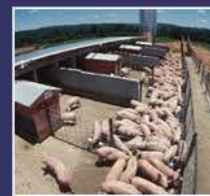




2013 Projected Crop Farm Incomes: A Drought Reprieve

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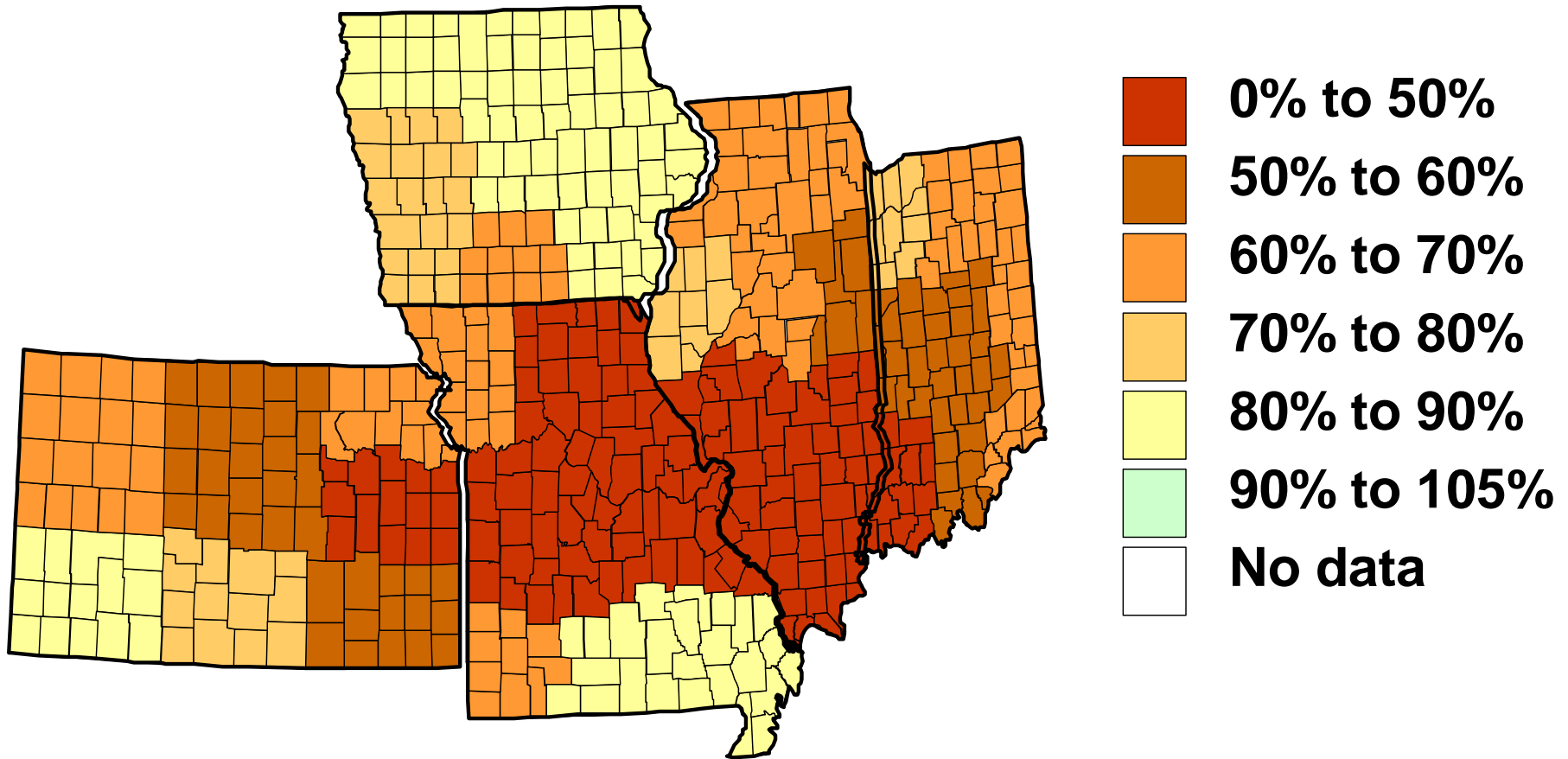


