



KFMA Family Living

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Ag Lenders Conference – October 2016

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Outline

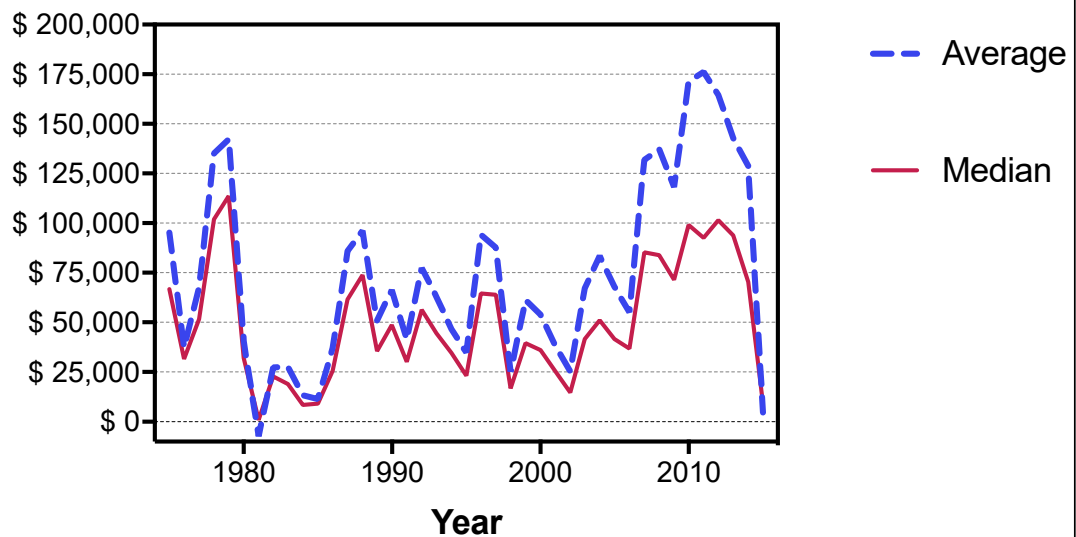
- Review of current farm financial situation
- How did farmers get through the 1980's
- Review of family living expenses
- Review of options

Income Situation

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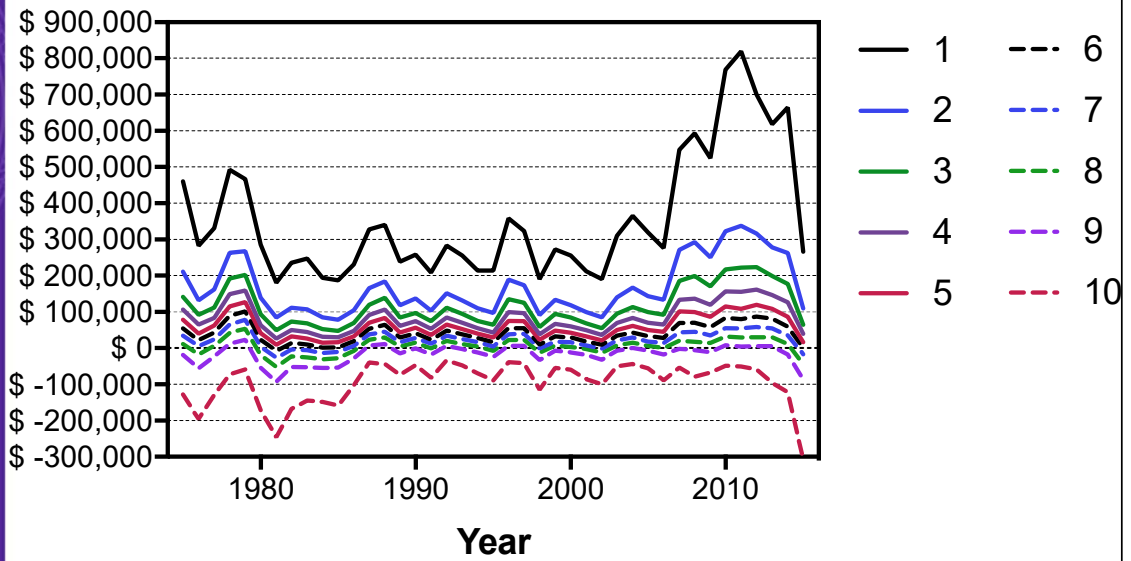
KFMA Net Farm Income

Median and Average NFI (real \$)



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Net Farm Income - by Decile Group

