

# 2020 Illinois Farm Economics Summit

Tuesday  
December 1<sup>st</sup>

**2021 Market  
Outlook for Corn  
and Soybeans**

Friday  
December 4<sup>th</sup>

**2020 and 2021  
Grain Farm Income  
Outlook with Risk  
and Rental  
Implications**

Tuesday  
December 8<sup>th</sup>

**Farm Program and  
Crop Insurance  
Decisions for 2021**

Friday  
December 11<sup>th</sup>

**Straining the  
alphabet soup:  
Post-election farm  
policy outlook after  
three years of ad  
hoc farm payments**

Tuesday  
December 15<sup>th</sup>

**Farmland Markets  
and Macro Markets**

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# 2020 and 2021 Grain Farm Income Outlook with Risk and Rental Implications



Dale Lattz

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Gary Schnitkey

**Are you optimistic  
about grain farm  
incomes in 2021?**

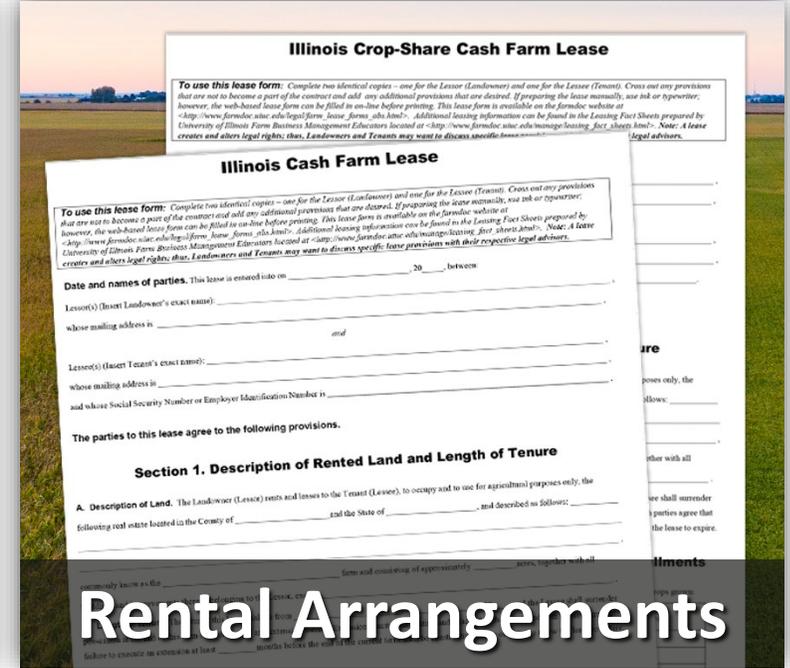
**I believe incomes  
will be...**

**above the  
2013-2020 average**

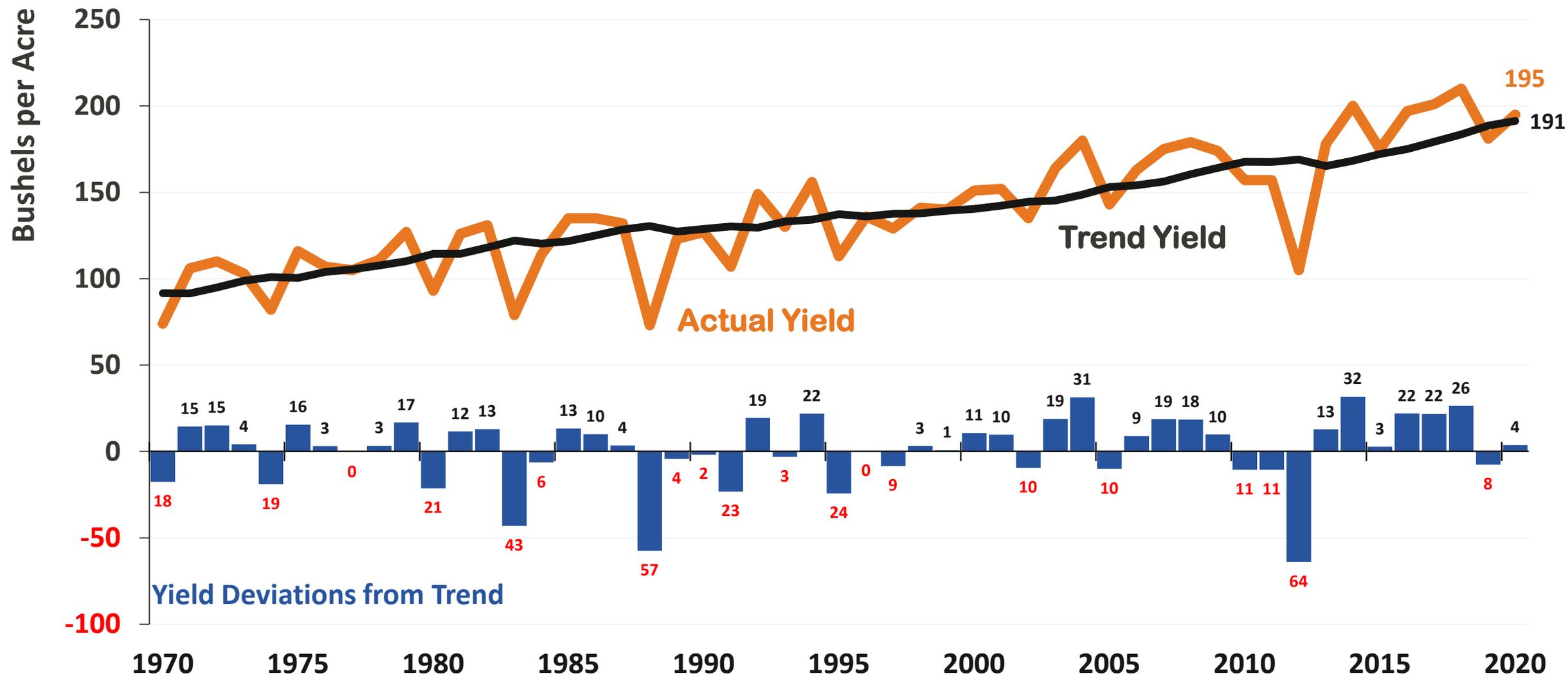
**close to the  
2013-2020 average**

**below the  
2013-2020 average**

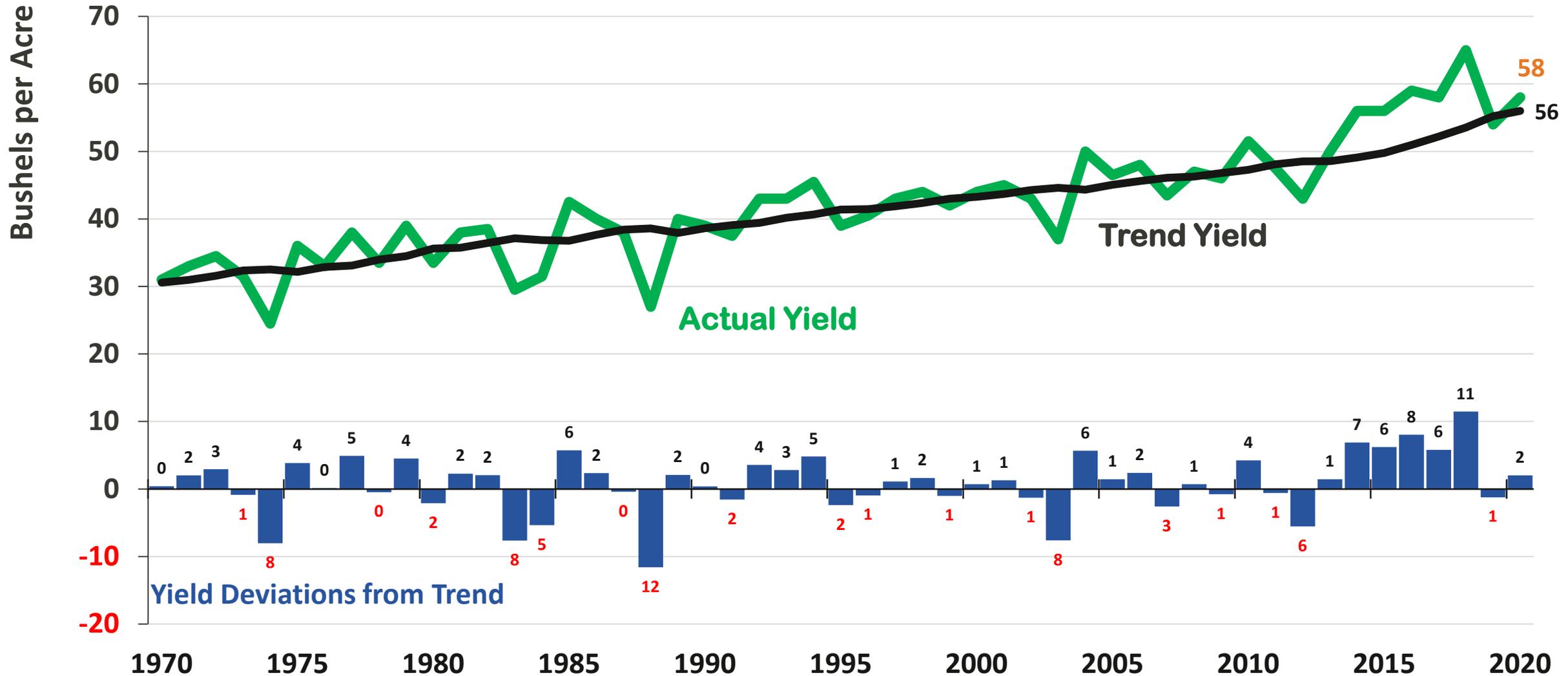
# Topics



# Illinois Corn Yields, 1970 to 2020P



# Illinois Soybean Yields, 1970 to 2020P

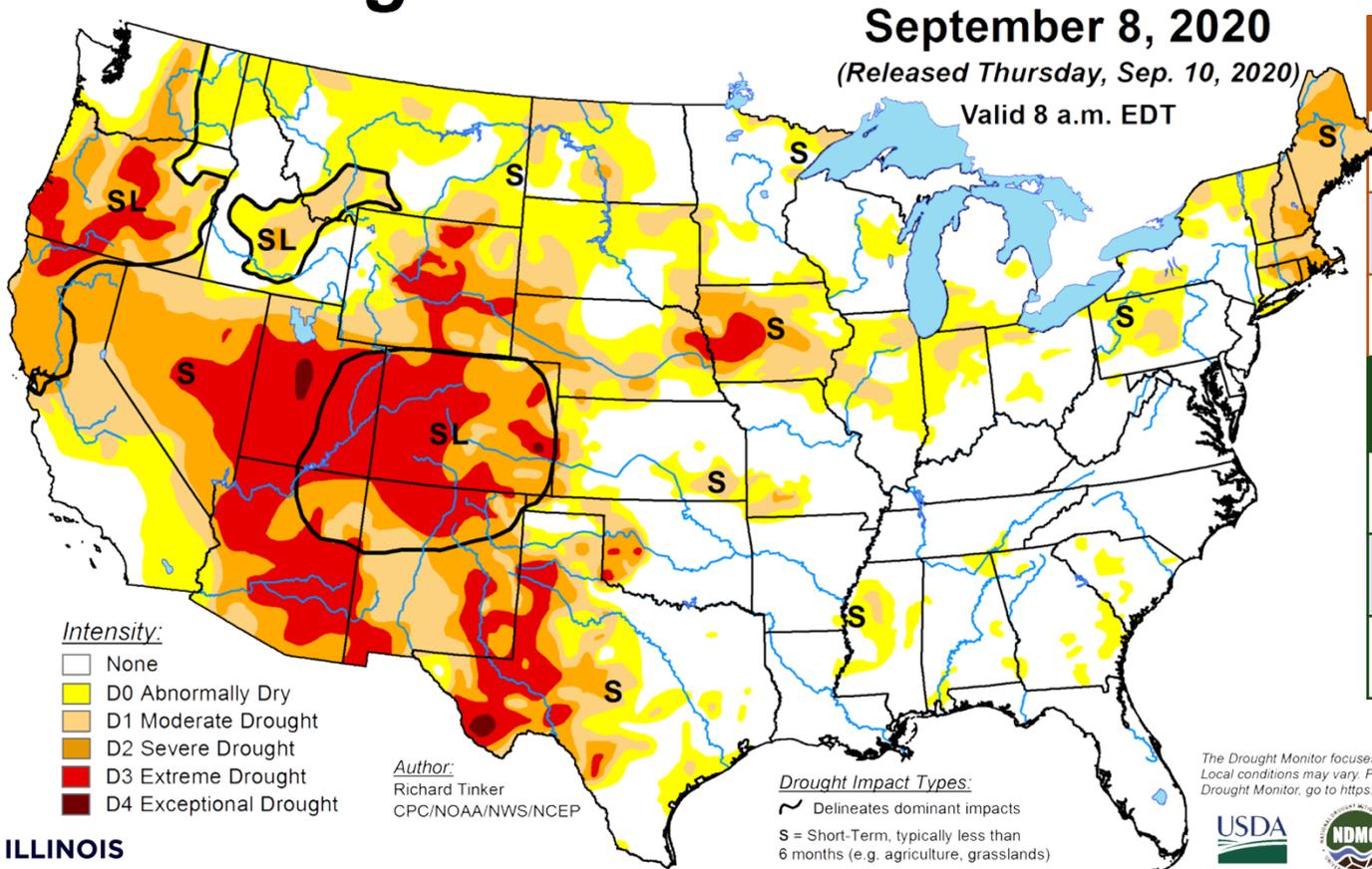


# Late Season News

- Hot, dry August
- Derecho Storm (Iowa)

## Change in USDA forecasts from August to November

### U.S. Drought Monitor



	August	November
<b>Corn</b>		
Yield - Iowa	202	184
Yield - US	181.8	175.8
U.S. 2020 MYA price	\$3.10	\$4.00
<b>Soybeans</b>		
Yield - Iowa	58	54
Yield - US	53.3	50.7
U.S. 2020 MYA price	\$8.35	\$10.40

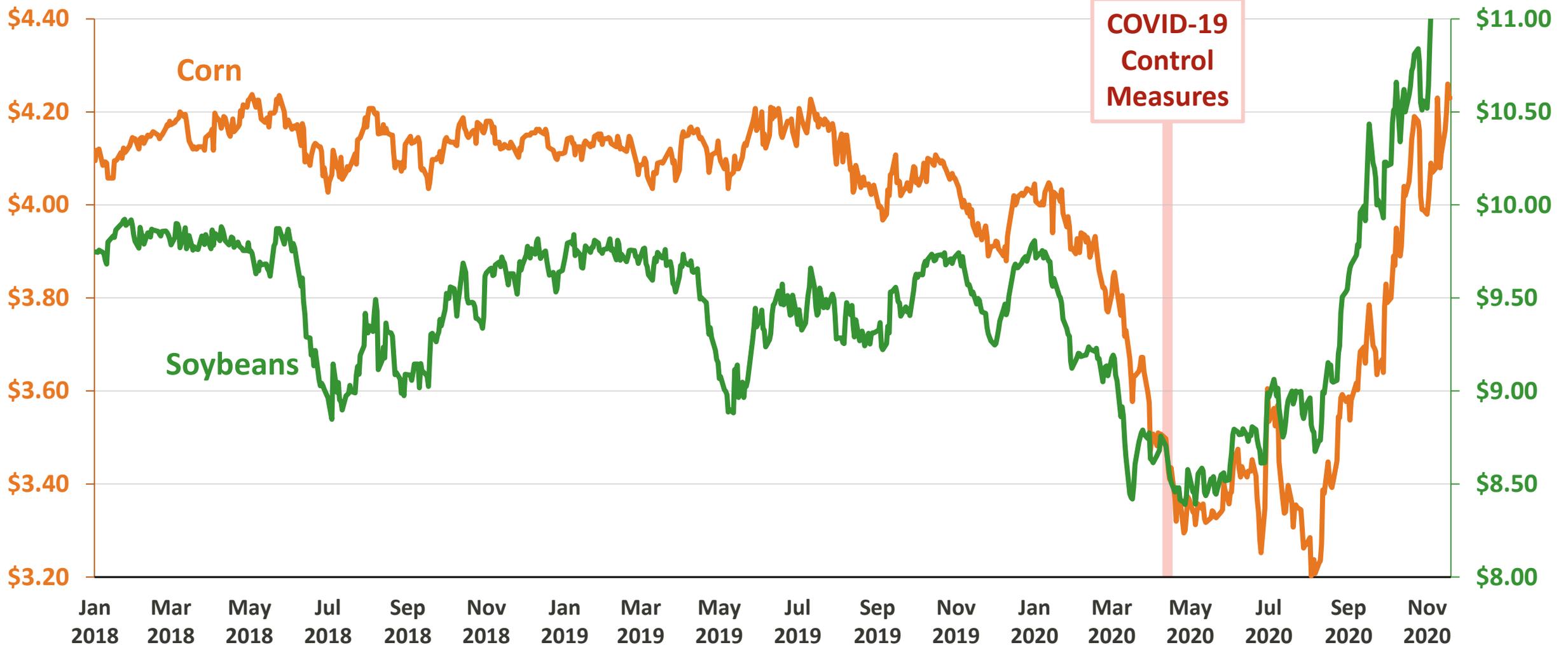
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>



