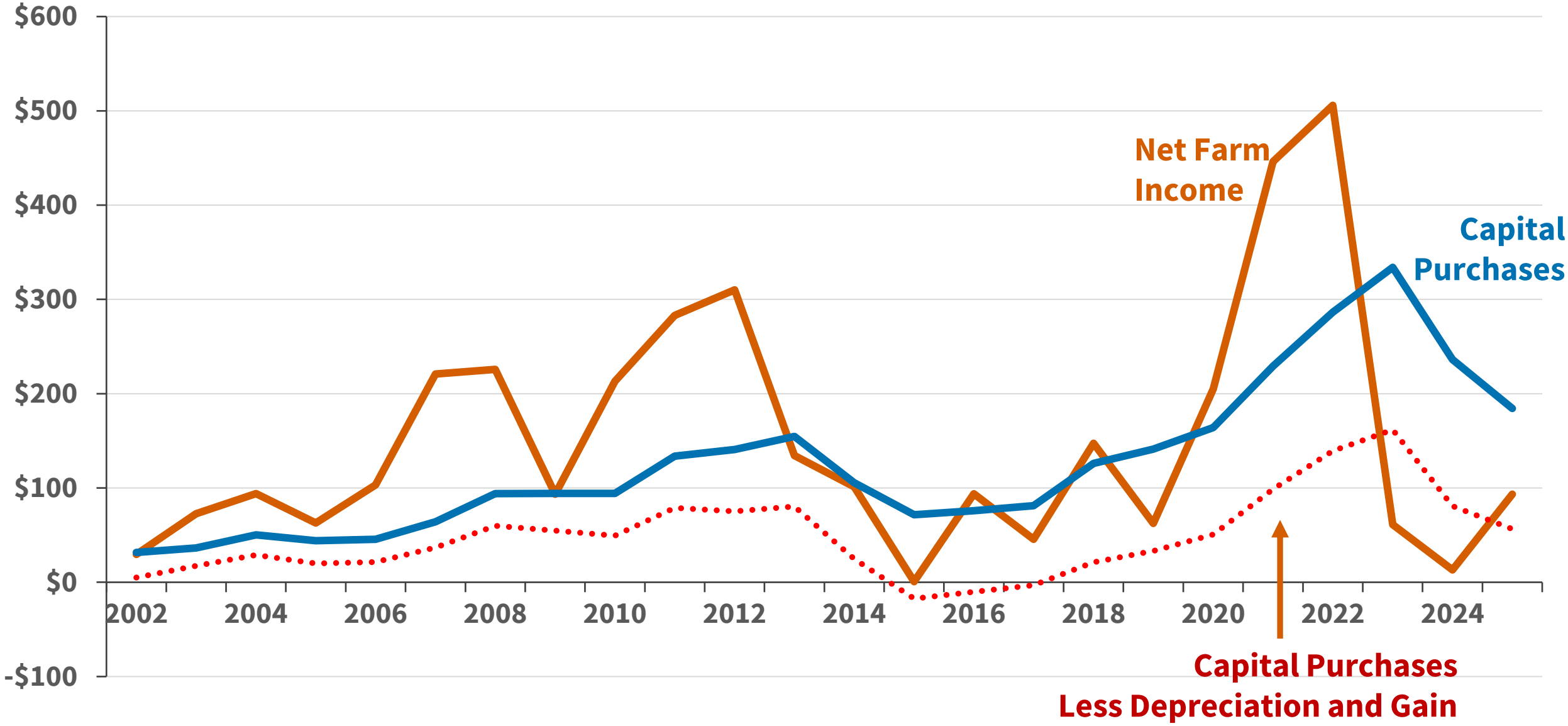
Update on the US Agricultural Economy & the Value of Soil Testing in Managing Input Costs.



Gary Schnitkey

Figure 1. Average Net Farm Income in Illinois

Grain Farms enrolled in Illinois Farm Business Farm Management ($1,000)



ILLINOIS

Source: Illinois FBFM and *farmdoc* projections.

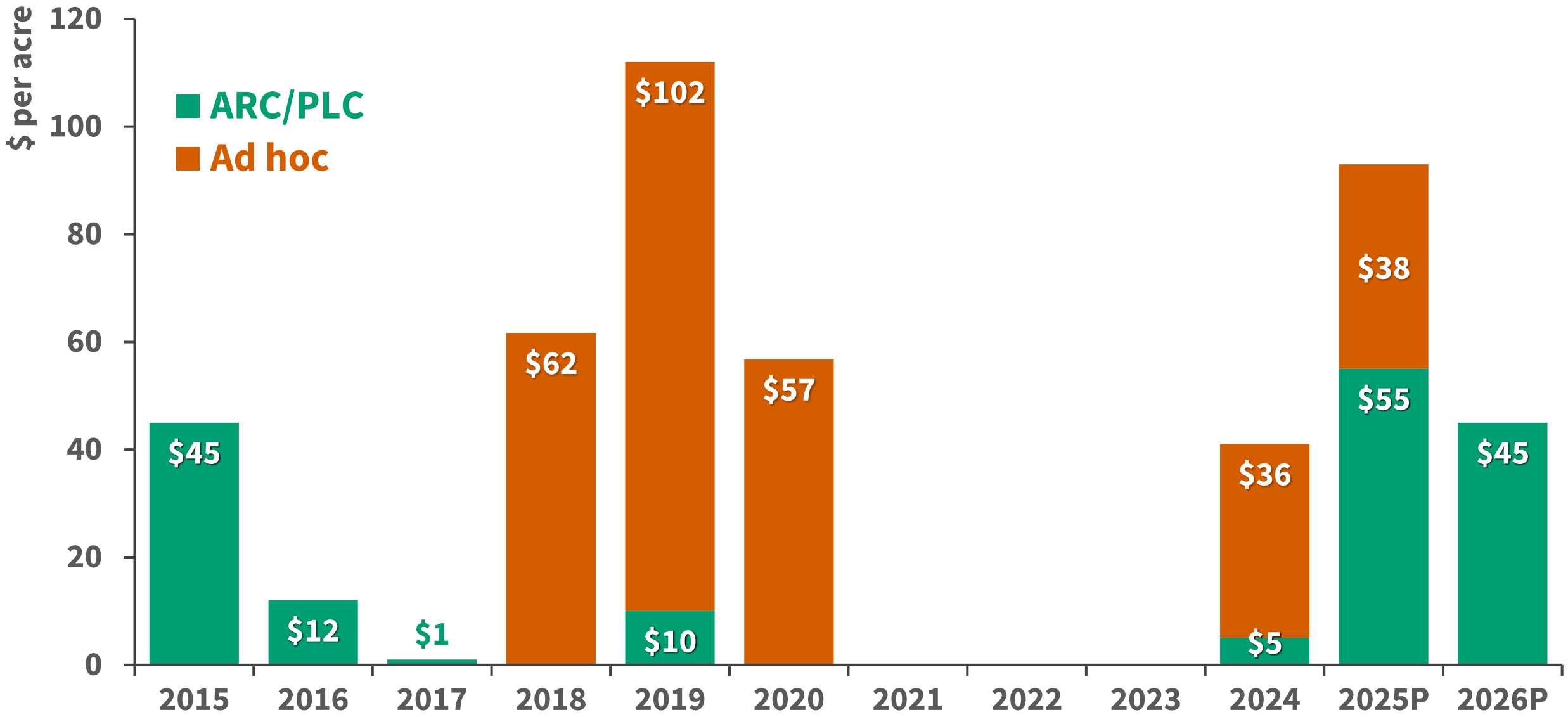
farmdocDAILY

Notes:

