



OHIO FARM BUREAU

Finance Challenges for First-Time Farmers

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THE FARM ECONOMY

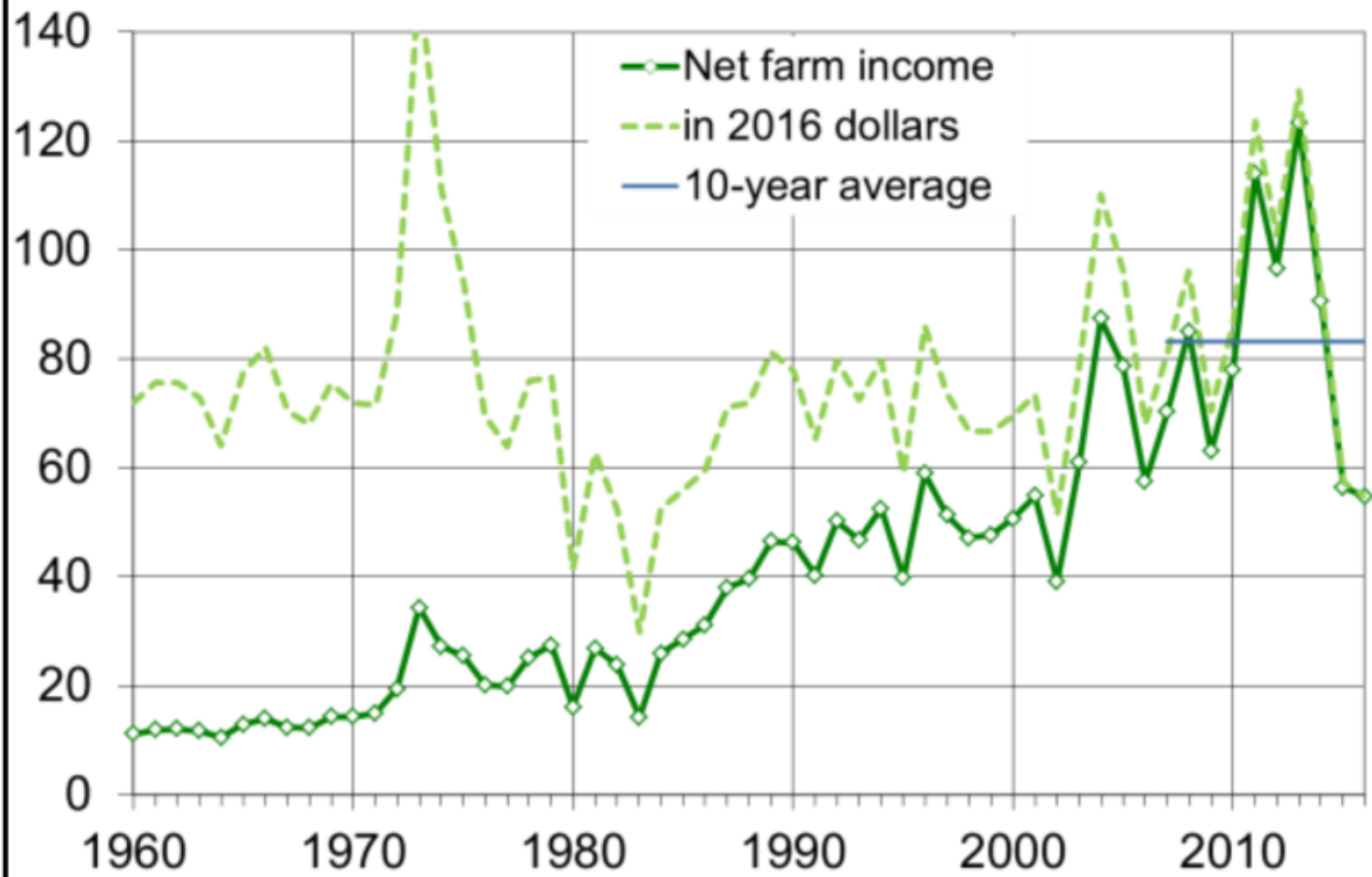
Farm Income

\$123.3 Billion – 2013

– \$54.8 Billion – 2016

- 2013 – 2015 was second largest drop in history (1919-1921)

Billion dollars



Source: CRS, using USDA-ERS data.

