

Managing your Cash Flow – a helpful guide to completing your Cash Flow Budget for 2015

Cash flow management is central to business success. It is even more important in times of volatile milk prices. In good milk price years, it is important that cash flow is managed so as to build a cash reserve and to undertake necessary on-farm improvements. In poor milk price years, cash flow must be managed to ensure that all essential bills are paid (including living expenses) and that no long term damage is done to the business due to a cash shortage.

Creating a cash flow budget can appear a daunting task. The following guidelines can make it possible and you can use the simple annual/ quarterly cash flow budgeting template provided to record your figures. Teagasc advice is to start by completing an annual budget before then allocating receipts and costs on a quarterly or monthly basis. Remember that budgeting isn't an exact science but that in most cases a 'best estimate' is better than 'no estimate'.

Step 1 Use your records	<ul style="list-style-type: none">Start by reviewing your receipts and expenses for 2014. These figures can provide a basis for your 2015 budget.Consider all planned changes to production levels for 2015.
Step 2 Estimate your Receipts	<ul style="list-style-type: none">Estimate your cash receipts for 2015. These will include milk sales, livestock sales, direct payments and other income (farm and non-farm). For some receipts it may be easier to think of the number of units (litres, numbers) and the likely price per unit (c/litre, €/head).
Step 3 Estimate your Farm Expenses	<ul style="list-style-type: none">While a review of last year's expenses can help you in arriving at likely figures for the coming year, remember that 'if you do what you always did, you will get what you always got'. So you may need to take a different approach in 2015. All costs must be questioned and justified for your business.
Step 4 Estimate other Cash Costs	<ul style="list-style-type: none">Allow for any stock purchases or on-farm investments to be made during the year. If the capital expenditure is to be financed by a bank loan, you must include the new loan as a receipt.Include all loan repayments to be made during the year. These details should be known at the start of the year.Include your estimate of all personal/ living expenses; this should be discussed with your partner and other family members.Include figures for your estimated pension contribution and tax bill – talk to your accountant for guidance.
Step 5 Calculate your Cash Flow	<ul style="list-style-type: none">Having estimated all cash receipts and all cash costs, you can now calculate your annual cash flow surplus or deficit. How does this look to you? Do you need to re-examine your budget figures?Having completed the annual budget you can now move on to creating a quarterly or monthly budget. This involves allocating the annual receipt or payment amount to either a quarter or a specific month.
Step 6 Monitor your Cash Flow	<ul style="list-style-type: none">Having taken the time to prepare a cash flow budget for your farm, don't file it away and forget about it. Use it to guide all your decisions during the year. Record all your actual cash flows on a monthly basis and compare the actual position with the budgeted position at the end of each month. In this way you can see problems developing and you will be in a better position to take corrective action.Identify and use an appropriate cash flow budgeting and recording system for your business. Software solutions are available including Teagasc Cost Control Planner

Contact your local Teagasc Adviser for assistance in completing your Cash Flow Budget.



Teagasc
Cash Flow Budget Worksheet

'Helping you to manage your cash flow'

Dairy Cash Flow Budget Worksheet

Name

Date Prepared:

V1.1

	Previous Year >>>			Current Year >>>			Quarter 1	Quarter 2	Quarter 3	Quarter 4	Notes
	Units	Price €	Value €	Units	Price €	Value €					
RECEIPTS											
Milk Sales											
Calf Sales											
Cow Sales											
Other Stock Sales											
Basic/ Single Farm Payment											
Other Direct Payments											
Other Farm Cash-In											
New Loan Into Bank a/c											
Non-Farm Cash-In											
Total Receipts (A)											
FARM PAYMENTS											
Dairy Feed											
Other Livestock Feed											
Fertiliser & Lime											
Vet											
AI/ Breeding											
Contractor											
Seed & Spray											
Milk Recording & Parlour											
Other Variable Costs											
Labour											
Machinery (Running)											
Machinery (Leases)											
Car											
Electricity											
Phone											
Repairs & Maintenance											
Insurance											
Professional Fees											
Sundry Fixed Costs											
Land Lease											
Quota Lease											
Other Farm Payment											
Total Farm Payments (B)											
STOCK PURCHASES / INVESTMENTS											
Livestock Purchases											
Other Investment											
Total Stock Purchases/ Investments (C)											
BANK /LOAN REPAYMENTS											
Bank Chg. /OD /Merch Int.											
Existing Loan Repayments											
New Loan Repayments											
Total Bank/ Loan Repayments (D)											
PERSONAL/ NON-FARM											
Drawings (Living Expenses)											
Health Insurance											
Pension, Savings, Life Assurance											
Taxation											
Other Non-Farm Payment											
Total Personal/ Non-Farm (E)											
Total Expenditure [(F) = B + C + D + E]											
Net Cash Flow [(G)=(A - F)]											
	Opening	Closing				Closing					
Current A/C Bal											
	(H)	[(I) = H +G]				[(J) = I +G]					
Cash Flow Ratio*											

* Cash Flow Ratio = Total Farm Payments [B] + Livestock Purchases as a % of Farm Receipts (i.e. not including New Loan or Non-farm Cash In)