

TAA

Trade Adjustment
Assistance for Farmers
Technical Assistance

Interpreting Financial
Statements and Measures



Trade Adjustment Assistance for Farmers

Interpreting Financial Statements
and Measures



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Interpreting Financial Statements and Measures



with
Dale Nordquist
and
Bob Craven

Interpreting Financial Statements And Measures

Use your financial statements effectively

- **Learn** to use your financial statements in day-to-day management
- **Understand** how to interpret common financial statements
- **Acquire** a powerful skill set to enhance your farm business
- **Gain** self confidence in the area of finance

[Click Here to Begin](#)



Learn more about Interpreting Financial Statements and Measures



Helping those in need
This site was created to help producers understand how to interpret common financial statements.



Teaching across the country
Our video training can be accessed by anyone with an internet connection, anywhere.



Leveraging financial statements
Learn to use your financial statements in day-to-day management of your farm businesses.



North Central Risk Management Education Center
IFSall was made possible with funding from the North Central RME Center.

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Course Outline

- Interpreting Financial Statements and Measures
- What do lenders really want?
- Dealing with financial stress
- Financial alternatives for distressed businesses



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Developing Your Financial Statements and Measures

- Business plan
 - Business description
 - Operations plan
 - Marketing plan
 - Management and organization plan
 - **Financial plan**



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Developing Your Financial Statements and Measures



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Dealing With Financial Stress

- Common reactions
 - Crawl into a shell
 - Bury ourselves in day-to-day business
 - Shut down
 - Procrastinate
 - Blame others
 - Hurt those close to us



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Dealing With Financial Stress

- More helpful reactions
 - Communicate with family members
 - Communicate with advisors



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Financial Management for Farms and Fishing Businesses

- Business Plan
 - Business description
 - Operations plan
 - Marketing plan
 - Management and organization plan
 - Financial plan



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Dealing With Financial Stress

- Communicating with family
 - Acknowledge mistakes and move on
 - Focus on things you can control
 - Where are you at financially?
 - What are the alternatives?



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Dealing With Financial Stress

- Communicating with others
 - Emotional support
 - Clergy
 - Friends
 - Financial advice for farmers
 - Extension educators
 - Farm business management instructors
 - Financial planners

Dealing With Financial Stress

- Communicating with others
 - Emotional support
 - Clergy
 - Friends
 - Financial advice for fishermen
 - Sea Grant
 - Small business development centers
 - Coastal Enterprises

Dealing With Financial Stress

- Communicating with your lender
 - If possible, contact before you miss a payment
 - Be prepared
 - Have a plan
 - Try to figure out how much you can pay



Dealing With Financial Stress

- Communicating with your lender
 - It is still your business and your decisions
 - If lender wants more collateral, evaluate risks



What Do Lenders Want?

- Basic lender goals
 - Maximize interest income, while...
 - Minimizing loan losses
- Your lender wants you to be successful



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What Do Lenders Want?

- Good lenders want a good relationship with you
- Good lenders want to contribute to the community



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What Do Lenders Want?

- More documentation
 - Financial statements
 - Tax records
 - Financial projections
 - Risk management plans
- More collateral
- More loan covenants
 - Conditions borrower is required to fulfill



5 C's of Credit

- Character – reputation and repayment history
- Capacity – sufficient cash flow to make payments
- Capital – net worth
- Collateral – assets pledged to secure the loan
- Conditions – economic climate for the industry

What Do Lenders Want?

- A business plan
 - Description of your business
 - Goals for the future
 - Plans for getting there
 - Operations
 - Marketing
 - Management
 - Financial



What Do Lenders Want?

- Financial documentation
 - Where is are you – balance sheet
 - How did you get there – income statements (tax records)
 - Where are you headed – cash flow projections



What Do Lenders Want?

- Risk management plan
 - Insurance
 - Marketing plan
 - Marketing contracts
 - Contingency plans



What Do Lenders Want?

- Basic lender goals
 - Maximize interest income, while...
 - Minimizing loan losses
- Your lender wants you to be successful



Business Adjustment Plans



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Business Adjustment Plans

1. Fix any leaks (in your cash flow)
 - Evaluate business efficiencies
 - Cost control



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Business Adjustment Plans

2. Reduce family living or owner withdrawals
 - Track family expenses
 - Complete a family budget
 - Reduce big ticket items



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Business Adjustment Plans

3. Reduce capital purchases
 - Fix rather than replace
 - Don't use up working capital on cash capital purchases



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Business Adjustment Plans

4. Increase \$ sold per \$ of investment
 - Increase sales
 - Sell un-used or under-employed assets



Business Adjustment Plans

5. Add non-farm/non-business income
 - Make sure it doesn't detract from your business
 - Medical insurance and other benefits



Business Adjustment Plans

6. Renegotiate loan terms
 - Interest only
 - Extended repayment term



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Business Adjustment Plans

7. Check federal and state programs
 - USDA Farm Service Agency (FSA)
 - Small Business Administration (SBA)
 - State lenders or loan guarantees



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Business Adjustment Plans

8. Restructure / refinance debt
 - Move short term to long term
 - Good solution if your lender can find the collateral to do it
 - You can probably only do this once – make sure you make the other adjustments to make your cash flow work



Business Adjustment Plans

9. Sell assets and pay down debt
 - Combine with debt restructure
 - Watch tax liability!!



Business Adjustment Plans

10. Debt forgiveness

- Combine with debt restructure
- Forgiven debt is taxable income – check on tax liability!!!



Business Adjustment Plans

11. Bankruptcy

- Chapter 7 – liquidation of all non-exempt assets (for individuals, corporations, and partnerships)
- Chapter 11 – business reorganization
- Chapter 12 – farm business reorganization
- Chapter 13 – like chapter 11 for individuals

Business Adjustment Plans

12. Sell out

- How will you dispose of assets?
- Will assets cover the debts?
- Will sales generate taxes?
- What will you do next?
- Can be best for you and your family



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Financial Planning and Analysis
for Farmers and Fishermen



Thank You

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