



LATTA
HARRIS
HANON &
PENNINGROTH L.L.P.



INTRODUCTION & DISCUSSION OF A PROPOSED CROP PRODUCTION COST OF PRODUCTION & BENCHMARKING STANDARDS REPORT

FBS Farm Computer User Conference

Presented and prepared by the:
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August 31, 2011

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LATTA, HARRIS, HANON & PENNINGROTH L.L.P.
PORK PRODUCTION
COST OF PRODUCTION & BENCHMARKING
STANDARDS REPORT
FOCUS: MANAGING VOLATILITY

8th Annual Meeting
Presented and prepared by the:
Staff of LHHP

June 7, 2011

Y/E 12/31/10 Benchmarks - 50th & 90th Percentile

	Breed to Wean		Wean to Finish		Whole Herd	
	\$/pig Weaned	\$/pig Weaned	\$/cwt Produced	\$/cwt Produced	\$/cwt Sold	\$/cwt Sold
	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile
<i>CWT Gain - CWT Sold</i>			2.56	2.57	2.70	2.70
<i>Cost to Produce Wean Pig</i>			<i>Cost to Add Gain</i>		<i>Total Cost / Pig to Market</i>	
			<i>Per Cwt of Gain, W-F</i>		<i>Per Cwt of Pork Sold</i>	
Labor	\$ 4.88	\$ 4.65	\$ 3.07	\$ 2.55	\$ 4.82	\$ 4.20
Facilities	5.61	4.35	4.60	3.82	6.56	5.30
Other Expenses	2.97	2.43	1.35	1.12	2.44	2.00
Subtotal cost normally borne by contractor	13.45	11.43	9.02	7.49	13.82	11.50
Feed cost	11.15	10.07	28.55	27.61	31.48	30.13
Genetics	3.36	2.12			1.31	0.81
Vet/Med	3.65	3.11	0.97	0.76	2.35	1.92
General and Administrative	1.48	1.16	0.66	0.16	1.21	0.60
Interest Expense - non facility	0.44	0.27	0.82	0.58	0.95	0.65
12 Months Ending 12/31/10	\$ 33.53	\$ 28.16	\$ 40.02	\$ 36.60	\$ 51.12	\$ 45.61

Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/10	\$ 68.16	\$ 60.81
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Adjustment for Year End - Due to Change in Corn & SBM Prices

12 Months ended was 6/30/10	\$ 32.76	\$ 26.58	\$ 38.36	\$ 34.95	\$ 49.27	\$ 43.47
12 Months ended was 9/30/10	\$ 32.91	\$ 26.69	\$ 38.49	\$ 35.09	\$ 49.45	\$ 43.64
12 Months ended was 3/31/11	\$ 34.72	\$ 28.17	\$ 42.94	\$ 39.49	\$ 54.32	\$ 48.35

Average Corn Cost \$4.12 / Bu, Increase by \$0.40/bu. from the 2009 cost of \$3.72/bu.

Average Bean Meal \$ 299 / Ton Decrease by \$ 35/ton from the 2009 cost of \$334/ton

Latta, Harris, Hanon Penningroth LLP
2010 Comparative Cost of Production Observations For Corn with Illustrative Benchmarks

Sorted by Total Cost Before Storage & G&A

Total Planted Acres This Report	15,000
Number of Bushels Produced This Report	2,600,000

Acres	Farm Code	Total Seed	Total Fert	Total Chemical	Total Input Costs (a)	Total Land Cost (b)	Total Labor Cost	Total Fuel Cost	Total Machine Cost	Total Operations Costs (c)	Total Interest Cost (d)	Total Cost of Production before Storage, & G&A/ Acres	Average Yield/ Acre	Total Cost before Storage & G&A per bushel
>5,000	2	99	96	24	215	209	24	9	74	104	1	530	171.4	
>5,000	4	80	90	24	194	212	31	24	100	155	16	581	182.0	
<5,000	3	93	71	39	200	223	68	21	68	146	-	570	171.0	
<5,000	1	98	116	47	260	91	37	42	116	195	13	559	158.0	
<5,000	5	111	178	36	330	190	33	17	169	219	14	753	175.2	
Average of the observations will be calculated:														
90th Percentile *		80	70	25	175	150	25	10	75	110	8	443	190	
50th Percentile *		120	130	40	290	250	35	30	125	190	11	741	170	

