



Release of 2015 Crop Budgets

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The *2015 Illinois Crop Budgets* are available in the management section of *farmdoc* (click [here](#) for the budgets). Budgets are given for corn, soybeans, wheat, and double-crop soybeans grown in northern, central, and southern Illinois. Central Illinois is further divided into categories for high and low productivity farmland. Overall, 2015 returns are projected at the same levels as 2014 returns, which are considerably lower than returns from 2010 through 2013. These lower returns signal the need to reduce 2015 cash rents.

Comparison of 2015 Budgets to 2013 and 2014 Values

Table 1 show 2015 budgets for corn and soybeans grown in central Illinois for high-productivity farmland. The *2015 Crop Budgets* break out corn production into corn-after-soybeans and corn-after-corn production. In Table 1, only corn production is shown, which is the weighted average of corn-after-soybeans and corn-after-corn production. Similarly, the *2015 Crop Budgets* break out soybean production into soybean-after-corn and soybeans-after-two-years-corn, while Table 1 reports a weighted average of those two soybean budgets.

Crop yields are identical between 2014 and 2015 projections: 196 bushels per acre for corn and 57 bushels per acre for soybeans. Both the 2014 and 2015 projected yields are near trend levels. Weather in 2014 so far suggests that yields may be above trend, potentially leading to higher yields than those shown in the 2014 budgets. An increase in 2014 yields; however, may be offset by lower prices.

Corn price for both 2014 and 2015 is at \$4.20 per bushel. At the time of the writing of this article, cash bids for harvest-time delivery of 2014 crop are below \$4.00 per bushel, suggesting the 2014 price may be too high. Futures prices suggest prices near \$4.20 per bushel for 2015.

The 2015 soybean price is \$10.50 per bushel, \$.25 per bushel lower than the 2014 price of \$10.75 per bushel. The lower price for 2015 is based on the assumption of increased supply of soybeans, leading to a continued movement back toward the historical soybean-to-corn price relationship.

Cost levels in 2015 are the same as or slightly higher than 2014 levels, except for fertilizer. Fertilizer costs are projected to decrease from \$163 per acre for corn in 2014 to \$145 per acre in 2015, a decrease of \$18

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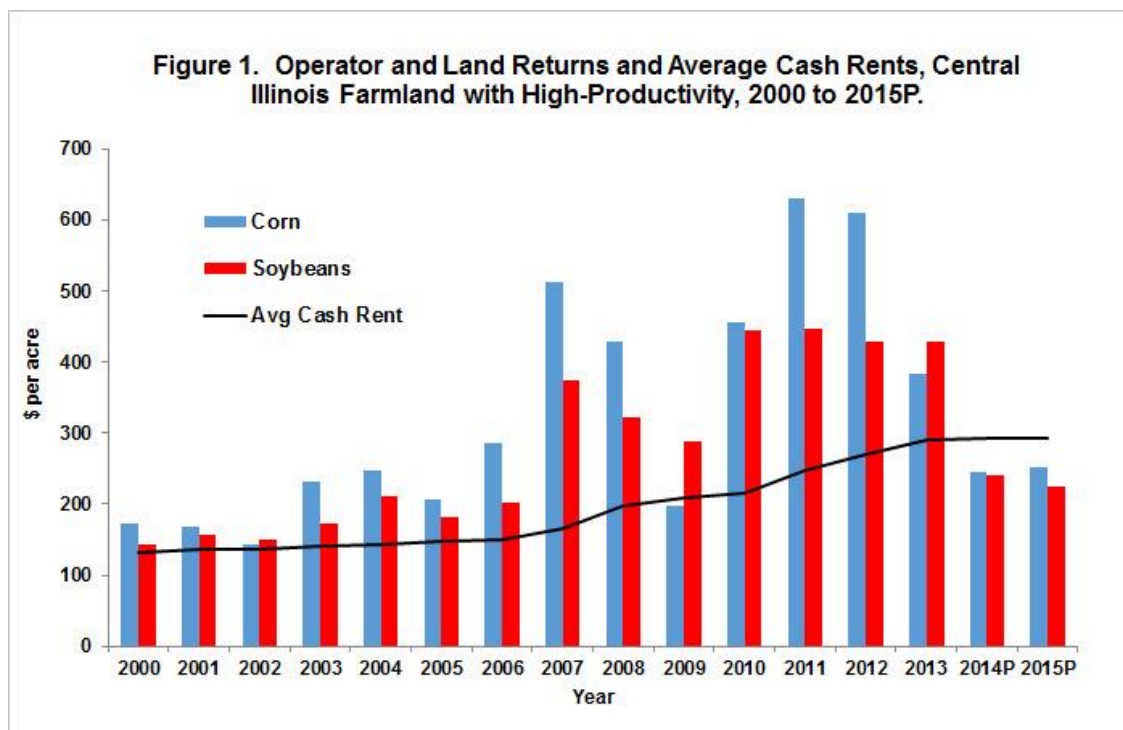
per acre (see Table 1). Soybean fertilizer costs are projected to decrease from \$59 per acre in 2014 to \$53 per acre in 2015, a decrease of \$6 per acre. These cost decreases are based on further decreases in fertilizer prices, an uncertain proposition. Increases in demand for natural gas caused by another cold winter in 2014 could result in higher fertilizer prices for 2015. Moreover, much of the raw ingredients for fertilizer production are located in politically sensitive areas of the world. Supply disturbances in those areas could result in higher fertilizer prices.

