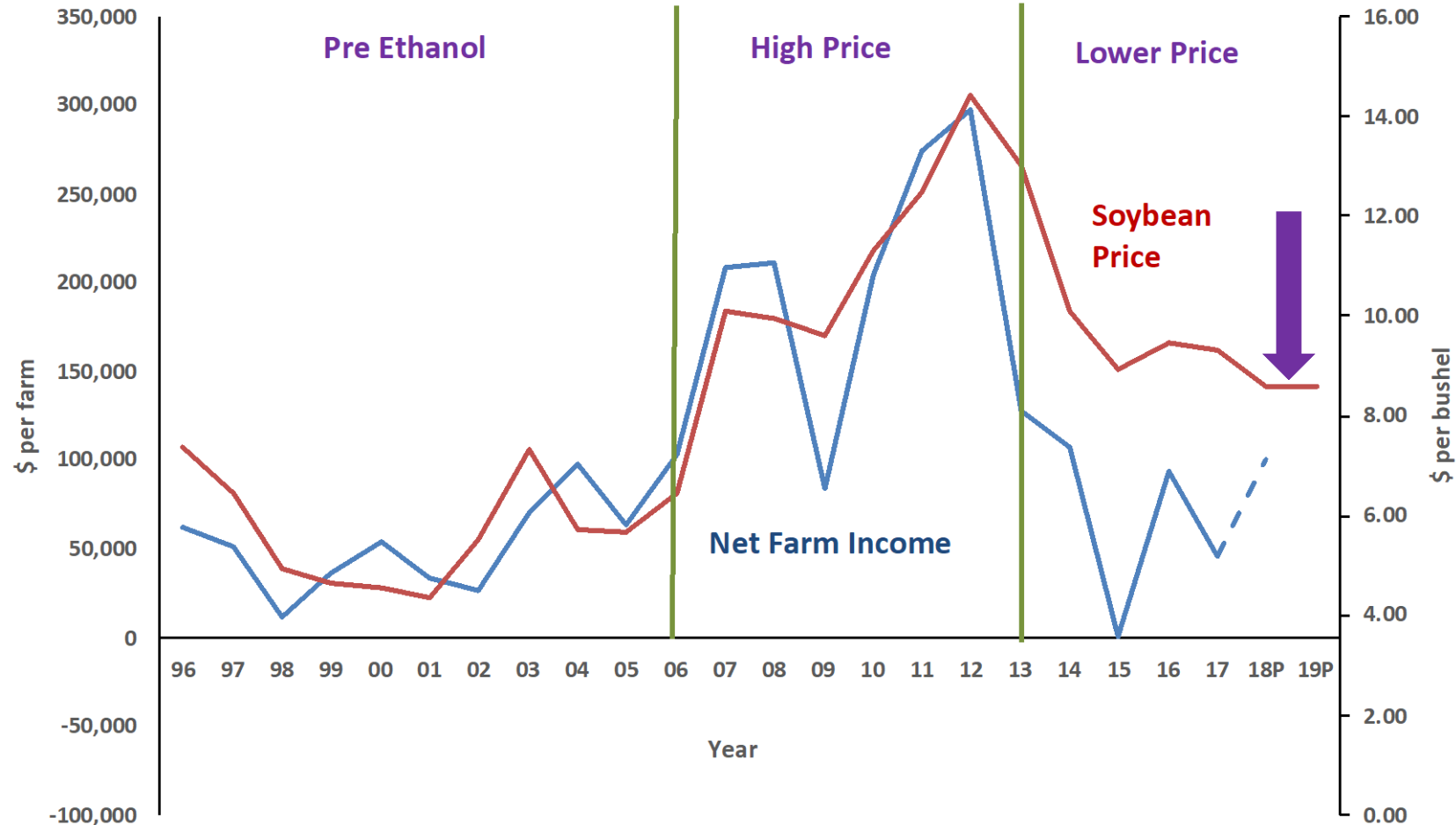


# **2019 Crop Returns: Trade Disputes Leading to Lower Returns?**

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**Gary Schnitkey and Dale Lattz**  
**University of Illinois**

