



2019 EXECUTIVE FARM MANAGEMENT

“What got you here won’t necessarily get you there.” —Dr. Marshall Goldsmith

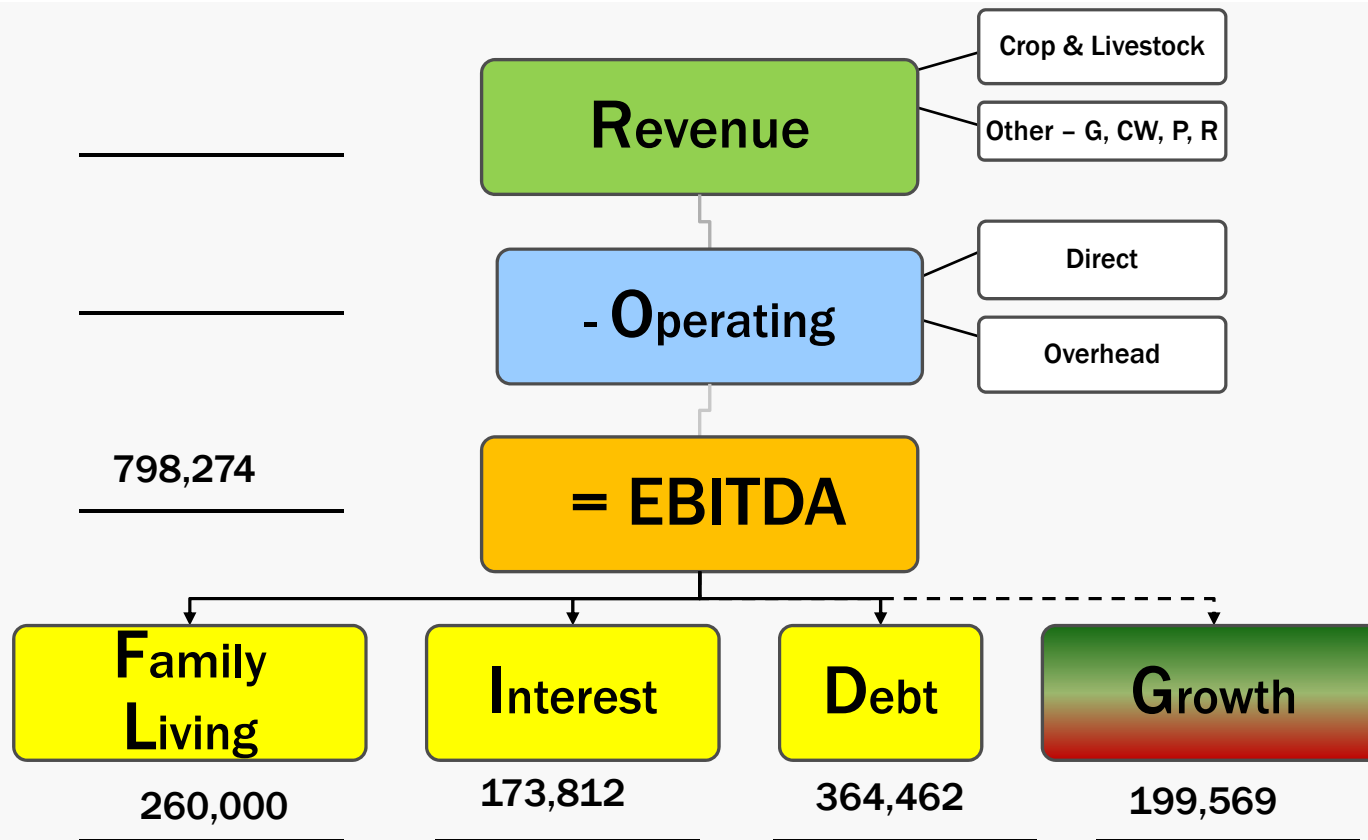
January 29, 2019

Scott Mickey

Extension Associate

Clemson Agribusiness

BFF - EBITDA



FIND YOUR TARGET



Farm Name: Brown Family Farms
 County: Washington
 State: SE USA
 Crop Year: 2019

BREAKEVEN EBITDA Requirements (EBITDA-Earnings Before Interest, Taxes, Depreciation & Amortization)

