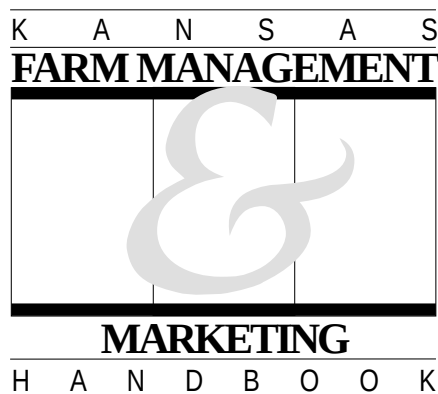




**KSU Farm Management Guide**

**MF-801**

# Income and Financial Trends for Kansas Farms

Department of Agricultural Economics



**Kansas State University Agricultural Experiment Station and Cooperative Extension Service**

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## Income and Financial Trends

The following income and financial ratio trends were derived from data provided by farms enrolled in the Kansas Farm Management Association program. The number of commercial farms in this educational program varied from 2,650 to 2,800 for the 10-year period 1989-1998. These income and financial trends provide in-depth information for analyzing the farm financial situation and policies affecting agriculture.

Value of farm production and net farm income averaged \$168,036 and \$35,852, respectively, for the period 1989-1998. Net farm income must pay for family living, income and social security taxes, and principal payments on land, machinery, and operating assets. During this 10-year period, family living expenses alone averaged \$27,962.

## Definitions

**Value of Farm Production (VFP):** Total livestock, grain, hay, and miscellaneous income minus cost of items purchased for resale minus cost of purchased feed plus or minus changes in operating inventories.

**Total Farm Expenses:** Total cash and noncash expenses plus or minus the associated accrual and expense inventory adjustments. Does not include cost of items purchased for resale and cost of purchased feed.

**Net Farm Income:** Return to operator's labor, management, and net worth computed on an accrual basis.

**Current Assets:** Total value of livestock, supplies, crops, feeds, and current accounts receivable.

**Intermediate Assets:** Total value of machinery, motor vehicles, and intermediate accounts receivable.

**Long-Term Assets:** Total value of owned land, buildings, and long-term accounts receivable.

**Current Loans:** Loans of 1 year or less.

**Intermediate Loans:** Loans of 1 to 7 years in length.

**Long-Term Loans:** Loans greater than 7 years in length.

## Data Source

*The Annual ProfitLink Summary, Kansas Farm Management Associations, Department of Agricultural Economics, K-State Research and Extension, Kansas State University, Manhattan, Kansas.*

**Table 1. Net Farm Income for Kansas Farm Management Association Farms, 1989–1998.**

| Year | State    | Northwest | Southwest | North Central | South Central | Northeast | Southeast |
|------|----------|-----------|-----------|---------------|---------------|-----------|-----------|
| 1989 | \$26,596 | \$24,237  | \$23,739  | \$19,333      | \$12,729      | \$31,047  | \$38,291  |
| 1990 | 36,337   | 35,000    | 39,635    | 42,491        | 25,695        | 40,428    | 36,100    |
| 1991 | 22,887   | 26,442    | 29,237    | 16,381        | 24,721        | 18,689    | 24,224    |
| 1992 | 45,475   | 35,033    | 38,520    | 38,371        | 32,128        | 56,620    | 56,257    |
| 1993 | 38,170   | 51,989    | 53,595    | 21,297        | 38,063        | 30,496    | 39,612    |
| 1994 | 28,652   | 28,676    | 30,075    | 19,246        | 24,684        | 30,196    | 34,084    |
| 1995 | 22,353   | 30,840    | 23,800    | 16,986        | 18,456        | 26,101    | 21,107    |
| 1996 | 61,915   | 61,755    | 56,261    | 55,905        | 56,131        | 71,580    | 64,662    |
| 1997 | 59,352   | 30,228    | 48,589    | 51,263        | 60,919        | 51,698    | 81,951    |
| 1998 | 16,778   | 50,485    | 31,286    | 14,767        | 16,156        | 12,170    | 3,460     |
| Avg. | \$35,852 | \$37,469  | \$37,476  | \$29,604      | \$30,968      | \$36,903  | \$39,975  |

