

Whole Farm Planning

Business Management

Objectives:

- Develop and implement early financial and resource management goals as part of the whole farm plan.
- Understand and determine the type of business structure most appropriate for your farming enterprise.
- Show how farm business management strategies can best be applied to your farming enterprise.
- Become proficient in human resource management through interactive activities.
- Identify current and future risks and employ appropriate risk management, including succession management.

Questions to Answer:

- What resources do you have? What resources do you lack?
- Is your enterprise sized appropriately?
- What type of farm records system will you use?
- What business structure is most appropriate for you?
- Who involved in your business and what roles do they play?
- What are your unique skills? What skills do you lack?
- Will your labor situation change in the near future? Will someone enter or leave the operation?
- To what type of risk is your business exposed?
- What is your plan for the farm business if/when you are no longer able to farm?

Overview of Assignments:

- Complete worksheets that assess and develop strategies for risk management, potential production systems, resource needs and acquisition, inputs, outputs, finances, and business organization.
- Visit local institutions associated with farm business planning and services.
- Attend a seminar/lecture/workshop on farm business management.

Section One: Developing a Vision for the Future

Worksheet 9

ESTIMATING INCOME AND EXPENSES

Use this worksheet to estimate your annual living expenses. This is useful to get a real grasp of your retirement income and expenses, or if not nearing retirement, your annual living and income needs.

Part I: Income	Current	Expected	Expenses Cont'd	Current	Expected
Wages (Annual)			Homeowner dues		
Social Security			Water/Sewer/Garbage		
Pension/IRA/401K			Telephone		
Social Security			Maintenance and Repairs		
Net Farm Income			Lawn Care/Cleaning		
Other Business Income			Miscellaneous Household		
Rent/Lease Income			B. Food/Clothing/ Transportation		
Conservation Program Income			Food/Groceries/Supplies		
Forestry Income			Clothing		
Taxable Interest			Laundry/Dry-cleaning		
Tax-Exempt Interest			Auto Loan/Lease		
Stock Dividends			Auto Insurance		
Annuity Payments			Gasoline		
Other (e.g. alimony)			Auto Maintenance/Taxes		
Total Gross Income			Public Transportation		
Estimated Taxes			C. Discretionary		
Federal			Charitable Contributions		
State			Movies/Concerts/Dining		
Medicare/Social Security			Recreation/Vacation		
Total Taxes			Gifts (birthdays/holidays)		
TOTAL NET INCOME			Children sports/lessons		
Part II: Expenses	Current	Expected	Pet Veterinary		
A. Housing			Cable Television/Internet		
Gas/Oil/LP			Total Expenses		
Electric			TOTAL NET INCOME		
Real Estate Taxes			(less)		
Mortgage Payments (P+I)			TOTAL EXPENSES		
Home Equity Line			(equals)		
Home-Owners Insurance			TOTAL DISCRETIONARY INCOME		
Rent					

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:

1. 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)?

7. Conclusion: Where might this person best fit in meeting our human resource needs?

TASK

2

Use this worksheet to describe likely changes in your human resources situation over the next year, five years or ten years.

Current Workforce: Will anyone who currently works in our operation be leaving for other work or for personal reasons? What activities/enterprises will this affect?

Future Workforce: Will any new people be joining our operation? What new knowledge and skills will they bring? Do we have enough physical and financial resources for them to be fully employed and appropriately paid?

Future Management: Do we foresee a change in the allocation of decision-making and management responsibilities?

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 _____

TASK
2

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	_____	_____	Intermediate Farm Liabilities (h)	_____	_____
Market livestock	_____	_____	Long-term Farm Liabilities (i)	_____	_____
Other current assets	_____	_____	Total Farm Liabilities (j) = (g+h+i)	_____	_____
Total Current Assets (a)	_____	_____	Nonfarm Liabilities (k)	_____	_____
Intermediate Farm Assets	_____	_____	Total Liabilities (l) = (j + k)	_____	_____
Breeding livestock	_____	_____	Retained Earnings (m) = (f₂ - l)	_____	_____
Machinery and equipment	_____	_____	Net Worth (n) = (f₁ - l)	_____	_____
Other intermediate assets	_____	_____	Market Valuation Equity (o) = (n - m)	_____	_____
Total Intermediate Assets (b)	_____	_____			
Long-term Farm Assets	_____	_____			
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)	_____	_____			

f₁ = Market Value of Total Assets
f₂ = Cost Value of Total Assets

Briefly rank your business' exposure to production, environmental, market, contract, and personal risk. Then briefly describe how you currently manage for risk.

