

Management Strategies Under Financial Stress



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Center for
Farmland Research



Topics

- Farmland Prices: Juo-Han Tsay
- Rents and leases: Nick Paulson
- Younger producers: Gary Schnitkey
- Cash Flow Considerations : Brad Zwilling



Farmland Prices

2025 Illinois Farm Economics Summit



**Juo-Han (Becky)
Tsay**



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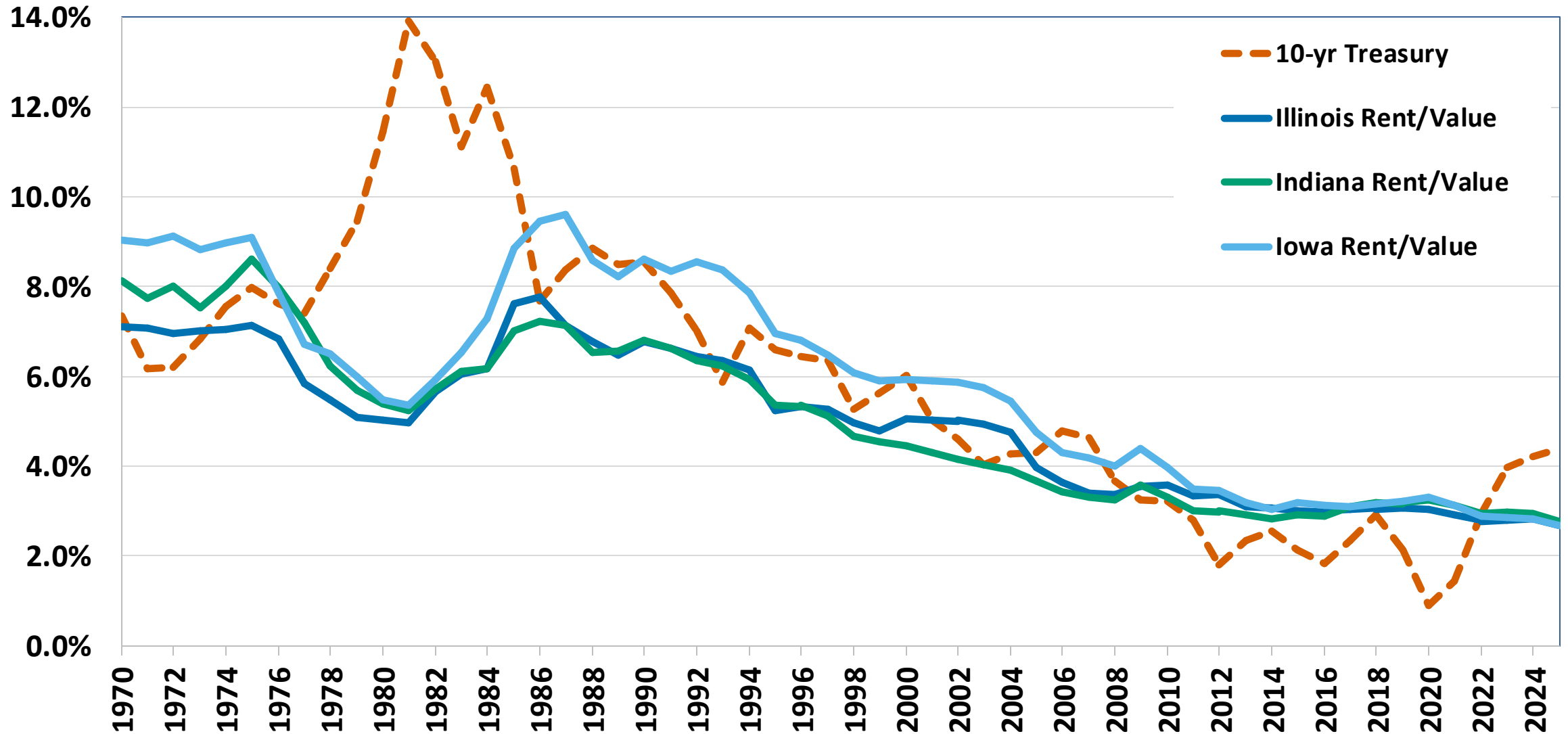
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U.S. Farm Sector Balance Sheet

