



Western Cape
Government

Agriculture

BETTER TOGETHER.



Enterprise Budgets

Agricultural Economic Services

Programme: Production Economic Services

ENTERPRISE BUDGETS

BOOKLET VOLUME 2

CROPS & LIVESTOCK

PUBLISHED BY THE WESTERN CAPE DEPARTMENT OF AGRICULTURE

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**PRIVATE BAG X1
ELSENBURG
7607**

**CONTACT PERSON: MZWANELE LINGANI
TEL: (021) 808 5317 | FAX: (021) 808 5210**

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The Western Cape Department of Agriculture acknowledges the contribution of all farmers who assisted with the provision of data and verification of the enclosed enterprise budgets.

Suppliers of agricultural production inputs within the province are also thanked for their collaboration in providing price information. Furthermore, the advice they gave concerning the norms of certain agricultural inputs is also noted.

We would also like to thank colleagues from within the department and the various industry bodies for their advices and contributions that played a pivotal role in the development and verification of these enterprise budgets.

Through a concerted effort from all the above parties we have developed representative enterprise budgets that can be used as an aid in the planning process.

WHAT IS AN ENTERPRISE BUDGET?

An enterprise budget is a physical and financial plan for growing and selling a particular crop or livestock commodity (Standard Bank, 2013). It can either be developed for an existing enterprise especially if there are production and financial records available for that particular enterprise or for an intended enterprise to be started in a specific farm by following certain procedures to be discussed below. Enterprise budgets must be developed on the basis of a small common unit such as one hectare. It is one of the tools assisting farmers to compare competing enterprise budgets and be able to select an enterprise with the highest gross margin.

PURPOSE AND IMPORTANCE OF ENTERPRISE BUDGETS

To analyse alternative marketing options and decide if a particular enterprise is a good choice in the markets faced by farmers. It provides production targets that the farmers must produce in order to cover all costs for production of a specific enterprise. Enterprise budgets can be used in cash flow budgets to estimate seasonal cash inflows and outflows. Borrowing needs for the farming operation.

DRAWING UP OF ENTERPRISE BUDGETS OR EXPLANATORY NOTES

The enterprise budgets are drawn up as a short-term planning aid. When farmers are planning for short, medium and long-term various fixed costs that are relevant for production of a specific agricultural enterprise, those fixed costs are not included in the enterprise budgets.

ALL THE ENTERPRISE BUDGETS WERE COMPILED WITH THE FOLLOWING IN MIND:

Estimated yields will be realistically attainable under normal climatic conditions and with acceptable management practices. The production inputs used and production practices applied in these enterprise budgets are aimed at achieving the estimated yield

as mentioned above.

Certain production costs such as machinery, implements, labour costs etc. are given as totals in all the enterprise budgets, however, if more information is required on those costs it can be requested from the relevant officials.

Gross margin for crop enterprise budgets are calculated for one hectare while the gross margin for livestock enterprise budgets are calculated for the herd size as indicated on the top part of each enterprise budget.

DEFINITION OF ENTERPRISE BUDGET COMPONENTS (all taken from DAFF Economic terms 2015)

4.1 GROSS INCOME OF AN ENTERPRISE

Is calculated in the same way as gross value of production for crop and livestock enterprises except that internal transfers (intermediate inputs) of products from one enterprise to another are not taken into account.

4.2 DIRECTLY ALLOCATABLE VARIABLE COSTS

That portion of variable or fixed costs, which can be allocated to an enterprise without having to keep detailed records e.g. fertilisers, chemicals etc.

4.3 GROSS MARGIN ABOVE DIRECTLY ALLOCATABLE COSTS.

That portion of income which is obtained by deducting directly allocatable variable costs from the gross income.

4.4 NON-DIRECTLY ALLOCATABLE COSTS

That portion of variable or fixed costs that can only be realistically allocated to an enterprise if detailed records are kept.

4.5 GROSS MARGIN ABOVE TOTAL ALLOCATABLE VARIABLE COSTS

That portion of income which is obtained by deducting non-directly allocatable costs from the gross margin above directly allocatable costs.

NOTES REFERRING TO ALL ENCLOSED ENTERPRISE BUDGETS

The data used for development of the enclosed enterprise budgets was collected from various farmers. Farmers produced each crop by following expert recommendations as per land to be planted. As a result, some production inputs were common between farmers and some were different. Nevertheless, all production inputs obtained during data collection have been included on each budget. A weighted average yield was used from the farmers interviewed for development of various enterprise budgets. Farmers noted that yields to be harvested depend on production methods followed. Even the production inputs e.g. fertiliser, chemicals, labour, mechanisation of each crop depends on various factors which are important for consideration by any producer. It is important to note that relevant industries were contacted to give inputs in the production of various crops. The product prices, expected yields and costs of production inputs have been included for budgeting only. It is advisable for anyone planning to use these enterprise budgets to request recommendations relevant to the land to be planted.

DISCLAIMER

The enterprise budgets developed by the Western Cape Department of Agriculture are done to reflect accuracy and relevance of information. However, as each enterprise budget contains data from various sources, its correctness cannot be guaranteed. Therefore, any person using this information will be doing so at own risk as the said organization or other party will under no circumstances be responsible for any loss suffered by any person/ organization using the information contained in this document.

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