

TABLE 1. Acreage Summary, Eddy County, Artesia Lake Arthur Area, Projected 2016

| BUDGET AREA..... ARTESIA-LAKE ARTHUR AREA |                  |                |              |
|---|------------------|----------------|--------------|
| FARM SIZE..... 500 ACRES                  |                  |                |              |
| IRRIGATION TYPE..... SPRINKLER            |                  |                |              |
| NUMBER OF CROPS..... 6                    |                  |                |              |
|   |                  | WATER USE      |              |
| ACREAGE SUMMARY:                          | LAND USE (ACRES) | AC.IN. PER AC. | TOTAL AC.IN. |
| ALFALFA ESTABLISHMENT                     | 57.00            | 42             | 2,394        |
| ALFALFA                                   | 285.00           | 48             | 13,680       |
| BARLEY                                    | 8.50             | 28             | 238          |
| ARP                                       | 0.00             |                |              |
| FLEX IN PICKER COTTON                     | 1.50             | 28             | 42           |
| OAT HAY                                   | 8.00             | 28             | 224          |
| PICKER COTTON                             | 59.50            | 28             | 1,666        |
| ARP                                       | 0.00             |                |              |
| FLEX IN PICKER COTTON                     | 10.50            | 28             | 294          |
| STRIPPER COTTON                           | 59.50            | 28             | 1,666        |
| ARP                                       | 0.00             |                |              |
| FLEX IN PICKER COTTON                     | 10.50            | 28             | 294          |
| TOTAL                                     | 500.00           |                | 20,498       |
| ACRE FEE PER ACRE OF WATER RIGHTS         |                  |                | 3.42         |

TABLE 2. Basic cost information for the Artesia-Lake Arthur area, Projected 2016

| Item                                       |                              |         |
|--|------------------------------|---------|
| Labor Wage Rate:                           |                              |         |
| Equipment operators                        | \$/hour                      | \$7.50  |
| General & Irrigators                       | \$/hour                      | \$7.50  |
| Purchased Inputs:                          |                              |         |
| Fertilizer:                                |                              |         |
| Nitrogen (N)                               | \$/pound                     | \$0.48  |
| Phosphate (P <sub>2</sub> O <sub>5</sub> ) | \$/pound                     | \$0.61  |
| Chemicals:                                 |                              |         |
| Herbicide                                  | \$/acre                      | \$0.00  |
| Insecticide                                | \$/acre                      | \$0.00  |
| Seed:                                      |                              |         |
| Alfalfa                                    | \$/pound                     | \$6.00  |
| Cotton picker stripper                     | \$/pound                     | \$7.55  |
| Oats                                       | \$/pound                     | \$0.40  |
| Barley                                     | \$/pound                     | \$0.38  |
| Wire:                                      |                              |         |
| Natural gas (service charge)               | \$/MCF                       | \$3.00  |
| Diesel fuel                                | \$/month                     | \$10.00 |
| Diesel fuel                                | \$/gallon                    | \$2.55  |
| Gasoline                                   | \$/gallon                    | \$2.40  |
| Electricity                                | cents/KwHr                   | 8.32    |
| LP Gas                                     | \$/gallon                    | \$2.75  |
| Employee Liability Insurance               | \$/ \$1,000 wages            | \$0.64  |
| Employee Benefits                          | percent/wages                | 18.00%  |
| Labor Downtime                             | percent                      | 0.00%   |
| Financial Rates:                           |                              |         |
| Operating Capital Interest Rate            | percent                      | 5.50%   |
| Land Interest Rate                         | percent                      | 5.00%   |
| Equipment Interest Rate                    | percent                      | 5.50%   |
| Real Interest Rate                         | percent                      | 4.00%   |
| Land Taxes                                 | \$250.00 /acre (full value)  | \$1.73  |
| Personal Property Tax Rate - NR            | \$/ \$1,000 (Assessed Value) | \$20.81 |
| - R  |                              | \$18.94 |
| Supervision Factors                        |                              |         |
| Field Crop-Irrigation                      | \$/labor hour                | \$0.05  |
| Field Crop-Equipment & General             | \$/labor hour                | \$0.03  |
| Vegetable Crop-Irrigation                  | \$/labor hour                | \$0.00  |
| Vegetable Crop-Equip. & General            | \$/labor hour                | \$0.00  |
| Management Rate                            |                              |         |
| Field Crops                                | percent/GR                   | 7.00%   |
| Vegetable Crops                            | percent/TOE                  | 0.00%   |

TABLE 3. Overhead cost information for the Artesia-Lake Arthur area, Projected 2016

| Item                               |          |                    |             |
|------------------------------------|----------|--------------------|-------------|
| Electricity (Domestic & Shop)      | \$237.16 | per month          | \$2,845.92  |
| Telephone                          | \$118.58 | per month          | \$1,422.96  |
| Accounting & Legal                 |          |                    | \$1,645.60  |
| Misc. Supplies & Hand Tools        |          |                    | \$1,539.12  |
| Pickup and Auto                    |          |                    |             |
| miles                              | 24,200   | @ \$0.500 per mile | \$12,100.00 |
| Insurance                          |          |                    |             |
| - general liability (non-employee) |          |                    | \$1,837.99  |
| - fire/theft                       |          |                    | \$1,645.60  |
| Property Taxes                     |          |                    |             |
| - non-planted land                 |          |                    | \$0.00      |
| - other than land & machinery      |          |                    | \$0.00      |
| Building repairs and maintenance   |          |                    | \$1,389.08  |
| Dues, fees, publications           |          |                    | \$423.50    |
| Farmstead Equipment                |          |                    | \$180.29    |
| Total                              |          |                    | \$25,030.06 |
| Total Per Planted Acre             |          |                    | \$56.50     |

TABLE 6. Alfalfa establishment, sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
Planting dates: March 15 - April 30

| ITEM          | PRICE    | YIELD               | TOTAL      |
|---------------|----------|---------------------|------------|
| GROSS RETURNS |          |                     |            |
| ALFALFA HAY   | \$195.00 | 6.50 TONS (STACKED) | \$1,267.50 |
| TOTAL         |          |                     | \$1,267.50 |

