

Managing in a Period of Low Returns and High Uncertainty



College of Agricultural,
Consumer &
Environmental Sciences
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

A blue tractor is pulling a large planter through a field. The planter has multiple rows of seed hoppers and is creating tracks in the soil. The background shows a clear blue sky and a line of trees in the distance.

farmdoc



Gary Schnitkey

Nick Paulson

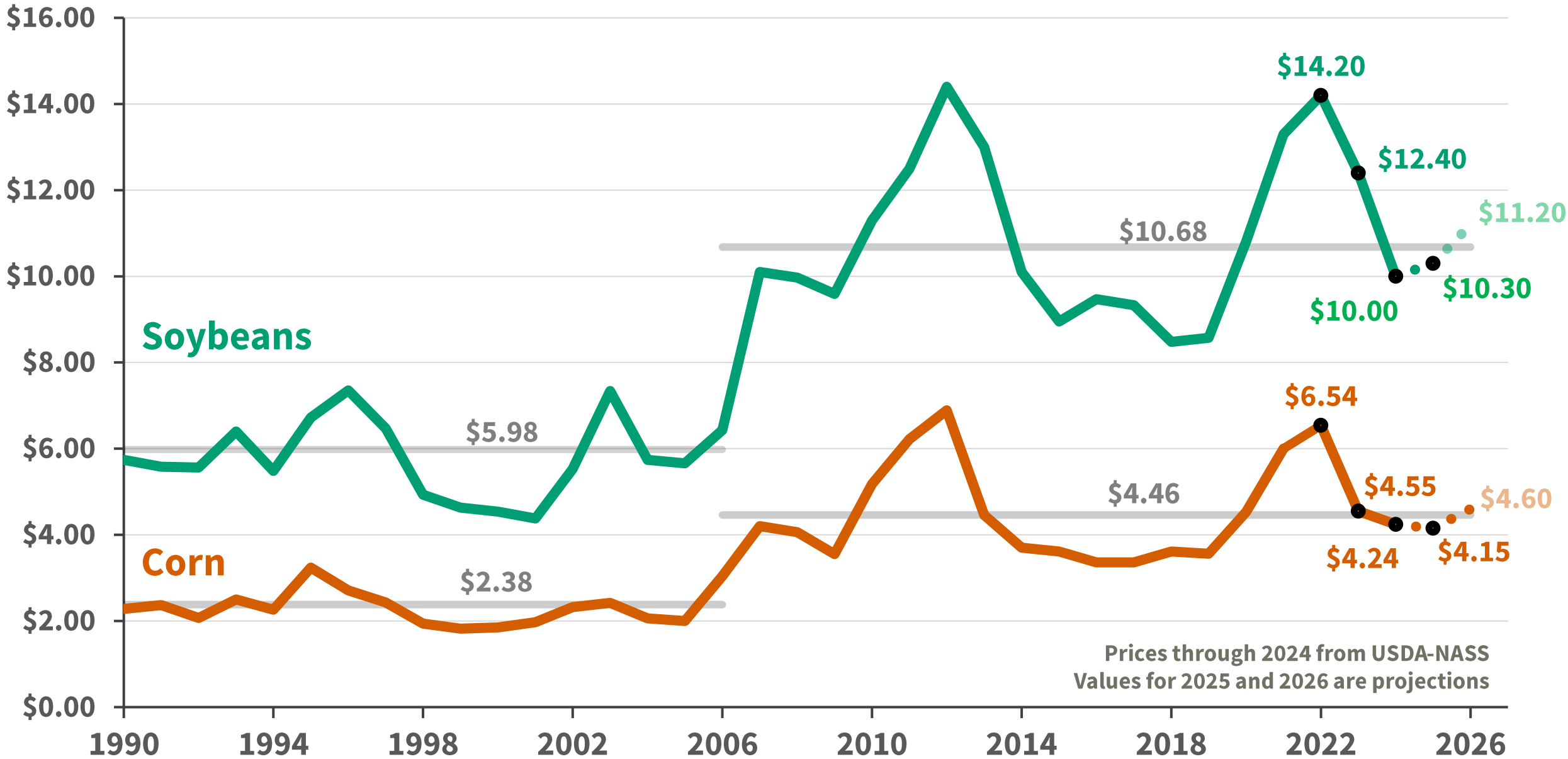
Brad Zwilling

Topics

A red Case IH Versatile 2375 tractor is shown from a low angle, pulling a red implement through a field of dark, tilled soil. The tractor has large, treaded tires and a white cab. The background shows a clear blue sky and some trees in the distance.

