INITIAL RESOURCES

- 420 acres (400 for crops)
- Small set of machinery
- 50 sows and facilities
- Cattle feedlot with 500 head capacity
- 3,000 hours of labor
CROP PRODUCTION

- Can grow corn, soybeans, corn silage
- Silage can be fed to cattle, not sold
- Some yield reduction for continuous cropping
- Crop insurance is available
MACHINERY

- 4 Sizes of machinery sets available
- 4 Combines available
- Can trade starting in year 2
- Harvesting can be custom hired
- Repair costs increase over time
CROP INSURANCE

- **Yield Insurance**: guarantees 75% of your normal yield
  - Corn—152 bu/acre x 75% = 114 bu.
  - Soybeans—48 bu/acre x 75 % = 36 bu.

- **Revenue Insurance**: guarantees 75% of your normal gross revenue per acre
  - Corn—152 bu x $2.60 = $395 x 75% = $296
  - Soybeans—48 bu. X $6.00 = $252 x 75% = $216
SELLING GRAIN

- Can sell grain in the fall
- Can sell at end of year if short of cash
- Can sell in spring
- Can forward contract for fall delivery
- If corn for livestock is short, program will buy corn for current price plus 5%
LAND

- 420 Acres owned, $400,000 debt
- Can rent more land to farm the next year, starting in year 2 for year 3
- Can rent by cash or crop-share lease
- Land goes to the highest bidders
- Can purchase land in year 7
CATTLE FEEDING

- Feedlot capacity is 500 head
- Can buy calves or yearlings each year
- Cattle purchased at end of one year, sold the following year
- Purchase price can be financed 100%
- Corn/hay or corn/silage ration
- Cattle can be forward contracted
HOG PRODUCTION

- Initial capacity is 50 sows, farrow-finish
- After year 5 facilities are no longer usable
- Can replace, expand, or discontinue hogs
- Expansion can be financed with a loan at 6% interest for 10 years
- If labor is short, pigs per litter will suffer
LABOR

- 3,000 hours of operator labor
- 800 hours go for general management
- Can hire up to 3,000 hours extra labor at $10 per hour
- Labor shortages can cause lower yields or fewer pigs per litter
OPERATING CAPITAL

- Operating loan available each spring starting in year 2. Designate the $.
- Pay for seed, fertilizer, pesticides, etc.
- Emergency loans are available, but have a 5% interest penalty
NEGATIVE CASH FLOW

Alternatives

- Carry over operating loan to next year
- Sell more grain
- Sell pigs early
- Sell combine
- Borrow against land

Extra cash can be used to pay off loans early.
Initial debt is $400,000 for land mortgage and $112,500 debt for machinery.

- Initial new worth statement shows net worth $769,104.
- Initial debt/asset ratio is 41%.
- Each year the class will be ranked by both net worth and debt/asset ratio.
- Points will be assigned after year 10.
Prices and yields vary from year to year, but are potentially the same for everyone.

Income taxes are calculated each year and due in March of the next year.

Run one year each week.

Can rerun any year. Last run counts.
Operating FarmSim

Log on through Economics 330 homepage
www.econ.iastate.edu/classes/econ330/edwards/

- Click on the FarmSim button, log-in
- Enter farm no. for example, 57, and password, FARM57
- Choose Run FarmSim
- Can change your password
Operating Farmsim

Can use the browser BACK key
But not after you pass the Summary of Decisions page

- Print report pages one at a time
- Can reprint past years’ reports
Hog Expansion: Year 5

Your original hog facilities are no longer usable after year 5.

- You can stop producing hogs, or invest in new facilities:
  1) Pasture: $1,100 per sow 25 hours/sow
  2) Partial conf.: $2,000 per sow 20 hours/sow
  3) Full confin.: $2,400 per sow 18 hour/sow

- Can borrow 90% at 6% for 10 years.
Hog Expansion: Year 5

- Facilities are used at 50% of capacity in year 5, 100% thereafter.
- First loan payment is due at the end of year 5.
- Capacity can be further increased in later years.
- Type of system cannot be changed.
Land Auction: Year 7

- 25 parcels available, 100 acres each
- Each parcel goes to the highest bidder
- Purchase can be financed for 25% down payment, 25 years, variable rate
- Value on balance sheet is sale price
- Land is identical to present land