

Financial impact of 2006 drought substantial to Mississippi farmers

BY DON STALLINGS, CPA, CMA, CFFA

DBJ Contributing Writer

After the hurricane in 2005 most farmers thought they had seen their toughest year, but for most 2006 is going to surpass 2005 as a loss year. High fuel and fertilizer prices combined with a sustained drought will add up to major losses for most producers this year.



Early variety soybeans planted the last week in March and first week in April appear to have sustained the

least drought damage since these crops had already begun to mature prior to the worst of the drought weather in July and August. But early variety soybeans delayed for any reason and planted in late April and early May have not fared as well. Most of the dry land soybeans were a total bust. Irrigated Group V soybeans should do better, however, I don't think we will see any record yields.

The drought may not have had as large an impact on corn as in soybeans, but nevertheless, corn yield will be down overall because of the drought.

In the north Washington county-south Bolivar county area a lot of the rice acres were either wiped out totally or severely damaged by glyphosate drift. Those rice acres

that did not sustain chemical damage have had good yields for the most part.

Rice sales and prices have sustained a negative impact after genetically engineered material was found in Arkansas rice supplies. We will know more about the net income on rice once all the crop has been harvested and marketed.

Non-irrigated cotton will be a big loser this year and while we are hearing of some good yields in irrigated cotton, the fuel prices associated with irrigation will eat up most if not all of the profit.

As the harvest winds down, farmers should focus on getting their books up to date and start planning on how to cash flow equipment payments and land preparation for the

2007 crop.

The bankers know it is going to be a bad year and they just want to know that the producer has a plan before they will think about financing the 2007 crop.

A combination of refinancing land and/or equipment, sale of land and/or equipment, sale of non-farm assets, crop insurance, and government assistance will be needed to keep most people in business this year. The earlier you devise a plan and discuss it with your lender the better off you will be. **DBJ**

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