

# **Input From AFPC Representative Farm Participants**

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**TEXAS A&M**  
UNIVERSITY

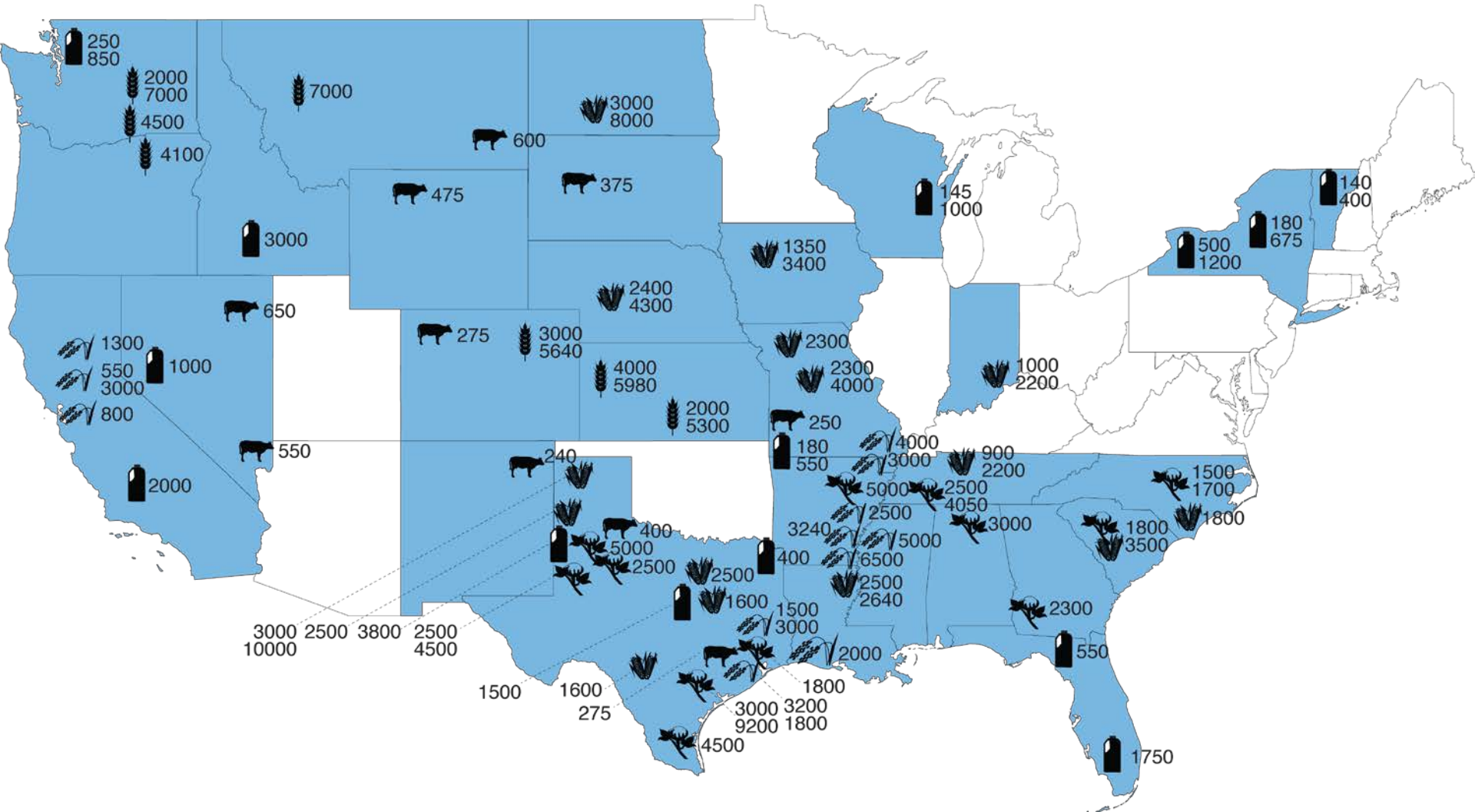
**AFPC**

# Background

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- Representative Farms
  - Focus Groups of Top Producers
  - Primary Data
- Whole farm simulation model (FLIPSIM)
- Currently 95 panels in 29 different states
  - 23 Feedgrain
  - 11 Wheat
  - 15 Cotton
  - 15 Rice
  - 20 Dairies
  - 11 Ranches

