January 28, 2010

A LITTLE BIT COUNTRY
WARREN FROELICH
NDSU EXTENSION SERVICE
WILLIAMS COUNTY

<u>**Crop Budgets Not Rosy**</u>

Agricultural economist, Andrew Swenson and Ron Haugen of North Dakota State University, recently released their projected 2010 crop budgets for northwest North Dakota. Except for lentils, the budgets are not rosy but most crops do show a positive value for a return to labor and management.

Let's start with lentils. The bottom line, that is return to labor and management, is $120.50 per acre. On the revenue side, Swenson and Haugen use a yield of 1250 pounds per acre and a market price of $0.24 per pound. On the expense ledger they have listed $118.00 of direct costs and $62.00 indirect (fixed) costs.

The indirect costs include machinery depreciation ($16.83), machinery investment ($9.35) and land investment of $31.00 per acre. There is also a $5.00 per acre miscellaneous overhead charge. This might include housing, insurance, meetings, general farm utilities, etc.

Herbicides and seed account for the largest share of the direct costs, $32.50 and $28.00 respectively. Crop insurance ($16.20), feed ($11.00) and repairs ($15.00) make-up another sizeable chunk of the direct costs. Not included in the expense side are possible costs incurred to protect the crop against aschochyta disease or cutworms. The cost of a fungicide could be around $16.00 plus application. An insecticide for cutworm control is estimated to cost around $5.00 per acre plus the cost of application.

The durum budget includes a 28 bushel yield and a price of $6.00 per bushel. The spring wheat budget uses the same yield but a market price of $5.30 per bushel. As expected, fertilizer is a largest expense accounting for nearly $28.00 of the $100.00 total direct costs. Herbicides, seed and fuel add another $15.00, $12.50, and $12.00 respectively. There isn't much difference in indirect costs for all of the dryland crops evaluated. Except for corn and chickpeas, indirect costs usually total between $55.00-$60.00 per acre. The corn and chickpea values are near $65.00 per acre.

The return to labor and management for spring wheat is a negative $6.00 per acre while durum shows a profit of nearly $10.00. The difference is primarily due to the expected market price.

The budget for field peas is not promising unless the grower can market them at food price levels for which $6.00 per bushel is used. Even at that price, the field peas budget generates approximately $7.00 per acre as a return to labor and management.

Other crops which show some positive return included malting barley ($15.00), corn grain ($66.00), canola ($15.00), yellow mustard ($65.00), safflower ($38.00), buckwheat ($26.00), and small chickpeas ($108.00).

These budgets account for full economic opportunity costs for land and machinery. The return to labor and management is the amount left for family living and savings. If a family has annual living expenses of $50,000 and the crop is returning $10.00 per acre, that operation would need 5,000 acres.

Producers tend to look at cost of production only as inputs (direct costs) and hired labor. They tend not to include equipment expense. In this new era of agribusiness it is important to include every penny it takes to run a farm operation. Most farms cannot afford to shoot from the hip. So, they need to know their own cost of production and use the university generated budget as a guide in identifying costs or as benchmarks.

The budgets I have been referring to are on our website www.ag.ndsu.edu/williamscountyextension. We will be happy to mail a hard copy on request. They will be available during the Wheat Show.