

ECONOMICS OF GROWING CORN ON CORN

All corn on corn is not the same!

CCS Rotation

CCC Rotation

All Economics is not the same!

Long Run

Short Run

ECONOMICS

Long Run or Short Run Strategy?

- Short Run
 - Plant all corn and lock in profits by purchasing a revenue insurance product with a high coverage level. (lock in \$603.90/ac. minus basis –premium is \$46.10/ac.)
- Long Run
 - Concern about using a monoculture and incurring disease, weed, and other problems in the future.

ROTATION DECISIONS

- Corn - Soybeans CS
- Corn- Corn- Soybeans CCS
- Corn-Corn-Corn CCC

Factors to Consider when making the Corn vs Soybean Decision

- Ratio between corn & soybean prices
- Yield differences between soybeans, corn after soybeans, and corn after corn
- Operational concerns with planting more corn
 - Shorter planting window
 - More complicated harvest (volume, drying, slower, yield loss, increased production risk)

Ratio between corn and soybean prices

- Ratio between corn & soybean prices range between 1.44 to 1.99 where CCS and CCC move to make corn more profitable. Historic ratios have run around 2.5
- Present Crop Insurance Prices are \$8.09 for soybeans and \$4.06 for corn
- Price is not everything-there are other considerations

Ag Decision Maker

This web site is a wealth of information concerning farming in Iowa.

www.extension.iastate.edu/agdm

Rotation Profitability Calculator A1-80

Two different calculators, one gives you breakeven price, the other gives You optimum N Rate

Rotation Profitability Calculator - using optimal nitrogen rate

Ag Decision Maker -- Iowa State University Extension

For more information, visit [Evaluating Rotations](#).

Long-term average yields - [Iowa Corn and Soybean County Yields](#).

Agronomy Extension - [Nitrogen Rate Calculator](#)

Place the cursor over cells with red triangles to read comments.

Enter your input values in shaded cells.

Corn-Soybeans (CS)

Corn Yield Goal	200	bushels/acre
Soybean Yield Goal	55	bushels/acre
Expected Corn Price	\$4.50	\$/bushel
Expected Soybean Price	\$6.25	\$/bushel
Typical N Application	160	lbs/acre

Corn-Corn-Soybeans (CCS)

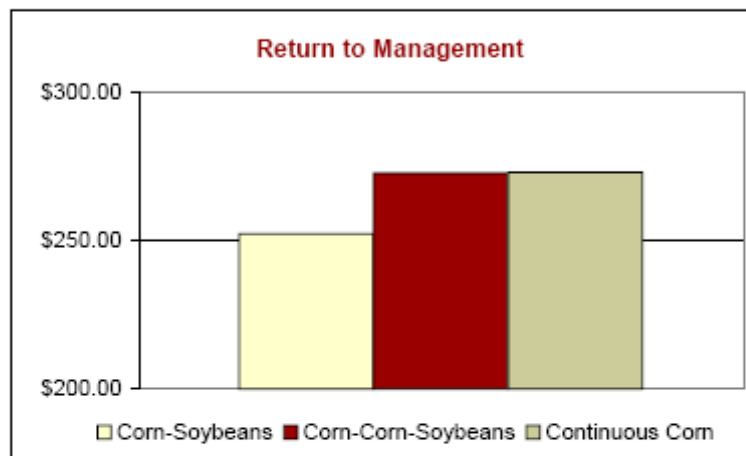
1st Corn Yield Goal	200	bushels/acre
2nd Corn Yield Goal	175	
Soybean Yield Goal	55	bushels/acre
Expected Corn Price	\$4.50	\$/bushel
Expected Soybean Price	\$6.25	\$/bushel
N Application to 1st Corn	160	
N Application to 2nd Corn	185	lbs/acre

Corn-Corn (CC)

Corn Yield Goal	165	bushels/acre
Expected Corn Price	\$4.50	\$/bushel
Typical N Application	185	lbs/acre

Additional Inputs

N Price Paid	\$0.30	per pound	Wage rate	\$9.50	per hour
P Price Paid	\$0.33	per pound	LP Price	\$1.60	per gallon
K Price Paid	\$0.18	per pound	Diesel fuel price	\$1.60	per gallon
Land Charge	\$140				



	CS	CCS	CC
Optimal N Rate	141	1st C: 141, 2nd C: 200	200
Return to Management	\$252.11	\$272.59	\$272.90
% of Typical N Application	88	88, 108	108

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University Extension

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Need to make some assumptions to use the calculator

- Yield Goals under different rotations
 - CS 200 bu./ac., 55 bu./ac.
 - CCS 200 bu./ac., 175 bu./ac. , 60 bu./ac
 - CCC 165, bu./ac.
- Land Charge \$200.00/ac.
- Nitrogen Rate 160 lbs 1st yr, 185 lbs
2nd yr
- Fertilizer Prices N \$.30, P \$.33, K \$.18

Rotation Profitability Calculator - using optimal nitrogen rate

Ag Decision Maker -- Iowa State University Extension

For more information, visit [Evaluating Rotations](#).

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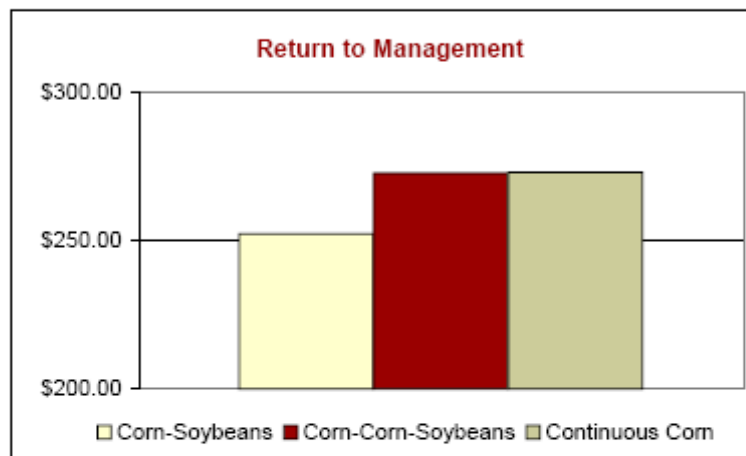
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Situations where C-S Rotation Returns Exceed Corn Returns at \$4.06/bu corn

- Soybean prices exceed\$7.70
- Soybean yields are above...55 bu./ac
- Corn yields are below 175 bu./ac or 2nd year corn yields fall off more than 12.5%

Summary

- Planting all corn or increased corn in 2007 likely will be more profitable than planting soybeans
- Revenue insurance at high coverage levels can be used to lock in profits
- What you do in 2007 could affect profitability in years beyond 2007. There might not be any soybean land available to rotate to in 2008 and beyond
- Make sure to lock in profits while they exist