



## **'Farm-Tuning' your Finances – An FSA Borrower Training**

### **TRAINING CURRICULUM**

**Goals:** The goal of 'Farm-Tuning' your Finances FSA borrower training is to help producers and processors improve their record keeping and decision making related to agricultural risk management topics. More specifically, the course aims to help participants:

- Understand Whole-Farm Planning and Risk Management as keys to maintaining or improving profitability while enhancing farm/operation sustainability;
- Improve the borrower's understanding of financial analysis and management techniques; and
- Embolden borrowers to better plan, analyze and manage their farming operations through a written financial management plan, and confidently discuss their financial position and overall farm/operation viability with their family, business partners, and lenders.

#### **Target Audience:**

The course is intended for FSA Borrowers, and the Agricultural Service Providers that advise them.

The course will cover general topics related to all agricultural businesses including operations with single or multiple enterprises, diversified farms, and value-added operations. Examples include:

- Agronomic Crop Farms
- Dairy Operations
- Livestock Farms
- Horticulture and Nursery Operations, including orchards, high-tunnel/greenhouses, tree farms, and vegetable operations
- Specialty Products – maple, honey, fiber and fiber products, craft beverages and spirits
- Diversified farms producing multiple products – crops, livestock, specialty and value-added products; and
- Agritourism Operations

#### **Course Specifics:**

- **Agricultural Service Providers:** 12 Contact Hours (Six Sessions, Two Hours each) – Virtually
- **Producers/Processors:** 18 Contact Hours (Six Sessions, Three Hours each) – multiple locations and virtually, based on enrollment.

**Cost: \$250/FSA Borrower**

**Topics Covered:** What will be covered:

- **SESSION 1:** Beginning with the End in Mind – Whole-Farm Planning and Risk Management
- **SESSION 2:** I Cannot Change what I do not Measure – Understanding Records and your Starting Point
- **SESSION 3:** If you can't Pencil a Profit, you aren't Likely to Grow one – Budgets and Financial Statements Part 1
- **SESSION 4:** If you can't Pencil a Profit, you aren't Likely to Grow one – Budgets and Financial Statements Part 2
- **SESSION 5:** 'Farm-Tuning' your Farm Business Plan - Evaluating Farm Financial Performance Using Farm Financial Ratios, and Trouble Shooting ( Beef Trans 4 and/or Sheep Trans 4)
- **SESSION 6:** Additional Topics – Taxes, Farm Resilience, and Estate and Succession Planning

**Expected Outcomes:** Specifically, the borrower will be expected to do the following upon completion of the training:

- Describe the operations as a whole-system with interrelated parts (physical, biological, environmental, economic, and social components) and how they impact each other.
- Describe the major risks affecting an agricultural business and appropriate risk management strategies.
- Describe the specific goals of the business, describe the changes required to attain the goals, and outline how these changes will occur using present and projected budgets.
- Maintain and utilize a financial management information system which includes financial and production records, a statement of financial condition, and an accrual adjusted income statement. The borrower shall also be able to use the system to make financial and production decisions.
- Understand and utilize an income statement. Specifically, the borrower must understand the structure and major components of an income statement and its role in analyzing the performance of a business, be familiar with the cash and accrual methods of determining net farm income, and understand the relationship between a balance sheet and an income statement.
- Understand and utilize a balance sheet. Specifically, the borrower must understand the major components of a balance sheet and its role in analyzing the business, be familiar with the categories of assets and liabilities and be able to provide examples of entries under each, and be familiar with the cost and market methods of valuing assets and liabilities and advantages of each method.
- Understand and utilize a cash flow budget. Specifically, the borrower must be able to explain and justify estimates for production and expenses, and analyze the cash flow to identify potential problems.
- Use production records and other production information, be able to identify problems, evaluate alternatives, and make corrections to present production practices to achieve greater efficiency and profitability, and avoid financial difficulties.

**Responsibilities of Trainer/Vendor:** The vendor (WVU Extension Service) agree to the following responsibilities:

- Make all training arrangements and manage training logistics for in-person or virtual trainings;
- Collecting payments from participants;
- Provide all course materials, supplemental resources and training supplies;

- Assign Regional Advisor (Extension Agent) to work with participant for follow-up support for up to 6 months post-training;
- Provide accommodations for persons with disabilities (physical and/or mental conditions) and translation of materials in Spanish if needed;
- Provide FSA with periodic progress reports on each borrower receiving training - whether the borrower is attending training sessions, completing assignments, and demonstrating an understanding of the course material;
- Administer in-course and final assessments to test borrower's knowledge of the course materials and issue completion certificate; and
- Conduct course evaluation to assess course effectiveness and solicit feedback for course improvements.

## FSA BORROWER FINANCIAL LITERACY TRAINING CURRICULUM

### **SESSION 1: Beginning with the End in Mind – Whole-Farm Planning and Risk Management**

**Session Description:** Session 1 aims to help producers view the farm not as discrete parts, but as a whole system that has complex interactions among the physical, biological, economic, and social components of a farm. Participants will understand that there is some interdependency between the parts, such that, a change in one area will affect another component or the whole farm. This session will help them begin thinking how the components work together to influence enterprise success. Through this understanding they will be encouraged to take a more proactive approach to entrepreneurial planning by beginning with the end in mind and engaging in intentional business planning and risk management to grow profitable and viable enterprises.