- 2025 income was $93K, better than we thought but with $61K of government payments
  - Farmers with low yields will have more issues
- 2026 government payments related to 2025 crop:
  - $38ish per planted acre of Farmer Bridge Payments
  - $50ish per base acre of PLC/ARC payments (in October)
- Reasonable to expect another bridge payment before fall

Commodity Title Versus Ad Hoc Disaster Payments

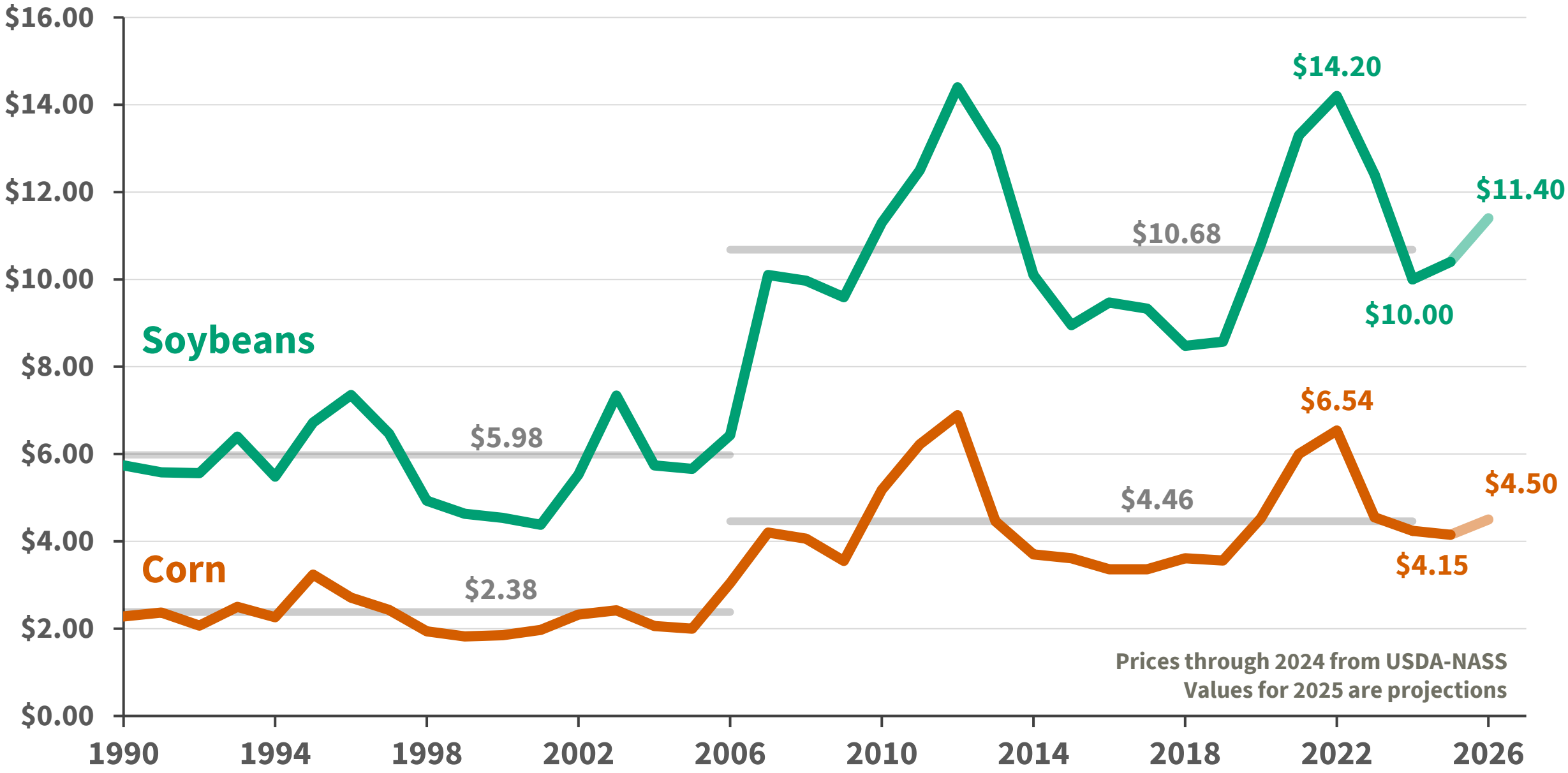
Central Illinois



Challenge

- Ad hoc Federal payments (Farmer Bridge Payments) have filled gaps, but also likely slowed cost adjustments
- Low returns without ad hoc caused by a cost – price squeeze
  - Prices have come down since 2022
  - Costs have not declined
- My expectations: Iran Conflict leads to higher fertilizer and fuel prices and limited chances of an increase in corn and soybean prices

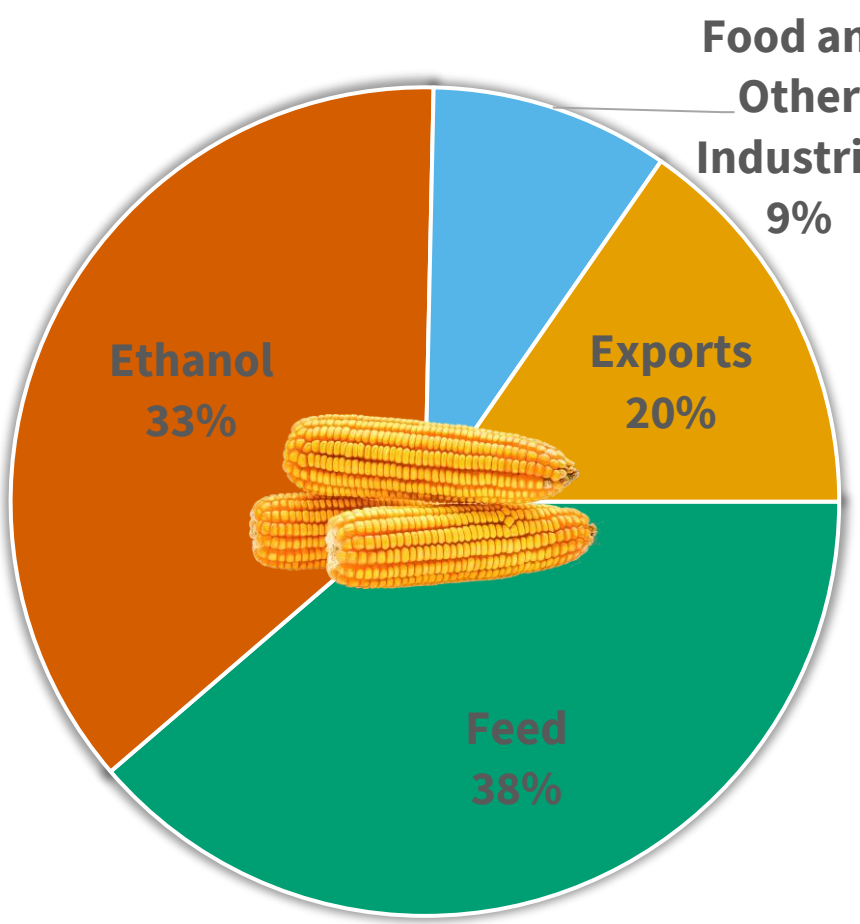
U.S. Market Year Average Prices for Corn and Soybeans 1960 to 2026P



