

Keeping the Farm Farming

Jason Fewell

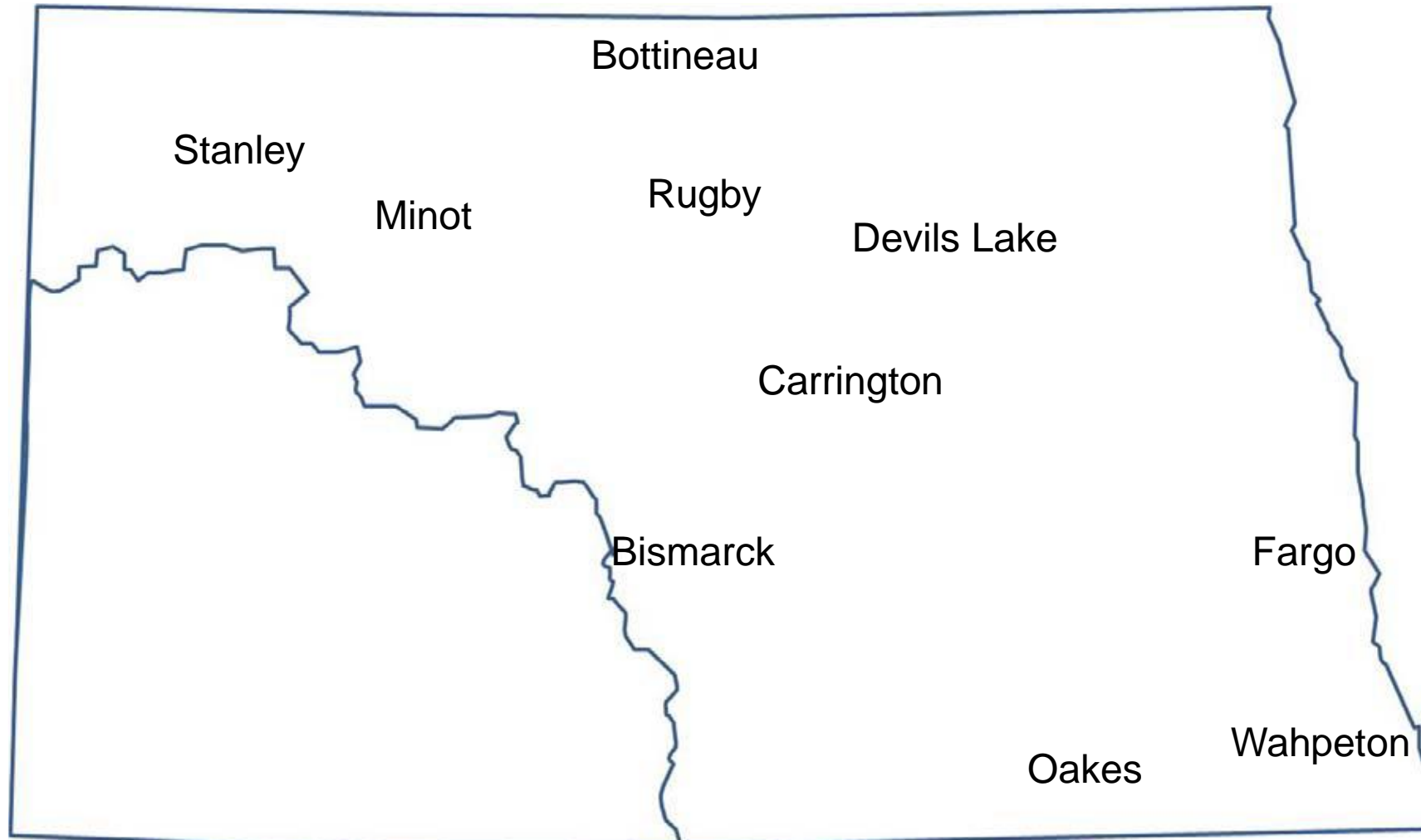
Farm Management Education Instructor

Lake Region State College – Carrington

ND Farm Management Education Program

- Statewide program works with about 400 farms
- Assist farmers and ranchers with record keeping, business planning, business analysis, and goal setting
- Part of a nation-wide farm financial standards benchmarking program
- www.ndfarmmanagement.com
- Data sources for following slides are FINBIN database at the University of Minnesota and can be accessed at:
www.finbin.umn.edu