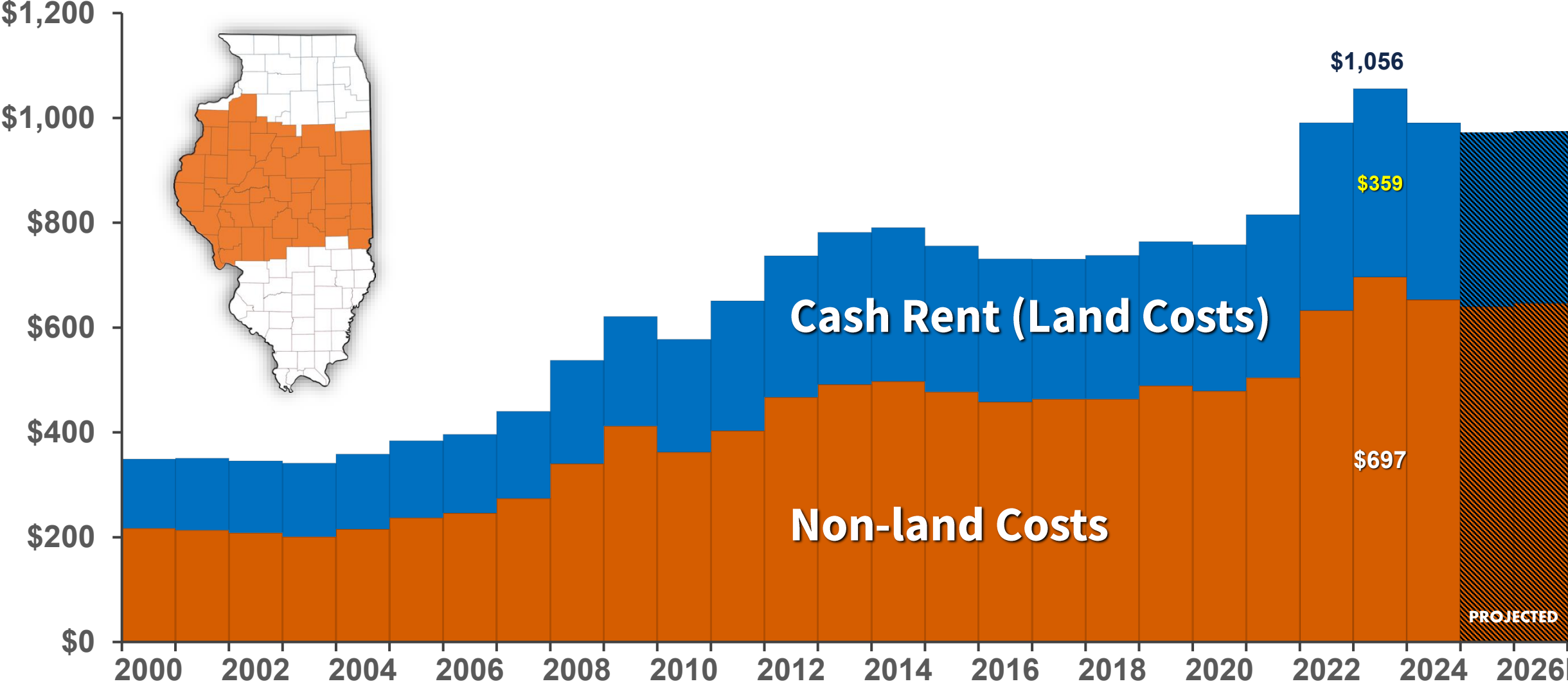
1. Current outlook
2. Iran conflict
3. What to do?

U.S. Market Year Average Prices for Corn and Soybeans 1960 to 2025P



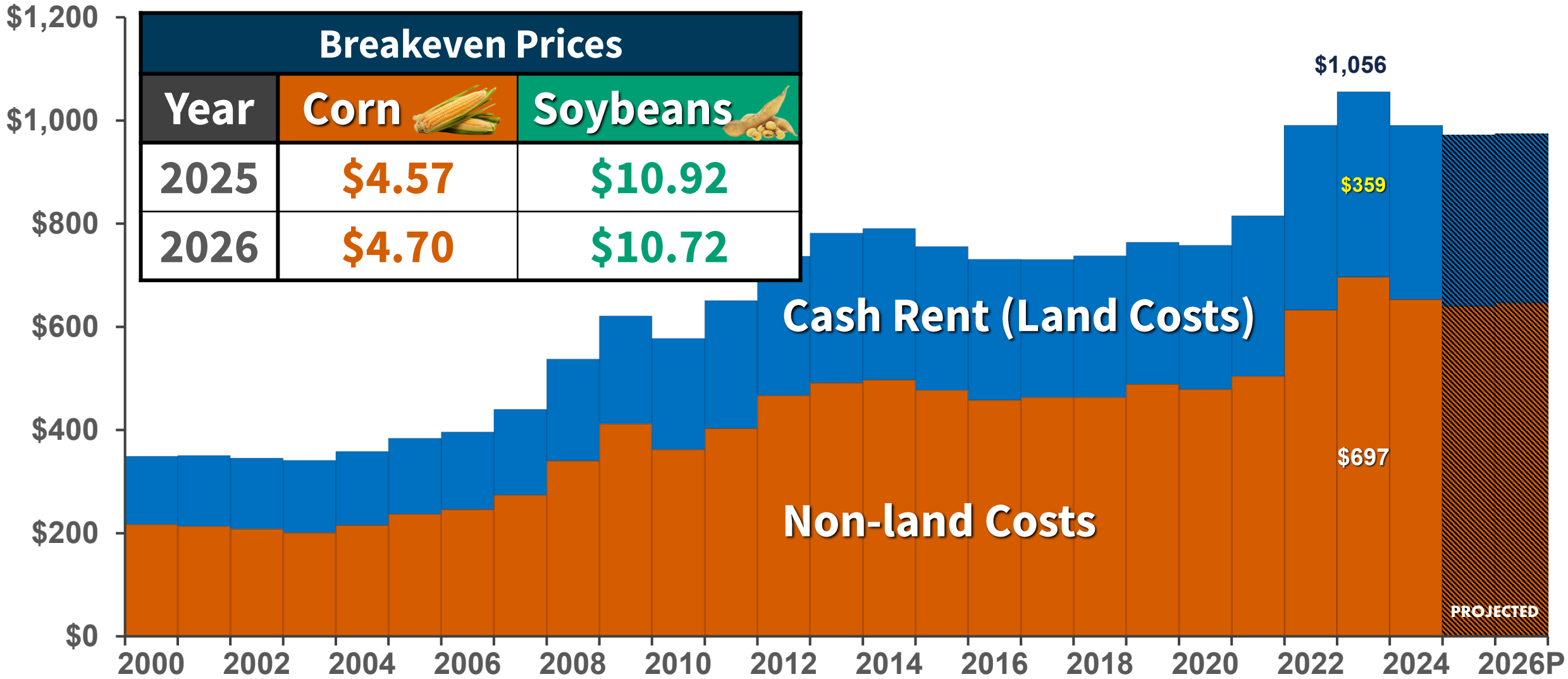
Production Costs for **Central Illinois** in \$ per acre

