



Income, Financial Outlook, and Adjustments in 2014

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2013 Illinois Farm Economics Summit
The Profitability of Illinois Agriculture: Managing in a Turbulent World

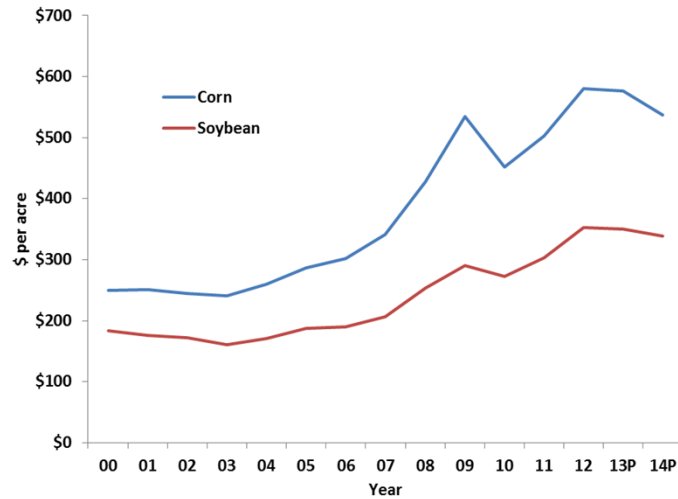
Crop Prices, Market Year Average Prices and Forecasts

	Period				
	75-05	06-12	12F	13F	14F
Corn (\$/bu.)	2.33	4.78	6.89	4.50	4.60
Soybeans (\$/bu.)	5.95	10.60	14.40	12.15	11.00

Non-land Costs, Corn and Soybeans, Northern Illinois



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Cost Changes Between 2006 and 2012, Central Illinois, Corn



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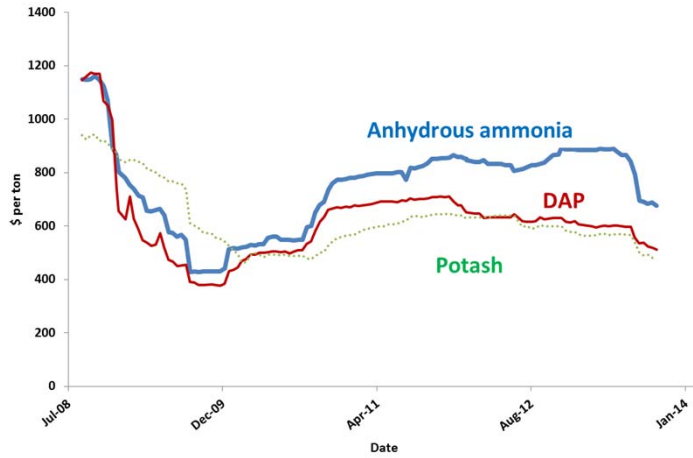
	2012 Cost \$ per acre	Increase Since 2006 \$ per acre	Percent of Total Costs
Fertilizer	\$200	\$83	34%
Seed	108	\$63	19%
Mach Depreciation	\$55	\$35	9%
Crop Insurance	\$25	\$14	4%
Drying	\$16	\$5	3%
Fuel	\$23	\$9	4%
Interest (non-land)	\$11	-\$6	2%
Non-land costs	\$581	\$279	

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Fertilizer Prices, Illinois



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Operator and Farmland Returns



Northern Illinois Farmland

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	2009	2010	2011	2012	2013P	2014P
Corn Yield	178	174	177	143	185	187
Corn Price	3.63	5.03	6.10	6.60	4.55	4.60
Bean Yield	49	56	60	51	54	56
Bean Price	9.78	11.31	12.71	14.3	12.80	11.00
Operator and Farmland Return						
Corn	156	441	561	520	263	305
Soybeans	206	396	499	431	382	319
Corn 66% Beans 33%	173	426	540	490	303	310

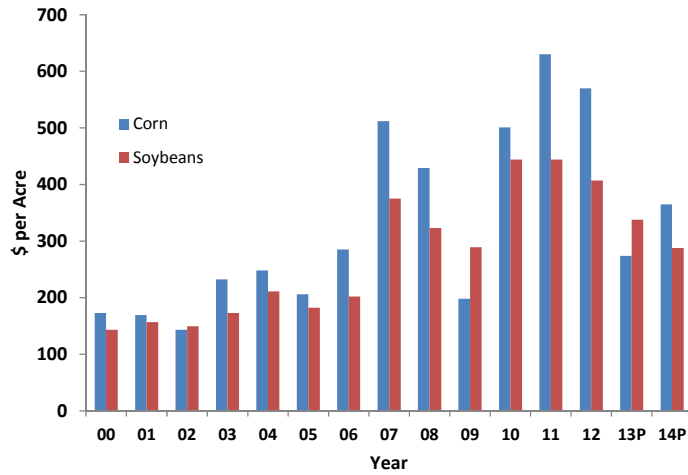
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Operator and Farmland Returns