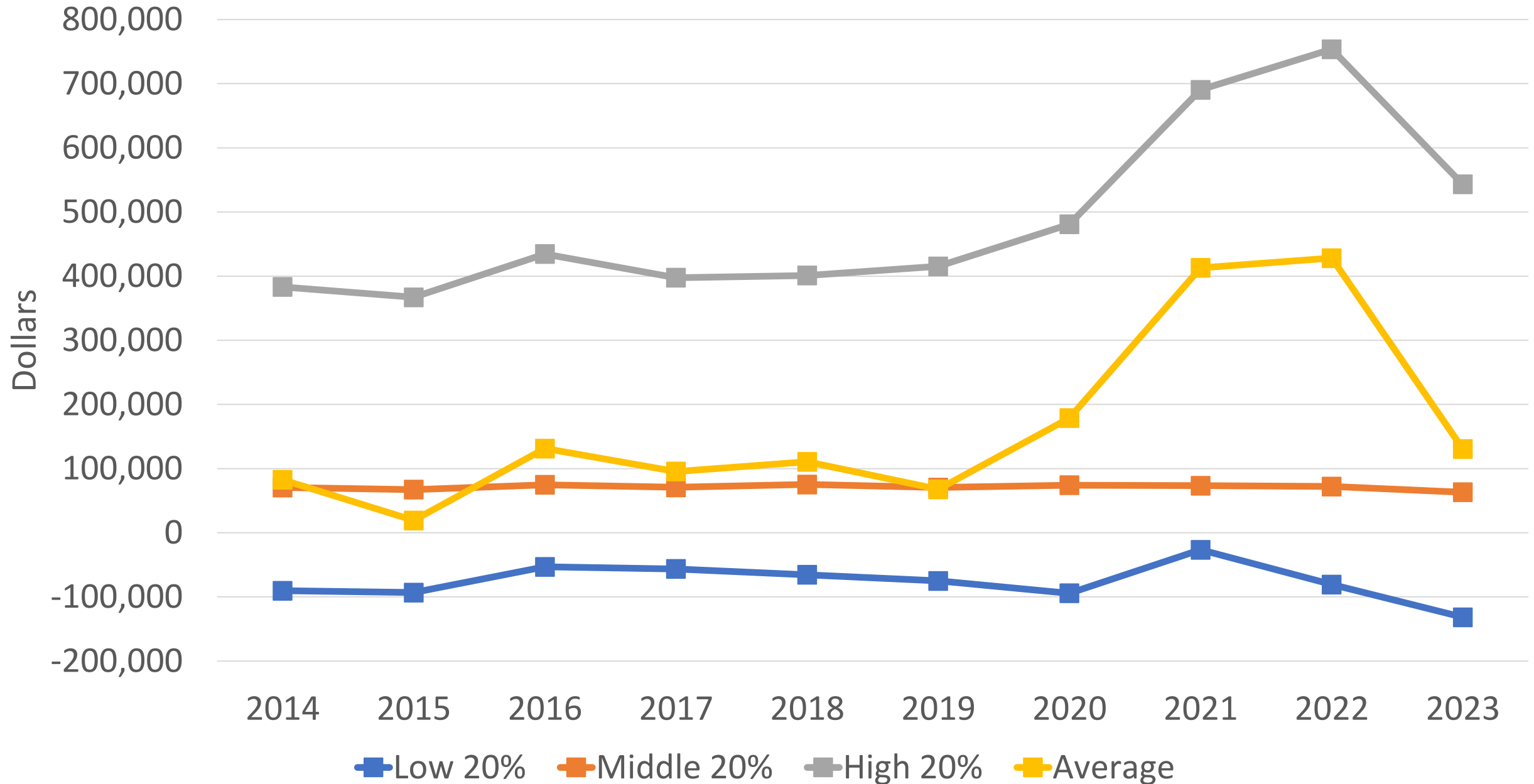
ND Farm Management Education Program Locations



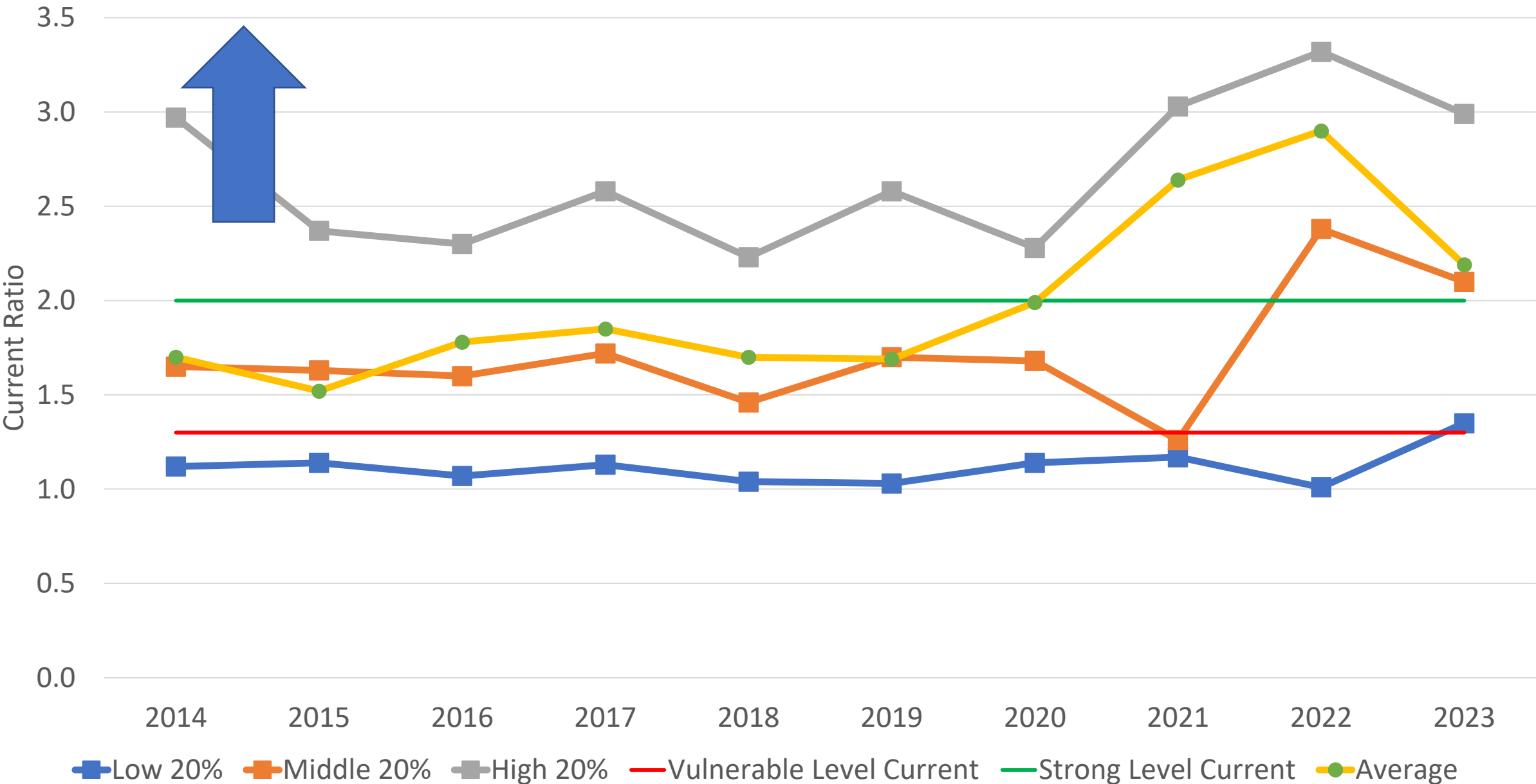
How do top farmers keep their farms profitable despite current market prices?

