The Ag Outlook: An Economic Downturn

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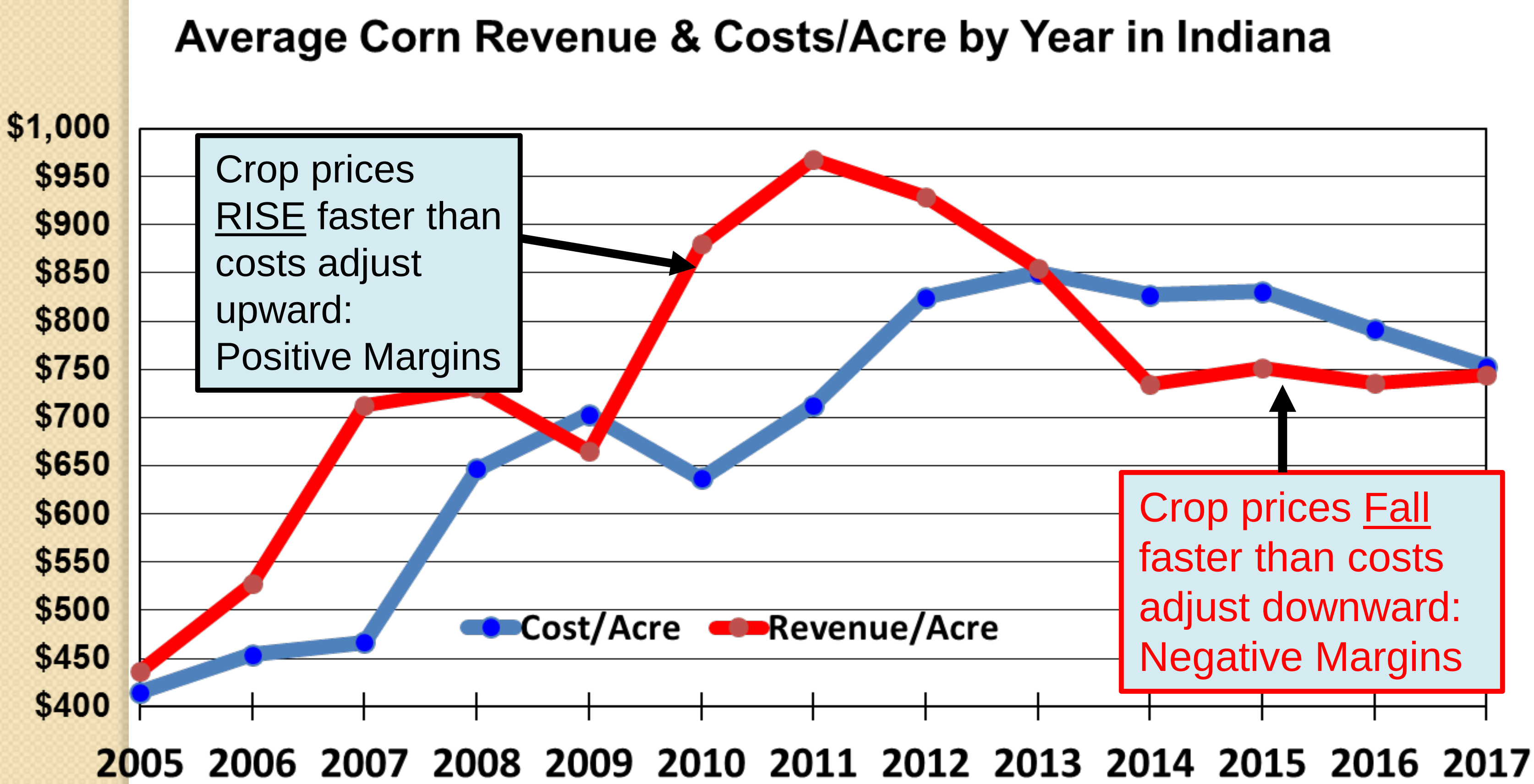
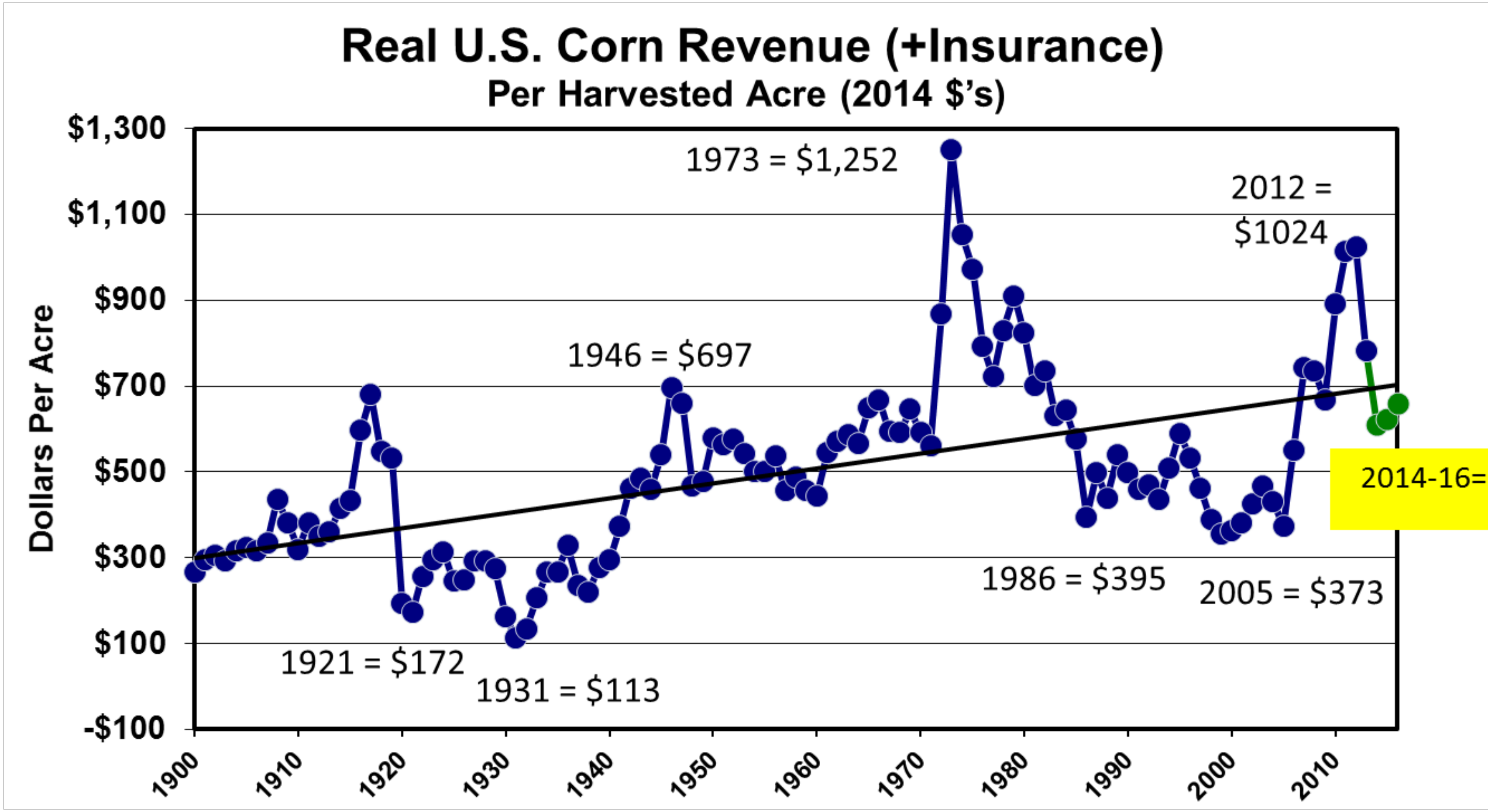
Farm Income