- **Drought impacts**
 - Lower yields
 - Higher prices
 - Higher crop insurance payments
- **2012 incomes**
- **2013 projected incomes**
- **Farms in the next financial difficulty**

Projected 2012 Corn CRD Yields as a Percent of Trend Yields



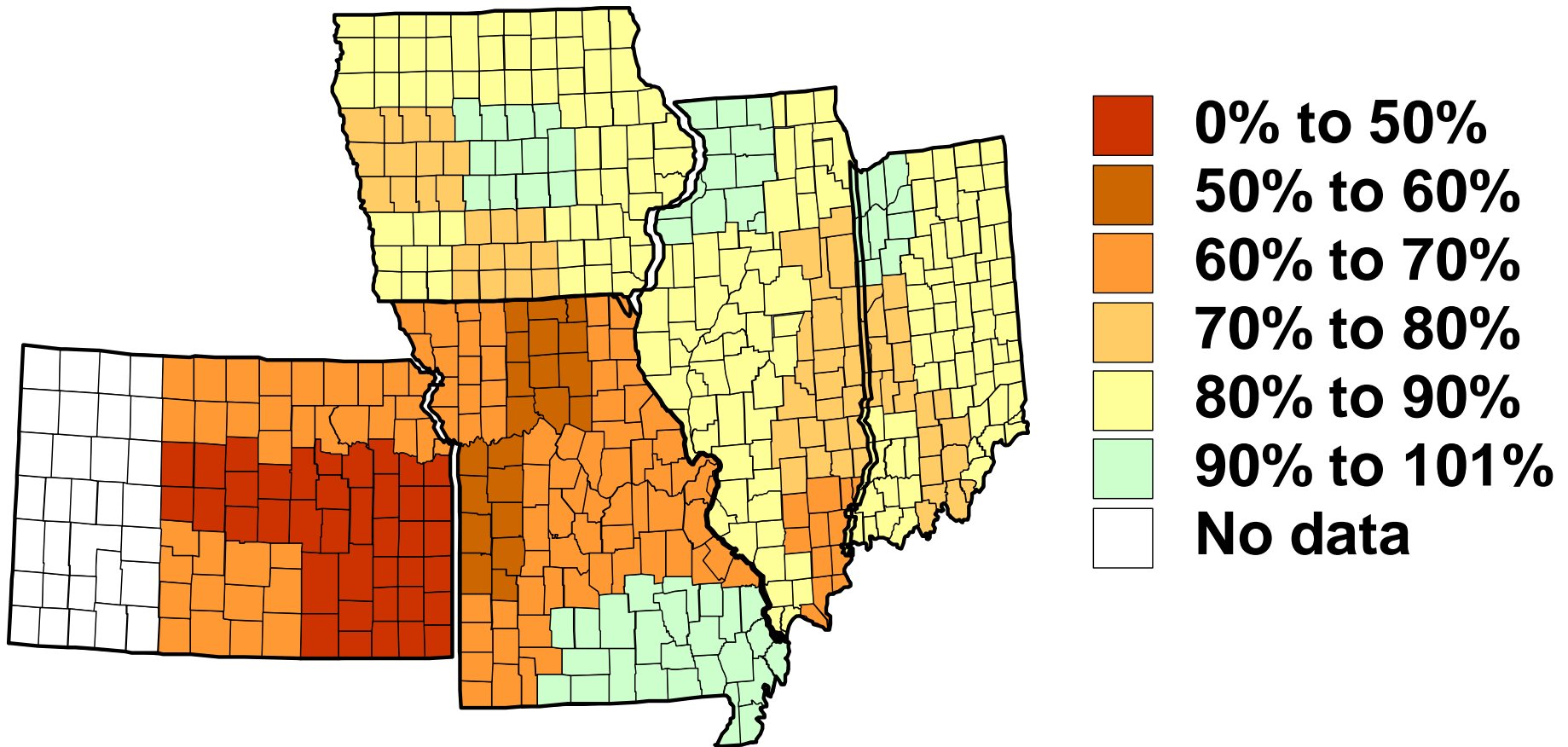
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Projected 2012 Soybeans CRD Yields as a Percent of Trend Yields



