

What I Learned at the Ag Summit

The annual Ag Summit put on by DTN/The Progressive Farmer is many things to many people: a knowledge-acquiring event, a networking opportunity, a springboard for some shopping on Chicago's Michigan Avenue. For me, it's a chance to gauge the mood of some of the country's savviest farmers and ranchers.

These are tough times in agriculture, so I was not expecting the just-ended ninth Ag Summit to be a cheerful affair. It wasn't. But to my pleasant surprise, it wasn't dreadfully downbeat, either. What both the presenters and the audience seemed to be saying was, "How do we make the best of this mess?"

No one questioned it's a mess. No one held out false hope. DTN Ag Meteorologist Bryce Anderson said the weather outlook is for more big crops. DTN Senior Analyst Darin Newsom said the market outlook is for continued low crop prices. Co-Bank's President Mary McBride said the dollar may not rise much more, but it will continue strong as far into the future as anyone can foresee.

An optimist, by one definition, is someone who believes the old saying that what does not kill you will make you stronger. In that sense, many of those attending this event were optimists. They're looking for new opportunities even as they're battening down the hatches.

I got that feeling from coffee-break and reception conversations. I especially got it from one of the most interesting of the many interesting sessions at the Summit, a panel of producers from Iowa, Nebraska, North Dakota and Texas comparing notes on how to survive the current contraction.

Not surprisingly, perhaps, expansion is on the back burner, cost control on the front. Shiny new combines are out. Less profitable land is going into CRP or being sold. One panelist is asking landlords and input suppliers for 20% price cuts.

But these resourceful farmers are also looking to upgrade, if not expand, their operations. They're exploring new lines of business. They're thinking of diversifying, or in some cases re-diversifying. They're keeping capital on hand for when land prices to come down. They didn't mention Warren Buffet by name, but they seem to share his view that crises are the places to look for opportunities.

Those are some of the big themes the Ag Summit put me in touch with. Themes aside, I also learned a lot of little things at the Summit. Here are some of those factoids, tidbits of information that made me think, "Hmm. I didn't know that."

--Co-Bank's Mary McBride explained how "negative interest rates," like those the European Central Bank has put in effect, can still be money-makers for sophisticated market players. Through astute use of foreign-exchange markets, they compensate for loss of principal with currency appreciation.

--Jim Block, chief meteorologist at DTN's parent company Schneider Electric, said weather forecasts have been doubling in accuracy every 15 years, thanks to more powerful computers, and are likely to continue to do so.

--CliftonLarsonAllen principal Paul Neiffer performed a magic trick, describing how land trapped in a C corporation can be liberated tax free by converting to an S corporation and doing a few other things. Lots of legal technicalities here; don't try this at home without professional help.

--Darin Newsom pointed out that producers of at least four commodities—corn, cotton, crude oil and cattle are defying the laws of economics. As prices of their commodities plummet, they're increasing their output. Reminds me of the old joke about the merchant who said, "I lose money on every item I sell but I make it up in volume."

--South Dakota producer and commodity analyst Tregg Cronin showed, by running through several scenarios in detail, that after taking into account drying and other costs, there are times when the cheapest way to store grain is not on farm or at the elevator but "on paper," by selling the crop and re-owning it through calls.

If you attended the Ag Summit, you probably have takeaway themes and factoids of your own. If you didn't—well, there's always next year.