

CHAPTER SIX:

6.1. FARM RECORDS AND FINANCIAL ANALYSIS

Records are statements of fact or data concerning a specific subject which may be specified in physical, monetary, mathematical or statistical terms. Farm records pertain to information recorded on the day-to-day operation of a particular farm.

Farm records can be defined as systematic documentation of all activities taking place in a farm enterprise over a given period of time. It is an act of writing down every activity engaged in on the farm in every production season and at different stages of the production process up to the final disposal of the goods and services to the ultimate consumer.

Farm record keeping is more than just keeping track of what crop was planted in what field; it is a concept applicable to the entire farm operation. A complete farm record will include all daily activities and transactions and with a proper accounting system it should be possible to have a complete estimate of the profit or loss statement at the end of the year.

6.1.Purpose of Farm Records

The use of timely and accurate records can provide useful information and indications on the past, current and future performance of the business. Without a proper understanding of record keeping and its current and future implications, the farm operator will not make it very far in today's business environment. When used properly, good records can help a farmer to improve his performance, even though it may already be of a high standard.

Specifically Records should be used to:

- Evaluate past performance of the operation,
- Provide a financial picture of the present situation, and
- Serve as a planning guide for future decisions.
- To measure the financial success of the farm

6.2. Parts of Farm Records

There are different types of records that are important for decision-making. However any farm record has to provide the most important requirements. The most important farm records are discussed below. Farm records system consists of three parts.

- ❖ **Physical farm records: - non-monetary**
- ❖ **Financial farm records- monetary terms**
- ❖ **Supplementary records**

1. Physical farm records: - non-monetary

Physical farm records are related to the physical aspects of the operation of a farm business. They don't indicate the financial position or the outcome of the business, but simply record physical efficiency or performance of the farm.

The main use of physical farm records is:

- ❖ To check the performance of enterprises;
- ❖ To control the business;
- ❖ To detect weaknesses and strengths to guide future decisions; and
- ❖ To provide planning and budgeting data.

Physical farm record should include the following:

- ✓ Farm map,
- ✓ Land utilization records
- ✓ Production and disposal record for crop, livestock, poultry and others,
- ✓ Labour records, Paid labour, full- time, Part-time
- ✓ Machinery use records,
- ✓ Feed records and Stock (goods ready to sale) and store register and others.

Field Records

Field records for crop production might include such items as: Field identification or description; cropping history; Crops grown, cultural practices used and yield information; Current field activities;

Forms for maintain field records:

❖ **For crop production**

Year _____ Crop _____ Soil type _____ Slope _____
 Field number _____ Area/ha _____ Irrigated or not _____

Table6-1: Shows format of crop production record

Date	Seed		Fertilizer		Chemical		Machinery	
	Variety	Amount	Type	Amount	Type	Amount	Type	Amount

❖ **For livestock:**

❖ Like inventory record, feed record, breeding record

- In case of Inventory record, we should know the type and number of animals

Year _____ Animal type _____

Table6-2: Format of livestock production record

Month Date	Beginning Inventory		Transfer		Purchase		Produced		Sale		Death	
	No	Value	In(+)	Out(-)	No (+)	Value	No(+)	Value	No(-)	Value	No(-)	Value

** Out - which is negative to the livestock in - positive to livestock

- In case of Feed record, we should record on a separate sheet.

Year _____ Kind of animals _____

Table6-3: Format of number of animal, grain and feed record

Month/ Date	No. of animals	Grain			Commercial			Forage			Pasture
		Corn	Wheat	-	Fagulo	-	-	Silage	Hay	-	

- In case of breeding records we should record like calving interval, and calving date.

❖ **For Machinery records**

• Used for different purposes like:

- ✓ To schedule regular repairs and maintenance;
- ✓ To collect a day to day function of machinery;
- ✓ Helps to calculate depreciation per working hour.

