



The ag outlook in 2024 has been clouded by lower prices, higher production costs, and shrinking margins for most commodities. The outlook is reminiscent of the picture a decade ago when producers faced lower prices and tighter financial conditions but could be more difficult with the need to manage financial risks amid higher interest rates at present. While the current outlook might point to the production, market, and financial risks that producer face, the reality is that producers face risks across the spectrum, including legal and human risks as well.

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 the five broad areas of agricultural risk from marketing to production, financial, legal, and human risk to help producers achieve real 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. Recent surveys and listening sessions provide evidence of the issues currently on the minds of producers and the needs and challenges ahead.

Commercial Agricultural Producer Needs Assessment

Input collected from commercial agricultural producers at Extension farm bill education meetings in Nebraska in early 2024 provides one source of needs assessment. From about 500 total participants, 283 evaluations were returned, including responses on two open-ended questions, one asking the most crucial risk management issue for the operation for the coming year and one asking the biggest challenge to the success of the operation over the next 5-10 years. The results of this needs assessment are shown in Tables 1-2 based on text analysis of the responses using standardized wording and frequency counts.

Table 1. Risk Management Issues for the Coming Year

Issues	Risk Area	Frequency of Responses
Marketing	Marketing	31
Prices	Marketing	19
Production Costs	Financial	10
Crop Insurance	Production	8
Weather	Production	7
Profitability	Financial	2
All Other Responses	-	1 each (15)
Total	-	92

With current attention to prices, production costs, and tightening margins, it is not surprising to see marketing and financial risks at the top of the list. The analysis distinguishes between "marketing" and "prices" based on what the respondent answered. In one sense, the two may mean the same thing, namely to need to manage price risk. In another sense however, "marketing" may address the pricing tools and strategies used to manage price risk while "prices" may focus more on the need to manage for (lower) prices. In the one-year short run ahead, it is clear that managing price risk is a high priority. Production risks also show up in terms of managing for weather risk and using crop insurance as a risk management tool.

Looking beyond the next year to the next 5-10 years, the biggest challenges show a greater range of issues and a shift in importance. Production costs become a bigger issue than marketing as producers look to make production and financial decisions for the years ahead and not just manage market risk in

the current year. In the same way, “prices” become more important relative to “marketing” as producers look to adjust to long-run market conditions that can’t be managed away with marketing tools and strategies. Human risk also becomes much more significant in the longer run. While farm transition may almost always seem to be something for down the road, it is easier to recognize that it will need to be addressed in the coming years. Similarly, labor management, whether hired or family, may be something put off in the middle of daily tasks, but it can be critical to the success of the operation over the longer run. Financial concerns over profitability, income, viability, and costs might all describe the generalized challenge and need for financial risk management, but the separate answers help to illustrate how the issues resonate with producers. Interestingly, crop insurance does not appear on the long-run list. That doesn’t necessarily mean that it is not important, but much like marketing, crop insurance may be a critical tool to managing current year risk and not necessarily a specific tool for managing long-run risks.

Table 2. Biggest Challenge to the Success of Your Operation Over the Next 5-10 Years

Challenges	Risk Area	Frequency of Responses
Production Costs	Financial	14
Farm Transition	Human	13
Marketing	Marketing	11
Prices	Marketing	8
Labor	Human	7
Profitability	Financial	4
Equipment Costs	Financial	3
Farm Income	Financial	3
Farm Viability	Financial	3
Land Costs	Financial	3
Health	Human	3
Taxes	Legal	3
Interest Costs	Financial	2
Age	Human	2
Government Regulations	Legal	2
Yields	Production	2
All Other Responses	-	1 each (18)
Total		101

Another source of needs assessment comes from the Purdue University/CME Group Ag Economy Barometer (available at <https://ag.purdue.edu/commercialag/ageconomybarometer/>) of U.S. agricultural producers. The June and July 2024 reports included a multiple-choice question about producers’ biggest concerns for the next year and identified input costs, lower crop and livestock prices, and interest rates as leading concerns. Additional data collected from producers in the monthly surveys showed marketing, financial, and production risks to be the most critical risk management education need for the coming year. The leading risk areas were consistent with the leading topics and were also very similar to the topics raised by Nebraska producers. The Purdue/CME survey effort also collected responses on the biggest challenges over the next 5-10 years. Crop/livestock prices, weather, farm transition, and cost control lead the list over the longer run horizon. Similar to the Nebraska data, prices remain a challenge, but farm transition rises up as an obvious issue over the longer run. The survey respondents identified weather as well, something noted in the short run in Nebraska but not the long run. It may mean that weather and related production risk issues are important, but exactly what the issue is and how to manage it may vary over the time horizon.

