



Illinois Farm Income Outlook

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Objectives

- Evaluate the financial condition of Illinois grain farms.
- Evaluate the impact of the current farm program.
- Look ahead to 2005.



Approach

- Use a sample of Illinois FBFM grain farms with historical financial records.
- Use projections of NASS yields and prices to determine revenue for each farm.
- Adjust historical expenses and financial data for each farm.
- Project net farm income and net worth change for each farm in the sample.

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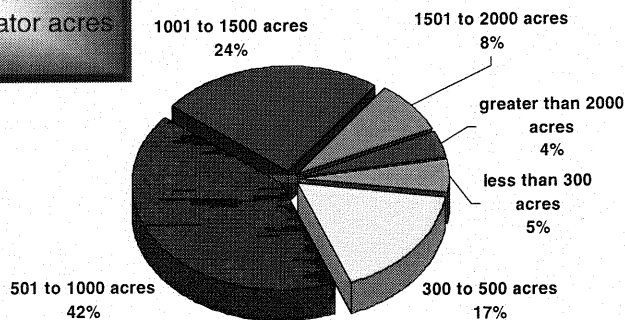
Sample Farms by Size

754 grain farms

Average farm:

919 total acres

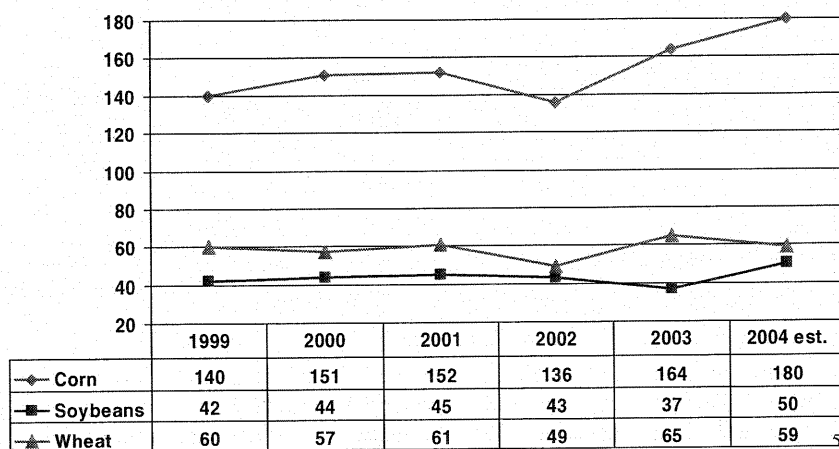
695 operator acres



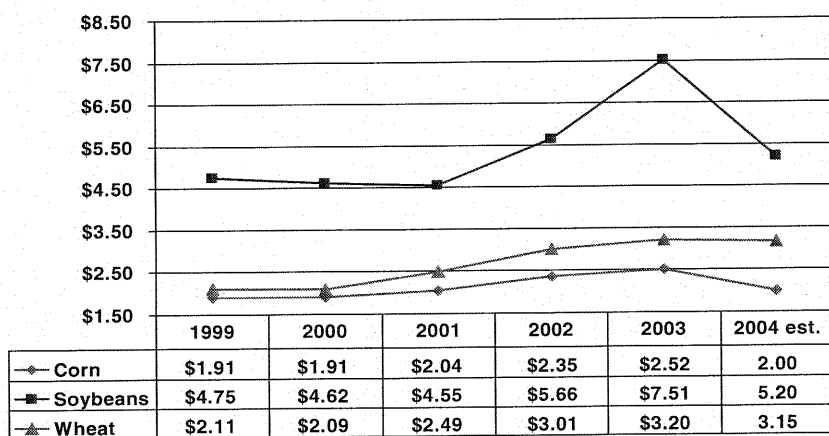
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Record Corn and Soybean Yields in 2004



