

TABLE 1. Acreage Summary, Lea County,  
Projected 2005.

|                      |                                  |
|----------------------|----------------------------------|
| BUDGET AREA.....     | SOUTHERN HIGH PLAINS, LEA COUNTY |
| FARM SIZE.....       | 480 ACRES                        |
| IRRIGATION TYPE..... | SPRINKLER                        |
| NUMBER OF CROPS...   | 3                                |

| ACREAGE SUMMARY:                   | LAND USE<br>(ACRES) | WATER USE         |                 |
|------------------------------------|---------------------|-------------------|-----------------|
|                                    |                     | AC.IN.<br>PER AC. | TOTAL<br>AC.IN. |
| ALFALFA ESTABLISHMENT              | 21.00 *             | 6                 | 126             |
| ALFALFA                            | 125.00              | 42                | 5,250           |
| WHEAT                              | 106.25              | 20                | 2,125           |
| ARP                                | 0.00                |                   |                 |
| FLEX IN COTTON                     | 18.75               | 20                | 375             |
| COTTON                             | 106.25              | 20                | 2,125           |
| ARP                                | 0.00                |                   |                 |
| FLEX IN COTTON                     | 18.75               | 20                | 375             |
| IDLE, FALLOW, ROADS                | 105.00              |                   |                 |
| <b>TOTAL</b>                       | <b>480.00</b>       |                   | <b>10,376</b>   |
| ACRE FEET PER ACRE OF WATER RIGHTS |                     |                   | 1.80            |

\* DOUBLE-CROPPED

TABLE 2. Basic cost information for Lea County,  
Projected 2005.

| Item                            |                            |  |
|---------------------------------|----------------------------|--|
| <b>Labor Wage Rate:</b>         |                            |  |
| Equipment operators             | \$/hour                    | \$7.45   |
| General & Irrigators            | \$/hour                    | \$6.60   |
| <b>Purchased Inputs:</b>        |                            |  |
| <b>Fertilizer:</b>              |                            |  |
| Nitrogen (N)                    | \$/pound                   | \$0.40   |
| Phosphate (P205)                | \$/pound                   | \$0.31   |
| <b>Seed:</b>                    |                            |  |
| Alfalfa                         | \$/pound                   | \$2.88   |
| Wheat                           | \$/pound                   | \$0.24   |
| Cotton                          | \$/pound                   | \$0.72   |
| Electricity (Lea Co Elec Coop)  | cents/KwHr                 | 6.78   |
| Natural gas (Gas Co NM)         | \$/MCF                     | \$3.28   |
| Service Charge                  | \$/month                   | \$10.00  |
| Diesel fuel                     | \$/gallon                  | \$2.10   |
| Gasoline                        | \$/gallon                  | \$2.05   |
| LP Gas                          | \$/gallon                  | \$1.70   |
| Employee Liability Insurance    | \$/ \$1,000 wages          | \$20.00  |
| Employee Benefits               | percent/wages              | 18.00%   |
| Labor Downtime                  | percent                    | 25.00%   |
| <b>Financial Rates:</b>         |                            |  |
| Operating Capital Interest Rate | percent                    | 7.00%  |
| Land Interest Rate              | percent                    | 7.00%  |
| Equipment Interest Rate         | percent                    | 7.00%  |
| Real Interest Rate              | percent                    | 3.00%  |
| Land Taxes                      | \$90.00 /acre (full value) | \$0.85   |
| Personal Property Tax Rate      | - NR<br>- R                | \$/ \$1,000 (Assessed Value)<br>\$28.45<br>\$25.10 |
| <b>Supervision Factors</b>      |                            |  |
| Field Crop-Irrigation           | \$/labor hour              | \$1.00   |
| Field Crop-Equipment & General  | \$/labor hour              | \$0.50   |
| Management Rate                 | percent                    | 7.00%  |

TABLE 3. Overhead cost information for Lea County,  
Projected 2005.

| Item                               |                    |                  |
|------------------------------------|--------------------|------------------|
| Electricity (Domestic & Shop)      | \$215.00 per month | \$2,580          |
| Telephone                          | \$115.00 per month | \$1,380          |
| Accounting & Legal                 |                    | \$1,525          |
| Misc. Supplies & Hand Tools        |                    | \$1,430          |
| Pickup and Auto                    |                    |                  |
| miles                              | 20,007 @           | \$0.365 per mile |
| Insurance                          |                    |                  |
| - general liability (non-employee) |                    | \$1,710          |
| - fire/theft                       |                    | \$1,525          |
| Property Taxes                     |                    |                  |
| - non-planted land                 |                    | \$0              |
| - other than land & machinery      |                    | \$6,010          |
| Building repairs and maintenance   |                    | \$1,290          |
| Dues, fees, publications           |                    | \$405            |
| Farmstead Equipment                |                    | \$185            |
| <b>Total</b>                       |                    | <b>\$25,343</b>  |
| <b>Total per planted acre</b>      |                    | <b>\$67.58</b>   |

TABLE 4. Pumping costs and data for irrigation wells, Lea County, Projected 2005.

