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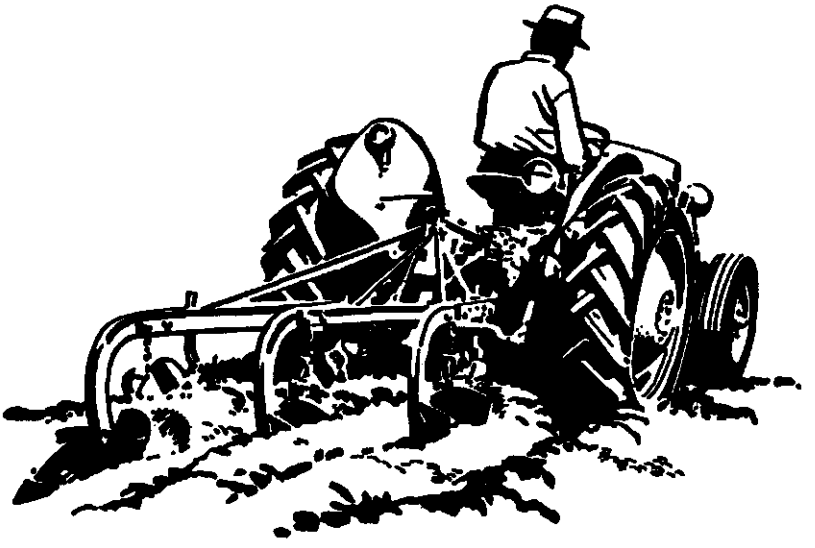

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LEASING FARM MACHINERY

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As a farm operator you are probably looking for ways to reduce your investment in and maintenance cost of farm machinery and equipment. Leasing certain items may be the answer for you. This publication contains information that can help you decide.

All types of new or used farm machines and equipment are available for leasing. However, if you want to reduce your capital investment and make maximum use of available capital, you should be selective in your choice. Consider:

Leasing a high cost, complex, seasonal-use machine.

Leasing to supplement for a short time your present machine supply. By leasing rather than buying a machine used only a short time each year, you can free a large amount of capital.

In practice the terms "leasing" and "renting" have different meanings. You rent a machine when the period of use is a day, week or month. You lease a machine when the period of use is a season. But in this report the term leasing includes all times or periods of use.

Comparative Costs - Owning versus Leasing

Your annual fixed costs of owning a machine are those costs that are not greatly influenced by the amount you use the machine. Depreciation, interest on your investment, insurance, taxes, and housing are such fixed costs of ownership. For a 3-plow tractor, a PTO baler, or a 7- or 12-foot combine, for example, this total annual fixed cost would be 15 percent of the original purchase

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price. In this estimate, 10 percent goes for depreciation, 3 percent for interest, and 2 percent for taxes, insurance, and housing. Repairs are not included because the annual fixed costs of leasing does not include repairs.

The annual fixed cost of leasing is the amount you pay for the use of the machine. Leasing periods may range from one day to one year. Rates are generally stated as a percentage of the retail list price of the machinery and are based upon the length of the lease agreement. Some possible leasing rates for several periods of time are given in table 1. Rates for short-use seasonal equipment may be higher than for some longer use machines so there are three suggested rates for the one year period.

Table 1. Leasing periods and probable rates

Rental period	Leasing rate of machine (percent of retail list price)
1 day (10 hours)	1
1 week (6 days)	5
2 weeks (12 days)	10
1 month (4 weeks)	15
2 months (8 weeks)	25
3 months (12 weeks)	33
1 year	10, 20, 30

In order to compare the cost of owning a machine, you must determine the "break-even point." This break-even point is where the cost of owning equals the cost of leasing. If you use or need the machine longer than the time required to reach the break-even point, ownership is probably more economical for you than leasing. But leasing is normally more economical if your use period is less than the break-even point.

So, the key to the break-even point is the time required to perform the

given task. This time factor hinges on: (1) the actual amount of work to be done, (2) efficiency of operation or the machine's effective capacity under satisfactory weather conditions, and (3) time lost because of weather conditions.

Machine Capacity

The effective capacity of any farm machine or the amount of work that it does depends primarily upon three factors: (1) width of cut, (2) speed of travel, and (3) percent of time lost due to lubrication, adjustment, loading or unloading, breakdowns, etc.

The width of cut is the actual width of the area covered by the machine--except for balers or combines when it depends on the width of the machine or machines that precede the baling or combining operation.

The speed of travel in miles per hour is easily determined. But the percentage of time lost is extremely difficult to calculate--it depends partly on your ability or "know-how" to lubricate, adjust, and make repairs. Some general estimates of time lost with different equipment are given in table 2. You can use these estimates as guides when calculating the effective capacity of a machine.

Table 2. Percent of lost time with different types of equipment

Type of equipment	Percent lost time
Tillage, seedbed preparation	15 - 25*
Drilling, seeding, planting	25 - 49*
Harvesting operations	35 - 45*
Other equipment	17.5+

* Robert G. White, Farm Machinery--Own, Lease or Custom Hire? Fact Sheet for Michigan Agriculture, File 18.4. Mich. State Univ. East Lansing, p. 291.

\+ G. H. Larson, G. E. Fairbanks, and F. C. Fenton, What It Costs To Use Farm Machinery, Agr. Exp. Sta. Bull. 417, Kans. State Univ., Manhattan. Apr. 1960, p. 32.

In figure 1, you can find the effective capacity of a field machine if you know its width, speed, and percentage of lost time. To determine effective capacity in acres per hour:

(1) Locate the width on the horizontal axis.

(2) Go vertically to the intersection with the line for the speed of travel.

(3) Go horizontally to the intersection with the line for percentage of lost time (if extended to the vertical axis, this would give the capacity of the machine if the work were uninterrupted--if no time were lost).

(4) Go vertically to the upper horizontal line--the intersection with this line gives the effective capacity per hour.

So, in the illustration, (see dotted line of figure 1) the machine has a width of 7 feet, speed of 3 miles per hour, lost time of 20 percent, and an effective capacity of 2.04 acres per hour.

Weather

Weather greatly influences yield and the production of crops. It is also important when you estimate the time required to perform various farm tasks. Weather--if good or bad--can work to the advantage or disadvantage of either owning or leasing farm equipment, particularly seasonal machines.

