

Situation

Many producers are facing a financial landscape that has changed dramatically in the last year, with the need to now manage input costs, machinery expenses, and income taxes, as well as manage and possibly restructure debt. Working capital has become an important issue, affecting liquidity. The decline in grain prices in the last two years and the recent decline and higher volatility in livestock prices illustrates the need for appropriate understanding and application of available risk management strategies that go beyond the marketing of commodities. This may include diversification of enterprises and restructuring land rental rates or the use of cover crops as well as more traditional tools such as crop insurance.

In addition, though producers have made their election between ARC and PLC programs in the 2014 Farm Bill, they need to know how much they may receive from these programs in order to understand and plan for their financial situation. Other areas of risk that farmers need to manage include human resources and transition planning. As a result, on-going education will be required, with particular emphasis on using helping producers evaluate their current financial situation and what strategies, resources and tools are available to them to help them survive in the current market situation.

Public Value

When you support the Risk Management Program, participants will learn how to adopt associated risk management strategies to manage the financial soundness of their businesses, allowing them to be financially stable and sustainable. Participants will also learn to use marketing methods and tools to increase revenue as well as methods of successfully transitioning businesses to future generations. This will lead to more competitive producers who are able to sustain long-term profitability, which will benefit other community members by increasing the viability of rural communities and their access to a safer and less expensive food supply.

Outcomes

Short-Term (Knowledge)

- Participants will learn and understand their financial situation and how it compares with a healthy business through benchmarking.
- Participants will learn how to reduce and manage input and machinery costs as well as land rent values and living expenses, in order to operate in a more financially sustainable way.
- Participants will study strategies including diversification with livestock enterprises and using cover crops to be more financially secure.
- Participants will learn how their Farm Bill decision (ARC/PLC) continues to affect their operation and what government payments they can expect, as K-State updates expected payments and Marketing Year Average Prices each month.
- Participants will learn about tools that are available to help manage the risks associated with production agriculture and marketing (e.g., crop insurance, options, futures and other marketing alternatives).
- Participants involved in multi-generation operations will learn about the different business structures and methods of passing assets from one generation to another.

Indicators

- What knowledge did participants gain about their financial situation and how to manage it?
- What knowledge do participants have regarding alternative strategies and methods to keep their business financially sound, including diversification and use of cover crops?
- What knowledge did producer participants gain about tools for risk management in production agriculture?
- What knowledge did participants gain about structures and methods for transitioning operations between generations?

Medium-Term (Behavior)

- Participants will develop a complete set of farm financial statements providing a clear picture of the financial situation of the business and make decisions regarding debt restructuring, sale of assets, changes in enterprises, or changes in operating inputs and expenses.
- Producers will use risk management tools that allow them to reduce the variability in income while still maintaining the ability to generate returns sufficient for long-term business sustainability (e.g., crop insurance, forward contracts, minimum price contracts, use of futures/options markets).
- Multi-generation operations will develop plans for how to successfully transition the business from one generation to the next.

Indicators

- What financial statements are utilized and what decisions are made regarding the management of debt, costs, or sale of assets?
- What risk management tools do producer participants use to manage risk and ensure long-term business sustainability?
- Have participants involved in multi-generation operations developed plans for transitioning operations between generations?

Long-Term (Change in Condition)

Agricultural producers will effectively manage the financial setting, production, policy, and market risk involved in agriculture, which will allow their operations to sustain long-term profitability and successfully transition to future generations.

Indicators

- Have agricultural operations sustained long-term profitability and successfully transitioned to future generations?

Outputs

- Farm financial seminars and follow-up workshops to help farmers understand and evaluate their financial situation and develop a plan to remain a solvent and sustainable business.
- Training of county agents who will be able to help producers navigate difficult financial times.
- One-on-one consultation by Farm Analysts and county agents using FINPACK to create a clear financial picture of the farm operation.
- Crop insurance updates (white papers, radio interviews, and presentations) – posted to www.AgManager.info.
- Risk-Assessed Marketing (RAM) case farm workshops (day-long meetings) integrating crop insurance and government programs with marketing tools.
- Statewide transition planning meetings and planning facilitators available for producers through KAMS.
- Grain market situation and outlook (newsletter, radio interviews, and presentations) – posted to www.AgManager.info.
- Livestock market outlook and analysis (LMIC newsletter, radio interviews, white papers, and presentations) – posted to www.AgManager.info.
- Presentations at Risk & Profit Conference, Ag Lenders Conferences, Kansas Insurance Workshop, Ag Profitability Conferences, and multi-county Extension meetings.
- Webinars (financial situation, crop insurance, new farm policy, etc.).
- One-on-one consultations/assistance by phone and email.