	1980	1990	2000	2010	2020	2023	2024	2025F
	(\$ millions, source ERS/USDA)							
Farm Assets	1,000,422	840,609	1,203,215	2,170,832	3,174,632	4,014,314	4,218,209	4,417,329
Real Estate	782,820	619,149	946,428	1,660,113	2,640,942	3,338,849	3,488,705	3,628,845
Non Real Estate	217,602	221,460	256,787	510,719	533,690	675,465	729,504	788,484
Farm Debt	162,431	131,116	163,930	278,931	441,254	519,299	563,478	591,824
Real Estate	85,272	67,632	84,724	154,065	288,645	344,937	368,308	386,435
Non Real Estate	77,160	63,482	79,206	124,865	152,608	174,363	196,170	205,389
Equity	837,990	709,493	1,039,285	1,891,901	2,733,379	3,495,042	3,654,731	3,825,505
Ratios								
Debt/Asset ratio	16.2%	15.6%	13.6%	12.8%	13.9%	12.9%	13.4%	13.4%
Debt/Equity ratio	19.4%	18.5%	15.8%	14.7%	16.1%	14.9%	15.4%	15.5%
Real Estate/Asset ratio	78.2%	73.7%	78.7%	76.5%	83.2%	83.2%	82.7%	82.2%
Real Estate Debt/Total Debt	52.5%	51.6%	51.7%	55.2%	65.4%	66.4%	65.4%	65.3%
Non-Real Estate Debt/Total Debt	47.5%	48.4%	48.3%	44.8%	34.6%	33.6%	34.8%	34.7%

Ten-year Constant Maturity Treasury Rates and Current Returns to Farmland, 1970 to 2025



2025 Illinois Farmland Values

Land Category	2024 Median Value of Sales	2024 YoY Change (Change from 2023)	2025 Mid-year Change (January 1 to July 1)
Excellent	\$16,500	Down 2%	Down 2.2%
Good	\$12,416	Down 4%	Down 3.5%
Average	\$9,822	Up 7%	Down 3.5%
Fair	\$7,863	Up 11%	Down 3%
Recreational	\$5,282	Steady	

2025 USDA Illinois Cropland Value	2025 YoY Change (Change from 2024)
\$9,850	Up 3.1%



Illinois Society
of Professional Farm Managers & Rural Appraisers

Farmland Rents and Leases

2025
Illinois Farm
Economics
Summit



Nick Paulson



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Pressures for reductions in farmland cash rents, but slow adjustments

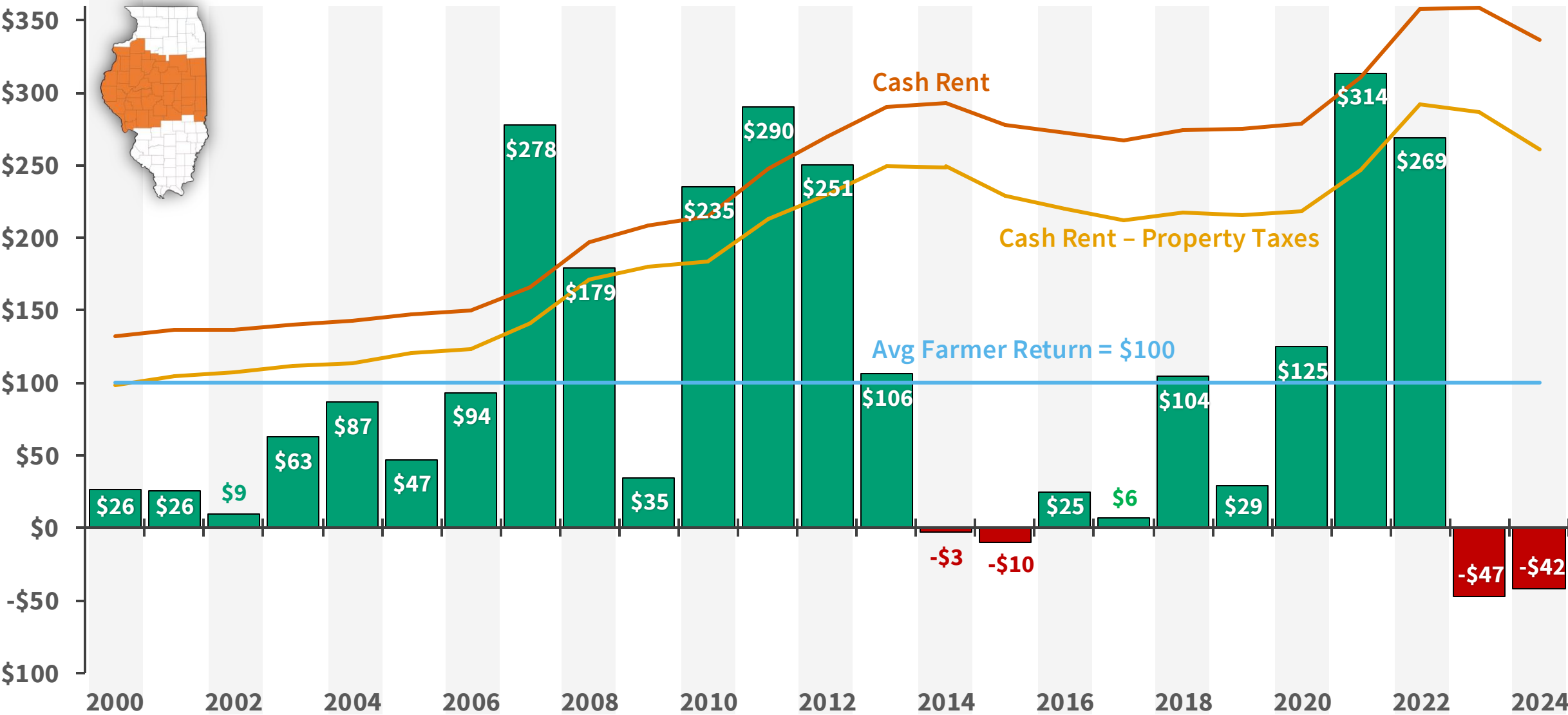
- Role of Federal payments
 - Ad hoc
 - ARC/PLC
 - Crop Insurance
- Variable cash rents don't necessarily fix the problem in this environment



