

A photograph of two men shaking hands in a rural farm setting. The man on the left is wearing a blue baseball cap and a plaid shirt. The man on the right is wearing a blue polo shirt and a dark vest. They are standing in a grassy field with cows in the background and a large tree on the left. The scene is lit with warm, golden light, suggesting late afternoon or early morning. A semi-transparent blue banner is overlaid across the middle of the image, containing the title and subtitle.

# Farm Finance Fluency

**BOOKS, BUDGETS, LOANS AND LAND**



**FOOD FINANCE  
INSTITUTE**  
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## **WE HELP FOOD & FARM BUSINESSES:**

- Build financial skills
- Have financially viable business models
- Access capital
- Catalyze their community
- Become profitable and resilient

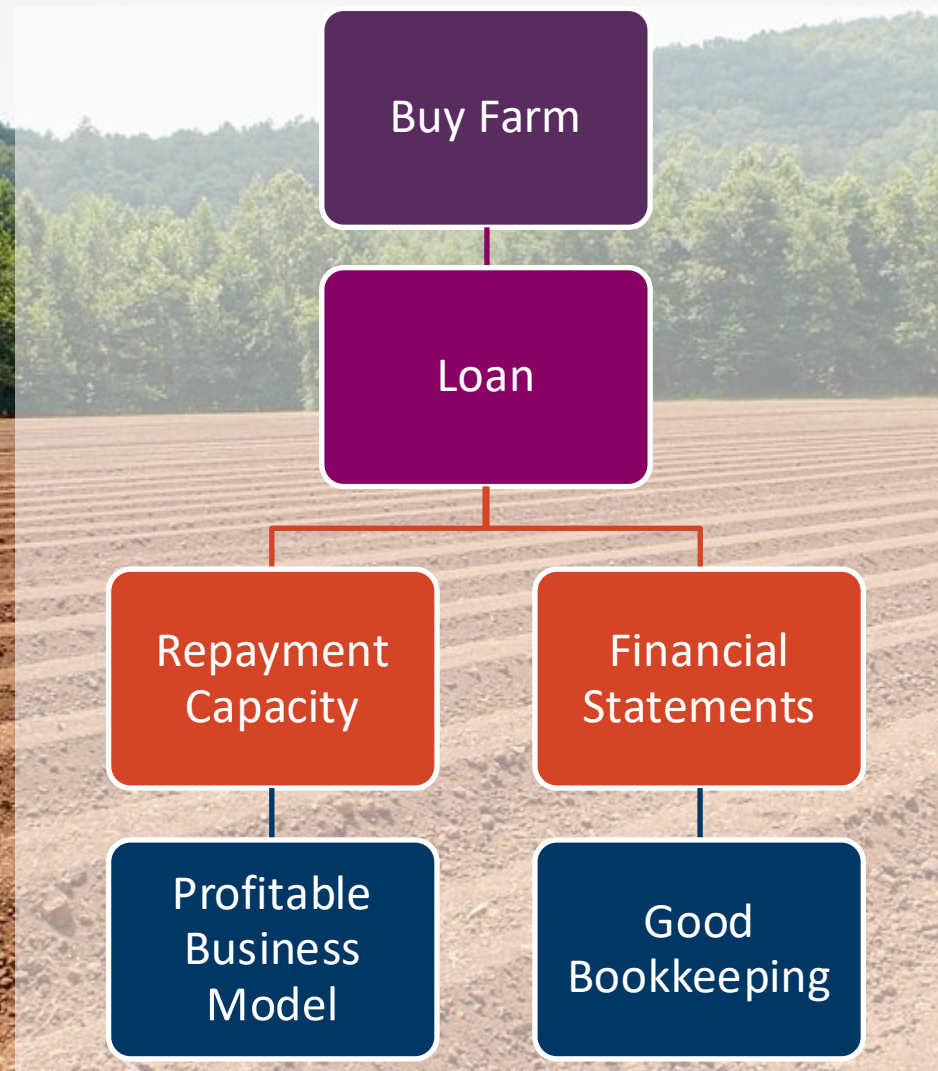
<#>

**Ryan Sullivan**  
Sullivan Family Farm



*"The training I've accessed through FFI has been magnificent, expanding my knowledge in finance, accounting, marketing & promotion."*

# Everybody Wants to Buy a Farm First



# Profitable Business Models -> Repayment Capacity

- If there's no profit on the P&L, you can't afford financing



# Profitable Business Model

- A value proposition that's hard to copy
- Customer segments who want to buy the benefits we're selling
- Market channels that reach our target customers
- A brand identity that resonates
- Market messages that effectively communicate our value proposition
- Adequate labor/staffing
- Efficient production systems
- Well-aligned capital to fund operations and growth
- Effective distribution
- Adequate scale to meet profitability objectives



