

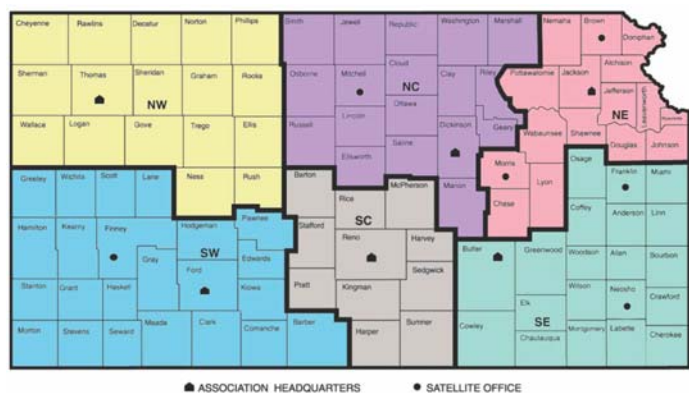
Kansas Farm Management Association – 2023 Net Farm Income Overview

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Roadmap

- Overview of KFMA
- Net farm income
- Government payments & crop insurance
- Balance sheet
- Items of note
- Look forward to 2024



Overview of KFMA

KFMA Economists collaborate with producers across the state to provide:

- Assistance with accounting and recordkeeping
- Accrual whole-farm and enterprise analysis
- Financial benchmarking
- Income tax planning and management



Accrual Net Farm Income

Accrual Net Farm Income is important to ensure that you are comparing “apples to apples.” Cash reporting is important for taxation purposes, but misleading when comparing agricultural operations.

Don't be misled!



Accrual Net Farm Income

Some of the more important adjustments made to cash farm income to arrive at accrual net farm income are:

- Inventory of products for market (grain, calves, etc.)
- Inventory of breeding stock
- Accrued income and expense
- Prepaid expenses
- Management depreciation

<https://agmanager.info/finpack/financial-benchmarking-tool>



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Accrual Net Farm Income

Example:

- 30,000 bushels of 2022 corn on hand 1/1 at \$6.75/bu (\$202,500)
- Sold 30,000 bushels in May 2023 for \$5.30/bu (\$159,000)
- Raised 23,000 bushels in 2023, none sold
- 23,000 bushels of 2023 corn on hand 12/31 at \$4.50 (\$103,500)

Cash corn income = \$159,000

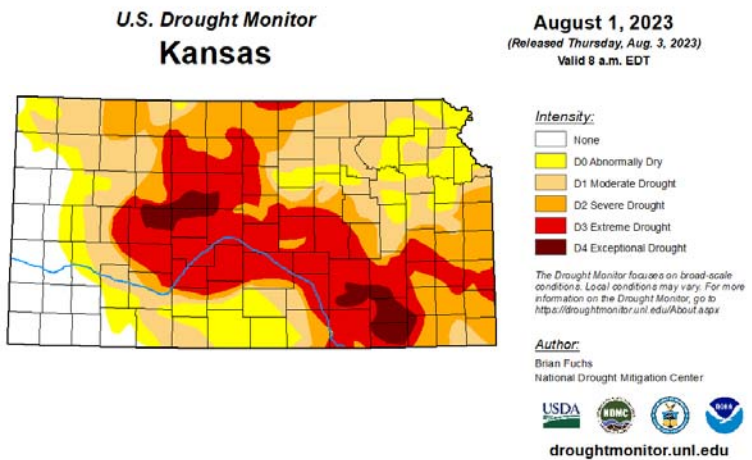
Accrual corn income = \$60,000 (\$103,500+\$159,000-\$202,500)



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What Happened in 2023?

