EXECUTIVE SUMMARY
2012 ANNUAL REPORT OF MISSOURI
FARM BUSINESS MANAGEMENT ANALYSIS PROGRAM

By
Joanie Baker & John Sponaugle, Consultants for Missouri FBMA

The average net farm income (NFI) for the 132 farms included in the 2012 annual report of the Missouri Farm Business Management Analysis Program was $135,444. As is the case every year, there was a wide range in income among program participants. The lowest 25% of the farms (32) showed an average NFI of -$6604, while the highest 25% (34) averaged $369,377. Of the 132 farms, 14 had a negative net farm income.

Median net farm income, or the income earned by the middle farm, was $73,891, substantially lower than the average NFI, indicating that the average was skewed by high profits of the most profitable farms.

2012 Distribution of Net Farm Income (Cost)
(NFI from all farms are included in the Median and Average figures but 2 farms were excluded, one from the upper and one from the lower range.)

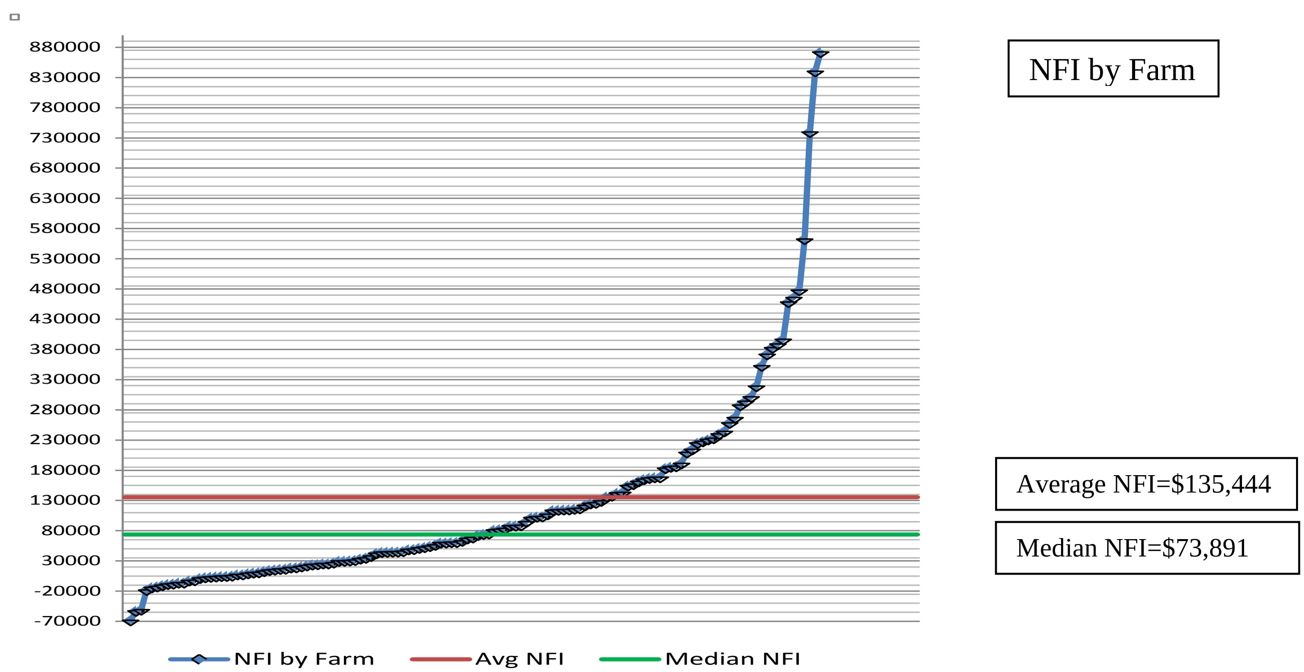


Figure 1

Highlights

- The average age of the operator on the 132 FBMA farms was 50.7 years, with a range from 90 years old down to 22 years old. The average years in farming was 27.9 years, with a range from 73 years to 3 years.

- The net farm income/unpaid labor hour averaged $98.48 and ranged from -$10.29 in the low profit group to $189.78 in the high profit group. This figure is used for comparison to a per-hour wage in non-farm occupations.

- Government payments (including CRP, but not crop insurance proceeds) averaged $15,063, representing approximately 2.3% of the gross cash farm income and approximately 11.1% of the net farm income. This amount is up from 10.8% of NFI in 2011 and down from the recent high of 27.6% of NFI in 2008.

