

1999 Annual Financial Summary

KENTUCKY FARM BUSINESS MANAGEMENT PROGRAM

**Agricultural Economics — Extension No. 2000-15
September 2000**

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Kentucky Farm Business Management Groups 1999 Summary

Brief Overview

Kentucky commercial farmers enjoyed an increase in profitability for the 1999 production year compared to 1998. As measured by Management Returns, profitability of farms participating in the Kentucky Farm Business Management Program (KFBM) rose significantly (up to 78.4%) from the prior year. However, it is important to note that 1998 management returns for KFBM farms, on average, were at their lowest levels in over 10 years. This increase in management returns, while a welcome change in direction, did not signify a return to economic profitability for the average KFBM farm business. In fact, the average farm in all areas (Purchase, Pennyroyal, Ohio Valley, Lincoln Trail, Louisville and Bluegrass) experienced negative management returns in 1999. Lower grain prices and generally lower crop yields (especially double-crop soybeans) compared to 1998 were negative factors potentially keeping management returns from rising further. Offsetting these negative influences was a significant increase in government payments. When compared by type of farm (grain, beef, dairy or hog), hog farms fared the best (least negative management returns) in 1999 one year after suffering the worst in 1998. Hog farms were followed by dairy, grain and beef farms respectively.

Source of Data

This report presents the summarized 1999 performance data (financial and physical) on 255 Kentucky farm businesses. Some data are presented for previous years so that trends and changes can be studied. This is the 33rd annual summary of records obtained from farmers participating in the Kentucky Farm Business Management Program. The program is a cooperative effort between the Department of Agricultural Economics of the University of Kentucky and six incorporated Farm Analysis Groups¹. This program was initiated to improve Kentucky farm management in general and specifically to:

- Provide farmers with an individual farm analysis and comparative analysis of farm business records emphasizing information necessary for sound decision making and wise financial planning;
- Provide farmers with objective counseling in developing priorities and alternative plans;

¹Ohio Valley Farm Analysis Group, Inc.; Pennyroyal Farm Analysis Group, Inc.; Purchase Farm Analysis Group, Inc.; Bluegrass Farm Analysis Group, Inc.; Louisville Farm Analysis Group, Inc.; Lincoln Trail Farm Analysis Group, Inc.

- Provide the public with basic information about business conditions as well as costs and returns on Kentucky farms under current conditions. Provide Kentucky farmers, teachers, researchers and lending agencies actual on-farm information about Kentucky farm businesses.

In 1999, 448 farmers were members of the Farm Business Management Program keeping records under the direction of 10 Farm Business Management Specialists². The program serves farmers in 78 counties.

Uses for This Report

This annual summary is meant to be used as a reference for obtaining information about Kentucky farms. The results are therefore presented without much interpretation. Throughout the year, Extension specialists and researchers will develop programs and publications that try to interpret the results and their implications.

Managing a farm business is almost impossible without a complete set of farm records. Records such as those underlying this Farm Business Management Program provide the essential information needed by one's lender and tax preparer and also provide farmers with a means to fully analyze their businesses. Analyzing this complete record gives farmers an accurate evaluation of how profitable and efficient their business is, indicates the business' weak points and strong points and provides reliable data (particularly physical production data) for use in planning.

The farm business summaries in this report are used by individual farmers to analyze their business operations and to develop future plans for their farming operations. This report summarizes information so that specialists in agricultural extension, teaching and research can use the data to enhance their programs. The definition of terms and income and expense measures below will be of assistance in using the data.

With the increased emphasis on financial management, farmers must be able to evaluate changes in their financial position. Looking only at a hurriedly constructed balance sheet or a cash flow projection, farmers may draw erroneous conclusions. To evaluate financial progress, one must look at the interrelationships of the cash flow, income statement and balance sheet. For "real" progress to be made, the business must generate an increase in net worth as measured by a reconciled set of financial statements.

While farmers can look at a few net income measures in their record summaries and see whether their business was profitable during the year, they must do much more than that to realize the full potential value of their records. To thoroughly evaluate performance –to learn how

² Not all farm records were used in this report because some farms used all hired labor and management, some operators spend less than nine months on the farm, some sideline-related business activities were included in the farm business and some records were incomplete when this summary was prepared (or some data were not readily verifiable).

their business is progressing– they need a record summary that includes considerable detail (i.e., production per person, yields per acre, feed conversion rates, etc.), and they must make a trend and comparative analysis.

Farmers should first compare in detail this year's record summary with their own summaries from previous years. Doing so lets them study trends and changes in their business over time and thereby detect improvements and deteriorations in various parts of the business. Then they must compare in detail their business performance with performance of other similar size farms having similar enterprises.

Comparative analysis is an important part of the work that Farm Business Management Specialists do with farmers in the program. The data presented here, however, can be useful to any farmer in Kentucky if that farmer keeps accurate farm business records.

Definition of Terms and Accounting Methods

Sampling Technique

Data from all farm business records certified to be usable for comparative analysis by field staff were aggregated by size (i.e., tillable acres, number of animal production units, etc.), type of farm, and area. Illinois Farm Business Farm Management Association's Farm Business Farm Management Software was used to compile and summarize the data.

Type of Farm

Farm type is based on the percent feed fed. To determine percent feed fed, the total value of feed fed to all livestock enterprises is divided by the value of crop returns. However, tobacco revenue is excluded from crop returns for this calculation. Values for percent feed fed can range from zero to infinity. Large values are possible if a farm has limited grain production and thus purchases much of its feed.

Grain farms are defined as farms on which the value of feed fed was less than 40 percent of the crop returns and the value of feed fed to dairy was less than one-sixth of the crop returns.

Beef farms are defined as farms on which the value of feed fed was more than 40 percent of the crop returns and the beef enterprise utilized more than one-half of the value of feed fed.

Hog farms are defined as farms on which the value of feed fed was more than 40 percent of the crop returns and the hog enterprise utilized more than one-half of the value of feed fed.

Dairy farms are defined as farms on which the value of feed fed was more than 40 percent of the crop returns and the dairy enterprise utilized more than one-third of the value of feed fed.

Expense/Cost Items

Total operating expenses include cash operating expenses plus depreciation plus the net effect on expenses when accounting for the accrual change in accounts payable and prepaid expenses. Cash operating expenses include cash outlays for the following nondepreciable items:

- Fertilizer
- Pesticides
- Seed (including homegrown seed)
- Machinery repairs
- Machinery hire and leases
- Fuel and oil (lubricants)
- Farm share of utilities and light vehicle expenses
- Building repairs
- Drying and storage
- Hired labor
- Livestock expense
- Taxes
- Insurance
- Miscellaneous expenses

Purchased feed, grain and livestock are not included because they are deducted from Gross Revenue to calculate the Value of Farm Production.

Total interest expense includes cash interest paid on operating and term debt plus the net change in accrued interest on farm business debt.

Interest on equity capital is a charge of 5 percent on the current value of land and 8.5 percent on non-land items less total interest expense. It is the opportunity cost of investing in the farm business. The non-land charge was calculated by multiplying nine percent times: 1) the average of the beginning and ending of year value of livestock, machinery and building investment; 2) one-half of the average of the beginning and ending of year balance of inventory items; and 3) one-half of the total year's cash operating expense.

Unpaid family and operator labor is the opportunity cost of using the operator's own and unpaid family labor in the farm business. A charge of \$2,000 per month for unpaid operator and family labor is made for each farm. This labor charge is per labor month and is based on unpaid labor of 2,500 hours per year. Part-time family labor is therefore prorated. (Like any other resource, unpaid labor must be accounted for when studying profitability of a farm business)

Revenue Items

Value of farm production is the summation of cash and accrued value of sales of farm products and services, government payments and other farm-related revenue less the cost of purchased feed and livestock, plus the change in inventory value for grain and livestock, plus the

value of farm products used. Farm products used are products used by the farm business and not sold.

