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Research Report

Economic outlook for representative cotton farms given the August 2007 FAPRI/AFPC baseline

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Economic Outlook for Representative Cotton Farms Given the August 2007 FAPRI/AFPC Baseline

AFPC Briefing Paper 07-11

September 2007

Agricultural and Food Policy Center The Texas A&M University System



AFPC

Teaching Research Extension

**ECONOMIC OUTLOOK FOR REPRESENTATIVE
COTTON FARMS GIVEN THE AUGUST 2007
FAPRI/AFPC BASELINE**

AFPC Briefing Paper 07-11

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Executive Summary

The Agricultural and Food Policy Center (AFPC) at Texas A&M University develops and maintains data to simulate twenty representative cotton operations in major production areas of eight states. The chief purpose of this analysis is to project those farms' economic viability for 2007 through 2012. The data necessary to simulate the economic activity of these operations is developed through ongoing cooperation with panels of agricultural producers in each of these states. The Food and Agricultural Policy Research Institute (FAPRI) provided projected prices, policy variables, and input inflation rates in their August 2007 Baseline.

Under the August 2007 Baseline, the Texas Panhandle cotton farm (TXPC2500), the Texas Eastern Caprock cotton farm (TXEC5000), the Texas Lower Rio Grande Valley cotton farm (TXVC4500), the moderately sized Tennessee cotton farm (TNC1900), the Georgia cotton farm (GAC2300), and the North Carolina cotton farm (NCC1500) are classified in good liquidity condition (less than a 25 percent chance of negative ending cash in 2012). The Texas Rolling Plains cotton farm (TXRP2500), the Texas Middle Coastal Bend cotton farm (TXMC1800), the California cotton farm (CAC4000), the Louisiana cotton farm (LAC2640), and the Alabama cotton farm (ALC3000) have between a 25 percent and a 50 percent likelihood of negative ending cash. The remaining nine cotton farms (TXNP3000, TXNP7000, TXSP2239, TXSP3745, TXCB2250, TXCB5500, ARC6000, ARNC5000, and TNC4050) have greater than a 50 percent chance of negative ending cash.

Farms are also classified based on their respective equity conditions. Six farms (TXPC2500, TXVC4500, CAC4000, TNC1900, GAC2300, and NCC1500) in the representative set are considered in good equity position (less than a 25 percent chance of decreasing real net worth during 2007-2012). Seven representative cotton farms (TXNP7000, TXEC5000, TXRP2500, TXMC1800, TXCB2250, LAC2640, and ALC3000) have between a 25 percent and 50 percent likelihood of losing real net worth, and the remaining seven representative cotton farms (TXNP3000, TXSP2239, TXSP3745, TXCB5500, ARC6000, ARNC5000, and TNC4050) have greater than a 50 percent probability of decreasing real net worth.

Overall rankings based on combined liquidity and equity rankings for the representative cotton farms are projected to be as follows: Five of the twenty farms are classified in good condition, six are in marginal condition, and the remaining nine are in poor condition.

The majority of the representative cotton farms are classified in marginal and poor overall financial conditions under the August 2007 Baseline; however, a greater percentage of farms are classified in good overall financial condition under the August 2007 Baseline compared to recent historical baselines. The improved overall financial condition of the representative cotton farms is primarily a result of improved cotton price projections under the August 2007 Baseline throughout the 2007-2012 study period.

FAPRI August 2007 Baseline

Projected crop prices for FAPRI's August 2007 Baseline are summarized in Table 1. In general, crop price projections tend to be higher than they were in recent baselines. Soybean and rice price projections increased most substantially. Individual crop prices are projected to move as follows:

- Corn prices start at \$3.10/bu in 2007, reach a high of \$3.38/bu in 2008, and decline to \$3.25/bu by 2012.
- Wheat prices spike to \$5.11/bu in 2007, and return to a range of \$4.19/bu to \$4.32/bu for the remainder of the planning horizon.
- Cotton prices are now expected to peak at \$0.6116/lb in 2009, and then stay above \$0.5900/lb through 2012.
- Rice prices are expected to remain above \$9.00/cwt throughout the planning horizon, peaking at \$9.90/cwt in 2007.
- Sorghum prices are expected to remain relatively stable, ranging between \$2.92/bu and \$3.19/bu between 2007 and 2012.
- Soybeans are expected to range between \$7.72/bu and \$8.01/bu during the planning horizon.
- The U.S. all hay prices are expected to peak at \$123.20/ton in 2007, and stay above \$110.00/ton through 2012.

Assumed loan rates and direct payment rates are reported in Table 1, and reflect the rates authorized in the 2002 Farm Bill. All payment rates are assumed to remain constant at 2006 levels for 2007 through 2012.

Projected annual rates of change for variable cash expenses are summarized in Table 2. The rate of change in input prices comes from FAPRI's August 2007 Baseline. Based on projections from Global Insight, annual interest rates paid for intermediate-term and long-term loans, and interest rates earned on savings are also reported in Table 2. Assumed annual rates of change in land values over the 2007-2012 period are provided by the FAPRI Baseline and are projected to range between 3.51% and 13.68% per year.

Table 1. FAPRI August 2007 Baseline Projections of Crop Prices, Loan Rates, and Direct Payment Rates, 2005-2012

	2005	2006	2007	2008	2009	2010	2011	2012
Crop Prices								
Corn (\$/bu.)	2.00	3.03	3.10	3.38	3.35	3.34	3.28	3.25
Wheat (\$/bu.)	3.42	4.26	5.11	4.19	4.32	4.31	4.31	4.29
Cotton (\$/lb.)	0.4770	0.4730	0.5394	0.6086	0.6116	0.6044	0.6021	0.5990
Sorghum (\$/bu.)	1.86	3.28	2.92	3.19	3.12	3.15	3.10	3.07
Soybeans (\$/bu.)	5.66	6.40	7.77	8.01	7.92	7.85	7.79	7.72
Barley (\$/bu.)	2.53	2.85	3.01	3.31	3.18	3.16	3.12	3.09
Oats (\$/bu.)	1.63	1.87	2.04	2.17	2.19	2.18	2.16	2.14
Rice (\$/cwt.)	7.65	9.68	9.90	9.70	9.64	9.65	9.64	9.64
Soybean Meal (\$/ton)	166.12	195.53	207.88	205.71	200.41	196.80	194.79	192.68
All Hay (\$/ton)	98.20	109.00	123.20	114.46	110.86	110.46	111.15	111.52
Peanuts (\$/ton)	346	352	412.06	476.67	460.83	458.36	459.64	456.82
Loan Rates								
Corn (\$/bu.)	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Wheat (\$/bu.)	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Cotton (\$/lb.)	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200
Sorghum (\$/bu.)	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Soybeans (\$/bu.)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Barley (\$/bu.)	1.85	1.85	1.85	1.85	1.85	1.85	1.85	1.85
Oats (\$/bu.)	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Rice (\$/cwt.)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Peanuts (\$/ton)	355.00	355.00	355.00	355.00	355.00	355.00	355.00	355.00
Direct Payment Rates								
Corn (\$/bu.)	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Wheat (\$/bu.)	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
Cotton (\$/lb.)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667
Sorghum (\$/bu.)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Soybeans (\$/bu.)	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
Barley (\$/bu.)	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Oats (\$/bu.)	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Rice (\$/cwt.)	2.35	2.35	2.35	2.35	2.35	2.35	2.35	2.35
Peanuts (\$/ton)	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00

Source: Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri-Columbia and Iowa State University.

Table 2. FAPRI August 2007 Baseline Assumed Rates of Change in Input Prices, Annual Interest Rates, and Annual Changes in Land Values, 2006-2012

	2006	2007	2008	2009	2010	2011	2012
Annual Rate of Change for Input Prices Paid							
Seed Prices (%)	8.03	3.60	2.18	1.45	1.49	1.66	1.40
All Fertilizer Prices (%)	6.95	4.52	3.37	0.12	-0.07	0.55	-0.01
Herbicide Prices (%)	3.71	1.80	1.73	1.19	1.08	1.29	1.09
Insecticide Prices (%)	3.06	0.97	0.80	0.70	1.42	1.72	1.46
Fuel and Lube Prices (%)	8.08	0.89	1.70	-0.75	-0.51	-1.17	-1.41
Machinery Prices (%)	4.04	3.39	3.00	1.71	1.81	2.10	2.08
Wages (%)	2.72	3.14	2.22	2.75	2.96	3.09	3.12
Supplies (%)	5.11	3.68	4.07	3.13	2.22	2.03	1.61
Repairs (%)	3.38	2.87	2.43	2.40	2.47	2.60	2.51
Services (%)	4.14	2.30	1.90	1.30	1.88	2.11	2.03
Taxes (%)	2.59	4.24	2.95	2.04	2.08	2.65	1.44
PPI Items (%)	3.53	5.11	1.77	0.82	0.81	1.08	0.74
PPI Total (%)	3.64	4.70	2.03	1.37	1.15	1.37	1.06
Annual Change in Consumer Price Index (%)	2.64	1.83	1.99	1.96	1.89	2.08	2.26
Annual Interest Rates							
Long-Term (%)	5.81	5.89	6.24	6.73	6.87	6.97	7.06
Intermediate-Term (%)	4.70	4.77	5.05	5.44	5.56	5.65	5.72
Savings Account (%)	1.61	1.63	1.73	1.86	1.90	1.93	1.96
Annual Rate of Change for U.S. Land Prices (%)	15.15	13.68	9.20	4.37	3.65	3.51	3.51

Source: Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri-Columbia and Iowa State University.

