K A N S A S
FARM MANAGEMENT
&
MARKETING
H A N D B O O K

KSU Farm Management Guide MF-577

Flood-Irrigated Soybean Cost-Return Budget

Department of Agricultural Economics Manhattan, Kansas

Daniel M. O'Brien
Extension Agricultural Economist, NW

James D. Sartwelle, III
Extension Agricultural Economist, SW

Variety development has led to new, higher-yielding soybean varieties that respond well to irrigation. Recent research has provided additional information on water management for optimum irrigation of soybeans. Soybean yields can be increased from 20 to 50 percent by irrigation, with the crop's water needs being most critical during the reproductive stage. The soil moisture level should be maintained at or above 40 to 50 percent of its water holding capacity in the 0 to 24 inch depth in order to provide maximum fertilization of the flowers.

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, a $1 change in natural gas causes $2.97 change with 100 feet TDH. However, with 500 feet of TDH, $1 change in gas price results in $14.83 change in costs for each acre foot of water pumped. See MF 836, *Irrigation Capital Requirements and Energy Costs*, for other examples.

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 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

	Yield Level (bu)			
Item	**40**	**50**	**60**	
Water, 260 TDH	16 in	18 in	20in	$2.16/inch
Fertilizer:				
N (Anhy.)	0	0	0	$0.17/lb
N (Dry)	0	0	0	$0.30/lb
P	40	40	40	$0.28/lb
K	0	0	0	$0.13/lb
Lime	0	0	0	$0.005/lb
Seed, lbs	45	50	50	
Seed price, $/lb	$0.30	$0.30	$0.30	
Labor hours	2.15	2.15	2.15	
Labor price/hour				$9.00
Land value/acre				$650
Land interest rate				6.00%
Land real estate tax rate				0.50%
Machinery investment				$195
Machinery life				10 yrs
Salvage value				35.00%
Interest rate on machinery				10.00%
Well, pump and gearhead value				$228
Well, pump and gearhead life				15 yrs
Power unit and meter value				$39
Power unit and meter life				7 yrs
Irrigation system value				$33
Irrigation system life				10 yrs
Insurance rate on machinery				0.25%
Interest on variable costs				10.00%

COST-RETURN PROJECTION — FLOOD-IRRIGATED SOYBEANS

	Yield Level (bu)			Your
	40	50	60	Farm
VARIABLE COSTS PER ACRE:[1]				
1. Labor	$ 19.35	$ 19.35	$ 19.35	
2. Seed	13.50	15.00	15.00	
3. Herbicide	27.17	27.17	27.17	
4 Insecticide				
5. Fertilizer and Lime	11.20	11.20	11.20	
6. Fuel and Oil — Crop	7.23	7.23	7.23	
7. Fuel and Oil — Pumping[2]	34.56	38.88	43.20	
8. Machinery and Equipment Repairs	18.90	18.90	18.90	
9. Irrigation Repairs and Maintenance	3.20	3.60	4.00	
10. Crop Insurance	7.85	7.36	7.60	
11. Drying				
12. Custom Hire[3]				
13. Crop Consulting	6.25	6.25	6.25	
14. Miscellaneous	7.00	7.00	7.00	
15. Interest on ½ Variable Costs	7.81	8.10	8.35	
A. TOTAL VARIABLE COSTS	$ 164.02	$170.04	$ 175.25	
FIXED COSTS PER ACRE:[1]				
16. Real Estate Taxes (including well)	4.39	4.39	4.39	
17. Interest on Land and Well[4]	52.68	52.68	52.68	
18. Rent for Rented Land[5]				
19. Depreciation on Crop Machinery	12.68	12.68	12.68	
20. Interest on Crop Machinery[6]	13.16	13.16	13.16	
21. Depreciation on Irrigation Equipment and Well	24.07	24.07	24.07	
22. Interest on Irrigation Equipment[6]	3.60	3.60	3.60	
23. Insurance on Machinery and Equipment	0.67	0.67	0.67	
B. TOTAL FIXED COSTS	$ 111.25	$111.25	$ 111.25	
C. TOTAL COSTS (A + B)	$ 275.27	$ 281.28	$ 286.49	
D. YIELD PER ACRE	40	50	60	
E. PRICE PER BUSHEL[7]	$ 7.56	$ 7.56	$ 7.56	
F. NET GOVERNMENT PAYMENT[7]	$ 13.96	$ 13.96	13.96	
G. RETURNS PER ACRE [(D × E) + F]	$ 316.36	$ 391.96	$ 467.56	
H. RETURNS OVER VARIABLE COSTS (G-A)	$ 152.34	$ 221.92	$ 292.31	
I. RETURNS OVER TOTAL COSTS (G-C)	$ 41.09	$ 110.68	$ 181.07	
J. VARIABLE COSTS PER BUSHEL (A ÷ D)	$ 4.10	$ 3.40	$ 2.92	
K. FIXED COSTS PER BUSHEL (B ÷ D)	$ 2.78	$ 2.22	$ 1.85	
L. TOTAL COSTS PER BUSHEL (C ÷ D)	$ 6.88	$ 5.63	$ 4.77	
M. ASSET TURNOVER (G ÷ INVESTMENT)[8]	27.63%	34.23%	40.83%	
N. NET RETURN ON INVESTMENT [(I+15+17+20+22) ÷ INVESTMENT][8]	10.34%	16.44%	22.61%	

[1] *Totals were derived using information listed in Table 1.*
[2] *See MF-836,* "Irrigation Capital Requirements and Energy Costs."
[3] *If using custom hire, adjust lines 6, 8, 19, and 20.*
[4] *Assumes interest rate shown in Table 1.*
[5] *If cash rented, insert zero in lines 16 and 17.*
[6] *Assumes one-half the average investment [(initial investment + salvage value) ÷ 2] at the interest rate shown in Table 1.*
[7] *See 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.*
[8] *Investment equals total value of all fixed assets shown in Table 1.*

KSU KANSAS STATE UNIVERSITY

COOPERATIVE EXTENSION SERVICE, MANHATTAN, KANSAS

MF-577 Revised October 1996

File Code: Farm Management 3-1

10-96—1.5M