

# 2009 Returns Projections And Cash Rents

URBANA, ILL.

An analysis of both historical data and forecasts of costs and returns suggests that corn rather than soybeans will be more profitable in 2009, said a University of Illinois Extension farm financial management specialist.

"For planting decisions, a key will be whether farmers are facing fall pricing versus spring pricing," said Gary Schnitkey. "In some areas of Illinois, input prices have not fallen as much as in other areas. In areas where input prices have not fallen, soybeans may be more profitable than corn."

Schnitkey's full report, "Updated 2009 Budgets: Return Projections, 2010 Cash Rents, and Planting Decisions," ([http://www.farmdoc.uiuc.edu/manage/newsletters/fefo09\\_06/fefo09\\_06.html](http://www.farmdoc.uiuc.edu/manage/newsletters/fefo09_06/fefo09_06.html)) is available online at University of Illinois Extension's farmdoc website.

The report includes corn and soybean budgets for four regions of Illinois given that inputs are priced in the fall and the spring.

"These budgets are used to place 2009 projected returns in historical perspective," he said. "Cash rent levels for 2010 and planting decisions for 2009 are also discussed."

Because fall input prices were calculated prior to the financial meltdown, the costs are significantly higher than those for spring budgets.

"There is considerable variability in retail fertilizer prices during the spring, depending on when retailers purchased fertilizers," he said. "Purchases occurring in the summer and early fall of 2008 likely occurred at high prices. If this high-priced fertilizer remains in their inventories, these retailers may be attempting to charge higher prices in order to cover costs."

"Other retailers who purchased less high-priced fertilizer may offer lower prices."

In general, he added, fertilizer prices are higher in northern Illinois as the fall fertilizer application was shortened due to adverse weather. This shortened season reduced sales of fertilizer in the fall, thereby increasing the chance that retailer have larger fertilizer inventories.

Schnitkey's report reached several conclusions.

First, while costs are lower for spring pricing, the bottom line still reveals significantly higher costs compared to historical averages.

"Costs in 2009 will be substantially above 2008 costs," he said. "Costs will also vary across farms. Non-land costs will vary depending on when inputs were priced."

Low returns are projected for 2009.

"Our projections indicate 2009 will be a low-return year for corn and soybeans," Schnitkey said. "Projected 2009 operator and land return for corn is projected at \$171 per acre. This is substantially below returns from 2006 through 2008."

Given higher cash rents, farmer returns on cash rent farmland are projected much lower in 2009 than in 2000 through 2002.

The farmer return in 2009 for corn on cash rent farmland is projected at minus \$9 per acre," he said. "Farmer returns were \$27 per acre in 2000, \$21 per acre in 2001, and \$13 per acre in 2002."

Realized returns, he noted, can vary from those projected in the study.

"Higher yields or higher prices will increase returns over those shown in our study," he said. "Conversely, lower yield or lower prices will decrease returns from our projections."  $\Delta$



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