THE BASICS OF COVER CROP ANALYSIS

<u>Scenario:</u> Cover crop mix was planted on 40 acres during the fall of 2020. The cover crop was terminated in the spring of 2021. Corn was planted following the cover crop termination on these 40 acres.

2020 Analysis Procedures

Jan. 1, 2021 Balance Sheet

Value the growing cover crop on the balance sheet as a *Prepaid Expense* or *Growing Crop.*

Include input costs to date in the valuation. Example seed and fertilizer.

The Cover Crop Mix enterprise is not analyzed in the 2020 analysis!

2021 Analysis Procedures

Jan. 1, 2022 Balance Sheet

Remove the *Prepaid Expense* or *Growing Crop* value for this fall 2020 seeded cover crop from the balance sheet.

The previous year's cover crop inputs will be used in the accrual adjustments for the 2021 crop enterprise analysis.

2021 FINAN (Financial Analysis)

Step 1:

Cover Crop Mix
Cover Crop Data Entry

- •Enter the cover crop as a separate enterprise.
- •Include acres & tenure to match base crop that follows. Designate as double crop.
- •No crop production/income to include, since spring terminated.
- Conservation type payments are allocated to the cover crop.
- •Enter applicable *direct expenses* for the cover crop (seed, chemical, etc).
- Allocate related operating expenses per allocation factors. Adjust if needed.
- •Combine cover crop enterprise w/ base crop to get combined cover crop report.

Step 2:

Corn CropBase Crop Data Entry

- Analyzed like other corn acres in enterprise analysis.
- Split fields as needed, if cover crop only planted on a portion of the acres. Base crop acres and cover crop acres must match.
- Allocate FSA Commodity Program payments to this crop. (i.e. ARC/PLC)
- No cover crop expenses are included with the base crop.

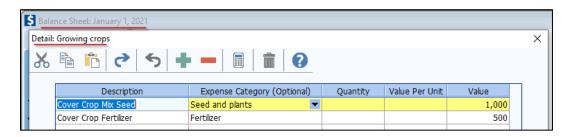
Step 3:

Other Crop InformationData Entry

- Cover crop enterprise: Select Yes for "Cover Crop".
- •Corn crop enterprise: Select Yes for "Grown after a Cover Crop".
- •Select applicable Other Crop Information and Special Sorts for each crop enterprise.

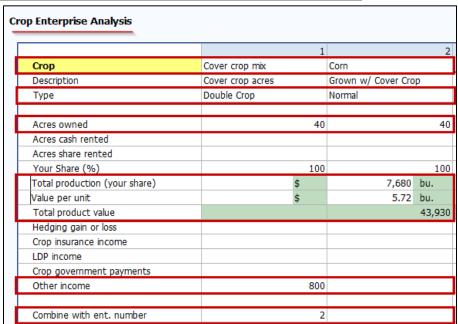
THE BASICS OF COVER CROP ANALYSIS

2020 Analysis Procedures - Balance Sheet



2021 Analysis Procedures - FINAN

Crop Enterprise Analysis
Data Entry:



Direct & Allocated Crop Expense Analysis Data Entry:

	Amount Remaining	1 Cover cp mix Cover crop acres Double Crop 40 Acres	2 Corn Grown w/ Cover Crop Normal 40 Acres
Seed and plants		1000	4,700
Fertilizer		500	5,300
Crop chemicals		300	1,150
Organic crop protection			
Crop insurance			750
Drying expense			350
Storage			
Packaging and supplies			
Custom hire			
Hired labor			
Land rent			
Stock/quota lease			
Machinery leases	350		
Utilities	250		
Hauling and trucking			225
Consultants			200
Marketing			
Organic certification			
Miscellaneous			250

	Total to be Allocated		2 Corn Grown w/ Cover Normal 40 Acres
Default allocation		15	5
Irrigation energy			
Fuel & oil	900		
Repairs	925		
Hired labor			
Owner wages & benefits			
Machinery leases	350		
Building leases			
Real estate taxes	1,700		
Farm insurance	250		
Utilities	250		
Dues & professional fees	250		
Operating interest	175		
Interest on interm. debt			
Interest on Ing term debt			
Machinery depreciation			
Building depreciation			
Miscellaneous			
Value of labor & mgmt	1,600		
Labor hours	230		

