

Primary and Alternative Crop Budgets along with Marketing for 2019

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Quick Quiz

- Which farmer is the most profitable per acre with Spring Wheat at \$6.00 per bushel?
- Farmer A- Cost of Production per bushel at \$5.74, yield 75 bu
- Farmer B- Cost of Production per bushel at \$5.70, yield 65 bu
- Which farm was most profitable?
- Farmer B has profit +\$0.30 per bushel or \$19.5 per acre net return
- Farmer A has profit +\$0.26 per bushel or \$19.5 per acre net return

Quiz #2

- ▶ Which farmer is the more profitable per bushel, Farmer A that got \$4.00 for his corn or Farmer B that got \$3.90?
- ▶ What if Farmer A has a cost per bushel of \$4.05 and Farmer B has a cost per bushel of \$3.75?
- ▶ Farmer A lost \$0.05 per bushel while Farmer B made \$0.15.

Common Marketing Mistakes/Issues

- ▶ 1. Not having a plan.
- ▶ 2. Not following a plan if you have one.
- ▶ 3. Thinking storage will gain you money without a plan/strategy.
- ▶ 4. Not understanding/knowing your cost of production.
- ▶ 5. Not updating your cost of production periodically.
- ▶ 6. Waiting for the highest price to sell.
- ▶ 7. Not being flexible with your plan and pricing levels.
- ▶ 8. Not understanding the kinds of tools available for marketing along with risks/rewards with each tool.
- ▶ 9. Selling only on emotion.
- ▶ 10. Selling when I need cash.



OOPS!

Common Marketing Mistakes/Issues

- ▶ 11. Leaving grain in commercial storage indefinitely
- ▶ 12. Using complicated contracts they don't understand
- ▶ 13. Trying to beat the odds
- ▶ 14. Rolling basis contracts forward in a carry market.
- ▶ 15. Not selling enough/
Selling in too small of increments for the volume of commodity raised.



OOPS!

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- ▶ Let's Review our data from 2017 Farms for Spring Wheat before we get to the 2019 Projections

Wheat, Spring Cost of Production/BEP

- ▶ Input your numbers
 - ▶ A. Yield
 - ▶ Value per bu
 - ▶ Other Crop Income
 - ▶ (Hedging Gains, Crop Insurance, Other)
 - ▶ B. Gross Return per acre
- ▶ 2017 RankEm ranges
 - ▶ A. 35-104 bu
 - ▶ \$4.60-7.53
 - ▶ \$0-76
 - ▶ B. \$192-635



Wheat, Spring Cost of Production/BEP

▶ Direct Expenses-Yours

- ▶ Seed
- ▶ Fertilizer
- ▶ Chemicals
- ▶ Crop Insurance
- ▶ Drying Expense
- ▶ Fuel/Oil
- ▶ Repairs

▶ Direct Expenses-RankEm

- ▶ Seed: \$8-47
- ▶ Fertilizer: \$36-132
- ▶ Chemicals: \$6-56
- ▶ Crop Insurance:
 - ▶ \$1-27
- ▶ Fuel/Oil: \$0-35
- ▶ Repairs: \$1-58



Wheat, Spring Cost of Production/BEP

▶ Direct Expenses-Yours

- ▶ Custom Hire
- ▶ Land Rent/Cost
- ▶ Machinery Leases
- ▶ Operating Interest
- ▶ Miscellaneous
- ▶ C.Total Direct

▶ Direct Expenses-RankEm

- ▶ Custom Hire: \$0-78
- ▶ Land Rent/Cost:
 - ▶ \$19-263
- ▶ Machinery Leases:
 - ▶ \$0-37
- ▶ Operating Interest:
 - ▶ \$0-18
- ▶ Miscellaneous: \$0-22
- ▶ C.Total Direct: \$195-459



Wheat, Spring Cost of Production/BEP

▶ Overhead Expenses-Yours

- ▶ Hired Labor
- ▶ Machinery Leases
- ▶ Building Leases
- ▶ Farm Insurance
- ▶ Utilities

