IOWA STATE UNIVERSITY
Extension and Outreach

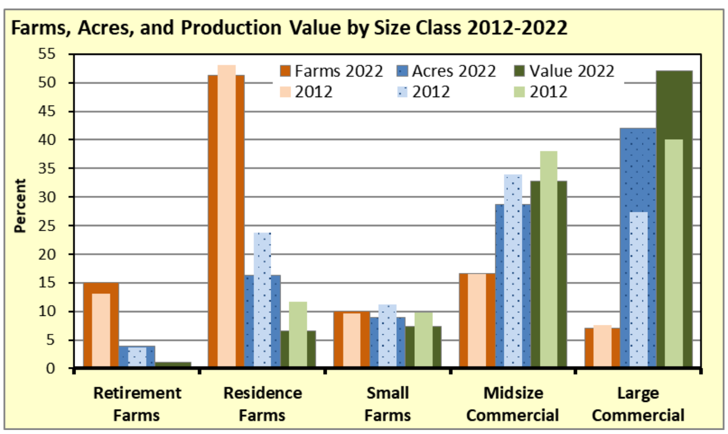
Rural Iowa at a Glance

2023 Edition

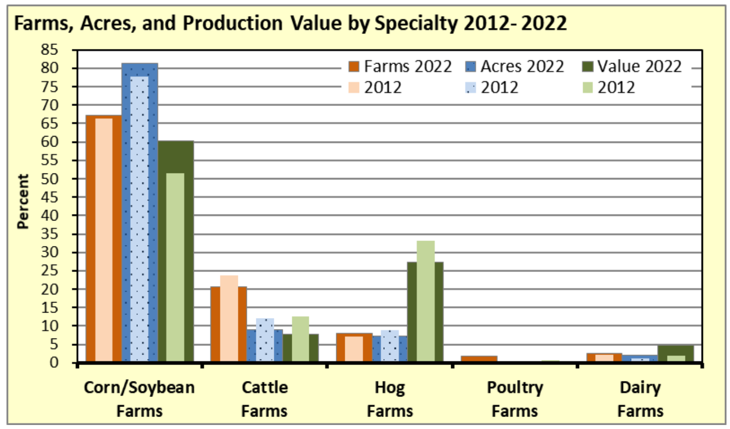
Farm Trends

This publication summarizes current farm trends in Iowa between 2012 and 2022. It is modeled after the United States Department of Agriculture's *Rural America at a Glance*. Indicators are taken from USDA's Agricultural Resource Management Survey for Iowa. Incomes and sales are inflation adjusted. Farms are defined as having $1,000 or more of agricultural production. *Retirement farms* have operators who are retired with gross cash farm income (GCFI) under $350,000. *Residence farms* have operators with a non-farm occupation and GCFI under $350,000, plus farmers with GCFI under $150,000. *Small farms* include farmers with GCFI between $150,000 and $349,999. *Midsize commercial farms* include farmers with GCFI between $350,000 and $999,999. *Large commercial farms* are farmers with $1 million or more in GCFI. *Production specialty* is based on the commodity with the largest value of production for the farm operation.

Farms, Farmland, and Production Value



Most of Iowa's farms are places to live, not to work. Iowa had 81,400 farms in 2022, down 6.3% from a decade ago in 2012. Just over 66% of Iowa's farms are places to live rather than to make a living, operated by people that have a non-farm job (51.3%) or who are retired (15.1%). Despite large numbers, residence and retirement farms only account for 20.2% of farmland (108 acres per farm) and generate only 7.7% of agricultural production value (typically sales, but also the value of non-sold commodities). *Commercial farms drive Iowa agriculture.* Iowa's 19,190 commercial operations make up 23.6% of farms, but operate 70.8% of farmland acres and generate 84.9% of sales. Large commercial farms only make up 7% of farms (5,690), but account for 52% of production value and 42% of farmland. Midsize commercial operations make up 16.6% of farms, 28.7% of acres, and 32.9% of sales in Iowa. *Large farms expanded, midsize and small farms shrank.* Over the past decade, the acres operated by large farms grew by 43% to 2,130 acres per farm and production value expanded by 21.4%, even though farm numbers dropped by 13.4%. The number of midsize farms shrank by 6.4% since 2012 to 13,500 operations. Acres farmed fell by 21% to only 610 acres per farm, as did sales which fell by 19%. Although the number of small farms remained steady over the past decade, farm sales fell by 29% and acreages shrank by 26% to only 320 acres per farm.

