

**BUSINESS MATTERS** By Chris Barron**Rotate for Success**

After the worst drought in decades and dismal yields in many areas, it's good to get this year behind us. Now it's time to focus on 2013. Planning your crop rotation sets the stage for your decisions moving forward and enhances profitability. When working through rotation plans, focus on three areas: market opportunity, agronomics and economics.

Market opportunities look promising for both corn and soybeans in 2013. With low carryouts, and any type of spring weather challenge, we can count on market volatility. This creates opportunities, so be ready to take advantage of the situation.

Knowing your acre mix in advance allows you to manage your marketing on a percentage basis. For example, it's hard to know what a 10% sale is if you don't know your production. If you can calculate with certainty 500 acres with a five-year yield average of 50 bu. per acre, you can make a sale of 2,500 bu.

This concept is more compelling for large percentage sales or using options to manage price risk. Timing your marketing decisions is a challenge, but knowing what you have gives you a distinct advantage.

Agronomic conditions in 2012 gave a slight yield advantage to soybeans, while corn had its problems, especially corn-on-corn. Some areas saw yield reductions as high as 50 bu. per acre for corn-on-corn versus corn-on-soybeans. These results make a compelling argument for planting more soybeans, but keep in mind that every year is different.

Economics and profitability are generally the driving forces behind crop rotation decisions, but also consider long-term agronomic benefits. A crop rotation plan shouldn't look at just one year, but rather three to five years. With a long-term plan, you'll be able to better manage fertilizer costs, insect pressure, disease management, tillage and grain inventory. Making crop rotation decisions based on agronomics is good, but you need to understand the cost-benefit relationship.

The economics for corn versus soybeans still comes down to

Acreage Cost-Return Analysis

	<u>Corn</u>	<u>Soybeans</u>
Total acres	500	500
Market price	\$6.75	\$16.87
Yield estimate (bu./acre)	190	60
Total production (bu.)	95,000	30,000
Total cost of production	\$500,525	\$361,590
Expense/acre	\$1,001.05	\$723.18
Gross return/acre	\$1,282.50	\$1,012.20
Cost/bu. produced	\$5.27	\$12.05
Margin/acre	\$281.45	\$289.02
Return on investment	28.1%	40%

> *Breaking down the return on investment for corn versus soybeans helps determine acreage mix. The solution to the success of your plan will come from plugging in your own numbers. Visit the URL below to access my spreadsheet.*

price ratio. Most operations require a price ratio close to 2.5. If corn is at \$7, soybeans need to be at \$17.50 to generate the same profit per acre.

In order to make the best rotation decisions, be sure you completely understand your individual situation as it relates to cost of production, realistic yield levels, ability to manage risk and other agronomic factors. What works for one farm might not work for another. Each farm is different.

Market volatility will create opportunities, but the price relationship between corn and soybeans will continue to be a moving target. The economic forces that impact the corn and soybean markets can change on a dime. The best decision today might be different tomorrow.

The good news is there are numerous online tools to analyze your decisions in real time. ■

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Plug in your own acreage and production numbers at
www.TopProducer-Online.com/acreage_analysis.

