



Western Cape  
Government



Department of Agriculture

# ENTERPRISE BUDGETS

Agricultural Economic Services

# **ENTERPRISE BUDGETS**

**CROPS & LIVESTOCK**

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## **ACKNOWLEDGEMENTS**

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

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

We would also like to thank colleagues within the Western Cape Department of Agriculture and the various industry bodies for their advice 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, officials within Production Economics developed representative enterprise budgets that can 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 on 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 or a unit of livestock. 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 whether a particular enterprise is a good choice in the market.
- It provides production targets that the farmers must produce in order to cover all costs associated with a 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; short, medium and long-term various fixed costs that are relevant to the production of a specific agricultural enterprise, should not be 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)**

### **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.

### **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.

### **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. 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.

### **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 DEVELOPED AND UPDATED ENTERPRISE BUDGETS**

The data used for the development of the enterprise budgets were 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 among farmers and some were different. Nevertheless, all production inputs obtained during data collection have been included in each budget. A weighted average yield was used from the farmers interviewed for the development of various enterprise budgets. Farmers noted that yields to be harvested depend on the 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 the 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 organisation 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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