

Economic & Policy Update

E-newsletter Volume 23, Issue 6

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University of Kentucky

JUNE
2023

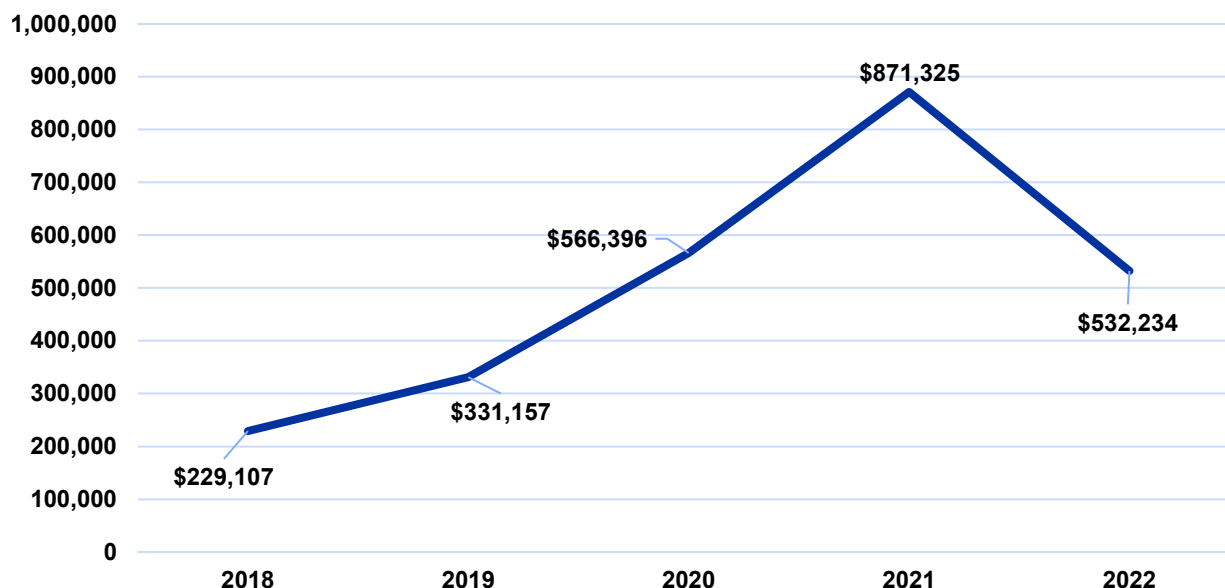
2022 Financial Overview of Kentucky Farms

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Published: *June 29th, 2023*

After coming off a record high Net farm income (NFI) in 2021, grain farms in Kentucky Farm Business Management (KFBM) program saw their net farm income decrease to levels below pre-pandemic. Net farm income is the value of farm production less total operating expense and depreciation. There were 199 grain farms that provided farm data to KFBM in 2022 for an average NFI of \$532,234. The main cause of the downturn in NFI, comes from the increase in operating expenses. From 2021 to 2022, the average went from \$1,676,458 to \$2,123,466 respectively. That is an increase of \$447,008 in expenses, while gross farm returns only increased \$130,767 in 2022.

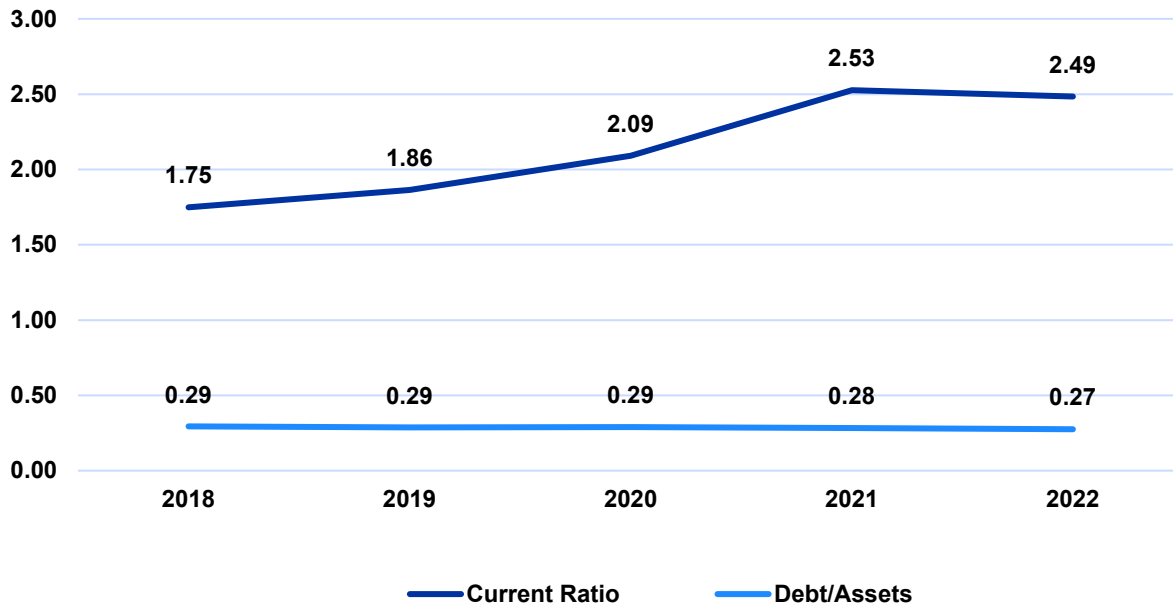
Figure 1: Net Farm Income of KFBM Farms, 2018-2022



Even though profitably decreased on average in 2022, farm liquidity remained high. When a farm is liquid it means the farm can turn assets into cash very easily. The current ratio, total current assets divided by total current liabilities, is one way to measure liquidity with the goal of that number being close to 2. For 2022, the current ratio was 2.49 down from 2.53 in 2021 but still above the target.

Solvency is also another measure of financial well-being, and determines the ability to pay off debt. Debt to Asset ratio is a good measure of solvency with below 0.3 being the goal. Over the few years, the grain farms that participate in FBFM, have remained just under the goal. In 2022, the debt to asset ratio was 0.27, while in 2021 it was 0.28.

Figure 2: Liquidity and Solvency of KFBM Farms, 2018-2022



Over all, the 199 farms in KFBM’s data did well considering all the uncertainties 2022 brought. For the farms in the program, they will be able to use their information from 2022, to help determine how to budget and be able to discuss where they are financially with their lender. If you would like more information about the Kentucky Farm Business Management program, please contact one of the [Kentucky Farm Business Analysis Specialist\(s\)](#) in your area.

Recommended Citation Format:

Hardin, T. "[2022 Financial Overview of Kentucky Farms](#)." *Economic and Policy Update* (23):6, Department of Agricultural Economics, University of Kentucky, June 29th, 2023.

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