

Operating Expenditures

- It can help out to stagger the cost of supplies to prevent upfront costs early in the season when the farm is not earning income.
- This is the time to record every dollar you spend for the operational side of the business. All this will populate in the checking account tab and will subtract from income.
- If you have realistic income generation and expense expectations, you should not be afraid to borrow.



Equipment and Other Long Term Assets (Capital Expenditures)

- Year 1 will be one of your expensive years. If you have taken out a loan for a tractor or other equipment list the monthly payments.
- Try to keep capital debt and operating debt separate: do not purchase fertilizer and twist ties with money you borrowed for equipment unless you want to spend 7 years paying for twist ties with interest.

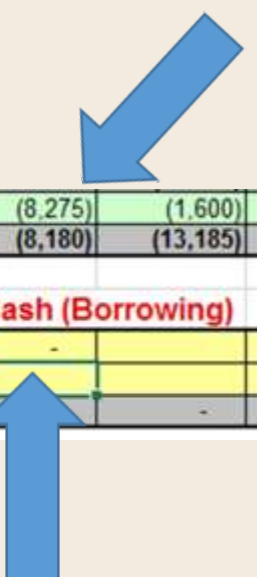
VII. Equipment and Other Long-Term Assets													
Equipment													
50 Horsepower tractor	10,000												10,000
5 ft. Rototiller	1,500												1,500
Buildings and Infrastructure													
20' x 48' Insulated Greenhouse	2,500												2,500
20' x 96' Cold Frame (x2)	3,000												3,000
Rainbirds and Irrigation pipe	1,775												1,775
Marketing													
Cargo Van				10,000									10,000
Digital Scale				500									500
Easy-Up				500									500
Total Capital Expenditures	7,275	-	-	11,000	-	-	-	-	-	-	-	-	18,275

How to Find Out How Much Money You Need

- **Step 1**: Fill in projected income.
- **Step 2**: Fill in all capital and operating expense sheets.
- **Step 3**: Go to Checking, observe how much money you will make at the end of the year and how much money you will need at the beginning of the year. Negative numbers will be in ()
- **Step 4**: If you are able to turn a profit at the end of the year but are in the negative at the beginning of the year you can either loan yourself money by drawing from your contribution from savings or ask for a loan from the FSA or other lender.
- **Step 5**: Add the amount of money required to the non operational sources of income tab (FSA Loan or other loans)

How to Find Out How Much Money You Need

- **Step 5A:** Go month by month to fix all numbers in the negative. Once a month is in the positive there is no reason to loan money. The loan amounts will add up and you will obtain the amount of money that you need to borrow.
- **Step 6:** Make sure you can pay back your operating loan by entering...



Non-Operational Uses of Cash	(8,275)	(1,600)	(1,600)	(13,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)	(41,375)
Ending balance	(8,180)	(13,185)	(18,110)	(32,385)	(35,860)	(36,945)	(34,470)	(31,505)	(26,930)	(22,055)	(18,890)	(19,880)	
III. Non-Operational Sources of Cash (Borrowing)													
Secured Loans (Mortgage or Equipment)	-			-									-
Operating Loans (Personal or other)	-		-	-	-	-							-
Subtotal		-	-	-	-	-	-	-	-	-	-	-	-

Loan Payments

II. Business Checking Account													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year's Total
Beginning Cash in Ckg	10,000	6,820	1,815	890	1,115	1,140	1,055	1,030	995	1,070	2,945	6,110	
Operating Income	-	-	900	2,800	2,700	6,400	8,800	10,600	11,200	11,200	9,200	4,700	68,500
Operating Expenditures	(9,905)	(3,405)	(4,225)	(3,975)	(4,075)	(5,385)	(4,225)	(5,535)	(4,525)	(4,225)	(3,935)	(3,590)	(57,005)
Net Cash Flow From Operations	(9,905)	(3,405)	(3,325)	(1,175)	(1,375)	1,015	4,575	5,065	6,675	6,975	5,265	1,110	11,495
Cash From Borrowing	15,000	-	4,000	14,500	3,500	1,000	-	-	-	-	-	-	38,000
Subtotal - Cash Available	15,095	3,415	2,490	14,215	3,240	3,155	5,630	6,095	7,670	8,045	8,210	7,220	
Non-Operational Uses of Cash	(8,275)	(1,600)	(1,600)	(13,100)	(2,100)	(2,100)	(4,600)	(5,100)	(6,600)	(5,100)	(2,100)	(2,100)	(54,375)
Ending balance	6,820	1,815	890	1,115	1,140	1,055	1,030	995	1,070	2,945	6,110	5,120	
III. Non-Operational Sources of Cash (Borrowing)													
Secured Loans (Mortgage or Equipment)	15,000			10,000									25,000
Operating Loans (Personal or other)			4,000	4,500	3,500	1,000							13,000
Subtotal	15,000	-	4,000	14,500	3,500	1,000	-	-	-	-	-	-	38,000
IV. Non-Operational Uses of Cash													
Draw _ partner #1	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,000	1,000	1,000	1,000	14,500
Draw - partner #2									500	500	500	500	2,000
Total Draws	1,000	1,000	1,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	16,500
Asset Purchase	7,275	-	-	11,000	-	-	-	-	-	-	-	-	18,275
Contribution to Savings		100	100	100	100	100	100	100	100	100	100	100	1,100
Fixed Loan Payment		500	500	500	500	500	500	500	500	500	500	500	5,500
Other Loan Payments							2,500	3,000	4,500	3,000			13,000
Total Non-Operational Use of Cash	8,275	1,600	1,600	13,100	2,100	2,100	4,600	5,100	6,600	5,100	2,100	2,100	54,375



Conclusion: Brackets Are Bad – Don't be in the Negative

- Make sure your operating income is greater than operating expenditures.
- Use long-term debt for capital expenditures.
- Don't forget to pay yourself!
- Sweat the small stuff.
- Link to Farm Cash Flow Spreadsheet
 - <https://beginningfarmerrancher.wordpress.com/cash-flow-budgeting-for-small-farms/>

Special Thanks

Creator of the Farm Cash Flow Spreadsheet



Poppy Davis

Questions?

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