



Does The “Margin Goal” For Grain Cover My Expenses? (Family Living + Debt Payments + Other Costs)

Identifying Family Living Expenses

- Take 3 months of bank statements
- Write down all family related costs (*food, clothing, etc.*)
- Divide the total by 3 to get an average
- Multiple average by 12 for a yearly total

Example:

$\$10,500 \text{ total for 3 months} \div 3 = \$3,500$

$\$3,500 \times 12 \text{ months} = \$40,000 \text{ annual family living expenses}$

Identifying Debt Payments

- Locate a loan statement for each debt (either most recent month or end-of-year statement)
- Identify principal balance
- Calculate interest portion of payment based on interest rate (principal balance x interest rate)
- Subtract interest portion from annual/monthly payment (interest is covered in cost of production)
- Remaining number is the principal, or debt number, to include

Example:

$\$45,000 \text{ principal balance at 7\% interest}$

$\$45,000 \times 7\% = \$3,150$

$\$8,350 \text{ annual payment} - \$3,150 \text{ interest} = \$5,200 \text{ in principal}$

Identifying Other Expenses

- Are there other costs that farm needs to pay for?
 - If yes, include in total expenses to be covered by crops on the next page.

Calculating Margin Needs Beyond Production Costs on Next Page



Calculating Margin Needs Beyond Production Costs (with Family Living)

- Total all expenses to be covered by crops (*i.e., family living, debt, other expenses*)
- Allocate portion of expenses covered by each crop (*can be 50/50, 60/40, etc.*)
- Divide allocated portion by production total

Example:

Family Living of \$40,000 + Debt Principal of \$5,200 + Other Expenses of \$1,000 = \$46,200

50% of expenses allocated to soybeans ($\$46,200 \div 2$) = \$23,100

Production Total (Acres x Yield) = 500 Acres x 55-bushel yield = 27,500 bushels

$\$23,100 \div 27,500 = \0.84 per bushel needed to cover expenses beyond production

Calculating Margin Needs Beyond Production Costs (without Family Living)

- Total all expenses to be covered by crops (*i.e., debt, other expenses*)
- Allocate portion of expenses covered by each crop (*can be 50/50, 60/40, etc.*)
- Divide allocated portion by production total

Example:

Debt Principal of \$5,200 + Other Expenses of \$1,000 = \$6,200

50% of expenses allocated to soybeans ($\$6,200 \div 2$) = \$3,100

Production Total (Acres x Yield) = 500 Acres x 55-bushel yield = 27,500 bushels

$\$3,100 \div 27,500 = \0.11 per bushel needed to cover expenses beyond production