- Continued drought for much of the state
- Falling grain prices
 - Grain carried '22 to '23
 - '23 Gross crop value/acre
- Crop insurance & government payments
- Rising cattle prices



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2023 KFMA Net Farm Income

Value of livestock produced	\$188,145
Total value produced	\$831,831
Operating expenses	\$616,715
Interest Expense	\$30,875
Depreciation Expense	\$85,942
Total Farm Expense	\$733,532
Accrual Net Farm Income	\$98,299



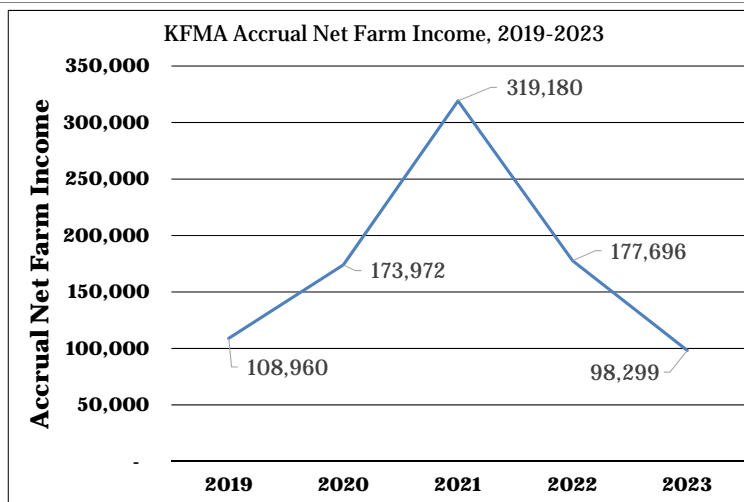
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2023 Average Farm Characteristics

- Total acres = 2,316
- Total crop acres = 1,634
- Harvested acres = 1,739
- Number of workers = 1.58
- Number of operators = 0.95
- Dryland crop yields
 Corn = 105.5 Soybeans = 25.5 Grain Sorghum = 54.0 Wheat = 41.7
- Irrigate crop yields
 Corn = 187.0 Soybeans = 54.1 Grain Sorghum = 91.6 Wheat = 66.5



Net Farm Income



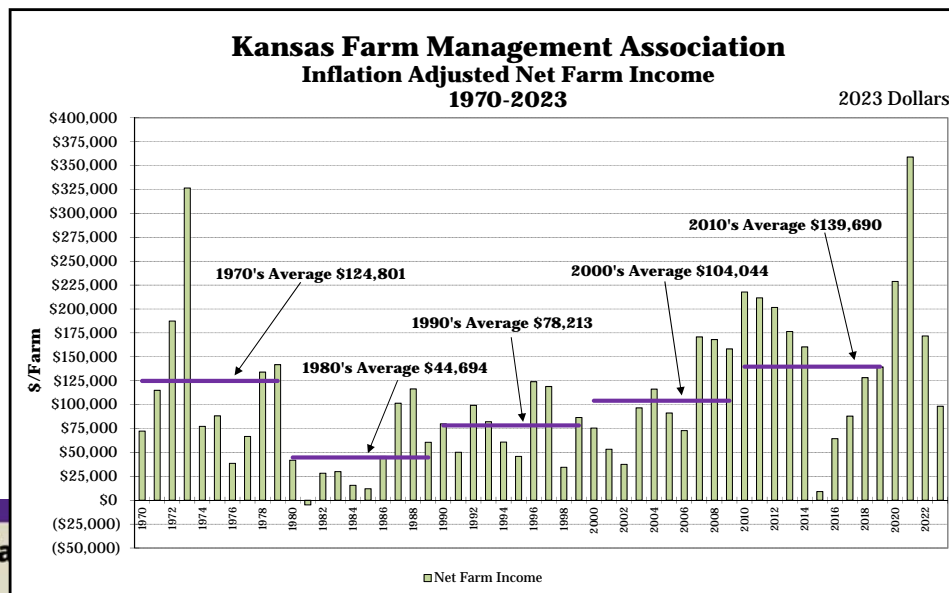
Net Farm Income

KFMA Accrual Net Farm Income for 2023 was \$98,299. This was a **44.7%** reduction from the prior year and **69.2%** reduction from two years prior.