| INPUT DATA               |        | DEPTH CHARACTERISTICS: |     |
|--------------------------|--------|------------------------|-----|
| DELIVERY PSI:            |        | STATIC.....            | 70  |
| SPRINKLER                | 40     | DRAW DOWN.....         | 30  |
|                          |        | TOTAL HEAD.....        | 100 |
|                          |        | CASING.....            | 150 |
| GALLONS PER MINUTE (GPM) | 750    |                        |     |
| WORK HORSEPOWER          | 36     |                        |     |
| EFFICIENCY FACTOR:       |        |                        |     |
| ELECTRICITY              | 0.540  |                        |     |
| NATURAL GAS              | 0.154  |                        |     |
| LP GAS                   | 0.154  |                        |     |
| DIESEL                   | 0.160  |                        |     |
| FUEL COST PER UNIT:      |        |                        |     |
| ELECTRICITY              | 6.78   | CENTS/KwHr             |     |
| NATURAL GAS              | \$3.28 | \$/MCF                 |     |
| LP GAS                   | \$1.70 | \$/GAL                 |     |
| DIESEL                   | \$2.10 | \$/GAL                 |     |

FUEL PUMPING COSTS

|                    |  |         |
|--------------------|--|---------|
| ELECTRIC WELL:     |  |         |
| COST PER HOUR      |  | \$3.44  |
| COST PER ACRE INCH |  | \$2.08  |
| NATURAL GAS WELL:  |  |         |
| COST PER HOUR      |  | \$2.20  |
| COST PER ACRE INCH |  | \$1.32  |
| LP GAS WELL:       |  |         |
| COST PER HOUR      |  | \$11.17 |
| COST PER ACRE INCH |  | \$6.74  |
| DIESEL WELL:       |  |         |
| COST PER HOUR      |  | \$8.62  |
| COST PER ACRE INCH |  | \$5.20  |

TABLE 5. Equipment summary for a 480 acre sprinkler-irrigated farm with above average management, Lea County Projected 2005.

| 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                | 126 HP           | 344                 | 1      | \$19,725    | \$5,962              | \$1,054 | \$17.32          | \$3.06        | \$2,043      | \$242   | \$6.64       |
| TRACTOR                | 155 HP           | 483                 | 1      | \$39,492    | \$9,093              | \$2,601 | \$18.83          | \$5.39        | \$5,985      | \$426   | \$13.28      |
| COTTON STRIPPER (MTD)  |                  | 89                  | 1      | \$2,950     |                      | \$82    |                  | \$0.92        | \$767        | \$55    | \$9.21       |
| SWATHER                | 16 FT            | 69                  | 1      | \$21,350    | \$541                | \$100   | \$7.86           | \$1.45        | \$3,621      | \$343   | \$57.66      |
| BALER PTO              | 2 WIRE           | 156                 | 1      | \$1,600     |                      | \$24    |                  | \$0.15        | \$385        | \$37    | \$2.70       |
| DISC                   | 14 FT            | 76                  | 1      | \$3,000     |                      | \$282   |                  | \$3.72        | \$400        | \$28    | \$5.65       |
| DRILL                  | 13 FT            | 23                  | 1      | \$2,150     |                      | \$24    |                  | \$1.03        | \$430        | \$20    | \$19.66      |
| PLOW (MOLDBOARD)       | 4-14 IN          | 79                  | 1      | \$4,000     |                      | \$392   |                  | \$4.96        | \$533        | \$38    | \$7.22       |
| CHISEL                 | 9 PT             | 16                  | 1      | \$1,350     |                      | \$27    |                  | \$1.67        | \$180        | \$13    | \$12.10      |
| PLANTER                | 6 ROW            | 24                  | 1      | \$4,250     |                      | \$50    |                  | \$2.04        | \$850        | \$40    | \$36.43      |
| FLOAT                  | 12 FT            | 4                   | 1      | \$500       |                      | \$0     |                  | \$0.02        | \$53         | \$4     | \$14.32      |
| CULTIVATOR             | 6 ROW            | 56                  | 1      | \$3,000     |                      | \$209   |                  | \$3.72        | \$400        | \$28    | \$7.64       |
| FRONT END LOADER       |                  | 156                 | 1      | \$2,550     |                      | \$494   |                  | \$3.16        | \$255        | \$24    | \$1.79       |
| SHREDDER               | 4 ROW            | 20                  | 1      | \$2,500     |                      | \$8     |                  | \$0.40        | \$333        | \$24    | \$17.74      |
| ANHYDROUS APPLICATOR   |                  | 18                  | 1      | \$1,500     |                      | \$13    |                  | \$0.72        | \$200        | \$14    | \$11.86      |
| FERT SPREADER          | DEALER FURNISHED | 20                  |        |             |                      |         |                  |               |              |         |              |
| MODULE BUILDER         |                  | 89                  | 1      | \$8,000     |                      | \$663   |                  | \$7.44        | \$1,067      | \$76    | \$12.82      |
| CENTER PIVOT SPRINKLER |                  | 6,261               | 1      | \$15,000    |                      | \$0     |                  | \$0.00        | \$2,000      | \$142   | \$0.34       |
| NATURAL GAS WELL       |                  | 6,261               | 5      | \$74,375    | \$13,745             | \$1,252 | \$2.20           | \$0.20        | \$5,950      | \$705   | \$1.16       |
|                        |                  |                     |        | \$207,292   | \$29,340             | \$7,275 |                  |               | \$25,451     | \$2,260 |              |

TABLE 6. Alfalfa establishment, sprinkler-irrigated, budgeted per acre costs and returns for a 480 acre farm with above average management, Lea County, Projected 2005.

