



**COOPERATIVE EXTENSION**  
*College of Agriculture, Forestry and Life Sciences*

## **FINANCIAL PRIMER BROWN FAMILY FARMS**

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## **Finance**

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A branch of economics concerned with **resource allocation** as well as resource management, acquisition and investment.

“Strategic planning is...

- *an organization's process of defining its strategy or direction and making decisions on **allocating its resources** to pursue this strategy.”*

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# Financial Analysis

- **Financial Position**
  - Total resources controlled by a business and total claims against those resources, at a single point in time.
  - Capacity of business to withstand risk.
  - **Benchmark for measuring results of future business decisions**
- **Financial Performance**
  - Results of production and financial decisions, over one or more periods of time.
  - **Includes impact of external forces beyond control**
  - Results of decisions made in ordinary course of business

Source: FFSC-Financial Guidelines for Agriculture. January 2015 III-1

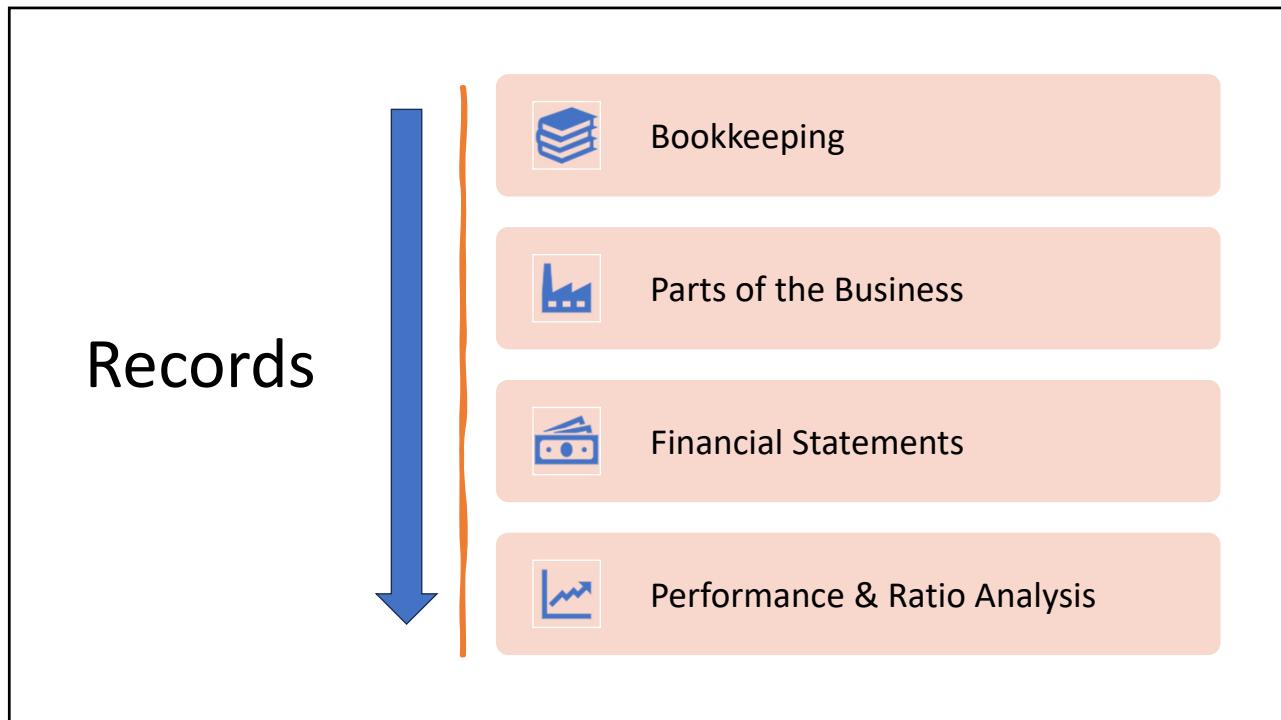
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## Records: *What Do You Want Know?*

-  **Income Tax Reporting?**
-  **Financing?**
-  **Financial Performance?**
  - Whole Business
  - Crop/Enterprise
  - Field by Field?
-  **Analyze business strengths/opportunities?**
-  **Planning?**
  - Estate Tax Planning
  - Retirement Planning
  - Transition Planning



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## Financial Statements

### Balance Sheets

**Financial Position** on a certain date

**Cost Basis** statements list asset values at their original cost, less depreciation.

**Fair Market Value** statements list assets at a price that they will likely sell for in a competitive market

**Which one is better?**

EOY Balance Sheet			
ASSETS		LIABILITIES	
Cash		A/P	
A/R		Operating Loans	
Inventory		Accrued Interest	
PP		Accrued Taxes	
Total CA		Prin Due < 12 Mo	
Brdg Lvsrk			
Equipment			
Land			
Total NCA		Total CL	
		Prin Due > 12 Mo	
		Total NCL	
		Total Liabilities	
		Owner Equity	
Total Assets		Liab & Equity	

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Brown Family Farm  
12/31/2025 - Operating Balance Sheet

