

# RESOURCE INVENTORY

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Agricultural producers use resources such as land, labor, machinery, breeding stock, management and financial capital to produce commodities for sale. An accurate inventory of these resources is important for the evaluation of the current health of the operation and planning as well as a preliminary method for evaluating new enterprises.

The use of an up-to-date resource inventory can help to:

- Provide a current overview of the operation;
- Complete a balance sheet;
- Provide a summary of collateral that can be used for a loan;
- Identify the status and condition of your assets and liabilities; and
- Evaluate options for growth and diversification.

Compiling a comprehensive list of resources allows the producer to evaluate areas of their business that might contain either excess or limiting resources. In this way, it helps to shape managerial attention for future decisions as finances are deployment in support of growth and expansion plans. Problems such as soil erosion in fields, or livestock manure stored too close to water sources may not be identified until a resource inventory is completed. Weakness in the financial situation of the business, due to excessive debt, large variable costs, or depreciation may also be found when completing a resource inventory. Furthermore, inefficiencies in human resources, labor, or time may also be found. Values should be assigned to these resources and current inventories should be maintained to make sure the operating foundation is known. Only after a resource inventory is completed, can the current health and future direction of an operation be determined. Finally, a resource inventory may assist the producer in tracking the progress or maturity of production enterprises. Examples of this might be the tracking of retained heifers that will ultimately be used as replacement cows or the tracking of age and replacement rotations for livestock enterprises.

## **How do I develop a resource inventory?**

The resource inventory of a farming operation should include all resources available and needed to carry out the goals of the operation. It can also include any supporting documents/maps/records that might provide a clearer picture of the operation. In short, a good resource inventory should allow someone with little to no knowledge of your operation to gain a better understanding of all of the resources that are available. For simplicity, this list of resources can be organized into five areas. These five resource areas are: physical/natural, human/personnel, equipment, animal/crop, and financial resources. Each of these areas is discussed below and a sample blank worksheet follows this section. There is nothing formal about these worksheets, they are only offered as an example. An operation's resource inventory should be unique to describe its individuality.

## **Physical/Natural Resources**

Physical/natural resources should include any documents or pictures, which might show the farm/ranch resources. Maps detailing: land topography, range site descriptions, carrying capacities, brush densities, and the location of any structures such as barns, working pens, fences, and water facilities available (not necessarily owned) to the farm are indispensable. These maps can either be drawn by hand or may be downloaded from several web sites that offer aerial maps of the United States. Your local USDA Farm Service Agency (FSA) or Natural Resource Conservation Service (NRCS) office might also be a reliable source for accurate maps.

When detailing the land resources, a value should be placed on the land that is owned by the farm. This value is generally the fair market value of the land if it were sold. If a fair market value has not recently been estimated, one alternative estimate for this information would be the annual property tax statement provided by the local tax appraisal/tax assessor. These statements are provided annually and provide an estimate of the agricultural tax value as well as the estimated market value. The market value provided by the tax appraisal office is typically a very conservative estimate of the true market value, but does provide a basis for quantifying the value of property and structures on the land. For each land unit leased/rented, the lease/rent rate should be identified so that each land unit can be addressed separately.

Results from soil surveys and/or elevation maps should be included to determine the effectiveness of fertilizer applications and the slope of the land. This will help to identify feasible locations for crop enterprises that could be produced on the land or areas where brush treatment might return the greatest benefits. Additionally, historical record of rainfall and weather patterns for the farm or local area will help to determine production alternatives.

An accurate description of any wildlife and their populations will help to determine potential predators or beneficial wildlife activities, which may be available to the operation. Additionally, harvest records and pictures from hunting activity can be used to track changes in the qualitative aspects of the wildlife complex as well as for marketing purposes.

## **Human/Personnel Resources**

Any person who works on the farm should be included in the human/personnel resources inventory. These include the farmer, family, paid full or part-time employees, custom hired operators, any neighbors or friends that work on the farm, and other professionals who play an integral role in the operation. In most cases, the support professionals include people such as a lender, attorney, crop insurance representative, veterinarian, brokerage consultant, Texas Cooperative Extension agent, or local USDA employee.