Item _____ Identity _____ Year _____ Date of purchase _____

Table6-4: Format of machinery record

Month/Date	Hours used	Fuel		Oil and lubricant		Repairs	
		Amount	Value	Amount	Value	Cost	Description

2. Financial Farm Records- expressed in monetary term

It provides information on the profitability of the whole farm business over a given period. It enables financial analysis to be carried out to reveal the economic strengths and weakness of the farming system. In this record all the cash incomes from the operation and expenditures to the operation are recorded. Year, day and month also should be included.

Financial farm record should include the following:

- Farm inventory
- Farm cash or farm financial record
- Capital asset and sale register
- Cash sale register, Credit sale register and Wage register
- Funds borrowed and repayment registers
- Purchase register, Farm expenses paid in kind register and Non-farm income record.

3. Supplementary Records

Supplement the two records - Include

- Sanction register
- Auction register
- Hire register and Climate weather condition soil type agro - ecological condition etc

6.3. Farm Record Components

Farm business record components include value of farm production and asset valuation is explained in this topic.

i. Value of farm production

The value of farm production measures the volume of production in monetary terms. It could be simply defined as the total farm income, both cash and inventory changes, less purchased feed & feeder stock. It is the monetary value of all agricultural production added on the farm during the year.

The value of farm production equals= Total cash receipt + inventory increase+ value of farm products used in home - inventory decreases - livestock purchases - feed purchases

ii. Asset Valuation

Methods to value farm assets

- ✓ **Valuation at cost or market price:** it is a good method if we have currently bought assets and non-durable assets. Any normal marketing charges, such as transportation, selling commission, and other fees are subtracted.
- ✓ **Valuation by reproductive value:** this means items produced on the farm can be valued at their farm production cost. i.e. by counting what we incurred to get it up. Example, growing crops should be counted by costs incurred to get it up.
- ✓ **Valuation by capitalization:** cost less accumulated depreciation
 - estimated value equal to book value
 - It takes in to account discount expected income over service lift of the asset. ex, land
 - book value was defined earlier as cost less accumulated depreciation
- ✓ **Inventory method:**
 - Valuing at cost, mean items that have been purchased can be valued at their original cost.
 - it considers the value of the asset at that particular time
 - This method works well for items that have been purchased recently and for which cost recodes are still available.

iii. Depreciation

Depreciation involves prorating or allocating the original cost of an asset over its useful life. It is a means of assigning loss in value to individual accounting periods. The major reasons for depreciating assets are to estimate their current value, to calculate annual expenses, and to adjust taxable income. You depreciate assets that have a life of more than one accounting period. (e.g., tractors, computers, implements, trucks, fences, wells, barns, grain storage, and purchased breeding livestock).

In order to allocate the initial cost of an asset over the years of its life it is necessary:

- To calculate the net initial cost of the asset (purchase price).
- To estimate its likely useful life in the business (this is a matter of experience and judgment).
- To estimate its likely resale value at the end of that life (Possibly from current second-hand prices of similar assets).
- To calculate the depreciation charge for each year of the asset's life.

There are various ways of calculating the depreciation of wasting assets. No method can provide an exactly accurate measurement of depreciation, since the calculation depends on forecasts of asset life and future resale value. Depreciation cost of an asset can be computed using different methods. Some of these are:

1. The straight line method,
2. The reducing balance method(double declining balance method)
3. Sum-of-the year digit method.
4. Unit of output

1. Straight line method

It is the easiest, simplest and usually very satisfactory for most purposes. This method assumes that assets are used more or less to the same extent every year. Therefore, equal amount of costs on account of their use can be charged over its useful life. Based on this method the annual depreciation of the asset can be computed as:

$$\text{Annual depreciation} = \frac{\text{Original cost} - \text{Salvage value}}{\text{Useful life of the asset}}$$

Where:

Original cost is the purchased price of the asset,

Salvage (scrap/junk) value is the value of the asset at the end of its useful life.

Useful life is the expected number of years that item will be used in the business.

