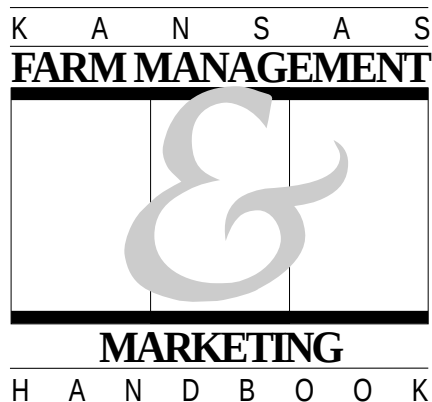




Center-Pivot-Irrigated Wheat

Cost-Return Budget

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The following budget provides cost and return estimates for center pivot irrigated wheat in western Kansas. Approximately 65 percent to 70 percent of the wheat grown under irrigation in Kansas is in the Southwest area, although only approximately 13 percent of Kansas wheat is produced on irrigated land. There is keen competition among such crops as corn, grain sorghum, alfalfa, and wheat for irrigated land in this area.

Cost Return Projections

Any land preparation costs are included with the land charge. Other investments are shown in Table 1. Price of the energy source and Total Dynamic Head are the important factors affecting pumping costs. For instance, with 500 feet of TDH, \$1 change in gas price results in \$14.83 change in costs for each acre foot of water pumped.

The choice of a flood or center pivot system depends on: (1) available capital; (2) labor availability during the growing season; (3) the terrain, which may require a center pivot system due to unlevel land; and (4) soil type. Capital requirements will run \$20,000 to \$40,000 higher for sprinkler over flood. However, labor requirements can be as much as 1 hour/acre less for the sprinkler system. MF-836, *Irrigation Capital Requirements and Energy Costs*, shows the irrigation costs and energy input amounts used in this budget.

Yield Goals

Cost per bushel and net returns in crop production are highly dependent on yields. The following estimated budget includes three different yield levels. Yield goals vary for a number of reasons such as soil type or land quality, historical weather patterns, input levels, and management. Budgeting for alternative yield goals can help producers compare the profitability of crop enterprises on farmland tracts with varying yield potentials. Multi-peril crop insurance expenses are included in western Kansas crop budgets as a cost of managing crop production risk in an area prone to great yield variability. Land values are not adjusted for alternative yield goals in this budget in this budget. In

customizing this budget to fit your farm, attention should be given to using land values representative of your farm's productive capacity.

Profit and Return Factors

Projections of net percentage return on investment permit comparisons to be made among alternative enterprises or other investments. Asset turnover is the ratio of gross revenue to total investment in fixed assets. This financial measure represents the efficiency of capital use.

Table 1. Factors Used for Cost-Return Budget

Item	Yield Level (bu)			
	55	65	75	
Water, 325 TDH	10 in	10 in	10 in	\$2.71/inch
Fertilizer:				
N (Anhy.)	50	65	80	\$0.17/lb
N (Dry)	10	10	10	\$0.30/lb
P	30	30	30	\$0.28/lb
K	0	0	0	\$0.13/lb
Lime	0	0	0	\$0.005/lb
Seed, lbs	75	90	90	
Seed price, \$/lb	\$0.20	\$0.20	\$0.20	
Labor hours	1.85	1.85	1.85	
Labor price/hour				\$9.00
Land value/acre				\$575
Land interest rate				6.00%
Land real estate tax rate				0.50%
Machinery investment				\$190
Machinery life				10 yrs
Salvage value				35.00%
Interest rate on machinery				10.00%
Well, pump and gearhead value				\$290
Well, pump and gearhead life				15 yrs
Power unit and meter value				\$50
Power unit and meter life				7 yrs
Irrigation system value				\$385
Irrigation system life				10 yrs
Insurance rate on machinery				0.25%
Interest on variable costs				10.00%

