

Agricultural Financial Conditions 2009

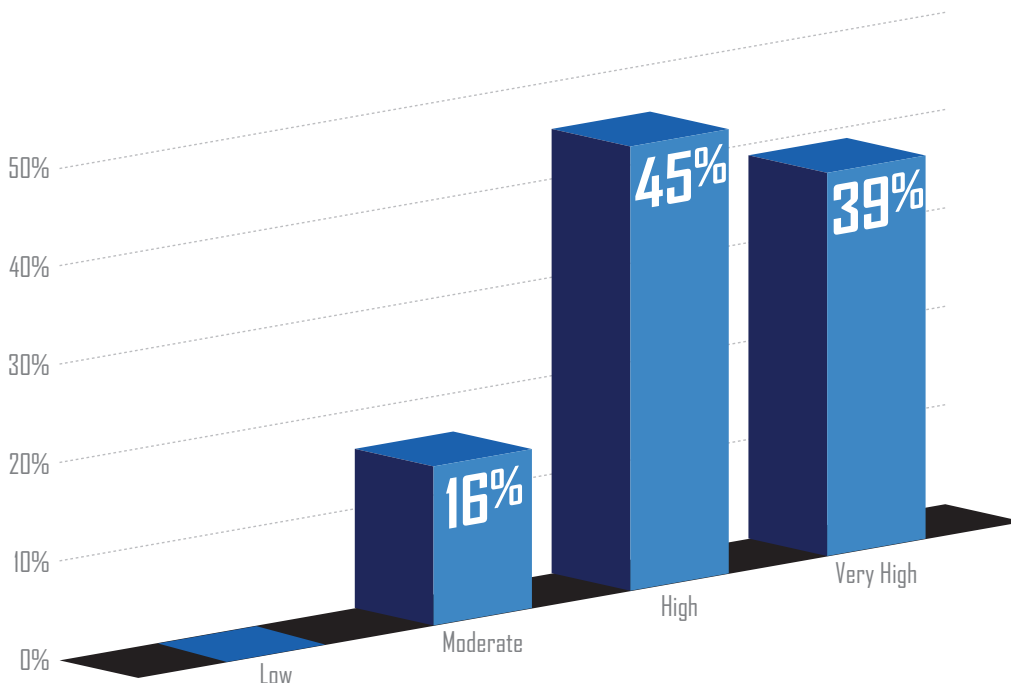
Distribution of Survey Respondents	
Ag lenders	21.1 %
Educators	42.8 %
Crop insurance	7.3 %
Consultants	6.3 %
Other	22.5 %
<ul style="list-style-type: none">· Elevators· Cooperatives· Marketing brokers· Non-Profits	

Over 2,300 agricultural professionals responded, representing a broad cross-section of agriculture from all 50 states.

Volatility and risk dominated agriculture in 2008, but what does this mean for the agricultural economy in 2009 and beyond?

In an effort to better understand what is happening in the agricultural economy, a survey was conducted in January 2009 by the Extension Risk Management Education Regional Centers and the Center for Farm Financial Management at the University of Minnesota, funded through the USDA CSREES Risk Management Education Program.

The following charts describe the perspective of respondents on the current and future farm financial situation.



Probability of Financial Stress

Eighty-four percent of agricultural professionals surveyed expect the probability that producers will experience financial stress in the next three years is high or very high.

Chart 1.
Probability that Agricultural Producers will Experience Financial Stress in the Next Three Years

