The Difference in Agriculture

NEWS & INFORMATION FROM THE FIRST TRUST & SAVINGS BANK

Fall 2025 **Volume 1, Issue 10**

Managers Take

Harvest is upon us, and we get to see the fruits of all our labor for the year, but this year, like the last few, has shown a low to negative net farm income environment. As John F. Kennedy famously said, "The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale, and pays the freight both ways." So now more than ever, we must work to maximize return on investment and use innovative risk management during these hard times.

The best place to start is to analyze expenses and take an in-depth look at your production costs. Input costs have skyrocketed, falling out of line with current commodity prices as the National Corn Growers Association (NCGA) has recently stated, "average production costs have dropped just 3% from their peak in 2022 to 2025 while corn prices have declined by over 50% over the same period." Nitrogen itself is 12-35% (based on product) more expensive than this time last year. A prudent risk management strategy will be to soil test every year. Most of the fertilizers we spread (or spray) could be cut back or not applied based on adequate fertility/plant health. While chemical and seed have increased slightly, shopping around or buying wholesale may prove helpful as well.

With regards to the income side, a crop marketing plan is of utmost importance. Some choices are working with a broker to purchase commodity options to protect your upside, monitoring elevator rates/basis, farm storing grain, or creating your own marketing plan. With massive carryover year to year, domestic end users have no shortage of supply from which to buy from, therefore we must capitalize when the opportunity arises.

If you are looking for more in-depth advice on this subject, please give us a call. We have several experienced professionals to help as your preferred Trust, Wealth and Farm Management Provider.

Scott Zumwalt
Agri-Business Specialist

USDA Lowers Farm Income Forecast, Remains Well Above 2024

September 4, 2025

Ryan Hanrahan

Agri-Pulse's Philip Brasher reported that "the Agriculture Department is lowering its forecast for farm earnings in 2025 as declines in the crop sector more than offset soaring incomes for cattle producers." But "even with the lower numbers, both the estimates for net farm income and net cash income this year are above the 20-year average, largely due to an influx of government payments to row crop producers," Brasher reported.

"Net cash farm income, a measure of producers' cash flow, is forecast at $180.7 billion for 2025, an increase of $36.5 billion, or 25.3%, over last year when adjusted for inflation, according to the forecast issued by the Economic Research Service on Wednesday," Brasher reported. "In February, USDA had forecast net cash farm income for 2025 at $193.7 billion."

"Net farm income, a broader measure of profits, is forecast at $179.8 billion for 2025, an increase of $48.8 billion, or 37.2%, over 2024 when adjusted for inflation. February's forecast was for net farm income of $180.1 billion," Brasher reported. "…Net cash farm income is based on cash receipts from farming, plus government payments and

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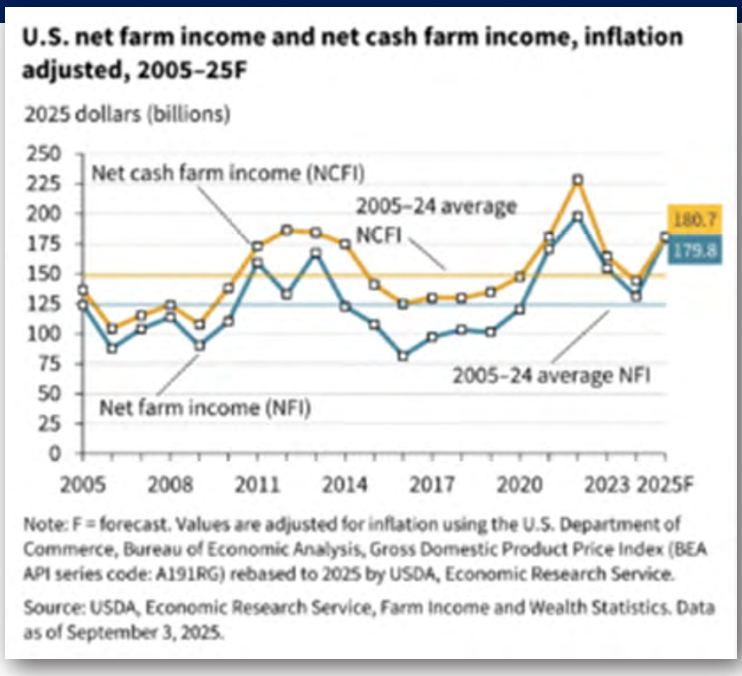
other farm-related income, minus cash expenses. Net farm income also factors in depreciation and changes in inventory values."



