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KEYS: OFF-SITE BROODER OPERATION: Enterprise Budget for a Contract Grower

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

CAPITAL EXPENDITURE:

2 brooder houses (42' x 400')	
Houses Construction (wired and plumbed): 33,600 sq.ft. @ \$3.50	\$117,600
Gas plumbing	\$5,500
Grading, Road, and Well	\$15,000
Equipment (with company incentive):	\$38,000
Pump House	\$7,500
Miscellaneous (sprayer, generator, fence, loan and attorney fees)	\$15,000
Total Cost:	\$198,600

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UNDERLYING ASSUMPTIONS:

poults placed per flock	28000
flocks per year	5.75
average liveability at moving	95%
average payment per bird moved	\$4500
Integrator provides shavings, but there will be 35 loads of brooder house litter to clean-out and spread on land after each flock.	
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	bird	\$45	152,950	\$68,828	
Operating Inputs					
L.P. Gas (subsidized)	cub. ft.			\$11,000	
Electricity	KWh			\$2,000	
Repairs & Maintenance				\$1,000	
Mortality pick-up				\$600	
Litter removal	load	\$35.00	200	\$7,000	
Total Operating Cost				\$21,600	
Returns to land, capital, labor, overhead, and manag.				\$47,228	
Annual Investment Cost (a)		\$0.080		\$7,944	
Returns to land, labor, overhead, and management				\$39,284	
Ownership Costs					
Depreciation (b)				\$9,930	
Property Tax		0.60%		\$1,192	
Insurance		0.50%		\$993	
Total Ownership Costs				\$12,115	
Returns to land, labor, and management				\$27,169	
Labor Cost	hour	\$8.00	2,250	\$18,000	
Returns to land, and management				\$9,169	

a) Based on the average investment in turkey house unit over its life (\$198,600/2 = \$99,300), and 8% interest rate.

b) Based on a 20-years depreciation period.

North Carolina State University
Dept. of Agricultural and Resource Economics

Budget 41-3 A

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

INVESTMENT:	\$198,600	Operating Costs:	\$21,600
		Labor:	\$18,000
		Taxes+Insurance:	\$2,185
		TOTAL:	\$41,785

Description	Length of the Loan	Estimated Annual Revenue, Returns to Land & Management, and Cash Flow								
Price/bird		\$.4400			\$.4500			\$.4600		
Interest Rate		7%	8%	10%	7%	8%	10%	7%	8%	10%
REVENUE		\$67,298	\$67,298	\$67,298	\$68,828	\$68,828	\$68,828	\$70,357	\$70,357	\$70,357
ANNUAL MORTGAGE PAYMENT(c)	8	\$33,259	\$34,559	\$37,226	\$33,259	\$34,559	\$37,226	\$33,259	\$34,559	\$37,226
	10	\$28,276	\$29,597	\$32,321	\$28,276	\$29,597	\$32,321	\$28,276	\$29,597	\$32,321
	15	\$21,805	\$23,202	\$26,111	\$21,805	\$23,202	\$26,111	\$21,805	\$23,202	\$26,111
ANNUAL CASH REQUIR. (d)	8	\$75,044	\$76,344	\$79,011	\$75,044	\$76,344	\$79,011	\$75,044	\$76,344	\$79,011
	10	\$70,061	\$71,382	\$74,106	\$70,061	\$71,382	\$74,106	\$70,061	\$71,382	\$74,106
	15	\$63,590	\$64,987	\$67,895	\$63,590	\$64,987	\$67,895	\$63,590	\$64,987	\$67,895
RETURNS (e)		\$8,632	\$7,639	\$5,653	\$10,162	\$9,169	\$7,183	\$11,691	\$10,698	\$8,712
NET CASH FLOW (f)	8	(\$7,746)	(\$9,046)	(\$11,713)	(\$6,216)	(\$7,516)	(\$10,183)	(\$4,687)	(\$5,987)	(\$8,654)
	10	(\$2,763)	(\$4,084)	(\$6,808)	(\$1,233)	(\$2,554)	(\$5,278)	\$296	(\$1,025)	(\$3,749)
	15	\$3,708	\$2,311	(\$597)	\$5,238	\$3,841	\$932	\$6,767	\$5,370	\$2,462

c) Annual mortgage payments are equal annual payments for combined interest and principal on a \$198,600 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.

