

SHORT-TERM THINKING & LAND ABUSE



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by Matt Hagny

Grain farming is a tough business right now. Most of us always knew the low grain prices would return, and they have with a vengeance. Inflation-adjusted, wheat prices are the lowest in 400 years. Inflation-adjusted, U.S. corn grain prices are the lowest in many decades (worse than the late '90s and early 2000s). Input prices haven't fallen as quickly, but eventually may get close to what they were 15 yrs ago — but for now, there's a lot of red ink on the budgets.

It's an ugly reality, but not an unfamiliar one. What was truly bizarre was that grain prices stayed so high for so long — throughout most of modern history, grain prices would spike every couple decades. They were classic spikes, meaning that the markets fell relatively quickly from their highs — the high prices usually only lasting a year or so, and sometimes just a couple weeks or months.

So, in some sense, this is just return to normal. It was a great party while it lasted (for the grain farmers; buyers of grain no doubt had a different view). As Alan States, the only farmer to ever foreclose on a bank (and the only one to grace the cover of *Forbes*), points out, "It's really just an extension of Moore's Law [the price of microprocessors falling by 50% about every 18 months]. All undifferentiated commodities will see prices gradually decline over the long term.[1] Farming is no different. We have to get better, faster, cheaper if we're going to survive." [States — a self-made man — continues to farm on very large scale, and you can bet that he has scrutinized everything to the Nth degree to ensure he stays profitable in 2017 and beyond, or that he will at least lose less money than anyone around.]

But the decade of high grain prices had plenty of side-effects, and now the hangover is severe. Too many farmers bought newer and fancier machinery that they really didn't need. Including brand-new \$40,000 pickups to drive around (Having made the mistake of buying too much and pushing myself into insolvency twice in the '90s, I've gotten more disciplined, so I'm still driving my 11-yr-old pickup and 14-yr-old ATV). The price of seed doubled and sometimes tripled (inflation-adjusted, the price of bag of Bt/RR corn seed should be about \$150 now to be on-par with 17 yrs ago). Fertilizer prices surged (this may turn out well, since more manufacturing plants came on-line, which will put downward pressure on fertilizer prices for awhile, until they get shuttered). Land rents also increased faster than can be explained by inflation, and will need to return to something resembling the early 2000s to be sustainable. Etc.

Abusing Things (Crisis Mode)

All this has a lot of farmers on the ropes, and I see and hear some short-sighted practices being implemented. (The absolute worst I've heard is contemplating suicide — this sounds horrendous, and I hope these people find their way back to mental health, and presumably a new occupation — there's no harm in admitting defeat; there are simply going to be fewer farms with each passing year, no different than what has been going on for millennia; maybe you just had bad luck, don't take it personally.)

For those of you who are still on a somewhat even keel, but stressed & distressed, here are some things to think about. First, the financial survival of your farm is important (but not as important as your physical and mental health, and your relationships to others), but let's not permanently damage the land trying to stay afloat.

What I'm talking about are things that dramatically increase soil erosion: For instance, **growing soybeans consecutive years** (especially without cover-crop rye between them). The erosion is about enough to make me puke. And yield potential declines every year due to diseases (as well as drought susceptibility from lack of mulch), while weeds get worse. Broadleaf plants do not capture enough carbon to stabilize soil OM, which will decline if you do broadleaf crops too frequently. So broadleaf crops are doubly bad for your soil (but are useful as a rotational break so the grass crops grow more vigorously).

Grazing cattle on upland non-irrigated cropland in southerly regions (Kansas & southern Nebraska soils cannot handle this, unlike North Dakota). There's really no mulch cover to spare, except maybe sudan after wheat harvest, and then you still need to be careful. *If you really want to do cattle on upland in this region, plant the fields back to perennials (seriously — a few years of perennials can do wondrous things to improve those soils; they may then be rotated back to annual grain crops, and the cattle follow the perennials as they rotate to your other fields).*

Taking forage such as silage or hay off of cropland is equally abusive. Alan States mentions that he has some land that didn't get planted to wheat last fall because it was too dry. It will go to oats this spring. A neighbor asked, if the oats don't make, will he bale it? Alan's reply, "Absolutely not. I need the residue."

A few people are quitting no-till after many years, and going back to tillage. This is the most severe form of soil abuse (well, I guess removing all the mulch cover *and* doing tillage would be worse yet). In most cases, it isn't going to help at all with the finances (you'll be forced to go back to old rotations that are more conservative, and will be more susceptible to drought, and won't have solved your resistant weed problems in-crop). In some cases what has caused the issue is a long-fallow (summerfallow) that requires too many herbicide passes to keep it under control, especially after kochia and Palmer pigweeds became glyphosate-resistant. What really needs to happen is to get rid of the long fallow, and substitute either a low-water-use grain crop, or a cover crop.

Before you decide to double-down and ride it out with abusive practices, consider that your equity might be better preserved by getting out now, and renting your land to another no-tiller in the community — they might be willing to pay extra for land that is in good condition. And suppose you engage in abusive practices and still can't make it financially? Do you really want your career to end that way, with knowing you abused the land willfully, causing erosion and permanently degrading it?

Choices

You may argue that your 'little bit' of soil abuse is far less than what a subsequent operator might do on your land if you were to let it go. In some cases, this may well be true. In other cases, it's perhaps not. Either way, consider carefully whether you want to degrade your cropland permanently. You are killing the goose that lays the golden eggs.

If things are truly grim, consider going on to another career rather than engaging in more abuse. States notes, "Throughout life, you can't get overly fixated on any one thing — this particular girl, that particular college, or some particular job. It's not that simple. But life goes on."

States says, "If someone is that financially stressed that they're considering these abusive practices, maybe it's time for a career change." Often, this ultimately results in far greater life satisfaction, better quality of life, and so on — once the person gets through the initial emotions. In his conversations with distressed farmers, States likes to emphasize, "One way or another, YOU WILL GET THROUGH THIS."

[1] In countries with reasonably free markets.