



Horticulture Australia

InnoVeg

Horticulture Australia Limited



CASE STUDY

How is Our Business Going?



Horticulture Australia

"The Vegetable Industry Development Program is funded by HAL using the vegetable levy and matched funds from the Australian Government".



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Case Study

HOW IS OUR BUSINESS GOING?

Introduction

This case study is written to help vegetable growers understand their businesses better. It specifically answers the question – how is our business going? Vegetable growers will be able to make better decisions if they understand the financial performance of their business more clearly, e.g. whether to expand, take risks, or invest in infrastructure.

Vegetable businesses handle lots of money. They have many documents that provide information on money going in and out of the business. This case study aims to simplify the process of analysing the financial performance of the business.

Why analyse your business?

Many business people (not just vegetable growers) measure the success of their business via the balance of their bank account, how much tax they are paying, whether they can live the way they want to, or whether they are growing the things they want to as well as they can. These are all important indicators of business success, but do not, of themselves, give you a complete picture.

Unfortunately, too many businesses run into difficulty because they only rely on these indicators and by the time they are not performing, it can be too late to turn the business around, or undo a major decision that has gone wrong because you should never have done it.

Thus, regularly (annually or seasonally) analysing your business helps you to understand what drives the profitability of your business (as opposed to its production, or your lifestyle), so as you can make better decisions about inputs, crop selection, expansion, vertical integration, relocation and many other issues that are the focus of the InnoVeg business cases and case studies.



Tax statements versus management statements

Every business must prepare a taxation return every year. Your accountant will use your financial records (cash book, bank statements, invoices and receipts) to prepare a Profit and Loss Statement and a Balance Sheet. The main purpose of this work is to calculate the business' tax liability.

It is very important to recognise that your Taxation Profit or Loss is not the same as your Management (or real!) Profit or Loss.

Taxation law defines what income is assessable and what costs are deductible for the purposes of calculating your tax liability. For example:

- You may be able to write-off (depreciate) the value of new equipment faster than what happens in real life (accelerated depreciation).
- You may also be able to claim the full cost of some capital expenditure (e.g. investment in environmental protection) in the year it occurs, rather than over its useful life.
- You may also include payments between the different business entities you have, e.g. payment of land lease by a farm operating company to your superannuation fund, which owns the land. Whilst a legitimate deductible expense for the operating company, if the same person owns the two entities, then they are really just “internal transfers” of funds to keep arrangements clean for taxation and legal purposes.

Finally, it is important to recognise that tax is a business expense. Thus, it is appropriate for a business to seek to minimise those expenses within the ethical and legal framework in which it operates. Whilst the old saying, “profitable farmers pay tax” is correct, not many accountants are praised by their client for calculating a large tax liability!

Thus, your Management Profit or Loss may be significantly different than your Taxation Profit or Loss.

Despite these differences, your Taxation Profit & Loss Statement can be very useful in understanding the performance of your business. This case study takes the Taxation Profit & Loss Statement and some other readily available information, and uses them to analyse business performance.

Getting started

Firstly, find your most recent taxation statements. You will need between three and five years of statements to obtain a longer-term view and account for seasonal variation. When you find these statements, you will note that each statement usually includes two years of data, i.e. the year just concluded (current year) and the one prior (last or previous year). This makes it a little easier to get multiple years!

It will help to analyse the information if you can get them in an electronic form, such as a spreadsheet. An example of a vegetable grower's Taxation Profit & Loss Statement in spreadsheet format is attached in [Appendix A](#).

A summary of this information is shown in the following table.

SUMMARY OF TAXATION P&L STATEMENT	2007	2008	2009	2010
Sales – vegetables	\$892,091	\$859,235	\$705,674	\$663,402
Total cost of sales	\$283,355	\$293,542	\$263,241	\$155,981
Gross profit from trading	\$608,736	\$565,693	\$442,433	\$507,421
Total Income	\$623,629	\$633,707	\$516,949	\$514,791
Total Expenses	\$465,413	\$541,851	\$524,371	\$462,181
Net Profit/(Loss)	\$158,216	\$91,856	\$-7,422	\$52,610

This table shows the business has made a taxation profit in three of the four years, and in one year there was a small loss.

