2007 Illinois Farm Economic Summit



The Profitability of Illinois Agriculture: Where to from Here?

Dates/Locations

- Tuesday, December 11, 2007 Effingham, IL
 - ♦ Thelma Keller Convention Center
- Wednesday, December 12, 2007 Bloomington, IL
 Interstate Center
- Thursday, December 13, 2007 Sycamore, IL
 Center for Agriculture

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2007 Illinois Farm Economic Summit

The Profitability of Illinois Agriculture: Where to from Here?

8:00am-8:45am:	Registration and Coffee
8:45am-9:00am:	Introduction and Overview (Todd Gleason)
9:00am-9:30am:	Outlook for Crop and Livestock Prices (Darrel Good)
9:30am-10:00am:	Revenue Implications of the New Farm Bill (Nick Paulson)
10:00am-10:30am:	Break
10:30am-11:00am:	Influence of Weather and Technology on Corn Yields (Scott Irwin)
11:00am-11:30am:	Impact of Ethanol on Crop and Livestock Sectors (Bob Hauser)
11:30am-Noon:	Question & Answer (Todd Gleason)
Noon-1:00pm:	Lunch
l:00pm-l:30pm:	Crop Production Costs and Rotation Decisions (Gary Schnitkey)
l:30pm-2:00pm:	Farm Lease Trends and Strategies (Dale Lattz)
2:00pm-2:30pm:	Farm Profitability through 2010 (Paul Ellinger)
2:30pm-3:00pm:	Question & Answer and Wrap-Up (Todd Gleason)



Outlook for Crop and Livestock Prices Darrel Good, Professor Department of Agricultural and Consumer Economics Email: <u>d-good@uiuc.edu</u>

CORN: Demand for U.S. corn continues to be very robust. A rebound in ethanol prices and prospects for continued high crude oil prices will keep the ethanol industry in expansion. Record hog production, expanding broiler production, and a more rapid placement of cattle into feedlots will keep feed demand strong, although increasing competition from distillers grain will A weak dollar, limited be experienced. competition from South America, and expanding corn demand in China will support U.S. corn The largest threat to exports is a exports. rebound in world wheat production in 2008. U.S. corn acreage will have to remain large and stocks are expected to remain low. The futures market implies that the U.S. average farm price of corn will be near \$4.00 for the next three years. Long term forecasters suggest a price closer to \$3.25. An average between \$3.50 and \$3.75 seems likely, but with extreme volatility.

SOYBEANS: Soybean prices have been supported by a sharp reduction in U.S. acreage and production in 2007, declining U.S. and world inventories, growing biodiesel production in the U.S. and Europe, strong Chinese demand in the face of rising food prices, and a modest expansion in South American soybean acreage for harvest in 2008. Unless South American soybean production is larger than anticipated and/or Chinese demand weakens, U.S. producers will need to expand soybean acreage in 2008. That increase is made difficult by high corn prices, an expected increase in winter wheat acreage, and the lack of additional acres to bring into production. The futures market implies an U.S. average farm price between \$9.50 and \$10.00 for the 2007, 2008, 2009 and 2010 crops. Prices will likely be extremely volatile, with an average above \$9.00 anticipated.

WHEAT: World wheat production was small in 2006-07 due to reduced acreage in the U.S., Russia, Europe, and Australia and low yields in Australia. Acreage rebounded in 2007-08, but production remained low due to low yields in the Ukraine, Europe, Canada, and Australia. World wheat inventories declined sharply and prices moved to all time highs. High prices will bring more acres in 2008-09 and much higher production if average yields return to a more normal level. Dry weather in U.S. winter wheat areas and in India posed some concern about the vield recovery. Expect some rebound in production, some recovery in world wheat stocks, and lower prices in 2008. Still, the futures market implies that soft red winter wheat prices will exceed \$6.00 for the 2008, 2009, and 2010 crops. Prices will be below those levels if production returns to a more normal level.

