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KFBM Spring 2025 Observations

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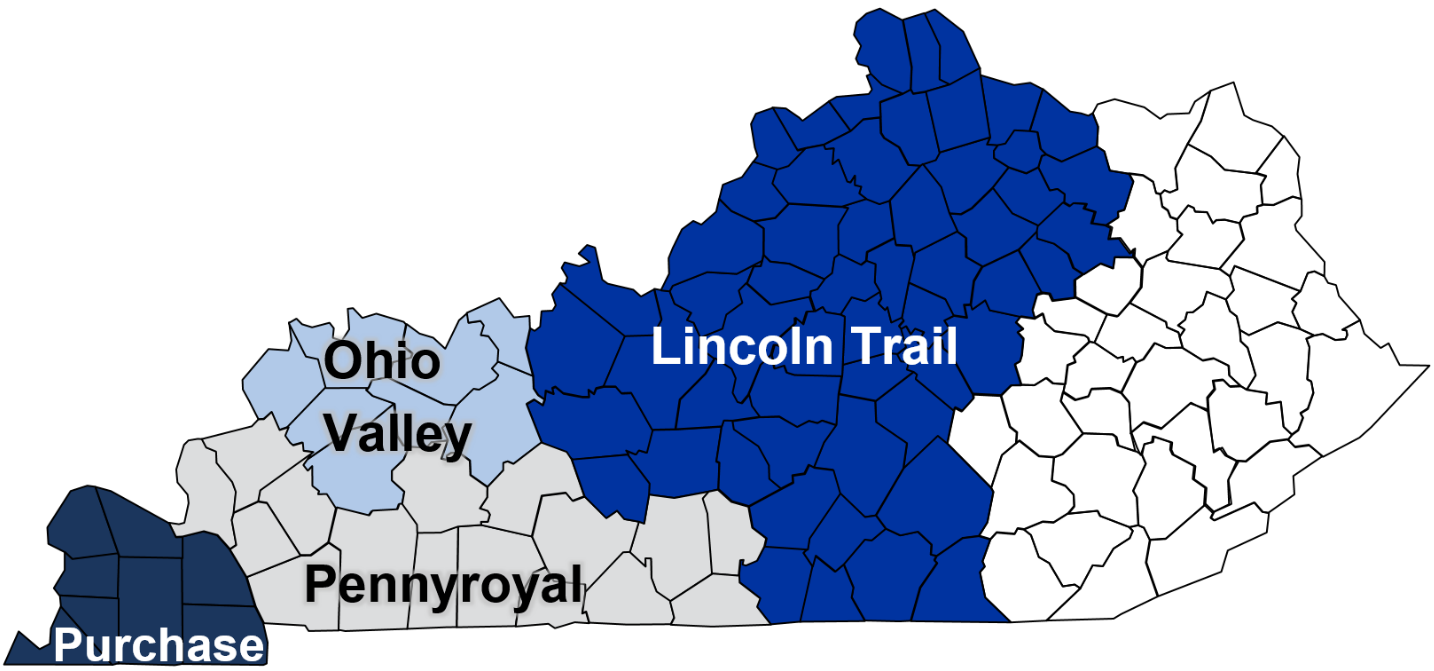
The Kentucky Farm Business Management Program is a program of the Department of Agricultural Economics at the University of Kentucky. Extension Specialists serve four Farm Analysis Associations working with cooperating members to improve farm management techniques and decisions through recordkeeping and analysis. Currently, KFBM serves 355 farms that are representative of 49 counties. KFBM specialists work closely with diverse farm cooperators, and this article will share some of the real-time observations that they have seen this spring.



Weather and Production Report

All KFBM regions throughout the state experienced significant flooding in early April due to historical rainfall of 10 to 15 inches. **Ohio Valley** producers endured multiple wind events, an ice storm, and a particularly destructive hailstorm. Farmers have been grading ditches, clearing debris, repairing buildings, equipment, and vehicles, and are still assessing damage from the most recent early April floods. River levels are high for both the Mississippi and Ohio Rivers but are expected to drop rapidly in late April.

All regions reported a delay in field work, especially planting, due to the cool, wet spring. Many crops that were planted at the first of the season in the **Pennyroyal** region will likely need to be replanted. As fields dry out, farmers are getting into planting and finishing tillage work. Specialists in **all KFBM regions** mentioned river bottom ground as a particular concern as water continues to stand in many places. The probability of these areas being planted late, or not at all, is high. **Lincoln Trail** and **Pennyroyal** reported hay and pasture ground is rebounding from the heavy rains and greening up nicely, stoking optimism for cattle farmers. There are lingering concerns about hay yields due to ground underwater.

