

Illinois Farm Economics Summit

Illinois Farm Income Outlook and Management Strategies with Low Incomes



Gary Schnitkey



Nick Paulson

farmdoc



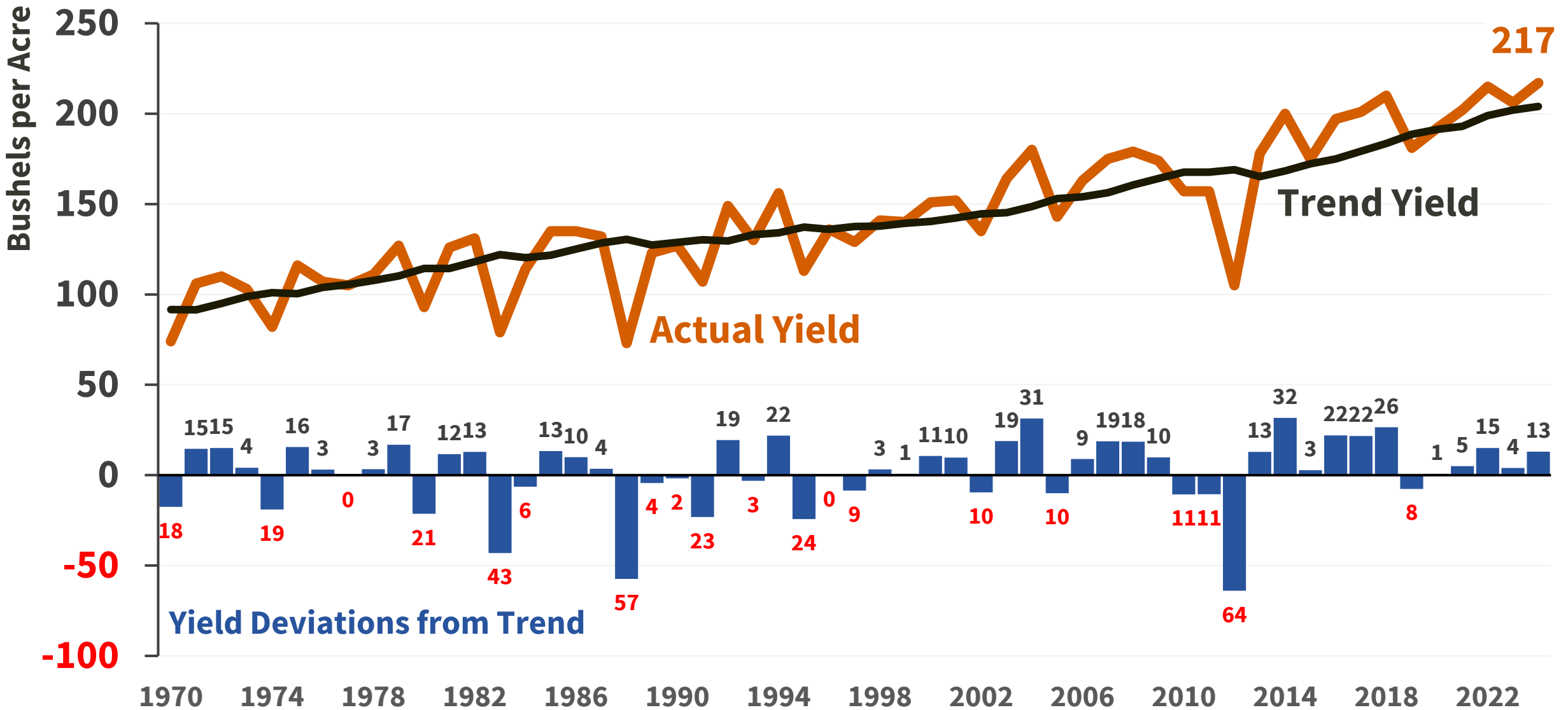
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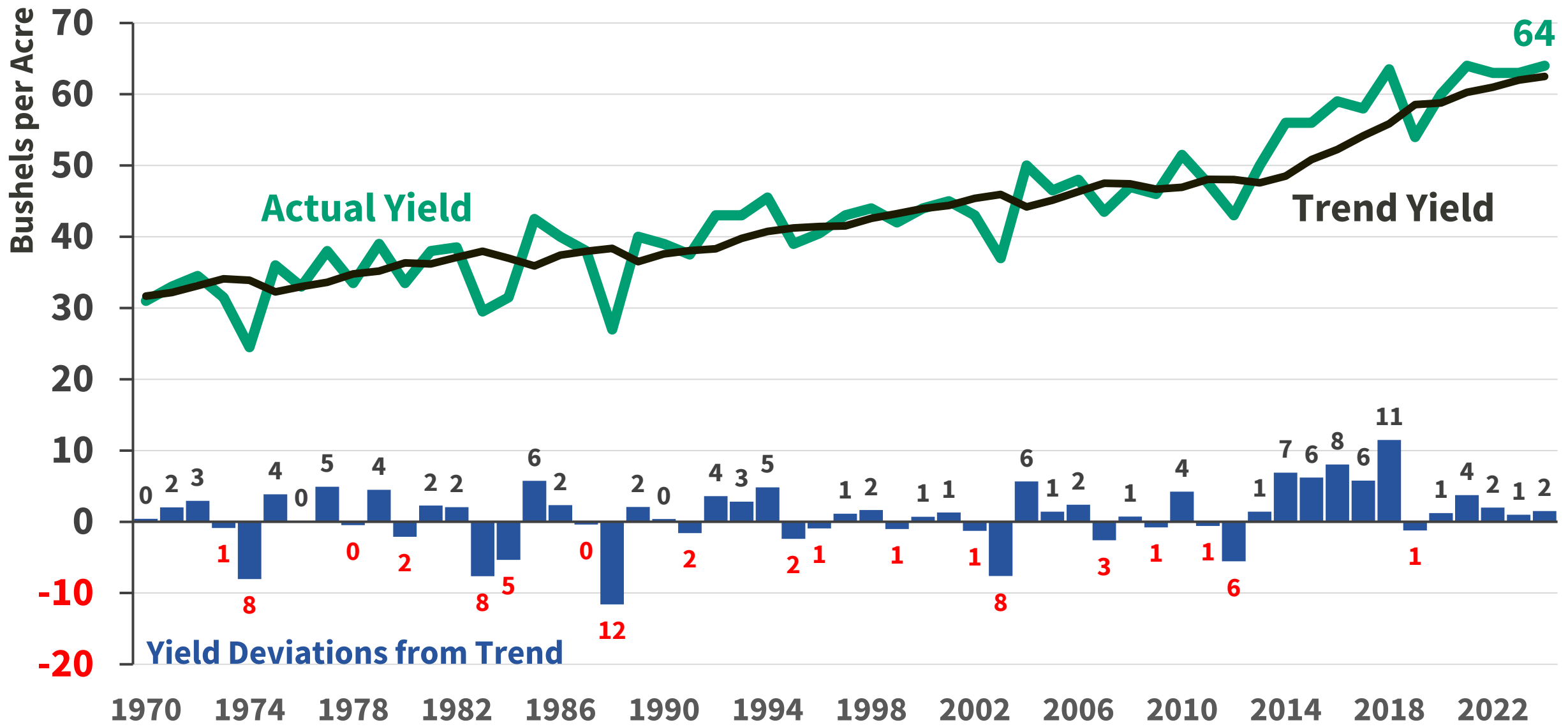
Yields and Prices