A few other observations can be made about this information:

- Vegetable sales have decreased from around \$900,000 to \$660,000.

- Cost of sales decreased significantly in 2010.
- Gross profit from trading increased in 2010 despite lower vegetable sales because the cost of sales decreased.

Although these observations are interesting, they don't provide much insight into how the business is going or assist in decision-making.

Sorting the information

In most cases, the information in the Taxation Profit & Loss Statement is listed in alphabetical order. This is of little use for management decision-making. Therefore, the first task is to rearrange this information into groups, which are useful for your decision-making.

Refer to [Appendix A](#). You will note that we have added how we intend to allocate (group together) these income and expense items to the first column of the spreadsheet. The table below is a guide or legend for the codes used.

Code	Group	Definition
VC	Variable costs	Variable (or direct) costs are those costs that vary directly with production, e.g. fertilizer, packaging, casual harvest labour. Grouping these costs together helps to calculate how much it costs to grow and/or pack a crop.
OHC	General overhead costs	General overhead (or fixed) costs are those costs that you have to pay regardless of production (i.e. they hang over your head!), e.g. rates, insurance, accountant, permanent labour, repairs and maintenance. Grouping them together helps you calculate how much your crops need to make, net of variable costs, for your business to be profitable.
P&E	Plant & equipment costs	Plant & equipment costs are a form of overhead cost, but are categorised separately because they often comprise a large component of the overhead costs in a mechanised vegetable operation. Also, unlike other overhead costs, they may change considerably if you change crop or operations.
DEP'N	Depreciation	Depreciation is another form of overhead cost, usually associated with plant & equipment, but is categorised separately because it is a calculation, not a cash cost. As a rule of thumb, 10-15% of the value of your plant & equipment should be depreciated each year. This will be higher if you have hi-tech equipment that is replaced regularly.
FC	Finance costs	Finance costs are the costs of using other people's assets, e.g. interest on borrowed money, lease of land, and hire purchase of equipment. They are grouped together to clearly identify your financial commitments to other people. They also separated because different business may have similar operations and, thus costs, but may be financed differently. Thus, it enables an easier comparison of those operations.
OI	Other income	Other income is income you have earned within the business, but is not directly related to your core business, e.g. interest or sales of minor products like fodder. It is grouped together and separated from your main income stream to allow you to focus on the profitability of your core business, whilst not forgetting to count it.
Wages, fuel & oil	Rebates	Rebates are a form of other income directly related to a specific cost, e.g. diesel fuel rebate. Where they exist it is more valuable to your decision-making to include them as a negative cost (rebate) adjacent to the actual cost, so you see the actual cost of that item to your business.
Exclude	Exclude	Some items included in a Taxation P&L should not be included in a Management P&L, as they distort the real financial performance of your business, e.g. interest rate subsidy, capital items, payments to related entities. Note , in this example "water conservation" is actually the cost of their water purchases, thus our treatment of it. However, this terminology usually refers to capital expenditure on water and, therefore would normally be excluded. Make sure you understand the categories your accountant uses!

Making use of the information

Once you have sorted the information into these groups, you only need to do a few simple calculations and you have a very useful Management Profit & Loss Statement.

Appendix B shows the original information from the Taxation Profit & Loss Statement after it has been sorted into these groups, plus some additional calculations and terminology, which are explained below.

