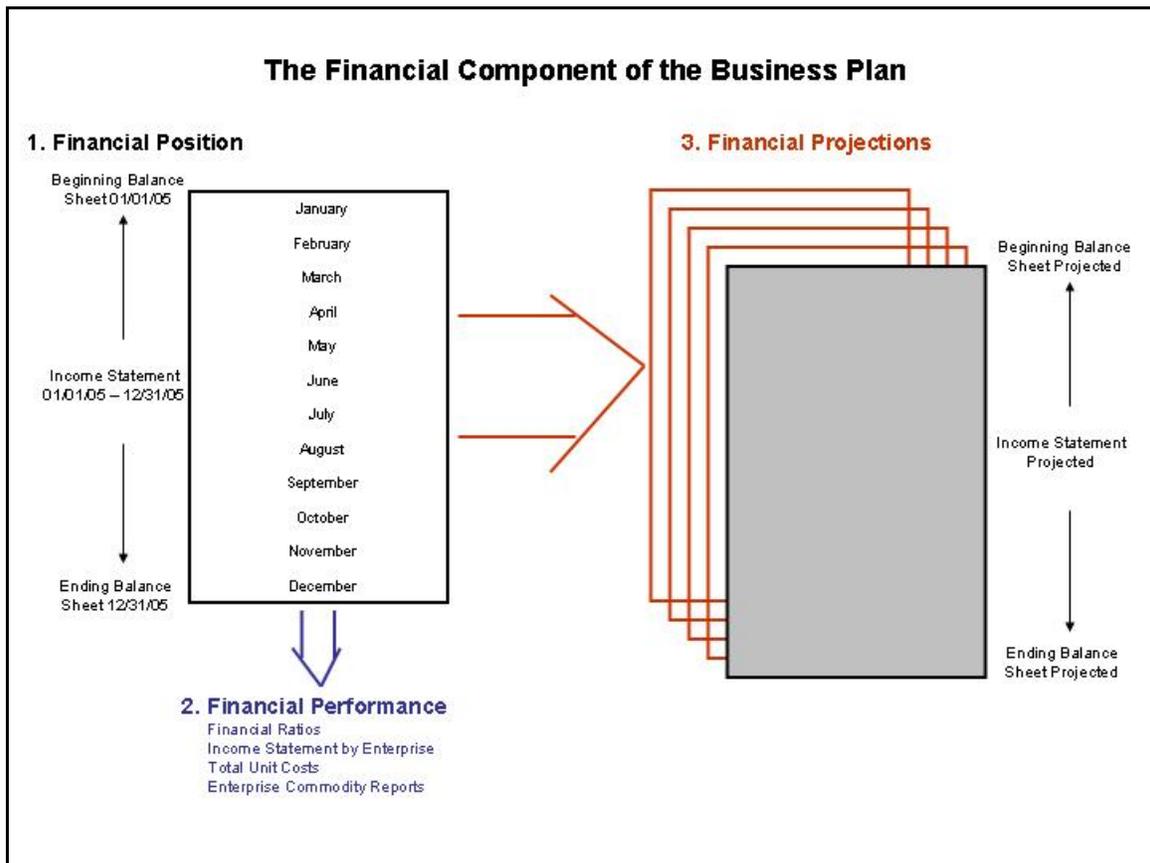


DEVELOPING THE FINANCIAL COMPONENT

The financial plan component of the business plan serves as the heart of the overall plan and has three main objectives. The first is to identify where the operation is financially (Financial Position). The second objective is to determine how the operation performed during the previous year (Financial Performance). Finally, the third objective is to provide an analysis of where the operation will be in the future (Financial Projections). These three objectives are illustrated in Figure 1 and each is discussed further.

Figure 1. Illustration of the Financial Plan Component.



Financial Position

The first objective is to determine where the operation is financially. Financial position refers to the total resources controlled by the business and total claims against those resources at a single point in time. Measures of financial position provide an indication of the capacity of the business to withstand risk and provide a benchmark against which to measure the results of future business decisions. At the very minimum, the beginning

balance sheet, a twelve month income statement (or profit and loss statement), and an ending balance sheet should be constructed.

The Balance Sheets

Two balance sheets should be constructed, one for the beginning of the year and a second for the end of the year. A balance sheet lists the assets, liabilities, and equity of the operation. Assets and liabilities are broken into current and non-current. Current assets are those items that can be turned into cash rapidly (within the next twelve months) such as checking accounts, feed inventories, feeder livestock, or raised crop inventories. Non-current assets (sometimes referred to as intermediate or long term assets) are those items that are used for production and cannot be readily sold. They include breeding livestock, machinery and equipment, buildings and real estate.

Current liabilities are debts that must be paid within twelve months. These could include accounts payable such as a feed bill at the feed store. In addition, the current portion of non-current liabilities should be included in the current liability section. This would include any payments on non-current debt that is due during the twelve months. Non-current liabilities are debts that do not come due within the next twelve months. These would include mortgages and machinery payments.

Once the total assets and liabilities have been detailed, the producer can determine his net equity. Equity is calculated as total assets minus total liabilities.

A common question regarding the balance sheet is “how do I value my assets?” There are two methods used to value the assets of the operation. The first method is based on “historical cost”, or purchase price of the asset. The second method bases the valuation on fair market value, or the price that would be paid for the asset if it were sold that day. Although lenders will want to see a balance sheet based on fair market value, the producer should always keep the balance sheet based on historical cost. When a lender requests a balance sheet, the producer will simply add a column to the right of historical cost and fill in the fair market value.

Historical cost balance sheet assets should be presented “net of accumulated depreciation”. The accumulated depreciation account is presented as a negative number, thereby reducing the assets to their “basis” (cost less accumulated depreciation). Likewise, assets should be broken down into categories representing similar groups of assets.

There are several methods for calculating depreciation. Depreciation is a portion of the total cost of an asset allocated over the useful life of the asset. Tax laws allow agricultural businesses to accelerate depreciation, or take bigger pieces per year. Depreciation should be calculated differently for tax purposes and management purposes. Management depreciation should be a true representation of the use of an asset. The “straight-line” method, which is determined based on the useful life, is a better choice for management depreciation.

Some assets are raised such as breeding livestock. In this case, the cost value utilizes a base value approach, which approximates the accumulated expenses during the development of the livestock. Only costs incurred to get the asset in place (mature enough to breed) should be included. Annual operating expenses, such as feed, repairs, etc., after the asset is able to produce are included in the annual business expenses for the period.

Both methods have advantages and disadvantages. The cost basis is typically the lower value of the two methods; however, not all assets are purchased, as with the case of raised replacement stock. Using the cost value will distort financial ratios compared to the market value approach. The market approach accurately reflects the current value of the business if deferred taxes are included (which they should be). Deferred taxes are taxes that would have to be paid on the gain of the sale of the asset. However, the market approach can be subject to guessing.

The Income Statement

The income statement (profit and loss statement) is a summary of revenue received and business expenses incurred during a defined period, usually twelve months. Groups of income and expenses are called “accounts”. Accounts are simply descriptions indicating what type of income or expense is represented such as crop sales (income) or seed (expense). The income statement, once completed, provides the producer with a statement of profit (or loss) derived from the business. Comparing income statements over time gives the producer an indication whether the business is profiting over time and moving towards the fulfillment of the business goals. Much of the information on the income statement, particularly the net income figure, can be used to calculate the financial ratios.

Income accounts are presented first on the income statement. Revenue can be from the sale of crops or livestock, agricultural program payments, custom work, dividends, etc. Expense accounts are presented below the income accounts. These could include labor, seed, fertilizer, etc. The income statement also includes expenses that are not paid in cash such as depreciation.

