

## **FINANCIAL SUB-COMMITTEE**

### **JORDAN VALLEY MEETING**

**29<sup>TH</sup> March 2010**

- **Sale of stock has inflated many farmers income and taken the pressure off overdraft balances**
- **Stock purchases (particularly for sheep and been farmers) will be required and cashflow / overdrafts may not have capacity to cover, without addressing now.**
- **Very small percentage of farmers have contacted financial professionals to discuss their situation**

**Of 880 farmers (subset of the four main banks in Northland)**

**25% (223 ) have had contact with their bank**

**3.5% (31) have requested and received visits**

**1.5% (14) have had their finances restructured / increased**

- **July, August, September, and October are identified as months where farmers' overdrafts will be at their peak.**
- **Overdrafts close to their facility limits now will be in urgent need of address within the next month – don't leave it to the last minute before contacting the bank.**

- **Things that can be done now to better prepare (financially) for the winter ahead, and assist your financial professionals:**

**Understand the financial numbers relating to your business**

- 1. Calculate the financial cost of the drought to your business**
- 2. Prepare a partial budget for April and May to determine your closing overdraft balance. Use this as the opening figure for the 2010 / 2011 budget**
- 3. Understand the extent of your monthly fixed costs that immediately reduce any monthly income. The remaining money is what you have to cover your variable costs.**
- 4. Track your key financial “dashboard indicators” so you know how your business is performing.**

**For the four measures above, a simple template is available for your use. Access via the NRC Drought web page, or from your accountant / banker.**

***Think like a business owner***

***As the CEO of your own business, make sure you know how it is tracking.***