50-50 Corn-Soy Rotation, 2000 to 2026P



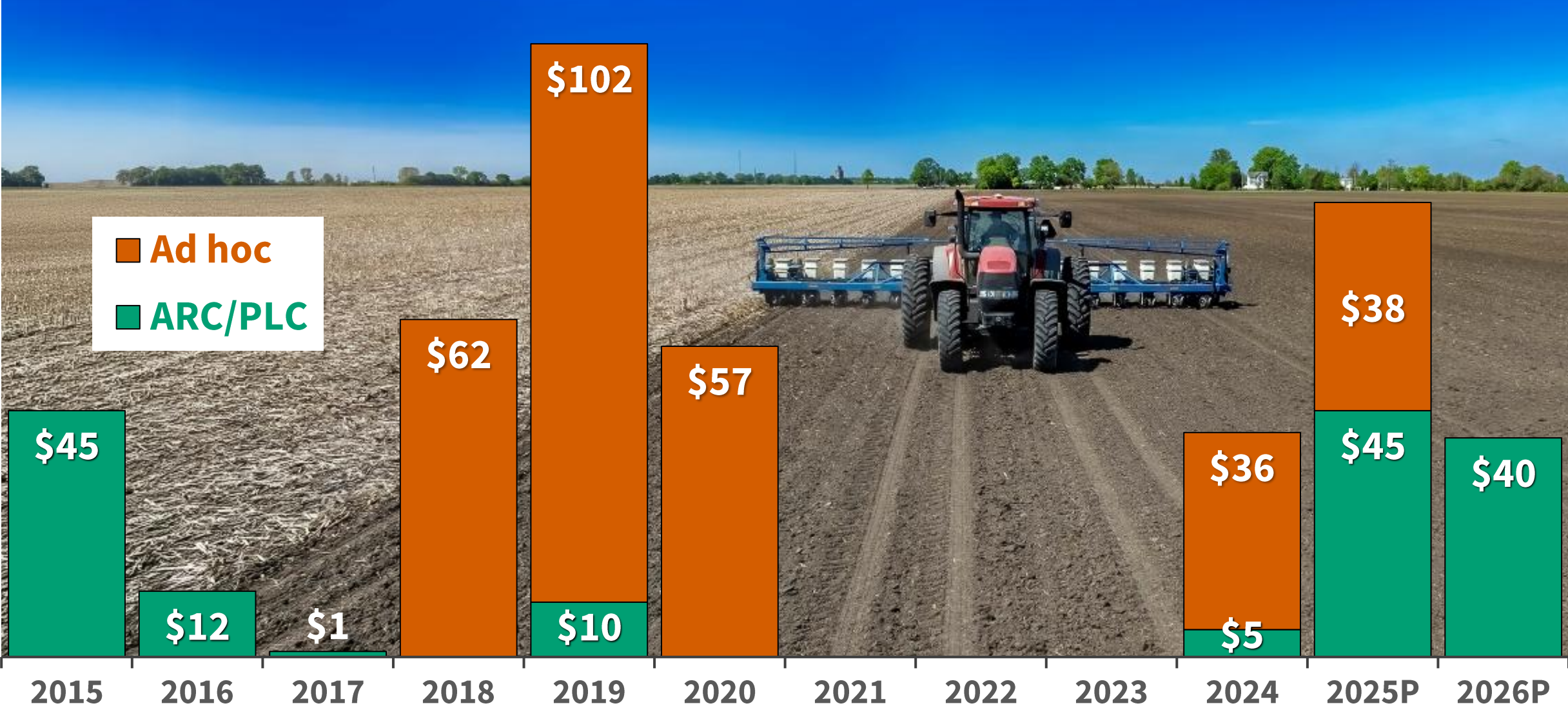
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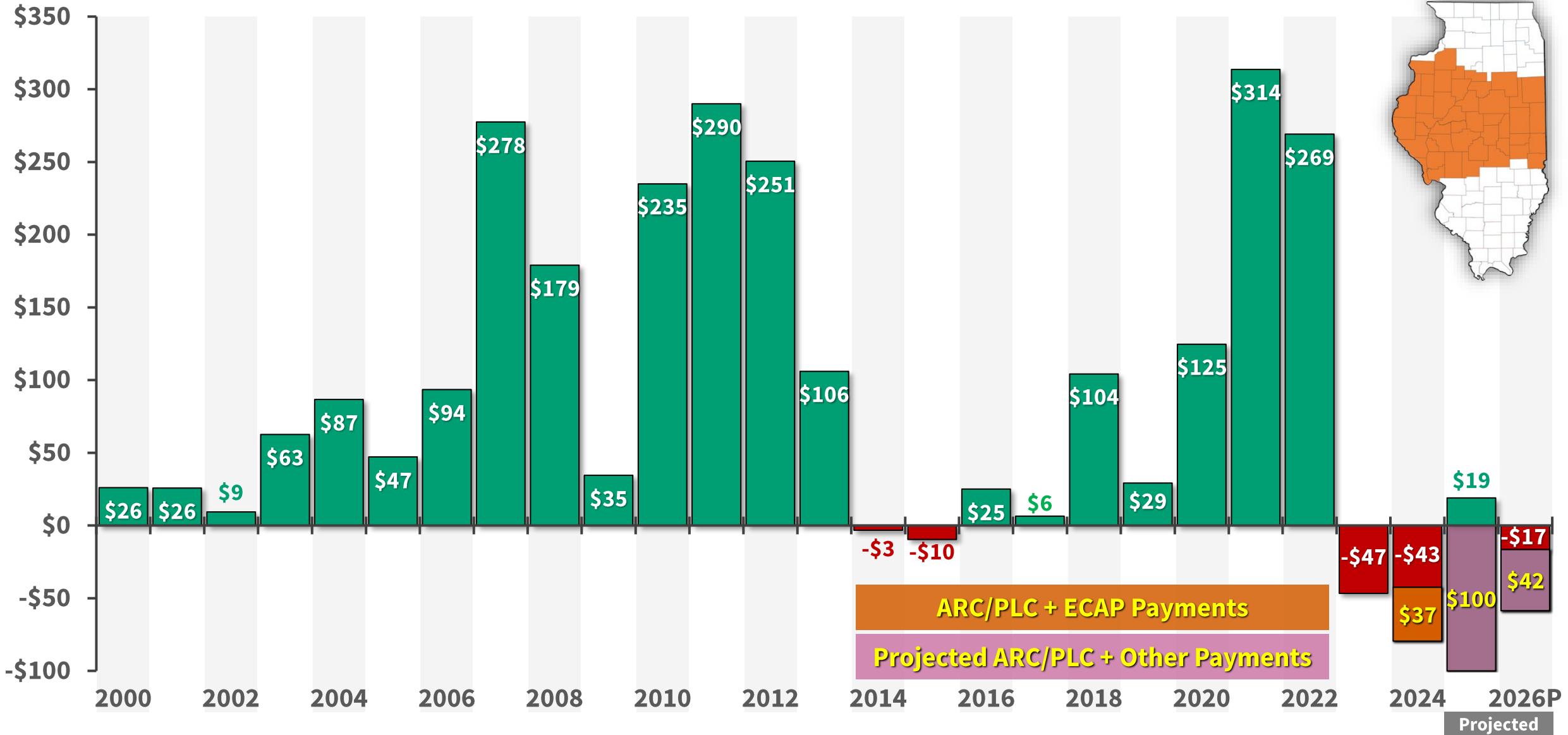
Commodity Title Versus Ad Hoc Disaster Payments

