

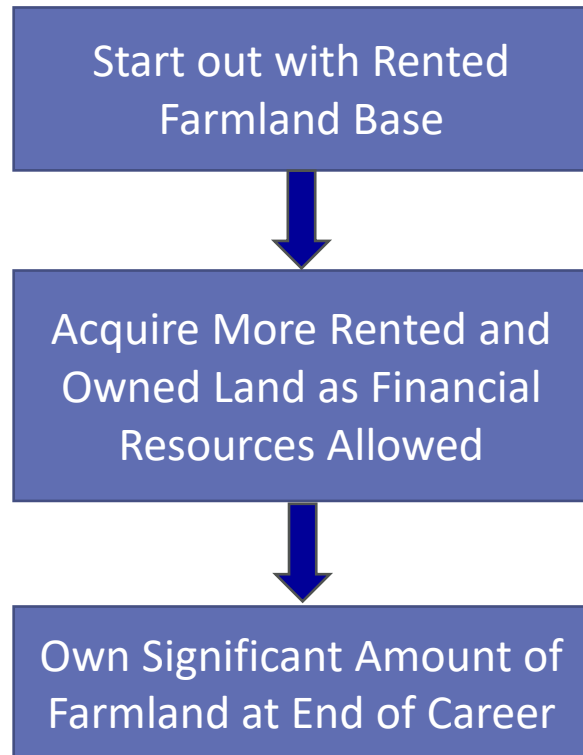
Expansion Strategies for Beginning Farmers in the Corn Belt Less Reliant on Rented Farmland

Gary Schnitkey, Krista Swanson, and Nick Paulson



Traditional Thoughts on Growth

Traditional Model

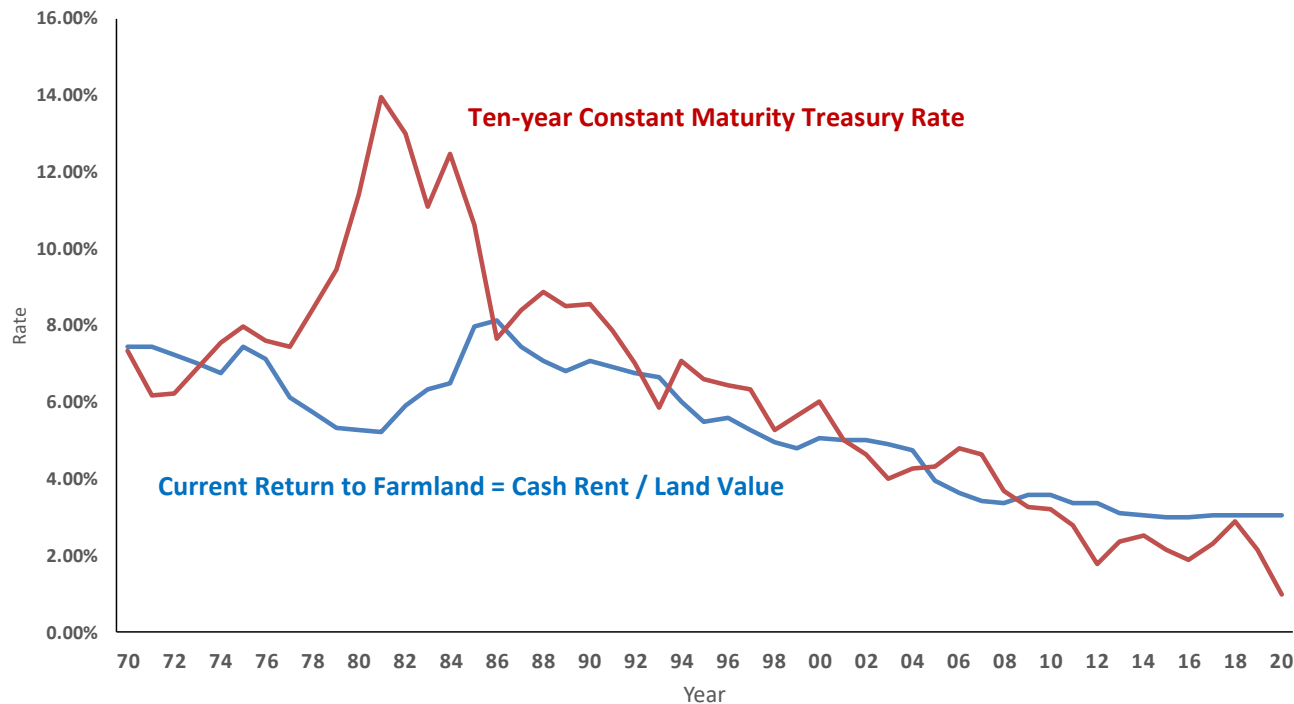


Problems:

