

# Control what you can

International developments are beyond your control, but there is still a lot you can do to manage your farm and family finances.

**Kevin Connolly**  
Financial management specialist, Teagasc Rural Economy Development Programme.



**D**espite global events and consequent runaway input prices, you still control a large part of what happens within your farm gate. Track your finances closely, possibly using banking apps or other cash flow recording tools. And there's nothing wrong with pen and paper for this vital task.

It is better to know before, rather than after, when a difficult financial picture is developing. But remember to always look after your physical and mental health and don't neglect family life.

If at all possible, take time some away from the farm, for a short while at least, to clear your head.

Maintain commercial relations as well as family ones. Both you and your suppliers/contractors depend on each other to keep your businesses going in good times and bad. Don't jeopardise good working relationships by being unreasonable during these uncertain times.

## Maximise your income

Operate to the principle of "secure the income first". Target the maximum price for all sales and any bonuses available. Apply in good time for EU or Government schemes and meet the terms and conditions to ensure that you do not suffer financial penalties.

Survivors of previous cash flow troubles have learned the importance of a 'rainy day' fund. If you are fortunate to have reserves, question every withdrawal. You do not know how long the cashflow squeeze will last.

Promise yourself that, once the cashflow situation eases, you will replenish this fund to at least its original level. Treat it like another

monthly bill to be paid until you have built it up again.

## Time to sharpen your pencil

Price rises in feed, fertiliser and fuel have grabbed the headlines, but there have been increases in other costs too, not least household living expenses.

Examine how your family uses cash. Online banking can assist you to keep tabs on your current account movements. Banking apps on your phone or computer make it easy to log in at the same time every week and review what funds came in, and more importantly, what left your account over the previous week.

Can you match every payment to what it was for? Many direct debits and standing orders are flowing out of accounts and the reason for these can be forgotten as time passes.

## Look ahead

Build up a picture for the next six months of when the largest payments are due. Contractor charges, fertiliser, vet bills/annual testing, loan and machinery lease repayments, annual tax payments to Revenue and accountancy fees will be among the biggest.

In these tough times, many suppliers are tightening credit terms and some may require payment sooner than normal. Keep that in mind and ensure that you have a cash reserve or bank credit facility to call on to meet these payments.

Your aim is to keep the business functioning and your focus should be on running the farm as best you can, without having to worry about how the next bill is going to be paid.

## Prioritise your spending

When expenses are rising, you can either continue to spend regardless or you can make savings. Prioritise spending on areas which keep your farming system running efficiently.

Money to secure your on-farm winter feed supply for stock or to protect

animal or plant health is essential. Be particularly careful with savings on anything that could cut farm income.

All other spending should be questioned. If the spend is not necessary for this year, postpone it. This principle also applies to household spending.

The core household expenses of food, heat, light and daily commuting are hard to cut back on.

There are, however, usually some areas that can be looked at for potential savings. Involve all the family in coming up with a list of things that they can do to keep costs down.

## Using credit for purchases

Merchants are feeling the pinch, as they need to pay for their stock sooner and as a result they need to get money in from their customers.

Some purchases are now on a cash-on-delivery (COD) basis, but many merchants still offer credit, perhaps on restricted terms (reducing credit periods or increased credit rates to "encourage" buyers to pay back early). If you avail of credit, make





sure you understand the terms – when the payments are required and what interest will be charged. It may be cheaper and easier to arrange a short-term loan from your bank or Credit Union to cover your farm input purchases.

Regard your bank or credit union as another supplier which can help you run your business. Stay in contact with them and be upfront on what you need and stick rigorously to any agreements made.

### Short-term borrowing options

Most farms operate with a line of credit from their bank to help to manage cash flow during the year. This may take the form of a bank overdraft, a working capital facility or short-term stocking loan. These facilities help to manage cashflow and should be availed of when needed. But use them wisely.

Bank overdrafts are only suitable for short-term needs – where 'own funds' in the current account drop below zero and there is a need for a facility to meet cash requirements.

Keep in mind the rules around not

exceeding overdraft limits, and the requirement to clear the overdraft balance for a number of days in the year. Be aware of the interest rate on your overdraft. These are usually at the higher end of loan rates and there are penalties for not abiding by the terms and conditions.

An alternative to an overdraft is a fixed amount credit line facility. This is a prearranged, set limit of funds that is available to transfer into your current account as you need it and which has a defined payback term. This facility is often called a stocking loan or credit line loan.

The interest rates are generally lower than for bank overdrafts. In contrast with an overdraft facility, a stocking loan or credit line is usually targeted to be repaid when receiving cash from a significant sale, usually stock, crop or other product, or a direct payment lodgement to the farm current account.

There have been significant changes in the financial sector recently, with some banks exiting the market. On the plus side, the Credit Union network is now providing loan facili-

ties to farms under the 'Cultivate' programme ([cultivate-cu.ie](http://cultivate-cu.ie)).

Many of the financial institutions can also facilitate applications for loan facilities in addition to their own loan products.

The Strategic Bank Corporation of Ireland ([sbci.gov.ie](http://sbci.gov.ie)) provides products in association with most of the main financial institutions, with its own specific terms and conditions.

Microfinance Ireland ([microfinanceireland.ie](http://microfinanceireland.ie)) is also a provider of small business finance and they work in association with the Local Enterprise Office network who can assist in the application process.

Additional information on how to manage your cashflow is available online from Teagasc on our website, or by scanning the QR code below.

