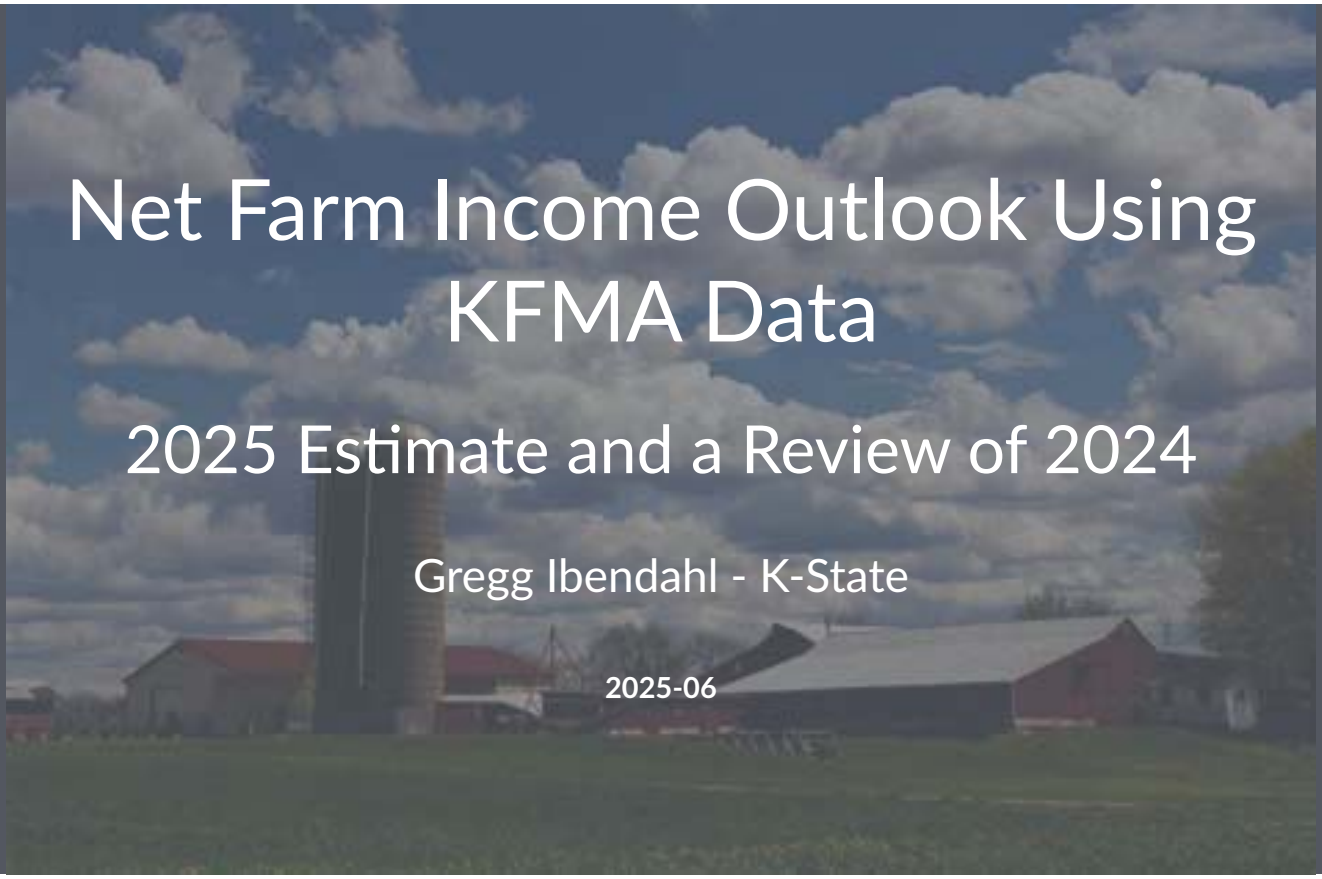


Net Farm Income Outlook Using KFMA Data

2025 Estimate and a Review of 2024

Gregg Ibendahl - K-State

2025-06

A farm level approach to estimating NFI

- Use of KFMA farms with 3 years of data
- Advantages
  - Provides a distribution of NFI
  - May be easier to grasp
- Disadvantages
  - Allocating from state back to farm level (yields)
- Rewrote model in R this last winter (4,000 lines of code)

Income and expenses that are fully estimated

- Yields (I estimate yields every week)
  _ Prices
  - State grain prices from NASS
  - Future prices
- Fertilizer
  - Based on nutrient removal
  - Nov to Dec fertilizer prices
- Crop insurance revenue
- Government payments

