



Weekly Farm Economics: Acreages and Corn and Soybean Returns

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February 17, 2011

farmdoc daily (1):7

Recommended citation format: Schnitkey, G. "[Acreages and Corn and Soybean Returns](#)." *farmdoc daily* (1):7, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, February 17, 2011.

Permalink: <http://farmdocdaily.illinois.edu/2011/02/acreages-and-corn-and-soybean-1.html>

A central question is whether corn acres will increase in the heart of the corn-belt. For total U.S. corn acreage to increase in 2011, acres devoted to corn in Illinois, Iowa, and surrounding states likely have to increase. Corn acre increases in the corn-belt will lead to reduction in soybean acres. Countering losses of soybean acres in the corn-belt will be gains in other regions, such as the Great Plains. Within the corn-belt, relative corn and soybean returns likely will play a key role in determining corn and soybean acreages. Costs of production are coming into clearer focus as fertilizer prices have stabilized. The current AMS report indicated that Illinois fertilizer prices are \$785 per ton for anhydrous ammonia, \$676 per ton for DAP, and \$575 per ton for potash. These fertilizer prices have been relatively stable since the first of the year (at least compared to increases in late 2010).

Corn and soybean returns were projected for 2011 on central Illinois, high-productivity farmland. Prices used were \$5.50 for corn and \$13.40 for soybeans. Yields were at trend line levels of 195 bushels for corn and 56 bushels per acre for soybeans. Non-land costs were \$482 per acre for corn and \$294 for soybean. Corn returns were subtracted from soybean returns to arrive at corn-minus-soybean returns. Positive numbers indicate corn is projected to be more profitable than soybeans.

Projected 2011 corn-minus-soybean returns are projected at \$134 per acre. Compared to historical difference, the 2011 corn-minus-soybean return is high. Between 2004 and 2010, corn averaged \$48 more profitable than soybeans in central Illinois (see graph below). The largest difference occurred in 2009, when corn was \$118 more profitable than soybeans.

Corn is projected to be more profitable. We will soon see how farmers react to these profitability differences as they make their acreage decisions.

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