HOGS: Cash hog prices were in the low \$30 range in mid-November 2007, nearly \$10 below the level of a year earlier. Prices were pressured by record production. Export demand improved with the growing world economy and the weak U.S. dollar, but per capita domestic pork supplies are expected to be higher in 2008 than in 2007. Higher feed prices had been expected to lead to a reduction in hog production. The structure of the hog industry (vertical integration and widespread use of marketing contracts) resulted in delays in response to price signals. Some reduction in output may occur by the last half of 2008. For 2008, the USDA projects average cash hog prices in a range of \$44 to \$47, compared to an average near \$47 in 2007.

<u>CATTLE</u>: Cash cattle prices were in the low \$90 range in mid-November, about \$5 higher than a year earlier. Declining production and

expanding exports continue to support prices well above historic levels. The number of cattle in feedlots with capacity of 1000 head or more was down 2 percent on November 1, 2007, even though placements into feedlots during October were 12 percent larger than in October 2006. Marketings out of feed lots in October were up 6 percent from the level of the previous year. Per capita domestic beef supplies in 2008 are projected at 63.7 pounds, down almost 2 pounds over a two year period. The average price of choice steers in the Nebraska direct market is projected to be between \$87 and \$94 in 2008, compared to about \$91.50 in 2007. **MILK:** Milk prices moved to record levels in 2007, with monthly average prices in Illinois exceeding \$22 per hundred weight beginning in July 2007. U.S. milk production in 2007 was nearly 2 percent larger than in 2006, but imports were smaller because of tight supplies in exporting countries and a weak U.S. dollar. For the calendar year 2007, the U.S. average all milk price was expected to be near \$19/cwt. A 2.6 percent increase in production is expected in 2008, but prices are expected to remain high, with the all milk price averaging between \$17.70 and \$18.60/cwt for the year.

Notes

Additional Resources

The slides for this presentation can be found at: <u>http://www.farmdoc.uiuc.edu/IFES/2007/presentations</u>

For current outlook information, see:

http://www.farmdoc.uiuc.edu/marketing/newsletters.html http://www.agmanager.info/livestock/marketing/default.asp http://www.agecon.purdue.edu/extension/prices/index.asp



Revenue Implications of the New Farm Bill Nick Paulson, Assistant Professor Department of Agricultural and Consumer Economics Email: <u>npaulson@uiuc.edu</u>

The House version of the new Farm Bill outlines the continuance of the direct payment, loan deficiency (LDP), and marketing loan programs while allowing farmer's to make a one-time choice between the traditional counter-cyclical program based on fixed target prices (PCCP) and a new counter-cyclical program (RCCP) based on a fixed revenue target at the national level. In contrast, the Farm Bill recently approved by the Senate Ag Committee would provide producers the one-time choice between existing programs and a new Average Crop Revenue (ACR) option guaranteeing revenue using a state-level index that would adjust each year based on short-term price averages and trend yields. Under the ACR option, producers would not be eligible for LDP payments, all marketing loans would be recourse loans, and producers would receive a flat direct payment of \$15 per base acre. Additionally, similar adjustments to target prices and loan rates for major program commodities are outlined in both the House and Senate versions.

The debate over moving from a traditional support program based on prices to a revenue-based safety net has been highly publicized. Both the expected value of program payments and the amount of riskreduction offered under each proposal must be considered in determining which program provides the most efficient and effective safety net. The presentation will outline the structure of each program proposal and compare the expected performance of each program given the current price environment for three major Illinois commodities (corn, soybeans, and wheat).