Institutional Listening Group Needs Assessment

The Center also makes a concerted effort each year to work with and listen to stakeholder groups as part of its needs assessment effort. A group of stakeholders representing production agriculture, ag professionals, organizations, and institutions met in July and provided further input that may help deepen the understanding and scope of the issues described above by producers. The stakeholders identified numerous issues including a tighter financial outlook ahead that largely encompasses the market and financial risks identified above.

The financial outlook reflects lower commodity prices and high or sticky production costs that are putting pressure on operating margins. As a result, producers are seeing more pressure on financial position and performance, cash flow obligations, borrowing capacity, access to capital, and interest rate risk,

particularly with renewable operating loans and refinancing/balloon payments on long-term debt. In that financial environment, stakeholders identified the need for more financial management education and focus, including accrual vs. cash accounting; financial vs. tax management; basic financial statements, analysis, modeling, and stress-testing, and farm-specific or farm household-specific financial advising.

Another major issue is the broadly-defined area of conservation, stewardship, and resource management. In some cases, producers are trying to determine the production, economic, and policy implications of growing practices like cover crops. In other cases, cover crops and other practices may be part of a potential climate or carbon project that also includes additional economic and legal questions as well, whether as part of a carbon offset market or a carbon-inset program to meet supply chain carbon intensity requirements for products such as some renewable fuels. Wind and solar projects can also provide similar opportunities and challenges for producers and landowners, ranging from lease contracts to production impacts of practices like agrivoltaics.

Policy uncertainty was also a common topic of discussion. Some of the policy risk relates to the climate and energy projects mentioned above and the impact that existing policies or potential changes in policy could have on producer opportunities. The uncertain political environment at the present time also implies policy risk ahead at the federal level related to trade policy, tax policy, and regulatory policy.

Stakeholders also identified several core management issues with some emerging perspectives and challenges. Ag data is high on the list as producers need to continue improving their management and utilization of data for management decisions as well as their understanding of the risks and benefits of data privacy and data sharing. Crop insurance remains a major issue, but beyond the basic analysis of federal crop insurance policies and decisions are the issues of how to identify, work with, and build trust between producers and agents. Key questions relate to the complexity of some newer products (such as Margin Protection) as well as the fundamental role and use of private add-on insurance products. Traditional leasing issues remain on the radar with stakeholders, but communication is increasingly important as the discussion focused on landlord education about current farm profitability as well as broader landlord-tenant relationships and even generational transition issues among both landlords and tenants in many long-term leases. Even the fundamental topic of farm management was discussed. Beyond managing data, inputs, or resources, there is attention to how producers make farm and risk management decisions and how producers learn, with growing interest in peer farmer-to-farmer groups (outside of the local community).

There are some other broad issues as well that involve a mix of economic and policy drivers with risk implications for producers. Labor supply is an on-going challenge, with federal labor regulations a critical part of the issue. Water is also a key issue, both in terms of quantity and quality. Improved irrigation management is particularly important in areas with declining supplies or binding regulations. In other areas, the water quantity issue is one of managing excess water supplies and prevent-plant concerns with drainage and tile management. Water quality issues exist across the region, with growing concerns about nitrogen and nutrient management and the role of incentives or regulations to address public health concerns.

Broad market issues could also impact producers and risk management decisions. The growing role of biofuels and sustainable aviation fuel could provide a substantial opportunity for agriculture, but also could expose ag markets to the increased volatility of energy markets. Concerns about trade also show up in broader market impacts as reduced U.S. dominance of global grain and oilseed trade could bring potential increased volatility to U.S. ag commodity prices. On the livestock side, efforts to grow new meat processing capacity and marketing channels are coming head-to-head with reduced cattle inventories.

A final area of risk that can affect producers across the spectrum is the issue of access. Access to land and access to capital are often mentioned as barriers for producers, particularly with beginning producers or underserved producers. Access to programs may be another challenge, particularly with USDA programs where staff may have less understanding of agriculture and ag programs as well.



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