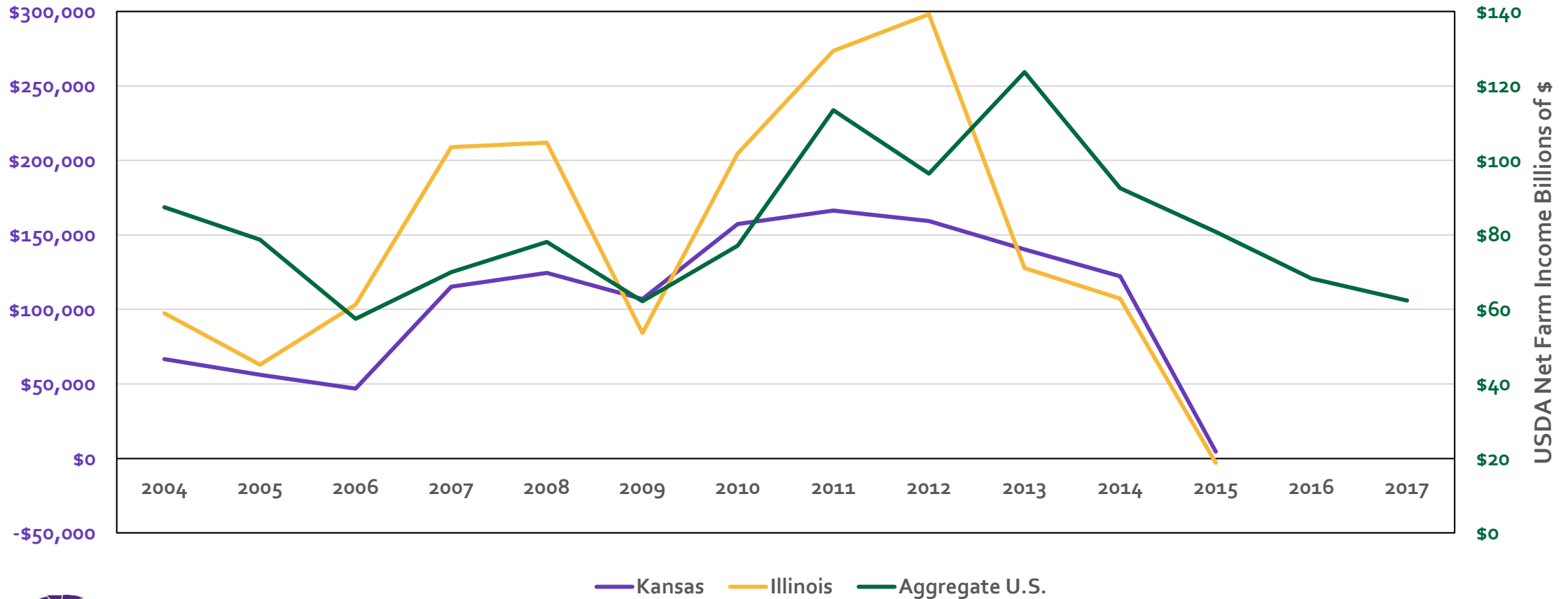


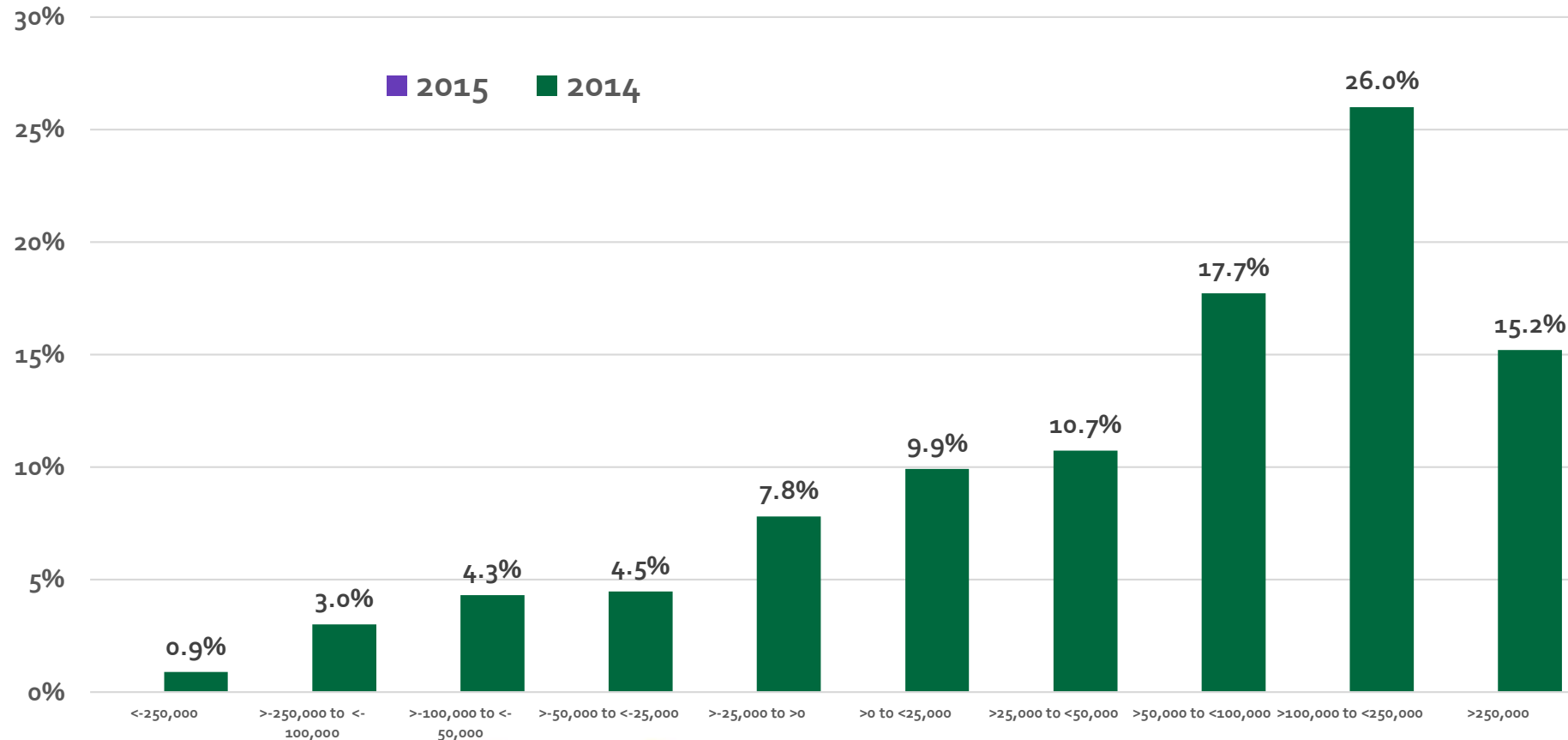
