

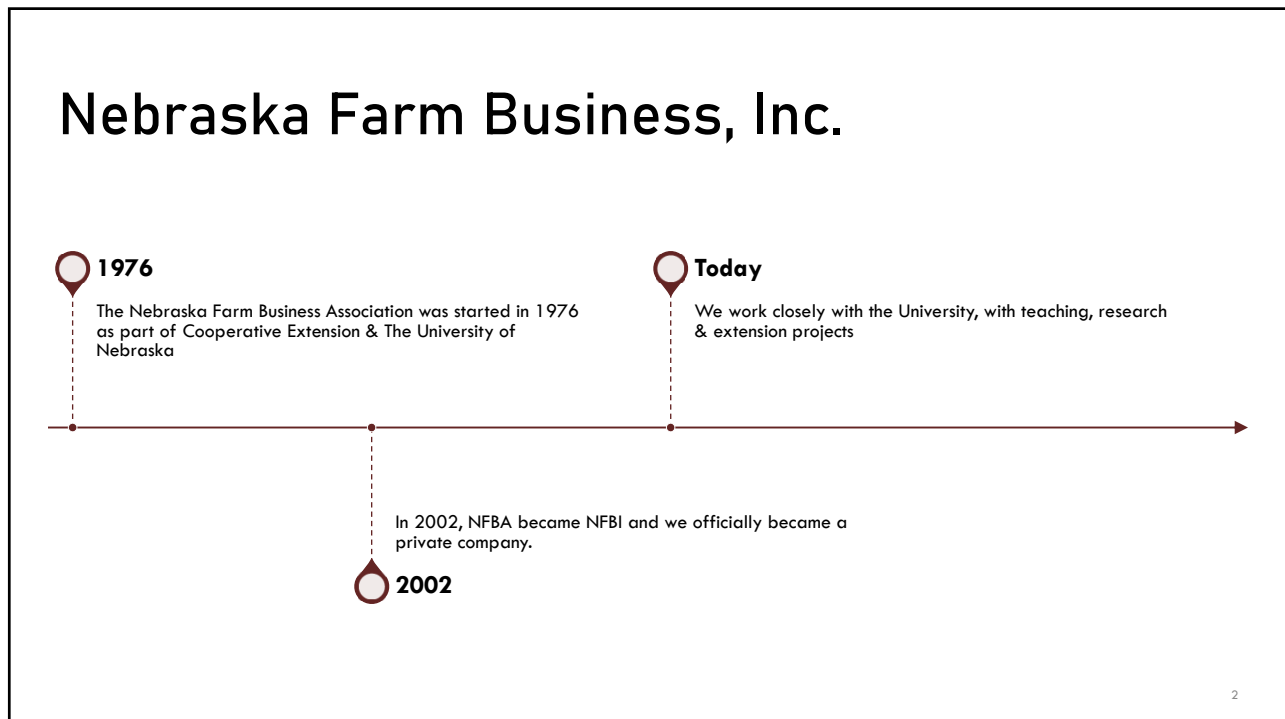


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2024 NEBRASKA AVERAGES

Tina Barrett
Nebraska Farm Business, Inc.

1



2

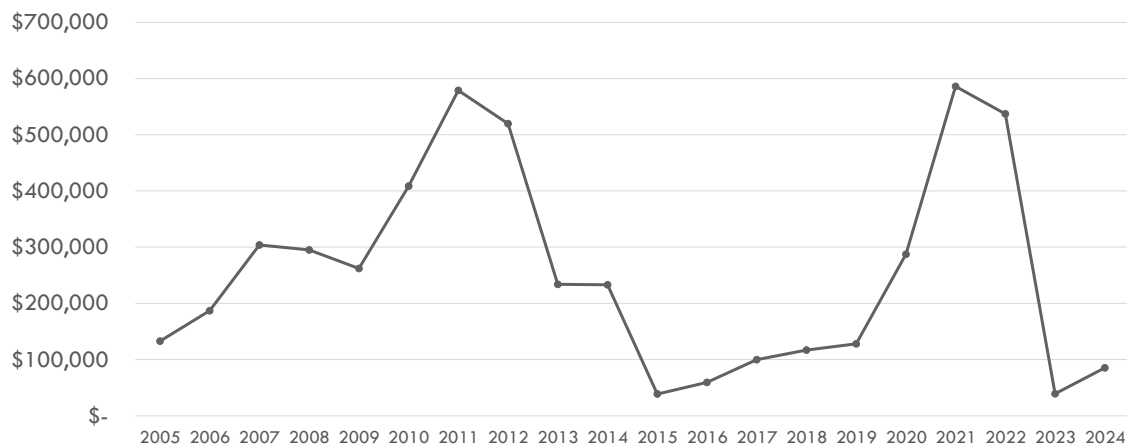
NEBRASKA FARM BUSINESS, INC.



NEBRASKA
Farm Business INC.

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NET FARM INCOME TREND – INDEXED



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DIGGING DEEPER

Net income range > \$3.6 Million

34.5% of farms saw negative income

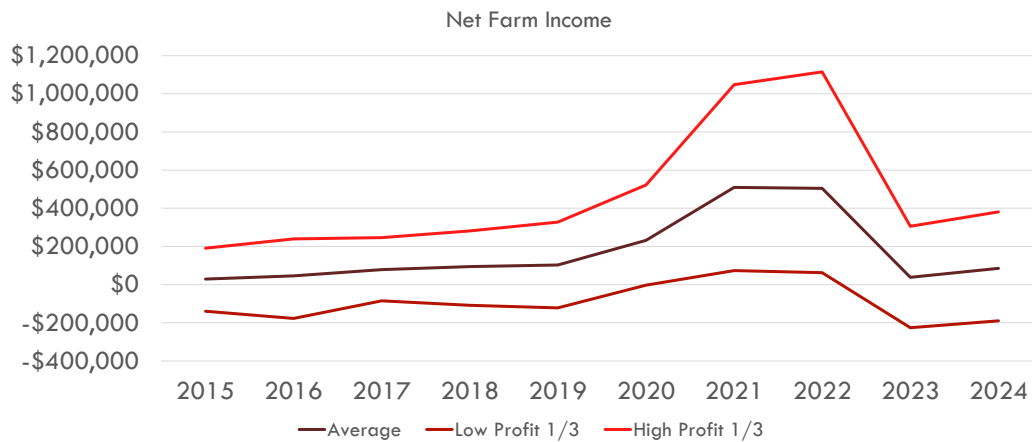
- Down from 44% in 2023, but up from 9.7% in 2022

Net Worth Change was slightly positive



5

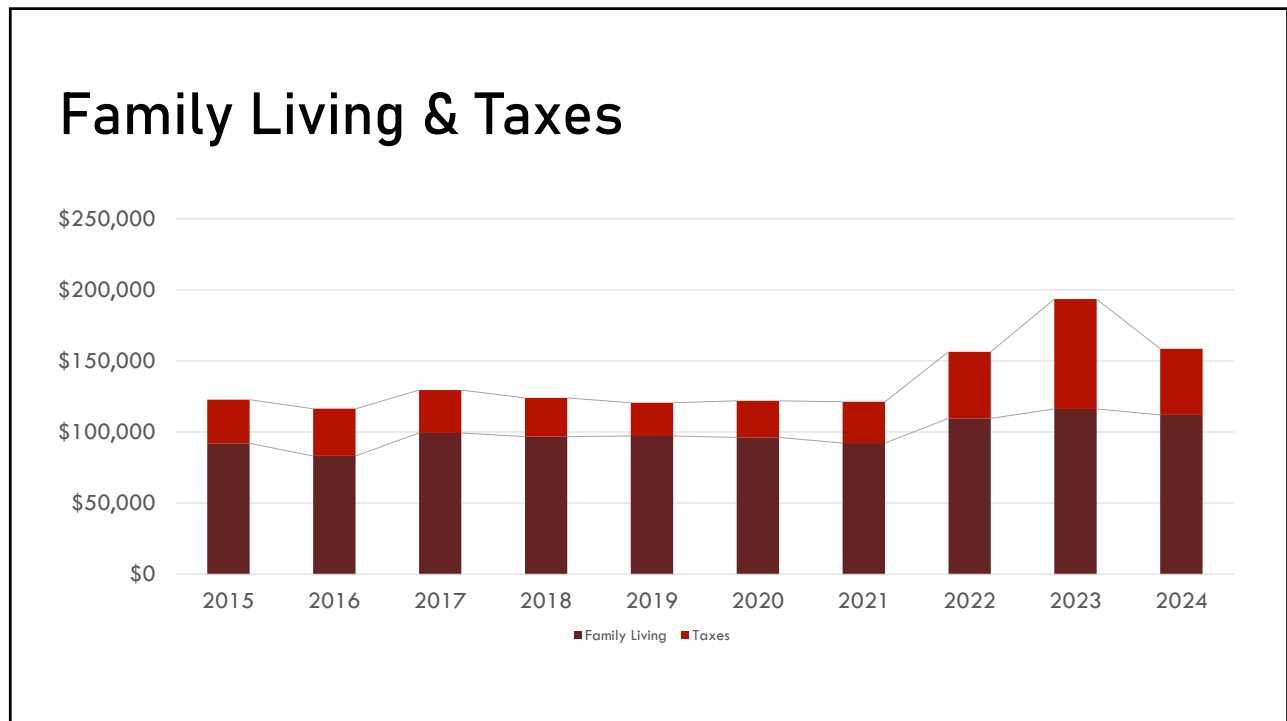
Comparison by Profitability



6



8



9

NON-FARM EXPENSE SUMMARY

	2024
Family Living	\$112,034
Income Taxes	\$46,474
Furnishing & Appliances	\$0
Non-Farm Vehicle	\$5,460
Non-Farm Real Estate	\$16,602
Other Non-Farm Capital Purchases	\$627
Non-Farm Savings & Investments	\$-963
Total Cash Family Living, Investment & Non-Farm Capital Purchases	\$180,173



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Salary Comparison

Gross Wage	\$190,000
Principle	\$12,000
Retirement	\$9,500
Federal & State Taxes	\$57,000
Net Check	\$111,500

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WHY IS IT IMPORTANT?

