



Center for Farm Financial Management

UNIVERSITY OF MINNESOTA

Testimony of

Mr. Robert Craven

On behalf of the

**Center for Farm Financial Management
University of Minnesota**

On the

**A 2022 Review of the Farm Bill: Economic Perspectives on
Title 1 Commodities and Title 11 Crop Insurance**

Before the

**House Agriculture General Farm Commodities
and Risk Management Subcommittee**

June 9th, 2022

Introduction

Chairwoman Busta, Ranking Member Scott, and members of the subcommittee, thank you for the opportunity to speak with you today. I am Bob Craven, Extension Economist and Associate Director of the Center for Farm Financial Management at the University of Minnesota. The Center has a long history of providing decision support tools and training to agricultural producers and the professionals that support them. One of our major efforts is farm benchmarking to help producers better understand their financial performance and make better decisions. We collaborate with farm business management programs in over 20 states to provide tools and educational support. These programs work with individual producers on their record keeping, planning, and analysis of those records. Currently, the analyses from producers in 12 of these states are then loaded anonymously into the FINBIN database (finbin.umn.edu) -- the largest public searchable database of farm financial information in the U.S. There are currently over 3,300 producers in the database with data that spans over 20 years. The FINBIN data is the basis for my presentation today. Please note we do not have 2021 data from all the states yet, so much of what you will see for 2021 is from Minnesota farms.