# AFPC Representative Farms and Ranches

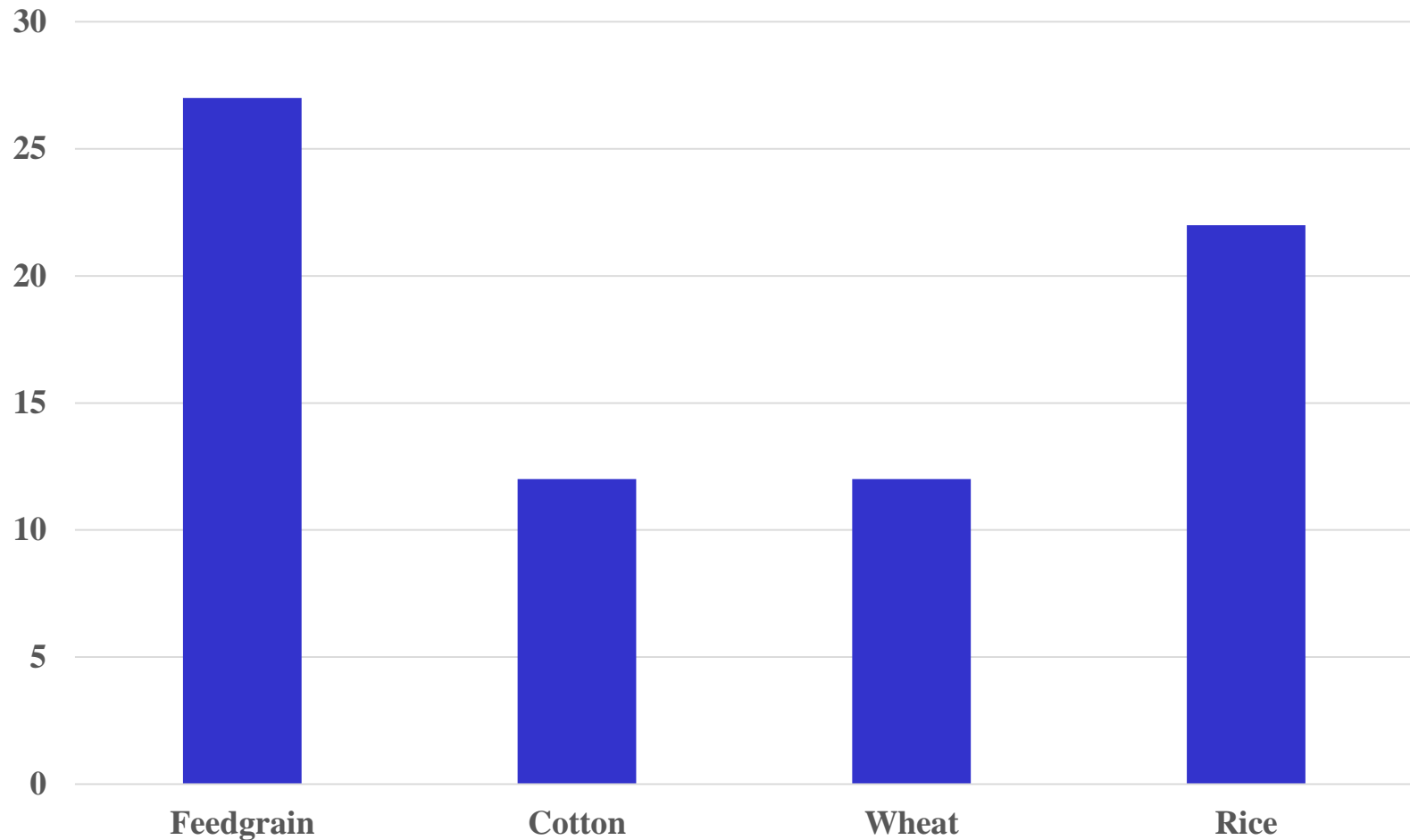


# Background

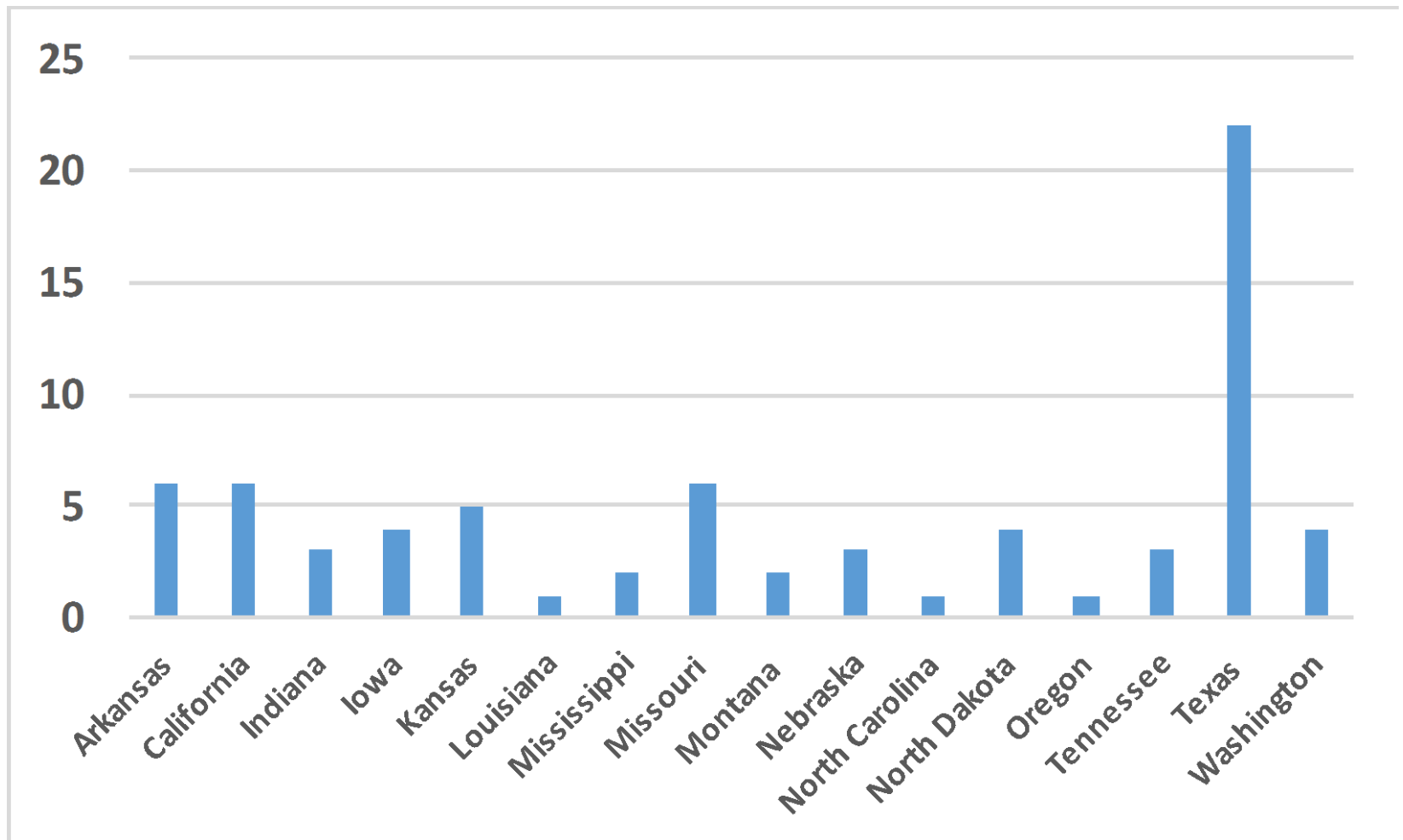
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- We like to keep up with our producers. They give us insight into issues around the country. We ask them questions from time to time ... most recently before Joe testified to House General Farm Commodities & Risk Management subcommittee
- Sent out an email to roughly 300 crop producers on March 30<sup>th</sup> – gave them 1 week
- Received 73 replies (about 25% response rate) from almost every state in which we have farms