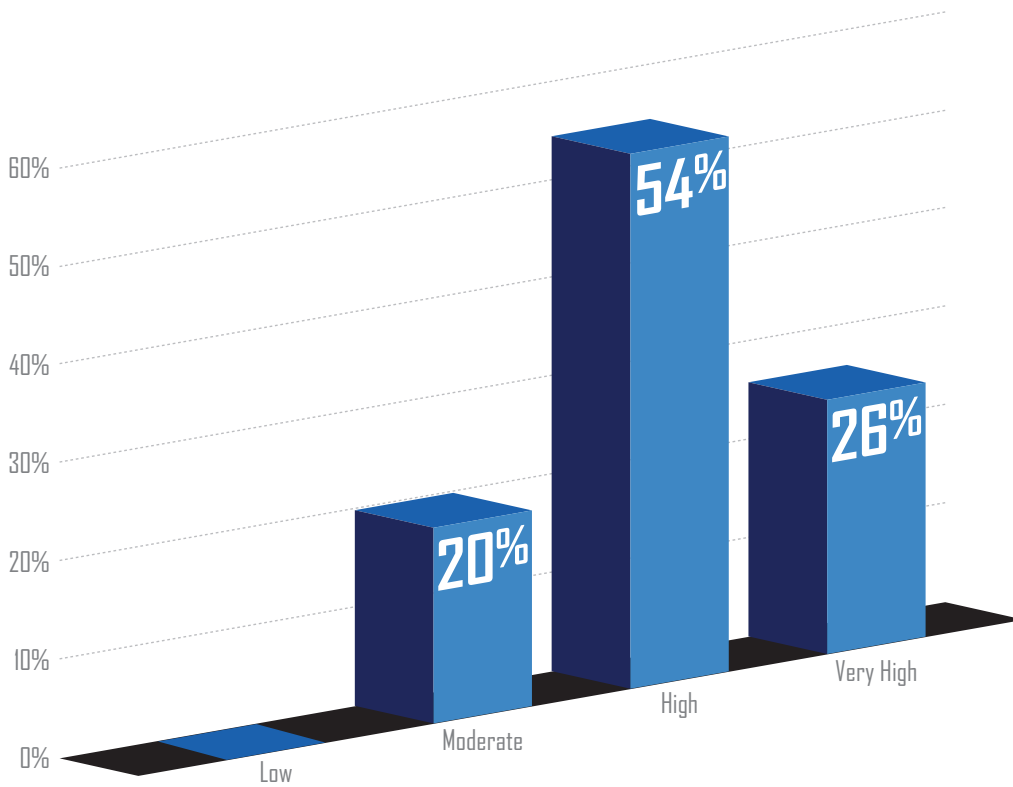


Chart 2.
Ag Lender Perspective - Probability that Agricultural Producers will Experience Financial Stress in the Next Three Years

If we look at just lender responses, the view is not quite as negative. Twenty-six percent of lenders think the probability is very high that producers will experience financial stress in the next three years versus 39 percent of all respondents. Eighty percent of lenders expect the probability is high or very high.

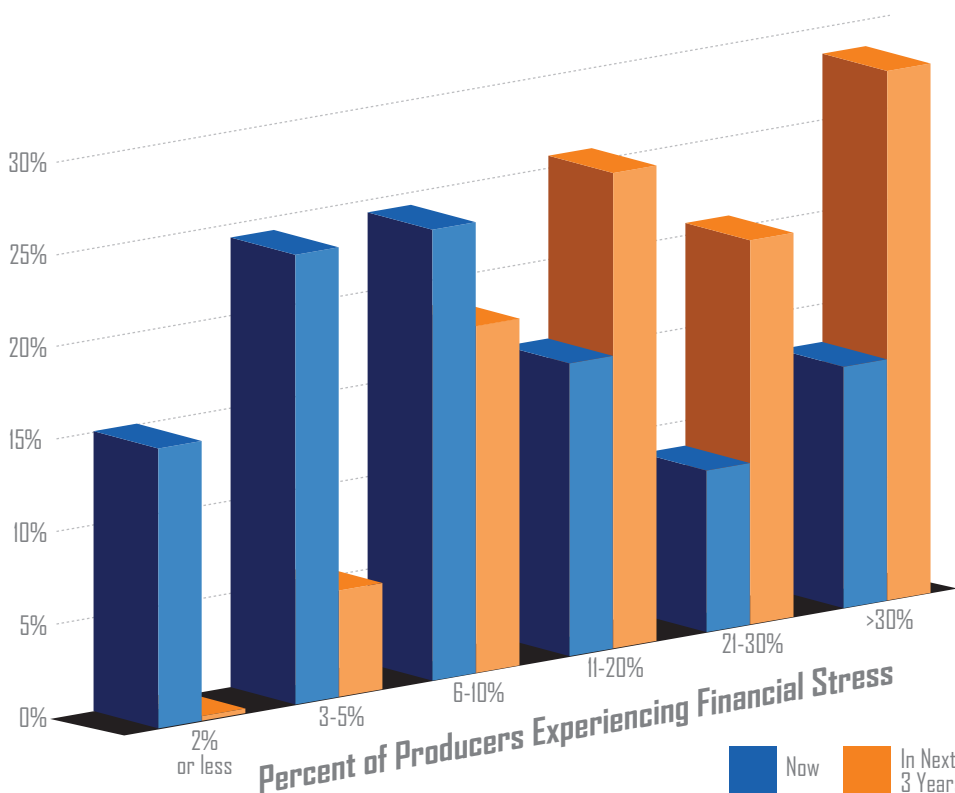


Chart 3.
How Many Producers are Experiencing Financial Stress Now or Will Within the Next 3 Years

How Many Producers are Experiencing Financial Stress?