Central Illinois - High Productivity Farmland



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Operator and Farmland Returns

Central -- High Illinois Farmland



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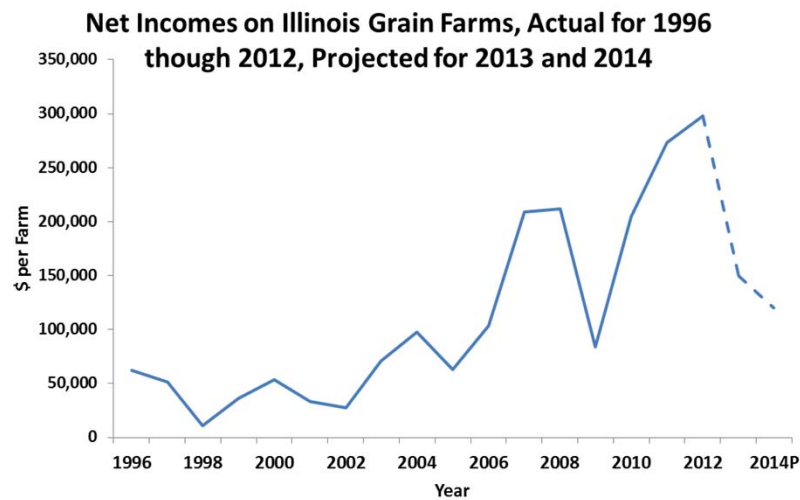
	2009	2010	2011	2012	2013P	2014P
Corn Yield	192	168	174	126	182	196
Corn Price	3.62	5.34	5.24	6.60	4.55	4.60
Bean Yield	55	60	56	50	52	57
Bean Price	10.03	11.47	12.71	14.200	12.80	11.00
Operator and Farmland Return						
Corn	198	501	630	570	274	365
Soybeans	289	444	444	407	338	288
Corn 66% Beans 33%	228	482	568	516	295	339

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Grain Farm Net Income Projections



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Farm Income Simulation



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- Grain farm with 1,200 acres
- 2/3 corn, 1/3 soybeans
- 187 corn yield (\$4.60), 56 bu soybean yield (\$11)
- Tenure
 - Owned 120 acres (10%)
 - Share rent - 360 acres (30%)
 - Fixed cash rent - 720 acre (60%)
- \$260 per acre cash rent
- \$500,000 debt
- Costs in 2013 budgets

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Alternatives



Scenario	Income
As above	\$120,000
All rented land cash rented	\$119,760
All cash rent at \$300 per acre	\$76,600
No owned land, \$300 cash rent	\$44,160

Note:

- 1) Buffering capability of small amount of owned farmland
- 2) Need to monitor cash rents

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Reactions



1. Realize lower crop insurance safety net
2. Reduce capital expenditures
3. Evaluate cash rents

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"Only" Crop Insurance



Look Different at Lower Prices

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	2009	2010	2011	2012	2013	2014
Corn						
Projected Price	4.04	3.99	6.01	5.68	5.65	4.60
Harvest Price	3.72	5.46	6.32	7.50	4.39	
Soybeans						
Projected Price	8.80	9.23	13.49	12.55	12.87	11.75
Harvest Price	9.66	11.63	12.14	15.39	12.87	

- Projected price – average of Dec. (corn) of Nov. (beans) CME futures contract in February, used to set insurance guarantees.
- Harvest price – average of Dec. (corn) Nov. (beans) CME futures contract in October, used to calculate insurance revenue.

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Insurance Premiums and Guarantees



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Coverage Level	Premiums		Per Acre Guarantees	
	2013	2014P	2013	2014P
60%	1.66	1.65	581	516
65%	2.47	2.45	634	559
70%	3.65	3.65	687	602
75%	6.22	6.12	740	645
80%	12.89	12.47	792	688
85%	25.63	24.41	845	731

