# Financial Needs Assessment



 $\mathcal{C}\mathcal{A}$ 



## Help me is less expensive then fix me!!

Sometimes a professional is really worth the money. Know your own limitations.

**Key Questions** 

**Needs**: What are your current family living expenses?

Performance: How have your operation performed in past & how strong is current position?

Risk: What type of risk is your business currently exposed to?

CRE NVIRONMENT: What is your business environment & how will it change?

## Resources

## Building a Sustainable Business

A Guide to Developing a Business Plan for Farms and Rural Businesses

Developed by the Minnesota Institute for Sustainable Agriculture (MISA) Published by Sustainable Agriculture Research and Education (SARE)



### Planning the Future of Your Farm

A Workbook Supporting Farm Transfer Decisions

Virginia Edition

Created and edited by Robert Andrew Branan, Attorney



**Family Budget** 

☑ Is there off farm income? How much do you need from the farm to meet your family needs?

CRDon't forget to account for:

Insurance

**G** Taxes

CS Retirement

🛯 Rainy Day



#### Estimating Family Living Expenses and Income Needs



Use this worksheet as a guide for estimating your annual family living expenses and necessary income contribution	
from the farm business.	

from the farm business.	
Family Living Expenses (\$/year)	
Food and meals	
Medical care and health insurance	
Cash donations	
Household supplies	
Clothing	
Personal care	
Child / dependent care	
Gifts	
Education	
Recreation	
Utilities (household share)	
Nonfarm vehicle operating expense	
Household real estate taxes	
Dwelling rent	
Household repairs	
Nonfarm interest	
Life insurance payments	
Other	
Total cash family living expense	
Family living from the farm	
Total family living expenses (a)	
Other Nonfarm Expenditures	
Income taxes	
Furnishings & appliances	
Nonfarm vehicle purchases	
Nonfarm real estate purchases	
Other nonfarm capital purchases	
Nonfarm savings & investments	
Total other nonfarm expenditures (b)	
Total cash family living investment &	
nonfarm capital purchases (c) = (a + b)	
Nonfarm income (d)	
Necessary contribution from farm business	
(net farm income) (c) - (d)	





Reprofitability-How much money is operation truly making?

- C Liquidity- A business is liquid if funds are available or easily accessible to meet ongoing or unforeseen cash requirements.
- Solvency- A business is solvent if it has an adequate net worth to make your operation attractive to lenders. You must have adequate assets relative to your assets debts.

Repayment Ability- If a business generate enough cash to repay debt on time then it has repayment ability. If a business has shortterm debt with high repayment requirements then business might experience repayment problems.

Refficiency - Efficiency reflects cost it costs to produce and reflects cost controls.

Rerformance can be viewed in more ways then people truly think about.

- Reprogress of an operation can be viewed multiple ways using different accounting tools such as accrual accounting, cost net worth, and market value net worth.

## Cash vs. Accrual

Tax Schedule F does not accurately represent the operation with only cash being presented. Paying taxes on cash value is a huge benefit to farmers.

Accrual accounting includes inventory, accounts payable, and accounts receivable and gives more accurate representation of the operation.

## Cash vs. Accrual

Example	Schedule F	Accrual
Gross Cash Income	\$123,720	\$123,720
Cash Farm Operating Expenses	-\$108,564	-\$108,564
Accrual adjustment		
Change in crop inventory		\$16,298
Change in livestock inventory		-\$3,656
Change in accounts receivable		\$1,950
Change in accounts payable		\$2,450
Total Inventory change		\$17,042
Depreciation		-\$6,745
Net farm income	\$8,411	\$25,453

# Market Value vs. Cost Net Worth

CR Lenders typically look at current market value of an operation. Market net worth evaluates values for all assets at the current market prices.

Cost net worth evaluates original purchase cost minus depreciation.

# Market Value vs. Cost Net Worth

	Cost Valuation	Market Valuation
Total assets	\$267,438	\$358,590
Total Liabilities	-105,367	-105,367
Contributed Capital (a)	162,071	
Net worth or owner's equity (b)		253,223
Market valuation equity (c=(b-a))		\$91,152

# Just My Opinion

- Reparate out each enterprise and see what is actually making you money!! Separate expenses to their proper enterprise.

