



## 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 BIG SQUARE BALER”

A baler with a recommended retail price of:-  
\$187,000, less 20% trade-in / deposit of \$37,400 = \$149,600 this gives us our starting point.

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

To finance a baler of	\$149,600
The interest, stamp duty, loan establishment fees etc. on that value over 5 years will be. (Dealer finance)	\$ 25,910
	<u>\$175,510</u>
Plus the trade in value as this is still “money invested”	\$ 37,400
In 5 years you must recoup the capital costs of	<u>\$212,910</u>
At the end of 5 years the baler will have an estimated value of	<u>\$ 40,000</u>
Leaving a deficit of	<u>\$172,910</u>
Taken over 5 years you must recoup the “ <b>capital cost</b> ” of <u>\$ per year</u>	<u>\$ 34,580</u>

The average “commercial” square baler produces between 6000 and 10,000 bales per year.  
Based on those figures will give the following sets of data:-

Take the annual “capital cost” of **\$34,582**

Divide \$34,580 by 10,000 bales per year = capital cost per bale of	\$ 3.45
Divide \$34,580 by 6,000 bales per year = capital cost per bale of	\$ 5.75
Divide \$34,580 by 4,000 bales per year = capital cost per bale of	\$ 8.65
Divide \$34,580 by 1,000 bales per year = capital cost per bale of	\$ 34.50
<u>1000 square bales is the approx. number made by an independent farming enterprise.</u>	

#### THE ADD ON COSTS:-

<b>Maintenance</b>	First year	\$6,000
	Second year	\$6,000
	Third year	\$6,000
	Fourth year	\$6,000
	Year five	\$6,000
	<b>Total</b>	<u><b>\$30,000</b></u>

The maintenance costs are from actual average dealer records. Service labour charges are now around \$90 - \$150 per hour plus mileage, parts and travelling time.

The following costs are based on averaging 45 only, 8 x 4 x 3 hay bales per hour:  
**FOR EVERY HOUR** the baler is in the field and are costs per bale for a baler averaging 8000 bales per year.

Wages @ \$30.00 per hr	\$ .65
Fuel consumed at 30lts per hr	\$ 1.60
Twine average per bale,	\$ 1.75
Replacement fund to cover a 3% inflation per year, price rise in machinery over the next 5 years but no allowance for up grading. (\$187,000 plus 3% per year at 40,000 bales)	\$ .75
Non productive time or transport costs a minimum of \$150.00 per job.	\$ .55
Baler insurance.	\$ .35
Maintenance costs per bale over (5) years.	\$ .75
Service vehicle costs; (fuel, tyres, maintenance Etc etc)	\$ .45
<b>Total "on costs" per bale</b>	<b>\$ 6.85</b>

	<b>Number of bales</b>	<b>10,000</b>	<b>6,000</b>	<b>4,000</b>	<b>1,000</b>
<b>THE REAL COSTS:</b>	take the "on costs"	\$ 6.85	\$ 6.85	\$ 6.85	\$6.85
	add the "Capital cost per bale"	\$ 3.45	\$ 5.75	\$ 8.65	\$4.50
<b><u>The cost to produce an 8x4x3 bale only</u></b>		<b>\$10.20</b>	<b>\$12.60</b>	<b>\$15.40</b>	<b>\$41.35</b>

To this point you have increased the equity only in your property by \$3,000 from what you started with IE, \$37,000 trade-in, at the end of 5 years the estimated market value is \$40,000.

**To this point we have only included tractor fuel in this data.**  
**There is no allowance for tyres, oils, filters and field breakdowns.**

**To include a tractor of 170hp at a retail value of \$177,000 in the costs, you will need to add an additional amount of:-**

Tractor costs	\$ 4.20	\$ 5.50	\$ 7.00	\$9.00
Bale costs	\$10.20	\$12.60	\$15.40	\$41.35
<b>THE TRUE COST IS</b> <i>(give or take, as at Feb 08)</i>	<b>\$14.40</b>	<b>\$18.10</b>	<b>\$22.40</b>	<b>\$50.35</b>

**Wages are listed at \$30 per hour; the actual cost is around \$60 per hour when you take into account; Insurance, Work-cover premiums, Holiday pay, (remember it is PLUS 17.5% loading, sick leave and long service leave, etc. so add another .85 cents to each bale. or reduce the hourly rate but you will still come to the same result.**

As at this point you have covered a wage only and a very small CPI increase fund of 3%per year each year over 5 years,  
**you have not made a "PROFIT"** as such, for your business!!!!