Example: A fixed equipment costs birr 1000 and is expected to last for 5 years. The salvage value of the asset after 5 year is birr 50. The annual depreciation cost using straight line method is computed as:

$$\text{Annual depreciation} = \frac{1000 - 50}{5} = \frac{950}{5} = 190$$

Throughout its useful life the asset depreciate by birr 190.

2. Reducing balance method:

It is a method that uses a fixed rate of depreciation each year and it applies the rate to the value of the asset at the beginning of the year (book value). This means, a fixed percentage is deducted every year from the diminished balance till the asset reaches the salvage value. Here no further depreciation is possible. Using the previous example of an asset costing birr 1000 and taking an annual depreciation rate of 45 percent, the depreciation cost of the asset is given by Table 10.

The formula is: Annual depreciation = (Book value)*Fixed rate

Table 10 Annual depreciation at 45% on reducing balance

Year	Book value	Depreciation	Annual Depreciation
1 st	1000.00	450.00	550.00
2 nd	550.00	247.50	302.50
3 rd	302.50	136.13	166.38
4 th	166.38	74.87	91.51
5 th	91.51	41.18	50.33

The amount of depreciation is different at different stages and gradually diminishes with each life. In this particular example the depreciation cost diminishes from 450 to 41 within 5 year of useful life.

3. Sum-of-the year digit:

In this method the annual depreciation is found out by multiplying a fraction by the amount to be depreciated (cost minus salvage value). The formula is:

$$\text{Annual Depreciation} = \frac{RL}{SOYD} * (\text{Originalcost} - \text{Salvagevalue})$$

Where:

RL is remaining useful life

SOYD is the sum-of-the year digits', which is simply the sum of the numbers 1 through the estimated useful life. For example, for 5 year useful life, the SOYD is 15

$$\text{SOYD}_{\text{for 5 year}} = 1+2+3+4+5 = 15$$

Table 11 shows the annual depreciation cost of an asset, costing birr 1000 with an estimated life of 5 year and a scrap value of birr 50, computed using the sum-of-the year digit method.

Table 11 Annual depreciation using sum-of-the year digit method

Year	RL	SOYD	Depreciable	Depreciation
1	5	15	950.00	316.67
2	4	15	950.00	253.33
3	3	15	950.00	190.00
4	2	15	950.00	126.67
5	1	15	950.00	63.33

4. Unit of output method

$$\text{Depreciation per hr.} = \frac{\text{IC} - \text{SV}}{\text{Estimated life (hrs.)}}$$

Eg. The machine IC is 20000, SV is 2000 and the total working hr. is 10000 and the annual working hr. is 400, find the annual depreciation per hr.

$$\frac{20000 - 2000}{10000} = 1.8 \text{ birr/hr}$$

$$\text{Annual depreciation} = 1.8 * 400 \text{ hrs} = 720$$

6.4. Measures of Farm Performance

Common ways to measure farm performance are:

1. Farm size/size of business
2. Efficiency measures

1. Farm size/size of business

Farm income is directly related to the size of the business but in no way it indicated whether the farming business is operating efficiently or not. The following are some important measures of the size of a business/ farm size.

+ **Total area-** indication of space

- The acreage as a measure of the size of the farm may be either the total land, or the area under crops
- Amount of investment on land
- Land productivity or
- Adaptability to various enterprises
- Not good measure for comparing d/t types of farms
- Best used for comparing the size of crop farms of the same soil type.

+ **Total number of livestock:** Used for comparing size among farms is the same class of livestock

+ **Value of farm production (VFP)**

- Same times called as gross profit as it does not include cash and fixed costs of labour
- An effort to get at the real production on a farm
- Measures the volume of production in monetary terms.

▪ It Given as:

$VFP = \text{total cash receipt (gross sale)} + \text{Inventory increase} + \text{Value of farm products used in home}$
- Inventory decreases - Livestock and feed purchases

+ **Total labour used:** This measure is affected by the amount of labour saving technology used.

E.g. oxen ploughing by tractor

2. Farm-Efficiency Measures

Efficiency is the ratio of the output to the input. When examined together they help to point out the weaknesses in the farm business & provide a guideline as to which part of the business deserves special attention for making improvements. Further, the efficiency of a farm can be judged from the costs or returns or both.

