



Think  
Plan  
Do

# My Farm, My Plan - Planning for my Future

# My Farm, My Plan

## - Planning for my Future



Name:

Address:

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## Benefits of completing a plan for my farm

My farm – I will plan the changes to my farm and my farming system

Infrastructure - I decide when new or additional infrastructure is put in place

Costs - I know in advance the cost of putting your plan in place

Extra income - I know what extra income will be generated

Labour – I know in advance what extra labour will be required

Cash – I know that I will have enough cash to keep farm, family and repayments met while putting my plan in place

Banks – I can use my plan to help deal with my bank

### Planning leaves you in control



### Completing the workbook

This workbook contains a number of worksheets for you to complete before preparing a financial plan. These blank worksheets are accompanied by explanatory text to assist with their completion. Further blank copies are available in the appendices.



## Planning for success

There are two essential steps in the planning process. The first step is the “**thinking process**” behind what you are intending to do. In this workbook this is referred to as the farm plan. The second step is the “**financial process**” where all your financial details are analysed for your farm and family circumstances to examine if your proposed farm plan is actually viable. This is referred to as the financial plan.

### The farm plan

This must be completed by the farmer before a financial plan can be completed. It involves asking yourself a series of questions on where you are going, how you will get there and what extra profit or benefits your plan is expected to generate. Many of these ideas are already in your head but writing them down will help clarify them for you. It will also help in preparing your financial plan and give you a much better understanding of the background to the figures in your financial plan.

Stage 1: Thinking about where I am going

1. Why am I farming?
2. What am I thinking of doing?
3. How is this going to deliver on my reasons for farming?

Stage 2: Thinking about what I have to do

1. Where am I now?
2. What are the main issues I must focus on?
3. What do I have to do to get there?
4. When will I make these changes?
5. How will my plan affect my working day?

Stage 3: Extra costs, extra revenues and extra risks

1. What are the extra costs?
2. What extra revenue will be generated?
3. What could go wrong?

### The financial plan

Stage 4: Developing a full financial plan

Following completion of the farm plan, you and your adviser can then prepare a financial plan (annual cash flow, Profit and Loss and Balance Sheet) to fully examine the financial viability of your proposals.



## Stage 1: Thinking about where you are going

There are three steps in completing Stage 1 of the farm plan.

### 1. Why am I farming?

Most farmers know what they do...many know how to do it...but very few are clear on why they do what they do. It all starts with clarity...you have to know why you do what you do. Your inspiration comes from the clarity of why.

Once you know why you do what you do, you can decide on the actions you will take to achieve your desired future position (the 'how'). The 'what' is the result of those actions.

Too many people start with the 'what', then the 'how' and leave the 'why' until last or ignore it altogether. Without clarity, there will be no motivation for action.

Some reasons for answering the 'why' may include: maintaining or increasing income, to match input price inflation, for retirement, to cope with milk or beef price volatility, for farm transfer / succession, for expansion, to employ labour, for family life, for lifestyle, etc

Use the first part of this worksheet to record your vision statement (your 'why'). **Involve you family at this stage, which could include your parents, your spouse and relevant children** where applicable.

### 2. What am I thinking of doing?

Farmers are continually changing. Everybody has their own idea or vision of where they are going. It could involve changing enterprises, renting extra land, increasing or reducing stock numbers, retiring from farming, employing labour, building new facilities, re-organising farm finances, setting up a new farm, increasing farm stocking rate or a combination of any of these changes.

Whatever your situation, your plan must take into account your current position, your desired future position and how you are going to get there. Focus on the outcome you want, not on what may happen due to external influences or your current position. Don't confine yourself or limit your thinking to where you are now. Similarly, don't make changes on impulse; you must have sound reason for what you are going to do.

Complete the second part of the worksheet by outlining what you are thinking of doing in the next 5 to 7 years.

### 3. How is this going to deliver on why I am farming?

Having completed the first two parts of the worksheet, you should check that what you are thinking of doing will enable you to meet your vision (will your planned changes allow you to meet your 'why'?).



**Why am I farming? What am I thinking of doing?**

**Why am I farming?**

**What am I thinking of doing? What are my plans for the next 5 – 7 years?**

**How is this going to deliver on why I am farming? Does it fit into my major plans?**



## Stage 2: Thinking about what I have to do

There are five steps in completing Stage 2 of the farm plan.

### 1. Where am I now?

Before setting out on a journey, you must know where you are leaving from. Similarly with a farm plan, you must start by clearly understanding where you are now (your starting point). Every farm has its own unique characteristics, which vary from financial efficiency, physical resources, capital resources, labour and family circumstances. Your plan must take these into account.

**Current stock:** What are current stock numbers? What animals can be sold to help finance your plan? Increasing breeding herd size requires suitable replacements being available. How many have you?

**Land:** How much of your farm was soil sampled? What about soil type? Does drainage work need to be carried out? What is your current farm stocking rate? How secure is your land base? What is your cropping rotation & crop mix? What options have you looked at to increase land area?

