



Department of
**Primary Industries and
Regional Development**

Plan, Prepare, Prosper

Financial Management for Beekeepers

After attending the last workshop:

1. Are you thinking about anything to do with your business differently?
2. What are the main changes (if any) you are thinking to make?

***‘A successful business enables the owner(s)
to enjoy the lifestyle they want,
now and in the future,
and the time to enjoy this.’***

How far are you from this currently?

1 ←————→ 10

Entry survey

Workshop preparation

Strategic Plan



Course work

Exit survey

Workshop aims

1. Provide a methodology to analyse and measure the performance of your business.
2. Understand the financial implications of the goals you set for your future.

Agenda morning

8.15 am Coffee/ Arrivals

8.30 am Introduction

The business of beekeeping

Understanding profit

Tools for business analysis

10.30 am Morning Tea (15 min)

Calculating net profit

Using the 1%-ers to increase profits

12.30 pm Lunch (35 min)

Agenda afternoon

- 1.05 pm** **Statement of Position**
Improving profitability
Benchmarking
- 3.30 pm** **END**

How do you know if you have a truly successful business?

‘A truly successful business should provide the income to support the lifestyle you want and the discretionary time to enjoy it.’

What do you need to do to achieve this?

i.e. You need to measure performance to understand it.

Three key questions

1. Where is my business now?
2. Where do I need to take it?
3. What do I need to get there?

Strategic Planning Roadmap

Critical Success Factors



Our Preferred Future



← The Gap →
345 Km

Current State
Quantitative/
Qualitative



Barriers



Five key calculations

1. Operating surplus
2. Operating efficiency
3. Net profit
4. Equity
5. Debt-to-income ratio

The business of beekeeping

Production
Management



Business
Management



Understanding what drives a successful beekeeping business

Yield/Volume x Price – Costs = Profit

Yield/Volume x Price – Costs = Profit

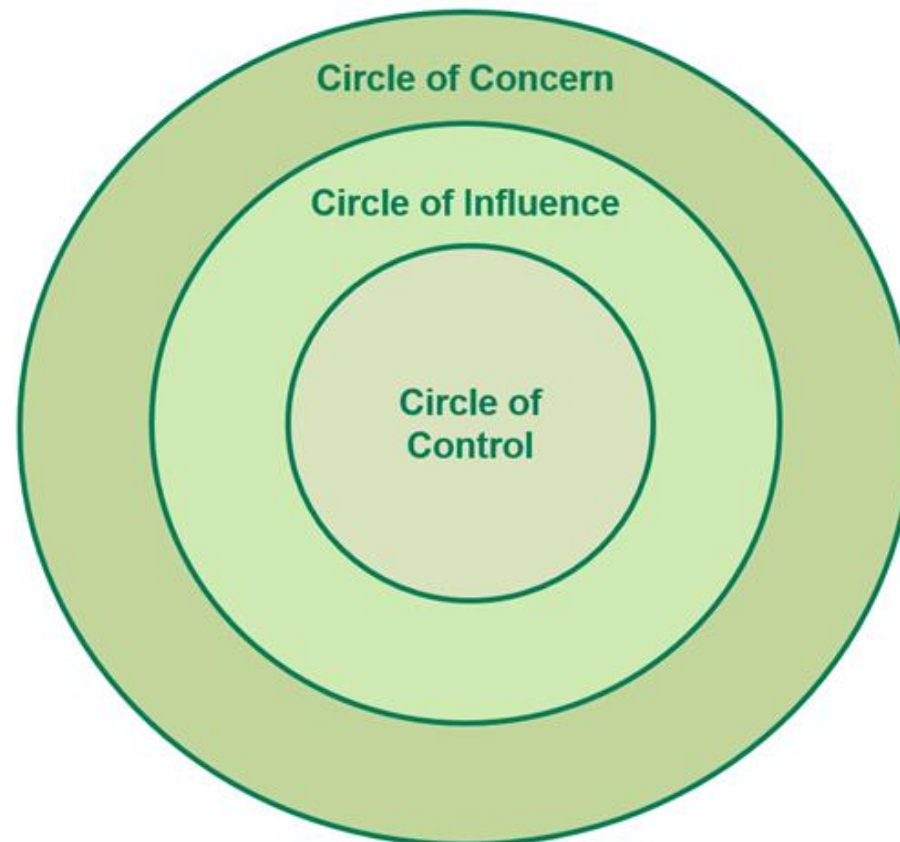
Profitable beekeepers work to improve productivity and/or lower input costs

