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The Outlook for Michigan Agriculture 2025

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Introduction

This analysis outlines the outlook for agriculture with a particular emphasis on commodities of particular importance to Michigan. The first topic covered is general economic conditions, which are important to estimate inflation, interest rates, unemployment and other macroeconomic factors that impact the demand for food and the cost of production. The second topic covered is the outlook for inputs. This is important to assess the cost of production for many producers. The third topic covered is the outlook for several agricultural commodities produced in Michigan. This includes the major field crops, livestock, and milk production. These figures primarily are the result of the recent USDA Outlook Forum, generated by the Economic Research Service.

There is a great deal of uncertainty surrounding this year's forecast. Tariffs and other trade issues increase the level of risk. Also, there is increasing concern about a possible recession. Declines in the value of stocks and a movement to fixed income assets such as bonds could reduce interest rates. However, higher tariffs will put upward pressure on prices which might move the Federal Reserve to raise interest rates.

Net farm income is expected to increase in 2025. Nationwide, net farm income is forecasted to be $180.1 billion in 2025, an increase of $41.0 billion or 29.5 percent from 2024 (USDA ERS). This increase is due to lower input prices, higher livestock and dairy prices, and higher government payments to farmers, primarily in the form of disaster payments. Profit margins for feedgrains, soybeans, and wheat producers are likely to be squeezed in 2025.

Production costs overall are forecasted to decline by $2.5 billion or 0.6 percent. Labor and livestock prices are estimated to increase, while feed prices are expected to decline. There is a great deal of uncertainty with respect to interest rates. Production costs for major field crops are expected to increase slightly.

General Economic Conditions and Trade

Assessing future economic conditions is difficult. Core inflation, the rate of inflation less price changes in food and energy prices, appears to be declining but remains above the target set by the Federal Reserve. Nonetheless, the interest rate on 10 year Treasury Notes has declined from 4.58 percent to 4.31 percent since the beginning of the year. The Federal Reserve will face difficulties controlling both inflation and avoiding a recession. Economic growth and the uncertainty surrounding current administration policies has increased the likelihood of a recession in the minds of many experts. The S&P 500 has declined by 4.59 percent from January 2 to March 13.

Food price inflation is expected to accelerate in 2025. The midpoint forecast for food price inflation is 3.4 percent in 2025; the midpoint forecast for food price inflation for food purchased away from home is 3.4 percent, and the midpoint forecast for food inflation for food purchased at home is 3.3 percent (USDA ERS). Higher livestock and dairy prices, coupled with higher prices for imported items due to

tariffs are likely causes for higher food prices. Prices for fruits and vegetables could increase if farmers are unable to obtain sufficient labor.

Globally, the world GDP is estimated to increase by 2.8 percent (USDA) in 2025. Lower income and lower-middle income countries are expected to grow the fastest (USDA), which should be positive for U.S. farm exports. Total agricultural exports are estimated to be $169.5 billion, a decline of $9.2 billion or 5.1 percent. Some of this decline is due to lower crop prices. In volume terms exports are likely to be slightly higher in 2024, compared to 2023. The U.S. is facing several issues that make export expansion difficult.

The value of the U.S. dollar remains high relative to many other countries. This makes U.S. exports more expensive relative to other countries' exports. However, the value of the dollar has stabilized or has depreciated slightly since the start of 2025. The U.S. dollar is virtually unchanged compared to the Mexican Peso and the Canadian Dollar, and has declined by about 6 percent compared to the Euro and 5 percent compared to the Japanese Yen. Brazil and other countries continue to increase their exports. Despite the war, both Ukraine and Russia have successfully resumed exporting agricultural commodities, especially wheat, oilseeds, and feedgrains. A particular threat is the potential expansion of exports from Argentina. A new more market oriented government was recently elected which may reduce restrictions on exports from Argentina.

As is always the case, weather will play a major role in determining prices and farm income. As a result, these estimates are likely to change over time. These figures are designed to give a general idea of what can be expected this year assuming normal temperatures and precipitation.

Inputs

The outlook for inputs is mixed, although the costs for the major field crops appear to be higher this year than last year. According to the Energy Information Agency the price of diesel in the Midwest is $3.96 a gallon; a decline of 15.9 cents a gallon from 2024. Provided there are no international disruptions, the price of diesel is likely to continue either decline or remain steady.

Interest rates remain essentially unchanged from a year ago. According to the Federal Reserve Bank of Chicago, the interest rate for new operating loans in the region is 7.78 percent, and the interest rate on real estate loans is 7.19 percent (Oppedahl and Kepner). This represents a decline of about 0.5 percent from 2024.

Table 1 shows the estimated cost of production for a typical crop farm in Indiana. The actual results for an individual farm in Michigan will be different, but it does provide a general idea of the cost of production for the major field crops.

