

Ag News



Fall 2021

from CBI Bank & Trust

Message from our Bank President

Congratulations to our farm customers and friends as you complete another successful crop year. It seems every year provides some kind of surprise, but the ag community is very adept at dealing with most challenges.



Bob Howard

CBI Bank & Trust remains committed to the agricultural industry. Farmers founded our communities with their dedicated work ethic and commitment to strong values. The bank has one of the largest ag lending portfolios in eastern Iowa and western Illinois and provides numerous agricultural loan programs.

Don't forget about CBI Bank & Trust as you prepare for your 2022 farm operation. Whether you need financing for daily operations or to fund growth and expansion, CBI Bank & Trust has a team of experts who can assist with all of your financial needs.

Best wishes for the holiday season and a prosperous New Year!

Sincerely,

Robert J. Howard
President, Iowa Division
CBI Bank & Trust

Estate Planning Is A Process



Estate planning is not a simple act of drawing up a will or trust document. Rather, estate planning involves careful consideration and arrangement for the orderly transfer of assets at the time of death.

Estate planning is for everyone, regardless of your marital, age, or wealth status. Depending on your life circumstances, the plan may be quite simple or very complex.

Do not be one of those individuals (or families) who fail to complete an estate plan. Start now by evaluating your estate plan.

To do so, Iowa State University Extension and Outreach provides a very helpful Estate Planning Questionnaire at: <https://www.extension.iastate.edu/agdm/wholefarm/pdf/c4-57.pdf>

For questions regarding estate planning, please contact Jon Holthe (563) 262-3124.



Jonathan D. Holthe
Senior Vice
President & Senior
Trust Officer

Nondeposit investment products available through our Trust Department: • Are Not FDIC Insured • Not Bank Guaranteed • May Lose Value • Not a Deposit • Not Insured by Any Federal Government Agency

How High Are Current Prices and Costs?

Data from the National Agricultural Statistics Service (NASS) and Illinois Farm Business Farm Management Association (FBFM) for 1972 through 2020 was used to look at the prices Illinois farms received for grain compared to total economic costs when adjusted for inflation. Current grain prices we are seeing have not been this high since 2013. However, when we adjust the prices received and the associated economic costs for inflation, are things as high as they seem?

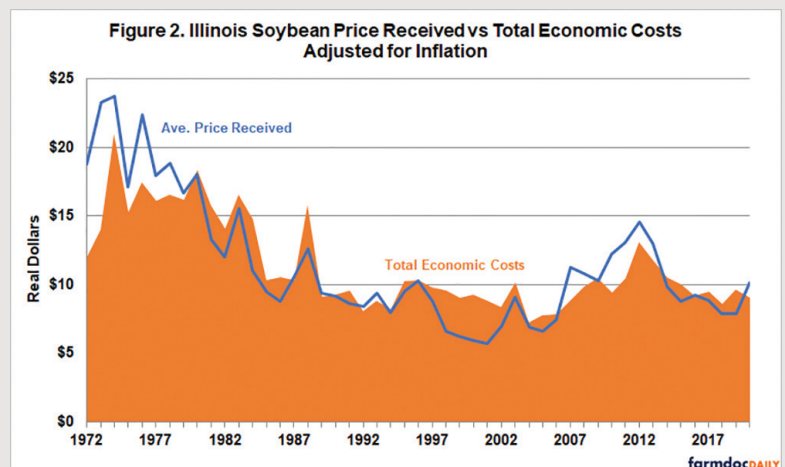
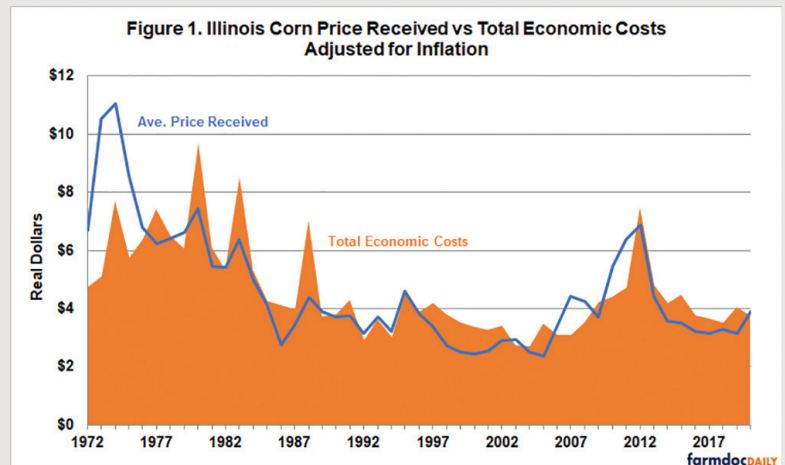
Prices and Costs

