

Ag Economic Situation & Outlook U.S. AND KENTUCKY

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Published December 2021





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Dr. Will Snell

2021 SITUATION

Agriculture, like many industries, has been challenged by a multitude of factors over the past 18 months including a relentless and ongoing global health pandemic, an initial meltdown of the global economy, major supply chain disruptions, continued trade tension, soaring inflation amidst higher energy, labor, and food costs, labor supply challenges, and major

adverse weather events. Despite these impactful events, the U.S. farm economy has not only survived, but experienced remarkable growth, initially on the heels of significant government financial support, followed by strong export gains, impressive crop yields, and a growing global demand for meat products. In 2020, USDA claims that net farm income increased nearly 20%, with government payments comprising close to one-half of net farm income. For 2021, USDA is projecting an additional 23% gain in net farm income, which, if realized, would be the second-highest net farm income on record and the sixth-highest over the past fifty years when adjusted for inflation.

Direct government payments to U.S. farmers totaled a record \$45.7 billion in 2020. Most of the payments were from the Coronavirus Food Assistance Program (CFAP) to assist farmers from COVID-19-induced price declines and the Market Facilitation Program (MFP) to compensate farmers from losses evolving from the trade wars.

Government farm payments are projected to decline 40% in 2021, but are still projected by USDA to comprise around one-quarter of net farm income.

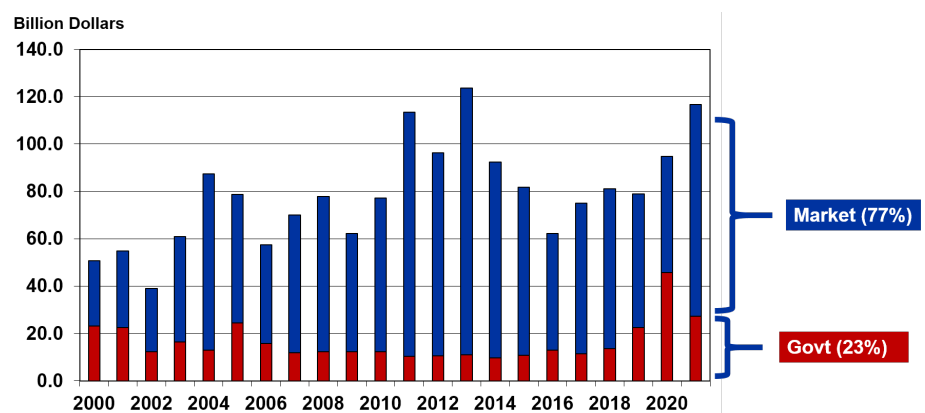
Accounting for both higher commodity prices and larger trade volumes, U.S. farm exports will likely end 2021 at record high levels of approximately

Despite many challenges, the farm economy prospered in 2021

Kentucky farmers are expected to achieve record high cash receipts in 2021 in response to strong commodity prices, record grain yields, strong grain/meat exports and recovery in poultry and equine markets

Source: USDA-ERS, December 2021 Estimates

EXHIBIT 1: U.S. NET FARM INCOME



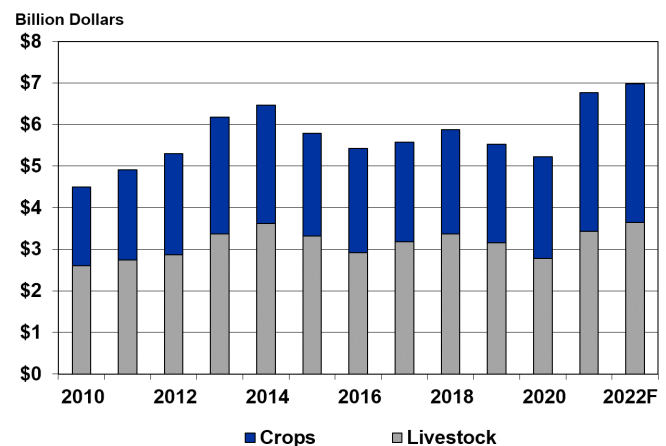
\$175 billion, following surprising growth in 2020. While most of the gains in U.S. ag exports in 2020 could be attributed to one market –China, and a few commodities – primarily corn, soybeans, and pork, export gains in 2021 were strong among most all of our major trading partners and across most ag commodities. Through October 2021, the value of U.S. corn exports has more than doubled, while U.S. beef exports are up 38%, forest products +28%, poultry +24%, dairy 18%, wheat +17%, soybeans +10%, and pork +8%. China remains the leading export market for U.S. agriculture, but the ag sector experienced strong demand in 2021 for U.S. ag commodities and food products from import markets like Mexico, Canada, Japan, and several other nations in Southeast Asia.

As a result of an improving farm economy, the U.S. farm balance reversed some concerning issues that surfaced from the economic downturn experienced in 2015-2019. Higher net farm income and continued low interest rates boosted land and other asset values in 2021, leading to improvements in many financial ratios, along with strengthening working capital, liquidity, and cash flow levels.

As for Kentucky, impressive grain crop yields, higher crop/livestock prices, and a strong equine market this past year are projected to boost Kentucky ag cash receipts to an estimated \$6.75 billion in 2021, surpassing the record high \$6.5 billion set in 2014 and considerably higher than the \$5.5 billion average over the past five years (2016-2020). Potential record-high state yields for corn and soybeans, coupled with strong market prices will enable these grain crops to rival poultry as Kentucky's leading ag commodity for 2021.

