

# KFMA Family Living

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Ag Lenders Conference – October 2016

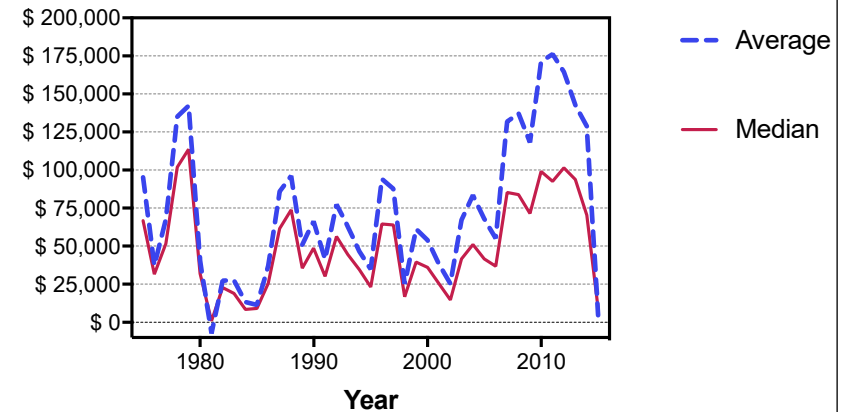
# Outline

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

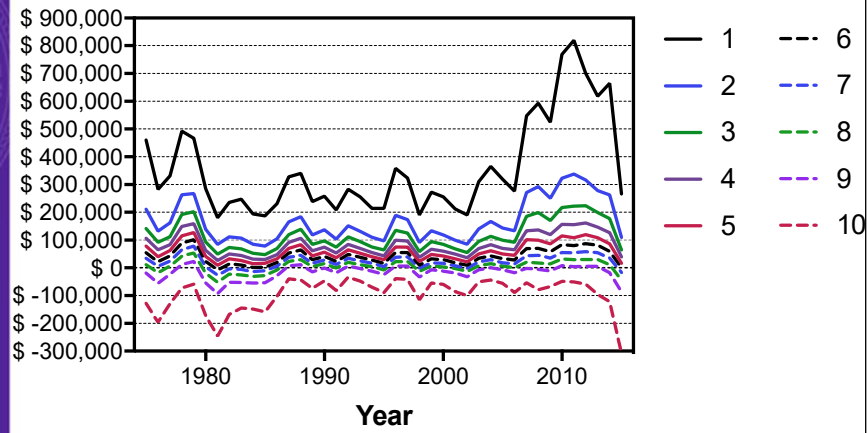
# Income Situation

# KFMA Net Farm Income

Median and Average NFI (real \$)