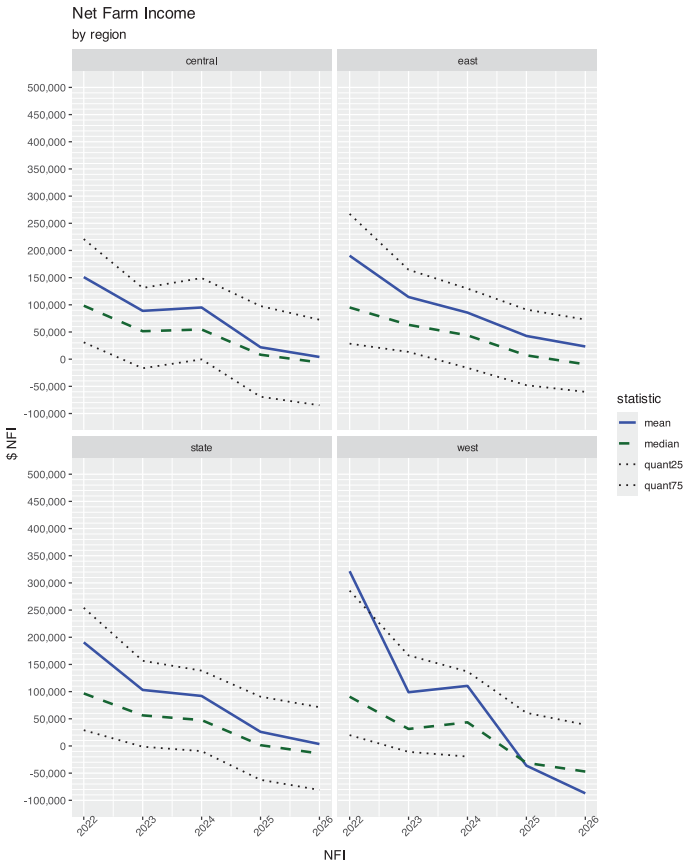
Other differences

- Assumption of accrual accounting
- ECAP payments were counted in government payments for 2024
- I haven't modeled any other supplemental ad hoc payments for 2025 yet
- KFMA NFI is highly correlated to Kansas NFI

Net Farm Income - state				
	2022	2023	2024	Est 2025
NFI	$ 190,599	$ 103,079	$ 92,015	$ 25,982
% Change		-46%	-11%	-72%

