

What can be done?

- What actions can I control and am I doing them to the best of my ability?
- What do I do best?
- Do I measure up to what is known about my industry?
- What do I like to do and does it pay me?
- Do I have the desire and energy to make necessary changes for survival?

Purposeful Planning

- Know what you want to accomplish
- Know your historic accomplishments:
 - Productive output
 - Costs of operation
 - Break-even Cost
- Know your S.C.O.T. Analysis
 - Strengths, Challenges, Opportunities, Threats
- Define action plans for accomplishment
- Who is responsible?
- What is the timeline?
- What are the desired results?
- Be careful not to restructure your last loan dollar
- Be adaptive to reality

What are items that you can control?

- Productive output
- Operating costs
- Family Living
- Break-even costs
- Non-Productive Assets

Do I have loan restructuring ability?

- What measurements should I look at as the owner/manager?
- What measurements will my lender look at?
- Does my accountant compile these measurements for my business?
- Owner Equity
- Capital Debt Repayment Capacity
- Current Ratio (Working Capital)
- Operating Profit Efficiency
- Capital Balance (Use) of Operating Profit
- Farm Financial Standards

Create a platform of current situation

- Current & Accurate Balance Sheet
- This should be a working tool for management knowledge
- This is the platform that starts your upcoming production year/cycle
- Identify the capital & resources available to you
- Be prepared for reality
- This should not be a “gotcha”
- It is a report card to display progress
(or losses)

Do I have a viable business?

- Do I have productive output?
- Are my operating expenses “efficient” in relation to my Value of Farm Production(Sales)
- Do I have a strong balance sheet to display an accumulation of profits?
- Are my financial trends encouraging?
- Can I compete and what is my advantage to compete?

Cash Flow Projection

- Outline how good or bad a future operating year can be.
- Includes a debt repayment schedule
- Includes use of profits when generated
- Identify action plans around the challenges and celebrations around the accomplishments

Understand Break-even Costs

- All costs
- Less By-Product Income
- Divided by annual output (Cwt, Bushels)
- The sooner you lower your break-even costs, the quicker you will be ahead of your competition

Working Capital

- Work hard to create it
- Work hard to preserve it
- It is one of the most critical elements in business success
- If financial distress is on the horizon, work with your lender before you have exhausted your working capital.
- Lack of working capital puts stress on everyone, i.e. owner, family, lender, merchants, accountant
- Lack of working capital minimizes ability to seize opportunities when presented

Lender Assistance

- Your lender is committed to doing what can be done with your loan restructuring
- Lenders have no desire to foreclose unless there is no other choice
- Start working with your lender early & proactively
- Waiting until the business is damaged will add scrutiny to the discussion
- Documented financial success affords display of viability
- Documented poor history creates questions of viability
- Viable businesses will get lender assistance & restructuring
- Non-viable businesses may be hard pressed to obtain lender assistance
- Lender Restructuring is not the silver bullet to surviving the troughs in the market
- Principal Payment Deferral/Interest Only Payments
- Increasing your line of credit
- Moving your current & intermediate debt “down the balance sheet”
- Your lender will allow borrowing up to a certain% of asset value
- Drastic long term restructuring is scary if operating profits do not improve
- Please understand that this buys time to go to work and do what you do better i.e. increase productivity, reduce breakeven costs.

How far backward do we slide?

- How much equity do we use to operate in this tough year(s)
- I believe that you should not want to borrow any more to “cash flow” than it will take to repay in 18 months
- Rationale is because the peak of a market is usually very short lived.
- Capitalizing operating costs over a long period of time is very dangerous and may prevent future loan restructuring

Monitoring

- Set your plan with measurable and properly timed targets
- Monitor progress toward these targets
- Modify action plans during the production year and keep your eye on the target
- Use Summary Budget to Actual Comparisons

Communication

- Engage your family and staff in the action plans for improvement
- Alert your family to action plans that will directly affect them
- Alert your family to the stress that the business is under
- Alert your staff & crew to changing protocols and desired improvements

Marketing

- Locking in a sales price or floor for your product
- Locking in a purchase price for your largest input costs
- It is impossible to “lock” in the perfect price at every stage in a production cycle.
- Try to minimize the effects of the troughs
- Try to maximize your sales price over the long haul
- What is the average price of last year to this year?

Timing of Sale is everything

- All we know for sure is to buy low and sell high.
- Where are you at in your productive career?
- What have the value of your assets done in these economic times?
- When will be the next best time to sell?
- Will your financial condition allow you to wait?
- Will your operating strength allow you to wait?
- Will your health allow you to wait?
- Will your lender allow you to wait?
- Will you get adequate value to pay creditors and taxes?
- Interest Rates are at all time lows – Is it time to fix some variable rates?
- Tax Rates are at historic lows
- Hyper-inflation may be looming
- Can your operation further withstand the effects of inflationary input costs

Dairy Production Planning

- Is your dairy herd performance acceptable?
- What % of your herd is under producing?
- Should a depop/repop be considered?
- Do you have adequate heifer inventory?
- i.e. 1 heifer in your herd for every cow
- Are heifers properly sized for freshening at 24 months?
- Why are mature cows leaving the herd prematurely and when is it occurring?
- What is your mature cow calving interval?
- Are your concentrate costs in line with your production?
- Is your labor cost as efficient as it can be?

Crop Production Planning

- Is your land producing an economical crop/feed?
- How many acres should be grown when input costs are so inflated?
- Is there an economical replacement for corn?
- How do we best utilize our rented land so it doesn't have to go back to the landlord/competition?
- How do we best utilize manure for corn silage production?
- Can commercial fertilizer be economically applied to alfalfa, clover, trefoil, grasses?
- Can barley regain prominence here in the U.P.

Tools to Use

- Comparative Balance Sheets
- Cash Profit and Loss Statements w/ Accrual Adjustments
- Cash Flow Trend Reports
- Partial Budgets for Investing Decisions
- Enterprise Analysis and Budgeting
- Herd Records
- Crop Production Records
- Cash Flow Projections

Checklist of Key Measurements

	My Business	Goal	Industry Standard
• Equity to Asset Ratio	_____	_____	_____
• Current Ratio	_____	_____	_____
• Operating Expense Ratio	_____	_____	_____
• Asset Turnover Ratio	_____	_____	_____
• Interest Cost as % of Op Profit	_____	_____	_____
• Family Living as % of Op Profit	_____	_____	_____
• Capital Debt Repayment Capacity	_____	_____	_____
• Break-even Cost	_____	_____	_____
• Cash Flow Projection(s)	_____	_____	_____
• Herd Production lbs/cow	_____	_____	_____
• Herd Turnover Rate	_____	_____	_____
• Age at First Calving	_____	_____	_____
• Number of Heifers/Cow	_____	_____	_____
• Death Rate Percentage	_____	_____	_____
• Crop Acres/Crop	_____	_____	_____
• Production/Acre/Crop	_____	_____	_____
• _____	_____	_____	_____
• Cost/Acre/Crop	_____	_____	_____
• _____	_____	_____	_____