Farm Income

Chart 1. Median Net Farm Income Trend

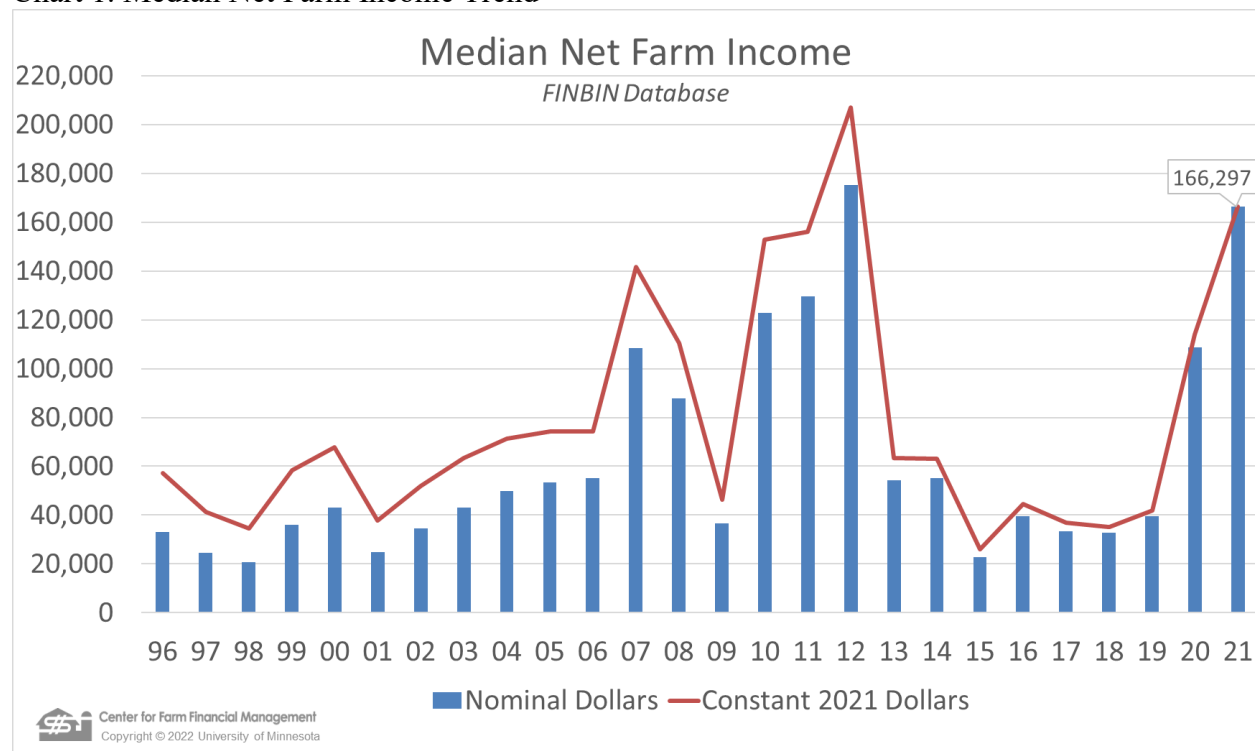


Chart 1 shows the median net farm income over the past 26 years. Net farm income is the amount available for family living, taxes, and net worth growth. 2013 through 2019 represented a period of low net farm income. The average rate of return on assets (ROA) during that period was 2.5%. Under 4% is considered a weak ROA. 2020 and 2021 saw a significant improvement in profitability. The median income in 2021 was \$166,297, up from \$108,781 in 2020. The ROA in 2021 was much improved at 11%.

Chart 2. Net Farm by Farm Type

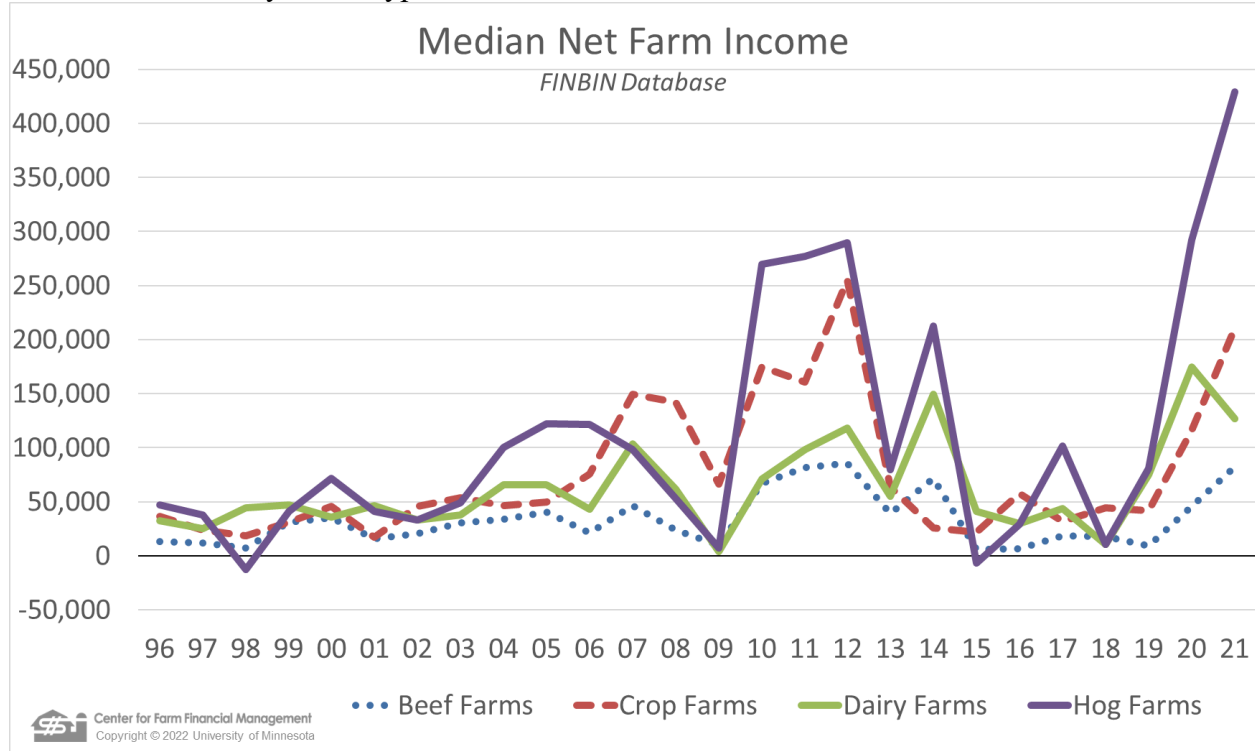


Chart 2 provides the net farm income by different farm types. As you can see, hog farms had an excellent year in 2021. Crop and beef farms also had increased profitability over the past two years but the beef farms in our database always struggle with profitability. Dairy farms did well in 2020, but their net income declined slightly in 2021.

