



Great Lakes Fruit, Vegetable & Farm Market EXPO

Michigan Greenhouse Growers EXPO

December 9 - 11, 2014

DeVos Place Convention Center, Grand Rapids, MI



Farm Business Management: Getting Business Performance Information From Your Farm Records

Thursday morning 9:00 am

Where: Gallery Overlook (upper level) Room G

Moderator: Curtis Talley Jr., Farm Management Educator, MSU Extension, Hart, MI

9:00 am Getting Business Performance Information From Your Farm Records

- John Jones, TelFarm Center, MSU

9:50 am Session Ends

GETTING BUSINESS PERFORMANCE INFORMATION FROM YOUR RECORDS

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Management Information System

1. Tax Reporting – Cash-basis records usually
 - IRS and income tax records
2. Financial Performance Reporting to Lenders and Owners
 - Accrual Basis Income statements
 - Cost/Mkt Value Balance Sheets
 - Statement of cash flows
 - Financial ratio and Trend analysis

Management Information System

3. Managerial Information Reporting to Owners and segment decision makers
 - Ties financial and physical information together
 - Profit center reports
 - Focus on the Cost of Production
 - Economic analysis

FINAN Provides:

- Whole farm analysis of:
 - Financial performance
 - Production performance
- Enterprise analysis
 - Crops by enterprise, farm, or even field
 - Livestock by enterprise
- Historical trends

FINAN Financial Analysis

- Financial statements
- Ratio analysis
- Basis for FINLRB (Long range planning) and FINFLO (Monthly cash flow planning)

Financial Statements

- Balance sheet
- Income statement
- Statement of owner's equity
- Statement of cashflows

Farm Financial Standards Financial Measures

- Liquidity
 - Current ratio
 - Working capital
 - Working capital to gross revenues
- Solvency
 - Debt-to-asset ratio
 - Equity-to-asset ratio
 - Debt-to-equity ratio

Farm Financial Standards Financial Measures

- Profitability
 - Rate of return on assets
 - Rate of return on equity
 - Operating profit margin
 - Net farm income

FINAN Executive Summary

Income Statement		Executive Summary		Financial Standards Measures	
Crop sales	-				
Crop inventory change	8,683				
Gross crop income	8,683				
Livestock sales	250,450				
Livestock inventory change	100				
Gross livestock income	250,550				
Government payments	3,524				
Other cash farm income	16,699				
Change in accounts receivable	-1,250				
Gain or loss on breeding assets	-				
Change in other assets	593				
Gain or loss on breeding herd	4,400				
Gross farm income	333,699				
Cash operating expense	183,493				
Change in prepaid exp and supplies	3,397				
Change in growing crops	-				
Change in accounts payable	-				
Depreciation	15,546				
Total operating expense	202,436				
Interest paid	13,769				
Change in interest interest	1,662				
Total interest expense	15,731				
Total expenses	218,167				
Net farm income	44,832				
Other Measures					
Total crop acres	281				
Dairy Cows, Dairy Cows	93				
Dairy Heifers sold or transferred out	39				
Change in earned net worth	15,972	-11 %	Cash discrepancy	10	
Change in market value net worth	44,032	1 %	Liability discrepancy	0	
			Cash discrepancy to gross revenue	0%	

FINAN ENTERPRISE ANALYSIS

- Managerial Reporting
 - Ties financial and physical information
 - Focus on cost of production
 - More useful for planning budgets
 - Reports per unit profit

FINAN ENTERPRISE ANALYSIS

- Direct Expenses
 - Clearly identifiable inputs
 - Identified when incurred
- Allocated Expenses
 - Costs not identified directly to an enterprise
 - Accumulated and assigned at the end of the year/period

