

Where are we at Financially on Illinois Farms



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Topics

- Current Situation
- Diversity across farms
- Suggestions moving forward

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Illinois Farm Business Farm Management (FBFM)

- An independent 3rd party
- Aids in Recordkeeping and Farm Financial Management decisions
- Provides comparison and trend data
- Meets one-on-one, 3 to 5 times a year
- 65 plus Field Staff Statewide



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A cooperative educational-service program to assist farmers with management decision-making

What is FBFM?

FBFM is a cooperative educational-service program designed to assist farmers with management decision-making. It provides help with business and family records. Computer assisted record processing options are available either on farm or at service centers. It provides financial and production business analysis reports. An experienced Farm Analysis Specialist helps interpret analysis reports and counsels on management problems. The specialist meets regularly with each cooperator throughout the year. [Read More...](#)

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Publications & Tools

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- [Index Numbers for Illinois Farms](#)
- [Machinery Cost Estimates](#)
- [Weekly Outlook Report](#)
- [2017 Farm Income & Production Costs: Advance Report](#)
- [2016 Annual Summary of Illinois Farm Business Results](#)

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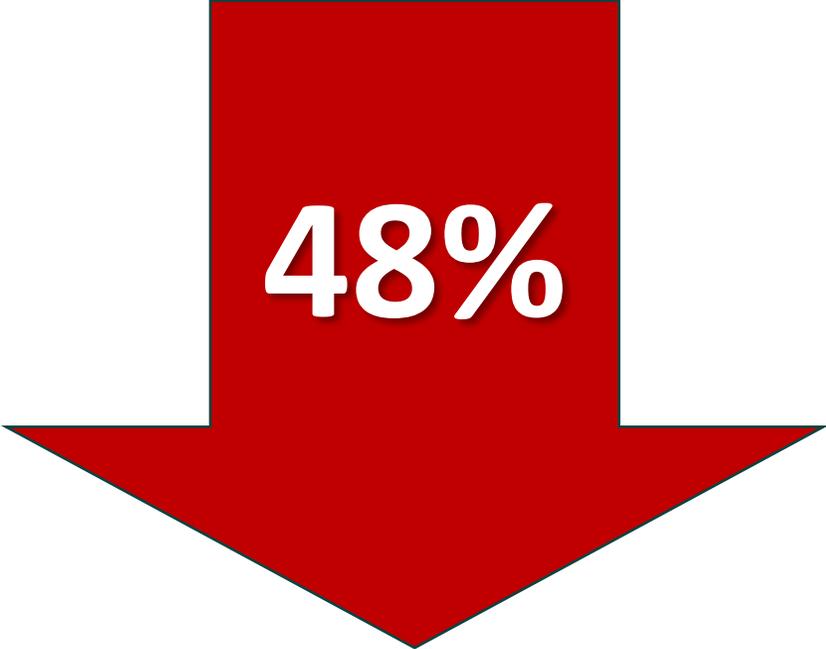
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Find out more at FBFM.org
info@fbfm.org

