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Cornhusker Economics

Cooperative Extension

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

Nebraska Farm Income a Near-Record High in 2003

Market Report	Yr Ago	4 Wks Ago	9/10/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$89.65	\$85.03	\$81.18
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	113.12	139.33	128.26
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	104.55	123.98	116.07
Choice Boxed Beef, 600-750 lb. Carcass	156.11	137.53	130.81
Western Corn Belt Base Hog Price Carcass, Negotiated	57.21	74.46	72.02
Feeder Pigs, National Direct 45 lbs, FOB	28.72	42.39	42.17
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	64.31	78.73	71.70
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	88.37	90.50	93.50
National Carcass Lamb Cutout, FOB	210.87	216.83	215.53
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.41	3.13	3.39
Corn, No. 2, Yellow Omaha, bu	2.18	2.18	2.07
Soybeans, No. 1, Yellow Omaha, bu	6.07	6.13	5.41
Grain Sorghum, No. 2, Yellow Columbus, cwt	3.36	3.11	3.04
Oats, No. 2, Heavy Minneapolis, MN, bu	1.53	1.50	1.74
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	65.00	57.50	57.50
* No market.			

Fueled by large value increases of both crop and livestock production, Nebraska's net farm income surged in 2003 to \$3.233 billion. Based on recently-released state estimates by Economic Research Service, USDA, this 2003 aggregate income level was the second largest on record for Nebraska; and was within only \$150 million of surpassing the historical high-income year of 1996 (Table 1). Nebraska's 2003 net farm income level was about 1.8 times its average of the preceding 10 years. This level for 2003 placed Nebraska third among the 50 states (only California with \$8.4 billion and Texas with \$5.9 billion had higher farm earnings for the year).

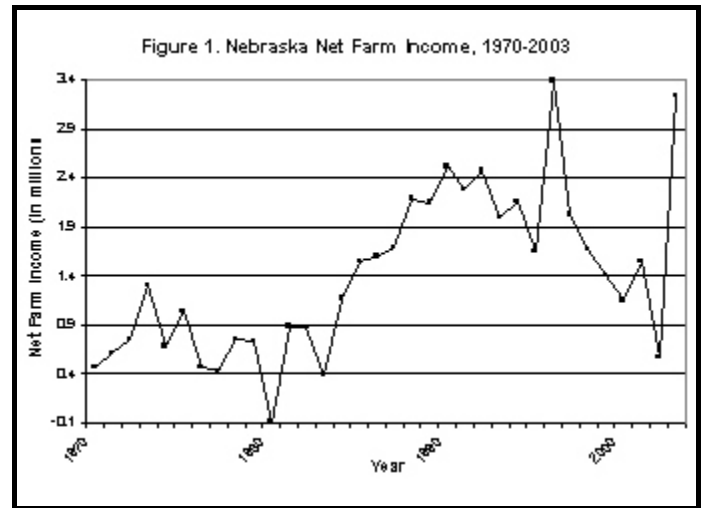
As many could attest to, 2003 was a welcome economic contrast to 2002 for the majority of Nebraska's agricultural producers. And these state aggregate income levels certainly bear that out. Economic conditions moved from *famine* to *feast* very quickly, as annual net farm income rebounded nearly six-fold from the 2002 level of only \$567 million, which was the lowest recorded annual income level since 1983. More favorable weather patterns and relatively modest input cost increases combined with higher prices received across both the crop and livestock sub-sectors to greatly improve the overall economic climate. An increase in crop receipts of 31 percent and livestock receipts of 21 percent over the previous year created a double-barreled effect on aggregate earnings.

Obviously, at the farm level the 2002 to 2003 economic turnabout was not this abrupt for many agricultural producers. While improvement occurred, the change was more moderate for many participants. Moreover, a good number of the state's agricultural producers were not as fortunate in 2003 to catch this economic rebound. Particularly for many producers in the western half of the state where multi-year drought and irrigation water limitations have continued into 2004, income shortfalls have remained. Consequently, regional variations across the state were pronounced in 2003 and continue into 2004.

A longer term perspective of aggregate net farm income levels shows how volatile year-to-year income levels can be for the business of production agriculture. As portrayed

graphically in Figure 1, net income for the state's agricultural production sector shows a jerky, sometimes erratic, pattern of movement since 1970. This has occurred despite the fact that federal commodity programs have attempted to buffer some of this volatility for crop producers through counter-cyclical payments. Indeed, effective risk management strategies in a multi-year context is an ever-growing mandate for today's producers.

The broader implications of these trends are very significant in a state like Nebraska, where production agriculture remains a very prominent sector in the overall economy. Economic performance shifts in the agricultural sector of the magnitude indicated above have considerable impact on the state's economy. For example, in 2003 net farm income in Nebraska was 5.9 percent of the state's total personal income. In contrast, for California that ratio was only 0.7 percent and for Texas, 0.9 percent. In fact, with the exception of North Dakota where the ratio of 2003 net farm income to total personal income was 6.8 percent, no other state had as high of ratio for 2003 as Nebraska's. Clearly, production agriculture in Nebraska is big and with considerable leverage in the overall economy of the state. No wonder then that tax revenues and a host of other economic indicators have been *ticking up* over recent months.



Source: ERA/USDA Briefing Room:
<http://www.ers.usda.gov/Data/FarmIncome/Finfidmu.htm>

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Table 1. Net Farm Income Series for Nebraska, 1993-2003*

Year	Ag Sector Output			Direct Government Payments	Net Farm Income
	Crops	Livestock	Total		
----- Million Dollars -----					
1993	2,486	6,005	8,997	806	1,995
1994	3,726	5,316	9,567	348	2,156
1995	3,141	5,328	9,078	507	1,646
1996	5,187	5,393	11,233	389	3,388
1997	4,207	5,624	10,507	454	2,019
1998	3,875	5,095	9,653	815	1,664
1999	3,080	5,359	8,995	1,412	1,402
2000	2,794	5,889	9,267	1,407	1,149
2001	3,490	5,946	10,051	1,298	1,551
2002	3,132	5,710	9,472	485	567
2003	4,114	6,902	11,833	726	3,233
1993-2002	3,512	5,567	9,682	792	1,754

Source: ERS/USDA Briefing Room <http://www.ers.usda.gov/Data/FarmIncome/Finfidmu.htm>