

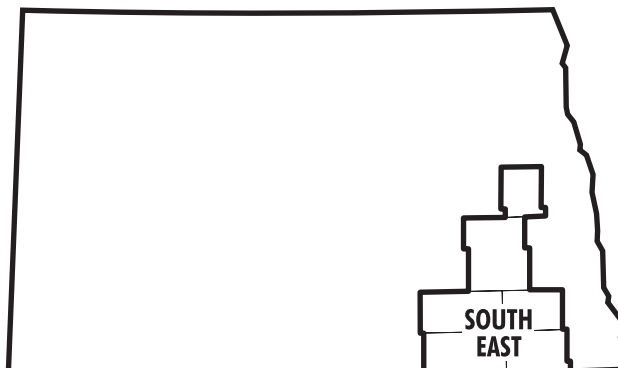
Farm Management Planning Guide



December 2005

Projected 2006 Crop Budgets South East North Dakota

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Note: Starting in 2005, the South East region was redefined. It consists of six counties: Barnes, Dickey, LaMoure, Ransom, Sargent and Steele.

The 2006 crop budgets provide an estimate of revenues and costs for selected crops. Each set of budgets are developed for a multi-county region. There is considerable variation in soil type and productivity, weather conditions, as well as management and production practices within each region. Therefore, **THESE BUDGETS ARE ONLY INTENDED TO BE USED AS A GUIDE. EVERY INDIVIDUAL IS HIGHLY ENCOURAGED TO DEVELOP HIS/HER OWN BUDGETS!**

The profitability budget accounts for full economic opportunity costs for land and machinery investment, regardless of farm operator equity position. The bottom line is the return to labor and management. This is the expected "payment" to the producer for the labor and managerial efforts required by the crop

enterprise. Each individual must make the decision whether it is sufficient.

The budget can be changed to conform to the more common definition of accounting profit (return to unpaid labor and management, and owner equity) by replacing the machinery investment and land charge cost items with your per acre interest, or rental, expense of machinery and land, and real estate tax if land is owned, respectively.

The budget can be used for long run decisions if the revenues and costs are realistic for several years. (Crop prices, direct costs, and the land charge are best estimates for only the 2006 crop year, but crop yields are historic averages and machinery ownership costs are an average for the total length of ownership). If the budget shows a high return to labor and management, and is representative for several years, increased acreage and corresponding investment should be considered. However, if long-run returns to labor and management are unsatisfactory the best decision may be to exit the crop enterprise and employ the machinery and land investment, and labor and management, in a different enterprise or investment.

NDSU

Extension Service

North Dakota State University, Fargo, ND 58105

For short-run planning decisions you can omit the indirect costs if the land and machinery required to produce the different enterprises are in place. Simply compare the crop enterprises by calculating return over direct costs. Labor requirements and risk should also be considered. Insurance is not available for some crops.

The budget can be used to estimate cashflow by making a few modifications. Machinery depreciation should be omitted and the machinery investment number replaced with your per acre principal and interest payment on machinery debt. For owned land, the land charge should be replaced with your per acre real estate tax and principal and interest payment on land debt.

Direct and counter-cyclical payments under the 2002 Farm Bill are omitted from the budgets because those payments are tied to historic farm program base acres and payment yields, not to current crop selection or production. Direct payments for this region are about \$11.25 per acre when averaged over all crop acreage. Counter-cyclical payments will occur if the national average price of wheat, feed grains or soybeans is below a certain level. Only counter-cyclical payment rates per bushel of \$0.10 for wheat, \$0.35 for corn, and \$0.06 for barley are expected with the price levels used in the budgets. The estimate over all crop acreage is about \$5.85 per acre for this region. Counter-cyclical payments will vary by a farm's base acres and payment yields and will dissipate if prices rise.

Primary Assumptions:

Crops are planted on dryland recrop ground. Costs of moving crop to local market/storage are included.

Market Price: Best estimates of NDSU extension economists. The greater of projected market price and marketing loan rate is used.

