

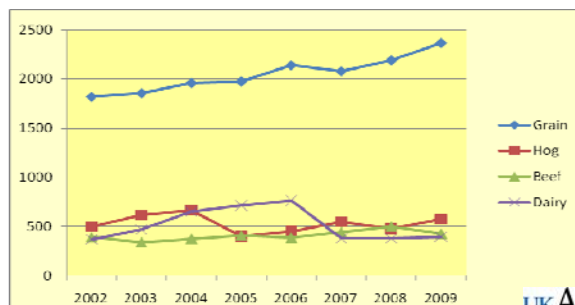
### Kentucky Farm Business Management

University of Kentucky  
 Department of Agricultural Economics  
 9 Specialists, 1 Coordinator  
 400 participating farms

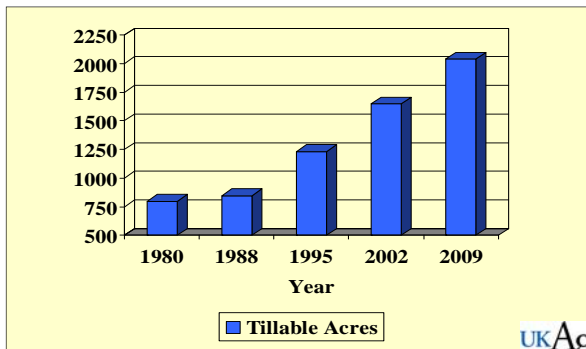
Bart Peters  
 2850 B Pembroke Rd  
 Hopkinsville, KY 42240  
 270-886-5281  
 bartpeters@uky.edu



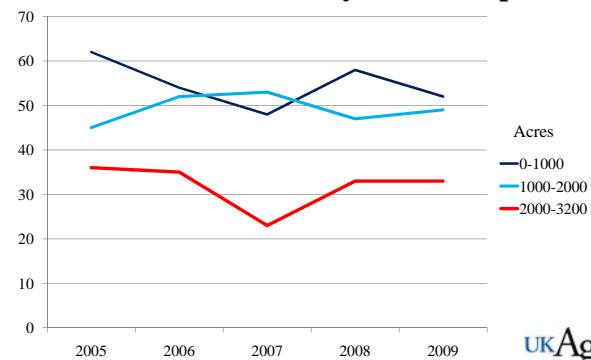
### What is Average Farm Size We Work With?

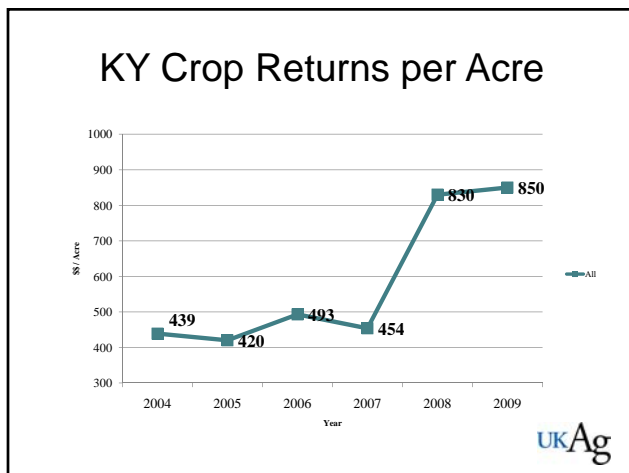
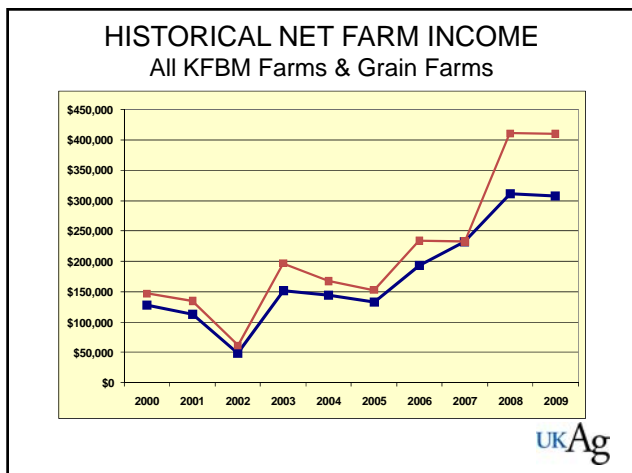
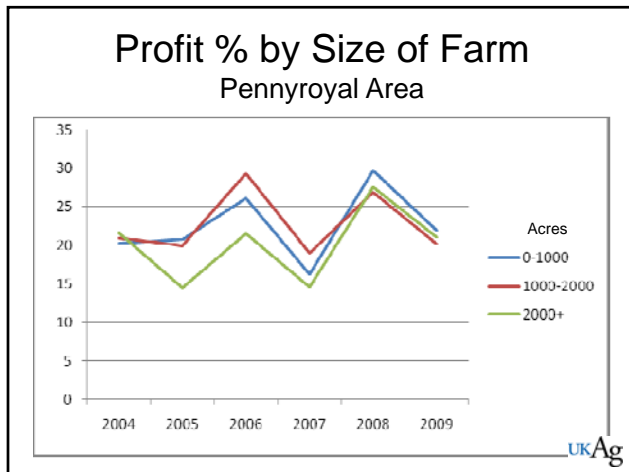
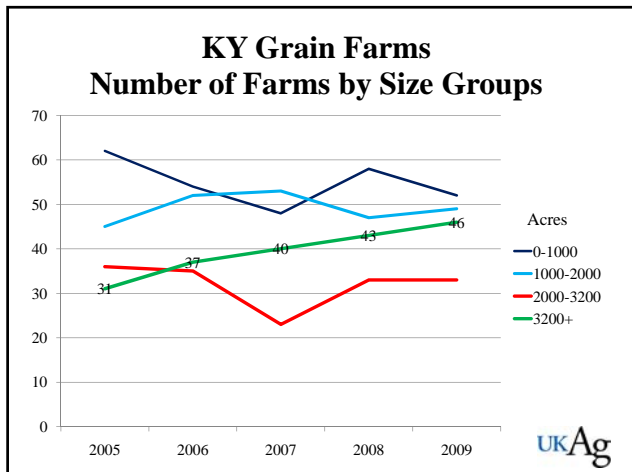


