

AgBiz Masters

A Learning Series for Young & Beginning Farmers



Workbook

With online modules provided by:



Module 1: Megatrends of Agriculture

Module 1 Megatrends of Agriculture Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. - Megatrends Facing the Industry

Now let's bring the five dimensions of agriculture to your business and area. Name a business located in your area that would be an example of each of these five dimensions.

Food:

Fiber:

Fuel:

Products for the Life Sciences:

Life Experiences:

Which dimensions are in your future plans?

You, Inc. - Consumer Demands

Name two consumer demands or issues that are having a direct impact on your industry or business.

1.

2.

How can you position your business or industry to meet these trends?

Module 1: Megatrends of Agriculture

You, Inc. - Environment

What is the top environmental issue impacting your industry or area?

How will it change the way you do business?

You, Inc. - Government Policy

What government policy issues either locally, statewide, or regionally have impacted or will impact your business plan or model?

How will you adjust?

You, Inc. - Technology

What are two technological changes that have influenced the industry and area where you conduct business?

How will this impact your strategic thinking?

You, Inc. - People

Is work-lifestyle balance an issue in your business?

What are two strategic steps to either solve or position your business to avoid traps?

1.

2.

Module 1: Megatrends of Agriculture

You, Inc. - Globalization of Markets

Do you agree or disagree that globalization is resulting in changes in your area?

Name two ways it is or is not impacting your area.

- 1.
- 2.

You, Inc. - General Economy

Which indicators apply to your specific industry or sector? What information do they show that will help in your decision making?

You, Inc. - Farm Structure

Which farm structure is most prominent in your industry or area?

Which farm structure or structures is the best fit for you?

List two reasons why.

- 1.
- 2.

You, Inc. - Rural Community Dynamics

Which attributes exist in your community?

What can you do to bring the “missing” attributes to your area to improve the vitality of the community and quality of life?

Module 1: Megatrends of Agriculture

“Making It Your Own” Application Exercise

Now take the most important and relevant “You, Inc.” analyses you conducted throughout the module and think about how you can navigate the trends and capitalize on these opportunities. What short run and long run actions do you need to take to execute these plans? Summarize your ideas in one page or less.

Discussion Questions

Select one question to answer and post your response on the FCU Forum.

1. Interview a respected leader in agriculture, business, or a community organization. What are some of the trends they were able to capitalize on? Now, link this to your situation and utilize some of their advice as you plan for the future. Summarize what you learned from the interview.
2. Choose the Catalyst of Change identified in the module that presents the most challenge for you, and then determine the opportunity it could give to your business situation.
3. How does your community stack up concerning the eight attributes of a growing rural community? How will this impact your business model?
4. For your particular business model or enterprise, what are the major global competitors, economics or consumer trends impacting your future?
5. How are government policy and environmental trends impacting your business model?

Module 2: Strategic Business Planning

Module 2 Strategic Business Planning Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – SWOT Analysis

Now that we have discussed the SWOT analysis, let's pause for a moment and let you conduct a mini SWOT analysis of your own business. This will get you started on your application exercise for the module. List two items in each of the categories below.

Strengths:

Weaknesses:

Opportunities:

Threats:

You, Inc. – Business History and General Description

What are three important bullet points that should be included in the history and general description of your business? List them below.

- 1.
- 2.
- 3.

Module 2: Strategic Business Planning

You, Inc. – Vision, Core Values, and Mission

List several key words that should be included in your business' vision, core values, and mission statement.

- 1.
- 2.
- 3.

You, Inc. – Goal Setting

Think of one short term goal, to be accomplished in one year or less:

What is one long term business goal, to be accomplished in one to five years?

Module 2: Strategic Business Planning

“Making It Your Own” Application Exercises

Use your thoughts from the You, Inc. exercises in this module as a starting point for more in-depth work on the following parts of your business plan.

- Develop a one page summary of the history and general description of your business as discussed in the module.
 - Conduct a SWOT analysis of your business, which includes its Strengths, Weaknesses, Opportunities, and Threats. If you have a spouse, partner or another interested party, do this exercise separately and then compare notes. Here is an outline to assist you. You can also find a sample SWOT Analysis template at the following link:
http://www.businessballs.com/freematerialsinword/free_SWOT_analysis_template.doc
- Assessing the business’ strengths and weaknesses:**
- **Strengths:** List the specific skills, unique resources, knowledge, and location that provide advantage.
 - **Weaknesses:** List areas where the business lacks skills, knowledge, resources that place it at a disadvantage.
 - **Strategic Analysis:** Evaluate each component of your business, listing strengths and weaknesses in each sector:
 - People, Finance, Production, Marketing, Organization, Other
- Assessing the business’ opportunities and threats:**
- List the best three opportunities facing the business including new markets, technology, etc.
 - List the top three threats to the business including the economy, regulation, competition, etc.
- Develop a mission or vision statement for your business. Attempt to keep it to 25-50 words.
 - Conduct a goal setting exercise. Identify short run (under one year) and long run (one to five years) goals for the business. If you have a spouse, partner or other interested party, identify your business, personal and family goals. Write them down separately and compare. What were the similarities and differences?
 - Develop prioritized action plans that will be used to ensure that steps are taken to help management meet goals or objectives. For example, you may establish a goal to improve milk production by 5% per year; thus, an action plan to achieve this goal might include: a) periodic meetings with dairy nutritionist to optimize production; b) develop protocols to ensure timely breeding of dairy cows; c) etc.