Along with the names of the individuals that work on the farm, the human/personnel resource list should include the assigned duties, salaries/wages, skills or talents, and work

schedules for each person as well as a list of emergency personnel contacts if one of the current workers cannot perform their duties. This ensures that you will always have a contingency contact in case you need some assistance and your primary provider/supplier is unavailable.

### **Equipment Resources**

All equipment that is used by the farm or ranch should be included in the equipment resources inventory. This list should include any important information such as model or serial numbers found on the equipment and the size, age, and condition of each piece of equipment. Also, indicate if the equipment is owned, leased, or borrowed. Finally, a current value should be included for each piece of equipment. Determining the value of equipment can be done two different ways. First, a fair market value can be placed on all equipment owned by the farm. A second way to determining the value of equipment resources is by examining the depreciation schedule which should also be included with the list of equipment resources. The depreciation schedule will provide a value of the equipment that is equal to the original cost minus any accumulated depreciation.

### **Animal/Crop Resources**

An inventory of animal/crop resources for a farm/ranch can be one of the easiest inventories to create. This inventory list includes all animals and crops that are produced by the farm or those crops in storage. For livestock enterprises, it is useful to differentiate between raised and purchased livestock. The total number of acres along with a history of yields and government payments for each enterprise should also be indicated.

Keep in mind that some enterprises will use the same acreage. An example of this could be cattle and corn. Corn is planted and later harvested. The corn stalks are then used as a supplemental feed for the cattle. Both enterprises used the same acreage.

Finally, a value should be placed on all livestock and crops. The value of purchased breeding stock can be determined by either subtracting the accumulated depreciation from the original purchase price (found on the depreciation schedule) or by determining the fair market value of the stock. Determining the value of raised livestock or stored crops can be done by estimating a fair market value for these commodities if they were sold.

### **Financial Resources**

The final resource that should be included in a farm's inventory is the financial resources. These include any cash, savings, or brokerage accounts that are used by the operation as well as any debts to banks or other lenders. It is important to include with the debts: the amount currently owed, the interest rate, and the amount of time remaining on the loan. The original loan amount should also be noted so that the owner's equity can be quickly computed. Loans used for operating year after year should also be listed along with the

expected amount that will be borrowed and the expected terms. Finally, additional credit that may be available and its designated uses should also be included.

## **Conclusion**

Identifying all resources available to a farming operation is important when beginning the planning process. A thorough resource inventory takes into account five types of resources available to management. These include: physical/natural, human/personnel, equipment, animal/crop, and financial resources. The use of an up to date resource inventory can help: provide a current overview of the operation, complete a balance sheet; provide a summary of collateral that can be used for a loan; identify the condition and status of assets and liabilities, and provide information that can be used to evaluate options for growth and diversification.

After completing the resource inventory above, a full and accurate description of a farm should be complete. Making a complete list of all available resources makes it much easier to identify opportunities and weaknesses of farming or ranching operations. The resource inventory should be in writing and should be updated at least once each year. The first attempt at a resource inventory will be the most time-consuming. After producer records are kept and tracked, the resource inventory can be updated and revised. With each passing year, the resource inventory will become more detailed, more accurate, and thus, more useful.

**Physical/Natural Resources Inventory Worksheet**  
 List all the Physical and Natural Resources of the Operation  
 (Use additional Pages if Necessary)

**LAND UNITS:**

1. \_\_\_\_\_ acres in \_\_\_\_\_ County Land Description: \_\_\_\_\_  
     Purchased      Leased      Year/Term: \_\_\_\_\_ Cost/Lease Rate: \_\_\_\_\_
2. \_\_\_\_\_ acres in \_\_\_\_\_ County Land Description: \_\_\_\_\_  
     Purchased      Leased      Year/Term: \_\_\_\_\_ Cost/Lease Rate: \_\_\_\_\_
3. \_\_\_\_\_ acres in \_\_\_\_\_ County Land Description: \_\_\_\_\_  
     Purchased      Leased      Year/Term: \_\_\_\_\_ Cost/Lease Rate: \_\_\_\_\_
4. \_\_\_\_\_ acres in \_\_\_\_\_ County Land Description: \_\_\_\_\_  
     Purchased      Leased      Year/Term: \_\_\_\_\_ Cost/Lease Rate: \_\_\_\_\_

