



KNOWLEDGE
TRANSFER

FARM ACCOUNTING

Calculating the Profit

1. Why calculate profit?

Calculating the cost and returns (sales) helps you to understand the income you are receiving from your farming. It will help you plan your future.



ENGLISH



Returns = The total revenue obtained by selling your crop. Multiply the total quantity of the produce with the selling price.

$$\text{Returns} = \text{Quantity} \times \text{Selling Price}$$



Cost = The sum of all the expenses incurred in producing the vegetable. It can include the cost of seeds, fertilisers, pesticides, labour, equipment and others.

$$\text{Cost} = \text{Sum of all expenses}$$

2. How to monitor expenses and calculate cost?

Track your expenses daily

A logbook will help to track all the expenses.

Sample format of a logbook

| Date | Activity | Item | Quantity | Unit | Unit price(\$) | Cost(\$) |
|--------|------------------|--------|----------|------------|-----------------------|-----------|
| 15-Feb | Sowing | Seeds | 1 | Packet | 5 | 5 |
| 17-Feb | Land Preparation | Labour | 3 | day labour | 20 | 60 |
| 19-Feb | Mulching | Mulch | 1 | Roll | 5 | 5 |
| 21-Feb | Transport | Petrol | 1 | Litre | 2 | 2 |
| | | | | | Total cost(\$) | 72 |



- **Date:** Date of purchase or date of activity.
- **Activity:** Sowing, mulching, land preparation, etc.
- **Item:** Name of the product bought/used.
- **Quantity:** The number of 'Item' purchased/used.
- **Unit Price:** Cost of one 'Unit'.
- **Cost:** 'Unit price' multiplied by 'Quantity'.

Record all the activities regularly to control and monitor your expenses. This allows you to plan and stay within budget.



At the end of the cropping season, add all the Expenses = Total Cost

3. How to calculate returns?

Track your income daily.

Always record when harvesting, selling, consuming or giving vegetables;

Date: Date of selling the vegetable

Activity: Description of activities

Item: Sale type

Quantity: Quantity of vegetables sold/consumed/given away

Unit Price: Price per unit (Kg/bunch/other)

Returns: 'Quantity' multiplied by 'Unit price'.

Sample format of a logbook

| Date | Activity | Item | Quantity | Unit price(\$) | Returns(\$) | Comments |
|-------------------|-------------------|---------|----------|----------------|-------------|------------|
| 15-May | Seedling Sales | Selling | 100 nos | 0.50 | 50 | Sold |
| 17-May | Crop Harvest | Tomato | 200 Kg | 1 | 200 | Sold |
| 19-May | Intercrop Harvest | Corn | 30 Kg | 1 | 30 | Consumed |
| 21-May | Crop Harvest | Tomato | 10 Kg | 1 | 10 | Given away |
| Total Returns(\$) | | | | | 280 | |

Scan the QR code to
access a sample logbook



Track your vegetable sales each time to calculate your total production and earning. This helps you decide the future investment in the crop.

Note: Also record your given away, self consumed and damaged produce to calculate the total yield..



**At the end of the cropping
season, add all the
returns = Total returns**

4. How to calculate profit and analyse it?

To calculate the profit, subtract the cost of producing the crop from the returns (sales)


$$\text{PROFIT} = \text{Returns} - \text{Cost}$$

HIGH PROFIT



- Make some savings
- Re-invest in a crop
- Buy goods or pay for services for the family

LOW PROFIT OR LOSS



Oops, What can be improved?

- Check your logbook
- Identify areas of cost reduction
- Identify methods to improve production
- Identify alternate markets for sales

Knowing the profit will allow you to take wise decisions, and improve your income.



<http://growhow.eastwestseed.com>

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