Want to get a "good price" for your chicken? Start with knowing YOUR costs first!

Cost of Production is a financial analysis tool for farms of all shapes and sizes to use to improve their decision making capacity and operate their farm business profitably.

Cost of production is calculated by adding the costs associated with a certain farm enterprise (or production area), and dividing that by the total units of production over a designated time frame (usually a year). **Knowing your cost of production can help determine breakeven prices for profitability, make cost-saving decisions, find the biggest opportunity for return on investment for your farm, benchmark your performance, and more.** It's also important to recognize that being a good farmer doesn't guarantee a profit. You also have to be a good business manager and financial analysis is an important process.

The main requirements to calculate a cost of production are good records, time, and motivation. Records should include incomes by value and production unit, expenses and their allocation towards different farm enterprises, an estimate of the value of management labor and skills, and inventories of assets that include feed, supplies, and animals. Successful farmers set aside our most limiting input - time - to perform financial analysis. The first time through calculating your cost of production can be frustrating, but the end result is rewarding and future calculations will go much more smoothly!

One of the hardest parts of calculating cost of production is allocating expenses by individual enterprises. An enterprise on a farm is a "bucket" of production, or one production area. For farms that only produce and sell one product to similar markets, there will only be one enterprise. For farms that might have multiple enterprises, all of the farm expenses must be allocated accordingly. Dedicating the time to calculating your cost of production can then help you judge preliminary return on investments for new purchases and set breakeven prices for your products. This is one tool available to us to better management our farm financial goals.

- **Direct Costs** are cash expenses like feed and chicks that you used to raise broiler over the season.
- **Indirect/Overhead Costs** are shared expenses that are spread out over time, or are non-cash like labor.
- **Income** is the cash, or cash equivalent, that is recorded as you receive it with non-cash adjustments for things like home use, gifts, storage losses, and more.
- **Labor,** both paid and unpaid, that's associated with raising the broilers.

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Katelyn can help you calculate YOUR cost of production, and assess the financial performance and goals of your farm.

This work is free, confidential, and directly benefits your farm.

You'll be able to look at your farm as a whole financial system, and pick out different enterprises you'd like to take a closer look at.

SARE
Sustainable Agriculture Research & Education
www.sare.org

Calculating your own Cost of Production.

My Farm Enterprise Type : ____

Length of Time: ____

Data Source: ____

Unit of Production: ____

Variable and Fixed Costs: ____

Income by total dollars and total units of production: ____________________

Type of Expense	Allocation	**Total**

____

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Opportunity Cost: ____________________

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Chart of Accounts/Things to Track: ______

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Questions I Have about Calculating Cost of Production:

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