2014

2013 Nebraska Income Averages

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CORNHUSKER ECONOMICS

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2013 Nebraska Income Averages

Market Report	Yr Ago	4 Wks Ago	5/2/14
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	$129.14	$150.40	$148.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb..	159.33	222.54	222.00
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	138.62	204.34	195.68
Choice Boxed Beef, 600-750 lb. Carcass.	198.59	232.13	231.87
Western Corn Belt Base Hog Price Carcass, Negotiated.	87.15	128.02	112.31
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean..	86.67	130.97	114.60
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct..	113.00	153.00	145.50
National Carcass Lamb Cutout, FOB.	285.19	371.23	369.27
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu..	7.31	6.71	7.52
Corn, No. 2, Yellow Nebraska City, bu..	6.98	4.74	4.75
Soybeans, No. 1, Yellow Nebraska City, bu..	14.57	14.54	14.65
Grain Sorghum, No. 2, Yellow Dorchester, cwt..	11.80	8.21	8.30
Oats, No. 2, Heavy Minneapolis, MN , bu.	4.18	4.53	4.05
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton..	+	210.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton..	227.50	127.50	115.00
Grass Hay, Large Rounds, Good Nebraska, ton..	222.50	107.50	205.00
Dried Distillers Grains, 10% Moisture, Nebraska Average.	233.00	235.00	222.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	90.00	68.00	70.00
+ No Market			

AVERAGE NET FARM INCOME

The average net farm income dropped 55 percent overall from $382,316 in 2012 to $174,695 in 2013 (see figure 1 on next page). For many of the producers included in the averages, the significant cause of the drop came from a decrease in corn prices. At the end of 2012, we found the average price to be $6.95, and only $4.00 at the close of 2013. For producers who typically hold a significant amount of unpriced grain at the end of the year, this drop in price created a significant change to their accrual basis net farm income for 2013 that they most likely won't feel on a cash basis until 2014. We saw a more modest drop in the inventory price of soybeans; while there was a significant increase in the price of cattle over the same time.

In 2012, we saw 15 percent of the farms in the study with net accrual incomes of over $750,000. In 2013, there was less than one percent in the same income range. On the other side, we also saw 15 percent of the farms lose money in 2012. That percentage increased to 17 percent in 2013. There was certainly a significant change to the overall financial outlook for farms in Nebraska this year.

INPUT COST ON THE RISE

Total costs per acre continued to climb in 2013, to a total of $792 per acre (see figure 2 on next page). Cash rent was the most significant increase over 2012, but Irrigation Fuel and Irrigation Repairs were the only categories that saw decreases over 2012. With the severe drought experienced in 2012, that is not a surprise or a factor of lower fuel prices. It just shows more timely rains fell.

The average yield was also up in 2013, with a record high average irrigated yield of 220 bu per acre. The increase in yield offset the increase in expenses, keeping the total cost of production at $4.27 vs. $4.45 from 2012.

This cost includes a labor and management charge which is an estimate to cover the family living needs from the operation.

Total costs per acre also increased for every crop monitored. There was an increase of $52.88 per acre on irrigated soybeans, for a total of $560.84. The average irrigated soybean yield tied our 2009 record yield of 65 bu per acre. There was also a record high yield for irrigated seed corn production of 279 bu per acre.

Debt Continues to Rise

Total debt continues to increase each year, with the amount reaching over $987,000. The growth in debt occurred in all areas, except Intermediate Debt. The increase in debt and drop in income caused the Term Debt Coverage Ratio to drop from 5.77 to 1.63 in just one year. We also saw the number of farms with debt-to-asset ratios greater than 60 percent almost double from 2012 to 2013.

On average, the amount of scheduled term-debt payments increased from $61,777 to $79,967. When we compare this with the rest of the cash flow needs of the operation, the shortfall is evident.

Net Farm Income (Plus Interest)	$210,000
Non-Farm Income	+$17,000
Family Living & Taxes	-$153,000
Principle & Interest Payments	-$80,000
Net Cash Available	= ($6,000)

Non-Farm Costs Lead to Slow Net Worth Growth

Non-farm costs, including family living, income taxes and non-farm purchases such as vehicles and housing, continue to have a very real impact on net worth growth. The total out-of-pocket for family living expenses held steady to slightly lower at $96,710 in 2013 (from $100,040 in 2012), but it is still significantly higher than the ten year average of $68,496. Income taxes paid in 2013 continued to increase to $56,269. That puts the total out-of-pocket expense for non-farm costs at $152,979 (Figure 3). With average farm income at $174,695, the margin for the farm being able to cover the needs of the family is narrowing quickly. This increase in non-farm costs also contributed to 36 percent of the operations seeing a net worth loss in 2013, and the lowest average net worth gain since 2005.

Family living costs, like farm costs, are hard to rein in once a certain standard of living has been achieved. This is certainly an area that many operations will have to monitor closely with that tightening margin.