Similar to the national trend, the government payments to Kentucky farmers will be significantly lower in 2021 versus 2020 when they approached nearly \$700 million compared to an average of \$183 million from 2015-2019. Despite much lower government payments and increased production costs, higher cash receipts will likely enable Kentucky net farm income to approach \$2.5 billion in 2021, compared to averaging \$1.7 billion for the proceeding five-year period.

EXHIBIT 2: KENTUCKY FARM CASH RECEIPTS



Source: USDA-NASS, UK Estimates for 2021 and 2022

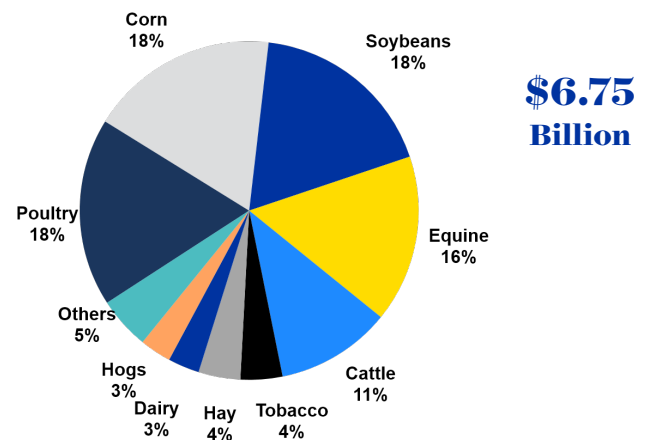
2022 OUTLOOK

U.S./Kentucky farmers will enter 2022 with commodity prices much higher than those recorded prior to the Covid-19 pandemic. Despite favorable commodity prices, the main concern confronting farmers as they begin planning for 2022 will be escalating farm input prices. After multiple years of relatively modest changes in farm input costs, farmers are bracing for the potential of double digit percentage hikes in their overall cost of production, with much higher fuel, feed and fertilizer prices anticipated. Labor costs and supplies remain troublesome for not only farmers, but throughout the entire ag/food supply chain as well as the rest of the economy. Interest rates are still expected to remain relatively low for farmers in 2022, however, spiraling inflation may induce the Federal Reserve to take action to restrict money supplies and consequently boost interest rates to cool down inflation.

U.S. ag trade is expected to remain fairly robust in 2022, but this depends a lot on crop development in South America, how China responds following the ending of the two-year Phase I trade agreement signed in January 2020, and the outcome of the global economy amidst on-going COVID concerns and supply chain issues. In aggregate, the U.S./Kentucky farm economy still has a positive outlook for 2022, but profit margins are expected to narrow compared to 2021. Consequently, farmers will be advised to monitor input and commodity markets closely in developing purchasing and marketing strategies amidst this turbulent, volatile, and uncertain farm economy.

Farmers enter 2022 with favorable commodity prices, but profits may dwindle due to soaring input prices, lower government payments, and uncertain export markets

EXHIBIT 3: DISTRIBUTION OF KENTUCKY AG CASH RECEIPTS



Source: UK Agricultural Economics, December 2021 Estimates



Dr. Kenny Burdine

2021 SITUATION

Beef production was on track to reach its peak in 2020, but COVID-related processing challenges pushed some of that production in 2021. So, the supply of slaughter cattle was high for the first half of the year and fed cattle prices struggled. Finally in the fall, feedlots appeared to get more current and fed cattle prices rallied sharply. Beef export pace was also very swift for the year and should set an annual record by the time we turn the page on 2021.

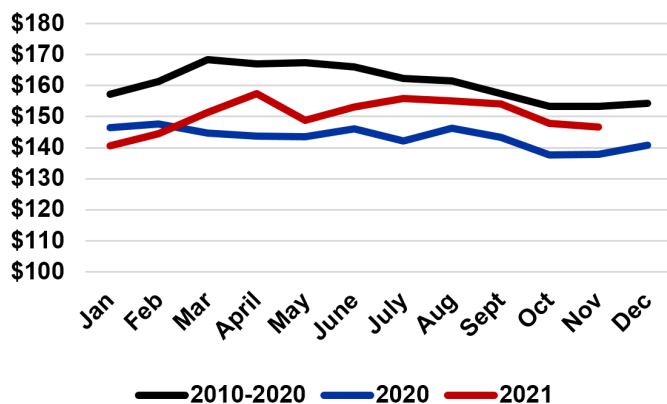
In Kentucky, heavy feeder cattle prices improved a great deal through summer and fall and have been running over \$10 per cwt above 2020 levels since July. The calf market has been the slowest to show improvement, but winter is always a challenging time to build momentum in calf markets. At the time of this writing (early December 2021), spring CME® feeder cattle futures contracts were trading in the upper \$160's. Despite the high feed prices, those spring price levels suggest potential for winter backgrounding programs at current calf prices.