	Year 1	Year 2	Year 3	Year 4
Net Farm Income	\$75,000	\$75,000	\$75,000	\$75,000
Income Taxes	\$21,000	\$21,000	\$21,000	\$21,000
Family Living	\$100,000	\$100,000	\$100,000	\$100,000
Total Expense	\$121,000	\$121,000	\$121,000	\$121,000
Net Shortage	\$-46,000	\$-46,000	\$-46,000	\$-46,000
Extra Borrowing	\$46,000	\$92,000	\$138,000	\$184,000

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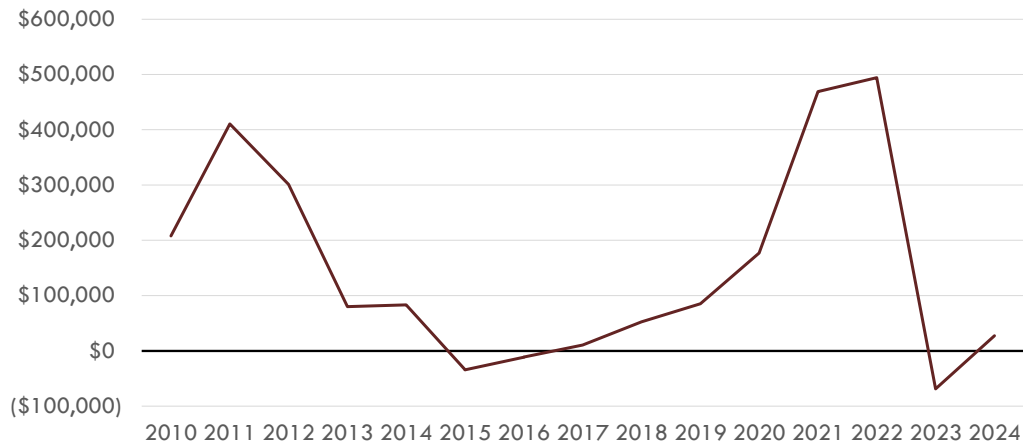
Net Worth Change

	2024
Net Farm Income	\$85,297
Personal Income	\$58,252
Family Living/Owner Withdrawals *	\$111,376
Income Taxes *	\$39,336
Market Value Adjustment	\$34,526
Net Worth Change	\$27,363

* Include all farms in averages – not just those with detailed family living records

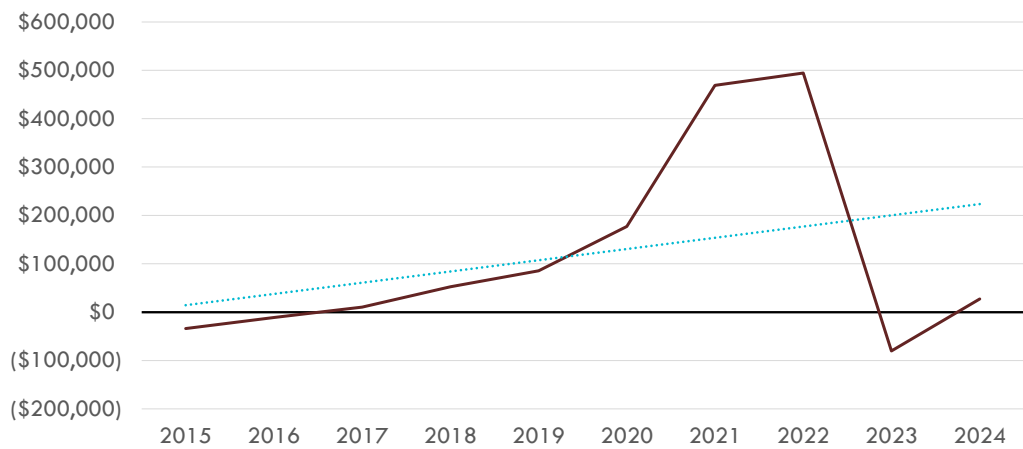
14

Net Worth Change Trend



15

Net Worth Change Trend



10 Year Average - \$119,043

10 Year Cumulative Total: \$1,190,430

16

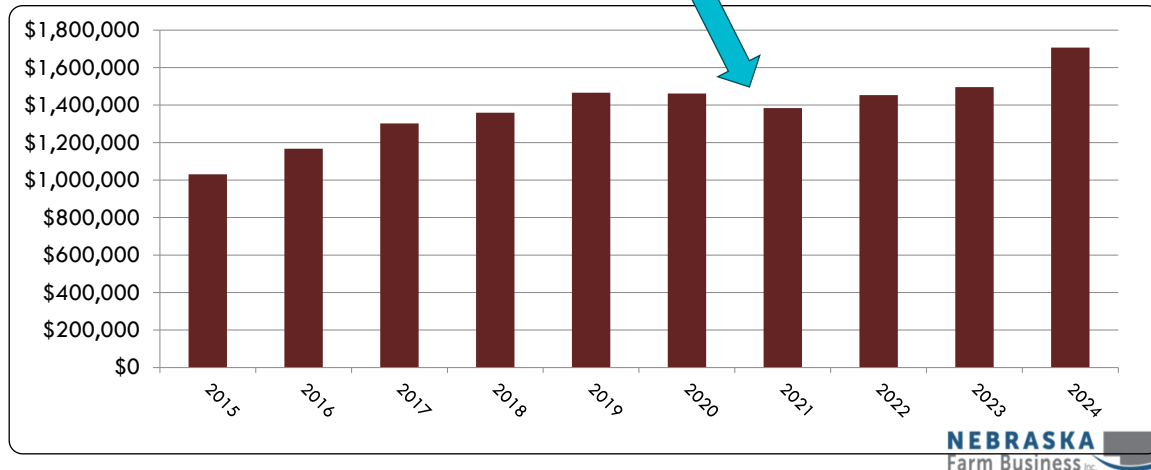
DEBT ANALYSIS



17

AVERAGE TOTAL DEBT

Only Drops In Total
Debt – 2020 & 2021
(PPP Loan Forgiveness)



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FARM FINANCIAL RATIOS

Farm Financial Standards

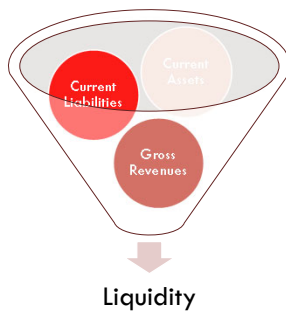
- Red Light – Vulnerable
- Yellow Light – Caution
- Green Light – Strong
- Different splits by different organizations



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LIQUIDITY RATIOS



Current Assets – Cash or other Assets You Can Convert to Cash in 12 Months

- Grain & Feeder Livestock Inventory
- Prepays / Receivables

Current Liabilities – Debt that Must be Paid in the Next 12 Months

- Operating Note
- Principle on Term Notes Due in next 12 months

Gross Revenue – Accrual Gross Income

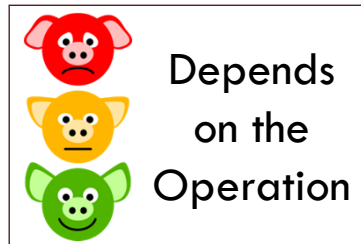
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Working Capital



- Show the cushion (or how much) will be left over after all current debts are paid.

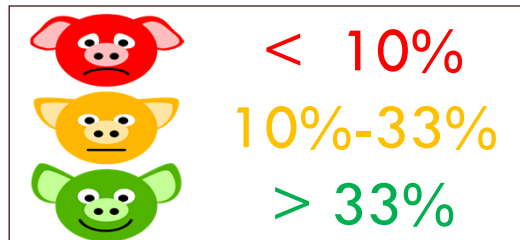


22

Working Capital to Gross Revenues

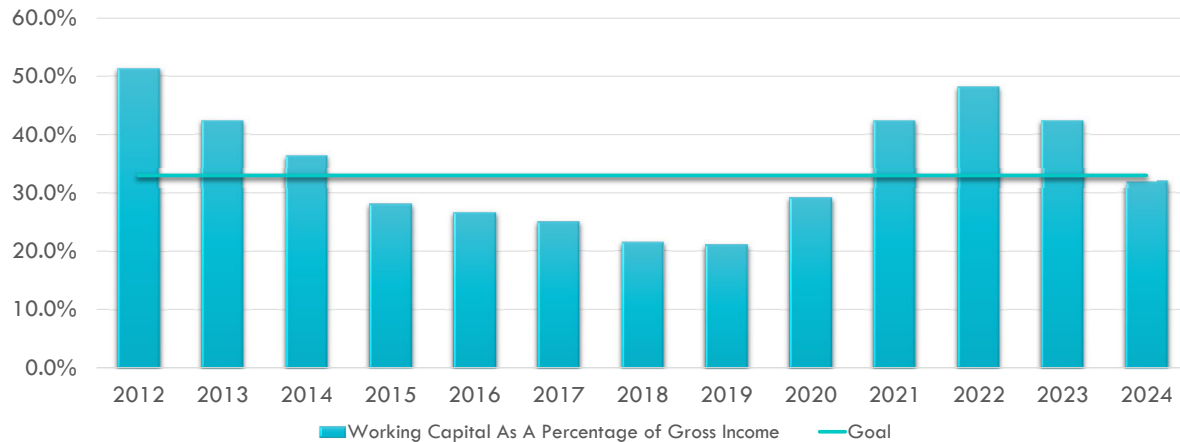


- Equalizes different sized operations and provides a measure for how much working capital is enough.