| PURCHASED INPUTS     | PRICE  | QUANTITY   | PURCHASED INPUTS | FIXED COST | TOTAL    |
|----------------------|--------|------------|------------------|------------|----------|
| SEED                 | \$6.00 | 20 LBS     | \$120.00         |            | \$120.00 |
| FERTILIZER (16-20-0) | \$0.41 | 200 LBS    | \$82.00          |            | \$82.00  |
| HERBICIDE            | \$0.00 | 1 ACRE     | \$0.00           |            | \$0.00   |
| PUMP WATER*          |        | 42 AC. IN. |                  |            |          |
| SUBTOTAL             |        |            | \$202.00         |            | \$202.00 |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR   | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL    |
|-----------------------|------------|---------------------|------------------|---------|-------------|---------|------------|----------|
| DISC                  | 145 HP     | 0.17 HR             |                  | \$1.28  | \$3.58      | \$1.15  | \$2.08     | \$8.08   |
| PLOW                  | 145 HP     | 0.48 HR             |                  | \$3.60  | \$10.10     | \$4.29  | \$7.07     | \$25.05  |
| FLOAT                 | 70 HP      | 0.16 HR             |                  | \$1.20  | \$2.48      | \$0.15  | \$0.75     | \$4.59   |
| PLANE (3X)            | 145 HP     | 0.57 HR             |                  | \$4.28  | \$11.99     | \$2.33  | \$12.06    | \$30.65  |
| DISC (2X)             | 145 HP     | 0.34 HR             |                  | \$2.55  | \$7.15      | \$2.30  | \$4.16     | \$16.16  |
| FLOAT (2X)            | 70 HP      | 0.32 HR             |                  | \$2.40  | \$4.97      | \$0.31  | \$1.50     | \$9.17   |
| DRILL (2X)            | 70 HP      | 0.42 HR             |                  | \$3.15  | \$6.52      | \$0.84  | \$8.41     | \$18.92  |
| IRRIGATE (6X)         |            | 1.50 HR             |                  | \$11.25 | \$44.90     | \$0.00  | \$34.87    | \$91.03  |
| SUBTOTAL              |            | 3.96 HR             |                  | \$29.70 | \$91.70     | \$11.36 | \$70.90    | \$203.65 |

| HARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR   | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL   |
|--------------------|------------|---------------------|------------------|---------|-------------|---------|------------|---------|
| SWATHER (3X)       | 16 FT      | 0.33 HR             |                  | \$2.48  | \$3.15      | \$0.48  | \$7.22     | \$13.33 |
| RAKE               | 40 HP      | 0.05 HR             |                  | \$0.38  | \$0.45      | \$0.08  | \$0.40     | \$1.30  |
| BALER (3X)         | 145 HP     | 0.75 HR             |                  | \$5.63  | \$15.78     | \$3.14  | \$8.06     | \$32.61 |
| BALEWAGON (3X)     | SP         | 0.60 HR             |                  | \$4.50  | \$11.16     | \$13.39 | \$4.50     | \$33.55 |
| SUBTOTAL           |            | 1.73 HR             |                  | \$12.98 | \$30.54     | \$17.09 | \$20.18    | \$80.78 |

| OVERHEAD EXPENSES          | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR   | FUEL & LUBE | REPAIRS | FIXED COST | TOTAL   |
|----------------------------|---------------------|------------------|---------|-------------|---------|------------|---------|
| DOWNTIME                   | 0.00 HR             |                  | \$0.00  |             |         |            | \$0.00  |
| EMPLOYEE BENEFITS          |                     |                  | \$7.68  |             |         |            | \$7.68  |
| INSURANCE                  |                     |                  | \$0.03  |             |         |            | \$0.03  |
| SUPERVISION AND MANAGEMENT |                     |                  | \$88.93 |             |         |            | \$88.93 |
| SUBTOTAL                   | 0.00 HR             | \$0.03           | \$96.61 |             |         |            | \$96.63 |

|                                  |         |          |          |          |         |         |          |
|----------------------------------|---------|----------|----------|----------|---------|---------|----------|
| TOTAL OPERATING EXPENSES         | 5.69 HR | \$202.03 | \$139.28 | \$122.23 | \$28.45 | \$91.08 | \$583.07 |
| NET OPERATING PROFIT             |         |          |          |          |         |         | \$684.43 |
| INTEREST ON EQUIPMENT INVESTMENT |         |          |          |          |         |         | \$30.76  |
| RETURN TO LAND AND RISK          |         |          |          |          |         |         | \$653.67 |

| BUDGET SUMMARY                |            |   |  |
|-------------------------------|------------|---|--|
| GROSS RETURN                  | \$1,267.50 |   |  |
| VARIABLE OPERATING EXPENSES   | \$352.71   |   |  |
| RETURN OVER VARIABLE EXPENSES | \$914.79   | (GROSS MARGIN)                          |  |
| FIXED EXPENSES                | \$91.08    |   |  |
| NET FARM INCOME               | \$823.71   | (RETURN TO CAPITAL, LABOR, LAND & RISK) |  |
| LABOR AND MANAGEMENT COST     | \$139.28   |   |  |
| NET OPERATING PROFIT          | \$684.43   | (RETURN TO CAPITAL, LAND & RISK)        |  |
| CAPITAL COSTS                 | \$30.76    |   |  |
| RETURN TO LAND AND RISK       | \$653.67   |   |  |

TABLE 7. Alfalfa hay, sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
Harvesting Dates: May 5 - November 1

