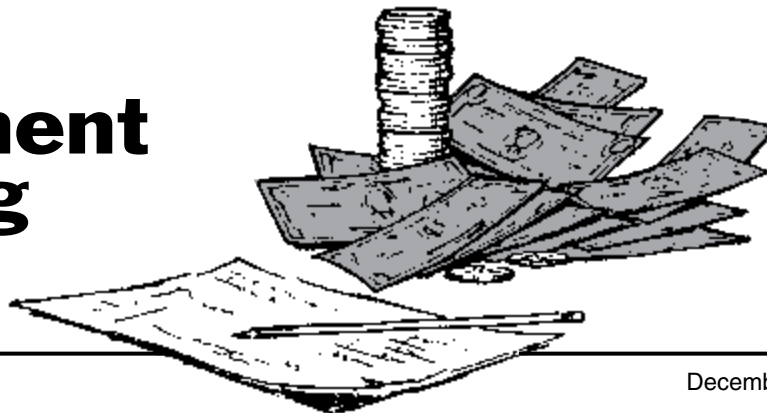


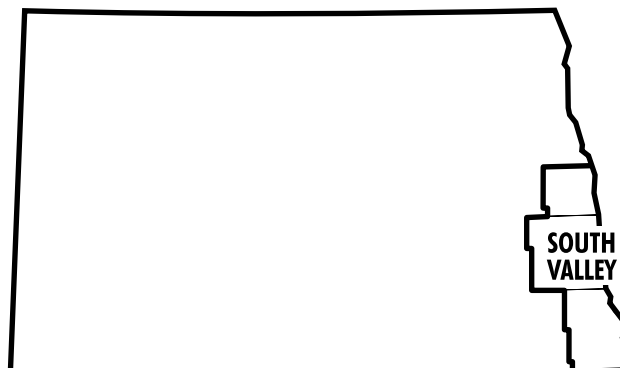
Farm Management Planning Guide



December 2011

Projected 2012 Crop Budgets South Valley North Dakota

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The 2012 crop budgets provide an estimate of revenues and costs for selected crops. Each set of budgets are developed for a multi-county region. There is considerable variation in soil type and productivity, weather conditions, as well as management and production practices within each region. Therefore, **THESE BUDGETS ARE ONLY INTENDED TO BE USED AS A GUIDE. EVERY INDIVIDUAL IS HIGHLY ENCOURAGED TO DEVELOP HIS/HER OWN BUDGETS!**

The profitability budget accounts for full economic opportunity costs for land and machinery investment, regardless of farm operator equity position. The bottom line is the return to labor and management. This is the expected "payment" to the producer for the labor and managerial efforts required by the crop

enterprise. Each individual must make the decision whether it is sufficient.

The budget can be changed to conform to the more common definition of accounting profit (return to unpaid labor and management, and owner equity) by replacing the machinery investment and land charge cost items with your per acre interest and rental expense of machinery and land, and real estate tax if land is owned.

The budget can be used for long run decisions if the revenues and costs are realistic for several years. (Crop prices, direct costs, and the land charge are best estimates for only the 2012 crop year, but crop yields are historic averages and machinery ownership costs are an average for the total length of ownership). If the budget shows a high return to labor and management, and is representative for several years, increased acreage and corresponding investment should be considered. However, if long-run returns to labor and management are unsatisfactory the best decision may be to exit the crop enterprise and employ the machinery and land investment, and labor and management, in a different enterprise or investment.

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For short-run planning decisions you can omit the indirect costs if the land and machinery required to produce the different enterprises are in place. Simply compare the crop enterprises by calculating return over direct costs. Labor requirements and risk should also be considered. Insurance is not available for some crops.

The budget can be used to estimate cashflow by making a few modifications. Machinery depreciation should be omitted and the machinery investment number replaced with your per acre principal and interest payment on machinery debt. For owned land, the land charge should be replaced with your per acre real estate tax and principal and interest payment on land debt.