- The relationship of farm income and expense sources as compared to gross farm income and total farm expenses maintains a very durable pattern from year to year. Even though some new farms are added to the group each year while others drop out, the income and expense patterns change slowly.

    - As an example, the only income source that increased its share of the total more than two percentage points from 2011 was Other income (included crop insurance income), which increased from 8.6% of gross income in 2011 to 17.5% in 2012. Income sources that decreased their share of the total by more than two percentage points were soybeans, which decreased from 25.6% in 2011 to 23.2% in 2012, and corn, which decreased from 26.2% to 21.5%. All other income sources remained within two percent of where they were in 2011.

    - Likewise, there was only one expense source that changed more than two percentage point's share of the total from 2011 to 2012. Feed purchased increased 3% from 19.8% in 2011 to 22.8% in 2012.

2012 Missouri FBMA Income Sources

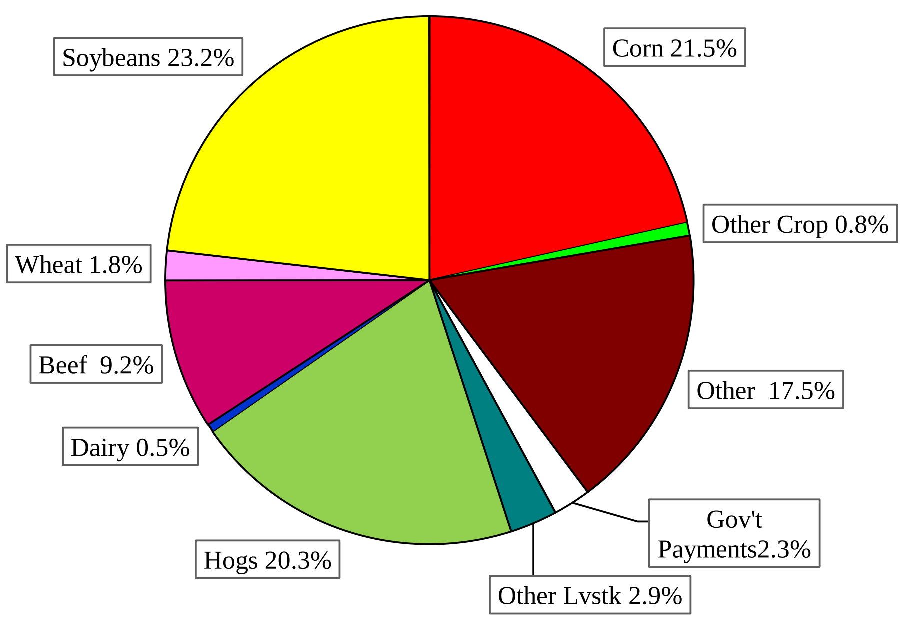


Figure 2

2012 Missouri FBMA Expense Sources

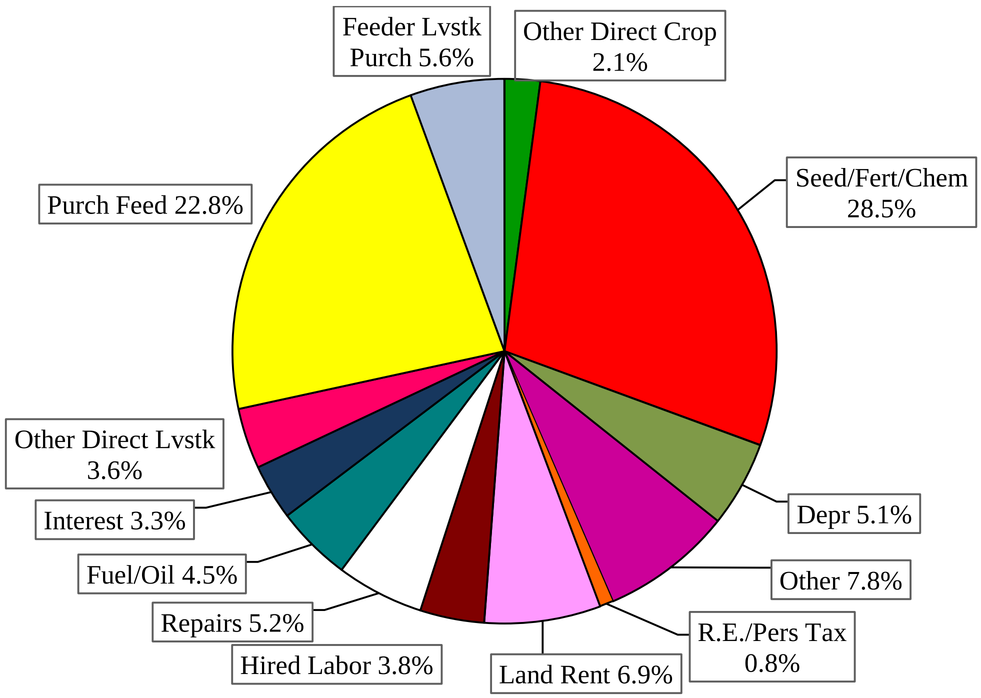


Figure 3

- The average rates of returns on assets (ROA) and equity (ROE) were both strong in 2012, coming in at 10.1% and 11.7% respectively, with assets valued at cost (cost value being defined as the actual cost of the asset minus accumulated economic depreciation). They both increased this year, as ROA was 1.1% higher in 2012 and ROE rose .6% from 2011 results.

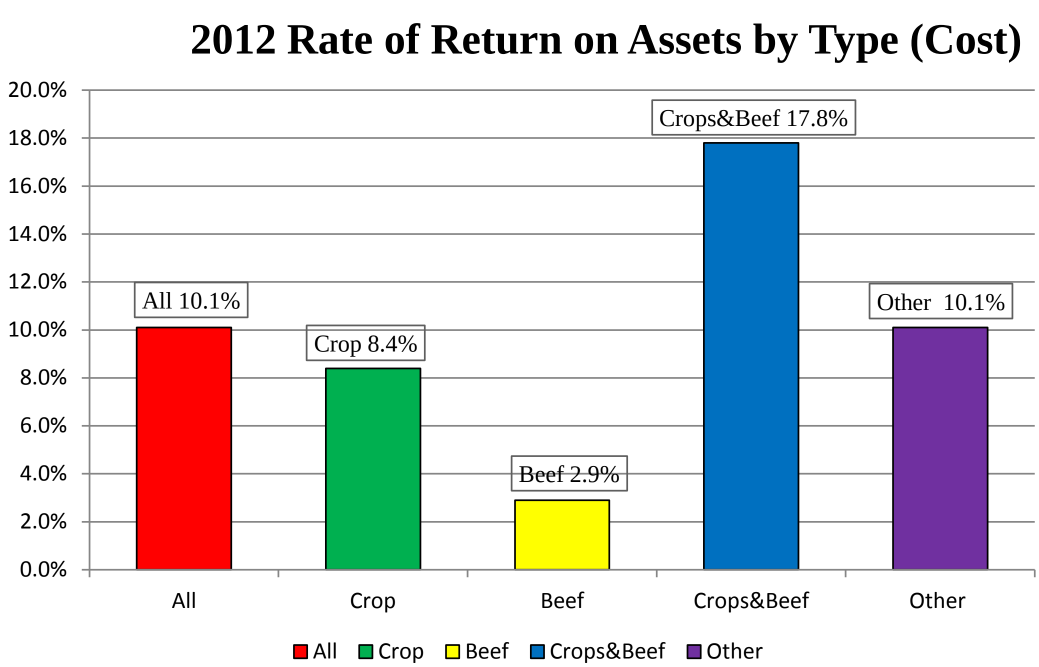


Figure 4

- The average farm reported net worth growth of $215,719. Net worth growth from earnings (farm and non-farm) averaged $111,818. The remainder resulted from market valuation changes in asset values. The average farm debt to asset ratio (farm) was 20% at market values and 27% at cost values. The average farm borrowed $213,463 and paid $217,306 in principal payments in 2012.