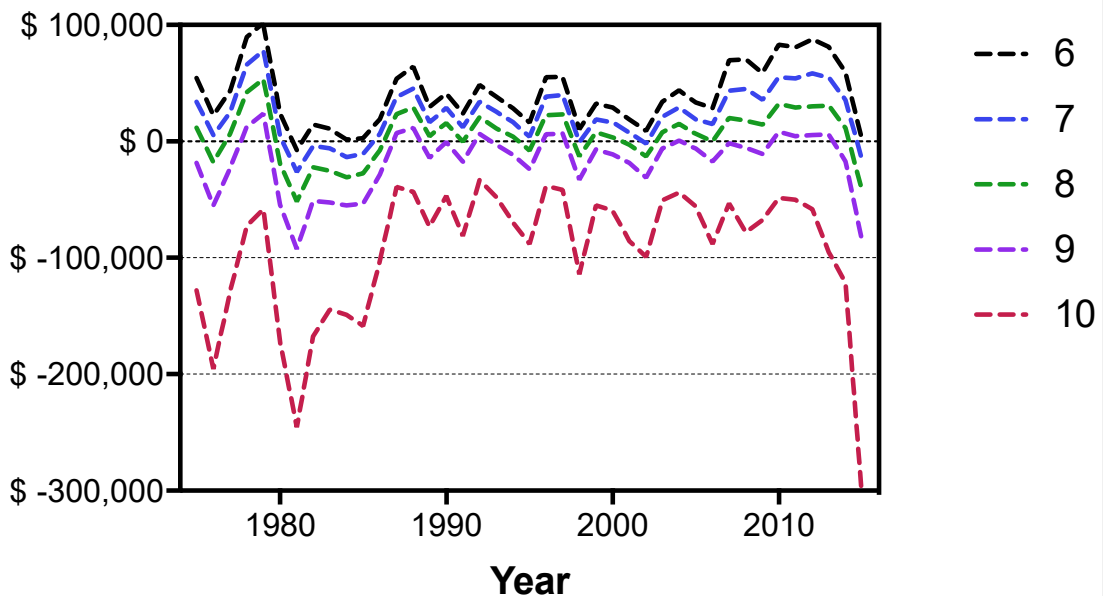


9/30/20
16

2016.4



Ave NFI of the Last 5 Decile Groups



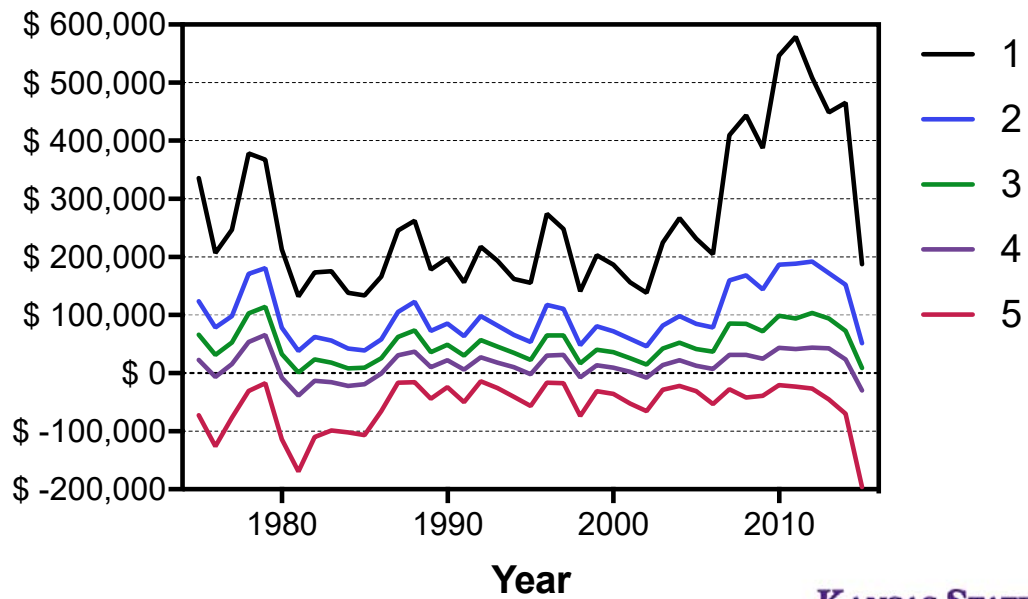
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All KFMA Farms

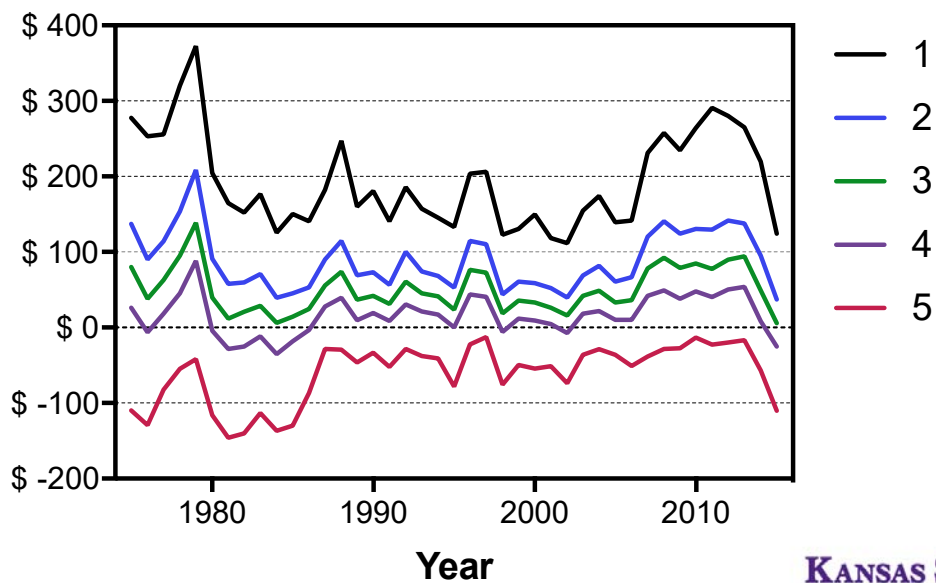
Net Farm Income - by Quintile Group



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All KFMA Crop Farms (per ac)

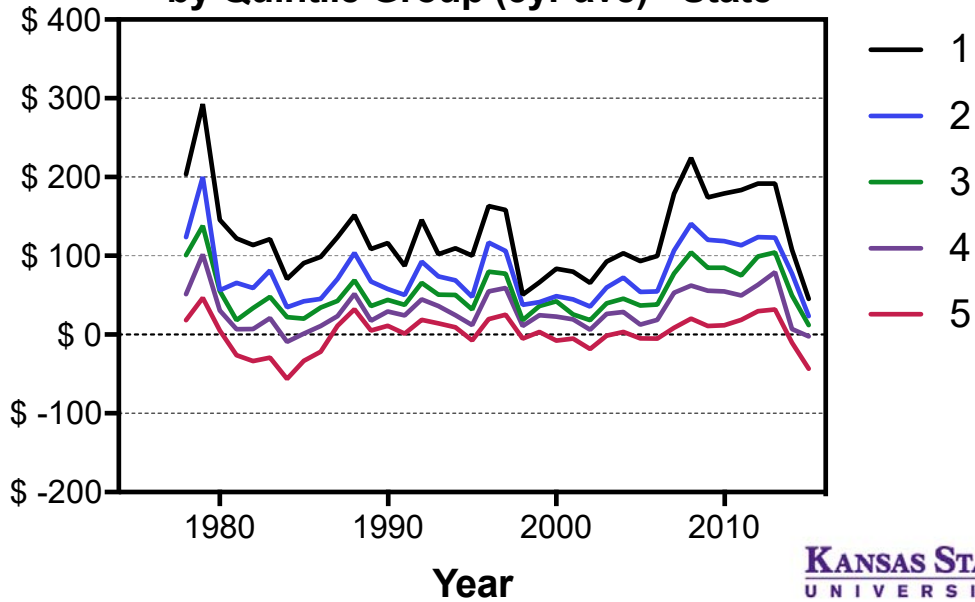
Net Farm Income per Acre - by Quintile Group



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NFI per Acre – State Quintiles based on 5 Year Average

