

Long-Range Budget Assumption:  
 These plans are fully operational. Transition has been completed and the cash flow needed to make these changes was available.

Organic\_Dairy\_Transition

FINLRB: Options

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**FINPACK**

File: Organic\_Dairy\_Transition

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PLAN DESCRIPTION	Raised Corn Grain			Raised Corn Grain		
	Base Plan Conventio	Alt. 1 Organic Startup Buy Corn	Alt. 2 Organic Startup \$25 Milk	Alt. 3 Organic Startup \$27 Milk	Alt. 4 Organic Startup \$29 Milk	Alt. 5 Owned Cows to Organic
Total crop acres	58	28	58	58	58	58
Total pasture acres	30	30	30	30	30	30
Total labor hours	3,850	3,850	3,850	3,850	3,850	3,850
Change in farm assets	225,200	245,200	245,200	245,200	245,200	245,000
Change in farm liabilities	245,200	245,200	245,200	245,200	245,200	-
Crop Plan	Yield/Acre	Share				
Hay, Grass	4.0 ton	100 %	4.0	4.0	4.0	4.0
Pasture, Feed Intensive	15.0 ton	100 %	30.0	30.0	30.0	30.0
Corn Silage	22.5 ton	100 %	24.0	24.0	24.0	24.0
FdCorn, HM, HMSC	5.1 ton	100 %	30.0	-	30.0	30.0
Livestock Plan	Unit	Sales/Unit				
Dairy, Conventional	Cow	20000 lb.	60	-	-	-
Dairy, Organic, Buy Corn	Cow	18000 lb.	-	60	-	-
Dairy, Organic \$25	Cow	18000 lb.	-	-	60	-
Dairy, Organic \$27	Cow	18000 lb.	-	-	-	60
Dairy, Organic \$29	Cow	18000 lb.	-	-	-	60
Dairy Replac, Conventional	head	1.00 head	55	-	-	-
Dairy Replac, Organic	head	1.00 head	-	55	55	55
Corn, Feed HM (ton)						
Produced			152	-	152	152
Fed			152	152	152	152
Balance			0	-152	0	0
Hay, Grass (ton)						
Produced			16	16	16	16
Fed			36	36	36	36
Balance			-20	-20	-20	-20
Corn Silage (ton)						
Produced			540	540	540	540
Fed			540	540	540	540
Balance			-	-	-	-
Rye Silage (ton)						
Produced			180	180	180	180
Fed			180	180	180	180
Balance			-	-	-	-
Pasture, Feed Intensive (ton)						
Produced			450	450	450	450
Fed			450	450	450	450
Balance			-	-	-	-

Assumptions: Cattle are the only owned assets. All cropland and the dairy facility are cash rented. Custom hire is used for all cropping operations. The first four options are startup situations where a producer is buying cows to start a dairy operation. Alternative 5 looks at an established producer who already owns cows but rents cropland and the dairy facility.



**PROFITABILITY**

		<b>Base Plan Conventio</b>	<b>Alt. 1 Organic Startup Buy Corn</b>	<b>Alt. 2 Organic Startup \$25 Milk</b>	<b>Alt. 3 Organic Startup \$27 Milk</b>	<b>Alt. 4 Organic Startup \$29 Milk</b>	<b>Alt. 5 Owned Cows to Organic</b>
<b>INCOME STATEMENT (Typical Year)</b>							
Corn, Feed HM	\$ 149/ton	45	-	45	45	45	45
Milk	\$ 15.75/cwt.	189,000	-	-	-	-	-
Milk	\$ 27.00/cwt.	-	291,600	-	-	-	-
Milk	\$ 25.00/cwt.	-	-	270,000	-	-	-
Milk	\$ 27.00/cwt.	-	-	-	291,600	-	291,600
Milk	\$ 29.00/cwt.	-	-	-	-	313,200	-
Cull breeding livestock		10,752	10,752	10,752	10,752	10,752	10,752
Misc. livestock income		3,240	3,240	3,240	3,240	3,240	3,240
(A) Gross farm income		203,037	305,592	284,037	305,637	327,237	305,637
Crop seed		5,182	2,563	5,182	5,182	5,182	5,182
Crop fertilizer		6,603	3,492	6,603	6,603	6,603	6,603
Crop custom hire		9,406	7,996	9,406	9,406	9,406	9,406
Crop land rent		4,500	-	4,500	4,500	4,500	4,500
Purchased Fd Corn, HM	\$ 575/ton	-	87,285	-	-	-	-
Purchased Grass Hay	\$ 72.60/ton	1,452	1,452	1,452	1,452	1,452	1,452
Purchased feed		52,275	115,470	115,470	115,470	115,470	115,470
Breeding fees		3,600	1,200	1,200	1,200	1,200	1,200
Veterinary		9,490	6,850	6,850	6,850	6,850	6,850
Livestock supplies		3,840	3,840	3,840	3,840	3,840	3,840
DHIA		1,680	1,680	1,680	1,680	1,680	1,680
Livestock marketing		12,843	12,843	12,843	12,843	12,843	12,843
Bedding		4,600	4,600	4,600	4,600	4,600	4,600
Livestock miscellaneous		1,100	1,100	1,100	1,100	1,100	1,100
Interest		12,958	12,958	12,958	12,958	12,958	85
Fuel & oil		1,500	1,500	1,500	1,500	1,500	1,500
Repairs		1,500	1,500	1,500	1,500	1,500	1,500
Hired labor		6,000	6,000	6,000	6,000	6,000	6,000
Land rent		6,000	6,000	6,000	6,000	6,000	6,000
Building leases		15,000	15,000	15,000	15,000	15,000	15,000
Farm insurance		600	600	600	600	600	600
Utilities		3,600	3,600	3,600	3,600	3,600	3,600
Dues & professional fees		1,200	1,200	1,200	1,200	1,200	1,200
Miscellaneous		3,240	3,240	3,240	3,240	3,240	3,240
(B) Total cash farm expense		168,169	301,970	226,324	226,324	226,324	213,451
(C) Net cash farm income		34,868	3,622	57,713	79,313	100,913	92,186
Depreciation		-	-	-	-	-	-
(D) Net farm income		34,868	3,622	57,713	79,313	100,913	92,186