# Responses by Farm Type



# Responses by State

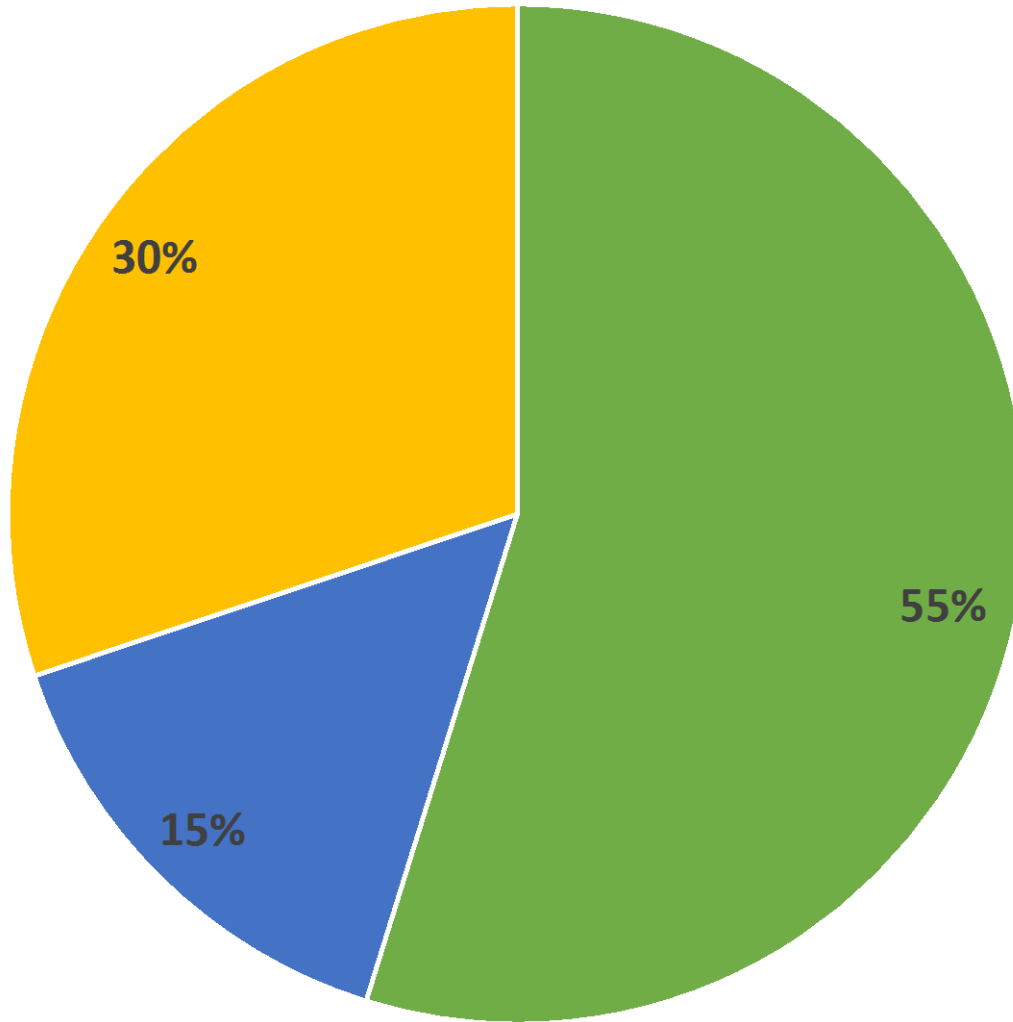


# Questions Asked

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1. During last year or this year, what percentage of farmers in your area do you think have had trouble getting financing? Do you know of anyone who has recently gone out of business due to lack of financing or financing issues?
- Didn't really receive any feedback on 2015 crop year. However, received a lot of responses on getting financed for 2016.