# Lean Business Model Canvas

LEAN CANVAS		COMPANY	DATE	VERSION
		Local Free-Range Egg Farm	Summer 2023	1.0
<b>PROBLEM</b> - List your top 1-3 problems  Conventional eggs are pale, runny, and thin-shelled  Conventional egg prices swing widely up and down  Conventional eggs are produced in CAFOs, whereabouts unknown  Farm-fresh eggs are expensive, inconsistent, and inconvenient  Local farmers come and go  <b>EXISTING ALTERNATIVES</b> - List how these problems are solved today  Expensive, branded free-range and organic eggs from distribution companies	<b>SOLUTION</b> - Outline a possible solution for each problem  Goods eggs that are consistently high quality, consistently priced, consistently available  Free-range brown eggs produced on local family farms  Farmers with a track record for doing what they say they will, for the long run  <b>KEY METRICS</b> - List the key numbers that tell you how your business is doing  lay rate feed efficiency human hours number of regulars volume of orders sales velocity profit margins	<b>UNIQUE VALUE PROPOSITION</b> - Single, clear, compelling message that states why you are different and worth paying attention  Consistently high quality, consistently priced, consistently available free-range brown eggs delivered fresh to your table from local family farmers  <b>HIGH-LEVEL CONCEPT</b> - List your X for Y analogy e.g. Youtube = Flickr for videos  As simple as wholesale, as good as the farmers market	<b>UNFAIR ADVANTAGE</b> - Something that cannot easily be bought or copied  Long-term customer relationships  Hyper-local family farm  Established relationships with other local farmers  <b>CHANNELS</b> - List your path to customers (inbound or outbound)  Word-of-mouth between chefs and kitchen staff  Relationships that originated at the farmers market  Relationships with other farmers  Conspicuous consumers at restaurants, conscientious consumers at natural food stores  Digital presence and communications	<b>CUSTOMER SEGMENTS</b> - List your target customers and users  Contemporary casual restaurants - target customers are young urban professionals who want delicious, on-trend, Instagrammable cuisine in modern environs with a chill vibe  Natural and health foods stores - target customers are conscientious consumers who want to cook and eat foods that support the health of the person and the planet  <b>EARLY ADOPTERS</b> - List the characteristics of your ideal customers  Restaurants and stores who use local food and family farms as part of their brand and customer experience. Tend to have farm names and/or pictures on their menus and shelf talkers. May hold special events featuring farmers.
	<b>COST STRUCTURE</b> - List your fixed and variable costs  variable costs - feed, packaging overhead costs - labor, delivery, equipment, repairs			

The Business Model Canvas is adapted from The Business Model Canvas (www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-ShareAlike 3.0 Unported License.



# Enterprise Budgets

- Detailing variable costs (i.e. costs of production) vs overhead costs
- Breaks down HOW the farm is profitable, not IF it is profitable
- Allocate overheads by percent of sales, then adjust manually
- Consider labor carefully, especially when adding an enterprise
- Is it feasible to meet your profit objective???

<b>Pastured Freezer Meat Enterprise Budgets</b>				
<b>Revenues</b>		Total	Free-Range Eggs	Heritage Hogs
# head			330	60
Units sold			8532	11220
Price/unit			\$ 4.00	\$ 2.65
	Sales	\$ 63,860.50	\$ 34,127.50	\$ 29,733.00
	% of Sales	100%	53%	47%
<b>Variable Expenses</b>		Total	Free-Range Eggs	Heritage Hogs
Animal cost		\$ 10,140.00	\$ 2,640.00	\$ 7,500.00
Feed & mineral		\$ 20,169.93	\$ 9,081.93	\$ 11,088.00
Vet & medicine		\$ 300.00	\$ -	\$ 300.00
Supplies		\$ 2,305.27	\$ 1,945.27	\$ 360.00
Labor		\$ 17,940.00	\$ 15,600.00	\$ 2,340.00
Hauling		\$ 2,903.61	\$ 2,303.61	\$ 600.00
Interest (operating)		\$ 836.55	\$ 217.80	\$ 618.75
	Variable costs	\$ 54,595.35	\$ 31,788.60	\$ 22,806.75
	Gross profit	\$ 9,265.15	\$ 2,338.90	\$ 6,926.25
	Gross profit margin	15%	7%	23%
<b>Fixed Expenses</b>		Total	Free-Range Eggs	Heritage Hogs
Advertising		\$ 456.00	\$ 243.69	\$ 212.31
Computer/software/interent		\$ 912.00	\$ 487.38	\$ 424.62
Insurance		\$ 954.00	\$ 509.82	\$ 444.18
Interest (term)		\$ 1,273.00	\$ 680.30	\$ 592.70
Repairs		\$ 1,145.00	\$ 611.90	\$ 533.10
Taxes		\$ 1,288.00	\$ 688.32	\$ 599.68
	Fixed costs	\$ 6,028.00	\$ 3,221.41	\$ 2,806.59
	Net profit	\$ 3,237.15	\$ (882.51)	\$ 4,119.66

# Four Ways to Increase Profitability

- **Increase Prices**
  - Examine willingness-to-pay (WTP)
- **Increase Sales**
  - Examine gross profit margins
- **Decrease Variable Costs**
  - Examine cost centers and units produced
- **Decrease Overhead Costs**
  - Optimize where you can



# Good Bookkeeping -> Accurate Financial Statements

- Financial Statements are the universal language of business, but remember...
- “Garbage in, garbage out”



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# Bookkeeping with Accounting Software

- There is **farm-specific accounting software**, such as:
  - Ambrook
  - FarmRaise
  - PCMars
  - Easy Farm
- There is **general accounting software**, such as:
  - QuickBooks Online
  - Quicken
  - Wave
  - Zoho Books
- [Accounting Software Options for Farmers - Farm Management](#)
- No matter which you choose, it is **ESSENTIAL** to set up your **Chart of Accounts** correctly, so get help if you need it
- [QuickBooks Chart of Accounts - Farm Management](#)