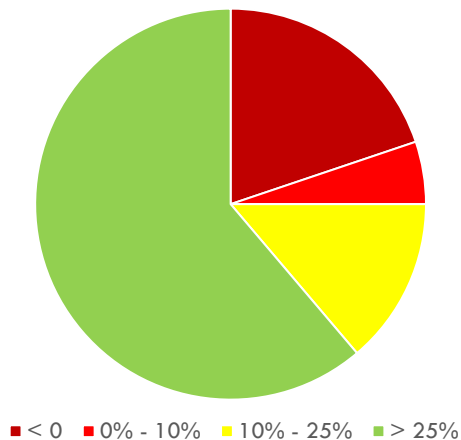
23

Working Capital To Gross Revenue



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1/1/2025 Working Capital to Gross Revenues

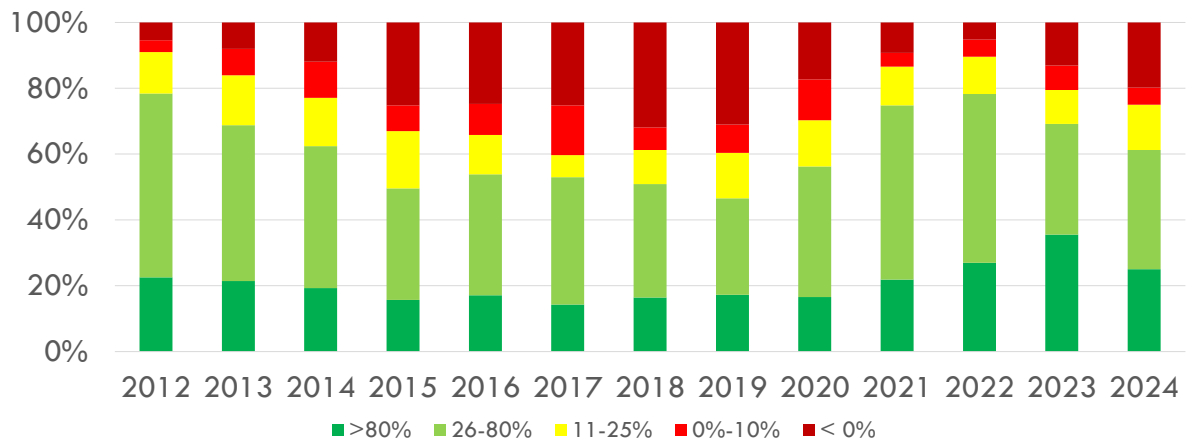


Digging Deeper

- 20% of farms have negative working capital.
 - 25% overall are in the “red”
- 61.2% of farms are sitting in a good position.
- 25% of farms are sitting with more than 80% of working capital to gross revenues.

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Working Capital to Gross Revenue



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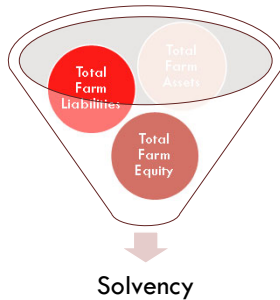
Why Do We Care?

- If your working capital is low or negative, you have a cash flow problem.
- What else needs to be considered?
 - Income Taxes
 - Family Living
 - Unexpected Expenses
 - Next Year's Income (or Loss)
- Will \$50,000 cover those expenses?
- If not, your debt will have to increase

Balance Sheet	
Current Assets	\$750,000
Current Liabilities	\$700,000
Gross Revenue	\$1,000,000
Current Ratio	1.07
Working Capital	\$50,000
Working Capital to Gross Revenue	5%

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SOLVENCY RATIOS



Total Farm Assets – All Farm Assets

- Crops, Livestock, Prepaids
- Equipment, Breeding Livestock, Land, Buildings

Total Farm Liabilities – All Farm Debt

Total Farm Equity – Net Worth of the Farm

- Total Farm Assets – Total Farm Debt

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Debt – to – Asset Ratio

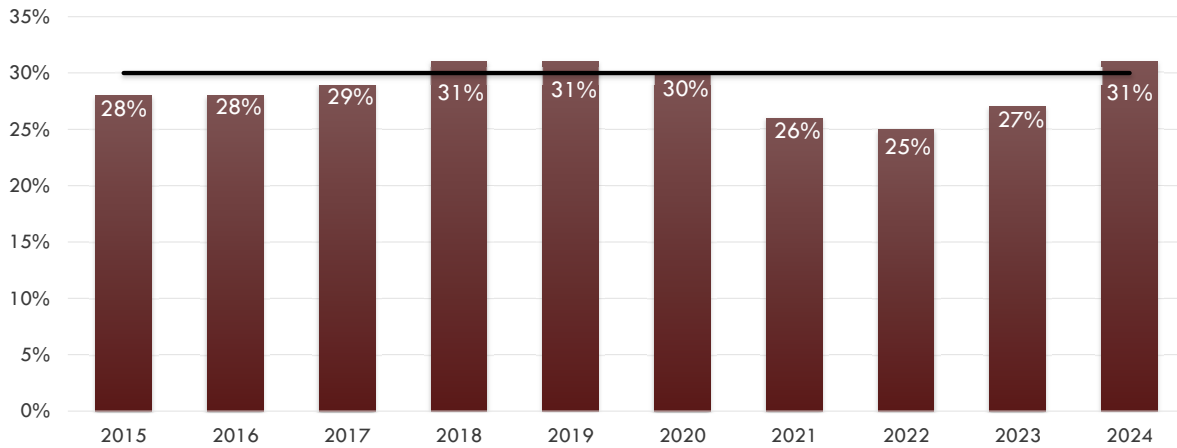


- Shows how much of your operation the bank owns. The higher the ratio, the more risk in the operation.



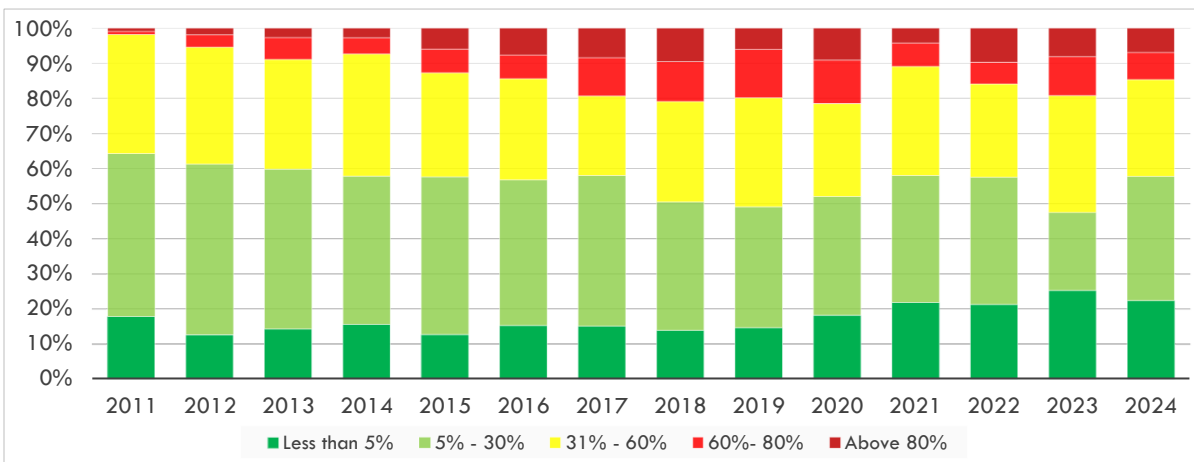
29

Debt-to-Asset Ratio



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Debt-to-Asset Ratio



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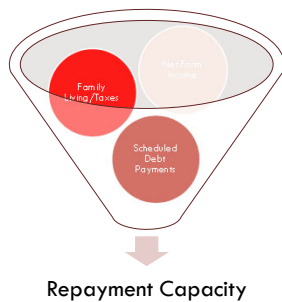
REDUCING DEBT MEANS PAYING TAXES

You must be willing to:

- Recognize taxable income higher than non-farm costs
- Control family living costs
- Pay more in taxes

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REPAYMENT CAPACITY



Shows the operation's ability to repay debts on time.

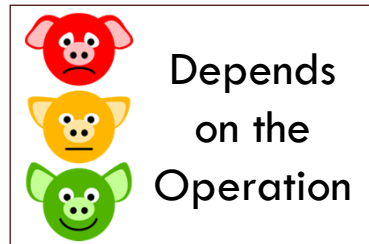
Includes nonfarm income and expenses so it's not a measure of profitability

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Capital Debt Repayment Margin



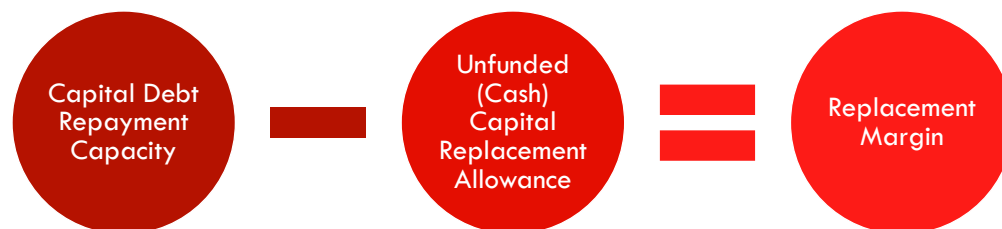
- Money left after all obligations are met or
- Money available for purchasing or financing new assets



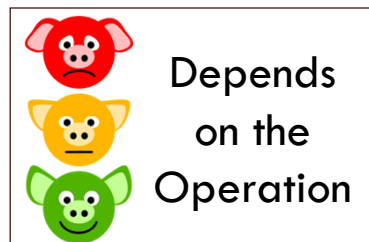
* Includes payments on capital leases.

43

Replacement Margin



- Money left after all paying principle and interest on term loans and unfunded (cash) capital purchases



* Includes payments on capital leases.

