



Revision to 2016 Crop Budgets: Lower Projected Returns

Gary Schnitkey

Department of Agricultural and Consumer Economics
University of Illinois

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Crop budgets for 2016 have been revised. Primarily because of lower corn and soybean prices, the revised budgets have lower operator and land returns than those released in June 2015 budgets. The complete set includes budgets for corn, soybeans, wheat, and double-crop soybeans grown in northern, central, and southern Illinois. These are available on *farmdoc*.

Revised 2016 Crop Budgets

Table 1 compares budgets released in June 2015 to those revised in September 2015. These budgets are for high-productivity farmland in central Illinois. Several notes on changes:

- Corn price is revised down from \$4.20 in the June budgets to \$3.90 per bushel in September budgets.
- Soybean price is revised down from \$10.00 per bushel in June budgets to \$8.85 per bushel in September budgets.
- ARC payments are increased from \$20 per acre in the June budgets to \$30 per acre in the September budgets.
- Fertilizer costs for corn are lowered from \$148 per acre to \$130 per acre. Fertilizer costs for soybeans have been lowered from \$45 per acre to \$35 per acre.
- Seed costs for corn are lowered from \$124 per acre in the June budgets to \$122 per acre in the September budgets.
- Fuel and oil costs for corn are lowered from \$20 per acre in June budgets to \$17 per acre in September budgets. Soybeans fuel costs are lowered from \$18 per acre to \$17 per acre.
- Machinery depreciation for corn is lowered from \$69 per acre in June budgets to \$64 per acre in September budgets. Soybean depreciation are lowered from \$63 per acre to \$59 per acre.

Both revenue and total non-land costs are lower in the September 2015 budget. Revenue for corn is projected at \$814 per acre in September, down from \$864 per acre in June. Total non-land costs for corn are projected at \$558 per acre in September, down \$28 per acre lower than the June estimate of \$586 per acre.

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Table 1. Comparison of 2016 Crop Budgets for High-Productivity Farmland in Central Illinois Prepared in June and September 2015

| | June 2015 Version | | September 2015 Version | |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Corn- after- Soybeans | Soybeans- after- Corn | Corn- after- Soybeans | Soybeans- after- Corn |
| Yield per acre | 201 | 58 | 201 | 58 |
| Price per bu | \$4.20 | \$10.00 | \$3.90 | \$8.85 |
| Crop revenue | \$844 | \$580 | \$784 | \$513 |
| ARC/PLC | 20 | 20 | 30 | 30 |
| Crop insurance proceeds | 0 | 0 | 0 | 0 |
| Gross revenue | \$864 | \$600 | \$814 | \$543 |
| Fertilizers | \$148 | \$45 | \$130 | \$35 |
| Pesticides | 60 | 40 | 60 | 40 |
| Seed | 124 | 76 | 122 | 76 |
| Drying | 23 | 1 | 23 | 1 |
| Storage | 5 | 4 | 5 | 4 |
| Crop insurance | 27 | 18 | 27 | 18 |
| Total direct costs | \$387 | \$184 | \$367 | \$174 |
| Machine hire/lease | \$11 | \$9 | \$11 | \$9 |
| Utilities | 5 | 4 | 5 | 4 |
| Machine repair | 25 | 23 | 25 | 23 |
| Fuel and oil | 20 | 18 | 17 | 17 |
| Light vehicle | 2 | 1 | 2 | 1 |
| Mach. depreciation | 69 | 63 | 64 | 59 |
| Total power costs | \$132 | \$118 | \$124 | \$113 |
| Hired labor | \$19 | \$16 | \$19 | \$16 |
| Building repair and rent | 8 | 5 | 8 | 5 |
| Building depreciation | 11 | 11 | 11 | 11 |
| Insurance | 10 | 10 | 10 | 10 |
| Misc | 8 | 8 | 8 | 8 |
| Interest (non-land) | 11 | 11 | 11 | 11 |
| Total overhead costs | \$67 | \$61 | \$67 | \$61 |
| Total non-land costs | \$586 | \$363 | \$558 | \$348 |
| Operator and land return | \$278 | \$237 | \$256 | \$195 |

In the September budgets, operator and land returns are projected at \$256 per acre for corn and \$195 per acre for soybeans. A rotation containing 50% corn and 50% soybean has projected operator and land return of \$226 per acre, implying that cash rents should be below \$226 per acre for the farmer to have a positive return. The alternative is to cut non-land costs in some other areas (see *farmdoc daily* [September 1, 2015](#) for more detail).

Commentary

Commodity price outlook for 2016 has turned more pessimistic during the summer. The \$3.90 corn price and \$8.85 soybean price used in the revised budgets are based on current prices on 2016 futures contract and current forward bids for 2016 grain delivery. Generally, corn prices below \$4.00 will cause losses given the current non-land costs and average cash rents. Similarly, soybean prices below \$9.00 will lead to losses.

Cash rent renewal session is very much underway. If cash rents need to be set now, use of these lower prices in the revised budgets is warranted. If these price projections come to fruition, 2016 would be the third year with below \$4.00 corn prices. Most farmers sold 2014 production at below \$4.00 corn prices. Current projections suggest that 2015 will be sold below \$4.00. Therefore, a continuation of below \$4.00 into 2016 would be the third year. This then implies 2016 would be the third year of losses if costs are not lowered.

Of course, prices can change dramatically. Perhaps commodity price outlook will brighten. Waiting till early 2016 to set cash rent may provide more certainty on prices, and perhaps prices could be higher. At the end of February, moreover, farmers will be able to set minimum guarantees using crop insurance. Of course, waiting to set 2016 cash rents until 2015 implicitly implies the farmer will continue to farm the land so that fall fieldwork and 2016 input purchases can occur. If the decision is to wait, reaching an understanding of cash rent given different \$3.90 corn price and \$8.85 soybean price would be useful. Another alternative relative to waiting to set cash rent is to use a variable cash lease (*farmdoc daily* September 9, 2015).

References

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