

NC STATE UNIVERSITY

Switch Grass for Hay and Pasture: Estimated annual revenue, operating cost, fixed cost and net returns per acre.

Budget 87-8
July-08

Description	Unit	Price	Quantity	Value	Your Farm
Operating inputs					
-Lime, applied, pro-rated share	Ton	\$38.00	0.20	7.60	
-10-10-10, dry bulk	Cwt.	\$22.50	4.00	90.00	
-30% N Solution	Cwt.	\$19.75	1.67	32.98	
-Fert. Spread, custom	Ton	\$1.75	5.67	9.92	
-Baling Twine	Roll	\$15.00	0.06	0.90	
-Other:				0.00	
-Other:				0.00	
-Other:				0.00	
-Machinery Labor (From Table 2)				22.47	
-Other Labor	Hours	\$9.00	0.00	0.00	
-Machinery Fuel, Maint, Repairs (Table 2)	Acre			33.78	
-Annual Operating Capital	\$	7.5%	82.36	6.18	
Total Operating Costs				203.83	
Fixed Costs					
			Amount	Value	
-Machinery Depreciation, Taxes, Insurance, and Interest (From Table 1)				29.70	
-Pasture Establishment Depreciation and Interest (From Table 1)				40.69	
Total Fixed Costs				70.39	
Total Cost				274.22	
Production					
	Unit	Price^b	Quantity	Value	
-Harvested as Hay, Dry Matter	Ton	\$70.00	1.00	70.00	
-Harvested as Pasture, Dry Matter	Ton	\$0.00	2.50	0.00	
Total Receipts				70.00	
RETURNS ABOVE TOTAL OPERATING COST				-133.83	
RETURNS ABOVE ALL SPECIFIED COSTS^c				-204.22	
AVERAGE COST PER TON OF DRY MATTER^d				\$78.35	

^a Interest on operating expenses for an average of 5 months.

^b Use the sale price or market value of any hay produced. Use the actual rent received if pasture is rented out.

^c This is the cost of grazing per acre = Total annual cost LESS the value of hay produced and any pasture sold or rented out. This cost does not include the cost of managing livestock grazing the pasture.

^d Total cost divided by total dry matter produced

NOTES

Hay typically is fifty-five percent digestible and provides 1100 pounds of TDN per ton of dry matter.

Well cured hay is approximately 85% dry matter. To convert budget dry matter cost to hay cost as made, multiply DM cost by hay DM% as a decimal. E.g., \$78.35 X 0.85 = \$66.60/ton of hay.

Pasture typically is 20 to 25% DM 65% digestible and provides 1300 pounds of TDN per ton of DM.

Each ton of pasture dry matter typically provides 86 animal unit days of grazing. A beef cow = 1 AU.

Budget does not include cost of managing grazing livestock.

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Table 1. Initial investment in specialized equipment and annual ownership expenses

Operation and Item	Life	Initial Cost	Salvage Value	Depreciation ^a	Interest ^b	Tax & Ins. ^c	Annual D.I.T.I.	Annual Use	D.I.T.I. per Hour	Acres per Hour	Expense per Acre ^d	Times Over ^e	Total Expense	
	Years	\$	\$	\$	\$	\$	\$	Hours	\$	No.	\$	No.	\$/Acre	
Rate Charged, percent =====>														
Mowing														
Tractor, HP=	55	10	20,500	6,355	1,415	1,007	29	2,450	500	4.90	4.1	1.20	1	1.20
+ Mower-Cond.		10	18,730	5,619	1,311	913	26	2,250	100	22.50	4.1	5.49	1	5.49
Ted/Raking														
Tractor, HP=	55	10	19,700	6,107	1,359	968	28	2,355	500	6.00	4.1	1.46	3	4.39
+ Tedder/Rake		10	2,725	681	204	128	4	336	75	4.48	4.1	1.09	3	3.28
Baling														
Tractor, HP=	75	10	29,600	9,176	2,042	1,454	41	3,538	500	7.08	2.5	2.83	1	2.83
+ 1/2 Ton Baler		8	18,700	5,236	1,683	898	26	2,607	125	20.85	2.5	8.34	1	8.34
Move & Stack														
Tractor, HP=	55	10	20,500	6,355	1,415	1,007	29	2,450	500	4.90	3.3	1.49	1	1.49
+ Bale Fork		10	500	175	33	25	1	59	100	0.59	3.3	0.18	1	0.18
Pasture Clipping														
Tractor	55	10	20,500	6,355	1,415	1,007	29	2,450	500	4.90	3.7	1.32	0	0.00
+ Bushhog		10	2,175	653	152	106	3	261	100	2.61	3.7	0.71	0	0.00
Other														
Pickup Truck, 3/4 Ton	10		25,600	6,656	1,894	1,210	36	3,140	500	6.28	10	0.63	4	2.51
Pasture Establishment ^f	10		296	0	30	11								40.69
TOTALS			179,230	53,368	12,923	8,722	251	21,896						70.39

