Costs of producing corn and soybeans will be higher in 2005 than in 2004. Projections of variable costs are made for northern, central (high productivity farmland), central (low productivity farmland) and southern Illinois. These projections are available from the “Crop Cost from 2000 through 2005” tool in the management section of farmdoc.

Variable costs include fertilizer, pesticides, seed, drying and storage, machinery repairs and hire, and fuel. For central Illinois farms with high productivity land, variable costs for corn are projected at $192 per acre, up $9 from 2004. This increase continues the trend of rising costs. Since 2000, corn costs have increased by $30 per acre.

Soybean costs also have risen, though not as much as for corn. Soybean costs are projected at $111 per acre, up $4 from 2004 levels. Since 2000, soybean costs have increased by $8 per acre, considerably less than the $30 per acre increase for corn.

Energy-related items account for the majority of production cost increases. Higher energy costs lead to fuel costs increases between $1 and $2 per acre in 2005. While important, fuel costs increases are not the most significant area impacted by energy. The major impact is on fertilizer costs. Fertilizer costs are projected $6 per acre higher for corn and $3 per acre higher for soybeans.

Since 2000, about 50% of corn cost increases are due to energy-related items (i.e. fertilizer and fuel). For soybeans, 75% of the increase is related to fertilizer and fuel. Lower energy prices could lead to reductions in fertilizer and fuel costs, thereby reducing costs to produce corn and soybeans.

Following energy items, seed is the next category showing the largest increase. Seed corn costs are projected at $38 per acre in 2005, up by $5 per acre since 2000. Seed soybean costs are projected at $29 per acre, up by $10 per acre. Much of this increase is attributable to biotech fees placed on seed to cover genetically modified traits.

Projected soybean costs do not include any fungicide costs for preventing or treating Asian rust. At this point, it is difficult to estimate rust’s impact on costs. The main factor influencing rust costs are the number of fungicide applications. If soybean rust occurs early in the growing season, two or three sprays may be required. One spray may be required if rust occurs later in the growing season.
Cost of one application includes fungicide and application costs. Fungicides are estimated between $8 and $15 per acre per spray. Custom application of the fungicide could cost between $3 and $6 per spray. Application costs could be higher if aerial application is required. Costs per fungicide application likely fall in the $11 to $18 per acre range.

If rust occurs, a late introduction could increase soybean costs by the cost of one application, in the range of $11 to $18 per acre. An early introduction could cause soybean costs to increase over $20 per acre. Obviously, soybean rust could have a large impact on costs and is the biggest unknown moving into the 2005 growing season.