2019 FBFM Records Summary

**2019
Net Farm
Income
Drops**

\$137,704 in 2018



48%

**2015 to 2019 average
\$67,544**

\$71,115 in 2019

2019 FBFM Records Summary

Average FSA payments per farm were

\$64,115

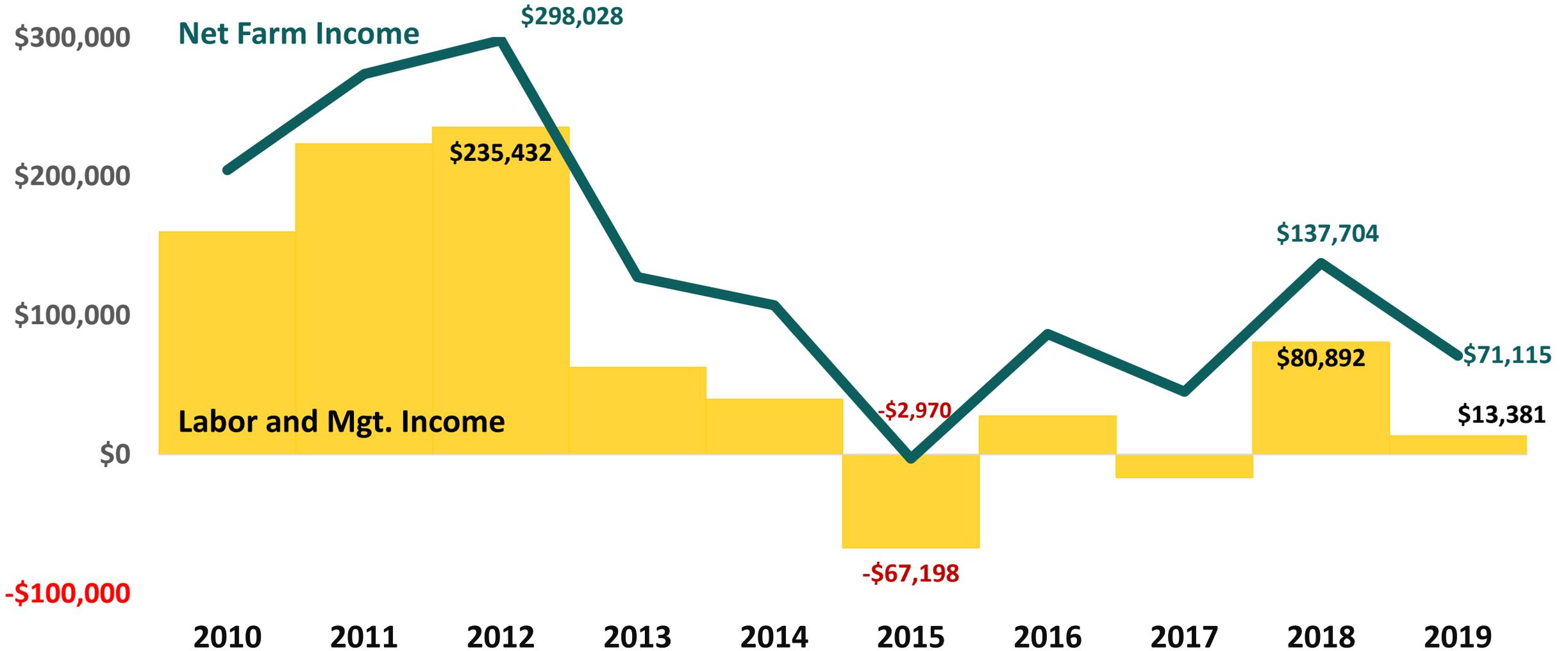
90% of net farm income

FSA payments include

MFP, livestock and CRP payments mainly.