**STRUCTURES / FACILITIES:**

- \_\_\_\_\_ located on Unit # \_\_\_\_\_ Built in \_\_\_\_\_
- \_\_\_\_\_ located on Unit # \_\_\_\_\_ Built in \_\_\_\_\_
- \_\_\_\_\_ located on Unit # \_\_\_\_\_ Built in \_\_\_\_\_

**FENCES:**

Unit #1.	Condition:	Good	Fair	Poor
Unit #2.	Condition:	Good	Fair	Poor
Unit #3.	Condition:	Good	Fair	Poor
Unit #4.	Condition:	Good	Fair	Poor

**WATERING FACILITIES:**      **Average Rainfall:** \_\_\_\_\_ inches/year

Unit #1.	Windmills _____	Tanks/Ponds _____	Creeks/Streams _____
Unit #2.	Windmills _____	Tanks/Ponds _____	Creeks/Streams _____
Unit #3.	Windmills _____	Tanks/Ponds _____	Creeks/Streams _____
Unit #4.	Windmills _____	Tanks/Ponds _____	Creeks/Streams _____

**WILDLIFE SPECIES:** \_\_\_\_\_

**Lease Rate:** \_\_\_\_\_

**Human Resources Inventory Worksheet**  
List all the Human Resources of the Operation  
(Use additional Pages if Necessary)

Name	Assigned Duties	Salaries/Wages	Skills/Talents	Work Schedules	Emergency Contact



**Animal/Crop Resources Inventory Worksheet**  
 List all the Animal/Crop Resources of the Operation  
 (Use additional Pages if Necessary)

<b>Crop Enterprise</b>	<b>Acres</b>	<b>Yield History per Acre</b>	<b>Govt. Payments</b>	<b>Market Value</b>	
<b>Livestock Enterprise</b>	<b>Head</b>	<b>Description</b>	<b>Value per Head</b>	<b>Enterprise Cost Basis</b>	<b>Market Value</b>
			<b>TOTAL</b>	_____	_____



**Financial Resources Inventory Worksheet**  
 List all the Financial Resources of the Operation  
 (Use additional Pages if Necessary)

Cash & Savings	Account	Balance
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
<b>TOTAL</b>		_____

Debt					
Lender	Balance	Years Remaining	Int. Rate	Due Date	Original Loan
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
<b>TOTAL</b>	_____				

Potential Credit Lender	Amount	Interest Rate
_____	_____	_____ %
_____	_____	_____ %
<b>TOTAL</b>		_____

# RESOURCE INVENTORY

## TTAP Enterprises

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Below is an example of a resource inventory for the TTAP Enterprises case study. TTAP Enterprises is owned and operated by Thomas Rancher, Jr. and his wife, Julie. The operation includes 10,000 acres of native pasture and 1,000 acres of cultivated cropland in Wilbarger County, Texas. The base for the operation is a cowherd from which stocker cattle are raised. The stocker cattle enterprise is augmented through occasional purchases of outside cattle and supported through crop production. Also, the operation capitalizes on the abundant wildlife through a season long hunting lease. The following resource inventory was developed to gather a better picture of the operation.

### **Physical/Natural Resource Inventory**

To begin a physical/natural resource inventory of the farm, a map of the farm was developed and complements the physical/natural resource inventory worksheet. The total land area of the TTAP Enterprises is 11,000 acres (6,000 purchased and 5,000 leased) located in Wilbarger County, Texas. 10,000 acres are native pasture with mixed brush species of moderate density. The carrying capacity of the pasture is approximately 25 acres per animal unit. This stocking rate has to be reduced during prolonged dry periods, but can be exceeded slightly when good spring rains produce abundant summer grasses. Cultivated cropland accounts for 1,000 acres of the operation.

The operation has one house, which provides Thomas, Jr. and Julie's residence as well as a barn and working pens. All structures are located on the map in the area marked as "Homestead". Ranch perimeter fences are in good condition; however the interior fence separating the purchased and leased acreage will need some repair in the near future. Watering facilities include a mix of 5 windmills, 11 stock tanks, and two creeks dispersed across the 11,000 acres.