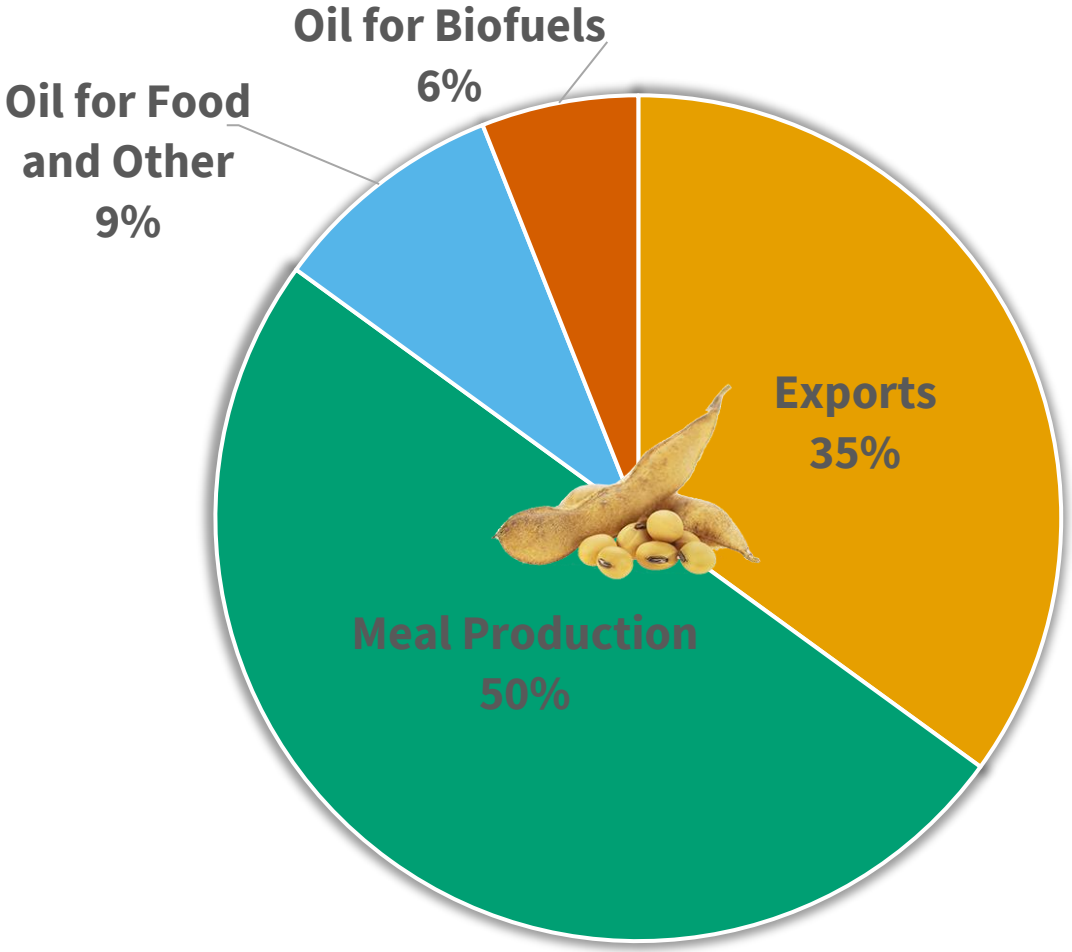
Composition of corn and soybean use

as percentage of total use, 2025/26 marketing year

Corn



Soybeans



Source: USDA WASDE and *farmdoc* calculations

Biofuels

Ethanol

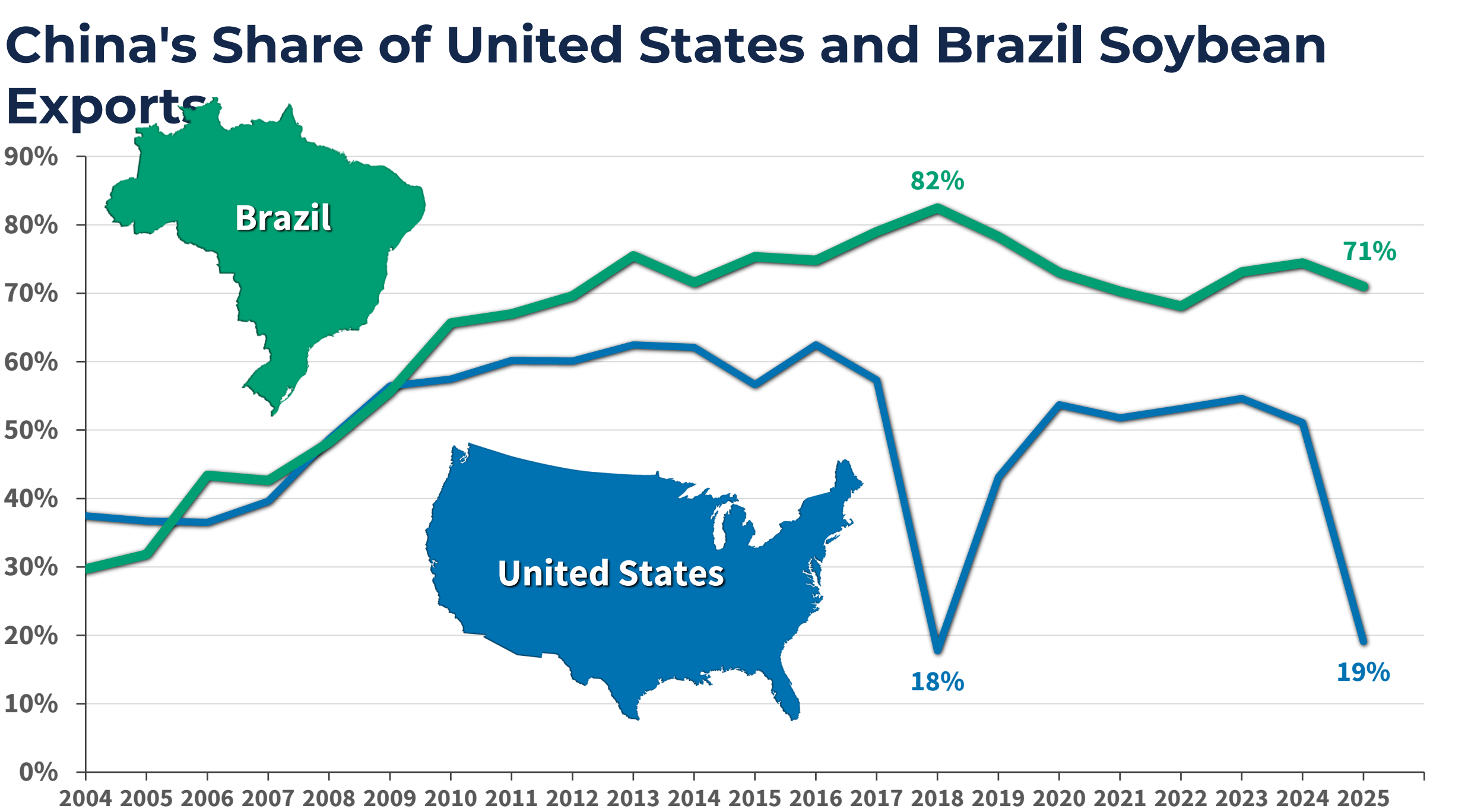
- Flat to declining motor fuel use in the US
- Growth in EVs
- E-10 vs E-15 and higher blends
- CO2 capture and storage

