

FAST Tools – Planning Beyond 2008

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Executive Summary

- FAST Tools are a set of spreadsheet-based computer applications designed to assist users with farm economic decisions.
- FAST Tools applications are subdivided into financial analysis, investment analysis, loan analysis, farm management, grain marketing and management, risk management and yield database utilities.
 - Financial analysis tools assist users in preparing and interpreting financial information and measuring financial health.
 - Investment analysis tools assist users in measuring the economic returns and performance of alternative types of investments.
 - Loan analysis tools assist users in calculating loan payments and schedules; comparing alternative loans; and measuring the sensitivity of payments to changes in loan parameters.
 - Farm management tools assist users in developing enterprise budgets and breakevens levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives
 - Grain marketing and management tools assist users in developing enterprise budgets and breakeven levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives.
 - Risk management tools assist users in evaluating the impact of farmland lease types as well as marketing and crop insurance strategies on revenue and income distributions
 - Yield database utilities assist users in analyzing county-level historical crop yields and with common computations related to soil productivity measures and yield predictions.
 - FAST Tools and Resources CD also contain publications and resources in areas of AgMAS, crop insurance, farm management, financial management, grain marketing, policy, law, and taxation.
- Planning beyond 2008 requires a careful assessment of a farmer's objectives and long term goals.
- Decision criteria for investments and changes to an operation include measures of changes in efficiency, profitability, cash flow and overall wealth.
- FAST Tools provide a method to explore alternative economic and decision scenarios.
- Demonstrations of the Crop Rotation Tool, On-Farm Storage Analysis, Real Estate Purchase Analysis and Savings and Retirement Analysis are highlighted in the session.



FAST Tools Planning Beyond 2008



Hands-on Applications



By Paul Ellinger and Travis Farley

Outline

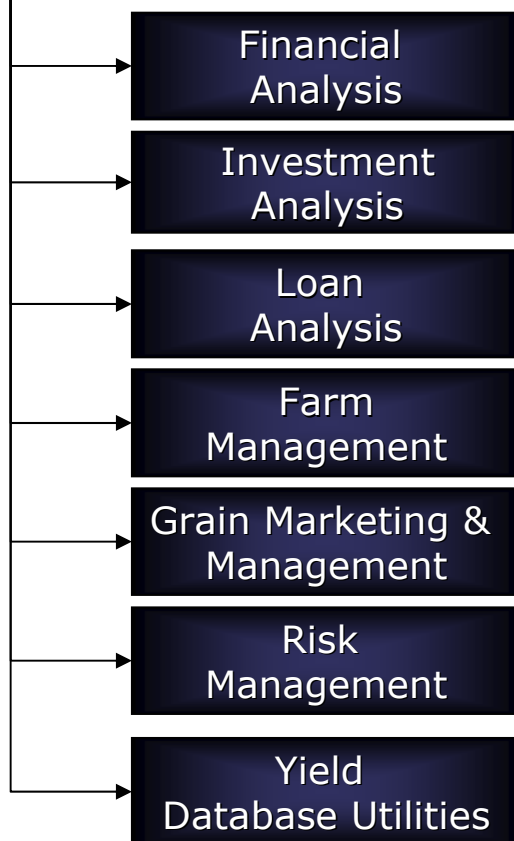
- FAST Tools overview
- Financial Planning beyond 2008
- Hands-on applications
 - Changing crop rotations
 - On-farm grain storage analysis
 - Land purchase
 - Savings and retirement planning
 - Others

FAST Tools

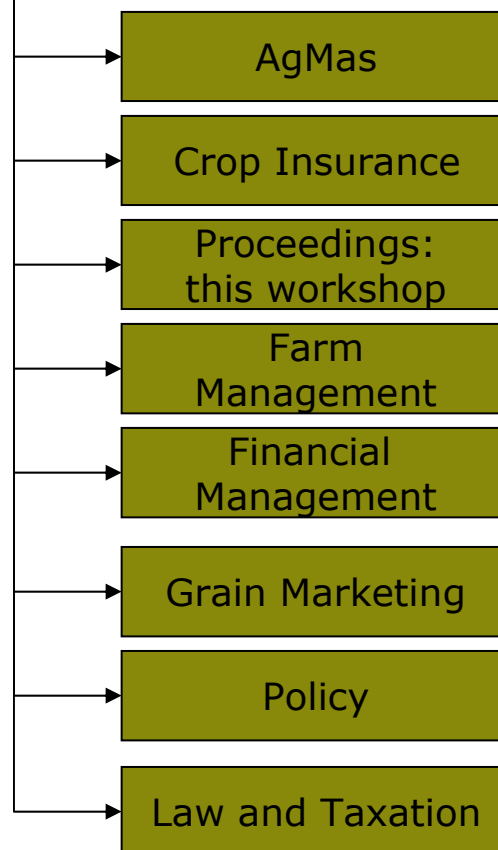
- **farmdoc** companion project initiated in 1999
- Development of spreadsheet-based tools to aid decisions for producers, lenders, consultants and investors
- Facilitate use, access, distribution of tools and resources through CD and internet distribution
 - Quarterly subscription
 - **farmdoc** download
 - via workshops
- Approximately 35,000 CDs produced and another 35,000 downloads
- Increased demand for education and training

