

Strategic Farm Management

2024 Row Crop Short Course
December 11, 2024

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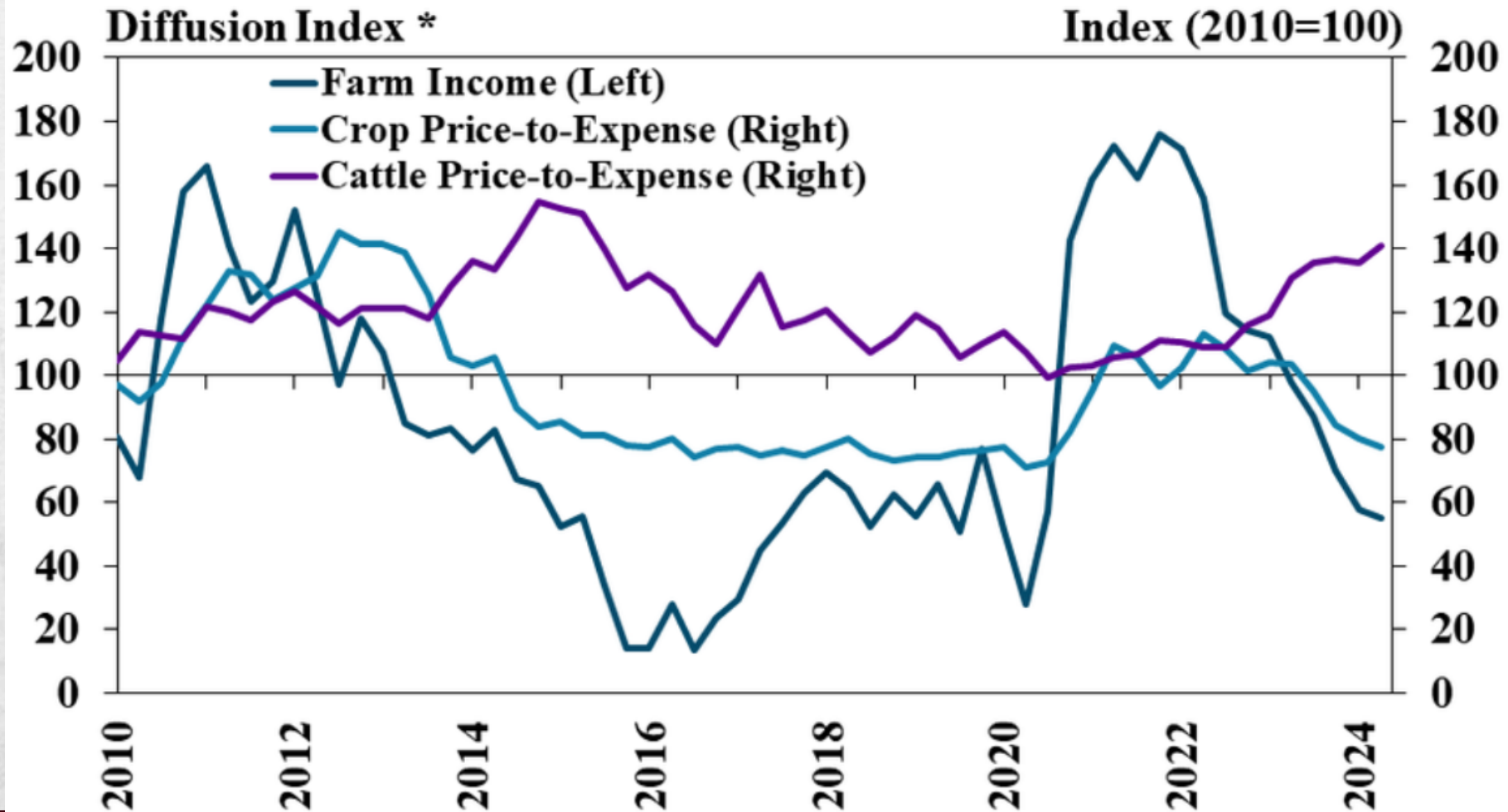
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Outline

- Current Conditions
- Cost of Production Estimates
- Strategies for making decisions



Chart 1: Tenth District Farm Income and U.S. Farm Price-to-Total Production Expenses



