

CALCULATION OF THE 2012 OPERATING INCOME USED IN THE MARCH 1, 2015 AGRICULTURAL LAND BASE RATE

	2012	2012	2012
	Gross Cash Rent	Less Property Taxes	Net Cash Rent
Net Income for Cash Rented Land	\$208	-\$23	\$185

Source or Formula
 Purdue Ag. Econ. Report (PAER) for rents & a DLGF Study for taxes

	Net Income for Owner-Operated Land	November Price		Annual Avg. Price		Market Year Avg. Price	
		2012		2012		2012	
		Corn	Beans	Corn	Beans	Corn	Beans
1	Yield Per Acre in Bushels	99	44	99	44	99	44
2	Price Per Bushel	\$7.43	\$14.60	\$6.96	\$14.23	\$6.31	\$12.70
3	Sales (Gross Income)	\$736	\$642	\$689	\$626	\$625	\$559
4	Less Variable Costs	\$461	\$243	\$461	\$243	\$461	\$243
5	Contribution Margin	\$275	\$399	\$228	\$383	\$164	\$316
6	Plus Government Payments	\$25		\$25		\$25	
7	Total Contribution Margin	\$349		\$318		\$252	

Source or Formula
 Page 34 of Resource Material Packet
 Pages 37 & 38 of Resource Material Packet
 Line 1 (Yields) times Line 2 (Prices) = Sales (or Gross Income)
 Pages 33 or 54 of Resource Material Packet
 Line 3 (Sales) minus Line 4 (Variable Costs) = Contribution Margin
 Page 57 of Resource Material Packet
 Line 5 (Corn) plus Line 5 (Beans) plus Line 6 divided by 2

Less Overhead:

8	Annual Machinery	\$102		\$102		\$102	
9	Drying/Handling						
10	Family/Hired Labor	\$65		\$65		\$65	
11	Real Estate Tax	\$23		\$23		\$23	

Page 33 or 56 of Resource Material Packet
 Purdue University combined with other overhead categories for 2012.
 Page 33 or 56 of Resource Material Packet
 Page 33 or 24 of Resource Material Packet

12	Net ReturnTo Land	\$159		\$128		\$62	
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Line 7 minus Lines 8, 9, 10, 11 = Net Return to Land (NRTL)

13	Net ReturnTo Land-November	\$159					
14	Net ReturnTo Land-Annual Avg.	\$128					
15	Net ReturnTo Land-Market Yr. Avg.	\$62					
16	Net ReturnTo Land - Average	\$116		This is the Net Income for Owner-Operated Land			

Line 12 - November Price
 Line 12 - Annual Avg. Price
 Line 12 - Market Year Avg. Price
 Average of the Lines 13, 14, and 15

	Income	Capitalization Rate	Value
Net Income for Cash Rented Land	\$185	/ 5.06%	= \$3,656
Net Income for Owner-Operated Land	\$116	/ 5.06%	= \$2,292
Average of the Two Net Incomes	\$150.50	/ 5.06%	= \$2,974

This number is one of the six years used to calculate the base rate. (Refer to Page 15 of the Resource Material Packet to see how it fits into the calculation.)

As illustrated in the following equation, the market value in use of agricultural land is calculated by dividing the the net income of each acre by the appropriate capitalization rate.

Market Value In Use = Net Income Divided By The Capitalization Rate