Central Illinois



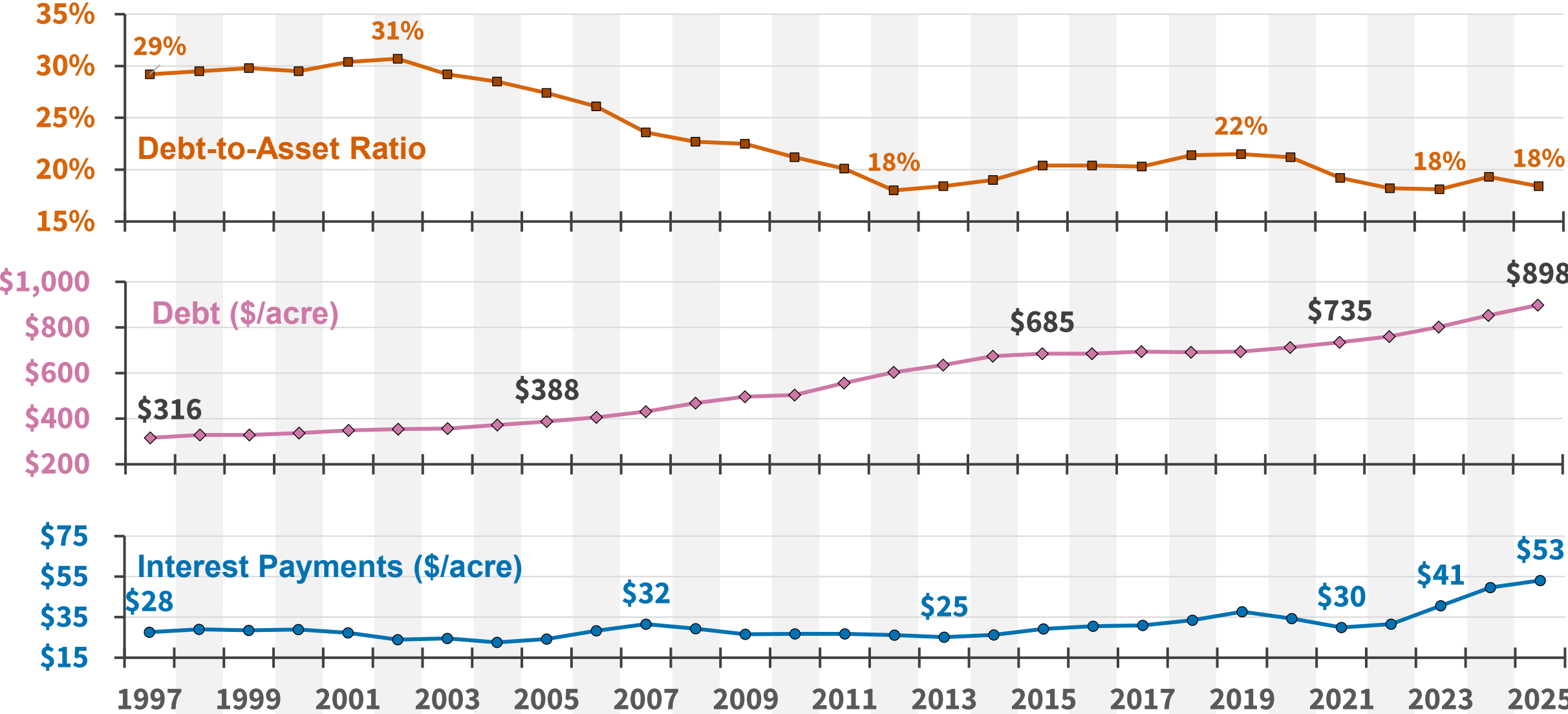
Farmer Returns to a 50% Corn – 50% Soybean Rotation (\$ per acre)