Family living & taxes	260,000	Operating	Term Debt	
Interest Expense	173,812	136,119	37,693	From Balance Schedules
Term Debt Principal Due	364,462			From Balance Sheet
BREAKEVEN Profit Needed	798,274	EBITDA Required		

2019 CASH FLOW PLANNING

Other Information Needed

Non-Crop Income	2017 Projected		Financial Position as of	12/31/2016	Original
Government Payments			Current Assets	875,750	From Balance Sheet
ARC/PLC Payments	25,000		Current Liabilities	710,000	From Balance Sheet
EQIP			Total Assets	4,086,750	From Balance Sheet
Conservation Security Payments	5,000		Total Liabilities	1,315,500	From Balance Sheet
_____			Owner Equity	2,771,250	
_____		30,000	Working Capital	165,750	
Other farm income (including Livestock EBITDA)					
Custom work income	18,000				
Refunds/Patronages	2,000				

_____		20,000			
Total Non-Crop Income		50,000			

CPS WORKSHEET

Step 1 Determine operating profit requirements.

			<u>Total</u>		
1	+	Family living & taxes	<i>FL</i>	260,000	
2	+	Interest	<i>I</i>	173,812	
3	+	Principal payments	<i>D</i>	364,462	
4	=	BREAKEVEN EBITDA	<i>(Line 1 + Line 2 + Line 3)</i>	798,274	
5	-	* Non-crop Income	<i>From table below</i>	-205,600	
6	=	BREAKEVEN CROP EBITDA	<i>(Line 4 - Line 5)</i>	592,674	4,500
					132

<u>* Estimate non-crop sources of income.</u>		<u>Current Working Capital</u>		<u>** Working Capital Burn Rate</u>		
+	Government Payments	165,600	Current Assets	2,849,602	Working Capital	\$ (270,645)
+	Other farm income	<u>40,000</u>	- Current Liabilities	<u>3,120,247</u>	To last	1
=	Non Crop Revenue	<u>\$ 205,600</u>	= Working Capital	<u>\$ (270,645)</u>	= WC Burn/YR	<u>\$ (270,645)</u>

2019 CASH FLOW PLANNING

Enterprise Plan

Select Crop	Practice	Planted Acres	Double Crop Acres	Sales Units	Expected Yield Per Acre	Harvest Basis	MPCI Coverage %	Operating Cost Per Acre
1 Corn - CZ	Irrigated	1,000.0		BU	200	0.50	75%	\$651
2 Soybeans	Dryland	1,998.0		BU	35	0.10	50%	\$345
3 Tobacco, FC	Dryland	300.0		LBS	2,400	0.00	65%	\$4,164
4 Sweet Potatoes, FM	Dryland	400.0		BU	565	0.00	50%	\$3,993
5 Cucumbers, Pickle	Irrigated	150.0		CWT	120	0.00	50%	\$1,599
6 Squash, Yellow	Irrigated	150.0		1.1 Bu	250	0.00	50%	\$2,792
7 Sweet Corn, Local	Irrigated	150.0		Dzn	1,875	0.00	50%	\$3,062
8 Tomatoes	Irrigated	100.0		25# Box	1,500	0.00	50%	\$13,741
9 Watermelon	Irrigated	125.0		BIN	450	0.00	50%	\$6,254
10 Cantaloupes	Irrigated	125.0		Each	6,000	0.00	50%	\$4,495
11 Cotton	Dryland	1.0		LBS	900	0.01	75%	\$539
12 Peanuts, Virginia	Dryland	1.0		LBS	3,800	0.00	70%	\$766

COMMODITY PRICING SIGNALS

Step 2 Calculate BREAK-EVEN prices

Covers FLOID

	<u>Corn - CZ</u> <i>Irrigated</i>	<u>Soybeans</u> <i>Dryland</i>	<u>Tobacco, FC</u> <i>Dryland</i>	<u>Sweet Potatoes, FM</u> <i>Dryland</i>	<u>Cucumbers, Pickle</u> <i>Irrigated</i>
*** Land Acres Allocation	100%	100%	100%	100%	100%
Operating Cost	651	345	4,164	3,993	1,599
+ BREAKEVEN CROP EBITDA	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>	<u>132</u>
= BREAKEVEN Crop Revenue	783	477	4,296	4,125	1,731
/ Expected Yield	200	35	2,400	565	120
= BREAKEVEN CROP Price	\$3.91	\$13.62	\$1.79	\$7.30	\$14.42



