



2010: Farm Returns at a Cross Roads

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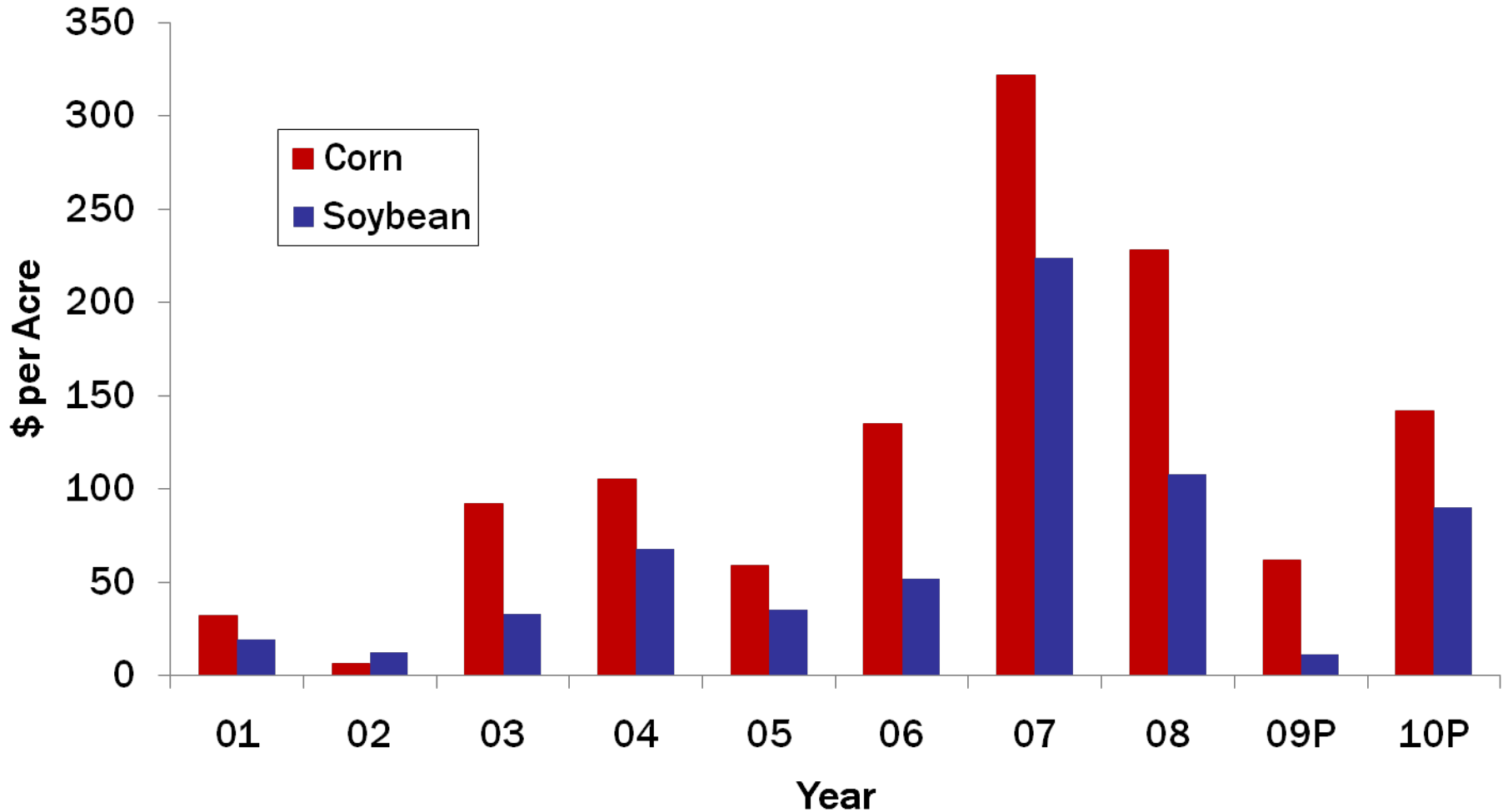
2009 Illinois Farm Economics Summit