Direct and counter-cyclical payments under the Farm Bill are omitted from the budgets because those payments are tied to historic farm program base acres and payment yields, not to current crop selection or production. Direct payments for this region are \$13.00 per acre when averaged over all crop acreage. Counter-cyclical payments, which occur if the national average price of program crops are below a certain level, are not expected with the price levels used in the budgets.

Primary Assumptions:

Crops are planted on dryland recrop ground. Costs of moving crop to local market/storage are included.

Market Price: Best estimates of NDSU extension economists. The greater of projected market price and marketing loan rate is used.

Market Yields: Average yield for the 7 year period 2004-2010, after the low and high yield years are removed. Yields for safflower, yellow mustard, buckwheat, millet, rye and chickpeas are from NDSU extension agronomists and industry sources.

Fertilizer: Cost of fertilizer applied, based on soil test, to meet yield goal of 130% of market yield. N fertilizer can be reduced if previous crop was soybean, dry bean, field peas or lentil.

Soil test - recrop:
 Nitrogen - 30 lb
 Phosphorus - 10 ppm
 Potassium - 278 ppm

Fertilizer prices:

Nitrogen - .58/lb
 Phosphorus - .58/lb
 Potassium - .52/lb

Seed Prices:

Spring Wheat 12.75/bu
 Barley 12.00/bu
 Corn Triple Trait GM 3.00/thou.kern
 Corn grain RR 2.37/thou.kern.
 Soybean RR .345/thou.kern.
 Dry Beans .92/lb
 Oil Sunflower 1.35/thou.kern.
 Conf. Sunflower 2.30/thou.kern.
 Oats 5.75/bu
 Winter Wheat 10.50/bu

Fuel prices:

Diesel 3.20/gal
 Gas 3.40/gal

Lubrication charge: 15% of fuel cost

Crop Insurance: Coverage levels are 70% on all insurable crops. Yield Protection or APH insurance estimates are used, except for Revenue Protection on all wheat, corn, soybeans, corn, canola and sunflowers.

Miscellaneous: soil testing, machinery rent and custom work.

Operating Interest: Direct costs charged 4.60% interest for 6 month period.

Misc. Overhead: Machinery housing and insurance at .5% and .85%, respectively, of average machinery investment. Also, liability insurance and license fees of trucks. In addition, \$3 per acre is assumed for general farm utilities, farm publications, meetings, dues, income tax preparation, legal fees, etc.

Land charge = average cash rent.

Machinery investment: 4.5% real interest rate, over the years of machine ownership, is charged on average machinery investment. The real, or inflation adjusted, rate is the commercial rate minus the inflation rate. Ave. mach. investment = (Purchase price + Disposal price)/2

Depreciation = (Purchase price - disposal price / years ownership)

Spring Wheat Malting Barley

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	51		69	
Market Price	7.56		6.17*	
MARKET INCOME	385.56		425.73	
DIRECT COSTS				
-Seed	25.50		24.00	
-Herbicides	20.00		17.00	
-Fungicides	5.50*		5.50**	
-Insecticides	0.00**		0.00	
-Fertilizer	94.16		75.47	
-Crop Insurance	13.70		12.40	
-Fuel & Lubrication	22.35		25.31	
-Repairs	17.10		18.43	
-Drying	0.00		0.00	
-Miscellaneous	6.50		6.50	
-Operating Interest	4.71		4.25	
SUM OF LISTED DIRECT COSTS	209.51		188.85	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	6.94		7.48	
-Machinery Depreciation	19.50		21.36	
-Machinery Investment	11.54		12.78	
-Land Charge	99.40		99.40	
SUM OF LISTED INDIRECT COSTS	137.37		141.01	
SUM OF ALL LISTED COSTS	346.89		329.86	
RETURN TO LABOR & MANAGEMENT	38.67		95.87	
LISTED COSTS PER BUDGET UNIT	(bu):		(bu):	
-Direct Costs	4.11		2.74	
-Indirect Costs	2.69		2.04	
-Total Costs	6.80		4.78	

Wheat notes:

*Includes seed treatment (\$1.50-\$2.00) and early season foliar fungicide, which may not be warranted with good rotations, (\$2-\$4.50). Late season fungicides are often warranted in this region. For fusarium head blight (scab) control, prothioconazole or metconazole containing products are highly recommended when a more susceptible cultivar is grown and/or when conditions are favorable for infection.

