

2014's COST OF RODUCTION?



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CHANGES IN PRODUCTION COSTS

1. Shifts in a input costs

1. Land Rent; **higher**, the same, **lower**
2. Fertilizer; **lower**
3. Seed; **higher**
4. Fuel; the same, maybe **lower**
5. Interest; **higher**
6. Depreciation; **higher**

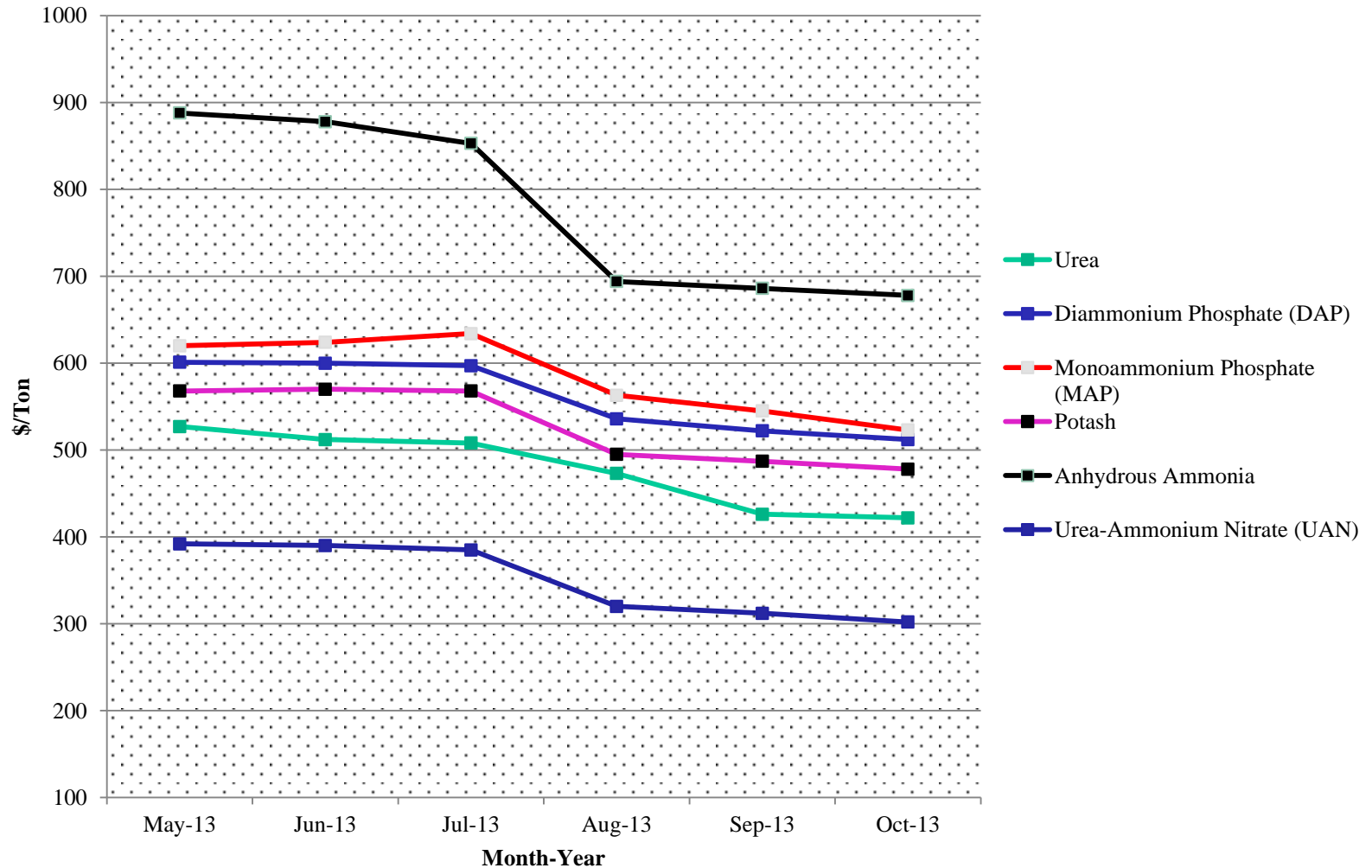
CHANGES IN PRODUCTION COSTS

1. Major shifts in a nearly every output

1. Commodity prices for grains down
2. Beef is only livestock sector with price going higher

2. Do we have less grain yield risk today

Figure 1. Fertilizer Prices from May to October 2013 (\$/Ton)



Data source: USDA- Illinois Dept. of Ag Market News, Springfield, Ill., cash prices for bulk purchases, granular form unless noted.

