



Release of Revised 2016 Illinois Crop Budgets

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The *2016 Illinois Crop Budgets* have been revised and the "June 2016" version is now available on *farmdoc*. A significant change between the previous version released in December 2015 and the June version is an increase in soybean price. Even given this price increase, projected returns contained in the June version still will result in very low incomes on Illinois grain farms.

Revised 2016 Budgets

The December 2015 version used an \$8.90 per bushel soybean price while the June version uses a \$10.60 per bushel price (see Table 1). Both the December and June versions of the budgets use a corn price of \$3.85 per bushel. Prices on Chicago Mercantile Exchange (CME) futures contracts and cash delivery bids are used to arrive at projected prices.

Expected yields are unchanged between December and June versions. For high-productivity farmland in central Illinois, expected yields are 201 bushels per acre for corn and 58 bushels per acre for soybeans (see Table 1). Changing yields from these trend levels seems premature, as the critical weather periods for determining crop yields are upcoming. At this point, past rainfall and heat likely suggest below trend yields across much of the Midwest. Again, though, much will depend on the weather in the upcoming weeks.

While some cost categories have been revised, projected non-land costs changed minimally from the December to June versions. Non-land costs for corn grown in central Illinois on high-productivity land decreased from \$551 per acre to \$547 per acre (see Table 1). Projected non-land costs for soybeans decreased from \$351 per acre in the December version to \$351 per acre in the June release.

June 2016 budgets calculate operator and land returns are projected at \$257 per acre for corn and \$299 per acre for soybeans. The \$299 soybean return is \$104 per acre higher than the December projections of \$195 per acre.

Average cash rents for high-productivity farmland in central Illinois are projected at \$268 per acre. A \$268 cash rent results in farmer return of -\$9 per acre (\$257 operator and land return for corn minus \$268

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cash rent). Farmer return on soybeans is projected at \$31 per acre (\$299 operator and land return - \$268 cash rent). Taken together in a rotation, the two returns suggest a positive farmer return. However, returns are low and will result in working capital reductions on many farms.

Table 1. Crop Budgets for Central Illinois, High-Productivity Farmland, December 2015 and Revised 2016 Versions

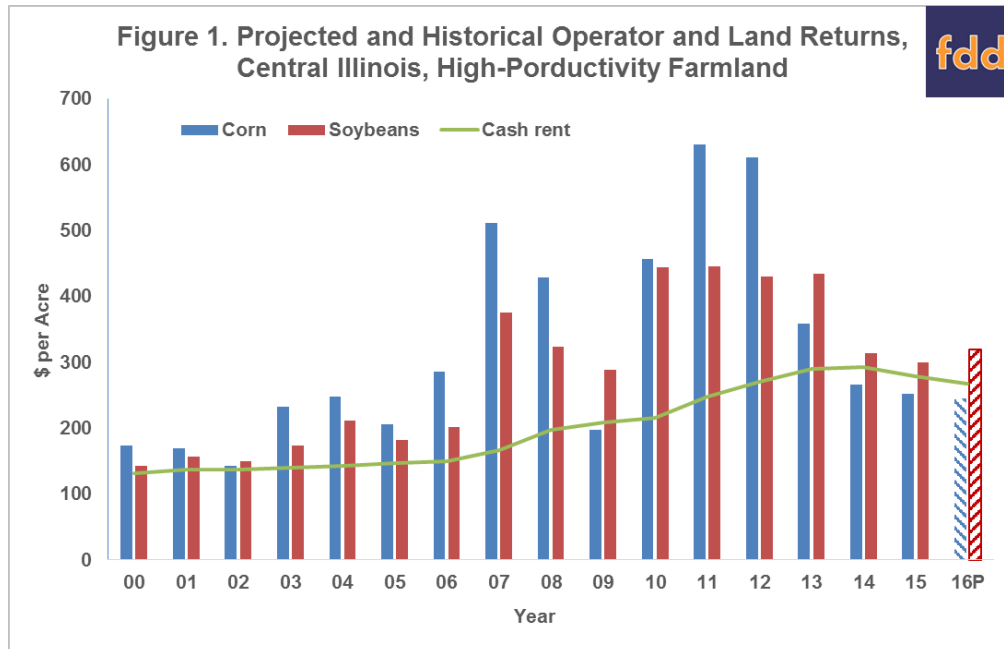
	Corn-After-Corn		Soybeans-After-Corn	
	June 16	Dec 15	June 16	Dec 15
Yield per acre	201	201	58	58
Price per bu	\$3.85	\$3.85	\$10.60	\$8.90
Crop revenue	\$774	\$774	\$615	\$516
ARC/PLC	30	30	30	30
Crop insurance proceeds	0	0	0	0
Gross revenue	\$804	\$804	\$645	\$546
Fertilizers	\$125	\$125	\$32	\$32
Pesticides	66	60	40	41
Seed	116	122	76	76
Drying	15	23	1	1
Storage	14	5	8	4
Crop insurance	24	24	16	18
Total direct costs	\$360	\$359	\$173	\$172
Machine hire/lease	\$12	\$12	\$11	\$10
Utilities	5	5	4	5
Machine repair	22	25	20	24
Fuel and oil	17	17	17	17
Light vehicle	1	1	1	2
Mach. depreciation	64	64	59	59
Total power costs	\$121	\$124	\$112	\$117
Hired labor	\$17	\$18	\$16	\$16
Building repair and rent	5	7	4	5
Building depreciation	12	12	11	11
Insurance	10	10	10	10
Misc	8	9	8	9
Interest (non-land)	14	12	12	11
Total overhead costs	\$66	\$68	\$61	\$62
Total non-land costs	\$547	\$551	\$346	\$351
Operator and land return	\$257	\$253	\$299	\$195