Planting dates: August 15 - September 1

| ITEM                            | PRICE      | QUANTITY            | PURCHASED INPUTS |          |             |         |            | TOTAL    |
|---------------------------------|------------|---------------------|------------------|----------|-------------|---------|------------|----------|
| <b>PURCHASED INPUTS</b>         |            |                     |                  |          |             |         |            |          |
| SEED                            | \$2.88     | 30 LBS              |                  | \$86.40  |             |         |            | \$86.40  |
| NITROGEN (N)                    | \$0.40     | 55 LBS              |                  | \$22.00  |             |         |            | \$22.00  |
| PHOSPHATE (P205)                | \$0.31     | 140 LBS             |                  | \$43.40  |             |         |            | \$43.40  |
| PUMP WATER                      |            | 6 AC. IN.           |                  |          |             |         |            |          |
| SUBTOTAL                        |            |                     |                  | \$151.80 |             |         |            | \$151.80 |
| <b>PREHARVEST OPERATIONS</b>    |            |                     |                  |          |             |         |            |          |
|                                 | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR    | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL    |
| PLOW                            | 155 HP     | 0.48 HR             |                  | \$3.58   | \$9.04      | \$4.97  | \$9.84     | \$27.42  |
| DISC (2X)                       | 155 HP     | 0.28 HR             |                  | \$2.09   | \$5.27      | \$2.55  | \$5.30     | \$15.21  |
| FLOAT                           | 155 HP     | 0.19 HR             |                  | \$1.42   | \$3.58      | \$1.03  | \$5.24     | \$11.26  |
| FERT SPREADER                   | 126 HP     | 0.05 HR             |                  | \$0.37   | \$0.87      | \$0.15  | \$0.33     | \$1.72   |
| DRILL                           | 126 HP     | 0.18 HR             |                  | \$1.34   | \$3.12      | \$0.74  | \$4.73     | \$9.93   |
| IRRIGATE (3X)                   |            | 0.30 HR             |                  | \$1.98   | \$7.95      | \$0.72  | \$5.43     | \$16.09  |
| SUBTOTAL                        |            | 1.48 HR             |                  | \$10.77  | \$29.82     | \$10.16 | \$30.88    | \$81.63  |
| <b>OVERHEAD EXPENSES</b>        |            |                     |                  |          |             |         |            |          |
| DOWNTIME                        |            | 0.30 HR             |                  | \$2.20   |             |         |            | \$2.20   |
| EMPLOYEE BENEFITS               |            |                     |                  | \$1.94   |             |         |            | \$1.94   |
| INSURANCE                       |            |                     | \$0.22           |          |             |         |            | \$0.22   |
| SUPERVISION AND MANAGEMENT      |            |                     |                  | \$17.23  |             |         |            | \$17.23  |
| SUBTOTAL                        |            | 0.30 HR             | \$0.22           | \$21.37  |             |         |            | \$21.58  |
| <b>TOTAL OPERATING EXPENSES</b> |            | 1.78 HR             | \$152.02         | \$32.14  | \$29.82     | \$10.16 | \$30.88    | \$255.01 |

TABLE 7. Alfalfa hay, sprinkler-irrigated, budgeted per acre costs and returns for a 480 acre farm with above average management, Lea County, Projected 2005.  
Harvest dates: May 20 - October 15

| ITEM          | PRICE    | YIELD               | TOTAL    |
|---------------|----------|---------------------|----------|
| GROSS RETURNS |          |                     |          |
| ALFALFA HAY   | \$130.00 | 6.00 TONS (STACKED) | \$780.00 |
| TOTAL         |          |                     | \$780.00 |

| PURCHASED INPUTS         | PRICE   | QUANTITY   | PURCHASED INPUTS | FIXED COST | TOTAL    |
|--------------------------|---------|------------|------------------|------------|----------|
| PHOSPHATE (P2O5)         | \$0.31  | 90 LBS     | \$27.90          |            | \$27.90  |
| INSECTICIDE (CUSTOM)     | \$14.08 | 1 ACRE     | \$14.08          |            | \$14.08  |
| HERBICIDE                | \$12.80 | 1 ACRE     | \$12.80          |            | \$12.80  |
| WIRE                     | \$0.37  | 51 LBS     | \$19.10          |            | \$19.10  |
| ESTABLISHMENT: Principal |         | 6 YEARS    |                  | \$42.50    | \$42.50  |
| : Interest               |         |            |                  | \$9.67     | \$9.67   |
| PUMP WATER*              |         | 42 AC. IN. |                  |            |          |
| SUBTOTAL                 |         |            | \$73.88          | \$52.17    | \$126.05 |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR  | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL    |
|-----------------------|------------|---------------------|------------------|--------|-------------|---------|------------|----------|
| FERT SPREADER         | 126 HP     | 0.05 HR             |                  | \$0.37 | \$0.87      | \$0.15  | \$0.33     | \$1.72   |
| IRRIGATE              |            | 1.40 HR             |                  | \$9.24 | \$55.64     | \$5.07  | \$38.04    | \$107.99 |
| SUBTOTAL              |            | 1.45 HR             |                  | \$9.61 | \$56.50     | \$5.22  | \$38.37    | \$109.71 |