The income should also include accrual adjustments. These are necessary temporary adjustments. Changes in crop inventories, livestock inventories, accounts payable, and/or accounts receivable from the beginning of the period to the end of the period are examples of accrual adjustments. As an example, a producer could have ten head of 800 pound steers to sale on January 1. At the end of the year, the producer had twelve head. The producer may have sold some during the twelve months, he may have raised some during the year. But the net effect was he had more at the end of the year than he had at the beginning of the year. If the value of the assets is greater at the end of the year than at the beginning, the increase in the value is added to the farm business receipts as a “change in inventory”. In this case, the value of the two additional 800 pound steers would be added as revenue. It should be pointed out that the IRS does not require accrual

adjustments (or changes in inventory value) for tax purposes. However, until the producer produces an accrual adjusted income statement, he/she does not know true profitability.

The same approach is applied to the expense side of the income statement. Changes in accounts payable from the beginning period to the end of the period need to be entered as an expense on the income statement. As an example, a producer has \$500 of supplies at the beginning of the period and at the end of the period is only has \$300 of supplies, his inventory has changed. He may have purchased supplies during the year, but in effect he utilized more than he purchased. The difference between the beginning and the ending value (\$200) is added to the expense portion of the income statement as an inventory change. This increases his expense for the period by the inventory change.

A producer needs to keep in mind that not all cash received is income. A primary example of this is gains or losses. Gains or losses on the sale of assets result when a producer sells an asset, such as a piece of equipment or, more frequently for ranchers, when they sell cull breeding animals. The gain or loss on the sale of assets is equal to the sale revenue minus the book value, or the remaining basis value of the capital asset. As an example, a rancher sells a cull bull that he originally bought for \$1,000. He receives \$650 for the cull bull at the auction. If the accumulated depreciation on the bull was \$250, the bull has a book value of \$750 (\$1,000 minus \$250 or original purchase price less the accumulated depreciation). The gain or loss is calculated at the sale revenue minus the book value, so in this case, the rancher has a loss of \$100 (\$650 minus \$750 equals a negative \$100) on the sale of the cull bull. This figure is entered on the revenue portion of the income statement. The same would apply for any other asset sold during the period, such as machinery or equipment.

Financial Performance

A good manager should not be content to just determine the operations financial position. Not only must today's managers be able to determine the financial position, but he must be able to analyze and interpret the financial performance. The performance can then be compared to the producer's goals in order to determine whether the goals have been achieved. Performance is measured in four ways, first by determining the financial ratios of the financial position, second, by calculating the total unit cost of each commodity, third, by evaluating each enterprise using an income statement by enterprise that correctly and accurately absorbs all costs, and finally, generating enterprise commodity reports to determine each enterprises' role in generating profit for the overall operation.

Financial Ratios

Using the financial position data, the producer can calculate financial ratios to partially determine the operations performance. The ratios are only as good as the information that is used to calculate them. According to the Farm Financial Standards Council, there are sixteen ratios that should be calculated. These ratios are divided into five areas and

include liquidity, solvency, profitability, financial efficiency, and repayment capacity. Each of these areas measures a different aspect of financial performance.

Determining Liquidity

Liquidity indicates the ability of the operation to meet financial obligations when they come due. Timely payment of the obligations of the business, including principal and interest on debt without disrupting the normal operation, is an indication that the operation is liquid. The two balance sheet measures most often used to evaluate liquidity are the current ratio and working capital. The current ratio is the relationship between current farm assets and current farm liabilities. It is calculated as follows:

$$\text{Current Ratio} = \text{Total Current Assets} \div \text{Total Current Farm Liabilities}$$

The ratio indicates the extent to which current farm assets, if liquidated, would cover current farm liabilities. If the ratio is greater than 1.0, the operation is considered liquid. The higher the ratio, the greater the liquidity. If the ratio is less than 1.0, the operation is considered to be illiquid, indicating some degree of cash flow risk.

The second gauge of liquidity is working capital. Working capital is a measure of the amount of funds available to purchase inputs and inventory items after the sale of all current assets and the payment of all current liabilities at a single point in time. It is calculated as follows:

$$\text{Working Capital} = \text{Current Farm Assets} - \text{Current Farm Liabilities}$$

Because working capital is expressed as a dollar amount, it is difficult to make comparisons between operations. Generally, working capital should be positive, but the amount needed depends on the type and size of the operation, the time of the year, and related seasonality of the production cycle.

Determining Solvency

Solvency gives an indication of the business' ability to repay all debts if all the assets were sold. If the value of the operations assets exceeds the value of the total operations liabilities, the operation is said to be solvent. If the sale of all the operations assets would not generate enough cash to pay off all liabilities, the operation is insolvent. The difference between the value of total assets and total liabilities generally referred to as net worth or equity is the most often used measure of solvency. There are three commonly used ratios to measure financial solvency: equity-to-asset ratio, debt-to-asset ratio, and the debt-to-equity ratio. All three of these ratios are related and neither is necessarily preferred. The equity-to-asset ratio measures the proportion of total assets owned or financed by the equity. It is calculated as follows:

Equity-to-Asset Ratio = Total Equity ÷ Total Assets

The higher the equity-to-asset ratio, the more capital supplied by the owner and the less supplied by the creditors. There is no exact standard for the equity-to-asset ratio that should be applied to every agricultural operation. However, as the percent equity increases above 0.50, the owner is supplying a greater percent of the total assets in the business than the creditors. This ratio should increase over time if the owner retains net income and reduces debt obligations.

The debt-to-asset ratio measures the proportion of total farm assets owed to creditors. It is calculated as follows:

Debt-to-Asset Ratio = Total Liabilities ÷ Total Assets

The higher the debt-to-asset ratio, the greater the risk to the operation and those providing loan funds. The operator has less flexibility to respond to adverse natural events or market phenomenon. As with the equity-to-asset ratio, there is no exact standard for every agricultural business. However, a debt-to-asset ratio greater than 0.50, indicates that the owners contribute less than 50 percent of the value of the farm's assets. Faced with this situation, the creditors are likely to be cautious in advancing additional funds.

The debt-to-equity ratio measures the proportion of funds invested by the creditors versus the farm owners. It is calculated as follows:

Debt-to-Equity Ratio = Total farm liabilities ÷ Total farm equity

The higher the debt-to-equity ratio, the more total capital supplied by the creditors relative to the owner. This ratio is also referred to as the leverage ratio. Leverage refers to increasing the use of debt relative to equity as a means of financing the business. The higher the leverage ratio, the more total capital supplied by the creditors and the less by the owner. Lenders are particularly interested in this ratio because it shows the proportion of risk they are taking in comparison to the owner. Many lenders prefer the debt-to-equity ratio to be less than 1.0, with requirements varying depending on whether the liabilities are secured by current, intermediate, or long-term assets. In general, the greater the loan risk and longer the loan terms, the lower the ratio desired by the lender.

Determining Profitability

Profitability measures the financial performance of the operation over a period of time, usually one year, as a result of the decisions made regarding the use of land, labor, capital and other management resources. The four commonly used measures to assess profitability are net farm income from operations, rate of return on assets (ROA), rate of return on equity (ROE), and operating profit margin.

Net farm income from operations comes directly from the income statement and is calculated by subtracting all operating expenses incurred to create those revenues,

including interest on debt from gross farm revenue. Changes in the values of inventories and capital items are reflected in net farm income. True net income is accrual adjusted and will likely differ from net income computed for tax purposes which is usually on a cash basis only.