Projected 2016 Returns Compared to Earlier Returns

Figure 1 shows historical operator and land returns for high-productivity returns for corn and soybeans, along with historical average cash rents. The 2016 projections are shown as well. Three points from Figure 1:

1. Because of lower non-land costs and cash rents, projected 2016 returns result in a slightly improved returns situation for farmers compared to 2014 and 2015. However, costs still need to be reduced, particularly for corn. For corn, operator and land returns are projected below average cash rents in 2016, resulting in losses for farmers.

- The 2016 expected corn return is based on a \$3.80 corn price. At a \$4.20 price, corn returns are positive and close to projected soybean returns. Prices near \$4.20 for corn and \$10.60 for soybeans result in roughly a stable financial position, given that yields are near expectations. Given \$4.20 corn and \$10.60 soybean prices, farmer returns would be near those from 2003 through 2006, not a particularly profitable time in agriculture, but not a particularly stressful time either. The \$4.20 corn and \$10.60 soybean prices are near long-run levels suggested by Irwin and Good ([farmdoc daily, April 22, 2016](#)). Even at long-run prices, there will be pressures to reduce non-land costs and cash rents.
- Corn has been less profitable than soybeans from 2013 to 2015 and is projected less profitable than soybeans in 2016. As 2017 planning occurs this Autumn, some more consideration of switching corn acres to soybeans acres if expected 2017 prices still indicate soybeans are more profitable than corn



Summary

Revised 2016 Illinois Crop Budgets suggest a somewhat improved returns situation for farmers. However, cost cutting likely will need to be the continued focus this autumn. Much will depend on Midwest yields and attended price changes. Return projections will come into clearer focus this August once more accurate information is available on yields.

This article has illustrated budgets for high-productivity farmland in central Illinois. [Other budgets](#) exist for northern Illinois, central Illinois with low-productivity farmland, and southern Illinois.

References

Irwin, S., and D. Good. "The New Era of Corn and Soybean Prices Is Still Alive and Kicking." *farmdoc daily* (6):78, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, April 22, 2016.

Schnitkey, G. "Crop Budgets, Illinois, 2016." Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, June 2016. Released and accessed June 28, 2016.