| ITEM                             | PRICE      | YIELD                |                  |                 |                 |                |                 | TOTAL             |
|----------------------------------|------------|----------------------|------------------|-----------------|-----------------|----------------|-----------------|-------------------|
| <b>GROSS RETURNS</b>             |            |                      |                  |                 |                 |                |                 |                   |
| ALFALFA HAY                      | \$195.00   | 6.50 TONS (STACKED)  |                  |                 |                 |                |                 | \$1,267.50        |
| GRAZING                          | \$40.00    |                      |                  |                 |                 |                |                 | \$40.00           |
| <b>TOTAL</b>                     |            |                      |                  |                 |                 |                |                 | <b>\$1,307.50</b> |
| <b>PURCHASED INPUTS</b>          |            |                      |                  |                 |                 |                |                 |                   |
| PURCHASED INPUTS                 | PRICE      | QUANTITY             | PURCHASED INPUTS |                 |                 |                | FIXED COST      | TOTAL             |
| INSECTICIDE (CUSTOM)             | \$5.00     | 2 X/ACRE             | \$10.00          |                 |                 |                |                 | \$10.00           |
| HERBICIDE (CUSTOM)               | \$34.00    | 1 X/ACRE             | \$34.00          |                 |                 |                |                 | \$34.00           |
| INSECT SCOUTING                  | \$7.00     | 1 ACRE               | \$7.00           |                 |                 |                |                 | \$7.00            |
| FERTILIZER (5-26-30)             | \$0.48     | 200 LBS              | \$96.00          |                 |                 |                |                 | \$96.00           |
| WIRE                             | \$1.68     | 56 LBS               | \$93.58          |                 |                 |                |                 | \$93.58           |
| DRYING AGENT (AGRI-DRY)          | \$8.26     | 1 /TON               | \$53.66          |                 |                 |                |                 | \$53.66           |
| ESTABLISHMENT: Principal         |            | 5 YEARS              |                  |                 |                 |                | \$130.73        | \$130.73          |
| : Interest                       |            |                      |                  |                 |                 |                | \$19.23         | \$19.23           |
| PUMP WATER*                      |            | 48 AC. IN.           |                  |                 |                 |                |                 |                   |
| <b>SUBTOTAL</b>                  |            |                      | <b>\$294.25</b>  |                 |                 |                | <b>\$149.96</b> | <b>\$444.21</b>   |
| <b>PREHARVEST OPERATIONS</b>     |            |                      |                  |                 |                 |                |                 |                   |
| PREHARVEST OPERATIONS            | POWER UNIT | ACCOMPLISHMENT RATE  | PURCHASED INPUTS | LABOR           | FUEL & LUBE     | REPAIRS        | FIXED COST      | TOTAL             |
| IRRIGATE (6X)                    |            | 1.50 HR              |                  | \$11.25         | \$51.32         | \$0.00         | \$39.86         | \$102.43          |
| <b>SUBTOTAL</b>                  |            | <b>1.50 HR</b>       |                  | <b>\$11.25</b>  | <b>\$51.32</b>  | <b>\$0.00</b>  | <b>\$39.86</b>  | <b>\$102.43</b>   |
| <b>HARVEST OPERATIONS</b>        |            |                      |                  |                 |                 |                |                 |                   |
| SWATHER (5X)                     | 16 FT SP   | 0.55 HR              |                  | \$4.13          | \$5.25          | \$0.80         | \$12.04         | \$22.21           |
| RAKE (5X)                        | 40 HP      | 0.25 HR              |                  | \$1.88          | \$2.24          | \$0.38         | \$1.98          | \$6.48            |
| BALER (5X)                       | 96 HP      | 1.25 HR              |                  | \$9.38          | \$19.41         | \$1.46         | \$3.87          | \$34.11           |
| BALE WAGON (5X)                  | SP         | 1.00 HR              |                  | \$7.50          | \$18.60         | \$22.32        | \$7.50          | \$55.92           |
| <b>SUBTOTAL</b>                  |            | <b>3.05 HR</b>       |                  | <b>\$22.88</b>  | <b>\$45.51</b>  | <b>\$24.95</b> | <b>\$25.39</b>  | <b>\$118.72</b>   |
| <b>OVERHEAD EXPENSES</b>         |            |                      |                  |                 |                 |                |                 |                   |
| DOWNTIME                         |            | 0.00 HR              |                  | \$0.00          |                 |                |                 | \$0.00            |
| EMPLOYEE BENEFITS                |            |                      |                  | \$6.14          |                 |                |                 | \$6.14            |
| INSURANCE                        |            |                      | \$0.02           |                 |                 |                |                 | \$0.02            |
| LAND TAXES                       |            |                      |                  |                 |                 |                | \$1.73          | \$1.73            |
| SUPERVISION AND MANAGEMENT       |            |                      |                  | \$91.69         |                 |                |                 | \$91.69           |
| OTHER EXPENSES                   |            |                      | \$56.50          |                 |                 |                |                 | \$56.50           |
| <b>SUBTOTAL</b>                  |            | <b>0.00 HR</b>       |                  | <b>\$56.52</b>  | <b>\$97.83</b>  |                | <b>\$1.73</b>   | <b>\$156.09</b>   |
| <b>TOTAL OPERATING EXPENSES</b>  |            | <b>4.55 HR</b>       |                  | <b>\$350.77</b> | <b>\$131.96</b> | <b>\$96.83</b> | <b>\$24.95</b>  | <b>\$821.45</b>   |
| <b>NET OPERATING PROFIT</b>      |            |                      |                  |                 |                 |                |                 | <b>\$486.05</b>   |
| INTEREST ON OPERATING CAPITAL    |            | ( \$165.83 @ 5.50% ) |                  |                 |                 |                |                 | \$9.12            |
| INTEREST ON EQUIPMENT INVESTMENT |            |                      |                  |                 |                 |                |                 | \$16.24           |
| <b>RETURN TO LAND AND RISK</b>   |            |                      |                  |                 |                 |                |                 | <b>\$460.70</b>   |

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

**BUDGET SUMMARY**

|                               |          |            |   |
|-------------------------------|----------|------------|---|
| GROSS RETURN                  |          | \$1,307.50 |   |
| VARIABLE OPERATING EXPENSES   | \$472.55 |            |   |
| RETURN OVER VARIABLE EXPENSES |          | \$834.95   | (GROSS MARGIN)                          |
| FIXED EXPENSES                | \$216.94 |            |   |
| NET FARM INCOME               |          | \$618.01   | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST     | \$131.96 |            |   |
| NET OPERATING PROFIT          |          | \$486.05   | (RETURN TO CAPITAL, LAND & RISK)        |
| CAPITAL COSTS                 | \$25.36  |            |   |
| RETURN TO LAND AND RISK       |          | \$460.70   |   |

TABLE 8. Barley, sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
 Planting dates: August 20 - September 30  
 Harvesting dates: June 15 - July 1

| ITEM                     | PRICE   | YIELD     | TOTAL           |
|--------------------------|---------|-----------|-----------------|
| <b>GROSS RETURNS</b>     |         |           |                 |
| BARLEY                   | \$6.12  | 35.00 CWT | \$214.20        |
| DIRECT PAYMENT           | \$0.00  | 35.00 CWT | \$0.00          |
| COUNTER CYCLICAL PAYMENT | \$0.00  | 35.00 CWT | \$0.00          |
| GRAZING                  | \$40.00 |           | \$40.00         |
| <b>TOTAL</b>             |         |           | <b>\$254.20</b> |

| PURCHASED INPUTS     | PRICE  | QUANTITY   | PURCHASED INPUTS | FIXED COST | TOTAL           |
|----------------------|--------|------------|------------------|------------|-----------------|
| SEED                 | \$0.49 | 110 LBS    | \$53.90          |            | \$53.90         |
| NITROGEN (N)         | \$0.48 | 150 LBS    | \$72.00          |            | \$72.00         |
| INSECTICIDE (CUSTOM) | \$0.00 | 1 X/ACRE   | \$0.00           |            | \$0.00          |
| PUMP WATER*          |        | 28 AC. IN. |                  |            |                 |
| CROP INSURANCE       | \$5.88 |            | \$5.88           |            | \$5.88          |
| <b>SUBTOTAL</b>      |        |            | <b>\$131.78</b>  |            | <b>\$131.78</b> |

| PREHARVEST OPERATIONS | POWER UNIT     | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS       | FIXED COST     | TOTAL           |
|-----------------------|----------------|---------------------|------------------|----------------|----------------|---------------|----------------|-----------------|
| PLOW                  | 145 HP         | 0.48 HR             |                  | \$3.60         | \$10.10        | \$4.29        | \$7.07         | \$25.05         |
| DISC (2X)             | 145 HP         | 0.34 HR             |                  | \$2.55         | \$7.15         | \$2.30        | \$4.16         | \$16.16         |
| FERTILIZE             | DEALER APPLIED |                     |                  |                |                |               |                |                 |
| DRILL                 | 70 HP          | 0.21 HR             |                  | \$1.58         | \$3.26         | \$0.42        | \$4.21         | \$9.46          |
| IRRIGATE (4X)         |                | 1.00 HR             |                  | \$7.50         | \$29.94        | \$0.00        | \$23.25        | \$60.69         |
| <b>SUBTOTAL</b>       |                | <b>2.03 HR</b>      |                  | <b>\$15.23</b> | <b>\$50.45</b> | <b>\$7.01</b> | <b>\$38.68</b> | <b>\$111.36</b> |