Price improvement was seen in fed and heavy feeder cattle markets in the fall

Cow herd likely down 2% in 2022



EXHIBIT 1: KENTUCKY AUCTION PRICES FOR 500 LB M/L #1-2 STEERS (\$ PER CWT)



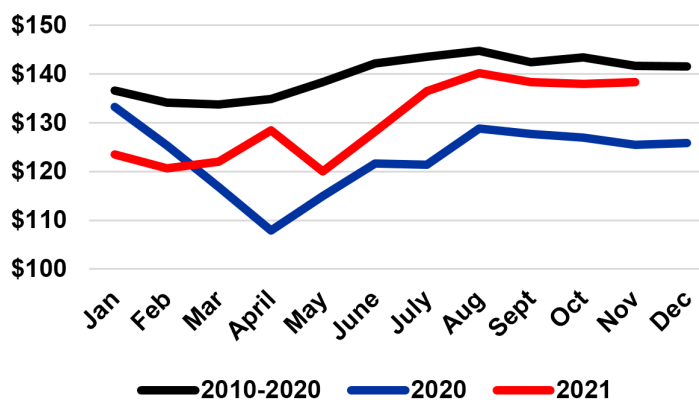
Source: USDA-AMS, author calculations

2022 OUTLOOK

While COVID and the macroeconomy remain wildcards going forward, there is reason for optimism in 2022. It appears that we have moved through the largest fed cattle supplies of this cattle cycle and the cowherd continues to get smaller. Based on beef cow slaughter and heifer retention estimates, beef cow inventory should be down around 2% for the year. It is likely that we will see our best spring calf market since 2016. At the same time, feedlot preference will still be to place heavier cattle given high feed prices. This will keep value of gain high and should lead to good returns for growing operations, especially summer stockers.

Spring calf prices likely to reach highest levels since 2016

EXHIBIT 2: KENTUCKY AUCTION PRICES FOR 850 LB M/L #1-2 STEERS (\$ PER CWT)



Source: USDA-AMS, author calculations



Dr. Kenny Burdine



Dr. Jordan Shockley

2021 SITUATION

Significant recovery was seen in broiler values, beginning in the fall of 2020 and continuing into 2021. Price improvement was seen across most all products, notably for breasts and wings, with wings reaching record highs. Year over year, the composite broiler value is up by more than 35%. Production for the year is likely going to be about 1% higher, which is less than normal for the broiler sector. The ice storm across the Southern region in February, and another sizeable decrease in production around Memorial Day, partially explain the slower than normal growth for the year. Both these impacts are clearly visible on the broiler production chart.

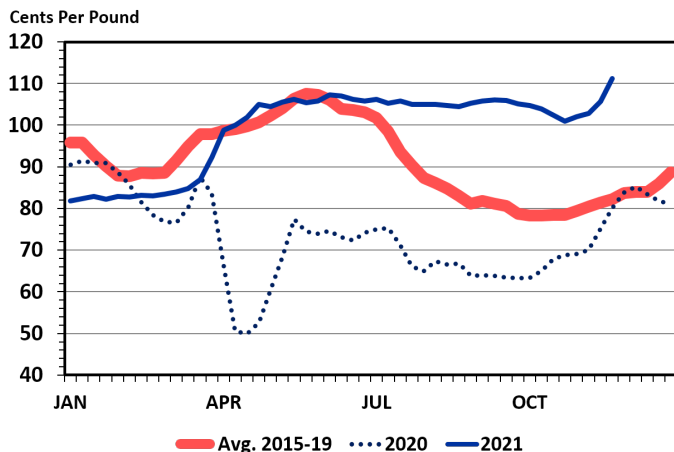
2022 OUTLOOK

The price improvement that has been seen across the broiler sector has worked to strengthen the overall industry and is likely to remain steady in 2022. However, it does appear that production growth in the sector will be more moderate next year, comparable to what was seen in 2021. It is likely that some of this may be labor related as 2-3% annual increases in broiler production have been common in recent years. Regardless, the industry seems stable and opportunities for Kentucky producers will remain.

Price improvement was seen across most products with wings reaching record highs

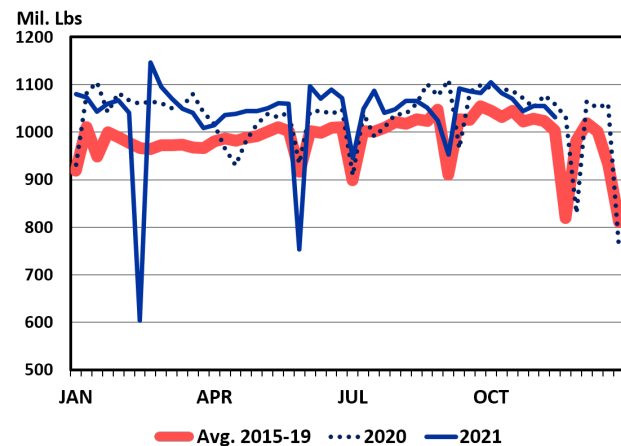
Broiler production increases more moderate, likely up 1% for 2021 and 2022

EXHIBIT 1: NATIONAL COMPOSITE BROILER PRICES (WHOLE BIRD)



Source: USDA-AMS, Livestock Marketing Information Center

EXHIBIT 2: FEDERALLY INSPECTED BROILER PRODUCTION (WEEKLY)



Source: USDA-AMS, Livestock Marketing Information Center



Dr. Kenny Burdine

2021 SITUATION

In a lot of ways, 2021 looks like the 2020 that was expected for the hog market, had it not been for COVID-19. Production was actually down from 2020, but demand was strong, resulting in the strongest hog market we had seen since 2014. Eastern Corn Belt market formula hog prices will average in the low \$90's for the year, on a carcass weight basis, and were above \$100 per cwt from April to August. Like all of the livestock sector, profitability was greatly impacted by feed costs, making overall price levels a bit misleading without that context. Expansion of contract hog production in Kentucky continued to grow.

