

TABLE 1. Acreage Summary, Lea County,
Projected 2004.

| | | |
|----------------------|----------------------------------|----------|
| BUDGET AREA..... | SOUTHERN HIGH PLAINS, LEA COUNTY | |
| FARM SIZE..... | 1600 ACRES | |
| IRRIGATION TYPE..... | DRYLAND | |
| NUMBER OF CROPS..... | 2 | |
| <hr/> | | |
| ACREAGE SUMMARY: | LAND USE | (ACRES) |
| <hr/> | | |
| WHEAT | 680.00 | |
| ARP | 0.00 | |
| FLEX IN WHEAT | 120.00 | |
| GRAIN SORGHUM | 646.00 | |
| ARP | 0.00 | |
| FLEX IN WHEAT | 114.00 | |
| FALLOW | 0.00 | |
| ROADS, HOMESTEAD | 40.00 | |
| TOTAL | | 1,600.00 |

TABLE 2. Basic cost information for Lea County,
Projected 2004.

| | | | |
|---------------------------------|----------------------------|------------------------------|---------|
| Item | | | |
| <hr/> | | | |
| Labor Wage Rate: | | | |
| Equipment operators | \$/hour | | \$7.55 |
| General & Irrigators | \$/hour | | \$6.75 |
| Purchased Inputs: | | | |
| Fertilizer: | | | |
| Nitrogen (N) | \$/pound | | \$0.29 |
| Phosphate (P205) | \$/pound | | \$0.20 |
| Seed: | | | |
| Wheat | \$/pound | | \$0.18 |
| Grain Sorghum | \$/pound | | \$1.30 |
| Fuel: | | | |
| Diesel fuel | \$/gallon | | \$1.50 |
| Gasoline | \$/gallon | | \$1.45 |
| Employee Liability Insurance | \$/ \$1,000 wages | | \$20.00 |
| Employee Benefits | percent/wages | | 18.00% |
| Labor Downtime | percent | | 25.00% |
| Financial Rates: | | | |
| Operating Capital Interest Rate | percent | | 6.50% |
| Land Interest Rate | percent | | 6.00% |
| Equipment Interest Rate | percent | | 6.50% |
| Real Interest Rate | percent | | 4.00% |
| Land Taxes | \$40.00 /acre (full value) | | \$0.33 |
| Personal Property Tax Rate | - NR | \$/ \$1,000 (Assessed Value) | \$25.06 |
| | - R | | \$21.60 |
| Supervision Factor | \$/labor hour | | \$0.50 |
| Management Rate | percent | | 7.00% |

TABLE 3. Overhead cost information for Lea County
Projected 2004.

| | | | |
|------------------------------------|--------|--------------------|----------|
| Item | | | |
| <hr/> | | | |
| Electricity (Domestic & Shop) | | \$215.00 per month | \$2,580 |
| Telephone | | \$120.00 per month | \$1,440 |
| Accounting & Legal | | | \$1,595 |
| Misc. Supplies & Hand Tools | | | \$2,400 |
| Pickup and Auto | | | |
| miles | 31,000 | @ \$0.365 per mile | \$11,315 |
| Insurance | | | |
| - general liability (non-employee) | | | \$1,675 |
| - fire/theft | | | \$1,330 |
| Property Taxes | | | |
| - non-planted land | | | \$16 |
| - other than land & machinery | | | \$985 |
| Building repairs and maintenance | | | \$1,275 |
| Dues, fees, publications | | | \$381 |
| Farmstead Equipment | | | \$165 |
| Total | | | \$25,157 |
| Total per planted acre | | | \$16.13 |

TABLE 4. Equipment summary for a 1600 acre dryland farm with above average management, Lea County, Projected 2004.

