

Outlook in the Year of COVID

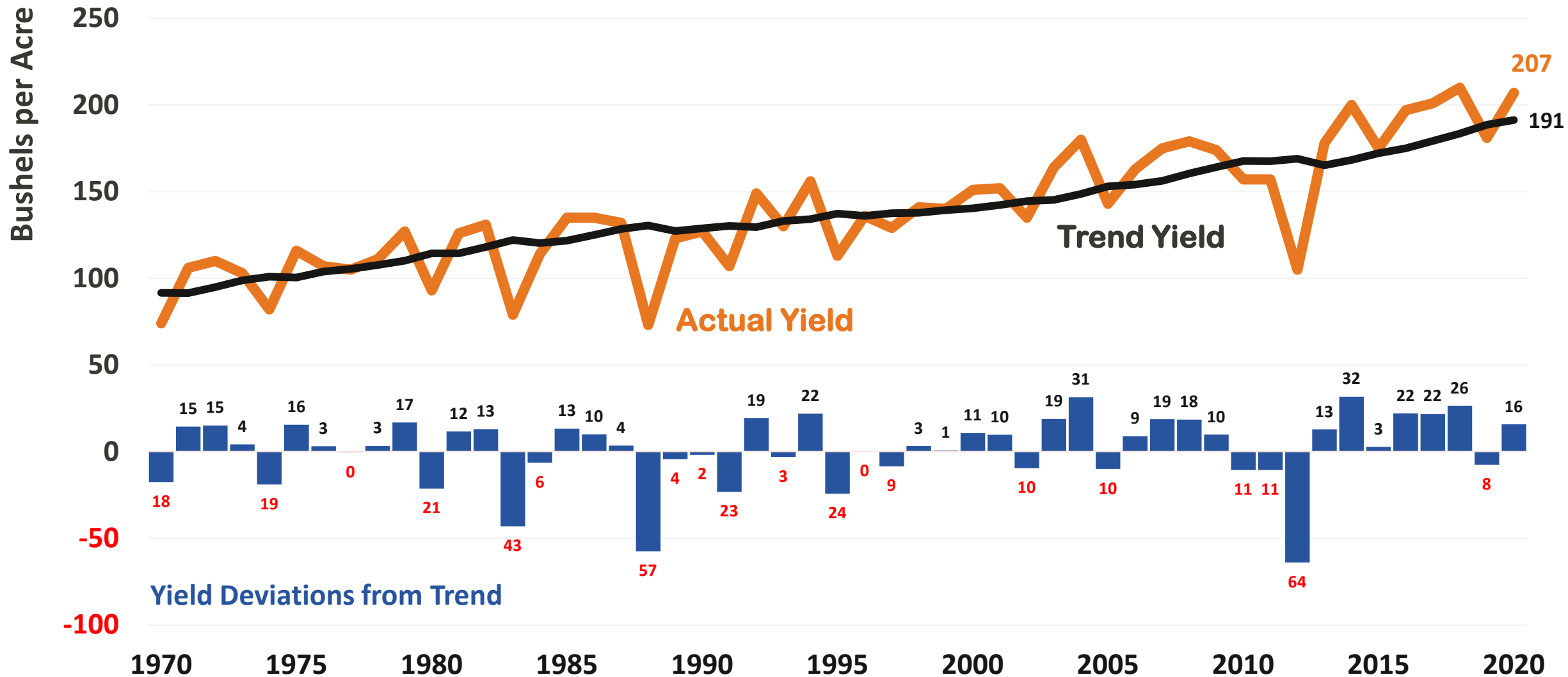
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ILLINOIS
Agricultural &
Consumer Economics