The PCCP and RCCP programs are both estimated to provide very little, if any, support to Illinois farmers in the form of LDP or counter-cyclical payments over the upcoming crop years given the current outlook for commodity prices. However, because the ACR program's revenue guarantee is based on current market prices and trend yields rather than fixed targets, it is expected to generate larger payments at a higher frequency on farm program base acres in Illinois. Another large difference between the PCCP or RCCP programs and ACR is the size of direct payments associated with each of the programs. The average corn and wheat acre in Illinois would receive smaller direct payments under ACR, while the average soybean acre would receive a slightly larger direct payment compared to those received under the PCCP or RCCP programs. Figures 1 and 2 illustrate the specific components of expected program payments on the average Illinois corn and soybean acre under the PCCP, RCCP, and ACR options.

Finally, a measure of risk-reduction expected under each program is considered. Given the current level of commodity prices, the ACR program is estimated to provide payments in the event of farm-level losses more often than either the PCCP or RCCP programs. However, the amount of riskreduction offered by either of the revenuebased plans (RCCP or ACR) is highly dependent on how closely farm-level yields follow the aggregate yield measures used as the yield component in the revenue index.





Additional Resources

The slides for this presentation can be found at: <u>http://www.farmdoc.uiuc.edu/IFES/2007/presentations</u>

Farm Bill Scenario Analyzer *FAST* Tool: http://www.farmdoc.uiuc.edu/pubs/FASTtool_special.asp?ID=51



Influence of Weather and Technology on Corn Yields Scott Irwin, Professor Department of Agricultural and Consumer Economics Email: <u>sirwin@uiuc.edu</u>

There has been considerable discussion in the agricultural community that improved technology has caused corn yields to increase at an increasing rate in recent years. Graphs of corn yield over time appear to support the belief that yields since the mid-1990s have increased at an increasing rate relative to prior Many farmers, crop experts, and decades. major seed companies credit a combination of improved genetics, agronomic practices, and biotechnology for recent corn yield increases. However, such conclusions are often reached without considering the role that weather may have in explaining recent corn yields. It is common knowledge that weather can be a dominant factor in the short-run. What has been missing in the debate about corn yield trends is careful analysis of the differential impact of weather and technology.

А crop-weather-technology model was developed to estimate the separate effects of technology and weather on corn yields in Illinois, Indiana, and Iowa over 1960-2006. Following previous research, a linear time trend variable was used as a proxy for technology. Weather variables included preseason precipitation and May through August precipitation and monthly temperature. Regression results indicated that the models explained at least 94% of the variation in corn yields for the three states. Analysis of the estimated models showed that unfavorable weather reduces yields by a much larger amount than favorable weather increases yields. Corn yields are particularly affected by technology, the magnitude of precipitation during June and July, and the magnitude of temperatures during July and August.

The models were re-estimated with separate trend variables before and after 1996. The

results indicated that the trend in corn yields since 1996 changed by very small magnitudes: +0.09, -0.04, and +0.15 bushels per acre per year in Illinois, Indiana, and Iowa, respectively. Overall, the models indicated that yield trends increased by about one-tenth of a bushel after adjusting for the impact of weather. Additional testing confirmed that a notable increase in trend yields for corn did not occur in the mid-1990s.

The weather data reveal that the 1970s through the mid-1990s in each state had at least five years in which weather was less favorable for the development of corn than any year from 1996 through 2006. This suggests that recent weather was relatively benign for corn development. Observers may be mistakenly attributing corn yield increases to technology by failing to recognize the impact of relatively favorable weather since 1996.

It is possible that a new and higher trend in corn yields has begun, but the availability of a limited number of new observations prevents Two previous technological its detection. revolutions did cause sharp jumps in yield trends (single cross hybrids in the 1930s and nitrogen fertilizers in the 1950s). However, it is also possible that something of a historical cycle is repeating itself. In the mid-1970s, Louis Thompson, a noted crop scientist, remarked that, "There was frequent reference in the early 1970's to the fact that technology had increased to such a level that weather was no longer a significant factor in grain production." Weather problems in the 1970s and 1980s dispensed with this line of thinking.