- A number of factors:
 - Good producers
 - Good marketing skills
 - Input AND Output
 - Economies of scale
 - Luck?
- No one thing
 - The top profiting farms do a lot of things well

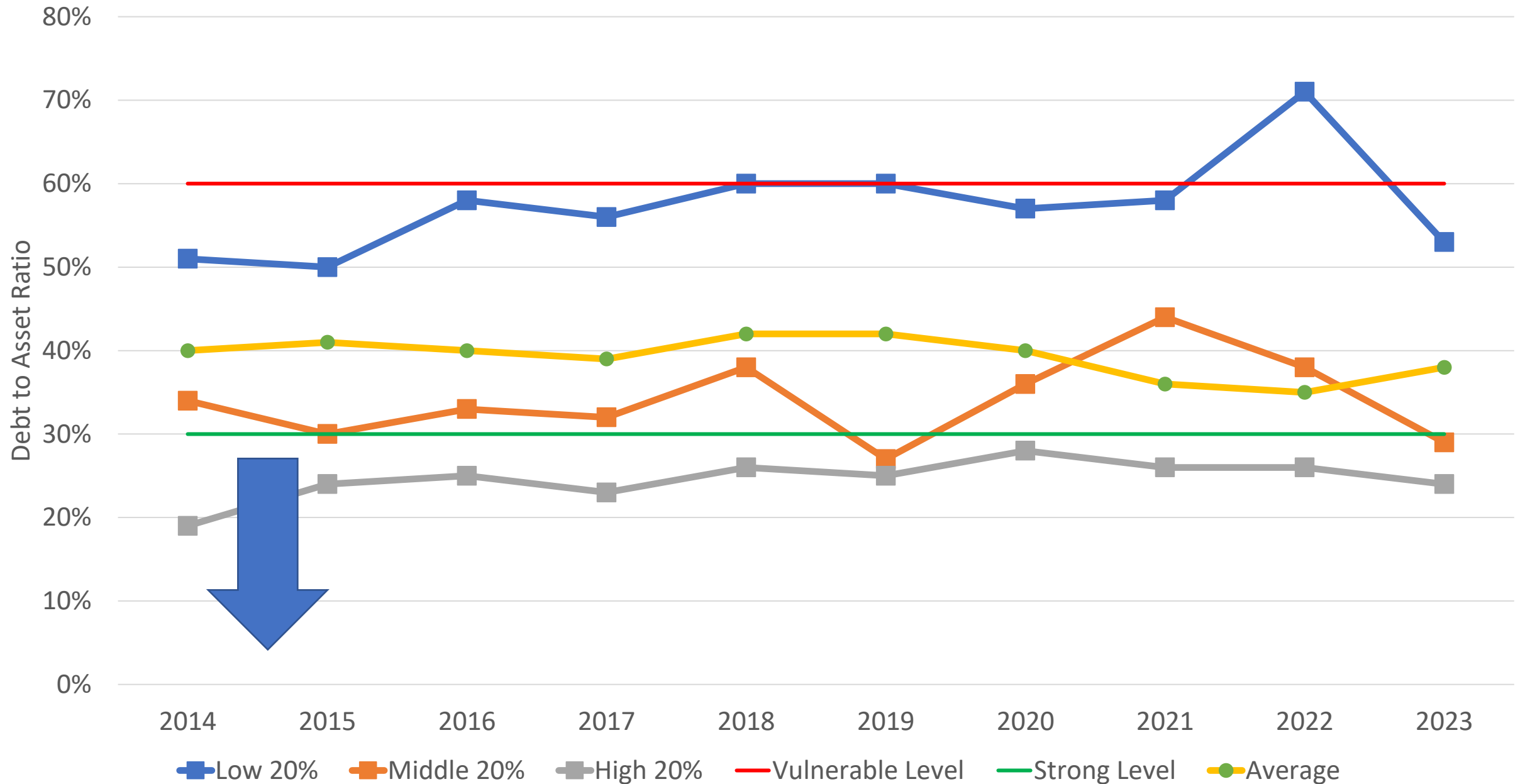
Net Farm Income from Operations