Source:
<https://www.kansascityfed.org/agriculture/ag-credit-survey/early-signs-of-financial-pressure/>



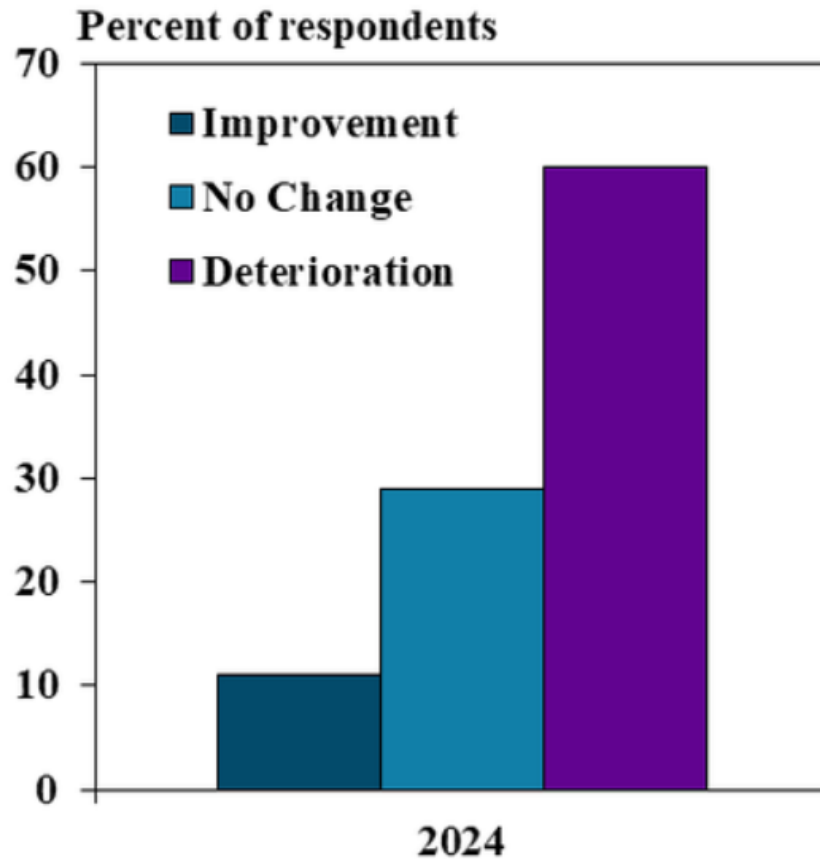
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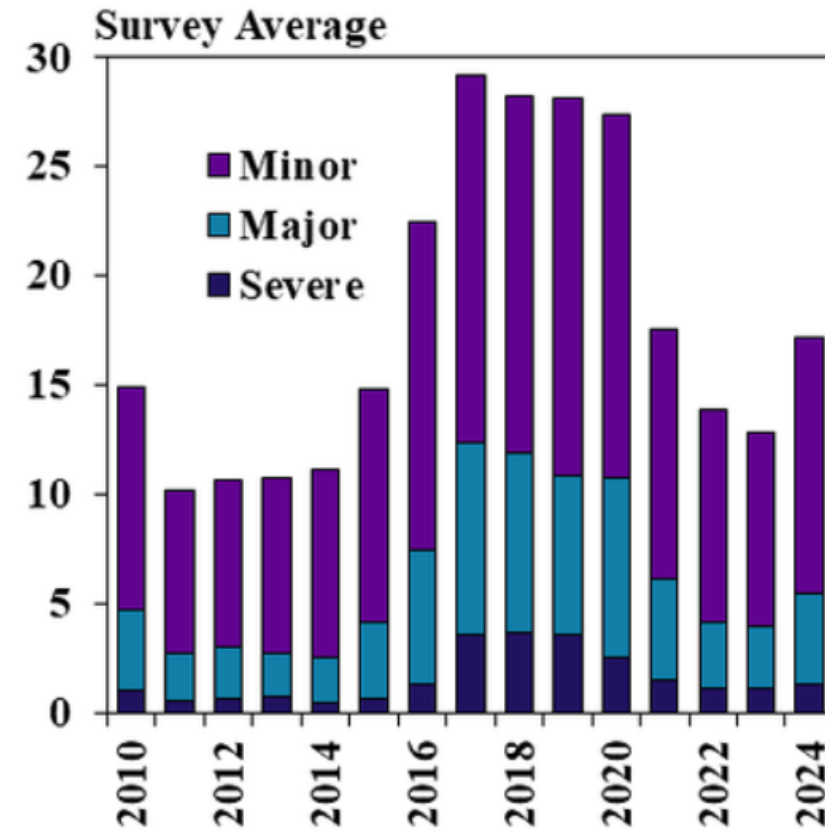
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Chart 7: Borrower Financial Conditions and Loan Repayment Problems, Q2

