

# Welcome to the Year Two Meeting

February 27, 2024



**AgBiz Masters**   
A Learning Series for Young & Beginning Farmers

# Agenda for Today

- Rob Goodling – Check your Understanding: Accrual Statement Homework
- Rob Goodling – Benchmarks & best management practices: your scorecard to success
- Alumni Spotlight – Andrew & Katie Flinchbaugh



# Check Your Understanding: Profitable Porkers 2023 Accrual- based Financial Statements

Rob Goodling, Ag Business Consultant



# Profitable Porkers



- Objectives:
  - Discover importance and benefits of accrual accounting
  - Gain understanding of creating an accrual:
    - Balance Sheet
    - Income Statement
  - Learn how to construct market value balance sheet



# Balance Sheets: Assets



	2023	2022	Difference	
<b>Assets</b>				
Cash	25,000	75,000		
Accounts Receivable	95,000	20,000	75,000	1
Inventories:				
Feed	85,000	40,000	45,000	3
Livestock	1,684,000	650,000	1,034,000	4
Prepaid Expenses	100,000	0	100,000	2
Machinery and Equipment	45,000	20,000		
Accumulated Depreciation	(15,000)	(11,000)	4,000	7
<b>Total Assets</b>	<b>2,019,000</b>	<b>794,000</b>		



# Balance Sheets: Liabilities & Equity



	2023	2022	Difference
<b>Liabilities</b>			
Accounts Payable			
Feed	35,000	15,000	20,000 2
Independent Finishing	10,000	0	10,000 5
Rent	10,000	0	10,000 6
Line of Credit	150,000	50,000	
Long term Debt	1,225,000	325,000	
<b>Total Liabilites</b>	<b>1,430,000</b>	<b>390,000</b>	
<b>Owner's Equity</b>	<b>589,000</b>	<b>404,000</b>	
<b>Total Liabilities and Owner's Equity</b>	<b>2,019,000</b>	<b>794,000</b>	





# Income Statement: Part 1

## Profitable Porkers, LLC Income Statement For the Year Ended December 31 2023

	Cash (Tax)	Adjustments	Accrual
<b>Sales</b>	1,560,000	<u>75,000</u> <b>1</b>	1,635,000
<b>Expenses</b>			
Purchased Feed	1,780,000	<u>(80,000)</u> <b>2</b>	1,700,000
Change in Feed Inventories	0	<u>(45,000)</u> <b>3</b>	(45,000)
Change in Livestock Inventories	0	<u>(1,034,000)</u> <b>4</b>	(1,034,000)
Breeding	60,000		60,000
Vet and Medicine	78,000		78,000
Independent Finishing	220,000	<u>10,000</u> <b>5</b>	230,000
Salaries and Wages	160,000		160,000
Other Labor Costs	30,000		30,000



# Income Statement: Part 2



CASE STUDY

**Accrual**

	<b>Cash (Tax)</b>	<b>Adjustments</b>	<b>Accrual</b>
Rent	110,000	<u>10,000</u> <sup>6</sup>	120,000
Real Estate Taxes	12,000		12,000
Repairs and Maintenance	6,000		6,000
Utilities	50,000		50,000
Insurance	14,000		14,000
Supplies	4,000		4,000
Fuel	6,000		6,000
Depreciation	35,000	<u>(31,000)</u> <sup>7</sup>	4,000
Interest	55,000		55,000
<b>Total Expenses</b>	<u>2,620,000</u>		<u>1,450,000</u>
<b>Net Income (Loss)</b>	<u><b>(1,060,000)</b></u>		<u><b>185,000</b></u>







# Benchmarks and Best Management Practices

Rob Goodling, Ag Business Consultant



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# What is a successful business?

- Is it having the highest price?
- Is it not paying taxes?

Being profitable and having cash flows is a better definition!

There are other factors....



# What do top producers do to be profitable?

- Control the controllable
- Have a positive attitude
- It's a business
- No magic solution



They Manage.