The Profitability of Illinois Agriculture: Profitability at a Crossroads

- **Crop returns in 2009 and 2010**
 - Focus on costs
 - Focus on energy and fertilizer costs

- **Income projections for 2009**

Operator Returns, Cash Rent High-Productivity Farmland, Central Illinois



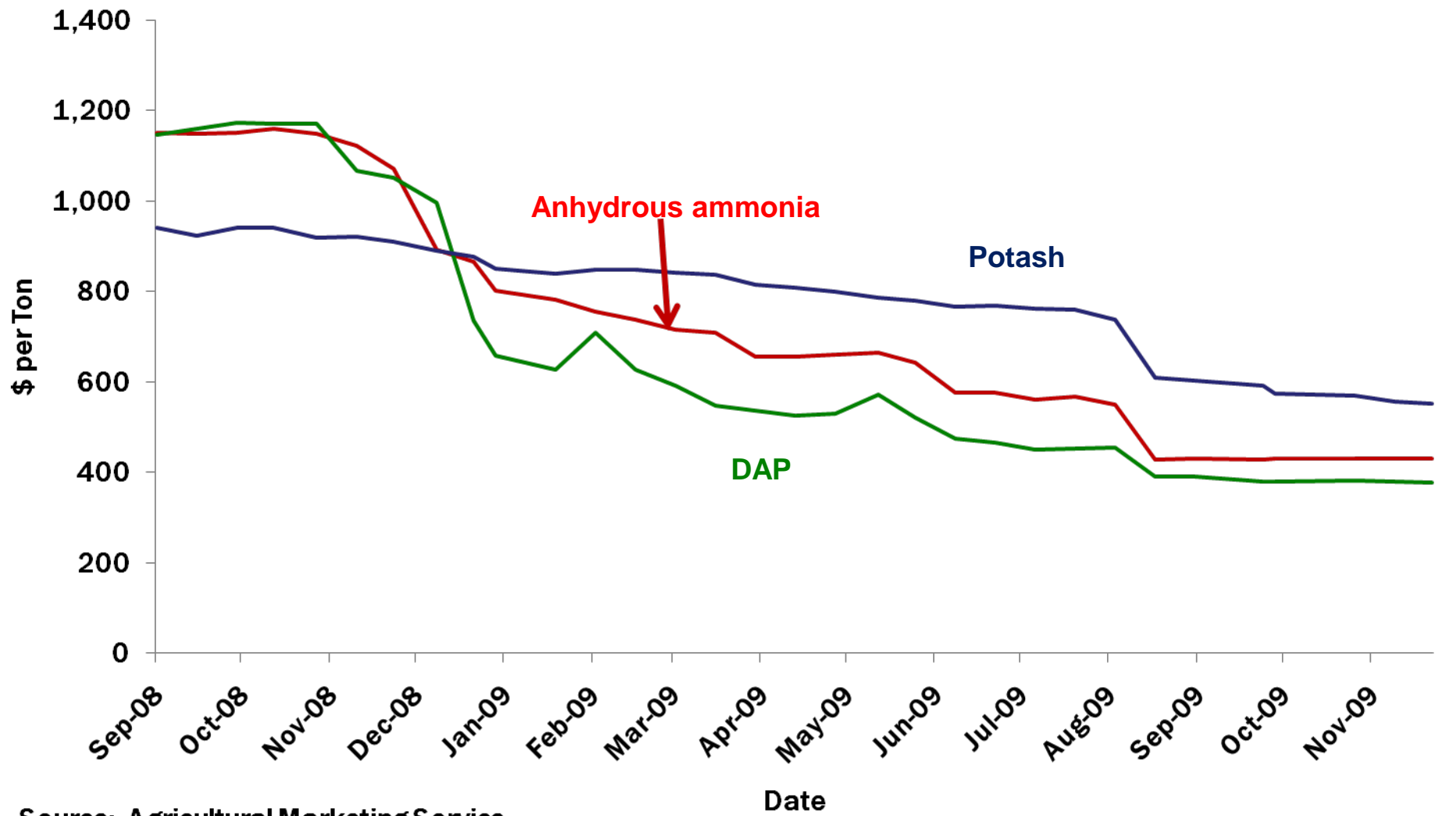
Source: Illinois Farm Business Farm Management

