



IFES 2017: Habits of Financially Resilient Farms

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January 10, 2018

Recommended citation format: Paulson, N. "IFES 2017: Habits of Financially Resilient Farms." *farmdoc daily*, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 10, 2018.

Permalink: <http://farmdocdaily.illinois.edu/2018/01/ifes-2017-habits-of-financially-resilient-farms.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](#).

Over the past 10 years, returns on Illinois grain farms have changed dramatically. High commodity prices led to rising income and return levels from 2009 to 2012. Beginning in 2013, much lower commodity prices led to a period of declining return levels over the past 4 crop years as production and land costs have remained relatively sticky. An important question facing farm operators is whether there exist management strategies which consistently result in success. In other words, is it possible to be successful consistently across time even when returns are volatile?

To address these issues, we used data from the IL Farm Business Farm Management (FBFM) association to identify farms that have higher returns, relative to their peers, over both the high/rising return period from 2010 to 2012 and the low/declining return period from 2014 to 2016. Our analysis of the financial records shows a significant gap in the returns earned by farms over time, and that these differences are persistent. This suggests that there are farm operations which do consistently outperform their peers.

Next, we examined the characteristics of farms that were part of the different performance groups. Farms earning higher returns typically do so through a combination of both higher revenues and lower costs. Higher revenues are achieved through a combination of higher corn and soybean yields as well as receiving slightly higher prices than farms in the lower return groups.

Higher return farms also tend to have better cost control across all main categories. The most important direct costs categories tend to be seed, pesticides, and fertilizer. For power costs, high return farms tended to have lower machinery depreciation and repairs per acre. Finally, while the overhead cost category tended to contribute.

Other characteristics of higher return farms were larger size (acres), and tended to use less corn-intensive rotations than their lower return peers within the same region.

The relative contribution of higher revenues towards higher returns was larger during the high/increasing return period from 2010 to 2012. In contrast, the relative contribution of lower costs towards achieving higher returns was greater during the low/declining return period from 2014 to 2016.

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Overall, farms earning higher returns do so with bigger yields, higher prices, and lower costs across all categories. More specifically, devoting time to management decisions related to input use (seed and chemicals) which yields to the most profitable yield, and having an appropriately sized and well-maintained machinery complement tend to stand out as the most consistent factors associated with higher return farms.

Additional Resources

The slides for this presentation can be found at:

http://www.farmdoc.illinois.edu/presentations/IFES_2017

Returns on successful and resilient farms was discussed in these recent farmdoc daily articles:

Schnitkey, G., N. Paulson, and D. Lattz. "[Differences in Revenue and Costs for Higher and Average Return Grain Farms](#)." *farmdoc daily* (7):104, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 6, 2017.

Schnitkey, G., N. Paulson, and D. Lattz. "[How Hard is it to be Above Average in Farming?](#)" *farmdoc daily* (7):98, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, May 26, 2017.