

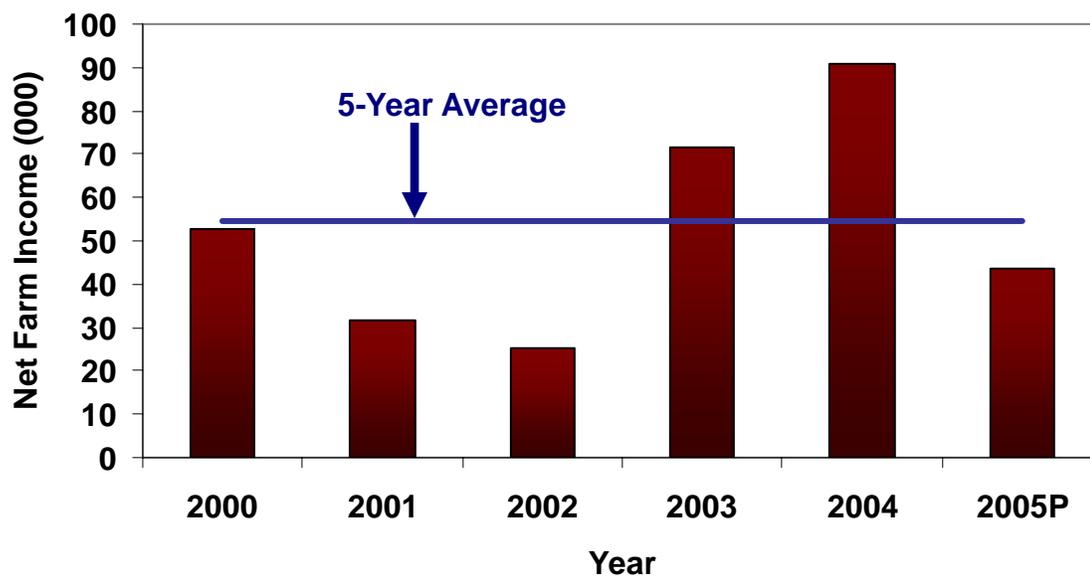
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**Considerably Lower Farm Incomes Projected for 2005**

Net farm incomes were projected for 805 grain farms enrolled in Illinois Farm Business Farm Management (FBFM) Association. Average net farm income in 2005 is projected at \$43,600 per farm, down by over 50% from actual farm income of \$90,700 in 2004. These 805 farms averaged \$54,300 from 2001 through 2004. Hence, the 2005 net farm income is projected to be below the previous five-year average income. Average income in 2005 is lower than the 2003 and 2004 incomes but is higher than the 2001 and 2002 incomes (see Figure 1).

**Figure 1. Average Net Farm Income on 805 Grain Farms Enrolled in Illinois FBFM, 2000 - 2005P.**



Income projections were based on yield estimates obtained from a November 2005 report from the Illinois Agricultural Statistical Service (IASS) (see <http://www.agstats.state.il.us/releases/crop.htm>). In this report, average yields for Illinois were 145 bushels for corn and 46 bushels for soybeans. Prices used in projections were \$1.80 for corn and \$5.40 for soybeans. Net incomes in 2005 are lower than 2004 incomes because of lower yields, lower prices, and higher operating expenses. Incomes in 2005 would have been lower still had not government farm program payments increased in 2005 as compared to 2004.

## Yield Variability between Crop Reporting Districts

The 2005 Illinois corn yield was projected at 145 bushels per acre, 35 bushels lower than the 2004 yield of 180 bushels per acre. The average soybean yield for 2005 was projected at 46 bushels per acre, four bushels lower than the 2004 yield of 50 bushels per acre. Changes in yields between 2004 and 2005 vary by crop reporting district (see Table 1). All districts reported lower corn yields in 2004 compared to 2005. The northeast district reported the largest drop in corn yields, 55 bushels per acre. The east district reported the smallest drop in corn yields, 15 bushels per acre. Average corn yields in 2005 across districts ranged from a low of 119 bushels per acre in the northeast district to 165 bushels per acre in the east district.

**Table 1. Crop Reporting District Yields in Illinois, 2004 and 2005.**

Crop Reporting District	Corn			Soybeans		
	2004	2005P	Change <sup>1</sup>	2004	2005P	Change <sup>1</sup>
	Bu. per acre			Bu. per acre		
Northwest	184	140	-44	51	47	-4
Northeast	174	119	-55	49	42	-7
West	192	153	-39	52	49	-3
Central	186	153	-33	54	50	-4
East	180	165	-15	51	51	0
West Southwest	186	158	-28	51	45	-6
East Southeast	175	135	-40	50	43	-7
Southwest	158	123	-35	44	41	-3
Southwest	158	131	-27	44	43	-1
Illinois	180	145	-35	50	46	-4

<sup>1</sup> Equals yield in 2005 minus yield in 2004.

Source: National Agricultural Statistical Service, *Illinois Farm Report*, Vol 26. No. 15., IFR-05-15, November 2005.