Illinois Corn Yields, 1970 to 2024

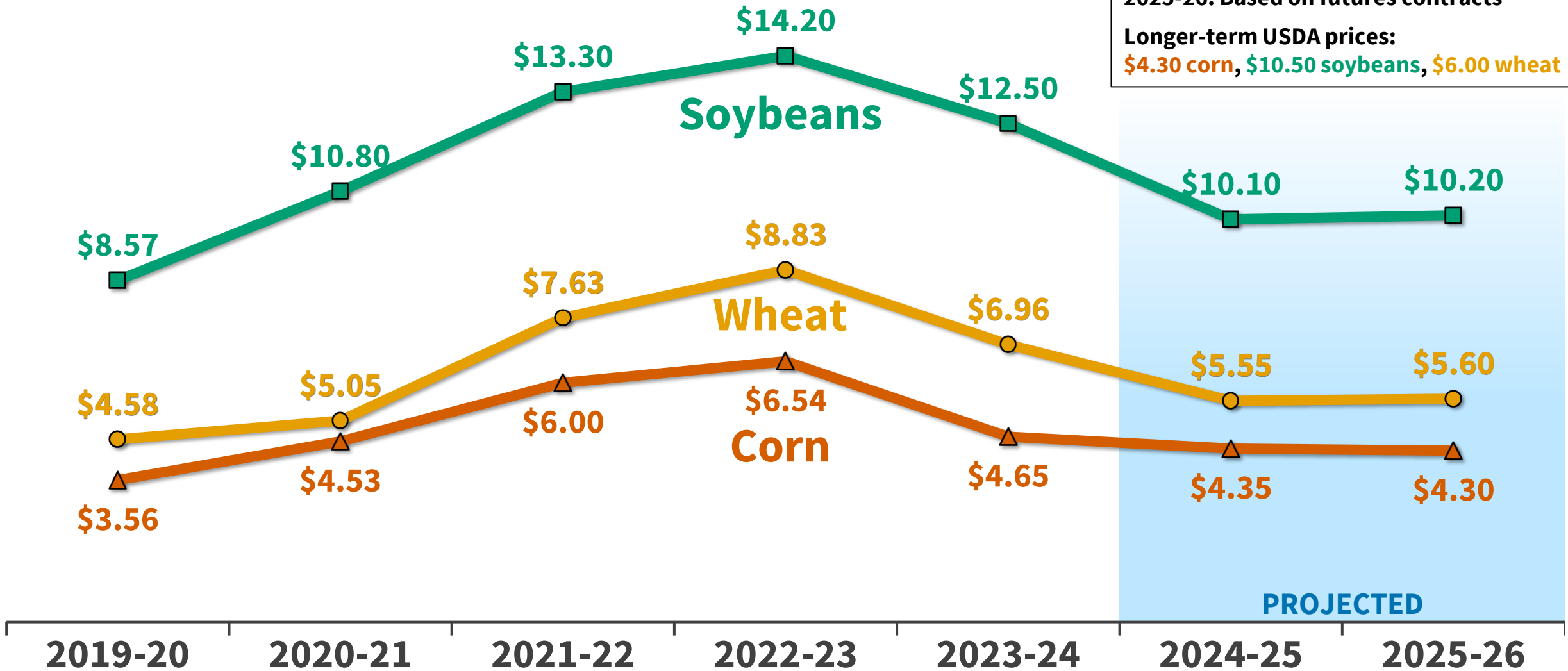


Illinois Soybean Yields, 1970 to 2024



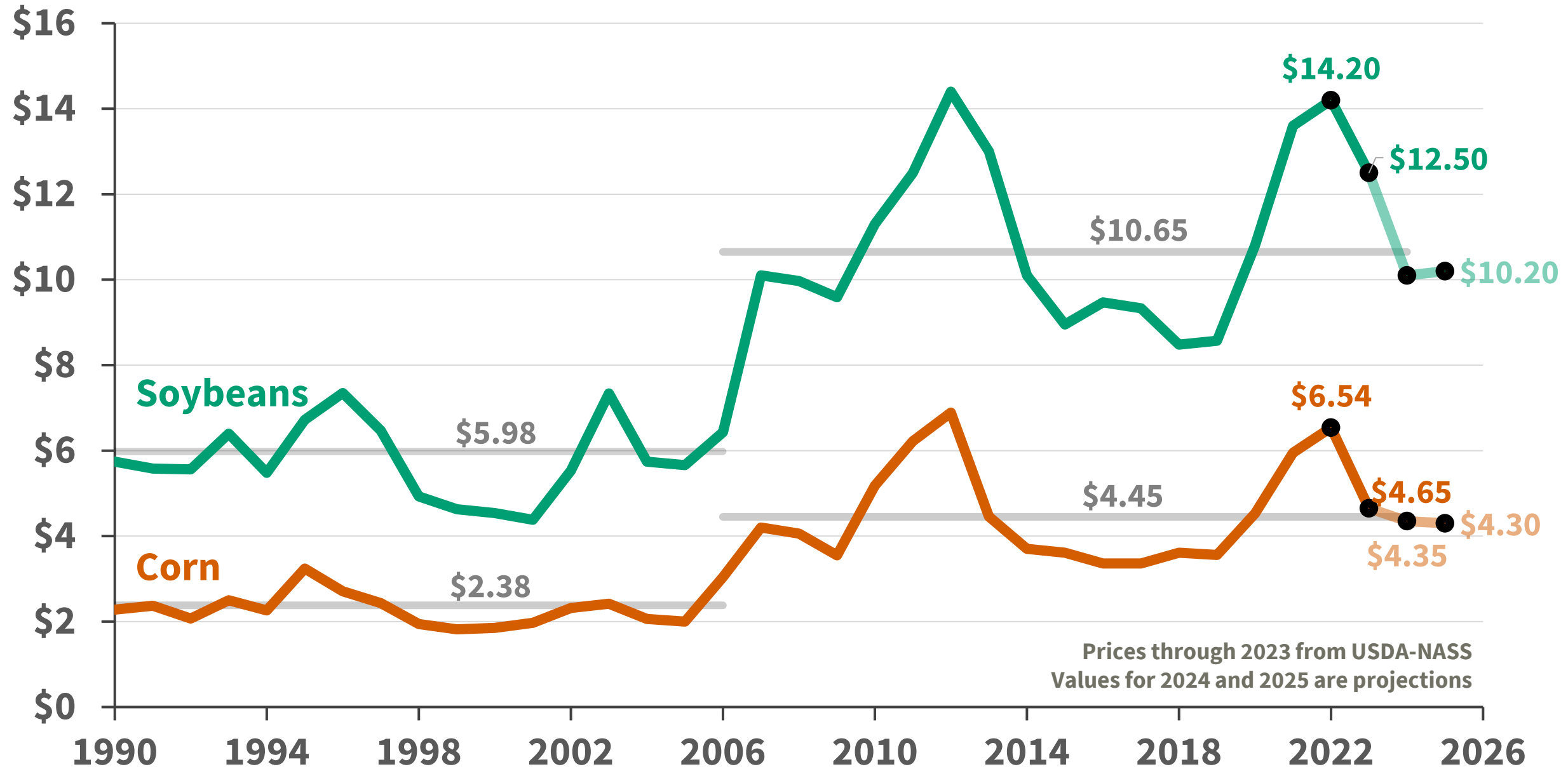
U.S. Prices by Marketing Year

USDA price forecasts
2024-25: USDA estimates in Feb WASDE
2025-26: Based on futures contracts
Longer-term USDA prices:
\$4.30 corn, \$10.50 soybeans, \$6.00 wheat



National Market Year Average (MYA) price by year
September to August for corn and soybeans
June to May for wheat

U.S. Market Year Average Prices for Corn and Soybeans 1990 to 2025P



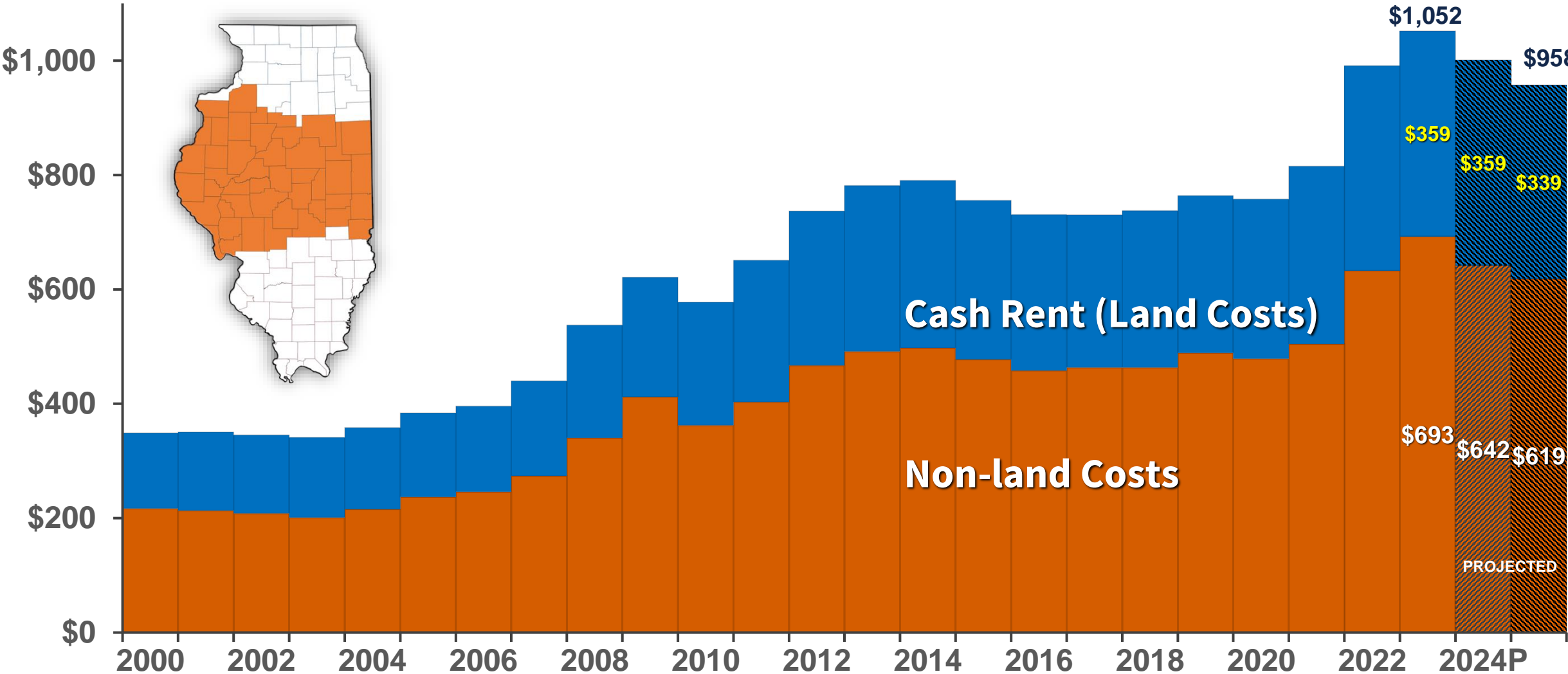
Prices through 2023 from USDA-NASS
Values for 2024 and 2025 are projections

Production Costs and Farmland

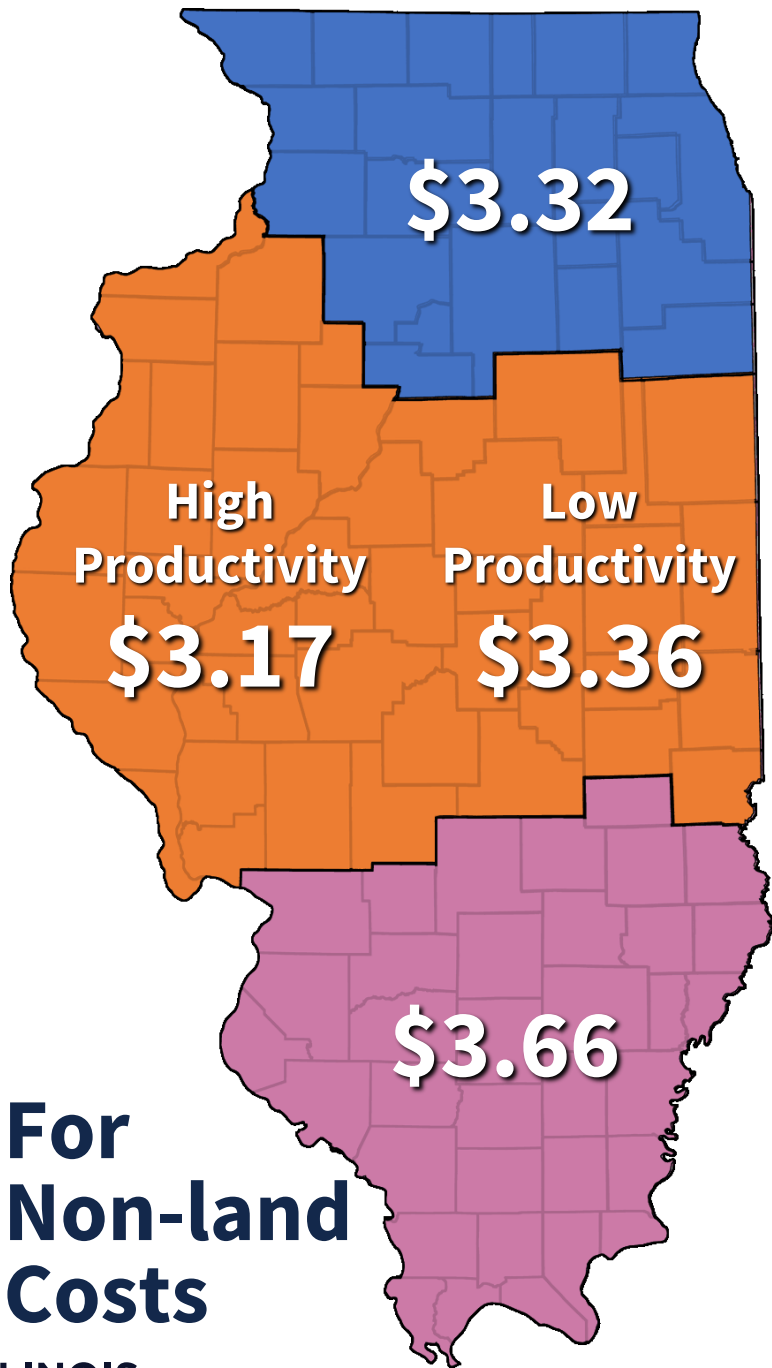


Production Costs for **Central Illinois** in \$ per acre

50-50 Corn-Soy Rotation, 2000 to 2025P



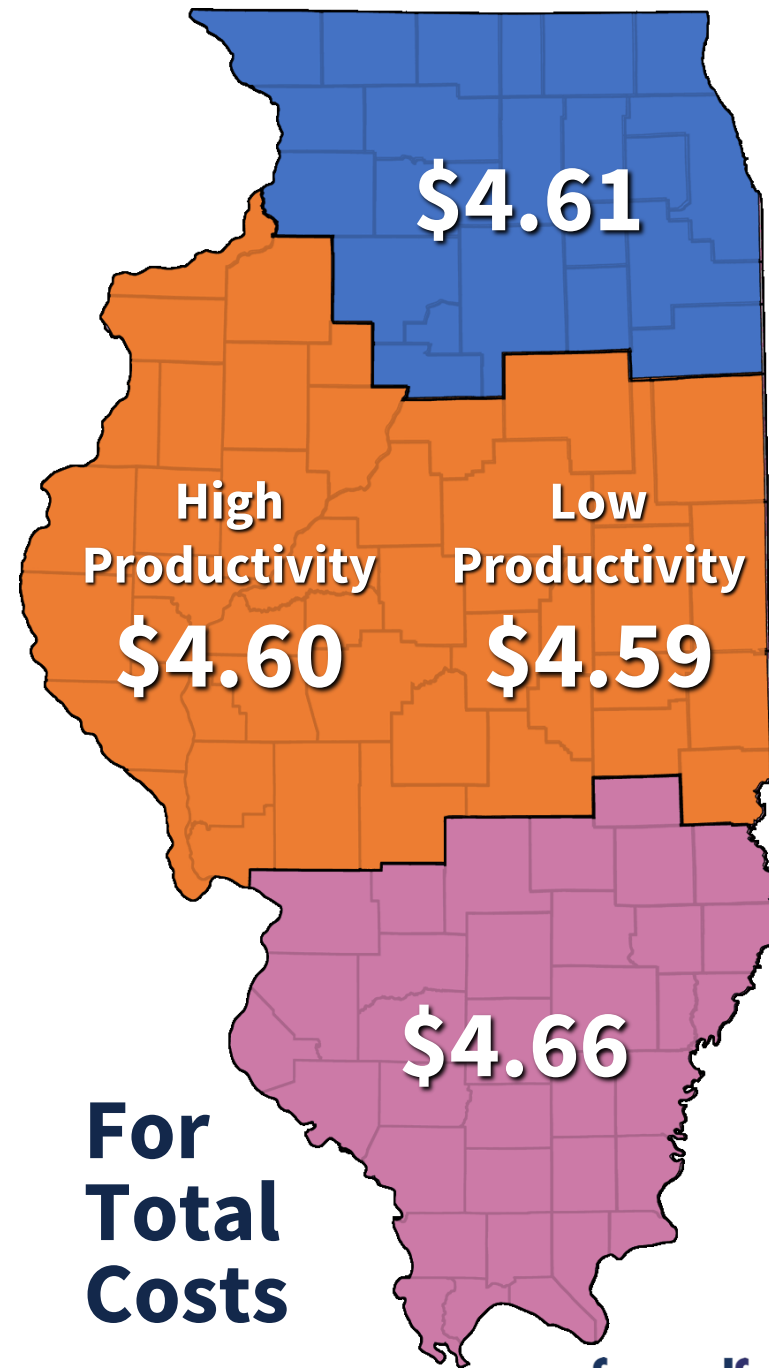
Source: Illinois Farm Business Farm Management and *farmdoc* projections