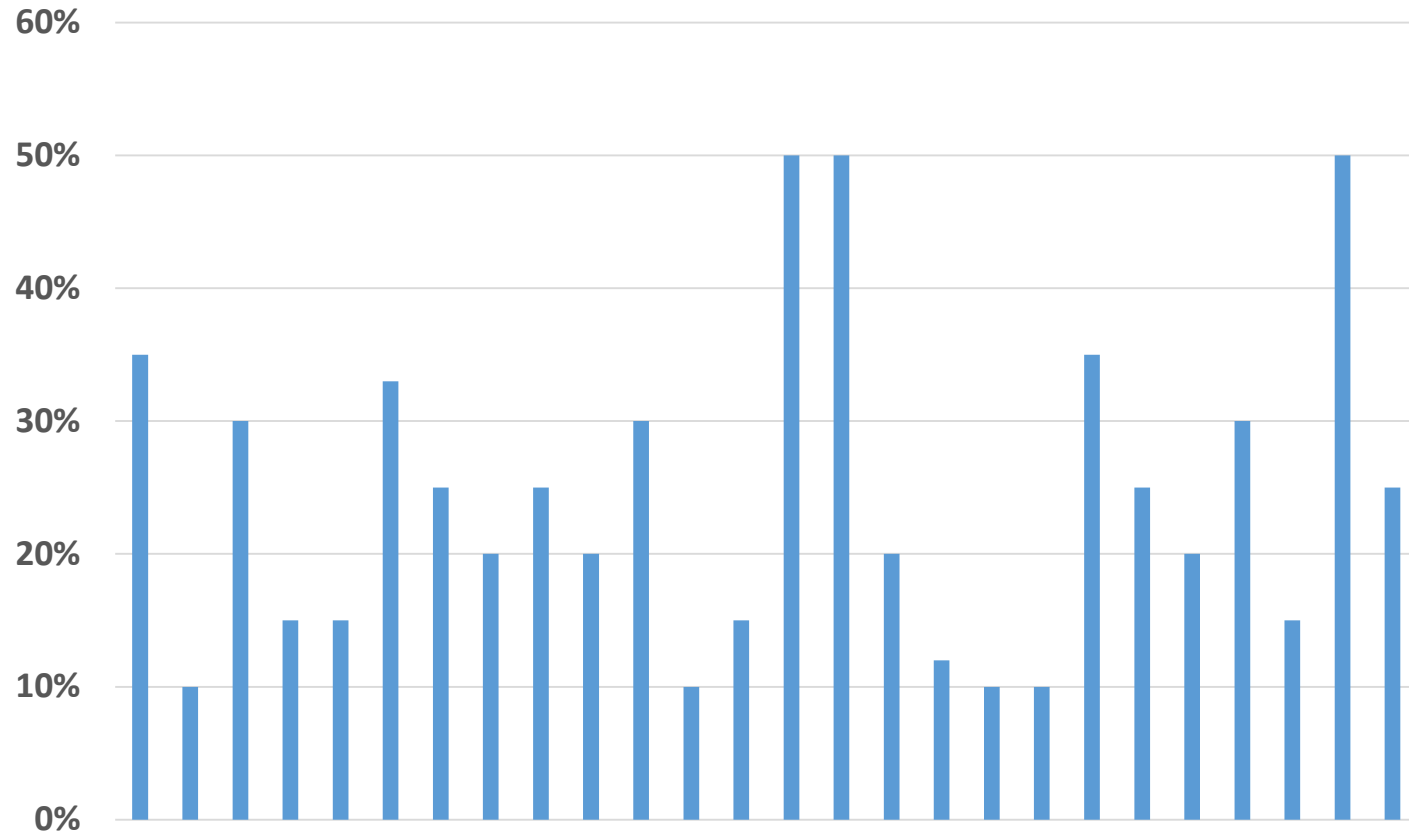
# Know of Someone Having Financing Trouble