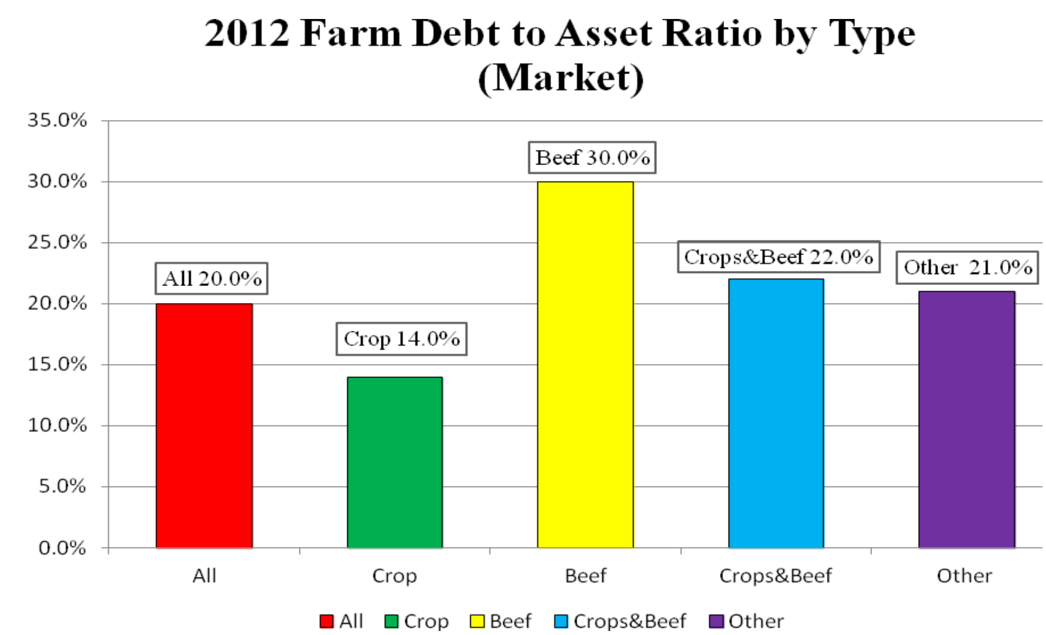


Figure 5

- Average gross cash income was up 14 % from 2011, while cash expenses increased by 13 %.
- Crop sales accounted for 50% (including government payments) of gross income, while livestock sales were 33%.