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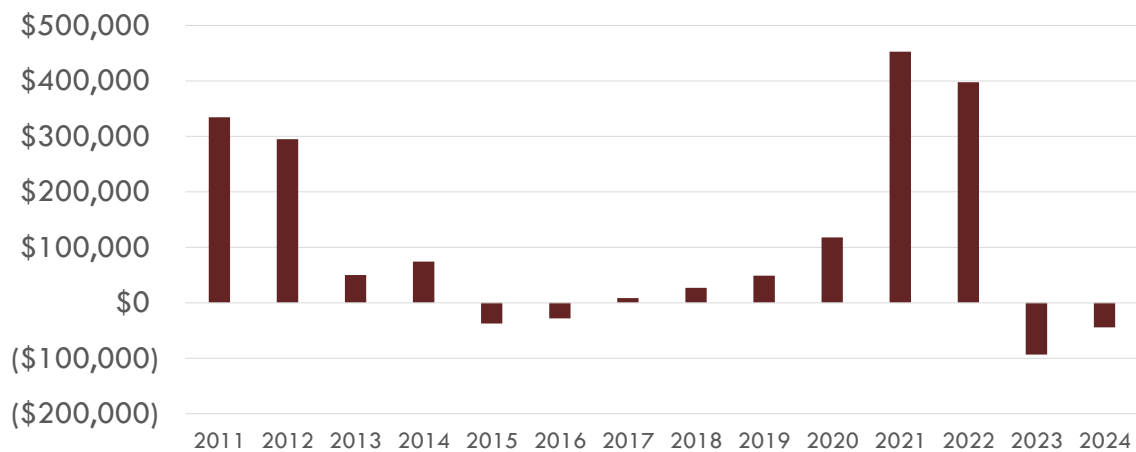
REPAYMENT CAPACITY

Net Farm Income	\$77,034
+ Depreciation	+ \$112,032
+ Net Non-Farm Income	+ \$58,252
- Family Living & Income Taxes	- \$150,749
+ Interest Expense on Term Loans	+ \$81,769
Capital Debt Repayment Capacity	\$178,338
Scheduled Term Debt Payments	- \$174,662
Cash Replacement Allowance	- \$47,870
Replacement Margin	\$-44,194

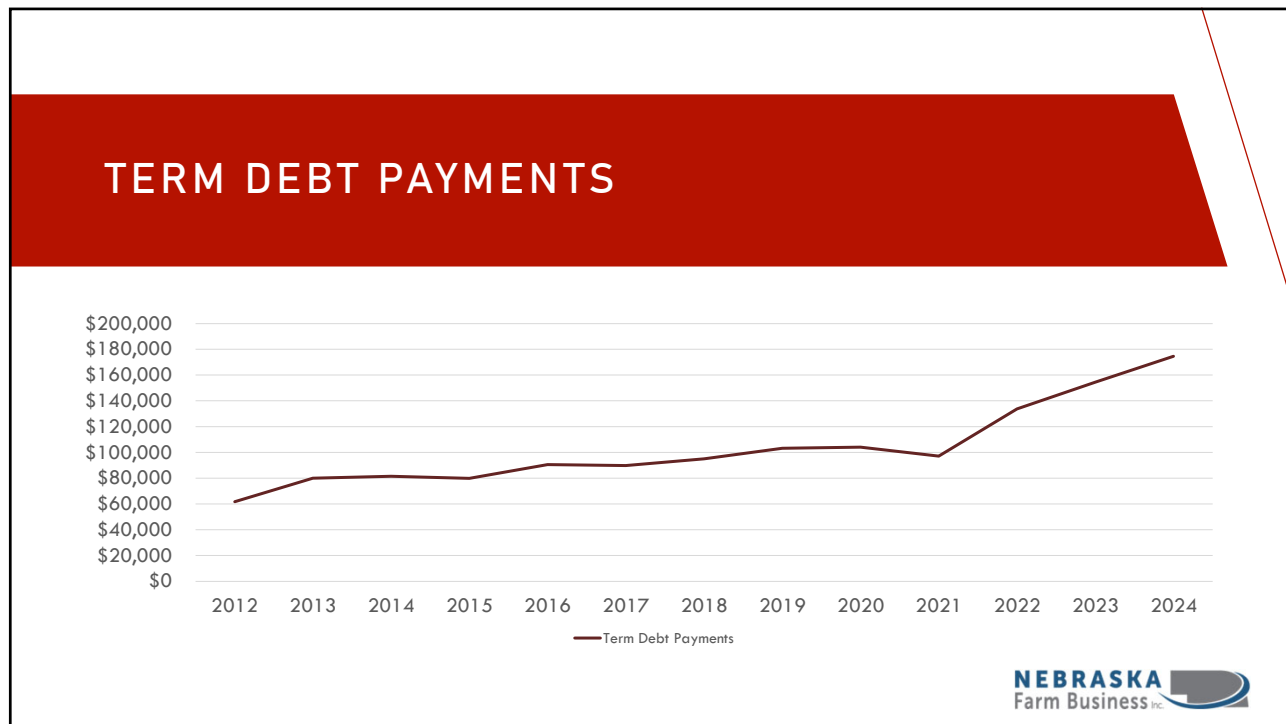


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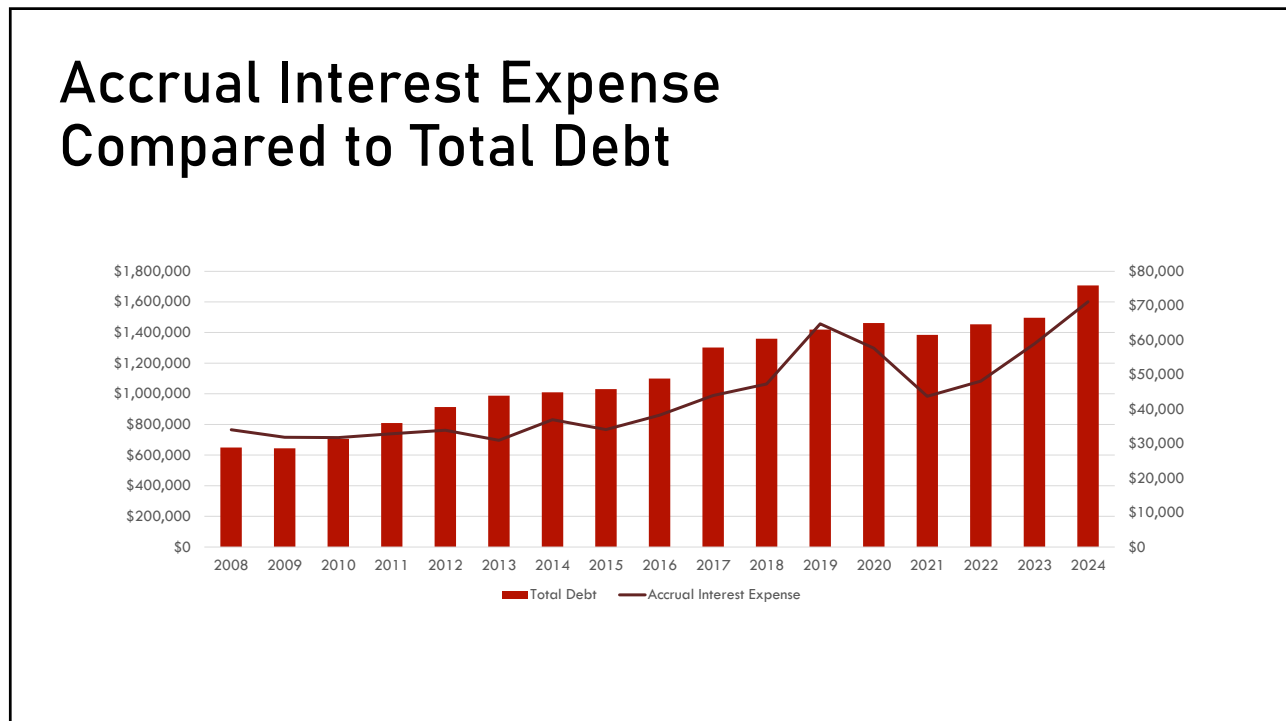
CAPITAL DEBT REPLACEMENT MARGIN



