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# IFES 2017: Where To From Here

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**January 5, 2018**

Recommended citation format: Raab, D. "IFES 2017: Where To From Here." *farmdoc daily*, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 5, 2018.

Permalink: http://farmdocdaily.illinois.edu/2018/01/ifes-2017-where-to-from-here.html

*This is a presentation summary from the 2017 Illinois Farm Economics Summit (IFES) which occurred December 18-22, 2017. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available here.*

While yields for most have assisted in mitigating working capital losses, commodity prices continue to present challenges in creating positive cash flows and profits. Corn at less than $4 continues to be reality while soybeans yields and prices contribute strongly to positive cash flows.

## 2017 Margins

Incomes likely will be down for most grain farms in Illinois for 2017. Yields have been a pleasant surprise for many but the decrease in accrual net farm income is due to 1) continued low corn prices, 2) lower soybean prices and 3) decreased County ARC payments. Accrual net income on Illinois farms enrolled in Illinois Farm Business Farm Management (FBFM) was approximately $94,000 in 2016 and was just below $0 in 2015. For the 2017 crop, ARC-CO payments should not be expected.

## 2018 Projected Incomes

At this point, reasonable expectations for 2018 include continued low corn prices and soybean prices that make soybeans more profitable that corn. Some input costs will be lower such as nitrogen fertilizer, but it remains to be seen if selected lower input costs and the hope of lower land costs will lead to higher accrual net farm incomes. Low to no ARC-CO payments will not provide cash to boost cash flow or profitability for 2018.

## Profitability is the Problem

Illinois producers continue to face a profitability problem. More so with the profitable production of corn as compared to soybeans. Revenue from corn production sees that price trumps bushels and makes it difficult for corn revenue to be greater than land and non-land costs. This will continue the difficulty of generating sufficient cash flow to cover all the needs.

## Financial Status

Fortunately, most Illinois grain farms are in good to strong financial position. Median debt to asset ratios are strong and have decreased over the previous ten years. This decrease is due in part to asset values increasing at a rate that is faster than the debt load is increasing. Liquidity remains good with median working capital of $305 per acre but this is a marked decrease from the record working capital of $540 per acre in 2012. For the short-term, equity and solvency are such that lower profitability can be weathered.

Rebuilding and protecting working capital is paramount in this era of lower profitability. Dealing with the underlying profitability problem is key to future financial success.

| | Median Debt/Asset | Median Working Capital | Working Capital Per OprAc | Working Capital as % of GFR |
|---|---|---|---|---|
| **2015** | 0.202 | $ 232,173 | $ 305 | 0.433 |
| **2014** | 0.187 | $ 293,067 | $ 393 | 0.461 |
| **2013** | 0.185 | $ 329,910 | $ 452 | 0.512 |
| **2012** | 0.182 | $ 396,050 | $ 540 | 0.520 |
| **2011** | 0.198 | $ 340,554 | $ 403 | 0.487 |
| **2010** | 0.213 | $ 269,069 | $ 374 | 0.469 |
| **2009** | 0.225 | $ 222,698 | $ 299 | 0.433 |
| **2008** | 0.227 | $ 253,535 | $ 340 | 0.433 |
| **2007** | 0.236 | $ 207,713 | $ 288 | 0.414 |
| **2006** | 0.258 | $ 119,841 | $ 167 | 0.325 |
| **Source: Illinois FBFM Association** | | | | |

**Additional Resources**

The slides for this presentation can be found at:
http://www.farmdoc.illinois.edu/presentations/IFES_2017

For current farm management information
http://www.farmdoc.illinois.edu/manage/index.asp

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