

Wildcat Farms

- Introduction
- History of Wildcat Farms
- The Situation
- Decision at Wildcat Farms
- Business Planning

Introduction

- Key Facts
 - Paul Early: 65 years old
 - Duane Early: 34 years old
 - Degrees in Agronomy and Agricultural Economics
 - Agribusiness job in Omaha
 - Considering coming back to the farm
 - Has two sisters who live off of the farm
 - Can Wildcat farms financially support Duane and his family as well as provide for Paul and Ira in their impending retirement?

History of Wildcat Farms

- First Three Generations
 - Walter Early
 - Purchased 100 acres in 1910
 - Farmed 250 acres when he died in 1960
 - Stephen Early
 - Farmed 600 acres when he died in 1990
 - Paul Early
 - Farmed 2,630 acres in 2010

History of Wildcat Farms

- Acreage Information in 2010
 - Dryland Acres = 2,120
 - Irrigated Acres = 204
 - Pasture Acres = 270
 - Total Acres = 2,630

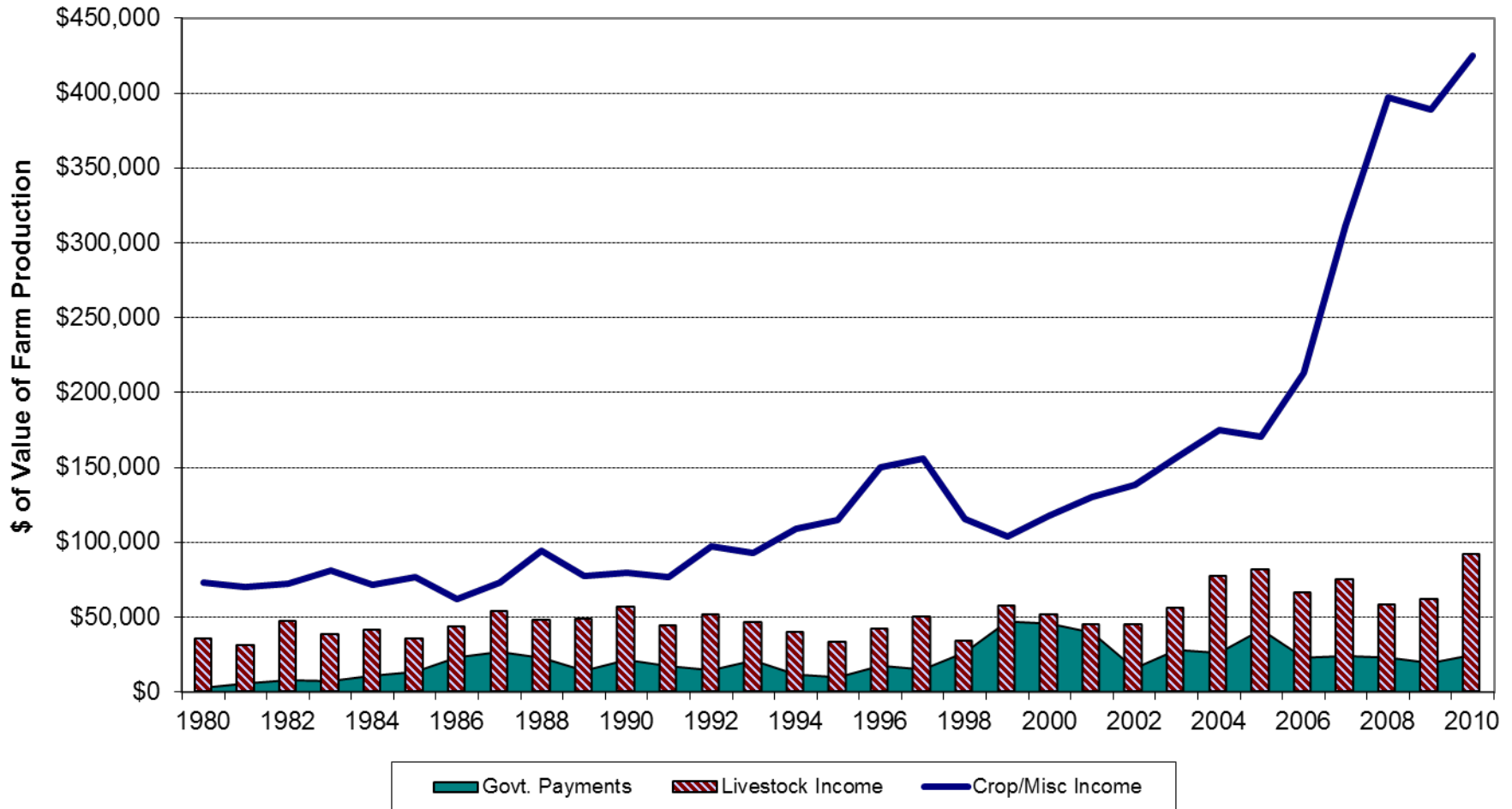
 - Percentage of Acres Owned = 23.8%

History of Wildcat Farms

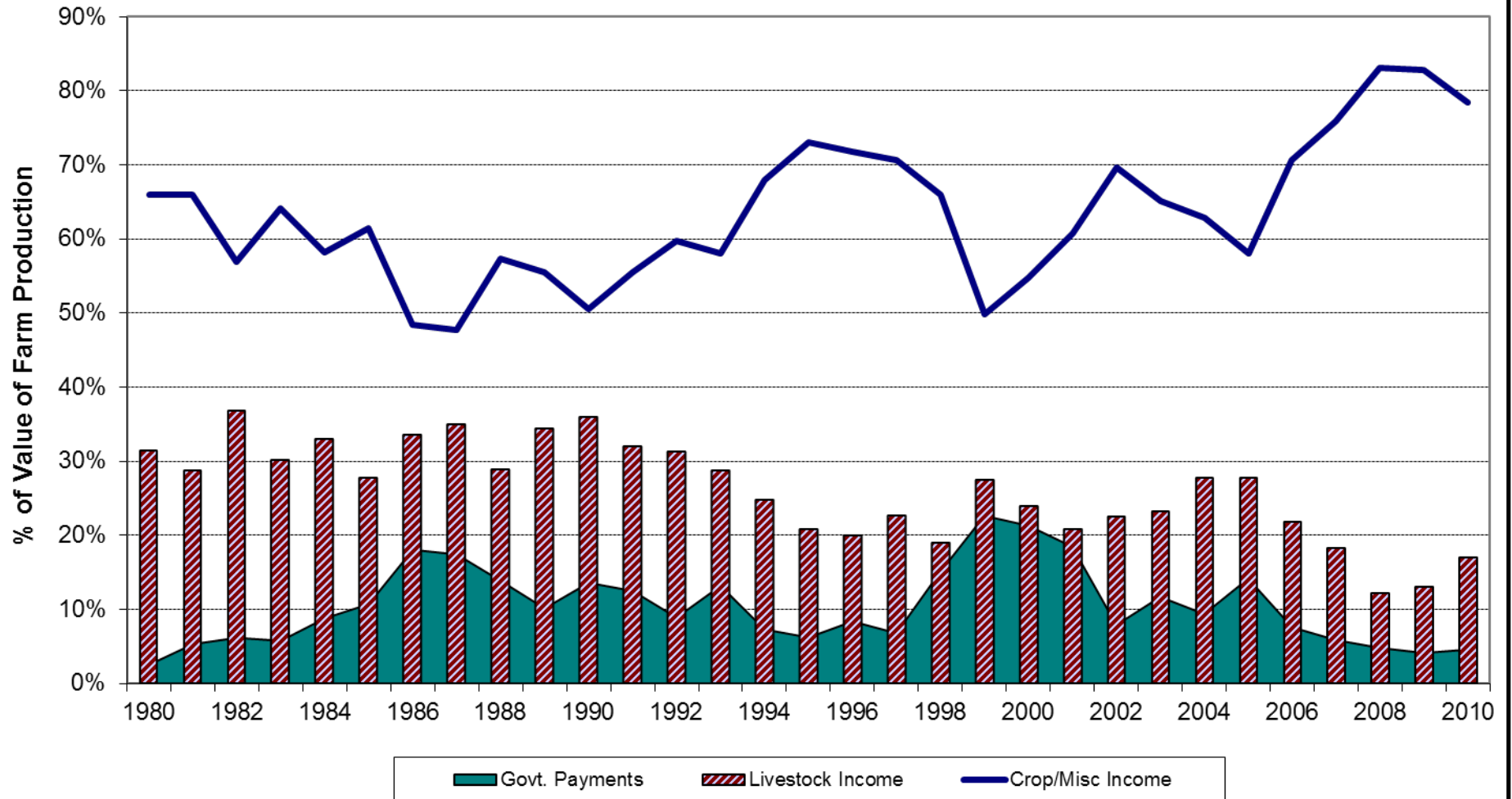
- Financial Information
 - See Table 2
 - Five-Year Averages
 - VFP = \$668,066
 - NFI = \$203,059
 - VFP per Worker = \$391,964