### Pennyroyal Farm Size over Time

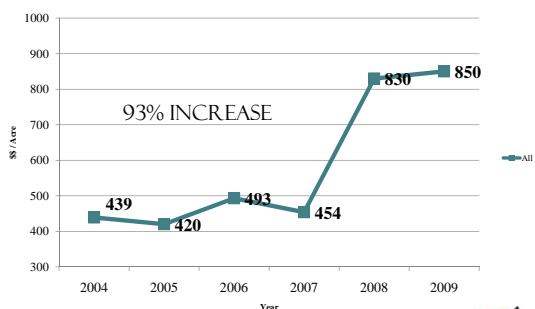


### KY Grain Farms Number of Farms by Size Groups



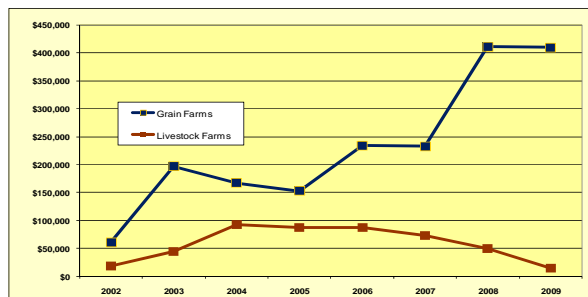


### KY Crop Returns per Acre



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### HISTORICAL NET FARM INCOME Grain and Livestock Farms



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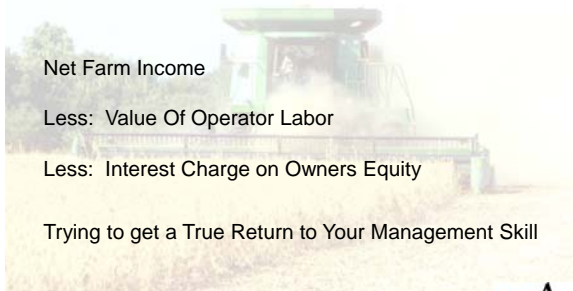
### What are Management Returns?