Data from six Minnesota weather stations are summarized in table 3. These data provide a reasonable estimate of the possible number of days suitable for harvesting hay and grain.

Data from the Minneapolis station show that it rained 9, 10, or 11 days during June in 13 out of 48 years. In addition, it rained 12 or more days during June in 28 years out of 48. In all, there were 9 or more days of rain in June in 41 out of 48 years.

Therefore, for purposes of explanation, let us assume that it rains 10 days during June. To this figure, 5 additional days must be added. This is done because at least one-half of the rains are assumed to be of sufficient amount (or

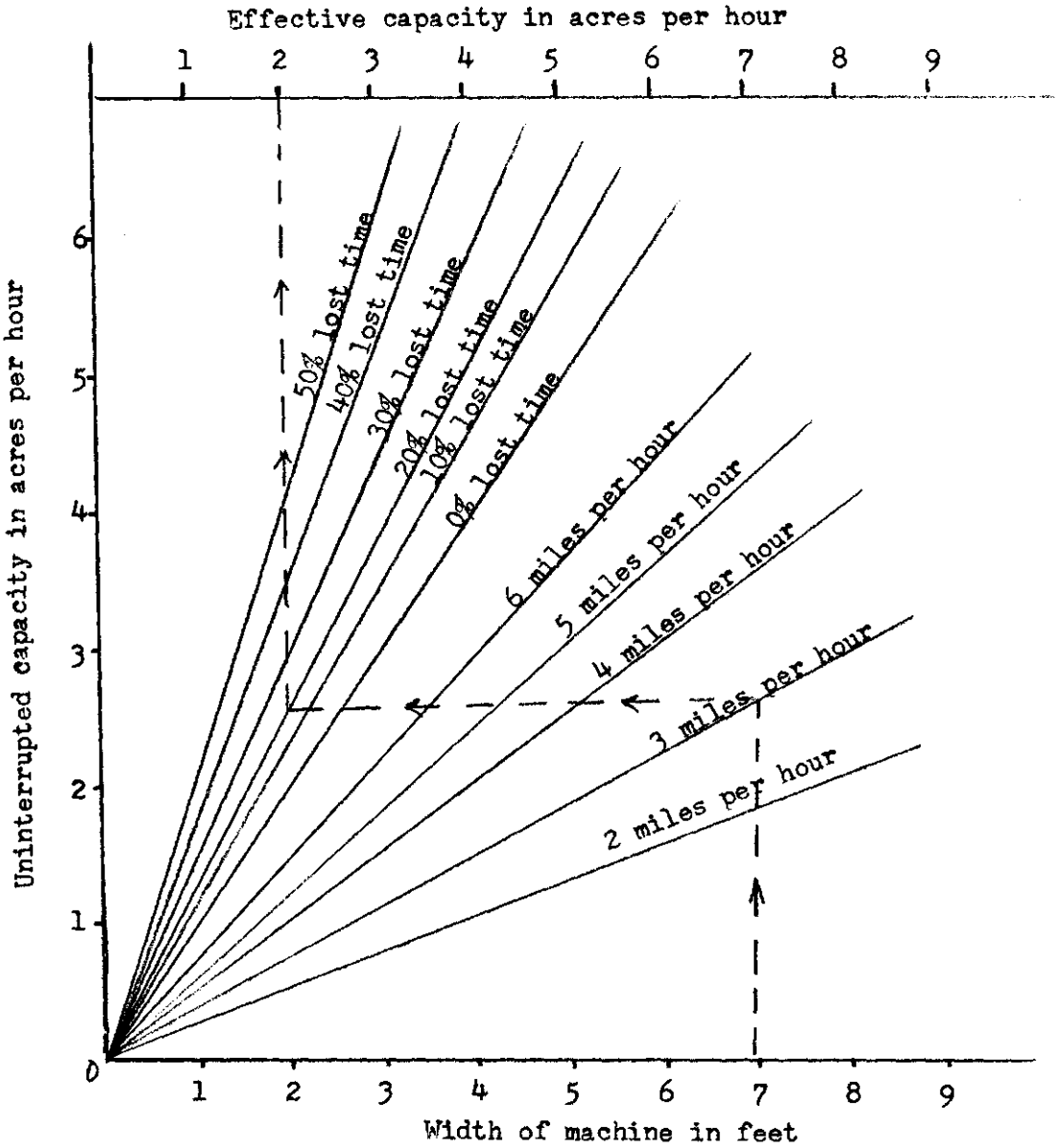

Figure 1. Capacity Chart for Field Machines

Source: C. B. Richey. 1961. "Crop Machines Use - II - Capacity of Crop Machines." Agricultural Engineers Yearbook, Amer. Soc. of Agr. Eng., St. Joseph, Mich., p. 98. (Permission for use granted by the American Society of Agricultural Engineers.)

Table 3. Number of days per month on which it rained, selected locations for the number of years as given*

Month	Days of rain	Stations					
		Mpls.	Grand Meadow	New Ulm	Worth-ington	Morris	Crookston
June	8 or less	7	8	9	9	16	18
	9 - 11	13	20	18	22	11	16
	12 or more	28	20	21	17	21	13
	Length of record (years)	48	48	48	48	48	47
July	8 or less	22	23	19	27	29	28
	9 - 11	17	20	21	16	16	15
	12 or more	11	7	10	7	5	7
	Length of record (years)	50	50	50	50	50	50
August	8 or less	22	24	26	23	23	30
	9 - 11	16	16	13	20	12	10
	12 or more	12	10	9	17	12	10
	Length of record (years)	50	50	48	50	47	50

* S. A. Engene. Weather Summaries. Unpub. data, Dep. Agr. Econ., Univ. of Minn., St. Paul.

the drying process is slowed sufficiently) so as to prevent hay bailing or combining on the day following the rain as well as the rainy day. Apparently, there are 15 days during June, 6 out of 7 years, that are unsatisfactory for bailing hay. Or, stated another way, in only one year in seven are more than 15 days suitable for bailing hay during June.

As you might expect, weather influences the "break-even point" on the seasonal-use machine by either increasing or decreasing the time you need to complete a job. When the weather factor is added to the machine capacity question, it becomes exceedingly difficult to determine the total time you need a machine to cover a given acreage. For example, one year you might operate harvesting equipment on five consecutive days. But the following year unfavorable conditions might require two weeks to have five days suitable for harvesting. Because of these unpredictable situations, lessors have difficulty setting up a schedule whereby the same machine can be used by several farm operators. This fact, in turn, is reflected in the rental rate charged by the lessor.

