2019 Closeout Manual & FINPACK Software Updates


Center for Farm Financial Management

UNIVERSITY OF MINNESOTA | CFANS — COLLEGE OF FOOD, AGRICULTURAL AND NATURAL RESOURCE SCIENCES | APPLIED ECONOMICS

Closeout Manual Updates
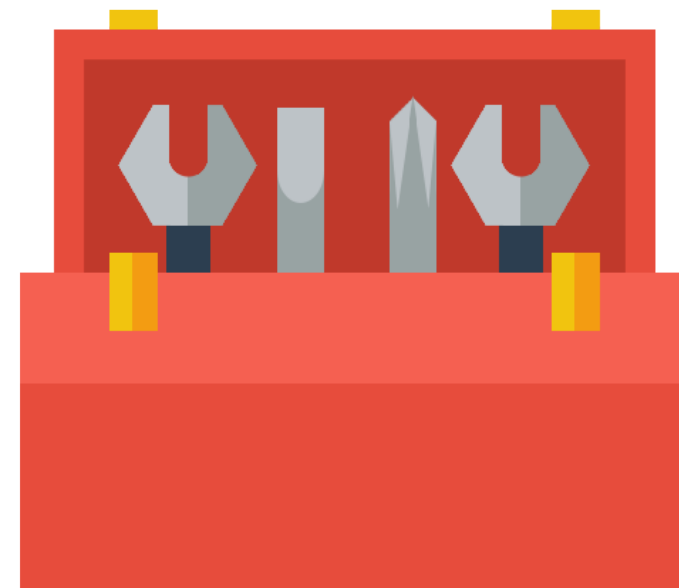
Market Facilitation Program

- <u>Whole Farm</u>
  - Enter as: **Other Government Payment**

- <u>Crop Enterprise Analysis</u>
  - Enter as: **Other Income**
  - *Do not enter / co-mingle with ARC/PLC payments received*
  - Allocate evenly per acre to all eligible crops

- <u>Livestock Enterprise Analysis</u>
  - Enter as: **Government Payment**

Market Facilitation Program

- <u>Potential Round 2 & 3 Payments</u> – those announced late in the year and not received by year end

  - Enter as: **Account Receivable on Balance Sheet**

  - Assign to: **Correct enterprise(s) in FINAN**
    - Include this account receivable amount in the enterprise allocation

Government Payment Types

Chart of Account Type:

- Crop Government Payments
- Livestock Government Payments
- Conservation Govt Payment
- CRP Payments
- Other Government Payments
- CCC Market Loan Gain

Example:

ARC/PLC payments

DMC payments

EQIP/CSP payments

CRP payments

MFP payments

CCC Market Loan gains & LDP's

Truck Expenses

- Farm Trucks
  - Split expenses **when possible – repairs, fuel, tabs** (misc. expense)
  - If **not possible**, use judgement. Include as **repairs or misc. expense**

- Semi / Grain Trucks
  - Consider related expenses **Hauling and Trucking expenses** (fuel, repairs, etc)

- Non-Farm / Over the Road Trucking
  - *Do not include* this non-farm income or expense *in the farm analysis*
  - Include as **Personal Business Income**
  - If desired, complete a **Value-Added Enterprise** to analyze

Labor Hours

- Operator Hours
  - **Crop farm**   2000 hours
  - **Diversified crop/livestock farm**   2500 hours
  - **Intensive livestock operation**   3000 hours

- Unpaid (family) labor hours
  - Include not only main operator on farm, but **all family** members that help (spouse, kids, etc)

- Review allocation between crop and livestock enterprises
  - Is this accurate?

Labor Hours

- Recommended Guides:
  - 1 FTE = 2400 hours
  - 1.2 million lbs of milk per FTE or 50 cows per FTE

	Average	2014	2015	2016	2017	2018
Corn	2.75	2.87	2.83	2.72	2.73	2.61
Soybeans	1.68	1.71	1.7	1.69	1.68	1.61
Alfalfa hay	4.09	4.59	4.02	4.01	3.83	4.01
Corn silage	4.41	4.56	4.53	4.34	4.15	4.41
Sugar beets	5.22	5.48	5.05	5.25	5.33	5.01
Dairy 100 – 200 cows	34.71	37.46	35.18	35.05	32.95	33.07
Dairy 200 – 500 cows	40.76	40.35	41.24	41.72	40.45	40.03
Dairy > 500 cows	44.93	42.24	45.34	45.37	48.45	42.85

