

Spotlight on Agriculture

Ministry of Agriculture, Water and Rural Development • Directorate of Agricultural Research and Training • Private Bag 13184 • Windhoek

No 75

January 2004

Assisting upcoming commercial farmers in the Hardap Region

One of the main objectives of the Directorate of Extension and Engineering Services in the Hardap Region is the assistance to the growing number of upcoming commercial farmers. The aim is to assist these farmers with knowledge and the implementation of technologies to ensure a better sustainable production system. Several Affirmative Action Farmers contacted the Extension office looking for assistance of some kind, which clearly identified a need from the farmers. A need for training in different fields of farm management was raised. These included rangeland management, animal health and financial management, where priority was then given to financial management.

WHY IS FINANCIAL MANAGEMENT IMPORTANT?

The existence of any farming practice is depending on the flow of money or funds, which makes it very important that these funds are managed correctly so that the business is secured for the future. The best possible way for doing this is with a financial management system. True and measurable information is gathered from a sound financial management practice, which will give a true reflection of the success of the business. It will also assist the farmer with future planning and problem identification.

PROPOSED FINANCIAL MANAGEMENT SYSTEM

The proposed system first of all needs to be effective, simple and easy to implement. The farmer should be able to gather the information during his daily financial activities and record only the basic information into the system. Furthermore the system must assist the farmer to do financial planning on a monthly, quarterly and yearly basis. The farmer thus does an activity plan and commits certain costs and incomes to these activities. The two basic records proposed were the "Income and Expense record" and the "Cash Flow Budget".

Income and Expense record

The photo shows one example of how an income and expense record can be compiled. It is compiled according to each farmer's needs. The record needs to include all individual expenses and incomes occurring every day of the year. The date, the amount and the reason for the expense should be noted. These entries are then added up and put in the cash flow budget under the actual expenses or incomes on a monthly basis.

Cash Flow Budget

The cash flow budget is drawn up at the beginning of every financial year and is estimated for twelfth months in advance. The budgeted amounts must be as realistic and accurate as possible. The information needed to compile this budget must be taken from the previous year's income and expense records, the taxation return records and the experience of the farmer, as well as the previous year's cash flow budget. The

An income and expense record.

following table will show an example of such a cash flow budget. The example will only show two month's entries, but it must be done for twelfth months.

Table 1: Cash flow budget example.

Cash Flow Budget Mr P. Andreas 1 March 2004 until 28 February 2005				
Item	March		April	
	Budget	Actual	Budget	Actual
INCOME				
Livestock				
Game				
Gross Farming Income (A)				
EXPENSE				
Labour				
Fuel				
Supplementary feed				
Feedstuff				
Medication				
Electricity				
Licenses				
Telephone				
Banking costs				
Sundries				
VAT				
Gross Farming Expense (B)				
A - B (Excess or Loss)				
Agribank				
SUBTOTAL EXPENSE (C)				
A - C (Excess or Loss)				
Capital				
New improvements				
Income Tax				
SUBTOTAL EXPENSE (D)				
A - D (Excess or Loss)				
Interest				
SUBTOTAL EXPENSE (E)				
A - E (Excess or Loss)				
House / Private				
SUBTOTAL (F)				
A - F (Excess or Loss)				



Farmers who attended the course

FEEDBACK ON A COURSE PRESENTED ON FINANCIAL MANAGEMENT



Some twenty-four Upcoming Commercial Farmers were invited of which eleven attended the course. The course was held over a two-day period at the Hardap Research Station near Mariental during September 2003. Two commercial farmers also gave their inputs from a more practical side. An accountant from Mariental covered the Income tax and VAT issue. The participants felt they learned a great deal and were positive that they will implement the newly gained knowledge in their farm management.

Reference: Piet Jacobs, Differences in farming and production methods of commercial and communal farming.
 Oubaas Kotze, Assistance from commercial farmers to upcoming commercial farmers.
 Johan Fourie, Income tax and VAT - the importance to the farmer.

Authors: Yanka Agenbach, B. Burger and C.J. van Lill, DEES, PO Box 275, Mariental.

Editor: A. van Niekerk, DART, P/Bag 13184, Windhoek.