[droughtmonitor.unl.edu](https://droughtmonitor.unl.edu)

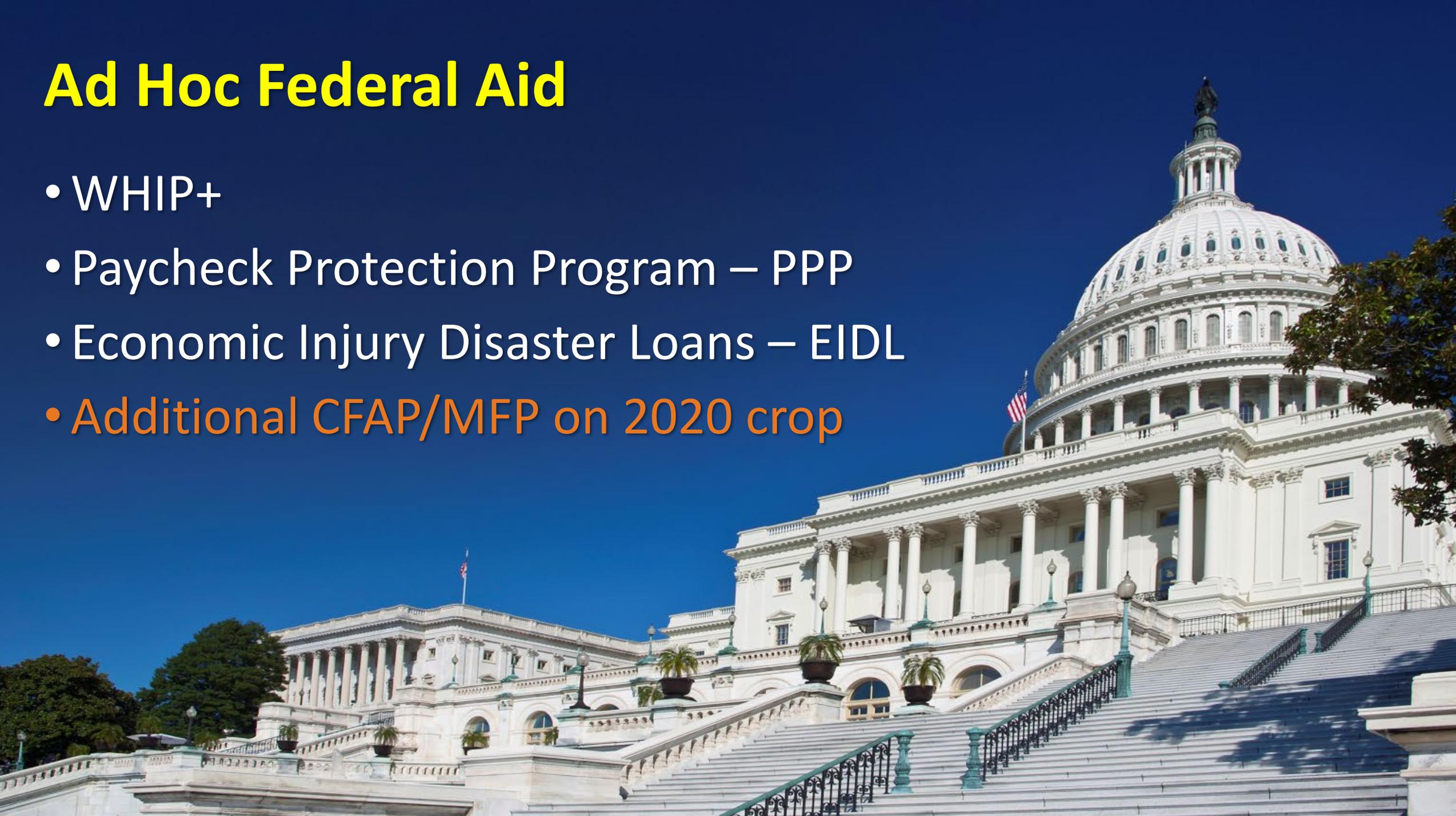
# Figure 1. 2020 Harvest Time Futures Contracts

on Chicago Mercantile Exchange, **December 2020 for Corn**, **November 2020 for Soybeans**



# Ad Hoc Federal Aid

- WHIP+
- Paycheck Protection Program – PPP
- Economic Injury Disaster Loans – EIDL
- Additional CFAP/MFP on 2020 crop



# Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208	228	75	64	70
Price per bu	\$3.60	\$3.65	\$3.90	\$9.36	\$8.60	\$10.40
Crop revenue	853	759	889	702	550	728
ARC/PLC	0	15	0	0	15	0
MFP	1	82	0	122	82	0
CFAP		31	48	0	14	17
Crop insurance	2	14	0	2	10	0
<b>Gross revenue</b>	<b>856</b>	<b>901</b>	<b>937</b>	<b>826</b>	<b>671</b>	<b>745</b>
<b>Total non-land costs</b>	<b>574</b>	<b>606</b>	<b>571</b>	<b>353</b>	<b>372</b>	<b>359</b>
<b>Operator and land return</b>	<b>282</b>	<b>295</b>	<b>366</b>	<b>473</b>	<b>299</b>	<b>386</b>
Cash rent	274	275	275	274	275	275
<b>Farmer return</b>	<b>8</b>	<b>20</b>	<b>91</b>	<b>199</b>	<b>24</b>	<b>111</b>

- 2020 yields are **very good**
- CFAPs have been paid
- Yellowed items are ad hoc disaster assistance payments

## 50% Corn and 50% Soybean Rotation

Farmer return	105	23	101 (with <i>ad hoc</i> Federal payments)
	44	-82	23 (without <i>ad hoc</i> Federal payments)

# Two 2021 Budgets

## Baseline

- Trend yields (217 bpa corn, 68 bpa soybeans)
- No ad hoc disaster assistance
- Current fall bids

## Optimistic

- Above trend yields (and no lowering of price)
- \$25 ad hoc Federal disaster assistance

**What do you  
expect fall  
delivery prices  
for corn to be  
in 2021?**

**Above \$4.00**

**Between \$3.50 to \$4.00**

**Between \$3.00 and \$3.50**

**Below \$3.00**

# Corn and Soybeans

Central Illinois,  
High-Productivity

Baseline

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	228	217	75	64	70	68
Price per bu	\$3.60	\$3.65	\$3.90	\$3.70	\$9.36	\$8.60	\$10.40	\$9.80
Crop revenue	853	759	889	803	702	550	728	666
ARC/PLC	0	15	0	0	0	15	0	0
MFP	1	82	0	0	122	82	0	0
CFAP		31	48	0	0	14	17	0
Crop insurance	2	14	0	0	2	10	0	0
<b>Gross revenue</b>	<b>856</b>	<b>901</b>	<b>937</b>	<b>803</b>	<b>826</b>	<b>671</b>	<b>745</b>	<b>666</b>
<b>Total non-land costs</b>	<b>574</b>	<b>606</b>	<b>571</b>	<b>580</b>	<b>353</b>	<b>372</b>	<b>359</b>	<b>360</b>
<b>Operator and land return</b>	<b>282</b>	<b>295</b>	<b>366</b>	<b>223</b>	<b>473</b>	<b>299</b>	<b>386</b>	<b>306</b>
Cash rent	274	275	275	275	274	275	275	275
<b>Farmer return</b>	<b>8</b>	<b>20</b>	<b>91</b>	<b>-52</b>	<b>199</b>	<b>24</b>	<b>111</b>	<b>31</b>
<b>50% Corn and 50% Soybean Rotation</b>								
<b>Farmer return</b>	<b>105</b>	<b>23</b>	<b>101</b>	<b>-11</b>	<b>(with <i>ad hoc</i> Federal payments)</b>			
	<b>44</b>	<b>-82</b>	<b>23</b>	<b>-11</b>	<b>(without <i>ad hoc</i> Federal payments)</b>			

