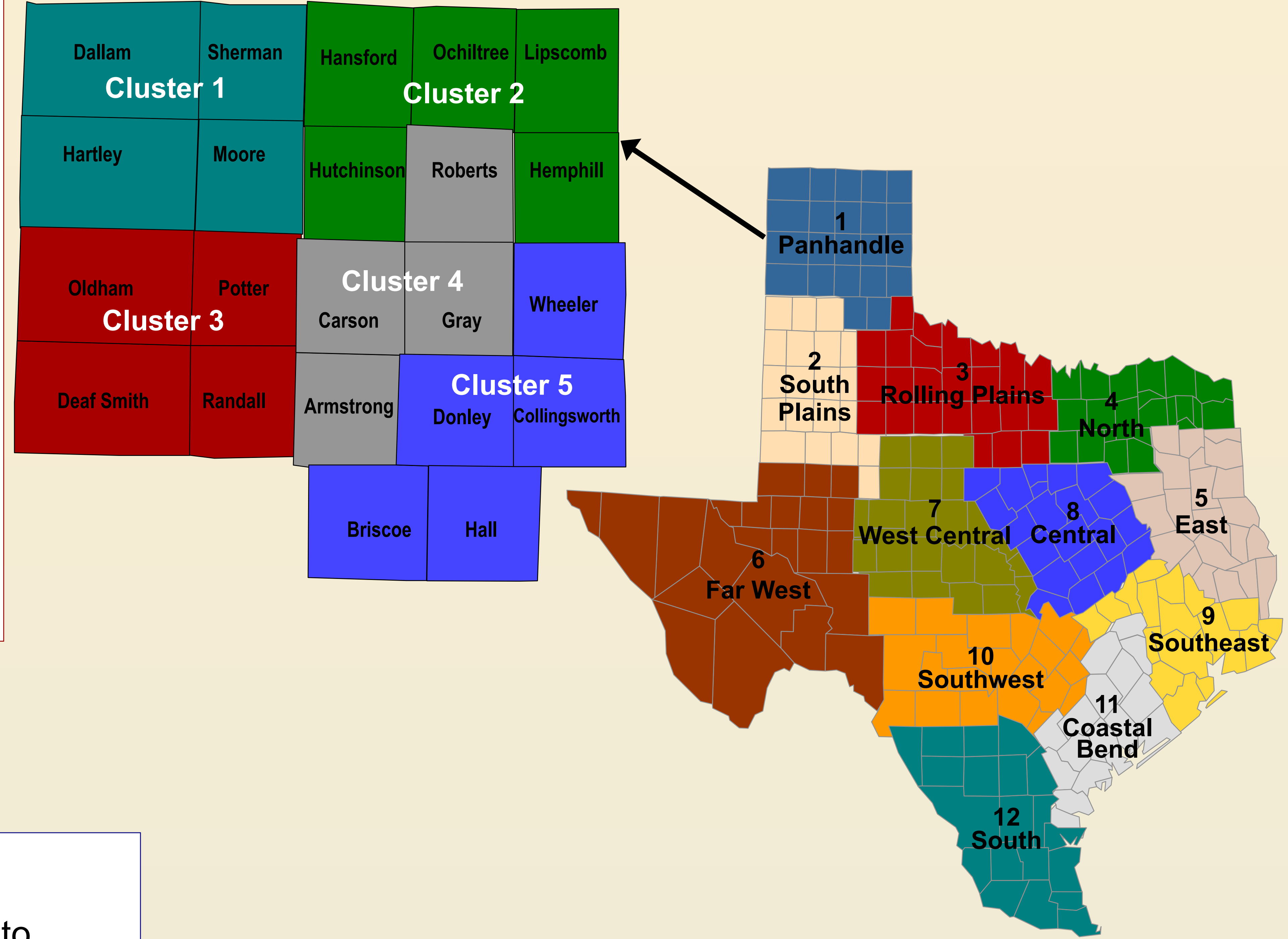


### Introduction

Texas Panhandle producers faced extreme volatility in crop prices and weather conditions during the 2006 and 2007 crop years. Low rainfall and depressed commodity prices in 2006 resulted in carryover debt for many producers. While 2007 saw significant improvement in both prices and weather conditions, the carryover debt resulting from poor 2006 profitability had a large impact on 2007 outcomes. The objective of this study was to evaluate the two-year performance of Texas Panhandle operations and obtain an accurate picture of overall financial health.



### Results

- Farm profitability in 2006 was closely tied to the percentage of irrigated acres planted.
- Profitability in 2007 was strongly correlated with the number of grain acres in the cropping mix.
- Rising 2007 crop prices resulted in a substantial drop in government payments in all but one model farm.
- Operations that exhibited either a lower operating expense to receipts ratio or a higher off-farm income seemed less severely impacted by price and market volatility.

### Data and Methods

- The model farm process was an attempt to illustrate production agriculture in five distinct regions of the Texas Panhandle.
- Twenty two counties make up Texas AgriLIFE Extension, District 1. These counties were grouped into five clusters, representing similar cropping and livestock production systems.
- Five different crops were analyzed (corn, cotton, wheat, sorghum, and peanuts) with both dryland and irrigated production practices. Operations also included leased stockers, owned stockers and/or cow/calf herds.
- Regional focus groups were conducted to identify characteristics that would describe a representative operation in each region.
- The FARM Assistance Program was then used to generate model farm analysis. This program is a computerized decision aid designed to assist producers with long-term strategic planning.

