

Center for Profitable Agriculture

The University of Tennessee
Agricultural Extension Service

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A Worksheet Approach: Break-Even Analysis for Agritainment Enterprises

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Table 6 - - Start-Up Costs

<u>EXPENSE ITEM</u>	<u>COST ESTIMATE</u>	<u>Your Estimate</u>
Barn, Fence, Farm Renovations	\$4,000	
Parking	\$2,000	
Long-term Signage (10 signs @ \$150 ea.)	\$1,500	
Wagon Adjustments (\$200 * 2 wagons)	\$400	
Playground Development	\$1,200	
Picnic Tables (\$80 * 7 tables)	\$560	
Develop Walking Trails	\$600	
Labor	\$2,000	
TOTAL START-UP COSTS	\$12,260¹	

¹ If the entrepreneur plans to repay all of the start-up expenses in three years at 8% interest, approximately \$4,757 will be needed each year for the three-year payback period.

Table 7 - - Annual Operating Costs

<u>EXPENSE ITEM</u>	<u>COST ESTIMATE</u>	<u>Your Estimate</u>
Annual Payment to Start-Up Costs	\$4,757	
Electricity	\$1,200	
Portable Restrooms & Hand-Washing	\$600	
Liability Insurance & Business Licence	\$2,050	
Newspaper, Radio, Direct Mail Advertisements	\$1,750	
Hay for Wagons	\$40	
Tractor Fuel	\$75	
Labor	\$1,800	
<u>Maintenance</u>	<u>\$300</u>	
TOTAL ANNUAL OPERATING COSTS	\$12,572	

Table 8 - - Variable Costs Per Student

<u>EXPENSE ITEM</u>	<u>COST ESTIMATE</u>	<u>Your Estimate</u>
Two-hour guided stay	\$0.50	
Hayride	\$0.10	
Pumpkin	\$1.90	
Mini-Pumpkin	\$0.90	
Paint	\$0.20	
Two apples	\$0.40	
<u>Coloring book</u>	<u>\$0.70</u>	
TOTAL of VARIABLE COSTS PER STUDENT	\$3.80	

Break-Even Projections:

- ✓ Average Admission Price (\$5.00) _____
- ✓ Average Per Unit Variable Cost (\$3.80) _____ (page 4)
- ✓ Average Annual Fixed Costs (\$12,573) _____ (page 3)
- ✓ Number of admissions needed to break even is:

$$\begin{aligned} & \$12,573 / (\$5.00 - \$3.80) \\ & \$12,573 / \$1.20 \\ & = 10,478 \end{aligned}$$

??? How confident are you that 10,478 people (paying an average of \$5.00 each) will attend your business?