Module 2: Strategic Business Planning

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Interview a person who has utilized a business plan. What are their suggestions and aspects to avoid? Did they encounter any of the business plan blunders?
2. Research on the Internet or elsewhere and find some good resources that deal with developing or implementing business plans. List the sources.
3. If you have completed a business plan in the past, what were some of the most useful sections for you and why?
4. Interview a lender or investor who analyzes business plans. What are some of the things they look for specifically when evaluating a plan?
5. Stop, look, and listen. Notice various organizations' posted mission and vision statements. What caught your eye that was unique or interesting? Compare your insight to points and perspectives discussed in the module.

Module 3: Preparing for Your Lender

Module 3 Preparing for Your Lender Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – Rate Your Lender

Now that we have discussed the characteristics to look for in a lender, let's pause for a moment and have you rate your lender, or a lender you have worked with. Rate your lender from 1 to 5 in each category, with one being poor and 5 being excellent. If they rate a 1 or 2 in any category, provide a reason for the low score.

	<i>Poor</i>			<i>Excellent</i>	
	1	2	3	4	5
▪ Industry knowledge	1	2	3	4	5
▪ Capacity	1	2	3	4	5
▪ Competitive products and services	1	2	3	4	5
▪ Active in special lending programs	1	2	3	4	5
▪ Stable staff	1	2	3	4	5
▪ Accessible decision makers	1	2	3	4	5
▪ Long term industry presence	1	2	3	4	5
▪ Knowledge of lending	1	2	3	4	5
▪ Are you more than a transaction?	1	2	3	4	5
▪ Confidentiality and ethics	1	2	3	4	5
▪ Timeliness and convenience	1	2	3	4	5
▪ Suitable interest rates, terms and conditions	1	2	3	4	5
▪ A history of winners	1	2	3	4	5
▪ Investment in customers	1	2	3	4	5

By totaling the scores of several different lenders you can objectively assess and compare them with regard to the categories discussed.

Module 3: Preparing for Your Lender

You, Inc. – Financial Documentation Checklist

Complete the following financial documentation checklist. Answer Yes, No or Partial, if it is partially completed. Develop your game plan for improvement with a timeline and action steps.

	<u>Current</u>	<u>Past</u>	<u>Projected</u>
▪ Balance Sheet			
▪ Income Statement (or Schedule F & W-2)			
▪ Accountant-Prepared Statements			
▪ Accrual-Adjusted Income Statement			
▪ Projected Cash Flow			
▪ Complete Written Business Plan			

You, Inc. – Check Your Credit Report

Now that we have discussed credit reports, go to www.annualcreditreport.com and request your free credit report. You may request a free credit report once every 12 months from each of the three credit reporting companies. You may want to go ahead and view your report from all three companies at once, or just view one for now and the others later. Check your report for accuracy of information and be sure to contact the credit reporting company if you find any errors. This will prepare you for a credit check by your lender as part of any upcoming credit requests. While you are entitled to a free *credit report*, the credit reporting company may charge you if you'd like to receive your *credit score*.

You, Inc. – Rate Yourself as a Borrower

Now that we have discussed the personal characteristics to look for in a model borrower, let's pause for a moment and have you rate yourself as a borrower. Rate yourself from 1 to 5 in each category, with one being poor and 5 being excellent. If you rate a 1 or 2 in any category, provide a reason for the low score and a plan for improvement.

	Poor			Excellent	
▪ Honesty and ethics	1	2	3	4	5
▪ Open and regular communication with lenders	1	2	3	4	5
▪ An involved spouse/business partner	1	2	3	4	5
▪ Utilizing financial records and documentation	1	2	3	4	5

Module 3: Preparing for Your Lender

“Making It Your Own” Application Exercises

- Develop a credit request to include in your written business plan based upon your goals and objectives outlined previously, if applicable.
- You requested a copy of your credit report in the “You, Inc.” exercise during the module. Double-check the report for accuracy. Then, list your credit strengths and weaknesses. Develop an action plan for improvement. If you have a spouse or business partner, have them conduct a similar analysis.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Interview your lender or mentor regarding some of the mistakes young and beginning farmers and ranchers have made in requesting credit and working with lenders after the loan has been made. Discuss your findings.
2. Interview a lender or someone with knowledge of financial counseling. What are some of the critical mistakes observed on credit reports? What advice do they have concerning credit reports and improving credit scores?
3. You have reviewed the financial “road hazards” between borrower and lender presented in this module. Interview a lender and discuss with them the most prevalent “hazards” they have observed.
4. Interview an accountant or lawyer to discover how a farmer or rancher can organize financial records to better utilize both parties’ time and become more efficient in the information management process. Ask them what mistakes they often observe.
5. Discuss some tips for meeting with a lender when requesting credit. What has worked successfully for you?

