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Surviving “the dings” of Agriculture

Recently Brett Favre announced he is dealing with thousands of dings he received playing football. Twenty years ago it appeared to his fans that Favre could handle the dings and keep right on moving the football down the field. I have and will always respect the drive, determination, and desire Favre had to be his best in the game of football. He gave it his all, and he earned some great awards and made some money for his family playing the game he loved. Brett Favre reminds me of many farmers that make up the fabric of rural America: individuals that work hard, demonstrate determination and the desire to be great American farmers.

The dings that Favre survived may have actually been worse than once believed. Farmers may also be dealing with some dings in agriculture, and some of them may actually be worse than they first appear to be. Dings in agriculture can come from the markets, the environment, and political actions around the world. The game of football will begin to change to manage the dings that have harmed many a player short term and for the long haul. Some may avoid the game entirely, others will promote new rules, and additional safety gear may be designed and used. Too much money and too many Sunday events are centered on the game of football, to allow for the game to disappear from our screens, radios, or family events.

What is agriculture going to do manage the dings? What are individual farmers going to do to manage the dings? All humans are in need of agricultural products. The first step is controlling what you can control. Knowing the costs of production and what drives the farm operation is a good first step. I came upon a Wisconsin farmer that was milking 125 cows and raising 800 acres of cash crops. Two grown children were part owners and partners in the farm operation. The family was fighting among themselves about money, who worked the most, and why others seemed to be doing better financially. In reviewing the operation they said their banker told them they needed more milk from their cows and that landlords needed to take less rent. Milk production was 85 pounds of milk per cow per day and for their barn layout and parlor design that is considered above average. Yes, more milk could help out the bottom line, but the operation just did not allow for the cow comfort and milk harvesting tools that would promote greater production.

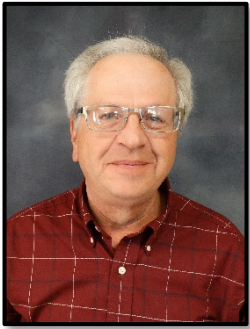
I reviewed their rental agreements and found that their rents were below average for the area and that when using just rental rates to find additional land to take on for their operation they had begun a selection process that allowed them to rent only the poorer land in the area. Over the past few years they had lost their higher producing farms and had added the poorly drained farmlands and those with lower fertility to their rental property portfolio. Shopping for cheap ground had brought them some real dings on the balance sheet and cash flows that did not cover the cost of production.

The real major issue on their farm operation was the high investment of farm equipment for such few acres of land that averaged production well below the averages of many producers in their area. Their equipment costs were twice the average custom rates for Wisconsin. The equipment costs were about 40% higher than their land rental rates. Planting, tillage, combining, and grain cart costs ran over \$200 an acre. Eight hundred acres of corn for grain just cannot support high investment in equipment with grain prices we are experiencing today.

They asked for my recommendation. I gave them some options of getting additional acres to farm by renting or custom work. I suggested getting higher quality of land to operate to help in spreading costs over additional yield. I suggested scaling back their investment in farm equipment or looking at alternatives. I also suggested they may actually be better off having custom work done on their operation and selling off most of the equipment.

Other suggestions included developing a marketing plan for their farm production. Another was getting a crop insurance agent that understands crop insurance and how it can be used as a tool in the marketing plan. The suggestion of getting a marketing coach to assist them in making and carrying out a plan was made.

There appear to be many uncertainties in agriculture just as there is in playing the professional game of football. It takes coaching, developing a game plan, and carrying out that plan. Fielding the right people in the right places needs to be done. Developing a plan and practicing the plan can really be of help in working towards success. Yes, there are dings in agriculture. Planning, practicing, and then performing what is practiced can prevent dings from becoming a serious blow financially to the farm operation. All farming demands physical inputs, but it is the financial part of the farm operation that dictates the final results. Lay out the game plan, understand some times you need to run the ball and at other times a quick pass may be best, review your options and keep an eye on the end game. Do your best to manage the dings and blows that come your way in agriculture.



About the Author – Bob Panzer

Bob comes to Pifer's with 40 years of professional ag experience. Bob spent the past 18 years in agricultural lending with farm credit, an ag supply coop credit company and with the USDA FSA. Bob also served 20 years as a County Extension Agent and Ag teacher/FFA Advisor. Bob and his wife Teri have owned and operated farms in Wisconsin since 1987.