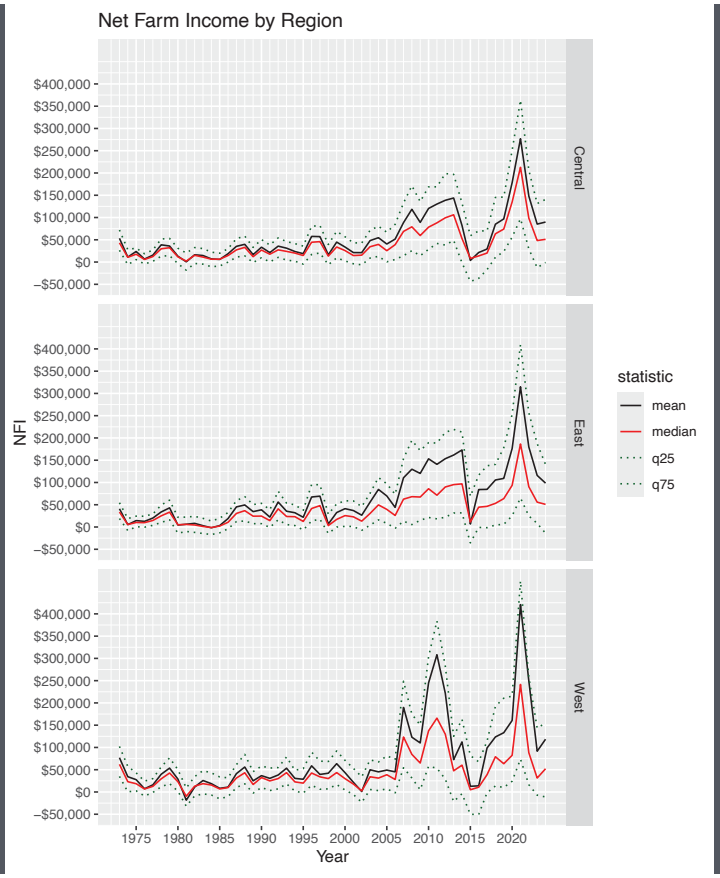
Forecast for 2025

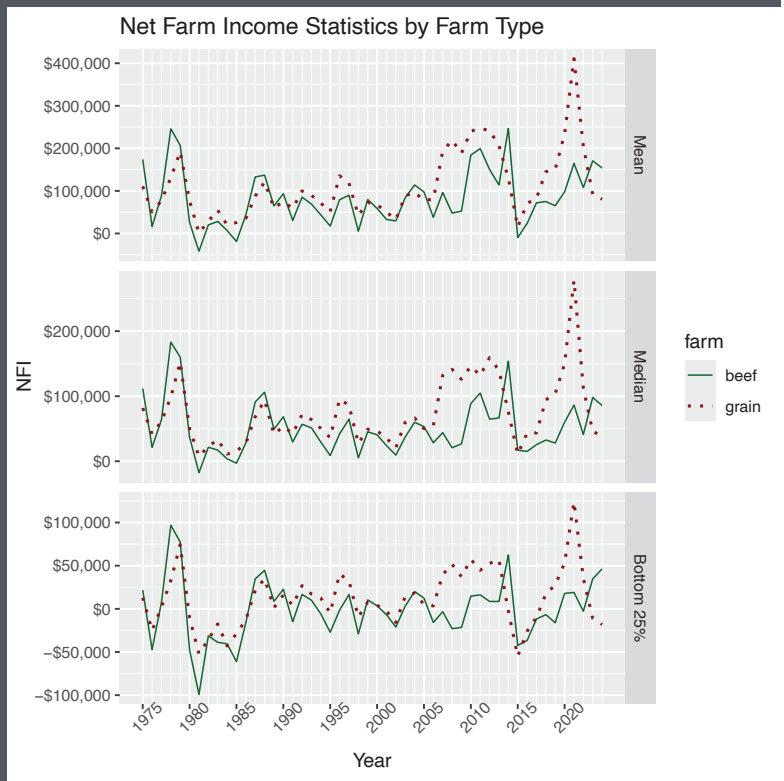
- ECAP payments counted in 2024
- Nothing currently in model for additional ad hoc payments in 2025
- Other factors
  - Crop ins revenue down by $35K
  - Overall expenses are about the same as last year even with fertilizer $10K less than last year
  - I've already factored in a good wheat crop