\$R =



2019 Marketing Objectives

Brown Family Farms

Crop	Total	Corn - CZ	Soybeans	Tobacco, FC	Sweet Potatoes, FM	Cucumbers, Pickle
		Irrigated	Dryland	Dryland	Dryland	Irrigated
Intended Acres	4,500	1,000	1,998	300	400	150
Expected Yield		200	35	2,400	565	120
Operating Expenses / Acre		475	575	269	375	500
* Cash BREAKEVEN Price Target		\$3.91	\$13.62	\$1.79	\$7.30	\$14.42
Less: Expected Harvest Basis		\$0.50	\$0.10	\$0.00	\$0.00	\$0.00
Futures BREAKEVEN Price Target		\$3.41	\$13.52	\$1.79	\$7.30	\$14.42

Futures - Commodity Pricing Signals

		Crop Revenue	Corn - CZ	Soybeans	Tobacco, FC	Sweet Potatoes, FM	Cucumbers, Pickle
Growth	Futures Price	\$8,815,933	\$3.64	\$14.79	\$1.81	\$7.38	\$14.79
	DUCK Value	\$199,569	\$0.22	\$1.27	\$0.02	\$0.08	\$0.37
	Crop Revenue	\$827,054	\$1,041,066	\$1,302,016	\$1,667,622	\$266,258	
Breakeven	Futures Price	\$8,616,364	\$3.41	\$13.52	\$1.79	\$7.30	\$14.42
	Crop Revenue	\$782,705	\$952,457	\$1,288,712	\$1,649,882	\$259,606	
Cash Flow	Futures Price	\$8,887,009	\$3.71	\$15.24	\$1.81	\$7.41	\$14.92
	WC Burned	-\$270,645	-\$0.30	-\$1.72	-\$0.03	-\$0.11	-\$0.50
	Crop Revenue	\$842,849	\$1,072,624	\$1,306,755	\$1,673,939	\$268,627	

PLANNING CONSIDERATIONS

			Corn - CZ	Soybeans	Tobacco, FC	Sweet Potatoes, FM	Cucumbers, Pickle
PRICE OFFERS As of: 31-Dec-18	Futures Price Crop Revenue DUCKS	\$9,496,936 Equity Growth \$880,572	\$4.00 \$900,000 3	\$9.25 \$653,846 (3)	\$1.95 \$1,404,000 9	\$8.75 \$1,977,500 18	\$16.67 \$300,060 6
	Zero Based Operating Cost 31-Dec-18	Expected Operating BE Operating Required Change	\$475 \$475 0%	\$575 \$426 -26%	\$269 \$269 0%	\$375 \$375 0%	\$500 \$500 0%
Crop Insurance Production Guarantee Breakeven Prices	Expected Yield		200	35	2,400	565	120
	Coverage Level		75%	50%	65%	50%	50%
	Guaranteed Yield		150	18	1,560	283	60
	BE Cash Target BE Futures Target		\$5.22 \$4.72	\$27.24 \$27.14	\$2.75 \$2.75	\$14.60 \$14.60	\$28.85 \$28.85

PROBLEMS FOR 2019?

- 1. CASH FLOW Prices > GROWTH PRICES
 - Working Capital is _____
 - Solutions:
 - Term Out \$500,000 for 3 Years @ 6.5%
 - P&I is \$188,788 / 4500 acres is additional \$41.95 EBITDA required
 - **Corn Cash BE goes to \$4.12 per bushel versus \$3.91**
 - **Debt is a claim on FUTURE Earnings**

PROBLEMS FOR 2019?

■ 2. SOYBEANS

- Switch to COTTON?
- Current Cotton Price is at BE for BFF
- BUT...

- Need Equipment:
 - Cotton Picker versus Custom Pick
 - \$600,000 Picker
 - 25% Downpayment
 - Finance \$487,500 for 5 years @ 6.5%
 - Payment is \$117,309 or \$58.65 per acre (2000) or \$.07 per lb
 - Breakeven price is now \$.81 per pound.