

# Where are we at Financially on Illinois Farms



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# Topics

- Current Situation
- Diversity across farms
- Suggestions moving forward

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# Illinois Farm Business Farm Management (FBFM)

- An independent 3<sup>rd</sup> party
- Aids in Recordkeeping and Farm Financial Management decisions
- Provides comparison and trend data
- Meets one-on-one, 3 to 5 times a year
- 65 plus Field Staff Statewide





# Illinois Farm Business Farm Management

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FBFM

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Business Results | Management Info | Publications | Resources | Who We Are



A cooperative educational-service program to assist farmers with management decision-making

### What is FBFM?

FBFM is a cooperative educational-service program designed to assist farmers with management decision-making. It provides help with business and family records. Computer assisted record processing options are available either on farm or at service centers. It provides financial and production business analysis reports. An experienced Farm Analysis Specialist helps interpret analysis reports and counsels on management problems. The specialist meets regularly with each cooperator throughout the year. [Read More...](#)

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### Publications & Tools

- [Illinois Average Farm Price Received Database Tool](#)
- [Index Numbers for Illinois Farms](#)
- [Machinery Cost Estimates](#)
- [Weekly Outlook Report](#)
- [2017 Farm Income & Production Costs: Advance Report](#)
- [2016 Annual Summary of Illinois Farm Business Results](#)

### Quick Links

- [FARMDOC](#)
- [Cost of Production - Grain](#)
- [Cost of Production - Livestock](#)
- [Family Living Costs](#)
- [Financial Characteristics](#)
- [FBFM Webmail](#)



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In Cooperation With  
University of Illinois  
Department of Agricultural and Consumer Economics  
University of Illinois Extension  
College of Agricultural, Consumer, and Environmental Sciences

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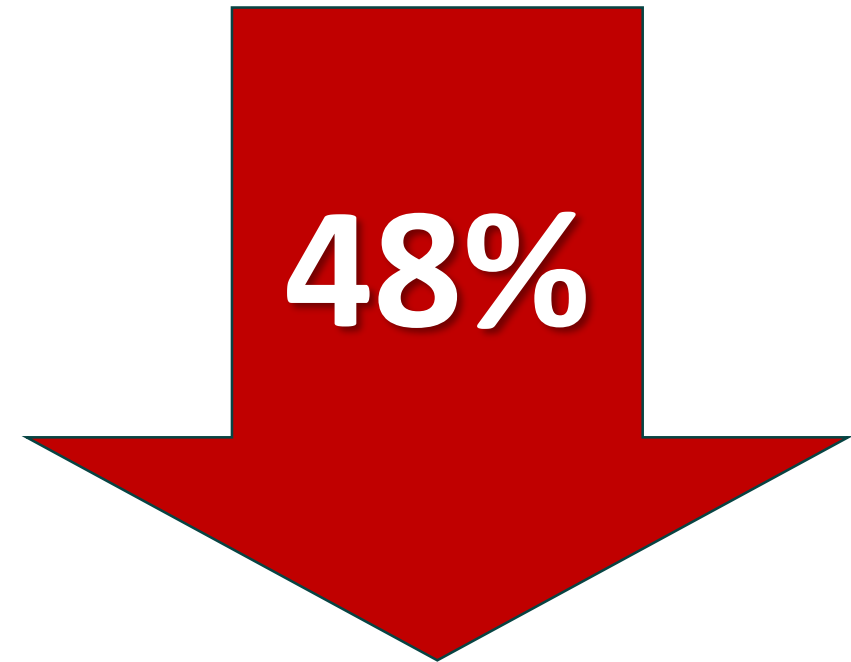
Find out more at **FBFM.org**  
**[info@fbfm.org](mailto:info@fbfm.org)**