The rate of return on farm assets (ROA) measures the relative income generated by the assets of the farm business and is often used as an overall index of profitability. ROA is calculated as follows:

$$ROA = \frac{\text{Net Farm Income from Operations} + \text{Farm interest expense} - \text{Value of Unpaid Operator and Family Labor and Management}}{\text{Average Total Assets}}$$

Once the income statement has been developed, net farm income from operations and farm interest expense can be taken directly from the statement. Average total farm assets can be calculated by adding total assets from the beginning balance sheet plus total assets from the ending balance sheet and dividing by 2.

This ratio is often used as an overall index of profitability. It is most meaningful for comparisons between operations when the market value approach is used to value the assets, because cost basis values can cause extreme differences between businesses. However, because the market value of farm assets can fluctuate from year to year, it is more meaningful to use the cost approach when evaluating an individual farm business over time.

The rate of return on assets will vary among different type of agricultural operations, but the higher the ROA, the more profitable the operation. While ROA is most often compared across years within an operation, ROA for any particular year can also be compared to the average interest rate the operation is currently paying or to the cost of new borrowing. If ROA exceeds the interest rate of new proposed borrowing, then borrowing more can be used to profitably grow the business (equity). However, if ROA is less than the average interest rate the operation is currently paying, then borrowed funds are not being used profitably, and adding new debt will reduce the growth of equity. Therefore, the level of profitability is an important key to the successful use of debt financing as a strategy to increase the equity of the operation. It should be noted that the ROA in most agricultural operations might seem low when compared to non-agricultural investments such as stocks and bonds. This is important and re-enforces the notion that people invest in agricultural operations for reasons other than profit and equity growth.

The rate of return on equity (ROE) is another measure used in determining financial performance or profitability. It is calculated as follows:

$$\text{ROE} = \frac{\text{Net farm income from operations} - \text{Value of unpaid operator and family labor and management}}{\text{Average total farm equity}}$$

As with the previous calculation, net farm income from operations and farm interest expense can be taken directly from the statement, while the value of unpaid operator and family labor and management must be estimated. The earlier discussion of issues relating to the value of unpaid operator and family labor and management is still appropriate. Average total farm equity can be calculated by adding total farm equity from the beginning balance sheet plus total farm equity from the ending balance sheet and dividing by 2. In general, the higher the ROE, the more profitable the operation is.

The final profitability measure is the operating profit margin ratio which measures the return to capital per dollar of gross farm revenue (or per dollar of value of farm production). The operating profit measure ratio is calculated as follows:

$$\text{Operating Margin} = \frac{\text{Net farm income from operations} + \text{Farm Interest Expense} - \text{Value of unpaid operator and family labor and management}}{\text{Gross Farm Revenue}}$$

There is no absolute standard for this profitability measure, but the higher the ratio, the more profitable the operation.

Determining Repayment Capacity

Repayment capacity is the ability of the operation to cover its financial obligations as they come due. Two measures of repayment capacity which focus on the ability of the operation to repay term debt and capital lease obligations from farm and nonfarm income are the term debt and capital lease coverage ratio and the capital replacement and term debt replacement margin.

The term debt and capital lease coverage ratio is calculated as follows:

$$\begin{aligned} & \text{Net farm income} \\ & + \text{Total nonfarm income} \\ & + \text{Depreciation expense} \\ & + \text{Interest on term debt} \\ & + \text{Interest on capital leases} \\ & - \text{Total income and social security tax expense} \\ & - \text{Withdrawals for family living} \\ & \hline & \text{Annual scheduled principal and interest payments on term debt} \\ & + \text{Annual scheduled principal and interest payments on capital leases} \end{aligned}$$

The ratio should be greater than 1.0. A strong ratio would be 1.5 or above, while an acceptable ratio would be 1.10 to 1.49. If the ratio is less than 1.0, the operator will not be able to cover all debt and lease payments.

The second measure of repayment capacity is the capital replacement and term debt replacement margin. The margin is calculated as follows:

$$\begin{aligned} & \text{Net farm income from operations} \\ & + \text{Total nonfarm income} \\ & + \text{Depreciation expense} \\ & - \text{Total income and social security tax expense} \\ & - \text{Withdrawals for family living} \\ \hline & = \text{Capital replacement and term debt repayment capacity} \end{aligned}$$

Then,

$$\begin{aligned} & \text{Capital replacement and term debt repayment capacity} \\ & - \text{Payments on unpaid operating debt from a prior period} \\ & - \text{Principal payments on current portions of term debt} \\ & - \text{Principal payments on current portions of capital leases} \\ & - \text{Total annual payments on personal liabilities not included in withdrawals} \\ \hline & = \text{Capital replacement and term debt repayment margin} \end{aligned}$$

This measure enables the operator and the agricultural lender to evaluate the ability of the farm to generate funds necessary to repay debts that have maturity dates longer than one year and to replace capital leases. In general, the larger the dollar amount of the capital replacement and term debt repayment margin, the greater the ability to handle risk.

Determining Financial Efficiency

There are a number of ratios that measure efficiency, which is an important component of profitability. The ratios relate physical output to selected physical inputs and help evaluate whether or not farm assets are being used efficiently to generate income. The measures most widely used in agricultural businesses are the asset turnover ratio and the four operating ratios: the operating expense ratio, the depreciation expense ratio, the farm interest expense ratio, and the net farm income from operations ratio.

The asset turnover ratio measures how efficiently farm assets are being used to generate gross revenue. Consideration should be given to the way in which assets are valued and the same approach used to calculate ROA should be used to calculate asset turnover. It is calculated as follows:

$$\text{Asset Turnover Ratio} = \frac{\text{Gross farm revenue}}{\text{Average total farm assets}}$$

This ratio can vary substantially across agricultural businesses, but the higher the ratio, the more efficiently assets are being used to generate revenue. The agricultural industry as a whole tends to have both a slow rate of asset turnover and a relatively low operating profit margin.

In addition to the asset turnover ratio, the four operating ratios that measure financial efficiency are calculated as follows:

$$\text{Operating Expense Ratio} = \frac{\text{Total operating expense} - \text{depreciation expense}}{\text{Gross farm revenues}}$$

$$\text{Depreciation Expense Ratio} = \frac{\text{Depreciation expense}}{\text{Gross farm revenues}}$$

$$\text{Interest Expense Ratio} = \frac{\text{Total farm interest expense}}{\text{Gross farm revenues}}$$

$$\text{Net Farm Income from Operation Ratio} = \frac{\text{Net farm income from operations}}{\text{Gross farm revenues}}$$

The operating expense ratio reflects the extent to which gross farm revenues are expended on farm operating inputs, excluding depreciation and interest. The higher the value of the ratio, the larger proportion of gross farm revenues needed to offset all operating expenses. Ratios in the 40 to 60 percent range indicate relative efficiency, with efficiency declining as the ratio rises.

The depreciation expense ratio measures the proportion of gross farm revenue represented by the depreciation expense (a non-cash expense). A relatively low depreciation expense ratio could indicate little difficulty in making planned and timely replacement of capital assets, or it may indicate that capital assets (usually farm machinery) are relatively old. It should be noted that IRS depreciation rules could distort this ratio.

The interest expense ratio measures the proportion of gross farm revenues required to cover the farm's interest expense. Large interest expense ratios are characteristic of highly leveraged operations. As a general rule, the interest expense ratio should be less than 0.15. Interest expense ratios over 0.15 indicate that farm interest expense is a large proportion of gross revenues and the farm is likely suffering "financial stress." The farm interest expense ratio has important implications for the profitable use of debt financing and financial risk. As indicated in earlier discussions of profitability, if the rate of return on farm assets (ROA) exceeds the cost of debt financing, increasing debt can increase growth in farm equity.

