At present, corn and soybean prices for 2007 are projected to be much higher than in recent years. Besides being higher, forecast prices for 2007 indicate that corn production will be more profitable than soybean production on many Illinois farms.

To evaluate corn and soybean returns, budgets were prepared for corn-after-soybeans, corn-after-corn, and soybeans for northern, central, and southern Illinois. These budgets were based on historical yields and costs on Illinois farms as tabulated from Illinois Farm Business Farm Management (FBFM) records. These historical yields and costs were updated to reflect 2007 conditions.

For northern Illinois, projected 2007 yields are 185 bu. for corn-after-soybeans, 173 bu. for corn-after-corn, and 50 bu. for soybeans. Total non-land costs used are $300 per acre for corn-after-soybeans, $312 for corn-after-corn, and $202 per acre for soybeans. In addition, $29 per acre was added to revenue for all crops to account for direct payments.

At a corn price of $2.75 per bu. and a soybean price of $6.25 per bu., corn has significantly higher returns than soybeans. Given these prices, corn-after-soybeans has $238 per acre returns for the operator and land, corn-after-corn has $193, and soybeans has $140. Corn-after-corn has $53 higher per acre returns than soybeans.

In the above comparison, a 12 bu. lower yield was used for corn-after-corn than for corn-after-soybeans. Yield drags are controversial. Some farmers do not believe that a yield drag exists while agronomic research consistently shows that corn-after-corn has a 10 percent lower yield than corn-after-soybeans. Belief about yield drag has a large impact on return projections. In the current commodity price environment, similar yields for corn-after-corn and corn-after-soybeans almost always result in corn being more profitable than soybeans.

Some individuals are projecting corn prices to be higher than $3.00 per bu. for the 2007 cropping year. If this is the case, soybean prices have to be extremely high before soybean returns are comparable to corn returns. For a $3.00 corn price, soybean prices have to be above $8.00 per bu. for soybeans to have the same returns as corn-after-corn for the northern Illinois scenario presented above.

Central Illinois budgets indicate that corn-after-corn likely will be more profitable than soybeans. In southern Illinois, soybeans are projected to be more profitable. In southern Illinois, corn yields are projected to be 155 bu. per acre, significantly lower than
in other regions of the state. These lower yields, along with relatively high soybean yields, cause soybeans to be more profitable than corn-after-corn.

Corn and soybean budgets for northern, central and southern Illinois are available in the management section of farmdoc (http://www.farmdoc.uiuc.edu/manage/index.asp). Moreover, a Microsoft Excel spreadsheet called the Corn-Soybeans Rotation Tool allows users to change default budgets to look at their individual farm situations. This tool is available for download in the FAST section of farmdoc (http://www.farmdoc.uiuc.edu/fasttools/index.asp).

Overall, many farmers in Illinois likely will find corn more profitable than soybeans. Hence, farmers may shift acres away from soybeans to corn.