

Pathways to Farming

Business Management Practice Workshop

Projected and Actual Profit and Loss Reports

Tanya Murray, Farm Viability Specialist, Oregon Tilth

Wednesday April 14th, 2021

Outcomes and Agenda

Outcomes

- ✓ You understand how to create and use projected and actual profit and loss reports.
- ✓ You implement this business management practice.

Agenda

- It's not just about the money conversation
- Projected/Actual Profit and Loss Report Overview
- Projected Sales, Costs and Profit (Loss)
- Strategies for Increasing Profit
- Actual Sales, Costs and Profit (Loss)
- Under and Over
- Weekly Sales Projections Example
- Non-Financial Metrics
- Doing It

It's not just about the money

"Triple Bottom-Line" Businesses

Accounting for Non-Financial Considerations

How's Speed-Round

Bottom-line Criteria/Filter for Evaluating Business

It's not just about the money...but it's a business.

Profit Goal?



Projected/Actual Profit and Loss Report Overview

What is a Profit and Loss Report?

$\$ \text{ Sales (Revenues, Income) } - \$ \text{ Costs (Expenses) } = \$ \text{ Profit or Loss}$

Different ways of calculating this....

- Whole Business

- Enterprise

- Market Channel

- Product/Customer

Monthly, Quarterly, Annually, 5-year, 10 year

Projected/Actual Profit and Loss Report Overview

Projected: What you think is going to happen? (Budget)

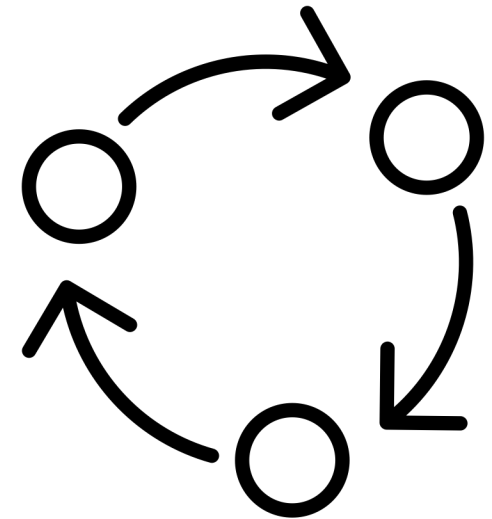
Identify changes to increase profits

Actual: What actually happened? (Record)

Under and Over: What didn't go as planned and WHY. (variances)

Change Future Projections

Repeat



Why do this?

Reduce stress, increase peace of mind

>Spending money to make money

“New report reveals 88% of farmers who follow a written business plan say that it has contributed to their peace of mind.”

<https://fmc-gac.com/healthymindshealthyfarms/>

Empowering, Active Management, Control (what you can)

Continuous improvement, on-going learning

>What is working, what isn't, what can you change.

Projected Sales

Use last year, past year's actual records.

Talk to potential customers, do some on the ground market research.

Ask other farmers.

Based on the items you will sell and the expected price.

Projected Costs

Use last year, past year's actual records.

Do research, look at enterprise budgets and case studies.

Ask other farmers.

Based on the inputs and the expected cost of each input to produce sales.

Projected Profit

$\$ \text{ Projected Sales} - \$ \text{ Projected Costs} = \$ \text{ Profit or Loss}$

Increasing Profits

Increase Sales

Raise Price per Unit

Sell More Units

Considerations...

Revisit your bottom-line criteria

Will raising the price effect the amount you can sell?

Will selling more units increase your costs?

Reduce Costs

Increase Efficiency...Do More with Less

Timing, Technique, Training, Technology

Considerations...

Revisit your bottom-line criteria

Will reducing costs effect the price you can sell at?

What are ways that spending more might reduce costs overall?

Actual Sales

Market Sheets: Starting and Ending Inventory + Price

Copies of Sales Receipts

Square

Accounting Software like Quickbooks or WAVE

What Information?

- Total Sales

- Sales per Product

- Sales per Product per Customer

- Sales per Product per Week/Month

Actual Costs

Receipts and Bills

Hours Worked

Inputs Used

What Information?

- Total Costs

- Costs per Category

- Cost per Product

- Cost per Week/Month

Actual Profit

$\$ \text{ Actual Sales} - \$ \text{ Actual Costs} = \$ \text{ Profit or Loss}$

Under and Over (Variances)

Were actual sales over projected sales?

Can you do something to ensure that this happens again?

If yes, change projected sales.

If no, keep projected sales the same.

Were actual sales under projected sales?

Can you do something to ensure that this doesn't happen again?

If yes, keep projected sales the same.

If no, change projected sales.

Under and Over (Variances)

Were actual costs over projected costs?

What was the net result of higher costs?

Can you do something to ensure that this doesn't happen again?

If no, change projected costs.

If yes, keep projected costs the same.

Were actual costs under projected costs?

What was the net result of lower costs?

Can you do something to ensure that this does happen again?

If no, keep projected costs the same.

If yes, change projected costs.

Weekly Sales Projections

Crop	Crop Unit	Price per Crop Unit	Projected Crop Units Sold	Actual Crop Units Sold	Under/Over Notes	Projected Income	Actual Income
hakurei turnips	bunch	\$2.00	15	7	8 left over that didn't sell	\$30.00	\$14.00
daikon radish	bunch	\$3.00	20	25	great yield, sold them all	\$60.00	\$75.00
kale	bunch	\$2.50	20	20	about right	\$50.00	\$50.00
arugula	bunch	\$4.00	35	30	sold out at 10am, could sell more	\$140.00	\$120.00
collards	bunch	\$3.00	30	30	sold out at 10am, could sell more	\$90.00	\$90.00
mustard	bunch	\$3.00	10	5	bad yield, could have sold more	\$30.00	\$15.00
						\$400.00	\$364.00

Non-Financial Metrics...

Specific

Measurable

Attainable

Realistic?

Time-Bound

Tanya's Terrific Turnips:

- *Use organic farming practices*

✓ Get certified organic.

Creating a positive and equitable workplace

✓ Pay livable wage \$18.86/hour, host weekly all-farm social.

Providing opportunities for community engagement

✓ Offer 100 hours of education per year to school/community groups.

Doing It

1. Identify bottom-line criteria – financial and non-financial
2. Decide if you want do projections and actuals weekly/monthly/annually
3. Create worksheet to use or schedule meeting with Tanya to create
4. Complete 2021 projected sales and costs
5. Evaluate profit - Identify changes to increase profits (bottom-line criteria)
6. Revise 2021 projected sales and costs
7. Track actual sales and rack costs
8. Evaluate under/over
9. Use info to create 2022 projected sales and costs

Doing It

- ❖ Really small steps
- ❖ First steps
- ❖ Make it easy to do – clarity, systems, triggers
- ❖ Ask for accountability
- ❖ Celebrate success

Thank You & Feedback Link

Tanya@tilth.org

<https://forms.gle/sfYceF7psaSwmqHu8>