- - Gas/Mileage
  - 🗷 Time
  - G Fees for Professional Services or Permits





Use this worksheet as a guide for constructing income statements for the past several years. Where possible, include itemized revenue and expense details. Suggested crop and livestock expense categories are listed in worksheets 2.5 and 2.6. You may want to use a computerized package such as FINPACK to collect and process the information needed for your income statement.

+/-

+/-

≁⊢

\*/-

+/-

+/-

For the period beginning

and ending

Gross farm income

Worksheet

Total cash operating expenses

#### Inventory changes

Crops and feed (ending – beginning) Market livestock (ending – beginning) Accounts receivable (ending – beginning) Prepaid expenses and supplies (ending – beginning) Accounts payable (beginning – ending) Accrued interest (beginning - ending) Total inventory change

Depreciation

Net farm income from operations



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\*/-





Construct your current and historical balance sheets. Where possible, include itemized details under each asset and liability category.You may want to use a computerized package, such as FINPACK (see "Resources"), to collect and process the information needed for your Balance Sheet.

Balance Sheet Date

Worksheet

Assets (in dollars)	Market Value	Cost Value	Liabilities (in dollars)	Market Value	Cost Value
Current Farm Assets			Current Farm Liabilities		
Cash and checking balance			Accrued interest		
Prepaid expenses & supplies			Accounts payable & accrued expense		
Growing crops			Current farm loans		
Accounts receivable			Principal on CCC loans		
Hedging accounts			Principal due on term loans		
Crops and feed			Total Current Farm Liabilities (g)		
Crops under government loan			_		
Market livestock			Intermediate Farm Liabilities (h)		
Other current assets					
Total Current Assets (a	)		Long-term Farm Liabilities (i)		
			Total Farm Liabilities (j) = (g+h+i)		
Intermediate Farm Assets					
Breeding livestock			Nonfarm Liabilities (k)		
Machinery and equipment			Total Liabilities (1) = (j + k)		
Other intermediate assets					
Total Intermediate Assets (b			Retained Earnings (m) = (f <sub>2</sub> - I)		
			Net Worth $(n) = (f_1 - I)$		
Long-term Farm Assets			Market Valuation Equity (o) = (n-m)		
Farm land					
Buildings and improvements					
Other long-term assets					
Total Long-term Assets (c	) (				
Total Farm Assets (d) = (a+b+c	) (				
Nonfarm Assets (e	)				
Total Assets (f) = (d+e	)		f <sub>1</sub> = Market Value of Total Assets f <sub>2</sub> = Cost Value of Total Assets		



Worksheet	21	4

#### Earned Net Worth Change Analysis

Use this worksheet to calculate your overall change in wealth earned from farm and nonfarm income after adjusting for living expenses and partner withdrawals.



For the period beginning	and ending
Net Farm Income	
Nonfarm Income	+
Family Living/Partner Withdrawals	
Income Taxes	
Earned Net Worth Change	•



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#### Financial Ratios Based on the Balance Sheet and Income Statement

Use information from your balance sheet and income statement to calculate the following ratios that measure liquidity, solvency, profitability, repayment capacity and efficiency.

#### Current Ratio:

This is a primary measure of liquidity used by most businesses.

Current Assets (Balance Sheet)

Current Liabilities (Balance Sheet)

Current Ratio

+	
=	

A current ratio of 2:1, with two dollars of current assets for every dollar of current debt, is usually considered adequate. If your current ratio approaches 1:1, your ability to sustain your business during a financial downturn may be limited.

#### Debt to Asset Ratio:

This solvency measure is sometimes referred to as your percent in debt.

Total Liabilities (Balance Sheet)		
Total Assets (Balance Sheet)	+	
Debt to Asset Ratio	=	

When calculated based on the market value of your assets, a debt to asset ratio under 40% is usually considered comfortable; over 60% is usually considered vulnerable.

