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2018 Nebraska Top Efficient Farms

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Cornhusker Economics

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Market Report	Year Ago	4 Wks Ago	8/1/19
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	112.00	*	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	*	175.56	183.34
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	156.05	145.77	155.53
Choice Boxed Beef, 600-750 lb. Carcass.	204.26	219.55	213.96
Western Corn Belt Base Hog Price Carcass, Negotiated	53.08	NA	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	72.20	72.66	86.19
Slaughter Lambs, wooled and shorn, 135-165 lb. National.	151.29	156.37	159.96
National Carcass Lamb Cutout FOB.	374.05	392.01	396.31
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	5.20	3.94	3.87
Corn, No. 2, Yellow **Columbus**, bu.	3.55	4.05	4.09
Soybeans, No. 1, Yellow **Columbus,** bu.	8.02	7.92	7.67
Grain Sorghum, No.2, Yellow Dorchester, cwt.	5.55	6.34	6.34
Oats, No. 2, Heavy Minneapolis, Mn, bu.	3.04	3.20	2.99
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	175.00	177.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	*	*	115.00
Grass Hay, Large Rounds, Good Nebraska, ton.	100.00	*	105.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	118.50	140.50	136.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	39.00	48.50	40.50

*** No Market**

A quarter doesn't buy much these days so it's easy to dismiss the value, but when 25 cents is what separates the cost of production per bushel of corn between two groups, the difference in net return starts to add up.

In 2018 the net farm income average of all farms included in the Nebraska Farm Business, Inc. group was $94,121. That was a surprisingly high number, but when compared to the net income of $261,059 for the group called the Top Efficient Farms, it shows there is a significant difference. The Top Efficient Farms group is a selection of operations included in Nebraska Farm Business, Inc's group that consistently retain more than 20% of gross income as net. These farms are not the highest efficiency farms each year, they are just the most consistent from year-to-year.

Chart 1 shows the trend of net farm income for the last ten years between the two groups. The Top Efficient group consistently keeps more of their gross income than the average of all farms. Both groups have comparable gross farm income so we know that size of the operation is not the difference.

Knowing that the net farm income is higher doesn't tell us how it's done. We have been following several factors through the years to answer this. Chart 2 contains the average marketing price received for both corn and soybeans. There are two lines for soybeans (the upper lines) and two for corn (the lower lines). The lines are so close that it's hard to tell which line is which. For the past ten years, we have not seen a significant difference in the marketing of the two groups.

Chart 1

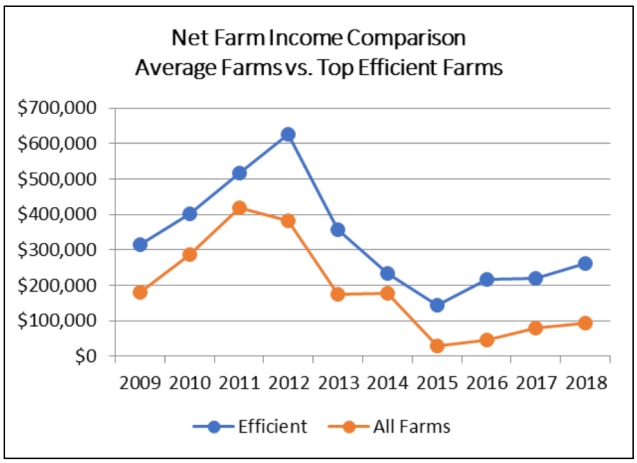
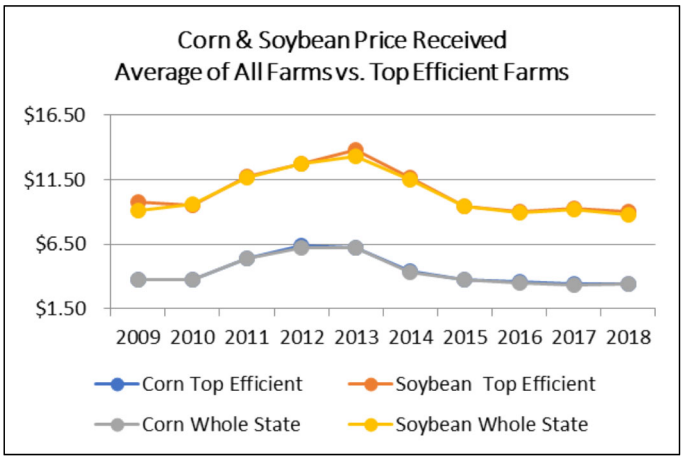


Chart 2



If we looked at the yield comparison for corn, there are about 5 years out of the past 10 that there is a 5+ bushel/acre advantage to the Top Efficient group. It is more noticeable than the marketing, but still not significant enough to explain the difference in net farm income.

With a profit equation of (price x yield) – expenses, that leaves expenses as the best option for these significant differences. Charts 3 and 4 show the trends on cost per acre for seed and fertilizer on irrigated corn. Excluding 2017, there are some consistent savings on seed costs; along with the slight improvement in yield. Fertilizer shows no consistent conclusion.