An additional supplement to the physical/natural resources inventory worksheet is a summary of monthly climatology data. The coldest average month is January (avg. low – 28 degrees) with July being the warmest (avg. high 97 degrees). Average rainfall is 26 inches per year. The wettest months are May and June (>3.25 inches per month each) with December and January being the driest (<1.25 inches per month each).

Finally, wildlife that can be found on the property includes: white-tailed deer, feral hogs, turkeys, dove, quail, and coyotes. The 5,000 acres of purchased native pasture is leased to a group of hunters on a season-long, all-species basis for \$35,000 annually. Half of the hunting lease payment is received in June and the remainder in September.

## **Human Resource Inventory**

All persons working on the farm are included in the human resource inventory worksheet. Thomas Rancher, Jr. and his wife, Julie are the owners and managers of TTAP Enterprises. Thomas's background is in animal science and Julie's area of expertise is agricultural business management. Collectively, their duties include: all major work on the farm; all major production decisions; and minor decision maker concerning the financial aspects of the operation. They currently draw \$30,000 as living expenses charged against the operation for management.

TTAP Enterprises employs one full time employee, Catchum Maverick. The operators recognize the difficulty in finding and keeping reliable employees. As a result, they have instituted annual pay raises for Catchum Maverick in order to keep him satisfied and content. His current salary is \$24,000 per year.

There are a number of other people who contribute to TTAP Enterprises, without being directly employed by the operation. Thomas Rancher, Sr. is available at his own discretion to assist with some of the activities. Thomas, Sr. enjoys tending to the livestock and has years of experienced as a cowman and mechanic. He is also very pleased that his son has chosen to take over the operation and is genuinely interested in his success. Thomas, Sr. and Julie have an outstanding rapport and he is very supportive that she also takes an active role in the operation.

The outside professionals that TTAP Enterprises relies upon includes: M.A. Loan, their local lender at the 1<sup>st</sup> National Bank; I.M. Honest, the lawyer that has handled all of the family's legal and abstract work associated with the land sale; Dr. Hank Feelgood, the local veterinarian. Each of these individuals has worked on projects for the family operation for at least 20 years. The final key person who provides assistance to the operation is Burl O'Cracy, the local FSA Director. Mr. O'Cracy is new to Wilbarger County and appears to be very progressive and supportive in helping Thomas, Jr. and Julie navigate potential USDA programs that might be of benefit. This is a dramatic improvement over the relationship that the Rancher family had with the previous local FSA representative.

## **Equipment Resource Inventory**

The equipment and resource inventory worksheet gives a breakdown of the equipment by name, the model number, size, age, condition, whether owned, leased, or borrowed, book value, and market value. The operation has a 200 horsepower tractor that is 5 years old and in good condition. Other equipment that the operation has includes: plows, grain drills, two pickups and an assortment of ranch equipment. Collectively, the book value of equipment is \$173,000. All equipment is owned. When Thomas, Jr. and Julie purchased the 6,000 acres in 1994, the land payments necessitated that they strive to minimize additional interest expenses associated with financed equipment. At the end of the year, excess ranch proceeds are prioritized to replace or repair exhausted equipment.

The most appropriate creed for the equipment compliment of the operation is, “it might not look pretty, but it’s paid for.”

### **Animal/Crop Resource Inventory**

A list of all crops and animals produced on the farm are listed on the animal/crop resources inventory worksheet. The 1,000 acres of cultivated cropland is annually planted with wheat. After a period of grazing, the stocker calves are placed on 500 acres of the wheat that is grazed-out. The remaining 500 acres of wheat is harvested. Each year, 200 acres of sorghum are double-cropped on this acreage for additional cash flow and to assist with weed control.

The operation has 5,000 acres of native pasture that is the remainder of the 6,000 acres initially purchased from Thomas, Sr. in 1994. An additional 5,000 acres of native pasture is currently leased from Thomas, Sr. This provides a total of 10,000 acres of native pasture to support the cow-calf operation and hunting enterprise.

The operation maintains 400 cows and 16 bulls. Each year 60 of the raised heifers are retained as replacements. The remaining calf crop is treated as a stocker operation and utilizes the crop production. Additional stocker calves (usually about 100 head) are purchased and integrated with the raised stocker calves.