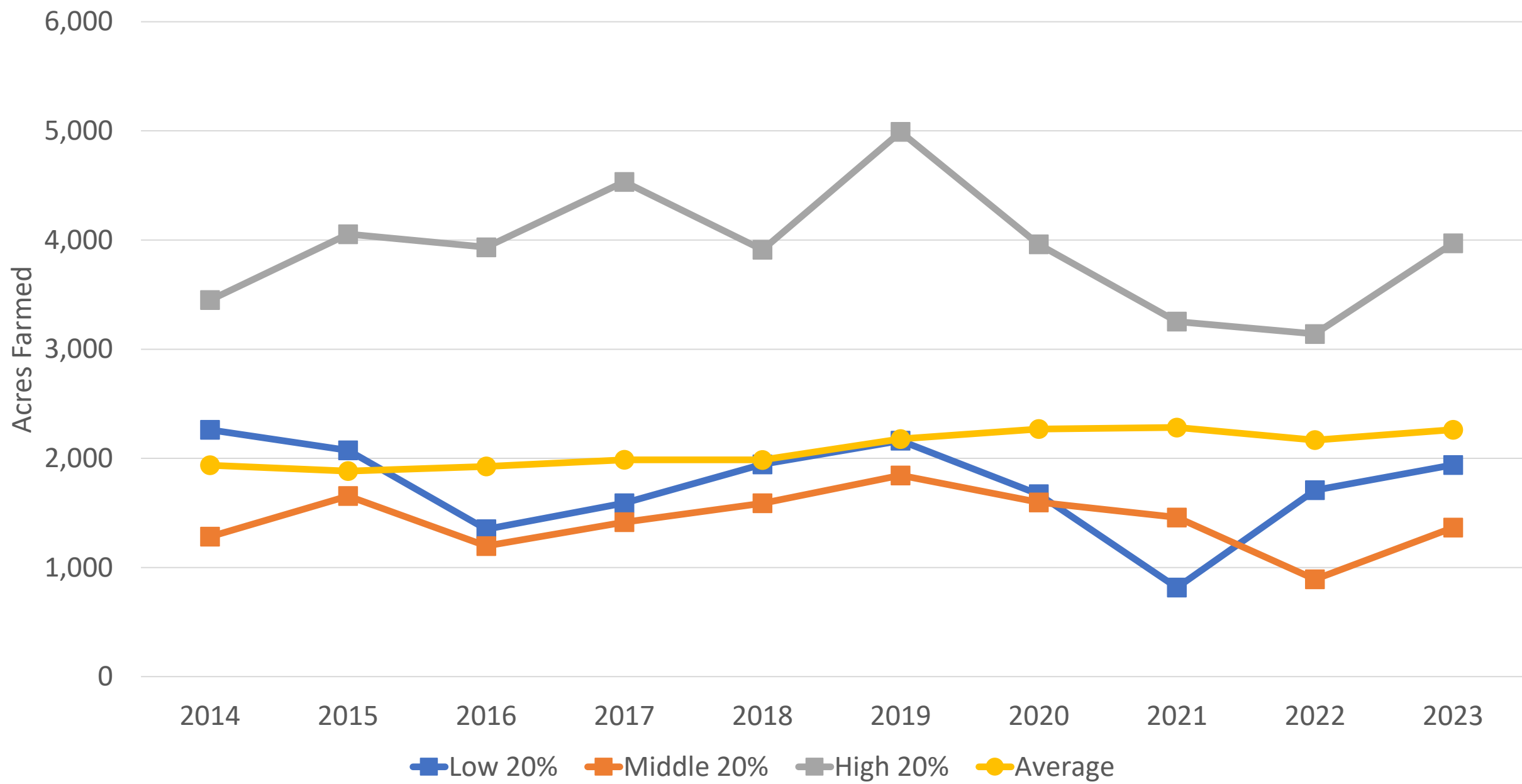
Current Ratio by Profit Levels



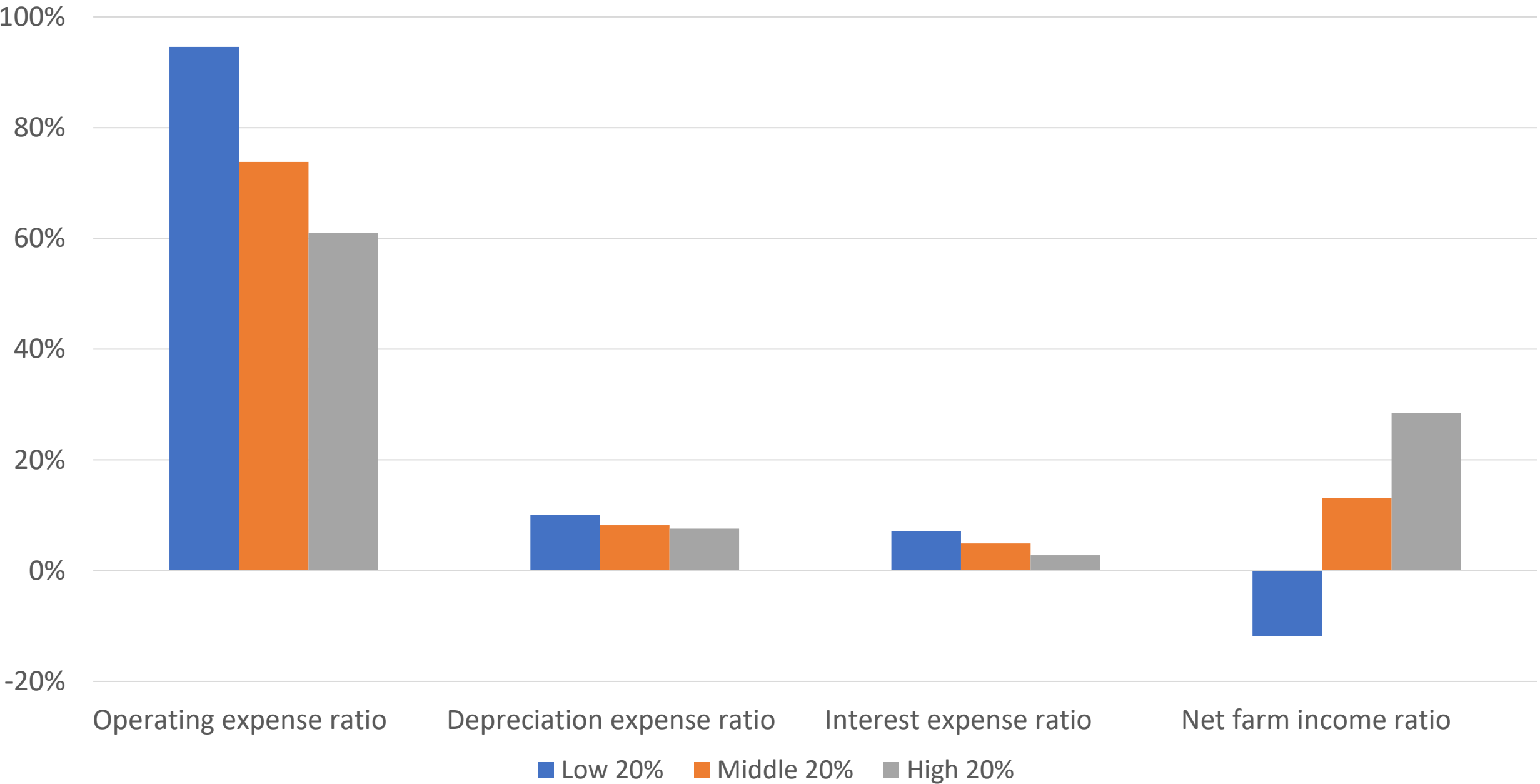
Farm Debt to Asset Ratio



Crop Acres Farmed by Profit Level



Efficiency Ratios



So...what can we do to stay profitable?