| HARVEST OPERATIONS    | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR   | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL    |
|-----------------------|------------|---------------------|------------------|---------|-------------|---------|------------|----------|
| SWATHER (5X)          | 16 FT SP   | 0.55 HR             |                  | \$4.10  | \$4.32      | \$0.80  | \$31.71    | \$40.93  |
| BALER & ACCUM (5X)    | 155 HP     | 1.25 HR             |                  | \$9.31  | \$23.54     | \$6.93  | \$19.97    | \$59.74  |
| FRONT END LOADER (5X) | 126 HP     | 1.25 HR             |                  | \$9.31  | \$21.65     | \$7.78  | \$10.53    | \$49.28  |
| SUBTOTAL              |            | 3.05 HR             |                  | \$22.72 | \$49.52     | \$15.50 | \$62.21    | \$149.95 |

| OVERHEAD EXPENSES          | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR   | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL    |
|----------------------------|---------------------|------------------|---------|-------------|---------|------------|----------|
| DOWNTIME                   | 0.78 HR             |                  | \$5.77  |             |         |            | \$5.77   |
| EMPLOYEE BENEFITS          |                     |                  | \$5.82  |             |         |            | \$5.82   |
| INSURANCE                  |                     | \$0.65           |         |             |         |            | \$0.65   |
| LAND TAXES                 |                     |                  |         |             |         | \$0.85     | \$0.85   |
| SUPERVISION AND MANAGEMENT |                     |                  | \$57.55 |             |         |            | \$57.55  |
| OTHER EXPENSES             |                     | \$67.58          |         |             |         |            | \$67.58  |
| SUBTOTAL                   | 0.78 HR             | \$68.23          | \$69.14 |             |         | \$0.85     | \$138.22 |

|                          |         |          |          |          |         |          |          |
|--------------------------|---------|----------|----------|----------|---------|----------|----------|
| TOTAL OPERATING EXPENSES | 5.28 HR | \$142.11 | \$101.48 | \$106.02 | \$20.73 | \$153.60 | \$523.94 |
|--------------------------|---------|----------|----------|----------|---------|----------|----------|

|                      |  |  |  |  |  |  |          |
|----------------------|--|--|--|--|--|--|----------|
| NET OPERATING PROFIT |  |  |  |  |  |  | \$256.06 |
|----------------------|--|--|--|--|--|--|----------|

|                                  |   |         |   |       |   |  |         |
|----------------------------------|---|---------|---|-------|---|--|---------|
| INTEREST ON OPERATING CAPITAL    | ( | \$57.79 | @ | 7.00% | ) |  | \$4.05  |
| INTEREST ON EQUIPMENT INVESTMENT |   |         |   |       |   |  | \$20.23 |

|                         |  |  |  |  |  |  |          |
|-------------------------|--|--|--|--|--|--|----------|
| RETURN TO LAND AND RISK |  |  |  |  |  |  | \$231.78 |
|-------------------------|--|--|--|--|--|--|----------|

\* Pump water costs are shown under irrigation in the preharvest operations section.

BUDGET SUMMARY

|                               |          |   |  |
|-------------------------------|----------|---|--|
| GROSS RETURN                  |          | \$780.00                                |  |
| VARIABLE OPERATING EXPENSES   | \$268.86 |   |  |
| RETURN OVER VARIABLE EXPENSES | \$511.14 | (GROSS MARGIN)                          |  |
| FIXED EXPENSES                | \$153.60 |   |  |
| NET FARM INCOME               | \$357.54 | (RETURN TO CAPITAL, LABOR, LAND & RISK) |  |
| LABOR AND MANAGEMENT COST     | \$101.48 |   |  |
| NET OPERATING PROFIT          | \$256.06 | (RETURN TO CAPITAL, LAND & RISK)        |  |
| CAPITAL COSTS                 | \$24.28  |   |  |
| RETURN TO LAND AND RISK       |          | \$231.78                                |  |

TABLE 8. Wheat, sprinkler-irrigated, budgeted per acre costs and returns for a 480 acre farm with above average management, Lea County, Projected 2005.  
 Planting dates: August 15 - October 30  
 Harvest dates: June 20 - July 5

| ITEM                     | PRICE   | YIELD         | BASE | TOTAL           |
|--------------------------|---------|---------------|------|-----------------|
| <b>GROSS RETURNS</b>     |         |               |      |                 |
| WHEAT                    | \$3.75  | 48.00 BUSHELS |      | \$180.00        |
| DIRECT PAYMENT           | \$0.00  | 48.00 BUSHELS | 0.85 | \$0.00          |
| COUNTER CYCLICAL PAYMENT | \$0.00  |               |      | \$0.00          |
| GRAZING                  | \$50.00 | 1.00 ACRE     |      | \$50.00         |
| <b>TOTAL</b>             |         |               |      | <b>\$230.00</b> |