| EQUIPMENT | | ANNUAL HOURS OF USE | NUMBER | TOTAL VALUE | VARIABLE COSTS | | | | FIXED COSTS | | |
|--------------------------------|----------------------|---------------------|--------|-------------|----------------|------------------|---------------|--------------|-------------|--------------|---------|
| ITEM & SIZE | FUEL, OIL, LUBRICANT | | | | REPAIR | FUEL, OIL PER HR | REPAIR PER HR | DEPRECIATION | TAXES | TOTAL PER HR | |
| TRACTOR | 226 HP | 344 | 1 | \$70,435 | \$6,683 | \$1,490 | \$19.44 | \$4.33 | \$9,628 | \$603 | \$29.76 |
| TRUCK | 2 TON | 218 | 1 | \$22,000 | \$2,081 | \$1,759 | \$9.53 | \$8.05 | \$4,400 | \$184 | \$20.99 |
| COMBINE | 145 HP | 218 | 1 | \$35,240 | \$2,736 | \$5,392 | \$12.53 | \$24.69 | \$7,600 | \$476 | \$36.98 |
| GRAIN HEAD | 22 FT | 218 | 1 | \$3,600 | | \$513 | | \$2.35 | \$501 | \$31 | \$2.44 |
| CULTIVATOR | 12 ROW | 78 | 1 | \$5,000 | | \$236 | | \$3.05 | \$667 | \$42 | \$9.14 |
| CHISEL | 40 FT | 91 | 1 | \$6,750 | | \$350 | | \$3.85 | \$900 | \$56 | \$10.52 |
| SPRAYER | 12 ROW | 45 | 1 | \$2,250 | | \$199 | | \$4.41 | \$300 | \$19 | \$7.05 |
| PLANTER | 12 ROW | 52 | 1 | \$8,500 | | \$861 | | \$16.66 | \$1,700 | \$71 | \$34.27 |
| DRILL 40 FT | 40 FT | 46 | 1 | \$7,750 | | \$645 | | \$14.11 | \$1,550 | \$65 | \$35.33 |
| FERT SPREADER DEALER FURNISHED | | 78 | 1 | | | | | | | | |
| | | | | \$161,525 | \$11,500 | \$11,445 | | | \$27,247 | \$1,547 | |

TABLE 5. Wheat, dryland, budgeted per acre costs and returns for a 1600 acre farm with above average management, Lea County, Projected 2004.
 Planting dates: August 15 - September 30
 Harvest dates: June 15 - July 5

| ITEM | PRICE | YIELD | BASE | TOTAL |
|--------------------------|--------|---------------|------|----------------|
| GROSS RETURNS | | | | |
| WHEAT | \$3.75 | 20.00 BUSHELS | | \$75.00 |
| DIRECT PAYMENT | \$0.52 | 20.00 BUSHELS | 0.85 | \$8.84 |
| COUNTER CYCLICAL PAYMENT | \$0.00 | | | \$0.00 |
| TOTAL | | | | \$83.84 |

| PURCHASED INPUTS | PRICE | QUANTITY | PURCHASED INPUTS | FIXED COST | TOTAL |
|------------------|---------|----------|------------------|------------|----------------|
| SEED | \$0.18 | 30 LBS | \$5.40 | | \$5.40 |
| NITROGEN (N) | \$0.29 | 16 LBS | \$4.64 | | \$4.64 |
| PHOSPHATE (P205) | \$0.20 | 20 LBS | \$4.00 | | \$4.00 |
| INSECTICIDE | \$16.99 | 1 X/ACRE | \$16.99 | | \$16.99 |
| CROP INSURANCE | \$0.05 | | \$0.05 | | \$0.05 |
| SUBTOTAL | | | \$31.08 | | \$31.08 |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|-----------------------|------------|---------------------|------------------|---------------|---------------|---------------|---------------|----------------|
| CHISEL | 225 HP | 0.05 HR | | \$0.38 | \$0.97 | \$0.41 | \$2.01 | \$3.77 |
| DRILL | 225 HP | 0.05 HR | | \$0.38 | \$0.97 | \$0.92 | \$3.25 | \$5.53 |
| FERT SPREADER | 225 HP | 0.05 HR | | \$0.38 | \$0.97 | \$0.22 | \$1.49 | \$3.05 |
| SUBTOTAL | | 0.15 HR | \$0.00 | \$1.13 | \$2.92 | \$1.55 | \$6.76 | \$12.35 |

| HARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|--------------------|------------|---------------------|------------------|---------------|---------------|---------------|---------------|----------------|
| COMBINE | | 0.14 HR | | \$1.06 | \$1.75 | \$3.56 | \$5.52 | \$11.89 |
| HAUL | 2 TON | 0.14 HR | | \$1.06 | \$1.33 | \$0.96 | \$2.94 | \$6.29 |
| SUBTOTAL | | 0.28 HR | \$0.00 | \$2.11 | \$3.09 | \$4.52 | \$8.46 | \$18.18 |

