

Budgeting Basics

Budgeting is a process of estimating costs, returns/income and net profit of a farm or a particular project or enterprise. Budgeting allows farm managers a consistent way to analyze different options and make decisions or prioritize investments and purchases.

Budgets can be prepared using the following formula:

$$\text{Projected Net Income} = \text{Total Projected Income} - \text{Total Projected Expense}$$

Before you Budget:

- ✓ Identify goal(s) for your project (profit, 4-H or FFA requirements, growth, etc.)
- ✓ Make a list of available resources
- ✓ Estimate what you'll need to buy and how much it will cost (research prices and quantities needed)
- ✓ Estimate what income/revenue you will have from your project

After calculating your expected income, expense, and profit answer the following questions:

- ✓ Is the budget meeting the goals for your project?
- ✓ Do you have access to all of the resources needed to successfully complete your project? (money, land, etc.)
- ✓ Is your budget realistic?

Once you can confidently answer yes to all of these questions, you have successfully completed your budget and can move forward on your project!

2018 - 2019 Budget		
Project Name: _____		
Projected Revenue		
Livestock Sales	\$	-
Crop Sales	\$	-
Wages	\$	-
Other	\$	-
Total Projected Income	\$	-
Projected Expenses		
Animal Cost	\$	-
Feed	\$	-
Rent	\$	-
Supplies	\$	-
Miscellaneous	\$	-
	\$	-
	\$	-
Total Projected Expense	\$	-
Projected Net Income	\$	-

PFC's Top 5 Budgeting Tips

1. **Be conservative.** *If it works with low prices and high costs, it will work with high prices and low costs.*
2. **Do your research.** *Spend time researching market prices and expected costs. There are a lot of resources available throughout your community and on the internet to get accurate estimates.*
3. **Communicate your plan.** *Ask your advisor/club leader, extension agent, or lender what they think. Do they think your plan is realistic? What would they change? They are there to help!*
4. **Stick to your budget.** *Unexpected costs are sure to come up but whenever possible make purchasing decisions according to what you budgeted ahead of time.*
5. **Review your plan.** *Take time throughout the year to look over your budget and see where you stand, make adjustments for things that have changed. A good financial manager doesn't just look at their financial position at the beginning and end of their project, they are monitoring it continuously.*