

1995

CC424 Achieving Success with a Business Plan : Case Study to Prepare a Grain Farm Business Plan

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Achieving Success With a Business Plan

Case Study to Prepare a Grain Farm Business Plan

Jody Wichmann, John Hanson and Thomas Dorn



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EXECUTIVE SUMMARY

Marty and Mary Struggling is a family-partnership farming operation in Somewhere, Nebraska. The operation is a grain production system and the crops grown are Corn, Beans, and Grain Sorghum. The operation is carried out on 720 acres of land, of which 400 acres is rented and 320 acres is owned. Only 130 acres that is used for Corn production is pivot irrigated. Rest of the land is non-irrigated. Since the operation started in 1993, the farm business grew steadily and has become the primary source of family income. The crop yields fared better than the county averages during the last four years. At present, we do not carry any crop insurance but plan to get CRC coverage on Corn and MPCCI (65%) on beans. Currently, we are working on improving our marketing plan for corn and beans to include some forward contracting, hedging and options strategies to our marketing plan. Our net worth in the business grew substantially from \$-194,459 in 1994 to \$-32,527 in 1998. The cash flow situation on the farm increased from \$58,953 in 1994 to \$115,110 in 1998. Other key farm financial ratios at present are:

Current Ratio = 1.17

Debt to Asset Ratio = 0.52

The growth in the farming business, by renting land, enabled Marty to take up farming on a full time basis in 1995. Since we started our operation, we were able to cash flow evenly, without missing any loan payments. Apart from the farm income, Mary's bookkeeping business income has grown from \$2,400 to \$16,200 during the past five years.

Our goal is to become debt free and own 640 acres of land within the next five years. Our long-term goal is to save enough for retirement and have a land base that would support the next generation to take up the operation. With the help of our business advisors, Thomas Evans (Banker), and Julie Black (Lawyer), we will continue to plan ahead, allowing for contingencies.

BUSINESS ORGANIZATION

Business Name and Address:

Marty and Mary Struggling
RR 4
Somewhere, NE 68222

Telephone:

Business: (402) 456-1134 Home: (402) 456-1133

Type of Ownership:

Partnership

Who is Involved in the Operation?

Name & Age:	Marty Struggling 37	Position: Owner & Operator
Name & Age:	Mary Struggling 37	Position: Owner & Bookkeeper
Name & Age:	Matthew Struggling 8	
Name & Age:	Macey Struggling 2	

Business Advisors:

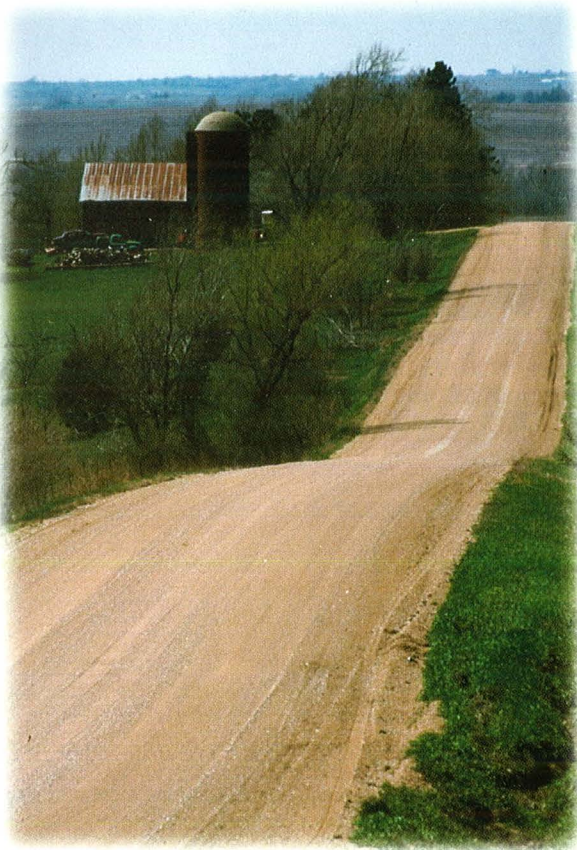
Thomas Evans, Banker
PO Box 33
Anywhere, NE 68111
(402) 455-2121

Julie Black, Lawyer
201 Easy Street
Anywhere, NE 68111
(402) 455-5116

The best thing for gray hair is a sensible head.



HISTORY AND OVERVIEW OF OPERATION



In 1981, Mary and I were married. I graduated from Southeast Community College with an A.A.S. degree in agri-business. Mary graduated with an A.A.S. degree in accounting. After graduation, both Mary and I began working for the local Co-op. I earned the position of Assistant Fertilizer Department Manager, and Mary was the bookkeeper and scale operator for the Co-op.

In December of 1993 we decided to purchase 320 acres of farm ground from my father. We sold our home in town, used \$45,000 as a down payment, and financed \$275,000 from the local bank for 30 years at 8.5% annual interest. He also agreed to sell us his line of equipment, for which we paid \$15,000 down and borrowed \$95,000 at 8.5% interest for 5 years.

Within the 320 acres we purchased, 130 acres are pivot irrigated. The other 190 acres have no irrigation potential, and within this 160 acres is our 5-acre farmstead.

