

# New Entrants - Business Opportunities



December 2017



# Objectives



- Business accounts refresher
- Explore options for expanding your farm / croft
- Understand partial budgets

# January 2017 Summary

- Have a plan for your business
- Assess your existing business performance
  - Using Accounts
  - Using our own management information
- Take advantage of your strengths
- Work on your weaknesses
  
- And enjoy your business

# Accounts Refresher



FARM  
ADVISORY  
SERVICE



# Accounts are your business



- Capture in figures how the business performed over a set period
- Two key elements
  - Taxable Profit generated by the business - Profit and Loss Account
  - Capital position – Balance Sheet
- Cashflow not normally shown in accounts
- Base info is supplied by you to an accountant

# Example P & L



FARM  
ADVISORY  
SERVICE



The European Agricultural Fund  
for Rural Development  
Europe investing in rural areas



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# Balance Sheet



- Estimation of business worth at a particular point in time - usually the financial year end
- Assets – fixed and current
- Liabilities – Long term and current
- Net Worth – Assets minus Liabilities

# Example Balance Sheet



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# Variable vs Fixed Costs

- Variable Costs: a cost that would change as the size of the enterprise changes
- Fixed Costs – one that remains the same

# Importance of Gross Margins



- You need to know the GM of each enterprise
- Is it positive?
- Or is it negative?

# Business Opportunities



- What options do you have to expand your farm/croft?

# Purchase Extra Land

- Advantages
- Disadvantages
- Costs

# Seasonal Land



- Advantages
- Disadvantages
- Costs?

# Tenancy

- Different tenancy types
- Advantages
- Disadvantages
- Costs?

# Contract Farming



- A legal agreement between a farmer and a contractor
- Also often called Share Farming
- Farmer supplies land and livestock
- Contractor supplies labour and machinery

# Contract Farming

- Advantages
- Disadvantages
- Costs?



# How to Assess an Opportunity



- If a farming / crofting opportunity comes up, how can you judge if it is worth taking up?

# Partial Budget



- How will a physical a change impact the finances?
- Can be using for both business expansion of business contraction

# Partial Budget Example



**FARM  
ADVISORY  
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Simple Scenario: Expand flock by 100 ewes			
Annual Losses		Annual Gains	
<b>Revenue Lost</b>	<b>£</b>	<b>Extra Revenue</b>	<b>£</b>
		80 lambs @ £40/hd	£3,200
	£0		£3,200
<b>Extra Costs</b>	<b>£</b>	<b>Costs Saved</b>	<b>£</b>
Feed @ £10/hd	£1,000		
Vet/med @ £7/hd	£700		
Misc costs @ £5/hd	£500		
	£2,200		£0
<b>Extra Benefit</b>	<b>£1,000</b>	<b>Extra Loss</b>	<b>£0</b>

# Partial Budget Exercise



You have been offered extra land under a seasonal grazing agreement.

- 200 ha of (50 ha inbye and 150 ha hill).
- Farm policy – 10 cows and 200 ewes.
- Small shed for over wintering cattle & 1 GP shed

**Prepare a Partial Budget and justify a rent**

# Summary



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# Thank You

