

2007

## CC426 Achieving Success with a Business Plan : Case Study of a Cow/Calf Business Plan

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# Achieving Success With a Business Plan

## Case Study of a Cow/Calf Business Plan

Jody Wichmann and John Hanson



Nebraska Cooperative  
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## EXECUTIVE SUMMARY

Brown Cattle Company is a family partnership operation in Yourtown, Nebraska. The operation is primarily a cow calf cattle operation with some corn production. We currently own 200 acres of land for crops and 400 acres of pasture. Currently, we have 64 head of commercial cows, 10 head of Main Anjou cows and 35 head of heifers. Since we decided to start our cattle operation in 1978, we grew steadily to an extent the operation is meeting most of our family living needs. During the last five years we have managed a stable networth of about \$750, 000. Our main near term goal is to increase our Maine Anjou herd to 50 head. The dryland corn production has essentially served as a source of diversification since the livestock operation is a low-margin business. Our primary strategy has been to be a low cost operator, capitalizing on profitable pricing as opportunities arise. Our key farm financial ratios are:

Current Ratio = 0.34

Debt to Asset Ratio = 0.22

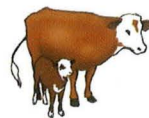
Although, we have decreased our Debt to Asset Ratio greatly since we started the operation, we are continually working on improving this measure because the return on investments in the cattle operation is low.

Freeing Donna from the farm work to enable her pursue nursing career, increasing the weaning percentage to 92 percent, exploiting the grading and pooling marketing opportunities, and better risk management are some of our near term plans.



## BUSINESS ORGANIZATION

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### Business Name and Address:

Brown Cattle Company  
C/O Dan and Donna Brown  
RR 1  
Yourtown, NE 68000

### Telephone:

Business: (402) 345-6789

Home: (402) 345-6789

### Type of Ownership:

Partnership

### Who is Involved in the Operation?

Name & Age:	Dan Brown 45	Position:	Owner & Operator
Name & Age:	Donna Brown 37	Position:	Owner & Bookkeeper
Name & Age:	Darcie Brown 22	Position:	General Labor
Name & Age:	David Brown 17	Position:	General Labor

### Business Advisors:

Deloris Debtpayer, Banker  
6200 Payroll Ave.  
Bigcity NE 68001  
(402) 543-9876

Darwin Defender, Lawyer  
PO Box X  
Bigcity, NE 68001  
(402) 543-2134



**"Happiness is nothing more than good health and a bad memory."**

**-Albert Schweitzer**

# HISTORY AND OVERVIEW OF OPERATION

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In 1978 Donna and I decided to start building our own cattle operation. My father owned all of the property at that time and, until 1988, I worked for him. When my father became ill, Donna and I decided to purchase the ground from my father. He agreed to loan us the \$150,000 at 8.0 % interest for 30 years.

Currently, we own 200 acres of dry-land corn. Of that 200 acres we chop approximately 30 acres for silage, and the remainder we sell as grain at harvest time.

We also put up 20 acres of alfalfa. In addition, we have 400 acres of pasture. Our farmstead is approximately 10 acres.

Our livestock operation consists of 64 head of commercial cows, 10 head of Maine Anjou cows used to raise 4-H livestock, and 35 head of heifers. We feed out the calves from the commercial cows to market weight, while the calves raised from the Maine Anjou cows are sold shortly after weaning.

The commercial cows are naturally serviced while we AI all of our Maine Anjou cows for better performance calves. We are considering expanding our AI program. We would like to expand our Maine Anjou herd to 50 head. If we do expand our herd, we would consider having a production sale on those animals.

