2013

2012 Nebraska Income Averages

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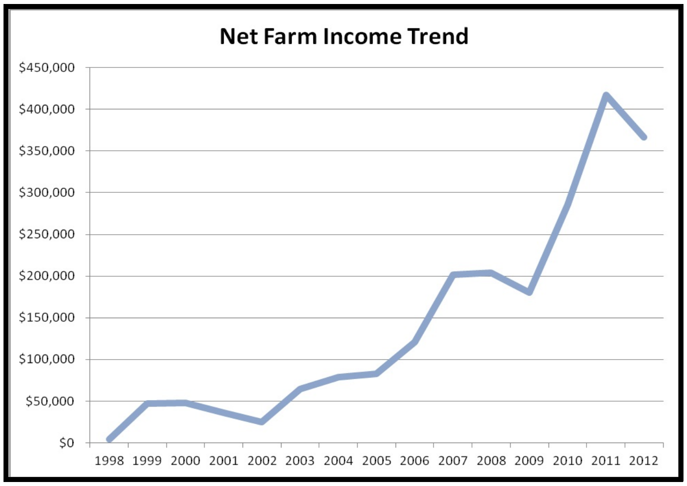
Market Report	Yr Ago	4 Wks Ago	5/3/13
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	$121.13	$127.63	$129.14
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.. . . .	184.55	160.74	159.33
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	154.72	139.84	138.62
Choice Boxed Beef, 600-750 lb. Carcass.	190.66	190.60	198.59
Western Corn Belt Base Hog Price Carcass, Negotiated.	76.88	81.52	87.15
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	78.32	81.91	86.67
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	*	*	113.00
National Carcass Lamb Cutout, FOB.	359.26	288.12	285.19
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu..	5.41	7.06	7.31
Corn, No. 2, Yellow Nebraska City, bu..	6.40	*	6.98
Soybeans, No. 1, Yellow Nebraska City, bu..	14.34	14.38	14.57
Grain Sorghum, No. 2, Yellow Dorchester, cwt..	10.36	11.32	11.80
Oats, No. 2, Heavy Minneapolis, MN , bu.	3.44	4.13	4.18
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	225.00	245.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton..	145.00	227.50	227.50
Grass Hay, Large Rounds, Good Nebraska, ton..	97.50	217.50	222.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	221.00	247.50	233.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	77.75	89.00	90.00
*No Market			

2012 seemed to be the year of separation between the “Have’s and the Have Not’s”…or those who had water and those who didn’t! The extreme drought of 2012 caused some of the greatest separation between the farms that we’ve seen in many years. Crop farms with access to sufficient irrigation water were able to take advantage of excellent prices along with excellent yields. These led to record breaking net income per acre for both commercial irrigated yellow corn as well as irrigated seed corn in 2012. On the other hand, poor yields for most dryland crops caused drops in net returns per acre to be negative for the first time in ten years. Dryland wheat was the exception to that, with the earlier harvest time and good prices the drought did not have as great an effect on the 2012 crop, but may show the true effects on the crop harvested in 2013.

Average Net Farm Income

The average net farm income dropped eight percent overall, but still remained the second highest average net income on record. The truest part of that story may come in the spread of net income, as averages are just averages. There were 15 percent of the farms included whose accrual net income exceeded $750,000, while another 15 percent of the farms showed negative net farm incomes, with a total spread from top to bottom of over $3 million. This is the first time in several years that a significant number of farms lost money. Many of these farms either included a significant livestock operation or dryland crop operation, but there were some who were caught in risky marketing strategies that caused significant hedge account losses that were also included in the losses.

As impressive as the whole state net farm income is at $382,316, the group of farms that we follow as our Top Efficient Farms reached an all time new high of $527,450 ($10,000 higher than in 2011). This group continues to find ways to improve above their neighbors, even with a similar mix of irrigation and dryland farms and a similar gross farm income. The major change comes in the form of their operating expense ratio, which is just 51.3 percent for the Top Efficient Group and 65.1 percent for the whole group. The ability to consistently control costs, even when it's not "necessary" keeps these farms retaining 16.2 percent more of every dollar of gross income.



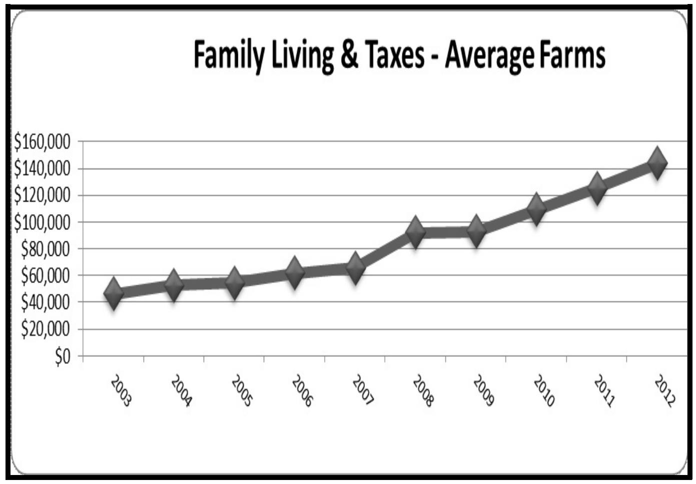
Input Costs on the Rise

It's no shock that input costs are rising faster than anyone expected, but it's important to keep an eye on them. The average cost to raise an acre of irrigated corn in Nebraska has risen to over $730 per acre. That's a $100 per acre increase over 2011, and $300 per acre more than just five years ago. The average cost per bushel (including all costs) was $4.45 in 2012, up from $3.95 in 2011 and just $2.53 in 2007. Many producers will need to be aware that their cost of production is well above this, while others are still well below this. Those whose cost of production exceeds $4.50 may be facing the prospect of selling below their cost of production, and will need to be proactive in calculating their projected costs while they can still make changes to those costs. Without that proactive approach, we may be looking at an even larger percentage of negative incomes in 2013.

Family Living Costs Continue to Soar

Actual cash out of pocket for family living needs increased from $85,000 to $100,000 this year. There is no single overwhelming increase, such as health care, but rather most categories are up. Taxes contributed to another increase of almost $4,000 in 2011. If you include nonfarm vehicle purchases, nonfarm real estate purchases and savings and investments, the average farm is needing $200,000 per year to support their family.

The hard part of increasing family living is making it turn around. The long-term trend of family living is a constant increase from year to year. If we experience a downturn in farm profitability, it will be interesting to see how long it takes to turn the family living expense around as well.



Debt Continues to Rise

While net worth continues to increase, so does total debt. The increase from 2011 to 2012 was just over $125,000. While there were increases in all areas of debt, the largest increase was in long-term liabilities. The increase in debt also related to a slight increase in the average debt-to-asset ratio. The debt increase is not necessarily a bad thing, but if profits tighten in the future, especially without a drop in family living costs, there will be a major "squeeze" on the amount available to make the payments on this rapidly increasing level of debt.

Most people think of 2012 as a year that is great to have behind them, and one they never want to repeat. The lingering effects of the extreme drought, rising input costs and rapidly fluctuating prices leave a lot of uncertainty in the future for farm income. What we do know is that we've had seven years of great prosperity in Nebraska, and it has improved the health of the average Nebraska farm. Hopefully it has been enough to withstand a few tough years when we are faced with them.

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