Biodiesel/Renewable Diesel

- Biodiesel must be blended
- Renewable diesel as a “drop in”
- Latest RFS RVO announcements and other rules
- Competition among fats/oils as feedstocks

Wildcards: 45Z and SAF

China's Share of United States and Brazil Soybean Exports



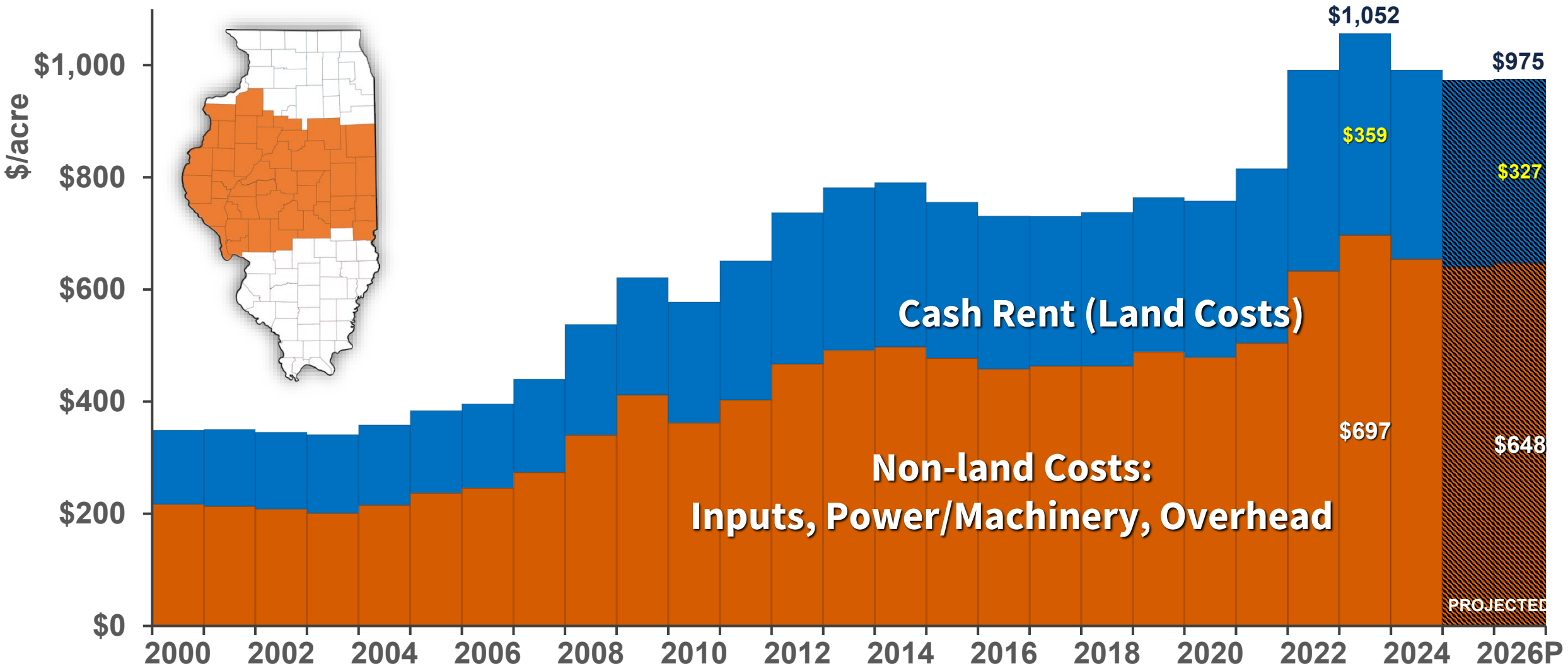
ILLINOIS Note: Exports by calendar year since the countries have different marketing years

Sources: USDA and Secex/Brazil

farmdoc

Production Costs for Central Illinois in $ per acre

50-50 Corn-Soy Rotation, 2000 to 2026P



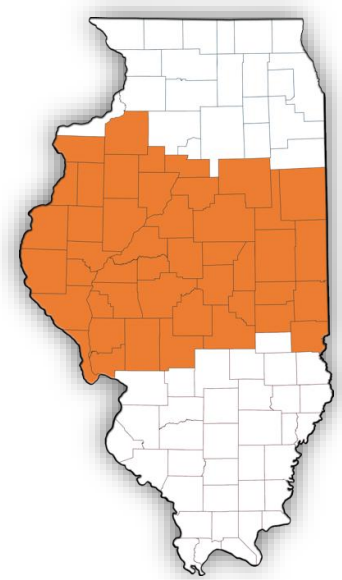
ILLINOIS

Source: Illinois Farm Business Farm Management and *farmdoc* projections

farmdoc

Production Costs for Central Illinois in $ per acre

50-50 Corn-Soy Rotation, 2000 to 2026P





Break-Even Prices:

2025	2026
$4.57	$4.70
$10.92	$10.72



$1,200
$1,000
$800
$600
$400
$200
$0

$1,056
$974
$359
$327
$697
$648
PROJECTED

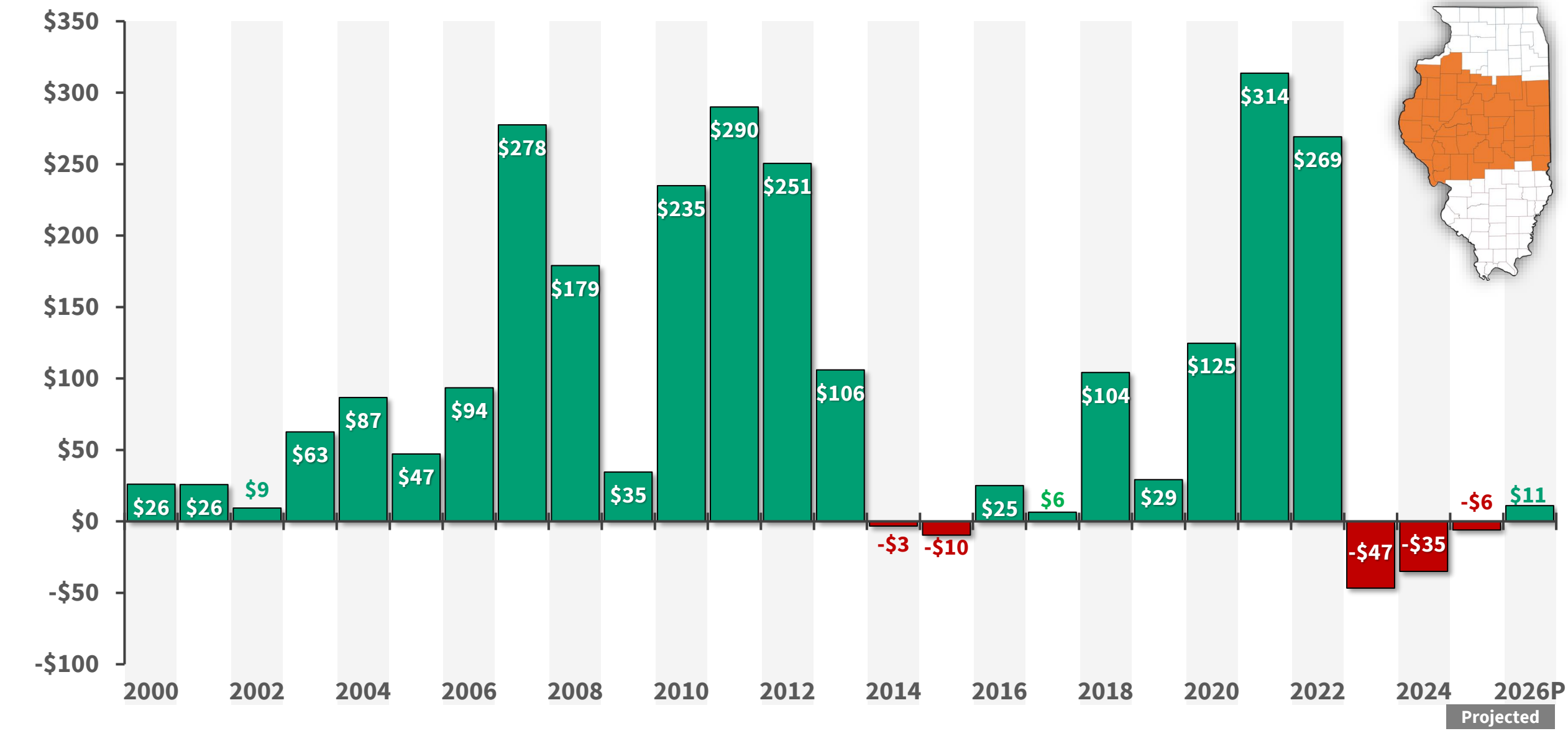
2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022 2024 2026P