| PURCHASED INPUTS        | PRICE | QUANTITY    | PURCHASED INPUTS | FIXED COST | TOTAL          |
|-------------------------|-------|-------------|------------------|------------|----------------|
| SEED                    | 0.24  | 90 LBS      | \$21.60          |            | \$21.60        |
| PHOSPHATE (P205)        | 0.31  | 70 LBS      | \$21.70          |            | \$21.70        |
| ANHYDROUS AMMONIA (NH3) | 0.15  | 200 LBS     | \$30.00          |            | \$30.00        |
| PUMP WATER*             |       | 20 ACRE IN. |                  |            |                |
| CROP INSURANCE          | 0.47  |             | \$0.47           |            | \$0.47         |
| <b>SUBTOTAL</b>         |       |             | <b>\$73.77</b>   |            | <b>\$73.77</b> |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS       | FIXED COST     | TOTAL           |
|-----------------------|------------|---------------------|------------------|----------------|----------------|---------------|----------------|-----------------|
| CHISEL                | 155 HP     | 0.15 HR             |                  | \$1.12         | \$2.82         | \$1.06        | \$3.81         | \$8.81          |
| DISC                  | 155 HP     | 0.14 HR             |                  | \$1.04         | \$2.64         | \$1.27        | \$2.65         | \$7.60          |
| ANNHYDROUS APPL       | 155 HP     | 0.17 HR             |                  | \$1.27         | \$3.20         | \$1.04        | \$4.27         | \$9.78          |
| FERT SPREADER         | 126 HP     | 0.05 HR             |                  | \$0.37         | \$0.87         | \$0.15        | \$0.33         | \$1.72          |
| DISC                  | 155 HP     | 0.14 HR             |                  | \$1.04         | \$2.64         | \$1.27        | \$2.65         | \$7.60          |
| DRILL                 | 126 HP     | 0.18 HR             |                  | \$1.34         | \$3.12         | \$0.74        | \$4.73         | \$9.93          |
| IRRIGATE (12X)        |            | 1.20 HR             |                  | \$7.92         | \$26.49        | \$2.41        | \$18.11        | \$54.94         |
| <b>SUBTOTAL</b>       |            | <b>2.03 HR</b>      |                  | <b>\$14.10</b> | <b>\$41.78</b> | <b>\$7.95</b> | <b>\$36.56</b> | <b>\$100.39</b> |

**HARVEST OPERATIONS**

|                  |  |  |                |  |  |  |  |                |
|------------------|--|--|----------------|--|--|--|--|----------------|
| COMBINE (CUSTOM) |  |  | \$12.67        |  |  |  |  | \$12.67        |
| HAUL (CUSTOM)    |  |  | \$7.68         |  |  |  |  | \$7.68         |
| <b>SUBTOTAL</b>  |  |  | <b>\$20.35</b> |  |  |  |  | <b>\$20.35</b> |

**OVERHEAD EXPENSES**

|                            |  |                |         |                |                |        |               |                |
|----------------------------|--|----------------|---------|----------------|----------------|--------|---------------|----------------|
| DOWNTIME                   |  | 0.21 HR        |         | \$1.55         |                |        |               | \$1.55         |
| EMPLOYEE BENEFITS          |  |                |         | \$2.54         |                |        |               | \$2.54         |
| INSURANCE                  |  |                | \$0.28  |                |                |        |               | \$0.28         |
| LAND TAXES                 |  |                |         |                |                | \$0.85 |               | \$0.85         |
| SUPERVISION AND MANAGEMENT |  |                |         | \$17.72        |                |        |               | \$17.72        |
| OTHER EXPENSES             |  |                | \$67.58 |                |                |        |               | \$67.58        |
| <b>SUBTOTAL</b>            |  | <b>0.21 HR</b> |         | <b>\$67.86</b> | <b>\$21.80</b> |        | <b>\$0.85</b> | <b>\$90.52</b> |

|                                 |  |                |  |                 |                |                |               |                |                 |
|---------------------------------|--|----------------|--|-----------------|----------------|----------------|---------------|----------------|-----------------|
| <b>TOTAL OPERATING EXPENSES</b> |  | <b>2.24 HR</b> |  | <b>\$161.98</b> | <b>\$35.90</b> | <b>\$41.78</b> | <b>\$7.95</b> | <b>\$37.41</b> | <b>\$285.02</b> |
|---------------------------------|--|----------------|--|-----------------|----------------|----------------|---------------|----------------|-----------------|

|                             |  |  |  |  |  |  |  |  |                  |
|-----------------------------|--|--|--|--|--|--|--|--|------------------|
| <b>NET OPERATING PROFIT</b> |  |  |  |  |  |  |  |  | <b>(\$55.02)</b> |
|-----------------------------|--|--|--|--|--|--|--|--|------------------|

|                                  |   |         |   |       |   |  |  |  |        |
|----------------------------------|---|---------|---|-------|---|--|--|--|--------|
| INTEREST ON OPERATING CAPITAL    | ( | \$51.01 | @ | 7.00% | ) |  |  |  | \$3.57 |
| INTEREST ON EQUIPMENT INVESTMENT |   |         |   |       |   |  |  |  | \$5.56 |

|                                |  |  |  |  |  |  |  |  |                  |
|--------------------------------|--|--|--|--|--|--|--|--|------------------|
| <b>RETURN TO LAND AND RISK</b> |  |  |  |  |  |  |  |  | <b>(\$64.15)</b> |
|--------------------------------|--|--|--|--|--|--|--|--|------------------|

\* Pump water costs are shown under irrigation in the preharvest operations section.

