



## Projected 2015 Net Incomes on Grain Farms

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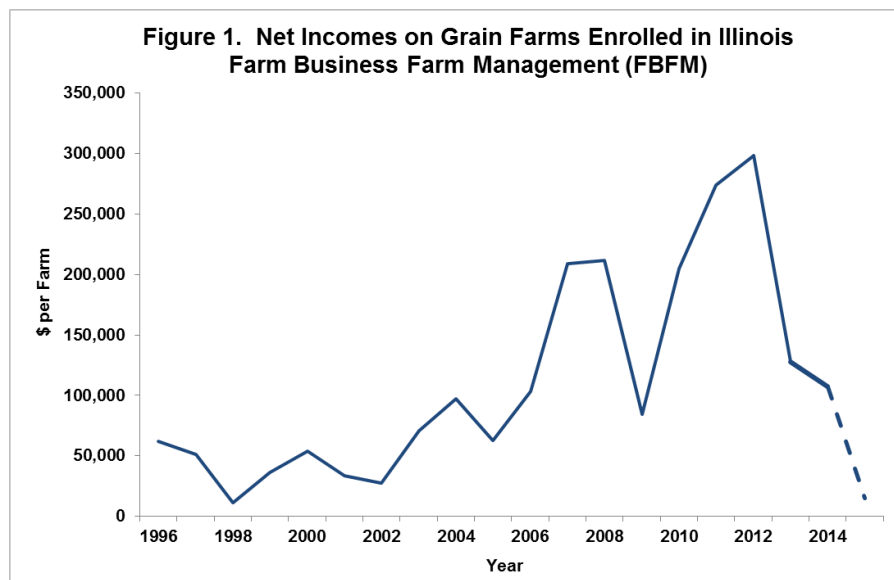
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Average 2015 net income for grain farms in Illinois is projected at around \$15,000 per farm, down considerably from the 2014 average of slightly above \$100,000 per farm (see Figure 1). Furthermore, the 2015 net income will be below incomes in 2010 through 2012 which were above \$200,000 per farm. This decline in incomes raises questions.



### What do incomes in Figure 1 represent?

Historical values in Figure 1 are average net farm incomes of grain farms enrolled in Illinois Farm Business Farm Management (FBFM). These farms are located throughout Illinois and represent a variety of farm sizes, tenure relationships, and debt positions. Farms have increased in size over time. In 2014, average farm size was close to 1,500 acres, but the sample included many smaller farms and may larger farms. There were a relatively large number of farms of over 5,000 acres.

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## How was the 2015 net farm income projected?

Commodity prices, yields, input costs, and cash rents were projected for 2015. More detail on these projections are contained in [the 2015 budgets](#) which are summarized in the [July 7th farmdoc daily article](#). Key items impacting projections are:

- Commodity prices are \$4.20 per bushel for corn and \$10.00 per bushel for soybeans.
- Yields are presumed to be near trend line levels.
- Non-land costs are projected to declines slightly from 2014 levels.
- Cash rents are projected to decrease slightly from 2014 levels.

## Can 2015 net incomes vary from projections?

Of course. Differences in prices and yields from those used in projections will change incomes. For example, corn price could easily be \$.50 per bushel different from the \$4.20 price used in projections. With higher prices or higher yields, 2015 net incomes could be above \$50,000. However, it is difficult to build a case where 2015 incomes are not considerably lower than 2014 incomes.

## Why are 2015 net incomes projected so much lower than 2014 net incomes?

The projected 2015 commodity prices (\$4.20 for corn and \$10.05 for soybean) are above commodity prices received for 2014 crop (likely \$3.70 for corn and \$9.75 for soybeans). Given higher prices, why then are projected 2015 incomes lower than 2014 net incomes? Two reasons:

- Trend line yields are used in 2015 projections. Much of Illinois had above average yields in 2014, contributing to higher net incomes.
- Marketing gains contributed a large amount to 2014 incomes. Grain produced in 2013 was valued at a lower price on the end-of-year 2013 income than it was sold in 2014. More detail is provided in the [May 27th farmdoc daily article](#).

## Why is projected 2015 net income lower than averages between 2000 through 2005?

From 2000 to 2005, net incomes on Illinois grain farms averaged \$57,500, higher than incomes projected in 2015. When making 2015 projections, a \$4.20 corn price and \$10.00 soybean price are used. These 2015 projected prices are significantly above prices from 2000 to 2005 when prices received by Illinois farmers averaged \$2.18 for corn and \$5.69 for soybeans. Given higher prices, revenue is projected higher in 2015 than from 2000-2015. However, costs are projected much higher as well. For example, non-land costs for corn have increased 224% from \$256 per acre average from 2000-05 to \$578 per acre in 2015. Cash rents have increased 205% from \$139 per acre to a projected \$286 per acre. These cost increases are the primary factor offsetting higher commodity prices, leading to lower projected incomes in 2015.

## Will lower incomes signal financial stress?

These lower incomes suggest the need for continuing financial adjustments. More on the financial strength and need for adjustments will be covered in the [July 28th farmdoc daily article](#).

## References

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