

Example Procedure

For

Calculation of Adjusted Basic

Crop Production Costs

And

Determination of Target Prices

Developed By:

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Able Farm Information

Balance Sheet Summary

Balance Sheet Items	Dec. 31 This Past Year	Dec. 31 Two Years Ago	Dec. 31 Three Years Ago	Dec. 31 Four Years Ago
Changes in Accounts Payable	\$0	\$3,200	\$1,500	\$180
Changes in Prepaid Expenses	\$5,500	\$10,500	\$12,500	\$9,250

Crop Price History

Average Prices Received:	2001	2000	1999	1998
Corn	\$1.65	\$1.78	\$1.67	\$2.51
Soybeans	\$4.10	\$4.60	\$4.29	\$6.53
Hay	\$70.00	\$65.00	\$65.00	\$75.00

Schedule F History

Income	2001	2000	1999	1998
Crop Income	\$585,400	\$593,500	\$562,840	\$601,220
Ag Program Payments	\$64,960	\$68,500	\$69,400	\$39,000
Other Income	\$15,750	\$14,300	\$21,100	\$26,510
<u>Total Income</u>	\$666,110	\$676,300	\$653,340	\$666,730
<u>Expenses</u>				
Car & Truck	\$2,000	\$1,800	\$1,275	\$1,920
Chemicals	\$75,000	\$72,300	\$68,200	\$69,550
Conservation Expenses	\$3,000	\$5,800	\$0	\$18,000
Depreciation	\$30,000	\$31,500	\$34,000	\$36,200
Employee Program Benefits	\$7,500	\$6,800	\$3,400	\$4,600
Fertilizers & Lime	\$98,500	\$82,600	\$76,500	\$87,000
Freight & Trucking	\$8,000	\$9,200	\$7,100	\$8,650
Gasoline, Fuel & Oil	\$42,000	\$37,600	\$36,250	\$38,620
Insurance	\$20,000	\$18,500	\$19,450	\$23,000
Interest	\$41,500	\$48,640	\$53,120	\$59,500
Labor Hired	\$33,000	\$26,500	\$21,550	\$28,100
Rental & Leases	\$55,500	\$32,100	\$48,220	\$51,000
Repairs & Maintenance	\$44,500	\$51,699	\$52,100	\$46,000
Seeds Plants	\$50,000	\$48,500	\$53,000	\$52,100
Storage & Warehousing	\$4,500	\$359	\$6,200	\$7,100
Supplies Purchased	\$10,000	\$8,500	\$11,250	\$13,075
Taxes	\$17,000	\$16,420	\$16,000	\$15,340
Utilities	\$6,500	\$4,300	\$5,200	\$6,600
Office Expense	\$6,500	\$7,100	\$3,200	\$4,200
Legal & Professional Fees	\$500	\$250	\$1,450	\$250
Marketing Expenses	\$6,000	\$7,900	\$7,600	\$8,300
Total	\$561,500	\$518,368	\$525,065	\$579,105

Able Farm Balance Sheet Summary

Assets

	1/1/2002	1/1/2001	1/1/2000	1/1/1999
Current Assets				
Cash & Checking Balance	\$20,000	\$14,500	\$35,200	\$26,500
Prepaid Expenses	\$48,400	\$42,900	\$37,900	\$25,400
Growing Crops				
Accounts Receivable	\$3,750	\$0	\$6,300	\$2,150
Hedging Accounts	\$20,000	\$4,500	\$6,520	\$40,500
Crop Inventory	\$42,974	\$22,500	\$38,600	\$64,500
Market Livestock	\$0	\$0	\$0	\$0
Total Current Assets	\$135,124	\$84,400	\$124,520	\$159,050
Intermediate Assets				
Breeding Livestock	\$0	\$0	\$0	\$0
Farm Machinery & Equipment	\$350,000	\$320,500	\$310,500	\$302,000
Other Int. Assets	\$30,200	\$24,650	\$25,660	\$28,960
Total Intermediate Assets	\$380,200	\$345,150	\$336,160	\$330,960
Long Term Farm Assets				
Land - 1320 Acres	\$1,320,000	\$1,320,000	\$1,320,000	\$1,320,000
Buildings	\$251,000	\$251,000	\$251,000	\$251,000
Other Long Term, Assets	\$0	\$0	\$0	\$0
Total Long Term Assets	\$1,571,000	\$1,571,000	\$1,571,000	\$1,571,000
Total Farm Assets	\$1,841,248	\$1,739,800	\$1,820,040	\$1,889,100