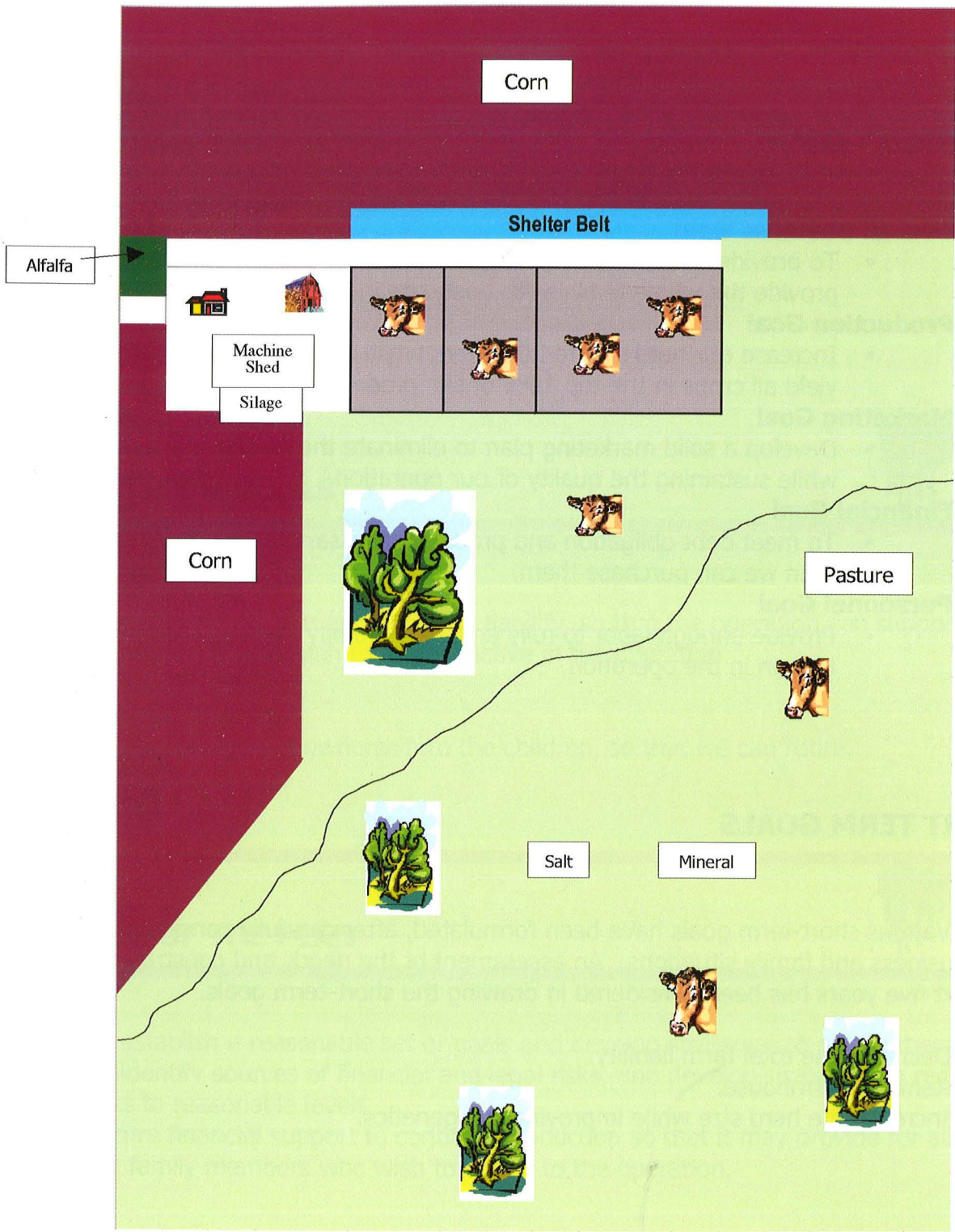
Our farm setup consists of two 90'x120' pens and one 120'x190' pen. We do have room to expand.

The farm is in good condition. Little maintenance has been needed, except for the annual cost of fence repairs.

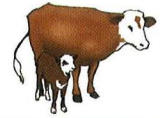
Donna received basic nursing-assistant training and would like to pursue this career in the future. However, we currently feel that her help, along with our son's, is needed on the operation to prevent the extra expense of hired labor.



# OPERATION LAYOUT



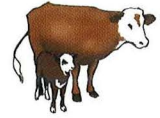




## **MISSION STATEMENT**

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**Our mission, with God's help, is to provide grade A quality beef, while efficiently using our resources and skills to the best of our ability.**



## **BUSINESS GOALS**

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### **Overall Business Goal**

- To provide quality livestock and commodities so that the operation can provide the whole family with adequate income.

### **Production Goal**

- Increase our herd size to 200 head, while improving our genetics, and yield all crops in the top 10% of like producers.

### **Marketing Goal**

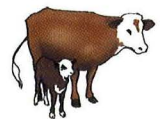
- Develop a solid marketing plan to eliminate the market low prices while sustaining the quality of our operation.

### **Financial Goal**

- To meet debt obligation and produce necessary feedstuffs cheaper than we can purchase them.

### **Personnel Goal**

- Provide enough labor to fully employ all family members who wish to remain in the operation.



