

Farm Enterprise Budgets and Input Costs Management

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Business Management Tools and Steps

- 1st: Measure and Analysis Past Performance**
- 2nd: Build Budget and Breakeven Prices**
- 3rd: Input Cost Management / Resource Optimization**
- 4th: Long Term Business Plan**

Enterprise Budgets

Enterprise Budget

- Detailed representation of **revenues**, **costs**, and **net return** associated with the production of agricultural products.

REVENUES
- EXPENSES

NET RETURN

WHEAT BUDGET EXAMPLE

REVENUE	Quantity	Units	\$/Unit	Total	Enterprise Total
Wheat	40.00	Bushel	\$8.25	\$330.00	\$211,200.00
Wheat Pasture	64.00	Pound of Gain	\$0.75	\$48.00	\$30,720.00
Total Revenue				\$378.00	\$241,920.00
VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Seed					
Wheat Seed	50	Pound	\$0.23	\$11.50	\$7,360.00
Fertilizer					
Fertilizer (N)	60	Pound	\$0.79	\$47.40	\$30,336.00
Fertilizer (P)	25	Pound	\$0.63	\$15.75	\$10,080.00
Custom					
Custom Harvest Wheat	1	Acre	\$35.00	\$35.00	\$22,400.00
Overage - Wheat	10	Bushel	\$0.24	\$2.40	\$1,536.00
Custom Haul Wheat	30	Bushel	\$0.24	\$7.20	\$4,608.00
Fertilizer Application	1	Acre	\$5.00	\$5.00	\$3,200.00
Miscellaneous					
Insurance - Wheat	1	Acre	\$12.00	\$12.00	\$7,680.00
Herbicide					
Herbicide - Wheat	6.4	Ounce	\$0.17	\$1.10	\$704.00
2,4D	4.2	Pint	\$2.84	\$11.93	\$7,633.92
Glyphosate	6	Pint	\$4.30	\$25.80	\$16,512.00
Insecticide					
Insecticide & Application - Whea	2	Ounce	\$4.50	\$9.00	\$5,760.00
Fungicides					
Fungicide Application	1	Acre	\$5.50	\$5.50	\$3,520.00
Machinery Labor					
Tractors/Self-Propelled	0.17	Hour	\$15.00	\$2.55	\$1,632.00
Other Labor	0.2	Hour	\$15.00	\$3.00	\$1,920.00
Diesel Fuel					
Tractors/Self-Propelled	2.03	Gallon	\$3.49	\$7.08	\$4,534.21
Gasoline					
Pickup/General Use Equipment	1	Acre	\$2.11	\$2.11	\$1,350.00
Repairs & Maintenance					
Pickup/General Use Equipment	1	Acre	\$0.70	\$0.70	\$450.00
Tractors/Self-Propelled	1	Acre	\$4.85	\$4.85	\$3,105.84
Implements	1	Acre	\$10.44	\$10.44	\$6,682.96
Interest on Credit Line			7.50%	\$9.93	\$6,353.45
Total Variable Costs				\$230.25	\$147,358.37
Planned Returns Above Variable Costs:				\$147.75	\$94,561.63
Breakeven Price to Cover Variable Costs			\$4.56	Bushel	
FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation					
Pickup/General Use Equipment	1	Acre	\$0.98	\$0.98	\$624.75
Tractors/Self-Propelled	1	Acre	\$13.95	\$13.95	\$8,931.01
Implements	1	Acre	\$9.40	\$9.40	\$6,014.66
Equipment Investment					
Pickup/General Use Equipment	\$6.84	Dollars	6.50%	\$0.44	\$284.46
Tractors/Self-Propelled	\$104.56	Dollars	6.50%	\$6.80	\$4,349.61
Implements	\$40.20	Dollars	6.50%	\$2.61	\$1,672.41
Cash Rent - Wheat	1	Acre	\$30.00	\$30.00	\$19,200.00
Total Fixed Costs				\$64.18	\$41,076.90
Total Specified Costs				\$294.43	\$188,435.27
Returns Above Specified Costs				\$83.57	\$53,484.73
Breakeven Price to Cover Total Costs			\$6.16	Bushel	

Cost Estimation

- Production cost is a function of:
 - Inputs/ activities
 - Prices paid
- $\text{COST} = \text{QUANTITY} \times \text{PRICE}$
 - Repeat for all production inputs
 - Pre* and *Post* analysis

Production and Market Data

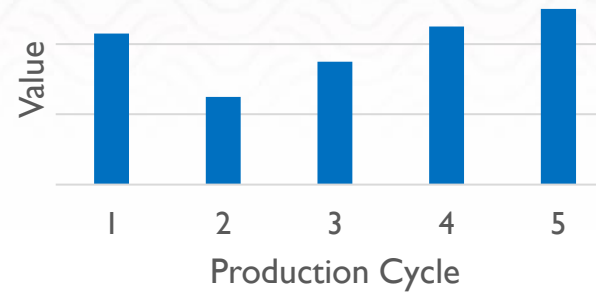
- It is essential to keep records
 - Yields
 - Production activities
 - Input quantities

- Projections or historical records
 - Output and input prices

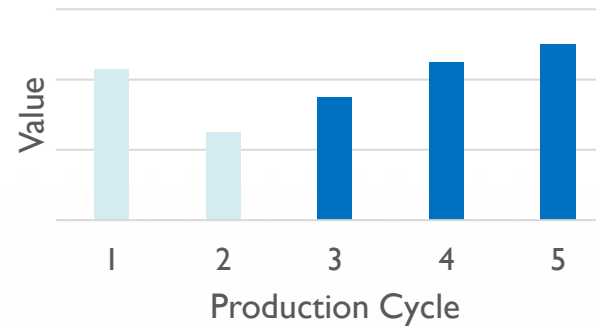
- Consistent estimates require at least two production cycles

Production Records To Use

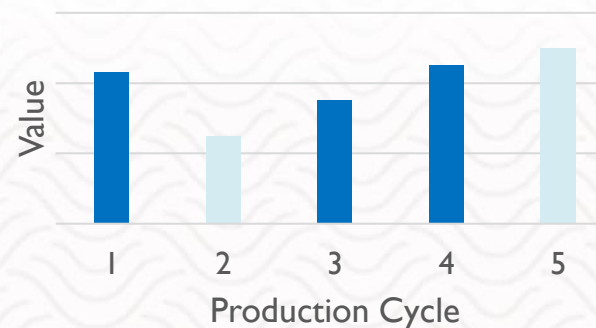
- Grand Average:
 All records



- Rolling Average:
 Most recent



- “Olympic” Average:
 Eliminate highest and
 lowest



Example – Cotton Yield

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price (lb/ac)	589	632	646	644	610	748	809	783	589	696	666

- Grand Average: 673.82 lb/ac
 All records

$$= \frac{589 + \dots + 666}{11}$$
- Rolling Average:
 Most recent (3 years)
- “Olympic” Average:
 Eliminate top and bottom

Example – Cotton Yield

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price (lb/ac)	589	632	646	644	610	748	809	783	589	696	666

- Grand Average: 673.82 lb/ac
 All records

- Rolling Average: 650.33 lb/ac
 Most recent (3 years)

$$= \frac{589 + 696 + 666}{3}$$

- “Olympic” Average:
 Eliminate top and
 bottom

Example – Cotton Yield

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Price (lb/ac)	589	632	646	644	610	748	809	783	589	696	666

- Grand Average: 673.82 lb/ac
 All records
- Rolling Average: 650.33 lb/ac
 Most recent (3 years)
- “Olympic” Average: 668.22 lb/ac $= \frac{632 + 646 + 644 + \dots + 666}{9}$
 Eliminate highest and lowest observations

Production Costs

- **Variable** and **Fixed** Costs

- **Variable Costs:**

Varies with the level of production

Other names: *Cash costs, direct costs, or out-of-pocket costs*

Examples: seed and plants, fertilizers, pesticides, fuel, repair and maintenance, labor, interest on operating capital

Production Costs

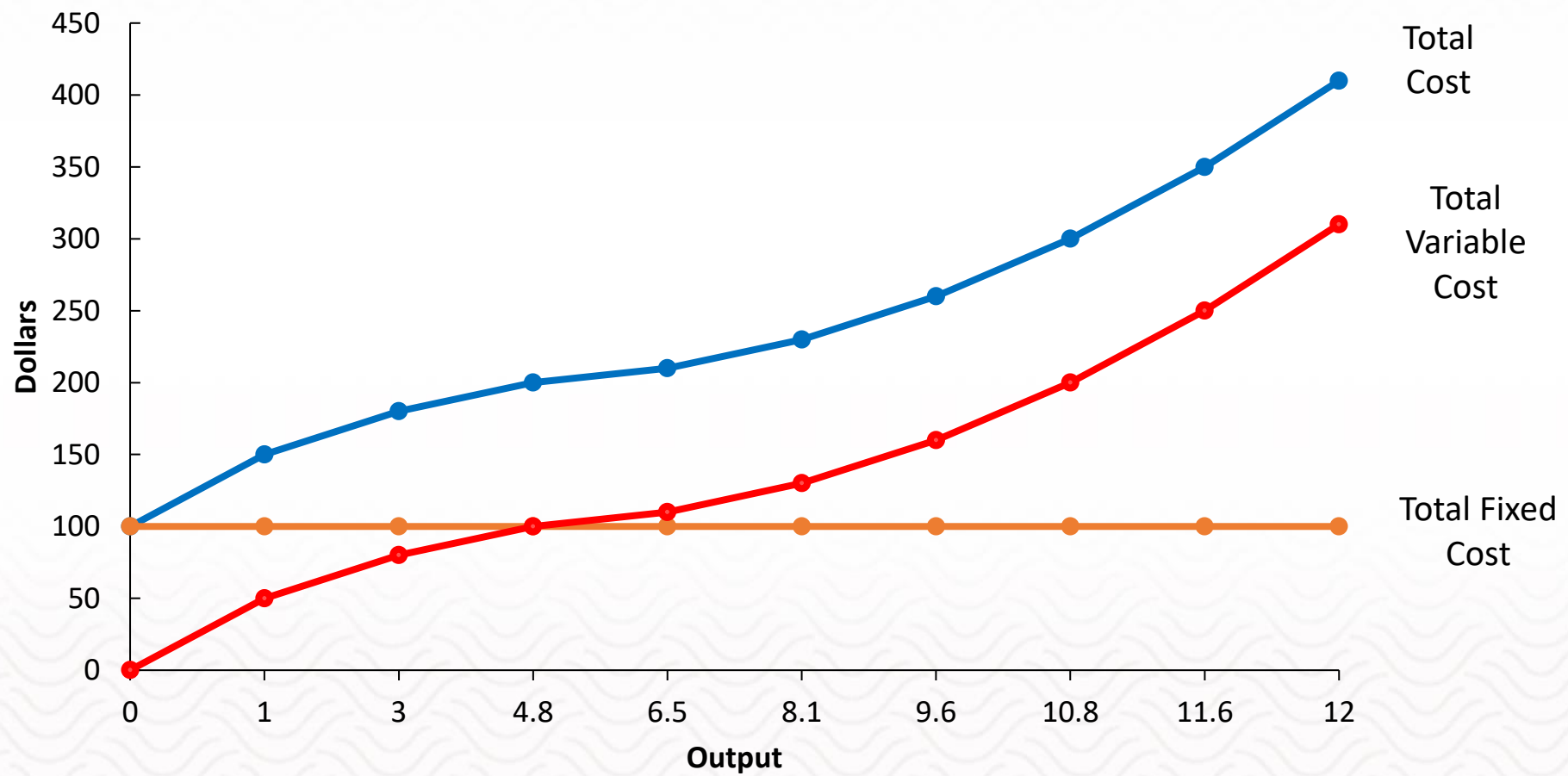
- **Fixed Costs:**

Constant regardless the level of production

Other names: *non-cash costs, overhead cost*

Examples: Property taxes, interest on investment,
 land, machinery depreciation

Variable and Fixed Costs



Revenue

REVENUE		Quantity	Units	\$/Unit	Total	Total
Wheat		40.00	Bushel	\$8.25	\$330.00	\$211,200.00
Wheat Pasture		64.00	Pound of Gain	\$0.75	\$48.00	\$30,720.00
Total Revenue					\$378.00	\$241,920.00