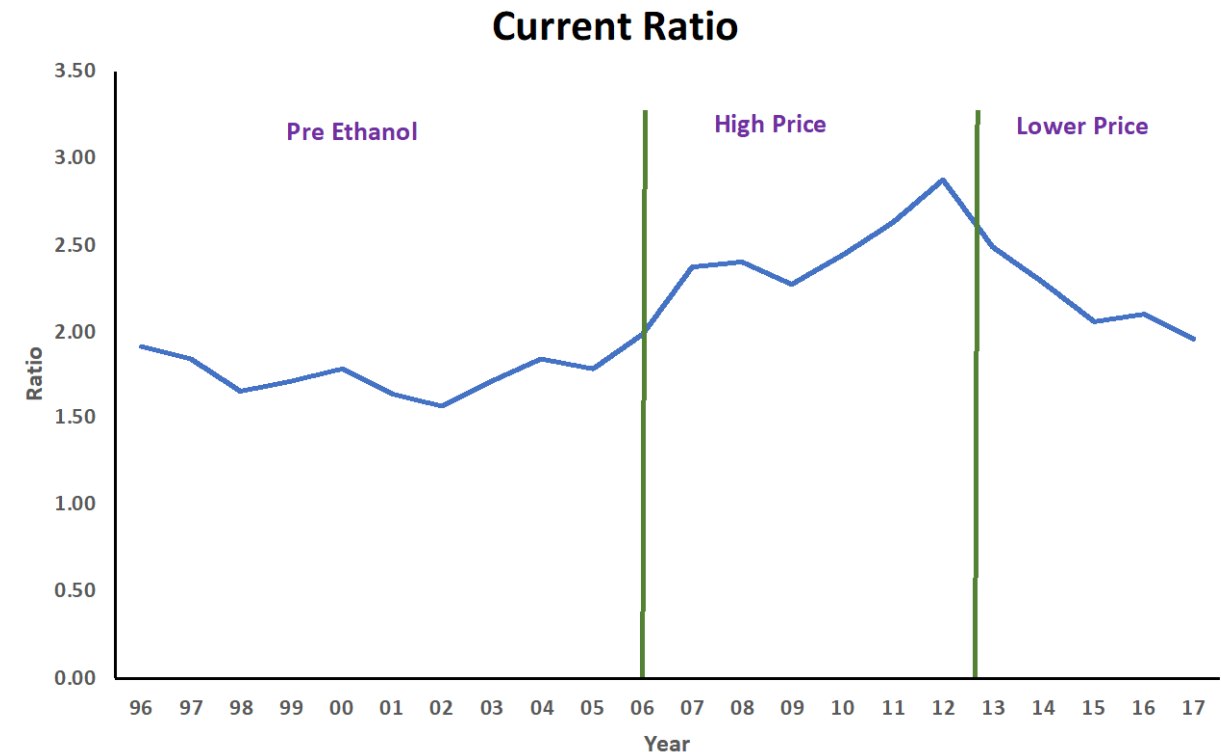
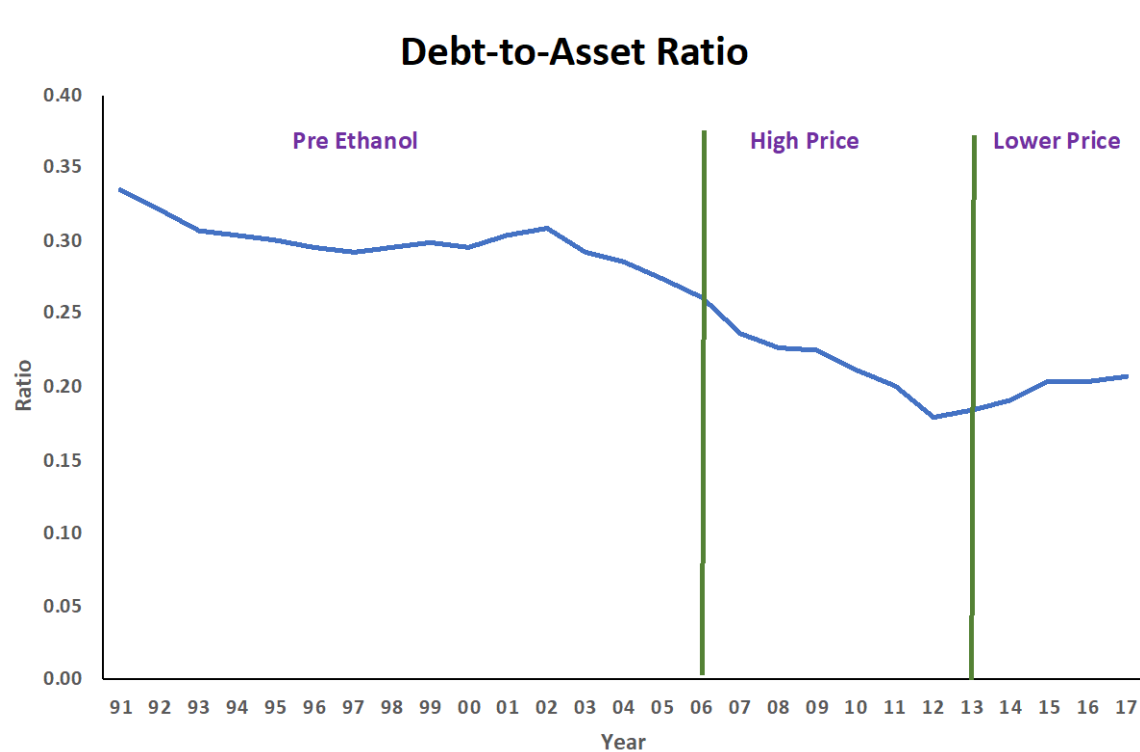
# Net Farm Income and Soybean Prices



