

Complete this Worksheet for each major product you plan to produce. Develop a profile of the customer(s) you intend to target by market segment. Note the geographic, demographic, and psychographic characteristics of each segment. Be sure to describe your customers' needs and preferences and what they value. Use additional sheets of paper if this product has more than three major market segments.

Product: _____

Customer Segment: **1** _____ **2** _____ **3** _____

Geographic _____

Demographic _____

Psychographic _____

Needs/Preferences _____

TASK

4

Complete this Worksheet for each major product you plan to produce. Describe your product and why it will appeal to each market segment. Begin by noting industry trends and general market conditions. Describe supply and demand market trends for this product. Discuss whether they are short-term fads or long-term, emerging trends. Note perceived marketing opportunities that may exist locally, regionally, nationally or internationally. Include evidence that supports your ideas. Then, describe the unique features that distinguish this product within the marketplace. For which customer segments are these unique features important? How easily could competitors imitate these features?

Product: _____

Industry Trends/Changing Market Conditions:

Product Characteristic 1 _____

Appeals to which segments? _____

Easy for competitors to imitate? Yes/No _____

Product Characteristic 2 _____

Appeals to which segments? _____

Easy for competitors to imitate? Yes/No _____

Product Characteristic 3 _____

Appeals to which segments? _____

Easy for competitors to imitate? Yes/No _____

Summarize the unique characteristics of this product and why it is valuable to your target market:

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Complete this Worksheet for each major product you plan to produce. List your competitors in each market segment for this product. Describe competitors' product marketing strategies and the prices they charge for each product. Note any advantages and disadvantages you may have with respect to your competition. Then, develop and describe your strategy for competing or positioning your business in the marketplace.

Product: _____

Customer Segment: **1** _____ **2** _____ **3** _____

Competitor names _____

Competitor products _____

Major characteristics _____

Product price range _____

Our advantages _____

Our disadvantages _____

Competition strategy:

Complete this Worksheet for each major product you plan to produce. Describe how you intend to move and package this product for each target market segment. Note where and how the product will be shipped (location and scope) and what type of distribution channel you will utilize (movement). Next, based on each distribution plan, research and describe one or more packaging strategies for this product. Consider what type of packaging might be valued by customers (e.g. convenience) or even required by intermediaries and distributors. Describe a delivery and handling schedule by period (month, season, year). Then, summarize your distribution and packaging strategies for this product.

Product: _____ **Period:** _____

Customer Segment: _____

Location: _____

Scope: _____

Movement (distribution channel): _____

Industry packaging requirements / certification requirements: _____

Packaging ideas: _____

Delivery schedule & handling: _____

CONTINUED



TASK

4

Complete this Worksheet for each major product you plan to produce. Describe how you intend to move and package this product for each target market segment. Note where and how the product will be shipped (location and scope) and what type of distribution channel you will utilize (movement). Next, based on each distribution plan, research and describe one or more packaging strategies for this product. Consider what type of packaging might be valued by customers (e.g., convenience) or even required by intermediaries and distributors. Describe a delivery and handling schedule by period (month, season, year). Then, summarize your distribution and packaging strategies for this product.

Product: _____ **Period:** _____

Customer Segment: _____

Location: _____

Scope: _____

Movement (distribution channel): _____

Industry packaging requirements: _____

Packaging ideas: _____

Delivery schedule & handling: _____

Complete this Worksheet for each major product you plan to produce. List the price range for similar products offered by competitors (Worksheet 4.4) or industry buyers. Next, think about how you might price this product. Consider how much power you have to set the price for this product and how sensitive the demand for this product is to price changes. Then describe your pricing strategies for this product and list your low, expected, and high product price under each pricing strategy alternative. Finally, summarize your pricing strategy in the space provided.

Product: _____

Competitor/Industry Price Range: _____

Our Power to Set Prices: ___ Low ___ ___ Some ___ ___ High

Demand Sensitivity to Price Changes: ___ Low ___ ___ Some ___ ___ High

	Price Range:	Low	Expected	High
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Pricing Strategies

Strategy #1: _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Strategy #2: _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Pricing Strategy:

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Using the space below, describe how you will store and manage inventories for each product. Consider any regulations or industry standards that might apply to your business (Worksheet 4.11). Note how you will comply with any standards for product quality.

Product: _____

Industry regulations/standards:

Product storage:

Inventory management:

Quality control:

TASK

4

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.