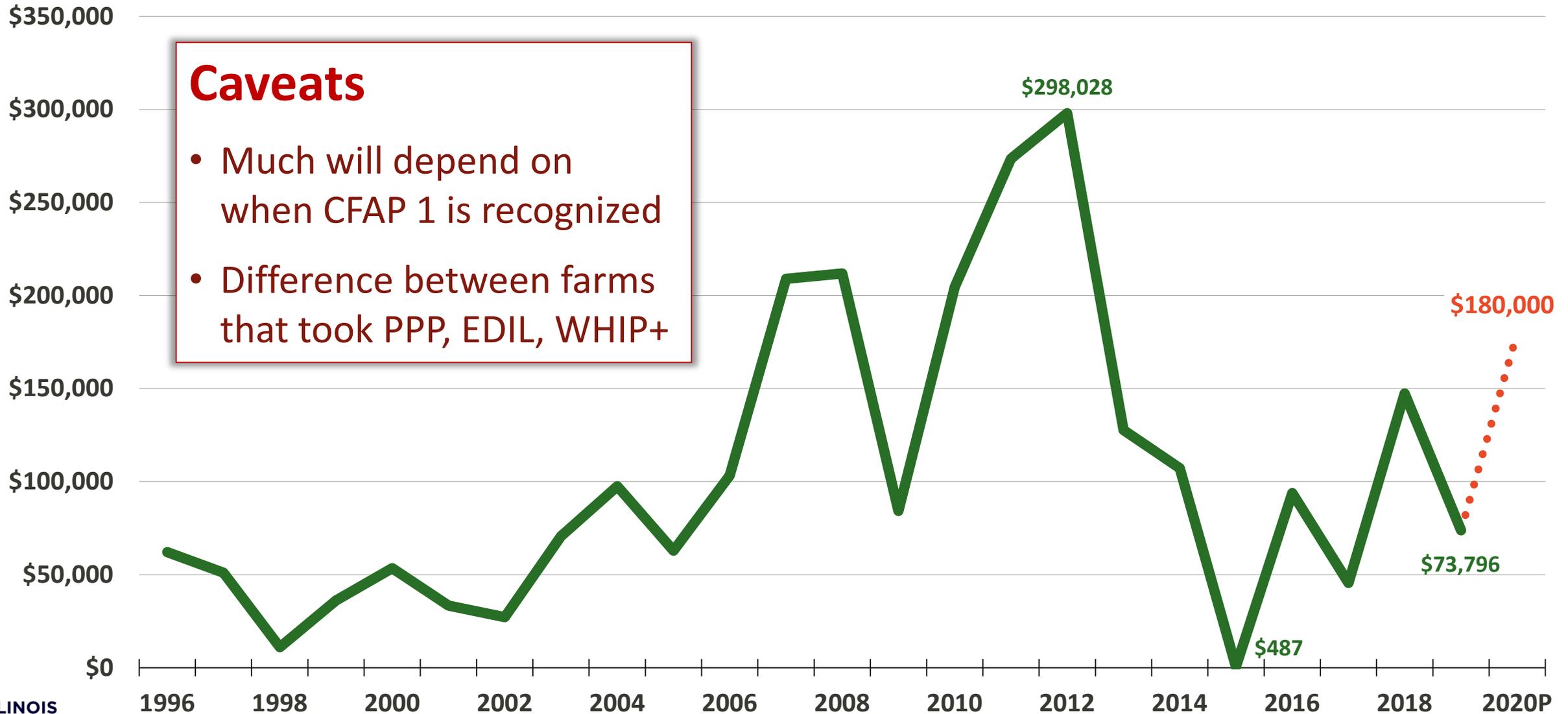
# Corn and Soybeans

## Central Illinois, High-Productivity

### Optimistic

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	228	230	75	64	70	70
Price per bu	\$3.60	\$3.65	\$3.90	\$3.70	\$9.36	\$8.60	\$10.40	\$9.80
Crop revenue	853	759	889	851	702	550	728	686
ARC/PLC	0	15	0	0	0	15	0	0
MFP	1	82	0	0	122	82	0	0
CFAP		31	48	25	0	14	17	25
Crop insurance	2	14	0	0	2	10	0	0
<b>Gross revenue</b>	<b>856</b>	<b>901</b>	<b>937</b>	<b>876</b>	<b>826</b>	<b>671</b>	<b>745</b>	<b>711</b>
<b>Total non-land costs</b>	<b>574</b>	<b>606</b>	<b>571</b>	<b>568</b>	<b>353</b>	<b>372</b>	<b>359</b>	<b>360</b>
<b>Operator and land return</b>	<b>282</b>	<b>295</b>	<b>366</b>	<b>308</b>	<b>473</b>	<b>299</b>	<b>386</b>	<b>351</b>
Cash rent	274	275	275	275	274	275	275	275
<b>Farmer return</b>	<b>8</b>	<b>20</b>	<b>91</b>	<b>33</b>	<b>199</b>	<b>24</b>	<b>111</b>	<b>76</b>
<b>50% Corn and 50% Soybean Rotation</b>								
<b>Farmer return</b>	<b>105</b>	<b>23</b>	<b>101</b>	<b>55</b>	<b>(with <i>ad hoc</i> Federal payments)</b>			
	<b>44</b>	<b>-82</b>	<b>23</b>	<b>30</b>	<b>(without <i>ad hoc</i> Federal payments)</b>			

# Grain Farm Net Incomes, Illinois FBFM



# Risks Moving Forward

- A return to **\$3.60 corn** and **\$9.00 soybeans**
  - Average yields
  - No ad hoc Federal aid
- 
- Corn and soybean supply will increase because of yield increases
  - Difficult to see domestic uses increase
  - Hello China!