**BUDGET SUMMARY**

|                               |          |           |   |  |
|-------------------------------|----------|-----------|---|--|
| GROSS RETURN                  |          | \$230.00  |   |  |
| VARIABLE OPERATING EXPENSES   | \$211.71 |           |   |  |
| RETURN OVER VARIABLE EXPENSES |          | \$18.29   | (GROSS MARGIN)                          |  |
| FIXED EXPENSES                | \$37.41  |           |   |  |
| NET FARM INCOME               |          | (\$19.12) | (RETURN TO CAPITAL, LABOR, LAND & RISK) |  |
| LABOR AND MANAGEMENT COST     | \$35.90  |           |   |  |
| NET OPERATING PROFIT          |          | (\$55.02) | (RETURN TO CAPITAL, LAND & RISK)        |  |
| CAPITAL COSTS                 | \$9.13   |           |   |  |
| RETURN TO LAND AND RISK       |          | (\$64.15) |   |  |

TABLE 9. Upland cotton (stripper), sprinkler-irrigated, budgeted per acre costs and returns for a 480 acre farm with above average management, Lea County, Projected 2005.

Planting dates: May 1 - May 25  
Harvest dates: November 1 - December 15

| ITEM                     | PRICE    | YIELD      | BASE | TOTAL           |
|--------------------------|----------|------------|------|-----------------|
| <b>GROSS RETURNS</b>     |          |            |      |                 |
| LINT                     | \$0.55   | 425.00 LBS |      | \$233.75        |
| SEED                     | \$0.07   | 680.00 LBS |      | \$44.20         |
| DIRECT PAYMENT           | \$0.0000 | 425.00 LBS | 0.85 | \$0.00          |
| COUNTER CYCLICAL PAYMENT | \$0.1373 | 675.00 LBS | 0.85 | \$78.78         |
| <b>TOTAL</b>             |          |            |      | <b>\$356.73</b> |

| PURCHASED INPUTS     | PRICE   | QUANTITY    | PURCHASED INPUTS | FIXED COST | TOTAL          |
|----------------------|---------|-------------|------------------|------------|----------------|
| SEED                 | \$0.72  | 20 LBS      | \$14.40          |            | \$14.40        |
| NITROGEN (N)         | \$0.40  | 32 LBS      | \$12.80          |            | \$12.80        |
| PHOSPHATE (P2O5)     | \$0.31  | 40 LBS      | \$12.40          |            | \$12.40        |
| INSECTICIDE          | \$11.20 | 1 X/ACRE    | \$11.20          |            | \$11.20        |
| HERBICIDE            | \$8.00  | 1 X/ACRE    | \$8.00           |            | \$8.00         |
| INSECTICIDE (CUSTOM) | \$11.07 | 1 X/ACRE    | \$11.07          |            | \$11.07        |
| CROP INSURANCE       |         |             | \$0.35           |            | \$0.35         |
| PUMP WATER*          |         | 20 ACRE IN. |                  |            |                |
| <b>SUBTOTAL</b>      |         |             | <b>\$70.22</b>   |            | <b>\$70.22</b> |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS        | FIXED COST     | TOTAL           |
|-----------------------|------------|---------------------|------------------|----------------|----------------|----------------|----------------|-----------------|
| PLOW                  | 155 HP     | 0.48 HR             |                  | \$3.58         | \$9.04         | \$4.97         | \$9.84         | \$27.42         |
| DISC                  | 155 HP     | 0.14 HR             |                  | \$1.04         | \$2.64         | \$1.27         | \$2.65         | \$7.60          |
| FERT SPREADER         | 126 HP     | 0.05 HR             |                  | \$0.37         | \$0.87         | \$0.15         | \$0.33         | \$1.72          |
| DISC                  | 155 HP     | 0.14 HR             |                  | \$1.04         | \$2.64         | \$1.27         | \$2.65         | \$7.60          |
| PRE-IRRIGATE          |            | 0.10 HR             |                  | \$0.66         | \$3.31         | \$0.30         | \$2.26         | \$6.54          |
| PLANTER               | 155 HP     | 0.17 HR             |                  | \$1.27         | \$3.20         | \$1.26         | \$8.45         | \$14.18         |
| CULTIVATOR (3X)       | 126 HP     | 0.39 HR             |                  | \$2.91         | \$6.76         | \$2.65         | \$5.57         | \$17.88         |
| HOE (CUSTOM 2X)       |            |                     | \$20.00          |                |                |                |                | \$20.00         |
| IRRIGATE (7X)         |            | 0.70 HR             |                  | \$4.62         | \$23.18        | \$2.11         | \$15.85        | \$45.76         |
| <b>SUBTOTAL</b>       |            | <b>2.17 HR</b>      | <b>\$20.00</b>   | <b>\$15.49</b> | <b>\$51.63</b> | <b>\$13.99</b> | <b>\$47.60</b> | <b>\$148.71</b> |

| HARVEST OPERATIONS  | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR         | FUEL & LUBE    | REPAIRS        | FIXED COST     | TOTAL           |
|---------------------|------------|---------------------|------------------|---------------|----------------|----------------|----------------|-----------------|
| COTTON STRIPPER     | 126 HP     | 0.62 HR             |                  | \$4.62        | \$10.74        | \$2.47         | \$9.83         | \$27.66         |
| MODULE BUILDER      | 155 HP     | 0.62 HR             |                  | \$4.62        | \$11.67        | \$7.95         | \$16.18        | \$40.42         |
| GIN COTTON (CUSTOM) |            |                     | \$79.99          |               |                |                |                | \$79.99         |
| <b>SUBTOTAL</b>     |            | <b>1.24 HR</b>      | <b>\$79.99</b>   | <b>\$9.24</b> | <b>\$22.41</b> | <b>\$10.42</b> | <b>\$26.01</b> | <b>\$148.07</b> |

| POSTHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR  | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL  |
|------------------------|------------|---------------------|------------------|--------|-------------|---------|------------|--------|
| SHREDDER               | 155 HP     | 0.14 HR             |                  | \$1.04 | \$2.64      | \$0.81  | \$4.34     | \$8.83 |

| OVERHEAD EXPENSES          | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE | REPAIRS       | FIXED COST | TOTAL           |
|----------------------------|------------|---------------------|------------------|----------------|-------------|---------------|------------|-----------------|
| DOWNTIME                   |            | 0.68 HR             |                  | \$5.03         |             |               |            | \$5.03          |
| EMPLOYEE BENEFITS          |            |                     |                  | \$4.64         |             |               |            | \$4.64          |
| INSURANCE                  |            |                     | \$0.52           |                |             |               |            | \$0.52          |
| LAND TAXES                 |            |                     |                  |                |             | \$0.85        |            | \$0.85          |
| SUPERVISION AND MANAGEMENT |            |                     |                  | \$27.12        |             |               |            | \$27.12         |
| OTHER EXPENSES             |            |                     | \$67.58          |                |             |               |            | \$67.58         |
| <b>SUBTOTAL</b>            |            | <b>0.68 HR</b>      | <b>\$68.10</b>   | <b>\$36.79</b> |             | <b>\$0.85</b> |            | <b>\$105.74</b> |

|                                 |  |                |                 |                |                |                |                |                 |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>TOTAL OPERATING EXPENSES</b> |  | <b>4.23 HR</b> | <b>\$238.30</b> | <b>\$62.56</b> | <b>\$76.68</b> | <b>\$25.22</b> | <b>\$78.81</b> | <b>\$481.57</b> |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|

|                             |  |  |  |  |  |  |  |                   |
|-----------------------------|--|--|--|--|--|--|--|-------------------|
| <b>NET OPERATING PROFIT</b> |  |  |  |  |  |  |  | <b>(\$124.84)</b> |
|-----------------------------|--|--|--|--|--|--|--|-------------------|

|                                  |   |         |   |       |   |  |  |         |
|----------------------------------|---|---------|---|-------|---|--|--|---------|
| INTEREST ON OPERATING CAPITAL    | ( | \$61.78 | @ | 7.00% | ) |  |  | \$4.32  |
| INTEREST ON EQUIPMENT INVESTMENT |   |         |   |       |   |  |  | \$14.76 |

|                                |  |  |  |  |  |  |  |                   |
|--------------------------------|--|--|--|--|--|--|--|-------------------|
| <b>RETURN TO LAND AND RISK</b> |  |  |  |  |  |  |  | <b>(\$143.93)</b> |
|--------------------------------|--|--|--|--|--|--|--|-------------------|

\* Pump water costs are shown under irrigation in the preharvest operations section.

**BUDGET SUMMARY**

|                                |          |                   |   |  |
|--------------------------------|----------|-------------------|---|--|
| GROSS RETURN                   |          | \$356.73          |   |  |
| VARIABLE OPERATING EXPENSES    | \$340.20 |                   |   |  |
| RETURN OVER VARIABLE EXPENSES  |          | \$16.52           | (GROSS MARGIN)                          |  |
| FIXED EXPENSES                 | \$78.81  |                   |   |  |
| NET FARM INCOME                |          | (\$62.29)         | (RETURN TO CAPITAL, LABOR, LAND & RISK) |  |
| LABOR AND MANAGEMENT COST      | \$62.56  |                   |   |  |
| NET OPERATING PROFIT           |          | (\$124.84)        | (RETURN TO CAPITAL, LAND & RISK)        |  |
| CAPITAL COSTS                  | \$19.09  |                   |   |  |
| <b>RETURN TO LAND AND RISK</b> |          | <b>(\$143.93)</b> |   |  |

TABLE 10. Summary of per acre costs and returns for a 480 acre farm with above average management, Lea County, Projected 2005.