Market Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: _____

Tools for minimizing risk: _____

Production Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: _____

Tools to minimize risk: _____

Contract Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: _____

Tools to minimize risk: _____

Financial Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: _____

Tools for minimizing risk _____

Personal Risk

Exposure to risk: _____ Low _____ Medium _____ High

Type of risk: _____

Tools for minimizing risk: _____

List any permits, institutional requirements, and other government policies that will affect your operations. When noting permit requirements, be sure to describe any ongoing compliance issues such as annual permit renewals and fees. Next, describe your ability to meet these conditions.

Permit/License/Policy _____

Issued by: _____

Conditions and compliance issues: _____

Fees: _____

Can we meet these conditions? _____

Permit/License/Policy _____

Issued by: _____

Conditions and compliance issues: _____

Fees: _____

Can we meet these conditions? _____

Permit/License/Policy _____

Issued by: _____

Conditions and compliance issues: _____

Fees: _____

Can we meet these conditions? _____

TASK

4

Return to Worksheets 2.3 (Tangible Working Assets), 2.5 (Describing Crop Production Systems), and 2.6 (Describing Livestock Production Systems) where you described your current resource base and use. Study these Worksheets and compare them to Worksheets 4.12 and 4.13. Think about how your resource needs will change as you add a new enterprise, expand markets, or reallocate resources. If you used a map in Planning Tasks Two and Three to describe your current situation and future vision, then you may want to do so again here. Illustrate which parcels of land will be devoted to buildings, crops, livestock, recreation, education and wildlife according to your operations management strategy. Then, using the space below, describe any gaps between current resource availability and future resource needs. Lastly, develop your acquisition strategy for meeting or filling future resource needs. Will you redirect or make better use of current resources? Will you purchase or rent additional resources (new or used)? Or will you gain access to resources through agreements, custom-hire or contracting services? List your acquisition strategy alternatives in the space provided.

Enterprise _____

Resource Needs:

Acquisition Strategy 1

Acquisition Strategy 2

Land

Buildings

Machinery and equipment

Breeding livestock

Supplies

Complete this Worksheet for each major product you plan to produce. Compile your market research (Worksheets 4.1–4.7) for each year in your transition period and for your long run or expected market outlook, as appropriate. Begin with a description of your target market (by segment). Then summarize product characteristics and competition, as well as your plans for distribution, pricing and promotion. Next, use the space below to estimate gross sales revenue and to record marketing expense estimates. You will use this expense information when evaluating the business' projected financial performance in the Evaluation section of Planning Task Four. Finally, summarize your marketing strategies for this product or the whole farm. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will be the start of your marketing strategy section for the written business plan.

Enterprise: _____

	Long Run (Expected)	Year 1	Transition Period Year 2	Year 3
Typical output	_____	_____	_____	_____
	_____	_____	_____	_____
Expected output	_____	_____	_____	_____
	_____	_____	_____	_____
High output	_____	_____	_____	_____
	_____	_____	_____	_____
Low output	_____	_____	_____	_____
	_____	_____	_____	_____
Production capacity	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

At the whole-farm level, we plan to (grow/maintain/contract) our business:

Complete this Worksheet, using your research from Worksheets 4.9–4.16, for each new enterprise or an existing one that will change. Begin with a brief description of the management system and implementation (describe your crop rotation, pasture layout and rotation, milking schedule, etc.). Next, list new resource needs and your strategy for acquiring them. Then record all operating expenses associated with this enterprise, including the overhead value of new equipment, machinery, and breeding livestock that may be needed. Try to allocate your overhead costs across this and other enterprises in proportion to use. Finally, summarize your operations strategies for this enterprise and the whole farm in the space provided. This will be the start of your operations strategy section for the written business plan. Be sure to include a SWOT (strengths, weaknesses, opportunities, threats) analysis.