| OVERHEAD EXPENSES | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|----------------------------|---------------------|------------------|----------------|-------------|---------|---------------|----------------|
| DOWNTIME | 0.11 HR | | \$0.81 | | | | \$0.81 |
| EMPLOYEE BENEFITS | | | \$0.58 | | | | \$0.58 |
| INSURANCE | | | \$0.06 | | | | \$0.06 |
| LAND TAXES | | | | | | \$0.33 | \$0.33 |
| SUPERVISION AND MANAGEMENT | | | \$8.77 | | | | \$8.77 |
| OTHER EXPENSES | | | \$16.13 | | | | \$16.13 |
| SUBTOTAL | 0.11 HR | \$16.19 | \$10.17 | | | \$0.33 | \$26.69 |

| | | | | | | | |
|---------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
| TOTAL OPERATING EXPENSES | 0.54 HR | \$47.27 | \$13.41 | \$6.00 | \$6.07 | \$15.55 | \$88.30 |
|---------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|

| | | | | | | | |
|-----------------------------|--|--|--|--|--|--|-----------------|
| NET OPERATING PROFIT | | | | | | | (\$4.46) |
|-----------------------------|--|--|--|--|--|--|-----------------|

| | | | | | | | |
|----------------------------------|---|---------|---|-------|---|--|--------|
| INTEREST ON OPERATING CAPITAL | (| \$17.29 | @ | 6.50% |) | | \$1.12 |
| INTEREST ON EQUIPMENT INVESTMENT | | | | | | | \$6.29 |

| | | | | | | | |
|--------------------------------|--|--|--|--|--|--|------------------|
| RETURN TO LAND AND RISK | | | | | | | (\$11.88) |
|--------------------------------|--|--|--|--|--|--|------------------|

BUDGET SUMMARY

| | | | |
|-------------------------------|---------|-----------|---|
| GROSS RETURN | | \$83.84 | |
| VARIABLE OPERATING EXPENSES | \$59.34 | | |
| RETURN OVER VARIABLE EXPENSES | | \$24.50 | (GROSS MARGIN) |
| FIXED EXPENSES | \$15.55 | | |
| NET FARM INCOME | | \$8.95 | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST | \$13.41 | | |
| NET OPERATING PROFIT | | (\$4.46) | (RETURN TO CAPITAL, LAND & RISK) |
| CAPITAL COSTS | \$7.41 | | |
| RETURN TO LAND AND RISK | | (\$11.88) | |

TABLE 6. Grain sorghum, dryland, budgeted per acre costs and returns for a 1,600 acre farm with above average management, Lea County, Projected 2004.

Planting dates: May 15 - June 10

Harvest dates: October 15 - November 15

| ITEM | PRICE | YIELD | BASE | TOTAL |
|--------------------------|--------|-----------|------|----------------|
| GROSS RETURNS | | | | |
| GRAIN SORGHUM | \$4.03 | 16.80 CWT | | \$67.70 |
| COUNTER CYCLICAL PAYMENT | \$0.00 | 0.00 CWT | | \$0.00 |
| DIRECT PAYMENT | \$0.35 | 16.80 CWT | 0.85 | \$5.00 |
| TOTAL | | | | \$72.70 |

| PURCHASED INPUTS | PRICE | QUANTITY | PURCHASED INPUTS | FIXED COST | TOTAL |
|------------------|---------|----------|------------------|------------|----------------|
| SEED | \$1.30 | 3 LBS | \$3.90 | | \$3.90 |
| NITROGEN (N) | \$0.29 | 16 LBS | \$4.64 | | \$4.64 |
| PHOSPHATE (P205) | \$0.20 | 20 LBS | \$4.00 | | \$4.00 |
| HERBICIDE | \$18.82 | 1 X/ACRE | \$18.82 | | \$18.82 |
| CROP INSURANCE | \$0.08 | | \$0.08 | | \$0.08 |
| SUBTOTAL | | | \$31.43 | | \$31.43 |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|-----------------------|------------|---------------------|------------------|---------------|---------------|---------------|----------------|----------------|
| FERT SPREADER | 225 HP | 0.05 HR | | \$0.38 | \$0.97 | \$0.22 | \$1.49 | \$3.05 |
| CHISEL & SPRAY | 225 HP | 0.07 HR | | \$0.53 | \$1.36 | \$0.88 | \$3.31 | \$6.08 |
| PLANTER | 225 HP | 0.08 HR | | \$0.60 | \$1.55 | \$1.68 | \$5.12 | \$8.96 |
| CULTIVATOR (2X) | 225 HP | 0.12 HR | | \$0.91 | \$2.33 | \$0.89 | \$4.67 | \$8.79 |
| SUBTOTAL | | 0.32 HR | | \$2.42 | \$6.22 | \$3.66 | \$14.59 | \$26.89 |

| HARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|--------------------|------------|---------------------|------------------|---------------|---------------|---------------|---------------|----------------|
| COMBINE | | 0.14 HR | | \$1.06 | \$1.75 | \$3.89 | \$5.52 | \$12.22 |
| HAUL | 2 TON | 0.14 HR | | \$1.06 | \$1.33 | \$1.09 | \$2.94 | \$6.42 |
| SUBTOTAL | | 0.28 HR | | \$2.11 | \$3.09 | \$4.98 | \$8.46 | \$18.64 |

| OVERHEAD EXPENSES | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL |
|----------------------------|---------------------|------------------|----------------|----------------|---------|---------------|----------------|
| DOWNTIME | 0.15 HR | | \$1.13 | | | | \$1.13 |
| EMPLOYEE BENEFITS | | | \$0.82 | | | | \$0.82 |
| INSURANCE | | | \$0.09 | | | | \$0.09 |
| LAND TAXES | | | | | | \$0.33 | \$0.33 |
| SUPERVISION AND MANAGEMENT | | | \$9.14 | | | | \$9.14 |
| OTHER EXPENSES | | | \$16.13 | | | | \$16.13 |
| SUBTOTAL | 0.15 HR | | \$16.22 | \$11.09 | | \$0.33 | \$27.64 |

| | | | | | | | | |
|---------------------------------|----------------|--|----------------|----------------|---------------|---------------|----------------|-----------------|
| TOTAL OPERATING EXPENSES | 0.75 HR | | \$47.65 | \$15.62 | \$9.31 | \$8.64 | \$23.38 | \$104.60 |
|---------------------------------|----------------|--|----------------|----------------|---------------|---------------|----------------|-----------------|

| | | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|------------------|
| NET OPERATING PROFIT | | | | | | | | (\$31.90) |
|-----------------------------|--|--|--|--|--|--|--|------------------|

| | | | | | | | | |
|----------------------------------|---|---------|---|-------|---|--|--|--------|
| INTEREST ON OPERATING CAPITAL | (| \$18.86 | @ | 6.50% |) | | | \$1.23 |
| INTEREST ON EQUIPMENT INVESTMENT | | | | | | | | \$9.74 |

| | | | | | | | | |
|--------------------------------|--|--|--|--|--|--|--|------------------|
| RETURN TO LAND AND RISK | | | | | | | | (\$42.86) |
|--------------------------------|--|--|--|--|--|--|--|------------------|

BUDGET SUMMARY

| | | | |
|-------------------------------|---------|-----------|---|
| GROSS RETURN | | \$72.70 | |
| VARIABLE OPERATING EXPENSES | \$65.60 | | |
| RETURN OVER VARIABLE EXPENSES | | \$7.10 | (GROSS MARGIN) |
| FIXED EXPENSES | \$23.38 | | |
| NET FARM INCOME | | (\$16.28) | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST | \$15.62 | | |
| NET OPERATING PROFIT | | (\$31.90) | (RETURN TO CAPITAL, LAND & RISK) |
| CAPITAL COSTS | \$10.97 | | |
| RETURN TO LAND AND RISK | | (\$42.86) | |

TABLE 7. Summary of per acre costs and returns for a 1,600 acre farm with above average management, Lea County, Projected 2004.