Table 1: Per Acre Variable Costs of Production: Dollars per Acre

	Corn	Soybeans	Wheat
Fertilizer	198	83	129
Seed	124	74	44
Pesticides	119	75	40
Dryer Fuel	44	N/A	N/A
Fuel	22	13	13
Machinery Repairs	45	40	40
Hauling	20	6	9
Interest	29	16	15
Insurance/Misc.	50	40	25
Total	**651**	**347**	**315**

Source: Langemeier

Production expenses for corn are estimated to be 4.16 percent higher than 2024, soybean costs are estimated to be 3.58 percent higher, and 8.62 percent higher for wheat. The price for fertilizers, pesticides and dryer are expected to be higher.

According to the National Agricultural Statistics Service, Michigan cropland averaged $5,870 per acre in 2024, an increase of 8.3 percent from 2023. Average cash rent increased by $4.00 an acre to $152 in 2024 compared to 2023. Farmland values appear to be moderated and are expected to stable in 2025. Demand remains relatively strong despite the level of uncertainty. Some farmland may face price pressure from developers and utilities in search of land to generate solar energy. Development pressure appears to be the highest in West Michigan, and solar panel demand appears to be the highest in the Northern Lower Peninsula.

One very important input that tends to be overlooked is labor. Labor shortages will continue to adversely impact agriculture. The USDA estimates that labor costs will rise 3.6 percent in 2025, to $53.5 billion. This will adversely impact fruit and vegetable producers. The lack of labor may limit the growth of the dairy industry. Labor shortages exist throughout the supply chain and have particularly impacted transportation. This will increase the cost of shipping agricultural products. A shortage of labor has also impacted the potential for expanded food processing. This, in turn, could limit expanded farm output. This is especially true for meat processing.

Wheat

U.S. wheat acreage is estimated to be 47.0 million acres, an increase of 900,000 acres or 1.9 percent from the previous year (USDA). Total production is forecast to be 1.93 billion bushels, a decrease of 2.3 percent (USDA). Virtually all the wheat produced in the U.S. is used either for food or exports. Wheat is not commonly use as feed in the U.S. The estimated price for wheat is $5.50, a reduction of 5 cents a bushel or about 1 percent from the previous year.

In volume terms, exports are estimated to be 850 million bushels which would represents 44.1 percent of U.S. production. Exports are forecast be unchanged from 2024/25 (USDA). This may be somewhat optimistic; China has recently instituted a 15 percent tariff on wheat and the European Union has instituted a 25 percent tariff on wheat. Canada has also imposed a tariff on U.S. pasta. So far Canadian tariffs have focused on processed food products more than agricultural commodities.

Corn

The USDA estimates that that 94.0 million acres of corn will be planted this year an increase of 3.4 million acres from 2024. Output is estimated to be 15.585 billion bushels, an increase of 718 million bushels (USDA). Including carryover, total supply is estimated to be 17.237 billion bushels. Food, seed, and industrial use is estimated to be 6.885 billion bushels, corn used for ethanol is forecasted to be 5.500 billion bushels. The USDA estimates that the price of corn will be $4.20 a bushel in 2025/26, a decline of 15 cents from 2023/24 (USDA). This would represent a decline of $2.34 from 2022/23 (USDA).

U.S. corn exports are forecast to be 2.40 billion bushels. Exports would represent 15.4 percent of production in 2025. Global demand for ethanol remains strong. The U.S. is facing increasing competition from other corn exporting countries. In response to U.S. tariffs, China has announced at 15 percent tariff on U.S. corn, and the European Union has imposed a 25 percent tariff on corn from the U.S. The European Union usually imports 3 to 4 million metric tons of corn, or between 117.857 million bushels and 1857.143 million bushels. The U.S. is expected to lose European market share to Ukraine (Avd, Chingoroth, and Brown). It should also be noted that Mexico has recently passed a law banning GMO corn, and exports to China continue to decline.

Soybeans

Soybean acreage planted is estimated to be 84.0 million acres which would be a reduction of 3.1 million acres (USDA). Current prices favor corn over soybeans. Total production is estimated to be 4.37 billion bushels (USDA), about the same as last year's output. Total soybean crush is forecast to be 2.48 billion bushels. Soybean oil used for biofuel is estimated to be 14.00 billion pounds which would be a 2.9 percent increase (USDA). The average price of soybeans is forecast to be $10.00 a bushel in the 2025/26 crop year a decline of 10 cents a bushel. The price of soybean meal is forecast to be $310 a ton which would be unchanged from the 2024/25 crop year. The price of soybean oil is estimated to be 42 cents a pound a reduction of 1 cent from 2024/25.

Soybean exports are forecast to be 1.865 billion bushels up slightly from the previous year, and soybean meal exports are forecast to be 17.80 billion short tons, which would be a record (USDA). Domestic demand for soybean oil has increased, primarily due to an increased interest in biobased fuels, and as a result domestic crush has increased leading to more soybean meal exports to other countries. Biodiesel now accounts for half the domestic use of soybean oil. Conversely, this increased domestic utilization has reduced soybean oil exports.

As is the case with corn and wheat, the export figures may be optimistic given the current trade environment. China, and the European Union have placed tariffs of soybeans from the U.S.