Tractor, Baler and Combine - To Own or Lease

Tractors

The number of tractors per farm has steadily increased since 1945. With this increase, the trend has been to reduce the number of hours each tractor is used per year. Nevertheless, tractors are still used more hours and more days per year than any other farm machine.

A tractor is a relatively high cost farm machine. When there is more than one tractor per farm, the second unit may be used more on a seasonal basis than on a yearly basis. In table 4, situation A assumes full yearly use of the tractor, situation B assumes supplemental or seasonal use.

Analysis of the comparative costs of owning versus leasing a farm tractor under the given situations suggests that there are times or conditions when leasing is more economical than ownership. But, with a change in conditions, ownership may be more economical.

Hay Baler, Combine

The hay baler and combine are both seasonal-use machines. The baler has a seasonal-use period of about three months with three or four short but very specific use periods within this overall period. The combine's seasonal-use period is divided into two rather distinct use periods--one for small grain and the other for soybean harvest.

The performance rate of both machines varies greatly. This variability can be attributed to:

(1) Differences in type and condition of the crop and terrain.

(2) The fact that most farm operators do not operate the machine at capacity but rather at a rate convenient to themselves or to those handling the harvested product.

(3) Weather conditions.

Table 4. Comparative costs of owning versus leasing a tractor under two different situations

Given:	Situation A	Situation B
Size, type	2-3 plow	3-4 plow
Retail price	$3500	$4500
Use, hours	850	50 in May 70 in Oct.
Period of use	1 year	5 days in May 8 days in Oct.
Annual fixed cost of ownership (percent)	14*	15+
Salvage value, percent of retail price	10	10
Rental rates - 1 day (percent)	-	1
1 week "	-	5
1 year "	10, 20, 30	-
COST OF OWNERSHIP		
Retail price	$3500	$4500
Salvage value	-350	-450
Amount of depreciation	$3150	$4050
Annual fixed cost of ownership	x 0.14	x 0.15
Annual cost of ownership	$ 441	$607.50
COST OF LEASING		
Retail price	$3500	$4500
Yearly rental rate, which may be	x.10 or .20 or .30	x 12
Cost of leasing	$350 $700 $1050	$ 450
Difference in favor of ownership	$-91 $250 $ 609	$-67.50

* Shelter is provided for both owned or leased machine in situation A.
+ Table 1, page 2.

For purposes of analysis, it is assumed that each machine has the following handling capacity:

Machine	Acres harvested per hour		
	Hay	Small grain	Soybeans
Hay baler	1.4	-	-
7-foot PTO Combine	-	1.4	1.2
12-foot SP Combine	-	2.5	2.1

By analyzing the computations in table 5, you can see that it is more economical to lease a baler if each hay crop can be baled in four days. This conclusion assumes ideal weather conditions and the possibility of obtaining a baler at the exact time needed. But under average conditions it is more economical to own the baler.

According to our findings concerning leasing or owning a $3000 or $6500 combine, there are occasions when leasing is more economical than owning and vice versa.

Apparently, two factors influence the "break-even point" more than any others--weather and the rate at which the machine performs. Although you have no control over the weather, you do have some control over the machine's rate of performance.

The comparative costs of owning versus leasing a baler, a PTO combine, and a self-propelled (SP) combine along with the break-even point and the probable acres that can be harvested with each machine are shown graphically in figures 2, 3, and 4. The annual fixed cost of ownership is assumed to be constant for the season or year for each machine. Note that with ideal conditions and using the daily rental rate of one percent, you can lease a baler for $2\frac{1}{2}$ weeks (point A, figure 2) before reaching the break-even point. However, the break-even point shifts to the right (point B) when weekly rental rates are used. A significant point brought out by both figures is that the break-even point for all three machines comes at approximately 3.5 weeks.

Table 5. Comparative costs of owning versus leasing a hay baler, a 7' PTO combine and a 12' SP combine

Item	PTO baler	7' PTO combine		12' SP combine	
Cost of ownership					
Retail price	$2000	$3000		$6500	
Salvage value (10%)	-200	-300		-650	
Amount of investment	$1800	$2700		$5850	
An. fixed cost of ownership	x .15	x .15		x .15	
ANNUAL COST OF OWNERSHIP	$ 270	$ 405		$877.50	
		Small grain	Soy-beans	Small grain	Soy beans
Cost of leasing under ideal conditions:					
Acres to harvest	40	40	25	125	65
Acres harvested per day	10	9.8	8.4	-	-
Acres harvested per hour		1.4	1.2	2.5	2.1
Hours to harvest		28.5	20.8	50.0	30.9
Hours per day		7	7	7	7
Days to harvest each crop	4	4	3	8	5
Crops per year	3	1	1	1	1
Total days used per year	12	7		13	
Rental rate (percent)*	1%/day	1%/day		8 da. for 7% 5 da. for 5%	
Retail price	$2000	$3000		$6500	
Rental rate (percent)	x .12	x .07		x .12	
COST OF LEASING	$ 240	$ 210		$ 780	
Cost of leasing under average conditions:					
Hours to harvest (ideal conditions)	-	28.5	20.8	50.0	30.9
Lost time factor	-	x 1.6	x 1.6	x 1.6	x 1.6
Hours to harvest due to cond.	1 week	45.6	33.3	80.0	58.4
Hours per day		7	7	7	7
Crops per year	3	1	1	1	1
Total days used per year	3 weeks	11		13 da. for 11% 9 da. for 8%	
Retail price	$2000	$3000		$6500	
Rental rate	x .15	x .11		x .19	
COST OF LEASING	$ 300	$ 330		$1235	

* Rental rates:

1 day	1	percent
1 week	5	"
2 weeks	10	"
3 months	30	"

