The Farm Financial Situation

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Net Farm Income

USDA Net Farm Income Billions of $

-50,000 $0 $50,000 $100,000 $150,000 $200,000 $250,000 $300,000 $350,000


Kansas Illinois Aggregate U.S.
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

The graph illustrates the change in Kansas Farm Economy over time, focusing on Debt to Asset and Capital Debt Repayment Capacity. The data points range from 1973 to 2013, showing fluctuations in the economic indicators.
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

Commodity Prices per Bushel

- Corn
- Soybean
- Wheat
- Income

Income per Acre

- $0
- $10
- $20
- $30
- $40
- $50
- $60
- $70
- $80
- $90

Years: 2003 to 2019
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
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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