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
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
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