**Learning Objectives:** At the end of this session participants will understand:

- The 'whole-farm perspective' and 'holistic' approach to viewing the farm as a 'system' of interrelated parts;
- The five major farm risks and relevant risk management strategies to address category of risks;
- The importance of and how to set SMART goals as the 'destination' for their farm business; and
- How to develop an outline for a Farm Business Plan

**Topics Covered:**

- Whole-Farm Planning – the Farm as a System
- Risk Management in Agriculture and Related Operations – Five Areas of Farm Risks
- 'Beginning with the End in Mind' – Setting Business Goals
- Developing a Farm Business Plan

**Resources:**

- Presentation materials
- Supplemental resources

**Homework Ideas:**

- Farm risk-assessment
- Goal setting exercise
- Business Plan outline

**Evaluation:**

- Test your Knowledge - Pre and post test
- Completion of risk-assessment
- Completion of goal setting exercise
- Completion of business plan outline

## **SESSION 2: I Cannot Change what I do not Measure – Understanding Records and your Starting Point**

**Session Description:** The session helps the farmer make the best decisions for the farm business. Understanding and utilizing farm records is one of the most critical activities that a producer can undertake. Farm records are the result of every decision that the producer made. Understanding the farm business's history of financial position and financial performance from these records provides a basis for the farmer to make decisions and plan into the future. They may not be able to make perfect decisions, but by keeping and using farm records, they can improve the quality of information from which to base their decisions. Keeping useful records and looking at your farm numbers can help them understand where they are at in relation to where they want to be. Understanding that gap can then decide on the best plan to get to their end (strategic) goal so they can stay profitable and avoid operating at a loss.

**Learning Objectives:** At the end of this session participants will understand:

- That I cannot change what I do not measure;
- What the important farm numbers are to gauge where your business stands;
- Why record-keeping is important and what records are useful;
- How to keep appropriate records and use them for better decision-making; and
- How to establish a suitable record-keeping system to provide useful information for financial analysis

**Topics Covered:**

- Getting S.M.A.R.T. about your farm and family goals;
- The 4 Key Farm Numbers and where to find them;
- Enterprise budgets and the three financial statements, what they tell a farmer about their business, and how they interact together;
- The importance of and key reasons to keep farm records;
- What records to keep in order to facilitate whole-farm decision making; and
- Developing an effective record keeping system – tools, tips and templates

**Resources:**

- Presentation materials
- Supplemental resources

**Homework Ideas:**

- Revisit goal setting exercise – farm and family goals
- Identify a set of important farm and business records to keep
- Setting up a record keeping system using templates provided

**Evaluation:**

- Test your Knowledge - Pre and post-test on session materials
- Update templated farm financial records with 3-12 months of data

## **SESSION 3: If you can't Pencil a Profit, you aren't Likely to Grow one – Budgets and Financial Statements Part 1**

**Session Description:** This session helps the producer understand how to stay on top of financial well-being and maintain a well-rounded business by understanding and utilizing farm records. Farm records are important to good decision making, but more importantly, putting them together into organized financial statements is crucial as it helps the producer know where to look to identify issues. In order to utilize the information the farm generates to their advantage, the producer must understand how to put these statements together and how to interpret them. Additionally, profit is used as a gauge of business success as it is vital to paying off debt and improving the business. Producers must understand the concept of break-even - the point at which expenses and income total zero. Above this point they are making a profit; below this point they are losing income. The break-even point is critical to understanding how much they must make to have a profitable or non-profitable business idea. The session will help producers understand how to determine their break-even points, how to create useful financial statements from their farm records, and how to interpret the information that comes out of these efforts.

**Learning Objectives:** At the end of this session participants will understand:

- Accrual vs. cash accounting, and why it's important for understanding the profitability of a farm business;
- The basic accounting concepts that underlie QuickBooks;
- Depreciation and labor, and why it's important to track;
- The basics of enterprise and partial budgeting, and break-even analysis; and
- The income statements, what it tells a farmer about their business, and how to build one.

**Topics Covered:**

- Accrual vs cash accounting
- Assessing depreciation and labor costs
- Enterprise and partial budgets
- Break-even analysis and scenario planning to identify profit goals
- Crafting the income statement and evaluating a business' profitability

**Resources:**

- Presentation materials
- Supplemental resources

**Homework Ideas:**

- Develop enterprise and/or partial budgets using templates provided
- Construct an income statement for the last year of operation using template provided

**Evaluation:**

- Test your knowledge – Pre and post-test on session materials
  - Updated Enterprise and Partial Budgets, and Income Statement

## **SESSION 4: If you can't Pencil a Profit, you aren't Likely to Grow one – Budgets and Financial Statements Part 2**

**Session Description:** This session helps the producer understand how to stay on top of financial well-being and maintain a well-rounded business by understanding and utilizing farm records. Farm records are important to good decision making, but more importantly, putting them together into organized financial statements is crucial as it helps the producer know where to look to identify issues. In order to utilize the information the farm generates to their advantage, the producer must understand how to put these statements together and how to interpret them. Additionally, profit is used as a gauge of business success as it is vital to paying off debt and improving the business. Producers must understand the concept of break-even - the point at which expenses and income total zero. Above this point they are making a profit; below this point they are losing income. The break-even point is critical to understanding how much they must make to have a profitable or non-profitable business idea. The session will help producers understand how to determine their break-even points, how to create useful financial statements from their farm records, and how to interpret the information that comes out of these efforts.