Market Yields: Average yield for the 7 year period 1998-2004, after the low and high yield years are removed. Yields for field peas, safflower, yellow mustard, buckwheat, millet and garbanzo beans are from NDSU extension agronomists and industry sources.

Fertilizer: Cost of fertilizer applied, based on soil test, to meet yield goal of 130% of market yield. N fertilizer can be reduced if previous crop was soybean, dry bean, field peas or lentil.

Soil test - recrop:
 Nitrogen - 40 lb
 Phosphorus - 10 ppm
 Potassium - 248 ppm

Fertilizer prices:

Nitrogen - .34/lb
 Phosphorus - .25/lb
 Potassium - .185/lb

Seed Prices:

Spring Wheat 5.80/bu
 Durum 6.00/bu
 Barley 4.20/bu
 Corn grain 1.05/thous.kern.
 Corn grain Bt 1.42/thous.kern.
 Oil Sunflower .66/thou.kern.
 Conf. Sunflower 1.10/thou.kern.
 Soybean RR 27.50/50 lb
 Dry Beans .62/lb
 Flax 9.00/bu
 Canola 3.20/lb
 Oats 3.25/bu
 Millet .17/lb
 Buckwheat .28/lb
 Winter Wheat 4.75/bu

Fuel prices:

Diesel 2.10/gal
 Gas 2.20/gal

Lubrication charge: 15% of fuel cost

Crop Insurance: Coverage levels are 70% on all insurable crops. MPCl estimates are used, except for RA-HPO on spring wheat and soybeans.

Miscellaneous: soil testing, machinery rent and custom work.

Operating Interest: Direct costs charged 7.75% interest for 6 month period.

Misc. Overhead: Machinery housing and insurance at .5% and .85%, respectively, of average machinery investment. Also, liability insurance and license fees of trucks. In addition, \$1 per acre is assumed for general farm utilities, farm publications, meetings, dues, income tax preparation, legal fees, etc.

Land charge = average cash rent.

Machinery investment: 4.5% real interest rate, over the years of machine ownership, is charged on average machinery investment. The real, or inflation adjusted, rate is the commercial rate minus the inflation rate. Ave. mach. investment = (Purchase price + Disposal price)/2

Depreciation = (Purchase price - disposal price / years ownership)

Spring Wheat

Durum

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	41	_____	32	_____
Market Price	3.64	_____	3.63	_____
MARKET INCOME	149.24	_____	116.16	_____
DIRECT COSTS				
-Seed	10.15	_____	12.00	_____
-Herbicides	12.10	_____	12.10	_____
-Fungicides*	1.50	_____	1.50	_____
-Insecticides	0.00	_____	0.00	_____
-Fertilizer	37.05	_____	25.93	_____
-Crop Insurance	4.40	_____	2.80	_____
-Fuel & Lubrication	11.56	_____	11.28	_____
-Repairs	10.34	_____	10.21	_____
-Drying	0.00	_____	0.00	_____
-Miscellaneous	1.00	_____	1.00	_____
-Operating Interest	3.41	_____	2.98	_____
SUM OF LISTED DIRECT COSTS	91.51	=====	79.80	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	3.67	_____	3.56	_____
-Machinery Depreciation	13.01	_____	12.74	_____
-Machinery Investment	7.79	_____	7.65	_____
-Land Investment	43.90	_____	43.90	_____
SUM OF LISTED INDIRECT COSTS	68.36	=====	67.85	=====
SUM OF ALL LISTED COSTS	159.87	_____	147.64	_____
RETURN TO LABOR & MANAGEMENT	(10.63)	_____	(31.48)	_____
LISTED COSTS PER BUDGET UNIT	(bu):		(bu):	
-Direct Costs	2.23	_____	2.49	_____
-Indirect Costs	1.67	_____	2.12	_____
-Total Costs	3.90	_____	4.61	_____

notes:

*Early season foliar fungicide would cost about \$3-\$5 and late season fungicide would cost about \$9.50 plus application. Recent trials consistently show yield response of 5-10% with early season fungicide, if wheat planted into residue, and 15-20% with late application if weather favors disease development.

