



Farmers and ranchers are managing through an interesting and challenging time in agriculture. National projections suggest a near-record farm income for 2025 (U.S. Department of Agriculture, Economic Research Service, available at <https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics>), yet other reports show increasing levels of concern in agriculture as financial conditions weaken (Federal Reserve Bank of Kansas City, available at <https://www.kansascityfed.org/agriculture/ag-credit-survey/farm-financial-conditions-continue-to-deteriorate/>) and farmer sentiment weakens (Purdue University/CME Group Ag Economy Barometer, available at <https://ag.purdue.edu/commercialag/ageconomybarometer/>).

Part of the seeming contradiction in ag conditions can be explained by the economic outlook for crops versus that for livestock. While cattle producers are enjoying record prices at present amid tight supplies and sustained consumer demand, crop producers have generally faced declining prices and tightening margins over the past several years, offset only by ad hoc government assistance. Even if livestock revenue and government assistance help with ag profitability in the short run, farmers and ranchers will have to make effective decisions to manage risk and position their operations for success in the long run.

Agricultural producers face risks across five broad categories, from production and marketing to financial, legal, and human risks. Farmers and ranchers must continually manage risk in their operations to be successful. Helping producers prepare for, adapt to, and overcome these challenges is part of the broad educational mission of the Extension Risk Management Education (ERME) program. The North Central ERME Center is funded through USDA's National Institute of Food and Agriculture to deliver programming and fund educational projects throughout the North Central region. The Center supports educational projects that address topics across the broad areas of agricultural risk to help producers achieve risk management outcomes and improve farm profitability and business success. Identifying issues and needs is an important first step to understanding and addressing agricultural risk and is part of the Center's on-going mission.

Needs Assessment

The Center makes a concerted effort each year to work with and listen to stakeholder groups as part of its needs assessment effort. The center's listening group representing production agriculture, ag professionals, organizations, and institutions met in June to discuss issues currently on the minds of producers and the needs and challenges ahead for producers. A survey of former Advisory Council members of the center familiar with agriculture and with the center's grants program also provided valuable insight. The stakeholders identified numerous issues through the listening session and the survey that provide a valuable perspective of current agricultural conditions and risk management education needs.

The ag economic situation and outlook described above drives the discussion around many of the risks that producers face. Tightening economic conditions make managing both the cost and revenue side of the equation critical. Stakeholders identified a continuing need for crop insurance (including livestock insurance) education in terms of the products and increased support levels provided for federal crop insurance policies. They also noted the need to better understand and analyze crop insurance decisions and delivery, assessing the broad mix of federal and private insurance products as well as the interaction with agents for sales, service, and adjustment processes in the case of losses.

Stakeholders also identified the need for improved marketing and price risk management, recognizing that lower prices and tighter margins increase the negative impact of downside price risk. The discussion also noted the need to make integrated marketing and insurance decisions that recognize the interaction of the various tools and strategies and avoid the potential negative consequences of making isolated decisions.

To implement any successful market or production risk management strategy, producers need a sound financial management strategy as well. Farm recordkeeping, cost-of-production analysis, enterprise analysis, benchmarking, and stress-testing management decisions were all identified as part of a financial management focus to help producers make improved decisions. There are other financial management issues as well, including access to capital and increased costs of borrowing, putting more pressure on farmer-lender relationships and federal farm loan programs.

Financial analysis, recordkeeping, and enterprise analysis are also a fundamental part of exploring new enterprises, markets, or opportunities. Amid tighter margins for commodity production, producers, particularly beginning farmers or ranchers, may look to new economic opportunities such as specialty crop or livestock enterprises, alternative production or marketing channels or contracts, and other opportunities such as energy leases on agricultural land. Analysis and decisions regarding these opportunities encompass a wide range of risks, including financial components, but also production, marketing, and legal risks, particularly in enterprises that move beyond commodity production to direct producer-to-consumer linkages. Regulations or supply chain requirements that impact production systems, technology, or traceability can substantially impact the economics of any alternatives as can the financial impacts of investments made for new enterprises relative to the economic returns of those enterprises.

Human risk was also identified as a key issue. Almost all agricultural producers can identify with the current challenges of finding, recruiting, hiring, training, retention, and managing labor, including the family and communications issues that arise when multiple family members are involved in an organization. Human risk also includes attention to personal health and well-being and to farm transition, issues that don't always receive regular attention, but that could be even more critical to the long-run success and viability of the operation.

Asset management was also mentioned as an educational need. The ag economic outlook suggests more financial pressure on land ownership and lease arrangements, but the management need goes beyond just economic analysis or renegotiation of lease terms. Landlord and tenant communications are a critical part of the equation, not just to stay current on the economics of the operation and the lease, but to keep both parties informed, particularly as landowners become more and more separated from the farm. Part of the land discussion also focused on lease opportunities and land access for producers and enterprises other than traditional large-scale commodity production. Beginning, small-scale, or specialty crop/livestock producers also face land access and management issues and while the needs and the arrangements may be very different, they can be rewarding for both parties.

There are numerous other issues that were raised during the listening sessions and in the survey responses. Technology is a fundamental issue, including data management and the potential use of artificial intelligence (AI) for management decisions. Technology adoption and efficiency are related topics with the need to analyze the efficient scale and scope of a farm or ranch operation. Regulatory issues and policy uncertainty were also mentioned, in part recognizing that the scale of an operation that may be needed to be efficient is also the scale of an operation that faces heightened public attention and regulatory requirements.

The discussion of educational needs for producers extended beyond educational topics to include educational methods. Stakeholders identified the need to build on and extend past successes in terms of materials, curricula, and tools to deliver more impactful education to producers. The discussion also highlighted the need to go beyond traditional educational materials and methods to consider relevant educational approaches such as peer-group learning to expand the experiential component of learning and improve producer outcomes.