## **SHORT TERM GOALS**

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Various short-term goals have been formulated, after carefully considering the farm business and family situations. An assessment of the needs and constraints for the next five years has been considered in drawing the short-term goals.

- Decrease the total farm liability.
- Remodel farmhouse.
- Increase the herd size while improving the genetics.



## LONG TERM GOALS

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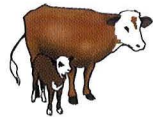


The long-term goals are a bit unclear at this point in time, since the business as a whole is facing dynamic challenges. Still, they have been formulated to provide guidance for future activities, mostly concentrate on family well being, and consider family succession.

- Develop the farming business to a stage where it can support all of our children who want to be involved in farming.
- Train and orient the children to take over the operation.
- Create sufficient retirement funds to cover retirement life.

## PRIORITIES & GOALS

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### First Priority

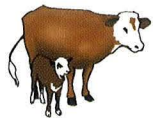
- Increase our production and decrease liability, so that the operation can support all family members who wish to remain active in the operation.

### Second Priority

- Provide a transition of ownership to the children, so that we can retire.

## PURPOSE OF THE PLAN

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1. To establish a reasonable set of goals and develop strategies to obtain them.
2. To identify sources of financial and legal risks, and develop strategies to reduce risks to reasonable levels.
3. Secure financial support to continue production so that it may provide for all of our family members who wish to return to the operation.

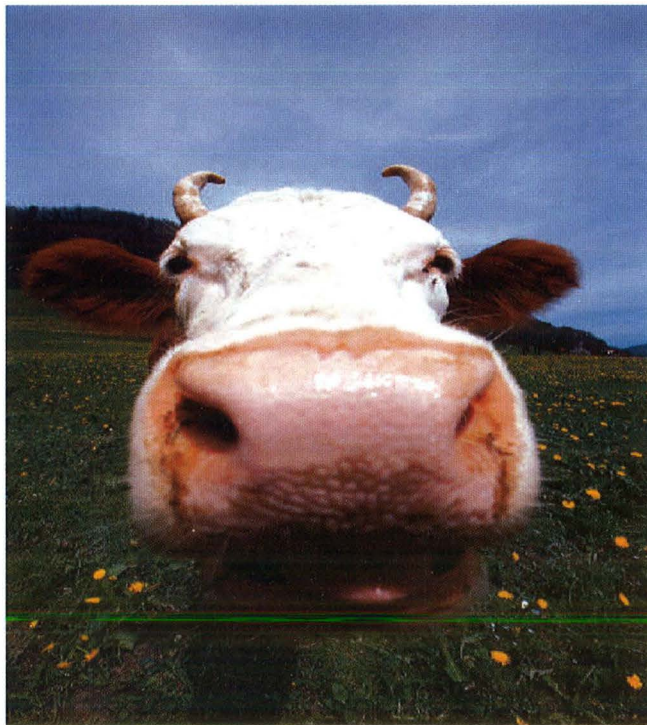
## STRATEGIC OUTLOOK

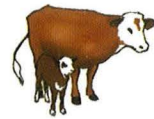
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We feel that the livestock production industry will continue to be a low margin business. We also understand that the operation is capital intensive with very low returns on investment, compared to other enterprises. However, it is the business as our lifestyle that made us choose this enterprise. Our business strategy is laid around a couple of concrete measures that will not only enable us to survive in the long run but also thrive in the risky environment.

- We plan to compete by being "low cost" producers, while taking advantage of the profitable pricing opportunities as they arise. Raising most of our hay and silage gives us a better edge since feeding costs alone can consume up to 40% of the total costs.
- As a risk management strategy, we have some level of diversification through our crop enterprise.
- Since the enterprise is a low-margin business, we tried to control our debt situation tightly and we plan on continuous monitoring.





## **PRESENT BUSINESS SITUATION**

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We are primarily a row crop operation. However, we do have a few cows and two hog finishing buildings. We feel very comfortable with our present operation and do not look to expand in the near future. Current production areas are:

- Own 200 acres of dryland corn.
- Own 20 acres of alfalfa ground.
- Own 400 acres of pasture ground.
- Own 10 acre farmstead.



## **LEGAL & CONTRACTUAL SITUATION**

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### **ASSET CONTRACTS**

- All farm assets are held in the name of Donna and I; my father holds the lien to the property, while the local bank holds a lien towards the livestock and machinery.

### **ESTATE PLAN/WILL**

- There is no written will or estate plan. This is the one area we want to explore further.