Figure 1 shows the inflation adjusted average Illinois corn price received versus total economic costs to produce corn. The highest adjusted average price received for corn was \$11.05 per bushel in 1974 while the lowest adjusted price received was \$2.38 per bushel in 2005. This compares to the nominal high and low values of \$6.87 per bushel in 2012 and \$1.54 per bushel in 1986 respectively. It is interesting to note that a high year that we think of in the last ten years is 2012 which is the highest nominally in the period from 1972 to 2020, but that adjusted value is \$6.87 per bushel (the same as real since 2012 is 100 in the index) which is the fifth highest in real terms.

When looking at total economic costs to produce corn in Figure 1, the highest adjusted cost was \$9.70 per bushel in 1980 while the lowest adjusted cost was \$2.72 per bushel in 2004. The nominal high cost was \$7.50 per bushel in 2012 while the nominal low was \$1.12 per bushel in 1972. When comparing the differences in prices received and total economic costs, the early 1970's was the period of highest economic returns per bushel while the period of the mid 1980's was lowest period in real dollars.

The inflation adjusted average Illinois soybean price received versus total economic costs to produce soybeans is displayed in Figure 2. \$23.76 per bushel in 1974 was the highest adjusted average price received and in 2001, \$5.70 per bushel was the lowest adjusted average price received. This compares to the nominal high and low values of \$14.60 per bushel in 2012 and \$4.47 per bushel in 1972 respectively. 2012 is the high year most people think of in the last ten years for soybeans as it was for corn nominally, but it was only the 11th highest in real dollars for the average price received for soybeans.

The highest adjusted total economic cost to produce soybeans in Figure 2 was \$21.01 per bushel in 1974 and the lowest was \$7.28 per bushel in 2004. When adjusted for inflation, the mid 1970's was the period of highest economic returns while the early 1980's and the late 1990's/early 2000's was the lowest periods of economic returns for soybeans.



Summary

When analyzing prices and returns in real dollars (adjusting for inflation), the higher prices we have seen in 2021 and in the not too distance past when the Renewable Fuels Standard (RFS) was increased by the passing of the Energy Independence and Security Act of 2007 are not as high when comparing to the 1970's. When looking at total economic costs to produce corn and soybeans that have been adjusted for inflation, corn costs have had some peaks, but have been fairly level, especially since the mid 1980's (outside of the high costs around 2012) while soybean economic costs have trended around \$10.00 per bushel since the early 1980's. So current prices are not as high as they were in the 1970's but total economic costs are lower than they were in the 1970's as well in terms of real dollars.

Highlights from the 2021 USDA Farm Sector Income Forecast

Overall, farm cash receipts are forecast to increase by \$64.3 billion (18.0 percent) to \$421.5 billion in 2021 in nominal dollars. Total crop receipts are forecast to increase by \$37.9 billion (19.7 percent) from 2020 levels to \$230.1 billion. Total animal/animal product receipts are expected to increase by \$26.5 billion (16.0 percent) to \$191.5 billion following increases in receipts for hogs, cattle/calves, and broilers.

Direct Government farm payments are forecast at \$28.0 billion in 2021, a \$17.7 billion (38.6 percent) decrease from 2020. Much of this decline is because of lower supplemental and ad hoc disaster assistance to farmers and ranchers for the coronavirus (COVID-19) pandemic compared with 2020 and closure of the Market Facilitation Program.