Many **Purchase** area crop acres have shifted from wheat to canola or rapeseed, which are currently in a bright yellow bloom across the region. The growing canola and rapeseed are primarily being grown with a contract for future use. A strong yield for these crops, coupled with a contracted price, would be a needed boost in cash flow. In the **Pennyroyal** area, wheat is growing fast after a brief slowdown due to cool temperatures. However, some areas in **Pennyroyal** experienced significant crop loss due to the flooding. Profitability for wheat, even those with strong yields, is a huge concern.

Financial News

Beginning with positive news, **Lincoln Trail** and **Pennyroyal** specialists noted good financial positions for cattle farmers and dairies due to steady, strong market conditions. Livestock producers in these areas expect the cattle market to stay firm for 2025, which is a needed reprieve after several years of poor profitability. It's not all good news on the cattle front. Pockets of **Pennyroyal** producers were faced with large death loss in January and February, which will negatively impact net farm incomes for 2025, especially on those that prematurely lost livestock purchased at higher prices.

All KFBM regions reported steep declines in returns, often negative, for grain farmers. Many farmers in the **Purchase** area have had to refinance debts and stretch out loans to make up insufficient cash flows. Higher interest rates have made the debt service on these refinances more difficult for cash flow. Farms continue to see an impact on profitability due to interest rates in the 7-9% range.

Negative returns were slightly abated by the receipt of economic assistance payments issued by the USDA through the Emergency Commodity Assistance Program (ECAP). These payments were issued on a per acre basis, $42.91 for corn, $29.76 for soybeans, $31.83 for canola, $23.63 for rapeseed, and $30.69 for wheat. To date, eligible **KFBM** producers have received 85% of the initial ECAP calculated payment, with the remaining 15% to be received in August if funds remain. Payments were a needed cash flow relief that helped producers mitigate increased input costs and depressed commodity prices. However, many **KFBM** producers reported negative returns, even with ECAP payments factored in.

Despite reduced farm profits, several winter auctions in the **Purchase** area for farmland brought top dollar. The trend of non-farm investors using money from outside ventures to procure farmland continues to tick upward. Equipment purchases in **Ohio Valley** have slowed, although items that are purchased are priced high. Working capital for **most KFBM farms** dropped significantly, some seeing a 6-7 figure drop year over year.

Management Adjustments

Many KFBM farms worked with their specialists in the fall and winter to develop cash flow projections and crop plans to ensure a profit for 2025. Those projections are incredibly tight. Commodity prices are not at a level to cover costs. To adapt, farms are making a variety of adjustments to their operations.

Some farmers in the **Purchase** and **Pennyroyal** have opted to reduce expenses by planting only soybeans and drawing on residual fertilizer in the soil. In addition, a handful of farmers are anticipating a last-minute switch to soybean acres due to flooding and timing concerns. Access to credit and higher interest has influenced the corn/bean decision. Declining cash reserves, and tighter lending measures have left some farms without "room" on their operating line to support the heavier cost of raising a corn crop, despite a slightly better profit outlook. Other farms in the **Pennyroyal** and **Ohio Valley** areas, especially those on a corn/double crop rotation, have no intention of changing existing crop rotation plans, even with the weather concerns.

The decline in profitability is leaving no margin for error. Farmers in **Lincoln Trail**, **Ohio Valley**, and **Pennyroyal** are struggling with the added expense of flood mitigation efforts and are exploring government assistance to offset these costs. **KFBM** producers are reducing their equipment expenses by downsizing, refinancing, leasing, and revamping replacement plans. Farmers are more diligent about monitoring fertilizer and chemical applications, as well as invoices, because they cannot afford mistakes that could cause yield reductions or repeated field tasks.

Producer Sentiment and Outlook

It's impossible to assess with certainty the sentiment of a large group of producers with broad geographic, financial, political, personal, and familial differences. However, KFBM specialists have unique experiences of meeting with producers throughout the year and have reported sentiments expressed by farmers.

While a handful of **Pennyroyal** grain producers report cautious optimism for 2025, most grain producers across **KFBM** share an increasingly pessimistic outlook. Beef and dairy producers are expecting 2025 to be a positive year – grain farmers are *hoping* it will be better than 2024.

Stress levels are high. One farmer commented, "It won't be the long hours or the physical work that kills me, it'll be the stress." Historic weather events, depressed commodity prices, and volatile changes surrounding tariff wars have contributed to growing stress levels and pessimism. Producers report great uncertainty for the future as their financial positions decline and neighbors are pushed out of the industry. They remember losing money in 2018 after retaliatory soybean tariffs by China, despite increased government payments. They drained their cash reserves in 2023 and 2024 and are trying to navigate negative working capital.

More positive producers cite the cyclical nature of agriculture and a healthy equity position for adopting a pragmatic view of 2025. They view the recent flooding as an opportunity to address land improvements they've been putting off. These producers may try to be proactive by critically evaluating their operation. They have short-term concerns about tariffs but draw on a belief that long-term benefits should be realized. These producers look back at other bad years and remind themselves they made it through.

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