Liquidity

Chart 3. Working Capital as a Percent of Gross Income

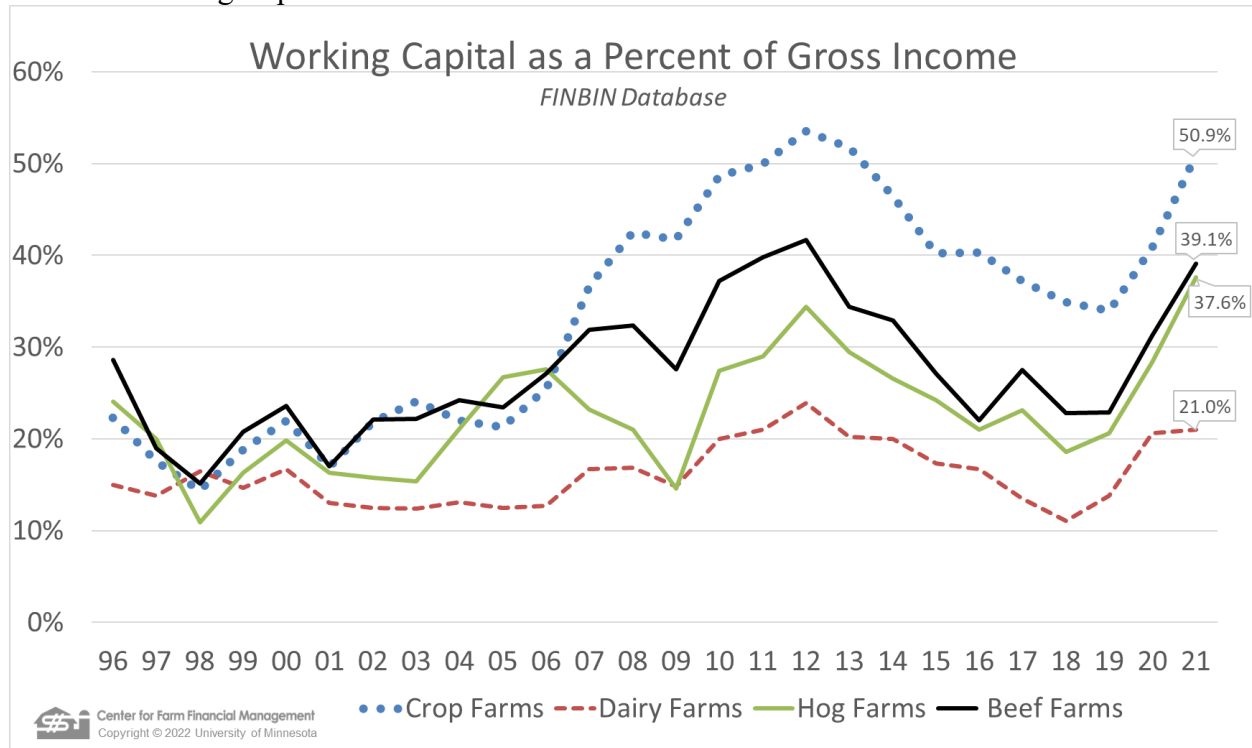


Chart 3 shows working capital as a percent of gross income. This is a measure of the liquidity or the ability of the business to meet short term financial obligations. It is the first line of financial defense in low income years. The higher the percentage, the better. For this measure, over 30% would be considered a strong working capital position. Crop, beef and hog farms all improved their liquidity position substantially over the past two years. Dairy farms showed only a slight increase in 2021 but are in a much stronger position than they were at the end of 2018.