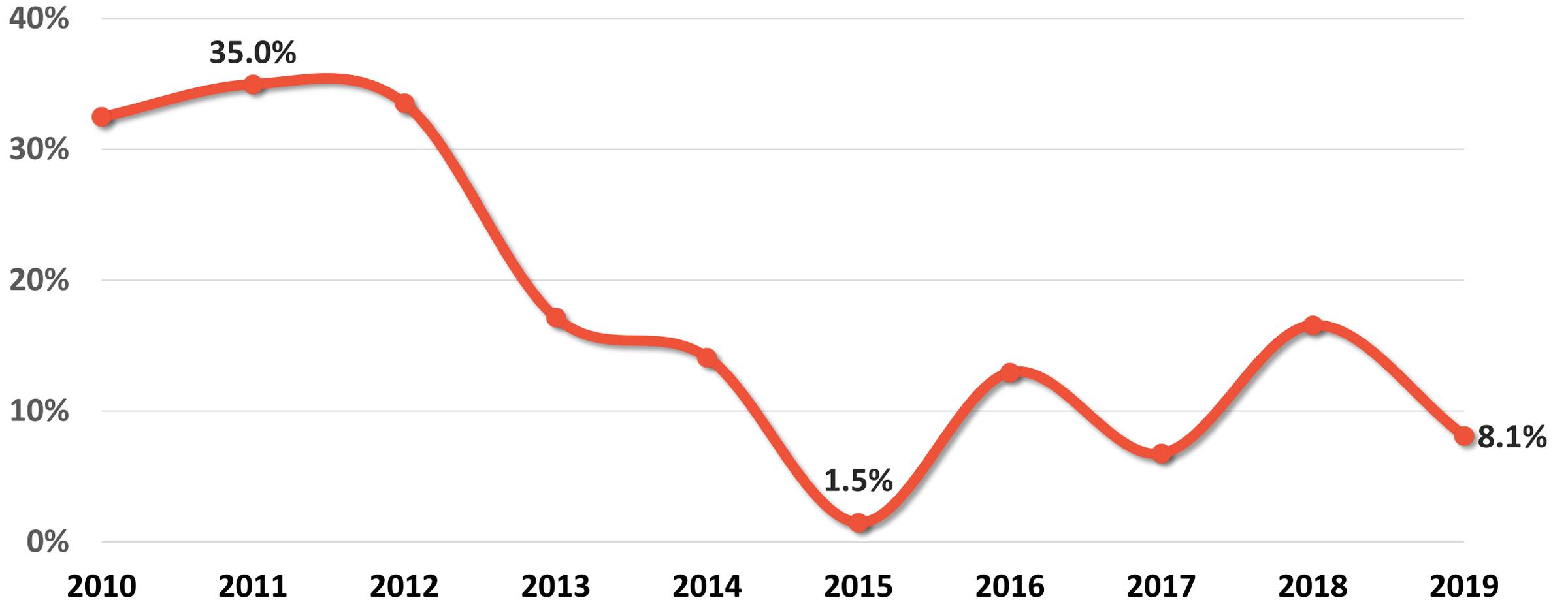
2019 FBFM Records Summary



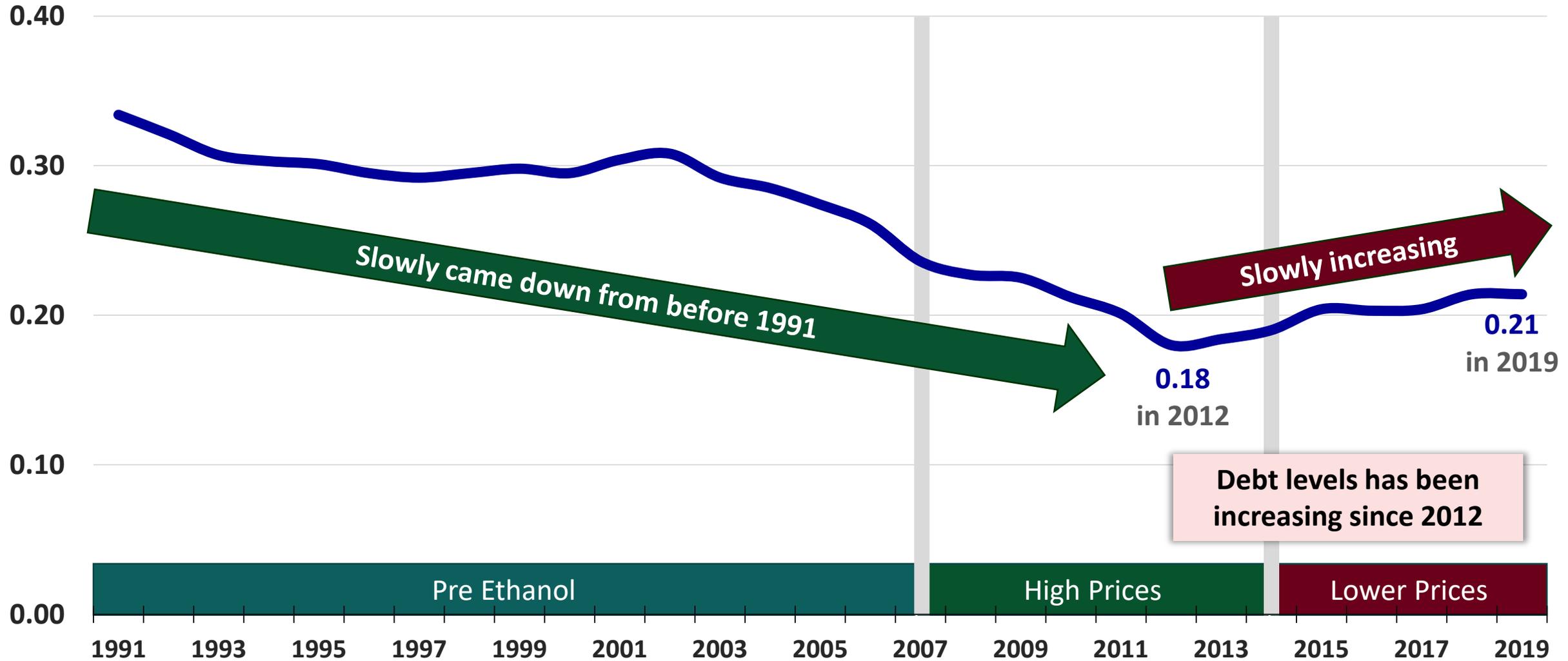
Average NFI = \$134,895

2019 FBFM Records Summary

Farm Operating Income Ratio

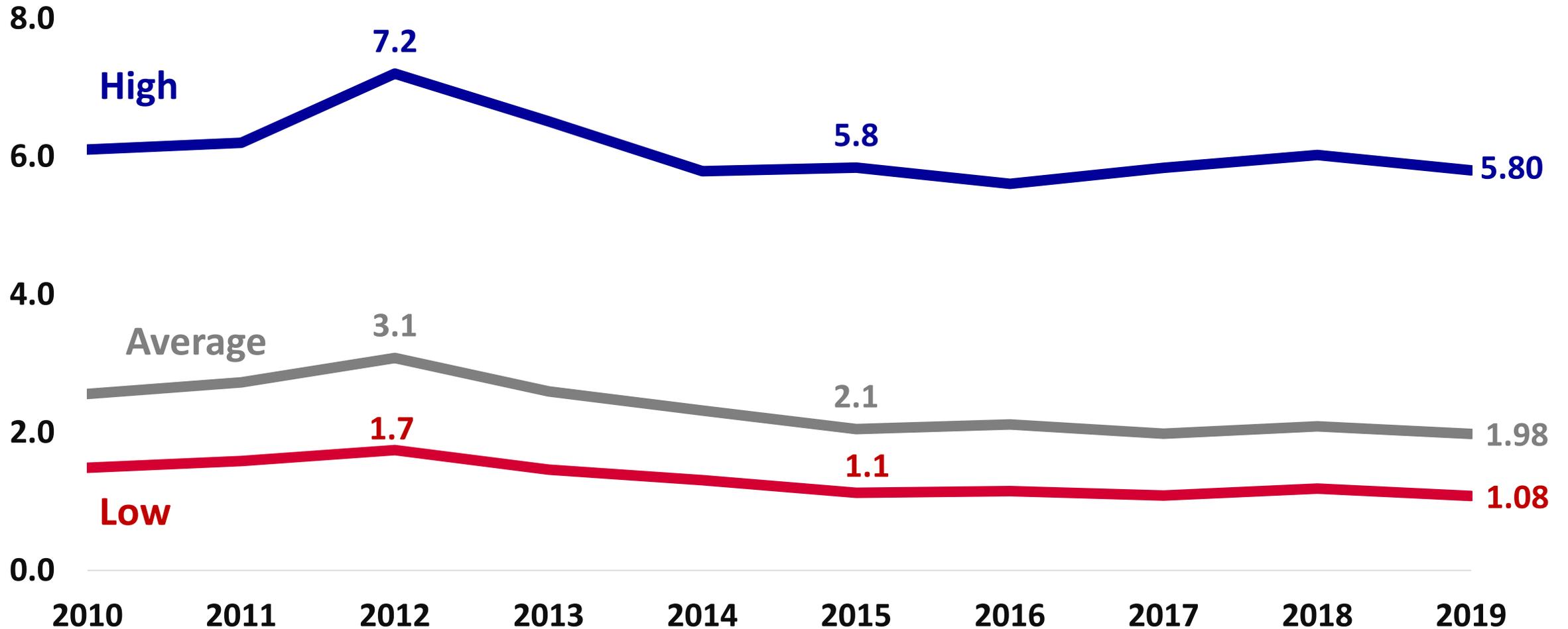


Debt-to-Asset Ratio



2019 FBFM Records Summary

Current Ratio

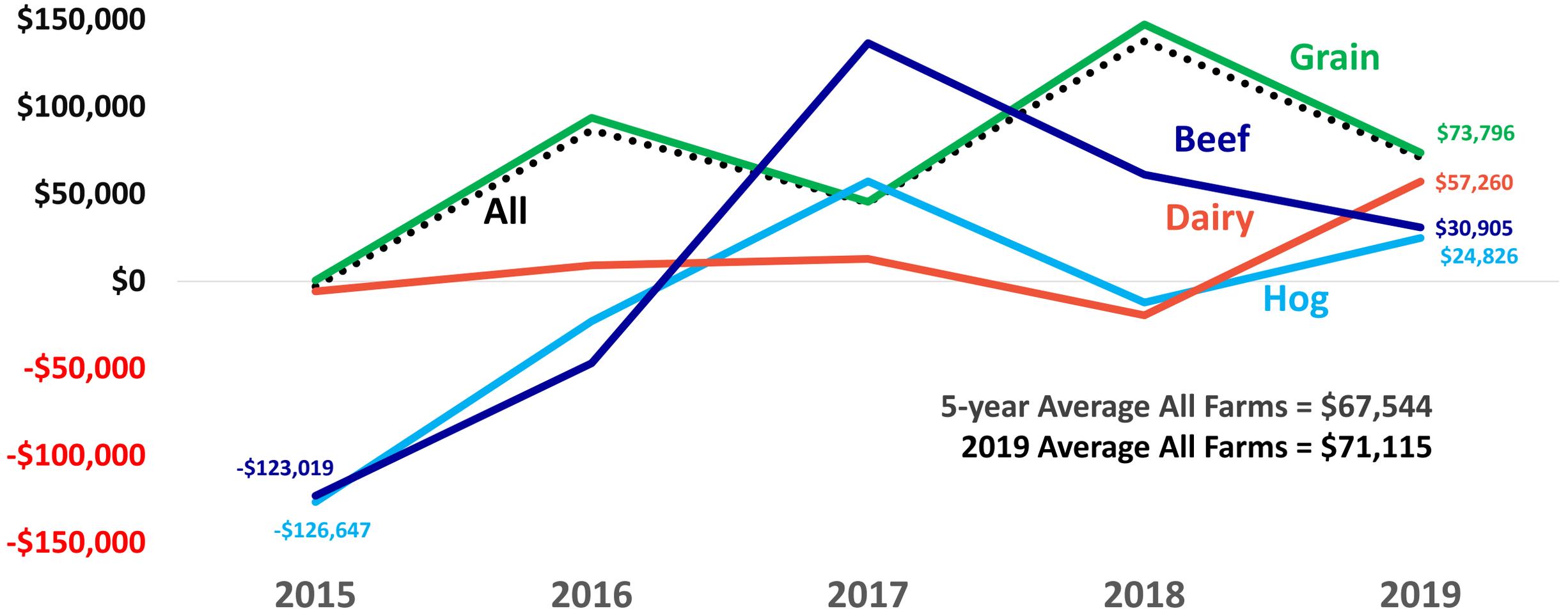


Diversity in Financial Position



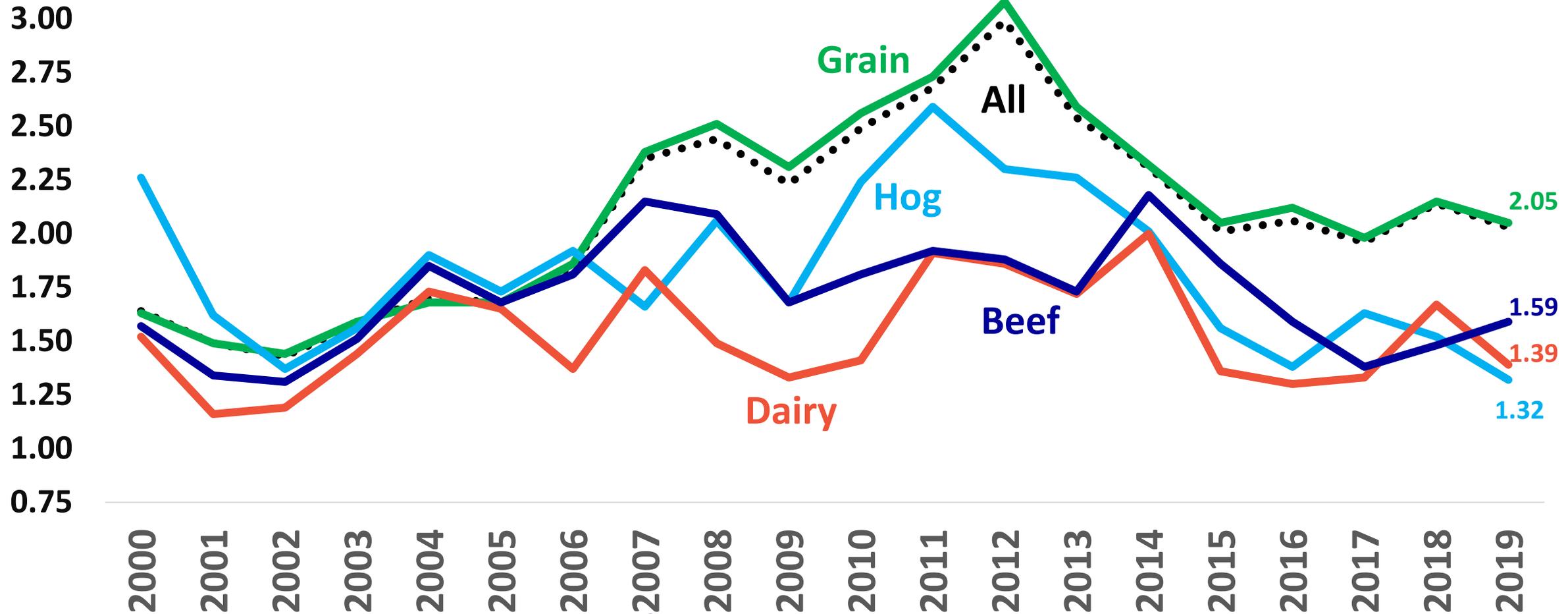
2019 FBFM Records Summary

Operator's Total Net Farm Income



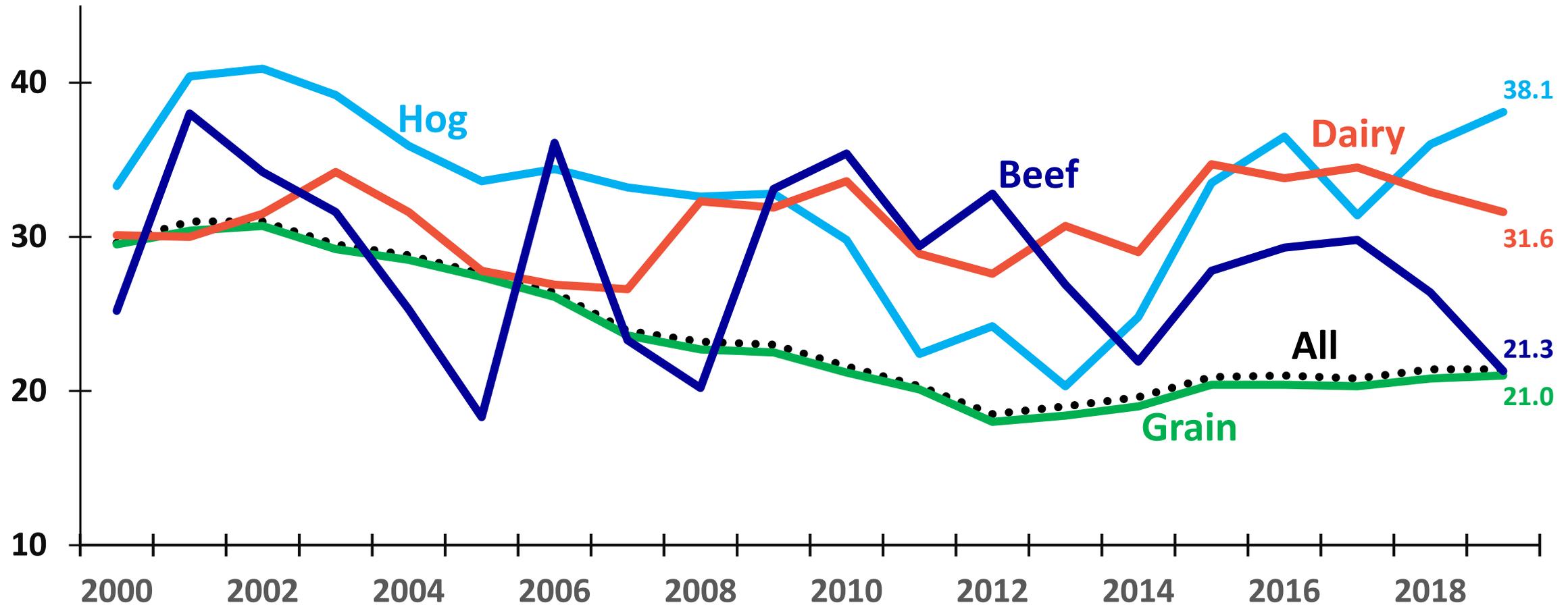
2019 FBFM Records Summary

Liquidity – Current Ratio