#### Rate of Return on Assets:

This profitability measure can be interpreted as the average interest rate being earned on the financial resources invested by you and lenders in your business. Adjust net farm income for the estimated opportunity cost of unpaid family labor to make your figures comparable to those for businesses that hire labor and management

Net Farm Income (Income Statement)		
Interest Expense (Income Statement)	+	
Opportunity Cost for Family		
Labor and Management (estimated)	-	
Return on Assets	=	
Total Farm Assets (Balance Sheet)	+	
Rate of Return on Assets	=	

The amount you deduct for labor and management depends on your goals for how much income you feel you need from the farm. Since farming has not historically been a high return business, a rate of return greater than 5% (when assets are valued at market value) is usually considered adequate. Remember, though, if you are earning only 5% and paying interest at 10%, you may be headed for problems. You may be able to maintain this if your debt to asset ratio is low. But if you have substantial debt, you will need to set your profitability goals a bit higher.

CONTINUED



#### Financial Ratios Based on the Balance Sheet and Income Statement

CONTINUED

#### Term Debt Coverage Ratio:

This measure of repayment capacity indicates whether your business is generating enough income to make principal and interest payments on intermediate and long term debt.

Gross Farm Income (Income Statement)		
Cash Operating Expenses (Income Statement)	-	
Scheduled Interest Payments on Intermediate		
and Long-term Debt (Income Statement)	+	
Family Living Expenses and Taxes (from the		
Earned Net Worth Change Worksheet)	-	
Funds Available for Debt Payments	=	
Intermediate and Long-term Debt Payments	+	
Term Deht Coverage Ratio	=	

A term debt coverage ratio of over 150%, meaning that you are producing \$1.50 of income that is available for debt repayment for each \$1.00 of scheduled debt repayment, is usually considered adequate.

#### **Operating Expense Ratio:**

This measure of overall efficiency indicates the percentage of business revenues that are available for family living expenses, debt repayment and new investments.

Cash Operating Expenses (Income Statement)		
Interest Expense (Income Statement)	-	
Gross Farm Income (Income Statement)	+	
Operating Expense Ratio	=	

While thumb rules for the ratios listed above can be used across farm types and across industries, operating expenses will vary substantially from business to business and industry to industry. As a general guideline, most farm business strive to keep operating expenses under 70% of gross revenues. If you are operating a small farm that employs sustainable practices, your financial success probably depends on operating efficiency. In that case, you should probably strive to keep operating expenses below 60% of revenues. If you are involved in a retail business, sales volume might be more important to your bottom line than operating expense levels if cost of goods sold is included. In that case, a much higher operating expense ratio might be expected. So, this ratio is useful for internal tracking of your business, but not very useful for comparisons with other businesses.



#### Part IV: Farm Asset Net Worth Statement

Use this worksheet to sketch your farm's net worth. Later worksheets will help you estimate the value of your overall estate. Supply the information to the page below by completing the schedules [noted in parentheses] following. Note that not all schedules will apply to all situations and operations.

Farm Assets	Cost Basis	Market Value	Farm Liabilities	Market Value
Farm checking (M)			Accounts payable (N)	
Crops held for sale or feed (A)			Farm taxes due	
Investment in growing crops (B)			Current notes and credit lines (O)	
Commercial feed on hand (C)			Accrued interest - short (P)	
Prepaid Expenses (D)				
Market livestock (E)			Accrued interest - fixed (P)	
Supplies on hand (F)				
Accounts receivable (G)			Other current liabilities	
Other current assets				
Total Current Assets			Total Current Liabilities	
Unpaid cooperative distribu- tions (H)			Notes and contracts, remainder	
Breeding livestock (I)				
Machinery and equipment (J)				
buildings and improvements (K)				
Farmland (L)				
Timberland (L.1)				
Merchantable Timber (L.2)				
Pre-Merchantable Timber (L.3)	Ť			
Other fixed assets			Total Fixed Liabilities	
Total Fined Assets				
a. Total Farm Assets			b. Total Farm Liabilities	
			Current Assets (market)	
e. Farm Net Worth (a - b)			Current Liabilities =	_ Ratio
			Current Assets (market) Current Liabilities =	Debt to Asset Ratio



### Rersonal risk is the change and uncertainty within the business. Injuries, illness, lack of knowledge, fire, divorce, management changes, and other related are examples.

Risk

Production/market rick are those that result from mother nature that we have little control over. This includes weather, diseases, insects, and other related. Government policy and regulations can also be part of this category.

