A partial budget is a tool you can use to evaluate two choices, or a change in operation. It is an easy tool to set up. On a piece of paper draw a 4x4 grid. On the left side you'll list the disadvantages of the proposed change (added costs & reduced revenues). On the right side you'll list the advantages (added revenues & reduced costs). The layout is illustrated below.

The key to the partial budget is to list any and all changes that will occur if we select the new alternative. As an example, I've chosen to budget "do I dry lot my cows in a custom feedlot or buy feed and feed them myself?" This is a fictitious example, with estimates based on a recent AgriProfit$ program benchmark; your economic values will be different than the example.

First consider the advantages of the dry lot custom feeding option. For added revenues, I have some straw available to sell (I plan to keep half back for next year), plus a bit of feed on hand that can go. For reduced costs, I have no added feed or bedding to buy, no machinery operating expense, no labor expense, no corral repairs and no pen cleaning.

On the disadvantages side of the ledger, added costs include custom feedlot costs of $2.25 per head day for 250 days, trucking costs to and from the lot, and custom calving charges. There aren't any reduced revenues in this example.

I add up the advantages and disadvantages, then take the difference. In the example, on a per cow basis, there is a $25 advantage for custom dry lotting versus doing our own sourcing of feed. Finally, I weigh any other considerations that may affect my decision.

This tool works for almost any decision, whether it is a machinery purchase, land investment, crop or livestock alternative. It also works for multi-year decisions to show the longer-term impacts of a change. Remember to include all costs and revenues, not just cash items. Include unpaid labour, depreciation and fixed costs in the evaluation.

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If you have questions or require further assistance on this topic, please call the AgInfo-Center at
1-866-882-7677

Example Partial Budget

Decision to be made:	Do I drylot my cows in a custom feedlot or buy feed and feed them myself?
	(calculated on a $/cow basis)

Disadvantages:	$/Cow	Advantages:	$/Cow
Added Costs:		**Added Revenues:**	
Custom Feeding Costs - 250 days @$2.25/day	$562.50	Sell my bedding (1/2 kept onsite for next year)	$6.00
Trucking to feedlot & back	30.00	Sell my existing feed	5.00
Calving costs @ $30/head	30.00		
Subtotal:	$622.50	Subtotal:	$11.00
Reduced Revenue:		**Reduced Costs:**	
		Added feed to buy (250 days @ 30 lbs/day @ $0.08/lb)	$600.00
n/a		Machinery operating (1/2 yearly fuel cost)	6.00
		Paid labour expense	5.00
		Added bedding (250 days @ $0.05/day)	12.50
		Corral repair	8.00
		Pen clean out	5.00
Subtotal:	$0.00	Subtotal:	$636.50
Total Disadvantages:	$622.50	**Total Advantages:**	$647.50
		Net Advantage (Disadvantage):	$25.00

Other Considerations: *(eg. Labour, Capital availability, Risk, Tax considerations)*
Will calving death loss be higher in a custom feedlot than at home?
Do I have extra labour myself for which I can get paid?

Partial Budget Template

Decision to be made: _____

_____

Disadvantages:	$/_____	Advantages:	$/_____

Disadvantages: $/_____   **Advantages:** $/_____

Added Costs:

_____

_____

_____

_____

_____

_____

           Subtotal: _____

Added Revenues:

_____

_____

_____

_____

_____

_____

           Subtotal: _____

Reduced Revenue:

_____

_____

_____

_____

_____

_____

           Subtotal: _____

Reduced Costs:

_____

_____

_____

_____

_____

_____

           Subtotal: _____

Total Disadvantages: _____   **Total Advantages:** _____

Net Advantage (Disadvantage): _____

Other Considerations: *(eg. Labour, Capital availability, Risk, Tax considerations)*

_____

_____