

Managing Your Farm In An Economic Downturn

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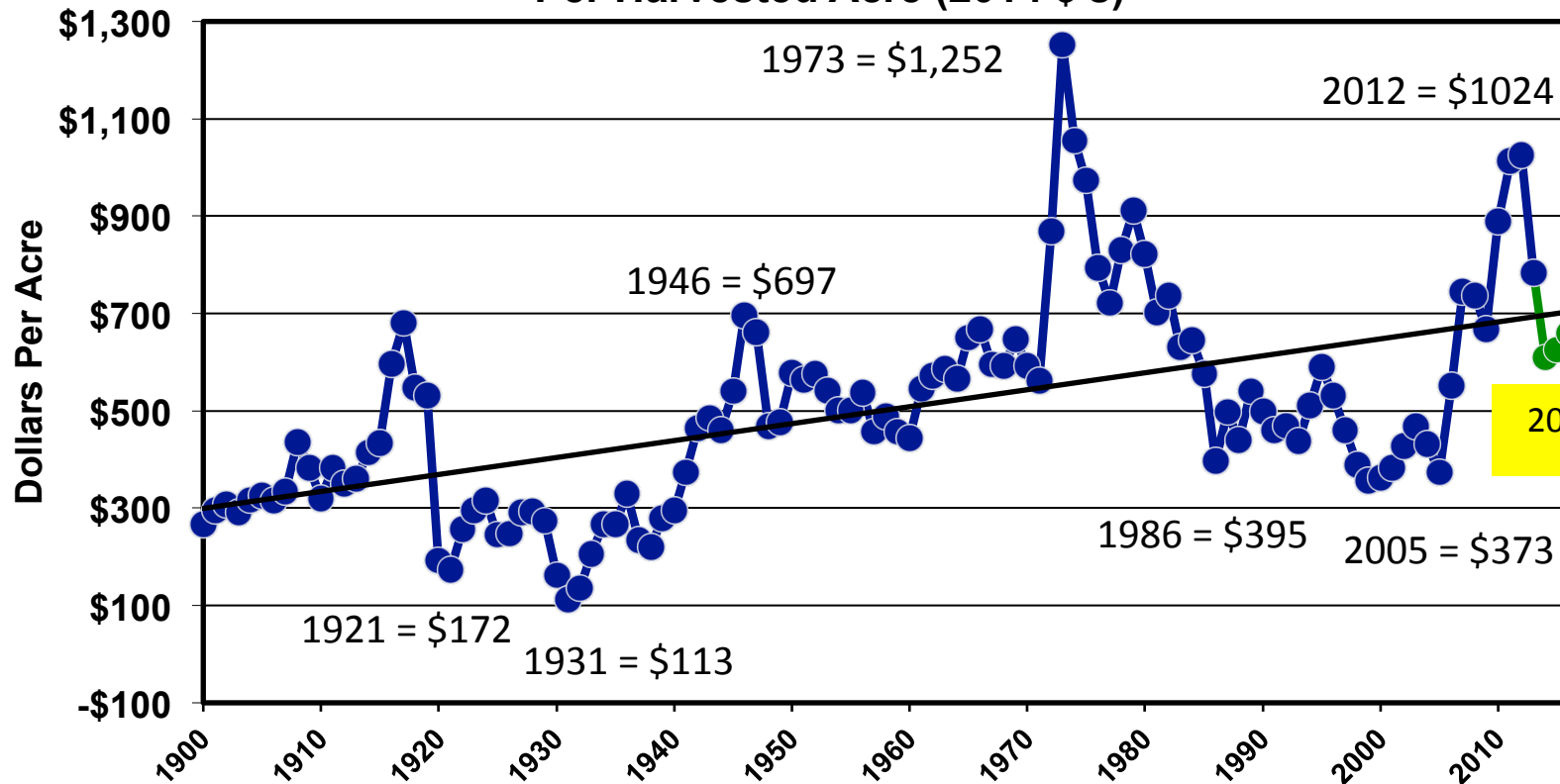
