

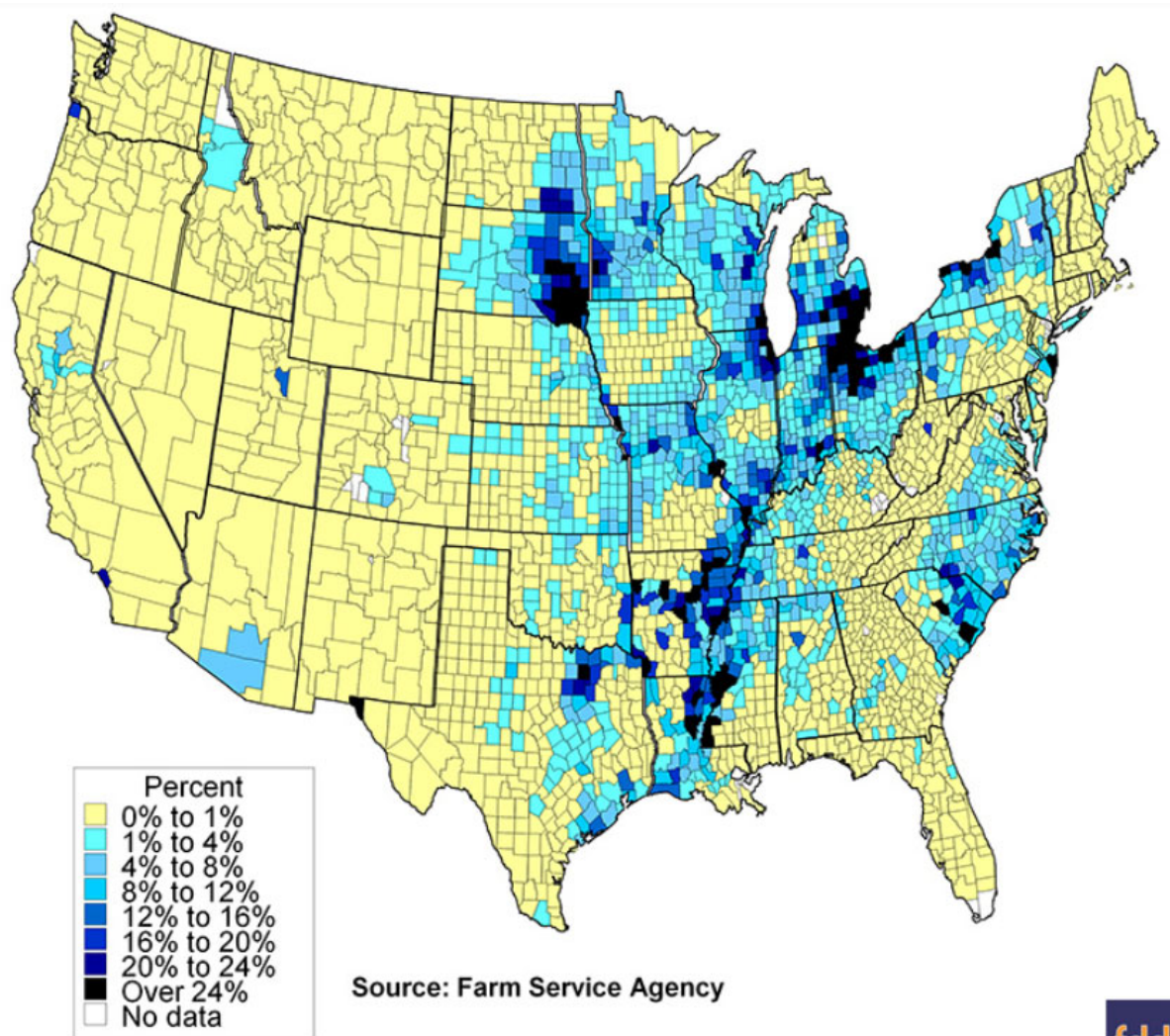
Income and Cash Rents in 2019 and 2020

Topics:

1. Incomes
 - a. MFP
 - b. Ad hoc disasters assistance
 - c. ARC/PLC for 2018 (paid in 2019)
 - d. Yields
 - e. Prices
 - f. Budgets for 2019 and 2020
2. Cash rents for 2020

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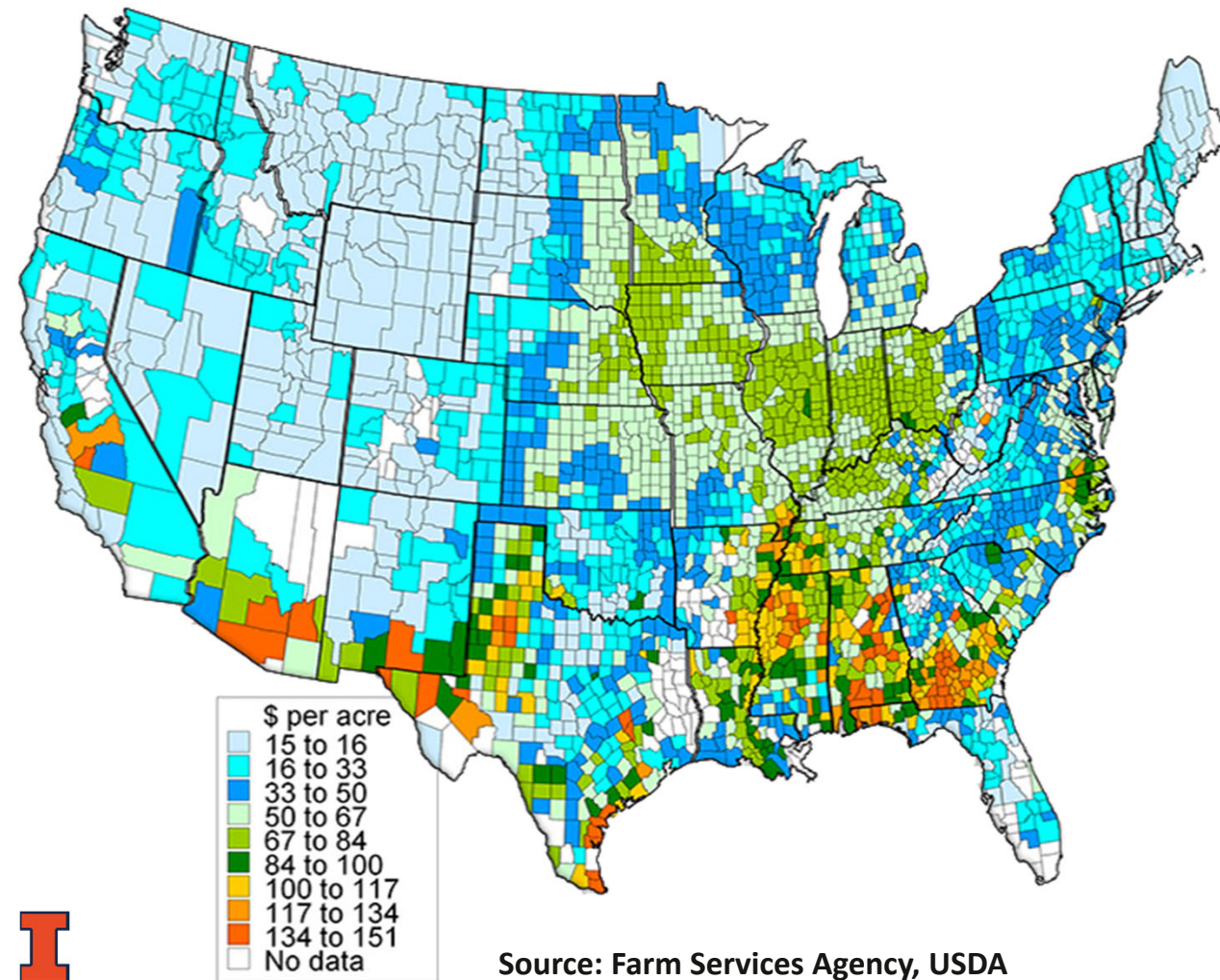