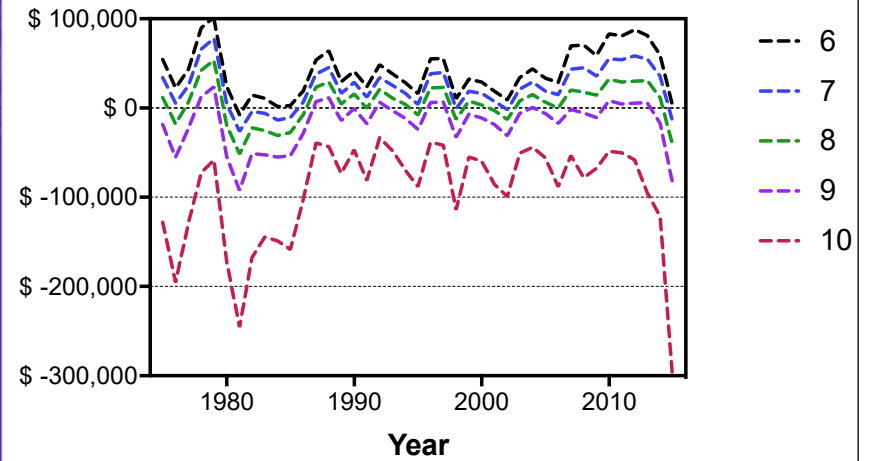
### Net Farm Income - by Decile Group



9/30/20  
16

2016.4

### Ave NFI of the Last 5 Decile Groups

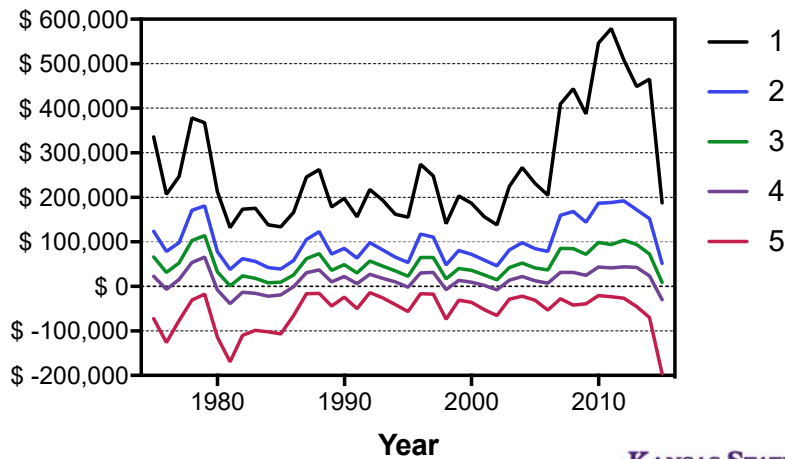


9/30/20  
16

2016.4

### All KFMA Farms

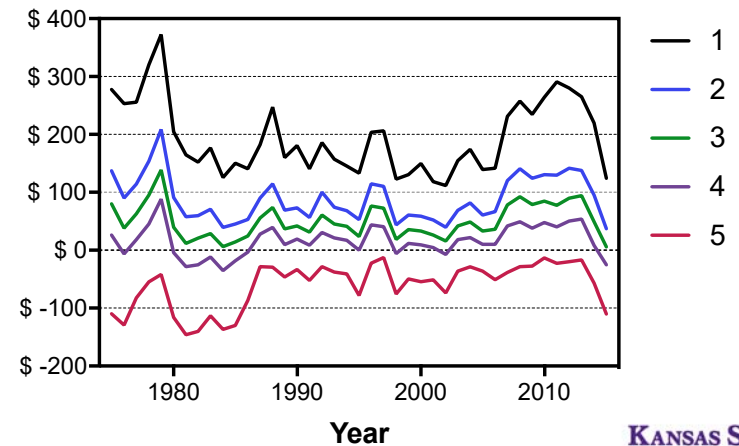
#### Net Farm Income - by Quintile Group



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### All KFMA Crop Farms (per ac)

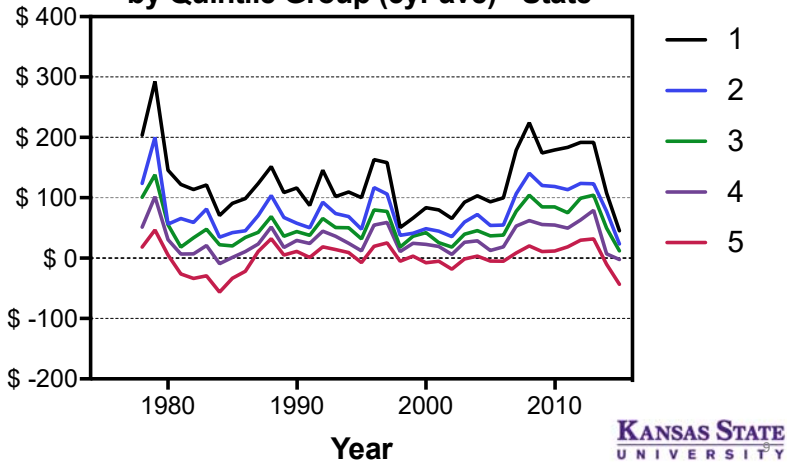
#### Net Farm Income per Acre - by Quintile Group