Malting Barley

Corn Grain

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	61	_____	115	_____
Market Price	2.24*	_____	1.87	_____
MARKET INCOME	136.64	_____	215.05	_____
DIRECT COSTS				
-Seed	8.40	_____	38.36*	_____
-Herbicides	10.30	_____	21.50	_____
-Fungicides	1.25	_____	0.00	_____
-Insecticides	0.00	_____	0.00**	_____
-Fertilizer	32.49	_____	57.11	_____
-Crop Insurance	2.60	_____	7.40	_____
-Fuel & Lubrication	12.80	_____	16.74	_____
-Repairs	11.01	_____	13.98	_____
-Drying	0.00	_____	15.53	_____
-Miscellaneous	1.00	_____	1.00	_____
-Operating Interest	3.09	_____	6.65	_____
SUM OF LISTED DIRECT COSTS	82.95	=====	178.27	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	4.04	_____	5.51	_____
-Machinery Depreciation	14.01	_____	20.87	_____
-Machinery Investment	8.48	_____	12.10	_____
-Land Investment	43.90	_____	43.90	_____
SUM OF LISTED INDIRECT COSTS	70.44	=====	82.38	=====
SUM OF ALL LISTED COSTS	153.39	_____	260.64	_____
RETURN TO LABOR & MANAGEMENT	(16.75)	_____	(45.59)	_____
LISTED COSTS PER BUDGET UNIT	(bu):		(bu):	
-Direct Costs	1.36	_____	1.55	_____
-Indirect Costs	1.15	_____	0.72	_____
-Total Costs	2.51	_____	2.27	_____

Barley notes:

*On average, about 50% of production is feed quality. Use county loan rate of about \$1.61 for feed barley price.

Corn notes:

*Bt corn for corn borer control on 80 percent of acres and conventional corn on 20 percent of acres for corn borer refuge.

**Insecticide for wireworm, rootworm, cutworm and white grub would cost \$15-\$16 for granular applied or about \$5 per acre for seed treatment (only suppression for cutworm).

Soybeans

Drybeans*

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	33	_____	1520	_____
Market Price	5.46	_____	0.155	_____
MARKET INCOME	180.18	_____	235.60	_____
DIRECT COSTS				
-Seed	32.01*	_____	31.00	_____
-Herbicides	7.75	_____	23.25	_____
-Fungicides	0.00	_____	0.00**	_____
-Insecticides	0.00**	_____	0.00	_____
-Fertilizer	1.61	_____	24.35	_____
-Crop Insurance	6.20	_____	11.30	_____
-Fuel & Lubrication	11.31	_____	14.64	_____
-Repairs	10.51	_____	12.93	_____
-Drying	0.00	_____	0.00	_____
-Miscellaneous	1.50	_____	1.00	_____
-Operating Interest	2.75	_____	4.59	_____
SUM OF LISTED DIRECT COSTS	73.64	=====	123.06	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	3.70	_____	4.53	_____
-Machinery Depreciation	13.35	_____	16.82	_____
-Machinery Investment	8.10	_____	11.07	_____
-Land Investment	43.90	_____	43.90	_____
SUM OF LISTED INDIRECT COSTS	69.06	=====	76.32	=====
SUM OF ALL LISTED COSTS	142.70	_____	199.39	_____
RETURN TO LABOR & MANAGEMENT	37.48	_____	36.21	_____
LISTED COSTS PER BUDGET UNIT	(bu):		(lb):	
-Direct Costs	2.23	_____	0.08	_____
-Indirect Costs	2.09	_____	0.05	_____
-Total Costs	4.32	_____	0.13	_____

Soybean notes:

*Roundup (glyphosate) resistant soybeans.

**Soybean aphid insecticide would cost about \$8 per acre plus application.

Drybean notes:

*Acreage limitations exist under the 2002 farm bill. The general rule is drybean acres can not be planted on base acres. If farm or producer has drybean history, drybean can be planted on base acres but government payments on those acres will be forfeited.

