

Getting Started with Year-end Financial Analysis Farm Financial Management

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Income Statement

Gross income – cash
expenses = **Net cash
income**

Net cash income +
net worth change –
Depreciation = **Net
Farm Income**



Income Statement

Crop sales	498,952	
Crop inventory change	48,807	
Gross crop income		547,759
Livestock sales	2,093,458	
Livestock inventory change	67,865	
Gross livestock income		2,161,323
Government payments		11,412
Other cash farm income		91
Change in accounts receivable		-
Gain or loss on hedging accts		-16,725
Change in other assets		-
Gain or loss on breeding lvst		-
Gross farm income		2,703,861
Cash operating expense	2,155,037	
Change in prepaid exp and supplies	-7,496	
Change in growing crops	-	
Change in accounts payable	-	
Depreciation	104,103	
Total operating expense		2,251,643
Interest paid	111,050	
Change in accrued interest	-804	
Total interest expense		110,246
Total expenses		2,361,890
Net farm income from operations		341,971
Gain or loss on capital sales		38,660
Net farm income		380,631



Income Statement

Income	Quantity	Price	Amount	Expense	Amount
Corn	30,607 bu.	6.24/bu.	190,913	Seed	101,458
Soybeans	5,000 bu.	14.09/bu.	70,468	Fertilizer	91,416
Soybeans, Old Crop	18,633 bu.	12.75/bu.	237,571	Crop chemicals	34,162
Finish Beef, 596 Steers	596 head	129.95/cwt.	1,011,500	Crop insurance	25,077
Fin Yearling, 639 Yearling	639 head	130.75/cwt.	1,081,959	Drying expense	2,809
Direct & CC govt payments			9,379	Crop Marketing	642
Livestock govt payments			2,033	Crop Miscellaneous	225
Patronage dividends, cash			91	Feeder livestock purchase	1,247,574
				Purchased feed	275,173
				Veterinary	11,647
				Supplies	27,913
				Livestock Hauling and trucking	28,516
				Livestock Marketing	7,235
				Interest	111,050
				Fuel & oil	27,212
				Repairs	32,677
				Custom hire	3,850
				Hired labor	24,939
				Land rent	192,719
				Real estate taxes	1,680
				Farm insurance	8,651
				Utilities	6,849
				Dues & professional fees	1,195
				Miscellaneous	1,418
Gross cash income			2,603,914	Total cash expense	2,266,087
				Net cash income	337,827
Inventory Changes	Beginning Inventory	Purchases/Deposits	Sales/Withdrawals	Ending Inventory	Inventory Change
Prepays and supplies	95,584			103,080	7,496
Hedging gains or losses	4,225	16,113	-	3,613	-16,725
Crops and feed	729,520			778,327	48,807
Market livestock	477,193			545,058	67,865
Other assets	2,401			2,401	-
Accrued interest	28,986			28,182	804
Total inventory change					108,247
Net operating profit					446,074
Depreciation	Beginning Inventory	Purchases	Sales	Ending Inventory	Depreciation
Machinery and equipment	577,613	245,334	29,840	713,797	-79,310
Titled vehicles	26,075	-	-	22,164	-3,911
Buildings and improvement	417,617	-	-	396,736	-20,881
Total depreciation					-104,103
Net income from operations					341,971
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Liquidity	Beg	End
Current ratio	1.54	1.74
Working capital	477,907	628,096
Working capital to gross revenues	17.7 %	23.2 %
Solvency (market)	Beg	End
Debt to asset ratio	56 %	50 %
Debt to equity ratio	1.27	0.98
Profitability	Cost	Market
Net farm income	380,631	405,889
Rate of return on assets	12.9 %	12.0 %
Rate of return on equity	19.4 %	18.7 %
Operating profit margin	33.4 %	35.6 %
Repayment Capacity		
Term debt coverage ratio (farm only)		3.75
Replacement margin coverage ratio		2.74
Efficiency	Cost	Market
Asset turnover rate	38.6 %	33.7 %
Operating expense ratio		79.4 %
Depreciation expense ratio		3.9 %
Interest expense ratio		4.1 %
Net farm income ratio		12.6 %



Profitability Measures		Cost	Market
(A)	Net farm income from operations	341,971	367,229
	Rate of return on assets (E/F)	12.9 %	12.0 %
	Rate of return on equity (G/H)	19.4 %	18.7 %
	Operating profit margin (E/I)	33.4 %	35.6 %
	Asset turnover rate (I/F)	38.6 %	33.7 %
	EBITDA	556,320	581,578
(B)	Change in market valuation	-	25,258
(C)	Interest expense	110,246	110,246
(D)	Value of unpaid oper labor & mgmt	57,356	57,356
(E)	Return on farm assets (A+C-D)	394,861	420,120
(F)	Average farm assets	3,058,938	3,503,309
(G)	Return on farm equity (A-D)	284,615	309,873
(H)	Average farm net worth	1,466,297	1,659,939
(I)	Value of farm production	1,181,114	1,181,114
Liquidity Measures		Begin	End
(J)	Current assets	1,355,416	1,473,655
(K)	Current liabilities	877,509	845,559
	Current ratio (J/K)	1.54	1.74
	Working capital (J-K)	477,907	628,096
	Working capital to gross revenues	17.7 %	23.2 %
Solvency Measures (Market)		Begin	End
(L)	Total assets	3,513,076	3,801,403
(M)	Total liabilities	1,906,154	1,833,890
	Net worth (L-M)	1,606,922	1,967,513
	Net worth change		360,590



Statement of Owner's Equity

(a)	Beginning net worth		1,606,922
	Net farm income		380,631
	Personal income	(+)	50,462
	Family living expense	(-)	75,738
	Income taxes accrued	(-)	20,043
	Change in personal assets	(+)	-
	Change in nonfarm accounts payable	(+)	19
(b)	Total change in retained earnings	(=)	335,331
	Change in market value of capital assets		58,696
	Change in deferred liabilities	-	33,438
(d)	Total change in market valuation	=	25,258
(e)	Total change in net worth	(b+d)	360,590
	Ending net worth		1,967,513

Statement of Cash Flows

(f)	Beginning cash balance (farm & personal)		48,894
	Gross cash farm income		2,603,914
	Cash farm expenses	(-)	2,266,087
	Net cash from hedging transactions	(+)	-16,113
(g)	Cash provided by operating activities	(=)	321,715
	Sale of machinery and equipment	(+)	68,500
	Purchase of machinery and equipment	(-)	245,334
(h)	Cash provided by investing activities	(=)	-176,834
	Money borrowed		1,449,138
	Principal payments	(-)	1,554,016
	Personal income	(+)	50,462
	Family living expense	(-)	75,738
	Income taxes paid	(-)	20,043
(i)	Cash provided by financing activities	(=)	-150,197
	Net change in cash	(g+h+i)	-5,316
	Ending cash balance (farm and personal)		43,578



New Year's Resolution - 2018

- Develop Beginning year Balance Sheet
- Separate personal from farm checking account
- Develop an organized accounting system that tracks every transaction



New Year's Resolution - 2019

- Develop year end balance sheet
- Utilize farm accounting to calculate Net Farm Income
- Utilize beginning and ending year balance sheets to determine Net Worth Change
- Call for help if needed!