# Prepare a budget and set goals

- Without a budget:
  - What are you managing?
  - How do you know your COP?
  - How do you set realistic goals?
- Realistic/SMART Goals make managing and planning easier
  - **Specific, Measurable, Attainable, Realistic, Timely**



# Benchmark

- What progress are you making?
- What are your costs?
- Compare to the numbers we shared
  
- Against yourself – Better, Worse, Status Quo
- Against others – Better, Average, Worse
  - More details available when in enrolled in a benchmark program



# Key Concept: Business must grow!!

- Growth is a key to any business
  - It's like breathing to us
- Top line growth needs to outpace cost of living
  - Costs go up
  - Employees need raises
- Not growing...Moving backwards
  - Owner getting less
- Growth can take many forms
  - Expanding revenue, diversification, new sites



# Have a 30,000 ft. plan / direction

- Where are we heading?
- Having a plan makes things easier:
  - Direction
  - Leadership and management
  - Growth
  - Controlling costs
  - Keeping advisors on track, informed and supportive



# Have a 30,000 ft. plan / direction

- Mission/vision
- Provides the business with
  - Direction
  - Support
  - Decision criteria
  - Goals
    - Short term
    - Long term

Decisions we make  
should support our  
mission, vision and  
goals





# Understand SWOT

- Identifying
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

**S**  
**Strengths**

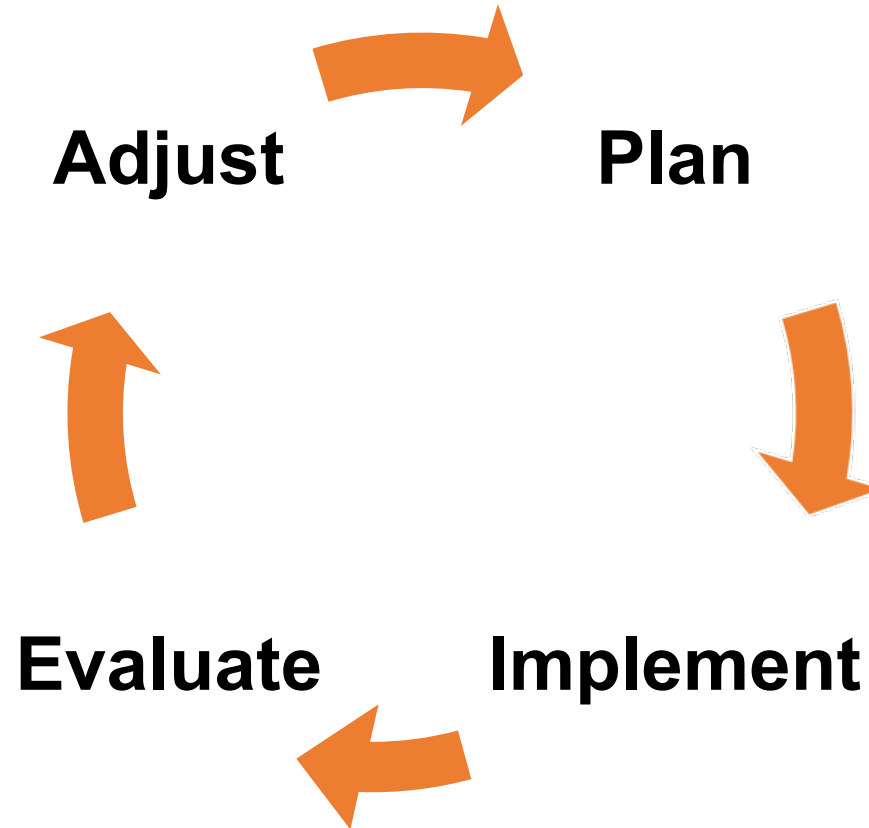
**W**  
**Weaknesses**

**O**  
**Opportunities**

**T**  
**Threats**



# Key to Success



## Planning:

Helps us know

Helps us adjust

Keeps us on track



# Recap: Best Management Practices

- Give your business direction (Mission / Vision)
- Budget and benchmark
- Grow
- Start thinking strategically – Planning
  - SWOT analysis, Budgets, risk management, Goals
- Key to Success:
  - On-going process (Plan, Implement, Evaluate, and Adjust)
  - Don't be afraid to adjust midstream