Economic Viability of Representative Farms over the 2007-2012 Period

Farm Name	Overall Ranking		P(Negative Ending Cash)	P(Real Net Worth Declines)
	2007	2012	2007-2012	2007-2012
5/6/9				
TXNP3000			99-99	1-89
TXNP7000			96-88	1-38
TXSP2239			99-92	1-72
TXSP3745			99-98	1-68
TXPC2500			1-14	1-3
TXEC5000			1-23	1-37
TXRP2500			71-43	1-26
TXMC1800			77-49	1-25
TXCB2250			68-73	1-34
TXCB5500			80-82	1-60
TXVC4500			33-16	1-1
CAC4000			25-47	1-11
LAC2640			29-43	1-30
ARC6000			99-99	1-69
ARNC5000			98-98	1-64
TNC1900			1-1	1-1
TNC4050			94-99	1-56
ALC3000			69-33	1-27
GAC2300			1-1	1-1
NCC1500			1-5	1-1

1 Viability is classified as good (green), moderate (yellow), and poor (red) based on the probabilities:

<25

25-50

>50

2 P(NegativeEnding Cash) is the probability that the farm will have a cash flow deficit. Reported values represent the probabilities for 2007 and 2012.

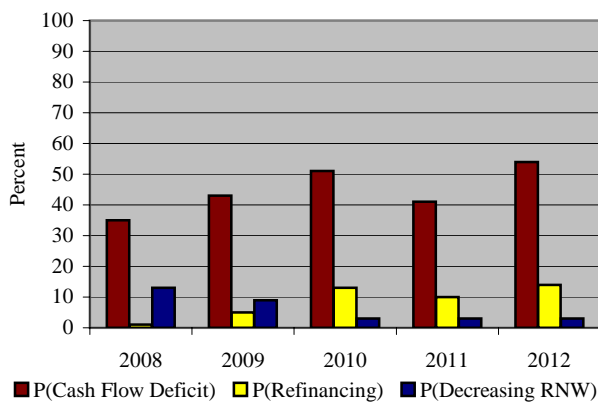
3 P(Real Net Worth Decline) is the probability that the farm will have a loss in real net worth relative to the beginning net worth. Reported values represent the probabilities for losing real net worth from 2005 to 2007 and from 2005 to 2012.

TXPC2500

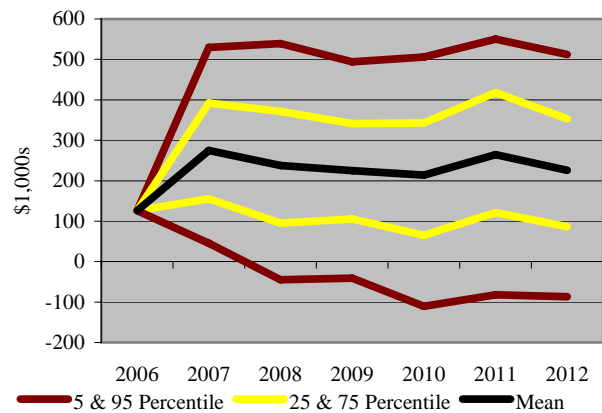
The Texas Panhandle is home to this 2,500-acre farm (Deaf Smith County). Annually, cotton is planted on 1,367 acres (1,000 irrigated and 367 dryland), 758 acres planted to wheat (700 irrigated and 58 dryland), and 250 irrigated acres are planted to corn. Sixty-one percent of 2006 cash receipts were generated by cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,106.9	1,095.0	1,111.8	1,184.7	1,138.5
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	157.4	158.3	156.7	158.9	152.6
Total Receipts (\$1,000)	1,345.8	1,342.0	1,346.6	1,411.0	1,372.4
Total Expenses (\$1,000)	1,108.0	1,116.7	1,132.8	1,146.4	1,147.1
Net Cash Farm Income (\$1,000)	237.8	225.3	213.9	264.6	225.4
Ending Cash (\$1,000)	345.6	365.7	365.7	393.1	386.3
Net Worth (\$1,000)	2,540.8	2,643.8	2,742.5	2,859.6	2,956.0
Return on Assets (%)	8.4	6.3	5.5	7.1	5.7
P(Cash Flow Deficit) (%)	35.0	43.0	51.0	41.0	54.0
P(Refinancing) (%)	1.0	5.0	13.0	10.0	14.0
P(Decreasing RNW) (%)	13.0	9.0	3.0	3.0	3.0

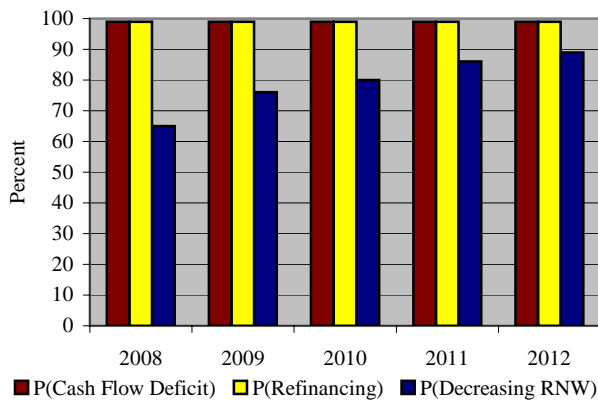
Producers participating in the panel include: Michael Carlson, Roy Carlson, Greg Chavez, Steve Hoffman, Bob Meyer, and Harold Sides. Rick Auckerman and Dave Peterson serve as facilitators.

TXNP3000

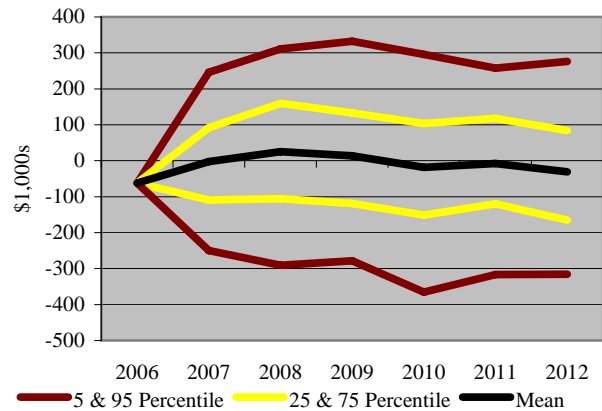
This is a 3,000-acre cotton farm located on the northern High Plains of Texas (Moore County). This farm plants 1,500 acres of cotton (1,200 irrigated and 300 dryland), 360 acres of irrigated corn, 240 acres of irrigated sorghum for seed production, and 600 acres of irrigated wheat annually. Fifty-five percent of total receipts are generated from cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Market Receipts (\$1,000)	1,138.2	1,147.6	1,132.8	1,171.6	1,169.1
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	81.2	93.7	87.3	96.1	88.9
Total Receipts (\$1,000)	1,299.4	1,311.0	1,293.7	1,337.5	1,331.1
Total Expenses (\$1,000)	1,274.2	1,297.2	1,312.5	1,345.5	1,362.5
Net Cash Farm Income (\$1,000)	25.2	13.8	-18.8	-8.0	-31.3
Ending Cash (\$1,000)	-659.7	-832.5	-1,026.3	-1,209.2	-1,431.9
Net Worth (\$1,000)	192.5	66.5	-79.5	-209.8	-371.8
Return on Assets (%)	4.0	0.4	-0.5	3.3	1.9
P(Cash Flow Deficit) (%)	99.0	99.0	99.0	99.0	99.0
P(Refinancing) (%)	99.0	99.0	99.0	99.0	99.0
P(Decreasing RNW) (%)	65.0	76.0	80.0	86.0	89.0

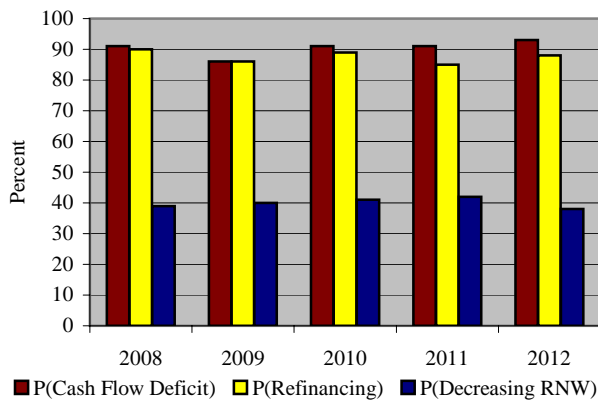
Producers participating in the panel include: Kerry Cartrite, Brent Clark, and Kelly Hays. Steve Amosson and Tim Trimble serve as facilitators.