Other information	How to use this information
Area	The area of operations has been added to compare costs and profitability on a per hectare basis. This may also be useful for other units e.g. pallet or box.
Gross Margin	Gross Margin is the income less variable costs. If you are looking to expand, or change crops, it will help you understand if it will be profitable. However, be aware, if extra overhead costs are required to expand or change crop, they are not included and need to be accounted for in the decision.
Total operating costs	Total operating costs are included to ensure we still maintain an overview of what our total costs are once we have broken them up into their groups. It also helps you identify useful benchmarks like costs as a percentage of your income.
Operating surplus/(loss)	Operating Surplus/(Loss) is your total income less your total operating costs. This is a cash measure because we have not yet accounted for non-cash items, such as depreciation and owner's labour.
Owner's labour	If you are to have a true and accurate picture of how your business is going, then you need to account for the family labour that is employed within the business, but not directly paid by the business, i.e. living off drawings. The best measure of this is to think about how much you would need to pay to employ a farm manager to take on your responsibilities.
EBIT	Earnings Before Interest and Tax is a common measure of the operating performance of a business. You will see it in the annual report of all major businesses. This measure is the most relevant for comparison with other businesses, because they may operate similarly, but have different financing and taxation arrangements.
EBT	Earnings Before Tax is really your final profit, after you have paid for your finance. This is what you have left to reinvest in the business, make other investments, withdraw for lifestyle choices beyond your wage (owner's labour) and pay tax.

How profitable are you?

Now that you have sorted the information and done a few useful calculations, what does it tell you about how profitable your business is, and why? A summary of

our example Management Profit & Loss Statement in [Appendix B](#) is presented below.

ROW	SUMMARY	2007	2008	2009	2010
1	Area (ha)	40	40	40	40
2	Sales – vegetables	\$892,091	\$859,235	\$705,674	\$663,402
3	Variable costs	\$569,908	\$647,101	\$612,014	\$465,903
4	Gross Margin	\$322,183	\$212,134	\$93,660	\$197,499
5	Gross Margin per hectare	\$8,055	\$5,303	\$2,342	\$4,937
6	General overhead costs	\$24,456	\$25,581	\$24,322	\$26,529
7	Plant & equipment costs	\$28,701	\$24,336	\$29,400	\$17,861
8	Total overhead costs	\$53,157	\$49,917	\$53,722	\$44,390
9	Total operating costs	\$623,065	\$697,018	\$665,736	\$510,293
10	Operating Surplus / (loss)	\$271,107	\$177,789	\$47,621	\$160,479
11	Depreciation	\$62,178	\$46,099	\$42,846	\$38,294
12	Owner's labour	\$50,000	\$50,000	\$50,000	\$50,000
13	EBIT (Earnings before interest and tax)	\$158,929	\$81,690	(\$45,225)	\$72,185
14	Finance costs	\$50,713	\$68,533	\$68,809	\$69,575
15	EBT (Earnings before tax)	\$108,216	\$13,157	(\$114,034)	\$2,610

The analysis shows that the business generated a healthy EBT (15) in 2007, but it has declined rapidly since then, incurring a substantial loss in 2009 and recovering to “break-even” in 2010.

Why has this occurred?

- Sales of vegetables (2) have been declining over the period, especially in 2009.
- However, total operating costs (9) have remained relatively stable until 2010.
- In 2010, sales of vegetables (2) decreased further, but there was a large decrease (~\$150,000) in variable costs (3), leading to a higher gross margin (4).
- There was also a slight decrease in plant & equipment costs (7) and depreciation (11).

- Reference to [Appendix B](#) shows that the following variable costs have decreased significantly:

- Purchases (of vegetables for packing) ~\$80,000
- Payroll costs (of packers) ~\$54,000
- Packaging ~\$13,000

Thus, the analysis shows that the business has reduced its losses by removing or reducing its packaging activities. This may indicate that they were not overly profitable previously, but more knowledge of the business is required to make that judgement. Importantly, an understanding of how the business was tracking helped this vegetable grower make an important decision that eliminated their loss. They now need to make further changes to increase their profitability back to 2007 levels.