Government Payments

Chart 4. Government Payments versus Average Net Farm Income

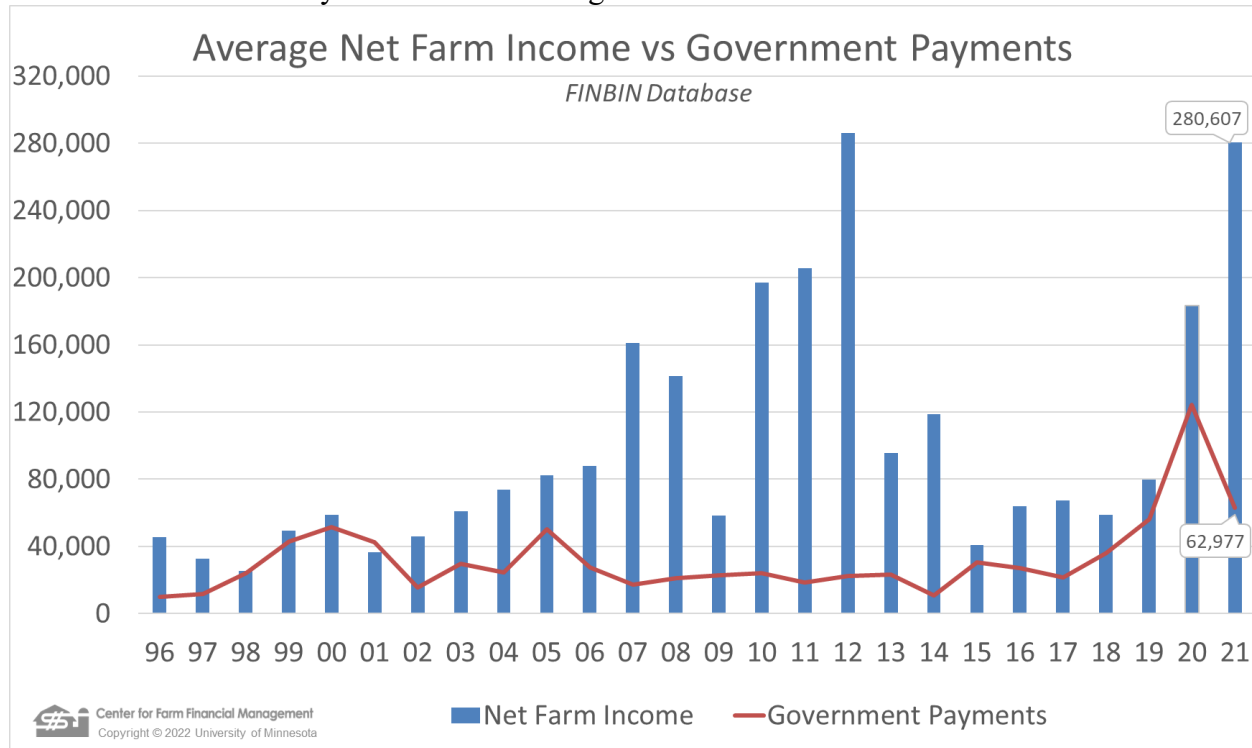


Chart 4 shows average net farm income displayed by the blue bars in the figure. We are using averages here. Median values were provided in the charts above. Government payments are displayed by the red line. We have included PPP loan forgiveness in government payments which has had a significant impact on the payments for 2020 and 2021. From 2007 to 2013 there was little variability in government payments. Many of the government payments at that time were from direct programs. ARC and PLC were first introduced in 2014. 2015 through 2019 were very low income years for Midwest farmers, so in those years government payments made up a substantial percent of net farm income. This chart shows that 2020 would have also been a low income year had it not been for Covid related ad-hoc payments.