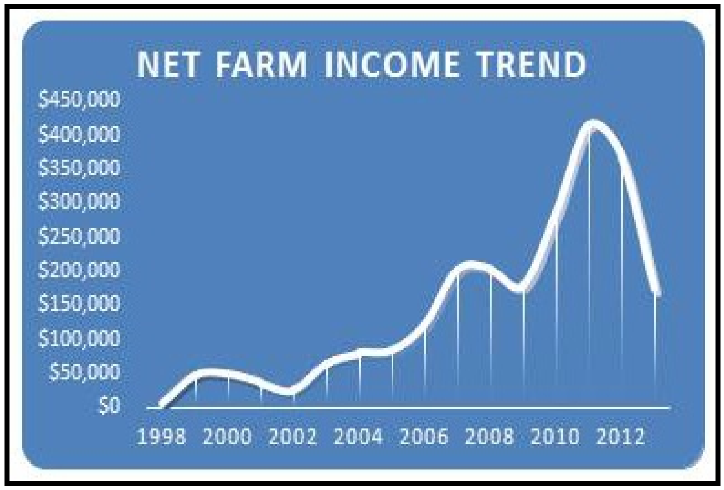

Figure 1.

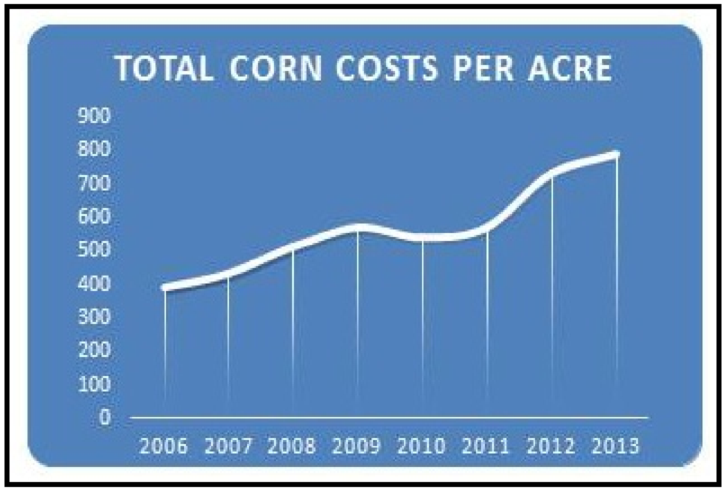

Figure 2.

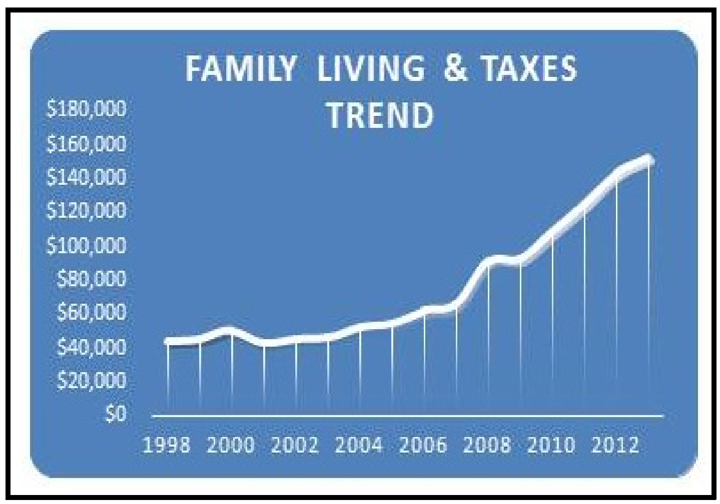

Figure 3.

Summary

2013 would have looked like a great year if it would have followed 2005 and 2006, but it was a disappointment for many after the highs of the past two or three years. There are many positive perspectives that must be kept in mind as we look forward.

- If you consider the amount of net worth that has been amassed in the past ten years, a year or two of slow growth or modest loss is not the worst thing. What you have done with the prior years profits, how you change your spending habits in the future and your level of exposure to debt all play into whether or not you can afford to ride out the next few years without major changes to your operation.

- Most operations have taken advantage of the good incomes and favorable tax laws to update most or all of their major equipment. If the farm economy continues to be on a tight margin, most operations do not need to look at spending a considerable amount on new equipment. This is different for the operations who financed the new line of equipment and still have five to seven years of payment commitments.
- While over 15 percent of the farms included have debt to asset ratios greater than 50 percent, there are also more than 20 percent of the operations that have zero (or virtually no) debt. These operations have room in their financing portfolio to withstand some debt addition over the next few years, if needed.

2013 was a good year, but it brought to light how quickly things could change and how quickly those changes could be translated into significant changes to the operation. For successful continuation, farms need to be aware of their financial situation. Planning is the proactive approach that lets you make decisions rather than just dealing with what has already happened.

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