



ECONOMICS

Partial Budget Form

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Quick Facts...

Many changes in a farm or ranch do not require reorganization.

Use partial budgeting to project changes in: expanding an enterprise, create alternative enterprises, develop different production practices, buy new machines, hire a custom operation, or make capital improvements.

Partial budgeting is based on the principle that a small change in the organization will have one or more effects in costs.

Many changes do not require a complete farm or ranch reorganization. Given a fixed set of resources, the manager can use them in more than one way to respond to changes in prices, cropping patterns or carrying capacity. (See fact sheet 3.760, *Partial Budgeting*.) Partial budgets are useful in evaluating projected changes such as:

- expanding an enterprise,
- alternative enterprises,
- different production practices,
- buying a new machine to replace hand labor or an older machine,
- hiring a custom operation rather than purchasing equipment, and
- making a capital improvement.

Partial budgeting is based on the principle that a small change in the organization will have one or more of the following effects:

1. The change will eliminate or reduce some costs.
2. The change will eliminate or reduce some returns.
3. The change will cause additional costs to be incurred.
4. The change will cause additional returns to be received.

The net effect is the sum of the positive economic effects minus the sum of the negative economic effects.

The following forms will help evaluate decisions on individual farms and ranches.

Colorado
State
University

Extension

Outline of proposed change:

Sources of price, yield, gain or cost information (specify item, source and page):

Assumptions used:

Other considerations:

Extra capital needed: _____

Extra labor to hire: _____

Degree of risk: _____

Time until income starts: _____

Disadvantages:

Advantages:

Partial Budget Form

Proposed change:

Additional costs:	Amount:	Additional returns:	Amount:
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Reduced returns:	Amount:	Reduced costs:	Amount:
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

A. Total annual additional costs and reduced returns: \$ _____

B. Total annual additional returns and reduced costs: \$ _____

Net change in income (B minus A): \$ _____

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