## Topics

1. Change in financial position of farms
2. Income in 2018
3. Outlook for 2019

# Change in Financial Positions on Illinois Farms



Data from grain farms enrolled in Illinois Farm Business Farm Management

Slow deterioration, but still good, financial position during “lower price” period

# Percent of Grain Farms by Debt-to-Asset Class

	Year						
	2005	2007	2009	2011	2013	2015	2017
Less than 0.10	11%	14%	17%	21%	22%	22%	21%
0.10 to 0.30	33%	39%	40%	43%	44%	40%	39%
0.30 to 0.50	34%	34%	31%	29%	27%	26%	28%
0.50 to 0.75	17%	11%	10%	6%	6%	10%	10%
Over 0.75	5%	2%	2%	1%	1%	2%	2%
Over .50	22%	13%	12%	7%	7%	12%	13%

Note: Number of farms with very low debt-to-asset ratios grew and are stable

Over .5 debt-to-asset ratio farms fell and are now growing again.

# Grain Farm Characteristics by Debt-to-Asset Class, 2017

Debt-to-asset category	Percent of Farms	Current Ratio	Working Capital	Tillable Acres	Percent Rented	Percent Cash Rented	Age
Less than 0.10	20.5%	7.98	\$852	1,626	76%	38%	62.2
0.10 to 0.30	38.8%	2.66	\$321	1,732	78%	41%	61.4
0.30 to 0.50	27.9%	1.38	\$84	1,834	84%	50%	55.2
0.50 to 0.75	10.3%	0.97	(\$23)	2,012	87%	52%	56.5
Over 0.75	2.4%	0.83	(\$176)	1,932	87%	60%	50.4

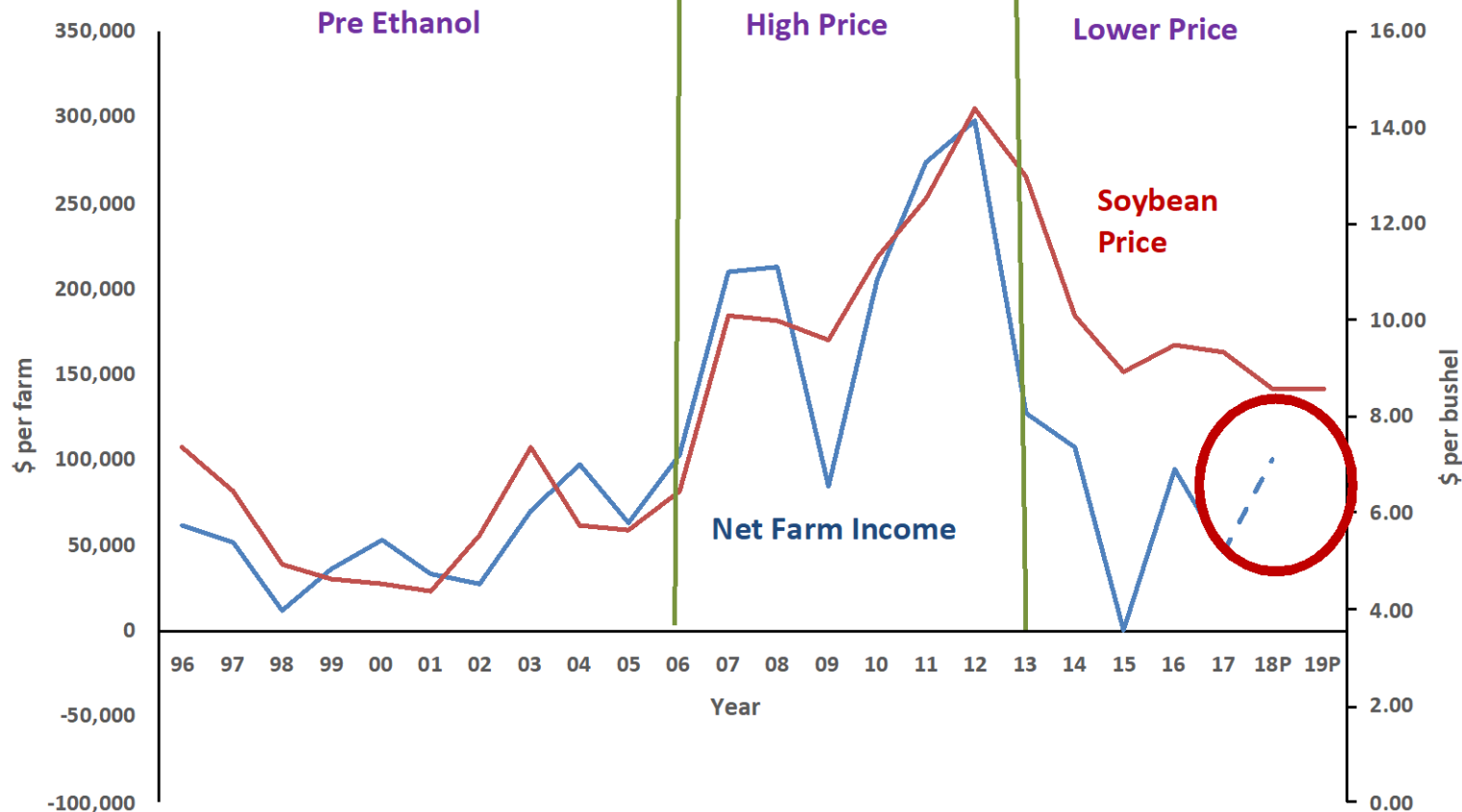
Note: **Very financially strong set of farms that can do anything they want**

