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What to Think About Going into Harvest?

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As we are moving into harvest there are couple of things to think about in terms of farm finances. This year, net farm income is expected to decline and many farmers are worried about how they will cash flow the rest of the 2024 crop year. Now is the time to think about what can be done to help from seeing a significant decrease this year. I've outlined below a few topics that need to be thought about as we wrap up 2024 crop year and head into planning 2025.

Crops – One of the most talked about topics when it comes to grain is price. 2024 crop prices have been less than ideal and causing producers to delay marketing 2024 crops. With yields expected to be good and crops not contacted, storage, or the lack thereof, comes into play. Some 2023 crops are still in the bin because of price, however now it must be moved to make room for 2024 crops. If the rest of 2023 crops are not sold before harvest, selling grain out of the field or trying to find an empty grain bin are the only logical options for many. Looking ahead to 2025 with a large surplus of grain in the grain bins and fields, confidence that grain markets will rebound is not there. So as always, the main question is, when to sell, and at what point do you cut your losses to head off an even larger loss for net farm income in 2024?

Lending – As producers face low prices and increasing input costs, agricultural lenders are starting to ask even more questions. With declining net farm incomes from 2021 to 2023 and with an even lower 2024 projected net farm income, working capital is a concern with lenders. With the current farming economy, it is very important to communicate plans for the crop year with your lender and to keep them updated. More likely, lenders can help when in times of financial distress, but they must know what is going on at the farm. When it comes to borrowing money, the current high interest rates are not helping. If you are going into harvest and realizing that you will not be able to cash flow the last few months, now is the time to have conversations with your lender.

Budget – One of the most important tools in 2024 has been a budget for the farm! As harvest quickly comes, producers need to be looking at where their budget stands. Will there be enough to cash flow the rest of the 2024 crop? If not, you need to see what expenses you can reduce and have a conversation with your lender. Cash flow has been stressed over the last few years and moving forward cash flow does not look promising. Even though the 2024 crop is still in the field, now is the time to start planning for the 2025 crop. One thing a producer does not want to do is let one year's cash flow issues carry over to the next year.

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