Central Illinois, Cash Rented Farmland, 2000 to 2026P



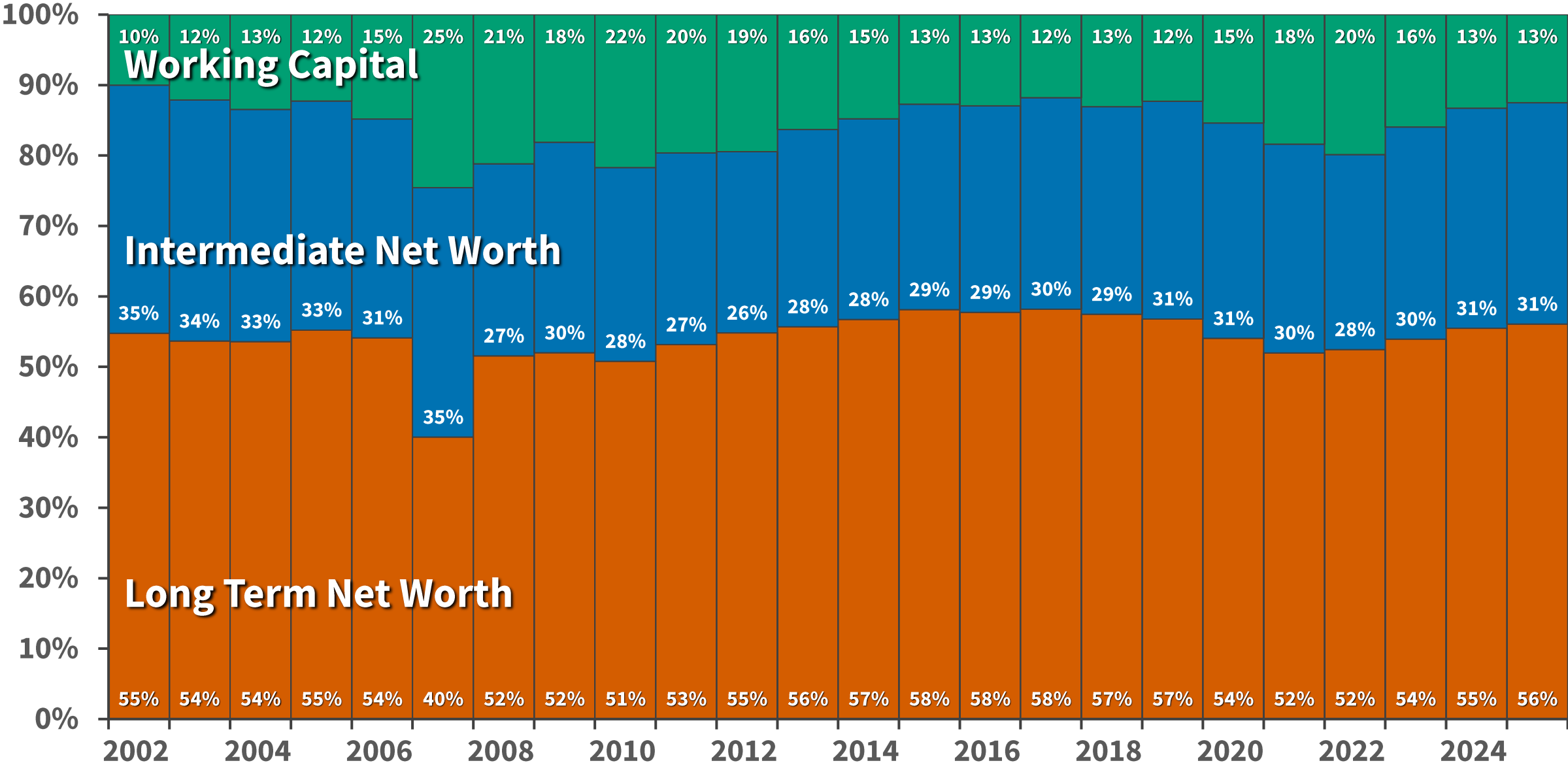
Source: Illinois FBFM and *farmdoc* projections.

Grain Farms Enrolled in Illinois FBFM from 1997 to 2025 seeing falling Debt-to-Asset Ratios and Increasing Debt and Interest Payments per Tillable Acre