**Over .5 have liquidity problems**

Source: Illinois Farm Business Farm Management

# Grain Farm Income in 2018 Expected Higher than in 2017

Grain Farm Income and Soybean Prices

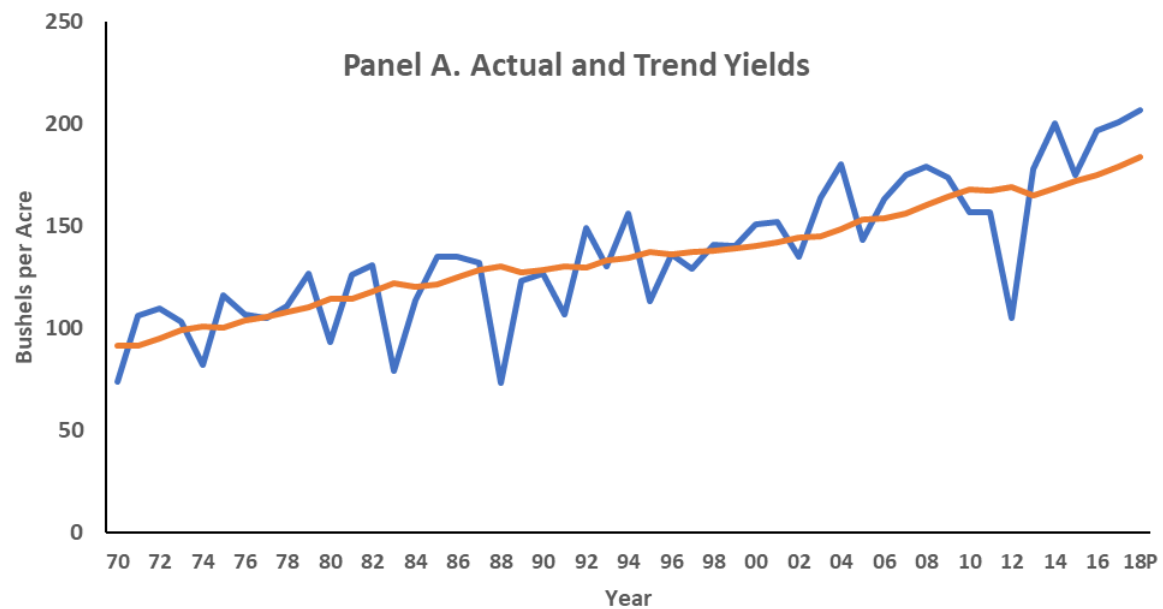


Should see improvement in working capital and debt-to-asset positions on many (not all) farms.

Why?