		<b>Base Plan Conventio</b>	<b>Alt. 1 Organic Startup Buy Corn</b>	<b>Alt. 2 Organic Startup \$25 Milk</b>	<b>Alt. 3 Organic Startup \$27 Milk</b>	<b>Alt. 4 Organic Startup \$29 Milk</b>	<b>Alt. 5 Owned Cows to Organic</b>
<b>PROFITABILITY MEASURES (Market)</b>							
Net farm income	(D)	34,868	3,622	57,713	79,313	100,913	92,186
Labor & management earnings	(D-E)	34,868	3,562	57,653	79,253	100,853	77,426
<b>Rate of return on farm assets</b>	(H/I)	<b>10.1 %</b>	<b>-2.4 %</b>	<b>18.2 %</b>	<b>26.5 %</b>	<b>34.9 %</b>	<b>26.6 %</b>
<b>Rate of return on farm equity</b>	(J/K)	<b>- %</b>	<b>-1,894. %</b>	<b>3,185.7 %</b>	<b>5,237.7 %</b>	<b>7,289.7 %</b>	<b>26.5 %</b>
<b>Rate of return on added investment</b>	(L/M)		<b>-144.2 %</b>	<b>109.8 %</b>	<b>212.4 %</b>	<b>315.0 %</b>	<b>214.5 %</b>
<b>Operating profit margin</b>	(H/N)	<b>15.3 %</b>	<b>-5.9 %</b>	<b>26.8 %</b>	<b>34.6 %</b>	<b>40.8 %</b>	<b>34.6 %</b>
<b>Asset turnover</b>	(N/I)	<b>66.0 %</b>	<b>41.2 %</b>	<b>67.9 %</b>	<b>76.7 %</b>	<b>85.4 %</b>	<b>76.7 %</b>
(E) Interest on farm net worth	(K*6%)	-	60	60	60	60	14,760
(F) Farm interest paid		12,958	12,958	12,958	12,958	12,958	85
(G) Value operators labor & mgt		24,965	22,569	25,856	26,936	28,016	26,936
(H) Return on farm assets	(D+F-G)	22,860	-5,989	44,815	65,335	85,855	65,335
(I) Total farm assets		226,200	246,200	246,200	246,200	246,200	246,000
(J) Return on farm equity	(D-G)	9,902	-18,947	31,857	52,377	72,897	65,250
(K) Total farm net worth		-19,000	1,000	1,000	1,000	1,000	246,000
(L) Added return to added investment			-28,849	21,955	42,475	62,995	42,475
(M) Added capital invested			20,000	20,000	20,000	20,000	19,800
(N) Value of farm production		149,310	101,385	167,115	188,715	210,315	188,715