## See “Farm Program and Crop Insurance Decisions for 2021” Webinar



Title: Farm Program and Crop Insurance Decisions for 2021

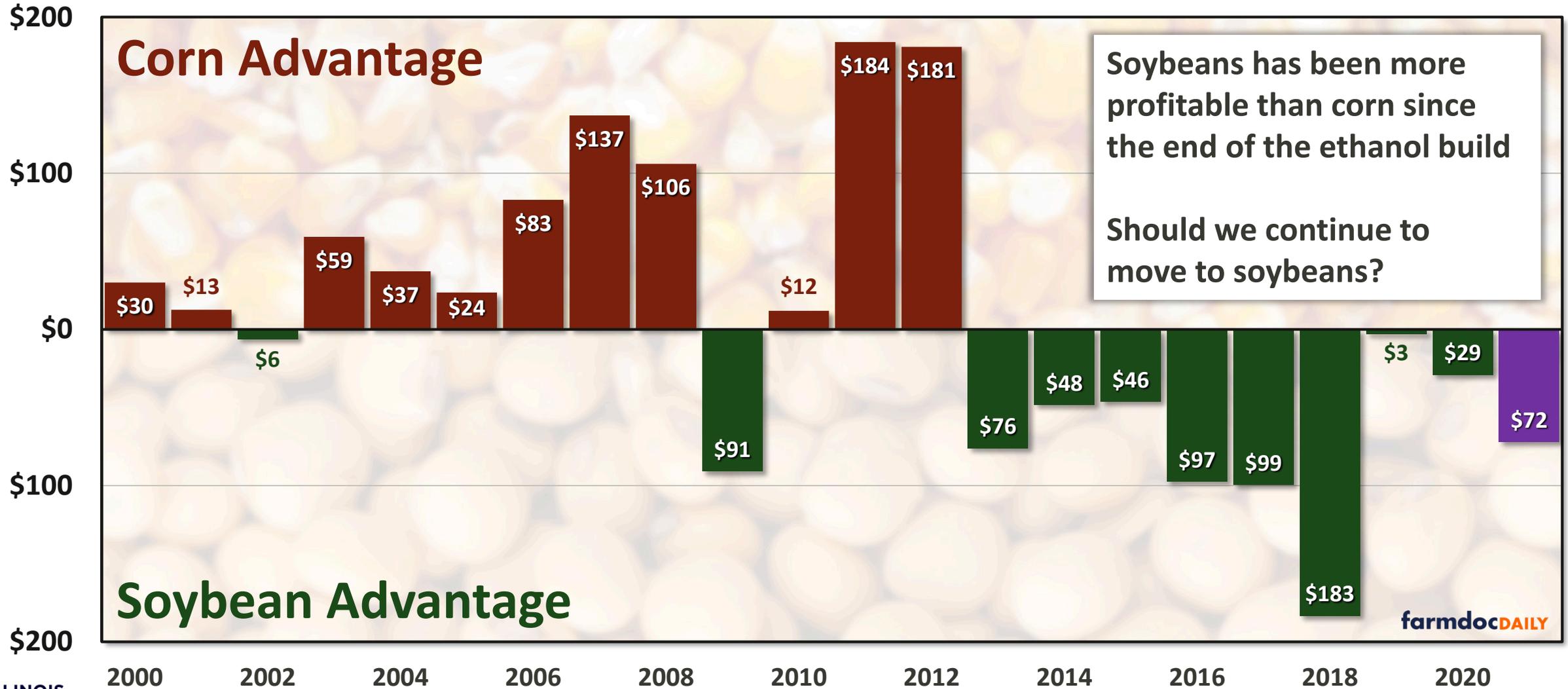
Date: December 8th @ 11:00 - 12:00 pm CST

[Register Here](#)

The election and enrollment period for the ARC and PLC programs for the 2021 crop year is now open, and decisions must be made by March 15th. A new crop insurance program, the Enhanced Coverage Option (ECO), will also be...

# Figure 4. Corn-Minus-Soybean Returns

on High-Productivity Farmland in Central Illinois, 2000 to 2021P



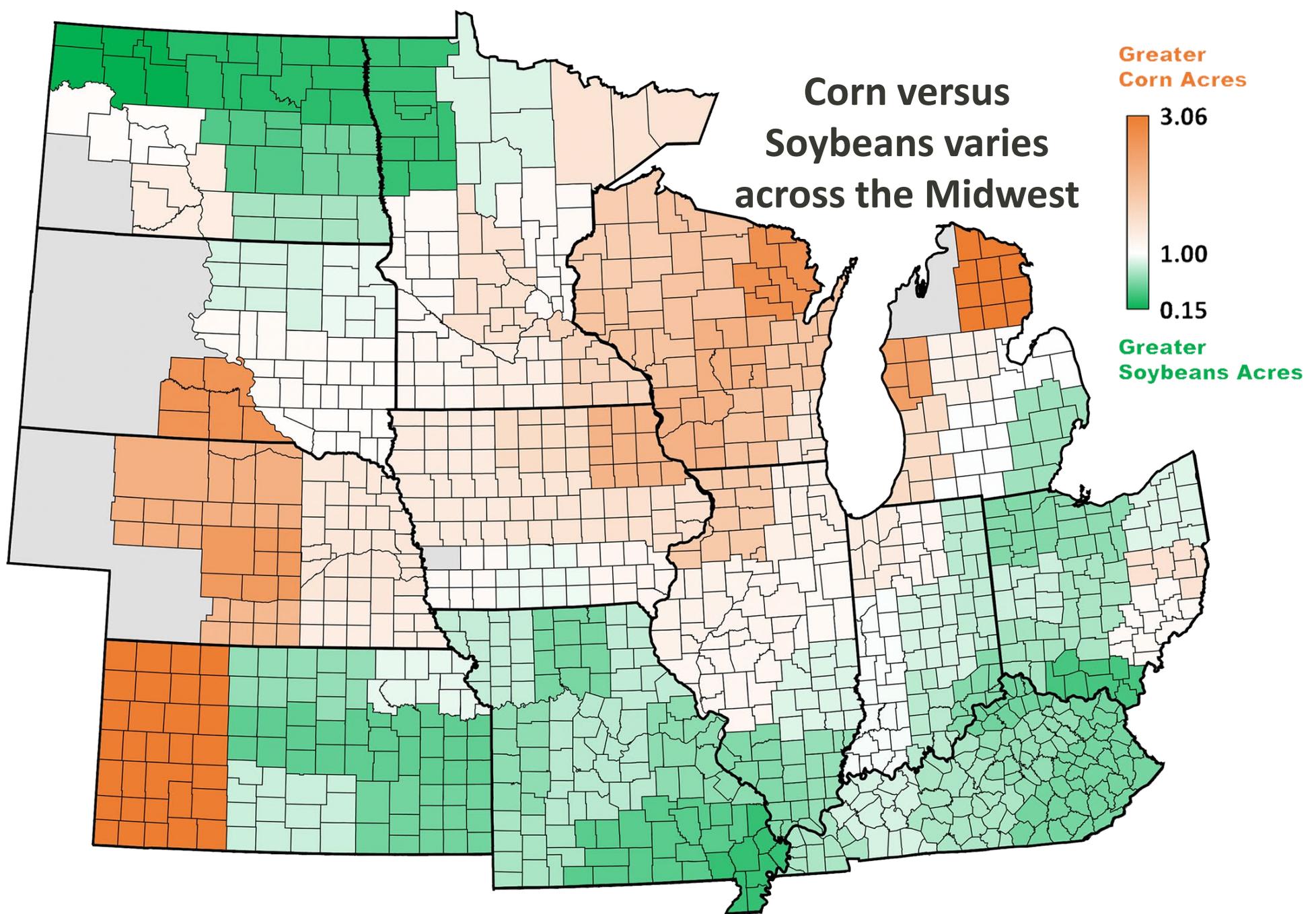
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2020

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Crop Reporting  
District Cases  
Showing  
**Corn-Soybean**  
Acres Ratio,  
2015-2019