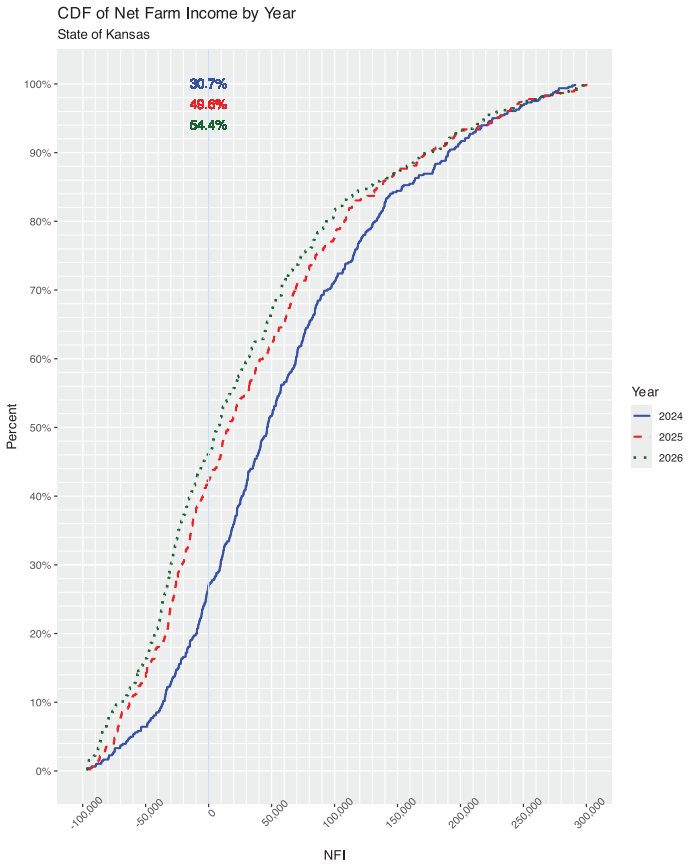


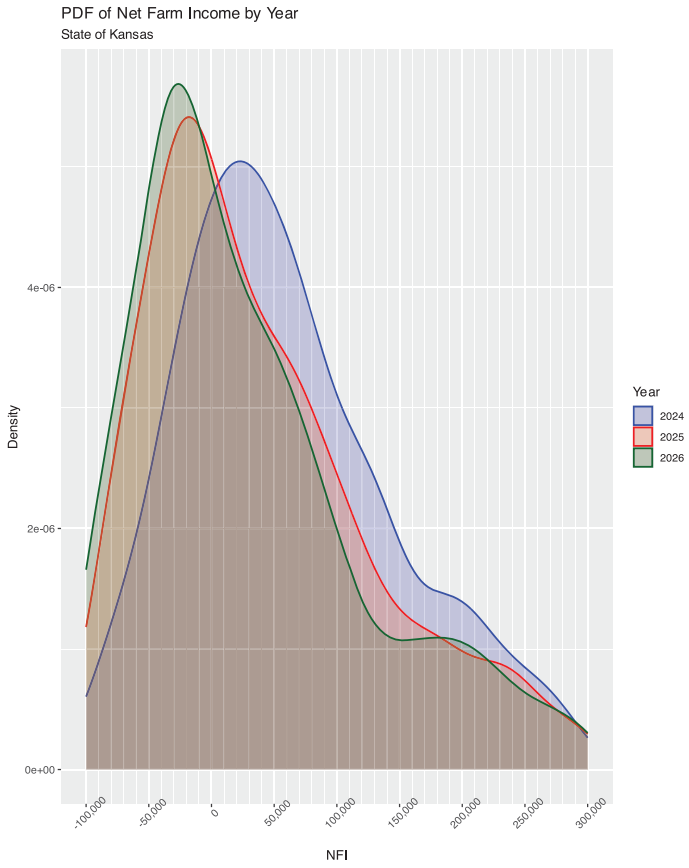
Net Farm Income by Region

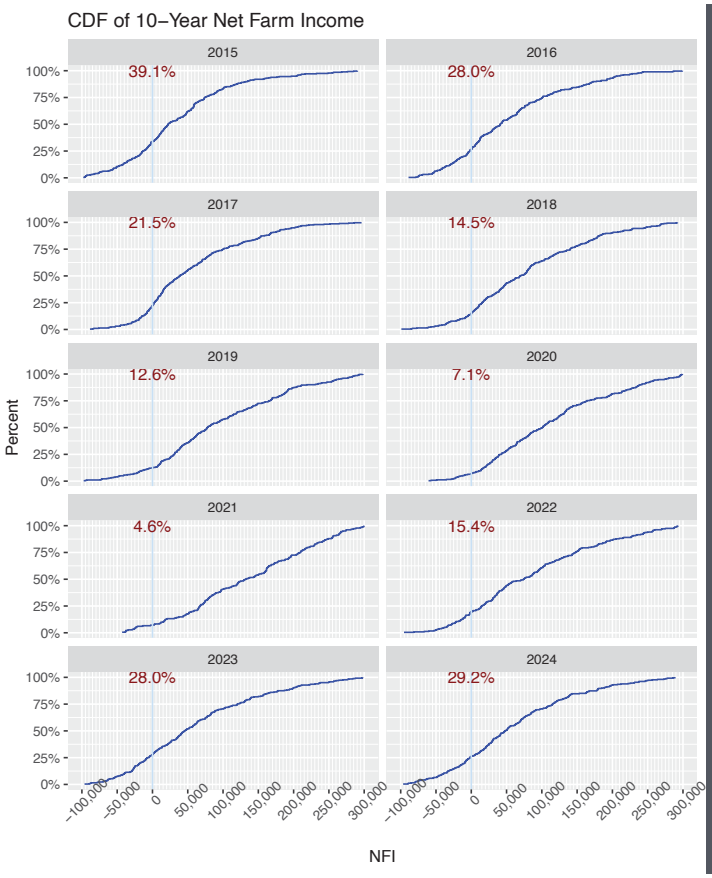
- The trend in NFI is bleak
- Mean is almost always higher than the medium
  - skewed distribution
- Biggest decline in western Kansas
- Bottom 25% is not always the same farms

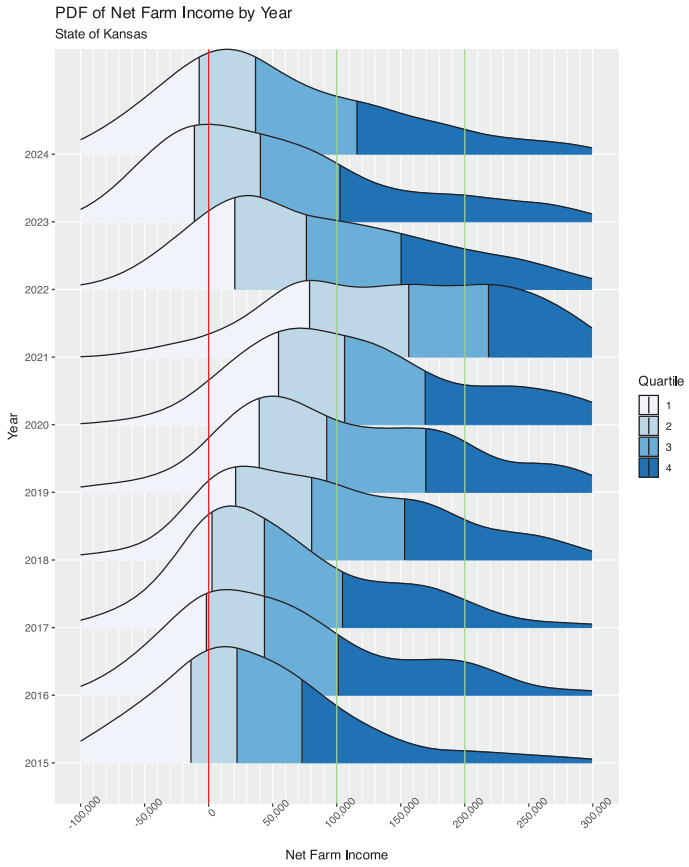

Net Farm Income by Region
Central
East
West
NFI
Year
statistic
mean
median
q25
q75

