UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice FC-118

1924-B

For: State and County Offices

Developing Realistic Long-Range Farm Budgets

Approved by: Acting Deputy Administrator, Farm Loan Programs

1 Overview

A Background

Long-range farm budgets are essential when:

- determining feasibility of an operation for loan deferral
- implementing conservation practices to bring the farm in compliance with the provisions in FmHA Instruction 1940-G, Exhibit M.
- developing 5-year business plans.

Note: Five-year business plans should be generated when developing a farm assessment. These plans are an essential supervisory tool when evaluating strategic plans and goals.

To provide a sound basis for long-term projects and requests for assistance, a realistic long-range farm plan is necessary.

B Purpose

This notice provides guidance on the development of realistic long-range planning with reference to projected agricultural commodity prices and related expenses.

C Contact

State Offices shall direct questions about implementation procedures to Steven Rubin, PDEED through the Area Office.

Disposal Date	Distribution
January 1, 1998	State Offices; State Offices relay to County Offices

2 Action

A State Office Action

Exhibits 1 and 2 provide a table of USDA projections for the percentage change of prices for various major commodities and a table for related farm expenses.

State Offices shall contact local buyers, processors, Agricultural Extension Services, or similar sources to obtain the best estimates available for those commodities and expenses not shown, such as aquacultural products, guava, lamb, or rabbits.

Example: Sorghum:

Projected local avg.
Cash price for 1996 x year % change = price adjustment
$2.40 x 4.17% (2001) = +$0.10/bu

Price adjustment + 1996 cash price = 2001 projected price
+$0.10 + $2.40/bu = $2.50/bu.

FmHA Instruction 1924-B, Section 1924.56 (b)(2), states that the average unit price for each agricultural commodity will be provided on a Statewide basis. When developing unit prices, States can use available data from State Departments of Agriculture, State Offices of NASS, or land grant universities. If local data is not available, the prices that most nearly reflect local area prices must be used. Exhibit 3 provides a national average for major agricultural commodities with which States may use as a guideline when developing their own prices. These national averages are in no way issued to replace State-developed prices.

Those farmers with proven documented records to compute a weighted average price received for those products sold in 1996, and/or contracts with verified markets, will be able to use that higher unit price in the projection calculations. Otherwise, the average price as determined by the State will be used in these calculations.

The Oracle Farm and Home Plan (FHP) has a long-range planning module. The percent changes related to commodity income and expenses from a 1996 base line will be provided on diskettes to the State Offices. This information could be imported into the FHP system and updated to include other commodities grown in particular States.

Continued on the next page

2 Action (Continued)

B
FHP Coordinator Responsibilities

FHP Coordinators shall, with the assistance of AC, ensure that the percent changes in subparagraph A have been loaded on County Office systems. Only FHP Coordinators will have access to the tables needed for commodity price and expense data entry.

Note: Instructions related to this data entry are in the Farm and Home Plan Job Aids, Job Aids 56A and 56B.

Long-Range Farm Budget Projections, April 16, 1997

Cash Commodity Prices Received

----------<Projected % Change From 1996>----------

Commodity	Unit Measure	1997	1998	1999	2000	2001	2002	2003
Corn	$/bu	-9.26	-9.26	-5.56	0.00	3.70	3.70	7.41
Sorghum	$/bu	-8.33	-8.33	-6.25	2.08	4.17	4.17	10.42
Barley	$/bu	-13.46	-11.54	-9.62	-3.85	0.00	0.00	1.92
Oats	$/bu	-16.22	-21.62	-18.92	-13.51	-8.11	-5.41	-2.70
Wheat	$/bu	-12.79	-10.47	-8.14	-4.65	0.00	2.33	8.14
Rice	$/cwt	4.83	6.45	8.09	9.76	11.46	13.17	14.92
Soybeans	$/bu	-6.15	-9.23	-9.23	-5.38	-0.77	3.08	8.46
Soybean oil	$/lb	-2.19	-2.19	-1.32	0.00	3.07	8.77	15.35
Soybean meal	$/ton	-7.13	-11.03	-11.49	-7.36	-3.45	-1.15	2.30
Peanuts	$/lb	-0.35	-0.35	-0.35	0.00	0.70	1.05	1.05
Cotton	Cnt/lb	0.0	3.08	4.62	6.15	6.15	7.69	7.69
Fruits	1990-92=100	1.69	4.24	5.93	7.63	9.32	11.86	13.56
Vegetables	1990-92=100	1.87	4.67	6.54	8.41	11.21	13.08	14.95
Potatoes	$/MT	46.53	50.50	53.47	57.43	60.40	64.36	67.33
Dry beans	$/MT	2.92	3.54	4.38	5.00	5.83	6.46	7.29
Government payments		-2.56	-1.28	-1.28	-8.97	-19.23	-21.79	-21.79
Sugar:								
Sugarbeets	Dol./ton	3.02	0.50	0.50	0.50	0.50	0.50	0.50
Sugarcane	Dol./ton	2.04	2.04	2.04	2.04	2.04	2.04	2.04
Tobacco:								
Flue Cured	$/cwt	-3.65	-2.56	-1.47	-0.38	0.71	1.80	2.89
Burley	$/cwt	0.52	2.06	3.61	5.15	6.70	8.25	9.28
Livestock:								
Beef Cattle	$/cwt	7.40	11.66	16.40	18.14	20.21	21.57	23.23
Calves	$/cwt	22.06	45.36	40.61	43.10	41.29	41.40	44.37
Choice Steers	$/cwt	2.54	6.61	11.13	12.78	14.77	16.07	17.66
Yrlg Steers	$/cwt	12.30	33.74	29.38	31.68	30.01	30.09	32.83
Hogs	$/cwt	-0.87	-12.66	-19.36	-22.41	-22.62	-21.98	-21.00
Broilers	Cents/lb.	-6.35	-18.25	-10.85	-10.32	-8.20	-7.94	-7.14
Turkey	Cents/lb.	0.00	-8.18	-2.57	-3.74	-3.27	-4.21	-4.21
Eggs	Cents/doz.	-4.28	-2.95	-1.48	0.15	1.18	2.36	3.25
Grade A large	Cents/doz.	-12.59	-11.42	-10.14	-8.62	-7.69	-6.64	-5.83
All milk	$/cwt	-3.99	-3.99	-2.17	1.45	2.17	4.35	6.52