Source: Illinois Farm Business Farm Management

Components of Net Worth



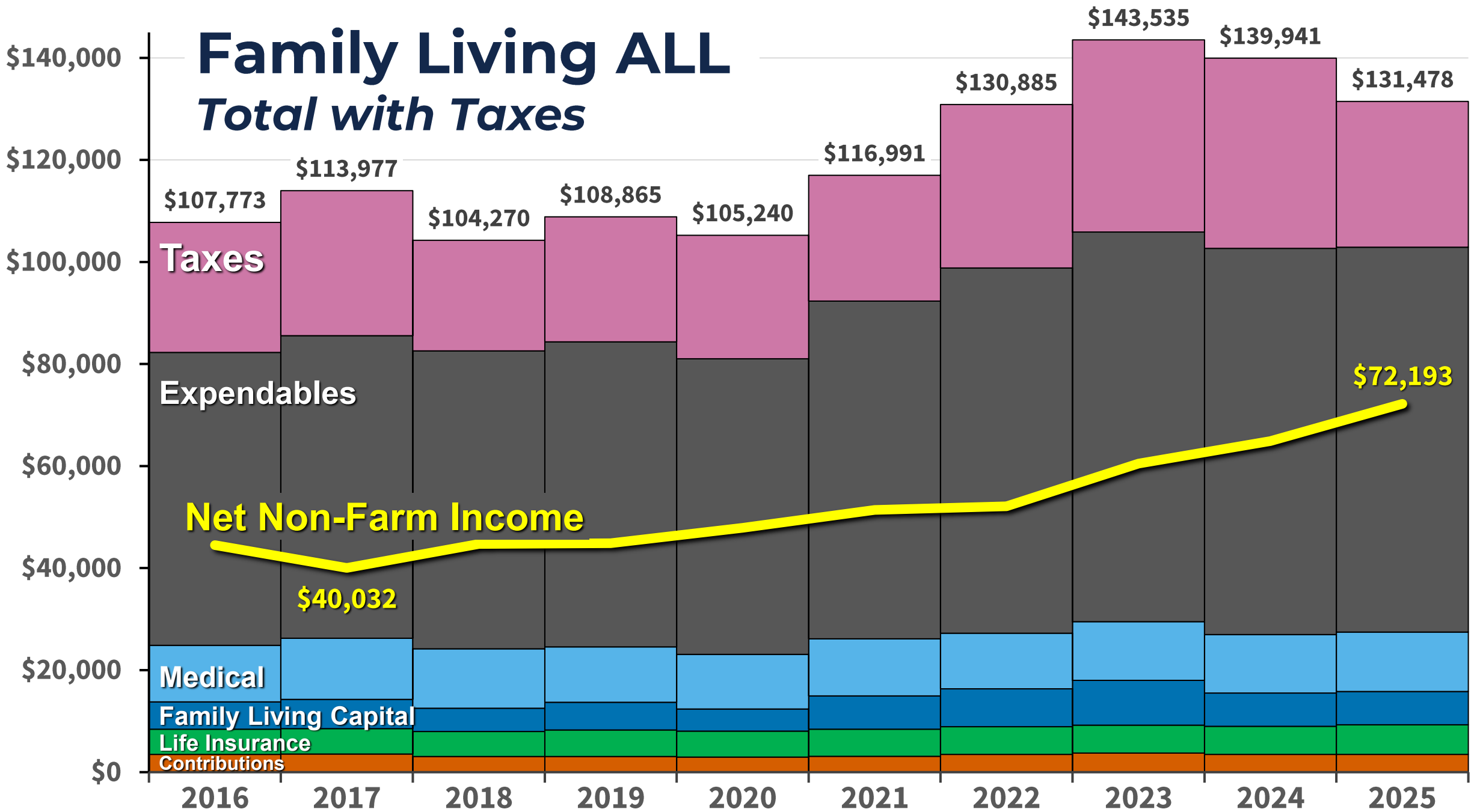
Profitability, Liquidity, and Solvency

		2021	2022	2023	2024	2025
Profitability	Farm Operating Income	\$302,000	\$339,000	\$24,000	-\$15,000	\$53,000
Efficiency Measure Ratios	Operating Expense	0.54	0.58	0.81	0.83	0.75
	Interest	0.02	0.02	0.03	0.04	0.04
	Depreciation	0.08	0.07	0.10	0.12	0.11
	Farm Operating Income	0.34	0.31	0.04	-0.01	0.08
Liquidity	Working Capital	\$494,000	\$608,000	\$511,000	\$372,000	\$365,000
	Current Ratio	3.23	3.59	3.12	2.47	2.48
Solvency	Liabilities	\$925,000	\$984,000	\$1,075,000	\$1,115,000	\$1,190,000
	Net Worth	\$3,776,000	\$4,273,000	\$4,549,000	\$4,532,000	\$4,736,000
	Debt-to-assets	0.191	0.175	0.174	0.187	0.183

* Taken from summaries of financial statements for each listed year

Family Living ALL

Total with Taxes



Source: Illinois Farm Business Farm Management

Challenges

- **Low returns caused by a cost – price squeeze**
 - Prices down from highs in 2022
 - Costs have not declined as much, further increases expected
- **ARC/PLC and crop insurance coverage important but leave gaps in current environment**
- **Ad hoc federal payments have filled gaps, but also likely slowed cost adjustments**
- **Factors/questions**
 - Iran Conflict
 - Demand growth

Return Outlook

- 2025 returns were an improvement from 2023 and 2024; another tough year for farms with poor yields; another round of payments associated with 2025 crop could occur
- 2026 weaker returns expected again. Corn and soybean prices have increased but costs will be higher.
- 2027 is the bigger concern for larger cost increases associated with Iran Conflict
 - Expect higher fuel and fertilizer prices
 - Expect general inflation and higher energy prices to keep pressure on other costs

Cushing, OK West Texas Intermediate (WTI) Crude Oil Spot Price FOB *in Dollars per Barrel*