Variable Costs

VARIABLE COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
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Fertilizer						
Fertilizer (N)		60	Pound	\$0.79	\$47.40	\$30,336.00
Fertilizer (P)		25	Pound	\$0.63	\$15.75	\$10,080.00
Custom						
Custom Harvest Wheat		1	Acre	\$35.00	\$35.00	\$22,400.00
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Interest on Credit Line				7.50%	\$9.93	\$6,353.45
Total Variable Costs					\$230.25	\$147,358.37
Planned Returns Above Variable Costs:					\$147.75	\$94,561.63
Breakeven Price to Cover Variable Costs					\$4.56	Bushel

Returns above VC

Fixed Costs

FIXED COSTS		Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation						
Pickup/General Use Equipment		1	Acre	\$0.98	\$0.98	\$624.75
Tractors/Self-Propelled		1	Acre	\$13.95	\$13.95	\$8,931.01
Implements		1	Acre	\$9.40	\$9.40	\$6,014.66
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Implements		\$40.20	Dollars	6.50%	\$2.61	\$1,672.41
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Total Fixed Costs					\$64.18	\$41,076.90
Total Specified Costs					\$294.43	\$188,435.27

Net Returns

Returns Above Specified Costs					\$83.57	\$53,484.73
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Inputs →

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Planned Returns Above Variable Costs:				\$147.75	\$94,561.63
Breakeven Price to Cover Variable Costs			\$4.56 Bushel		
FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation					
Pickup/General Use Equipment	1	Acre	\$0.98	\$0.98	\$624.75
Tractors/Self-Propelled	1	Acre	\$13.95	\$13.95	\$8,931.01
Implements	1	Acre	\$9.40	\$9.40	\$6,014.66
Equipment Investment					
Pickup/General Use Equipment	\$6.84	Dollars	6.50%	\$0.44	\$284.46
Tractors/Self-Propelled	\$104.56	Dollars	6.50%	\$6.80	\$4,349.61
Implements	\$40.20	Dollars	6.50%	\$2.61	\$1,672.41
Cash Rent - Wheat	1	Acre	\$30.00	\$30.00	\$19,200.00
Total Fixed Costs				\$64.18	\$41,076.90
Total Specified Costs				\$294.43	\$188,435.27
Returns Above Specified Costs				\$83.57	\$53,484.73
Breakeven Price to Cover Total Costs			\$6.16 Bushel		

Dollar Value (\$/ac)



REVENUE	Quantity	Units	\$/Unit	Total	Enterprise Total
Wheat	40.00	Bushel	\$8.25	\$330.00	\$211,200.00
Wheat Pasture	64.00	Pound of Gain	\$0.75	\$48.00	\$30,720.00
Total Revenue				\$378.00	\$241,920.00
VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Seed					
Wheat Seed	50	Pound	\$0.23	\$11.50	\$7,360.00
Fertilizer					
Fertilizer (N)	60	Pound	\$0.79	\$47.40	\$30,336.00
Fertilizer (P)	25	Pound	\$0.63	\$15.75	\$10,080.00
Custom					
Custom Harvest Wheat	1	Acre	\$35.00	\$35.00	\$22,400.00
Overage - Wheat	10	Bushel	\$0.24	\$2.40	\$1,536.00
Custom Haul Wheat	30	Bushel	\$0.24	\$7.20	\$4,608.00
Fertilizer Application	1	Acre	\$5.00	\$5.00	\$3,200.00
Miscellaneous					
Insurance - Wheat	1	Acre	\$12.00	\$12.00	\$7,680.00
Herbicide					
Herbicide - Wheat	6.4	Ounce	\$0.17	\$1.10	\$704.00
2,4D	4.2	Pint	\$2.84	\$11.93	\$7,633.92
Glyphosate	6	Pint	\$4.30	\$25.80	\$16,512.00
Insecticide					
Insecticide & Application - Whea	2	Ounce	\$4.50	\$9.00	\$5,760.00
Fungicides					
Fungicide Application	1	Acre	\$5.50	\$5.50	\$3,520.00
Machinery Labor					
Tractors/Self-Propelled	0.17	Hour	\$15.00	\$2.55	\$1,632.00
Other Labor	0.2	Hour	\$15.00	\$3.00	\$1,920.00
Diesel Fuel					
Tractors/Self-Propelled	2.03	Gallon	\$3.49	\$7.08	\$4,534.21
Gasoline					
Pickup/General Use Equipment	1	Acre	\$2.11	\$2.11	\$1,350.00
Repairs & Maintenance					
Pickup/General Use Equipment	1	Acre	\$0.70	\$0.70	\$450.00
Tractors/Self-Propelled	1	Acre	\$4.85	\$4.85	\$3,105.84
Implements	1	Acre	\$10.44	\$10.44	\$6,682.96
Interest on Credit Line			7.50%	\$9.93	\$6,353.45
Total Variable Costs				\$230.25	\$147,358.37
Planned Returns Above Variable Costs:				\$147.75	\$94,561.63
Breakeven Price to Cover Variable Costs			\$4.56 Bushel		
FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation					
Pickup/General Use Equipment	1	Acre	\$0.98	\$0.98	\$624.75
Tractors/Self-Propelled	1	Acre	\$13.95	\$13.95	\$8,931.01
Implements	1	Acre	\$9.40	\$9.40	\$6,014.66
Equipment Investment					
Pickup/General Use Equipment	\$6.84	Dollars	6.50%	\$0.44	\$284.46
Tractors/Self-Propelled	\$104.56	Dollars	6.50%	\$6.80	\$4,349.61
Implements	\$40.20	Dollars	6.50%	\$2.61	\$1,672.41
Cash Rent - Wheat	1	Acre	\$30.00	\$30.00	\$19,200.00
Total Fixed Costs				\$64.18	\$41,076.90
Total Specified Costs				\$294.43	\$188,435.27
Returns Above Specified Costs				\$83.57	\$53,484.73
Breakeven Price to Cover Total Costs			\$6.16 Bushel		

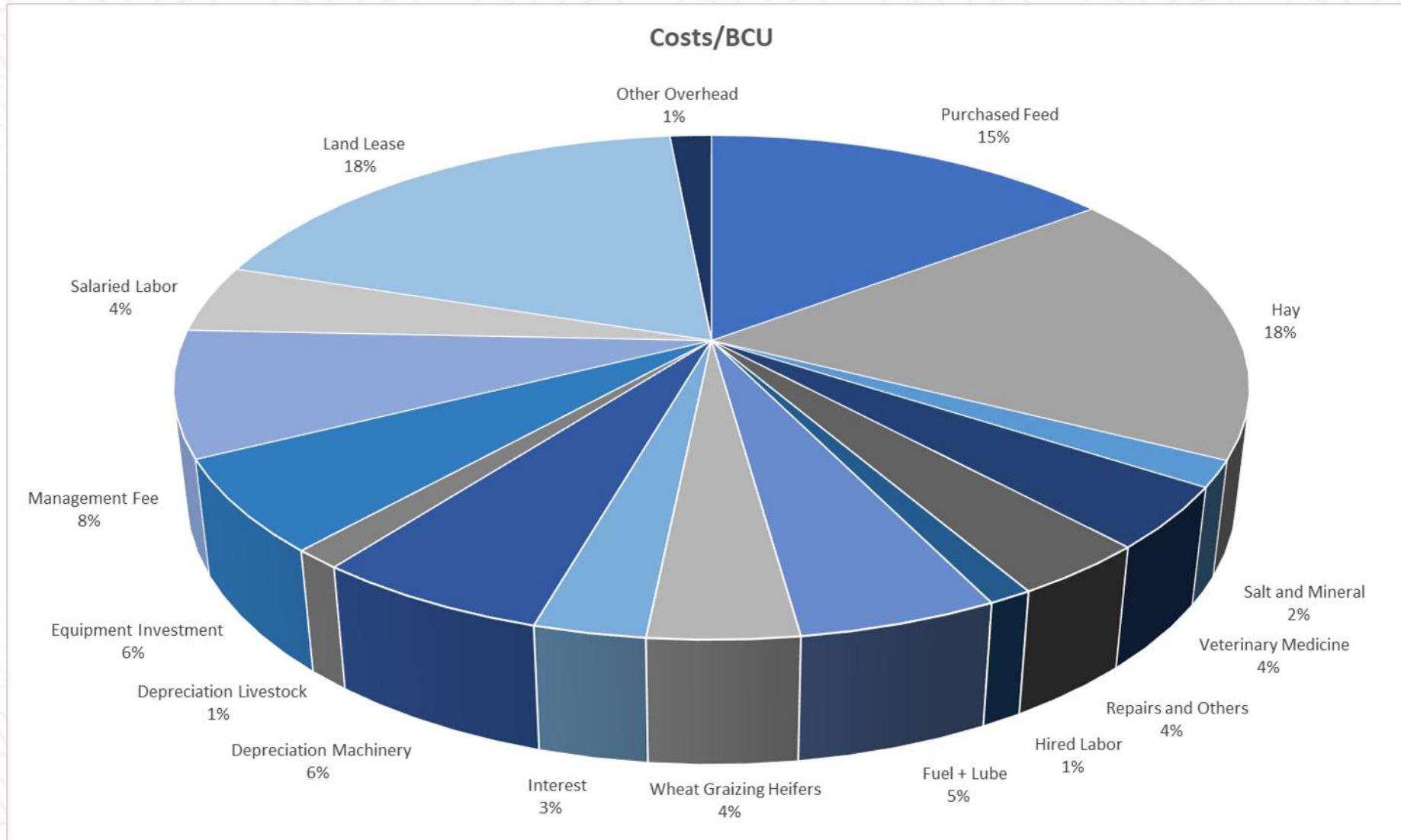
Enterprise Values

Cost Allocation Considerations

- Single farm with different enterprises
- Same inputs are used by several enterprises
- Economics of scale (*extrapolations*)
E.g.: irrigation labor, land preparation
- Define the appropriate units:
Unit of area: per acre, plot, greenhouse
Unit of product: per Ton, per head, per bushel