FINAN ENTERPRISE REPORT

	8/00	2/00	8/00	10/00	2/00	8/00	10/00
Returns							
Acres	80.00	20.00	59.60	10.00	20.00	50.00	10.70
Unit	86	86	86	86	86	86	86
Yield per acre	190.75	15.12	3.70	130.38	15.38	4.03	0.78
Share of profit-cost(%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Value per unit	2.40	10.00	80.00	2.40	10.00	80.00	80.00
Market price/acre	208.19	272.20	300.00	202.50	278.00	342.00	64.00
Other crop income	-	-	-	-	-	-	-
Government per acre	236.19	272.20	300.00	202.50	278.00	342.00	64.00
Direct Expenses							
Seed	36.68	39.60	-	39.60	39.60	-	60.20
Fertilizer	23.70	23.70	0.07	23.70	23.70	0.07	0.21
Crop chemicals	37.54	37.54	2.09	37.54	37.54	2.09	11.87
Crop insurance	9.30	9.30	-	9.30	9.30	-	-
Drying expense	10.17	-	-	10.17	-	-	-
Harvesting	5.10	5.10	-	5.10	5.10	-	-
Custom hire	20.00	-	-	20.00	-	-	-
Landrent	40.00	40.00	-	40.00	-	-	-
Fuel & oil	10.94	20.68	20.68	10.94	20.68	20.68	20.68
Repairs	32.60	32.60	32.60	32.60	32.60	32.60	20.60
Operating interest	0.79	0.88	0.88	0.79	0.88	0.88	0.88
Total direct expenses	246.11	214.45	102.90	191.11	189.45	84.20	174.41
Return over direct expenses	10.08	57.74	211.60	87.39	107.47	278.24	-113.01
Overhead Expenses							
Interest	14.00	16.26	16.26	14.00	16.26	16.26	16.26
Real estate taxes	-	-	5.50	-	5.50	5.50	5.50
Farm insurance	3.82	4.17	4.17	3.82	4.17	4.17	4.17
Utilities	0.58	0.61	0.61	0.58	0.61	0.61	0.61
Harvesting	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Interest on farm debt	0.20	0.21	0.21	0.20	0.21	0.21	0.21
Interest on long term debt	-	-	-	-	-	-	-
Harvesting depreciation	20.30	22.14	22.14	20.30	22.14	22.14	22.14
Building depreciation	1.10	1.27	1.27	1.10	1.27	1.27	1.27
Total overhead expenses	61.37	68.04	68.04	61.37	68.04	68.04	68.04
Total all-in expenses	297.48	272.50	163.20	252.41	257.41	152.20	242.41
Net return per acre	-35.29	1.70	105.96	-4.91	20.50	107.37	-183.90
Government payments	24.00	24.00	-	24.00	24.00	-	-
Net return with gov't pay	-10.70	20.29	105.96	19.09	44.50	107.37	-183.90
Land & management charge	10.11	10.40	10.40	10.11	10.40	10.40	10.40
Net return over land & mgmt	-20.81	9.89	126.00	8.97	34.10	100.00	-210.47
Cost of Production Per Unit							
Total direct expenses	2.28	14.10	29.96	1.78	11.01	10.00	234.10
Total all-in expenses	2.71	17.09	43.79	2.48	16.20	36.04	340.00
Land & management charge	0.02	0.02	0.02	0.02	0.02	0.02	0.02
With land & management	2.64	17.09	43.79	2.39	15.75	45.13	360.00
Net value per unit	2.40	10.00	80.00	2.40	10.00	80.00	80.00
Yield/acre cost per acre	80.00	84.41	84.41	80.00	84.41	84.41	84.41
E.M. Man/ hour per acre	5.49	5.99	5.99	5.49	5.99	5.99	5.99

Trend Analysis Report



<i>Comparative Trend</i>	2001	2002	2003	2004	2005	2006
Profitability						
Gross farm income (accrual)	206,413	237,839	263,043	254,671	293,645	283,099
Total farm expense (accrual)	160,726	193,383	185,014	192,732	198,620	218,167
Net farm income from oper.	45,687	44,456	78,029	61,938	95,025	64,932
Rate of return on assets	8.2 %	8.2 %	16.9 %	12.0 %	19.0 %	12.1 %
Rate of return on equity	19.8 %	13.7 %	33.3 %	18.4 %	30.9 %	15.6 %
Operating profit margin	17.5 %	14.8 %	32.0 %	23.2 %	33.0 %	21.8 %
Asset turnover rate	46.7 %	55.5 %	52.8 %	51.6 %	57.5 %	55.8 %
Liquidity						
Current ratio	0.96	1.32	1.56	1.74	2.63	1.89
Working capital	-1,786	16,145	24,154	34,149	46,677	39,560
Working cap. to gross rev.	-0.9 %	6.8 %	9.2 %	13.4 %	15.9 %	14.0 %
Solvency (market)						
Total assets	465,864	530,877	551,364	556,949	577,305	524,724
Total liabilities	319,129	340,909	326,123	317,141	287,196	241,692
Net worth	146,735	189,968	225,241	239,807	290,110	283,032
Debt to asset ratio	71 %	65 %	60 %	58 %	51 %	45 %
Net worth change %	-	-	-	-	-	1 %
Repayment Capacity						
Term debt coverage ratio	1.21	1.10	1.34	1.37	2.18	1.23
Replacement coverage ratio	-	-	-	-	-	1.23
Efficiency						
Operating expense ratio	69.4 %	70.8 %	62.5 %	64.5 %	57.0 %	66.0 %
Interest expense ratio	4.7 %	6.1 %	7.1 %	6.6 %	5.2 %	5.6 %