Profits drop in south-central ND

BY **STEVE METZGER**

FARMERS and ranchers enrolled in the North Dakota Farm Business Management Program and located in the south-central region of North Dakota saw an average decrease of 82% in farm profits from 2014 into 2015.

The south-central area data for 2015 included 140 farms and over 383,000 acres of cropland and pasture or rangeland. The area included extends from the eastern edge of the Missouri River to the western edge of the Red River Valley and from approximately 25 miles south of Devils Lake to the South Dakota border. The average farm consisted of 2,148 crop and hay land acres along with 591 pasture or rangeland acres for a total of 2,739 acres, which was 285 acres larger than the 2014 average farm of 2,454 acres.

The 2015 year saw producers generate an average gross cash farm income of $823,293, or $26,683 less than in 2014. Both years are in sharp contrast to the 2007 average of $452,249 that occurred just before crop prices began surging upward in 2008.

Leading the average cash farm income stream for the fourth consecutive year were soybeans at $198,134 along with corn at $158,535 and all wheat at $108,490. Crop insurance income was at $34,337, while government direct and ACRE (average crop revenue election) payments made up 2.3% of the total cash income at $18,942. Other government payments, excluding the Conservation Reserve Program, averaged $7,278 per farm. Income from all livestock represented 20% of the average gross cash income at $163,757 per farm.

As gross cash incomes moved downward, so did farm expenses, with 2015 accumulating a total of cash farm expenses equaling $664,589 for a decrease of $1,624 over 2014. That's 77% more than the 2007 total of $376,242 on an average farm, consisting then of 2,395 total acres. Ranking the highest among the average expenses were land rent at $98,838, fertilizer at $92,083 and seed at $91,871.

Capital purchases, excluding land, consumed an average of $141,419 per farm. Leading the way was farm machinery at $80,572, followed by farm buildings and improvements at $22,056 per farm. Breeding livestock purchases were listed at $21,045, while farm vehicles and other farm assets made up the balance of capital acquisitions. When capital purchases were combined with the cash operating expenses, the 2015 total was calculated to be $806,008.

In 2015 the level of farm borrowing increased slightly, with the average farm borrowing $682,571 while repaying a total of $635,903. This again created an eight-year increase in the average farm debt load of 100%, going from $453,700 in 2007 to $908,303 by the end of 2015.

As prices tumble and expenses remain high, farmers and ranchers will need to know where they stand not only in relation to past years, but also in relation to their fellow ag producers. As producers are now working with 77% more expenses and 100% more borrowed money, they must be aware of the potential impact that critical items such as crop selection, marketing and management will have on their bottom line and on the financial numbers and ratios viewed by their lenders.

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