

## **1. Top 10 Considerations to Navigate a Struggling Farm Economy**

**Robin Reid**

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*Robin Reid joined the Agricultural Economics Department at K-State as the Commercial Agriculture Economist in August, 2014. She previously worked for four years as an Extension Agent in the River Valley District, with a focus on livestock production and farm management. Robin grew up on a farm in Wisconsin and earned a B.S. in Agricultural Business from UW-River Falls. She also holds a M.S. in Agricultural Economics from K-State.*

**Mykel Taylor**

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*Dr. Taylor's research and extension programs are focused in the areas of crop marketing and farm management. She grew up on a cattle ranch in Montana and attended Montana State University majoring in Agribusiness Management. She has worked in extension positions at both Kansas State University and Washington State University. Some of her current research areas include measuring basis risk for commodity grains, understanding the implications of the 2014 Farm Bill, and analyzing trends in Kansas agricultural land values, rental rates, and leasing arrangements.*

**Robert White**

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*Robert (Bob) White has had the opportunity to serve farmers and ranchers as a Farm Service Agency (FSA) employee his entire professional life. Bob began as a student intern with Farmers Home Administration in 1984. In 1986, Bob relocated to his home-area of Southeast Kansas, where he continued FSA employment, including serving as the Farm Loan Manager in Girard, Kansas for 27 years. In April, 2015, Bob transferred to the Kansas FSA State Office in Manhattan to serve as the Farm Loan Chief. As Farm Loan Chief, Bob oversees the FSA Direct and Guaranteed Farm Lending programs for Kansas FSA, currently assisting over 3,600 borrowers with loans in excess of 700 million.*

**Duane Hund**

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*Duane Hund is the Director of the Farm Analyst Program with K-State Research & Extensions Department of Agricultural Economics.*

*Recognized for his work throughout Kansas and nationally, Duane has consulted with more than 1000 Kansas farm families and several families in five other states since 1985, facilitating, analyzing and challenging farm clients to look at the realities they face and discover where they can be most successful. With an emphasis on financial analysis, conflict resolution, and an emphasis in farm succession planning, Duane has assisted many families in improving communication and defining realistic goals. Duane is a fifth generation Kansan; he and his wife Diane operate a 1700 acre farming and stocker cattle operation in Wabaunsee County.*

**Gregg Hadley**

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*Gregg Hadley is the assistant director of extension agriculture, natural resources, and community development for K-State Research and Extension, beginning that role in September, 2011. Prior to that, he served as associate professor and extension farm management specialist at the University of Wisconsin-River Falls, Department of Agricultural Economics. His professional focus has been in farm financial performance, capital investment analysis, farm management, strategic management, farm business planning and human resource management. Areas of emphasis also have included team management, farm succession, international producer education and manure management economics. He earned Ph.D. and master's degrees in ag economics at Michigan State, and a bachelor's degree, also in agricultural economics, at Purdue University.*

## **1. Top 10 Considerations to Navigate a Struggling Farm Economy (continued)**

### **Art Barnaby**

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*Dr. Art Barnaby was raised on a diversified farm, located in Elk County, Kansas.*

*Art received his B.S. degree from Fort Hays State University, M.S. from New Mexico State University and a Ph.D. in Agricultural Economics from Texas A&M University. Art joined the Agricultural Economics faculty in 1979. He currently holds the rank of Professor. Art conducts national extension education programs on market risk, government commodity programs, crop insurance and public policy. In 2016, Art was named one of Farm Credit's Fresh Perspectives Top 100 Honorees. In 2013, Art was 1 of 30 people who were named on Top Producer Editors' list of "Brave Thinkers: 30 Leaders Who Made a Difference" and on their list of "7 Economists, Bankers Who Challenged the Status Quo". He has authored several research projects on crop insurance issues and their impacts on farmers. His research work with the private sector was the basis for the first revenue insurance contract. Art is an author on the KSU web page:*

[www.agmanager.info](http://www.agmanager.info).