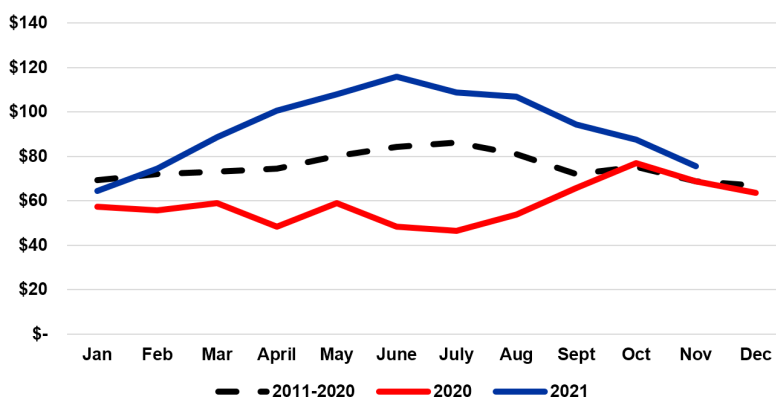
Eastern Corn Belt Hog prices reach highest levels seen since 2014

Exports to China decline sharply as the Chinese hog industry rebuilds

2022 OUTLOOK

Pork production for 2022 should be comparable to 2021. However, it continues to appear that China is rebuilding their hog inventory. Pork exports to China were down 37% for the first nine month of 2021, compared to the same period in 2020, and that is likely to continue into 2022. Hog prices should moderate, but remain at relatively high levels, from a historical perspective. But, as with all livestock species, feed prices for the coming year will reduce profitability.

EXHIBIT 1: DIRECT EASTERN CORN BELT HOG PRICES - MARKET FORMULA (\$ PER CWT CARCASS WEIGHT BASIS)



Source: USDA-AMS, USDA-NASS, author calculations



Dr. Kenny Burdine



Dr. Jill Stowe

2021 SITUATION

Equine markets made a very impressive recovery in 2021, far exceeding most expectations early in the year. After being down 30% in 2020, annual sales receipts at Keeneland rose by 35% for the year. Given the COVID impacts on markets in 2020, it is likely that 2019 is a better year for comparison. Compared to two years ago, this year's sales levels were off just 3.5% on considerably fewer horses being sold. It is worth noting that the sale average was higher in both the September yearling and November breeding stock sales than in 2019.

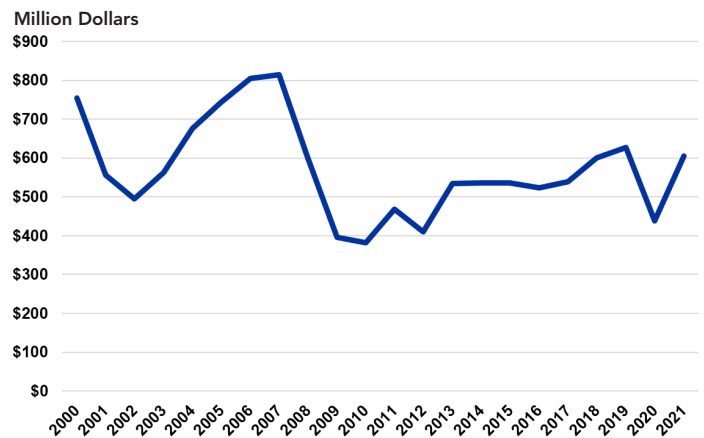
2022 OUTLOOK

While it would be unrealistic to expect another year-over-year increase in magnitude like was seen in 2021, it certainly appears that equine markets are on firm footing. General recovery from COVID should continue, as should the impact of historical horse race (HHR) gaming on purses, which likely impacts values. These same factors should also impact stud fees in the upcoming season, which are another significant contributor to Kentucky equine receipts. While strong stud fees may be partially offset by a slight decrease in the number of mares bred in 2022, a moderate increase in equine receipts at the state level would appear likely.

Keeneland annual sales increased 35% from 2020 levels

Economic recovery and impact of historical horse race (HHR) gaming on purses continues to positively impact sales values and stud fees

EXHIBIT 1: ANNUAL KEENELAND SALES, 2000-2021



Source: Keeneland



Dr. Kenny Burdine

2021 SITUATION

Dairy cow inventory was growing as we entered 2021 and didn't start to decrease until May. So, milk production was up for the year, especially during the second quarter. The U.S. All Milk price should average a little over \$18 per cwt, which is not far from 2020 levels. Prices have been less volatile and the relationship between class III and class IV milk has been more normal. But, the story of 2021 is really less about milk price and more

about feed costs, which are impacting dairy margins. To put this in perspective, from August 2020 to August 2021, the estimated ration cost for the Dairy Margin Coverage (DMC) program increased by \$4.48 per cwt of milk produced.

