

# CORNHUSKER ECONOMICS

UNIVERSITY OF  
**Nebraska**  
Lincoln

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University of Nebraska–Lincoln Extension

Institute of Agriculture & Natural Resources  
Department of Agricultural Economics  
<http://www.agecon.unl.edu/Cornhuskereconomics.html>

## Managing Financial Stress

| Market Report  | Yr<br>Ago | 4 Wks<br>Ago | 10/16/0 |
|--|-----------|--------------|---------|
| <b><u>Livestock and Products,</u></b>  |           |              |         |
| <b><u>Weekly Average</u></b>   |           |              |         |
| Nebraska Slaughter Steers,<br>35-65% Choice, Live Weight.....                                | \$88.82   | \$83.42      | \$82.14 |
| Nebraska Feeder Steers,<br>Med. & Large Frame, 550-600 lb. ....                              | 108.57    | 110.53       | 99.39   |
| Nebraska Feeder Steers,<br>Med. & Large Frame 750-800 lb. ....                               | 105.70    | 99.49        | 97.15   |
| Choice Boxed Beef,<br>600-750 lb. Carcass.....   | 147.45    | 142.04       | 135.29  |
| Western Corn Belt Base Hog Price<br>Carcass, Negotiated.....                                 | 60.69     | 50.92        | 49.61   |
| Feeder Pigs, National Direct<br>50 lbs, FOB.....   | 41.90     | 40.00        | *       |
| Pork Carcass Cutout, 185 lb. Carcass,<br>51-52% Lean.....                                    | 65.99     | 56.91        | 55.35   |
| Slaughter Lambs, Ch. & Pr., Heavy,<br>Wooled, South Dakota, Direct.....                      | 93.25     | 91.25        | 91.50   |
| National Carcass Lamb Cutout,<br>FOB.....  | 265.89    | 247.57       | 244.07  |
| <b><u>Crops,</u></b>   |           |              |         |
| <b><u>Daily Spot Prices</u></b>  |           |              |         |
| Wheat, No. 1, H.W.<br>Imperial, bu.....  | 5.00      | 3.56         | 4.06    |
| Corn, No. 2, Yellow<br>Omaha, bu.....  | 3.93      | 3.02         | 3.54    |
| Soybeans, No. 1, Yellow<br>Omaha, bu.....  | 8.54      | 9.46         | 9.57    |
| Grain Sorghum, No. 2, Yellow<br>Dorchester, cwt.....   | 5.32      | 4.61         | 5.57    |
| Oats, No. 2, Heavy<br>Minneapolis, MN, bu.....   | *         | 2.01         | 2.36    |
| <b><u>Feed</u></b>   |           |              |         |
| Alfalfa, Large Square Bales,<br>Good to Premium, RFV 160-185<br>Northeast Nebraska, ton..... | 190.00    | *            | *       |
| Alfalfa, Large Rounds, Good<br>Platte Valley, ton.....                                       | 77.50     | 82.50        | 82.50   |
| Grass Hay, Large Rounds, Premium<br>Nebraska, ton.....                                       | 85.00     | *            | *       |
| Dried Distillers Grains, 10% Moisture,<br>Nebraska Average.....                              | 146.00    | 85.00        | 112.50  |
| Wet Distillers Grains, 65-70% Moisture,<br>Nebraska Average.....                             | 54.00     | 35.00        | 39.00   |
| <b>*No Market</b>  |           |              |         |

The “Perfect Storm” of high feed prices, increased input costs and low product demand, brought about by the world financial crisis, has created the worst financial situation of a lifetime for many livestock producers. Prices for livestock and dairy products are creating losses that are unsustainable for many producers. The stress this situation has created on producers and their families has caused some to ask if they will be able to continue in the livestock industry or if they want to. Although not all livestock producers are in serious trouble, many are asking “What should I do? Where can I go to get some help?” Systematically addressing a series of questions will help you organize your plan and help to put you in control of the process.

