

KPI #1 Cost of Production

Calculate your cost of production

The following simplified cost of production calculator takes into account variable costs. Differences in management, location and scale affect your numbers, but calculating this basic cost of production can help you spot outlier costs that need to be examined further. The default values are taken from the 2018 OMAFRA cost of production comparison summary for selected field crops. (page 4 [here](#))

Variable cost/acre	Corn	Soybeans (no-till)	Wheat (no-till)
Tillage			
Fertilizer + Application			
Pesticide + Application			
Seed + Treatment			
Planting			
Harvest/trucking			
Drying			
Total Variable cost/acre			

Calculating your cost of production per bushel

Tracking your per acre costs is the best way to see where you are at in comparison with average or benchmark COP numbers for specific expenses. Is your herbicide cost double the average? Why? Is it because you grow non-gm soybeans that offer great premiums but require more expensive herbicide treatments? Is your fertilizer cost per acre high compared to benchmarks? Maybe you've taken on some new land that had very low fertility and required more fertilizer. The point is that there may be a justification for higher than average costs. If there isn't, that specific expense should be under scrutiny and a strategy put in place to manage it.

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For marketing purposes, we need to bring yield into the equation. We want to know our cost of production per bushel or tonne so we can understand and know what price we need to cover variable costs. If you wait until harvest you will know the exact

cost of production per bushel, but this limits informed marketing in advance of harvest. Using a range of yield estimates helps determine a COP that reflects a low, average and high yield reality and gives you a more comprehensive COP that takes into account yield risk.

Example: Corn

Total Variable Expense COP = \$590/acre

	bu/acre	COP/bu
Low yield	165	\$3.57
Avg yield	183	\$3.22
High yield	220	\$2.68

Estimate your variable cost of production for low, average, and high yields below:

Corn

Total variable COP/acre:

	bu/acre	COP/bu
Low yield		
Avg yield		
High yield		

Soybeans

Total variable COP/acre:

	bu/acre	COP/bu
Low yield		
Avg yield		
High yield		

Wheat

Total variable COP/acre:

	bu/acre	COP/bu
Low yield		
Avg yield		
High yield		