

Farm

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farm income in 2015 hit a 30-year low – reaching a level not seen since the 1980s farm crisis. Last month, the Federal Reserve reported farmers are borrowing more to pay bills, repayment rates are plunging and the number of bankers requesting additional collateral is the highest in 25 years.

It all comes to a head just a few years after farmers reaped record commodity prices for both crops and cattle and oil prices were higher. And with extra cash, farmers were spending money.

Then, everything dropped. “We don’t need \$7 corn,” said Geoff, who farms in Reno County. “But something in the fours would be nice.”

The supply-and-demand cycle is nothing new in farming. Big harvests often mean lower prices and vice versa. And this year, the mountains of grain outside elevators signal a bin-buster harvest.

“We had 80-year-old farmers who haven’t seen anything like this,” said Scott Co-op CEO Jason Baker of the unprecedented 100-bushel yields. “We might not see it again in our lifetime.”

But the signs of hard economic times are evident. At one point, the Scott County cooperative had 10 million bushels of wheat and milo on the ground. Today, there is still roughly 8 million bushels in piles. And the price board inside isn’t encouraging, either – hard red winter wheat last week was \$2.66 a bushel.

No one is immune. Veteran farmers like Jim Sipes are looking through the books for places to trim. Wheat seed sales at his Stanton County operation have plummeted. Farmers are saving back seed instead of buying from a certified grower in an effort to cut expenses.

Now, after seeing some reprieve this year from a multiyear drought, the climate has turned dry again. Stanton County hasn’t received a rain since Sipes planted wheat in late September. Without moisture, the crop hasn’t emerged out of the ground.

When he returned to the farm in 1993, his family was just digging out of the economic slump of the 1980s. In fact, he said, it took their operation until just a few years ago to get back to a sound financial position.

In 2017, he said the farm will very likely be back at the same financial position as the early 1990s.

“I’m going to have my farm basically on life support by this time next year,” he said. “We survived this year because of the exceptional yields. We ought to be looking at replacing equipment but we are just trying to survive and see if we have enough money to pay the bills.”

Tightening their belts
If it isn’t one issue, it is another, said Geoff.

For the past eight years, he and Jenny have been working hard to keep their farm going. They didn’t inherit land or equipment – making them a minority among most Kansas farmers. Geoff came from England to work for a local custom cutter. He fell in love with the Kansas landscape and farming. He married Jenny in 2004 and by 2008, they found land to farm.

They expanded in 2013 when they bought out a retiring farm couple – purchasing their machinery, home and taking over the management of their land.

The road hasn’t been easy, Geoff said.

Amid the busyness of fall harvest, his cell phone rang as he headed to the local cooperative with a load of soybeans. On the other end is Jenny, relaying that the 30-year-old combine broke down. They could use newer equipment, but the expense of a half-million-dollar



Sandra J. Milbur/The Hutchinson News

Geoff Burgess fills his drill with seed wheat near his home south of Sterling on Oct. 25.

combine or tractor isn’t in the budget, said Geoff. “When we started in 2008 – it was paycheck to paycheck driving a borrowed pickup,” said Geoff as he headed back to the soybean field with parts. “It’s still paycheck to paycheck, but we have our own pickup.”

Every little bit helps, said Geoff. He has a business repairing farm equipment – which keeps him busy through the winter. He hopes to see an increase in work with farmers doing more repairs to machines rather than trading them in. Jenny writes about farm life for several farm publications like AgDaily and Pink Tractor Magazine.

Government programs like crop insurance and conservation programs provide a safety net, said Geoff.

“We are getting \$28 an acre from the government to do” best management practices, he said. “In a year like this, it helps a lot.”

They always had a strict budget, but amid the leaner times, it is now tighter than before. On the farm, they’ve returned to conventional tillage to cut back on expensive herbicides. And they continue to repair machinery, including the combine.

“We are cash poor all the time trying to ride it out,” said Geoff. “But some of these

newer farmers who have new everything ... a whole yard of brand new equipment that they are trying to make payments on with these kind of prices. That would scare me.”

In the home, they’ve tightened their belt, too, including for Christmas, said Jenny.

“There won’t be a lot underneath the tree,” said Jenny, but added they also do handmade items at Christmas.

“Handmade things are more sentimental than a brand new toy. I think this year a lot of things will be more sentimental because it came from a time of scrapping by.”

“Every dollar they spend matters”

The Rural Mainstreet Index created by Creighton University, based on monthly surveys of lenders across 10 Midwestern states including Kansas, dropped in October to the lowest since April 2009. The banks expect about 22 percent of farmers to suffer negative cash flows in 2016, and some lenders said farm foreclosures will be an increasing challenge.

David Klaassen, a Marquette attorney who specializes in bankruptcies, said he has seen a steady influx of reorganizations, including farmers filing chapter 11 because their debt load of specialized equipment and inputs has increased above the threshold for more favorable Chapter 12 filings.

It is not just that prices are low, said Kansas State University agricultural economist Mykel Taylor, who, along with other extension economists are preparing to do a road tour to discuss the farm economy.

“We’ve had commodity prices this low, but the difference in cost of production really went up when commodity prices went up. We could afford to pay for land, buy more machinery, we could afford to spray more or fertilize more,” she said.

Those inputs haven’t necessarily come down much, said Taylor.

“We are coming off a record number of years of being very high – so it is a very dramatic shift,” she said, adding farmers can’t do anything about commodity prices.

But they can focus on their cost of production.

“Every dollar they spend right now matters,” she said. “It is not an impossible situation to get out of, but it will take careful planning and intensive management to make sure they can make it with these lower commodity prices. ... The survival approach is ‘How can I bring the cost of production down

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FYI

- In May, the Kansas Farm Management Service reported that net farm income in 2015 hit a 30-year low – reaching a level not seen since the 1980s

- farm crisis.
- Farm income is down 42 percent from a record in 2013, government data show.
- Kansas attorneys

- reporting influx of farm bankruptcies, including chapter 11 organizations.
- Depressed prices could last a couple years.

– From staff reports

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