# 2019 FBFM Records Summary

**2019  
Net Farm  
Income  
Drops**

**2015 to 2019 average  
\$67,544**

**\$137,704 in 2018**



**\$71,115 in 2019**

# 2019 FBFM Records Summary

Average FSA payments per farm were

**\$64,115**

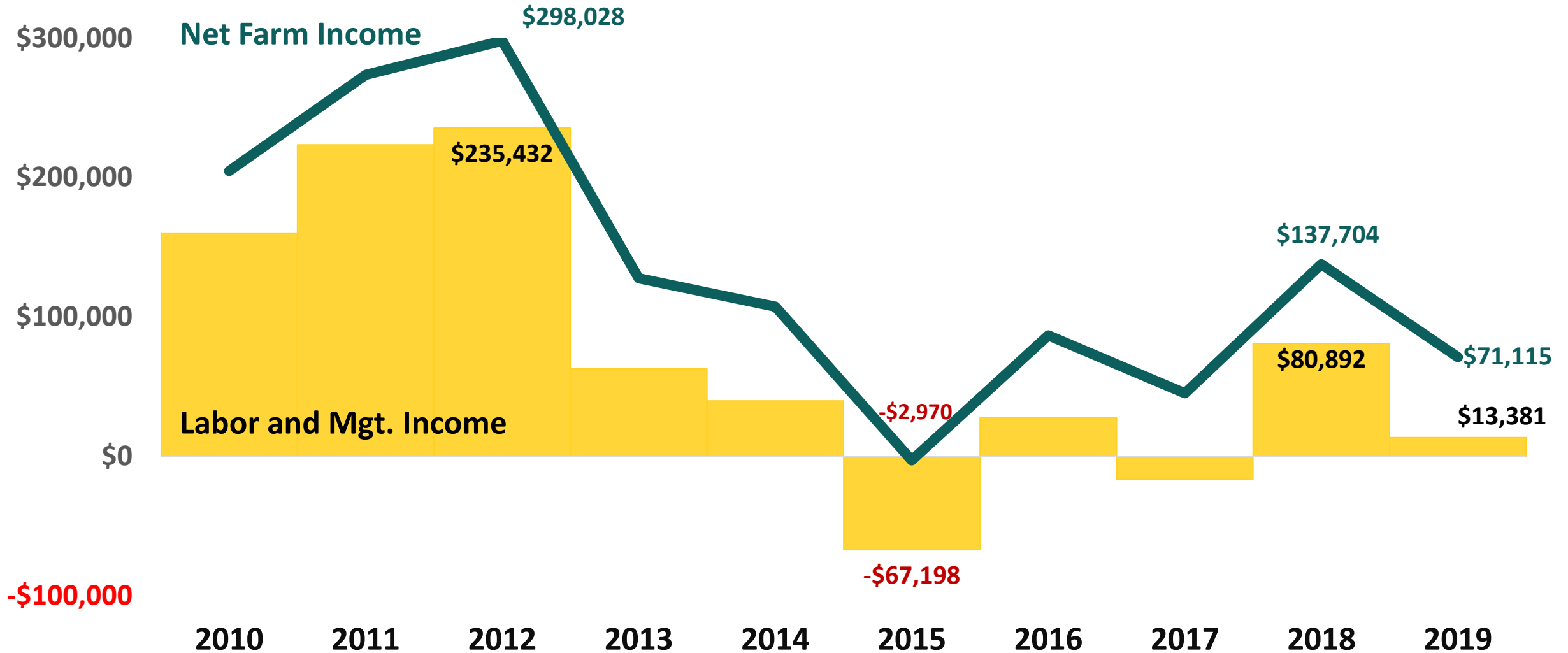
90% of net farm income

FSA payments include

MFP, livestock and CRP payments mainly.



