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Cornhusker Economics

Agricultural Economics Department

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Production Ag Profitability Report

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Production Ag Profitability Report

Market Report	Yr Ago	4 Wks Ago	5/3/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb			
Omaha, cwt	\$ *	\$71.60	\$65.69
Feeder Steers, Med. Frame, 600-650 lb			
Dodge City, KS, cwt	97.00	87.37	*
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	106.14	97.76	91.00
Carcass Price, Ch. 1-3, 550-700 lb			
Cent. US, Equiv. Index Value, cwt	115.63	111.05	102.64
Hogs, US 1-2, 220-230 lb			
Sioux Falls, SD, cwt	51.00	31.75	31.50
Feeder Pigs, US 1-2, 40-45 lb			
Sioux Falls, SD, hd	54.80	35.71	38.70
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	119.80	*	93.90
Slaughter Lambs, Ch. & Pr., 115-125 lb			
Sioux Falls, SD, cwt	*	*	57.50
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	171.00	*	143.82
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W.			
Omaha, bu	3.22	3.08	2.87
Corn, No. 2, Yellow			
Omaha, bu	1.83	1.83	1.82
Soybeans, No. 1, Yellow			
Omaha, bu	4.25	4.43	4.41
Grain Sorghum, No. 2, Yellow			
Kansas City, cwt	3.43	3.45	3.30
Oats, No. 2, Heavy			
Minneapolis, MN, bu	1.49	2.34	1.93
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better			
Platte Valley, ton	115.00	115.00	105.00
Alfalfa, Lg. Round, Good			
Northeast Nebraska, ton	82.50	60.00	60.00
Prairie, Sm. Square, Good			
Northeast Nebraska, ton	105.00	92.50	90.00
* No market.			

For the last seven years, Nebraska Farm Business Association (Cooperative Extension) and Nebraskaland Farm and Ranch Management Educational Program (Community Colleges) have combined data into a single "Production Ag Profitability Report." The 2001 Report, recently released, contains average data from 156 Nebraska production ag operations enrolled in one of the two programs. Data is monitored and reconciled for accuracy prior to inclusion in the report.

Results do not necessarily represent the "average" Nebraska producer. In fact, it is this author's opinion that the operations included here are generally more profitable than "average." With that in mind, here is an overview of the year 2001 data.

Average farm profits in 2001, of \$36,025 are a 25 percent decline from 2000's (\$48,279), and below the 19-year average Net Farm Income of \$40,112.

Data compiled by Kansas State University Farm Management Association in 2001 reflected a 29 percent decline in average Net Farm Income for the 1,937 farms included in their much larger database. Net income per operator declined from \$38,788 in 2000 to \$27,995 in 2001.

Average Family Living Cost on the other hand, has increased substantially over the 19-year period for those Nebraska operators providing family living information. 1983 average Family Living was \$18,825 compared to \$34,682 in 2001.

"Earned" Net Worth increase per operation was \$11,488 in 2001. As always, non-farm income contributed greatly to that increase. The following reconciliation of Earnings to change in Net Worth was calculated using average data from 2001 records.

Net Farm Income + \$36,025



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Non-Farm Income	+ \$21,561
Family Living & Income,	- \$46,098
Social Security Taxes	
“Earned” Net Worth Change	= \$11,488

We don't have to look far to discover the reasons for the decline in Net Income. “Operating Expense Ratio” in 2001 was 74.9 percent compared to 70.1 percent in 2000 and a 19-year average of 66.6 percent. Average operating expense (including accrual adjustments) rose by \$48,082 to \$293,384 in 2001. Several enterprises showed increases in production costs/unit. For example, Direct Costs per Acre for Irrigated Corn on Cash Rented land were \$349.43 in 2001 compared to \$321.34 in 2000. Fertilizer, chemicals and irrigation energy accounted for \$15.58 of that \$28.09 increase.

Production cost efficiency continues to be the biggest difference between the high profit 1/3 and the average. Please refer to the chart at the bottom of the page for Irrigated Corn on Cash Rented Land for the past 3 years.

The Top operators find a way to accomplish the difficult task of controlling costs while maintaining production. Farm Program Payments were 146 percent of Net Farm Income for the average operation in 2001. The bottom line is, the average Net Farm Income excluding Government Farm Program Payments would have been \$16,669.

Finally, I must add that it has been our goal for many years to increase the number of participants in both the NFBA and NFRM, and thereby improving the reliability of our data. However, both programs have faced reduction in public funding over the past few years. Case in point,

NFBA has been receiving 25 percent of its annual budget from Cooperative Extension through UNL. (The remaining 75 percent comes primarily from member fees). Effective July 1, 2002, due to state budget cuts, that 25 percent will be reduced to less than 10 percent. Some adjustments have been made, including a 10 percent increase in member fees and increasing the price of the annual detailed report listed below. Others are being considered, as our primary goal now becomes survival. We, of course, feel that there is much value in programs that provide financial analysis to individual farm operators while also generating benchmark data from a group of “real life” operations.

The complete 65 page, 2001 Annual Report is available for \$35 plus sales tax from:

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Irrigated Corn on Cash Rented Land

	1999		2000		2001	
	High 1/3	Average	High 1/3	Average	High 1/3	Average
Average Yield/Acre	162	154	158	157	174	171
Gross Return/Acre	\$294	\$280	\$318	\$300	\$356	\$337
Direct Expense/Acre	\$275	\$322	\$289	\$321	\$293	\$349
Return over Direct Expense/Acre	\$19	\$(42)	\$29	\$(21)	\$63	\$(12)