# The Farm Financial Situation

Allen M. Featherstone  
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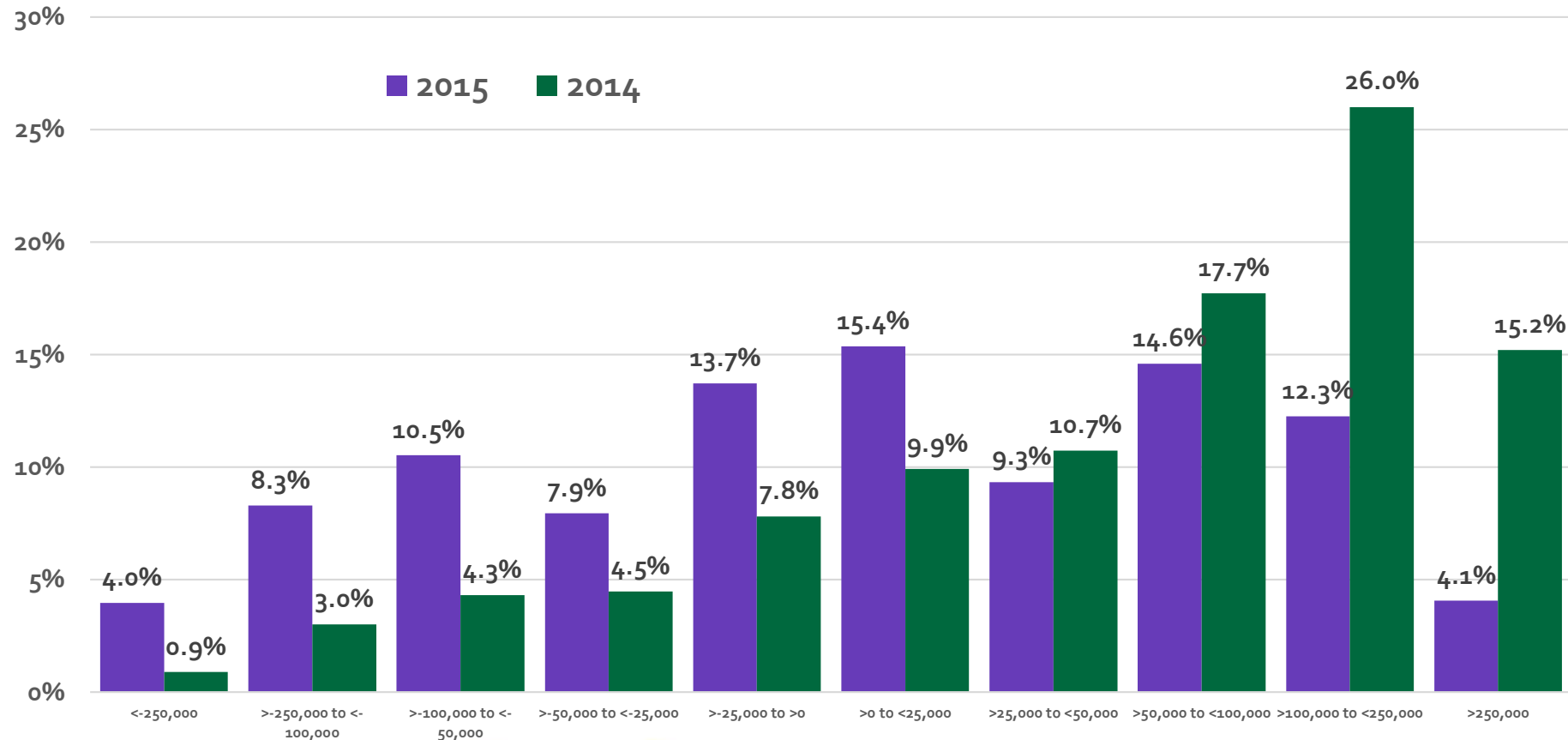
# Net Farm Income



