Information for Budgets/Cash Flow

Josh Tjosaas-Northland Community and Technical College
Moorhead Site
Information needed for your budgets and cash flow

• At NCTC FBM Moorhead—we emphasize the importance of completing a FINAN with enterprise analysis which allows us to get a good starting point for the next year’s cash flow and budget.

• If we don’t have that information or you are a new farmer to the program, we will use our area averages for a starting point to develop your budgets and cash flow.
Information needed for your budget and cash flow

- All needed information for budgets on a per acre basis:
  - Yield (Typical a 3-year average)
  - Price (We use FSA Planning Prices for most crops)
  - Misc. Income (Straw, etc.)
  - Seed
  - Fertilizer
  - Crop Chemicals
  - Organic Crop Protection
  - Crop Insurance
  - Drying Expense
Information needed for your budget and cash flow

- The following information is helpful especially if you have specific data for certain crops and allows adjusting your crop plan easier for multiple cash flows.
  - Storage
  - Packaging and Supplies
  - Custom Hire
  - Hired Labor
  - Hauling and trucking
  - Consultants
Information needed for your budget and cash flow

- Typically cash flows are 12 months, but can be set for less than 12 months. We can also do multiple year cash flows which are helpful to look at long range plans as well as cash flow plans regarding loans that will be paid off in the next year or two versus refinancing options.

<table>
<thead>
<tr>
<th>Type of plan</th>
<th>Monthly plan, crop &amp; livestock budgets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance sheet</strong></td>
<td></td>
</tr>
<tr>
<td>Year the plan begins</td>
<td>2005 Budgets</td>
</tr>
<tr>
<td>Beginning month</td>
<td>January</td>
</tr>
<tr>
<td>Ending month (first year)</td>
<td>December</td>
</tr>
<tr>
<td>Crop and livestock budgets</td>
<td>2005 Budgets</td>
</tr>
</tbody>
</table>
Information needed for your budget and cash flow

- Planned Crops and Acres, along with Share %
- Must have corresponding information in budgets as well as need labor hours in budgets to enter correctly.
Information needed for your budget and cash flow

- Crop Inventory Entry

FINPACK brings in inventory from the balance sheet and you work with your instructor to develop/enter when inventory, both old and new crop, will be sold and values when sold.

Prices and amounts are entered in planned months. If prices are unknown for new crop sales, FSA planning prices will be used. If crop is planned to be carried over at the end of year, we value with ending inventory value (most likely FSA prices).
Information needed for your budget and cash flow

• Direct Crop and Livestock Expenses are calculated based on acres and budgets and FINPACK allocates to specific months, but you can adjust when the amounts are paid.
Information needed for your budget and cash flow

- Related Operating Expenses will be needed to be entered in directly (history helps give an idea from your FINAN for these expenses), otherwise we will work together to get correct amounts.

- We will also work to allocate to correct months of expenses, all of this helps determine expected borrowing needs of the producer.
Information needed for your budget and cash flow

- Related Operating Expenses Needed-above those in budgets:
  - Storage
  - Fuel and Oil
  - Repairs
  - Custom Hire
  - Hired Labor
  - Owner Wages and Benefits (Corp, etc.)
  - Land Rent
  - Stock/quota lease (JV for beets)
Information needed for your budget and cash flow

• Machinery leases
• Building leases
• Livestock leases
• Real estate taxes
• Farm insurance
• Utilities
• Consultants
• Marketing
• Dues and professional fees
• Organic certification
• Miscellaneous
Information needed for your budget and cash flow

• Accounts payable needs to be entered from the balance sheet and make sure entered in correct month.
Information needed for your budget and cash flow

- Other cash flow information:
  - CCC market loan gain
  - Direct and CC govt. payments
  - CRP Payments
  - Conservation govt payments
  - Other government payments
  - Custom work income
  - Contract livestock income
  - Renewable energy income
  - Farm rental income
  - Patronage dividends, cash-Unit Retains for Sugarbeets
  - Crop insurance income
Information needed for your budget and cash flow

- Other farm income
- Personal wages and salary
- Personal business income
- Personal rental income
- Personal interest income
- Personal cash dividends
- Tax refunds
- Other personal income
- Gifts and inheritances
- Cash gifts given
- Family living/Owner draw
- Income & Social Security taxes (Need to match balance sheet entry)
Information needed for your budget and cash flow

- Planned capital purchases and sales-expected items, asset type and amounts along with expected month of purchase or sale.
Information needed for your budget and cash flow

- New Borrowings if needed include amount borrowed and month of borrowing.
Information needed for your budget and cash flow

• Loan Payments include all previous loan payments as well as new borrowings which will all need interest rates and P&I Payment. If new borrowings are paying off old loans, you will need to show the payoff in the month of payoff including principal and interest payoff from refinance.

<table>
<thead>
<tr>
<th>Lender</th>
<th>Description</th>
<th>Loan Term</th>
<th>Principal Balance</th>
<th>Accrued Interest</th>
<th>Amount Borrowed</th>
<th>Interest Rate</th>
<th>P &amp; I Payment</th>
<th>Jan</th>
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<tbody>
<tr>
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<td>7.50</td>
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<td>1sr Ntl PTR</td>
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<td></td>
<td>7.00</td>
<td>990</td>
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</table>
Information needed for your budget and cash flow

• Annual Operating Loan Page
• Need to have a minimum cash balance entered for each month, operating loan interest rate in each month and when interest payments on operating are made.
• All of this helps to calculated operating borrowing needs.
Ending Balance Sheet entry

• You work with your instructor to make entries on the ending balance sheet.