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Association**
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Looking at the Cost and Revenue Drivers Leading into the 2007 Farm Bill: A Kansas Perspective

A Presentation at the Risk & Profit Conference at
Kansas State University

Samuel M. Funk, Kansas Farm Management Association Administrator
Kansas State University Department of Agricultural Economics

What We Don't Know

- International Trade Impacts
 - WTO
 - Individual Agreements
 - Other Nations
- World Weather
 - Housing and Structures
 - Agricultural Production
- Oil and Energy
- Wars



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What We Can Provide

- Historical Economic Climate
(Current Climate)
- Costs, Revenues, Trends for Production
Agriculture



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Expenses

- Energy Leads on the News
- Inputs
 - Crop Mixes
 - Rotations
 - Needs (diversified operations)
- Tillage Practices
- Conservation



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Energy Prices

- Energy Expense Complex
 - Fertilizer
 - Gas-Fuel-Oil
 - Irrigation Energy (as appropriate)
- Irrigated Acres: 2004-2005 Projected Increase
 - \$34.15
- Dryland Acres: 2004-2005 Projected Increase
 - \$6.33
- Not a new phenomenon

(Dhuyvetter, et al December 2005)



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Irrigated Crop Farms

Expense Category	2003	2004	2005	Percent Increase (Decrease) From Prior Year	
				'03-'04	'04-'05
Fertilizer	\$35,434	\$39,511	\$53,276	11.5%	34.8%
Gas-Fuel-Oil	\$16,716	\$19,285	\$25,412	15.4%	31.8%
Irrigation Energy (Per Irr. Acre)	\$39,438	\$41,602	\$49,341	5.5%	18.6%
Herbicides	\$26,957	\$28,415	\$34,944	5.4%	23.0%



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Irrigated Crop Farms

Expense Category	2003	2004	2005	Percent Increase (Decrease) From Prior Year	
				'03-'04	'04-'05
Fertilizer	\$23.31	\$28.00	\$32.11	20.1%	14.7%
Gas-Fuel-Oil	\$11.00	\$13.67	\$15.32	24.3%	12.1%
Irrigation Energy (Per Irr. Acre)	\$44.56	\$46.74	\$51.02	4.9%	9.2%
Herbicides	\$17.73	\$20.14	\$21.06	13.6%	4.6%



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Irrigated Crop Farms

- Summing (Fertilizer, Gas-Fuel-Oil, and per irrigated crop acre expense for irr energy)
- EEC per acre for 2005 Irr Crop Farms:
\$98.46 (Actual KFMA Irr. Crop Farms)
- Up \$10.04 (11.4%) from 2004
- 2003 – 2004: Up \$9.54 (12.1%)



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Dryland

- KFMA Dryland Crop Farms Per Acre
 - Crop Production Costs 2004-2005 Up \$14.97
 - 56% (\$8.36) attributed to increases in energy related expenses
 - \$15.46 from 2002 to 2005
 - Year-over-Year Increases in Energy Related Expenses per acre:
 - 16.56% 2002 to 2003
 - 12.25% 2003 to 2004
 - 27.76% 2004 to 2005

(Langemeier, Funk, and Weeden)



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Revenues

- Enterprise Mix
- Positive Impact of Livestock Recent Years
- Weather
- Fall Crops
- Bio Fuels
 - Opportunities and Challenges for Crop and Livestock Producers
- Cotton
 - High Reward
 - High Risk
 - High Growth



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Revenues

- Risk Management Considerations
 - vs. Traditional Support
 - Expansion of Products and Coverage
 - AGRLite
 - Commodity Groups
 - Geographic Support
 - Implications by Crop



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Credit Conditions

- Current Ratio
 - Average Across KFMA
 - January 1, 2005: 2.37
 - December 31, 2005 2.41
- Debt-to-Asset
 - 0.30
 - A decrease from 2004, but revaluation of land and other sample factors contributed
 - Still over 2005
 - Assets +\$44,841
 - Liabilities +\$13,157



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Cumulative Effects

- Double-Digit Percentage Increases in EEC
- Large Swings in Yields for Major Crops
- Biofuels Fueling Several Fronts
- “Average” Farm Well-Healed
 - But conditions can change suddenly and harshly.



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- There is hope, and then there is time to take action.
- Sometimes it is time to take a different action...



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- July 30, 2006: Corn in NC Kansas is drying down after prolonged drought;
 - Reports of 40% moisture;
- Soybeans being baled around NC Kansas;
- Reports of silage harvesting issues with crops too dry;
- August 12, 2006: Mid-Missouri corn being harvested at 15-17% moisture.



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August 12, 2006: Harvest anyone?

Broader Thoughts

- There is only so much a Farm Bill can do.
- We must be wise stewards of the resources we have.
- Producers desire a safety net that accounts for what they need to survive.
- Revenue (Income) not necessarily price will determine survivability when a crop is not produced.



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