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# Balance Sheet

- Current
  - Assets: cash and cash equivalents
  - Liabilities: obligations to be paid this year (including loan principal and credit card balances)
- Intermediate
  - Assets: 1-10 year useful life, e.g. machinery, vehicles, breeding stock
  - Liabilities: 1-10 year loan principal due beyond this year
- Long-Term
  - Assets: real estate & improvements
  - Liabilities: mortgages and other long-term loan principal (e.g. EIDL)

Agricultural Balance Sheet			
Consolidated Farm Business and Personal Statement			
Name(s)	O.G. Farmer		
Name(s)	O.G. Land & Cattle		
Address	1234 Rural Route A		
	Anywhere, USA 11111	Date of Statement	12/31/20XX
Current Assets		Current Liabilities	
	Value		Value
Cash & checking accounts	\$ 50,000.00	Accounts payable	\$ 8,000.00
Savings accounts & time deposits	\$ 20,000.00	Short-term notes payable	\$ 25,000.00
Marketable stocks & bonds		Prin. & Int. due within 12 mo. on I.T. loans	\$ 43,000.00
Accounts & notes receivable	\$ 2,000.00	Prin. & Int. due within 12 mo. on L.T. loans	\$ 42,000.00
Market livestock	\$ 30,000.00	Cash rent payable	\$ 16,000.00
Crops & feed on hand	\$ 8,000.00	Other capital lease(s) payable	\$ 7,000.00
Investment in growing crops		Accrued income and Social Security Taxes	
Prepaid expenses	\$ 25,000.00	Credit card balances	\$ 11,000.00
Supplies on hand		Other	
Hedging account equity			
Other current asset			
Total Current Assets	\$ 135,000.00	Total Current Liabilities	\$ 152,000.00
Intermediate Assets		Intermediate Liabilities	
	Value		Value
Machinery, equipment, & trucks	\$ 650,000.00	Principal due beyond 12 mo. on machinery	\$ 240,000.00
Leased machinery & equipment	\$ 180,000.00	Capital lease payments due beyond 12 mo.	\$ 42,000.00
Breeding livestock	\$ 50,000.00	Prin. due beyond 12 mo. on breeding stock	
Notes receivable		Principal due beyond 12 mo. on notes	
Personal vehicles	\$ 15,000.00	Loans on personal vehicles	\$ 10,000.00
Cash value of life insurance	\$ 3,000.00	Life Insurance policy loans	
Retirement accounts		Other	
Stocks & bonds not readily marketable	\$ 1,000.00		
Household goods	\$ 10,000.00		
Other			
Total Intermediate Assets	\$ 909,000.00	Total Intermediate Liabilities	\$ 292,000.00
Long Term Assets		Long Term Liabilities	
	Value		Value
Farm Real Estate Owned		Farm Real Estate Mortgages	
40 acres	\$ 200,000.00	40 acres	\$ 100,000.00
80 acres	\$ 400,000.00	80 acres	\$ 280,000.00
farmstead with improvements	\$ 290,000.00	farmstead improvements - grain setup	\$ 130,000.00
Non-Farm Real Estate	\$ 50,000.00	Non-Farm Real Estate Mortgages	\$ -
Other		Other	
Total Long Term Assets	\$ 940,000.00	Total Long Term Liabilities	\$ 510,000.00
		<b>Total Liabilities</b>	<b>\$ 954,000.00</b>
		<b>Net Worth</b>	<b>\$ 1,030,000.00</b>
<b>Total Assets</b>	<b>\$ 1,984,000.00</b>	<b>Total Liabilities + Net Worth</b>	<b>\$ 1,984,000.00</b>

# Income Statement

## Part I Farm Income - Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of purchased livestock and other resale items (see instructions).....	1a	10,134.		
b	Cost or other basis of purchased livestock or other items reported on line 1a ...	1b	5,885.		
c	Subtract line 1b from line 1a.....	1c		4,249.	
2	Sales of livestock, produce, grains, and other products you raised.....	2		37,130.	
3a	Cooperative distributions (Form(s) 1099-PATR)....	3a		3b Taxable amount.....	3b
4a	Agricultural program payments (see instructions).....	4a		4b Taxable amount.....	4b
5a	Commodity Credit Corporation (CCC) loans reported under election.....	5a		5a	
b	CCC loans forfeited.....	5b		5c Taxable amount.....	5c
6	Crop insurance proceeds and federal crop disaster payments (see instructions):				
a	Amount received in 2022.....	6a		6b Taxable amount.....	6b
c	If election to defer to 2023 is attached, check here <input type="checkbox"/>			6d Amount deferred from 2021.....	6d
7	Custom hire (machine work) income.....	7		7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions).....	8		8	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions.....	9		41,379.	