Yield/Volume x Price – Costs = Profit

Improved honey quality and floral variety may be a strategy to increase the price received and therefore improve profit. Honey quality will generally result from timeliness of operations, with clear hive and apiary site management strategies


- What is your honey yield per hive?
- Are you getting the best price for your top-quality honey?
- What can you do?

Understanding what drives a successful business



Tools to measure and monitor performance



 **Analysis using financial ratios & industry benchmarks**

- Production records (3–5 years)
- Apiary site records
- Cash Flow Statement showing actual income and expenditure for the production year (3–5 year summary)
- Statement of Position (3–5 year summary)
- Key Financial Ratios (trends over 3–5 years)

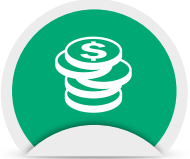
Profit & Loss/ Balance Sheet / Cash Flow

The Balance Sheet



Equity

Owners \$\$ to fund the start-up & buy Assets



Assets

Things bought so the business can run
 Less than 12 months:
 ***current** (cash, stock/inventory, debtors/ accounts receivable)
 ***non current** (land, buildings, plant equipment)



Liabilities

Other \$\$ that help fund the business & buy assets
 Less than 12 months:
 ***current** (Overdraft, creditors/ accounts payable)
 Greater than 12 months:
 ***non current** (loans & debts)

Retained Income

The Profit & Loss

Buy more Assets

Repay Loans
Pay tax

The Cycle Flow Cycle

- Sale
- Purchases/COGS
- = **Gross Profit**
- Operating Expenses
- = **Earnings Before Interest & Tax**
- Interest
- = **Net Profit Before Tax**
- Tax
- = **Net Profit After Tax**
- Dividends
- = **Retained Income**

Shareholder Dividends

Shareholder Dividends

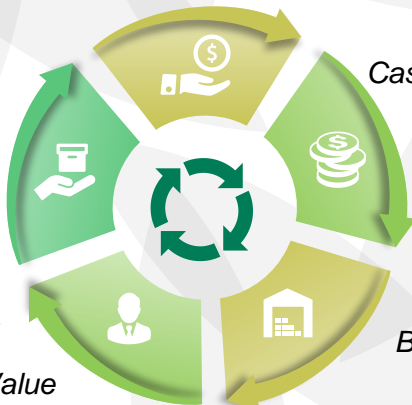
Sell (Products/Services)

Add Value (People, Processes)

Get Paid (Cash account)

Cash (Working Capital)

Buy Stocks/COGS (Purchase Inventory)



Tools to measure and monitor performance



Analysis using financial ratios & industry benchmarks

1. Gross Margin

$(\text{Yield/Volume} \times \text{Price}) - \text{Variable Costs} = \text{Gross Margin}$

