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SUBJECT: ECN - HOUSING MACHINERY CAN PAY

Purpose. To transmit the above named technical note.

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Enclosure

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# Technical Note

## Housing Machinery Can Pay

Economics Series No. W8

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ECONOMICS NO. W8

Housing Machinery Can Pay

The preparation of crop budgets and some conservation practice costs depends on machinery factors such as depreciation and repair costs. Recent studies show that whether or not equipment is stored can make a significant difference in these figures, thereby affecting crop budgets and other cases where machinery costs are used. The following information was presented in a recent Doane's report. It can be incorporated into your CARE data base and other reference material.

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October 25, 1989

A survey of implement dealers in the north central states indicates that after five years the trade-in value of housed machinery can be substantially greater than the value of machinery left outside. The trade-in for housed tractors was found to be 16 percent greater; harvesting equipment, 20 percent; planters and drills, 12 percent; and tillage equipment, five percent.

The survey revealed that storage of a small tractor will increase the trade-in value by \$400 to \$500 per year. Proper storage of a four-wheel-drive model should add \$1,000 to \$2,000 per year to the resale value.

North Dakota agricultural extension engineer Vern Hofman relates what these findings can mean in terms of dollars saved. Keeping \$300,000 worth of tractors, combines, and planters inside rather than leaving them outside would mean saving \$22,500 after five years, assuming a 50 percent trade-in value and that the trade-in is worth 15 percent more if the machinery is housed.

Storage can also save money by reducing repairs and downtime, says Hofman. The survey indicated that housed machinery had only 7.6 percent downtime, while unhoused machinery was down 14.3 percent of the time.

Where storage space may be limited, last priority should be given to tillage equipment. The cost of storing these implements may not offset the additional trade-in value after five years. Usually, the deterioration to tires and bearings is less than the cost of providing building space.

The CARE budget formulas allow for storage of machinery. In preparing budgets for individual farmers or for groups of farmers (watersheds, for example), it is advisable to reflect the storage situation in the crop budget in order to have a more accurate budget. Use the data reported here to tailor budgets to your needs.

Source: Doane's Agricultural Report, Vol. 52, No. 30-6,  
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