Notes: 2016 forecast.

CORN SELECTED BUDGET STATS - 2016

Item	Input	Yield in bushels/acre	
Receipts		162	195
Corn Price	\$3.75 /bushel	\$609.00	\$730.88
Variable Costs			
Seed Cost	\$275 /bag	\$110.00	\$116.88
Nitrogen (NH ₃)	\$600 /ton	\$69.95	\$86.12
P ₂ O ₅ (MAP)	\$480 /ton	\$27.73	\$33.28
K ₂ O (Potash)	\$330 /ton	\$12.06	\$14.47
Chemicals		\$56.08	\$56.08
Fuel/Diesel	\$1.75 /gallon	\$10.07	\$10.07
Breakeven Cost / Bu		\$2.27	\$2.07
Fixed Costs			
Labor and Management		\$77.05	\$83.14
Machinery Cost		\$130.45	\$130.45
Land Rent		\$187.00	\$239.00
Breakeven Cost / Bu		\$4.85	\$4.52
Returns			
Return to Total Costs		-\$146.44	-\$117.47
Return to Variable Costs		\$272.06	\$359.12
Return to Land		\$40.56	\$121.53

SOYBEAN SELECTED BUDGET STATS - 2016

Item	Input	Yield in bushels/acre	
Receipts		49	59
Soybean Price	\$10.25 /bushel	\$500.20	\$600.65
Variable Costs			
Seed Cost	\$0.43 /1000 seeds	\$74.90	\$74.90
P ₂ O ₅ (MAP)	\$480 /ton	\$18.02	\$21.64
K ₂ O (Potash)	\$330 /ton	\$18.79	\$22.56
Chemicals		\$33.84	\$33.84
Fuel/Diesel	\$1.75 /gallon	\$5.71	\$5.71
	Breakeven Cost / Bu	\$4.00	\$3.31
Fixed Costs			
Labor and Management		\$56.61	\$61.63
Machinery Cost		\$107.89	\$107.89
Land Rent		\$187.00	\$239.00
	Breakeven Cost / Bu	\$11.52	\$10.18
Returns			
Return to Total Costs		-\$29.97	\$5.77
Return to Variable Costs		\$337.13	\$429.89
Return to Land		\$157.03	\$244.77

OHIO FARMLAND AVERAGE PRICE PER ACRE

2012	2013	2014	2015	2016
\$4,640	\$5,100	\$5,550	\$5,750	\$5,700

Current Agricultural Use Value (CAUV)

