

# Corn and Soybean Planting Decisions

By Ray Massey

Corn futures started rising in October 2006 due to increased demand. The sight of \$4 corn at planting time caused a huge swing in planted acres (almost 94 million acres planted in 2007 compared to 78 million acres in 2006). At the same time corn futures were increasing, soybean futures also started a steady uphill trend until they were in the \$8 range by March of 2007. But the rise in soybean prices was not sufficient to dampen the move to corn acres and soybean acres planted fell from 76 million acres in 2006 to 64 million acres in 2007. The prices for soybeans continued to climb as prices for corn retreated some. While 2007 saw good money in both corn and soybeans, some wished they had not switched to corn, but had planted their normal rotation of soybeans.

The question as we enter 2008 is: "Is there more money to be made in corn or soybeans?" Will the pendulum swing again? If so, how far? If I knew the answer (and you thought I did), I probably wouldn't tell you because you might act upon it and cause the prediction to fail. So I will just give you some things to ponder as you decide whether to make some money or a lot of money. The good thing about this decision is that you likely are only leaving opportunity profits on the table as you pick up real profits, regardless of the choice you make.

Historically, the ratio of November soybean futures to December corn futures is about 2.5. Theoretically, this

ratio should indicate a "break-even" point. If the ratio is less than 2.5, plant corn; if it is greater than 2.5, plant soybeans. Since we normally plant more soybeans than corn in Missouri, it might be argued that our local break-even is less—say 2.4. November 2008 soybeans settled at \$9.82 on November 12 while December 2008 corn settled at \$4.24. This gives a ratio of 2.3, or a plant corn sign. Those who are gambling on the price of corn and soybeans in 2008 are thinking farmers are going to repeat 2007 in reverse by making a pretty substantial shift from corn to soybeans, holding down the price of soybeans (if you can call \$9.82 held down) and driving up the price of corn.

Perhaps a more thoughtful way to investigate the profit potential for corn and beans is to budget them out and compare their potential profit. The table below indicates that soybeans might be a better decision since they offer a net income of \$165 to corn's \$147.

	Corn	Soybeans
<b>Yield</b>	155	50
<b>Price</b>	\$3.84 (Dec 2008 futures - \$.40 basis)	\$8.92 (Nov 2008 futures - \$.80 basis)
<b>Income</b>	\$595.20	\$446.00
<b>Expenses</b>	\$447.82	\$281.47
<b>Net income</b>	147.38	164.53

The table above is brief and doesn't fit everyone's estimates of yield, prices

and expenses. The numbers came from the budget generator developed by MU Food and Agricultural Policy Research Institute (FAPRI) for 2008 crops. It is a spreadsheet that allows the user to enter their estimates for yields, prices, inputs and expenses to arrive at their estimate of net income. I would recommend that readers download this spreadsheet from the Farmer's Corner section of the FAPRI Web site ([http://www.fapri.missouri.edu/farmers\\_corner/tools/index.asp?current\\_page=farmers\\_corner](http://www.fapri.missouri.edu/farmers_corner/tools/index.asp?current_page=farmers_corner)) and estimate their own costs and returns to determine what is best to plant.

While I don't have the guts to give a crystal ball forecast of whether corn or soybeans offer better profit potential, I don't have any qualms about encouraging farmers to take advantage of the FAPRI budget generator to estimate their own profit potentials from both corn and soybeans. Of course, the big wildcard is what the price will be in 2008. Taking the time to do some strategic marketing of your 2008 production might yield some additional profit. If you are interested in improving your marketing, check out the FAPRI decisive marketing newsletter at [http://www.fapri.missouri.edu/farmers\\_corner/mktng\\_newsletter/index.asp?current\\_page=farmers\\_corner](http://www.fapri.missouri.edu/farmers_corner/mktng_newsletter/index.asp?current_page=farmers_corner). Mel Brees gives insightful information on market trends and strategies.

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