Net Farm Income per Acre by Quintile Group (5yr ave) - State

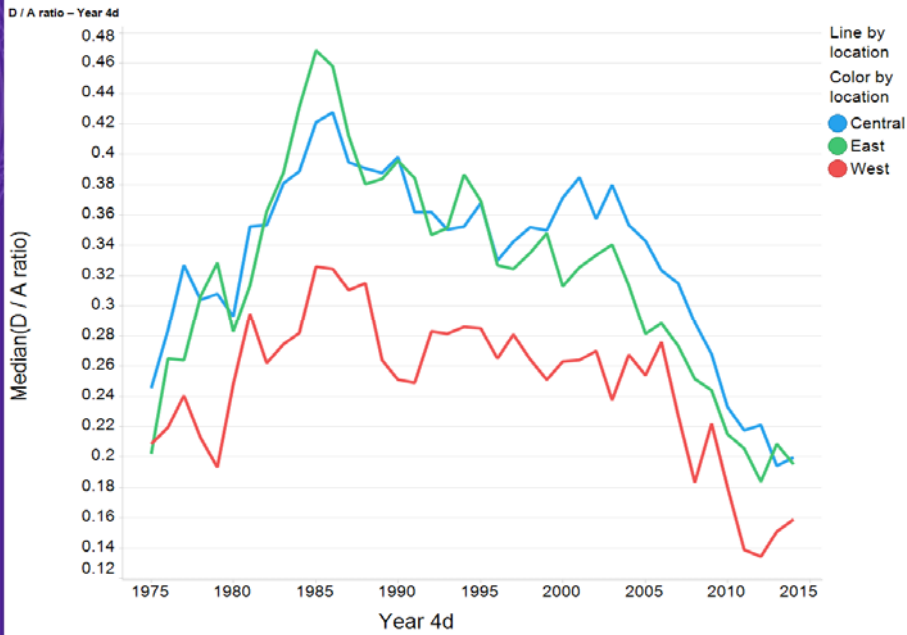


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Balance Sheet

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Median Debt to Asset Ratio by Region

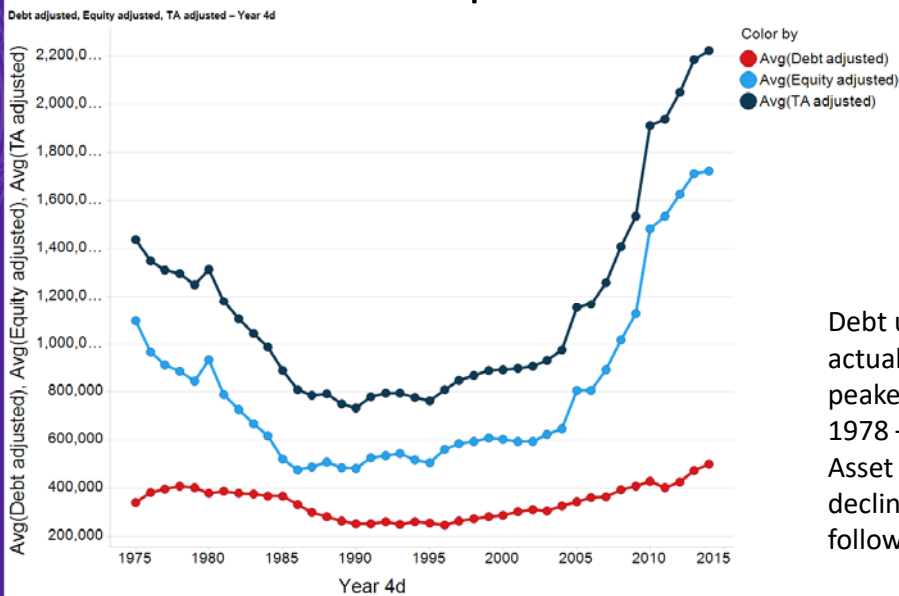


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Adjusted Debt, Equity, and Total Assets for KFMA Crop Farms



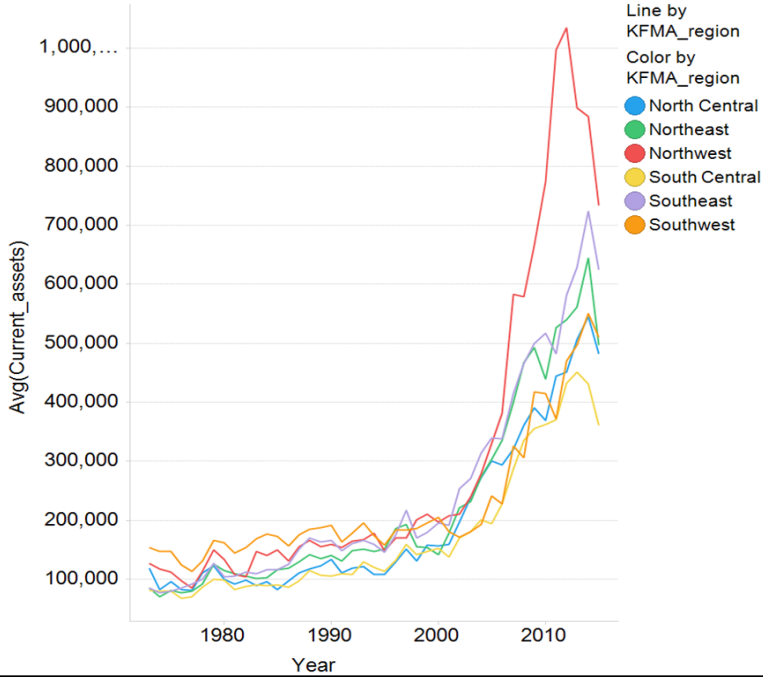
Debt use
actually
peaked in
1978 -
Asset
declines
followed

