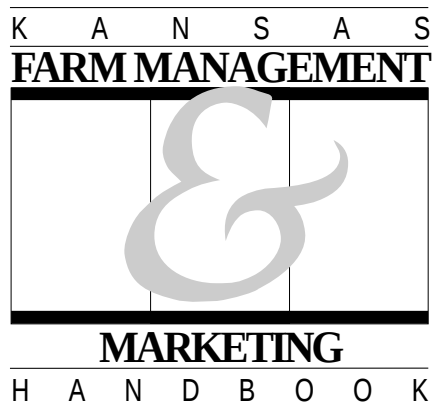




Short-Season Corn Cost-Return Budget in Southeast Kansas

Department of Agricultural Economics

Manhattan, Kansas

Marvin R. Fausett

Extension Agricultural Economist, SE

Cost-Return Projections

Crop budgets are based on average costs of production for different areas of the state. Production costs for individual farms will vary considerably due to the amounts of fertilizer and chemicals applied, the type and amount of farm machinery owned, and land costs.

Yield Level

Cost per bushel and net returns in crop production are highly dependent on yields. The following estimated budget includes three different yield levels. Yield levels vary for a number of reasons including soil type or land quality, weather, input levels, and management. The three yield levels reflect variability due to input levels and management as opposed to land quality since land values are held constant. Budgeting at multiple yield levels can help producers examine the financial risk of a crop enterprise that is directly related to production risk.

Variable and Fixed Costs

Variable costs, such as fertilizer, repairs, and fuel-oil, are costs that vary with the level of production. Interest on the variable costs (lines 1 through 13) is calculated for six months.

Fixed costs do not vary with the level of production and are incurred by virtue of owning assets such as land and machinery. If land is cash rented, the cost of the rent per acre should be listed on line 17 and no taxes or interest shown on lines 15 and 16. If land is rented on a cropshare basis, rent is reflected in yield.

Machinery investment was estimated for an average-sized farm to meet tillage, planting, and harvest requirements. Salvage value of machinery was assumed to be 35 percent of the initial investment. Interest on machinery was calculated on one-half the average investment $[(\text{initial investment} + \text{salvage value}) \div 2]$.

Profit and Return Factors

Net return on investment is the percentage return on investment. This measure enables comparisons to be made among other enterprises and investment alternatives. Asset turnover is the percentage of investment recovered by total returns. Inverting this measure allows different enterprises to be compared on the basis of capital required to generate a dollar of gross income.

Table 1. Factors Used for Cost-Return Budget

Item	Yield Level (bu)			
	70	85	100	
Fertilizer:				
N (Anhy.)	68	68	88	\$0.17/lb
N (Dry)	12	12	12	\$0.30/lb
P	30	30	30	\$0.28/lb
K	20	20	20	\$0.13/lb
Lime	500	500	500	\$0.005/lb
Seed, seeds/acre	22,800	22,800	22,800	
Seed price,				
\$/1,000 seeds	\$0.945	\$1.050	\$1.155	
Labor hours	2.80	2.80	2.80	
Labor price/hour				\$9.00
Land value/acre				\$625
Land interest rate				6.00%
Land real estate tax rate				0.50%
Machinery investment				\$266.00
Machinery life				10 yrs
Salvage value				35.00%
Interest rate on machinery				10.00%
Insurance rate on machinery				0.25%
Interest on variable costs				10.00%

COST-RETURN PROJECTION — CORN — SOUTHEAST KANSAS

	Yield Level (bu)			Your Farm
	70	85	100	
VARIABLE COSTS PER ACRE: ¹				
1. Labor	\$ 25.20	\$ 25.20	\$ 25.20	
2. Seed	21.55	23.94	26.33	
3. Herbicide	20.13	20.13	20.13	
4. Insecticide	13.82	13.82	13.82	
5. Fertilizer and Lime	28.66	28.66	32.06	
6. Fuel and Oil	7.00	7.20	7.40	
7.				
8. Machinery and Equipment Repairs	14.90	14.90	14.90	
9.				
10. Crop Insurance				
11. Drying	7.00	8.50	10.00	
12. Custom Hire				
13. Crop Consulting				
14. Miscellaneous	5.25	5.25	5.25	
15. Interest on 1/2 Variable Costs	7.18	7.38	7.75	
A. TOTAL VARIABLE COSTS	\$150.68	\$ 154.98	\$162.85	
FIXED COSTS PER ACRE: ¹				
16. Real Estate Taxes	3.13	3.13	3.13	
17 Interest on Land ²	37.50	37.50	37.50	
18. Rent for Rented Land				
19. Depreciation on Crop Machinery	17.29	17.29	17.29	
20. Interest on Crop Machinery ³	17.96	17.96	17.96	
21.				
22.				
23. Insurance on Machinery	0.67	0.67	0.67	
B. TOTAL FIXED COSTS	\$ 76.54	\$ 76.54	\$ 76.54	
C. TOTAL COSTS (A + B)	\$227.22	\$ 231.52	\$239.38	
D. YIELD PER ACRE	70	85	100	
E. PRICE PER BUSHEL ⁴	\$ 2.86	\$ 2.86	\$ 2.86	
F. NET GOVERNMENT PAYMENT ⁴	\$ 8.91	\$ 8.91	\$ 8.91	
G. RETURNS PER ACRE [(D × E) + F]	\$ 209.11	\$ 252.01	\$ 294.91	
H. RETURNS OVER VARIABLE COSTS (G-A)	\$ 58.43	\$ 97.03	\$ 132.06	
I. RETURNS OVER TOTAL COSTS (G-C)	\$ -18.11	\$ 20.50	\$ 55.53	
J. VARIABLE COSTS PER BUSHEL (A ÷ D)	\$ 2.15	\$ 1.82	\$ 1.63	
K. FIXED COSTS PER BUSHEL (B ÷ D)	\$ 1.09	\$ 0.90	\$ 0.77	
L. TOTAL COSTS PER BUSHEL (C ÷ D)	\$ 3.25	\$ 2.72	\$ 2.39	
M. ASSET TURNOVER (G ÷ INVESTMENT) ⁵	23.47%	28.28%	33.10%	
N. NET RETURN ON INVESTMENT				
[(I+15+17+20) ÷ INVESTMENT] ⁵	5.00%	9.35%	13.33%	

¹Totals were derived using information listed in Table 1.²Assumes interest rate shown in Table 1.³Assumes one-half the average investment [(initial investment + salvage value) ÷ 2] at the interest rate shown in Table 1.⁴See 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.⁵Investment equals total value of all fixed assets shown in Table 1.**COOPERATIVE EXTENSION SERVICE, MANHATTAN, KANSAS**

MF-993 Revised

October 1996

Issued in furtherance of Cooperative Extension Work, acts of May 8 and June 30, 1914, as amended. Kansas State University, County Extension Councils, Extension Districts, and United States Department of Agriculture Cooperating, Richard D. Wootton, Associate Director. All educational programs and materials available without discrimination on the basis of race, color, national origin, sex, age, or disability.

File Code: Farm Management 3-1

10-96—1.5M