Crop Costs Higher in 2004

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Variable costs for producing corn and soybeans are projected to be higher in 2004 when compared to costs in 2003. Variable costs, which include fertilizer, pesticides, seed, drying and storage, and machinery (repair, fuel, and hire) categories, are projected to increase by $5 to $7 per acre for corn and $3 to $4 per acre on soybeans.

Cost projections are made for corn and soybeans in northern, central, and southern Illinois. Central Illinois projections are further broken down into projections for high productivity farmland (167 bu. average corn yield) and low productivity farmland (157 bushel average corn yield).

These projections are available at farmdoc in the management section from the historic crop cost tool (http://www.farmdoc.uiuc.edu/manage/enterprise_cost/crop_revenue_less_variable_cost.html). This tool compares 2004 projections to actual costs from 1999 through 2003. Actual costs are obtained from farms enrolled in Illinois Farm Business Farm Management (FBFM).

2004 Projected Costs

Variable costs in 2004 for corn are projected to be $182 for northern Illinois, $179 for central Illinois with high productivity farmland, $180 for central Illinois with low productivity farmland, and $172 for southern Illinois. Compared to 2003, 2004 costs are higher in the fertilizer, pesticide, seed, and fuel categories.

Variable costs in 2004 for soybeans are projected to be $117 for northern Illinois, $112 for central Illinois with high productivity farmland, $113 for central Illinois with low productivity farmland, and $110 for southern Illinois. Compared to 2003, 2004 costs are higher in the fertilizer, pesticides, seed, and fuel categories.

Cost Increases Persist

The projected 2004 cost increase is not unusual. For corn, average costs across all FBFM farms have increased each year since 1999. Projected costs for corn across all regions are $18 to $23 per acre higher in 2004 when compared to actual costs in 1999.

Seed costs are the cost category with the largest increase for corn. Between 1999 and 2004, seed cost increases account for 33% of the increase, followed by fertilizer (28%), machinery (22%), and pesticides (17%). The only general category not showing an increase is drying and storage.

Soybean costs are projected higher in 2004 when compared to 1999. More variability exists across the regions. Northern Illinois soybean costs are projected $14 per acre higher in 2004 compared to 1999. Central Illinois with high productivity farmland has a $12 per acre increase, central Illinois with low productivity farmland has a $20 increase, and southern Illinois has a $9 increase.
Seed costs are the cost category increasing the most for soybeans. Between 1999 and 2004, seed accounted for 45% of the variable cost increase in soybeans, followed by fertilizer (20%), pesticides (20%), and machinery (20%). Drying and storage decreased slightly, accounting for -5% of the increase.

Summary
While per acre variable costs continue to increase in 2004, revenue less variable costs will likely be higher in 2004 compared to 2003. Commodity price forecasts are considerably higher in 2004 when compared to actual prices between 1999 and 2002.