**Current equipment and facilities:** What is the current position with slurry storage, winter accommodation, handling facilities and milking facilities? What about your grazing infrastructure (water, fencing and roads)? What equipment and machinery is on farm and when should it be replaced or upgraded?

**Labour and farm information:** In addition to yourself who is doing the work on your farm? Your farm plan must be based on solid information coming from your farm. What information do you use?

**Financial:** Use Teagasc eProfit Monitor to get the cost of producing a unit of output on your farm. This could be per kg of beef or lamb produced / per litre of milk / ton of grain. Your profit monitor will also tell you the profit per hectare from each enterprise.

What savings are available for investing in your plan and how much would you be prepared to use for any planned farm investment? What is the current level of repayments per annum and when will these finish? Debt per breeding animal or livestock unit is a measure that can indicate if you can afford to borrow more money for further development.

In general, at low costs of production farms can carry higher levels of debt per production unit whereas at high costs of production there is little scope to carry additional debt per cow or livestock unit. Use Appendix 6 to help calculate total farm debt.

### What is my previous history of change and progress?

Can you show to yourself that you have made changes in the past? Did you increase technical efficiency? Did you successfully repay loans?

**Do I enjoy what you are currently doing?** If you find it difficult to answer this question then you should carefully consider what you are planning.





## Where am I now?

### Stock

Breeding stock numbers (cows, sucklers, ewes)		
Output milk, beef, sheep (kg milk solids, kg beef, etc)		
No. of replacements	(0-1)	(1-2)
No. of cattle	(0-1)	(1-2)
No. of replacement ewe lambs		
No. of animals (and value) to sell to finance plan		

### Land

Land – owned (ha)		
Leased land and length of lease(s)	Ha	yrs
Conacre land (< 5 years) and length farmed	Ha	yrs
Share farmed land and length of agreement	Ha	yrs
Whole farm stocking rate (LU/ha)		LU/ha
Milking platform - dairy (ha) & stocking rate	Ha	LU/ha

### Soil Health (tick)

	Unknown	low	avg.	high
% farm soil sampled in last four years				
Soil P, K, pH status				
Soil type / drainage requirements				
% farm reseeded in last four years				

### Facilities & equipment (tick)

	short	ok	excess
Housing for current stock			
Slurry storage for current stock			
Dairy - Parlour for current cow numbers			
Handling facilities for stock on farm			
Grazing infrastructure			
Machinery & equipment			

### Labour and farm information

Number of years you will continue farming	
Labour units on the farm	
Discussion group member (Yes/No)	
HerdPlus member(Yes/No)	
Annual cash flow budget/monthly recording (Yes/No)	
Teagasc Profit Monitor completed (Yes/No)	
Written action plan(s) completed (Yes/No)	

### Financial

What is current total cost of production per unit?	
How much cash is available for future investment?	
What is current and future level of direct payment?	
Current farm repayments per year and finish date?	
What is current debt per hectare?	



## 1. What are the main issues I must focus on?

Once you have fully evaluated your current situation, it is useful to look at the strengths (S), weaknesses (W), opportunities (O) and threats (T) for your farm as it is currently operating. You can complete the SWOT analysis for yourself (personal), your business (farm) or a combination of both. Completing this exercise honestly will help you to build on your strengths, take advantage of opportunities, correct your weaknesses and avoid threats.

**Fill in the next worksheet. If you would like somebody else's view, ask a family member, friend, or fellow discussion group member to fill it in for you.**

Strengths	What is working well on the farm? What are you good at? What are the positives about the farm? What advantages do you have?
Weaknesses	Where can improvements be made on the farm? What is limiting production or profit? What is not working on the farm? What personal traits/ skills do you need to work on?
Opportunities	Where do you see opportunities for yourself and your farm? What trends can you take advantage of? How can you take advantage of your strengths?
Threats	What are the big external threats/ trends that could harm your current farming system? How could these affect your plan? How could your weaknesses expose you to these harmful threats?

**On completion of your SWOT analysis, you should identify four key focus areas for attention if you wish to succeed in your plans. These can be for you (personal) or for the farm business. These are the areas that you need to work on – that you must become really good at - over the coming years.**

Your focus areas should be more than just the elements of good technical farming i.e. grassland management, breeding, nutrient management, stock management. Technical competence will not be enough in the future. Think of the other skills which you will need in the future e.g. negotiation, cash flow budgeting, forecasting, networking, managing labour/ contractors. Ask yourself if you need to focus on some of these areas.



**Complete a SWOT analysis for your farm**

**What is working well on the farm?**

**Where can improvements be made on the farm?**

**Where do you see opportunities for yourself and your farm?**

**What are the big threats to your current farming system?**

**What are the four key areas that you need to focus on in your plan?**

- 1
- 2
- 3
- 4

**What are the major changes you have implemented on the farm in the last 5/10 years?**



## 2. What will I have to do and how much will it cost?

Every plan will require changes to be made to your farming system. Some changes are operational e.g. calving date; and others are physical e.g. a new shed. Some have a direct, immediate cash cost e.g. buildings; others affect cash flow throughout the years. Both must be part of your farm plan.