### **INSURANCE**

- The family carries a maximum life insurance policy of \$200,000. We don't have any disability insurance, though we would like to purchase some. We hold a health insurance policy, with \$1,000 annual deductible/person; 25% co-payment, with an annual stop loss of \$5,000. Automobile and trucks are covered with basic liability insurance only.

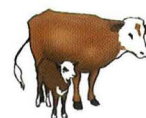
### **RETIREMENT PLANS**

- We have not been able to save for retirement at this time.

### **ENVIRONMENTAL PLANS**

- We do not have any plans at the moment.





## PRODUCTION SITUATION

The production plan is drawn to provide a brief review of the whole production activity of the farm business. Enterprises have been categorized and production particulars of each enterprise have been summarized for the last five years<sup>1</sup>.

### LIVESTOCK ENTERPRISE PRODUCTION TRENDS

DESCRIPTION OF THE SYSTEM:	COW/CALF OPERATION				
PRODUCTION YEAR	Year1	Year2	Year3	Year4	Year5
NUMBER OF FEMALES IN HERD	80	90	102	114	128
AVERAGE CONCEPTION RATE	93%	94%	94%	93%	94%
NUMBER OF FEMALES CALVED	74	84	96	106	120
AVERAGE BIRTHWEIGHT	82	82	82	82	82
NUMBER OF CALVES WEANED	70	79	90	100	113
AVERAGE WEANING WEIGHT	500	500	440	440	400

### CROP ENTERPRISE PRODUCTION TRENDS

DESCRIPTION OF THE SYSTEM:	CORN/SILAGE				
PRODUCTION YEAR	Year1	Year2	Year3	Year4	Year5
<b>CORN:</b>					
TOTAL ACRES	170	170	170	170	170
AVERAGE/ACRE bu	97	94	98	97	96
AVERAGE PRICE/UNIT \$	\$ 2.33	\$ 3.22	\$ 2.64	\$ 2.55	\$ 2.00
<b>SILAGE:</b>					
TOTAL PRODUCTION ton	480	375	495	450	450
AVERAGE/ACRE ton	\$ 16.00	\$ 12.50	\$ 16.50	\$ 15.00	\$ 15.00
TOTAL ACRES	30	30	30	30	30

### CROP ENTERPRISE PRODUCTION TRENDS

DESCRIPTION OF THE SYSTEM:	ALFALFA HAY				
PRODUCTION YEAR	Year1	Year2	Year3	Year4	Year5
TOTAL PRODUCTION ton	69.2	70	71.4	66.2	69.2
AVERAGE/ACRE ton	3.46	3.5	3.57	3.31	3.46
TOTAL ACRES	20	20	20	20	20
AVERAGE PRICE/UNIT \$	\$ 86.70	\$ 82.20	\$ 95.80	\$ 102.50	\$ 91.80

<sup>1</sup> Year5 is the most recent year for which the trends are presented.



## PRODUCTION SUMMARY

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Over the past five years we have tried weaning our calves at a younger age so that the cows can have more time to become conditioned for breeding. This has caused us to have the calves on feed longer, which has increased feed costs. We are not sure if we should continue this practice. All of our production efficiency measures like conception rate, calving percentage, and weaning percentage have been marginally improving. The weaning percentage has stayed around 88 percent, which is on par with the state average. In the future, we want to bring this close to 92 percent because this single measure can enhance profitability greatly.

However, Donna and I have been pleased with the herd's production levels. We would like to increase our Maine Anjou herd and also increase our AI program, hoping to produce better quality cattle and receive a better price.