Additional Resources

The slides for this presentation can be found at: <u>http://www.farmdoc.uiuc.edu/IFES/2007/presentations</u>

Complete research report on crop yields, weather, and technology will be forthcoming at: http://www.farmdoc.uiuc.edu/marketing/morr_0701/morr_0701.html

Corn Grain Trend Yields: Eyes of the Beholder: http://www.agry.purdue.edu/ext/corn/news/articles.06/yieldtrends-0615.pdf

Chasing High Corn and Soybean Yields: http://www.cropsci.uiuc.edu/classic/2004/Article1/



Impact of Ethanol on Crop and Livestock Sectors Bob Hauser, Professor Department of Agricultural and Consumer Economics Email: <u>r-hauser@uiuc.edu</u>

The U.S. ethanol boom – what are the causes, effects on Illinois and U.S. agriculture, and alternative futures? The goal of this presentation is to provide objective information, cutting through the emotional, political and economic self-interests that often dominate discussions about ethanol production and use.

Drivers. Petroleum price has driven the dramatic growth in ethanol production in the Low corn prices, federal and state U.S. subsidies, trade barriers, renewable fuel standards, the need to replace MTBE as an additive, and new technologies have, of course, been contributing factors. But without the large increase in oil and gasoline prices that has occurred since 2002, we would not be experiencing today's ethanol boom. The second most important driver is a federal subsidy under reasonable that, cost assumptions, creates a breakeven ethanol price using \$4.00 corn that could only be achieved with \$2.00 corn without the subsidy.

Effects. Two long term effects of the increase in corn price (and attendant increase in other crop prices) in the U.S. will be (i) food (meat in particular) price increases, with relatively little decrease in consumption and (ii) a fall in crop exports. Ultimately, the market will find the levels of competing (non-ethanol) uses of corn and competing uses of land for non-corn production where the incremental value of the competing use is at the new equilibrium corn price. The value of corn for U.S. livestock feed, for example, will equal the new long term equilibrium price; the value of corn for foreign livestock feed (export demand) will be at the equilibrium price; and the risk-adjusted value of growing soybeans on a potential corn acre will equal the value of growing corn on that acre at the new equilibrium price.

The effect of ethanol production is arguably on both crop price level and variability. The "inelastic" demand for corn by ethanol manufacturers is such that the variability of corn prices will presumably increase, particularly over short periods of time. Current farm-bill price support levels will not reduce this variability.

Economic impact analyses for three local communities illustrate the range of impacts an ethanol plant can have on the local economy, given the economy's size. While the local impact is higher in communities which provide more inputs, the economic impacts are still relatively small, and thus communities should carefully consider how much enticement should be offered to attract a plant. The ability to recover these enticements or subsidies may not exist.

Alternative feedstocks. Instead of using corn starch, sugar can be extracted from cellulose (plant fiber from, for example, switch grass, corn stover, or miscanthus) for ethanol production. While the present technology for using cellulose is costly relative to starchbased technology, it is receiving considerable political interest and research interest. Although much more research is needed, tentative cost estimates suggest that when corn is \$3.50 per bushel, it costs \$0.60 per gallon more to make ethanol from miscanthus than from corn. When corn is \$2.00 per bushel, it is suggested that the cost of miscanthus-based ethanol is \$0.90 more than corn-based ethanol. In the case of miscanthus, carbon valuation does not add significantly to its advantage.



Additional Resources

The slides for this presentation can be found at: <u>http://www.farmdoc.uiuc.edu/IFES/2007/presentations</u>

Links to additional materials:

Corn-Based Ethanol in Illinois and the U.S.: A Report from the Department of Agricultural and Consumer Economics, University of Illinois <u>http://www.farmdoc.uiuc.edu/policy/research_reports/ethanol_report/index.html</u>



Crop Production Costs and Rotation Decisions Gary Schnitkey, Professor Department of Agricultural and Consumer Economics Email: <u>schnitke@uiuc.edu</u>

Non-land costs are projected to increase substantially in 2008. In central Illinois, non-land costs for corn are projected at \$364 per acre, an increase of \$41 over 2007 costs. Much of the increase comes from a \$29 increase in fertilizer costs. Seed is the category with the next highest increase, having a projected increase of \$6 per acre. Fertilizer and seed cost increases account for 85 percent of the non-land cost increases in corn between 2007 and 2008.

