

How to Incorporate Crop Advances into a Financial Analysis:

A Crop Advance really is nothing more than a short term loan designed to bridge the time period between when the crop is produced (or in production) until it is sold. The intention almost always, then is that it be repaid when the crop is marketed, either in a lump sum, or in increments as proceeds from the sale of the crop are received.

Sometimes producers think of the Crop Advance as income, and in time past, have sometimes included Crop Advances as income on their operating statement. Crop Advance proceeds should not normally be shown as income, but rather as cash flow from loans when received. When a Crop Advance is in place, it should be shown on the liability statement as a debt, and the crop it is being advanced against as an asset.

If a new Crop Advance is anticipated in the projected period:

- Enter the particulars about the Advance in the New Current Liabilities section at the bottom the Cur-Liab page. If some of it is going to be repaid during the time of the projection, enter the amount in the appropriate area. Any not being repaid during this period will be carried out as a current liability on the closing net worth statement.
- For new current debt, only 1 payment amount and payment date is permitted in the projected time period. If it is anticipated that more than 1 payment will be made in the upcoming 12 months, you may need to break the new current liability into chunks matching the anticipated repayment amounts to allow it to be shown as being repaid in more than 1 installment within the next 12 months.
- If it is anticipated that the Advance will be repaid in more than 1 installment, but no installments or only 1 within the upcoming 12 months, the Advance can be entered as a lump, because in the following year, when the debt is shown as an existing liability at the start of the year, there are 4 payment date and amount options.

ABA will then bring the Advance in as a debt and the amount of the funds will flow into cash. Payments will flow out of cash. The amount not projected to be repaid in the projected 12 months will appear on the Closing Net Worth statement.

If the Crop Advance is in place on the opening statement:

- Show it on one of Rows 9 – 13 on the Cur-Liab page. You have 4 date and amount options for repayment.
- The dates and amounts of payments should coincide with projected crop sales.
- Any amount not repaid in the projected 12 months will again be carried out on the Closing Net Worth statement.

Sometimes Crop Advances can carry over a couple years. If that is or will be the case, following the above still works in that any amounts not shown as being repaid in a projected period will be carried out at year end, so can run through any number of years before finally being repaid.