

Part 610 – Natural Resource Economics Handbook

Subpart D – Evaluation Techniques

Figure D-3 Buy or Rent Example

The screenshot shows a Microsoft Excel spreadsheet titled "Examples.xlsx - Microsoft Excel". The spreadsheet contains data for a "Buy or Rent a Drill" analysis over a 10-year planning period. The data is organized into two main sections: "Known Information" and "Analysis".

Known Information:

Planning period (years):	10
Discount rate:	10%
Acres of cropland:	600
Purchase cost of a new drill (\$):	24,000
Residue value of the drill (\$):	4,000
Annual repair cost (\$):	300
Annual taxes and insurance (\$):	50
Drill rental cost (\$/acre):	7.50

Analysis:

	0	1	2	3	4	5	6	7	8	9	10
Additional Revenue (\$):											
Reduced Costs (\$):											
Drill rental cost (\$/acre):	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Total positive effects (\$):	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Additional Costs (\$):											
Purchase cost of a new drill (\$):	24,000										
Residue value of the drill (\$):											4,000
Annual repair cost (\$):	300	300	300	300	300	300	300	300	300	300	300
Annual taxes and insurance (\$):	50	50	50	50	50	50	50	50	50	50	50
Reduced revenue (\$):											
Total negative effects (\$):	24,000	350	350	350	350	350	350	350	350	350	4,350
Net effect (\$):	(24,000)	4,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150	4,150	150
Net Present Value (NPV, \$):		(42.22)									
Internal Rate of Return (IRR):		9.96%									

The formula in cell C27 is =NPV(C5,D26:M26)+C26.