COLLEGE OF AGRICULTURAL, CONSUMER
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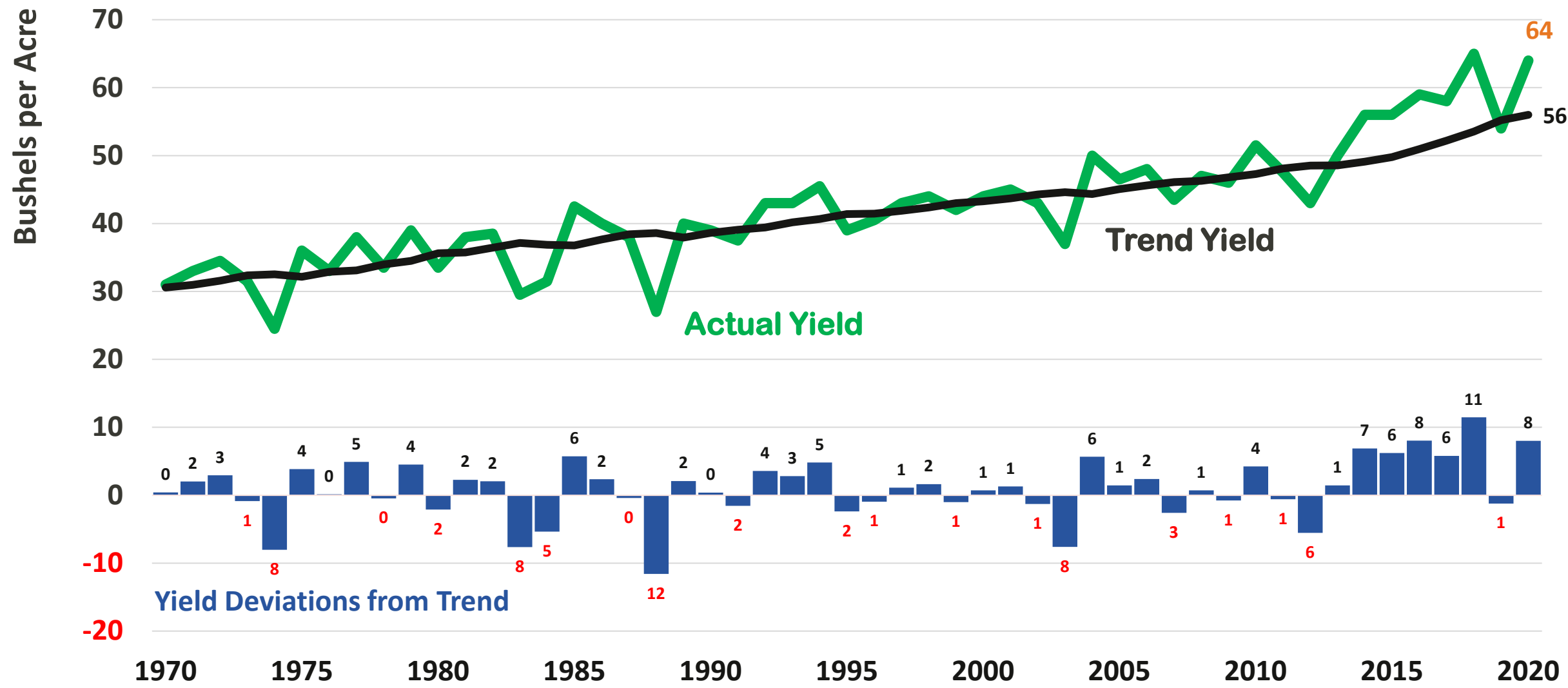
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Gary Schnitkey