*Art is a past winner of the Excellence in Extension Award that included a \$5,000 honorarium presented by the National Association of Public and Land Grant Universities. He is also a three time winner of the American Agricultural Economics Association Distinguished Extension Program Award. Art was a member of the 2015 Western Agricultural Economics Association's Group Extension Project Award for the OSU-KSU 2014 Farm Bill Decision Tool and Education Program. Art is a frequent speaker at professional, farmer-producer, ag lender, and insurance industry meetings. Art's wife, Nancy, holds a B.S. degree from Fort Hays State University in Nursing. Art and Nancy have two sons and five granddaughters.*

### **Monte Vandever**

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*Monte Vandever joined the KSU Extension Farm Management team in February 2016 as the Southwest Area extension agricultural economist, based in Garden City. He grew up on a farm in south-central Kansas with wheat and cow-calf operations. He received B.S. and M.S. degrees in agricultural economics from Kansas State University and a Ph.D. in ag economics from Purdue University. Besides working for K-State Research and Extension, he also has experience working with the Economic Research Service, (USDA), the University of Nebraska-Lincoln's Extension Service, and volunteer service in Vietnam. He has a special interest in risk management, particularly crop insurance.*

### **Abstract/Summary**

*Farmers and ranchers are currently experiencing one of the biggest downturns in history with many parallels to the 1980's. Kansas Farm Management Association farms recorded a substantial drop in accrual net farm income for 2015 with the average net income at \$4,568, down more than 95% from the net income level of \$128,731 in 2014 and down from a five-year average of nearly \$120,000. This session will focus on a host of different topics to start thinking critically about how the farm operation might withstand these hard times. Topics include: how long can I afford to lose money on rented ground?, procedures and implications to restructuring debt, opportunities to save on cost of production, generating cash with cover crops, managing family living expenses, is it time to retire?, what about the next generation?, and more. This session will cover two breakout times.*

# Top 10 Considerations to Navigate a Struggling Farm Economy

Kansas State University Agricultural Economics  
 Kansas Farm Service Agency  
 Kansas Agricultural Medication Services



- 1.) How long can I afford to lose money on Rented Ground?
- 2.) Procedures and Implications of Restructuring Debt
- 3.) Farm Diversification with Livestock Enterprises
- 4.) Cover Crops to Generate Cash?
- 5.) Opportunities to save on Cost of Production
- 6.) Making efficient crop insurance purchases
- 7.) Is it time to retire?
- 8.) What about the next generation?
- 9.) Reducing Family Living Expenses
- 10.) K-State Resources for Assistance

Others:
Income Tax Management in Low Income Years To Maximize After-Tax Income
Planning for Income Tax Consequences for Farm Financial Distress Transactions
Managing Machinery Costs in a Difficult Financial Setting
Reductions in Working Capital and Resulting Burn Rates for Producers



1.)

## How long can I afford to lose money on rented ground?

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## Long Run vs. Short Run

- Short-run viability of your farm or ranch
  - Cover variable (cash) costs
- If you are only covering variable costs
  - Not earning a return on your owned assets (land, labor, machinery)
  - Might be borrowing against equity in owned assets
- How long you can do this will depend on your initial financial situation
  - Have you been bidding for rented ground based on cash costs or economic costs?



## Budgeting Exercise

- Determining an equitable lease arrangement requires pricing all the inputs provided by the tenant and the landowner
  - Labor and management
  - Owned machinery
  - Opportunity costs on cash and land
- What if the budget comes out saying you can't afford the rental amount you want to bid?
  - Cut back on the "economic" costs
  - Don't pay rent on owned land
  - Don't pay for your labor, reduce returns to machinery



## So what to do?

- Be honest about your expenses
  - Keep good records of expenses and don't dismiss economic cost categories because they aren't sending you a bill
- Be willing to make changes that will keep you alive to fight another day
  - Losing a piece of rented ground doesn't have to mean you go out of business, if you can cut other costs to be more efficient on fewer acres (e.g. machinery)
  - The current farm financial situation will provide opportunity for producers who make it through



2.)

## Restructuring Farm Debt

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## Farm Service Agency (FSA) Direct Loan Program

FSA loan portfolio is representative of Kansas Agriculture in many ways:

- Geographically spread across Kansas (21 Farm Loan Offices)
- Significant Volume (3,385 Borrowers owing in excess of \$479 Million)
- Our portfolio represents a cross-section of enterprises



## Farm Service Agency (FSA) Direct Loan Program

FSA loan portfolio is representative of Kansas Agriculture in many ways:

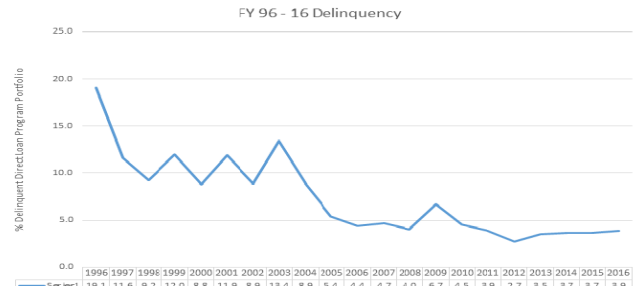
- Geographically spread across Kansas (21 Farm Loan Offices)
- Significant Volume (3,385 Borrowers owing in excess of \$479 Million)
- Our portfolio represents a cross-section of enterprises

