

**Agri-Directions, LLC** organized in 2007 by Scott Mickey and Lucanus Martin to develop tools to help agricultural producers manage risk. Our first project was the creation of “Farm Tuning”, a web based software tool that allowed producers to monitor their marketing plans. In 2012, the company retired the Farm Tuning platform and began using GrainBridge – Farm Risk Solutions. Today, Agri-Directions continues to develop tools to manage risk and help agricultural producers succeed. Services offered include:

- **FINANCIAL PERFORMANCE ANALYSIS**
- **COMMODITY PRICE SIGNALS**
- **MONITORING YOUR MARKETING PLAN**
- **CHIEF FINANCIAL OFFICER SERVICES**

**Scott Mickey** is the managing member of Agri-Directions. He provides financial directions to ag businesses specializing in risk management, financial performance and monitoring financial plans and marketing plans. He grew up on a beef cow-calf operation in WV, and lives in SC with his wife, Tammy, and their two children.

Scott graduated from Virginia Tech in 1986 with a degree in Ag Economics. He spent seven years as an extension farm management agent in NC. Since 1995 he has been a farm business consultant with Clemson University in SC, where he provides income tax planning, financial analysis and business planning services to members of the Agribusiness Management Association. He also serves as the coordinator for the Southeast Agricultural Lenders School (SEALS) held annually at Clemson University. He has taught the risk management curriculum at SEALS since 2004.

Since 2000, he has directed the Executive Marketing seminar where producers develop written commodity marketing plans for their business. During the seminar producers learn how to measure their financial health; calculate commodity Target Prices that enable the business to Cash Flow, Break-Even, and Grow; evaluate crop insurance and government program opportunities; and monitor the marketing plan on an ongoing basis. Over 700 producers have attended Executive Marketing seminars in DE, GA, IA, IL, IN, KY, MS, NC, ND, SC, SD, and WV.

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 in 2011 as tool for measuring management performance.

**AGRI-DIRECTIONS, LLC**

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

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

## 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. 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>		Rating	13.8%	7.7%	-4.4%	11.2%
		Index				
more than 10 percent		4				
8 - 10 percent		3				
6 - 8 percent		2	4	3	0	4
4 - 6 percent		1				
0 - 4 percent		0				
less than 0 percent		0				
<b>Financial Efficiency</b>		Rating	26.4%	23.9%	9.0%	23.4%
		Index				
more than 35 percent		4				
25 - 35 percent		3	3	2	1	2
15 - 24 percent		2				
0 - 14 percent		1				
less than 0 percent		0				
<b>Capital Efficiency</b>						
<b>Asset Turnover</b>		Rating	113.4%	86.8%	109.0%	94.6%
		Index				
more than 70 percent		4				
60 - 69 percent		3				
50 - 59 percent		2	4	4	4	4
40 - 49 percent		1				
less than 40 percent		0				
<b>Liquidity</b>						
<b>Working Capital Sufficiency</b>		Rating	38.3%	40.7%	26.1%	26.8%
		Index				
more than 50 percent		4				
40 - 50 percent		3				
30 - 39 percent		2	2	3	1	2
20 - 29 percent		1				
less than 20 percent		0				
<b>Solvency</b>						
<b>Debt to Asset Ratio</b>		Rating	28.9%	48.5%	29.9%	30.6%
		Index				
less than 25 percent		4				
25 - 30 percent		3				
40 - 60 percent		2	3	2	3	3
61 - 75 percent		1				
more than 75 percent		0				
<b>Repayment Ability</b>						
<b>Term Debt Coverage Ratio</b>		Rating	405.8%	321.2%	34.0%	274.8%
		Index				
more than 200 percent		4				
150 - 199 percent		3				
125 - 149 percent		2	4	4	0	4
100 - 124 percent		1				
less than 100 percent		0				
<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 7 days of receipt of requirements.

You Farm, Inc					
2012 Business Plan					
	Corn	Soybeans	Wheat	Cotton	Total
Intended Acres	1,000	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	\$4.17	\$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 SK	Wheat WV	Cotton CTZ	Crop Revenue	
Growth	Futures Price	\$4.17	\$9.23	\$5.97	\$0.81	\$2,018,000
	DUCK Value	\$0.28	\$0.42	\$0.25	\$0.04	\$100,000
	Crop Revenue	\$542,667	\$369,333	\$318,333	\$711,667	
Breakeven	Futures Price	\$3.89	\$8.82	\$5.72	\$0.77	\$1,918,000
	Crop Revenue	\$515,333	\$352,667	\$371,667	\$678,333	
	Futures Price	\$1.34	\$4.99	\$3.36	\$0.43	\$1,000,000
Cash Flow	Working Capital	\$2.55	\$3.83	\$2.36	\$0.34	\$918,000
	Crop Revenue	\$289,833	\$189,667	\$218,667	\$87,333	

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

# ARE WE THERE YET?

Monitor Your Marketing Plan (MYMP) with Farm Risk Solutions, our web based program that tracks your progress towards the goals of your marketing plan. MYMP will summarize your cash, futures, and options positions as well as track government program payments and crop insurance activity and delivery specifications. With MYMP you always know the value of your crops.