| HARVEST OPERATIONS |  |  |                |  |  |  |  |                |
|--------------------|--|--|----------------|--|--|--|--|----------------|
| COMBINE (CUSTOM)   |  |  | \$17.91        |  |  |  |  | \$17.91        |
| HAUL (CUSTOM)      |  |  | \$7.00         |  |  |  |  | \$7.00         |
| <b>SUBTOTAL</b>    |  |  | <b>\$24.91</b> |  |  |  |  | <b>\$24.91</b> |

| OVERHEAD EXPENSES          |  |                |         |                |                |  |               |                |
|----------------------------|--|----------------|---------|----------------|----------------|--|---------------|----------------|
| DOWNTIME                   |  | 0.00 HR        |         | \$0.00         |                |  |               | \$0.00         |
| EMPLOYEE BENEFITS          |  |                |         | \$2.74         |                |  |               | \$2.74         |
| INSURANCE                  |  |                | \$0.01  |                |                |  |               | \$0.01         |
| LAND TAXES                 |  |                |         |                |                |  | \$1.73        | \$1.73         |
| SUPERVISION AND MANAGEMENT |  |                |         | \$17.87        |                |  |               | \$17.87        |
| OTHER EXPENSES             |  |                | \$56.50 |                |                |  |               | \$56.50        |
| <b>SUBTOTAL</b>            |  | <b>0.00 HR</b> |         | <b>\$56.51</b> | <b>\$20.62</b> |  | <b>\$1.73</b> | <b>\$78.86</b> |

|                                 |  |                |  |                 |                |                |               |                |                 |
|---------------------------------|--|----------------|--|-----------------|----------------|----------------|---------------|----------------|-----------------|
| <b>TOTAL OPERATING EXPENSES</b> |  | <b>2.03 HR</b> |  | <b>\$213.20</b> | <b>\$35.84</b> | <b>\$50.45</b> | <b>\$7.01</b> | <b>\$40.41</b> | <b>\$346.91</b> |
|---------------------------------|--|----------------|--|-----------------|----------------|----------------|---------------|----------------|-----------------|

|                             |  |  |  |  |  |  |  |  |                  |
|-----------------------------|--|--|--|--|--|--|--|--|------------------|
| <b>NET OPERATING PROFIT</b> |  |  |  |  |  |  |  |  | <b>(\$92.71)</b> |
|-----------------------------|--|--|--|--|--|--|--|--|------------------|

|                                  |   |         |   |       |   |  |  |  |        |
|----------------------------------|---|---------|---|-------|---|--|--|--|--------|
| INTEREST ON OPERATING CAPITAL    | ( | \$82.33 | @ | 5.50% | ) |  |  |  | \$4.53 |
| INTEREST ON EQUIPMENT INVESTMENT |   |         |   |       |   |  |  |  | \$8.73 |

|                                |  |  |  |  |  |  |  |  |                   |
|--------------------------------|--|--|--|--|--|--|--|--|-------------------|
| <b>RETURN TO LAND AND RISK</b> |  |  |  |  |  |  |  |  | <b>(\$105.97)</b> |
|--------------------------------|--|--|--|--|--|--|--|--|-------------------|

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

**BUDGET SUMMARY**

|                               |          |            |   |
|-------------------------------|----------|------------|---|
| GROSS RETURN                  |          | \$254.20   |   |
| VARIABLE OPERATING EXPENSES   | \$270.66 |            |   |
| RETURN OVER VARIABLE EXPENSES |          | (\$16.46)  | (GROSS MARGIN)                          |
| FIXED EXPENSES                | \$40.41  |            |   |
| NET FARM INCOME               |          | (\$56.87)  | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST     | \$35.84  |            |   |
| NET OPERATING PROFIT          |          | (\$92.71)  | (RETURN TO CAPITAL, LAND & RISK)        |
| CAPITAL COSTS                 | \$13.26  |            |   |
| RETURN TO LAND AND RISK       |          | (\$105.97) |   |

TABLE 9. Oat hay, sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
 Planting dates: February 1 - February 28  
 Harvesting Dates: June 1 - June 30

| ITEM                             | PRICE      | YIELD               |                  |                  |                |                |                | TOTAL           |       |
|----------------------------------|------------|---------------------|------------------|------------------|----------------|----------------|----------------|-----------------|-------|
| GROSS RETURNS                    |            |                     |                  |                  |                |                |                |                 |       |
| OAT HAY                          | \$165.00   | 3.50 TONS (STACKED) |                  |                  |                |                |                | \$577.50        |       |
| <b>TOTAL</b>                     |            |                     |                  |                  |                |                |                | <b>\$577.50</b> |       |
| PURCHASED INPUTS                 |            | PRICE               | QUANTITY         | PURCHASED INPUTS |                |                |                | FIXED COST      | TOTAL |
| SEED                             | \$0.40     | 100 LBS             | \$40.00          |                  |                |                |                | \$40.00         |       |
| FERTILIZER (16-20-0)             | \$0.61     | 150 LBS             | \$91.50          |                  |                |                |                | \$91.50         |       |
| PUMP WATER*                      |            | 28 AC. IN.          |                  |                  |                |                |                |                 |       |
| <b>SUBTOTAL</b>                  |            |                     | <b>\$131.50</b>  |                  |                |                |                | <b>\$131.50</b> |       |
| PREHARVEST OPERATIONS            | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR            | FUEL & LUBE    | REPAIRS        | FIXED COST     | TOTAL           |       |
| PLOW                             | 145 HP     | 0.48 HR             |                  | \$3.60           | \$10.10        | \$4.29         | \$7.07         | \$25.05         |       |
| DISC (2X)                        | 145 HP     | 0.34 HR             |                  | \$2.55           | \$7.15         | \$2.30         | \$4.16         | \$16.16         |       |
| DRILL                            | 70 HP      | 0.21 HR             |                  | \$1.58           | \$3.26         | \$0.42         | \$4.21         | \$9.46          |       |
| IRRIGATE (4X)                    |            | 1.00 HR             |                  | \$7.50           | \$29.94        | \$0.00         | \$23.25        | \$60.69         |       |
| <b>SUBTOTAL</b>                  |            | <b>2.03 HR</b>      |                  | <b>\$15.23</b>   | <b>\$50.45</b> | <b>\$7.01</b>  | <b>\$38.68</b> | <b>\$111.36</b> |       |
| HARVEST OPERATIONS               |            |                     |                  |                  |                |                |                |                 |       |
| SWATHER                          | 14 FT      | 0.16 HR             |                  | \$1.20           | \$1.53         | \$0.23         | \$3.50         | \$6.46          |       |
| BALER                            | 145 HP     | 0.25 HR             |                  | \$1.88           | \$5.26         | \$1.05         | \$2.69         | \$10.87         |       |
| BALE WAGON                       | S. P.      | 0.20 HR             |                  | \$1.50           | \$3.72         | \$4.46         | \$1.50         | \$11.18         |       |
| <b>SUBTOTAL</b>                  |            | <b>0.61 HR</b>      |                  | <b>\$4.58</b>    | <b>\$10.51</b> | <b>\$5.74</b>  | <b>\$7.69</b>  | <b>\$28.52</b>  |       |
| OVERHEAD EXPENSES                |            |                     |                  |                  |                |                |                |                 |       |
| DOWNTIME                         |            | 0.00 HR             |                  | \$0.00           |                |                |                | \$0.00          |       |
| EMPLOYEE BENEFITS                |            |                     |                  | \$3.56           |                |                |                | \$3.56          |       |
| INSURANCE                        |            |                     | \$0.01           |                  |                |                |                | \$0.01          |       |
| LAND TAXES                       |            |                     |                  |                  |                |                | \$1.73         | \$1.73          |       |
| SUPERVISION AND MANAGEMENT       |            |                     |                  | \$40.52          |                |                |                | \$40.52         |       |
| OTHER EXPENSES                   |            |                     | \$56.50          |                  |                |                |                | \$56.50         |       |
| <b>SUBTOTAL</b>                  |            | <b>0.00 HR</b>      | <b>\$56.51</b>   | <b>\$44.09</b>   |                |                | <b>\$1.73</b>  | <b>\$102.34</b> |       |
| <b>TOTAL OPERATING EXPENSES</b>  |            | <b>2.64 HR</b>      | <b>\$188.01</b>  | <b>\$63.89</b>   | <b>\$60.95</b> | <b>\$12.75</b> | <b>\$48.11</b> | <b>\$373.71</b> |       |
| <b>NET OPERATING PROFIT</b>      |            |                     |                  |                  |                |                |                | <b>\$203.79</b> |       |
| INTEREST ON OPERATING CAPITAL    |            | ( \$81.47 @ 5.50% ) |                  |                  |                |                |                | \$4.48          |       |
| INTEREST ON EQUIPMENT INVESTMENT |            |                     |                  |                  |                |                |                | \$12.96         |       |
| <b>RETURN TO LAND AND RISK</b>   |            |                     |                  |                  |                |                |                | <b>\$186.35</b> |       |

