



**Kansas Farm  
Management Association**

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# **Farm Financial Conditions Southwest Kansas**

**Edwards County Ag Profitability Conference**

**January 27, 2006**

**Samuel M. Funk, Administrator**

**Kansas Farm Management Association Program**



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## Using Information to Move Forward

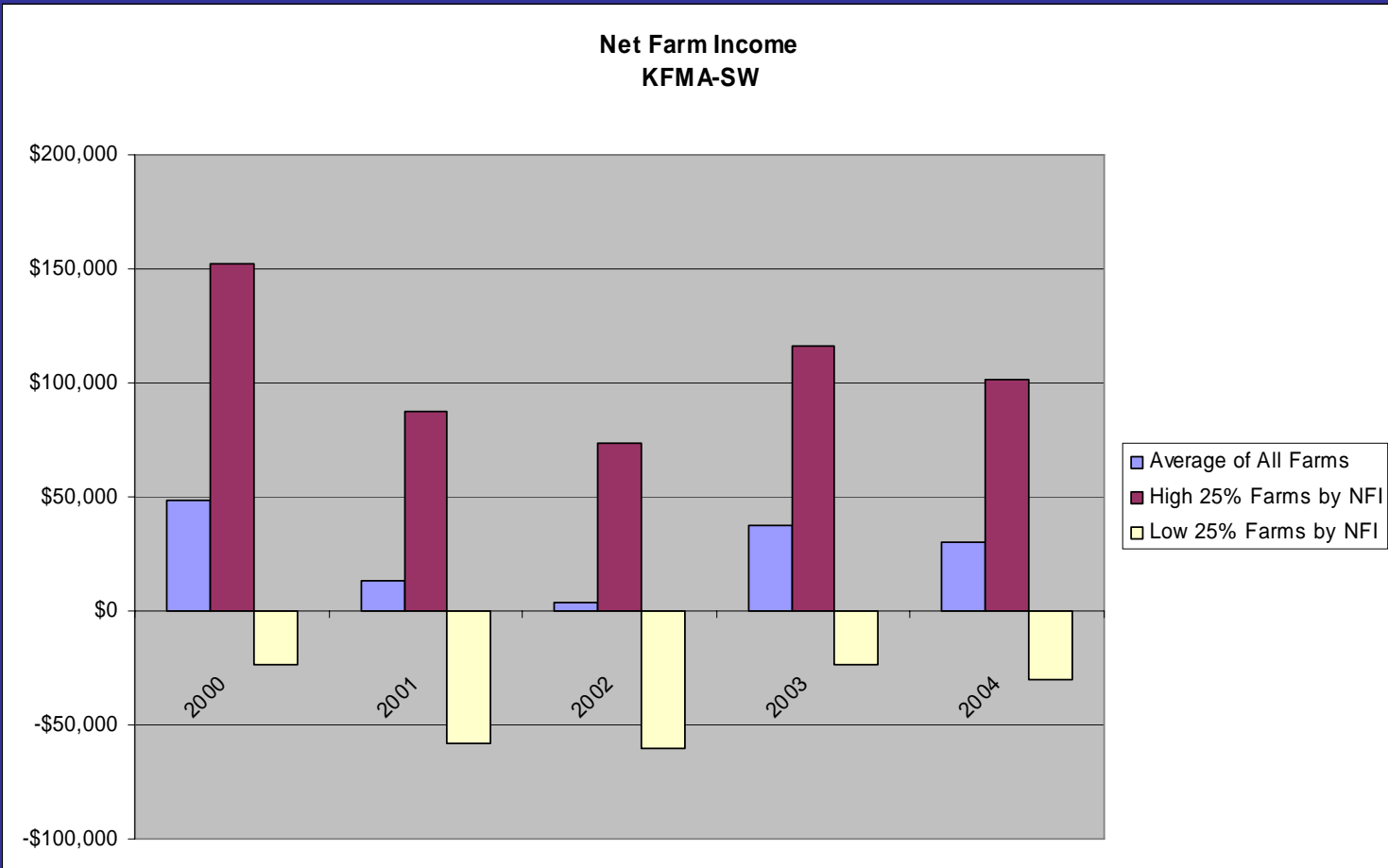
- Review of Current Conditions and Benchmarks
- Influencing factors: Now and in the Future
- Competitiveness in the Limelight
- Considerations in Decisions