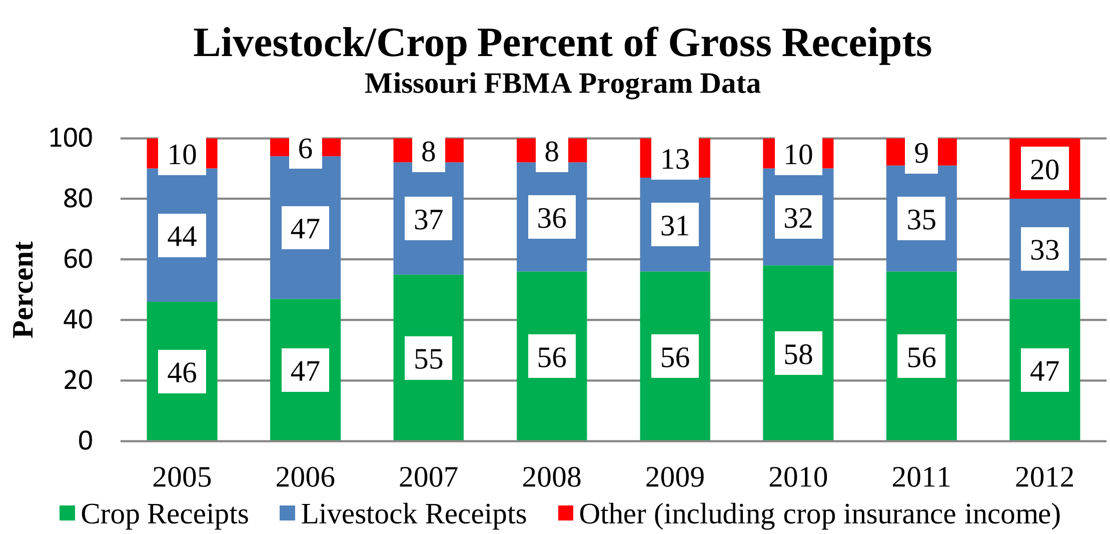


Figure 6

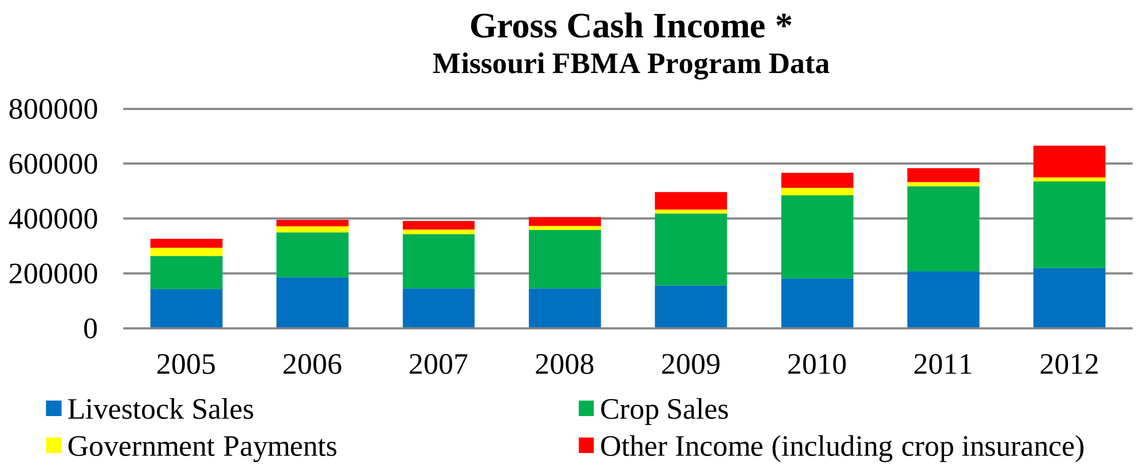


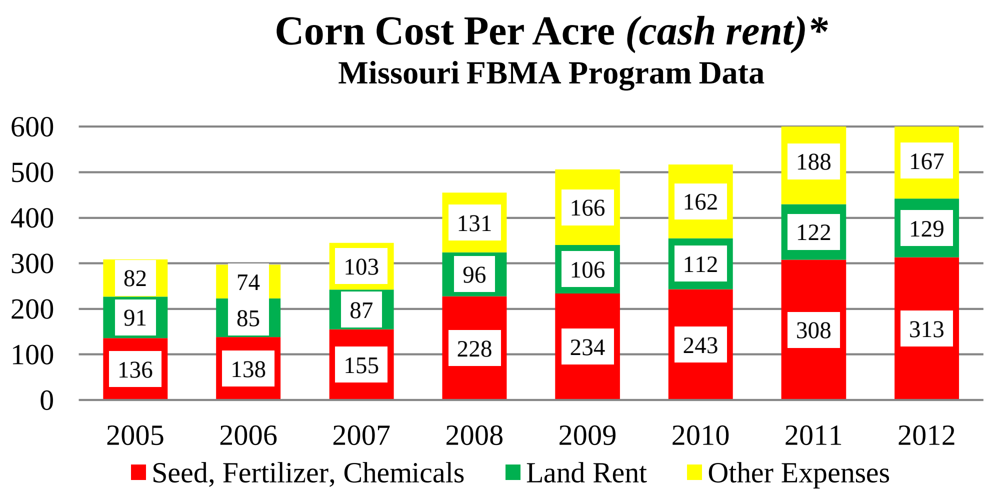
Figure 7

Crops

- Corn yields averaged 57.38 bushels per acre, down 50% from 2011. Soybeans yields averaged 30.52 bushels per acre which was 24.5% less than 2011. Wheat yields averaged 63.35 bushels per acre, an increase of 18% from 2011. Drought conditions that progressed through the growing season significantly reduced yields in the fall.

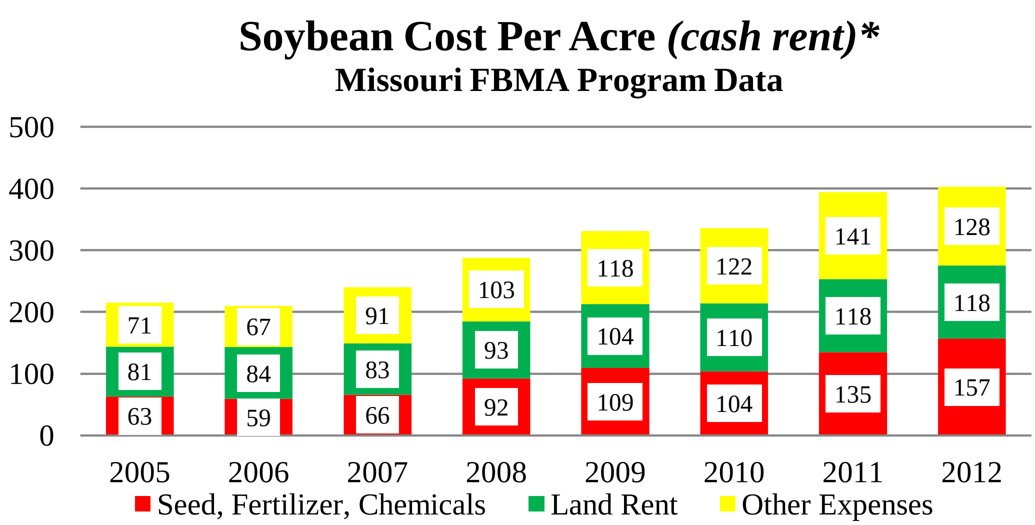
- The average price received for corn in 2012 was $6.53, which was a $.77 per bushel increase from 2011. The average price received for soybeans in 2012 was $13.19, a $1.22 increase from the previous year. Wheat prices averaged $6.98, which was a $.60 increase from 2011 prices.