Change in Financial Condition of Farm Borrowers From 1-Year Ago



Degree of Farm Loan Repayment Problems



Source:
<https://www.kansascityfed.org/agriculture/ag-credit-survey/early-signs-of-financial-pressure/>



MSU Cost of Production Estimates – 2025 Crop Year

- MSU produces yearly Enterprise and Planning budgets using MSU Budget Generator
- Survey Mississippi companies to determine costs of herbicide, pesticide, fertilizer, equipment, etc
- Multidisciplinary team develops budgets based on common production practices/recommendations



MSU Cost of Production Estimates Changes from 2024 to 2025

- Variable costs down slightly from last year
- Fixed costs up
- Expected to have tighter margins due to lower crop prices
- Costs will vary for each producer
- Available at agecon.msstate.edu



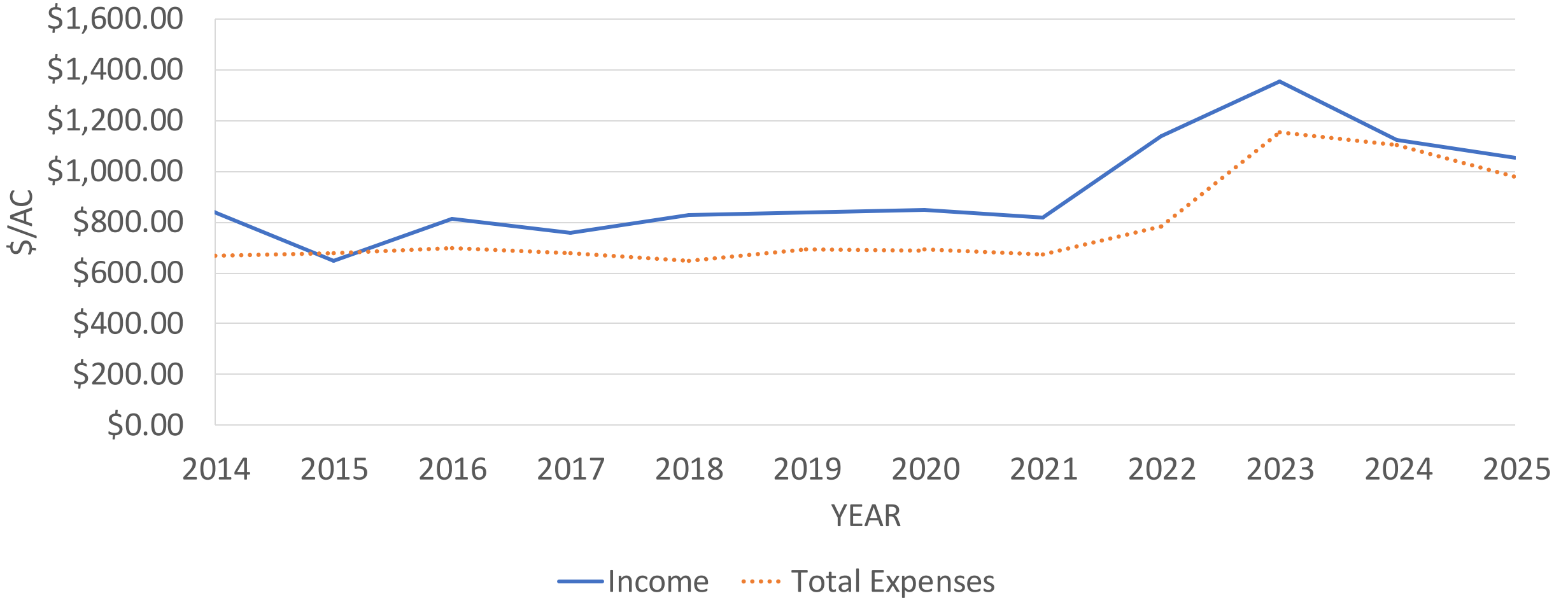
Tighter Margins for 2025

	Corn	Cotton	Rice	Soybeans
Yield	235	1500	160	60
Price	\$4.49	\$0.72	\$6.00	\$10.87
Fertilizers	\$307.32	\$123.44	\$192.94	\$61.35
Herbicides	\$57.07	\$111.43	\$150.56	\$109.07
Insecticides	\$0.61	\$95.61	\$11.33	\$13.06
Seed	\$122.74	\$147.15	\$54.93	\$51.50
Diesel Fuel	\$49.60	\$59.23	\$91.45	\$40.41
Interest	\$33.77	\$32.25	\$27.22	\$20.33
Total Direct Expenses	\$813.72	\$989.30	\$929.12	\$484.02
Total Fixed Expenses	\$167.40	\$288.47	\$202.17	\$157.37
Total Expenses	\$981.12	\$1,277.77	\$1,131.29	\$641.39
Returns Above Total Expenses	\$74.03	\$24.98	-\$171.29	\$10.81