### Contract risk is associated with the reliability (or lack thereof) of contracting partners. Although typically seen as a risk management tool, contracts can be a risk in themselves if the partners are unreliable.

Risk

☆Financial risk can occur because of interest rates fluctuating on borrow funds, cash flow difficulties, and erosion of equip or net worth.

Briefly rank your business' expos describe how you currently man	ire to production, environmental, market, contract, and p ge for risk.	ersonal risk. Then briefly
Market Risk Exposure to risk:Low	_MediumHigh	
Type of risk: Tools for minimizing risk:		
Production Risk		
Exposure to risk: Low Type of risk: Tools to minimize risk:	_ Medium High	
Contract Risk Exposure to risk:Low	Medium Hizh	
Type of risk: Tools to minimize risk:		
Financial Risk Exposure to risk: Low Type of risk: Tools for minimizing risk	MediumHigh	
Personal Risk Exposure to risk:Low Type of risk:		
Tools for minimizing risk:		





#### Production

- Have you recently evaluated your risk in the event of the loss of your crops?
- 2. Have you recently evaluated your risk in the event of the loss of your animals?
- 3. Have you investigated other alternative production methods and their consequences?
- 4. Do you have the necessary knowledge to consider an additional or alternative enterprise?
- 5. Is your crop insurance protection adequate to cover a severe crop loss?
- 6. Have you reviewed all of your crop insurance options with your agent?
- 7. Have you conducted a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis for your operation?
- 8. Are you in an area capable of supporting irrigation?

#### Marketing

- Do you have a current, written marketing plan?
- 2. Have you coordinated your marketing plan with your goals and objectives and your financial and production plans?
- Managing marketing risks:
  - a) Are you comfortable with your knowledge of marketing opportunities?
  - b) Have you reviewed your marketing options within the past 6 months?
  - \_\_\_\_\_\_c) Do you understand how crop insurance revenue guarantees can enhance marketing opportunities?

#### Financial

- Do you have a current business plan?
- 2. Have you planned for a best-case scenario and developed a plan for how additional income will be used?
- 3. Have you planned for a worst-case scenario and considered an alternative plan?
- 4. Do you know your cost of production?
- 5. Do you know your break-even costs?
- 6. Do you have the knowledge to create a balance sheet, cash flow, and income statements?
- 7. Do you have the knowledge to interpret important financial ratios?
- What is your debt-to-asset ratio?
- 9. Is the growth of your net worth exceeding inflation?
- 10. Have you reviewed your ratio trends with your lender?
  - Is your crop insurance protection adequate to:
    - a) Repay current operating loans?
    - b) Allow you to take advantage of marketing opportunities?
- \_\_\_\_12. Have you reviewed your tax liability within the past 3 months to determine your tax strategies?
- 13. Have you investigated all of your potential financing options?
- 14. Have you investigated all available government programs?
- 15. Have you considered the trade-offs between maintaining your current investments (certificates of deposit/savings/etc.) and/or reinvesting in expanding your own operation?
  - 16. Do you consult a financial management consultant, lender, accountant, insurance provider, or other professional when making major financial decisions?
  - 17. Are you comfortable with your level of debt?

#### Legal

This list does not cover every legal risk exposure faced by farmers and ranchers, and is not meant as legal advice. You should consult an attorney to review your legal risk exposure.