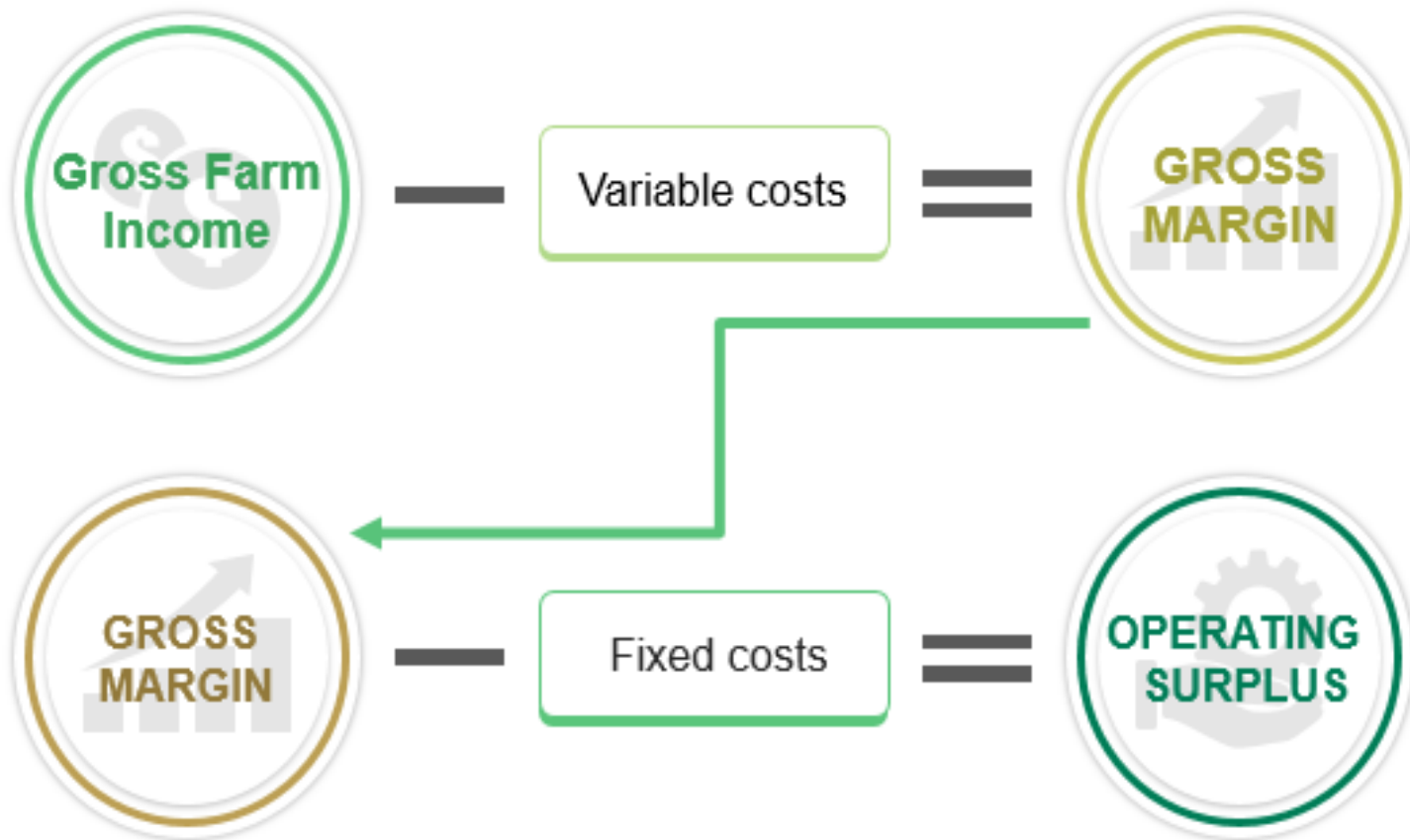
Optimising gross margins underpins superior performance at the net profit level.

There are several key factors that contribute to optimise your gross margin:

- Variable cost control – matching costs to production (costs per hive or apiary site v yield return)
- Informed decision making based on data
- A sound bee husbandry and hive management focus
- Timeliness of decision making
- Maximising economic honey yield
- That marketing and management combined maximise honey price received
- Your enterprise mix (revenue streams)

What can you do?

Calculating Operating Surplus



Gross beekeeping income	100	100
Variable costs	40	45
+ Fixed Costs	25	30
= Operating costs	65	75
Operating Surplus	35	25

Tools to measure and monitor performance



Analysis using financial ratios & industry benchmarks

2. Whole Beekeeping Business Cash Flow Budget

- Requirement for seasonal funds
 - How much do you need for carry-on finance?
- Know the month *peak debt* occurs
 - Make adjustments as required.
- Calculate the bottom line
 - Surplus or deficit?
- Monitoring and Evaluation tool
 - Are you on target?