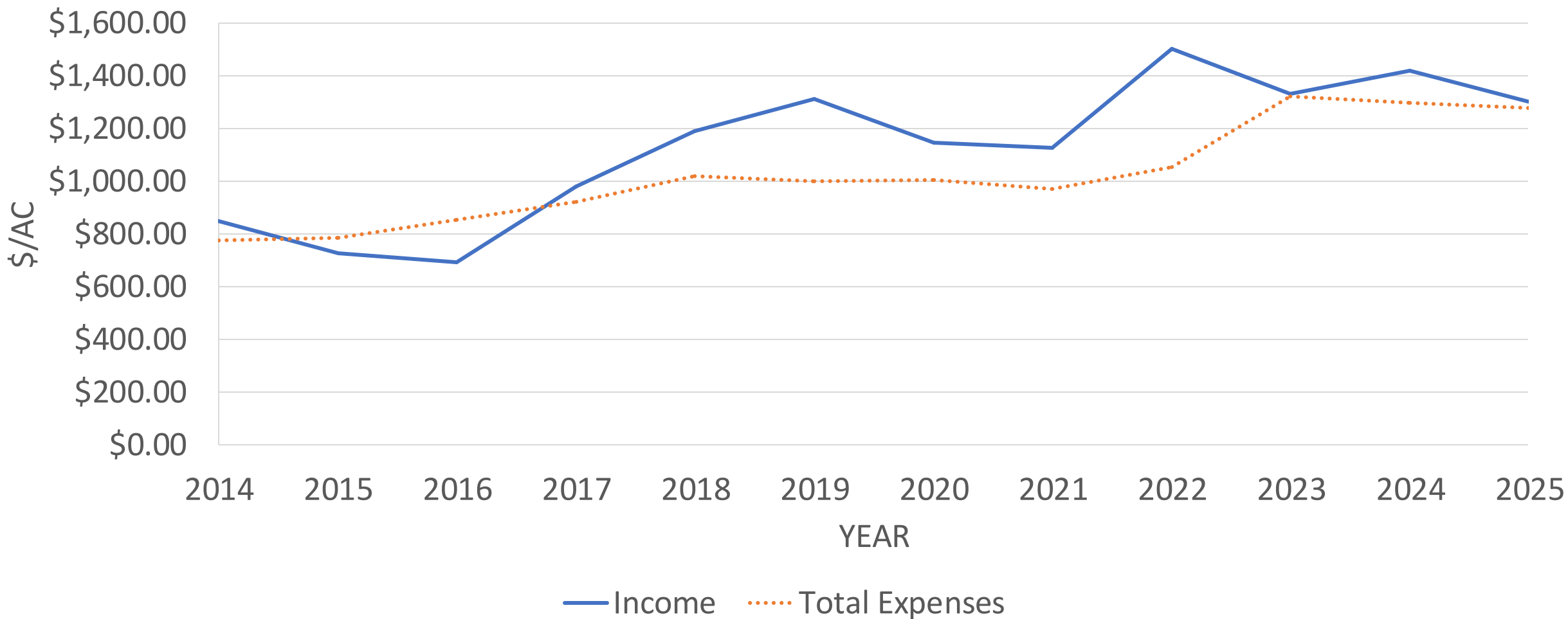
Returns Across Time

CORN INCOME AND EXPENSES 2014-2024



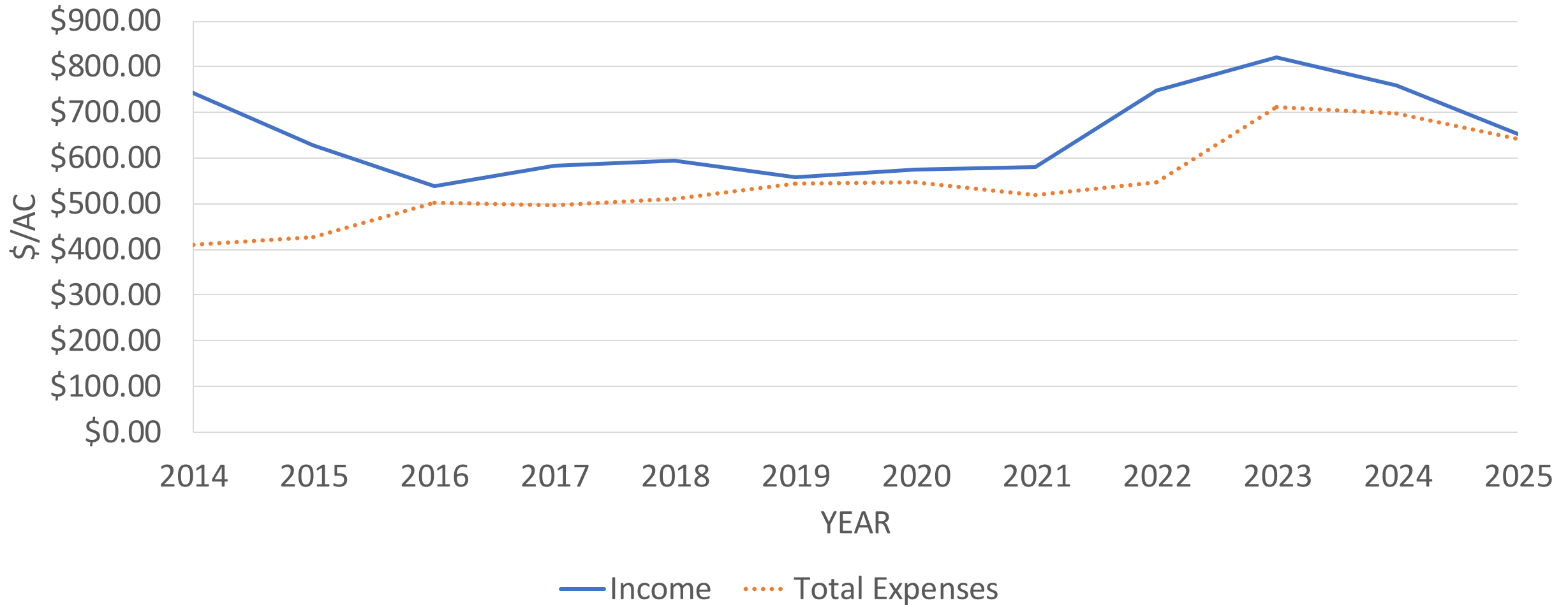
Returns Across Time

COTTON INCOME AND EXPENSES 2014-2024



Returns Across Time

SOYBEAN INCOME AND EXPENSES 2014-2024



Tariffs and Another Trade War?

Mexico's president would impose retaliatory tariffs in response to Trump's plan

Trump ups the ante on tariffs, vowing massive taxes on goods from Mexico, Canada and China on Day 1

Corn and soybean associations study: Farmers would suffer from trade wars

Trump vows 25% tariff on imports from Mexico, Canada: What are tariffs?

Trade Study: How Potential New Tariffs Could Impact U.S. Soybeans and Corn

How Trump's Tariffs Could Impact Top Imports From Mexico, Canada, and China



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Tariffs and Another Trade War?