**FINPACK**

Current Assets		Value		Current Liabilities		Balance	
Cash and banking (Cont'd A)		451,242		Accounts receivable		110,499	
Prepaid exp & supp (Cont'd B)		29,872		Payables & accr exp (Cont'd T)		150,200	
Growing crops		-					
Agricultural lease (Cont'd D)		397,665		Current loans (Cont'd U)		Int. P & I Principal	
Hedging accounts (Cont'd E)		24,234		Rate Due		Balance	
Other current assets		-		7.50 1,100		3,000	
Crops (Cont'd G)		Quantity	Value/Unit	Agrifirst Hedge Line		2,000	
Cotton		202,000	5.25 bu.	7.75 2,000		2,000	
Corn		42,000	122.00	4,000,000		2,000	
Soybeans		187,000	9.61/bu	5.50 225,000		206,449	
Soybeans		187,000	9.61/bu	Principal due within 12 months on term loans		364,618	
Cotton		420,000	0.633/b				
Lumber held for sale		267,675					
Total Current Assets		4,174,908		Total Current Liabilities		2,967,548	
Intermediate Assets		Cost	Value	Market	Value	Intermediate Liabilities	
Breeding livestock						Loan	
Machinery (Cont'd J)		1,267,106	4,169,914			Int.	Principal
Titled vehicles						Rate	Balance
Furniture (Cont'd L)		2,500	2,500				
Total Intermediate Assets		1,269,606		Total Intermediate Liabilities		-	
Long Term Assets		Cost	Value	Market	Value	Long Term Liabilities (Cont'd W)	
Land and buildings (M)		476,000	476,000			Int.	Principal
Herd Page		234	472,000			Rate	Balance
Neighbors Page		140	360,000	490,000			
Next Door		120	600,000	437,000			
Touchdown Home Place		100	360,000	360,000			
Beds & bedding (Cont'd N)		321,000	321,000				
Other long term (Cont'd O)		57,900	49,900				
Total Long Term Assets		1,827,300		Total Long Term Liabilities		3,877,433	
Total Farm Assets		7,272,414		Total Farm Liabilities		3,877,433	
Deferred Liabilities (D)				Cost	Market		
Total Liabilities (T)				3,877,433	4,911,524		
Retained Earnings/Contributed Capital				[D-E]	3,324,500		
Market valuation equity				[B-C]	2,552,218		
Net Worth				[C-E]	5,347,198		
Total Assets (X/D)		7,272,414		10,858,722			

I certify that my statements on this balance sheet are true, complete, and correct to the best of my knowledge and belief.

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**Current Assets – Current Liabilities =**

**Current Equity**

**Working Capital**

**Total Assets – Total Liabilities = Total Equity**

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## Financial Statements

### Income Statements

**Measures profits (losses) over a time period**

**Cash Basis Accounting** recognizes revenue when received and expenses when actually paid.  
(*Schedule F is typically CASH BASIS*)

**Accrual Adjusted Accounting** recognizes revenue when produced and expenses when they are incurred.

**Which one is better?**

**Financial Position or Performance?**

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Brown Family Farm Financial Analysis: Oper 25

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**Income Statement**

Income	Quantity	Price	Amount	Expense	Amount
Corn, NC	125,500 bu.	5.80/bu.	702,733	Seed and plants	557,300
Corn, NC	242,625 bu.	5.84/bu.	1,397,841	Fertilizer	694,360
Corn, NC	260,625 bu.	0.75/bu.	182,900	Crop chemicals	72,000
Ptgs. Cucumbers, NC	42,200 cwt.	18.39/cwt.	778,056	Crop insurance	88,776
Peanuts, NC	2,380,557 lb.	0.25/lb.	598,223	Drying expense	425,308
Soybeans, NC	26,325 bu.	10.50/bu.	276,413	Storage	95,000
Summer Squash, NC	73,350 bu.	17.35/bu.	1,272,825	Irrigation energy	196,650
Swt Potatoes, NC	95,075 ton	9.25/ton	879,444	Crop Supplies	11,243
Swt Potatoes, NC	30,000 ton	10.00/ton	300,000	Crop Custom hire	85,937
Other farm income	72,775 lb.	2.06/lb.	150,288	Crop Consulting and trucking	100,110
Other government payments			750,071	Crop Consultants	45,777
Custom work income			64,000	Crop Marketing	348,050
Patronage dividends, cash			15,068	Interest	205,771
Crop insurance income			76,500	Supplies	199,758
				Fuel & oil	293,744
				Repairs	333,185
				Hired labor	2,770,000
				Land rent	315,000
				Personal property taxes	89,000
				Farm insurance	138,304
				Utilities	124,390
				Dues & professional fees	102,355
Gross cash income			8,773,262	Total cash expense	8,352,757
				Net cash income	420,505
<b>Inventory Changes</b>					
Prepads and supplies	17,490			Beginning inventory	
Accounts receivable	-			Purchases/ Deposits	
Hedging gains or losses	65,750	-	62,380	Sales/ Withdrawals	
Crops and feed	2,880,442			Ending inventory	
Other assets	60,400	-		Inventory Change	
Accounts payable	150,300	-			
Accrued interest	42,870				
Total inventory change					945,835
Net operating profit					1,366,341
<b>Depreciation</b>					
Machinery and equipment	1,029,437	490,000		Beginning inventory	
Titled vehicles	-	-		Purchases	
Buildings and improvement	-	-		Sales	
Total depreciation				Ending inventory	
Net income from operations				Depreciation	
Gain or loss on capital sales					-252,331
Net farm income					1,114,610
					40,000
					1,154,610

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## Financial Statements

### Statement of Cash Flows

**Statement of Cash Flows**

**Page 31**

Summarizes cash activity for all parts of business -- Operations, Assets, Liabilities, and Equity

**Financial Position or Performance?**

(f)	Beginning cash balance (farm & personal)		302,005
	Gross cash farm income		8,773,262
	Cash farm expenses	(+)	8,352,757
	Net cash from hedging transactions	(+)	62,380
(g)	Cash provided by operating activities	(+)	482,885
	Sale of machinery and equipment	(+)	40,000
	Purchase of machinery and equipment	(-)	490,000
(h)	Cash provided by investing activities	(+)	-450,000
	Money borrowed		3,722,500
	Principal payments	(-)	3,175,148
	Personal income	(+)	-
	Owner withdrawals	(+)	415,000
	Income taxes paid	(-)	-
(i)	Cash provided by financing activities	(+)	132,352
	Net change in cash	(g+h+i)	165,237
	Ending cash balance (farm and personal)		467,242

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## Financial Statements

### Statement of Owner Equity

Reports changes in owner equity

Earned versus valuation

**Financial Position or Performance?**

### Statement of Owner's Equity

**Page 31**

(a)	Beginning net worth	5,806,082
	Net farm income	1,154,010
	Personal income	(+)
	Owner withdrawals	(+)
	Income taxes accrued	(-)
	Change in personal assets	(+)
	Change in nonfarm accounts payable	(+)
(b)	Total change in retained earnings	(+)
	Change in market value of capital assets	-332,857
	Change in deferred liabilities	(+)
(d)	Total change in market valuation	-
(e)	Total change in net worth	(b+d)
	Ending net worth	141,118
		5,947,198

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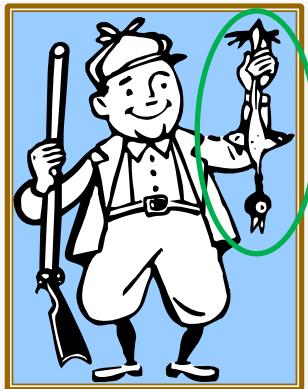
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## WHO IS FLOID?

