BARNYARDS & BACKYARDS

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RD Financial tool evaluates financial performance

Commercial agriculture is diverse, often complex, and requires sound financial management for success.

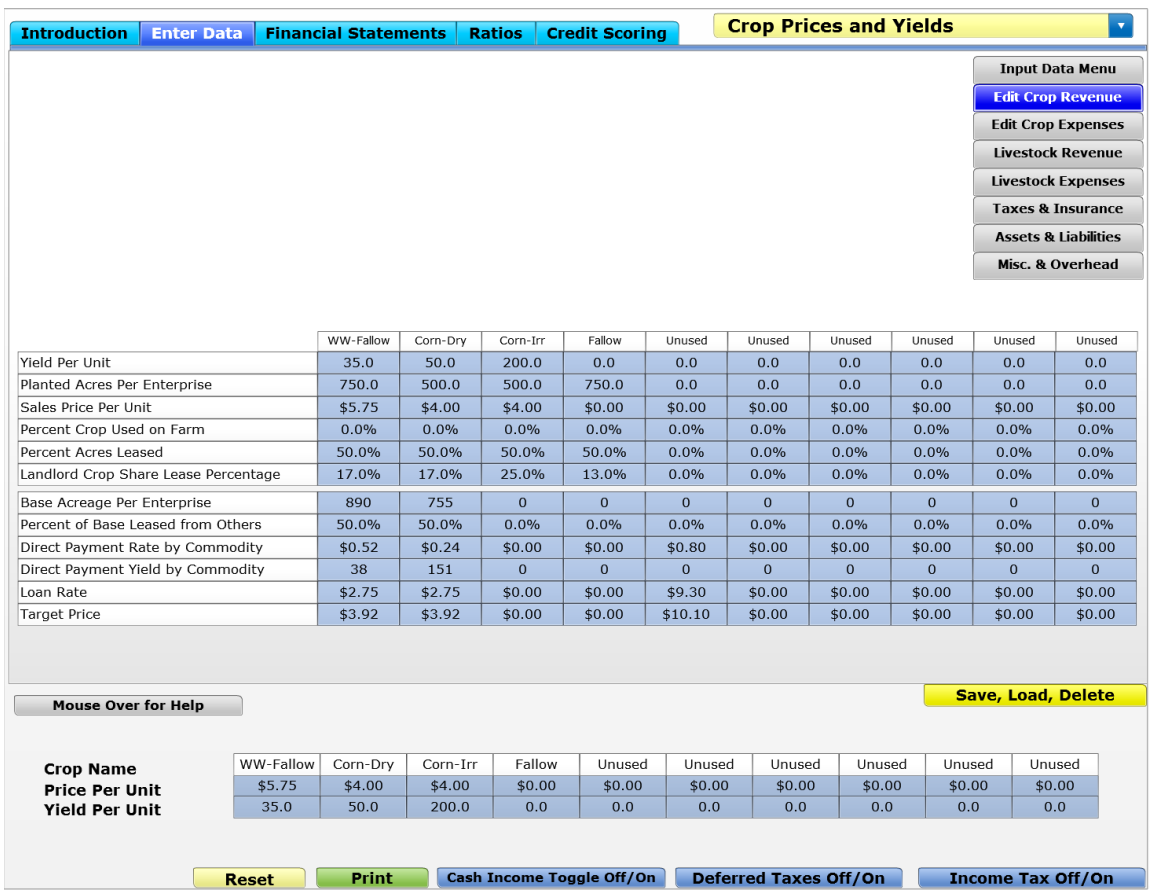
Constructing and properly interpreting financial statements and associated ratios is key to evaluating financial performance:

- It is important from a risk management standpoint; having a comprehensive picture of financial health allows better planning for uncertainty.
- It allows the management team to better understand what a lender sees when evaluating the business.
- It allows the operator to measure the business' financial position and overall performance and make changes to ensure continued success.

RD Financial Tool

Users can enter their own data into the RD Financial tool or modify the data for an example farm in the step-by-step approach. The tool generates and shows the interaction of the accrual income statement, cash flow statement, beginning and ending balance sheets, and statement of owner's equity and the associated financial ratios to evaluate the financial performance of any farm or ranch.

Output also provides a set of financial ratios based for analysis. The tool contains help functions as well as allowing users to save information or reset and start over. Select "Tool Support" from the opening menu for a detailed presentation on the RD Financial tool.



