Farm Business Management: The Fundamentals of Good Practice

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Chapter 5
Budgeting Practicalities: Costing Out the Proposals
LEARNING OBJECTIVES

Discover why you need to understand that successful budgeting depends on experience, knowledge and skill, and also using a tradition that is good at reading the tea cups (expected prices).

Learn about the practicalities of putting together a budget.
Practicalities of Budgeting

Important skills in successful budgeting:

- Mental simulation of likely outcomes from proposed plans and decisions.
- Estimation of likely prices and costs from gathering all evidence available worldwide.
- Estimation of inputs needed for proposed plans (systems) involving land use schedules.
- Estimation of stock reconciliations and outputs.
- Estimation of labour requirements for proposed plans.
- Culminates in cash-flow estimation. Involves dividing costs and returns into months. Includes tax and personal flows as well as financing costs to give net monthly cash flows.

Feasibility: ensure all plans are fully resourced and practically feasible.
Practice Makes Perfect

• Consider examples to learn nuances.
• Visit case farms and follow through budgeting exercises.
• Check accuracy and feasibility with farmer and instructors.
Thank You

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