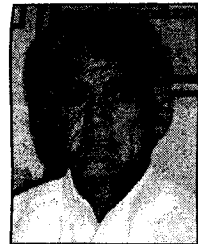


Crop selection for 2009

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In researching this article I looked back at diesel and fertilizer costs one year ago and I cannot believe how much they have risen. Diesel is almost \$1 a gallon higher and fertilizer has more than doubled. Despite the rise in costs, net incomes actually look better as the rise in commodity prices has risen more than enough to compensate.



Our crop modeling program utilizes the 2008 Planning Budgets of the Department of Agricultural Economics of Mississippi State University which measure costs of the 2007 crop year. We modify those budgets updating the model for prices on fuel and fertilizer since those are the costs that have risen dramatically. We also factor in current market prices, indirect costs and land costs. Our model allows us to change any of the variables to actual costs as we are working with different farm clients.

Based on our model, rice appears to be the most profitable crop for 2009 followed by soybeans, milo and corn. The only crop showing a net loss is wheat. Cotton shows a small profit. Since little or no fertilizer cost is factored into soy-

bean production costs, this crop is a natural when fertilizer cost rises as dramatically as it has in the past year.

In summary, our models show the following:

	Irrigated Cotton	Irrigated Soybeans	Irrigated Corn	Rice	Wheat
Crop income	\$ 864	\$ 660	\$ 1,006	\$1,440	\$ 385
Government payment	25	25	25	25	25
Other Income	29	2	2	5	2
Total Income	918	687	1,033	1,470	412
Direct costs	628	180	688	624	365
Indirect costs	35	35	35	35	35
Equipment costs	119	53	66	92	25
Land costs	100	100	100	100	100
Total Costs	882	368	889	851	525
Net Income	\$ 36	\$ 319	\$ 144	\$ 619	(\$ 113)
Yield	1,200 lbs	60 bu.	175 bu.	180 bu.	55 bu.
Price	72 cents	\$ 11	\$ 5.75	\$ 8	\$ 7

What really stands out to me as I analyze these figures is the risk/reward ratio. If I were a farmer living through this hurricane season, would I rather have a crop like cotton with total costs of \$882 per acre out there in the field with a profit potential of \$36 an acre or have a soybean crop with total costs of \$368 an acre with a profit potential of \$319 an acre? A harder choice might be having a rice crop with total costs of \$851 an acre but with a profit potential of \$619 an acre. Most of my clients were able to harvest the bulk

of their rice crop before the hurricanes hit, but I know of some farmers who haven't harvested any and their rice crop is sitting on the ground. Factoring risk and your tolerance to it is one of the most

important tasks in crop selection.

Having good crop insurance and marketing consultants is imperative to control risk in farming. As I write this article one of the largest financial institutions in the world is in the process of filing for bankruptcy. This and the financial volatility we are experiencing could have a profound effect on the commodity prices, so it is extremely important to nail down prices as best you can prior to making crop selections for 2009.

Assuming you can nail down the price

you will receive for your crops, it only makes sense to book key inputs such as seed, chemicals, fertilizer and diesel fuel if favorable opportunities present themselves. Just remember, in a hurricane, anything not nailed down will blow away. It may still blow away, but at least you stand a better chance if it is nailed down.

Many, if not most, farmers would rather take a beating than to have to take the time and effort it takes to plan and budget, but I can assure you the reward is big. In the last month I went through this planning process with a couple of farmers whose banker told them to quit farming and go get a job in 1992. Since their options were not too numerous, they continued to farm but did a lot of planning and budgeting in order to survive. As I prepared their current personal financial statements their current net worth of several million dollars reminded me why it is so important to plan.

If you would like a free copy of our crop planning software give me a call at (662) 887-4557 or e-mail me at dstallings@bairdandstallings.com. Prepare your plan, stick to your plan, and make money in 2009. **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.)