Declining Grain Prices



* Marketing year average



Key Assumptions

- Estimated prices received / year end inventory price
 - Corn: \$1.85 / bu.
 - Soybeans: \$5.25 / bu.
 - Wheat: \$3.15 / bu.
- Estimated LDPs included
 - Corn: \$.25 / bu.
 - Soybeans: \$.10 / bu.
- Counter-cyclical payments estimated at \$.35 / bu. for corn, \$.15 for beans and \$.05 for wheat

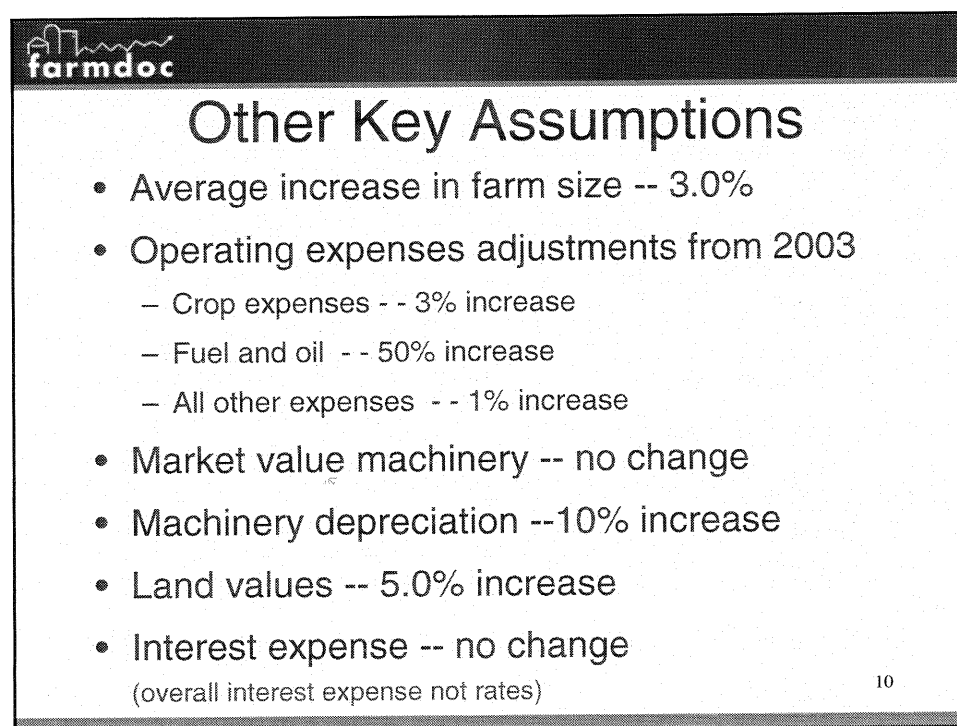
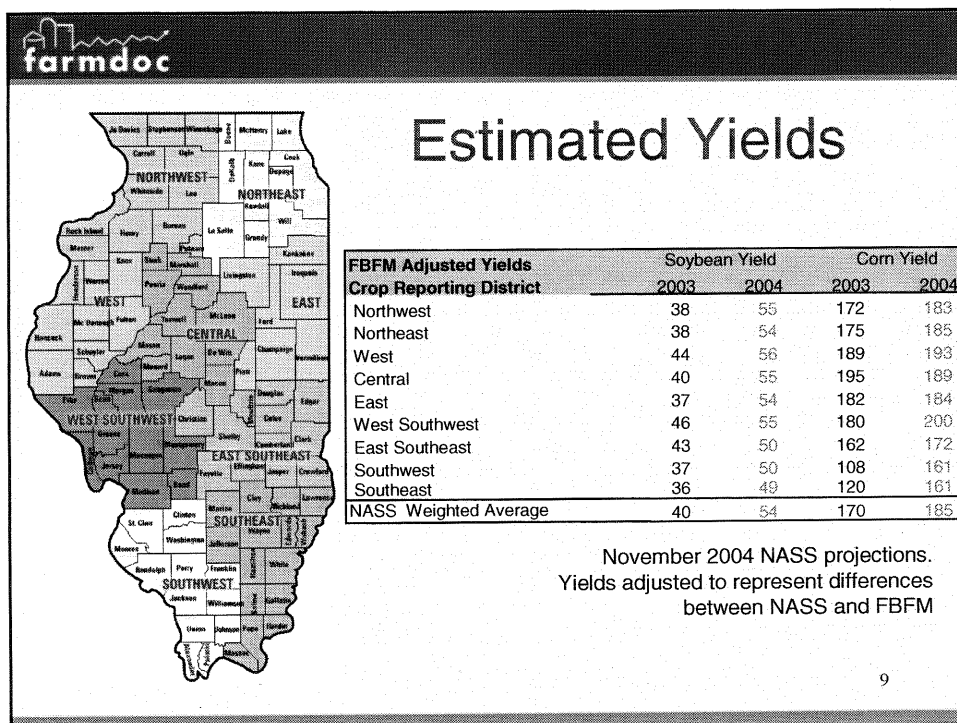
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Key Assumptions – cont.

