



So You Want to Farm in Maine

Enterprise Budgets

Gary Anderson
garya@maine.edu



Developing an Enterprise

- What are your interests – plants, animals
- What are your land resources and the matching of those resources to your interests. Will you rent, lease, own?
 - Amount of land – tillable vs wooded vs pasture
 - Soil quality – can you produce what you need? Or if you need to improve, at what cost?
 - Water availability and quality
 - Existing buildings and potential for expansion
 - Services – power, internet
- What are your equipment resources – what is needed for your enterprise
- Labor resources
- What are your financial resources or capability to obtain and what is the chance of financial success – business plan



Enterprise Development

- You likely will have multiple enterprises on your farm and thus multiple sources of income
- These sessions will lead you through these questions and provide the basics for the financial justification of a business idea.
- There are limited grant opportunities, but rarely available for startups. These are from Maine Technology Institute; Maine Dept of Ag, Conservation and Forestry; Sustainable Agriculture Research and Education (SARE); USDA Rural Dvlpmnt (value added processing and energy efficiency); and private foundations such as the Maine Community Foundation
- The Natural Resources Conservation Service (NRCS) has cost share opportunities for conservation practices for farms with a long term plan.



Selecting a New Enterprise

PRIMER = Profitability + Resources + Information + Marketing + Enthusiasm + Risk


The PRIMER Method

Schoolchildren used to learn to read from a primer, a thin book that laid the foundation to a lifetime of reading. Similarly, an agricultural PRIMER can lay the foundation to evaluate a wide range of farming options.

The letters in PRIMER represent the basic factors to consider when making a decision about new or expanded enterprises for the farm. P stands for profitability, R stands for resources, I represents information, M represents marketing, E stands for enthusiasm, and R stands for risk.

These six factors: profitability, resources, information, marketing, enthusiasm, and risk are the basic elements which should drive any decision to adopt a new enterprise on the farm.

From: PRIMER for Selecting New Enterprises for Your Farm. Tim Woods and Steve Isaacs. University of Kentucky Cooperative Extension Service. Agricultural Economics Extension No. 00-13, August 2000.




Selecting a New Enterprise

PRIMER Score Sheets

PROFITABILITY

- Cash Cow10
- Probably profitable - just needs a little planning8
- Profitable if I can get some start-up funds6
- Profitable, but easily duplicated and limited market4
- Can make a profit if all the stars line up right2
- Profits unlikely, but still looks like fun0

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Selecting a New Enterprise

RESOURCES

- Have everything I need10
- Need a few minor, low-cost items8
- Missing one important resource, but can acquire it at some expense6
- No experience with enterprise, but can develop it in time4
- No experience and need to acquire some major resources2
- Starting from scratch0

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Selecting a New Enterprise

INFORMATION

- Production and marketing info well in hand10
- Need to do a little homework8
- Need to do a fair amount of homework6
- No one has ever seen this done here before, but can find info elsewhere4
- No access to a computer, extension office or library2
- Starting from scratch0

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Selecting a New Enterprise

MARKETING

- Promising, accessible markets already exist - people are begging for this product10
- Accessible markets but will take a little effort to develop8
- New retailing or cooperative marketing will have to be developed, but still a good market6
- It may take some time and money to help consumers appreciate the value of this product/service4
- The market is pretty well saturated with similar products2
- Selling ice to Eskimos0

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Selecting a New Enterprise

ENTHUSIASM

I can't sleep at night, this idea is so exciting	.10
I'm excited about it but some of my family members are reluctant	.8
It's as good an idea as any of the others I've come up with	.6
I could get excited, but only if it works out fairly soon	.4
I'm out at the first sign of rough sailing	.2
Why do I even have to do this?	.0

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Selecting a New Enterprise

RISK

I'm very comfortable with the return estimates relative to the risk involved	.10
I'm reasonably comfortable	.8
Somewhat comfortable	.6
It looks OK, but there's just a lot still unknown	.4
I think I could make it, but there are possibilities for significant loss	.2
I'm better off buying a lottery ticket	.0

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Selecting a New Enterprise

TOTAL SCORES

Very promising, move ahead	.48-60
Has promise, but will still need some work	.38-47
Has promise and some serious hurdles. Carefully evaluate whether this is a good fit	.28-37
Beware! May not be a good fit	.<26

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Enterprise Budget

- What are the Income and Expenses associated with the production and marketing of a product
- Includes estimates of yield – per animal, per acre
- Labor input
- Cost of production
- Break even price
- Return to management



Enterprise Budget

- List the initial costs – land preparation, seed, fertilizer, etc OR purchase of animals, feed, etc.
- Includes a portion of taxes or land ownership costs and equipment costs for production of that product
- There may be situations where the first year costs are higher than for subsequent years (perennial crops) as establishment costs.
- Let's look at a couple enterprise budgets



Beef Cow-Calf Budget

2017 Oklahoma Cow Calf Budget

Disclaimer: This spreadsheet is provided by the Oklahoma Cooperative Extension Service for educational use and is provided solely as an "AS IS" basis. Oklahoma Cooperative Extension Service assumes no liability for the use of these programs.

