

# Specialist: Make Planting Decisions With An Eye On Economics

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**W**hat crop to plant in which acres is a question farmers face every year, however this year there's study data to help with the decision. Gary Schnitkey, University of Illinois professor, Department of Agricultural and Consumer Economics, is working on a four-year study to determine where the profitability lies.

"My study deals with corn returns relative to soybean returns and what we looked at was how corn compared profitability-wise in history to what we are projecting it to be for 2009," he said

Historically in Illinois particularly in Northern and Central Illinois corn has been more profitable than soybeans and particularly so in recent years. Southern Illinois corn has been more profitable than soybeans, however it's more of a mixed bag with about an even return overall. Using that as a guide, the study looked at what returns would be for 2009.

"There's two obviously big variables and one of the biggest ones right now is the differences in cost for farmers," Schnitkey said. "There are differences in cost of operations, simply by when they timed purchase of their inputs, fertilizer being the big one. As it worked out this year, farmers who priced those inputs in late summer/early fall will have higher prices than those that waited. That could be a substantial figure."

He said fertilizer prices are likely to come down quite a lot, as there's just a lot of downward pressure on those prices. It is key that farmers keep that in mind when making those planting decisions.

"We penciled out that difference in corn cost minus soybean cost earlier this year was about \$240," he added. "We expect that to decline to something in the \$170 range."

Profitability then will depend on which of those variables the farmer has.

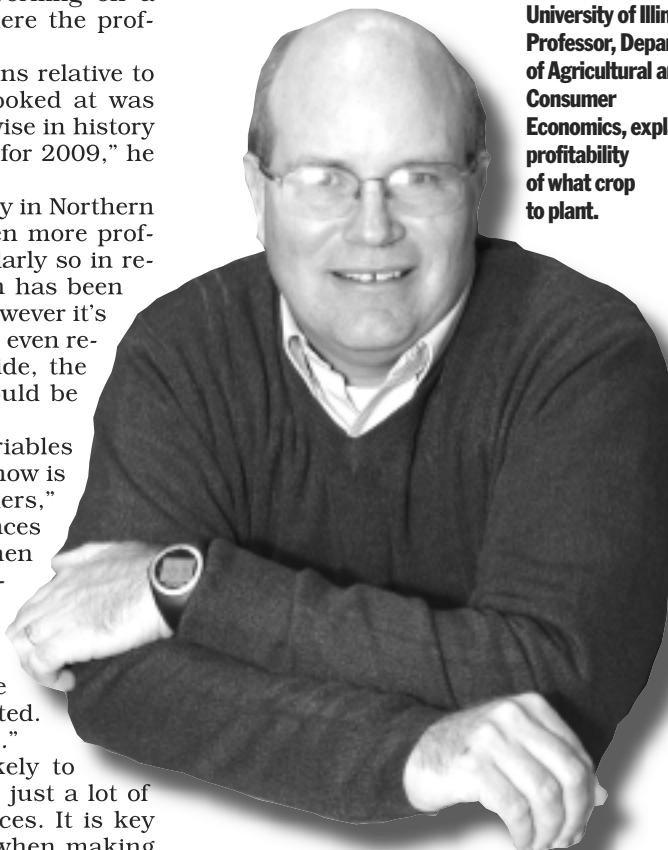
"It looks to us like, post-meltdown, corn is going to be more profitable than soybeans," Schnitkey said, "as it looks like the higher cost soybeans are like are more profitable than corn. Then moving forward, the plans for 2009 depend on what those cost structures look like and also what prices are doing at their current point in time. This might be a good year to maintain as much flexibility for as long as you can for those acres planned for corn or soybeans."

As of right now, Schnitkey said to take a look at marginal acres, those that can be planted to

either crop.

"I'm going to assume that you hadn't bought your inputs yet, in particular the nitrogen input, and there on high productivity land, corn looks more profitable than soybeans; and on low productivity farmland, it's about a toss up," he said.

**Gary Schnitkey,  
University of Illinois  
Professor, Department  
of Agricultural and  
Consumer  
Economics, explains the  
profitability  
of what crop  
to plant.**



So either decision may be right, although it depends a lot on what most farmers actually do make and whether or not enough corn acres will be planted this coming year.

This study began as more of a focus on whether to switch to more corn and the economics of that. Then in 2004 through 2007, corn became more profitable than soybeans, and in 2009 much depends on what the cost structure looks like.

Further information on the study is available on two websites, both at the University of Illinois. The presentations were made at the Corn and Soybean Classic held by the Crop Science Department. Much of the information has also been published on <farmdoc@uiuc.edu>, the website for the Agricultural Economics Department at University of Illinois. Both are good source of that information. △



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