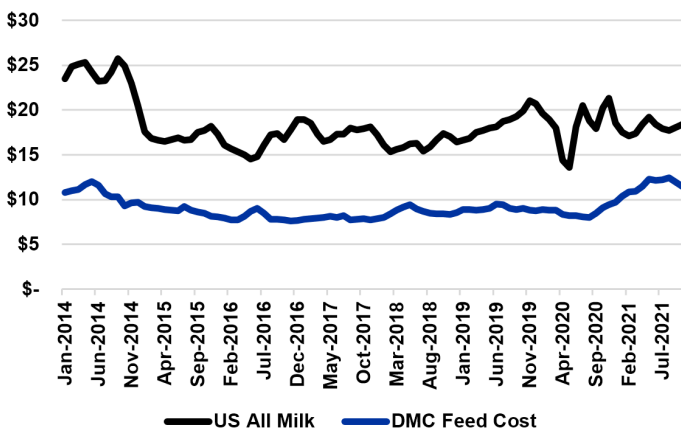
Kentucky farm-level milk prices to average around \$20 per cwt in 2021 and increase for 2022

Increased feed costs continue to impact dairy margins

2022 OUTLOOK

Dairy cow numbers in 2022 should be comparable to what was seen in 2021. However, productivity gains are likely to result in about a 1% increase in milk production across the U.S. Kentucky farm level milk prices should average higher for the year in 2022, exceeding \$20. However, feed prices are likely to continue to be the lead story. With feed prices at current levels, \$20 milk will feel more like \$16 milk and profitability concerns will remain, especially for smaller scale dairy operations.

EXHIBIT 1: U.S. ALL MILK PRICE VS. DMC FEED COST (\$ PER CWT)



Source: USDA-AMS, USDA-NASS, author calculations



Dr. Greg Halich

2021 SITUATION

Total production for the 2021 corn crop is projected to be 5% higher than the five-year average. Corn use for ethanol production is projected to be back at the five-year average after dipping in 2020 due to COVID. Livestock feed use is projected to increase 2%, and exports are projected to increase 10% compared to the five-year average. Given these changes and that initial stocks started out the marketing year at low levels,

the USDA is projecting a 24% decrease ending stocks over the five-year average, pushing the expected US on-farm corn price up to \$5.45/bu for the 2021-22 marketing year. In Kentucky, corn prices are \$5.50-5.75/bu as of late-November, with forward contract prices jumping to \$5.65-5.90/bu this winter in our better markets.

2022 OUTLOOK

2022 harvest contract corn futures are up \$1.50/bu from expectations a year ago, resulting in forward contract pricing of \$5.00-5.30/bu for the 2022 new crop delivery. This would be an increase of approximately \$260/acre for 175 bu/acre corn crop. Fertilizer prices have increased dramatically for the 2022 crop, resulting in approximately \$100-125/acre increase over fertilizer prices for the 2021 corn crop.

Projected corn production 5% higher than the average of the past five years

Livestock feed use projected to increase

Fertilizer prices increasing drastically and greatly affecting the bottom line for many farmers



Dr. Greg
Halich

2021 SITUATION

Total production for the 2021 soybean crop is projected to be 6% higher than the five-year average. U.S. soybean use is projected to be 6% higher than the five-year average, while soybean exports are projected to be 3% higher than the five-year average. The effect of these changes combined with low levels of initial stocks would be a 30% drop in soybean ending stocks over the 5-year average, pushing the expected U.S. on-farm soybean price up to \$12.10/bu for the 2021-22 marketing year. In Kentucky, soybean prices are \$12.20-12.45/bu as of late-November, with forward contract prices \$12.25-12.50/bu this winter in our better markets.

2022 OUTLOOK

2022 harvest contract soybean futures are up \$2.35/bu from expectations a year ago, resulting in forward contract pricing of \$11.70-12.00/bu for the 2022 new crop delivery. This would be an increase of approximately \$130/acre for 55 bu/acre soybean crop. Fertilizer prices are up approximately \$20-30/acre increase over prices for the 2021 soybean crop.

Exports increasing compared to the five-year average

Fertilizer price increases making up an estimated \$20-30 difference per acre



Dr. Greg
Halich

2021 SITUATION

Soft Red Winter Wheat production in 2021 increased 26% compared to the 5-year average.

However, when combined with extremely low initial stocks, the resulting available supply going into the marketing year is down 3% from the 5-year average. Domestic use is projected to be up 12% and exports up 28%, for a total use increase of 17% over the 5-year average. Combined with the available supply, the resulting ending stocks are projected to be down 42% compared to the 5-year average. This has led to steep increases in price. In Kentucky, cash prices as of late-November are around \$7.50-7.90/bu. Forward contract new crop prices (June/July) for 2022 in Kentucky are around \$7.40-7.75/bu.

2022 OUTLOOK

2022 harvest contract wheat futures are up \$2.00/bu from expectations a year ago, resulting in forward contract pricing of \$7.40-7.75/bu for the 2022 new crop delivery. This would be an increase of approximately \$150/acre for 75 bu/acre wheat crop.

Price increases resulting from low supply, even with an increased crop this year

Wheat profits looking promising as futures prices have continued to increase



Dr. Will Snell

2021 SITUATION

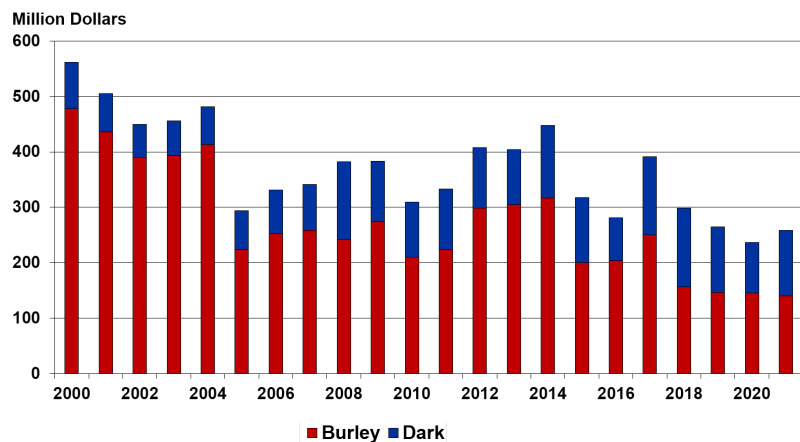
Kentucky's tobacco production is forecast by USDA to be 5% higher in 2021 on the heels of increased dark tobacco production.