### **Financial Resource Inventory**

A snapshot of the financial situation of TTAP Enterprises is shown on the financial resources inventory worksheet. TTAP Enterprises has a total of \$47,862 in cash and savings at 1<sup>st</sup> National Bank. The debt being carried by the operation primarily includes the land note held by the Federal Land Bank. Interest costs remain high due to the purchase of 6,000 acres in 1994. The land note was refinanced in 2001 to take advantage of lower interest rates. The current balance of the land note is a little more than \$1 million.

Income for the operation is highly correlated with cattle prices. The operation strives to control its cost of production. The financial condition is expected to improve over the next three years.

Both the land note payment and the annual cash lease payment (to Thomas, Sr. for the 5,000 acres of native pasture) are due in June of each year. This situation has proven to be very feasible as the timing of these payments correlates shortly after the operation realizes proceeds from the sales of the stocker calves. The additional cash flow from sorghum and the hunting lease enables the operation to meet cash-flow needs through the year and has eliminated the need for a separate operating note. If the farm needed to borrow additional money, First National Bank would loan up to \$60,000 at 8.0 percent interest for the purchase of additional stocker calves. Also, the operation has access to another \$150,000 in credit for equipment from John Deere Credit.

**Physical/Natural Resources Inventory Worksheet**  
 List all the Physical and Natural Resources of the Operation  
 (Use additional Pages if Necessary)

**LAND UNITS:**

1. 5,000 acres in Wilbarger County Land Description: Native Pasture  
**Purchased** Year: 1994 Cost/Lease Rate: \$185/ac.
2. 1,000 acres in Wilbarger County Land Description: Cultivated Cropland  
**Purchased** Year: 1994 Cost/Lease Rate: \$400/ac.
3. 5,000 acres in Wilbarger County Land Description: Native Pasture  
**Leased** Term: Annual Payment in June Cost/Lease Rate: \$4.25/ac.
4. \_\_\_\_\_ acres in \_\_\_\_\_ County Land Description: \_\_\_\_\_  
 Purchased Leased Year: \_\_\_\_\_ Cost/Lease Rate: \_\_\_\_\_

**STRUCTURES / FACILITIES:**

- House/Residence located on Unit # 1 Built in 1973
- Barn/Storage Shed located on Unit # 1 Built in 1957
- Working Pens located on Unit # 1 Built in 1985

**FENCES:**

- |          |            |             |
|----------|------------|-------------|
| Unit #1. | Condition: | <b>Good</b> |
| Unit #2. | Condition: | <b>Good</b> |
| Unit #3. | Condition: | <b>Fair</b> |
| Unit #4. | Condition: |             |

