

# Profitability Up For 2013 Grain Farms

Profitability increased while Management Returns decreased for 2013 Kentucky grain farms compared to the average in 2012.

Based on preliminary data from 164 grain farms participating in the Kentucky Farm Business Management (KFBM) program, average Net Farm Income (NFI) increased for grain farms to \$529,689. If preliminary indications of NFI hold, 2013 will be the highest year on record for KFBM grain farms.

Net Farm Income is the value of farm production less total operating expenses and total interest expense, plus net gain or loss on machinery and buildings sold. It is the primary indicator of farm profitability. Costs and returns are reported on the accrual basis; so things like crop insurance receipts, fast depreciation, and prepaid expenses are assigned to the actual year of production. Preliminary reports indicate that 2013 NFI is \$19,056 higher than the 2012 final KFBM average, and \$6,742 higher than the previous record set in 2011.

<b>FARM RETURNS AND COSTS</b>	<b>Diff Per</b>	<b>% Change</b>
<b>2013 Compared to 2012</b>	<b>Op Acre</b>	<b>from 2012</b>
<b>GROSS FARM RETURNS</b>	41.29	4%
Crop Total	4.12	1%
Power & Equipment Total	10.08	6%
Building Total	6.86	25%
Labor Paid	3.00	5%
Other Costs Total	5.36	5%
Land Cost	28.88	18%
<b>TOTAL NON-FEED COSTS</b>	57.90	7%
Net Farm Income	11	5%
<b>MANAGEMENT RETURNS</b>	-38.95	-11%

**Table 1**

Table 1 shows the difference in costs and returns between 2012 KFBM grain farms and preliminary figures for 2013 farms. Gross farm return was up about 4% from 2012 and nearly all of it was due to increased crop returns. Total cost was up about 7% overall. The single largest increase was in land cost, which was up \$28.88 per acre, or 18%, over 2012. Land cost includes cash rent, taxes, leasing cost on share rent acres, and an interest charge of 3.75% of the value of fixed assets. Total power and equipment increased \$10.08 per acre, which is a 6% increase. This included increases in repairs, machinery hire, and depreciation. Drying

increased 185% over the 2012 drought year, adding \$5.25 per acre to total cost. Bottom line profitability (NFI) averaged \$258.12 per acre, which equals a 5% increase over the 2012 average.

Management Returns dropped 11% from \$336,913 in 2012 to \$299,381 for 2013. Management Returns is the residual of profit less charges for the operator's unpaid labor and interest on farm capital. It represents the reward to risk and decision making on the operator's part. Management Returns dropped to an average \$146.17 per acre for 2013 compared to \$185.12 per acre for 2012.

The agronomic data in Table 2 and Table 3 reveal the most obvious differences between the 2013 preliminary grain farms and the 2012 average grain farm corn yields and prices. Corn yields averaged 78 bushels per acre in 2012 with corn prices averaging \$6.50 per bushel. Preliminary average corn yield in 2013 is 189 bushels and price is \$4.81 per bushel. Yields increased 3 times while prices fell only 26%. Gross value of an acre of corn increased over \$400

to \$909.09. Gross value per acre also increased for soybeans and wheat as a result of increased

SELECT AGRONOMIC DATA for AVERAGE FARM 2012				
CROP	Acres		New Crop	Gross
	Planted	Yield/Ac	Price	Value/Ac
Corn	1101	78	6.5	507.00
Soybeans	560	45	13.85	623.25
D/C Soybeans	828	44	13.85	609.40
Wheat	780	66	7.35	485.10
Burley Tobacco	50	2297	1.97	4525
Dark Air Tobacco	15	2779	2.22	6169
Dk Fired Tobacco	33	3112	2.35	7313

yields. Among tobacco types, gross value per acre fell for all but dark fired tobacco.

Preliminary figures indicate that 2013 profitability may exceed records set for KFBM grain farms in 2011. The average 2013 KFBM grain farm produced 189 bushels of corn valued at \$4.81 per bushel compared to 2011 production of 145 bushels of corn valued at \$5.63.

**Table 2**

The average 2013 preliminary KFBM grain farm consisted of 2,259 tillable acres; including 1,008 cash rent acres, 602 share lease acres, and 650 owned acres. The 2013 average farm had 911 acres planted to corn, 525 acres to full season soybeans, 658 to double crop beans, and 621 to wheat. The average farm also had 48 acres of burley tobacco, 14 acres of dark air tobacco, and 41 acres of dark fired tobacco. Dark Fired tobacco acres planted increased eight acres over 2012 while other tobacco acres remained about the same.

SELECT AGRONOMIC DATA for AVERAGE FARM 2013				
CROP	Acres		New Crop	Gross
	Planted	Yield/Ac	Price	Value/Ac
Corn	911	189	4.81	909.09
Soybeans	525	54	12.81	691.74
D/C Soybeans	658	51	12.97	661.47
Wheat	621	81	6.88	557.28
Burley Tobacco	48	2072	2.08	4310
Dark Air Tobacco	14	2557	2.31	5907
Dk Fired Tobacco	41	2834	2.61	7397

**Table 3**

By contrast, the 206 grain farms included in the 2012 KFBM summary averaged 2,289 tillable acres. The average farm owned 2% fewer acres and cash rented 4% more acres than the average 2013 preliminary farm. The 2012 farm devoted 235 more acres to corn, beans, and wheat than the average 2013 preliminary farm.

The Kentucky Farm Business Management program provides member farmers with the basis for sound decision making, and it gives other farmers and Ag professionals performance benchmarks for major farm enterprises. Go to [http:// www.uky.edu/Ag/KFBM/](http://www.uky.edu/Ag/KFBM/) for the full analysis. ~ *Jerry Pierce*