Special Sorts

Additions	Removals
Whole Farm:	Crop Enterprise Analysis:
• MN Water Quality Certified	• Glyphosate resistant weeds
Crop Enterprise Analysis:	• Flexible cash rent
• Cover crop	• Combine 3rd & 4th year cont. crop to 3+
• Grown with cover crop	Livestock Enterprise Analysis:
• CSP/EQIP/Conservation practices	• BST
• Ethanol corn variety (Ex: Enogen)	• Feeding DDG's
Livestock Enterprise Analysis:	• TMR
• DMC – 1 year sign up	
• DMC – 5 year sign up	

Crop Enterprise Analysis

Prevented Plant Acres

- ## Whole Farm

  - Enter as: **Crop Insurance Income**

- ## Crop Enterprise Analysis

  - Use: **Prevented Planting** Crop type

  - Enter income as: **Crop Insurance Income <u>or</u>** as the **Yield with a value of $1**

  - MFP Payment? Enter as *Other Crop Income*

  - Cover Crop harvested? 2 Options:

    1. Use **Detailed Production Entry** to include the harvested cover crop. Keep all related expenses in Prevent Plant column.
    2. Enter as a **separate crop enterprise**. Code as double crop. Split expenses accordingly.

		1	
Crop	Prevented planting ▼	Corn	
Description			
Type	Normal ▼	Normal	
Acres owned		100	
Acres cash rented			
Acres share rented			
Your Share (%)	▼		
Total production (your share)	0 ···	136,	
Value per unit	···		
Total product value	8,000		
Hedging gain or loss	···		
Crop insurance income	29,500 ···		
LDP income	···		
Crop government payments	···		
Other income	1,500 ···		

Detail: Secondary products - Prevented planting

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Product	Prevented planting ▼	Hay, Small Grain
Production		200 ton
Vaule per unit		40.00
Total value		8,000.00
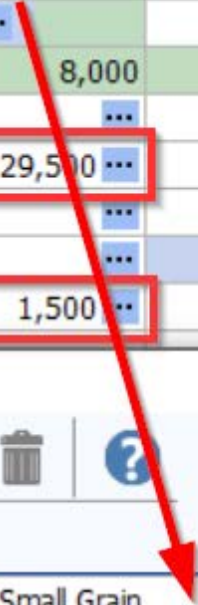
Cover Crops

- Two types of cover crops
    1. For agronomic / soil nutrient enhancement

    2. For harvest

- Cover crop type dictates how it's handled in the analysis.

Cover Crops – agronomic / soil nutrient enhancement

- <u>Balance Sheet</u>
  - Accumulate expenses as **Growing Crop**, with **Cover Crop expense category**

- <u>FINAN</u>
  - Enter additional cash expenses as **Cover Crop expense**

  - Allocate **Cover Crop Expenses** to the field/acreage in the current year or subsequent years, per the operator's discretion.

  - Tag the production crop with **"Grown with Cover Crop" special sort**
  - Consider *increasing overhead allocations* for crops including cover crops

  - *No longer "Cover Crop, Agronomic" crop type available*

Cover Crops – for harvest

- Balance Sheet
  - Accumulate expenses as **Growing Crop** or as **Prepaid Expenses.** Use the actual expense – seed, fertilizer, etc., *not the cover crop expense category.*

- FINAN
  - Enter cover crop as a **normal crop** – rye, etc
    - Crop type may be Cover Crop, Grazing. Production unit is aum's.

  - Use **Double Crop** crop type to keep total acres accurate
  - Enter expenses like you would for any crop
  - Select the **Cover Crop special sort**.

  - *No longer a Cover Crop, Forage crop type – this has been renamed Cover Crop, Grazing.*

EQIP Cost Share Payments – for Capital Investments

- ## FINAN
  - Enter total cost as **Capital Purchase.** The cost-share portion is entered as a **Capital Sale.**
  - No income or expense is included in the enterprise analysis

- ## Ending Balance Sheet
  - The **cost value** of the asset should reflect the *net* of the total purchase less the government cost-share payment
  - The **market value** should reflect the *full* market value of the asset

EQIP Cost Share Payments – for Production Practices

- <u>Whole Farm</u>
  - Enter income as **Conservation Govt Payment**

- <u>Enterprise Analysis</u>
  - Enter the income as **Other Income**

- *These funds were received for conservation practices on the farm that offset current year operating expenses*

Hay

- **Generic Hay crop -** only use on <u>balance sheet</u> and in <u>budgets</u> for projections
  - Ok because the Crop and Feed Check in FINAN calculates a Hay Equivalent Balance

- <u>In FINAN</u> - use the specific hay type
  - Hay, alfalfa
  - Hay, mixed
  - Hay, grass
  - Hay, small grain
  - Hay, clover

- *Haylage, Baleage, etc* - Convert to dry hay and use one of the above crops

Custom Work Enterprises

- Custom work enterprises should not have the following expenses allocated to them:
  - Real estate taxes
  - Long term interest

- Enter custom work enterprises on **Rented** acres in the crop analysis.