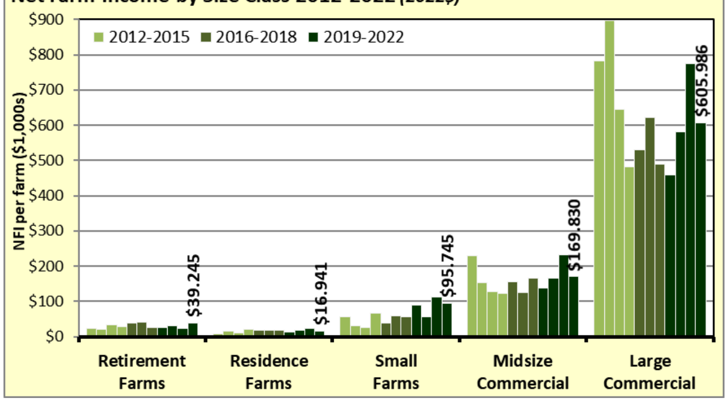


Corn is still king in Iowa. The vast majority of Iowa farms (67%) grow corn or soybeans on 81% of the state's farmland, but corn dominates row crop production. Corn operations account for 56% of farms (26,330), 76% of farmland (650 acres/farm), and 58% of the state's agricultural production value. Although the number of farms fell by 14%, sales were up 8% since 2012. *Losses in livestock.* Over the past 10 years, hog farms saw sales fall by 26.2%, acres shrink by 28.5%, and farm numbers drop by 7.4%. Despite losses, the small number of hog operations (7.9% or 3,730 farms) generates a sizable 27.3% of agricultural sales on only 7% of the state's farmland (440 acres/farm). Drought hit the state's cattle sector hard, with production values dropping by a stunning 45% since 2012, resulting in acres shrinking by 34% and farm numbers falling by 27%. Counting the losses, cattle farms now account for 20.6% of farms (9,700), 9.1% of acres (210/farm), and 7.7% of sales in 2022. For poultry and egg producers, highly pathogenic avian influenza reduced sales by 98% from the previous year and by 89% from 2012. This is a devasting impact on the 840 poultry operations in the state. *Dairy makes a comeback.* After several challenging years, the state's dairy industry grew in terms of farms (up 4.7%), acreage (up 68%), and sales (up over 110%). That said, it is a small part of the farm landscape with only 2.6% of farms (1,230), 2.1% of farmland (380 acres/farm), and 4.8% of production value.

Net Farm Income

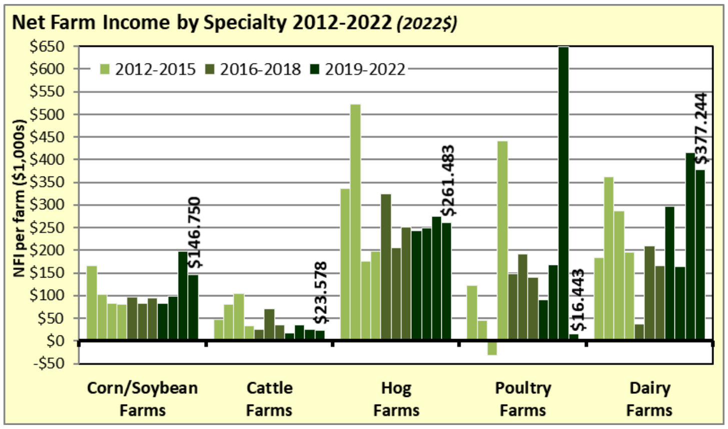
Farm incomes down in 2022. Large farms highly profitable. Small farms gains. Net farm income is the profit or loss of the farm operation from the farmer's labor, management, and capital after expenses. It is the difference between farm production incomes less production expenses, plus depreciation and inventory changes. Across the board, net farm incomes fell from near-record highs between 2021-22. Large commercial farms saw net incomes fall by 21.9% last year, and are down by 22.5% from a decade ago. However, large farms are still highly profitable, posting a net income of $605,990 per farm in 2022. Midsize commercial farms are also profitable at $169,830, but farmers took a 27% loss last year, and incomes are down 26% from the decade high set in 2012. Although small farms also experienced losses last year (loss of 14%), net farm incomes have grown by a sizable 66% since 2012 to $95,470.

