Worksheet: Cash Flow Projection for Operating Loan Determination

A Short-run Feasibility Tool

Department of Agricultural Economics — *www.agmanager.info*

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A cash flow statement can be described simply as a recording of the dollars coming in and the dollars going out of a business. It shows where the money comes from (the inflow of cash) and where the money goes (the outflow of cash).

A record of cash inflow and outflow that has already occurred in a business is an actual or historical cash flow. An estimate or forecast of cash inflow and outflow into some future period is a cash flow projection. The actual cash flow of a business provides important information for making a cash flow projection into the future. The cash flow projection provides information on the cash-generating ability and the cash requirements of a business, and it indicates the timing of both.

A cash flow can be set up for either the entire farm business (including family living expenses and nonfarm income) or it can be set up to study only a segment of the business. A cash flow projection often includes only the cash inflow and outflow effect of a proposed business expansion.

Preparing a Cash Flow Projection

This cash flow projection form has been developed to study the annual operating loan needs of a farm business including nonfarm income and expense. The form also may be used to study the short-run feasibility of a farm business change. A cash flow projection is made on a period basis, which may be monthly, bimonthly, quarterly, semiannual, or annual. This cash flow projection form is designed to be used on a monthly basis; however, the form can be used for periods other than one month by changing the column headings.

Information for preparing a cash flow projection comes from many sources, including:

1. Records of actual cash flow or other farm records from past years.
2. Tax returns.
3. Publications listing investment requirements for crops and livestock enterprises.
4. Publications listing feed requirements for livestock enterprises.
5. Price and yield estimates.

The "Annual Estimate" column should be completed first. Then, the annual estimate can be allocated to the various months or periods. Cash inflow and outflow items are recorded as follows:

1. Lines 1 through 11 are for cash inflow items.
2. Lines 13 through 33 are for cash outflow items.
3. After totaling the cash inflow and cash outflow items, subtract the "Cash Outflow Items" (line 34) from the "Cash Inflow Items" (line 12) to arrive at the "Net Cash Flow" on line 35. The net cash flow for each period may be positive or negative. If cash inflow in the period is greater than cash outflow, the net cash flow is positive. If cash inflow is less than cash outflow, net cash flow is negative.

The "Projected Operating Loan Balance" is determined on line 36. Operating loans carried over from the period just before the projection period are recorded on line 36 under the heading "Projected Operating Loan Balance" in the space marked "Operating Loan Carried Over From Last Period."

The January "Projected Operating Loan Balance" (line 36) is determined by combining the "Operating Loan Carried Over From Last Period" with the January "Net Cash Flow" from line 35. Each period thereafter, the "Projected Operating Loan Balance" is determined by combining the previous period "Projected Operating Loan Balance" (line 36) with the "Net Cash Flow" (line 35) for that period.

CASH FLOW PROJECTION FOR OPERATING LOAN DETERMINATION

CASH INFLOW ITEMS		Annual Estimate	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	
Livestock:															
Beef	(1)														(1)
Swine	(2)														(2)
Dairy	(3)														(3)
Crops:															
Wheat, Corn, and Sorghum	(4)														(4)
Soybeans	(5)														(5)
Hay and Forage	(6)														(6)
Agricultural Program Payments	(7)														(7)
Crop Insurance Proceeds	(8)														(8)
Miscellaneous Income	(9)														(9)
Capital Asset Sales	(10)														(10)
Off-Farm Income	(11)														(11)
TOTAL CASH INFLOW (Add Lines 1 through 11)	(12)														(12)
CASH OUTFLOW ITEMS															
Feed	(13)														(13)
Hired Labor	(14)														(14)
Repairs	(15)														(15)
Seed	(16)														(16)
Fertilizer	(17)														(17)
Machine Hire	(18)														(18)
Veterinarian Expense	(19)														(19)
Marketing	(20)														(20)
Fuel and Utilities	(21)														(21)
Property Tax	(22)														(22)
General Farm Insurance	(23)														(23)
Cash Rent	(24)														(24)
Herbicide and Insecticide	(25)														(25)
Miscellaneous Expense	(26)														(26)
Interest	(27)														(27)
Beef Purchases	(28)														(28)
Swine Purchases	(29)														(29)
Dairy Purchases	(30)														(30)
Capital Asset Purchases	(31)														(31)
Family Living Withdrawals	(32)														(32)
Estimated Taxes	(33)														(33)
TOTAL CASH OUTFLOWS (Add Lines 13 through 33)	(34)														(34)
NET CASH FLOW (Line 12 - Line 34)	(35)														(35)
PROJECTED OPERATING LOAN BALANCE (Operating Loan Carried Over from Last Period =)	(36)														(36)

WORKSHEET FOR CASH FLOW PROJECTION
ESTIMATED LIVESTOCK SALES AND PURCHASES AND CROP SALES

Livestock Sales	No.	Total Weight	Est. Price	Total Income	Sale Month
Livestock Purchases					

Crops	Acres	Est. Yield	Total Prod.	Rent Share	Oper. Share	Held for Feed	Avail. For Sale	Est. Price	Cash Income	Sale Month

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