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## CORN AND SOYBEAN RETURNS IN 2009 AND 2010

Crop budgets for 2010 have been released and are now available in the management section of *farmdoc*. In addition, 2009 projections have been revised based on yield estimates from National Agricultural Statistical Service (NASS) and revised commodity price projections. The projections for 2009 and 2010, as well as historical results for 2008, are presented in Table 1 for central Illinois farms having high-productivity farmland. Similar information is available for northern and southern Illinois in the management section of *farmdoc*.

### 2009 Returns

Net operator returns for 2009 are projected at -\$8 per acre for corn and -\$15 per acre for soybeans. Returns have not been projected lower during the 1990s or the 2000s. Low 2009 returns are caused by high costs and declining commodity prices. In 2009, non-land costs for corn are projected at \$517 per acre, \$89 higher than the 2008 non-land costs for \$428 per acre. On the commodity price side, farmers received an average of \$4.05 per bushel for corn in 2008. Budgets contain a corn price of \$3.25 per bushel for 2009.

Based on estimates released by the National Agricultural Statistical Service, yields for 2009 are projected at 200 bushels per acre for corn and 51 bushels per acre for soybeans. These yield estimates are slightly above 2008 yields of 199 bushels for corn and 50 bushels for soybeans. The 200 bushel expected 2009 yields is above the five-year average yield of 188 bushels per acre. The 51 bushel expected 2009 yield for soybeans is below the five-year average of 54 bushels per acre.

Returns in 2009 include an ACRE payment on corn of \$25 per acre. This \$25 payment represents an average payment across acres enrolled and not enrolled in ACRE. ACRE payments, based on a \$3.25 season-average-price, are projected above the \$25 per acre payment for farms enrolled in ACRE and would be in the \$60 per acre range.

The 2009 returns could vary from the above projections. At this point, changes in commodity prices have the most potential to change returns. Increases in corn and soybean prices will increase returns while declines in prices will reduce returns.

Results in Table 1 represent an average across all farms. An individual farm can have large variance from these averages because of yield, price, or cost differences from the averages. In 2009, there will be sizable variations in non-land costs across farms, as fertilizer prices varied greatly between the fall and the spring. Timing of purchase will have a large impact on non-land costs.

Operator returns in Table 1 are calculated based on land controlled by cash rent. The 2008 cash rent of \$197 per acre for 2008 represents the average cash rent paid by farms enrolled in Illinois FBFM in central Illinois having high-productivity farmland. Cash rent is projected at \$210 per acre for 2009. Operator returns for share rent and owned farmland will vary from those shown in Table 1. Share-rented farmland likely will have lower land costs in 2009, as share-rent arrangement will capture the lower commodity prices and higher costs occurring in 2009. Hence, operator returns on share-rent farmland likely average higher than those shown in Table 1 for 2009. This differs for 2008 where the average equivalent cash rent for share rent arrangements was above the average cash rent paid on cash-rental arrangements.

The 2009 return levels shown in Table 1 would usually indicate that farms will face financial stress. However, returns in 2007 and 2008 were above average and many farmers built financial reserves that will carry them through the low income year of 2009. Hence, financial difficulties likely will not be widespread across grain farms in the corn-belt.

## 2010 Returns

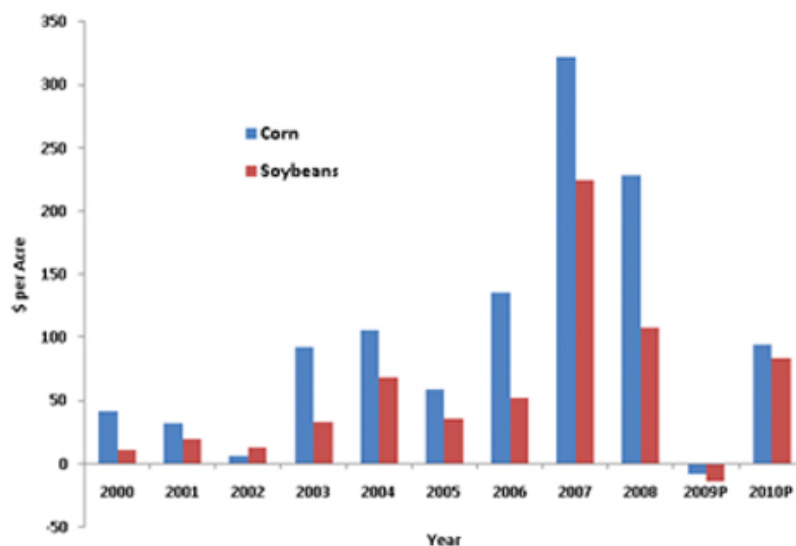
Net operator returns for 2010 are projected at \$94 for corn and \$84 for soybeans, above net operator return levels for 2009. Higher 2010 returns are based on lower non-land costs. Non-land costs for corn are projected at \$440 per acre in 2010, down by \$77 per acre from 2009 non-land costs of \$517 per acre. Much of the decline in non-land costs is due to lower fertilizer prices. Fertilizer prices used for 2010 projections are \$400 per ton for anhydrous ammonia, \$400 per ton for DAP, and \$600 per ton for potash. By way of comparison, anhydrous ammonia prices were above \$1,000 per ton during the summer of 2008.