Illinois Corn Yields, 1970 to 2020P



Illinois Soybean Yields, 1970 to 2020P



WASDE Release (August 12, 2020)

Corn (181.8 bushels per acre national yield)

- 2019 market year prices: \$3.60
- 2020 market year price \$3.10

Soybeans (53.3 bushels per acre national yield)

- 2019 Market year prices: \$8.55
- 2020 market year price \$8.35



Table 1. Market Year Price Estimates, Pre and Post Introduction of COVID-19¹

Marketing Year	Corn			Soybeans		
	Pre-COVID	Post-COVID	Change	Pre-COVID	Post-COVID	Change
2019	3.85	3.50	-9.1%	8.75	8.50	-2.9%
2020	3.70	3.20	-13.5%	8.80	8.20	-6.8%
2021	3.60	3.40	-5.6%	8.70	8.30	-4.6%

Our projections on
April 29, 2020
farmdoc daily

¹ Estimates of Post-COVID scenario made on April 24, 2020.

ARC/PLC

- Modest levels received in October 2020 for 2019 crop year, except for total prevent plant farms
- Outlook would be for higher amounts in October 2021

2020 ARC/PLC payments (Receive in Oct 2021)

	PLC Corn	PLC Soybeans
Effective reference price	\$3.70	\$8.40
MYA price	\$3.10	\$8.35
Payment rate of	\$0.60	\$0.05
Payment on farm's PLC yield bushels per acre	175	50
PLC payment per base acre	\$83	\$2
	175 PLC yield x \$0.60 rate x .85 factor x .932 for sequester	50 PLC yield x \$0.05 rate x .85 factor x .932 for sequester

Coronavirus Food Assistance Program

September 11 is deadline

Paid on livestock and many grain farms

For grain, paid on lower of

- 1) 50% of 2019 production
- 2) Unpriced grain in inventory on January 15, 2020

Rates are

\$.335 per bushel for corn

\$.475 per bushel for soybeans

Payments were broken into two payments

1. 80% of total
2. 20% of total. Second payment now being made

Other Federal Aid

- WHIP+
- Paycheck Protection Program – PPP
- Economic Injury Disaster Loans – EIDL
- Additional CFAP/MFP on 2020 crop



Corn and Soybeans, Central Illinois, High-Productivity

	Corn			Soybeans		
	2018	2019	2020P	2018	2019	2020P
Yield per acre	237	208		75	64	
Price per bu	\$3.60	\$3.65		\$9.36	\$8.60	
Crop revenue	853	759		702	550	
ARC/PLC	0	15		0	15	
MFP	1	82		122	82	
CFAP		31		0	14	
Crop insurance	2	14		2	10	
Gross revenue	856	901		826	671	
Total non-land costs	574	606		353	372	
Operator and land return	282	295		473	299	
Cash rent	274	275		274	275	
Farmer return	8	20		199	24	

- 2020 yields are near 2018 record yields
- Built into budgets is \$50 for CFAP in 2020. Those are in addition to those whose sign up is going on now. **Those are not for certain.**
- **Yellowed items are ad hoc disaster assistance payments**

Two 2021 Budgets

Baseline

- Trend yields (217 bpa corn, 68 bpa soybeans)
- No ad hoc disaster assistance

Optimistic

- Above trend yields (and no lowering of price)
- \$50 ad hoc Federal disaster assistance

Corn and Soybeans

Central Illinois, High-Productivity

Baseline

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	233		75	64	73	
Price per bu	\$3.60	\$3.65	\$3.20		\$9.36	\$8.60	\$8.45	
Crop revenue	853	759	746		702	550	617	
ARC/PLC	0	15	45		0	15	45	
MFP	1	82	0		122	82	0	
CFAP		31	50		0	14	50	
Crop insurance	2	14	2		2	10	2	
Gross revenue	856	901	843		826	671	714	
Total non-land costs	574	606	571		353	372	359	
Operator and land return	282	295	272		473	299	355	
Cash rent	274	275	275		274	275	275	
Farmer return	8	20	-3		199	24	80	