The net farm income from operations ratio measures net farm income as a proportion of gross revenues. Thus, it reflects the proportion of gross farm revenues that remain after farm-operating expenses have been paid. It is calculated on a before-tax basis. The four operational ratios discussed above, when added together, should equal to 100 percent. The producer should always keep in mind that all of these ratios can vary widely between different operations and from year to year within an operation due to different farm types and different marketing and production systems. Therefore, it is extremely important that

producers compare projected values for the coming year to the most recent averages for their own operation.

Income Statement by Enterprise

After determining the financial ratios for the overall operation, the operator should begin looking at each piece that makes up the operation. This is best accomplished by looking at an income statement by enterprise where all costs, including depreciation, family living, and interest, have been allocated and absorbed. Most agricultural operations are made up of a combination of several crops and/or livestock commodities. An enterprise is a distinct part of the operation that can be analyzed separately and is usually based on some production unit such as an acre of corn or one breeding cow.

While the whole-farm income statement allows the producer to determine total farm profitability, analyzing the each of the enterprises can point out where the operations strengths and weaknesses are. The manager should be able to determine which enterprises are adding to overall profitability or loss and which enterprises are adding to the efficiency of the operation.

Total Unit Cost and Enterprise Commodity Reports

Total Unit Cost (TUC) of agricultural commodities produced is one of the most important management figures for agriculture. TUC is a measure of production and management efficiency, managerial ability and competitiveness. TUC is vital information in commodity price negotiation. Combining TUC with revenue provides production and operating margin information valuable for addressing resource allocation decisions, measuring performance, and investment opportunities. Managers frequently request TUC information to compare to historical data and project commodity prices to address marketing and resource use alternatives. Benchmarking commodity TUC within the business and for participation in regional and national comparative databases requires a consistent measuring of cost calculation within and between commodities and fiscal years.

TUC is a sum of the direct and indirect production costs plus finance cost divided by total production for the commodity production cycle. For many commodities these costs for the primary product are adjusted for secondary revenue. Secondary revenue is revenue that is generated from production of a commodity that is a by-product or joint product from production of the primary commodity. Examples are cottonseed where lint is the primary commodity; cull cows, wheat straw, corn stocks, etc.

The Enterprise Commodity Reports provide a picture of the components of the operation. These enterprise reports, along with the financial statements from the financial position portion, are used to determine the baseline situation of the operation that feed into the financial projections.

Financial Projections

The final portion of the financial plan component is determining where the operation will be in the next three to ten years. This portion can be thought of as strategic planning for the operation. The statements created during the financial position portion will serve as the baseline. From this point, projections are made. The objective of the financial projections is to determine whether the operation is moving towards meeting their long term goals and to determine the obstacles that the operation may face.

Things to be considered in creating the financial projections include machinery and equipment needs, commodity mix during the projected years, projected price and yield information, and debt requirements.

BEGINNING BALANCE SHEET

Operation Name _____

Date Completed _____

ACCOUNTS	AMOUNT
ASSETS	
Current Assets	
Cash & Checking	
Savings & Time Deposits	
Investment – Bonds & Securities	
Futures & Options Account Balance	
Accounts Receivable	
Supplies, Prepaid Expenses, & Lease Inventory	
Livestock or Products for Sale	
Crops/Raised Feed for Sale	
Primary Product	
Secondary Product	
Raised & Purchased Stored Feed	
Investment in Growing Crops	
Investment in Growing or Finishing Livestock	
Other Current Assets	
Other Current Assets	
Other Current Assets	
TOTAL CURRENT ASSETS	

ACCOUNTS	AMOUNT
Non-Current Assets	
Breeding Stock	
Females	
Sires	
Replacement Stock	
Notes & Contracts Receivable	
Vehicles, Machinery & Equipment	
Buildings and Improvements	
Real Estate	
Long Term Investments	
Other Non-Current Assets	
TOTAL NON-CURRENT ASSETS	
TOTAL ASSETS	

ACCOUNTS	AMOUNT
LIABILITIES/EQUITY	
Current Liabilities	
Accounts Payable	
Accrued Leases	
Principal Due	
Credit Card, Operating Loan, Current Notes Payable	
Commodity Credit Loan (CCC)	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Accrued Interest	
Credit Card, Operating Loan, Current Notes Payable	
Commodity Credit Loan (CCC)	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Accrued Taxes	
Property	
Income & Self Employment	
Accrued Employee Payroll Expenses	
Current Portion of Deferred Taxes	
Other Current Liabilities	
Other Current Liabilities	
TOTAL CURRENT LIABILITIES	

ACCOUNTS	AMOUNT
Non-Current Liabilities	
Principal Balance	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Non-Current Portion of Deferred Taxes	
Other Non-Current Liabilities	
TOTAL NON-CURRENT LIABILITIES	
TOTAL LIABILITIES	
TOTAL OWNER EQUITY	
TOTAL LIABILITIES AND OWNER EQUITY	

INCOME STATEMENT
January 1, 200X to December 31, 200X

Operation Name _____

Date Completed _____

Farm Business Revenue		
Crop Cash Sales	0	
+ Ending Crop Inventory	0	
- Beginning Crop Inventory	0	
Gross Revenue from Crops		0
Market Livestock Cash Sales	0	
+ Ending Market Livestock Inventory	0	
- Beginning Market Livestock Inventory	0	
Gross Revenue from Market Livestock		0
Gain/Loss From Breeding Livestock Sales		0
Change in Raised Breeding Livestock		0
Agricultural Program Proceeds		0
Crop Insurance Proceeds		0
Other Farm Income		0
Accrued Income Inventory Adjustment		0
Gross Revenues		0
- Less Purchase Market Livestock		0
- Less Cost of Purchased Feed/Grain		0
Value of Farm Production		0
Farm Business Expenses		
Labor Hired		0
Repairs		0
Seed/Other Crop Expense		0
Fertilizer/Lime		0
Machinery Hire/Lease		0
Vet/Medicine/Drugs		0
Livestock Marketing		0
Gasoline, Fuel, Oil		0
Insurance		0
Rent		0
Chemicals		0
Utilities		0
Other		0
Total Cash Operating Expense		0
		0

- Accrued Expense Inventory Adjustment		
- Depreciation		0
Total Operating Expense		0
- Interest		0
Total Expenses		0
NET FARM INCOME FROM OPERATIONS		0
Gain/Loss on Sale of Farm Capital Assets		0
NET FARM INCOME, ACCRUAL ADJUSTED		0

ENDING BALANCE SHEET

Operation Name _____

Date Completed _____

ACCOUNTS	AMOUNT
ASSETS	
Current Assets	
Cash & Checking	
Savings & Time Deposits	
Investment – Bonds & Securities	
Futures & Options Account Balance	
Accounts Receivable	
Supplies, Prepaid Expenses, & Lease Inventory	
Livestock or Products for Sale	
Crops/Raised Feed for Sale	
Primary Product	
Secondary Product	
Raised & Purchased Stored Feed	
Investment in Growing Crops	
Investment in Growing or Finishing Livestock	
Other Current Assets	
Other Current Assets	
Other Current Assets	
TOTAL CURRENT ASSETS	

ACCOUNTS	AMOUNT
Non-Current Assets	
Breeding Stock	
Females	
Sires	
Replacement Stock	
Notes & Contracts Receivable	
Vehicles, Machinery & Equipment	
Buildings and Improvements	
Real Estate	
Long Term Investments	
Other Non-Current Assets	
TOTAL NON-CURRENT ASSETS	
TOTAL ASSETS	