SAMPLE BUDGET ONLY - OSU Enterprise Budget Software has more information on the cost and returns for this production activity.

Place the cursor over cells with red triangles to read comment

Enter your input values in shaded cells

March calving - 87.3%, calf DL - 4.2% Head 100
 Sale prices based on OKC livestock market 2012-16 Acres/cow 10
 % land cost assigned 25%

PRODUCTION	Weight	Units	Price/cwt	Quantity		\$/Head	Total
14 Steer Calves	524	lbs	\$ 191.50	42	Hd	\$ 421.45	\$ 42,145
15 Heifer Calves	575	lbs	\$ 170.50	17	Hd	\$ 149.27	\$ 14,927
16 Cull Cows	1,150	lbs	\$ 82.00	20	Hd	\$ 188.60	\$ 18,860
17 Cull Replacement Heifers	825	lbs	\$ 162.50	6	Hd	\$ 67.03	\$ 6,703
18 Cull Bulls	1,750	lbs	\$ 104.50	0	Hd	\$ -	\$ -
19 Other Income				1		\$ -	\$ -
20 Total Receipts						\$ 826.35	\$ 82,635



Cow Calf Budget

	Price	Quantity	Half of these	
21 OPERATING INPUTS				
22 Pasture	\$ 210.00	1	\$ 210.00	\$ 21,000
23 Hay	\$ 59.00	1	\$ 59.00	\$ 5,900
24 Grain	\$ -	1	\$ -	\$ -
25 Protein Supplement	\$ 57.00	1	\$ 57.00	\$ 5,700
26 Salt	\$ -	1	\$ -	\$ -
27 Minerals	\$ 12.00	1	\$ 12.00	\$ 1,200
28 Other Feed Additives	\$ -	1	\$ -	\$ -
29 Vet Services/Medicine	\$ 14.00	1	\$ 14.00	\$ 1,400
30 Vet Supplies	\$ 7.00	1	\$ 7.00	\$ 700
31 Marketing	\$ 8.50	1	\$ 8.50	\$ 850
32 Machinery/Equip Fuel, Lube, Repairs	\$ 30.00	1	\$ 30.00	\$ 3,000
33 Machinery/Equipment Labor	\$ 15.00	330	\$ 50.25	\$ 5,025
34 Other Labor	\$ 15.00	590	\$ 88.50	\$ 8,850
35 Other Expense	\$ 5.00	1	\$ 5.00	\$ 500
36 Annual Operating Capital	\$ 6.25%	270.63	\$ 16.91	\$ 1,691
Total Operating Costs			\$ 688.16	\$ 68,816
Returns Above Total Operating Costs			\$ 268.19	\$ 26,819

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Cow Calf Budget

	Rate		
37 FIXED COSTS			
Average value of machinery/equipment	\$ 35,000		
Proportion Charged	40%		
Machinery/equipment			
Interest at	6.00%	\$ 8.40	\$ 840
Taxes at	1.00%	\$ 1.40	\$ 140
Insurance	0.85%	\$ 1.19	\$ 119
Depreciation		\$ 21.50	\$ 2,150
Average value of breeding livestock inventory	\$ 145,000		
Interest at	6.00%	\$ 87.00	\$ 8,700
Taxes at	3.00%	\$ 14.50	\$ 1,450
Insurance	0.85%	\$ 12.33	\$ 1,233
Depreciation		\$ 10.25	\$ 1,025
Land	\$/acre		
Interest at	3.00%	\$ -	\$ -
Taxes at	0.40%	\$ -	\$ -
Total Fixed Costs		\$ 156.57	\$ 15,657
Total Costs (Operating + Fixed)		\$ 714.73	\$ 71,473
Returns Above All Specified Costs		\$ 111.63	\$ 11,163
Prayne County - North Central OK	Used machinery		
25% heifer replacement	Native forage		

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Blueberries

2017 Oklahoma Blueberry Budget

SAMPLE BUDGET ONLY - OSU Enterprise Budget Software has more information on the cost and returns for this production activity.

