



Balance Sheets & Cash Flow

A Step-by Step Process!

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Form 2037 – Balance Sheet

This document is the first of a set that lays out the farm’s financials and projects income. These next few sections dealing with assets and liabilities is commonly referred to as a Balance Sheet. This is a picture, at one point in time, of the farm. It is best to complete this at the same time every year so that measures of change will be most accurate.

FSA-2037 (03-24-10)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	Position 3	
FARM BUSINESS PLAN WORKSHEET Balance Sheet			
1. NAME		2. Date of Balance Sheet	
A – CURRENT ASSETS		B – CURRENT LIABILITIES	
1A. Cash and Equivalents	\$ Value	2A. Accounts Payable	\$ Amount



Current Assets defined as those assets that will be used up in the coming year or that can be converted to cash easily. Cash, stocks and bonds come to mind as current assets but there are others.

A – CURRENT ASSETS					
1A. Cash and Equivalents		\$ Value			
1B. Marketable Bonds and Securities					
1C. Accounts Receivable					
1D. Crop Inventory		1E. Measure	1F. # Units	1G. \$/Unit	\$ Value

Cash-checking and savings account for farm

Stocks or bonds belonging to farm

Money owed to farm (that is collectable!) for example, grain delivered but check has not come.

Crops stored that farm still owns. List the unit (i.e. bu), # units, value per unit and total value. Value per unit is today's value unless under contract then list contract value.



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1H. Growing Crops		1L. # Acres	1J. Cost/Acre	\$ Value	
1K. Market Livestock-Poultry		1L. # Head	1M. Weight	1N. \$/Unit	\$ Value
1O. Livestock Products		1P. Measure	1Q. # Units	1R. \$/Unit	\$ Value

List crops growing, acres, and the cost (up through today) that has been spent on that crop.

Market livestock are those animals purchased or raised for sale/resale. DO NOT include foundation livestock.

Livestock products – i.e. wool, eggs on hand, milk in the tank, processed meat for sale



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1S. Prepaid Expenses and Supplies	
1T. Other Current Assets	
1U. TOTAL CURRENT ASSETS (Items 1A through 1T)	

If you have pre-paid expenses like fertilizer for next year's crop but have not taken possession, list it here.

If you have purchased supplies for next year or have supplies on hand or left over, they go here.

Inventory for sale that is on hand?





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Vehicles and machinery were totaled on page 4 so carry forward the total value.

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C – INTERMEDIATE ASSETS				
3A. Machinery & Equipment/Farm Vehicles (Entered on Page 4)				
3B. Breeding Stock	3C. Raised/Purch	3D. # Head	3E. \$/Head	\$ Value
3F. Notes Receivable				
3G. Not Readily Marketable Bonds and Securities				
3H. Other Intermediate Assets				
3I. TOTAL INTERMEDIATE ASSETS (Items 3A through 3H)				

Here is where breeding stock goes – brood cows, bulls, etc. You can consolidate by category. Keep heifers and cows separate

If you have money owed to you that YOU WILL collect beyond 12 months from now, list it here.

Bonds or other chattel paper that CANNOT be converted to cash in 12 months.

Any other asset that can be converted to cash but not within 12 months and is not a part of real estate.



D – LONG TERM ASSETS					
4A. Building and Improvements					\$ Value
4B. Real Estate-Land	4C. Total Acres	4D. Crop Acres	4E. %Owned	4F. \$/Acre	
4G. Other Long Term Assets					\$ Value
4H. TOTAL LONG TERM ASSETS (Items 4A through 4G)					
4I. TOTAL FARM ASSETS (From Items 1U, 3I and 4H)					

Be careful here, don't count it twice! If you can't break out bldg value from land, lump them together and show in the real estate-land table.

If you have in-ground irrigation or a grain bin that is not included in your real estate tax bill, it might go here. Don't count it twice and don't list items that can easily be unbolted and carried away.

So in summary, current assets can be cash in 12 months, long term assets do not get used up by production (land) or very slowly so the rest are intermediate assets!





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Okay, now time to look at the ‘not so fun’ side of the balance sheet...liabilities (debts)

Just as we have 3 categories of assets, we have 3 categories of liabilities; current, intermediate and long term (which, surprisingly enough, match real well to the asset side.

B – CURRENT LIABILITIES	
2A. Accounts Payable	\$ Amount
2B. Income Taxes Payable	
2C. Real Estate Taxes Payable	

Current liabilities are those debts due in the next 12 months. Account payables might include supplier credit or crop notes. An annual operating loan would most likely go here.

Show income tax and real estate taxes that will come due in next 12 months.



