Economic Considerations of Buying a New Curing Barn

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CALS-NCSU
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 boxes 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

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