Prevent Plant as a Percent
of All Acres in 2019

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UNIVERSITY OF ILLINOIS

MFP Per Acre Rates for 2019

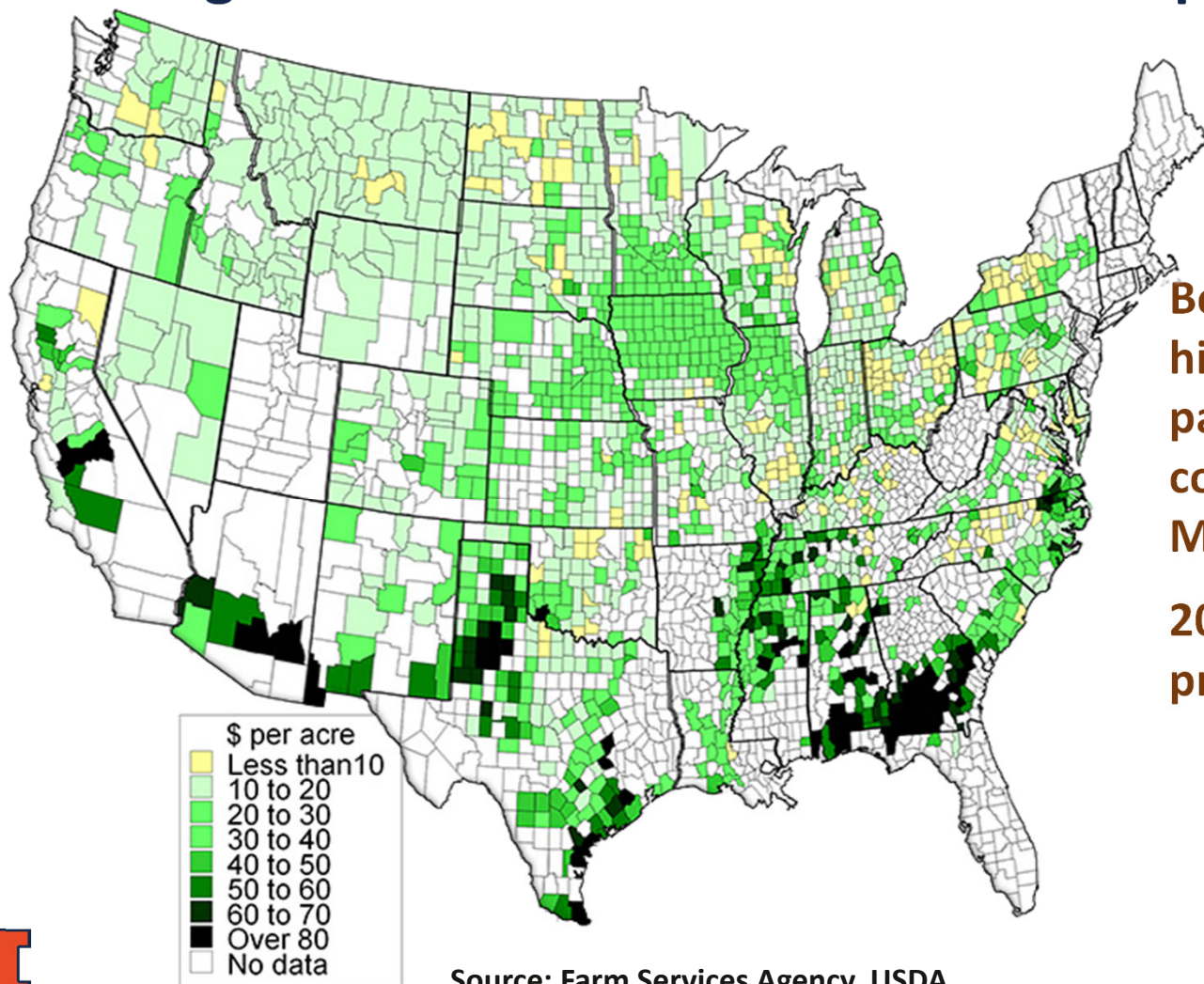


MFP in 2019

- Rate per county in Illinois ranged from \$53 per planted acre to \$87 per planted acre
- Received one-half the payment soon, and other half in two-installments: Oct-Nov and January, 2020
- Last half is not assured

\$15 per acre payment for prevent plant if planted to a cover crop by August 1

Change in 2019 MFP Rates from 2018 Implied MFP Rates



Source: Farm Services Agency, USDA

MFP in 2019

Between \$20 and \$30 per acre higher in Midwest than 2018 payment when averaged over all corn, soybeans, wheat, and other MFP crops

2018 paid based on bushels producers:

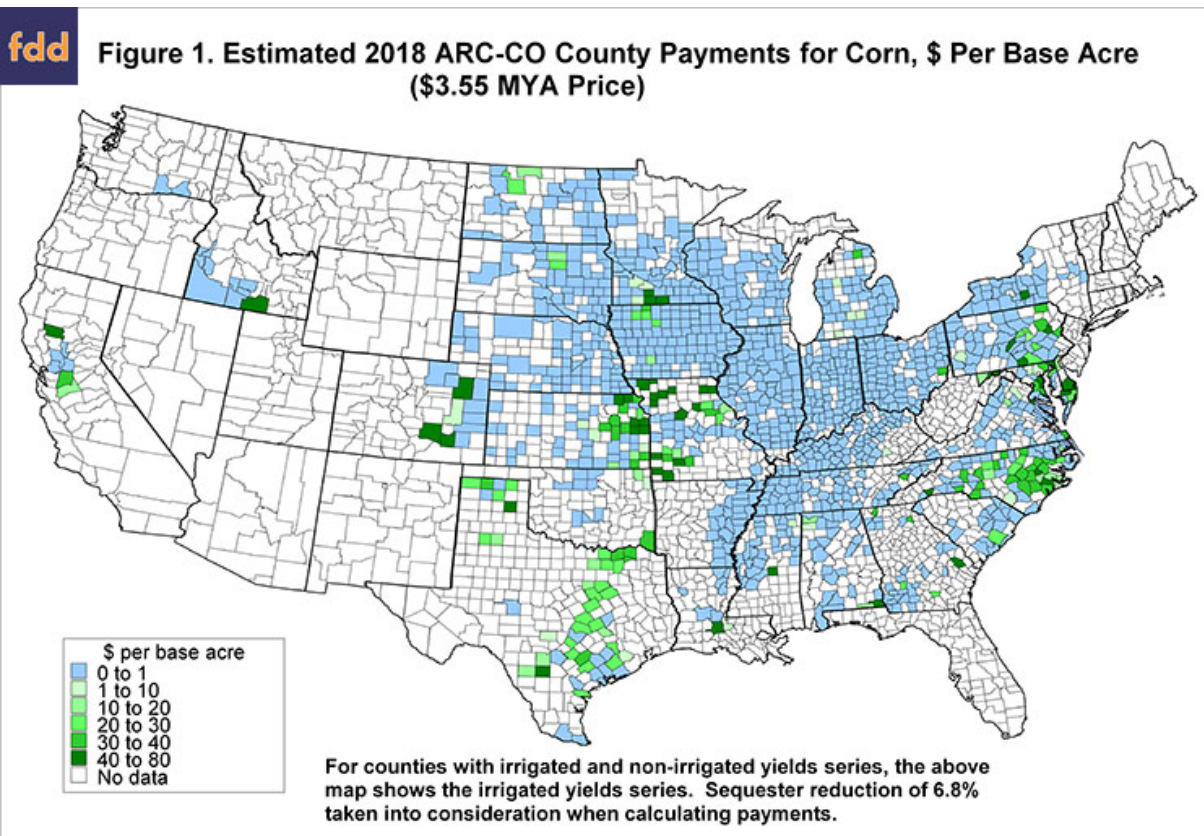
- \$0.01 per bushel for corn
- \$1.65 per bushel for soybeans
- \$0.14 per bushel for wheat

Ad Hoc Disaster Assistance Program

- Working its way through USDA rule writing process
- \$3 billion allocated compared to \$14 billion for MFP 2019
- Likely targeted at prevent plant acres



ARC 2018 Payments to be Paid in October 2019



- 2018 ARC program likely will not make payments in Illinois for corn, soybeans, or wheat
- 2018 PLC program will make payments for corn and wheat
- Most Illinois producers choose ARC, not likely to have payments for 2018 ARC