Net Farm Income by Size Class 2012-2022 *(2022$)*



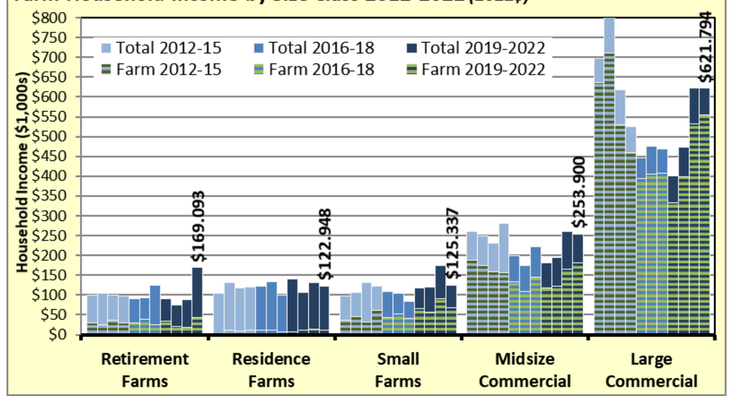
Steady money in hogs and row crops. Dairy incomes surge. Poultry incomes plunge. Cattle operations struggle. Although hog producers saw a modest decline of 4.8% last year to $261,480 per farm in 2022, keep in mind that net incomes today are 22.5% below what they were back in 2012. On the crops side, corn and soybean incomes shrank by 25.6% last year to $146,750. However, strong demand the past few years means net income is only 12% lower than what it was in 2012. Despite incomes falling last year by 9.4%, dairy incomes have doubled over the past decade to $377,240 per farm. Poultry operations saw incomes plunge from a high of $650,000 in 2021 down to only $16,440 in 2022. This was caused by a highly pathogenic avian influenza virus that swept through the state during the spring, but production was recovering by fall 2022. Cattle producers continue to struggle over the past decade, seeing net farm incomes shrink by 50.7% to only $23,580 per farm by 2022. This was caused by higher feed costs due to drought and weaker consumer demand.

Net Farm Income by Specialty 2012-2022 *(2022$)*



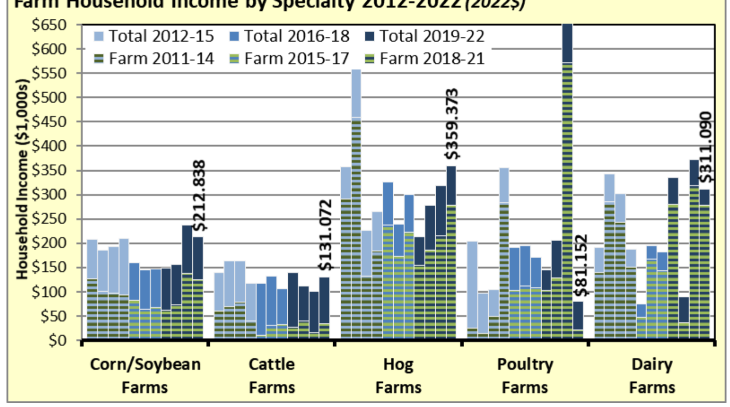
Household Income for Farm Families

Farm Household Income by Size Class 2012-2022 *(2022$)*



Farm family incomes steady last year. Off-farm income critical for small farms. Farm household income if from both farm and non-farm sources. Families operating large commercial farms earned an income of $621,790 in 2022, with only a small amount (11%) from non-farm activities. This is 5.7 times higher than the average Iowa household. Incomes are down 11% from 2012, all from farm losses. For midsize commercial families, declines in farming resulted in a 2.7% income drop to $253,900 in 2022, which is 1.7 times more than the typical household. Non-farm activities contribute 29% to midsize farm family income. Although families living on small farms saw incomes drop by a sizable 29% last year, the 2022 income of $125,340 is 29% higher than it was in 2012, fueled by strong gains in farm earnings. Despite this, small farms are highly dependent on off-farm jobs, accounting for 46% of household income. Retirement and residence farms are relatively well-off due to sizable off-farm sources that accounts for 75-90% of total family income.