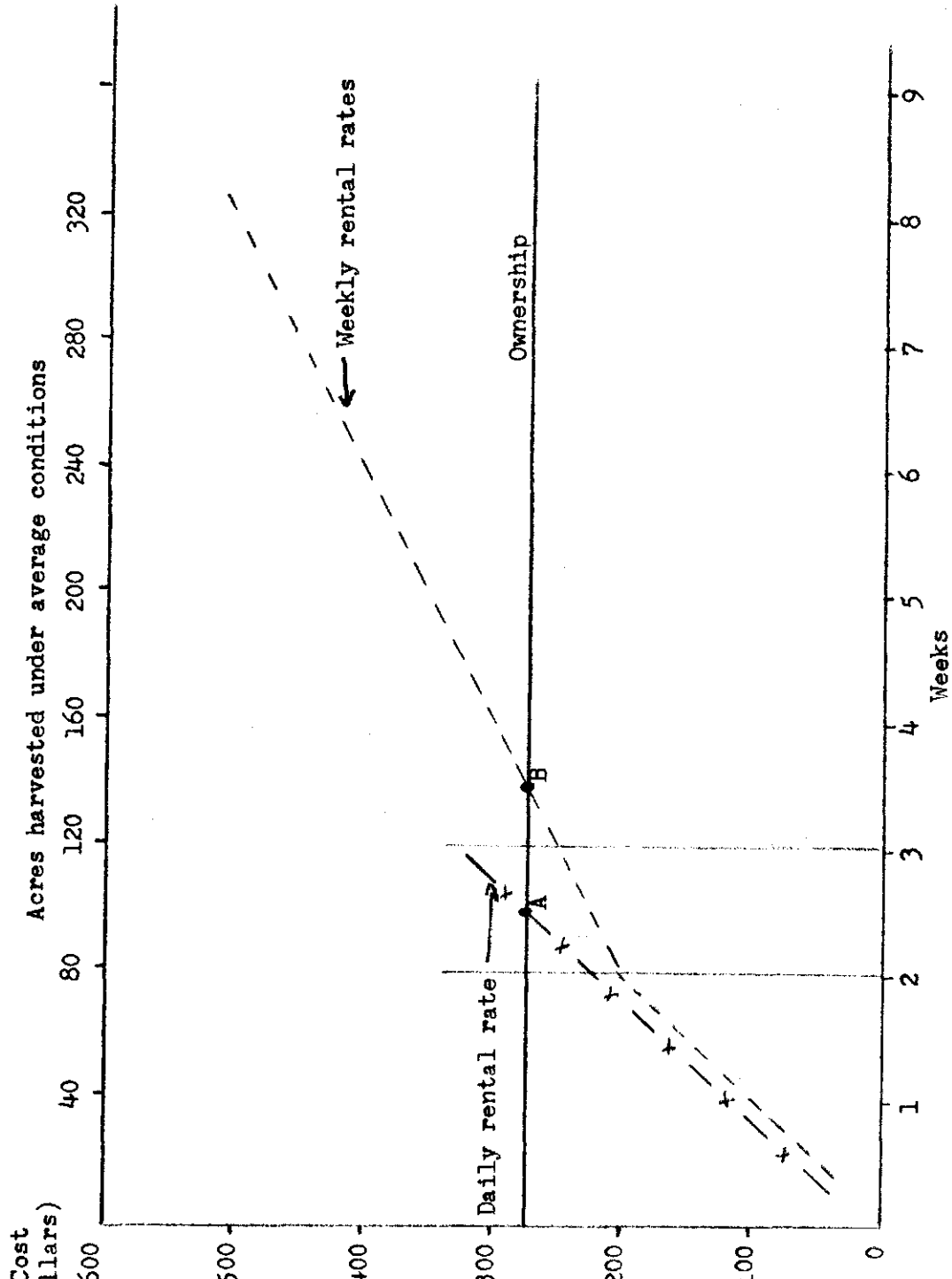

Figure 2. Comparative Costs of Owning versus Leasing a Baler

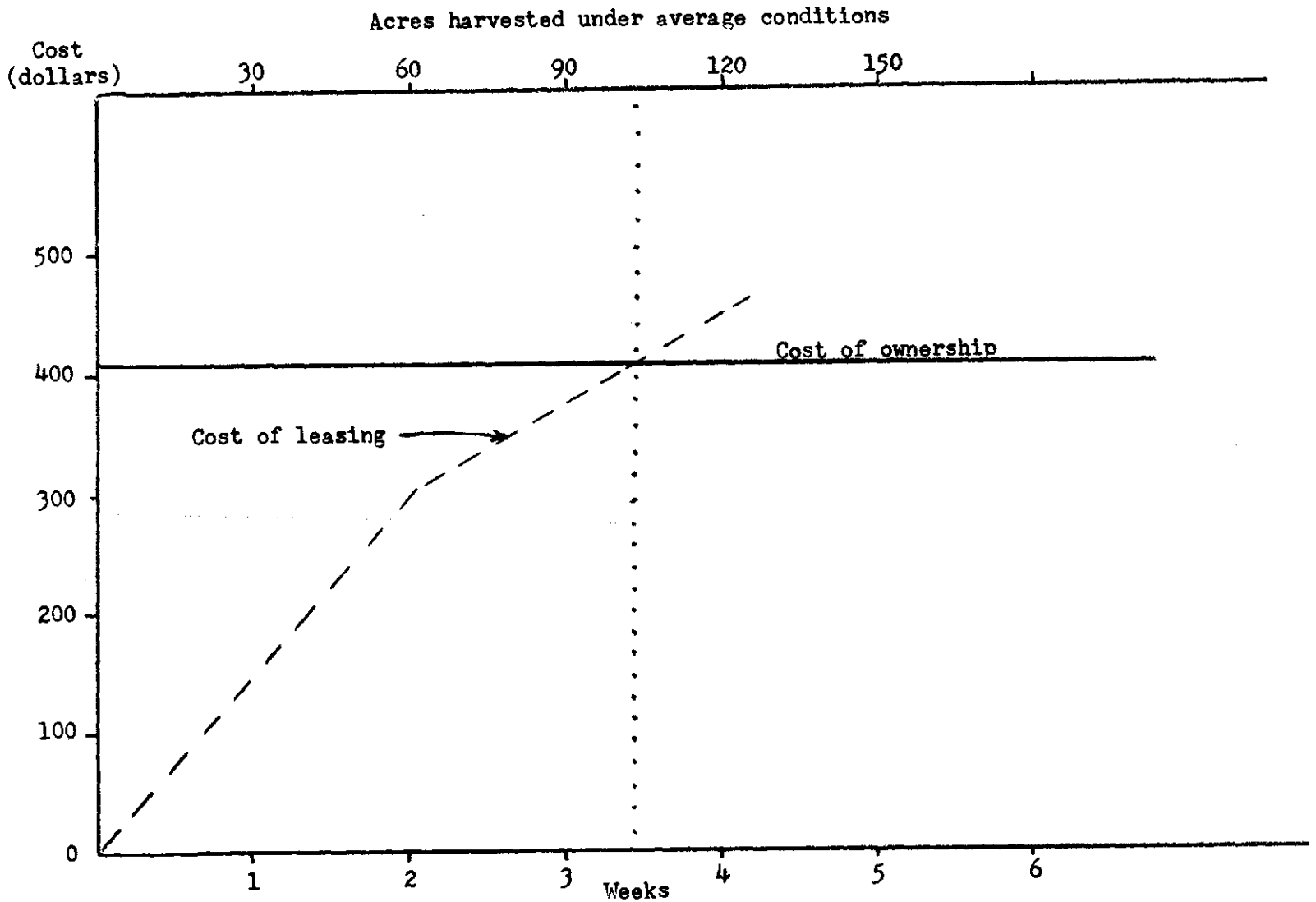

Figure 3. Comparative Costs of Owning versus Leasing a 7' PTO Combine with break-even point and probable acreage harvested

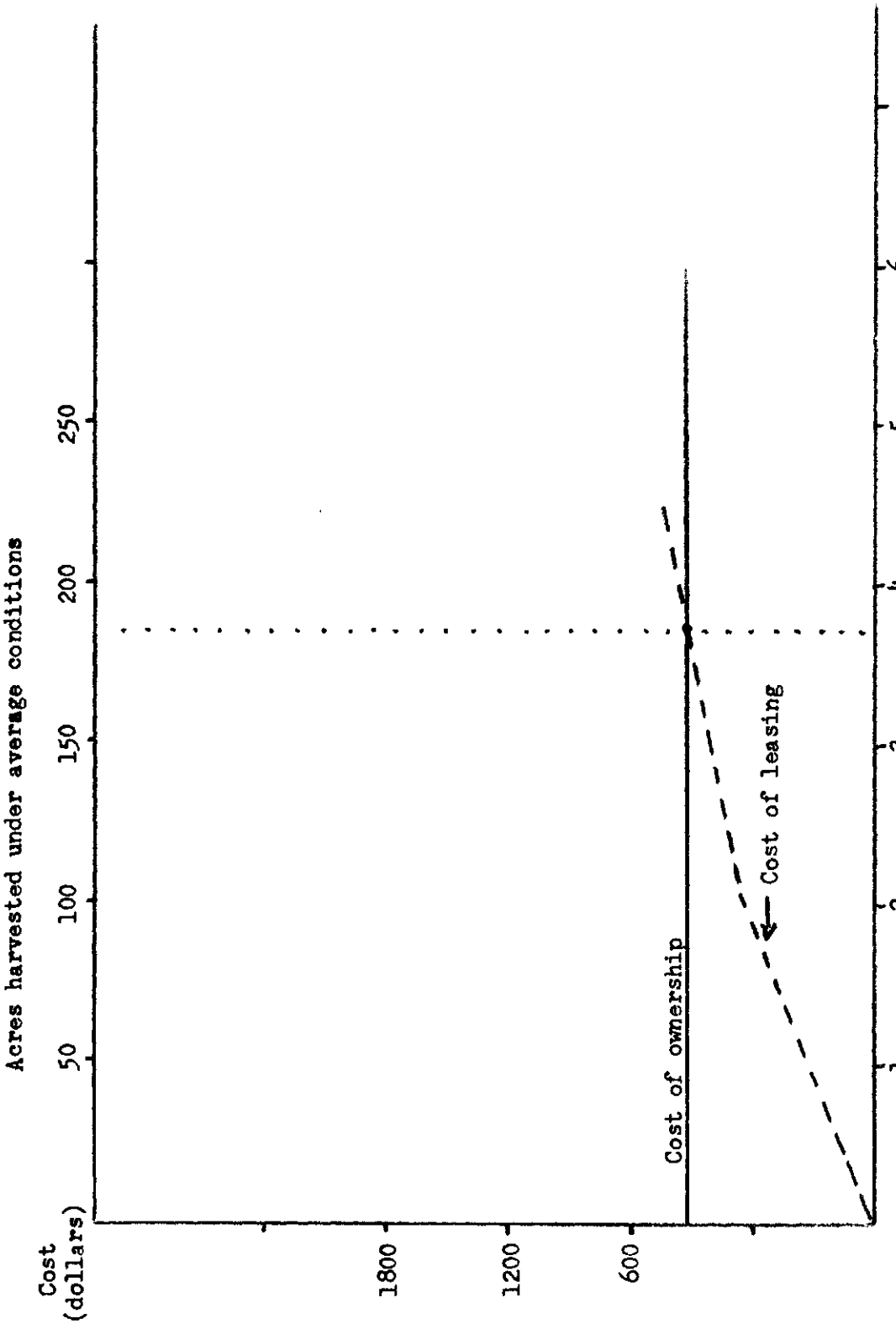

Figure 4. Comparative costs of owning versus leasing a 12' SP Combine with break-even point and probable acreage harvested

The break-even point for owning versus leasing any farm machine may be quickly determined by use of the proper chart, figures 5 and 6. The machine's expected salvage value in percent of the retail list price determines which chart you should use. You must also know or be able to determine the following:

(1) The retail list price of the machine.

(2) The annual fixed cost of ownership as a percentage of the retail price.

(3) The rental charge.

The following example illustrates how to use the charts to determine a break-even point. Use figure 5, given: salvage value, 10 percent; retail list price $7000; annual fixed cost of ownership, 15 percent; and rental charge, $700.

Find the retail price, $7000, on the left hand side of figure 5. Follow the dotted line over to the point of intersection with the 15 percent annual fixed cost in dollars, $945. When the rental charge is to the left of this point, it is more economical to lease. In this case the rental charge is $700; therefore, from the point of comparative cost only, it is more economical to lease. When the rental charge is to the right of the annual fixed cost point, it is more economical to own.

The same procedure applies to figure 6. The only difference is in the salvage value percentage as given for each chart.

