

Case Study: Mixed grain farm.
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 1 & e, working) (Year 2 After Change)	
Accrued Farm Revenue	202,500	223,500	289,200	83,400	215,700	28,800
Accrued Farm Expense	173,869	177,877	234,577	65,515	174,847	18,984
Net Accrued Farm Income	28,631	45,623	54,623	17,885	40,853	9,816
Return on Assets (excl. int. inc., incl. living)	1.26	2.22	2.75	-1.33	1.43	-2.35
Return on Equity (excl. int. inc., incl. living)	-0.48	0.78	1.41	-1.34	0.43	-2.35
Return on Assets (incl. int. inc., excl. living)	3.11	4.01	4.50	2.03	3.43	1.68
Return on Equity (incl. int. inc., excl. living)	2.11	3.24	3.83	2.02	2.91	1.68
Interest income	0	0	0	9,000	0	12,500
Non farm wages (net after tax)	20,000	30,000	30,000	50,000	40,000	60,000
Living costs	35,000	35,000	35,000	35,000	35,000	40,000
Income tax (farm & investment portion only)	4,000	4,000	4,000	6,500	4,000	5,500
Debt Service Capacity	73,738	99,758	111,783	50,748	75,860	46,878
Debt Service Requirement	110,477	75,784	80,678	0	32,547	0
Debt Service Ratio	0.67	1.32	1.39	N/A - No debt	2.33	N/A - No debt
Budget Surplus	-36,739	23,974	31,105	50,748	43,313	46,878
Lifestyle Ratio (net farm inc, net wages, int. inc.)	48,631	75,623	84,623	76,885	80,853	82,316
Maximum Operating Loan Req.	5,296	0	40,901	11,800	0	0
Closing Current Ratio	1.41	3.44	3.80	N/A - No debt	12.21	N/A - No debt
Closing Debt to Equity Ratio	0.39	0.41	0.37	0.00	0.23	0.00
Closing Equity Ratio	0.72	0.71	0.73	1.00	0.81	1.00

Pros for this Scenario:	<ul style="list-style-type: none"> - Doesn't require change 	<ul style="list-style-type: none"> - Greater profitability - Improved cash flow - Consistent with personal and business goals - May reduce price risk 	<ul style="list-style-type: none"> - Greater profitability - Diversification into another enterprise - Consistent with goals - Should reduce overall risk 	<ul style="list-style-type: none"> - Decreased labour requirement - Decreased operational risk - Allows for other investments and income - No debt 	<ul style="list-style-type: none"> - Greater profitability - Decreased labour requirement - Decreased operational risk - Lower debt & payments 	<ul style="list-style-type: none"> - Decreased labour requirement - No operational risk - Allows for other investments & income - No debt
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Cons for this Scenario:	<ul style="list-style-type: none"> - Continuing will result in cash flow and debt service ability challenges 	<ul style="list-style-type: none"> - Greater labour requirement - Longer to retire present debt 	<ul style="list-style-type: none"> - Greater labour requirement - Increased debt and operating loan - Involves a new enterprise - Longer to retire present debt 	<ul style="list-style-type: none"> - Involves working off the farm - Not consistent with all goals - Involves a new enterprise 	<ul style="list-style-type: none"> - Involves working off the farm - Not consistent with all goals - Might increase input cost risk 	<ul style="list-style-type: none"> - Involves working off the farm - Not consistent with all goals
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