**LIQUIDITY****CASH FLOW (Typical Year)**

Net cash farm income	(C)	34,868	3,622	57,713	79,313	100,913	92,186
Nonfarm income	(+)	-	-	-	-	-	-
Net cash available	(=)	34,868	3,622	57,713	79,313	100,913	92,186
Family living	(-)	30,000	30,000	30,000	30,000	30,000	30,000
Income taxes and social security	(-)	5,701	101	12,953	19,932	28,626	25,329
(R) Cash available for principal payments	(=)	-833	-26,479	14,759	29,381	42,287	36,856
Farm interest paid	(+)	12,958	12,958	12,958	12,958	12,958	85
Cash avail. for principal and interest	(=)	12,125	-13,521	27,717	42,339	55,245	36,941
Bank		32,785	32,785	32,785	32,785	32,785	-
Bank 2		8,838	8,838	8,838	8,838	8,838	-
Bank 3		4,465	4,465	4,465	4,465	4,465	-
Operating loan interest		85	85	85	85	85	85
(S) Total scheduled principal and interest	(-)	46,173	46,173	46,173	46,173	46,173	85
Cash available after loan payments	(=)	-34,048	-59,694	-18,456	-3,834	9,072	36,856
Annual capital replacement		-	-	-	-	-	-
Principal paid on intermediate debts		33,215	33,215	33,215	33,215	33,215	-
(T) Cash required for replacement	(-)	-	-	-	-	-	-
(U) <b>Cash surplus or deficit</b>	(=)	<b>-34,048</b>	<b>-59,694</b>	<b>-18,456</b>	<b>-3,834</b>	<b>9,072</b>	<b>36,856</b>

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<b>LIQUIDITY MEASURES</b>							
Cash available for principal payments	(R)	-833	-26,479	14,759	29,381	42,287	36,856
Annual farm long term principal pymts	(-)	-	-	-	-	-	-
(V) Cash available for farm intermed. debt	(=)	-833	-26,479	14,759	29,381	42,287	36,856
(W) Farm intermediate debt to be served		245,200	245,200	245,200	245,200	245,200	-
Years to turnover farm intermed. debt	(W/V)	999.0	999.0	16.6	8.3	5.8	-
Surplus as a percent of payments	(U/(S+T))	-73.7 %	-129.3 %	-40.0 %	-8.3 %	19.6 %	43,360. %
<b>Cash farm expense as % of income</b>	(B/A)	<b>82.8 %</b>	<b>98.8 %</b>	<b>79.7 %</b>	<b>74.1 %</b>	<b>69.2 %</b>	<b>69.8 %</b>
Farm interest as % of value of prod.	(F/N)	8.7 %	12.8 %	7.8 %	6.9 %	6.2 %	0.0 %
Farm debt payments as % of value of prod.		30.9 %	45.5 %	27.6 %	24.5 %	22.0 %	0.0 %

**SOLVENCY****BALANCE SHEET (Market)**

Current farm assets		1,000	1,000	1,000	1,000	1,000	1,000
Intermediate farm assets	(+)	225,200	245,200	245,200	245,200	245,200	245,000
Long term farm assets	(+)	-	-	-	-	-	-
Nonfarm assets	(+)	35,000	35,000	35,000	35,000	35,000	35,000
(X) Total assets	(=)	261,200	281,200	281,200	281,200	281,200	281,000
Current farm liabilities		33,215	33,215	33,215	33,215	33,215	-
Intermediate farm liabilities	(+)	211,985	211,985	211,985	211,985	211,985	-
Long term farm liabilities	(+)	-	-	-	-	-	-
Nonfarm liabilities	(+)	-	-	-	-	-	-
(Y) Total liabilities	(=)	245,200	245,200	245,200	245,200	245,200	-
Net worth	(X-Y)	16,000	36,000	36,000	36,000	36,000	281,000

**SOLVENCY MEASURES**

Current percent in debt		3,321.5 %	3,321.5 %	3,321.5 %	3,321.5 %	3,321.5 %	- %
Current & intermediate pct in debt		108.4 %	99.6 %	99.6 %	99.6 %	99.6 %	- %
Long term percent in debt		- %	- %	- %	- %	- %	- %
Nonfarm percent in debt		- %	- %	- %	- %	- %	- %
<b>Total percent in debt</b>	(Y/X)	<b>93.9 %</b>	<b>87.2 %</b>	<b>87.2 %</b>	<b>87.2 %</b>	<b>87.2 %</b>	<b>- %</b>

**NET WORTH CHANGE (Typical Year)**

Net farm income		34,868	3,622	57,713	79,313	100,913	92,186
Nonfarm income	(+)	-	-	-	-	-	-
Family living	(-)	30,000	30,000	30,000	30,000	30,000	30,000
Income taxes and social security	(-)	5,701	101	12,953	19,932	28,626	25,329
<b>Net worth change per year</b>	(=)	<b>-833</b>	<b>-26,479</b>	<b>14,759</b>	<b>29,381</b>	<b>42,287</b>	<b>36,856</b>

