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Field Crops 28.63 - 81

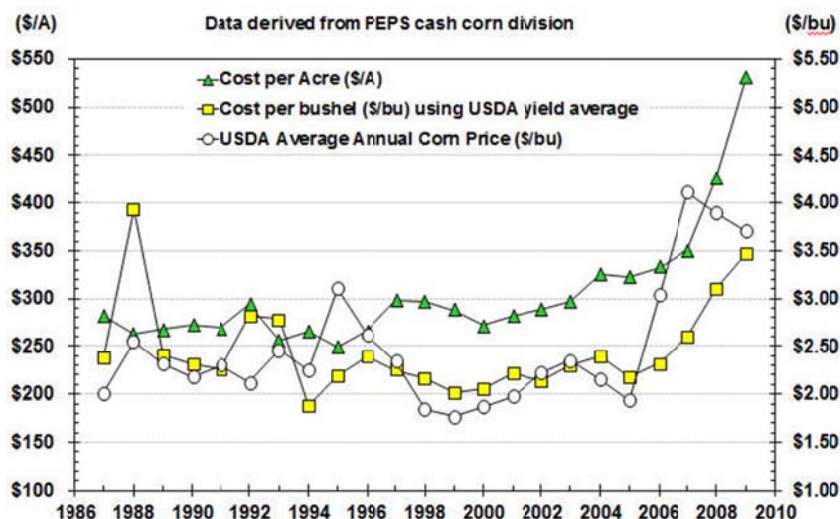
## Increasing Corn Production Costs Cut Into Profits

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As harvest draws near, growers are encouraged by record projected yields and the strong corn prices available right now. But, a strong corn price does not guarantee profitability unless production costs are under control. Even though prices are strong, grower return (profitability) for 2010 is likely going to be similar to previous years because of increasing production costs and a strong basis.

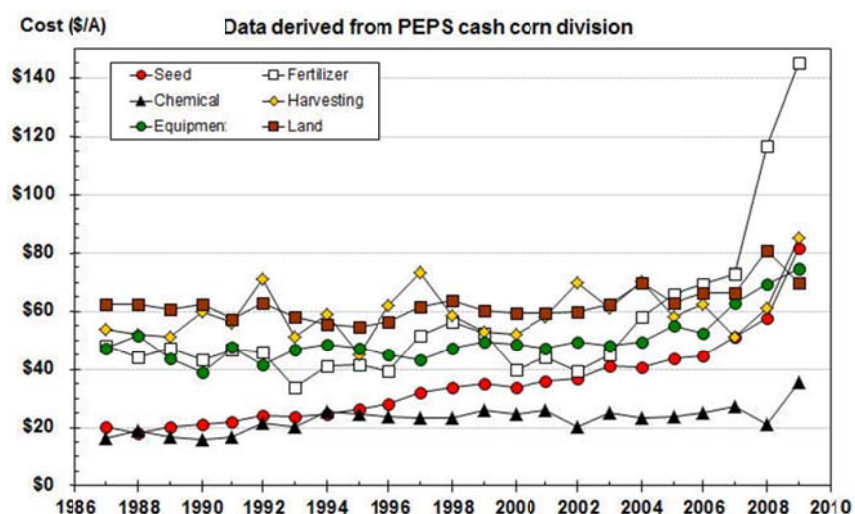
Figure 1 describes the average cost per bushel and cost per acre of participants in the Cash Corn division of the PEPS program (Profits through Efficient Production Systems). For more information regarding the PEPS program see the website at <http://corn.agronomy.wisc.edu/PEPS>. Production costs between high and low yielding fields do not change dramatically. There is approximately \$13-\$24 per acre difference between high and low producing fields (Lauer, 2002). Since 2003, production costs have been steadily increasing from approximately \$2.30 per bushel and \$300 per acre to \$3.47 per bushel and \$531 per acre in 2009.

**Figure 1. Average production costs for corn grown in Wisconsin. The cost per bushel is calculated using the PEPS cost per acre and dividing by the USDA average grain yield for Wisconsin. The USDA average annual corn price is included for comparison.**



With the exception of chemical costs, nearly all production cost categories (seed, fertilizer, harvesting, equipment and land) have increased since 2003 (Figure 2). The most dramatic increases have been with seed and fertilizer. Both production costs were similar in 2003 (approximately \$40-\$42) with seed doubling and fertilizer tripling by 2009. Harvesting costs include grain drying, which varies by year and is usually expensive in cool years like 2009.

**Table 2. Average corn production costs in Wisconsin.**



Although the PEPS program does not capture all of the production costs associated with raising corn, it does give some feel for the kind of production costs we are dealing with. PEPS costs include actual figures provided by contestants in the program. These costs do not include all costs of production. For example, overhead or miscellaneous costs associated with operating a farm (i.e. field tiling, outfitting a shop, plowing snow, maintaining fences, taxes, desktop work related to management, etc.), are difficult to determine among farms, and is not accounted for in the PEPS program. Typical overhead rates range from 18-46% of production costs.

“Best of the Best” aptly describes the farmers participating in the PEPS program. Results reflect the efforts and costs of some of the best farmers growing corn on the best land available using their best management practices. Lower yielding fields are often not entered into the contest. Thus, “real world” costs are probably higher for most farmers and that is why Wisconsin USDA yield averages were used for calculating cost per bushel in this article.

#### Literature Cited

Lauer, J. 2002. [Practices Used By Wisconsin Top-Profit Corn and Soybean Farmers.](#) Field Crops 28.6-34 PDF