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| **Cost Benefit Analysis**   * The purpose of a cost-benefit analysis is to examine both the costs and the financial benefits of a project to determine if it is beneficial to actually do the project. If the benefits (or the return) outweighs the costs, then it is a profitable project to invest in. * Why Do a Cost-Benefit Analysis? * Help defining project objectives. * By establishing a “budget” of estimated costs and benefits, the farmer can track the success of a project. * A cost benefit analysis can also help the farmer to estimate all associated costs of a project. * For large capital expenditures and new ventures, a cost-benefit analysis is a critical piece of the decision process.   **Costs and benefits**   * Fixed costs * Salaries * Cost of loan repayment (also called a Principal and Interest or P&I payment). * Operating and maintenance costs * Revenue and pricing considerations * Cost and expense considerations * Government subsidies if available. * Tax incentives * Financing options | * Why Do a Cost-Benefit Analysis? * Understand the concept of costs and benefits. * Use an Excel spreadsheet to prepare a cost – benefit analysis for Piedmont Farm. * Analyze the outcome of the analysis and make a recommendation for investment. | * Begin by introducing the concept of a cost-benefit analysis and how it might be used to help a farmer make an important investment decision. | * Cost-Benefit Analysis Powerpoint * <http://www.efc.sog.unc.edu/reslib/item/sustainable-farming-finance-cost-benefit-analysis-lesson-6> |