In March of 1994 I quit my job at the Co-op to begin farming full time. At this time I began renting an adjoining 80 acres of dryland with irrigation potential. However, to get to this 80 acres, I have to go through my neighbor's pasture.

Mary continued to work at the Co-op, and she started a bookkeeping business on the side. Two neighbors agreed to let her keep their books.

I got a part-time job, working 38 hours per week at a local department store during the holiday season (for 10 weeks, from early November until mid January).

In 1995 we were able to rent another 320 acres, with irrigation potential, for the 1996 crop season.

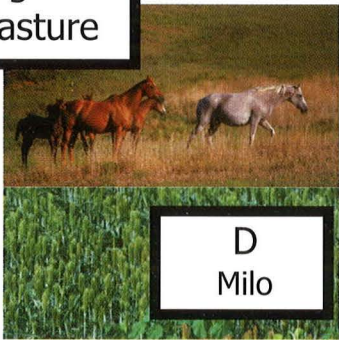
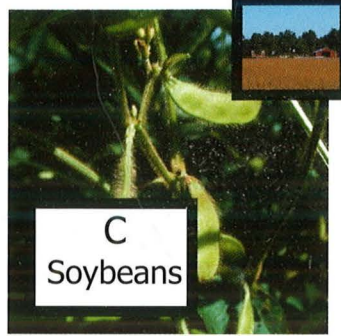
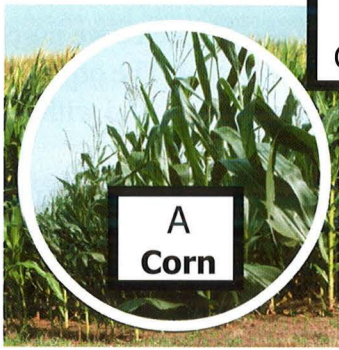
In December 1995, we decided to trade in our older equipment for newer, and bigger, equipment so that we could farm all of our ground more efficiently. The trade-in value of our old equipment was \$12,000 and we had to borrow \$48,500 at 10.5% for 7 years at the local bank.

In January of 1996, we were blessed with our second child, and at this time Mary and I felt that it would be best for her to stay home with the children, while increasing her bookkeeping business. Therefore, Mary had increased her clientele by adding two additional farmers and a convenience store.

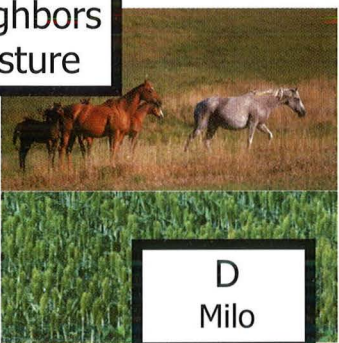
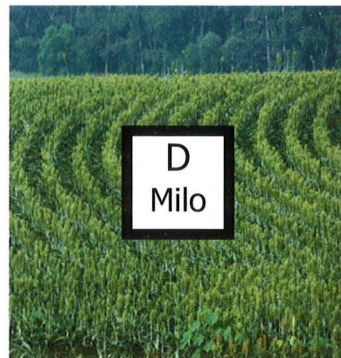
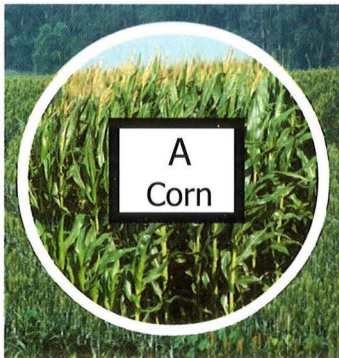
In December of 1996, we traded planters; we were able to pay cash for the new planter. However, in December of 1997, we traded pickups. For this purchase we obtained a loan from the Ford dealership for \$17,000 at 3.9% for 36 months.

We do not want to diversify; we want to remain a crop production farm.