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Corn, Northern Illinois



	Year					
	2008	2009	2010	2011	2012P	2013P
Yield per acre	200	178	174	177	130	188
Price per bu	\$4.00	\$3.63	\$5.03	\$5.75	\$7.40	\$5.80
LDP per bu	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crop revenue	\$800	\$646	\$875	\$1,018	\$962	\$1,090
ACRE and LDP revenue	0	8	0	0	0	0
Other gov't payments	24	23	23	23	23	0
Crop insurance proceeds	22	9	19	7	160	0
Gross revenue	\$846	\$686	\$917	\$1,048	\$1,145	\$1,090
Total non-land costs	\$454	\$530	\$476	\$545	\$563	\$563
Operator and land return	\$392	\$156	\$441	\$503	\$582	\$527

Corn, Central Illinois – High Productivity



	Year					
	2008	2009	2010	2011	2012P	2013P
Yield per acre	199	192	168	174	121	195
Price per bu	\$4.07	\$3.62	\$5.34	\$5.95	\$7.40	\$5.80
LDP per bu	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crop revenue	\$810	\$695	\$897	\$1,035	\$895	\$1,131
ACRE and LDP revenue	0	8	0	0	0	0
Other gov't payments	25	24	24	24	24	0
Crop insurance proceeds	22	5	32	23	180	0
Gross revenue	\$857	\$732	\$953	\$1,082	\$1,099	\$1,131
Total non-land costs	\$428	\$534	\$452	\$503	\$514	\$510
Operator and land return	\$429	\$198	\$501	\$579	\$585	\$621

Corn, Southern Illinois



	Year					
	2008	2009	2010	2011	2012P	2013P
Yield per acre	168	163	148	141	72	158
Price per bu	\$4.00	\$3.80	\$5.22	\$6.09	\$7.40	\$5.80
LDP per bu	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crop revenue	\$672	\$619	\$773	\$859	\$533	\$916
ACRE and LDP revenue	0	5	0	0	0	0
Other gov't payments	21	21	21	21	21	0
Crop insurance proceeds	44	34	13	41	350	0
Gross revenue	\$737	\$679	\$807	\$921	\$904	\$916
Total non-land costs	\$417	\$493	\$467	\$512	\$502	\$498
Operator and land return	\$320	\$186	\$340	\$409	\$402	\$418

- **Use 2012 Costs**
- **1,200 acre farm**
- **187 bu corn, 54 bu soybeans**
- **120 acre owned, 360 share-rented, 720 cash rented**
- **\$300 cash rent**
- **\$480,000 debt**
- **Insurance – RP**
 - **Corn 180 bu TA-APH**
 - **Soybeans 50 bu TA-APH**

2012 Income Projection



Scenario	Corn Price	Soybean Price	Corn Yield	Soybean Yield	Net Income
2012 projection in winter 2012	\$5.00	\$12.50	187	54	\$191,000
Closer to actual	\$7.00	\$15.20	100	42	\$228,000
– no crop insurance	\$7.00	\$15.20	100	42	\$19,000
– No insurance plus hedge 50,000 at \$5.20	\$7.00	\$15.20	100	42	-\$71,000

Same as 2013 except:

- **Corn Price: \$6.10 projected price**
\$5.80 cash price
- **Soybean Price: \$13.10 projected price**
\$12.80 cash price

