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An Economic Assessment of Nebraska Agriculture in 2002

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Cornhusker Economics

Cooperative Extension

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

An Economic Assessment of Nebraska Agriculture in 2002

Market Report	Yr Ago	4 Wks Ago	10/25/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$65.35	\$65.14	\$66.62
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	84.83	84.50	*
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	92.88	87.89	86.85
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	104.40	102.15	102.65
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	37.00	31.00	27.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	50.00	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	106.25	91.29	85.88
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	74.25	76.00
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	123.47	155.63	155.29
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.97	4.95	4.62
Corn, No. 2, Yellow Omaha, bu	1.79	2.34	2.40
Soybeans, No. 1, Yellow Omaha, bu	3.96	5.22	5.41
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.40	4.50	4.71
Oats, No. 2, Heavy Minneapolis, MN, bu	2.04	2.27	2.19
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	130.00	150.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	77.50	82.50	77.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	117.50	115.00
* No market.			

With the fall harvest rapidly nearing completion, it's time to begin thinking about the bottom line for Nebraska's farmers and ranchers in 2002.

Perhaps the place to begin is by acknowledging the likelihood of wider-than-normal disparity in incomes among producers. In short, this year may be one of "haves" and "have-nots."

Crop producers who have done best generally fall in one of two groups. First, irrigated producers who had access to plenty of water should have produced at least average crops. Even with higher irrigation costs, corn and soybean prices that are 20 - 30 percent higher than last year will flow through to higher gross and net farm incomes.

Second, some dryland producers – in particular, those in Northeast Nebraska – probably will produce enough to take at least partial advantage of higher crop prices.

Problems begin with those who produced much smaller than normal crops. We know, for example, that average dryland corn yields dropped by half from 2001 to 2002. And some dropped much more than that. Higher commodity prices alone won't overcome yield losses of that magnitude.

Most crops were insured through the federal government's crop insurance program. That will be helpful. When a final accounting occurs, as much as 90 percent of the acres planted to major crops may have been insured. However, the average level of coverage on insured acres is likely to be only about 70 percent of expected production. The bottom line is that insurance only minimizes losses in most cases; few farmers will



find that it has turned a loss into profit.

Nebraska producers also were negatively impacted in 2002 by much lower production from grazing and hay lands. Approximately half of the land in the state is used for these purposes. Equally significant, insurance is not available on such land. For the fortunate few who produce hay commercially under irrigation, the value of the 2002 crop will be higher than last year's. All other producers have been impacted negatively by lower forage production.

Turning to the livestock sector, as the discussion above implies, feed costs have been higher this year. This includes feed concentrates such as corn and high-protein meal as well as forages.

Meanwhile, livestock prices generally have been lackluster. Recent fed-cattle prices in the mid-\$60s are not profitable for most producers. Nor are hog prices in the \$30 range. Unfortunately, these price levels have been more the norm than the exception through much of the year. Nationally, lower livestock prices are the major reason USDA projects a 20 percent drop in net farm income for 2002.

Nebraska agriculture is probably more dependent on the livestock sector than the national average. Thus, there is no reason to think that farm income in the Cornhusker state won't be hit at least as hard.

The new government commodity-support program will be modestly helpful to feed grains, wheat and oilseeds producers. In particular, direct payments will be made on soybeans and other oilseeds for the first time. Moreover, the possibility of counter-cyclical payments has replaced the much more *ad hoc* market loss assistance payments of recent years. However, the schedule of payments to producers will be spread over a much longer time period than previously. Any additional support may not be evident during the current calendar year.

Federal assistance also has been offered to livestock producers, especially cattlemen, in 2002. Both the feed assistance program and the livestock compensation program will be helpful. Beef cow owners, for example, will be able to collect about \$40 per head from the two programs. This will offset a significant part of the lost forage and hay from this year's drought.

A plus for producers is that, at worst, input costs were only modestly higher in 2002. Lower nitrogen fertilizer costs, for example, tended to offset higher seed

costs. And for those who borrowed money to cover operating costs, interest rates were the lowest in decades. Fuel costs have begun to creep higher in recent weeks, but fuel needs decline as the harvest season winds down.

Land prices and cash rental rates tend to be good proxies for agricultural profitability. Like incomes, I expect to see considerable variability across Nebraska.

Where crops were good, the combination of the new commodity-support program, low interest rates, and poor alternative investments (especially in the stock market), should be fully supportive of land prices and cash rents.

But where crops were poor, the latter three factors may not matter much. I would expect farmers and other potential agricultural investors to take a wait-and-see attitude. They will want to know that 2003 is not going to be a repeat of 2002 before making much of a commitment.

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