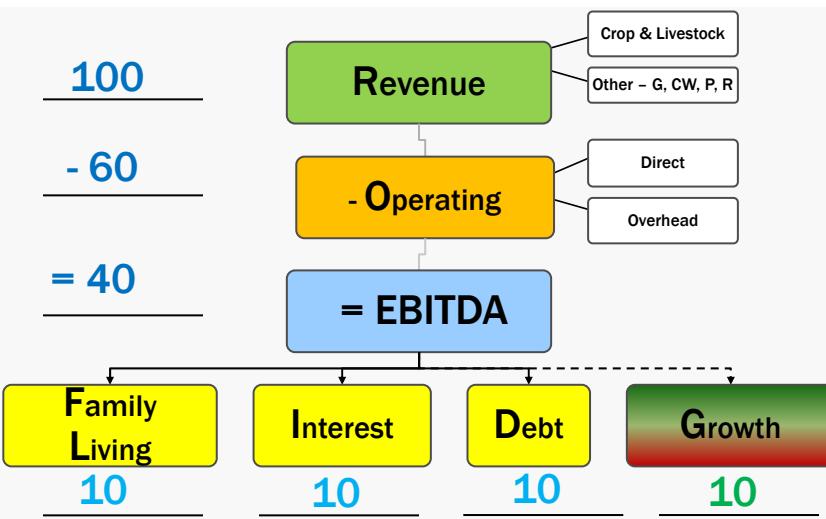


What if Revenue is	= \$1,000,000
Family Living & taxes	\$100,000
Operating expenses	\$600,000
Interest	\$70,000
Debt (principal)	\$130,000
asset Growth of	\$100,000

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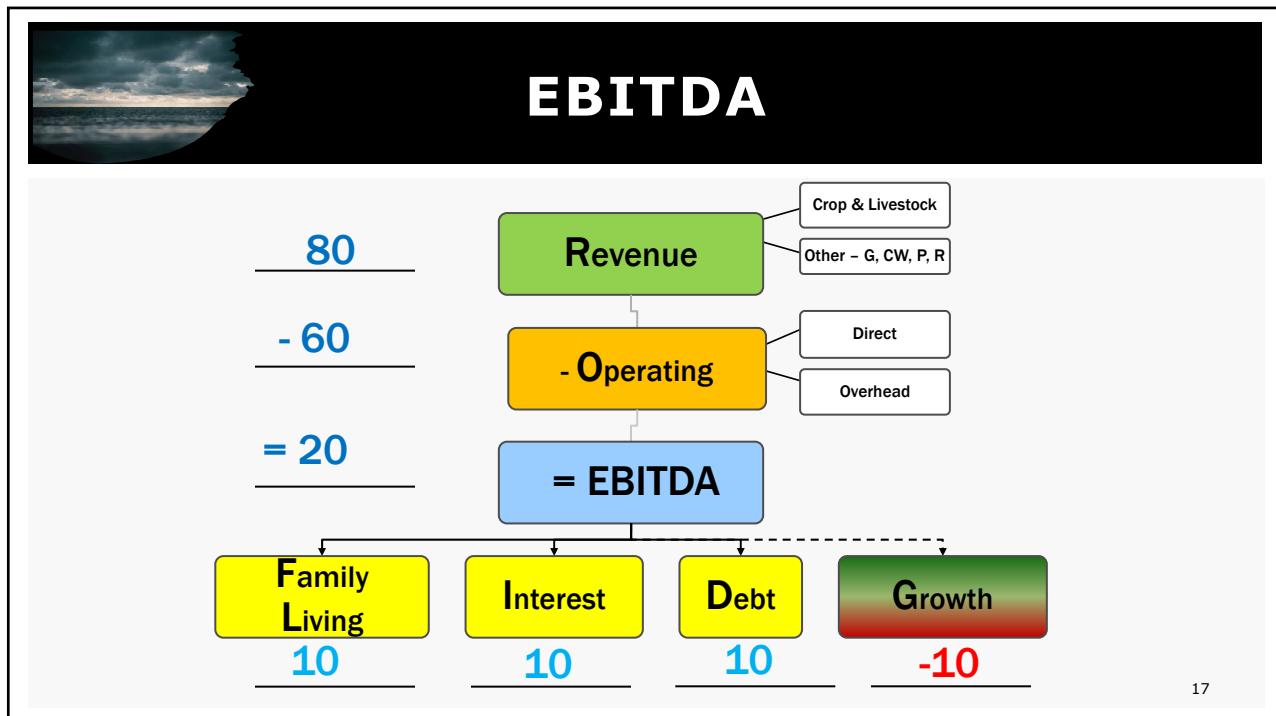
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## EBITDA