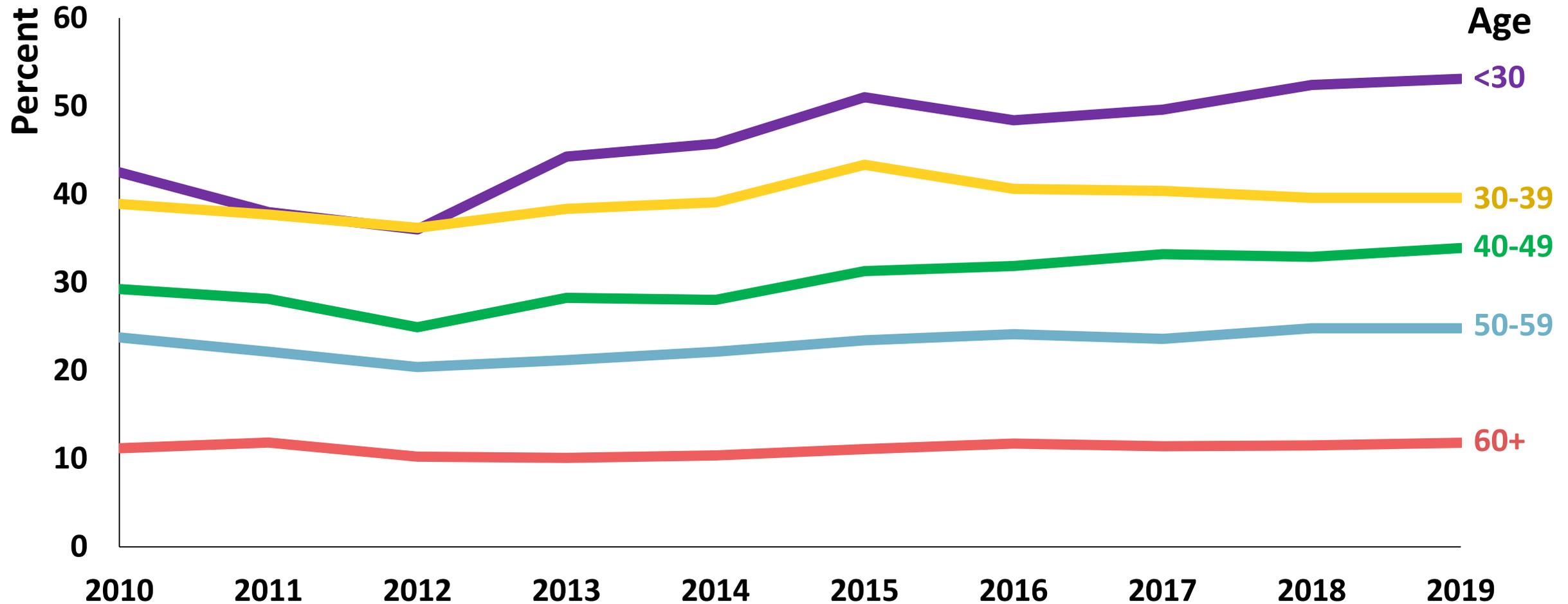
2019 FBFM Records Summary

Solvency – Debt to Asset Ratio



2019 FBFM Records Summary

Debt to Asset Ratio by Age



Financial Positions of Grain Farms, End of 2018

Debt-to-asset category	Percent of Farms	Current Ratio	Working Capital	Tillable Acres	Percent Rented	Percent Cash Rented	Age
Less than 0.10	20.5%	7.98	\$852	1,626	76%	38%	62.2
0.10 to 0.30	38.8%	2.66	\$321	1,732	78%	41%	61.4
0.30 to 0.50	27.9%	1.38	\$84	1,834	84%	50%	55.2
0.50 to 0.75	10.3%	0.97	(\$23)	2,012	87%	52%	56.5
Over 0.75	2.4%	0.83	(\$176)	1,932	87%	60%	50.4