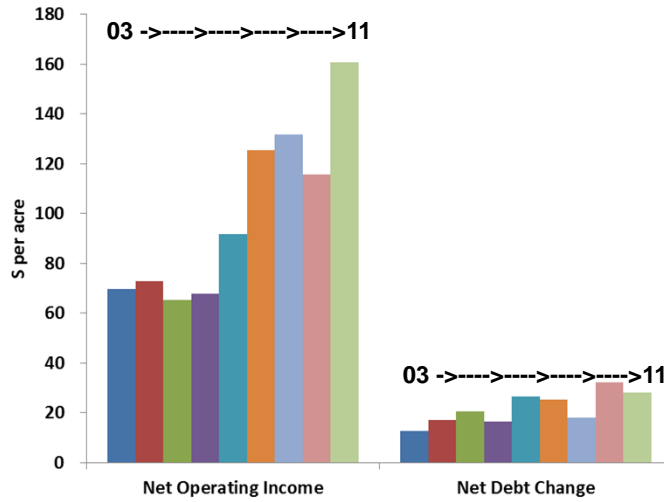
Revenue Protection premium in Sangamon County, enterprise units
Based on a \$4.60 projected price and .22 volatility for 2014.

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Sources of Income, 2003 to 2011, Illinois FBFM Grain Farms



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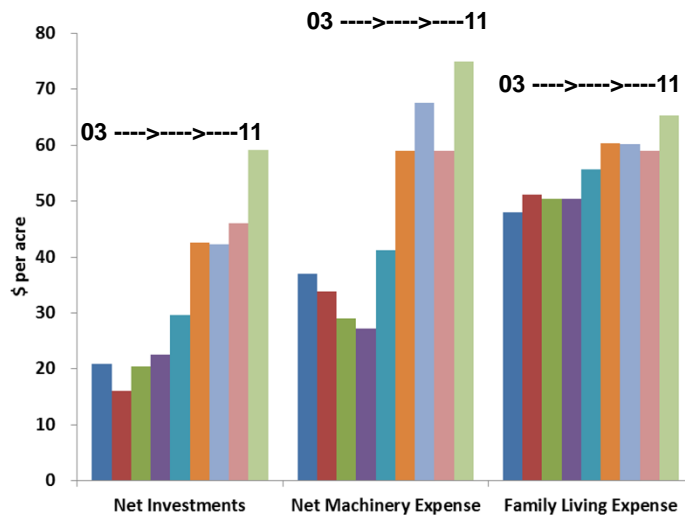


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Uses of Funds, 2003 to 2012 Illinois FBFM Grain Farms



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Reduce Capital Costs

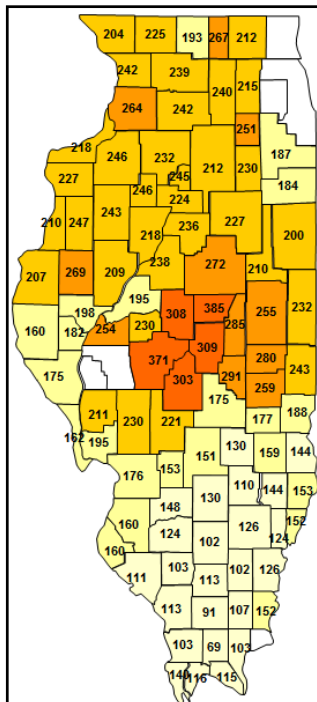


- As a percent of total investment, average cash flows are relatively constant
- When returns decline need to reduce outflows
- Perhaps biggest key to avoiding financial stress
- Cash flow likely will lag income changes

Cash Flows as a % of Gross Revenue (by year)

	03-06	07-11
Net Investments	6%	8%
Net Machinery	4%	4%
Family Living	20%	15%

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- Cash rents by county
- Released by USDA, September 7, 2013
- 2013 cash rents
- Average cash rents

Summit

Average Versus Professionally Managed, 2013



Productivity Class ¹	Average NASS Rent ²	Professionally Managed Rent ³	Difference ⁴
	\$/acre	\$/acre	\$/acre
Excellent	313	388	75
Good	259	332	73
Average	205	278	73
Fair	151	224	73

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At Risk Farms



- Most farms will do fine
- At risk farms
 - Over 90% of farmland cash rented
 - Cash rents \$25 or more higher than the county average

Farm Size	Percent of Farms
All	4%
Less than 400 acres	4%
500 to 1000 acres	2%
1000 to 2000 acres	3%
2000 to 3000 acres	4%
3000 to 4000 acre	3%
4000 to 5000 acres	25%
More than 5000 acres	28%

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20

Some farms have most farms near average cash rents and some at high cash rents

How long will high cash rent farmland be subsidized by other farmland?

- **Lower Incomes, but most farms will do fine**

- **Reactions**
 - Realize crop insurance guarantees are lower
 - Reduce capital expenditures
 - Reduce cash rent