The Difference in Agriculture

NEWS & INFORMATION FROM THE FIRST TRUST & SAVINGS BANK

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Plot Day

This year, First Trust was honored to sponsor the Watseka FFA test plot. We greatly appreciate the students who came out and dedicated their time and hard work to helping with the project. A special thank you to Watseka FFA and advisor Mr. Wilkey for organizing and sending students to assist us. We would like to recognize Aiden Wielert, Lennon Dewitt, Ethan Essington, Max Smith, Logan Oliver, Payton Schamburg, and Izick Eliers for their efforts and support throughout the day. We also want to extend a huge thank you to Wil Koester for allowing us to use his equipment and for operating the planter for us. Scott Zumwalt plans to continue involving the Watseka FFA in soil testing, monitoring the plot, and conducting additional agronomy-related testing in the future. We look forward to continuing this partnership and growing the test plot program for many years to come.

Internship Opportunities

Hello, my name is Lauren Janssen, and I will be a sophomore at Illinois State University this fall. I am honored to serve as the 2026 Farm management intern for First Trust and Savings Bank. Growing up in an agricultural family, I have always been passionate about farming and the agricultural industry. This internship has provided me with the opportunity to explore the business side of agriculture and gain a better understanding of the work that takes place beyond daily farm operations.

Throughout the summer, I have worked closely with Scott Zumwalt in the Farm Management Department while also assisting with the Watseka FFA Plot. As a former member of Watseka FFA, it has been rewarding to help support agricultural education and see students introduced to the many career opportunities available within the industry. I hope these experiences encourage young people to explore agriculture and discover the wide variety of career paths it offers. This internship has already been an invaluable learning experience. It has allowed me to gain insight into the behind the scenes work that supports farming operations and has helped me better understand the many facts of agricultural business. Through hands on experience, I have been able to explore different areas of agriculture while developing professional skills that will benefit me throughout my career. Stepping outside of my comfort zone has been one of the most rewarding aspects of this opportunity. As someone who enjoys working outdoors and has spent much of my life on the farm showing cattle, transitioning into a professional office environment has broadened my perspective and strengthened my confidence. Working with the farm Management and trust Department has provided valuable knowledge and introduced me to professionals whose guidance will continue to impact my future.

Beyond the internship, I am currently running for Iroquois county Fair Queen. To me, this experience is about much more than crowns and titles it is an opportunity to connect with others, promote agriculture and serve my community. Both the internship and the fair queen program have reinforced the importance of leadership, personal growth, and giving back to the community that has helped shape who I am today.

Contingency Planning with Cash Flow Shortages

Langemeier, M. "Contingency Planning with Cash Flow Shortages." farmdoc daily (16): 99, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 5, 2026.

A contingency plan is a course of action designed to help a business determine how to respond to possible future events. Contingency plans are often referred to as "Plan B". One of the most common contingency plans used by a business, particularly a small business, relates to how to respond to the departure or absence of key personnel. Contingency plans relating to how to respond to changes in projected cash flow are also important. Given the recent increase in input prices for fertilizer and fuel and wide variability in expected prices, it would be prudent for a farm to examine the sensitivity of their cash flow and repayment capacity to changes in crop prices. This article illustrates the use of continency plans for a case farm in southwest Indiana.

Sources and Uses of Funds

In addition to providing a mechanism for reporting how a farm performed during an accounting period and was influenced by major funding activities, a sources and uses of funds statement is useful when developing contingency plans. Specifically, this statement can be used to examine whether the farm has enough cash flow from the farm to repay debt and purchase assets. An example of a sources and uses of funds statement using historical data is illustrated and described by Langemeier (2019).

The five primary categories of a sources and uses of funds statement are beginning cash balances, cash flows from operating activities, cash flows from investing activities, cash flows from financing activities, and ending cash balances. Cash flows from operating activities are computed by subtracting cash farm expenses, owner withdrawals (e.g., family living withdrawals), and income and self-employment taxes from cash farm receipts. Cash flows from investing activities are computed by subtracting capital asset purchases from capital asset sales. If a farm is planning on purchasing assets, cash flows from investing activities will be negative. In other words, cash flows from operating activities or from financing activities will need to be used to help pay for the assets. Cash flows from financing activities are computed by subtracting principal payments from loans received during the year. If principal payments are higher than loan receipts, cash flows from financing activities are negative. Conversely, if principal payments are smaller than loan receipts, cash flows are positive.