# 2019 FBFM Records Summary



Average NFI = \$134,895

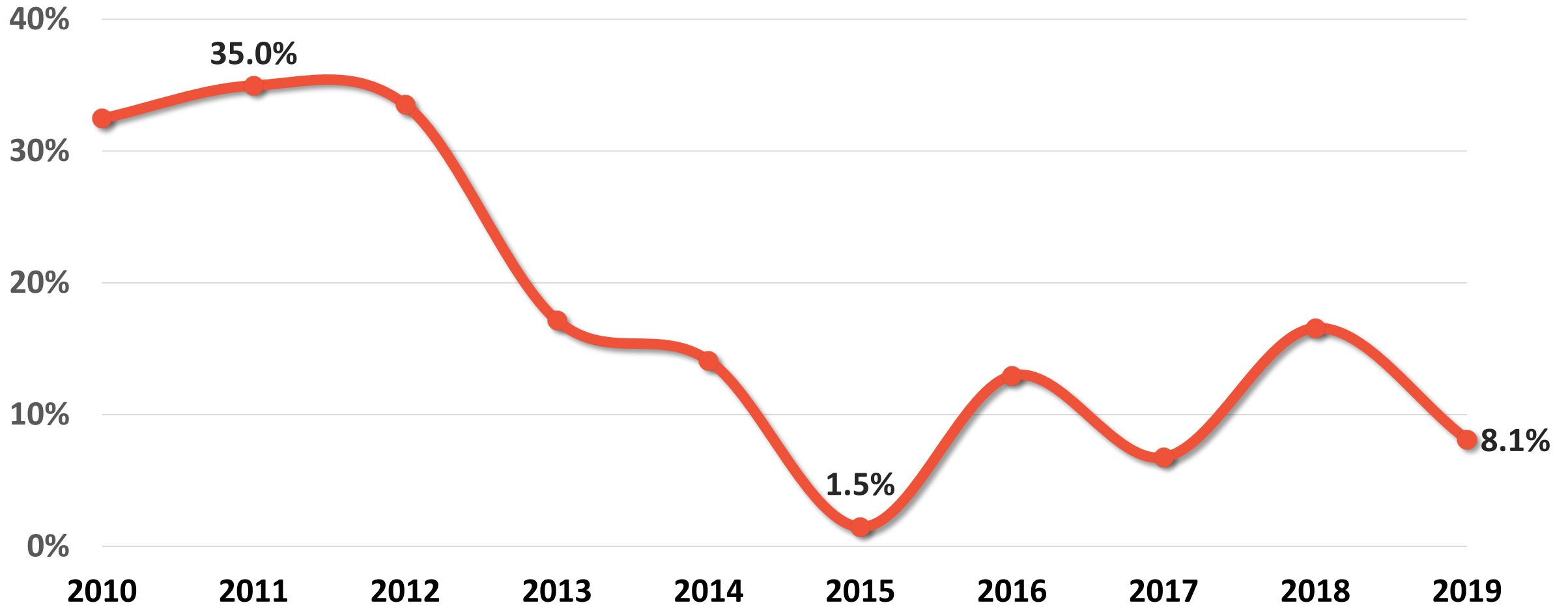
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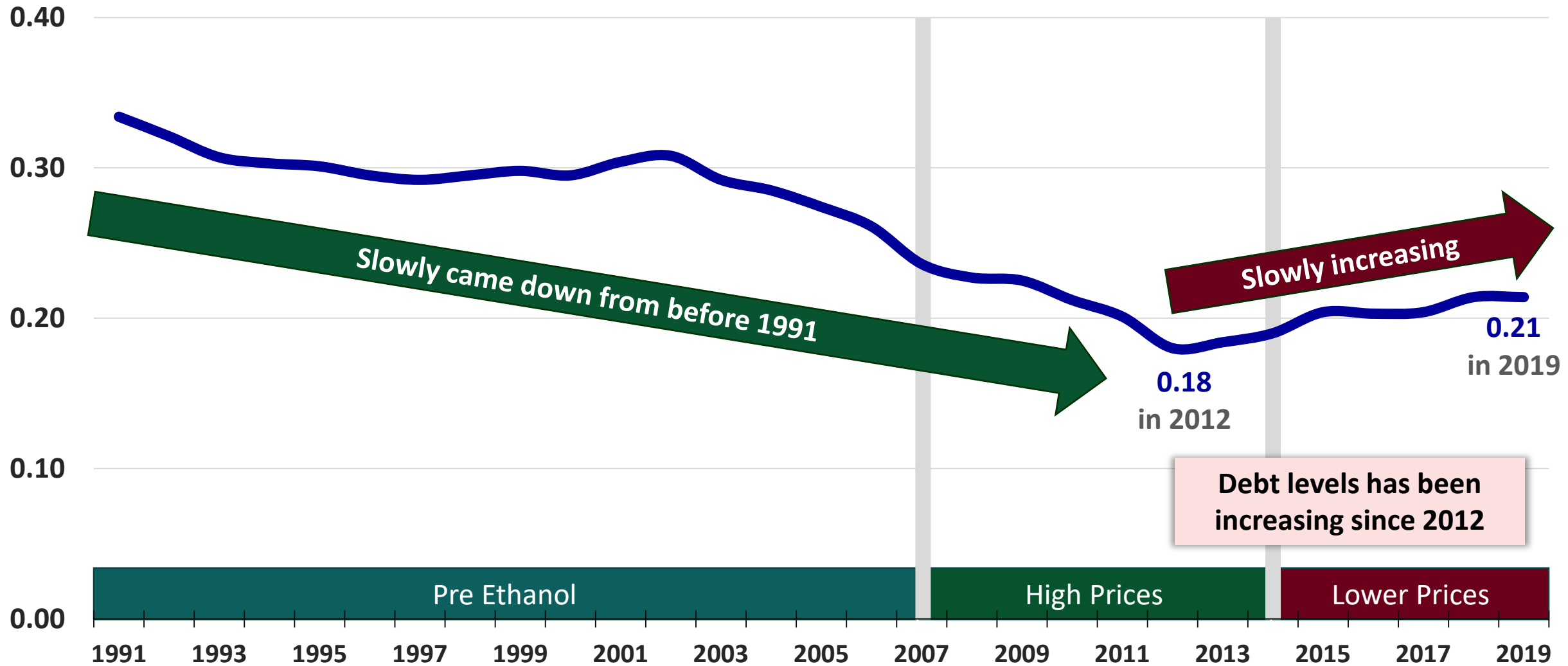
# 2019 FBFM Records Summary