## Part II Farm Expenses - Cash and Accrual Method. Do not include personal or living expenses. See instructions.

10	Car and truck expenses (see instructions). Also attach Form 4562.....	10	5,500.	23	Pension and profit-sharing plans.....	23	
11	Chemicals.....	11		24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions).....	12		a	Vehicles, machinery, equipment.....	24a	
13	Custom hire (machine work).....	13		b	Other (land, animals, etc.).....	24b	
14	Depreciation and section 179 expense (see instructions).....	14	6,001.	25	Repairs and maintenance.....	25	1,836.
15	Employee benefit programs other than on line 23.....	15		26	Seeds and plants.....	26	
16	Feed.....	16	10,972.	27	Storage and warehousing.....	27	
17	Fertilizers and lime.....	17		28	Supplies.....	28	6,359.
18	Freight and trucking.....	18	428.	29	Taxes.....	29	1,304.
19	Gasoline, fuel, and oil.....	19	182.	30	Utilities.....	30	1,615.
20	Insurance (other than health).....	20	1,057.	31	Veterinary, breeding, and medicine.....	31	
21	Interest (see instructions):			32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.)....	21a	1,196.	a	Bank Fees.....	32a	242.
b	Other.....	21b	358.	b	Business Use Of Home.....	32b	1,500.
22	Labor hired (less employment credits)....	22	890.	c	LICENSE & PERMITS.....	32c	140.
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions.....	33	41,068.	d	PROFESSIONAL FEES.....	32d	820.
34	Net farm profit or (loss). Subtract line 33 from line 9.....	34	311.	e	WEBSITE FEES.....	32e	668.
				f		32f	

Name	Example Farm LLC	Year	2022
<b>Income</b>			
<b>Cash Income</b> (number in ( ) matches IRS Sched. F)		<b>Income Adjustments</b>	<b>Beginning</b> <b>Ending</b>
Sales of items bought for resale (1a)	\$10,134	Hedging accounts balance (Sched. A)	\$0      \$0
Sales of market livestock, crops, etc. (2)	\$37,130	Crops held for sale or feed (Sched. B)	\$0      \$0
Cooperative distributions paid (3a)		Market livestock (Sched. F)	\$0      \$0
Agricultural program payments (4a)		Accounts receivable (Sched. H)	\$315      \$420
Crop insurance proceeds (6a)		Other current assets	\$0      \$0
Custom hire income (7)		Unpaid cooperative distributions (Sched. I)	\$0      \$0
Other income (cash only) (8)		Breeding livestock (Sched. K)	\$640      \$640
Sales of breeding livestock	\$400	Subtotal of income adjustments	\$955      \$1,060
Withdrawals from hedging accounts		<b>(b) Net adjustment (ending - beginning)</b>	\$105
<b>(a) Total Cash Income</b>	<b>\$47,664</b>	<b>(c) Gross Farm Revenue (a + b)</b>	<b>\$47,769</b>

<b>Expenses</b>			
<b>Cash Expenses</b> (number in ( ) matches IRS Sched. F)		<b>Expense Adjustments (paid in advance)</b>	<b>Beginning</b> <b>Ending</b>
Car, truck expenses (10)	\$5,499	Investment in annual growing crops (Sched. C)	\$0      \$0
Chemicals (11)		Commercial feed on hand (Sched. D)	\$436      \$1,745
Conservation expenses (12)		Prepaid expenses (Sched. E)	\$0      \$0
Custom hire (13)		Supplies on hand (Sched. G)	\$539      \$606
Employee benefits (15)		Subtotal adjustments (exp. paid in advance)	\$975      \$2,351
Feed purchased (16)	\$10,972	<b>(e) Net adjustment (beginning - ending)</b>	(\$1,376)
Fertilizer, lime (17)		<b>Expense Adjustments (due)</b>	<b>Beginning</b> <b>Ending</b>
Freight, trucking (18)	\$428	Farm accounts payable (Sched. P)	\$0      \$0
Gasoline, fuel, oil (19)	\$182	Farm taxes due (Sched. Q)	\$0      \$0
Insurance (20)		Subtotal adjustments (expenses due)	\$0      \$0
Labor hired (22)	\$890	<b>(f) Net adjustment (ending - beginning)</b>	\$0
Pension, profit-share plans (23)		<b>(g) Depreciation (Sched. J + L + M)</b>	\$6,000
Rent, lease payments (24a + 24b)		<b>(h) Total Operating Expenses (d + e + f + g)</b>	<b>\$38,545</b>
Repairs, maintenance (25)	\$1,836	(excluding interest)	
Seeds, plants (26)		<b>(i) Net Farm Income from Operations (c - h)</b>	<b>\$9,224</b>
Storage, warehousing (27)			
Supplies purchased (28)	\$6,359	<b>Interest Adjustments</b>	<b>Beginning</b> <b>Ending</b>
Taxes (farm) (29)		Accrued interest (Sched. R + S)	\$352      \$681
Utilities (30)		Interest, total paid (IRS Sched. F line 21a + 21 b)	\$358
Vet. fees, medicine, breeding (31)		<b>(j) Net interest expense</b>	\$687
Other expenses (cash only) (32 total)	\$1,869	(cash interest paid - beginning + ending)	
Resale items purchased	\$5,885	<b>Total Farm Expenses (h + j)</b>	<b>\$39,232</b>
Deposits to hedging accounts		(k) Sales of farmland (Sched. N)	\$0
<b>(d) Total Cash Expenses</b>	<b>\$33,921</b>	(l) Cost value of farmland sold (Sched. N)	\$0
		(m) Capital gains or losses (k - l)	\$0
<b>Net Farm Income (cash) (a - d)</b>	<b>\$13,743</b>	<b>(n) Net Farm Income (accrual) (i - j + m)</b>	<b>\$8,537</b>
		Value of Farm Production	\$30,912
		(c minus feed and livestock purchases)	

# Statement of Cash Flows

- Divides changes in cash into three buckets:
  - Operating** – from income statement
  - Investing** – purchase or sale of capital assets
  - Financing** – loan principal received and repaid (plus personal investments or draws)
- Actual checking account balance because it includes ALL uses of cash

