

Habits of Financially Resilient Farms

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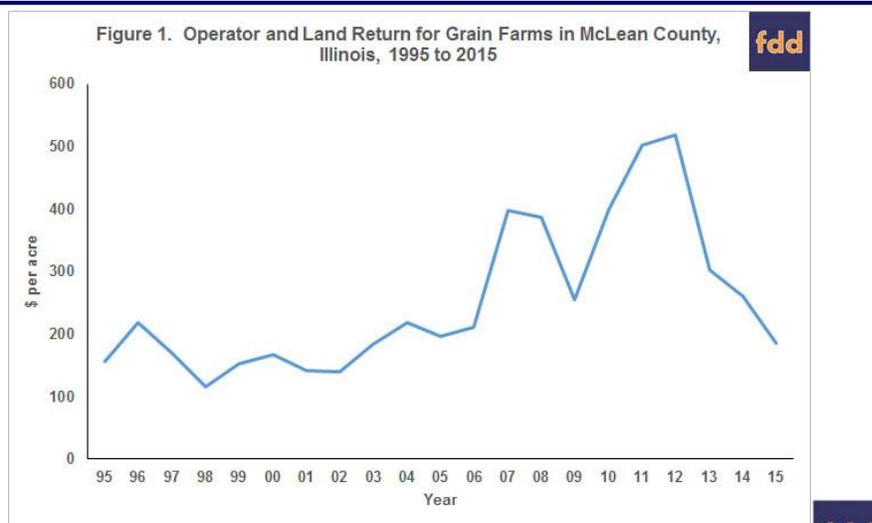
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Operator and Farmland Returns

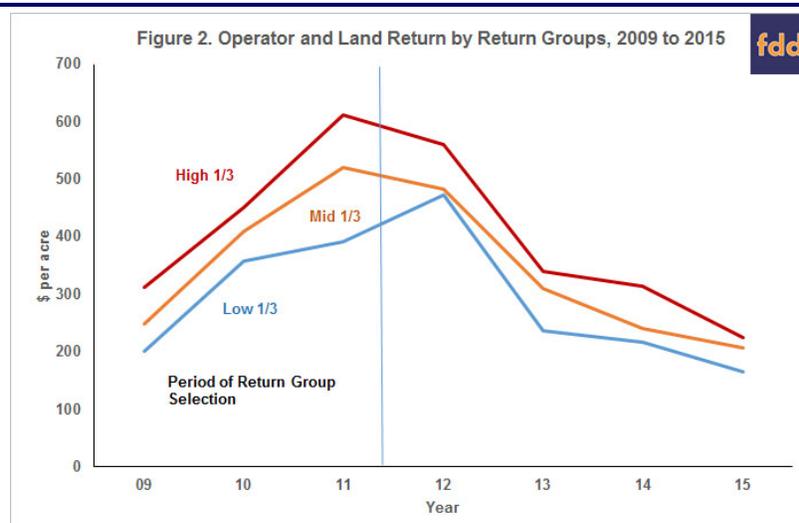


Resiliency of Returns

- Are some farms consistently outperforming their peers?
 - YES
- How are these farms outperforming their peers?
 - Revenues, Costs, Other characteristics

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Operator and Farmland Returns



Performance Groups

- **Central and Northern IL Counties**
 - Champaign, Ford, McLean, Piatt
 - Dekalb, La Salle, Lee, Ogle
- **Two time periods**
 - High/rising returns, 2010 to 2012
 - Low/declining returns, 2014 to 2016
- **Define performance groups over 3-year horizon**
 - Top 1/3 of returns
 - Mid 1/3 of returns
 - Low 1/3 of returns

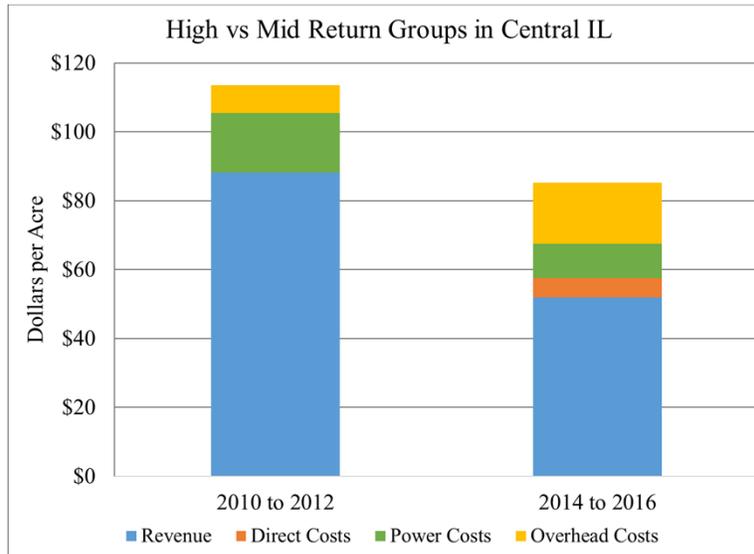
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Revenue, Costs, and Returns