Table 1. Crop Prices and Financial Metrics for Case Farm Scenarios

	Percentile		
	25%	50%	75%
Corn Price	4.00	4.60	5.10
Soybean Price	10.60	11.50	12.35
Net Farm Income	-$7,441	$45,509	$92,184
Profit Margin Ratio	-1.1%	6.1%	11.7%
Working Capital per Crop Acre Beginning Balance = $1063	$1,044	$1,108	$1,163
Capital Debt Repayment Margin	-$14,755	$33,534	$74,649
Replacement Margin	-$88,907	-$40,618	$497

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Financial metrics and sources and uses of funds for a case farm in southwest Indiana will be examined below using a pro-forma spreadsheet that is available on the Center for Commercial Agriculture web site. To use the pro-forma spreadsheet the following information is needed: current assets, current liabilities, crop acres, crop income (bushels in storage, crop prices, and crop yields), other income (e.g., beef income), crop and livestock expenses per acre or head, assets sales and purchases, and nonfarm income and expenses (e.g., family living expenses). When conducting a pro-forma analysis, it is common to use more than one scenario. In this article, we will use three crop price scenarios for fall sales and ending inventories. The price scenarios were developed using historical basis and futures rices. For futures prices, the 25th percentile, the 50th percentile, and the 75th percentile for corn and soybeans were obtained in late May from the iFarm Price Distribution Tool. Cash prices were then computed by adding historical basis to futures prices. The 50th percentile scenario is used as the base case. The 25th percentile represents a low-price scenario while the 75th percentile represents a high-price scenario.

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Case Farm Example

Let's use the cash flow definitions above to look at an example. The case farm is in southwest Indiana and has crop acres and a small beef cowherd. Gross revenue and net farm income in 2025 were $722,322 and $53,221, respectively. The operating profit margin in 2025 for the case farm was 6.9 percent. The farm has solid liquidity and solvency positions. The capital debt repayment margin was $35,789 in 2025 indicating that the farm had enough cash to cover owner withdrawals and principal on term debt. However, the replacement margin was negative, indicating that the farm did have enough cash to cover both principal on term debt and to fully replace the portion of machinery and buildings that depreciated in 2025. The farm did not purchase machinery or buildings in 2025. Looking ahead to 2026, the farm is primarily interested in whether there will be enough cash to cover owner withdrawals and principal on term debt. If the capital debt repayment margin is positive, the farm may consider purchasing machinery and equipment.

There are at least four different sources of cash that could be used to purchase machinery and buildings in 2026. Having said that, it is likely that a combination of these sources will be utilized. First, the farm could draw down cash balances. This would reduce liquidity, which may not be prudent. Second, the farm could use cash flows from operating activities, assuming that this number is positive. Third, the farm could sell other assets to help make the purchase. Fourth, the farm could borrow money to help pay for the assets. Where do contingency plans come in? If cash flow becomes relatively tight as the year progresses, cash flow from operating activities may be relatively small. In this instance, the farm will likely not purchase additional machinery or buildings in 2026.

Table 1 presents crop prices and financial metrics for each crop price scenario. The only difference between the scenarios are the expected crop prices for fall sales and ending inventories. Net farm income and the profit margin ratio were negative for the low-price scenario (25th percentile). Similarly, the capital debt repayment margin was negative for this scenario. The negative capital debt repayment margin indicates that this farm does not have enough cash flow from operating and financing activities to fully cover principal and interest payments on noncurrent debt. Net farm income, the operating profit margin ratio, and the capital debt repayment margin were positive for the base case and high-price scenario (75th percentile). Moreover, the replacement margin was positive for the high-price scenario, indicating that the farm could replace the portion of machinery and buildings that wore out during the year. Working capital per crop acre declined $19 for the 25th percentile and increased $45 and $100 for the 50th and 75th percentiles, respectively. Given the relatively higher net farm income for the high-price scenario, the farm would be in position to purchase machinery and/or buildings in 2026. Cash used for replacement (i.e., 1.15 x depreciation expense) for this farm is approximately $73,850. If the farm does not purchase any machinery in 2026, it will not be able to replace the value of machinery that was depreciated during the year. Long-term, it will need to do so.