9/30/2016

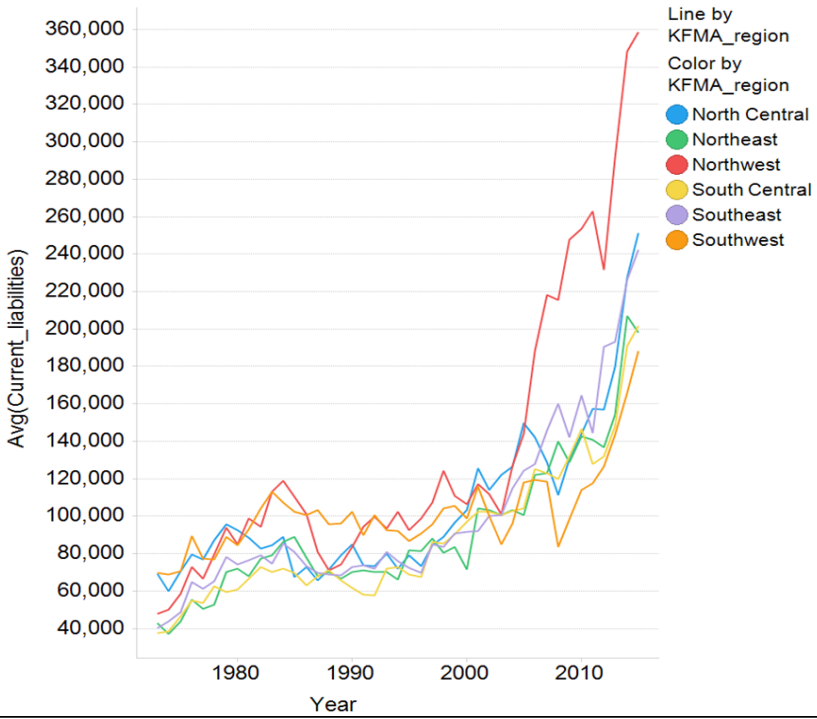
2016.3

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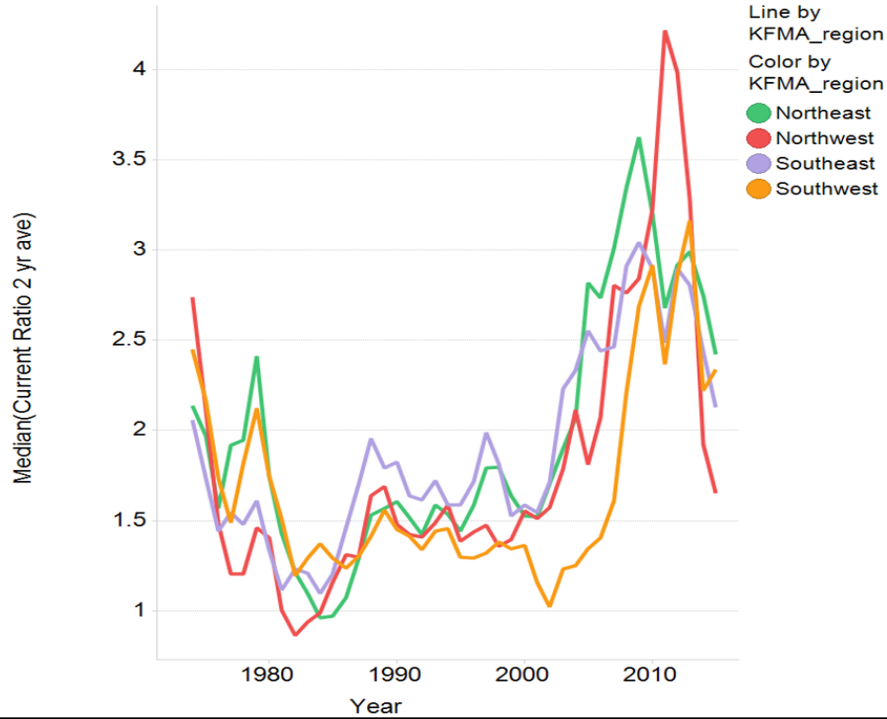
Average Current Assets (nominal \$)



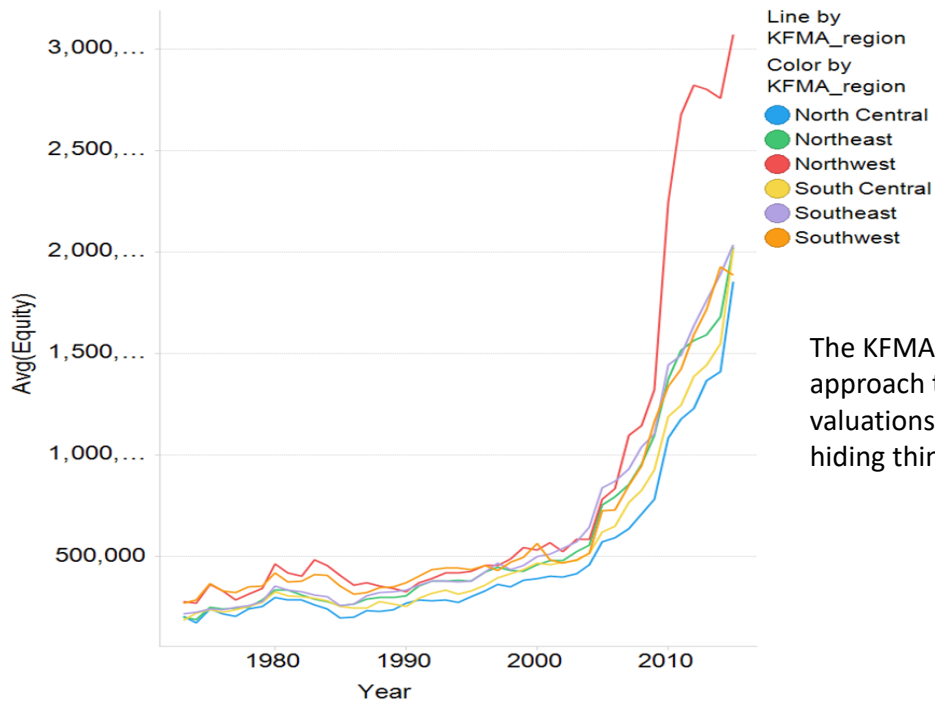
Average Current Liabilities – (nominal \$)



Median Current Ratio



Average Equity (nominal \$)



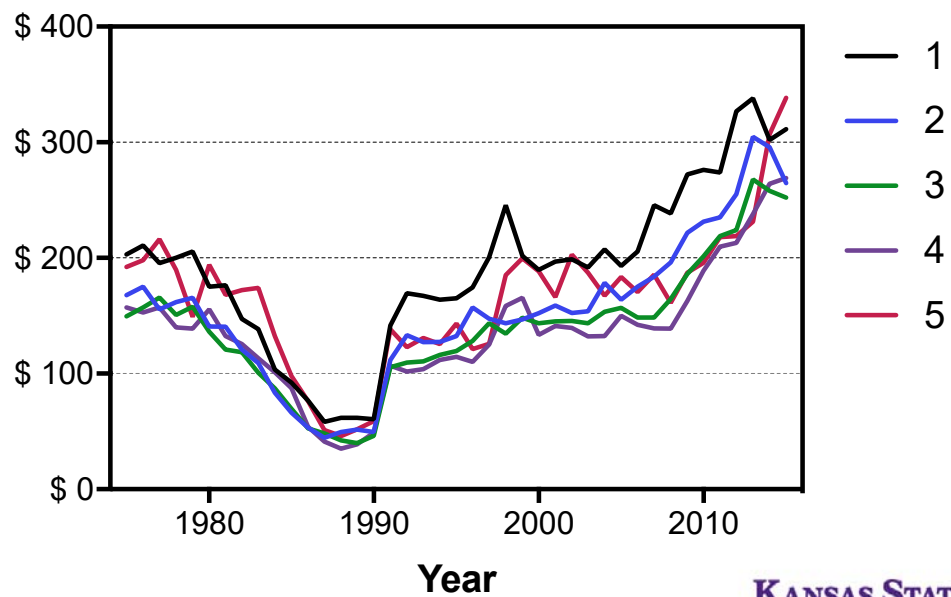
The KFMA approach to land valuations is hiding things here

- How did we get through the 1980's farm crisis?