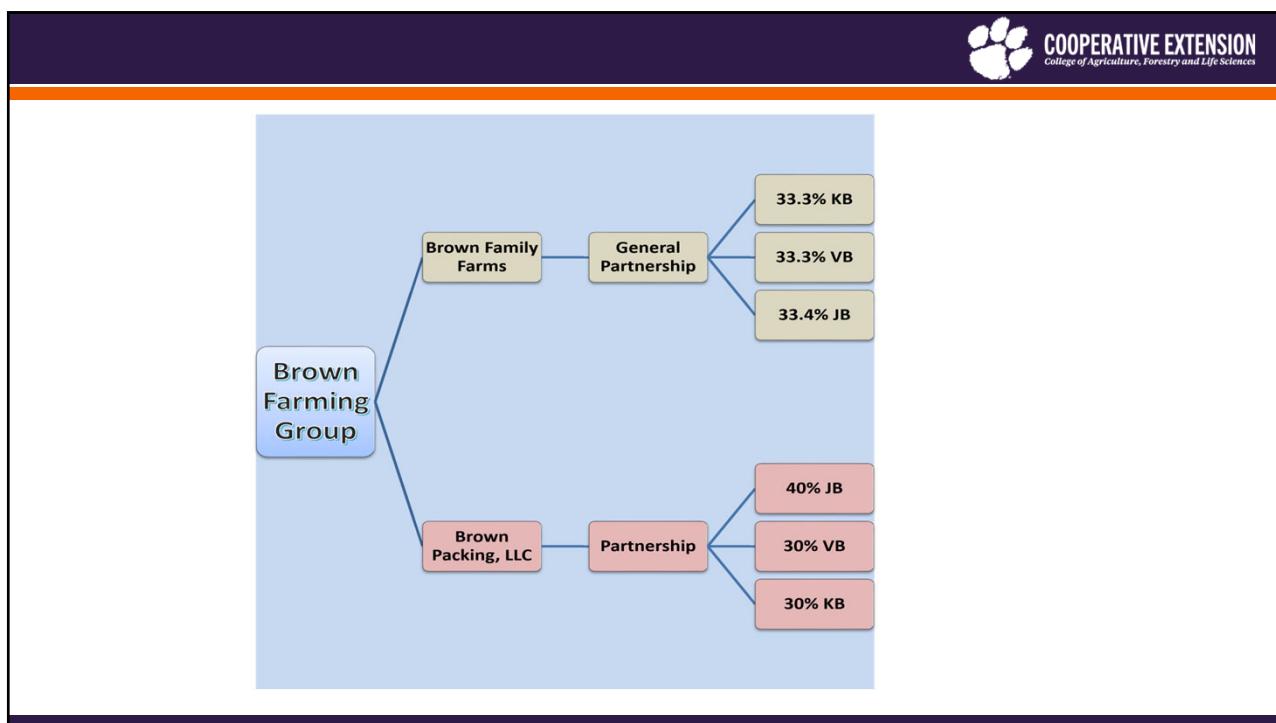


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## Known Knowns



### Side by Side Analysis

Financial:					
	2021	2022	2023	2024	2025
<b>EBITDA SUPPLY &amp; DEMAND</b>					
Revenue	9,261,336	8,307,087	8,926,670	7,783,684	9,774,244
- Operating Expenses	7,094,939	7,335,950	7,432,524	7,530,868	8,074,504
= EBITDA (Supply)	<b>2,166,397</b>	<b>971,137</b>	<b>1,494,146</b>	<b>252,816</b>	<b>1,699,740</b>
EBITDA Uses:					
Family Living & taxes	325,000	350,000	375,000	340,000	415,000
+ Interest expense	283,719	243,267	237,867	211,718	333,399
+ term Debt due (BOY)	263,434	245,790	205,272	281,224	368,109
= EBITDA Uses (Demand)	<b>872,153</b>	<b>839,057</b>	<b>818,139</b>	<b>832,942</b>	<b>1,116,508</b>
= Available for Asset GROWTH	<b>1,294,244</b>	<b>132,080</b>	<b>676,007</b>	<b>(580,126)</b>	<b>583,232</b>
<b>BALANCE SHEET</b>					
	<b>12/31/2021</b>	<b>12/31/2022</b>	<b>12/31/2023</b>	<b>12/31/2024</b>	<b>12/31/2025</b>
Total Current Assets	<b>4,211,071</b>	<b>3,616,839</b>	<b>2,692,288</b>	<b>3,058,687</b>	<b>4,174,908</b>
Total Assets	<b>9,797,309</b>	<b>9,297,414</b>	<b>8,958,102</b>	<b>9,837,689</b>	<b>10,858,722</b>
Total Current Liabilities	<b>3,002,223</b>	<b>2,271,696</b>	<b>900,743</b>	<b>1,988,449</b>	<b>2,967,948</b>
Total Liabilities	<b>3,756,184</b>	<b>3,059,081</b>	<b>1,939,751</b>	<b>3,262,553</b>	<b>3,877,443</b>
Owner Equity	<b>6,041,125</b>	<b>6,238,333</b>	<b>7,018,351</b>	<b>6,575,136</b>	<b>6,981,279</b>
<b>OTHER INFORMATION</b>					
Crop Govt Payments	119,424	5,000	32,375	62,000	759,071
Crop Insurance Income	-	287,470	367,429	670,333	76,500
Change in LOC Balance	(104,747)	(624,567)	(1,432,367)	880,883	915,462
Operating Interest	245,888	204,478	198,231	142,095	253,693
Term Debt Payments (P&I)	301,265	284,579	244,908	350,847	447,815
Depreciation	646,875	330,540	371,438	390,625	252,331
Cash On Hand	401,008	359,452	319,265	302,500	467,242

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Analyze the Business					
<ol style="list-style-type: none"> <li>1. Profitability</li> <li>2. Efficiency</li> <li>3. Liquidity</li> <li>4. Solvency</li> <li>5. Repayment Capacity</li> </ol>		<ul style="list-style-type: none"> <li>➤ <i>Sensitivity Analysis</i></li> <li>➤ <i>Trends are important!</i></li> <li>➤ <i>Business structure</i></li> <li>➤ <i>Business goals</i></li> </ul>			

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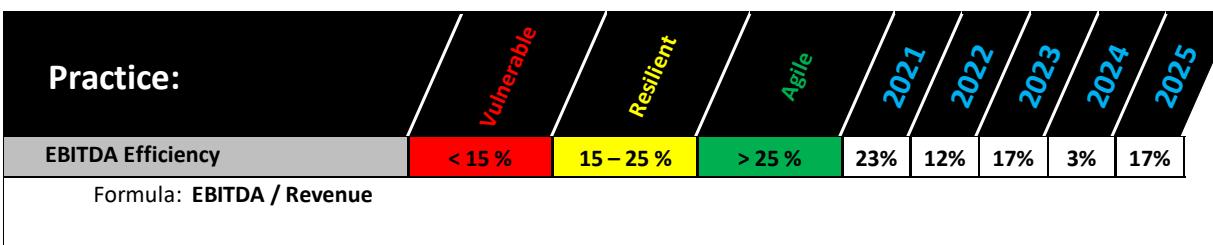
<u>KEY FINANCIAL RATIOS</u>	2021	2022	2023	2024	2025	<i>Formulas</i>
Current Equity ( <i>Working Capital</i> )	1,208,848	1,345,143	1,791,545	1,070,238	1,206,960	Current Assets – Current Liabilities
Net Farm Income-Operations	1,235,803	397,330	884,841	(349,527)	1,114,010	Net Farm Income - Operations
Government Payment/EBITDA	5.5%	0.5%	2.2%	24.5%	44.7%	Government Payment/EBITDA
Working Capital Sufficiency	17.0%	18.3%	24.1%	14.2%	14.9%	Current Equity / Operating Expenses
Cash to Current Assets	10%	10%	12%	10%	11%	Cash / Current Assets
WC Burn Rate: Debt Service	4.0	4.7	7.3	3.1	2.7	Current Equity / Term Debt Payments
Equity to Asset Ratio:	62%	67%	78%	67%	64%	Owner Equity / Total Assets
Debt Efficiency	0.35	0.81	0.70	5.04	0.54	Non Current Liabilities / EBITIDA
EBITDA Efficiency	23%	12%	17%	3%	17%	EBITDA / Revenue
Asset Turnover	95%	89%	100%	79%	90%	Revenue / Total Assets
Rate of Return on Assets	12%	3%	8%	-5%	10%	(EBITDA - FL - Deprec ) / Total Assets
Family Living Withdrawals	15%	36%	25%	134%	24%	Family Living / EBITDA
Term Debt Coverage Ratio	530%	146%	376%	-65%	230%	(EBITDA-FL-Op Int) / Term Debt Payment (P&I)