Overhead Expense Allocations

- When to **decrease** the standard allocation:
  - *Custom work* - custom harvest or other custom operations for the crop
    - Consider impact of custom work and adjust accordingly – Ex. Is the farm providing fuel or is that part of the custom operation?
  - *Double crop acres* – acres should only get hit for real estate taxes and long term interest once
  - Other unusual production situations that decreased power / time to the acres

- When to **increase** the standard allocation:
  - *Cover crop* grown on acres.
  - Other unusual production situations that increased power / time to the acres

Crop List Updates

- Added crop types:
  - Hemp, fiber (tons)
  - Hemp, seed (lbs.)
  - Sweetcorn, organic
  - Edible beans, organic

- <u>Proper units:</u>
  - *Peas, field* – must have a production unit of *bushels*. Convert lbs/cwts to bu.
  - *Edible bean crop types* – must have a production unit of *hundredweights* (cwt)

Standard Allocation Factor Updates

Crop	Previous	Revised
Corn Silage	60	70
Hay, Grass	30	40
Hay, Mixed	40	60
Hay		60
Peas – Field & Processing		30
Prevented Planting		20
Sweetcorn	50	35

- **<u>NOTE</u>**
  - Hay, Alfalfa hay, and Mixed - based on 3 cuttings
  - Hay, Grass - based on 2 cuttings
  - Recommend reducing custom harvested crops by 50% - Ex: corn silage = 35

Livestock Enterprise Analysis

Energy Corrected Milk & Other Dairy Updates

- <u>In FINAN</u> entry needed in **Other Information** tab of Livestock Table:
  - Total annual pounds of **Fat** sold
  - Total annual pounds of **Protein** sold
  - Number of milker units

- <u>Dairy Enterprise Analysis Output</u> – additional items in **Other Information**:
  - Lbs of fat & protein per cow (one combine number)
  - Energy corrected milk sold/cow

- ***Number of milk units** will be used for FINBIN Summary & Benchmark reports instead of Barn Capacity.*

1 - Dairy

Enterprise name	Dairy
Description	
Gender	
Contract	
Shared	No
Combine with ent. number	
Special sorts	**DMC 5yr, Free stall, Raise replac**
Delete from summary	No

Livestock Inventory | Product Sales and Other Income | Other Information

Average number of cows	104
Barn capacity	106
Number of milking units	4
Total pounds of protein sold	70,616
Total pounds of fat sold	86,008
Pregnancy rate (%)	20
Average somatic cell count (SCC)	150,000
Average days in milk (DIM)	250
Average age at first calving (months)	23
Average calving interval (months)	10

Miscellaneous	0.37	82.90	8622
Total overhead expenses	2.83	630.17	65538
Total dir & ovhd expense	17.23	3829.53	398272
Net return	-0.34	-75.03	-7803
Labor & management charge	1.10	245.38	25520
Net return over lbr & mgt	-1.44	-320.41	-33323
Est. labor hours per unit	0.16	35.73	3716

Cost of Prod Per Cwt. Of Milk

Total direct expenses	14.39
Total dir & ovhd expenses	17.23
With other revenue adjustments	18.03
With labor & management	19.13

Other Information

Number of cows	104.0	Average SCC	150,000
Milk produced per cow	22,231	Average DIM	250
Energy corrected milk per cow	23,174	Avg age at first calf (mo)	23.0
Lbs of protein & fat per cow	1,506	Pregnancy rate	20.0
Total milk sold	2,312,050	Avg calving interval (mo)	10.0
Lb. of milk sold per FTE	1,742,200	Feed cost per day	6.00
Culling percentage	31.7	Feed cost per cwt. of milk	9.85
Turnover rate	33.7	Feed cost per cow	2,188.76
Cow death loss percent	1.9	Hired labor per cow	111.11
Percent of barn capacity	98.1	Avg. milk price per cwt.	17.69
Cows per milking unit	26	Milk price / feed margin	7.84

Additional Dairy Report Items

- Expanded **Other Information** tab reporting.
  - Avg SCC
  - Avg Preg Rate
  - Avg Days in Milk
  - Avg Calving Interval
  - Avg Age at First Calving

- Now included in all report output.