Tools to measure and monitor performance



Analysis using financial ratios & industry benchmarks

3. Statement of Position

Also known as a Balance Sheet or Assets and Liabilities statement.

Definition

Is a financial statement that summarises a company's assets, liabilities and shareholders' equity at a specific point in time.

How the Balance Sheet gets its Name



Total funds sourced by the business from

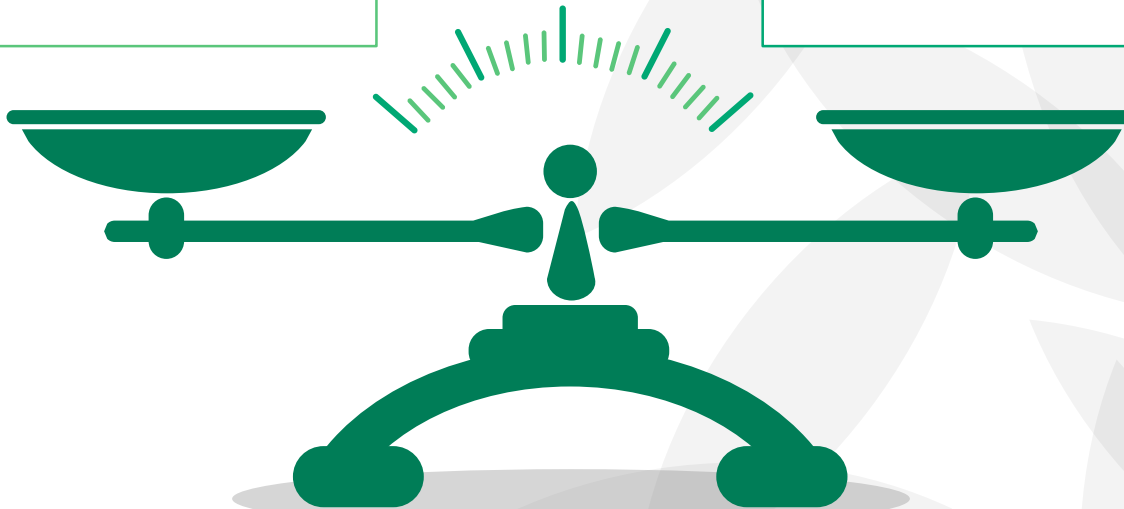
- Debt / “Liabilities”
- Owner’s Investment* +
- Profits Reinvested Back Into The Business +
- Creditors Not Yet Paid

=



Total funds used by the business to finance

- Licences, Hives, Plant & Machinery needed +
- Its “Working Capital” +
- Its Cash Reserves



So changes to one side means...?

Balance Sheet

- Lists Assets and Liabilities using estimated market value
- Calculates Equity as a %:

$$\text{Equity \%} = \frac{\text{Total Assets} - \text{Total Liabilities}}{\text{Total Assets}} \times 100$$

Balance Sheet

What is important to understand is:

- the level of Equity (level of risk)
- the change in your Equity Position from one year to the next

This varies as each situation & beekeeping business is different.

- Personal expenses
- Finance costs
- Loan repayments
- Tax
- HP payments and/or machinery replacement
- Business expansion
- Structural adjustment/investment

Small changes to your **BIG** numbers such as:



Business Income



Variable Costs



Fixed & Finance Costs

Can generate **BIG** changes to
your **Operating Surplus** and
ultimately, **Net Profit**

This is known as the **'One Percenter' Principle**



Increase yield / production

Bee op. income	100	Increase by 1%	101.00
Variable costs	<u>60</u>	Increase by 1%	<u>60.60</u>
Gross margin	40	Increases by 1%	40.40
Fixed costs	<u>36</u>	Stay the same	<u>36.00</u>
Operating surplus	4	Increases by 10%	4.40

Increase price

Bee op. income	100	Increases by 1%	101
Variable costs	<u>60</u>	Stays the same	<u>60</u>
Gross margin	40	Increases by 2.5%	41
Fixed costs	<u>36</u>	Stays the same	<u>36</u>
Operating surplus	4	Increases by 25%	5

Reduce variable costs

Bee op. income	100	Stays the same →	100.00
Variable costs	<u>60</u>	Decreases by 1% →	<u>59.40</u>
Gross margin	40	Increases by 1.5% →	40.60
Fixed costs	<u>36</u>	Stays the same →	<u>36.00</u>
Operating surplus	4	Increases by 15% →	4.60

Variable cost control requires a sound knowledge of limiting parameters an informed and disciplined approach to inputs, a strong beekeeping and financial focus and best practice operational timeliness.

