Kentucky 2012 Farm Cash Receipts On Track To Break $5 Billion

LOUISVILLE, KY.

Preliminary U.S. Department of Agriculture reports indicate Kentucky agricultural cash receipts for January through September totaled $3.6 billion, 10 percent higher than 2011's record level for the same period. Despite weather impacts on yield and high feed costs, agricultural economists with the University of Kentucky College of Agriculture foresee 2012's cash receipts in the state will total $5.3 billion.

Will Snell, Kenny Burdine, Cory Walters and Tim Woods, all from UK's Department of Agricultural Economics, along with Kentucky Farm Business Management Program coordinator Jerry Pierce and JeffStringer from the UK Department of Forestry presented a 2013 Kentucky farm economic outlook and an overview of 2012 as part of the annual Kentucky Farm Bureau Federation conference in Louisville on Dec. 6.

Official USDA 2012 cash receipts for Kentucky won't be released until summer 2013, but Snell said the UK economists are seeing high returns in corn, cattle and tobacco and improvement in the equine sector. The typical range for net farm income in Kentucky is between $1 billion and $1.5 billion.

"Boosted by significant crop insurance payments, net farm income for 2012 will be toward the high end of that range, but well below the $2.1 billion record high achieved in 2005 following the tobacco buyout," he said.

In the midst of one of the nation's worst droughts, the USDA is projecting U.S. net farm income for 2012 to remain near record levels at $114 billion, just 3 percent below the previous record set in 2011.

Snell noted that export value remained near record levels in 2012.

"Just as in 2011, high prices were very effective in offsetting lower volume, a slight appreciation of the U.S. dollar and weak global economic growth," he said.

Despite significant yield losses, corn receipts for 2012 will continue to rival poultry as Kentucky's top agricultural enterprise.

"Responding to higher prices, producers planted additional acres this year, which helped keep production from goinglower," Walters said.

Walters said there would be fewer ending stocks, especially for corn and soybeans, approaching the upcoming plantingseason, and prices will continue to be strong, providing incentive for growers to produce more.

"A normal or better growing season coupled with increased planted acreage will put heavy downward pressure on prices," he said. "Alternatively, a poor growing season will result in a repeat of 2012 price action."

In the poultry industry, broiler production declined slightly in 2012 after hitting a peak in 2011, but exports hit a record high and accounted for more than 19 percent of production. Higher 2012 prices have partially offset increased feed costs, reducing the impact on overall production levels. The USDA predicts exports will remain at high levels, leaving less than 80 pounds of chicken per person on the domestic market, which is the lowest level in 10 years. UK agricultural economist Lee Meyer believes prices are likely to rise 5 to 10 percent in 2013.

Snell said this past year has been the most interesting season for burley tobacco during the post-buyout era.

"Based on the world burley supply/demand balance entering 2012, it was apparent that tobacco companies were going to request that Kentucky burley farmers increase acreage. It was not clear, however, how farmers would respond," he said.

Farmers responded by planting 14 percent more acres. Tobacco yielded fairly well, in spite of the drought, and curing conditions led to one of the better quality crops in recent years, Snell said.

The equine industry sales held steady this year, but prices were generally improved. Burdine expects total receipts todecrease slightly in 2012, but believes the equine market is showing signs of improvement, with improved prices and steady stud fees likely.

Spring 2012 cattle market set records through May, largely due to tight supplies and excellent spring weather, however feeder cattle prices fell sharply through the summer as the drought and heat caused a surge in corn prices. Heavy feeders regained some ground by fall, Burdine said, but calves remained well below their spring high.

"Tight supplies should provide solid underpinning for the 2013 feeder cattle market," Burdine said. "Weather challenges and competition for ground have slowed much interest in expansion, even with improved prices."

It's been 10 years since Kentucky growers started to concentrate on diversifying and developing the state's horticulture industry. During that time, the industry has seen steady growth through a difficult economy, Woods said. Industry trends point toward 2012 gross sales amounting to $110 million to $120 million, slightly less than or equal to 2011.

Kentucky is the leading producer of hardwood saw and veneer logs in the South and in the top three nationally. A total of 596 million board feet were produced from Kentucky's forests in 2012. The value of all delivered roundwood for 2012 is estimated at $182.9 million and reflects a reduction in cash receipts for woodland owners in 2012.

"I believe that, in 2013, hardwood lumber production and its associated industries will halt the declines we've seen over the past several years," said Stringer. "Modest increases in housing starts may forecast an eventual uptick in hardwood lumber production next year, but don't expect an increase in employment yet. Even with the tough markets in 2012, Kentucky's forestry sector, including wood and paper producers, was able to contribute an estimated $6.3 billion of direct revenue to the state's economy."

On the whole, the UK agricultural economists were guardedly optimistic about 2013. They predict that relatively strong prices, increased crop acres and global demand will enable Kentucky agricultural cash receipts to continue to grow to between $5.4 to $5.6 billion.

"Our main concern is what will happen when approximately 15 to 20 percent of our current net farm income disappears with the tobacco buyout payments ending in 2014 and the likely elimination of direct payments," Snell said. "Kentucky agriculture will have to make up approximately $200 million in losses in the marketplace, which will put more pressure on growth in local food markets and expansion in exports."

A copy of the outlook publication including information on individual farm sectors can be found at http://www.ca.uky.edu/cmspubsclass/files/esm/2013Outlook.pdf. Δ