Corn and Soybeans

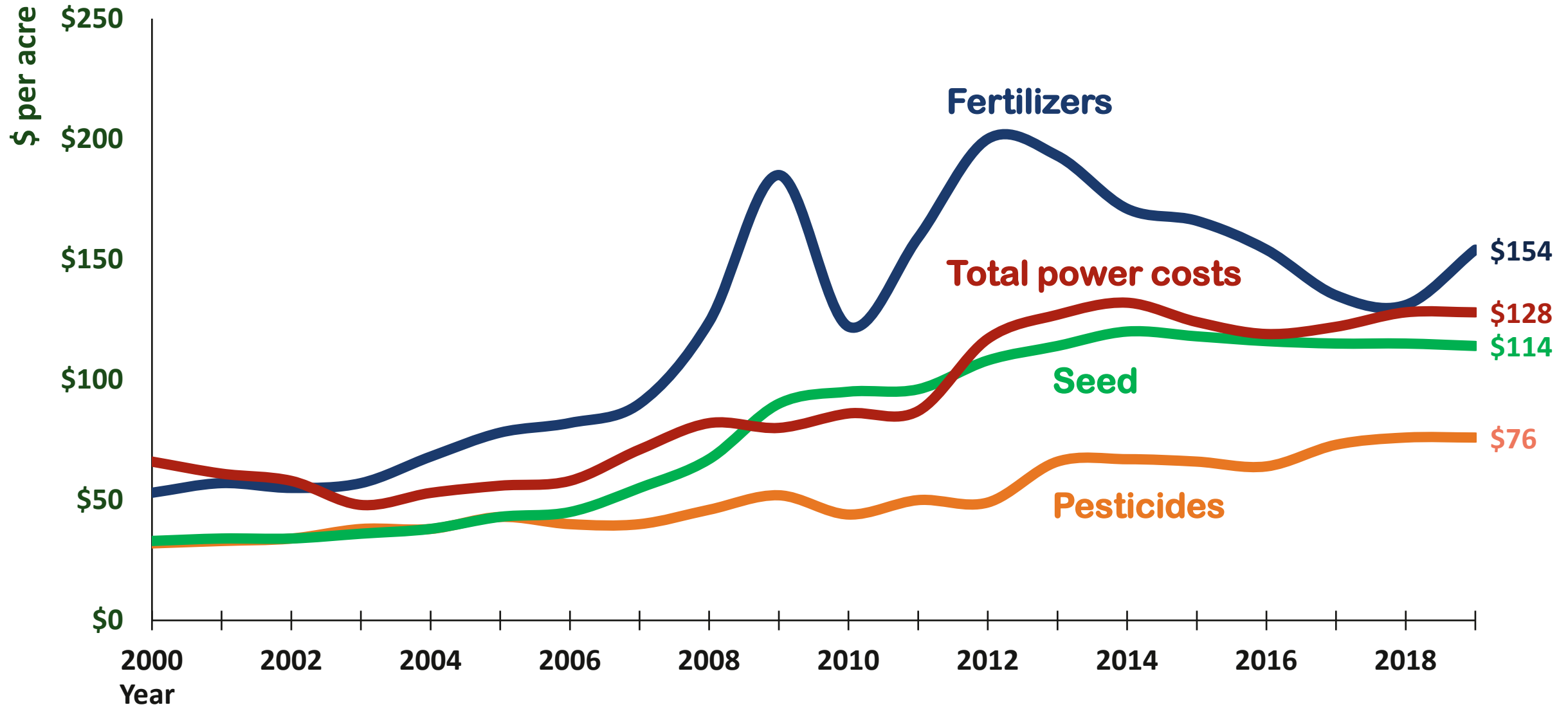
Central Illinois, High-Productivity

Optimistic

	Corn				Soybeans			
	2018	2019	2020P	2021P	2018	2019	2020P	2021P
Yield per acre	237	208	233	233	75	64	73	73
Price per bu	\$3.60	\$3.65	\$3.20	\$3.40	\$9.36	\$8.60	\$8.45	\$8.60
Crop revenue	853	759	746	792	702	550	617	628
ARC/PLC	0	15	45	32	0	15	45	32
MFP	1	82	0	0	122	82	0	0
CFAP		31	50	50	0	14	50	50
Crop insurance	2	14	2	0	2	10	2	0
Gross revenue	856	901	843	874	826	671	714	710
Total non-land costs	574	606	571	568	353	372	359	360
Operator and land return	282	295	272	306	473	299	355	350
Cash rent	274	275	275	275	274	275	275	275
Farmer return	8	20	-3	31	199	24	80	75
50% Corn and 50% Soybean Rotation								
Farmer return	104	22	39	53	(with <i>ad hoc</i> Federal payments)			
	42	-83	-12	3	(without <i>ad hoc</i> Federal payments)			