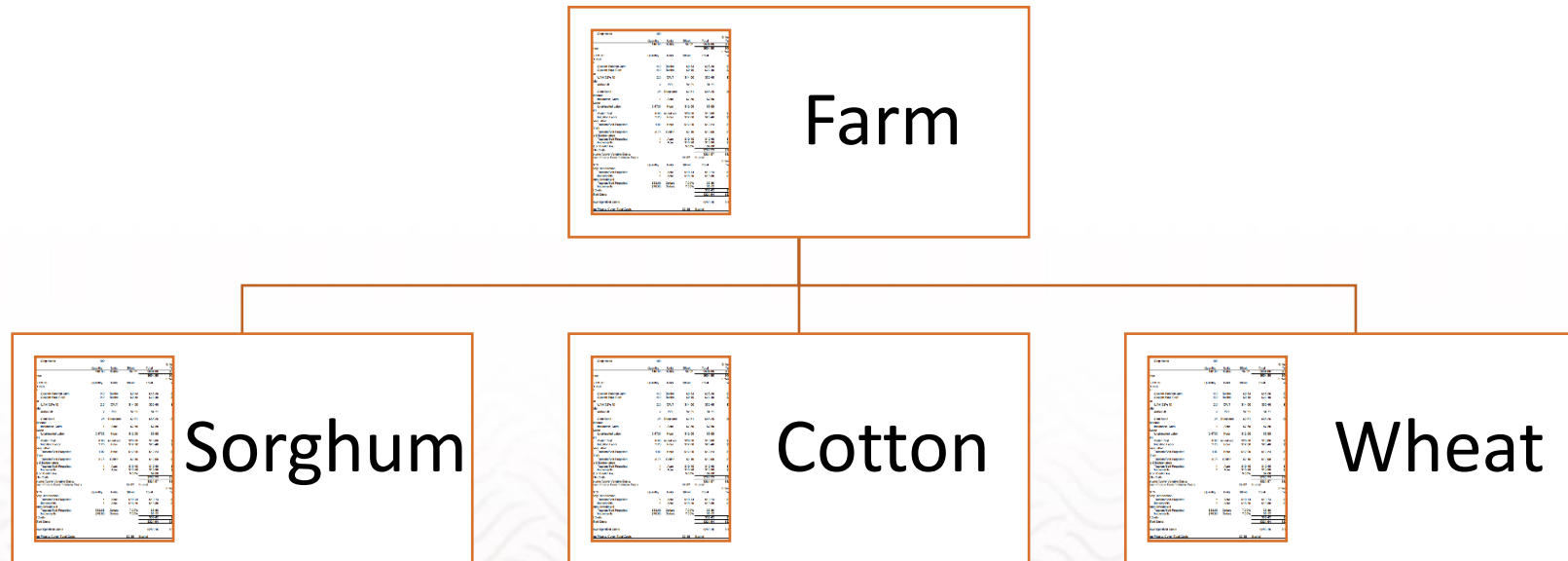
Uses of Enterprise Budgets

- Estimate the profits of the entire farm
- Identify the most profitable crops
- Analyze the financial impact of production decisions
- Price estimation
- Identify the major sources of production cost
- Benchmarking analysis
- Support farm loan applications



Whole-Farm Budget

- Used to estimate the profits of the entire farm and identify the crops profitability, and alternatives.



Partial Budget Analysis

- Tool used to analyze the impact that changes on production practices have on farm income.

- For example:
 - Adoption of new technologies
 - Changing input levels and type of inputs
 - Buy or rent machinery
 - Expanding or reducing the farm size

- Identify ONLY the revenues and expenses affected by the change in production practices.

Partial Budget Analysis

A. Positive Effects

Additional revenue
 + Reduced costs

= Positive change in income

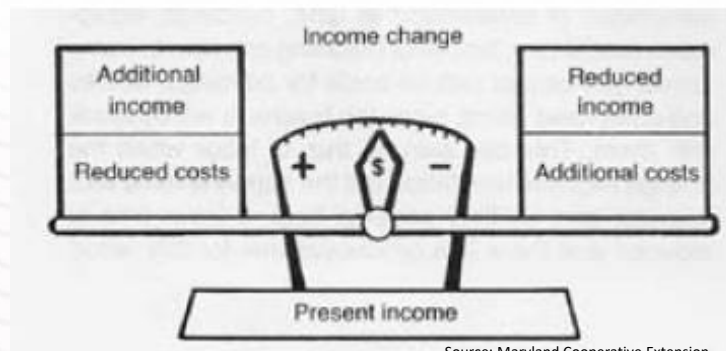
B. Negative Effects

Reduced revenue
 + Additional costs

= Negative change in income

C. Net Effect

= Net change in income (A-B)



Source: Maryland Cooperative Extension

Cost to Program Cattle Participation

Calf Born to Weaning	\$/Head	Total
Verification Service Fees & Investment Annual Costs	\$42.97	\$4,297
Added Management and Labor	\$3.00	\$300
Record Keeping - Paper Work	\$4.00	\$400
Other	\$0.00	
Other	\$0.00	
Other	\$0.00	
Subtotal Calf Born to Weaning Cost	\$49.97	\$4,997
Post Weaning To Sale	\$/Head	Total
Record Keeping - Paper Work	\$3.00	\$300
Added days of feeding & Grazing 60 Days	\$72.00	\$7,200
Vet, Vaccination, Worm and medicine	\$14.00	\$1,400
RFID Tag	\$3.85	\$385
Other	\$0.00	
Subtotal of Post Weaning Participation Production Co	\$92.85	\$9,285
Total Participation Cost	\$142.82	\$14,282

	Weaned Program Calves	Non Weaned Calves
Participating in Program		
Initial Weaned Weight - Net If Sold	500	550
Death Loss (%)	1%	
Added Net Weight	120	0
Weight in Program (Lb/Head)	620	550
Projected Net Market Price (\$/CWT)	\$205.00	\$205.00
Projected Premium (\$/CWT)	\$11.00	
	\$68.20	
Participating Price (\$/CWT)	\$216.00	\$205.00
Revenue per Head	\$1,339	\$1,128
Total Revenue	\$132,581	\$112,750

Change In Revenue	Total \$	\$19,831
Change In Costs to Participate (Added Costs)	Total \$	\$14,282
Net Revenue Change*	Total \$	\$5,549
Net Revenue Change*	\$/Head	\$56.05
Minimum Price Required	\$/Head	\$1,339.96
Minimum Price Required	\$/CWT	\$205.12

Breakeven Analysis

- **Breakeven price:**

Minimum price per unit required to cover all projected costs

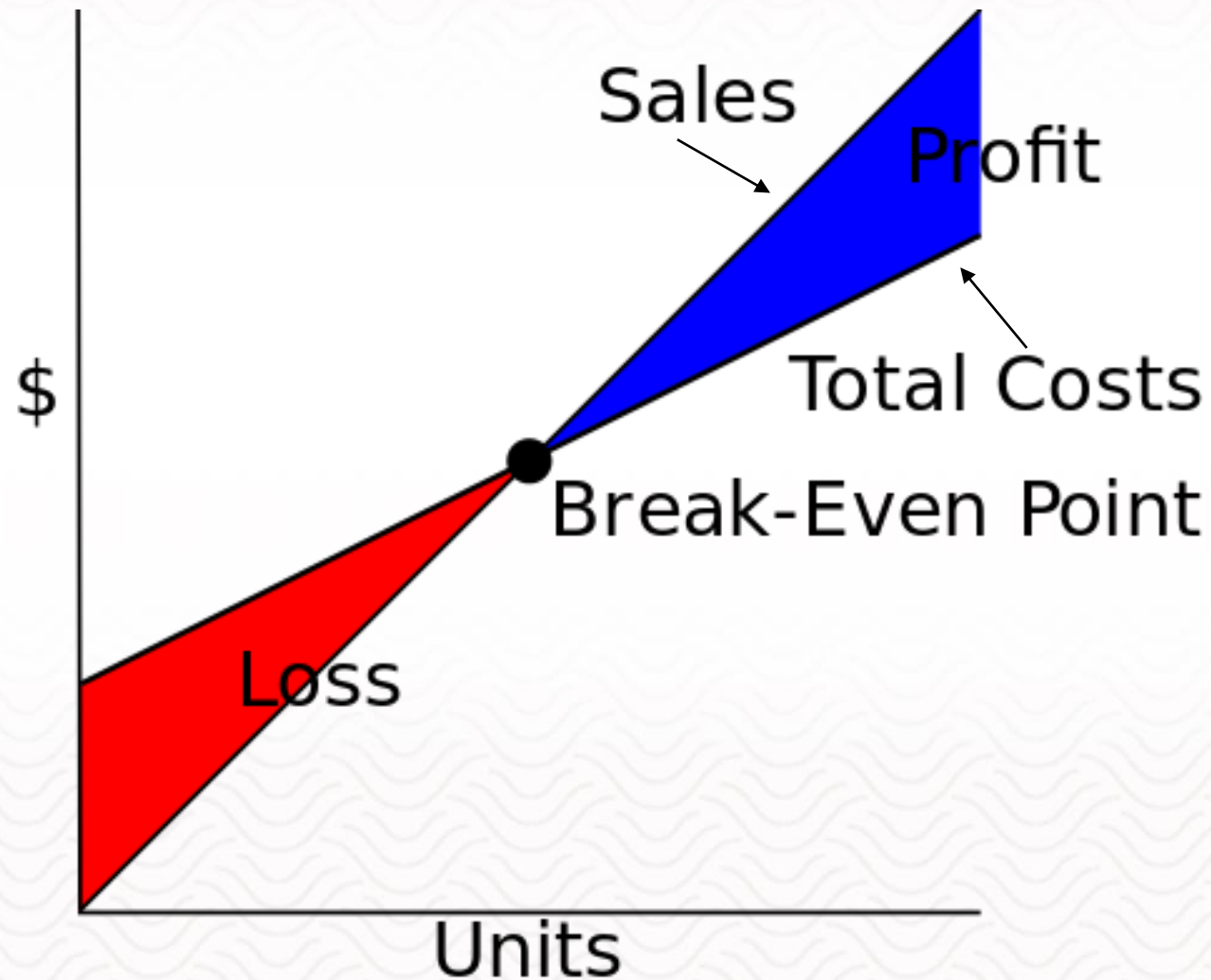
$$\text{Breakeven price} = \frac{\text{Expected cost}}{\text{Expected yield}}$$

- **Breakeven yield:**

Minimum yield required to cover all projected costs

$$\text{Breakeven yield} = \frac{\text{Fixed cost}}{\text{Expected price} - \text{Average variable cost}}$$

Break-even Analysis



Breakeven Price - Example

- Wheat:

Yield = 45 bu/ac

Total variable cost = \$230/ac

Total fixed cost = \$64/ac

Total cost = \$294/ac

- Breakeven price = $\frac{\text{Expected cost}}{\text{Expected yield}}$

- Breakeven price (variable cost) = $\frac{230}{40} = \$5.11/\text{bu}$

- Breakeven price (total cost) = $\frac{294}{40} = \$6.53/\text{bu}$

Overage - Wheat	10	Bushel	\$0.24	\$2.40	\$1,536.00
Custom Haul Wheat	30	Bushel	\$0.24	\$7.20	\$4,608.00
Fertilizer Application	1	Acre	\$5.00	\$5.00	\$3,200.00
Miscellaneous					
Insurance - Wheat	1	Acre	\$12.00	\$12.00	\$7,680.00
Herbicide					
Herbicide - Wheat	6.4	Ounce	\$0.17	\$1.10	\$704.00
2,4D	4.2	Pint	\$2.84	\$11.93	\$7,633.92
Glyphosate	6	Pint	\$4.30	\$25.80	\$16,512.00
Insecticide					
Insecticide & Application - Whea	2	Ounce	\$4.50	\$9.00	\$5,760.00
Fungicides					
Fungicide Application	1	Acre	\$5.50	\$5.50	\$3,520.00
Machinery Labor					
Tractors/Self-Propelled	0.17	Hour	\$15.00	\$2.55	\$1,632.00
Other Labor	0.2	Hour	\$15.00	\$3.00	\$1,920.00
Diesel Fuel					
Tractors/Self-Propelled	2.03	Gallon	\$3.49	\$7.08	\$4,534.21
Gasoline					
Pickup/General Use Equipment	1	Acre	\$2.11	\$2.11	\$1,350.00
Repairs & Maintenance					
Pickup/General Use Equipment	1	Acre	\$0.70	\$0.70	\$450.00
Tractors/Self-Propelled	1	Acre	\$4.85	\$4.85	\$3,105.84
Implements	1	Acre	\$10.44	\$10.44	\$6,682.96
Interest on Credit Line			7.50%	\$9.93	\$6,353.45
Total Variable Costs				\$230.25	\$147,358.37
Planned Returns Above Variable Costs:				\$147.75	\$94,561.63
Breakeven Price to Cover Variable Costs				\$4.56 Bushel	
FIXED COSTS					
	Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation					
Pickup/General Use Equipment	1	Acre	\$0.98	\$0.98	\$624.75
Tractors/Self-Propelled	1	Acre	\$13.95	\$13.95	\$8,931.01
Implements	1	Acre	\$9.40	\$9.40	\$6,014.66
Equipment Investment					
Pickup/General Use Equipment	\$6.84	Dollars	6.50%	\$0.44	\$284.46
Tractors/Self-Propelled	\$104.56	Dollars	6.50%	\$6.80	\$4,349.61
Implements	\$40.20	Dollars	6.50%	\$2.61	\$1,672.41
Cash Rent - Wheat	1	Acre	\$30.00	\$30.00	\$19,200.00
Total Fixed Costs				\$64.18	\$41,076.90
Total Specified Costs				\$294.43	\$188,435.27
Returns Above Specified Costs				\$83.57	\$53,484.73
Breakeven Price to Cover Total Costs				\$6.16 Bushel	

Breakeven
Price –
Variable
Costs

Breakeven
Price – Total
Cost

Sensitivity Analysis

- Analysis of price and yield uncertainty.