ILLINOIS

Source: Illinois Farm Business Farm Management and *farmdoc* projections

farmdoc

Farmer Returns to a 50% Corn – 50% Soybean Rotation ($ per acre)
Central Illinois, Cash Rented Farmland, 2000 to 2026P

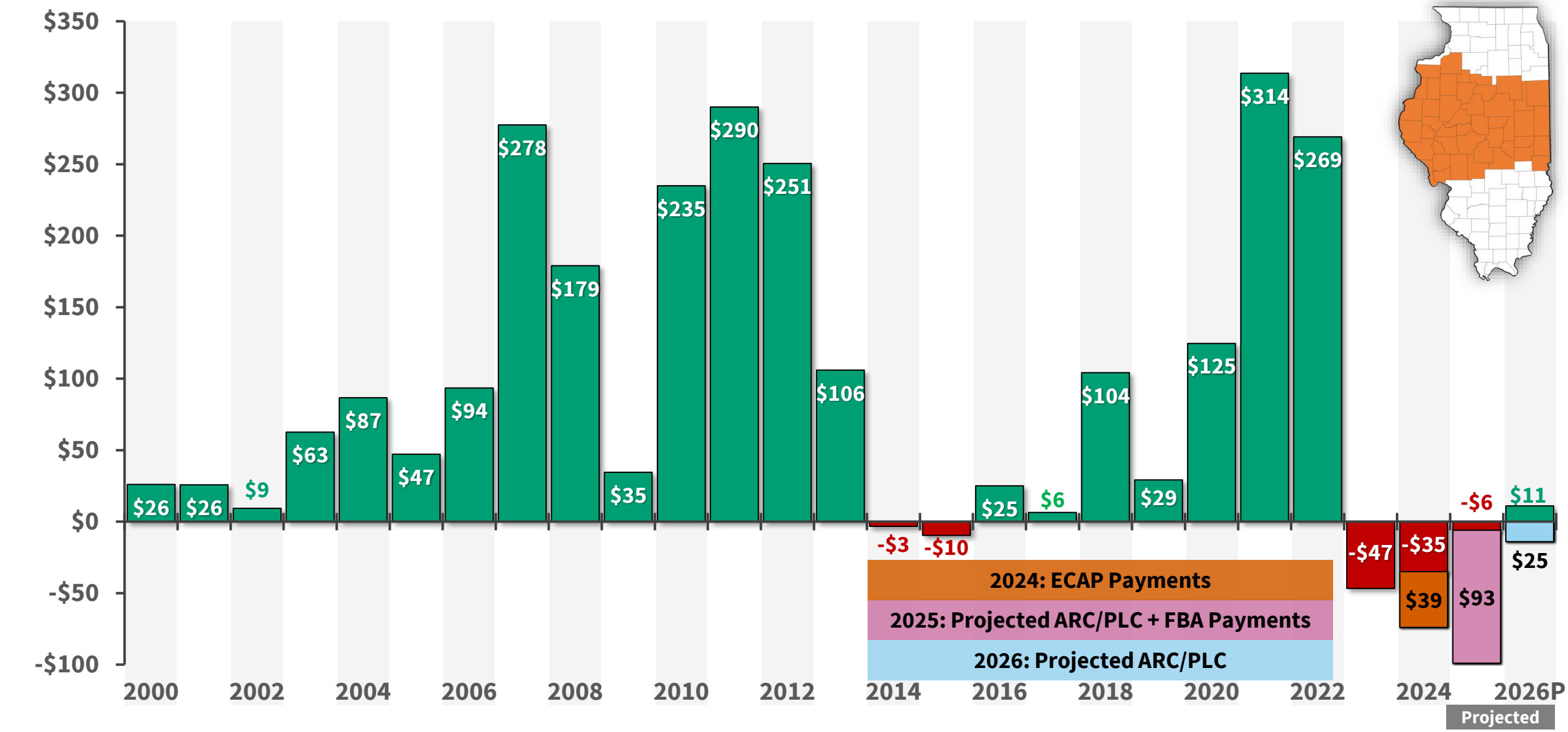


ILLINOIS

Source: Illinois FBFM and *farmdoc* projections in May 2026

farmdocDAILY

Farmer Returns to a 50% Corn – 50% Soybean Rotation ($ per acre)
Central Illinois, Cash Rented Farmland, 2000 to 2026P