To provide more specific information, respondents were further asked to describe how many of the producers with whom they work are experiencing financial stress now and how many they expect will experience financial stress in the next three years.

Currently, 63 percent of respondents stated that 10 percent or less of the producers they work with are experiencing financial stress, with 15 percent indicating that less than 2 percent of the producers they work with are currently experiencing financial stress.

In the next three years, however, more than 28 percent of respondents expect at least 30 percent of their agricultural clients will experience financial stress. Seventy-five percent of respondents expect 11 percent or more producers will experience financial stress in the next three years.

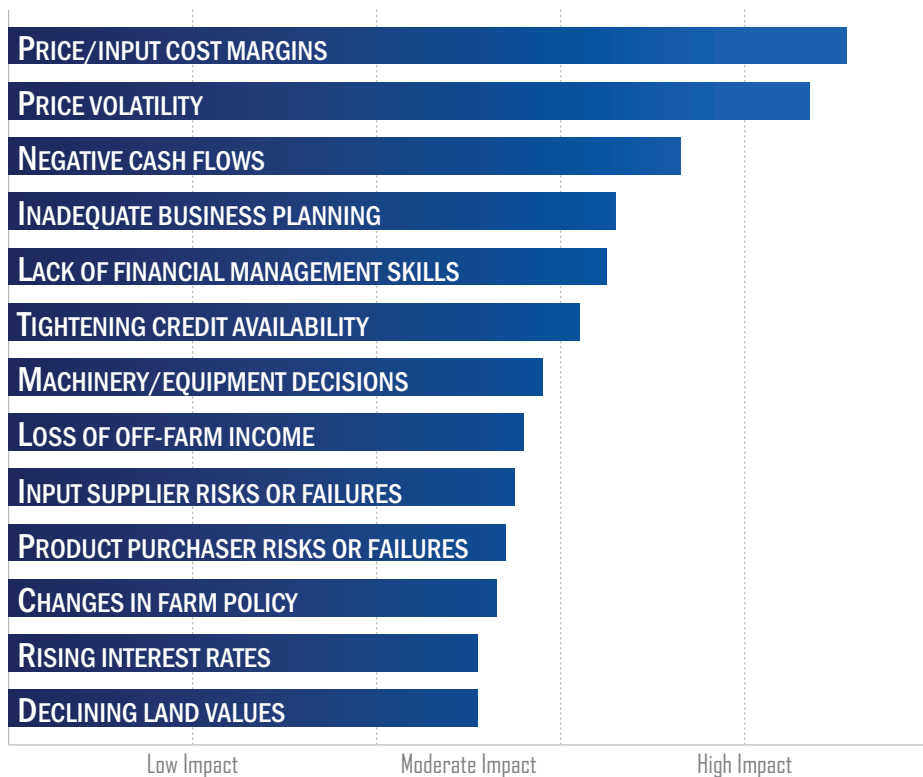


Chart 4.
Factors Contributing to Farm Financial Stress

Factors Contributing to Farm Financial Stress

Respondents were asked to identify the impact various factors are having on farm and ranch financial stress. The major factors are the price/input cost margins, price volatility, and negative cash flows. Inadequate business planning and lack of financial skills are also important factors.