Enterprise: _____

Transition Period

Year 1

Year 2

Year 3

Production System and Rotation

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Resource Needs and Acquisition

Land

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Buildings

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Machinery & equipment

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Breeding livestock

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

CONTINUED



TASK
4

CONTINUED

Enterprise: _____	Transition Period		
	Year 1	Year 2	Year 3
Labor	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Supplies	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Other inputs	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Permits	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Output	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Storage	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
Operations Expenses			
Seed	_____	_____	_____
Fertilizer	_____	_____	_____
Chemicals	_____	_____	_____
Irrigation energy	_____	_____	_____
Other direct			
crop expenses	_____	_____	_____
Feeder livestock			
expenses	_____	_____	_____

TASK
4

CONTINUED

Use the space below to describe the marketing, operations, human resources and finance tasks associated with each new enterprise. Refer to Worksheets 4.11–4.12 (Describing Potential Crop and Livestock Systems) for operations workload estimates. Then estimate the workload (hours) associated with each task. If your business tends to be seasonal, distribute the total hours for each activity by periods of the year. Use a separate sheet of paper if more space is needed or make copies of this Worksheet to detail workload changes for each year in your transition period, as appropriate.

Enterprise _____ Timeframe _____

Tasks	Hours/Month											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec

Marketing:

Operations

Management:

Finances:

Total Hrs/Month

Research and record standard wage, salary and benefits for each new job or position. If you plan to create more than four new positions, make copies of this Worksheet or use additional sheets of paper.

Position/Job

1

Position/Job

2

Position/Job

3

Position/Job

4

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Average industry wage/salary/fees (\$/hour):

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Typical industry benefits:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Tax rate:

_____	_____	_____	_____
_____	_____	_____	_____

TASK
4

Use the space below to estimate and record your human resources input expenses for all family members and hired labor. Make these estimates as realistic as possible—use your research about industry standards and tax rates as well as your own compensation goals.

	Position/Job 1	Position/Job 2	Position/Job 3	Position/Job 4
Job title/description				
Name				
Wages/salary/fees (\$/hour)				
Benefits (health care, retirement)				
Taxes				
Insurance (workers compensation)				
Other				
Total labor expenses (a)				
Total hours worked (b)				
Total labor expenses/hour (a) / (b)				

Return to your skills assessment in Worksheet 2.7. Are you ready to manage the operation? If not, who will? As you answer the following questions, try to be honest and realistic. Then, develop a strategy for whole farm business management.

1. Are you willing and ready to manage the operation and hired labor? If so, what skills do you bring to the management position? Are you a good communicator?

2. Will you share management responsibilities? If so, how will you divide tasks? Will you develop a written management agreement? What skills do other management team members bring to the business?

3. Can the business function without you? Who will manage the operation when you are gone or ill? Who is your back-up?

4. How often will you check in with family and other members of your workforce?

5. Our management strategy can be summarized as follows:

Use the space below to record information about the organizational alternatives that you are considering for the business. Your state's Small Business Association is an excellent place to begin your research. If you are planning a major reorganization of the business, be sure to consult a lawyer regarding necessary documentation and tax ramifications. Be sure to note advantages and disadvantages of each alternative as it pertains to your current situation, business vision and personal goals.

Organizational Alternative 1

Ownership:

Tax rates:

Filing requirements:

Advantages:

Disadvantages:

Organizational Alternative 2

Ownership:

Tax rates:

Filing requirements:

Advantages:

Disadvantages:

Organizational Alternative 3

Ownership:

Tax rates:

Filing requirements:

Advantages:

Disadvantages:

Use this Worksheet to estimate what price 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	-	_____
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.

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	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

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 1	Transition Period	
			Year 2	Year 3
Risk exposure and management				
Organization and taxes				
Financing needs (\$) and strategy				
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–Financial Strategy Summary:

TASK
4

Using your current tax records (if applicable), estimate total variable and fixed expenses for your base plan—for your business as is. Then, list annual operating expenses for each major whole-farm strategy alternative that you are considering. Be sure to calculate and include (1) annual ownership costs of machinery, equipment, and buildings (depreciation, interest, repairs, taxes and insurance); and (2) start-up costs as either one-time cash expenses or as part of annual debt or lease payments (it depends on how you decide to finance these costs). Try to break all of your annual whole farm expenses up into variable- and fixed-expense categories.