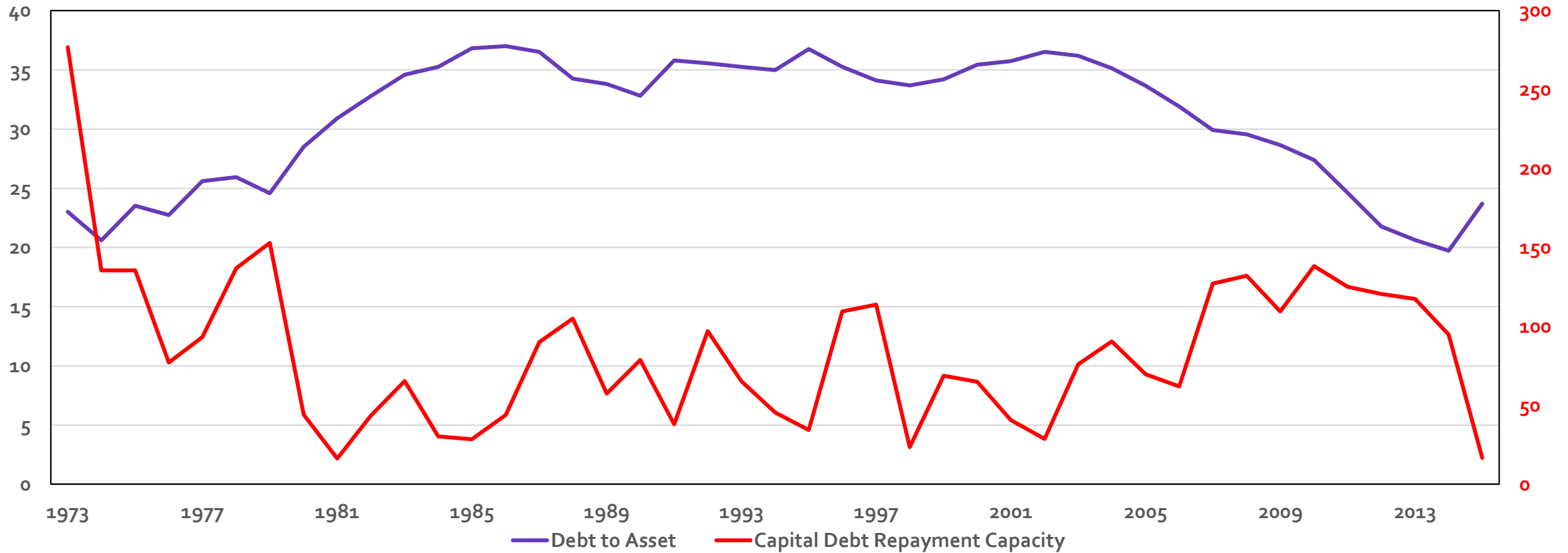
# Distribution of 2014 and 2015 Kansas Farm Management Net Farm Income



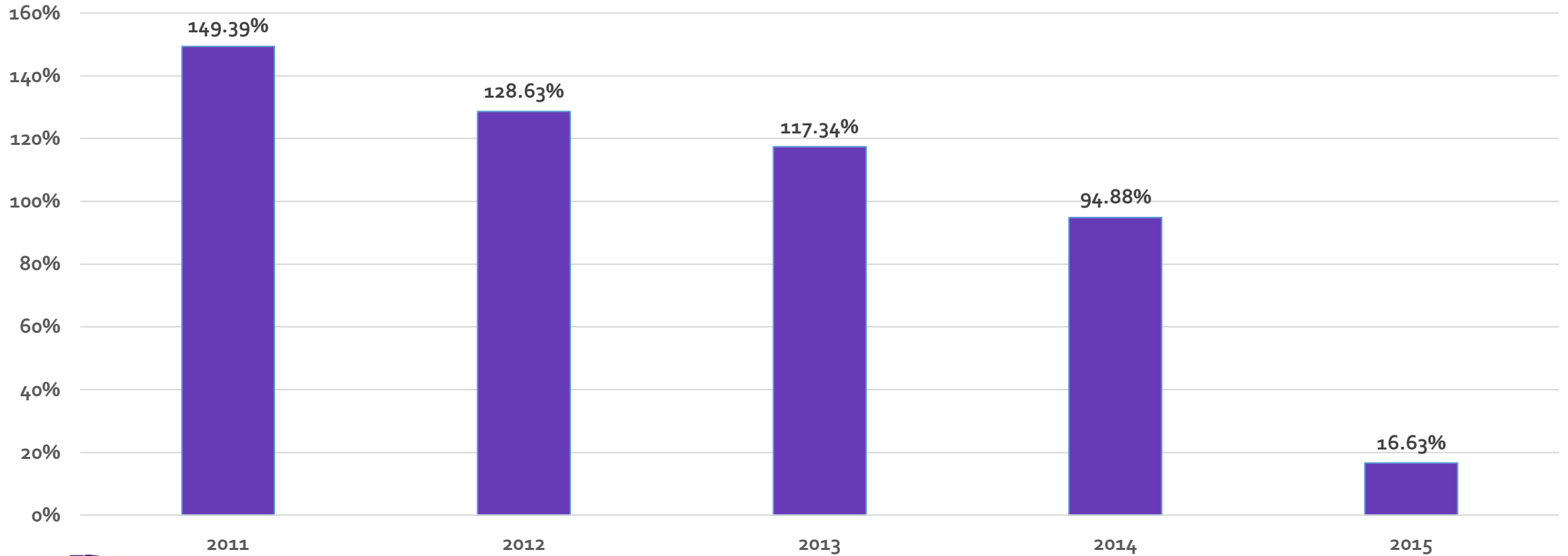
# Distribution of 2014 and 2015 Kansas Farm Management Net Farm Income