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

BUDGET SUMMARY

|                                |          |                 |   |
|--------------------------------|----------|-----------------|---|
| GROSS RETURN                   |          | \$577.50        |   |
| VARIABLE OPERATING EXPENSES    | \$261.72 |                 |   |
| RETURN OVER VARIABLE EXPENSES  |          | \$315.78        | (GROSS MARGIN)                          |
| FIXED EXPENSES                 | \$48.11  |                 |   |
| NET FARM INCOME                |          | \$267.68        | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST      | \$63.89  |                 |   |
| NET OPERATING PROFIT           |          | \$203.79        | (RETURN TO CAPITAL, LAND & RISK)        |
| CAPITAL COSTS                  | \$17.44  |                 |   |
| <b>RETURN TO LAND AND RISK</b> |          | <b>\$186.35</b> |   |

TABLE 10. Upland cotton (picker), sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
 Planting dates: April 15 - May 15  
 Harvesting dates: October 15 - January 15

| ITEM                     | PRICE    | YIELD        | BASE | TOTAL           |
|--------------------------|----------|--------------|------|-----------------|
| <b>GROSS RETURNS</b>     |          |              |      |                 |
| COTTON LINT              | \$0.72   | 700 LBS      |      | \$504.00        |
| COTTON SEED              | \$0.07   | 1,120.00 LBS |      | \$78.40         |
| DIRECT PAYMENT           | \$0.0000 | 700 LBS      | 0.85 | \$0.00          |
| COUNTER CYCLICAL PAYMENT | \$0.1373 | 700 LBS      | 0.85 | \$81.69         |
| <b>TOTAL</b>             |          |              |      | <b>\$664.09</b> |

| PURCHASED INPUTS     | PRICE   | QUANTITY   | PURCHASED INPUTS | FIXED COST | TOTAL           |
|----------------------|---------|------------|------------------|------------|-----------------|
| SEED                 | \$7.55  | 15 LBS     | \$113.25         |            | \$113.25        |
| FOLIAR FERTILIZER    | \$12.00 | 1 X/ACRE   | \$12.00          |            | \$12.00         |
| INSECT SCOUTING      | \$7.00  | 1 ACRE     | \$7.00           |            | \$7.00          |
| HERBICIDE (CUSTOM)   | \$0.00  | 1 X/ACRE   | \$0.00           |            | \$0.00          |
| INSECTICIDE (CUSTOM) | \$0.00  | 3 X/ACRE   | \$0.00           |            | \$0.00          |
| CROP INSURANCE       |         |            | \$1.64           |            | \$1.64          |
| PUMP WATER*          |         | 28 AC. IN. |                  |            |                 |
| <b>SUBTOTAL</b>      |         |            | <b>\$133.89</b>  |            | <b>\$133.89</b> |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS        | FIXED COST     | TOTAL           |
|-----------------------|------------|---------------------|------------------|----------------|----------------|----------------|----------------|-----------------|
| DISC                  | 145 HP     | 0.17 HR             |                  | \$1.28         | \$3.58         | \$1.15         | \$2.08         | \$8.08          |
| PLOW                  | 145 HP     | 0.48 HR             |                  | \$3.60         | \$10.10        | \$4.29         | \$7.07         | \$25.05         |
| DISC (2X)             | 145 HP     | 0.34 HR             |                  | \$2.55         | \$7.15         | \$2.30         | \$4.16         | \$16.16         |
| FLOAT                 | 145 HP     | 0.16 HR             |                  | \$1.20         | \$3.37         | \$0.64         | \$1.69         | \$6.89          |
| PRE-IRRIGATE          |            | 0.25 HR             |                  | \$1.88         | \$7.48         | \$0.00         | \$5.81         | \$15.17         |
| CULTIVATOR            | 65 HP      | 0.21 HR             |                  | \$1.58         | \$2.45         | \$1.57         | \$1.76         | \$7.36          |
| PLANTER               | 70 HP      | 0.26 HR             |                  | \$1.95         | \$4.04         | \$0.67         | \$5.86         | \$12.52         |
| SLED                  | 70 HP      | 0.15 HR             |                  | \$1.13         | \$2.33         | \$0.18         | \$0.88         | \$4.52          |
| CULTIVATIR (3X)       | 65 HP      | 0.63 HR             |                  | \$4.73         | \$7.35         | \$4.72         | \$5.29         | \$22.09         |
| HAND HOE (CUSTOM)     |            |                     | \$20.00          |                |                |                |                | \$20.00         |
| IRRIGATE (3X)         |            | 0.75 HR             |                  | \$5.63         | \$22.45        | \$0.00         | \$17.44        | \$45.51         |
| <b>SUBTOTAL</b>       |            | <b>3.40 HR</b>      | <b>\$20.00</b>   | <b>\$25.50</b> | <b>\$70.30</b> | <b>\$15.52</b> | <b>\$52.04</b> | <b>\$183.36</b> |