December 31

LIABILITIES:

Accounts Payable			
Notes Due Within One Year			
Current Portion of Term Debt			
Accrued Interest			
Income Taxes Payable			
Current Portion-Deferred Taxes	0.97		
Other Accrued Expenses	1.28		
Other Current Liabilities	0.00		
TOTAL CURRENT LIABILITIES	39.42		
Noncurrent Portion-Notes	1.15		
Noncurrent Portion-Term Debt	0.09		
Other Noncurrent Liabilities	3.25		
TOTAL NONCURRENT LIABILITIES	4.59		
TOTAL LIABILITIES	44.01		
Retained Earnings			
Equity			

Plant and Equipment	9,000		
Accumulated Depreciation	645		
Plant and Equipment, Net	\$309,040		
Investments	25,500		
Accounts Receivable	13,520		
Inventory	70,700		
Prepaid Expenses	37,605		

ASSETS

(List)

(Market)

(Market)

How well are you using your capital?

The standard (or traditional) way of measuring profitability is to compare the profit generated by the assets or equity invested in the business, i.e. measuring investment returns. This approach is useful for determining how efficiently you are using your capital in your business, compared with alternative investments, e.g. other business ventures, bank deposits, the property or share markets.

The two standard measures of investment return are:

1. Return to capital, which is the return to all of the capital (yours and our financiers) invested in the business, and is calculated as EBIT divided by total assets (capital), as a percentage.
2. Return to equity, which is the return to your capital (net worth or equity) only, and is calculated as EBT divided by net worth (equity), as a percentage.

Apart from the Management Profit & Loss Statement already prepared in [Appendix B](#), you will need an up-to-date Balance Sheet. Be wary of your Taxation Balance Sheet, as it uses historical values for assets and your assets are often spread across a number of different business structures and, therefore, balance sheets. Bring them together and use current market values for all your assets.

A simplified balance sheet for our example vegetable grower is provided below.

BALANCE SHEET	VALUES
Value of land & water	\$1,500,000
Value of plant & equipment, and sundry items	\$300,000
Total assets (or capital)	\$1,800,000
Value of all external debt	\$1,000,000
Net worth (or equity)	\$800,000

Note:

- Total assets (or capital) equals the sum of the value of the land & water, plant & equipment, and sundry items.
- Net worth (or equity) equals total assets (or capital) less the value of all external debt.

The calculations of investment returns for our example vegetable grower are presented in the table below.

INVESTMENT RETURNS	2007	2008	2009	2010
EBIT (earnings before interest and tax)	\$158,929	\$81,690	(\$45,225)	\$72,185
Total assets (or capital)	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
Return to capital (RTC)	9%	5%	-3%	4%
EBT (earnings before tax)	\$108,216	\$13,157	(\$114,034)	\$2,610
Net worth (or equity)	\$800,000	\$800,000	\$800,000	\$800,000
Return to equity (RTE)	14%	2%	-14%	0%

The analysis shows that:

- The returns mirror the calculations of EBIT and EBT above, as we have calculated the returns based on the current Balance Sheet.
- The Return to Capital was comparable with other investments in 2007.
- The Return to Equity has greater variation, but balances out to almost 0% over the period.

The greater variation in RTE compared with RTC demonstrates the additional risk associated with having significant debt, i.e. it accentuates the result. When you are running a profitable business, good use of debt to expand that business will further increase that profitability, but when you are running an unprofitable business, debt exacerbates the loss. This is what economists refer to as the "Principle of increasing risk".

An alternative approach

An alternative approach to examining your investment returns is to split your assets into the business (or operating) assets and the land and water (or real estate) assets. This approach is useful if you consider, as some people do, that farmers are in two businesses, real estate and farming. Thus, what returns you obtain for your real estate investment (return from leasing and capital gain) and what return to you obtain from your business (or operating) assets.

