Case Study 4: Comparison Summary of all Scenarios

	Status Quo Scenario (Continuing on with cash crop operation)	**Scenario 1** (converting to 200 cow, cow calf operation)	**Scenario 2** (conv. to cow/calf, $ available to fund transition reduced)	**Scenario 3** (converting to cow/calf, projected lower calf prices)		**Scenario 4** (converting to cow/calf, projected higher variable costs)		**Scenario 5** (continuing with cash crops, operation, but assuming higher crop prices)	
				-10%	*-20%*	*10%*	*20%*	*5%*	*10%*
	(Upcoming Year)	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**	**(Year 2 After Change)**
Accrued Farm Revenue	343,790	330,200	332,600	308,600	287,000	330,200	330,200	360,025	375,925
Accrued Farm Expense	300,052	232,317	239,063	232,244	232,185	242,364	252,425	299,999	299,834
Net Accrued Farm Income	43,738	97,883	93,537	76,356	54,815	87,836	77,775	60,026	76,091
Return on Assets (%)	0.83	3.61	3.46	2.74	1.85	3.21	2.80	1.56	2.27
Return on Equity (%)	-0.28	3.07	2.81	1.76	0.42	2.46	1.84	0.73	1.70
Non farm income	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Living costs	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Income tax	3,000	20,000	20,000	15,000	11,000	17,000	15,000	12,000	15,000
Debt Service Capacity	86,971	137,607	135,904	121,081	103,539	130,560	122,499	94,259	107,324
Debt Service Requirement	74,186	104,183	108,679	104,183	104,183	104,183	104,183	74,186	74,186
Debt Service Ratio	1.17	1.32	1.25	1.16	0.99	1.25	1.18	1.27	1.45
Budget Surplus (Debt Serv. Cap - Reqm't)	12,785	33,424	27,225	16,898	-644	26,377	18,316	20,073	33,138
Lifestyle Ratio (net farm + non farm inc.)	73,738	127,883	123,537	106,356	84,815	117,836	107,775	90,026	106,091
Maximum Operating Loan Required	77,930	80,451	88,040	80,451	80,451	82,663	84,870	77,040	70,300
Closing Current Ratio	1.22	1.14	0.73	0.94	0.73	1.06	0.96	1.35	1.57
Closing Debt to Equity Ratio	0.39	0.50	0.53	0.50	0.51	0.50	0.50	0.38	0.37
Closing Equity Ratio	0.72	0.67	0.63	0.67	0.66	0.67	0.67	0.73	0.73

	Status Quo	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Pros for this Scenario:	- no change required. Would continue with the operation as is - marginally sufficient income to meet financial requirements at present	- improved potential returns - would meet business and personal goals - less operational risk with this enterprise - more opportunity to eventually move forward with planned succession	Comments: - this scenario illustrates the impact on the plan if the net returns from the sale of assets to be sold is less than expected (as detailed in the Scenario. - as in Scenario 1, however with less $ available, the pros are tempered, and the cons of this scenario become more of a concern	Comments: - beef prices dropping by 10% (the first pricing level projected) would likely mean that the Norths would loose the financial gains they hope to achieve by converting to a cow/calf enterprise - at the second pricing level, (drop of 20% more in line with long term historical pricing), net returns would be a concern relative to the financial requirements	Comments: - higher input costs would negatively impact on overall financial results, but this analysis indicates variable costs could increase a bit before ability to meet financial commitments is impacted as long as prices remain at projected levels. - as noted in the comments for this Scenario, however, if higher input costs are combined with lower calf prices, results could lead to an inability to meet financial demands and compromise ability to meet personal and business goals	Comments: - this analysis shows that if crop prices were to increase by about 10%, the budget surplus would be similar to that projected in Scenario 1, providing a similar capacity to service debt, and opportunity for Jane to evenually retire
Cons for this Scenario:	- insuficient income for Jane to stop work unless beef prices significantly improve - working hard for little net return - may not be able to get into a position to implement planned succession	- significant changes to assets & operations - little experience in this enterprise - unless net returns improve this option would not allow Jane to quit work in 2 years - present level of returns may not continue				

Conclusions: As illustrated in the results summarized above, there appears to be potential for improved financial performance and ability to meet business and personal goals by converting from the present cash crops enterprise to beef, cow/calf, however, there is the risk that beef prices could drop and/or input costs increase to moderate those expected improved net returns. As well, there is the possibility that crop prices could improve sufficiently to the point where net returns from continuing as a cropping operaton could match, or exceed that from beef production, should at the same time, beef prices drop or input costs rise.

Prior to making a decision to change enterprises, the farm operators should review the "What Ifs" relative to the proposed change, and be confident that the change will lead to the improvements in results expected. As well, they should know what operational changes will be required, the cost, and timing of each, and understand how working through those changes will again impact on their bottom line.

Working through these Scenarios does not provide an answer to the question of whether or not the change of enterprise should be made, and based on these results, some producers would decide to make the change, and others would not. It does, however, provide good information on which to base the final decision. Additional projections may need to be completed and reviewed before the farm manager feels he or she has enough information to be comfortable making that decision.