ACCOUNTS	AMOUNT
LIABILITIES/EQUITY	
Current Liabilities	
Accounts Payable	
Accrued Leases	
Principal Due	
Credit Card, Operating Loan, Current Notes Payable	
Commodity Credit Loan (CCC)	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Accrued Interest	
Credit Card, Operating Loan, Current Notes Payable	
Commodity Credit Loan (CCC)	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Accrued Taxes	
Property	
Income & Self Employment	
Accrued Employee Payroll Expenses	
Current Portion of Deferred Taxes	
Other Current Liabilities	
Other Current Liabilities	
TOTAL CURRENT LIABILITIES	

ACCOUNTS	AMOUNT
Non-Current Liabilities	
Principal Balance	
Non-Real Estate Loans and Notes	
Real Estate Loans	
Non-Current Portion of Deferred Taxes	
Other Non-Current Liabilities	
TOTAL NON-CURRENT LIABILITIES	
TOTAL LIABILITIES	
TOTAL OWNER EQUITY	
TOTAL LIABILITIES AND OWNER EQUITY	

Developing the Financial Component TTAP Enterprises

TTAP Enterprises uses QuickBooks Pro to keep their managerial accounting information. From this system, Tom and Julie can quickly generate their balance sheets and their income statement to determine their financial position. The balance sheets are constructed on the cost basis value. The centers approach is incorporated into the QuickBooks Pro system so they can determine enterprise level profitability. The financial ratios are generated using Microsoft Excel spreadsheets.

Using the financial statements from QuickBooks Pro and combining this with their production data in Microsoft Excel, Tom and Julie can generate their commodity (enterprise) reports to determine their level of efficiency. The financial ratios and commodity reports give a good picture of their operations past performance.

Finally, the Ranchers utilize Farm Assistance offered by the Extension Risk Management Group of the Texas Cooperative Extension. This strategic analysis tool provides the operators with a futuristic picture their operation and helps to determine whether their goals will be met in the future.

The following statements and reports tell the Ranchers' their financial position, performance and projections.

TTAP Enterprises Financial Position

The beginning balance sheet, as of December 31, 2004, shows total assets valued at \$2,567,983. Current assets make up \$343,112, while fixed assets make up \$2,224,871. The current assets include their checking account, investment in growing commodities such as their wheat planting, their raised stocker cattle and their purchased stocker cattle. Their fixed assets include their breeding stock (including their breeding females, replacement heifers and bulls), their machinery and equipment, buildings and improvements, and land.

Their liabilities total \$1,152,774 and include their purchased stocker cattle note (current note) and their real estate note. Equity as of 12/31/04 was \$1,415,208.99.

TTAP Enterprise's profit and loss statement shows a managerial net income of \$66,522.06. This includes the cost of family living and depreciation. Revenue was generated from their government payments, crop sales, raised and purchased stocker cattle, the sale of cull breeding animals, and their wildlife enterprise. Total revenue was \$439,141.93. Including their purchased stocker cattle cost of goods, total gross profit was \$382,891.93. Total expenses were \$340,364.24, however a portion of these expenses were used in the development of assets and were transferred to the balance sheet. Major

expenses included interest on the real estate note (19% of total expenses), depreciation (14%), family living withdrawals (9%), hired labor (7%), and land rent (6%).

The ending balance sheet, as of 12/31/05, reflects high cattle prices and progress being made. Total assets increased to \$2,624,325.47, total liabilities declined to \$1,142,594.42, while equity increased to \$1,481,731.05. Fixed assets declined due to depreciation. All liability obligations were paid on time.

TTAP ENTERPRISES
Balance Sheet
As of December 31, 2004

Cash Basis

	Dec 31, 04
ASSETS	
Current Assets	
Checking/Savings	
1st National Bank- Checking	47,862.00
Total Checking/Savings	47,862.00
Other Current Assets	
Invest in Growing Commodities	
Pur Stkrs (non-cattle costs)	2,000.00
Raised Stockers Accum Costs	132,000.00
Wheat Planting Accum Costs	105,000.00
Total Invest in Growing Commodities	239,000.00
Inventory (unfinished lvstk.)	
'04 Purch Stkrs (Cattle Cost)	56,250.00
Total Inventory (unfinished lvstk.)	56,250.00
Total Other Current Assets	295,250.00
Total Current Assets	343,112.00
Fixed Assets	
Land	1,700,000.00
Breeding Stock (purchased)	
Bulls	
Purchased Bulls Cost	34,000.00
Accum. Depr. Purchased Bulls	-10,650.00
Total Bulls	23,350.00
Horses	
Accum. Depr. Purchased Horses	-1,450.00
Purchased Horses Cost	9,000.00
Total Horses	7,550.00
Total Breeding Stock (purchased)	30,900.00
Breeding Stock (raised)	
Breeding Cows	
Raised Breeding Cows Cost	280,000.00
Accum. Depr. Raised Cows	-62,000.00
Total Breeding Cows	218,000.00
Replacement Heifers	29,000.00
Total Breeding Stock (raised)	247,000.00
Buildings & Improvements	
Buildings & Improvements Cost	15,000.00
Accum. Depr. Build. & Improv.	-3,000.00
Total Buildings & Improvements	12,000.00
Machinery & Equipment	
Machinery & Equipment Cost	292,500.00
Accum. Depr. Machinery & Equip.	-57,529.00
Total Machinery & Equipment	234,971.00
Total Fixed Assets	2,224,871.00
TOTAL ASSETS	2,567,983.00

TTAP ENTERPRISES
Balance Sheet
As of December 31, 2004

Cash Basis

	Dec 31, 04
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Curr. portion of non-cur. notes	14,043.59
Current notes payable	56,250.00
Total Other Current Liabilities	70,293.59
Total Current Liabilities	70,293.59
Long Term Liabilities	
Notes Payable (land)	1,082,480.42
Total Long Term Liabilities	1,082,480.42
Total Liabilities	1,152,774.01
Equity	
Opening Bal Equity	1,415,208.99
Total Equity	1,415,208.99
TOTAL LIABILITIES & EQUITY	2,567,983.00

TTAP ENTERPRISES
Profit & Loss
January through December 2005

Cash Basis

	Jan - Dec 05
Ordinary Income/Expense	
Income	
Agricultural program payments	13,260.00
Crop Revenues	62,400.00
Gain(Loss)-Lvstk. Disposed	
Breeding Stock (purchased)	
Gain(Loss)-Cull Bulls Sold	
Basis in Cull Bulls Sold	-3,150.00
Sale of Cull Bulls	4,500.00
Total Gain(Loss)-Cull Bulls Sold	1,350.00
Total Breeding Stock (purchased)	1,350.00
Breeding Stock (raised)	
Death loss of Cows	-408.33
Gain(Loss) on Cull Cows Sold	
Basis in cull cows	-21,358.34
Sale of Cull Cows	38,350.00
Total Gain(Loss) on Cull Cows Sold	16,991.66
Total Breeding Stock (raised)	16,583.33
Total Gain(Loss)-Lvstk. Disposed	17,933.33
Livestock (raised market)	
Stockers	232,548.60
Total Livestock (raised market)	232,548.60
Livestock Purchased for Resale	
Purch Stockers	78,000.00
Total Livestock Purchased for Resale	78,000.00
Wildlife Revenues	35,000.00
Total Income	439,141.93
Cost of Goods Sold	
Lvstk. purchased for resale COS	
Cattle Costs (Purch Price)	56,250.00
Total Lvstk. purchased for resale COS	56,250.00
Total COGS	56,250.00
Gross Profit	382,891.93
Expense	
Chemicals	
Herbicide	6,000.00
Chemicals - Other	7,600.00
Total Chemicals	13,600.00
Custom hire (Machinery)	
Harvesting	1,890.00
Custom hire (Machinery) - Other	9,100.00
Total Custom hire (Machinery)	10,990.00
Depreciation	
Breed Stock (pur. or cap.)	23,219.04
Buildings & Improvements	500.00
Machinery & Equipment	24,385.71
Total Depreciation	48,104.75
Feed Purchased	20,164.12
Fertilizer & lime	15,000.00
Gasoline, fuel & oil	12,320.00
Insurance	17,550.00

