

Situation

Though average farm income in Kansas increased somewhat in 2016 relative to 2015, due mostly to large crops in 2016, many producers are still in a tenuous situation financially. Lower output prices for both crops and livestock, and input costs that have not fallen proportionally, leave producers with smaller margins. In addition to reducing risk via available marketing tools and crop insurance, producers also need to effectively manage input costs, machinery expenses, and income taxes, as well as possibly restructuring debt. Other important factors in risk management of the operation include diversifying enterprises and restructuring land rental rates.

In addition, discussion has already begun on the next farm bill, which will affect producers' viability and profitability and education will be needed to keep producers up-to-date on how proposals for changes in farm programs and potential cuts in crop insurance will affect their operation. Producers and lenders also need to know how much they can anticipate receiving through the current ARC or PLC programs, as this affects lenders' willingness to continue to provide operating capital and other lending for agricultural operations. As a result, education will be required to help producers and lenders evaluate their current financial situation and what strategies, resources and tools are available to them to help them survive in the current market and financial situation.

Public Value

When you support the Risk Management Program, you help producers learn how to adopt risk management strategies to manage the financial soundness of their businesses, through the effective management of costs and debt, allowing them to be financially stable and sustainable. Participants will also learn to use marketing methods and tools to increase revenue as well as appropriate insurance strategies to minimize or mitigate risk. 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.

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.
- Continued 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.
- 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, Farm Financial Situation meetings, and multi-county Extension meetings.
- Webinars (financial situation, crop insurance, new farm policy, etc.).
- One-on-one consultations/assistance by phone and email.

Short-Term (Knowledge)

- Participants will learn and understand their financial situation and how it compares with a healthy business through benchmarking with other Kansas farms.

- Participants will learn how to reduce and manage input and machinery costs as well as land rent values and living expenses, as well as strategies for diversification, in order to operate in a more financially sustainable way.
- Participants will know what government payments they can expect from ARC or PLC programs, allowing them better access to operating capital from lenders.
- Participants will learn about tools (e.g., crop insurance, options, futures and other marketing alternatives) that are available to help manage the risks associated with marketing.

Indicators

- What understanding did participants gain about their financial situation, including how they compare with other operations, and how can they better manage their operation?
- What understanding did participants gain in managing production costs, leases, and alternative strategies such as diversification or use of cover crops?
- What knowledge did producer participants gain about tools for risk management in marketing and how might they use these tools in their operation?

Medium-Term (Behavior)

- Participants will develop a complete set of farm financial statements (balance sheet, income statement, cash flow) 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).

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 and marketing strategies do producer participants use to manage risk and ensure long-term business sustainability?

Long-Term (Change in Condition)

Agricultural producers will better manage the financial situation of their operation, being able to effectively navigate the production, policy, and market risk involved in agriculture. This will allow their operations to sustain profitability and remain in operation in the long-term.

Indicators

- Are agricultural operations profitable and sustainable in the long-term?