This approach is also useful for the purposes of succession planning (refer to the fact sheet, "A smooth transition – navigating your way through the family business"), as one way to facilitate succession planning is for the owners of the real estate assets (usually the parents) to lease them to the next generation. This provides them with the opportunity to operate the farming business, provide an income for the retiring parents, but leaves asset distribution for an independent process (usually via the estate). Of course, a profitable business is the key ingredient for this to work properly!

This alternative approach is demonstrated in the table below for our example vegetable grower.

REFERENCE	ALTERNATIVE APPROACH	2007	2008	2009	2010
1	EBIT (Earnings before interest & tax)	\$158,929	\$81,690	(\$45,225)	\$72,185
2	Value of land & water	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
3	Lease at 5%	\$75,000	\$75,000	\$75,000	\$75,000
4	Other leases (paddock lease)	\$19,250	\$9,625	\$7,087	\$3,938
5	Total cost of capital	\$94,250	\$84,625	\$82,087	\$78,938
6	Business profit	\$64,679	(\$2,935)	(\$127,312)	(\$6,753)
7	Business capital (plant & equipment)	\$300,000	\$300,000	\$300,000	\$300,000
8	Return to business capital	22%	-1%	-42%	-2%

This calculation is completed as follows:

- Determine a fair lease value (3) – we have used 5% of the value of land and water (2). This is because agricultural land is often leased for about 3% to 5% of value, whilst irrigation water is often leased at 5% to 7% of value. However, the market (demand and supply) determines the lease price, not some arbitrary percentage value.
- Include other leases (4) and add them together to calculate the total cost of capital (5).
- Calculate business profit (6) by subtracting the cost of capital (5) from the EBIT (1).
- Calculate the return to business capital (8) by dividing the business profit (6) by the value of the business capital (7), as a percentage.

The analysis shows that:

- The business could easily afford to pay a commercial lease on the real estate assets in 2007 and provide a healthy investment return of 22%.
- However, it incurred an extremely heavy loss of 42% in 2009.
- It was only break-even in 2008 and 2010.

Thus, like debt, leasing all of the land and water assets you need to run a farming operation has substantially increased the variation (risk!) in returns. However, the alternative approach does provide a clear message about how much the business needs to improve its financial performance if it wishes two generations to live comfortably off its returns.

Conclusions

A business can build a very valuable source of information by setting up a consistent method of analysing their annual financial statements. Each year more information can be added to the analysis and a long-term view of the business' financial performance can be developed.

This information is very useful to discuss the business with your advisors, bankers and other people involved in the business. Also, if you are thinking of bringing another person into the business, this analysis will be very important for them to understand the financial performance of the business.