- Tariffs on goods from Canada, Mexico, and China would likely lead to higher variable costs
 - Herbicide, insecticides, fertilizers, etc.
- Last trade war led to lower prices due to retaliatory tariffs
 - Corn 2018 price: \$3.61/bu
 - Soybeans 2018 price: \$8.48/bu
- Could see significantly lower returns
 - Ad-hoc assistance?



How to prepare for a tough year?

- Record keeping, data, and analysis
 - Use the data you have
 - Not just enterprise budgets
- Evaluate your financial position and expectations for 2025
 - Profitability, liquidity, solvency, and collateral
- Understand relationship between field-level decisions and financial position



Records



Collecting and Organizing

Production

- Yields, inputs (fertilizer, seed), pesticide application, irrigation, planting and harvest dates.
- Labor: paid and unpaid.
- Weather: precipitation, wind, storm events

Financial

- Income and expense receipts,
- Invoices, checks, bank statements.

Record keeping systems



Analyzing and Reporting

Ratio Analysis

Balance sheet

Income statement

Cash flow

Budgets



Decision Making

Operating credit requirements

Loan structure

Capital purchases



Crop Choice Example

400 acres

Corn

Projected Yield: 220

Price: \$4.49/bu

Income: \$987.80/ac

Costs: \$981.12/ac

Profit: \$6.68/ac

Total Profit/Loss: \$2,672

Soybeans

Projected Yield: 55

Price: \$10.87/bu

Income: \$597.85/ac

Costs: \$641.39/ac

Profit: -\$43.54

Total Profit/Loss: **-\$17,416**

Corn has higher returns so easy choice right?



Crop Choice Example

Field 1-200 acres

Corn

Projected Yield: 230

Price: \$4.49/bu

Income: \$1,032.70/ac

Costs: \$981.12/ac

Profit: \$51.58/ac

Soybeans

Projected Yield: 50

Price: \$10.87/bu

Income: \$543.5/ac

Costs: \$641.39/ac

Profit: -\$97.89/ac

Total Profit/Loss: \$10,316

Total Profit/Loss: **-\$19,578**

Field 2-200 acres

Corn

Projected Yield: 210

Price: \$4.49/bu

Income: \$942.90/ac

Costs: \$981.12/ac

Profit: -\$38.22/ac

Soybeans

Projected Yield: 60

Price: \$10.87/bu

Income: \$652.20/ac

Costs: \$641.39/ac

Profit: 10.81/ac

Total Profit/Loss: **-\$7,644**

Total Profit/Loss: \$2,162

Grow Corn on Field 1 and Soybeans on Field 2 leads to profit of \$12,478
Increase of \$9,806 from just growing Corn



Be More Specific in Your Farm Evaluation

- Very simplistic example but shows how field-level evaluations can be beneficial
- Only evaluating a crop as a whole may leave money on the table
 - Especially if yield and/or inputs vary within that crop
 - Use your data to determine if changes can be made at the field-level
- Now is the time to evaluate where improvements can be made
 - Determine where trouble areas are



Be More Specific in Your Farm Evaluation

- “I know I’m not making money on this field but I don’t want to give up the ground.”
- Is a field not making money because of yield/prices or because of rental rates?
- Need to diagnose why it is losing money and then
 - Change to a different crop
 - Change management practices
 - Renegotiate your rental agreement



Evaluate Your Financial Position

- “I need to go to the bank/accountant to see how much money I made this year.”
- You should know your farm’s financial situation better than your bank
 - Make sure your farm is improving from year-to-year
 - The more information you have the better you can negotiate
- Know how your bank evaluates loans
 - Every bank is different



Evaluate Your Financial Position

- Understand how decisions throughout the year impact your financial ratios
 - If I book my crop in June what does this do to my financial ratios?
 - Should be continually evaluating throughout the year
- Know that some decisions have impacts across time
 - If I buy this new tractor how does that impact my cost of production and my financial ratios?
 - Will I be at risk if prices change?
- What you do at the field impacts your farm as a whole



Summary

- Margins are going to be tighter for 2025
- Important to evaluate your farm's situation
 - Both at the field level and for the farm as a whole
- “If you fail to plan, you are planning to fail” – Benjamin Franklin



SAVE THE DATE
**2025 Mississippi Agricultural
Outlook Conference**

JANUARY 14, 2025
The Mill at MSU
600 Russell St, Starkville, MS 39759

This Event Is Sponsored By:

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