Net Farm Income

Less: Value Of Operator Labor

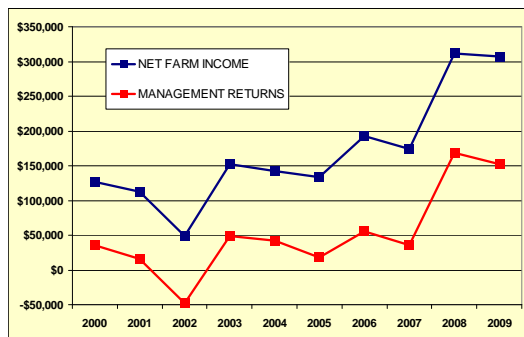
Less: Interest Charge on Owners Equity

Trying to get a True Return to Your Management Skill



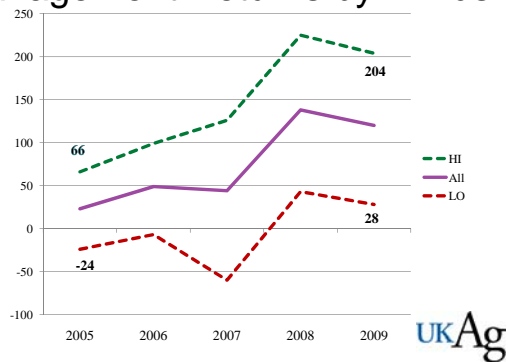
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### NET FARM INCOME & MANAGEMENT RETURNS All KFBM Farms



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### KY 2000 + Acre Grain Farms Management Returns by Thirds



### The 5% Rule:

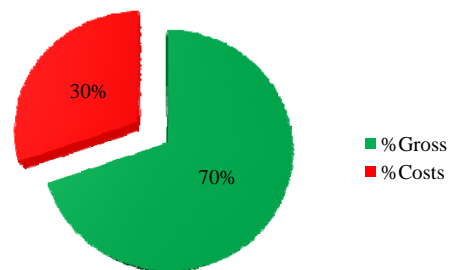
- Most sustained success comes from doing 20 things 5% better, not one thing 100% better. The most profitable producers perform only about 5% better than average, but they do it over and over.

• Danny Klinefelter, Texas A&M

### Kentucky Grain Farms Difference Between Hi and Lo Returns

ECONOMIC MANAGEMENT ANALYSIS					
KFBM COOPERATORS					
2007-2009 KY Grain Farms 2000+ Acres By Mgmt Returns					
Type: KY Grain 2000+ Acres	Per Operator Acre			Hi to Lo Difference	Percent of Difference
	Lo Third	Average	High Third		
GROSS FARM RETURNS	626.00	689.00	752.00	126.00	0.70
TOTAL NON-FEED COST	622.00	595.00	568.00	-54.00	0.30
MANAGEMENT RETURNS	4.00	90.00	184.00	180.00	100.00

### Difference between Hi & Lo Third Farms 2000+ Acres



**Kentucky Grain Farms**  
**Difference Between Hi and Lo Returns**  
**2007-2009 2000+ ACRES**

<i>CROP YIELDS</i>	HI THIRD	LOW THIRD	% DIFFERENCE
CORN	159	150	<b>6.0%</b>
SOYBEANS	46	39	<b>18.1%</b>
WHEAT	63	59	<b>6.7%</b>
DOUBLE CROP BEANS	32	29	<b>10.3%</b>

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**Kentucky Grain Farms**  
**Difference Between Hi and Lo Returns**  
**2007-2009 2000+ ACRES**

<i>CROP PRICES</i>	HI THIRD	LOW THIRD	% DIFFERENCE
CORN	4.25	3.86	9.9%
SOYBEANS	10.06	9.68	3.9%
WHEAT	5.94	4.99	<b>19.0%</b>
DOUBLE CROP BEANS	10.19	9.68	5.3%

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**Kentucky Grain Farms**  
**Difference Between Hi and Lo Returns**  
**2007-2009 2000+ ACRES**

<i>GROSS VALUE</i>	HI THIRD	LOW THIRD	% DIFFERENCE
CORN	675	580	16.5%
SOYBEANS	459	374	22.7%
WHEAT	376	296	27.0%
DOUBLE CROP BEANS	326	281	16.2%

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**Kentucky Grain Farms**  
**Difference Between Hi and Lo Returns**  
**2007-2009 2000+ ACRES**

<i>CROP PRICES</i>	YIELD	PRICE	GROSS DOLLARS
CORN	6.0	9.9	16.5
SOYBEANS	18.1	3.9	22.7
WHEAT	6.7	19.0	27.0
DOUBLE CROP BEANS	10.3	5.3	16.2

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## Kentucky Grain Farms Costs Differences

KFBM COOPERATORS			
2007 - 2009 KY Grain Farms 2000+ ACRES			
Type: All KY Grain 2000+ ACRES	Per Operator Acre		Percentage
	Lo Third	High Third	Difference
<b>FARM COSTS</b>			
Chemical, Seed, Fertilizer	196.00	175.00	12%
Power & Equip Total	115.00	109.00	6%
Building Repair, Drying & Storage	25.00	22.00	14%
Labor Total	66.00	55.00	20%
Other Cost Total	88.00	86.00	2%
Cash Rent & Land Taxes, Leasing Co	131.00	122.00	7%
<b>TOTAL NON-FEED COST</b>	<b>622.00</b>	<b>568.00</b>	<b>10%</b>

