Cover crops and how they offer returns on investment



Cover crops provide valuable benefits to soil health and farm sustainability. This fact sheet highlights insights from the webinar on their return on investment (ROI), emphasizing cost reductions, increased revenue, and enhanced management practices.

Partial Budget Analysis

Method to evaluate the added and reduced costs associated with cover crops, as well as changes in revenue.

Potential Cost:

- Added Costs: Seed, planting, equipment, labor and additional inputs.
- Reduced Costs: Lower nitrogen requirements, reduced tillage, decreased herbicide usage.



Potential Revenue:

- *Added Revenue:* Higher crop yields, income from grazing, and cost-share programs.
- Reduced Revenue: Potential yield declines in cash crops [1].

Research Insights on Cover Crop ROI

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Scenarios for faster ROI include combating herbicide-resistant weeds and transitioning to no-till systems [2].

Example: Fertilizer savings from legumes grow over time, with minimal savings in year one but significant reductions after three or more years.

Scope: 12 Nebraska farmers (10 years of cover crop use, 25 years of no-till). **Results:** Net income increase of \$68/acre (corn) and \$49/acre (soybeans), with savings from reduced equipment, fertilizer, and pesticide use [3].



Findings: Initial net returns are often negative due to high seed and termination costs.

Takeaway: Early adopters benefit from cost-share programs and improved management [4].

Example: Corn-soybean farm saved \$56/acre via yield increases, reduced field passes, and lower input costs.

Implication: Savings depend on adopting comprehensive soil health management systems, not cover crops alone [5].

American Farmland Trust: Case Studies

Resources and Practical Insights

Resources:

<u>Nebraska Crop Budget Platform:</u> Offers detailed budgets for different crops, regions, and scenarios [6].

<u>University of Missouri's Equipment Guide:</u> Provides insights into equipment needs, costs, and modification/sharing options for cover crops [7].

<u>Iowa State Net Returns Calculator:</u> Helps estimate ROI for cover crops with user-specific inputs [8].

Cost Ranges for Cover Crops:

<u>Seeding Costs:</u> \$10-\$50 per acre. <u>Termination Costs:</u> Vary. May be negligible if coinciding with preplanned herbicide applications [2].

Factors influencing costs include species, goals, planting methods, and seeding rates.

Challenges:

Benefits and savings accumulate over time, requiring careful management and cost tracking.

Initial years may show limited benefits; less experienced farmers face higher seed and termination costs.

Practical Recommendations

- **Leverage Cost-Share Programs:** Use financial incentives to offset early expenses and reduce risk during the learning curve.
- **Start Small and Scale Up:** Begin with small and low-risk areas to gain experience and refine management strategies.
- **Track Costs and Benefits:** Monitor expenses and savings to better evaluate ROI and refine practices over time.
- **Focus on Management:** Timely termination, optimal planting methods, and selecting appropriate species are key to maximizing benefits.

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