Case Study 5: Comparison Summary of all Scenarios

	Status Quo Scenario *(maintain Status Quo)*	**Scenario 1** *(rent 4 quarters, 620 ac. cultivated, purchase 4 quarters, 600 ac. cultivated)*	**Scenario 2** *(rent 4 quarters, 620 ac. cultivated, no purchase)*	**Scenario 3** *(purchase 4 quarters, 600 ac. cultivated, no rent)*	**Scenario 4** *(rent all 8 quarters, 1,220 ac cultivated)*	**Scenario 5** *(continue on as at present, but do better in production, input costs and prices)*	
						2.5% gain in each	**5% gain in each**
	(At Present)	**After Change**	**After Change**	**After Change**	**After Change**	**After Change**	
Opening Current Ratio	1.02	0.83	1.03	0.88	0.95	1.02	1.02
Opening Leverage Ratio	0.32	0.88	0.36	0.80	0.38	0.32	0.32
Opening Equity Ratio	0.76	0.53	0.73	0.56	0.70	0.76	0.76
	(For Upcoming Year)	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	
Accrued Farm Revenue	1,109,070	1,610,000	1,363,750	1,358,870	1,610,000	1,164,381	1,221,058
Accrued Farm Expense	956,962	1,425,724	1,160,991	1,176,430	1,402,404	947,629	925,108
Net Accrued Farm Income	152,108	184,276	202,759	182,440	207,596	216,752	295,950
Return on Assets	2.51	3.15	3.38	3.12	3.48	3.70	4.98
Return on Equity	2.05	2.74	3.15	2.70	3.26	3.54	5.18
Non farm income	0	0	0	0	0	0	0
Living costs	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Income tax	22,000	27,000	32,000	27,000	33,000	35,000	50,000
Debt Service Capacity	184,288	302,495	228,902	273,792	256,392	235,932	289,728
Debt Service Requirement	161,203	365,428	181,164	307,063	221,556	161,203	160,634
Debt Service Ratio	1.14	0.83	1.26	0.89	1.16	1.46	1.80
Debt Service Ratio (with 10% drop in crop income)	0.49	0.42	0.55	0.46	0.47	0.75	1.06
Budget Surplus (debt serv. capacity - requirm't)	23,085	-62,933	47,738	-33,271	34,836	74,729	129,094
Lifestyle Ratio (net farm inc + non farm income)	152,108	184,276	202,759	182,440	207,596	216,752	295,950
Maximum Operating Loan Required	375,070	745,245	492,682	606,964	629,264	380,917	307,091
Closing Current Ratio	1.04	0.66	1.21	0.74	1.04	1.23	1.94
Closing Leverage Ratio	0.29	0.78	0.27	0.70	0.33	0.27	0.21
Closing Equity Ratio	0.78	0.56	0.78	0.59	0.75	0.79	0.82
Closing Compositie Risk Rating ***(lower is better)***	11.5 (Caution)	21.5 (Weak)	11.5 (Caution)	21.5 (Weak)	18.0 (Weak)	8.75 (Good)	8.75 (Good)

	Status Quo Scenario	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Pros for this Scenario:	- what they are doing now, comfortable with operation and confident in results - no change required - profitability is projected - debt service capacity adequate, but marginal - should allow for slow financial improvement over time	- opportunity to expand with nearby land - net income and returns to assets and equity slightly improved - equity will rise over time - consistent with personal and business goals - good potential for better results if prices and/or yields improve	- opportunity to expand with nearby land - returns are improved - since only rental land is involved, no high payments required for land purchase - less change required than adding all the land - little added risk - significant added gains in net worth over time	- opportunity to expand with nearby land - returns are improved - adding to owned land base - less change required than adding all the land - consistent with personal and business goals	- opportunity to expand with nearby land - returns are improved - since only rental land is involved, no high payments required for land purchase - good potential for better results if prices and/or yields improve - consistent with personal and business goals	Comments: - focusing on improving efficiencies instead of expansion - no initial investment or debt is required - gain moves directly to the bottom line significantly impacting on the net results - the 2.5% level of gain is very similar to the best of the 3 previous scenarios which involves renting 8 quarters with no purchase - no changes, other than to management required with this option - no increased financial exposure involved with these changes - at the 5% change level, the improvement in net results will result in significant financial gains over time - if the Cashes are able to accomplish these gains, they will be well positioned to then look at expansion adding either purchased or rented land
Cons for this Scenario:	- marginal financial performance leaves them vulnerable to setback - would miss opportunity to expand - not consistent with goals - may not leave them in a position for succession as hoped	- large expansion requiring major changes - significantly increased financial risk in this scenario - insufficient debt service capacity - insufficient cash flow would result in build up of short term debt over time - level of financial risk leaves them vulnerable to financial setback	- no owned land added - lower level of expansion - might miss opportunity to buy the extra 4 quarters - does not meet personal and financial goals as well as original change scenario - the other 4 quarters could be sold, or rented to another producer, and lost	- higher financial risk than the rental option in Scenario 2 - buying land significantly adds to payment levels - insufficient debt service capacity - insufficient cash flow would result in build up of short term debt over time - the other 4 quarters could be sold, or rented to another producer and lost	- moderate increase in overall risk - significant changes required - no land being bought - might miss opportunity to buy the 4 remaining quarters - potential for significant losses if there prices and/or yield drop - slightly more financial risk than original change scenario	