ARE FARMERS IN FOR A ROUGH TIME? A REVISIT TO 2013

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FOR RELEASE ON: January 28, 2019

On October 14, 2013 I listened to the grain markets. I heard an analyst predict that corn prices would drop to $3.25 per bushel for December 2013 delivery. Soybean prices were expected to be around $13.00 per bushel for March 2014 delivery and milling wheat was expected to remain a little below $7.00 per bushel for much of the remainder of 2013.

Most current agricultural producers remember those market prices, and the even-better era that immediately preceded that autumn. As I wrote then, "It appears land and commodity prices are headed into a downturn and we could face a recession in the farm economy."

"Oh boy!" is all I can say, as we remember those days when commodity prices and land prices fueled an expansive mood among many farmers. Did we learn from our experiences? Today's column revisits that era and reprints much of what I wrote back then. Here goes.

Are we headed for another farm crisis? There are significant differences from the Farm Crisis of the 1980s. Interest rates on loans are lower and most recent purchasers of farm land and capital improvements either paid off a substantial portion of their investment at the time of purchase or have locked in favorable loan rates for several years.

Those in the safest positions financially tend to be diversified producers of livestock and a variety of crops and to live outside the Midwest where land prices haven't risen as much as in the heartland. Organic food producers and those who have substantial income from other activities also appear to be somewhat more insulated from economic difficulties than farmers who produce corn, wheat and soybeans.

Some farmers took a plunge and purchased so much land and equipment as to put themselves into marginalized positions if they have substantial annual payment requirements and reduced prospects for enough income solely from grain and soybean crops. It is highly likely we will see some of these farmers face foreclosure.

Is it the government's fault? The U.S. Congress has had a role in contributing to the economic squeeze because Congress created some of the conditions that encouraged ever larger production of the major grains and oilseeds, but the blame is shared by many, including farmers.

The current crop insurance provisions appear to make profits easy to obtain even if growing conditions are unfavorable in a bad year. This traces mostly to the 2008 farm bill, but the trend toward reliance on government programs goes back further.

Congress also encouraged production of ethanol and biodiesel fuels, mostly in response to pressures from commodity producer groups and farmer organizations. The U.S. Congress and most Midwestern state governments also allowed for relaxed standards on genetically modified crops and insecticides that have been both a boon to production but a deterrent in many foreign markets, some of which have been our best customers in bygone eras. Both the merchants of the high technology and some farm groups have been proponents of these endeavors and deserve the bulk of responsibility.

The Federal Reserve, which is actually not an arm of the federal government, set interest rates so low on borrowed money that farmland purchases and capital improvements seemed opportune. On the other hand, low interest rates could help marginalized producers make their loan payments easier.

What does the future hold? No one knows for sure. As a farmer and behavioral health specialist who went through the Farm Crisis of the 1980s, I learned hard lessons that might have meaning for the next few years. Adjustment to that crisis had defined stages that are worth considering now.

We will face the immediate future with apprehension. Apprehension is the first stage of adjustment for marginalized farmers and an important stage, for it means they recognize impending financial difficulty. This stage is often fairly long--usually two or more years.

The second stage involves growing concerns that restructuring the farm operation could be necessary. Like the first stage it can be as lengthy, but during this stage distressed farmers bargain with themselves about what they can do to salvage their businesses as well as to strategize about options with lenders and others affected by their farming enterprises. Anxiety mounts.

The third stage involves the actual restructuring or foreclosure and is the most dangerous psychologically, because of long-term stress preceding the decision about what to do and compromised judgment as its emotional toll. Often the final decision is not the farmer's choice. Emotional fatigue can occur.

The fourth stage, involving steps toward recovery or whatever changed lifestyle follows the restructuring or foreclosure, is a long hard road, but usually in the end is happier than constantly facing uncertainty and pressures.

The fifth and final stage entails "moving on." Like my grandparents who survived the Great Depression, and like many who made it through the Farm Crisis of the 1980s, we are changed forever. We became frugal, more careful and hardy.

"What do you think now?"

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