

# ECONOMIC & POLICY UPDATE

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## Fall 2020 Wheat Planting Decision



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Beautiful early-fall conditions are resulting in another early corn harvest this year, and Kentucky grain farmers will soon decide if and how much wheat they will plant this fall. Compared to last year, there is a significant increase in wheat prices and a slight increase in soybean prices. These changes will make planting wheat more attractive relative to last year. The following analysis attempts to quantify the extent of the relative change in profitability for crops harvested in 2021. The analysis includes estimated returns comparing double-cropped wheat/soybeans with full-season soybeans for the 2021 crop, and the likely implications for Kentucky grain farmers.

Additional costs associated with double-cropping are accounted for, including fuel, fertilizer, herbicides, machinery repairs and depreciation[1], labor, hauling, etc. The analysis assumes a blended mix of selling directly from the field and selling from storage for both wheat and soybeans, as

well as expected basis for each crop with those scenarios. This results in 2021 crop prices of \$5.80/bu for wheat and \$9.60/bu for soybeans.

Two regions with different agronomic characteristics are evaluated. The first region is along the southwest tier of counties roughly between I-24 and I-65, which traditionally does a lot of double-cropping. The second region is along the northwest tier of counties (OhioValley region) that has some of the best yields for corn and soybeans, but traditionally plants less wheat. Cash rent is assumed to be \$175/acre for both these regions for the average ground and \$225/acre on the best ground (*note: this will vary substantially, but is done here for illustrative purposes only*). Other major assumptions are: \$1.75/gallon fuel, 25 mile one-way grain hauling, \$.40/unit N, \$.30/unit P, and \$.30/unit K.

### *Southwest Tier Assumptions (Average Ground):*

72 bu wheat  
42 bu double-cropped soybeans  
50 bu full-season soybeans

#### *Resulting net profits:*

+\$64 double-crop  
+\$11 full-season soybeans

This results in a \$53 difference in favor of the wheat-soybean double-crop. The double-crop soybean yield would need to decrease to 37 bushels before full-season soybeans were as profitable. This would equate to a 26% yield loss of double-cropped soybeans compared to full-season soybeans.

### *Southwest Tier Assumptions (Best Ground):*

90 bu wheat  
51 bu double-cropped soybeans  
60 bu full-season soybeans

#### *Resulting net profits:*

+\$198 double-crop  
+\$54 full-season soybeans

This results in a \$144 difference in favor of the wheat-soybean double-crop. The double-cropped soybean yield could drop down to 36 bu before full-season soybeans were as profitable. This would equate to a 40% yield loss of double-cropped soybeans compared to full-season soybeans.

### *Northwest Tier Assumptions (Average Ground):*

65 bu wheat  
42 bu double-cropped soybeans  
50 bu full-season soybeans

*Resulting net profits:*

+\$25 double-crop  
+\$11 full-season soybeans

This results in a \$14 difference in favor of the wheat-soybean double-crop. The double-cropped soybean yield would have to decrease to 41 bu in this case before full-season soybeans were as profitable. This would equate to an 18% yield loss of double-cropped soybeans compared to full-season soybeans.

*Northwest Tier Assumptions (Best Ground):*

75 bu wheat  
51 bu double-cropped soybeans  
60 bu full-season soybeans

*Resulting net profits:*

+\$114 double-crop  
+\$54 full-season soybeans

This results in a \$60 difference in favor of the wheat-soybean double-crop. The double-cropped soybean yield would have to decrease to 45 bu in this case before full-season soybeans were as profitable. This would equate to a 25% yield loss of double-cropped soybeans compared to full-season soybeans.

Given the current expected market conditions, planting wheat looks extremely attractive this fall with three of the four scenarios. The fourth scenario, average ground in the Ohio Valley, the double-crop was more profitable, but only by a marginal amount. On the best ground in the south-west tier of counties, the wheat-soybean double-crop is projected to net \$144/acre more than full-season soybeans.

This analysis doesn't account for potential payments from Farm Bill programs. However, these programs would pay on base acre crop allocation and not planted acres, so there would be no effect on the planting decision. This analysis does not also account for potentially harvesting straw, which is typically more common in Central Kentucky.

To change the assumptions above to your specific conditions and evaluate your expected profitability, go to the grain budget site at: <http://agecon.ca.uky.edu/budgets>

The Corn-Soybean Budgets and Wheat Budgets can be downloaded or opened directly from this page.

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[1] \$20/acre was deducted from the double-crop scenario to account for fixed depreciation on the wheat enterprise that should not factor into the wheat planting decision.

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