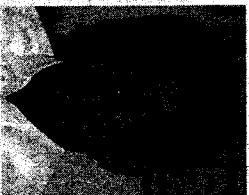


# Farm situation very volatile

**BY DON STALLINGS, CPA, CVA, CFFA**  
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Since August we have been running numerous crop planning projections for clients. Until just recently, it was possible to lock in good profits on most grains. But as is usually the case, most farmers passed up the opportunity waiting for higher prices. At an agricultural marketing seminar this week the speaker pointed out that only 7 percent of the time do farmers beat the guys at the Chicago Board of Trade and I can certainly believe that.

Some years back Farmers Grain Terminal in Greenville shared with us price histories. Our reason for reviewing them was to

determine how often marketing opportunities presented themselves and the duration of those marketing opportunities. What we learned was that at least once a year farmers would have the opportunity to book crops at a profit, but the window of opportunity rarely stayed open for more than a week or two and sometimes only a couple of days.

What we walked away from that study realizing was that farmers need to get a clear picture early in the year of their costs and what kind of a profit they need to stay in business and make a reasonable return on their investment. Failure to prepare a projection and get this clear picture of their situation is the number one cause of indecision which leads to missed booking opportunities and losses.

With current market prices we are looking at small profits or losses depending on individual situations. If a farmer has a high

enough yield history some insurance scenarios still look good, particularly when used to lock in a floor on prices. By the time you read this article the deadline to lock in any crop insurance will have passed.

If commodity prices continue to fall there is no doubt there will be a lot of money lost in farming this year. The debate at this point seems to be whether to lock in a price now, even at a loss, to avoid a bigger loss should prices continue to decline.

There appears to be more interest in planting cotton this year, but when you dig into why people are considering it, you realize they are counting on substantially less inputs than the Mississippi State budgets with the thought that planting behind a couple of years corn crops will provide those input savings. It is an interesting concept, but I suggest you strongly consider your tolerance to losses should you select that option. Yield is so important to a profit.

Another reason is that they do not want to lose their labor force and destroy the infrastructure of cotton. That is certainly something to consider, but you have to have a pretty good war chest saved back to survive that one. Ownership of cotton pickers and other cotton equipment is also a concern, but if that is your only concern you are better off parking the pickers and planting grain.

If you would like a free copy of our crop planning software, give me a call at (662) 887-4567 or e-mail me at [dstallings@bandstallings.com](mailto:dstallings@bandstallings.com). Prepare your plan, stick to your plan, and make money in 2009. **DBJ**

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