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FARM INCOME DECLINE A CONCERN

The Nebraska Farm Business, Inc (NFBI) helps Nebraska's farms and ranches to remain competitive through financial analysis. It started the year I graduated high school, 40 years ago in 1976, as part of the University of Nebraska- Lincoln Extension. In 2002, they moved to a new location in Lincoln; still working with the University to gather data and other information on farming operations. Today NFBI continues to grow with over 400 producers from all across the state, providing financial and management needs.

They are about 75% complete with the averages for the 2015 year and there is some interesting facts to be pulled from the data. Net farm income over farm expenses (cash and fixed expenses) is coming in around \$32,000. That's about an 80% decline in net farm income in just one year and is way short of typical family living expenses unless there is off-farm income and the remainder coming out of farm equity. Crop operations experienced a 50% decline in profitability for a second year in a row but the major change came in the disappearance of profitability in the livestock sector. Beef, swine and dairy groups are all showing negative net farm income averages for 2015.

The boom years were historic leading up to this, but 2015 will mark the first time we will see an average net worth loss since 2002 and the largest farm net worth loss since 1984. While the total debt owed stayed about the same, asset values (most typically grain and livestock prices) dropped. Another contributor to the net worth loss, larger than price drop, is non-farm spending. Average family living spending is down about \$6,000 or about 6% but it is still considerably higher than farm and non-farm income combined.

Another area that is standing out and an area of concern according to director Tina Barrett is the current debt situation, namely the current ratio and working capital. The average current ratio is down to 1.6 which is the lowest we've seen since 2004 and 2005. Working capital to gross revenue is down to 30%. Both these measures are below the industry standards for a healthy operation. These measures indicate the ability of a farm to be able to service its debts over the next 12 months.

So what this all means as these measures deteriorate, we will see tightening cash flows, the need to refinance or banks pulling their funding. There is some light in the tunnel concerning input costs. For instance, fertilizer prices will be lower in 2016. There has been a small adjustment in input costs now two years in a row as reported in 2014 and 2015.

The Nebraska Farm Business group can provide assistance to your operation, with everything from record keeping to overall management decisions. You learn how to use your financial records to analyze your whole operation and can help you with plans to ensure growth and success. For more information about the Nebraska Farm Business, visit their website at: www.nfbi.net or call (402) 464-6324.

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