

Extension Provides Critical Information for Decision Making

COOPERATIVE EXTENSION

 University of
Kentucky
College of Agriculture,
Food and Environment



Extension Enables Grain Producers to Make Marketing and Risk Management Decisions

Agricultural Economics
400 Charles E. Barnhart Bldg.
Lexington, KY 40546-0276
859-257-5762
<https://agecon.ca.uky.edu/>



extension.ca.uky.edu
It starts with us



"<UK> information is far more valuable than any I receive from industry or commercial sources. Again, I wanted to pass along my compliments for a great job and my sincere thanks." - Henderson County Grain Producer

Grain producers have faced weather challenges, changes in the 2014 Farm Bill, and depressed farm prices. Grain profit margins have been thin to negative since 2014. Managers need help in using risk management tools to protect their margins and preserve working capital. Farmers and agriculture lenders needed to understand how to integrate crop insurance with price-risk management tools to protect margins at profitable levels.

Extension specialists and county agents provide information to grain producers. Farmers can make decisions based on grain market fundamentals, cost of production, and break-even analysis, working capital burn-rate, crop insurance, price risk management alternatives and developing a risk management plan.

The ***Crops Marketing and Management Update*** is a newsletter distributed to Agriculture and Natural Resource Agents, agribusinesses, and commodity organizations. The newsletter provides farmers with market information and analysis. It reaches over 3,200 farmers, agriculture lenders, and local businesses monthly.

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Specialist conducts commodity market outlooks at the UK Research and Education Center at Princeton, multi-county field days, and commodity conferences. The information provided helps farmers with marketing and risk management decision-making in a volatile market environment. Farmers understand how to use pre-harvest and post-harvest price risk management tools like cash forward contracts, hedging with commodity futures, and commodity put options on futures contracts to reduce price risk for grain to be sold at harvest and stored grain after harvest.

Daviess County farmers enrolled in a federal program that provides payments whenever the county's grain revenue is below a guaranteed revenue for corn and soybeans based on information provided by Extension programs and resources. The Extension Agriculture and Natural Resources Agent reported that grain producers in his county received approximately \$90 per acre over the past three years collectively because they chose to enroll. This resulted in nearly \$10.35 million of additional net farm revenue for Daviess County farms.

Agriculture economists are evaluating how potential reduction in government insurance subsidies or potential limitations on government insurance premiums will affect Kentucky grain farm profitability. This includes variability of profits, and managerial response to proposed changes to proposed changes in the insurance program. Extension professionals continue to collaborate with agriculture leaders, farm and commodity organizations, and the Kentucky Department of Agriculture to develop policy recommendations and discussion of the future Farm Bill.

"The information presented will benefit the farming operations in Carlisle County. Grain farmers not making critical decisions in marketing could face some lean times with cash flow in the year to come."

Chuck Flowers, Agriculture and Natural Resources Agent for Carlisle County