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Covering Your Costs – Part 2

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In a previous post, we reviewed the four-year trend for the cost to produce corn; that can be found here. An allocation of the cost to produce soybeans from over 600 farms in each of the previous four years reveals that costs to produce soybeans on higher productivity soils in central Illinois have risen from $485 per acre in 2008 to $591 in 2011 (a 21.8% increase). This includes all costs of production including land. When one considers the estimated cost to produce the 2012 soybean crop, the total cost of production increases by an additional $33 to a total of $624 per acre (a 5.6% increase).

Table 1. Cost to Produce Soybeans, Central Illinois, High Productivity Soils

	2008	2009	2010	2011	Est 2012
Soil Fertility	$42	$62	$42	$55	$58
Pesticides	$28	$31	$27	$31	$31
Seed	$43	$58	$61	$62	$63
Drying	$1	$1	$1	$1	$1
Machine Repair, Hire, Fuel	$45	$40	$43	$45	$46
Total Variable Cost	$159	$192	$174	$194	$199
Labor	$36	$38	$38	$37	$38
Building	$6	$7	$8	$9	$9
Storage	$5	$7	$6	$4	$5
Machinery Depreciation	$26	$31	$34	$35	$39
Nonland Interest	$43	$42	$45	$46	$46
Overhead	$40	$36	$33	$42	$43
Total Other Costs	$156	$161	$164	$173	$180
Total NonLand Cost	$315	$353	$338	$367	$379
Real Estate Tax	$25	$29	$31	$34	$35
Land Charge	$145	$164	$170	$190	$210
Total Land Cost	$170	$193	$201	$224	$245
All Costs	$485	$546	$539	$591	$624

Table 1 reveals that the estimate for the 2012 cost to produce soybeans in central Illinois will increase only slightly from 2011. Variable costs are estimated at $199 per acre, an increase of $5 from 2011 (or a 2.6% increase) with the majority of the increase from fertilizer ($3 increase).

Of the non-land costs, the greatest increases are in machinery depreciation with a budgeted a $4 increase. Total non-land costs are estimated at $379, a $12 increase from 2011 or 3.3%. At a $12.00 per bushel sale price, it would take just over 31 bushels of soybeans to cover the non-land costs.

Land costs are projected at $245 per acre, an increase from $224 from the previous year (9.4%). Farmland real estate taxes seem to ever increase (up $1) as do land costs (up $$20). At a $12.00 per bushel sale price, it would take an additional 20 bushels of soybeans to cover the land costs.

Table 2. Soybean Revenue Per Acre

	Soybean Price Per Bushel					
Yield	$11.00	$11.50	$12.00	$12.50	$13.00	$13.50
45	$495	$518	$540	$563	$585	$608
50	$550	$575	$600	$625	$650	$675
55	$605	$633	$660	$688	$715	$743
60	$660	$690	$720	$750	$780	$810

With an estimated $624 per acre cost to produce soybeans, Table 2 illustrates the possible yield and prices combination that will generate revenue per acre in excess of the cost to produce in the yellow area. With the 2012 soybean crop yet to be planted (in most areas), one can assume trend yields. Current

soybean price levels offered for the fall of 2012 would seem to be at attractive levels that would cover production costs.

The author would like to acknowledge that data used in this study 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 provide 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.