	NW	SW	NC	SC	NE	SE	State
2023	127,298	102,994	83,724	62,589	97,339	116,401	98,299
2022	288,093	144,560	153,731	136,139	215,321	156,898	177,696
2021	412,532	452,584	281,542	267,111	304,963	321,811	319,180
2020	145,390	236,591	173,013	188,231	147,381	196,571	173,972
2019	116,977	208,560	109,923	73,653	102,864	113,726	108,960
5-Yr Average	218,058	229,058	160,387	145,545	173,574	181,081	175,621



Net Farm Income



Crop Insurance & Government Payments

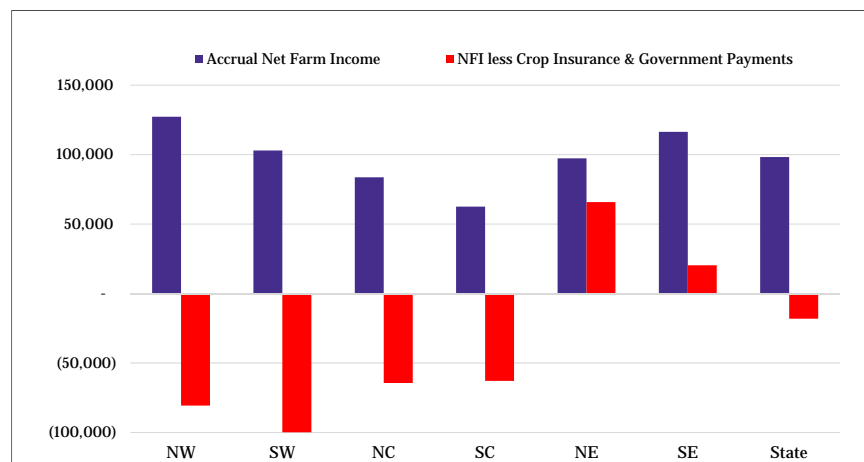
- Net crop insurance = \$82,636 (84.1% of NFI)
- Government payments = \$33,812 (34.4% of NFI)
- Net crop insurance + gov. payments = \$116,448 (118.5% of NFI)

Without crop insurance and government payments, state
NFI would have been

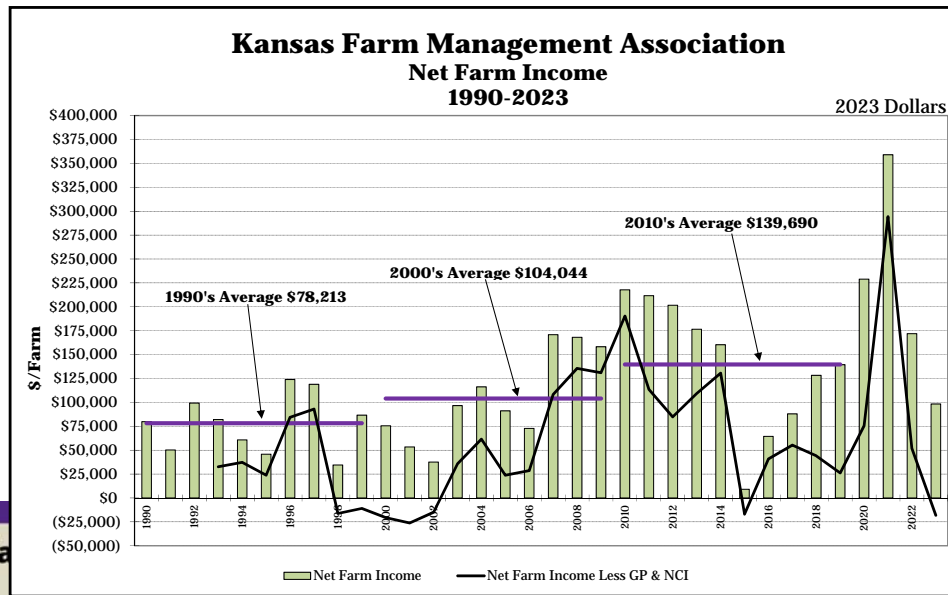
-\$18,149.



NFI / Crop Insurance & Gov't Pmts.