**Life is like a ladder. Every step we take is either up or down.**





# FINANCIAL SITUATION

## BALANCE SHEET-TREND SHEET

Asset/Liability Item					
Date	12/31/Year1	12/31/Year2	12/31/Year3	12/31/Year4	12/31/Year5
<b>Current Farm Assets</b>					
Cash & Checking	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Prepaid Expenses & Supplies					
Growing Crops					
Accounts Receivable					
Hedging Accounts					
Crops & Feed					
Market Livestock					
Other Current Assets	\$ 18,570	\$ 19,865	\$ 21,116	\$ 21,985	\$ 23,368
<b>Total Current Assets</b>	\$ 20,570	\$ 21,865	\$ 23,116	\$ 23,985	\$ 25,368
<b>Intermediate Assets</b>					
Breeding Livestock	\$ 40,320	\$ 38,880	\$ 36,720	\$ 49,248	\$ 50,688
Machinery & Equipment	\$ 96,300	\$ 136,170	\$ 44,000	\$ 38,500	\$ 33,000
Other Intermediate Assets	\$ 45,000	\$ 74,250	\$ 66,825	\$ 60,143	\$ 54,128
<b>Total Intermediate Assets</b>	\$ 181,620	\$ 249,300	\$ 147,545	\$ 147,891	\$ 137,816
<b>Long Term Assets</b>					
Land and Improvements	\$ 640,000	\$ 672,000	\$ 705,600	\$ 740,880	\$ 777,924
Other Long Term Assets					
<b>Total Long Term Assets</b>	\$ 640,000	\$ 672,000	\$ 705,600	\$ 740,880	\$ 777,924
<b>Total Farm Assets</b>	\$ 842,190	\$ 943,165	\$ 876,261	\$ 912,756	\$ 941,108
<b>Total Non-Farm Assets</b>	\$ 65,000	\$ 58,500	\$ 52,650	\$ 47,385	\$ 42,647
<b>Total Assets</b>	\$ 907,190	\$ 1,001,665	\$ 928,911	\$ 960,141	\$ 983,755
<b>Current Farm Liabilities</b>					
Accounts Payable					
Current Loans					
Federal Income Taxes Payable	\$ 4,931	\$ 7,301	\$ 3,734	\$ 4,032	\$ 2,348
FICA Taxes Payable	\$ 4,316	\$ 5,510	\$ 3,510	\$ 3,790	\$ 2,207
State Taxes Payable	\$ 970	\$ 1,394	\$ 747	\$ 806	\$ 470
Property Taxes Payable	\$ 3,254	\$ 3,441	\$ 3,486	\$ 3,505	\$ 3,609
Principal, Current Notes Payable	\$ 7,069	\$ 9,826	\$ 23,339	\$ 37,891	\$ 59,649
Principal, Government Commodity Loans					
Current Portion Of Term Debt Principal	\$ 4,071	\$ 3,513	\$ 4,105	\$ 4,753	\$ 5,462
<b>Total Current Liabilities</b>	\$ 24,611	\$ 30,985	\$ 38,921	\$ 54,777	\$ 73,745
<b>Intermediate Farm Liabilities</b>					
Intermediate Loans					
Non-Current Portion Of Intermediate Term Debt Principal					
<b>Total Intermediate Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Long Term Farm Liabilities</b>					
Liabilities On Real Estate					
Non-Current Portion Of Long Term Debt Principal	\$ 147,246	\$ 145,701	\$ 144,033	\$ 142,232	\$ 140,286
<b>Total Long Term Liabilities</b>	\$ 147,246	\$ 145,701	\$ 144,033	\$ 142,232	\$ 140,286
<b>Total Farm Liabilities</b>	\$ 171,857	\$ 176,686	\$ 182,954	\$ 197,009	\$ 214,031
<b>Total Non-Farm Liabilities</b>					
<b>Total Liabilities and Equity</b>	\$ 171,857	\$ 176,686	\$ 182,954	\$ 197,009	\$ 214,031
<b>Total Equity</b>	\$ 735,333	\$ 824,979	\$ 745,957	\$ 763,132	\$ 769,724