 - Profit Margin = 0.2595
 - Asset Turnover = 0.4278
 - Debt to Asset = 0.2511

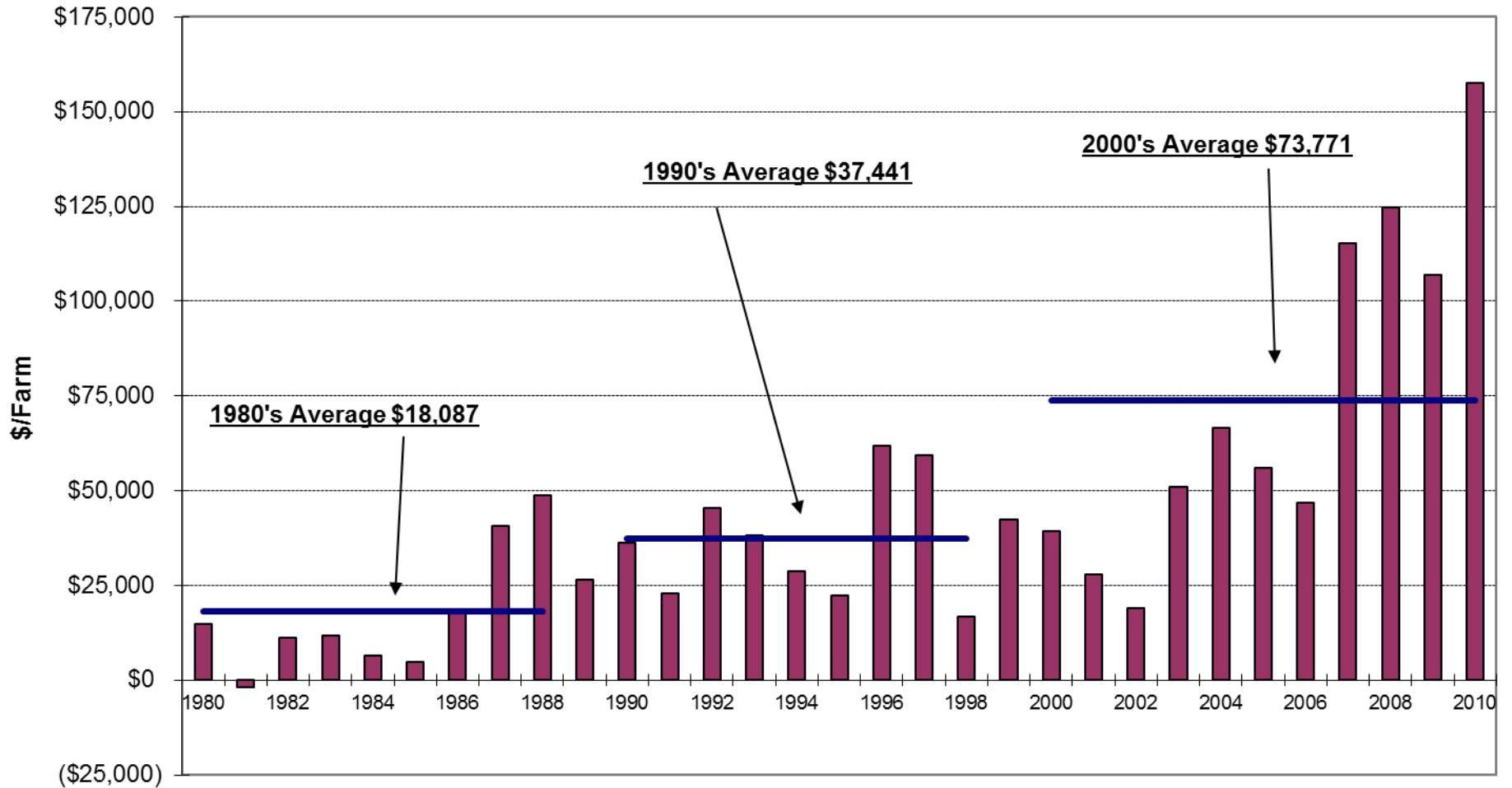
Kansas Farm Management Association Value of Farm Production, 1980-2010



