

Name: KEY



THE BUSINESS OF FARMING

INVEST OR PASS DECISION & CALCULATION SHEET



SCENARIO #1

120 cows x 3 lbs = 360 additional pounds of milk per day

360 pounds x \$0.20 per pound = \$72 extra per day

\$72 extra per day x 365 days = \$26,280 additional profit per year

\$45,000 / \$26,280 = 1.71 years to pay for new mixer wagon with increased profit.

WILL YOU...

INVEST

PASS

SCENARIO #2

\$18,000 reduction in labor + \$4,000 increased milk production=
\$22,000 profit increase

\$250,000 / \$22,000 = 11.36 years to pay for robotic milking system

WILL YOU...

INVEST

PASS

This decision could be challenged by other business factors. For example, is labor hard to find?
Do workers have adequate housing in your area, etc.

SCENARIO #3

Annual savings of \$8,500 per year when used on 2,500 acres

\$20,000 / \$8,500 = 2.35 years to pay for precision GPS with increased profit

WILL YOU...

INVEST

PASS

SCENARIO #4

Annual savings of \$900 per year when used on 100 acres

\$20,000 / \$900 = 22.2 years to pay for precision GPS with increased profit

WILL YOU...

INVEST

PASS

Scale is an important factor to consider. Comparing Scenario #3 and #4 should illustrate the concept.

SCENARIO #5

50 additional cows x \$360 profit per cow = \$18,000 added profit with expansion

$\$100,000 / \$18,000 = 5.5$ years to pay for expansion with increased profit

WILL YOU...

INVEST

PASS

SCENARIO #6

1,200 acres x \$35 per acre = \$42,000 to hire custom harvester

Annual ownership and operation costs if you own your own combine = \$32,000

Annual savings if you own your own combine = \$10,000

$\$280,000 / 10,000 = 28$ years to pay for combine with increased profit

WILL YOU...

INVEST

PASS

SCENARIO #7

Current cost of hiring workers to transplant by hand: \$14,000

Annual ownership and operation costs of a mechanical transplanter: \$4,000

Annual savings with a mechanical transplanter = \$10,000 per year

$\$40,000 / \$10,000 = 4$ years

WILL YOU...

INVEST

PASS

SCENARIO #8

Current cost of hiring workers to gather eggs by hand: \$18,000

Annual repair and maintenance costs of an egg collection system: \$3,000

Annual savings with an egg collection system = \$15,000 per year

$\$65,000 / \$15,000 = 4.3$ years

WILL YOU...

INVEST

PASS