Non-land costs for soybeans are projected to increase less. In central Illinois, non-land costs for soybeans are projected at \$215 per acre in 2008, an increase of \$17 over 2007 costs. Similar to corn, much of the increase is associated with fertilizer, which is projected to increase by \$11 per acre. Fertilizer cost increases account for 65 percent of the non-land cost increase between 2007 and 2008. Soybean costs increase less than corn costs because soybeans do not need nitrogen fertilizer, a cost category that has increased for corn.

For 2008, projected higher cost increases for corn cause corn returns to be reduced relative to soybean returns. Moreover, projected soybean prices relative to corn prices are higher in 2008 when compared to 2007 prices. Like cost increases, price changes cause corn returns to be reduced relative to soybean returns.

Even with these changes, corn production in 2008 is projected to be more profitable than soybean production. Historic yields indicate that corn yields increase more on highly productive farmland than do soybean yields. As a result, expected corn returns tend to be higher relative to soybean returns on higher productivity farmland. Farmers with highly productive farmland may find corn-aftercorn more profitable than soybean production. On less productive farmland, a 50% corn - 50% soybean rotation appears to be the most profitable combination.

The above corn and soybean return projections are based on a \$3.85 corn and a \$9.30 soybean price. Relative changes in commodity prices will impact corn and soybean profitability. It is likely that prices will be volatile over the next year, causing relative returns to change.

In central Illinois, non-land costs for corn have increased by \$123 per acre between 2003 and 2008. During the same period, soybean non-land costs have increased by \$54 per acre. These cost increases have substantially raised break-even prices that farmers must receive in order to cover costs. On many farms, break-even prices are above \$3.00 for corn and above \$8.50 for soybeans.

Between the mid-1970s and 2006, prices averaged about \$2.40 per bushel for corn and about \$6.00 per bushel for soybeans. Currently, prices from futures markets suggest that corn prices will be in the high \$3.00 per bushel range and soybean prices will be near \$9.00 per bushel. At projected prices, corn and soybean production will be very profitable on many farms. However, risks are larger this year than in previous years. Declines in prices to around \$3.00 for corn and \$8.00 for soybeans could cause income losses on many farms. Similarly, yield declines could result in income losses.







Additional Resources

The slides for this presentation can be found at: http://www.farmdoc.uiuc.edu/IFES/2007/presentations

Fefo on Non-land costs http://www.farmdoc.uiuc.edu/manage/newsletters/fefo07_17/fefo07_17.html Crop Budgets Online http://www.farmdoc.uiuc.edu/manage/crop_budgets.asp Crop Costs Online http://www.farmdoc.uiuc.edu/manage/return_cost.asp Revenue and Costs for Corn, Soybeans, Wheat, and Double-Crop Soybeans, 2000 – 2006 Actual, 2007 and 2008 Projected http://www.farmdoc.uiuc.edu/manage/corn_soybean_wheat_returns_costs.pdf Farm Management FAST tools http://www.farmdoc.uiuc.edu/pubs/FASTtool.asp?category=farm



Farm Lease Trends and Strategies Dale Lattz, Farm Management Department of Agricultural and Consumer Economics Email: <u>d-lattz@uiuc.edu</u>

Most Illinois farm operators lease a large percentage of the land they farm. Changing economic conditions may lead to adjustments to the terms of these leases resulting in changes in how profits and risks are divided between farm operators and landowners.

