

DMAC AGRICULTURE REPORT: 2018-19

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NC STATE EXTENSION

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

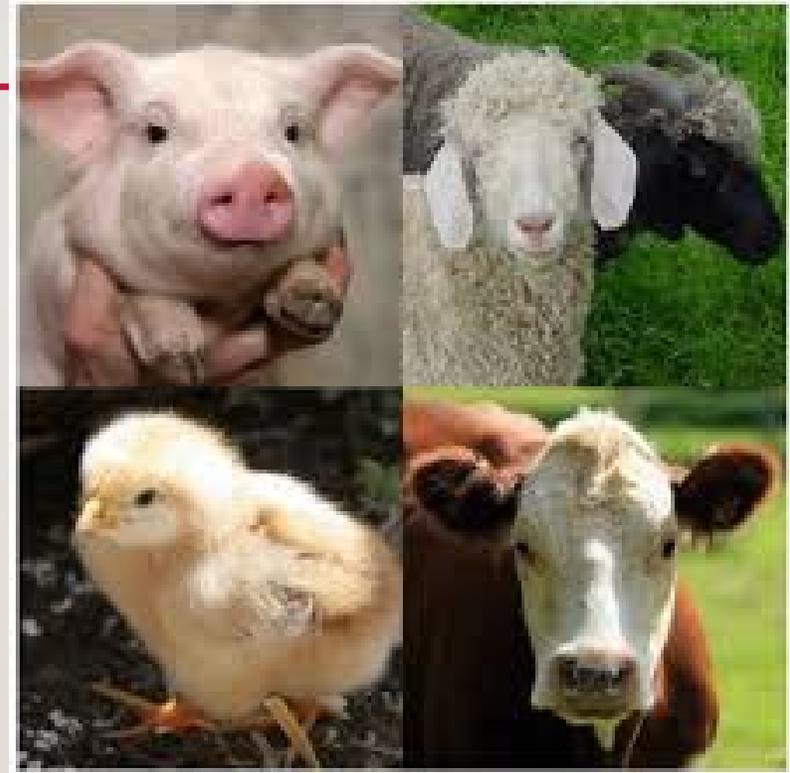


INPUT COSTS / OPERATING LOANS

- 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?