## Farm Operating Income Ratio



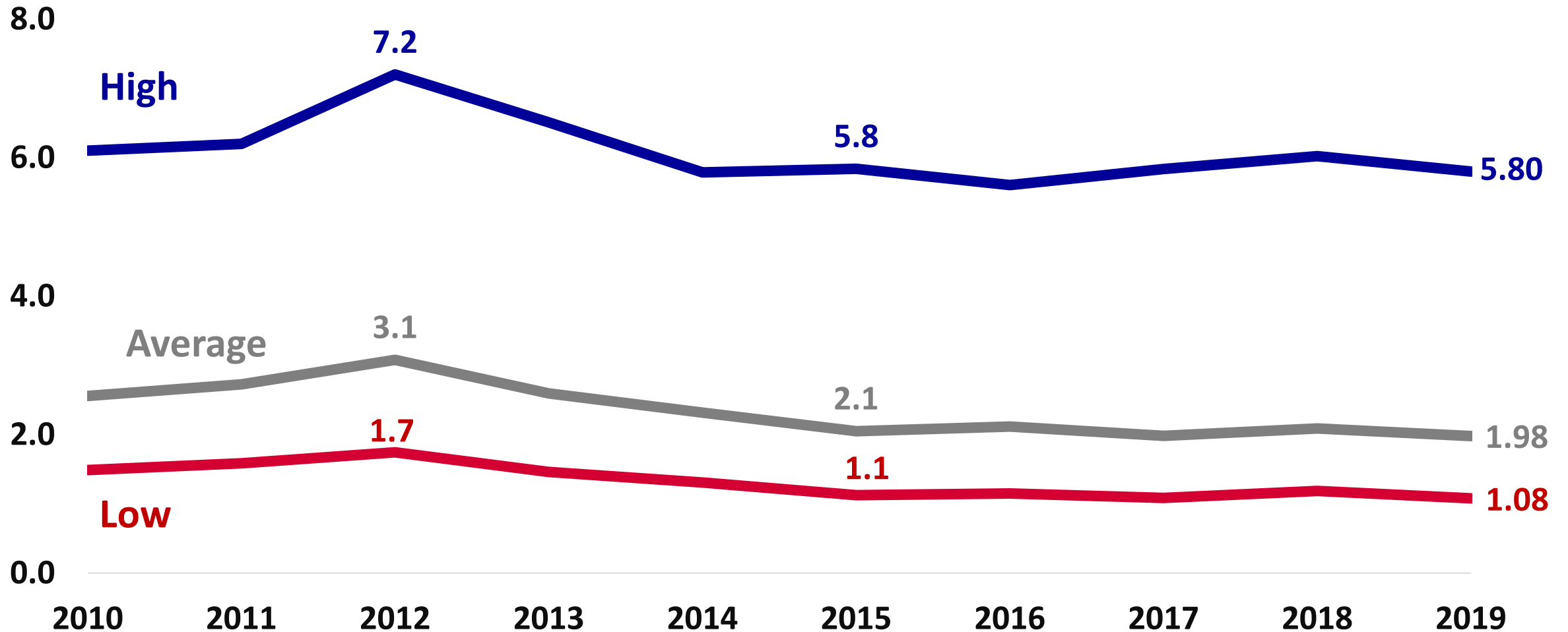


# Debt-to-Asset Ratio



# 2019 FBFM Records Summary

## Current Ratio



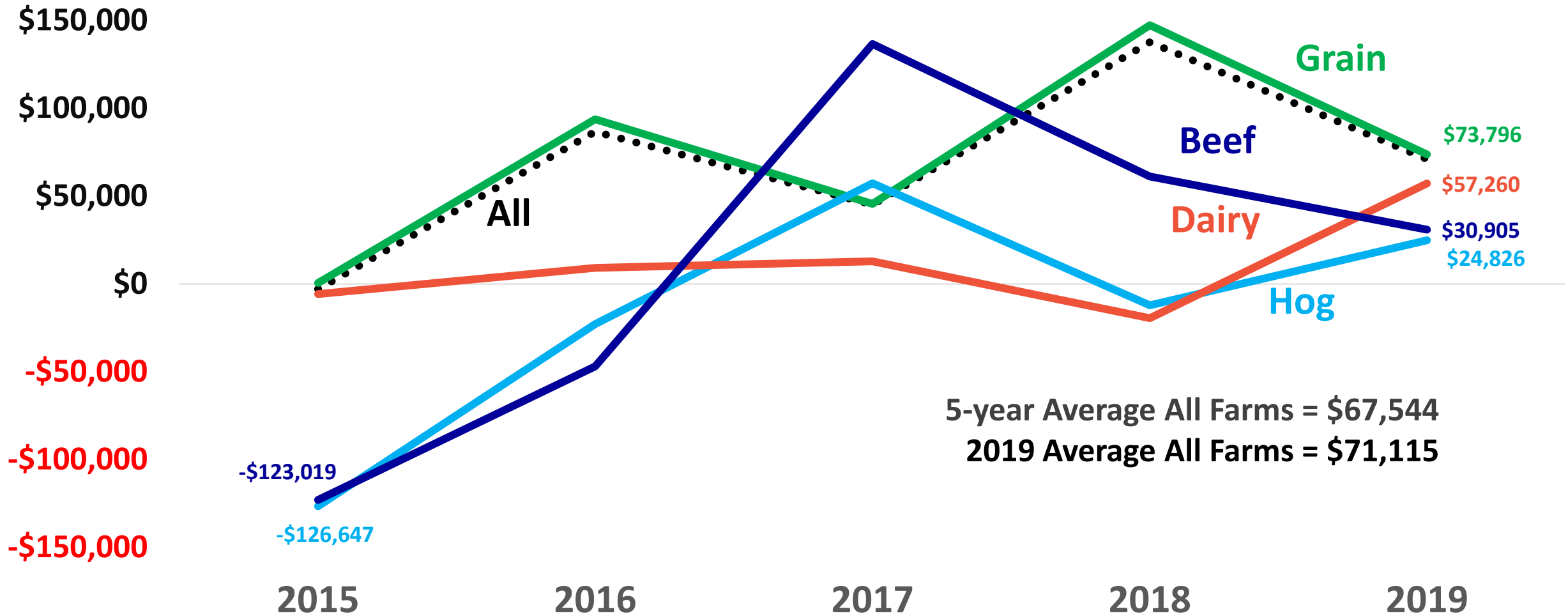
# Diversity in Financial Position





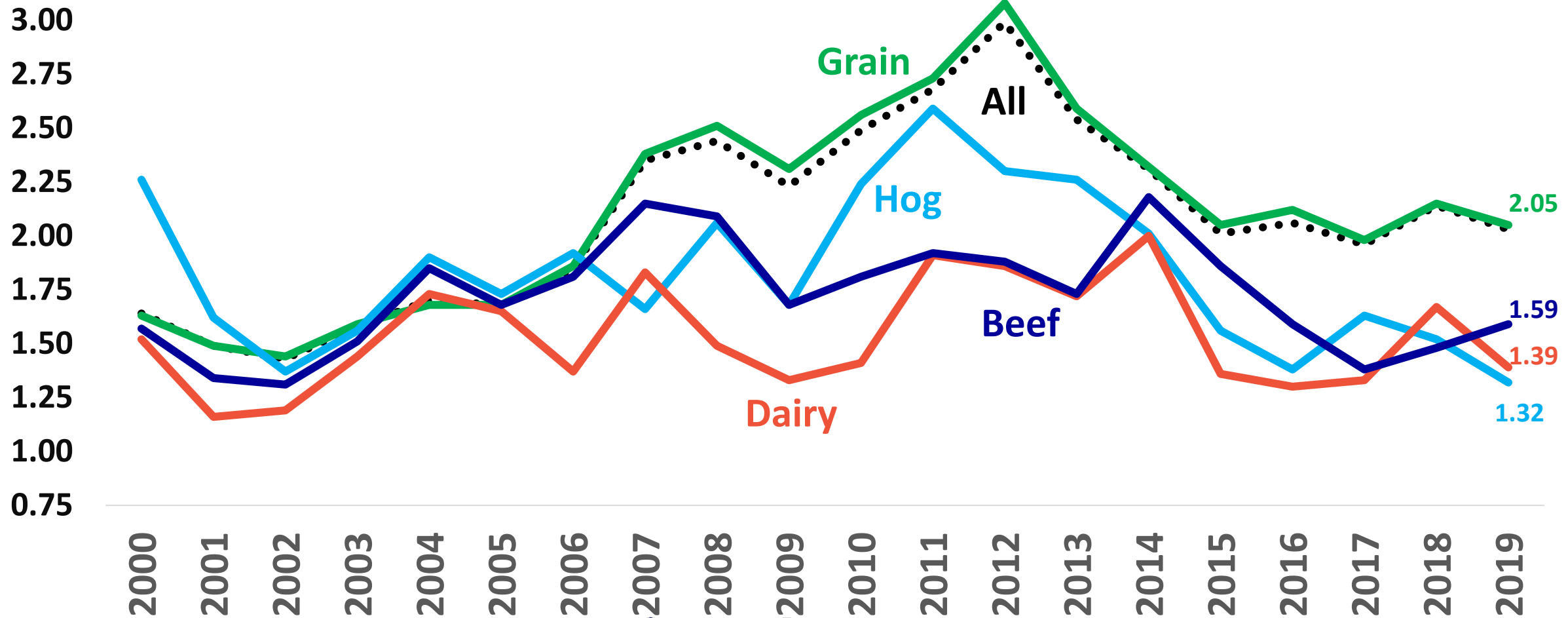
# 2019 FBFM Records Summary

## Operator's Total Net Farm Income



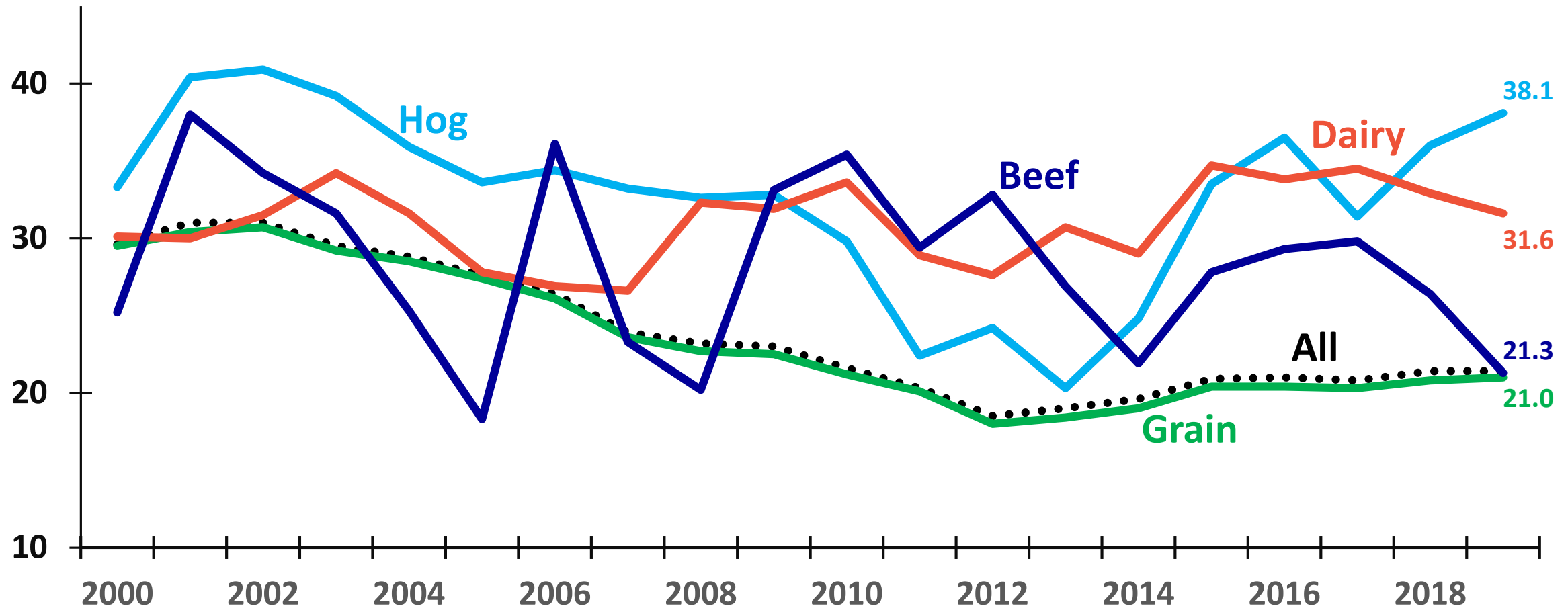