- Does high(er) yield = high(er) profit?
 - Not necessarily but often it's true
- Market crops & livestock profitably
 - Know cost of production including a wage for yourself
- Manage costs
- Know the field/land
 - Apply inputs strategically

Corn Profit per Acre by Net Return Level (2014 – 2023)

	<u>Low 20%</u>	<u>Middle 20%</u>	<u>High 20%</u>
Acres	426.75	575.93	611.8
Yield	107.57	137.83	147.95
Price	3.29	3.29	4.56
Gross Return	376.74	482.51	725.3
Direct Costs	389.47	374.22	398.78
Overhead Costs	<u>115.65</u>	<u>104.26</u>	<u>124.04</u>
Total Costs	505.12	478.48	522.82
Net Return per Acre	-128.38	4.02	202.48
Cost of Production w/Labor & Mgmt.	4.73	3.43	3.41

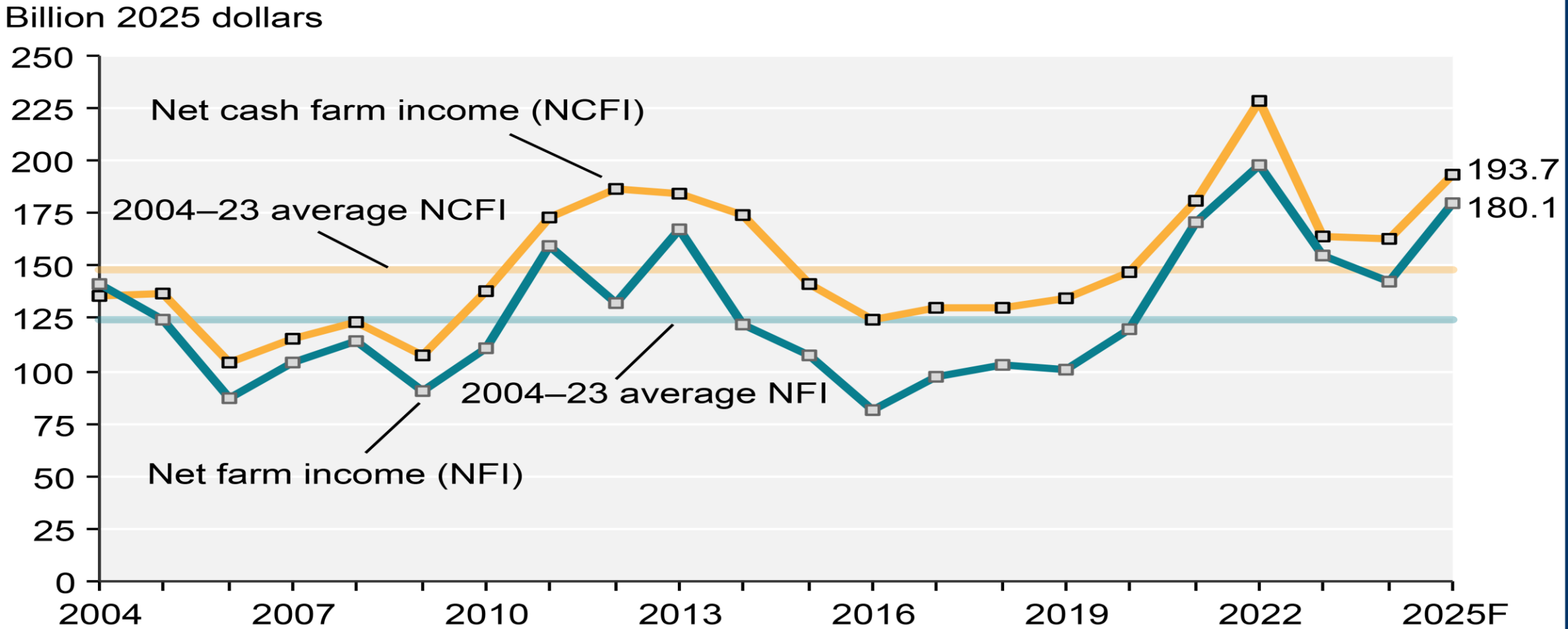
Soybean Profit per Acre by Net Return Levels (2014 – 2023)

	<u>Low 20%</u>	<u>Middle 20%</u>	<u>High 20%</u>
Acres	756.6	940.09	924.87
Yield	27.6	32.02	41.58
Price	8.92	9.28	10.63
Gross Return	271.74	331.02	474.14
Direct Costs	249.56	212.87	222.15
Overhead Costs	75.78	70.26	77.02
Total Costs	<u>325.34</u>	<u>283.13</u>	<u>299.17</u>
Net Return per Acre	-53.6	47.88	174.97
Cost of Production w/ Labor & Mgmt.	11.31	8.14	6.8

Spring Wheat Profit per Acre by Net Returns (2014 - 2023)

	Low 20%	Middle 20%	High 20%
Acres	578.81	857.59	855.79
Yield	45.58	51.87	58.84
Price	5.16	5.37	6.71
Gross Return	254.9	290.21	423.89
Direct Costs	251.38	209.43	223.97
Overhead Costs	<u>72.05</u>	<u>59.65</u>	<u>67.14</u>
Total Costs	323.43	269.08	291.11
Net Return per Acre	-68.53	21.13	132.78
Cost of Production w/ Labor & Mgmt.	6.97	5.14	4.71

