
Planning For Success

DO YOU KNOW HOW MUCH IT COSTS PER BUSHEL OR TONNE TO GROW EACH CROP?

Many growers are struggling with how to make their cropping operation pay in 2005. This year, it will be crucial to maximize every dollar that you spend in your operation. Keeping in mind your profit is the difference between your total revenue and your total expense. You can increase your profit by decreasing your expenses or increasing your revenue. You can increase your revenue by increasing your yield or selling at a higher price per bushel.

Your expenses come in three basic groups: Land Cost and Overhead, Input Costs and Equipment Costs. You have small opportunities to shave in each of these categories. Keep in mind that yield and selling price are the two biggest opportunities to increase your income but there are also many areas on the expense side where you can fine tune. Let's look at a few:

Land Cost and Overhead – is it really worth what you pay? What is the yield potential? What soil type and drainage does it have? What are the nutrient levels and are they balanced? What logical efficiencies does it have (distance from home, field efficiencies, size and shape)?

Input Costs – *Seed* – are you planting seeds or lbs/ac? Is your drill/planter giving you proper seed placement and distribution? Do you select the variety based on the field you will plant it in? Is that long day corn variety worth the cost of extra drying?

Pest Management – are you scouting your fields for weeds, insects, diseases and nutrient deficiencies? Is your sprayer calibrated? Are you spraying when necessary (too little or too much, too early or too late)?

Fertility – do you have current soil tests? Are you fertilizing to maximum economic yield? Are you optimizing your timing and placement of fertilizer?

Equipment Costs – fuel costs are at all time highs. Can you reduce your usage with less passes or a more efficient tractor? Can you combine operations? Are you better to hire out certain jobs?

Preparing a crop budget for each crop you are considering growing will help you get a handle on your cost of production. What does it cost you to grow a bushel of crop? You need to focus on cost per bushel, not cost per acre. If you spend \$10/ac more but increase your yield by more than \$10/ac, you will drop your cost per bushel thereby increasing your profitability.

Many people may consider cutting fertilizer usage because of the increase in cost this year but can you afford to? Consider corn production this year. If the price of Urea goes up by \$50/MT, at an application rate of 100 units of N, your cost goes up by \$5/ac or \$.05/bu at 100bu yield. If you decide to spend the same on N as you did last year. You will be applying 88 units of N. Odds are you will see a decrease in yield because removal is a minimum of 1 unit of N per bushel. By cutting your N application you most likely will be increasing your cost/bu, thereby reducing your profitability.

The big key to effective marketing this year will be knowing your production costs and watching the markets closely for the rallies that will allow you to lock in a profit for your crop.

Talk to your local crop care dealer about crop budgeting and how you can reduce your cost per bushel to maximize your return this coming year.