

YOUR AGRO-BUSINESS SOLUTION

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Rethink Your Farm Business

Machinery and equipment: Grown-up toys



**Robert Savage, Agronome,
MBA, CEO
Solutions affaires
experts-conseils**

It was big, colourful and fully equipped, but most of all, it was right there in my client's backyard, the biggest mower in Canada, ready to play with. I have to admit that it was a very impressive piece of machinery. If only it could have paid for itself.

Buying machinery and equipment is one of the most emotional of the multiple decisions that a farm owner must make. Yes, machinery is a necessary evil, but when you can count a total of 12 tractors being used to manage a dairy herd of 30 head, it's obvious that reason has long since flown out the window. As I often say, if your tractor is not being put to work between 400 and 500 hours per year, then you ought to question the relevance of owning it. You might also want to consider such alternatives as sharing your motorised white elephant with a neighbour, renting one, offering custom work services (after ensuring that your rates will allow you to generate profits) or opting for custom work (especially if you will be charged less than market prices, which is not unusual). Another good alternative is to join a farm machinery cooperative, provided that you

share the same values and constraints as your partners.

The pros and cons

There are both pros and cons to consider when investing in machinery and equipment. The pros, as one might have guessed, are based on emotional criteria. An initial consideration is the possibility of rewarding yourself! You work hard, you run a business, and you certainly deserve some comfort and perks. Secondly, you can use the purchase of this sleek new equipment to attract scarce and qualified manpower. As an example, you are definitely not the only one to enjoy a brand new and reliable tractor. Your employees will also share your enjoyment.

The cons, however, the rational counterpart of the decision, are based mainly on costs. One basic and trusted way to ensure that you are making a sensible choice is to establish the flat cost of your dream machine. It can be calculated based on either the number of hours it will be used or the number of acres it will serve, but, either way, it can and should be calculated. The included table provides you with an example taken from an actual farm owner located in Quebec. To his surprise, his investment proved to be quite profitable. However, this good news was the exception because, as his wife frequently reminded him, most of his farm machinery and equipment was in excess of both their needs and their budgets.

A balance between emotion and reason

"If passion drives you, let reason hold the reins" —Benjamin Franklin

The trick is to reconcile emotion and reason in order to strike a balance that fits your personal reality and your needs. You can, indeed, consider the purchase of

one of those majestic Fendt tractors, knowing that it will never pay for itself although, with it, you will be enjoying a happier life! That must be why some of my clients smile, as they notice the BMW parked in front of their house, while I calculate the flat cost of their recent acquisition. It's not really a case of "Do as I say, not as I do", but when someone drives as many kilometres in a year as I do, if they are able, they might as well do it in comfort.

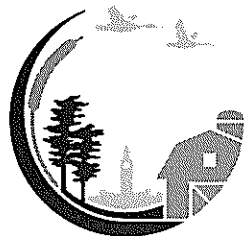
Having worked for over 16 years for various financial organizations, Robert Savage, founder of Solutions affaires experts-conseils, has established an innovated approach to farm consulting services. With the help of a multidisciplinary team of experts, Solutions affaires experts-conseils can get your farm on its way to greater profitability by working with your existing resources and by having access to a network of professionals involved in agri-business.

Example of a Flat Cost Calculation TRACTOR WITH DISC HARROW			
Tractor Price	\$150 000,00		
Useful Life	5 000	hours	
Fuel	\$30,00		} per hour
Manpower	\$35,20		
Maintenance and Interests	\$20,00		
	\$10,00		
Tractor Cost + Usage	\$95,20	per hour	
Disc Harrow Price	\$40 000,00		
Useful Life (acres)	5 000	acres	
Capacity	9	acres/hour	
Useful Life (hours)	556	hours	
Disc Harrow Cost + Usage	\$72,00	per hour	
Total Cost	\$167,20	per hour	
	or		
	\$18,58	per acre	
	versus		
Custom Work Cost	\$30,00	per acre	
Savings	\$11,42	per acre	



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