**Fungicide for white mold would cost about \$16 plus application.

Oil Sunflower

Confectionery Sunflower

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1420	_____	1320	_____
Market Price	0.116	_____	0.155	_____
MARKET INCOME	164.72	_____	204.60	_____
DIRECT COSTS				
-Seed	14.52	_____	20.90	_____
-Herbicides	15.00	_____	15.00	_____
-Fungicides	0.00	_____	0.00	_____
-Insecticides*	5.00	_____	11.00	_____
-Fertilizer	21.70	_____	19.22	_____
-Crop Insurance	5.50	_____	7.40	_____
-Fuel & Lubrication	14.34	_____	14.79	_____
-Repairs	12.00	_____	12.20	_____
-Drying	2.84	_____	2.64	_____
-Miscellaneous	1.00	_____	5.75	_____
-Operating Interest	3.56	_____	4.22	_____
	=====	=====	=====	=====
SUM OF LISTED DIRECT COSTS	95.46	_____	113.12	_____
INDIRECT (FIXED) COSTS				
-Misc. Overhead	4.49	_____	4.55	_____
-Machinery Depreciation	16.55	_____	16.78	_____
-Machinery Investment	10.42	_____	10.70	_____
-Land Investment	43.90	_____	43.90	_____
	=====	=====	=====	=====
SUM OF LISTED INDIRECT COSTS	75.36	_____	75.92	_____
SUM OF ALL LISTED COSTS	170.82	_____	189.04	_____
RETURN TO LABOR & MANAGEMENT	(6.10)	_____	15.56	_____
LISTED COSTS PER BUDGET UNIT				
	(lb):		(lb):	
-Direct Costs	0.07	_____	0.09	_____
-Indirect Costs	0.05	_____	0.06	_____
-Total Costs	0.12	_____	0.14	_____

Oil Sunflower notes:

*Seed treatment for control of wireworm and flea beetle.
 Sunflower beetle insecticide would cost about \$2 plus application.
 Red seed weevil insecticide would cost about \$6 plus application.

Confectionery Sunflower notes:

*Includes seed treatment for control of wireworm and flea beetle, \$5, and one spraying for head feeding insects (red seed weevil, lygus bug and banded moths) at about \$6 per acre. Custom application cost of \$4.75 is under "Miscellaneous." A second spraying is often needed. Insecticide for sunflower beetle would cost about \$2 plus application.

Canola

Flax

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1200	_____	19	_____
Market Price	0.098	_____	5.60	_____
MARKET INCOME	117.60	_____	106.40	_____
DIRECT COSTS				
-Seed	17.60	_____	7.20	_____
-Herbicides	17.50	_____	14.71	_____
-Fungicides	0.00*	_____	0.00	_____
-Insecticides	6.00	_____	0.00	_____
-Fertilizer	31.64**	_____	11.59*	_____
-Crop Insurance	5.20	_____	3.90	_____
-Fuel & Lubrication	11.60	_____	11.50	_____
-Repairs	10.46	_____	10.41	_____
-Drying	0.00	_____	0.00	_____
-Miscellaneous	1.00	_____	1.00	_____
-Operating Interest	3.91	_____	2.34	_____
	=====	=====	=====	=====
SUM OF LISTED DIRECT COSTS	104.91	_____	62.65	_____
INDIRECT (FIXED) COSTS				
-Misc. Overhead	3.56	_____	3.51	_____
-Machinery Depreciation	12.87	_____	12.76	_____
-Machinery Investment	7.91	_____	7.86	_____
-Land Investment	43.90	_____	43.90	_____
	=====	=====	=====	=====
SUM OF LISTED INDIRECT COSTS	68.24	_____	68.03	_____
SUM OF ALL LISTED COSTS	173.14	_____	130.68	_____
RETURN TO LABOR & MANAGEMENT	(55.54)	_____	(24.28)	_____
LISTED COSTS PER BUDGET UNIT	(lb):		(bu):	
-Direct Costs	0.09	_____	3.30	_____
-Indirect Costs	0.06	_____	3.58	_____
-Total Costs	0.14	_____	6.88	_____

Canola notes:

*Fungicide for white mold would cost about \$16 plus application.

