

Budgeting Software for Farmers

Budgeting has never been more important – after all the current forecast for the 2015 season is lower than anticipated a couple of months ago.

The Fonterra deferred payments from June to October this year of \$1.90 per kg of milk solids is much higher than usual, so perhaps the cash received to 31 May 2015 won't actually be too bad for many.

If you are worried, don't put your 'head in the sand' and hope the worries will disappear; talk with us, we can help.

Preparing a simple budget assisted a farmer recently who needed to employ extra labour but was worried that he could not afford to do so. The budget enabled us to see where the months of highest overdraft and expenses were. The outcome was that he could actually employ the extra labour unit, enabling everyone to keep their sanity rather than doing too much with too few people on the team.



Choosing how to do your budget and which software to use depends on many things:

- How computer savvy are you?
- Would you prefer to get someone else to do it?
- If someone else does your budget would you 'buy-in' to it and take ownership?
- Is the budget likely to be a one-off for feasibility of a new purchase, or an ongoing part of your business monitoring?
- Do you have the time to do it?

The benefits of preparing a budget far outweigh the costs involved.

Excel Spreadsheet

Using an excel budget template is cheap and easy, and it is simple to customise it to your own situation. A big drawback of using excel is understanding the underlying formulae. If these are not working correctly in the background, the budget can easily give false results. Perhaps GST isn't being accounted for, or expenses are not being included in the totals. Also, using excel is a very laborious way to compare budget with actual results.

DairyNZ

Dairy NZ have a good basic budget on their website which I would recommend, especially for young farmers starting out or when looking at new positions. Have a go and then bring it to us to review for you.

BankLink.

We use BankLink to process client data and clients can also use BankLink to code their own accounts if they wish. BankLink has a simple budget, and reports can readily be produced for either budget reports, or for comparing actual with budget through the year. However, as payout structures from some dairy companies are now quite complex, with advance or deferred payments, capacity adjustments, etc., the milk payment calculation in BankLink can be an issue. Using the payment predictor from Fonterra or Open Country Dairy is a wise decision.

Cash Manager Rural (CMR)

This software is designed in NZ for farmers and is becoming increasingly popular, especially among farmers who want a more proactive approach to take care of their own GST and budget processes. CMR is now in the cloud, and it is very useful that permission can be given to others to have access to the information at the same time. CMR has an extensive budget facility, where much detail can be entered without the need for additional reports to itemise how the amounts are calculated. Drilling down in the cells quickly reveals the detail. For instance, to calculate feed costs you simply enter tonnage and price of the various types of feed, and all this information is readily accessible on the screen. The reporting options are also quite flexible.

Xero

Xero is increasingly being used in commercial businesses. The information provided is absolutely current because of the way it works in 'real time.' Huge progress is being made for rural accounting, however, we are not yet able to get direct data feeds from all the major rural institutions. It will only be a matter of time before these improvements are made.

Sitting down together using our accounting expertise and your on-farm knowledge produces a budget that will have real meaning, and can help you make better decisions.

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