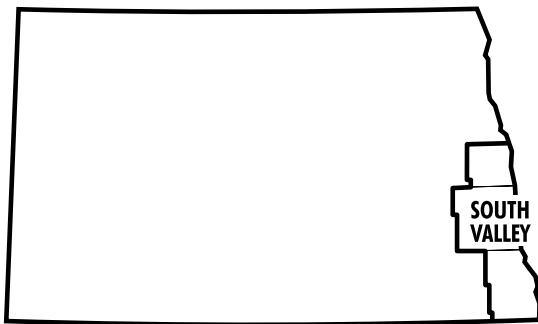




FARM MANAGEMENT PLANNING GUIDE

December 2015

Projected 2016 Crop Budgets



South Valley North Dakota

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The 2016 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 2016 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.

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.

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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.

The 2014 Farm Bill initiated the Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) support programs, and eliminated the direct and counter-cyclical payment programs and the ACRE program.

PLC and ARC payments have been omitted from the budgets because those payments, if any, are tied to historic farm program base acres, not to current crop selection or production.

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 2008-2014, 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 - 34 lb
 Phosphorus - 10 ppm
 Potassium - 278 ppm

Fertilizer prices:
 Nitrogen - .40/lb
 Phosphorus - .44/lb
 Potassium - .33/lb

Seed Prices:

Spring Wheat	9.25/bu
Barley	8.50/bu
Corn GM	2.85/thou.kern.
Soybean RR2	.33/thou.kern.
Dry Beans	.67/lb
Oil Sunflower	1.50/thou.kern.
Conf. Sunflower	2.50/thou.kern.
Oats	6.00/bu
Winter Wheat	8.00/bu

Fuel prices:

Diesel	1.80/gal
Gas	1.95/gal

Lubrication charge: 15% of fuel cost

Crop Insurance: Revenue Protection was used for all wheat, barley, soybeans, corn, canola, sunflowers and dry beans. Yield Protection or APH insurance was used for other crops. A 70% coverage and optional units were used, except corn for which 80% coverage and enterprise units were assumed.

Miscellaneous: soil testing, machinery rent and custom work.

Operating Interest: Direct costs charged 4.25% 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	58	_____	75	_____
Market Price	5.42	_____	4.24*	_____
MARKET INCOME	314.36	_____	318.00	_____
DIRECT COSTS				
-Seed	18.50	_____	17.00	_____
-Herbicides	22.00	_____	19.20	_____
-Fungicides	17.00*	_____	17.00**	_____
-Insecticides	0.00**	_____	0.00	_____
-Fertilizer	75.10	_____	57.13	_____
-Crop Insurance	9.40	_____	17.20	_____
-Fuel & Lubrication	13.05	_____	14.38	_____
-Repairs	20.61	_____	21.64	_____
-Drying	0.00	_____	0.00	_____
-Miscellaneous	7.50	_____	7.50	_____
-Operating Interest	3.89	_____	3.63	_____
SUM OF LISTED DIRECT COSTS	187.05	=====	174.68	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	7.95	_____	8.52	_____
-Machinery Depreciation	23.83	_____	25.21	_____
-Machinery Investment	13.92	_____	15.24	_____
-Land Investment	123.00	_____	123.00	_____
SUM OF LISTED INDIRECT COSTS	168.70	=====	171.96	=====
SUM OF ALL LISTED COSTS	355.75	_____	346.64	_____
RETURN TO LABOR & MANAGEMENT	(41.39)	_____	(28.64)	_____
LISTED COSTS PER BUDGET UNIT	(bu)		(bu)	
-Direct Costs	3.22	_____	2.33	_____
-Indirect Costs	2.91	_____	2.29	_____
-Total Costs	6.13	_____	4.62	_____

Spring Wheat notes:

*Includes seed treatment, an early season foliar fungicide, and a late season fungicide which is often warranted in this region for fusarium head blight (scab) control.

**Cereal grain aphid insecticide would cost about \$6.

Barley notes:

*There is risk of not making malting barley quality. Use \$2.90 price for feed barley.

**Includes seed treatment, an early season foliar fungicide, and a late season fungicide recommended when conditions are favorable for fusarium head blight (scab) infection.