Farmer and Landowner Returns

50% Corn – 50% Soybean Rotation (\$/acre)

Central Illinois, Cash Rented Farmland, 2000 to 2026P



There are currently not enough **operator and land returns** (return to farmland) to provide farmers **AND** landowners with what would be viewed as an average historical current return

Remember capital return to farmland



Younger Operators

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Gary Schnitkey

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Younger Producers

- **Most vulnerable:**

- Low asset accumulation
- Low amount of low-debt owned farmland
- High reliance on crop farm rental income

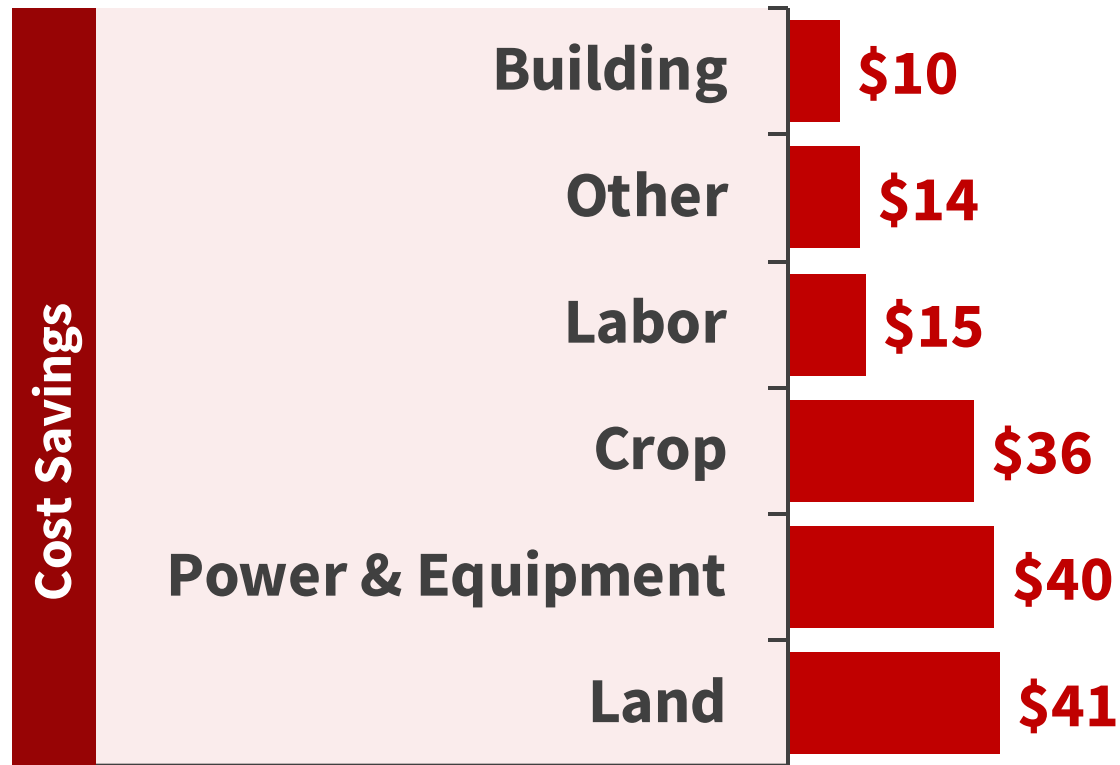
- **Financial Strategies**

- Still want to accumulate assets and land
- Have 6-figure off-farm family income (with health benefits)
- Have other farm businesses that generate cash