Example Breakeven Prices			
Example Yield Percent	Example Yield Bushel	To Cover Variable Costs	To Cover Total Costs
75%	30.00	\$6.07	\$8.21
90%	36.00	\$5.06	\$6.85
100%	40.00	\$4.56	\$6.16
110%	44.00	\$4.14	\$5.60
125%	50.00	\$3.64	\$4.93

Different yield levels:

- 100% = Expected yield
- 90% = Yield is 10% lower
- 110% = Yield is 10% higher

Sensitivity Analysis

- Analysis of price and yield uncertainty.

Example Breakeven Prices			
Example Yield Percent	Example Yield Bushel	To Cover Variable Costs	To Cover Total Costs
75%	30.00	\$6.07	\$8.21
90%	36.00	\$5.06	\$6.85
100%	40.00	\$4.56	\$6.16
110%	44.00	\$4.14	\$5.60
125%	50.00	\$3.64	\$4.93

At a given yield, this is the minimum price required to cover :

- Variable expenses
- All production expenses



REVENUE	Quantity	Units	\$/Unit	Cash	Enterprise
				Total	Total
Bermudagrass Round Bale	6.00	Round Bale	\$130.00	\$780.00	\$78,000.00
Total Revenue				\$780.00	\$78,000.00
VARIABLE COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Production Costs					
Custom					
Fertilizer Application	3	Acre	\$5.00	\$15.00	\$1,500.00
Herbicide Application	2	Acre	\$5.50	\$11.00	\$1,100.00
Insecticide Application	1	Acre	\$5.50	\$5.50	\$550.00
Cut and Bale	6	Roll	\$30.00	\$180.00	\$18,000.00
Fertilizer					
Fertilizer (N)	135	Pound	\$0.79	\$106.65	\$10,665.00
Fertilizer (P)	37.8	Pound	\$0.63	\$23.81	\$2,381.40
Potash (K)	113.4	Pound	\$0.70	\$79.38	\$7,938.00
Herbicide					
Hay Pre and Post Herbicide	2	Acre	\$12.00	\$24.00	\$2,400.00
Insecticide					
Insecticide - Alfalfa 1	1	Pint	\$4.12	\$4.12	\$412.00
Gasoline					
Pickup/General Use Equipment	1	Acre	\$4.50	\$4.50	\$450.00
Repairs & Maintenance					
Pickup/General Use Equipment	1	Acre	\$30.00	\$30.00	\$3,000.00
Interest on Credit Line					
			7.50%	\$17.09	\$1,708.86
Total Variable Costs				\$501.05	\$50,105.26
Planned Returns Above Variable Costs:				\$278.95	\$27,894.74
Breakeven Price to Cover Variable Costs			\$83.51	Round Bale	
FIXED COSTS	Quantity	Units	\$/Unit	Total	Enterprise Total
Machinery Depreciation					
Pickup/General Use Equipment	1	Acre	\$45.83	\$45.83	\$4,582.50
Equipment Investment					
Pickup/General Use Equipment	\$395.88	Dollars	6.50%	\$25.73	\$2,573.19
Allocated Establishment Cost	1	Acre	\$55.00	\$55.00	\$5,500.00
Total Fixed Costs				\$126.56	\$12,655.69
Total Specified Costs				\$627.61	\$62,760.95
Returns Above Specified Costs				\$152.39	\$15,239.05
Breakeven Price to Cover Total Costs			\$104.60	Round Bale	

Breakeven Prices – NT Wheat

2022-23

Example Breakeven Prices			
Example Yield Percent	Example Yield Bushel	To Cover Variable Costs	To Cover Total Costs
75%	30.00	\$6.07	\$8.21
90%	36.00	\$5.06	\$6.85
100%	40.00	\$4.56	\$6.16
110%	44.00	\$4.14	\$5.60
125%	50.00	\$3.64	\$4.93

2021-22

Example Breakeven Prices			
Example Yield Percent	Example Yield Bushel	To Cover Variable Costs	To Cover Total Costs
75%	30.00	\$6.89	\$8.97
90%	36.00	\$5.74	\$7.48
100%	40.00	\$5.16	\$6.73
110%	44.00	\$4.69	\$6.12
125%	50.00	\$4.13	\$5.38

Breakeven Prices – Coastal Production

2022-23

Example Breakeven Prices			
Example Yield Percent	Example Yield Round Bale	To Cover Variable Costs	To Cover Total Costs
75%	4.50	\$111.35	\$139.47
90%	5.40	\$92.79	\$116.22
100%	6.00	\$83.51	\$104.60
110%	6.60	\$75.92	\$95.09
125%	7.50	\$66.81	\$83.68

2021-22

Example Breakeven Prices			
Example Yield Percent	Example Yield Round Bale	To Cover Variable Costs	To Cover Total Costs
75%	4.50	\$118.12	\$145.36
90%	5.40	\$98.43	\$121.13
100%	6.00	\$88.59	\$109.02
110%	6.60	\$80.53	\$99.11
125%	7.50	\$70.87	\$87.22

Breakeven Prices – NT Irrigated Cotton

2022-23

Example Breakeven Prices			
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	1,053	\$0.75	\$0.94
90%	1,264	\$0.63	\$0.78
100%	1,404	\$0.56	\$0.70
110%	1,544	\$0.51	\$0.64
125%	1,755	\$0.45	\$0.56

2021-22

Example Breakeven Prices			
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	1053.00	\$0.74	\$0.91
90%	1263.60	\$0.61	\$0.76
100%	1404.00	\$0.55	\$0.68
110%	1544.40	\$0.50	\$0.62
125%	1755.00	\$0.44	\$0.55

Breakeven Prices – NT Dryland Cotton

2022-23

Example Breakeven Prices			
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	330.00	\$1.08	\$1.26
90%	396.00	\$0.90	\$1.05
100%	440.00	\$0.81	\$0.94
110%	484.00	\$0.74	\$0.86
125%	550.00	\$0.65	\$0.75

2021-22

Example Breakeven Prices			
Example Yield Percent	Example Yield Pound	To Cover Variable Costs	To Cover Total Costs
75%	330.00	\$1.05	\$1.23
90%	396.00	\$0.88	\$1.02
100%	440.00	\$0.79	\$0.92
110%	484.00	\$0.72	\$0.84
125%	550.00	\$0.63	\$0.74

Breakeven Prices – Dryland Sorghum

Example Breakeven Prices				
2022-23	Example Yield Percent	Example Yield CWT	To Cover Variable Costs	To Cover Total Costs
	75%	22.50	\$8.38	\$10.75
	90%	27.00	\$6.98	\$8.95
	100%	30.00	\$6.28	\$8.06
	110%	33.00	\$5.71	\$7.33
	125%	37.50	\$5.03	\$6.45

Example Breakeven Prices				
2021-22	Example Yield Percent	Example Yield CWT	To Cover Variable Costs	To Cover Total Costs
	75%	22.50	\$8.58	\$10.90
	90%	27.00	\$7.15	\$9.08
	100%	30.00	\$6.43	\$8.18
	110%	33.00	\$5.85	\$7.43
	125%	37.50	\$5.15	\$6.54

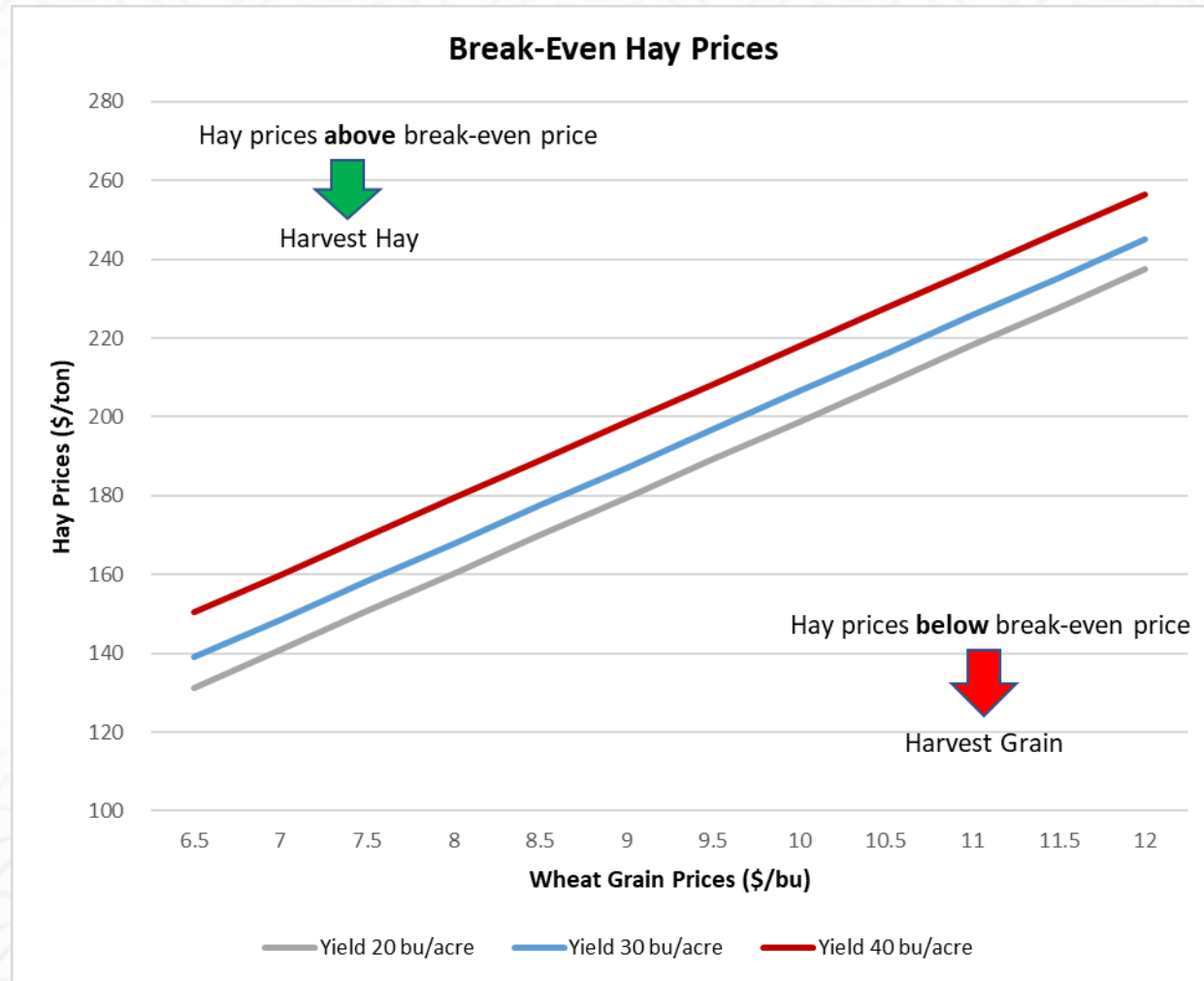
Budget and Breakeven Prices

Breakeven Prices to Cover Total Costs						
	80% Weaning Percent		85% Weaning Percent		90% Weaning Percent	
	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)
Cull Cow	999	100	999	94	999	89
Cull Bull	1,575	118	1,575	111	1,575	105
Steer Calves	450	229	450	216	450	204
Heifer Calves	428	224	428	211	428	199