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## Known Knowns

### Side by Side Analysis

### Financial Dashboard



### FINANCIAL EFFICIENCY

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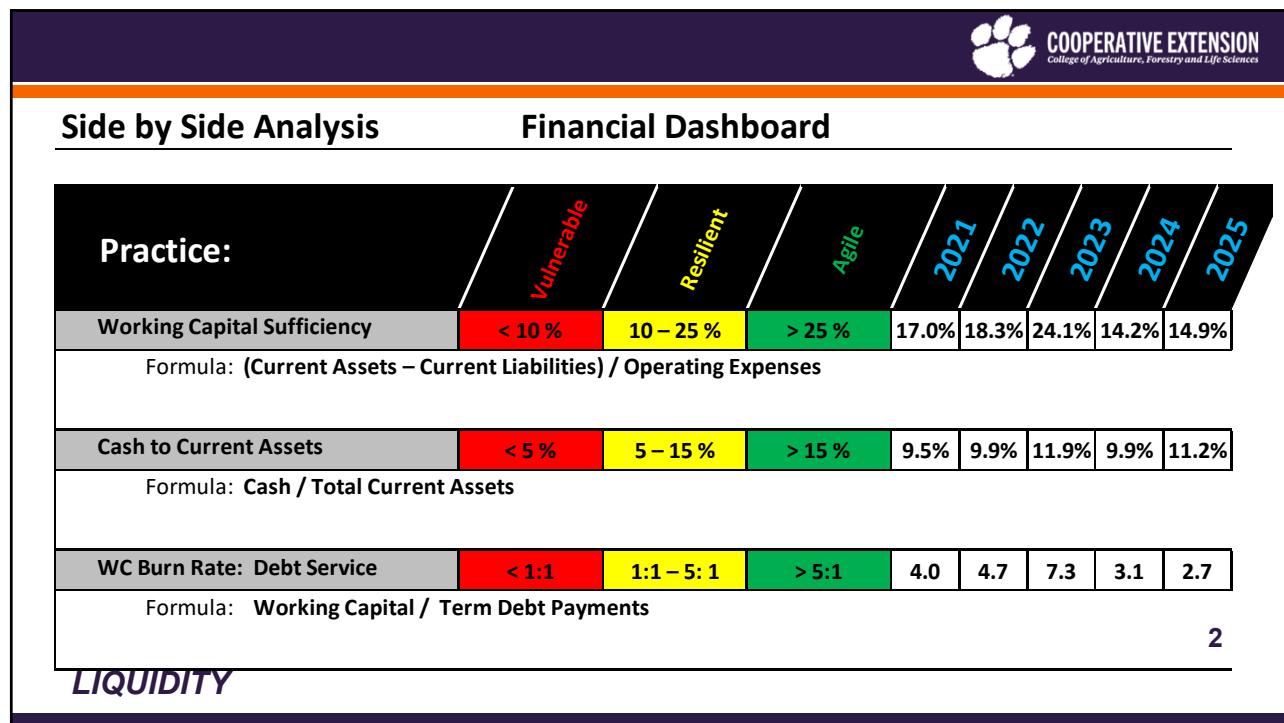
## EFFICIENCY IMPACTS

- EBITDA Goal = \$1,000,000
- EBITDA Sufficiency = EBITDA/Revenue

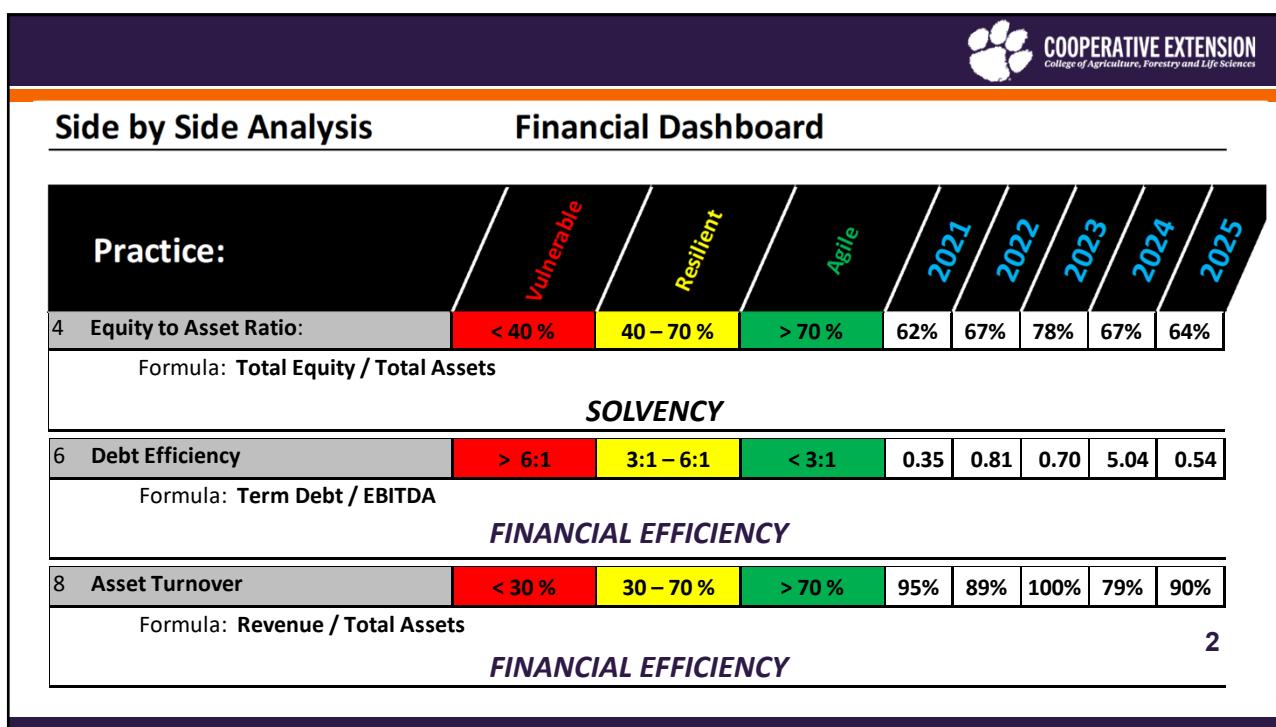
	EBITDA	\$1,000,000	\$1,000,000	\$1,000,000
BETTER	EBITDA Sufficiency	20%	30%	40%
BIGGER	Revenue Requirement	\$5,000,000	\$3,333,333	\$2,500,000