# 2019 FBFM Records Summary

## Liquidity – Current Ratio



# 2019 FBFM Records Summary

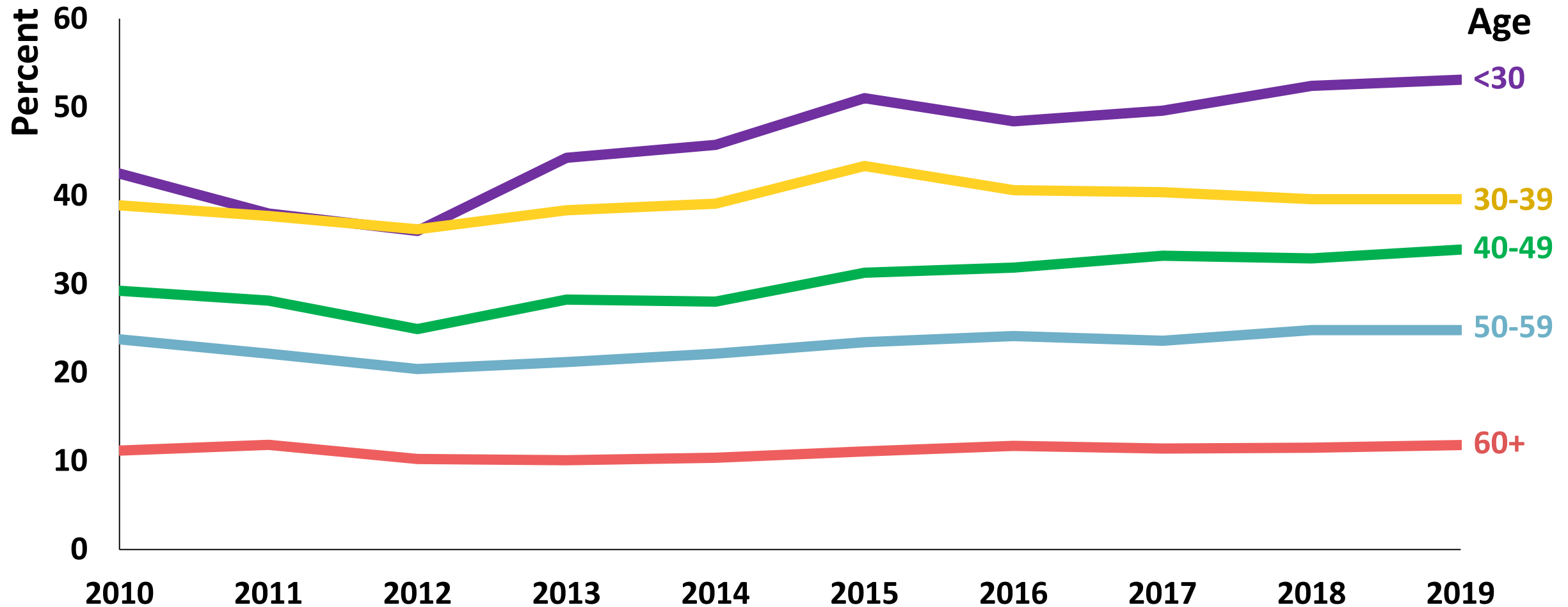
## Solvency – Debt to Asset Ratio





# 2019 FBFM Records Summary

## Debt to Asset Ratio by Age



# Financial Positions of Grain Farms, End of 2018

Debt-to-asset category	Percent of Farms	Current Ratio	Working Capital	Tillable Acres	Percent Rented	Percent Cash Rented	Age
Less than 0.10	20.5%	7.98	\$852	1,626	76%	38%	62.2
0.10 to 0.30	38.8%	2.66	\$321	1,732	78%	41%	61.4
0.30 to 0.50	27.9%	1.38	\$84	1,834	84%	50%	55.2
0.50 to 0.75	10.3%	0.97	(\$23)	2,012	87%	52%	56.5
Over 0.75	2.4%	0.83	(\$176)	1,932	87%	60%	50.4