Chart 5. Government Payments by Program Type

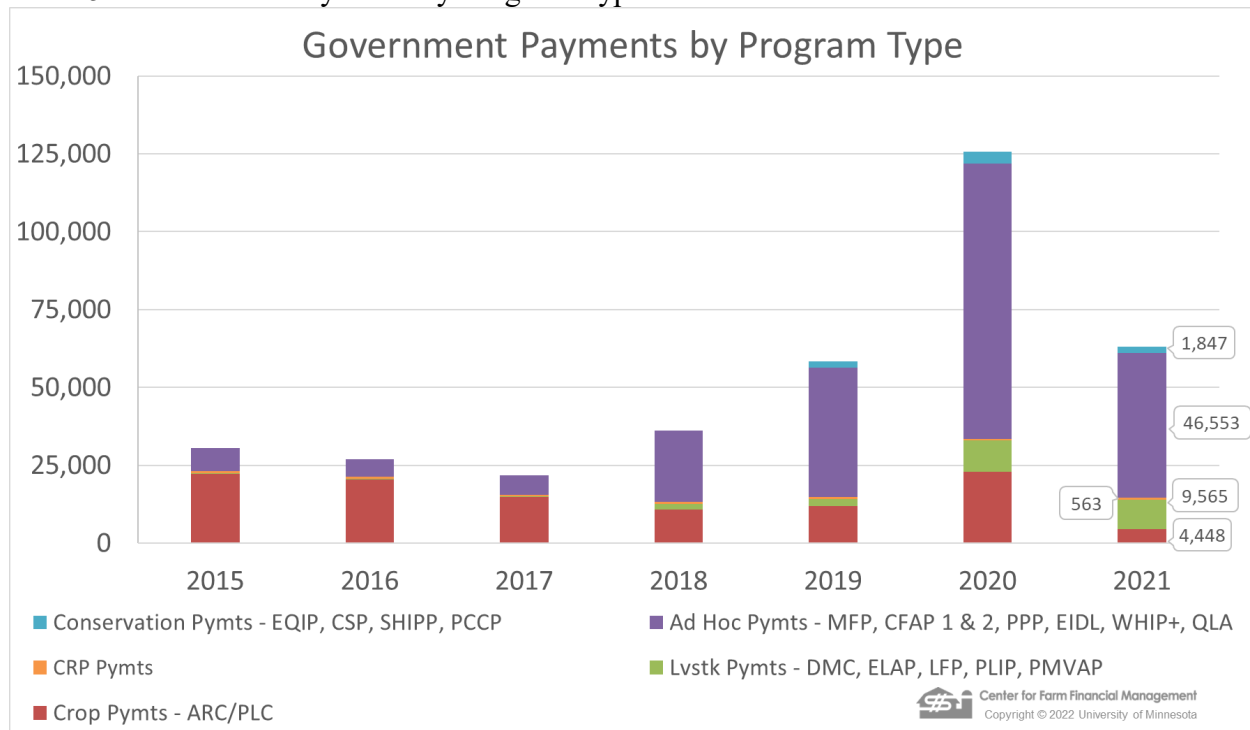


Chart 5 shows a breakdown of government payments by type. The maroon portion of the bars represent ARC and PLC payments. These payments lag a year from the data they are based on. The purple bar represents what I have termed Ad Hoc government payments. In 2020 and 2021 this includes PPP loan forgiveness. Prior to 2018 this category also included the conservation payments. Certainly, ad hoc payments and PPP were a significant portion of support from 2018 through 2021. The low ARC/PLC payments in 2021 reflect good yields and commodity prices in 2020. It was a year of excellent profits and ARC and PLC payments were not triggered for most of these producers.