# Change Kansas Farm Economy



# Repayment Capacity



# Repayment Capacity

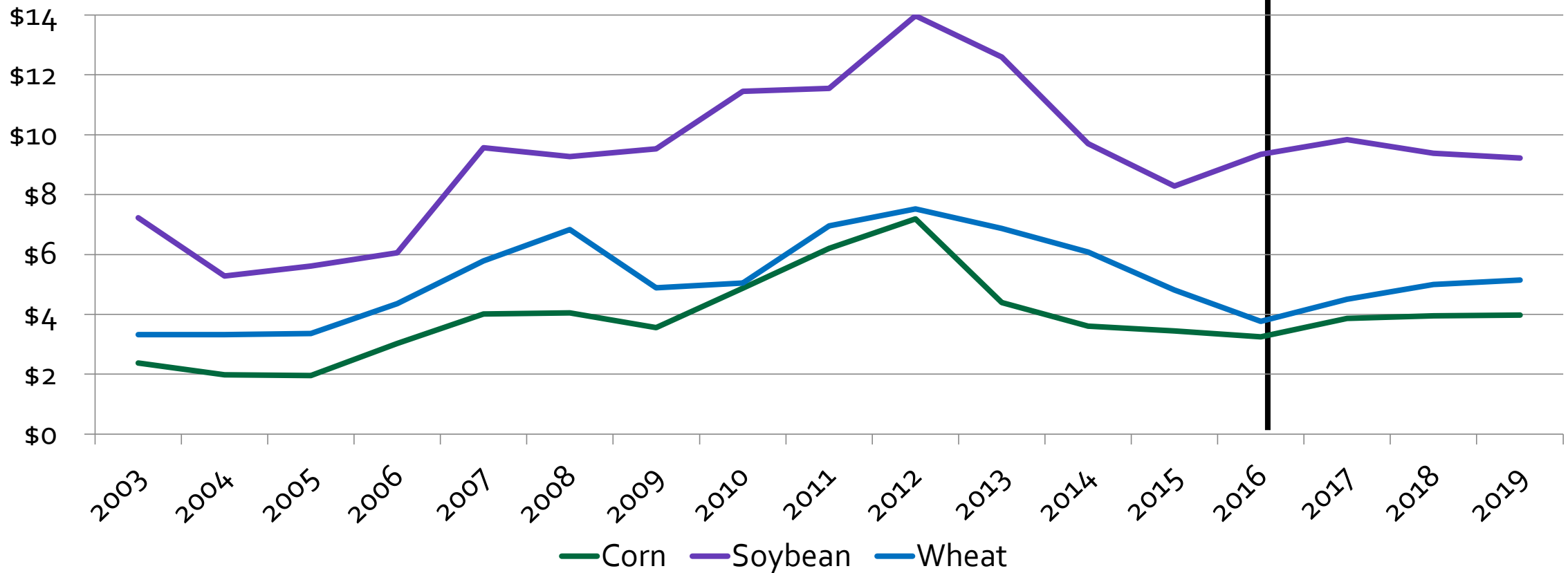
- Repayment capacity is key
  - Fell from 152.8% to 16.3% from 1979 to 1981
- Two key factors
  - Increase in interest payments by 65.3%
  - Decline in value of farm production by 15.7%
- Land values could no longer be supported
- Repayment capacity has deteriorated significantly since 2013