TXNP7000

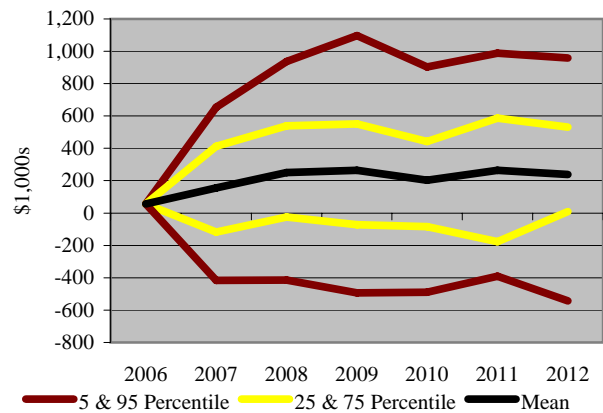
TXNP7000 is a large-sized cotton farm located in the northern Texas Panhandle (Moore County). This farm annually plants 2,850 acres of irrigated cotton, 1,100 acres of irrigated corn, 796 acres of sorghum (516 acres of dryland and 280 acres of irrigated production for seed), and 1,237 acres of winter wheat (720 acres irrigated and 517 acres dryland). Fifty-six percent of 2006 cash receipts were derived from cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	2,596.2	2,626.3	2,572.7	2,682.6	2,695.3
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	183.9	200.9	199.9	215.8	195.5
Total Receipts (\$1,000)	2,903.0	2,944.5	2,896.2	2,997.8	2,986.7
Total Expenses (\$1,000)	2,652.9	2,680.4	2,694.0	2,733.8	2,748.1
Net Cash Farm Income (\$1,000)	250.1	264.1	202.1	264.0	238.6
Ending Cash (\$1,000)	-766.3	-870.7	-988.4	-1,068.1	-1,102.5
Net Worth (\$1,000)	1,939.2	1,999.6	2,019.6	2,054.8	2,147.7
Return on Assets (%)	10.9	8.2	6.9	10.5	9.7
P(Cash Flow Deficit) (%)	91.0	86.0	91.0	91.0	93.0
P(Refinancing) (%)	90.0	86.0	89.0	85.0	88.0
P(Decreasing RNW) (%)	39.0	40.0	41.0	42.0	38.0

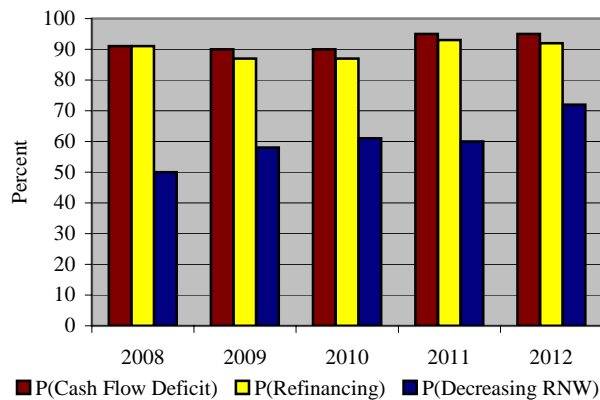
Producers participating in the panel include: Rick May, Tom Moore, Clyde Tims, and David Tims. Steve Amosson and Tim Trimble serve as facilitators.

TXSP2239

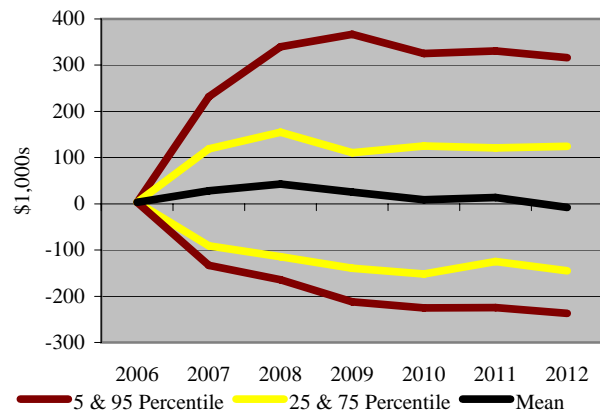
A 2,239-acre Texas South Plains (Dawson County) cotton farm that is moderate-sized for the area. TXSP2239 plants 1,800 acres of cotton (1,434 dryland, 366 irrigated), 60 acres of peanuts, and has 183 acres in CRP. For 2006, 89 percent of receipts came from cotton.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Market Receipts (\$1,000)	490.4	488.1	478.8	495.6	495.9
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	95.0	88.1	90.8	89.5	87.3
Total Receipts (\$1,000)	617.8	612.9	608.7	627.1	620.2
Total Expenses (\$1,000)	575.2	587.5	599.7	613.7	628.3
Net Cash Farm Income (\$1,000)	42.6	25.4	9.0	13.4	-8.1
Ending Cash (\$1,000)	-262.8	-333.3	-429.1	-520.1	-629.1
Net Worth (\$1,000)	693.5	650.6	587.0	526.4	456.1
Return on Assets (%)	3.1	1.2	1.1	3.9	2.6
P(Cash Flow Deficit) (%)	91.0	90.0	90.0	95.0	95.0
P(Refinancing) (%)	91.0	87.0	87.0	93.0	92.0
P(Decreasing RNW) (%)	50.0	58.0	61.0	60.0	72.0

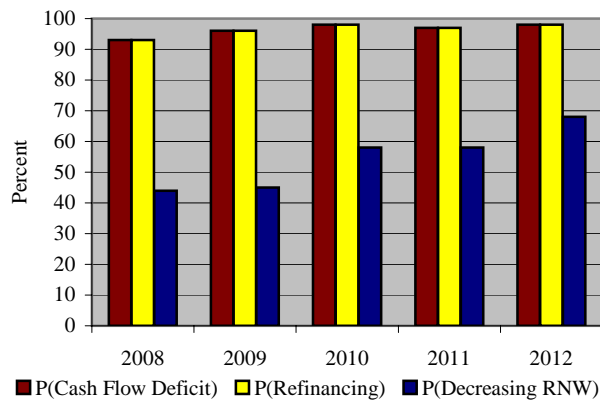
Producers participating in the panel include: Steven Archer, Mark Furlow, Johnny Ray Todd, and Donald Vogler. Casey Barrett and Jackie Smith serve as facilitators.

TXSP3745

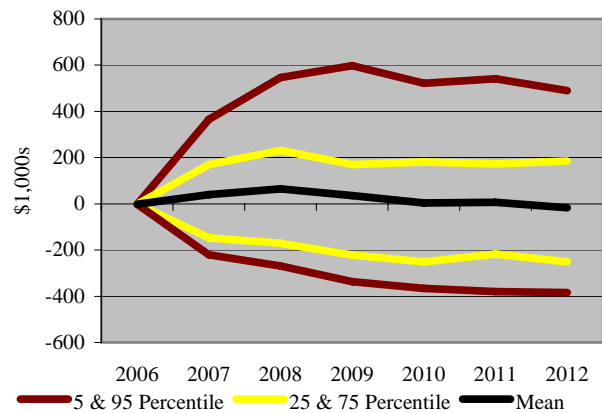
The Texas South Plains (Dawson County) is home to this 3,745-acre, large-sized cotton farm that grows 3,036 acres of cotton (2,406 dryland, 630 irrigated), 120 acres of peanuts, and has 288 acres in CRP. Cotton sales comprised 85 percent of 2006 receipts.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	839.6	840.7	827.2	855.8	860.1
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	162.7	150.1	154.4	152.6	149.1
Total Receipts (\$1,000)	1,050.1	1,044.1	1,040.5	1,070.1	1,063.6
Total Expenses (\$1,000)	985.5	1,008.0	1,037.1	1,063.0	1,081.2
Net Cash Farm Income (\$1,000)	64.6	36.1	3.5	7.1	-17.6
Ending Cash (\$1,000)	-466.4	-601.9	-811.4	-1,013.5	-1,215.2
Net Worth (\$1,000)	1,832.3	1,780.0	1,670.6	1,583.5	1,494.3
Return on Assets (%)	6.1	2.6	0.8	1.5	1.6
P(Cash Flow Deficit) (%)	93.0	96.0	98.0	97.0	98.0
P(Refinancing) (%)	93.0	96.0	98.0	97.0	98.0
P(Decreasing RNW) (%)	44.0	45.0	58.0	58.0	68.0

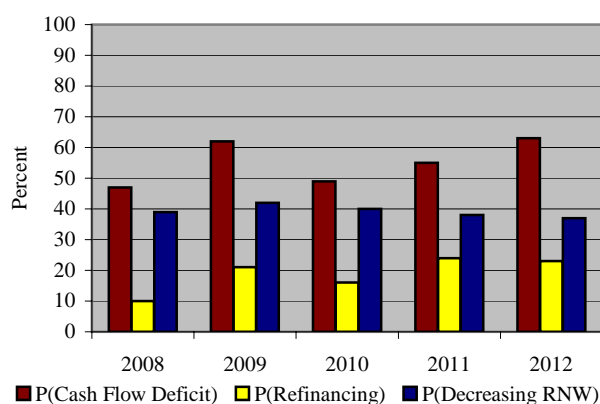
Producers participating in the panel include: Brad Boyd, Jerry Chapman, Terry Coleman, and Kent Nix. Casey Barrett and Jackie Smith serve as facilitators.