TA-APH yields: 180 bu corn, 50 bu soybeans

2012 and 2013 Income Projection



Scenario	Corn Price	Soybean Price	Corn Yield	Soybean Yield	Net Income
2012 projection in winter 2012	\$5.00	\$12.50	187	54	\$191,000
Closer to actual	\$7.00	\$15.20	100	42	\$228,000
– no crop insurance	\$7.00	\$15.20	100	42	\$19,000
– No insurance plus hedge 50,000 at \$5.20	\$7.00	\$15.20	100	42	-\$71,000
2013 projection	\$5.80	\$12.80	187	54	\$298,000
Long-run	\$4.50	\$10.50	187	54	\$91,000

Worst incomes come with low prices

Around \$47,000

Low yields not as bad if harvest prices are above projected prices

Assumes no increase in costs

Alternative Levels of Crop Insurance Coverage



Coverage Level	Projected Income	Worst Case Income	Corn Harvest Price	Soybean Harvest Price
85%	\$281,000	\$95,000	\$5.00	\$9.80
80%	\$290,000	\$47,000	\$4.70	\$9.19
75%	\$294,000	-1,000	\$4.40	\$8.61
70%	\$295,000	-49,000	\$3.82	\$8.04
65%	\$296,000	-97,000	\$3.52	\$6.89

Shows impacts of different coverage levels of crop insurance on worst case scenarios. Prices below the “harvest prices” cause the worst case scenarios.

- **Base case – 120 acre owned, 360 share-rented, 720 cash rented**
- **All Cash Rent \$300 – 120 acre owned, 1080 cash rented, \$300 cash rent**
- **All Cash Rent \$400 – 120 acre owned, 1080 cash rented, \$300 cash rent**

Incomes Under Differing Rental Scenarios



	2013 Incomes		Long-run (4.50/10.50)
	Projected (5.80/12.80)	Worst Case	
Base Case	\$298,000	\$47,000	\$91,000
All Cash Rent \$300	\$312,000	\$20,000	\$68,000
All Cash Rent \$400	\$205,000	-88,000	-\$49,000