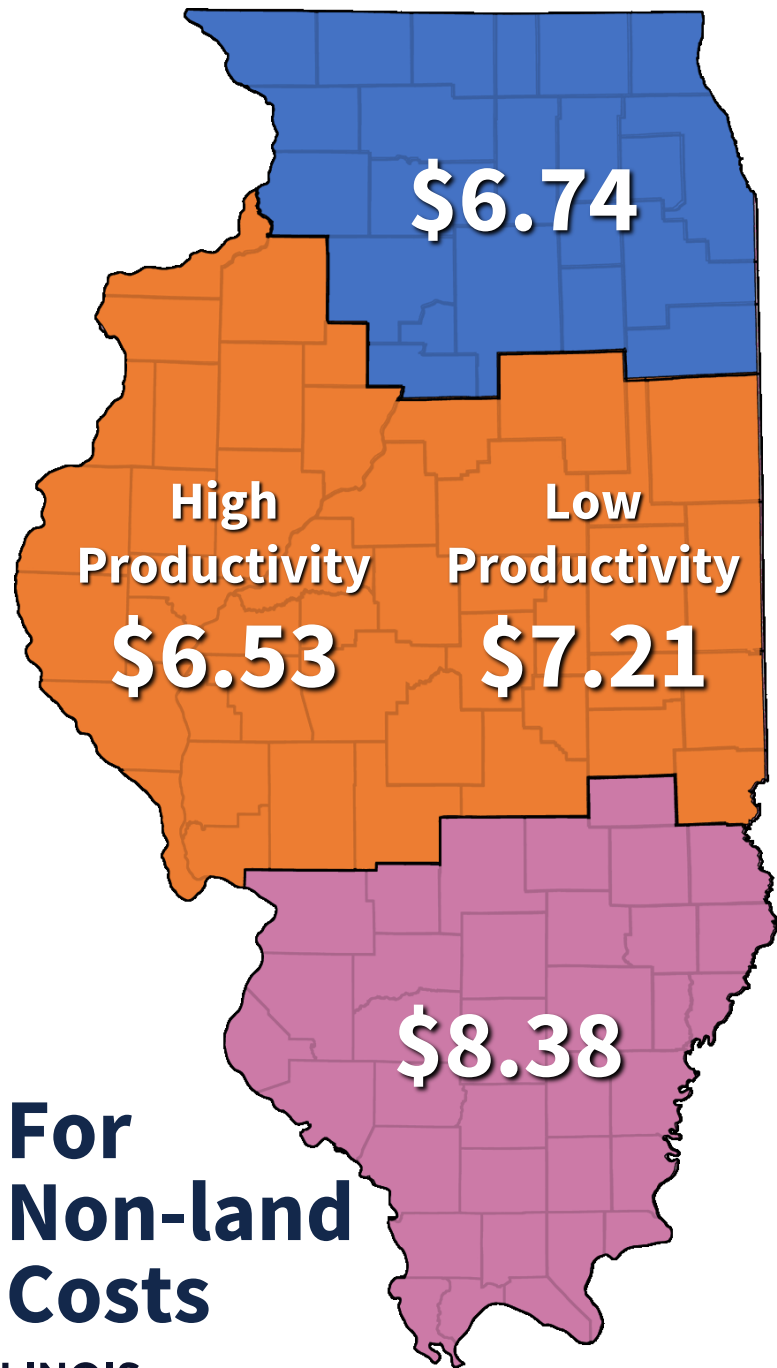


Corn Breakeven



2025 Projected
corn price is
\$4.30

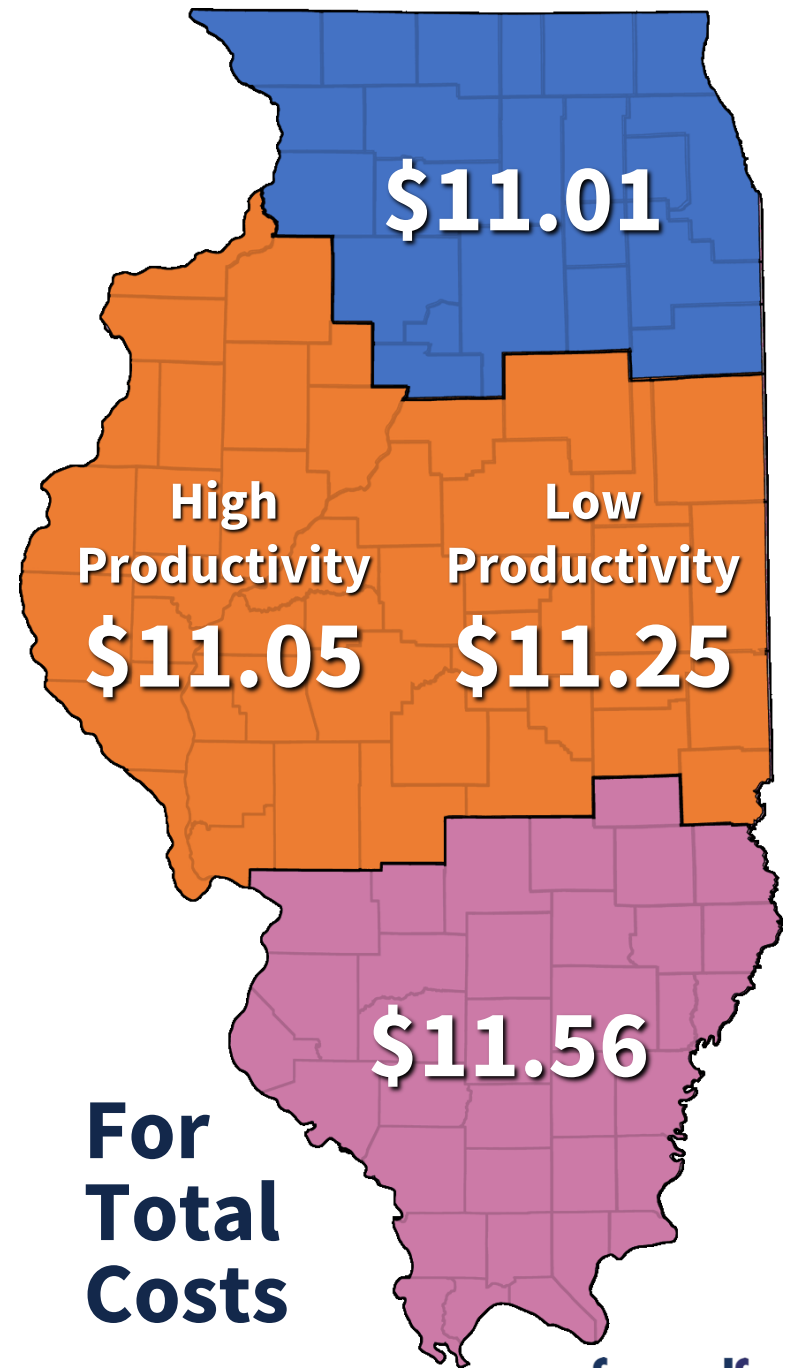




Soybean Breakeven

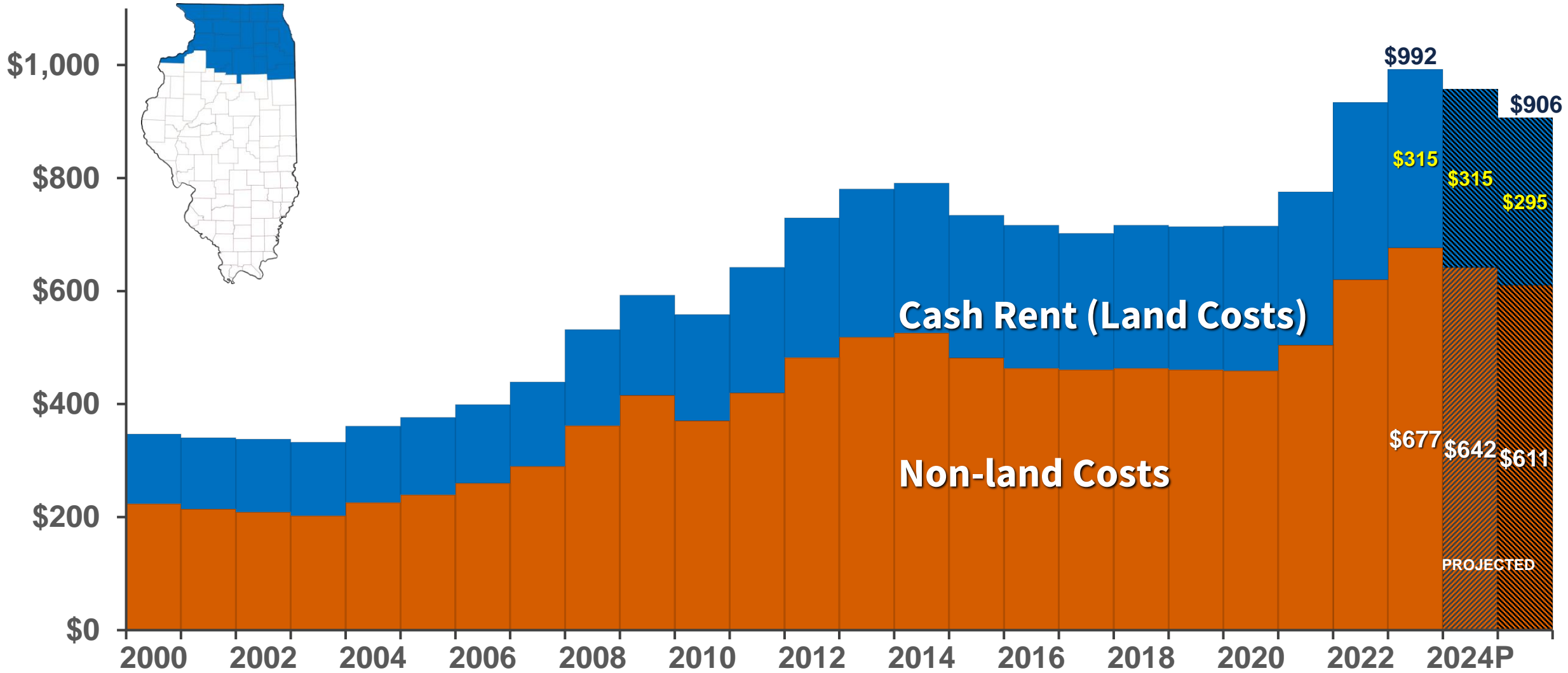


2025 Projected soybean price is **\$10.20**



Production Costs for Northern Illinois in \$ per acre

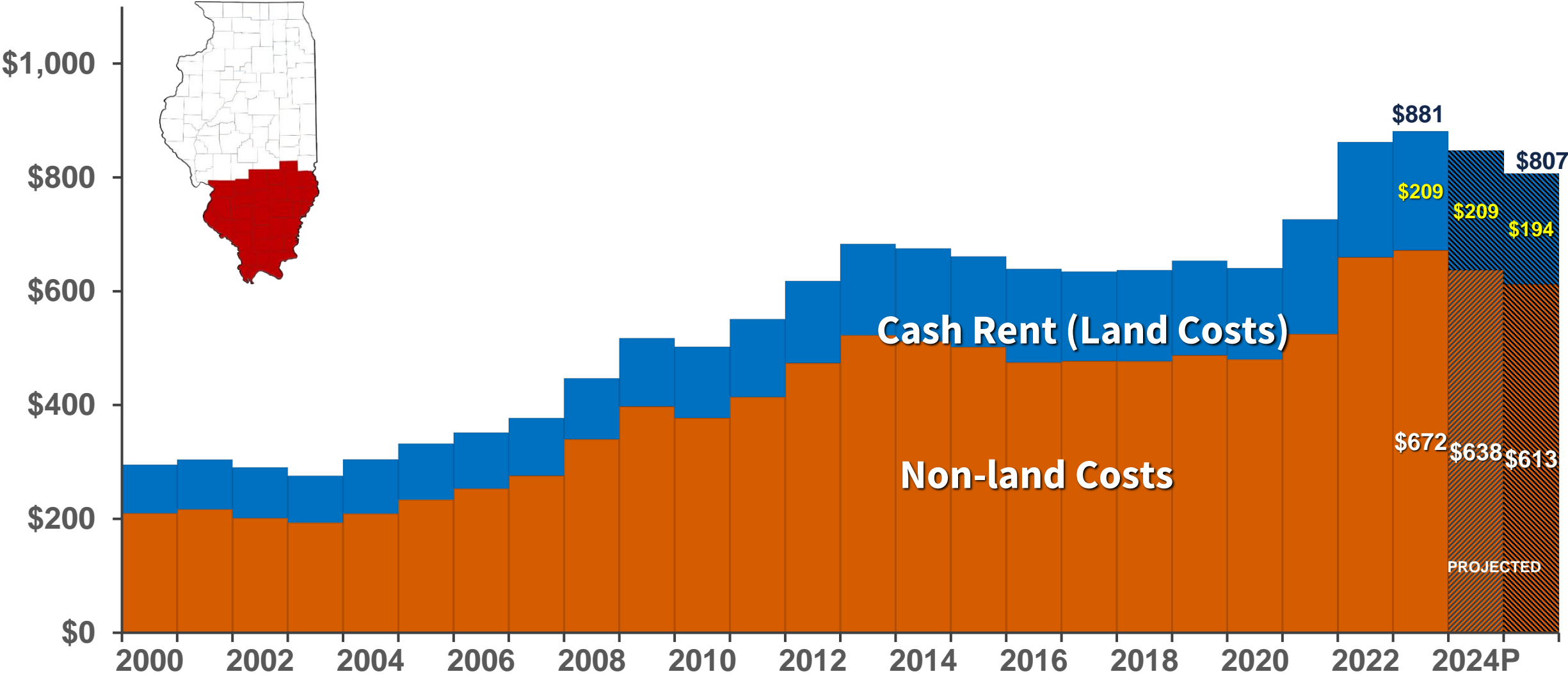
50-50 Corn-Soy Rotation, 2000 to 2025P



Source: Illinois Farm Business Farm Management and *farmdoc* projections