Reduce fixed costs

Bee op. income	100	Stays the same	100.00
Variable costs	<u>60</u>	Stays the same	<u>60.00</u>
Gross margin	40	Stays the same	40.00
Fixed costs	<u>36</u>	Decreases by 1%	<u>35.64</u>
Operating surplus	4	Increases by 9%	4.36

What are the most effective things you have done or seen done to:

1. Increase volumes of products sold?
2. Increase Price?
3. Decrease Costs of Sales (or Production)?
4. Decrease Fixed Costs?
5. Decrease Finance Costs?

The Art of Discounting

- Discount carefully or else easy to do lots of work for little profit.
- Must be a strategic reason for a discount – WHY offer it?
- Discounting to get them buying more is good if your gross profit remains at least the same from the sale.
- If continually can't get sales without discounting, then low perceived value / your brand is not strong or differentiated!



Department of
**Primary Industries and
Regional Development**

Things we find out through Benchmarking...

Benchmarking

The benefits of agri-based industry benchmarking for beekeeping include:

- **The ability to demonstrate that with good management there can be very good returns generated in beekeeping;**
- **To help individual beekeepers understand their business better and identify how they can improve their own performance;**
- **To encourage beekeepers and the beekeeping industry to challenge the well held beliefs and “norms” that may be holding back business and industry profit and progress;**
- **To find and know your one percenters; and**
- **To help lift the performance and profile of the beekeeping sector**

1. Identify best practices and measure the results.
2. Study examples of best practice.
3. Attend study tours and field days.
4. Get involved with research.
5. Trial new approaches.
6. Understand financial impact on business before they try something new.
7. Engage consultants.
8. Use new technology.