Net farm income is the value of farm production less total operating expenses, less total interest expense plus gain or loss on machinery and buildings sold. Net farm income includes the return to the farm for unpaid family and operator labor, the interest on invested capital, and the returns to management. It is the net total earnings to the farm family for resources they own.

Operator(s) labor and management income is net farm income less the interest charge on equity capital, less the opportunity cost of unpaid family labor. It represents the operators' return to their labor and management.

Management return is the residual after a charge for unpaid operator labor is deducted from operator(s) labor and management income.

Other Terms Used in this Report

Crop return is the sum of the feed and grain sold, value of all feed fed (except milk), government feed grain and wheat program payments, and the change in value of feed and grain inventories less the value of crops and feed purchased.

Livestock returns above feed is the sum of the sale of livestock and livestock products, value of livestock products consumed, and value of the livestock on hand at the end of the year minus livestock purchases and the value of the livestock on hand at the beginning of the year minus the cost of all feed fed, whether purchased or raised.

Farm Business Trends in 1999

Crop Production

Annual variations in net farm income are highly correlated to the weather, crop yields, grain prices, and acres planted to high-value crops. Government payments are also a significant source of revenue. As shown in Table 4, government payments are greater than net farm income in four of the six areas across the state.

Weather

Weather for 1999 could be divided into two distinct time periods. Generally weather was extremely favorable for spring and early summer until mid July. The early spring was warm and crop planting was completed on a timely basis. Generally dry weather allowed the small grain crops to develop with little or no disease and record wheat yields were recorded over most of the small grain producing areas. Hay and forage crops were harvested timely and quality was generally very high. Yet timely rains favored crop development and the corn crop was near

complete when the rains stopped in early July. Much of the state received little or no rain from early July until mid October. As a result, soybean yields, particularly double-crop soybeans, were a record low in many areas of the state. Pastures dried up and many cattle producers were forced to feed hay by late July or mid August. The corn matured very early and the soybean plants died by early October. As a result harvest was completed much earlier than normal.

Crop Yields

Table 1 presents average and median crop yields of the major crops grown on Kentucky Farm Business Management Program farms for 1999. Yellow corn yields averaged 121 bushels per acre for the entire state. This is down from the 127 average in 1998. The Pennyroyal Area enjoyed the highest average corn yield with 124 bushels per acre. Full-season soybeans averaged 27 bushels per acre across the state, with the Ohio Valley Area experiencing the greatest yield of 34 bushels per acre. This average soybean yield is down from 34 bushels per acre in 1998. Wheat yields improved from the 51 bushels per acre average in 1998. Wheat averaged 74 bushels per acre in 1999 with the Pennyroyal Area recording the highest yield of 77 bushels per acre.

Crop Prices

Crop prices fell for corn and soybeans but rose slightly for wheat during the operating year 1999. This is illustrated by comparing new crop prices from 1998 to new crop prices in 1999. The new crop yellow corn price for the state fell by almost 8 percent to \$2.09. Prices for new crop full-season soybeans fell over 16 percent. New crop wheat prices increased six cents to \$2.42.

Because of Loan Deficiency Payments (LDPs), changes in crop prices have very little effect on net farm income. The lower prices become, the greater the LDP the farmer receives. These LDPs are reflected in the government payments shown in Table 4 and the tables in Appendix B.

Livestock Production

A second major determinant of farm income is the sale of livestock and livestock products. In 1999, the average prices received by farmers in the Kentucky Farm Business Management Program were very similar to 1998. However, hog prices declined over 30 percent in 1998 and the slightly higher milk price does not reflect the large price swings during the year. Compared to the 5-year average, market hog prices were lower while market beef cattle and milk were higher. Table 3 details the prices received for market livestock and milk from 1995 through 1999 and computes the 5-year average.

Tables 61 through 64 in Appendix D contain additional production and economic information about livestock enterprises in Kentucky.

Net Farm Income

While the most comprehensive and accurate measure of a farm business's economic success or profitability is management returns, probably the most common measure used is net farm income. Net farm income was up substantially in all areas in 1999. The \$62,260 net farm income in 1999 compares favorably with the \$10,805 from the previous year. The Pennyroyal Area enjoyed the largest net farm income increase while the Louisville Area experienced the smallest dollar. These differences probably have more to do with the type of farm operation. The grain areas experienced the largest changes in net farm income while the livestock and dairy areas saw the smallest changes. Table 4 summarizes profitability of Kentucky farms in 1999 by area. Tables 5 through 9 show similar information but by type of farm.

Why did net farm income increase in 1999 when Kentucky experienced drought conditions over many parts of the state? In addition, grain prices were still low which should further hurt grain farms. An examination of Table 4 shows that crop revenues are nearly the same as last year. Livestock revenues in most areas were a little higher than last year. In addition, total operating expenses were comparable to the year before. The biggest explanation for the increase in net farm income can be seen in the government payment line. Government payments for 1999 increased 75 percent to an average of \$77,602 per farm. Without government payments, the Purchase Area, the Pennyroyal Area, the Ohio Valley Area, and the Louisville Area would have had negative net farm incomes. If government payments were the same as in 1998, then the Pennyroyal and Louisville Areas would have had lower net income in 1999 than in 1998. The other areas would have had slightly higher net farm income even without the additional government payments.

Management Returns

Management returns for the average KFBM farm rose in all areas in 1999. However, 1998 had the lowest management returns in over 10 years. Even with the improvements in 1999, management returns were still negative in all areas. Management returns in 1999 for Kentucky were -\$24,259 compared to -\$79,999 in 1998. The largest increase in management returns was for the Pennyroyal Area which went from -\$87,570 to -\$17,542. The Louisville Area had the smallest increase at around \$5,000. However, the Louisville Area was the only area to show an increase in management returns in 1998.

When compared by type of farm (Table 5), hog farms had the best management returns (although still negative) of the four farm types. This is a dramatic turnaround from the previous year. An increase in hog prices in 1999 raised management returns to -\$10,642 from the -\$158,069 in 1998. Dairy farms had the second best management returns at -\$12,773. In 1998, dairy farmers did the best. Continued low feed prices and fairly good milk prices helped dairy farmers. Thanks to government payments, grain farms showed the biggest improvement in management returns.

Tables 6 through 9 lists summary data for Kentucky farms by type and area or region. Due to insufficient numbers for adequate statistical analysis, hog, beef and dairy farms were aggregated into "western" and "central" regions. The western region encompassed the Ohio Valley,

Pennyroyal and Purchase Area whereas the central region included the Louisville, Bluegrass and Lincoln Trail Areas. Only the hog farms in Central Kentucky generated positive management returns in 1999. The \$3,127 for these farms compares to the -\$119,663 in management returns for 1998. Beef farms in Western Kentucky had the lowest management returns at -\$72,399. They had management returns of -\$92,520 the previous year. The Western Kentucky beef farms also had the lowest net farm income with \$4,607.

Table 10A lists historical management returns by area. Management returns in 1999 rebounded significantly from 1998 but are still well below the 5 and 10 year averages. However, like net farm income, management returns were significantly affected by government payments. Figure 1A plots management returns for each area for the last 10 years. Table 10B lists historical net farm income by area while Figure 1B plots the 10 year net farm income. Figures 1A and 1B look very similar. The net farm income numbers shown in Table 10B also show a dramatic improvement over 1998. In this table the 1999 numbers are near the 5 and 10 year average.

Financial Characteristics

The Farm Financial Standards Council has identified several key financial ratios to measure the financial strength and stability of a farm business. These measures analyze the farm business in the areas of liquidity, solvency, profitability and financial efficiency. The averages for Kentucky farms in total and by type of farm can be found in Table 11. Ratios derived from the balance sheet use the fair market value of assets and liabilities. Due to the effects of weather and other outside factors on a farm business in any one year, it is perhaps preferable to analyze these factors over time. Identification of trends and dynamic analysis for making business decisions would be more prudent than a static analysis of these measures for any one year.

