

Case Study 1: Comparison Summary of all Scenarios

Status Quo Scenario (Upcoming Year)	Scenario 1 (backgrounding calves) (Year 2) After Change)	Scenario 2 (renting 1/2 section) (Year 2) After Change)	Scenario 3 (custom grazing cows) (Year 2) After Change)	Scenario 4 (cow/calf, buying feed) (Year 2) After Change)	Scenario 5 (selling l & e, work out) (Year 2) After Change)	
Accrued Farm Revenue	383,400	404,000	488,400	52,550	406,400	49,800
Accrued Farm Expense	252,266	259,836	342,954	31,462	276,026	18,289
Net Accrued Farm Income	131,134	144,164	145,446	21,088	130,374	31,511
Return on Assets (excl. int. inc., incl. living)	3.47	3.53	3.91	-1.89	3.24	-1.92
Return on Equity (excl. int. inc., incl. living)	3.22	3.24	3.71	-1.89	3.09	-1.92
Return on Assets (incl. int. inc., excl. living)	5.32	5.36	5.71	0.99	5.20	1.52
Return on Equity (incl. int. inc., excl. living)	5.79	5.72	6.16	0.99	5.57	1.52
Interest income	0	0	0	12,500	0	12,500
Non farm wages (net after tax)	10,000	10,000	10,000	30,000	30,000	70,000
Living costs	60,000	60,000	60,000	60,000	60,000	70,000
Income tax (farm & investment portion only)	15,000	15,000	15,000	5,000	15,000	8,000
Debt Service Capacity	139,431	150,630	155,371	10,370	127,301	48,620
Debt Service Requirement	133,837	107,837	114,684	0	69,093	0
Debt Service Ratio	1.04	1.40	1.35	N/A - No debt	1.84	N/A - No debt
Budget Surplus	5,594	42,793	40,687	10,370	58,208	48,620
Lifestyle Ratio (net farm inc, net wages, int. inc.)	141,134	154,164	155,446	63,588	160,374	114,011
Maximum Operating Loan Req.	123,320	87,561	146,506	0	0	0
Closing Current Ratio	1.75	2.60	3.16	N/A - No debt	6.22	N/A - No debt
Closing Debt to Equity Ratio	0.39	0.36	0.37	0.00	0.28	0.00
Closing Equity Ratio	0.72	0.73	0.73	1.00	0.78	1.00

Pros for this Scenario:	- doesn't require change - consistent with most goals	- greater profitability - improved cash flow - consistent with personal and business goals - may reduce price risk - better budget surplus allows residual to withstand setbacks	- greater profitability - further diversification into crop enterprise - consistent with business and personal goals - should reduce overall risk - better ability to withstand setbacks	- decreased labour requirement - decreased operational risk - allows for other investments and income - no debt requirement	- similar profitability to Scenarios 1 & 2 - decreased labour requirement - decreased operational risk - lower debt & payments	- very good cash flow - decreased labour requirement - no operational risk - allows for other investments and income - no debt
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Cons for this Scenario:	- continuing will result in cash flow and debt service ability challenges	- greater labour requirement - longer to retire present debt - increased reliance on one enterprise	- greater labour requirement - increased debt and operating loan - longer to retire present debt - greater reliance on cropping enterprise	- involves working off the farm - not consistent with all goals - involves a new enterprise - may require eventual sale of farm to fund retirement	- involves working off the farm - not consistent with all goals - might increase input cost risk - risk of necessary feed not always being available	- involves working more off the farm - not consistent with all goals - may limit opportunities for children to eventually take over the farm
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