Younger Producers

- **Other businesses (nothing standard)**
 - If you can farm, have business skills and entrepreneurship
 - Non-commodity corn and soybean production
 - Other farm and off-farm enterprise
- **Farm business resets**
 - How much rented land do you need?
 - Maximize returns, not yields
 - Re-evaluate machinery ownership

Maximize Profits, Not Yields

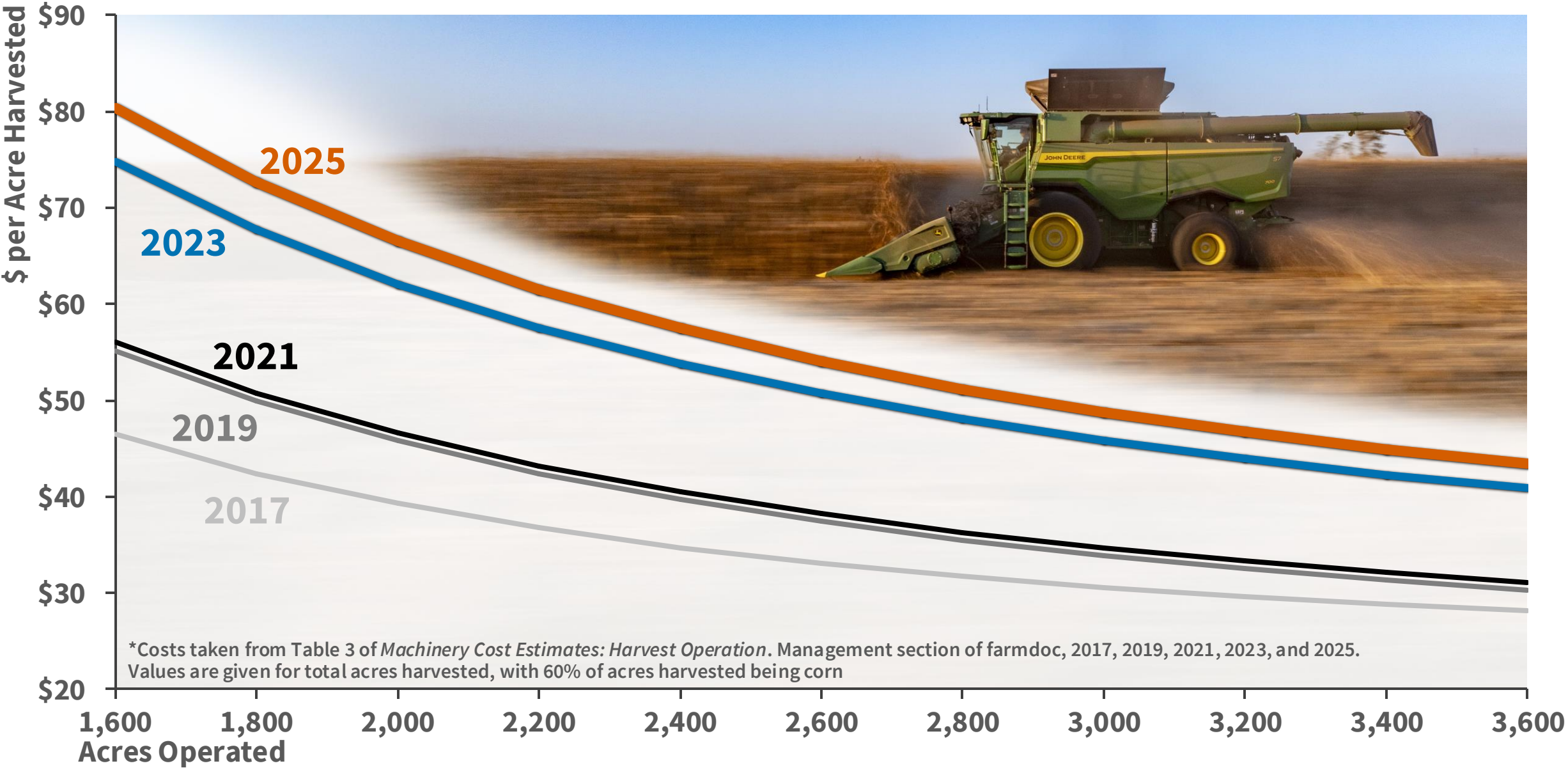


The same producers have:

