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YOUR CHANCE TO EVALUTE THIS COLUMN

Planning for the future, I need to get some idea of the value of my news column to the readers. Please take time to submit an evaluation in one of two ways. 1. Call my office 402-223-1384 and ask for an evaluation and stamped return envelope to be mailed to you. 2. Go on-line to the website gage.unl.edu and click on the red Qualtrics survey in the center of the page, it takes less than 5 minutes. Thank You Forward

MANAGING IN THESE ECONOMIC TIMES

I was privileged to attend an economic update session in Omaha this past Friday and Saturday. Speakers from the Agricultural Economic Departments at the University of Nebraska-Lincoln and Iowa State University combined with some private industry and Federal Reserve Bank System speakers shared the optimism, opportunity, and challenges of our current situation and economic outlook. As always, we do not know enough to predict the future with any certainty and the expected rarely happens in the form we planned. There are still general trends which we should be aware of and structure our business to be flexible enough to survive when times get tougher.

I want to share ideas in two areas from presentations by Michael Boehlje, Purdue University and Nathan Kauffman, Omaha Branch of Federal Reserve Bank of Kansas City.

Vulnerability of Current Prosperity – The USDA reports and reports gathered by the Federal Reserve from Ag lenders show very strong balance sheets and very manageable debt. Production agriculture is vulnerable in the future to weak cash or working capital. Both speakers pointed to the danger that the strong numbers most certainly include some operations carrying enough non-reported debt to equipment companies and suppliers which would be in immediate trouble in the future. The structure of debt load is a risk if terms of debt are not managed; again running out of cash is a common production Ag issue. We have a land market funding purchases well above earning potentials. These may not be bad investments in some situations however they do increase risk factors if land prices would adjust. The compression of margins coupled with the uncertain interest rate situation in the future looms on the horizon. The Federal Reserve just hinted of a potential of slowing bond purchases and basis points went up 100 points. Refer back to the last paragraph if you think I know what this means.

Managing in This Environment – Make wise purchases of crop insurance coverage, this helps protect cash position and also protects a marketing plan which can safely lock in margins on 30-40% of future crops if available. Make sure debt is structured in a manageable way for your situation. Don't hide debt structure from your accountant, lender, partners, or yourself. Paying down some debt may help in aligning debt structure. Don't be afraid of holding cash reserves. There is always lag time in adjusting land rent, input purchases, and family expenses to narrower margins. We need to seek out opportunities for investments in operational performance, but these need to be conservative. The bottom line of profit for every business is the production of a bushel of corn or a pound of pork. We need produce as many as we can for the land, equipment, labor and input cost we invest. Looking for opportunities to increase productivity should not go out of style in any economic climate. Neither should the close evaluation of the investment cost and downside risk of those opportunities.

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