Illinois farm incomes in 2005 are likely to average over 50 percent lower than the very good incomes recorded in 2004. This projection is based on data from over 800 grain farms in which 2005 projected income is compared to 2004 actual incomes. Projections are made by personnel in the Department of Agricultural and Consumer Economics at the University of Illinois.

Preliminary projections for 2005 result in incomes averaging slightly under $40,000 per farm compared to about $90,000 in 2004. The highest incomes in the state generally are in the areas where corn and soybean yields are projected the highest, in the eastern and west southwest areas of the state.

The most significant factors contributing to the decline in farm incomes are lower yields and higher input costs. According to the U.S. Department of Agriculture, 2005 corn and soybean yields for Illinois are projected lower than the record high yields set in 2004. Corn yields in 2005 are estimated at 145 bushels per acre, 35 bushels below the 2004 yield. Soybean yields in 2005 are projected at 45 bushels per acre, 5 bushels below the 2004 yield. Although lower than the year before, the 2005 yields are better than expected in most areas of the state considering the dry weather conditions that existed during the growing season.

Increasing costs are also having a negative impact on farm incomes. Diesel fuel has increased approximately 50 percent in 2005 compared to 2004. Crop costs (fertilizer, chemicals and seed) are projected 8 percent higher. Higher propane and natural gas prices have also increased drying costs.

With projected lower grain prices, especially for corn, total government payments will likely be higher in 2005 than in 2004. Corn prices have been well below loan levels during harvest resulting in higher loan deficiency payments than the previous year. The projected marketing year price for corn would also indicate the possibility of the maximum counter cyclical payment of 40 cents per bushel being paid. The higher government payments will somewhat help offset the lower grain prices.

Livestock prices for 2005 have continued to been reasonably good but below prices received in 2004. Feed costs for 2005 should be lower than in 2004. Generally good returns to most of the livestock enterprises will help support incomes on farms with livestock enterprises.
While average incomes are projected lower, the magnitude of the decrease in incomes will vary from farm to farm. A few farms may actually have an increase in incomes. There always is substantial variation in incomes across farms. As compared to 2004 when the timing of grain sales had a large impact on the variability of farm incomes, variations in yields will be the main factor effecting differences in incomes between farms in 2005. Yields will vary more this year than in many years due to the variability in rainfall in different areas of the state during the summer.

After experiencing good farm incomes in 2003 and 2004, incomes in 2005 are projected considerably below 2004 and below the last five year average. Rising input costs will keep pressure on farm incomes in 2006 unless we have high commodity prices, above average yields or both.