Usually it is the big developments that spring to mind, like a milking parlour, new shed, land purchase, employing labour, when you think about the cost of your plan. These are significant investments and should be costed (with quotes) in advance. To assist you with some of the physical costs use Appendix 1 as a guide.

But there are also other costs that a plan needs to take into account. These may not be as large but can have a large impact on cash flow if not taken into account when looking at the overall plan.

These could include:

- **Stock purchases and building up stock numbers**
- P,K, lime applications where soils are deficient (see Appendix 2)
- Soil testing (€30/sample)
- Reseeding (€400-€520/ha)
- Increased use of AI – extra cost of straws per annum (€22/straw)
- Renting land
- Purchasing additional feed
- Extra variable costs like contractor, vet, etc

Complete the worksheet on the opposite page. Specify the cost of each action and whether it is an estimate or actual quote. The easy way is to use estimates but you will be in more control of your plan if you have quotes for your development. Some items may need to be financed by borrowings; indicate which ones.

**Dairy:** Many dairy farmers are planning to increase cows numbers on the milking platform. If this is part of your plan you must take into account the ability of your milking platform to feed these cows and that there are sufficient outside blocks (owned or leased) which will provide adequate winter forage for the herd and rear all replacements. The ability of the milking platform and the outside block to produce adequate grass may be constrained by soil P, K or pH levels and the requirement for drainage and/ or reseeded. If this is the case these issues must be addressed in your farm plan. The cost of such improvements should be treated as a capital cost and budgeted accordingly.



### What will I have to do to get there?

Item	Unit	Cost/unit	Tick if actual quote	Financed by (own cash or borrowings)	Net cost
<i>Example – fencing</i>	<i>1000m</i>	<i>€1.5/m</i>	<i>X</i>	<i>cash</i>	<i>€1,500</i>
Contingency (10-20%)					
<b>Total Cost</b>					€

<b>Estimated own cash to be used</b>	€
<b>Estimated total borrowings required</b>	€

**Warning:** Always include a contingency figure for any development. This could be 10-20% depending upon how many quotes are available and your knowledge of the development



### 3. When will I make these changes?

I have already identified where I want to go and what I have to do to get there. Another major decision is the timing of when these changes will take place.

An action plan will answer the “**What / When**” questions relating to your proposal. Completing this worksheet will allow you to set out a schedule or timeframe for the implementation of your plan.

This worksheet should

- Outline the key actions required to implement the overall plan
- Show a work schedule and timeframe (begin/ end) for each of these actions e.g. begin building a milking parlour in July 2015, finish building in December 2015
- Indicate when borrowings need to be drawn down

Include all issues that you costed in the previous worksheet and any other changes to your farm that are relevant to your plan.

Any change from your current farming system should be included, regardless of whether they are a cost or not. Some changes may be operational, but you need to write them down to get a full picture of how you will implement your plan. An example in this category would be the plan to reseed a proportion of the farm every year over the period of the plan or to spread P, K or lime on a proportion of the farm on an annual basis.

Note: For larger and more complex projects, it is advisable to complete a full project management plan in addition to your financial plan.


See Teagasc Dairy Levy Series No. 15 at

[www.agresearch.teagasc.ie/moorepark/publications/publications\\_d.asp](http://www.agresearch.teagasc.ie/moorepark/publications/publications_d.asp)



### Action Plan

<b>Year</b>	<b>Month (begin/ end)</b>	<b>Actions required</b>	<b>Borrowings required</b>
<i>Example 2015</i>	<i>July - Dec</i>	<i>Commence building works for new parlour in July Complete by December</i>	<i>€80,000 drawn down by July.</i>
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			



#### 4. How will these changes affect my daily workload when my plan is implemented?

When your work life and personal life are out of balance, your stress level is likely to soar. Achieving a satisfactory work/ life balance can be challenging for self-employed farmers as the boundaries between work and home can become blurred. If you spend most of your life farming, your home life will lose out. The situation is similar with part time farming. A balance between job, family and farming must be found, if your new farming plan is going to make this balance unstable – think about it again.

Answer the questions in the worksheet. If you do not answer yes to all questions you may be under pressure and unable to take control of the proposed changes in your plan. You need to reassess what you are currently doing. Talk to your Teagasc Adviser or another professional or bring it up at discussion group to get ideas and support in making the changes necessary.

Ask yourself the following questions:

- How will my daily workload change when my plan is in place?
- Will it mean I will spend more/ less time in the milking parlour?
- Will I spend more time herding and feeding?
- Will I have to employ labour or rely more on a contractor?
- Will I be able to cope with the peak labour demand in the spring?
- Will there be a bigger labour/ contractor bill? How much?
- **Can my plan be sustainable from a daily workload perspective?**

Another interesting exercise is to complete a 'Start doing/ Stop doing' list to identify those tasks which you must spend more time at ('start doing') and those which you must spend less or no time at ('stop doing') in order to achieve your ambitions. After all, how can you expect different results, if you continue to do the same things?