Appendix A – Example Taxation Profit & Loss Statement

ALLOCATION	INCOME	2007	2008	2009	2010
	Sales - vegetables	\$892,091	\$859,235	\$705,674	\$663,402
	Less Cost of Sales				
VC	Purchases	\$201,608	\$202,717	\$190,428	\$111,356
VC	Freight & cartage	\$44,632	\$49,543	\$59,980	\$44,488
VC	Packaging - vegetables	\$37,115	\$41,282	\$12,833	\$137
	Total cost of sales	\$283,355	\$293,542	\$263,241	\$155,981
	Gross Profit from Trading	\$608,736	\$565,693	\$442,433	\$507,421
OI	Agistment	\$1,576	\$120		
OI	Interest received	\$505	\$237	\$104	\$6,642
OI	Rebates received - catchment authority			\$2,989	
wages	Rebates received - wages	\$598	\$1,002	\$2,112	
fuel & oil	Rebates received - diesel	\$12,214	\$7,674	\$8,109	
exclude	Interest rate subsidy		\$28,766	\$56,612	
exclude	Flood relief grant		\$15,000		
OI	Sales - fodder		\$7,040	\$4,590	\$728
OI	Sundry income		\$8,175		
	Total Income	\$623,629	\$633,707	\$516,949	\$514,791
	EXPENSES				
OHC	Accountancy fees	\$1,000	\$1,100	\$1,200	\$1,670
OHC	Bank charges	\$682	\$1,002	\$739	\$202
FC	Borrowing expenses	\$568	\$883	\$814	\$1,383
OHC	Consultants fees		\$1,818		
VC	Contract work				\$37,563
DEP'N	Depreciation	\$62,178	\$46,099	\$42,846	\$34,997
P&E	Depreciation - motor vehicles				\$3,297
OHC	Electricity & gas	\$3,465	\$4,132	\$5,102	\$5,208
VC	Fertilizer & spreading	\$14,558	\$25,583	\$26,300	\$19,490
VC	Fuel & oil	\$33,403	\$41,079	\$37,371	\$20,938
VC	Harvesting		\$1,500	\$1,020	\$792
P&E	Hire of plant & equipment		\$730	\$27	
OHC	Insurance	\$2,420	\$2,695	\$3,036	\$4,315
FC	Interest	\$30,895	\$58,025	\$60,908	\$64,254
OHC	Journals & reference books	\$229	\$233	\$264	\$131
OHC	Licences, registrations, permits	\$3,642	\$2,693	\$830	
P&E	Motor vehicle expenses	\$4,868	\$4,251	\$4,451	\$2,018
exclude	Pasture restoration		\$15,067		
FC	Paddock lease	\$19,250	\$9,625	\$7,087	\$3,938
OHC	Permits, licences & fees				\$1,095
OHC	Postage, printing & stationery	\$636	\$876	\$886	\$473
OHC	Protective clothing	\$372	\$461	\$454	\$139
OHC	Rates & land tax	\$8,628	\$6,814	\$7,007	\$9,975
P&E	Repairs & maintenance	\$23,634	\$19,092	\$24,486	\$15,644
VC	Sprays & spraying	\$42,900	\$30,830	\$35,685	\$28,951
OHC	Staff training & welfare			\$695	\$973
VC	Superannuation	\$14,518	\$13,176	\$18,451	\$11,092
OHC	Sundry expenses	\$339	\$445	\$282	\$133
OHC	Telephone	\$2,755	\$3,020	\$3,513	\$1,895
P&E	Tool replacements	\$199	\$263	\$436	\$199
VC	Wages	\$168,398	\$197,274	\$184,776	\$141,493
OHC	Waste disposal	\$288	\$292	\$314	\$320
VC	Water expenses	\$5,139			
VC	Water conservation	\$10,879	\$45,873	\$48,337	\$44,718
VC	Workcover	\$9,570	\$6,920	\$7,054	\$4,885
	Total Expenses	\$465,413	\$541,851	\$524,371	\$462,181
	Net Profit/(Loss)	\$158,216	\$91,856	(\$7,422)	\$52,610