- Marketing margins on old crop
 - Corn: Gain of \$0.25/bu. – 59% of crop
 - Soybeans: Gain of \$0.75/ bu. – 52% of crop
- Pricing opportunities on new crop
 - Corn – 15% sold at \$2.85
 - Soybeans – 10% sold at \$7.75
- Use NASS November report of district projections of yields

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Net Farm Income

2001	\$31,021	}	Actual
2002	27,140		
2003	73,279		
2004	90,000 – 95,000		Estimate

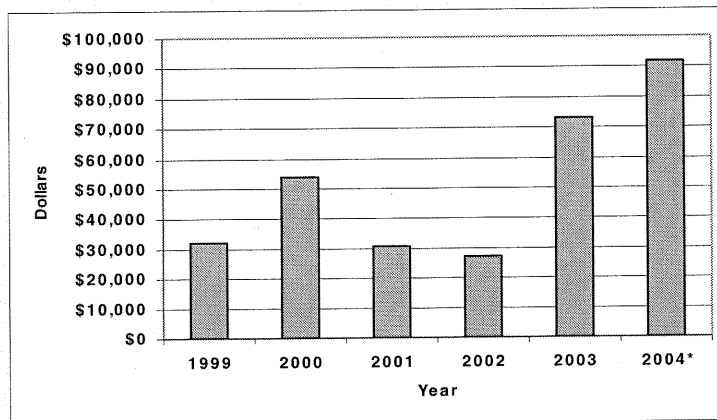
Net farm income does not include:

- Payments for operator labor/family withdrawals
- Nonfarm income
- Income taxes

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Net Farm Income 1999 - 2004



* Estimated

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Sensitivity of Estimate

Change in
Average Income

One bushel change in

Corn yields \$ 846

Soybean yields 1,889

Change in effective price

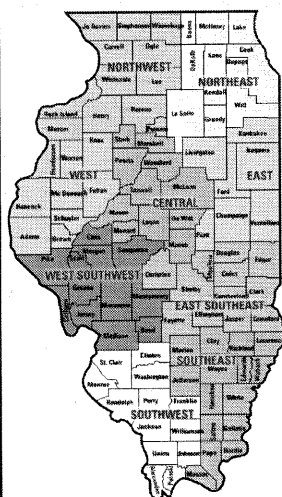
Corn price - \$.05 \$ 3,460

Soybean price - \$.20 3,585

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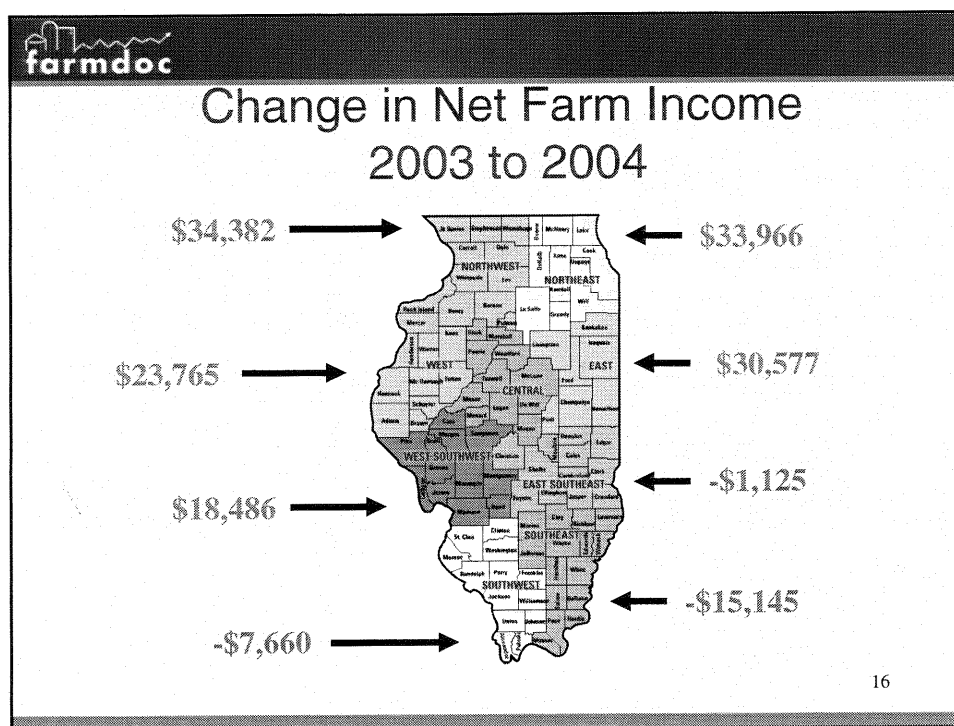
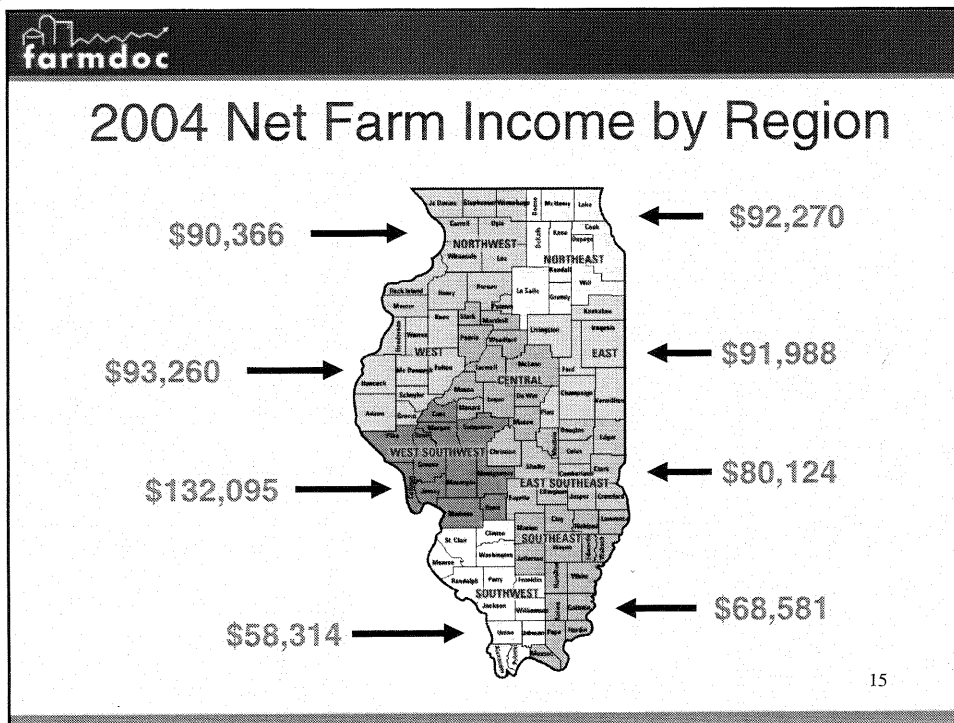