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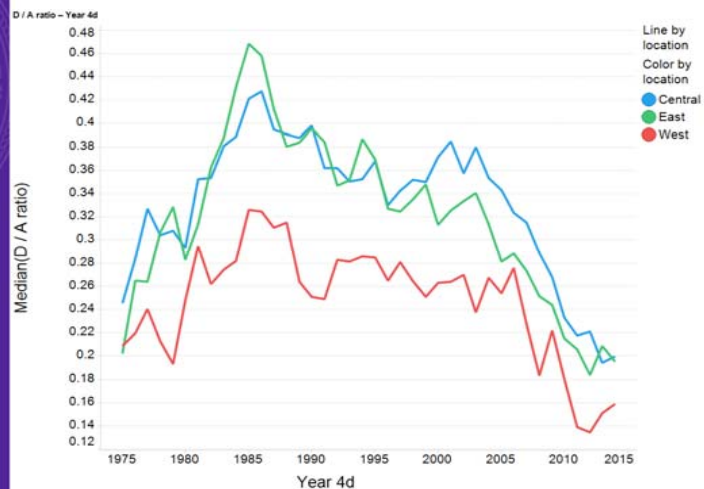
# NFI per Acre – State Quintiles based on 5 Year Average

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

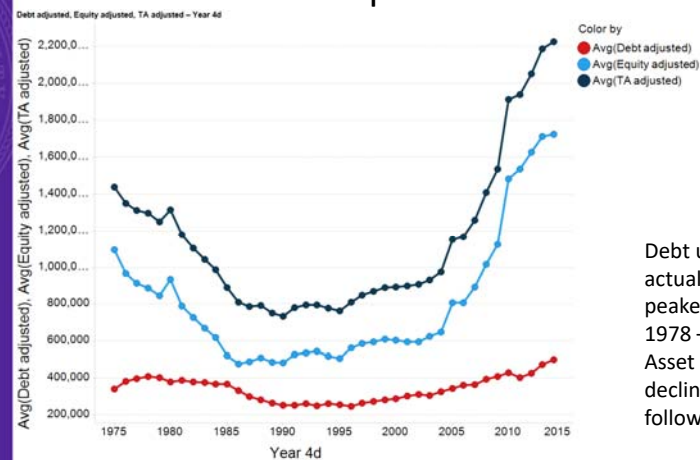


# Balance Sheet

# Median Debt to Asset Ratio by Region

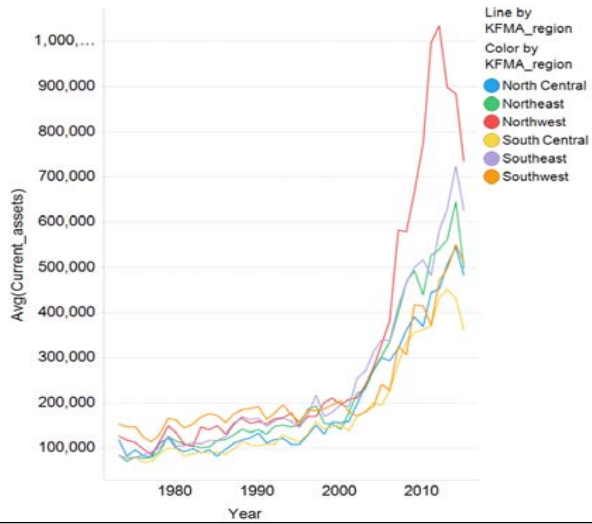


# Adjusted Debt, Equity, and Total Assets for KFMA Crop Farms



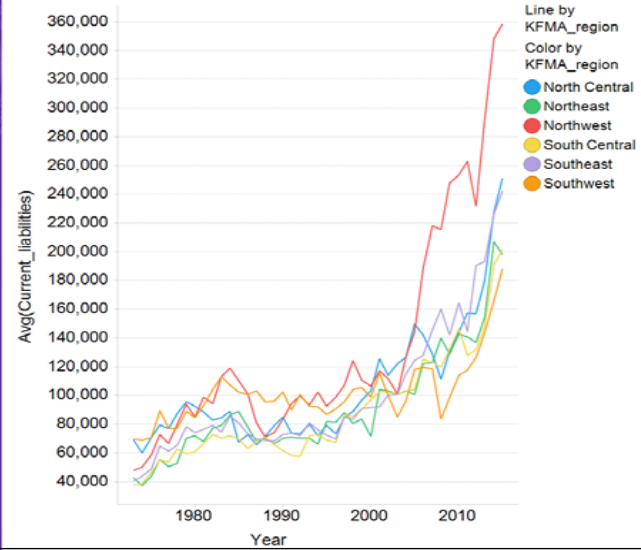
Debt use actually peaked in 1978 – Asset declines followed