Liquidity is the measure or assessment of a farm business's ability to meet current cash flow requirements. Working capital and the current ratio (current assets divided by current liabilities) are the two most common measures of liquidity.

Solvency is a measure of a farm business's overall financial strength and risk-bearing ability. If a farm business is "solvent", it can pay all its financial obligations and provide its owner(s) a cash residual (equity). The debt to farm equity and debt to farm asset ratios, expressed as percent, show how debt capital is used in combination with equity capital. Analysis of these measures indicate the risk exposure of the farm business.

Profitability of a farm business is measured to determine the farm business's ability to meet family living needs and retire term debt. It is also a means to measure the farm business's ability to utilize assets and equity to generate income. The two measures of profitability are Return on Assets (ROA) and Return on Equity (ROE). ROA expresses returns as a percentage of assets while ROE expresses returns as a percentage of equity.

Financial efficiency measures are useful tools in determining how efficient the farm business is in generating the level of income incurred during the operating period. As one would expect,

there are interrelationships between several of these measures. For example, a high interest expense ratio would be expected to found in conjunction with a high debt to farm asset ratio (higher debt would necessarily be associated with higher interest payments). The asset turnover ratio expresses the value of farm production as a percentage of total assets. The other financial efficiency ratios tell how the value of farm production is distributed. The sum of the operating expense ratio, the depreciation expense ratio, the interest expense ratio, and the operating income ratio should total to 100 percent.

Description of Appendices

Appendix A contains balance sheet information for Kentucky by area and type of farm.
Appendix B contains income statement information for Kentucky by area and type of farm.
Appendix C contains economic management analysis data for Kentucky by area and type of farm.
Appendix D contains livestock production and economic data.

Table 1. Crop Yields by Area

| | Kentucky | Purchase | Pennyroyal | Ohio Valley | Lincoln Trail | Louisville | Bluegrass |
|----------------------|----------|----------|------------|-------------|---------------|------------|-----------|
| Yellow Corn | | | | | | | |
| average | 121 | 113 | 124 | 122 | 104 | 102 | 57 |
| median | 116 | 116 | 120 | 121 | 91 | 99 | 53 |
| White Corn | | | | | | | |
| average | 110 | N/A | 110 | 116 | 63 | N/A | N/A |
| median | 119 | N/A | 107 | 125 | 63 | N/A | N/A |
| Full-Season Soybeans | | | | | | | |
| average | 27 | 29 | 19 | 34 | 26 | 22 | 19 |
| median | 23 | 29 | 18 | 33 | 24 | 21 | 15 |
| Double-crop Soybeans | | | | | | | |
| average | 12 | 15 | 11 | 17 | 12 | 6 | N/A |
| median | 12 | 12 | 11 | 20 | 11 | 7 | N/A |
| Wheat | | | | | | | |
| average | 74 | 50 | 77 | 71 | 67 | 67 | 62 |
| median | 68 | 50 | 75 | 61 | 70 | 63 | 56 |
| Milo | | | | | | | |
| average | 75 | N/A | N/A | 80 | N/A | N/A | N/A |
| median | 64 | N/A | N/A | 70 | N/A | N/A | N/A |
| Barley | | | | | | | |
| average | 97 | N/A | 97 | N/A | N/A | N/A | N/A |
| median | 97 | N/A | 97 | N/A | N/A | N/A | N/A |
| Alfalfa | | | | | | | |
| average | 2.98 | N/A | 3.54 | 3.03 | N/A | 2.57 | 1.96 |
| median | 3.00 | N/A | 3.00 | 3.00 | N/A | 3.00 | 2.00 |
| Tobacco | | | | | | | |
| average | 2,335 | 2,487 | 2,448 | 2,737 | 2,017 | 2,390 | 1,665 |
| median | 2,304 | 2,739 | 2,317 | 2,493 | 2,158 | 2,198 | 1,871 |

Note: Yields are in bushels per acre except for alfalfa which is tons per acre and tobacco which is pounds per acre.

Table 2A. Average Crop Prices by Area

| | Kentucky | Purchase | Pennyroyal | Ohio Valley | Lincoln Trail | Louisville | Bluegrass |
|-----------------------------|----------|----------|------------|-------------|---------------|------------|-----------|
| Yellow Corn | | | | | | | |
| old crop ¹ | \$2.28 | \$2.11 | \$2.29 | \$2.32 | \$2.31 | \$2.15 | \$2.30 |
| new crop ² | 2.09 | 2.02 | 2.10 | 2.03 | 2.22 | 2.14 | 2.52 |
| White Corn | | | | | | | |
| old crop | 2.67 | N/A | 2.69 | 2.60 | 2.97 | N/A | N/A |
| new crop | 2.54 | N/A | 2.50 | 2.45 | 3.20 | N/A | N/A |
| Full-Season Soybeans | | | | | | | |
| old crop | 5.01 | 5.37 | 5.10 | 4.98 | 5.20 | 4.33 | 4.57 |
| new crop | 4.67 | 4.68 | 4.61 | 4.72 | 4.70 | 4.59 | 4.53 |
| Double-crop Soybeans | | | | | | | |
| old crop | 5.20 | 5.40 | 5.20 | 5.50 | 4.75 | 5.02 | N/A |
| new crop | 4.86 | 4.67 | 4.95 | 4.66 | 4.94 | 4.26 | N/A |
| Wheat | | | | | | | |
| old crop | 2.38 | 2.79 | 2.39 | 2.72 | 2.99 | 1.59 | N/A |
| new crop | 2.42 | 2.29 | 2.45 | 2.35 | 2.51 | 2.21 | 1.74 |
| Milo | | | | | | | |
| old crop | 1.68 | N/A | N/A | 1.68 | N/A | N/A | N/A |
| new crop | 1.81 | N/A | N/A | 1.81 | N/A | N/A | N/A |
| Barley | | | | | | | |
| old crop | 1.44 | N/A | 1.44 | N/A | N/A | N/A | N/A |
| new crop | 1.38 | N/A | 1.38 | N/A | N/A | N/A | N/A |
| Alfalfa | | | | | | | |
| old crop | 123.20 | N/A | 110.63 | 90.00 | N/A | 139.40 | 132.45 |
| new crop | 116.52 | N/A | 105.40 | 56.00 | N/A | 98.78 | 164.98 |
| Tobacco³ | | | | | | | |
| old crop | 1.83 | 2.15 | 1.90 | 1.75 | 1.67 | 1.73 | 1.74 |
| new crop | 1.85 | 1.75 | 1.93 | 1.86 | 1.71 | 1.75 | 1.76 |

¹ Old crop is carryover grain produced during the previous crop year.

² New crop is grain produced in the current year.

³ The Purchase, Pennyroyal, and Ohio Valley areas include dark tobacco in their averages.

