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New 2010 Crop Enterprise Budgets

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CORNHUSKER ECONOMICS

New 2010 Crop Enterprise Budgets

Market Report	Yr Ago	4 Wks Ago	10/30/09
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$91.24	\$81.52	\$86.64
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	103.94	105.77	98.59
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	98.76	99.83	93.11
Choice Boxed Beef, 600-750 lb. Carcass.	142.06	137.25	141.15
Western Corn Belt Base Hog Price Carcass, Negotiated.	54.92	48.72	52.32
Feeder Pigs, National Direct 50 lbs, FOB.	45.04	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	63.49	53.99	57.16
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	*	94.12	91.25
National Carcass Lamb Cutout, FOB.	262.55	249.66	239.19
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	4.86	3.43	3.95
Corn, No. 2, Yellow Omaha, bu.	3.91	3.22	3.48
Soybeans, No. 1, Yellow Omaha, bu.	9.11	8.56	9.59
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.30	4.89	5.64
Oats, No. 2, Heavy Minneapolis, MN, bu.	*	2.05	2.49
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	202.50	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	77.50	82.50	82.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	75.00	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	148.50	93.00	120.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	49.50	36.12	40.00
*No Market			

The 2010 Crop Enterprise Budgets will soon be published. They will be available on the web in two places: the University of Nebraska's "Crop Watch" website (<http://cropwatch.unl.edu>) in the Economics and Marketing section, and on the Agricultural Economics website at <http://www.agecon.unl.edu>.

The Agricultural Economics Department at the University of Nebraska has been publishing crop budgets since 1975. Originally, budgets were prepared for each of the crops grown in the then, five extension districts, resulting in 39 crop budgets. A dairy budget, two swine budgets and 11 beef budgets were also published.

The approach to budgeting has changed over the years as producers have adopted new production systems. In 1975, all budgets (except a wheat-corn eco-fallow budget) reflected systems using conventional tillage methods. As the number of production systems used by Nebraska producers increased, the practice of creating different budgets for different parts of the state was replaced with creating budgets using these different production systems. The 2010 budgets include 13 different systems for corn production. These systems differ in how water is applied (rainfed, pivot, gravity), tillage system used (conventional, no-till, ridge till), type of rotation and seed type used (non-GMO, Roundup Ready®, Bt, rootworm resistant). A new budget this year is a system that includes SmartStax® seed.

In addition to budgets for corn, the 2010 crop budgets include eight soybean, seven alfalfa, five wheat, four grain-sorghum, two sunflower and sugarbeets, and one each dry beans, sorghum-sudan,



millet, pasture, oats, grass and grass hay. The result is 48 distinct crop budgets.

A key component of crop enterprise budgeting is using appropriate prices for determining the cost of inputs. This appears to have been challenging from the beginning, given this comment from the 1975 publication: "We did not anticipate the magnitude of the winter fertilizer price increases." The variability in the price of inputs continues to be something everyone should be cognizant of when using any budgeting tool.

Uncertain prices for inputs was a particular problem in the 2009 budgets, since we saw a huge fluctuation from the Fall of 2008, to the Spring of 2009 in fuel and fertilizer prices. Prices were extremely high in September 2008, but had declined considerably prior to planting. The price of diesel fuel used in the 2009 budgets was \$4.00 per gallon, compared to \$2.00 per gallon for the 2010 budgets. While this price for fuel may be a little low for 2010, using a round number such as \$2.00 allows for easy adjustments should prices change. Please remember that values placed in the budgets are defaults which may be low or high, and may require adjustments over time to suit an individual's situation and circumstances.

Fertilizer prices that were used for budgeting in 2009 have changed even more dramatically compared to 2010 than has fuel. The largest negative price change has been for 10-34-0, which went from an estimated price of \$6.84 per gallon in 2009, to \$1.90 per gallon in 2010. While changes in other fertilizer prices have not been as dramatic, the average of fertilizer prices used for the 2010 budgets are about 37 percent of the 2009 budget prices.

The change in herbicide prices are a mixed bag. The price of glyphosate dropped from \$0.35 per ounce in 2009 to \$0.16 (46 percent of 2009) in 2010, while AAtrex 4L[®] increased from \$4.75 per pint in 2009 to \$6.00 (126 percent of 2009) in 2010.

Seed prices in the budgets remained approximately at 2009 levels. The price of corn seed is difficult to determine, since the actual amount paid is affected by various discounts offered by dealers. However, the price of seed utilizing new GMO technology appears to be higher than for those numbers available in past years. However, since fewer refuge acres are required and projected yields are greater using these new hybrids, the extra price for

seed may be wholly or partially offset. The 2010 estimated crop budgets show similar cost per unit of production, using the new GMO technology verses the technology of prior years.

The Nebraska Crop Enterprise Budgets are cost estimates only, as they do not include projected incomes. Machinery operation costs are calculated using mathematical relationships and estimates developed by the American Society of Agricultural and Biological Engineers. Machinery operation includes both variable and fixed costs, which include labor, fuel, repairs and ownership.

Materials and service costs include a list of purchased inputs including fertilizers, pesticides and seeds, along with their prices and application rates. Interest is calculated on purchased inputs indicating the cost or value of the capital borrowed or used. Overhead costs include Scouting, Crop Insurance, Real Estate Opportunity Costs and Real Estate Taxes. A total cost-per-unit of production and a cash cost-per-unit of production is calculated in the appropriate units such as bushel, ton, hundred weight, etc.

The purpose of the published budgets is to provide information for producers in helping to create their own budgets, tailored to each unique operation. The published budgets represent neither specific operations nor averages. One would expect that producers using new machinery would have lower repair and higher machinery ownership costs, while those using older machinery would spend more on repairs, but their ownership costs would be less. An assumption was made that machinery was fully utilized. Underutilized machinery would increase all operational costs.

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