**Cereal grain aphid insecticide would cost about \$6 per acre plus application.

Barley notes:

*Use \$4.13 estimate for feed barley price.

**Includes seed treatment (\$1.50-\$2.00) and early season foliar fungicide (\$2-\$4.50).

Corn Grain

Soybeans

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	130		33	
Market Price	4.97		11.12	
MARKET INCOME	646.10		366.96	
DIRECT COSTS				
-Seed	89.09*		60.37*	
-Herbicides	18.00		18.00	
-Fungicides	0.00		0.00	
-Insecticides	0.00		7.00**	
-Fertilizer	125.71		3.73	
-Crop Insurance	31.60		14.30	
-Fuel & Lubrication	33.20		18.76	
-Repairs	20.93		16.48	
-Drying	26.00		0.00	
-Miscellaneous	6.50		3.50	
-Operating Interest	8.07		3.27	
SUM OF LISTED DIRECT COSTS	359.11		145.42	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	9.34		6.58	
-Machinery Depreciation	29.55		18.58	
-Machinery Investment	17.33		10.92	
-Land Charge	99.40		99.40	
SUM OF LISTED INDIRECT COSTS	155.61		135.47	
SUM OF ALL LISTED COSTS	514.72		280.89	
RETURN TO LABOR & MANAGEMENT	131.38		86.07	
LISTED COSTS PER BUDGET UNIT	(bu):		(bu):	
-Direct Costs	2.76		4.41	
-Indirect Costs	1.20		4.11	
-Total Costs	3.96		8.51	

Corn notes:

*Triple GM trait corn is planted on 80 percent of acres and RR corn without Bt Trait is on 20 percent of acres for corn borer refuge. Cost includes insecticide seed treatment for wireworm, rootworm, white grub and suppression of cutworm.

Soybean notes:

*RR2 (glyphosate) resistant soybeans. Insecticide and fungicide seed treatment would cost about \$11 per acre.

**Soybean aphid and/or spider mite insecticide

Drybeans*

Oil Sunflower

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1600	_____	1610	_____
Market Price	0.37	_____	0.241	_____
MARKET INCOME	592.00	_____	388.01	_____
DIRECT COSTS				
-Seed	46.00	_____	32.40*	_____
-Herbicides	40.00	_____	24.70	_____
-Fungicides	18.00**	_____	0.00**	_____
-Insecticides	0.00	_____	7.00***	_____
-Fertilizer	54.19	_____	53.62	_____
-Crop Insurance	27.20	_____	15.40	_____
-Fuel & Lubrication	24.10	_____	22.55	_____
-Repairs	17.87	_____	15.25	_____
-Drying	0.00	_____	3.22	_____
-Miscellaneous	13.50	_____	13.50	_____
-Operating Interest	5.54	_____	4.32	_____
SUM OF LISTED DIRECT COSTS	246.39	=====	191.95	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	7.61	_____	7.26	_____
-Machinery Depreciation	22.96	_____	20.82	_____
-Machinery Investment	14.52	_____	12.62	_____
-Land Charge	99.40	_____	99.40	_____
SUM OF LISTED INDIRECT COSTS	144.49	=====	140.09	=====
SUM OF ALL LISTED COSTS	390.88	_____	332.05	_____
RETURN TO LABOR & MANAGEMENT	201.12	_____	55.96	_____
LISTED COSTS PER BUDGET UNIT	(lb):		(lb):	
-Direct Costs	0.15	_____	0.12	_____
-Indirect Costs	0.09	_____	0.09	_____
-Total Costs	0.24	_____	0.21	_____

Drybean notes:

*Acreage limitations exist under the farm bill. The general rule is drybean acres can not be planted on base acres. If farm or producer has drybean history, drybean can be planted on base acres but government payments on those acres will be forfeited.

