



Projected Corn Gross Revenues Down in 2014 and 2015

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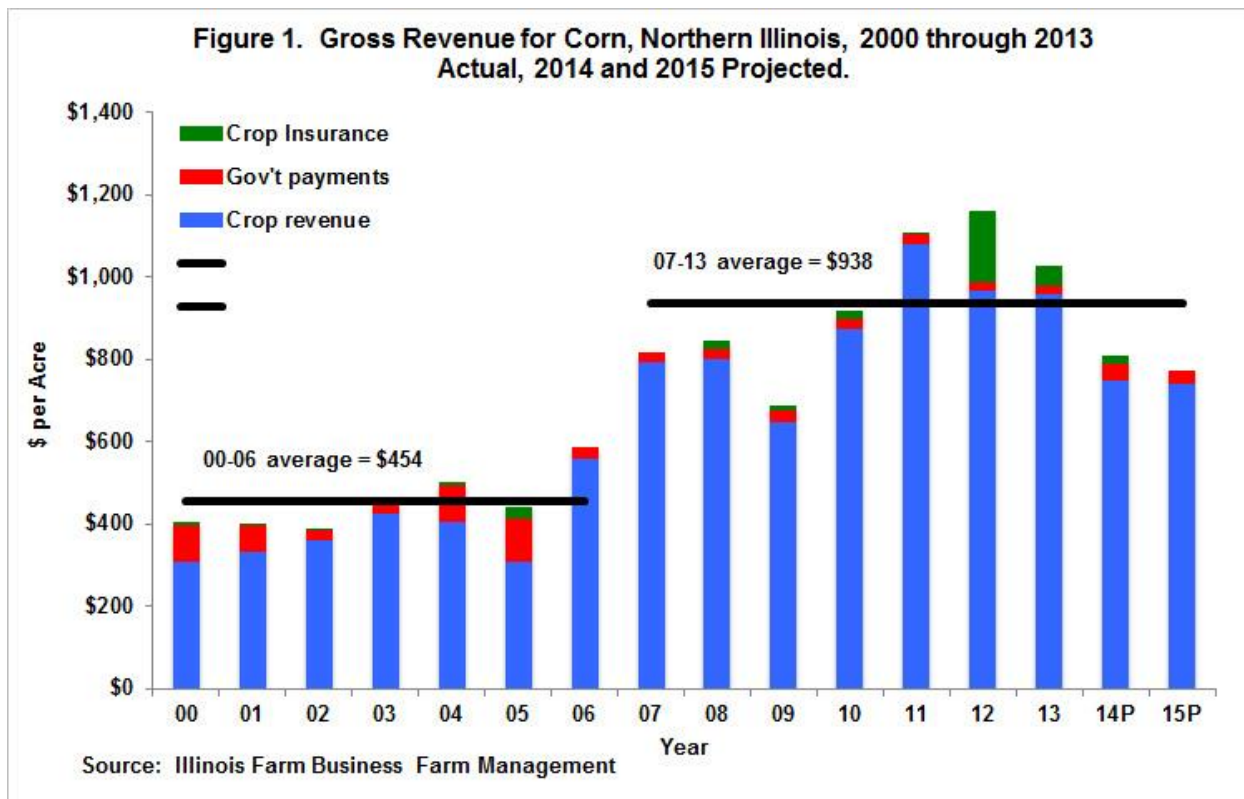
Per acre gross revenue for corn in 2014 is projected to be \$808 per acre in northern Illinois, \$292 lower than the 2011 through 2013 average of \$1,100 per acre. Given the current price outlook, average gross revenue in 2015 is projected lower than 2014 revenue. These lower revenues will require cash flow adjustments on farms. Government payments will result in 2014 and 2015. These 2014 and 2015 payments will be higher than from 2006 to 2013, but lower than the average for the 2000 through 2005 period. Government payments will not make totally offset crop revenue decreases.

Historic Gross Revenue

Figure 1 shows average gross revenue on northern Illinois grain farms enrolled in Illinois Farm Business Farm Management for the years from 2000 to 2013. Also shown are projections for 2014 and 2015. Gross revenue includes three items:

1. Crop revenue that equals yield per acre times price per bushel.
2. Government payments related to commodity programs. These included direct payments, counter-cyclical payments, loan deficiency payments, and agricultural marketing transition act payments for the years from 2000 to 2007. From 2008 to 2013, government payments include direct payments and ACRE payments. Government payments projected for 2014 and 2015 include Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) payments.
3. Crop insurance payments.

