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Trends in Income By Farm Type 2012-2016

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Farm incomes can and do very greatly from year to year. As well, farm incomes vary by type of farm. This article will review trends in size, income for a group of Illinois FBFM member farms from 2012 to 2016. This group consists largely of grain farms with some livestock farms present as well. In 2016, 91.8% of the farms were classified as a grain farm; 1.6% were classified as a hog farm; 1.9% were classified as a dairy farm and 0.9 % were classified as a beef farm. There were 3.8% classified as other farm types. To be classified as a livestock farm of any type, the value of feed fed to the livestock enterprise must exceed 40% of the value of grain produced.

The Labor-Mgmt Income reported in this article is a value that can be thought of as a 'wage' when comparing incomes of the self-employed to those who are not self-employed. Consider that the components of net farm income include a return to the operators' 1) labor, 2) management skills, and 3) a return on the operators' investment. Reducing net farm income by the return on the operators' investment yields a number that approximates the return on the operators' labor and management.

In the Grain Farm group, note that of four of the five years show that the average net farm income of grain farms ranked above hog, dairy and beef farms. But, 2014 shows the average net farm income of grain farms ranked below all three of the livestock farm types. Note the increase in the number of tillable acres over the five years with an increase of just over 5% or 61 acres. This provides evidence of the steady increase in farm size as measured by acres. Note also the change in crop returns per acre – 2012 shows the highest crop return per tillable acre of $994 while 2015 tells of the lowest level at $670. The number of bushels produced and the price they are sold both influence crop returns. Remember that the higher prices in 2012 influenced the price that crop insurance indemnity payments were based on. We've not seen prices at that level since then. Net farm income reached a high in 2012 at $310,193. That year was marked by the drought and the higher prices and crop insurance indemnity payments associated with the dry weather.

Table 1. Average Size, Income, Returns by Type of Farm—2012 to 2016*

Year	Number of Farms	Tillable Acres (TA)	All Operators Net Farm Income $	All Operators Labor-Mgmt. Income $	Crop Returns/A $
All Farms					
2016	2,510	1,147	86,731	27,697	745
2015	2,647	1,131	(2,971)	(67,198)	670
2014	2,670	1,106	107,290	39,707	794
2013	2,597	1,084	127,664	62,642	840
2012	2,725	1,094	298,028	235,432	997
Grain Farms					
2016	2,305	1,200	93,829	33,455	745
2015	2,427	1,184	487	(65,153)	670
2014	2,448	1,158	101,389	32,157	794
2013	2,365	1,138	134,442	68,110	841
2012	2,492	1,139	310,193	246,548	994
Hog Farms					
2016	39	931	(22,872)	(78,100)	788
2015	42	869	(126,647)	(186,684)	700
2014	44	858	322,956	259,421	795
2013	48	905	103,807	26,802	813
2012	48	1,034	228,445	153,725	1,033
Dairy Farms					
2016	48	486	9,117	(50,668)	720
2015	57	522	(5,757)	(63,367)	658
2014	54	476	257,571	194,163	755
2013	60	493	68,333	7,114	856
2012	58	505	166,458	100,900	1,073
Beef Farms					
2016	23	483	(46,914)	(108,322)	727
2015	31	466	(123,019)	(193,899)	628
2014	31	509	205,637	137,920	778
2013	37	511	41,340	(23,717)	801
2012	31	489	94,562	36,115	910

Source: Prepared in the Department of Agricultural and Consumer Economics, University of Illinois, Urbana-Champaign, from records kept by farmers enrolled in Illinois FBFM Association.

Dairy Farms show the least variation in rank with second or third place ranking in all five years. The highest net farm income recorded for dairy farms was in 2012 ($257,571, which was a good year for all three livestock farm types. Lower commodity prices for grain farms result in lower feed prices for livestock farms. Hog farms show the greatest variability in rank with a spread of ranking first compared to the other farm types in 2014 and ranking fourth in 2015. Interestingly, over the five year period, both hog farms and dairy farms show approximately the same amount of cumulative average income. Beef farms show similar variations in net farm income as do dairy and hog farms. The income level of beef farms reached a high of $ 205,637 in 2014 and a low of $-123,019 in 2013.

The authors would like to acknowledge that data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,700 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM staff provide counsel along with recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217.333.5511 or visit the FBFM website at www.fbfm.org.