1. Exceptional yields
2. Chance to price grain at higher prices in spring
3. Market Facilitation Program payments

Figure 1. Illinois Corn Yields, 1970 to 2018P



Panel A. Yield Deviations from Trend

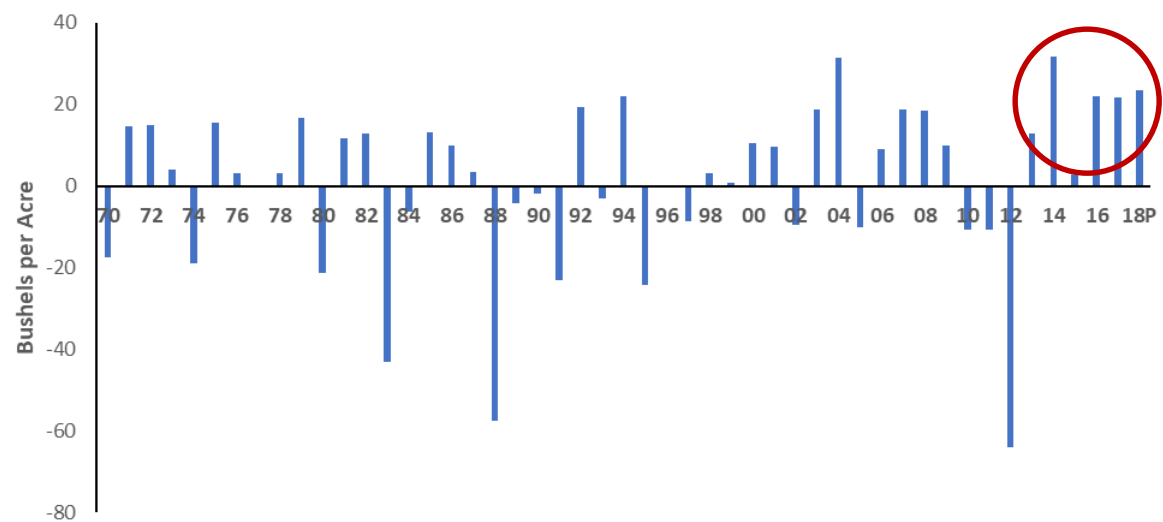
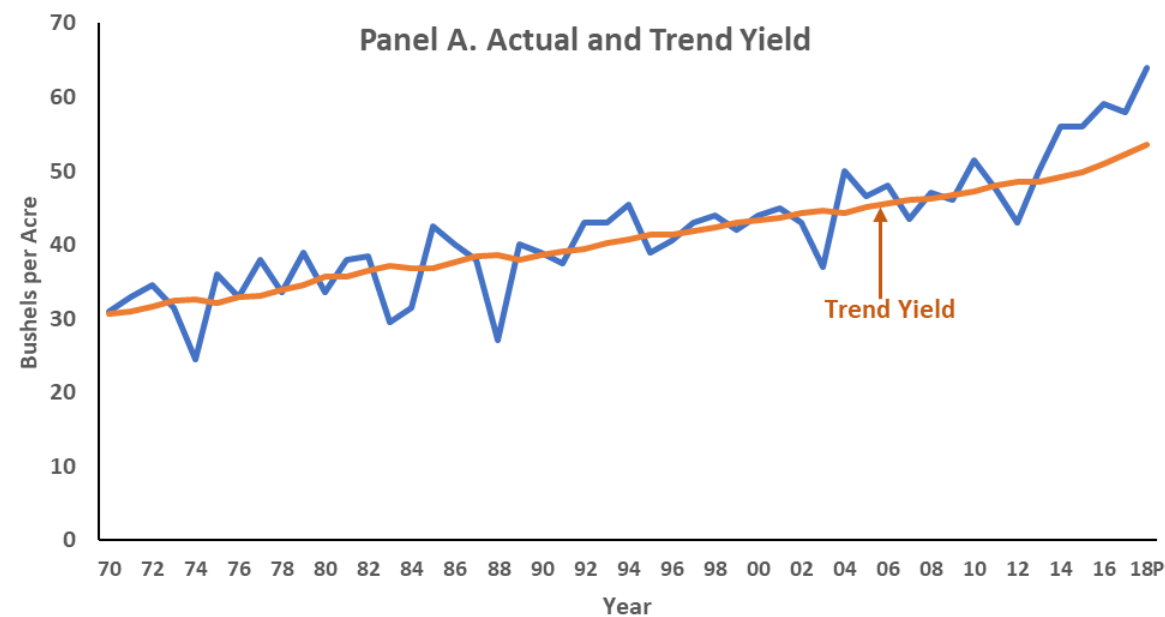
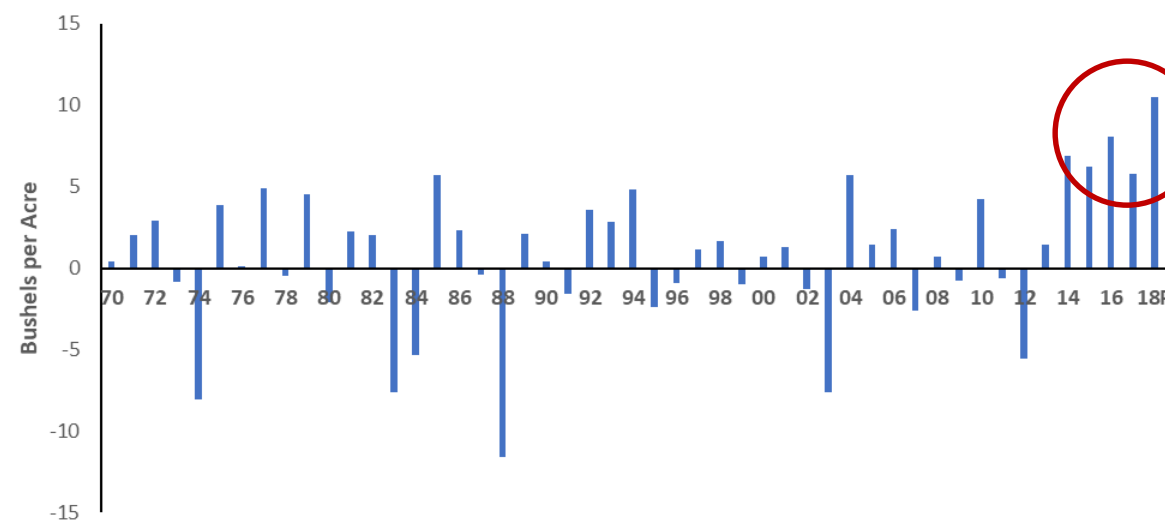