**Am I satisfied with my current work/ life balance?**

	Yes/No
Overall, do I enjoy what you are doing?	
Do I spend enough time with my family (wife/ partner/ children)?	
On average, do I finish work by 6pm (outside of the calving and lambing season)?	
Do I use a contractors, employ labour/ and/or new technologies to reduce your workload at busy times?	

**To achieve my plan, there are things I must...**

<b>Start doing</b>	<b>Stop doing</b>

**How will my daily workload change once my plan is implemented?**

--



## Stage 3: Extra costs, extra revenues and extra risks

Only a full financial plan will show projected cash flow and profit each year for your proposal using the data you have supplied. Such a financial plan would take into account stock sales and purchases, all cash in and all cash out including loan repayments, drawings and taxation. It also allows for different scenarios to be evaluated e.g. impact of changing milk price.

However it is possible to have a quick look at the financial impact of your planned changes using a **partial budget**. This looks at the planned extra costs (or reduced revenue) and the expected extra revenue (or reduced costs). It is a quick way to see if your plan appears profitable, break even or shows a potential cash deficit.

Having completed your partial budget, you have to examine the net position and decide whether your plan is worthwhile. You also need to look at the risks to your plan.

There are four steps in completing Stage 3 of the farm plan.

### 1. What are the extra costs (or reduced revenue)?

1. Annual repayments if a new loan is required. Use Appendix 3 to estimate annual repayments.
2. Where own cash (savings) are used in the plan, there is a cost by foregoing the interest this money would make if invested elsewhere.
3. Additional land rental if extra land is rented.
4. Additional labour costs if additional labour is employed.
5. Additional variable costs if additional cows are milked. Use your farm's variable costs per cow/ewe/livestock unit from Profit Monitor or guideline figures in Appendix 4.
6. If overall farm stocking rate increases there will be an added cost to provide additional feed (grass, silage and/ or concentrates). This may be produced on farm by investments in soil fertility, reseedling, infrastructure and drainage or from additional purchased feed if grass growth cannot be increased. See Appendices 2 and 5 for guideline figures.
7. Loss of other stock sales. For example, if cattle are displaced, this will be an annual loss of revenue from cattle sales each year.



What extra costs (or reduced revenue) will be incurred?

		Total	No. of years		Cost per annum
<b>Extra Costs</b>	<b>Extra borrowings</b>				
	<b>Own cash (savings) used</b>		<i>Annual interest foregone</i>		
	<b>Extra land rental</b>				
	<b>Extra labour per annum</b>				
	<b>Additional variable costs for extra stock or crops</b> _____ cows/ewes/cattle (extra) x _____ €/animal _____ tonnes grain (extra) x _____ €/tonne				
	<b>Extra feed costs - if farm stocking rate increases</b> From Appendix 2: _____ Ha (/annum) x _____ €/Ha <u>And/or</u> From Appendix 5: _____ cows (total) x _____ €/cow				
	<b>Other</b>				
<b>Loss of revenue</b>	<b>Loss of revenue (stock sales/crops) – if an enterprise is reduced/eliminated</b> _____ hd x €_____ /hd _____ tonnes X €_____ /tonne				
	<b>Other</b>				
	<b>Total extra costs (or reduced revenue) per annum</b>				<b>(A)</b>



## 2. What extra revenue (or reduced costs) will be generated?

Where do you see the additional money coming from when your plan is complete? It could be extra production from existing stock, less spending (efficiency), increased output from the extra cows or reduced labour (less wages paid).

There may be other savings which are more difficult to quantify. For example, your proposed plan may involve building a new milking parlour or new beef shed. Its major benefit may be to reduce the length of the working day, which is not a direct cash benefit. Similarly other investments may apply to the whole farm rather than just the changes in your proposed plan.

1. Extra milk receipts sold from existing herd. Longer lactations, a more mature herd, better genetics, investment in grassland (lime, P, K, reseeding) may all contribute to increased production from the existing herd. An extra 100 litres delivered would generate €30 extra receipts per cow where milk price in your plan is 30 cent per litre
2. Additional cows will produce extra milk. Put a value on this milk based on your current milk solids and predicted milk price. As a guideline use a base price of 28 cent per litre (2014) for 3.3% protein and 3.6% butterfat. For each 0.1% rise in protein and butterfat (combined), increase milk price by one cent per litre. Heifers will yield 75% the volume of mature cows, so if additional cows are heifers initially, there will be increased pressure on cash flow (reduced milk receipts) until the herd matures.
3. Extra livestock sales, increase in calf sales, weanlings, cattle sales and sheep sales are included here where they are part of the plan.
4. If the plan involves savings as a result of expected improvements in efficiency, include as a cost saving over the whole herd.
5. If paid labour is reduced by your plan, then include as a cost saved.
6. If other enterprises are reduced/ eliminated, there will be a variable cost saving as the cost of keeping the other enterprise is reduced or eliminated. For example, if a cattle enterprise is eliminated and 20 head of cattle are no longer reared, then there is €7,200 (20 head x €360 variable cost/head) less costs incurred on the farm. Use your own figures where available from your Profit Monitor or guideline figures in Appendix 4.



