Return on your investment – buying the right amount of machine

Somewhere along the line, Pappy said, “Spend your money on things that make you money.” Great advice! The back half of that is “The more you spend, the longer it takes to pay for it.” But when it comes to a firewood processor, there are a lot of things to consider and the price of the machine is part of the value equation.

If everything else is equal, the less you spend, the more you make or the quicker it is paid off – you have a better return on investment.

So, how do you decide what makes sense as you invest in a firewood processor? Start by taking a realistic look at the size and volume of wood you have available.

Next, think about how much you really go through and where that number is headed. If you are a homeowner heating your house, 10-15 cords annual is probably in the right neighborhood. Commercial guys generally have a better handle on their overall volume, but even then, take a look at where you are today, growth history (if you have it), and where you realistically want to go to. If your current volume is 200 cords annually and growth has been flat, getting a machine that could take you to 1,000 cords or more annually is probably overkill, unless you have the customers, but didn’t have the ability to produce.

Consider how much time you plan to spend running the machine. Time versus money is a huge piece of the puzzle. Time is money – we’ve all heard it, but how do we make it count? Let’s throw some simple math around (These are representative numbers for illustration only, fill in with your own for an estimate of potential profit):

Per cord cost of goods sold		Income	
Cost of machine	A__(20000	Cords of wood sold annually	B__(400_
Cords per year to sell	B/___400_	Sell price per cord	J*__250)
Machine cords per hour	C/_____2_	Annual gross income	K=100,000
Years to payoff	D/_____4_		
10% Misc operating expense (Includes fuel, maintenance, etc)	E*__1.10)=___6.88 Per cord machine cost	Cords of wood sold annually	B___(400_
		Per cord cost	I*_136.88)
Cost of wood to landing per cord	F+__(100)=__100.00		
		Annual Cost of goods sold	L=_54,752
Labor per hour (including benefits and overhead)	G+__(30_		
		Annual Gross income	K_100,000
Number of workers on machine	H*____2_		
		Annual Cost of goods sold	L-_54,752
Machine cords per hour	C/_____2)=__30.00 Per cord labor cost	Annual net income	M=_45,248
Total per cord cost	I_____136.88	Not bad for 200 hours of work!	

(A_____/B_____/C_____/D_____*E1.10) + (F_____) + (G_____*H_____/C_____) = I_____

(B_____*J_____) = K_____ (B_____*I_____) = (K_____-L_____) = M_____