Cash Rents and Farmland Price

Components of Cost



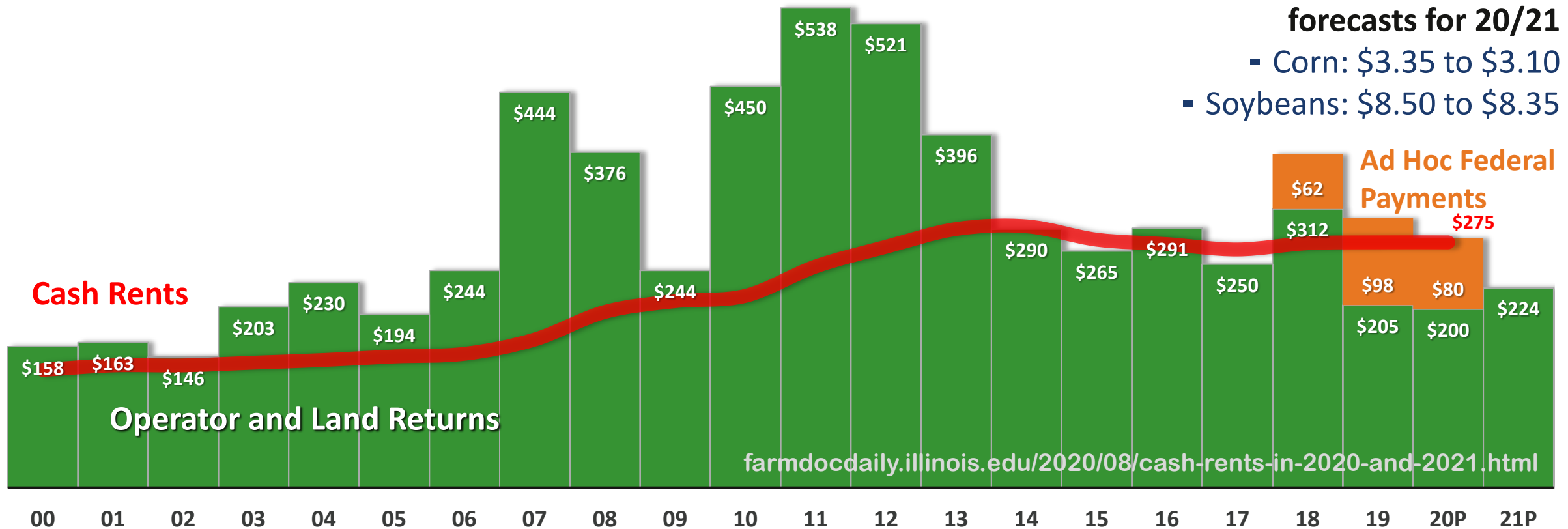
Operator and Land Returns and Cash Rents, High-Productivity Farmland in Central Illinois, 2000 to 2021P.