Courtesy of the USDA.

Government Payments Projected at $40.5 Billion

Progressive Farmer's Chris Clayton reported that direct government payments "are projected at $40.5 billion in 2025, a $30.4-billion increase from 2024. Government payments are the highest since 2020 — the height of the pandemic. Congress last year provided farmers with $10 billion in economic aid: USDA's Emergency Commodity Assistance Program (ECAP). So far, USDA has paid out $8 billion in ECAP payments to 559,585 producers, according to USDA's website."

"Along with that, Congress provided nearly $22 billion for natural disaster losses in 2023-24, which became the Supplemental Disaster Relief Program (SDRP). So far, about $4.76 billion has been paid to nearly 329,500 farmers," Clayton reported. "Payments for conservation programs also rose to $4.8 billion, up 10.3% from 2024, with higher payments from Natural Resources Conservation Service (NRCS) programs."

Brasher reported that "the forecast doesn't include changes to commodity programs made by the One Big Beautiful Bill enacted in July, said (ERS economist Carrie) Litkowski. 'They would affect payments more starting in 2026,' she said on a webinar."

Production Expenses Increased from 2024

Clayton reported that "farmers and livestock producers combined are expected to spend $467.4 billion this year on production expenses, up $12 billion, or 2.6%. Feed expenses came in at $68.6 billion, but that's down $4.6 billion, or 6.2%, from 2024. Looking back to 2023, total feed costs are down $17.6 billion over the past two years. The costs to buy livestock and poultry reached $59.9 billion, up $10.6 billion, or 21.5%, from last year."

"Overall, USDA shows crop inputs such as fertilizer and pesticides were relatively flat or declined slightly," Clayton reported. "Labor costs came in at $54.34 billion, or nearly $2.2 billion higher than last year. Looking further back, labor costs for 2025 are $12 billion higher than they were in 2022, just three years ago, a 29% increase."

The American Farm Bureau Federation's Bernt Nelson and Faith Parum reported that "USDA's 2025 forecast also highlights the importance of farm debt. Total farm sector debt is forecast to increase by $28.35 billion, or 5%, from $563.48 billion in 2024 to $591.82 billion in 2025. This is an increase of nearly 20% since 2022 when the Fed began raising interest rates to combat inflation. Interest expenses to service farm debt are forecast at $33.09 billion, up $1.6 billion, or 5.1%, from $31.48 billion in 2024. The 2025 interest expense forecast is 16% higher than 2022."

Fertilizer Decisions for the 2026 Crop Year

Paulson, N., G. Schnitkey, H. Monaco, and C. Zulauf. "Fertilizer Decisions for the 2026 Crop Year." farmdoc daily (15): 145, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 12, 2025.

Farmers will begin to consider management decisions for the 2026 crop year as fall approaches and the 2025 growing season winds down. A near term decision will be pricing and purchasing nitrogen fertilizer for fall nitrogen applications. Today's article provides an update on average fertilizer prices for Illinois and discusses strategies farmers can and do use to price their nitrogen fertilizer.

Nitrogen Fertilizer Prices in Illinois

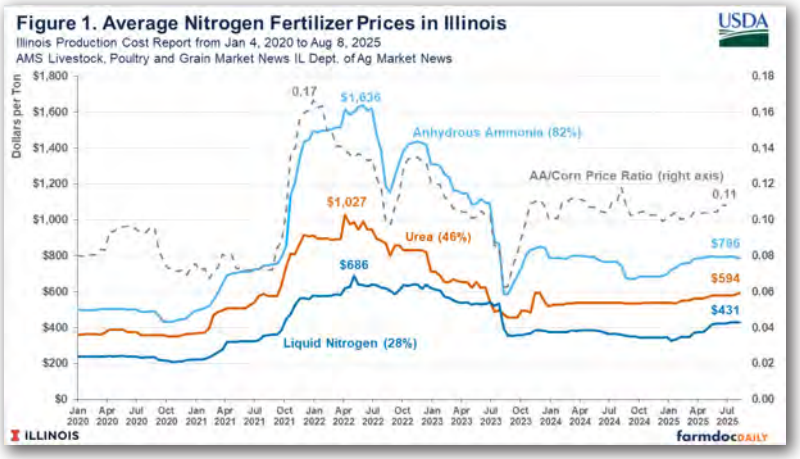
Average Illinois prices for three common nitrogen fertilizer products – anhydrous ammonia (82% N), Urea (46% N) and liquid nitrogen (28% N) – are shown in Figure 1 from January 4th 2020 through August 8th 2025. These prices are provided in the bi-weekly Illinois Production Cost Report from USDA's Agricultural Marketing Service (USDA-AMS).