Efficiency measure is classified into two categories: **Physical efficiency measure and Economic efficiency measure.**

1. Physical efficiency

Following indicators are used to measure physical efficiency:

- ✓ Total output,
- ✓ Grain yield per hectare ,
- ✓ Milk yield per cow,
- ✓ Feed conversion ratio (FCR)

$$FCR = \frac{\text{amount of grain}}{\text{amount of feed}}$$

- ✓ Commercial output: The actual sold amount of farm product in the period,
- ✓ The average output per capita

$$\text{The average output per capita} = \frac{\text{Total output of farm product}}{\text{Total family members}}$$

2. Economic efficiency

Following indicators are used to measure economic efficiency:

i. Capital investment

- ✓ Total capital investment
- The total value invested on land, buildings, machinery and livestock
- Allows an easy comparison of farm size across different farm types
 - ✓ Rate of capital turnover (RCTO)
- An indication of how efficiently capital is being used in production

$$RCTO = \frac{\text{value of farm production}}{\text{total capital used}}$$

ii. Income performance

- ✓ Net farm income (NFI) = NP (net profit)
- The profit for the year's operation represents the return to the owner for personal and family labour management and equity capital used in the business.
 - ✓ Crop value per tillable hectare (Cv/Tha)
 - Measure the intensity of crop production and whether or not the higher value crops are included in the crop plan.

$$Cv/Tha = \frac{\text{total output value}}{\text{tillableland area}}$$

- ✓ Net crop income per tillable hectares (NCI/Tha)

$$NCI/Tha = \frac{\text{Total crop value} - \text{all crop related costs}}{\text{tillableland area}}$$

- ✓ Value of farm production per labour (VFP/L):

Following formula is used to measure labour efficiency

$$VFP/L = \frac{\text{value of farm production}}{\text{no of fulltime wor ker equivalent}}$$

- ✓ Net farm income per labour (NFI/L): Another measure of labour efficiency is:

$$NFI/L = \frac{\text{Net farmincome}}{\text{no of full - time wor ker equivalent}}$$

iii. Cost Performance

- ✓ Material costs for seed, seedling, chemicals, feed, fuel, fertilizer, veterinary supplies, electricity, water, small tools, depreciation, etc...
- ✓ Labour cost = working days x labour price/day
- ✓ Total inputs' cost (fixed and variable inputs)= Cash operating expenditures + Depreciation on capital investment + Costs of all labour + Interest charge on capital used on the farm.
- ✓ $cost\ per\ kg = \frac{major\ product\ costs(birr)}{Total\ major\ products\ weight(kg)}$
- ✓ $Cost\ per\ hectare = \frac{major\ product\ cost(birr)}{area(ha)}$

6.5. FINANCIAL ANALYSIS

Dear learner, in the previous topic, we have dealt with farm record keeping, parts of farm record, components of farm record keeping and the different methods of asset valuation. In this topic, we will study financial analysis which involves maintaining and using records and other information needed to measure the financial performance. A number of methods of analysis can be used for analysis of farm records, depending on the type of record system selected in the farm.

1. Balance Sheet and Its Analysis

A balance sheet summarizes the financial condition of the business at a point in time. Therefore, the purpose of balance sheet concentrates on estimating the net worth or owner equity by valuing and organizing assets and liabilities and important for loan operation.

Owner’s equity: Is the amount that the owner invested in the business.

$$Asset = Liabilities + Capital; \quad Owners' \ equity = Asset - Liabilities$$

A common layout of a balance sheet is presented in Table 6-10

Table 6-10: Balance sheet structure

ASSETS	LIABILITIES
Current asset	current liabilities
Intermediate Assets	Intermediate Liabilities
Long Term Assets	Long Term liabilities
	Total liabilities
	Owner's equity
Total asset	Total liabilities & owner's equity

Equity represents the funds contributed by the owner.