Statement of Cash Flows		Year
<b>Beginning cash balance</b>		\$ -
Gross cash farm income		\$ -
Cash farm expenses	-	\$ -
<b>Cash provided by operating activities</b>	=	\$ -
Sale of capital assets		\$ -
Purchase of machinery, equipment and farm buildings	-	\$ -
<b>Cash provided by investing activities</b>	=	\$ -
Money borrowed		\$ -
Principal payments	-	\$ -
Personal income	+	\$ -
Owner withdrawals and income taxes paid	-	\$ -
<b>Cash provided by financing activities</b>	=	\$ -
Net change in cash		\$ -
<b>Ending cash balance</b>		\$ -
<i>Discrepancy</i>	<i>No Discrepancy</i>	\$ -
MICHIGAN STATE UNIVERSITY   Extension		
		<b>Farm Name</b>

# Applying for a Loan

- Used properly, debt is a tool,  
not a weapon



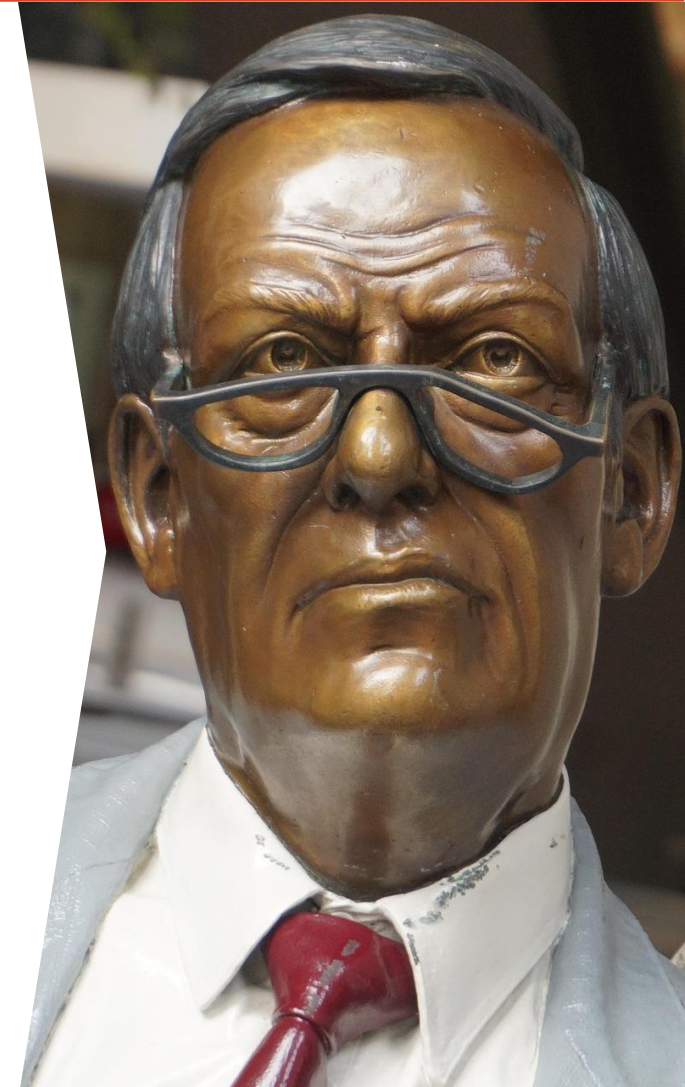
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# Choosing a Lender

- Local relationship/reputation
- Bank specialty (ag/small business)
- Existing partnerships (e.g. FSA, SBA)

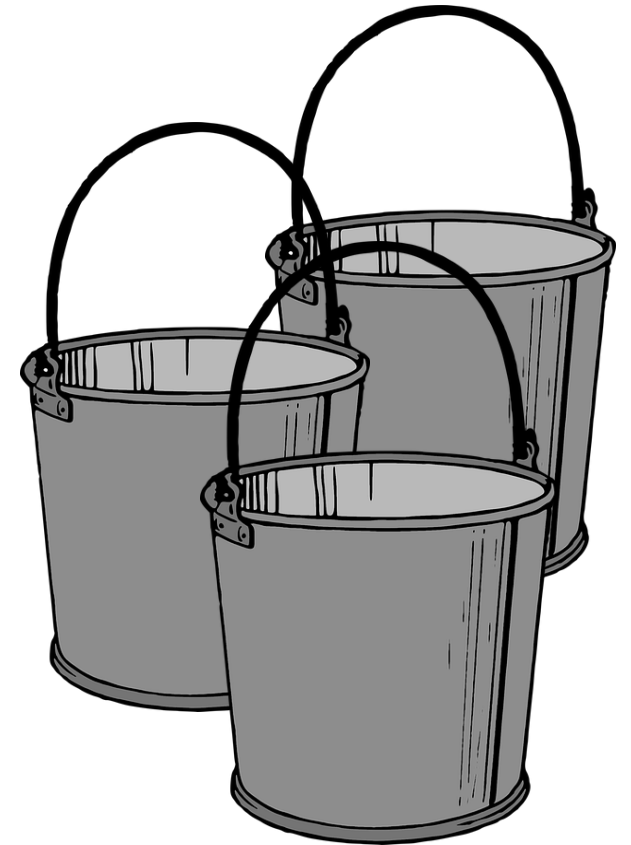


- Make sure they understand your business
- See if they are hungry for customers
- Emphasize your prospects for growth
- Be a “low-touch” customer