**Table 2. Value of Farm Production, Total Farm Expense, and Rate of Return to Resources for Kansas Farm Management Association Farms, State, 1989–1998.**

| Year  | Value of Farm Production | Total Farm Expense | Total Expense/\$100 Value of Farm Production | Rate of Return to Net Worth | Rate of Return to Total Assets |
|-------|--------------------------|--------------------|----------------------------------------------|-----------------------------|--------------------------------|
| 1989  | \$140,077                | \$113,481          | \$81.01                                      | – 2.49%                     | 1.82%                          |
| 1990* | 157,321                  | 120,984            | 76.90                                        | 0.34                        | 3.69                           |
| 1991  | 138,121                  | 115,234            | 83.43                                        | – 4.75                      | –0.07                          |
| 1992  | 163,164                  | 117,689            | 72.13                                        | 2.70                        | 4.67                           |
| 1993  | 159,371                  | 121,202            | 76.05                                        | –1.57                       | 1.50                           |
| 1994  | 159,788                  | 131,136            | 82.07                                        | –3.42                       | 0.35                           |
| 1995* | 157,621                  | 135,268            | 85.82                                        | –4.44                       | –0.14                          |
| 1996  | 208,860                  | 146,945            | 70.36                                        | 2.78                        | 9.75                           |
| 1997  | 220,426                  | 161,074            | 73.07                                        | 0.81                        | 3.13                           |
| 1998  | 175,615                  | 158,836            | 90.45                                        | –4.46                       | –0.37                          |
| Avg.  | \$168,036                | \$132,185          | \$79.13                                      | –1.45%                      | 2.43%                          |

\*Land was revalued in 1990 and 1995.

**Table 3. Value of Farm Production, Net Farm Income, and Financial Ratios for Kansas Farm Management Association Farms, High and Low Income Levels, State, 1989–1998.<sup>1</sup>**

| Year  | High 25% Net Farm Income Farms |                 |                          |                 | Low 25% Net Farm Income Farms |                 |                          |                 |
|-------|--------------------------------|-----------------|--------------------------|-----------------|-------------------------------|-----------------|--------------------------|-----------------|
|       | Value of Farm Production       | Net Farm Income | Total Loans/Total Assets | Loans/Net Worth | Value of Farm Production      | Net Farm Income | Total Loans/Total Assets | Loans/Net Worth |
| 1989  | \$243,696                      | \$81,976        | .31                      | .44             | \$95,049                      | \$–16,069       | .45                      | .83             |
| 1990* | 275,192                        | 97,345          | .29                      | .41             | 94,275                        | –8,085          | .46                      | .86             |
| 1991  | 237,268                        | 78,655          | .25                      | .34             | 103,153                       | –23,204         | .47                      | .89             |
| 1992  | 307,000                        | 116,299         | .29                      | .41             | 85,483                        | –3,752          | .39                      | .64             |
| 1993  | 289,189                        | 106,120         | .28                      | .39             | 93,369                        | –10,924         | .42                      | .73             |
| 1994  | 285,498                        | 90,736          | .31                      | .45             | 103,126                       | –20,459         | .44                      | .80             |
| 1995* | 277,591                        | 88,427          | .25                      | .33             | 109,340                       | –29,833         | .47                      | .88             |
| 1996  | 420,075                        | 162,341         | .30                      | .43             | 91,087                        | –4,837          | .37                      | .59             |
| 1997  | 410,484                        | 152,604         | .30                      | .43             | 115,173                       | –6,455          | .38                      | .61             |
| 1998  | 304,419                        | 83,640          | .29                      | .42             | 135,548                       | –42,058         | .43                      | .75             |
| Avg.  | \$305,041                      | \$105,814       | .29                      | .41             | \$102,560                     | \$–16,568       | .43                      | .76             |

<sup>1</sup>Ratios computed as of December 31.

\*Land was revalued in 1990 and 1995.