	1.	Is your will up to date?
	2.	Do you have a living will?
	3.	Do you have a farm transfer plan or exit strategy that has been reviewed within the past 3 years?
	4.	Have you recently reviewed your farm owner's insurance policy?
	5.	Have you recently evaluated your risk exposure to:
		a) Liability covering the public entering your property?
		b) Liability of direct marketing?
		c) Your State department of agriculture's direct marketing regulations?
		d) Livestock breaking through fences?
		e) Environmental and pesticide issues?
		f) Land use issues with neighbors?
	6.	Do you understand the provisions of all of your contracts, leases, and loans?
	7.	Have you recently evaluated all the different business entity options for your operation?
	8.	Do you have a working relationship with your attorney and accountant and have you reviewed your goals and objectives with each?
	9.	Are you in compliance with such regulations as worker protection, pesticide use records, vehicle registrations, and necessary safety inspections?
Human	1	
	1.	Is your personal insurance coverage current:
	1.	Is your personal insurance coverage current: a) Do you have adequate medical and disability insurance?
	1.	
		<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer</li> </ul>
	2.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> </ul>
	2. 3.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> </ul>
	2. 3. 4.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> </ul>
	2. 3. 4. 5.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> </ul>
	2. 3. 4. 5.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members,</li> </ul>
	2. 3. 4. 5. 6. 7.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members, business team, and employees?</li> </ul>
	2. 3. 4. 5. 6. 7. 8.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members, business team, and employees?</li> <li>Are your goals written?</li> <li>Is everyone in your family (or on your team) employed to the full extent of his or her</li> </ul>
Genera	2. 3. 4. 5. 7. 8. 1.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members, business team, and employees?</li> <li>Are your goals written?</li> <li>Is everyone in your family (or on your team) employed to the full extent of his or her education, training, and experience?</li> </ul>
Genera	2. 3. 4. 5. 7. 8. 1.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members, business team, and employees?</li> <li>Are your goals written?</li> <li>Is everyone in your family (or on your team) employed to the full extent of his or her education, training, and experience?</li> </ul>
 Genera	2. 3. 4. 5. 6. 7. 8. 1. 2.	<ul> <li>a) Do you have adequate medical and disability insurance?</li> <li>b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?</li> <li>Have you calculated your risk exposure to employee accidents or dishonesty?</li> <li>Have you provided all employees with comprehensive safety training?</li> <li>Do you have an employee handbook?</li> <li>Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?</li> <li>Have you conveyed the goals and objectives of the business to all family members, business team, and employees?</li> <li>Are your goals written?</li> <li>Is everyone in your family (or on your team) employed to the full extent of his or her education, training, and experience?</li> <li>Do you have a confident relationship with your risk management advisors?</li> <li>Do you have the knowledge to evaluate</li> </ul>

5. Do family members know the location of all important documents?

6. Do you have the knowledge and skills to assess all areas and levels of risk?

7. Are you constantly looking for ways to increase your profitability?

#### Crop, Revenue, and Livestock Insurance Deadlines

If you do not know all the dates in this section, you should contact your crop insurance agent for help.

- 1. Do you know all critical dates and sign-up deadlines?
- 2. Sales closing date last date to apply for coverage is:
- 3. Cancellation date give notice if I do not want insurance next year:

4. Production reporting date - actual production history must be reported by:

- 5. Final planting date if unable to plant, I must contact my agent by:
- 6. Acreage reporting date I must report my acreage planted to my agent by:
- Payment due date interest charges will be incurred after:
- Final date to file notice of crop damage any perceived damage must be reported no later than:
- 9. End of insurance period latest date of coverage for current year's crop:
- Debt termination date insurance coverage for next year will be canceled if payment is not made by:

## Financial Environment

CaInterest Rates- 1970s & 80s **R**Employment Availability of knowledgeable dependable employees **Wage Rates G** Benefits for Employees (Healthcare) CaInflation-1970s **R**Government Action **Government Support – Tobacco C** Regulations- Environmental & Labor

ummarize the internal strengths and weaknesses and the ex xists today. Consider all aspects of your business—marketir he links among these aspects.	rg operations, human resources and finances—as well as
Internal Factors	External Factors
trengths:	
pportunities:	
/eaknesses:	
hreats:	

## Worksheets

## Financial & Business

Worksheet 4.25	Business Organization	
Your state's Small Business of the business, be sure to	cord information about the organizational alternatives that you are considering for the business. Association is an excellent place to begin your research. If you are planning a major reorganization consult a lawyer regarding necessary documentation and tax ramifications. Be sure to note es of each alternative as it pertains to your current situation, business vision and personal goals.	
	ve I	.
Ownership:		.
Tax rates:		.
Filing requirements:		
Advantages:		
Disadvantages:		
-		· L
	ve 2	TASK
Ownership:		• 🔥
Tax rates:		
Filing requirements:		
Advantages:		
Disadvantages:		
Organizational Alternati	ive 3	
Ownership:		
Tax rates:		
Filing requirements:		
Advantages:		
-		.
Disadvantages:		
-		
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#### Worksheet 4, 27 Finance

Use the space below to begin developing your financing strategy for any start-up, annual operating, and longer-term capital and real estate needs associated with each major business strategy alternative (for marketing, operations, and human resources). Begin by having each member of your planning team (if appropriate) evaluate the importance of the financing criteria described in Figure 82 (control, cost, risk, liquidity). Next list money that will be needed to finance start-up, operating, and long-term needs as well as one or more financing strategy for each. If any of your strategies include the use of external financing, be sure to research and record interest rates and financing conditions in the space provided. Be sure to talk with your local lender, accountant or Extension educator—they can help you locate and evaluate which finance strategy best fits your personal criteria and business needs.