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Notes Payable Due Within 12 Months					
2D. Creditor				2E. Purpose	
2F. Interest Rate	2G. Accrued Interest	2H. Payment Amount	2I. Next Payment Date	2J. Principal Balance	
(1) John Deere			Tractor		
7	319	4878	12/31/x	4558	
(2)					
(3)					
(4)					

This table covers installment debts with payments due this year – note: each entry takes 2 lines.

For example, a 5 year note for purchase of tractor, \$20,000 at 7%, year 1 payment of \$4878 assuming loan made 5 years ago and payment due today



If current liabilities listed above included interest then don't double count. You should list principle above and interest here, however.

Our tractor note example, the interest due today would go here

You will need a statement (or amortization) showing the breakdown of principal and interest due for each debt as of the day you make your Balance Sheet effective. Interest due on those payments goes here

Principal on those payments goes here

Grain delivery contract that you have not fulfilled would go here

2K. Accrued Interest On:	\$ Amount
(1) Current Liabilities	
(2) Intermediate Liabilities	
(3) Long Term Liabilities	
2L. Current Portion of Principal Due On:	
(1) Current Liabilities	
(2) Intermediate Liabilities	
2M. Other Current Liabilities	
2N. TOTAL CURRENT LIABILITIES (Items 2A through 2M)	



This table is for debts where final payment is due beyond 12 months.

E - INTERMEDIATE LIABILITIES					
5A. Creditor			5B. Purpose		
5C. Interest Rate	5D. Accrued Interest	5E. Payment Amount	5F. Next Payment Date	5G. Principal Balance	
(1)	JD Credit		JD Gator		
	7.5	57	296	12/31/x	771
(2)		8	6		3
(3)					
(4)					
(5)					
(6)					
(7)					
5H. TOTAL INTERMEDIATE LIABILITIES (Item 5G (1 through 7))					

In this example, payment #3 of a 5 year loan is due. The amortization will show that payment #3 will be comprised of \$578 interest and \$2388 principle. The original amount was for \$12,000, fixed rate, annual payment.

You would repeat this process for every intermediate debt you have. Note: only the principal shows in the total – not the interest. Interest is not owed until accrued so we do not show interest in the intermediate or long term debt table.

To fully complete this entry, we would carry the interest portion of the payment due back up to current liability table.





F – LONG TERM LIABILITIES					
6A. Creditor			6B. Purpose		
	6C. Interest Rate	6D. Accrued Interest	6E. Payment Amount	6F. Next Payment Date	6G. Principal Balance
(1)					
(2)					
(3)					
(4)					
(5)					
(6)					
(7)					

The same process of breaking down the principle and interest owed for intermediate debts applies to the long term debts.

Almost done....one more simple calculation!



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6H. TOTAL LONG TERM LIABILITIES (Item 6GA (1 through 7))	
6I. TOTAL FARM LIABILITIES (From Items 2N, 5H, and 6H)	
6J. TOTAL FARM EQUITY (Item 4I minus Item 6I)	

Add your 3 liability subtotals and subtract it from your Total Assets and you get Equity or Net Worth. To check it, liabilities + equity = assets (hence the name, Balance sheet). The Equity or Net worth figure is the one that indicates how much potential security you have to offer for a loan. A positive number shows equity. A new business during certain times of the year might show negative; a negative figure on an established business would be an indicator of other problems or miscalculation





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A personal balance sheet is needed for each individual

G – PERSONAL ASSETS	
	\$ Value
7A. Cash and Equivalents	
7B. Stocks, Bonds	
7C. Cash Value Life Insurance	
7D. Other Current Assets	
7E. Household Goods	
7F. Car, Recreational Vehicle, Etc.	
7G. Other Intermediate Assets	
7H. Retirement Accounts	
7I. Non-Farm Business	
7J. Non-Farm Real Estate	
7K. Other Long Term Assets	
7L. TOTAL PERSONAL ASSETS (Items 7A through 7K)	
7M. TOTAL ASSETS (Item 4I and Item 7L)	

You've tackled the hard part and know the classes of assets and liabilities – this should be easy. Same rules apply.





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The last part of the personal balance sheet is personal liabilities

H – PERSONAL LIABILITIES					
8A. Creditor				8B. Purpose	
	8C. Interest Rate	8D. Accrued Interest	8E. Payment Amount	8F. Next Payment Date	8G. Principal Balance
(1)					
(2)					
(3)					
(4)					
8H. Other Liabilities					
8I. TOTAL PERSONAL LIABILITIES					
8J. TOTAL LIABILITIES (Item 6I and Item 8I)					
8K. TOTAL EQUITY (Item 7M minus Item 8J)					

The one liability we have not mentioned is a contingent liability. Simply put, you owe the debt but only if certain circumstances come about. A margin call on futures hedge contract would be contingent on market going against your position.