**Fungicide for white mold. A second treatment may be necessary.

Oil Sunflower notes:

*Cost includes seed treatment for control of wireworm and flea beetle.

**Fungicide for rust would cost \$4 plus application.

***One spraying for head feeding insects (red seed weevil, lygus bug and banded moths). Custom application cost of \$7 is under "Miscellaneous."

Confectionery Sunflower

Oats

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1390		78	
Market Price	0.36		3.33	
MARKET INCOME	500.40		259.74	
DIRECT COSTS				
-Seed	46.00*		11.50	
-Herbicides	26.70		4.75	
-Fungicides	0.00**		0.00	
-Insecticides	14.00***		0.00	
-Fertilizer	43.91		72.82	
-Crop Insurance	18.70		10.50	
-Fuel & Lubrication	22.02		26.00	
-Repairs	15.07		18.65	
-Drying	2.78		0.00	
-Miscellaneous	20.50		6.50	
-Operating Interest	4.82		3.47	
SUM OF LISTED DIRECT COSTS	214.51		154.19	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	7.14		7.63	
-Machinery Depreciation	20.50		21.76	
-Machinery Investment	12.45		12.99	
-Land Charge	99.40		99.40	
SUM OF LISTED INDIRECT COSTS	139.49		141.78	
SUM OF ALL LISTED COSTS	354.00		295.97	
RETURN TO LABOR & MANAGEMENT	146.40		(36.23)	
LISTED COSTS PER BUDGET UNIT	(lb):		(bu):	
-Direct Costs	0.15		1.98	
-Indirect Costs	0.10		1.82	
-Total Costs	0.25		3.79	

Confectionery Sunflower notes:

*Cost includes seed treatment for control of wireworm and flea beetle.

**Fungicide for rust would cost \$4 plus application.

***Two sprayings for head feeding insects (red seed weevil, lygus bug and banded moths) at about \$7 per application. Each custom application cost of \$7 is under "Miscellaneous."

Winter Wheat

	Per Acre	Your Figures
Market Yield	54*	_____
Market Price	6.33	_____
MARKET INCOME	341.82	_____
DIRECT COSTS		
-Seed	12.60	_____
-Herbicides	19.80	_____
-Fungicides	9.00	_____
-Insecticides	0.00	_____
-Fertilizer	100.72	_____
-Crop Insurance	13.80	_____
-Fuel & Lubrication	20.68	_____
-Repairs	16.59	_____
-Drying	0.00	_____
-Miscellaneous	6.50	_____
-Operating Interest	4.59	_____
	=====	=====
SUM OF LISTED DIRECT COSTS	204.28	_____
INDIRECT (FIXED) COSTS		
-Misc. Overhead	6.81	_____
-Machinery Depreciation	19.00	_____
-Machinery Investment	11.01	_____
-Land Charge	99.40	_____
	=====	=====
SUM OF LISTED INDIRECT COSTS	136.22	_____
SUM OF ALL LISTED COSTS	340.50	_____
RETURN TO LABOR & MANAGEMENT	1.32	_____
LISTED COSTS PER BUDGET UNIT	(bu):	
-Direct Costs	3.78	_____
-Indirect Costs	2.52	_____
-Total Costs	6.31	_____

Winter Wheat notes:

*Yield is per harvested acre, 2003-2009 acreage abandonment averaged 12%.

