

KENTUCKY FARM BUSINESS MANAGEMENT PROGRAM

STATE NEWSLETTER



University of Kentucky
College of Agriculture,
Food and Environment
Cooperative Extension Service

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Inside:

Welcome Dr. Barnett	1
KFBM Dairy Summary	2
Managing Financial Stress.....	2
KFBM Beef Summary	3
Tax Law Changes	3
Upcoming Events	4

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Welcome to Dr. Barry Barnett

By: Jennifer Rogers

Dr. Barry Barnett began his new position as the Department Chair of Agricultural Economics on January 1, 2018. Dr. Barnett is an alum of the department receiving both his Bachelor of Science degree and Ph. D. in Agricultural Economics at the University of Kentucky. He is a native of Woodford County, Kentucky and currently resides there. Before coming back to UK Dr. Barnett was a Professor in Agricultural Economics at Mississippi State University. He also spent some time at the University of Georgia as an Associate Professor in the Department of Agricultural and Applied Economics.

During his years as a research professor, Dr. Barnett focused on agricultural policy, risk management and insurance. He has written many articles on U.S. commodity programs and crop insurance. He also has an active research program related to disaster risk management in rural areas of developing countries.

We want to welcome Dr. Barnett back to the Department of Ag. Economics at UK and look forward to working with him in the years to come. Dr. Barnett has showed significant interest in the Farm Analysis program and is looking for ways to integrate our program and the data that we produce into more programs and areas of the department. He hopes to visit with each association in the near future.

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KFBM Dairy Summary

By: Tarrah Hardin

There were 18 dairies in the KFBM program in 2017, with 7 farms having less than 200 cows and 11 farms having more than 200 cows. A "Dairy" farm is defined by the Program when the value of feed fed is more than 40 percent of the crop returns and utilizes more than one-third of the value of feed fed. Thus, a farm may own some dairy cows, but may still not be included in these dairy statistics.

Dairies across the state saw a rebound in net farm income (NFI) from negative \$878 in 2016 to \$119,328 in 2017. Some of the reason for the upward trend in NFI is from the slight increase in milk prices from \$17.83 in 2016 to \$19.76 per cwt of milk in 2017. Although Management Returns increased in 2017, they were still negative, at -\$32,829. On a per cow basis, average Management Returns for dairies less than 200 cows was negative \$562.33 while farms with more than 200 cows saw negative \$59.72 Management Returns.

Milk production once again increased from the previous year. In 2016 milk production averaged 21,805 pounds and increased to 23,101 pounds in 2017. In the past, KFBM dairies have always been below the national milk production average that USDA reports. In 2017 that changed with KFBM dairies producing 160 pounds more on average per cow. Although production continues to increase each year, price per cwt is expected to decrease, so managers need to watch how they spend their capital.

Managing Financial Stress

This article is adapted from the April 2018 Money Wise Newsletter, written by Alex Elswick, Extension Associate, Family Resource Management, University of Kentucky

[Everyone has stress. In good times and in bad, situations arise that will create stress. Farming is certainly no different. In fact, given that so much of the farm business is determined by "Mother Nature" and is outside of human control, farming is a naturally stressful occupation. Stress in farming can arise through a variety of

means: financial, production, labor, and so on and so on. This article will focus on financial stress, not just specifically related to farming, but as most Americans may face it.]

Financial stress may result from months or years of poor money decisions or could be a response to an immediate financial crisis, such as the loss of a job or a major home or car repair. For most of us, it is difficult to completely eliminate financial stress from our lives. According to a 2017 national survey, 62% of Americans reported feeling stressed about money. If you are feeling anxiety about your bank account, you are not alone.

Although financial stress may be unavoidable, we can control how we address it. Consider the following suggestions as a way to manage your financial stress.

Identify the Source

The first step to solving any problem is recognizing that there is one. Though this may seem obvious, it can be difficult for us to do. Let's face it: Finances can be complicated. Many of us struggle to identify why we are having trouble in the first place. As a result, we can become paralyzed by the fact that we face a problem that we know nothing about.

Identify the top two or three financial problems that you face. These could be having too much debt, having trouble saving money, or overspending. Limit the list to two or three problems so that you do not become overwhelmed.

Make a Plan

Once you have taken inventory of your financial situation, it is time to make a plan of attack. Choose the most pressing of your financial issues and focus exclusively on it. Work through a step-by-step plan to reach your goal. It is important that you include small steps to address your financial problems so that they feel manageable.

Focus on this one goal and do not move on to another until you feel that you have a handle on your new financial behavior. This will limit stress and make you a more effective problem solver. Work through the list one problem at a time, while working through each problem one step at a time. Small change is the key to success.

Recognize How You Deal with Stress

You have begun to work towards addressing your financial problems and that is great. However, many of us have unhealthy habits or coping mechanisms that we turn to when times get hard. For instance, many people smoke or overeat when they feel stress. Unfortunately, these behaviors usually make our stress worse, they are bad for our health, and they cause us to spend more money! As a result, our financial stress only seems to get worse.

Consider replacing these behaviors with a healthier way of coping. For some people, this might mean taking a walk outside. Others may find that their stress is reduced when they exercise or meditate. Find what works for you.

Ask for Help

People are more effective at initiating and maintaining change when they have a support system that can hold them accountable and offer emotional support. You do not have to face your problems alone. Talk to someone about your financial stress. You may desire to seek professional help, but if not, you can at least reach out to friends and family for support. Tell your support system about your problem and your plan to address it. Letting them know specifics will enable them to be more effective in supporting you to change your financial situation.

Most of all remember this: You did not dig yourself a hole in a day and you will not be able to dig yourself out in a day either. Addressing financial stress is a process. It takes time. But with a specific action plan, you can begin managing your financial stress today.

Beef Summary

By: Michael Forsythe

In 2017, there were 71 KFBM farming operations with beef herds. The average farm managed 101 cows and had an average of 89 calves born for an 87.9% calving percentage. There were 597 pounds of beef produced per cow. The average beef farm reported death loss of 5 marketing and 4 breeding animals. On average, 77 market calves were sold at a weight of 639 pounds for

\$130.43 per CWT. This is only \$3.65 per CWT lower than 2016, but \$58.95 per CWT lower than it was in 2015. Farmers culled 13.4% of their cows and the average price on breeding livestock was \$65.92 per CWT. This was down \$8.09 per CWT from 2016.

The average Total Returns per Cow was \$697, a \$229 increase from 2016. The average Total Value of Feed Fed was \$498, a \$49 increase from 2016. This resulted in a \$199 per cow Returns Above Feed Cost left to cover all other costs (vet/medicine, rent, equipment, labor, etc.) related to the beef operation. This is an increase of \$180 from 2016, which was only \$19.

In 2017, we started to see some stabilization of prices after the drastic price drop that started toward the end of 2015 and continued throughout 2016. Even though they saw an increase in Returns Above Feed Costs, beef farms are still well below the returns that were seen in 2012 when market prices were very similar.

2018 Tax Changes

There are many tax law changes that take effect for 2018. Some of these changes include the following:

- Increased expensing under Section 179
- Bonus Depreciation allowed for multi-purpose buildings and applicable for new or used purchases
- Deductions for employee meals limited to 50%
- Purchase of NEW (not used) equipment expensed over 5 years
- Like-kind exchanges repealed except for real property. This changes the reporting of equipment trades.
- New IRC 199A: Qualified Business Income Deduction of 20%

This is only a summary of tax law changes beginning in 2018. Currently, most of these changes are only in effect through the end of 2025.

It is strongly recommended that you meet with your tax preparer or Farm Business Management Specialist to see how these changes will impact your farm business.