Source: Illinois Farm Business Farm Management

Suggestions Moving Forward

What a lender will look at

Solvency

Debt-to-asset ratio

\$1,053 total liabilities/\$4,913 total assets = .21

On average, growing slightly over time,
but no problem

Farmland prices not likely to fall

What a lender will look at

Debt-servicing

Growing operating loan balance:
\$303 per acre

Above assumes services other debt

Ok, getting worse, but on average, not alarmingly

What a lender will look at

Liquidity

Current-ratio

$\$936$ current asset / $\$452$ current liabilities = **2.07**

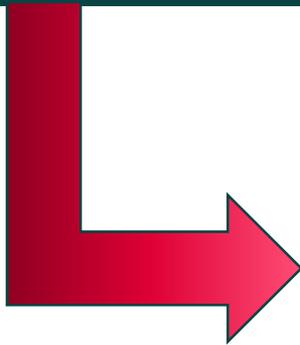
Working capital

$\$977$ current assets - $\$452$ current liabilities = **$\$484$ per acre**

On average, generally declining but nothing alarming

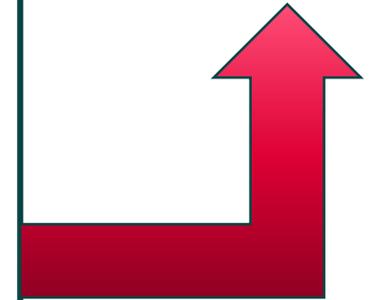
Ideas for cash flow and liquidity management

Working Capital
End of 2019
Current assets
- Current liabilities



Changes in cash in 2020

- Cash from grain farming operations
- + Cash from other farm/non-farm enterprises
- + Off-farm income
- Taxes
- Family living (health care)
- Capital purchases
- Debt servicing
- Net investment activity



Working Capital
End of 2020
Current assets
- Current liabilities

Ideas for cash flow and liquidity management

Changes in cash in 2020

Cash from grain farming operations

+ **Cash from other farm/non-farm enterprises**

+ Off-farm income

– Taxes

– Family living (health care)

– Capital purchases

– Debt servicing

– Net investment activity

Priority for other farm/non-farm activity should be cash generating

1. Seed/input supply business
2. Livestock (custom or otherwise)
3. Custom farming (be careful)
4. Other non-farm business