Figure 1. Illinois Corn Yields, 1970 to 2019P

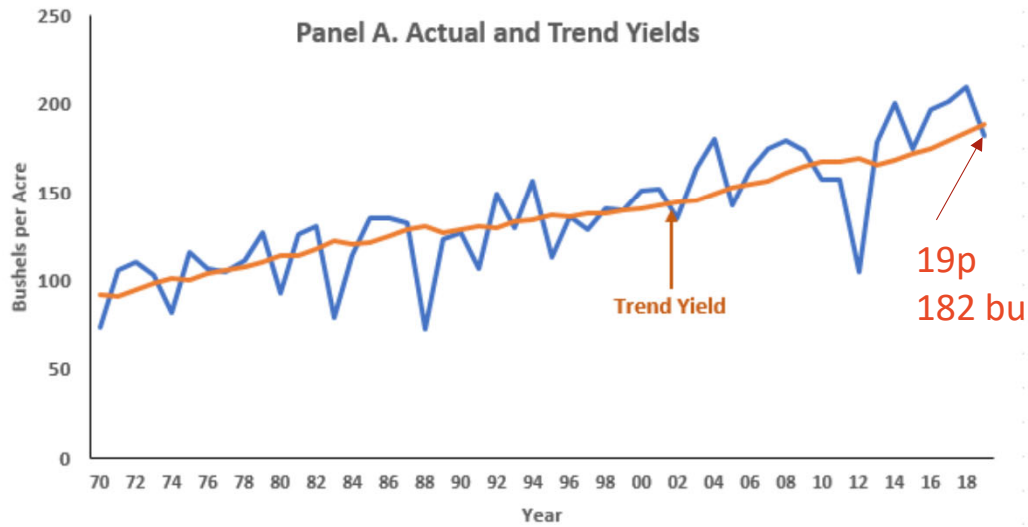
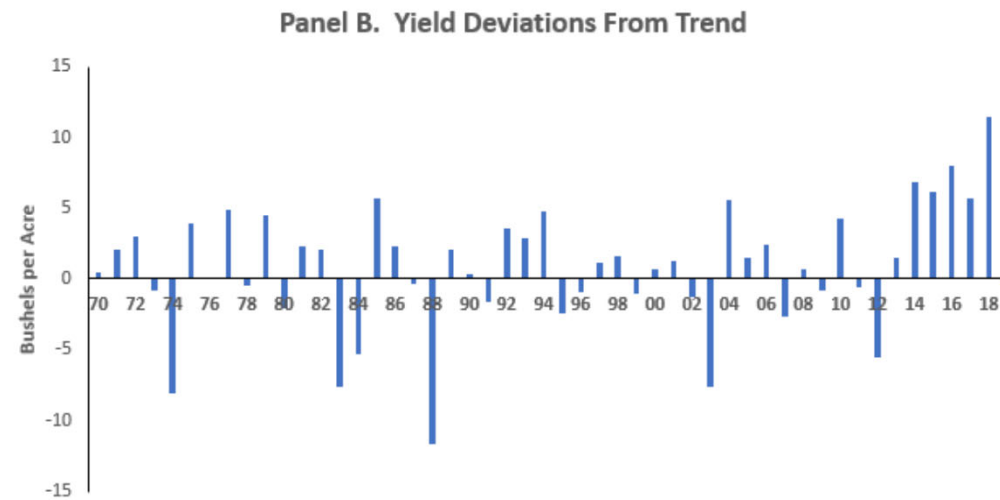
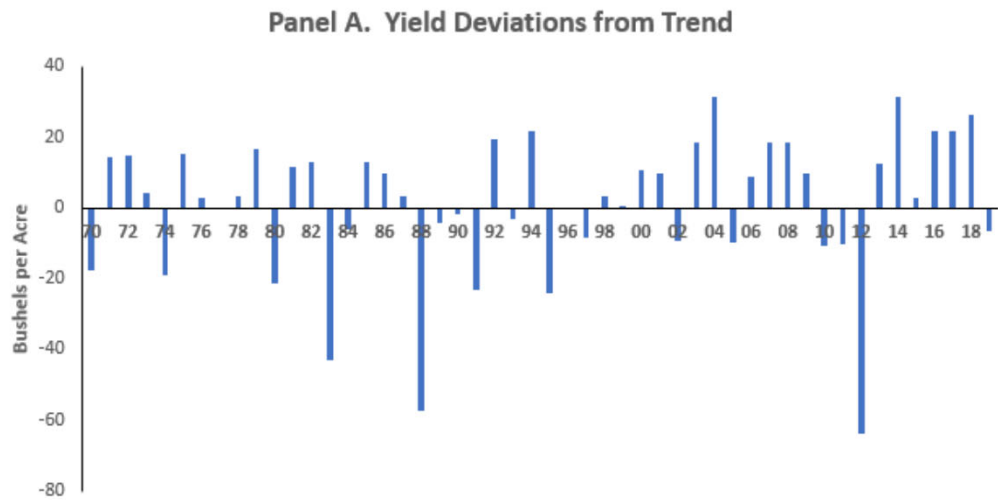
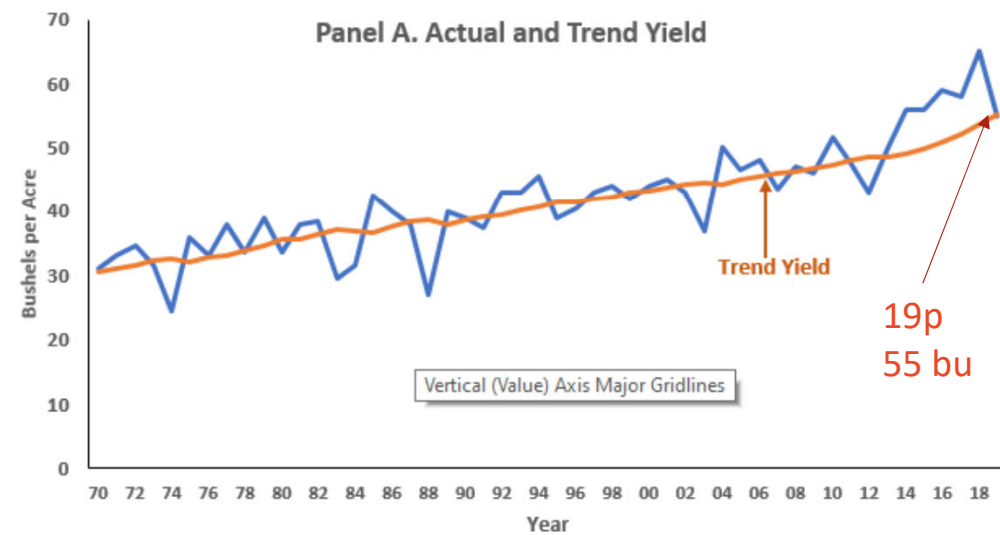
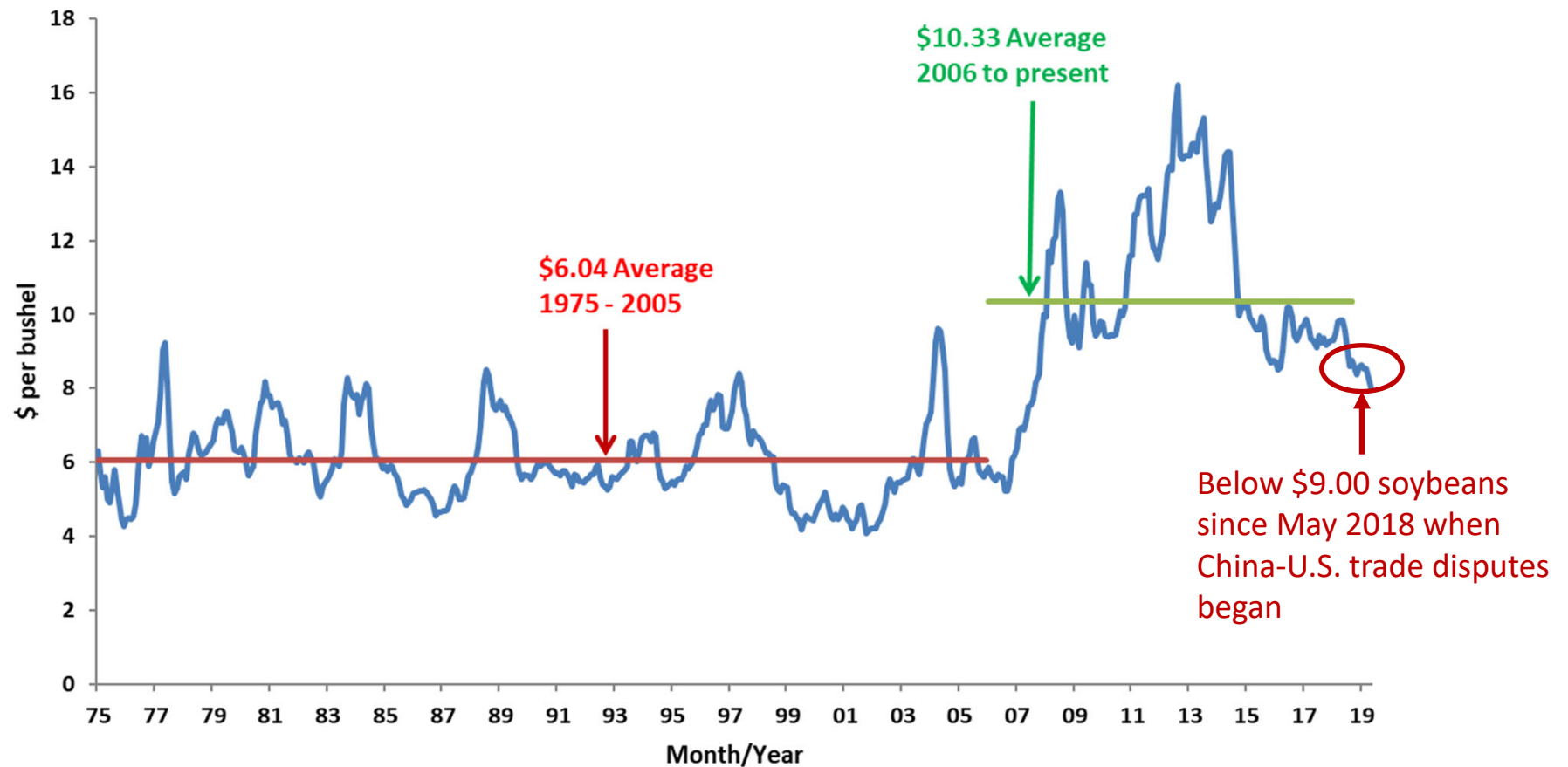