Owner Equity: is the difference between total asset and total liabilities.

The three basic sources of owner’s equity are:

- i. Capital contributed to the business by its owner(s);
- ii. Earnings or business profit that has been left in the business rather than withdrawn;
- iii. Any change caused by fluctuating market values when market values” rather than” cost is used.

Table6-11: Example balance for a livestock breeding company

ASSETS		LIABILITIES	
Current asset		current liabilities	
Cash	4.000€	Operating loans Deposit	10.000€
Deposits	10.000€	Accounts payable	3.000€
Accounts receivable	4.000€	Cash advance payments	2.000€
Grain and forage	2.000€	
Market livestock	10.000€		
Total Current Assets	30.000€	Total Current Liabilities	15.000€
Intermediate Assets		Intermediate Liabilities	
Machinery and Equip	30.000€	Intermediate loans	15.000€
Total Intermediate Assets	30.000€	Total Intermediate Liabilities	15.000€
Long Term Assets		Long Term liabilities	
Land and building	40.000€	Long term loans	30.000€
Total Long Term Assets	40.000€	Total Long Term Liabilities	30.000€
		Total liabilities	60.000€
		Owner's equity	40.000€
Total asset	100.000€	Total liabilities + owner's equity	100.000€

2. Financial Performance Indicators

A balance sheet is used to measure financial condition of a business and more specifically, its liquidity and solvency. The financial position of the business can be measured based on:

i. **Analyzing liquidity:**

Liquidity is the ability to pay interest and principal to its suppliers of short term credit. It is the ability of the firm to meet financial obligations as they come due without disrupting the normal operations of the business. There are four main indicators of liquidity: the current ratio, working capital, the debt structure ratio, and the quick ratio.

 **Current ratio**

Liquidity indicators are found in the balance sheet. One of the most useful is the current ratio, which is current assets over current liabilities.

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

This measures the ability of a firm to pay its short term obligation without affecting the business operation. The larger the value, the more liquid the business, if the value >1; If, for example, a business has a current ratio of 2:1, it means that there is \$2 of current assets covering every \$1 of current liabilities. It should be greater than one, if less than one the business may be facing a liquidity problem.

 **Working capital**

A second liquidity guide is working capital, that is, current assets minus current liabilities. Working capital shows what is available after meeting debts due. Obviously, we need a positive figure; otherwise the firm is illiquid.

 **Debt structure ratio**

A third liquidity guide, debt structure ratio, illustrates the debt structure of the firm. This ratio is calculated by dividing current liabilities by total liabilities, i.e., Equation 2.

$$\text{Debt structure ratio} = \frac{\text{current liabilities}}{\text{total liabilities}}$$

A ratio of 0.6:1 (often written as 0.6) means that 60 percent of the total farm debt is due the following year. If total debt is small, there is nothing to worry about. But most farms have considerable debt loads, and a debt structure ratio of 0.6 shows that too much of the farm debt is current. In general, a ratio of 0.2 or less is safe and 0.5 or more is dangerous.

Assets			Liability and Net Worth		
	Cost	Market value		Cost	Market value
Current	100	110	Current	100	105
Intermediate	200	210	Intermediate	120	130
Long-term	700	1000	Long-term	400	440
			Total liability	620	675
			Net worth	380	645
Total	1000	1320	Total	1000	1320

Find the liquidity ratios: current ratio, working capital?

Example of liquidity analysis

Based on the information in Table 6-12 some key ratios related to the balance sheet are calculated in Table6-13:

			Cost			Market value		
Current Ratio	=	current assets / current liabilities	100/100	=	1	110/105	=	1.05
Working Capital	=	current assets - current liabilities	100 – 100	=	0	110-105	=	5
Debt structure ratio	=	current liabilities / total liabilities	100 / 620	=	0.16	105 / 675	=	0.15

ii. Analyzing solvency:

The ability of a firm to pay its short term & long term obligations if all assets are sold.