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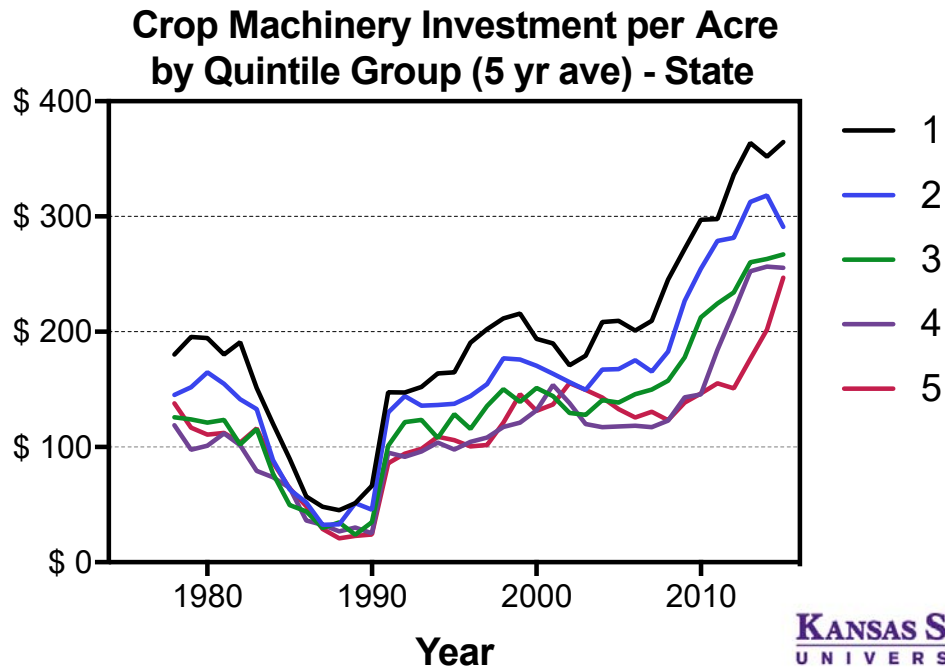
All KFMA Crop Farms

Crop Machinery Investment per Acre - by Quintile Group

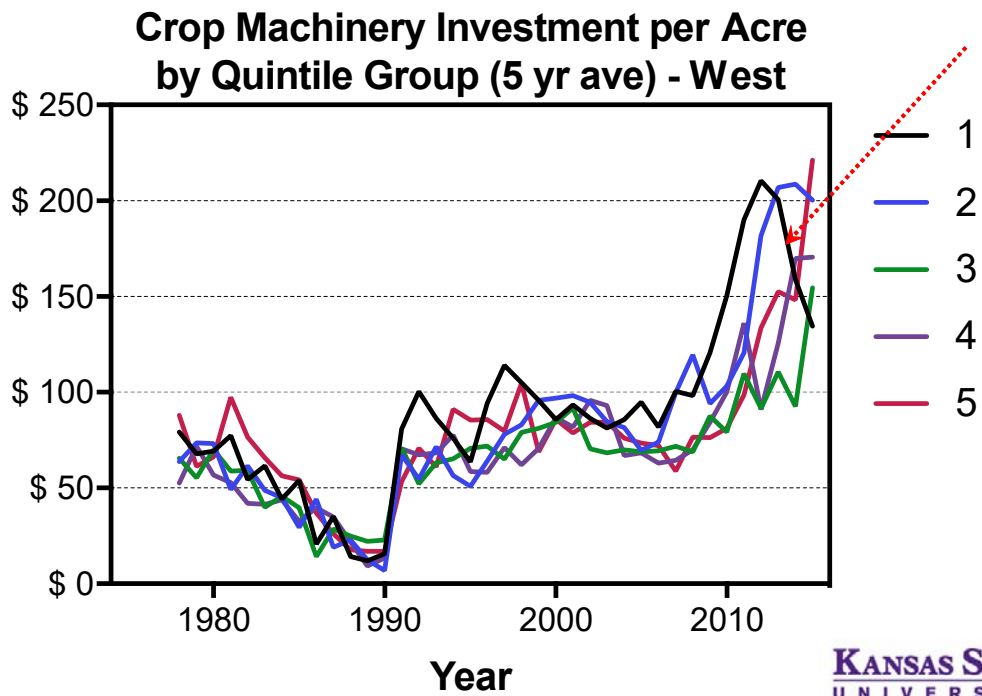


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Quintiles Based on 5 yr Ave - State