# Kansas Farm Economy

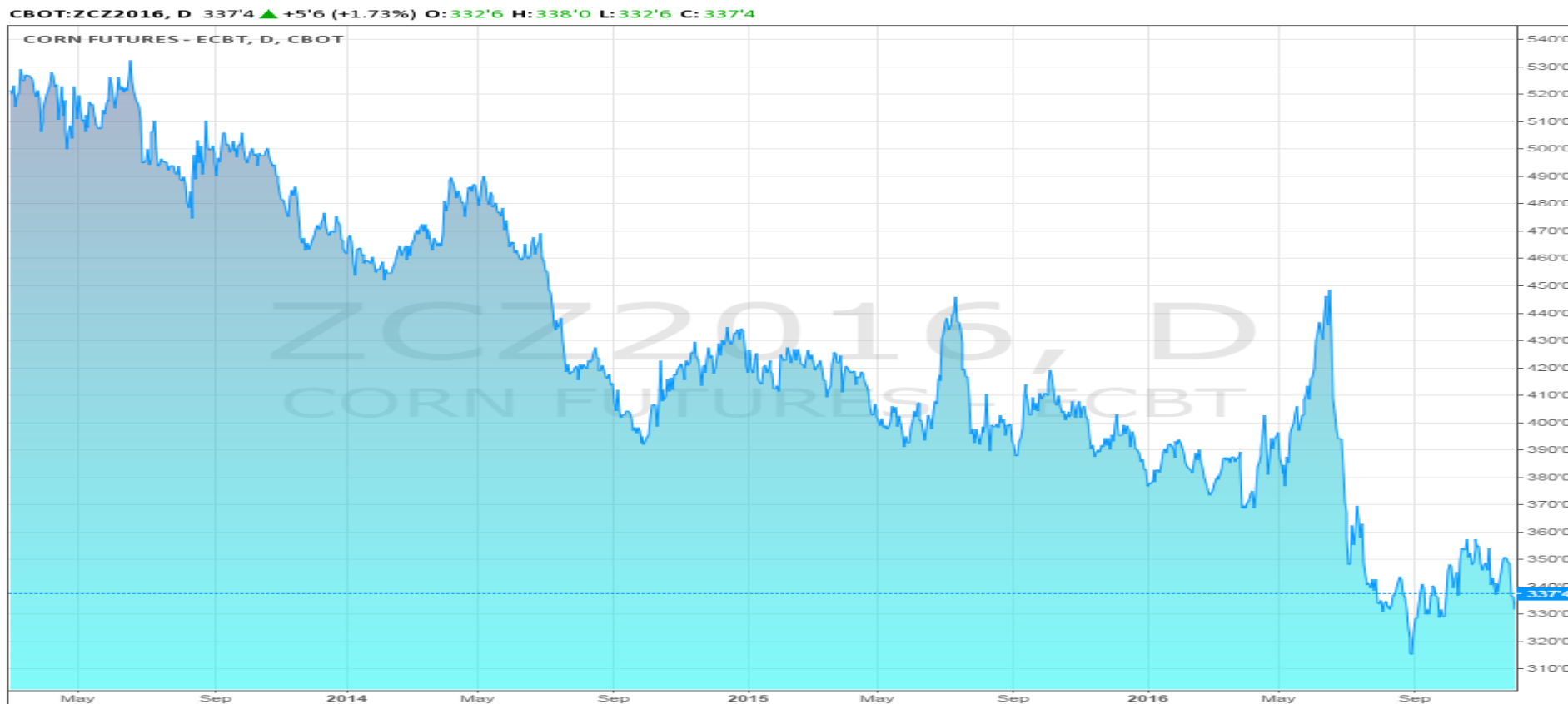
- The financial situation in the agricultural economy has changed considerably over the last two years
- 2015 farm income in Kansas was the lowest since 1985
- Repayment is the lowest since 1981