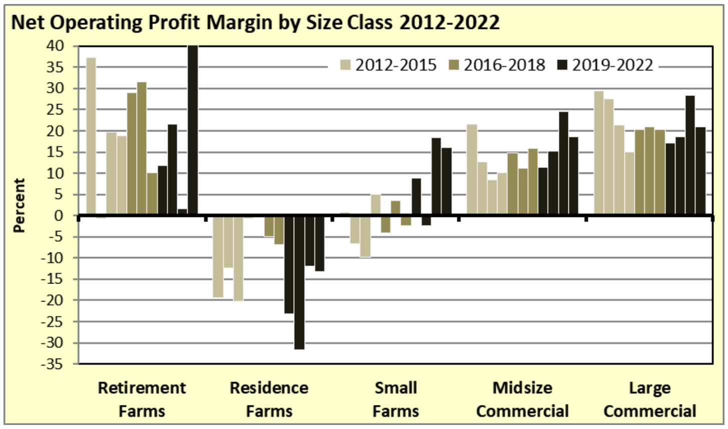
Farm Household Income by Specialty 2012-2022 *(2022$)*



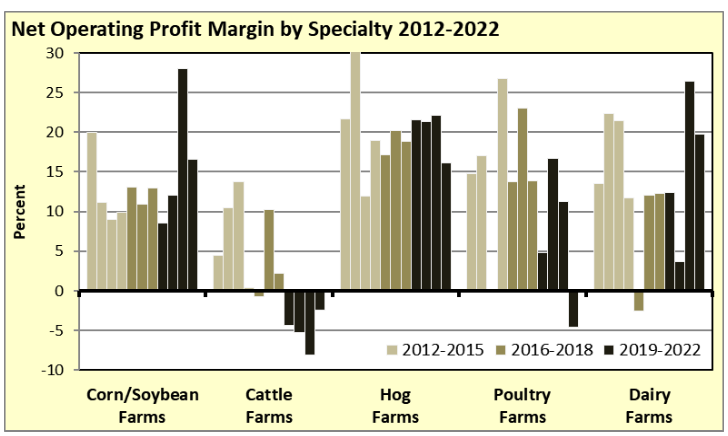
Looking at production specialty, families operating hog farms had the highest incomes at $359,370, most of it earned on the farm. Although household incomes rose by 13% last year, families raising hogs have the same income as they did a decade ago. Dairy families prospered the past two years, despite having the lowest off-farm income at 11%. Although incomes fell by 16% last year to $311,090, this is over 60% higher than what it was back in 2012. Corn and soybean farm families earned $212,840, with about 42% earned off-farm. Despite losing money last year, incomes are slightly higher than a decade ago. By contrast, families raising cattle have seen household incomes shrink by 6% since 2012, despite a 31% jump in income last year.

Cattle families bring in $131,070, but 73% is from off-farm jobs or non-farm activities. Cattle farm families would not survive without off-farm jobs. The avian influenza outbreak had a major impact on poultry producers and their families. Household incomes fell from a record high of $663,100 in 2021 to only $81,150 by 2022. To cover sizable farm losses, off-farm income rose from 14% to 73% between 2021-22. This places extreme financial stress on poultry families.

Farm Profitability

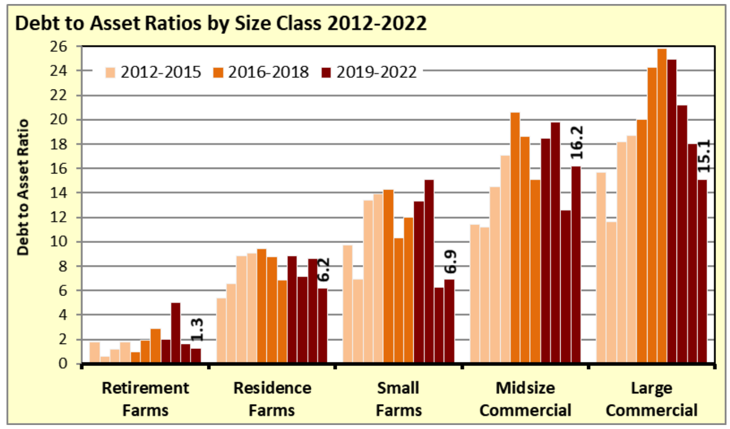


Small farms returned to profitability. Residence farms operate at a loss. Net profit margins measure the farm's ability to generate revenue and control costs to operate at a profit. Simply put, it measures the profit or loss per dollar of farm revenue. Margins below 15% indicate profitability concerns. Despite a 6-7% drop in profit margins last year, large and midsize commercial farms are consistently profitable, with margins of 20-23% since 2019. Small farms returned to profitability in 2021 and 2022 after weathering years of low profits or losses, posting margins of 16-18%. Residence farms have consistently operated with sizable losses for the past decade. Although margins are -13% in 2022, sizable off-farm income is able to offset losses for these non-farmer operations. Retirement farms are highly profitable, likely due to low debt and expenses.