Better is better, before bigger is better!

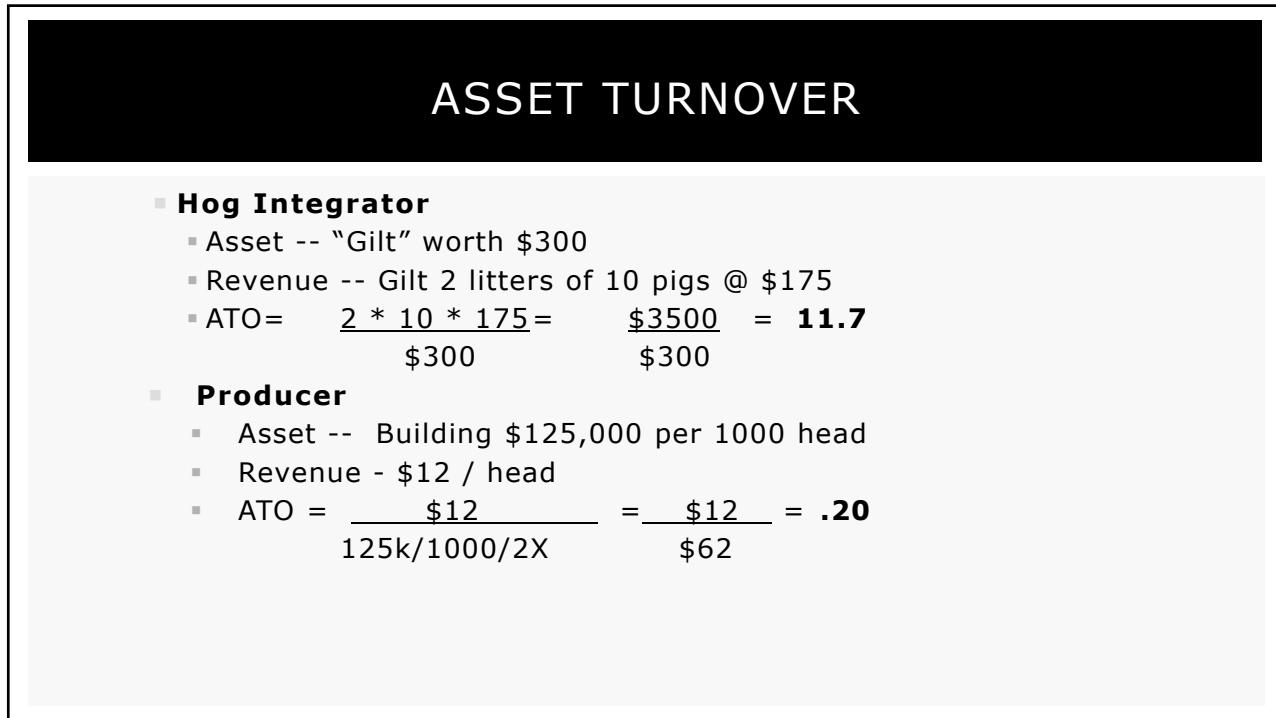
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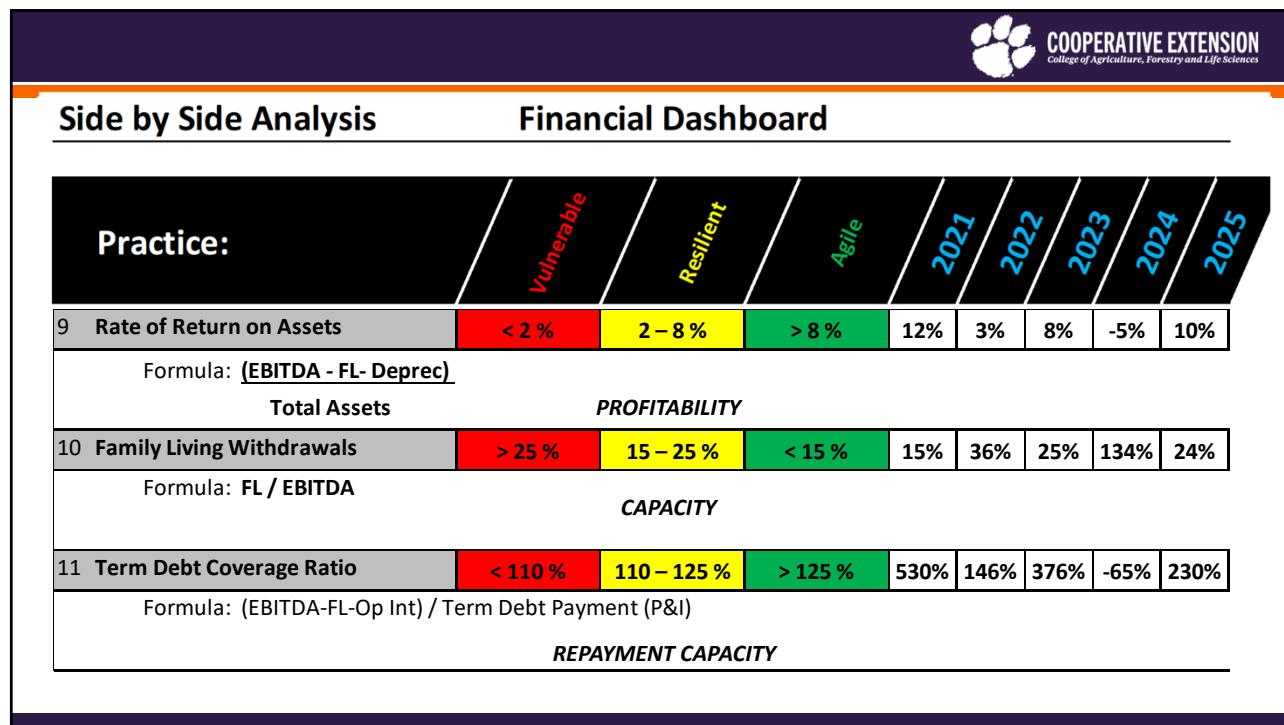
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## LAND ASSET TURNOVER

