

Worksheet 2. Residual Income Method

Returns

Grain receipts	\$	_____
Government program payments	\$	_____
Other income	\$	_____

Total returns _____ (A)

Variable costs:

Seed	\$	_____
Fertilizer	\$	_____
Chemicals	\$	_____
Fuel, lube, and repairs	\$	_____
Crop insurance	\$	_____
Custom harvesting	\$	_____
Custom hauling	\$	_____
Operating interest	\$	_____
Labor:		
Unpaid	\$	_____
Hired	\$	_____
Other: _____	\$	_____
Other: _____	\$	_____
Other: _____	\$	_____

Total variable costs \$ _____ (B)

Fixed costs:

Equipment and machinery:		
Depreciation ¹	\$	_____
Interest	\$	_____
Taxes and insurance	\$	_____
Subtotal	\$	_____

Fixed costs allocated to this lease (multiply subtotal time % of acres in this lease)	\$	_____
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Management ²	\$	_____
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Total fixed costs \$ _____ (C)

Expected net return = (A) - (B) - (C) = \$ _____ (D)

Per acre cash rental = Expected net return (D)/number of acres in lease \$ _____

¹ Using straight-line method, depreciation = (cost - salvage value)/years of life.

² Percentage return desired, e.g., 5 percent, times the expected total returns.