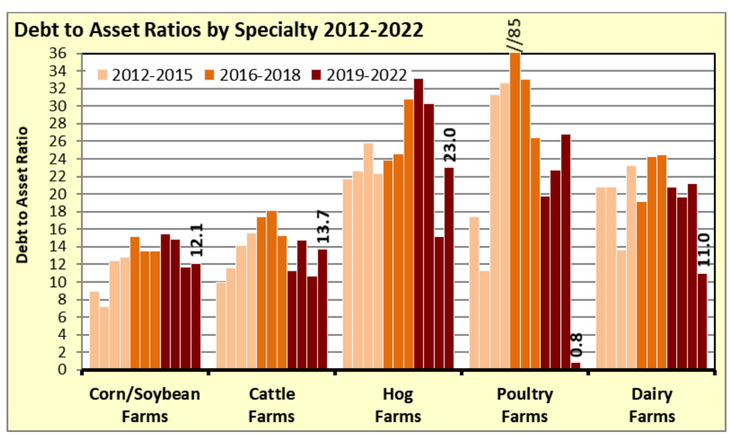


Profits down from last year. Hogs, dairy, and row crops fared best. Poultry and cattle posted losses. Profit margins fell last year for most commodities, caused by increased production costs due to inflation and rising input prices, but also to weakened consumer demand for meat. Hog farms tend to be consistently profitable, averaging margins of 20% since 2019. However, margins fell last year from 22% in 2021 down to 16% by 2022. Corn and soybean farms have been in a strong position the last two years after a decade of weaker margins under 15%. Profit margins peaked at 28% in 2021, but fell to 16.6% by 2022. Dairy producers posted good margins of 26.4% in 2021 and 19.8% in 2022, after a decade of variable profits. Poultry margins sank into negative territory in 2022. Margins fell from 16.7% in 2020, to 11.3% in 2021, to a loss of -4.6% in 2022 due to avian influenza. Cattle operations have had weak profitability over the past 10 years, posting losses since 2019. In 2022 the cattle margin was negative at -2.4%, but this is an improvement from the 2021 margin of -8.1%.

Farm Debt

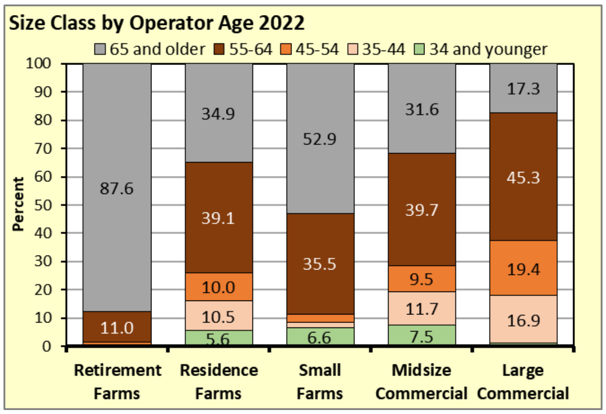


Debt to asset ratios measure the percent of farm assets owed to creditors to cover outstanding obligations. Higher values indicate more of the farm's assets are financed by debt instead of farmer equity. In general, ratios under 30% indicate average to low debt loads, while ratios over 50% indicate high debt loads. *Debt to asset ratios have fallen to low levels.* For all farm classes, debt to equity ratios fell or were stable in 2022, driven by rising agricultural commodity prices and farmland values. Large commercial farms saw ratios fall from 24.9% in 2019 down to 15.1% by 2022. Midsize commercial farms saw debt ratios peak to 20% in 2016 and 2020, but fell to 12.6% by 2021. However, debt jumped up to 16.2% in 2022, suggesting financial stress that resulted in midsize farmers selling assets or acquiring debt. Small farm debt ratios fell in 2022 and are half that of larger farms at 6.9%. Residence farm debt has been low and stable, ranging from 6-9%.