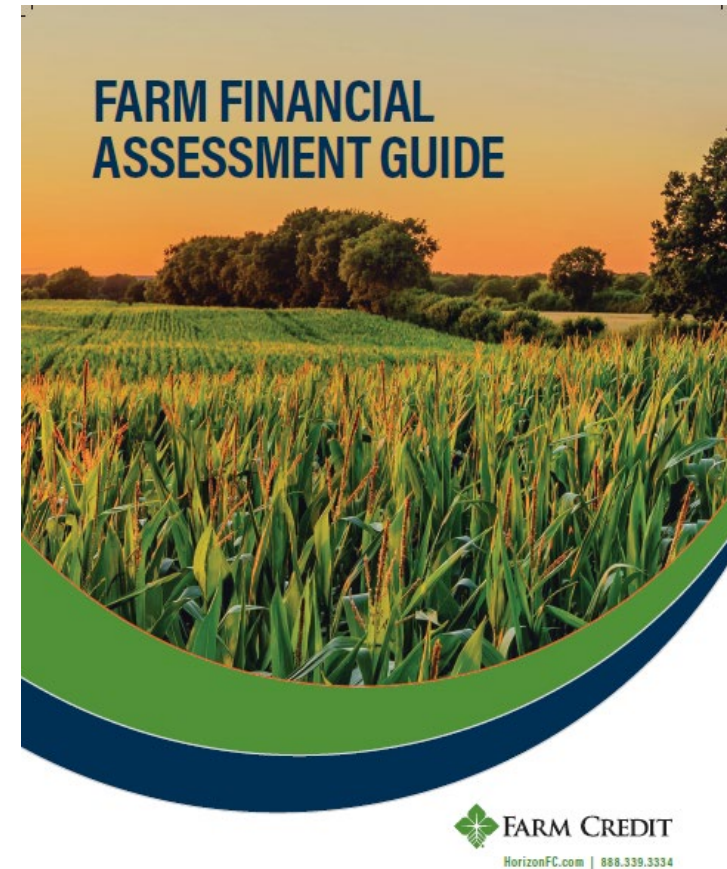
# Farm Financial Assessment Guide

## HOMEWORK



# Farm Financial Assessment Guide

- What to do:
  - Review the guide and case study including calculating the five key ratios
  - Calculate the five key ratios for your farm operation



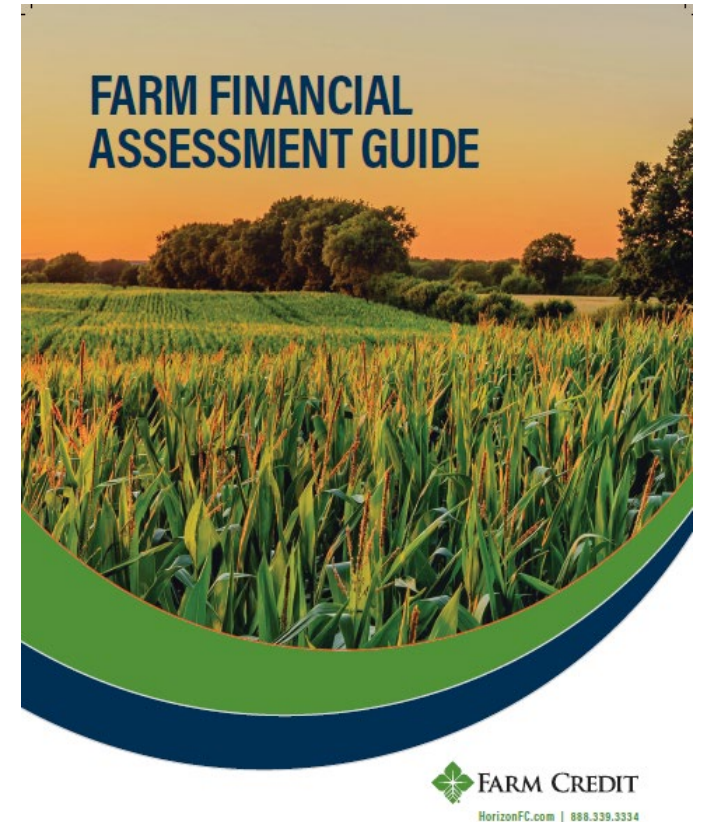
# Farm Financial Assessment Guide

- % Equity > 60% | 35% - 60% | < 35%
- Profitability: Return on Assets (ROA) > 6% | 3% - 6% | < 3%
- Liquidity: Working Capital as a % of Annual Expenses > 50% | 20% - 50% | < 20%
- Efficiency – Operating Expense Ratio (OER) < 65% | 65% - 80% | > 80%
- Repayment Capacity: Total Debt & Lease Coverage Ratio > 150% | 110% - 150% | < 110%