**Table 4. Value of Farm Production, Net Farm Income, and Financial Ratios for Kansas Farm Management Association Farms, by Income Level, 1998.<sup>1</sup>**

| High 25% Net Farm Income Farms |                          |                 |                              |                     | High Middle 25% Net Farm Income Farms |                 |                              |                     |
|--------------------------------|--------------------------|-----------------|------------------------------|---------------------|---------------------------------------|-----------------|------------------------------|---------------------|
| Year                           | Value of Farm Production | Net Farm Income | Total Loans/<br>Total Assets | Loans/<br>Net Worth | Value of Farm Production              | Net Farm Income | Total Loans/<br>Total Assets | Loans/<br>Net Worth |
| N.W.                           | \$419,569                | \$134,626       | .30                          | .43                 | \$304,739                             | \$55,415        | .45                          | .82                 |
| S.W.                           | 353,479                  | 104,034         | .24                          | .32                 | 189,985                               | 37,545          | .38                          | .60                 |
| N.C.                           | 256,962                  | 68,932          | .32                          | .47                 | 143,893                               | 24,586          | .33                          | .50                 |
| S.C.                           | 263,962                  | 75,622          | .25                          | .34                 | 152,705                               | 23,711          | .30                          | .42                 |
| N.E.                           | 285,677                  | 76,490          | .28                          | .38                 | 133,217                               | 18,085          | .25                          | .33                 |
| S.E.                           | 252,821                  | 64,238          | .26                          | .35                 | 119,746                               | 11,043          | .30                          | .42                 |
| State                          | \$304,419                | \$83,640        | .29                          | .42                 | \$152,765                             | \$23,904        | .30                          | .43                 |

| Low Middle 25% Net Farm Income Farms |                          |                 |                              |                     | Low 25% Net Farm Income Farms |                 |                              |                     |
|--------------------------------------|--------------------------|-----------------|------------------------------|---------------------|-------------------------------|-----------------|------------------------------|---------------------|
| Year                                 | Value of Farm Production | Net Farm Income | Total Loans/<br>Total Assets | Loans/<br>Net Worth | Value of Farm Production      | Net Farm Income | Total Loans/<br>Total Assets | Loans/<br>Net Worth |
| N.W.                                 | \$166,755                | \$22,916        | .34                          | .53                 | \$109,411                     | \$-12,157       | .40                          | .66                 |
| S.W.                                 | 139,882                  | 13,243          | .31                          | .45                 | 166,418                       | -31,788         | .32                          | .46                 |
| N.C.                                 | 110,437                  | 2,918           | .37                          | .60                 | 130,243                       | -37,366         | .47                          | .88                 |
| S.C.                                 | 128,037                  | 4,309           | .31                          | .46                 | 157,831                       | -39,659         | .51                          | 1.03                |
| N.E.                                 | 104,145                  | -1,532          | .33                          | .49                 | 129,029                       | -45,513         | .42                          | .72                 |
| S.E.                                 | 85,052                   | -7,089          | .31                          | .44                 | 144,185                       | -53,976         | .43                          | .76                 |
| State                                | \$109,651                | \$1,518         | .32                          | .48                 | \$135,548                     | \$-42,058       | .43                          | .75                 |

<sup>1</sup>Ratios computed as of December 31.

**Table 5. Current–Immediate Loans to Current–Intermediate Assets Financial Ratio for Kansas Farm Management Association Farms, 1989–1998.<sup>1</sup>**

| Year  | State | Northwest | Southwest | North Central | South Central | Northeast | Southeast |
|-------|-------|-----------|-----------|---------------|---------------|-----------|-----------|
| 1989  | .44   | .43       | .47       | .49           | .48           | .40       | .39       |
| 1990* | .44   | .47       | .47       | .46           | .49           | .42       | .40       |
| 1991  | .38   | .43       | .35       | .42           | .38           | .37       | .37       |
| 1992  | .38   | .44       | .41       | .43           | .38           | .34       | .36       |
| 1993  | .38   | .40       | .38       | .45           | .39           | .34       | .36       |
| 1994  | .40   | .43       | .41       | .46           | .43           | .36       | .36       |
| 1995* | .41   | .42       | .43       | .47           | .42           | .39       | .37       |
| 1996  | .37   | .40       | .41       | .42           | .39           | .35       | .33       |
| 1997  | .38   | .45       | .43       | .40           | .39           | .37       | .33       |
| 1998  | .41   | .46       | .41       | .44           | .42           | .39       | .38       |
| Avg.  | .40   | .43       | .42       | .44           | .42           | .37       | .37       |

<sup>1</sup>Ratios computed as of December 31. \*Land was revalued in 1990 and 1995.