Liabilities

	1/1/2002	1/1/2001	1/1/2000	1/1/1999
Current Farm Liabilities				
Accrued Farm Interest	\$2,500	\$3,900	\$5,200	\$6,800
Farm Accounts Payable	\$4,700	\$4,700	\$1,500	\$0
Operating Loans	\$11,500	\$0	\$0	\$4,500
Principial Due In 12 Months	\$43,500	\$36,600	\$30,150	\$27,800
Real Estate Taxes Due	\$17,000	\$18,200	\$18,650	\$1,900
Total Current Liabilities	\$79,200	\$63,400	\$55,500	\$41,000
Intermediate Farm Liabilities				
Machinery Loan	\$175,000	\$194,716	\$210,325	\$225,934
Other Int. Loans	\$23,000	\$28,480	\$32,995	\$37,157
Total Intermediate Liabilities	\$198,000	\$223,196	\$243,320	\$263,091
Long Term Farm Liabilities				
Real Estate Mortgages	\$250,000	\$261,403	\$270,797	\$279,458
Other Long Term Liabilities	\$0	\$0	\$0	\$0
Total Long Term Liabilities	\$250,000	\$261,403	\$270,797	\$279,458
Total Farm Liabilities	\$527,200	\$547,999	\$569,617	\$583,549
Total Farm Assets	\$1,841,248	\$1,739,800	\$1,820,040	\$1,889,100
Farm Net Worth	\$1,314,048	\$1,191,801	\$1,250,423	\$1,305,551

Worksheet 1: Calculating Basic Costs and Individual Crop Production Costs

Determination of Basic Cost Of Production

Schedule F & Balance Sheet Figures To Determine Basic Costs

	2001 Crop Year	2000 Crop Year	1999 Crop Year	1998 Crop Year
1 Total Schedule F Expenses		\$518,368	\$525,065	\$579,105
2 Change in Accounts Payable	\$0	\$3,200	\$1,500	\$180
3 Change in Prepaid Expenses		\$10,500	\$12,500	\$9,250
4 Total Livestock Expenses	\$0	\$0	\$0	\$0
5 Total Interest Paid	\$41,500	\$48,640	\$53,120	\$59,500
6 Wages and Benefits Paid		\$33,300	\$24,950	\$32,700
7 Depreciation Claimed		\$31,500	\$34,000	\$36,200
8 Basic Costs of Production (Line 1 + line 2 - lines 3, 4, 5, 6, 7)	\$444,000	\$397,628	\$401,995	\$441,635

Calculation of Adjusted Basic Crop Production Costs

Basic Cost = \$444,000

	Acres of Crops in Rotation	Cost/Acre From Table Below	Crop Acres Times Costs Below	Percent of Total Cost by Crop	Costs For Each Crop	Cost Per Acre	Yield Estimate Next Year	Cost Per Unit of Yield
	A	B	C	D	E	F	G	H
Corn	1200	\$259.75	\$311,700.00	67.7%	\$300,707	\$250.59	150	\$1.67
Soybeans	700						50	
Hay	100	\$209.63	\$20,963.00	4.6%	\$20,224	\$202.24	5	\$40.45
Winter Wheat								
Peas								
Snapbeans								
Sweet Corn								
TOTALS	2000		\$460,231.00	100.0%	\$444,000			

Crop Budget Figures To Use In Above Calculations To Estimate Production Costs

	Central WI	Southern WI	WI Dairy Farm
Barley			\$180.72
Corn	\$233.75	\$259.75	\$239.45
Corn Silage			\$186.96
Hay	\$179.93	\$209.63	
Hay - Baled			\$206.48
Haylage			\$178.93
HMSC			\$207.43
Oats			\$179.33
Peas	\$181.02	\$203.02	
Snapbeans	\$263.11	\$285.11	
Soybeans	\$168.73	\$182.24	\$148.23
Sweet Corn	\$169.68	\$191.68	
Winter Wheat	\$131.27	\$153.27	

