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Department of Agricultural and Consumer Economics, University of Illinois Urbana-Champaign

Cash Deficits Projected for Corn in 2014 and 2015

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In Tuesday's article (*farmdoc daily*, October 21, 2014), gross revenue from corn was projected to be much lower in 2014 and 2015 than in 2011 through 2013. Total costs are compared to gross revenues in this article. For cash rent farmland, total costs are projected higher than gross revenue in 2014 and 2015. Projected losses are over $100 per acre in 2014 and 2015.

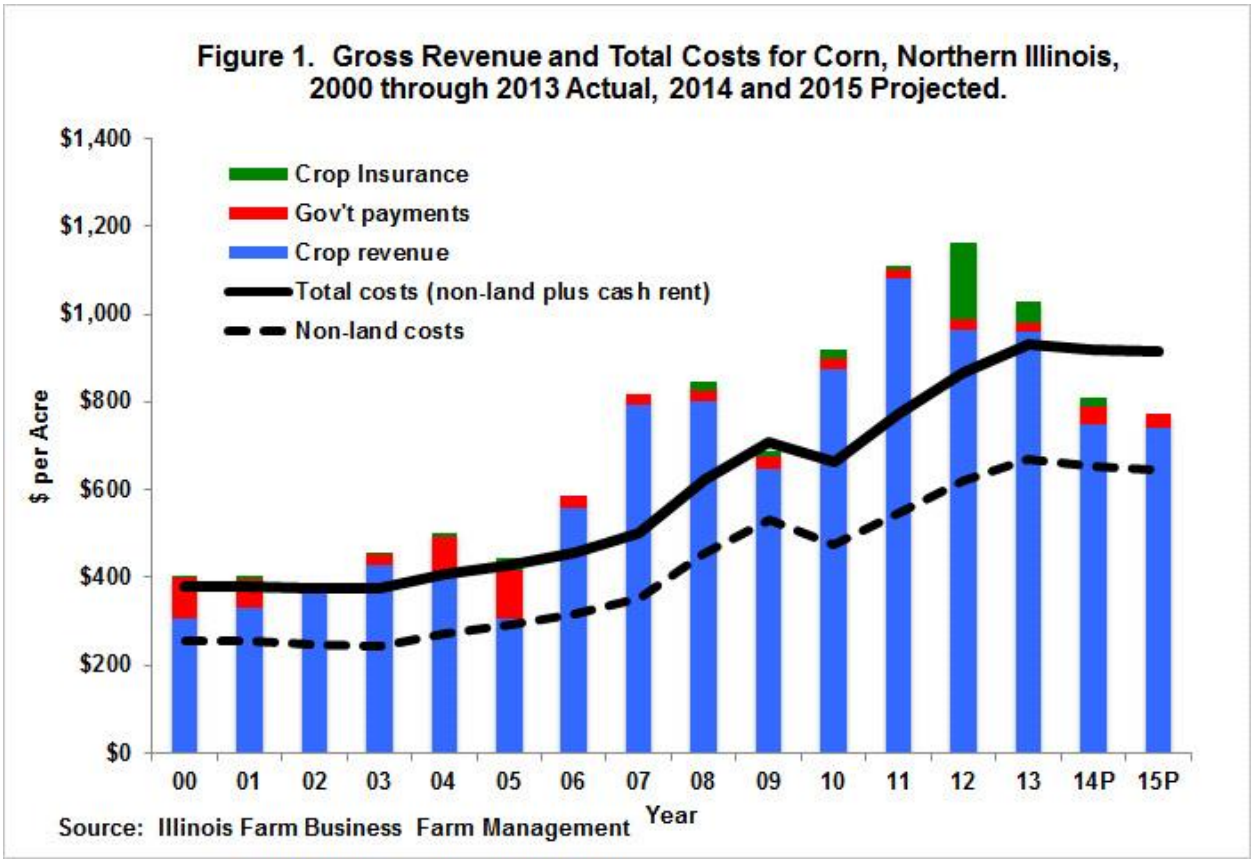
Gross Revenue and Costs

The bars in Figure 1 show actual gross revenues from 2000 through 2013 and projected gross revenues in 2014 and 2015. More details on these revenue projections are given in the October 21 *farmdoc daily* article.

Also shown in Figure 1 are two lines showing costs for growing corn. The dotted line gives non-land costs. Non-land costs include direct costs (fertilizer, seed, pesticides, drying, storage, and crop insurance), power costs, and overhead costs. These costs averaged $269 per acre from 2000 through 2006. Since 2006, non-land costs have increased reaching a higher of $670 per acre in 2013. Non-land costs are projected to decrease slightly in 2014 and 2015. Non-land costs are projected at $652 per acre in 2014 and $646 per acre in 2015.

The solid line in Figure 1 shows total costs given that farmland is cash rented. Total costs equal non-land costs that are described plus cash rents. These cash rents are at average levels. Cash rents will vary across operations, with some rents being much higher than the average and some rents much lower than the average. From 2000 through 2005, cash rents averaged $131 per acre. Cash rents increased and reached $262 per acre in 2013.

The solid line in Figure 1 represents total costs for cash rent farmland. In 2013, total costs equaled $932 per acre. For 2014, total costs are projected to decline to $917 per acre. Modest declines are projected for 2015.



Losses projected for 2014 and 2015

Given a cash rent situation, losses are projected for both 2014 and 2015. A -$109 per acre loss is projected for 2014 and a -$143 loss is projected for 2015. These are large losses from a historical standpoint. The only other time that a loss occurred since 2000 was in 2009. In 2009, gross revenue minus total costs equaled -$21 per acre.

Summary

Several points from these projections:

1. Many farmers built up cash reserves from 2010 through 2013. If revenues and costs are as projected, these financial reserves will decrease in 2014 and 2015.

2. Farmer will need to look at making adjustments including 1) lowering or eliminating capital purchases, 2) lowering fertilizer and seed costs, 3) lowering cash rents, and 4) reducing other cash flows (see *farmdoc daily*, September 23, 2014 for more details).

3. Note that late 1990s and early 2000s were a time of lower prices and some financial stress. During this period, Congressional action resulted in higher government payments. From 2000 to 2005, government payments averaged $62 per acre. If these payments had not occurred, many more farms would have faced financial stress.

4. Figure 1 shows costs that are projected for cash rent farmland. Different costs will exist for owned and share-rented farmland. If the farmland is owned with little debt, owned farmland will have a positive cash flow above non-land costs. Similarly, share-rent returns likely will be higher than cash rent farmland. Many farms will have positive net incomes because of owned and share-rent farmland.

5. In general, lower losses will occur for soybeans.

References

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