Farmland Rental Rates

USDA LAND RENT SUMMARY							CHANGE
	2013	2012	2011	2010	2009	2008	13 to 08
County							
BAY	\$116.00	\$117.00	\$99.00	\$95.00	\$98.50	\$102.00	113.7%
CLARE	\$58.50	\$38.00	\$38.00	\$30.00	\$33.00	\$43.00	136.0%
CLINTON	\$116.00	\$122.00	\$109.00	\$97.00	\$101.00	\$93.50	124.1%
GRATIOT	\$131.00	\$131.00	\$105.00	\$105.00	\$116.00	\$99.50	131.7%
HILLSDALE	\$109.00	\$105.00	\$92.00	\$94.00	\$91.50	\$77.00	141.6%
HURON	\$176.00	\$176.00	\$145.00	\$129.00	\$124.00	\$122.00	144.3%
INGHAM	\$103.00	\$104.00	\$76.00	\$72.00	\$68.50	\$69.50	148.2%
LENAWEE	\$152.00	\$146.00	\$135.00	\$105.00	\$108.00	\$105.00	144.8%
LIVINGSTON	\$73.50	\$69.00	\$58.00	\$54.00	\$52.00	\$47.50	154.7%
MONROE	\$125.00	\$130.00	\$130.00	\$97.00	\$94.50	\$95.00	131.6%
SAGINAW	\$161.00	\$121.00	\$116.00	\$103.00	\$97.50	\$101.00	159.4%
SANILAC	\$145.00	\$72.00	\$72.00	\$68.00	\$72.00	\$66.00	219.7%
ST CLAIR	\$61.50	\$54.00	\$54.00	\$46.00	\$54.00	\$55.00	111.8%
TUSCOLA	\$189.00	\$145.00	\$109.00	\$114.00	\$124.00	\$106.00	178.3%
WASHTENAW	\$70.00	\$68.00	\$58.00	\$58.00	\$68.00	\$63.50	110.2%

Irrigated – Farmland Rental

USDA LAND RENT SUMMARY						
	2013	2012	2011	2010	2009	2008
County						
CASS	\$302.00	\$271.00	\$221.00	\$209.00	\$219.00	
KALAMAZOO	\$276.00	\$250.00	\$196.00	\$189.00	\$184.00	
ST JOSEPH	\$284.00	\$262.00		\$188.00	\$179.00	\$196.00
SOUTH - WEST Dist.	\$205.00	\$216.00				
SOUTH - EAST Dist.	\$174.00	\$154.00				
SOUTH - CENTRAL Dist.	\$168.00	\$179.00	\$185.00			

Corn cost			\$/bu	\$/bu	\$/ac diff
	2013	2014	2013	2014	13 vs 14
YIELD	180	175			(5.00)
PRICE	4.5	4.25			-\$0.25
Gov. Program Payment	15	0	0	0	-\$15.00
TOTAL REVENUE	825	743.75	\$4.58	\$4.25	-\$81.25
CASH EXPENSES					
SEED	105	110	\$0.58	\$0.63	\$5.00
FERTILIZER	189.3	127.53	\$1.05	\$0.73	-\$61.77
PESTICIDE	34	36	\$0.19	\$0.21	\$2.00
CROP INSURANCE	25	15.5	\$0.14	\$0.09	-\$9.50
LAND COST *	200	175	\$1.11	\$1.00	-\$25.00
sub Tot. Cash Expenses	749.01	609.82	\$4.12	\$3.48	-\$139.19
OVERHEAD COSTS					
Interest	21.45	14.88	\$0.12	\$0.09	-\$6.57
Depreciation-	50	47	\$0.28	\$0.27	-\$3.00
sub Tot Overhead	113.45	103.88	\$0.63	\$0.59	-\$9.57
Total Expenses	862.46	713.7	\$4.75	\$4.08	-\$148.76
Net Enterprise Budget	-52.46	30.05	-\$0.17	\$0.17	\$67.51