Source: Illinois Farm Business Farm Management



# Suggestions Moving Forward





# What a lender will look at

## Solvency

### Debt-to-asset ratio

\$1,053 total liabilities/\$4,913 total assets = .21

On average, growing slightly over time,  
but no problem

Farmland prices not likely to fall

# What a lender will look at

## Debt-servicing

**Growing operating loan balance:**  
**\$303 per acre**

Above assumes services other debt

Ok, getting worse, but on average, not alarmingly

# What a lender will look at

## Liquidity

### Current-ratio

$\$936 \text{ current asset} / \$452 \text{ current liabilities} = 2.07$

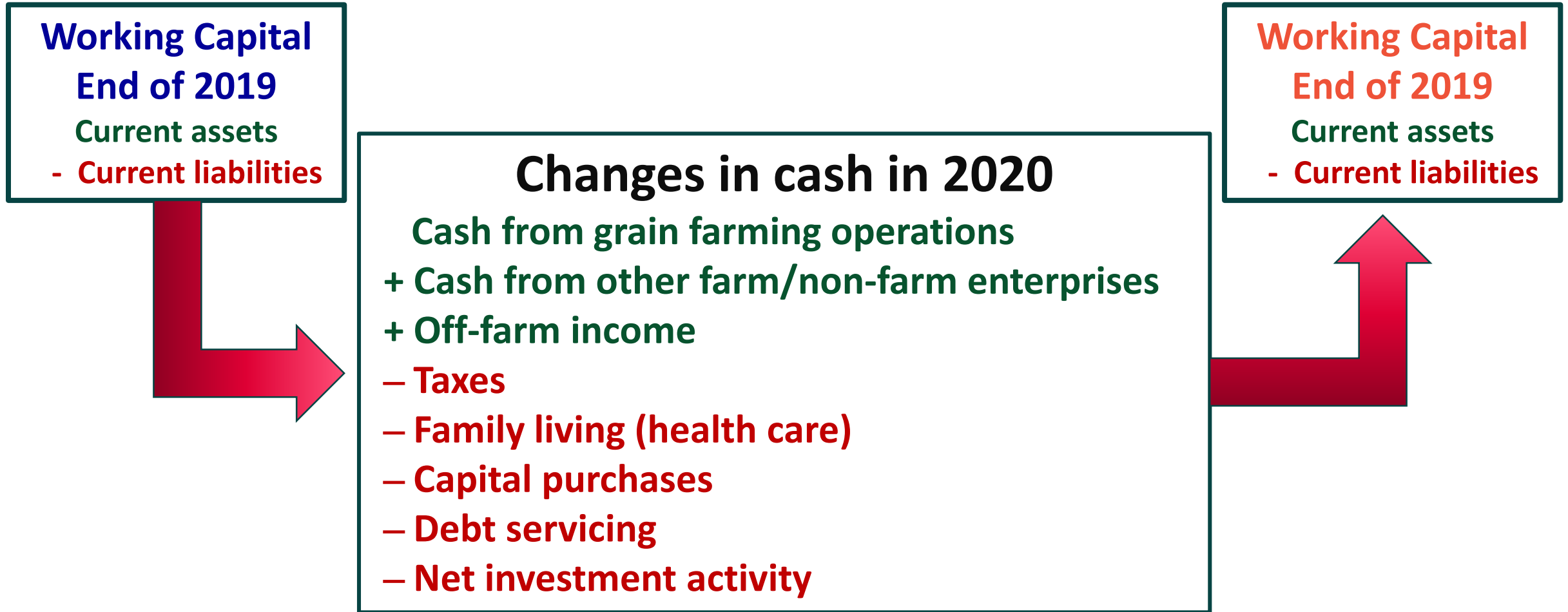
### Working capital

$\$977 \text{ current assets} - \$452 \text{ current liabilities} = \$484 \text{ per acre}$

On average, generally declining but nothing alarming



# Ideas for cash flow and liquidity management



# Ideas for cash flow and liquidity management

## Changes in cash in 2020

Cash from grain farming operations

+ **Cash from other farm/non-farm enterprises**

+ Off-farm income

– Taxes

– Family living (health care)

– Capital purchases

– Debt servicing

– Net investment activity

**Priority for other farm/non-farm activity should be cash generating**

1. Seed/input supply business
2. Livestock (custom or otherwise)
3. Custom farming (be careful)
4. Other non-farm business

