



Financial Summary of Illinois Farms for 2023

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Farm incomes in 2023 were much lower than the year before leading to slightly lower financial positions on Illinois farms. The Farm Financial Standards Council has identified several key measures to analyze the financial strength of a farm business. These measures are in the areas of liquidity, solvency, profitability, and financial efficiency. The averages for these key measures for 2,121 Illinois farms enrolled in Illinois Farm Business Farm Management (FBFM) can be found in Table 1. These measures are also calculated by farm type. Due to the effects that weather and other outside factors may have on a farm business for any one year, it is better to monitor these measures over time and to identify trends than it is to rely too heavily on these measures for any one year when making business decisions. More detail and in-depth analysis of these financial characteristics can be found in Financial Characteristics of Illinois Farms, published by FBFM and the Department of Agricultural and Consumer Economics at the University of Illinois.

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Table 1. Financial Characteristics of Illinois Farms for 2023 by Type of Farm

	All farms	Grain farms	Hog farms	Dairy farms	Beef farms
Number of farms	2,121	2,035	15	29	42
Liquidity					
Working capital	\$494,571	\$511,659	\$466,446	\$167,755	\$244,726
Current ratio	3.03	3.12	2.15	2.22	1.85
Solvency					
Net worth (market)	\$4,467,364	\$4,548,711	\$3,894,301	\$2,174,076	\$2,314,065
Debt-to-farm equity (%)	21.6	21.0	33.8	49.9	47.3
Debt-to-farm asset (%)	17.9	17.4	25.3	33.3	32.1
Profitability					
Farm operating income	\$21,719	\$24,236	-\$172,909	\$31,801	-\$37,672
Return on farm assets (%)	0.0	0.1	-2.4	-0.9	-1.5
Return on farm equity (%)	-0.8	-0.7	-3.8	-2.6	-3.4
Financial efficiency					
Interest expense ratio (%)	2.9	2.9	5.4	7.1	6.6
Operating expense ratio (%)	81.0	81.0	94.0	76.4	81.3
Depreciation expense ratio (%)	10.4	10.4	11.3	11.9	14.9
Farm operating income ratio (%)	4.2	4.3	-7.2	3.3	-5.0
Asset turnover ratio	0.20	0.21	0.17	0.18	0.15

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Liquidity is an assessment of a farm's ability to meet current cash-flow needs. The amount of working capital and the current ratio (current assets divided by current liabilities) are two measures of liquidity. The average amount of working capital as of December 31 for the 2,121 farms was \$494,571 down 17 percent from \$593,813 a year earlier. Grain farms had the greatest working capital, averaging \$511,659, while dairy farms had the least, averaging \$167,755. Most of the assets of a dairy farm—the dairy herd, buildings, and land—are noncurrent assets. The average current ratio for all the farms was 3.03, down from 3.52 a year ago. Grain farms recorded the highest (most healthy) current ratio, and beef farms the lowest. The current ratio for 2022 was the highest on recent record at 3.52.

Solvency is a measure of the farm's overall financial strength and risk-taking ability. The average net worth of the 2,121 farms at the end of 2023 was \$4,467,364, up from \$4,225,227 the year before. Average accrual farm and non-farm incomes in 2023 were not above family living requirements, however there were still net worth increases due to large cash incomes from 2022 recognized and increasing machinery and land values. Grain farms had the highest net worth, followed by hog farms, with dairy farms recording the lowest. The debt-to-farm equity and debt-to-farm asset indicators show how debt capital is combined with equity capital. This is useful in looking at the risk exposure of the business. The average debt-to-farm asset percentage for all farms was 17.9. The debt-to-farm asset percentage ranged from 17.4 for grain farms to 33.3 for dairy farms. The average debt-to-farm asset level of 17.8 from 2022 was at its lowest level for at least 20 years.

A measure of a farm's **profitability** is useful in examining its ability to meet family living demands and retire term debt. It is also useful in measuring the farm's ability to utilize assets and equity to generate income. The average return on farm assets for the 2,121 farms was 0.0 percent, down from 7.5 percent a year earlier. Grain farms recorded the highest returns, averaging 0.1 percent, while hog farms recorded the lowest, averaging *negative* 2.4 percent. Return on farm equity in 2023 ranged from *negative* 0.7 percent for grain farms to *negative* 3.8 percent for hog farms. The average was *negative* 0.8 percent, down from 9.0 percent in 2022.

The interest, operating, and depreciation expense ratios relate to these various expense categories as a percentage of the value of farm production. The farm operating income ratio measures the return to labor,

capital, and management as a percentage of the value of farm production. These measures can be used to evaluate the **financial efficiency** of the farm business. The interest–expense ratio averaged 2.9 percent for the 2,121 farms, ranging from 2.9 percent for grain farms to 7.1 percent for dairy farms. 2.9 percent was up from 1.8 percent in 2022. The 2022 figure of 1.8 percent was the lowest since at least 1995. The farm operating income ratio ranged from a high of 4.3 percent for grain farms to *negative* 7.2 percent for hog farms. The average for all farms in 2023 was 4.2 percent, down from 31.3 percent in 2022. The 2019 through 2023 5-year average farm operating income ratio is 20.0 percent. The 2023 farm operating income ratio was well below the 5-year average.

The financial results on all Illinois farms show that on average 2023 was another good financial year even with lower incomes. The average farms for these groups are in strong financial positions which will be needed with projected much lower incomes for 2024 and 2025. Careful monitoring of trends in these numbers is needed to help make sound farm financial decisions for your operation.

The author would like to acknowledge that data used in this study comes from the Illinois Farm Business Farm Management (FBFM) Association. Without Illinois FBFM, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,000+ farmers and 70 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel along with recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact our office located on the campus of the University of Illinois in the Department of Agricultural and Consumer Economics at 217-333-8346 or visit the FBFM website at www.fbfm.org.