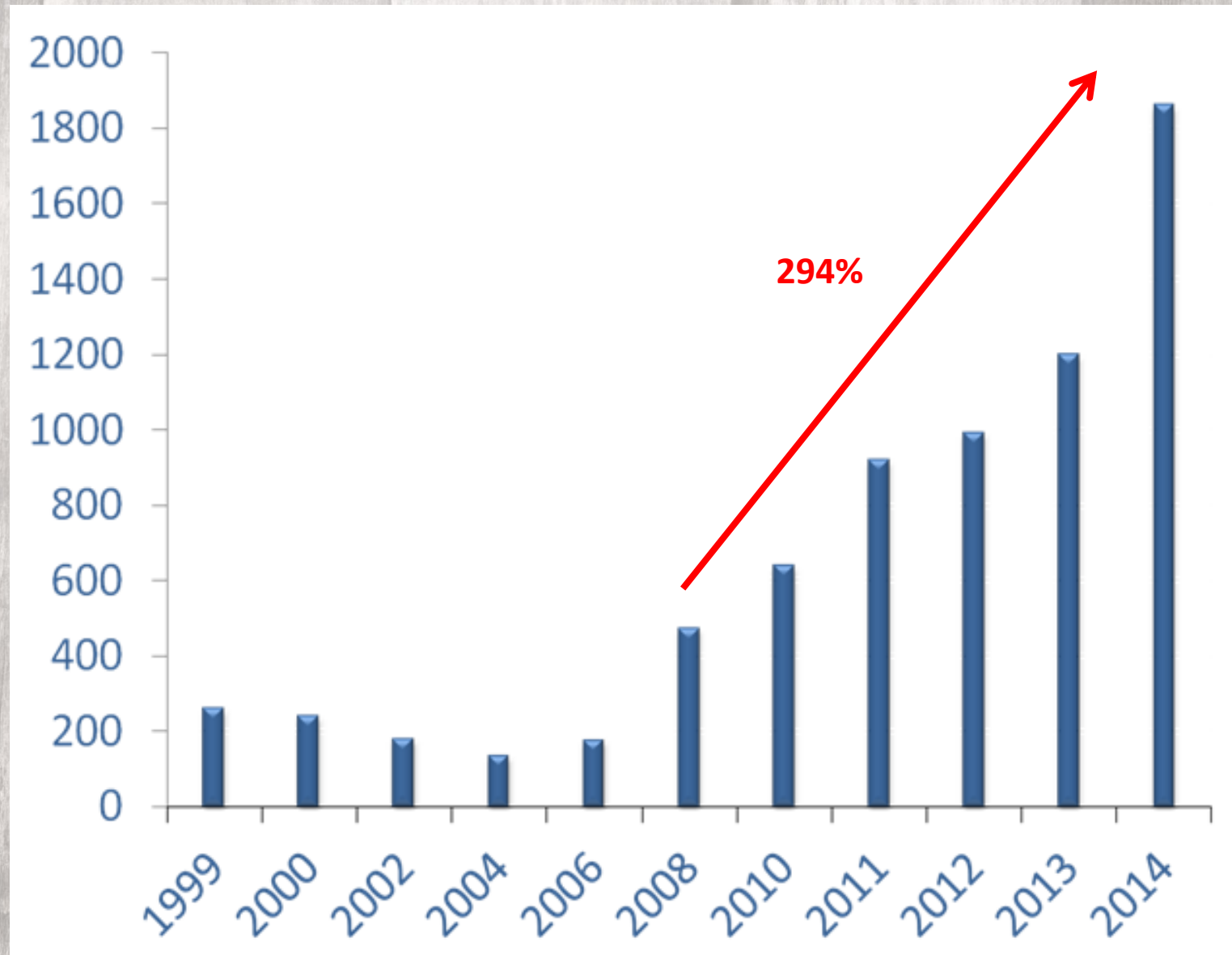
Net Income

- (Commodity Prices and Soil Productivity and Input Costs)
-

Capitalization Rate

- (Factors in the cost of, and expected return on investment of purchasing the land)

Current Agricultural Use Value (CAUV)



CAUV CAP RATE CALCULATION

Start with:

80% loan x annual debt service

✓ OFBF Victory in 2015

20% equity x equity yield rate (**prime plus 2 points**)

✓ OFBF Victory in 2015

Interest Rate from a 25 year fixed rate from Farm Credit

✓ OFBF Victory in 2015

Subtract:

Equity buildup for 5 years

(% loan x % mortgage paid off x sinking fund factor at **equity rate for 5 years**)

Subtract:

5% appreciation times sinking fund factor at equity yield rate of **prime plus 2 points**

Plus:

Add Tax Additur



Pastured providence farmstead

Paul Dorrance

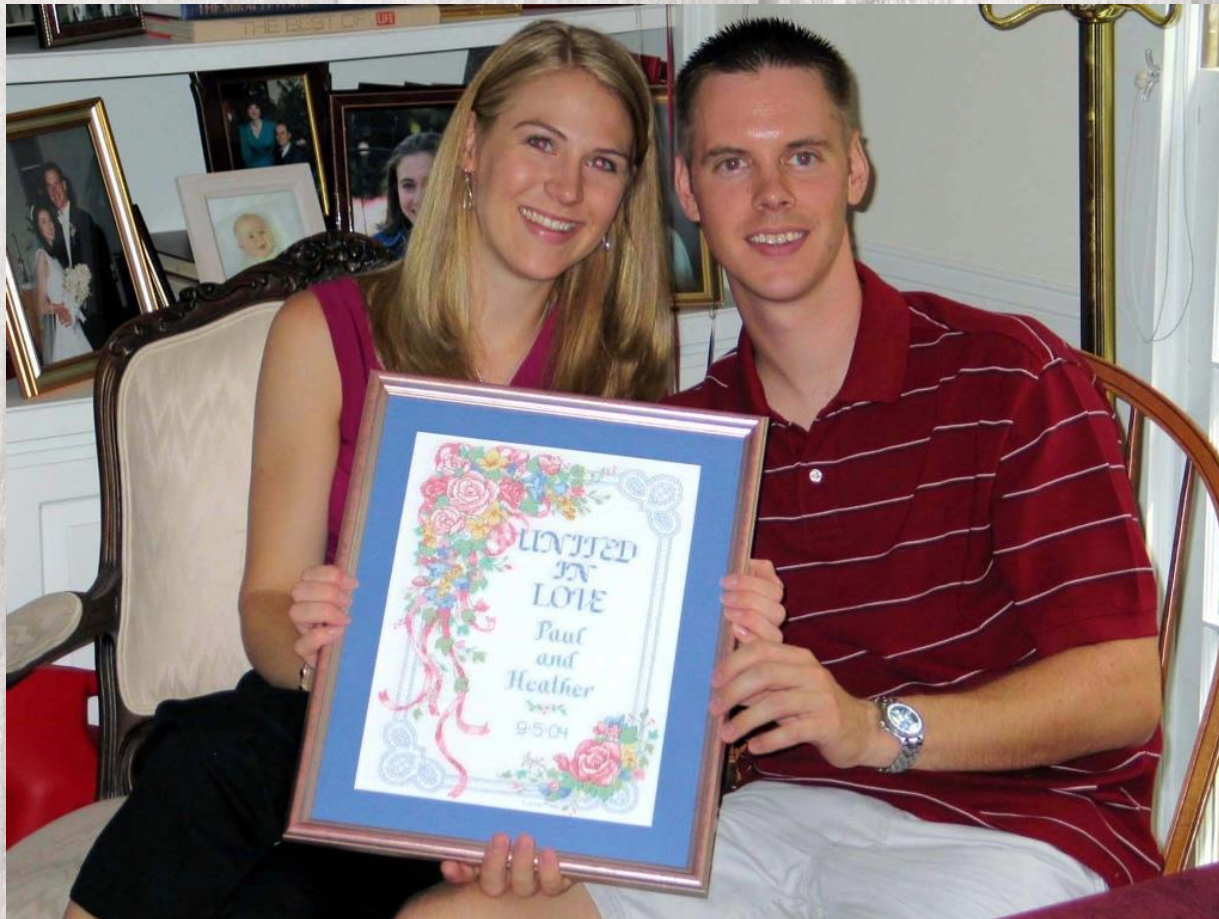
Military years



Military years



Military years



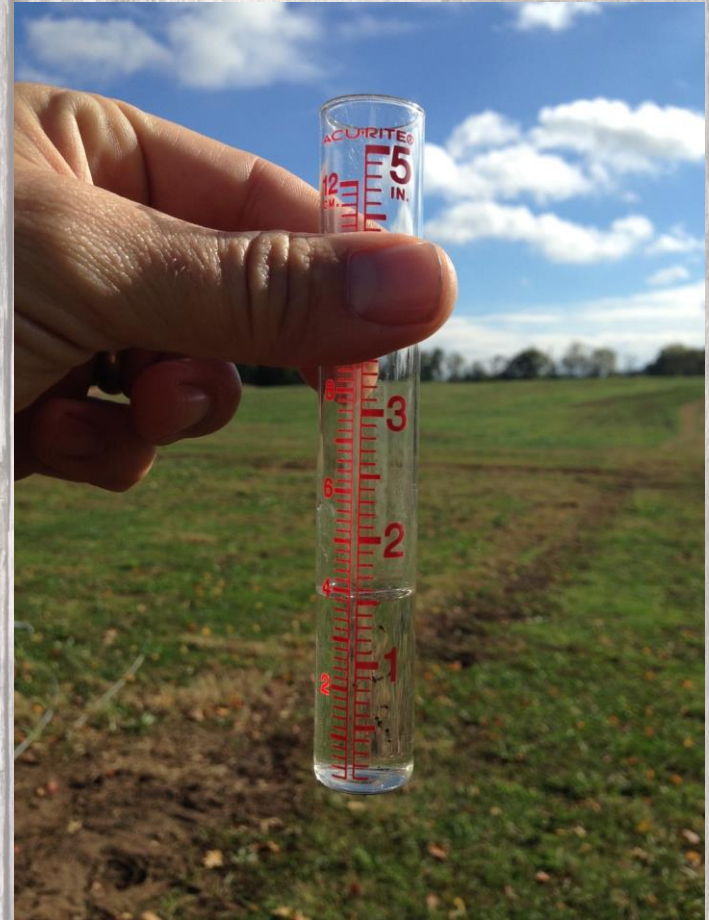
the awakening



stepping out



stepping out



stepping out



stepping out



the farmstead now



the farmstead now



the farmstead now



the farmstead now



		2014 Actuals	2015 Actuals	2016 Budget	Notes
Home Income (Net)					
	Reserve Pay	\$12,537.24	\$8,106.74	\$25,629.00	\$224/TEP x96 (48 UTA/48 AFTP), \$275/AD x15
	Reserve Pay (TDY)	\$0.00	\$31,497.09	\$16,500.00	\$2750/trip x6
	Gifts	\$22,000.00	\$28,000.00	\$28,000.00	Limit = \$14000/yr/person
	CREP payment	\$2,881.00	\$2,881.00	\$2,881.00	
	Fire department		\$4,895.33	\$400.00	
Farm Income (Gross)					
	Capital Sales - Livestock	\$300.00	\$38,778.19	\$250.00	\$250 lamb to Deb McCall
	Beef	\$24,299.53	"	\$5,000.00	\$2500 steer income x2