## Average Current Assets (nominal \$)



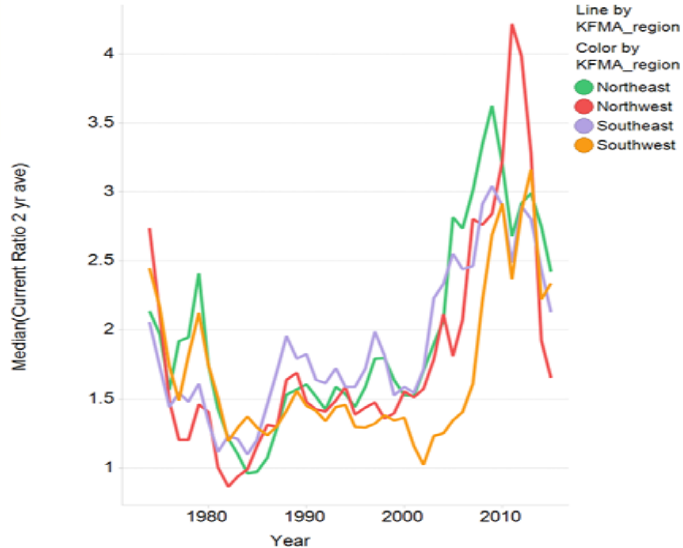
KANSAS STATE UNIVERSITY

## Average Current Liabilities – (nominal \$)



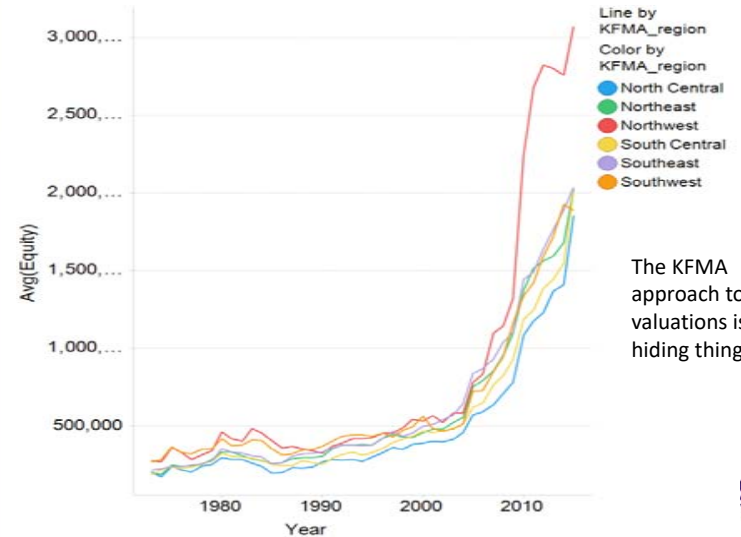
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## Median Current Ratio



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## Average Equity (nominal \$)