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FARM STATE

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J - MACHINERY AND EQUIPMENT							
11A. Qty.	11B. Description	11C. Manufacturer	11D. Size/Type	11E. Condition	11F. Year	11G. Serial Number	11H. \$ Value
1	tractor	JD	4320	good	200	460001	17000
1	Gator	JD		good	6 2009		6500

This should be self explanatory but the assets from our loan examples are listed

Titled vehicles go in this section

TOTAL \$ VALUE OF ITEM III

K - FARM VEHICLES							
12A. Qty.	12B. Description	12C. Manufacturer	12D. Size/Type	12E. Condition	12F. Year	12G. Serial Number/VIN	12H. \$ Value





Form FSA 2038 Cash Flow

This should be production year and not necessarily calendar year.

FARM BUSINESS PLAN WORKSHEET

Projected/Actual Income and Expense

1. NAME

2. For Production Cycle Beginning:

Projected

_____ 20 ____ Thru: _____ 20 ____

Actual

A - INCOME

1. Crop Sales:

1A. Description	Production				1F. Farm Use	Purchases			Sales		
	1B. Acres	1C. Yield	1D. % Share	1E. # Units		1G. # Units	1H. \$/Unit	1I. Total \$	1J. # Units	1K. \$/Unit	1L. Total \$

Crop name

Your total anticipated production here

If you consume the crop on farm (feed) then show amount used here

Crop purchased for resale

Units to be sold



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2. Livestock and Poultry Sales:											
2A. Description	2B. Purch/Raised		2C. # Units	Purchases			2G. Death Loss	Sales			
	P	R		2D. Weight	2E. \$/Unit	2F. Total \$		2H. #Units	2I. Weight	2J. \$/Unit	2K. Total \$

Same goes for livestock; show anticipated production, purchases for resale, death loss and projected sales. List sales of cull foundation stock on separate line(s)





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Cull cows and calves here

3. Dairy Livestock Sales:

3A. Description	3B. Purch/Raised		3C. # Head	Purchases			3G. Death Loss	Sales			
	P	R		3D. Weight	3E. \$/Unit	3F. Total \$		3H. # Units	3I. Weight	3J. \$/Unit	3K. Total \$

4. Milk Sales:

4A. Description	4B. # Head	4C. Production/Head/Year	4D. Total Production	4E. Price	4F. Sales \$

Milk sales here

A producer who buys, grows and sells dairy calves would list them here



Form FSA 2038 Cash Flow

A - INCOME (Continued)			
6. Ag Program Payments	\$ Amount	8. Custom Hire Income	\$ Amount
7. Crop Insurance Proceeds	\$ Amount	9. Other Income	\$ Amount
		10. Total Income (Items 1 through 9)	

Other income generated from the farm goes in this table





Form FSA 2038 Cash Flow

Here is where you project your expenses to be incurred for the production you just planned.

B - EXPENSES			
	\$ Amount		\$ Amount
11. Car and Truck		23. Rent – Land/Animals	
12. Chemicals		24. Repairs and Maintenance	
13. Conservation		25. Seeds and Plants	
14. Custom Hire		26. Supplies	
15. Feed Supplement		27. Taxes – Real Estate	
16. Feed, Grain and Roughage		28. Utilities	
17. Fertilizers and Lime		29. Veterinary/Breeding/Medicine	
18. Freight and Trucking		30. Other Expenses	
19. Gas/Fuel/Oil		31. Other - Irrigation	
20. Insurance			
21. Labor Hired			
22. Rent – Machinery/Equipment/Vehicles		32. Interest	
		33. Total Expenses (Items 11 through 32)	
C – NON-OPERATING			

Now is when those records really come in handy. If you are not changing your production, then expenses from past year is a great starting point.





List what you take from the operation to live on or your wage. If your family and farm use one check book then list all family living expenses

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Non-farm income here (self or spouse's job)

Other expenses not captured in Owner Withdrawals

C - NON-OPERATING			
34. Owner Withdrawal (Total Family Living Expenses and Non-Farm Debt Payments)		36. Non-Farm Income	
35. Income Taxes		37. Non-Farm Expense	
D - CAPITAL			
38. Capital Sales		40. Capital Expenditures	
39. Capital Contributions		41. Capital Withdrawals	
E - WARNING			

Projected income taxes

Example – cull cows or extra equipment sold

Capital that will come into operation from another source (inheritance)

Planned capital purchases – new disc or equipment, more brood cows

Capital that will leave the farm account that does not go to family living (timeshare in Aruba??)

