

Where to invest this year's farm profit

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During a forty to fifty year farming career most farmers will experience three or four years where they actually make enough money to reinvest in the farming operation beyond normal equipment needs. Assuming decent weather from here until harvest this could very well be one of those years.



Some farmers will choose to buy a new pickup, tractor or combine. Others will buy into a hunting camp or a condo in Florida. But perhaps the smartest farmers will invest in a new piece of

ground or improve the land they already own.

I've recently been put together some financial modeling software to estimate the costs of leveling land, putting down wells and underground pipe. This software also projects annual costs of fuel and other operating expenses. The software compares using diesel power units vs electric wells. For new wells, electric wells are definitely the way to go with current fuel prices.

In one scenario I compared the annual costs of leveling ground, putting down wells and annual operating expenses associated with a soybean operation where 10 inches of water was used annually. The annual costs of this irrigation program ran \$101.42 per acre using an electric well vs. \$119.51 using a diesel

power unit well. In both situations I amortized the cost of wells, underground pipe and land leveling over a 20 year period using an eight percent interest rate. If a first or second mortgage option is utilized a longer amortization period and lower interest rate assumption could be made. Regardless of whether electric wells are an option, the annual operating cost is well within a manageable budget under current commodity prices.

Depending on how much you already owe on your land, \$750-\$800 an acre in land leveling and irrigation improvements will easily cash flow, and you should be able to recover those costs should you decide to sell.

Benefits from irrigation and land leveling include reduced labor costs, reduced equipment costs, less flooding damage,

and better yields.

If you are planning on being in farming long term what better investment could you make than improving your land?

If you would like a free copy of our irrigation planning software, give me a call at 662-887-4557 or e-mail me at dstallings@bairdandstallings.com. Your comments are always welcomed and very much appreciated. Suggestions from farmers have helped us fine tune our software. **DBJ**

(Don Stallings is a shareholder in the Indianapolis, Ms. accounting firm, Baird and Stallings, CPAs, P.A. He is a certified public accountant, a certified valuation analyst, and a certified forensic financial analyst.)