Ideas for cash flow and liquidity management

Changes in cash in 2020

- Cash from grain farming operations
- + Cash from other farm/non-farm enterprises
- + **Off-farm income**
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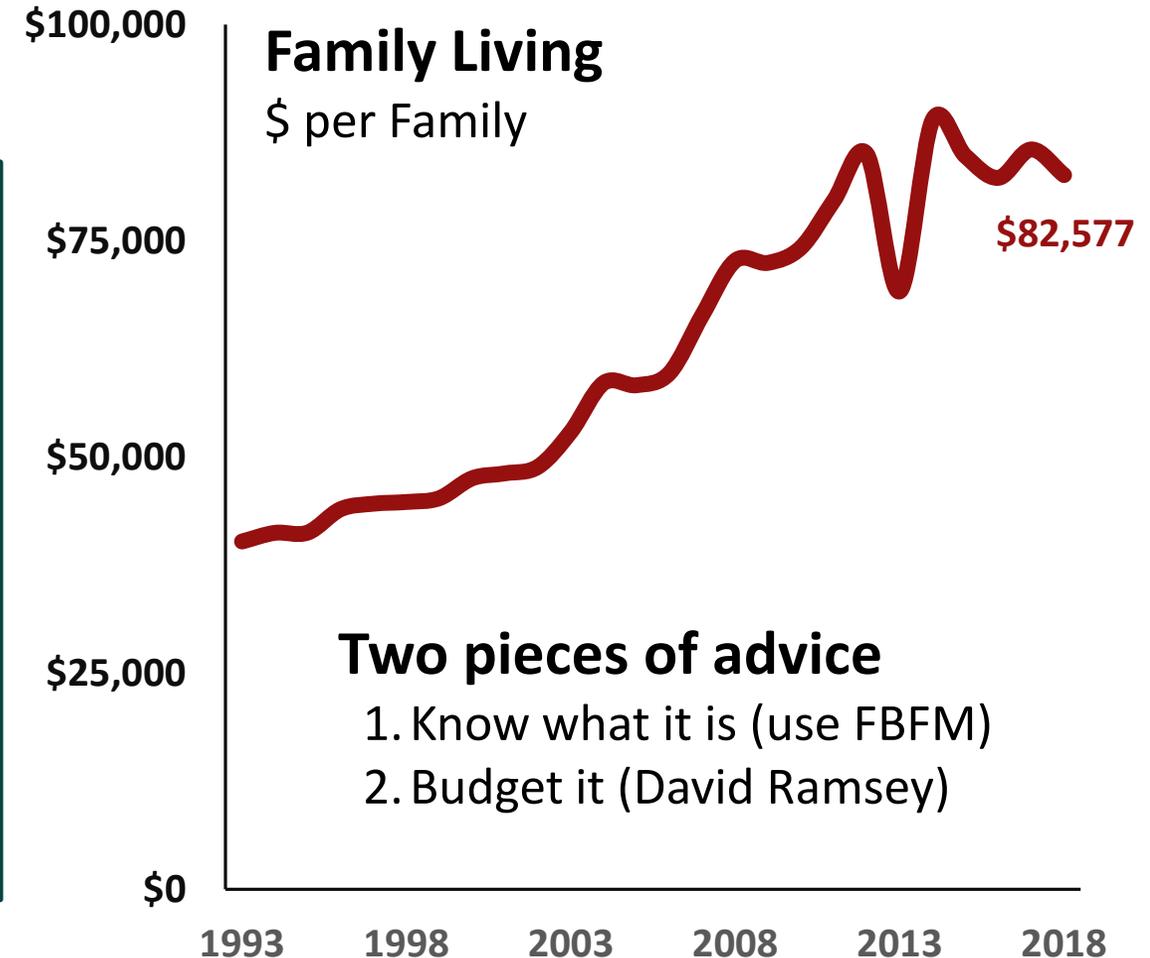
Priority: Getting health benefits



Ideas for cash flow and liquidity management

Changes in cash in 2020

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Ideas for cash flow and liquidity management

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Philosophy

1. Being a low-cost producer is very important
2. You can't market your way out of problems
3. Make profitable investments
 1. Improvements to existing farmland
 2. Grain storage
 3. Specialty grains
4. Most likely need more revenue in the future, need to get bigger, need to grow the farm
5. Renting farmland – **at average cash rents, not a money maker**

Ideas for cash flow and liquidity management

Changes in cash in 2020

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Type of farms by age

1. Young farmers – prioritize cash generating activities which may not be grain operations
2. Middle age farmers – evaluate the financial performance of segments of the business (including tracts of farmland)
3. Older farmers (no heirs) – look at segments of farmland
4. Older farmers (with heirs) – very difficult position, time to do succession planning

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