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From 2000 to 2006, gross revenue on Illinois grain farms averaged \$454 per acre. This \$454 included an average crop revenue of \$384 per acre, government payments of \$62 per acre, and crop insurance payments of \$8 per acre. From 2000 to 2006, crop revenue accounted for 85% of gross revenue, government payments accounted for 13% of gross revenue, and crop insurance accounted for 2% of gross revenue.

From 2007 to 2014, gross revenue averaged \$938 per acre, \$484 per acre higher than the \$454 average from 2000 to 2006. Much of the reason for higher gross revenues from 2007 to 2014 is higher corn prices. Prices that northern Illinois grain farmers received for corn average \$2.31 per bushel from 2000 to 2006 compared to \$4.89 per bushel from 2007 to 2013

From 2007 to 2013, crop revenue averaged \$874 per acre, government program payments averaged \$24 per acre, and crop insurance payments averaged \$40 per acre. Crop revenue accounted for 93% of gross revenue, government payments accounted for 3% of gross revenue, and crop insurance payments accounted for 4% of gross revenue

Gross revenue was higher from 2011 to 2013 than from 2007 to 2009. Gross revenue averaged \$817 per acre from 2007 to 2010, compared to \$1,110 from 2011 to 2013. Much of the reason for higher revenues in 2011 to 2013 was higher corn prices. Corn prices averaged \$3.89 per bushel from 2009 to 2011 compared to \$5.96 per bushel from 2010 to 2012.

Projections for 2014 and 2015

Yields are projected at record levels for 2014. A yield of 220 bushels per acre is used in 2014 projections. The projected corn price is \$3.40 per bushel, the lowest yearly price since 2008 when crop price averaged \$3.01 per bushel. The resulting crop revenue of \$748 per acre is the lowest crop revenue since 2009, when crop revenue equaled \$646 per acre.

The 2014 projection includes \$40 of government payments based on receiving Agricultural Risk Coverage or Price Loss Coverage payments. If payments occur as projected, the \$40 of government payments in 2014 would be higher than the \$24 per acre average payment from 2006 to 2013, but below the \$62 per acre average payment from 2000 to 2006.

Total gross revenue for 2014 is projected at \$808 per acre. If this gross revenue occurs, the 2014 projected revenue will be the lowest since 2009. Overall, the 2014 gross revenue projection is \$130 per acre lower than the \$938 per acre average from 2007 to 2013.

Gross revenue for corn in 2015 is projected at \$771 per acre, \$37 per acre lower than the 2014 projected revenue. Projected revenue is based on a 195 bushels per acre yield, near the trend line yields and lower than the record-breaking 2014 yields. Corn price is projected at \$3.80 per bushel, \$.30 per bushel higher than the 2014 projected price. Government payments are projected at \$30 per acre.

Summary

Lower prices are resulting in lower gross revenue projections for both 2014 and 2015. These lower projections will require lowering or eliminating capital purchases, lowering fertilizer and seed costs, lowering cash rents, and reducing other cash flows (see [farmdoc daily, September 23, 2014](#)).

Government programs will not totally offset gross revenue decreases that will occur in 2014 and are expected in 2015. These payments will help in transitioning to lower crop revenues, but will not eliminate the need for adjustments. As the 2014 Farm Bill designed Commodity program payments to be higher in years of lower revenue, government payments will be higher in 2014 and 2015 than in years of higher revenue.

Government payments to farmers in Illinois likely will be higher in 2014 and 2015 than from 2007 to 2013. Government payments are projected to average between \$30 and \$40 per acre in 2014 and 2015 as compared to a \$24 per acre average from 2007 to 2013. The \$30 to \$40 per acre projected payments in 2014 and 2015 are lower than the \$62 per acre average payments from 2000 to 2006.

References

Schnitkey, G. "[Revisions to the 2014 Crop Budgets Indicate Need to Conserve Cash](#)." *farmdoc daily* (4):183, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, September 23, 2014.

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