Prices in the first week of August averaged $786/ton for anhydrous, $594/ton for urea, and $431/ton for liquid nitrogen. These prices are 6%, 10%, and 20% higher than those reported for the first week of August in 2024.

Current prices are well below the historical highs reached in the late spring of 2022 but remain high relative to longer run averages. For example, anhydrous ammonia averaged just under $650 per ton from September of 2008 (the beginning of the available AMS data series history) through 2020. Urea and liquid nitrogen prices averaged around $440 and $300 per ton, respectively, over that same time period.

Relative fertilizer prices provide another important perspective. The ratio of anhydrous to monthly national cash prices for corn reported by the USDA is also included in Figure 1 (right axis). In calculating the ratio, the anhydrous price is converted to dollars per pound of nitrogen based on the average N content of 82%. For example, the latest anhydrous price of $786 per ton is equivalent to $0.48 per pound of nitrogen ($786/(2000*0.82) = $0.48).

The relative price measure (anhydrous to corn price ratio) has followed a similar path to fertilizer price levels since the start of 2020. Relative nitrogen prices peaked at the end of 2021 with a ratio of 0.17. Since the fall of 2023 the ratio has varied around the current level of 0.11. Also similar to absolute prices, the relative price of fertilizer in the past few years has been above longer run averages (average ratio of 0.09 from September 2008 through 2020).



Pricing and Purchase Strategies

Farmers utilize a range of strategies to manage price risks for inputs. Figure 2 provides results from a fall 2024 farmdoc survey of corn farmers that was part of a research project supported by the Illinois Corn Growers' Association. The survey included a question focused on the strategies used by farmers when pricing nitrogen. Strategies included forward purchases, volume discounts, bundling their fertilizer purchases with other products/services, timing adjustments (purchases and applications), and an "other" option with farmers able to select all that applied. A total of 271 corn farmers from multiple states in the U.S. responded to this question. Other aspects of the survey were discussed in the farmdoc daily article of October 11, 2022).

Forward purchases are very common, with 82% of respondents indicating they normally use this strategy. Forward purchases or pre-paying can reduce price risk by locking in current price offers. In some cases forward purchases may

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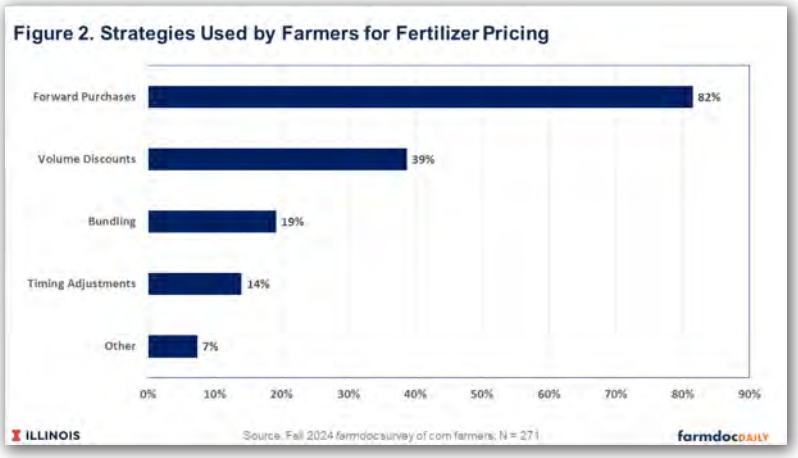
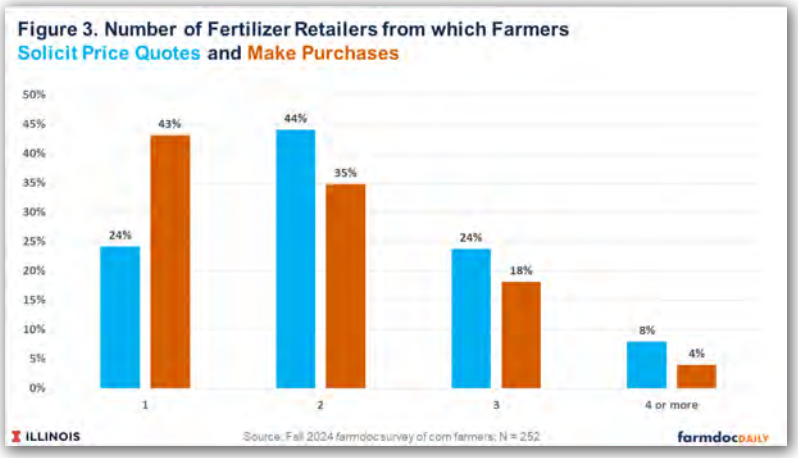
require the farmer to take delivery, implying the need for fertilizer storage capabilities on the farm. Many retailers also offer options to set prices for future delivery or application, typically with some portion of the total purchase amount due at the time of price determination.