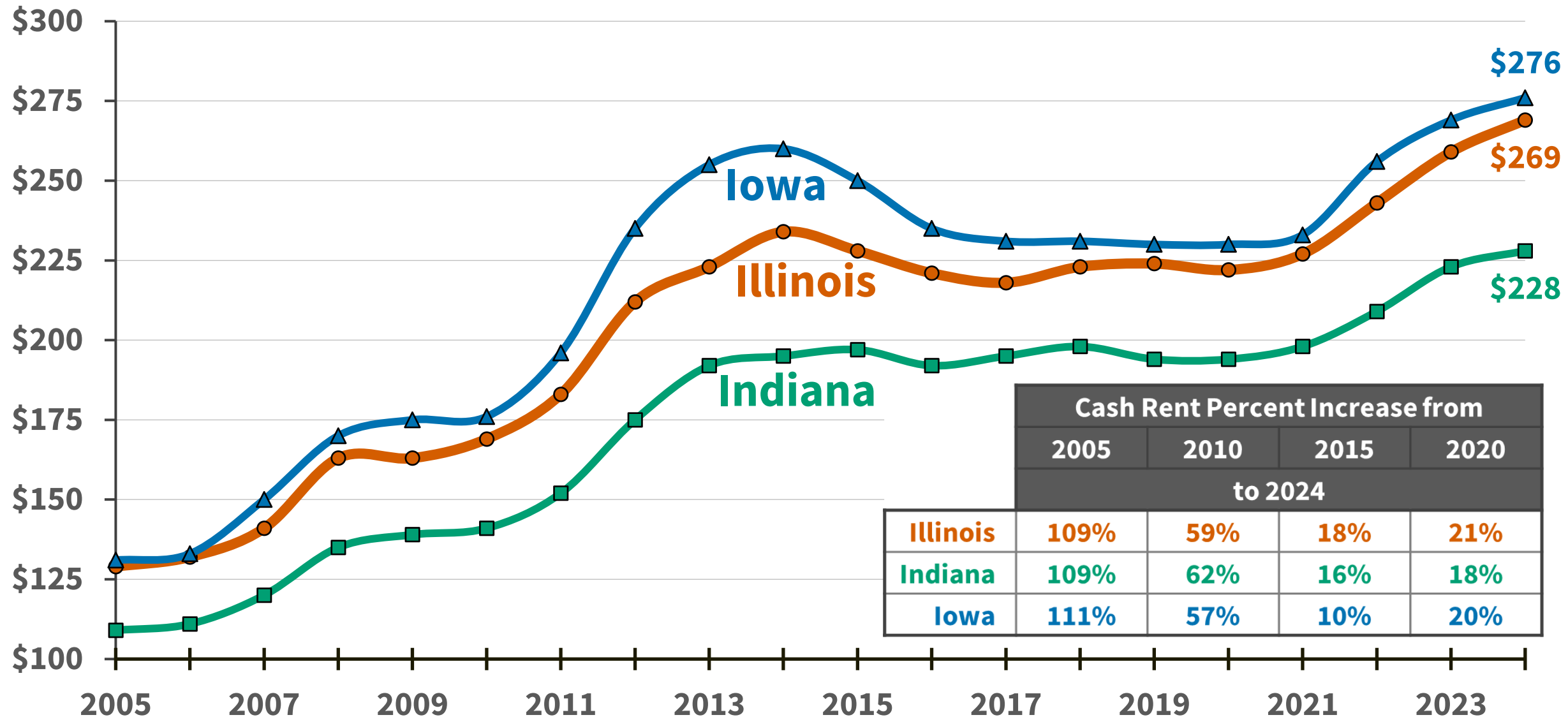
Production Costs for **Southern Illinois** in \$ per acre

50-50 Corn-Soy Rotation, 2000 to 2025P



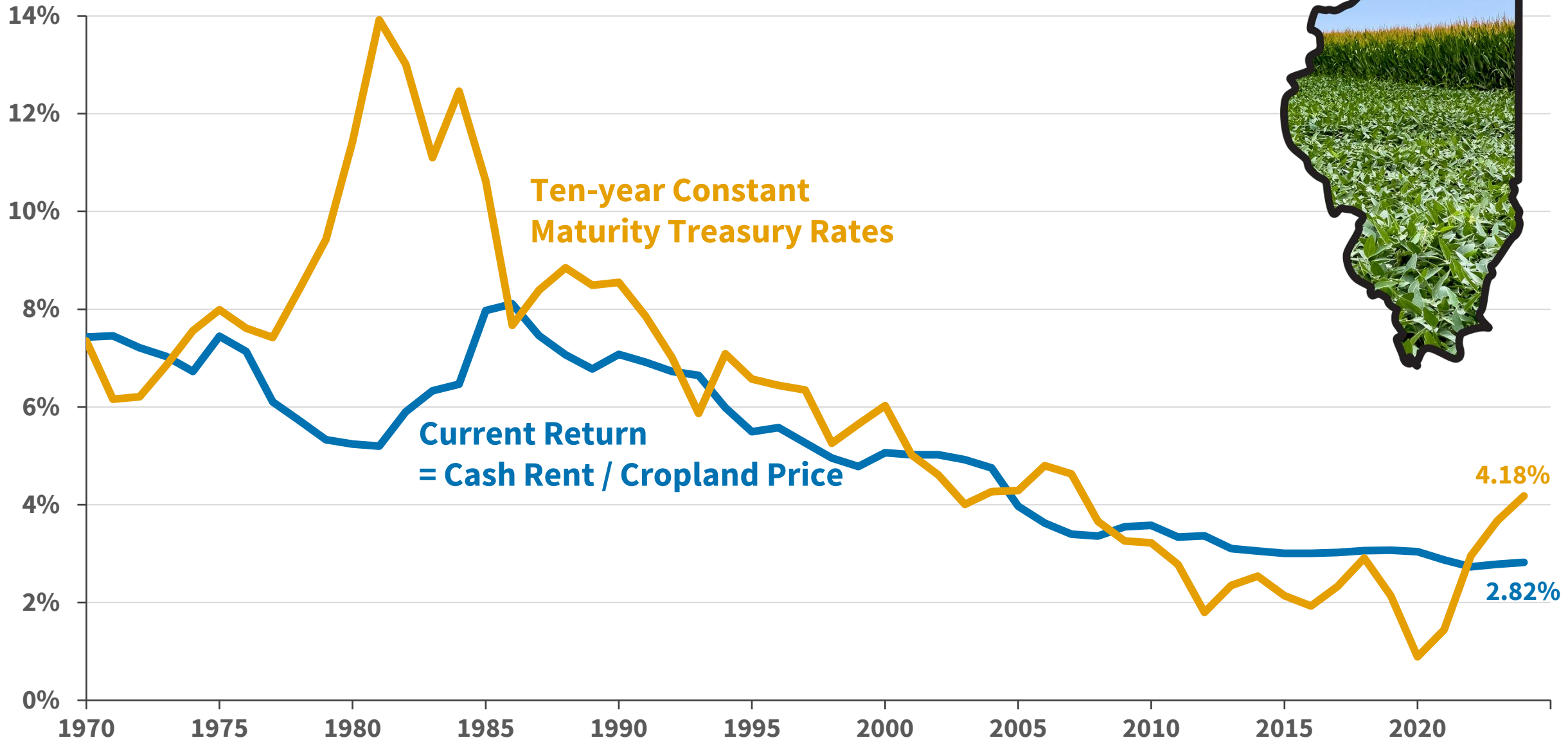
Average Cash Rents in Illinois, Indiana, and Iowa

\$ per acre



	Cash Rent Percent Increase from			
	2005	2010	2015	2020
	to 2024			
Illinois	109%	59%	18%	21%
Indiana	109%	62%	16%	18%
Iowa	111%	57%	10%	20%

Ten-year Constant Maturity Treasury (CMT) Rates and Current Returns to Illinois Farmland, 1970 to 2024