Breakeven Prices to Cover Total Costs						
	80% Weaning Percent		85% Weaning Percent		90% Weaning Percent	
	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)
Cull Cow	1,110	90	1,110	85	1,110	80
Cull Bull	1,750	106	1,750	100	1,750	94
Steer Calves	500	206	500	195	500	184
Heifer Calves	475	201	475	190	475	179

Breakeven Prices to Cover Total Costs						
	80% Weaning Percent		85% Weaning Percent		90% Weaning Percent	
	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)	Weight	Price (\$/CWT)
Cull Cow	1,221	82	1,221	77	1,221	73
Cull Bull	1,925	96	1,925	91	1,925	86
Steer Calves	550	188	550	177	550	167
Heifer Calves	523	183	523	172	523	163

Wheat and Small Grain Decision Aids



Input Cost Management / Resource Optimization

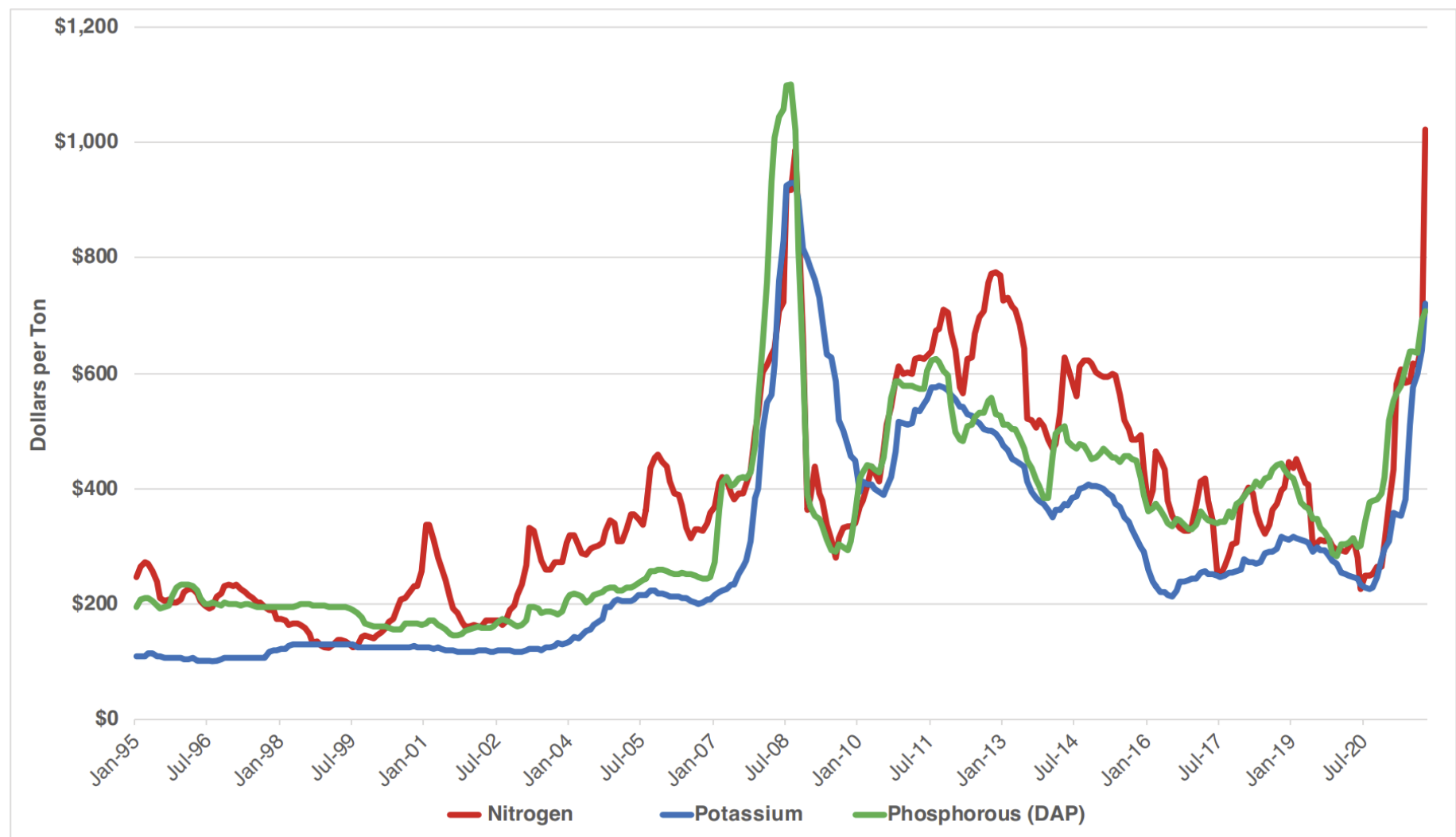
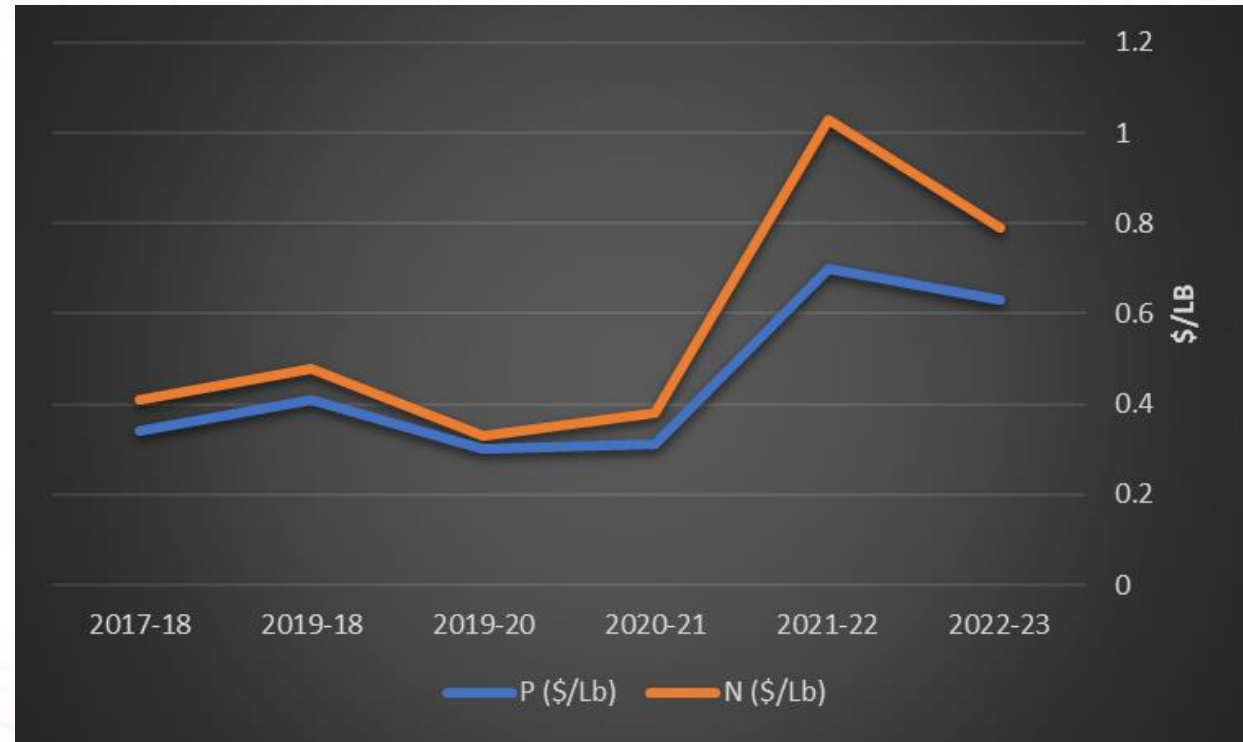
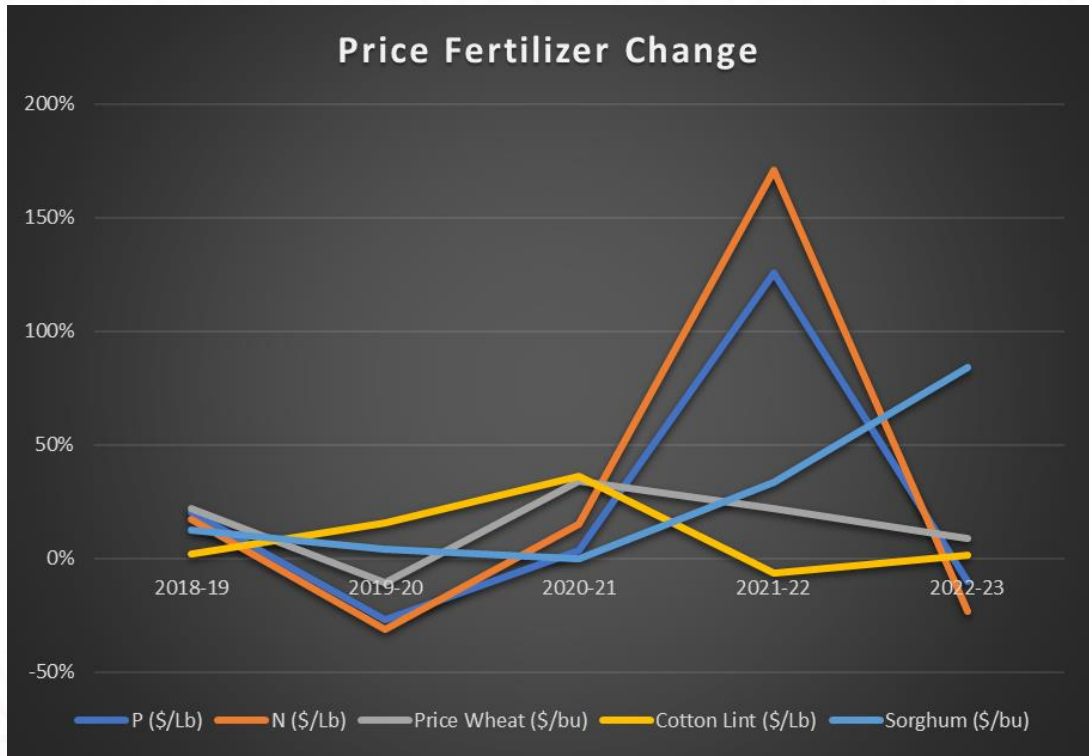