**What extra revenue (or reduced costs) will be generated?**

		Revenue per annum
<b>Extra Revenue</b>	<b>Extra milk receipts – extra milk sold from existing herd</b> _____ cows(existing) x _____ litres/cow x _____ cent per litre (milk price)	
	<b>Extra cows – extra milk sold</b> _____ cows x _____ litres/cow x _____ cent per litre (milk price) (Warning: don't overestimate in the initial years of your plan.)	
	<b>Extra sales</b> _____ unit x €_____ /unit	
	<b>Extra cost efficiency</b>	
	<b>Other</b>	
<b>Reduced costs</b>	<b>Other enterprises reduced/eliminated - less variable costs</b> €_____ hd or ha x €_____ variable costs/hd or ha	
	<b>Land – reduced rental</b>	
	<b>Labour saved</b>	
	<b>Other</b>	
	<b>Total extra revenue (or reduced costs) per annum</b>	<b>(B)</b>



### 3. Is it worthwhile?

Look at the extra money to be generated and the extra expenses to be incurred. What do you think? Are your planned changes worthwhile?

In addition to the projected cash position identified you need to take into account:

- taxation;
- labour and workload;
- changes in stock numbers;
- net worth changes; and
- when loan repayments will finish.
- Time availability for your proposal

**While a partial budget can give you an indication of the financial viability of your proposal, it is strongly recommended that you complete a full financial plan for your proposal.** This will take into account such items as taxation, inventory changes, net worth changes and loan repayment schedules and more fully evaluate your proposal as well as showing the peaks and troughs of cash flow over a six-year period.

You should contact your Teagasc Adviser/ private consultant to get a full financial plan (annual cash flow, Profit and Loss and Balance Sheet for six years) prepared to fully examine the financial viability of your proposed plan. Alternatively you could purchase financial planning software yourself and complete your own financial plan. It is likely that your bank/ financial institution will request such a document if you are seeking finance for your plans.



**Is it worthwhile?**

<b>Expected extra costs (or reduced revenue)</b>	<b>(A) €</b>
<b>Expected extra revenue (or reduced costs)</b>	<b>(B) €</b>
<b>Estimated net position (B - A)</b>	<b>€</b>

**Is it worthwhile?**

**What other non-financial benefits will arise as a result of my planned changes?**



#### 4. What could go wrong?

With opportunity comes risk. In general, the bigger the opportunity, the bigger the risk. Risks are personal to the individual farmer – what is risky for one farmer is not for another farmer. **Planning helps to manage risk** so that it is set at a reasonable level. Farmers need to identify the risks they are carrying.

You have to consider the impact of volatility in product prices (milk, beef and lamb) and input prices over the planning period. What impact will a 3 cent per litre drop in milk price have on your bottom line? Or a 10% change in beef/sheep price?

Where are the other risks? These could include:

- Production Risk: Poor weather affecting production  
Animal disease  
Reduced milk yield per cow while scaling up
- Market Risk: Reduced milk prices (price volatility)  
Production cost increases
- Human Risk: Owner manager health issues/ stress  
Employee issues  
Supplier / contractor issues  
Complicated system of production
- Financial Risk: Interest rate increases  
Cash flow shortage (overdraft or merchant credit restricted)  
Failure to control investment costs  
Inefficient/ unprofitable production system

**Contributing factors:** These are farm factors which can increase the impact that an overall risk will have on your farm business. For example, you may consider wet weather as a significant risk to your farm enterprise, but contributing factors could include poor roadways, heavy soils, low silage reserves. Minimising these contributing factors is key to reducing the impact of the risk.

Managing risk involves controlling exposure to the risk or controlling the impact of the risk. Examples of risk management strategies include: building key reserves of feed and cash or vaccinating animals against the risk of disease.

Improving efficiency is a pretty much riskless strategy. With a sound efficiency platform in place, you can set yourself up for the future. Simply put, **efficiency first followed by expansion.**





**What could go wrong?**

A change in **milk** price (or cost of production) of 3 cent per litre on my expected production ( \_\_\_\_\_ litres ) will affect my business by € \_\_\_\_\_ in any year.

A change in **beef/lamb** price (or cost of production) of 10% on my expected sales will affect my business by € \_\_\_\_\_ in any year.

<b>Risk</b>	<b>Contributing Factor(s)</b>	<b>How will you minimise the effect of this risk on your farm</b>
<i>Example: Poor weather</i>	<i>Heavy soils Poor roadways</i>	<i>Install new roadways to paddocks 9 – 15 Clean existing drains in paddocks 16 - 22</i>

## Stage 4: Developing a full financial plan

After completing your farm plan, the next step is the financial plan. This is where all your financial data is used to calculate cash flow for six years based on your farm plan. It takes into account variable and fixed costs, inventory changes, total repayments, family living expenses and taxation. If your proposed plan cannot meet all the cash outflows then you must go back to re-think your farm plan to see where it can be changed and improved.