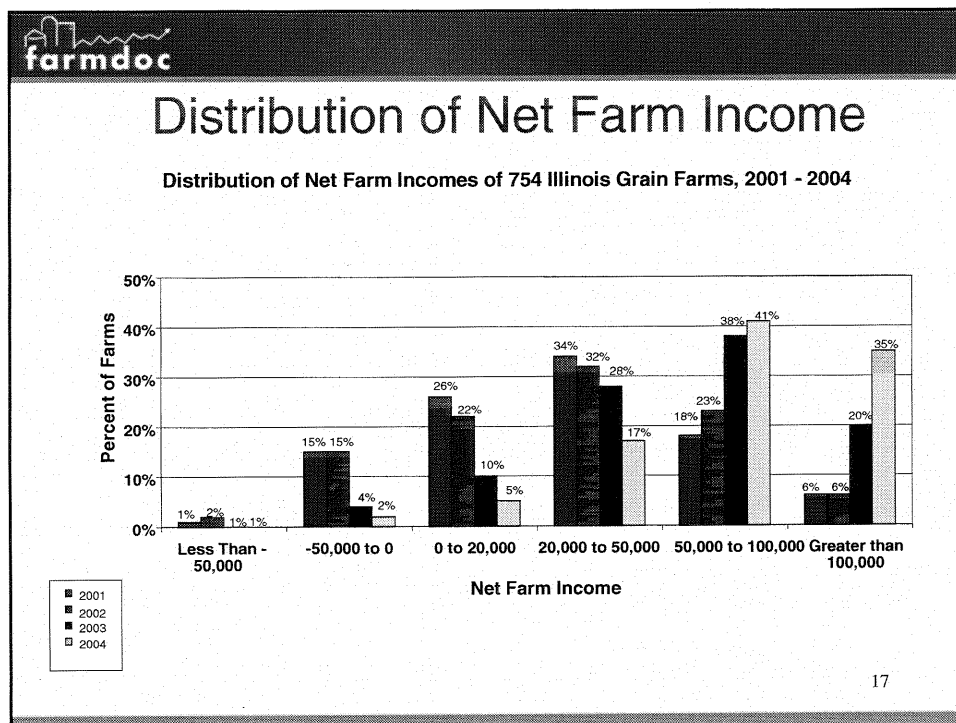
Net Farm Income by Region



Crop Reporting District	Actual			Projected	
	2000	2001	2002	2003	2004
Northwest	\$ 42,193	\$20,942	\$37,756	\$55,954	\$ 90,336
Northeast	42,745	23,289	16,071	58,304	92,270
Central & West	53,287	28,886	36,610	69,495	93,260
East	44,603	35,308	43,142	61,411	91,988
West Southwest	64,216	23,663	48,140	113,609	132,095
East Southeast	60,887	45,796	12,819	81,249	80,124
Southwest	62,010	34,491	(3,609)	65,974	58,314
Southeast	75,752	49,227	(27,950)	83,726	68,581
NASS Weighted Average	55,073	31,021	27,140	73,279	91,966

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Maximum Counter-Cyclical Payment Rate

	Corn	Soybeans	Wheat
	\$ per bu.		
Target price	\$2.63	\$5.80	\$3.92
Direct payment rate	0.28	0.44	0.52
Trigger price ¹	2.35	5.36	3.40
Loan rate	1.95	5.00	2.75
Max. counter-cyclical payment ²	0.40	0.36	0.65

¹ Trigger price equals target price less direct payment rate.
² Equals trigger price minus loan rate.