Table 2B. Median Crop Prices by Area

| | Kentucky | Purchase | Pennyroyal | Ohio Valley | Lincoln Trail | Louisville | Bluegrass |
|-----------------------------|----------|----------|------------|-------------|---------------|------------|-----------|
| Yellow Corn | | | | | | | |
| old crop ¹ | \$2.25 | \$2.19 | \$2.24 | \$2.33 | \$2.30 | \$2.21 | \$2.26 |
| new crop ² | 2.01 | 1.96 | 2.05 | 1.98 | 2.21 | 1.96 | 2.00 |
| White Corn | | | | | | | |
| old crop | 2.73 | N/A | 2.74 | 2.66 | 2.97 | N/A | N/A |
| new crop | 2.47 | N/A | 2.45 | 2.47 | 3.20 | N/A | N/A |
| Full-Season Soybeans | | | | | | | |
| old crop | 4.97 | 5.17 | 4.99 | 4.95 | 4.96 | 4.73 | 5.06 |
| new crop | 4.60 | 4.67 | 4.58 | 4.70 | 4.59 | 4.53 | 4.54 |
| Double-crop Soybeans | | | | | | | |
| old crop | 5.04 | 5.23 | 5.00 | 5.19 | 4.99 | 5.09 | N/A |
| new crop | 4.59 | 4.64 | 4.55 | 4.63 | 4.77 | 4.63 | N/A |
| Wheat | | | | | | | |
| old crop | 2.27 | 2.36 | 2.30 | 2.34 | 2.57 | 1.07 | N/A |
| new crop | 2.32 | 2.26 | 2.37 | 2.31 | 2.42 | 2.06 | 1.75 |
| Milo | | | | | | | |
| old crop | 2.02 | N/A | N/A | 2.02 | N/A | N/A | N/A |
| new crop | 1.65 | N/A | N/A | 1.65 | N/A | N/A | N/A |
| Barley | | | | | | | |
| old crop | 1.35 | N/A | 1.35 | N/A | N/A | N/A | N/A |
| new crop | 1.39 | N/A | 1.39 | N/A | N/A | N/A | N/A |
| Alfalfa | | | | | | | |
| old crop | 101.11 | N/A | 111.33 | 90.00 | N/A | 139.40 | 97.92 |
| new crop | 113.60 | N/A | 108.03 | 56.00 | N/A | 110.92 | 118.23 |
| Tobacco³ | | | | | | | |
| old crop | 1.77 | 2.02 | 1.81 | 1.77 | 1.69 | 1.74 | 1.74 |
| new crop | 1.77 | 1.73 | 1.79 | 1.81 | 1.73 | 1.74 | 1.77 |

¹ Old crop is carryover grain produced during the previous crop year.

² New crop is grain produced in the current year.

³ The Purchase, Pennyroyal, and Ohio Valley areas include dark tobacco in their averages.

Table 3. Average Livestock Prices and Weights, 1995-1999

| | Average Price Received Per 100 lbs. | | | | | 5 Year Avg. |
|---|--|---------|----------|----------|----------|-------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | |
| Farrow to Finish ¹ | \$42.35 | \$53.86 | \$51.76 | \$33.35 | \$32.20 | \$42.70 |
| Market Price | 43.12 | 54.91 | 52.42 | 34.15 | 32.92 | 43.50 |
| Weight Per Market Hog Sold | 241 | 238 | 245 | 248 | 241 | 243 |
| Purchased Feeder Pigs | 42.33 | 54.44 | 53.76 | 36.65 | 34.60 | 44.36 |
| Weight Per Hog Sold | 246 | 247 | 250 | 250 | 253 | 249 |
| Beef Cows, Calves Sold ¹ | 54.25 | 44.22 | 60.76 | 63.57 | 56.09 | 55.78 |
| Market Price | 60.39 | 48.79 | 68.10 | 69.82 | 74.23 | 64.27 |
| Weight Per Calf Sold | 522 | 511 | 518 | 534 | 520 | 521 |
| Beef Cows, Calves Background ¹ | 56.42 | 45.84 | 60.12 | 62.92 | 62.67 | 57.59 |
| Market Price | 62.10 | 52.38 | 66.40 | 69.94 | 71.26 | 64.42 |
| Weight Per Calf Sold | 637 | 666 | 643 | 636 | 623 | 641 |
| Beef Cows, Calves Fed Out ¹ | 59.81 | 49.54 | 63.53 | 56.08 | 59.63 | 57.72 |
| Market Price | 62.99 | 53.30 | 63.72 | 59.67 | 62.08 | 60.35 |
| Weight Per Calf Sold | 1,000 | 927 | 968 | 894 | 1,029 | 964 |
| Background Purchased Calves | 61.97 | 55.78 | 67.20 | 69.94 | 67.53 | 64.48 |
| Weight Per Calf Sold | 789 | 757 | 699 | 636 | 771 | 730 |
| Milk ² | 13.23 | 15.63 | 14.57 | 16.08 | 16.54 | 15.21 |
| | Average Price Paid Per 100 Lbs. ¹ | | | | | |
| Feeder Pigs | \$76.99 | \$85.13 | \$114.14 | \$107.32 | \$120.92 | \$100.90 |
| Weight Purchased | 54 | 51 | 50 | 32 | 26 | 43 |
| Background Cattle | 61.62 | 57.23 | 68.08 | 72.34 | 77.15 | 67.28 |
| Weight Purchased | 520 | 500 | 576 | 520 | 497 | 523 |

¹ Prices shown are all net farm prices (marketing charges have been deducted). Includes culled breeding stock.

² Milk price is gross price less capital retains, government assessments, and promotion expenses. Hauling is included in gross price.

Table 4. Summary of All Farms by Area - Average Values

| | Kentucky | Purchase | Penny royal | Ohio Valley | Lincoln Trail | Louisville | Bluegrass |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Number of Farms | 255 | 13 | 120 | 60 | 20 | 27 | 15 |
| % Feed fed (average) | 60.40 | 4.74 | 39.26 | 11.08 | 320.11 | 83.40 | 158.51 |
| % Feed fed (median) | 5.00 | 0.00 | 1.05 | 4.40 | 245.00 | 53.02 | 119.70 |
| Total acres | 1,486 | 1,545 | 1,686 | 1,655 | 931 | 1,097 | 602 |
| Acres tillable | 1,285 | 1,338 | 1,497 | 1,424 | 761 | 895 | 395 |
| Acres owned | 393 | 491 | 472 | 368 | 295 | 259 | 146 |
| Acres crop shared | 436 | 480 | 463 | 659 | 130 | 198 | 129 |
| Acres cash rented | 456 | 366 | 562 | 398 | 335 | 438 | 120 |
| Labor | | | | | | | |
| Unpaid months | 15.6 | 15.5 | 14.6 | 17.8 | 16.6 | 15.7 | 13.3 |
| Paid months | 26.2 | 17.1 | 30.8 | 14.0 | 21.1 | 36.5 | 34.4 |
| Revenue | | | | | | | |
| Crop revenue | \$251,177 | \$218,088 | \$321,546 | \$244,238 | \$126,701 | \$165,817 | \$64,273 |
| Livestock revenue | 122,718 | 67,734 | 128,494 | 53,013 | 218,067 | 191,439 | 152,155 |
| Government payments | 77,602 | 70,236 | 99,269 | 76,803 | 42,564 | 49,591 | 10,988 |
| Other farm revenue | 51,499 | 25,218 | 78,205 | 28,058 | 38,849 | 24,040 | 20,686 |
| GROSS REVENUE | \$502,996 | \$381,277 | \$627,514 | \$402,111 | \$426,181 | \$430,888 | \$248,102 |
| minus feed & livestock purchases | 55,216 | 17,788 | 63,772 | 22,501 | 88,879 | 78,600 | 63,093 |
| VALUE OF FARM PRODUCTION | \$447,781 | \$363,489 | \$563,743 | \$379,610 | \$337,302 | \$352,288 | \$185,009 |
| Expenses | | | | | | | |
| Cash operating expenses | \$311,761 | \$240,529 | \$397,325 | \$260,451 | \$210,464 | \$255,270 | \$130,957 |
| Depreciation | 41,221 | 32,617 | 52,118 | 34,070 | 33,843 | 33,181 | 14,423 |
| Change in Acct pay/Prepaid exp. | -1,287 | -5,107 | -6,007 | 4,975 | 9,281 | -711 | -387 |
| TOTAL OPERATING EXPENSES | \$351,695 | \$268,039 | \$443,436 | \$299,497 | \$253,589 | \$287,740 | \$144,992 |
| TOTAL INTEREST EXPENSE | \$35,412 | \$28,096 | \$47,284 | \$29,040 | \$26,211 | \$20,177 | \$11,950 |
| Net Farm Income From Operations | \$60,674 | \$67,354 | \$73,023 | \$51,074 | \$57,502 | \$44,371 | \$28,068 |
| Net Farm Income | \$62,260 | \$69,502 | \$74,933 | \$51,715 | \$58,896 | \$46,415 | \$29,779 |
| Interest on equity capital | \$55,306 | \$54,970 | \$63,183 | \$52,340 | \$47,100 | \$48,967 | \$26,793 |
| Unpaid family labor | 1,333 | 2,354 | 517 | 2,373 | 1,200 | 2,252 | 1,333 |
| Operator(s) labor and mgmt income | 5,621 | 12,179 | 11,233 | -2,999 | 10,596 | -4,804 | 1,652 |
| Unpaid operator labor | 29,880 | 28,615 | 28,775 | 33,150 | 31,900 | 29,244 | 25,187 |
| Management returns | -\$24,259 | -\$16,436 | -\$17,542 | -\$36,149 | -\$21,304 | -\$34,048 | -\$23,534 |
| Production (\$) per \$1 non-feed cost | 0.89 | 0.95 | 0.91 | 0.87 | 0.97 | 0.82 | 0.85 |
| Farm production (\$) per person year | 142,624 | 178,430 | 159,318 | 159,438 | 121,968 | 81,610 | 48,148 |
| Financial efficiency ratios | | | | | | | |
| Operating expense ratio (%) | 69.34% | 64.77% | 69.41% | 69.92% | 65.15% | 72.26% | 70.57% |
| Depreciation expense ratio (%) | 9.21% | 8.97% | 9.24% | 8.97% | 10.03% | 9.42% | 7.80% |
| Interest expense ratio (%) | 7.91% | 7.73% | 8.39% | 7.65% | 7.77% | 5.73% | 6.46% |
| Net farm income from operations ratio (%) | 13.55% | 18.53% | 12.95% | 13.45% | 17.05% | 12.60% | 15.17% |