Crop Revenue		
Land value / Acre		
ATO		

When you “buy” a “rented” acre,  
Does Revenue change?

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**Side by Side Analysis**
**Financial Dashboard**

Brown Family Farms - Oper

Practice:		Vulnerable	Resilient	Agile	
Core Equity Burn Rate		< 3:1	3:1 – 7: 1	> 7:1	
Formula: Excess Reserves / (EBITDA - FL - Interest - Debt payments)				Assume loss of	
Assets	12/31/2025 Market Value	Loan Max	Borrowing Capacity	RE Liability 12/31/2025	Excess Reserve
Real Estate & Buildings	2,100,000	65%	1,365,000	442,130	922,870
Real Estate & Buildings (20% Drop)	1,680,000	65%	1,092,000	442,130	649,870

\* Real estate is primary core asset in todays economy.

**CAPACITY**

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Action Plans		Frustrated with indirect projections of ideas	Brown Family Farms - Oper
<b>EBITDA Improvement Plan</b>			
Metric:	Vulnerable	Resilient	Agile
EBITDA Efficiency	< 15 %	15 – 25 %	> 25 %
		Revenue Strategies:	
	2025	% of Revenue	
Revenue	9,774,244	100%	
- Operating	8,074,504	83%	
= EBITDA	1,699,740	17%	
2026 EBITDA Goal >	1,954,849	20%	
EBITDA CHANGE Needed:	255,109	Expense Strategies:	

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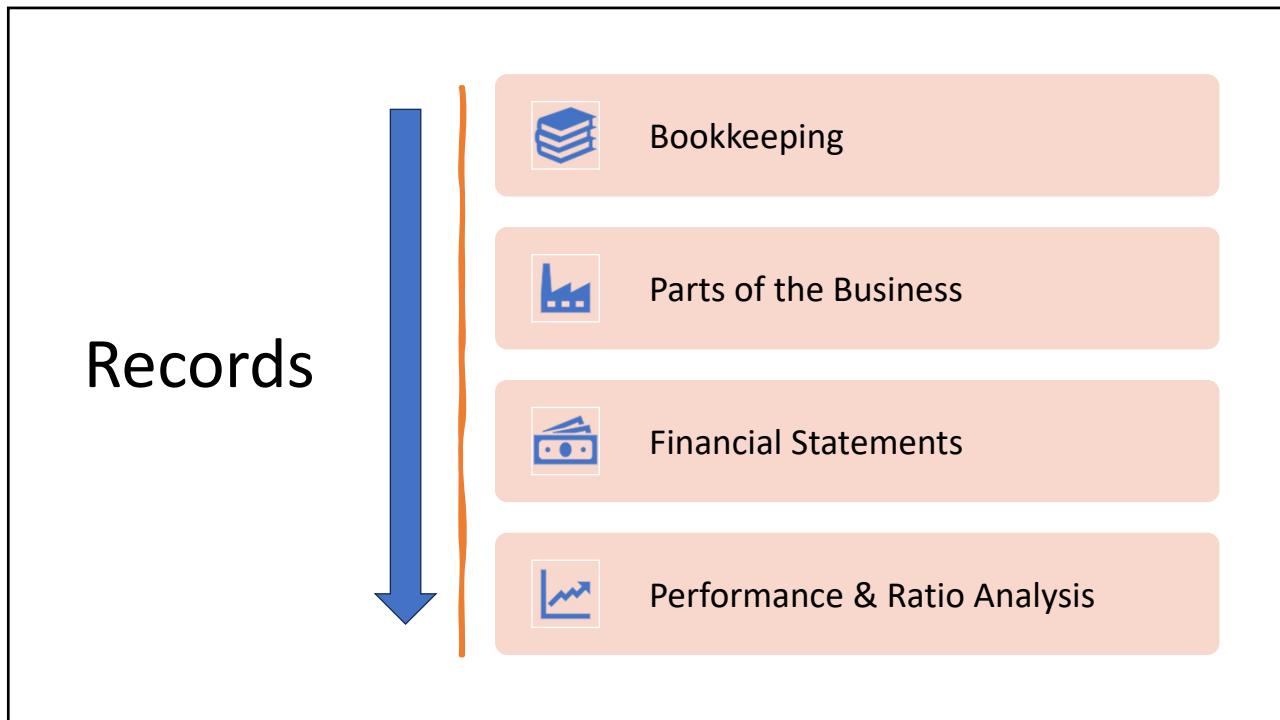
<b>Working Capital Improvement Plan</b>				
Metric:	Vulnerable	Resilient	Agile	
Working Capital Sufficiency	< 10 %	10 – 25 %	> 25 %	
	<u>2025</u>	Family Living Strategies:		
Current Assets	4,174,908			
- Current Liabilities	2,967,948			
= Working Capital	1,206,960			
/ Operating Expenses	8,074,504	15%		
<b>2025 WC Goal is</b>	<b>1,776,391</b>	<b>22%</b>		
WORKING CAPITAL CHANGE:	<b>569,431</b>			
WC Burn Rate: Debt Service	< 1:1	1:1 – 5: 1	> 5:1	
	Liability Strategies:			
Working Capital	1,206,960			
/ Term Debt Payments	447,815	2.70		
<b>2025 WC Goal is</b>	<b>2,239,075</b>	<b>5.00</b>		
WORKING CAPITAL CHANGE:	<b>1,032,115</b>			