	Base Plan	Alternative One	Alternative Two
Direct Expenses			
Marketing	_____	_____	_____
Seed	_____	_____	_____
Fertilizer	_____	_____	_____
Chemicals	_____	_____	_____
Crop insurance	_____	_____	_____
Other direct crop expenses	_____	_____	_____
Feeder livestock purchases	_____	_____	_____
Feed and forages	_____	_____	_____
Breeding fees	_____	_____	_____
Veterinary	_____	_____	_____
Livestock supplies	_____	_____	_____
Other direct livestock expenses	_____	_____	_____
Custom hire	_____	_____	_____
Fuel and oil	_____	_____	_____
Repairs and maintenance	_____	_____	_____
Storage	_____	_____	_____
Processing	_____	_____	_____
Dues and professional fees	_____	_____	_____
Interest on operating loan	_____	_____	_____
Sales taxes	_____	_____	_____
Other operating expenses	_____	_____	_____
Total variable costs	_____	_____	_____
Overhead Expenses			
Utilities	_____	_____	_____
Rent	_____	_____	_____
Hired labor	_____	_____	_____
Depreciation	_____	_____	_____
Farm insurance	_____	_____	_____
Repairs and maintenance	_____	_____	_____
Taxes	_____	_____	_____
Interest on intermediate debt	_____	_____	_____
Interest on long-term debt	_____	_____	_____
Other fixed costs	_____	_____	_____
Total fixed costs	_____	_____	_____

TASK
4

Use the space below to record average income and expenses (variable and fixed costs) for your present business (base plan) and the whole farm strategy alternative you are considering. The base plan should project the average expected future results for your current farm operation. Do this column first based on past history (Worksheet 2.10) and then build on it for each of your alternative strategies using information from your gross sales revenue projections (Worksheet 4.8) and the whole farm cost analysis (Worksheet 4.27). Then, calculate the net farm income for each alternative by subtracting total expenses from total revenue. How do your proposed alternatives compare to your present business income? Remember, when projecting the income for each strategy alternative, assume that your strategy has been fully implemented.

Revenues:		Base Plan	Strategy #1	Strategy #2
Gross product sales	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Cull breeding livestock	_____	_____	_____	_____
Other income	_____	_____	_____	_____
Total revenue (a)	_____	_____	_____	_____
Expenses:				
Annual variable expenses	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Annual fixed expenses	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Other farm expenses	_____	_____	_____	_____
Total expenses (b)	_____	_____	_____	_____
Net farm income (a - b)	_____	_____	_____	_____

Use the space below to calculate and compare your business' present cash flow and its cash flow under the alternative whole-farm strategies that you are considering. Begin by estimating total cash inflows and outflows. Then subtract outflows from inflows. If the projected net cash flow is positive, then the plan will cash flow—it will be able to make debt payments on time. On the other hand, if the net cash flow is negative, the business alternative will have trouble servicing short-term debt.

		Base Plan	Strategy #1	Strategy #2
Projected Cash Flow:				
Net farm income		_____	_____	_____
Depreciation expense		_____	_____	_____
Interest expenses on term debt		_____	_____	_____
Nonfarm income		_____	_____	_____
Total cash inflows	(a)	_____	_____	_____
Owner withdrawals		_____	_____	_____
Income and social security taxes		_____	_____	_____
Principal and interest payments on term debt				
Loan		_____	_____	_____
Loan		_____	_____	_____
Loan		_____	_____	_____
Loan		_____	_____	_____
Loan		_____	_____	_____
Loan		_____	_____	_____
Total cash outflows	(b)	_____	_____	_____
Projected net cash flow	(a - b)	_____	_____	_____

TASK

4

Construct a projected balance sheet for your business base plan and for each whole farm strategy alternative you are considering. Where possible, include itemized details under each asset and liability category. Then, calculate your overall change in wealth earned from farm and nonfarm income after adjusting for living expenses and partner withdrawals. You may want to use a computer software package, such as FINPACK (available from the Center for Farm Financial Management), to collect and process the information needed for your projected balance sheet.