Direct Costs, Central Illinois (\$ per acre)

	— Corn —				— Soybeans —		
	2008	2009P	2010P		2008	2009P	2010P
Fertilizer	\$124	\$170	\$95		\$42	\$85	\$50
Pesticides	46	50	50		28	30	30
Seed	67	95	100		43	53	55
Drying	19	75	19		1	3	3
Storage	11	11	11		5	4	4
Crop Insurance	27	27	27		18	17	17
Total	\$294	\$428	\$302		\$137	\$192	\$159

Source: Illinois Farm Business Farm Management

Fertilizer Prices in Illinois



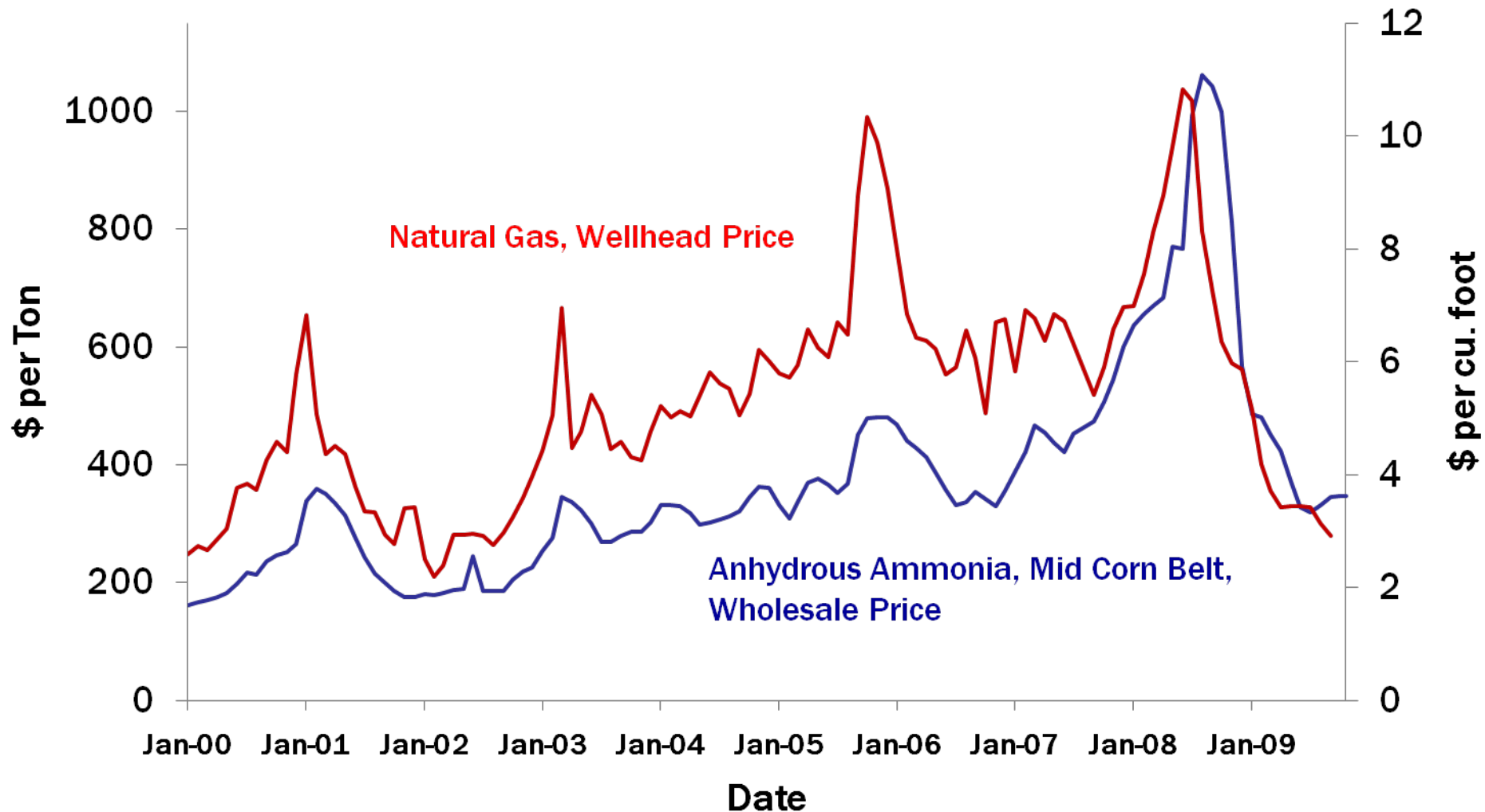
Source: Agricultural Marketing Service

