



Budgeting 101

Budgeting is a powerful planning tool, used for comparing alternatives on paper before committing resources. Budgeting helps allocate money appropriately and prioritize investments and purchases.

Things to consider before building a budget

- ✓ Determine objectives and goals
- ✓ Inventory available resources
- ✓ Identify potential enterprises
- ✓ Estimate revenue/cost per enterprise
- ✓ Choose a combination of enterprises

Enterprise Budgets and Whole Farm Budgets can be prepared using the following formula:

$$\text{Profit} = \text{Total Revenue} - (\text{Variable Costs} + \text{Fixed Costs})$$

Enterprise Budgets provide estimates of expected revenue, expenses, and profit for a single enterprise or project. They can be constructed to reflect each way of producing the product (ie. varying technologies, no till vs till, irrigated vs. dryland)

Completing Enterprise Budgets and the Whole Farm Budget

1. Calculate total revenue using:
 - Number of acres per enterprise
 - Yield per acre (ie. Bu/acre, ton/acre, cwt/acre, etc.)
 - Price per unit
2. Research variable costs per acre or total for each enterprise (i.e. Feed, Seed, Fuel, Fertilizer & Chemical, etc)
3. Calculate Fixed Costs. Include the DIRT Five (Depreciation, Interest, Rent, Taxes, Insurance). Don't forget family living if off-farm income does not exist.
4. Determine net profit per acre and per enterprise. Profit = Total Revenue – (Variable Costs + Fixed Costs)
5. Analyze varying enterprises for feasibility, profitability, liquidity, etc.
6. Combine various enterprise budgets according to crop plan to create a whole farm budget.

Additional Budgeting Considerations & Tips

- **Calculate your break-even price per enterprise.** Knowing a break-even price for each crop can help to develop a successful marketing plan. **Breakeven = (Variable Cost + Fixed Cost) ÷ expected yield per acre**
- **Be conservative.** If it works with low commodity prices and high costs, it will work with high commodity prices and low costs.
- **Do your research** and utilize the resources available to you (enterprise budgets, spreadsheets, etc.) Ag Universities and extension agencies have a lot of resources for producers.
- **Consider several alternatives.** Compare the effects of different crop plans based on profitability, availability of resources, timing of cash flows (liquidity), etc.
- **Communicate** your crop plan and projected budget to your lender. Lenders use this information to build projections and determine lending capacity. Sharing this information will help them better understand your operation and your goals.



Total Budget		Customer Name:			
Revenue					Total
Crops					\$ -
Livestock					\$ -
Gross Income					\$ -
Direct Costs					
Seed					\$ -
Fertilizer					\$ -
Herbicide & Insecticide					\$ -
Irrigation					\$ -
Labor					\$ -
Crop Services					\$ -
Fuel					\$ -
Repairs & Maintenance					\$ -
Freight					\$ -
Baling					\$ -
Storage					\$ -
Payment on Coop Shares					\$ -
Interest					\$ -
General Farm Overhead					\$ -
Machinery Ownership Costs					\$ -
Real Estate Taxes					\$ -
Cash Rent					\$ -
Summer Pasture					\$ -
Crop Residue					\$ -
Feed					\$ -
Protein & Mineral					\$ -
Vet Medicine/Drugs					\$ -
Replacement Females					\$ -
Bull Charge/Breeding Costs					\$ -
Miscellaneous - Livestock					\$ -
Other Costs					\$ -
Total Direct Costs					\$ -
Other Costs (Enter total for entire operation)					
*					\$ -
*					\$ -
*					\$ -
**					\$ -
***					\$ -
Total Other Costs					\$ -
Total Costs					\$ -
Net Income					\$ -