Ad hoc payments helped to achieve break-even returns in 2019 and 2020***

Flat rents and other costs

July vs. August USDA MYA price forecasts for 20/21

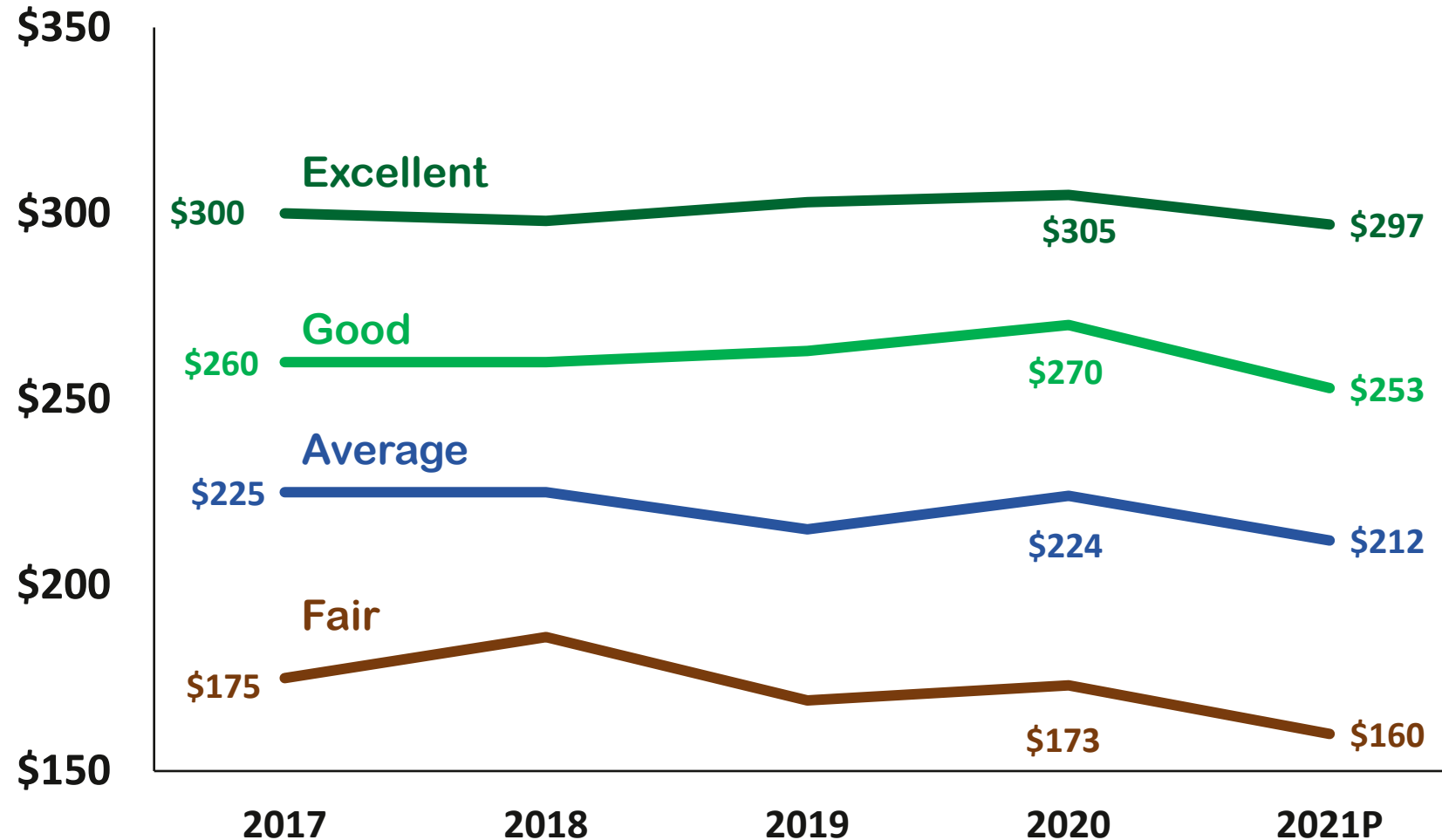
- Corn: \$3.35 to \$3.10
- Soybeans: \$8.50 to \$8.35



farmdocdaily.illinois.edu/2020/08/cash-rents-in-2020-and-2021.html

Cash Rent Projections

Cash Rents on Professionally Managed Farmland (\$ per acre)