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## Farm Incomes: The Past 5 Years

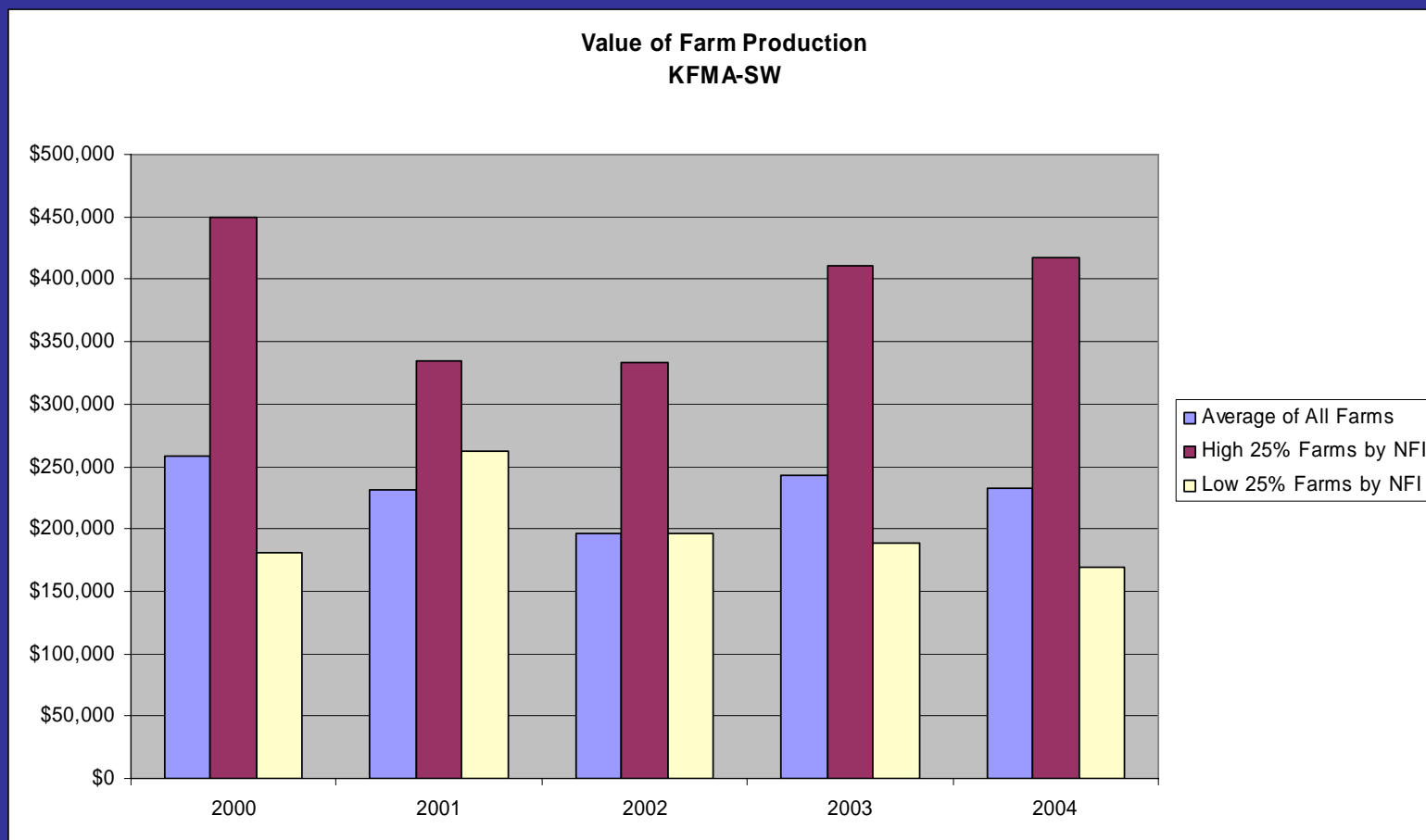