TXEC5000

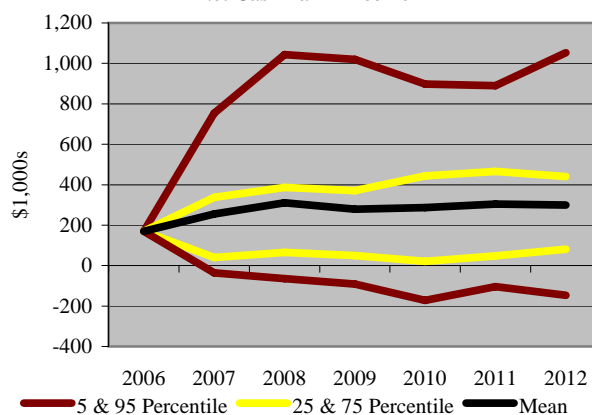
This 5,000-acre farm is located on the Eastern Caprock of the Texas South Plains (Crosby County). Annually, 3,800 acres are planted to cotton (2,800 irrigated and 1,000 dryland), 400 acres of wheat (100 irrigated and 300 dryland), and 300 acres of dryland sorghum. In 2006, cotton sales accounted for 95 percent of gross receipts.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,326.8	1,339.8	1,345.9	1,375.2	1,407.7
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	241.6	221.4	230.7	229.0	223.2
Total Receipts (\$1,000)	1,637.8	1,623.0	1,645.8	1,676.3	1,691.3
Total Expenses (\$1,000)	1,327.3	1,344.0	1,358.9	1,372.0	1,391.4
Net Cash Farm Income (\$1,000)	310.5	279.0	287.0	304.3	299.9
Ending Cash (\$1,000)	309.0	299.3	340.2	369.6	383.8
Net Worth (\$1,000)	1,551.5	1,570.2	1,636.7	1,667.0	1,698.1
Return on Assets (%)	11.1	7.3	8.9	11.7	10.8
P(Cash Flow Deficit) (%)	47.0	62.0	49.0	55.0	63.0
P(Refinancing) (%)	10.0	21.0	16.0	24.0	23.0
P(Decreasing RNW) (%)	39.0	42.0	40.0	38.0	37.0

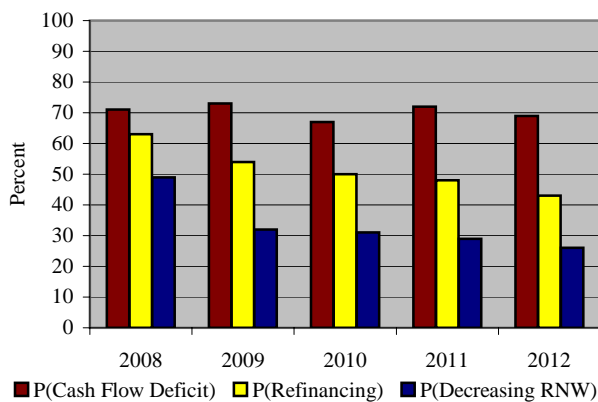
Producers participating in the panel include: Lloyd Arthur, Brooks Ellison, Edwin Moore, and Marvin Schoepf. Clay Miller serves as the facilitator.

TXRP2500

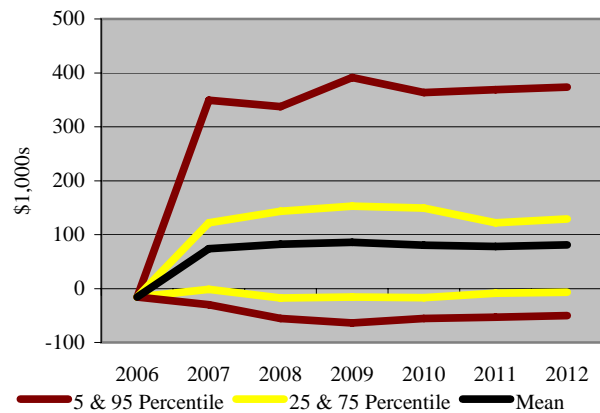
TXRP2500 is a 2,500-acre cotton farm located in the Rolling Plains of Texas (Jones County). This farm plants 1,117 acres of cotton and 825 acres of winter wheat each year. The area is limited by rainfall, and the farm uses a conservative level of inputs. Seventy-eight percent of 2006 farm receipts came from cotton sales. Seventeen head of beef cows generated three percent of farm receipts.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	289.1	288.0	290.2	288.6	285.5
Livestock Receipts (\$1,000)	9.0	7.9	7.3	8.1	7.0
Government Payments (\$1,000)	59.0	54.7	53.3	56.3	53.5
Total Receipts (\$1,000)	379.5	381.5	377.4	378.5	380.6
Total Expenses (\$1,000)	297.1	295.8	297.1	300.3	299.8
Net Cash Farm Income (\$1,000)	82.4	85.7	80.3	78.2	80.8
Ending Cash (\$1,000)	-27.9	-19.1	-2.5	12.1	32.2
Net Worth (\$1,000)	507.5	535.5	571.9	591.3	618.3
Return on Assets (%)	8.8	9.7	9.7	9.8	10.5
P(Cash Flow Deficit) (%)	71.0	73.0	67.0	72.0	69.0
P(Refinancing) (%)	63.0	54.0	50.0	48.0	43.0
P(Decreasing RNW) (%)	49.0	32.0	31.0	29.0	26.0

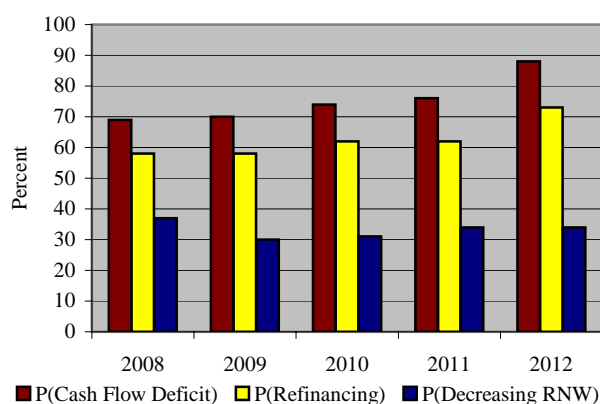
Producers participating in the panel include: Rex Ford, Dennis Olson, Ronnie Richmond, Ronnie Riddle, Mike Sloan, Dale Spurgin, and Ferdie Walker. Todd Vineyard serves as the facilitator.

TXCB2250

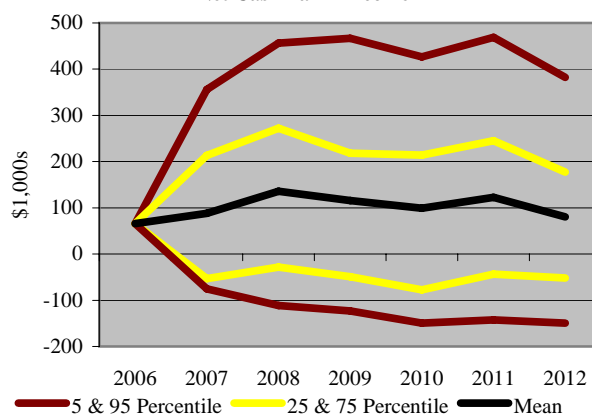
A 2,250-acre cotton farm located on the Texas Coastal Bend (San Patricio County) that farms 1,350 acres of cotton, 675 acres of sorghum, and 225 acres of corn annually. Seventy-four percent of 2006 cash receipts were generated by cotton.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	669.1	660.3	652.0	717.9	646.0
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	110.5	103.9	104.2	110.0	102.2
Total Receipts (\$1,000)	815.9	800.5	798.2	856.1	803.1
Total Expenses (\$1,000)	680.0	684.9	699.3	733.5	722.8
Net Cash Farm Income (\$1,000)	135.9	115.6	98.9	122.6	80.3
Ending Cash (\$1,000)	-56.8	-55.5	-97.4	-138.0	-212.7
Net Worth (\$1,000)	1,080.0	1,104.9	1,100.6	1,122.1	1,102.8
Return on Assets (%)	9.3	5.9	4.2	6.1	2.9
P(Cash Flow Deficit) (%)	69.0	70.0	74.0	76.0	88.0
P(Refinancing) (%)	58.0	58.0	62.0	62.0	73.0
P(Decreasing RNW) (%)	37.0	30.0	31.0	34.0	34.0

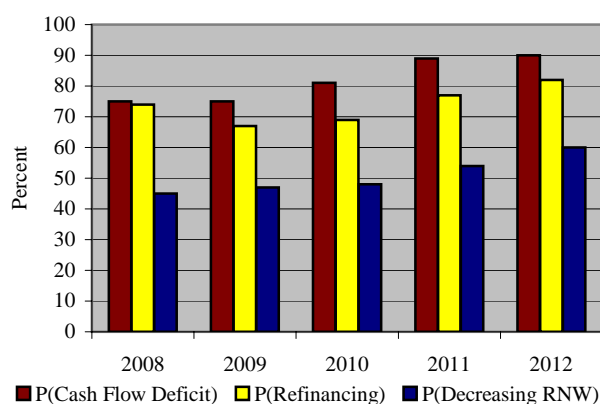
Producers participating in the panel include: Marvin Beyer, Jr., Brad Bickham, Clarence Chopelas, Andrew Miller, and Darby Salge. Larry Falconer and Jeffrey Stapper serve as facilitators.

