

Talking Points

Drought!

- Current drought conditions
 - USDA measures on a five category system (abnormally dry to exceptional drought)
 - 8th district almost entirely in some level of drought
 - Most of Arkansas, bootheel of Missouri are classified as being in severe drought conditions
- Drought outlook through September
 - Expected to worsen
 - Corn and soybean producers, cattle ranchers will really feel the impact
- Declared drought disaster areas
 - An area that is in a severe drought for 8 consecutive weeks during the growing season is declared a disaster area by the USDA
 - More areas will be declared as disaster areas in the coming weeks ahead
 - Lack of rain fall and sub soil moisture, together with the heat have compounded the situation
 - How will the drought break? Sustained ample rain fall is needed for a period of time
- Rising crop prices
 - The year started out optimistic, high yield for corn was expected as late as June
 - Just over \$5 per bushel and 166 bushels per acre
 - Now \$7 -\$8 a bushel and 146 bushels per acre are expected, a loss of almost 2 billion bushels
 - Only 40% of corn crop is considered in good or excellent condition
- Temporary falling livestock prices
 - Feed costs increasing, corn and soybean are inputs for livestock producers
 - Pasture land is not a viable option for farmers to grow their own feed
 - Glut of cattle is being sold, temporarily depressing prices
- Impact of agriculture banks
 - Minimal
 - Most agriculture banks should have high cash reserves and have had many years of good conditions and record levels of earning
 - Affects on farmers and banks will be more pronounced if this lasts for multiple years
 - Banks should be identifying those farm operators who are most at risk
 - Ancillary businesses, implement dealers and farm suppliers will be affected
 - There will be less discretionary income in the farm sector and for those who support the farm sector
 - Ag banks have been better performing over the past couple of years and are expected to weather the affects from the drought, not a disaster for banks at this point