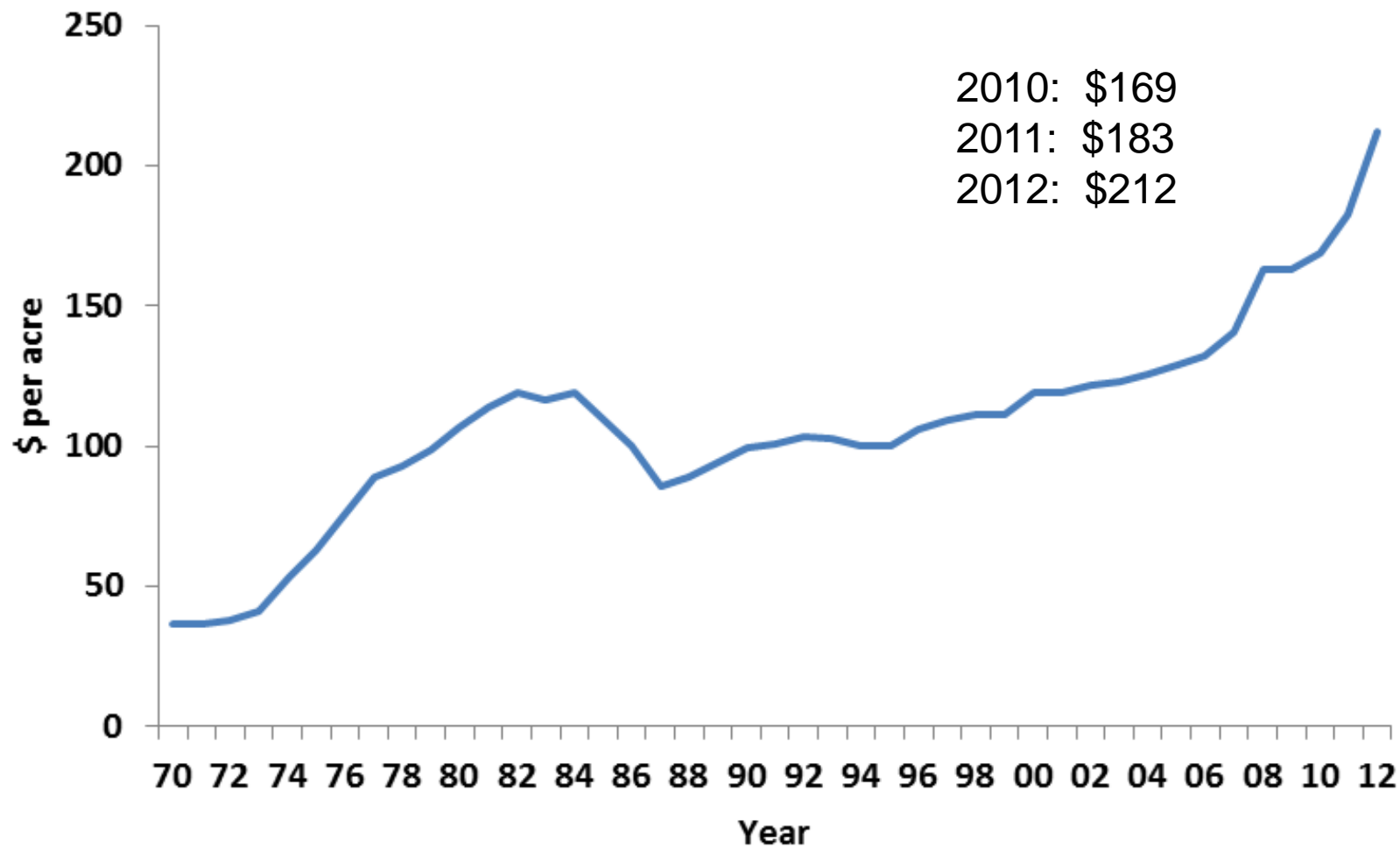
- **Outlook is for continued good incomes into 2013**
- **My opinion: Next financial difficulty not caused by farmland price declines**
- **Likely caused by need to adjust cash rents downward**

Cash Rents in Illinois

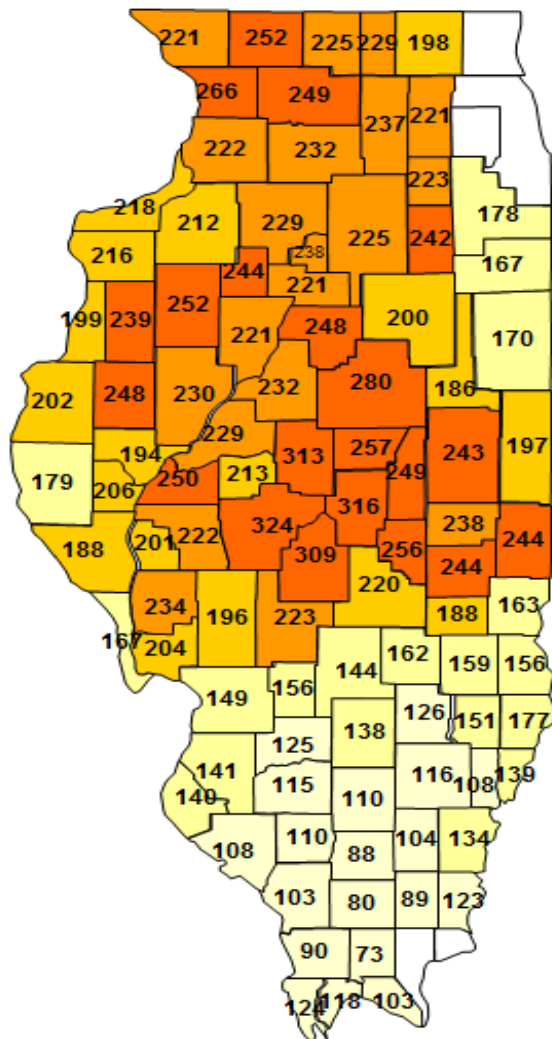
(Source USDA)



