

Enterprise Budgeting

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Enterprise Budgeting

The Place for Enterprise Budgeting

Accounting & Analysis

Control Function of
Management

- Financial Statements
 - Balance Sheet
 - Income Statement
 - St. of Cash Flows & OE
- Analysis
 - Ratios
 - DuPont
 - Benchmarking

Budgeting

Planning Function of
Management

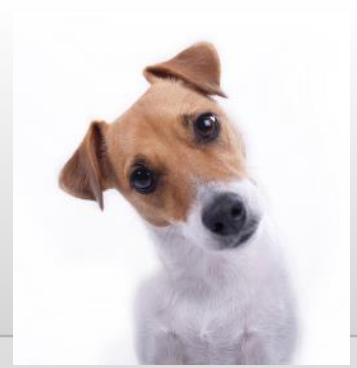
- *Enterprise Budgets*
- Operations, Whole-farm Budget
- Partial Budget
- Cash Flow Budget
- Capital Budgets

← **Today** →

What is an Enterprise Budget

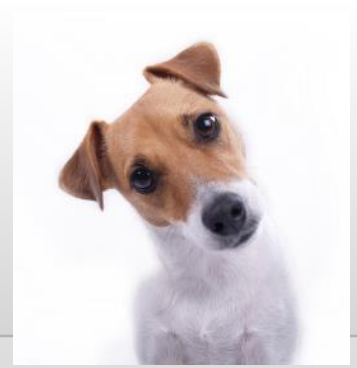
- Planning/Estimating revenues, costs, and profits for a single enterprise
 - Dairy
 - Feeding steers
 - Cash Corn
 - Corn Silage
 - Feeding operation





Why Enterprise Budgeting

- Identify profitable versus breakeven or losing enterprises
 - *If it is not making me money then ...*
- Know the sensitivity to changes in price, production, and other variables
- As a control tool – Variance Analysis



Why Enterprise Budgeting

- *Forces the Planning Function of Management*
 - *Plan for Profits → Work Your Plan*

Watch Out for the Potholes!!!



Pits and Potholes

- Simplicity versus Flexibility versus Usefulness
- Average does not describe me!
- What is the enterprise?



Pits and Potholes



- Every budget template has an assumed structure of the business
 - Purchased versus raised feed
 - How replacements are handled
 - Inclusion or not of unpaid labor and management
- Accounting versus Economic Analysis
- How Fixed costs are determined
- Non-Enterprise income and expenses

Milk Cost of Production?

A Challenge of Method and Math

- Total milk sold = 34,768 cwt
- Total Farm Expenses = \$662,214

What if **\$104,188** of this is SB and beef enterprise expenses?

– What is the total cost of production (\$/cwt)?

$$\$662,214 / 34,768 \text{ cwt} = \mathbf{\$19.05}$$

Is This Right?

The Challenge of Calculating Costs of Production - Milk

D=Denominator N=Numerator		True Milk COP	Per Unit Sales	Residual Claimant	Unit EQ (CWTEQ)	
Milk Sold, cwt	34,768	D	D	D		
Mailbox Price	16.29				D	
Milk Income	566,371					
Other Income	108,373			-N		
Total Income	674,744				N	
Milk COP	558,026	N				
Other COP	104,188					
Total COP	662,214		N	N		N/EQ
\$/CWT Costs Of Production		16.05	19.05	15.93		15.99
Unit EQ Production = Total Income/Price: $(674,744/16.29) = 41,421$ CWTEQ						