Product:	Long Run (Expected)	Year 1	Transition Period	
			Year 2	Year 3
Target Market Segments	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Number of Customers (a)	_____	_____	_____	_____
Sales Volume/Customer (b)	_____	_____	_____	_____
Potential Sales Volume (c) = (a x b)	_____	_____	_____	_____
Product Characteristics (appeal and value)	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Competition	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Distribution	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Packaging	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____

TASK
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CONTINUED

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? _____

Describe institutional factors that will affect your ability to use and manage physical resources under your new operations strategies. Include any long-term leasing arrangements, conservation easements, permit requirements, legal restrictions, and production or marketing contracts.

Long-term Leasing Arrangements for Real Estate

Specify whether items will be leased in for your use or leased out for the use of others.

Long-term Agreements and Easements

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4

Permit and Legal Restrictions

Specify the agency responsible for issuing permits, conditions and compliance factors, fees, and your ability to meet these conditions.

Long-term Production Contracts and Marketing Agreements

Worksheet 4.16 Estimating Output and Capacity

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:

TASK
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Worksheet 4.17 Operations Strategy Summary

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

Worksheet 4.20 Compensation

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:

TASK
4

Worksheet 4.24 Risk Management

Complete this Worksheet for each enterprise or the whole farm as appropriate. Briefly rank your business' exposure to market, production, environmental and personal risk. Talk over risk management ideas with members of your planning team, a financial consultant, or an accountant. List tools that you might use to reduce future risk. Then, summarize your strategy for managing and minimizing your business' risk exposure.

Enterprise: _____

Production Risk

Exposure to production risk: ___ **Low** ___ **Medium** ___ **High**

Type of production risk: _____

Tools to minimize production risk: _____

Market Risk

Exposure to market risk: ___ **Low** ___ **Medium** ___ **High**

Type of market risk: _____

Tools to minimize market risk: _____

Financial Risk

Exposure to financial risk: ___ **Low** ___ **Medium** ___ **High**

Type of financial risk: _____

Tools to minimize financial risk: _____

Personal Risk

Exposure to personal risk: ___ **Low** ___ **Medium** ___ **High**

Type of personal risk: _____

Tools to minimize personal risk: _____

Our risk management strategy can be summarized as follows:

TASK
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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: _____

Worksheet 4.26 Farmland Affordability

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	=	_____

TASK
4

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
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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	_____	_____	_____

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Calculate your break-even value or volume for each enterprise or product. If you plan to look at break-even volumes, use the cost estimates that you developed in Worksheet 4.25 along with market values developed in Worksheet 4.6. Try experimenting with a range of market prices to see how they affect your break-even volume. Then, compare your break-even volume to the sales volume projections and output capacity estimates that you generated in Worksheets 4.2 and 4.12, respectively.

Likewise, when calculating break-even values, look back at Worksheets 4.4 and 4.6—can you break even and still remain competitive? Is your break-even value below the projected market price that you identified in Planning Task Four?

Break-even Volume

Enterprise or Product: _____

Annual overhead costs (a) = _____

Direct costs/unit (b) = _____

Estimated market value/unit (c) = _____

Break-even value (a) / (c - b) = _____

Estimated sales volume = _____ (Worksheet 4.2)

Upper limit or output capacity = _____ (Worksheet 4.12)

How does our break-even volume for this product compare to our projected sales volume and production capacity estimates? Can you break even?

Break-even Volume Enterprise or Product _____

Average overhead expenses (a) = _____

Average direct expenses (b) = _____

Production volume (c) = _____

Break-even value (a+b)/(c) = _____

Estimated sales volume = _____ (Worksheet 4.2)

Upper limit or output capacity = _____ (Worksheet 4.12)

How does our break-even value for this product compare to our projected sales volume and production capacity estimates? Can you break even?

If appropriate, calculate and record the impact of each whole farm business strategy using the partial budget approach. Begin by estimating additional income (added inflows) and new expenses (additional outflows). Next, estimate any reduction in your annual expenses (reduced outflows) and income (reduced inflows) that will occur as a result of your proposed strategy or business change. Lastly, total up the positive impact of your business strategy (e) and the negative impact (f). What is the net effect on profit and cash flow? What is your return on assets?

Whole Farm Strategy: _____

Added Inflows	Profit	Cash Flow	Added Outflows	Profit	Cash Flow
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Subtotal	(a) =	_____	Subtotal	(b) =	_____
Reduced Outflows	_____	_____	Reduced Inflows	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Subtotal	(c) =	_____	Subtotal	(d) =	_____
Total	(a + c) = (e)	_____	Total	(b + d) = (f)	_____
			Net	(e - f) = (g)	_____
			Added Interest	(h) =	_____
			Total Investment	(i) =	_____
			Return on Assets		
				[(g + h) / i] =	_____

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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