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Cash Rent by County, 2012



- Released by USDA, September 7, 2012
- 2012 cash rents
- Average cash rents

Mid-Year Leasing Survey

Illinois Society of Professional Farm Managers
and Rural Appraisers



Land Quality	Expected Corn Yields	2012 Rent	2013 Proj. Rent	Change
	Bu./acre	\$/acre	\$/acre	\$/acre
Excellent	Over 190	\$373	\$384	\$11
Good	170 - 190	\$317	\$326	\$9
Average	150 - 170	\$269	\$272	\$4
Fair	150 or less	\$212	\$214	\$2

Averages for professionally managed land

Always higher than averages

www.ispfmra.org/land-values.html

Operator and Farmland Returns

Central -- High Illinois Farmland



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	2009	2010	2011	2012	2013P	
Corn Yield	192	168	174	121	195	
Corn Price	3.62	5.34	5.95	7.40	5.80	
Bean Yield	55	60	56	46	57	
Bean Price	10.03	11.47	12.27	15.30	12.80	
Operator and Farmland Return						
Corn	198	501	579	585	621	
Soybeans	289	444	419	452	422	
Corn 66% Beans 33%	228	482	526	540	588	

Operator and Farmland Returns

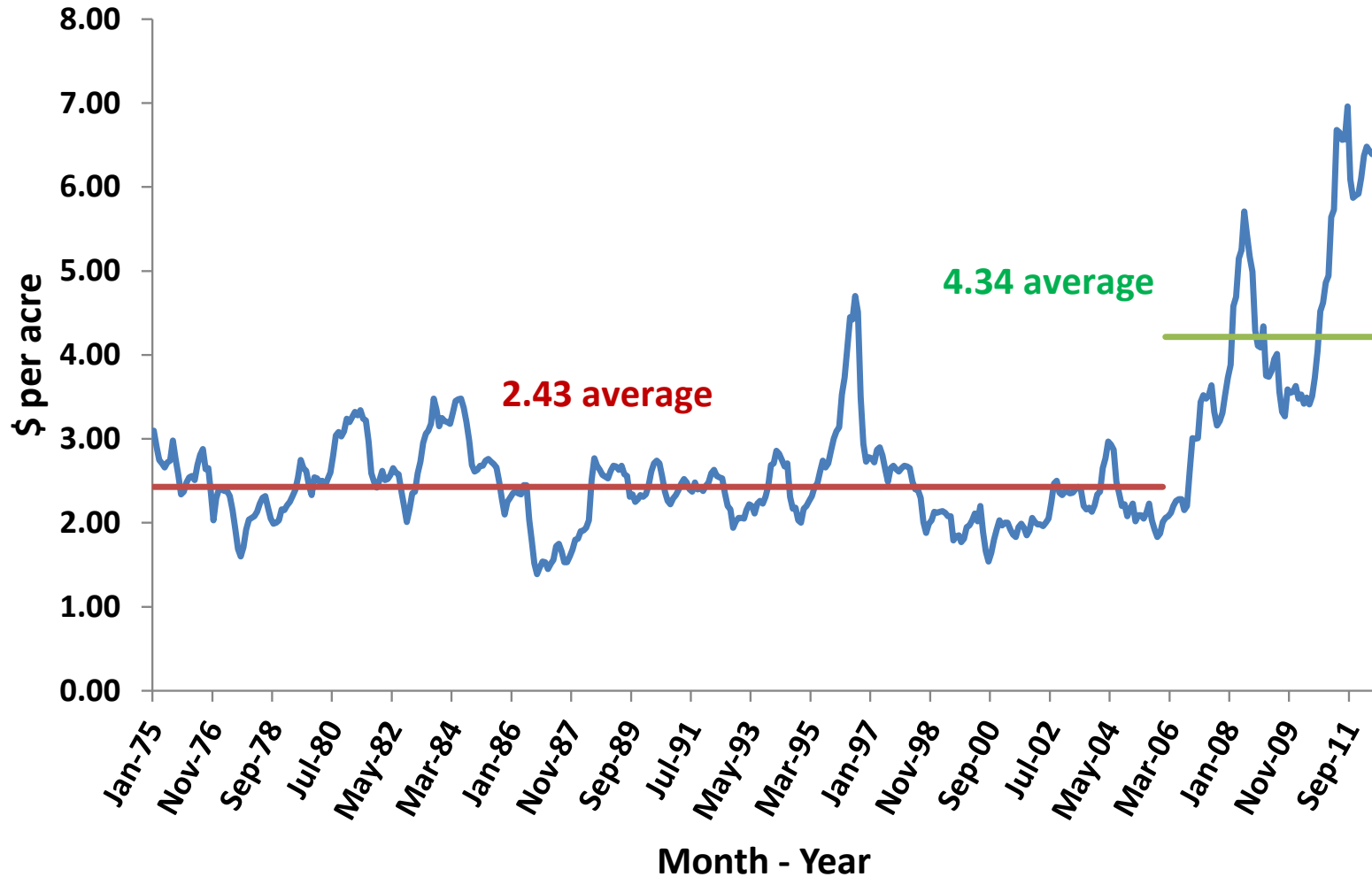
Central – Low Illinois Farmland



	2009	2010	2011	2012	2013P	
Corn Yield	187	157	157	110	183	
Corn Price	3.63	5.06	5.95	7.40	5.80	
Bean Yield	52	54	52	43	53	
Bean Price	9.91	11.43	12.36	15.30	12.80	
Operator and Farmland Return						
Corn	194	387	466	469	536	
Soybeans	263	384	389	419	386	
Corn 66% Beans 33%	217	386	440	452	486	

Corn Price, Illinois, 1985 to 2012