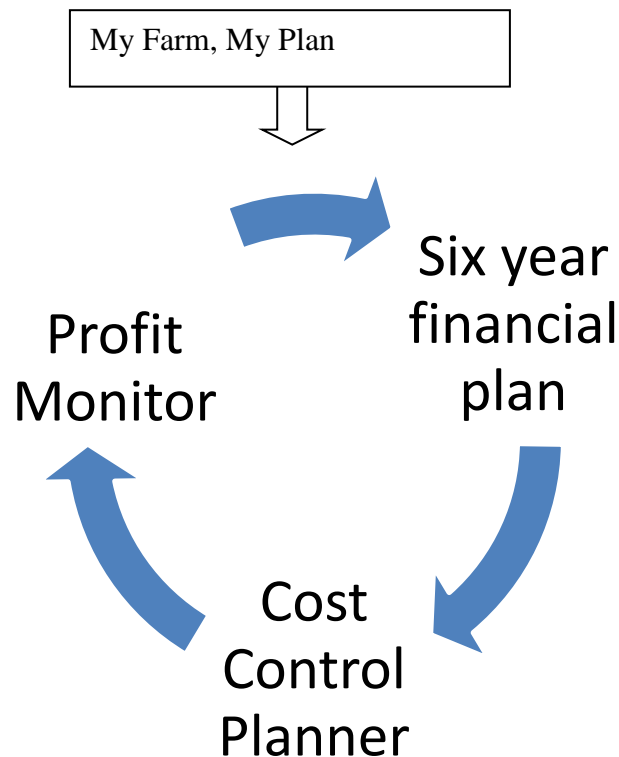
Your financial plan will help you to:

- Assess the overall financial viability of your proposals;
- Examine the impact of changes in key variables e.g. milk price, fertiliser price, interest rate;
- Negotiate with and secure finance from your bank/ lending institution; and
- Understand where your cash is coming from and going to each year during the critical transition phase of your plan.

Completion of this workbook is an important, and necessary, first stage in the planning process. You now are in a better position to seek assistance in the preparation of a financial plan for your farm.

You now have completed the 'thinking process' and have a farm plan for your idea. It is up to you now to take the next steps towards making your plan a reality.

Good luck!



The following is an example of the annual financial plan for a seven year period from the Teagasc Farm Business Planner. You will have a full understanding of the financial data in this financial plan by having completed this workbook in advance

### Financial Plan – annual financial plan based on my farm plan



## Farm Business Planner

Cash Flow	2012	2013	2014	2015	2016	2017	2018
<b>RECEIPTS</b>							
Milk Sales	118,720	118,720	133,560	133,560	133,560	133,560	133,560
Dairy Calf Sales	9,000	10,500	10,500	10,500	10,500	10,500	10,500
Dairy Cow Sales	15,000	16,200	11,700	13,500	14,400	13,500	14,400
Replacement Sales							
Cattle Sales							
Sheep Sales							
Tillage Sales							
Single Farm Payment	11,000	11,877	11,877	11,877	11,877	11,877	11,877
REPS / AEOS							
CAS (Headage)/ Forestry/ Other Premia	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Other Farm Income							
Other Non-Farm Income	18,000	18,000	18,000	18,000	18,000	18,000	18,000
New Funds Drawn Down to Current a/c			120,000				
<b>Total Receipts</b>	<b>179,720</b>	<b>183,297</b>	<b>313,637</b>	<b>195,437</b>	<b>196,337</b>	<b>195,437</b>	<b>196,337</b>
<b>FARM PAYMENTS</b>							
Dairy Feed	14,500	15,021	17,067	17,238	17,410	17,584	17,760
Calf Feed (8 Weeks)	500	518	589	534	600	606	612
Drystock Feed							
Replacements Feed	2,000	1,958	1,512	1,527	1,542	1,558	1,573
Fertiliser & Lime (Stock)	10,400	10,648	11,321	11,435	11,549	11,654	11,781
Tillage Variable Costs							
Vet	4,000	4,095	4,354	4,398	4,442	4,486	4,531
AI / Breeding	2,500	2,617	2,790	2,790	2,846	2,874	2,903
Contractor (Stock)	10,000	10,239	10,886	10,995	11,105	11,216	11,328
Contractor (Tillage)							
Other Variable Costs	6,180	6,328	6,728	6,795	6,883	6,931	7,001
Labour	14,000	14,334	15,240	15,393	15,547	15,702	15,859
Machinery (including Leases)	4,000	4,095	4,354	4,398	4,442	4,486	4,531
Car ESB & Phone	7,200	7,372	7,838	7,916	7,995	8,075	8,156
Other Fixed Costs	8,400	8,601	9,144	9,236	9,328	9,421	9,516
Land Lease							
Quota Lease							
<b>Total Payments</b>	<b>83,680</b>	<b>85,825</b>	<b>91,823</b>	<b>92,742</b>	<b>93,669</b>	<b>94,606</b>	<b>95,552</b>
<b>STOCK PURCHASES / INVESTMENTS</b>							
Dairy Cows							
Dairy Replacements							
Suckler Cows, Replacements, Cattle, Stock							
Sheep							
Land							
Buildings (Net Cost)			40,000				
Machinery (Net Cost)			80,000				
Quota							
Non-Farm Asset/ Investment Purchase							
Non-Farm Asset/ Investment Purchase							
<b>Total Purchases/Investments</b>			<b>120,000</b>				
<b>BANK LOAN / REPAYMENTS</b>							
Bank Charges, O.D. & Merchant Interest							
Existing Loans >>>>							
Principal	7,648	7,648	7,648	3,648	3,648	3,648	3,648
Repayments	1,944	1,944	1,944	944	944	944	944
New Farm Loans			11,914	12,628	13,386	14,189	15,041
Repayments			6,000	5,285	4,527	3,724	2,873
New Non-Farm Loans							
Repayments							
<b>Total Bank Loan Repayments/Interest</b>	<b>9,592</b>	<b>9,592</b>	<b>27,506</b>	<b>22,506</b>	<b>22,506</b>	<b>22,506</b>	<b>22,506</b>
<b>PERSONAL &amp; NON-FARM</b>							
Drawings (Living Expense)	53,000	53,600	56,000	57,000	60,000	60,000	65,000
Health Insurance (VHI, BLI)							
Pension & Life Insurance	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Taxation	12,000	12,000	6,000	6,000	6,000	6,000	6,000
Other Non-Farm Expenses							
<b>Total Personal &amp; Non-Farm</b>	<b>74,000</b>	<b>74,600</b>	<b>71,000</b>	<b>72,000</b>	<b>75,000</b>	<b>75,000</b>	<b>80,000</b>
<b>Total Expenditure</b>	<b>167,272</b>	<b>170,017</b>	<b>310,329</b>	<b>187,247</b>	<b>191,174</b>	<b>192,111</b>	<b>198,057</b>
<b>Net Cash Flow</b>	<b>+ 12,448</b>	<b>+ 13,280</b>	<b>+ 3,308</b>	<b>+ 8,190</b>	<b>+ 5,163</b>	<b>+ 3,326</b>	<b>- 1,720</b>
<b>Cumulative Net Cash Flow</b>		<b>+ 13,280</b>	<b>+ 16,588</b>	<b>+ 24,778</b>	<b>+ 29,941</b>	<b>+ 33,267</b>	<b>+ 31,546</b>