TTAP ENTERPRISES
Profit & Loss
January through December 2005

Cash Basis

	Jan - Dec 05
Interest (current loans)	2,401.36
Interest (non-current loans)	65,409.01
Labor (Contract)	676.00
Labor (hired)	
Payroll expenses	24,000.00
Total Labor (hired)	24,000.00
Labor (owner operator)	30,000.00
Payroll Expenses	2,028.00
Professional Fees	4,500.00
Rent or lease (land)	21,250.00
Repairs	7,930.00
Seed	9,600.00
Supplies	
Livestock	2,500.00
Supplies - Other	1,250.00
Total Supplies	3,750.00
Taxes (not income taxes)	
Real estate	7,935.00
Total Taxes (not income taxes)	7,935.00
Utilities	6,000.00
Veterinary & medicine	17,156.00
Total Expense	340,364.24
Net Ordinary Income	42,527.69
Other Income/Expense	
Other Income	
Stocker Gain (Internal Only)	18,779.00
Total Other Income	18,779.00
Other Expense	
Support Center Cost Allocation	
Finance	0.00
General and Administrative	0.00
Labor and Management	0.00
Machinery, Equipment & Vehicles	0.00
Total Support Center Cost Allocation	0.00
Transfer Cattle Cost	
Cow-Calf	0.00
Preconditioned Calves	0.00
'04 Replacement Heifers	-68,303.76
'05 Replacement Heifers	-25,583.97
Total Transfer Cattle Cost	-93,887.73
Transfer Crop Cost	
Wheat Planting	0.00
Wheat- Grazing	18,779.00
Total Transfer Crop Cost	18,779.00
Transfer Inventory Cost	
Replacement Heifers	29,000.00
Raised Stockers	19,428.59
Purchased Stockers	
Cattle Cost (purch price)	56,250.00
Non-cattle (Accum Costs)	2,000.00
Purchased Stockers - Other	-964.89
Total Purchased Stockers	57,285.11
Wheat Planting & Prod	20,429.66
Total Transfer Inventory Cost	126,143.36

TTAP ENTERPRISES
Profit & Loss
January through December 2005

Cash Basis

	<u>Jan - Dec 05</u>
COS Xfer Purch/Capitalized Cost Purchased Stockers	-56,250.00
Total COS Xfer Purch/Capitalized Cost	<u>-56,250.00</u>
Total Other Expense	<u>-5,215.37</u>
Net Other Income	<u>23,994.37</u>
Net Income	<u><u>66,522.06</u></u>

TTAP ENTERPRISES
Balance Sheet
As of December 31, 2005

Cash Basis

	Dec 31, 05
ASSETS	
Current Assets	
Checking/Savings	
1st National Bank- Checking	145,231.52
Total Checking/Savings	145,231.52
Other Current Assets	
Invest in Growing Commodities	
Pur Stkrs (non-cattle costs)	964.89
Raised Stockers Accum Costs	112,571.41
Wheat Planting Accum Costs	84,570.34
Total Invest in Growing Commodities	198,106.64
Inventory (unfinished lvstk.)	
'05 Purch Stkrs (Cattle Cost)	56,250.00
Total Inventory (unfinished lvstk.)	56,250.00
Total Other Current Assets	254,356.64
Total Current Assets	399,588.16
Fixed Assets	
Land	1,700,000.00
Breeding Stock (purchased)	
Bulls	
Purchased Bulls Cost	34,000.00
Accum. Depr. Purchased Bulls	-8,400.00
Total Bulls	25,600.00
Horses	
Accum. Depr. Purchased Horses	-2,050.00
Purchased Horses Cost	9,000.00
Total Horses	6,950.00
Total Breeding Stock (purchased)	32,550.00
Breeding Stock (raised)	
Breeding Cows	
Raised Breeding Cows Cost	306,303.76
Accum. Depr. Raised Cows	-61,785.71
Total Breeding Cows	244,518.05
Replacement Heifers	25,583.97
Total Breeding Stock (raised)	270,102.02
Buildings & Improvements	
Buildings & Improvements Cost	15,000.00
Accum. Depr. Build. & Improv.	-3,500.00
Total Buildings & Improvements	11,500.00
Machinery & Equipment	
Machinery & Equipment Cost	292,500.00
Accum. Depr. Machinery & Equip.	-81,914.71
Total Machinery & Equipment	210,585.29
Total Fixed Assets	2,224,737.31
TOTAL ASSETS	2,624,325.47

TTAP ENTERPRISES
Balance Sheet
As of December 31, 2005

Cash Basis

	Dec 31, 05
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Curr. portion of non-cur. notes	14,909.35
Current notes payable	56,250.00
Payroll Liabilities	3,864.00
Total Other Current Liabilities	75,023.35
Total Current Liabilities	75,023.35
Long Term Liabilities	
Notes Payable (land)	1,067,571.07
Total Long Term Liabilities	1,067,571.07
Total Liabilities	1,142,594.42
Equity	
Opening Bal Equity	1,415,208.99
Net Income	66,522.06
Total Equity	1,481,731.05
TOTAL LIABILITIES & EQUITY	2,624,325.47

TTAP Enterprise's Financial Performance

The 2005 financial performance of TTAP Enterprises is shown using various methods. The first is the sixteen financial ratios recommended by the Farm Financial Standards Council. All of the ratios are determined based upon the cost basis value of the operations assets. As such, the ratios should be considered conservative.

Financial Ratios

Liquidity

1. Beginning Current Ratio: 4.88 Ending Current Ratio: 5.33

Based upon the beginning and ending current ratios, TTAP Enterprises have approximately five times the needed current assets to pay for current liabilities. This is a strong position.

2. Beginning Working Capital: \$272,818 Ending Working Capital: \$324,565

Based upon the beginning and ending working capital, TTAP Enterprises has adequate capital available to serve its current liabilities. This is a strong position.

Solvency

3. Beginning Debt to Asset Ratio: 44.9 Ending Debt to Asset Ratio: 43.5

Based upon the beginning and ending debt to asset ratios, TTAP Enterprises owns more of the operation than does its creditors. The trend from beginning to ending reflects an improvement of the ratio. The land debt makes up the largest portion of the liabilities. This is an area that the owners consider to be weak. This should be considered a possible stressful position.

4. Beginning Equity to Asset Ratio: 55.1 Ending Equity to Asset Ratio: 56.5

The beginning and ending equity to asset ratio reflects that over 55 percent of the operations assets are owned or financed by owner capital. While this ratio improves from beginning to ending, the owners would like to see improvement in this area. This should be considered a possible stressful position.

5. Beginning Debt to Equity Ratio: 81.5 Ending Debt to Equity Ratio: 77.1

The beginning and ending debt to equity ratio reflects that approximately 80 percent of the operations debt is financed by outside creditors. While this ratio improves from beginning to ending, the owners would like to see improvement in this area. This should be considered a possible stressful position.

Profitability

6. Return on Assets (ROA): 5.17

The ROA shows that TTAP Enterprises was profitable in 2005. The 5.17 percent should be viewed as a positive performance for the operation. This should be considered a good performance.

7. Return on Equity (ROE): 4.59

The ROE shows that TTAP Enterprises was profitable in 2005. The 4.59 percent should be viewed as a positive performance for the operation. This should be considered a good performance.