Monthly Prices



Operator and Farmland Returns

Central -- High Illinois Farmland



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	2009	2010	2011	2012	2013P	LR
Corn Yield	192	168	174	121	195	195
Corn Price	3.62	5.34	5.95	7.40	5.80	4.50
Bean Yield	55	60	56	46	57	57
Bean Price	10.03	11.47	12.27	15.30	12.80	10.50
Operator and Farmland Return						
Corn	198	501	579	585	621	368
Soybeans	289	444	419	452	422	291
Corn 66% Beans 33%	228	482	526	540	588	342

Operator and Farmland Returns

Central – Low Illinois Farmland



	2009	2010	2011	2012	2013P	Long-Run
Corn Yield	187	157	157	110	183	183
Corn Price	3.63	5.06	5.95	7.40	5.80	4.50
Bean Yield	52	54	52	43	53	53
Bean Price	9.91	11.43	12.36	15.30	12.80	10.50
Operator and Farmland Return						
Corn	194	387	466	469	536	299
Soybeans	263	384	389	419	386	265
Corn 66% Beans 33%	217	386	440	452	486	288

Farms Characteristics of Farms that May Face Difficulties in Low Price Environment



- **Large percent of acres in cash rents (90%)**
- **Few assets per farmed acre (no on-farm grain storage, perhaps leased machinery)**
- **High growth (rolling earnings into funding growth in acres) made possible with high cash rent bids**
- **Low emphasis on efficiencies**

- **Above average incomes in 2012**
- **Current projections: above average incomes in 2013**
- **Drought likely moved lower prices back in time**
- **Next difficulty: Likely focused on high growth/high cash rent/high rent level farms**