Corn cost			\$/bu	\$/bu	\$/ac diff
	2012	2014	2012	2014	12 vs 14
YIELD	165	175			10.00
PRICE	6.75	4.25			(\$2.50)
Gov. Program Payment	15	0			(\$15.00)
TOTAL REVENUE	1128.75	743.75	\$6.84	\$4.25	(\$385.00)
CASH EXPENSES					
SEED	105	110	\$0.64	\$0.63	\$5.00
FERTILIZER	191.05	127.53	\$1.16	\$0.73	(\$63.52)
PESTICIDE	21	36	\$0.13	\$0.21	\$15.00
LABOR - HIRED	14	13.75	\$0.08	\$0.08	(\$0.25)
CROP INSURANCE	25	15.5	\$0.15	\$0.09	(\$9.50)
LAND COST *	150	175	\$0.91	\$1.00	\$25.00
sub Tot. Cash Expenses	641.71	609.82	\$3.84	\$3.48	(\$31.89)
OVERHEAD COSTS					
Interest	21.45	14.88	\$0.13	\$0.09	(\$6.57)
Depreciation-	30	47	\$0.18	\$0.27	\$17.00
sub Tot Overhead	93.45	103.88	\$0.57	\$0.59	\$10.43
Total Expenses	735.16	713.7	\$4.41	\$4.08	(\$21.46)
Net Enterprise Budget	378.59	30.05	\$2.43	\$0.17	(\$348.54)

Corn machcost			\$/bu	\$/bu	\$/ac diff
	2013	2014	2013	2014	13 vs 14
YIELD	185	175	185	175	-10
PRICE	\$4.50	\$4.25	\$4.50	\$4.25	-\$0.25
Gov. Program Payment	\$15.00	\$0.00	\$0.08	\$0.00	
TOTAL REVENUE	\$847.50	\$743.75	\$4.58	\$4.25	-\$103.75
CASH EXPENSES					
SEED	\$105.00	\$110.00	\$0.57	\$0.63	\$5.00
FERTILIZER	\$189.30	\$127.53	\$1.02	\$0.73	-\$61.77
PESTICIDE	\$34.00	\$36.00	\$0.18	\$0.21	\$2.00
CROP INSURACNE	\$25.00	\$15.50	\$0.14	\$0.09	-\$9.50
DRYING	\$40.50	\$39.38	\$0.22	\$0.23	-\$1.12
CUSTOM MACHINE HIRE	\$89.09	\$87.91	\$0.48	\$0.50	-\$1.18
LAND COST *	\$200.00	\$175.00	\$1.08	\$1.00	-\$25.00
sub Tot. Cash Expenses	\$689.64	\$597.70	\$3.73	\$3.42	-\$91.94
OVERHEAD COSTS					
INTEREST	\$21.45	\$14.88	\$0.12	\$0.09	-\$6.57
sub Tot Overhead	\$58.45	\$51.88	\$0.32	\$0.30	-\$6.57
Total Expenses	\$748.09	\$649.58	\$4.04	\$3.71	-\$98.51
Net Enterprise Budget	\$84.41	\$94.17	\$0.54	\$0.54	-\$5.24

Corn machcost			\$/bu	\$/bu	\$/ac diff
	2012	2014	2012	2014	12 VS 14
YIELD	165	175	180	175	10
PRICE	\$6.75	\$4.25	\$6.75	\$4.25	-\$2.50
Gov. Program Payment	\$15.00	\$0.00	\$0.09	\$0.00	-\$15.00
TOTAL REVENUE	\$1,128.75	\$743.75	\$1,215.09	\$4.25	-\$385.00
CASH EXPENSES					
SEED	\$105.00	\$110.00	\$0.64	\$0.63	\$5.00
FERTILIZER	\$191.05	\$127.53	\$1.16	\$0.73	-\$63.52
PESTICIDE	\$21.00	\$36.00	\$0.13	\$0.21	\$15.00
CROP INSURACNE	\$25.00	\$15.50	\$0.15	\$0.09	-\$9.50
DRYING	\$37.13	\$39.38	\$0.23	\$0.23	\$2.25
CUSTOM MACHINE HIRE	\$79.60	\$87.91	\$0.48	\$0.50	\$8.31
LAND COST *	\$150.00	\$175.00	\$0.91	\$1.00	\$25.00
sub Tot. Cash Expenses	\$614.97	\$597.70	\$3.73	\$3.42	-\$17.27
OVERHEAD COSTS					
INTEREST	\$22.23	\$14.88	\$0.13	\$0.09	-\$7.35
sub Tot Overhead	\$61.23	\$51.88	\$0.37	\$0.30	-\$9.35
Total Expenses	\$676.20	\$649.58	\$4.10	\$3.71	-\$26.62
Net Enterprise Budget	\$437.55	\$94.17	\$2.65	\$0.54	-\$343.38

