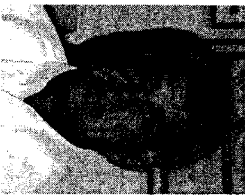


# Farmer's face huge losses in 2009

BY DON STALLINGS  
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As I write this article (Thursday, October 27) there has been light rain all night and the radar is lit up like a Christmas tree west of us. Heavy rain is in the forecast for Thursday and Friday and it will be at least until Monday at best before any harvesting activities can resume. There have been only thirteen days of "harvestable weather" in the 60 day period between August 15 and October 15. This is normally when we harvest 90-95 percent of the crops in the Mississippi Delta. This has been a roller coaster ride for farmers with early rains that prohibited planting followed by droughty weather followed by continual rains in August and September. As late as early September it appeared we would harvest a bumper crop, but the unremitting rains have taken their toll and many farmers will be faced with record losses in 2009.

Looking back at our cost projections,

the direct costs of cotton production should be around \$600 per acre and when you add \$135 per acre equipment costs and \$125 land rent you are looking at a total outlay of around \$860 an acre. Considering probably 90 percent of the cotton crop is still in the field it would not surprise me to see 500 pound yields. Assume 500 pounds of cotton with the farmer receiving 52 cents per pound after adjustments for grade and you are looking at \$260 per acre gross income. Add \$35 per acre government payment and \$5 per acre rebates to the \$260 gross income from cotton and the farmer will have \$300 per acre gross income before expenses. When you subtract the \$860 per acre in expenses from the \$300 per acre income, the farmer will have lost \$560 per acre on every acre of cotton he planted. Assuming he planted 1,000 acres of cotton, he will have lost \$560,000. Assuming he planted 4,000 acres of cotton he will have lost \$2,240,000. Now that is real money in anyone's book. It will take years to dig back out of that hole.

Some soybean fields are coming in with 90 percent damage; not worth the costs of cutting the beans. And in addi-

tion, it will take a lot of money to get the ruts out of the fields before next spring. It would make sense if the insurance companies would let the adjustors estimate the damage and not make the farmers harvest the few soybeans left, but it is my understanding they are making everyone cut whatever is out there. Our early year estimates put direct production costs on irrigated soybeans in the \$280 per acre range with \$70 per acre equipment costs and \$125 per acre land costs for total costs of \$475 per acre. From this you can see if they didn't harvest an acre they would still come out better than planting cotton and harvesting 500 pounds. Another lesson learned on risk management.

Just a guess, but I would estimate only around 1-2 percent got planted early and harvested their crop before the rains set in. For them, it has been a good year, but for the majority of the other 98 percent it is going to be a disaster.

Not many farmers took out comprehensive crop insurance because of their yield histories, but those that had good yield histories and took out the comprehensive crop insurance, they will survive to farm another year. Surprisingly a lot of

farmers did not take out the catastrophic coverage and may not even qualify for any disaster aid that may be forthcoming.

The first order of business will be to finish the harvest and get the books written up to see how bad the loss will end up being. Then hope you have a seasoned banker that doesn't panic under pressure. With ag credit harder to come by this year, you can safely assume many farmers will have a hard time surviving this year. Hopefully, Congress will come out with some kind of disaster assistance that will allow everyone to continue to farm.

If you would like a free copy of our crop planning software, give me a call at (662) 887-4557 or e-mail me at [dstallings@bairdandstallings.com](mailto:dstallings@bairdandstallings.com). Prepare your plan, stick to your plan, and make money in 2010. **DBJ**

*(Don Stallings is a shareholder in the Inuit-Anola, Ms. accounting firm, Baird & Stallings, CPAs, P.A. He is a certified public accountant, a certified valuation analyst, and a certified forensic financial analyst.)*

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