

Midwest flood issues: Financial survival in the short-run, improved flood readiness in the longer-run

The recent bomb cyclone with its freezing temperatures, followed by warm temperatures and heavy rains, resulted in breeched dams and levees and severe flooding in the Missouri and Mississippi River Valleys and beyond, encompasses much of the Western Corn Belt. This weather sequence could not have come at a worse time.

Farmers, who were already coping with a slow-moving financial crisis and a rising level of bankruptcies along with a continuation of below the cost-of-production prices, suddenly saw their fields inundated, livestock in distress, and grain bins flooded just weeks away from the normal start of spring planting.

As the water moves downstream and spring rains continue, flooding is likely to extend into the lower Mississippi River basin affecting fields that have already been planted.

In many areas, roads are under water or washed out, making it difficult for farmers and to check on their livestock. In areas of Nebraska, the National Guard is dropping hay into isolated fields to feed the cattle that are standing on relatively high ground.

Bins that were full of corn and soybeans that farmers were holding in hopes of the resumption of exports to China and higher prices have been flooded, making the floodwater-soaked corn and soybeans worthless. In many cases the wet grain has resulted in burst grain bins, making an already desperate situation worse.

The heavy flooding of fields introduces uncertainty into spring planting. At this point in time no one knows if the fields will dry out in time for fieldwork. Farmers are also uncertain how much topsoil is left in fields that are under water or if the field is covered with a layer of sand that has been delivered by the flood waters.

While there is much that remains unclear about the impact of this spring's flooding, the financial consequences are sure to be significant. In Nebraska, alone, preliminary estimates of damage exceed \$1 billion with the number surely to rise as the extent of the damage is identified.

Some of the damage will be covered by insurance payments, but people with flooded homes—on farms and in rural communities—that were not enrolled in the National Flood Insurance program may have to bear most of their losses. Beyond residences, and grain bins, the damage extends to barns, outbuildings, and trucks and other farm equipment.

Any losses resulting from the flooding of these items will make already precarious farm finances even more problematic. Reporters have already interviewed farmers who have said that they will likely be forced into bankruptcy with these unexpected losses.

The next issue to think about is the impact this event or series of events will have on commodity and livestock and prices for the remainder of the 2018 crop marketing year (2019 calendar year for cattle).

As a result of the early marketing of some cattle because farmers had no place to keep or feed them, affected local cattle markets have seen a decline in prices. The longer-term impact on prices is less clear.

Depending on the extent of the reduction in the available corn and soybean stocks due to the flooding, prices for the remainder of the year may be higher than previously anticipated. Prices for the coming crop year will depend, in part, on the number and productivity of acres that

remain unplanted because of the current flooding. At this point in time, it is too early to speculate because above average yields in areas unaffected by the flooding could hold prices down.

While it may be difficult to see beyond the present crisis, it is important to begin to identify lessons that can be gleaned from the current situation.

As farmers in the affected areas plan to build back and farmers elsewhere have building plans in place, elevation is an important concept. Identifying high spots for the placement of grain storage facilities and making them even higher may be a wise investment as we enter an era of more extreme weather events. It may be easy to think that a 500-year flood event is a remote possibility in your area, but such an event is likely to take place somewhere in the next decade or two. A bit of caution now could prevent a disastrous situation in the future.

None of us should avoid long-term planning that takes more extreme weather events into account. Just this spring, flooding in Knoxville, left Harwood with only two long routes out of his area of town and a nearby road built only 5 years ago was under water for nearly two weeks. Whether one lives in the hills of East Tennessee, the prairie pothole region of Iowa, or the prairies of Nebraska, when it comes to the future it may be better to be safe than sorry.

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