EXECUTIVE SUMMARY
2007 ANNUAL REPORT OF MISSOURI
FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

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The average net farm income (NFI) for the 122 farms included in the 2007 annual report of the Missouri Farm Business Management Analysis Program was $122,695. As usual, there was a wide range in income among program participants. The bottom 25% of the farms (30) showed an average NFI of -$25,435, while the top 25% averaged $349,811. Of the 122 farms, 12 had a negative net farm income.

2007 Distribution of Net Farm Income (Cost)
(NFI from all farms are included in the Median and Average figures but 2 farms’ NFI are excluded from the graph due to size.)

The average age of the operator on the 122 FBMA farms was 46.3 years and the average years in farming was 23.6 years.

The net farm income/unpaid labor hour averaged $70.91/hr. and ranged from -$27.78 in the low profit group to $157.62 in the high profit group. This figure is used for comparison to a per-hour wage in non-farm occupations.
Government payments (of all types) averaged $16,488, representing approximately 4.2% of the gross cash farm income and approximately 13.4% of the net farm income (down from 26.5% in 2006 and 48.5% in 2005).

The average rates of returns on assets (ROA) and equity (ROE) were 11.3% and 13.5% respectively, with assets valued at cost.

The 122 farms completing a cost balance sheet ended the year with a net worth of $780,189 (farm and non-farm). The average increase in net worth for the year was $112,398. The average debt to asset ratio (farm) was 23%. The average farm borrowed $159,517 and paid $119,207 in principal payments in 2007.

Observations from the 2007 Summary – Even though making comparisons between record summaries can be risky when some farms drop out and new farms are added, it is reasonable to make several general observations when comparing this year’s summary to 2006. In general it was a good year, profit-wise, on Missouri farms. Net farm income increased by an average $36,033 per farm, or a nearly 42% increase over 2006. That increase came from a group of 2006 farms that were nearly equal in size to the 2007 group in terms of gross cash income (less than 1% difference). Crop receipts were responsible for most of the increase. While crop yields in general were comparable to 2006, prices made the big difference. Sale price of soybeans was up $1.05/bu., while corn price was up $.98/bu. Closing crop inventory value differences between 2006 and 2007 were greater yet.

In the livestock sector, hog profits plunged from the strong profits of the past several years to strong losses in 2007. Net farm incomes from the beef farms, even though still positive, dropped to approximately half the 2006 level.

When comparing income sources between 2006 and 2007, the percentage of farm income coming from crops increased significantly (corn +4%, beans +6%), while the percentage of income from hogs decreased significantly (-11%). Total receipts from government payments were down approximately 1/3 (2%) from 2006. Other changes in sources of income were insignificant.

The percentage change in expense sources between 2006 and 2007 were relatively small, with the exception of feeder livestock purchases, which were down by over half (5%) from 2006. There were small increases in the percentage of direct crop expenses, repairs, interest and hired labor. Other expense sources were fairly constant with 2006.

Projection: With a lot of the 2007 crop on hand at the end of the year already sold in 2008 for better prices than their inventoried value, and the prospects for 2008 prices being strong at this point, it would seem that 2008 should be as good or better than 2007. However, livestock farms that feed concentrates are going to continue to suffer and will probably continue the profit downside unless market prices improve considerably. Other input prices, like fuel and fertilizer, have seen volatile increases, such that it will be surprising if the farm cost structure is not reshaped in a noticeable way at the end of 2008.
Results by Type of Farm

The 122 farms in the report were classified by type (e.g. crop) on the basis of having at least 70% of gross sales in each category (reference page 37). Using this 70% rule, there were 61 crop farms, 4 hog farms, 20 beef farms, and 12 crop and beef farms and 6 crop and hog farms. Fifteen of the farms did not have a single source (or pair of sources) of income over 70%.
Results by Farms with a Full-Time Operator

Page 40 of the report represents 73 of the 122 FBMA farms that reported at least 2000 hours operator/manager labor. This included sole proprietorships and partnerships with 2000 or more unpaid operator hours and corporations with more than 2000 paid manager/operator hours. The 49 remaining farms were classified as part-time farms. When sorted this way, the average 2007 NFI of the full-time operations was $177,801, as compared to the mean NFI of $122,695 reported for all farms.

Results by Farms with a Part-Time Operator

Page 41 of the report represents 49 of the 122 FBMA farms that reported less than 2000 hours of unpaid operator labor. In other words, they represent less than a full-time operator per farm. This group includes a number of young producers who are working their way into the profession, and also some older operators that have begun to scale back. The average NFI for this group of 49 part-time farms was $40,598.

Page 42 represents averages for the 26 smallest operations in the group as classified by unpaid operator labor. Those 26 farms reported less than 1000 hours of unpaid operator labor per unit. The average NFI for this group of 26 farms considered less than half-time was $10,305 in 2007.

Results of a comparison of years for all farms in the summary from 2003-2007.

Page 43 represents the average of all farms included in this record summary for the years 2003-2007. Even though new farms are added each year and others drop, it is meaningful to observe the trends in general farm financial data from year to year.

Results of a Cohort Group of 30 FBMA farms included in each of the 2003-2007 Summaries

Page 44 represents the averages of 30 farms that submitted records for the 2003, 2004, 2005, 2006, and 2007 production years. This information is helpful in looking at trends, since no new farms are added to the mix for computing this data. The NFI increase from 2006 to 2007 for this cohort group was 20.6%, whereas the NFI increase for all farms was 41.6%.

Percentile Rank Report w/Group Medians

With the exception of the information presented on page 47, all of the data tables in this summary report represent average or mean data. For example the 2007 average or mean net farm income of the 122 farms in this summary was $122,695. This is found by simply adding the NFI of each farm in the group to a total and then dividing by 122 for the mean or average. Sometimes, a few farms at the high end of the range with extremely high NFIs can skew the mean. The same could be true of a few extreme NFI farms at the low end. For that reason, median figures can be very helpful when comparing summary data to an individual farm operation. The median is often described as the “halfway point in the middle-figure.” In other words, half of the farms fell below, the other half above. So, while the average or mean NFI for 122 farms in the summary was $122,695, the median, or half-way point, was $60,532. This indicates there were a number of farms with high NFI’s included in the group that more than offset lower NFI’s of farms at the other end of the scale.
The median figures for selected factors are reported on page 47 along with percentile ranks in 10% intervals. Each line is independent from the next with the data for each line broken into percentile ranks in 10% intervals. This presentation can be helpful in understanding the range of data for each factor for the entire group of farms, and in looking at where each farm fits in by using the “my-farm” column.

Key Points and Limitations in Interpreting the Data

1. There is a wide range in size and type of farms included in the group of 122. A few large farms can have considerable input on the averages, particularly when sorted down to a small number for comparison (e.g. five hog enterprises or 5 wheat enterprises).

2. The farm financial information throughout the report is carefully checked for complete and defendable farm data. However, the non-farm income and expenses and non-farm assets and liabilities, while complete on many farms, were incomplete on a number of others, making any data resulting from non-farm information less useful for accurate comparisons.

3. Naturally, the greater the number of farms or enterprises in a database, the more reliable the output information will be. Consequently, when as small a group as five farms is averaged for crop or livestock enterprise data, comparisons are more limited than for a larger group.