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Iowa State University economists have cautious message for farmers

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Iowa State University economists are cautioning farmers to be prepared for a potential downturn in the values of commodities and land.

John Lawrence, director of Agriculture and Natural Resources Extension and Outreach and associate dean for Extension Programs and Outreach, said four Iowa State economists give “an analysis of the current state of Iowa agriculture” in a series of papers on the Ag Decision Maker website (http://www.extension.iastate.edu/agdm/, under the Ag Cycles heading).

“This analysis is not intended to be a forecast of annual prices in the coming months or years. Nor is it predicting gloom and doom for agriculture. Rather, it is intended to help put current economic conditions into a historic context, better understand the factors that will influence prices and margins in the future and help farmers prepare for whatever direction the market turns,” Lawrence said.

The ISU economists offer ways that crop and livestock producers can be ready for the possibility of economic upheaval after many years of increasing prices and land values.

Chad Hart, associate professor of economics and extension economist, points out the cyclical nature of commodity markets and advises farmers to create and follow a marketing plan based on production costs: buy inputs when making crop sales; move to fixed rate loans to protect against higher interest rates; and continue to use risk management programs, such as crop insurance.

Lee Schulz, assistant professor and extension livestock economist, presents the supply and demand situations for beef cattle and hogs. He highlights the importance of managing costs and price risks in a successful operation.

Michael Duffy, professor of economics and extension economist, reviews the history of Iowa farm-land values and sees a likely decline as corn and soybean prices fall, but suggests the decline won't be as steep as the Farm Crisis of the 1980s.

Whether you use our farm energy log or create one that suits your needs, enter your information from each monthly bill and review the results. Try to get a better sense of the fluctuations in your farm's energy demands from season to season and year to year. This information can help you minimize your short-term expenses with management techniques, such as adjusting grain drying temperature or hog confinement ventilation settings, to reduce propane or electricity consumption. Observing yearly trends over the long run may also help you identify the optimal time to replace your equipment or implement energy efficiency upgrades for barns or buildings.

Check out the farm energy log and follow us on Twitter @ISU_Farm_Energy to learn more about energy efficiency all around the farm.

Iowa State University economists have cautious message for farmers

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your farm’s electric bill. By entering this month’s kilowatt hours (kWh) and total cost from your statement, the energy log will calculate your cost per kWh. For fuel sources such as diesel, gasoline or propane, the form will calculate the price per gallon. Previous or future bills also can be added to show changes in cost and volume over time.

“Using an energy log not only shows the total energy expenses, but also how the number of gallons or kilowatt hours used is changing during the year,” says Hanna. “This allows meaningful comparison of energy consumption from year to year.”

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Dermot Hayes, professor of economics and Pioneer Chair in Agribusiness, uses an Iowa State-developed method to extrapolate futures prices for five years into the future. The worst-case scenario shows corn prices as low as $4.27 in 2013, $3.85 in 2014, $3.41 in 2015, $3.12 in 2016 and $2.89 in 2017, with soybean values for the corresponding years at $9.69, $8.89, $7.85, $7.09 and $6.55.

An analysis of agricultural debt by Jason Henderson and Nathan Kaufman, economists at the Federal Reserve Bank of Kansas City, is included on the Ag Decision Maker website. It refers to previous articles that deal with cycles in agriculture and how they have affected farm debt.

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**William Edwards reflects on his lifelong connection with ISU Extension and Outreach**

*by Kristin Senty, economics communications specialist, ksenty@iastate.edu*

Retirement is often a time of reflection, and for William Edwards, there’s a sense that his career has stayed close to his roots.

A professor of agricultural economics at Iowa State University, Edwards earned his PhD here in 1979, the same year that he came to work in the Department of Economics. While he jokes that he’s “a little inbred” to Iowa State, moving into emeritus status this summer doesn’t mean that he plans to stop working.

In fact, Edwards will have more time to devote to the Ag Decision Maker website, which he plans to continue developing and updating. What started in 1996 as a monthly hard copy publication that shares information on farm management and ag economics has grown into an online site that receives nearly one million reader hits a year.

Says Edwards, “Over the years, the information we put out hasn’t changed, but the way we do it has. At one time it was all paper copies and answering questions by letter. Now the amount of mate-