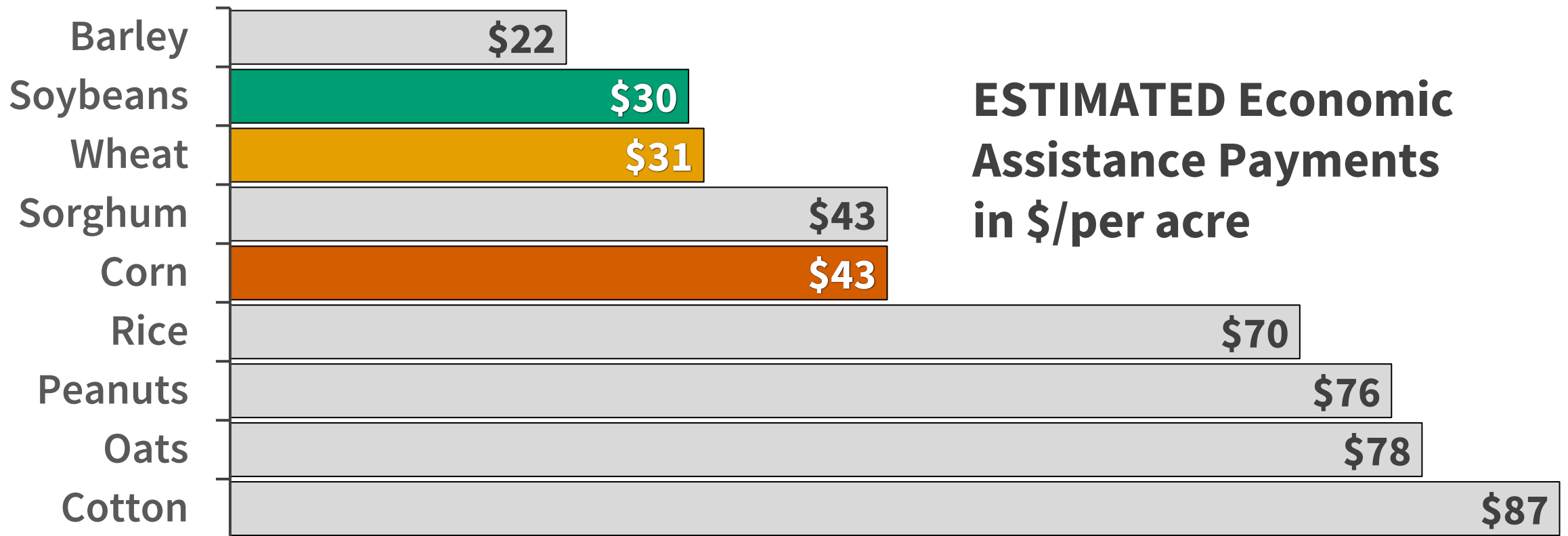


Returns and Farm Income

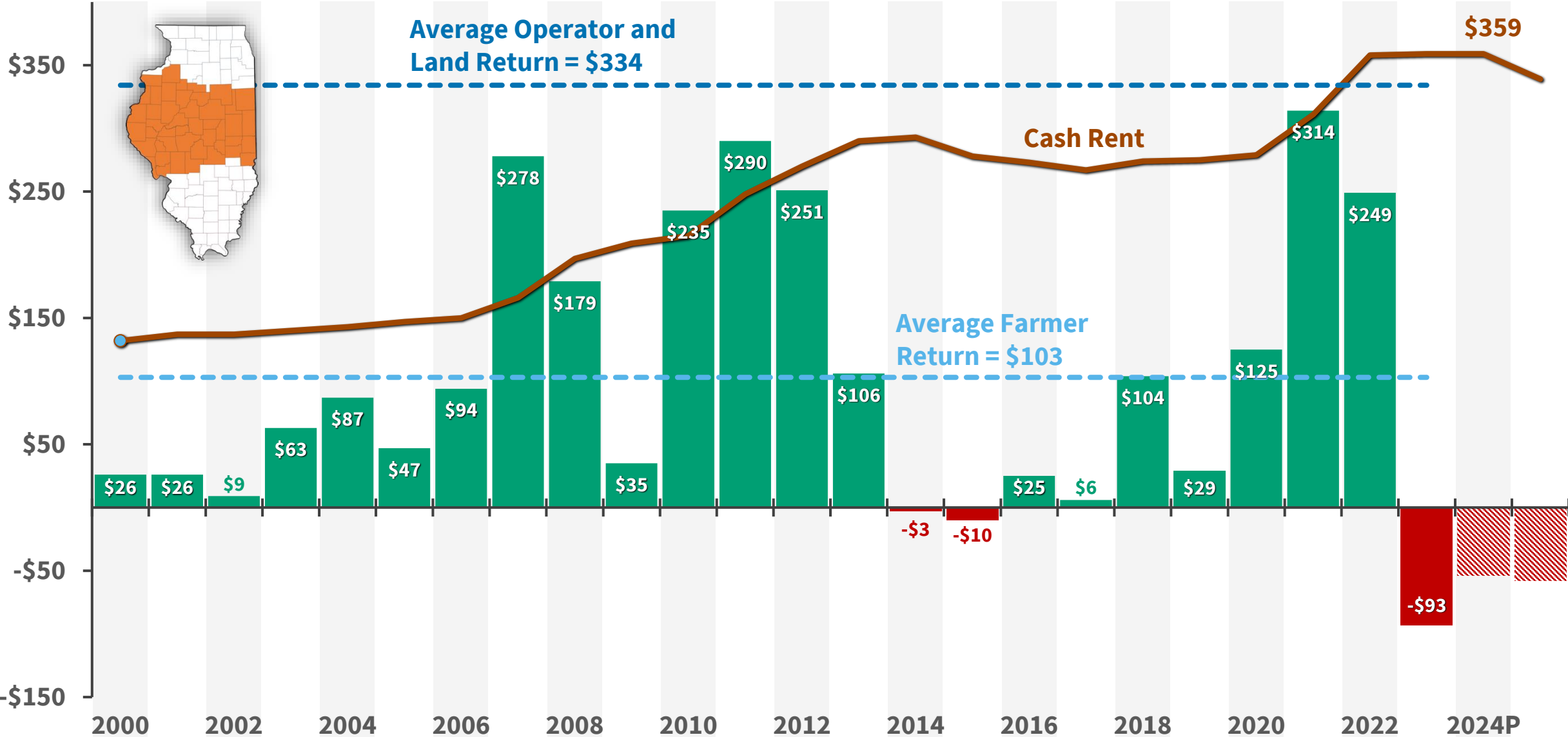


American Relief Act of 2025

- Continuing resolution to fund Federal government through March
- \$20.78 billion in disaster assistance
- \$10 billion in economic assistance (EA) payments
 - Partially offset estimated economic losses for 2024 crop year

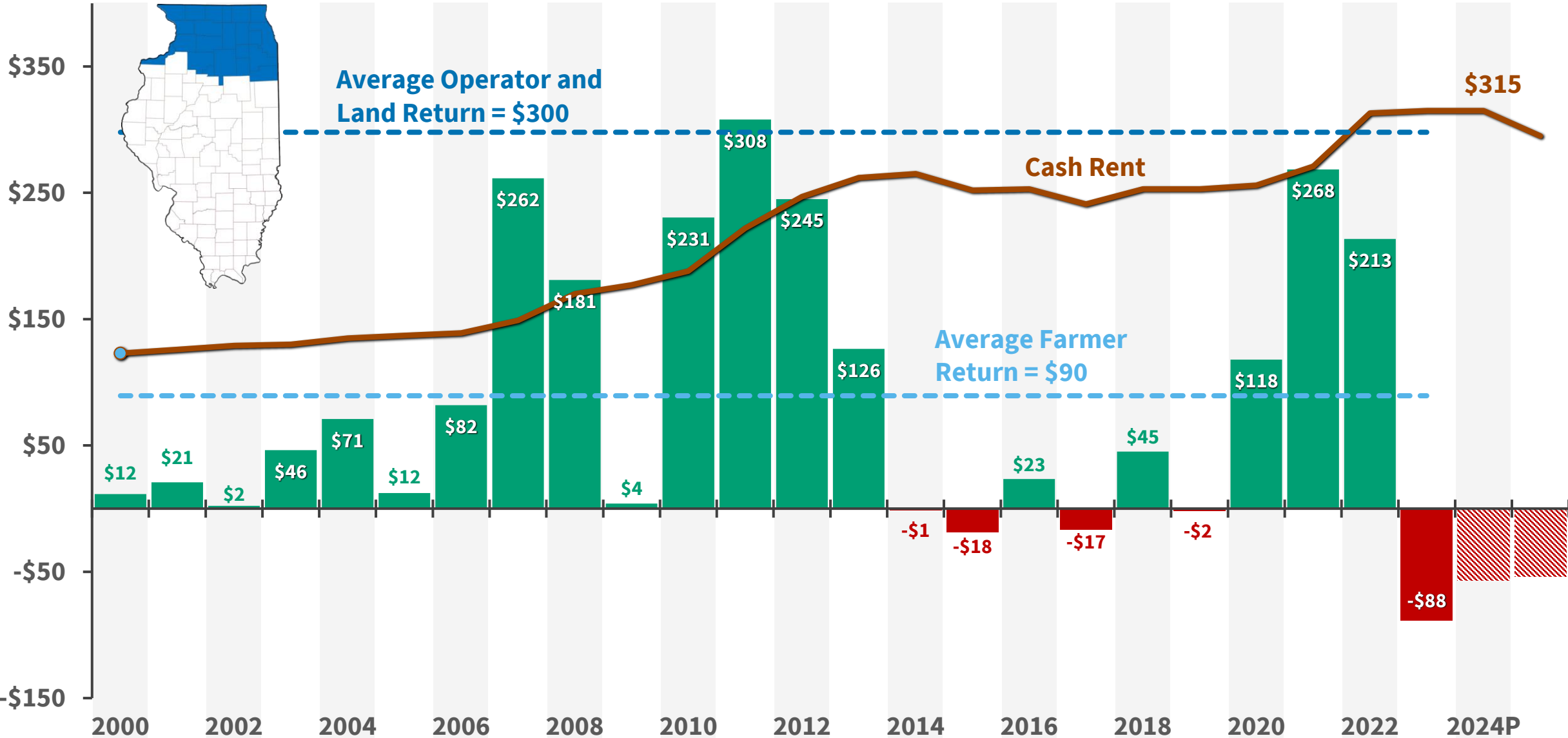


Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Central Illinois, Cash Rented Farmland (includes 2024 economic assistance)



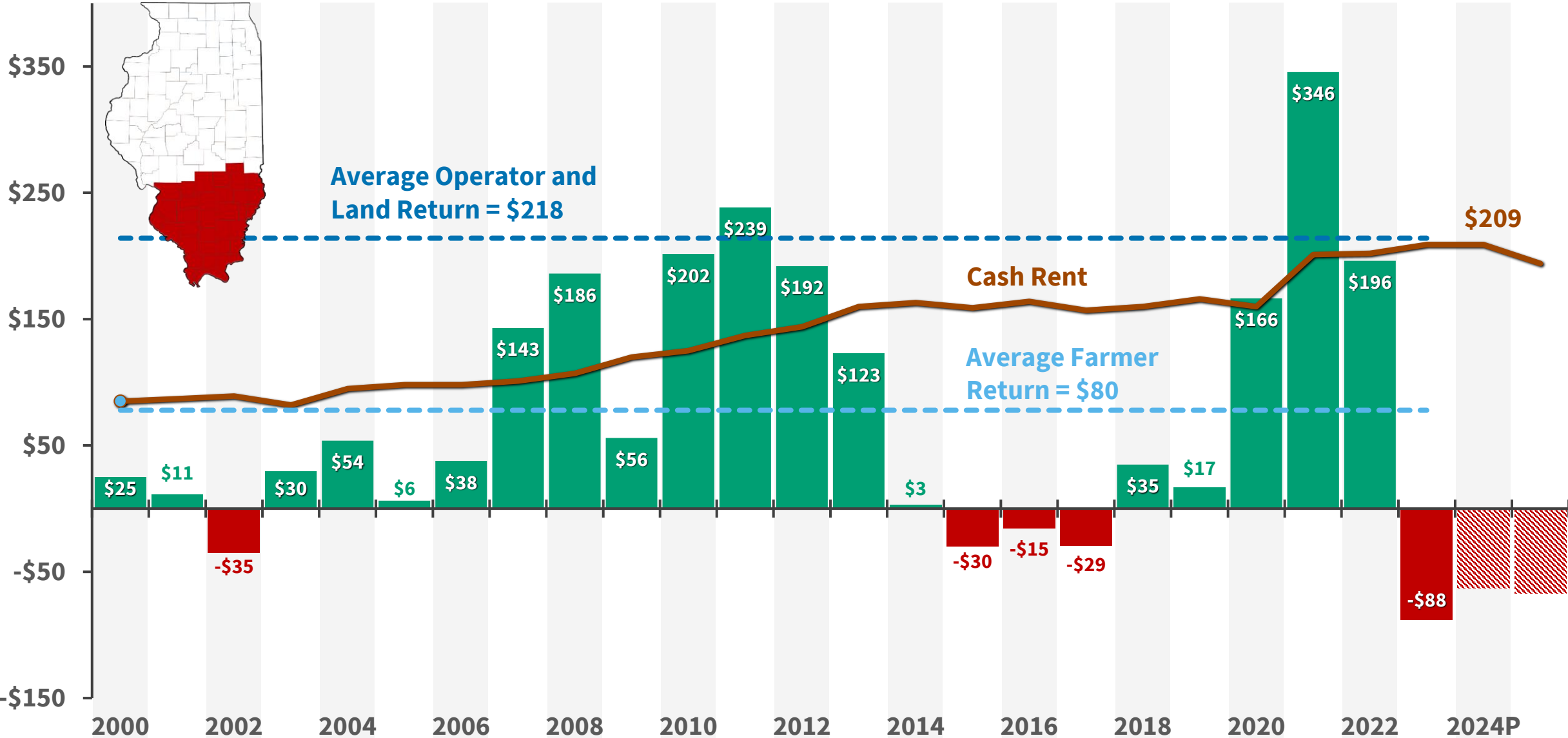
Source: Illinois FBFM and *farmdoc* projections

Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Northern Illinois, Cash Rented Farmland (includes 2024 economic assistance)



Source: Illinois FBFM and *farmdoc* projections

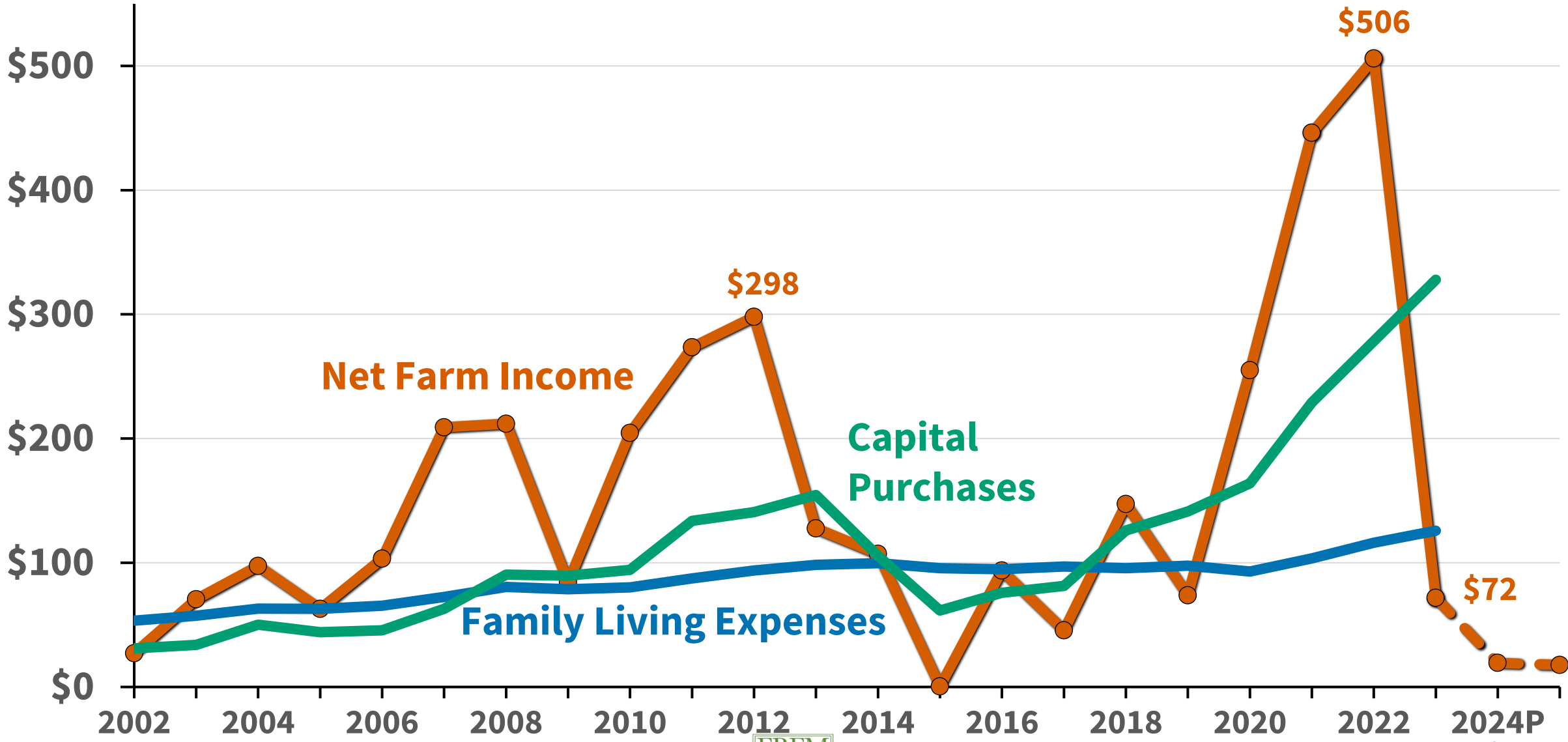
Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Southern Illinois, Cash Rented Farmland (includes 2024 economic assistance)