ENTERPRISE BUDGETS	CORN	WHEAT	DRY BEANS	SOYBEAN	S BEETS
YIELD/AC	175.00	85.00	20.00	50.00	26.00
VALUE/UNIT	\$4.50	\$6.50	\$35.00	\$12.00	\$50.00
GROSS INCOME	\$787.50	\$552.50	\$700.00	\$600.00	\$1,300.00
*CASH COST					
NITROGEN	\$69.30	\$39.60	\$23.76	\$0.00	\$59.40
Phos	\$28.13	\$23.80	\$25.96	\$25.96	\$15.14
Potash	\$30.11	\$19.48	\$21.25	\$31.88	\$42.50
LIMESTONE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SEED ***	\$110.00	\$24.00	\$75.00	\$55.00	\$137.50
HERBICIDE ***	\$36.00	\$5.50	\$38.00	\$33.00	\$35.00
INSECT&CHEMICALS ***	\$0.00	\$34.00	\$25.00	\$20.00	\$95.75
CROP INS.	\$15.50	\$14.00	\$30.00	\$12.00	\$37.50
FUEL & Lube	\$24.04	\$13.11	\$26.22	\$15.30	\$52.44
REPAIR	\$29.00	\$20.30	\$29.00	\$20.30	\$72.50
SUPPLIES	\$7.71	\$5.40	\$7.71	\$5.40	\$11.57
UTILITIES	\$13.50	\$4.50	\$4.50	\$4.50	\$9.00
MARKETING	\$6.56	\$4.25	\$5.00	\$3.75	\$0.00
DRYING	\$39.38	\$0.00	\$0.00	\$0.00	\$0.00
TRUCKING	<u>\$18.38</u>	<u>\$12.75</u>	<u>\$6.00</u>	<u>\$7.50</u>	<u>\$68.25</u>
T VARIABLE	\$427.59	\$220.69	\$317.40	\$234.58	\$636.55
<u>Breakeven Var Cash</u>	<u>\$2.44</u>	<u>\$2.60</u>	<u>\$15.87</u>	<u>\$4.69</u>	<u>\$24.48</u>

	**FIXED	CORN	WHEAT	DRY BEANS	SOYBEAN	S BEETS
INSURANCE	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
LABOR	\$13.00	\$6.50	\$13.00	\$6.50	\$32.50	
INTEREST	\$14.97	\$7.72	\$11.11	\$8.21	\$22.28	
<u>Breakeven Fixed Cash</u>	<u>\$0.19</u>	<u>\$0.23</u>	<u>\$1.46</u>	<u>\$0.39</u>	<u>\$2.30</u>	
RENT	\$175.00	\$175.00	\$175.00	\$175.00	\$227.50	
DRAW \$/AC	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	
<u>Breakeven Capital/Mgt.</u>	<u>\$1.14</u>	<u>\$2.35</u>	<u>\$10.00</u>	<u>\$4.00</u>	<u>\$9.71</u>	
TotalCash Fixed&Capital Exp	\$232.97	\$219.22	\$229.11	\$219.71	\$312.28	
T EXPENSE CASH	\$660.56	\$439.91	\$546.51	\$454.29	\$948.83	
Breakeven All Cash Costs	\$3.77	\$5.18	\$27.33	\$9.09	\$36.49	
DEPRECIATION ***	\$50.00	\$50.00	\$75.00	\$50.00	\$100.00	
TOTAL ALL EXP	\$710.56	\$489.91	\$621.51	\$504.29	\$1,048.83	
<u>BREAKEVEN</u>	<u>\$4.06</u>	<u>\$5.76</u>	<u>\$31.08</u>	<u>\$10.09</u>	<u>\$40.34</u>	
EXPENSE ALL AC	\$710.56	\$489.91	\$621.51	\$504.29	\$1,048.83	
INCOME ALL AC	\$787.50	\$552.50	\$700.00	\$600.00	\$1,300.00	
<u>Breakeven Yield</u>	<u>157.9</u>	<u>75.4</u>	<u>17.8</u>	<u>42.0</u>	<u>21.0</u>	
<u>Return to Investment/Acre</u>	<u>\$76.94</u>	<u>\$62.59</u>	<u>\$78.49</u>	<u>\$95.71</u>	<u>\$251.17</u>	

Dairy Cost of Feed

- Corn @ \$6.50/ bu. X 110 bu.= \$715
- C.Silage @ \$65/ ton X 9 ton = \$585
Total \$715 + \$585 = \$1,300

- Corn @ \$4.50/ bu. X 110 bu.= \$495
- C.Silage @ \$45/ ton X 9 ton = \$405
Total \$495 + \$ 405 = \$900
Difference of \$400 / 260cwt. = \$3.46 per cwt.

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