



# Outside the Box

► by **Tom Field**, University of Nebraska–Lincoln

## The duck blind

*The equipment begins rolling in a week in advance of our local FFA chapter's consignment auction. By sale time there will be six rows of items stretching down a one-quarter mile of frozen cornfield. The array is as diverse as the hundreds of attendees and ranges from combines to hand tools; livestock equipment to garden implements; plus straw, hay and alfalfa in every imaginable harvestable form.*

### Ingenuity

Some items are brand new, but most are in various stages of wear. Some are still designed for their original purpose, while others are decidedly repurposed. A farm show is impressive in terms of fresh paint, complex engineering, and the awesome size and scale of implements. The consignment lot provides an experience punctuated by functionality, repair and redesign powered by creativity (a fiberglass water-hauling tank converted to a duck blind), as well as a lingering question or two about just how much stuff is needed to run a farm or ranch and when something has reached its expiration date.

Equipment and facilities provide a two-headed monster in a cattle enterprise — too much steel and operating capital in the form of seasonal or occasionally used equipment and technology creates an unsustainable drain on profit potential. On the other hand, trying to make an enterprise perform without appropriate equipment and facilities or with old equipment in constant need of repair creates a drain on cash flow that bleeds the business. The trick is to find the right balance between too much and not enough.

The following questions help to frame the process:

- Has the difference between want and need been effectively delineated?
- Are there safety considerations that need to be addressed to assure the well-being of both people and livestock?
- How often will the equipment or tool be used?
- Can the machine or tool be used in multiple enterprises?
- Do opportunities for refurbishment of existing facilities and equipment exist that are more cost effective than purchasing new?
- Can the need be met with rented equipment?

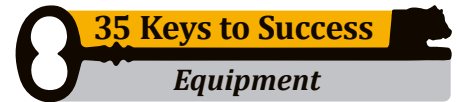
- Is the purchase of the depreciable asset going to contribute to a profit center, or is it likely to become a cost center that sits idle for much of the year, bleeding cash from the business?
- Can the specific sources of high repair costs and downtime due to equipment/facility failures be identified?
- What are the tax consequences, and is a short-term tax gain more cost effective than the long-term costs of ownership?
- Does the capital expenditure have the opportunity to become a profit center via rental, leasing or contract work?

Answering these questions helps to create guidelines that allow logic and strategy to lead purchasing decisions instead of allowing spontaneity and impulsiveness to get in the way.

### Value in recordkeeping

Better decisions will also be made in an information-rich environment backed by an effective recordkeeping system focused on financial indicators and productivity. Cattle producers have embraced data collection relative to their livestock, but may not have considered the value of improved recordkeeping for some of the following.

- Tracking annual (monthly) hours or miles of use per piece of major equipment.
- Documenting maintenance and repairs as a means to assure that preventative steps are in place to protect against breakdown while also tracking repair costs per unit.
- Conducting periodic inspections of facilities to identify and correct small problems before they grow into significant costs.
- Periodic oil and fluid sampling can greatly enhance early detection of



emerging issues that would escape a visual inspection alone.

Implement manufacturers estimate that superior maintenance protocols increase the life of high-cost components in machinery by 60%-70%. This advantage alone ought to motivate managers to embrace the concept of scheduled inspections, maintenance, and testing of equipment and facilities. Training is another consideration that can enhance the lifespan of equipment and facilities while holding a lid on costs due to accidents, incorrect operation, and excessive wear and tear due to operator error.

The value of repurposing equipment is high so long as sufficient skills are in place to make the modifications correctly and that the resulting outcome has low breakdown rates and high safety ratings. For example, when our ranch made the switch from small square hay baling to large round bales, we were left with a couple of self-propelled bale wagons that had become obsolete. Given that most hay producers had stopped making small bales, their resale value was not much better than scrap.

One of our neighbors facing the same dilemma spent a winter converting his bale wagon so that it could pick and stack five round bales per load. It was an ingenious solution that we quickly adopted. Some 20 years later, we continue to use the same basic design with excellent results. Granted, it's not a bright shiny new piece of equipment, but it gets the job done.

Optimizing equipment and facilities purchases and maintenance is a critical economic decision to underpin long-term profitability. I do have to admit, I wish I'd bought that homemade duck blind!

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**Editor's Note:** Tom Field is a rancher from Parlin, Colo., and the director of the Engler Agribusiness Entrepreneurship Program at the University of Nebraska–Lincoln.