



Understanding the importance and use of budgeting



What is a Budget?

- A budget is a plan for action by the business. Budgets include projections of income and expenses for all or part of the business.
- Enterprise budgets – These are budgets with projected costs and expenses associated with one enterprise. For example, if you have beef production and market swine SAEs then you would need to do an enterprise budget for each.
- Whole farm budget – This is a budget for the entire farm or ranch business for a specific period of time. This is where you would combine the projected costs and returns for both your beef production and market swine SAEs to see the big picture.



Reasons why budgets are important.

- Budgeting helps you plan for the useful lives of your assets.
- Budgeting helps keep you organized.
- Budgeting is useful when you need to apply for a loan.
- Budgeting allows for experimentation with different ideas and enterprises.
- Budgeting identifies costs and income that might otherwise be overlooked.




Enterprise budget information for corn example

- **Costs**
 - Corn seed - \$30.00
 - Herbicide - \$20.00
 - Fertilizer - \$70.00
 - Insecticide – \$8.00
 - Machinery Repair - \$15.00
 - Fuel and oil - \$24.00
 - Labor - \$12.00
 - Interest on loan - \$15.00
 - Rent - \$114.75
- **Income**
 - Corn: 125 bushels at a price of \$2.75





Enterprise Budget Answers



Projected Costs	Value
Corn seed	\$30.00
Herbicide	\$20.00
Fertilizer	\$70.00
Insecticide	\$8.00
Machinery Repair	\$15.00
Fuel and oil	\$24.00
Labor	\$12.00
Interest on loan	\$15.00
Rent	\$114.75
Total Costs	\$308.75
Projected Income	Value
Corn	\$343.75
Returns Above Costs:	\$34.25

