



CASH FLOW PROJECTIONS



Cash Flow Projections

- Annual cash flow plan
- Monthly cash flow plan
 - Projection of operating credit needs
- Multiple year plan
 - Major changes/transitions



Cash Flow Projections

- Where do we find the data?
 - Customer records!
- Use:
 - Historic yields and production
 - Normal input costs
 - Expected plan
 - Uniform prices



Cash Flow Projections

• Resources

- **Prices:**
 - CME, adjusted for basis - www.cmegroup.com
 - Local cash bids
 - Marketing plan / contract or hedge strategy
 - FSA Planning Prices
- **Production**
 - Crop insurance yields
 - Historical production (sales) records
- **Expenses**
 - Historical records
 - FINBIN - www.finbin.umn.edu
 - FarmAnswers.org Budget Library
 - National Budget Library - www.agrisk.umn.edu/budgets



Cash Flow Projections

• Metrics

- **Net cash flow**
- **Debt coverage**
 - Cash
 - Accrual
- **Peak projected operating loan balance**
- **Proforma's**
 - Projected financial statements
 - Projected change in working capital
 - Projected net worth change



Cash Flow vs Inventory Change

- **Typical year**

- Project to sell only what is produced during the year

- **Sell it all**

- Sell all inventory plus what is produced (except feed) and pay operating credit to zero

- **As planned**

- Project sales as planned



Cash Flow vs Inventory Change

	Accrual/ Typical Yr	Make it Cash Flow	Sell All Inventory
Debt coverage	0.23	1.01	1.67



Cash Flow Projections

- **Best practices**

- Document assumptions
- Sensitivity analysis and stress test
- Compare to past history
- Monitor – Monitor - Monitor
 - Monthly or quarterly actual vs projected, with variance
- Consider tax consequences



Cash Flow Projections

- **Best practices in tough times**

- Don't throw out the baby with the bath water
- Finance productive assets
- Ruthlessly cull unproductive assets
- Fix the leaks before refinancing
- Consider tax consequences
- Monitor – Monitor – Monitor