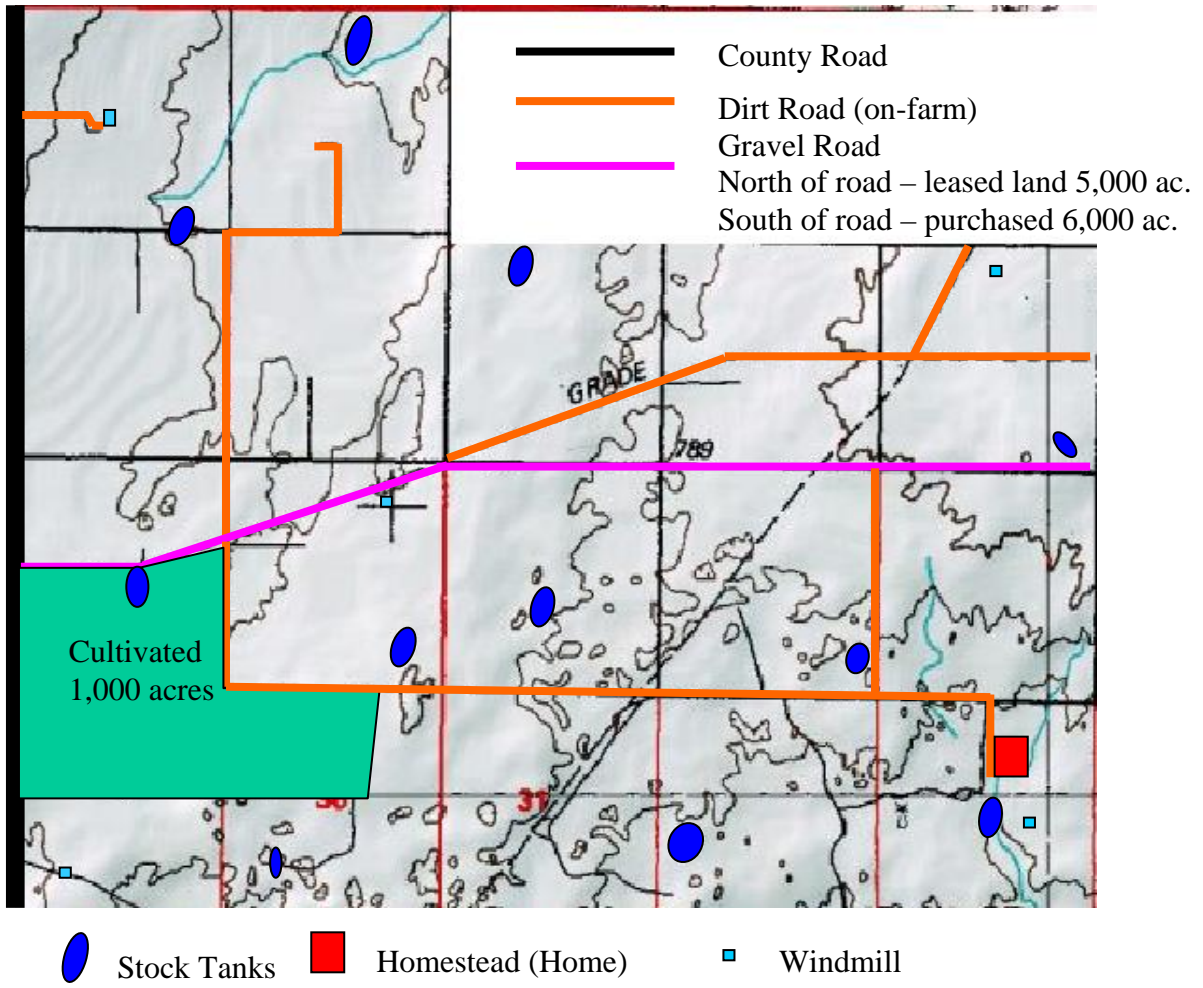
**WATERING FACILITIES:** Average Rainfall: 26 inches/year

- |          |                    |                      |                         |
|----------|--------------------|----------------------|-------------------------|
| Unit #1. | Windmills <u>3</u> | Tanks/Ponds <u>7</u> | Creeks/Streams <u>1</u> |
| Unit #2. | Windmills <u>0</u> | Tanks/Ponds <u>1</u> | Creeks/Streams _____    |
| Unit #3. | Windmills <u>2</u> | Tanks/Ponds <u>3</u> | Creeks/Streams <u>1</u> |
| Unit #4. | Windmills _____    | Tanks/Ponds _____    | Creeks/Streams _____    |