Table 1. 2015 Budgets with Comparisons to 2013 and 2014, Central Illinois farmland with High Productivity.

	Corn			Soybeans		
	2013	2014P	2015P	2013	2014P	2015P
Yield per acre	197	196	196	58	57	57
Price per bushel	\$4.65	\$4.20	\$4.20	\$13.25	\$10.75	\$10.50
Crop revenue	\$916	\$823	\$823	\$769	\$613	\$599
ARC/PLC or ACRE	0	10	10	0	0	0
Other gov't payments	22	0	0	22	0	0
Crop insurance proceeds	61	0	0	6	0	0
Gross revenue	\$999	\$833	\$833	\$797	\$613	\$599
Fertilizers	193	163	145	65	59	53
Pesticides	66	60	60	40	40	40
Seed	114	119	124	73	76	78
Drying	24	23	23	1	1	1
Storage	8	5	5	4	4	4
Crop insurance	27	27	27	18	18	18
Total direct costs	\$432	\$397	\$384	\$201	\$198	\$194
Machine hire/lease	11	11	11	9	9	9
Utilities	5	5	5	4	4	4
Machine repair	22	24	25	20	21	22
Fuel and oil	24	24	24	21	21	21
Light vehicle	2	2	2	1	1	1
Mach. depreciation	63	66	69	55	60	63
Total power costs	\$127	\$132	\$136	\$110	\$116	\$120
Hired labor	16	17	18	15	15	16
Building repair and rent	6	7	8	5	5	5
Building depreciation	5	6	7	9	10	11
Insurance	10	10	10	10	10	10
Misc.	8	8	8	8	8	8
Interest (non-land)	11	11	11	10	10	10
Total overhead costs	\$56	\$59	\$62	\$57	\$58	\$60
Total non-land costs	\$615	\$588	\$582	\$368	\$372	\$374
Operator and land return	\$384	\$245	\$251	\$429	\$241	\$225

Operator and land returns

Operator and land returns in 2015 are projected at \$251 per acre for corn and \$225 per acre for soybeans. These are roughly the same levels as in 2014: \$245 per acre for corn and \$241 per acre for soybeans. Both the 2014 and 2015 levels are significantly below 2010 through 2013 levels when returns averaged \$520 per acre for corn and \$437 per acre for soybeans (see Figure 1).



Operator and land return represent a return to the farmer and land owner. Take a situation where farmland is cash rented where the operator and land return is \$251 per acre, the projected level for corn in 2015. Current levels of cash rents in 2014 are projected at \$295 per acre. If the \$295 cash rent level continues into 2015, the farmer would have a return for corn production of -\$44 per acre (\$251 operator and land return - \$295 cash rent).

If return projections hold, average cash rents will be above operator and land returns for both 2014 and 2015 (see Figure 1). This would indicate farmer would suffer losses in both years. Higher returns could occur in either 2014 or 2015 if prices or yields are higher than those in the projections shown in Table 1.

These projected losses have implications for the setting cash rents for the 2015 crop year. Many of these rental rates will be set during the late summer and early fall. At this point, returns projections suggest that cash rents at or above average levels need to be set lower for 2015, as current average levels will result in farmer losses. This would result in two years with operator and land returns below average cash rents (see Figure 1). Cash rents rose from 2006 through 2013. Just as cash rents rose in recent years as a result of increased in operator and land returns, now cash rents should decrease as a result of lower return projections.

Summary

Revenues, costs and returns for 2015 are projected in released *2015 Crop Budgets*. Returns for 2015 are projected at similar levels as projected for 2014. Both 2014 and 2015 return levels are projected well below the returns from 2009 through 2013. Moreover, 2014 and 2015 returns are projected below average cash rents. This suggests that average cash rents need to be lower.

Also available at:

http://farmdoc.illinois.edu/manage/newsletters/fefo14_13/fefo_14_13.html