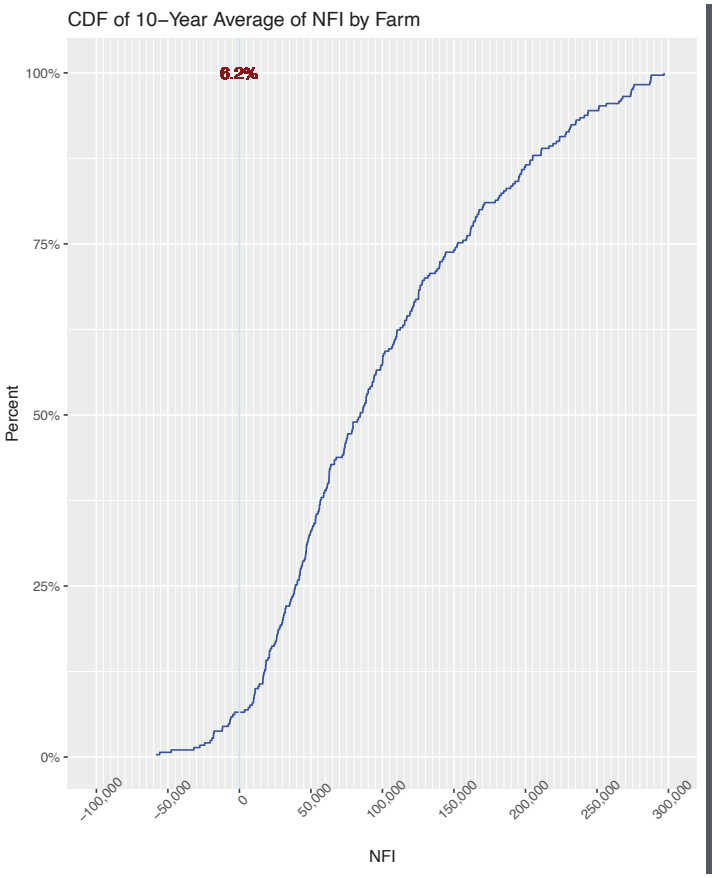

Net Farm Income Statistics by Farm Type
Mean
Median
Bottom 25%
NFI
Year
farm
beef
grain


CDF of Net Farm Income by Year
State of Kansas
30.7%
49.6%
64.4%
Percent
NFI
Year
2024
2025
2026


