

Agri-Directions helps agricultural producers manage business risk – People, Production, Legal, Financial and Market, through assessments and action plan development. Services offered include:

- Financial Performance Analysis
- Developing Commodity Pricing Signals
- Chief Financial Officer services

Scott Mickey provides financial directions to ag businesses specializing in risk management, financial performance analysis and monitoring financial plans and marketing plans. He graduated from Virginia Tech in 1986 with a degree in Ag Economics. Since then he has worked for both NCSU and Clemson University as an extension economist where he coordinates the Southeast Agricultural Lenders School (SEALS) and the Executive Marketing (EM) school. He serves on the faculty of the Executive Farm Management Program, an educational program for SE producers conducted as a joint effort of NCSU, Clemson University, University of Georgia and East Carolina University.

Scott has consulted with several regional and national agri-businesses in the areas of risk management and financial analysis including Meherrin Financial Services, Southern States Cooperative, John Deere Insurance Company, Centrec Consulting Group, and Silveus Insurance. He developed “The Composite Performance Index” with Dr. Dave Kohl as tool for measuring management performance. Later, Dr. Kohl and he developed the “Side by Side” analysis tool to help producers create an annual financial improvement plan.

**AGRI-DIRECTIONS**

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# IF YOU DON'T KNOW WHERE YOU ARE GOING, ANY ROAD WILL GET YOU THERE!

Agri-Directions can help you get where you want to go!

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## HOW DID I GET HERE?

**FINANCIAL PERFORMANCE ANALYSIS (FPA)** reviews the business's history to identify the financial trends that lead to the current financial position. The analysis summary includes a one page Composite Performance Index that shows the trends in Profitability, Liquidity, Efficiency, Solvency and Repayment Capacity along with recommended management practices that can lead to improved financial performance. The index is supplemented with ratio analysis and worksheets showing the calculations for the ratios.

### Requirements:

1. 4-6 years of Balance Sheets (Cost or Fair Market Value)
2. 3-5 years of Income Statements (Cash or Accrual)
3. Management Actions Worksheet
4. Credit Score from Experian, Trans Union or Equifax

### Turnaround:

FPA is completed within 21 days of receipt of all Financial Statements and credit score.

Composite Performance Index						
Variable	Criteria	2007	2008	2009	2010	2011
<b>Profitability</b>						
<b>Return on Assets</b>		13.8%	7.7%	-4.4%	11.2%	17.6%
	Rating	Index	Index	Index	Index	Index
	more than 10 percent	4				
	8 - 10 percent	3				
	6 - 5 percent	2				
	0 - 1 percent	1				
	less than 0 percent	0				
		4	3	0	4	4
<b>Financial Efficiency</b>						
<b>Operating Efficiency</b>		26.4%	23.9%	9.9%	23.4%	26.2%
	Rating	Index	Index	Index	Index	Index
	more than 35 percent	4				
	25 - 35 percent	3				
	15 - 24 percent	2				
	0 - 14 percent	1				
	less than 0 percent	0				
		3	2	1	2	3
<b>Capital Efficiency</b>						
<b>Asset Turnover</b>		113.4%	86.8%	109.0%	94.6%	95.7%
	Rating	Index	Index	Index	Index	Index
	more than 70 percent	4				
	60 - 69 percent	3				
	50 - 59 percent	2				
	40 - 49 percent	1				
	less than 40 percent	0				
		4	4	4	4	4
<b>Liquidity</b>						
<b>Working Capital Sufficiency</b>		36.3%	40.7%	26.1%	26.8%	51.2%
	Rating	Index	Index	Index	Index	Index
	more than 50 percent	4				
	40 - 59 percent	3				
	30 - 39 percent	2				
	20 - 29 percent	1				
	less than 20 percent	0				
		2	3	1	2	4
<b>Solvency</b>						
<b>Debt to Asset Ratio</b>		28.9%	48.5%	29.9%	30.6%	30.9%
	Rating	Index	Index	Index	Index	Index
	less than 25 percent	4				
	25 - 29 percent	3				
	40 - 49 percent	2				
	60 - 69 percent	1				
	more than 75 percent	0				
		3	2	3	3	3
<b>Repayment Ability</b>						
<b>Term Debt Coverage Ratio</b>		406.8%	321.2%	24.0%	274.8%	425.2%
	Rating	Index	Index	Index	Index	Index
	more than 200 percent	4				
	150 - 199 percent	3				
	125 - 149 percent	2				
	100 - 124 percent	1				
	less than 100 percent	0				
		4	4	0	4	4
<b>FINANCIAL INDEX</b>		20	18	9	19	22

## WHERE CAN I GO NEXT YEAR?

**COMMODITY PRICE SIGNALS** show the range of prices from your business plan that ensure your farm operation can:

**CASH FLOW** - cover family living and debt service utilizing existing working capital

**BREAKEVEN** - cover family living and debt service from current year revenue, or

**GROW** - cover family living & debt service from current year revenue & **increase** equity.

See how your commodity pricing signals will impact your financial statements and ratios at year end.