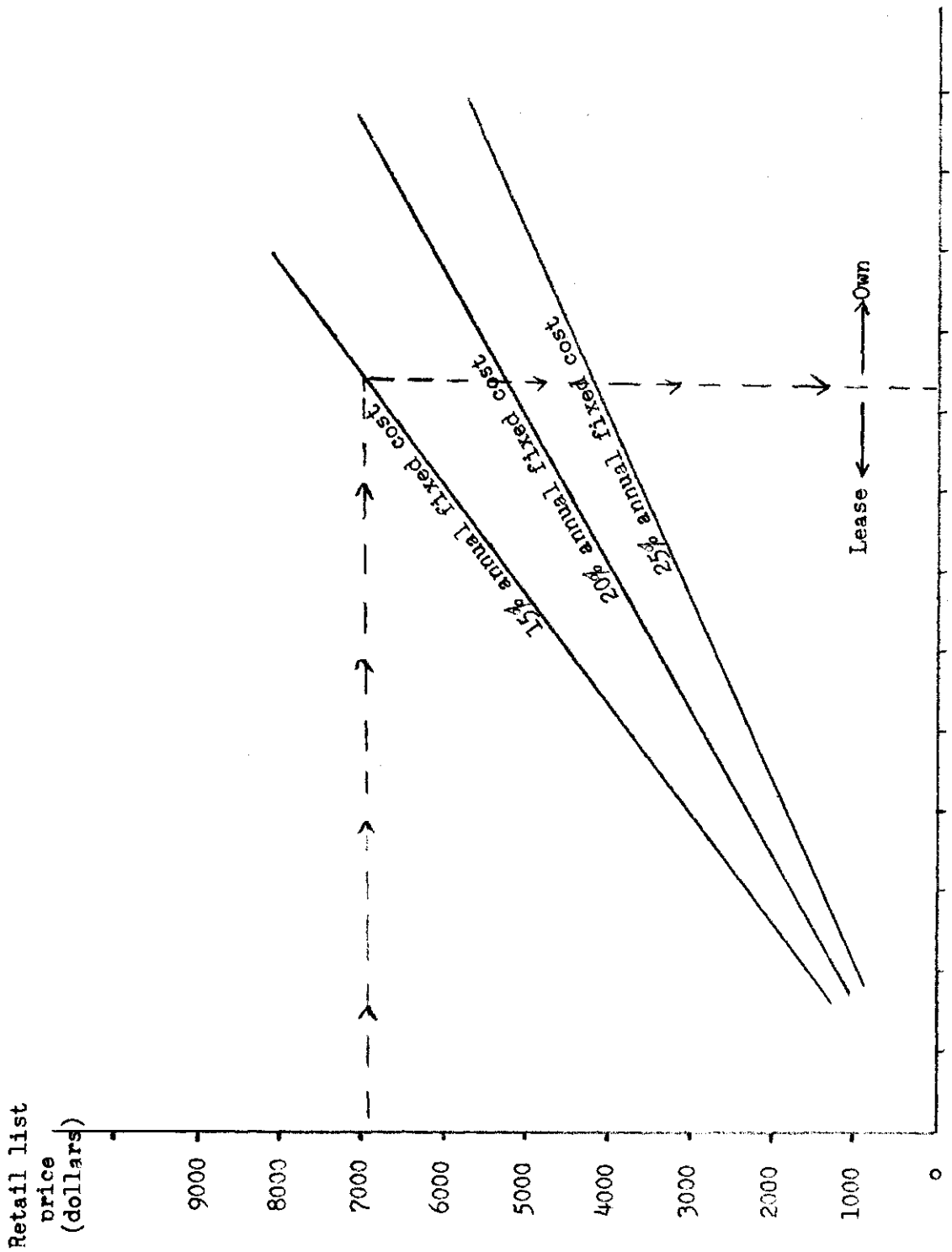

Figure 5. Determination of break-even point for owning versus leasing when the salvage value is 10 percent of the retail price.