Figure 2. Illinois Soybean Yields, 1970 to 2018P



Panel B. Yield Deviations From Trend



# Market Facilitation Program

- **Accrue based on percent of crop (share rent land owners will get MFP payments)**
- **Have until January 15<sup>th</sup> to sign up for the program**
- **Need to complete harvest and have production evidence before getting paid**
- **Likely full payment in 2018**

**Table 1. Payment Rates Announced by USDA for Market Facilitation Program**

Commodity	Payment Rate	Effective Payment Rate <sup>1</sup>
Corn	\$.01 per bushel	\$.005 per bushel
Cotton	\$.06 per pound	\$.03 per pound
Dairy (milk)	\$.12 per cwt.	\$.06 per cwt.
Pork (head)	\$8 per head	\$4 per head
Sorghum	\$.86 per bushel	\$.43 per bushel
Soybeans	\$1.65 per bushel	\$.825 per bushel
Wheat	\$.14 per bushel	\$.07 per bushel

<sup>1</sup> Equals 50% of payment rate.

Source: USDA Press Release "USDA Announce Details of Assistance for Farmers Impacted by Unjustified Retaliation". August 27, 2018.

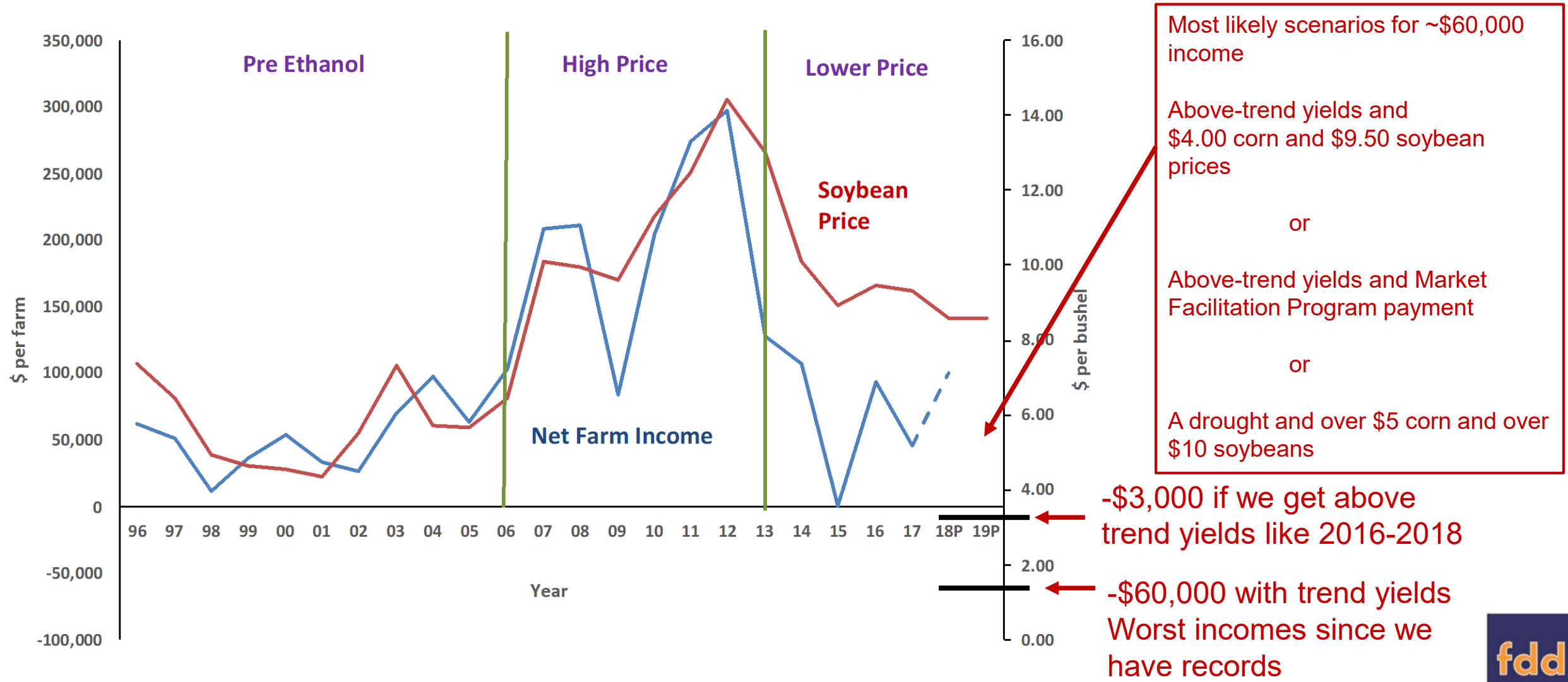


# 2019 Income Projections

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- **2019 Projections: \$3.60 corn and \$8.50 soybeans**
- **\$7 per base acre in PLC payments**
  