Soybean yields declined less than corn yields. The northeast district also reported the largest decline in soybean yields, seven bushels per acre. The east district reported the same soybean yield in 2005 as in 2004, 51 bushels per acre. The lowest average soybean yield was recorded in the southwestern district at 41 bushels per acre. The highest yield was recorded in the eastern district at 51 bushels per acre.

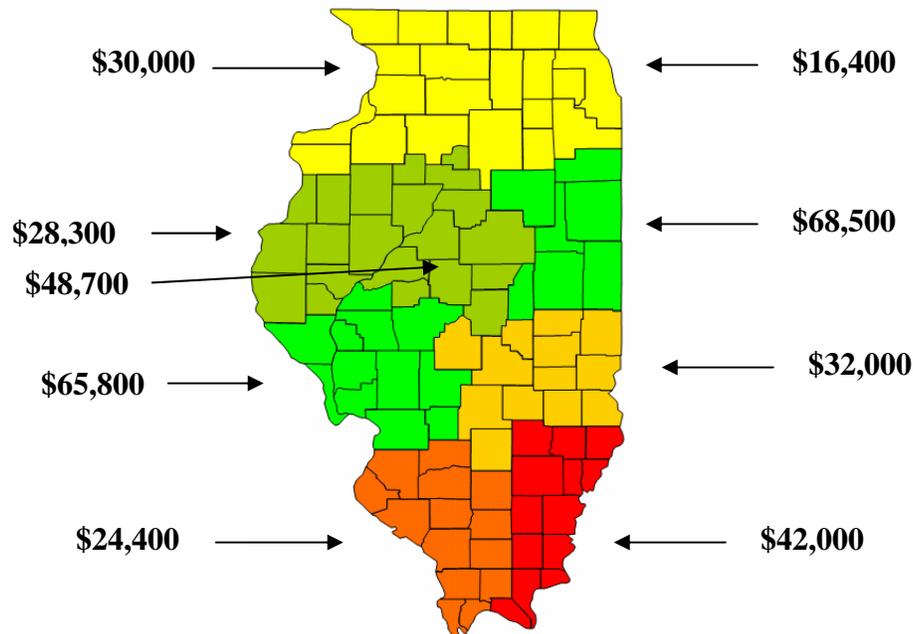
While lower than 2004 yields, 2005 yields were projected to be much lower in the initial report made in August. For example, Illinois corn yields were projected to be 125 per acre in August, 20 bushels lower than the 145 estimate made in November. Similarly, Illinois soybean yields were projected to be 39 bushels per acre in August, seven bushels lower than the 46 bushel November estimate. Projected incomes would have been much lower had the yields projected in August been used in projections.

## Income Variability Between Districts

Due to yield variability, projected incomes vary substantially across crop reporting districts (Figure 2). The highest incomes (\$65,800 to \$68,500) are projected in the west southwest and east districts in the state. The lowest income is projected in the northeast district (\$16,400). Incomes in the other districts range from \$24,400 in the southwest district to \$48,700 in the central district. The projected incomes for all districts are considerably lower than the year before. The projected income in the eastern district had the smallest decline (\$24,300) while the largest decline was in the east southeast district (\$68,200).



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



### **Projected Increase in Operating Expenses**

Operating expenses increased a great deal during the past year, contributing to the decline in farm incomes. The study used an 8 percent increase in crop expenses (fertilizer, pesticides and seed) which increased total expenses on average about \$7,300 per farm. Fuel and oil expenses were increased 50 percent which added about \$5,900 to total expenses.

### **Government Farm Program Payments**

Government farm program payments will contribute significantly to 2005 net farm income. Along with the direct payments which producers receive each year, the net farm income projections include large loan deficiency payments and counter-cyclical payments for corn. The “corn” payments resulted because of low corn prices. The projections used an average of 35 cents per bushel for the corn loan deficiency payment and the maximum 40 cents per bushel for the counter-cyclical payment for corn. The projected soybean price is high enough that loan deficiency or counter-cyclical payments are not included for soybeans.

Total farm program payments are estimated to be \$54,400 in 2005. This includes \$15,700 of direct payments, \$20,800 of loan deficiency payments and \$17,900 of counter-cyclical payments. Net farm income would be negative without farm program payments.

### **Sensitivity 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 about \$900.
- Soybean yield: A one bushel change in soybean yield changes average income by about \$1,800.
- Corn price: A \$.05 change in corn price changes average income by about \$3,000.
- Soybean price: A \$.20 change soybean price changes average income by about \$3,200.

## Summary

Farm incomes are projected to be over \$47,100 per farm lower in 2005 compared to actual farm incomes in 2004. The 2005 average income will be lower than the previous five-year average income. Lower corn yields, lower grain prices and higher input costs are the primary reasons for the lower incomes. Incomes will vary across the state due to variations in corn and soybean yields. The highest incomes are projected across the east and central districts in the state with the lowest incomes are projected in northeast Illinois. All areas of the state have significantly lower incomes than the year before. Government farm program payments will play a significant role in supporting farm incomes primarily due to lower grain prices.

## Acknowledgements

The authors would like to acknowledge that data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 6,000 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at [www.fbfm.org](http://www.fbfm.org).

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