The primary categories for projected sources and uses of funds are illustrated in Table 2. The net cash provided by investing activities excludes potential asset sales and purchases. The net cash provided by financing activities was negative reflecting the payment of term debt during the year. Net cash from operating activities ranged from $6,587 for the low-price scenario to $55,366 for the high-price scenario. Note that depreciation, because it is a non-cash expense, is not subtracted from cash farm receipts when computing net cash provided by operating activities. Depreciation is projected to be approximately $64,220 in 2026. Thus, to at least some extent, this farm would be living off of depreciation under each of the price scenarios. The ending cash balance was lower than the beginning cash balance for the low-price scenario. For the high-price scenario, the ending cash balance was approximately $44,000 higher than the beginning cash balance.

Table 2. Sources and Uses of Funds for Case Farm Scenarios

	Percentile		
	25%	50%	75%
Beginning Cash Balances (1)	$559,560	$559,560	$559,560
Net Cash Provided by Operating Activities (2)	$6,587	$33,126	$55,366
Net Cash Provided by Investing Activities (3)	$0	$0	$0
Net Cash Provided by Financing Activities (4)	-$21,794	-$21,794	-$21,794
Ending Cash Balances (5)	$544,353	$570,892	$593,132
Unlocated Funds (1+2+3+4-5)	$0	$0	$0

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Stop Avoiding the Planning Conversation

Lance Woodbury, PROGRESSIVE FARMER / SUMMER 2026 /// DTNPF.COM

Most farm and ranch owners want their businesses to continue. The land represents a legacy. The assets, both financial and reputational, offer opportunities for the next generation. The senior generation feels deep satisfaction at the prospect of seeing decades of work transfer to younger family members.

Except the conversation about how and when that transfer will happen often doesn't take place. Plans go undrafted. Estate documents stay outdated. Roles, ownership and timing assumptions remain unspoken. Years pass, and the runway for intentional handoffs, effective tax planning and thoughtful leadership development gets shorter. The younger generation's desire for certainty about the future slips slowly away.

Why do we avoid conversation? Underneath the silence sit several questions the senior generation often hasn't answered for themselves. Until they do, the transition process stalls.

Am I confident in the next generation's ability to lead? There are two concerns at play in this question. The first is whether members of the younger generation have the skills and experience to lead. Do they understand how the business works? Are they capable? Have they internalized lessons one often learns primarily through hardship?

The second concern is whether the next generation can work together. If you've witnessed sibling rivalry or conflict among your adult children or their spouses, it's easier to imagine the partnership unraveling the moment you're no longer the glue holding it in place.

Can the business survive without me? You may believe that no one else in the family business can do what you do. The insight, experiences, skills and tactics required to steer the business exist only in you. This isn't necessarily an egotistical view; farming today faces a unique set of challenges not seen in decades. The younger generation simply hasn't been through it, and the business still needs you to lead.

Is there enough money to retire? Until the cashflow math is run, retirement feels like a cliff rather than a path. When profits from better years have been reinvested in land, and rent on family land has been held artificially low to help with cash-flow, can the business support a retiree? And, if you haven't planned your multiyear tax strategy for retirement, topping in any one year is almost impossible because of the tax cost associated with the asset depreciation and income deferral strategies you've used in the past.

Who am I if I'm not farming or ranching? Your work is a part of who you are. Being the owner and operator of a farm or ranch business is freighted with social significance and community importance. Your vocation has personal meaning and provides a purpose to your life. Stepping back can feel like becoming invisible. It's confusing, disorienting and deeply uncomfortable.

Agriculture has plenty of challenges—markets, input costs, labor and weather, to name a few. Avoiding the conversation about the future doesn't lower the risk; it adds to it. Waiting another five years to start talking only increases the pressure or the work that follows, which already takes years. There are real business and emotional issues to address. Some will be uncomfortable. But, avoiding the talk does no one any favors—not the senior generation, not the next, not the business and not the legacy you intend to leave. Ask yourself which of the questions describes your concerns. Then, take one concrete step to help answer it. You don't have to solve everything at once. You just have to get started.