Place the cursor over cells with red triangles to read comments.
Enter your input values in shaded cells.

Irrigated Blueberry Enterprise Budget Acres:

PRODUCTION	Units	Price	Quantity	\$/Acre	\$/Pound	Total
Blueberries	lbs	\$ 2.50	6,300	\$ 15,750.00	2.50	\$ 47,250
Other Income	acre	\$ -	1	\$ -		\$ -
Total Receipts				\$ 15,750.00	2.50	\$ 47,250

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Blueberries

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OPERATING INPUTS	Units	Price	Quantity	\$/Acre	\$/Pound	Total
Fertilizer	acre	\$ 64.00	1	\$ 64.00	\$ 0.01	\$ 192
Disease Control	acre	\$ 83.50	1	\$ 83.50	\$ 0.01	\$ 251
Insect Control	acre	\$ 18.50	1	\$ 18.50	\$ 0.00	\$ 56
Weed Control	acre	\$ 36.00	1	\$ 36.00	\$ 0.01	\$ 108
Pruning Labor	hours	\$ 15.00	15,000	\$ 225.00	\$ 0.04	\$ 675
Broadcast Labor	hours	\$ 15.00	9,000	\$ 135.00	\$ 0.02	\$ 405
Harvest Labor	hours	\$ 15.00	0.00	\$ -		\$ -
Other Labor	hours	\$ 15.00	140,000	\$ 2,100.00	\$ 0.33	\$ 6,300
Post Harvest/Marketing	acre	\$ 1,717.00	1	\$ 1,717.00	\$ 0.27	\$ 5,151
Crop Insurance	acre	\$ -	1	\$ -		\$ -
Machinery Labor	hours	\$ 15.00	11,900	\$ 178.50	\$ 0.03	\$ 536
Irrigation Labor	hours	\$ 15.00	0.75	\$ 11.25	\$ 0.00	\$ 34
Custom Hire	acre	\$ -	1	\$ -		\$ -
Machinery Fuel, Lube, Repairs	acre	\$ 49.50	1	\$ 49.50	\$ 0.01	\$ 149
Irrigation Fuel, Lube, Repairs	acre	\$ 146.00	1	\$ 146.00	\$ 0.02	\$ 438
Cash Rent	acre	\$ -	1	\$ -		\$ -
Other Expense	acre	\$ 897.50	1	\$ 897.50	\$ 0.14	\$ 2,693
Annual Operating Capital	dollar	6.25%	2,831	\$ 178.93	\$ 0.03	\$ 531
Total Operating Costs				\$ 8,838.68	\$ 0.93	\$ 17,616
Returns Above Total Operating Costs				\$ 9,911.32	\$ 1.67	\$ 29,734

FIXED COSTS

Establishment - Prorated	Rate	\$	\$/Acre	\$/Pound	Total
Establishment - Prorated		\$ 1,055.00	0.17		\$ 3,165

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Blueberries

FIXED COSTS	Rate	\$	\$/Acre	\$/Pound	Total
Establishment - Prorated		\$ 1,055.00	0.17		\$ 3,165
Average Value of Machinery/Irrigation		\$ 55,000			
Proportion Charged	100%				
Machinery/Irrigation					
Interest at	dollars 6.00%	\$ 1,100.00	\$ 0.17		\$ 3,300
Taxes at	dollars 1.00%	\$ 183.33	\$ 0.03		\$ 550
Insurance	dollars 0.85%	\$ 155.83	\$ 0.02		\$ 468
Depreciation	dollars	\$ 1,275.00	\$ 0.20		\$ 3,825
Land	\$/acre	\$ -			\$ -
Interest at	dollars 3.00%	\$ -			\$ -
Taxes at	dollars 0.40%	\$ -			\$ -
Total Fixed Costs		\$ 3,769.17	\$ 0.60		\$ 11,308
Total Costs (Operating + Fixed)		\$ 8,607.85	\$ 1.53		\$ 26,924
Returns Above as Specified Costs		\$ 8,142.16	\$ 0.97		\$ 18,426

Protagonist County - Southeast OK Owner Operator

Break-Even (B-E) Analysis	
B-E Yield at \$16	3,250
B-E Price at lb/acre	6.300
Above Operating Costs (lb.)	2,335
Above Operating Costs	\$0.93
Above Total Costs (lb.)	3,843
Above Total Costs	\$1.53

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