**Fertilizer cost includes 20 lbs sulfur at \$.265/lb.

Flax notes:

*No phosphorus fertilizer is used because flax does not show a yield response.

Oats

Buckwheat

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	70	_____	950	_____
Market Price	1.38	_____	0.114	_____
MARKET INCOME	96.60	_____	108.30	_____
DIRECT COSTS				
-Seed	6.50	_____	14.00	_____
-Herbicides	1.88	_____	0.00	_____
-Fungicides	0.00	_____	0.00	_____
-Insecticides	0.00	_____	0.00	_____
-Fertilizer	31.95	_____	8.80	_____
-Crop Insurance	4.30	_____	0.00	_____
-Fuel & Lubrication	13.08	_____	10.14	_____
-Repairs	11.14	_____	9.47	_____
-Drying	0.00	_____	0.00	_____
-Miscellaneous	1.00	_____	1.00	_____
-Operating Interest	2.71	_____	1.68	_____
SUM OF LISTED DIRECT COSTS	72.56	=====	45.09	=====
INDIRECT (FIXED) COSTS				
-Misc. Overhead	4.16	_____	3.21	_____
-Machinery Depreciation	14.28	_____	11.51	_____
-Machinery Investment	8.62	_____	6.79	_____
-Land Investment	43.90	_____	43.90	_____
SUM OF LISTED INDIRECT COSTS	70.95	=====	65.41	=====
SUM OF ALL LISTED COSTS	143.51	_____	110.50	_____
RETURN TO LABOR & MANAGEMENT	(46.91)	_____	(2.20)	_____
LISTED COSTS PER BUDGET UNIT	(bu):		(lb):	
-Direct Costs	1.04	_____	0.05	_____
-Indirect Costs	1.01	_____	0.07	_____
-Total Costs	2.05	_____	0.12	_____

notes:

Millet

Winter Wheat

	Per Acre	Your Figures	Per Acre	Your Figures
Market Yield	1800		47*	
Market Price	0.065		3.34	
MARKET INCOME	117.00		156.98	
DIRECT COSTS				
-Seed	4.25		5.70	
-Herbicides	1.50		5.38	
-Fungicides	0.00		0.00	
-Insecticides	0.00		0.00	
-Fertilizer	17.81		44.46	
-Crop Insurance	3.00		4.60	
-Fuel & Lubrication	12.03		11.28	
-Repairs	10.65		10.15	
-Drying	0.00		0.00	
-Miscellaneous	1.00		1.10	
-Operating Interest	1.95		3.20	
SUM OF LISTED DIRECT COSTS	52.19		85.87	
INDIRECT (FIXED) COSTS				
-Misc. Overhead	3.73		3.71	
-Machinery Depreciation	13.27		13.00	
-Machinery Investment	8.11		7.74	
-Land Investment	43.90		43.90	
SUM OF LISTED INDIRECT COSTS	69.01		68.35	
SUM OF ALL LISTED COSTS	121.20		154.22	
RETURN TO LABOR & MANAGEMENT	(4.20)		2.76	
LISTED COSTS PER BUDGET UNIT				
-Direct Costs	(lb): 0.03		(bu): 1.83	
-Indirect Costs	0.04		1.45	
-Total Costs	0.07		3.28	

Winter Wheat notes:

*Yield is per harvested acre, 1998-2004 acreage abandonment averaged 13%.