Corn versus  
Soybeans varies  
across the Midwest



Map shows ratios of **Corn** divided by **Soybean** Acres

# Corn, Soybeans, and Wheat in 2019

## Northern

60% corn  
39% soybeans  
1% wheat

## Central

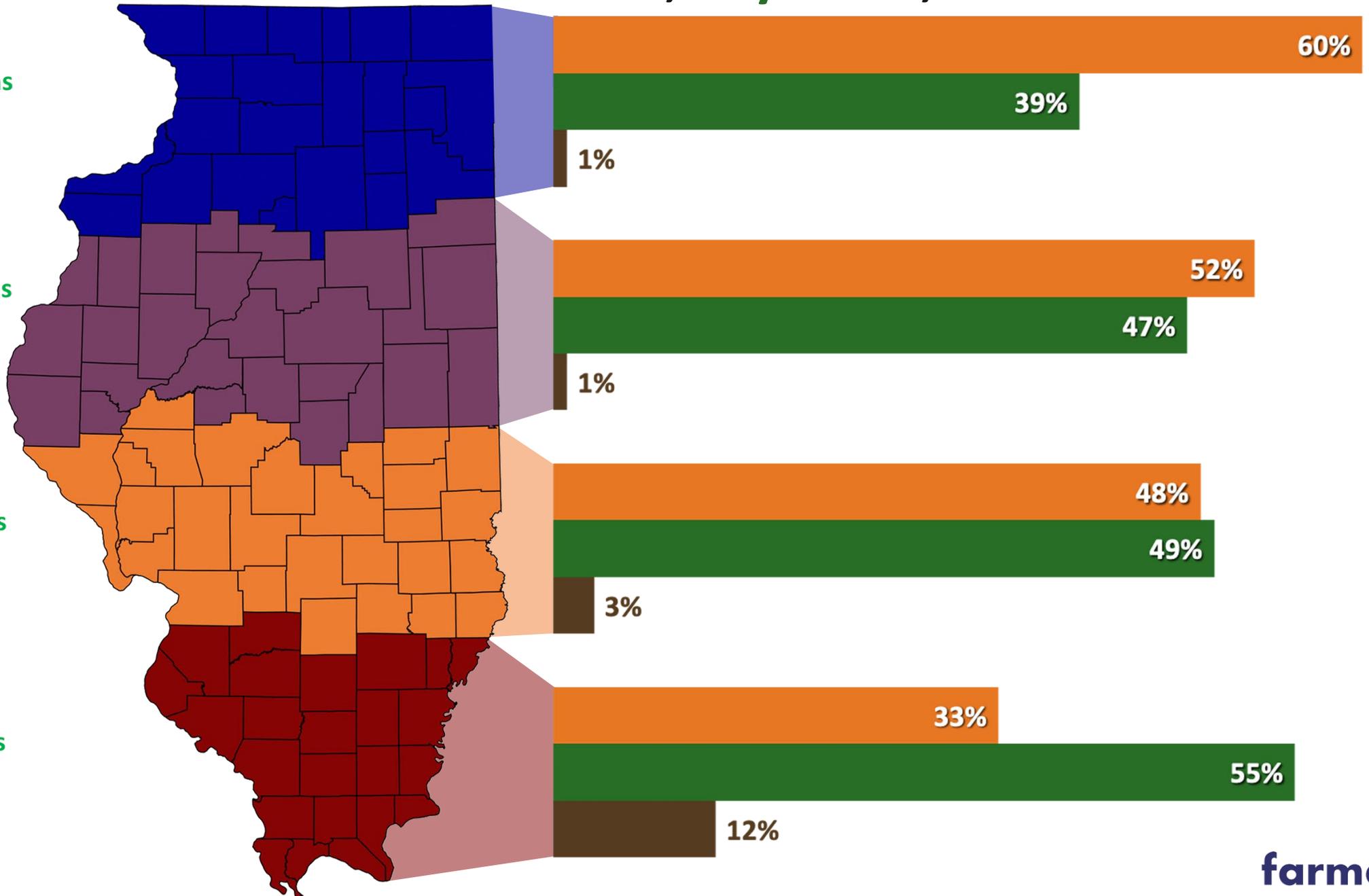
52% corn  
47% soybeans  
1% wheat

## Mid-South

48% corn  
49% soybeans  
3% wheat

## South

33% corn  
55% soybeans  
12% wheat



# Cash Rents



**What do you  
expect cash  
rents to do  
in 2022?**

**Increase a great deal**

**Increase some**

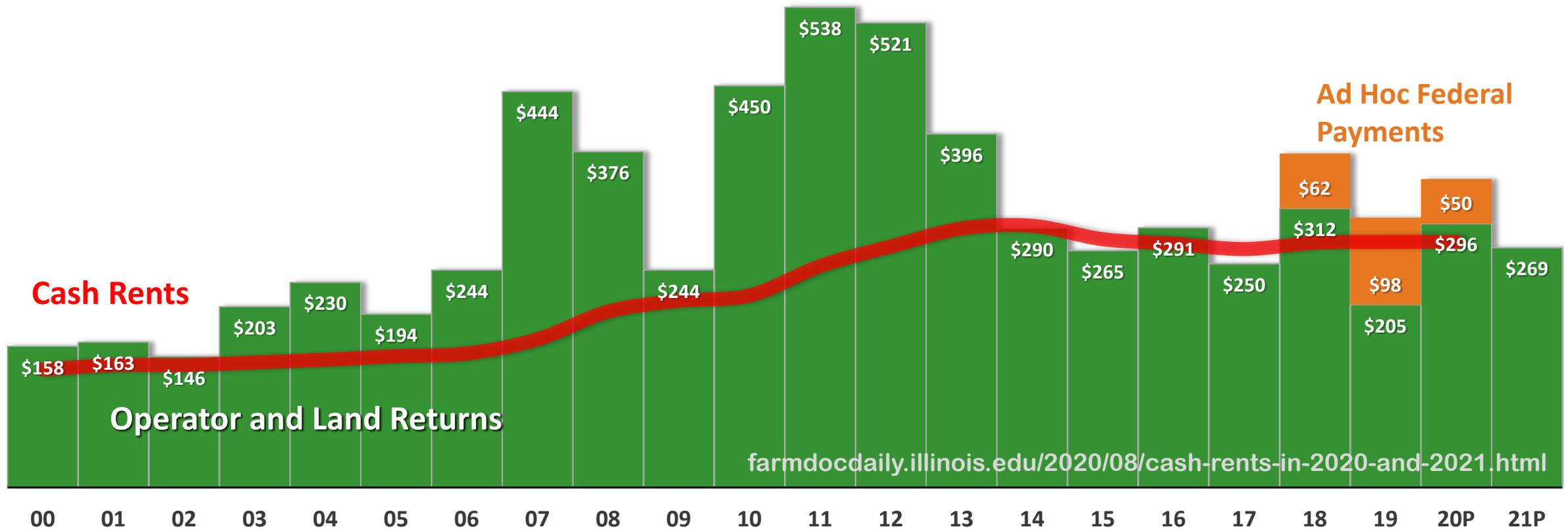
**Remain the same**

**Decrease some**

**Decrease a great deal**

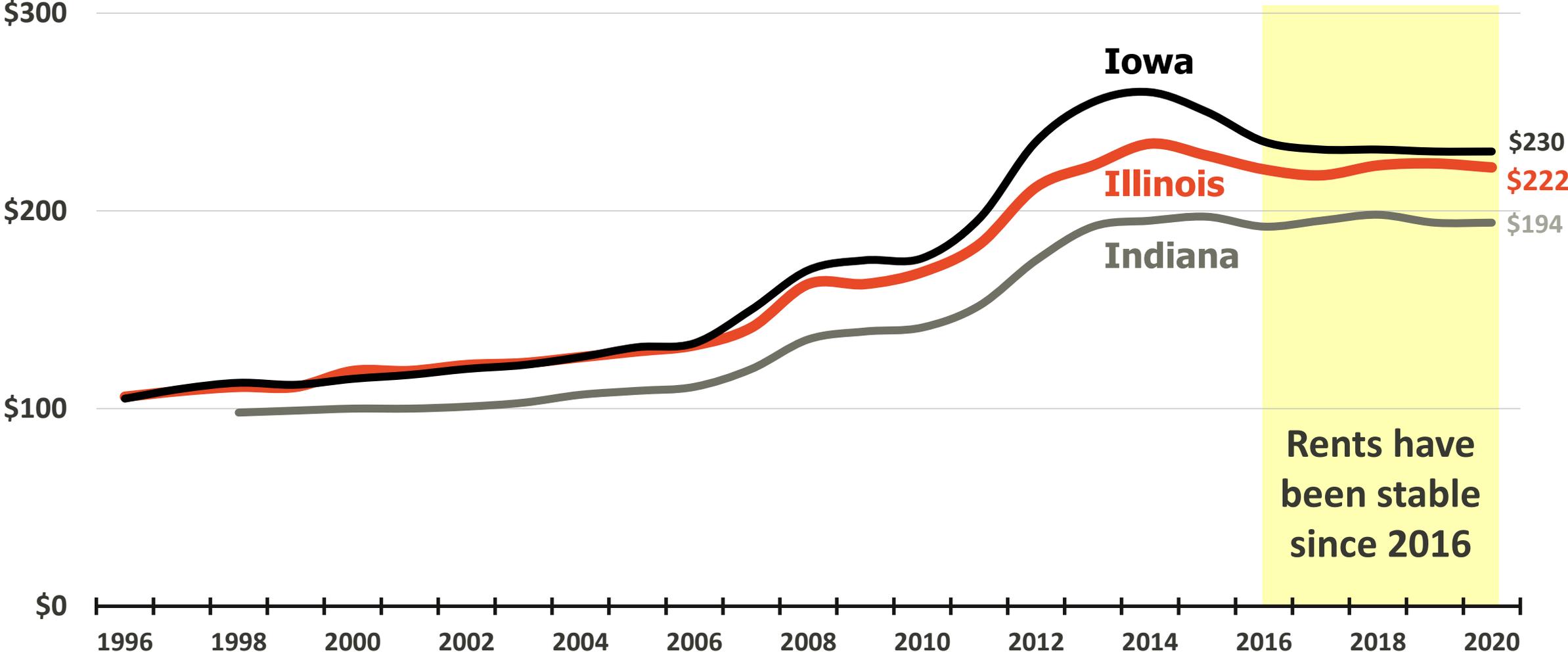
# Operator and Land Returns and Cash Rents, High-Productivity Farmland in Central Illinois, 2000 to 2021P.