|  | ALFALFA<br>ESTABLISHMENT | ALFALFA<br>HAY | WHEAT     | STRIPPER<br>COTTON |
|--|--------------------------|----------------|-----------|--------------------|
|  |                          | TONS           | BU        | LBS                |
| PRIMARY YIELD                          |                          | 6.00           | 48.00     | 425.00             |
| PRIMARY PRICE                          |                          | \$130.00       | \$3.75    | \$0.55             |
| GOVERNMENT PAYMENTS                    |                          | \$0.00         | \$0.00    | \$78.78            |
| SECOND INCOME                          |                          | \$0.00         | \$50.00   | \$44.20            |
| GROSS RETURN                           |                          | \$780.00       | \$230.00  | \$356.73           |
| CASH OPERATING EXPENSES                |                          |                |           |                    |
| SEED                                   | \$86.40                  |                | \$21.60   | \$14.40            |
| FERTILIZER                             | \$65.40                  | \$27.90        | \$51.70   | \$25.20            |
| CHEMICALS                              |                          | \$26.88        |           | \$30.27            |
| CROP INSURANCE                         |                          |                | \$0.47    | \$0.35             |
| OTHER PURCHASED INPUTS                 |                          | \$19.10        |           |                    |
| CANAL WATER                            |                          |                |           |                    |
| FUEL, OIL & LUBRICANTS-EQUIPMENT       | \$21.87                  | \$50.38        | \$15.28   | \$50.18            |
| FUEL-IRRIGATION                        | \$7.95                   | \$55.64        | \$26.49   | \$26.49            |
| REPAIRS                                | \$10.16                  | \$20.73        | \$7.95    | \$25.22            |
| CUSTOM CHARGES                         |                          |                | \$20.35   | \$99.99            |
| LAND TAXES                             |                          | \$0.85         | \$0.85    | \$0.85             |
| OTHER EXPENSES                         | \$0.22                   | \$68.23        | \$67.86   | \$68.10            |
| TOTAL CASH EXPENSES                    | \$191.99                 | \$269.71       | \$212.56  | \$341.06           |
| RETURN OVER CASH EXPENSES              | (\$191.99)               | \$510.29       | \$17.44   | \$15.67            |
| FIXED EXPENSES                         | \$30.88                  | \$152.75       | \$36.56   | \$77.95            |
| TOTAL EXPENSES                         | \$222.87                 | \$422.46       | \$249.12  | \$419.01           |
| RETURNS TO CAPITAL, LABOR, LAND & RISK | (\$222.87)               | \$357.54       | (\$19.12) | (\$62.29)          |
| LABOR AND MANAGEMENT COSTS             | \$32.14                  | \$101.48       | \$35.90   | \$62.56            |
| RETURNS TO CAPITAL, LAND & RISK        | (\$255.01)               | \$256.06       | (\$55.02) | (\$124.84)         |
| CAPITAL COSTS                          |                          |                |           |                    |
| INTEREST ON OPERATING CAPITAL          |                          | \$4.05         | \$3.57    | \$4.32             |
| INTEREST ON EQUIPMENT INVESTMENT       |                          | \$20.23        | \$5.56    | \$14.76            |
| TOTAL CAPITAL COSTS                    | \$0.00                   | \$24.28        | \$9.13    | \$19.09            |
| RETURN TO LAND AND RISK                | (\$255.01)               | \$231.78       | (\$64.15) | (\$143.93)         |

TABLE 11. Whole farm summary, Lea County,  
Projected 2005.

|                                  |              |                  |
|----------------------------------|--------------|------------------|
| GROSS RETURNS                    |              |                  |
| ALFALFA HAY                      | 125.00 ACRES |                  |
| CROP                             |              | \$97,500         |
| WHEAT                            | 106.25 ACRES |                  |
| CROP                             |              | \$19,125         |
| GRAZING                          |              | \$5,313          |
| DIRECT PAYMENT                   |              | \$0              |
| COUNTER CYCLICAL PAYMENT         |              | \$0              |
| COTTON                           | 143.75 ACRES |                  |
| LINT                             |              | \$33,602         |
| SEED                             |              | \$6,354          |
| DIRECT PAYMENT                   |              | \$0              |
| COUNTER CYCLICAL PAYMENT         |              | \$11,324         |
| GROSS RETURN                     |              | <u>\$173,217</u> |
| CASH OPERATING EXPENSES          |              |                  |
| SEED                             |              | \$6,179          |
| FERTILIZER                       |              | \$13,977         |
| CHEMICALS                        |              | \$7,712          |
| CROP INSURANCE                   |              | \$100            |
| OTHER PURCHASED INPUTS           |              | \$2,388          |
| CANAL WATER                      |              | \$0              |
| FUEL, OIL & LUBRICANTS-EQUIPMENT |              | \$15,595         |
| FUEL-IRRIGATION                  |              | \$13,745         |
| REPAIRS                          |              | \$7,275          |
| CUSTOM CHARGES                   |              | \$16,535         |
| LAND TAXES                       |              | \$320            |
| OTHER EXPENSES                   |              | \$25,532         |
| TOTAL CASH EXPENSES              |              | <u>\$109,357</u> |
| RETURN OVER CASH EXPENSES        |              | \$63,859         |
| FIXED EXPENSES                   |              | \$29,520         |
| TOTAL EXPENSES                   |              | <u>\$138,877</u> |
| NET FARM INCOME                  |              | \$34,340         |
| LABOR AND MANAGEMENT COSTS       |              | \$26,167         |
| NET OPERATING PROFIT             |              | \$8,173          |
| CAPITAL COSTS                    |              |                  |
| INTEREST ON OPERATING CAPITAL    |              | \$1,507          |
| INTEREST ON EQUIPMENT INVESTMENT |              | \$5,242          |
| TOTAL CAPITAL COSTS              |              | <u>\$6,749</u>   |
| RETURN TO LAND AND RISK          |              | <u>\$1,424</u>   |

| LAND VALUE    | RETURN TO RISK* | RETURN ON INVESTMENT** |
|---------------|-----------------|------------------------|
| \$500 /ACRE   | (\$5,776)       | 1.83%                  |
| \$700 /ACRE   | (\$8,656)       | 1.50%                  |
| \$900 /ACRE   | (\$11,536)      | 1.28%                  |
| \$1,100 /ACRE | (\$14,416)      | 1.11%                  |
| \$1,300 /ACRE | (\$17,296)      | 0.98%                  |
| \$1,500 /ACRE | (\$20,176)      | 0.88%                  |

\* 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)