- Farmland is becoming increasingly capitalized
- Rented farmland has very narrow margins
- Commodity, family-owned livestock operations need to be large to get scale efficiencies
- **Result: Have to look at off-farm sources for income and cash flow generation**

Cash Return Lower Percentage of Farmland Price

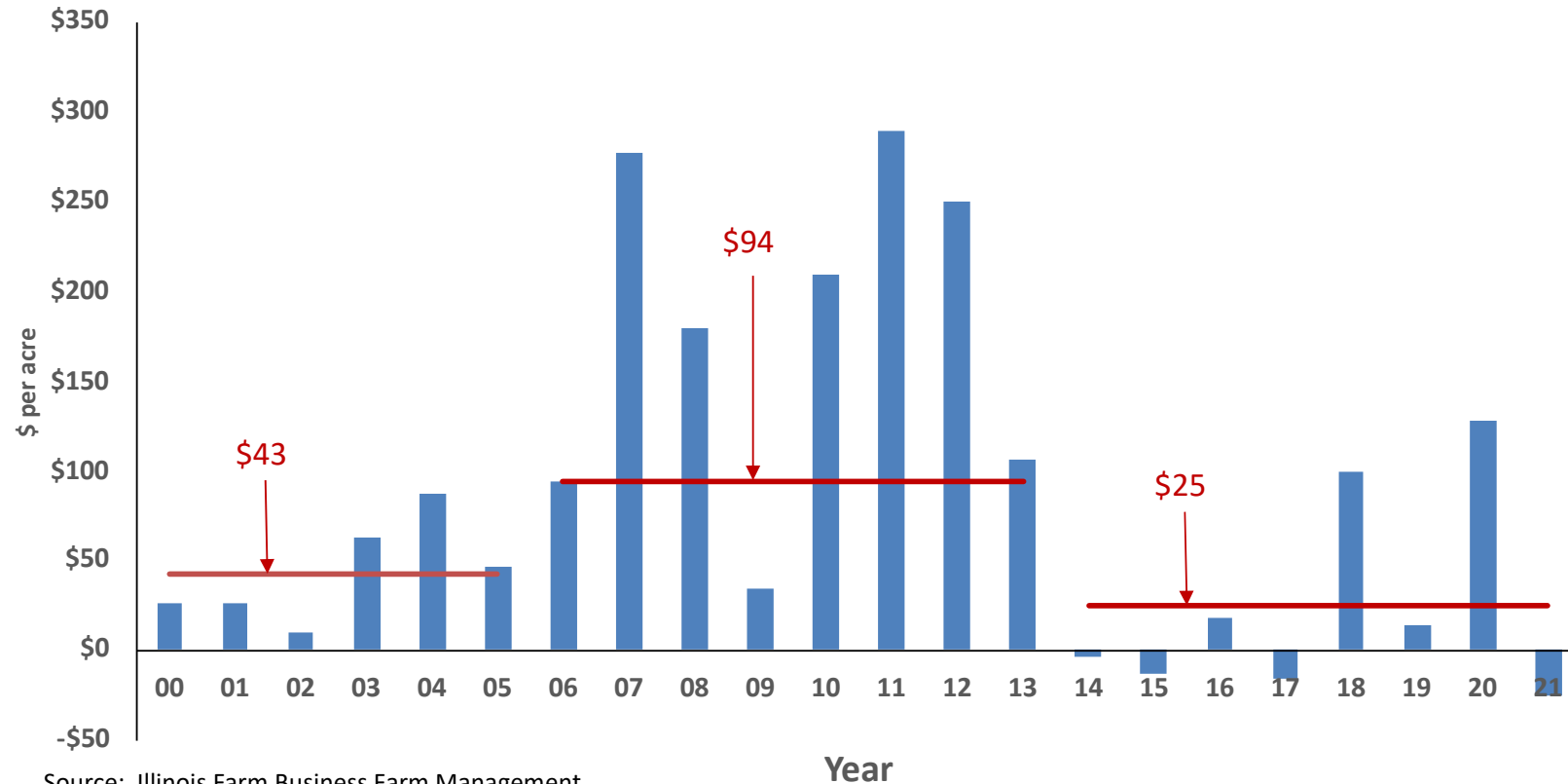
Current Return to Illinois Farmland Compared to Ten-year constant Maturity Treasury (CMT) Rate