^a Depreciation = (Initial cost - Salvage value) / years of life

^b Interest on investment = ((Initial cost + Salvage value) / 2) X interest rate

^c Combined rate of property taxes and insurance premiums as a percentage of the average investment

^d Per acre costs for self-propelled vehicles include an additional 10% allowance for travel time from farm to field

^e Total number of trips across the field per year for this operation

^f Establishment cost per acre from Budget 87-7, net of any revenue. Land cost or charges are not included.

Table 2. Operating expense for forage machinery and equipment per hour and per acre

Operation and Item	Repairs & Maint. ^a	Repairs & Maint. ^a	Repairs & Maint. ^b	Fuel Use	Cost per Gal	Fuel & Lube ^c	Total Cost	Acres per Hour	Times Over	Equip. Op. Cost ^d	Labor Cost	Labor Cost ^e	Total Expense
	%	\$/Year	\$/Hour	Gals/hr	\$	\$/Hour	\$/Hour	No.	No.	\$/Acre	\$/Hour	\$/Acre	\$/Acre
Fuel cost per gallon & Labor cost per hour =====>													
Tractor, HP=	55	2%	410	0.82	2.42	4.00	11.13	4.1	1	3.21	9.40	2.64	5.84
+ Mower-Cond.		4%	749	7.49	0	0.00	7.49	4.1	1	2.01			2.01
Tractor, HP=	55	2%	394	0.79	2.42	4.00	11.13	4.1	3	9.59	9.40	7.91	17.50
+ Tedder/Rake		2%	55	0.73	0	0.00	0.73	4.1	3	0.58			0.58
Tractor, HP=	75	2%	592	1.18	3.3	4.00	15.18	2.5	1	7.20	9.40	4.32	11.52
+ 1/2 Ton Baler		1%	187	1.50	0	0.00	1.50	2.5	1	0.66			0.66
Tractor, HP=	55	2%	410	0.82	2.42	4.00	11.13	3.3	1	3.98	9.40	3.28	7.26
+ Bale Fork		1%	5	0.05	0	0.00	0.05	3.3	1	0.02			0.02
Tractor	55	2%	410	0.82	2.42	4.00	11.13	3.7	0	0.00	9.40	0.00	0.00
+ Bushhog		1%	22	0.22	0	0.00	0.22	3.7	0	0.00			0.00
Pickup Truck, 3/4 Ton		2%	512	1.02	3.00	4.00	13.80	10.0	4	6.52	9.40	4.32	10.85
TOTALS										33.78	22.47	56.25	

^a Repairs and maintenance costs are calculated as a % of the initial cost in Table 1. Percentages are higher for equipment bought used.

^b Repairs and maintenance costs per hour based on annual use shown in Table 1.

^c Total fuel cost plus lube costs estimated as 15% of the fuel cost.

^d Per acre costs for tractors and other self-propelled equipment includes an additional 10% allowance for travel time from farm to field.

^e Labor cost per acre includes an additional 15% allowance for travel time, setting up and finishing up.

Table 3. Sensitivity Analysis

This table shows the total cost per ton of dry matter produced under various assumptions about costs and yields. Specifically, the cost and yields shown in the enterprise budget on the first page are believed to be fairly representative of conditions in North Carolina. However, there is a wide variation in conditions from one farm to another and costs and yields can vary from year to year. The table shows the effects of yields and costs that are 10 percent higher or lower than the basic budget, singly and in combination.

AVERAGE TOTAL COST PER TON OF DRY MATTER PRODUCED

COST	YIELD		
	-10%	Base Budget	+10%
-10%	\$78.35	\$70.51	\$64.10
Base	\$87.05	\$78.35	\$71.23
+10%	\$95.76	\$86.18	\$78.35

