

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

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Extension programs are available to all without regard to race, color, national

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.

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ROTATION DECISIONS

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

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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)

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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

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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

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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%

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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

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