Data from the Illinois Farm Business Farm Management (FBFM) Association indicate that lease types vary depending on the geographic location in the state. For example, on northern Illinois grain farms in 2006, 53 percent of the tillable land was cash rented while 29 percent was crop shared with the remaining 18 percent owner operated. In central Illinois, 55 percent of the land was crop shared while 32 percent was cash rented and 13 percent was owned by the operator. The trend in all areas of the state is an increase in cash rented land and a decrease in crop shared land (see Table 1).

Relatively good yields and a significant increase in corn and sovbean prices have resulted in pressure to increase cash rents or make adjustments in crop share leases that provide more revenue for landowners. Returns and costs for central Illinois grain farms with high productivity soils are shown in Table 2 for 2003 through 2006 with projections for 2007. The historic information is based on data from FBFM and assumes a 50-50 corn and soybean rotation. The returns to the operator and land average \$208 for the 2003 through 2005 time period. This would mean that if the operator was paying cash rent of \$150 per acre, there would be a return to the operator's labor, management and investment of \$58 per acre. The 2006 operator and land return was \$243, or \$35 more per acre than the 2003 through 2005 average. Projections for 2007 indicate a \$352 operator and land return, or \$109 higher than 2006 and \$144 higher than the 2003 through 2005 average.

While better operator and farmland returns have resulted in pressure to raise cash rents, operators need to consider the additional risks they face with paying higher rents. Farm Economics Facts and Opinions newsletter 07-12 which can be found on the *farmdoc* website outlines these risks. These additional risks include the likelihood of higher commodity price volatility, less downside price protection from the government farm program (this may change depending on the new farm bill) and revenue for crop insurance must fall more in periods of higher commodity prices for crop insurance payments to be received.

Along with these additional risks, farm operators are also facing higher production costs. A flexible cash rental arrangement maybe one alternative for those operators facing a significant increase in cash rent. With a flexible cash rent lease, the level of cash rent can vary depending on crop yields, grain prices or both.

Especially in times of changing economic conditions, operators need to keep an open line of communication with their landowners. Operators need to be proactive and may want to consider taking the lead in proposing changes to farmland lease terms which are based on current and projected return and cost information.

Table 2. Per Acre Operator and Farmland Returns - Central Illinois

Source: University of Illinois

2007F - Forecast

	2003	<u>2004</u>	<u>2005</u>	<u>2006</u>
Northern Illinois Pure Grain Farms				
% owned	22	22	17	18
% crop shared	30	29	30	29
% cash rented	48	49	53	53
Central Illinois Pure Grain Farms				
% owned	15	15	14	13
% crop shared	59	56	56	55
% cash rented	26	29	30	32
Southern Illinois Pure Grain Farms				
% owned	24	24	23	23
% crop shared	43	41	40	40
% cash rented	33	35	37	37

						2003 - 2007
	2003	2004	<u>2005</u>	<u>2006</u>	2007F	<u>change</u>
Gross revenue	\$404	\$445	\$431	\$490	\$613	\$209
Total direct costs	\$117	\$128	\$144	\$147	\$158	\$41
Total power costs	\$45	\$50	\$52	\$55	\$57	\$12
Total overhead costs	\$39	\$38	\$42	\$45	\$46	\$7
Total non-land costs	\$201	\$216	\$238	\$247	\$261	\$60
Operator and land return	\$203	\$229	\$193	\$243	\$352	\$149

Source: Illinois FBFM Association and the University of Illinois

Notes

Additional Resources

The slides for this presentation can be found at: <u>http://www.farmdoc.uiuc.edu/IFES/2007/presentations</u>

Links to additional materials:

http://www.farmdoc.uiuc.edu/manage/newsletters/newsletter.html

http://www.farmdoc.uiuc.edu/manage/corn_soybean_wheat_returns_costs.pdf

http://www.farmdoc.uiuc.edu/manage/crop_budgets.pdf

http://www.extension.iastate.edu/agdm/ (Click on leasing under whole farm)

http://www.ispfmra.org/land-values.html



Farm Profitability through 2010 Paul Ellinger, Professor Department of Agricultural and Consumer Economics Email: <u>pellinge@uiuc.edu</u>