Volume discounts were used by 39% of respondents. Bundling fertilizer purchases with other products or services and timing adjustment strategies were used by 19% and 14% of respondents. Timing adjustments include both timing of fertilizer purchases and timing of applications. In addition, many farmers indicated using multiple strategies with the combination of forward pricing and volume discounts being the most common with roughly one-third (33%) saying they use both strategies.



Varying purchases and application timing can spread price risk across multiple application windows, increasing the likelihood that purchases are made at the average price for the season. Farmers commonly apply portions of their total nitrogen needs at multiple times including in the fall as well as either prior to, at/during, or after planting (see farmdoc daily article from July 22, 2025).



As prices can vary across retailers, farmers often collect pricing information from multiple sources (see Figure 3). Survey results indicated most farmers solicit price quotes from more than 1 retailer, with 76% saying they solicit prices from at least 2 retailers: 44% from 2 sources, 24% from 3, 8% from 4 or more. In contrast, purchasing from a single retailer is the most common but not a majority strategy, accounting for 43% of farmers. Those purchasing from fewer sources than they solicit prices from are likely checking pricing from multiple sources to negotiate a lower purchase price

Farmers are also advised to consider and compare crop and fertilizer prices and use available resources, such as the Maximum Return to Nitrogen (MRTN) calculator, to determine the amount of nitrogen that should be applied to maximize expected returns. The MRTN calculator would suggest total application rates of 180 lbs of N per acre in northern and central Illinois, and 200 lbs of N per acre in southern Illinois, with anhydrous prices around $800/ton and corn prices around $4 per bushel. These prices are consistent with current price levels.

Discussion

Recent price averages for nitrogen products in Illinois have been 6% to 20% higher than the same time last year. A statistical approach to forecasting anhydrous ammonia prices based on corn and natural gas futures prices would suggest anhydrous prices are expected to remain in the $750 to $800 per ton range through this fall (see farmdoc daily from June 18, 2024). Fertilizer has historically been one of the most volatile input cost categories for farmers with recent spikes driven by supply chain concerns associated with the Russia-Ukraine conflict. While fertilizer prices have come down from 2022 highs, they remain high relative to longer-term historical levels in terms of both absolute price levels and prices relative to corn.

Forward pricing, volume discounts, and varying the timing of purchases and applications are strategies that can be used by farmers to control costs and the risks associated with fertilizer price risk. Farmers are advised to collect pricing information from multiple sources and consider their application rates given the ongoing cost-price squeeze.

Welcome Andy Frerichs

The First Trust and Savings Bank of Watseka is pleased to announce the appointment of Andy Frerichs as Vice President – Loan Officer, joining the team at the Clifton banking center. With a strong background in banking, agricultural production and grain marketing, Frerichs brings valuable expertise to the lending operations.

In this role, Frerichs will be responsible for assisting clients with agricultural, commercial, residential and personal lending needs, guiding them with clarity and professionalism. Frerichs is a native of the Clifton community and his approach will be to build long-term relationships while helping individuals and businesses achieve their financial goals.