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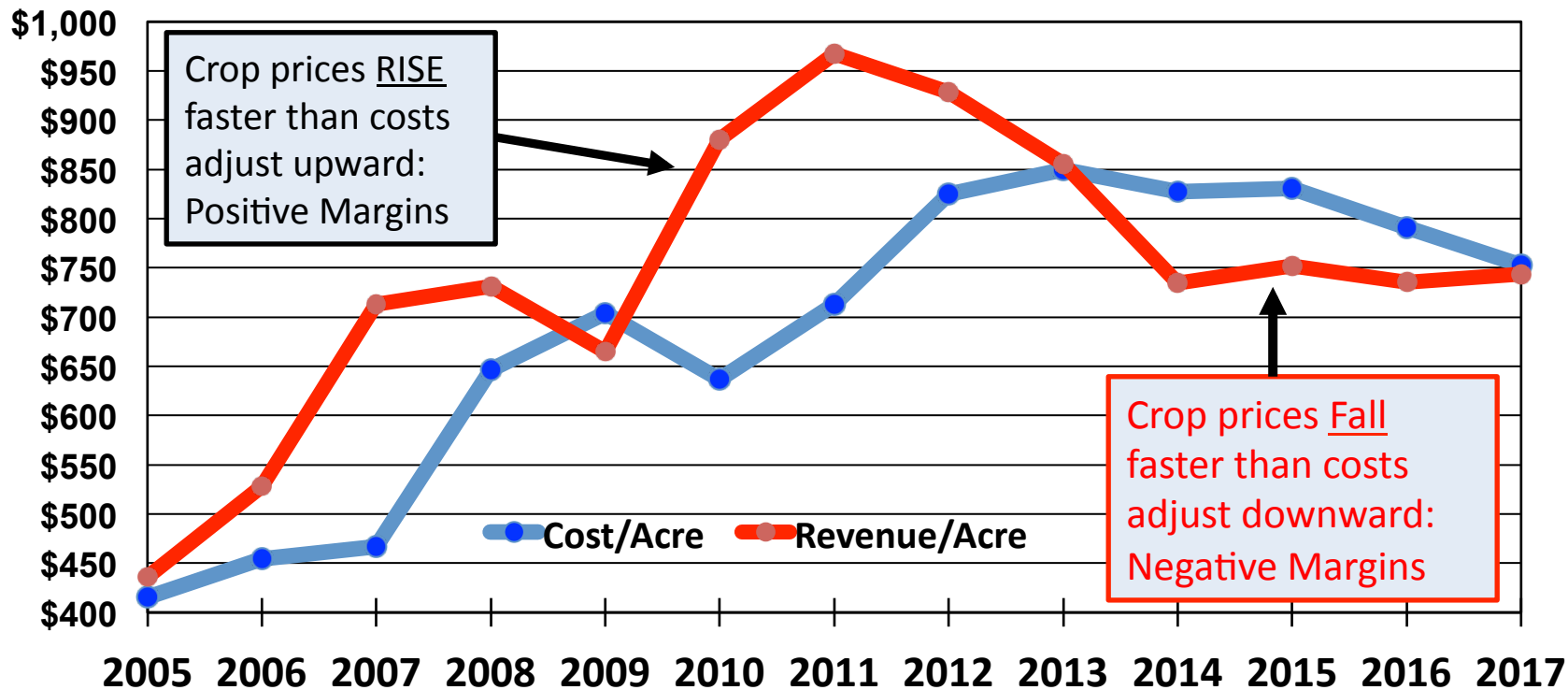
Center for
Commercial Agriculture