Our unique programs may cause our borrowers to be impacted sooner / more significantly by any decrease in profitability

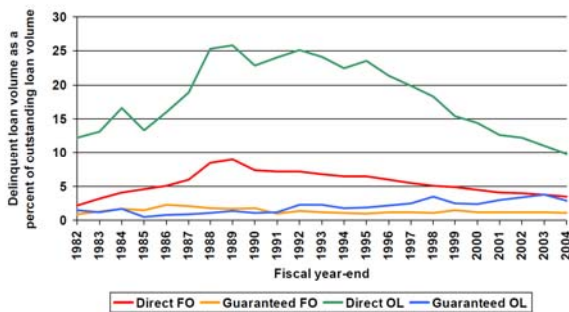
- Eligible applicants unable to obtain credit elsewhere at reasonable rates and terms
- 64% of our borrowers (61% dollars owed) are Beginning Farmers



## Kansas FSA Delinquency Rates 1996 - 2016

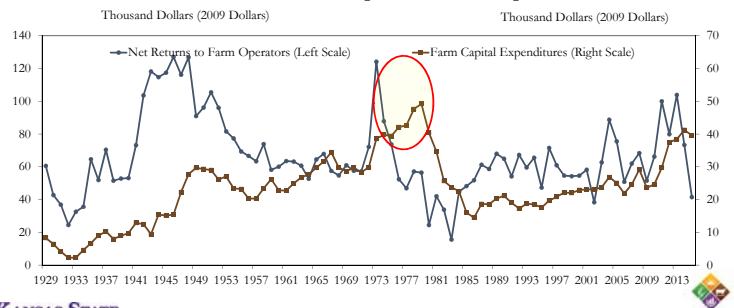


## Nationally, FSA Delinquency Rates Peaked in 1989



## Elevated capital spending persists, supported by wealth, and financed with debt

### U.S. Farm Profits and Capital Investments per Farm



## Factors That Are Contributing To FSA's Minimal Increase In Delinquency Rates

- Burning Through Working Capital
- Borrowing Against Equity
- Above Average Crop Yields
- Historically Low Interest Rates

## Suggestions To Farm Operators Who Have Concerns Regarding Financial Concerns

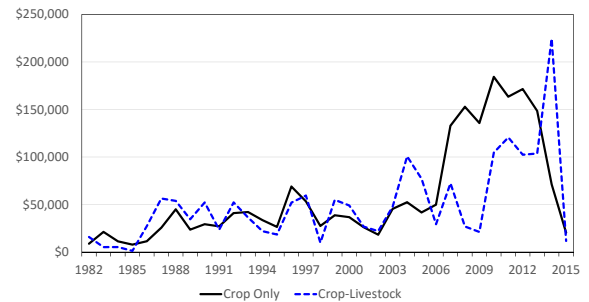
- Discuss cash flow / debt repayment concerns with your creditors
- Seek additional outside input (Extension, Kansas Ag Mediation, etc.)
- Know your cost of production / break even
- Use financial records to make management decisions
- Develop short, intermediate, and long range plans

3.)

## Farm Diversification with Livestock Enterprises

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## Net Farm Income by Farm Type



## Diversification

### Advantages

- Risk
- Cash flow
- Labor
- Equipment
- Agronomic
- Land use

### Disadvantages

- Labor
- Equipment
- Economies of scale
- Agronomic
- Management

4.)

## Can cover crops generate short-term benefits?

i.e. Cash!

