



AUSTRALIAN AGRICULTURAL CONTRACTORS ASSOCIATION INC

060208 ABN AOO50978Z

The following information is offered in good faith:- *as a guide only*
Please consult your accountant or financial adviser for accurate figures for your enterprise.

Estimated costs for 2008 - 2009 "THE REAL COST TO OWN A ROUND BALER"

A baler with a cost price of:- \$55,000:- Our starting point for the exercise; (as at July 2008)
Could be dearer later in the year – Oct-Nov.

THE FINANCE EQUATION *All figures have been rounded out to the nearest 5 or 10 cents*

To finance a (No Trade) baler of	\$55,000
The interest, stamp duty, loan establishment fees etc. on that value over 5 years will be around.	\$10,790
Real cost of baler	\$65,790

In 5 years you should recoup the full capital costs of \$65,790

<u>Finance repayments</u>	Year one	\$ 5,000.00	\$65,790
	Year 2, 3, 4, 5 @ \$15,198.20 =	\$60,792.00	

Each year you must recoup an annual "capital cost" repayment of **\$15,200**
Figures supplied by a large agricultural dealer

The average "commercial" round baler produces between 3000 and 6000 bales per year.
The following sets of data are based on those figures, these will give you:-
Take the annual repayment costs of \$15,200 (year 2, 3, 4, 5,)

Divide \$15,200	by 6000 bales per year:-	= capital cost per bale of	\$ 2.55
Divide \$15,200	by 4000 bales per year:-	= capital cost per bale of	\$ 3.80
Divide \$15,200	by 2000 bales per year:-	= capital cost per bale of	\$ 7.60
Divide \$15,200	by 1000 bales per year:-	= capital cost per bale of	\$15.20

1000 rolls is about the number made by a large independent farming enterprise...

IS IT WORTH BUYING YOUR OWN BALER? **it gets worse!**

THE ADD ON COSTS:-

Maintenance	First year	\$ 500
	Second year (8,000 bales; belts & or chain replacements!)	\$ 3,000
	Third year (12,000 bales; bearings, chains, lube, tines etc)	\$ 3,000
	Fourth year (16,000 bales; who knows what, estimate)	\$ 3,000
	Year five (20,000 bales, again who knows what, estimate)	\$ 3,000
	Total	\$12,500

(From industry sources the annual service costs for a round baler are \$1500 to \$2000 plus.
Service charges are now around \$70 - \$100 per hour plus travelling time.)

The following costs are based on averaging 35 only, 5' x 4' hay bales per hour;
FOR EVERY HOUR the baler is in the field and are costs per bale.

Estimates for 2008 - 2009 season

Wages @ \$30.00 per hr	\$.85
Fuel estimated @ \$2.00 per lt consumed at 20lts per hr	\$ 1.15
Net wrap 3000 mtr roll @\$430.00 per roll inc GST giving 212 bales per roll at an average 3 wraps per roll, (providing your baler mechanism is accurate and your bales do not run oversize.)	\$ 2.00
Replacement fund to cover a 3% inflation price rise per year each year over the next 5 years <u>BUT</u> no allowance for up grading = \$64,000 divide by 20,000 roles) refer para "Since 1985".	\$ 3.20
Non productive time or transport costs a minimum of \$125.00 per job.	\$.60
Baler insurance.	\$.25
Maintenance costs per bale over 5 years.	\$.65
Service vehicle costs; (fuel, tyres, maintenance Etc etc)	\$.45
<u>Total "on costs" per bale</u>	\$ 9.15

FOR THE FINAL COSTS:

Number of rolls	6000	4000	2000	1000
add the "on costs"	\$ 9.15	\$9.15	\$9.15	\$9.15
add the "Capital cost per bale"	\$ 2.55	\$3.80	\$7.60	\$15.20

THE REAL COST to MAKE a 5 x 4 BALE \$11.60 \$12.95 \$16.75 \$24.35

Since 1985:- a standard round baler has risen from \$12,000 RP12 Welger, some new model balers have risen to \$78,000 in 2008, an increase of 550% PLUS you could drive the 1985 baler with a 55hp tractor, today, you need around 130hp to drive most new big round balers.

To this point we have increased only the equity in your property to \$20,000 (approximate value of the baler at the end of 5 years) but from here on you will loose the 10% no trade discount. So in reality you may have increased your equity between \$10,000 and \$15,000.
 You have actually worked nearly six hundred hours to achieve this result over 5 years, based on 20,000 rolls, But in reality double it or treble it to include, down time, on the job break-downs, weather, travel, etc etc, so you will have worked 1200 / 1800hrs to make a profit of \$15,000 ??? some where between \$7 / \$10 per hour!

NOW:- WE HAVE ONLY INCLUDED TRACTOR FUEL IN THIS DATA

No consideration for service calls, tyres, oil changes, breakdowns, depreciation etc etc or a replacement factor for the tractor!!!

Wages are listed at \$30 per hour; the actual cost is around \$60 per hour when you take into account; insurance, Workcover premiums, holiday pay, remember it is PLUS 17.5% loading as of January 2005, sick leave, long service leave, ETC ETC. so add another .85 cents to each bale. Or reduce the hourly rate but you will still come to the same result. (You must include a wage for yourself, otherwise why are you working, your hay making activities are not meant to be subsidised by your **"other"** profitable farm activities ie milking cows, shearing sheep etc etc)

We suggest you superimpose your own sets of figures and get your costs. (sit down first)