TXCB5500

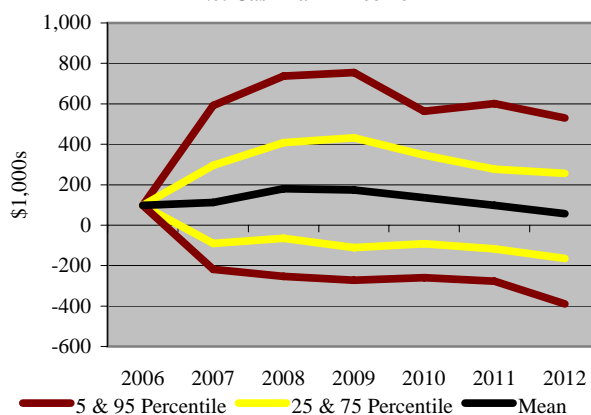
Nueces County, Texas is home to this 5,500-acre farm. Annually, 2,750 acres are planted to cotton and 2,750 acres to sorghum. Cotton sales accounted for 67 percent of 2006 receipts.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,527.1	1,522.6	1,536.7	1,587.4	1,504.7
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	239.5	223.6	227.8	242.2	223.7
Total Receipts (\$1,000)	1,827.1	1,836.1	1,848.2	1,884.2	1,828.0
Total Expenses (\$1,000)	1,646.6	1,662.2	1,711.6	1,785.7	1,771.2
Net Cash Farm Income (\$1,000)	180.5	173.9	136.6	98.5	56.8
Ending Cash (\$1,000)	-205.0	-218.0	-307.1	-491.8	-698.2
Net Worth (\$1,000)	875.3	883.5	845.3	736.3	616.2
Return on Assets (%)	5.6	5.9	5.0	0.5	-2.4
P(Cash Flow Deficit) (%)	75.0	75.0	81.0	89.0	90.0
P(Refinancing) (%)	74.0	67.0	69.0	77.0	82.0
P(Decreasing RNW) (%)	45.0	47.0	48.0	54.0	60.0

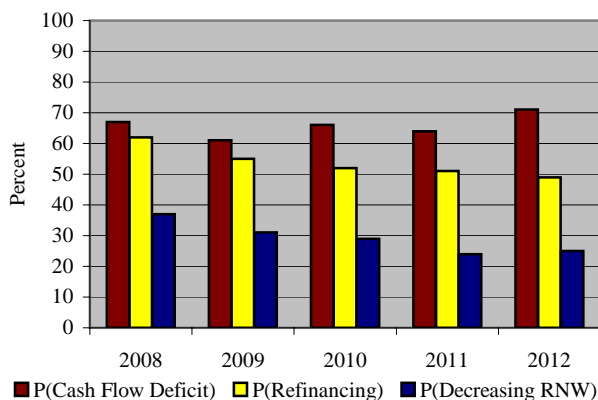
Producers participating in the panel include: Jimmy Dodson, Joel Hoskinson, Wayne Lambert, Larry McNair, and Mark Morris. Mark Miller, Jeff Nunley, and John Parker serve as facilitators.

TXMC1800

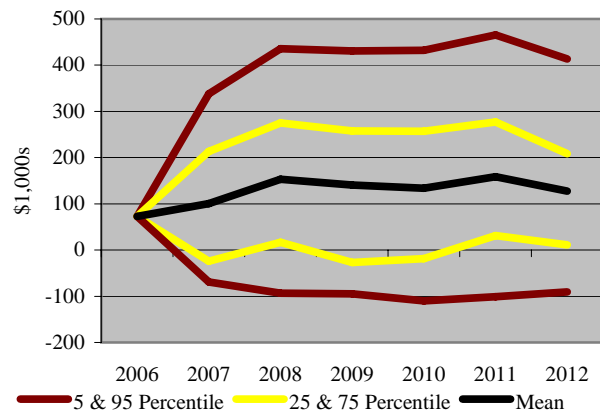
This 1,800-acre cotton farm is located on the Coastal Plain of southeast Texas (Wharton County). TXMC1800 farms 900 acres of cotton and 450 acres each of sorghum and corn. In 2006, cotton sales comprised 69 percent of total cash receipts on this operation.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	617.3	607.5	606.8	652.8	607.1
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	92.8	90.5	88.6	93.8	87.9
Total Receipts (\$1,000)	740.4	729.5	733.1	771.7	737.7
Total Expenses (\$1,000)	587.1	588.9	599.5	612.7	610.6
Net Cash Farm Income (\$1,000)	153.3	140.6	133.6	158.9	127.2
Ending Cash (\$1,000)	-54.6	-14.5	-9.4	17.4	25.8
Net Worth (\$1,000)	779.3	815.8	833.1	876.4	915.0
Return on Assets (%)	8.9	7.7	7.1	10.1	7.7
P(Cash Flow Deficit) (%)	67.0	61.0	66.0	64.0	71.0
P(Refinancing) (%)	62.0	55.0	52.0	51.0	49.0
P(Decreasing RNW) (%)	37.0	31.0	29.0	24.0	25.0

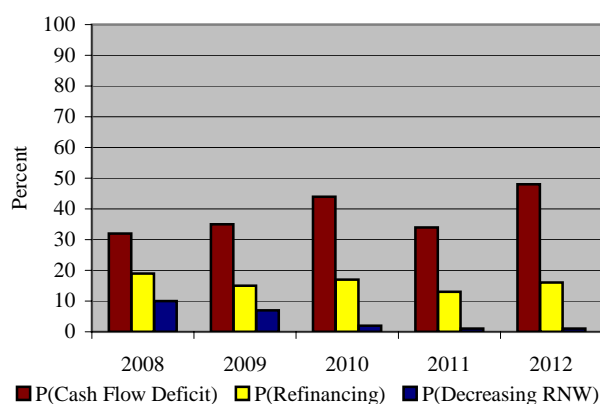
Producers participating in the panel include: Jimmy Barosh, Keith Bram, Glenn Emshosf, Daniel Gavranovic, Rob Kainer, Cedric Popp, and Michael Popp. Larry Falconer, Jeff Nunley, and Jimmy Roppolo serve as facilitators.

TXVC4500

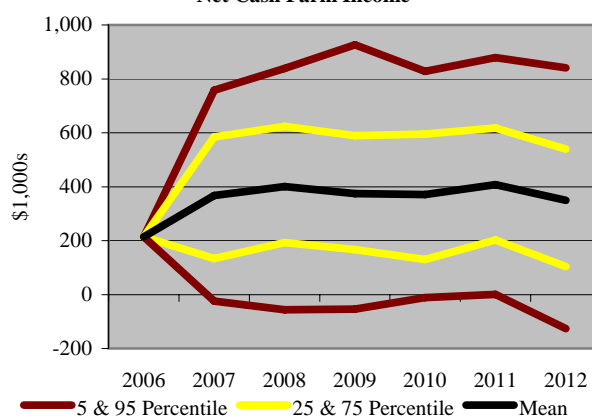
This 4,500-acre farm is located in the lower Rio Grande Valley of Texas (Willacy County) and plants 2,388 acres to cotton (500 irrigated and 1,888 acres dryland), 1,887 acres to sorghum, and 225 acres of sugarcane. In 2006, 62 percent of TXVC4500's cash receipts were generated by cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,363.1	1,338.4	1,366.7	1,451.1	1,360.2
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	242.9	237.4	231.0	241.1	227.6
Total Receipts (\$1,000)	1,696.6	1,677.4	1,693.4	1,772.2	1,701.0
Total Expenses (\$1,000)	1,295.5	1,302.7	1,322.4	1,364.0	1,351.3
Net Cash Farm Income (\$1,000)	401.1	374.7	371.0	408.2	349.6
Ending Cash (\$1,000)	225.0	310.4	374.4	477.4	509.1
Net Worth (\$1,000)	2,728.6	2,921.6	3,122.6	3,351.0	3,502.4
Return on Assets (%)	13.9	9.5	8.9	9.7	7.6
P(Cash Flow Deficit) (%)	32.0	35.0	44.0	34.0	48.0
P(Refinancing) (%)	19.0	15.0	17.0	13.0	16.0
P(Decreasing RNW) (%)	10.0	7.0	2.0	1.0	1.0

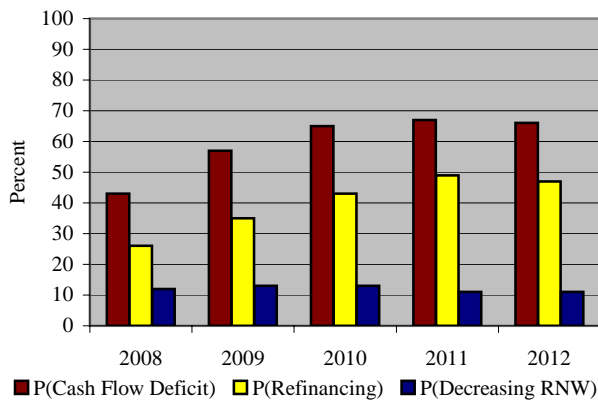
Producers participating in the panel include: Derrick Swanberg, Marshall Swanberg, Mitzi Swanberg-Anzaldua, and Mark Willis. Reagan Florence, Luis Ribera, and Terry Wolfe serve as facilitators.

