

## ***Managing Risk on the Farm:***

### ***Farm Bill, Finances, Crop Insurance, Trade and Marketing***

#### **The Situation**

Financial risk for farms has increased dramatically since 2014, with many farms facing greater debt loads in addition to lower commodity prices. Meanwhile the 2018 Farm Bill has stalled in Congress, creating more uncertainty for producers, since this affects cash flow from commodity programs, as well as the costs and coverage available from crop insurance, leading to greater uncertainty in obtaining operating credit. Trade issues, particularly tariffs being applied to agricultural products by China and the re-negotiation of existing trade agreements, have added significantly to the risk exposure that producers are experiencing.

#### **What We Did**

As a follow-up to programming conducted the previous year, four additional meetings were held across the state to help farmers understand and manage their financial situation. Titled “Farming For the Future” the meetings in Pratt, Salina, Scott City, and Emporia had 242 total participants. Content included several outlook talks to assist in planning for the upcoming years. Discussions on input costs and projected prices assisted farmers in making equipment purchasing decisions, land rental arrangements, and cattle and grain marketing plans. Participants were also given the opportunity to sign up for one-on-one individual consultations for Farm Financial Workshops, held locally 2-3 weeks after this program. Fifty-four persons took part in this intensive day-long workshop which assisted farm families in gathering needed information and compiling a comprehensive balance sheet, income statement and annual cash flow, as well as in-depth analysis of these financial tools.

In anticipation of passage of the 2018 Farm Bill before it expired in September, two farm bill meetings, in Dodge City and Manhattan, were conducted in March, with a total of 126 participants. Further Farm Bill education took place at the Risk and Profit Conference in August, with 162 attendees and the Crop Insurance Workshop, with 122 participants. Those attending learned about decisions they will likely need to make upon passage of the Farm Bill as well as changes to current programs. Several county-level and Women in Agriculture meetings also took place to discuss this, with approximately 200 additional persons receiving this information.

To help farmers deal with fluctuating commodity prices and uncertainty in international trade, eight grain marketing workshops were conducted, with more than 200 participants learning to use marketing tools such as hedging and forward pricing. In addition, grain and livestock market outlook presentations were given to more than 40 groups across the state, with approximately 1,200 people learning where markets are headed and what factors to pay attention to.

## Outcomes

The “Farming for the Future” meetings helped farmers manage their farm’s financial situation, particularly input costs and debt. Program evaluations showed that more than 94% found the information valuable or very valuable. Farmers and landowners (73%) and lenders (13%) were the primary groups of participants.

Those who took the next step of participating in the intensive Farm Financial Workshop learned the value of using their own records to assess the farm’s financial position, rather than just to fulfill lending and income tax requirements. By seeing their projected revenue, expenses, and net income for 2018, families could make proactive decisions to better their financial position. Many families were able to assess multiple alternatives to their current business plan and increase net income or cash flow by thousands of dollars. Additionally, some participants took in-depth looks at transition planning, continuation of the farm after the death of a family member, retirement, and more special situations. The advantage of working one-on-one with a K-State Farm Analyst was that financial workshop assistance could be catered to each unique situation the farm family was facing. The average change in Net Farm Income for these families by assessing alternatives to the current business was \$10,909 per family, while the average change in cash surplus was \$30,543, both very significant values. Fully 100% of these families found the information to be valuable or very valuable when asked for feedback four weeks following the workshop.

Those who participated in Farm Bill education understood better the likely choices and options they will face when the Farm Bill is passed, as well as what the crop insurance program will look like at that time. This has helped some producer make forward-looking decisions regarding what crops they will plant in 2019, and whether or how much to grow their cattle herd.

The marketing workshops and outlook presentations helped participants understand the direction of the grain and livestock markets and how to use marketing tools which help mitigate risk, including forward pricing and hedging. Some producers have added new marketing tools to their overall marketing strategy because of this education, increasing the price received and reducing the risk and costs of storing grain.

## Success Story

Several comments from participants of the Farming For the Future meetings:

- “This helps us to survive. It is our lives at stake.”
- “K-State does a great job. As a lender we encourage our customers to attend any K-state program that is available. I also learn something I consider very valuable at each conference to take home.”
- “As a young farm family attempting to acquire land, seeing land valuation figures along with the FSA lending information was the most important thing I learned.”

Comments from the Farm Financial Workshop intensive assistance:

- “We gained a better sense of leasing arrangements. We had been underusing our land and facilities.”
- “I do feel we have a plan for transition now and even though I still have many questions, I am glad to have a starting place.”
- “I definitely appreciate the serious and concerned effort by the farm analysts. The reality of the current farm economy is definitely a concern for the future. I want to thank each of the extension agents and KSU staff that put in much time and effort into making the financial workshop a success!”

From the marketing workshops and Farm Bill meetings:

- "Will encourage me to be more watchful of seasonality of different prices and get a better price for my crops."
- "I need to be a lot more conscious of current markets and effects that might cause changes or fluxes. This really helps me do that."
- "As a young rancher under 30 I am further convinced find every possible way to manage risk. The questions I'm dealing with are should the farm be enrolled in ARC-CO vs. PLC and should I move our crop insurance to a 75% or 85% from 65% currently? This meeting helped answer those questions for me".

Finally, an out-of-state producer who had difficulty finding grain market analysis contacted K-State and was put in touch with Dan O'Brien and introduced to the resources on AgManager,.info. He sent the following email in response:

"Dan O'Brien has been an inspiration to me in connection with my quest for knowledge in the market analysis for farmers and agribusinesses in Kansas and beyond and referenced you (I believe you and I spoke one time some months ago) as the person who could place me on the email alert contact "shotgun" distribution list with periodic updates of grain and livestock markets and other relevant agricultural economic related information.

The KSU folks in my view are the most capable experts in the business and they have certainly enhanced my knowledge of the markets and continue to do so. I look forward to receiving these updates and can't thank you enough for your help in this matter."

## Contacts

**Name: Mykel Taylor**

*Title: Associate Professor*

Address: 331G Waters Hall, Manhattan

Phone: 785.532.3033

Email: [mtaylor@ksu.edu](mailto:mtaylor@ksu.edu)

**Name: Art Barnaby**

*Title: Professor*

Address: 304E Waters Hall, Manhattan

Phone: 785.532.1515

Email: [barnaby@ksu.edu](mailto:barnaby@ksu.edu)

**Name: Robin Reid**

*Title: Extension Associate*

Address: 324 Waters Hall, Manhattan

Phone: 785.532.0964

Email: [robinreid@ksu.edu](mailto:robinreid@ksu.edu)

**Name: Dan O'Brien**

*Title: Associate Professor*

Address: NW Extension Center, Colby

Phone: 785.462.6281

Email: [dobrien@ksu.edu](mailto:dobrien@ksu.edu)