OPERATION LAYOUT



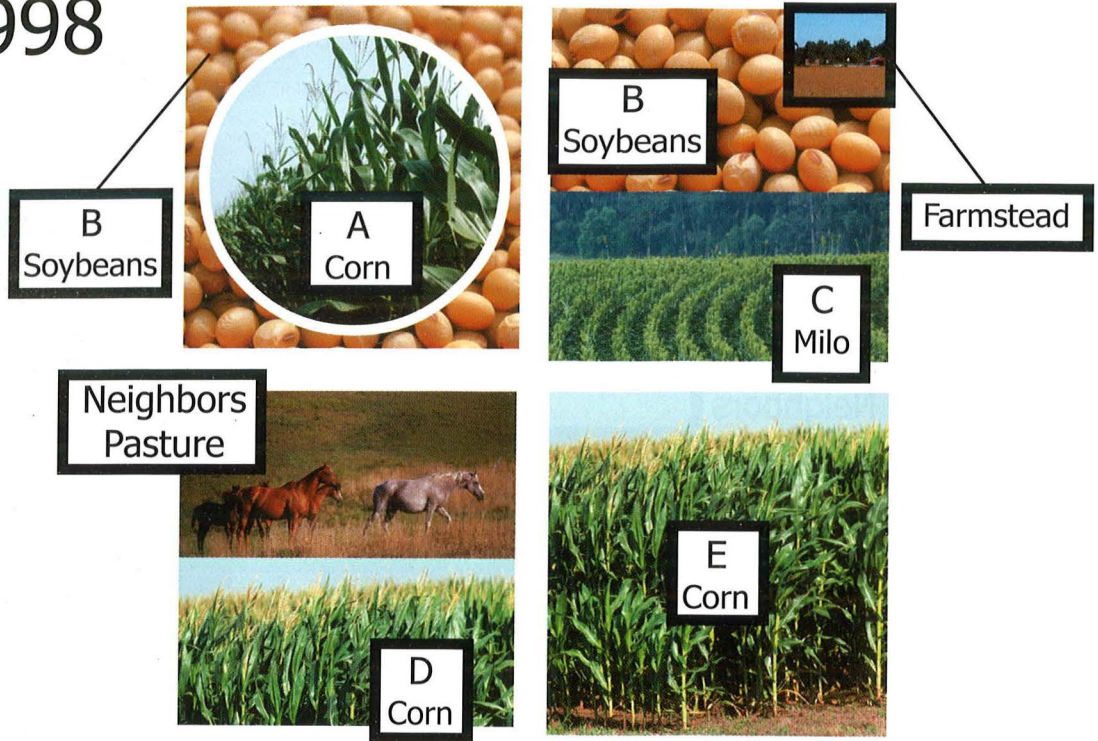
1996



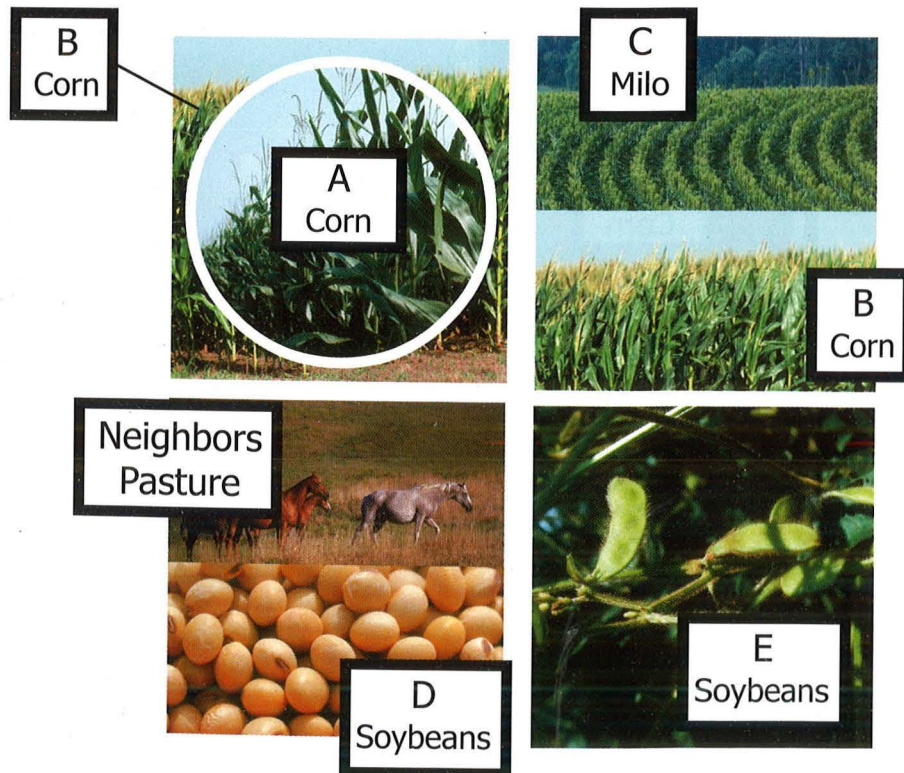
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OPERATION LAYOUT

1998



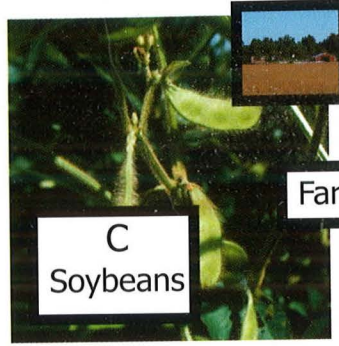
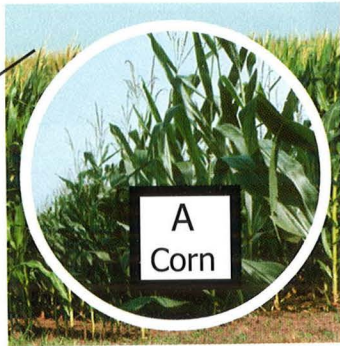
1999



OPERATION LAYOUT

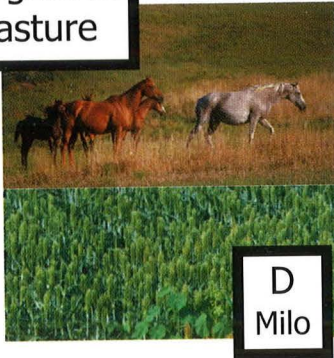
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B
Corn



