

UK Agricultural Economists: The Balance Sheet For Ag Is Strong

LEXINGTON, KY.

After being hit with a commodity market crash in 2008 and a global recession in 2009, Kentucky's farm economy showed marked improvement in 2010. Agricultural economists with the University of Kentucky College of Agriculture estimate Kentucky farm cash receipts to be \$4.4 to \$4.7 billion this year, up at least \$100 to \$300 million over 2009 and well above the 10-year average of \$4 billion. Since the economy is slowly recovering and agricultural exports are thriving, 2011 cash receipts and net farm income should be significantly higher than last year.

"Larger volumes of grain exports at higher prices, as well as improved horticulture and meat exports, are behind the reversal," said Craig Infanger, extension professor in the UK Department of Agricultural Economics.

Infanger and fellow UK agricultural economists Kenny Burdine, Lee Meyer, Will Snell, and Cory Walters, along with Dewayne Ingram from the UK Department of Horticulture and Kentucky Farm Business Management Program Coordinator Jerry Pierce presented a 2011 outlook and an overview of Kentucky farm economy in 2010 as part of the annual Kentucky Farm Bureau Federation conference in Louisville today.

Growth was seen across the country, as well. The U. S. Department of Agriculture projects U.S. net farm income to be up 31 percent this year. Improved market conditions for beef cattle, dairy and poultry are driving the increase, and recent surges in corn and soybean prices are also helping.

Growth in the poultry sector continued. For the second year, poultry sits in the No. 1 position in the state in terms of cash receipts, reflecting the 3 percent increase in U.S. boiler production. Meyer attributes some of that strength to demand by U.S. consumers, who each ate an average of 82 pounds of chicken last year.

"Moderate growth in the general economy and very high retail pork and beef prices pushed consumers toward chicken," Meyer said.

Equine receipts, which remain in the No. 2 position, showed slight improvement over 2009 receipts. Sales have been steady for the most part, Burdine reported. Stud fees felt the pressure from a weak economy.

Grain receipts round out the top three.

"Overall, Kentucky corn and soybean production was down, while wheat production was up," Walters said. "The good news was that fall 2010 prices and next year's prices for all three commodities significantly increased from the end of summer to now."

The November 2010 USDA Crop Report put the corn crop down 4 percent from last year's record production. U.S. yields are expected to be down more than 6 percent from 2009, with soybean yields stayed close to last year's yields

and the U.S. wheat crop was slightly lower than 2009 production levels.

"Had weather been more favorable in the state, grain receipts could have been significantly higher," said Walters, referring to the extremely wet spring in some parts of the state, followed by unrelenting heat and the late-summer drought.

Tobacco now comprises less than 10 percent of Kentucky agricultural sales, compared to nearly 25 percent in the 1990s. Snell said burley contract volume was significantly reduced this year due to soft domestic and international markets, but the weakened U.S. dollar kept U.S. burley prices competitive in world markets. An increase in domestic snuff sales benefited dark tobacco producers in 2010 and helped contracts remain relatively constant.

"For three out of the last four years, Kentucky cattle producers had to deal with drought conditions across much of the state," Burdine said. "So hay feeding began early in many areas. That means production costs will increase by the end of the year."

Calf prices spent much of the summer in the \$115 to \$120 range, but fell sharply in the fall. They remain, however, above 2009 levels. Strong export demand supported fed cattle prices and helped offset fall's higher corn prices.

Though a weak economy has taken its toll on the green (nursery and greenhouse) industry, the state's produce industry has shown steady growth over the last ten years, when the push to diversify began. Woods reported that 2010 gross produce receipts appear to be close to 2009, though both producer numbers and acreage have expanded.

"More producers benefited from additional direct market channels, especially farmers markets and produce auctions" he said. "Weather was the main limiting factor in realizing record produce sales for 2010. We should see a record in 2011."

Infanger said as long as the U.S. dollar remains fairly low relative to the value of our trading partners' currencies, agricultural exports should continue to show strong recovery and reach a record high \$126 billion in 2011. Burdine believes, with meat supplies remaining relatively tight, livestock receipts will likely increase by \$100 million to \$200 million next year.

Tobacco sales will continue to decline, Snell predicted, but Walters believes, given normal weather during the next growing season, gross receipts in grains could surge another \$300 million to \$400 million.

"Kentucky agriculture is weather-dependent and trade dependent," Infanger said. "Therefore, the economic outlook for 2011 depends on reasonably good weather and continued strength in export markets." △



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