Wholesale Ammonia Prices, Mid Corn Belt



Source: Green Markets

Anhydrous Ammonia, Natural Gas Prices



	Cash Price	CME Futures Prices		
		Feb 2010	April 2010	Aug 2010
Crude Oil (\$ per barrel)	77.19	75.91	78.79	81.53
Natural Gas (\$ per cu. Ft)	4.67	5.51	5.14	5.42

Prices taken on December 2009.

**Crude oil prices at Cushing Oklahoma
Natural gas prices at Henry Hub, Louisiana**

Upside potential in energy prices

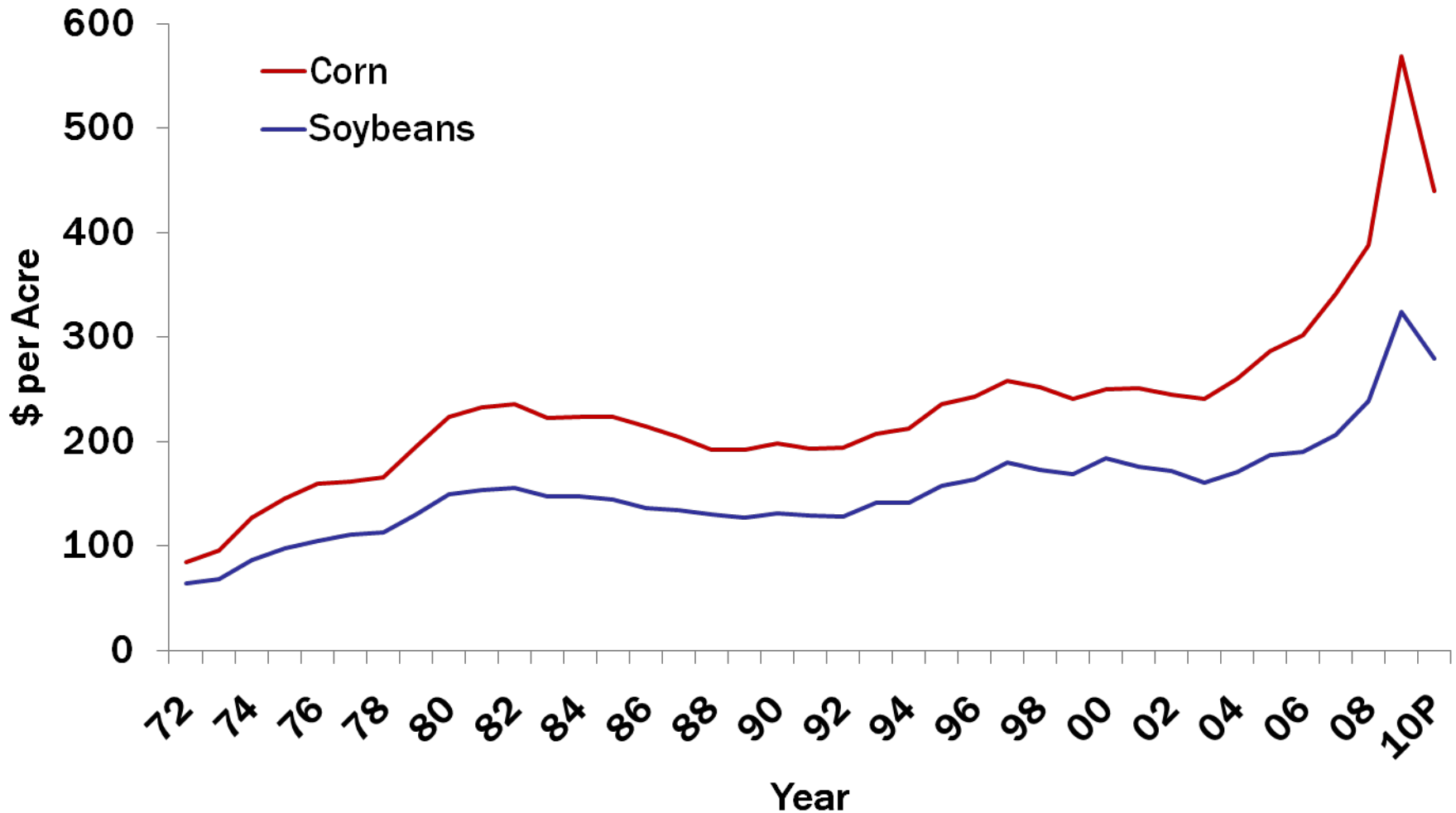
Corn and Soybean Budgets, Central Illinois