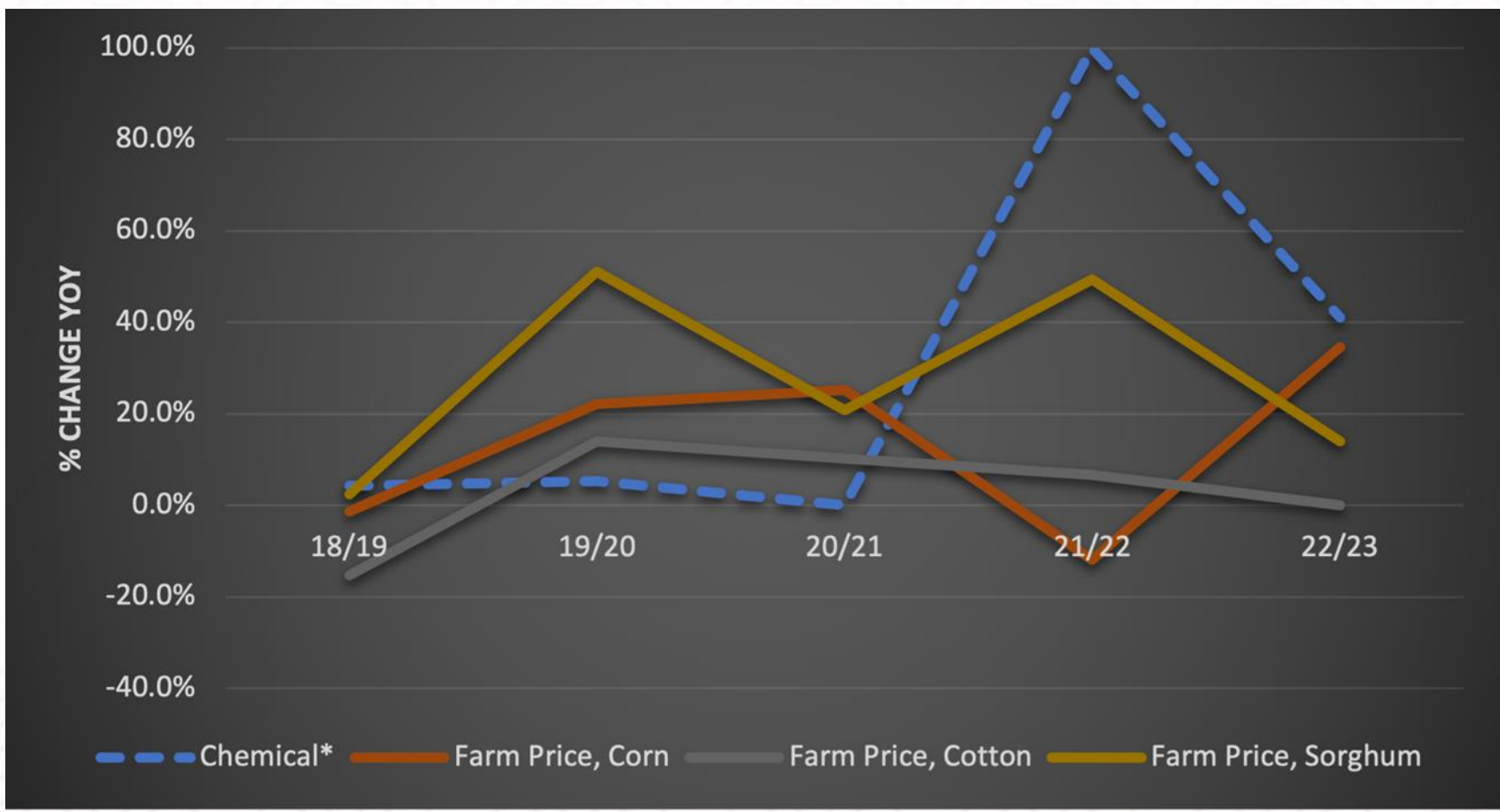
Figure 1: Monthly Average Fertilizer Nutrient Prices, January 1995 to October 2021.
 Source: Compiled from DTN spot market price data for the last trading day of each month. The markets include New Orleans, Corn Belt, Southern Plains, South Central, Southeast and Florida. The phosphorous price is specifically for diammonium phosphate (DAP).

Fertilizer



* Average rate of change, all Fertilizer Costs
 Commodity prices from WASDE and USDA Baseline, Nov. 5, 2021

Chemical



* Average rate of change, all Chemical Costs
 Commodity prices from WASDE and USDA Baseline, Nov. 5, 2021

Maximize Profits!

- I am an economist, NOT AN AGRONOMIST
 Consult with your crop consultant and AgriLife agronomy faculty before making critical input decisions

- The rule of making any input adjustments is balancing Marginal Revenue (MR) and Marginal Cost (MC); rates of change
 - MR > MC → Profitable decision
 - MR = MC → Point of profit maximization
 - MR < MC → Losing profits

- These figures change at different levels of input; eventually reach a max return and even negative return

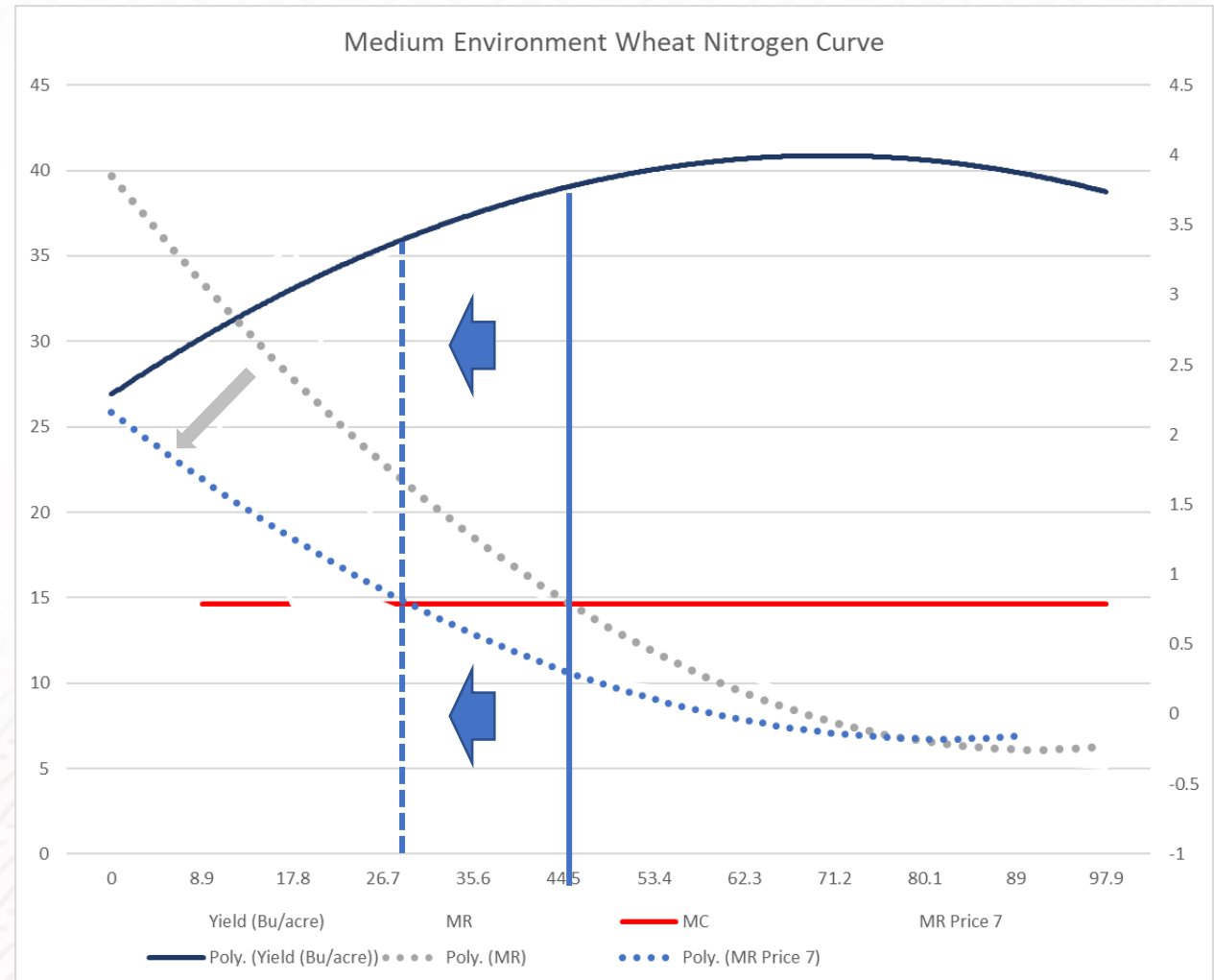
Managing Input Costs

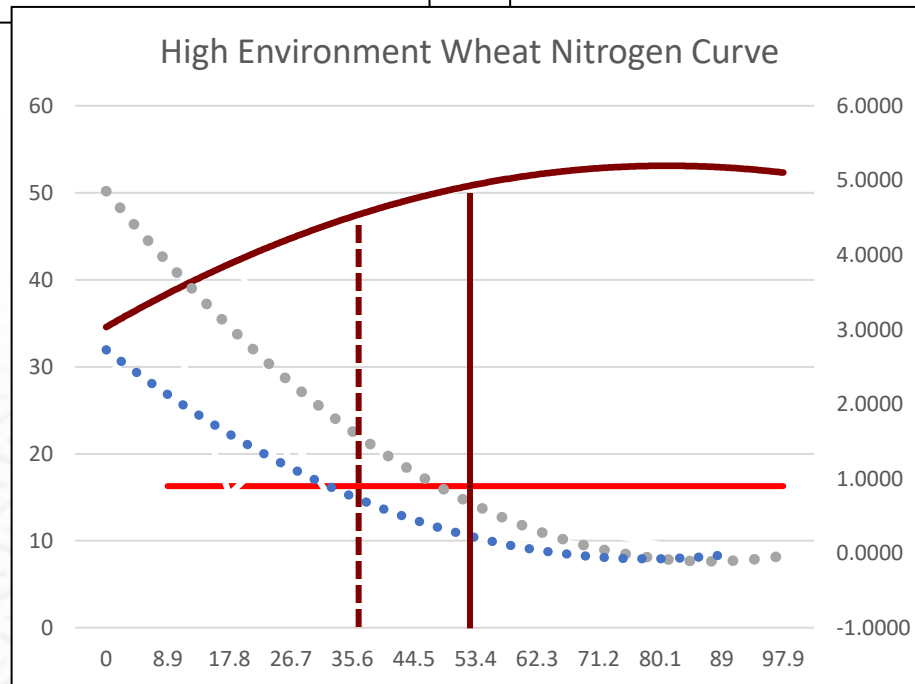
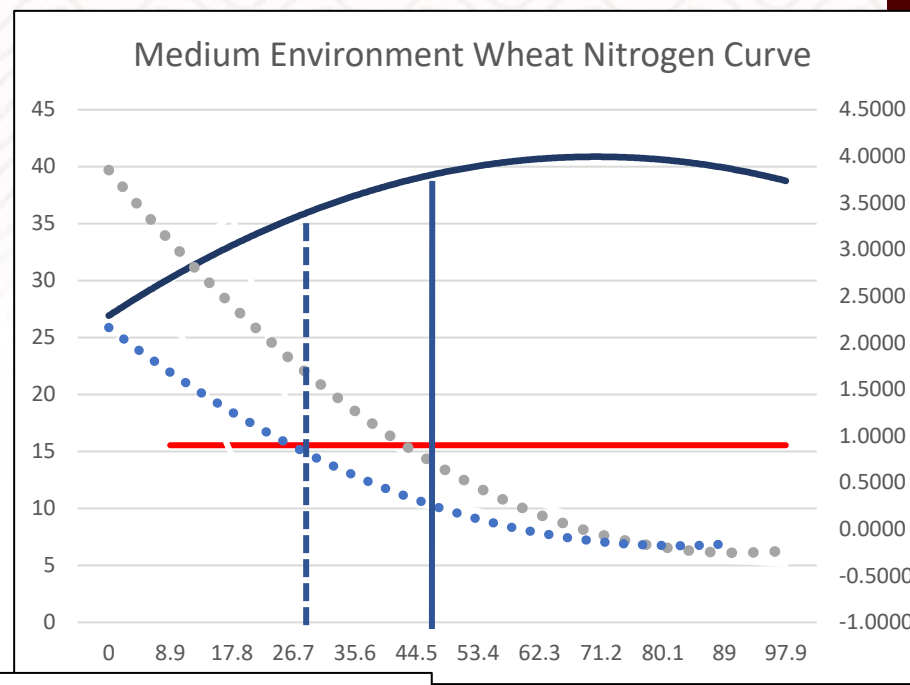
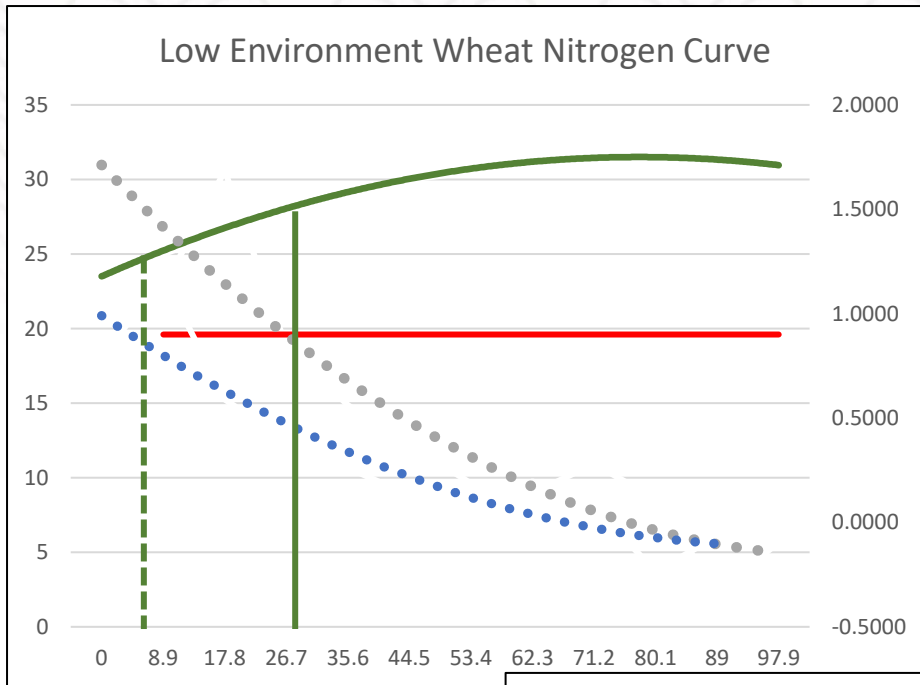
- **Marginal Revenue = Change Rev. / Change Q.**
- **Marginal Cost = Change Cost/ Change Q.**
- **Simple fertilizer example**