Ad hoc payments helped to achieve break-even returns in 2019 and 2020\*\*\*  
Flat rents and other costs



[farmdocdaily.illinois.edu/2020/08/cash-rents-in-2020-and-2021.html](http://farmdocdaily.illinois.edu/2020/08/cash-rents-in-2020-and-2021.html)

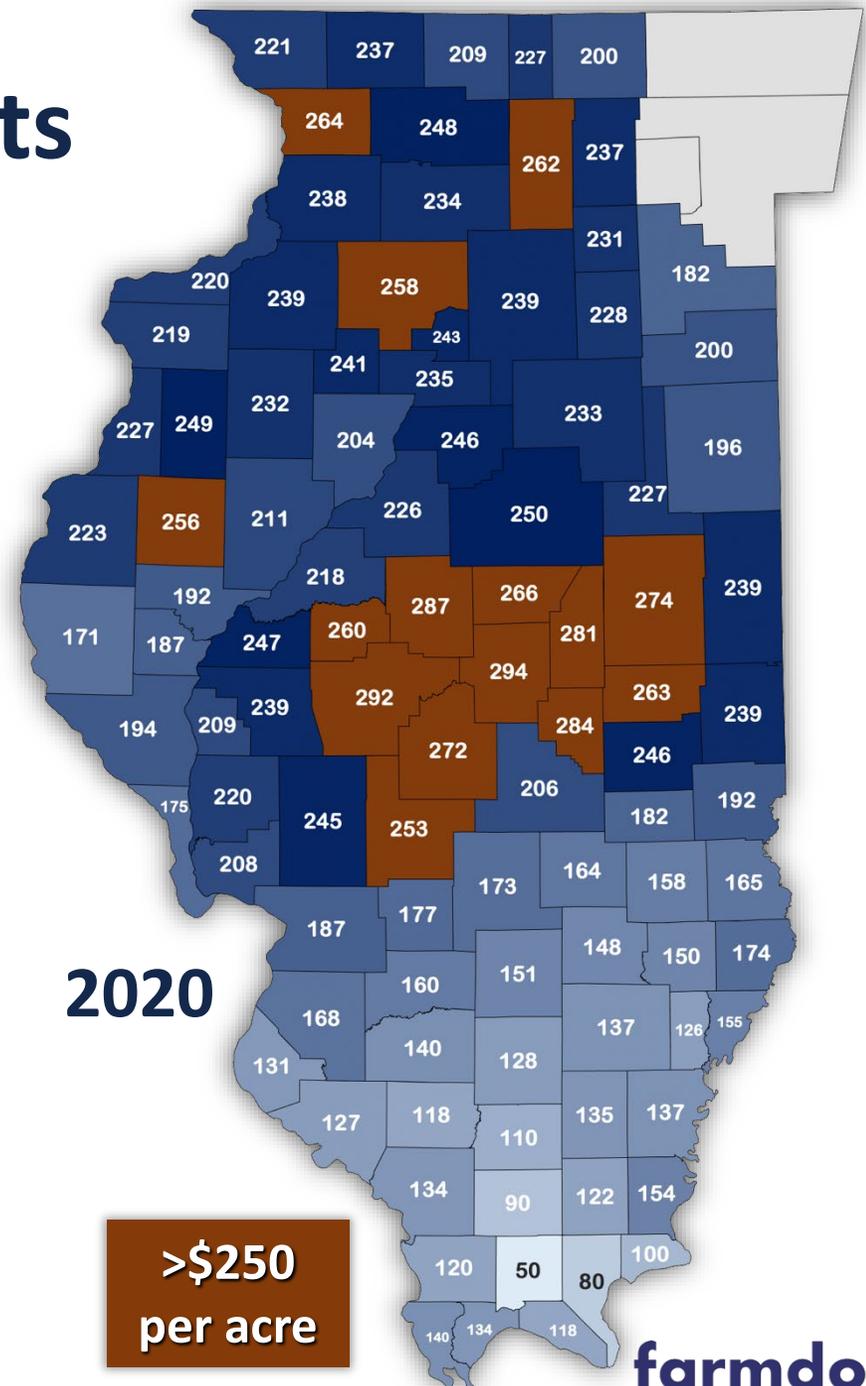
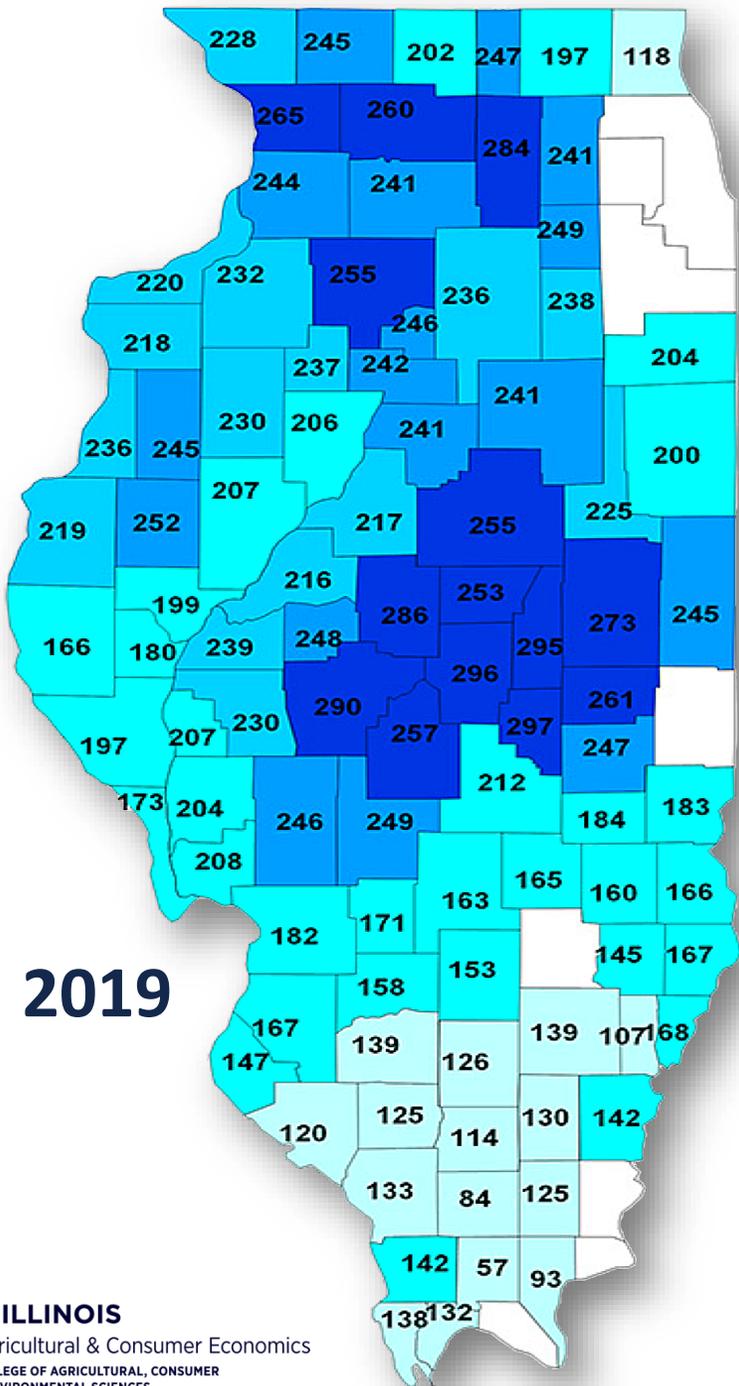
# Average Cash Rents in **Illinois**, Indiana, and Iowa