**WILDLIFE SPECIES:** White-tailed Deer, Ferral Hogs, Turkey, Dove, Quail

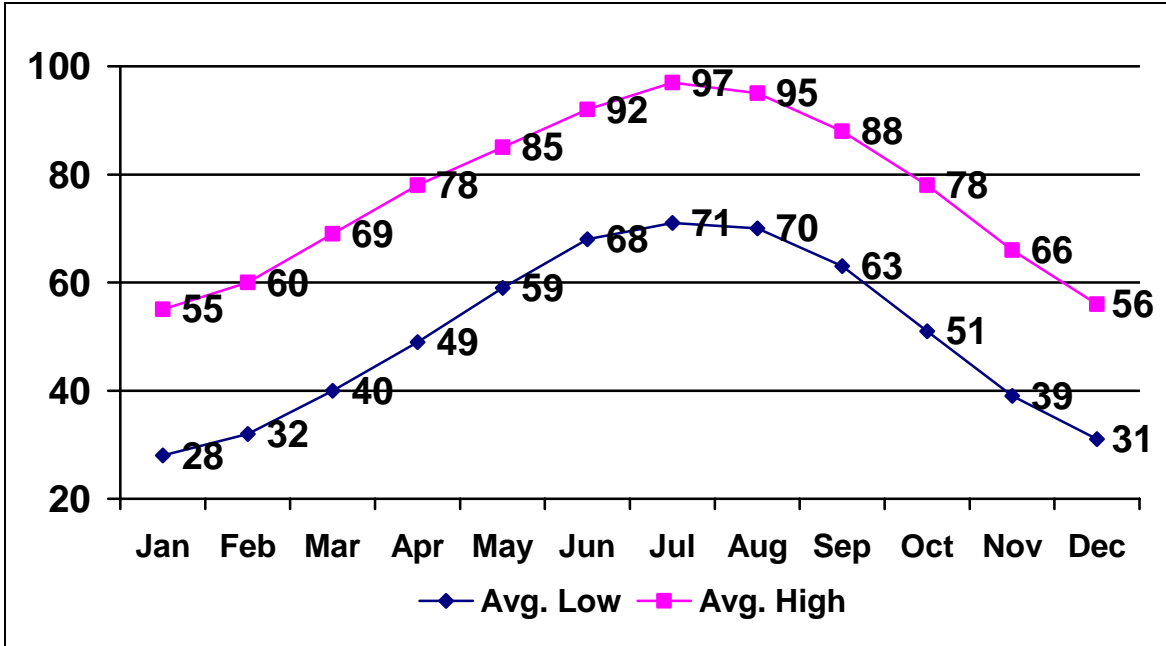
**Lease Rate:** Season-long lease, all-species, \$35,000 per year

# TTAP Enterprises

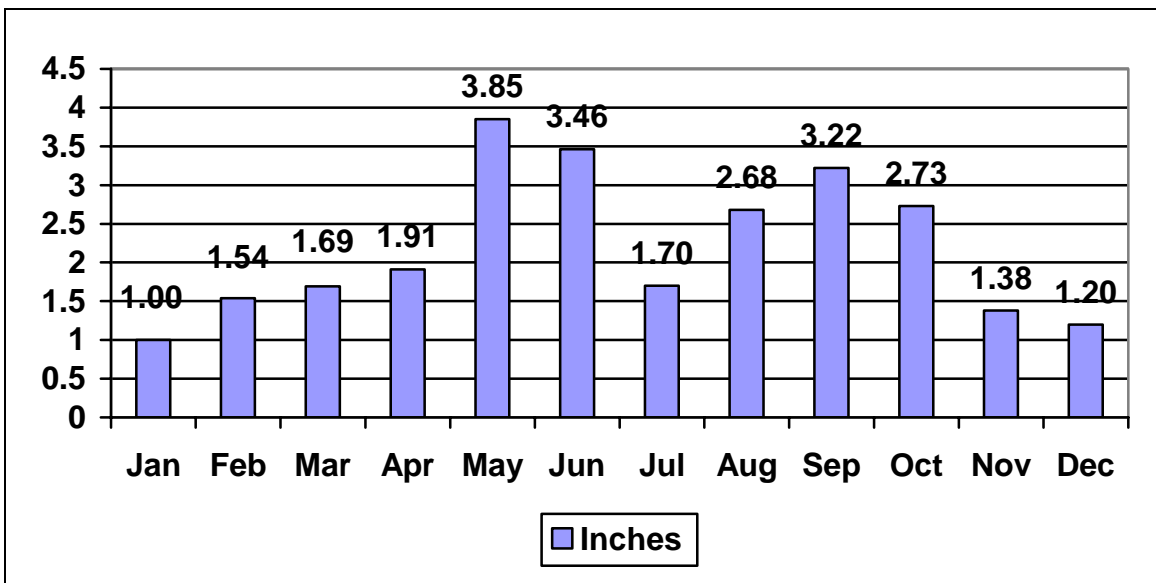


# Wilbarger County Monthly Climatology Data

## Average Monthly Temperature



## Average Monthly Rainfall



**Human Resources Inventory Worksheet**  
 List all the Human Resources of the Operation  
 (Use additional Pages if Necessary)