Table 5. Summary of All Farms by Farm Type - Average Values

| | Kentucky | Grain | Beef | Dairy | Hog |
|---|------------------|------------------|------------------|------------------|------------------|
| Number of Farms | 255 | 177 | 27 | 34 | 14 |
| % Feed fed (average) | 60.40 | 4.85 | 116.06 | 203.32 | 382.54 |
| % Feed fed (median) | 5.00 | 0.90 | 77.80 | 162.20 | 227.90 |
| Total acres | 1,486 | 1,823 | 697 | 644 | 716 |
| Acres tillable | 1,285 | 1,641 | 386 | 419 | 547 |
| Acres owned | 393 | 444 | 251 | 311 | 249 |
| Acres crop shared | 436 | 605 | 50 | 19 | 114 |
| Acres cash rented | 456 | 593 | 86 | 89 | 183 |
| Labor | | | | | |
| Unpaid months | 15.6 | 15.9 | 13.4 | 15.5 | 15.7 |
| Paid months | 26.2 | 26.1 | 16.7 | 33.9 | 25.6 |
| Revenue | | | | | |
| Crop revenue | \$251,177 | \$334,033 | \$41,816 | \$47,525 | \$83,870 |
| Livestock revenue | 122,718 | 43,841 | 130,515 | 398,835 | 345,193 |
| Government payments | 77,602 | 101,466 | 12,666 | 20,606 | 34,299 |
| Other farm revenue | 51,499 | 66,476 | 20,567 | 15,854 | 11,814 |
| GROSS REVENUE | \$502,996 | \$545,817 | \$205,564 | \$482,820 | \$475,176 |
| minus feed & livestock purchases | 55,216 | 26,726 | 69,021 | 131,005 | 169,866 |
| VALUE OF FARM PRODUCTION | \$447,781 | \$519,091 | \$136,543 | \$351,815 | \$305,310 |
| Expenses | | | | | |
| Cash operating expenses | \$311,761 | \$367,585 | \$97,883 | \$227,976 | \$177,183 |
| Depreciation | 41,221 | 48,433 | 13,085 | 27,562 | 33,791 |
| Change in Acct pay/Prepaid exp. | -1,287 | -1,964 | 80 | 491 | 5,222 |
| TOTAL OPERATING EXPENSES | \$351,695 | \$414,054 | \$111,048 | \$256,030 | \$216,197 |
| TOTAL INTEREST EXPENSE | \$35,412 | \$42,117 | \$13,739 | \$24,125 | \$21,468 |
| Net Farm Income From Operations | \$60,674 | \$62,920 | \$11,756 | \$71,660 | \$67,644 |
| Net Farm Income | \$62,260 | \$64,845 | \$12,488 | \$72,936 | \$68,019 |
| Interest on equity capital | \$55,306 | \$58,533 | \$35,693 | \$54,739 | \$47,304 |
| Unpaid family labor | 1,333 | 1,367 | 1,533 | 1,365 | 143 |
| Operator(s) labor and mgmt income | 5,621 | 4,945 | -24,739 | 16,833 | 20,572 |
| Unpaid operator labor | 29,880 | 30,496 | 25,178 | 29,606 | 31,214 |
| Management returns | -\$24,259 | -\$25,551 | -\$49,916 | -\$12,773 | -\$10,642 |
| Production (\$) per \$1 non-feed cost | 0.89 | 0.90 | 0.67 | 0.96 | 1.01 |
| Farm production (\$) per person year | 142,624 | 170,004 | 53,461 | 87,304 | 94,012 |
| Financial efficiency ratios | | | | | |
| Operating expense ratio (%) | 69.34% | 70.43% | 71.75% | 64.94% | 59.74% |
| Depreciation expense ratio (%) | 9.21% | 9.33% | 9.58% | 7.83% | 11.07% |
| Interest expense ratio (%) | 7.91% | 8.11% | 10.06% | 6.86% | 7.03% |
| Net farm income from operations ratio (%) | 13.55% | 12.12% | 8.61% | 20.37% | 22.16% |