PDF of Net Farm Income by Year
State of Kansas
Density
NFI
Year
2024
2025
2026

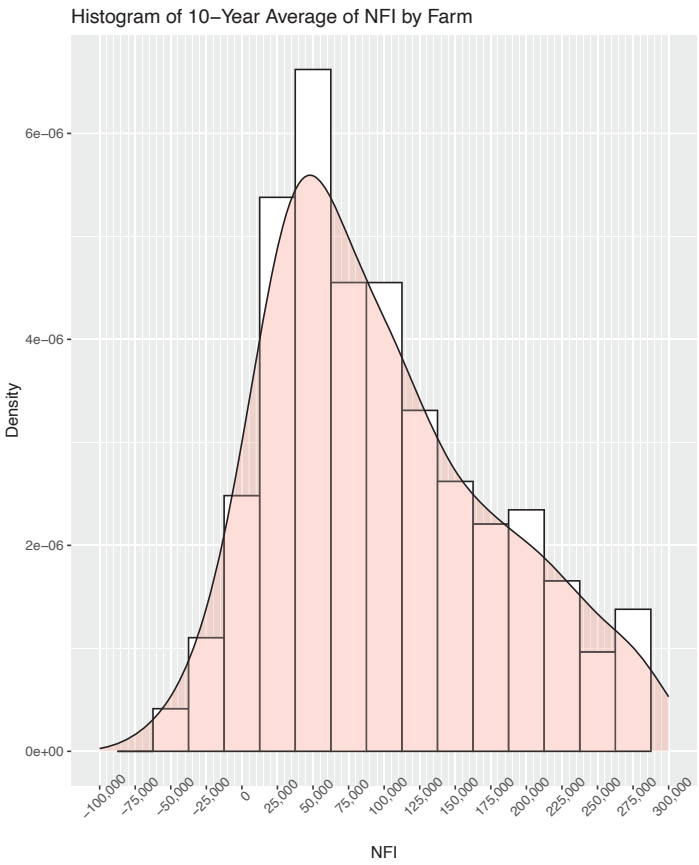


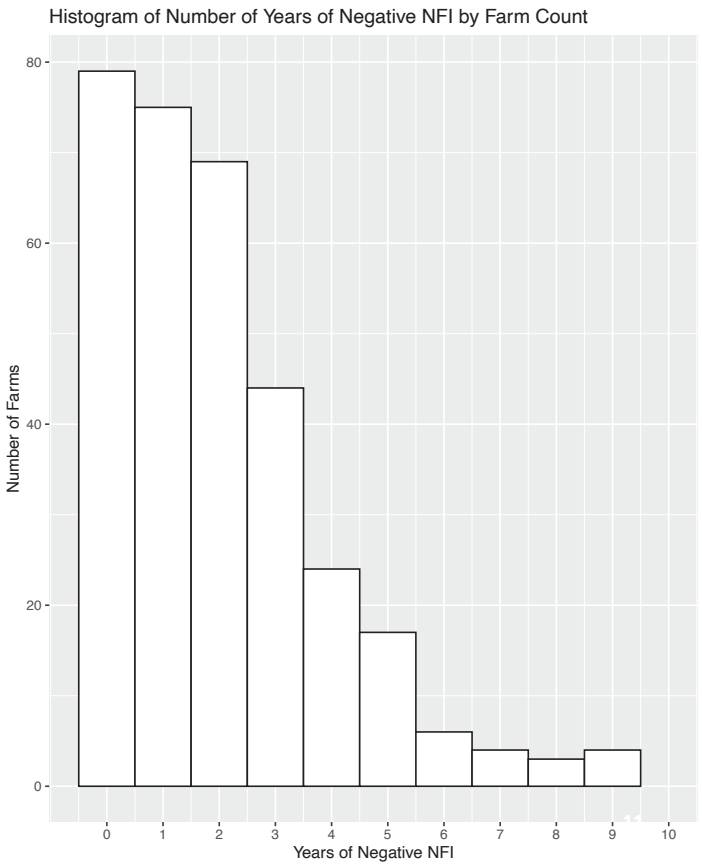


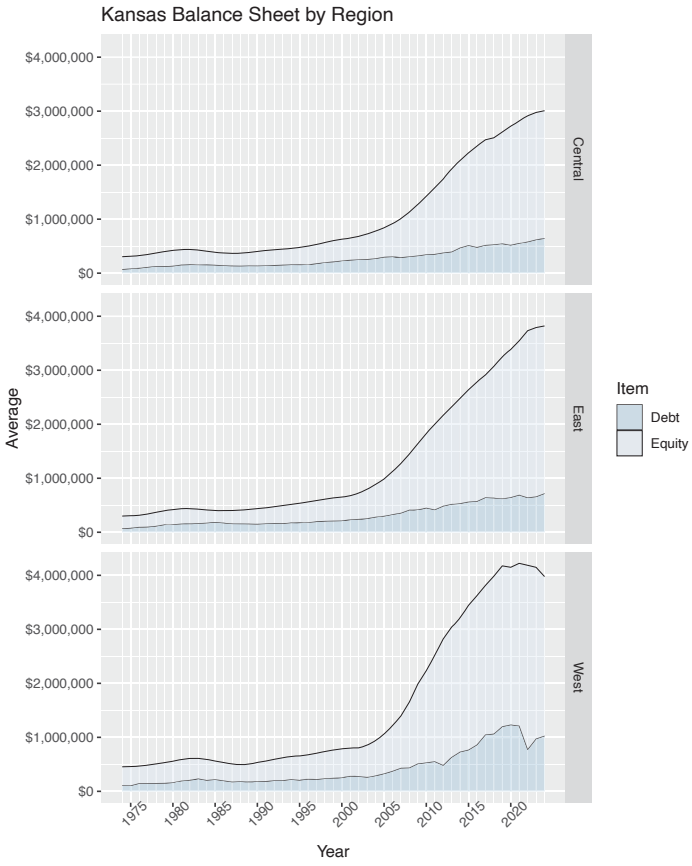


Distribution of NFI - 10 yr combined

- When averaged across 10 years, most farms are doing OK
  - Based on a panel dataset (consistent set of farms)
- There may be motives other than profit contributing to the 6% of farms with a negative 10-yr NFI
- The median NFI over 10-years was about $75,000 per year