Chart 6. Government Payments by Size of Farm

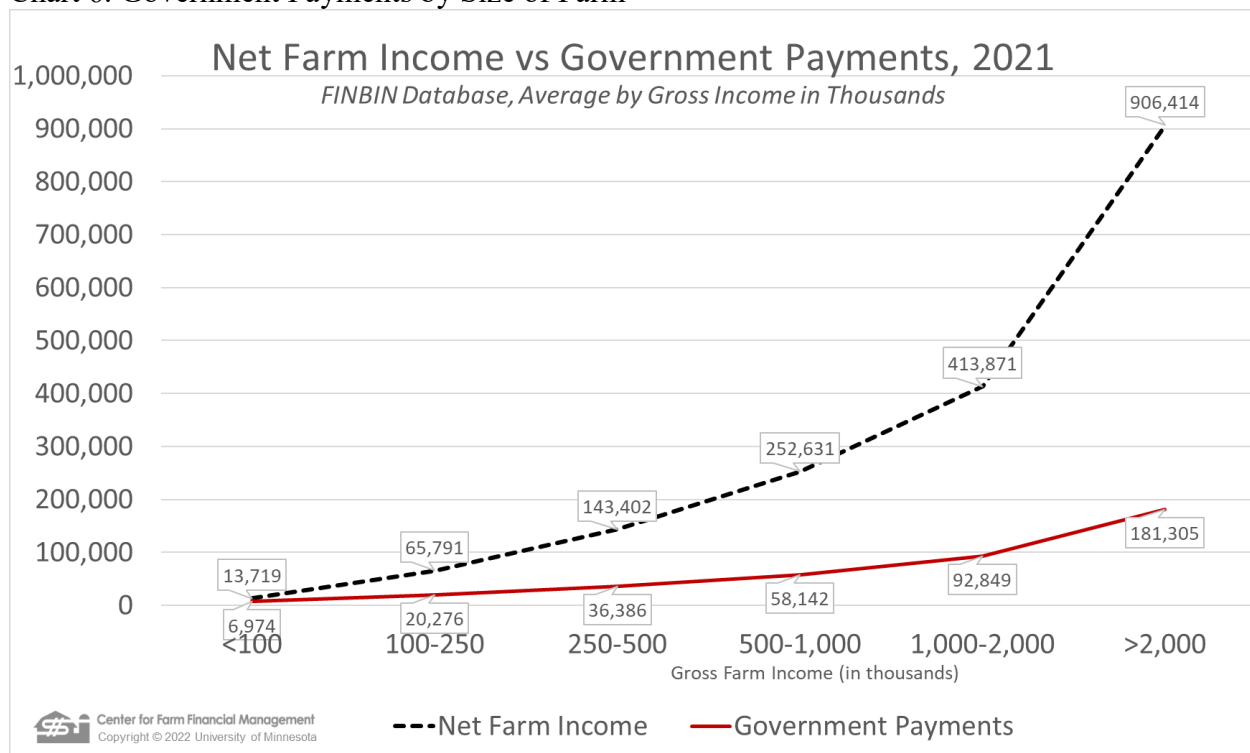


Chart 6 shows net farm income and government payments by different farm size. The lower axis is gross farm income in thousands. The government payments increase as farm size increases, but as a proportion of net farm income it decreases. In 2021, for a farm that grossed \$100-250,000, government payments comprised 31% of net farm income. For operations grossing over \$2,000,000 it is only 20%.

Conclusion

Our data illustrates that traditional commodity programs have not provided the major part of the support to react to shocks that have hit commodity agriculture in recent years. Ad Hoc programs filled in the gaps. In recent years both Title 1 Commodity and ad hoc programs have been an important safety net for agricultural producers.

If you have additional questions about the data in FINBIN, don't hesitate to reach out to me at rcraven@umn.edu. Thank you for your attention.

Robert H. Craven

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Education

M.S. Agricultural Economics, University of Minnesota, 1981.
B.S. Animal Science, University of Minnesota, 1978, With Honors.

Work Experience

2020 - present	Associate Director, Center for Farm Financial Management, Department of Applied Economics, University of Minnesota.
1997 - 2020	Director, Center for Farm Financial Management, Department of Applied Economics, University of Minnesota.
1996 - present	Extension Professor, University of Minnesota Extension, Department of Applied Economics, University of Minnesota.
1982 - 1995	Extension Educator, various ranks, Minnesota Extension Service, Department of Applied Economics, University of Minnesota.

Extension Teaching

Educational activities include teaching the principles of farm financial management, the use of computerized farm management tools, and grain marketing to Extension Educators, Extension Specialists, agricultural lenders, community college agriculture instructors and farm managers.

Served as instructor or presenter in over 500 educational workshops and conferences.

Educational Program and Software Development

FINPACK	FINPACK, A Farm Financial Planning and Analysis System. Used by over 2,000 lenders and educators with about 50,000 producers annually.
Extension Risk Management Education	CFFM provides national technology support for ERME and its four regional centers. It includes developing and managing the Ag Risk & Farm Management Library (agrisk.umn.edu), the national ERME website (ExtensionRME.org), and the online proposal and reporting system used by the program.
FINBIN	CFFM's farm financial benchmarking effort facilitates collaboration among 15 state farm management associations and provides FINBIN (finbin.umn.edu), the largest publicly available farm financial benchmarking database in the U.S. Over 45,000 reports were generated on the site last year.
AgPlan	CFFM developed and supports AgPlan, an online tool to help farmers, fishermen and small businesses develop business plan. It includes an outline, tips, resources and samples. Over 6,000 plans were started in AgPlan last year.

FarmAnswers	In 2016 CFFM launched FarmAnswers.org, the NIFA Beginning Farmer and Rancher Program (BFRDP) clearinghouse. The purpose of the clearinghouse is to provide a source of resources for new and beginning farmers. FarmAnswers includes a library of resources, list of programs, tool boxes, blogs and news, and a searchable database of NIFA BFRDP funded projects
Minnesota Crop Insurance Conference	Co-lead this annual two day conference. The attendance has been over 550 the past seven years.

Select Recent Publications

Craven, Robert H.; Nordquist, Dale W.; Klair, Kevin; Loppnow, Rann R.; Richardson, D. Wynn; Nordquist, David. FINPACK Release 6.0.0. St. Paul, MN: University of Minnesota, Center for Farm Financial Management, 2019. 1 cd-rom disk

Nordquist, Dale W.; Loppnow, Rann R.; Richardson, D. Wynn; Craven, Robert H.; Nordquist, David. RankEm / Portfolio Risk Analyst Release 5.5.0. St. Paul, MN: University of Minnesota, Center for Farm Financial Management, 2019. 1 cd-rom disk

Balance Sheets, Income Statements & Cash Flows (PowerPoint)

Craven, Robert.