Source: National Agricultural Statistical Service

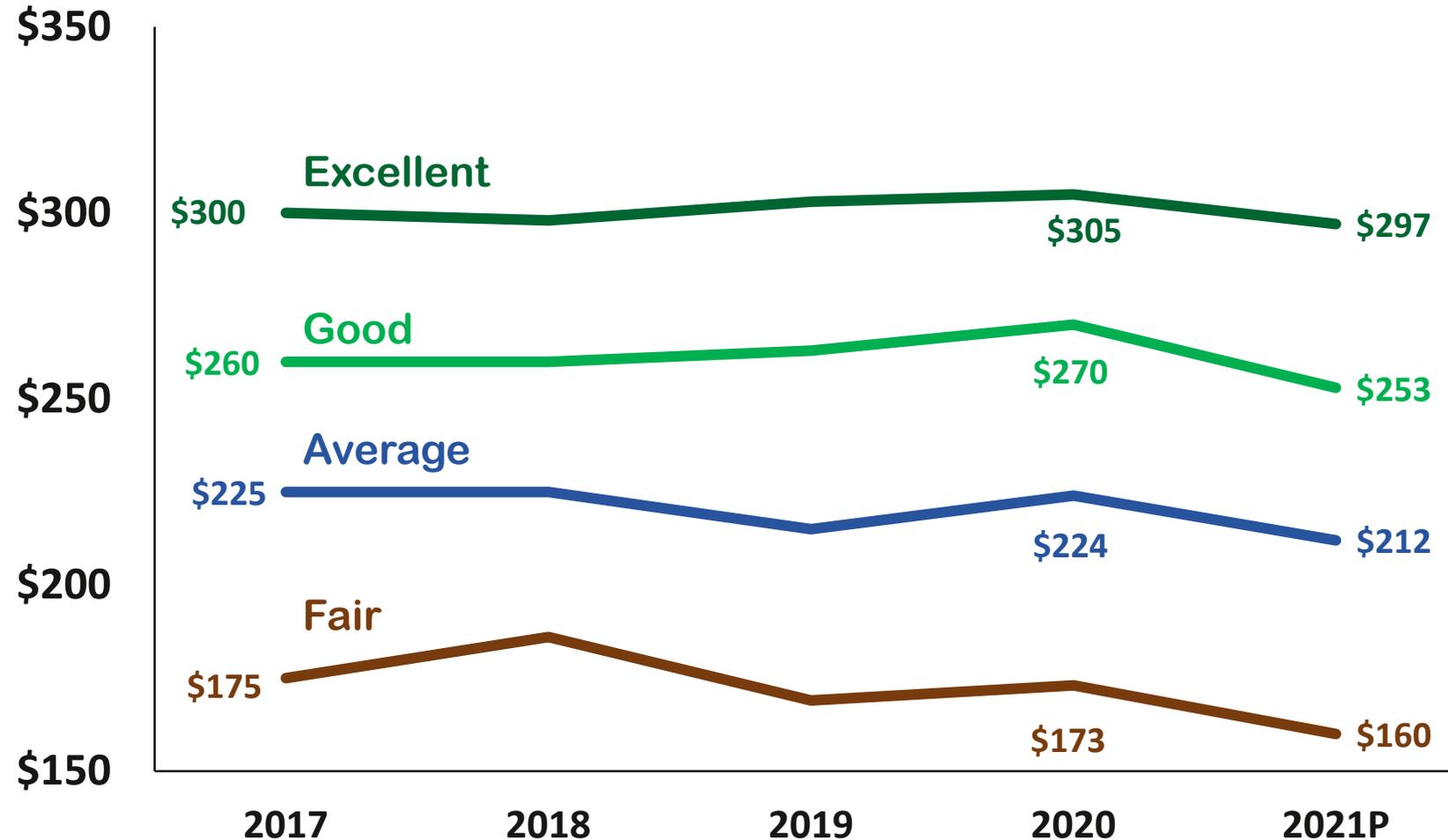
# Average Cash Rents in Illinois from NASS

We have not seen a lot  
of movement in cash  
rents in recent years



# Cash Rent Projections

## Cash Rents on Professionally Managed Farmland (\$ per acre)



Survey results suggest **2.5% decline** on **excellent** quality farmland

About **5% decline** on lower quality farmland

Year	Excellent	Good	Average	Fair
2017	\$300	\$260	\$225	\$175
2018	\$298	\$260	\$225	\$186
2019	\$303	\$263	\$215	\$169
2020	\$305	\$270	\$224	\$173
2021P	\$297	\$253	\$212	\$160

# Farmland Leased in Illinois

In Illinois, **50%** of farmland is rented (ERS, 2016)

Illinois has largest rented percent in U.S.

- Indiana, 45%
- Iowa, 41%
- Ohio, 37%

Larger grain farms tend to rent more

Tenure on grain farms in FBFM, 2019

	Northern	Central	Southern
Owned	19%	14%	22%
Share-rent	21%	42%	36%
Cash-rent	60%	44%	42%

# Leasing Basics

Written lease is **best** (although many leases are not)

If not a written lease and landowner wants to terminate lease, must provide notice by **October 31**, specification in written lease will supersede the October 31 deadline

Most leases are one-year leases, or year-to-year leases, do not have many leases that are of longer term.

Rare to have a lease over 2 or 3 years.

# Lease types

- 1. Cash rent:** farmer pays landowner for right to farmland, farmer receives all revenue and pays all expenses, except land costs (property tax)
- 2. Share rent:** share in revenue (crop revenue and government programs) and direct costs (seed, fertilizer, pesticides, drying, storage, crop insurance)
- 3. Variable cash rent:** cash rent varies with crop revenue
- 4. Custom farming:** landowner pays for field operations, bears all costs, receives all revenue

Cash rent  
42%

Share rent  
23%

Variable Cash Rent  
19%

Share rent (with modifications)  
10%

Custom farming, 6%

# Variable Cash Leases (Parameters for Higher Productivity Farmland)

- **Base cash rent** (paid no matter what) -- \$200 per acre
- Pay a higher cash rent if crop revenue plus government payments times a rent factor exceed the **base cash rent**
- Rent factor (**33% for corn** and 40% for soybeans)
- **Yield is from the farm**, **Price is average on Wednesday** from an agreed spot from Spring to Fall

**Yield = 210 bushels per acre**, **Price = \$3.60**, **Rent factor = .33**,  
**Rent = 210 x \$3.60 x .33 = \$250** (Higher than \$200, \$50 plus)

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# Upcoming IFES Webinars

## Farm Program and Crop Insurance Decisions for 2021

11:00 to noon CT, Tuesday December 8<sup>th</sup>

The election and enrollment period for the ARC and PLC programs for the 2021 crop year is now open, and decisions must be made by March 15th. A new crop insurance program, the Enhanced Coverage Option (ECO), will also be available for crops produced throughout the Midwest. ECO is a county-based program, similar to the Supplemental Coverage Option (SCO) that can be used to supplement underlying multi-peril coverage for eligible crops. This session will address these decisions, and provide some examples and recommendations for typical Illinois farm situations.

## Straining the alphabet soup:

## Post-election farm policy outlook after three years of ad hoc farm payments

11 to Noon CT, Friday December 11<sup>th</sup>

We consider both the short- and medium-run outlook for US farm policy following the 2020 election. We provide an updated review of three years and four rounds of ad hoc farm payments, including an analysis of payment distribution and program design for the Market Facilitation Program (MFP) and Coronavirus Food Assistance Programs (CFAP). We discuss what the perceived need for ad hoc assistance says about standing farm programs such as Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) and the implications for future coronavirus-related relief and the prospective 2023 Farm Bill.

# Thank You for joining us!

## Please submit your questions



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Latest Article

Weekly Farm Economics

**Coverage Levels on RP: Relationship to Premium Levels**

December 1, 2020

Gary Schnitkey, Nick Paulson, Carl Zulauf, and Krista Swanson  
In 2020, Revenue Protection (RP) was used on 93% of insured acres in Illinois, making it by far the most popular crop insurance product. Herein, we examine coverage levels while insuring with RP. Average coverage levels were high. Most farmers...

[Read the Article](#)

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