8. Operating Margin Ratio: 29.34

The operating margin ratio shows that TTAP Enterprises generates a return of 29.34 percent for every gross dollar received. This should be considered a neutral to strong position.

9. Net Income from Operations – Pre Interest and Income Tax: \$134,332

The net income from operations shows TTAP Enterprises to be a profitable operation. This should be considered a strong position.

Repayment Capacity

10. Term Debt and Capital Lease Coverage Ratio: 2.27

This ratio represents the ability of the operation to pay long-term debt commitments. With a value of 2.27, TTAP Enterprises has over 2 times the necessary capital to service its long term debt. This should be considered a strong position.

11. Capital Replacement and Term Debt Repayment Margin: \$102,985

This value represents the capital available above normal operating expenses that is available to pay long term debt and replace capital assets. This should be considered a strong position.

Financial Efficiency

12. Asset Turnover Ratio: 0.18

This ratio shows that each dollar invested in TTAP Enterprises assets generates \$0.18 of gross revenue. This value appears low, however, given the operation is primarily a cow-calf operation, this value is acceptable.

Operating Ratios

13. Operating Expense Ratio: 60.16

This ratio shows that for dollar of revenue generated by the operation, \$0.60 of expenses is spent. This figure is acceptable.

14. Depreciation Expense Ratio: 10.51

This ratio shows that for dollar of revenue generated by the operation, \$0.11 of depreciation is recorded. This figure is acceptable.

15. Interest Expense Ratio: 14.81

This ratio shows that for dollar of revenue generated by the operation, \$0.15 of interest is paid. This value is high and should be considered somewhat stressful.

16. Net Income from Operation Ratio: 14.53

This ratio shows that for dollar of revenue generated by the operation, \$0.15 of income is made. This is value should be considered neutral.

Overall, TTAP Enterprises is profitable. However, the large amount of real estate debt is a risk to the operation. Progress needs to continue to be made on paying this debt down.

Income Statement by Enterprise

TTAP Enterprises benefited from the high cattle prices during 2005. The income statement by enterprise shows which commodities are providing income and which are not. Each enterprise has been allocated a portion of all the expenses. Direct expenses are directly paid by that particular enterprise, while indirect expenses (cost and support centers) are allocated based upon a predetermined allocation scheme.

The largest amount of income in 2005 came from the raised stocker cattle that were grazed on the wheat pasture. This enterprise generated net income of \$42,002.53. The second greatest source of net income came from the wildlife enterprise. This enterprise netted \$25,804.76. Total government payments during 2005 were \$13,260.00.

Losses occurred in the 2004 purchased stocker cattle, the 2005 wheat sold as grain, and the sorghum enterprise. The operation needs to further investigate these enterprises and determine how these can be profitable.

TUC and Enterprise Commodity Reports

The total unit cost report details seven profit centers and six cost centers from Tom and Julie's accounting system. Five of the profit centers sold products in 2005 and were completed. These include the wildlife enterprise, the sorghum enterprise, the 2004 purchased stocker cattle, the 2004 raised stocker cattle, and the 2005 wheat for grain. The remaining two profit centers, 2005 purchased stocker cattle and 2005 raised stocker cattle, did not sell their products in 2005 and were not complete. The total costs attributed to these two profit centers were transferred to the ending balance sheet and will be completed in 2006. The operation also has one unallocated center for agricultural program payments. During the 2005 year, TTAP Enterprises received \$13,260 in agricultural payments.

The five completed profit centers unit cost include: wildlife - \$0.92 per acre, sorghum - \$3.89 per cwt, 2004 purchased stocker cattle - \$111.20 per cwt, 2004 raised stocker cattle - \$87.75 per cwt, and 2005 wheat for grain - \$4.93 per bushel. The wildlife enterprise is a low cost enterprise and contributes greatly to the overall profitability of the operation.

Comparing the raised stocker cattle versus the purchased stocker cattle, it is apparent that TTAP Enterprises can raise calves cheaper than what they could be purchased for in 2004 and 2005. The most concerning profit center is the wheat for grain. The unit cost of this enterprise, while serving as the base for the stocker cattle enterprises (raised and purchased), must be reduced in order to make producing wheat for grain efficient. This can be done by either increasing the yield or reducing the overall costs of producing the wheat.

Of the six cost centers included in the 2005 total unit cost report, four were complete during 2005. These include the breeding females (CC-Cows), preconditioning of the raised stocker cattle, 2004 replacement heifers, and the 2004 wheat planting. Each of these cost centers were transferred to a profit center or to the balance sheet as a capital asset. During 2005, the total cost to maintain one breeding female, as shown by the cost center for cows, was \$344.54. According to the preconditioning cost center, the value of a raised preconditioned calf to the operation was \$410.32 per head. From the 2004 replacement heifer cost center, the total cost to the operation to raise its own replacement females was \$1,138.40 per head. Furthermore, the cost of an acre of wheat forage for the stocker cattle was \$112.98 per acre. The remaining two cost centers, 2005 replacement heifers and 2005 wheat planting, were transferred to the 2005 ending balance sheet as investments in growing commodities.

Sorghum Commodity Report

Sorghum provides the operation with a double crop opportunity and also provides an opportunity for some weed control during the summer months. The wheat program benefits from this weed control program. The 200 acres that were planted provided 4,200 cwt or a yield of 21 cwt. per acre. The operation is efficiently producing sorghum. The total unit cost of production for the sorghum was \$3.89 per cwt, while the price received for the production was \$3.25 per cwt. Overall, the sorghum crop lost \$2,691.51.

2004 Purchased Stocker Cattle

During the fall of 2004, 100 head of 450 pound stocker steers were purchased to graze the 1,000 acres of wheat. These calves were combined with the 332 raised calves. All 1,000 acres of wheat were grazed from November 1, 2004 until March 1, 2005. At this point, the total 432 calves were crowded onto 500 acres of wheat for graze out purposes. The cattle were sold and shipped on May 1, 2005. The purchased cattle were bought for an average price of \$1.25 per cwt. The cattle gained 1.5 pounds per day during the early grazing period and 2.0 pounds per day during the graze out period. The final weight of the 100 purchased cattle was 750 pounds. The cattle were sold for \$104.00 per cwt. When all costs were attributed to these cattle (including the cost of producing the wheat forage), the end result was a total loss of \$5,402.37 or \$54.02 per head. The total unit cost of production for the 100 head of cattle was \$111.20 per cwt.

2004 Raised Stocker Cattle

The breeding cow herd provides the raised stocker cattle that are grazed on the operations wheat pasture. The calves are transferred from the cow-calf cost center to the preconditioning cost center at an accumulated cost of \$351.57 per head (332 head including 60 to be picked as replacement heifers). Approximately \$58.75 of expenses per head is added to the calves during the preconditioning phase. The calves begin grazing wheat with an accumulated cost of \$410.32 per head. This amounts to \$82.89 per cwt and compares to the \$1.11 purchase price of the additional 100 stockers that are purchased. Given the cost of the wheat pasture to graze the cattle, the total unit cost of the raised stocker cattle coming off wheat was \$87.75 per cwt. The sell price received for these cattle was \$107.10 per cwt. The raised stocker cattle resulted in a net profit of \$42,002.53 and were the greatest contributor of income for TTAP Enterprises.

2005 Wheat for Grain

The 2005 wheat for grain enterprise was a drain to the overall profitability of the operation. Total unit cost of production was \$4.93 per bushel. This compares to the price received of \$3.25 per bushel. The average production was 30 bushels of wheat per acre harvested. It is apparent that wheat for grain during the 2005 harvest year did not work. The operation must look at increasing yields, reducing its cost of production or improving the market price received if this enterprise is to remain.