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## Kentucky Grain Farms 2005 vs 2009 Costs

KFBM COOPERATORS			
2005 - 2009 KY Grain Farms 2000+ ACRES			
Type: All KY Grain 2000+ ACRES	Per Operator Acre		Percentage
	2005	2009	Difference
<b>FARM COSTS</b>			
Chemical, Seed, Fertilizer	132.00	220.00	67%
Power & Equip Total	89.00	120.00	35%
Building Repair, Drying & Storage	17.00	30.00	76%
Labor Total	51.00	64.00	25%
Other Cost Total	55.00	84.00	53%
Cash Rent & Land Taxes, Leasing Co	106.00	134.00	26%
<b>TOTAL NON-FEED COST</b>	<b>450.00</b>	<b>652.00</b>	<b>45%</b>

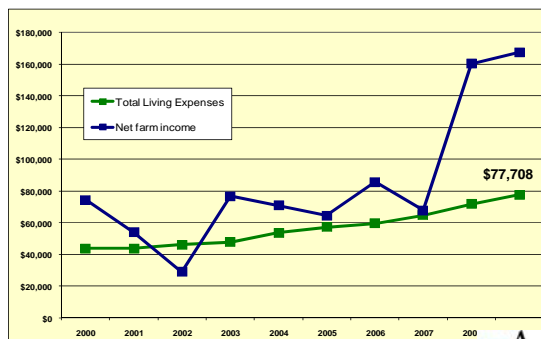
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## Summary


- Grain Farms are getting larger
- Difference between Hi Third and Low Third Farms is becoming Larger. >\$180/ Acre
- 70% of difference is from Gross Income
- 30% of difference is from Expense
- Small farms can be just as profitable on a percentage basis as large farms
- Managing risks becomes more important as the dollars involved increases. More Volatility


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## DON'T FORGET TO MANAGE THIS: TOTAL FAMILY LIVING & NET FARM INCOME

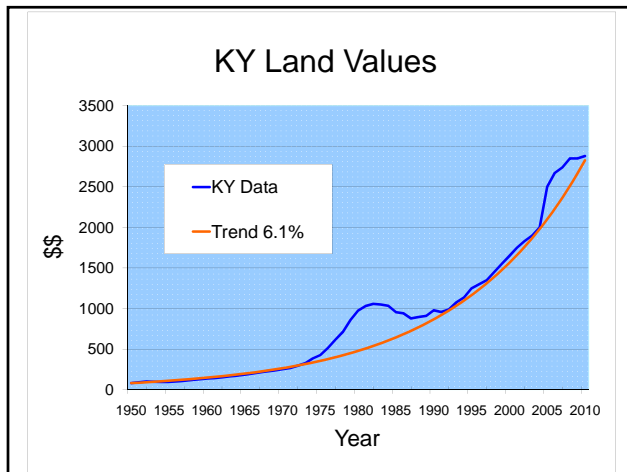


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**Kentucky Farm Business Management**  
  
 Kentucky Farm Business Management Program  
 Serving you since 1962  
[www.uky.edu/Ag/KFBM/](http://www.uky.edu/Ag/KFBM/)





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### How Many Farmers Are There?

- **USDA Census**
- **1992 = 2,099,900 Farms**
- **2007 = 2,196,791 Farms**
- **In Raw Numbers, Each Farm feeds 150**
- **People in the U.S. not counting exports**

### How Farm Size is Changing

	1992 % of Farms	2007 % of Farms	1992 % of Value	2007 % of Value
Non Commercial Sales <\$10,000	42	54	1.4	1.2
Small Commercial Sales \$10K - \$250K	51.2	36.5	40.7	22.2
Large Farms Sales \$250K-\$1M	6.2	7.5	29.9	30.1
Very Large Sales > \$1Million	0.9	1.9	27.9	46.5

## The Environmental Working Group...

Says “The largest and wealthiest top 10 % of farm program recipients received 74% of all farm subsidies-hardly a safety net for small struggling farmers.”

But...These programs are acre driven, so the more acres you farm the more you receive (each program has a limit)

## .....The Rest of the Story

Remember our USDA data from 2007....

	% of Farms	% of Sales
Large Farms Sales \$250K-\$1M	7.5	30.1
Very Large Sales > \$1Million	1.9	46.5
Total	9.4	76.6