Price Wheat: 10 \$/bu Cost N: 0.79\$/LB

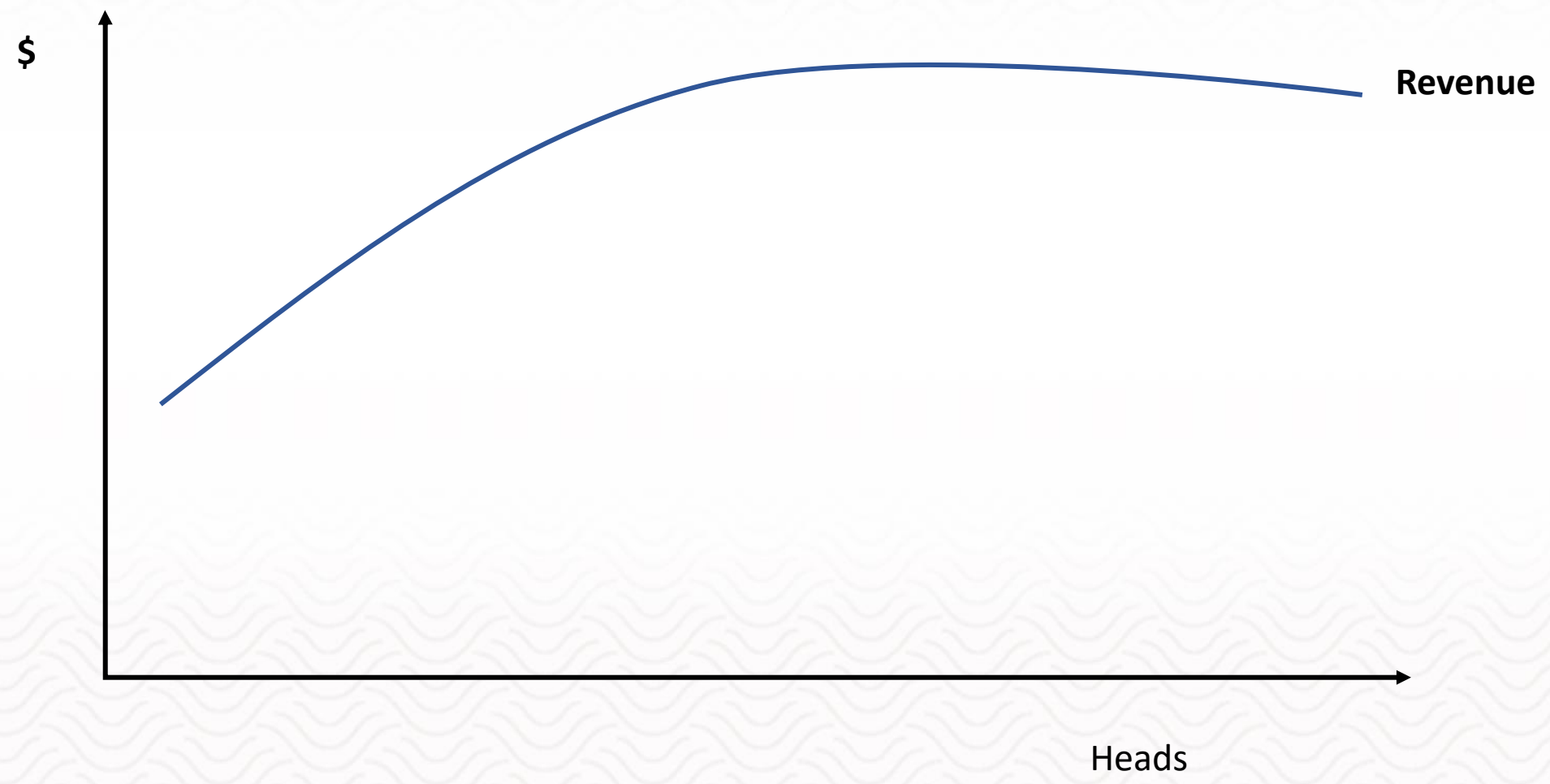


Price Wheat: 7 \$/bu Cost N: 0.79\$/LB

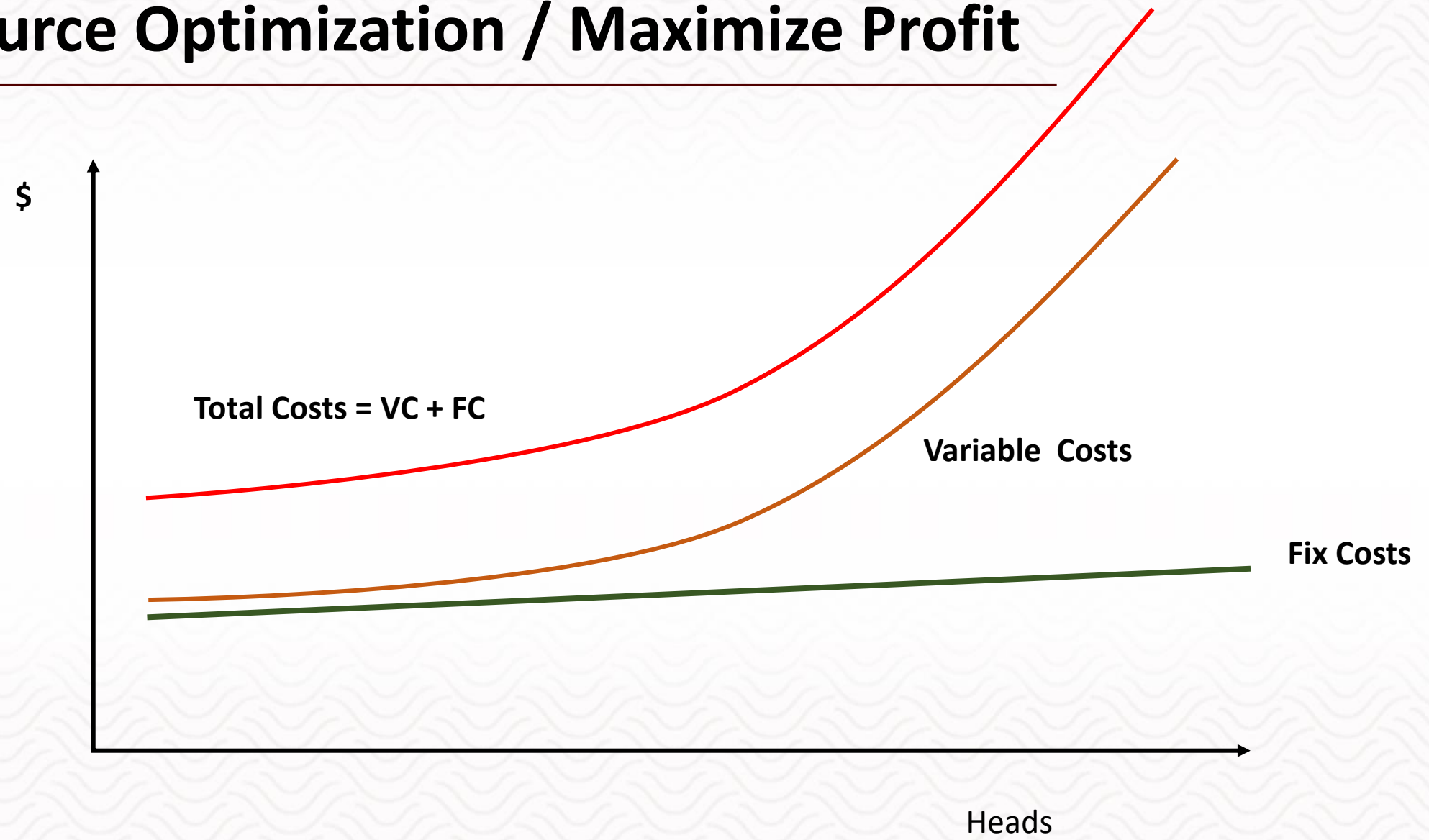




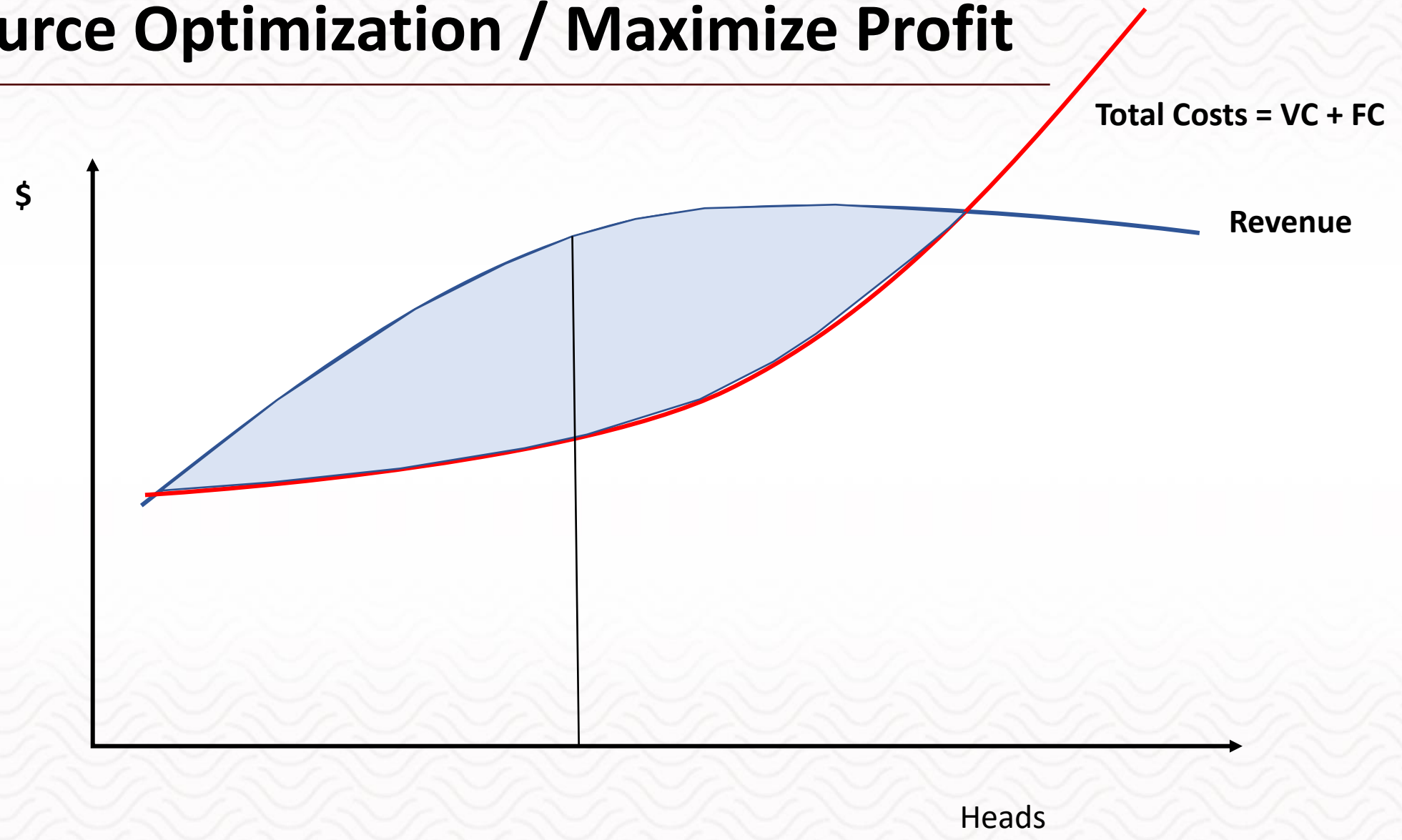
Resource Optimization / Maximize Profit



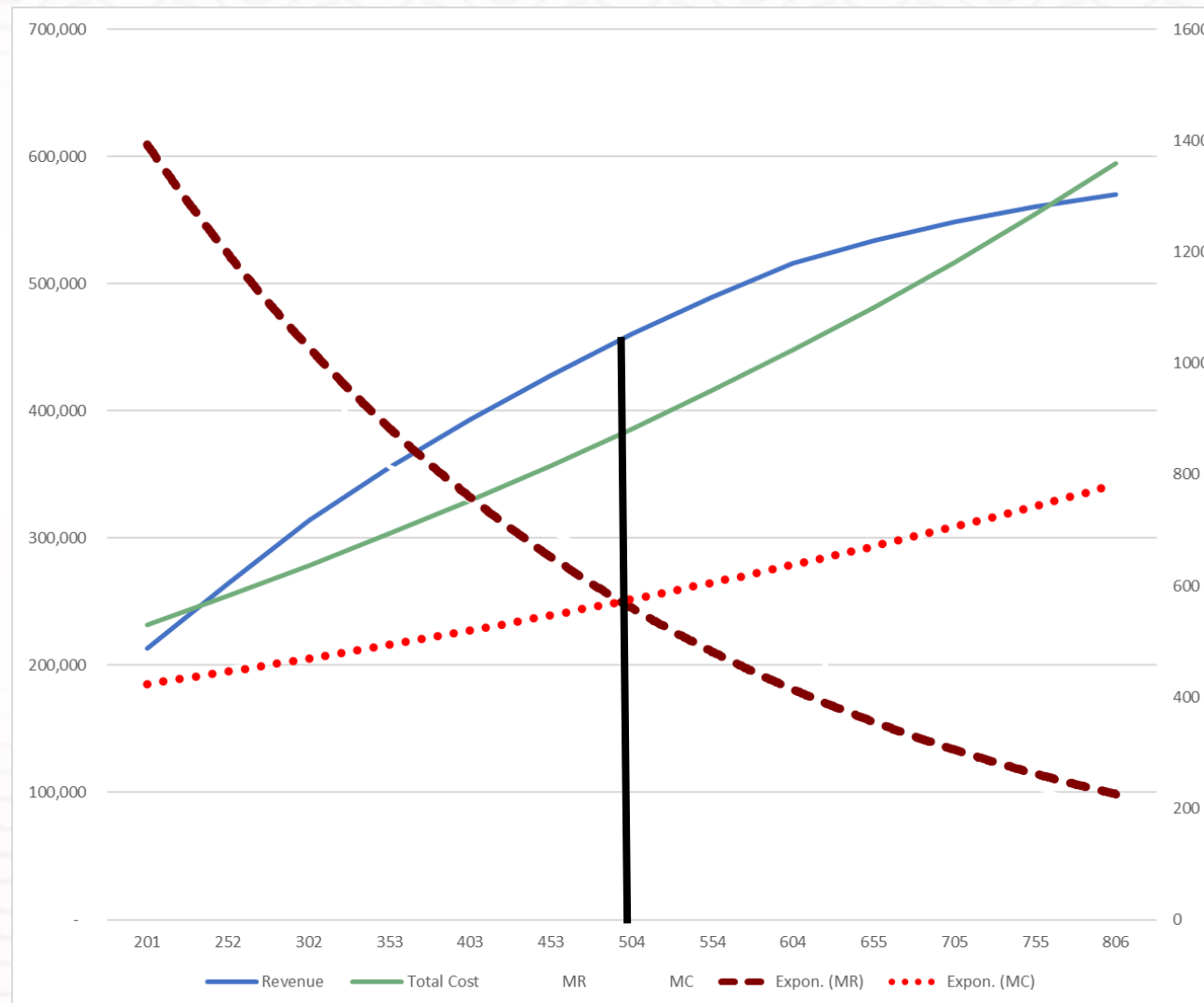
Resource Optimization / Maximize Profit



Resource Optimization / Maximize Profit



Resource Optimization / Maximize Profit



Unique for each ranch,
 each operation

Examples:

- Cost Business Structure
- Business Organization
- Genetics
- Forage Production

Budgeting Decision Tools

Enterprise Budget Resources

- Available tools:
 - Texas crop and livestock budgets
 - Spreadsheet budgets – build your own
 - Machinery Cost Estimator

Online search: “AgriLife crop budgets”

<https://agecoext.tamu.edu/resources>

Available Resources



The screenshot shows the website for Extension Agricultural Economics, Department of Agricultural Economics. The page features a navigation menu with options: Home, About Us, Districts, Resources, Programs, Links, Contact Us, and Social Media. The 'Resources' section is expanded, displaying a list of links. A blue arrow points from a box labeled 'Budget Resources' to the 'Crop & Livestock Budgets' link in the list.

 Extension Agricultural Economics
Department of Agricultural Economics

Search

Home About Us ↓ Districts ↓ Resources ↓ Programs ↓ Links Contact Us ↓ Social Media

Resources

- [Agriculture Law Blog](#)
- [Basis Data](#)
- [Crop & Livestock Budgets](#)
- [Custom Rate Survey](#)
- [Decision Aids](#)
- [Developing Business Plans for Agricultural Producers](#)
- [Farm Bill Decision Aid and Educational Materials](#)
- [Increment Report](#)
- [Library](#)
- [Market Outlook](#)
- [Podcasts & Videos](#)
- [Water Management](#)

Budget Resources

Texas Crop and Livestock Budgets



Extension Agricultural Economics

Department of Agricultural Economics

- [Home](#)
- [About Us](#) ↓
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Texas Crop and Livestock Budgets

Texas A&M AgriLife Extension Service enterprise budgets for major crops and livestock are a valuable tool used to help Texas agricultural producers generate their own budgets. These enterprise budgets are developed and updated each year by January 31. Over 180 enterprise budgets for major crops and alternative production systems are available from the 12 Extension districts which represent a wide range of geographical regions throughout the State.

Use the menu to the right to navigate through the Extension enterprise budgets. Budgets can be viewed by Extension district or by commodity. For more information email budgets@tamu.edu.

