

Think Break #1: Answer

Benefits

- **What will be new or added revenues?** **1% Yield gains**
 - Corn: $1\% \times 180 \text{ bu/ac} \times \$3/\text{bu} \times 250 \text{ ac} = \$1,350$
 - Soybean: $1\% \times 60 \text{ bu/ac} \times \$9/\text{bu} \times 250 \text{ ac} = \$1,350$
- **What costs will be reduced or eliminated?** **Custom hire costs**
 - Corn custom hire: $\$35/\text{ac} \times 250 \text{ ac} = \$8,750$
 - Soybean custom hire: $\$33/\text{ac} \times 250 \text{ ac} = \$8,250$

Costs

- **What will be new or added costs?** **Ownership costs**
 - Corn ownership: $\$40/\text{ac} \times 250 \text{ ac} = \$10,000$
 - Soybean ownership: $\$38/\text{ac} \times 250 \text{ ac} = \$9,500$
- **What revenues will be reduced or lost?** **None**

Think Break #1 Answer: Combine purchase vs custom hire

Benefits		Costs	
<u>Additional Revenues</u> What will be new or added revenues? <ul style="list-style-type: none">Corn: $1\% \times 180 \text{ bu/ac} \times \\$3/\text{bu} \times 250 \text{ ac} = \mathbf{\\$1,350}$Soybean: $1\% \times 60 \text{ bu/ac} \times \\$9/\text{bu} \times 250 \text{ ac} = \mathbf{\\$1,350}$		<u>Additional Costs</u> What will be new or added costs? <ul style="list-style-type: none">Corn ownership: $\\$40/\text{ac} \times 250 \text{ ac} = \mathbf{\\$10,000}$Soybean ownership: $\\$38/\text{ac} \times 250 \text{ ac} = \mathbf{\\$9,500}$	
<u>Costs Reduced</u> What costs will be reduced or eliminated? <ul style="list-style-type: none">Corn custom hire: $\\$35/\text{ac} \times 250 \text{ ac} = \mathbf{\\$8,750}$Soybean custom hire: $\\$33/\text{ac} \times 250 \text{ ac} = \mathbf{\\$8,250}$		<u>Revenues Reduced</u> What revenues will be reduced or lost? <ul style="list-style-type: none">None	
Total Benefits	$\\$19,700$	Total Costs	$\\$19,500$
Calculate Net Gain = Total Benefits – Total Costs			$\\$200$