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### Cover Crop Cost-Return Budget

#### Cereal Rye & Turnip in Southeastern Kansas

Department of Agricultural Economics | www.AgManager.info

Robin Reid & Mykel Taylor | Doug Shoop | JaymeLynn Farney  
Agricultural Economics | Agronomy Specialist, SE | Beef Systems Specialist, SE

INCOME PER ACRE	Yield Level, tons/ac			Your Farm
	1.00	1.75	2.50	
A. Yield per acre	1.00	1.75	2.50	
B. Net Grazing Income	\$56.52	\$84.26	\$120.37	
C. Government Payment	\$0.00	\$0.00	\$0.00	
D. Government Payment	\$0.00	\$0.00	\$0.00	
E. Miscellaneous income	\$0.00	\$0.00	\$0.00	
F. Returns/acre (B+D+E)	\$56.52	\$84.26	\$120.37	

COSTS PER ACRE	Yield Level, tons/ac			Your Farm
	1.00	1.75	2.50	
1. Seed	\$33.00	\$33.00	\$33.00	
2. Herbicide	0.00	0.00	0.00	
3. Insecticide / Fungicide	0.00	0.00	0.00	
4. Fertilizer	0.00	22.40	44.80	
5. Miscellaneous	0.00	0.00	0.00	
6. Machinery Expense	19.77	25.96	25.96	
7. Non-machinery Labor	7.50	7.50	7.50	
8. Irrigation	0.00	0.00	0.00	
9. Labor	0.00	0.00	0.00	
10. Fuel and Oil	0.00	0.00	0.00	
11. Repairs and Maintenance	0.00	0.00	0.00	
12. Depreciation on Equipment / Well	0.00	0.00	0.00	
13. Interest on Equipment	0.00	0.00	0.00	
14. Land Charge / Rent	0.00	0.00	0.00	
G. SUB TOTAL	\$60.27	\$88.86	\$111.26	
H. Interest on 1/2 Nonland Costs	1.51	2.22	2.78	
I. TOTAL COSTS	\$61.78	\$91.08	\$114.04	
J. RETURNS OVER COSTS (F - H)	(\$5.26)	(\$6.82)	\$6.33	
K. TOTAL COSTS/TON (H/I)	\$61.78	\$52.05	\$45.62	
L. RETURN TO ANNUAL COST (I+13)	-6.22%	-6.18%	8.19%	

#### TABLE 1. Production Inputs

Item	Price	Rate	Total
<b>Seed, lbs</b>			
Rye	\$0.24 / lb x	100 lbs/acre	\$24.00
Turnip	\$3.00 / lb x	3 lbs/acre	\$9.00
Other	\$0.00 / lb x	0 lbs/acre	\$0.00
<b>Herbicide chemicals</b>			\$0.00
Burndown / termination			\$0.00
<b>Fertilizer:</b>		Yield Level (tons)	
		1.00 1.75 2.50	
N	\$0.56 / lb x	0 40 80 lbs/acre	
P	\$0.68 / lb x	0 0 0 lbs/acre	
K	\$0.40 / lb x	0 0 0 lbs/acre	
<b>Irrigation Water</b>			
Fuel and Oil	\$0.00 / inch x	0 0 0 in/acre	
Repairs and Maint.	\$0.00 / inch x		

\*Burndown/Termination not charged since it would be done before following crop anyway

#### TABLE 2. Machinery & Equipment

ITEM	Yield Level (tons)			Custom Rate
	1.00	1.75	2.50	
Tillage/Planting/Chemical Applications:				
1 harrow	0*	0*	0	\$9.70 /ac
Disk	0*	0*	0	\$11.57 /ac
Roller	0*	0*	0	\$12.00 /ac
Field cultivate	0*	0*	0	\$11.11 /ac
Dist	1*	1*	1	\$13.77 /ac
Broadcast	0*	0*	0	\$15.00 /ac
Anhydrous application	0*	0*	0	\$14.52 /ac
Fertilizer application	0	1	1	\$6.19 /ac
Herbicide application	0	0	0	\$5.26 /ac
Insecticide / fungicide appl	0	0	0	\$6.79 /ac
I harvest:				
Swathing and conditioning	0	0	0	\$17.46 /ac
Siloage	0	0	0	\$4.20 /ac
Rain	0	0	0	\$13.16 /bale
Non-machinery labor	0.00	0.00	0.00	\$10.00 /hr
Irrigation labor	0.00	0.00	0.00	\$15.00 /hr
I and charge/rent				\$0.00 /ac
Interest on capital				5.0%
Irrigation Equipment	Investment, \$/ac	Years	Salvage Value	% to charge to cover crops
Well, pump and gearhead	n/a	n/a	n/a	
Power unit and meter	n/a	n/a	n/a	25%
Irrigation system	n/a	n/a	n/a	

#### TABLE 3. Grazing Income

Stocking Rate & Charge	Yield Level (tons)		
	1.00	1.75	2.50
\$0.75 per/head/day			
	75	75	75
	1.0	1.5	2.1
	head/di/cb		
	\$56.52	\$84.26	\$120.37
	Total per acre		
<b>Costs</b>	<i>per acre</i>		
Fencing	\$0.00		
Water	\$0.00		
Supplement	\$0.00		
Mineral	\$0.00		
Labor	\$0.00		
Total	\$0.00		

The default assumes you are stocking 600 pound calves that will gain 2 pounds per head per day over the grazing period. Consumption is calculated as 20.25 pounds per day by using average weight (750+600/2) \* 3% of BW per day. A 65% forage utilization is applied.