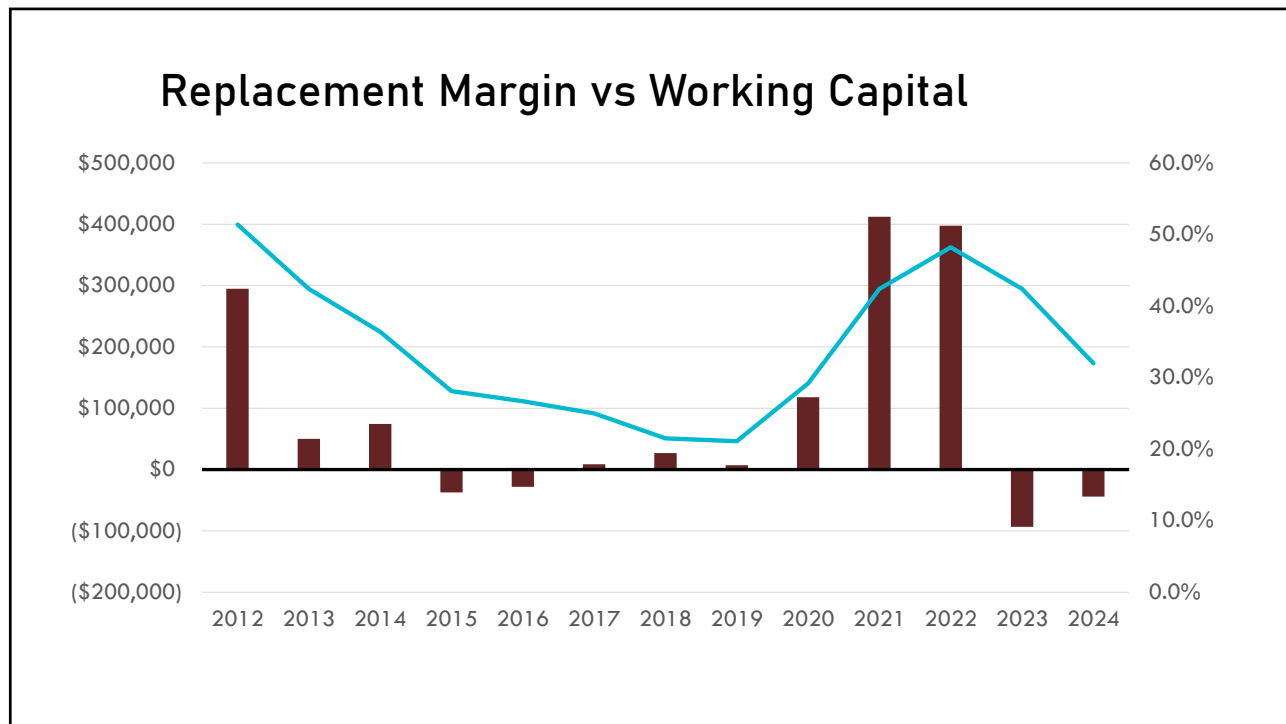
46



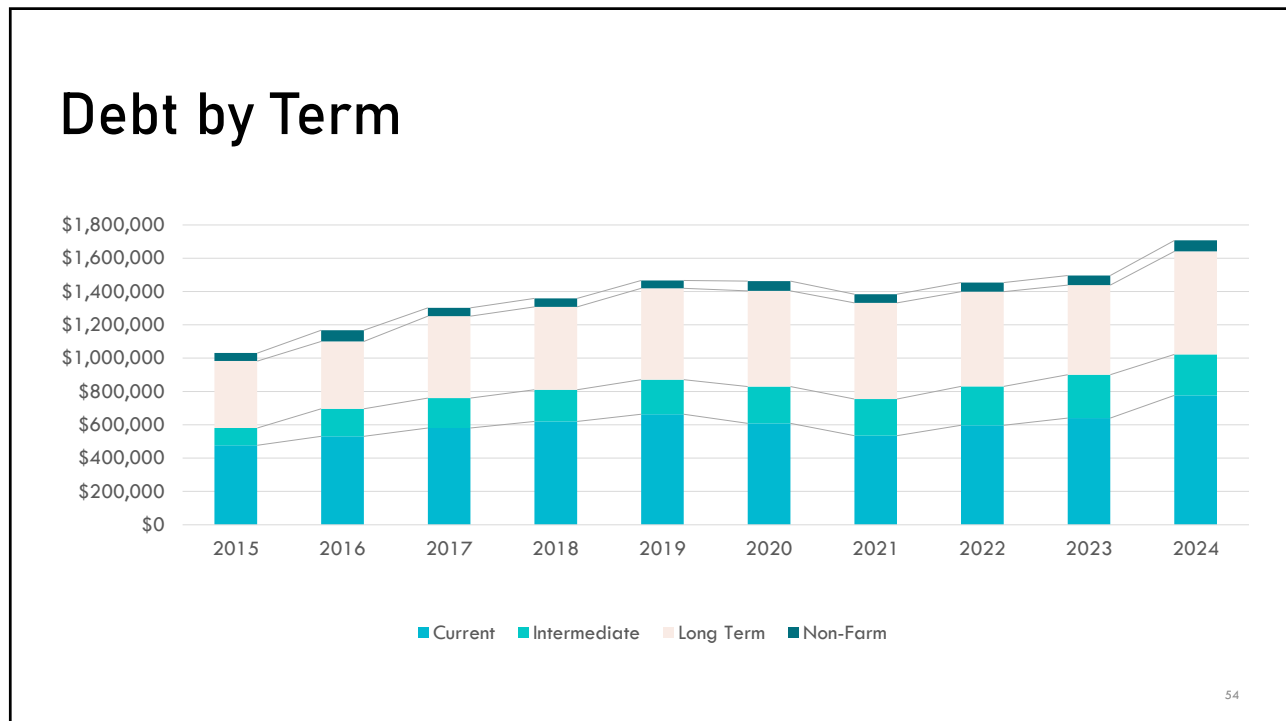
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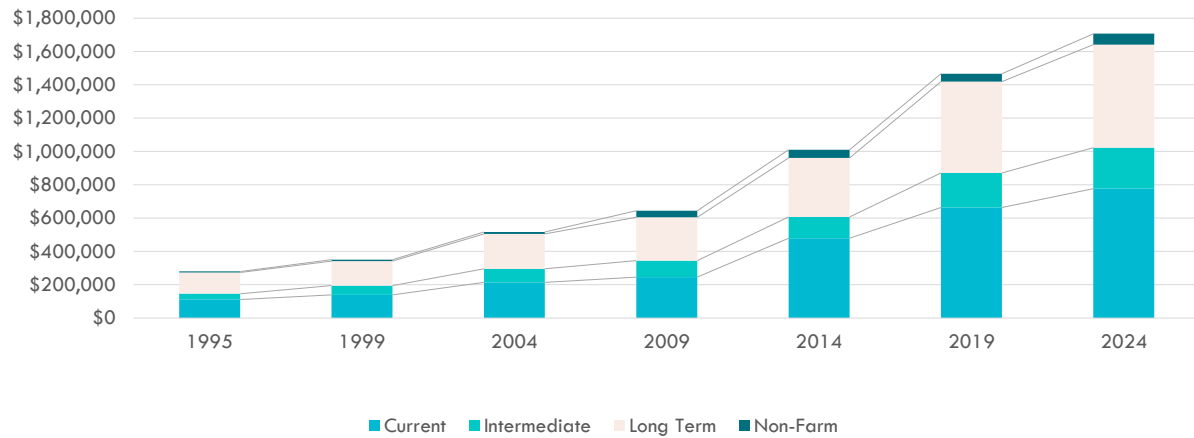
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Debt by Term



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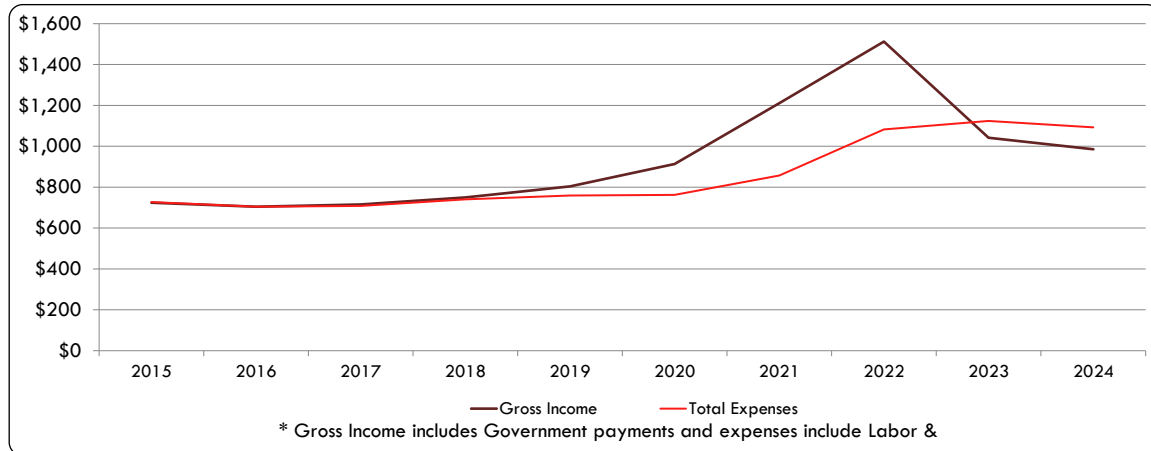
COST OF PRODUCTION

Per acre Costs for Corn and Soybeans



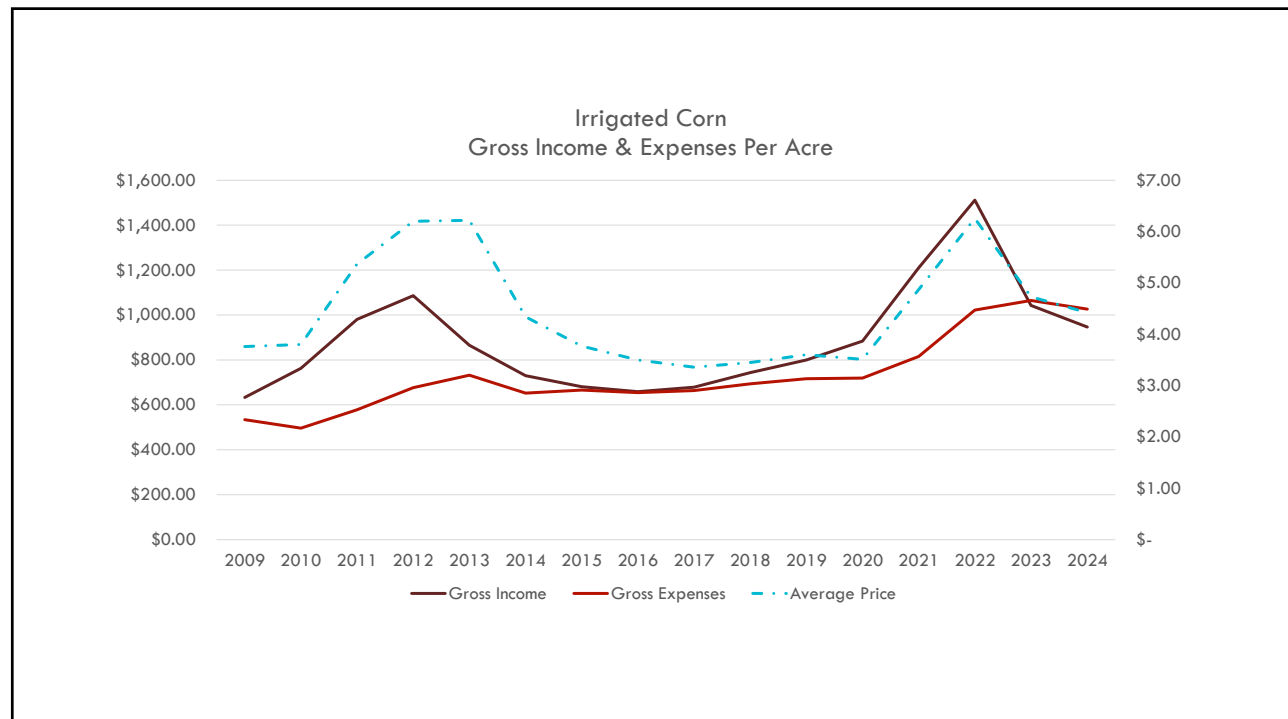
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IRRIGATED CORN - ALL TENURE TYPES