Corn Grain

Soybeans

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	135		34	
Market Price	3.50		8.12	
MARKET INCOME	472.50		276.08	
DIRECT COSTS				
-Seed	95.48*		65.75*	
-Herbicides	24.00		22.00	
-Fungicides	0.00		0.00	
-Insecticides	0.00		4.00**	
-Fertilizer	90.72		2.92	
-Crop Insurance	23.80		10.00	
-Fuel & Lubrication	18.27		10.66	
-Repairs	26.51		19.07	
-Drying	28.35		0.00	
-Miscellaneous	7.50		1.50	
-Operating Interest	6.68		2.89	
SUM OF LISTED DIRECT COSTS	321.31		138.79	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	10.54		7.37	
-Machinery Depreciation	35.35		22.25	
-Machinery Investment	20.28		12.78	
-Land Investment	123.00		123.00	
SUM OF LISTED INDIRECT COSTS	189.18		165.40	
SUM OF ALL LISTED COSTS	510.49		304.19	
RETURN TO LABOR & MANAGEMENT	(37.99)		(28.11)	
LISTED COSTS PER BUDGET UNIT				
	(bu)		(bu)	
-Direct Costs	2.38		4.08	
-Indirect Costs	1.40		4.86	
-Total Costs	3.78		8.95	

Corn notes:

*GM corn with herbicide tolerance and above ground insect control traits. Cost includes insecticide seed treatment for wireworm, rootworm, white grub and suppression of cutworm.

Soybean notes:

*RR2 (glyphosate) resistant soybeans. The cost includes \$8 for inoculant and fungicide treatment in addition to seed expense.

**Soybean aphid and/or spider mite insecticide.

Drybeans

Oil Sunflower

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1700		1650	
Market Price	0.22		0.162	
MARKET INCOME	374.00		267.30	
DIRECT COSTS				
-Seed	55.28		36.00	
-Herbicides	41.60		27.00	
-Fungicides	20.00**		0.00*	
-Insecticides	0.00		5.00**	
-Fertilizer	39.60		37.32	
-Crop Insurance	24.30		10.20	
-Fuel & Lubrication	13.82		12.32	
-Repairs	23.92		19.44	
-Drying	0.00		4.95	
-Miscellaneous	15.50		15.50	
-Operating Interest	4.97		3.56	
SUM OF LISTED DIRECT COSTS	238.99		171.29	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	9.03		8.26	
-Machinery Depreciation	28.68		25.16	
-Machinery Investment	18.48		15.16	
-Land Investment	123.00		123.00	
SUM OF LISTED INDIRECT COSTS	179.19		171.58	
SUM OF ALL LISTED COSTS	418.18		342.88	
RETURN TO LABOR & MANAGEMENT	(44.18)		(75.58)	
LISTED COSTS PER BUDGET UNIT				
	(lb)		(lb)	
-Direct Costs	0.14		0.10	
-Indirect Costs	0.11		0.10	
-Total Costs	0.25		0.21	

Drybean notes:

Under the 2014 farm bill government payment reductions can occur if drybean plantings exceed non-base acres plus 15 percent of base acres (35 percent if enrolled in ARC-IC).

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

Fungicide for rust at \$4-\$12 plus application maybe necessary.

Oil Sunflower notes:

*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 \$8 is under "Miscellaneous."

Confection Sunflower

Oats

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1480	_____	79	_____
Market Price	0.22	_____	2.43	_____
MARKET INCOME	325.60	_____	191.97	_____
DIRECT COSTS				
-Seed	50.00	_____	12.00	_____
-Herbicides	29.20	_____	5.25	_____
-Fungicides	0.00*	_____	0.00	_____
-Insecticides	10.00**	_____	0.00	_____
-Fertilizer	32.08	_____	50.38	_____
-Crop Insurance	13.20	_____	10.00	_____
-Fuel & Lubrication	12.09	_____	14.25	_____
-Repairs	19.29	_____	20.95	_____
-Drying	4.44	_____	0.00	_____
-Miscellaneous	23.50	_____	7.50	_____
-Operating Interest	4.12	_____	2.56	_____
SUM OF LISTED DIRECT COSTS	197.92	=====	122.88	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	8.17	_____	8.44	_____
-Machinery Depreciation	24.89	_____	24.75	_____
-Machinery Investment	15.02	_____	14.86	_____
-Land Investment	123.00	_____	123.00	_____
SUM OF LISTED INDIRECT COSTS	171.08	=====	171.05	=====
SUM OF ALL LISTED COSTS	369.00	_____	293.93	_____
RETURN TO LABOR & MANAGEMENT	(43.40)	_____	(101.96)	_____
LISTED COSTS PER BUDGET UNIT	(lb)		(bu)	
-Direct Costs	0.13	_____	1.56	_____
-Indirect Costs	0.12	_____	2.17	_____
-Total Costs	0.25	_____	3.72	_____

Confection Sunflower notes:

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

**Two sprayings for head feeding insects (red seed weevil, lygus bug and banded moths) at about \$5 per application. Each custom application cost of \$8 is under "Miscellaneous."

