

Hemp Budgets and How to Use Them

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Hemp Budgets

- Basic pieces include
 - Revenue
 - Variable Cost
 - Fixed Cost
 - Breakeven Prices @ Given Yield
 - Profit (?)

Revenue

- What is revenue?
 - Price of output for a given unit
 - Quantity of given units produced
- The key components of revenue in the production of hemp are
 - Pricing model
 - The ability to produce a given amount

Variable Cost

- The cost that changes with the quantity grown
- Includes inputs like
 - Plowing
 - Hauling material
 - Fertilizer
 - Seed
- Paid for 'first'
- Total variable cost for a given unit provides the 'shutdown point'

Fixed Cost

- The costs that don't change with the quantity grown
- Includes inputs like
 - Equipment investment
 - Land payment
 - Legal expense
- Paid for in part, or in full, 'following' variable costs
- Total fixed cost for a given unit provides the economic 'breakeven point'

Breakeven Prices

- The price above which
 - Variable cost = production continues
 - Total cost = Economic profit occurs
- Calculated as
 - Total Cost divided by
 - Total Yield
 - Provides a 'price per pound to cover variable or total cost'
- Can vary/test different yield levels

Example of Breakeven Table

		Breakeven Prices	
		Total VC/Acre = \$773.38	Total Cost/Acre = \$2,532.33
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	750	\$1.03	\$3.38
90%	900	\$0.86	\$2.81
100%	1,000	\$0.77	\$2.53
110%	1,100	\$0.70	\$2.30
125%	1,250	\$0.62	\$2.03



Profit (?)

- Does it exist?
- Revenue – Cost = Profit/Loss
- Covering total variable cost and total fixed cost yields a profit
- If price is above the breakeven price to cover total cost a profit exists