COST-RETURN PROJECTION — CENTER-PIVOT-IRRIGATED WHEAT

	Yield Level (bu)			Your Farm
	55	65	75	
VARIABLE COSTS PER ACRE: ¹				
1. Labor	\$ 16.65	\$ 16.65	\$ 16.65	
2. Seed	15.00	18.00	18.00	
3. Herbicide	4.41	4.41	4.41	
4. Insecticide				
5. Fertilizer and Lime	19.90	22.45	25.00	
6. Fuel and Oil — Crop	9.15	9.15	9.15	
7. Fuel and Oil — Pumping ²	27.10	27.10	27.10	
8. Machinery and Equipment Repairs	14.48	14.48	14.48	
9. Irrigation Repairs and Maintenance	3.00	3.00	3.00	
10. Crop Insurance	4.38	4.58	5.12	
11. Drying				
12. Custom Hire ³				
13. Crop Consulting	5.25	5.25	5.25	
14. Miscellaneous	7.00	7.00	7.00	
15. Interest on 1/2 Variable Costs	6.32	6.60	6.76	
A. TOTAL VARIABLE COSTS	\$ 132.63	\$ 138.67	\$ 141.92	
FIXED COSTS PER ACRE: ¹				
16. Real Estate Taxes (including well)	4.33	4.33	4.33	
17. Interest on Land and Well ⁴	51.90	51.90	51.90	
18. Rent for Rented Land ⁵				
19. Depreciation on Crop Machinery	12.35	12.35	12.35	
20. Interest on Crop Machinery ⁶	12.83	12.83	12.83	
21. Depreciation on Irrigation Equipment and Well	64.98	64.98	64.98	
22. Interest on Irrigation Equipment ⁶	21.75	21.75	21.75	
23. Insurance on Machinery and Equipment	1.56	1.56	1.56	
B. TOTAL FIXED COSTS	\$ 169.69	\$ 169.69	\$ 169.69	
C. TOTAL COSTS (A + B)	\$ 302.32	\$ 308.36	\$ 311.60	
D. YIELD PER ACRE	55	65	75	
E. PRICE PER BUSHEL ⁷	\$ 4.24	\$ 4.24	\$ 4.24	
F. NET GOVERNMENT PAYMENT ⁷	\$ 13.96	\$ 13.96	\$ 13.96	
G. RETURNS PER ACRE [(D × E) + F]	\$ 247.16	\$ 289.56	\$ 331.96	
H. RETURNS OVER VARIABLE COSTS (G-A)	\$ 114.53	\$ 150.89	\$ 190.04	
I. RETURNS OVER TOTAL COSTS (G-C)	\$ -55.16	\$ -18.80	\$ 20.36	
J. VARIABLE COSTS PER BUSHEL (A ÷ D)	\$ 2.41	\$ 2.13	\$ 1.89	
K. FIXED COSTS PER BUSHEL (B ÷ D)	\$ 3.09	\$ 2.61	\$ 2.26	
L. TOTAL COSTS PER BUSHEL (C ÷ D)	\$ 5.50	\$ 4.74	\$ 4.15	
M. ASSET TURNOVER (G ÷ INVESTMENT) ⁸	16.59%	19.43%	22.28%	
N. NET RETURN ON INVESTMENT				
[(I+15+17+20+22) ÷ INVESTMENT] ⁸	2.53%	4.99%	7.62%	

¹Totals were derived using information listed in Table 1.²See MF-836, "Irrigation Capital Requirements and Energy Costs."³If using custom hire, adjust lines 6, 8, 19, and 20.⁴Assumes interest rate shown in Table 1.⁵If cash rented, insert zero in lines 16 and 17.⁶Assumes one-half the average investment [(initial investment + salvage value) ÷ 2] at the interest rate shown in Table 1.⁷See MF-1013 "Prices for Crop and Livestock Cost-Return Budgets" and MF-2236 "Government Program Payments for Crop Cost Return Budgets" for additional information on crop prices and program payments.⁸Investment equals total value of all fixed assets shown in Table 1.**COOPERATIVE EXTENSION SERVICE, MANHATTAN, KANSAS**

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