Habits of the Highly Resilient Farmers

The Illinois Soybean Association sponsored a project at the University of Illinois to examine the characteristics of higher profitable grain farms in Illinois. Farms enrolled in Illinois Farm Business Farm Management (FBFM) were divided into high 1/3, mid 1/3, and low 1/3 groups based on profitability over two three-year periods: 1) 2011 through 2013 and 2) 2014 through 2016. Farms in the high-third groups in 2011-2013 tended to be the high profit group in 2014-2016. Farms in the high profit groups in higher one-third group had about $50 higher returns than the mid one-third group.

A select number of farmers in the high one-third group were interviewed. These interviews and comparison of FBFM financial data result in the following Seven Habits of Resilient Farmers. These habits are divided into two categories: Excellent Production Managers and Excellent Financial and Business Managers

Excellent Production Managers

1. **<u>Production maintained at high levels.</u>** Farms in the top one-third of profitable consistently got slightly higher yields than other farmers. Over time, farmers in the high one-third group averaged 2 to 3 bushels higher in corn production and 1 to 2 bushels higher in soybean production.

2. **<u>Innovative but not on the bleeding edge.</u>** Farmers interviewed were tending to adopt new technologies including earlier planting of soybeans. Most of the interview farms were attempting to get all soybeans planted early. In central Illinois, most of the farmers were trying to get soybeans planted in April. Seed treatments and fungicides were commonly used. Most of the farmers were using draper heads to harvest soybeans. However, farmers tended to indicate

3. **<u>Always evaluating production technologies.</u>** Farmers evaluated new technologies. When possible, those technologies were evaluated through in field trials.

4. **<u>Returns are the evaluation criteria.</u>** Profits, not returns, were the criteria for evaluating new technologies.

Excellent Financial and Business Managers

5. **Cost control is paramount.** High profit farms had lower costs than other farms. Lower costs were seen in pretty much all categories including direct costs, machinery-related costs, and overhead costs. Lower returns were particularly pronounced in machinery and overhead cost areas.

   High profit farmers had slightly lower fertilizer, seed, and pesticide costs than other farmers. Over direct cost categories, high profit farms had $6 lower costs in the 2014-2016 period. Note that high profit farmers had higher yields. They did not get these inputs by spending more on fertilizer, seed, and chemicals.

   Use of some financial control method were common. Crop and cash flow budgeting were control measures used on some farms.

6. **The right expertise is brought to the farm.** Some of top farmers were great agronomic managers and other had strengths as financial managers.

7. **Create additional revenue.** High profit farms received slightly higher prices for corn and soybeans. In the 2014-2-16 period, high profit farms received $.05 to $.10 more per bushel for corn and $.10 to $.15 per bushel more for soybeans.

   Note that these price differences are not "home run" differences. Having exceptionally higher prices than other farmers is not possible. Rather, discipline in marketing is key. Most of the interviewed, high-profit farmers primarily relied on forward contracting and cash marketing. Use of futures contracts were limited.

   Many of the farmers raised either non-GMO or seed soybeans. Both offered premiums

Funding for this project provided by

Funding for this project provided by the North Central Extension Risk Management Education Center, the USDA National Institute of Food and Agriculture under Award Number 2015-59200-24226

Prepared by: Gary Schnitkey, Department of Agricultural and Consumer Economics, University of Illinois