Alternative?	Lbs/day	Price/lb	
Prairie Hay	3.5	\$60/ton	\$1.20 per day
Alfalfa	3.5	\$110/ton	or
Corn	7	\$3.20/bu	\$0.60 per
DDG's	7	\$140/ton	pound of gain

5.)

## Opportunities to save on Cost of Production

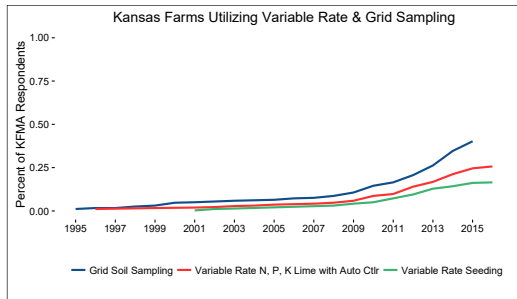
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## Temptations during low prices

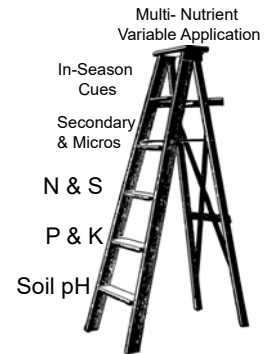
- Reaction includes reduce input rates (lots of opinions on 'best' response)
  - Seeds (essential input)
  - CPCs
  - Fertility (quasi-nessential input)
  - Irrigation
- What are the risks of prolonged reduced fertility
  - When soil test levels high, then little risk in short run
  - When soil test levels are adequate or lower, then at increased risk
    - Buildup more difficult in long run than maintenance

## Kansas farmers' use of precision soil sampling



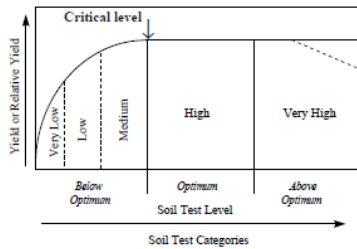
Source: Kansas KFMA

- Much like a Ladder
- One Step at a Time.



Source: Brian Arnall, Oklahoma State University

- Making P and K Recs: Ongoing debate
- Feed the Crop
  - Sufficiency
- Feed the Soil
  - Replacement
  - Build
  - Maintain
- Know the critical level for the nutrients



Nutrient response curve based on soil test, Rutgers Cooperative Extension.

Stolen from: Brian Arnall, Oklahoma State University

## Summary

- Production practices should change as price:cost ratio changes
- Temptation to skip nonessential inputs or reduce input rates
- Survival model (1 year) versus long-term strategy
  - Even with fertility, there are basic and fine-tuning (think 'ladder')

6.)

## Making Efficient Crop Insurance Purchases

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### Great Plains 2017 Wheat Rates with TA & YA

No APH Adjustment, Rate Yield 33 bu., APH 33 bu.						
% Coverage	60%	65%	70%	75%	80%	85%
Price Election	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76
\$ Coverage	\$94.25	\$102.34	\$109.96	\$118.05	\$125.66	\$133.76
Premium	\$11.14	\$13.59	\$16.56	\$19.88	\$23.47	\$27.54
Farmer Share	\$2.23	\$2.72	\$3.31	\$4.57	\$7.51	\$12.94
Farmer Rate	2.4%	2.7%	3.0%	3.9%	6.0%	9.7%

Trend Yield (TA) & Yield Exclusion (YE), Rate Yield 33 bu., APH 39 bu.						
% Coverage	60%	65%	70%	75%	80%	85%
Price Election	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76
\$ Coverage	\$111.38	\$120.90	\$129.95	\$139.47	\$148.51	\$158.03
Premium	\$15.57	\$19.08	\$23.31	\$28.18	\$32.78	\$38.78
Farmer Share	\$3.11	\$3.82	\$4.66	\$6.48	\$10.49	\$18.23
Farmer Rate	2.8%	3.2%	3.6%	4.6%	7.1%	11.5%
Added Prem						
4 APH Adj	\$0.88	\$1.10	\$1.35	\$1.91	\$2.98	\$5.29

