Economic Resources for Improved Decision-Making

Dr. Jordan M. Shockley, Farm Management Specialist
Department of Agricultural Economics

Business Plan Resources
Kentucky Center for Agriculture and Rural Development (KCARD)
www.kcard.info
http://www.sare.org/Learning-Center/Books/Building-a-Sustainable-Business

Farm Financial Resources
Farm Finance Scorecard
Kentucky Farm Business Management
http://agecon.ca.uky.edu/KFBM
Kentucky Ag Finance Corporation – Loan Programs
https://www.kyagr.com/agpolicy/Kentucky-Ag-Finance-Corporation-Loan-Programs.html
FarmDoc
https://farmdoc.illinois.edu/finance/index.asp
Farm Financial Standards Council
https://ffsc.org/

Cost of Production Resources
Kentucky Enterprise Budgets
http://agecon.ca.uky.edu/budgets
Center for Crop Diversification
https://www.uky.edu/ccd/

Additional Decision Aids
Grain Hauling and Markets
http://agecon.ca.uky.edu/budgets
Poultry Litter Value for Grain Crops
http://agecon.ca.uky.edu/budgets
Land Values, Cash Rents and Flex Leases
https://agecon.ca.uky.edu/ext-publications
Custom Machinery Rates
https://agecon.ca.uky.edu/ext-publications
Partial Budget Example

A producer is looking to purchase a new 12-row corn planter for his operation. When at the dealership the producer noticed a new, high-speed planter technology that is an option on the new planters but is unsure if it is worth it. After speaking the dealer representative, the following information was gathered on the new high-speed planter technology:

- Additional cost of $26,400 to add the technology on the “traditional” 12-row corn planter
  - Results in an annual ownership cost of $1800 in depreciation and $1300 in interest (6.75% interest, 8 year economic useful life and 45% salvage value)
- Increase in annual repairs and maintenance cost of $1500 due to driving faster
- Average annual yield benefit of $5,700 due to timely planting
- Annual operating cost savings (labor) of $3,000
- Current tractor owned was large enough to pull the new planter with high-speed planting technology

Putting the following information in a partial budget framework results in the following:

<table>
<thead>
<tr>
<th>Problem: Purchase high-speed planter technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional Costs:</strong></td>
</tr>
<tr>
<td>Ownership Costs</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Operating Costs</td>
</tr>
<tr>
<td>Repairs</td>
</tr>
<tr>
<td><strong>Reduced Revenue:</strong></td>
</tr>
<tr>
<td>None</td>
</tr>
<tr>
<td>A. Total additional costs and reduced revenue</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Since the Net Change in Profit (B-A) is GREATER than $0, the purchase of high-speed planter technology is a good economic investment for this example. However, the producer should make sure that they are financially capable of making a long-term investment utilizing the farm financial resources provided.