Table 6. Summary of Grain Farms by Area - Average Values

| | Kentucky | Purchase | Penny royal | Ohio Valley | Lincoln Trail | Louisville |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Number of Farms | 177 | 12 | 93 | 55 | 6 | 9 |
| % Feed fed (average) | 4.85 | 2.41 | 3.73 | 5.78 | 0.00 | 12.70 |
| % Feed fed (median) | 0.90 | 0.00 | 0.40 | 4.30 | 0.00 | 4.40 |
| Total acres | 1,823 | 1,548 | 1,930 | 1,719 | 2,119 | 1,821 |
| Acres tillable | 1,641 | 1,334 | 1,776 | 1,495 | 1,925 | 1,628 |
| Acres owned | 444 | 513 | 500 | 361 | 547 | 295 |
| Acres crop shared | 605 | 490 | 591 | 701 | 401 | 522 |
| Acres cash rented | 593 | 331 | 685 | 433 | 977 | 811 |
| Labor | | | | | | |
| Unpaid months | 15.9 | 15.6 | 14.7 | 18.0 | 17.3 | 16.3 |
| Paid months | 26.1 | 16.0 | 30.7 | 13.7 | 35.7 | 51.4 |
| Revenue | | | | | | |
| Crop revenue | \$334,033 | \$223,169 | \$395,080 | \$257,108 | \$375,444 | \$328,219 |
| Livestock revenue | 43,841 | 48,484 | 45,438 | 37,701 | 0 | 94,571 |
| Government payments | 101,466 | 68,842 | 120,845 | 80,728 | 101,711 | 90,195 |
| Other farm revenue | 66,476 | 26,548 | 96,010 | 25,313 | 113,759 | 37,010 |
| GROSS REVENUE | \$545,817 | \$367,042 | \$657,372 | \$400,851 | \$590,914 | \$549,995 |
| minus feed & livestock purchases | 26,726 | 15,082 | 36,236 | 12,711 | 17,518 | 39,956 |
| VALUE OF FARM PRODUCTION | \$519,091 | \$351,960 | \$621,135 | \$388,140 | \$573,396 | \$510,039 |
| Expenses | | | | | | |
| Cash operating expenses | \$367,585 | \$231,092 | \$445,155 | \$266,452 | \$386,247 | \$393,928 |
| Depreciation | 48,433 | 32,583 | 59,088 | 33,877 | 62,380 | 44,986 |
| Change in Acct pay/Prepaid exp. | -1,964 | -3,775 | -7,818 | 5,151 | 31,106 | -3,882 |
| TOTAL OPERATING EXPENSES | \$414,054 | \$259,900 | \$496,425 | \$305,480 | \$479,733 | \$435,032 |
| TOTAL INTEREST EXPENSE | \$42,117 | \$29,258 | \$52,554 | \$28,655 | \$53,218 | \$29,298 |
| Net Farm Income From Operations | \$62,920 | \$62,802 | \$72,156 | \$54,004 | \$40,444 | \$45,710 |
| Net Farm Income | \$64,845 | \$65,130 | \$74,125 | \$54,612 | \$45,124 | \$51,874 |
| Interest on equity capital | \$58,533 | \$54,217 | \$64,017 | \$51,776 | \$74,505 | \$51,604 |
| Unpaid family labor | 1,367 | 2,217 | 495 | 2,425 | 4,000 | 1,333 |
| Operator(s) labor and mgmt income | 4,945 | 8,696 | 9,613 | 411 | -33,382 | -1,064 |
| Unpaid operator labor | 30,496 | 29,000 | 28,935 | 33,545 | 30,667 | 31,311 |
| Management returns | -\$25,551 | -\$20,304 | -\$19,322 | -\$33,134 | -\$64,048 | -\$32,375 |
| Production (\$) per \$1 non-feed cost | 0.90 | 0.94 | 0.91 | 0.88 | 0.87 | 0.89 |
| Farm production (\$) per person year | 170,004 | 181,174 | 178,146 | 166,860 | 183,164 | 109,210 |
| Financial efficiency ratios | | | | | | |
| Operating expense ratio (%) | 70.43% | 64.59% | 70.41% | 69.98% | 72.79% | 76.47% |
| Depreciation expense ratio (%) | 9.33% | 9.26% | 9.51% | 8.73% | 10.88% | 8.82% |
| Interest expense ratio (%) | 8.11% | 8.31% | 8.46% | 7.38% | 9.28% | 5.74% |
| Net farm income from operations ratio (%) | 12.12% | 17.84% | 11.62% | 13.91% | 7.05% | 8.96% |

Table 7. Summary of Beef Farms by Region - Average Values

| | Kentucky | Western | Central |
|---|------------------|------------------|------------------|
| Number of Farms | 27 | 8 | 19 |
| % Feed fed (average) | 116.06 | 97.29 | 123.01 |
| % Feed fed (median) | 77.80 | 99.95 | 77.80 |
| Total acres | 697 | 929 | 600 |
| Acres tillable | 386 | 383 | 388 |
| Acres owned | 251 | 353 | 207 |
| Acres crop shared | 50 | 2 | 70 |
| Acres cash rented | 86 | 28 | 110 |
| Labor | | | |
| Unpaid months | 13.4 | 13.6 | 13.3 |
| Paid months | 16.7 | 10.4 | 19.4 |
| Revenue | | | |
| Crop revenue | \$41,816 | \$28,630 | \$47,368 |
| Livestock revenue | 130,515 | 123,861 | 133,316 |
| Government payments | 12,666 | 14,903 | 11,724 |
| Other farm revenue | 20,567 | 37,886 | 13,275 |
| GROSS REVENUE | \$205,564 | \$205,280 | \$205,683 |
| minus feed & livestock purchases | 69,021 | 56,016 | 74,497 |
| VALUE OF FARM PRODUCTION | \$136,543 | \$149,265 | \$131,186 |
| Expenses | | | |
| Cash operating expenses | \$97,883 | \$109,962 | \$92,797 |
| Depreciation | 13,085 | 17,082 | 11,402 |
| Change in Acct pay/Prepaid exp. | 80 | -11 | 119 |
| TOTAL OPERATING EXPENSES | \$111,048 | \$127,032 | \$104,318 |
| TOTAL INTEREST EXPENSE | \$13,739 | \$18,738 | \$11,634 |
| Net Farm Income From Operations | \$11,756 | \$3,495 | \$15,234 |
| Net Farm Income | \$12,488 | \$4,607 | \$15,806 |
| Interest on equity capital | \$35,693 | \$49,881 | \$29,719 |
| Unpaid family labor | 1,533 | 875 | 1,811 |
| Operator(s) labor and mgmt income | -24,739 | -46,149 | -15,724 |
| Unpaid operator labor | 25,178 | 26,250 | 24,726 |
| Management returns | -\$49,916 | -\$72,399 | -\$40,450 |
| Production (\$) per \$1 non-feed cost | 0.67 | 0.59 | 0.71 |
| Farm production (\$) per person year | 53,461 | 62,790 | 49,533 |
| Financial efficiency ratios | | | |
| Operating expense ratio (%) | 71.75% | 73.66% | 70.83% |
| Depreciation expense ratio (%) | 9.58% | 11.44% | 8.69% |
| Interest expense ratio (%) | 10.06% | 12.55% | 8.87% |
| Net farm income from operations ratio (%) | 8.61% | 2.34% | 11.61% |

Table 8. Summary of Dairy Farms by Region - Average Values

| | Kentucky | Western | Central |
|---|------------------|-----------------|------------------|
| Number of Farms | 34 | 19 | 15 |
| % Feed fed (average) | 203.32 | 203.53 | 203.11 |
| % Feed fed (median) | 162.20 | 162.20 | 176.05 |
| Total acres | 644 | 723 | 543 |
| Acres tillable | 419 | 481 | 341 |
| Acres owned | 311 | 373 | 232 |
| Acres crop shared | 19 | 21 | 17 |
| Acres cash rented | 89 | 88 | 91 |
| Labor | | | |
| Unpaid months | 15.5 | 16.2 | 14.6 |
| Paid months | 33.9 | 32.9 | 35.3 |
| Revenue | | | |
| Crop revenue | \$47,525 | \$59,018 | \$32,969 |
| Livestock revenue | 398,835 | 451,445 | 332,195 |
| Government payments | 20,606 | 22,888 | 17,716 |
| Other farm revenue | 15,854 | 21,175 | 9,114 |
| GROSS REVENUE | \$482,820 | \$554,526 | \$391,993 |
| minus feed & livestock purchases | 131,005 | 161,987 | 91,761 |
| VALUE OF FARM PRODUCTION | \$351,815 | \$392,538 | \$300,232 |
| Expenses | | | |
| Cash operating expenses | \$227,976 | \$248,337 | \$202,186 |
| Depreciation | 27,562 | 28,397 | 26,505 |
| Change in Acct pay/Prepaid exp. | 491 | 1,267 | -492 |
| TOTAL OPERATING EXPENSES | \$256,030 | \$278,002 | \$228,199 |
| TOTAL INTEREST EXPENSE | \$24,125 | \$32,011 | \$14,136 |
| Net Farm Income From Operations | \$71,660 | \$82,526 | \$57,898 |
| Net Farm Income | \$72,936 | \$84,885 | \$57,802 |
| Interest on equity capital | \$54,739 | \$58,698 | \$49,724 |
| Unpaid family labor | 1,365 | 842 | 2,027 |
| Operator(s) labor and mgmt income | 16,833 | 25,345 | 6,051 |
| Unpaid operator labor | 29,606 | 31,579 | 27,107 |
| Management returns | -\$12,773 | -\$6,234 | -\$21,055 |
| Production (\$) per \$1 non-feed cost | 0.96 | 0.97 | 0.95 |
| Farm production (\$) per person year | 87,304 | 96,431 | 75,743 |
| Financial efficiency ratios | | | |
| Operating expense ratio (%) | 64.94% | 63.59% | 67.18% |
| Depreciation expense ratio (%) | 7.83% | 7.23% | 8.83% |
| Interest expense ratio (%) | 6.86% | 8.15% | 4.71% |
| Net farm income from operations ratio (%) | 20.37% | 21.02% | 19.28% |