■ Yes ■ No ■ No Response

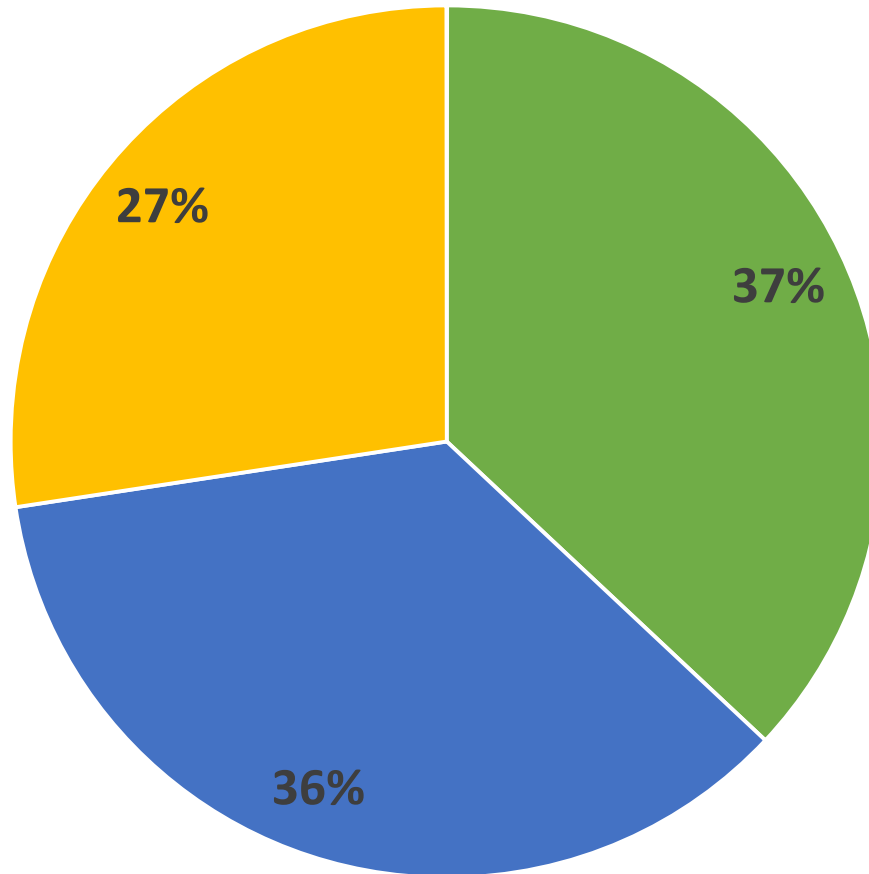


# Percentage of Farmers Having Financing Issues



- 26 (of the 40) responded with percentages of folks having trouble getting financed
- The range was from 10 to 50% with an average of 24.4%
- The three 50% responses came from Arkansas, Tennessee, and Mississippi