**Table 6. Long-Term Loans to Long-Term Assets Financial Ratio for Kansas Farm Management Association Farms, 1989–1998.<sup>1</sup>**

| Year  | State | Northwest | Southwest | North Central | South Central | Northeast | Southeast |
|-------|-------|-----------|-----------|---------------|---------------|-----------|-----------|
| 1989  | .30   | .35       | .29       | .31           | .28           | .29       | .30       |
| 1990* | .29   | .36       | .27       | .28           | .29           | .27       | .29       |
| 1991  | .29   | .36       | .25       | .29           | .31           | .25       | .29       |
| 1992  | .28   | .36       | .24       | .30           | .28           | .26       | .28       |
| 1993  | .28   | .32       | .23       | .30           | .26           | .25       | .29       |
| 1994  | .29   | .35       | .24       | .32           | .28           | .26       | .30       |
| 1995* | .27   | .29       | .24       | .30           | .25           | .25       | .27       |
| 1996  | .27   | .29       | .22       | .29           | .27           | .27       | .28       |
| 1997  | .27   | .27       | .22       | .28           | .26           | .26       | .29       |
| 1998  | .26   | .28       | .19       | .30           | .25           | .24       | .28       |
| Avg.  | .28   | .32       | .24       | .30           | .27           | .26       | .29       |

<sup>1</sup>Ratios computed as of December 31. \*Land was revalued in 1990 and 1995.

**Table 7. Total Loans to Total Assets Financial Ratio for Kansas Farm Management Association Farms, 1989–1998.<sup>1</sup>**

| Year  | State | Northwest | Southwest | North Central | South Central | Northeast | Southeast |
|-------|-------|-----------|-----------|---------------|---------------|-----------|-----------|
| 1989  | .36   | .38       | .37       | .40           | .37           | .34       | .34       |
| 1990* | .36   | .40       | .36       | .38           | .38           | .34       | .34       |
| 1991  | .33   | .39       | .30       | .36           | .34           | .31       | .33       |
| 1992  | .33   | .40       | .33       | .37           | .33           | .30       | .32       |
| 1993  | .33   | .36       | .30       | .38           | .33           | .30       | .33       |
| 1994  | .35   | .39       | .32       | .39           | .36           | .31       | .33       |
| 1995* | .34   | .35       | .33       | .39           | .33           | .32       | .32       |
| 1996  | .32   | .34       | .31       | .36           | .33           | .31       | .31       |
| 1997  | .33   | .35       | .33       | .35           | .33           | .32       | .31       |
| 1998  | .33   | .37       | .30       | .37           | .34           | .32       | .33       |
| Avg.  | .34   | .37       | .33       | .38           | .34           | .32       | .33       |

<sup>1</sup>Ratios computed as of December 31. \*Land was revalued in 1990 and 1995.

**Table 8. Total Loans to Net Worth Financial Ratio for Kansas Farm Management Association Farms, 1989–1998.<sup>1</sup>**

| Year  | State | Northwest | Southwest | North Central | South Central | Northeast | Southeast |
|-------|-------|-----------|-----------|---------------|---------------|-----------|-----------|
| 1989  | .57   | .62       | .60       | .67           | .58           | .52       | .52       |
| 1990* | .57   | .68       | .56       | .60           | .62           | .51       | .53       |
| 1991  | .50   | .65       | .42       | .56           | .53           | .45       | .49       |
| 1992  | .50   | .66       | .48       | .59           | .48           | .43       | .47       |
| 1993  | .49   | .56       | .44       | .62           | .49           | .42       | .49       |
| 1994  | .53   | .64       | .48       | .65           | .55           | .45       | .50       |
| 1995* | .51   | .54       | .48       | .63           | .50           | .48       | .47       |
| 1996  | .48   | .51       | .46       | .56           | .49           | .46       | .44       |
| 1997  | .49   | .55       | .49       | .53           | .49           | .47       | .45       |
| 1998  | .50   | .58       | .43       | .59           | .51           | .46       | .48       |
| Avg.  | .51   | .60       | .48       | .60           | .52           | .47       | .48       |

<sup>1</sup>Ratios computed as of December 31. \*Land was revalued in 1990 and 1995.

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