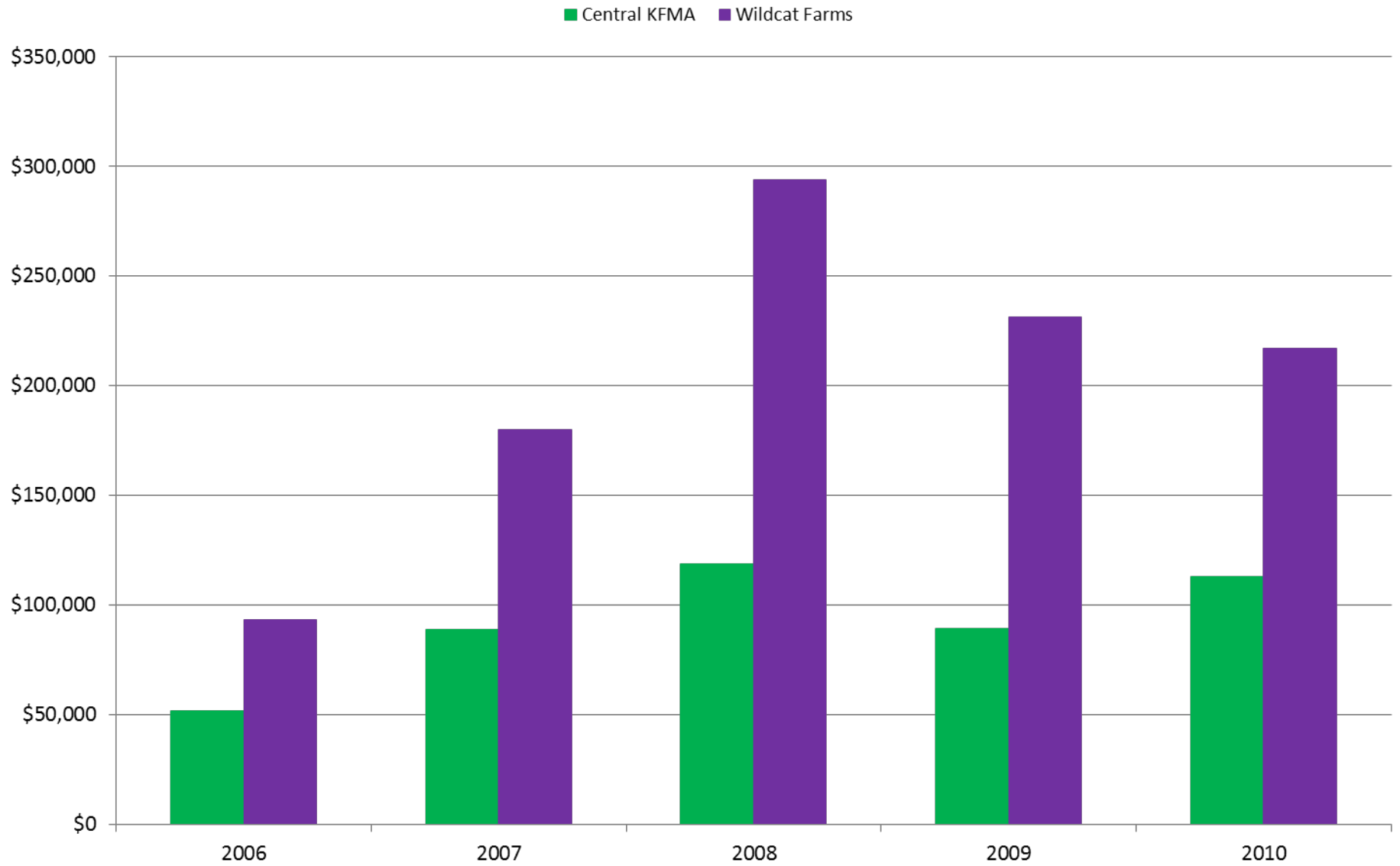
Kansas Farm Management Association Value of Farm Production, 1980-2010



