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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>
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