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### LOWER, HIGHLY VARIABLE INCOMES PROJECTED FOR 2002

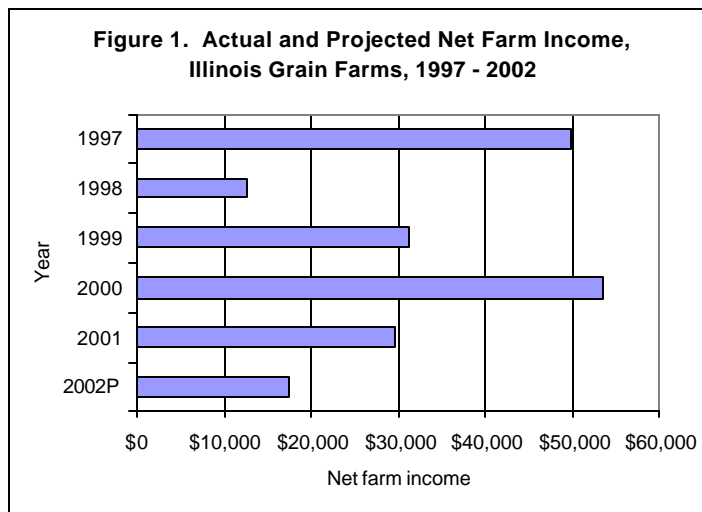
The November, 2002 Illinois Agricultural Statistical Service (IASS) yield estimates for Illinois (see <http://www.agstats.state.il.us/releases/crop.htm>) indicated state average corn, soybean and wheat yields will be lower for 2002 compared to 2001. However, yields varied considerably between the different Crop Reporting Districts (CRD) in the state. These yields, a \$2.40 corn price, a \$5.60 soybean price, significantly lower government farm program payments and slight adjustments in operating expenses are used to project 2002 net farm incomes for 993 Illinois grain farms. The farms used in the study come from a sample of grain farms enrolled in the Illinois Farm Business Farm Management (FBFM) Association.

For these 993 farms, our projections indicate that 2002 net farm income will average \$17,499 per farm (Figure 1), down by \$12,187 from the 2001 income of \$29,686. Projected 2002 income is below the average income for the last five years of \$28,924. The projected 2002 income is the second lowest since 1997. Only the 1998 income of \$12,621 was lower.

#### Yield Variability Between Crop Reporting Districts

According to the IASS, the average 2002 corn yield for Illinois is projected at 138 bushels per acre compared to 152 in 2001. The average soybean yield for 2002 is projected at 41 bushels per acre compared to 45 in 2001. Changes in yields between 2001 and 2002 vary considerably by crop reporting district. Districts in the northern and central areas of the state reported changes in corn yields from no change to 9 bushels per acre less in 2002 compared to 2001 while the two far southern districts reported a 57 and 65 bushel decrease in average corn yields.

Changes in soybean yields were similar. The two northern districts reported 1 to 4 bushels per acre less soybean yield in 2002 compared to 2001, the three districts through central Illinois reported no change in average soybean yields while the two southern districts reported average soybean yields 11 to 14 bushels per acre less in 2002 compared to 2001.

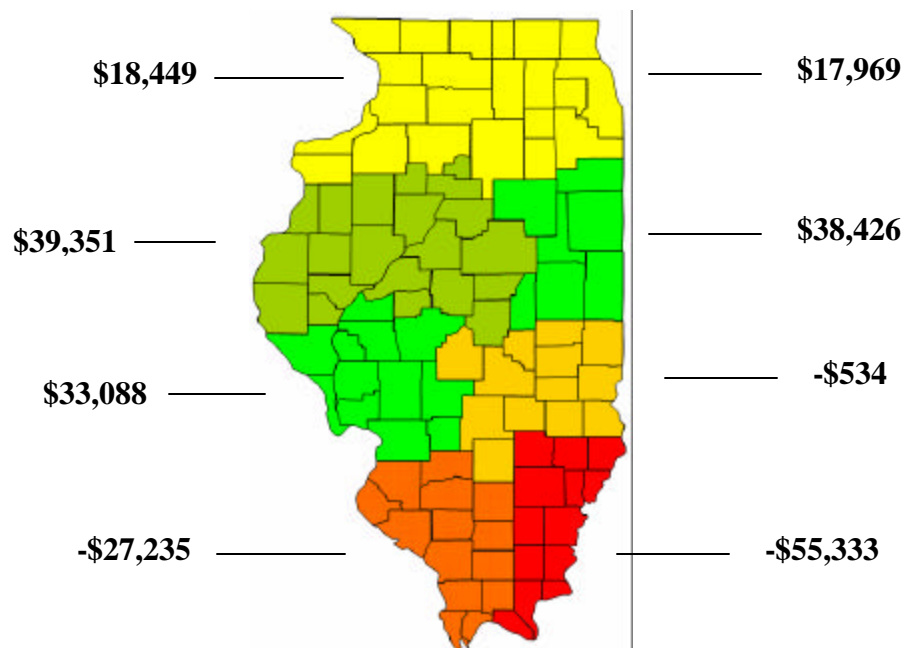


Average yields used in the study are adjusted to reflect the historical difference between the IASS yields and actual yields reported by the FBFM farms.

### Income Variability Between Districts

Projected incomes are quite variable between the different districts in the state due to the variability in projected yields (Figure 2). The highest incomes (\$33,088 to \$39,351) are projected in the central, west, east and west southwest districts in the state. The two northern districts are lower (\$17,969 to \$18,449). The east southeast district's income is about breakeven (negative \$534) while the lowest incomes are projected in the two southern districts (negative \$27,235 to negative \$55,333). The projected incomes for northern Illinois for 2002 were about the same as 2001, central Illinois higher, and southern Illinois significantly lower than the year before.

**Figure 2. Projected Net Farm Income by Crop Reporting District**



### Government Farm Program Payments

Total government farm program payments will be significantly less in 2002 than in 2001 due to the new farm program, higher grain prices and no additional market loss assistance payments paid in 2002. The Production Flexibility Contract (AMTA) payments under the old program were replaced by Direct Payments under the new program. The Market Loss Assistance and Oilseed Payments which were legislated year-to-year in the past were somewhat replaced by Counter-Cyclical Payments which are paid when market prices are below a certain "trigger" level. The loan deficiency payment program under the new farm bill is the same as under the old farm bill.

Total farm program payments are estimated to be about \$15,000 in 2002 compared to over \$50,000 in 2001. No loan deficiency or counter-cyclical payments were projected in the 2002 income figure due to

higher grain prices. Only direct payments were included. Although there was a short period of time when a small LDP could have been received for soybeans. Net farm income would only be slightly positive in 2002 without government farm program payments.

### **Accuracy of Projections**

Actual average income will vary from these projections. Most of the variation will result from changes in yields and prices:

Corn yield: A one bushel change in corn yield changes average income by \$751.  
Soybean yield: A one bushel change in soybean yield changes average income by \$1,754.  
Corn price: A \$.05 change in corn price changes average income by \$2,304.  
Soybean price: A \$.10 change soybean price changes average income by \$1,398.

### **Summary**

There will be considerable variability in income across farms. This year, more than most years, yields varied tremendously in small geographical areas as well as among different regions in the state. Overall, however, projections indicate slightly less income for northern Illinois in 2002 than in 2001, higher income in central Illinois and significantly lower income in southern Illinois. Because of the significant drop in income in southern Illinois, the average income for the whole state is projected lower in 2002 than in 2001.

Issued by: Dale Lattz, Gary Schnitkey and Paul Ellinger, Department of Agricultural and Consumer Economics