- The crop cost of production per acre leveled off this year compared to 2011. The cost to raise an acre of corn (with land rent) was slightly down with -$9.24 less spent per acre, while the cost to raise an acre of soybeans was up slightly with $8.57 more spent per acre. The costs of production per bushel figures were ballooned this year as crop yields were drastically reduced by the drought.



* FBMA farms that included a complete crop enterprise analysis, including all direct and overhead costs (40 farms in 2012).

Figure 8



* FBMA farms that included a complete crop enterprise analysis, including all direct and overhead costs (40 farms in 2012).

Figure 9

Livestock

- Average price received per hundred weight for the beef cow-calf enterprise increased from $128.85 in 2011 to $140.50 in 2012, which was a 9% increase.

- Feed costs per cow increased to $454.96 in 2012 from $386.30 in 2011, this was an 18% increase. The drought conditions forced many producers to feed extra to make up for lost grazing.

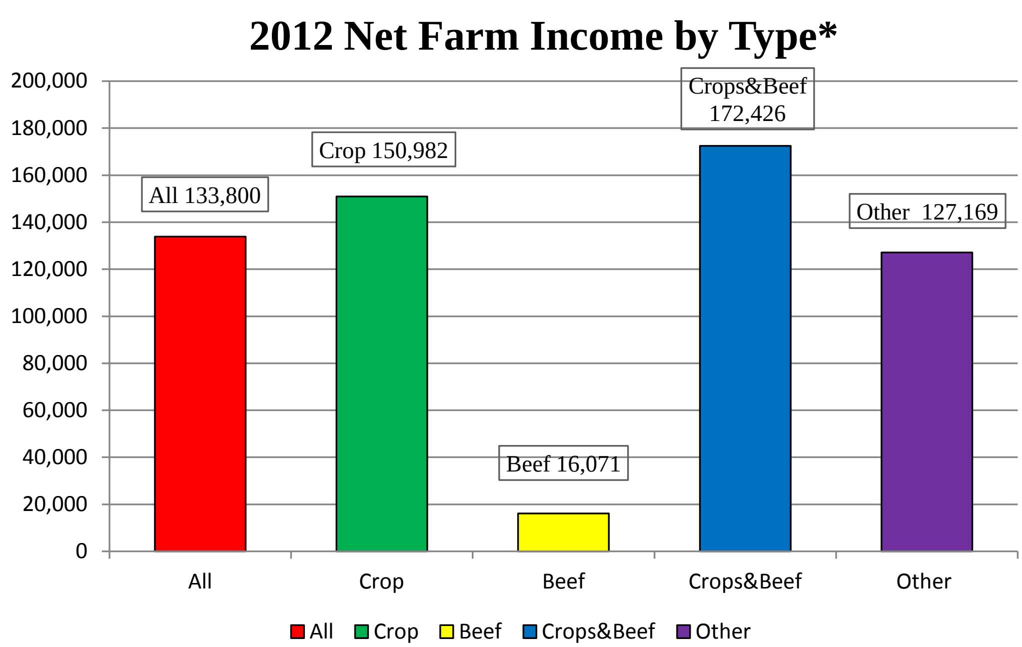
- The total expense per cow for the year increased by $65.19, which was a 9% increase from 2011.

- The cost of production per hundred weight produced for the beef cow-calf enterprise was up 3% from 2011.

<u>Observations from the 2012 Summary</u>

- Even though making comparisons between annual record summaries is imperfect when a few farms drop out and new farms are added each year, a large percentage of the farms in the summary are the same ones as 2011, so it is reasonable to make several general observations when comparing this year's summary to 2011. Even though the average net farm income of FBMA farms in 2012 declined somewhat from the net farm incomes of 2011, it was still a very profitable year overall for Missouri farms. Net farm income decreased by an average of $13,442 per farm, or a 9% decrease from 2011.