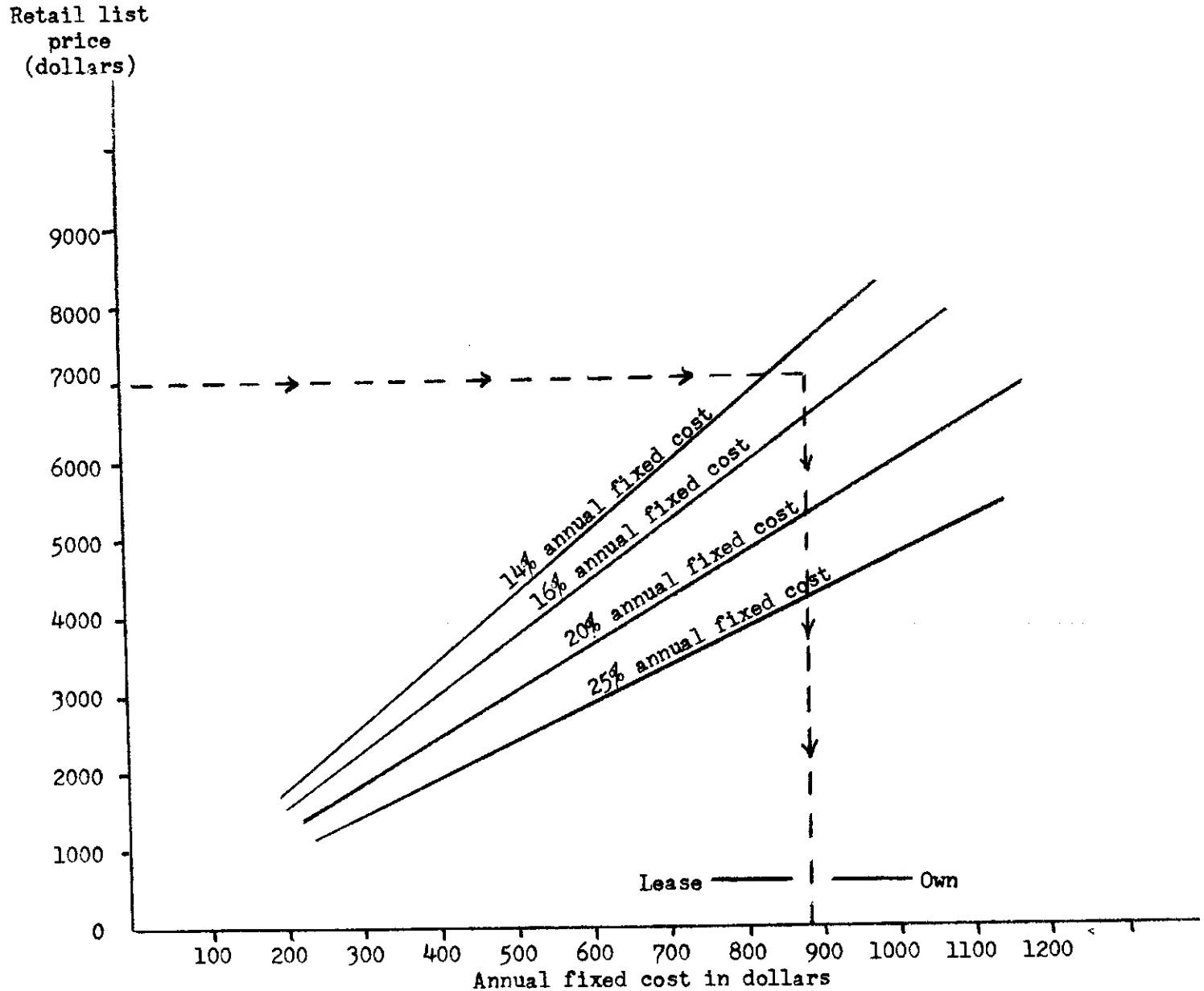

Figure 6. Determination of break-even point for owning versus leasing when the salvage value is 15 percent of the retail price.

OTHER FACTORS AFFECTING LEASING

Besides the comparative cost of leasing versus owning, you must consider less tangible factors. Although they are less tangible, they still should play a basic part in your final decision.

Flexibility

Flexibility is desirable in any farm business. It permits you to diversify or try alternative possibilities in order to meet changing conditions. Leasing farm equipment permits or increases flexibility in a farm operation.

Often you own a machine for a much longer time--due to lack of capital or limited use--than would be the case under a lease. You may hesitate to change machines to meet other changes because its purchase commits a large percentage of available capital. The uncertainties of a new method also might cause you to delay making changes. But a lease covers a short time and avoids long run commitments. It enables you to adjust more quickly to changing conditions in your farm operation by changing types of machines. It also makes possible the continual use of new and improved machines. Specialized equipment becomes available to you through a lease program. Often there is profit in expansion and leasing provides flexibility for such expansion.

Risk

Risk is another important factor in farming. Ways and means to reduce or spread risk are constantly sought and leasing farm machinery shifts risk. True, you have an investment in the leased machine in the form of rent, but this amount is much less than the capital investment under ownership. Leasing, in reality, is a method of sharing the costs and risks of ownership. You as the user (lessee) substitute a known rental fee for an uncertain and possible costly loss from obsolescence, machine failure, technological change, etc.

Release of Capital

The annual fixed cost of leasing may or may not be greater than the annual fixed cost of ownership. However, the initial investment is much greater under ownership--an important consideration if you have limited capital. In the cases cited, ownership of a tractor, baler, and combine requires $12,000 from either actual cash or credit sources (see table 6). Such a substantial demand would, in all probability, limit the capital available for your other farm business needs.

Table 6. Initial investment and annual cost comparison for ownership and leasing

Item	Ownership		Lease
	Initial investment	Annual cost	annual cost
Tractor, 2-3 plow	$3,500.00	$ 441.00	$1,050.00
Baler	2,000.00	270.00	300.00
Combine, 12' SP	6,500.00	877.50	1,235.00
Total	$12,000.00	$1,588.50	$2,585.00

On the other hand, through leasing you can obtain the use of these same machines for an initial commitment of $2585. So leasing releases or makes available for alternative uses $9,415 ($12,000 - $2,585). To break even the first year, you must use this $9,415 in alternative ways so that it will earn $996.50--the difference between the annual costs of ownership and of leasing ($2,585.00 - $1,588.50). Therefore, the alternative uses must return 10+ percent.

When only one year is considered, the previous statements apply. However, the situation is much different when you consider costs of owning versus leasing over a longer time. Under ownership, the initial investment of $12,000 is expected to provide equipment for the next 10 years. The cost of leasing these four machines or similar equipment for 10 years is $25,850. This

assumes no increase in either the retail list price or the rental rate--an unlikely probability.

So, over the 10-year period of use, the $9,415 difference between the initial investment of ownership and the annual lease cost must earn $13,580; this is the difference between $25,850 (the cost of leasing for 10 years) and $12,000 (the initial investment cost). Therefore, funds available each year for investment or use in alternative ways must earn 21 to 22 percent if leasing is to cost you no more than ownership.

In a farm business, where can you find alternative uses in which released capital will return 21-22 percent each year? Let us look at one alternative. According to University of Minnesota soil scientists, improved fertilizer and other management practices could increase the value of crops produced over a five-year period by about $95 per acre, if you used a typical rotation. The increased costs for fertilizer and sprays are estimated at about $26.50 per acre for a five-year rotation--$5.30 per acre per year.[1] The net return is $68.50 per acre for the five-year rotation of $13.70 per acre per year. This yearly return above costs amounts to a 258 percent return on the funds invested in fertilizer.

Let us state this in terms of an individual farm. If you operate 100 acres of cropland with limited capital, you have a choice of (1) leasing some equipment and using part of your limited funds to purchase fertilizer or (2) buying equipment and foregoing returns from fertilizer. Based on the example, an expenditure of $530 per year for fertilizer brings a net return of $1370. This may be one choice that you have. However, if you are already using adequate amounts of fertilizer, opportunities for this kind of return are quite limited.

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1. W. B. Sundquist and A. C. Caldwell, "Profits from Fertilizer Use," Farm Business Notes, No. 415, Institute of Agriculture, St. Paul, Minnesota. March 1960.

Sales Tool

Leasing might act as a sales tool for the lessor. And you might benefit from such a possibility by receiving a more favorable rental rate. The lessor might charge a lower rental rate if he knew that once you used the machine, you would prefer to purchase it.