Solvency: measures whether total assets are greater than total liabilities if not the business is insolvent. It explains the ability of a firm to pay all financial obligations or liabilities, if all assets were sold. Solvency is a long-range concept which shows the firm's ability to meet all debts when assets are sold. Solvency indicators are found in the balance sheet. The main indicators are net worth, the leverage ratio, and the solvency ratio.

✚ **Net worth:** As assets minus debt equals net worth; we are obviously looking for a positive figure. A negative net worth shows insolvency. So the basic solvency indicator is net worth.

✚ **Leverage ratio or debt /equity ratio:** Is another solvency indicator. This ratio is calculated by dividing total debt by net worth.

$$\text{Debt/equity ratio} = \frac{\text{Total liabilities}}{\text{Net worth}}$$

Most lenders do not want to see leverage ratios over 1.5:1. This means there is \$1.50 of debt for every \$1 of net worth. The higher the ratio, the more risk the firm faces, and, conversely, the lower the ratio, the lower the risk. However, many young farmers need ratios over 4:1 if they are to obtain sufficient capital to farm.

✚ **Solvency ratio:** It is the third guide to business solvency is the solvency ratio, found by dividing total debt by total assets, i.e., Equation 4.

$$\text{Debt ratio} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

This shows the share of liabilities from total business asset.

$$\text{Solvency} = \frac{\text{Total debt}}{\text{Total assets}}$$

The higher the ratio, the more debt there is for each dollar of assets. This measures at which the degree that total asset greater than liabilities. If assets are not greater than liabilities the business is insolvent and a possible candidate for bankruptcy proceedings.

3. The Income Statement and Its Analysis

Income statement: Is the summary of income and expenditure over a given period of time. It is needed for the control function. It is also called profit or loss statement or operative statement.

Its primary function or purpose is:

- To compute/ calculate profit with a given period of time
- To measure the difference between revenue and expense. Therefore, positive difference shows profit and negative difference shows loss.

The income statement can be computed monthly, quarterly, semi-annually, annually, or on some other schedule depending on what is needed for management purposes.

Income statement format: In a very condensed form, the basic structure;

- Total revenue, Less total expense, Equals net-farm income from operations, Plus or minus, gain/loss on sale of capital asset (like machinery, equipment), Equals net farm income.

Analysis of Net Farm Income:

The income statement may show positive balance, that shows profit, but it is a “profitable” business. Profitability is relative; it depends on the size of the business or value of resources used to produce a “profit”.

The revenue per unit cost (how much return we get from investing one birr). Therefore, there are about “four” measures of profitability. Net farm income, Return on assets, Return on equity Operating profit margin ratio.

i. Net farm income

The amount by which revenue exceeds expense plus any gain or loss on the sale of capital assets. It is “an absolute dollar amount” therefore, difficult to measure profitability, but use as a starting point for analyzing profitability.

A. Total Revenue		\$200,400.00
B. Expenses		
operating expense	\$124,100.00	
Total interest Expenses	\$29,500.00	
total expense		\$153,600.00
C.(A-B)Net farm income from operation		\$46,800.00
D. gain/loss on sale of capital assets		
Machinery	\$1,100.00	
Land	0	
Others	0	
Total gain/loss		\$1,100.00
E.(C+D)Net farm income		<u>\$47,900.00</u>

ii. Return on asset(ROA)

This is a measure of profitability, measuring the rate of return that the farm business earns on its average asset base over the period. The higher the return, the more profitable the farm business is. Information for calculating this ratio comes from both the net worth statement and the income statement.

$$Return\ on\ assets = \frac{Operating\ income}{Assets}$$

The earning power of the assets of an enterprise is vital to its success.

iii. Return on equity (ROE)

It is an amount received by the owner of the equity. It is obtained by dividing the net income after taxes by the equity. Equity - an ownership right or risk interest in an enterprise. Equity capital is the residual amount left after deducting total liabilities (excluding stockholder's claim) from total assets.

$$\text{Return on equity} = \frac{\text{Net income}}{\text{equity}}$$

This ratio is frequently used because it is one of the main criteria by which owners are guided in their investment decisions.

iv. Operating profit margin ratio

This means operating profit as a percent of total revenue. A higher value means a business is making more profit per dollar of revenue.

$$\text{Operating profit margin ratio} = \frac{\text{Operating profits}}{\text{Sales}}$$

The ratio converted to a percentage reflects the part of gross income that is required to cover farm operating expense. Then the first step is computing the absolute dollar value for operating profit.