## MANAGER SUMMARY

Crop Profile	Acres	Expenses	Profit Goal	Breakeven Revenue	Current Revenue	Equity Growth
Corn (Dry land)	500.0	\$174,380.00	\$89,000.00	\$271,609.42	\$409,251.56	\$137,642.15
Corn (Irrigated)	100.0	\$34,876.00	\$17,800.00	\$44,445.18	\$66,968.44	\$22,523.26
<b>Corn Total</b>	<b>600.0</b>	<b>\$209,256.00</b>	<b>\$106,800.00</b>	<b>\$316,054.59</b>	<b>\$476,220.00</b>	<b>\$160,165.41</b>
Cotton #2	500.0	\$315,660.00	\$89,000.00	\$404,652.50	\$358,237.50	(\$46,415.00)
Peanuts	200.0	\$140,000.00	\$35,600.00	\$175,630.00	\$210,000.00	\$34,370.00
Soybeans	300.0	\$75,000.00	\$53,400.00	\$128,400.30	\$152,118.75	\$23,718.45
<b>Total</b>	<b>1,600.0</b>	<b>\$739,916.00</b>	<b>\$284,800.00</b>	<b>\$1,024,737.39</b>	<b>\$1,196,576.25</b>	<b>\$171,838.86</b>

## BOTTOM LINE ESTIMATES – CORN

Item	Per Bushel	Per Acre	Gross Revenue
<b>Current Value</b>	\$7.4409	\$793.70	\$476,220
<b>Breakeven</b>	\$3.2696	\$348.76	\$209,256
<b>Target Goal</b>	\$4.9384	\$526.76	\$316,055
<b>Net Difference</b>	<b>\$2.5026</b>	<b>\$266.94</b>	<b>\$160,165</b>
	<b>Above Target</b>	<b>Above Target</b>	<b>Above Target</b>

## CASH SALES SUMMARY -- CORN

Item	Qty	% Prod	% Ins	Per Bu	Gross Revenue
Cash	25,000	39%	70%	\$6.9900	\$174,750
Basis	0	0%	0%	\$0.00	\$0
HTA	0	0%	0%	\$0.00	\$0
Sold	25,000	39%	70%	\$6.9900	\$174,750
Unsold	39,000	61%		\$7.7300	\$301,470
<b>Total Cash</b>	<b>64,000</b>	<b>100%</b>		<b>\$7.4409</b>	<b>\$476,220</b>

## CORN CASH TRANSACTIONS

Date	Buyer	Start	End	Ref ID	Type	Quantity	Futures	Basis	Cash
6/20/12	Newsome Elevator	10/1/12	10/31/12	654321	Cash	10,000	\$5.75	\$0.25	\$6.00
7/25/12	Newsome Elevator	10/15/12	10/31/12	894563	Basis	15,000	\$6.65	\$0.40	\$7.05

## CROP INSURANCE

Profile	Practice	Acres	Ins	Coverage	APH	Price	Quantity	Revenue Coverage
Corn	Dry	500	RP	75%	95	\$5.66	35,625	\$201,638
Soybeans	Dry	500	RP	75%	23	\$12.27	5,175	\$63,497
Cotton	Dry	500	RP	75%	775	\$0.94	290,302	\$273,188

## Monitor Your Marketing Plan (MYMP) *continued*

MYMP compiles ALL of your marketing information into one package. It also includes the **What-If analyzer** that lets you see what happens to crop revenue when yields or prices change.

### Requirements:

1. Commodity Price Signals
2. Crop Insurance Information – Insurance Type, APH, Coverage Level
3. Futures Account Information
4. Cash Sales Information

### Turnaround:

MYMP is setup within 14 days of Receipt of Crop Insurance information. Farm Risk Solutions is available anywhere you can access the internet. Each month you will receive a report of your current marketing position for each crop. Client is responsible for providing cash sales, futures or options information as trades are made. Discussions of marketing alternatives are available by phone as needed.

## I NEED A CHAUFFEUR!



**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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