Year: _____

	Base Plan	Strategy #1	Strategy #2
Assets			
Current Farm Assets			
Cash and checking balance	_____	_____	_____
Prepaid expenses & supplies	_____	_____	_____
Growing crops	_____	_____	_____
Accounts receivable	_____	_____	_____
Hedging accounts	_____	_____	_____
Crops and feed	_____	_____	_____
Crops under gov't loan	_____	_____	_____
Market livestock	_____	_____	_____
Other current assets	_____	_____	_____
Total current assets	(a) _____	_____	_____
Intermediate Farm Assets			
Breeding livestock	_____	_____	_____
Machinery and equipment	_____	_____	_____
Other intermediate assets	_____	_____	_____
Total intermediate assets	(b) _____	_____	_____
Long-term Farm Assets			
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) _____	_____	_____

CONTINUED

Year: _____

	Base Plan	Strategy #1	Strategy #2
Liabilities			
Current Farm Liabilities			
Accrued interest	_____	_____	_____
Accounts payable & accrued expense	_____	_____	_____
Current farm loans	_____	_____	_____
Principal on CCC loans	_____	_____	_____
Principal due on term loans	_____	_____	_____
Total Current Farm Liabilities	(g) _____	_____	_____
Intermediate Farm Liabilities	(h) _____	_____	_____
Long-term Farm Liabilities	(i) _____	_____	_____
Total Farm Liabilities	(j) = (g + h + i) _____	_____	_____
Nonfarm Liabilities	(k) _____	_____	_____
Total Liabilities	(l) = (j + k) _____	_____	_____
Net Worth	(m) = (f - l) _____	_____	_____
Earned Net Worth Change Per Year			
Net Farm Income (from Worksheet 4.33)	(n) _____	_____	_____
Nonfarm Income	(o) _____	_____	_____
Family Living/Partner Withdrawals	(p) _____	_____	_____
Income Taxes	(q) _____	_____	_____
Earned Net Worth Change	(r) = (n + o) - (p + q) _____	_____	_____

TASK
4

Use the space below to record and compare the results of a five percent decrease in market prices, a five percent increase in expenses, or a two percent increase in interest rates for each whole-farm strategy alternative. You will need to use software or another sheet of paper to calculate the effect of these very real market uncertainties. How do these market and finance-related shocks affect your present business and its future under the whole-farm strategy alternatives that you are considering?

	Base Plan	Strategy #1	Strategy #2
Effect of a 5% decrease in prices			
Net farm income	_____	_____	_____
Net cash flow	_____	_____	_____
Effect of a 5% increase in expenses			
Net farm income	_____	_____	_____
Net cash flow	_____	_____	_____
Effect of a 3% increase in interest rates			
Net farm income	_____	_____	_____
Net cash flow	_____	_____	_____

Use the space below to project the business' first three years' cash flow. Begin by recording gross income from sales of products. Then, record other farm and nonfarm income as well as borrowed funds that will be used by the business. Record total projected income or total inflows (a) for each year. Next, record all cash outflows (b), including annual farm expenses, owner withdrawals (for family living), taxes, and debt payments. Subtract total cash outflows (b) from total cash inflows (a) to calculate net cash flow for the year.

Whole Farm Strategy:

Year 1 Year 2 Year 3

Projected Cash Inflows:

Gross product sales	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Other income	_____	_____	_____	_____
	_____	_____	_____	_____
Nonfarm income	_____	_____	_____	_____
Capital sales	_____	_____	_____	_____
New borrowings	_____	_____	_____	_____
	_____	_____	_____	_____

Total Cash inflows (a)

_____	_____	_____	_____
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Projected Cash outflows:

Farm expenses (excluding interest)	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Owner withdrawals	_____	_____	_____	_____
Income and social security taxes	_____	_____	_____	_____
Capital purchases	_____	_____	_____	_____
Debt payments	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

Total cash outflows (b)

_____	_____	_____	_____
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Net cash flow (a - b)

_____	_____	_____	_____
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Cumulative net cash flow

_____	_____	_____	_____
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TASK
4