



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 2010/2011

“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 \$38,000 = \$149,600 this gives us our starting point.

THE FINANCE EQUASION 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”	\$ 38,000
In 5 years you must recoup the capital costs of	<u>\$213,510</u>
At the end of 5 years the baler will have an estimated value of	<u>\$ 40,000</u>
Leaving a deficit of	<u>\$173,510</u>
Taken over 5 years you must recoup the “capital cost” of \$ per year	<u>\$ 34,700</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	\$ 5.80
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

1000 square bales is the approx. number made by an independent farming enterprise.

THE ADD ON COSTS:-

MAINTENANCE

An average of \$6,000 per year should be budgeted for, if you employ staff, or your company employs you, then you should have work carried out by a recognised company to cover you against work cover complications. Total \$30,000

The maintenance costs are an average from actual dealer records.

Service labour charges are now around \$90 - \$150 per hour, plus mileage @.75per kl, plus parts, plus travelling time @ \$90.00 > \$150.00 per hr.

PRODUCTION COSTS

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 35lts per hr @ \$1.30 per lt	\$ 1.00
Twine average per bale,	\$ 2.00
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 & Tractor insurance. Based on 4000 bales.	\$.90
Maintenance costs per bale over (5) years.	\$.75
Service vehicle costs; (fuel, tyres, maintenance Etc etc)	\$.65
	\$.45
Total "on costs" per bale	\$ 7.25

	Number of bales	10,000	6,000	4,000
THE REAL COSTS:	take the "on costs"	\$ 7.25	\$ 7.25	\$ 7.25
	add the "Capital cost per bale"	\$ 3.45	\$ 5.80	\$ 8.65
	<u>The cost to produce an 8x4x3</u>	\$10.60	\$13.05	\$15.90

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 & insurance in this data.**

There is no allowance for tyres, oils, filters and 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
Bale costs	\$10.60	\$13.05	\$15.90
THE TRUE COST IS (give or take, as at July 2010)	\$14.80	\$18.55	\$22.90

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 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 !!!!!**