Table 9. Summary of Hog Farms by Region - Average Values

| | Kentucky | Western | Central |
|---|------------------|------------------|-----------------|
| Number of Farms | 14 | 4 | 10 |
| % Feed fed (average) | 382.54 | 146.05 | 456.44 |
| % Feed fed (median) | 227.90 | 113.69 | 341.90 |
| Total acres | 716 | 1,067 | 576 |
| Acres tillable | 547 | 870 | 417 |
| Acres owned | 249 | 454 | 167 |
| Acres crop shared | 114 | 275 | 50 |
| Acres cash rented | 183 | 141 | 200 |
| Labor | | | |
| Unpaid months | 15.7 | 12.3 | 17.1 |
| Paid months | 25.6 | 40.3 | 19.7 |
| Revenue | | | |
| Crop revenue | \$83,870 | \$106,301 | \$74,897 |
| Livestock revenue | 345,193 | 433,825 | 309,740 |
| Government payments | 34,299 | 51,471 | 27,430 |
| Other farm revenue | 11,814 | 5,664 | 14,274 |
| GROSS REVENUE | \$475,176 | \$597,260 | \$426,342 |
| minus feed & livestock purchases | 169,866 | 217,089 | 150,977 |
| VALUE OF FARM PRODUCTION | \$305,310 | \$380,171 | \$275,365 |
| Expenses | | | |
| Cash operating expenses | \$177,183 | \$239,198 | \$152,377 |
| Depreciation | 33,791 | 45,447 | 29,129 |
| Change in Acct pay/Prepaid exp. | 5,222 | 13,773 | 1,802 |
| TOTAL OPERATING EXPENSES | \$216,197 | \$298,418 | \$183,309 |
| TOTAL INTEREST EXPENSE | \$21,468 | \$31,481 | \$17,464 |
| Net Farm Income From Operations | \$67,644 | \$50,273 | \$74,593 |
| Net Farm Income | \$68,019 | \$50,873 | \$74,878 |
| Interest on equity capital | \$47,304 | \$71,436 | \$37,652 |
| Unpaid family labor | 143 | 500 | 0 |
| Operator(s) labor and mgmt income | 20,572 | -21,063 | 37,227 |
| Unpaid operator labor | 31,214 | 24,000 | 34,100 |
| Management returns | -\$10,642 | -\$45,063 | \$3,127 |
| Production (\$) per \$1 non-feed cost | 1.01 | 0.93 | 1.05 |
| Farm production (\$) per person year | 94,012 | 87,378 | 96,665 |
| Financial efficiency ratios | | | |
| Operating expense ratio (%) | 59.74% | 66.54% | 55.99% |
| Depreciation expense ratio (%) | 11.07% | 11.95% | 10.58% |
| Interest expense ratio (%) | 7.03% | 8.28% | 6.34% |
| Net farm income from operations ratio (%) | 22.16% | 13.22% | 27.09% |

Table 10A. Historical Data: Operator-Only Management Returns by Area

| | Purchase | Pennyroyal | Ohio Valley | Lincoln Trail | Louisville | Blue Grass |
|-----------|----------|------------|-------------|---------------|------------|------------|
| 1989 | 15053 | 24750 | 30776 | 12359 | -2861 | -5399 |
| 1990 | 11,124 | -9,466 | -4,555 | -6,448 | 3,463 | 690 |
| 1991 | -23,051 | -8,677 | -29,191 | -22,221 | -29,707 | -32,716 |
| 1992 | 64,983 | 53,578 | 48,882 | 15,198 | 1,436 | 3,744 |
| 1993 | 24,740 | 10,520 | 21,120 | 28,466 | 11,600 | -4,850 |
| 1994 | 40,215 | 28,933 | -5,702 | -31,001 | -34,603 | -27,200 |
| 1995 | 89,365 | 45,806 | -1,874 | 2,514 | -10,417 | -37,856 |
| 1996 | 74,021 | 103,653 | 19,809 | 7,033 | -15,932 | -27,885 |
| 1997 | 20,061 | 4,747 | -32,097 | -51,260 | -50,098 | -16,704 |
| 1998 | -59,878 | -87,570 | -96,657 | -85,114 | -39,750 | -41,706 |
| 1999 | -16,279 | -18,916 | -36,098 | -21,196 | -33,807 | -23,534 |
| 10 Yr Ave | 22,530 | 12,261 | -11,636 | -16,403 | -19,782 | -20,802 |
| 5 Yr Ave | 21,458 | 9,544 | -29,383 | -29,605 | -30,001 | -29,537 |