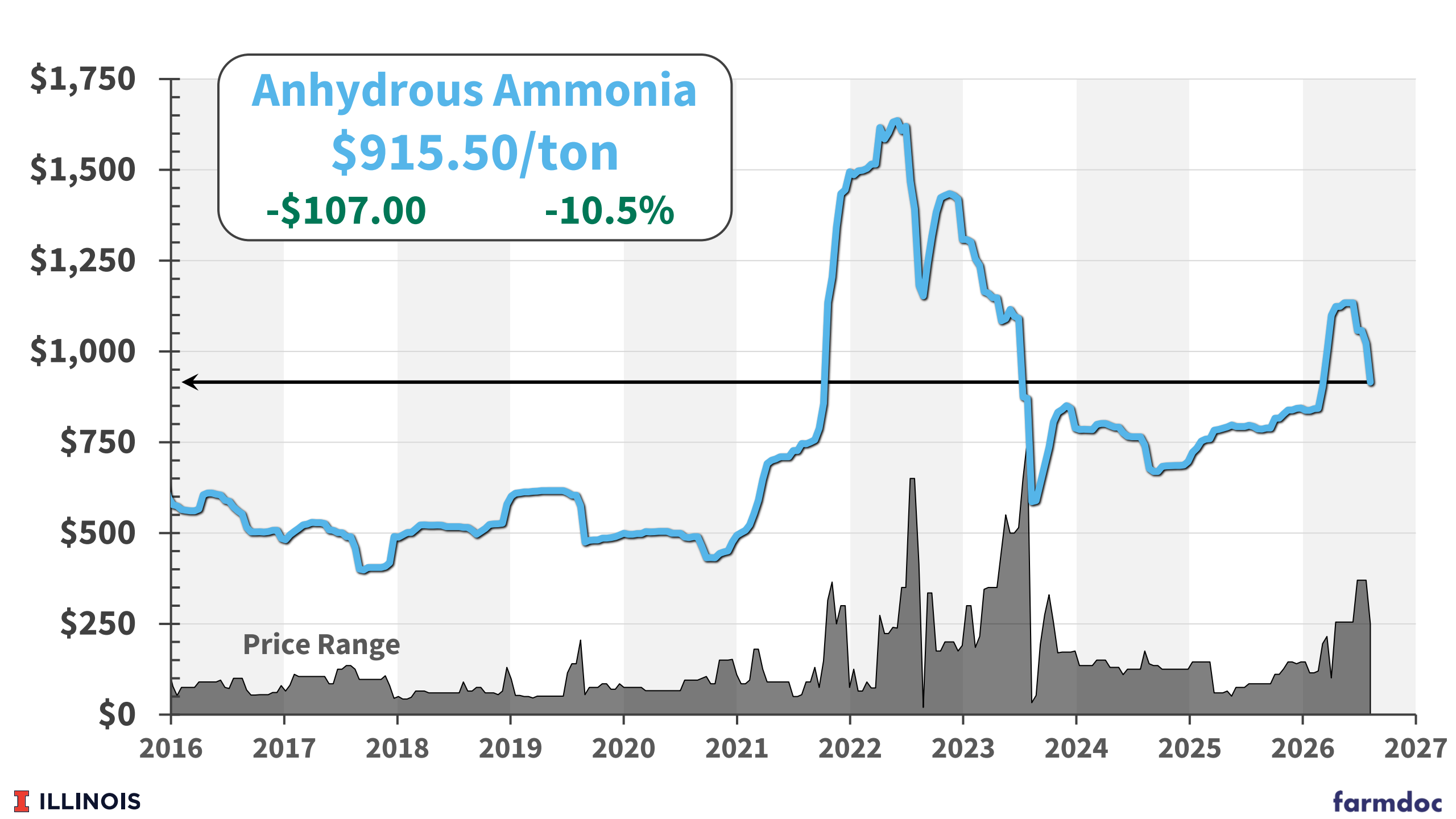
ILLINOIS

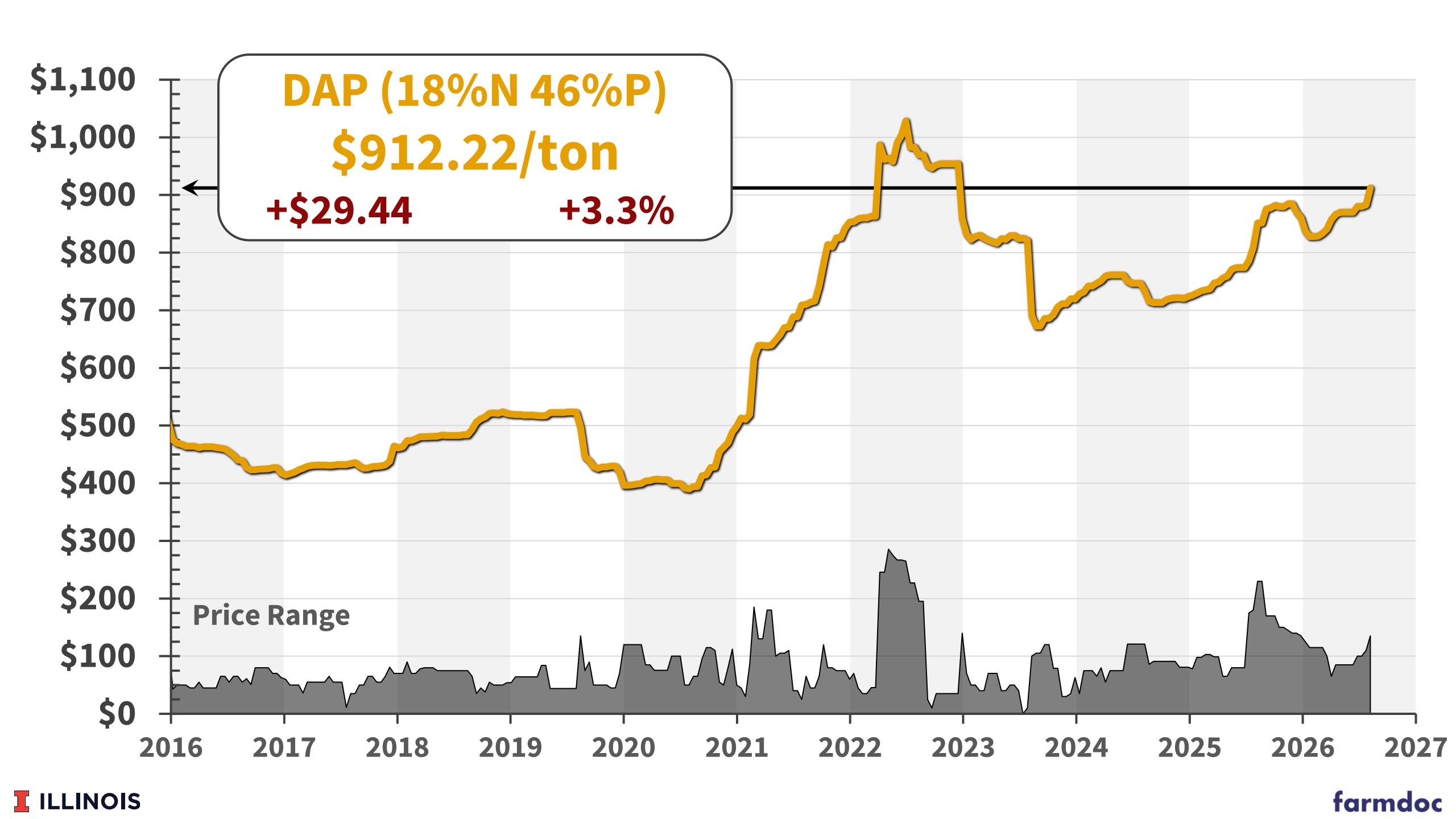
Source: Illinois FBFM and *farmdoc* projections in May 2026

farmdocDAILY

Iran Conflict

- Expect higher fuel and fertilizer prices
- Expect another round of inflation to keep pressure on other costs
- 2025 returns are going to be ok, particularly if the next round of bridge payments is based on the 2025 crop
- 2026: Back to weaker returns. Likely nothing in the “market” that will shift this but another round of government payments is possible


Anhydrous Ammonia
$915.50/ton
-$107.00
-10.5%
$1,750
$1,500
$1,250
$1,000
$750
$500
$250
$0
Price Range
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027


DAP (18%N 46%P)
$912.22/ton
+$29.44
+3.3%
$1,100
$1,000
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
Price Range
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