Farm profitability is expected to be at an alltime high in 2007. Net farm income for the U.S. is forecast to be \$87.5 billion, up \$28.5 billion from 2006 and over \$30 billion above the 10-year U.S. average of \$57.4 billion. Farm income in Illinois is also expected to be high in 2007 with strong commodity prices and projected corn and soybean yields of 178 bu. per/acre and 44 bu./acre. A critical question facing Illinois producers is: What are profitability prospects beyond 2007?

Each of the previous presentations represents a fundamental component for assessing the future profitability of Illinois agriculture -- commodity markets, production technology, farm policy, and production (land and non-land) costs. A common theme among the presentations is that although current prospects remain strong, extreme volatility and considerable uncertainty exists in forecasting the components of future levels of revenue and expenses.

Historical Profitability: Based on Illinois FBFM farm and family sources and uses records, the average net farm income from 2001 to 2006 has been approximately \$61,900. The average non-farm income is approximately \$26,500 providing an average of \$88,400 pre-tax household income for Illinois farms. Household incomes on Illinois farms exceed the average level for all U.S. households for the same period of \$53,600.

Six-year average family living expenses and income taxes are \$54,500 and \$9,600 resulting in an average \$24,300 increase in earned net worth for Illinois farms. The six-year average values have been positive for Illinois farms, but considerable variability in these values result in negative changes in net worth in two of the past six years. **Modeling Approach:** A three-year planning model is used to forecast the income and wealth position across a set of representative Illinois farms from central, northern and southern Illinois. Commodity budgets are based on 2008 University of Illinois estimates. Yields are based on National Agricultural Statistics Survey. Three sizes of farms are analyzed for each region. The tillable acres and proportion of cash rent and share rent acres are based on Farm Business Farm Management (FBFM) averages for family-size operations. Three debt levels are also simulated for each representative farm.

Forecast Assumptions: Long-term planning prices used for corn and soybeans are \$3.50 and \$9.00 per bushel. Yields increase 1.25% per year or approximately 2 bushels per acre per year for corn. Cash rent levels for central, northern and southern Illinois are \$190, \$180 and \$100 per acre, respectively. Cash rent levels, chemical, seed and fuel costs are assumed to increase 10% per year. Other production costs increase 3% per year. Government payment rates are based on the current Farm Bill parameters.

Results: Average net farm income through 2010 is forecast to be approximately \$70,000. \$90,000 and \$27,000 for 1,000 acre farms with low leverage in northern, central and southern Illinois, respectively. The net farm income levels decline at least 50% when the beginning debt to asset level is 70%.

The break-even price level for corn to cover all cash flows including family living and debt service for 1000 acre farms in northern, central and southern Illinois with low leverage is \$3.10, 2.99 and \$3.22 per bu., respectively.





Additional Resources

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Links to additional materials:

USDA Farm Income Forecast http://www.ers.usda.gov/Features/FarmIncome/2007/August/ Income and Expenditures of U.S. Households http://www.bls.gov/cex/ Illinois Farm Finance Benchmarks http://www.farmdoc.uiuc.edu/finance/benchmarks.asp Newsletter on Increasing Operating costs http://www.farmdoc.uiuc.edu/manage/newsletters/fefo07_17/fefo07_17.html Crop Costs Online http://www.farmdoc.uiuc.edu/manage/return_cost.asp Farm Management FAST tools http://www.farmdoc.uiuc.edu/pubs/FASTtool.asp?category=farm



Farm-Level Economic Indicators for Corn Production in Illinois, 2000-2008P





Farm-Level Economic Indicators for Soybean Production in Illinois, 2000-2008P





Farm-Level Indicators for Wheat Production in Illinois, 2002-2008P