# INCOME EXPENSES TREND SHEET-I

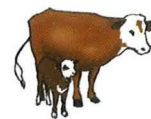
Income					
Production Income	Year1	Year2	Year3	Year4	Year5
Gross Crop Sales	\$ 38,422	\$ 51,456	\$ 43,982	\$ 42,050	\$ 32,640
Gross Cattle Sales	\$ 43,034	\$ 45,612	\$ 46,388	\$ 52,548	\$ 54,689
Gross Pasture Rental Income	\$ 4,275	\$ 3,296	\$ 1,807	\$ -	\$ -
Total Gross Income	\$ 85,731	\$ 100,364	\$ 92,177	\$ 94,598	\$ 87,329
Total Income From All Sources	\$ 85,731	\$ 100,364	\$ 92,177	\$ 94,598	\$ 87,329
Expenses					
Production Expenses:	Year1	Year2	Year3	Year4	Year5
Grain Enterprise	\$ 2,270	\$ 2,270	\$ 2,982	\$ 2,819	\$ 2,656
Seed	\$ 2,160	\$ 2,430	\$ 2,700	\$ 2,790	\$ 2,880
Fertilizer	\$ 3,672	\$ 4,030	\$ 4,496	\$ 4,302	\$ 4,370
Chemicals	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -
Drying Fuel & Repairs	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation Energy	\$ -	\$ -	\$ -	\$ -	\$ -
Irrigation Repairs	\$ 2,673	\$ 2,163	\$ 2,673	\$ 3,275	\$ 3,749
Operating Power & Crop Machinery	\$ 237	\$ 297	\$ 367	\$ 449	\$ 525
Building Repairs	\$ 177	\$ 221	\$ 273	\$ 332	\$ 382
Hired Labor	\$ 417	\$ 524	\$ 647	\$ 793	\$ 908
Utilities	\$ 1,294	\$ 2,300	\$ 2,300	\$ 528	\$ 604
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
Crop Insurance	\$ 739	\$ 1,222	\$ 1,222	\$ 330	\$ 330
Operating Loan Interest	\$ 767	\$ 913	\$ 1,055	\$ 981	\$ 1,031
Real Estate & Personal Property Taxes	\$ 2,380	\$ 2,550	\$ 2,550	\$ 2,550	\$ 2,635
<b>Total Crop Production Expenses - less taxes</b>	\$ 16,786	\$ 18,920	\$ 21,265	\$ 19,149	\$ 20,070
Cow/Calf Enterprise					
Number Of Mature Cows	80	90	102	114	128
Feed	\$ 3,126	\$ 5,118	\$ 8,476	\$ 11,568	\$ 12,834
Pasture Rent	\$ -	\$ -	\$ -	\$ -	\$ -
Hayland Rent and Haying Expense	\$ -	\$ -	\$ -	\$ -	\$ -
Veterinary	\$ 1,429	\$ 1,787	\$ 2,209	\$ 2,686	\$ 3,090
Livestock Supplies	\$ 482	\$ 603	\$ 745	\$ 906	\$ 1,042
Operating Power & Corp Machinery	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Building Repairs	\$ 205	\$ 257	\$ 317	\$ 388	\$ 445
Hired Labor	\$ 105	\$ 131	\$ 162	\$ 199	\$ 228
Utilities	\$ 64	\$ 80	\$ 98	\$ 121	\$ 138
Miscellaneous	\$ 279	\$ 375	\$ 431	\$ 332	\$ 382
Replacement Stock	\$ 9,200	\$ 9,200	\$ 9,200	\$ 9,200	\$ 10,400
Real Estate & Personal Property Taxes	\$ 582	\$ 1,242	\$ 1,145	\$ 948	\$ 863
Operating Loan Interest	\$ 859	\$ 1,040	\$ 1,261	\$ 899	\$ 1,579
<b>Total Cattle Expenses - less taxes</b>	\$ 16,481	\$ 19,983	\$ 24,194	\$ 27,397	\$ 31,151
Interest On Operating Loan Carried Over	324	1599	3741	6033	9437
Pre-Tax Production Expenses	33267	38876	45461	46547	51210
Interest On Land Debt	11055	10873	10677	10465	10237
Interest On Replacement Stock Debt	1100	920	722	504	264
Equipment Depreciation	\$ 9,700	\$ 9,700	\$ 9,700	\$ 9,700	\$ 9,700
<b>Net Taxable Farm Income</b>	\$ 30,609	\$ 39,995	\$ 25,617	\$ 27,382	\$ 15,918
Farm Income Tax Liability	4931	7559	3843	4107	2388
Farm FICA Liability	4316	5639	3612	3861	2245
Farm State Income Tax	970	1440	769	821	478
<b>Net After-Tax Income</b>	\$ 20,392	\$ 25,357	\$ 17,393	\$ 18,593	\$ 10,807



