

Current Financial Situation Unfolding in Colorado's Production Agriculture

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The current agricultural economy is experiencing difficult times with low commodity prices and droughty conditions in much of the state's agricultural lands. Currently, wheat prices are below \$3.00 per bushel (depending on the region of the state) and corn prices are also below \$3.00 per bushel.

The CSU published crop enterprise budget for wheat grown in Southeastern Colorado 2015 had a yield of 28.0 bushels per acre and a sales price of \$4.45 per bushel. Thus, a farmer could be faced with a \$1.45 per bushel decline in price or \$40.60 per acre less gross revenues. A farmer growing 1,500 acres of wheat in southeastern Colorado would have at least \$60,900 less income in 2016 as compared to 2015 – with similar expenses. A farmer growing corn under irrigated conditions in the South Platte Valley of northeastern Colorado is likely to obtain a sale price of at least \$0.70 less than in 2015. Using the 260 bushels average yield listed in the 2015 CSU crop enterprise budgets, a farmer could realize a decline of \$182 per acre or \$127,000 on 700 acres of corn. Again, with similar costs to grow the crop.

For the majority of farmers and ranchers, the ability to breakeven this year is not possible even with record wheat and corn yields. The costs of producing most crops is well above the current and harvest prices they have or could have received. This will create a significant shortfall in their ability to cover this past year's costs of production and certainly jeopardize their ability to acquire operating capital for the upcoming crop year. Some may need to offer existing equity in their operation to offset the inability to pay off their line of credit (operating monies).

Lower cattle prices have created significant financial issues for many cattle operations as well. Five weight calves (calves with an average weight of 500 pounds) are in the \$1.30 to \$1.50 per pound range which is well below last year's values. Depending on the cost of production faced by Colorado's cattle operations in 2016, many producers will also have a shortage of funds to pay off operating loans and other loans on livestock, machinery or equipment, and land that may have been purchased when livestock prices were quite favorable. Lack of fall moisture throughout Colorado could have a significant impact on next year's forage base.

The current agricultural situation is somewhat different in northeast Colorado versus southeast Colorado and from the experiences of 1980s. The 80's were a period of higher interest rates and over leveraged producers, i.e., debt to equity position were over extended. As is true today, commodity prices in the 1980s were significantly lower than the previous decade. However, moisture conditions were normal or above normal during 1980s and below normal today and the past 14 years for Southeast Colorado. While there are economic similarities of today with the 1980s, the financial impacts in the near future could be significant for some producers.

Farm Service Agency has seen an increase in applications for their guaranteed loan programs. Agricultural lenders, based on conversations during our annual Agricultural Outlook Meetings this past fall, expressed concern but did not feel the financial impacts were as significant as one would think. However, their

concerns were related to a continuing low depressed commodity markets. Thus, if the current events continue over the next two years the farm/ranch financial environment could become very problematic. And the outlook for improving grain and livestock prices is rather dismal for at least the next two to three years.

This will create a lot of extended financial and emotional stress for husbands, wives, and children. There have been two REPORTED suicides in Colorado's agricultural community in recent months. We – as Extension faculty and community leaders – need to be aware of the financial and emotional stress emanating from the current economic situation. Further, we must do what we can to assist those producers and their families in terms of promoting good mental health and identify and make available resources in their communities to farm and ranch families. Mental health is critical to the success of our farm/ranch population.

Bruce Fickensher, Southeast Area Extension Agent, in 2012 became aware of a need for mental health assistance in the area due to drought and limited production of grains and livestock of the clientele he serves. Dr. Robert Fetsch, Extension Specialist in the Department of Human Development and Family Studies at Colorado State University, had retired so limited resources were available to Bruce and his Extension colleagues. Bruce contacted various mental health services in his area. He then collaborated with the Southeast Mental Health Services to author articles for Extension newsletters and use other means to reach the farmers and ranchers and their families in the region. The topic is a difficult one and often people are reluctant to seek such help, but we need to make them aware that such help is available and in their respective communities.

The Agricultural and Business Management team will be holding a series of workshops (Outlook and Strategies Forums) around the state starting in January 2017. Topics include agricultural outlook, what lenders need, marketing strategies, breakeven cost analysis and related topics. The current sites are Montrose, Greeley, Sterling, Lamar, Limon, and Burlington. Similar programs and presentations at various conferences will be given as requested with one scheduled for Cortez and another in the San Luis Valley. Further, ABM Team members will be developing Excel-based decision tools and authoring factsheets. Our objectives include (1) how farm and ranch businesses and families can face the potential contingencies unfolding, (2) what opportunities or strategies producers can pursue to ensure their businesses remains intact, (3) what mental health resources are available. We want to provide our clientele – farm/ranch families and Extension agents – with the best possible tools.