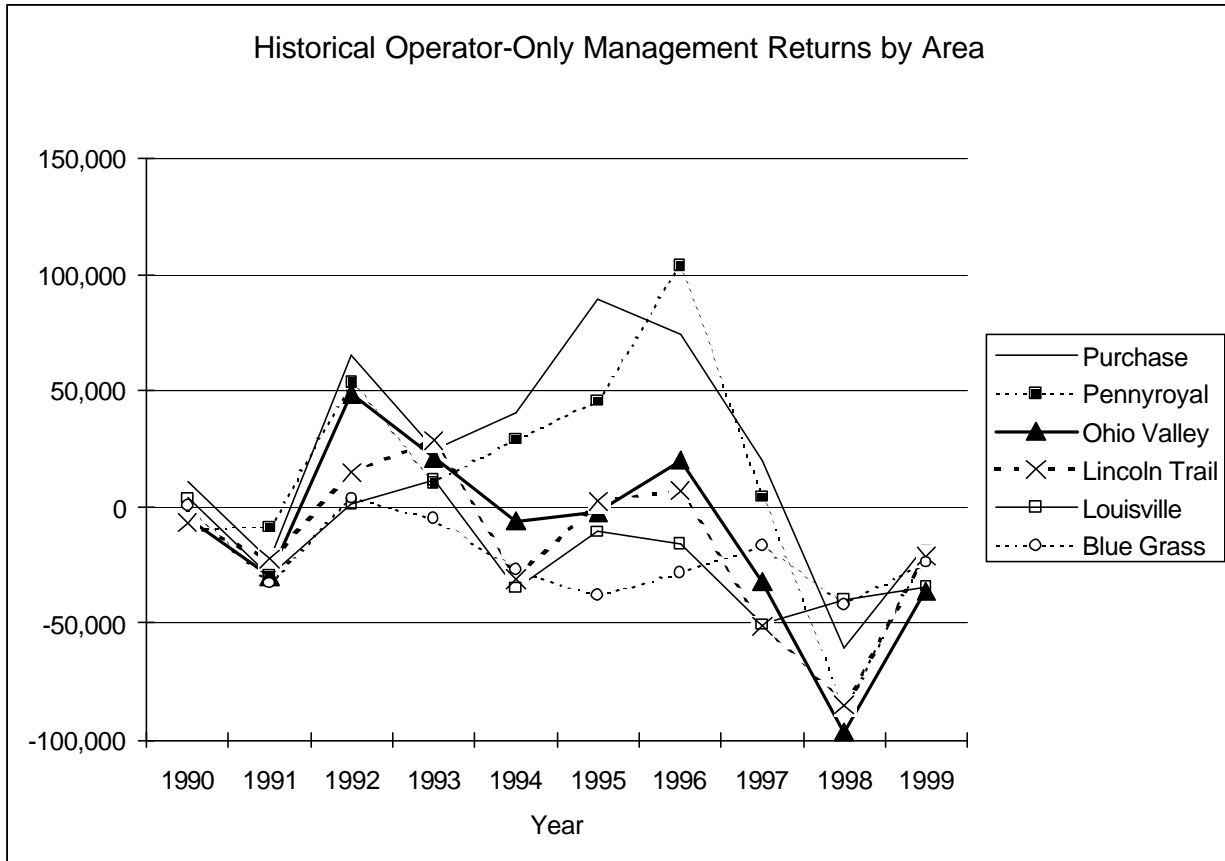


Figure 1A. Historical Data: Operator-Only Management Returns by Area

Table 10B. Historical Data: Net Farm Income by Area

| | Purchase | Pennyroyal | Ohio Valley | Lincoln Trail | Louisville | Blue Grass |
|-----------|----------|------------|-------------|---------------|------------|------------|
| 1989 | 70,507 | 61,785 | 81,857 | 68,171 | 47,679 | 31,462 |
| 1990 | 69,560 | 39,506 | 56,040 | 45,326 | 62,856 | 41,414 |
| 1991 | 33,741 | 41,083 | 30,233 | 42,045 | 29,098 | 9,216 |
| 1992 | 124,200 | 107,823 | 113,440 | 72,416 | 57,021 | 44,738 |
| 1993 | 89,019 | 68,956 | 88,646 | 87,214 | 66,439 | 36,024 |
| 1994 | 102,586 | 97,986 | 71,877 | 31,140 | 23,685 | 16,691 |
| 1995 | 175,257 | 119,564 | 75,938 | 69,696 | 50,990 | 6,037 |
| 1996 | 163,808 | 190,374 | 94,838 | 75,439 | 49,461 | 27,377 |
| 1997 | 104,994 | 99,765 | 53,151 | 30,991 | 21,189 | 34,505 |
| 1998 | 30,312 | 13,862 | -6,378 | -4,389 | 37,106 | 10,107 |
| 1999 | 69,502 | 73,046 | 51,715 | 58,896 | 46,415 | 29,779 |
| 10 Yr Ave | 96,298 | 85,197 | 62,950 | 50,877 | 44,426 | 25,589 |
| 5 Yr Ave | 108,775 | 99,322 | 53,853 | 46,127 | 41,032 | 21,561 |

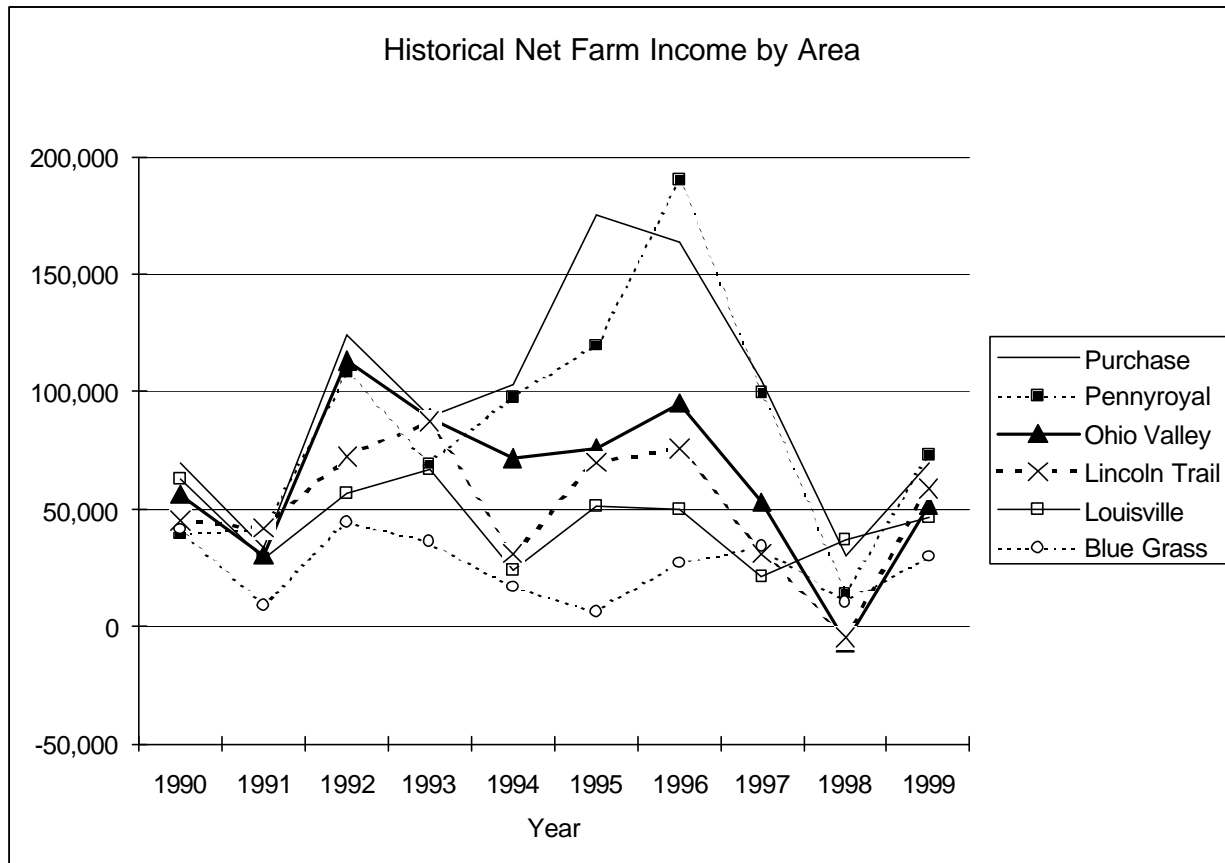


Figure 1B. Historical Data: Net Farm Income by Area

Table 11. Financial Characteristics of Kentucky Farms by Type of Farm

| Selected Financial Ratios for Kentucky - 1999 | | | | | |
|--|------------------|--------------|-------------|--------------|------------|
| | <u>All farms</u> | <u>Grain</u> | <u>Beef</u> | <u>Dairy</u> | <u>Hog</u> |
| Liquidity | | | | | |
| Current ratio | 1.55 | 1.49 | 2.03 | 1.91 | 1.92 |
| Working capital | \$113,266 | \$119,312 | \$96,923 | \$71,424 | \$122,566 |
| Solvency | | | | | |
| Debt/Asset ratio | 0.32 | 0.34 | 0.16 | 0.32 | 0.28 |
| Equity/Asset ratio | 0.68 | 0.66 | 0.84 | 0.68 | 0.72 |
| Debt/Equity | 0.47 | 0.52 | 0.19 | 0.47 | 0.40 |
| Profitability | | | | | |
| Return on Assets (ROA) (%) | 4.6% | 4.9% | 0.0% | 5.6% | 4.3% |
| Return on Equity (ROE) (%) | 3.1% | 3.2% | -1.3% | 5.2% | 3.8% |
| Operating profit margin (%) | 14.8% | 14.4% | 0.2% | 18.8% | 19.0% |
| Net farm income | \$62,260 | \$64,845 | \$12,488 | \$72,936 | \$68,019 |
| Financial Efficiency | | | | | |
| Asset turnover ratio (%) | 31.0% | 34.2% | 10.9% | 29.6% | 22.9% |
| Operating expense ratio (%) | 69.3% | 70.4% | 71.7% | 64.9% | 59.7% |
| Depreciation/Amortization expense ratio (%) | 9.2% | 9.3% | 9.6% | 7.8% | 11.1% |
| Interest expense ratio (%) | 7.9% | 8.1% | 10.1% | 6.9% | 7.0% |
| Net farm income from operations ratio (%) | 13.5% | 12.1% | 8.6% | 20.4% | 22.2% |

Note: Ratios are calculated from an average income statement and an average balance sheet.