Budget 41-3 B

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

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

CAPITAL EXPENDITURE:

3 brooder houses (14,400 sq.ft. each)	
Houses Construction (wired and plumbed): 43,200 sq.ft. @ \$3.50	\$151,200
Gas plumbing	\$7,000
Grading, Road, and Well	\$20,000
Equipment (with company incentive):	\$50,000
Pump House	\$7,500
Miscellaneous (sprayer, generator, loan and attorney fees)	\$16,000
Total Cost:	\$251,700

UNDERLYING ASSUMPTIONS:

poults placed per flock	41000
flocks per year	6
average liveability at moving	95%
average payment per bird moved	\$3800

Integrator provides shavings, but there will be 50 loads of brooder house litter to clean-out and spread on land after each flock.

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	bird	\$.38	233,700	\$88,806	
Operating Inputs					
L.P. Gas (subsidized)	cub. ft.			\$12,500	
Electricity	KWh			\$2,500	
Repairs & Maintenance				\$1,500	
Mortality pick-up				\$800	
Litter removal	load	\$35.00	200	\$10,500	
Total Operating Cost				\$27,800	
Returns to land, capital, labor, overhead, and manag.				\$61,006	
Annual Investment Cost (a)		\$.080		\$10,068	
Returns to land, labor, overhead, and management				\$50,938	
Ownership Costs					
Depreciation (b)				\$12,585	
Property Tax		0.60%		\$1,510	
Insurance		0.50%		\$1,259	
Total Ownership Costs				\$15,354	
Returns to land, labor, and management				\$35,584	
Labor Cost	hour	\$8.00	3,000	\$24,000	
Returns to land, and management				\$11,584	

a) Based on the average investment in turkey house unit over its life ($\$251,700/2 = \$125,850$), and 8% interest rate.

b) Based on a 20-years depreciation period.

Budget 41-3 B

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

INVESTMENT:	\$251,700	Operating Costs:	\$27,800
		Labor:	\$24,000
		Taxes+Insurance:	\$2,769
		TOTAL:	\$54,569

Description	Length of the Loan	Estimated Annual Revenue, Returns to Land & Management, and Cash Flow								
Price/bird (liv.)		\$3.700 94%			\$3.800 95%			\$3.900 96%		
Interest Rate		7%	8%	10%	7%	8%	10%	7%	8%	10%
REVENUE		\$85,559	\$85,559	\$85,559	\$88,806	\$88,806	\$88,806	\$92,102	\$92,102	\$92,102
ANNUAL MORTGAGE PAYMENT(c)	8 10 15	\$42,152 \$35,836 \$27,635	\$43,800 \$37,511 \$29,406	\$47,180 \$40,963 \$33,092	\$42,152 \$35,836 \$27,635	\$43,800 \$37,511 \$29,406	\$47,180 \$40,963 \$33,092	\$42,152 \$35,836 \$27,635	\$43,800 \$37,511 \$29,406	\$47,180 \$40,963 \$33,092
ANNUAL CASH REQUIR. (d)	8 10 15	\$96,720 \$90,405 \$82,204	\$98,368 \$92,079 \$83,975	\$101,748 \$95,532 \$87,661	\$96,720 \$90,405 \$82,204	\$98,368 \$92,079 \$83,975	\$101,748 \$95,532 \$87,661	\$96,720 \$90,405 \$82,204	\$98,368 \$92,079 \$83,975	\$101,748 \$95,532 \$87,661
RETURNS (e)		\$9,596	\$8,337	\$5,820	\$12,843	\$11,584	\$9,067	\$16,139	\$14,881	\$12,364
NET CASH FLOW (f)	8 10 15	(\$11,162) (\$4,846) \$3,355	(\$12,809) (\$6,521) \$1,584	(\$16,190) (\$9,973) (\$2,102)	(\$7,914) (\$1,599) \$6,602	(\$9,562) (\$3,273) \$4,831	(\$12,942) (\$6,726) \$1,145	(\$4,618) \$1,697 \$9,898	(\$6,266) \$23 \$8,128	(\$9,646) (\$3,429) \$4,442

c) Annual mortgage payments are equal annual payments for combined interest and principal on a \$251,700 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.