## FAMILY LIVING EXPENSES, LOANS & CASH FLOW

<b>Family Living Expenses</b>	<b>Year1</b>	<b>Year2</b>	<b>Year3</b>	<b>Year4</b>	<b>Year5</b>	
Number Of Family Members	4	3	3	3	3	
Food and Meals	\$ 4,860	\$ 5,006	\$ 5,506	\$ 5,672	\$ 4,537	
Medical Care and Health Insurance	\$ 1,955	\$ 2,151	\$ 2,366	\$ 2,602	\$ 2,732	
Household Supplies	\$ 2,643	\$ 2,696	\$ 2,965	\$ 3,025	\$ 3,085	
Clothing	\$ 3,060	\$ 3,121	\$ 3,133	\$ 3,502	\$ 3,152	
Child Care	\$ -	\$ -	\$ -	\$ -	\$ -	
Gifts	\$ 1,700	\$ 1,734	\$ 1,907	\$ 1,946	\$ 1,984	
Education	\$ 7,090	\$ 7,090	\$ 7,090	\$ 7,090	\$ 7,090	
Recreation	\$ 2,184	\$ 2,228	\$ 2,339	\$ 3,300	\$ 3,531	
Utilities (household)	\$ 2,262	\$ 2,307	\$ 2,538	\$ 2,589	\$ 2,330	
Non-Farm Vehicle Operating Expenses	\$ 2,385	\$ 2,433	\$ 2,481	\$ 2,531	\$ 2,582	
Household Real-Estate Taxes	\$ 874	\$ 891	\$ 936	\$ 955	\$ 974	
Household Repairs	\$ 2,454	\$ 2,503	\$ 2,628	\$ 2,681	\$ 2,734	
Life Insurance	\$ 1,623	\$ 1,655	\$ 1,821	\$ 1,857	\$ 1,895	
Non-Farm Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	
Non-Farm FICA Tax	\$ -	\$ -	\$ -	\$ -	\$ -	
Non-Farm State Income Tax	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Living Expenses</b>	<b>\$ 33,090</b>	<b>\$ 33,815</b>	<b>\$ 35,710</b>	<b>\$ 37,750</b>	<b>\$ 36,626</b>	
Major Purchases - Amortized Loans:	\$-trade-in	Cash Down	Financed	Annual Int.	Term, yr..	Annual Pmt.
Land Purchased, Jan. 1988	0	0	\$ 150,000	8%	30	\$ 13,324
Replacement Stock, Jan 1994	0	0	\$ 11,000	10%	5	\$ 2,902
Equipment Purchased, Jan 1988	0	0	\$ 55,000	10%	7	\$ 11,297
<b>Cash Flow:</b>						
Net After-Tax Farm Cash Flow	\$ -	\$ -	\$ -	\$ -	\$ -	
Gross Off-Farm Income	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Family Living Expenses (including taxes)	\$ 33,090	\$ 33,815	\$ 35,710	\$ 37,750	\$ 36,626	
Land Payments	13324	13324	13324	13324	13324	
Replacement Stock Payments	2902	2902	2902	2902	2902	
Machinery Payment	1273	265	0	0	0	
Cash Flow Before Downpayments & Cash Purchases	\$ (50,589)	\$ (50,306)	\$ (51,936)	\$ (53,976)	\$ (52,852)	
Cash Used For Down Payments & Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	
Carryover (or downpayment) Operating Loan	\$8,342	3456	13444	14714	21844	
Year-End Checking Balance \$2000 min. bal. Each Jan.	2000	2000	2000	2000	2000	
Year-End Operating Loan Note Principal Balance	\$8,342	\$11,798	\$25,242	\$39,956	\$61,800	
<b>Value Of Unpaid Family Labor (equal to family living expenses)</b>	<b>\$ 33,090</b>	<b>\$ 33,815</b>	<b>\$ 35,710</b>	<b>\$ 37,750</b>	<b>\$ 36,626</b>	

## LIQUIDITY & SOLVENCY MEASURES



FINANCIAL MEASURES WORKSHEET					
<b>LIQUIDITY MEASURES</b>					
1. CURRENT ASSETS	TOTAL CURRENT ASSETS		TOTAL CURRENT LIABILITIES		
	25368	/	73745	=	0.34
2. WORKING CAPITAL	TOTAL CURRENT ASSETS		TOTAL CURRENT LIABILITIES		
	25368	-	73745	=	-48377
<b>SOLVENCY MEASURES</b>					
3. DEBT TO ASSET RATIO	TOTAL LIABILITIES		TOTAL ASSETS		
	214031	/	983755	=	0.22
4. EQUITY TO ASSET RATIO	TOTAL EQUITY		TOTAL ASSETS		
	769724	/	983755	=	0.78
5. DEBT TO EQUITY RATIO (LEVERAGE RATIO)	TOTAL LIABILITIES		TOTAL EQUITY		
	214031	/	769724	=	0.28



**If you don't make a living, live on what you make.**



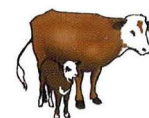
## SUGGESTED FINANCIAL RATIO BENCHMARKS<sup>2</sup>

FINANCIAL MEASURE	GUIDELINE		
	Green	Yellow	Red
Current Ratio	>1.50	1.0-1.5	<1.0
Working Capital	Positive		
Debt to Asset Ratio	<.30	.30-.60	>.70
Equity to Asset Ratio	>.70	.40-.770	<.40
Debt to Equity Ratio	<.50	.5-1.50	>1.5

Source: Nebraska Farm Business Association



**Spend less than you get.**



## FINANCIAL SUMMARY

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We have had very good years, but this past downturn has been costly. Our current debt to asset ratio is at 22%. We need to improve our current ratio and control costs in the short run. Currently, we are using Quick Books for our accounting record keeping needs, which is meeting the IRS reporting for doing balance sheets etc.