**Learning Objectives:** At the end of this session participants will understand:

- The balance sheet, what it tells a farmer about their business, and how to build one;
- How to assess liquidity, solvency and net worth using the balance sheet;
- The cash flow statement, what it tells a farmer about their business, and how to build one; and
- How to assess liquidity using the cash flow statement and strategies to improve cash flow.

**Topics Covered:**

- Crafting the balance sheet and evaluating a business' liquidity, solvency and net worth;
- Crafting the cash flow statement and evaluating the business' liquidity situation; and
- Financial troubleshooting for agribusinesses – understanding the vital signs and developing a plan of action for improvement.

**Resources:**

- Presentation materials
- Supplemental resources

**Homework Ideas:**

- Construct a balance sheet using templates provided
- Construct a statement of cash flow for the next year of operation using template provided

**Evaluation:**

- Test your knowledge – Pre and post-test on session materials
  - Updated Balance Sheet and Cash Flow Statement

## **SESSION 5: “Farm-Tuning’ your Farm Business Plan - Evaluating Farm Financial Performance Using Farm Financial Ratios, and Trouble Shooting**

**Session Description:** Now that they kept good financial records and have prepared budgets and financial statements, what now? In this workshop, we will review the budgets and financial statements with a managerial eye: What do my Enterprise and Partial Budgets tell the producer about profit goals and break-even target points? What does the Balance Sheet tell them about their business? How can they improve profitability by reviewing the Income Statement? We will also discuss cash flow management tools.

**Learning Objectives:** At the end of this session participants will understand:

- How to develop relevant farm numbers and evaluate farm financial performance using farm financial ratios – including liquidity, solvency, profitability, repayment capacity and efficiency;
- How the financial pieces fit together – and how they relate to production and management decisions; and
- Business planning steps to makes changes to avoid financial difficulties, manage business risks, and grow more successful businesses.

**Topics Covered:**

- Ratio calculations and interpretations - liquidity, solvency, profitability, repayment capacity and efficiency;
- Financial troubleshooting for agribusinesses – understanding the vital signs; and
- “Farm-Tuning’ Your Business Plan - Business planning steps and management strategies to address production, financial, marketing, legal and human resources risks.

**Resources:**

- Presentation materials
- Supplemental resources ((Beef Trans 4 and/or Sheep Trans 4)

**Homework Ideas:**

- Farm financial ratio analysis
- Scenario analysis and business planning alternative strategies

**Evaluation:**

- Test your knowledge – Pre and post-test on session materials
- Updated Beef Trans 4 and/or Sheep Trans 4



## **SESSION 6: Additional Topics – Taxes, Farm Resilience, and Estate and Succession Planning**

**Session Description:** In this session we will cover some additional topics to help you manage a successful farming operation. We will offer some general tips in managing tax liability and how this relates to record keeping and preparing financial statements. We will cover some basic estate planning (controlling assets) and succession planning (who will farm the land) as producers plan for the unexpected. We also acknowledge that ongoing economic conditions in agriculture are taking a toll on farm families and their rural communities, which impacts mental and physical well-being, relationships, and decision-making. We will offer some strategies to manage stress and suggest planning tools to make sound farm decisions.

**Learning Objectives:** At the end of this session participants will understand:

- How to manage future tax liability associated with debt-financed farm improvements, USDA program payments, and tax issues related to disaster, weather, and insurance;
- How to approach the process of estate planning as an ongoing process, and how to effectively review their estate plan as laws change and as life situations change;
- How to prepare to transition the farm from one generation to the next in order to keep the farm in production; and
- How to successfully navigate stressors that are common in farming and access federal, state, and nonprofit resources and promising programs in rural communities to foster farm and family resilience.

**Topics Covered:**

- General issues in managing taxes - debt-financed farm improvements, USDA program payments, and tax issues related to disaster, weather, and insurance;
- Avoiding adverse tax consequences;
- Farm tax estimator tool;
- Estate planning, succession planning, heir's property, and gift taxes;
- Farm and family resiliency – managing farm stress and stressors

**Resources:**

- Presentation materials
- Supplemental resources

**Homework Ideas:**

- Farm tax estimation
- Family meeting to discuss estate and succession planning, and farm and family resiliency

**Evaluation:**

- Test your knowledge – Pre and post-test on session materials
- Updated Farm Tax Estimation
- 'Farm-Tuning' your Business Plan based on these topics