The Succession Gap

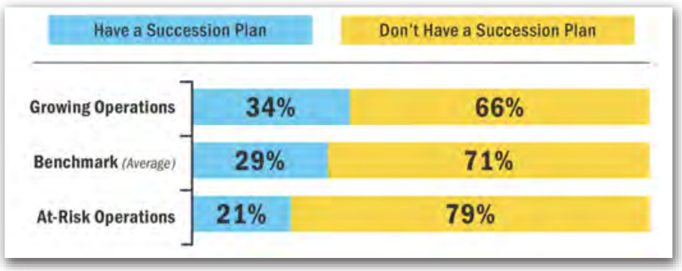
Rena Striegel is a business coach who works with farm families, specializing in strategic planning, business succession, and leadership development.

FARM JOURNAL RECENTLY REPORTED that up to 44 million acres of U.S. farmland are expected to change hands in the coming years.

That's a staggering number. But what concerns me most isn't the acreage. It's the leadership transition, ownership transition and decision-making transition happening all at once across the country.

When I look at the accompanying data, I see both opportunity and vulnerability.

According to the Farm Journal Seed & Planting Survey and Consolidation Index Predictive Model Analysis, only 34% of growing operations have a formal succession plan. Among benchmark producers, that number drops to 29%. For operations identified as at-risk, just 21% have a documented succession plan in place.



LET THAT SINK IN

Succession gaps, management transitions and strategic exits are driving consolidation regardless of size. Farms under $250,000 in gross income show a 58% consolidation risk. Farms between $250,000 and $500,000 show 48%. But even operations in the $1 million to $2.5 million range carry a 32% risk. And those between $2.5 million and $10 million still sit in a baseline consolidation risk zone of roughly 27% to 30%. In other words, income alone is not going to protect you.

Consolidation rarely happens overnight. It happens when pressure meets unpreparedness. A health event. A lender conversation. A market downturn. A disagreement that was never resolved. A next generation that was never fully developed or clearly empowered.

Agriculture has always been unpredictable. We all understand that. But what feels different right now is how layered the uncertainty has become. Interest rates have restructured balance sheets. Input costs remain volatile. Capital demands continue to rise. Technology expectations are accelerating. And the average age of the American farmer keeps climbing.

So, here's the question for any farmer reading this: If something unexpected happened tomorrow, would your operation be OK?

Would there be clarity about who makes decisions? Would ownership be defined? Would your successors be prepared to lead?

If you hesitate in answering that, you are not alone. But hesitation is a signal.

The data in the Farm Journal analysis tells an important story. Growing operations are more likely to try new technology. They are more likely to plan land investment. And they are more likely to have formal succession plans in place. That is not coincidence.

The leaders who plan tend to think about the long term - not just the next growing season. They understand their profitability by enterprise. They define leadership roles. They have hard conversations before circumstances force communication. They build clarity into the business so that transition strengthens it rather than destabilizes it.

SUCCESSION PLANNING IS MISUNDERSTOOD

This is not simply an estate planning document. It is not a will tucked in a drawer. It is a business discipline.

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It requires clarity about management transfer and ownership transfer - and those are not always the same thing. It requires fairness, which is not necessarily equality. It requires governance structure so family conversations don't become a business crisis. It requires intentional development of the next generation so leadership transition feels earned, not assumed.

> "So, here's the question for any farmer reading this: If something unexpected happened tomorrow, would your operation be OK?"

And perhaps most importantly, it requires timing.

Consolidation favors clarity. It favors operations that are structured - not just successful.

One of the most revealing pieces of the consolidation data is that even higher-income farms carry measurable risk. Scale does not eliminate vulnerability if leadership transition is unclear or undefined.

The projected 44 million acre transition is a defining moment. Some families will strengthen continuity and expand. Others will find themselves reacting - not because they lacked work ethic or competence, but because they delayed putting structure in place.

USE THIS AS A TOOL

Planning does not eliminate uncertainty, but it does provide framework and stability. It allows you to make proactive decisions. It gives the next generation clarity. It protects family relationships. And it preserves optionality.

If your farm is truly strategically aligned, financially transparent and leadership-ready, planning becomes a growth tool. If it's not, planning becomes urgent.

Knowing the data shouldn't create paralysis. Understanding your consolidation risk, your succession gaps and your financial position gives you choice. When your business structure is clear and your succession plan is thoughtful but flexible, you can pivot as markets shift, opportunities emerge or circumstances change. You may not be able to eliminate uncertainty - but you can position yourself to move through it with confidence.