Receipts

Farm Payments

Investments

Bank Repayments

Drawings

Annual Cash flow

## Appendices

### Appendix 1

#### Guideline building costs (2014)

Items	Units used	Cost per item, €
Cubicle shed + slatted tank	per cow	1,000 + 500
Topless cubicle + lined lagoon	per cow	400 + 300
Lined wintering pad + lined lagoon	per cow	250 + 300
Silage slab	per cow	95 -125
<b>Specific building items</b>		
Roof	m <sup>2</sup>	50
Slatted tank (16 wk storage for 100 cows)	m <sup>3</sup>	80
Stanchion bases	each	25
Cubicles and cubicle beds	each	190
Concrete floors	m <sup>2</sup>	22
External walls	linear metres	140
Feeding barriers	per bay	180
Automatic scrapers	per passage	2,800
Electrical work	per bay	250
Cubicle mats	each	46
<b>Dairying</b>		
Building milking parlour (shed, yard,	per unit	4,000 - 5,000
Milking machine	per unit	2,000 - 8,000
Bulk tank	per litre	1.70 - 2.50
<b>Other</b>		
Land drainage – shallow system	per hectare	125-3,500
Land drainage – groundwater system	per hectare	3,700-8,600
Water pipes	per metre	1.50-2.00
Farm roadways	per metre	15-30
Water troughs	per litre	0.25-0.50



## Appendix 2

### Land improvement costs (2014)

The following table gives guideline costs per hectare on the annual cost of improving soil fertility. For example, one hectare with soil index of 1 for P and K would require €100/ha (€60 + €40) of additional P/K fertiliser for 3-5 years of the plan to raise the fertility level. This additional cost is above the normal P & K requirements needed for current farm stocking rate.

Lime requirement could add a further €110-220/ha to this cost.

Guideline € per hectare cost for meeting soil fertility and lime requirements

<i>Annual € cost per ha of building soil fertility to Index 3</i>				
<b>Current Soil Index</b>		<b>P</b>	<b>K</b>	<b>Years</b>
	<b>1</b>	€40	€60	3-5
	<b>2</b>	€20	€30	2-3
<i>Total cost € per ha of meeting lime requirements</i>				
<b>Lime Requirement (5-10 t/ha)</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	
	€110	€165	€220	

Failure to build up soil fertility where stocking rates are increasing will result in

- (a) Excessive feed bills (silage/meal) and/or
- (b) Reduced animal performance
- (c) Reduced crop yields