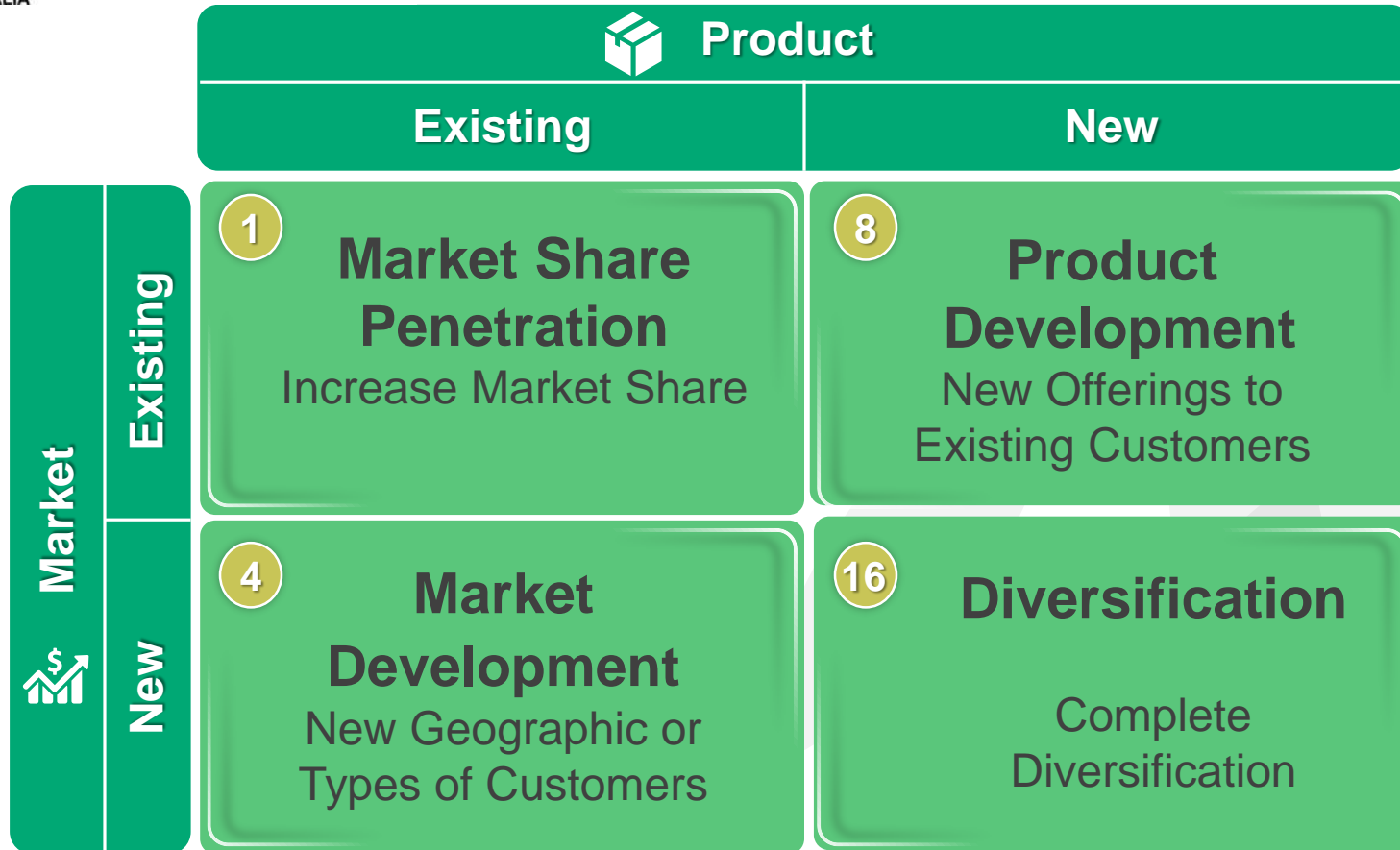
Potential of beekeeping measures and metrics:

1. Total number of hives (number)
 2. Total annual honey production (kg)
 3. Total annual wax production (kg)
 4. Total queen bee sales (number)
 5. Total annual bee sales (number)
 6. Total annual pollination services (number of hives, \$/hive)
-
1. Honey production (kg/hive)
 2. Production per apiary site (kg/site)
 3. Wax production (kg/hive)
 4. Honey sales (\$/kg)
 5. Wax sales (\$/kg)
 6. Queen bee sales (\$/head) including drones
 7. Bee sales (\$/head)
 8. Pollination services sales (\$/hive)
 9. Nucleus colony sales (\$/nucleus)
 10. Hive numbers in each of the IBRA bio-geographic areas

Questions to think about:

- What do you think are the best measures?
- What are you currently monitoring and how?
- Do you track over a season and over the years specific measures that indicate long-term business performance?

Four options to grow a business



Notes

1) Increasing Market Share easiest and most likely way to increase profits and cashflow in the short-term. All other quadrants usually require investment of time, funds and resources and have a delay in generating profits or a positive cashflow.

2) The numbers represent likelihood of failure! Be sure your returns from each quadrant justify the increased risk associated with it.

Tools to measure and monitor performance



Analysis using financial ratios & industry benchmarks

Evaluating business strength

	Strong business	Secure business	Insecure business	Insecure business with low equity	Non-viable business
Operating surplus	✓	✓	✓	✓	x
Personal expenses	✓	✓	✓	✓	
Finance costs	✓	✓	✓		
Tax	✓	✓	✓		
Loan repayments	✓	✓			
Machinery replacement	✓	✓			
Business expansion	✓				
Structural adjustment +/- or off farm investments	✓				

- Cash Flow Budget
- Statement of Position (Balance Sheet)
- Operating Surplus
- Operating Efficiency
- Net profit
- Equity
- Debt-to-Income ratio
- Benchmarking
- One Percenters

Options for improving skills

- Get involved in your industry
- Participate in beekeeping benchmarking
- Engage professionals

Thank you
Visit agric.wa.gov.au