CAC4000

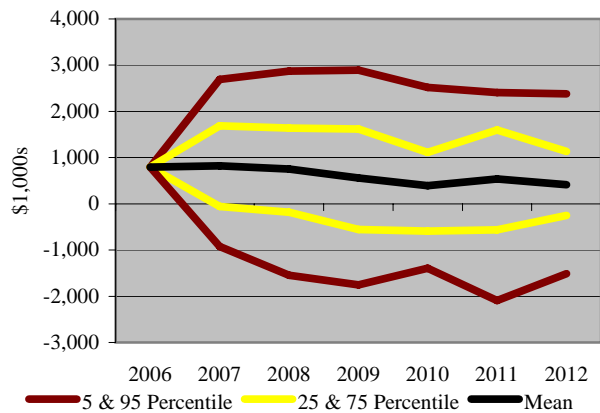
A 4,000-acre cotton farm located in Kings County, California, CAC4000 plants 2,000 acres to cotton, 1,000 acres to vegetables, 700 acres to hay and silage, and harvests 300 acres of almonds. Forty-six percent of 2006 receipts came from cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	6,288.6	6,165.1	5,993.3	6,257.0	6,131.1
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	148.5	130.2	139.1	139.7	139.0
Total Receipts (\$1,000)	6,475.2	6,330.3	6,193.0	6,436.8	6,322.3
Total Expenses (\$1,000)	5,722.8	5,770.9	5,799.5	5,898.6	5,907.7
Net Cash Farm Income (\$1,000)	752.5	559.4	393.6	538.2	414.5
Ending Cash (\$1,000)	497.5	357.8	135.6	-56.3	-196.3
Net Worth (\$1,000)	14,623.7	15,240.6	15,708.5	16,273.0	16,858.3
Return on Assets (%)	13.3	7.7	6.4	7.1	6.1
P(Cash Flow Deficit) (%)	43.0	57.0	65.0	67.0	66.0
P(Refinancing) (%)	26.0	35.0	43.0	49.0	47.0
P(Decreasing RNW) (%)	12.0	13.0	13.0	11.0	11.0

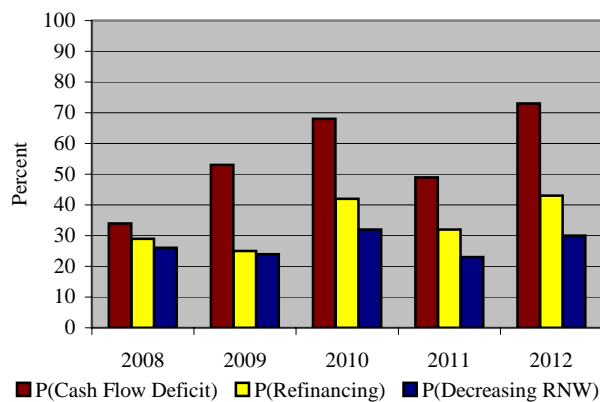
Producers participating in the panel include: Bo Champlin, Bob Prys, Bill Stone, and Bill Tos. Steve Wright serves as the facilitator.

LAC2640

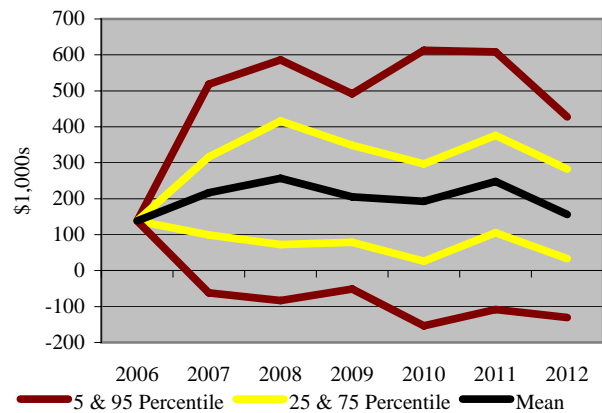
This is a 2,640-acre cotton farm located in north Louisiana (Morehouse Parish). LAC2640 plants 924 acres of cotton, 1,056 acres of corn, and 660 acres of soybeans each year. During 2006, 53 percent of farm receipts were generated from cotton sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,243.5	1,215.3	1,231.3	1,301.3	1,218.2
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	227.5	216.0	210.1	220.9	203.2
Total Receipts (\$1,000)	1,504.3	1,473.5	1,480.5	1,549.6	1,470.3
Total Expenses (\$1,000)	1,247.9	1,268.5	1,288.1	1,301.5	1,314.1
Net Cash Farm Income (\$1,000)	256.4	205.1	192.4	248.1	156.3
Ending Cash (\$1,000)	125.2	132.0	87.3	126.4	72.1
Net Worth (\$1,000)	874.0	902.6	909.8	1,003.2	981.2
Return on Assets (%)	16.0	11.3	7.7	12.6	5.1
P(Cash Flow Deficit) (%)	34.0	53.0	68.0	49.0	73.0
P(Refinancing) (%)	29.0	25.0	42.0	32.0	43.0
P(Decreasing RNW) (%)	26.0	24.0	32.0	23.0	30.0

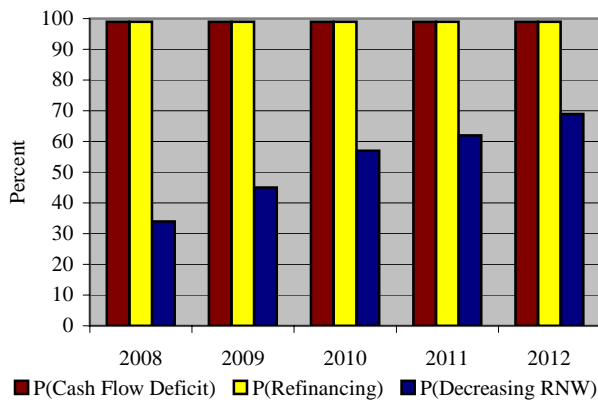
Producers participating in the panel include: Jess Barr, Buddy Davis, J. Macon LaFoe, Sr., Randy Miller, Buddy Page, and Jerry Stutts. John Barnett and Gene Johnson serve as facilitators.

ARC6000

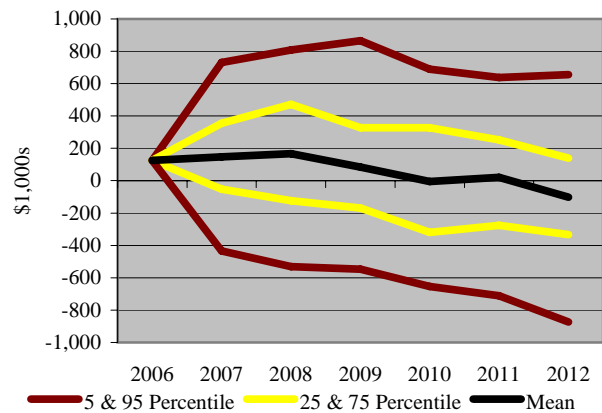
ARC6000 is a 6,000-acre cotton farm in southeast Arkansas (Desha County) that plants 2,000 acres of cotton, 2,000 acres of rice, 1,500 acres of soybeans, and 500 acres of sorghum. For 2006, 46 percent of gross receipts came from cotton sales, 39 percent from rice sales, and 10 percent from soybean sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	3,016.2	3,004.8	2,964.6	3,081.1	3,041.6
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	393.9	386.1	386.3	391.9	372.8
Total Receipts (\$1,000)	3,446.1	3,431.1	3,413.0	3,517.2	3,455.5
Total Expenses (\$1,000)	3,278.4	3,347.7	3,418.2	3,496.1	3,557.6
Net Cash Farm Income (\$1,000)	167.7	83.3	-5.2	21.1	-102.1
Ending Cash (\$1,000)	-1,382.1	-1,884.7	-2,508.4	-3,098.9	-3,753.2
Net Worth (\$1,000)	5,696.9	5,564.9	5,371.0	5,238.9	4,978.3
Return on Assets (%)	4.1	1.6	1.0	1.8	1.0
P(Cash Flow Deficit) (%)	99.0	99.0	99.0	99.0	99.0
P(Refinancing) (%)	99.0	99.0	99.0	99.0	99.0
P(Decreasing RNW) (%)	34.0	45.0	57.0	62.0	69.0

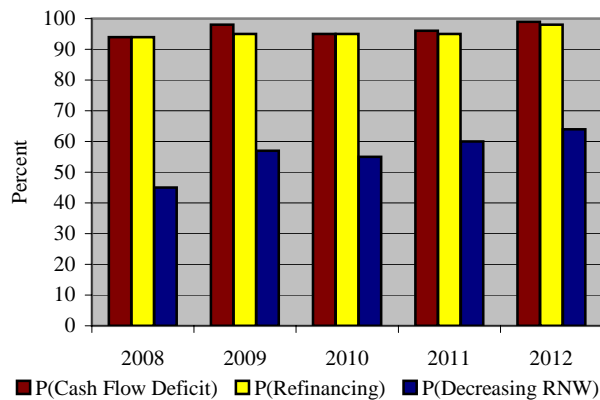
Producers participating in the panel include: Phillip Baugh, Jeff Keeter, Joe Mencer, Jim Whitaker, and Sam Whitaker. Brad Watkins serves as the facilitator.