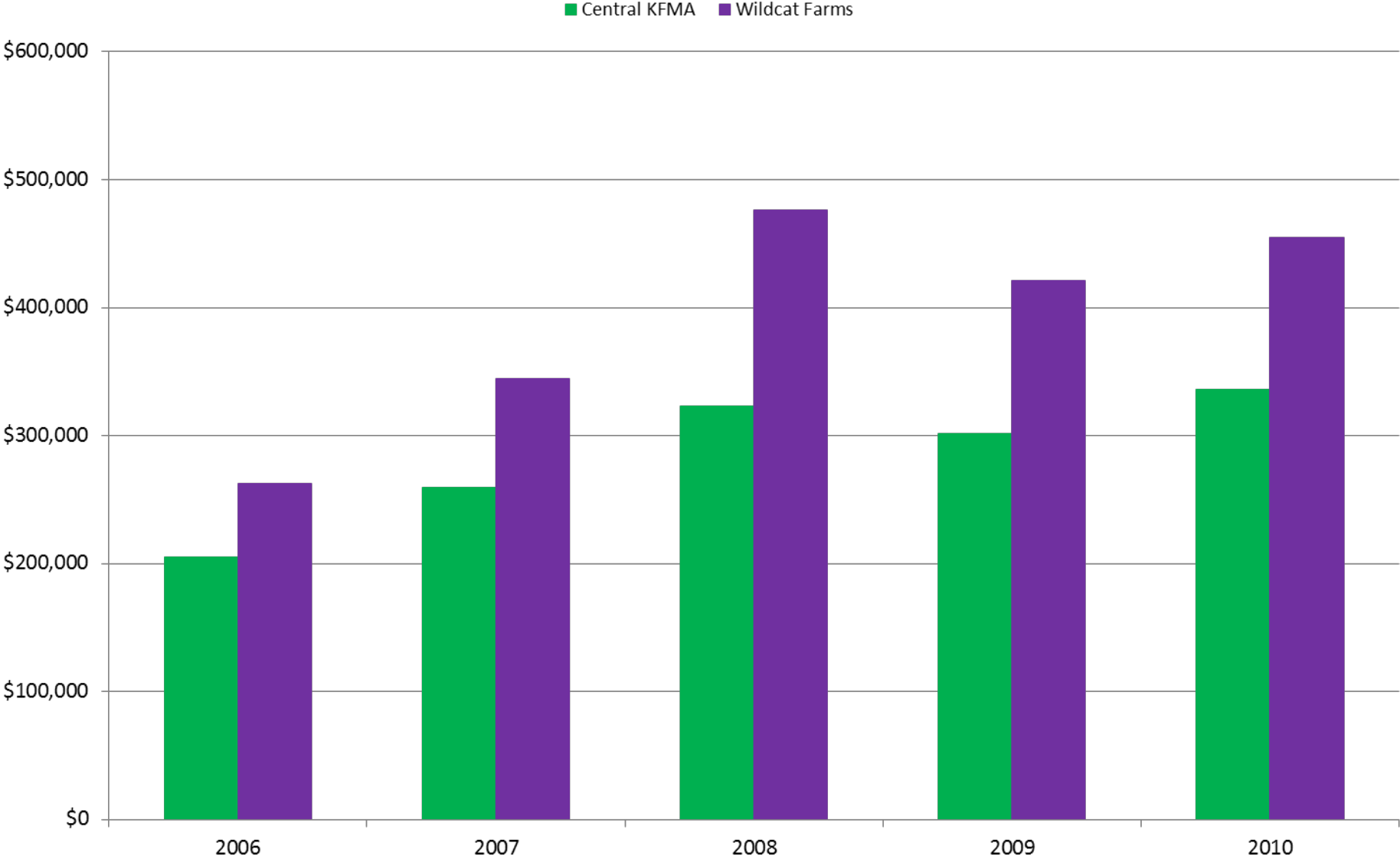
Kansas Farm Management Association Accrual Net Farm Income, 1980-2010