The KFMA approach to land valuations is hiding things here

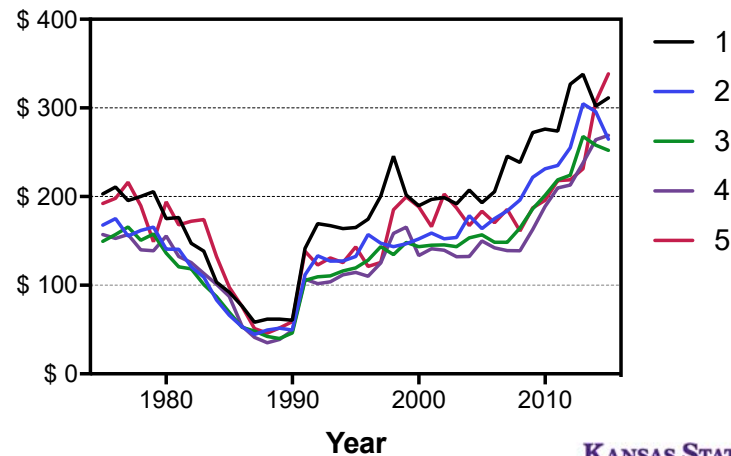
STATE CITY

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

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## All KFMA Crop Farms

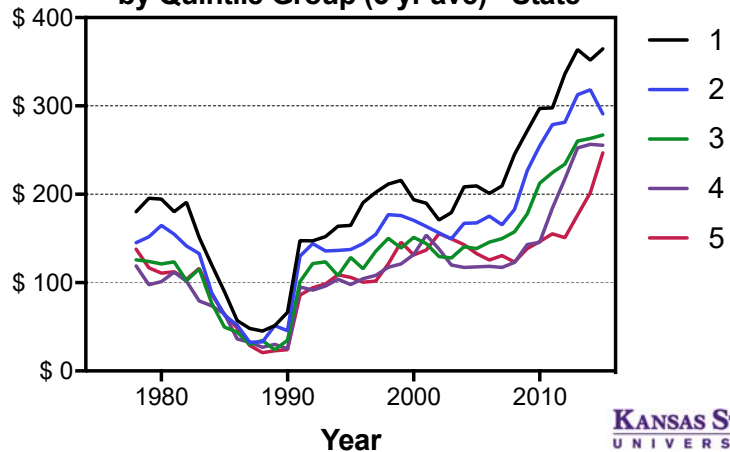
Crop Machinery Investment per Acre - by Quintile Group



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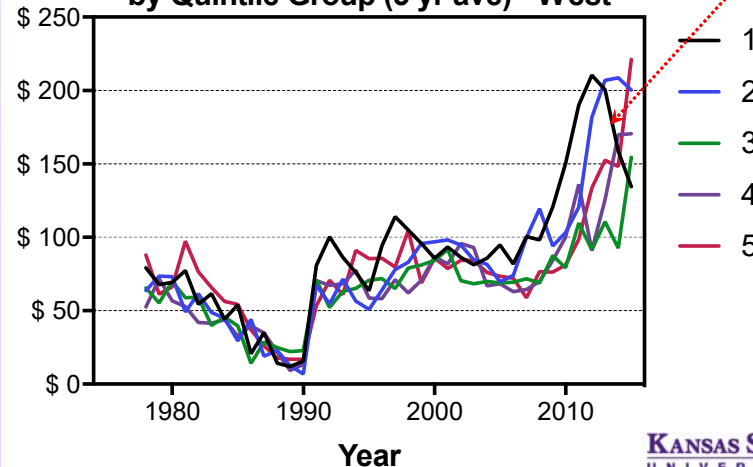
## Quintiles Based on 5 yr Ave - State