Module 4
Preparing Agricultural Financial Statements:
The Balance Sheet
Workbook Exercises

Road Test Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module. Answers are provided in the Flash movie and text version of the module.

ROAD TEST #1: Now let's see if you understand the balance sheet equation, $\text{Assets} = \text{Liabilities} + \text{Owner Equity}$. If assets are \$200,000 and liabilities are \$75,000, what is the amount of owner equity?

- a. \$200,000
- b. \$125,000
- c. \$275,000

ROAD TEST #2: Now let's classify some assets. Determine whether the following items are current assets, non-current assets, or not applicable.

1. feeder pigs	Current	Non-Current	N/A
2. land	Current	Non-Current	N/A
3. dairy cows	Current	Non-Current	N/A
4. poultry buildings	Current	Non-Current	N/A
5. accounts payable	Current	Non-Current	N/A
6. prepaid expenses	Current	Non-Current	N/A

Module 4: Preparing Agricultural Financial Statements: The Balance Sheet

ROAD TEST #3: Let's try an example. Assume I owe a remaining balance of \$20,000 on a loan at a 7 percent annual interest rate. Annual payments are \$8000, due September 1, and I am preparing a statement as of January 1.

1. What amount of interest is due within the next 12 months?
2. What amount of principal is due within the next 12 months?
3. What amount of principal is due beyond one year?
4. What amount of accrued interest is payable as of the date of the financial statement?

FINAL ROAD TEST

- **Sample beginning and end of year balance sheets are provided (Exhibits 1 & 4). What are some observations you notice from beginning to end of year that would be indicative of financial performance? For example, cash has decreased by \$4,950 from the beginning to the end of the year.**
- **Has the business illustrated in Exhibits 1 and 4 been successful this year?**

Module 4: Preparing Agricultural Financial Statements: The Balance Sheet

“Making It Your Own” Application Exercises

- Now it is your turn. Please complete a balance sheet for each entity of your business and a personal balance sheet, if applicable. Work with your lender or accountant to tailor it to their forms and schedules. Then review your statement with your lender.
- If possible, complete a “beginning of year” and “end of year” balance sheet which will help you construct an accrual-adjusted income statement in the next lesson.
- If you have been in business for some time, update your business and personal balance sheets and conduct a trend analysis.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Interview a lender. What are some of the common mistakes he or she observes on balance sheets?
2. Interview a lender. What suggestions does he or she have for valuing farm assets accurately?
3. Interview a lender. Does he or she suggest that you have separate business and personal balance sheets? What is the reasoning?
4. Interview a producer. How does he or she use a balance sheet as a tool for decision making and goal setting?
5. Interview a lender. Has he or she observed any situations where deferred taxes made a big difference in the financial situation? Summarize the response.

Module 5
Preparing Agricultural Financial Statements:
The Income Statement & Cash Flow
Workbook Exercises

You, Inc. Exercises:

As you view the Flash module, complete each exercise at the point indicated in the module.

You, Inc. – Complete the Value Differences

Now let's stop for a moment and analyze the differences between your beginning and end-of-year balance sheets. Using the sample balance sheets as a guide (Exhibits 2 and 3), list the value differences in payables, receivables, prepaid expenses, accrued expenses, supplies, and accrued interest from the beginning to the end of the year for your business.

You, Inc. – Complete Accrual-adjustment Worksheet

Now transfer the value differences from the previous You, Inc. exercise to the accrual-adjusted worksheet utilizing your cash income statement or Schedule F and balance sheet differences.

You, Inc. – Develop Key Assumptions

Develop key assumptions (i.e. input costs, revenue, production, and price) that would go into the cash flow projections for your business.

You, Inc. – Determine Scenarios to Test

Identify possible scenarios you would want to test like price, input costs, production, etc. with specific numbers, i.e. increase or decline of production by 20 percent, or similar price scenarios.

Module 5: Preparing Agricultural Financial Statements: The Income Statement & Cash Flow

“Making It Your Own” Application Exercises

- Now that you have finished the module, develop your income statement, accrual – adjusted, if possible. Use your mentor or another advisor as a resource in this process.
- Develop a projected cash flow. This could be monthly, quarterly, or annually depending upon your enterprise. Conduct scenario testing on your cash flow concerning revenue, input costs, production, and price. You may submit to your mentor for review.

Discussion Questions

Select one question to answer, and post your response on the FCU Forum.

1. Interview a lender concerning the value of accrual adjusted statements and tips they have found useful in preparing accrual-adjusted income statements.
2. Interview a business owner who utilizes cash flow projections. How has it helped business decision-making and working with their lenders?
3. Interview a lender or advisor concerning how tax management strategies and managing from the Schedule F can get a business into difficulty.
4. Interview a lender concerning the value of utilizing Schedule F in the acceptance and denial of loan requests.
5. Interview a business person or lender concerning developing cash flow projections. How do they determine assumptions, estimates in revenue and expenses? Do they have any tips for beginning businesses with no track record?