U.S. net farm income and net cash farm income, inflation adjusted, 2004–25F

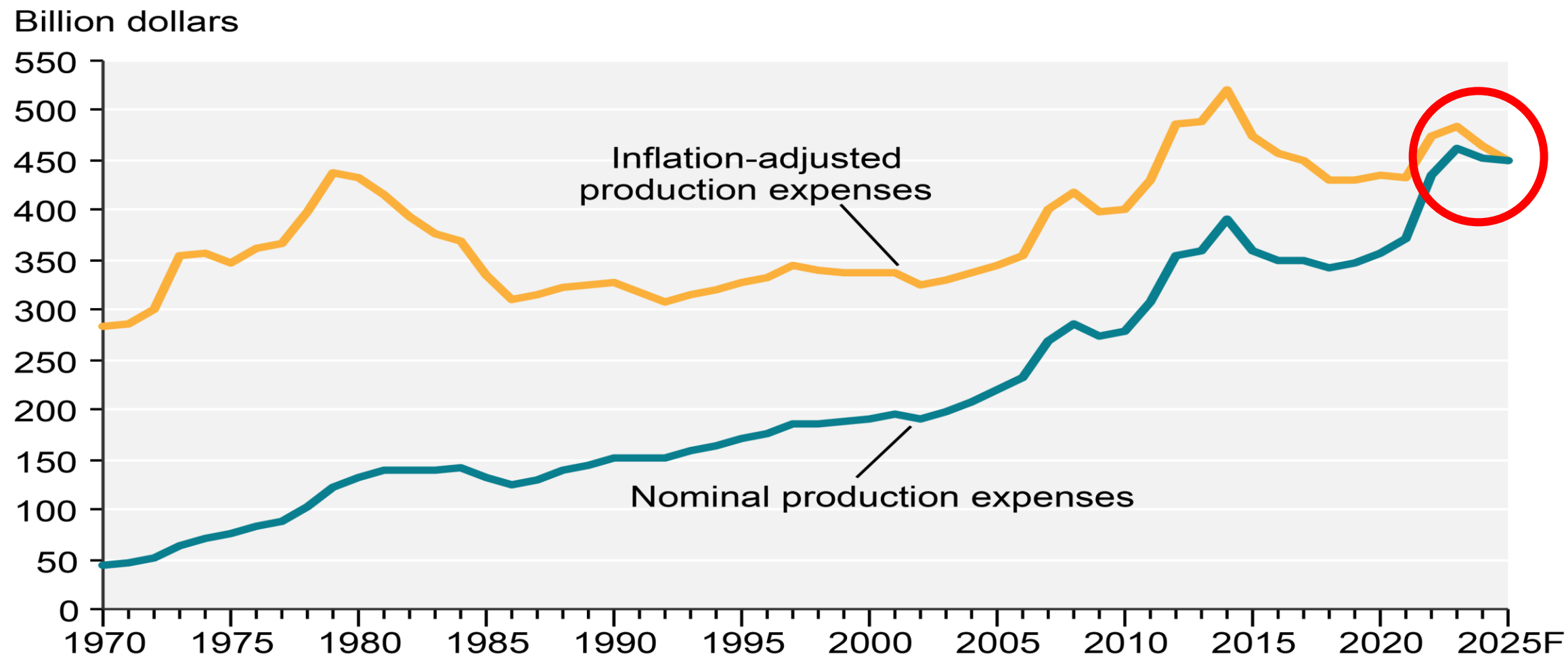


Note: F = forecast; data for 2024 and 2025 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2025 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 6, 2025.

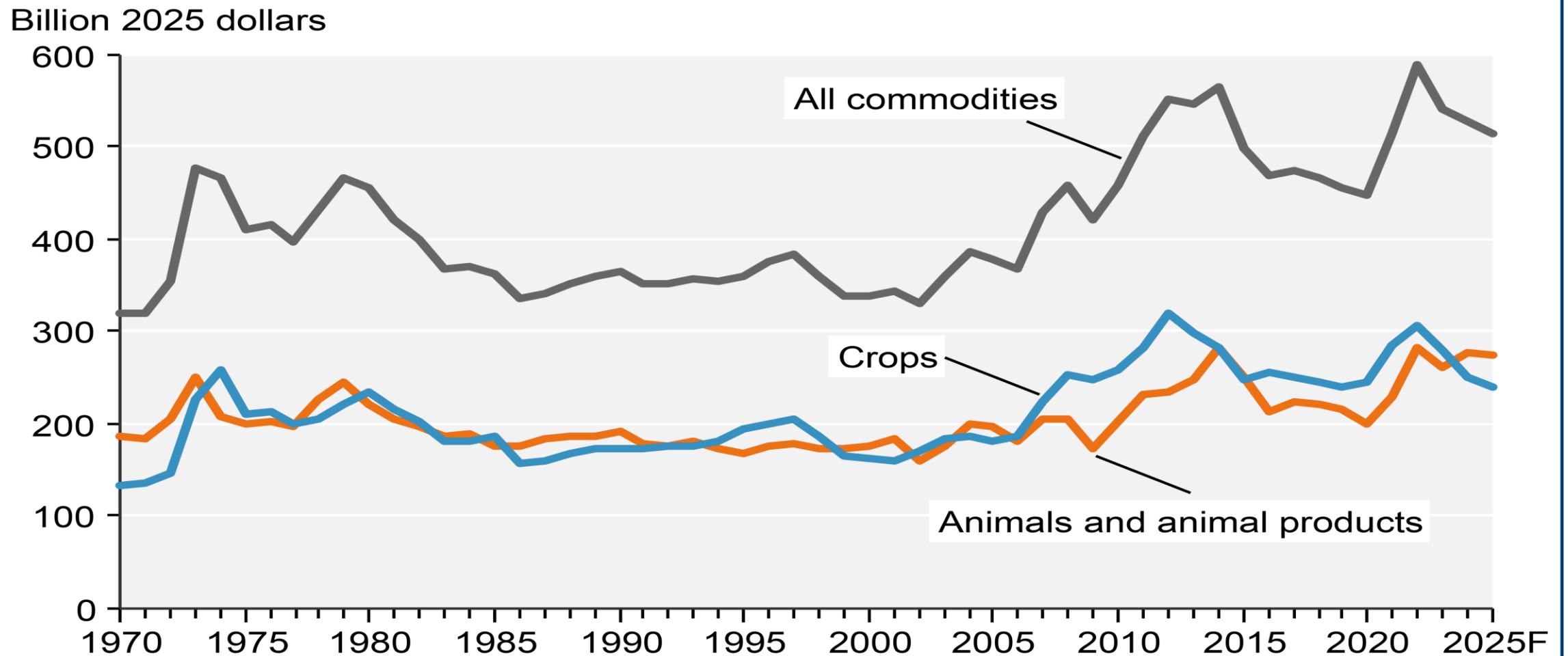
Nominal and inflation-adjusted U.S. farm production expenses, 1970–2025F



Note: F = forecast; data for 2024 and 2025 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2025 by USDA, Economic Research Service.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 6, 2025.

