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What's Your Family Living Expense per Bushel?

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

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Market Report	Yr Ago	4 Wks Ago	10/1/99
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$57.25	\$65.81	66.25
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	71.32	83.66	83.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	*	86.32	87.73
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	92.40	102.02	104.24
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	31.70	34.00	35.25
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	*	22.32	23.24
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	95.60	108.00	107.90
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	68.50	76.25	68.93
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	162.00	177.00	161.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.67	2.93	2.79
Corn, No. 2, Yellow Omaha, bu.	1.63	1.71	1.64
Soybeans, No. 1, Yellow Omaha, bu.	4.90	4.57	4.36
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	2.88	3.21	2.73
Oats, No. 2, Heavy Sioux City, IA, bu.	*	1.16	1.12
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	*	87.50	92.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	47.50	35.00	32.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	70.00	*	*
* No market.			

A speaker at the Women in Agriculture conference in Kearney last month said a woman told him that her family's living expense was 39 cents per bushel of corn. This made me curious as to how some of our data compared. First, I looked at an example farm situation on a worksheet which we use to help producers allocate their costs to individual enterprises. Surprisingly, the family living expense was also 39 cents per bushel of corn. It was 94 cents per bushel of soybeans and \$4.50 per hundredweight of hog production.

Family living expense is a sensitive topic. Few people think they are spending too much. Most think they are not making unnecessary purchases. But, with the declining profit margins on farms (see my June 23 article in this newsletter), there is less income for family living, per dollar of gross income than there was 10 years ago. Families are dealing with this in many ways. Quite a few are supplementing family income with off-farm jobs. Others are experimenting with niche markets for farm production. Still others may be experiencing declines in their net worth and waiting for better times. The farm that supported a family 10 years ago generally will not support a family today. Profit margins on the farm have declined and family living expenses have increased.

Calculating the family living expense per bushel of corn or per hundredweight of hog production may be a reality check on how much living expenses a family expects the farm to pay. In an attempt to establish a benchmark amount, or range, I examined several sources. The first was data from the Nebraska



Farm Business Association. According to their annual reports, the average cost of producing irrigated corn on cash rented land over the four years 1995-98 was as follows :

	\$/Acre	\$/Bushel
	(150.8 bu/acre)	
Seed, Fertilizer & Chemical	\$110.71	\$.73
Land Rent	103.10	.68
Power & Machinery, Irrigation & Drying	91.88	.61
Insurance, Taxes, Utilities, Misc.	26.26	.17
Interest	17.67	.12
Hired Labor	9.72	.06
Total Listed Expenses	\$359.34	\$2.37
Family Living Expense	37.94	.25
Income & Self-Employment Tax	8.45	.06
Total	\$405.73	\$2.68

The family living expense allocated to corn amounted to 25 cents per bushel. This is listed as an imputed charge for operator labor & management in the record summary. But, if the family expects the farm to support a given level of living costs, it is a cash flow need that must be met and in essence becomes an expense, the same as seed. The average family living expense for the four years was \$33,131. If the only enterprise were irrigated corn, 873 acres would result in the \$37.94 per acre cost shown above, which is 25 cents per bushel.

If we include income and self-employment taxes, which also must be paid from crop and livestock sales, this adds another 6 cents per bushel.

Another source of production cost data -- A lady from Southeast Nebraska has developed a computer spreadsheet for calculating production costs on their farm. She lists "cost of living" as an expense item, at

\$45 per acre. With an expected soybean yield of 45 bu/a this amounts to \$1.00 per bushel. With a corn

yield of 115 bu/a, this amounts to 39 cents per bushel.

Another source of production cost information is the Ag Economics Department's publication of budgeted crop production costs. I checked the center pivot irrigated corn budget in South Central Nebraska. The labor cost is calculated using machine accomplishment rates in the field, plus a factor for overhead time, times \$7.50 per hour. This amounts to \$14.91 per acre for this irrigated corn budget. A "management charge" of 25 cents per bushel is also included as an imputed cost. Using the labor and management charge as a proxy for family living expense, and the stated yield of 145 bu/a, the result is 35 cents per bushel.

This superficial survey indicates that family living expense per bushel of irrigated corn may be in the range of 25-39 cents per bushel. Calculating family living expense per bushel should be a relatively easy task for cash grain producers, and certainly a reasonable task for diversified producers. It will be interesting to see what individuals report.

One of the worksheets that participants in the *Decisions Now: Building Your Future* program are encouraged to complete is the one referred to in the first paragraph of this newsletter. This worksheet helps families allocate all costs, including family living expense and income taxes, to their productive enterprises. A schedule of about 20 *Decisions Now* workshops across the state is being organized, and will be publicized soon. Check with your local extension office or call 800-535-3456 for a workshop location near you.

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