Farmstead

Neighbors
Pasture

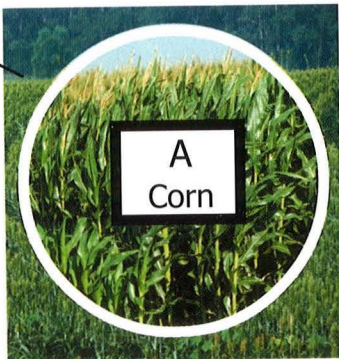


D
Milo

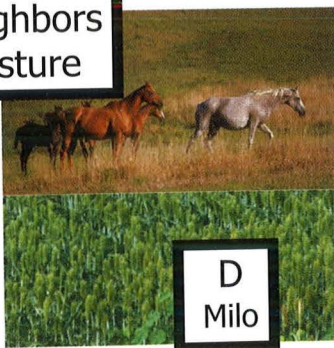


2001

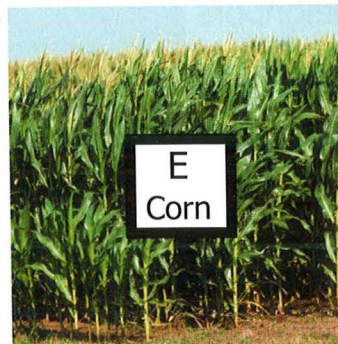
B
Milo



Neighbors
Pasture



D
Milo



MISSION STATEMENT

Our mission is to produce quality agricultural products that will provide adequate income for our family and allow the next generation to have sufficient ground to continue farming for their livelihood.

BUSINESS GOALS

Overall Business Goal

- To own a section of land debt free by the time we retire.

Production Goal

- Optimize return on purchased inputs.

Marketing Goal

- To sell 90% of our crops above the cost of production.

Financial Goal

- To meet debt obligations and acquire additional land and equipment to support the family.

Personnel Goal

- To fully employ both of us on the farm.

SHORT TERM GOALS

Various short-term goals have been formulated, after carefully considering the farm business situation and family situation. An assessment of the needs and constraints for the next five years has been considered in drawing the short-term goals.

- Decrease total farm liability.
- Replace/rebuild the farm buildings and equipment to meet new requirements.
- Pursue alternative tillage practices.
- Develop a marketing plan that will better insure a profitable harvest.
- Set up a college fund for both children.

LONG TERM GOALS

The long-term goals are a bit unclear at this point in time, since the business as a whole is facing dynamic challenges. However, they have been formulated to provide guidance for future activities, mostly concentrate on family well being, and consider family succession.

- Develop the farming business to a stage where it can support all of our children who want to be involved in farming.
- Train and orient the children to take over the farming activities.
- Create sufficient retirement funds to cover retirement life.
- Educate the children to college level.

PRIORITIES & GOALS

First Priority

- Build an economically viable farm operation, capable of supporting our family, without outside income.

Second Priority

- Help our children obtain a college education.

PURPOSE OF THE PLAN

1. To establish a reasonable set of goals and develop strategies to attain them.
2. To identify sources of financial and legal risks and develop strategies to reduce risks to reasonable levels.
3. To incorporate a plan to accomplish our mission.

STRATEGIC OUTLOOK

Even though crop prices are low at present, we feel that we should be able to cover production costs and debt obligations, but probably not all of our family living expenses. We anticipate the need to continue to provide for family living expenses with outside income for a few more years. We feel we can hang on long enough to see prices swing back to profitable levels within 5 to 6 years.

PRESENT BUSINESS SITUATION

We are a crop production operation. We don't want to convert into a diversified operation, and we feel no need to do so. Current production areas:

- Own 160 acres of irrigated land
- Own 160 acres of non-irrigated land, with no irrigation potential
- Rent 80 acres of non-irrigated land, with irrigation potential
- Rent 320 acres of non-irrigated land, with irrigation potential

LEGAL & CONTRACTUAL SITUATION

Asset contracts

All farm assets are held in the name of Mary and I, with a lien from the lending financial institutions on machinery and land. We also have an outstanding loan at the Ford dealership.

Estate plan/will

There is no written will or estate plan. This is the one area we want to explore further.

Insurance

The family is carrying a maximum life insurance policy of \$2,000,000. We do not have any disability insurance though we would like to purchase some. The family holds a health insurance policy with \$1,000 annual deductible/person; 25% co-payment, with an annual stop loss of \$5,000. Automobile and trucks are covered with liability insurance.

Retirement plans

We have not been able to save for retirement at this time.

Environmental plans

We do not have any plans at the moment.

PRODUCTION SITUATION

The production plan is drawn to provide a brief review of the whole production activity of the farm business. Enterprises have been categorized and production particulars of each enterprise have been summarized (from 1995 to 1999) in separate tables for easy comprehension.