U.S. farm sector cash receipts, inflation adjusted, 1970–2025F

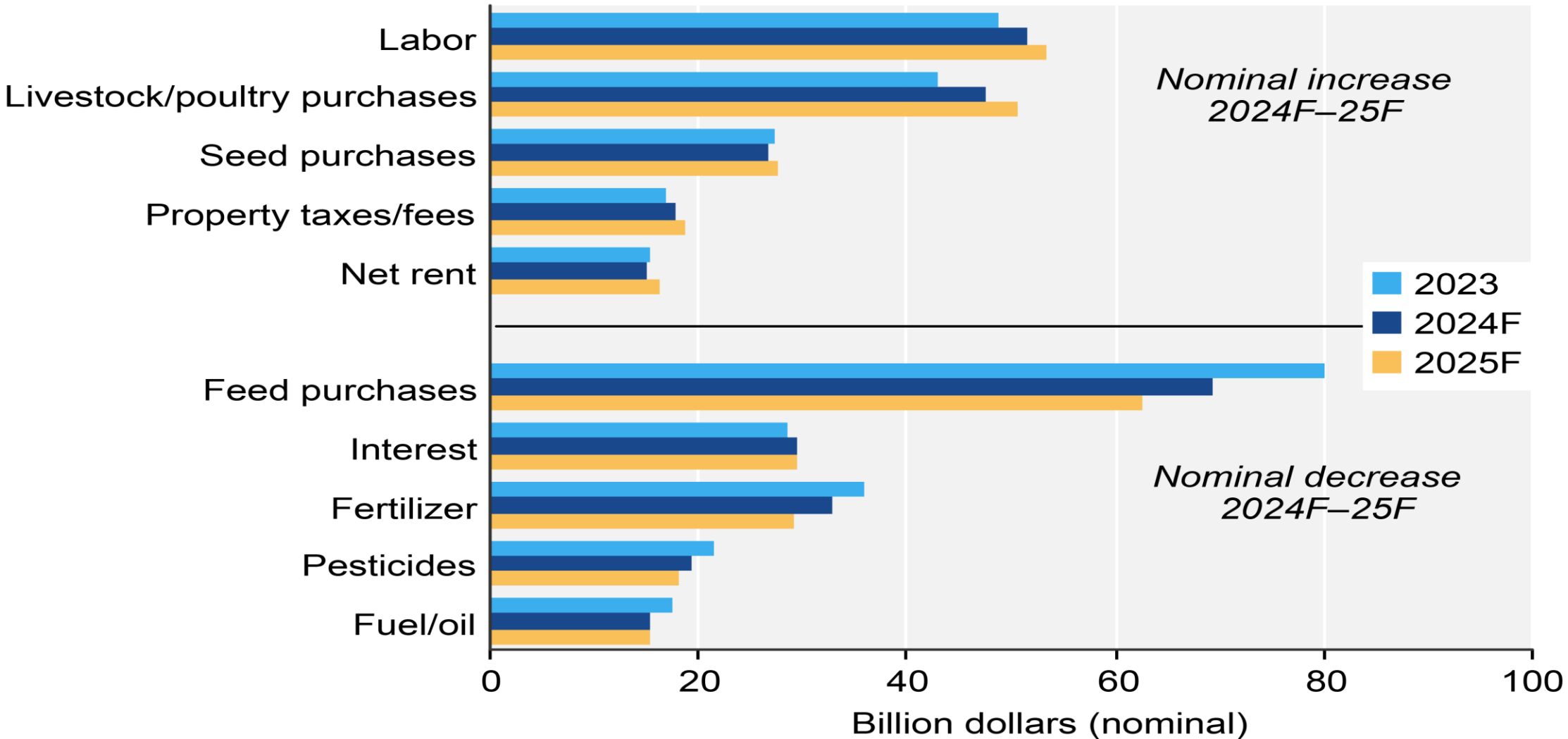


Note: F = forecast; data for 2024 and 2025 are forecasts. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2025 by USDA, Economic Research Service.

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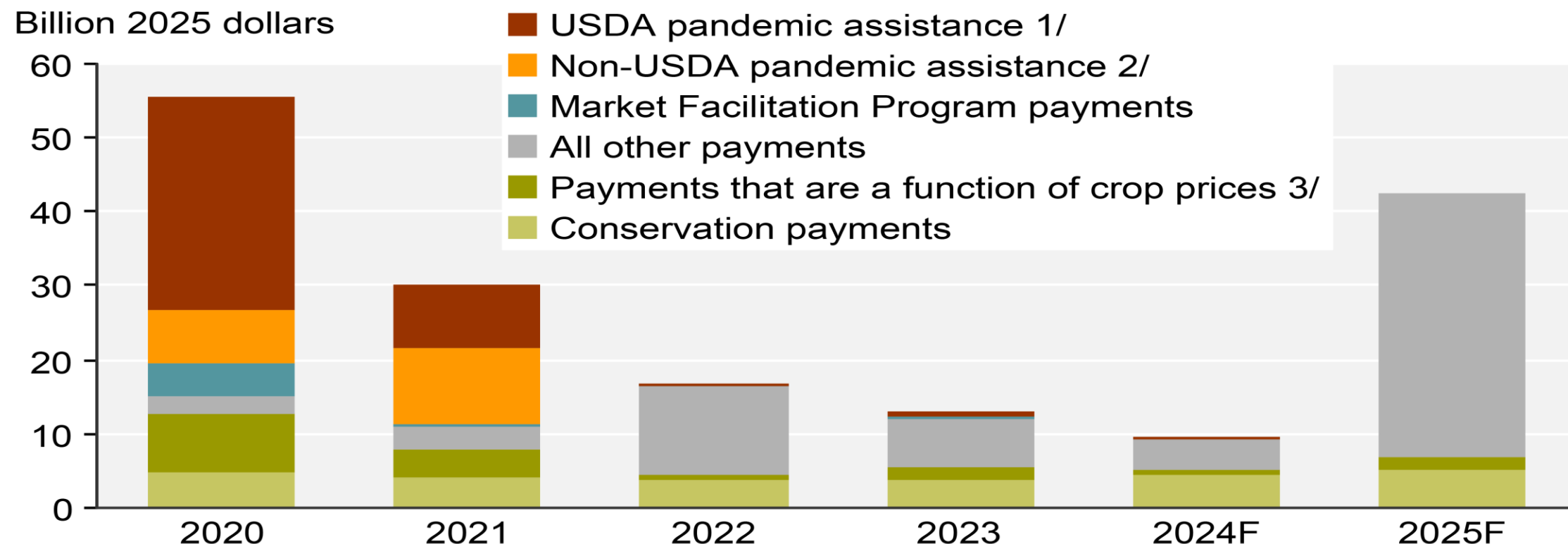
Data as of February 6, 2025.

