**Ballard County Ag Newsletter**

**December 2023**

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Another year is almost over. I can’t believe how fast it has gone. What follows is a pretty good summation of the year overall for most of the crop and animal sectors. I would take last year’s wheat and soybean crop again but I would like a little better and less stressful corn crop if I had my wish.

**Kentucky agriculture navigating 2024 economic headwinds and opportunities**

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After achieving remarkable success the previous two years, Kentucky's agricultural economy will likely experience a modest decline in 2023 and some sectors will face continued challenges into 2024. The global response to price incentives, stemming from tight global stocks and trade opportunities, has significantly impacted the state’s agricultural sector.

According to University of Kentucky [Martin-Gatton College of Agriculture, Food and Environment](https://www.ca.uky.edu/) economists, researchers and extension specialists, this anticipated downturn is primarily attributed to price declines for several key farm commodities.

“Several challenges confront Kentucky agriculture,” said UK [Department of Agricultural Economics](http://agecon.ca.uky.edu/) professor [Will Snell](https://agecon.ca.uky.edu/person/william-snell). “Increased global production is leading to significant price drops for several important Kentucky commodities like corn, soybeans, wheat and dairy. Moreover, the global economic slowdown is diminishing the demand for agricultural products. Political tensions and ongoing conflicts abroad are also disrupting key trade routes.

“Higher interest rates and labor costs are more than offsetting lower feed and fertilizer expenses. Land values are continuing to be relatively strong, despite shrinking farm profit margins and climbing interest rates. However, signs indicate that land price growth is slowing down, but overall, the balance sheet for agriculture remains favorable heading into 2024.”

**Kentucky outlook**

Kentucky’s agricultural cash receipts are expected to decrease from a record high $8.3 billion in 2022 to $8.1 billion in 2023. This drop stems mainly from lower earnings in corn, soybeans, dairy and tobacco, despite notable gains in cattle and wheat receipts. Poultry remains the top commodity for cash receipts, with cattle prices seeing a significant rise.

Kentucky's agricultural exports, traditionally a strong economic contributor, are likely to decline in 2023. Factors such as the strengthening United States dollar and a weaker global economy contribute to this downturn. This reduction in exports, combined with increased agricultural imports, might result in an unusual trade deficit for U.S agriculture, diverging from its history of significant trade surpluses.

Notably, the state's cattle markets have shown resilience. Even though the markets have cooled off this fall, Kentucky's calves and feeders are fetching much higher prices compared to 2022. This is a positive sign for local producers, reflecting a healthy demand for quality livestock.

However, this optimism is tempered by looming challenges. Hay supply and costs are becoming increasingly concerning for cow-calf operations as winter approaches. The rising costs and dwindling hay availability could strain resources, impacting overall productivity and profitability.

**National and International Impact**

In a broader context, the national cattle industry does not appear to be expanding. The projection is for a smaller cow herd size in 2024 and likely 2025, a trend that could continue to support higher prices due to reduced supply.

“From a longer-term perspective, the supply fundamentals in the cattle market are very encouraging,” said extension specialist [Kenny Burdine](https://agecon.ca.uky.edu/person/kenny-burdine). “There is no indication that cowherd expansion has begun, so calf crops will continue to get smaller until that happens. This will continue to support calf prices in 2024, and likely beyond.”

The poultry sector faces its own set of challenges. The recent closure of Tyson's plant in Corydon, Indiana, has significantly impacted Kentucky growers, disrupting the supply chain and possibly affecting income streams. Additionally, the national rise in [Avian Influenza cases](https://www.cdc.gov/flu/avianflu/avian-flu-summary.htm) is a concern, requiring vigilance to protect poultry stock’s health and industry stability.

Equine sales have slightly declined from 2022 but have largely retained gains achieved post-COVID. This equine market stability is encouraging, particularly as Kentucky observes a slight increase in mares bred, countering the national trend.

An excess supply of corn has led to a planting strategy shift, with some producers considering more soybean cultivation due to corn's excess supply and price decline. In contrast, soybeans have maintained steadier prices, bolstered by market bullishness and expansion in U.S. crush capacities. The wheat market is experiencing notable impulsiveness, significantly impacted by Russia and Ukraine, causing price fluctuations and introducing market uncertainties.