Long-Range Farm Budget Projections, April 16, 1997

Production and Living Expenses
----------<Projected % Change From 1996>----------

Description	1997	1998	1999	2000	2001	2002
Feed	-9.62	-17.86	-20.74	-20.38	-16.51	-14.39
Livestock and poultry	9.56	17.19	15.05	16.14	16.22	16.49
Seeds	4.42	7.97	10.92	13.73	16.78	19.86
Fertilizer	-0.36	1.01	3.09	5.79	9.09	12.59
Ag chemicals	-0.49	0.54	2.37	4.74	7.41	10.11
Fuels	1.32	4.58	8.13	11.70	15.29	18.51
Farm supplies & repairs	0.93	1.50	2.12	3.12	4.20	5.42
Autos & trucks	4.23	8.11	11.87	15.50	18.93	22.20
Tractors	2.31	4.01	5.20	6.27	7.28	8.37
Other machinery	2.80	5.19	7.62	10.09	12.44	14.75
Building materials	2.18	4.21	6.02	7.94	10.03	12.24
Farm services & rent	2.88	5.45	7.71	9.99	12.37	14.83
Production items	1.34	3.16	4.32	6.35	8.71	10.92
Interest	1.92	3.18	4.67	7.20	9.15	10.85
Taxes	1.68	3.85	6.14	8.44	10.64	12.91
Wage rates	3.19	6.36	9.40	12.38	15.22	17.95
Production items, interest, taxes, wages	1.57	3.52	4.89	7.07	9.45	11.71
Family Living (CPI)	3.10	5.84	8.60	11.44	14.12	16.77
Comm, serv, interest, taxes, wages	2.08	4.29	6.16	8.58	11.06	13.48

Projected Long Range Farm Prices, April 16, 1997

----------<Projected Cash Commodity Prices Received>----------

Commodity	Unit	1997	1998	1999	2000	2001	2002	2003	2004
Corn	$/bu	2.45	2.45	2.55	2.70	2.80	2.80	2.90	3.00
Sorghum	$/bu	2.20	2.20	2.25	2.45	2.50	2.50	2.65	2.80
Barley	$/bu	2.25	2.30	2.35	2.50	2.60	2.60	2.65	2.75
Oats	$/bu	1.55	1.45	1.50	1.60	1.70	1.75	1.80	1.85
Wheat	$/bu	3.75	3.85	3.95	4.10	4.30	4.40	4.65	4.80
Rice	$/cwt	9.70	9.85	10.00	10.15	10.31	10.47	10.63	10.79
Soybeans	$/bu	6.10	5.90	5.90	6.15	6.45	6.70	7.05	7.20
Soybean oil	$/lb	0.223	0.223	0.225	0.228	0.235	0.248	0.263	0.278
Soybean meal	$/ton	202.0	193.5	192.5	201.5	210.0	215.0	222.5	222.0
Peanuts	$/lb	28.4	28.4	28.4	28.5	28.7	28.8	28.8	28.8
Cotton	Cnt/lb	0.65	0.67	0.68	0.69	0.69	0.70		
Fruits	1990-92=100	120	123	125	127	129	132	134	136
Vegetables	1990-92=100	109	112	114	116	119	121	123	126
Potatoes	$/MT	148	152	155	159	162	166	169	173
Dry beans	$/MT	494	497	501	504	508	511	515	519
Government Pymts		7.6	7.7	7.7	7.1	6.3	6.1	6.1	6.1
Sugar:									
Sugarbeets	Dol./ton	41	40	40	40	40	40	40	40
Sugarcane	Dol./ton	30	30	30	30	30	30	30	30
Tobacco:									
'Flue Cured	$/cwt	177	179	181	183	185	187	189	191
'Burley	$/cwt	195	198	201	204	207	210	212	215
Livestock:									
Beef Cattle	$/cwt	62	64.46	67.2	68.2	69.4	70.18	71.14	72.39
Calves	$/cwt	71.5	85.15	82.37	83.83	82.77	82.83	84.57	85.91
Choice Steers	$/cwt	66.25	68.88	71.8	72.87	74.15	74.99	76.02	77.35
Yrlg Steers	$/cwt	68	80.98	78.34	79.73	78.72	78.77	80.43	81.71
Hogs	$/cwt	52.64	46.38	42.82	41.2	41.09	41.43	41.95	42.21
Broilers	Cents/lb.	35.4	30.9	33.7	33.9	34.7	34.8	35.1	35.8
Turkey	Cents/lb.	42.8	39.3	41.7	41.2	41.4	41	41	41.4
Eggs	Cents/doz.	64.8	65.7	66.7	67.8	68.5	69.3	69.9	70.6
Grade A large	Cents/doz.	75.0	76.0	77.1	78.4	79.2	80.1	80.8	81.6
All milk	$/cwt	13.25	13.25	13.5	14	14.1	14.4	14.7	14.95