### Requirements:

1. Current Balance Sheet & Income Statement
2. Projected crop acres & yields
3. Crop operating costs per acre
4. Expected Harvest Basis
5. Family Living & Income Tax withdrawals
6. Projected Interest expense & term debt payments

### Turnaround:

FPA is completed within 14 days of receipt of requirements.

You Farm, Inc					
2012 Business Plan					
	Corn	Soybeans	Wheat	Cotton	Total
Intended Acres	1,000	1,000		1,000	4,000
Expected Yield	120	40	65	900	
Operating Expenses / Acre	482	336	355	645	
* Cash GROWTH Price Target	\$4.57	\$9.23	\$5.97	\$0.79	
Less: Expected Harvest Basis	\$0.40	\$0.00	\$0.00	\$0.02	
Futures GROWTH Price Target	\$4.17	\$9.23	\$5.97	\$0.81	

Futures - Commodity Pricing Signals					
	Corn CZ	Soybeans SX	Wheat WN	Cotton CTZ	Crop Revenue
Growth	Futures Price \$4.17 DUCK Value \$0.28 Crop Revenue \$548,667	Futures Price \$9.23 DUCK Value \$0.41 Crop Revenue \$369,333	Futures Price \$5.97 DUCK Value \$0.25 Crop Revenue \$388,333	Futures Price \$0.81 DUCK Value \$0.04 Crop Revenue \$711,667	\$2,018,000
Breakeven	Futures Price \$3.89 Crop Revenue \$515,233	Futures Price \$8.82 Crop Revenue \$352,667	Futures Price \$5.72 Crop Revenue \$371,667	Futures Price \$0.77 Crop Revenue \$678,333	\$1,918,000
Cash Flow	Futures Price \$1.34 Working Capital \$2.65 Crop Revenue \$209,333	Futures Price \$4.29 Working Capital \$3.83 Crop Revenue \$139,667	Futures Price \$3.36 Working Capital \$2.36 Crop Revenue \$238,667	Futures Price \$8.43 Working Capital \$0.34 Crop Revenue \$371,333	\$1,000,000

You Farm, Inc			
FINANCIAL STATEMENT		2012 Business Plan	
	Projected	GROW	Breakeven
Total Income	\$2,669,700	\$2,218,000	\$2,118,000
Total Expenses	-\$2,013,000	-\$2,013,000	-\$2,013,000
Net Farm Income From Operations	\$656,700	\$205,000	\$105,000
Balance Sheet		Projected	GROW
	Dec 31	Dec 31	Dec 31
Current Assets	1,837,052	1,385,352	1,285,352
Total Assets	\$3,093,984	2,642,284	2,542,284
Current Liabilities	366,580	366,580	366,580
Total Liabilities	\$696,129	696,129	696,129
Working Capital	1,470,472	1,018,772	918,772
Equity	\$2,397,855	1,946,155	1,846,155
Change	641,700	190,000	90,000

## I NEED A CHAUFFEUR!

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**Chief Financial Officer** provides the financial information to manage your business successfully! The trip begins with a cash flow projection that maps out the cash needed for operating expenses, debt service, and family living needs. Each month you have a comparison of actual to budgeted financial activity to keep you on track.

Each quarter closes with a meeting to review the Year to Date Financial Performance Analysis, crop budgets, and set marketing objectives for the next quarter. Other topics discussed at the quarterly meetings include Capital Expenditure planning (CapEx), Income Tax planning, Cash Flow Analysis for Year End, and Operating Loan Assessment.

Other benefits of the CFO are preparation of loan requests, enterprise budgets for each profit center, annual meeting facilitation with Management, Tax Accountant, Attorney, and Lender.

### Requirements:

1. **Trust.** CFO will be intimately involved in your operation. Agri-Directions, LLC will work for you, not your banker, your supplier or your accountant. All work and discussions are confidential.
2. **Communication & Full disclosure.** Managing a business successfully requires complete information. Missing information can lead to poor management decisions.
3. **Time.** CFO will save you time, but you still need to allocate time to understanding and using the information for decision making.
4. **Access.** CFO will review the business accounting frequently during the month. Ideally, the business will use Quickbooks Online for accounting (easily converts Quickbooks Desktop software). Alternatively, GOTOMYPC can be used for access. CFO will also need to view Vendor accounts (such as John Deere Financial, Monsanto Farm Flex, PHI) and Liability transactions from your Bank or Farm Credit.

### Turnaround:

1. CFO is an annual engagement with a monthly allocation of hours to ensure client satisfaction.
2. Quarterly meetings may be held on-site or via GOTOMEETING.
3. Annual meeting with Management, accountant, attorney and lender will be held on-site.

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