FAST Tools - Overview

Computerized Decision Aids



farmdoc materials



Financial Analysis

Assist in preparing and interpreting financial information and measuring financial health

Analyzing Current Financial Condition

- ❖ Appraisal of current financial position
- ❖ Farm Financial Statements
- ❖ Personal Financial Statements
- ❖ Ratio calculator
- ❖ Cash to accrual income approximation
- ❖ Estimates of deferred taxes
- ❖ Net worth allocation

Financial Planning

- ❖ Cash flow planning
- ❖ Farm financial simulation
- ❖ Start-up company simulator
- ❖ Repayment capacity analysis

Investment Analysis

Assist in measuring the economic returns and performance of alternative types of investments.

- ❖ Capital budgeting
- ❖ Grain storage investment analysis
- ❖ Land purchase analysis
- ❖ Lease versus purchase
- ❖ Machinery financing
- ❖ MACRS calculator
- ❖ Savings calculator
- ❖ Retirement planner
- ❖ Time value of money calculator

Loan Analysis

Assist in calculating loan payments and schedules; comparing alternative loans; and measuring the sensitivity of payments to changes in loan parameters

- ❖ Loan amortization
- ❖ Loan comparison
- ❖ Revolving loan calculator

Farm Management

Assist in developing enterprise budgets and breakeven levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives

- ❖ Break even analysis
- ❖ Crop budgeting tool
- ❖ Crop insurance calculator
- ❖ Crop rotation tools
- ❖ Enterprise allocation and analysis
- ❖ Farmland lease analysis
- ❖ Machinery economics

Grain Marketing and Management

Assist in tracking grain inventory and estimating the costs and returns of grain storage and delivery

- ❖ Crop storage analysis
- ❖ Grain delivery model
- ❖ Grain inventory management
- ❖ Grain storage investment analysis
- ❖ Grain pricing model

Risk Management

Assist in evaluating the impact of farmland lease types as well as marketing and crop insurance strategies on revenue and income distributions.

- ❖ Farm rent evaluator
- ❖ Insurance evaluator
- ❖ Marketing and crop insurance risk model
- ❖ Crop insurance payment calculator
- ❖ Premium calculators

Yield Database Utilities

Assist in analyzing county-level historical crop yields and with common computations related to soil productivity measures and yield predictions

- ❖ Illinois, Iowa, Indiana crop yield databases
- ❖ Illinois soil productivity index utilities

FAST Hands-on Computer Workshops February - March

- Improving Your Financial Management
 - Preparing financial statements
 - Understanding your financial health
 - Ratio analysis and benchmarking your farm
 - Short and long-term projections

- Exploring Risk Management Strategies
 - Crop insurance update
 - Tools to assess marketing and crop insurance

- Attend one or two sessions

FAST Training

February 14-15

Crowne Plaza Hotel
3000 S. Dirksen Parkway
Springfield, IL
217-529-7777

February 21-22

Holiday Inn Hotel & Conference
Center
1001 W. Killarney
(Exit 183, I-74)
Urbana, IL
217-328-7900

February 28 - March 1

Hickory Grove Banquet &
Conference Center
1127 N. 7th St.
Rochelle, IL
815-562-5668

March 7-8

Holiday Inn Hotel
222 Potomac Blvd.
(Exit 95, I-57)
Mt. Vernon, IL
618-244-7100

**Visit www.farmdoc.uiuc.edu/fasttools/
for current FAST Training schedules**

Long-term Decision Making

Decision Criteria

- Effects on profitability and wealth
- Cash flow and liquidity impacts
- Operation efficiency and timeliness
- Comparisons to alternative future investments
- Feasibility of future investments
- Range of outcomes across potential scenarios

Risk and Return

Long-term Decision Making

Key Input Elements

- Investment costs
- Additional revenues and costs → net cash flows
- Valuation changes
- Time value of money
 - Investment Alternatives
 - Cost of debt
- Cash feasibility within given investment and financial plans

Long-term Decision Making

FAST Tools

- Evaluate economic factors

- Alternative scenarios
 - Most likely
 - Best case
 - Worst case
 - Break even case

- Provide some benchmarks to support your decision



Demo -- Hands-on applications

