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2020 Nebraska Income Averages

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AGRICULTURAL ECONOMICS

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Cornhusker Economics

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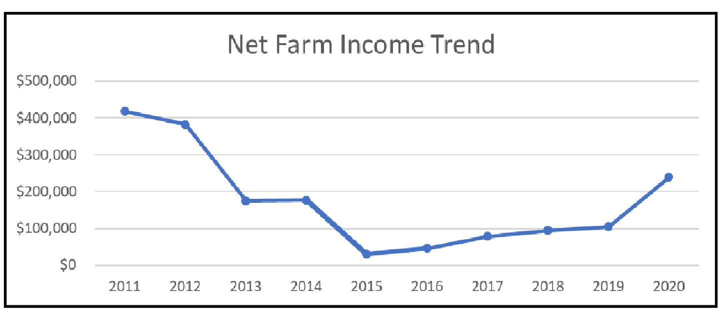
Each year the numbers gathered by Nebraska Farm Business, Inc tell a story. Sometimes that story is subtle like a drought or storm that affects a small region of the state. Sometimes it is obvious like the drought in 2012, the run-up of commodity prices from 2008-2013, or the impact of the worldwide pandemic of 2020. The one thing that was unique about the story of 2020 was that the sub-stories are not necessarily what you would expect.

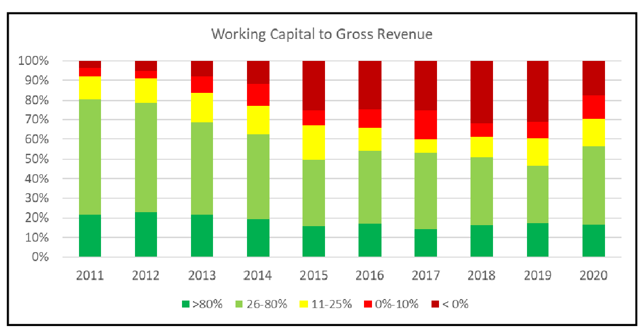
There was a range of accrual net farm incomes similar to past years of approximately $2 million. The range shifted upward though with only 8.3% of the farms included recording negative incomes. Just six years before in 2015, that percentage was 44%. It is not a common occurrence when increased profitability is seen by most farms. When looking at profitability levels, farm type, gross income, age, etc., there is not a category that seemed to be left behind. During the run of profitability from 2008-2013, livestock producers suffered through high commodity prices. During the drought of 2012, dryland operations suffered while irrigated operations saw extreme profitability. While the averages show that every category "won" in 2020, there were operations that were working through bankruptcy and those that were not able to take advantage of all 2020 brought.

Where to find COVID Payments

The payments received for COVID-19 relief in 2020 are certainly a large chapter of the story behind the numbers. It is important as you digest the data, that you know how these were handled. It is hard to say definitively what impact all the payments from the government had on net income but we can see some general things.

1. All categories of operations saw increasing income and a higher percentage from government payments in 2020 than we have seen in a long time.
2. Working capital to gross revenues rebounded to almost a green level on average for the first time in five years. This does not mean all operations are in a good position, but you can see the percentage of operations in the red was reduced dramatically. A large reason for this was the influx of relief payments.
3. Thirty-three percent of the farms had a net income less than the government payments received. In other words, they would have shown losses without these payments.





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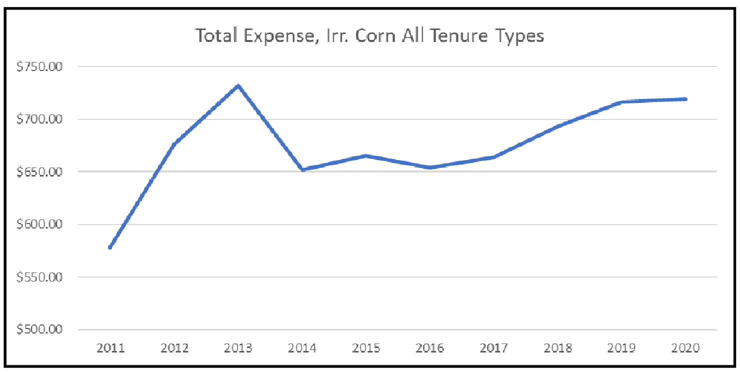
Projected Cash Flows

At the beginning of 2020, the cash flows we prepared looked dismal at best. Most operations that would be considered Top 1/3 and even those we look at in our Top Efficient Farms study were projecting significant losses. By March, those numbers looked even worse. It was hard to imagine how 2020 wasn't going to be one of the toughest financially that we would experience in a long time. Obviously, that turned around quickly with prices rising quickly in the last half of the year and the significant Government payment amounts. One of the things that made the projected cash flow so tough was the rising cost of production.

This chart shows the total cost per acre for Irrigated Corn on All Tenure Types (Owned, Cash Rented, Share Rented). You can see that the total costs in 2019 and 2020 are quickly approaching that peak we saw in 2013.



This increase has been much slower than the spike we saw leading up to 2013, but it still is a good reminder of how quickly prices can change and erase the financial progress made in 2020.

Summary

Financially, 2020 was kind to most producers. Profitability was up for almost everyone and liquidity took a large step forward in healing. The largest reason for these things, the government payments, isn't likely to continue, which means the lessons learned from the increasing cost of production and debt will be vital to the success of operations over the next few years.

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