



TECHNICAL NOTE

FOR IN-SERVICE USE



THE FLAT RATE SCHEDULE

A flat rate schedule is similar to the estimate an auto repair shop gives to fix your brakes, or, the estimated amount a session of dental work may cost. In its most basic form, it is an estimated cost based upon experience, judgment, and knowledge of similar individually priced items. In conservation operations, a flat rate schedule lists the average annual costs of applying a practice or its component parts. These annual figures include amortized installation plus operation and maintenance costs. Practice costs and combination costs can be used in planning and evaluating alternative resource management systems.

The cost should be based on averaged or normal-sized jobs done by experienced contractors, operators or vendors. It should include non-real estate taxes, insurance, equipment, labor, safety equipment, and other items ordinarily included as overhead costs. The cost need not include costs for land on which the practice is to be performed or installed or any costs commonly associated with real estate such as taxes or interest.

Remember, the time value of money is an important factor to consider when a landuser considers purchasing conservation. It must be realized there is a cost above and beyond the purchase of a conservation measure (installation cost). If borrowing, the landuser's additional cost is equal to the interest he must pay for the loan. If he uses his own money, The landuser's additional cost is equal to the return the money would have earned in some other investment.

Finally, conservation practices used for 2-3 years need not be amortized. For short-term practices, such as a grass seeding in a rotation, simply divide the cost by it's lifespan for the

annual production cost. For long-term practices, such as pasture seeding, which should last longer than three years, the costs of seeding should be amortized.

So, include: non-real estate taxes, insurance, equipment, labor, safety equipment, and other items ordinarily included as overhead costs.

Exclude: costs for land on which the practice is to be performed or installed, or any costs commonly associated with real estate such as taxes or interest.

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