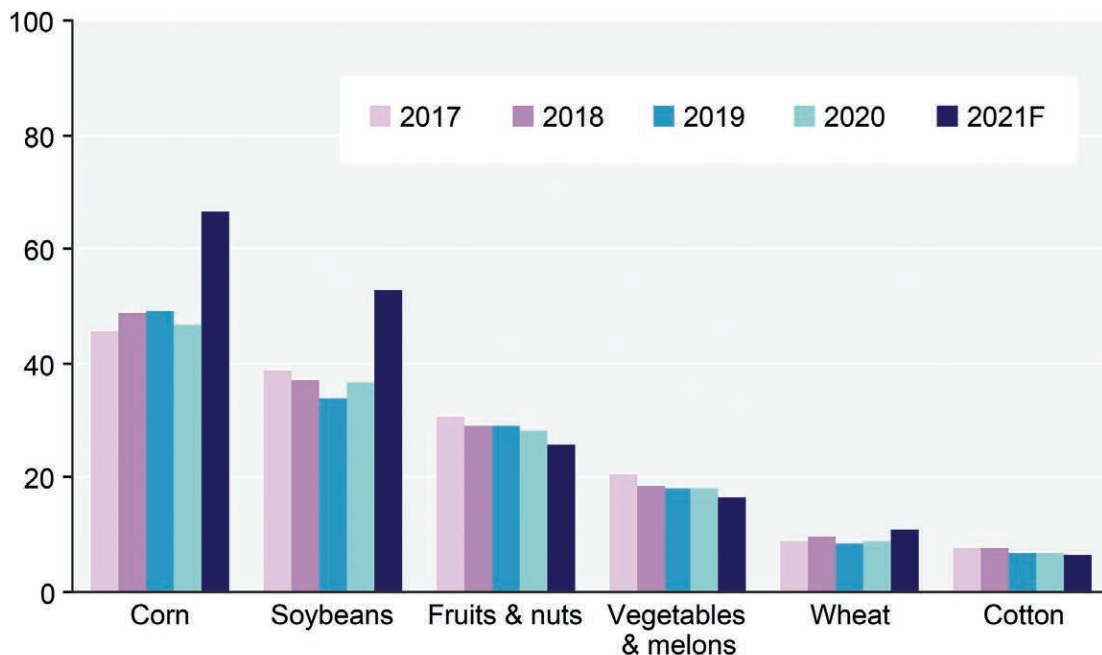
Total production expenses, including expenses associated with operator dwellings, are forecast to increase by \$26.1 billion (7.3 percent) in 2021 to \$383.5 billion. Nearly all categories of expenses are forecast to be higher in 2021, with feed, livestock and poultry purchases expected to see the largest dollar increase.

Farm sector equity is expected to increase by 2.9 percent to \$2.81 trillion in nominal terms, a decline of 0.7 percent after adjusting for inflation. Farm sector debt is forecast to be relatively unchanged in 2021 at \$443.9 billion in nominal terms but fall by 3.8 percent when adjusted for inflation.

U.S. Department of Agriculture, Economic Research Service. Farm Sector Income & Finances: Farm Sector Income Forecast, September 2, 2021.

U.S. cash receipts for selected crops, 2017–21F

\$ billion (nominal)



Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 2, 2021.

Our Ag Lending Team

Muscatine, Iowa

Ryan Cox

Vice President,
Ag Banking Manager
(563) 262-3101
ryan.cox@cbibt.com



Washington, Iowa

Matthew Brown

Vice President
Ag and Commercial
Banking
NMLS#1599478
(319) 653-2265
matthew.brown@cbibt.com



Muscatine, Iowa

Matt Smith

Ag and Commercial Banker
(563) 262-3833
matt.smith@cbibt.com



Walcott, Iowa

Zach Kinrade

Vice President
Ag and Commercial
Banking
NMLS#1703530
(563) 284-6202
zach.kinrade@cbibt.com



Muscatine, Iowa

Diane Coulter

Business Assistant
(563) 262-3132
diane.coulter@cbibt.com



**Bank at any of our ten locations in Iowa:
Muscatine, Davenport, Coralville, Kalona,
Washington, Walcott, and Wilton; and six
locations in Illinois: Buffalo Prairie,
Galesburg, Brimfield, and Peoria.**



Aim High. Bank Strong.

www.cbibt.com

Connect with us



Member
FDIC

Trends in Farmland Leasing

Over time, more farmland in Illinois is being cash rented rather than share rented. Several reasons can be given for this trend, with the simplicity of the agreement being a major cause of the switch. For the landowner, an advantage of a cash rental arrangement is that the rent is known at the time of negotiations, and there is not a risk of lower cash rent because of lower farmland returns. For the farmer, there is freedom in input and management decisions with a cash rent agreement that would have to be made in conjunction with a landowner in a share lease agreement.