### Appendix 3

#### Annual Repayments (Inclusive of interest) per €1000 borrowed (€)

		Interest Rate								
Terms in Years	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
3	354	361	368	375	383	389	396	404	411	419
4	269	276	283	289	296	303	310	317	324	332
5	219	225	232	238	243	251	258	265	273	280
6	185	191	198	204	208	216	223	231	238	246
7	161	167	173	180	184	192	199	207	214	222
8	143	149	155	162	166	174	181	189	196	204
9	129	135	141	148	152	160	167	175	183	190
10	117	124	130	137	141	149	156	164	172	180
11	108	114	121	128	133	140	148	156	163	171
12	101	107	113	120	125	133	141	149	156	164
13	94	101	107	114	120	127	135	143	150	158
14	89	95	101	108	113	121	129	138	145	154
15	84	90	97	104	111	117	125	133	141	150
16	80	86	93	100	106	114	122	130	138	146
20	67	74	81	88	94	102	110	119	128	137

Use this table to calculate annual repayments. For example, €100,000 borrowed over 10 years at 7% interest will require an annual repayment of €14,100 (141 multiplied by 100)



## Appendix 4

### Variable costs of production for different enterprises

These guideline costs are an indication of the variable costs you can expect to incur or save when exiting or starting a new enterprise. Your own costs, for example from a profit monitor, are the most accurate, so use these as guidelines only

<b>Enterprise</b>	<b>Unit</b>	<b>Variable cost</b>
Dairy	per cow	€640
Suckling	per cow	€486
Cattle	per livestock unit (LU)	€361
Sheep	per ewe	€55
Spring Barley	per hectare	€608

Source: National Farm Survey 2011



## Appendix 5

### Increased feed costs if overall farm stocking rate is increased without increasing grass growth

Increasing farm stocking rate without making provision to grow additional feed (reseeding, soil fertility, Nitrogen, drainage) will either substantially increase feed costs or reduce animal performance and output. The following table shows the additional feed cost per dairy cow (5,500 litres) at different stocking rates for three grass growth levels where no additional feed is made on the farm.

Stocking Rate	Annual Grass Dry Matter Production (t/ha)		
	<i>High growth potential (14.5 t/ha)</i>	<i>Medium growth potential (11.0/ha)</i>	<i>Low growth potential (8.5t/ha)</i>
<b>2.00</b>	Base	Base	Base
<b>2.25</b>	+13	+32	+69
<b>2.50</b>	+25	+97	+136
<b>2.75</b>	+43	+155	+204
<b>3.00</b>	+88	+195	+240
<b>3.25</b>	+133	+255	+298

For example, take a farm that has an average grass growth potential of 11t/ha and is currently stocked at two livestock units per ha. If this farm plans to increase stocking rate from 2.0 to 2.5 LU/ha, without making provision to grow the extra feed, then the extra feed cost per cow is €129 (€32 + €97). For a 40 ha farm (100 cows) this is equivalent to €12,900 of additional feed that must be purchased.

\*For every additional 500 litres above 5,500, add a further €90 cost per cow.





## Appendix 6

### Debt calculation worksheet

#### Current loan details

<b>Lender Details</b>	<b>Original Amount Borrowed</b>	<b>Length of Loan (yrs)</b>	<b>Interest Rate %</b>	<b>Annual Repayments (A)</b>	<b>Years Left (B)</b>	<b>Principle &amp; Interest yet to be Repaid (A + B)</b>
<b>Total</b>						
<b>Overdraft</b>						
<b>Total debt</b>						



## Appendix 7

### Why am I farming? What am I thinking of doing?

**Why am I farming?**

**What am I thinking of doing? What are my plans for the next 5 – 7 years?**

**How is this going to deliver on why I am farming?**



**Complete a SWOT analysis for your farm**

**What is working well on the farm?**

**Where can improvements be made on the farm?**

**Where do you see opportunities for yourself and your farm?**

**What are the big threats to your current farming system?**

**What are the four key areas that you need to focus on in your plan?**

- 1
- 2
- 3
- 4

**How will focussing on these areas allow you to meet your why?**



### Action Plan

<b>Year</b>	<b>Month (begin/ end)</b>	<b>Actions required</b>	<b>Borrowings</b>
<i>Example 2015</i>	<i>July - Dec</i>	<i>Commence building works for new parlour in July Complete by December</i>	<i>€80,000 drawn down by July.</i>
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			
<b>20__</b>			



**Am I satisfied with your current work/ life balance?**

	Yes
Do I enjoy what I am doing?	
Do I spend enough time with my family (wife/partner/children)?	
On average, do I finish work by 6pm (outside of the calving season)?	
Do I use a contractor/labour to reduce my workload at busy times?	

**To achieve my plan, there are things I must...**

<b>Start doing</b>	<b>Stop doing</b>

**How will my daily workload change once my plan is implemented?**

--



### What can go wrong?

A change in milk price (or cost of production) of 3 cent per litre on my expected production (\_\_\_\_\_litres) will effect my business by €\_\_\_\_\_ in any year

<b>Risk</b>	<b>Contributing Factor(s)</b>	<b>How will you minimise the effect of this risk on your farm</b>
<i>Example: Poor weather</i>	<i>Heavy soils Poor roadways</i>	<i>Install new roadways to paddocks 9 – 15 Clean existing drains in paddocks 16 - 22</i>

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June 2014

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