

Comparing Kansas Ag to Other States

(A need for more useful data)

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Presented to:
Risk and Profit Conference 2004
“Advancing Ag Management with Economics”
August 19-20, 2004
Kansas State University - Manhattan, KS

Abstract

Many factors differentiate Kansas agricultural production from other states. Agricultural producers face variable risks from weather across the county line road, much more so across the span of hundreds of miles. Marketing alternatives also arise in sometimes unique patterns that are geographically oriented. Whatever the differences in challenges or opportunities that face Kansas producers versus producers of similar crops in other areas, we still compete in the production of agricultural goods.

Comparing the relative performance of similar enterprises in wider areas can shed some light on our relative performance and assist in developing strategies to mitigate undesirable outcomes or capitalize on opportunities. Benchmarking is a strategy that can be used to evaluate the relative performance of an operation and provide a measure to compare operations under various conditions. This broader look at the agricultural climate on a statewide basis can assist us in developing plans for greater future success as we examine the trends of the agricultural environment.

Purpose

Establishing a benchmark to examine Kansas agricultural production in light of agricultural production systems in other states should provide an additional level of comparison for the relative performance of farms and specific production enterprises in the state. Evaluating the financial characteristics of external farms may allow us to determine if we have opportunities to improve our own operations and strengthen our competitive position. As we examine our relative competitive advantages, we can also adjust production mixes and concentrate limited resources on enterprises that may in turn enhance the long-term health of our farming operations. Statewide benchmarking may also provide a glimpse at potential trends so that adjustments to production and marketing systems may be made to take advantage of opportunities that arise.

An ability to analyze financial trends with enterprises in other areas of the country may lead to a greater appreciation for the likelihood of success with specific crops in Kansas. Understanding the cost factors and revenue drivers in potential cropping options may allow producers the opportunity to examine the impacts inclusion of those enterprises may have on their own operations. Sufficient knowledge of the economic impact enterprise mixes can have on an operation is vital to examining potential profitability.

The Data

Kansas is blessed with one of the most comprehensive farm enterprise comparative analysis systems available. The Kansas Farm Management Association (<http://www.agecon.ksu.edu/kfma>) has collected whole farm and enterprise data for decades and it stands today as one of the most thorough and largest farm financial data sets available.

The data to benchmark enterprises within Kansas is relatively easy to access in the Enterprise PROFITCENTER Summary produced in the Department of Agricultural Economics at Kansas State University. (Soon to be on the web at <http://www.agmanager.info>) Several crop and livestock enterprises are included in the data bank, including most of the major production agriculture enterprises found on Kansas farms.

Data for other states is scarce. There are three leading farm financial management programs in the United States: The Kansas Farm Management Association (KFMA), the Illinois Farm Business Farm Management (FBFM) program, and the Iowa Farm Business Association. The KFMA and FBFM are associated with their respective state Land Grant institutions. The Iowa Farm Business Association is a stand-alone, private operation that does not participate in the collection of data into a central system for use in farm management research, teaching or extension education. Of the two leading university affiliated programs, the KFMA is far more integrated into its home institution. The KFMA is staffed by “fieldmen” who are Extension Agricultural Economists, Farm Management in the Department of Agricultural Economics at K-State. Intensive extension education programs and collection of data for inclusion in the central data bank are primary objectives for the KFMA program.

The FBFM program in Illinois is closely linked with the University of Illinois – Champaign/Urbana. With extensive numbers of whole farm analyses, the FBFM data has great value. However, the data available in wide release from that program is not as deep in the enterprise analysis as that found in the KFMA system.

While fewer farms are included in their state analysis summary, Nebraska Farm Business, Inc. (NFB) has a series of data that can be used to compare with some traditional Kansas enterprises. A continued divestment by the University of Nebraska in the NFB has accompanied a reduction in the number of members carried within the group and a reduction in the volume of data available.

Along with the use of actual farm-level data, there are alternative sources of information that can be useful in benchmarking operations. The Agricultural Resource Management Survey (ARMS), sponsored jointly by the Economic Research Service and the National Agricultural Statistics Service is a primary source of information used with the analysis framework at the USDA. An expansion of the ARMS will soon provide greater information for several aspects of agriculture in larger agriculture states including Kansas. ARMS data can be used in coordination with ongoing farm-level record systems to provide greater information that supplements existing data.

Developing the case

This presentation will draw upon readily available data with a focus on extracting useful information in evaluating farm-level and regional characteristics.