Lease Limitations

A lease may include some clauses or limitations objectionable to you. Some leases restrict the use of a machine to ten hours a day. Often leases do not suspend or reduce the rental fee on days when weather conditions make it impossible to use the machine. This clause is significant with machines such as balers and combines that can be operated only under ideal weather conditions. For example, you might lease a combine for two weeks but, because of weather conditions, the work could not be completed. So you would have to lease the machine for one more week. This system, first of all, increases the rental fee. It also raises a problem regarding the availability of the machine. If the lessor has made a prior commitment, the machine might not be available to you for the extra week. Or if it is left with you, the other party would have to wait and risk loss to his crop or make other arrangements.

Pride of Ownership

There is a traditional prejudice in favor of ownership. Ownership dispels a fear of dispossession that many persons associate with leasing. Ownership is also a way to obtain social prestige. Furthermore, a pride in ownership that you may not feel when leasing machines can be an important factor in the machine's care and operation. If the care of servicing of machines is neglected because of the lack of this pride, both you and the lessor stand to lose: you because more lost time from breakdowns may result and the lessor because the machine will be in poorer condition when it is returned.

New Machines

The availability of new up-to-date machines is one favorable factor of leasing. But this factor has an unfavorable aspect as well. Each new machine is different. So you must get to know each new unit. With ownership this task would probably occur every eight to ten years. With leasing it could be every year or at least every three years.

Labor Supply

One reason for buying or leasing machinery is to reduce work. Yet, it is necessary to consider the available labor supply before doing either. If there is not sufficient labor available to properly operate the machine, you have to hire additional labor. This expense becomes an added cost to both buying and leasing. An alternative is to hire custom operators where both machines and labor are hired. Furthermore, if you save labor by owning or leasing a machine, are you putting it to productive use? Otherwise, no monetary value can be placed on such saved labor.

Timeliness

Will the machine be available when needed? Often weather conditions or mechanical failure may mean that a machine cannot be leased when needed. Delays at critical times, such as planting or harvesting, can mean far greater losses than any savings that might accrue through leasing.

Tax

All time lease payments are deductible expense items when calculating net farm profit for income tax payments. Depreciation when the item is owned is also deductible. However, the investment credit provision of the present tax structure amounts to more than a deduction. It allows the owner to claim depreciation in the regular manner and also to directly reduce his income tax payment by the amount of the credit up to 7 percent of the cost of the machines. This tax provision tends to make ownership more advantageous than leasing.

Contamination

Livestock diseases or seeds of noxious weeds may be carried from farm to farm unless leased machines are properly cleaned by the lessor after each job.

Lease Agreements

As a prospective lessee, you should be aware of the various conditions or terms in lease agreements. The items discussed here are from a typical lease but are not necessarily contained in all leases in the same language. In any case, read any lease carefully before agreeing to it.

Term of Lease

The term of any lease agreement refers to the period of time--length--that it is in force. Some agreements contain a more flexible term provision than do others. The more flexible provision is desirable if you lease farm equipment because of the high seasonal use of some machines.

Rental Rates and Payments

Rental rates generally correspond to several possible terms of the lease and depend upon the term you select. Some leases provide that the rental rate may be determined by the acres covered, miles traveled, or tons handled. Some also provide that you must pay additional rent if you use the machine for more than a predetermined number of hours in any one day or specified period. Few, if any, agreements provide for a suspension or reduction in the rental rate because of time lost due to weather.

Privilege of Purchase Option

Not all lease agreements provide you with the opportunity to eventually purchase the machine. If this provision is included, you are generally given a stated time within which to exercise this privilege. The lease should also

designate the percent or amount of your previously paid rentals that will be credited to the purchase price.

Insurance

When the lease is on a daily or weekly basis, the lessor normally insures the equipment. Insurance privisions for longer lease periods specify that you (1) insure the equipment against all risk of loss or damage from any cause and (2) carry public liability and property damage insurance.

Taxes

Taxes are normally paid by the person or organization owning the equipment. Leased equipment remains the property of the lessor. However, most lease agreements state that you as the lessee pay all taxes and assessments. These expenses are costs over and above the actual rental rates you pay for the use of the equipment.

Delivery

When you buy a machine, the normal procedure is for the dealer to deliver it to you. This cost is included in the sale price agreed upon by you and the dealer.

Some lease agreements establish the rental rate freight on board the lessor's place of business; others specify delivery to you.

After the lease period, some agreements require that you return the equipment to the lessor's place of business. Others require you to deliver the equipment to a specified point within the city or county to which it was delivered or to load it onto a carrier specified by the lessor.

Repair and Maintenance

Repair and maintenance are your responsibility. However, you are forbidden by the lease to use the equipment beyond its capacity or to improperly care for it.

Warranty

The warranty or guarantee is made by the equipment manufacturer. Through his agent, the retail dealer, the manufacturer states or guarantees that the equipment meets certain standards and will operate properly for a specific time. All lease agreements contain certain warranty provisions but they may be found in more than one section of the lease.

When you lease equipment from someone other than a local dealer, you lose direct contact with the dealer and, in some instances, with the company. Most commercial lease agreements provide for these situations. How adequate the agreement is depends upon the lease company, you, and the policy of the machine company. Moreover, a third party or "middleman" arrangement could cause you to lose valuable time, not only while the machine is still under warranty but also when other repairs are needed.

Summary

As a farm operator, you must weigh and evaluate many factors when deciding whether to purchase or lease a farm machine. The most tangible factor to evaluate is the difference between the cost of purchasing and the cost of leasing a farm machine. However, your final decision involves the appraisal of many factors--most intangible. Some factors can be controlled, some cannot. These variables make it difficult to make positive recommendations. However, the following conclusions are based upon data available.

(1) The annual fixed cost of leasing may or may not be less than the annual fixed cost of ownership. This condition depends upon the rental rate which, in turn, is dependent upon the time you need the machine to perform a given job.

(2) The break-even point for owning versus leasing farm machines is easily determined (by using the charts presented) when you know: retail list

price, salvage value, annual fixed cost of ownership, and rental amount.

(3) Your evaluations of the many intangible factors involved will vary from year to year and from machine to machine.

(4) Capital released by leasing can be put to alternative uses. In some uses it will earn a much higher return than if invested in a farm machine. However, over a period of years, the areas of profitable alternative uses are limited.

(5) Leasing a farm machine requires a smaller initial outlay of capital than does owning. This added source of credit can be beneficial to you if you have limited capital.

Finally, after considering all factors--tangible and intangible--you must consider your situation individually and arrive at a final decision based upon the information available.