- Above university nitrogen rate
- Higher pesticide costs
- More tillage passes

See Schnitkey and Gentry, “Strategies for Withstanding Low-Profitability Years”, Farmdoc webinar, December 10, 2024

Corn Combining Costs for Different Acres Harvested*



*Costs taken from Table 3 of *Machinery Cost Estimates: Harvest Operation*. Management section of farmdoc, 2017, 2019, 2021, 2023, and 2025. Values are given for total acres harvested, with 60% of acres harvested being corn

Cash Flow Considerations

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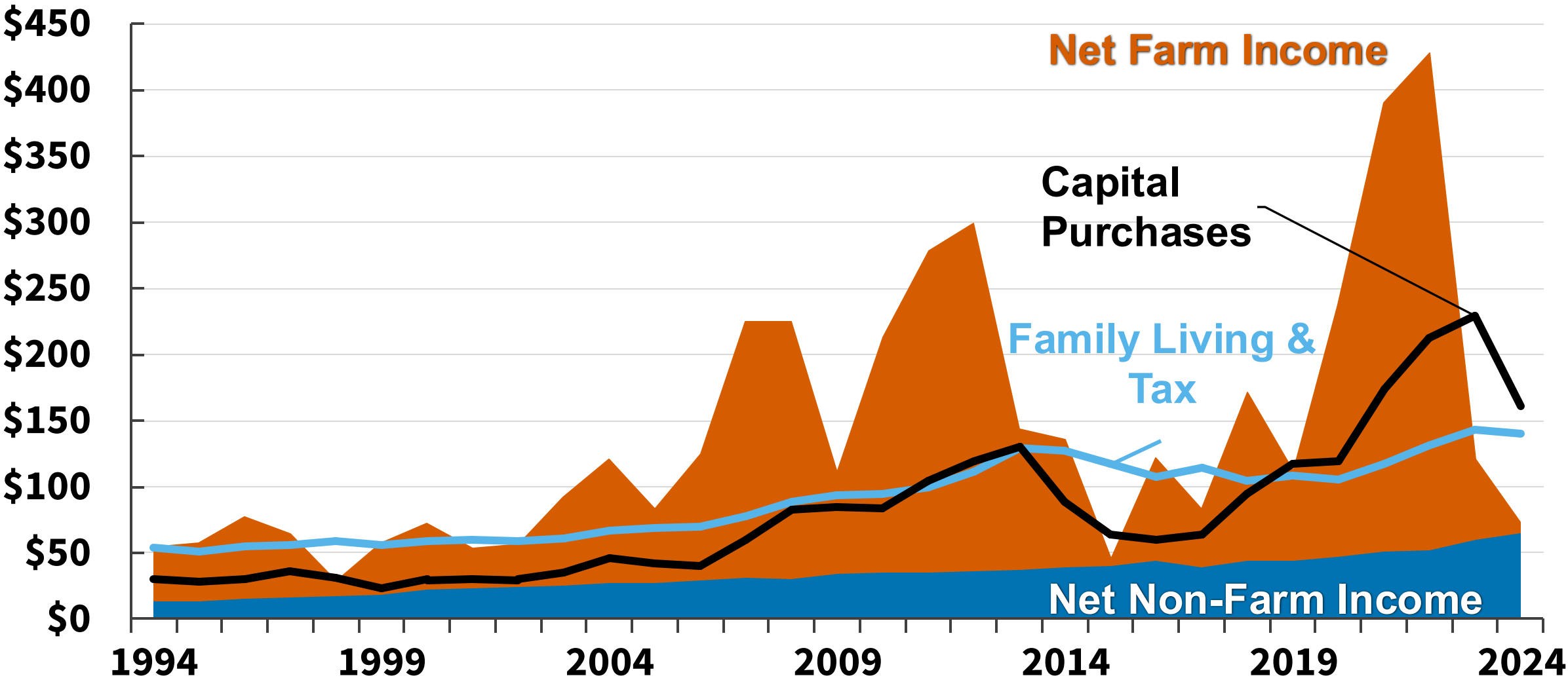
Brad Zwilling

