

Enterprise Budgets

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SPEAKERS

Christa Hartsook, Ann Johanns

C Christa Hartsook 00:00

Welcome to the small farms podcast, a production of the small farms program at Iowa State University Extension and Outreach. This is episode nine, where I interview Ann Johanns farm management field specialist with Iowa State University Extension and outreach. Ann and I are visiting today on the use of enterprise budgets. I'm Christa Hartsook, small farms program coordinator, and we hope you enjoy the show. All right, Ann what is an enterprise budget,

A Ann Johanns 00:29

An enterprise budget is simply looking at the cost and returns to produce a particular product or enterprise. And some people might refer to them as the cost of production. But when we're looking at, it's looking at one specific enterprise, so it's not the cost across an entire operation, but looking maybe just at corn, or just beans, or livestock operations too

C Christa Hartsook 00:52

perfect, you know, commodity prices are at low, low levels right now, really, are there opportunities to grow other things in Iowa,

A Ann Johanns 01:01

of course, and we have various crops in Iowa. But mostly, when we think about corn and beans, I think that it is a time when people are looking at their cost across their operation. And maybe they've been thinking about a different enterprise. If you have extra labor, maybe at a particular time of year, then maybe you would want to find an enterprise that fit into you know, that that extra labor where you could spend it on adding in say, something that you would sell at a farmers market or things that, you know, if you're particularly looking at an organic or more of a specialty crop that we might need, we might call it a specialty crop, but it's actually maybe more fruit or vegetable crop in Iowa. So definitely, there are potentials for that. It's just

when you're thinking about it, you have to think through the whole process. So from do you have the space, you know, the acreage for that? And then do you have a market for it? There's there's no benefit for to your operation to raise a crop if you don't ultimately have a market for that crop at the end.

C Christa Hartsook 02:12

Absolutely. You know, if I really had an interest in growing something new, or maybe I was utilizing this as a way to bring the next generation back, are there some enterprise budgets out there that could help me decide?

A Ann Johanns 02:25

Yes, and that's something I think when somebody is first considering a potential new interface, they really need to put together a budget for it. And so we have Enterprise budgets for your conventional crops. So for our corn and soybeans, we also have alfalfa and small grains, such as oats budgets, and those are things we update every year. And then we have livestock budgets for cattle, swine. There are there's I think there are sheep budgets, and then dairy. And then we look at then kind of going outside those more conventional things that you might think of first, as far as fruit and veggie budgets. And I think we actually from extension, and outreach have maybe 17 different fruit and veggie budgets, and they're all set up similarly, but they might have little, there's still little things that you might, you know, variations between some of those specialty crops, but just a few of those might be green beans, carrots, raspberries, cherry tomatoes, or heirloom tomatoes, strawberries, you know, those crops that are Oh, basil, I'm looking at the list now. And there's, there's quite a few of them. But each of them if there isn't a particular budget, there's definitely something that might be close. And you could adapt it to a crop that we might not have an example of.

C Christa Hartsook 03:47

That sounds great. How would these budgets really work? What would I have to do?

A Ann Johanns 03:53

Well, you would look at the input cost. And so you would start, if you don't have any numbers, you might start with the examples that we have, and then tweak them for the information you do have. So let's say you know, certain costs, such as you know, the seed cost and fertilizer cost, but you don't have details on machinery? Well, we have estimates that you could include in that budget. And when you're looking at adding an enterprise, that might be the best information you have so far, you know, you might not know all your machinery costs yet. And so you could use the ISU information for that. And then, so we have pre harvest those input costs. And then you look at say, harvest costs, the machinery the time, definitely want to include a value for labor when you're looking at an enterprise budget. And then some of our budgets do allow to have the income side too. Usually when you're thinking about an enterprise budget, we look at just the cost to produce it, because it gives you your breakeven cost at the end. So the cost that you would need to sell that particular their product for to break even. And

that can be a very important number when you're looking at how to market that crop. Because especially when you're looking at some of those smaller products, like those fruit and veggie things, you know, that's the number that you would want to sell that crop for above and beyond, you know, so that you would know that you are breaking even or making a profit on that crop.

C Christa Hartsook 05:25

Absolutely. And if I had some of my own numbers, let's say I knew you know what value I wanted to put for the labor I needed to hire, or I knew, you know what it was going to cost me to rent this section of ground, am I able to plug in my own numbers?

A Ann Johanns 05:40

Yes, so for all of our enterprise budgets, we have them both in a hardcopy publication with some examples and averages for the state. But then we also provide them in spreadsheet form or decision tools. And so what's in those decision tools, they'll have the example for one of the crops that's in the publication, but it allows you to enter in all or some of those input costs, and so then it will automatically calculate that for you. And so like I had mentioned that, you can start with the ISU numbers, or you could start with a blank spreadsheet and fill in everything, I pulled up one of our spreadsheets. And you can enter in this one, I looked at the specialty green bean spreadsheet that we have, and you could put in the planting year cost and then the harvest cost. And then your some other things specific to the operation as far as the land cost, and maybe more machinery on those and those look at it on a per bed space, and so not on the acre space. And so they really allow some flexibility there to make it fit for your operation. And that's one of the benefits of those those decision tools.

C Christa Hartsook 07:01

That's great. You know, if I'm using some of those example numbers that you mentioned, where does that data come from?

A Ann Johanns 07:08

Our specialists on campus and across the state pull information from various sources and pulling together estimates each year for our crop budgets and our livestock budgets. And then for our veggie beds, veggie budgets, they aren't updated as often. But all of those budgets, pull in from you know our from input supply dealers around the state our agronomist and engineers on campus for the machinery costs, various sources come together to put those publications together. And they're updated every year so that we can get a rolling look at the cost of production across the state.

C Christa Hartsook 07:47

That's great. Ann is there a cost for these enterprise budgets?

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Ann Johanns 07:52

No, they are a resource available from Iowa State University Extension and Outreach. And they are available for all Iowans at any time.

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Christa Hartsook 08:01

And where would I go to find those Ann

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Ann Johanns 08:04

you could visit the ag decision maker website. And that's www.extension.iastate.edu forward slash A G, D M. And from there, you can find them under the left hand side of that website. There's crops, livestock, and underneath the crops we have budgets for, like I mentioned, conventional crops, and then as well as organic and specialty crops. And then you can find enterprise budgets under the livestock heading. And actually both of those once you click on crops and livestock, they're listed first on that page, because there's some very heavily used publications. And so you can find both the the hardcopy publication as far as you know, the averages across the state as well as links for all of the decision tools where you can customize those for individuals situation.

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Christa Hartsook 09:00

Thank you so much Ann is there anything else that we should know if we were going to get started with an enterprise budget?

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Ann Johanns 09:05

I think when somebody's looking at them, if they run into questions on those spreadsheets, there's a link to the publication on each one, as well as an email link for somebody if they should have questions about specific items on there. And so they don't have to do it on their own. There are resources available and people there to answer their questions and so definitely a benefit for everybody in Iowa.

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Christa Hartsook 09:28

That is a great resource. Thank you so much for your time Ann

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Ann Johanns 09:31

Thank you Christa



Christa Hartsook 09:32

in addition to finding those links on ag decision maker, we will have direct links to the Ag decision maker files on our small farms website. Thanks again, Annn.