2006 Machinery List

Machine	Purch. Price	Annual Use	Years to trade	Trade in	Deprec.	Invest.	Repairs	Ac/hr
2WD 100HP Tractor	52000	400 hr	20	16813	4.40/hr	3.87/hr	5.31/hr	
2WD 160HP Tractor	85800	500 hr	15	25385	8.06/hr	5.00/hr	8.74/hr	
4WD 280HP Tractor	118100	500 hr	15	34978	11.08/hr	6.89/hr	6.88/hr	
SP Combine (base unit)	140200	250 hr	12	34889	35.10/hr	15.76/hr	22.77/hr	
Tandem Truck (used)	30000	150 hr	15	10000	8.89/hr	6.00/hr	5.33/hr	
Semi & Trailer (used)	35000	150 hr	10	10000	16.67/hr	6.75/hr	6.67/hr	
Pick-up Truck	19700	300 hr	10	4100	5.20/hr	1.79/hr	2.58/hr	
Swather 25 ft	16500	1000 ac	20	3909	0.63/ac	0.46/ac	0.29/ac	12.1
Sprayer 90 ft	25200	2500 ac	15	10334	0.41/ac	0.32/ac	0.32/ac	42.5
Chisel Plow 35 ft	25000	1600 ac	15	14651	0.43/ac	0.56/ac	0.67/ac	16.2
Field Cultivator 45 ft	31300	3000 ac	15	17333	0.31/ac	0.36/ac	0.56/ac	23.2
Tandem Disk 28 ft	24000	800 ac	20	6869	1.07/ac	0.87/ac	0.68/ac	12.2
Harrow (springtooth) 60 ft	10200	1200 ac	20	5881	0.18/ac	0.30/ac	0.13/ac	34.0
Row-crop cultivator 12-30	10400	800 ac	15	5712	0.39/ac	0.45/ac	0.39/ac	11.6
Air Seeder 35 ft	70800	1800 ac	12	33136	1.74/ac	1.30/ac	2.78/ac	14.8
Planter 12-30	38300	800 ac	20	12465	1.60/ac	1.44/ac	2.12/ac	10.6
Bean cutter 6-30	8200	400 ac	20	2354	0.73/ac	0.59/ac	0.45/ac	6.5
Corn head 6-30	24100	400 ac	20	2325	2.72/ac	1.48/ac	0.74/ac	5.1
Grain head w/pu	10500	1200 ac	10	3724	0.56/ac	0.27/ac	0.20/ac	8.5
Grain str. cut 25 ft	14200	800 ac	15	2872	0.94/ac	0.48/ac	0.26/ac	8.5
Head w/sunf pans 25 ft	17700	400 ac	20	1867	1.98/ac	1.10/ac	0.33/ac	8.5
Soybeans str. cut 25 ft	20600	800 ac	20	1907	1.17/ac	0.63/ac	0.38/ac	8.5
Head w/drybean pickups	20600	400 ac	20	2172	2.30/ac	1.28/ac	0.38/ac	8.5
Rock picker	15000	50 hr	20	4748	0.34/ac	0.30/ac	0.22/ac	29.1
Grain auger	6500	50 hr	20	500	6.00/hr	3.15/hr	0.66/hr	

Example Sequence of Operations

Field operations sequence for spring wheat and durum

OP. NO.	DESCRIPTION	(FEET) WIDTH	(MPH) SPEED	(AC/HR) Fld Cap	(\$/AC) FUEL & LUBE	(\$/AC) EST. REPAIRS
1	Field Cultivate	45	5.0	23.2	\$ 1.28	\$ 0.85
2	Pick Rocks				0.36	0.40
3	Plant	35	5.0	14.8	2.00	3.25
4	Spray (130%)	90	6.0	42.5	0.33	0.58
5	Swath (20%)	25	5.0	12.1	0.18	0.15
6	Combine	25	4.0	8.5	2.88	2.95
7	Chisel Plow	35	4.5	16.2	1.83	1.10
	Trucks*				1.27	0.59
	Grain auger (pto)				0.14	0.01
	Pickup truck allocation				1.28	0.47
Total					11.56	10.34

* Truck costs will vary between crops.

For more information on this and other topics, see: www.ag.ndsu.edu

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625-12-05