

Financial Plan

The Financial Plan is, of course, an integral part of any business plan. Financials should be considered to be living documents. Successful businesses will normally take a formal look at their financial documents at least every 6 months, updating them as necessary. Fixed and variable costs have a way of changing over time, usually to the disadvantage of the owner, and startup assumptions are not always accurate.

- Income Statement - Most recent and projected statements of farm income and expenses
- Cash Flow Summary - Summary and/or graph of projected cash flow requirements for a year of operation, including annual, monthly or quarterly budgets
- Balance Sheets - Most recent and projected balance sheets or net worth statements, including farm assets, liability and equity
- Capital Sales, Purchases - machinery, land and/or buildings that will be bought and sold
- Loan Summary - Summary of outstanding loans, mortgages, interest rates and payment schedules
- Financial Performance Indicators - Measures of liquidity, solvency, profitability and efficiency
- Risk Assessment - Effects that market downturns or production setbacks could have on the farm. Risk managements tactics
- Contingent Liabilities - Potential liabilities, including indebtedness of others, possible litigation and tax implications
- Historical Prices - Charts or graphs of prices over the past few years (Note, historical prices on alpacas may not provide an accurate gauge for future prices)

Business Plan Financial Documents

The net worth statement, also known as the balance sheet, shows the condition of the business as of a fixed date (usually at the close of an accounting period such as the tax year). This is a backwards look at the business and where it has been.

However, the figures used here happen to be the same ones that will be used in developing:

- Pro Forma Cash Flow Statement (Budget)
- Three Year Income Projection
- Projected Balance Sheet
- Break Even Analysis

The categories reflected in these forms are taken directly from information that will be required for a farm tax return. This should reflect a pretty comprehensive list for figuring income and expenses, whether one is currently operating a farm or simply exploring the opportunity to do so.

Net Worth Statement

Farm AssetsCost

ValueMarket

Value

Farm LiabilitiesMarket

Value

Checking and savings accounts

Accounts Payable

Farm taxes due

Crops held for sale or feed

Current notes and credit lines

Investment in growing crops

Accrued interest - short

Commercial feed on hand

Accrued interest - fixed

Prepaid expenses

Market livestock

Due in 12 months - fixed

Supplies on hand

Accounts receivable

Other current liabilities

Other current Assets

Total Current Assets

Total Current Liabilities

Unpaid co-op distributions

Notes and contracts, remainder

Breeding livestock

Machinery

Machinery and equipment

Land

Buildings and improvements

Farmland

Farm securities, certificates

Other fixed assets

Other fixed liabilities

Total Fixed Assets

Total Fixed Liabilities

a. Total Farm Assets

b. Total Farm Liabilities

c. Farm Net Worth

(a-b)

Current Assets/Current Liabilities = _____ Current Ratio

d. Farm Net Worth Last Year

Total Liabilities/Total Assets = _____ Debt-to-asset ratio

e. Change in Farm Net Worth

(c-d)

Personal Assets Personal Liabilities

Bank accounts, stocks, bonds

Credit cards, charge accounts, other loans

Automobiles, boats, etc

Automobile loans

Household goods, clothing

Other loans, taxes due

Real estate

Real estate, other long-term loans

f. Total Personal Assets

g. Total Personal Liabilities

h. Total Personal Net Worth

(f-g)

Total Personal Liabilities/Total Personal Assets = _____ Debt-to-asset ratio

i. Total Net Worth Market Value (c+h)

Net Farm Income Statement

Income

Cash Income

Income Adjustments

Ending

Beginning

Sale of livestock, other bought for resale

Crops held for sale or feed

Sales of market livestock, grain, produce

Market livestock

Cooperative distributions paid

Accounts Receivable

Agricultural program payments

Unpaid co-op distributions

Crop insurance proceeds

Breeding livestock

Custom hire income

Other cash income

Subtotal of Adjustments

b. _____

c. _____

Sales of breeding livestock

d. Value of Home Used Production

a. Total Cash Income

e. Gross Farm Revenue (a+ +b-c+d)

Expenses

Cash Expenses

Expense Adjustments

Beginning

Ending

Car and Truck expenses

Investment in growing crops

Chemicals

Commercial feed on hand

Conservation expenses

Prepaid expenses

Custom hire

Supplies on hand

Employee benefits

Ending

Beginning

Feed purchased

Accounts payable

Fertilizer and lime

Farm taxes due

Freight, trucking

Accrued interest

Gasoline, fuel, oil

Subtotal of Adjustments

g. ____

h. ____

Insurance

Interest paid

i. Depreciation

Labor hired

j. Gross Farm Expenses (f+g-h+i)

Pension and profit-share plans

Rent or lease payments

Repairs, maintenance

k. Net Farm Income from Operations (e-j)

Seeds, plants

Storage, warehousing

Supplies purchased

l. Sales of Farm Capital Assets

Taxes (farm)

m. Cost Value of Items Sold

Utilities

n. Capital Gains or Losses (l-m)

Veterinary fees, medicine, breeding

Other cash expenses

Livestock purchased

f. Total Cash Expenses

o. Net Farm Income (k+n)

Statement of Cash Flows

Cash Farm Income and Expenses (Operating)Cash InflowsCash Outflows

Total Cash Income (line a, Net Farm Income Statement)

Total Cash Expenses (Line f, Net Farm Income Statement)

Capital Assets (Investing)

Sales of Capital Assets (Line l, Net Farm Income Statement)

Cost of Purchases and Trades

Loans (Financing)

New Loans Received

Principal Paid

Nonfarm

Nonfarm Income (wages, rents, interest, etc.)

Nonfarm expenditures (family living, income tax, etc.)

Cash on Hand (Farm and nonfarm cash, checking, savings)

Beginning of Year (Net Worth Statement)

End of Year (Net Worth Statement)

Total

If all cash transactions have been included correctly, the totals for the two columns should be approximately equal.

Statement of Owner Equity

Cost ValueMarket Value

a. Farm Net Worth, Last Year

(Line d, Net Worth Statement)

b. Change in Market Value of Capital Assets (net of depreciation)

(Line e Net Worth Statement, market value ____ - cost value ____)

c. Net Farm Income

(Line o, Net Farm Income Statement)

d. Net Nonfarm Withdrawals

(Statement of Cash Flows, nonfarm income ____ - nonfarm expenditures ____ - value of home used production ____ . line d , Net Farm Income Statement)

e. Farm Net Worth This Year

(Line c, Net Worth Statement)

Line e should be equal to the sum of lines a, b, c, and d.