	Lamb	"	"	\$5,040.00	\$360/lamb x14
	Pork	"	"	\$16,000.00	\$800/hog x20
	Chicken	"	"	\$1500.00	\$25/bird x60
	Turkey	"	"	\$720.00	\$72/bird x10
	Eggs	"	"	\$1075.00	\$5/doz x215
Existing Accounts					
	Home account		\$13,525.73	\$4,388.63	
	Farm account		\$7,846.28	\$11,886.08	
	Farm money market		\$16,668.78	\$11,671.82	\$20K unidentified, keep as emergency fund
Summary					
	Total Home Income	\$37,418.24	\$75,380.16	\$73,410.00	
	Total Farm Income	\$24,599.53	\$38,778.19	\$29,585.00	
	Total Expense:	?	\$125,430.78	\$110,830.22	
	Budgeted balance:	?	-\$11,272.43	-\$7,835.22	
	Available cash funds:	?	\$38,040.79	\$27,946.53	
	EOY funds remaining:	?	\$26,768.36	\$20,111.31	
		Home Income	\$73,410.00	\$29,585.00	Farm Income

financial assist

- FSA - CREP: \$2881/yr
- SSAWG & OEFFA Conference Scholarships
- NRCS - EQUIP: Contracted
- SOACDF Grant: Pending
- FSA - Operating Microloan: Pending



Pastured providence farmstead

Questions?