“I believe we are going to see some volatility,” said [Grant Gardner](https://agecon.ca.uky.edu/person/grant-gardner), grains economics assistant extension professor. “A lot of this will be caused by international production and conflicts as well as other countries increasing production.”

Brazil’s recent rise as a major agricultural player is surpassing the U.S. in corn exports, reshaping global trade dynamics. This particularly affects U.S. market shares and relationships with key importers like China. Additionally, Ukraine’s conflict has also introduced risks in transporting goods from the Black Sea region, affecting global supply chains.

**Assessing Kentucky’s current and future financial performance**

Kentucky’s farm cash receipts have been relatively high in recent years. The key to financial survival is net farm income (NFI) which, in addition to cash receipts, considers expenses as well as government payments. NFI data is pulled from operations participating in the [Kentucky Farm Business Management Program](https://kfbm.ca.uky.edu/) (KFBM), which assists member farms with their financial performance. This income directly influences the financial well-being of the farm and family involved.

“The year 2021 marked a peak in NFI for KFBM farms, the highest ever recorded, driven by robust gross income,” said [Jerry Pierce](https://agecon.ca.uky.edu/person/jerry-pierce), KFBM program coordinator. “However, in 2022, NFI from KFBM farms dropped to levels comparable to 2020. The decline was primarily due to a 21% increase in total expenses, which significantly eroded the net income per acre by approximately $185. This increase in expenses was attributed to high costs of inputs like fertilizer, chemicals and seeds and inflated prepaid expenses from the previous year.”

Government payments, which played a crucial role in farm recovery since 2017, dropped substantially in 2022. This change, coupled with projected lower gross income and higher total costs for the current year, anticipates a further decline in NFI.

“Despite the 2022 NFI drop, the working capital ratio did not decline proportionally, indicating prudent financial management by farmers, who maintained sufficient current assets within their businesses,” Pierce said.

**What does the future hold for farmers and investors?**

Looking ahead, challenges loom with expected decreases in profitability. Farms will likely face a tight balance between loan repayments, operational expenses, family living costs and maintaining a healthy balance sheet. This is especially true for farms below the average income. Covering these obligations in the short term could be strenuous, although improved working capital ratios indicate better preparedness than previous years.

 A key component in Kentucky's specialty-crop sales is direct markets like on-farm retail, [Community Supported Agriculture](https://www.uky.edu/ccd/marketing/market-resources/direct/csa) (CSA) and farmers' markets.

“While these outlets have maintained strong sales despite higher prices and inflation, the sector faces significant challenges,” said [Tim Woods](https://agecon.ca.uky.edu/person/timothy-woods), [Center for Crop Diversification](https://www.uky.edu/ccd/) extension professor. “High input costs, particularly for fertilizers and fuel, have only marginally receded from their peaks in 2022. Labor costs constitute 30% to 40% of total costs in vegetable production and have sharply increased, significantly impacting profitability and contributing to higher consumer prices.”

CSAs have seen growth in recent years and rising costs have led to a 15-20% increase in seasonal share prices, causing concern about customer retention and affordability. Despite these challenges, certain segments like garden centers and landscaping materials have unexpectedly flourished, indicating a diverse and adaptive agricultural economy.

The controlled environment greenhouse and vertical farming industry is a specialty crop sector that could roll with the punches.

“Despite generating $22 million in sales, the high-tech indoor greenhouse company AppHarvest faced financial struggles, leading to bankruptcy and a subsequent sale,” Woods said. “This case exemplifies the high-risk, high-reward nature of innovative agricultural ventures like vertical farming and controlled environment systems. However, these ventures will still attract significant investment despite the challenges in achieving profitability as technology continues to introduce intensive agriculture opportunities.”

In 2023, the forestry sector's economic contribution remained around $13 billion, despite noticeable disparities in its sub-sectors' performance. The lumber market, a key driver for timber and log prices, saw a slump in 2022, with white and red oak prices plummeting by 45% and 53%, respectively. Although 2023 brought some recovery, these oaks regained only 17% and 22% of their value. Other species showed modest gains but did not fully recover from the previous year's losses, except for hard and soft maples which declined by over 20%.