#### Strategy Criteria

Rank the importance of each of the following finance strategy criteria:

Control	Low	Medium	High
Cost	Low	Medium	High
Risk	Low	Medium	High
Liquidity	low	Medium	High

#### Financing Needs

List money needed for each expense category. Then, briefly describe one or more financing strategies for each.

	Value	Strategy One	Strategy Two
One-time start-up needs	\$		
Annual operating needs	\$		
Intermediate needs (5-7 years)	\$		
Long-term needs (7-10 years)	\$		
Real estate needs	\$		

#### Finance Options

If you plan to seek outside financing (including government cost-share payments), research interest rates and other financing conditions (such as easement terms) from up to three sources for each financial need.

Need	Source/Institution	Interest Rate	Conditions
Start-up			
Operating			
Intermediate			
Long-term			
-			
Real estate			

#### Worksheet 4.28 Financial Strategy Summary

Complete this Worksheet for each enterprise or for the whole farm. Use information from Worksheets 4.24-4.26 to record information about your strategies for risk management, organization and financing. If appropriate, describe how your strategies will change throughout your transition period. Then, list available financial expense information. Last, summarize your financial strategy for this enterprise and the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis in your strategy summary.

Enterprise:	Long Run (Expected)	Year I	Transition Period Year 2	Year 3
Risk exposure and	,			
management				
_				
_				
Organization and taxes				
_				
_				
_				
Financing needs (\$) and				
strategy				
ж				
Financial Expenses				
Consultant				
Filing fees				
Software				
Membership fees/collateral				
Interest on operating loan				
Interest on intermediate debt				
Interest on long-term debt				
Insurance				
Other				
Business Plan Input-Financia	l Strategy Summary			

## Worksheets





Institutional Considerations

Describe institutional factors that currently affect your ability to use and manage physical resources. Include any long-term leasing arrangements, conservation easements, permit requirements, legal restrictions, production or marketing contracts.

#### Long-term Leasing Arrangements for Real Estate

Worksheet

(specify whether items are leased in for your use or leased out for the use of others)

#### Long-term Agreements and Easements

#### Permit and Legal Restrictions

(specify the agency responsible for issuing permits, conditions and compliance factors, fees, and your ability to meet these conditions)

Long-term Production Contracts and Marketing Agreements


W	orksheet 4.26 Farmland A	ffordabilit	7
	Use this Worksheet to estimate what pr	rice you can	afford to pay for farmland.
	Gross cash farm income	-	
	Cash expenses (excluding interest)	-	
	Income taxes	-	
	Principal payments on term debt	-	
	Depreciation reserve	-	
	Social security taxes	-	
- 	Total cash family living investments & nonfarm capital purchases	-	
1	Nonfarm income	+	
	Cash available for principal and interest on added land debt		
	Down payment on land	+	
	Maximum financially feasible land price		

This worksheet was adapted from Analyzing Land Investments, videotape, Gayle S. Willett, 1988.



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	can be a	worksheet to describe bout size, capacity and TEM	e the non-land physical condition. SI ZE	CAPACITY	condition	value	
	bructures						
TASK	Buildings/Permanent Structures						
2	Buildings/						-
	and Equipment						
	nery and Eq.						
	Machinery						-
-	-						-
	Equipment						
	Livestock E						-
_	-						-
	vestock						
	Breeding Livestook						-