# Know of Producers Exiting



■ Yes   ■ No   ■ No Response

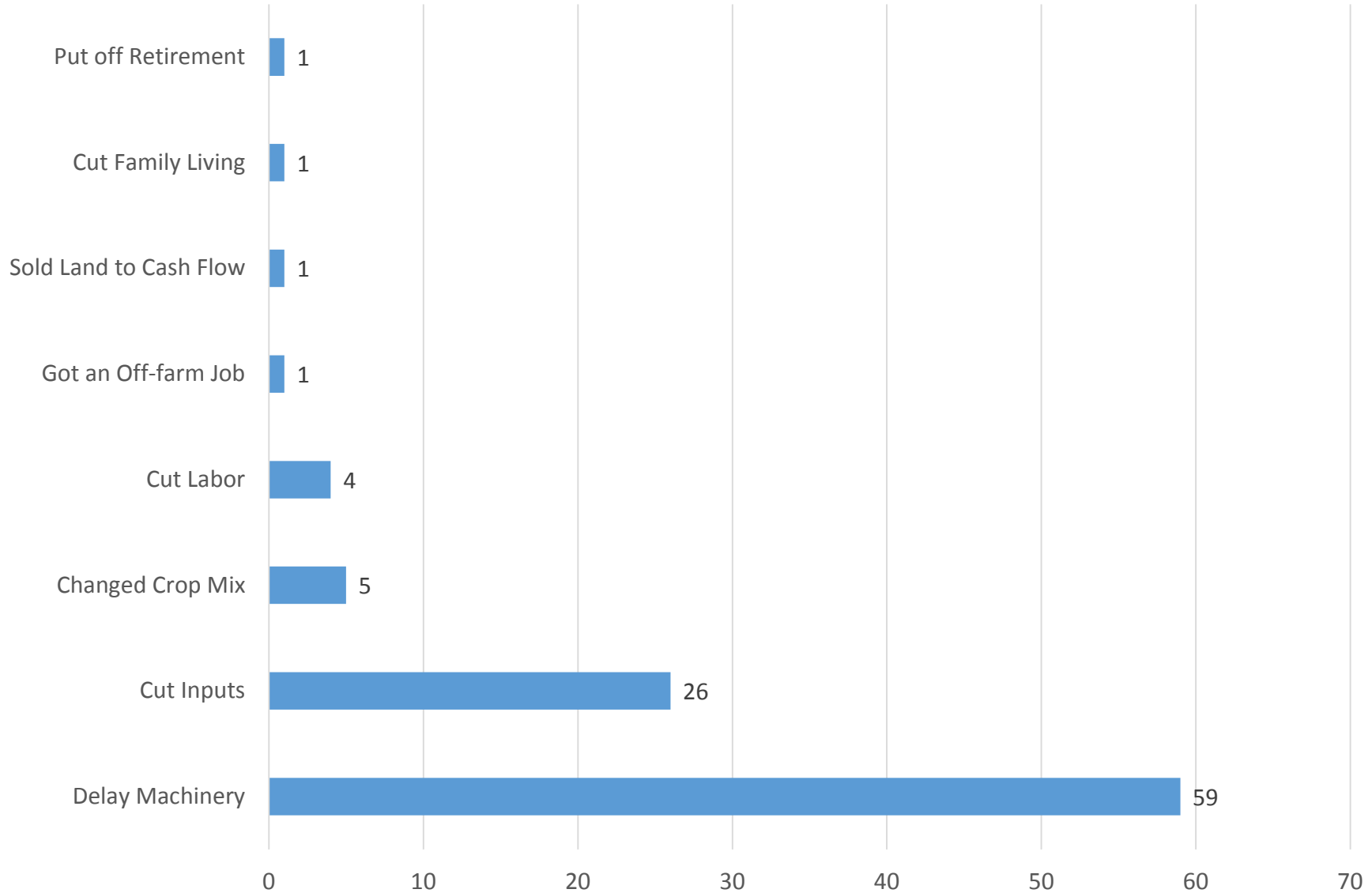
# Questions Asked

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2. What are you doing on your farm operation to adjust to the current and expected low commodity prices? For example, have you changed your crop mix or delayed replacement of machinery?

- This may have been leading the witness, but clearly the results show we were on the right track.
- People wanted to talk about this as 66 of the 73 answered this directly.

