

Free help planning business cash flow



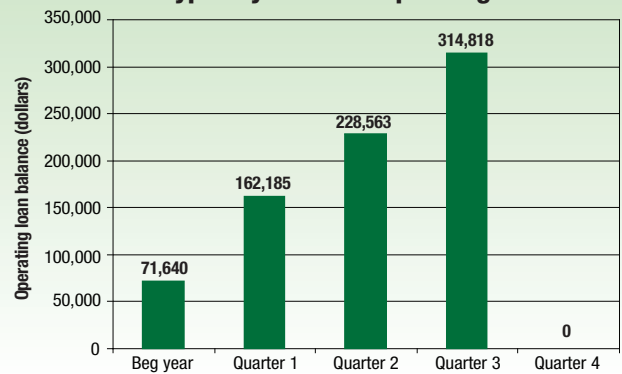
Sharp Farming
By GARRETT STOERGER

MIDWEST agriculture has experienced a colossal shift in its cost and revenue structure in

just over two years. Corn and soybean prices have doubled; fertilizer and seed prices are up 50%; and crop insurance is priced as high as \$75 per acre. So what impact does this have on farmers' cash flow for 2008?

Well, quite frankly, a lot. Your farming operation is no different than any business. The ability your farm has

Debt load typically rises from planting to harvest



SOURCE: UNIVERSITY OF ILLINOIS



to "cash flow" is the key to its financial success. For this reason, University of Illinois economists have created a Farm Analysis Solution Tool to perform cash-flow planning on your farm.

The Quick Cash Flow Projections tool is one of the many spreadsheets available for download from the farmdoc Web site. On the site, you can download a program description, a demonstration and a copy of the tool for yourself, all free of charge.

Setting it up

One of the greatest features of the Quick Cash Flow Projections tool is its flexibility. This tool can accommodate crop producers, swine producers, beef producers, dairy producers and any combination of the four. Furthermore, the tool only displays budgets for the commodities you have selected thus avoiding confusion.

The setup of the tool is straightforward: Report your acreage and inventory, provide details of bank account balances, list loan information, and report all receipts and expenses from the previous year. The listing of receipts and expenses may initially be time-consuming; however, this step will ensure the accuracy of the program.

Now for the fun part. Given last year's receipts and costs, it will be your job to predict what will happen in 2008. You may either index last years' numbers by a percentage, or enter in your own numbers. Percentages are helpful when you are projecting far into the future, where actual numbers become easier to work with when your projections are for the near future.

Next, it is necessary to allocate the expenses throughout the year. You can define an expense as payment by one lump sum, equal quarterly amounts, in any one quarter, or in a custom configuration. For example, expenses such as feed purchases may be equal across all quarters, while income taxes would be due entirely in the first quarter.

The results

The result of your efforts will be a quarterly statement of cash flows, complete with a comparison to 2007 levels. Charts of loan balances, income sources, and fund usage will be automatically generated similar to the one on this page. Accompanying your statement of cash flows is a series of financial reports, including a cash and accrual income summary. These reports can shed light on the profitability of your operation.

Stoerger is FAST Coordinator with University of Illinois Extension.

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