In 2009, fertilizer price changes caused a great deal of uncertainty about 2009 returns. Fertilizer prices for 2010 appear to have stabilized at lower levels, although there is a potential for an increase in fertilizer prices due to changes in economic and geopolitical conditions. It would appear that uncertainty about 2010 returns will likely revolve around crop yields and commodity prices, typical sources of uncertainty in crop farming.

Budgets for 2010 contain a \$3.75 corn price and \$10.00 soybean price. Currently, these prices are above bids available on futures markets. These projections are based on an expectation of crop prices returning to more "normal" levels represented by corn prices averaging near \$4.00 per bushel.

While above 2009 levels, 2010 projected returns are below 2007 and 2008 level. Projected 2010 returns are roughly on the same level as returns for the 2003 through 2005 period (see Figure 1). The 2009 and 2010 projection suggests that high returns of 2007 and 2008 will not occur over the next couple of years. It is likely that the high returns period experienced during 2007 and 2008 is over and crop farming now faces agricultural returns closer to historical averages.

**Table 1. Operator Returns for Corn and Soybeans on Central Illinois Farms Having High-Productivity Farmland, 2000 to 2010.**



Source: Illinois Farm Business Farm Management

**Acknowledgments:** Much of the data used in these budgets comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 5,500 plus farmers and 60 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provides on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at [www.fbfm.org](http://www.fbfm.org).

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**Table 1. Corn and Soybean Returns, 2008, 2009P, and 2010P  
Central Illinois -- High Productivity Farmland.<sup>1</sup>**

	Corn			Soybeans		
	2008	2009P	2010P	2008	2009P	2010P
Yield per acre	199	200	192	50	51	55
Price per bu	\$4.05	\$3.25	\$3.75	\$10.15	\$9.40	\$10.00
Crop revenue	806	650	720	508	479	550
ACRE revenue	0	25	0	0	0	0
Other gov't payments	25	24	24	25	24	24
Crop insurance proceeds	22	20	0	25	4	0
<b>Gross revenue</b>	<b>\$853</b>	<b>\$719</b>	<b>\$744</b>	<b>\$558</b>	<b>\$507</b>	<b>\$574</b>
Fertilizers	124	170	95	42	85	50
Pesticides	46	50	50	28	30	30
Seed	67	95	100	43	52.5	55
Drying	19	25	19	1	3	3
Storage	11	11	11	5	4	4
Crop insurance	27	27	27	18	17	17
<b>Total direct costs</b>	<b>\$294</b>	<b>\$378</b>	<b>\$302</b>	<b>\$137</b>	<b>\$192</b>	<b>\$159</b>
Machine hire/lease	8	9	9	7	7	7
Utilities	4	5	5	3	3	3
Machine repair	17	18	18	14	14	14
Fuel and oil	22	20	17	19	18	17
Light vehicle	2	2	2	1	1	1
Mach. depreciation	29	30	30	26	27	27
<b>Total power costs</b>	<b>\$82</b>	<b>\$84</b>	<b>\$81</b>	<b>\$70</b>	<b>\$70</b>	<b>\$69</b>
Hired labor	11	11	11	10	10	10
Building repair and rent	5	5	5	3	3	3
Building depreciation	5	4	4	3	3	3
Insurance	10	10	10	10	10	10
Misc	7	7	7	7	7	7
Interest (non-land)	14	18	20	13	17	19
<b>Total overhead costs</b>	<b>\$52</b>	<b>\$55</b>	<b>\$57</b>	<b>\$46</b>	<b>\$50</b>	<b>\$52</b>
<b>Total non-land costs</b>	<b>\$428</b>	<b>\$517</b>	<b>\$440</b>	<b>\$253</b>	<b>\$312</b>	<b>\$280</b>
<b>Operator and land return</b>	<b>\$425</b>	<b>\$202</b>	<b>\$304</b>	<b>\$305</b>	<b>\$196</b>	<b>\$294</b>
Cash rent	197	210	210	197	210	210
<b>Operator return</b>	<b>\$228</b>	<b>-\$8</b>	<b>\$94</b>	<b>\$108</b>	<b>-\$15</b>	<b>\$84</b>

<sup>1</sup>Results for 2008 are summarized from grain farms enrolled in Illinois Farm Business Farm Management (FBFM). Budgets for 2009 and 2010 are projections. Returns and costs for 2002 through 2008 are available from the "Historic Corn, Soybean, Wheat, and Double-crop Soybean" link in the Illinois Farm Management Handbook available in the management section of *farmdoc*. Budgets are available from the "Illinois Crop Budgets" link in the management section of *farmdoc*.