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## Farm Production

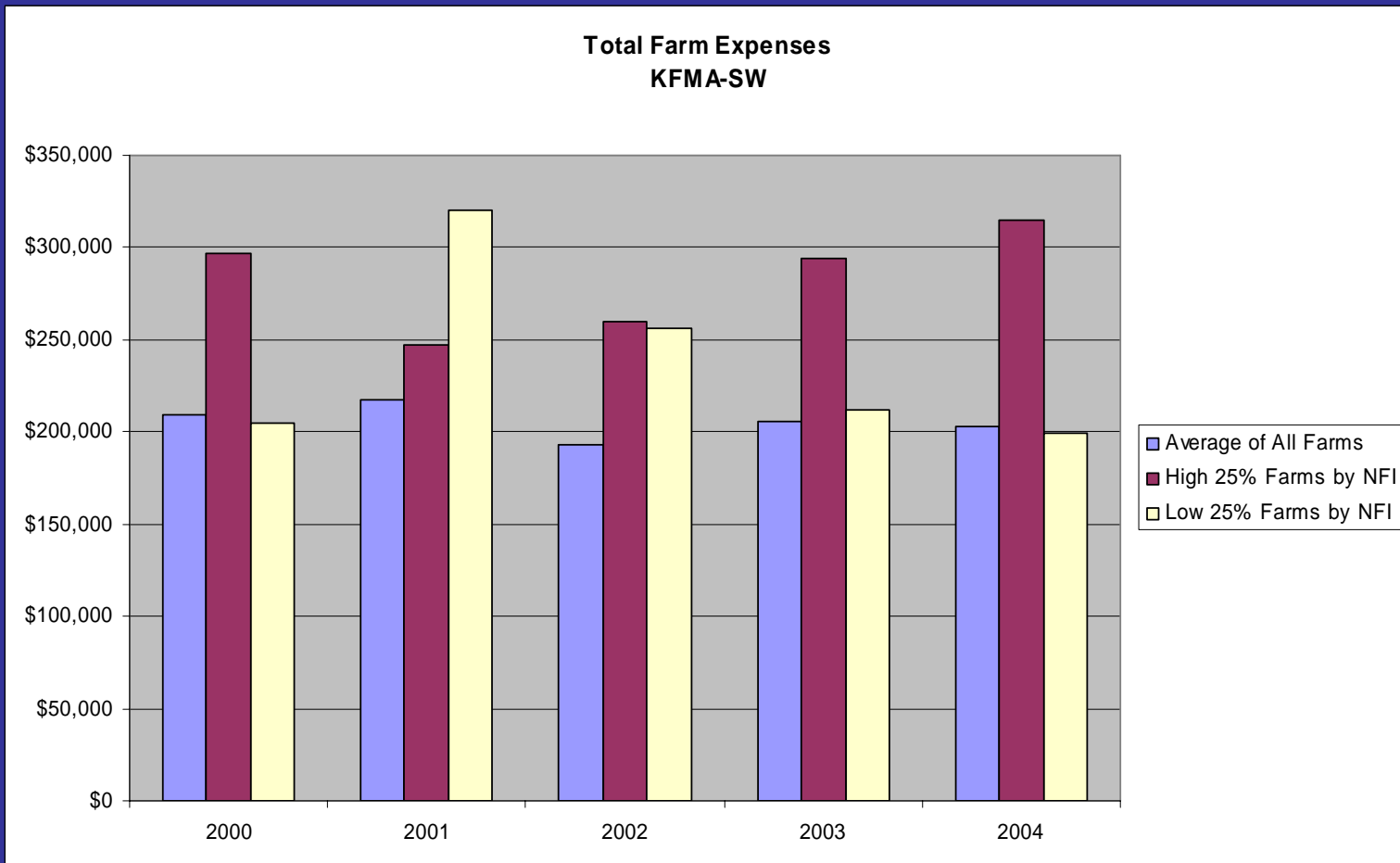




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## Farm Expenses