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Webinar, December 18, 2014

Real U.S. Corn Revenue (+Insurance) Per Harvested Acre (2014 \$'s)



Average Corn Revenue & Costs/Acre by Year in Indiana



Improving Your Farm's Management

5 Management Strategy Categories to Consider

- ✓ Financial
- ✓ Input Purchasing
- ✓ Execution
- ✓ Marketing Strategies
- ✓ Government Programs & Crop Insurance

Financial Strategies

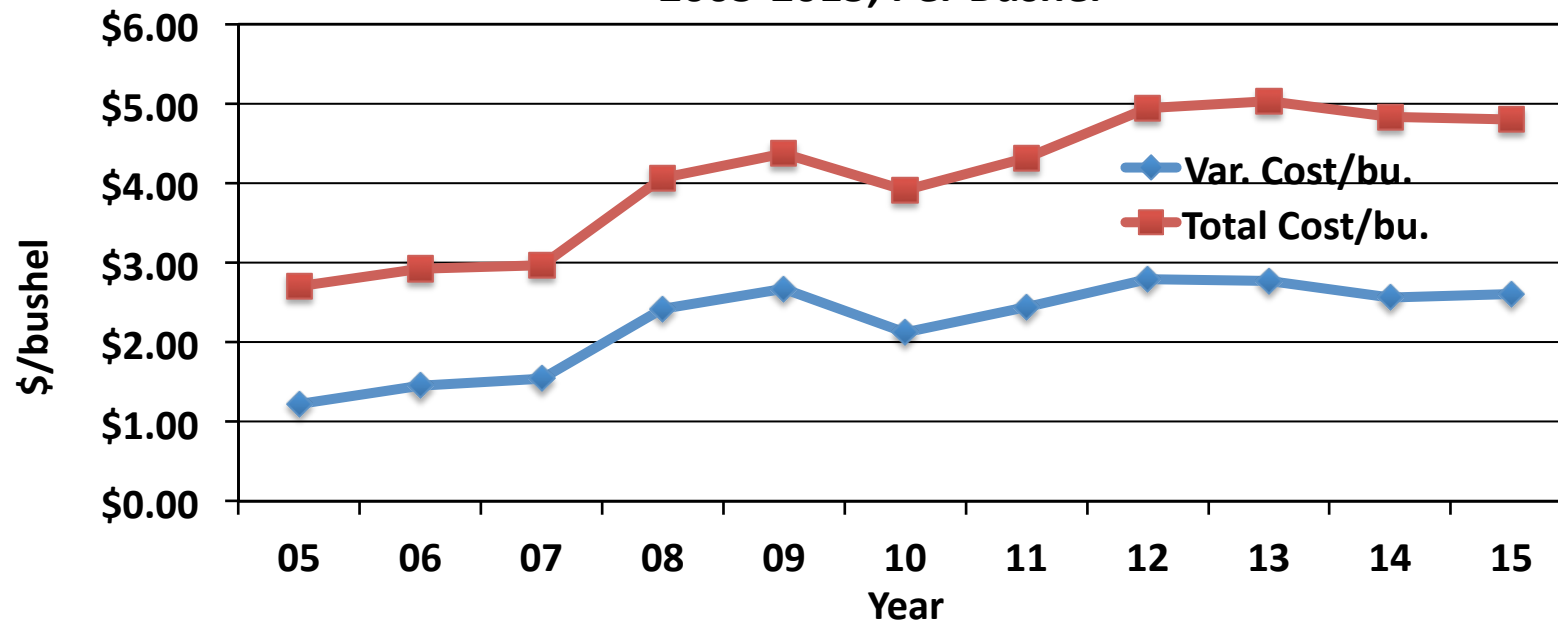
- 1 Preserve Working Capital
 - Working capital = current assets – current liabilities
 - What's Your Burn Rate?
- 2 Reduce capital expenditures
 - Caution on 179 Exp. in 2014
- 3 If working capital is already low, rebuild it
- 4 Restructure debt with longer loan terms
- 5 Lock-in long term interest rates
- 6 Reduce family living expenses
- 7 Be prepared for your loan review!