Average Corn Revenue & Costs/Acre by Year in Indiana
$1,000
$950
$900
$850
$800
$750
$700
$650
$600
$550
$500
$450
$400
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Cost/Acre
Revenue/Acre
Crop prices RISE faster than costs adjust upward: Positive Margins
Crop prices Fall faster than costs adjust downward: Negative Margins

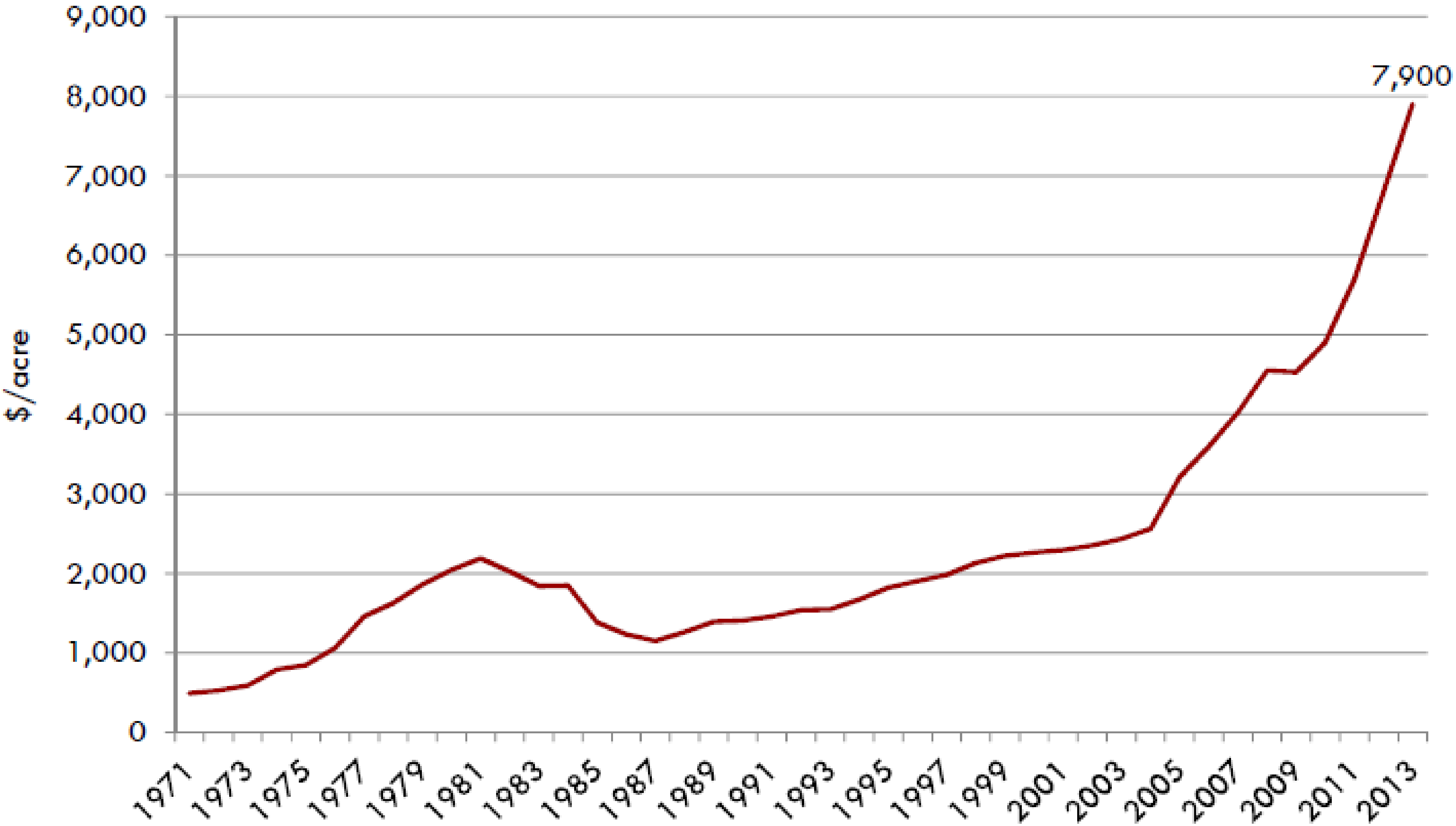


Real U.S. Corn Revenue (+Insurance)
Per Harvested Acre (2014 $'s)
Dollars Per Acre
$1,300
$1,100
$900
$700
$500
$300
$100
-$100
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010
1973 = $1,252
2012 = $1024
1946 = $697
1921 = $172
1931 = $113
1986 = $395
2005 = $373
2014-16=

