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Financial Management for the Beekeeper¹

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Many financial managers are asking these days, "What business am I really in?". This may strike the beekeeper as something of an absurdity. But it is perhaps more relevant today than ever before. With the honey market in a shambles, can beekeepers ignore the fact that they must first and foremost be honey marketers and promoters, not simply producers? A classic example of this kind of "tunnel vision" can be found in a best-selling book sometime back, which analyzed the current conditions of the railroads. As super highways were constructed and more and more transportation was being done by truck and aircraft, the railroaders failed to ask themselves what business they were in. So, instead of stepping back and diversifying their real business, transportation, they continued to roll down their steel tracks, railroading themselves into difficult times and more than a few into bankruptcy.

Those attending poultry, hog and other livestock producer meetings are listening and asking hard questions. Should beekeepers be any different? Financial record keeping and management are the keys to answering the questions and must be examined closely. Profit margins are too low not to, and the federal government is recognizing the fact

that no longer is agriculture as "favored" a son in an increasingly urban oriented society.

Just how important is financial record keeping becoming for agriculture in this decade? Some statistics, as reported in the July 1984 issue of the *Farm Finance Newsletter*, published by the Florida Cooperative Extension Service, provide a clue:

"Not many farms are making money today. It is those farms grossing between \$40,000 and \$200,000 annually that face severe financial problems. They are often too big to get a meaningful off farm income and too small to obtain the economies of scale that the super farms enjoy. The recent low commodity prices, plus servicing debts based on an over optimistic assessment of the future, makes this group particularly vulnerable."

Most, if not all, large side liner and full-time beekeepers fit the above description. Perhaps more revealing are the ratios in Table 1.

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Again, the Newsletter states:

“All the ratios show a gradually worsening trend for Florida farmers. Some \$.75 in every dollar of cash receipts now go in production expenses, compared with \$.64 in 1978. And for every dollar of net farm income, \$2.28 must be spent on production or \$.68 more than in 1978. Finally, it takes more cash receipts to produce a dollar of net farm income. Every \$2.49 in sales provided a dollar of net farm income in 1978 compared with \$3.05 today.”

The line between a gain and a loss, therefore, has become ever sharper and less and less room for error exists. This is especially true for those actively borrowing funds or contemplating going to the bank. Truly the agriculturalist, as one pundit put it, must “squeeze the eagle on a dollar bill until it grins.” This is only possible through financial record keeping and management.

A first step in managing finances is to develop a monthly cash flow statement. This is nothing more than a listing of sources of cash income and outgo. If there's more income than outgo, cash flow is said to be positive. If there's more outgo than income, cash flow is negative. This is routinely done by most folks at the end of the year, but is recommended on a monthly basis to financially fine tune an operation. Some larger concerns may even do this on a weekly or daily basis. Remember, this tracks the flow of cash and only cash transactions should be recorded. Even if a business has a great many assets, they often cannot easily be converted into cash, the necessary fuel needed to run a business on a day-to-day basis. If cash is short, it can be borrowed short-term to aid during times when income is short.

Agriculture is a prime example of an operation requiring cash flow analysis because it is seasonal in nature. Setting the cash flow statement down on paper is of utmost importance; it cannot be effectively done otherwise. Optimistic feelings about the business or intuition that things are going well can be extremely deceptive. The Florida Cooperative Extension Service publishes Circular 448, *Cash Flow Analysis*. Contact your County Agent for availability of this publication and others dealing with financial analysis.

There are several major ways to juggle finances, including: reducing costs, increasing income and restructuring debt. The following are common sense ideas beekeepers might take advantage of in each category:

Reducing Costs:

1. BUY CAREFULLY:
 - SHOP AROUND -- but don't spend ten dollars to save a penny
 - BUY AT DISCOUNTS -- plan so you can buy in bulk
 - JOIN GROUP PURCHASING PLANS -- pool orders to obtain bigger discounts
2. INCREASE LABOR OUTPUT:
 - USE IN-SERVICE TRAINING -- pay a living wage
 - ORGANIZE WORK EFFECTIVELY -- plan ahead using time management principles
 - DON'T HIRE MORE LABOR THAN NECESSARY -- delegate more authority
3. SAVE ENERGY:
 - KEEP ENGINES TUNED -- use less fuel
 - INSULATE -- stabilize heating and cooling
 - INVESTIGATE SOLAR ENERGY -- heat and cool naturally
4. BUDGET LIVING COSTS -- write it down and stick to it
5. DELAY NEW INVESTMENTS:
 - OVERHAUL EQUIPMENT -- rebuild, don't replace
 - DO ROUTINE PREVENTATIVE MAINTENANCE -- make it last
 - LOOK FOR VALUES IN USED EQUIPMENT -- find gold in another's garbage

Table 1.

Year	Production Expenses per \$1 Cash Receipts	Production Expenses per \$1 Net Farm Income	Cash Receipts per \$1 Net Farm Income
1975	0.65	1.61	2.47
1978	0.64	1.60	2.49
1979	0.69	1.82	2.64
1980	0.73	2.08	2.87
1981	0.71	2.13	2.98
1982	0.75	2.28	3.05

- EXPLORE LEASING OR RENTING -- retain tax benefits
- OPTIMIZE YIELD -- intensify management to increase profit per unit

Increasing Income:

1. EVALUATE YOUR MARKETING STRATEGY:

- LOOK FOR NEW MARKETS -- realize that most profit is made "beyond the farm gate," usually in the retail sales area
- ANALYZE STORAGE COSTS -- seek out hidden costs

2. IMPROVE EFFICIENCY:

- CULL OUT WEAK COLONIES -- take losses early
- INVESTIGATE LOCATIONS CLOSER TO HOME -- reduce yard size
- ELIMINATE INVENTORY NOT BEING USED -- sell it for cash

3. LONG-RANGE MARKETING STRATEGY:

- DEVELOP RAPPORT WITH CUSTOMERS -- cultivate repeat business
- EXPLORE A MARKETING/BUYING COOPERATIVE -- use resource more efficiently

Restructuring Debt:

1. EXPLORE LONG-TERM DEBT SITUATION -- increase cash flow
2. BALANCE LONG, INTERMEDIATE AND SHORT TERM DEBT -- even out credit
3. SHOP FOR INTEREST RATES -- take advantage of changing rules
4. CONCENTRATE CREDIT FROM FEW SOURCES -- increase control

Where can you get help in managing your finances? It is readily available from several sources. Explore the Small Business Administration's programs near you. It sponsors a group of retired executives (SCORE) who volunteer their time to help small businesses. Lending associations and banks are prime sources of aid. The Production Credit Association (PCA) nearest you might be willing to help. Some sixteen Small Business Development Centers (SBDC) exist around Florida; they provide free counseling, seminars and computer time for the asking. And don't forget the Chamber of Commerce and/or Cooperative Extension Office in your county or city.