Four Characteristics of Resilient Farmers

1. Own your assets
2. Cost containers
3. Right-sized/economy of size
4. Generate higher revenues

Commit This Diagram to Memory
Balance Sheet as of [a single date]  Consolidated  Personal Business

Current Assets

Current Liabilities

Current

Non Current Assets

Non Current Liabilities

Non Current

Net Worth or Owner Equity

Net Worth = Assets - Liabilities

Key Ratios

From the Balance Sheet

• Working Capital
• Debt/Asset Ratio
• Net Worth
Your Turn to Analyze a Balance Sheet

Examine the provided Balance Sheet for the following items:

- Working Capital
- Debt to Asset Ratio
- Net Worth

Income Statement Structure

<table>
<thead>
<tr>
<th>Revenues</th>
<th>(example: $500,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenues</td>
<td>(example: $500,000)</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(example: $250,000)</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>(example: $50,000)</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>(example: $300,000)</td>
</tr>
</tbody>
</table>

Diff. between revenue & Expenses is

Operating Margin     ($200,000)

Financing Expenses

Total Financing Expenses     (example: $25,000)

Net Farm Income from Operations $175,000
Key Ratios
From the Income Statement

Financial efficiency ratios come from the income statement. The following four categories are looked at as a percentage of gross revenues.

- Operating expenses—50%
- Depreciation expense—10%
- Interest expense—5%
- Net Farm Income—35%

How the Pieces Fit Together

Thank you!

Questions?

Comments!

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