Burley production (down 5% in Kentucky and 4% nationally) was plagued with excessive rainfall in certain areas continuing the trend of disappointing yields in recent years. Demand for U.S. burley continues to fall as less expensive foreign leaf has induced U.S. burley exports to plummet while the burley import share continues to rise. After a year of fairly stable cigarette sales in 2020, U.S. cigarette consumption declines have accelerated in 2021 (down 7% as of late November), exceeding annual pre-COVID declines. Alternatively, dark tobacco demand continues to benefit from stable smokeless tobacco sales coupled with virtually non-existent foreign competition. Plus, the quality of the 2021 dark tobacco crop is described as "one of the best in years." Prices for the smaller 2021 burley crop may average around \$2.05/lb (vs \$2.00/lb in 2020), with a fairly wide range of prices offered by the various tobacco companies. Dark tobacco prices for the 2021 crop remained relatively stable --mid \$2.40s for dark air and mid \$2.70s for dark fire-cured. In aggregate, the value of Kentucky tobacco production will total around \$250 million compared to averaging \$295 million over the past three years, with dark tobacco approaching one-half of the total value of the state's tobacco crop.

The burley outcome for 2021 was mixed with slightly higher prices, but lower yields on smaller acreage, while dark tobacco farmers experienced one of their best crops in several years

The value of Kentucky's tobacco crop may total around \$250 million in 2021 compared to an average of \$295 million over the past five years

EXHIBIT 1: VALUE OF KENTUCKY TOBACCO PRODUCTION



Source: USDA-NASS

2022 OUTLOOK

Declining profit margins, labor challenges, and GAP requirements will likely continue to erode the grower base, but the decline in the number of farms growing tobacco may begin to stabilize in 2022. Despite declining demand, burley growers may not see much change in contract volume for 2022 coming off an anticipated short 2021 crop. The dark tobacco sector has made some supply adjustments in recent years to establish a more manageable supply/demand balance. Thus, the outcome for 2022 contract volume for dark tobacco growers will depend greatly on whether the relatively large 2021 crop forecast by USDA (72.3 million lbs nationally, or a 19% increase from 2020) actually materializes and company expectations of how future product sales may change amidst continued uncertainty on regulations, taxes, and emerging alternative tobacco product sales.

Declining margins, labor issues, and regulatory/product uncertainty will continue to challenge the tobacco sector entering 2022



Dr. Tyler Mark



Mr. Jonathan Shepherd

2021 SITUATION

The hemp industry continues to struggle to find its balance in the agricultural economy. As expected, the industry is still working through hemp inventories produced in 2019 and 2020, which have continued to suppress farm gate prices and significantly limited producers' interest in growing the crop. In Kentucky, 1,675 acres of hemp were harvested in 2021 representing a 63% decrease over 2020. This decrease is consistent with hemp acreages across the U.S. Hemp production destined for the CBD market continues to dominate with 90% of Kentucky's 2021 acres grown for this purpose. Seed/grain production decreased from 4% to 2.5% from 2020 to 2021 while hemp grown for fiber almost doubled, from 4% to 7.5%, over the same period.

Backlog of inventory keeping prices low

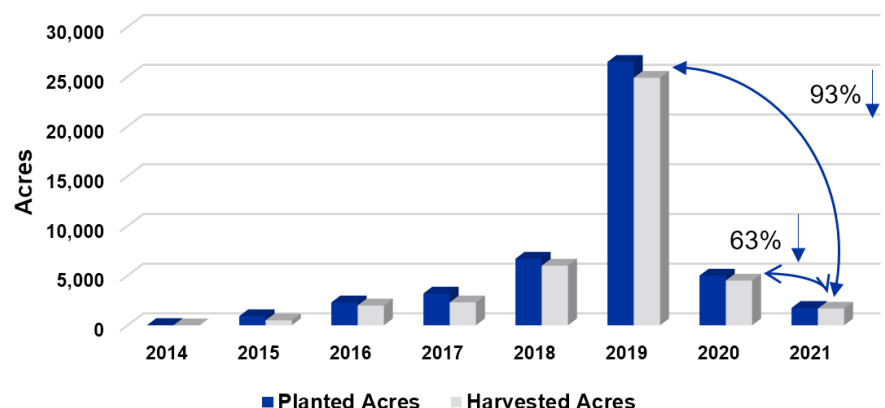
Significant uncertainty leading to decreasing number of acres planted

Previous financial losses deterring production growth

2022 OUTLOOK

Uncertainty around regulations, specifically THC content, approval for use in pet and livestock feed, inconsistent smokeable laws between states, and FDA approval continue to hinder growth in the hemp sector. Some processors continue to explore new marketing channels by focusing on cannabinoids other than CBD (i.e. CBG, CBN, etc.) or other THC attributes (i.e. delta 8,10). However, significant increases in hemp production are not expected until current stocks are processed (or destroyed because of storage issues) or demand shifts. Significant financial losses incurred by many hemp producers in the previous years will likely continue to deter production until market economics stabilize. Hemp continues to be a small sector of agriculture that still has a ways to go before stability is realized. In the meantime, hemp production continues to be risky and rife with uncertainty.