Figure 2. Illinois Soybean Yields, 1970 to 2019P



Soybean Prices, US, Monthly

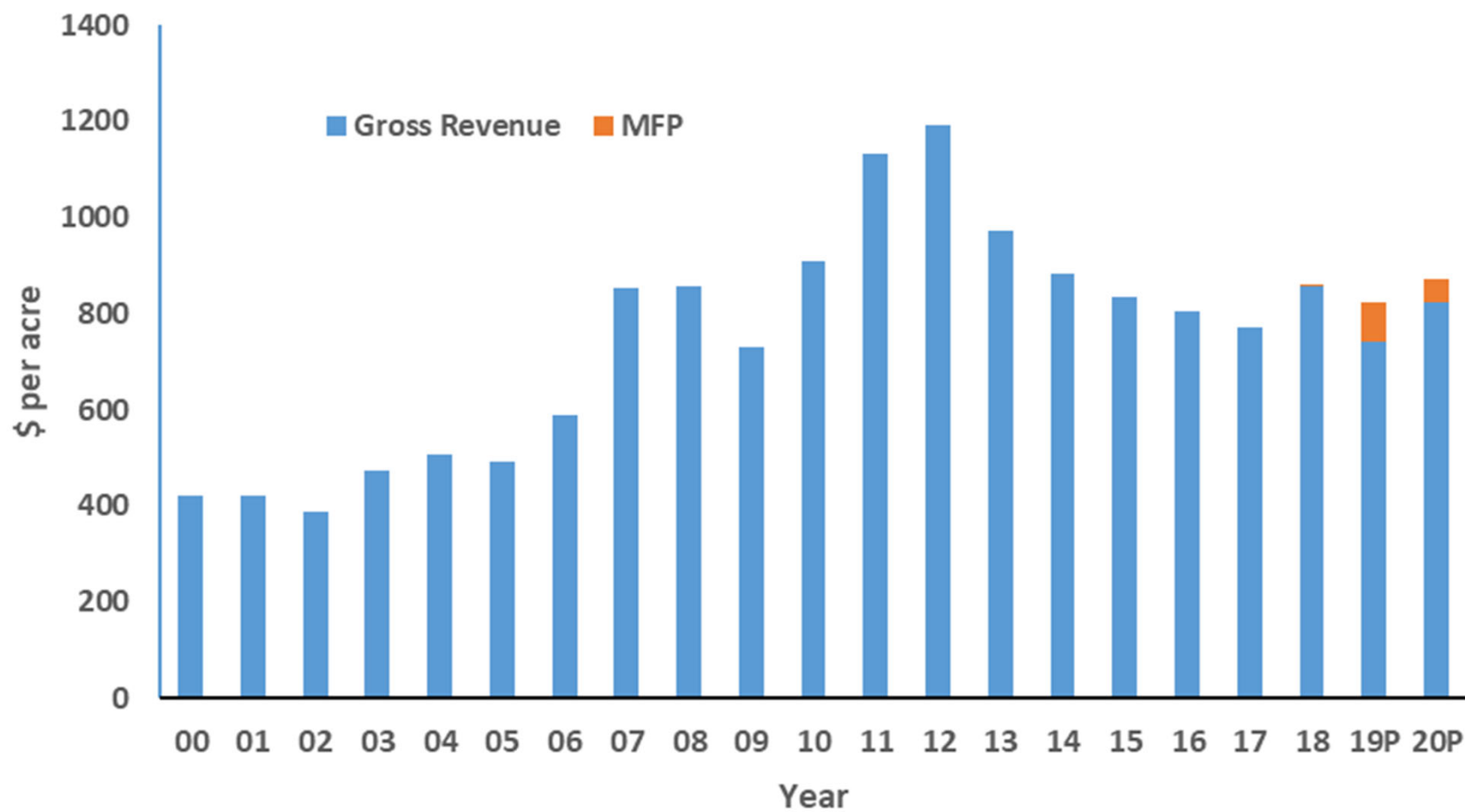


MYA Prices and Projections for 2019 and 2020

Market Year	Corn	Soybeans	Wheat
2013	4.46	13.00	6.87
2014	3.70	10.10	5.99
2015	3.61	8.95	4.89
2016	3.36	9.47	3.89
2017	3.36	9.33	4.72
2018	3.55	8.66	5.15
2019P	3.60	8.40	5.00
2020P	3.70	8.80	5.00

- Corn prices continue to be below \$4.00
 - My opinion, higher corn prices are the last hope for higher incomes in 2019
- Soybean prices are below \$9.00
 - My opinion, lower soybean prices continue because of:
 - Trade uncertainty
 - African Swine Fever
 - Large carryout of U.S. stocks

Gross Revenue, Corn, Central Illinois, High Productivity



Corn, Central Illinois, High-Productivity

Notes:

There is an MFP of \$50 for 2020. This has not been announced. It is simply my speculation.

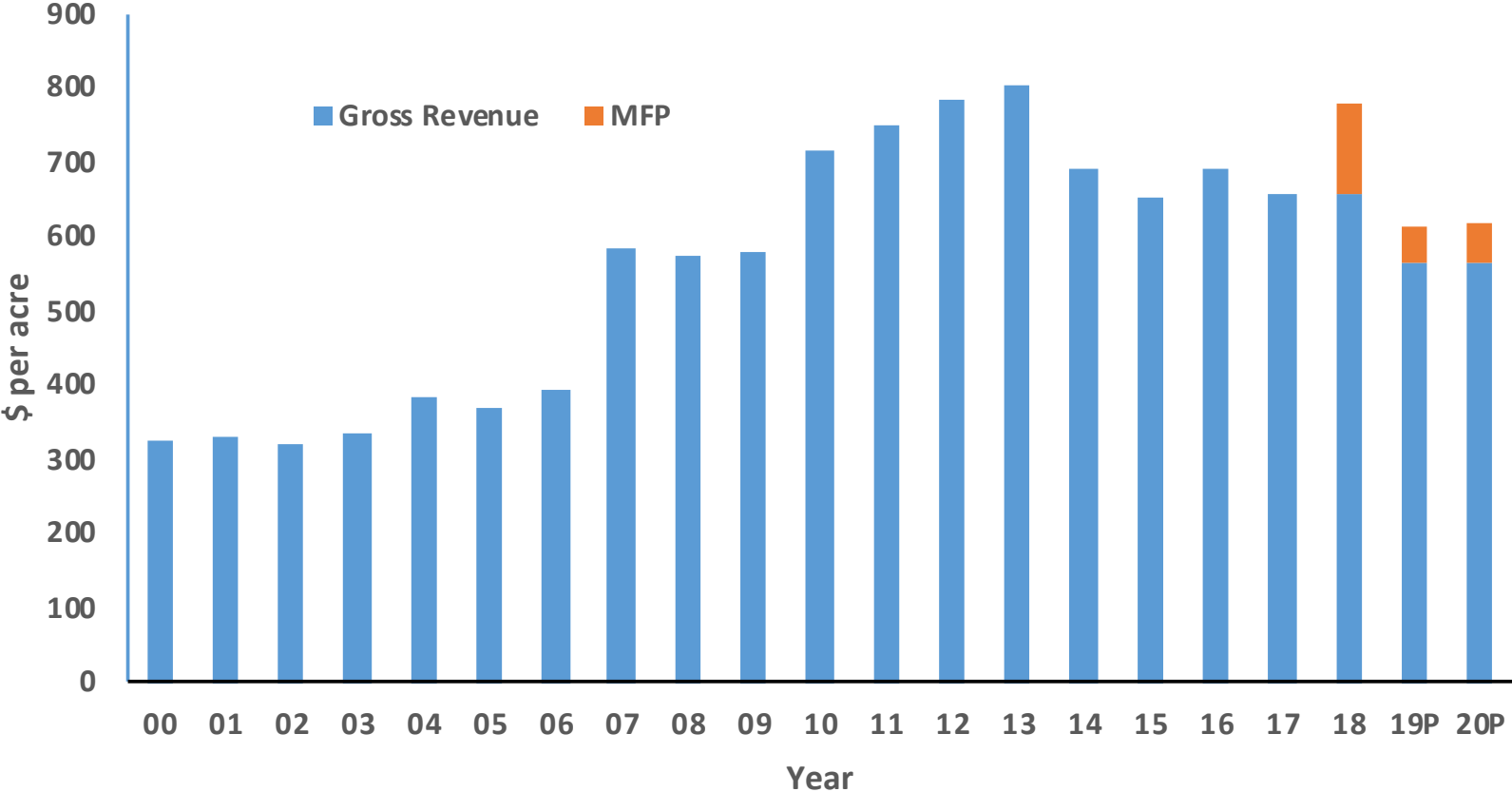
To get 2020 farmer return next year to \$0 at \$3.90 price need:

- MFP or
- 12 bushel higher yields

	Year		
	2018	2019P	2020P
Yield per acre	237	195	211
Price per bu	\$3.60	\$3.70	\$3.90
Crop revenue	\$853	\$722	\$823
ARC/PLC	0	10	0
MFP	1	82	50
Crop insurance proceeds	2	10	0
Gross revenue	\$856	\$824	\$873
Total direct costs	\$373	\$393	\$391
Total power costs	\$128	\$125	\$125
Total overhead costs	\$73	\$74	\$74
Total non-land costs	\$574	\$592	\$590
Operator and land return	\$282	\$232	\$283
Land costs	274	274	270
Farmer return	\$8	-\$43	\$13



Gross Revenue, Soybeans, Central Illinois, High Productivity



Soybeans, Central Illinois, High-Productivity

Notes:

There is an MFP of \$50 for 2020. This has not been announced. It is simply my speculation.

To get 2019 farmer return next year to \$0 at \$8.50 price need:

- MFP or
- 6 bushel higher yields

	Year		
	2018	2019P	2020P
Yield per acre	74	55	63
Price per bu	\$8.85	\$8.50	\$9.00
Crop revenue	\$655	\$468	\$567
ARC/PLC	0	10	0
MFP	122	82	50
Crop insurance proceeds	4	5	0
Gross revenue	\$781	\$565	\$617
Total non-land costs	\$353	\$355	\$355
Operator and land return	\$428	\$210	\$262
Land costs	274	274	270
Farmer return	\$154	-\$65	-\$8



Prevent Plant, Central Illinois, High-Productivity

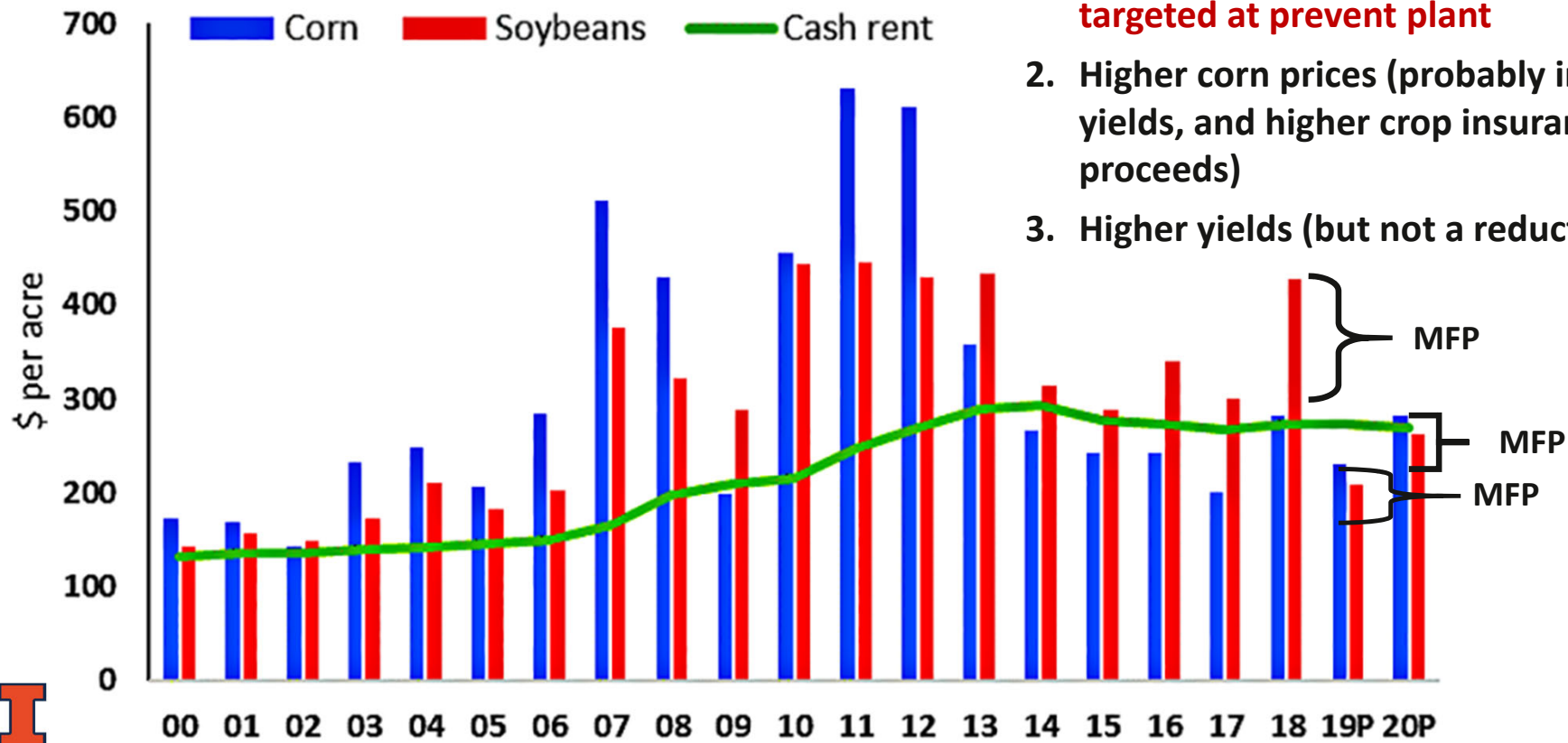
	Corn	Soybean	Prevent Planting	
			Corn	Soybeans
Yield per acre	195	55		
Harvest Price	\$3.70	\$8.70		
basis	\$0.00	\$0.20		
Cash price per bushel	\$3.70	\$8.50		
Crop revenue	\$722	\$468	0	0
MFP	82	82	15	15
ARC/PLC	10	10	10	10
Crop Insurance proceeds	10	5	0	0
Prevent planting payment	0	0	410	285
Gross revenue	\$824	\$565	\$435	\$310
Total direct costs	\$393	\$183	\$49	\$49
Total power costs	\$125	\$104	\$66	\$66
Total overhead costs	\$74	\$68	\$62	\$62
Total non-land costs	\$592	\$355	\$177	\$177
Operator and land return	\$232	\$210	\$258	\$133
Land costs	274	274	274	274
Farmer return	-\$43	-\$65	-\$16	-\$141