Appendix B – Example Management Profit & Loss Statement

ALLOCATION		2007	2008	2009	2010
	Area (hectares)	40	40	40	40
	Sales - vegetables	\$892,091	\$859,235	\$705,674	\$663,402
	Variable Costs				
VC	Contract work				\$37,563
VC	Fertilizer & spreading	\$14,558	\$25,583	\$26,300	\$19,490
VC	Freight & cartage	\$44,632	\$49,543	\$59,980	\$44,488
VC	Fuel & oil	\$33,403	\$41,079	\$37,371	\$20,938
fuel & oil	Rebates received - diesel	(\$12,214)	(\$7,674)	(\$8,109)	
VC	Harvesting		\$1,500	\$1,020	\$792
VC	Packaging - vegetables	\$37,115	\$41,282	\$12,833	\$137
VC	Purchases	\$201,608	\$202,717	\$190,428	\$111,356
VC	Sprays & spraying	\$42,900	\$30,830	\$35,685	\$28,951
VC	Superannuation	\$14,518	\$13,176	\$18,451	\$11,092
VC	Wages	\$168,398	\$197,274	\$184,776	\$141,493
wages	Rebates received - wages	(\$598)	(\$1,002)	(\$2,112)	
VC	Water expenses	\$5,139			
VC	Water conservation	\$10,879	\$45,873	\$48,337	\$44,718
VC	Workcover	\$9,570	\$6,920	\$7,054	\$4,885
	Total variable costs	\$569,908	\$647,101	\$612,014	\$465,903
	Gross margin	\$322,183	\$212,134	\$93,660	\$197,499
	Gross margin per hectare	\$8,055	\$5,303	\$2,342	\$4,937
	Other income				
OI	Agistment	\$1,576	\$120		
OI	Interest received	\$505	\$237	\$104	\$6,642
OI	Rebates received - catchment authority			\$2,989	
OI	Sales - fodder		\$7,040	\$4,590	\$728
OI	Sundry income		\$8,175		
	Total other income	\$2,081	\$15,572	\$7,683	\$7,370
	General Overhead Costs				
OHC	Accountancy fees	\$1,000	\$1,100	\$1,200	\$1,670
OHC	Bank charges	\$682	\$1,002	\$739	\$202
OHC	Consultants fees		\$1,818		
OHC	Electricity & gas	\$3,465	\$4,132	\$5,102	\$5,208
OHC	Insurance	\$2,420	\$2,695	\$3,036	\$4,315
OHC	Journals & reference books	\$229	\$233	\$264	\$131
OHC	Licences, registrations, permits	\$3,642	\$2,693	\$830	
OHC	Permits, licences & fees				\$1,095
OHC	Postage, printing & stationery	\$636	\$876	\$886	\$473
OHC	Protective clothing	\$372	\$461	\$454	\$139
OHC	Rates & land tax	\$8,628	\$6,814	\$7,007	\$9,975
OHC	Staff training & welfare			\$695	\$973
OHC	Sundry expenses	\$339	\$445	\$282	\$133
OHC	Telephone	\$2,755	\$3,020	\$3,513	\$1,895
OHC	Waste disposal	\$288	\$292	\$314	\$320
	Total general overhead costs	\$24,456	\$25,581	\$24,322	\$26,529
	Plant & Equipment Costs				
P&E	Hire of plant & equipment		\$730	\$27	
P&E	Motor vehicle expenses	\$4,868	\$4,251	\$4,451	\$2,018
P&E	Repairs & maintenance	\$23,634	\$19,092	\$24,486	\$15,644
P&E	Tool replacements	\$199	\$263	\$436	\$199
	Total plant & equipment costs	\$28,701	\$24,336	\$29,400	\$17,861
	Total overhead costs	\$53,157	\$49,917	\$53,722	\$44,390
	Total operating costs	\$623,065	\$697,018	\$665,736	\$510,293
	Operating surplus / (loss)	\$271,107	\$177,789	\$47,621	\$160,479
	Depreciation				
DEP'N	Depreciation - motor vehicles				\$3,297
DEP'N	Depreciation	\$62,178	\$46,099	\$42,846	\$34,997
	Total depreciation	\$62,178	\$46,099	\$42,846	\$38,294
	Owner's labour (estimate)	\$50,000	\$50,000	\$50,000	\$50,000
	EBIT (earnings before interest and tax)	\$158,929	\$81,690	(\$45,225)	\$72,185
	Finance Costs				
FC	Borrowing expenses	\$568	\$883	\$814	\$1,383
FC	Interest	\$30,895	\$58,025	\$60,908	\$64,254
FC	Paddock lease	\$19,250	\$9,625	\$7,087	\$3,938
	Total finance costs	\$50,713	\$68,533	\$68,809	\$69,575
	EBT (earnings before tax)	\$108,216	\$13,157	(\$114,034)	\$2,610
	Non Management Items				
exclude	Interest rate subsidy		\$28,766	\$56,612	
exclude	Flood relief grant		\$15,000		
exclude	Pasture restoration		\$15,067		

Disclaimer

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"The Vegetable Industry Development Program is funded by HAL using the vegetable levy and matched funds from the Australian Government".