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<b>FINANCIAL STANDARDS MEASURES</b>						
Liquidity						
Current ratio	0.03	0.03	0.03	0.03	0.03	999.00
Working capital	-32,215	-32,215	-32,215	-32,215	-32,215	1,000
Solvency						
Farm debt to asset ratio	108.4 %	99.6 %	99.6 %	99.6 %	99.6 %	- %
Farm equity to asset ratio	-8.4 %	0.4 %	0.4 %	0.4 %	0.4 %	100.0 %
Farm debt to equity ratio	999.0 %	24,520. %	24,520. %	24,520. %	24,520. %	- %
Profitability						
Rate of return on farm assets	10.1 %	-2.4 %	18.2 %	26.5 %	34.9 %	26.6 %
Rate of return on farm equity	- %	-1,894. %	3,185.7 %	5,237.7 %	7,289.7 %	26.5 %
Operating profit margin	15.3 %	-5.9 %	26.8 %	34.6 %	40.8 %	34.6 %
Net farm income	34,868	3,622	57,713	79,313	100,913	92,186
Repayment Capacity						
Term debt coverage ratio	26.1 %	-29.5 %	60.0 %	91.7 %	119.7 %	999.0 %
Capital replacement margin	-34,048	-59,694	-18,456	-3,834	9,072	36,856
Efficiency						
Asset turnover	66.0 %	41.2 %	67.9 %	76.7 %	85.4 %	76.7 %
Operating expense ratio	76.4 %	94.6 %	75.1 %	69.8 %	65.2 %	69.8 %
Depreciation expense ratio	- %	- %	- %	- %	- %	- %
Interest expense ratio	6.4 %	4.2 %	4.6 %	4.2 %	4.0 %	0.0 %
Net farm income ratio	17.2 %	1.2 %	20.3 %	25.9 %	30.8 %	30.2 %

**CROP AND LIVESTOCK PRODUCTION**

Hay, Grass	ton	16	16	16	16	16	16
Pasture, Feed Intensive	ton	450	450	450	450	450	450
Pasture	ton	450	450	450	450	450	450
Corn Silage	ton	540	540	540	540	540	540
Rye Silage	ton	180	180	180	180	180	180
Corn, Feed HM	ton	152	-	152	152	152	152
Milk	lb.	1,200,000	-	-	-	-	-
Milk	lb.	-	1,080,000	-	-	-	-
Milk	lb.	-	-	1,080,000	-	-	-
Milk	lb.	-	-	-	1,080,000	-	1,080,000
Milk	lb.	-	-	-	-	1,080,000	-
Dairy Replac	head sold	55	-	-	-	-	-
Dairy Replac	head sold	-	55	55	55	55	55

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<b>SENSITIVITY ANALYSIS</b>						
Effect Of A 2 % Decrease In All Enterprises						
Net farm income	28,454	-3,222	49,679	70,847	92,015	83,720
Cash surplus or deficit	-38,734	-66,437	-23,924	-9,515	3,543	31,941
Net worth change per year	-5,519	-33,222	9,291	23,700	36,758	31,941
Effect Of A 10 % Decrease In All Enterprises						
Net farm income	2,290	-30,598	17,035	36,475	55,915	49,348
Cash surplus or deficit	-60,989	-93,813	-47,545	-32,912	-19,679	9,066
Net worth change per year	-27,774	-60,598	-14,330	303	13,536	9,066

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<b>INVESTMENT DETAIL</b>						
Capital Purchases						
Cows	168,000	188,000	188,000	188,000	188,000	-
Cows 2	38,000	38,000	38,000	38,000	38,000	-
Cows 3	19,200	19,200	19,200	19,200	19,200	-
Owned Cows (raised)	-	-	-	-	-	245,000
Total new investments	225,200	245,200	245,200	245,200	245,200	245,000
<b>LOAN DETAIL</b>						
Current liabilities						
Original principal balance	-	-	-	-	-	-
Bank						
Original principal balance	-	-	-	-	-	-
Other change	188,000	188,000	188,000	188,000	188,000	-
Resulting principal balance	188,000	188,000	188,000	188,000	188,000	-
Bank 2						
Original principal balance	-	-	-	-	-	-
Other change	38,000	38,000	38,000	38,000	38,000	-
Resulting principal balance	38,000	38,000	38,000	38,000	38,000	-
Bank 3						
Original principal balance	-	-	-	-	-	-
Other change	19,200	19,200	19,200	19,200	19,200	-
Resulting principal balance	19,200	19,200	19,200	19,200	19,200	-