LINCOLN—Irrigation proved to be the difference between the “haves” and “have-nots” in farm income in drought-stricken 2012 in Nebraska.

“Crop farms with access to sufficient irrigation water were able to take advantage of excellent prices along with excellent yields,” said Tina Barrett, executive director for Nebraska Farm Business. “These led to record breaking net income per acre for both commercial irrigated yellow corn as well as irrigated seed corn in 2012.”

However, dryland farms didn’t fare as well.

For the first time in 10 years, drops in net returns per acre went into negative numbers. Dryland wheat was the exception due to its earlier harvest time, though the 2013 crop may reflect last year’s drought.

Overall, net farm income in Nebraska fell 8 percent, though it was still the second highest average on record.

For 15 percent of farms, accrual net income exceeded $750,000. Yet for another 15 percent of farms, net farm income was negative.

“This is the first time in several years that a significant amount of farms lost money,” Barrett said.

Many of the farms that lost money had a significant livestock operation or dryland crop operation. Some farmers lost money due to risky marketing strategies that caused significant hedge account losses.

For a group of farms labeled as Top Efficient Farms, the $527,450 in average net income was an all time new high. This was $100,000 higher than in 2011.

“The major change comes in the form of their operating expense ratio, which is just 51.3 percent for the Top Efficient Group and 65.1 percent for the whole group,” Barrett said. “The ability to consistently control costs, even when it’s not ‘necessary,’ keeps these farms retaining 16.2 percent more of every dollar of gross income.”

Input costs are also on the rise.

It now costs over $730 per acre to raise corn, up $100 increase from 2011.

The average cost per bushel also rose from $3.95 in 2011 to $4.45 in 2012. However, many producers are well above or below this average.

Although net worth continues to increase, total debt also is increasing. From 2011 to 2012, the increase in debt was just over $125,000 per farmer. The biggest increase was in long-term liabilities.

“The debt increase is not necessarily a bad thing,” said Barrett, “but if profits tighten in the future, especially without a drop in family living costs, there will be a major ‘squeeze’ on the amount available to make the payments on this rapidly increasing level of debt.”

The future is uncertain.

“What we do know is that we’ve had seven years of great prosperity in Nebraska and it has improved the health of the average Nebraska farm,” Barrett said. “Hopefully it has been enough to withstand a few tough years when we’re faced with them.”

Barrett’s entire article is available at http://agecon.unl.edu/.