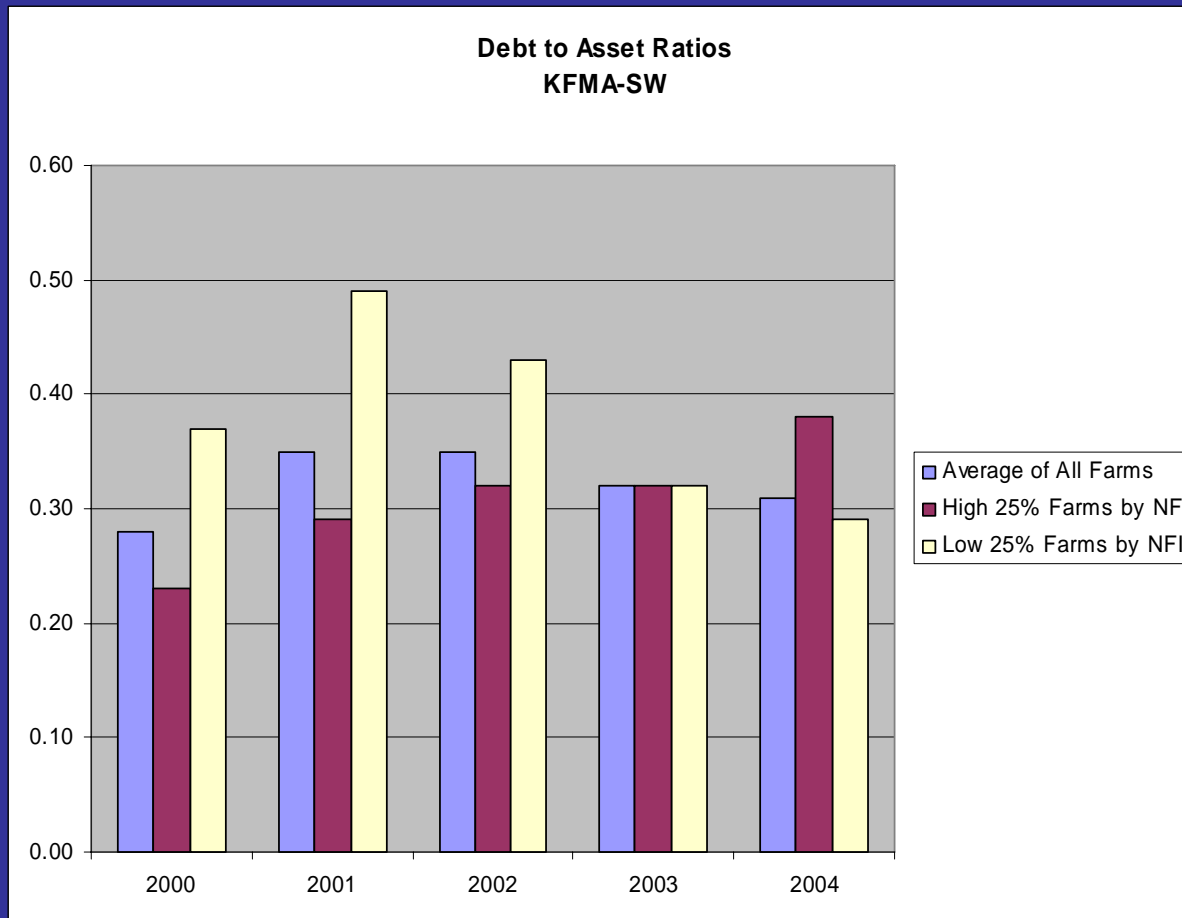




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## Debt-to-Assets Load Mixed