CROP ENTERPRISE PRODUCTION TRENDS

Description of the System	Corn (Irrigated)				
	1995	1996	1997	1998	1999
Production Year	1995	1996	1997	1998	1999
Total Production bu	22880	23140	23530	24310	26130
Average Per Acre bu	176	178	181	187	201
Total Acres	130	130	130	130	130
Average Price Per Unit	\$2.33	\$3.22	\$2.64	\$2.55	\$2.29

Description of the System	Corn (Non-Irrigated)				
	1995	1996	1997	1998	1999
Production Year	1995	1996	1997	1998	1999
Total Production bu	4800	11040	58400	14190	55360
Average Per Acre bu	160	138	146	129	173
Total Acres	30	80	400	110	320
Average Price Per Unit	\$2.33	\$3.22	\$2.64	\$2.55	\$2.29

Description of the System	Soybeans (Non-Irrigated)				
	1995	1996	1997	1998	1999
Production Year	1995	1996	1997	1998	1999
Total Production bu	5580	0	3465	18200	10175
Average Per Acre bu	36	0	33	45.5	55
Total Acres	155	0	105	400	185
Average Price Per Unit	\$1.96	\$0.00	\$7.19	\$6.28	\$6.04

Description of the System	Grain Sorghum (Non-Irrigated)				
	1995	1996	1997	1998	1999
Production Year	1995	1996	1997	1998	1999
Total Production bu	11120	22200	8960	8100	11040
Average Per Acre bu	139	120	112	108	138
Total Acres	80	185	80	75	80
Average Price Per Unit	\$1.96	\$3.03	\$2.33	\$2.24	\$2.06

PRODUCTION SUMMARY

What we produce currently is limited by our machinery, our lack of storage facilities, our cash flow needs, and our available labor.

We have been producing continuous corn on the irrigated ground because we feel that corn benefits from the extra water more than soybeans or milo would.

We have been rotating the crops on the non-irrigated fields to take advantage of the rotation yield effects and to break insect and disease cycles. We try to plant three different crops (corn, milo, and soybeans) every year to spread our risk as well as gain efficiency in planting and harvesting labor.

We have been applying nitrogen according to our yield goals. In 1994 we had soil samples tested from the home place and Uncle Bob's place. The results stated that we do not need to add any more phosphorus to the home place, but we did need to add some to Uncle Bob's.

The text also indicated that we should add 7,000 lbs./acre of lime to the irrigated land and 5,000 lbs./acre to the dryland quarter. None of these recommendations have been followed because of cost considerations. We do not plan to add any lime to the land unless the yield of the crop diminishes.

The tillage program following corn and milo usually includes disking twice in the spring, to chop stalks and to incorporate the residue to prepare a seedbed. This is followed by a third disking just before planting, if the herbicide needs to be incorporated. Usually the crops are cultivated one time to catch any weeds that weren't controlled by the herbicides.

We have been applying herbicides broadcast prior to planting, but we would like to acquire saddle tanks and begin banding herbicide at planting whenever we can use chemicals that don't need incorporation.



*Investment in knowledge pays
the best interest.*

FINANCIAL SITUATION-BALANCE SHEET-TREND SHEET

Asset/Liability Item					
Date	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99
Current Farm Assets					
Cash and Checking	\$6,173.00	\$13,656.00	\$17,865.00	\$26,803.00	\$54,434.00
Prepaid Expenses and Supplies					
Growing Crops					
Accounts Receivable					
Hedging Accounts					
Crops and Feed					
Market Livestock					
Other Current Assets	\$19,622.00	\$21,486.00	\$23,527.00	\$25,762.00	\$28,210.00
Total Current Assets	\$25,795.00	\$35,142.00	\$41,392	\$52,565.00	\$82,644.00
Intermediate Farm Assets					
Breeding Livestock					
Machinery and Equipment	\$99,000.00	\$159,850.00	\$157,800.00	\$153,800.00	\$130,850.00
Other Intermediate Assets	\$24,000.00	\$21,600.00	\$19,440.00	\$17,496.00	\$15,746.00
Total Intermediate Assets	\$123,000.00	\$181,450.00	\$177,240.00	\$170,696.00	\$146,596.00
Long Term Assets					
Land and Improvements	\$320,000.00	\$336,000.00	\$352,800.00	\$370,440.00	\$388,962.00
Other Long Term Assets					
Total Long Term Assets	\$320,000.00	\$336,000.00	\$352,800.00	\$370,440.00	\$388,962.00
Total Farm Assets	\$468,795.00	\$552,592.00	\$571,432.00	\$593,701.00	\$618,202.00
Total Non-Farm Assets	\$65,000.00	\$58,500.00	\$52,650.00	\$47,385.00	\$42,647.00
Total Assets	\$533,795.00	\$611,092.00	\$624,082.00	\$641,086.00	\$660,849.00
Current Farm Liabilities					
Accounts Payable	0	0	0	0	0
Current Loans					
Federal Income Taxes Payable	\$1,993.00	\$12,753.00	\$11,144.00	\$2,408.00	\$10,243.00
FICA Taxes Payable	\$3,439.00	\$10,024.00	\$8,129.00	\$2,263.00	\$8,043.00
State Taxes Payable	\$399.00	\$2,388.00	\$2,114.00	\$482.00	\$1,971.00
Property Taxes Payable	\$8,094.00	\$8,111.00	\$13,306.00	\$13,324.00	\$13,535.00
Principle, Current Notes Payable	0	0	0	0	0
Principle, Government Commodity Loans	0	0	0	0	0
Current Portion Term Debt Principle	\$18,247.00	\$19,798.00	\$26,515.00	\$28,869.00	\$36,886.00
Total Current Liabilities	\$32,171.00	\$53,073.00	\$61,207.00	\$47,346.00	\$70,677.00
Intermediate Farm Liabilities					
Intermediate Loans					
Non-Current Portion of Intermediate Term Debt Principle	\$61,572.00	\$80,601.00	\$53,975.00	\$30,848.00	\$17,458.00
Total Intermediate Liabilities	\$61,572.00	\$80,601.00	\$53,975.00	\$30,848.00	\$17,458.00
Long Term Farm Liabilities					
Liabilities On Real Estate					
Non-Current Portion Of Long Term Debt Principal	\$270,384.00	\$267,778.00	\$264,950.00	\$261,882.00	\$258,553.00
Total Long Term Liabilities	\$270,384.00	\$267,778.00	\$264,950.00	\$261,882.00	\$258,553.00
Total Farm Liabilities	\$364,127.00	\$401,451.00	\$380,132.00	\$340,077.00	\$346,688.00
Total Non-Farm Liabilities					
Total Deferred Tax Liabilities					
Total Liabilities	\$364,127.00	\$401,451.00	\$380,132.00	\$340,077.00	\$346,688.00
Total Equity	\$169,668.00	\$209,640.00	\$243,951.00	\$301,010.00	\$660,849.00