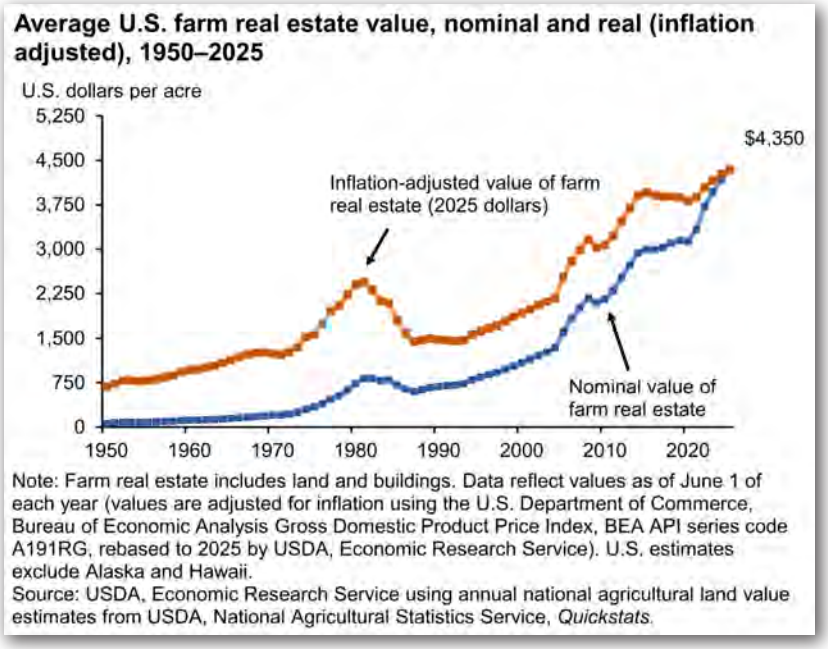
President Kerry Bell states that the bank is thrilled to add Andy to their team. "Andy is active in the farm community and his experience in banking and dedication to client success align perfectly with our mission to provide product and service excellence."

Customers and community members are invited to stop by the Clifton banking center to meet Andy and learn more about the financial services offered by The First Trust and Savings Bank.

Land Use, Land Value & Tenure - Farmland Value

Updated: 9/24/2025 Contact: Scott Callahan

Source: Land Values, 2025 Summary, USDA, National Agricultural Statistics Service, August 2025. Annual data by region and State are available from QuickStats. Alaska and Hawaii are excluded due to data availability.



Farm real estate (land and structures) accounted for a forecasted $3.67 trillion (83.6 percent) of the total value of U.S. farm assets in 2025 (see more on farm assets and debt, including real estate.) Following a period of stabilization in farmland values from 2014 to 2020, farmland values began to appreciate in 2021, even after adjusting for inflation. The trend continued into 2025. The value of U.S. farmland averaged $4,350 per acre, an increase of 4.3 percent over 2024 values, or 1.9 percent when adjusted for inflation. Over the previous 5-year period (2019 to 2024), the compound annualized growth rate (CAGR) was 5.8 percent, or 2.0 percent after adjusting for inflation.

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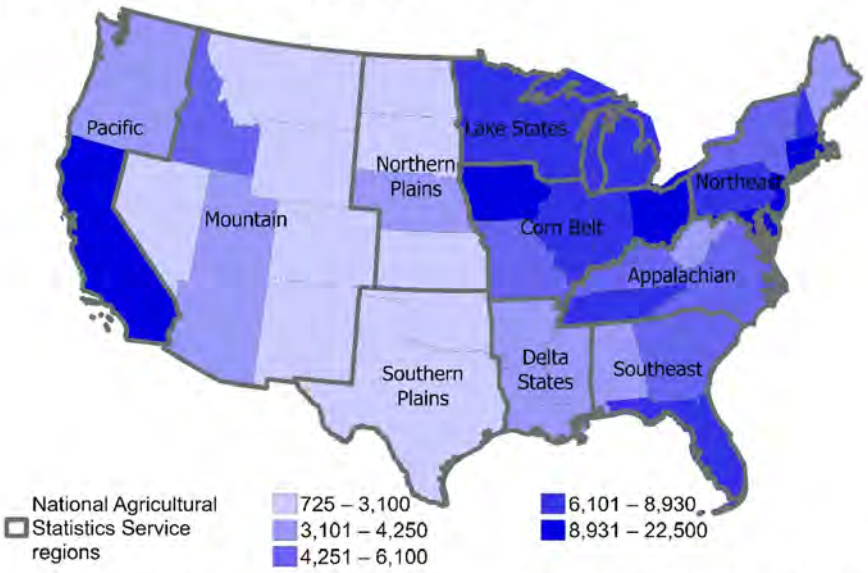
The USDA, Economic Research Service studies trends in farmland values, assessing the impact of both macroeconomic factors (such as interest rates and the prices of alternative investments) and parcel-specific attributes (such as soil quality, government payments, rural amenity value, and urban proximity). Regional farmland real estate values vary widely because of differences in general economic conditions, local farm economic conditions, and local geographic conditions that affect returns to farming. For example, farm real estate values in the Corn Belt are nearly twice the national average, while farmland real estate values in the Mountain region are less than half the national average.