Selected U.S. farm production expenses, 2023–25F



Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of February 6, 2025.

Direct Government payments to U.S. farm producers, 2020–25F



Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2025 by USDA, Economic Research Service.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes forgiven loans from the Paycheck Protection Program.

3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, and dairy payments.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 6, 2025.

What can help make the farm more profitable?

- Profit-maximizing mindset
- There are usually opportunities to sell some bushels at a profit
 - Get help or have a firm that markets for you
- There are usually opportunities to purchase inputs a little lower
 - Talk to suppliers often

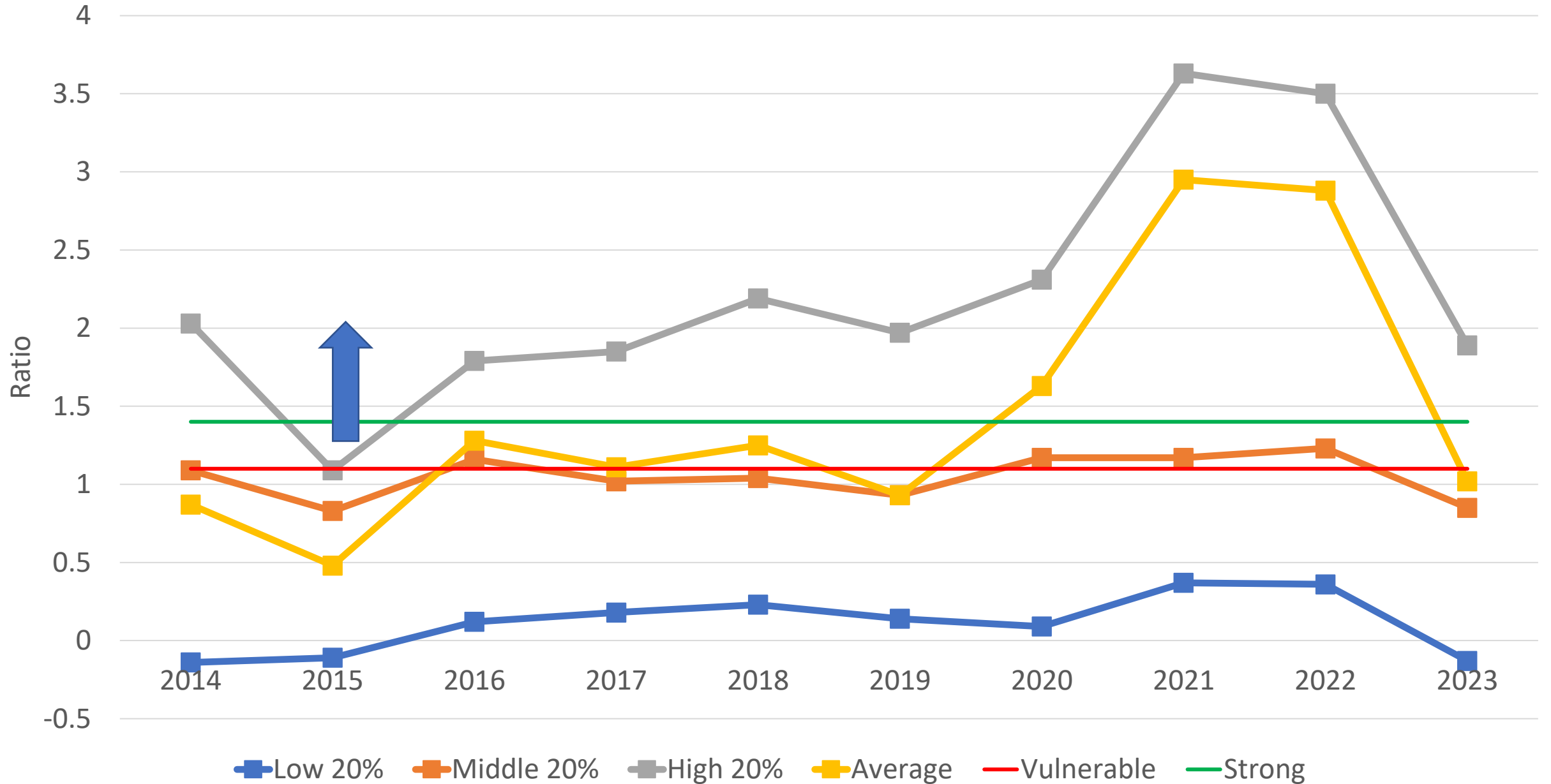
Maximizing Profit

- Profit is essential to keep the farm going
- Sometimes doing something different can help pay the bills
 - Sometimes doing something different does not pay the bills
- Cannot say there is a right or wrong way to do this for everyone
- No two operations are the same
 - Differing debt situations, crops/livestock, labor needs, equipment needs, family situations, etc.

Debt

- High profit farms have low(er) debt
- Need to think ahead when making large purchases
- Repayment margins are small for mid- and low-profit farms
 - $$\text{NFI} + \text{Depr.} + \text{Int. Exp. on term debt} + \text{non-farm income} - \text{family living}$$
$$= \text{capital repayment capacity}$$
- Need to maximize profit per acre

Replacement Coverage Ratio



Managing Profit

- Communication is absolutely necessary
- Put together a list of advisors
 - Lender
 - Crop advisor
 - Marketing advisor
 - Crop insurance agent
 - County Agent
 - 'Older' relatives
 - Accountant
- Have a peer group to ask questions or discuss ideas

A few concerns

- Interest costs are high
- Machinery costs are high
- Labor
- USDA funding
- Potential tax law changes for 2026
- Changes in consumption/demand for crops

Questions?