▶ Overhead Expenses-RankEm

- ▶ Hired Labor: \$0-40
- ▶ Machinery Leases:
 - ▶ \$0-24
- ▶ Building Leases: \$0-13
- ▶ Farm Insurance: \$0-18
- ▶ Utilities: \$0-8



Wheat, Spring Cost of Production/BEP

▶ Overhead Expenses-Yours

- ▶ Dues/Prof Fees
- ▶ Interest
- ▶ Mach/Blg/Prin Payments
- ▶ Misc
- ▶ Total Overhead
- ▶ Total D/O

▶ Overhead Expenses-RankEm

- ▶ Dues/Prof Fees: \$0-14
- ▶ Interest: \$0-19
- ▶ Mach/Blg/Prin Payments:
 - ▶ \$0-76
- ▶ Misc: \$0-22
- ▶ Total Overhead:
 - ▶ \$14-139
- ▶ Total D/O: \$240-517



Wheat, Spring Cost of Production/BEP

- ▶ Yours
 - ▶ Net Return per Acre
 - ▶ Gov Payments
 - ▶ Net Return+GP
 - ▶ Labor/Mgmt/FL
 - ▶ NR over L/M/FL
 - ▶ Total COP
- ▶ RankEm
 - ▶ Net Return per Acre:
 - ▶ \$(211)-281
 - ▶ Gov Payments: \$0-46
 - ▶ Net Return+GP: (\$210)-299
 - ▶ Labor/Mgmt/FL: \$3-74
 - ▶ NR over L/M/FL: (\$239)-279
 - ▶ Total COP: \$2.79-12.35



Name:

Farm Business Management-Projection for 2019 Valley

2019 Futures 6.1 9.66 4.04

2019 PROJECTED FARM CASH FLOW BY CROP/BEP

Projected Future Prices-Bas \$ (0.30) \$ (0.85) \$ (0.65)

Based on historical values

CROP INCOME WHEAT SOYBEANS CORN SugarBeet Sunflowers Barley Edible Beans Seed/Soy Hay
\$120/Acre \$120/Acre \$120/Acre \$120/Acre \$120/Acre \$120/Acre \$120/Acre \$120/Acre \$120/Acre

Acres 1 1 1 1 1 1 1 1 1

Yield Per Acre 67.00 42.00 160.00 28.00 23.00 85.00 18.00 39.00 2.40

Price Received per Bushel \$ 5.80 \$ 8.81 \$ 3.39 \$ 40.00 \$ 17.00 \$ 3.50 \$ 25.00 \$ 10.00 \$ 125.00

Total Product Return per Acre \$ 388.60 \$ 370.02 \$ 542.40 \$ 1,120.00 \$ 391.00 \$ 297.50 \$ 450.00 \$ 390.00 \$ 300.00

Gross Return per Acre \$ 388.60 \$ 370.02 \$ 542.40 \$ 1,120.00 \$ 391.00 \$ 297.50 \$ 450.00 \$ 390.00 \$ 300.00

DIRECT EXPENSES

Seed \$ 19.00 \$ 62.00 \$ 95.00 \$ 235.00 \$ 31.00 \$ 16.00 \$ 55.00 \$ 68.00 \$ 100.00

Fertilizer \$ 79.00 \$ 18.00 \$ 104.00 \$ 85.00 \$ 31.00 \$ 56.00 \$ 25.00 \$ 24.00 \$ 31.00

Crop Chemicals \$ 30.00 \$ 32.00 \$ 28.00 \$ 88.00 \$ 26.00 \$ 35.00 \$ 60.00 \$ 33.00 \$ 7.00

Crop Insurance \$ 13.00 \$ 17.00 \$ 19.00 \$ 35.00 \$ 14.00 \$ 21.00 \$ 25.00 \$ 16.00 \$ 3.00

Fuel and Oil \$ 15.00 \$ 14.00 \$ 25.00 \$ 51.00 \$ 17.00 \$ 15.00 \$ 22.00 \$ 13.00 \$ 29.00