2012 Machinery List

Machine	Purch. Price	Annual Use	Years to trade	Trade in	Deprec.	Invest.	Repairs	Ac/hr
2WD 100HP Tractor	64600	400hr	20	20830	5.47 /hr	4.81 /hr	6.58 /hr	
2WD 160HP Tractor	109900	500hr	15	32513	10.32 /hr	6.41 /hr	11.19 /hr	
4WD 330HP Tractor	190700	500hr	15	56409	17.91 /hr	11.12 /hr	11.09 /hr	
SP Combine (base unit)	241000	250hr	12	59947	60.35 /hr	27.09 /hr	39.12 /hr	
Tandem Truck (used)	34800	150hr	15	11100	10.53 /hr	6.89 /hr	6.93 /hr	
Semi & Trailer (used)	39100	150hr	10	11200	18.60 /hr	7.55 /hr	8.53 /hr	
Pick-up Truck	27500	300hr	10	5400	7.37 /hr	2.47 /hr	3.13 /hr	
Swather 25 ft	22000	1000ac	20	5198	0.84 /ac	0.61 /ac	0.38 /ac	12.1
Sprayer 90 ft	34800	5000ac	10	15792	0.32 /ac	0.23 /ac	0.45 /ac	42.5
Chisel Plow 38 ft	36100	3000ac	15	21108	0.33 /ac	0.43 /ac	0.80 /ac	19.6
Field Cultivator 48 ft	42000	3000ac	15	24535	0.39 /ac	0.50 /ac	0.74 /ac	24.7
Tandem Disk 28 ft	30800	800ac	20	8810	1.37 /ac	1.11 /ac	0.87 /ac	12.2
Heavy Harrow 70 ft	27800	2000ac	20	16234	0.29 /ac	0.50 /ac	0.31 /ac	39.7
Row-crop cultivator 12-30	13300	800ac	15	7351	0.50 /ac	0.58 /ac	0.50 /ac	11.6
Air Seeder 40 ft	162200	2400ac	12	76449	2.97 /ac	2.23 /ac	5.61 /ac	17.0
Planter 12-30	51100	800ac	20	17011	2.13 /ac	1.92 /ac	2.82 /ac	10.6
Bean cutter	12000	400ac	20	3398	1.08 /ac	0.87 /ac	0.65 /ac	6.5
Corn head	43900	600ac	20	4137	3.31 /ac	1.80 /ac	1.02 /ac	6.8
Grain head w/pu	14000	1200ac	10	4965	0.75 /ac	0.36 /ac	0.27 /ac	8.5
Grain str. cut 30 ft	23400	1000ac	15	4737	1.24 /ac	0.63 /ac	0.36 /ac	10.2
Head w/sunf pans 30 ft	28100	600ac	20	2871	2.10 /ac	1.16 /ac	0.43 /ac	10.2
Soybeans str. cut 30 ft	34600	1000ac	20	3174	1.57 /ac	0.85 /ac	0.53 /ac	10.2
Head w/drybean pickups	28100	400ac	20	2990	3.14 /ac	1.75 /ac	0.50 /ac	8.9
Grain Cart	28700	100hr	20	4900	11.90 /hr	7.56 /hr	7.20 /hr	
Grain auger	8700	50hr	20	630	8.07 /hr	4.20 /hr	4.30 /hr	

Example Sequence of Operations

Field operations sequence for spring wheat and durum.

OP. NO.	DESCRIPTION	(FEET) WIDTH	(MPH) SPEED	(AC/HR) Fld Cap	(\$/AC) FUEL & LUBE	(\$/AC) EST. REPAIRS
1	Field Cultivator	48	5.0	24.7	\$ 2.30	\$ 1.19
2	Plant	40	5.0	17.0	3.35	6.27
3	Spray (130%)	90	6.0	42.5	0.53	0.78
4	Combine	30	4.0	10.2	4.39	4.20
5	Chisel Plow	38	5.0	19.6	2.90	1.37
6	Chisel Plow	38	5.0	19.6	2.90	1.37
	Grain Cart*				1.34	0.35
	Trucks*				2.55	0.92
	Grain auger (pto)				0.23	0.09
	Pickup truck allocation				1.86	0.56
	Total				22.35	17.10

* Truck costs will vary between crops.

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