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Average Cost Comparison – Irr. Corn

	2009	2013	2018	2021	2023	2024
Seed	\$68.05	\$89.49	\$91.73	\$102.09	\$116.85	\$124.75
Fertilizer	\$143.87	\$163.80	\$103.98	\$123.20	\$221.65	\$165.26
Chemicals	\$50.75	\$56.16	\$60.51	\$65.52	\$95.07	\$96.37
Crop Insurance	\$23.36	\$40.36	\$34.52	\$49.82	\$66.13	\$70.37
Operating Power/Machine Costs	\$74.52	\$112.50	\$92.86	\$122.54	\$155.82	\$145.96
Land Rent	\$171.74	\$274.74	\$240.00	\$263.77	\$274.30	\$292.26
Other Direct Costs	\$84.14	\$106.91	\$85.81	\$110.02	\$145.14	\$158.70
Overhead Expenses	\$71.84	\$75.67	\$101.48	\$107.09	\$150.14	\$142.01
Total Expenses	\$688.27	\$919.63	\$810.89	\$944.04	\$1,225.10	\$1,195.68

Included in our Operating Power/Crop Machinery cost is Fuel & Oil, General Repairs & Supplies, Machinery Repairs, Custom Hire and Machinery Leases.

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Irr. Corn Cost of Production

	Average
Yield	225
Direct Costs	\$761.41
Cash Rent	\$292.26
Overhead Costs	\$142.01
Total Costs	\$1,195.68
Cost of Production	\$5.31 per Bushel

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Irr. Corn Cost of Production

Yield	225
Direct Costs	\$761.41
Cash Rent	\$292.26
Overhead Costs	\$142.01
Total Farm Costs	\$1,195.68
Family Living & Taxes	\$76.24
Total Costs	\$1,271.92
Cost of Production	\$5.65 per Bushel

Family Living: \$112,034
 Income Taxes: +\$46,474
 Non-Farm Income: -\$58,252
 Total: \$100,256

Average Acres: 1,315
 Cost Per Acre: \$76.24

Cost Per Bu: \$0.34

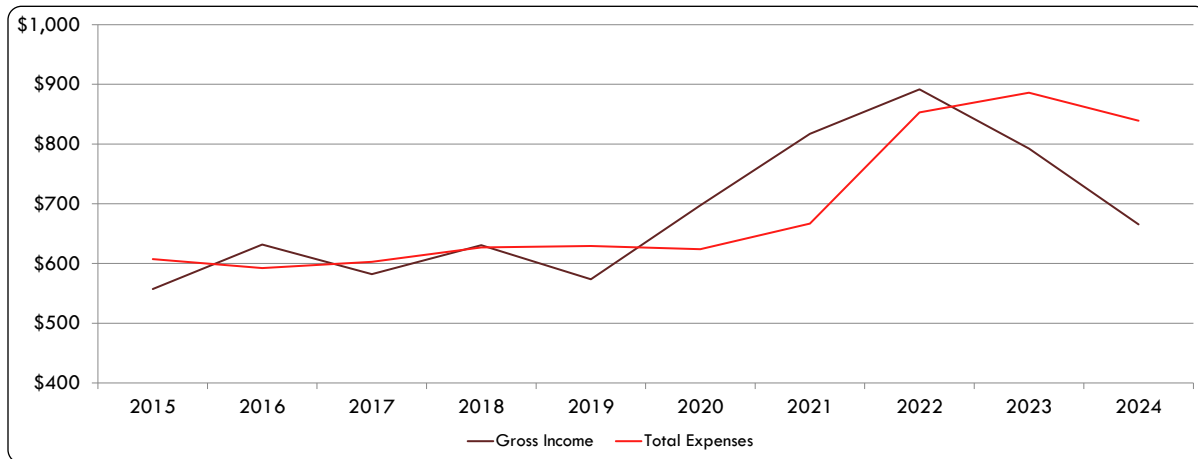
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Irr. Corn Cost of Production - Projection

	2025 Projections		
Yield	175	205	245
Direct Costs	\$800.00	\$800.00	\$800.00
Cash Rent	\$290.00	\$290.00	\$290.00
Overhead Costs	\$150.00	\$150.00	\$150.00
Total Costs	\$1,240.00	\$1,240.00	\$1,240.00
Cost of Production	\$7.09 per Bushel	\$6.05 per Bushel	\$5.06 per Bushel

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Irrigated Soybeans – All Tenure Types



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Irr. Soybeans Cost of Production

Yield	70
Direct Costs	\$535.27
Cash Rent	\$280.04
Overhead Costs	\$118.49
Total Farm Costs	\$933.8
Family Living & Taxes	\$76.24
Total Costs	\$1,010.04
Cost of Production	\$14.43 per Bushel

Family Living: \$112,034
 Income Taxes: +\$46,474
 Non-Farm Income: -\$58,252
 Total: \$100,256

Average Acres: 1,315
 Cost Per Acre: \$76.24

Cost Per Bu: \$0.34

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Top Efficient Farms Study

Started Study in 2004 to see if Small Farms could survive

Farms were selected for having a Net Farm Income Ratio > 20% for a three year period

- NFI Ratio shows what percent of gross was retained as net

Farms remain as consistent as possible

Very little livestock representation

- Program considers feeder livestock purchase as a expense (drop the NFI Ratio)

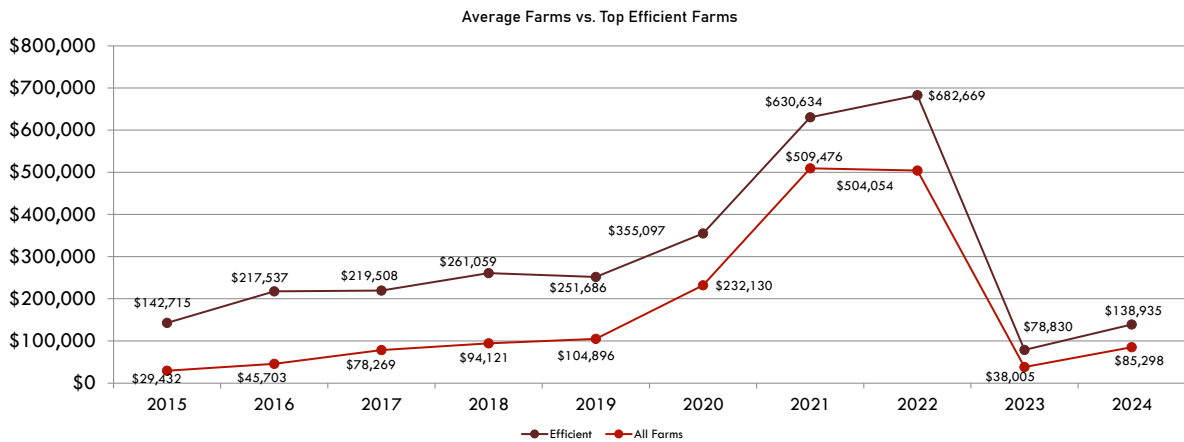
Farms have similar geographic spread across Nebraska as the general group

- Includes both dryland and irrigated operations

Have traditionally carried less debt.

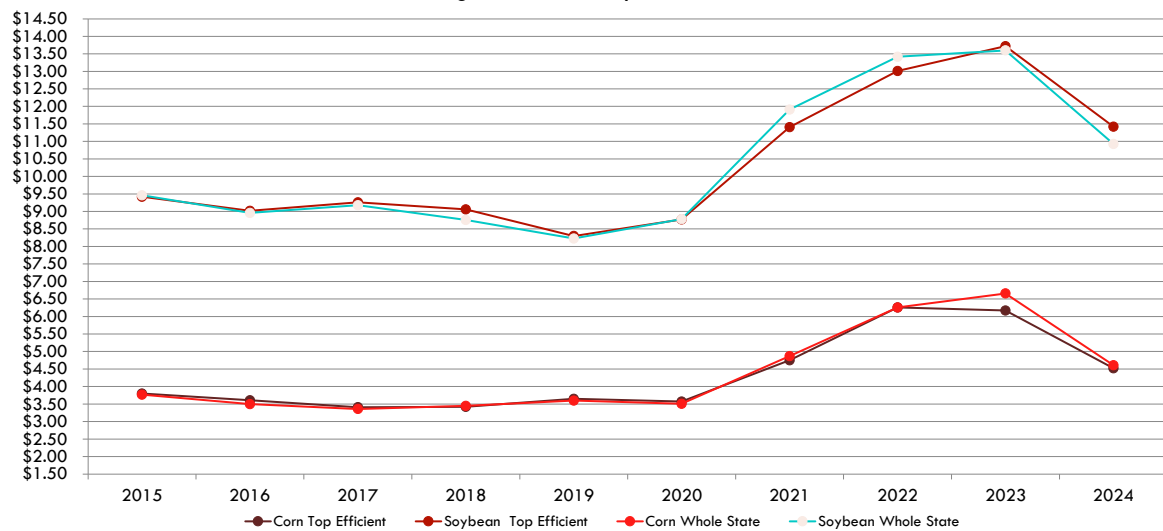
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Net Farm Income Comparison



