

Referee eyes play Polished and ready for action, Nicholas centers the ball on a second down in their 50-4 win over the Eagles Friday night in their home opener. — Photo submitted.

Ag economists at UK assess effects of drought

Farmers in Kentucky and throughout the major crop producing areas of the Midwest and South are suffering through the worst growing conditions in decades.

Hot, dry weather has affected farmers in varying degrees, but the drought seems to have hampered crop yields on nearly all farms in Kentucky this year, according to agricultural economists at the University of Kentucky.

The economists report that corn yields are expected to be from 50 to 70 percent lower than normal. Soybean yields likely will be from 25 to 50 percent. And the state's tobacco crop is in critical condition.

A drought spells tough times for farmers and perhaps higher prices for consumers, said Dr. Don Shurley, Extension specialist in farm management. "Many farmers already on hard times prior to 1983, face even tougher decisions ahead," he noted.

Shurley and three other UK Extension farm management and marketing economists have assessed the drought and its implications for farmers and consumers. Here is their assessment of that situation and some suggestions on ways to minimize the effects of the drought on farm businesses.

Shurley is the source of information on financial and management implications; Dr. Charles L. Moore Sr. for tax management; Dr. Steven K. Higgins for market outlook and pricing strategies for corn, wheat and soybeans; and Dr. A. Lee Meyer for the impact of the

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Mother and daughter model
Mrs. Vickie Sparks, in a bright red suit, and daughter, Andrea, preppy and ready for school, are pictured modeling Sunday at Baker's Dept. Store Style Show. Unfortunately this picture was the last one on the roll and therefore caused superfluous on the print. — Mercury photo.

Missy and niece Angle Buckner, back, and Amy Fuller, are a pair of "eye catchers" in their slacks and shirts from Baker's new fall line at the state's style show Sunday afternoon. — Mercury photo.



'Eye catchers' Angle Buckner, back, and Amy Fuller, are a pair of "eye catchers" in their slacks and shirts from Baker's new fall line at the state's style show Sunday afternoon. — Mercury photo.

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Steppin' high
Marlene Hopkins is stepping high, wide and handsome in a leather jacket and coordinating corduroy slacks as she models in Baker's Style Show Sunday at the Historical Society building. — Mercury photo.

School bound
Beth Hammonds is set for school in a coordinating outfit from Baker's Department Store Style Show Sunday at the Historical Society building. More pictures will appear in next week's Mercury. — Mercury photo.

Drought effects

Continued from page 7
leg and forward planning using the "Net Operating Loss," or NOL, provision, can be beneficial.

The first rule when considering an NOL is to find a tax preparer who is familiar with agricultural and knowledgeable regarding NOLA. An NOL, simply stated, is the excess of allowable deductions over gross income after certain adjustments are applied.

Though easy to define, NOL computations are very complex and should be used to effect income from nonfarm sources as well as from farming.

Any unused loss in the year incurred can be carried back to the three preceding years and used to offset income in those years and generate refunds of taxes paid. If this carryback does not fully use all of the loss, it can be carried forward for as many as 15 years until it is fully used up.

Avoid capital gains in the loss year as the benefit of the 60 percent deduction will be lost. The key is to determine early if you are going to have an NOL and then "map out" the rest of the 1983 tax year.

Housekeeping also is necessary in the loss handling of crop insurance proceeds and disaster payments. The cash basis farmer may elect to defer reporting the insurance recovery or disaster payment until the year after the recovery if his normal practice was to postpone the sale of his land until the year following harvest. The same kind of election is available for livestock producers.

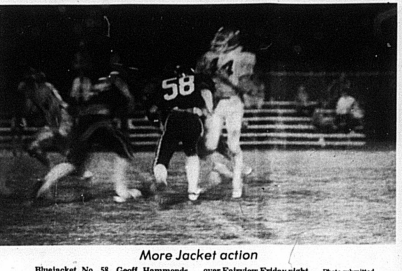
The irony of 1983 is that some farmers are in fact going to have high incomes which need management. This could occur because of marketing opportunities were not taken in 1982 and were held over for early 1983 sales.

Crop farmers who are participating in a PFK could have income generated when a Commodity Credit loan is forgiven as part of their agreement, and they could have still more income if they sell some of their PFK grain in late 1983.

In addition to these sources of income, there will be much less deductible expense because of idled acreage.

As part of your tax management, assess income and expenses to date; prepare expenses for the remainder of the tax year; determine remaining income tax liability; PFK, crop insurance, etc.), and map out a strategy.

Early planning and selecting a competent tax preparer could be the best tax management decision made in 1983.



More Jacket action Earl Hammonds, over Fairview Friday night. — Photo submitted.

no PFK program next year. This corn and soybean average will be very large next year. If 1984 yields return to the level of 1984 and very low prices.

The recently announced wheat program probably won't be very effective at reducing wheat acreage for the 1984 harvest. Wheat prices are expected to be around \$1.50 per bushel, but soybean prices, dry soil conditions may reduce next year's harvest, but it is too early to know and the wheat price outlook is not very promising.

Farmers should be ready to price three years' crop 1983, if they have any 1983 plus PFK grain and a stable percentage of expected 1984 production.

If holding 1984 production, use the 1983 "roll crop" future because of the inverted market, and plan on rolling it forward next year as the spread relationship return to a more normal level.

Develop a marketing plan and be prepared to act. Markets always appear most bullish just before stepping out. Don't let the attractive prices escape.

Don't plan on using storage very long. Grain placed in storage should be forward priced.

Many Kentucky producers may take their cattle to market earlier. The increase in cattle marketing is likely to occur in the next few months. So the drought actually is likely to lead to an increase in meat supplies into the fall, though there will be more fatigued beef and less poultry and grain-fed beef.

In terms of price, consumers are likely to see meat prices decline during the rest of the summer and early fall for reasons besides the drought. Beef supplies will be larger. Ground beef prices are likely to be 10 cents per pound, and the \$4 per pound steak may decline to

But the dry weather will affect prices, but not all of the impact will be immediately higher meat prices.

The drought is causing cattle owners to depend on grass and pasture to take their cattle to market earlier. The increase in cattle marketing is likely to occur in the next few months. So the drought actually is likely to lead to an increase in meat supplies into the fall, though there will be more fatigued beef and less poultry and grain-fed beef.

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The Carlisle (Ky.) Mercury, Thursday, September 15, 1983 — 9

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