Comparing \$ Coverage & TA & YA will Save Premium for Many Farmers

No APH Adjustment, Rate Yield 33 bu., APH 33 bu.						
% Coverage	60%	65%	70%	75%	80%	85%
Price Election	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76
\$ Coverage	\$94.25	\$102.34	\$109.96	\$118.05	\$125.66	\$133.76
Premium	\$11.14	\$13.59	\$16.56	\$19.88	\$23.47	\$27.54
Farmer Rate	\$2.23	\$2.72	\$3.31	\$4.57	\$7.51	\$12.94
Share Rate	2.4%	2.7%	3.0%	3.9%	6.0%	9.7%

Trend Yield (TA) & Yield Exclusion (YE), Rate Yield 33 bu., APH 39 bu.						
% Coverage	50%	55%	60%	65%	70%	75%
Price Election	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76	\$4.76
\$ Coverage	\$92.82	\$102.34	\$111.38	\$120.90	\$129.95	\$139.47
Premium	\$9.94	\$12.40	\$15.57	\$19.08	\$23.31	\$28.18
Farmer Share	\$1.99	\$2.48	\$3.11	\$3.82	\$4.66	\$6.48
Farmer Rate	2.1%	2.4%	2.8%	3.2%	3.6%	4.6%
Added Prem						
4 APH Adj	(\$0.24)	(\$0.24)	(\$0.20)	(\$0.75)	(\$2.85)	(\$6.46)
Rate Change	(0.22%)	(0.23%)	(0.22%)	(0.71%)	(2.39%)	5.03%
Cov. Change	(\$1.43)	\$0.00	\$1.42	\$2.85	\$4.29	\$5.71



Farmers who Select TA & YA & Cut % Coverage, must also Cut % Coverage on All Units

	Unit 1 33/39	Unit 2 39/40	Unit 3 36/36	
None	\$125.66 X 200.0 ac.	\$152.32 X 100.0 ac.	\$137.09 X 100.0 ac.	= \$54,073 Total Coverage
TA&YE	\$129.95 X 200.0 ac.	\$133.28 X 100.0 ac.	\$119.95 X 100.0 ac.	= \$51,313 Total Coverage
None	\$7.51 X 200.0 ac.	\$8.74 X 100.0 ac.	\$7.84 X 100.0 ac.	= \$3,160 Total Farm Prem
TA&YE	\$4.66 X 200.0 ac.	\$3.86 X 100.0 ac.	\$3.45 X 100.0 ac.	= \$1,663 Total Farm Prem
None	\$125.66 X 350.0 ac.	\$152.32 X 25.0 ac.	\$137.09 X 25.0 ac.	= \$51,216 Total Coverage
TA&YE	\$129.95 X 350.0 ac.	\$133.28 X 25.0 ac.	\$119.95 X 25.0 ac.	= \$51,813 Total Coverage
None	\$7.51 X 350.0 ac.	\$8.74 X 25.0 ac.	\$7.84 X 25.0 ac.	= \$3,043 Total Farm Prem
TA&YE	\$4.66 X 350.0 ac.	\$3.86 X 25.0 ac.	\$3.45 X 25.0 ac.	= \$1,814 Total Farm Prem



7.)

## Is it time to retire?

Duane Hund

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## Is it time to retire?

- Will I be useful if I turn over the reins?
- What will I do?
- Will I be able to afford to retire?
- Given the change in commodity prices should I retire now?



## Visualization:

Many farmers' identity is in their farms.

- Occupation is usually very diversified
- Few farmers have hobbies
- 1<sup>st</sup> step is to visualize what retirement will be.



## Draw a picture of what you will be doing in retirement:

- Does this picture involve opportunity?
- Mentoring grandchildren
- Opportunity to do things you always wished you had time to do before retirement.





## Roles with community or faith organizations:

- Improving relationships with old friends.
- Seeing some other parts of the country or the world.
- Maybe buy that sports car you always wanted when you were younger.

## What do you want to contribute, give or help to bring about in retirement?

- This could be financial or time related.
- It could be political or social change related.
- What are your passions to make a difference?

## Be Practical

- How many of us know someone who sold the farm moved to town and passed away within a year?
- Without a plan we feel our value is lost.
- We all need to be needed.
- We have worth to our community our family and our creator.

## Financial Groundwork

What are the financial obligations?

- Long term debt?
- New investments to provide for the following generation?
- Health Care issues?

