



## Section 12: Farm Business Performance

You will need to use information from the worksheets you have completed, and/or your financial records, your balance sheet and what you know about your farm's performance to complete

this chart. Complete the chart as best as you can by calculating each measure as described. Then indicate (circle or check) the state of your business for each measure.

My Current Farm Business Situation				
Measure		State of my Business		
Measure	Calculation	Business is challenged	Improvement needed	Good position
Net Farm Income per Operator	$\frac{\text{Net Farm Income}}{\text{Farm Operators}}$	Decreasing	Staying the Same	Increasing
Return on Assets	$\frac{\text{Net Farm Income} + \text{Interest Paid}}{\text{Farm Assets}}$	Decreasing or <1%	Staying the Same or 1-5%	Increasing or >5%
Debt to Asset Ratio	$\frac{\text{Total Debt}}{\text{Total Assets}}$	Greater than 60%	30% to 60%	Less than 30%
Debt Coverage Ratio	$\frac{\text{Net Farm Income} + \text{Depreciation} + \text{Interest Paid on Debt} - \text{Personal Withdrawals}}{\text{Annual Debt Payments (P \& I)}} =$	Less than 1.0	1.1-1.35	Greater 1.35
Debt per Acre*	$\frac{\text{Total Debt}}{\text{Total fruit Acres}}$	Greater than \$2,700	\$1,350** to \$2,700	Less than \$1,350**

\*Debt on farm assets only not including packing and storage facilities. Also these values are affected by yield per acre and price received per bushel.

\*\* High yielding farms with strong market prices can bear higher debt per acre. Higher density plantings, if managed well will yield earlier and have much greater yields per acre.

<b>Measure</b>	<b>Calculation</b>	<b>Business is challenged</b>	<b>Improvement needed</b>	<b>Good position</b>
<b>Operating Expense Ratio</b>	<b>Business expenses – Depreciation ÷ Business Income</b>	Greater than 80%	60-80%	Less than 60%
<b>Yield per acre – processing</b>		Less than 700	700-1,000	Greater than 1,000
<b>Yield per acre – fresh</b>		Less than 500	500-800	Greater than 800
<b>Chemical Cost per \$1.00 of Fruit Receipts</b>	<b>Total Chemical cost (accrual) ÷ Total Fruit Income (accrual)</b>	Greater than \$.17	\$.12-.17	Less than \$.12
<b>Labor Cost per \$1.00 of Fruit Receipts</b>	<b>Total Labor cost ÷ Total Fruit Income</b>	Greater than \$.42	\$.33-.42	Less than \$.33
<b>Interest Cost per \$1.00 of Fruit Receipts</b>	<b>Interest Expense ÷ Total Fruit Income</b>	Greater than \$.04	\$.04-.03	Less than \$.03
<b>Cash available for Family Living</b>	<b>Cash from business available for family needs.</b>	Decreasing or farm provides none	Staying the Same	Increasing at Rate of Inflation
<b>Retirement Savings</b>	<b>Total saved annually</b>	Decreasing or farm provides none	Staying the Same	Increasing
<b>Managing Family &amp; Employees</b>	<b>What is your comfort level?</b>	Would rather not	Will do it if I must	A priority for the business
<b>Markets</b>	<b>Access to profitable markets</b>	No – profitable market opportunities have declined.	I have some markets but not enough	I have profitable markets for all of my production
<b>Orchard Age</b>	<b>Orchard replanting - % per year</b>	I do not see a need to replant	I replant as I have the cash – no schedule	I replant at least 3-5% a year (depending on density)



**Outlook: Complete the following chart in a similar manner, focusing on the coming four years.**

Future Farm Business Outlook Over the next four years				
Measure		The State of my Business, looking toward the future		
Measure	Calculation	Business is challenged	Improvement needed	Good position
Orchard Age	% Plantings under 10 years	I do not have the cash to replant over the next 4 yrs	I will replant as I have the cash over the next 4 yrs	I will replant at least 3-5% (depending on density) a year over the next 4 yrs
Debt per Acre	Total Debt ÷ Total fruit acres	I will struggle to reduce debt and my debt is likely to rise over the next 4yrs and is above \$2,700	My debt level is likely to remain around 1,350-2,700 an acre over the next 4 yrs – it will be difficult to reduce	My debt level will remain under 1,350 per acre (under 1,900 for high density/high yielding farms with strong markets) per acre over the next 4 years
Involving Others	Use of experts, consultants or a management team for decision-making	Not interested	Sometimes, could do more often	Top Priority, utilizing regular meetings
Human Resource Development	Increasing skills of employees	Not interested	Some employees, some of the time	Top Priority

## Performance Areas for Improvement

1.

2.

3.

4.