** NOW A REQUIRED ENTRY. **

Dairy Enterprise Analysis Clarifications

- <u>Milk Sales</u>
  - Enter Gross dollars and all deductions
  - *Net milk check should not be used as total milk revenue*

- <u>Hauling & Trucking Expense</u>
  - Includes **<u>only</u>** milk hauling

- <u>Marketing Expense</u>
  - Includes:
    - Milk check marketing costs (checkoff, etc)
    - Cull cow hauling & related marketing expenses

Dairy Combined

- Make sure to combine the <u>Dairy</u> and <u>Dairy Replacement Heifer</u> enterprises.

2 - Dairy Replacement Heifers

Enterprise name	Dairy Replacement Heifers
Description	
Gender	
Contract	
Shared	No
Combine with ent. number	1
Special sorts	**Free stall, Raise replac**
Delete from summary	No

Livestock Feed

- **In Summary reports**, feed types will be combined. Summarized into:
  - Purchased feed
  - Corn
  - Corn Silage
  - Hay

- No change to individual FINAN output.

Livestock Enterprise Output

- Currently, 1 page output in RankEm/FINBIN Summary Reports
  - **Supplies** is the "catch all" category.
  - Smaller expense items are lumped here.

- Now option to have multi-page output
  - Would provide detail of smaller expense items, like Bedding, that are often lumped into Supplies.

Unique Enterprise Situations

- Unique enterprises like embryo sales, bull royalties, milk bottling
  - **Do not** include in **crop or livestock enterprise** analysis
    - These enterprises should reflect "normal" enterprises

  - **Include a Value-added enterprise**

- **Income and expenses** from unique farm enterprises <u>should be</u> included in **whole farm analysis.**

- **Segregate** income and expenses from crop or livestock analysis. Allocate to **"Other"** as appropriate.

2019 Points of Emphasis

- Include *year born* and *year started farming* for **all** farm operators.

- Include an enterprise analysis for all farms when possible.

- If <u>unpaid resources provided</u> by a family member – include the **value of resources** (hired labor, custom hire, machinery lease) with **offsetting personal income entry** to balance cash.

- Review **net worth discrepancies**.
  - <u>Causes:</u>
    - Liability discrepancies
    - Beg Value + Purchased – Sold ≠ Ending Value. Often changes in cost value of land.

- Feed Fed – include **quantity** and **value**

- Livestock enterprise reports – review for **feed efficiency** and **other efficiency** errors.

- Whole Farm Special Sorts – tag **Organic, Organic Transition, Specialty Crop, MDA Beginning Farmer Scholarship, Veterans**, & **MN Water Quality Certified**.

- Enter **detailed family living** information if possible.

- Custom hire operations – when a crop is produced using custom hire operations, **adjust allocation factors**. *Custom harvest, recommend a 50% reduction. Use judgement*

- Dairy hauling and trucking – should **only** include **milk hauling**. *Use marketing expense for milk & cull cow marketing expenses.*

- Labor Hours – special emphasis should be given to getting unpaid family labor hours correct.

- Review **special sorts**, **previous crops**, **crop production practices**.

FINPACK Annual Update

FINPACK NEW RELEASE

- Available mid-November. Version 6.0.

- ***Back up to Vault before installing fall release.*** Make sure files <u>Current</u> in Vault.

- Update process will make automatic changes to files. *Vault will list files as <u>Check-In</u> after update.*

FINPACK NEW RELEASE

- Available mid-November. Version 6.0.

- <u>Uniform Set-up Files</u>
  - Going forward – included as part of update.
  - You will select your State/Region during the install.

- What does this mean?
  - ***No longer installing Set Files with each update!***

Enterprise Analysis Training

Enterprise Analysis Training

- <u>Five webinar sessions – Friday mornings 8 am:</u>

  - Jan. 3   Balance sheets

  - Jan. 10   Whole farm analysis

  - Jan. 17   Crop enterprise analysis

  - Jan. 24   Livestock enterprise analysis

  - Jan. 31   Advanced livestock enterprise analysis