| HARVEST OPERATIONS  | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS        | FIXED COST      | TOTAL           |
|---------------------|------------|---------------------|------------------|----------------|----------------|----------------|-----------------|-----------------|
| COTTON PICKER (2X)  | 2-ROW      | 0.74 HR             |                  | \$5.55         | \$11.41        | \$12.68        | \$183.24        | \$212.88        |
| HAUL (2X)           | 65 HP      | 1.00 HR             |                  | \$7.50         | \$11.67        | \$1.32         | \$6.64          | \$27.13         |
| GIN COTTON (CUSTOM) |            |                     | \$104.30         |                |                |                |                 | \$104.30        |
| <b>SUBTOTAL</b>     |            | <b>1.74 HR</b>      | <b>\$104.30</b>  | <b>\$13.05</b> | <b>\$23.08</b> | <b>\$14.00</b> | <b>\$189.88</b> | <b>\$344.31</b> |

| POSTHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR         | FUEL & LUBE   | REPAIRS       | FIXED COST    | TOTAL         |
|------------------------|------------|---------------------|------------------|---------------|---------------|---------------|---------------|---------------|
| SHREDDER               | 70 HP      | 0.14 HR             |                  | \$1.05        | \$2.17        | \$0.19        | \$2.96        | \$6.37        |
| <b>SUBTOTAL</b>        |            | <b>0.14 HR</b>      |                  | <b>\$1.05</b> | <b>\$2.17</b> | <b>\$0.19</b> | <b>\$2.96</b> | <b>\$6.37</b> |

| OVERHEAD EXPENSES          | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE | REPAIRS | FIXED COST    | TOTAL           |
|----------------------------|------------|---------------------|------------------|----------------|-------------|---------|---------------|-----------------|
| DOWNTIME                   |            | 0.00 HR             |                  | \$0.00         |             |         |               | \$0.00          |
| EMPLOYEE BENEFITS          |            |                     |                  | \$7.13         |             |         |               | \$7.13          |
| INSURANCE                  |            |                     | \$0.03           |                |             |         |               | \$0.03          |
| LAND TAXES                 |            |                     |                  |                |             |         | \$1.73        | \$1.73          |
| SUPERVISION AND MANAGEMENT |            |                     |                  | \$46.66        |             |         |               | \$46.66         |
| OTHER EXPENSES             |            |                     | \$56.50          |                |             |         |               | \$56.50         |
| <b>SUBTOTAL</b>            |            | <b>0.00 HR</b>      | <b>\$56.53</b>   | <b>\$53.79</b> |             |         | <b>\$1.73</b> | <b>\$112.05</b> |

|                                 |  |                |                 |                |                |                |                 |                 |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>TOTAL OPERATING EXPENSES</b> |  | <b>5.28 HR</b> | <b>\$314.72</b> | <b>\$93.39</b> | <b>\$95.55</b> | <b>\$29.71</b> | <b>\$246.61</b> | <b>\$779.98</b> |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|

|                             |  |  |  |  |  |  |  |                   |
|-----------------------------|--|--|--|--|--|--|--|-------------------|
| <b>NET OPERATING PROFIT</b> |  |  |  |  |  |  |  | <b>(\$115.89)</b> |
|-----------------------------|--|--|--|--|--|--|--|-------------------|

|                                  |                     |  |  |  |  |  |  |         |
|----------------------------------|---------------------|--|--|--|--|--|--|---------|
| INTEREST ON OPERATING CAPITAL    | ( \$92.08 @ 5.50% ) |  |  |  |  |  |  | \$5.06  |
| INTEREST ON EQUIPMENT INVESTMENT |                     |  |  |  |  |  |  | \$91.86 |

|                                |  |  |  |  |  |  |  |                   |
|--------------------------------|--|--|--|--|--|--|--|-------------------|
| <b>RETURN TO LAND AND RISK</b> |  |  |  |  |  |  |  | <b>(\$212.81)</b> |
|--------------------------------|--|--|--|--|--|--|--|-------------------|

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

**BUDGET SUMMARY**

|                               |            |   |  |
|-------------------------------|------------|---|--|
| GROSS RETURN                  | \$664.09   |   |  |
| VARIABLE OPERATING EXPENSES   | \$439.98   |   |  |
| RETURN OVER VARIABLE EXPENSES | \$224.12   | (GROSS MARGIN)                          |  |
| FIXED EXPENSES                | \$246.61   |   |  |
| NET FARM INCOME               | (\$22.50)  | (RETURN TO CAPITAL, LABOR, LAND & RISK) |  |
| aes                           | \$93.39    |   |  |
| NET OPERATING PROFIT          | (\$115.89) | (RETURN TO CAPITAL, LAND & RISK)        |  |
| CAPITAL COSTS                 | \$96.93    |   |  |
| RETURN TO LAND AND RISK       | (\$212.81) |   |  |

TABLE 11. Upland cotton (stripper), sprinkler-irrigated, budgeted per acre costs and returns for a 500 acre farm with above average management, Artesia-Lake Arthur area, Projected 2016  
 Planting dates: April 15 - May 15  
 Harvesting dates: October 15 - January 15

| ITEM                     | PRICE    | YIELD     | BASE | TOTAL           |
|--------------------------|----------|-----------|------|-----------------|
| <b>GROSS RETURNS</b>     |          |           |      |                 |
| COTTON LINT              | \$0.67   | 700 LBS   |      | \$469.00        |
| COTTON SEED              | \$0.07   | 1,120 LBS |      | \$78.40         |
| DIRECT PAYMENT           | \$0.0000 | 700 LBS   | 0.85 | \$0.00          |
| COUNTER CYCLICAL PAYMENT | \$0.1373 | 700 LBS   | 0.85 | \$81.69         |
| <b>TOTAL</b>             |          |           |      | <b>\$629.09</b> |

| PURCHASED INPUTS     | PRICE   | QUANTITY   | PURCHASED INPUTS | FIXED COST | TOTAL           |
|----------------------|---------|------------|------------------|------------|-----------------|
| SEED                 | \$7.55  | 20 LBS     | \$151.00         |            | \$151.00        |
| FOLIAR FERTILIZER    | \$12.00 | 1 X/ACRE   | \$12.00          |            | \$12.00         |
| INSECT SCOUTING      | \$7.00  | 1 ACRE     | \$7.00           |            | \$7.00          |
| HERBICIDE (CUSTOM)   | \$0.00  | 1 X/ACRE   | \$0.00           |            | \$0.00          |
| INSECTICIDE (CUSTOM) | \$0.00  | 3 X/ACRE   | \$0.00           |            | \$0.00          |
| CROP INSURANCE       |         |            | FCIC             | \$1.19     | \$1.19          |
| PUMP WATER*          |         | 28 AC. IN. |                  |            |                 |
| <b>SUBTOTAL</b>      |         |            | <b>\$171.19</b>  |            | <b>\$171.19</b> |

| PREHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS        | FIXED COST     | TOTAL           |
|-----------------------|------------|---------------------|------------------|----------------|----------------|----------------|----------------|-----------------|
| DISC                  | 145 HP     | 0.17 HR             |                  | \$1.28         | \$3.58         | \$1.15         | \$2.08         | \$8.08          |
| PLOW                  | 145 HP     | 0.48 HR             |                  | \$3.60         | \$10.10        | \$4.29         | \$7.07         | \$25.05         |
| DISC (2X)             | 145 HP     | 0.34 HR             |                  | \$2.55         | \$7.15         | \$2.30         | \$4.16         | \$16.16         |
| FLOAT                 | 145 HP     | 0.16 HR             |                  | \$1.20         | \$3.37         | \$0.64         | \$1.69         | \$6.89          |
| PRE-IRRIGATE          |            | 0.25 HR             |                  | \$1.88         | \$7.48         | \$0.00         | \$5.81         | \$15.17         |
| CULTIVATOR            | 65 HP      | 0.21 HR             |                  | \$1.58         | \$2.45         | \$1.57         | \$1.76         | \$7.36          |
| PLANTER               | 70 HP      | 0.26 HR             |                  | \$1.95         | \$4.04         | \$0.67         | \$5.86         | \$12.52         |
| SLED                  | 70 HP      | 0.15 HR             |                  | \$1.13         | \$2.33         | \$0.18         | \$0.88         | \$4.52          |
| CULTIVATOR (3X)       | 65 HP      | 0.63 HR             |                  | \$4.73         | \$7.35         | \$4.72         | \$5.29         | \$22.09         |
| HAND HOE (CUSTOM)     |            |                     | \$20.00          |                |                |                |                | \$20.00         |
| IRRIGATE (3X)         |            | 0.75 HR             |                  | \$5.63         | \$22.45        | \$0.00         | \$17.44        | \$45.51         |
| <b>SUBTOTAL</b>       |            | <b>3.40 HR</b>      | <b>\$20.00</b>   | <b>\$25.50</b> | <b>\$70.30</b> | <b>\$15.52</b> | <b>\$52.04</b> | <b>\$183.36</b> |

| HARVEST OPERATIONS  | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE    | REPAIRS       | FIXED COST     | TOTAL           |
|---------------------|------------|---------------------|------------------|----------------|----------------|---------------|----------------|-----------------|
| COTTON STRIPPER     | 70 HP      | 0.62 HR             |                  | \$4.65         | \$9.63         | \$1.16        | \$15.67        | \$31.11         |
| HAUL                | 65 HP      | 0.75 HR             |                  | \$5.63         | \$8.75         | \$0.99        | \$4.98         | \$20.35         |
| GIN COTTON (CUSTOM) |            |                     | \$134.89         |                |                |               |                | \$134.89        |
| <b>SUBTOTAL</b>     |            | <b>1.37 HR</b>      | <b>\$134.89</b>  | <b>\$10.28</b> | <b>\$18.38</b> | <b>\$2.15</b> | <b>\$20.65</b> | <b>\$186.34</b> |

| POSTHARVEST OPERATIONS | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR         | FUEL & LUBE   | REPAIRS       | FIXED COST    | TOTAL         |
|------------------------|------------|---------------------|------------------|---------------|---------------|---------------|---------------|---------------|
| SHREDDER               | 70 HP      | 0.14 HR             |                  | \$0.56        | \$2.17        | \$0.19        | \$2.96        | \$5.88        |
| <b>SUBTOTAL</b>        |            | <b>0.14 HR</b>      |                  | <b>\$0.56</b> | <b>\$2.17</b> | <b>\$0.19</b> | <b>\$2.96</b> | <b>\$5.88</b> |

| OVERHEAD EXPENSES          | POWER UNIT | ACCOMPLISHMENT RATE | PURCHASED INPUTS | LABOR          | FUEL & LUBE | REPAIRS | FIXED COST    | TOTAL           |
|----------------------------|------------|---------------------|------------------|----------------|-------------|---------|---------------|-----------------|
| DOWNTIME                   |            | 0.00 HR             |                  | \$0.00         |             |         |               | \$0.00          |
| EMPLOYEE BENEFITS          |            |                     |                  | \$6.54         |             |         |               | \$6.54          |
| INSURANCE                  |            |                     | \$0.02           |                |             |         |               | \$0.02          |
| LAND TAXES                 |            |                     |                  |                |             |         | \$1.73        | \$1.73          |
| SUPERVISION AND MANAGEMENT |            |                     |                  | \$44.19        |             |         |               | \$44.19         |
| OTHER EXPENSES             |            |                     | \$56.50          |                |             |         |               | \$56.50         |
| <b>SUBTOTAL</b>            |            | <b>0.00 HR</b>      | <b>\$56.52</b>   | <b>\$50.73</b> |             |         | <b>\$1.73</b> | <b>\$108.99</b> |

|                                 |  |                |                 |                |                |                |                |                 |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|
| <b>TOTAL OPERATING EXPENSES</b> |  | <b>4.91 HR</b> | <b>\$382.60</b> | <b>\$87.06</b> | <b>\$90.85</b> | <b>\$17.85</b> | <b>\$77.39</b> | <b>\$655.76</b> |
|---------------------------------|--|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|

NET OPERATING PROFIT (\$26.66)

INTEREST ON OPERATING CAPITAL (\$109.35 @ 5.50%) \$6.01  
 INTEREST ON EQUIPMENT INVESTMENT \$26.23

RETURN TO LAND AND RISK (\$58.91)

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

BUDGET SUMMARY

|                               |           |   |
|-------------------------------|-----------|---|
| GROSS RETURN                  | \$629.09  |   |
| VARIABLE OPERATING EXPENSES   | \$491.31  |   |
| RETURN OVER VARIABLE EXPENSES | \$137.79  | (GROSS MARGIN)                          |
| FIXED EXPENSES                | \$77.39   |   |
| NET FARM INCOME               | \$60.40   | (RETURN TO CAPITAL, LABOR, LAND & RISK) |
| LABOR AND MANAGEMENT COST     | \$87.06   |   |
| NET OPERATING PROFIT          | (\$26.66) | (RETURN TO CAPITAL, LAND & RISK)        |
| CAPITAL COSTS                 | \$32.25   |   |
| RETURN TO LAND AND RISK       | (\$58.91) |   |

TABLE 12. Summary of per acre costs and returns for a 500 acre farm with above average, Artesia-Lake Authur area,  
Projected 2016