Source: Illinois FBFM and *farmdoc* projections

Net Farm Income, Capital Purchases, and Family Living in Illinois

Grain Farms enrolled in Illinois Farm Business Farm Management (\$1,000)



Strategies for Dealing with Low Income

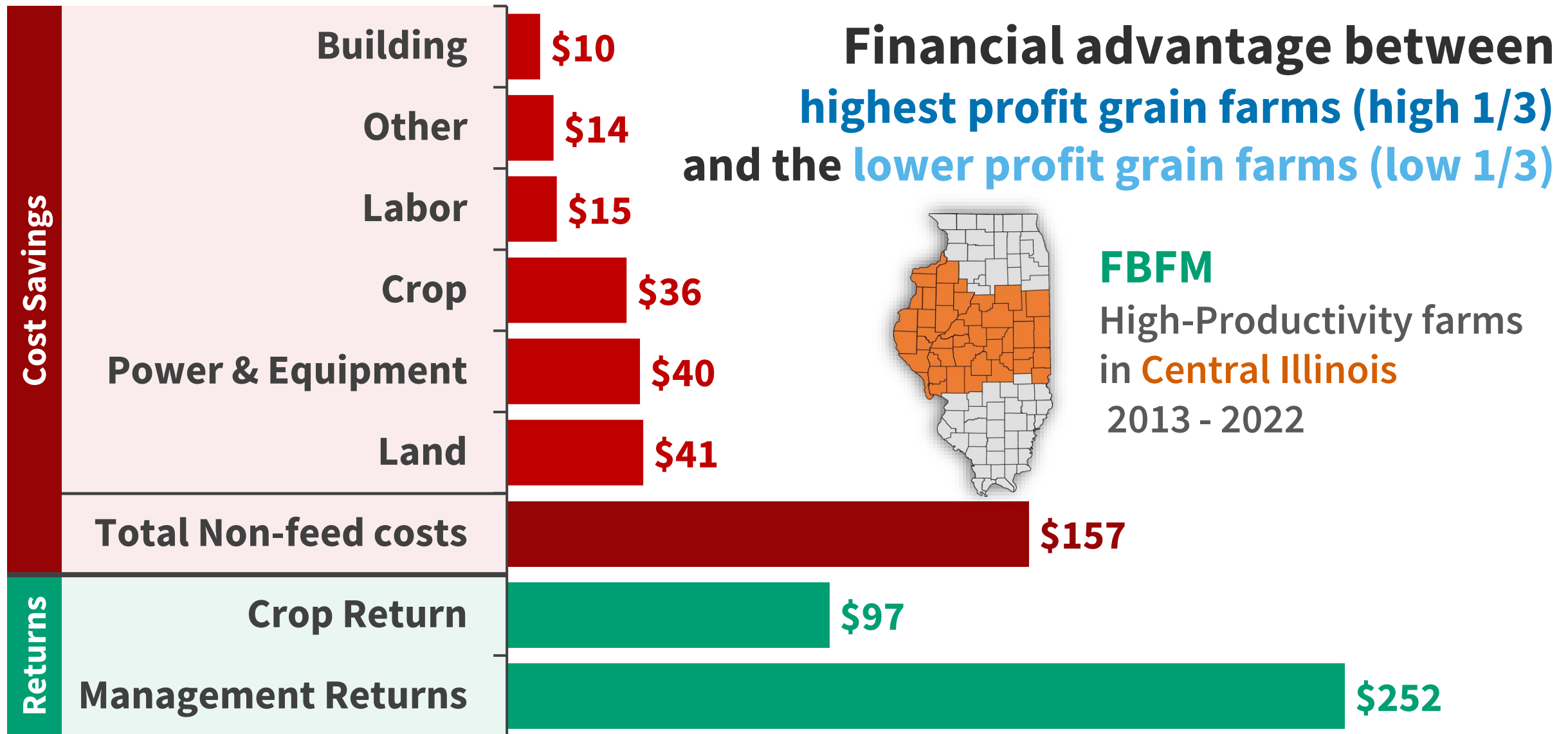


Strategies

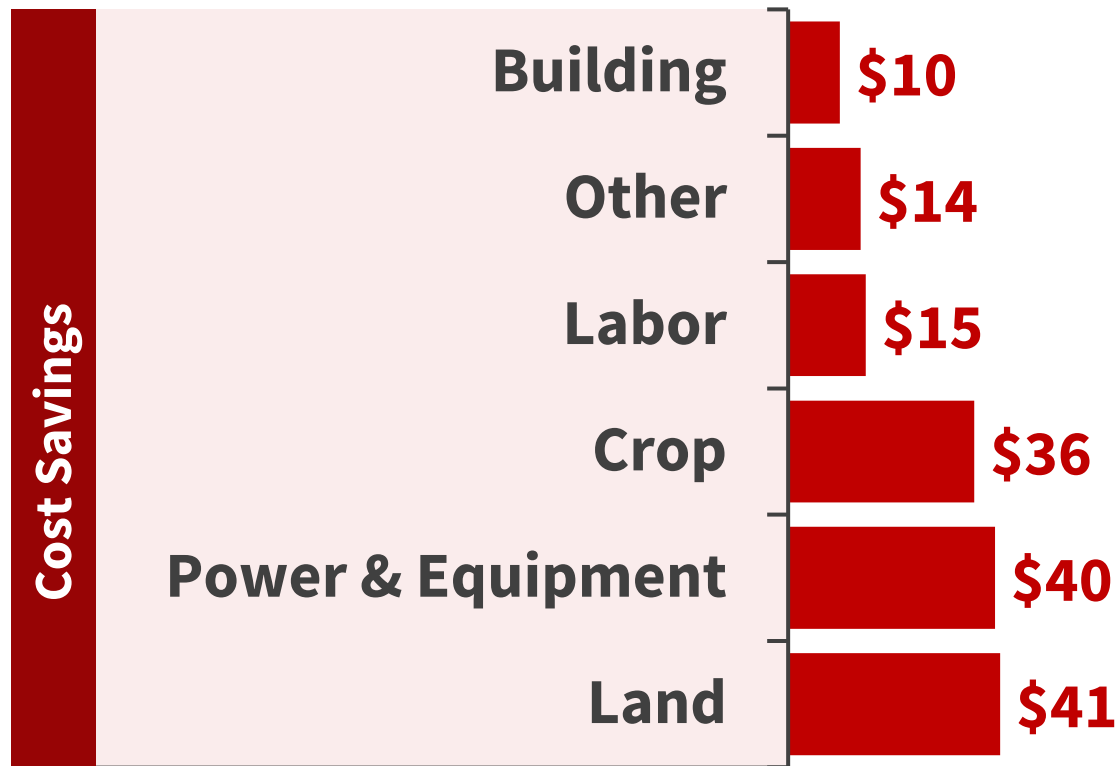
- 1. Be a low-cost producer**
2. Reassess land rental strategies
3. Reassess machinery strategies
4. Take advantage of available government programs



1. Be a low-cost producer



Be a low-cost producer



FBFM



Precision Conservation Management

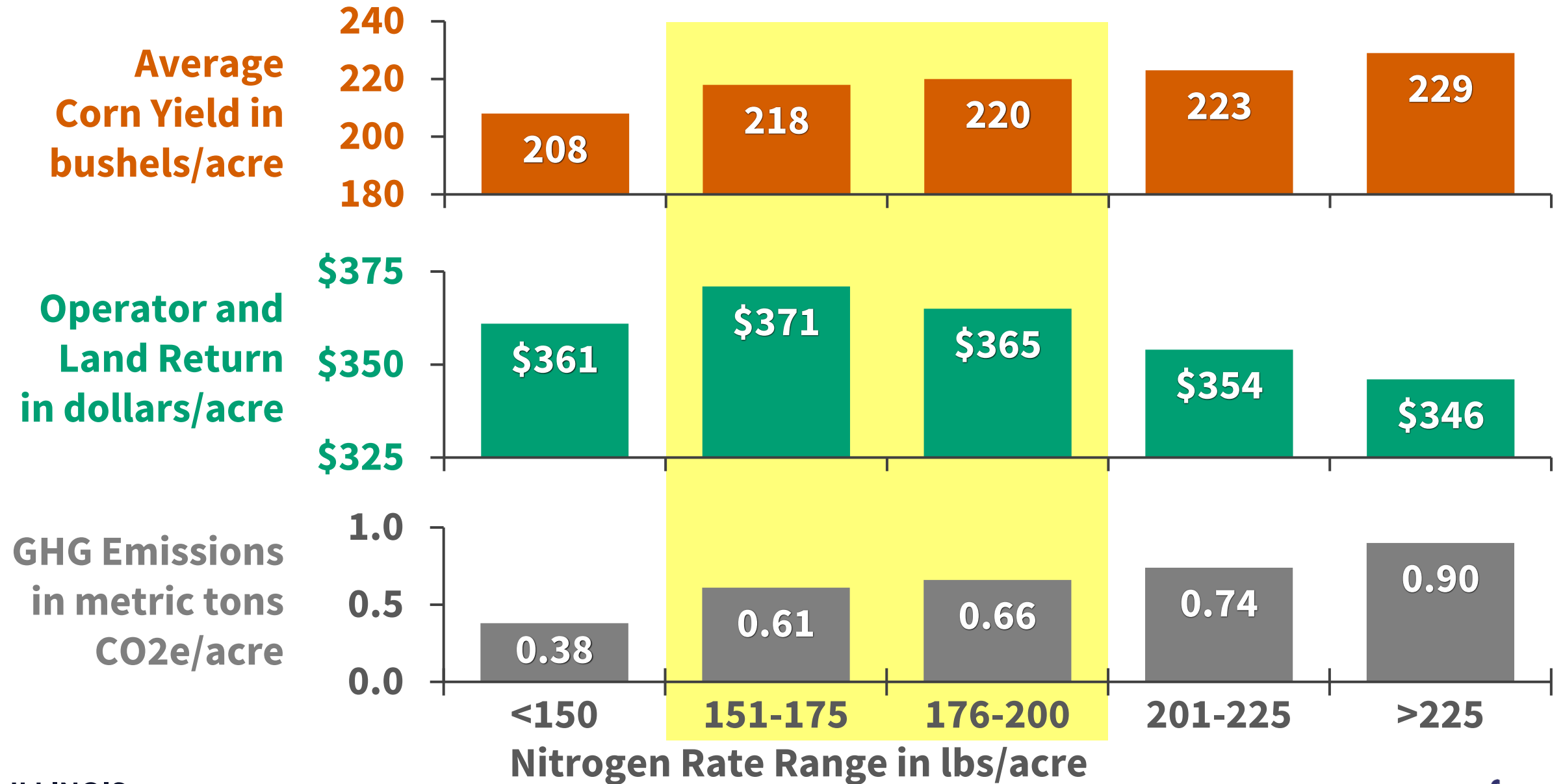
The same producers have:

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

See Schnitkey and Gentry,
*Strategies for Withstanding
Low-Profitability Years*

farmdoc webinar on December 10, 2024

Apply Nitrogen at University Recommended Rates



Consider Reducing Tillage Pass



Lower tillage systems are more profitable in the lower return years

Strategies

1. Be a low-cost producer
- 2. Reassess land rental strategies**
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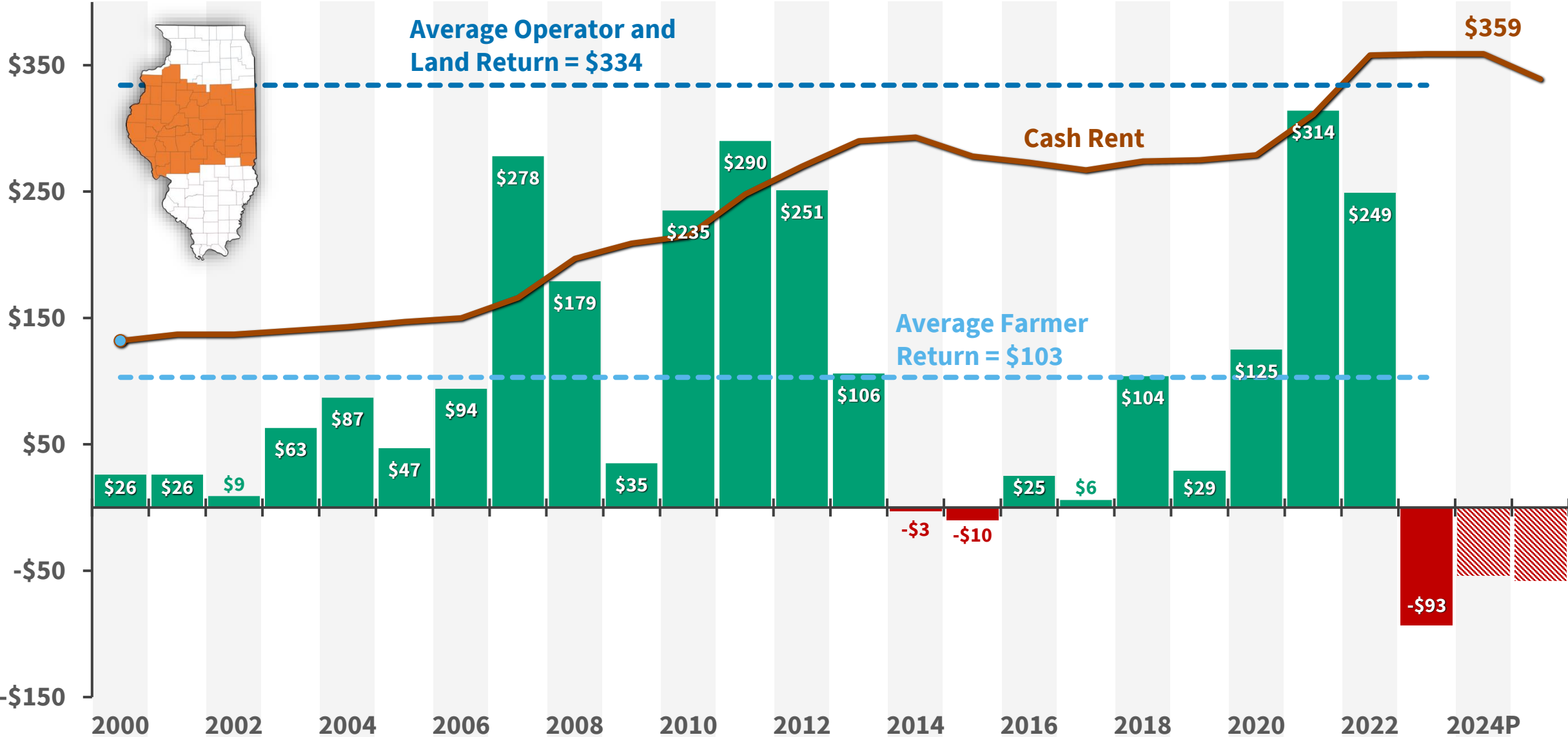


Land Strategies

- **Marketing approach:
How is the farm going to
attract new landowners?**
- **Farm resume
and a sales pitch**
- **How much will/can the farmer
pay for cash rent farmland?**

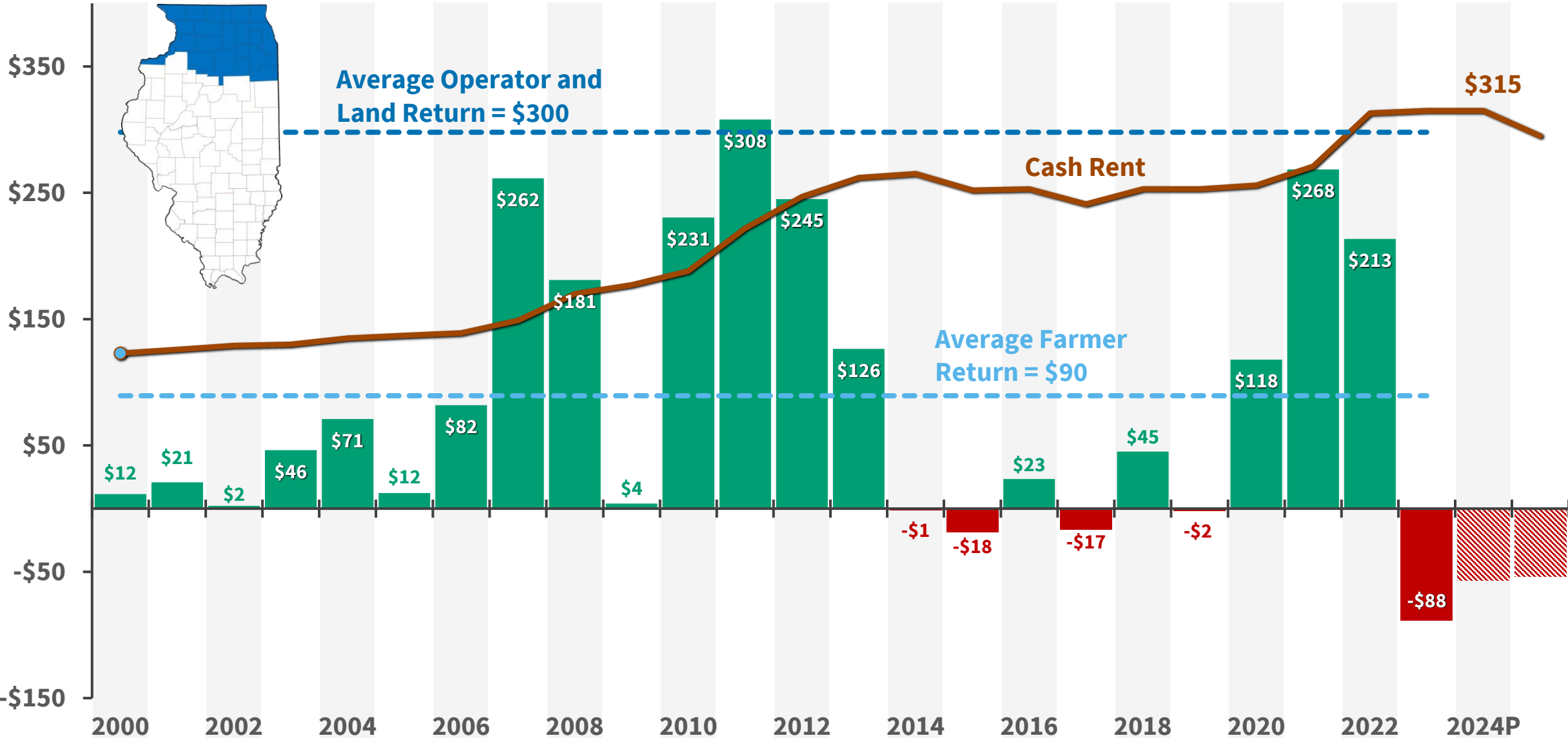


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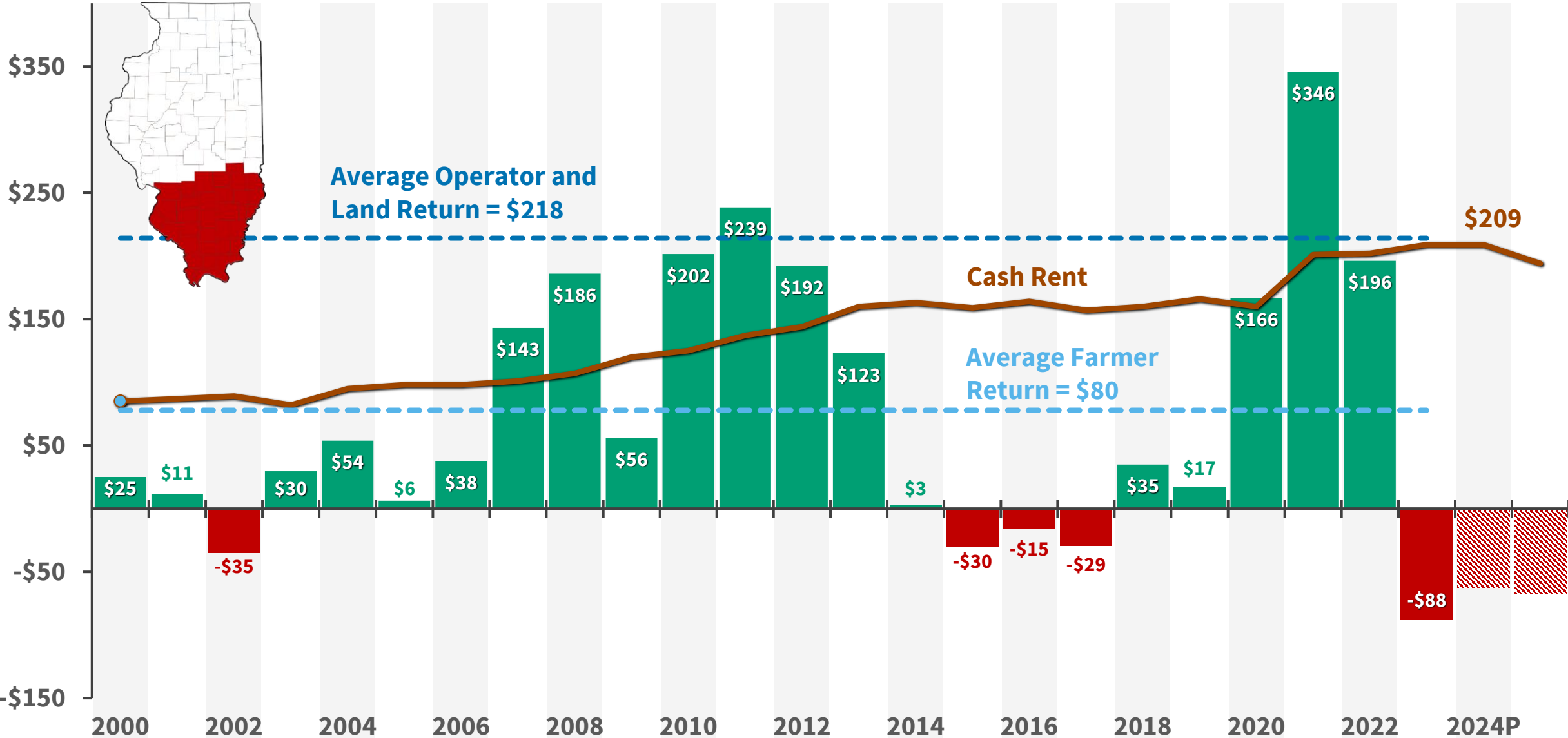
Source: Illinois FBFM and *farmdoc* projections

Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Northern Illinois, Cash Rented Farmland (includes 2024 economic assistance)



Source: Illinois FBFM and *farmdoc* projections

Returns to a 50% Corn – 50% Soybean Rotation in \$ per acre on Southern Illinois, Cash Rented Farmland (includes 2024 economic assistance)



Source: Illinois FBFM and *farmdoc* projections

Philosophy

Farm for a break-even in most years,
waiting for the high returns in a minority of years
(high-income years 2007-2008, 2010-2012, 2020-2022)

Problem 1:

When will the high-income years happen again?
It could be next year or ten years from now

Problem 2:

Profits are extremely low now and projected to continue

What are you going to do with high rent farmland?

- Established farms with a stable land base (small portion of high cash rent farmland):

Why do this?

- Younger operators relying on more rented land with high cash rents:

How long can this go on?