EXHIBIT 1: KY HEMP PLANTED VS. HARVESTED ACRES 2014-2021





Dr. Tim Woods

2021 SITUATION

Higher prices and good yields in specialty crops, which includes produce and nursery, will likely allow the sector to exceed the record revenues of 2020, but rising input costs will limit profitability and sector growth. 2021 cash receipts are expected to be at least \$16 million for fruit, \$44 million for vegetables and \$118 million for nursery and greenhouse production.

High prices, but high expansion costs limiting growth

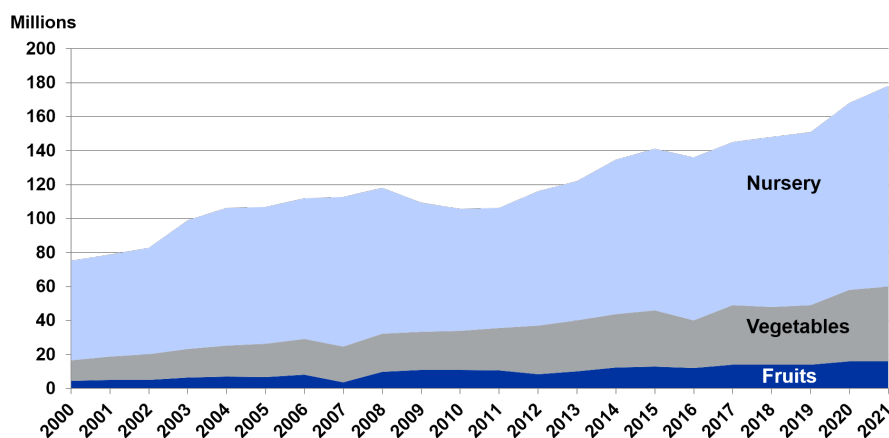
Labor intensive commodities experiencing challenges resulting from COVID

2022 OUTLOOK

Strong competitive pressures will continue from outside of the U.S. in the produce market. While Kentucky growers benefit from strong local demand, and strong local prices may remain in direct markets, import supply will continue to rise. Labor costs are a big constraint for this sector. Covid impacts have been challenging for a sector that typically has 30-40% of its production costs connected to labor.

The outlook for 2022 will continue to hinge on strong demand for local specialty crops. Recovering restaurants and other wholesale channels, including the produce auctions, will help support continued strong markets in direct-to-consumer platforms. Garden center demand in Kentucky will be expected to keep pace with the strong growth nationally, which includes a strong home improvement sector and consumer spending.

EXHIBIT 1: KENTUCKY PRODUCE & NURSERY CASH RECEIPTS





Dr. Jeff Stringer

2021 SITUATION

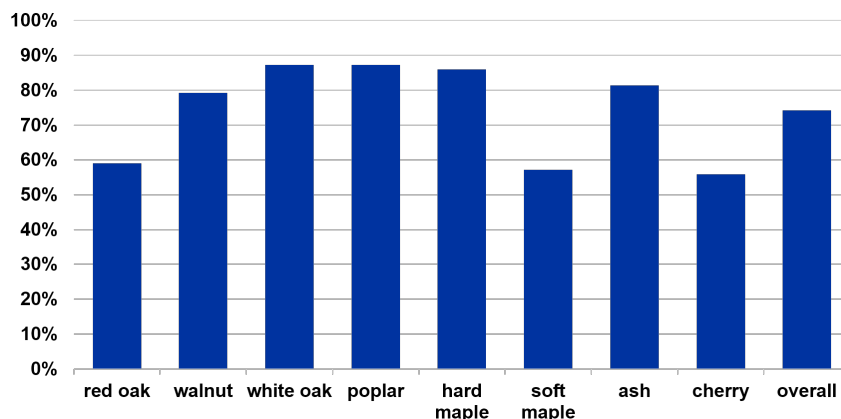
2021 saw a sharp recovery in demand for hardwood timber and associated products compared to the soft markets experienced in 2019 and 2020. The uptick in domestic demand for wood products that caused substantial price increases in softwood construction products finally reached hardwood markets.

Kentucky has benefited as prices for Kentucky's lumber have climbed dramatically in the first 6 months and remained stable throughout the year. Demand has outstripped supply across all species resulting in a 71% increase in hardwood lumber prices. The figure shows the unprecedented increase in prices for important species from November 2020 to November 2021. The increase in lumber price has direct bearing upon log prices resulting in a sellers markets for timber with landowners experiencing increases in stumpage value across the commonwealth.

Prices skyrocketed due to record demand and shortage in supply

High prices are reaching landowners resulting in a sellers market

EXHIBIT 1: KENTUCKY GREEN HARDWOOD LUMBER PRICES YEAR TO YEAR - NOVEMBER THROUGH NOVEMBER 2021



2022 OUTLOOK

Current lumber and timber demand will continue into 2022. Relatively high prices for tie logs used in manufacturing railway cross-ties, stave logs for barrel production, along with lumber logs is expected to continue resulting in higher prices paid for hardwood timber especially white oak, black walnut and yellow-poplar.

The uptick in demand resulted in an estimated overall economic contribution from the forest sector to Kentucky's economy slightly shy of 14 billion dollars in 2021 with projected improvement in 2022. Exports are also expected to increase as the pandemic wanes and tariffs on wood exports to China are no longer in play. Unfortunately, historical pulpwood markets in southeast and western Kentucky have evaporated with the closing or restructuring of paper mills in Kentucky and Tennessee. While supply chain issues and labor shortages will continue to plague the industry, domestic demand should remain high, providing opportunities for landowners selling timber in 2022.