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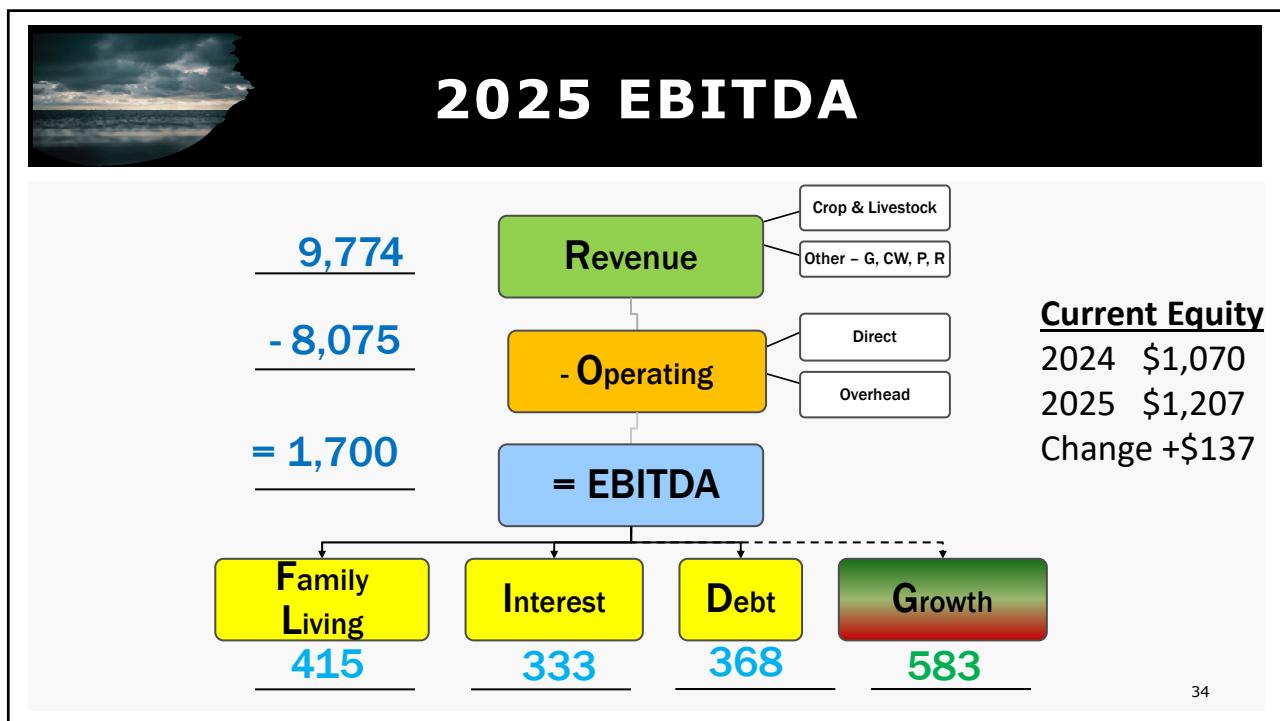


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## Action Plans

*Frustrated with indirect projections of ideas*

Brown Family Farms - Oper

### EBITDA Improvement Plan

Metric:	Vulnerable	Resilient	Agile
EBITDA Efficiency	< 15 %	15 – 25 %	> 25 %

**Revenue Strategies:**

	2025	% of Revenue
Revenue	9,774,244	100%
- Operating	8,074,504	83%
= EBITDA	1,699,740	17%
<b>2026 EBITDA Goal &gt;</b>	<b>1,954,849</b>	<b>20%</b>

**EBITDA CHANGE Needed:** **255,109**

**Expense Strategies:**

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### Working Capital Improvement Plan

Metric:	Vulnerable	Resilient	Agile
Working Capital Sufficiency	< 10 %	10 – 25 %	> 25 %

**2025 Family Living Strategies:**

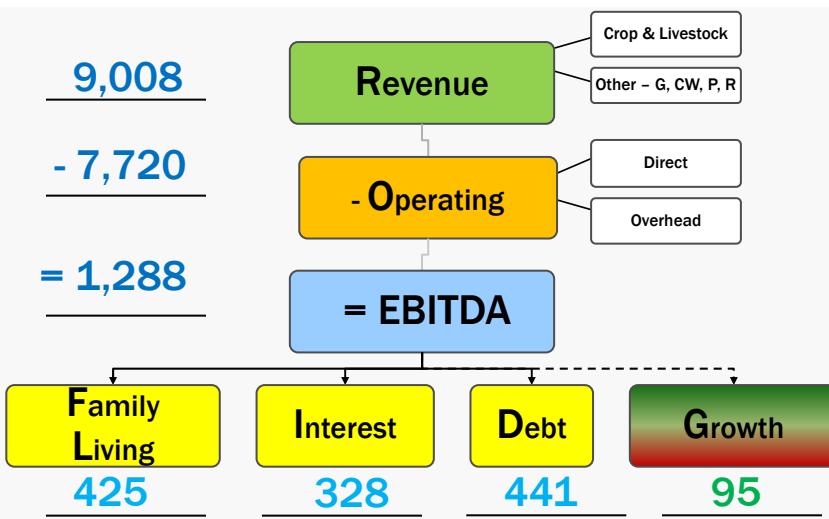
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**WORKING CAPITAL CHANGE:** **569,431**

WC Burn Rate: Debt Service	< 1:1	1:1 – 5: 1	> 5:1
Working Capital	1,206,960	Liability Strategies:	
/ Term Debt Payments	447,815	2.70	
<b>2025 WC Goal is</b>	<b>2,239,075</b>	<b>5.00</b>	
<b>WORKING CAPITAL CHANGE:</b>	<b>1,032,115</b>		

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# 2026 EBITDA BASE LINE



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