### Part I: Natural Resources

e Strong
_



## Part II: On-Farm Buildings and Infrastructure

Building 1:	Poor	Adequate	Strong
Current Condition			
Capacity			
Layout/Design			
Building 2:	Poor	Adequate	Strong
Current Condition			
Capacity			
Layout/Design			
Building 3:	Poor	Adequate	Strong
Current Condition			
Capacity			
Layout/Design			
Building 4:	Poor	Adequate	Strong
Current Condition			
Capacity			
Layout/Design			
Fencing			
Fuel Storage (tanks)			
Feed Storage:			
Crop Storage:			
Other:			



Notes:



Resource	Poor	Adequate	Strong
Availability of farm supplies			
Repair services			
Availability of financing			
Availability of business support (training, tax professionals, etc.)			
Competitive tenant market			
Availability of processing			
Competitive labor market			
Road system			
Local zoning policies			
County and Municipal government support of agriculture			
Community support of agriculture			
Local Farmers Market			
Urban pressure			
County economic development			
Agricultural and Forestal Districts			
Availability of health services	-		
Timber Markets			



Notes:

# Worksheets

# Production & Inventory

# 2.5 Describing Crop Production Systems

Complete this worksheet for each major crop enterprise. Be as specific and accurate as you can be, since this information will be the basis for projections you'll make later for the strategies that you consider.

Crop E	nterprise:				Current Act	reage:				
		Machin	ery Operation	\$		Operating In	put			Labor
Month	Operation	Hrs/ Acre	Machine I	Machine 2	ltem	Quantity/ Acre	Units	Priœ/ Unit	His/ Acre	Туре

2

Worksheet

# Worksheet 2.6 Describing Livestock Production Systems

Complete this worksheet for each major livestock enterprise. Be as specific and accurate as you can be, since this information will be the basis for projections you'll make later for the strategies that you consider. Specify diets on a separate sheet if appropriate.

	k/Poultry Production	on System:		Current Number of Units:					
Month	Fadlity	Lab Hours	or Type	Feed	Vet & Medications	Machinery & Equipment Req.	Other		
Period	Space Req.			Required	Items & Amounts	Req.	Inputs		
					-				
		<u>├</u>							
		<b>└───</b> ↓							
				$\sum $					

BUILDING A SUSTAINABLE BUSINESS

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#### Worksheet 27

### Enterprise/Calendar Matrix



Summarize and combine your crop and livestock production systems in this calendar. Look for bottlenecks or conflicts in timing of operations.

Ente	erprise					Hours/	Month						
and	Tasks	Jan	Feb	Mar	Apr	May		july	Aug	Sep	Oct	Nov	Dec
<u> </u>													
—													
Tota	Hrs/Month												



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Worksheet	2.8

BUILDING A SUSTAINABLE BUSINESS

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### Human Resources Matrix

Use this worksheet to identify the people involved in your operations and the roles they play.

Enterprise

_				
Person		 	 	

#### Section Two: Evaluating Your Farm Resources Part IV: Supporting Schedules

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Description	Unit	for Sale or Fee Price per	Quantity	Value
Description	Char	Unit	Quantity	value
				·
			Total	
Schedule E	: Investment i	n Growing Cro	ps	
Description		Acres	\$/acre	Value
			Total	
Schedule	C: Commerci	al Feed on Han	d	
Description	Unit	Price per	Quantity	Value
Description	- Crai	Unit	Quartery	Think
		<u> </u>		
			Total	
Sche	dule D. Prepai	d Expenses		
	Unit	Price per	Quantity	Value
Description	- Crac			
	Char	Unit		
		Unit		
		Unit		
		Unit		



Schedule E: Market Livestock						
Description	Number	Average weight	Price per head	Value		
			Total			

Schedule F: Supplies on Hand								
Description	Unit	Price per Unit	Quantity	Value				
Total								

Schedule G. Accounts Receivable		Schedule H. Unpaid Cooperative Distributions		
Description	Value	Source Valu		
Total		Total		

Schedule I. Breeding Livestock							
Description	Number	Average weight	Price per head	Value			
Total							



Section Two: Evaluating Your Farm Resources

Part IV: Supporting Schedules (cont'd)

	Schedul	e J: Machin	ery and Eq	uipment		
Description	(a) Previous Cost Basis	(b) Cost of Purchases/ Trades	(c) Deprecia- tion	(d) Cost Basis of items sold	New Cost Basis (a+b-c-d)	Current market value
					~	
					Total	



