Crop Production Costs Lower in 2010
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Production costs for corn and soybeans in 2010 are likely to decline from historic high levels in 2009. Current estimates for 2010 non-land production costs are $452 per acre for corn and $297 per acre for soybeans. Corn costs are projected to decline by $114 per acre from the $566 per acre costs in 2009. Soybean costs are projected to decline by $27 per acre from the $327 per acre costs in 2009.

Fertilizer costs are the largest contributor to lower 2010 costs. For corn, fertilizer costs are projected at $100 per acre in 2010. This is a decline of $65 from the 2009 projected level of $165 per acre. For soybeans, fertilizer costs are projected at $50 per acre in 2010. These 2010 costs are $30 lower than in 2009.

Lower fertilizer prices resulted in projected cost declines. The Agricultural Marketing Service (AMS), an agency of the U.S. Department of Agriculture, publishes a bi-monthly report on average fertilizer prices in Illinois. In January 2010, AMS reported an average anhydrous ammonia price in of $519 per ton, DAP price of $436 per ton, and a potash price of $511 per ton. The 2010 ammonia price is 37% lower than the January 2009 price of $803 per acre. DAP and potash prices are approximately 40 percent lower than year earlier prices.

While still below winter 2009 levels, anhydrous ammonia and DAP prices have increased since October. Anhydrous ammonia price increased from $430 per ton in October 2009 to its current $519 per ton level. From October to January, DAP prices increased from $379 to $436. During the same time period, potash prices declined from $575 per ton to $511 per ton.

Further increases in fertilizer prices will increase 2010 production costs above those projected here. Recent cold weather has increased natural gas use, potentially leading to higher natural gas prices, a major cost in producing nitrogen fertilizers. There also may be fertilizer production bottlenecks this spring due to relatively little fall application of nitrogen. Higher energy prices and bottlenecks could further increase fertilizer prices.

Besides fertilizer, drying costs are projected to be lower in 2010. In 2009, much of the corn crop was harvested with high moisture levels, often exceeding 20 percent. These high moisture levels led to high drying costs. For commercially dried grains, drying costs often approached – and in some cases exceeded -- $100 per acre. Projected 2010 production costs include a return to more normal moisture levels, causing a decline in corn production costs of about $50 per acre.
While 2010 production costs are projected lower than 2009 costs, 2010 costs are still high compared to historical levels. Corn non-land cost for 2010 are about $200 higher than during the early 2000s. Soybean non-land costs for 2010 are $130 higher than costs during the early 2000s. As a result of high production costs, risks of large losses are considerable.

Given land costs near average cash rents, break-even prices to cover costs for 2010 will be in the mid $3.00 range for corn and mid $9.00 range for soybeans. Given current commodity prices near break-even levels, return margins will be tight for crops grown in Illinois.