How do I factor in inflation and increasing life expectancies?

- Is selling part of the farm the answer?
- What about just selling/gifting the improvements?
- Can I use my net worth to provide a suitable retirement?

## How do I analyze my options?

- Social Security, what age do I take my SS?
- Cash rent or crop share?
- Sell the cows or lease them out?
- Sell land on a 30 year contract to provide annual living expenses?

- Analyze carefully to arrive at the answer.
- Many are surprised after analyzing all the alternatives.
- A productive retirement takes planning and time to implement.
- Maybe NOW is the time to consider some form of retirement.
- Commodity prices are low but any arrangement with a successor has to work for both parties.
- You can't start too early!

8.)

## What About The Next Generation?

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## Critical Questions

- Is now ***not*** the time for the next generation to come back?
- What if the next generation already has come back and now the business can't support them?

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## The Answers

- Is now ***not*** the time for the next generation to come back?
  - Yes
  - No
  - Maybe
  - I do not know!

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**Yes!**  
Now Is Not The Time For The Next Generation To Come Back

KANSAS STATE  
UNIVERSITY



**No!**  
Now Is The Time For The Next Generation To Come Back.

KANSAS STATE  
UNIVERSITY



**Maybe!**  
Now Might Or Might Not Be The Time For The Next Generation To Come Back.

KANSAS STATE  
UNIVERSITY



# I Don't Know!

It Is Really Case Dependent

# The Answers

- What if the next generation already has come back and now the business can't support them?

# Conclusions

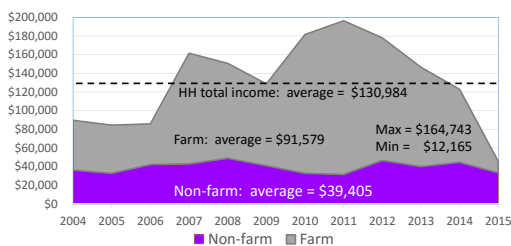
9.)

# Can we tighten our belts?

Farm Household Income and Family Living Expenses

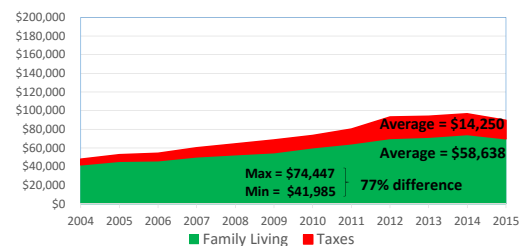
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## Farm and non-farm income



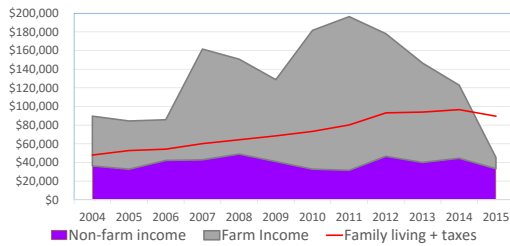
Source: KFMA annual reports of family income and living expenses

## Spending: family living expenses & taxes



Source: KFMA annual reports of family income and living expenses

## Inflow vs. Outflow



Source: KFMA annual reports of family income and living expenses

## So the situation is...

- **Farm income is highly variable... and declining** in recent years
  - Several years with significant potential savings
  - 4 consecutive years of declining farm income from 2011 peak
  - Actual shortfall in 2015 (total income < family living + taxes)
  - Farm income prospects for next few years are meager
- **Non-farm income not sufficient to cover family living expenses**
  - Significant increase in non-farm income is not likely for many HH's
- **Where will we make up the difference?**
  - Taxes: income taxes will decline, but real estate taxes may rise
  - Family living expenses increased over 70% in 12 years
  - Closer look at family living expenses...

## Family living expenses, by category

Average household: average expense, low, high, % difference over 2004-2015

Expense Category	Average	Lowest	Highest	% difference, Low to High
Food Purchased	\$ 7,141	\$ 5,751	\$ 8,617	49.8%
Household Operation	\$ 7,409	\$ 5,131	\$ 9,997	94.8%
House Upkeep & Repairs	\$ 3,809	\$ 1,857	\$ 6,490	249.5%
Furniture - Equipment	\$ 1,520	\$ 1,045	\$ 1,913	83.1%
Personal - Recreation	\$ 8,994	\$ 6,212	\$ 11,535	85.7%
Education	\$ 1,512	\$ 1,181	\$ 1,752	48.3%
Child Care	\$ 340	\$ 192	\$ 652	239.6%
Clothing	\$ 1,717	\$ 1,428	\$ 2,000	40.1%
Gifts	\$ 2,986	\$ 1,737	\$ 4,680	169.4%