|                                  | ALFALFA<br>ESTABLISHMENT | ALFALFA<br>HAY | BARLEY     | OAT HAY  | PICKER<br>COTTON | STRIPPER<br>COTTON |
|----------------------------------|--------------------------|----------------|------------|----------|------------------|--------------------|
|                                  | TONS                     | TONS           | CWT        | TONS     | LBS              | LBS                |
| PRIMARY YIELD                    | 6.50                     | 6.50           | 35.00      | 3.50     | 700.00           | 700.00             |
| PRIMARY PRICE                    | \$195.00                 | \$195.00       | \$6.12     | \$165.00 | \$0.72           | \$0.67             |
| GOVERNMENT PAYMENTS              | \$0.00                   | \$0.00         | \$0.00     | \$0.00   | \$81.69          | \$81.69            |
| SECOND INCOME                    | \$0.00                   | \$40.00        | \$40.00    | \$0.00   | \$78.40          | \$78.40            |
| GROSS RETURN                     | \$1,267.50               | \$1,307.50     | \$254.20   | \$577.50 | \$664.09         | \$629.09           |
| CASH OPERATING EXPENSES          |                          |                |            |          |                  |                    |
| SEED                             | \$120.00                 |                | \$53.90    | \$40.00  | \$113.25         | \$151.00           |
| FERTILIZER                       | \$82.00                  | \$96.00        | \$72.00    | \$91.50  | \$12.00          | \$12.00            |
| CHEMICALS                        | \$0.00                   | \$51.00        | \$0.00     |          | \$7.00           | \$7.00             |
| CROP INSURANCE                   |                          |                | \$5.88     |          | \$1.64           | \$1.19             |
| OTHER PURCHASED INPUTS           |                          | \$147.25       |            |          |                  |                    |
| CANAL WATER                      |                          |                |            |          |                  |                    |
| FUEL, OIL & LUBRICANTS-EQUIPMENT | \$77.33                  | \$45.51        | \$20.51    | \$31.02  | \$65.61          | \$60.91            |
| FUEL-IRRIGATION                  | \$44.90                  | \$51.32        | \$29.94    | \$29.94  | \$29.94          | \$29.94            |
| REPAIRS                          | \$28.45                  | \$24.95        | \$7.01     | \$12.75  | \$29.71          | \$17.85            |
| CUSTOM CHARGES                   |                          |                | \$24.91    |          | \$124.30         | \$154.89           |
| LAND TAXES                       |                          | \$1.73         | \$1.73     | \$1.73   | \$1.73           | \$1.73             |
| OTHER EXPENSES                   | \$0.03                   | \$56.52        | \$56.51    | \$56.51  | \$56.53          | \$56.52            |
| TOTAL CASH EXPENSES              | \$352.71                 | \$474.28       | \$272.39   | \$263.45 | \$441.71         | \$493.04           |
| RETURN OVER CASH EXPENSES        | \$914.79                 | \$833.22       | (\$18.19)  | \$314.05 | \$222.38         | \$136.05           |
| FIXED EXPENSES                   | \$91.08                  | \$215.20       | \$38.68    | \$46.37  | \$244.88         | \$75.65            |
| TOTAL EXPENSES                   | \$443.79                 | \$689.49       | \$311.07   | \$309.82 | \$686.59         | \$568.69           |
| NET FARM INCOME                  | \$823.71                 | \$618.01       | (\$56.87)  | \$267.68 | (\$22.50)        | \$60.40            |
| LABOR AND MANAGEMENT COSTS       | \$139.28                 | \$131.96       | \$35.84    | \$63.89  | \$93.39          | \$87.06            |
| NET OPERATING PROFIT             | \$684.43                 | \$486.05       | (\$92.71)  | \$203.79 | (\$115.89)       | (\$26.66)          |
| CAPITAL COSTS                    |                          |                |            |          |                  |                    |
| INTEREST ON OPERATING CAPITAL    |                          | \$9.12         | \$4.53     | \$4.48   | \$5.06           | \$6.01             |
| INTEREST ON EQUIPMENT INVESTMENT | \$30.76                  | \$16.24        | \$8.73     | \$12.96  | \$91.86          | \$26.23            |
| TOTAL CAPITAL COSTS              | \$30.76                  | \$25.36        | \$13.26    | \$17.44  | \$96.93          | \$32.25            |
| RETURN TO LAND AND RISK          | \$653.67                 | \$460.70       | (\$105.97) | \$186.35 | (\$212.81)       | (\$58.91)          |

Flex Computation

-58.55837 245.68068 123.92808 42.9763

TABLE 13. Whole farm summary, Artesia-Lake Arthur area,  
Projected 2016

|                                  |            |                         |
|----------------------------------|------------|-------------------------|
| GROSS RETURNS                    |            |                         |
| ALFALFA HAY                      | 342 ACRES  | \$444,885               |
| CROP                             |            | \$11,400                |
| GRAZING                          |            |                         |
| BARLEY                           | 8.5 ACRES  | \$1,821                 |
| CROP                             |            | \$0                     |
| DIRECT PAYMENTS                  |            | \$0                     |
| COUNTER CYCLICAL PAYMENT         |            | \$340                   |
| GRAZING                          |            |                         |
| OAT HAY                          | 8 ACRES    | \$4,620                 |
| CROP                             |            |                         |
| PICKER COTTON                    | 82 ACRES   | \$41,328                |
| COTTON LINT                      |            | \$6,429                 |
| COTTON SEED                      |            | \$0                     |
| DIRECT PAYMENTS                  |            | \$6,699                 |
| COUNTER CYCLICAL PAYMENT         |            |                         |
| STRIPPER COTTON                  | 59.5 ACRES | \$27,906                |
| COTTON LINT                      |            | \$4,665                 |
| COTTON SEED                      |            | \$0                     |
| DIRECT PAYMENTS                  |            | \$4,861                 |
| COUNTER CYCLICAL PAYMENT         |            |                         |
|                                  |            | <u>\$554,952</u>        |
| GROSS RETURN                     |            |                         |
| CASH OPERATING EXPENSES          |            |                         |
| SEED                             |            | \$25,889                |
| FERTILIZER                       |            | \$35,076                |
| CHEMICALS                        |            | \$15,526                |
| CROP INSURANCE                   |            | \$150                   |
| OTHER PURCHASED INPUTS           |            | \$41,966                |
| CANAL WATER                      |            | \$0                     |
| FUEL, OIL & LUBRICANTS-EQUIPMENT |            | \$26,805                |
| FUEL-IRRIGATION                  |            | \$21,916                |
| REPAIRS                          |            | \$12,391                |
| CUSTOM CHARGES                   |            | \$19,620                |
| LAND TAXES                       |            | \$768                   |
| OTHER EXPENSES                   |            | \$25,041                |
|                                  |            | <u>\$225,149</u>        |
| TOTAL CASH EXPENSES              |            | \$329,804               |
| RETURN OVER CASH EXPENSES        |            | \$54,547                |
| FIXED EXPENSES                   |            | \$279,696               |
| TOTAL EXPENSES                   |            | \$275,256               |
| NET FARM INCOME                  |            | \$59,201                |
| LABOR AND MANAGEMENT COSTS       |            | \$216,055               |
| NET OPERATING PROFIT             |            | \$3,447                 |
| CAPITAL COSTS                    |            | \$15,653                |
| INTEREST ON OPERATING CAPITAL    |            |                         |
| INTEREST ON EQUIPMENT INVESTMENT |            | \$19,100                |
| TOTAL CAPITAL COSTS              |            |                         |
| RETURN TO LAND AND RISK          |            | <u><u>\$196,956</u></u> |

| LAND VALUE    | RETURN TO RISK* | RETURN ON INVESTMENT** |
|---------------|-----------------|------------------------|
| \$1,000 /ACRE | \$176,956       | 26.33%                 |
| \$2,500 /ACRE | \$146,956       | 13.76%                 |
| \$4,000 /ACRE | \$116,956       | 9.31%                  |
| \$5,500 /ACRE | \$86,956        | 7.04%                  |

\* 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)