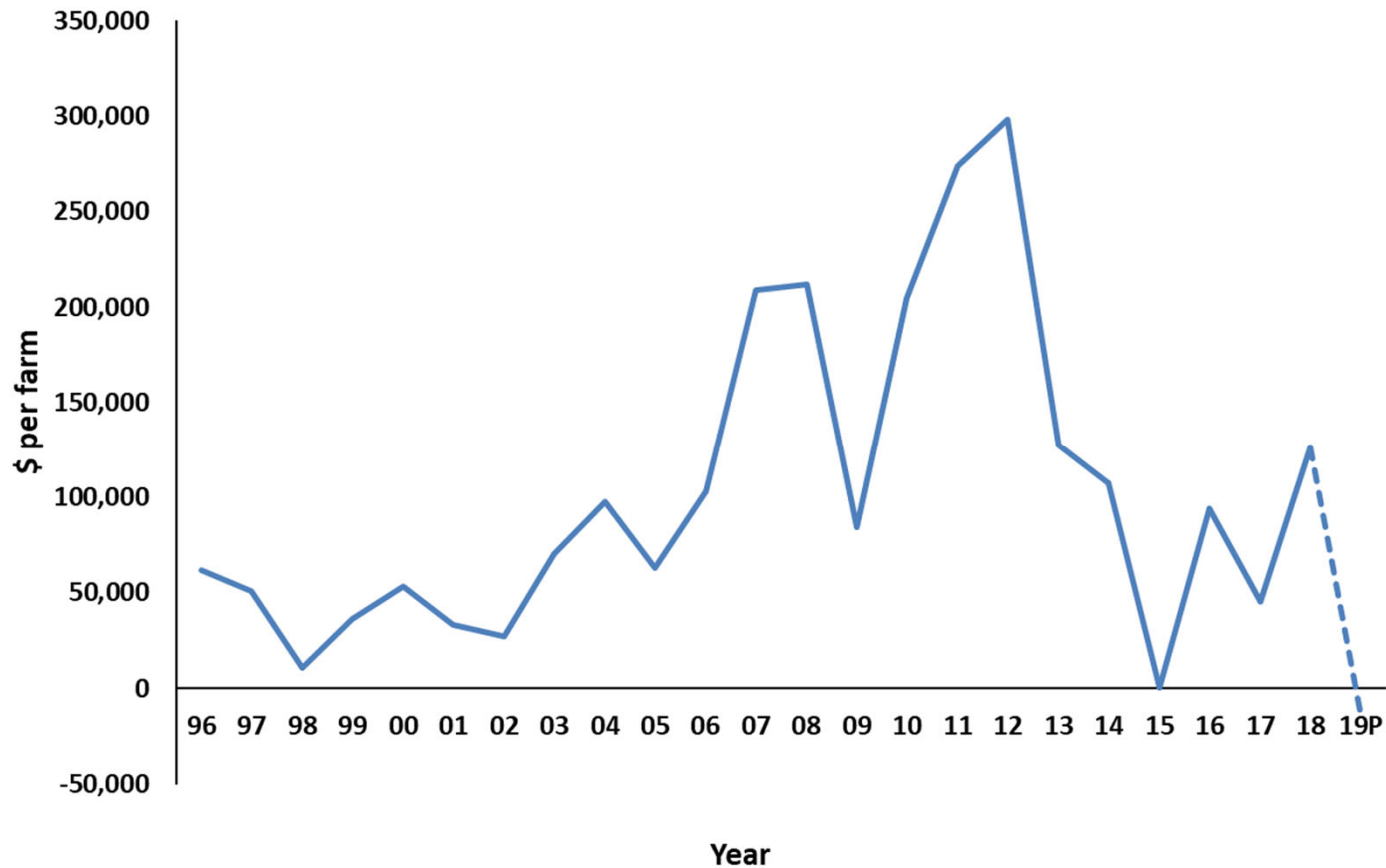
Operator and Land Return for Corn and Soybeans and Cash Rent, Central Illinois, High-Productivity Farmland

What could cause higher 2019 income:

1. Ad hoc disaster assistance bill – likely targeted at prevent plant
2. Higher corn prices (probably implies lower yields, and higher crop insurance proceeds)
3. Higher yields (but not a reduction in prices)



