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REVISED CORN AND SOYBEAN BUDGETS FOR 2009 AND 2010

Illinois Farm Business Farm Management (FBFM) recently summarized financial records from Illinois farms for the 2009 year. Based on these summaries, 2009 corn and soybean budgets on *farmdoc* have been updated to reflect final farm data. In addition, 2010 budgets are revised based on 2009 updates.

2009 Corn and Soybean Returns

Corn and soybeans budgets are shown in Table 1 for central Illinois, high-productivity farmland (see *farmdoc* for budgets for other regions). As expected, non-land costs were much higher in 2009 than in 2008. For corn, non-land costs were \$533 per acre in 2009, \$105 higher than the 2008 cost of \$428 per acre. For soybeans, non-land costs were \$291 in 2009, \$38 higher than costs in 2008. Non-land costs in 2009 were the highest ever. The second highest year was 2008.

The three cost categories contributing most to non-land cost increases were fertilizer, seed, and drying. For corn, fertilizer costs were \$185 per acre in 2009, \$61 higher than in 2008 (see Table 1). Higher fertilizer costs were caused by much higher fertilizer prices in the fall of 2008 and spring of 2009. Seed costs for corn in 2009 were \$90 per acre, \$23 higher than in 2008. Higher seed costs occurred because prices associated with recently released hybrids increased greatly in 2009. Drying costs for corn were \$38 per acre, \$19 higher than in 2008. Higher moisture levels of harvested corn caused the higher drying costs.

Another notable cost increase was in machinery depreciation. Machinery depreciation for corn in 2009 was \$35 per acre, \$6 higher than in 2008 (see Table 1). Soybean depreciation costs in 2009 were \$31 per acre, \$5 higher than in 2008. Due to cash availability and to take advantage of tax deductions, average capital expenditures on farms generally increase during periods of above average incomes. Incomes in 2007 and 2008 were above average, leading to more capital purchases. Higher capital purchases then lead to higher machinery depreciation in following years.

Two cost categories had decreases. For corn, crop insurance premium costs were \$21 in 2009, \$6 lower than in 2008. In 2009, the 2008 Farm Bill implemented a premium reduction program for crop insurance policies at the enterprise level. Many farmers took advantage of this program, resulting in lower crop insurance premiums. For corn, fuel and oil costs were \$13 per acre in 2009, \$9 lower than in 2008. Lower fuel costs occurred because fuel prices declined in 2009 from 2008 levels.

Revenues in 2009 were lower than in 2008. For corn, gross revenue was \$713 per acre in 2009, \$152 less than the \$865 revenue than in 2008. Both yields and prices contributed to the revenue decline. Corn yields were 192 bushels in 2009, 7 bushels lower than the 199 bushel yield in 2008. Corn prices averaged \$3.52 per bushel in 2009, \$.59 per bushel less than the \$4.11 in 2008. For soybeans, gross revenue was \$566 in 2009, \$6 less than the \$572 per acre revenue in 2008. Soybean prices averaged \$9.80 per bushel in 2009, \$.64 lower than the \$10.44 price in 2008. Lower soybean prices more than offset higher soybeans yields. Soybean yield was 55 bushel per acre in 2009 compared to 50 bushel in 2008. The 2009 yield was the highest yield across all years.

Net returns represent a return to the farmers for their labor, capital, and management. Both corn and soybeans had lower net returns in 2009 as compared to 2008 (see Table 1). Corn return of -\$29 in 2009 was \$269 per acre below the \$240 per acre return in 2008. Soybean net return of \$66 in 2009 was \$103 per acre lower than the \$169 per acre return in 2008.

Corn returns were below soybean returns in 2009. This was the first time since 2003 when corn returns was below soybean return.

Table 1. Returns and Costs to Central Illinois, High-Productivity Farmland Given Cash Rental Arrangements, 2008 - 2010F.

	Corn			Soybeans		
	2008	2009	2010F	2008	2009	2010F
Yield per acre	199	192	192	50	55	52
Price per bushel	\$4.11	\$3.52	\$3.50	\$10.44	\$9.80	\$8.75
LDP per bushel	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crop revenue	\$818	\$676	\$672	\$522	\$539	\$455
ACRE and LDP revenue	0	8	0	0	0	0
Other gov't payments	25	24	24	25	24	24
Crop insurance proceeds	22	5	0	25	3	0
Gross revenue	\$865	\$713	\$696	\$572	\$566	\$479
Fertilizers	124	185	105	42	62	50
Pesticides	46	52	52	28	31	31
Seed	67	90	93	43	58	60
Drying	19	38	19	1	1	1
Storage	11	14	11	5	7	4
Crop insurance	27	21	21	18	14	14
Total direct costs	\$294	\$400	\$301	\$137	\$173	\$160
Machine hire/lease	8	9	9	7	8	8
Utilities	4	4	5	3	4	4
Machine repair	17	18	18	14	16	16
Fuel and oil	22	13	17	19	12	11
Light vehicle	2	1	2	1	1	1
Mach. depreciation	29	35	35	26	31	31
Total power costs	\$82	\$80	\$86	\$70	\$72	\$71
Hired labor	11	12	12	10	12	12
Building repair and rent	5	5	5	3	4	4
Building depreciation	5	5	5	3	3	3
Insurance	10	10	10	10	10	10
Misc	7	7	7	7	7	7
Interest (non-land)	14	14	15	13	10	11
Total overhead costs	\$52	\$53	\$54	\$46	\$46	\$47
Total non-land costs	\$428	\$533	\$441	\$253	\$291	\$278
Operator and land return	\$437	\$180	\$255	\$319	\$275	\$201
Cash rent	197	209	210	197	209	210
Net return	\$240	-\$29	\$45	\$122	\$66	-\$9

¹See *Revenue and Costs for Corn, Soybeans, Wheat and Double Crop Soybeans*, Department of Agricultural and Consumer Economics, University of Illinois, May 2010 in management section of *farmdoc* (www.farmdoc.illinois.edu).