# Ideas for cash flow and liquidity management

## Changes in cash in 2020

- Cash from grain farming operations
- + Cash from other farm/non-farm enterprises
- + **Off-farm income**
- Taxes
- Family living (health care)
- Capital purchases
- Debt servicing
- Net investment activity

Priority: Getting health benefits

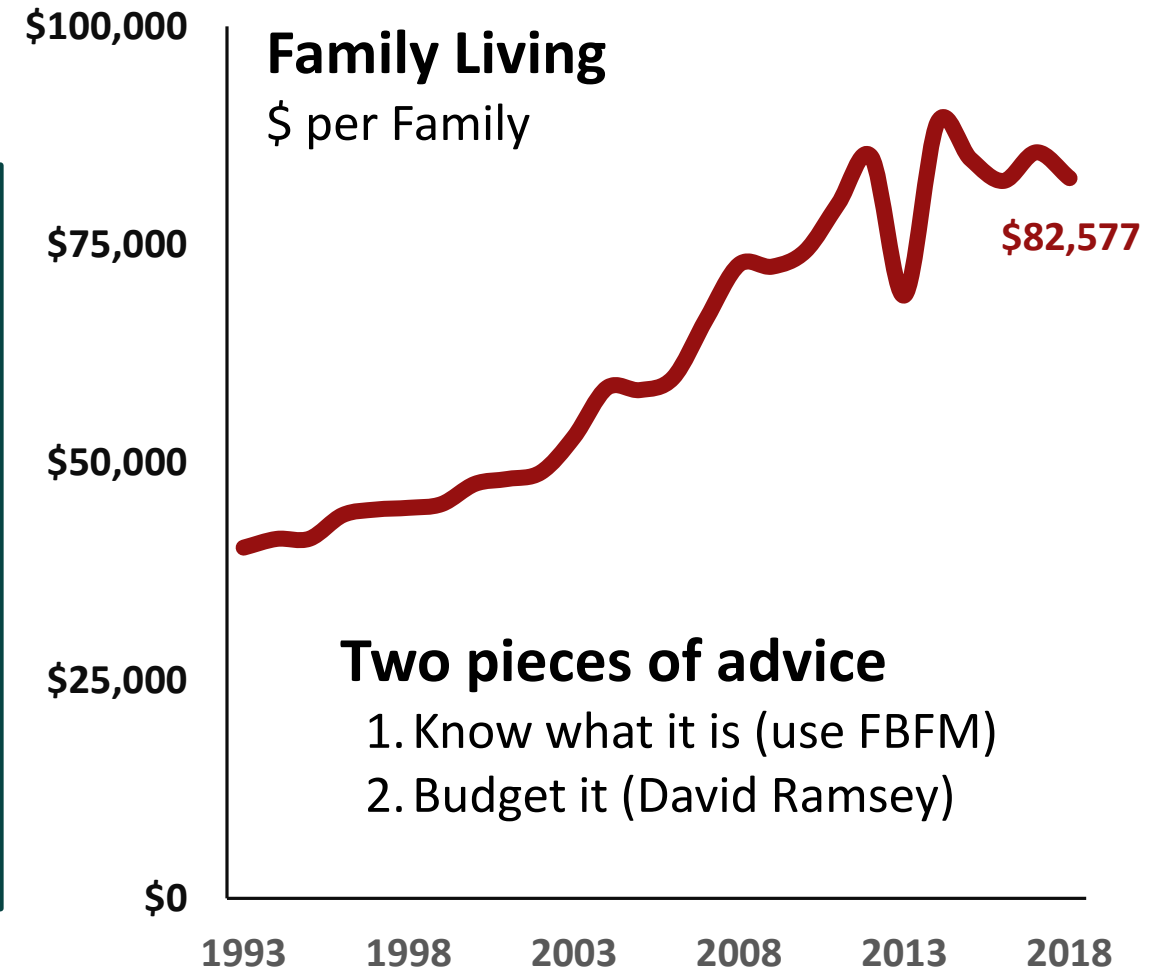




# Ideas for cash flow and liquidity management

## Changes in cash in 2020

- Cash from grain farming operations
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# Ideas for cash flow and liquidity management

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## Philosophy

1. Being a low-cost producer is very important
2. You can't market your way out of problems
3. Make profitable investments
  1. Improvements to existing farmland
  2. Grain storage
  3. Specialty grains
4. Most likely need more revenue in the future, need to get bigger, need to grow the farm
5. Renting farmland – **at average cash rents, not a money maker**

# Ideas for cash flow and liquidity management

## Changes in cash in 2020

### Cash from grain farming operations

- + Cash from other farm/non-farm enterprises
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## Type of farms by age

1. Young farmers – prioritize cash generating activities which may not be grain operations
2. Middle age farmers – evaluate the financial performance of segments of the business (including tracts of farmland)
3. Older farmers (no heirs) – look at segments of farmland
4. Older farmers (with heirs) – very difficult position, time to do succession planning



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## Please submit your questions



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