	— Corn —			— Soybeans —		
	2008	2009P	2010P	2008	2009P	2010P
Yield	199	200	192	50	55	52
Price	\$4.00	\$3.85	\$4.00	\$10.15	\$9.90	\$10.10
Revenue	\$853	\$839	\$792	\$558	\$573	\$549
Direct cost	\$294	\$428	\$302	\$137	\$192	\$159
Power costs	82	84	81	70	70	69
Overhead costs	<u>52</u>	<u>55</u>	<u>57</u>	<u>46</u>	<u>50</u>	<u>52</u>
Total costs	\$462	\$567	\$440	\$253	\$312	\$280
Opr and Land Return	\$425	\$272	\$352	\$305	\$222	\$300

Source: Illinois Farm Business Farm Management

Per Acre Non-land Costs Central Illinois, High Productivity Farmland



Cash Rents in Illinois



Year	Illinois (USDA)		FBFM Farms in Northwest IL. (\$ per acre)
	Cash Rent (\$ per Acre)	Percent Change	
2001	119	0.0%	126
2002	122	2.5%	128
2003	123	0.8%	131
2004	126	2.4%	134
2005	129	2.4%	135
2006	132	2.3%	140
2007	141	6.8%	152
2008	163	15.6%	155
2009	170	4.3%	161 *

*** Preliminary based on 4.3% increase**

For the Northwest region from 2009 Land Values booklet

Excellent Productivity	\$215
Average Productivity	\$190
Fair Productivity	\$165

- **Mid-year survey of Illinois Society members**
- **Expect a slight decline in cash rents of \$10 to \$15**

- **Note: Society members have rents that are above average and more in keeping with the market. I doubt the average will decline.**

Projections made with a sample of 680 farms

- Slightly over 1,000 acre average farm size
- Estimated end of year prices of
 - Corn: \$4.00
 - Soybeans: \$10.10
 - Wheat: \$4.10

Average Net Farm Income



Year	Net Income
2004	\$93,000
2005	\$58,000
2006	\$95,000
2007	\$198,000
2008	\$202,000
2009	\$75,000 ***

Net income from 2004 through 2008 are actual.

Income in 2009 in projected

- **Tenure**

- Those farms with higher percent of farmland cash rented will have lower incomes

- **Timing of input purchases**

- Those farms that purchased early will have lower incomes

- **Crop marketing**

- **Roller coaster of returns continues**
- **2009 could have been worse had we seen prices**