	WW-Fallow	Corn-Dry	Corn-Irr	Fallow	Unused	Unused	Unused	Unused	Unused	Unused
Yield Per Unit	35.0	50.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Planted Acres Per Enterprise	750.0	500.0	500.0	750.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales Price Per Unit	$5.75	$4.00	$4.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Percent Crop Used on Farm	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent Acres Leased	50.0%	50.0%	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Landlord Crop Share Lease Percentage	17.0%	17.0%	25.0%	13.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base Acreage Per Enterprise	890	755	0	0	0	0	0	0	0	0
Percent of Base Leased from Others	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Direct Payment Rate by Commodity	$0.52	$0.24	$0.00	$0.00	$0.80	$0.00	$0.00	$0.00	$0.00	$0.00
Direct Payment Yield by Commodity	38	151	0	0	0	0	0	0	0	0
Loan Rate	$2.75	$2.75	$0.00	$0.00	$9.30	$0.00	$0.00	$0.00	$0.00	$0.00
Target Price	$3.92	$3.92	$0.00	$0.00	$10.10	$0.00	$0.00	$0.00	$0.00	$0.00

Crop Name	WW-Fallow	Corn-Dry	Corn-Irr	Fallow	Unused	Unused	Unused	Unused	Unused	Unused
Price Per Unit	$5.75	$4.00	$4.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Yield Per Unit	35.0	50.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Figure 1. *RD Financial Crop Revenue Entries.*

Multi-Enterprise Farm Example

RD Financial has a built-in example farm to highlight its application. The first step is entering the necessary financial data. This includes sections for crop revenue and expenses, livestock revenue and expenses, taxes and insurance, assets and liabilities, and miscellaneous and overhead expenses.

Crop revenues, Figure 1, are divided by enterprise. In this example, there are enterprises for dry land winter wheat, irrigated and non-irrigated corn, and fallow (tied to the winter wheat enterprise).

The tool allows the user to account for leased acres (the example depicts 50 percent for all crops), direct payments, and target prices.

Crop expenses are split-out by enterprise, and the tool includes multiple blanks to allow users to include other expenses not listed in the example. Taxes and insurance (except crop insurance) are entered for the entire operation, followed by asset and liability values.

The tool accounts for short-term and long-term liabilities and calculates real estate values via per-acre entries by the user.

In the miscellaneous and overhead categories, miscellaneous (2 percent) and tenant cost of production are accounted for.

In the next installment, we will examine how this information contributes to the financial statements generated by RD Financial and how to interpret the output.

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For more information

Visit RightRisk.org and select "Risk Management Tools" from the "Resources" tab to begin using the RD Financial tool. From there, users can enter their own information or follow an example farm.

RightRisk.org is a risk management education resource designed to assist agricultural managers no matter where they might be on the risk management spectrum.

There are also applied risk analytics, risk management profiles, and numerous other resources. Visit RightRisk.org to learn more.

Several control strategies can help limit summer fly economic effects

Many western beef herds are gearing up for the annual battle to control flies.

There are three main fly species that cause the biggest economic impact: horn flies, face flies, and stable flies. They can have a significant economic impact on beef herds through reduced weight gain in both calves and summer stockers as well as potential reductions in breeding season conception rates.

Biting flies affect grazing behavior as cattle group together for protection. Proper management plans (see examples below) require planning, as most oral larvicides suggest feeding at least 30 days prior to desired fly control dates.

The Big Three

Horn flies are small in size and usually found on the backs, sides, and poll area on beef cattle. These flies require over 30 blood meals per day and are able to complete a life cycle in 10 to 20 days depending on the weather. Studies in the U.S. and Canada suggest severe horn fly infestations can reduce weaning weights by up to 15 percent, with similar percentage losses in yearling cattle.

Face flies closely resemble house flies, just slightly darker. Face flies feed on animal secretions by hovering mainly around the eyes and muzzle of the animal. Face fly populations typically peak around late July and early August and are a main cause of pinkeye infestations in herds.

Stable flies also closely resemble house flies, although slightly smaller. Stable flies are blood feeding, biting flies that have a painful bite. Stable flies mainly feed on the front legs of cattle. Their life cycle takes approximately 14 to 24 days and can cause substantial reductions in weight gain if populations are too high.

Fly Control Methods

There are several strategies to control flies. These strategies include feeding oral larvicides such as Altosid and Rabon through supplementation programs. Additional control is achieved through pour-ons, sprays or mists, as well as insecticide ear tags. While eartags have become less effective over the years, dust bags, oilers, and sprays can all be used to help control the economic losses associated with high fly loads. Pour-ons have been shown to provide short-term control for 7 to 21 days but do not provide season-long protection.

Since most livestock-associated flies lay eggs in either manure or damp, spoiled feed, pasture rotation and regular feedground cleaning will help reduce the overall pest load. Orally fed larvicides are also effective tools in controlling some fly populations, but research has shown many flies will travel up to 10 miles in search of a food source. This means that, although you may have a good fly control program, if your neighbors' populations are high enough, you will still have a significant fly load.

In areas where cattle are easily accessible, regular (weekly) fogger applications of fly control has shown to be very effective.

For additional information, contact your local extension educator or veterinarian.

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