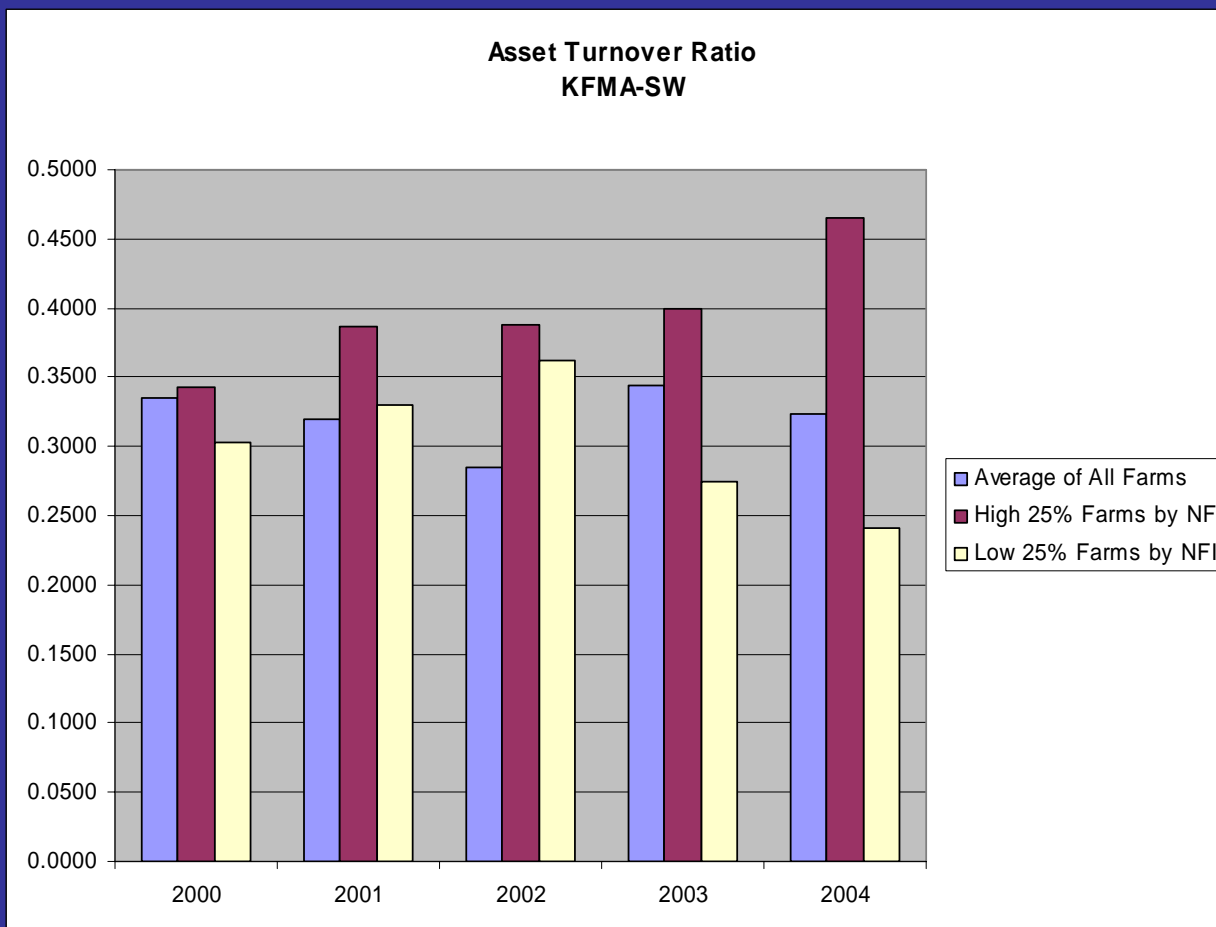




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## Utilization of Assets

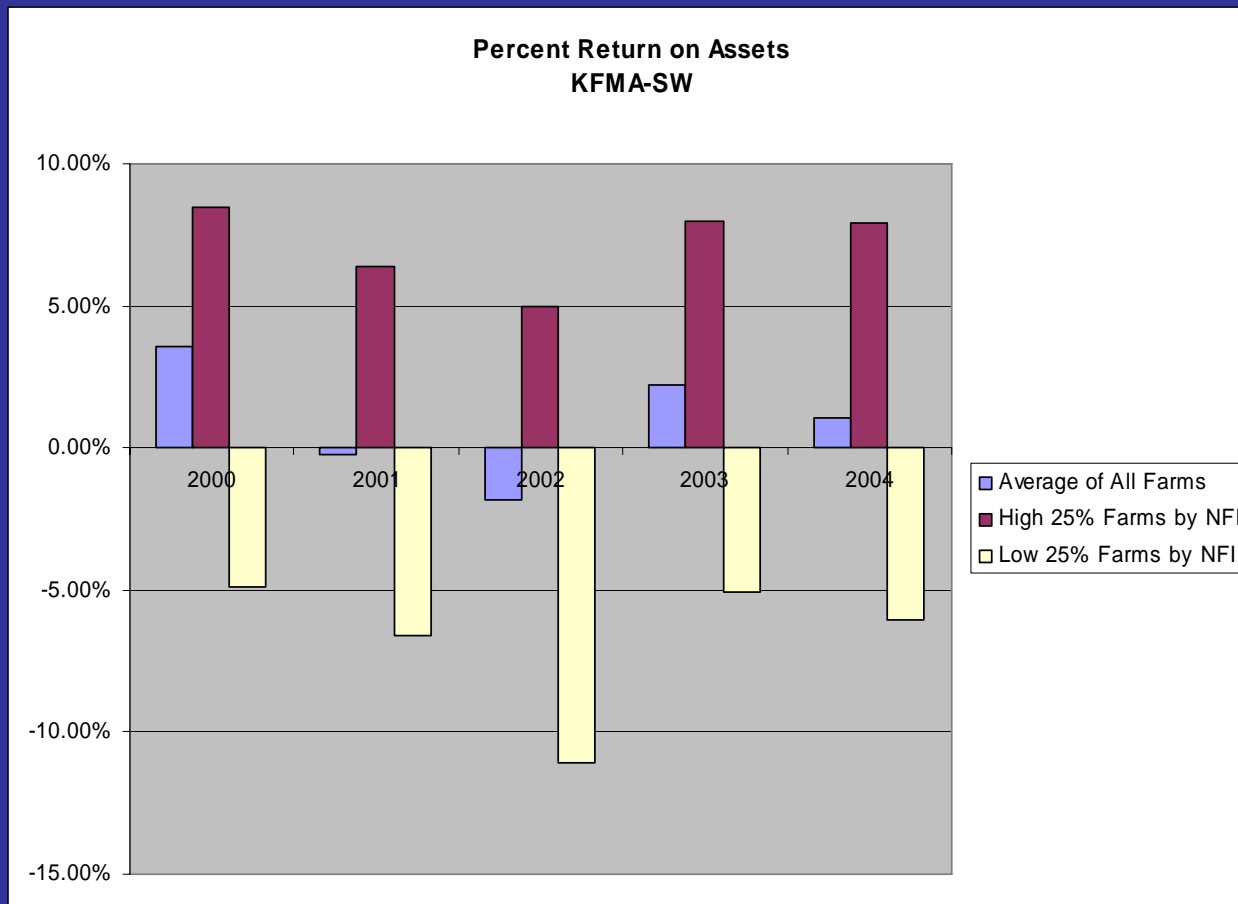




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## Using Assets Productively





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**Future Considerations**

**Energy?**

**Drought?**



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# **KFMA Data Utilization**

**An Assessment of the State of the Agricultural  
Economy in Increase Energy Prices Associated  
with Hurricanes Katrina and Rita**

**Testimony to the U.S. House of Representatives,  
Committee on Agriculture, Subcommittee on General  
Farm Commodities and Risk Management**

**Prepared by Kevin Dhuyvetter, Samuel Funk,  
Terry Kastens and Michael Langemeier**

**September 23, 2005**



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## What We Could Say

From data current as of September 22, 2005 based on KFMA 2004 Dryland and Irrigated Crop Summaries:

“Assuming that producers do not make major production changes, land rents would need to decrease by \$14.16 per acre for dryland acres and \$48.49 for irrigated acres from 2004 to 2006 in order to offset the impact of higher energy costs alone.”