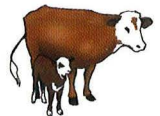
<sup>2</sup> Green = Sound financial position; Yellow = Caution; Red = Immediate action is needed



## MARKETING SITUATION

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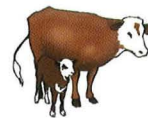
We have established quite a name for ourselves within the 4-H livestock industry, so the demand for these calves is high. However, the market cattle are sold at the time when we feel they are ready. We sell these calves at the local sale barn. However, since the demand for our weaned cattle is derived from feedlot cattle demand, which is ultimately driven by the consumer demand a close watch on the cattle demand cycles is needed for future decision making.



## MARKETING PLAN

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Currently, we are marketing our calves around 500 lb wt. at the local barn sale, when we feel they are ready for the market. Since we are planning on expanding our Maine Anjou herd, in the future, to receive better prices we are thinking of keeping the calves through stockering or feeding. However, we want to do some historical data analysis to study the potential returns to cost of adding weight to calves. Another strategy we are thinking of is to develop formal relationships with other operators in our region for graded and pooled sales for getting higher prices. We feel that our genetically superior cattle can fetch higher prices but our production falls short of the contract sizes and we need to pool with other operators with similar cattle genetics in our area.



## PERSONNEL SITUATION

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**Name:** Dan Brown

**Address:** RR 1

**City:** Yourtown

**State:** NE

**Zip:** 68000

**Title & Position:** Owner and Manager

**Time Commitment:** 60+ hours per week

**Skills & Contributions:**

**Name:** Donna Brown

**Address:** RR 1

**City:** Yourtown

**State:** NE

**Zip:** 68000

**Title & Position:** Owner and Bookkeeper

**Time Commitment:** 30+ hours per week

**Skills & Contributions:**

**Name:** David Brown

**Address:** RR 1

**City:** Yourtown

**State:** NE

**Zip:** 68000

**Title & Position:** Labor

**Time Commitment:** 30 hours per week, average

**Skills & Contributions:**

**Name:** Darcie Brown

**Address:** RR 1

**City:** Yourtown

**State:** NE

**Zip:** 68000

**Title & Position:** Labor

**Time Commitment:** Varied, due to college schedule

**Skills & Contributions:**





## JOB DESCRIPTION, SALARY, & BENEFITS

Employee Name	Job Description	Salary	Benefits
Dan Brown	Plant and market crops and livestock. Pay bills and secure loans.	Same as family living expenses	Not applicable
Donna Brown	Bookkeeping, pay bills and secure loans.	Same as family living expenses	Not applicable
David Brown	General labor	None	Not applicable
Darcie Brown	General Labor	None	Not applicable



## LABOR & TRAINING GOALS

Goal	Barrier	Planned Response	Measurement
High productivity	Limited resources	Check into leasing or renting new farm equipment	Increase yields
Improve marketing skills	Limited knowledge and experience	Research and study profitable marketing strategies	Higher returns on crops harvested and livestock sold
Reduce farm debt	Low crop returns and cattle returns	Cut back spending	Decrease debt load within 3 years
Create retirement savings plan	Limited knowledge and funds	Receive education on investment options, and reduce spending in other areas	Have a retirement fund created within the next year



## PERSONNEL SUMMARY

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Our operation is a family based operation, with my wife, son, and daughter providing the labor, bookkeeping, and management skills. The operation is run as a partnership. My wife and I are both active in paying bills and obtaining loans. I am primarily in charge of the planting and marketing of the crops and livestock, while Donna is in charge of the bookkeeping.

We do not have any type of hired labor. We do feel that, in time, there will be a need for transferring the knowledge of management and accounting to the children, after they both finish college and decide to take over the operation.



**"We are all in the gutter, but some of us are looking at the stars."**

**-Oscar Wilde**