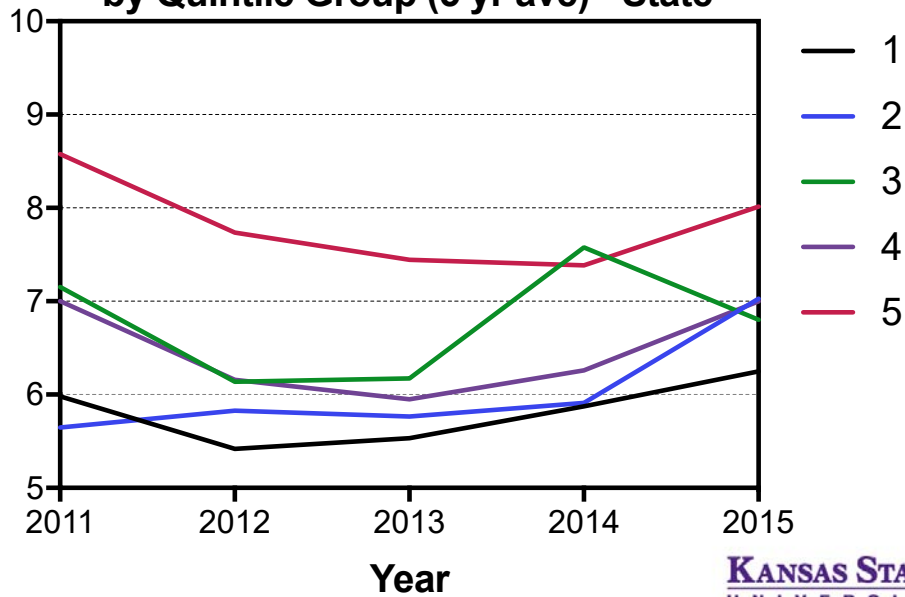


Quintiles Based on 5 yr Ave - West



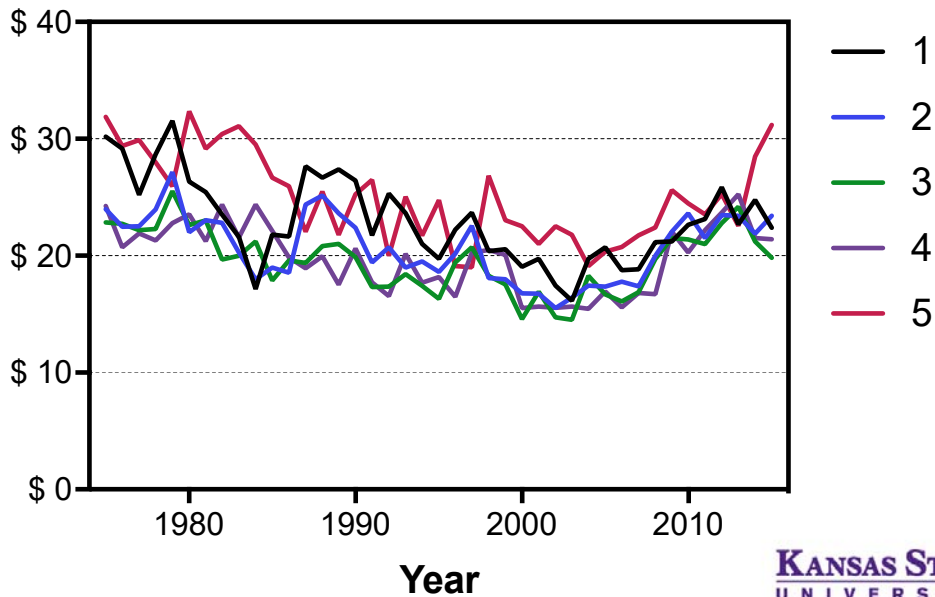
Average Asset Age

**Average Age of Assets
by Quintile Group (5 yr ave) - State**



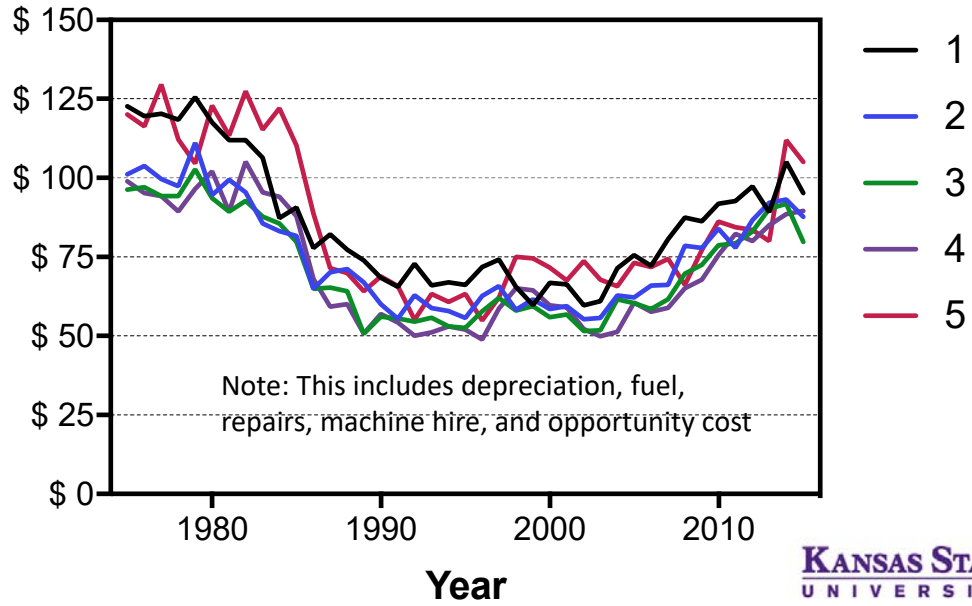
How Has Repairs and Maintenance Costs Varied?

Repair and Maintenance per Acre - by Quintile Group



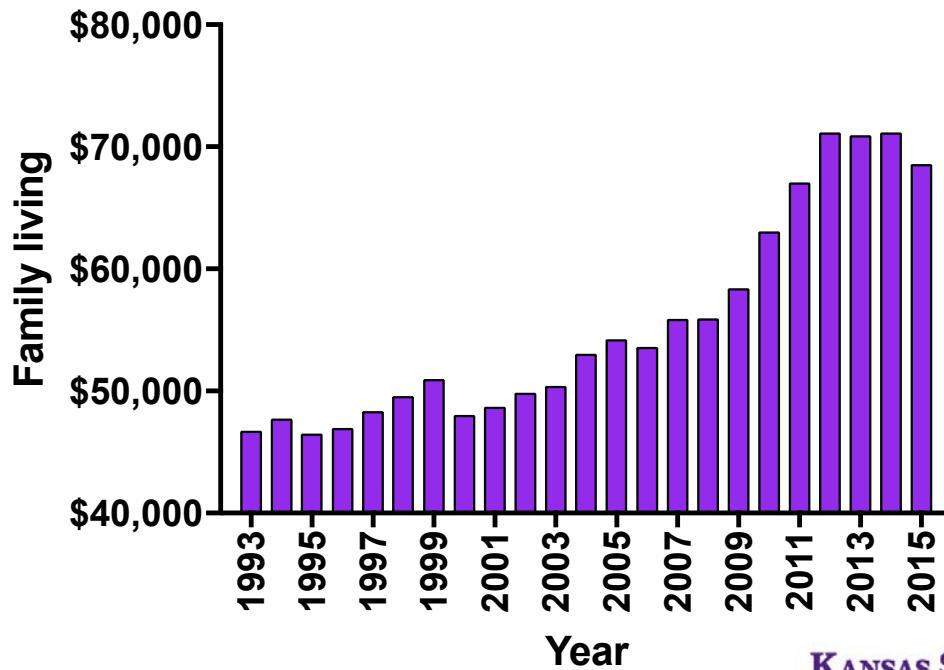
How Has Total Machinery Costs Varied?

Total Machinery Costs per Acre - by Quintile Group



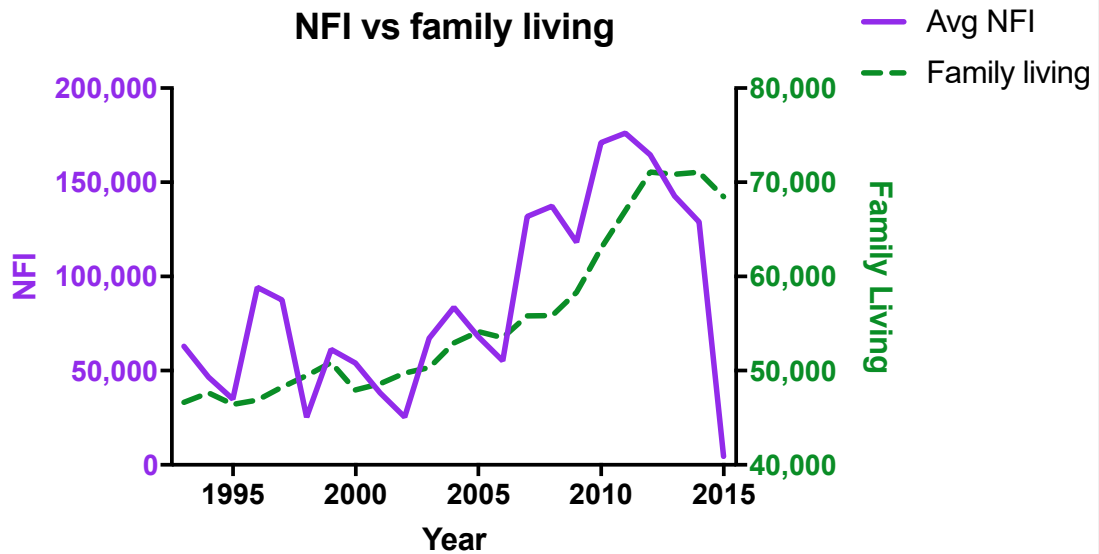
Family Living

Family Living – KFMA (real \$)

