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Budget 41-1

TURKEY-TOMS: Enterprise Budget for a Contract Grower

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

CAPITAL EXPENDITURE:

1 brooder house (14,000 sq. ft.), and 2 finishing houses (20,000 sq. ft. each)	
Houses Construction (wired and plumbed): 54,000 sq.ft. @ \$3.25	\$175,500
Gas plumbing	\$2,500
Grading, Road, and Well	\$14,000
Equipment (with company incentive):	\$40,000
Pump House	\$7,500
Miscellaneous (sprayer, generator, moving trailer, loan and attorney fees)	\$13,500
Total Cost:	\$253,000

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UNDERLYING ASSUMPTIONS:

poults placed per flock	12250
flocks per year	3.5
average liveability at moving	87%
average weight in Lb.	32
average payment per bird moved	\$.0475

Integrator provides shavings, but there will be 20 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	Lb	\$.0475	1,193,640	\$56,698	
Operating Inputs					
L.P. Gas (subsidized)	gal.	\$.45	8,500	\$3,825	
Electricity	KWh			\$2,000	
Repairs & Maintenance				\$1,500	
Mortality pick-up				\$720	
Litter removal	load	\$35.00	70	\$2,450	
Total Operating Cost				\$10,495	
Returns to land, capital, labor, overhead, and manag.				\$46,203	
Annual Investment Cost (a)		\$.080		\$10,120	
Returns to land, labor, overhead, and management				\$36,083	
Ownership Costs					
Depreciation (b)				\$12,650	
Property Tax		0.60%		\$1,518	
Insurance		0.50%		\$1,265	
Total Ownership Costs				\$15,433	
Returns to land, labor, and management				\$20,650	
Labor Cost	hour	\$6.00	1,825	\$10,950	
Returns to land, and management				\$9,700	

a) Based on the average investment in turkey house unit over its life (\$253,000/2= \$126,500), and 8% interest rate.

b) Based on a 20-years depreciation period.

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INVESTMENT:	\$253,000	Operating Costs:	\$10,495
		Labor:	\$10,950
		Taxes+Insurance:	\$2,783
		TOTAL:	\$24,228

Description	Length of the Loan	Estimated Annual Revenue, Returns to Land & Management, and Cash Flow								
		\$.0450			\$.0475			\$.0500		
Price/Lb.										
Interest Rate		7%	8%	10%	7%	8%	10%	7%	8%	10%
REVENUE		\$53,714	\$53,714	\$53,714	\$56,698	\$56,698	\$56,698	\$59,682	\$59,682	\$59,682
ANNUAL MORTGAGE PAYMENT(c)	8 10 15	\$42,369 \$36,022 \$27,778	\$44,026 \$37,704 \$29,558	\$47,423 \$41,175 \$33,263	\$42,369 \$36,022 \$27,778	\$44,026 \$37,704 \$29,558	\$47,423 \$41,175 \$33,263	\$42,369 \$36,022 \$27,778	\$44,026 \$37,704 \$29,558	\$47,423 \$41,175 \$33,263
ANNUAL CASH REQUIR. (d)	8 10 15	\$66,597 \$60,250 \$52,006	\$68,254 \$61,932 \$53,786	\$71,651 \$65,403 \$57,491	\$66,597 \$60,250 \$52,006	\$68,254 \$61,932 \$53,786	\$71,651 \$65,403 \$57,491	\$66,597 \$60,250 \$52,006	\$68,254 \$61,932 \$53,786	\$71,651 \$65,403 \$57,491
RETURNS (e)		\$7,981	\$6,716	\$4,186	\$10,965	\$9,700	\$7,170	\$13,949	\$12,684	\$10,154
NET CASH FLOW (f)	8 10 15	(\$12,884) (\$6,536) \$1,708	(\$14,540) (\$8,219) (\$72)	(\$17,938) (\$11,689) (\$3,777)	(\$9,899) (\$3,552) \$4,692	(\$11,556) (\$5,235) \$2,912	(\$14,953) (\$8,705) (\$793)	(\$6,915) (\$568) \$7,676	(\$8,572) (\$2,250) \$5,896	(\$11,969) (\$5,721) \$2,191

c) Annual mortgage payments are equal annual payments for combined interest and principal on a \$253,000 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.