Higher of loan rate or season average price used in rate calculation

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Outlook for 2004 CC Payments

	<u>Corn</u>	<u>Soybeans</u>	<u>Wheat</u>
Trigger price	\$2.35	\$5.36	\$3.40
12 month est. price for 2004*	\$1.90	\$4.95	\$3.35
2004 CC Payments??	.40 (max)	.36 (max)	.05

* Midpoint of Nov. 12 USDA Supply and Demand Report

** See Counter-cyclical tool in Marketing section of *farmdoc*

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Significance of Government Payments

	Average	
Net Farm Income	\$ 91,966	
Government Payments	51,729	↓
Direct payments		15,620
Counter-cyclical payments		17,017
Loan deficiency payments		19,092

LDP Assumptions

Corn	0.25
Soybeans	0.10
Wheat	0.00

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LDP and Market Loan Gains

Crop Year	LDP Payments	Market Loan Gain	% Bu. Receive LDP or Gain	Effective Bu. Rate
Corn				
2001	\$219,805,200	\$10,771,040	90.2%	\$0.14
2002	\$0	\$1,514,160	2.0%	\$0.00
2003	\$15,075,320	\$2,789	17.6%	\$0.01
Soybeans				
2001	\$551,319,280	\$28,563,400	98.2%	\$1.21
2002	\$3,441,330	\$34,810	9.2%	\$0.01
2003	\$0	\$357,730	0.1%	\$0.00

<http://www.fsa.usda.gov/dafp/psd/reports.htm>

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Changes to Net Worth

Net Income	\$91,966
- Family Living	55,740
+ Nonfarm Income	28,385
- Income Taxes	24,073
-/+ Valuation Change	<u>24,561</u>
Total Change in Net Worth 2003 to 2004	\$65,099

Assumptions:

- 5.0% increase in land values
- no change in machinery values

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Livestock and Milk Prices Received

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004*</u>
Hogs	44.93	34.64	40.41	53.50
Cattle	73.70	67.50	85.54	86.50
Beef calves	110.25	94.54	98.54	112.50
Milk	15.09	12.08	12.83	16.60

* Through October

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Looking Ahead to 2005

- 5 year average corn and soybean yields
- Corn price = \$2.35 Soybean price = \$5.50
- No LDP and CCP payments
- Increase in crop costs

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5 Year Illinois Corn Yields by Crop Reporting District

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004*</u>	<u>Average</u>
Northwest	147	154	161	166	182	162
Northeast	148	143	128	163	177	152
West	156	160	160	174	188	168
Central	159	157	149	183	185	167
East	145	152	144	169	181	158
West Southwest	168	154	137	174	192	165
East Southeast	147	152	113	152	170	147
Southwest	136	140	81	118	161	127
Southeast	136	141	76	109	158	124
State	151	152	136	164	180	157

*Projected

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5 Year Illinois Soybean Yields by Crop Reporting District

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004*</u>	<u>Average</u>
Northwest	46	47	49	36	52	46
Northeast	41	44	41	34	50	42
West	46	47	48	42	53	47
Central	47	48	51	39	53	48
East	45	47	50	34	52	46
West Southwest	45	45	47	43	51	46
East Southeast	44	44	37	40	47	42
Southwest	38	39	29	33	45	37
Southeast	39	40	25	31	44	36
State	44	45	43	37	50	44

*Projected

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Looking Ahead to 2005

Net Farm Income drops to about \$30,000, or about \$60,000 less than the 2004 projection and \$25,000 less than the 5 year average!!

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Conclusions and Summary

- Grain farms only, limited livestock returns
- Record high corn and soybean yields result in significant increase in net farm income
- Although not included in study, good year for livestock producers
- Highest income across the northern, western and central part of the state, no large disaster areas
- Due to lower grain prices, government program payments significant part of net farm income again
- Good net farm income and increasing land values result in good financial (balance sheet) improvement
- A return to more average yields without significant price increases would lead to substantially lower incomes in 2005

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