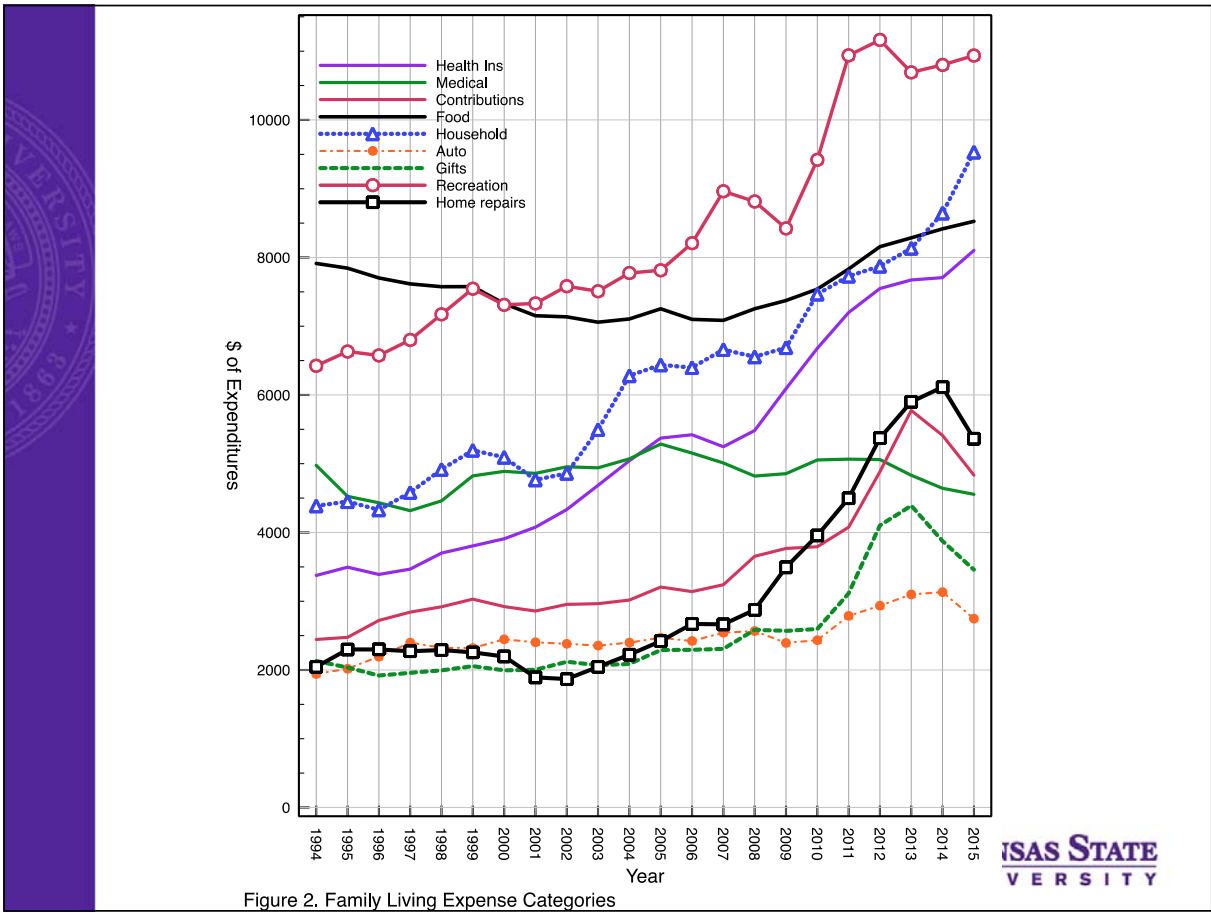
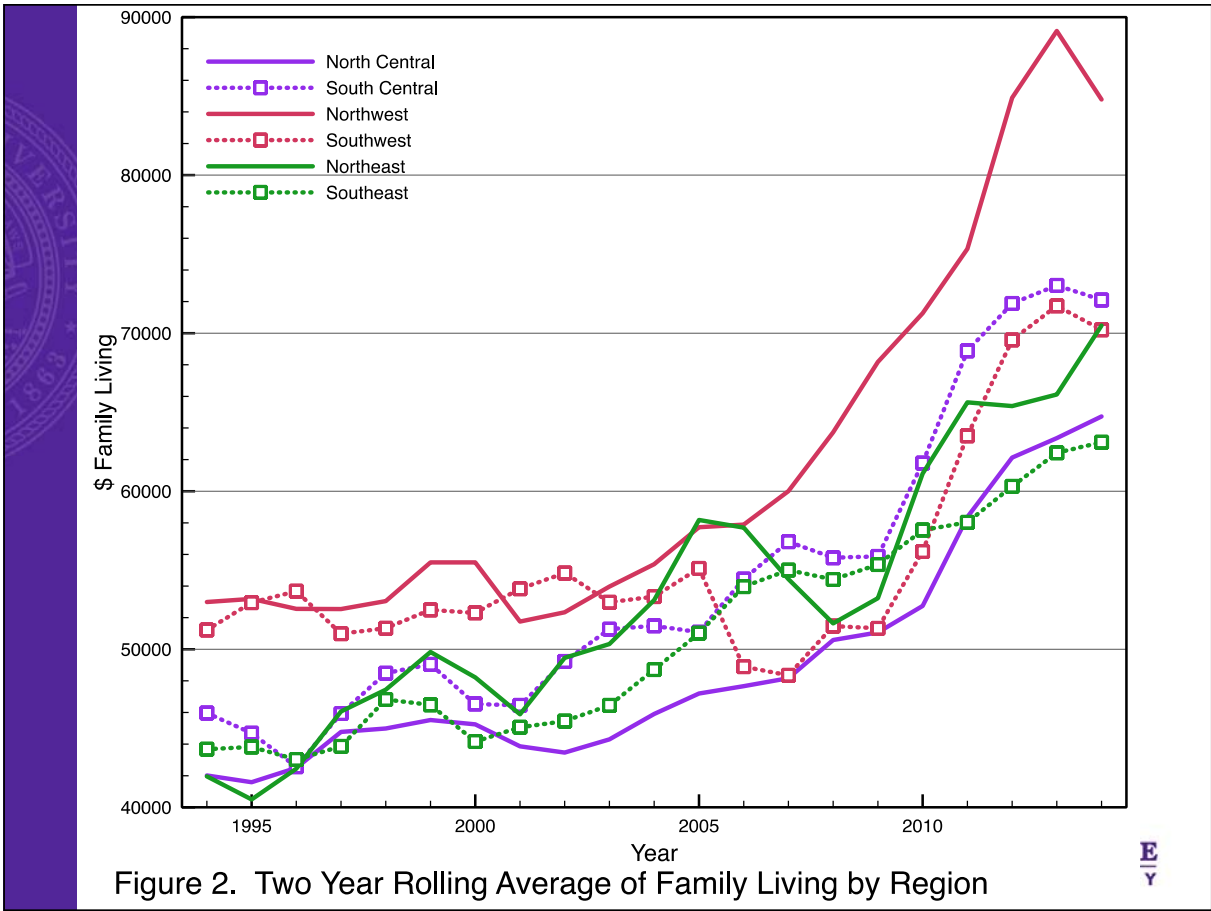