To view a list of counties in each Texas A&M AgriLife Extension district go to this [page](#).

▼ CROP AND LIVESTOCK BUDGETS

Texas Crop and Livestock Budgets

- [Build Your Own Budgets](#)
- [Budgets by Extension District](#) ←
- [Budgets by Commodity](#)
- [Budget Archives – 1972-1997](#)



- [Home](#)
- [About Us](#) ↓
- [Districts](#) ↓
- [Resources](#) ↓
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Budgets by Extension District

- [District 1](#)
- [District 2](#)
- [District 3](#)
- [District 4](#)
- [District 5](#)
- [District 6](#)
- [District 7](#)
- [District 8](#)
- [District 9](#)
- [District 10](#)
- [District 11](#)
- [District 12](#)

Select a district



▼ CROP AND LIVESTOCK BUDGETS

Texas Crop and Livestock Budgets

- Build Your Own Budgets
- Budgets by Extension District
 - District 1 – Panhandle
 - District 2 – South Plains
 - District 3 – Rolling Plains
 - District 4 – North
 - District 5 – East
 - District 6 – Far West
 - District 7 – West Central
 - District 8 – Central
 - District 9 – Southeast
 - District 10 – Southwest
 - District 11 – Coastal Bend
 - District 12 – South
- Budgets by Commodity
- Budget Archives – 1972-1997

To view a list of counties in each Texas A&M AgriLife Extension district go to this [page](#).

Build your own Budget:

- [Spreadsheet Budgets*](#) ([Spreadsheet Budget Help Video](#) – best viewed in full screen)
- [Using The Spreadsheet Budgets](#) (help file)
- [Machinery Cost Estimator](#) (calculate your machinery cost)

*Caution: This file may not open in some browsers. If so, download the file to your computer when given the option by your browser, then open the file in Excel. If you still have trouble with the file try downloading this [zip file](#) and extracting the Excel file from it.

Forage Crops

- [Dryland Alfalfa Establishment](#)
- [Coastal Bermudagrass Establishment](#)
- [Dryland Alfalfa Hay](#)
- [Coastal Bermudagrass Hay Dryland](#)
- [Irrigated Alfalfa Establishment](#)
- [Irrigated Alfalfa Hay](#)
- [Small Grain Grazing](#)

Field Crops

- [Dryland Cotton \(Solid 40" Rows\)](#)
- [Cotton – Red Till Irrigated](#)
- [Conventional Irrigated Cotton](#)
- [Cotton – No Till Irrigated](#)
- [Cotton – No Till – Cover Crop Wheat Irrigated](#)
- [Cotton – No Till Dryland](#)
- [Irrigated Peanuts](#)
- [Dryland Sorghum](#)
- [Dryland Wheat](#)
- [Dryland Wheat – No Till](#)
- [Irrigated Wheat](#)
- [Organic Wheat Year 3](#)
- [Organic Summer Hay Crop](#)
- [Organic Wheat Year 1](#)

Livestock

Thank you very much

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<https://vernon.tamu.edu/extension-projects/d3-agricultural-economics/>

<https://agecoext.tamu.edu/resources/decisionaids/beef/>



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