<b>Name</b>	<b>Assigned Duties</b>	<b>Salaries/Wages</b>	<b>Skills/Talents</b>	<b>Work Schedules</b>	<b>Emergency Contact</b>
Thomas Rancher, Jr. Age: 35	Owner/Manager	\$15 K / yr.	B.S. Animal Science	24/7	Thomas Rancher, Sr.
Julie Rancher Age: 33	Owner/Manager	\$15 K / yr.	B.S. Ag. Business	24/7	Thomas Rancher, Sr.
Catchum Maverick Age: 30	Hired Hand	\$24 K / yr.		24/6	
M.A. Loan	Local Lender			9-3 M-F	
I.M. Honest	Attorney			9-4 M-F	
Burl O'Cracy	Local FSA Director			8-4 M-F	
Hank Feelgood, DVM	Veterinarian			On-call	Joe Rowdy, D.V.M.



**Equipment Resources Inventory Worksheet**  
 List all the Equipment Resources of the Operation  
 (Use additional Pages if Necessary)

Equipment Name	Model #	Size	Purchase Year	Age	Condition			Ownership			Book Value	Market Value
					G	F	P	O	L	B		
John Deere Tractor	200	200 h.p.	2000	5	X			X			79 K	75 K
Chisel Plow		20 ft.	2000	5	X			X			7.5 K	3 K
Offset Plow		20 ft.	2000	5	X			X			7.5 K	4 K
Grain Drills		20 ft.	2000	5		X		X			34 K	20 K
Ranch Truck #1			2000	5		X		X			10 K	8 K
Ranch Truck #2			2004	1	X			X			22 K	22 K
Livestock Equip.					X			X			8 K	8 K
Ranch Equip.							X	X			5 K	1 K
<b>Total</b>											173 K	141 K

**Animal/Crop Resources Inventory Worksheet**  
 List all the Animal/Crop Resources of the Operation  
 (Use additional Pages if Necessary)

<b>Crop Enterprise</b>	<b>Acres</b>	<b>Yield History per Acre</b>	<b>Govt. Payments</b>	<b>Market Value</b>	
Wheat – Grazing	500	APH 28 bu./ac.	30 bu./ac.		
Wheat – Harvest	500	APH 28 bu./ac.	30 bu./ac.		
Sorghum/Double Crop	200	APH 21 c.w.t./ac.			
Owned Pasture	5,000				
Leased Pasture	5,000				
<b>Livestock Enterprise</b>	<b>Head</b>	<b>Description</b>	<b>Cost per Head</b>	<b>Enterprise Cost Basis</b>	<b>Market Value</b>
Cows	400	7 yr replacement rate	\$ 670	\$268 K	
Retained Heifers	60	yearlings for replacement	\$ 500	\$ 30 K	
Bulls	16	replace four per year	\$2,125	\$ 34 K	
Raised Stockers	272	transferred from cow-calf	\$ 504	\$137 K	
Purchased Stockers	100	bought in Dec.	\$ 563	\$ 56 K	
Horses	6		\$ 1,500	\$ 9 K	
			<b>TOTAL</b>	<u>    \$534 K    </u>	_____

**Financial Resources Inventory Worksheet**  
 List all the Financial Resources of the Operation  
 (Use additional Pages if Necessary)

<b>Cash &amp; Savings</b>	<b>Account</b>	<b>Balance</b>
Checking – 1 <sup>st</sup> Nat. Bank	555-123468	\$47,862
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
<b>TOTAL</b>		<u>\$47,862</u>

<b>Debt</b>					
<b>Lender</b>	<b>Balance</b>	<b>Years Remaining</b>	<b>Int. Rate</b>	<b>Due Date</b>	<b>Original Loan</b>
Federal Land Bank	\$1,082,480	29	6.04 %	June 1	2001-\$1.325 M
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
_____	_____	_____	_____ %	_____	_____
<b>TOTAL</b>	<u>\$1,082,480</u>				

<b>Potential Credit</b>		
<b>Lender</b>	<b>Amount / Use of Funds</b>	<b>Interest Rate</b>
1 <sup>st</sup> Nat. Bank	\$60 K – Stocker Purchases	8.0 %
John Deere Credit	\$150 K – New Equipment	5.0 %
<b>TOTAL</b>	<u>\$210 K</u>	