- The 132 farms in the report were classified by type (e.g. crop, dairy, hog) on the basis of having at least 70% of gross sales in each category (reference page 36). Using this 70% rule, there were 47 crop farms, 11 beef farms, 19 crop and beef farms, and 51 "other" farms. "Other" farms were those that did not have a single source (or pair of sources) of income over 70%. Also, when there are less than four farms with a single source of income over 70%, they are not reported as a group. This year, many crop farms fell into this "other" category as crop insurance income was categorized as other income.



** Groups of less than four farms are not reported here.*

Figure 10

- 2012 was a non-typical year for all types of producers as the drought played a key role in many of the outcomes. For example, a large portion of crop farms income came from crop insurance, while livestock farms found the grazing season cut short and resulted in increased feed purchases, these differences make it a little difficult to compare 2012 to past years data. However, this year is a prime example of the risk involved in production agriculture and how important it is to have a strong business plan, cost management figures, solid marketing plan, and a comprehensive risk management plan. FBMA farms with a history of records to prove their actual costs of production for the major enterprises in their businesses have a real advantage in planning, working with lenders, and managing risks.

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 132. 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 five wheat enterprises).

2. Farm financial information throughout the report was 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.

4. People often think of farm operations as one-family units, but it’s important to note that many of the farms in the group represented here provide the primary livelihood for more than one family.

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This report summarizes the individual farm records of the cooperators of the Missouri Farm Business Management Analysis (FBMA) Program for 2012. The Farm Business Management Analysis Program is a component of the public school agriculture offerings for adults. The state of Missouri, through the Division of College and Career Readiness of the Department of Elementary and Secondary Education and the National Institute of Food and Agriculture (USDA), through the Farm Business Management and Benchmarking Program, provided funds in support of the program. The staff of the Department of Agricultural Education at the University of Missouri developed the program and worked with staff in the Department of Elementary and Secondary Education and the Missouri Department of Agriculture in implementing the program.

The purpose of FBMA is to help farm families achieve their farm business and family goals through improved management, organization, and efficiency of their farm businesses. To accomplish the purpose, local adult agricultural education instructors assist enrollees in establishing a solid accounting system, make regular on-site visits to enrollees' farms to assist in developing strategies to improve the profitability of the farm business, teach in-depth classes relating to farm business management skills, and use FinPack along with the enrollees' accounting program to complete an annual analysis of records, providing a comparative database for assisting in management decisions.

Whole-farm financial information and enterprise costs and returns are reported. The year-end analysis of the individual farms was performed by local adult agriculture instructors of Missouri. The individual analyses were checked and summarized by Joanie Baker and John Sponaugle, Consultants for the FBMA program. Tables in this report were created using FinPack and RankEm Central, copyrighted software of the Center for Farm Financial Management, University of Minnesota.

Data from 132 Missouri farms are included in this report. Additional farms' records were submitted, but omitted from the summary because of incomplete information at the time the report was prepared.

All of the farms in the Missouri database submitted information for a *whole farm* financial analysis. A smaller number submitted data for complete *crop and livestock enterprise* analyses in addition to the whole farm data. This summary includes crop and livestock reports on each enterprise with four or more farms submitting complete enterprise records.

Leon Busdieker, Director
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Dept of Elementary
& Secondary Education

Anna Ball, Associate Professor and Chair
Dept of Agricultural Education
University of Missouri

Missouri Farm Business Management Analysis Program
Program Locations – 2012

<u>Central / South Central / Southwest</u>

Boonville	John Sponaugle
California	Dale Hodges
Fatima/ Westphalia	Jeremia Markway
Lebanon	Craig Evans
Pleasant Hill	A. J. Wingard & Mike Keilholz
Santa Fe (Alma)	Harold Bertz
Sweet Springs	Dennis Dohrman

<u>Northeast</u>

Edina (Knox Co.)	Joanie Baker
Kirksville	Tom Primmer
Mexico	Ted DeVault
Monroe City	Steve Yates
North Shelby	Jesse Schwanke
Ralls Co. (Center)	Bruce Fowler

<u>Northwest</u>

Braymer	Shawn Coats
Chillicothe	Brian Thompson & Jim Grozinger
Maryville	Jeremy Lacy

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