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Farm financial planning program

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Increased feed demand and increased ethanol demand translate into higher expected futures prices for both corn and soybeans. The market wants more of both commodities, but there is a limited supply of acreage. Current market signals indicate that the market wants corn acres more than soybean acres. If this trend continues, expect Iowa corn acreage to grow, Iowa soybean acreage to decline, and the proportion of Iowa acreage enrolled in the Conservation Reserve Program to shrink.

Figure 2. 2007 Crop price movements since March 30, 2006

Farm Financial Planning program

by Ann M. Holste, extension program specialist, aholste@iastate.edu, (515) 294-4197

Farm Financial Planning is Iowa State University Extension’s farm financial analysis program. It consists of one-on-one financial counseling, a computerized analysis of the farm business, and referral to other extension programs or outside services that may be useful.

Who is it for?
Farm Financial Planning is for anyone who wants to understand a complete picture of their farm financial situation. It helps take the guesswork out of whether or not a change would increase profitability and improve cash flow. A FINPACK analysis may provide a more in-depth evaluation of the farm business, which many lenders are requiring before they will extend further credit.

What does it do?
Farm Financial Planning helps you evaluate your farm business and determine whether or not a change is desirable. It provides an in-depth plan for the farm business so the operator and the lender can make decisions for the future. Farm Financial Planning helps answer three basic questions of sound business management.

• Where am I today?
• Where do I want to be in the future?
• How do I get there?

The computer analysis looks at profitability, liquidity, solvency, and risk-bearing ability. This information is provided for three or more alternative plans at a time. Examples of alternative plans could be the addition, expansion, or phasing out of a
livestock operation, or buying, selling, or renting land. Farm Financial Planning can help evaluate ways to correct negative cash flow and profitability problems.

A trained extension associate meets with the family to discuss the results of the analysis and the possible effects if changes are made. The extension worker may introduce other farm and family financial materials or information about outside sources of help.

**How much does it cost?**
The cost for the service is $35/hour plus mileage. In some cases, there may be other programs available to help defray the costs.

**Who performs the analysis?**
The Farm Financial Management associates are part-time extension employees with college degrees and special training in farm budgeting and financial analysis. They have farm backgrounds so they understand the current farm situation.

Currently, there are thirteen associates located around the state. Their locations and contact information are available on the Farm Financial Planning web site.

**Is it confidential?**
Yes. Only you and the associate will know the results of the analysis. Information will not be shared with other people without your permission.

**How long does it take?**
The first meeting with the associate to provide information from your records usually takes one to two hours. The second meeting may take anywhere from one to three hours. The time required is dependent upon the size and complexity of the operation.

**How do I find out more?**
To set up an appointment, contact the associate in your area. For more information, contact your ISU Extension county office or the Iowa Concern Hotline at 1-800-447-1985.

For more information, visit the Farm Financial Planning Program web site at: http://www.extension.iastate.edu/farmanalysis/.

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Visit the Ag Decision Maker web site at: http://www.extension.iastate.edu/agdm, an order form is located in the Subscription section of “About Ag Decision Maker”. 
Updates, continued from page 1

Internet updates
The following updates have been added to www.extension.iastate.edu/agdm.

2005 Farm Business Summary for Northwest Iowa – C1-11 (9 pages)
2005 Farm Business Summary for Southwest Iowa – C1-12 (9 pages)
2005 Farm Business Summary for North Central Iowa – C1-13 (9 pages)
2005 Farm Business Summary for South Central Iowa – C1-14 (9 pages)
2005 Farm Business Summary for Northeast Iowa – C1-15 (9 pages)
2005 Farm Business Summary for Southeast Iowa – C1-16 (9 pages)

Decision Tools
The following decision tools have been added to www.extension.iastate.edu/agdm.

Crop Insurance Risk Management Illustrator – Use this Decision Tool to evaluate different crop insurance strategies for corn and soybeans.