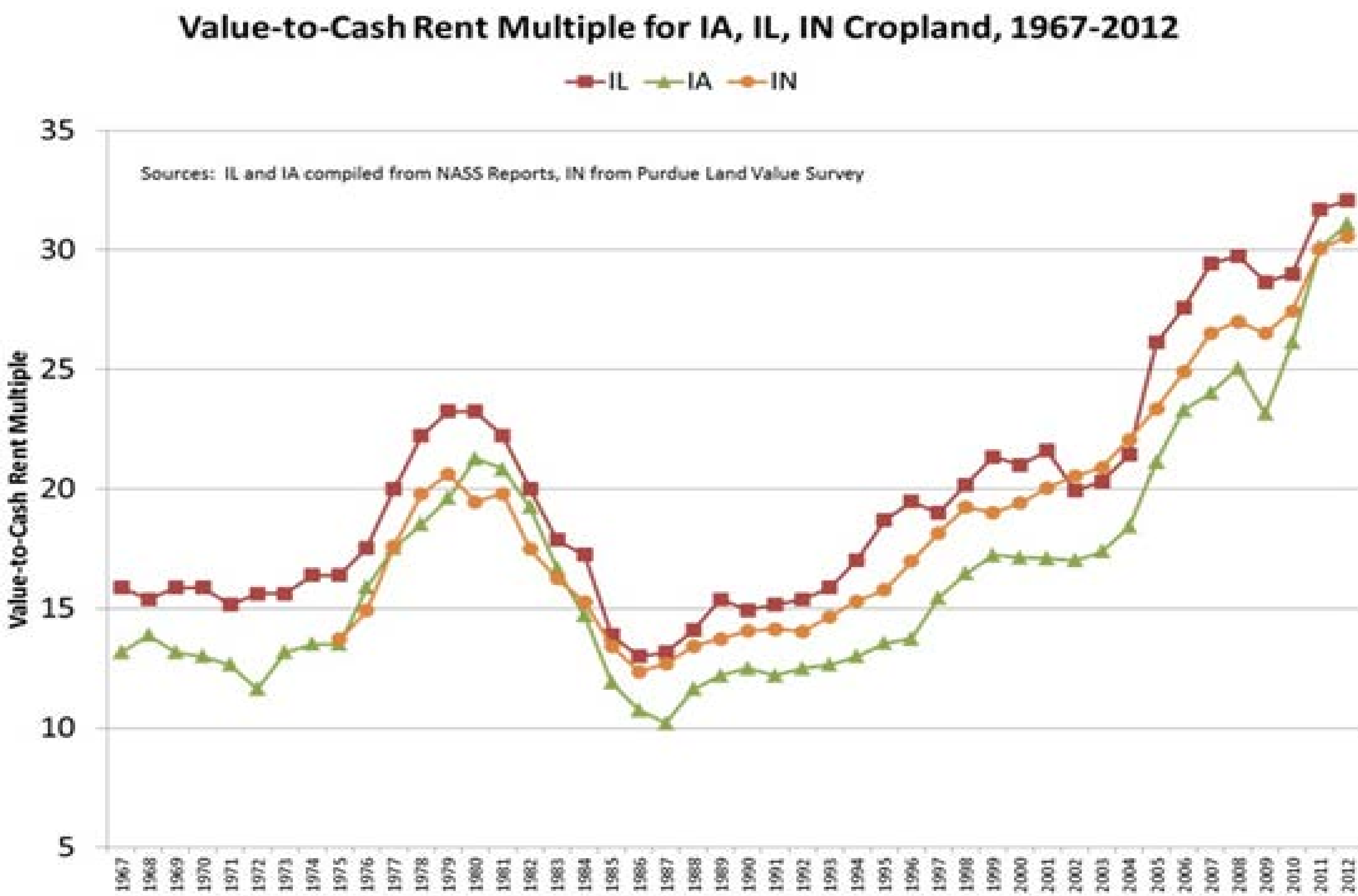
Land Values

Land Values

(USDA Ag real estate values, Illinois, $/acre)



Land Values



Value-to-Cash Rent Multiple for IA, IL, IN Cropland, 1967-2012
IL
IA
IN
Sources: IL and IA compiled from NASS Reports, IN from Purdue Land Value Survey
Value-to-Cash Rent Multiple
35
30
25
20
15
10
5
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
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2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

Key Financial Vulnerabilities

1. Working capital (current assets less current liabilities)

- Goal – 30% of gross revenue
- Burn rate – reduction due to losses ($50 – 100 per acre)
- First line of defense against financial stress

2. Cash shortages

- Operating losses particularly for renters
- Increased tax burdens
- Capital expenditures?

3. Tight repayment capacity

- Short repayment schedules on equipment/land loans
- Reduced income/cash flow

4. Solvency – debt load

- Generally still strong
- Weakening for highly leveraged
- Few defaults/bankruptcies

Table 5. Comparison of Debt-to Asset Ratio for 2500 Acre Farms with 50% of Land Owned

	Debt-to-Asset Ratio	
	25%	**50%**
Annual Net Farm Income (Mean)	$160,500	$134,800
Change In Net Worth (3 Year) (Mean)	$459,100	$474,900
Working Capital/Value of Farm Production		
Mean	49.5%	30.1%
Percent < 35%	0.1%	54.4%
Debt-to-Asset Ratio		
Mean	13.0%	35.6%
Percent > than 55%	0.0%	0.0%
Term Debt Coverage Ratio		
Mean	1.5	1.1
Percent < 1.1	2.6%	38.2%
Percent Positive Cash	98.1%	53.7%
Percent ROE > 10%	21.1%	41.7%

Table 6. Comparison of Land Tenure for 550 Acre Farms with 25% Debt-to-Asset Ratio

Table 5. Comparison of Land Tenure for 550 Acre Farms with 25% Debt-to-Asset Ratio	% of Land Owned		
	85%	50%	15%
Annual Net Farm Income (Mean)	$98,900	$49,800	-$2,100
Change in Net Worth (3 year) (Mean)	$76,000	-$32,300	-$130,400
Working Capital/Value Of Farm Production			
Mean	49.6%	32.9%	17.3%
Percent < 35%	9.2%	56.9%	99.5%
Debt to Asset Ratio			
Mean	17.1%	22.1%	32.6%
Percent > 55%	0.0%	0.0%	0.0%
Term Debt Coverage Ratio			
Mean	1.7	0.9	0.6
Percent < 1.1	16.2%	76.8%	99.5%
Percent Positive Cash	74.8%	24.3%	0.3%
Percent ROE > than 10%	11.7%	0.5%	0.1%