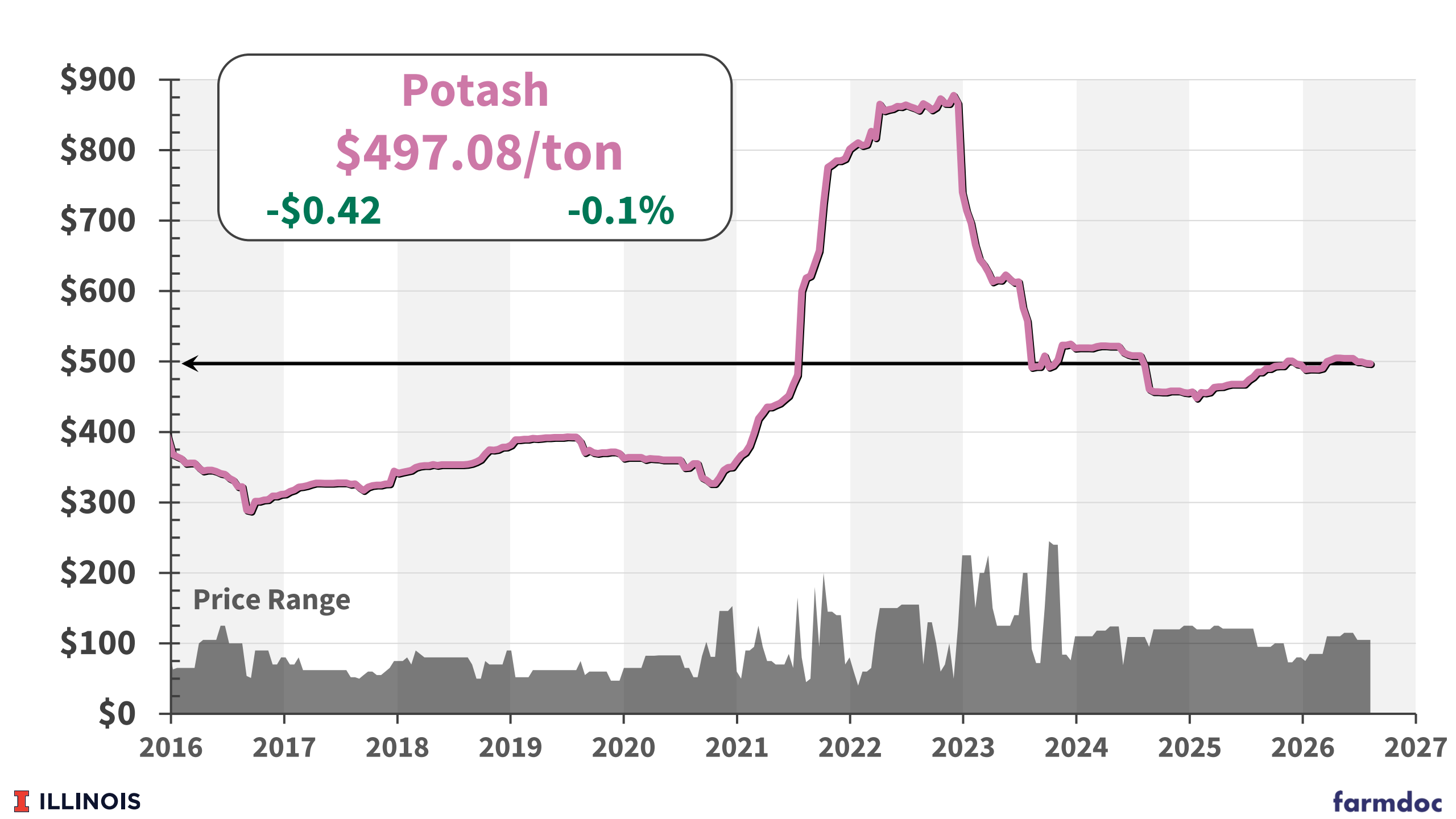

Potash
$497.08/ton
-$0.42
-0.1%
$900
$800
$700
$600
$500
$400
$300
$200
$100
$0
Price Range
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027

Figure 4. Farm Diesel Prices in U.S. Dollars per Gallon



ILLINOIS

Source: USDA AMS Livestock, Poultry & Grain Market News

farmdocDAILY

What to do

- Cash is king! Don’t spend it
- Do a cash flow
- Consider non-commodity crops (will vary)
- Re-evaluate your production plan

Maximize Returns, Not Yields

Maximize Returns, Not Yields

- University of Illinois Nitrogen Rates (MRTN for 2026)
  - Northern Illinois: 179 pounds of actual N per acre
  - Central Illinois: 176 pounds
  - Southern Illinois: 200 pounds
- Many farms have P and K soil levels above maintenance levels

---

- Lower rates

Examples of field plans: Soybeans

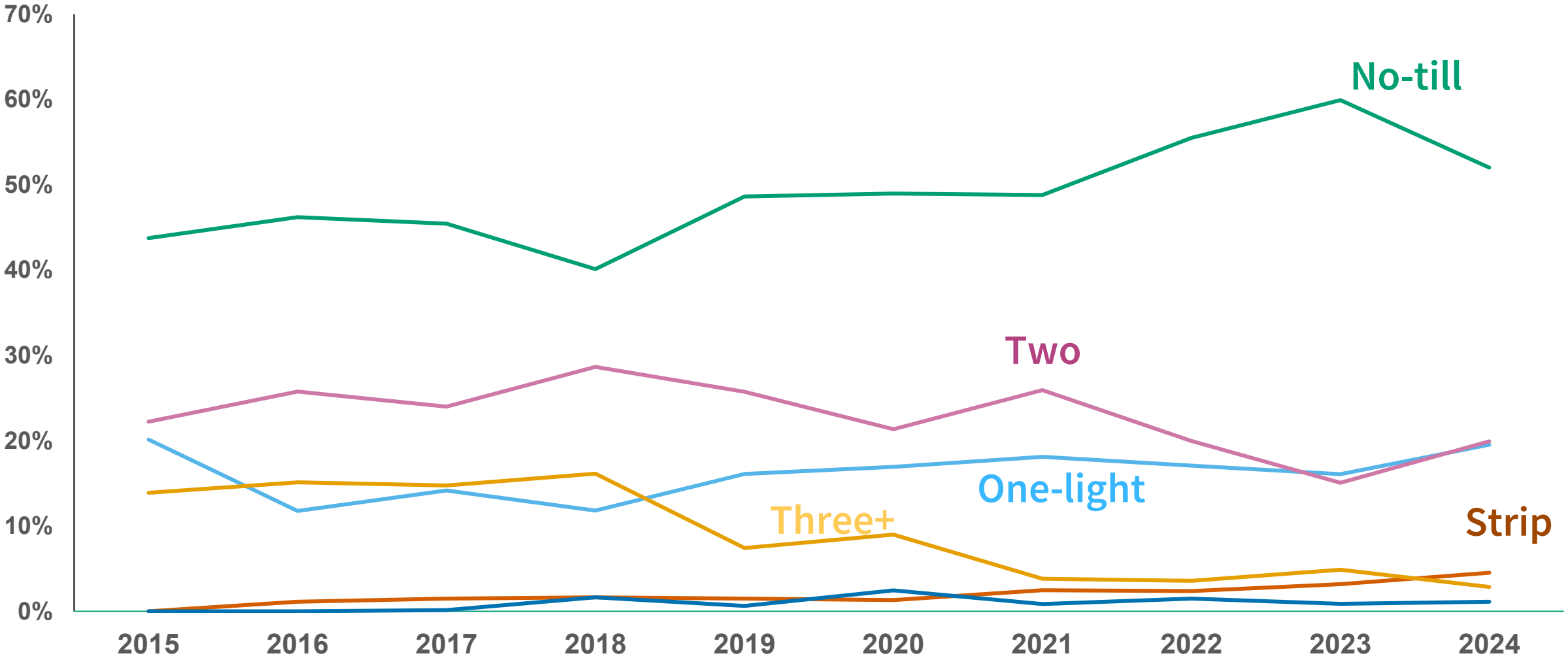
No till

1. Fall fertility (DAP and Potash)
2. Spray (pre-plant)
3. Plant
4. Post herbicide application
5. Fungicide (late summer)
6. Harvest