(versus overall family living increase of 77%)  
Consumer Price Index increased 27.8% from Jan. 2004 to Dec. 2015

Source: KFMA annual reports of family income and living expenses

## Family living expenses, by category

Average household: average expense, low, high, % difference over 2004-2015

Expense Category	Average	Lowest	Highest	% difference, Low to High
Contributions	\$ 4,106	\$ 2,492	\$ 5,608	125.0%
Doctor - Other Medical	\$ 4,520	\$ 4,147	\$ 4,882	17.7%
Health Insurance	\$ 6,006	\$ 4,153	\$ 8,320	100.3%
Life Insurance	\$ 2,985	\$ 2,237	\$ 3,816	70.6%
Auto Expense	\$ 2,511	\$ 2,023	\$ 3,198	58.1%
Utilities - Telephone	\$ 2,255	\$ 1,800	\$ 2,583	43.5%
Bank Interest	\$ 554	\$ 363	\$ 698	92.3%
Miscellaneous Expense	\$ 547	\$ 328	\$ 1,066	225.0%

(versus overall family living increase of 77%)

Consumer Price Index increased 27.8% from Jan. 2004 to Dec. 2015

Source: KFMA annual reports of family income and living expenses

## Some households already in deep water: KFMA 2015 net farm income distribution

Net Income Range	% of Farms
Over \$300K	2.77
\$200K to \$300K	3.45
\$100K to \$200K	10.09
\$50K to \$100K	14.58
\$0 to \$50K	24.68
\$0 to \$50K loss	21.66
More than \$50K loss	22.78

(44.44% negative)

Source: KFMA Executive Summary, 2015 PROFITLINK Analysis

## Summary for family living expenses....

- **Categories** where spending may be reduced? Some good candidates:
  - House upkeep & repairs
  - Furniture & equipment
  - Household operations?
  - Personal / recreation
  - Gifts
  - Contributions
- Value of keeping better **records**: better idea **where** cuts are possible, **how much** might be saved
- Cutting household expenses **will not be sufficient** for some families
  - Will have to draw upon savings or other resources to cover a share of family living expenses

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## K-State Resources for Assistance

Forrest Buhler  
Staff Attorney  
Kansas Agricultural Mediation Services  
785-532-6958 kams@ksu.edu



## KANSAS AGRICULTURAL MEDIATION SERVICES

### 1-800-321-FARM

#### What type of program is Kansas Agricultural Mediation Services or KAMS?

- Official USDA certified state agricultural mediation program for Kansas since 1988.
- Resolves conflicts and disputes using mediation.
- Provides a safe and confidential place for the Kansas agricultural community to call for information, assistance and referrals.



#### USDA Grant Cases

- **Agricultural Credit**
  - FSA direct and guaranteed loans
  - Banks, suppliers, dealers, etc.
  - No cost to the parties
- **USDA adverse decisions**
  - FSA, NRCS, RD, RMA

#### Other Types of Cases

- **Family farm transitions**
- **Dissolutions or mergers**
- **Farm family disputes**
- **Fence law disputes**
- **Ag lease disputes**



#### Preparing for Mediation through Support Services

- **Agricultural Financial Counseling**
  - Who: K-State Farm Analyst Program
  - Cost: \$100 charge for initial analysis
- **Legal Assistance**
  - Who: Kansas Legal Services (KLS)
  - Cost: Sliding fee depending on income (\$20, \$30, \$50, or \$80 per hour)



#### KAMS Mediators

- Experienced in mediating KAMS agricultural cases.
- Approved by the Kansas Office of Dispute Resolution.
- Receive annual training for updates on agricultural issues and trends.



#### Who may request mediation?

##### Ag Credit Mediations

- Ag producers
- Banks
- Suppliers
- Co-ops
- Implement dealers
- Farm Credit Services
- Farm Service Agency

##### USDA Adverse Decision Mediations

- Any agricultural producer that receives an adverse decision letter



# KANSAS AGRICULTURAL MEDIATION SERVICES

Forrest Buhler – Staff Attorney  
Char Henton – Mediation Coordinator  
Janel Koons – Extension Assistant

**1-800-321-FARM**  
**ksre.k-state.edu/kams**



## Time for Questions

Check out our new website!  
[www.AgManager.info](http://www.AgManager.info)