# For Next Time: Farm Financial Assessment Guide

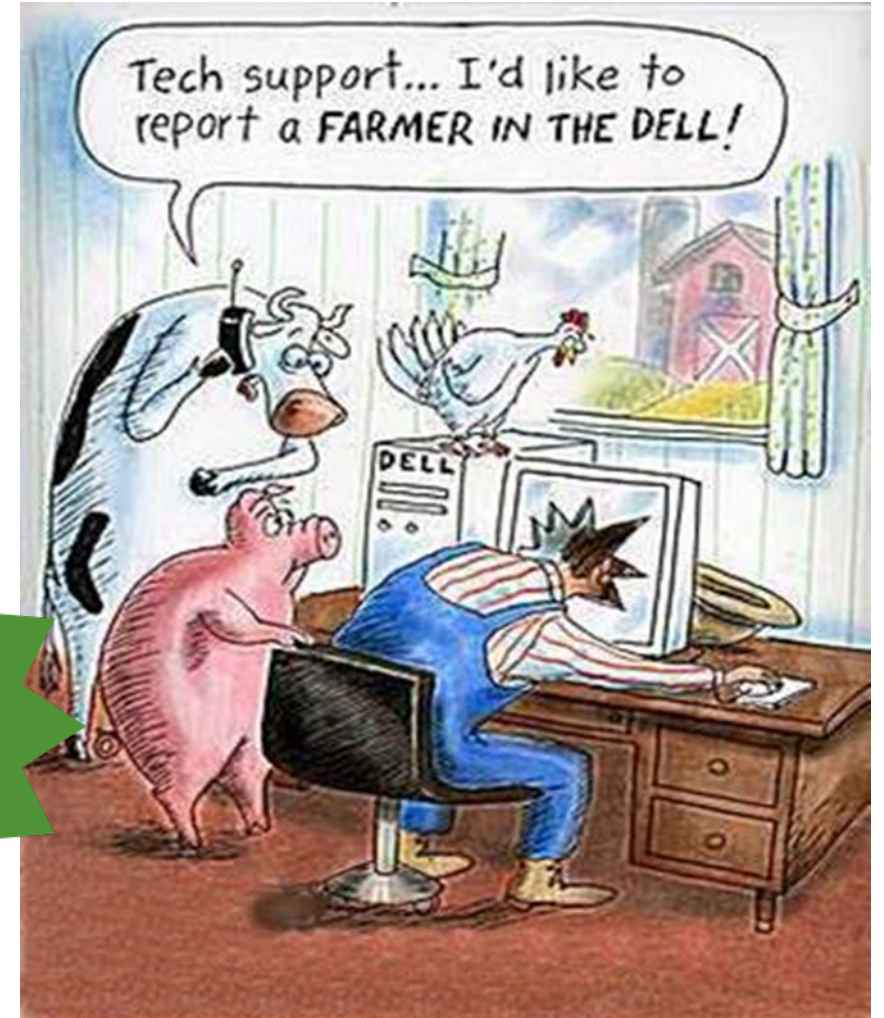
- How did your business score for 2023?
- Are there opportunities?
- Was last year unique?



# Conclusions

- Stay positive:
  - Personal Focus
  - Business Focus
  - Liquidity
- **Have fun!!!**

Ask  
for  
Help





Thank you!

**Rob Goodling**

[RGoodling@horizonfc.com](mailto:RGoodling@horizonfc.com)

Cell: 570.238.8522



# Alumni Spotlight

Andrew & Katie Flinchbaugh



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# Next Steps

- Complete today's surveys in the follow email
- Complete modules 8, 9, 10
- **HOMEWORK**
  - Complete Farm Financial Assessment Guide and calculate the five key ratios for your farm business



Live Course WEBINAR Check-in.

Fixing Things in Life Roadmap with Dr. Nathaniel J.  
Williams

**Session Time: 11:30am - 1:00pm**



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# Questions

**Johanna Rohrer**

[JRohrer@horizonfc.com](mailto:JRohrer@horizonfc.com)

Cell: 717.740.1561