* Benchmarks will be estimated by staff of LHHP for the Midwest Corn Belt, These Benchmarks are Illustrative Only

- a Seed, Fertilizer & Chemical Inputs plus crop consulting less cost reducers of discounts & patronage dividends
- b Cash Rents, Interest & property tax cost on owned land plus operations cost per acre times crop share acres plus conservation cost and irrigation costs
Less cost reducer of FSA payments and land interest dividends
- c Labor, Fuel and Equipment Costs less cost reducer of custom hire income allocated against operations costs, less 15% of CRP income
- d Operating interest less interest income, does not include land or equipment purchase interest

Comparative Crop Cost of Production Proposed Process

▣ Cost Sections Categories

Cost Categories, *Direct Expenses by Crop; Seed, Fertilizer, Chemicals*

Acre Allocation, *Indirect Expense allocated by Acre; Rents, Labor, Fuel, Interest*

Cost Reducers; *Patronage Refunds ,FSA Payments,*

Cost Allocation, *Custom Hire allotted to labor, fuel & machine cost.
Share acre machine cost allocated to land cost*

▣ Cost Categories In - Total COMPARATIVE COST -

- ▣ Input Costs
- ▣ Land & Irrigation Cost
- ▣ Operations Cost
 - ▣ Labor
 - ▣ Fuel
 - ▣ Equipment & Machinery
- ▣ Production Interest

Proposed Process - Continued

Input Costs

Seed by crop

Fertilizer by crop

Chemicals by crop

Less Patronage Refunds - Acre Allocated

Less Discounts - Acre Allocated

Crop Consulting - Acre Allocated

Soil Testing & Lab Work - Acre Allocated

Total Input Costs

Proposed Process - Continued

Land Costs - All Acre Allocated

Cash Rent

Interest on Land Purchase

Property Taxes

Conservation & Tiling Costs

Irrigation Costs

Less 85% CRP payments

Less FSA Payment

Less Patronage FCS Interest

Allocation of Operations Cost/Acr
for Landlords Crop Share Acres

Total Land Cost

Proposed Process - Continued

Operations Costs – All Acre Allocated

Labor

- Labor, payroll taxes benefits
- Allocation of labor portion of Custom Hire income.

Fuel & Oil

- Allocation of fuel portion of Custom Hire income

Machine Costs

- Machine leases
- Interest on Machine Debt
- Machinery Repairs
- Custom Hire
- Shop costs
- Allocation of truck costs field to first unload
- Allocation of Machine cost portion of Custom Hire income

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Total Operations Costs

Proposed Process - Continued

Interest Costs - Acre Allocated

Operating Interest

Less: Interest Income

Total Interest Cost

= TOTAL COMPARATIVE COST

Divided by Total Crop Production Acres

\$/Acre

Divided by Total Crop Production Bushels

\$/Bushel

Proposed Process - Continued

Not Included in Comparative Cost of Production

- Marketing Costs
 - o Trucking from storage to market
 - o Check Off Fees
 - o Marketing Services
- Risk Management
 - o Hedging gain (loss)
 - o Multiperril Crop Insurance
 - o Hail Insurance
- General & Administrative Costs
 - o Professional Fees
 - o Office Expenses
- Crop Sales
- Inventory Change

Proposed Process - Continued

- ▣ **Comparative Report**
 - On a \$ / acre basis & \$ / bushel basis
 - LHHP normalizes the data
 - Reported by Secure ID only
 - Might Be Presented @ Russell Meeting, July 2012?

- ▣ **To Participate:**
 - Permission Given, provide contact for questions.
 - Accrual Income Statement by April 1
 - Crop Acres by category (listed on handout)
 - Crop Harvested Bushels

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