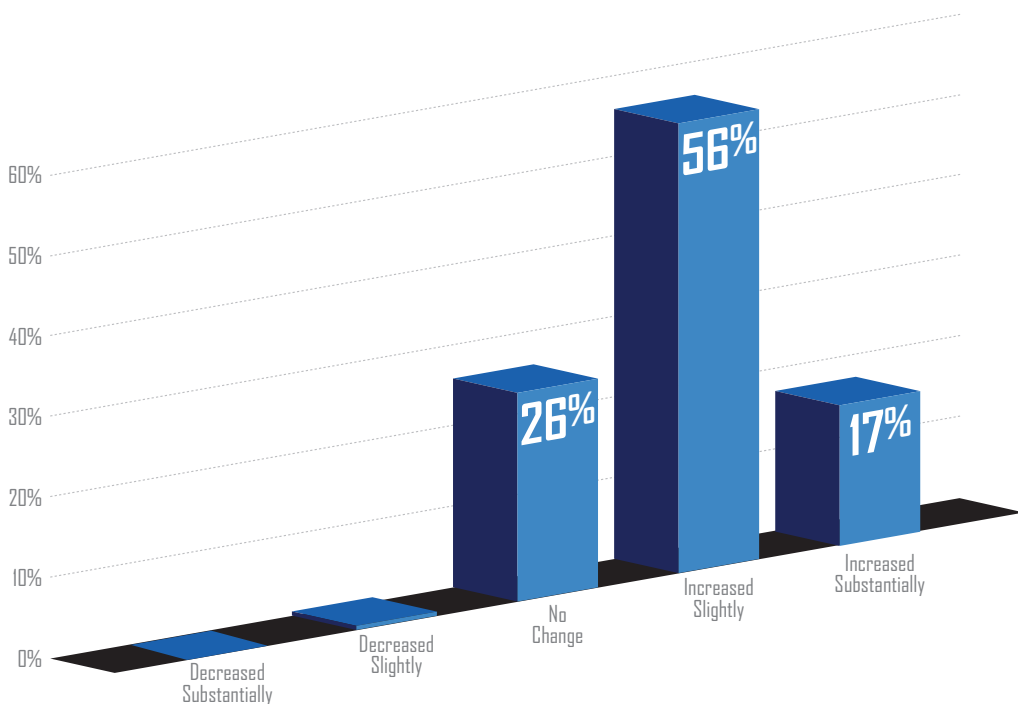


Chart 5.
Changes in the Documentation Required of Producers Requesting Financing from Lenders in Recent Months

Changes in the Documentation

Loan documentation for producers has increased somewhat during the past few months, but for some producers it has not changed at all.

How Well are Producers Equipped?

Only 8 percent of producers are well equipped in terms of financial management skills to manage their businesses through a period of financial stress. The encouraging response is that nearly three quarters of producers are moderately well equipped and with some assistance could do a good job of managing financial stress.

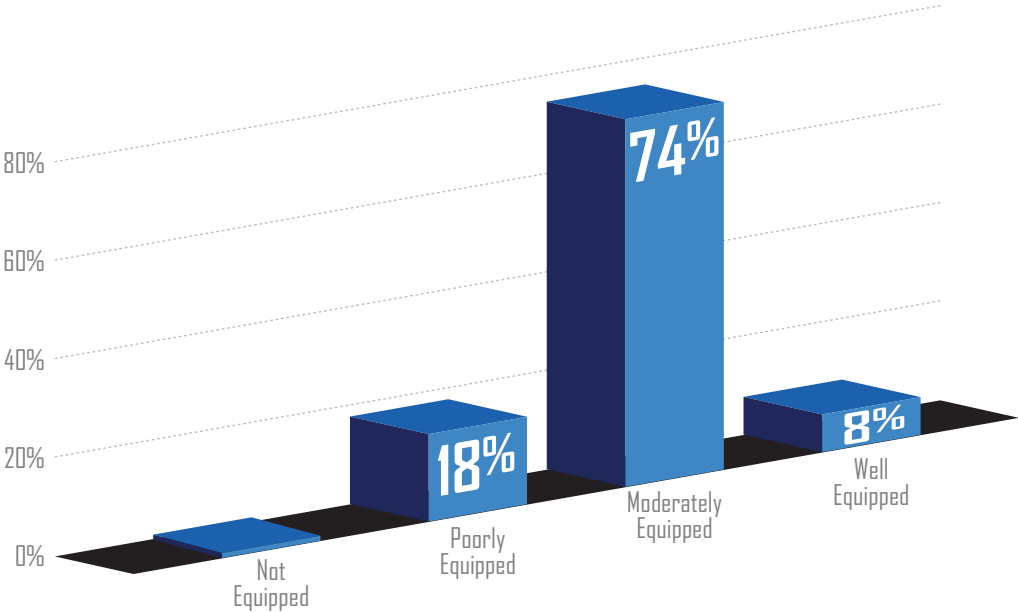


Chart 6.
How Well Are Producers Equipped in Terms of Financial Management Skills to Manage Their Business Through a Period of Financial Stress

Survey conducted by:

The Center for Farm Financial Management
 University of Minnesota Extension
www.cffm.umn.edu



North Central Risk Management Education Center
 University of Nebraska-Lincoln Extension
www.ncrme.org



The Northeast Center for Risk Management Education
 Delaware Cooperative Extension
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Southern Region Risk Management Education Center
 Texas AgriLife Extension Service
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