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“Holding prices, yields and other factors constant; if the 2004 KFMA Summary dryland producers were to absorb the increase in the energy expense complex alone, they would reduce Net Farm Income by \$22,227 from 2004 to 2006. For irrigated producers in the 2004 KFMA Summary the reduction in Net Farm Income would be \$51,832 in 2006. These figures would represent a reduction in net farm income respectively of 39.8% and 93.6% from 2004 levels.”



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## As of December 1, 2005

Holding prices, yields and other factors constant; if the 2004 KFMA Summary dryland producers were to absorb the increase in the energy expense complex alone, they would reduce Net Farm Income by **\$19,230** from 2004 to 2006. For irrigated producers in the 2004 KFMA Summary the reduction in Net Farm Income would be **\$49,242** in 2006. These figures would represent a reduction in net farm income respectively of **34.4%** and **88.9%** from 2004 levels.



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## And the cash rent difference Dec1?

To remain whole to 2004 levels, cash rents statewide in 2006 would need to decrease per acre:

- Dryland: \$11.91
- Irrigated: \$47.13



## What kind of an impact is Energy?

### Statewide

Energy Expense Complex as % of Total Operating Expense	Dryland	Irrigated
2000 - 2004	22.8%	29.9%
Projected 2006	32%	41%



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## What kind of an impact is Energy?

### Southwest

Energy Expense Complex as % of Total Operating Expense	Average (All Farms)	High 25% NFI	Low 25% NFI
2000 - 2004	25.3%	27.5%	22.8%



## Energy in the Southwest

- The highest quarter of farms by NFI were typically the largest users of irrigation energy in the SW Association.
- Not unexpected for returns in the past.
- Not unexpectedly they will face cost pressures in the future.
- These farms were also generating highest revenues from beef.



## Tradeoffs

- Energy price concerns must be balanced with productivity issues.
- Expectations of net returns will be essential to consider in the immediate future.



## The KFMA

- Because now, possibly more than ever, we need to know the details of our financial positions.
  - Lenders
  - Decisions
  - Overall Profitability



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**On-Farm Visits**

**Whole Farm Analysis with Financial and  
Production Information**

**Evaluation of Farm Enterprises**



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## Here for You

Providing assistance with:

- Record Keeping Strategies
- Financial Analysis
- Cash Flow Strategies
- Capital Investment
- Tax Management
- Business Structure



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## Enhanced Record Keeping

- Computerized Records

  - On-Farm PC Based Windows Program

  - In-Office System with Monthly Reports

- Classic Account Book

- Annual Farm Summary

## Financial Reports

- Balance Sheets

- Cash Flow Statements

- Income Statements



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Tax Management and Planning

Depreciation Schedules

Tax-Basis

Management-Basis

Capital Investment Planning

Inventory and Sales Management Information

Accrual and Cash Basis Information

Independent Assessment

Structured Analysis with Professional Economist



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Benchmarking Financial and Production Information  
Compare Farms  
by Enterprise  
by Location  
Providing a History of Financial Performance

"Farm Management identifies the true costs in your operation and reveals what enterprises are profitable and which are not. Being in Farm Management for over 45 years has been a real benefit to my bottom line."

-- Kenneth Pike,

Farm Management Member for over 45 years



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## Working With You

- To compile farm-level Data
- With directed Economic Analysis tailored to Individual Operations
- Providing information in a format that can be utilized in Management Decisions for Your Farm or Ranch
- To make the best use of valuable data that comes from Your Individual Operations



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## Working With Extension to

- Compile REGIONAL DATA (County-Level)
- Provide ECONOMIC INSIGHTS
- Enhance Information for PUBLIC POLICY issues
- Build a STRONG NETWORK of multi-disciplinary professionals assisting You



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## 2006 is Here

- Summary data for 2005 will be presented in May around the state
- May/June Summary Books to the Internet
- Contact your County Extension Office, local KFMA Economist or Sam Funk for information on participating in the KFMA



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## Further Information

Corresponding papers will be on

**[www.AgManager.info](http://www.AgManager.info)**

- Every KFMA Association
- Other Presentations
- Key Summary Materials