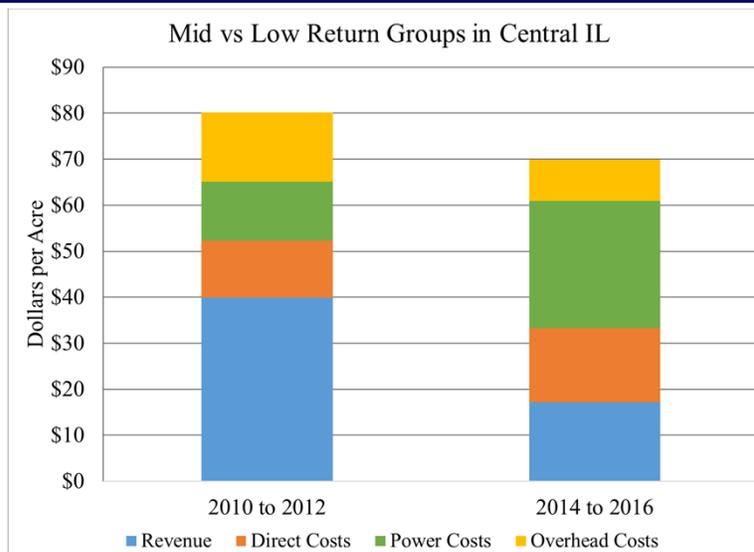
	<u>2010 to 2012</u>			<u>2014 to 2016</u>		
	Top1/3	Mid 1/3	Diff	Top1/3	Mid 1/3	Diff
Revenue	\$958	\$870	\$88	\$783	\$731	\$52
Direct Costs	\$248	\$247	\$1	\$270	\$276	-\$6
Power Costs	\$98	\$115	-\$17	\$118	\$128	-\$10
Overhead Costs	\$64	\$72	-\$8	\$67	\$85	-\$18
Total Costs	\$409	\$433	-\$24	\$455	\$488	-\$33
Returns	\$549	\$437	\$112	\$328	\$242	\$85

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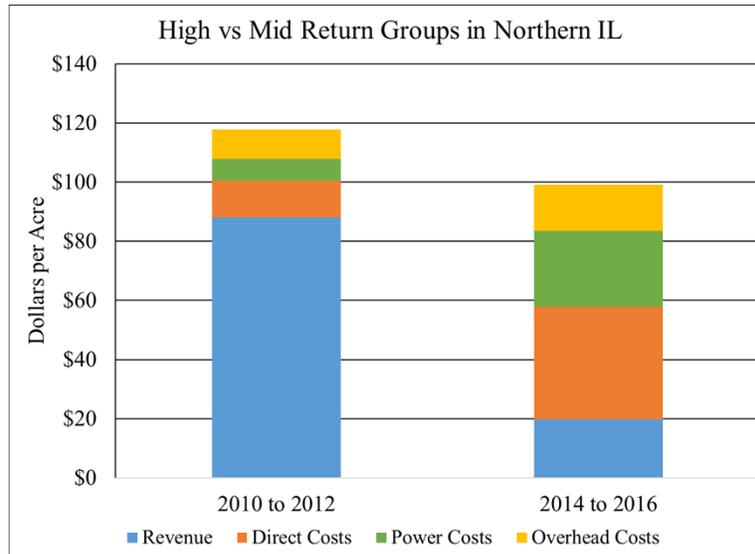
Top vs Mid Groups – Central IL



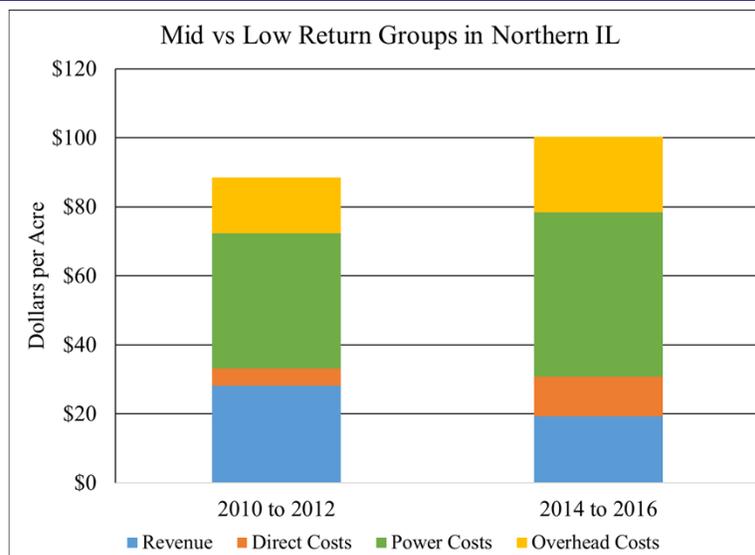
Mid vs Low Groups – Central IL



Top vs Mid Groups – Northern IL



Mid vs Low Groups – Northern IL



Revenue Factors

- **Bigger yields on higher return farms**

2010 to 2012		2014 to 2016	
Corn	Beans	Corn	Beans
14 bu/ac	4 bu/ac	9 bu/ac	2 bu/ac

- **Higher prices on higher return farms**

2010 to 2012		2014 to 2016	
Corn	Beans	Corn	Beans
\$0.15-0.20/bu	\$0.40-0.50/bu	\$0.05-0.10/bu	\$0.10-0.15/bu

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Main Cost Factors

- **Direct**
 - Seed, fertilizer, pesticide, drying and storage
- **Power**
 - Machinery depreciation, hire, and repair; fuel and oil, utilities, light vehicle
- **Overhead**
 - Hired labor, building, insurance, misc, non-land interest

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Other Characteristics

- **Farm size**
 - High return group operate more acres
 - 100 to 200 acre difference across groups
- **Soil productivity not different across groups**
- **Close to 50/50 corn/soy rotation**

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Summary

- **Some farms outperform their peers consistently over time**
- **These farms tend to have higher revenues and lower costs**
 - Revenues accounted for larger share of difference during high return period
 - Costs accounts for larger share of difference during lower return period

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Summary

- **Focused on operator and farmland returns**
- **Do land costs tend to wash out these differences?**
 - **No**
 - **Farms identified in higher return groups tended to have lower land costs, pay average or lower cash rents as well**

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Thank You!

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