First Dakota, Agrivision Beginning Farmer Program, March 2019, Mitchell, SD, 2019.

Extension & Partner Response to Farm Financial Situation and Mental Health Stress (PowerPoint)

Craven, Robert.

Cooperative Extension National C-FAR presentation to US House and Senate ag staffers, June 2019, Washington, DC, 2019.

Credit Analysis From Cash To Accrual (PowerPoint)

Craven, Robert, Van Nurden, Pauline.

Iowa Agricultural Credit School, June 2019, Ames, IA, 2019.

The Numbers and Beyond: Traits of Successful Farms (PowerPoint)

Craven, Robert, Van Nurden, Pauline.

National Agricultural Bankers Conference, November 2019, Dallas, TX, 2019.

Awards

AAEA Distinguished Extension Group Award, Center for Farm Financial Management, 2017.

Distinguished Staff Award, University of Minnesota College of Food, Agriculture and Natural Resources Sciences Alumni Society, 2017.

University of Minnesota Extension Dean's Award for Distinguished Team, Farm Bill Education Team, 2015.

AAEA Extension Section Outstanding Electronic Media Education Award, AgPlan, 2014.

AAEA Distinguished Extension Group Award, Winning the Game, 2004.

U of MN Extension Distinguished Extension Team, Winning the Game, 2004.

Other Activities

I continued to be heavily involved in the family farm in southwestern Minnesota. It is a cash grain operation with 900 acres of corn and soybeans. I am the primary manager of the business and use most of the computer tools the Center develops. These tools continue to be one of the essential ingredients in the management of the business. This has been very important in helping me be more effective in my role in Extension. I not only work with farmers, but I am directly involved in the management of a farming operation facing today's challenges in agriculture.

Grant Award Summary for Robert H. Craven

Grant Amount	Grant Sponsor	Grant Title	Start Date	End Date
\$ 476,322	USDA-NIFA	Innovating to Expand Farm Financial Management and Benchmarking	09/01/2016	08/31/2018
\$ 451,749	USDA-NIFA	Expanding the Diversity of Farm Financial Benchmarking	09/01/2017	08/31/2019
\$ 388,693	USDA-NIFA	Enhancing the Value of the National Farm Financial Benchmarking Database	09/01/2018	08/31/2020
\$ 2,882,304	USDA-NIFA	Digital Center for Risk Management Education	09/01/2018	08/31/2023
\$ 800,000	USDA-NIFA	Beginning Farmer and Rancher Development Program Clearinghouse	09/01/2019	08/31/2023
\$ 490,360	USDA-NIFA	Expanding Farm Financial Benchmarking Database Partnerships	09/01/2019	08/31/2021
\$ 459,482	USDA-NIFA	Expanding the Farm Financial Benchmarking Database	09/01/2020	08/31/2022

Robert Craven Bio

Robert Craven is an Extension Economist and Associate Director of the Center for Farm Financial Management, Department of Applied Economics, University of Minnesota. Areas of specialty include business management, credit analysis and grain marketing. His work for the Center has focused on development of [FINPACK](#), nationally recognized ag credit analysis software. In addition, he has led a number of USDA projects that have developed practical tools and websites for farmers and the professionals who serve them. He has been an invited speaker at numerous conferences and seminars including the National ABA Ag Bankers Conference and the USDA Ag Outlook Forum. He has taught over 450 workshops on farm management and marketing.

Bob Craven is also actively involved in a 1,200 acre family farming operation in southwestern Minnesota.

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: _____

Subcommittee: _____

Hearing Date: _____

Hearing :

Witness Name: _____

Position/Title: _____

Witness Type: ☐ Governmental ☐ Non-governmental

Are you representing yourself or an organization? ☐ Self ☐ Organization

If you are representing an organization, please list what entity or entities you are representing:

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you, the organization(s) you represent, or entities for which you serve as a fiduciary have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

- ☐ I have attached a written statement of proposed testimony.
- ☐ I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(iii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.