Crop Machinery Investment per Acre by Quintile Group (5 yr ave) - State



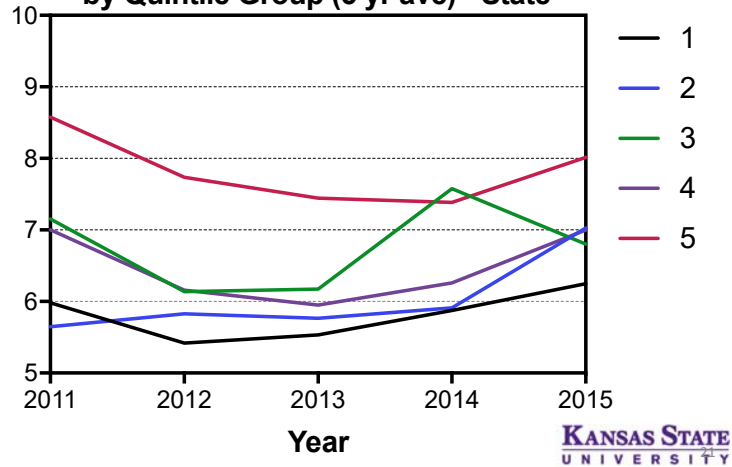
## Quintiles Based on 5 yr Ave - West

Crop Machinery Investment per Acre by Quintile Group (5 yr ave) - West



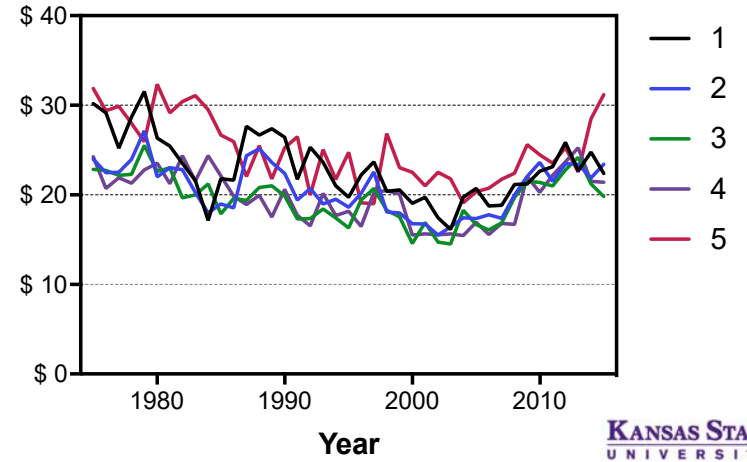
## Average Asset Age

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



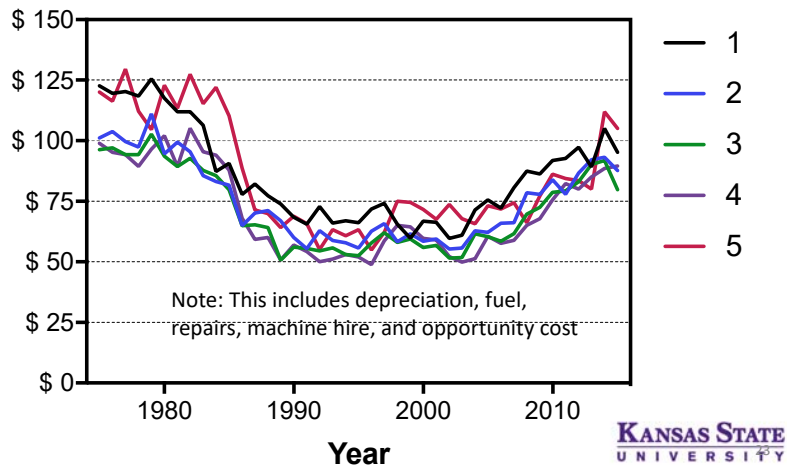
## How Has Repairs and Maintenance Costs Varied?

Repair and Maintenance per Acre - by Quintile Group



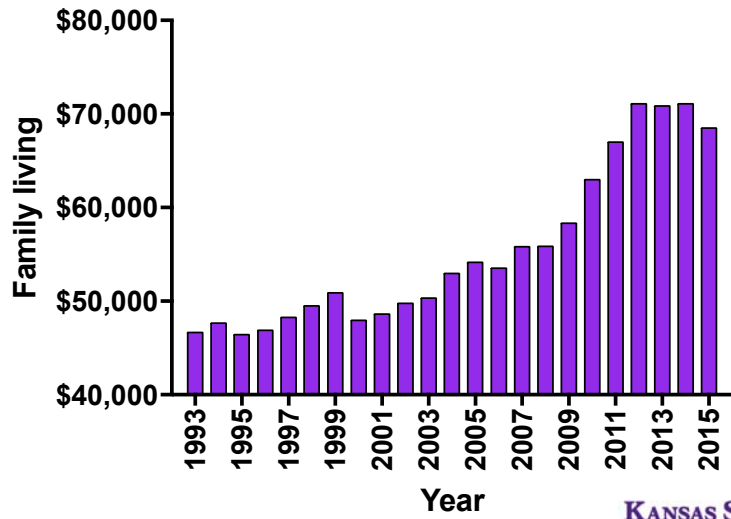
## How Has Total Machinery Costs Varied?

