Florida Small Farms and Alternative Enterprises Conference

The Business of Farming

11:00-12:30  Passing Down the Farm
2:00-3:00    Setting a Price Through Break-even Analysis
4:30-5:30    Farmer to Farmer Strategic Enterprise Assessments
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For more information on Small Farms, visit our website at: http://smallfarms.ifas.ufl.edu or contact your local County Extension Agent.

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Break-Even Analysis on Small Farms

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Challenges to quantifying fixed and variable costs on small farms

- Many factors of production
- Weather events
- Other unforeseen circumstances
  - Pest pressure
  - Crop establishment
  - Price changes for material inputs
- High diversity of products
- Limited office time during production season
Collecting financial information efficiently on a small farm

- Keep records of all cost-related activities as part of your daily routine
- Create forms to serve multiple purposes
  - You might already keep records for:
    - Organic certification
    - Pesticide applications
    - Human resources
    - Equipment use and maintenance
    - Food safety
Recordkeeping options

- Paper forms and spreadsheets
- Digital records
  - Excel
  - QuickBooks
  - Custom Software
Enterprise budgets for financial planning on small farms

- Useful for projecting and recording fixed and variable costs and potential profits or losses
  - Specific enterprise (e.g., CSA)
  - Crop categories (e.g., herbs)
  - Specific crops (e.g., basil)
  - Cropping cycle (e.g., Fall basil)
Example enterprise budget

- Every farm is different
- Personalized budgets are required to make good financial decisions
- Published sample budgets can provide framework and guidance

Example from: http://smallfarms.ifas.ufl.edu/planning_and_management/budgets.html
Sources for sample crop production enterprise budgets

- Small Farms and Alternative Enterprises Program website
  - UF/IFAS & FAMU
    - http://smallfarms.ifas.ufl.edu/planning_and_management/budgets.html

- The Organic Farmer’s Business Handbook
  - By Richard Wiswall

- Sustainable Vegetable Production from Start-Up to Market
  - By Vernon P. Grubinger
Break-even analysis

- Powerful tool for understanding your financial picture

- Ideally, use break-even analysis for all crop cycles; if not possible, then use for specific crops or crop categories on an as-needed basis
  - Group crops with similar production costs and selling prices into categories
    - Salad greens
    - Herbs
    - Roots
You’ve analyzed fixed and variable costs, conducted break-even analysis, and determined your selling price.

- Ideally, your desired selling price will be a price that the market will bear.

- If not:
  - Examine production costs for possible increased efficiencies in future crops.
  - Use educational marketing and community outreach to justify desired price.
Educational marketing

- Differentiate your product
  - Highlight product features and benefits
- Explain what makes your farm special
  - Develop meaningful relationships
- In educating customers, you also are creating a value-added product
  - It’s more than just a commodity
Community outreach

• Think of your farm as part of a human ecosystem, and create a successful niche

• Volunteer groups can lower labor costs and promote your farm to affinity organizations

• Peer outreach can lower costs
  • Cooperate with farmers on bulk purchasing of material inputs
  • Cooperate with local small businesses on marketing campaigns
Conclusion

• Break-even analysis offers important insights on the state of your farm

• Make informed decisions about farm inputs

• Set proper prices and focus marketing

• Worthwhile for ensuring sustainability of your farm operation

• Commit to ongoing improvements in farm record-keeping systems
Contact

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