AGRICULTURE 2018
DMAC REPORT

- Wet
- Wet
- Moderately dry
- Wet
- Wet
- Hurricane
- Wet
AGRICULTURAL DIVERSITY
NORTH CAROLINA AGRICULTURE

- Hogs
- Tobacco
- Corn
- Soybeans
- Cotton
- Aquaculture
- Poultry
- Peanuts
- Hemp
- Sweet Potatoes
- Truck Crops
- Christmas Trees
AGRICULTURAL RISK

- Production risk: Uncertain natural growth processes
- Price or market risk: Prices received or paid
- Financial risk: Obligation to repay debt
- Institutional risk: Uncertainties – Government actions
- Human or personal risk: Human health, relationships, crises
AGRICULTURAL RISK

• Land
• Equipment
• Operating
INPUT COSTS / OPERATING LOANS

• Crops - Example:
  • 1,000 ac Beans; 400 ac. Cotton; 140 ac. Corn
  • $1 – 1.1 million in operating
    • 80% of projected revenue
    • Lenders = 60%
  • Gross: $1 - 1.3 million.
    • $300,000 gross profit
    • Taxes, liabilities: equipment/land
LIVESTOCK PRODUCTION

- More consistent revenue stream
- Usually services debt. (Margins)
- Concerns
  - Disease
  - Flooding
  - Corporate support
MANAGING AGRICULTURAL RISK

- Average farmer: Liquidity is down
- Assets may look good
  - Not cash
  - Unsold commodities
- Average Operating Loan:
  - Most Ag lenders are still loaning money
  - FSA: Guarantee - lender provides funding
    - FSA (90:10) - in case of foreclosure, lender is only out 10%
    - Discussing sooner
MANAGING AGRICULTURAL RISK

- Profit margins are lower than in the past.
- Rent more land than they own. (leverage/liquidity)
- Seed companies may give seed with a pay-by-date.
- More leasing of equipment
  - used equipment
  - less technology up front
- Farmers now having to cut corners and manage every penny. (instead of every nickel).
MANAGING AGRICULTURAL RISK

• Mental health is a big concern
  • SE lost capital and income
  • NE lost income only

• 2018/19 Farm Support Bill: Helped a lot of farmers stay afloat.

• Insurance for most crops (FSA)
  • % of revenue or production
  • Cost vs. benefit
CURRENT STATE OF AGRICULTURE

- Commodity vs. location  (General Rule: 1 bad year out of 5)
- 2014 Last year of Tobacco-buy-out funds
- 2015 Hit and miss
- 2016 Hurricane Mathew
- 2017 Rain early – fair harvest
- 2018 Florence / Michael
FRAN, FLOYD, ISABEL, IRENE, MATHEW, FLORENCE, & MICHAEL +

- Hugo (1989)
- Bertha (1996)
- Fran (1996)
- Bonnie (1998)
- Dennis (1999)
- Floyd (1999)
- Isabel (2003)
- Irene (2011)
- Mathew (2016)
- Florence (2018)
- Michael (2018)
AGRICULTURAL RISK TAKEAWAYS

• Five year impact
• Liquidity is a concern
• Risk is too high for some (personal / institutional)
  • Financial
  • Weather
  • Age
  • International relationships
• Land will be farmed or developed
QUESTIONS?