**Iran
Conflict**

+45%

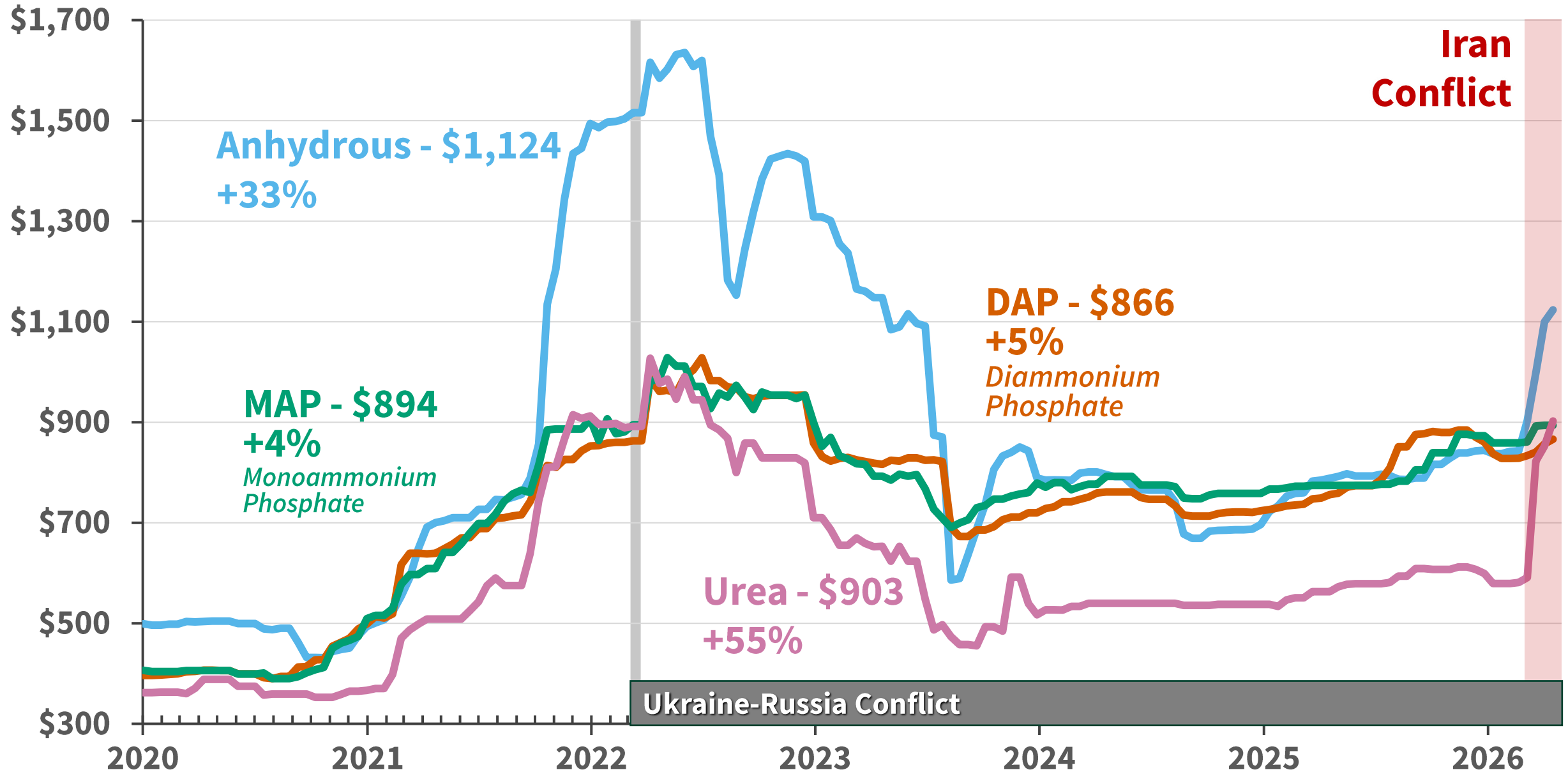
Ukraine-Russia Conflict

Illinois Farm Diesel Prices in U.S. Dollars per Gallon



Illinois Fertilizer Prices in U.S. Dollars per Ton

Labeled Prices as of April 17, 2026, % change since Feb 20



Ukraine-Russia Conflict

Iran Conflict

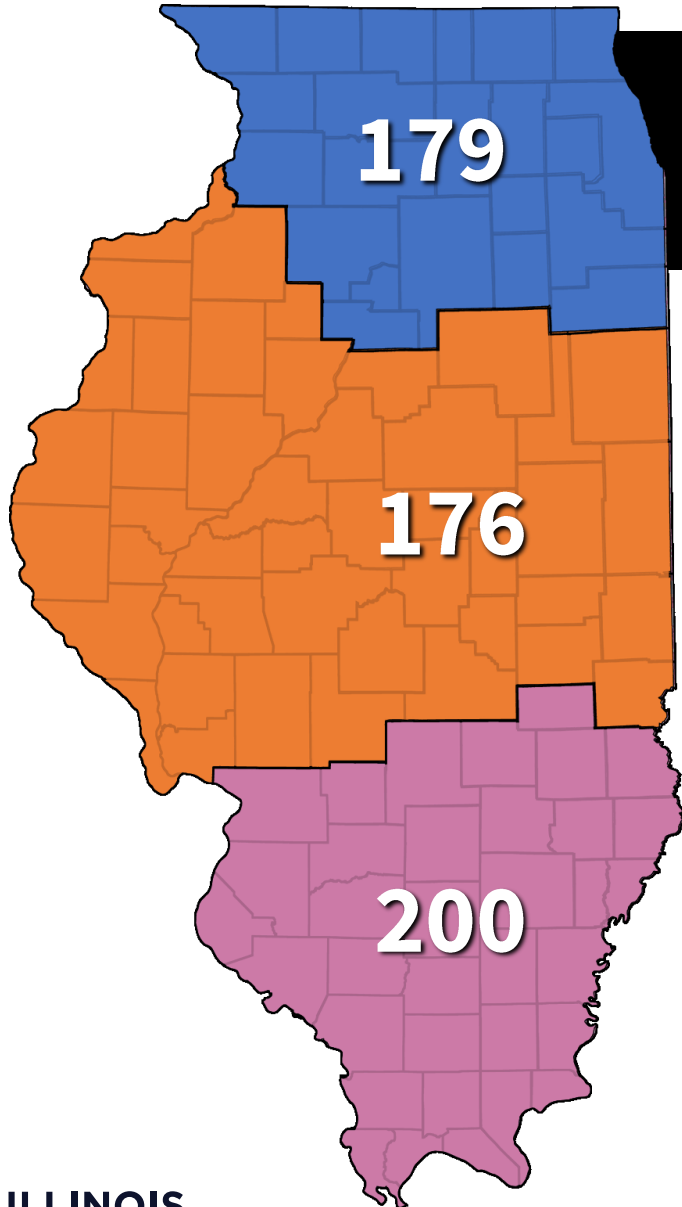
What to do

- Cash is king! Don't spend it
Do a cash flow
- Consider non-commodity crops
(opportunities will vary)
- Re-evaluate your production plan
- Be a low-cost producer