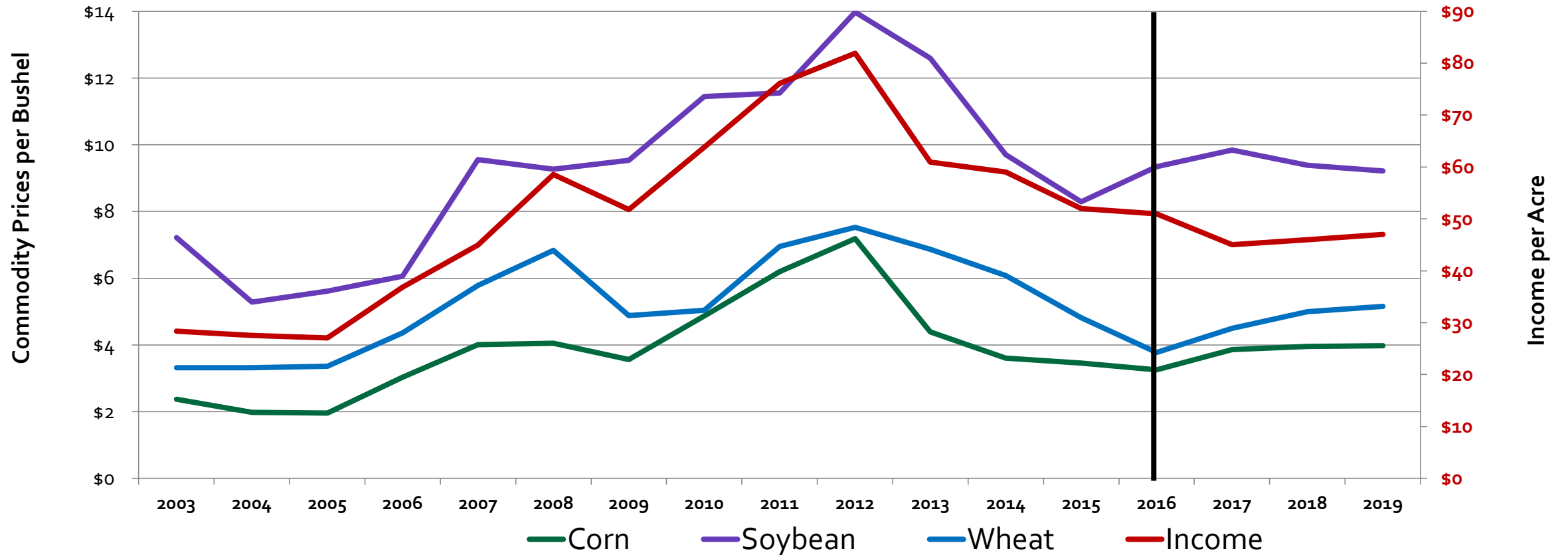
# Recent and Projected Kansas Farm-Level Crop Prices



# Markets Can Change Quickly



# Projected Income per Crop Acre



# Land Value Effects

- The long-run multiplier is 21.71 or an implied capitalization rate of 4.61%
  - Long-run elasticity is 96.9%
- At a net farm income per acre of \$46, the projected long-run Kansas land price is \$999, a decline of about 50%

# Kansas Farm Economy

- Land values are a concern
  - 28% higher in inflation-adjusted terms than previous boom period
  - 9% lower than two years ago in inflation-adjusted terms
- Return to landlord follows sector income
- Land market is not in balance with historical norms