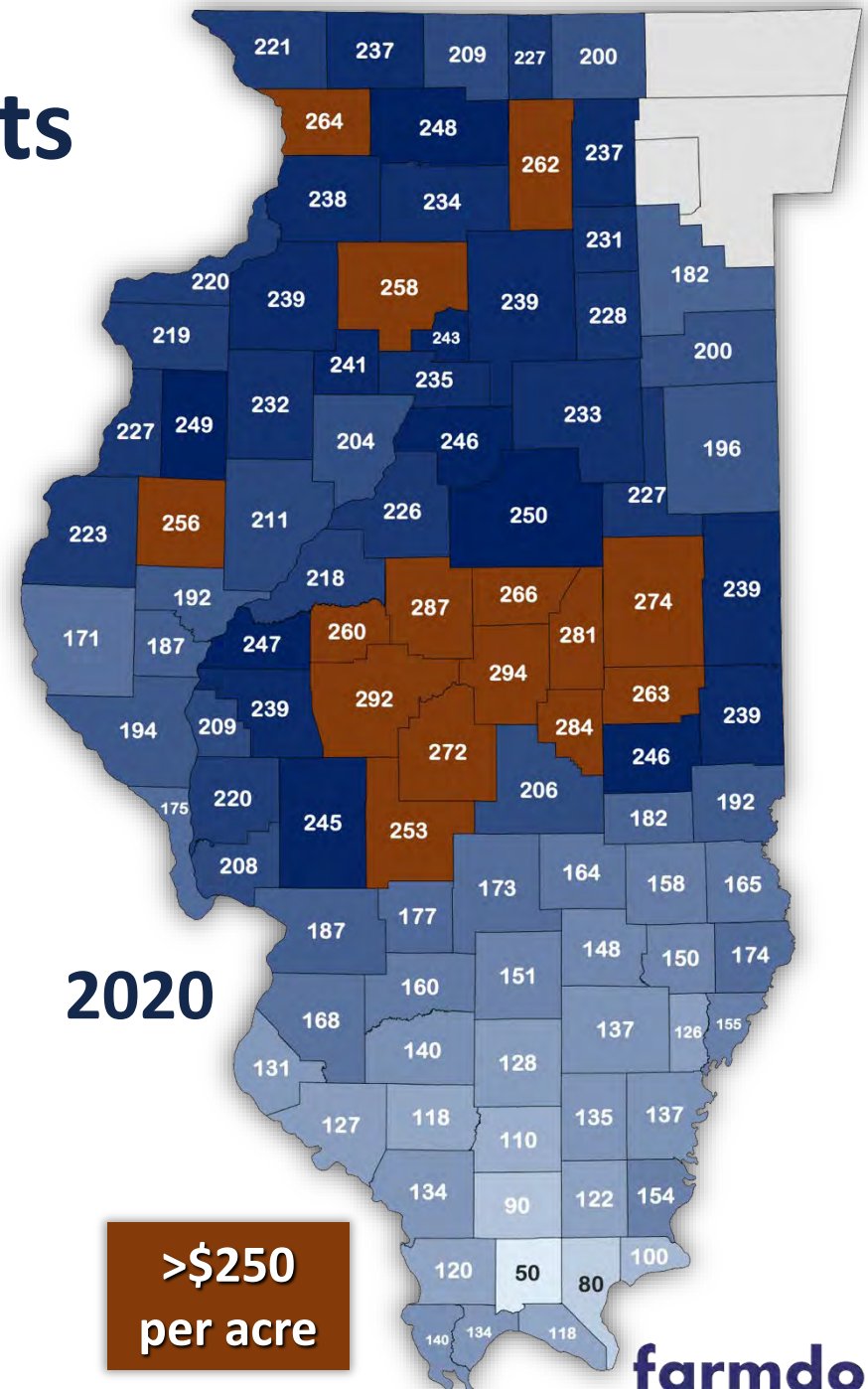
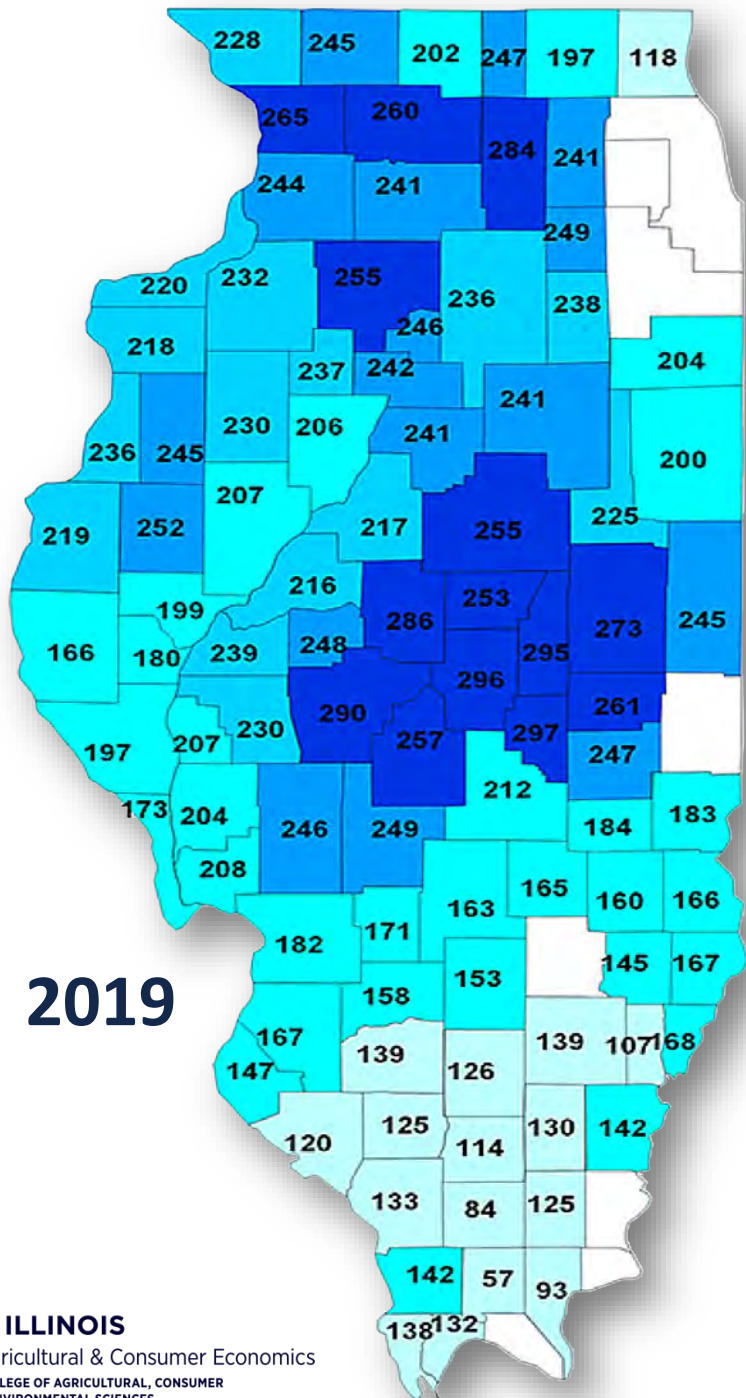
Survey results suggest **2.5% decline** on **excellent** quality farmland

About **5% decline** on lower quality farmland

Year	Excellent	Good	Average	Fair
2017	300	260	225	175
2018	298	260	225	186
2019	303	263	215	169
2020	305	270	224	173
2021P	397	253	212	160

Average Cash Rents in Illinois from NASS

We have not seen a lot
of movement in cash
rents in recent years



Ten-year Constant Maturity Treasury Rate



Farmland Values in the I-States



Thank you