### Where are you now?

- ☞ Look objectively at your financial situation.
  - Evaluate the balance sheets from at least the past three years. Is your business solvent? Do you have adequate collateral for your loans? Do you need to restructure some of your loans? What about accounts payable and credit card debt? What are your trends regarding New Worth, Current Ratio and Debt/Asset Ratio?
  - Evaluate your income and expense records from at least the past three years. Use accrual accounting methods if possible. What does the trend look like? Has the business been profitable? What are your annual interest and principal debt payment obligations? What does it cost you to produce a pound of pork or a cwt. of milk? Were there problems in past years that have led you into the current situation?
  - How much does your family spend on family living each year? Is there any non-farm income to help cover family living?
- ☞ Look objectively at your relationships and circumstances.
  - Are there personal relationships or circumstances that have affected your business such as health, housing, divorce or family issues?



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- Is the business affecting your personal relationships?
  - With your lender?
  - With your spouse?
  - With your family?
- ☞ Do you have any “Urgent” issues that need immediate attention?
  - Deadlines, loan foreclosures, replevin actions, garnishments or judgments?
  - If so, what is your timeline?
    - Who do you want to make the decision?
      - You?
      - The courts?
      - Your creditors?
  - Look objectively at your business.
    - Are your assets “Earning their Keep?” Should some assets be liquidated to pay down debt?
    - Are there changes that need to be made in the business?
    - Prioritize. If something were to be sold, what would be the first item liquidated, the next item, the last item and what items will you never be willing to sell?

### Where do you want to be?

- ☞ Identify what is most important to you. The land, your reputation, your family, other?
- ☞ What are your long-term goals?
  - For your farming business?
  - For you and your family?

### How will you get there?

- ☞ Think of as many alternatives/options as possible. Brainstorm lots of ideas.
  - One option is to do nothing, but what are the consequences of doing nothing and who makes the decisions if you do nothing? Your lenders and creditors? The courts?
  - The other extreme is to totally liquidate the farm business, but would there be tax consequences? Where would you live? How would you make a living?
  - There are countless other alternatives between these two previous extremes. Such as:
    - Tweaking your current operation to improve the performance of the business.
    - A partial liquidation of some assets and renting out the land.
    - Improving the collateral position for your current lender with an FSA guarantee or a co-signature or personal guarantee from another party.
    - Restructuring loans over a longer repayment period therefore reducing the annual debt payment obligations.
    - Refinancing your business with a new lender.
    - Adding some non-farm income to supplement the farm business.

- Renting some farm assets to one of your children, utilizing Nebraska’s Beginning Farmer Tax Credit Program.
- Selling some farm assets to one of your children, utilizing FSA’s low-interest Beginning Farmer Loan Program.
- Restructuring the farm debt within a Chapter 12 bankruptcy.

- ☞ Do a cash flow projection for each option you are seriously considering.
- ☞ Evaluate the alternatives in relation to your long-term goals and the likely consequences associated with each choice. There may not be any great choices or alternatives available to you. The choice that makes the most sense may turn out to be the one that is the least negative of several bad options.
- ☞ Do you need additional information to make an informed decision?
  - Who is responsible for gathering the needed information?
  - By when will the information be gathered?
  - When will the decisions be made?
- ☞ In most cases it is better to keep your lenders informed. Keep the lines of communication open.
- ☞ If you would like to meet one-on-one with an attorney and/or a financial counselor to help you work through this process, call the Nebraska Farm Hotline at (800) 464-0258. The service is free and confidential.

Symptoms of people under high levels of stress can vary from person to person, but being more irritable than usual, having trouble sleeping or wanting to sleep all the time are common symptoms of normal people under stress. Other symptoms include being more emotional, experiencing the inability to stay focused, not knowing what to do or where to start, feelings of helplessness, panic or loss of control, alcohol or substance abuse and over eating. If stress is prolonged, many experience problems with their marriages or their health.

If you recognize areas of concern where you may be seeing signs of stress in yourself or a loved one, don’t hesitate to get help. Begin getting back into control today, don’t put it off. There are qualified, experienced people available to help you work through your situation. You can access several free confidential programs by calling the Nebraska Farm Hotline at (800) 464-0258. Thousands of Nebraska farmers and ranchers have already decided to become proactive and have used these services to help them work through the process.

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