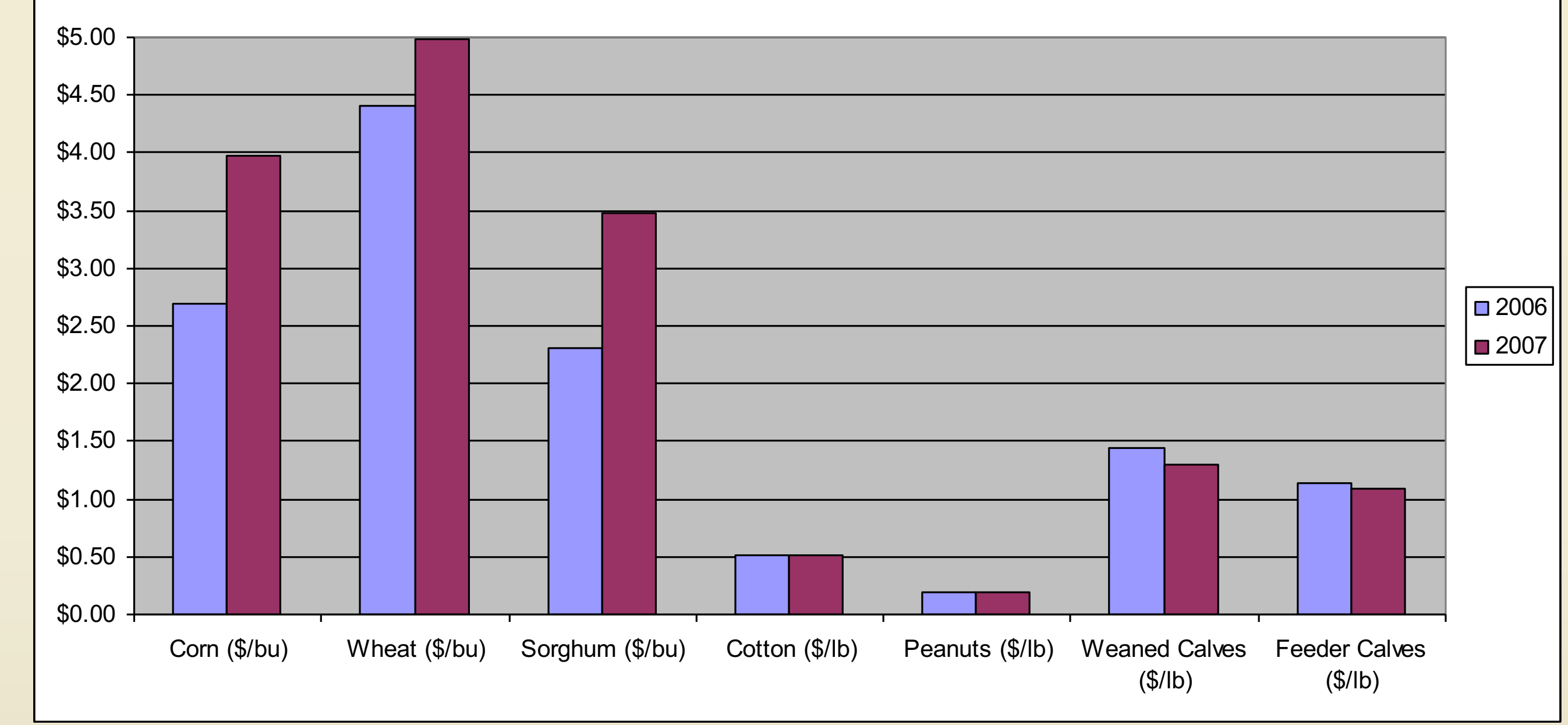
### Results

Average financial performance in 2006 and 2007 for each of the Texas Panhandle model farms is given in Table 1. Results vary widely by operation type and county group.

Table 1. Two-Year Financial Performance Indicators for Texas Panhandle Model Farms

	Cluster 1 Northwest		Cluster 2 Northeast		Cluster 3 Western		Cluster 4 Eastern		Cluster 5 Southeast	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Net Cash Fm Income	67,170	343,620	46,940	426,310	16,000	138,220	30,080	198,690	8,230	39,880
Real Net Worth	1,355,330	1,552,080	604,480	856,850	822,450	935,020	912,180	1,107,170	714,330	718,880
Govmt Payments	158,820	101,270	67,490	43,450	21,740	14,290	117,370	85,280	89,690	104,670
Ending Cash Reserves	45,940	112,440	115,230	106,460	41,360	32,310	58,530	9,770	83,430	142,860
Debt to Assets	30.81%	25.75%	42.75%	26.43%	23.26%	15.58%	35.16%	26.46%	38.27%	39.47%
Return to Assets	3.28%	15.89%	7.13%	37.71%	3.74%	10.23%	0.32%	13.33%	2.34%	0.50%
Net Farm Income/Rcpts	4.00%	24.00%	15.00%	42.00%	15.00%	35.00%	0.00%	19.00%	8.00%	3.00%
Operating Exp/Receipts	87.00%	67.00%	108.00%	52.00%	98.00%	56.00%	89.00%	74.00%	95.00%	90.00%

Figure 1. Estimated 2006 & 2007 Commodity Prices for North of the Canadian River



### Summary and Conclusions

Based on focus group model farm characteristics and FARM Assistance analysis, 2006 profitability was strongly correlated to the amount of irrigated acres planted. Overall financial performance improved significantly in 2007 and was greater in operations with higher concentrations of grain crops, and lower for cotton, peanut, and cow-calf producers.