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1999 FARM & RANCH PROFITABILITY

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Cornhusker Economics

Cooperative Extension

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

1999 FARM & RANCH PROFITABILITY

Market Report	Yr Ago	4 Wks Ago	5/5/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.....	64.82	72.09	\$72.94
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	77.75	93.40	95.07
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.....	85.75	100.84	106.47
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.....	100.68	111.40	116.18
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	38.50	47.00	49.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	45.71	66.55	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	107.00	122.60	120.30
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	84.00	82.10	104.00
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.....	178.75	170.00	210.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.73	2.82	2.91
Corn, No. 2, Yellow Omaha, bu.	2.00	2.02	2.19
Soybeans, No. 1, Yellow Omaha, bu.	4.49	5.03	5.37
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.40	3.52	3.90
Oats, No. 2, Heavy Sioux City, IA , bu.	1.37	1.37	1.37
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.....	100.00	85.00	85.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	*	85.00	47.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	55.00	*	*

* No market.

For the past 5 years, the Nebraska Farm Business Association (a Cooperative Extension program) and the Nebraska Farm and Ranch Management (a Nebraska Community College program) have used the same computer program to provide business financial analysis information to cooperating farms and ranches. Each of those 5 years, average data has been compiled and published in a year-end report provided free to cooperators and offered for sale to the general public. Following are a few excerpts and observations from the 56 page publication.

Average farm profitability rose in 1999 after a disastrous year in 1998. The average 1999 Net Farm Income was \$46,996, compared to only \$4,746 in 1998. This compares to a 17-year average of \$39,872 and is slightly larger than 1997's \$45,631 average Net Farm Income. In 1999, twenty-six operations (16% of all farms) had a Net Loss, while in 1998 eighty operations (45% of all farms) had a net loss. The 1999 high profit 1/3 average Net Farm Income of \$113,465 was \$44,595 higher than the comparable 1998 figure. Twenty-three operations (14% of all farms) had net income exceeding \$100,000. This wide range of profitability is neither uncommon nor unexpected in production agriculture.

The large increase in net income in 1999 compared to 1998 is attributed primarily to 3 areas:

- 1) Increased Government Farm Program Payments. Total Farm Payments received per operation increased by \$18,161 in 1999 compared to 1998. And the total payment of \$51,153 exceeded Net Farm Income by \$4,157 (see Table 1).
- 2) Livestock prices increased during the year resulting in higher year-end prices. And, contrary to 1998, crop prices at year-end were approximately the same as opening inventory prices. Year-end



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prices play a significant role in the calculation of accrual net farm income, serving as a projected sale price for 1999 production, which remained on inventory at year-end.

3) Production was again excellent in 1999 for most crop enterprises. All reported crops had average yields significantly above the 23-year average as compiled from historic NFBA data. Wheat set an all time high average yield of 61 bu./acre (see Table 2).

The "Marketing Transition Act" of 1996 calls for the phase-out of Feed Grain Program Payment for the years 1996 through 2002. The "average" data in the tables below provide some insight regarding our reliance on those payments.

The average 1999 Net Farm Income of \$46,996 was only slightly larger than required family living costs and income taxes paid:

1999 Family Living = \$36,040

1999 Social Security, Income Taxes Paid = \$ 9,235
Total = \$45,275

Non-farm income of \$19,856 helped the average operator to realize a positive Earned Net Worth Change in 1999.

For additional information or to acquire a copy of the 1999 data, contact:

Nebraska Farm Business Association
University of Nebraska-Lincoln
P. O. Box 830719
Lincoln Ne 68583-0719

Table 1. Government Payments as a Percent of Net Farm Income

	1995	1996	1997	1998	1999	5-Year Average
Government Payments Received*	\$17,246	\$10,939**	\$16,272	\$32,992	\$51,153	\$25,720
Net Farm Income	\$40,860	\$68,567	\$45,863	\$4,446	\$46,996	\$41,364
% of Net Farm	42.2%	15.9%	35.5%	>100%	>100%	62.2%
Net Worth Change (cost)***	\$23,404	\$51,025	\$23,874	\$(21,060)	\$34,683	\$22,385
Government Payments as % of Net Worth Change	73.7%	21.4%	68.2%	>100%	>100%	>100%

* Includes all farm program payments (LDP's, Production Flexibility, Market Loss Assistance, Conservation payments, etc.)

** Includes some repayment of 1995 Deficiency

*** Net Worth Change - Cost Value: Farm capital assets are reported at cost or remaining value. Non-farm assets are included here as well and generally reported at current value.

Table 2. Long-Term Evaluation - Yield (23 yr. Average Data)

	Corn Irrigated	Corn Dryland	Soybeans Irrigated	Soybeans Dryland	Wheat	Grain Sorghum
Bushels						
23 Year Average Yield	140	83	44	37	38	79
1999 Yield	156	114	53	39	61	104
High-Year (Bushels)	1998	1998	1994	1994, 1996	1999	1994
	168	130	59	46	61	111
Low-Year (Bushels)	1993	1983	1984	1984	1981	1980
	101	58	39	24	23	61

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