**Worksheet 2A: Estimating, Prioritizing, and Determining Price Targets
To Meet Production, Business and Family Goals**

Total Projected Crop Production:		Acres	Yield	Total Yield
	Crop 1	1,200	150	180,000
	Crop 2	700	50	35,000
	Crop 3	100	5	500
		Crop 1 = Corn		
<u>Cost or Goal</u>		Basic financial costs & goals to be achieved	Amount this crop should contribute	Price per unit of yield needed
			67.70%	
Priority				
	<u>Cost of Production</u>			
1	Basic Costs	\$444,000	\$300,588	\$1.67
2	Interest	\$41,500	\$28,096	\$0.16
3	Wages & Benefits	\$40,500	\$27,419	\$0.15
	<u>Farm Business & Family Goals</u>			
4	Term Debt Service	\$32,000	\$21,664	\$0.12
5	Minimum Family Living Draw	\$15,000	\$10,155	\$0.06
6	Added Family Living Draw	\$10,000	\$6,770	\$0.04
7	Tractor Replacement	\$8,500	\$5,755	\$0.03
8	Field Cultivator	\$9,500	\$6,432	\$0.04
9	Grain Storage Bin	\$18,000	\$12,186	\$0.07
10	Winter Vacation	\$3,500	\$2,370	\$0.01
11	College Fund	\$2,500	\$1,693	\$0.01
12	Replace Pickup Truck	\$5,500	\$3,724	\$0.02
13	Savings	\$5,000	\$3,385	\$0.02
14	Savings	\$5,000	\$3,385	\$0.02
15				
16				
17				
18				
	Price To Meet All Goals	\$640,500	\$433,619	\$2.41

**Worksheet 2B: Estimating, Prioritizing, and Determining Price Targets
To Meet Production, Business and Family Goals**

Total Projected Crop Production:		Acres	Yield	Total Yield
	Crop 1	1,200	150	180,000
	Crop 2	700	50	35,000
	Crop 3	100	5	500
Cost or Goal				
Priority		Crop 2 = Soybeans		
		Basic financial costs & goals to be achieved	Amount this crop should contribute	Price per unit of yield needed
			27.70%	
Cost of Production				
1	Basic Costs	\$444,000	\$123,069	\$3.52
2	Interest	\$41,500		
3	Wages & Benefits	\$40,500	\$11,226	\$0.03
Farm Business & Family Goals				
4	Term Debt Service	\$32,000	\$8,870	\$0.25
5	Minimum Family Living Draw	\$15,000		
6	Added Family Living Draw	\$10,000		
7	Tractor Replacement	\$8,500	\$2,356	\$0.07
8	Field Cultivator	\$9,500		
9	Grain Storage Bin	\$18,000	\$4,989	\$0.14
10	Winter Vacation	\$3,500		
11	College Fund	\$2,500		
12	Replace Pickup Truck	\$5,500	\$1,525	\$0.04
13	Savings	\$5,000	\$1,386	\$0.04
14	Savings	\$5,000		
15				
16				
17				
18				
Price To Meet All Goals		\$640,500	\$153,421	\$4.09

**Worksheet 2C: Estimating, Prioritizing, and Determining Price Targets
To Meet Production, Business and Family Goals**

Total Projected Crop Production:		Acres	Yield	Total Yield
Crop 1		1,200	150	180,000
Crop 2		700	50	35,000
Crop 3		100	5	500
<u>Cost or Goal</u>		Crop 3 = Hay		
		Basic financial costs & goals to be achieved	Amount this crop should contribute	Price per unit of yield needed
			4.60%	
Priority	<u>Cost of Production</u>			
1	Basic Costs	\$444,000	\$20,424	\$40.85
2	Interest	\$41,500	\$1,909	\$3.82
3	Wages & Benefits	\$40,500	\$1,863	\$3.73
	<u>Farm Business & Family Goals</u>			
4	Term Debt Service	\$32,000	\$1,472	\$2.94
5	Minimum Family Living Draw	\$15,000	\$690	\$1.38
6	Added Family Living Draw	\$10,000	\$460	\$0.92
7	Tractor Replacement	\$8,500	\$391	\$0.78
8	Field Cultivator	\$9,500	\$437	\$0.87
9	Grain Storage Bin	\$18,000	\$828	\$1.66
10	Winter Vacation	\$3,500	\$161	\$0.32
11	College Fund	\$2,500	\$115	\$0.23
12	Replace Pickup Truck	\$5,500	\$253	\$0.51
13	Savings	\$5,000	\$230	\$0.46
14	Savings	\$5,000	\$230	\$0.46
15				
16				
17				
18				
	Price To Meet All Goals	\$640,500	\$29,463	\$58.93

