

## The Value of Precision

There's no doubt that this year will be challenging in many respects; however, I'm not as bearish as most in production agriculture. First of all, the livestock, poultry and dairy sectors should have a great year, thanks to lower feed costs and promising domestic demand and exports.

On the crop side, ethanol demand is excellent, the crush pace is brisk and ethanol stocks are at a three-year low. Corn exports are at five-year high. Listening to too much gloom and doom can cause you to take your eyes off the ball and miss the opportunities right in front of you.

Times are changing, but the four major leverage points to bottom line profitability are not:

- **Marketing.** Sell your products in the top third of the price range. I know that's tough with corn prices almost half of what they were a year ago, but there are still opportunities.

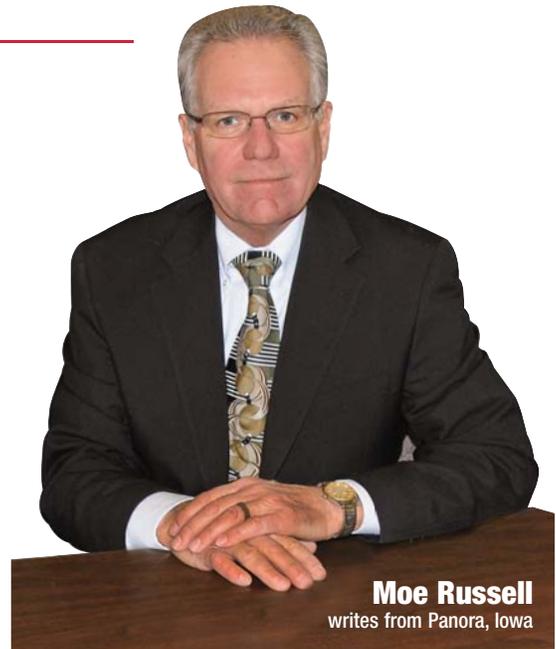
- **Machinery cost management and efficiency.** Excess inventory and

limited profitability at the farm gate could affect equipment prices. This, however, can be a double-edged sword as I can recall in the 1980s when equipment values dropped to half their original value but the debt was still there, in many cases exceeding the value of the equipment.

- **Labor cost and utilization.** The cost of living has escalated in recent years, however, in our benchmarking data, we have not seen large increases in labor cost per acre, likely from more efficient equipment.

- **Agronomic management.** This is where precision farming can add real dollars to your bank account. The case studies below show how variable-rate seed and nitrogen impact yield and ultimately profitability.

These four leverage points affect farm business profitability the most



**Moe Russell**  
writes from Panora, Iowa

It all comes down to the numbers, which is where Moe Russell comes in to help farmers analyze feasibility and manage risks.

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and can add up to \$100 per acre to your bottom line. That is significant when many of the projections I've been doing for 2014 estimate a \$50 to \$75 per acre profit.

### Profit College Case Studies

Using actual farm scenarios provided by Farm Journal Field Agronomist Ken Ferrie, Moe Russell projects how varying levels of precision technology can affect a producer's bottom line. Soil type, weather, etc., in addition to a \$4.10 cash corn price and a starting net worth of \$1.8 million, were constant in all situations.

	Farm #1	Farm #2	Farm #3	Farm #4 with VRT Seed and N
Yield	142 bu.	165 bu.	203 bu.	213.2 bu.
Profit Per Acre	-\$78	\$23	\$105	\$133
Return on Equity	-9.9%	2.9%	13.4%	17%
Net Worth in 5 Years	Out of business	\$2.07 million	\$3.3 million	\$3.9 million

SOURCE: RUSSELL CONSULTING GROUP



**Feb. 5, 2014**  
**Madison, Wis.**

To maximize the profit potential of every acre, join Farm Journal Field Agronomist Ken Ferrie and Farm Journal Columnist Moe Russell for this one-day event. Co-located with a Corn College Planter Clinic, Profit College is focused on variable-rate technology and recognizing that precision technology has a powerful impact on agronomics and profitability.

To register, call (877) 482-7203 or visit [www.FarmJournalProfitCollege.com](http://www.FarmJournalProfitCollege.com).