

Risk Management: Farm Financial Situation, Crop Insurance, Agricultural Policy, Grain and Livestock Marketing (Core)

Situation

Despite large effects on agriculture by COVID, average farm income in Kansas increased in 2020 relative to previous years, much of which occurred due to government payments. Many producers are still experiencing financial stress, even with current higher prices. Input costs are rising, and producer margins are still tight. 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.

The 2018 Farm Bill will also require producers to make an annual election between ARC and PLC in 2022. Education was provided during the 2021 program year, and will need to continue, in order to help producers make a similar decision each year of the program. 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 Farm Management 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. Producers will also be equipped to make appropriate selection of relevant government programs for their farm(s). 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 the choices they have for participating in government commodity programs and will be provided with analysis to help them make program elections.
- Participants will learn and understand the changes to crop insurance programs which might affect their election of crop insurance coverage for their operation.
- 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.

- 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.

Indicators

- What understanding did participants gain about the farm bill legislation, including which program may be better to select, what payments may be expected, and how can this decision affect their operation?
- What understanding did participants gain about risk management tools including crop insurance, futures markets, and other pricing tools to help them manage risk in 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 decide which government commodity program to participate in (ARC or PLC) and what payments may be expected over the life of the program, for use in cash flow planning and projection.
- 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 commodity program was selected by the producer and why?
- What crop insurance coverage was selected by the producer and why?
- 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, utilizing government programs and risk management tools which are available, allowing them to effectively navigate the production, policy, and market risk involved in

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

Outputs

- Grain outlook and grain marketing workshops integrating crop insurance and government programs with marketing tools.
- Farm Bill webinars to educate producers, lenders and other stakeholders on the changes to commodity programs, crop insurance, and other legislation for which decisions will need to be made.
- Continued training of county agents who will be able to help producers navigate difficult financial times.
- Crop insurance updates (white papers, radio interviews, and presentations) – posted to www.AgManager.info.
- 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.