FINANCIAL SITUATION-INCOME SHEET-EXPENSES SHEET

Income					
	1995	1996	1997	1998	1999
Gross Crop Sales	\$115,808	\$179,507	\$263,986	\$233,819	\$269,302
Mary's Bookkeeping Business Gross Income	\$2,400	\$6,600	\$10,560	\$16,200	\$16,200
Mary's Coop job - gross wages	\$14,500	\$14,500	\$0	\$0	\$0
Marty's Coop job - gross wages	\$7,500	\$0	\$0	\$0	\$0
Marty's Walmart job - gross wages	\$2,926	\$3,135	\$0	\$0	\$0
Total Off-Farm Wages	\$24,926	\$17,635	\$0	\$0	\$0
Total Income from all sources	\$143,134	\$203,742	\$274,546	\$250,019	\$285,502
Expenses					
Production Expenses					
Seed	\$5,805	\$5,246	\$13,595	\$14,531	\$13,597
Fertilizer	\$7,593	\$9,030	\$14,433	\$12,436	\$13,755
Chemicals	\$7,651	\$9,929	\$18,334	\$22,673	\$19,539
Insurance	\$1,861	\$1,659	\$5,334	\$5,703	\$5,227
Drying Fuel	\$1,307	\$437	\$2,165	\$1,064	\$1,370
Irrigation Energy	\$1,580	\$2,787	\$1,760	\$2,009	\$2,009
Irrigation repairs	\$618	\$698	\$586	\$761	\$761
Operating power & Crop machinery (fuel and repairs)	\$6,842	\$12,770	\$27,976	\$29,112	\$25,087
Building repairs	\$1,016	\$329	\$2,974	\$1,414	\$2,543
Hired labor	\$0	\$0	\$0	\$0	\$0
Utilities	\$1,080	\$1,056	\$2,509	\$1,994	\$2,140
Miscellaneous	\$2,955	\$2,905	\$4,849	\$3,969	\$5,018
Land rent	\$4,960	\$4,960	\$28,400	\$29,200	\$29,200
Operating loan interest (10% APR.. for 7 months)	\$2,524	\$3,022	\$7,170	\$7,284	\$7,014
Interest on Operating Loan Carried Over (10% APR.)	\$0	\$0	\$0	\$0	\$0
Real estate & Personal property taxes	\$7,220	\$7,220	\$12,370	\$12,370	\$12,561
Farm insurance	\$1,243	\$1,161	\$2,689	\$2,373	\$2,437
Pre-tax Production Expenses	\$54,253	\$63,209	\$145,143	\$146,891	\$142,257
Interest on Land Debt	\$23,375	\$23,187	\$22,983	\$22,761	\$22,521
Interest on Equipment Debt	\$8,075	\$6,712	\$10,326	\$8,193	\$6,531
Equipment Depreciation	\$22,000	\$33,550	\$42,817	\$60,186	\$60,186
Net Taxable Income	\$8,105	\$55,111	\$47,208	(\$308)	\$40,968
Farm Income Tax Liability	\$1,216	\$11,791	\$9,578	\$0	\$7,831
Farm FICA Liability	\$1,143	\$7,771	\$6,656	\$0	\$5,777
Farm State Income Tax	\$243	\$2,196	\$1,800	\$0	\$1,488
Net After-tax Farm Income	\$5,503	\$33,353	\$29,173	(\$308)	\$25,872