ARNC5000

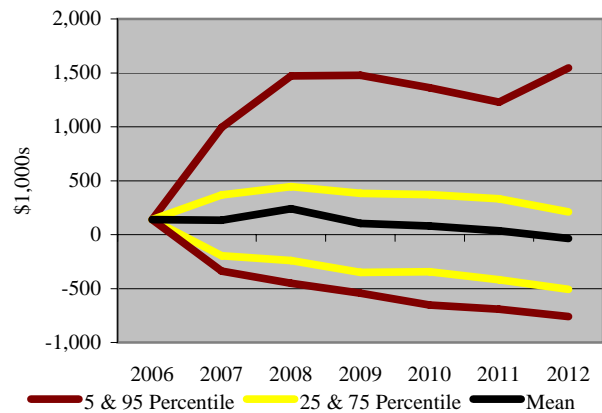
Far northeast Arkansas (Mississippi County) is home to this 5,000-acre cotton farm. ARNC5000 plants all its acres to cotton annually, generating 100 percent of its receipts from cotton.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	2,691.7	2,620.4	2,655.4	2,699.4	2,673.4
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	372.3	346.1	359.7	353.8	336.1
Total Receipts (\$1,000)	3,079.7	2,995.1	3,045.2	3,072.3	3,063.7
Total Expenses (\$1,000)	2,839.0	2,891.2	2,963.7	3,038.0	3,100.4
Net Cash Farm Income (\$1,000)	240.7	103.9	81.5	34.4	-36.7
Ending Cash (\$1,000)	-1,025.4	-1,483.3	-1,915.4	-2,406.8	-2,958.0
Net Worth (\$1,000)	5,115.2	4,965.0	4,875.7	4,701.8	4,450.7
Return on Assets (%)	6.7	3.0	2.8	2.5	2.1
P(Cash Flow Deficit) (%)	94.0	98.0	95.0	96.0	99.0
P(Refinancing) (%)	94.0	95.0	95.0	95.0	98.0
P(Decreasing RNW) (%)	45.0	57.0	55.0	60.0	64.0

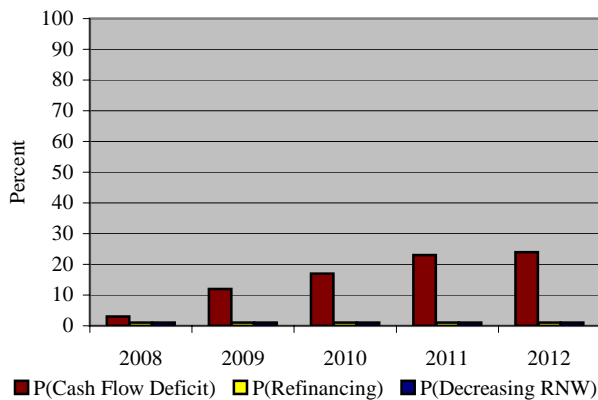
Producers participating in the panel include: Chad Costner, Heath Donner, Todd Edwards, Cole Hawkins, Randy Jackson, and David Wildy. Rob Hogan and Ronnie Kennett serve as the facilitators.

TNC1900

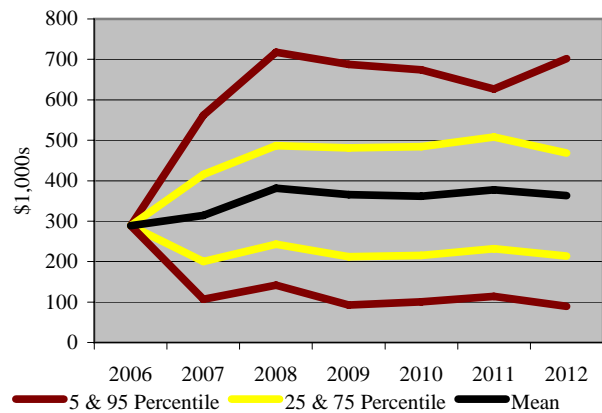
A 1,900-acre, moderate-sized West Tennessee (Fayette County) cotton farm. TNC1900 consists of 990 acres of cotton, 440 acres each of soybeans and corn, and 30 acres enrolled in CRP. Cotton accounted for 72 percent of 2006 gross receipts, with corn and soybeans contributing 17 percent and 11 percent, respectively.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	917.5	912.7	905.9	943.8	923.9
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	115.7	110.0	109.3	113.3	104.8
Total Receipts (\$1,000)	1,039.6	1,033.6	1,028.1	1,065.2	1,047.5
Total Expenses (\$1,000)	658.0	667.7	666.6	687.8	684.4
Net Cash Farm Income (\$1,000)	381.6	365.9	361.5	377.4	363.1
Ending Cash (\$1,000)	455.6	565.5	679.3	754.8	855.1
Net Worth (\$1,000)	2,646.6	2,852.0	3,076.0	3,291.4	3,501.2
Return on Assets (%)	14.0	10.3	9.1	9.2	7.1
P(Cash Flow Deficit) (%)	3.0	12.0	17.0	23.0	24.0
P(Refinancing) (%)	1.0	1.0	1.0	1.0	1.0
P(Decreasing RNW) (%)	1.0	1.0	1.0	1.0	1.0

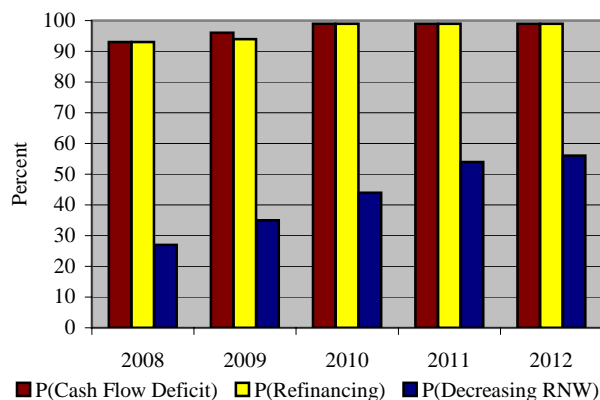
Producers participating in the panel include: Harris Armour, III, Tom Karcher, and William E. Powers. Jim Castellaw, Kelly Tiller, and Jeff Via serve as facilitators.

TNC4050

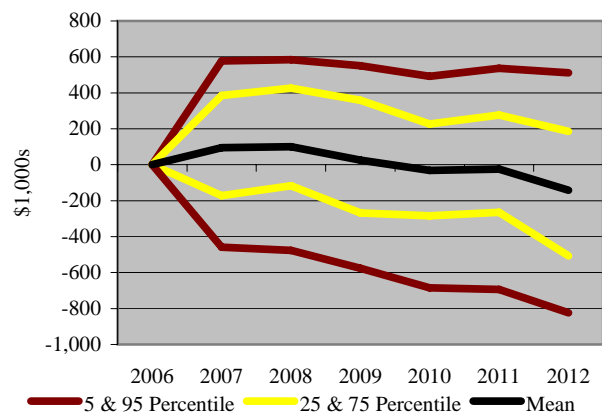
TNC4050 is a 4,050-acre, large-sized West Tennessee (Haywood County) cotton farm. This farm plants 2,670 acres of cotton, 820 acres of soybeans, 560 acres of corn, and 328 acres of wheat each year. During 2006, cotton sales generated 78 percent of gross receipts.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income

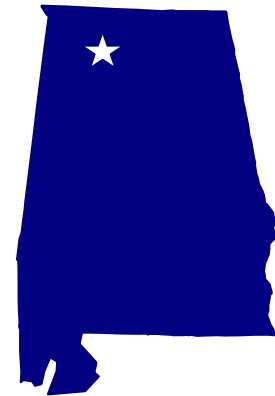


	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,552.5	1,541.2	1,544.4	1,587.5	1,489.8
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	287.9	269.7	271.2	275.3	253.1
Total Receipts (\$1,000)	1,929.4	1,906.2	1,900.3	1,951.0	1,854.6
Total Expenses (\$1,000)	1,828.6	1,881.5	1,931.2	1,975.1	1,997.0
Net Cash Farm Income (\$1,000)	100.8	24.7	-30.9	-24.1	-142.4
Ending Cash (\$1,000)	-599.7	-911.0	-1,309.3	-1,702.1	-2,134.6
Net Worth (\$1,000)	4,015.4	3,931.3	3,802.3	3,708.3	3,599.8
Return on Assets (%)	5.3	2.1	0.0	0.6	0.0
P(Cash Flow Deficit) (%)	93.0	96.0	99.0	99.0	99.0
P(Refinancing) (%)	93.0	94.0	99.0	99.0	99.0
P(Decreasing RNW) (%)	27.0	35.0	44.0	54.0	56.0

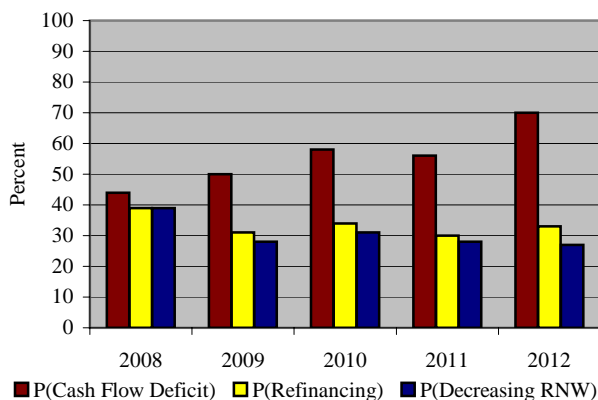
Producers participating in the panel include: R. Morris English, Jr., Dewayne Hendrix, Allen King, John King, Travis Lonon, and Ronald Woods. Chism Craig, Chuck Danehower, Tracey Sullivan, and Kelly Tiller serve as facilitators.

