

Dramatic Cost Increases Coming In 2009

URBANA, ILL.

Significantly higher production costs in 2009 are facing Illinois corn and soybean farmers, according to a University of Illinois Extension study.

"These cost increases will lead to higher breakeven prices for both corn and soybeans," said Gary D. Schnitkey, U of I Extension farm financial management specialist. "Higher costs will cause farmers to more closely examine how much to adjust cash rent bids. Higher costs also may influence marketing and crop insurance decisions."

Schnitkey's report, "Dramatic Increases in Corn and Soybean Costs in 2009," (http://www.farmdoc.uiuc.edu/manage/newsletters/fefo08_13/fefo08_13.html) is available on U of I Extension's farmdoc website.

The cost increases were projected for central Illinois farms having high-productivity farmland.

"Input prices, particularly for fertilizers, are uncertain and could be different than those we used in the study," he said. "It is safe, however, to estimate large production cost increases for both corn and soybeans in 2009."

For corn, non-land production costs for 2009 are projected at \$529 per acre, a \$141 per acre increase from 2008 levels of \$388 per acre. Between 2003 and 2007, non-land production costs averaged \$286 per acre. Production costs for 2009 are projected to be \$243 per acre higher than the 2003-07 average, an increase of 85 percent.

For soybeans, non-land production costs for 2009 are projected at \$321 per acre, up by \$82 over 2008 costs of \$239 per acre. Between 2003 and 2007, non-land costs for soybeans averaged \$180 per acre. Production costs for 2009 are projected to be \$4141 higher than 2003-07 levels, an increase of 78 percent.

"Fertilizer is the input with the large cost increase," said Schnitkey. "For corn, fertilizer costs in 2009 are projected at \$215 per acre, an increase of \$97 per acre over the 2008 projected level of \$118 per acre."

"For soybeans, fertilizer costs in 2009 are projected at \$98 per acre, a \$53 increase over the 2008 level of \$45 per acre."

He noted that projected 2009 fertilizer prices are significantly above fertilizer prices in recent years.

"Besides fertilizer, seed costs are projected to increase," he noted.

Also up in the 2009 projections are insurance and power costs.

Based on yield expectations of 191 bushels per acre, the 2009 breakeven price for corn is \$3.82 per bushel. The soybean breakeven price is \$9.65 per bushel.

"These breakeven prices are significantly higher than historic commodity prices," Schnitkey said. "Corn, for example, averaged close to \$2.40 per bushel between the mid-1970s to the middle 2000s."

"Large income losses would occur if commodity prices returned to historical averages." Δ