Presents

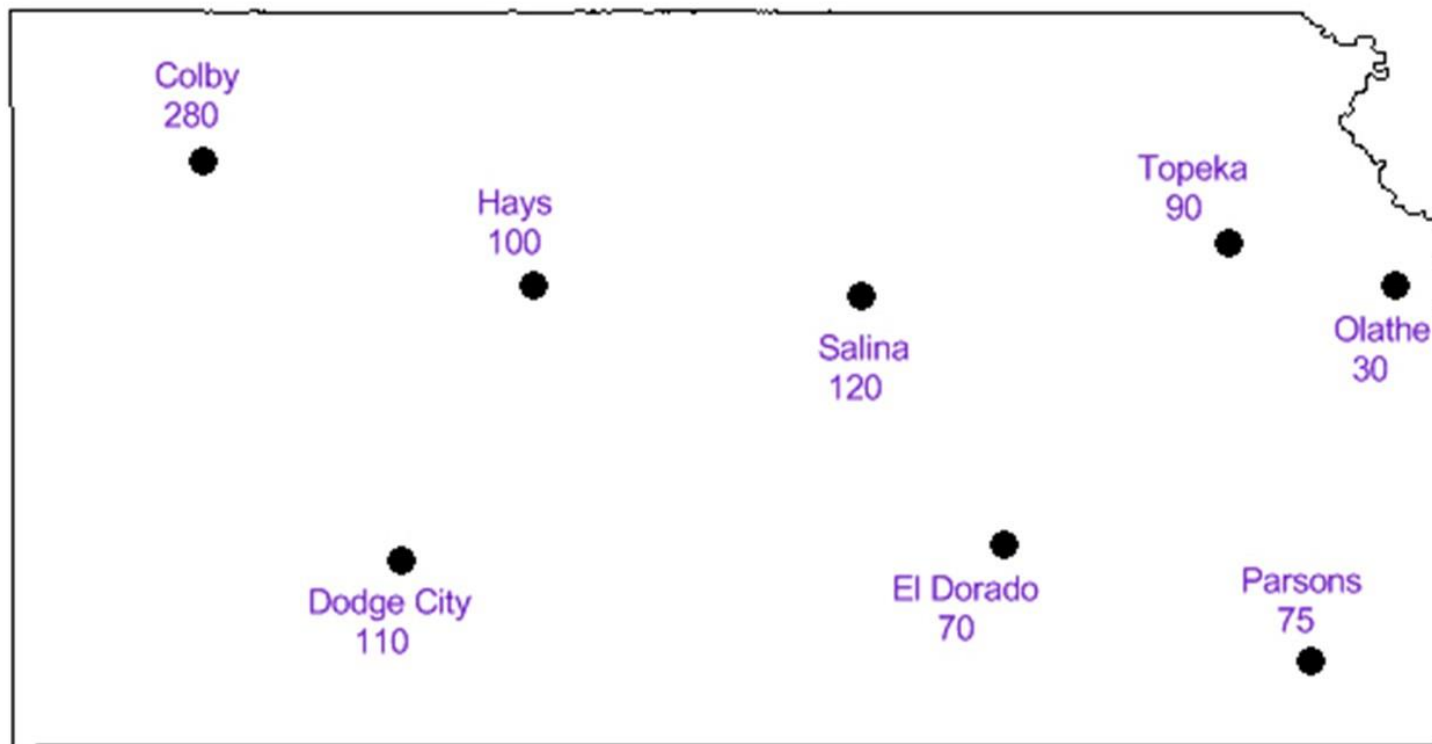
Top 10 Considerations to Navigate in a Struggling Farm Economy

# Farm Income Outlook followed by Strategic Decisions

## Topics:

Livestock Production Cost  
Crop Production Cost  
Working Capital Management  
Refinancing Debt  
Land Rents and Negotiation

Machinery Management  
Transition Planning  
Farm Programs  
Tax Management  
Family Living Expenses



# Conclusion

- 2016 was another difficult year income wise.
- 2017 will be a pivotal year in production agriculture
- Average 2015 net farm income was the lowest they have been since 1985
- Given the 2016 income levels, some agricultural producers and lenders are making difficult decisions before 2017 spring planting
- If 2017 income occurs at projections, many more agricultural producers and lenders will be making difficult decisions before 2018 planting

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