

Cornhusker Economics

Cooperative Extension

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

PRODUCTION AG PROFITABILITY REPORT

Market Report	Yr Ago	4 Wks Ago	5/4/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$72.94	\$ *	\$ *
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	95.07	99.37	97.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	106.47	101.87	106.14
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	116.18	119.59	115.63
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	49.00	47.50	51.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	63.50	54.80
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	120.30	112.15	119.80
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	104.00	*	*
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	210.00	171.00	171.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.91	3.12	3.22
Corn, No. 2, Yellow Omaha, bu	2.19	1.89	1.83
Soybeans, No. 1, Yellow Omaha, bu	5.37	4.18	4.25
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.90	3.48	3.43
Oats, No. 2, Heavy Sioux City, IA, bu	1.37	1.40	1.49
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	85.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	47.50	85.00	82.50
Prairie, Sm. Square, Good Northeast Nebraska, ton	*	105.00	105.00
* No market.			

For the past 6 years, Nebraska Farm Business Association (Cooperative Extension) and Nebraskaland Farm and Ranch Management Educational Program (Community Colleges) have combined data into a single "Production Ag Profitability Report." The 2000 Report, recently released, contains average data from 156 Nebraska production ag operations enrolled in one of the two programs. Data is monitored and reconciled for accuracy prior to inclusion in the report.

Results do not necessarily represent the "average" Nebraska producer. In fact, it is this author's opinion that the operations included here are generally more profitable than "average." With that in mind, here is an overview of the year 2000 data.

Average farm profits were only slightly higher than in 1999. The 2000 average Net Farm Income was \$48,279 compared to only \$46,996 in 1999. The eighteen year average is \$40,339.

\$48,279 Net Farm Income may sound like a "reasonable income level," but let's examine it more closely:

- ! The average number of operators is approximately 1.2 per farm. Therefore, Net Farm Income per family unit is really \$41,156 (not \$48,279).
- ! Even within the group of operators, a relatively large percent are not generating "adequate" income. Fifty-three of one hundred fifty-six farms (34%) had Net Farm Income of less than \$20,000. Twenty-five of these operations had negative Net



Farm Income. The percentage of operators with negative Net Farm Income for the past three years is:

<u>2000</u>	<u>1999</u>	<u>1998</u>
16%	16%	45%

Conversely, several operations come in at the high end of profitability. Twenty-two of 156 farms generated over \$100,000 of net income in 2000. To pinpoint all the reasons for the continued large variations in net income is challenging at best. However, through observations, we have learned many of the more profitable operations beat the average in a number of small ways which add up to big differences.

! The role Government Farm Program Payments play in farm profitability is of continued interest and importance. Farm Program Payments can be either “income replacement” or “income addition.” A “CRP” payment would be termed “income replacement,” while most other payments received by producers in 2000 (Flex, MLA and LDP’s) are “income additions.” For the average producer, CRP payments were only \$891 of the \$57,561 received. Excluding CRP, Farm Pro-

gram Payments were 117% of Net Farm Income. The chart below shows a comparison of the high and low profit groups.

As shown on the chart, even the high return operations would not generate adequate income to support a family without Farm Program Payments. Average family living costs reported by the group in 2000 were \$38,377 and Income Taxes and Self-employment Social Security Taxes were \$10,300. Therefore, minimum farm and non-farm income needed per family was \$48,677.

The complete 70 page, 2000 Annual Report is available for \$20 from:

Nebraska Farm Business Association
 University of Nebraska-Lincoln
 110 Mussehl Hall-East Campus
 Lincoln NE 68583-0719
 Phone: 402/472-1399
 Fax: 402/472-3858
 Email: jrosecrans1@unl.edu

Gary Bredensteiner, (402) 472-1399
 Director of Farm Management Operations
 Nebraska Farm Business Association

	Average	Low One-Third	High One-Third
Total Farm Program Payments	\$57,561	\$41,355	\$82,327
- CRP	-891	-1,147	-782
= All Other Payments	\$56,670	\$40,208	\$81,545
Net Farm Income	\$48,279	\$(6,172)	\$107,856
Net Income Minus “Other Government Payments”	\$(8,391)	\$(46,380)	\$26,311