Input Purchasing & Usage Strategies

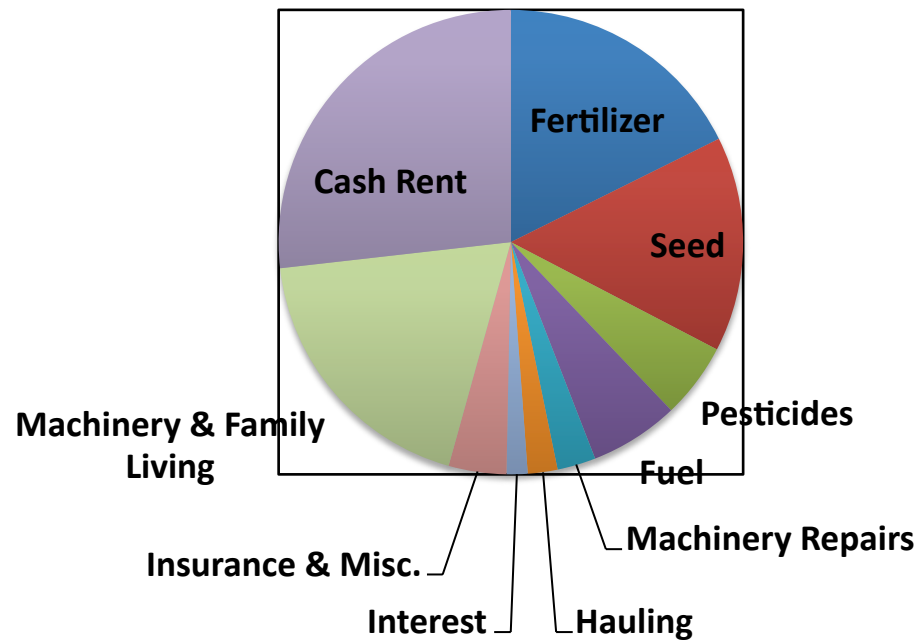
- Why is this important?

