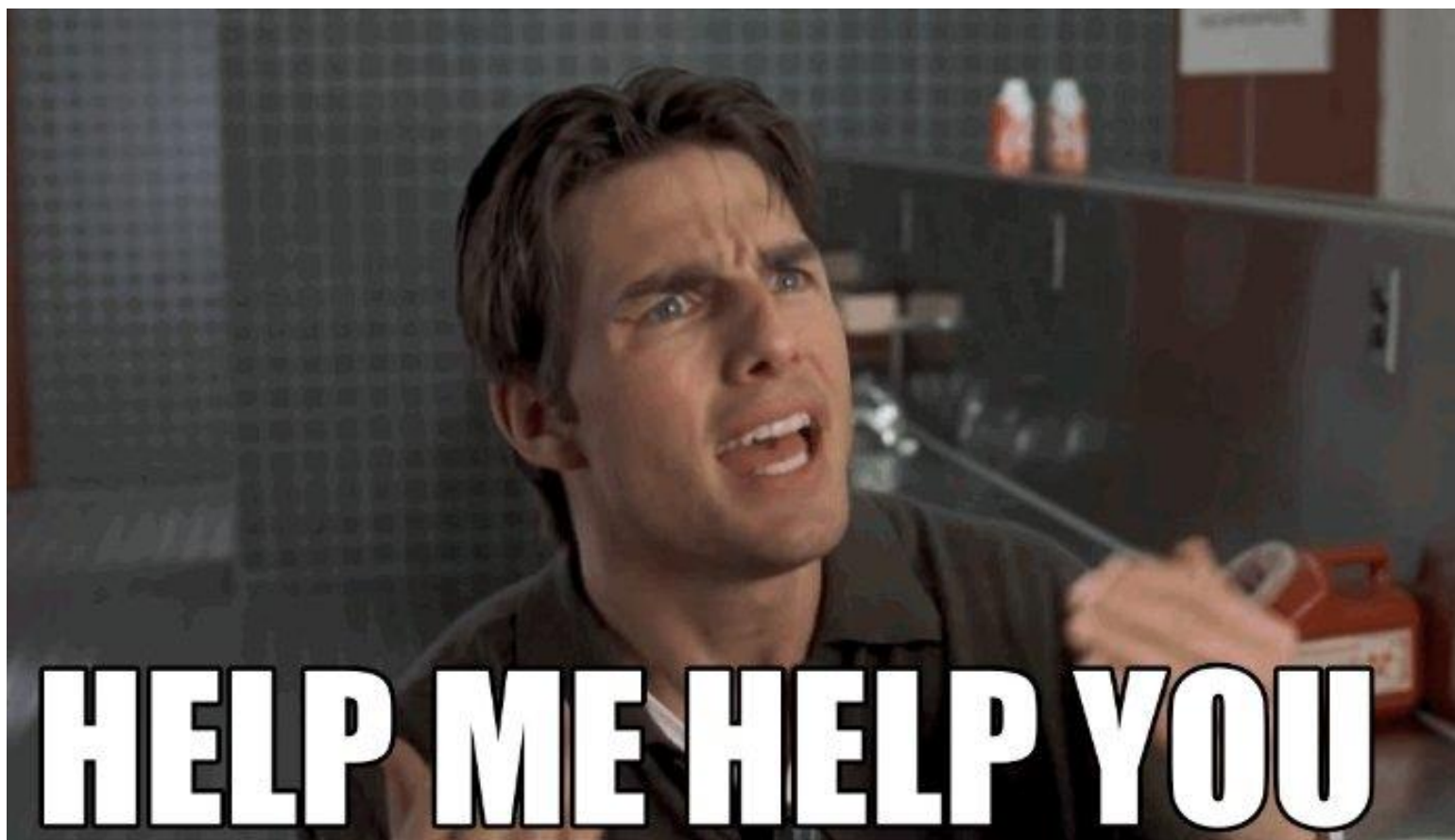




**FARM CREDIT**  
SOUTHEAST MISSOURI

**Chad E. Crow – SVP**

**12/12/18**

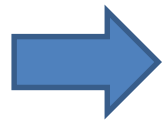


- Minimal Needs for YE Financial Reporting

## Balance Sheet Model

	<u>ASSETS</u>	<u>LIABILITIES &amp; EQUITY</u>
<u>Current</u>	Cash Stored Crops Investment in Growing Crops Prepaid Expenses Accounts Receivable	Accounts Payable Accrued Interest Operating Loan Taxes Payable Current Prin.Port. of Term Debt
<u>Intermediate</u>	Vehicles Farm Equipment Retirement Accounts	Vehicle Loans Farm Equipment Loans
<u>Long Term</u>	Home Farm Land & Buildings	Home Loan Farm Land Loans
		Equity (Net Worth)
	<b>TOTAL ASSETS</b>	<b>TOTAL LIABILITIES &amp; EQUITY</b>