2010 Corn and Soybean Returns

Non-land costs in 2010 are projected to be lower than in 2009 (see Table 1). For corn, non-land costs are projected at \$441 per acre, \$92 lower than the \$533 non-land costs in 2009. Lower corn costs are caused by lower fertilizer and drying costs. Due to lower fertilizer prices, fertilizer costs are projected to decrease from \$185 per acre in 2009 to \$105 per acre in 2010, a decline of \$80 per acre. Due to projected more "normal" moisture levels at harvest, drying costs are projected to decline from \$38 in 2009 to \$19 in 2010, a decrease of \$19 per acre. Non-land costs for soybeans are projected at \$278 per acre in 2010, \$13 lower than 2009 non-land costs. Fertilizer cost declines account for the major portion of the non-land cost decline. Fertilizer costs are projected to decrease from \$62 per acre in 2009 to \$50 per acre in 2010, a decrease of \$12 per acre.

While below 2009 levels, 2010 non-land costs are still high by historical standard. Projected costs in 2010 are the second highest in history and are above 2008 levels.

Gross revenues in 2010 are projected using trend yields and expected prices. Futures prices and World Agricultural Supply and Demand Estimates (WASDE) were consulted in determining 2010 expected prices. Obviously, 2010 gross revenues can vary from those shown in Table 1. Growing conditions will determine actual yields, leading also to changes in prices due to supply interactions. Demand expectations also could change through the marketing year.

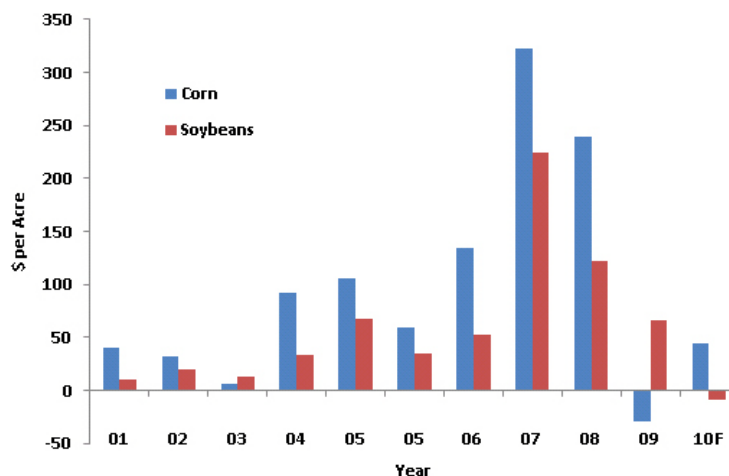
For corn, gross revenue for 2010 is projected to be about the same as in 2009: \$713 revenue in 2009 compared to \$696 per acre in 2010. Corn yields are projected at 192 bushel per acre in 2010, the same yield as in 2009. Corn price is projected at \$3.50 in 2010, almost the same as the \$3.52 price in 2009.

For soybeans, gross revenue is projected lower in 2010 than in 2009: \$479 revenue in 2010 compared to \$566 per acre in 2009. Soybean yield for 2010 is projected at 52 bushels, 3 bushels below the 55 bushel yield in 2009. The 2010 yield is projected based on a trend-line of previous yields. The 2009 soybean yield was above trend. Soybean price is projected at \$8.75, \$.95 below the average price of \$9.80 for 2010.

Net returns in 2010 are projected at \$45 per acre for corn and -\$9 per acre for soybeans (see Table 1). Corn return is projected to be \$54 per acre higher than soybean returns. Between 2001 through 2009, corn returns have exceeded soybean returns by an average of \$36 per acre. The \$54 projected higher returns for corn is above the 2001-2009 average.

Net returns for 2010 are projected to be below those returns from 2004 through 2008 (see Figure 1). Net returns for 2010 are close to levels for 2000 through 2003.

Figure 1. Corn and Soybean Returns to Cash Rent Farmland in Central Illinois Having High-Productivity, 2001 - 2010F.



Returns shown in Table 1 and Figure 1 are for cash rent farmland. Returns will differ for other land control methods. Share-rent farmland, for example, has lower variability than shown in Figure 1. Net returns for share-rent farmland are lower for 2007 and 2008 than are shown in Figure 2 because the landlord had higher returns due to sharing revenue and risks. Net returns for share-rent farmland are higher for 2009 and 2010 because landlord returns are lower than cash rents shown in Table 1.

Summary

Non-land costs in 2010 are projected to be below the record high non-land costs of 2009. While lower than 2009 levels, non-land costs in 2010 are still high by historical standards. Projected 2010 returns are below 2007 and 2009 levels. Projected 2010 returns are near 2000 through 2003 levels.

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.

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