Net Farm Income for Central Kansas and Wildcat Farms



VFP per Worker for Central Kansas and Wildcat Farms



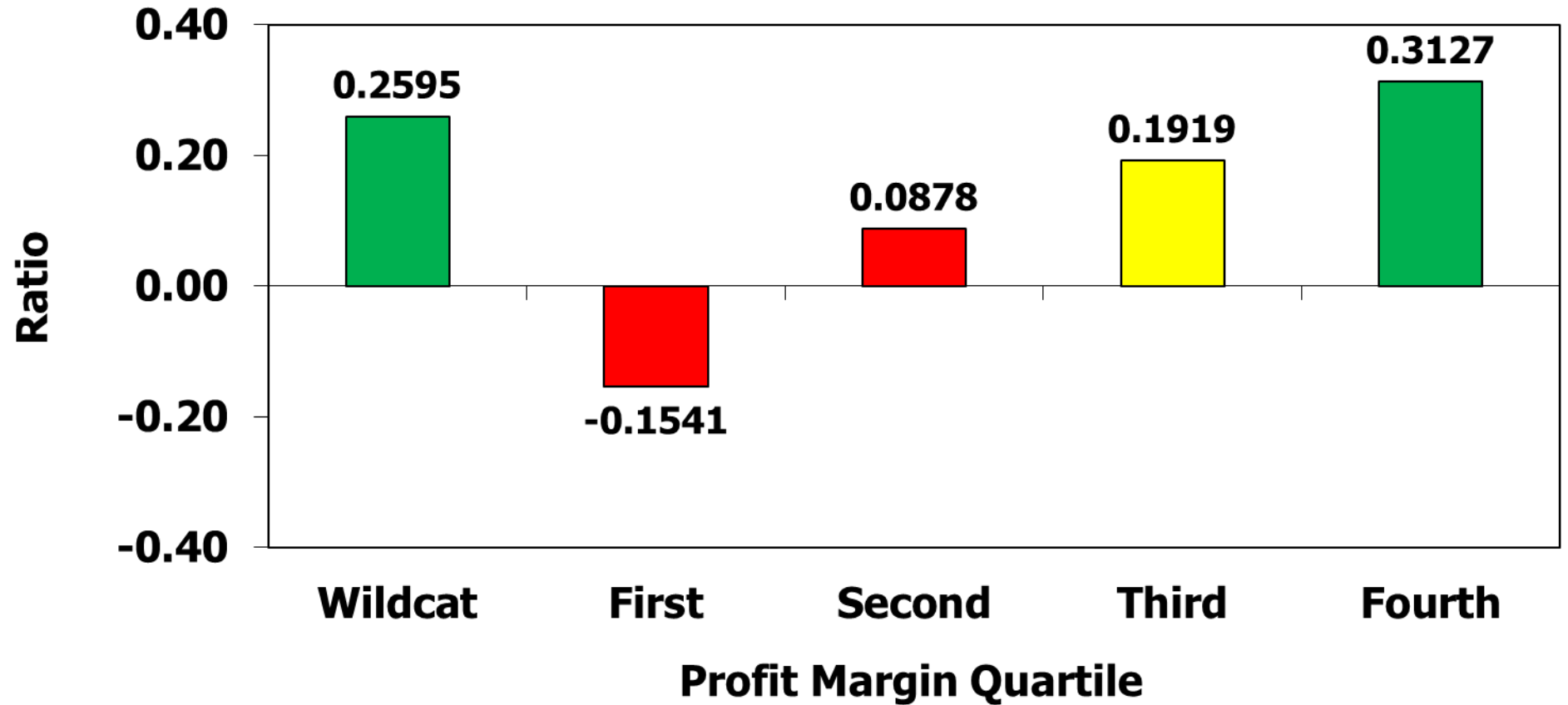
Financial Scorecard

- A handout in your notebook contains financial scorecard information:
 - Red Light: Low Performance (Vulnerable)
 - Yellow Light: Medium Performance
 - Green Light: Good Performance (Strong)

Profitability

- Operating Profit Margin Ratio
 - $(\text{Net Farm Income} + \text{Interest} - \text{Unpaid Labor}) / (\text{Value of Farm Production})$
 - State KFMA Average:
 - $(108,994 + 20,908 - 50,945) / (430,427) = 0.1834$
 - Benchmark:
 - **Above 0.2000**

