

Arkansas Wheat Growers Face Decision-Making Time

JONESBORO, ARK.

Harvest time for soybeans, rice and cotton is decision-making time for Arkansans planning the winter wheat crop of 2010, according to Scott Stiles, extension agricultural economist for the University of Arkansas Division of Agriculture.

Arkansans harvested 420,000 acres of wheat this year, down from 980,000 acres of wheat in 2008. Yields were 47 bushels per acre in 2009, compared with 57 bushels the previous year.

Jason Kelley, extension agronomist for wheat and feed grains for the division of agriculture, said he was expecting the wheat acreage for 2010 to be the same, or slightly less, than 2009.

"There will still be some wheat, in northeast Arkansas especially," he said. "There were a lot of soybean fields that never got planted or couldn't get a good stand. Those fields may go to wheat."

Kelley said 2009 and 2008 were tough years for winter wheat growers thanks to wet weather, lower yields and profits that were dented by test weight and quality discounts.

The good news is that production costs may be lower for 2010.

"With lower input prices today, wheat production costs could be considerably lower for the 2010 crop compared to this year's," Stiles said. "Most of the projected cost reduction is associated with fertilizer."

University of Arkansas wheat budgets indicate that fertilizer accounts for nearly half – 45 percent – of the variable costs in wheat. Add the cost of seed and 60 percent of a wheat grower's variable costs have been taken into account.

"Fertilizer costs are projected to be \$80 per acre, a drop of \$148 per acre from 2009," Stiles

said.

Seed costs are expected to be stable. University of Arkansas budgets estimate per-acre seed costs will range from \$25.90 to \$31.08. The variance in cost is related to different seeding rates for clay and silt loam soils.

Crop prices, of course, are a major factor in deciding about next year's planting.

As of September 1, the July 2010 Chicago wheat futures contract was trading at \$5.32 per bushel. Per bushel new crop wheat bids around eastern Arkansas currently range from \$4.14 to \$4.37 depending on location, which implies a basis of 95 cents to \$1.18 under July 2010 futures.

Basis is the difference between cash and futures price, and represents the cost of handling grain, transportation and demand for a commodity, along with other factors such as interest and profit.

Whether the farmer rents or owns the land will also factor into the decision. At \$4.40 per bushel, a yield of 38 to 40 bushels an acre yield will generally cover variable costs. Share rents will push break-even yields higher. A renter with a 25 percent share rent will have to have an average 51-bushel-an-acre yield to cover variable costs.

"Over the past 18 months, both commodity and input prices have been extremely volatile," Stiles said, adding "As always, projected returns may differ dramatically from actual results."

Completing a new set of crop budgets is essential. The 2010 University of Arkansas wheat budgets are available on-line at: <http://www.aragriculture.org/crops/wheat/budgets/2010/> .

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