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Past Successes and Future Prospects for Nebraska Agriculture

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CORNHUSKER ECONOMICS

Past Successes and Future Prospects for Nebraska Agriculture

Market Report	Yr Ago	4 Wks Ago	7/8/11
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$92.44	\$107.61	\$115.04
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	138.28	148.93	165.56
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	117.94	120.57	143.58
Choice Boxed Beef, 600-750 lb. Carcass.	155.14	174.08	179.36
Western Corn Belt Base Hog Price Carcass, Negotiated.	75.51	89.63	91.96
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.....	82.40	89.19	96.77
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct.....	137.00	210.12	*
National Carcass Lamb Cutout, FOB.	311.50	408.35	399.88
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	3.97	7.59	6.37
Corn, No. 2, Yellow Omaha, bu.	3.55	7.67	6.72
Soybeans, No. 1, Yellow Omaha, bu.	9.97	13.62	13.60
Grain Sorghum, No. 2, Yellow Dorchester, cwt.....	5.79	12.54	10.39
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.65	4.05	3.62
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	150.00	140.00	185.00
Alfalfa, Large Rounds, Good Platte Valley, ton.....	75.00	87.50	135.00
Grass Hay, Large Rounds, Good Nebraska, ton.	*	*	72.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	88.50	211.50	196.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	32.50	76.00	66.50
*No Market			

When I joined the University of Nebraska-Lincoln faculty in 1976, Nebraska had 5.5 million irrigated acres, irrigated corn yields averaged 115 bushels per acre, irrigation water was worth \$25 per acre per year, center pivot irrigated land was selling for \$1,000 per acre, net farm income averaged \$0.8 billion per year and both groundwater pumping and nitrogen fertilization practices were unrestricted. Today as I prepare to retire, Nebraska has 8.5 million irrigated acres, irrigated corn yields average 186 bushels, irrigation water is worth more than \$100 per acre per year, pivot irrigated land is selling for over \$4,000 per acre, net farm income is averaging over \$3.0 billion and we are carefully managing the quantity and quality of our groundwater resources. All Nebraska citizens should be proud of this success story. Somehow, we have managed to simultaneously produce economic prosperity and improved natural resource management.

Current conditions in agriculture reflect the fruits of this success story. Average farm family income has exceeded non-farm family income since 1998; average net worth of Nebraska farm families is now nearly \$2 million, and the debt to equity ratio for Nebraska farms is now only about ten percent.

What explains these successes? Our economic prosperity is probably due primarily to an increasingly well educated group of farmers; high rates of return to investments in agricultural research and education; ethanol; and a bit of luck with respect to crop and livestock prices. Successful management of the farm business has also been aided by new or improved business management tools, especially crop insurance, commodity marketing options and a virtual explosion in the amount of relevant and timely information that is instantly available to everyone over the Internet.

Perhaps the most amazing aspect of this success story is that the agricultural industry has managed to sustain po-

Nebraska Agriculture: 35 Years of Progress

Change: 1976-2011	
Irrigated Acres	+50%
Land Values	
Center Pivot Irrigated	+300%
Non-Irrigated Cropland	+250%
State Corn Yields	
Irrigated	+72 Bushels per Acre
Dryland	+60 Bushels per Acre
Value of Irrigation Water	
Value per Acre Irrigated	+320%
Value per Acre-Foot Applied	+390%
Net Farm Income	+290%
Fertilizer Use (lbs of N/bu. of Corn)	-25%

litical support for large federal subsidies, despite diminishing need. In 2010 for example, Nebraska farmers received direct payments from the federal government of over \$300 million, even though net farm income was ten times this amount. Many producers also receive subsidized crop insurance. Crop insurance premiums are intentionally set below expected payouts, with taxpayers covering the difference. Although the crop insurance subsidy varies by crop, location and farm, insurance payouts exceed premiums by an average of 25 percent.

Government support for agriculture is essential, but sustaining the success story is going to require major changes in how the industry is supported. Direct payments to producers irrespective of financial need are clearly not justifiable, nor is it necessary to subsidize crop insurance premiums. The industry is strong and characterized by producers who are fully capable of managing their operations without these income transfers. It is time for the industry to proudly acknowledge their success and cease supporting these programs. Indeed, if this is not done, agriculture runs the risk of not only losing political support for these programs, but also for other agricultural programs that are justifiable. The public is not likely to be supportive of an industry that continues to lobby for income transfers to multi-millionaire families with six figure annual incomes, while federal budget pressures result in cuts to Medicaid, Head Start, Food Stamps and other services for those who are far less fortunate. The magnitude of this inequity is aptly illustrated by the fact that the 2010 net farm income for 107 Nebraska Farm Business clientsⁱ averaged \$285,799, including government payments of \$27,182. This income level is about five times the average for Nebraska non-farm families.

The major challenge facing the agricultural industry in the years ahead is not likely to be the financial health of farmers and ranchers, but rather the need for sustained provision of high quality food products at relatively low cost to everyone throughout the world. This will require federal support for agricultural research and education, economic development, a war on poverty, food safety, market information systems, international market development, soil and water protection and perhaps other programs as well. Part of the resources for these programs can and should come from reduced subsidies to primary agriculture. If the industry steps forward to support this refocusing of federal funding, as I hope and expect it will, then the future is bright and continued success seems likely.

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ⁱ Whole State Report for 2010, Nebraska Farm Business, Inc., Lincoln, Nebraska.