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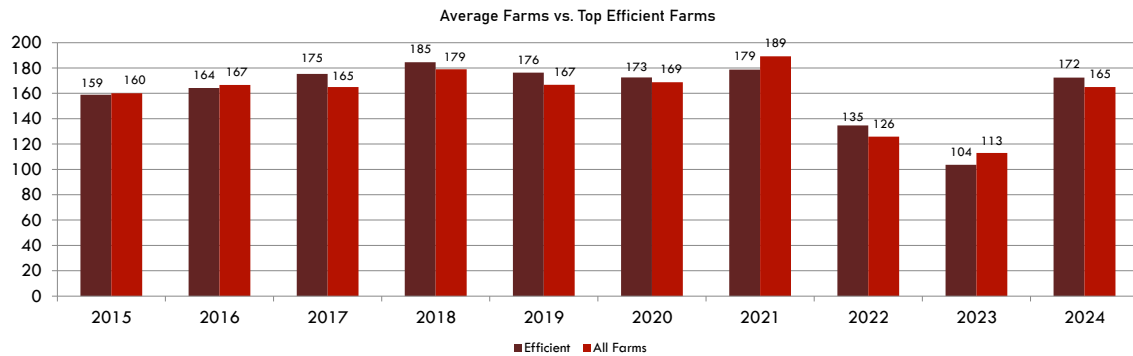
Corn & Soybean Price Received Average Farms vs. Top Efficient Farms



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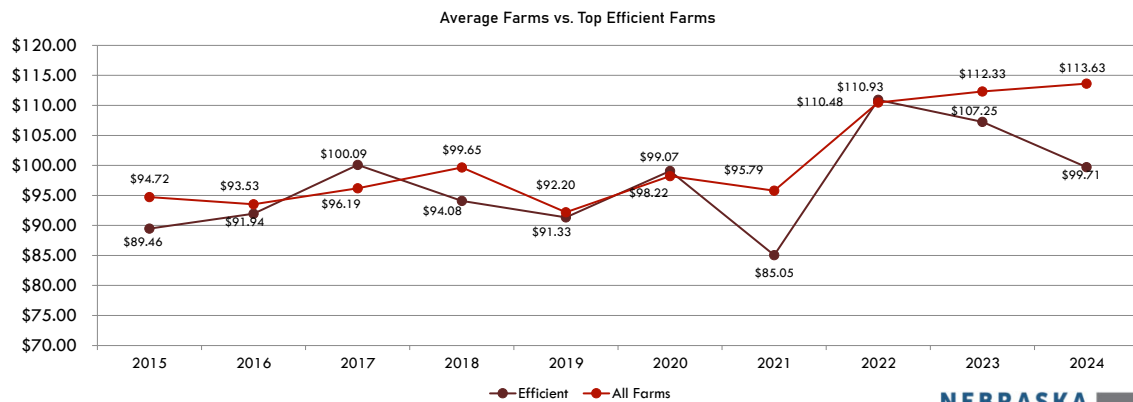
DRYLAND CORN YIELD COMPARISON



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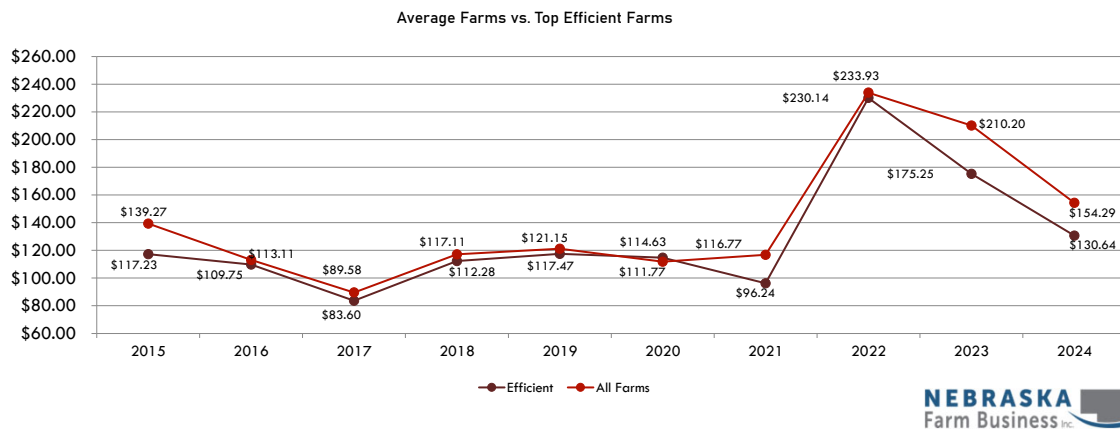
SEED COST, IRRIGATED CORN ON OWNED LAND



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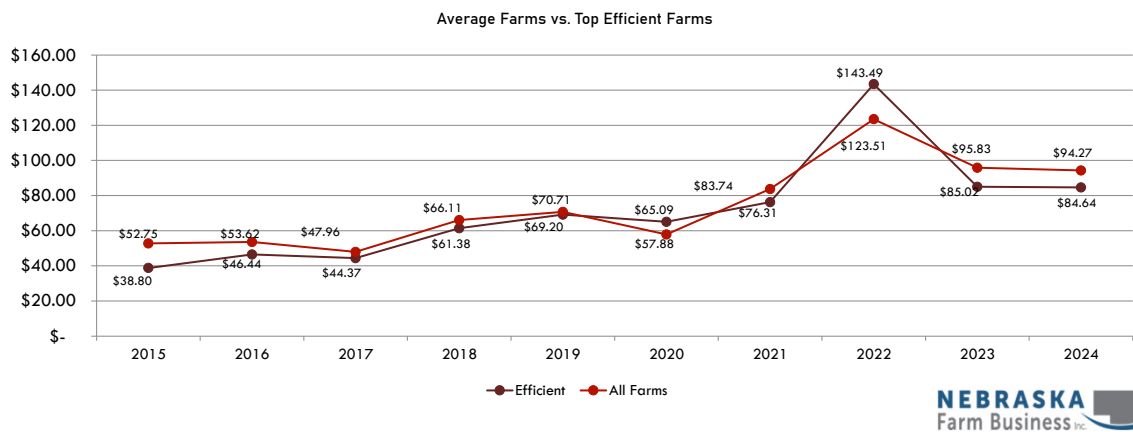
73

FERTILIZER COST, IRRIGATED CORN ON OWNED LAND



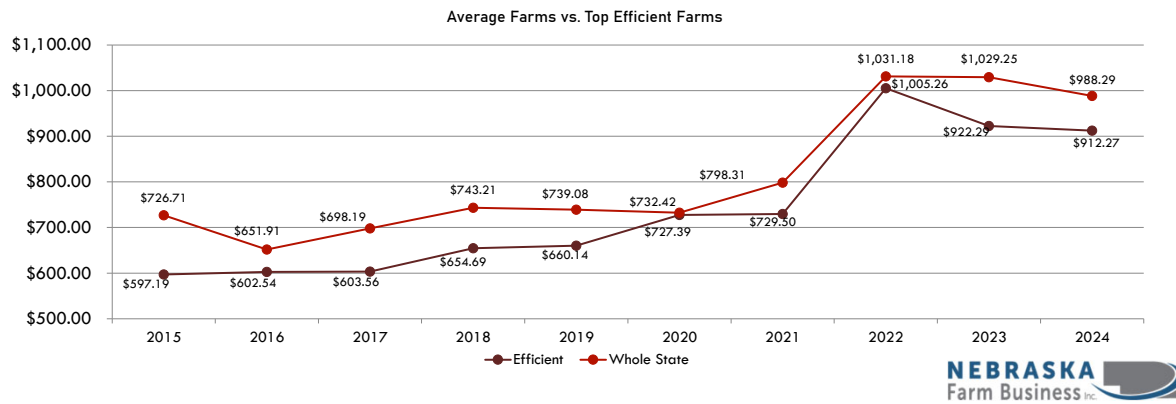
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CHEMICAL COST, IRRIGATED CORN ON OWNED LAND



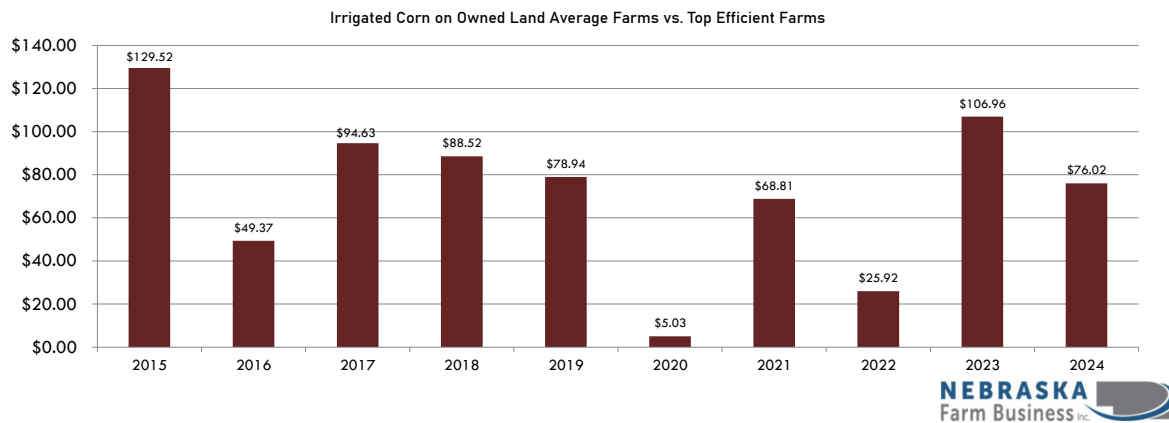
75

COST PER ACRE, IRRIGATED CORN ON OWNED LAND



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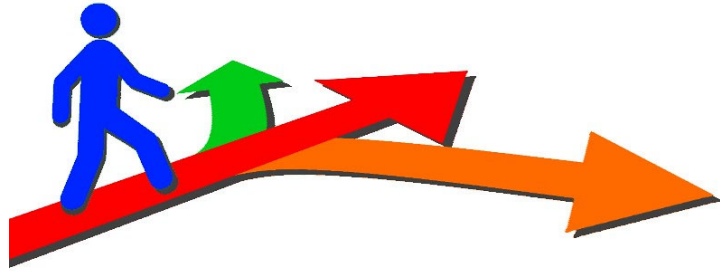
COST PER ACRE DIFFERENCE



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HOW TO MAKE THE HARD CHOICES?

