



ECONOMICS

Partial Budget Form

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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 next two pages 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: | | Reduced costs: | |
|------------------|-------|----------------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

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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