# Basic Types of Loans

- Short-term loans/lines of credit (~1 year)
  - Operating capital for current growing season
  - Secured by UCC filing with Secretary of State
- Intermediate-term loans (2-10 years)
  - Machinery, trucks, and breeding livestock
  - Secured by UCC filing, serial #, VIN
- Long-term loans (10-30 years)
  - Real estate and improvements
  - Secured by a mortgage



# Blanket UCC filing

- *All farm equipment, machinery, tools, vehicles, livestock, feed, seed, fertilizer, harvested and growing crops, inventory, accounts, chattel paper, documents, instruments, general intangibles, and proceeds thereof, whether now owned or hereafter acquired, wherever located.*
  - All chattel assets you currently own, and any you acquire in the future
  - Puts this institution “first in line” if there were to be a liquidation of assets
  - Rarely do other institutions want get in line behind

## UCC FINANCING STATEMENT FOLLOW INSTRUCTIONS

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

3. SECURED PARTY'S NAME (or NAME OF ASSIGNEE OF ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S SURNAME FIRST PERSONAL NAME ADDITIONAL NAME(S)/INITIAL(S) SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is  held in a Trust (see UCC1Ad, item 17 and instructions)  being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:  Public-Finance Transaction  Manufacture/Home Transaction  A Debtor is a Transmitting Utility  Agricultural Lien  Non-UCC Filing

6b. Check only if applicable and check only one box:  Lessee/Lessor  Consignee/Consignor  Seller/Buyer  Bailee/Bailor  Licensee/Licensor

7. ALTERNATIVE DESIGNATION (if applicable):

8. OPTIONAL FILER REFERENCE DATA:

# The Credit Application

## REQUIRED STUFF

- Bank's application form with applicant details and credit request
- 3 years tax returns
- Balance sheet (global, with detailed debt schedule)
- Annual cash flow projection
- Credit check (hard pull – will affect your score in the near-term)
- Legal documentation (e.g. articles of organization, operating agreements, insurance coverage, etc)

## IMPRESSIVE STUFF

- Concise written request based in research and documented assumptions
- Borrower-prepared income statement that describes operating profit model better than the Schedule F
- 3 years cash flow projection (monthly for year 1, annual for years 2-3)
- Full-fledged business/marketing plan



# Underwriting

- Are we comfortable with the risk?

# The 5 C's of Credit

- **Capacity** (cash flow)
  - Can make payments when they're due
    - *Credit enhancement:* co-signer, payment structure
- **Capital** (skin in the game)
  - Equity contribution or down payment (shared risk)
    - *Credit enhancement:* FSA guaranty
- **Collateral** (security)
  - What the bank can collect and liquidate to get made whole
    - *Credit enhancement:* additional/familiar collateral
- **Character** (credit history)
  - Score, slows pays, bankruptcies, collections
    - *Credit enhancement:* pay down revolving debt, especially CCs
- **Conditions** (current business environment)



# Balance Sheet

- Working capital (liquidity)
- Debt-to-asset ratio (leverage)
- Net worth (solvency)
- Collateral coverage
- Bullet point

Agricultural Balance Sheet			
Consolidated Farm Business and Personal Statement			
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Name(s)	O.G. Land & Cattle		
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	Anywhere, USA 11111	Date of Statement	12/31/20XX
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Machinery, equipment, & trucks	\$ 650,000.00	Principal due beyond 12 mo. on machinery	\$ 240,000.00
Leased machinery & equipment	\$ 180,000.00	Capital lease payments due beyond 12 mo.	\$ 42,000.00
Breeding livestock	\$ 50,000.00	Prin. due beyond 12 mo. on breeding stock	
Notes receivable		Principal due beyond 12 mo. on notes	
Personal vehicles	\$ 15,000.00	Loans on personal vehicles	\$ 10,000.00
Cash value of life insurance	\$ 3,000.00	Life Insurance policy loans	
Retirement accounts		Other	
Stocks & bonds not readily marketable	\$ 1,000.00		
Household goods	\$ 10,000.00		
Other			
Total Intermediate Assets	\$ 909,000.00	Total Intermediate Liabilities	\$ 292,000.00
Long Term Assets		Long Term Liabilities	
	Value		Value
Farm Real Estate Owned		Farm Real Estate Mortgages	
40 acres	\$ 200,000.00	40 acres	\$ 100,000.00
80 acres	\$ 400,000.00	80 acres	\$ 280,000.00
farmstead with improvements	\$ 290,000.00	farmstead improvements - grain setup	\$ 130,000.00
Non-Farm Real Estate	\$ 50,000.00	Non-Farm Real Estate Mortgages	\$ -
Other		Other	
Total Long Term Assets	\$ 940,000.00	Total Long Term Liabilities	\$ 510,000.00
		<b>Total Liabilities</b>	<b>\$ 954,000.00</b>
		<b>Net Worth</b>	<b>\$ 1,030,000.00</b>
<b>Total Assets</b>	<b>\$ 1,984,000.00</b>	<b>Total Liabilities + Net Worth</b>	<b>\$ 1,984,000.00</b>



