

**Workshop Title: Farm Budgets Made Simple**

**Speaker(s) & their titles:** Richard Wiswall, Cate Farm (VT)

**Executive Summary**

In this talk Richard breaks down the most important aspects of calculating farm budgets. He uses the example of keeping 50 laying hens to demonstrate that a venture may not be as profitable as one would assume. He emphasizes the importance of calculating your own labour costs.

**Detailed Notes**

**Planning for Profit**

“Profit = income – expense” is the most important concept for Richard as this puts profit before income and expenses. He also emphasizes ensuring that activities are profitable.

**First, Set Parameters**

To begin it is important to know your parameters: whether they are the size of area or the amount of profit you want to make. You should also consider labour at this stage and think of the labour in \$/hour.

**Narrow Your Focus**

It is important to keep focused with the big picture in mind and not track more information than is useful.

Richard uses the purchase of 50 laying hens as an example to calculate whether a venture will be profitable. (He always dates and keeps his budget in chronological order)

**Example:**

-November 20: 50 pullets for \$10 = \$500

-Feeder - \$30/5 yrs of use = \$6

-Waterers - \$30/5 yrs of use = \$6

\* you don't have to buy feeder and waterer every year, spreading the cost of the time you'll own but you still have to pay now \*

-Feed \$4500 for a year

-Bedding: 5 bales of hay = \$4, peat moss = \$8

-Chores: Morning and evening chores - 30 minutes a day =  $\$7.5 \times 365 = \$2737$

Egg processing (wiping and putting in cartons) - 20 minutes a day =  $\$5 \times 365 = \$1825$

Cleaning out coop - 2 hours every 2 weeks  $\$60/\text{month} = \$720/\text{year}$

-Supplemental lighting: 4 hrs of light a day with 100 watt light bulb - 400 watts X winter months - \$15/year

-Outdoor fencing: 4 ft fence

-Laying box: \$10/over life of laying box

-100 egg cartons @ 25 cents each: \$25

Total Expenses: \$8422

Sales

1100/dozen @ \$6/dozen = \$6600

50 Spent layers @ \$7 = \$350

Bedding pack = \$50

Total Sales: \$7000

Richard uses the example to demonstrate the need to be objective with your profits. Labour costs are most significant and it is important to account for the costs of your own labour. This example does not even account for overhead. Further the example assumes zero mortality and no marketing costs.

Richard considers any crops that are not making profit to be unjustifiable although he says they could be seen as advertising.

Lesson Learned

The most important conclusion from this exercise is that labour is a big budget item and we must account for the costs of our own labour because in the end we all only have 24 hours in a day. He suggests that efficiency of scale can help increase profitability but you still must ensure that your budget is profitable.

“I am not a capitalist pig-dog-Shyster”

Richard says that even though he is very concerned with profit that is not his only concern. However, he says that a 10% price increase can make a significant difference for your profits, as well as the reverse – that giving discounts reduces your profit drastically.

Chapter Two: Farm Budgets Made Complicated

In this section Richard goes into more complicated scenarios such as multi-year budgets. An example multi-year budget would be buying all plants in year one including labour of transplanting etc, but with zero yield followed by years 2 - 5 with a small yield and the yield increasing after that along with increases in profit. In this type of budget the costs of year one will be spread out among the following years but the money to start is still needed at the beginning.

Other more complicated budgets include those for value-added products and sow/feeder pig operation where there are costs of keeping the sows plus the spin off costs of keeping the piglets.

As a final example Richard demonstrates the costs of renting a tractor. A used 2-wheel drive, 50 HP tractor costs \$10,000 and if you keep it for 10 years it could have \$5,000 resale value. In this example the tractor costs:

- \$500/year to own
- fuel: \$150/year
- repairs: \$500/year
- Total: \$1150/year

**2013 ACORN Conference  
Delta Beauséjour, Moncton NB**

100 hours/year = \$11.50/hour

200 hours/year = \$6.26/hour

1 hour/year = \$1150/hour

+ labour and equipment

Therefore the need to buy a tractor depends on the number of hours you'd be using it.