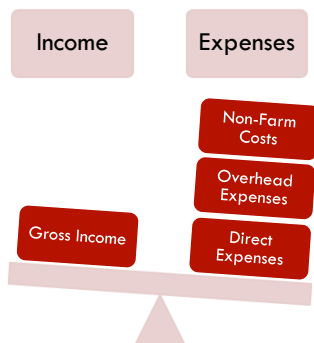
Putting Economics to Work



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WHEN SHOULD YOU STOP FARMING GROUND?



What happens when net income is negative?

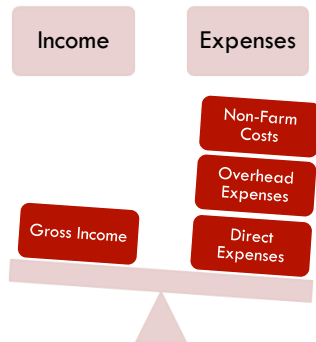
Should a negative net return per acre mean you shouldn't be farming that piece of ground?

Economics of running in the "short run" vs. the "long run"

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WHEN SHOULD YOU STOP FARMING GROUND?



THREE CATEGORIES OF EXPENSES:

Direct Expenses – Those that go away with less acres (seed, fertilizer, chemicals, etc)

Overhead Expenses – Those that stay the same regardless of a change of acres (insurance, depreciation, building repairs, utilities, etc)

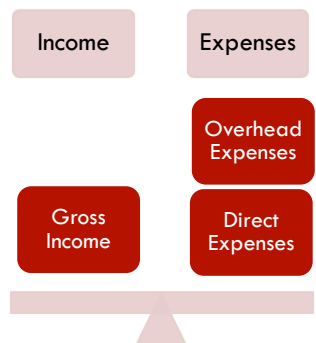
Non-Farm – Family Living & Inc. Taxes

IDEALLY, GROSS INCOME WOULD BE LARGER THAN ALL THREE TYPES OF EXPENSES

Needs to be to produce in the long term

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WHEN SHOULD YOU STOP FARMING GROUND?



IF GROSS INCOME > DIRECT EXPENSES & OVERHEAD EXPENSES

LOOK AT:

Cutting non-farm expenses

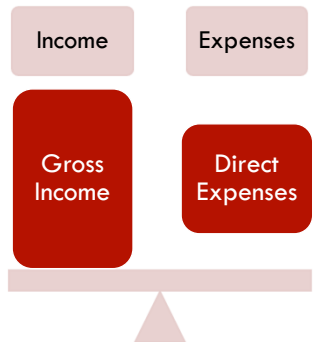
Increasing non-farm income

OR:

Using prior year profits to subsidize (Reduced net worth)

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WHEN SHOULD YOU STOP FARMING GROUND?



IF Gross Income > Direct Expenses

Your income covers the expenses that would go away without farming it and contributes *SOME* to overhead expenses.

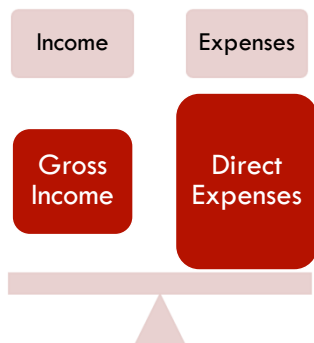
You are better off continuing to farm that ground in the short run.

The overhead expenses don't change if you don't farm that ground so anything you can add to them is beneficial.

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WHEN SHOULD YOU STOP FARMING GROUND?



IF Gross Income < Direct Expenses

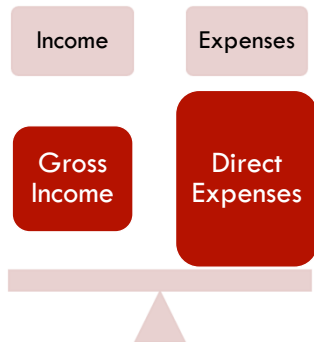
Your income *DOESN'T* even cover the expenses that would go away without farming it.

Economic law says you're better off to let that piece of ground go.

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WHEN SHOULD YOU STOP FARMING GROUND?



Other things to think about:

Opportunity to farm that ground again in the future?

How much net worth can you stand to lose?

How long can you withstand losses?

What financial position are you starting in.

Are we talking 10% of your acres or 80% of your acres?

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EXAMPLE OF CASH RENT QUESTION

Yield	225	
		Breakeven
Direct Costs	\$1,053.67	\$4.68
Overhead Costs	\$142.01	
Total Farm Costs	\$1,195.68	\$5.31
Family Living & Taxes	\$76.24	
Total Costs	\$1,271.92	\$5.65

If you can price your corn above \$4.68, you are better off to continue to farm this piece of ground.

If not, you need to look at long term benefits vs short term losses.

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WHAT DO YOU DO?

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OUTLOOK FOR 2025 & BEYOND

Rather than applying treatments or running pivots because "that's what we always do," take a step back and ask: Does it pay?

- Could you push your pivots with an extra day off to eliminate one turn through the season and save \$5/ac (or more depending on your costs)?
- A \$40/acre fungicide application requires a 10-bushel yield bump to break even with \$4 corn. When corn was \$6.50, the same treatment only needed a 6-bushel bump.
- And don't forget the interest: that \$40/acre fungicide treatment could cost even more after 3–6 months with higher interest rates.

**You may still
decide to move
forward, but make
sure it's a decision,
not a habit.**

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OUTLOOK FOR 2025 & BEYOND

Know. Your. Costs.

- Cost of production can be so different from one farm to the next — even between family members.
- You need to know your numbers, and that includes family living expenses (minus non-farm income). If you're not covering that, your net worth is shrinking.
- Think MAX PROFIT instead of Max Yield



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Windshield vs Rear View Mirror

Analysis



Cash Flow



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WORKING CASH FLOW

Written down

Updated Monthly/Quarterly

Shock tested for price changes

- Both Up and Down
- Both Commodity and Inputs

Incorporates a tax plan and marketing plan

Works into a cost of production estimate

Estimates Accrual Net Income



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OUTLOOK FOR 2025 & BEYOND



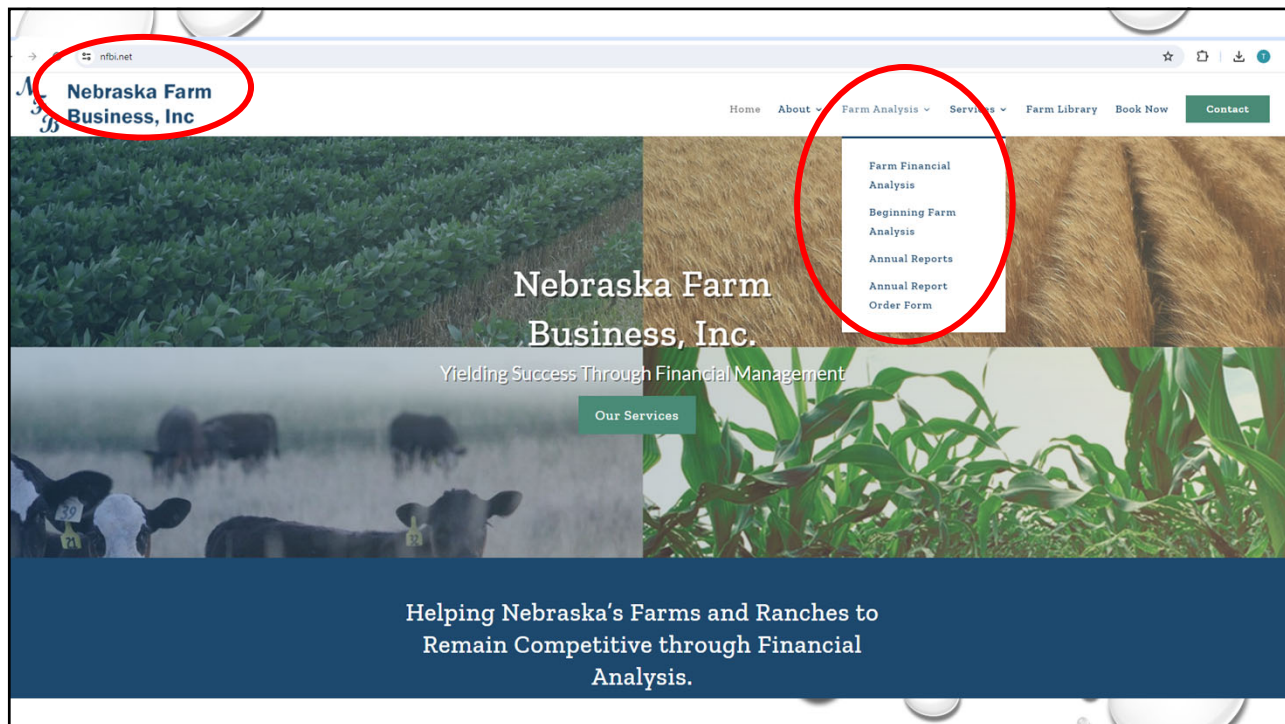
Minimizing income taxes at all costs will end up costing you

- Make smart management decisions
- Can't reduce debt if you don't pay taxes

Watch what's happening in DC

- Taxes could be significantly different without legislation to extend 2018 cuts.
- Programs from USDA could be the difference between profit and losses

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