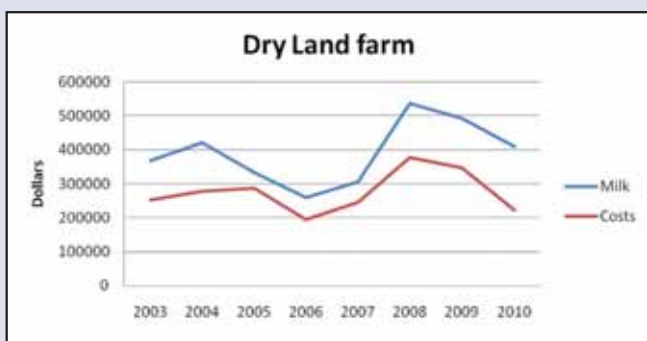


# Managing Farm Finances on the Roller Coaster Ride

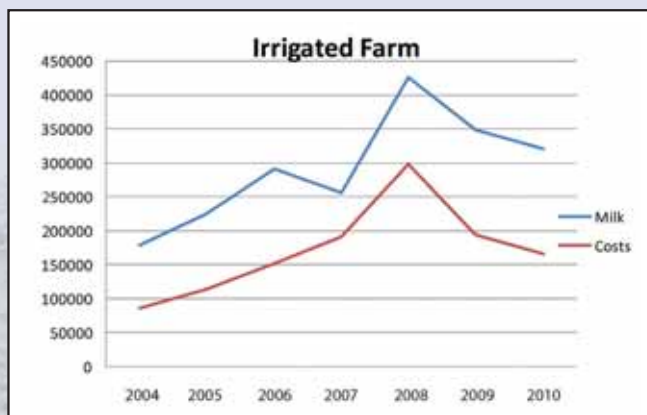
Colin Wright, Phillipson's Accounting - May 2011

## Is it a Roller Coaster?

I don't think we need to phone a friend...  
lock in A Yes... Eddie



**Graph 1.** An actual dryland farming businesses income and direct costs.



**Graph 2.** An actual irrigation farming businesses income and direct costs.

## So what can you control within your dairy business? Probably more than you think

### Here is a brief list;

- Cashflow
- Lifestyle
- Debt/Interest Rates
- Help/Labour
- Communications
- Income
- Machinery
- Risk
- Where you spend your time
- Time in the job
- Time on the job
- Attitude
- Procrastination

## Cashflow

Cash flow going out - You can control what you

- Spend
- When you spend it
- On what
- And how much you spend

The best tool for managing cashflow is a CASHFLOW BUDGET. Remember 23rd Dec 2009.....Priced Crashed - So what did farmers do?

- Panic...
- Throw hands in the air...
- Shout obscenities at milk factories...

Yes all those but one other very important thing. They did a cashflow budget to see the effect on rest of the year. Why? ...because they had to!

Would this have been the case if the opposite happened? Definitely not but it should be! Why should you have a cashflow budget?

- It's your GPS for your money
- It helps you to understand where you are now and where you are going and what trouble you might have getting there
- You can update, review & compare to actuals

## Debt

- There are fixed and variable interest options
- Do the banks need it back?
  - Other options for your money may be:
    - Off farm
    - Superannuation
    - Estate Management

## Income

There are two sides to money being in the bank

- Costs...for the most part controllable
- Income...for the most part semi controllable
- Make sure you keep your paperwork up to date, bank your cheques and claim your fuel rebates

## OTHER things to consider

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- Make sure you put some away in the good years...diesel junkies!
- 120hp when 90 will do...5 year cost factor!
- Consider using contractors rather than purchasing and maintaining machinery

## Lifestyle

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Middle of road...splurge when surge?

### Must haves:

- Shopping lists...not on it not bought
- Take mental breaks
- Make family time
- Use your cashflow budget

### Seek advice on a range of fronts...

*Spread your risk*

## Col's Do's & Don'ts

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### When it's tough DON'T

- Hide from your bank manager
- Throw your cashflow budget away
- Cancel your insurances
- Retreat into your shell
- Keep doing the same thing
- Stop talking to your partner

### When its good DO

- Put something away for a rainy day
- FMD's
- Stick to your lifestyle budget
- Keep taking your anti diesel pills
- Look beyond the farm