Increased receipts expected again in 2022

Continued supply chain and labor challenges expected through 2022



Mr. Jerry
Pierce

IMPACT OF NET FARM INCOMES ON KENTUCKY COMMERCIAL CROP FARMS

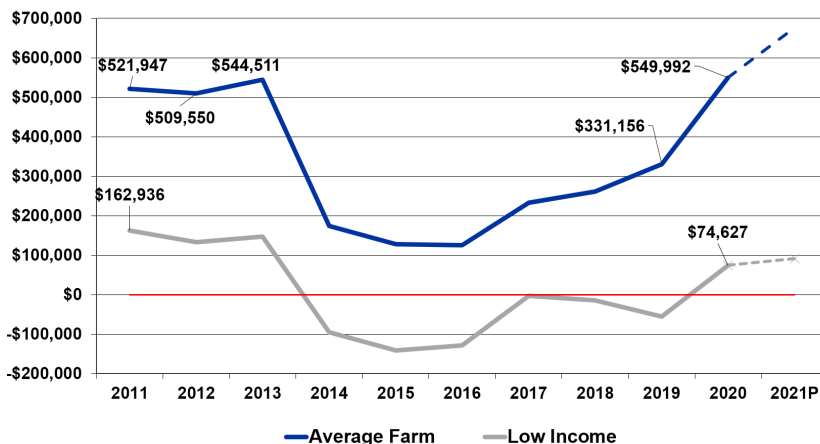
Rising net farm incomes over the last four years have put Kentucky crop farms in a very sound financial position coming out of 2020. Projections of higher yields and prices will push net farm income even higher, giving farm managers the opportunity to further solidify the farm's financial health.

This is based on data from commercial-sized crop farms participating in the Kentucky Farm Business (KFBM) management program. For 2020, the average farm cropped 2,500 acres and employed 4 full-time employees. The average net farm income reached an all-time high of nearly \$550,000 in 2020. Even farms in the lower third of income showed a profit in 2020.

Average family living expense was \$71,964, down from \$78,569 in 2019 as a result of COVID-19. This does not include income and self-employment taxes. Family living expense is expected to rise significantly for 2020 and to continue rising in line with the general economy.

Rising net farm incomes over the last four years have put Kentucky crop farms in a very sound financial position coming out of 2020

EXHIBIT 1: NET FARM INCOME 2011-2020 AVERAGE AND LOW INCOME



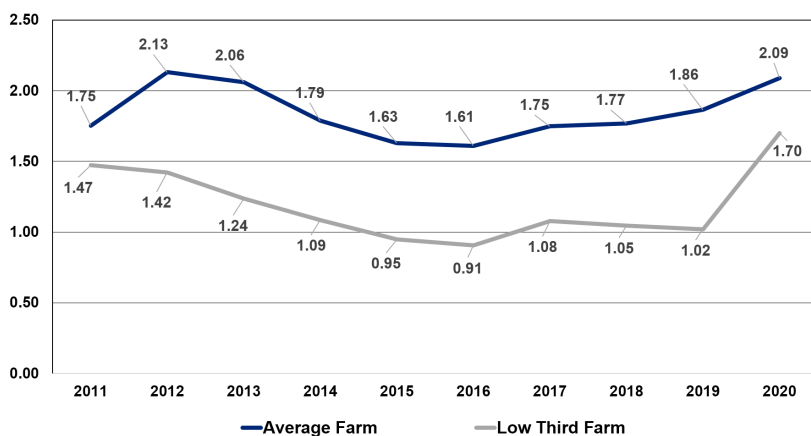
Source: Kentucky Farm Business Management (KFBM) Program

Long-term financial health is reflected in the debt-to-asset ratio. A ratio of 30% or less is considered healthy as the farm's assets are sufficient to support its liabilities. High and steady land values have supported an average 29% debt-to-asset ratio for the last five years. The ratio has been above 30% for the last 10 years for low-income farms, but improved to 30% in 2020.

Financial health in the short run is measured by the working capital ratio. It compares the amount of current assets required to pay principal due in the next year to the amount of current assets not obligated. A healthy ratio is 2:1 or more. The average farm has rebuilt working capital to a financially healthy 2:1 ratio in 2020 for the first time in seven years. Lower-income farms made great gains in reaching a 2:1 ratio and should have the opportunity to further strengthen that position this year.

Projections of higher yields and prices will push net farm income even higher, giving farm managers the opportunity to further solidify the farm's financial health

EXHIBIT 2: LIQUIDITY 2011-2020 WORKING CAPITAL RATIO



Source: Kentucky Farm Business Management (KFBM) Program

Our annual Economic Situation & Outlook publication is a collaborative effort between the Department of Agricultural Economics Extension Faculty and the Department of Forestry and Natural Resources. This outlook is initially presented at the annual Kentucky Farm Bureau Annual Meeting in Louisville, Kentucky and publication made available afterward.

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Recommended Citation: Burdine, K., G. Halich, T. Mark, J. Pierce, J. Shepherd, J. Shockley, W. Snell, J. Stowe, J. Stringer, and T. Woods. "Ag Economic Situation and Outlook: U.S. and Kentucky." Department of Agricultural Economics, University of Kentucky, December 14th, 2021.