



# Making a Difference

2015 – 2016

## Farm Management Program Focus Team

### Rapidly Declining Prices, Slowly Declining Costs: Navigating the Difficult Farm Financial Situation

#### Grand Challenges

K-State Research and Extension: providing education you can trust to help people, businesses, and communities solve problems, develop skills, and build a better future.

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#### Situation

Recent high yields and lack of storage have caused agricultural commodity prices to decline to levels not seen in more than a decade. Although commodity prices have dropped, production costs have declined more slowly. This has created financial stress for producers who may be overleveraged, or who lack adequate working capital for their operation. Lenders are cautious, not wishing to see a return to the financial crisis in agriculture that occurred in the 1980s. While most farms are currently solvent, a decline in land values and machinery prices could create solvency and liquidity issues.

#### What We Did

The K-State Department of Agricultural Economics began educational efforts to help producer, lenders, and other stakeholders understand and evaluate the financial situation of the farm operations they are involved with. Training to help extension agents become proficient using FinPack, a farm financial analysis software, took place in November 2015. A series of national webinars was conducted in March 2016. A Top-10 list of important issues and metrics was developed, including working capital, financial ratios and analysis, managing costs and family living expenses, adjustments to lease agreements, diversification of enterprises, debt restructuring, and income tax management. This was presented in a variety of meetings, most notably to nearly 200 producers and lenders at the annual Risk and Profit Conference. More development of materials and education will take place in the upcoming year.

#### Outcomes

More than 25 county extension agents have been trained and are ready to assist producers in analyzing their financial situation and developing strategies for weathering the current difficult financial situation. Agricultural lenders and producers better understand the current situation with respect to price outlook, production costs, debt levels, diversification opportunities and potential strategies for keeping operations solvent and liquid.

#### Success Stories

Following the webinar series to help producers and lenders manage the farm financial situation, the following email was received from a participant: "The efficient and orderly conduct I have observed by the Ag Econ Department has been superb. You are on point relative to presentations and your representation of the department is first-rate. You and others have made the commitment to educating the principals of the agricultural sector very apparent. In my experience, timely real world topics are the essence of the department's presentations. I want you to know that this is noticed and appreciated. Thank you and thanks to the many hands in the department that make this possible."

Another participant from the Risk and Profit Conference: "I'll be able to apply much of this year's information to my lending customers and to my own farm, especially as it relates to minimizing loss during the downturn. I and they will have information to help find reasonable and helpful cost reductions. I will be more cautious."