# Responses to How Your Operation is Adjusting



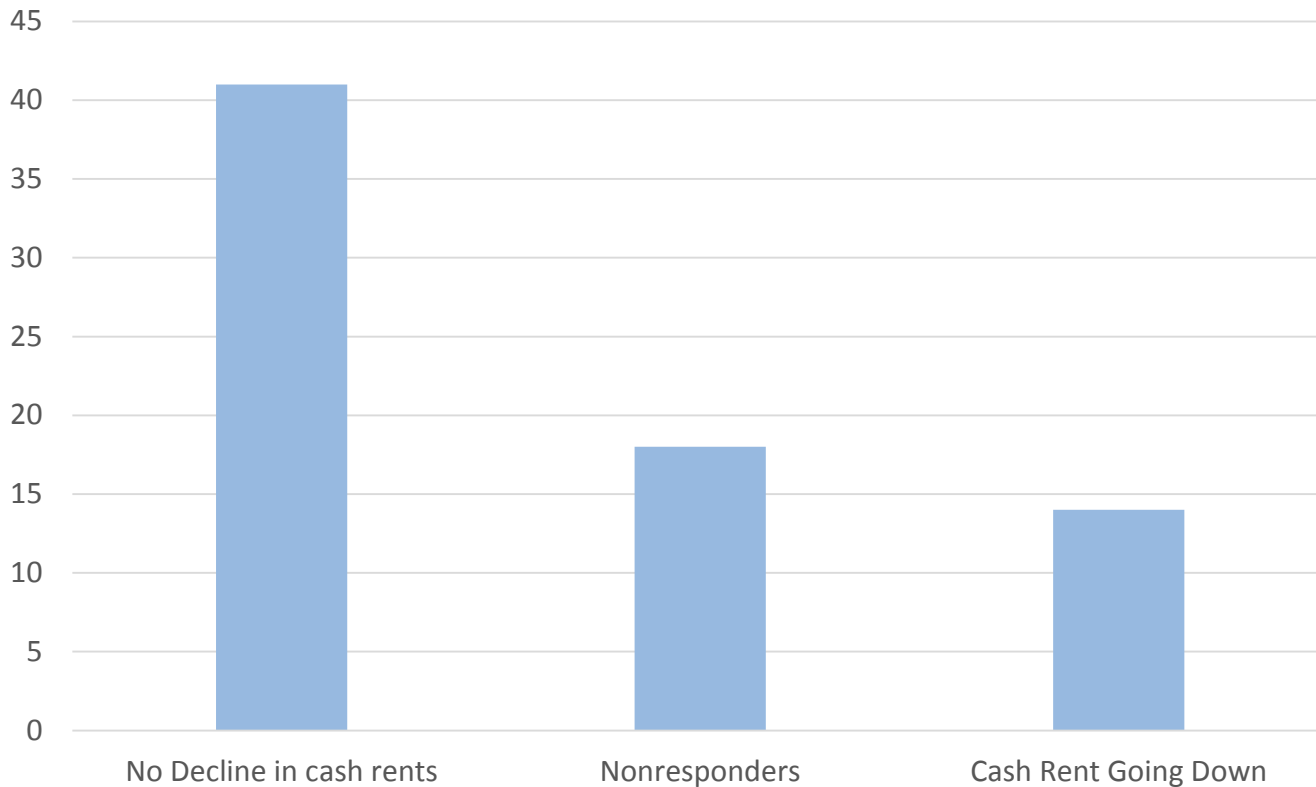
# Questions Asked

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3. Given the low commodity prices, have your cash rental rates adjusted downward? If yes, how much in percentage terms have they come down? Do you expect rents to continue to fall?

# Cash Rent

- Those responding that cash rent was going down were mostly in the Midwest
- Range was a 5% to 24% decline
- Many still on Share rental arrangements which haven't moved



# Questions Asked

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4. Please feel free to write any comments that you might want to be considered in Dr. Outlaw's testimony.

- Received a number of thoughtful comments
  - Some wrote novels while others were Short and blunt
  - The following is a sampling

# Solicited Comments

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- Lack of competition amount input suppliers (Missouri)
- High demand in area for FSA Loans (Texas)
- If the downturn lasts long, ARC will offer no protection at all (Texas)
- Cotton needs help fast because we are losing infrastructure (Tennessee)
- Simplify the farm bill and do NOT cut crop insurance (Arkansas)
- Pleased with the farm programs (Texas)



# Solicited Comments

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- Never more worried about the industry than now (Texas)
- The farm bill is not working (Texas)
- The lending process is too slow (Texas)
- Help manage at an input supplier and they have 10% payments outstanding (Tennessee)

# Solicited Comments from other States

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- The comments had the same sentiment, but many had a real concern for young farmers, regulation, and environmental issues
- “If I knew prices would drop this much, I would have encouraged my son to do something else”
- “It is hard for young farmers to make it in this financial environment”
- Environmental issues in California and North Dakota
- Cost of health care
- Rice hard hit in California

# Summary

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1. Obtaining financing is much harder. Lenders are seeing the struggle mandating farmers abide by more stringent cost and collateral requirements. All of our farmers got financing, but some did have carryover notes or had to refinance existing notes. Most say the worse is still yet to come (meaning after this crop year), and this is just the beginning of the stress.

2. Almost everyone has said they are putting off capital/machinery updates due to lean times. Reducing inputs was the second most common theme. Some have cut labor, and one even sold land to meet cash obligations.

# Summary

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3. Cash rents have come down a little, but nowhere near the amount that prices and returns have fallen. This is due to many reasons, but in-part because of longer than one-year rental agreements. Many cash rents are 2 to 5 years in length. Also, many landlords have been unwilling to negotiate down. It should be noted that many of our farms, particularly outside the corn belt, have share rents which are historically very slow to change.

4. Most are concerned about the future, both for themselves and for young farmers who tend to not have the equity that older farmers would have. Many spoke on the need to not cut crop insurance in any way.