Southcentral Idaho:
Alfalfa Hay Establishment Á]šZ š•   Magic Valley
Ashlee Westerhold

Introduction to Costs & Returns Estimates

The University of Idaho Extension produces crop costs and returns estimates every other year. The overall goal of this project is to provide the Idaho agricultural industry with an unbiased and consistently calculated estimate of the cost of producing various crops and to track the change in production costs per acre and per unit over time.

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University of Idaho costs and returns estimates can be used as a management tool to help producers in three ways:

1. Templates. Excel spreadsheets have been created by the University of Idaho to make enterprise budgeting and record keeping an easy task. You can start by substituting our costs and returns •š]u š • Á]šZ Ç}µŒ }Áv vµu Œ•X z}µ v o•} columns. Œ šZ u]v šZ
2. Marketing. Estimating production costs on a per acre or per unit basis can help you to calculate Ç}µŒ (Œu[• break-even prices. Knowing your break-even price to cover operating costs and total costs can help with contract negotiations and selling on the open

Ashlee Westerhold

Background and Assumptions

Table 3 is a monthly cash flow of expenses based on when the operation occurs and when inputs are applied. Field operations are classified as pre-harvest, harvest and post-harvest.

Table 4 lists the equipment used to produce this crop and the costs per hour to operate this equipment. Total annual hours of use for the current crop and for all crops on the farm is also shown.

Table 5 lists the purchase price and salvage value of equipment used to produce this crop, as well annual capital recovery and cash overhead expenses.

Table 6 provides a ranging analysis, sometimes referred to as a sensitivity analysis. It shows how the costs and returns per acre will vary as the yield and/or price ranges above and below the base

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TABLE 1. CONTINUED

	Quantity/ Acre	Unit	Price or Cost/Unit	Value or Cost/Acre	Your Cost
CASH OVERHEAD COSTS					
General Overhead				14.66	
Land Rent				275.00	
Management Fee				48.00	
Property Taxes				0.00	
Property Insurance				1.00	
Investment Repairs				0.00	
TOTAL CASH OVERHEAD COSTS/ACRE				338.66	
TOTAL CASH COSTS/ACRE				925.12	
NET RETURNS ABOVE CASH COSTS				-412.37	
NON-CASH OVERHEAD COSTS (Capital Recovery)					
Equipment				37.03	
TOTAL NON-CASH OVERHEAD COSTS/ACRE				37.03	
TOTAL COST/ACRE				962.15	
NET RETURNS ABOVE TOTAL COST				-450.15	

TABLE 2. CONTINUED

Operation	Cash and Labor Costs per Acre
Operation	

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TABLE 3. MONTHLY COSTS PER ACRE TO PRODUCE ALFALFA-OAT HAY

	APR 19	MAY 19	JUN 19	JUL 19	AUG 19	SEP 19	OCT 19	Total

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TABLE 5. WHOLE FARM ANNUAL EQUIPMENT, INVESTMENT, AND BUSINESS OVERHEAD COSTS

ANNUAL EQUIPMENT COSTS

						Cash Overhead		
Yr	Description	Price	Yrs Life	Salvage Value	Capital Recovery	Insur-ance	Taxes	Total
19	Grain Drill - 24'	37,000.00	12	5,124.74	4,305.78	105.31	0.00	4,411.09
19	Moldboard Plow 4b	12,300.00	10	2,175.15	1,571.76	36.19	0.00	1,607.95
19	Pickup 1 - 3/4 ton	42,000.00	5	13,750.00	7,771.98	139.38	0.00	7,911.36
19	Pickup 2 - 3/4 ton	42,000.00	5	13,750.00	7,771.98	139.38	0.00	7,911.36
19	Roller Harrow 20'	51,000.00	15	4,896.33	5,312.80	139.74	0.00	5,452.54
19	Tractor - 185hp	152,000.00	20	19,503.35	13,581.25	428.76	0.00	14,010.01
19	Tractor - 200hp	162,000.00	20	20,786.46	14,474.76			

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TABLE 6. RANGING ANALYSIS - ALFALFA-OAT HAY

COSTS PER ACRE AT VARYING YIELDS TO PRODUCE ALFALFA-OAT HAY