

Economic Considerations of Buying a New Curing Barn

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Critical Factors

- How much you can sell your old barns for
- Taxes:
 - Marginal tax rate
 - Depreciation left on current barns
 - How much of purchase can be expensed
 - *Ask your accountant about the tax impacts*
- How long you think is reasonable for the economic life of the new barns....this is not necessarily how long they will last
- Will the barns be used at full capacity or do you need extra capacity?
- Fuel cost per lb of tobacco cured of old and new barns

Example: Assumptions

- Barns are used at full capacity
- Your old barns are worth \$20,000 each and are depreciated out.
- Fuel cost per gallon is \$1.40
- Old barns: 10 box with fuel cost/lb of \$0.127
- Yield: 2,600 lbs/acre

Net Benefit/Cost of **Fuel, Taxes, & Old Barn Sale**
of Replacing an Old 10 box barn:
Using the new barns at full capacity

	Installed Cost	Cured Tobacco Lbs/season	Lb Cured/ gal LP	Net Benefit/[Cost] per new barn
15 box-World Tob	\$38,500	42,652	12.8	\$4,375
12 box-World BASIC	\$35,000	36,591	17.6	\$10,898
10 box-Long 57	\$38,500	44,511	14.8	\$10,847
14 box-Tytun 56	\$44,000	47,122	16.6	\$13,211
10 box-Long Proto	\$39,500	45,924	17.1	\$15,862
10 box-Taylor	\$38,500	44,283	17.6	\$15,463
18 box-Tytun 59	\$68,000	66,981	17.6	\$17,631
	Sale Price			
Old 10 Box	\$20,000	31,500	11.03	

What we did not consider...

- Change in management time
- Change in labor costs
- Change in Quality
- Change in maintenance costs

All these are important factors

Plus...your old barn condition, different future fuel prices, your individual tax situation & how long you plan to be in tobacco production