Dairy

The price of milk is expected to be roughly the same as 2024. The forecast all milk price is $22.60 a cwt. (Ferrier). Class IV prices are estimated to be $19.70 a cwt. down about $1.00 a cwt. from 2024. Butter prices are expected to decline from their unusually high levels. Class III prices are forecast to by $19.10 a cwt. up about 20 cents from 2024. Protein and fat content will play an increasing role in milk prices. Farmers are placing a higher value on butterfat and protein content and place less emphasis on total milk production. This would follow consumer trends. Consumption of manufactured dairy products is increasing while the consumption of fluid milk is flat or declining.

Milk production is forecast to increase by 0.5 percent in 2025. The milk herd is expected to increase by 0.4 percent and output per cow is expected to increase by 0.3 percent (Ferrier). Despite steady prices, the profitability of dairy farming is likely to increase is 2025. This is primarily due to lower feed costs. Managing for increased butterfat and protein production could also increase profitability.

One area of risk is avian influenza. While dairy cattle do not get as ill as poultry, infected cows produce less milk, and the quality of the milk is compromised. Additional infections could reduce the milk supply and put upward pressure on prices.

Beef

The number of beef cows is at the lowest level since 1961, and the number of cattle and calves is the lowest since 1951 (McConnell). While drought conditions have improved, high feeder cattle prices have encouraged producers to sell their heifers, leading to a smaller calf crop. Some dairy farmers have breed beef to dairy cows which could slightly increase the supply of beef cattle.

While the number of cattle is at its lowest level since the middle of the 20th Century, the supply of beef is steady. This is due to the fact that lower feed prices have encouraged feedlots to keep their cattle longer and sell them at higher weights (McConnell). High prices in the U.S. have reduced exports slightly and have led to a large increase in exports to the U.S. Beef imports were 4.64 billion pounds in 2024, a record (McConnell).

The price for fed steers is estimated to be $201 a cwt. in major cattle producing regions which would be a record (McConnell). Feeder cattle prices are forecast to be $274 a cwt. for 750-800 pounds steers; an increase of about $22 a cwt. Profitability will be further enhanced because of lower corn and soybean meal prices.

Pork

Total pork production is forecast to increase slightly in 2025; pork output is estimated to be in the range of 27.8 billion pounds which will be an increase of approximately 2.0 percent from 2024 (McConnell). Strong beef prices will support the demand for pork in the U.S.

Pork exports are forecasted to be 7.30 billion pounds in 2025, up about 2.5 percent from 2024. However, trade issues may put downward pressure on exports, especially to Mexico and Canada. Exports accounted for 26 percent of pork production in 2024 (McConnell). Losing export markets could produce downward pressure on prices.

Nationwide, the price of hogs is forecast to be $65 a cwt. This would be an increase of about 3.1 percent compared to 2024 (McConnell). Slightly higher prices coupled with lower feed costs will improve the profitability of hog production in 2025.

Poultry

Egg prices will continue to be high in 2025 as the number of layers continues to rebound after the Avian Influenza outbreak. Output is estimated to be 8.96 billion dozen, a decrease of almost 1.0 percent from 2024 (McConnell). The price in 2025 is forecasted to be $4.44 a dozen; an increase of 46.5 percent from 2024 (McConnell). While these prices are high they are expected to decline over the course of the year provided there are no additional major Avian Influenza outbreaks. Exports are expected to decline as foreign consumers look for lower priced eggs from other countries.

National broiler production is forecast to be 47.1 billion pounds, an increase of 1.0 percent from 2024 (McConnel). Due to the fact that they are slaughtered at a young age Avian Influenza is has not had a major impact on broiler production. Exports are forecasted to decrease by 2 percent to 6.61 billion pounds. The wholesale broiler price is forecasted to increase by 2 percent to $1.32 a pound. As is the case with pork, high beef prices will support the demand for chicken (McConnell).

The turkey industry continues to feel the effects of Avian Influenza. Output is forecasted to be 4.97 billion pounds, a decline of about 3.0 percent (McConnell). The price is forecasted to be around 97 cents a pound, an increase of 3.3 cents from 2024. Low levels of profitability are reducing the number of turkey eggs. Lower feed prices may increase the weight of birds slaughtered.

Summary

Producers of major field crops will face some difficulty in 2025. This is especially true for farmers who rent land. The situation is somewhat better for producers of livestock products, higher prices coupled with lower feed prices will improve the profitability of many livestock producers, especially beef producers. Dairy profits are also likely to increase, especially for those farmers that are not impacted by Avian Influenza. Higher input costs will adversely impact the profitability of major field crops.

Potential sources of risk are higher tariffs as a reaction to higher tariffs imposed by the U.S. Agricultural commodities are often singled out for tariffs during times of higher protectionism. The level of global competition is increasing, and the U.S. has the potential to lose market share for an extended period of time. This is particularly true for corn, soybeans, and wheat. Avian influenza is also remains an issue facing the dairy, egg, and turkey sectors.

While inflation appears to be moderating, it is still above the Fed's target of 2 percent. There is not likely to be a major movement in interest rates either upwards or downwards. Currently, the value of

the dollar appears to be declining slightly. If this trend continues, the competitiveness of U.S. agriculture could improve.

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