Repairs \$ 25.00 \$ 25.00 \$ 40.00 \$ 88.00 \$ 32.00 \$ 22.00 \$ 33.00 \$ 27.00 \$ 62.00

Custom Hire/Lease \$ 8.00 \$ 9.00 \$ 14.00 \$ 14.00 \$ 4.00 \$ 7.00 \$ 5.00 \$ 12.00 \$ 17.00

Land Rent/Costs \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00 \$ 120.00

Drying \$ 8.00

Miscellaneous \$ 11.00 \$ 11.00 \$ 17.00 \$ 31.00 \$ 14.00 \$ 12.00 \$ 12.00 \$ 13.00 \$ 15.00

TOTAL DIRECT EXPENSE \$ 320.00 \$ 308.00 \$ 470.00 \$ 747.00 \$ 289.00 \$ 304.00 \$ 357.00 \$ 326.00 \$ 384.00

OVERHEAD EXPENSES

No L/M No L/M No L/M No L/M No L/M No L/M No L/M No L/M No L/M

Overhead Expenses \$ 62.00 \$ 62.00 \$ 100.00 \$ 214.00 \$ 100.00 \$ 77.00 \$ 80.00 \$ 62.00 \$ 100.00

TOTAL OVERHEAD EXPENSE \$ 62.00 \$ 62.00 \$ 100.00 \$ 214.00 \$ 100.00 \$ 77.00 \$ 80.00 \$ 62.00 \$ 100.00

TOTAL EXPENSES/ACRE \$ 382.00 \$ 370.00 \$ 570.00 \$ 961.00 \$ 389.00 \$ 381.00 \$ 437.00 \$ 388.00 \$ 484.00

NET RETURN/ACRE \$ 6.60 \$ 0.02 \$ (27.60) \$ 159.00 \$ 2.00 \$ (83.50) \$ 13.00 \$ 2.00 \$ (184.00)

Estimated Income \$ 388.60 \$ 370.02 \$ 542.40 \$ 1,120.00 \$ 391.00 \$ 297.50 \$ 450.00 \$ 390.00 \$ 300.00

Estimated Expense \$ 382.00 \$ 370.00 \$ 570.00 \$ 961.00 \$ 389.00 \$ 381.00 \$ 437.00 \$ 388.00 \$ 484.00

Profit Per Acre \$ 6.60 \$ 0.02 \$ (27.60) \$ 159.00 \$ 2.00 \$ (83.50) \$ 13.00 \$ 2.00 \$ (184.00)

Profit Margin 1.73% 0.01% -4.84% 16.55% 0.51% -21.92% 2.97% 0.52% -38.02%

Can we make money?

- ▶ Mpls Dec 2019 Wheat = \$6.10, historical basis at -\$0.30 (\$5.80 cash)-FSA Planning at \$5.75
- ▶ November 2019 Soybeans = \$9.66, historical basis at -\$0.85 (\$8.81 cash)- **Very unsure at this time.** FSA Planning at \$8.40
- ▶ Dec 2019 Corn = \$4.04, historical basis at -\$0.65 (\$3.39 cash) FSA Planning at \$3.40
- ▶ When should we be looking at pricing new crop (timing has changed- 2018 Market highs
- ▶ Dec 18 Wheat (Sept 28th, 2017)-\$6.51-excludes ND run-up
- ▶ Dec 18 Corn (May 25th, 2018)-\$4.29-4
- ▶ Nov 18 Soybeans (Mar 5th, 2018) \$10.66

Strategies for Marketing

- ▶ 1. Know your breakeven, keep updating them throughout the year (planning, planting, after spray, mid summer, after harvest!!)
- ▶ 2. Know good basis for your crops and look to lock in basis at those levels.
- ▶ 3. Don't be afraid to marketing current year and next year at the same time if given profitable opportunities.
- ▶ 4. Look for the carry in the market, know your storage abilities and have a plan for grain on storage-not just sell at the highest price possible (Hope Chest vs Cash Maker).
- ▶ 5. Be Flexible-Year to Year, etc.