One pass

1. Fall: vertical till
2. Fall fertility (DAP and Potash)
3. Spray (pre-plant)
4. Plant
5. Post herbicide application
6. Post herbicide application
7. Fungicide (late summer)
8. Harvest

Fields by Tillage Benchmarks Over Time, Soybeans



Farms: Same Tillage Systems

Percent of farms with only one or two benchmarks, Corn

No of Benchmarks	2021	2022	2023	2024
One benchmark	78%	79%	81%	71%
Two benchmarks	18%	19%	17%	29%

Percent of farms with only one or two benchmarks, Soybeans

No of Benchmarks	2021	2022	2023	2024
One benchmark	74%	76%	74%	66%
Two benchmarks	22%	19%	22%	27%

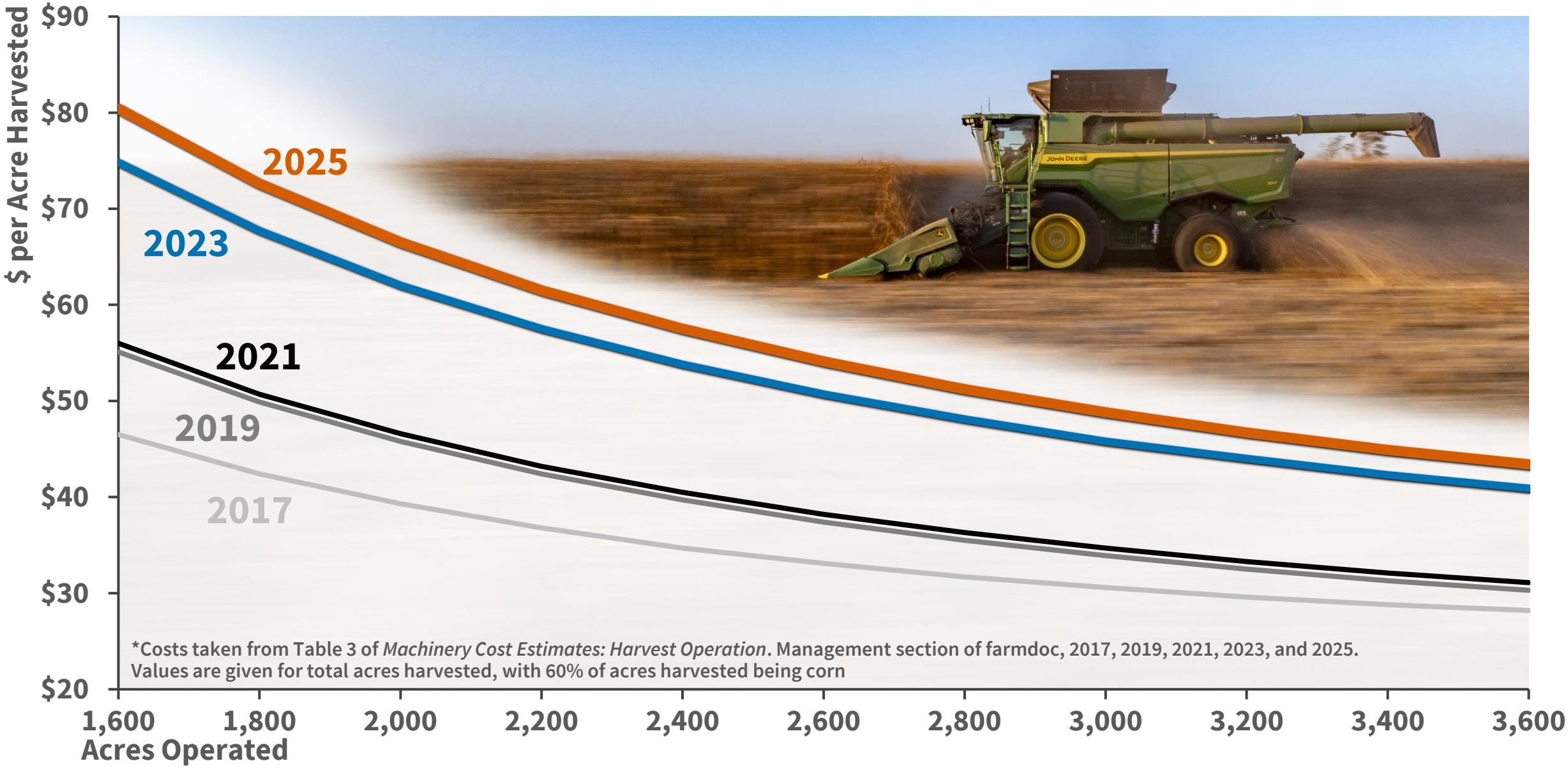
Transition matrix across Tillage Benchmark, Soybean, 2023 to 2024

From bench	To noTill	To Strip	To OneLight	To One	To Two	To ThreePlus	To Mixed
NoTill	90%	0%	4%	0%	0%	0%	6%
Strip	25%	75%	0%	0%	0%	0%	0%
OneLight	13%	4%	52%	0%	9%	0%	22%
One	0%	0%	0%	50%	0%	0%	50%
Two	22%	0%	4%	4%	37%	0%	33%
ThreePlus	0%	0%	11%	0%	22%	44%	22%
Mixed	16%	2%	6%	0%	12%	2%	61%

Re-think Machinery Decisions when re-investment needs to be made

- Two tractors
- One tillage piece
- One planter per 2,000 acres
- One combine per 2,500 acres (probably more)

Corn Combining Costs for Different Acres Harvested*



Tough call for 2027 decisions

- Locking in prices during the fall has been a good decision; however, elevated fertilizer prices are likely during the 2026 fall

- Cash rent
  - Difficult to see cash rents coming down with ad hoc Federal payments at current levels
  - At current 2027 price expectations, tough to pencil out positive cash flow without more ad hoc Federal payments

Suggestions

- Make your landowners aware of the situation
- Try to build in lower (base) cash rent
  - Consider sharing scenarios, including for ad hoc payments

Suggestions

- Most farms have off-farm cash income
- The goal: Buy return-generating assets: Land, financial assets, off-farm business
- How does renting farmland fit into this?

Suspended place

We will not situation adjustments unless:

1. Corn and soybean prices increase: likely short-lived
2. Ad hoc payments come to an end. In which case, costs will need to be adjusted downward

Other scenarios, but we need to protect against number 2.

Thank You