- **Increases in non-land costs**
  - **\$25 per acre for corn**
  - **\$10 per acre for soybeans**
  
- **Cash rents stay the same**

# 2019 Income Projections



# **Suggestions for 2019 (farmdocDaily, Nov 13)**

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- 1. Build working capital (2.00 current ratio, \$300 per acre working capital)**
- 2. Forgo capital investments**
- 3. Conduct 2019 tax planning**

# **Suggestions for 2019 (farmdocDaily, Nov 13)**

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## **4. Prepare a 2019 cash flow**

**Prices of \$3.60 corn, \$8.50 soybeans**

**Two sets of yields**

- 1. Five year average yields**
- 2. Approved yields for crop insurance (much lower than five year average yields)**

# Suggestions for 2019 (farmdocDaily, Nov 13)

## 5. Begin marketing 2019 crop

**Dec 2019 CME corn = \$4.00**

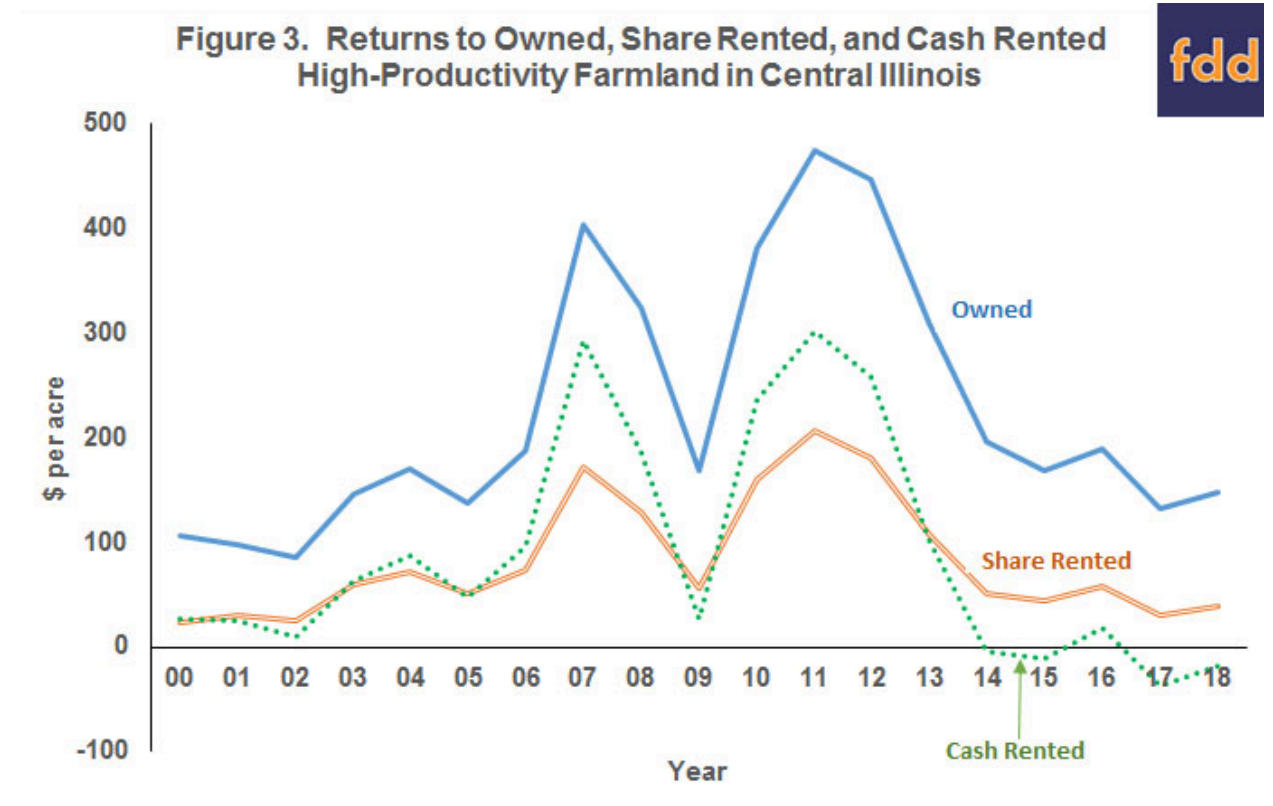
**Nov 2019 CME soybean = \$9.30**

Projected Prices, Crop Insurance					
	2015	2016	2017	2018	2019P
Corn	\$4.15	\$3.86	\$3.96	\$3.96	\$4.00
Soybean	\$9.74	\$8.85	\$10.19	\$10.16	\$9.30

