



Business Tools for my Ag Operation



Farm Tools with Pictures

 Spading fork	 Rake	 Scythe	 Weeding hoe	 Sickle	 Pick mattock	 Spade	 Bulb planter
 Harrow	 Plow	 Hay baler	 Fertilizer Spreader	 Seed drill			
 GPS Land Area Measurer	 Thresher	 Backpack sprayer	 Trowel	 Cultivator	 Bolo	 Irrigation pump	

occupationtools.com



If running an ag business was easy, we wouldn't need tools.



Partial Budget



Determine if you will be better or worse off financially



Useful tool for analyzing

New ag business ideas

Changes to an existing ag business



Best for analyzing specific ideas and/or changes



Contains only income and expense items that change due to your proposed decision



Partial budgeting systematically organizes answers to four questions.

What new or additional costs will be incurred?

What current income will be lost or reduced?

What new or additional income will be received?

What current costs will be reduced or eliminated?



Proposed Change

Increase twinning in my ewes with a more productive ram. Goal is to increase from 1 lamb per ewe to 1.2 lambs per ewe. I have 20 ewes.

	1	2	3	4
WILSON JONES MAY 2018			One Year Total	Four Year Total
1	1. Additional Costs	Quantity	Price	
2	multiple producing ram	1	650.00	650.00
3	feed for ewes with twins	20	5.00	100.00
4	vet for 4 lambs	4	5.00	20.00
5	tags for 4 lambs	4	2.00	8.00
6	Total		778.00	1162.00
7	2. Reduced Income			
8	20 lambs @ 80 lbs @ \$1.75	20	140.00	2800.00
9				11200.00
10	Total Costs & Reduced Income		3578.00	12362.00
11				
12	3. Additional Income			
13	24 lambs @ 80 lbs @ \$1.75	24	140.00	3360.00
14				13440.00
15	4. Reduced Costs			
16	low producing ram	1	500.00	500.00
17				500.00
18	Total Additional Income & Reduced Costs			3860.00
19				13940.00
20				
21	Profit/Loss			282.00
				1578.00



Often changing your operation requires a capital investment.



If the investment is small
partial budgeting may still
work



If it will take more than 1 or 2
years to pay for an
investment, we need to do a
net present value analysis
(NPV)



What is NPV?



NPV and Partial Budgeting



NPV analysis requires accurate estimates of annual costs and returns



NPV can be done by hand/calculator

Works best with a spreadsheet or online tool



Partial budgeting is the best way to develop information for NPV



NPV Example



Need a loan to
buy the new ram.



Calculate risks
such as death.



Will it pay off in
4 years?





Wyoming Master Stockman

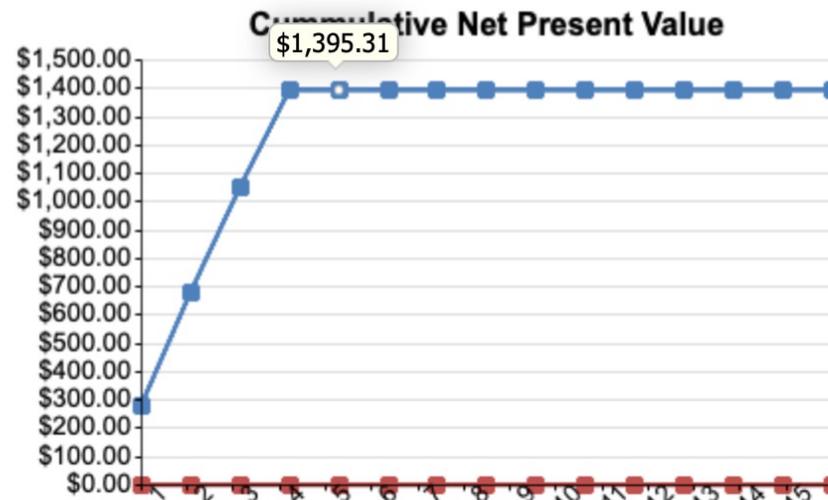
Net Present Value Analysis

Investment	650.00
Interest Rate	8%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Annual Cost	2,928.00	2,928.00	2,928.00	2,928.00	0.00	0.00	0.00	
Annual Revenue	3,860.00	3,360.00	3,360.00	3,360.00	0.00	0.00	0.00	
	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Annual Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Annual Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Results

5 year NPV	\$1,395.31
10 year NPV	\$1,395.31
15 year NPV	\$1,395.31
Break Even Year	1



Assignment

- Redo the twinning partial budget with different assumptions.