Chart 3

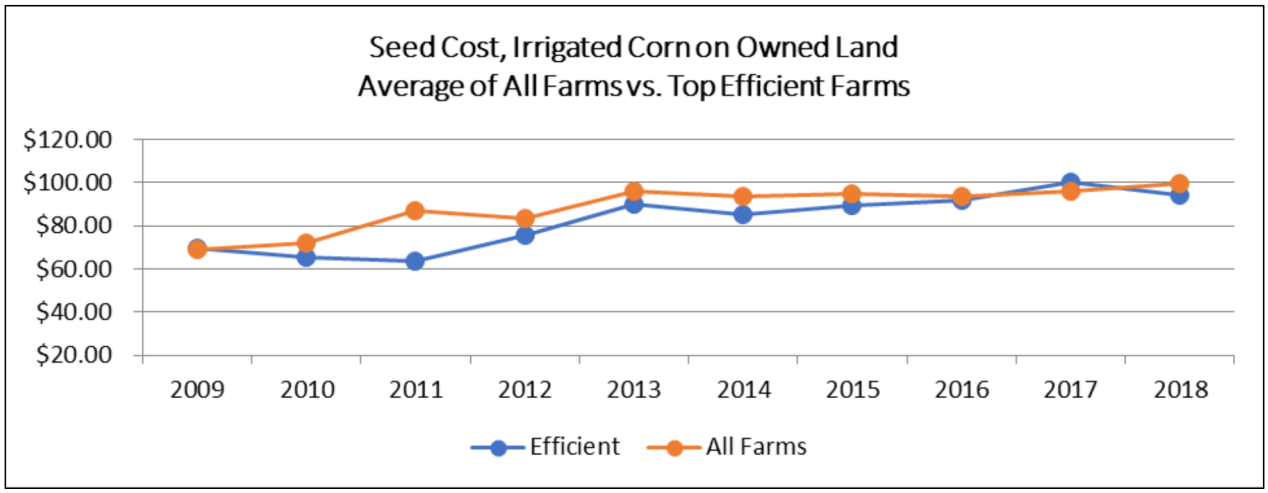
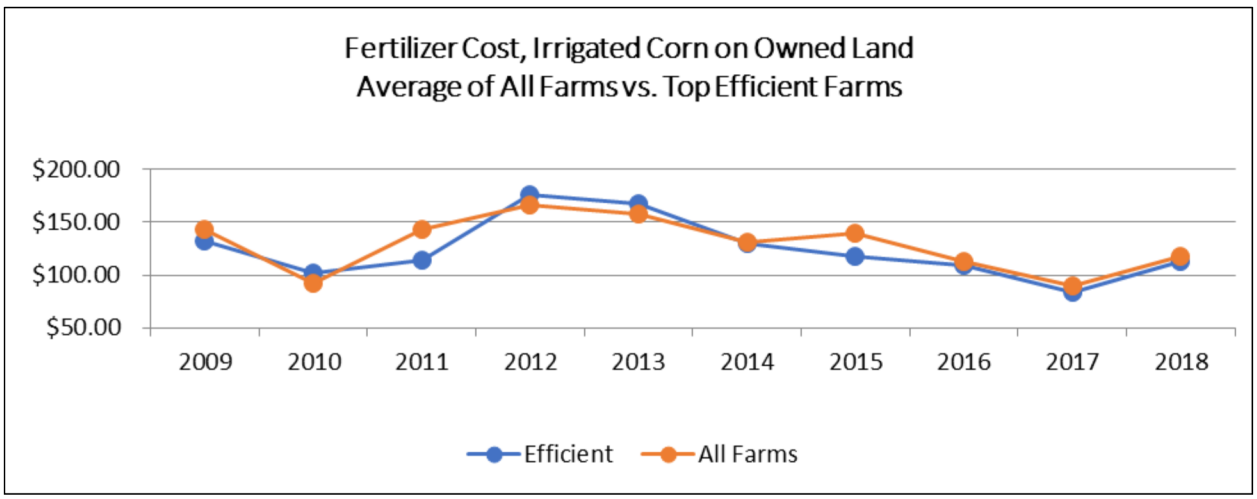


Chart 4



There is not a category of expenses that stands out as the one thing that makes up the difference, but most categories show a $1-$5 difference per acre. When you get to total expense per acre, the difference between the Top Efficient group and the average of all farms amounts to $40-$60 per acre, depending on the enterprise. It seems the old adage of "Watch the pennies and the dollars will take care of themselves" ends up being accurate in this study. It is often the little decisions made each day, that add up to significant profit at the end of the year. Is the lesson from this not to spend money? No, of course not. It doesn't make sense to try and grow corn without seed or other inputs, and there is value in utilizing experts such as crop/marketing/financial consultants, even if it's hard to measure. The lesson is to make sure that the decisions you are making return the highest net return, and not the highest gross return. In other words, getting the highest yield may actually cost you more than it returns. If the last additive costs $10 per acre and is expected to give you a 3-bushel yield bump, the price needs to be more than $3.33 or that additive cost you more than it returned.

The complete study of these two groups is available on our website www.nfbi.net or by calling our office at 402-464-6324.

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