Crop Production Costs Increased Rapidly

Estimated Indiana Corn Production Costs
2005-2015, Per Bushel

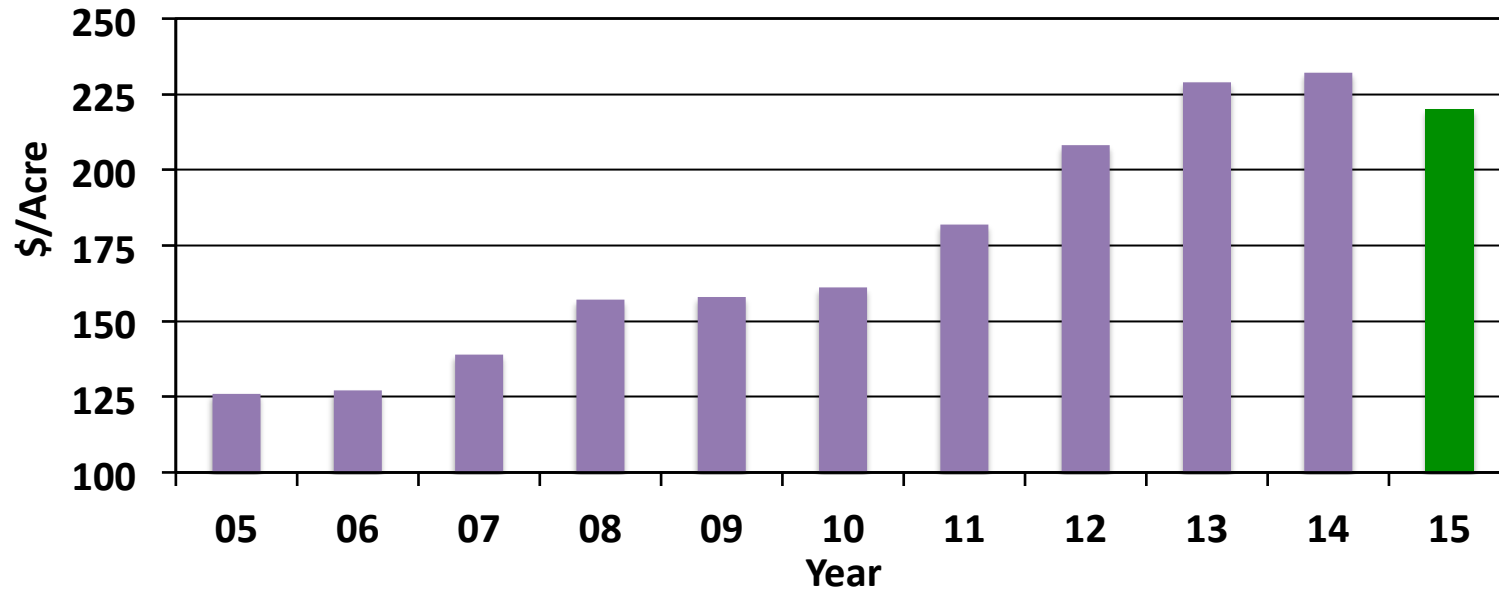


2015 Estimated Indiana Corn Production Costs By Category



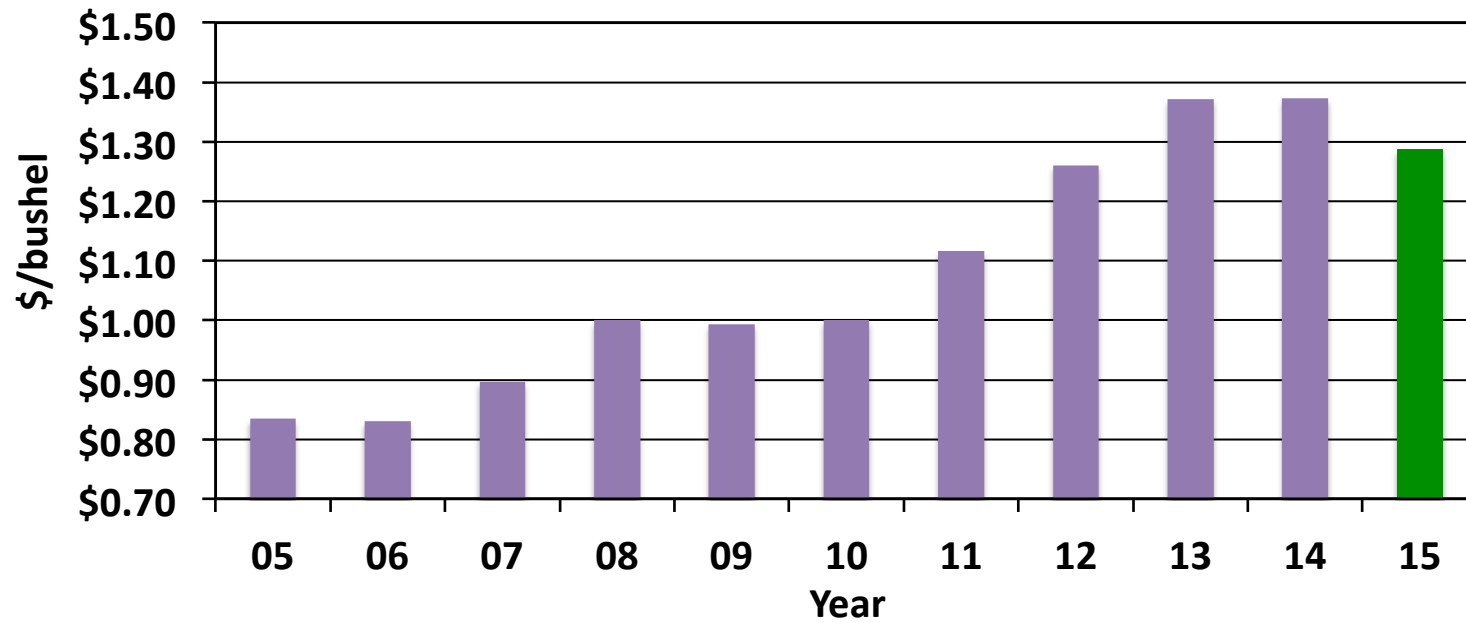
Cash Rent Was 28% of Total Cost in 2014

Indiana Average Farmland Cash Rental Rates
2000-2015



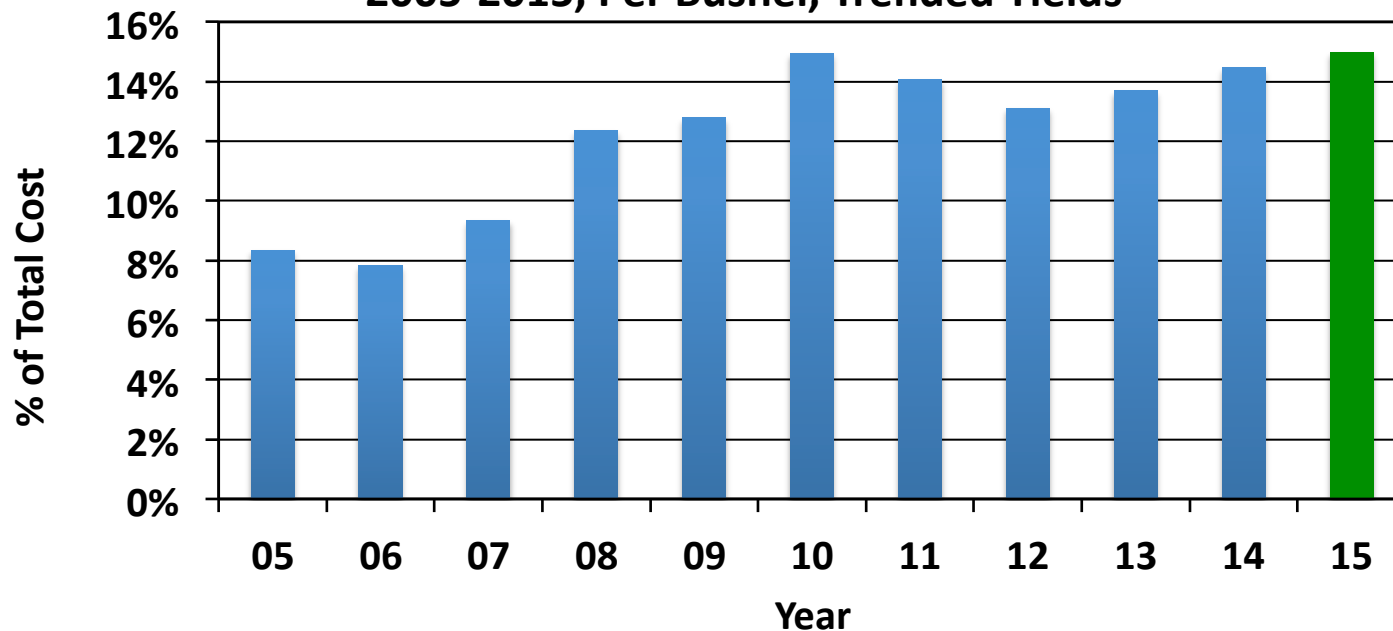
Rental Rates Will Start to Adjust

Indiana Average Farmland Cash Rental Rates
Per Bushel of Corn, Trended Yields, 2000-2015



Seed Costs Share of Total Costs Increased

Seed as a % of Indiana Total Corn Production Costs
2005-2015, Per Bushel, Trended Yields



Input Purchasing & Usage Strategies

- Cost per bushel is the key, not cost per acre!
- “Buying Right” sets your cost structure
- Check & NEGOTIATE prices
- Crop fertilization strategies
- Herbicide strategies
- Cash rent and land purchases are very important

Marketing Strategies

- Become more cautious
- Delay pricing inputs
- Don't lock-in inputs for multiple years
- Forward price crops more aggressively
- Earn storage returns (especially for corn)
- Focus on locking in margins