FAST Tools – Planning Beyond 2008

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Executive Summary

- FAST Tools are a set of spreadsheet-based computer applications designed to assist users with farm economic decisions.

- FAST Tools applications are subdivided into financial analysis, investment analysis, loan analysis, farm management, grain marketing and management, risk management and yield database utilities.
  - Financial analysis tools assist users in preparing and interpreting financial information and measuring financial health.
  - Investment analysis tools assist users in measuring the economic returns and performance of alternative types of investments.
  - Loan analysis tools assist users in calculating loan payments and schedules; comparing alternative loans; and measuring the sensitivity of payments to changes in loan parameters.
  - Farm management tools assist users in developing enterprise budgets and breakevens levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives.
  - Grain marketing and management tools assist users in developing enterprise budgets and breakeven levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives.
  - Risk management tools assist users in evaluating the impact of farmland lease types as well as marketing and crop insurance strategies on revenue and income distributions.
  - Yield database utilities assist users in analyzing county-level historical crop yields and with common computations related to soil productivity measures and yield predictions.
  - FAST Tools and Resources CD also contain publications and resources in areas of AgMAS, crop insurance, farm management, financial management, grain marketing, policy, law, and taxation.

- Planning beyond 2008 requires a careful assessment of a farmer’s objectives and long term goals.

- Decision criteria for investments and changes to an operation include measures of changes in efficiency, profitability, cash flow and overall wealth.

- FAST Tools provide a method to explore alternative economic and decision scenarios.

- Demonstrations of the Crop Rotation Tool, On-Farm Storage Analysis, Real Estate Purchase Analysis and Savings and Retirement Analysis are highlighted in the session.
FAST Tools
Planning Beyond 2008

By Paul Ellinger and Travis Farley
Outline

• FAST Tools overview

• Financial Planning beyond 2008

• Hands-on applications
  – Changing crop rotations
  – On-farm grain storage analysis
  – Land purchase
  – Savings and retirement planning
  – Others
FAST Tools

- **farmdoc** companion project initiated in 1999

- Development of spreadsheet-based tools to aid decisions for producers, lenders, consultants and investors

- Facilitate use, access, distribution of tools and resources through CD and internet distribution
  - Quarterly subscription
  - **farmdoc** download
  - via workshops

- Approximately 35,000 CDs produced and another 35,000 downloads

- Increased demand for education and training
FAST Tools - Overview

Computerized Decision Aids
- Financial Analysis
- Investment Analysis
- Loan Analysis
- Farm Management
- Grain Marketing & Management
- Risk Management
- Yield Database Utilities

farmdoc materials
- AgMas
- Crop Insurance
- Proceedings: this workshop
- Farm Management
- Financial Management
- Grain Marketing
- Policy
- Law and Taxation
Financial Analysis

Assist in preparing and interpreting financial information and measuring financial health

Analyzing Current Financial Condition
- Appraisal of current financial position
- Farm Financial Statements
- Personal Financial Statements
- Ratio calculator
- Cash to accrual income approximation
- Estimates of deferred taxes
- Net worth allocation

Financial Planning
- Cash flow planning
- Farm financial simulation
- Start-up company simulator
- Repayment capacity analysis
Investment Analysis

Assist in measuring the economic returns and performance of alternative types of investments.

- Capital budgeting
- Grain storage investment analysis
- Land purchase analysis
- Lease versus purchase
- Machinery financing
- MACRS calculator
- Savings calculator
- Retirement planner
- Time value of money calculator
Loan Analysis

Assist in calculating loan payments and schedules; comparing alternative loans; and measuring the sensitivity of payments to changes in loan parameters.

- Loan amortization
- Loan comparison
- Revolving loan calculator
Farm Management

Assist in developing enterprise budgets and breakeven levels; estimating costs of machinery operations; and comparing crop insurance and farmland leasing alternatives

- Break even analysis
- Crop budgeting tool
- Crop insurance calculator
- Crop rotation tools
- Enterprise allocation and analysis
- Farmland lease analysis
- Machinery economics
Grain Marketing and Management

Assist in tracking grain inventory and estimating the costs and returns of grain storage and delivery

- Crop storage analysis
- Grain delivery model
- Grain inventory management
- Grain storage investment analysis
- Grain pricing model
Risk Management

Assist in evaluating the impact of farmland lease types as well as marketing and crop insurance strategies on revenue and income distributions.

- Farm rent evaluator
- Insurance evaluator
- Marketing and crop insurance risk model
- Crop insurance payment calculator
- Premium calculators
Yield Database Utilities

Assist in analyzing county-level historical crop yields and with common computations related to soil productivity measures and yield predictions

- Illinois, Iowa, Indiana crop yield databases
- Illinois soil productivity index utilities
FAST Hands-on Computer Workshops
February - March

• Improving Your Financial Management
  – Preparing financial statements
  – Understanding your financial health
  – Ratio analysis and benchmarking your farm
  – Short and long-term projections

• Exploring Risk Management Strategies
  – Crop insurance update
  – Tools to assess marketing and crop insurance

• Attend one or two sessions
FAST Training

**February 14-15**  
Crowne Plaza Hotel  
3000 S. Dirksen Parkway  
Springfield, IL  
217-529-7777

**February 21-22**  
Holiday Inn Hotel & Conference Center  
1001 W. Killarney  
(Underline 183, I-74)  
Urbana, IL  
217-328-7900

**February 28 - March 1**  
Hickory Grove Banquet & Conference Center  
1127 N. 7th St.  
Rochelle, IL  
815-562-5668

**March 7-8**  
Holiday Inn Hotel  
222 Potomac Blvd.  
(Exit 95, I-57)  
Mt. Vernon, IL  
618-244-7100

Visit www.farmdoc.uiuc.edu/fasttools/ for current FAST Training schedules
Long-term Decision Making

Decision Criteria
- Effects on profitability and wealth
- Cash flow and liquidity impacts
- Operation efficiency and timeliness
- Comparisons to alternative future investments
- Feasibility of future investments
- Range of outcomes across potential scenarios

Risk and Return
Long-term Decision Making

Key Input Elements
- Investment costs
- Additional revenues and costs -> net cash flows
- Valuation changes
- Time value of money
  - Investment Alternatives
  - Cost of debt
- Cash feasibility within given investment and financial plans
Long-term Decision Making

FAST Tools

- Evaluate economic factors

- Alternative scenarios
  - Most likely
  - Best case
  - Worst case
  - Break even case

- Provide some benchmarks to support your decision
Demo -- Hands-on applications