Develop another source of “cash” income

Strategies

1. Be a low-cost producer
2. Reassess land rental strategies
- 3. Reassess machinery strategies**
4. Take advantage of available government programs



Machinery Economics: The Basis

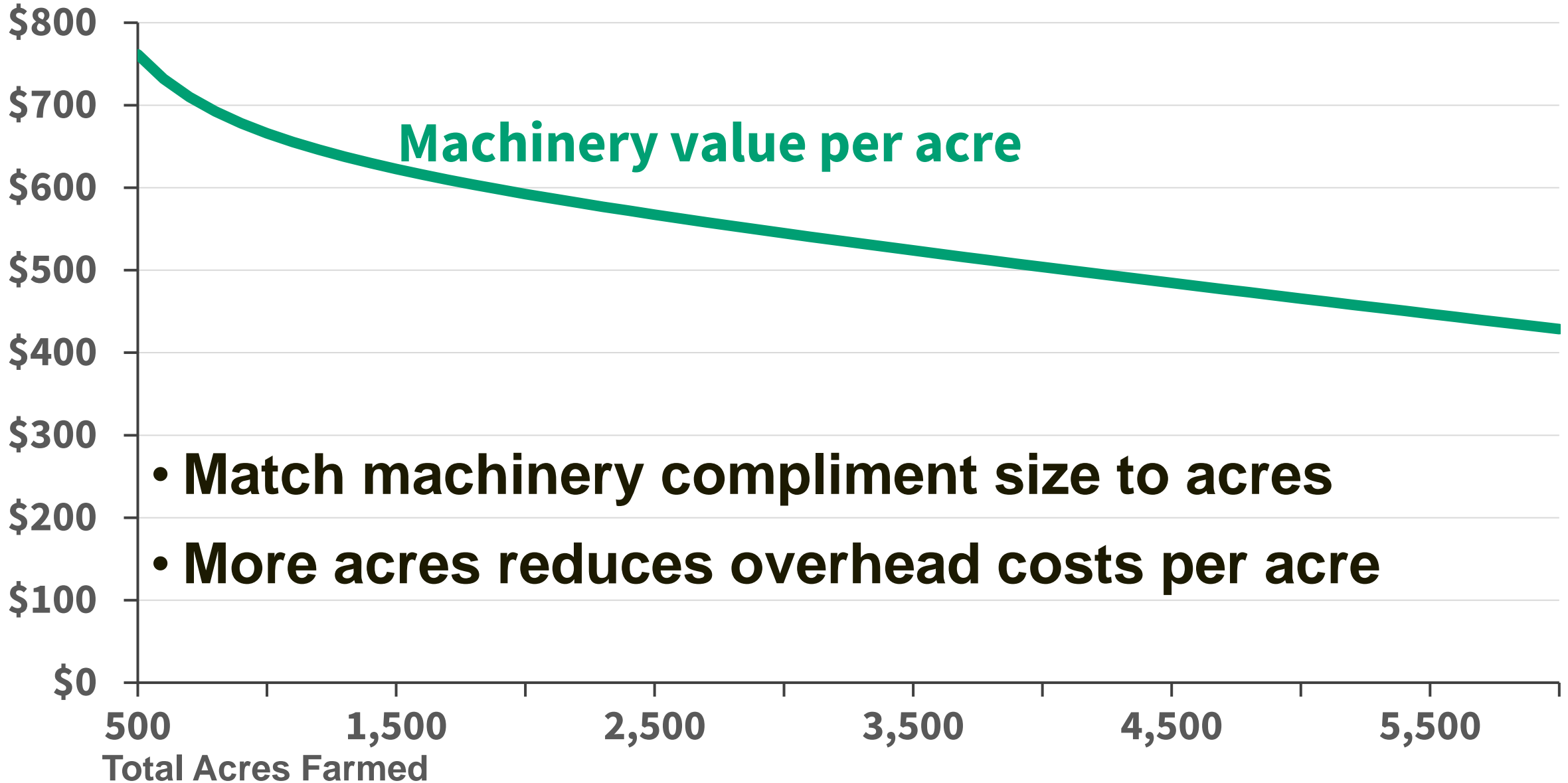
1. Farm size matters

2. Amount matters

3. Sizing equipment matter



Average Machinery Values FBFM Grain Farms

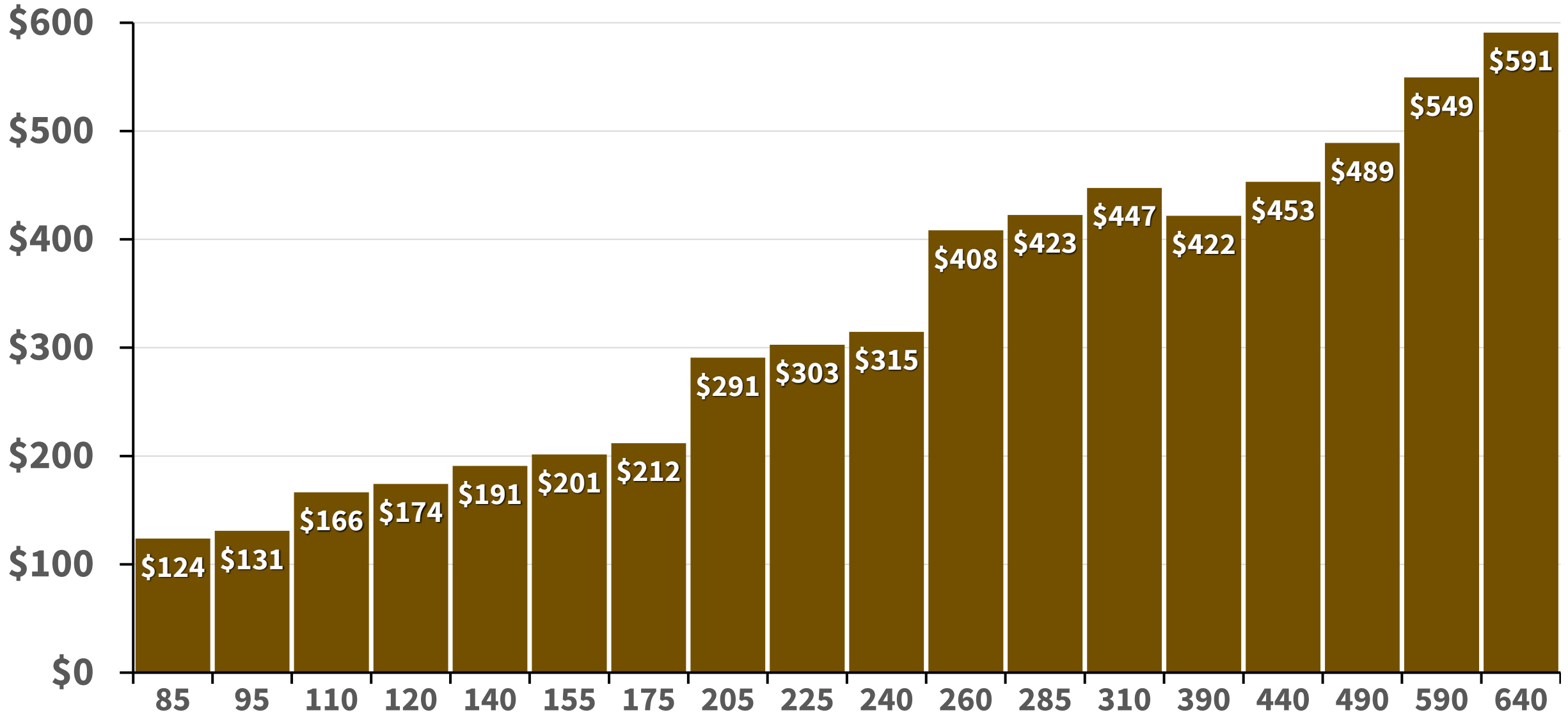


Machinery Economics: The Basis

1. Farm size matters
- 2. Amount matters**
3. Sizing equipment matter



Tractor List Price in \$1,000

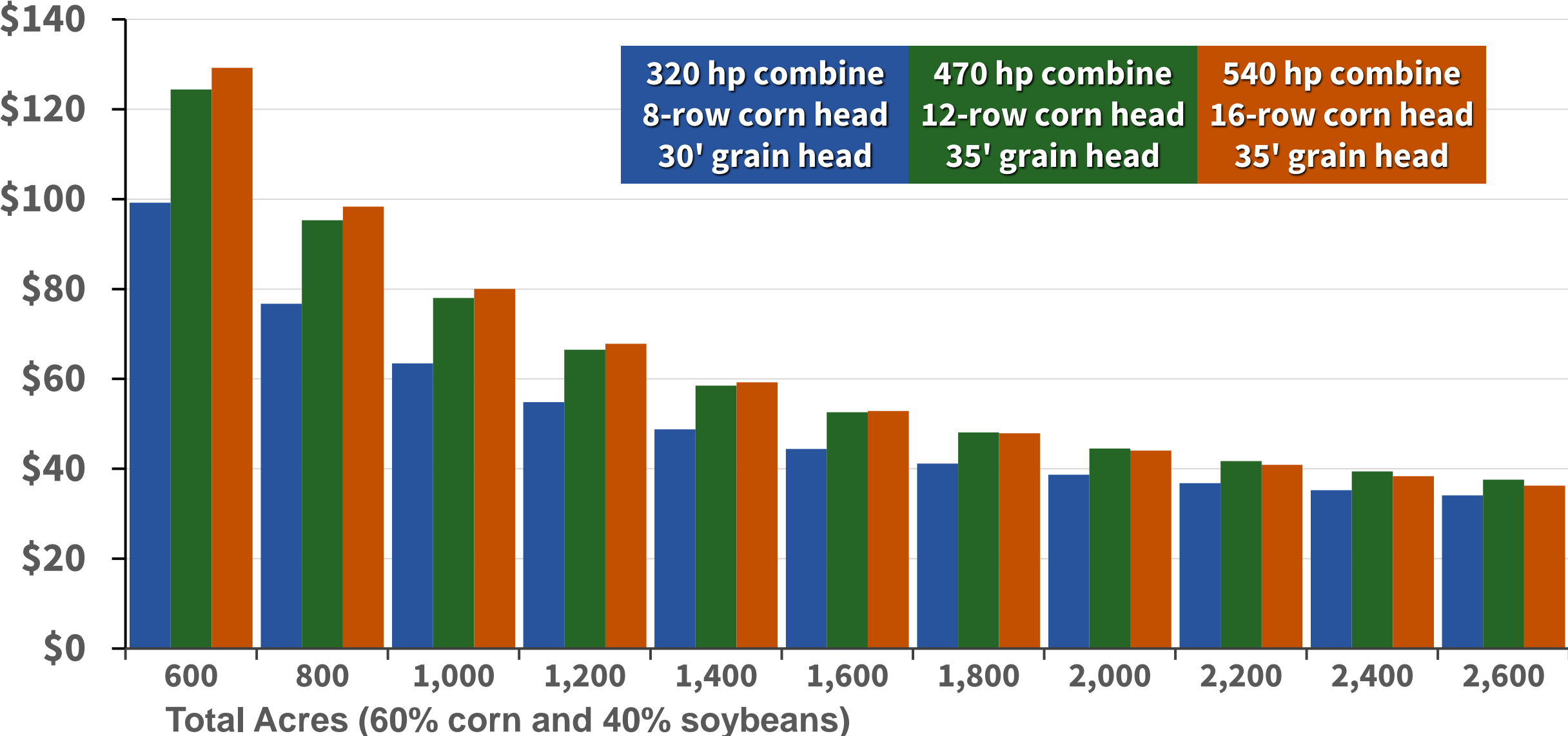


Machinery Economics: The Basis

1. Farm size matters
2. Amount matters
- 3. Sizing equipment matters**



Combine Cost Per Acre



Strategies

1. Be a low-cost producer
2. Reassess land rental strategies
3. Reassess machinery strategies
4. Take advantage of available government programs



Programs

- ARC/PLC
- Crop insurance – likely need high levels, stick with Federally subsidized products:
High-coverage level RP, maybe add ECO
- Ad Hoc federal payments
(e.g., ERP, WHIP, Economic Assistance payments)
- Farming practice (Soil Health) payments

Thank you!



Upcoming IFES Webinars

Feb 20, 2025: Farm Policy Update

Jonathan Coppess

This webinar will discuss the state and outlook of the Farm Bill and farm policy, including ARC/PLC, conservation, and crop insurance programs. Topics include challenges to Farm Bill reauthorizations and proposed policy modifications regarding crop insurance, reference prices, and the Inflation Reduction Act.

Other Upcoming Webinars

H5N1: Updates for Producers and the Public

Highly Pathogenic Avian Influenza (HPAI) (H5N1) virus is widespread among wild birds and continues to cause outbreaks in poultry and spillover to mammals. This two-part webinar series will provide an overview of the current outbreak in the U.S. and current surveillance and monitoring efforts in Illinois. Presenters will also provide information for agricultural producers on testing and infection prevention and control recommendations.

Feb 18, 2025: H5N1 in America:

Understanding the Outbreak and Illinois Response

Feb 25, 2025: H5N1 Prevention Strategies:

A Guide for Agricultural Producers



Sign up for the free farmdoc
webinar series at
<https://go.illinois.edu/BirdFlu2025>

Other Upcoming Webinars

Crop Risk Management Decisions for 2025

In response to the continuing challenges of lower commodity prices and elevated production costs, this essential two-part webinar series offers Illinois grain producers vital insights for 2025 risk management decisions. These timely sessions are designed to help producers make informed choices before the April 15, 2025, deadline.

March 3, 2025, Monday | 11:00 AM - Noon CT
Navigating 2025 Crop Insurance Choices

March 28, 2025, Friday | 11:00 AM – Noon CT
Deadline Decisions:
Making the Right ARC/PLC Choice for 2025



Sign up for the free farmdoc
webinar series at
<https://go.illinois.edu/CropRisk2025>

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Thank You!

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