FAMILY LIVING EXPENSES, LOANS AND CASH FLOW

Family Living Expenses	1995	1996	1997	1998	1999	
Number of Family members	3	3	4	4	4	
Food and Meals	\$4,860	\$5,006	\$5,506	\$5,672	\$5,842	
Medical care and health insurance	\$1,955	\$2,151	\$4,650	\$5,115	\$5,627	
Household supplies	\$2,643	\$2,696	\$2,965	\$3,025	\$3,085	
Clothing	\$3,060	\$3,121	\$3,433	\$3,502	\$3,572	
Child Care	\$4,000	\$4,200	\$880	\$360	\$400	
Gifts	\$1,050	\$1,071	\$1,178	\$1,202	\$1,226	
Education	\$0	\$0	\$122	\$243	\$243	
Recreation	\$2,184	\$2,228	\$2,339	\$4,386	\$2,807	
Utilities (household)	\$2,262	\$2,307	\$2,538	\$2,589	\$2,640	
Non-farm vehicle operating expenses	\$2,385	\$2,433	\$1,358	\$1,385	\$1,413	
Household real-estate taxes	\$874	\$891	\$936	\$955	\$974	
Household repairs	\$2,454	\$2,503	\$2,628	\$2,681	\$2,734	
Life Insurance	\$1,623	\$1,655	\$1,821	\$1,857	\$1,895	
Non-farm Income Tax	\$364	\$0	\$0	\$0	\$0	
Non-farm FICA Tax	\$1,907	\$1,349	\$0	\$0	\$0	
Non-farm State Income Tax	\$73	\$0	\$0	\$0	\$0	
Total Living Expenses	\$31,694	\$31,611	\$30,355	\$32,971	\$32,457	
Bookkeeping Business Summary						
Bookkeeping Business Income	\$2,400	\$6,600	\$10,560	\$16,200	\$16,200	
Bookkeeping Business Expenses	\$2,589	\$189.00	\$119.00	\$147.00	\$123.00	
Income Tax	\$0	\$962	\$1,566	\$2,408	\$2,412	
FICA Tax	\$0	\$904	\$1,472	\$2,263	\$2,267	
State Income Tax	\$0	\$192	\$313	\$482	\$482	
Total Bookkeeping Expenses	\$2,589	\$2,247	\$3,471	\$5,300	\$5,284	
Net After-tax Business income	(\$189)	\$4,353	\$7,089	\$10,900	\$10,916	
Major Purchases - Amortized Loans:						
	\$ trade-in	Cash down	Financed	Annual interest	Term, years	Annual payment
Land Purchased , Dec 1993 320 acres-\$320,000	\$0	\$45,000	\$275,000	8.50%	30	\$25,589
Equipment Purchased, Dec 1993 -\$110,000	\$0	\$15,000	\$95,000	8.50%	5	\$24,108
Equipment Purchased, Dec 1995 (tractor & disk)	\$12,000	\$30,000	\$48,500	10.50%	7	\$10,127
Equipment Purchased, Dec 1996 (planter) - pd. cash	\$3,000	\$18,000	\$0	0.00%	0	\$0
Equipment Purchased, Dec 1997 (pickup)	\$2,500	\$0	\$17,000	3.90%	3	\$6,114
Cash Flow:						
	1995	1996	1997	1998	1999	
Net After-tax Farm Cash Flow	\$58,953	\$96,803	\$105,298	\$90,832	\$115,110	
Net After-tax Bookkeeping income	(\$189)	\$4,353	\$7,089	\$10,900	\$10,916	
Gross Off-Farm Income	\$24,926	\$17,635	\$0	\$0	\$0	
Total Family Living Expenses (including taxes)	\$31,694	\$31,611	\$30,355	\$32,971	\$32,457	
Land Payment	\$25,589	\$25,589	\$25,589	\$25,589	\$25,589	
Equipment Payments	\$24,108	\$24,108	\$34,234	\$34,234	\$40,349	
Cash Flow before downpayments & cash purchases	\$2,300	\$37,483	\$22,209	\$8,938	\$27,631	
Cash used for downpayments	\$0	\$30,000	\$18,000	\$0	\$0	
Carryover (or pay down) Operating Loan	\$0	(\$0)	(\$0)	(\$0)	(\$0)	
Year-End Checking Balance \$2000 minimum bal. each Jan.	\$4,300	\$13,656	\$17,865	\$26,803	\$54,434	
Year-End Operating Note Principal Balance	\$0	\$0	\$0	\$0	\$0	
Value of Unpaid Family Labor (equal to family living exp.)	\$31,694	\$31,611	\$30,355	\$32,971	\$32,457	

LIQUIDITY & SOLVENCY MEASURES

FINANCIAL MEASURES WORKSHEET

LIQUIDITY MEASURES

1. Current Ratio

	Total Current Assets	/	Total Current Liabilities	=	1.17
	82644		70677		

2. Working Capital

	Total Current Assets	-	Total Current Liabilities	=	11967.00
	82644		70677		

SOLVENCY MEASURES

3. Debt to Asset Ratio

	Total Liabilities	/	Total Current Assets	=	0.52
	346688		660849		

4. Equity to Asset Ratio

	Total Equity	/	Total Current Assets	=	0.48
	314161		660849		

5. Debt to Equity Ratio (Leverage Ratio)

	Total Liabilities	/	Total Equity	=	1.10
	346688		314161		

SUGGESTED FINANCIAL RATIO BENCHMARKS¹

Financial Measure	Guideline		
	Green	Yellow	Red
Current Ratio	>1.50	1.0-1.5	<1.0
Working Capital	Positive		
Debt to Asset Ratio	<.30	.30-.60	>.70
Equity to Asset Ratio	>.70	.40-.770	<.40
Debt to Equity Ratio	<.50	.50-1.50	>1.5