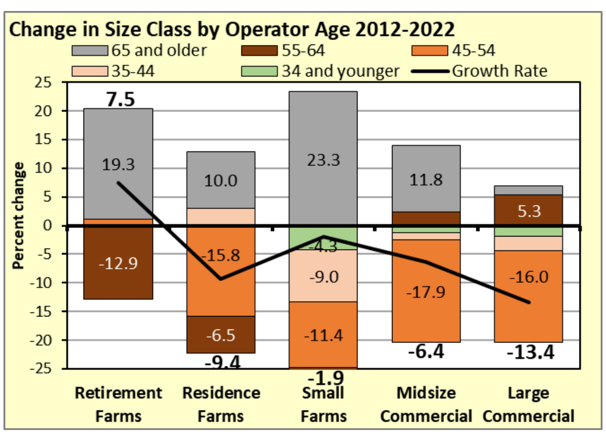


Hog farms saw a jump in debt relative to assets. Debt is low for other commodities. Hog operations have the highest debt to asset ratio at 23% in 2022. However, ratios are far below the decade high of 30% between 2018-2020, which was partly caused by the U.S.-China trade war. Poultry farms saw debt ratios fall to near zero in 2022 due to avian influenza. This is vastly different from previous bird flu outbreaks in the mid-2010s that caused debt levels to spike to 85% in 2016. This suggests poultry producers were able to pay off outstanding liabilities in 2022 using assets or insurance.

Farm Demographics



Over 70% of farmers are older than 55. The majority of Iowa's farmers in 2022 are middle age, being 45-64 years old. Middle age farmers operate 65% of large farms, and 49% of midsize and residence farms. Older operators age 65 and over are most prevalent on small farms (53%) and, naturally, retirement farms (88%). Younger farmers (under age 45) tend to be found operating midsize (19%) or large (18%) commercial farms. Very young farmers under the age of 35 are rare in Iowa, but can be found in small numbers working small and midsize farms.



Loss of younger operators, gain in older ones. Farmers age 55 and older were the only growing segment of operators over the past decade, while operators under age 55 left farming in large numbers. Large commercial farms saw a 20.3% loss of operators under age 55. This was partially offset by a 6.9% gain in operators 55 and older. Added together, the total number of large farm operators shrank by 13.4% between 2012-22, driven by the loss of farmers age 45-54 years. Midsize commercial farmers shrank by a slower rate of 6.4%. The number of farmers under 55 fell by 20.4%, but was offset by a 14% gain in older farmers, especially those 65 and older. Small farmers only saw a 1.9% reduction in their numbers since 2012, but this masks a major age shift. Small farm operators under 55 dropped by 24.7%, with nearly half being young farmers in their 20s and 30s. Older farmers, nearly all over 65 years, filled the gap growing by 22.8%. Small and midsize farms are rapidly aging.

Summary

Iowa has just under 81,400 farm operations, but nearly 66% are places to live rather than to make a living, being retirement or residence farms. Instead, the state's agricultural economy is driven by commercial operations that only account for only 24% of farms, but operate 71% of Iowa's farmland and generate 85% of the state's agricultural production value. Over the past decade, large commercial operations have grown in terms of farmland and production value, while midsize and small farm operations (between 300-600 acres) have shrunk considerably. This raises concerns about the long-term viability of these farms, that tend to be operated by young farmers.

Corn and soybean production dominates Iowa agriculture, accounting for 81% of farmland, 67% of farms, and 60% of production value. Hog farms saw sales fall by 26% and acres shrink by 29% due to falling consumer demand. Drought hit the state's cattle sector hard, with production values dropping by a stunning 45% since 2012, resulting in acres falling by 34% and farm numbers shrinking by 27%. Cattle profit margins are negative and families rely heavily on off-farm income to survive. For poultry and egg producers, a highly pathogenic avian influenza outbreak in 2022 reduced sales by 98% from 2021 and by 89% from 2012. However, poultry debt levels fell to near zero in 2022, unlike previous outbreaks in the 2010s. This suggests producers were able to pay off outstanding liabilities using assets or insurance. After several challenging years, the state's dairy industry has made a comeback, with acreages up 68% and sales up over 110% from 2012.

Across the board, net farm incomes fell in 2022 from near-record highs set in 2021, due to rising costs and weaker demand. Midsize and large farms saw incomes drop by 22-27% last year. Operating margins also fell, but commercial farms were consistently profitable with margins of 20-23% over the last four years. Midsize farms saw debt to asset ratios rise, suggesting some financial stress. Small farm operations have seen net farm incomes grow by 66% since 2012, despite a loss last year. Profit margins have also risen to 16-18% over the past two years, after a decade of low margins and losses.

Acknowledgements

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This work was supported by the Iowa Agricultural Experiment Station and Extension. Iowa State University is an equal opportunity provider. For the full non-discrimination statement or accommodation inquiries, go to www.extension.iastate.edu/diversity/ext.

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