

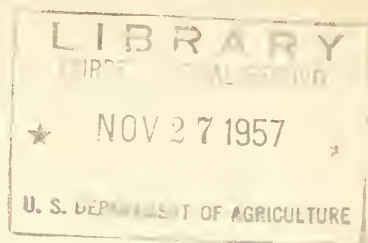
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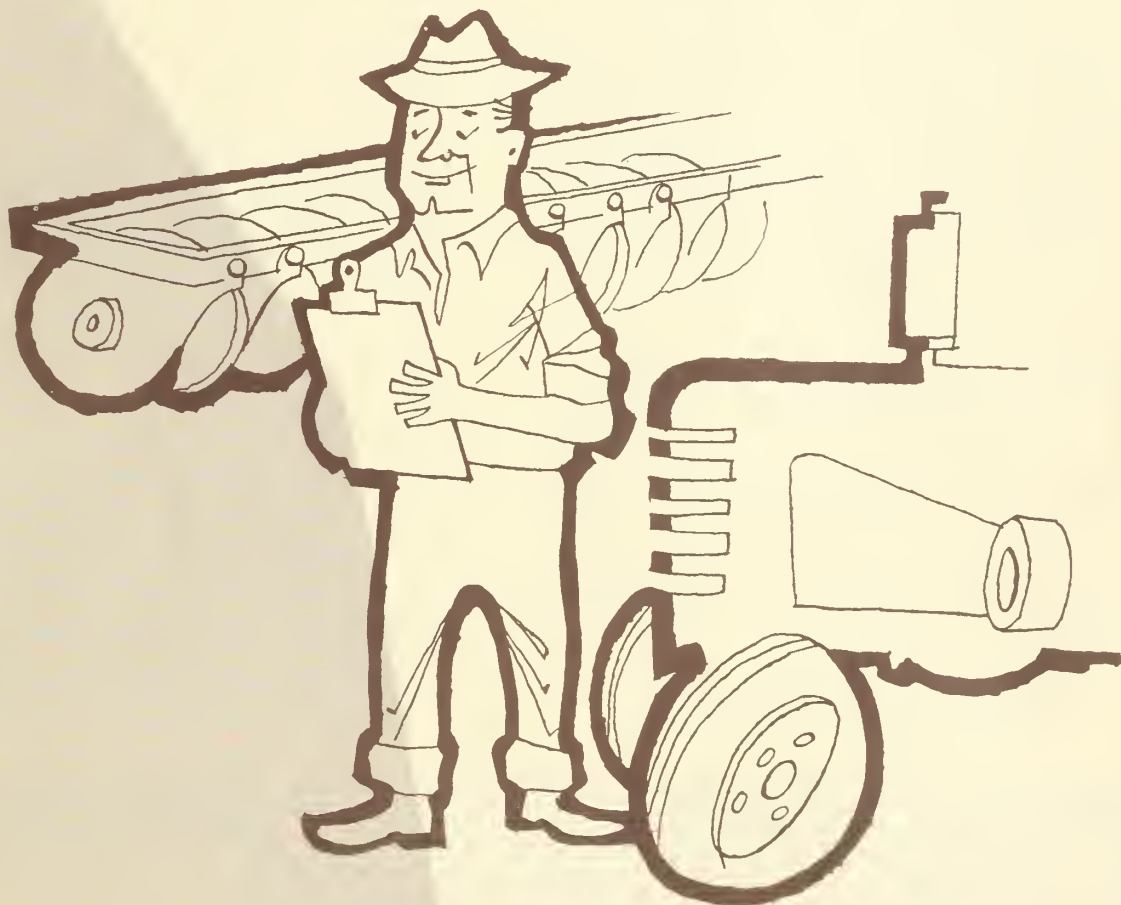
427



# Planning

# FARM Machinery

# Replacements



Leaflet No. 427

U. S. DEPARTMENT OF AGRICULTURE

# Planning Farm Machinery Replacement

Attempting to farm with inadequate machinery can result in critical delays, higher costs, and lower production.

Proper machines and equipment can improve the timeliness and efficiency of operation, and can make farm chores more pleasant.