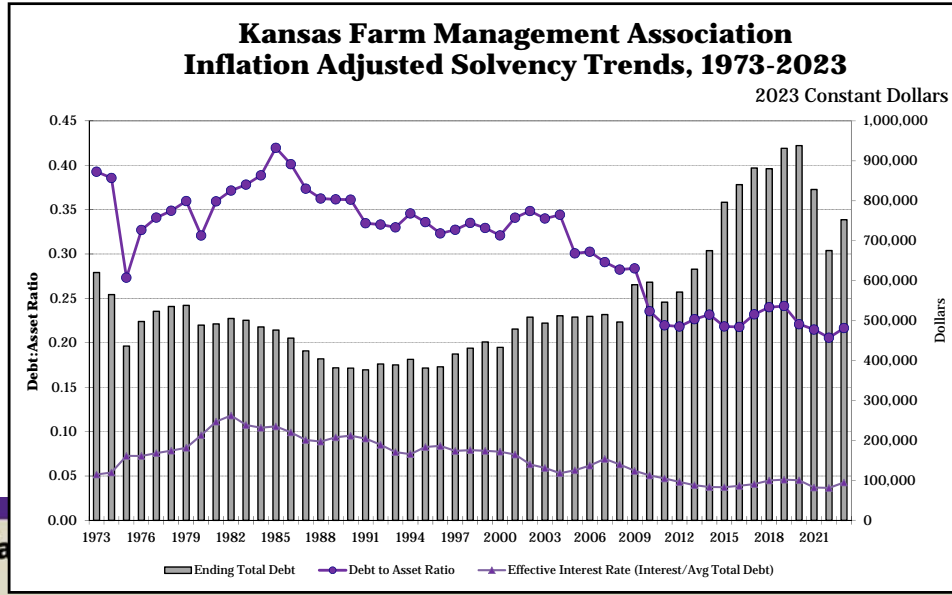
NFI / Crop Insurance & Gov't Pmts.



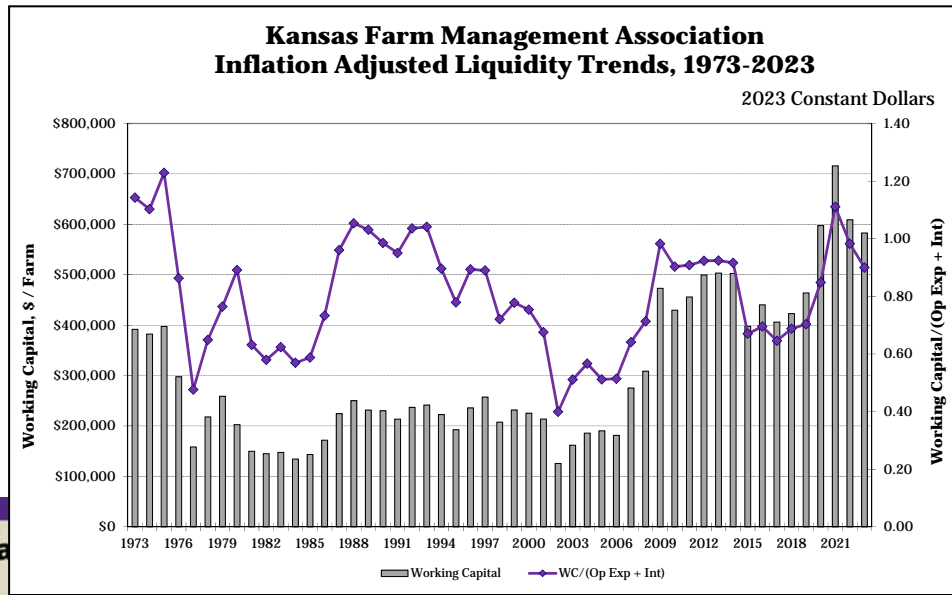
Ending Balance Sheet

- Total liabilities = \$752,475 (\$58,126 increase)
- Total assets = \$3,474,051 (\$111,353 increase)
- Net worth increased \$53,227
- Debt to asset ratio = 0.217 (0.011 increase)
- Current ratio = 2.91 (0.490 decrease)
- Working capital/(op. exp. + int.) = 90.0% (96.1% in 2022)