THE BASICS OF COVER CROP ANALYSIS

Other Crop Information Data Entry:

Other Crop Information Crop Cover crop mix ▼ Corn Description Cover crop acres Grown w/ Cover Crop Double Crop ▼ Normal Type 40 Total acres **Previous Crop** Soybeans Field County O Moldboard O Moldboard O Chisel/deep till O Chisel/deep till O Minimum till Minimum till No till ○ No till Tillage system O Ridge till O Ridge till O Strip till O Strip till O <No Answer> O <No Answer> O < 10 O < 10 ○ 10 - 18 ○ 19 - 25 ⊙ 26 - 32 010 - 18 019 - 25 Row width 026 - 32 ○ > 32 ○ <No Answer> O > 32 O Yes Yes **GMO Technology** ⊙ No O No O <No Answer> O <No Answer> O Yes O Yes Organic transition ⊙ No ⊙ No O<No Answer> O<No Answer> O Manure only O Manure only O Manure and commercial O Manure and commercial Manure No manure No manure O <No Answer> O <No Answer> Yes ○ Yes ŌΝο O No Cover crop O <No Answer> **⊙**Yes ○No O Yes Grown after a cover crop ON₀ O <No Answer> CSP/EQIP/Con ··· CSP/EQIP/Con, Spot tile, 10 Special sorts Delete from summary No ▼ No Crop Cover crop mix ▼ Corn Description Cover crop acres Grown w/ Cover Crop Double Crop Туре ▼ Normal 40

Output:

Crop Enterprise Analysis					
	Cover cp mix	0	0		
	Double Crop	Corn	Corn		
	Cover crop a	Grown w/ Cov	After CovCp		
	Owned	Owned	Owned		
Returns					
Acres	40.00	40.00	40.00		
Unit	\$	bu.	bu.		
Yield per acre	-	192.00	192.00		
Share of production (%)	100.00	100.00	100.00		
Value per unit		5.72	5.72		
Total product value	-	1098.24	1098.24		
Other crop income	20.00		20.00		
Gross return per acre	20.00	1098.24	1118.24		
Direct Expenses					
Seed and plants	25.00	117.50	142.50		
Fertilizer	12.50	132.50	145.00		
Crop chemicals	7.50	28.75	36.25		
Crop insurance	-	18.75	18.75		
Drying expense	-	8.75	8.75		
Hauling and trucking	-	5.63	5.63		
Consultants	-	5.00	5.00		
Miscellaneous	-	6.25	6.25		
Fuel & oil	4.82	17.68	22.50		
Repairs	4.96	18.17	23.12		
Operating interest	0.94	3.44	4.38		
Total direct expenses	55.71	362.41	418.13		
Return over direct expenses	-35.71	735.83	700.12		
Overhead Expenses					
Machinery leases	1.88	6.88	8.75		
Real estate taxes		42.50	42.50		
Farm insurance	1.34	4.91	6.25		
Utilities	1.34	4.91	6.25		
Dues & professional fees	1.34	4.91	6.25		
Total overhead expenses	5.89	64.11	70.00		
Total dir & ovhd expenses	61.61	426.52	488.12		
Net return per acre	-41.61	671.72	630.12		
Government payments					
Net return with govt pmts	-41.61	671.72	630.12		
Labor & management charge	8.57	31.43	40.00		
Net return over lbr & mgt	-50.18	640.29	590.12		
Cost of Production Per Unit					
Total direct expenses	n/a	1.89	2.18		
Total dir & ovhd expenses	n/a	2.22	2.54		
Less govt & other income	n/a	2.22	2.44		
With labor & management	n/a	2.39	2.65		
Net value per unit	n/a	5.72	5.72		
		9.12	3.12		
Machinery cost per acre	11.65	42.72	54.38		

Additional scenarios and information are outlined in the MN Closeout Manual on pages 73-80. This handout serves as a general guide for cover crop analysis. If you have further questions or other unique scenarios not addressed contact your database leader or CFFM.