Keeping the farm properly mechanized is often a major problem, particularly if plans are not made well in advance. One of the chief reasons for this is the heavy dollar investment required. An unexpected need to replace an expensive piece of equipment can cause a financial hardship in many farm families. The only way to avoid this is to analyze one's present machinery inventory, and then to work out a planned machinery replacement program.

Eventually, each machine must be replaced. Waiting until a machine breaks down or wears out is not an economical way to operate a business.

## KNOW YOUR MACHINERY NEEDS

To carry out a successful machinery-replacement program, you need to know the number and kinds of machines required to run your farm.

Then, when a replacement is necessary, consider which of the following alternatives will best fit your needs:

1. Buying a new machine.
2. Buying a secondhand one.

3. Buying one on shares with a neighbor.
4. Hiring the work done by a neighbor or custom operator.

Making these decisions will involve comparing the cost of buying and using the machine with its expected return. How important is the machine to your farm operation, and what is the condition of the old one? How much labor do you have available to operate the machine, and how much does it cost? What is the outlook for prices of what you would produce with the machine?

If you plan to buy a new machine, take stock of your financial condition. How much available cash do you have? Are other heavy expenditures likely to arise? How much do you owe and how much credit can you get? What payments can you meet?

## KEEP A SET OF RECORDS

Use a worksheet such as the one on the back page to analyze your farm machinery needs. This record system will help you decide in advance what machines should be bought or replaced and the proper time to do so. Get into the habit of making this analysis once a year, preferably at income tax time.

## SCHEDULE MAJOR EXPENDITURES

Financing new farm machinery is easier if you spread your purchases over a period of



ITEM	MODEL	ACQUIRED	COST	VALUE
Plan	1942	1947	\$10	\$
Spring Tooth Harrow	1948	1948	100	7
Manure Spreader	1944	1949	150	
Lime Spreader 1/2 interest	1950	1950	40	
Rotary Hoe	1942	1947	75	
Cultivator	1947	1948	160	
Corn Picker	1948	1950	50	15
Slide Rake	1946	1948	25	

# placements

years. This means planning ahead for important expenditures. Which ones must be made this year? What items can wait a year or two? How does each expenditure fit in with your business and family goals?

Keep your plans flexible. Your income may be larger or smaller than you expected. Emergencies involving heavy expense may arise too. And in some years you may be able to get special "buys." Don't wait until the last minute on a "must" item.

## SAVE FOR FUTURE REPLACEMENTS

In years when you buy no replacements, don't be misled into thinking you had no machinery cost. Your machinery depreciates in value each year. To estimate this cost, refer to the figures you have entered in the last column of the worksheet. Add up the money needed to pay for replacements you plan to buy in the next 5 years. Divide this total by five to get your annual cost.

If you spend less than that amount in any one year, set aside the difference as a reserve. Some farmers like to reinvest this reserve in the farm business. A better plan is to have it readily available either as cash or in U. S. Savings Bonds.

If you have to spend this money, remember it is not a part of your net farm income.

## USE CREDIT WISELY

Do not depend entirely on credit for your replacements. Following the long range plan outlined in this leaflet should reduce your need for credit and thereby remove some of the burden of making heavy payments.

Borrow from a reputable lender such as your local bank or production credit association. Make sure the interest rate is reasonable. Adjust the maturity and repayment terms of the loan to your prospective income.

Consult your State extension service and your State agricultural experiment station for further help in making decisions about machinery replacements. These agencies also may have publications to aid you in deciding whether to hire or buy equipment.

Prepared by Lawrence A. Jones, agricultural economist, and Esther M. Colvin, administrative assistant, Farm Economics Research Division, Agricultural Research Service.

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NEEDS WITH THIS WORKSHEET

VALUE	REMAINING YEARS	REPLACEMENT YEAR	COST	TRADE IN VALUE	CASH NEEDED
25.	0	1957	\$375.	\$25	\$350
40	16	1962	150	20	130
75	2	1961	500	25	475
20	4	1958	50	5	45
40	3	1961	210	20	190
50	4	1951	320	50	270
150	3	1958	1,000	100	900
75	1	1958	4		