While more straightforward, cash rents do not match returns to farmland as closely as those from a share rental arrangement. Over time, average cash rents have lagged farmland returns both when farmland returns increase and when they decline. At the least, this situation results in difficulties setting cash rents when farmland returns are changing. Rents adjusted relatively slowly to lower returns from 2014-2019 compared with the previous 5 years. Furthermore, uncertainty over whether the higher returns experienced in 2020 and expected for 2021 will continue, and for how long, also makes current rental rate adjustment decisions difficult.

Because of this lagged relationship, farmers may be reluctant to increase cash rents during periods of higher incomes. Rising rents may still result in adequate returns to the farmer during periods of higher incomes but may result in losses during declining farmland returns, particularly if cash rents do not adjust to the lower levels of returns. As cash rental arrangements control a higher percentage of farmland, the lagged relationship during periods of changing farmland returns can result in larger financial impacts and overall net return volatility for farmers.

Takach thinks USDA's projection has room to grow, especially considering commodity prices today versus what USDA has penciled in.

"If you look at the prices that were baked into the February forecast from the USDA, we're in the neighborhood of like a \$3.60 corn price," says Takach. "And we know that right now, the corn prices in the futures markets are up above \$5. There's also that basis, and you have to account for basis, but it's not \$1.40 in basis. So, it's very likely that some of the prices that are being captured by farmers in the first quarter and first half of the year, are going to put some upward pressure on expectations for the year."

As commodity prices climb, so do feed costs, another expense that could impact the overall net farm income picture in 2021.

"Frankly, one area we think USDA is too low is on feed, where they have a modest increase in feed costs projected," says Westhoff. "But given where corn and soybean oil prices are, it's a little surprising they're not showing a larger increase than they are."

As volatility continues to take shape in 2021, Takach still thinks the net farm income picture will improve.

"I do think that we'll see an upward revision coming through when we get to August," says Takach. "The next look is not for another six months. So we have a long wait before we get another look from USDA. And that's when we might see our first upward revision if these commodity prices hold."

Schnitkey, G., N. Paulson, C. Zulauf and K. Swanson. "Trends in Farmland Leasing." *Farmdoc daily* (11):138, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 28, 2021.

2021 Illinois Land Values and Lease Trend

The 26th edition of the Illinois Farmland Values and Lease Trend Report is now available. The annual report is one of the most recognized reports when it comes to the current trends in Illinois farmland sales and farm leases. To view the 2021 Land Values report, visit <https://ispfmra.org/land-values-archive/>

Iowa Farmland Value Survey

The REALTORS® Land Institute - Iowa Chapter, has released the results for the September 2021 Iowa Land Trends and Values Survey. The survey may be found at: <https://www.extension.iastate.edu/agdm/wholefarm/pdf/c2-75.pdf>

Resources to Cope with Farm & Rural Stress

Farming is demanding and can be a stressful occupation. Add difficult financial challenges, isolation and factors out of your individual control such as weather and markets, and stress is multiplied for farmers and farm family members.

It's not uncommon to find yourself overwhelmed and unsure where to turn.

There are resources available to help you.



Seeking help to deal with stress or crisis is a sign of strength, not weakness. It's critical for your health and well-being, and free expert help is available right now.

The Iowa Farm Bureau Federation wants to assist farmers in strengthening mental health skills. They have aggregated mental health resources from counseling services and crisis hotlines to podcasts and webinars on coping with stress and how to effectively talk about it with loved ones.

These resources can be found at:

<https://www.iowafarmbureau.com/Stress-Mental-Health-Resources>