Source: Nebraska Farm Business Association

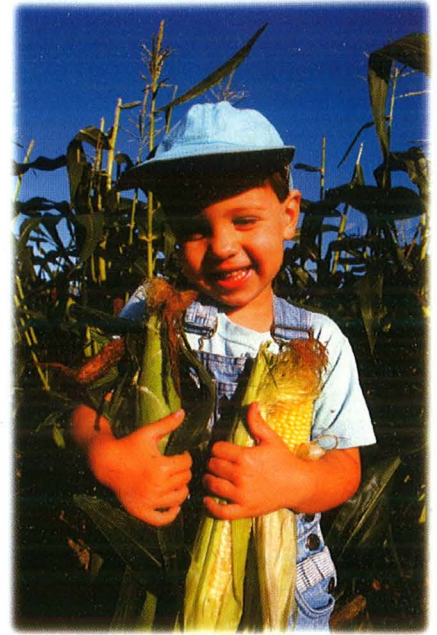
¹Green = Sound financial position; Yellow = Caution; Red = Immediate action is needed

FINANCIAL SUMMARY

We are now in the 4th year of a 30-year land contract that has a balloon payment after 10 years. We have just finished a 5-year amortized equipment purchase. We are also in the 3rd year of a second equipment purchase amortized over 7 years.

MARKETING SITUATION

Currently we do not have any on-farm storage facilities, nor do we plan on having any in the future. Therefore, we need to produce commodity grains which must be hauled directly to the elevator at harvest time. In the past, we've tried to pre-price about 1/3 of our anticipated yield before July 15, and then we priced additional percentages as we became more certain of our crop.



One of the hardest things to teach our children about money matters is that it does.

MARKETING PLAN

We have had good yields for a number of years but we plan to buy crop insurance and combine it with some forward pricing of our grain. We will purchase CRC insurance on our corn at the 65% level and MPCCI coverage on the soybeans at the 65% level. For the next two years we plan to forward contract 10% of our expected corn production in April and an additional 30% between June 1 and July 10. We will store 10% of actual production, in the elevator, for cash sale by Feb 1. The remainder of the corn production will be sold at harvest.

We will follow a similar pattern for soybean marketing. We will forward contract 10% of expected production in April and an additional 20% between June 10 and July 1. We will store 20% of actual production, in the elevator, for cash sale in January and sell the remainder at harvest.

The grain sorghum will all be sold at harvest. During the next two years we will study the use of futures and options with the goal of adding some simple hedging and options strategies to our marketing plan.

CURRENT PERSONNEL SITUATION

Name: Marty Struggling
Address: RR 4
City: Somewhere
State: NE
Zip: 68000
Title & Position: Owner and Manager
Time Commitment: 60+ hours per week
Skills & Contributions:

Name: Mary Struggling
Address: RR 4
City: Somewhere
State: NE
Zip: 68000
Title & Position: Owner and Bookkeeper
Time Commitment: 30+ hours per week
Skills & Contributions:

JOB DESCRIPTION, SALARY, & BENEFITS

Employee Name	Job Description	Salary	Benefits
Marty Struggling	Plant and market crops. Pay bills and secure loans.	Same as family living expenses	Not applicable
Mary Struggling	Bookkeeping, pay bills and secure loans.	Same as family living expenses	Not applicable

LABOR & TRAINING GOALS

Goal	Barrier	Planned Response	Measurement
High productivity	Limited knowledge	On-farm testing of new tillage and cropping systems	Increase yields
Improve marketing skills	Limited knowledge and experience	Research and study profitable marketing strategies	Higher returns on crops harvested
Reduce farm debt	Decreased debt load Low crop returns	Cut back spending	within 3 years
Create retirement savings plan	Limited knowledge and funds	Receive education on investment options, and reduce spending in other areas	Have a retirement fund created within the next year

PERSONNEL SUMMARY

Our operation is family based, with only Mary and myself providing the labor, bookkeeping, and management skills. We run our operation as a partnership. We are both active in paying bills and obtaining loans. I am primarily in charge of the planting and marketing of the crops, while Mary is in charge of the bookkeeping. We don't have any permanent hired labor.

We do feel that in time there will be a need for educating our two children, at least up to college level, and transferring the knowledge on management and accounting issues as they grow up. At this time we don't have any savings accounts set up for our children to help out with these anticipated expenses. Successfully transitioning the farm through the next generation is the big task in front of us.



If you are going to walk on thin ice, you might as well dance.
-Anonymous

Acknowledgments

This publication was modeled after the materials used in business plan workshops for pork producers. The content was developed by Allen Prosch, Pork Central Coordinator, in consultation with members of the extension farm management group including Larry Bitney, Dick Clark, Doug Jose, Deb Rood, and Roger Selley. Michelle Semerad, Lacey Madden and Robert Arnold are acknowledged for their valuable help in design and formatting.