



**Agriculture Finance Update:
Rabobank Release New Farm and Ranch Confidence Survey**

Rabobank recently launched a survey to gauge farmers' confidence, and found that, while farmers' outlook on the economy generally mirrors that of the overall population, more than half of farmers surveyed are employing risk management strategies to help navigate this difficult economic climate.

"Our survey demonstrates that U.S. farmers and ranchers are tackling the current economic environment head on by making smart choices to help them weather the storm," said John Ryan, president and CEO for Rabo AgriFinance. "While many are hurting because of the economy, there is some optimism that the situation will improve next year."

According to the Rabobank Farm & Ranch Survey, more than half of U.S. farmers have recently implemented or plan on investing in risk management or marketing strategies. Among those, pre-selling crops/livestock is the most regularly used risk management approach, followed by hedging future commodity sales and lock-in margins.

"We are in the midst of difficult financial times, but this survey illustrates that farmers are taking steps to mitigate their risk, which will ease concerns about the future," said Ryan.

However, deployment of risk management strategies varies based on the degree of concern about the U.S. agricultural economy. While 45 percent of farmers who are concerned about the agricultural economy use at least one risk management strategy, the percentage employing risk management solutions increases to 60 percent for farmers who are somewhat concerned and to 80 percent for those who say they are not concerned.

In addition to risk management tactics, the Rabobank Farm & Ranch Survey looks at business conditions, economy concerns and expansion plans among U.S. farmers, ranchers and agricultural producers.

Business Conditions

While revenue is declining for many farmers, the cost of inputs is improving. Significantly fewer farmers indicate their costs are worse this year (67 percent vs. 94 percent in 2008), according to the report. In fact, 30 percent of farmers expect input costs to decrease.

Additionally, fewer farmers expect conditions to get more difficult when compared to the same period last year. In other words, less than 20 percent of farmers thought 2009 would be better than 2008, while 30 percent think 2010 will be better than 2009.

Agricultural Economy & Financial Concerns

In looking ahead, nearly half of those surveyed expect the agricultural economy to worsen in 2010, and most are currently concerned about the economy. Nearly nine out of 10 farmers are concerned about their own economic situation, and nearly eight out of 10 say they would have been more optimistic if current economic conditions had been better, according to the survey.

However, three out of every four farmers said their outlook for the future would be more favorable

if their own financial situation or the overall economy was better. Nearly 90 percent of farmers who actively manage risk feel that their responses would have been more favorable about the future compared with those who do not (72 percent). This survey finding suggests that the current economic condition is driving the adoption of risk management solutions.

Expansion Plans

While hiring of employees and land expansion are relatively stagnant among farmers surveyed, U.S. farmers' intentions to purchase equipment are on par with 2008. The majority of farmers (77 percent) have kept the same workforce size, and nine in 10 do not plan to buy or sell land.

Additionally, one in three farms expect to purchase farm equipment next year, but will look to used rather than new equipment (43 percent).

Methodology

The study was conducted to gauge farmers' confidence among target farming regions in the United States. An independent survey company conducted 458 computer-assisted telephone interviews in the first half of February 2009. Farmers who owned or operated a farm grossing \$250,000 or more in one of three U.S. census regions -- the Midwest, Southern U.S. and Western U.S. -- were targeted. Additionally, a baseline survey was conducted, but not released in 2008, and is used as comparison for this survey.