- Financing land purchases always been difficult
- Current returns a lower portion of farmland values

Returns to Rented Farmland are Decreasing

Returns to Cash Rented Farmland in Central Illinois

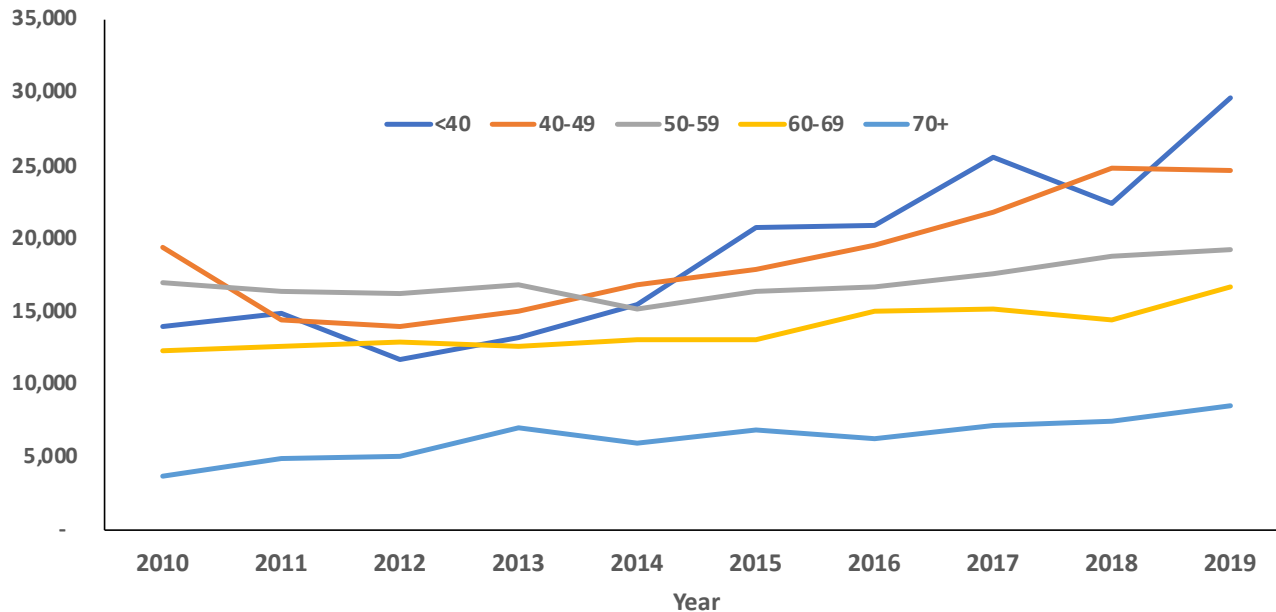


Source: Illinois Farm Business Farm Management

- Rental market is competitive
- Returns to cash rented farmland are declining in nominal and real terms
- Generating cash from rented farmland for expansion is difficult

Off-farm Income an Important Source of Cash

Off-farm Wage Income by Age Group, Illinois Farms Enrolled in Illinois Farm Business Farm Management



- Off-farm wages an important source of cash
- Will grow in importance

Off-Farm Employment

- Part-time provides income
- Full-time provides income and value of health benefits
- Farming couple versus individual
- Part-time options that offset busy season on grain farm
- Opportunities in rural areas

Farm-Related Enterprises

- Use existing resources in a new way
- Make investments to generate a new alternative income stream
- Custom Farming Services
- Agriculture Sales of Farm Products or Farm Services
- Alternative Farm Products/Alternative Marketing Channels

Off-Farm Enterprises

- Entrepreneurial Abilities
- Turn trade skills, strengths, or talents into a business
- Not related to agriculture can be valuable

Summary

- Always difficult, but getting more difficult for beginning farmers to grow operations with income from grain farming
- Increasing rely on:
 - Off-farm employment
 - Farm-Related enterprises
 - Non-farm enterprises
- Build educational programs around the above