

Capital Purchases
Allen Edwards – Edwards Tree Farm

Why Invest In Your Business?

Increase Profit

Decrease Overheads

Increase Turnover

Increase Production of an Enterprise
Increase enterprises – Stacking

Increase Gross Margin

Decrease direct costs – More efficient irrigation

How does capital costs impact all parts of your operation?

Payback period on capital investment – One year if at all possible

If business goes kaput, can you afford to lose the money on the capital purchase?

Tractor	Wheel Hoe
60-80,000 sq ft of greens	20,000 sq ft
Wholesale Price less than 50% of retail	Retail price – direct market Farmers' Markets, CSA, Restaurants
Regulatory Costs	Triple washed and bagged
Scale did not work	Doubled efficiency of growing crop

Start small so mistakes don't cost as much. Once you have figured out the system, then expand. If starting a new enterprise, start small again.

Do It on the Cheap!

Can you do without it?

\$5,000 wood splitter or a \$50 split maul?

Sheep handling facility - \$3,000 or use own lumber for and baling twine for \$300?

Calculate the true cost

Tractor

Purchase price = \$20,000

Implements = \$10,000

Labor savings

Fuel

Repair and Maintenance

Depreciation

Compare Alternatives

Simple payback period

Greenhouse cost = \$10,000

Increase profit by \$10,000

Will pay for itself in one year

Farming is a System -How Will the Investment Impact the System?

Step 1	Do business plan
Step 2	Identify potential capital investments
Step 3	Calculate the true cost
Step 4	How does investment affect the whole business?
Step 5	Run economic and financial numbers
Step 6	Calculate best, average , and worst scenarios
Step 7	Run sets of investments identified in step 2
Step 8	Take step 7 and go to business plan and see if the investment makes sense