Maximize Returns, Not Yields



Maximize Returns, Not Yields



University of Illinois Nitrogen Rates
MRTN for 2026 in pounds of actual N per acre

Many farms have P and K soil levels above maintenance levels

Lower Rates

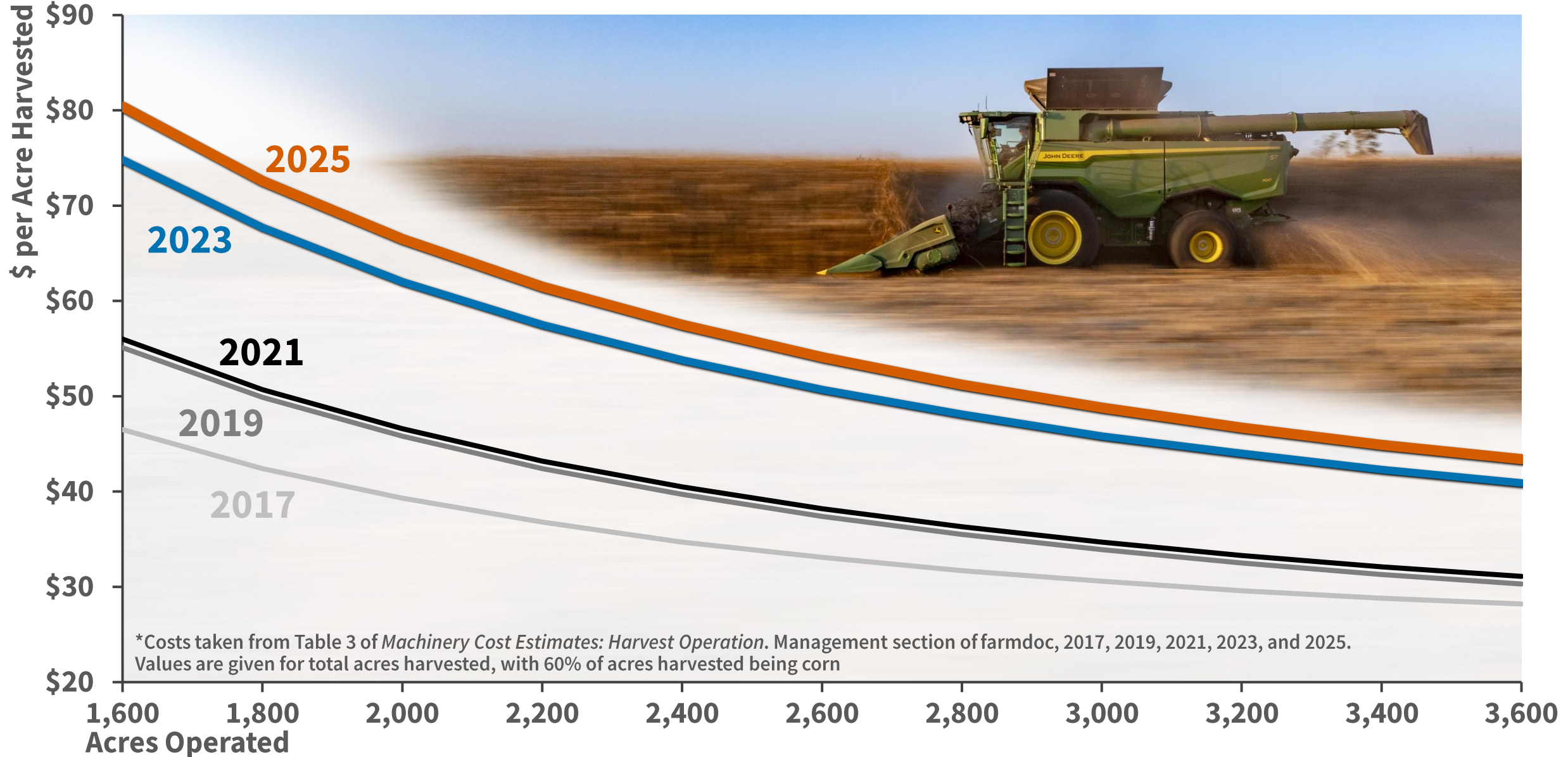


Re-think Machinery Decisions when reinvestment needs to be made

- Two tractors
- One tillage piece
- One planter per 2,000 acres
- One combine per 2,500 acres
(probably more)



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

Tough call for 2027 decisions

Fertilizers

Locking in prices during the fall has been a **good decision**; **however**, elevated fertilizer prices are likely during the fall 2026 pricing window

Cash rent

- Difficult to see cash rents coming down with ad hoc Federal payments at current levels
- At current 2027 price expectations, tough to pencil out positive returns/cash flows without more ad hoc Federal payments

Suggestions

- Make your landowners aware of the situation
- Try to build in lower (base) cash rent
 - Consider sharing scenarios, including for ad hoc payments



Suggestions

Most farms have off-farm cash income

The Goal

Buy return-generating assets:

- Land
- Financial assets
- Off-farm business

How does renting farmland fit into this?

Final Thoughts

Returns that are close to break-even,
not expected to change unless:

1. Poor crop in major market (U.S. or SA)
→ Corn and soybean prices increase but likely short-lived
2. Positive and sustained shock to demand
→ Biofuels? Other? If occurs, may take multiple years
3. Ad hoc payments come to an end.
Costs will need to adjust downward.

Other scenarios, but we need to plan for
protect against number 3

and

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