Winter Wheat

	Per Acre	Your Figures
Market Yield	56*	_____
Market Price	4.67	_____
MARKET INCOME	261.52	_____
DIRECT COSTS		
-Seed	11.05	_____
-Herbicides	23.90	_____
-Fungicides	9.00	_____
-Insecticides	0.00	_____
-Fertilizer	72.04	_____
-Crop Insurance	9.30	_____
-Fuel & Lubrication	11.71	_____
-Repairs	19.16	_____
-Drying	0.00	_____
-Miscellaneous	7.50	_____
-Operating Interest	3.48	_____
	=====	=====
SUM OF LISTED DIRECT COSTS	167.14	_____
INDIRECT (FIXED) COSTS		
-Misc. Overhead	7.58	_____
-Machinery Depreciation	22.39	_____
-Machinery Investment	12.75	_____
-Land Investment	123.00	_____
	=====	=====
SUM OF LISTED INDIRECT COSTS	165.71	_____
SUM OF ALL LISTED COSTS	332.86	_____
RETURN TO LABOR & MANAGEMENT	(71.34)	_____
LISTED COSTS PER BUDGET UNIT	(bu)	
-Direct Costs	2.98	_____
-Indirect Costs	2.96	_____
-Total Costs	5.94	_____

Winter Wheat notes:

*Yield is per harvested acre. There is some risk of acreage abandonment in spring.

2016 Machinery List

Machine	Purch. Price	Annual Use	Years to trade	Trade in	Deprec.	Invest.	Repairs	Ac/hr
FWA 140HP Tractor	130000	400 hr	20	40676	11.17 /hr	9.60 /hr	12.84 /hr	
FWA 180HP Tractor	176200	500 hr	15	50575	16.75 /hr	10.20 /hr	17.40 /hr	
4WD 340HP Tractor	232100	500 hr	15	66661	22.06 /hr	13.44 /hr	13.11 /hr	
SP Combine (base unit)	281900	250 hr	12	68074	71.28 /hr	31.50 /hr	44.43 /hr	
Tandem Truck (used)	38300	150 hr	15	12200	11.60 /hr	7.58 /hr	7.85 /hr	
Semi & Trailer (used)	42900	150 hr	10	12250	20.43 /hr	8.27 /hr	9.47 /hr	
Pick-up Truck	30600	300 hr	10	6000	8.20 /hr	2.75 /hr	3.55 /hr	
Swather 30 ft	30600	1000 ac	20	7253	1.17 /ac	0.85 /ac	0.49 /ac	13.1
Sprayer 90 ft	38800	5000 ac	10	19278	0.39 /ac	0.26 /ac	0.50 /ac	42.5
Chisel Plow 38 ft	43300	3000 ac	15	25280	0.40 /ac	0.51 /ac	0.96 /ac	19.6
Field Cultivator 48 ft	48900	3000 ac	15	28558	0.45 /ac	0.58 /ac	0.86 /ac	24.7
Tandem Disk 28 ft	34300	800 ac	20	9830	1.53 /ac	1.24 /ac	0.87 /ac	13.6
Heavy Harrow 70 ft	31000	2000 ac	20	18080	0.32 /ac	0.55 /ac	0.35 /ac	39.7
Air Seeder 40 ft	180800	2400 ac	10	92386	3.68 /ac	2.56 /ac	6.25 /ac	17.0
Planter 24-22	135300	1600 ac	15	56265	3.29 /ac	2.69 /ac	5.10 /ac	15.6
Bean cutter	13400	400 ac	20	3786	1.20 /ac	0.97 /ac	0.72 /ac	6.5
Corn head 12R w/chopper	117300	1000 ac	15	22458	6.32 /ac	3.14 /ac	2.47 /ac	7.5
Grain head w/pu	15600	800 ac	20	1536	0.88 /ac	0.48 /ac	0.25 /ac	10.2
Grain str. cut 30 ft	26000	1000 ac	15	5290	1.38 /ac	0.70 /ac	0.40 /ac	10.2
Head w/sunf pans 30 ft	31300	600 ac	20	3200	2.34 /ac	1.29 /ac	0.48 /ac	10.2
Flex head 30 ft	38600	1000 ac	20	3541	1.75 /ac	0.95 /ac	0.60 /ac	10.2
Head w/drybean pickups	31300	400 ac	20	3334	3.50 /ac	1.95 /ac	0.56 /ac	8.9
Grain Cart	30000	100 hr	20	5100	12.45 /hr	7.90 /hr	7.50 /hr	
Grain auger	12700	50 hr	20	735	11.97 /hr	6.05 /hr	4.70 /hr	

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