Make the Most of Your Midyear Money Decisions

Daily Herd, Taylor Leach, June 05, 2026

By June, most producers have a clearer picture of how the year is unfolding than they did back in January. Six months into the year, producers have a better understanding of their costs, their income and how closely the operation is tracking to plan.

That makes midyear one of the best times to step back and evaluate the financial side of the business.

"Performing a midyear checkup can help you stay on track for achieving your financial goals," says Samantha Gehrett, Senior Extension Educator with Penn State Extension. "It is an excellent opportunity to evaluate how your operation is doing and make adjustments for the remainder of the year."

Here are five key areas Gehrett recommends reviewing to strengthen your financial footing in the second half of 2025.

1. Update Your Books

Accurate records are the foundation of sound financial decisions. Gehrett encourages producers to review and update their books regularly, not just once a year at tax time.

"Experienced business owners know that accounting and financial reviews should take place monthly," she says. "If you do not yet have a system in place or find that you continue to fall behind on monthly reporting, consider scheduling some additional time with your accountant."

Midyear is a smart time to catch up on tracking income, expenses, assets and liabilities. Whether you use software like QuickBooks or a simple paper ledger, keeping current ensures you are working from real numbers, not guesses. This will also make year-end reporting and tax prep significantly easier.

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2. Reconnect with Your Business Goals

The goals you set in January might not match the realities you are facing in July. That is why Gehrett encourages producers to revisit their goals and ask:

- Are my initial goals still appropriate
- What have I achieved so far
- Are there any achievements I have missed and why
- Are there any new needs that require setting new goals

Whether it is related to increasing cash flow, expanding acreage or investing in equipment, now is the time to shift your targets or reallocate resources as needed. Staying flexible helps ensure your goals evolve with your operation, not against it

3. Organize Your Financial Documents

Organization is more than just tidiness. It is a financial strategy that saves time, reduces stress and prevents mistakes. Gehrett advises producers to make sure receipts, invoices, loan documents and financial statements are easy to access and up to date.

"Having your income, expense, asset and liability information organized makes conversations with your accountant or lender much more effective," she explains.

It can also help you avoid missing important deductions or payment deadlines that may affect cash flow and credit relationships. Set aside time to clean up digital or paper files, double-check entries and review outstanding bills or receivables.

4. Check Cash Flow and Budgets

Now is the time to examine how money has moved through your business so far and whether it aligns with your expectations.

Gehrett suggests starting with key questions:

- Are there outstanding bills that need immediate attention?
- Are you on track to meet your projected income goals?
- Are your expenses being managed effectively?
- Do you need to consider adjusting your pricing or service rates?

If cash flow is tight or trending in the wrong direction, consider trimming unnecessary expenses, renegotiating terms or identifying areas for additional revenue generation. Small changes now can make a big difference by year-end.

5. Review Your Key Financial Statements

To understand your operation's financial position, you need to analyze three core financial documents. According to Gehrett, these documents include:

- **Income Statement**: This shows your revenue, expenses and net profit or loss over a specific time frame. Think of it as your farm's financial report card.
- **Balance Sheet**: A snapshot that reflects your assets, liabilities and equity at a particular point in time.
- **Cash Flow Statement**: This document tracks when money is coming in and going out, helping you anticipate shortfalls or surpluses.

Gehrett notes these reports work together to give a complete picture of financial health. They help you answer important questions such as:

- Are you profitable?
- Is your equity improving?
- Do you have enough liquidity to support upcoming decisions?

An Opportunity to Course Correct

One advantage of a midyear financial review is that there is still time to respond to what the numbers reveal.

Whether that means controlling expenses, delaying a purchase, reevaluating priorities or pursuing a new opportunity, decisions made in the second half of the year can influence how the year ultimately finishes.

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The Difference In Agriculture

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FIRST TRUST AND SAVINGS BANK
We'll Be The Difference

Our roots are in agriculture

The First Trust and Savings Bank was built on a foundation of agriculture. Since the early 1900s First Trust has been committed to the most important industry in the area. We have remained strong and maintained relationships with agricultural customers through the changing agricultural economic environment. Your goals are our goals. Together, by assembling a team of knowledgeable and dedicated professionals, we formulate a plan that meets your needs and desires.

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