**Worksheet 2D: Estimating, Prioritizing, and Determining Price Targets
To Meet Production, Business and Family Goals**

Total Projected Crop Production:		Acres	Yield	Total Yield
	Crop 1	1,200	150	180,000
	Crop 2	700	50	35,000
	Crop 3	100	5	500
		Crop 4 =		
<u>Cost or Goal</u>		Basic financial costs & goals to be achieved	Amount this crop should contribute	Price per unit of yield needed
			0.00%	
Priority	<u>Cost of Production</u>			
1	Basic Costs	\$444,000	\$0	\$0.00
2	Interest	\$41,500	\$0	\$0.00
3	Wages & Benefits	\$40,500	\$0	\$0.00
		<u>Farm Business & Family Goals</u>		
4	Term Debt Service	\$32,000	\$0	\$0.00
5	Minimum Family Living Draw	\$15,000	\$0	\$0.00
6	Added Family Living Draw	\$10,000	\$0	\$0.00
7	Tractor Replacement	\$8,500	\$0	\$0.00
8	Field Cultivator	\$9,500	\$0	\$0.00
9	Grain Storage Bin	\$18,000	\$0	\$0.00
10	Winter Vacation	\$3,500	\$0	\$0.00
11	College Fund	\$2,500	\$0	\$0.00
12	Replace Pickup Truck	\$5,500	\$0	\$0.00
13	Savings	\$5,000	\$0	\$0.00
14	Savings	\$5,000	\$0	\$0.00
15				
16				
17				
18				
	Price To Meet All Goals	\$640,500	\$0	\$0.00

**Worksheet 3 - Summary of Cumulative Crop Price
Needs To Meet Target**

		Acres	Cumulative Acres	Yield	Total Yield		
Crop 1		1,200	1,200	150	180,000		
Crop 2		700	1,900	50	35,000		
Crop 3		100	2,000	5	500		
Crop 4		0	2,000				
Priority	<u>Cost or Goal</u>			Crop 1=	Crop 2=	Crop 3=	Crop 4=
		Basic financial costs & goals to be achieved	Cumulative Costs & Goals to be Achieved	Cumulative Price Needed For Crop to Pay its Share	Cumulative Price Needed For Crop to Pay its Share	Cumulative Price Needed For Crop to Pay its Share	Cumulative Price Needed For Crop to Pay its Share
	Cost of Production						
1	Basic Costs	\$444,000	\$444,000	\$1.67	\$3.52	\$40.85	
2	Interest	\$41,500	\$485,500	\$1.83	\$3.84	\$44.67	
3	Wages & Benefits	\$40,500	\$526,000	\$1.98		\$48.39	
	Farm Business & Family Goals						
4	Term Debt Service	\$32,000	\$558,000	\$2.10	\$4.42	\$51.34	
5	Minimum Family Living Draw	\$15,000	\$573,000	\$2.16	\$4.54	\$52.72	
6	Added Family Living Draw	\$10,000	\$583,000	\$2.19	\$4.62	\$53.64	
7	Tractor Replacement	\$8,500	\$591,500	\$2.22		\$54.42	
8	Field Cultivator	\$9,500	\$601,000	\$2.26	\$4.76	\$55.29	
9	Grain Storage Bin	\$18,000	\$619,000	\$2.33	\$4.90	\$56.95	
10	Winter Vacation	\$3,500	\$622,500	\$2.34		\$57.27	
11	College Fund	\$2,500	\$625,000	\$2.35	\$4.95	\$57.50	
12	Replace Pickup Truck	\$5,500	\$630,500	\$2.37	\$4.99	\$58.01	
13	Savings	\$5,000	\$635,500	\$2.39		\$58.47	
14	Savings	\$5,000	\$640,500	\$2.41	\$5.07	\$58.93	
15							
16							
17							
18							

Worksheet 4 - Able Farm - Final Target Prices

Line	Category of Costs/Goals	Cumulative Total Dollars Needed to Pay for Each Category	Total Dollars Needed Per Quarter to Pay for Each Category	Crop 1 = Target Price of Corn to Pay for this Category	Crop 2 = Target Price of Beans to Pay for this Category	Crop 3 = Target Price of Hay to Pay for Each Category	Crop 4 = Target Price of crop 4 to Pay for Each Category
1	Drop Dead (Losses Incurred)	\$444,000	\$111,000	\$1.67	\$3.52	\$40.85	
3	Red Ribbon Price (Breakeven +)	\$526,000	\$131,500	\$1.98		\$48.39	
7	Blue Ribbon Price (Successful)	\$591,500	\$147,875	\$2.22		\$54.42	
13	Purple Ribbon (Above Expectations)	\$635,500	\$158,875	\$2.39		\$58.47	
14	Grand Champion (Exceptional Market)	\$640,500	\$160,125	\$2.41	\$5.07	\$58.93	

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