

MEASURING FINANCIAL CONDITION & PERFORMANCE FOR AGRICULTURAL BUSINESSES



November 14, 2024
CBAI Headquarters
&
On-Demand
Recorded Session



An accurate measure of firm profitability and a complete evaluation of loan repayment capacity is essential in today's agricultural lending environment. It is common to see the difference between cash net farm income and accrual-adjusted net farm income to be more than 60%. A spreadsheet is discussed that can be used to not only convert cash net farm income to accrual-adjusted net farm income, but that can also be used to calculate key financial ratios needed to evaluate profitability and repayment capacity. With input costs and high interest-rates, and commodity prices low and sensitive to world events, sensitivity analysis is essential to have a comprehensive assessment of repayment capacity. The spreadsheet is also used to evaluate the sensitivity of changes in revenue, operating expenses, and interest rates on the coverage ratio.

Agenda

9 - 9:20 am	Introduction, Current State of Farm Financial Reporting in Agriculture and Practical Exercise 1	1:45 - 1:50 pm	Review Answers to Exercise 1
9:20 - 9:30 am	Balance Sheet-Review with Emphasis on Indicators of Potential Problems	1:50 - 2 pm	Break
9:30 - 9:45 am	Practical Exercise 2	2 - 2:30 pm	Financial Ratio Analysis – Review with Emphasis on Indicators of Potential Problems Using Comparative Data
9:45 - 9:50 am	Answers to Practical Exercise 2		
9:50 - 10 am	Break	2:30 - 2:50 pm	Problem Loan Indicators – Examples, including: Buildup of Accounts Payable, Supplier Credit, Overdrafts, Term Out Revolving Lines of Credit every 3-5 years, Delinquent Taxes, Cancels Insurance, Borrows from Relatives w/o Payback Plan, Multiple Lines of Credit, Needs Money Fast, Cannot Meet Payroll, etc.
10 - 10:15 am	Deferred Taxes-Review with Emphasis on Tax and Other Expenses Resulting if a Borrower Sells Assets to Satisfy Debt Obligations		
10:15 - 10:25 am	Practical Exercise 3, using Worksheet		
10:25 - 10:30 am	Answers to Practical Exercise 3, and a Discussion of Software Available	2:50 - 3 pm	Break
10:30 - 10:50 am	Accrual-adjusted Income Statement-Justification, Preparation and Review Documents Needed to Complete	3 - 3:30 pm	Breakeven and Sensitivity Analysis Effectiveness and Loan Term Changes using Different Levels of Revenue, Expenses and Interest Rates Discussion Using Purdue Spreadsheet
10:50 - 11 am	Break		
11 - 11:15 am	Practical Exercise 4	3:30 - 3:45 pm	Chapter 12 Bankruptcy – Lessons Learned from a 1988 Study of Confirmed Plans
11:15 - 11:30 am	Answers to Practical Exercise 4 and Discussion of Purdue Spreadsheet that is Available for Free	3:45 - 3:55 pm	What to Watch on Your Financial Indicator Dashboard Going Forward
11:30 - 11:45 am	Statement of Owner Equity-Review with Emphasis on the Contribution of Non-farm Income and Impact of Withdrawals for Family Living	3:55 - 4 pm	Questions & Wrap-Up
11:45 - 11:55 am	Practical Exercise 5		
11:55 - Noon	Answers to Practical Exercise 5		
Noon - 1 pm	Lunch		
1 - 1:15 pm	Cash Flow Statement- Review with Emphasis on Multiple Years of Operating Expenses in a Single Operating Line		
1:15 - 1:40 pm	Practical Exercise 6		
1:40 - 1:45 pm	Answers to Practical Exercise 6		



Meet Your Instructor

Freddie L. Barnard, Professor Emeritus of Agricultural Economics at Purdue University, is a native of Kentucky and received both a B.S. and M.S. in agricultural economics from the University of Kentucky. He received a Ph.D. in agricultural economics from the University of Illinois. He retired June 30, 2017 after serving on the faculty at Purdue University for more than 35 years, where he had Extension and undergraduate teaching responsibilities in agricultural finance and agribusiness management. He also served as Director of the Midwest Agricultural Banking School, which is held each year at Purdue University, a position he held for 36 years. Finally, he has served on the Technical Committee of the Farm Financial Standards Council and as Secretary/Treasurer of the Indiana Chapter of the American Society of Farm Managers and Rural Appraisers.



Registration Fees & Information

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First Registration..... \$285
Each Additional Person..... \$265
On-Demand Recorded Session... \$500 (per bank)

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Registrants cancelling two days prior to each seminar receive a 100% refund; one day prior, 50%; the day of the seminar, no refund. All cancellations must be made in writing prior to the seminar day. Invoices and training materials will be sent to all “no shows.” Fees include handout materials, breakfast, lunch and refreshment breaks. An income-tax deduction may be allowed for educational expenses undertaken to maintain or improve professional skills.

TRAINING MATERIALS

Prior to the seminar, you will be emailed a link containing handout materials, seminar certificate, evaluation form and seminar attendee list. Please print and bring materials with you or download them on your own device to access during the program. CBAI will provide power cords in several designated locations to charge devices. (NOTE: If you have NOT received the link one day prior to the seminar, please email Melinda McClelland at melindam@cbai.com or call 800.736.2224) The on-demand recorded session will be emailed to participants approximately 7-10 business days after the live event takes place. Your entire bank can utilize this session for training as it includes the video from the day of the program, plus the exact same handout materials as the live session. For more information, please contact Melinda at CBAI Headquarters.

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Registration Form

Measuring Financial Condition & Performance for Agricultural Businesses

November 14, 2024

CBAI Headquarters, Springfield, IL On-Demand Recorded Session

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Community Bankers Association of Illinois
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