“The overall timber market has been weak, particularly for average-quality timber, with low values for lumber, ties and pulpwood,” said [Jeffrey Stringer](https://forestry.ca.uky.edu/jeffrey-stringer), [Forestry and Natural Resources](https://forestry.ca.uky.edu/) professor and chair. “An exception is white oak stave log prices, which have stayed high due to strong demand, supporting a seller’s market throughout 2023.”

The forestry sector also faces challenges like labor shortages and the closure of three smaller mills. Many mills are maintaining low log inventories, indicating concerns over ongoing market softness and leading to reduced demand and prices for many species. This caution is partly due to decreased housing starts.

However, there's optimism for a supply-demand balance in 2024, which is essential for a rebound in overall timber pricing. The notable exception is white oak stave logs, where demand is expected to sustain high prices into 2024.

The tobacco sector, a historical key component of Kentucky's agriculture, had another tough year in 2023. Poor growing and curing conditions have affected the crop's quantity and quality. Nonetheless, global market conditions are offering increased production opportunities for burley tobacco, while shifting consumer demand patterns are leading to significant contract cuts for dark tobacco.

Despite continued and emerging economic, political and weather challenges, current Kentucky farm financial health remains generally strong.

“While Kentucky farmers have enjoyed lower costs for fertilizer and feed, increased interest and labor expenses have raised overall input costs,” summarized UK [Plant and Soil Science](https://pss.ca.uky.edu/) professor and [Grain and Forage Center for Excellence](https://gfce.ca.uky.edu/) director [Chad Lee](https://pss.ca.uky.edu/person/chad-lee). “Despite these challenges, the state's net farm income is expected to stay relatively high compared to the previous five years, though it will likely drop from record highs.”

For regular industry updates and news from the UK Department of Agricultural Economics, visit <https://agecon.ca.uky.edu/econ-policy-updates>.

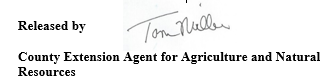
**Timely Tips**

***Dr. Les Anderson, Beef Extension Professor, University of Kentucky***

**Spring Calving Herd**

Be sure that weaned heifer calves are on a feeding program that will enable them to be at about 65% of their mature weight before the start of the breeding season. Rations should be balanced to achieve gains sufficient to get heifers from their current weight to that “target” weight.

Body condition is important, plan an adequate winter program for cows to be at least body condition score 5 (carrying enough flesh to cover the ribs) before the calving and breeding season. This will help them to breed early in the spring. Thin cows should be fed to regain body condition prior to winter. Don’t let cows lose weight/condition. Supplementation will most likely be needed. Find low-cost supplemental feeds to meet the nutrient needs of cattle.

* ****Divide the herd into groups for winter feeding weaned heifer calves
* first-calf heifers, second-calvers and thin mature cows
* the remainder of the dry cows which are in good body condition
* herd sires
* Begin feeding the lowest quality forage to dry cows which are in good condition during early winter and save the best hay for calving time or for weaned calves.
* Order and number ear tags for next year’s calf crop this winter. It is also a good time to catch up on freeze branding and replacing lost ear tags.
* **Fall Calving Herd**
* Get breeding supplies together, if using estrous synchronization and/or A.I.
* Have Breeding Soundness Evaluation (BSE) performed on bulls (even if you used them this spring).
* The fall breeding season starts. Breeding can best be accomplished on stockpiled fescue pasture; otherwise, cows with calves should be fed 25-30 pounds of good quality hay or its equivalent. Supplement with grain, if needed, and minimize hay waste. DON’T ALLOW THESE COWS TO LOSE BODY CONDITION PRIOR TO OR DURING THE BREEDING SEASON. It is easy to wait too long to start winter feeding. Don’t do it unless you have stockpiled fescue.
* Nutrition level of cows during the first 30 days after conception is critical. Pay attention.
* Observe performance of bulls during breeding season. Watch cows for return to estrus, if you see several in heat, try to determine the cause and consider changing bulls.

**General**

* Complete soil testing pasture to check for fertility and pH.
* Consider putting down geotextile fabric and covering with gravel in feeding areas before you begin hay feeding to minimize waste of expensive hay. Or, perhaps, construct concrete feeding pads for winter feeding areas.
* Monitor body condition and increase feed, if needed.