ALC3000

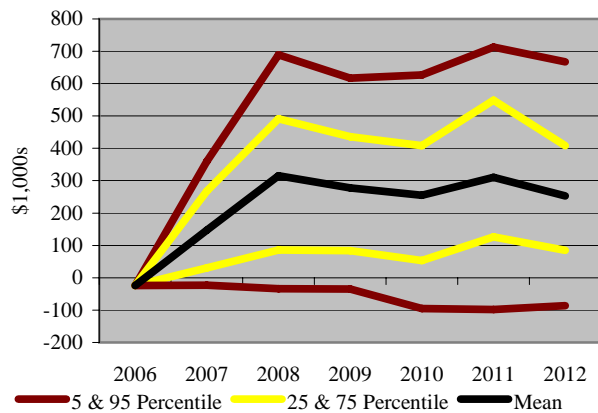
A 3,000-acre cotton farm located in northern Alabama (Lawrence County) that plants 2,100 acres to cotton, 750 acres to corn, and 150 acres to soybeans annually. This farm was early to adopt no-till cropping practices. Cotton sales accounted for 81 percent of total farm receipts during 2006.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Market Receipts (\$1,000)	1,036.1	1,026.4	1,007.9	1,090.1	1,045.4
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	225.2	198.4	194.8	204.9	193.2
Total Receipts (\$1,000)	1,276.5	1,245.3	1,233.0	1,307.7	1,267.3
Total Expenses (\$1,000)	961.1	967.3	977.9	997.5	1,014.7
Net Cash Farm Income (\$1,000)	315.4	278.1	255.1	310.3	252.6
Ending Cash (\$1,000)	52.7	126.5	147.3	177.3	106.4
Net Worth (\$1,000)	1,387.5	1,435.7	1,447.9	1,491.7	1,466.7
Return on Assets (%)	8.2	2.2	2.3	9.0	5.9
P(Cash Flow Deficit) (%)	44.0	50.0	58.0	56.0	70.0
P(Refinancing) (%)	39.0	31.0	34.0	30.0	33.0
P(Decreasing RNW) (%)	39.0	28.0	31.0	28.0	27.0

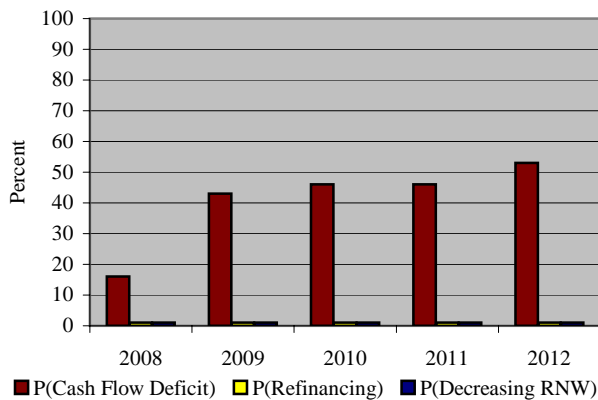
Producers participating in the panel include: James Blythe, Paul Clark, Steve Ford, William Lee, Larkin Martin, and Ron Terry.

GAC2300

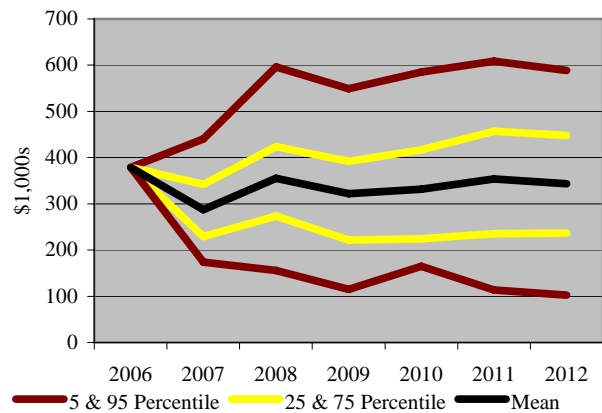
Southwest Georgia (Decatur County) is home to a 2,300-acre cotton farm that plants 1,495 acres to cotton, 575 acres to peanuts, and 230 acres to soybeans. This farm was added during 2001 to represent resurgent cotton production in the Deep South. In 2006, farm receipts were comprised largely of cotton sales (65 percent) and peanut sales (30 percent).



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	1,661.5	1,658.7	1,681.4	1,729.5	1,723.1
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	282.4	258.9	260.7	265.7	258.8
Total Receipts (\$1,000)	1,959.5	1,938.2	1,964.0	2,007.9	2,014.5
Total Expenses (\$1,000)	1,604.1	1,616.3	1,632.6	1,653.9	1,671.3
Net Cash Farm Income (\$1,000)	355.3	321.9	331.4	354.0	343.2
Ending Cash (\$1,000)	400.6	421.4	432.8	441.8	427.2
Net Worth (\$1,000)	4,164.9	4,380.8	4,587.3	4,765.7	4,946.2
Return on Assets (%)	10.6	6.5	6.5	7.3	6.7
P(Cash Flow Deficit) (%)	16.0	43.0	46.0	46.0	53.0
P(Refinancing) (%)	1.0	1.0	1.0	1.0	1.0
P(Decreasing RNW) (%)	1.0	1.0	1.0	1.0	1.0

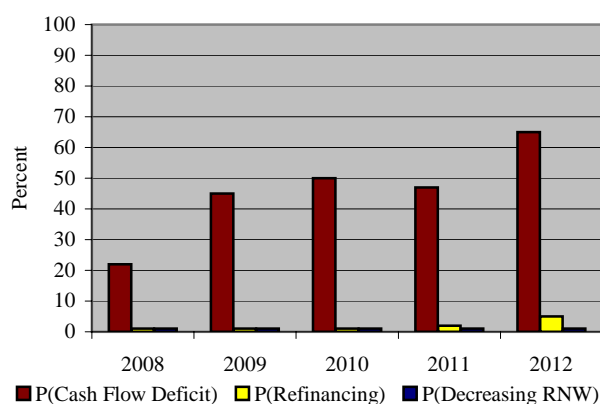
Producers participating in the panel include: Andy Bell, John Bridges, Jr., David Holton, and Donald Shirah. Joel Hudgins, Brad Mitchell, Don Shurley, Nathan Smith, and Amanda Ziehl serve as facilitators.

NCC1500

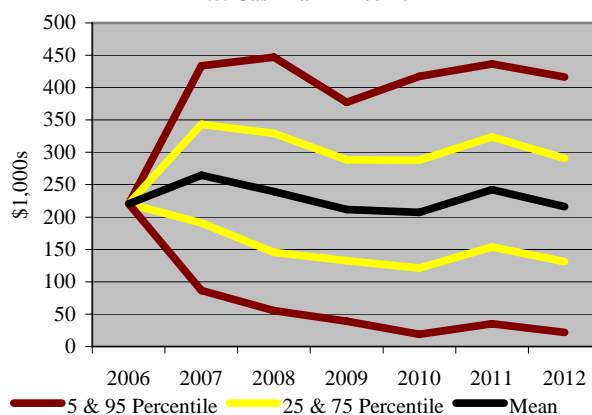
This is a 1,500-acre cotton farm located on the upper coastal plain of North Carolina (Wayne County). NCC1500 plants 954 acres of cotton, 273 acres of wheat, and 546 acres of soybeans (273 acres of which are double-cropped) annually. Cotton accounted for 67 percent of this farm's 2006 receipts with 16 percent coming from soybean sales.



Probabilities of a Cash Flow Deficit, Refinancing, and Decreasing Real Net Worth



Net Cash Farm Income



	2008	2009	2010	2011	2012
Market Receipts (\$1,000)	623.6	617.6	621.3	663.3	632.7
Livestock Receipts (\$1,000)	0.0	0.0	0.0	0.0	0.0
Government Payments (\$1,000)	115.3	108.1	104.4	108.7	102.1
Total Receipts (\$1,000)	825.0	811.4	816.5	857.0	826.8
Total Expenses (\$1,000)	585.5	599.6	609.3	614.6	610.6
Net Cash Farm Income (\$1,000)	239.5	211.9	207.2	242.4	216.3
Ending Cash (\$1,000)	317.5	335.3	336.9	342.5	320.5
Net Worth (\$1,000)	3,042.5	3,152.7	3,256.7	3,382.0	3,484.0
Return on Assets (%)	9.3	5.3	4.3	5.6	4.9
P(Cash Flow Deficit) (%)	22.0	45.0	50.0	47.0	65.0
P(Refinancing) (%)	1.0	1.0	1.0	2.0	5.0
P(Decreasing RNW) (%)	1.0	1.0	1.0	1.0	1.0

Producers participating in the panel include: Daryl Anderson, Landis Brantham, Jr., Willie Howell, David B. Mitchell, Sr., Danny C. Pierce, Craig West, and Bryant Worley. Kevin Johnson serves as the facilitator.

AFPC Briefing Series

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