



## IFES 2017: Crop Economics: Continuing Need to Cut Costs

Gary Schnitkey

Department of Agricultural and Consumer Economics  
University of Illinois

January 25, 2018

---

Recommended citation format: Schnitkey, G. "IFES 2017: Crop Economics: Continuing Need to Cut Costs." *farmdoc daily*, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, January 25, 2018.

Permalink: <http://farmdocdaily.illinois.edu/2018/01/ifes-2017-crop-economics-need-to-cut-costs.html>

---

*This is a presentation summary from the 2017 Illinois Farm Economics Summit (IFES) which occurred December 18-22, 2017. A complete collection of presentations including PowerPoint Slides (PPT) and printable summaries (PDF) are available [here](#).*

Corn and soybean prices continue to be near the mid-\$3.00 per bushel range for corn and the mid-\$9.00 per bushel range for soybeans. At those price levels, net income will be modest on most Illinois grain farms. In both 2016 and 2017, yields above trend resulted in positive incomes. Despite the positive incomes, many Illinois farmers experienced stable to moderate declines in working capital. Another year with mid-\$3 corn and mid-\$9 soybean prices will result in very low incomes if yields are at or below trend levels.

Since 2013, soybeans have been more profitable than corn and Illinois farmers have been shifting acres away from corn to soybeans, particularly in southern Illinois. However, corn acres still exceed soybean acres in most northern and central Illinois counties. Budgets indicate that corn-after-corn is less profitable than soybeans. Moreover, budgets indicate that soybeans-after-soybeans are more profitable than corn, assuming a 3-bushels lower compared to soybeans-after-soybeans and specific problems such as cyst nematodes do not exist in the field.

Since 2014, farmer returns to cash rent farmland have been low and sometimes negative. Low returns for cash rent likely will continue into 2018. In my opinion, these negative return represents the most significant profitability issue facing Illinois grain farms. Cost reductions must occur given that prices remain below \$4 for corn and \$10 per bushel for soybeans.

Non-land costs that represent a large share of costs should be examined for reductions:

- Fertilizer costs have come down each year since 2013 and further declines are projected for 2018. Most of these cost reductions are due to declines in fertilizer prices. Rate reductions may result in additional cutbacks in cost, particularly for farmers who apply at rates that exceed University recommendations.
- Capital purchases have declined from highs in 2013, reaching the mid \$60 per acre range in 2016. Further cuts in capital costs may be possible.

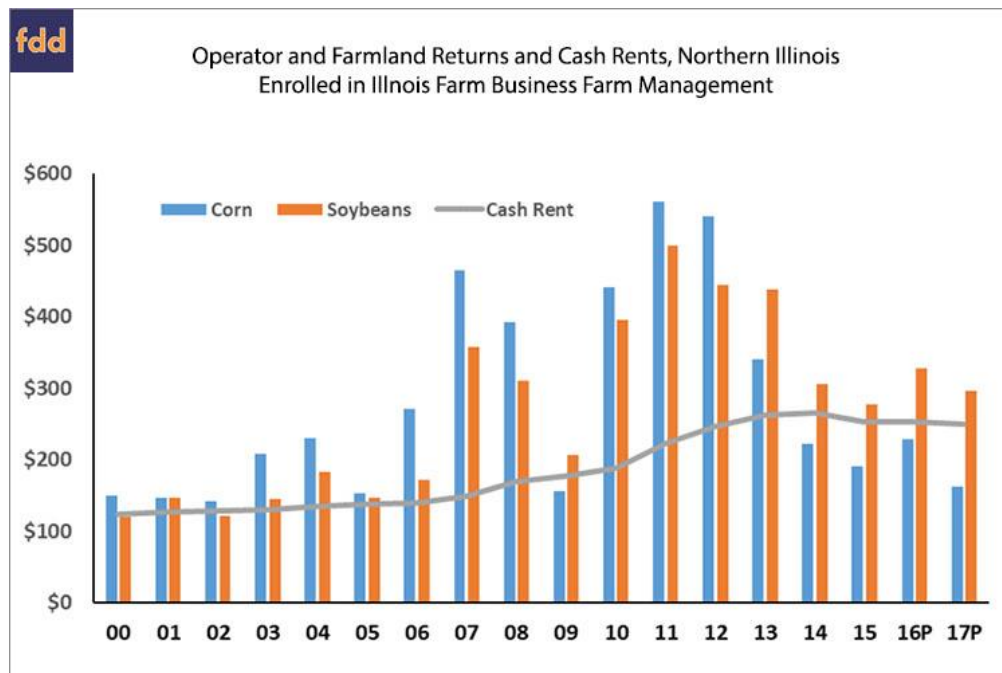
---

*We request all readers, electronic media and others follow our citation guidelines when re-posting articles from farmdoc daily. Guidelines are available [here](#). The farmdoc daily website falls under University of Illinois copyright and intellectual property rights. For a detailed statement, please see the University of Illinois Copyright Information and Policies [here](#).*

- Seed costs have not declined in recent years. Evaluations of the value of hybrids and varieties need to continue. Innovations in buying arrangements could result in seed and other input cost declines.

On top of declines in non-land costs, cash rents will need to decrease. For some farms, the value of farming “high” cash rent farmland should be evaluated. Farms with a high proportion of farmland that is high cash rent will face difficult decisions. Other farmers with only a few high cash rent farms face less challenging decisions.

All farmers should evaluate how long the farming operation can be maintained at current price levels (low to mid \$3 for corn, mid \$9 for soybeans). Higher prices will occur in the future, but how soon is unknown and could be several years in the future.



### Additional Resources

The slides for this presentation can be found at:  
[http://www.farmdoc.illinois.edu/presentations/IFES\\_2017](http://www.farmdoc.illinois.edu/presentations/IFES_2017)

For current farm management information  
<http://www.farmdoc.illinois.edu/manage/index.asp>

Schnitkey, G. "Forecast of 2017 Net Income on Grain Farms in Illinois: Lower than in 2016 but Better Than Expected." *farmdoc daily* (7):215, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, November 21, 2017.

Schnitkey, G. "A Narrowing of the Gap on Corn and Soybean Crop Revenue." *farmdoc daily* (7):200, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, October 31, 2017.

Schnitkey, G. "Negative Cash Rent Farmland Returns Since 2014 Reduced Farmer Net Incomes." *farmdoc daily* (7):153, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, August 22, 2017.

Schnitkey, G. "2018 Crop Budgets: More of the Same." *farmdoc daily* (7):134, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, July 25, 2017.