## Balance Sheet Model



### Current

### ASSETS

Cash  
Stored Crops  
Investment in Growing Crops  
Prepaid Expenses  
Accounts Receivable

### LIABILITIES & EQUITY

Accounts Payable  
~~Accrued Interest~~  
~~Operating Loan~~  
~~Taxes Payable~~  
~~Current Prin.Port. of Term Debt~~

### Intermediate

Vehicles  
Farm Equipment  
~~Retirement Accounts~~

Vehicle Loans  
Farm Equipment Loans

### Long Term

~~Home~~  
~~Farm Land & Buildings~~

~~Home Loan~~  
~~Farm Land Loans~~

~~Equity (Net Worth)~~

~~TOTAL ASSETS~~

~~TOTAL LIABILITIES & EQUITY~~

# The Why?

- 12/31/XX Balance Sheets Match up to Tax Return YE 01/01 – 12/31 – this allows accrual method
- Current Asset and Current Liabilities are the most volatile and have the largest change in values.
- We know what you owe us. We don't know who else you owe or who owes you.
- What was cash, could be cash or owes you cash?

# More Why -

- Stored Crop Inventory – Booked and not booked
- Trade Credit – Fert., Seed, Chemical bills
- What equipment did you buy?
- What equipment did you trade?
- Did you get a loan on equipment or land?
- Compare one BS year to the next
  - Look for anomalies, changes that stand out, errors

## Cash Flow Model

Gross Farm Revenue

Minus Farm Expenses (excluding interest & depreciation)

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= Farm Operating Profit (Normally 30% or more of Gross Farm Revenue)

Plus Non-Farm Income (outside salary & wages, investment income)

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= EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION)

25% or less:	Family Living & Taxes
25% or less:	All Interest
25% or less:	Term Principal Payments
25% or MORE:	Remaining Margin to put back into the operation

Cash Crop / Grain Producer	Weight	Acceptable										OAEM	S-Viable	S-Nonviable	Doubtful	Loss
	%	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
WC / AGI					>40%	>35%	>25%	>20%	>15%	>10%	>-5%	>-5%	>-5%	>-5%	>-5%	
CR					>2.5:1	>2.0:1	>1.75:1	>1.5:1	>1.25:1	>1:1	>.8:1	<.8:1	<.8:1	<.8:1	<.8:1	
Solvency					>80%	>75%	>70%	>65%	>50%	>45%	>40%	>30%	<30%	<30%	<30%	
CDRC					>150%	>140%	>125%	>120%	>115%	>105%	>100%	>100%	<100%	<100%	<100%	
											LRCDC	SRCDRC	SRCDRC			
CDRC Margin / AGI					>15%	>12.5%	>10%	>7.5%	>5%	>0%	>-5%	<-5%	<-5%	<-5%	<-5%	
Management Character Performance Trends					Very Strong	Strong	Above Average	Average	Minor Concern	Some Weakness	Serious Weakness	Serious Concern	Serious Concern	Serious Concern	Serious Concern	



## Farm Financial Checkup

	WEAK	MODERATE	STRONG
Current Ratio (Cur.Assets/Cur.Liabs.)	0.0	1.5	3.0
Working Capital / Average Gross Income %	<20	15	50
Owner Equity % (Net Worth/Total Assets)	20	50	80
Term Debt Coverage Ratio	1.00	1.50	2.00
Asset Turnover Ratio (\$ revenue / \$ total assets)	0.05	0.25	0.50
Operating Efficiency % (Operating Profit / Gross Farm Revenue)	15	30	45
Consistency of Oper Profit (variance high to low)	35	20	5
Int. as % of EBITDA	45	25	5
Family Living and Taxes as % of EBITDA	45	25	5
Principal on Term Debt as % of EBITDA	45	25	5
Remainder for Asset - Growth or Unscheduled (Prin reduction as % of EBITDA)	5	25	45
Commercial Line Of Credit as % of Net Worth (Operating & I.T. Debt)	100	75	50
Operating Loan as % of Gross Farm Revenue	100	75	50

Loan Type	Classification	Probability of Default	Loss Given Default
Typical Lending Cloud Loan	ACC, OAEM, SSV, SSNV, Loss	4 - 14	A, B, C, D, E, F

LGD Code	Criteria
A	<=40% TLO/EMV
B	>40% & <=65% TLO/EMV
C	>65% & <=75% TLO/EMV
D	>75% & <=85% TLO/EMV
E	>85% & <=100% TLO/EMV
F	>100% TLO/EMV

Criteria	Criteria Score	Weighted Criteria Score	Accept / Review
<b>EQUITY TO ASSETS</b>	45.52%	9.00	2.250 0
<b>WC (Adjusted) / AGI%</b>	17.19%	8.00	2.000 0
<b>CDRC%</b>	156%	4.00	1.000 0
CDRC Margin/AGI	6.64%	8.00	2.000 0
<b>TDCR</b>	1.66	0.00	0.000 0
			7.250