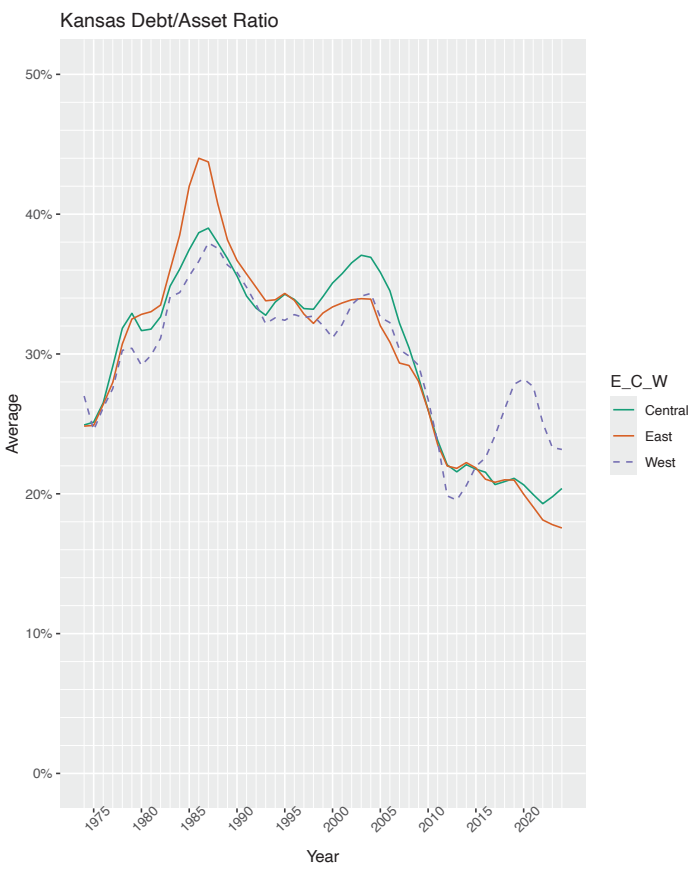


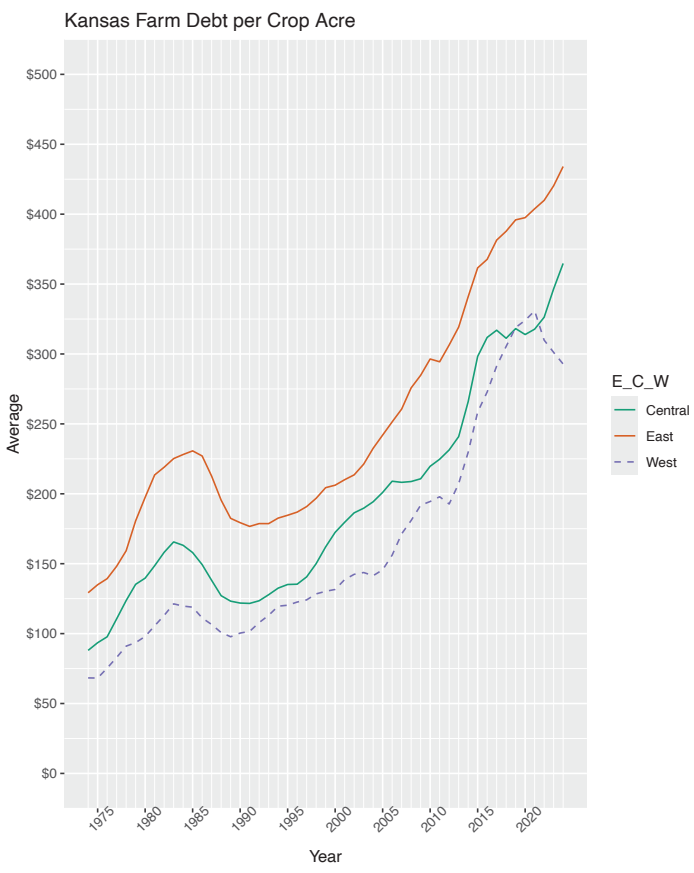


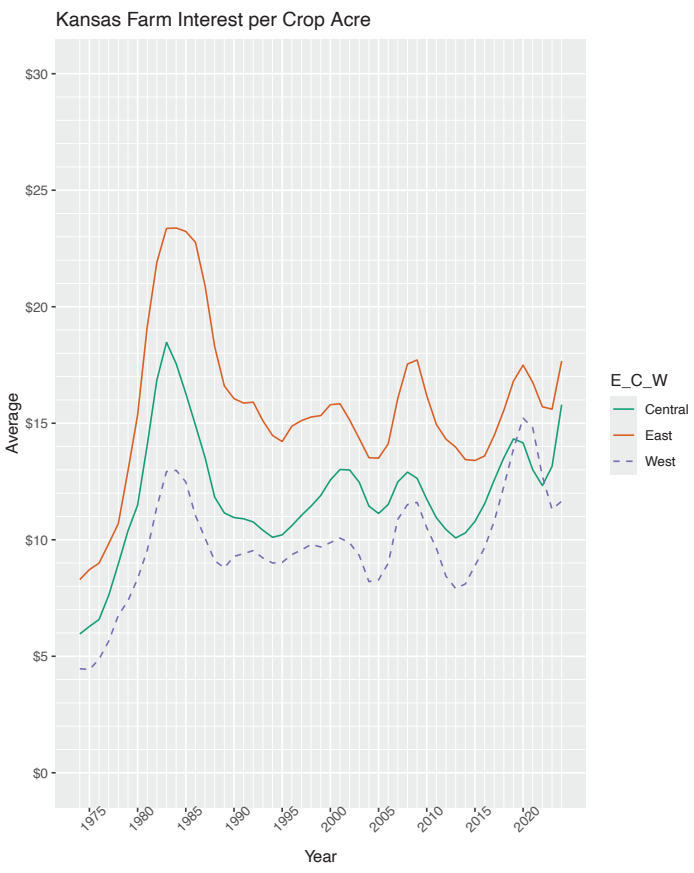


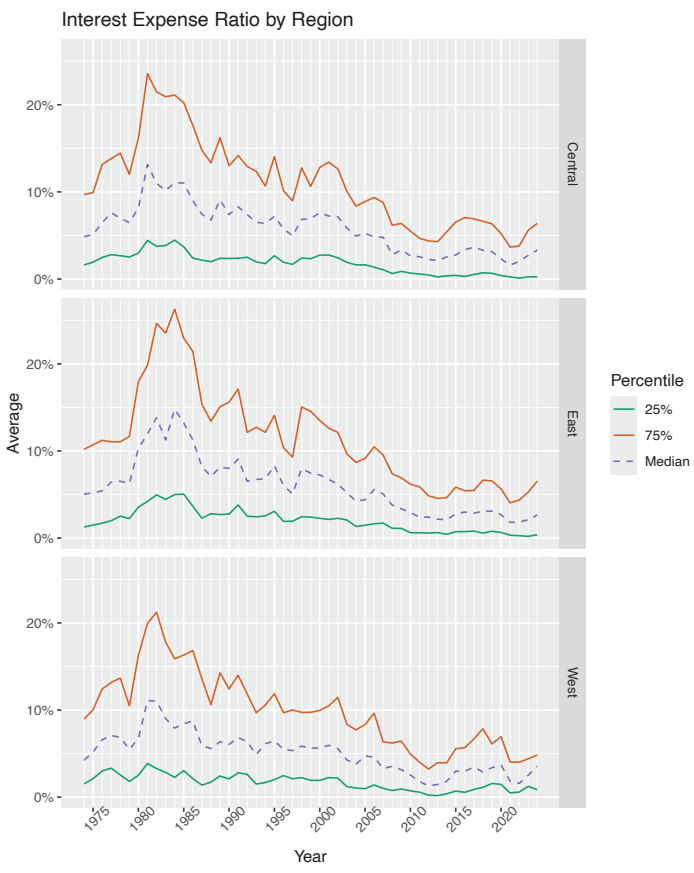
Balance sheets are strong

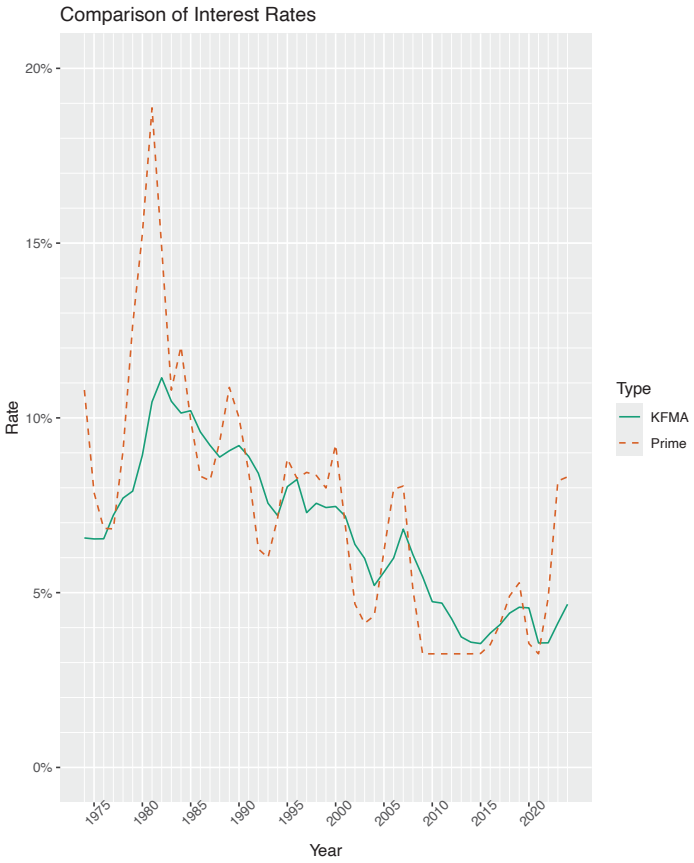
- Rising land values contribute to higher equity
- D/A ratios are strong
  - D/A ratio is a lagging indicator of farm troubles
- Masked in this graph is the increase in debt


Kansas Debt/Asset Ratio
50%
40%
30%
20%
10%
0%
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Kansas Farm Debt per Crop Acre
$500
$450
$400
$350
$300
$250
$200
$150
$100
$50
$0
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Kansas Farm Interest per Crop Acre
$30
$25
$20
$15
$10
$5
$0
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
E_C_W
Central
East
West


Interest Expense Ratio by Region
20%
10%
0%
Central
East
West
Average
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
Year
Percentile
25%
75%
Median



Interest rates paid by farmers are relatively low

- This is across all debt
- Increase in overall rate the last 2 years as short-term rates increase
- At what point do rates and interest become a problem?

Other issues

- Oil supply
  - So far, oil is still in the low $70 range
  - Could be a factor for fertilizer prices
- Machinery is still the biggest expense item on most farms
  - Do prices ever come down?
  - Farmers can manage this more than most other expenses

Questions?

Follow me on Twitter
- @ibendahl
- @AGfinancing