# Suggestions for 2019 (farmdocDaily, Nov 13)

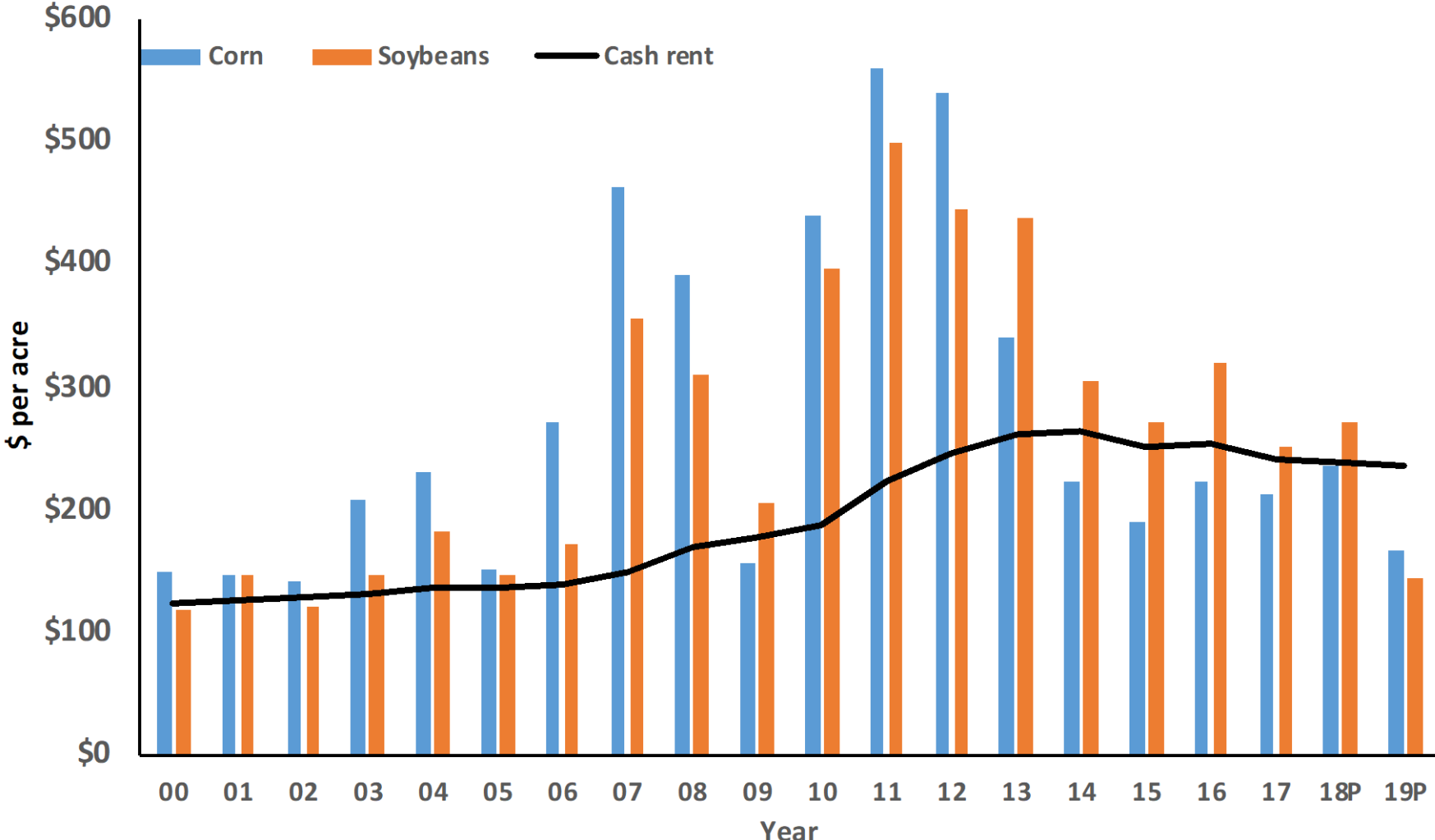
## 5. Talk to landowners

Likely have below \$9 soybean price,  
leads to declines in  
corn prices



# Suggestions for 2019 (farmdocDaily, Nov 13)

## 5. Consider acreage allocation decisions



# Summary

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- **Reasonably good year in 2018, but outlook clouded moving into future because of trade dispute**
- **2019 looks challenging, but could change**
- **Save money, talk to landowners**