Ending Balance Sheet - Solvency



Ending Balance Sheet - Liquidity



Crop Value & Production Costs

	2019	2020	2021	2022	2023
Gross Crop Value/acre	\$386.40	\$414.78	\$540.03	\$507.60	\$470.25
Crop Production Costs/acre	258.15	265.38	291.97	355.91	373.62
Crop Machinery Investment/acre	248.95	261.05	281.40	315.73	351.57
Crop Machinery Costs/acre	91.24	91.62	101.62	117.91	133.30

- Weather and markets create variability in gross crop value/acre
- Cost of production has been continually climbing
- Crop machinery investment has increased over \$100 since 2019



Farm Type

KFMA Net Income Per Operator by Farm Type

Type of Farm	# Farms 2023	2023	2022	2021	2020	2019	5-Yr Average
All Farms	823	\$ 103,160	\$ 184,118	\$ 319,180	\$ 171,663	\$ 108,493	\$ 177,323
Crop Dryland	567	87,141	169,249	312,289	181,396	116,274	173,270
Crop 20-60% Irrigated	70	103,062	308,208	463,499	217,600	152,096	248,893
Crop >60% Irrigated	14	137,127	477,800	828,003	216,755	117,512	355,439
Cowherd	19	282,247	80,465	45,265	60,029	67,012	107,004
Crop – Cowherd	57	171,732	59,339	140,937	70,120	31,376	94,701
Backgrounding	5	538,878	-	231,069	31,295	106,919	227,040
Crop – Backgrounding	25	316,912	314,543	384,903	173,655	138,371	265,677
Crop – Background-Finish	-	-	221,666	282,379	210,843	128,434	210,831
Crop – Beef	15	205,682	182,674	309,684	102,980	72,934	174,791
Dairy	9	97,347	239,275	116,341	185,096	66,647	140,941
General Farm	16	48,659	110,656	286,337	108,113	40,843	118,922



Cattle Enterprise Data

Return over Variable Cost, per Head

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Beef Cowherd – Calves	81.42	576.95	60.73	-24.18	72.14	39.04	-67.44	72.43	32.28	51.51	454.26
Beef Cowherd – Feeders	129.99	657.07	91.95	-46.18	114.52	53.08	-46.13	67.58	9.07	77.17	530.20
Backgrounding	-4.63	112.88	-152.00	-110.54	50.33	-50.07	-14.13	-45.94	41.86	59.76	110.73
Backgrounding – Finish	84.89	366.47	-226.89	-26.10	189.39	50.47	22.54	69.93	148.91	89.36	288.80
Dairy Cows	453.92	1,694.60	651.47	37.80	478.94	142.27	409.86	763.40	578.79	975.70	30.19



Other Items of Note

- Effective interest rate was 4.30%
- More KFMA farms started to see signs of stress, as 49.7% of farms had an accrual net farm income of \$50,000 or less
- The top 25% of farms saw net farm incomes over \$369,000, while the least profitable 25% had NFI of -\$93,548
- Family living costs rose to over \$120,000 for the first time, reaching \$123,835



Family Living - 2023

▪ Income and self-employment taxes	\$33,147
▪ Food and household operation	\$21,820
▪ Personal Recreation	\$15,524
▪ Health Insurance	\$13,506
▪ Drug and Doctor	\$6,216
▪ Charitable Contribution	\$5,600
▪ Other Family Living Expenses Auto / Utilities / Education / Gifts / Etc.	\$28,022
	\$123,835



Family Living - Trend

	2019	2020	2021	2022	2023
Family Living	\$74,061	\$72,400	\$82,557	\$89,559	\$90,688
Income + SE Taxes	\$19,572	\$18,477	\$21,133	\$26,732	\$33,147
Total Family Living	\$93,634	\$90,877	\$103,691	\$116,292	\$123,835

- Income tax impact of 2021
- Is the increase in family living driven by inflation or profit?
- Will lower income in 2023 lead to lower family living in 2024?

* Figures may be off slightly due to rounding



2024 Predictions

- Will Mother Nature be kind?
- Can crop production make up for lack of lower farm-gate prices?
- Cattle producers should still see a favorable year, though potentially not as strong as 2023
- Government payments forecasted to be significantly less across the board, including ARC/PLC and ad hoc/supplemental disaster assistance



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