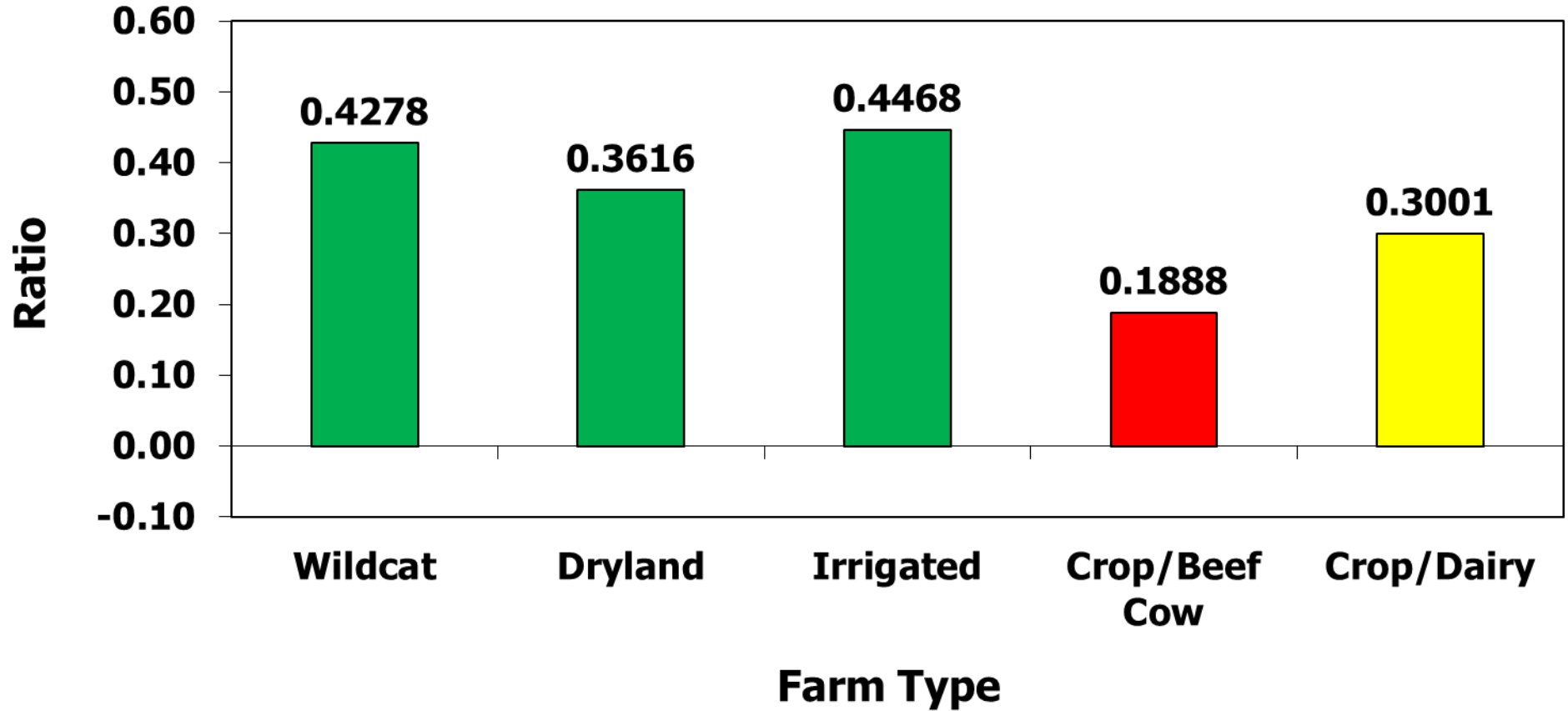
Profit Margin Ratio Dryland Crop Farms



Financial Efficiency

- Asset Turnover Ratio
 - $(\text{Value of Farm Production}) / (\text{Average Total Assets})$
 - Measures the effectiveness of the firm in utilizing assets
 - State KFMA Average:
 - $(430,427) / (1,320,806) = 0.3259$
 - Benchmark:
 - **Above 0.3500**

Asset Turnover Ratio



Asset Turnover Ratio

- Extra caution must be used when comparing the asset turnover ratio across farms.
- The asset turnover ratio varies considerably by farm type and is very sensitive to changes in the percentage of acres owned.
- For instance, farms in the first quartile in terms of the asset turnover ratio own 60 percent of their acres. In contrast, farms in the fourth quartile own only 11 percent of their acres.

The Situation

- Expansion
 - Through core enterprises
 - Through diversification
- Opportunities
 - Buy 600 acres on west side of homestead; \$1,500 per acre
 - Another 750 acres are available a few miles down the road; rent

The Situation

- Current Asset Base
 - Total Assets = \$2,146,226
 - Of the 2,630 total acres operated, own 625 acres
- Impact of Additional Acreage
 - Increase net farm income
 - Increase asset base
 - **Increase debt to asset ratio**
 - **Increase risk**

Decision at Wildcat Farms

- Building a Sustainable Business
 - Identify Values
 - Farm History and Current Situation
 - Vision, Mission, and Goals
 - Strategic Planning and Evaluation
 - Implement and Monitor Business Plan

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