



2018 Cropping Alternatives Methodology

Prepared March 12, 2018

Manglai, Economics Section

Disclaimer:

The following regional forecasts are based on the most current cost of production information from the AgriProfit\$ Business Analysis & Research Program and estimates of expected revenues and costs from various sources. Producers should use their own costs and revenue projections to make cropping decisions for farm operations. There is a risk of over or under-estimating costs and returns based on regional benchmarks and forecasts. Producers are advised not to base cropping decisions solely on information provided in the following budgets. The Alberta Agriculture and Forestry crop budgeting software program **CropChoice\$** and the **Crop Budget Calculator** are available to customize your own crop budgets. You can download both CropChoice\$ software and the Crop Budget Calculator free of charge.

Prices:

Expected market prices are estimates ONLY, based on forecasts for the 2018 crop. Prices in these budgets are estimated by Agriculture and Forestry specialists using several price outlook sources including Informa Economics forecasts, and Agriculture and Agri-Food Canada's Market Outlook Reports. Estimated prices are adjusted to reflect location differences and grade factors. Using one's own price estimates from knowledge of area markets and market outlook information is recommended.

Yields:

There is a wide range of yields within each soil zone region. Yield estimates by crop represent average long term trend yields developed by Alberta Financial Services Corporation adjusted upwards by 20% for dryland soil zones and 15% for irrigated zones. For red lentils where long term yields are not available, crop specialist's recommendations have been used.

Seed Costs: (See the following Seeding Rate Table.)

Seed costs are based on data collected by the Alberta Farm Input Prices Survey (AIMS) and seed suppliers as well as a seed cost multiplier for a blend of certified and common seed that is cleaned and treated. Seeding rates for each soil zone are based on 1000 kernel weight for common varieties, 90-95% germination, 3-5% emergence mortality, and 9" spacing. Seeding rates for forages are based on 1000 kernel weight for common varieties, pure live seed and a 50-50 split of broadcasted and row seeded plantings.

Fertilizer Costs:

Prices are based on a combination of the fall 2017 prices, "pre-purchase" prices, and fertilizer cost indications for spring 2018. NPKS blends are based on estimated crop requirements for nutrient deficient, stubble-seeded crops in each soil zone.

Nitrogen	\$0.49/lb actual N	(\$502/tonne for 46-0-0)
Phosphorous	\$0.50/lb actual P	(\$692/tonne for 11-51-0)
Potassium	\$0.32/lb actual K	(\$425/tonne for 0-0-60)
Sulphur	\$0.43/lb actual S	(\$450/tonne for 20-0-0-24)

Soil testing is recommended to optimize the fertilizer budget to field production capacity and crop choice. The Alberta Farm Fertilizer Information and Recommendation Manager (AFFIRM) is an Alberta Agriculture and Forestry software tool that can help producers optimize fertilizer requirements for crop production. Variable rate technology is also an option being used by producers to maximize production to fertilizer and input expenses. In a mature commodity market, managing costs could mean the difference between farm profitability and farm losses.

Chemical: (See the following Chemical Application Table.)

The 2017 chemical costs on stubble-seeded crops include a non-selective, pre-seed burn-off, and one in-crop herbicide application for broadleaf weeds, grassy weeds or both. For red lentils, 2017 chemical costs were used. Feed barley chemical cost is based on 50% of the acres receiving an in-crop herbicide treatment. Fungicides, insecticides and/or pre-harvest/desiccation applications (F/I/PH/D) are indicated by an asterisk *.



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Hail/Crop Insurance:

Insurance is based on information from AFSC averaged for select areas in respective soil zones.

Trucking & Marketing:

For grains and oilseeds, trucking and marketing costs are averages for short haul and long haul rates from cost suppliers. For hay, trucking and marketing costs are estimates from suppliers, assuming bales shipped are 1500 lb and distance hauled is between 50 and 100 kms. For silage, trucking and marketing costs are last year's estimates indexed for the 2018 year.

Fuel, Oil & Lube, Machinery Repairs, Building Repairs, Pumping Costs (Irrigation only), Labour (Paid and Unpaid), Utilities & Miscellaneous, Operating Interest, and Storage and/or Levies:

These costs are based on information collected by the AgriProfit\$ program, the Alberta Farm Input Prices Survey and irrigation specialists. Many of these costs are influenced significantly by differences in regional farming practices.

Operating Interest:

5.05% per annum for inputs financed (seed, fertilizer and chemical).

Contribution Margin:

Contribution margin represents the amount a particular crop contributes to fixed costs, and return to management and equity. Use the contribution margin to compare crop choices.

Capital Costs by Enterprise:

Fixed costs generally do not vary greatly from crop to crop, but can vary between enterprises and soil zone regions. Average fixed cost profiles by enterprise are included for your information. The capital costs are indexed to reflect costs for the 2018 year.

Summerfallow:

The summerfallow column included in the Brown soil zone budget is only provided to reference the expected costs incurred in a non-crop year. Fallow-seeded crops are not included in this analysis because the summerfallow practice has significantly declined. Producers wanting to evaluate fallow-seeded crops can use CropChoice\$ and the Crop Budget Calculator.

Contribution Margin Calculation:

Value of Production - Total Direct Expenses

Total Cost per Unit Calculation:

(Total Direct Expenses + Adjusted Capital Costs) divided by Expected Yield per Acre

Break-Even Yield Calculation:

(Total Direct Expenses + Adjusted Capital Costs) divided by Expected Market Price

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