Example given that

✚ Total revenue = \$200400

✚ **Operating profit margin = \$51,300.00**

$$\begin{aligned} \text{Operating profit margin ratio} &= \frac{51300}{200400} \\ &= 0.256(25.6\%) \end{aligned}$$

This means on average every dollar of revenue generates a profit of 0.256 cents.

4. Cash Flow Statement

Actual cash flow (farm receipts and expenses) can then be compared with the projection to provide an early check on business progress and an opportunity to make timely adjustments if required. Cash flow should be prepared on both an annual and monthly basis. The monthly cash flow is of critical importance in determining specific dates when loans are needed, when debt can be repaid, and when inputs will be purchased.

The use of the cash flow in estimating amounts and time of financial transactions causes some people to view the document as a whole-farm budget. Those flows are important because they indicate when cash surpluses or deficiencies will occur. Cash flow says nothing about profitability of the business; profitability information is available only from the income statement. Cash flow includes no consideration of inventory change, accounts payable or receivable, or depreciation. The absence of these important adjustments means that profitability decisions based on cash flow will be grossly misleading.

The cash flow statement is especially helpful when...

- A new business or enterprise is under consideration,
- The business is being expanded,
- A significant change(s) in production is planned,
- A start-up period is required to get into full production, and...
- A change in financial structure is being contemplated

Table6-15: Annual Cash Flow

Annual Cash Flow					
Line Cash inflow			Line Cash outflow		
Operating income		\$	Operating expenditures		
				\$	
	Crops		28	Labor, hired	1,200
1	Corn		29	Machinery repair & maintenance	6,000
2	Milo		30	Building & fence repair	1,200
3	Wheat	5,400	31	Interest	9,924
4	Soybeans	4,620	32	Hay	2,500
5	Cotton		33	Feed bought	27,000
6	Grass & clover seed		34	Seeds, twine, etc	2,762
7	Hay, silage		35	Crop chemicals	2,482
8	Other, crop		36	Fertilizer & lime	9,748
9	Government payments		37	Machine hire	255
	Livestock		38	Breed fees & livestock supplies	9,900
10	Milk	117,000	39	Vet & medicine	1,800
11	Eggs, wool		40	Gas, fuel, oil	7396
12	Calves	3,540	41	Rent	
13	Market hogs		42	Taxes	4,000
14	Other market livestock		43	Insurance	800
	Miscellaneous		44	Utilities, elect, phone	3,000
15	Custom work		45	Freight & trucking	475
16	Cash rent		46	Farm auto	500
17	Other, farm		47	Feeder cattle	
18	Total operating income Add L 11-17	130,560	48	Assessment	1,380
	Capital sales		49	Other expenses (2% subtotal)	1,846

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19	Breeding beef		50	Total operating expense Add L 28-49	94,168
20	Breeding hogs			Capital expenditures	
21	Breeding dairy	7,800	51	Breeding beef	
22	Machinery & equipment		52	Breeding hogs	
23	Total capital sales Add L 19-22		53	Breeding dairy	
24	Total cash income L 18+L 23	138,360	54	Machinery & equipment	9,000
	Other income		55	Bldgs & land improvements	16,000
25	Nonfarm income	6,000	56	Total capital expenditures Add L 51-	25,000
26	Loans		57	Total farm expenditures L 50+56	119,168
27	Total cash available L 24+25+26	144,360		Other cash outflow	
			58	Principal payments	7,000
			59	Family living	16,600
			60	Total cash outflow L 57+58+59	142,768
				Summary	
			61	Cash balance L 27-60	1,592
			62	Accumulated borrowing	