

11 - Estimating Production Costs for Corn in Arkansas

Tony Windham

Corn production cost estimates are published each year by the University of Arkansas Cooperative Extension Service. The most recent edition of these publications can be located on the Cooperative Extension Service web site at:

<http://www.aragriculture.org/farmplanning/Budgets/default.asp>

Enterprise budgets represent a type of information that can be used by a wide variety of individuals in making decisions in the agricultural industry. They are used:

- by farmers for planning,
- by Extension personnel in providing educational programs to farmers,
- by lenders as a basis for credit,
- to provide basic data for research and
- to inform non-farmers of the costs incurred by farmers in the production of food and fiber crops.

The purpose of these publications is to provide a systematic procedure for estimating the cost of producing corn. Users of this information should think of these budgets as a first approximation and then make appropriate adjustments using the “YOUR FARM” column provided on each budget to add, delete or change costs to reflect the specific situations. For example, each of these corn enterprise budgets includes an estimated drying cost. Many producers believe this cost can be reduced by allowing the crop to dry in the field

prior to harvest. However, since these estimates are intended to be a planning guide, drying costs are included which allows the user the opportunity to make adjustments.

Each budget estimates the direct and fixed expenses associated with producing corn. Input price data used in estimating direct costs are updated annually by obtaining prices from farm input suppliers throughout the crop’s production area. Quantities of inputs are based on the recommendations of Extension and Research faculty within the Division of Agriculture. Data obtained from the Corn Research Verification Program is also used in developing these estimates.

Fixed expenses include depreciation, interest, taxes and insurance and represent an average cost allocated over the entire useful life of the machinery. Various financing arrangements and tax depreciation methods can produce costs that vary significantly from these estimates in a given year. The ability to estimate the actual cost is a complex economic procedure whereby cash accounting and economic costs may vary greatly.

Each budget also includes a sequential listing of all operations used in the estimation procedure. This information can be used to determine the cost of a specific tillage operation, pesticide application or irrigation practice. The user can also compare the number of tillage operations or irrigations with their own expectations.