Averaged Net Income on Illinois Grain Farms Enrolled in FBFM



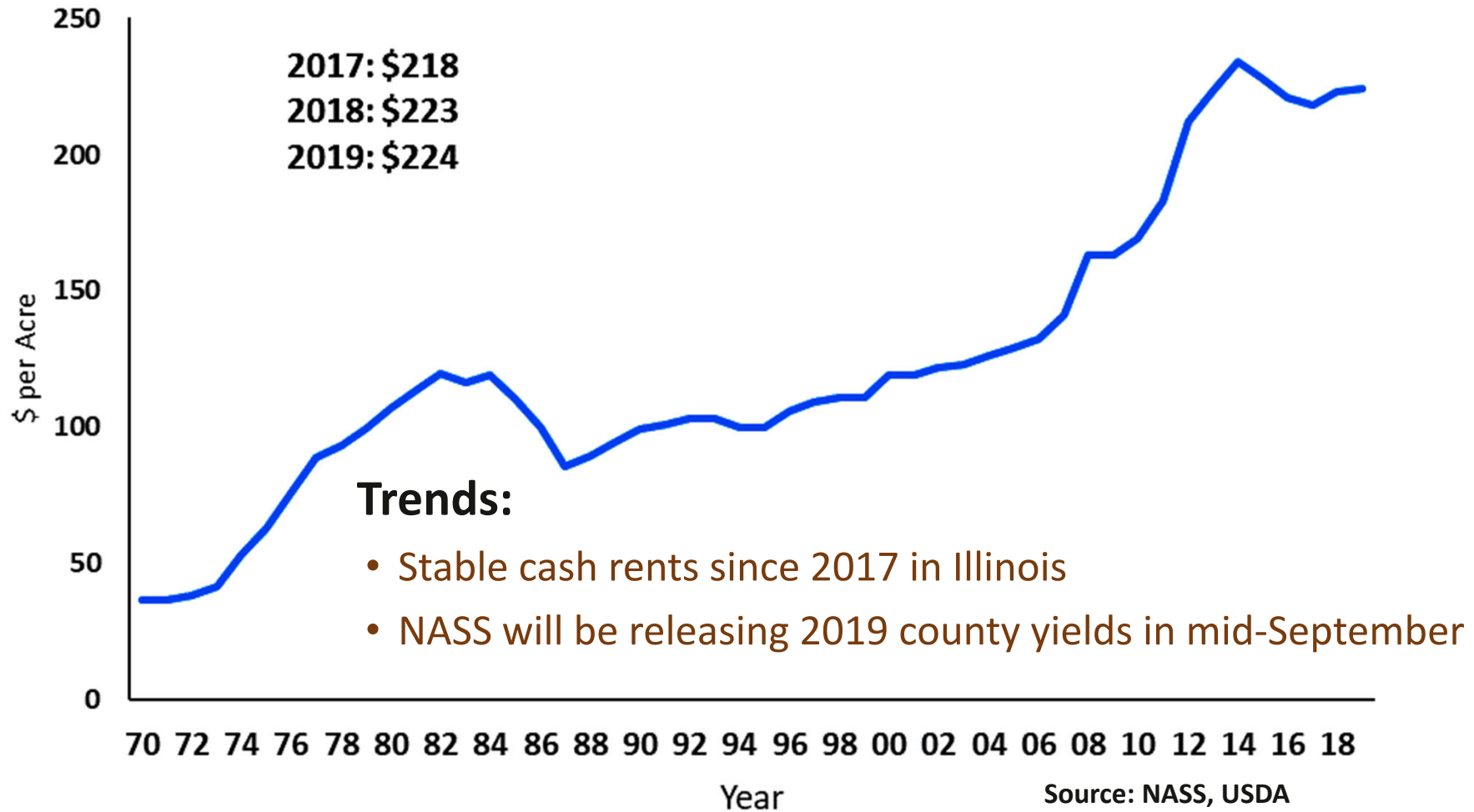
For 2020, what has to happen for incomes to be near \$0 per farm given \$3.90 corn price and \$8.90 soybeans price:

- MFP payment again
- or
- Above trend yields (30 bushels per acre corn, 10 bushels per acre for soybeans)

2020 Cash Rents



Illinois Cash Rents



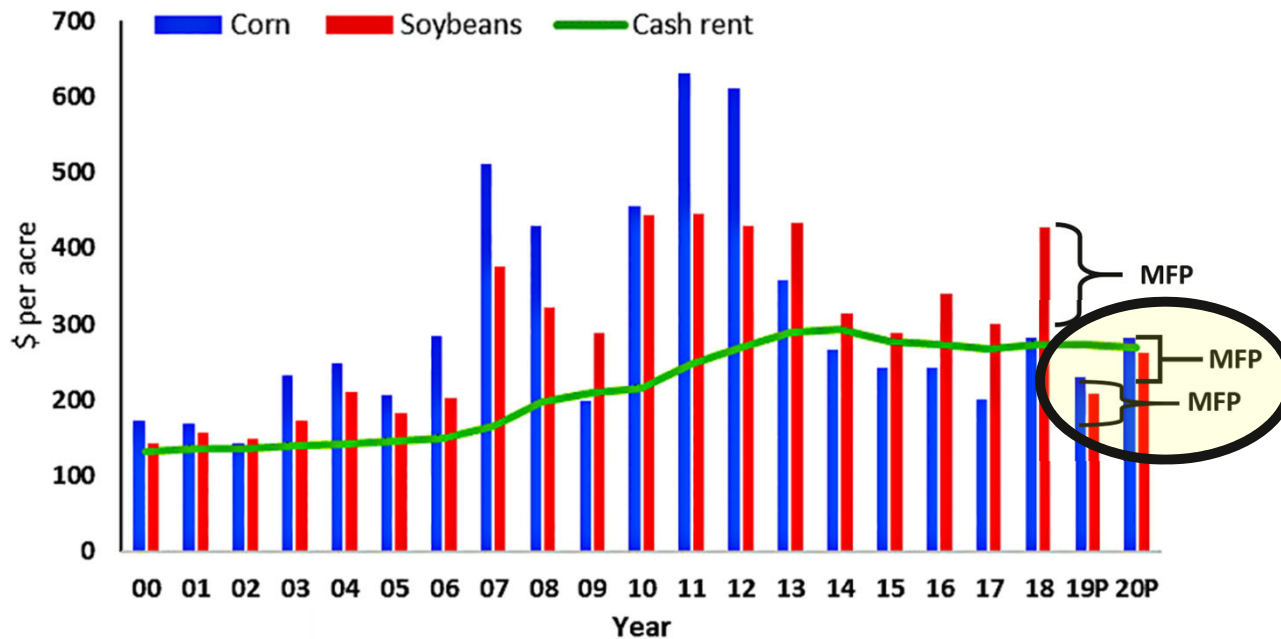
Illinois Society of Professional Farm Managers and Rural Appraisers indicate very slight decreases in 2010 cash rents

2019 Actual and 2020 Expected Cash Rents

Land Productivity	2019 Rent	Expected 2020 Rent
	\$/acre	\$/acre
Excellent	302	298
Good	261	254
Average	212	205
Fair	170	167

- Values represent rents on professionally managed farmland
- Agricultural returns suggests lower cash rents, but cash rents are sticky

Operator and Land Return for Corn and Soybeans and Cash Rent, Central Illinois, High-Productivity Farmland



Pressures on rents

Decline in returns during 2014 to 2018, average cash rents have come down slightly.

2019 and 2020 represent another step down

Pressures on lowering cash rents are building because of:

- Extended period of lower returns (2013 on)
- Now expectations of \$8ish per bushel soybeans for the foreseeable future
- Reductions in working capital

Variable Cash Leases (Parameters for Higher Productivity Farmland)

- **Base cash rent** (paid no matter what) -- \$200 per acre
- Pay a higher cash rent if crop revenue plus MFP times a rent factor exceed the **base cash rent**
- Rent factor (33% for corn and 40% for soybeans)
- Yield is from the farm, Price is average on Wednesday from an agreed spot from Spring to Fall

Yield = 210 bushels per acre, Price = \$43.60, Rent factor = .33,

Rent = $210 \times \$3.6 \times .33 = \250 (Higher than \$200, \$50 plus)



Thank You