U.S. farm real estate values per acre by State, 2025



Note: Farm real estate data includes land and buildings. Data reflect values as of June 1 of each year in U.S. dollars. U.S. estimates exclude Alaska and Hawaii due to data availability. Economic regions are determined by USDA, National Agricultural Statistics Service.

Source: USDA, Economic Research Service using 2025 State agricultural land value estimates from USDA, National Agricultural Statistics Service, Quickstats.

In addition to regional differences in the value of land, the rate of growth varies by region. While farm real estate values increased in all economic regions between 2024 and 2025, the inflation-adjusted growth ranged from a 0.3-percent decline in the Pacific region to a 3.4-percent increase in the Southern Plains region. Over the preceding 5-year period (2019 to 2024), the Northern Plains region experienced the highest average real annualized growth rate (3.5 percent) and rose the least in the Delta States region (0.1 percent).

Farm real estate values also vary according to agricultural land use. Cropland values maintain a premium over pastureland due to cropland's higher per-acre returns. Between 2024 and 2025, inflation-adjusted U.S. average cropland values increased by 2.2 percent to $5,830 per acre, compared to a 2.5-percent compound annualized growth rate (CAGR) over the previous 5 years (2019 to 2024). Meanwhile, average pastureland values increased by 2.4 percent to $1,920 per acre, compared to 1.8 percent per year over the previous 5 years (all values are adjusted for inflation). The difference between cropland and pastureland values also varies by region. Cropland values are higher than pastureland values in every region. In the Pacific region, the average cropland value per acre ($9,830) was slightly more than 4 times higher than the average pastureland value per acre ($2,450) in 2025.

Another measure of value is the annual rental cost of using land for agricultural production. Between 2024 and 2025, average inflation-adjusted U.S. cropland rental rates decreased by 1.7 percent to $161, while pastureland rental rates decreased by 2.4 percent to $15.5 per acre.

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Average farmland value and cash rent by USDA, NASS farm production region, 2025 (dollars per acre)

Economic Region	Farm real estate value	Cropland value	Cropland rent	Pasture value	Pasture rent
Corn Belt	8,250	8,940	240	3,120	46
Pacific	8,210	9,830	281	2,450	14
Northeast	7,300	7,900	102	4,750	41
Lake States	6,690	6,940	183	2,830	38
Southeast	5,750	5,860	109	5,720	23.5
Appalachian	5,590	5,950	117	4,680	28
Delta States	3,930	3,750	134	3,360	22.5
Northern Plains	3,200	4,220	123	1,560	26.5
Southern Plains	2,880	2,640	46	2,260	9.4
Mountain	1,660	2,800	106	946	7

Average farmland value and cash rent by USDA, NASS farm production region, 2025 (dollars per acre)

Economic Region	Farm real estate value	Cropland value	Cropland rent	Pasture value	Pasture rent
United States (48 States)	4,350	5,830	161	1,920	15.5

FIRST TRUST AND SAVINGS BANK

The Difference In Agriculture

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Ag Lending
Farm Management
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Trust Services

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.

Kerry Bell
President/Trust Officer

Neil Schippert
Senior Vice President

Scott Zumwalt
Agribusiness Specialist/
Farm Manager

Felice Waters
Trust Administrator

Jessica Runner
Customer Service/
Farm Department

Cody Fredrick
Agribusiness Specialist/
Lending Officer

Anissa Galyen
Loan Officer

Jeff Sobkoviak
Agri-Business Loan Officer

Nicole Sanders
Customer Service Representative

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