenses are pushing them to the brink. Without timely and meaningful intervention, the sustainability of farming in Arkansas and across the U.S. is at serious risk. Addressing these challenges now is crucial to ensuring that our farmers can continue their essential role in feeding and clothing our communities, sustaining our economy, and preserving our agricultural heritage.

Please do not hesitate to contact us if we may be of further assistance with this matter.

Sincerely,

AgHeritage Farm Credit Services

Agricultural Council of Arkansas

Arkansas Bankers Association

Arkansas Cattlemen's Association

Arkansas Certified Crop Advisors

Arkansas Crop Protection Association

Arkansas Farm Bureau Federation

Arkansas Rice Federation

Arkansas Soybean Association

Farm Credit Mid-America

Farm Credit of Western Arkansas

FarmVoice

Greenway Equipment

Producers Rice Mill

Riceland Foods

The Poultry Federation

ⁱ References

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Federal Reserve Bank of Kansas City (2024). *Ag Credit Survey*. Retrieved from: <https://www.kansascityfed.org/agriculture/ag-credit-survey/>

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