



Planting Grain Crops an Economic Risk in 2020

Farming is always a risky business, as one weather event can change a farm's outlook from rosy to very poor overnight. This year was going to be another tight economic one for raising grain crops, but it is now a really poor situation. There is the chance for market price to recover, but if we don't see a price rebound, the average acre of grain crops that are starting to get planted in our area is going to create red ink for farms.

Crop budgeting is always a process of creating best estimates, as every field and every farm is slightly different. That said, let's examine the likely costs of production and income of our area's primary two grain crops: corn and soybeans. The numbers that follow are average numbers for a typical field, with a precise field/farm location being within a range of costs that could be as low as 15-20% less than these costs, or as much as 15% over these costs very easily.

Expense Category	Corn	Soybean
Fertilizer	\$105	\$35
Seed	\$90	\$70
Insurance, Interest, Mgmt.	\$40	\$30
Land Cost	\$110	\$110
Tillage & Planting	\$40	\$45
Pest Management	\$50	\$75
Harvest Costs	\$115	\$60
Total Costs per Acre	\$550	\$420

Costs are one side of the equation, but meaningless without knowing likely income. As of April 27, locally delivered harvest grain prices are \$2.85 per bushel of corn and \$7.50 per bushel of soybean. An average field of corn in our area yields about 150 bushels/acre and soybean about 42 bushels/acre. Thus, the potential income is **\$428/acre for corn and \$315/acre for soybean**. In other words, the typical acre of grain crops is likely to lose about \$100 per acre, or more, in 2020.

This situation can change, and has changed in the last few months. Also, there are fields that will produce much more than the typical fields. Thus, a better way to look at profit potential is usually to look at breakeven yield – the bushels/acre that will allow a producer to not lose money. To show how things have changed in recent months, we will look at breakeven yields at the prices a farm could have contracted local grain delivery at on three different dates: January 2nd, March 2nd, and April 27th.

January 2nd prices were \$3.60/bu. for corn and \$8.85/bu. for soybean, for breakeven yields of 153 bushels corn and 47.5 bushels soybean. At those prices, producers were able to plan 2020 crops and have the opportunity for profit, if they could either keep costs contained a bit, or get better than

average yields. On March 2nd, prices had decreased to \$3.10 for corn and \$8.20 for soybean, meaning breakevens had increased to 177 bushels corn and 51 bushels soybean. At these breakeven yields, only the best 25% or so of area fields were likely to have a good chance of being profitable.

Now, as of April 27, the prices have further declined to \$2.85 and \$7.50. Thus, breakeven yields have increased to 193 bushels/acre for corn and 56 bushels/acre for soybean. This type of scenario realistically means that only about 10% of area fields have a realistic opportunity to be above breakeven yield, with average fields not even being close, as noted above. Farms face some very difficult decisions every planting season, but this year's decision making is even more troubling, as they may need to choose which cropping scenario loses the least money. That is an economic reality no one wants to face.

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