# Balance Sheet Trends

	12/14/2015	11/20/2017	12/31/2018	11/13/2019	8/10/2020
<b>Assets</b>					
<b>Current Assets:</b>					
Cash	\$6,125	\$5,188	\$2,015	\$14,716	\$ 10,661
Crops on Hand - priced					
Crops on Hand - unpriced					
Feed on Hand		\$500	\$178		\$ 909
Market Livestock					
Accounts Receivable	\$792		\$165	\$550	\$ -
Prepays/Investment in Growing Crops					
Marketable Securities					
Other Inventory	\$2,000	\$174	\$1,406	\$1,470	\$ 1,100
Other Current Assets					
<b>Total Current Assets</b>	<b>\$8,917</b>	<b>\$5,862</b>	<b>\$3,763</b>	<b>\$16,736</b>	<b>\$12,670</b>
<b>Intermediate Assets:</b>					
Cash Value Life Insurance	\$6,000	\$6,085	\$6,000	\$7,310	\$ 2,594
Machinery, Equipment	\$3,000	\$5,300	\$20,000	\$20,000	\$ 35,400
Trucks					
Breeding Livestock	\$600	\$750	\$600	\$650	\$ 1,000
Automobiles	\$15,605	\$12,225	\$20,000	\$20,000	\$ 18,000
Household Furnishings					
Other - Securities Not Readily Marketable					
Other - Retirement Accts.	\$93,000	\$89,062	\$126,414	\$177,227	\$ 203,843
<b>Total Intermediate Assets</b>	<b>\$118,205</b>	<b>\$113,422</b>	<b>\$173,014</b>	<b>\$225,187</b>	<b>\$260,837</b>
<b>Long Term or Fixed Assets:</b>					
Real Estate	\$135,000	\$135,000	\$135,000	\$150,000	\$ 150,000
Real Estate					
<b>Total Fixed Assets</b>	<b>\$135,000</b>	<b>\$135,000</b>	<b>\$135,000</b>	<b>\$150,000</b>	<b>\$150,000</b>
<b>TOTAL ASSETS</b>	<b>\$262,122</b>	<b>\$254,284</b>	<b>\$311,777</b>	<b>\$391,923</b>	<b>\$423,508</b>

	12/14/2015	11/20/2017	12/31/2018	11/13/2019	8/10/2020
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Notes Payable - LOC			\$3,000	\$4,000	\$0
Notes Payable					
CCC Loan					
Current Portion Intermediate Debt	\$4,620	\$4,620	\$4,440	\$10,284	\$9,760
Current Portion Long Term Debt	\$13,092	\$7,279	\$5,280	\$3,120	\$3,132
Accrued Interest				\$98	\$0
Accounts Payable	\$2,810		\$1,030	\$3,870	\$ 1,025
Other - Taxes					
Other - credit cards	\$20,839	\$17,645	\$7,800	\$11,441	\$ 10,000
<b>Total Current Liabilities</b>	<b>\$41,361</b>	<b>\$29,544</b>	<b>\$21,550</b>	<b>\$32,814</b>	<b>\$23,917</b>
<b>Intermediate Liabilities:</b>					
Equipment notes	\$13,268	\$9,784	\$9,198	\$5,380	\$19,312
Auto loans			\$12,800	\$4,777	\$2,358
Student loans	\$47,905	\$37,190	\$33,651	\$31,460	\$30,172
Other					
<b>Total Intermediate Liabilities</b>	<b>\$61,173</b>	<b>\$46,974</b>	<b>\$55,649</b>	<b>\$41,617</b>	<b>\$51,841</b>
<b>Long Term Liabilities</b>					
Mortgage/land contract - Larry Larson	\$133,130	\$120,759	\$116,849	\$113,632	\$112,264
Mortgage					
Other Loan					
<b>Total Long Term Liabilities</b>	<b>\$133,130</b>	<b>\$120,759</b>	<b>\$116,849</b>	<b>\$113,632</b>	<b>\$112,264</b>
<b>Total Liabilities</b>	<b>\$235,664</b>	<b>\$197,277</b>	<b>\$194,048</b>	<b>\$188,063</b>	<b>\$188,023</b>
Owner Equity	\$26,458	\$57,007	\$117,729	\$203,860	\$235,485
Owner Equity Change (from previous year)	\$26,458	\$30,549	\$60,722	\$86,131	\$117,756

# Income Statement & Trends

- Net profitability
- Cost of production
- Depreciation
- Interest expense
- Debt Service Coverage Ratio

