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# Farmers to see incomes drop after two record years

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**WASHINGTON** - Farmers will see their incomes plunge in 2006 coming off two years of unusually high prices and record crops, the Agriculture Department said Friday.

Rising energy costs and interest rates are gobbling up the bottom line for farmers, analysts said.

That's old news to Illinois grain farmer Brian Sharp, who saw fuel costs shoot up 35 percent last year. Sharp is planning to cut back on fertilizer and is mulling over a switch to cheaper no-till farming.

"To return to a level of decent profit, we're going to have to make some considerable changes on our farm," said Sharp, who heads the Illinois Farmers Union.

On average, net income for a farmer should be \$48,600 in this year, down from \$68,300 last year, according to forecasts from the department. The average was \$52,500 from 2000 through 2005.

Sharp said farmers are worried about President Bush's new budget plan, which would shave payments to farmers by 5 percent and lower the cap on payments. Congress rejected the cuts last year, and key lawmakers insist they haven't changed their minds.

"It will be a scary, scary situation out here if they do back off those payments," Sharp said. "If they go and yank the safety net out from underneath us, we're going to lose a lot of producers."

The squeeze on farmers is having little impact in supermarkets.

Consumer food prices are rising slower than the general inflation rate, the department said. Grocery shoppers don't feel the brunt of higher fuel costs because the food industry is intensely competitive, has low profit margins and spends less on other materials used to make food.

Department analysts made their projections assuming that weather will be normal and crop yields will be average, which could change.

The past two years saw record-breaking crops as well as high prices for cattle and hogs. Nationwide, net farm income was \$72.6 billion last year and \$82.5 billion in 2004.

After this year's drop, farm income should remain steady, the department said. Net income should total \$56.6 billion this year and should average \$54 billion a year over the next decade, compared with \$48 billion in the 1990s, the department said.

The department predicts crop prices will rise as farm exports gain ground. Still, the U.S. continues to be a big importer because of the American appetite for foreign food.

Figures released separately Friday by the Commerce Department show the trade surplus in agricultural products dropped from \$9.1 billion in 2004 to \$5.5 billion in 2005. Take nonfood products, such as hides and skins, from the equation, and the U.S. now imports more food than it exports, according to the trade figures.

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Agriculture Department: <http://www.usda.gov>