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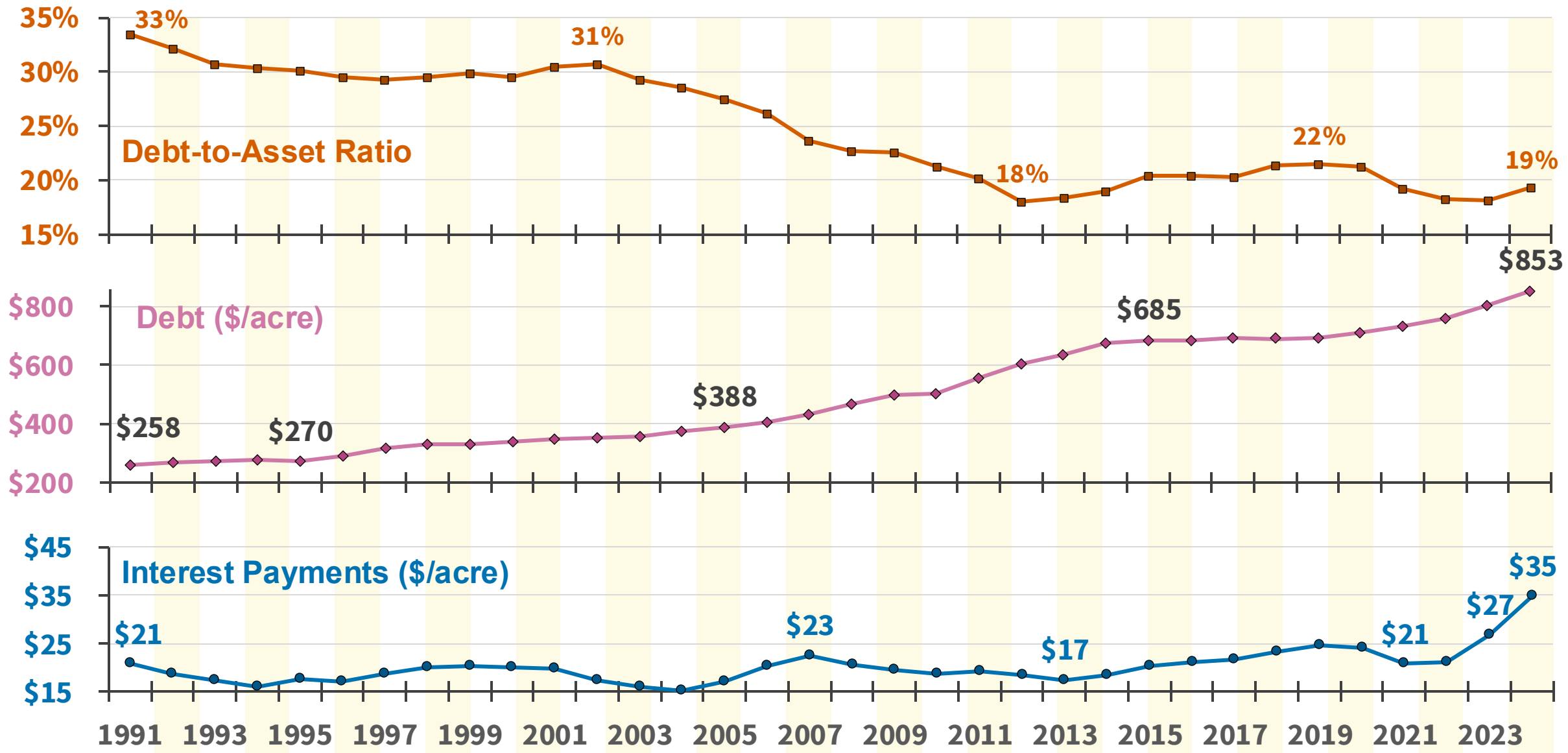
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Income vs Living Costs, Taxes & Purchases

in Thousand Dollars



Grain Farms Enrolled in Illinois FBFM from 1991 to 2024 seeing falling Debt-to-Asset Ratios and Increasing Debt and Interest Payments per Tillable Acre



Cash Flow Implications

- ✓ Multi-crop years at play
- ✓ Use of capital assets as current year expense
- ✓ Increasing debt leading to rising interest costs
- ✓ Increasing Off-Farm Income
- ✓ Tax Policy & Ad Hoc Disaster Programs

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