Total Machinery Costs per Acre - by Quintile Group



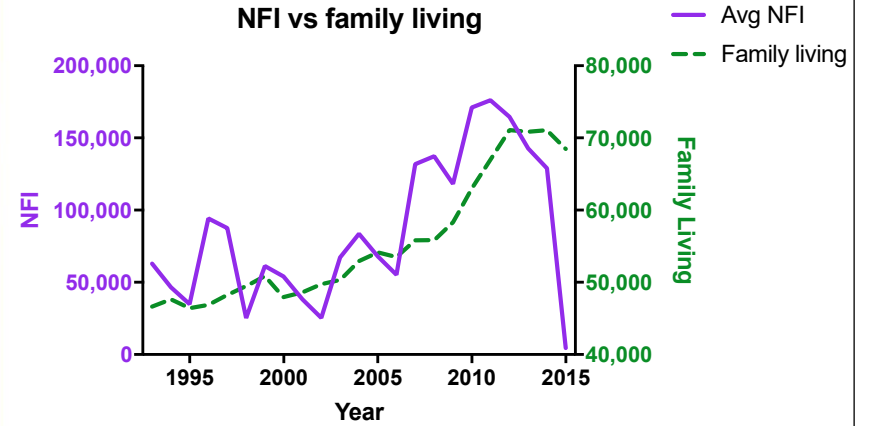
## Family Living

# 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

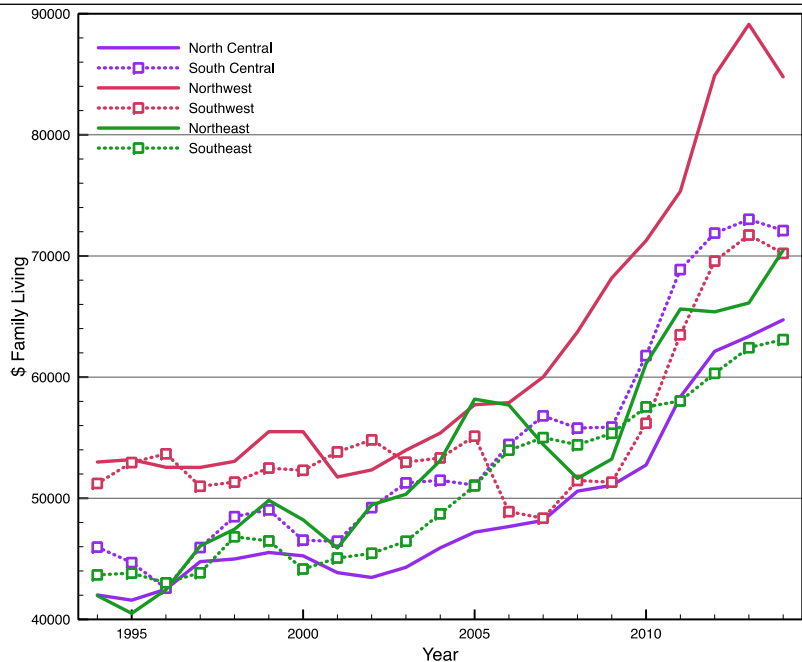


Figure 2. Two Year Rolling Average of Family Living by Region

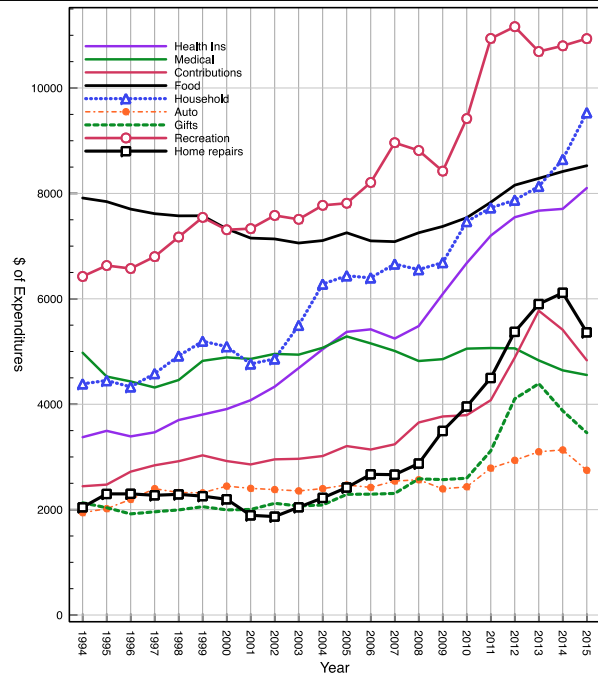


Figure 2. Family Living Expense Categories



## 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%

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## 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?

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## Any Positives

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

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