| | WHEAT | GRAIN SORGHUM |
|--|-----------|------------------|
| | BU | CWT |
| PRIMARY YIELD | 20.00 | 16.80 |
| PRIMARY PRICE | \$3.75 | \$4.03 |
| GOVERNMENT PAYMENTS | \$8.84 | \$5.00 |
| SECOND INCOME | \$0.00 | \$0.00 |
| GROSS RETURN | \$83.84 | \$72.70 |
| VARIABLE OPERATING EXPENSES | | |
| SEED | \$5.40 | \$3.90 |
| FERTILIZER | \$8.64 | \$8.64 |
| CHEMICALS | \$16.99 | \$18.82 |
| CROP INSURANCE | \$0.05 | \$0.08 |
| OTHER PURCHASED INPUTS | | |
| CANAL WATER | | |
| FUEL, OIL & LUBRICANTS-EQUIPMENT | \$6.00 | \$9.31 |
| FUEL-IRRIGATION | | |
| REPAIRS | \$6.07 | \$8.64 |
| CUSTOM CHARGES | \$0.00 | \$0.00 |
| LAND TAXES | \$0.33 | \$0.33 |
| OTHER EXPENSES | \$16.19 | \$16.22 |
| TOTAL VARIABLE EXPENSES | \$59.68 | \$65.94 |
| RETURN OVER VARIABLE EXPENSES | \$24.16 | \$6.77 |
| FIXED EXPENSES | \$15.21 | \$23.05 |
| TOTAL EXPENSES | \$74.89 | \$88.98 |
| RETURNS TO CAPITAL, LABOR, LAND & RISK | \$8.95 | (\$16.28) |
| LABOR AND MANAGEMENT COSTS | \$13.41 | \$15.62 |
| RETURNS TO CAPITAL, LAND & RISK | (\$4.46) | (\$31.90) |
| CAPITAL COSTS | | |
| INTEREST ON OPERATING CAPITAL | \$1.12 | \$1.23 |
| INTEREST ON EQUIPMENT INVESTMENT | \$6.29 | \$9.74 |
| TOTAL CAPITAL COSTS | \$7.41 | \$10.97 |
| RETURN TO LAND AND RISK | (\$11.88) | (\$42.86) |

TABLE 8. Whole farm summary, Lea County,
Projected 2004.

| | | |
|----------------------------------|--------------|-------------------|
| GROSS RETURNS | | |
| WHEAT | 914.00 ACRES | |
| CROP | | \$68,550 |
| DIRECT PAYMENT | | \$6,011 |
| COUNTER CYCLICAL PAYMENT | | \$0 |
| GRAIN SORGHUM | 646.00 ACRES | |
| CROP | | \$43,737 |
| DIRECT PAYMENT | | \$3,229 |
| GROSS RETURN | | <u>\$121,527</u> |
| VARIABLE OPERATING EXPENSES | | |
| SEED | | \$7,455 |
| FERTILIZER | | \$13,478 |
| CHEMICALS | | \$27,680 |
| CROP INSURANCE | | \$100 |
| OTHER PURCHASED INPUTS | | \$0 |
| CANAL WATER | | \$0 |
| FUEL, OIL & LUBRICANTS-EQUIPMENT | | \$11,500 |
| FUEL-IRRIGATION | | \$0 |
| REPAIRS | | \$11,129 |
| CUSTOM CHARGES | | \$0 |
| LAND TAXES | | \$521 |
| OTHER EXPENSES | | \$25,274 |
| TOTAL VARIABLE EXPENSES | | <u>\$97,138</u> |
| RETURN OVER VARIABLE EXPENSES | | \$24,388 |
| FIXED EXPENSES | | \$28,794 |
| TOTAL EXPENSES | | \$125,932 |
| NET FARM INCOME | | (\$4,405) |
| LABOR AND MANAGEMENT COSTS | | \$22,349 |
| NET OPERATING PROFIT | | (\$26,754) |
| CAPITAL COSTS | | |
| INTEREST ON OPERATING CAPITAL | | \$1,819 |
| INTEREST ON EQUIPMENT INVESTMENT | | \$12,040 |
| TOTAL CAPITAL COSTS | | <u>\$13,859</u> |
| RETURN TO LAND AND RISK | | <u>(\$40,613)</u> |

| LAND VALUE | RETURN TO RISK* | RETURN ON INVESTMENT** |
|-------------|-----------------|------------------------|
| \$150 /ACRE | (\$50,213) | -6.66% |
| \$200 /ACRE | (\$53,413) | -5.56% |
| \$250 /ACRE | (\$56,613) | -4.76% |
| \$300 /ACRE | (\$59,813) | -4.17% |
| \$350 /ACRE | (\$63,013) | -3.71% |

* RETURN TO LAND AND RISK MINUS (INTEREST RATE TIMES LAND VALUE TIMES ACREAGE)

** NET OPERATING PROFIT DIVIDED BY (MACHINERY AND EQUIPMENT VALUE PLUS LAND VALUE)