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NFI vs family living



Evidence of Family Living delay or family living is a function of multiple past years of NFI



Yearly Percent Change

Item	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Health ins	3.6%	-3.0%	2.3%	6.7%	2.8%	2.7%	4.3%	6.3%	8.1%	7.6%	6.5%	0.9%	-3.2%	4.5%	11.1%	9.6%	7.8%	4.8%	1.7%	0.2%	5.4%
Interest	-1.8%	24.8%	-6.6%	33.2%	18.7%	-9.5%	1.2%	17.6%	10.4%	-9.4%	-25.0%	-5.7%	11.3%	1.1%	13.8%	2.3%	-16.7%	-20.9%	6.6%	8.6%	19.6%
Childcare	-3.0%	-10.9%	11.9%	1.9%	-12.3%	-6.2%	8.8%	3.9%	-3.4%	-5.6%	-10.8%	-0.9%	11.3%	10.7%	9.2%	3.5%	6.0%	2.7%	8.9%	-11.1%	16.8%
Medical	-9.1%	-2.1%	-2.6%	3.3%	8.1%	1.4%	-0.6%	2.0%	-0.3%	2.6%	4.3%	-2.5%	-2.8%	-3.8%	0.7%	4.1%	0.2%	-0.1%	-4.5%	-3.7%	-2.1%
Contributions	1.3%	10.0%	4.4%	2.7%	3.8%	-3.5%	-2.3%	3.4%	0.3%	1.8%	6.3%	-2.0%	3.2%	12.8%	3.1%	0.6%	7.5%	19.8%	18.3%	-5.9%	-11.0%
Food	-0.9%	-1.8%	-1.1%	-0.5%	0.0%	-3.3%	-2.4%	-0.2%	-1.1%	0.7%	2.1%	-2.1%	-0.2%	2.4%	1.7%	2.2%	3.9%	4.1%	1.6%	1.6%	1.3%
Clothing	-5.9%	-4.0%	0.3%	-4.6%	-5.4%	-3.9%	-5.2%	-3.6%	-2.4%	-1.5%	2.2%	-2.1%	-4.9%	-2.4%	1.6%	6.4%	3.9%	3.0%	0.1%	-1.3%	-2.5%
Household operations	1.4%	-2.7%	5.8%	7.3%	5.7%	-2.0%	-6.4%	2.0%	13.1%	14.3%	2.5%	-0.6%	4.1%	-1.6%	2.0%	11.6%	3.5%	1.9%	3.3%	7.1%	9.5%
Education	-6.7%	-1.9%	-3.5%	7.9%	12.7%	-4.2%	-9.4%	1.9%	0.5%	-0.3%	4.4%	-4.8%	11.8%	16.7%	-1.6%	-6.3%	-3.9%	6.9%	-2.2%	0.1%	3.3%
Furniture	-4.0%	-7.4%	5.4%	4.3%	-3.1%	-4.2%	-8.4%	-4.1%	-10.0%	-0.1%	35.4%	11.9%	-10.5%	1.8%	14.7%	-1.7%	-1.0%	10.5%	-5.6%	-16.4%	-18.2%
Utilities	5.5%	6.3%	6.8%	1.6%	-3.4%	0.5%	6.0%	-1.0%	-4.3%	-3.9%	-3.2%	1.8%	2.5%	-1.7%	-1.0%	6.9%	-0.4%	-4.3%	1.4%	4.3%	3.1%
Auto	4.0%	8.7%	9.2%	-3.1%	-0.2%	5.5%	-1.8%	-0.9%	-1.1%	1.9%	2.9%	-1.9%	5.0%	0.9%	-6.7%	1.6%	14.6%	5.3%	5.6%	2.0%	-13.1%
Gifts	-4.4%	-5.7%	2.0%	1.9%	3.0%	-2.9%	0.4%	5.8%	-2.3%	0.9%	9.7%	0.1%	0.6%	12.0%	-0.6%	1.0%	20.0%	31.7%	7.0%	-11.3%	-11.1%
Recreation	3.2%	-0.9%	3.4%	5.5%	5.2%	-3.1%	0.3%	3.4%	-1.0%	3.5%	0.5%	5.0%	9.2%	-1.6%	-4.4%	11.8%	16.1%	2.0%	-4.2%	1.3%	1.0%
Life ins	-1.0%	-4.0%	0.7%	-1.3%	2.5%	0.7%	-6.1%	2.3%	5.0%	-1.7%	4.5%	-1.7%	-3.8%	0.7%	-4.2%	5.0%	4.8%	1.7%	10.2%	2.0%	-7.1%
Home repairs	12.4%	0.1%	-1.2%	0.8%	-1.5%	-2.6%	-13.9%	-1.3%	9.5%	8.7%	8.9%	10.3%	-0.2%	7.9%	21.5%	13.3%	13.7%	19.4%	9.8%	4.4%	-12.9%
Total	-0.3%	-0.8%	1.9%	2.7%	2.7%	-1.5%	-2.3%	1.9%	1.7%	3.2%	3.7%	0.5%	1.5%	2.1%	2.2%	6.2%	7.1%	6.2%	2.8%	0.0%	-1.7%

How Can Farmers Survive?

- Still some unused current assets
- Limit machinery purchases
 - Based on historical numbers there could be a savings of \$25 per acre
- Limit family living to pre-2007 levels if possible
- Additional borrowing?
- Use of non-current assets?

Any Positives

- Cost of production should be lower
 - Fertilizer is down
 - Other expenses level or down
- Interest rates remain low
- Fuel remains low