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KEYS: OFF-SITE TOM FINISHING OPERATION: Enterprise Budget for a Contract Grow

Prepared by: Tom Vukina, Extension Economist, and James Parsons, Area Specialized Agent. January, 1997.

CAPITAL EXPENDITURE:

4 finishing houses (24,400 sq.ft. each)	
Houses Construction (wired and plumbed): 96,000 sq.ft. @ \$3.50	\$336,000
Grading, Road, and Well	\$45,000
Equipment (with company incentive):	\$28,500
Pump House	\$7,500
Miscellaneous (sprayer, generator, loan and attorney fees)	\$13,000
Total Cost:	\$430,000

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UNDERLYING ASSUMPTIONS:

birds placed per flock	28200
flocks per year	3
average liveability at moving	85%
average weight in Lb.	37
average payment per Lb.	\$.0390

Integrator provides shavings. Used litter removal required every two years, and its value as fertilizer is assumed equal to the clean-up costs.

Mortality box will be furnished by integrator; tractor, mower and tiller are assumed to be available on the farm.

CATEGORY	Unit	Price	Quantity	Value	Your Value
Estimated Revenue	Lb	\$.0390	2,660,670	\$103,766	
Operating Inputs					
Electricity	KWh			\$7,000	
Repairs & Maintenance				\$2,500	
Mortality pick-up				\$800	
Total Operating Cost				\$10,300	
Returns to land, capital, labor, overhead, and manag.				\$93,466	
Annual Investment Cost (a)		\$.080		\$17,200	
Returns to land, labor, overhead, and management				\$76,266	
Ownership Costs					
Depreciation (b)				\$21,500	
Property Tax		0.60%		\$2,580	
Insurance		0.50%		\$2,150	
Total Ownership Costs				\$26,230	
Returns to land, labor, and management				\$50,036	
Labor Cost	hour	\$6.00	2,190	\$13,140	
Returns to land, and management				\$36,896	

a) Based on the average investment in turkey house unit over its life ($\$430,000/2 = \$215,000$), and 8% interest rate.

b) Based on a 20-years depreciation period.

North Carolina State University
Dept. of Agricultural and Resource Economics

Budget 41-4

TURKEYS: OFF-SITE TOM FINISHING OPERATION: Enterprise Budget for a Contract Grower

INVESTMENT:	\$430,000	Operating Costs:	\$10,300
		Labor:	\$13,140
		Taxes+Insurance:	\$4,730
		TOTAL:	\$28,170

Description	Length of the Loan	Estimated Annual Revenue, Returns to Land & Management, and Cash Flow								
		\$.0370			\$.0390			\$.0410		
Price/Lb.		7%	8%	10%	7%	8%	10%	7%	8%	10%
REVENUE		\$98,445	\$98,445	\$98,445	\$103,766	\$103,766	\$103,766	\$109,087	\$109,087	\$109,087
ANNUAL MORTGAGE PAYMENT(c)	8 10 15	\$72,011 \$61,222 \$47,212	\$74,826 \$64,083 \$50,237	\$80,601 \$69,981 \$56,534	\$72,011 \$61,222 \$47,212	\$74,826 \$64,083 \$50,237	\$80,601 \$69,981 \$56,534	\$72,011 \$61,222 \$47,212	\$74,826 \$64,083 \$50,237	\$80,601 \$69,981 \$56,534
ANNUAL CASH REQUIR. (d)	8 10 15	\$100,181 \$89,392 \$75,382	\$102,996 \$92,253 \$78,407	\$108,771 \$98,151 \$84,704	\$100,181 \$89,392 \$75,382	\$102,996 \$92,253 \$78,407	\$108,771 \$98,151 \$84,704	\$100,181 \$89,392 \$75,382	\$102,996 \$92,253 \$78,407	\$108,771 \$98,151 \$84,704
RETURNS (e)		\$33,725	\$31,575	\$27,275	\$39,046	\$36,896	\$32,596	\$44,367	\$42,217	\$37,917
NET CASH FLOW (f)	8 10 15	(\$1,736) \$9,052 \$23,063	(\$4,552) \$6,192 \$20,038	(\$10,326) \$294 \$13,741	\$3,585 \$14,374 \$28,384	\$770 \$11,513 \$25,359	(\$5,005) \$5,616 \$19,062	\$8,906 \$19,695 \$33,706	\$6,091 \$16,835 \$30,681	\$317 \$10,937 \$24,384

c) Annual mortgage payments are equal annual payments for combined interest and principal on a \$430,000 loan, at various interest rates and debt payment periods. d) Estimated total annual cash requirements is the sum of annual mortgage payments, operating costs, labor costs, property taxes, and insurance premiums. e) Estimated annual returns to land and management is the difference between the estimated revenue and the sum of the estimated operating, investment, ownership, and labor costs. f) Estimated annual net cash flow for various debt repayment periods and interest rates is the difference between estimated annual revenue and estimated annual cash requirements.