Tax Return	2015	2016	2017	2018	2019	2020
Sale of Items - Resale	\$0	\$0	\$0	\$6,277	\$21,648	\$25,499
Cost of Good Sold - Resale	\$0	\$0	\$0	\$5,786	\$12,842	\$14,066
Total Items Purchased for Resale	\$0	\$0	\$0	\$491	\$8,806	\$11,433
Sale of Items - Raised	\$27,175	\$41,466	\$39,355	\$39,629	\$52,420	\$48,716
Other Income						\$5,000
<b>Total Gross Income</b>	<b>\$27,175</b>	<b>\$41,466</b>	<b>\$39,355</b>	<b>\$40,120</b>	<b>\$61,226</b>	<b>\$65,149</b>
Less:						
Car & Truck	\$4,099	\$3,850	\$4,617	\$5,588	\$8,131	\$8,282
Chemicals						
Custom Hire		\$1,323				\$1,451
Depreciation	\$4,448	\$6,708	\$6,065	\$6,364	\$11,777	\$6,625
Feed	\$8,055	\$9,065	\$9,736	\$9,192	\$8,829	\$7,816
Fertilizer & Lime						
Freight & Trucking	\$150	\$150	\$125	\$198	\$1,498	\$1,475
Gasoline, fuel, and oil			\$710		\$48	\$241
Insurance	\$397	\$398		\$649	\$802	\$1,593
Mortgage Interest Paid to Banks				\$1,817	\$1,772	\$1,617
Other Interest Paid	\$1,325	\$1,092	\$856	\$729	\$881	\$983
Labor	\$820	\$735	\$750	\$683	\$732	\$205
Rent / Lease - vehicles, machinery, equipment						
Rent / Lease - Land / Animals						
Repairs & Maintenance	\$2,090	\$1,158	\$2,471	\$3,597	\$955	\$5,321
Seeds & Plants	\$37					
Storage & Warehousing						
Supplies	\$8,949	\$6,890	\$4,294	\$1,676	\$5,586	\$9,014
Taxes		\$47	\$47	\$1,435	\$1,483	\$1,520
Utilities	\$1,717	\$1,875	\$1,873	\$1,544	\$1,295	\$1,352
Veterinary	\$479			\$91		\$157
Other Expenses	\$2,286	\$3,370	\$3,293	\$4,327	\$2,757	\$2,967
<b>Total Farm Expenses</b>	<b>\$34,852</b>	<b>\$36,661</b>	<b>\$34,837</b>	<b>\$37,890</b>	<b>\$46,546</b>	<b>\$50,619</b>
<b>Total Farm Income</b>	<b>(\$7,677)</b>	<b>\$4,805</b>	<b>\$4,518</b>	<b>\$2,230</b>	<b>\$14,680</b>	<b>\$14,530</b>

# Monthly Cash Flows

- All those cash flows that aren't on the income statement
  - Buying & selling capital assets
  - Receiving & repaying loan principal
  - Owner investments & draws
- Details seasonal "lumpiness" of cash inflows and outflows
  - Thin months may require outside operating capital to bridge the gap

		Cash Inflow					
Operating Income	Year Total	January	February	March	April	May	
Sales of Livestock & Other Resale Items	\$ -						
Sales of Produce Grains & Other Products Raised	\$ -						
Agricultural Program Payments (i.e. CSP, CRP)	\$ -						
Cash Rent Received	\$ -						
Custom Hire (Machine Work)	\$ -						
Other Farm Income (ENTER TYPE HERE)	\$ -						
<b>Non-Farm Income</b>							
Salary/Wages	\$ -						
Other Non-Farm Income (ENTER TYPE HERE)	\$ -						
<b>Financing</b>							
Total New Short-Term Loans to Receive	\$ -						
New Term Loans to Receive	\$ -						
<b>TOTAL CASH INFLOWS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

		Cash Outflow					
Operating Expenses	Year Total	January	February	March	April	May	
Chemicals	\$ -						
Custom Hire	\$ -						
Employee Benefits	\$ -						
Feed/Grain	\$ -						
Fertilizers and Lime	\$ -						
Freight and Trucking	\$ -						
Gasoline, Fuel, and Oil	\$ -						
Insurance (Other Than Health)	\$ -						
Labor Hired	\$ -						
Pension, Profit-Sharing Plans	\$ -						
Purchased Livestock	\$ -						
Machinery/Equipment Rent	\$ -						
Land Rent	\$ -						
Other Rent (ENTER TYPE HERE)	\$ -						
Repairs/Maintenance	\$ -						
Seeds and Plants	\$ -						
Storage and Warehousing	\$ -						
Supplies	\$ -						
Taxes (Farm Real Estate)	\$ -						
Utilities	\$ -						
Vet, Breeding, and Medicine	\$ -						
Utilities	\$ -						
Other (ENTER TYPE HERE)	\$ -						
<b>Financing</b>							
Accounts Payable	\$ -						
Short-Term Notes Due	\$ -						
Term Loan Payments	\$ -						
Equipment Lease Payments	\$ -						
<b>Non-farm Expenditures</b>							
Family Living & Taxes	\$ -						
Other Non-Farm Expenses	\$ -						
<b>TOTAL CASH OUTFLOWS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# Other Quick Thoughts

- Even when one bank turns you down, it doesn't mean the next one will
- Just because you can get more credit, it doesn't mean you should
- Don't get outside credit without consulting your primary lender
- The worst time to apply for operating capital is when you most need it
- Loans terms are negotiable (within certain tolerances)
- Loans are changeable; refinancing is not uncommon

# Discussion: Buying Farmland

- Land is always expensive
- Land loans take a long time
- You can farm before you own land
- Not everyone is a fit for FSA



# Resources

- [Farm accounting | MU Extension](#)
- [Farm Balance Sheet Template - Farm Management](#)
- [MSU Income Statement Template - Farm Management](#)
- [Accounting Software Options for Farmers - Farm Management](#)
- [QuickBooks Chart of Accounts - Farm Management](#)
- [Loan Readiness Toolbox for Food and Farm Businesses - Center for Regional Food Systems](#)
- [Time Management Workbook for Food and Farm Entrepreneurs - Center for Regional Food Systems](#)
- [Funding Sources for Food-Related Businesses, Digital Directory Edition - Center for Regional Food Systems](#)
- [FSA-2001 Request for Direct Loan Assistance](#)
- What else?



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