Schedule K: Buildings and Improvements						
Description	(a) Previous Cost Basis	(b) Cost of Purchases/ Trades	(c) Deprecia- tion	(d) Cost Basis of items sold	New Cost Basis (a+b-c-d)	Current market value
Total						

Schedule L: Farmland							
Description and number of acres	(a) Previous Cost Basis	(b) Cost of Purchases/ Trades		(d) Cost Basis of items sold	New Cost Basis (a+b-c)	Current market value	
Total							



Section Two: Evaluating Your Farm Resources

Part IV: Supporting Schedules (cont'd)

	Schedule L.1: Timberland							
Description and number	(a)	(b)	(c)	(d)	New Cost	Current		
of acres	Previous	Cost of	Cost basis	Cost Basis	Basis	market		
	Cost Basis	Purchases/	of land	of items	(a+b-c)	value		
		Trades	sold	sold				
Total								



Schedule L.2: Marketable Timber							
Description and number of acres	(a) Previous Cost Basis	(b) Cost of Purchases/ Trades	(c) Cost basis of land sold	(d) Cost Basis of items sold	New Cost Basis (a+b-c)	Current market value	
					Total		

	Schedule L.3: Premarketable Timber							
Description and number	(a)	(b)	(c)	(d)	New Cost	Current		
of acres	Previous	Cost of	Cost basis	Cost Basis	Basis	market		
	Cost Basis	Purchases/	of land	of items	(a+b-c)	value		
		Trades	sold	sold				
	· · ·							
Total								



Part IV: Supporting Schedules (cont'd)



Schedule M: Farm Cash on hand, Checking Account Balances, Savings, Securities, and Certificates								
Description Bank/Institution Number Value								
Farm Cash								
Checking Account								
Checking Account								
Savings Account								
Farm Securities								
Farm Certificates								
Total								



Schedule N: Farm Accounts Payable							
Description	Value						
Total							

Schedule O: Current Farm Notes and Lines of Credit				
Description/Purpose	Institution	Balance-owed	Accrued interest	
Total				

Schedule P: Fixed Farm Notes and Contracts						
Description	Interest rate	Date Due	Balance Owed	Due in 12 months	Remainder	Accrued interest
Total						

# Worksheets



Vorksheet 2.9 Assessing Worker Abilities and Needs	
Use this worksheet to describe the experience, skills and goals of each member of your workforce. Then estimate your average cost for this person and consider where this person ideally fits into your operation.	
Name and Current Position:	
I. What is the person's background-experience and education?	
2. What particular abilities does this person have?	
3. What are this person's strengths and weaknesses?	
4. What are the person's interests? What motivates them?	
5. What are the person's own personal goals in life?	
6. What are we currently paying this person (\$/hour)?	
o, what are we carrendy paying this person (sy nour).	
7. Conclusion: Where might this person best fit in meeting our human resource needs?	

			er the next year, five years or ten y	
ent Workforce: W reasons? What a	ill anyone who currently w ctivities/enterprises will th	vorks in our operation be is affect?	leaving for other work or for	per-
				TASI
				- 2
will they bring? D	II any new people be joinin Do we have enough physica propriately paid?			
				_
				_
				_
				_
				=
				=
re Management: I gement responsi	Do we foresee a change in bilities?	the allocation of decision	-making and	
				=
				—

### Part V: Management (Human Resource) Assessment

This worksheet could certainly challenge your objectivity, particularly where family members are involved. Please duplicate for multiple relevant individuals, particularly if you are looking at business succession issues. This sheet is also useful for deciding who is best suited to handle important tasks like land management, entity management, etc. Duplicate, complete, and discuss steps that can be taken to improve challenging areas.

Skill/Trait	Comments
Farm production management	
Financial management	
Marketing management	
Personnel/Labor management	
Organization	
Scheduling	
Creativity	
Innovation	
Decision-making ability	
Ability to listen	
Logical thinking ability	
Work ethic	
Other:	
Other:	
Other:	
Other:	
Notes:	•



# Conclusions

RNOW your operation & your financial needs!! RGet fresh eyes for your operations when possible.

Consider the best options for you to evaluate your operation.

Relp me is cheaper then fix me!!