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Wildlife (PC)	'04 Pur Stkrs (PC)	'04 Rsd St... (PC)	'05 Pur Stkrs (PC)	'05 Rsd St... (PC)	'05 Wht- G... (PC)	Sorghum (PC)	Total PC
Ordinary Income/Expense								
Income								
Agricultural program payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Crop Revenues	0.00	0.00	0.00	0.00	0.00	48,750.00	13,650.00	62,400.00
Gain(Loss)-Lvstk. Disposed								
Breeding Stock (purchased)								
Gain(Loss)-Cull Bulls Sold								
Basis in Cull Bulls Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Cull Bulls	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gain(Loss)-Cull Bulls Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Breeding Stock (purchased)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Breeding Stock (raised)								
Death loss of Cows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain(Loss) on Cull Cows Sold								
Basis in cull cows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Cull Cows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gain(Loss) on Cull Cows Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Breeding Stock (raised)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gain(Loss)-Lvstk. Disposed	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Livestock (raised market)								
Stockers	0.00	0.00	232,548.60	0.00	0.00	0.00	0.00	232,548.60
Total Livestock (raised market)	0.00	0.00	232,548.60	0.00	0.00	0.00	0.00	232,548.60
Livestock Purchased for Resale								
Purch Stockers	0.00	78,000.00	0.00	0.00	0.00	0.00	0.00	78,000.00
Total Livestock Purchased for Resale	0.00	78,000.00	0.00	0.00	0.00	0.00	0.00	78,000.00
Wildlife Revenues	35,000.00	0.00	0.00	0.00	0.00	0.00	0.00	35,000.00
Total Income	35,000.00	78,000.00	232,548.60	0.00	0.00	48,750.00	13,650.00	407,948.60
Cost of Goods Sold								
Lvstk. purchased for resale COS								
Cattle Costs (Purch Price)	0.00	56,250.00	0.00	0.00	0.00	0.00	0.00	56,250.00
Total Lvstk. purchased for resale COS	0.00	56,250.00	0.00	0.00	0.00	0.00	0.00	56,250.00
Total COGS	0.00	56,250.00	0.00	0.00	0.00	0.00	0.00	56,250.00
Gross Profit	35,000.00	21,750.00	232,548.60	0.00	0.00	48,750.00	13,650.00	351,698.60

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Wildlife (PC)	'04 Pur Stkrs (PC)	'04 Rsd St... (PC)	'05 Pur Stkrs (PC)	'05 Rsd St... (PC)	'05 Wht- G... (PC)	Sorghum (PC)	Total PC
Expense								
Chemicals								
Herbicide	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chemicals - Other	0.00	0.00	0.00	0.00	0.00	0.00	1,600.00	1,600.00
Total Chemicals	0.00	0.00	0.00	0.00	0.00	0.00	1,600.00	1,600.00
Custom hire (Machinery)								
Harvesting	0.00	0.00	0.00	0.00	0.00	0.00	1,890.00	1,890.00
Custom hire (Machinery) - Other	0.00	0.00	0.00	0.00	0.00	9,100.00	0.00	9,100.00
Total Custom hire (Machinery)	0.00	0.00	0.00	0.00	0.00	9,100.00	1,890.00	10,990.00
Depreciation								
Breed Stock (pur. or cap.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Buildings & Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Machinery & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Feed Purchased	0.00	400.00	1,191.00	0.00	0.00	0.00	0.00	1,591.00
Fertilizer & lime	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gasoline, fuel & oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00	0.00	1,750.00	600.00	2,350.00
Interest (current loans)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest (non-current loans)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Labor (Contract)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Labor (hired)								
Payroll expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Labor (hired)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Labor (owner operator)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Professional Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rent or lease (land)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seed	0.00	0.00	0.00	0.00	0.00	0.00	1,600.00	1,600.00
Supplies								
Livestock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Supplies - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Supplies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Wildlife (PC)	'04 Pur Stkrs (PC)	'04 Rsd St... (PC)	'05 Pur Stkrs (PC)	'05 Rsd St... (PC)	'05 Wht- G... (PC)	Sorghum (PC)	Total PC
Taxes (not income taxes)								
Real estate	0.00	0.00	0.00	0.00	0.00	3,279.00	656.00	3,935.00
Total Taxes (not income taxes)	0.00	0.00	0.00	0.00	0.00	3,279.00	656.00	3,935.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Veterinary & medicine	0.00	0.00	2,720.00	0.00	0.00	0.00	0.00	2,720.00
Total Expense	0.00	400.00	3,911.00	0.00	0.00	14,129.00	6,346.00	24,786.00
Net Ordinary Income	35,000.00	21,350.00	228,637.60	0.00	0.00	34,621.00	7,304.00	326,912.60
Other Income/Expense								
Other Income								
Stocker Gain (Internal Only)	0.00	0.00	0.00	0.00	0.00	18,779.00	0.00	18,779.00
Total Other Income	0.00	0.00	0.00	0.00	0.00	18,779.00	0.00	18,779.00
Other Expense								
Support Center Cost Allocation								
Finance	4,973.56	2,401.36	0.00	0.00	0.00	0.00	3,441.16	10,816.08
General and Administrative	1,000.00	67.82	663.06	0.00	0.00	2,395.40	1,075.89	5,202.17
Labor and Management	964.89	4,859.56	6,579.56	964.89	964.89	964.89	964.89	16,263.57
Machinery, Equipment & Vehicles	2,256.79	0.00	0.00	0.00	0.00	0.00	4,513.57	6,770.36
Total Support Center Cost Allocation	9,195.24	7,328.74	7,242.62	964.89	964.89	3,360.29	9,995.51	39,052.18
Transfer Cattle Cost								
Cow-Calf	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Preconditioned Calves	0.00	0.00	0.00	0.00	111,606.52	0.00	0.00	111,606.52
'04 Replacement Heifers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
'05 Replacement Heifers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfer Cattle Cost	0.00	0.00	0.00	0.00	111,606.52	0.00	0.00	111,606.52
Transfer Crop Cost								
Wheat Planting	0.00	13,076.63	35,568.45	0.00	0.00	56,491.06	0.00	105,136.14
Wheat- Grazing	0.00	4,347.00	11,824.00	0.00	0.00	0.00	0.00	16,171.00
Total Transfer Crop Cost	0.00	17,423.63	47,392.45	0.00	0.00	56,491.06	0.00	121,307.14
Transfer Inventory Cost								
Replacement Heifers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Raised Stockers	0.00	0.00	132,000.00	0.00	-112,571.41	0.00	0.00	19,428.59
Purchased Stockers								
Cattle Cost (purch price)	0.00	56,250.00	0.00	0.00	0.00	0.00	0.00	56,250.00
Non-cattle (Accum Costs)	0.00	2,000.00	0.00	0.00	0.00	0.00	0.00	2,000.00
Purchased Stockers - Other	0.00	0.00	0.00	-964.89	0.00	0.00	0.00	-964.89
Total Purchased Stockers	0.00	58,250.00	0.00	-964.89	0.00	0.00	0.00	57,285.11
Wheat Planting & Prod	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Transfer Inventory Cost	0.00	58,250.00	132,000.00	-964.89	-112,571.41	0.00	0.00	76,713.70

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Wildlife (PC)	'04 Pur Stkrs (PC)	'04 Rsd St... (PC)	'05 Pur Stkrs (PC)	'05 Rsd St... (PC)	'05 Wht- G... (PC)	Sorghum (PC)	Total PC
COS Xfer Purch/Capitalized Cost Purchased Stockers	0.00	-56,250.00	0.00	0.00	0.00	0.00	0.00	-56,250.00
Total COS Xfer Purch/Capitalized Cost	0.00	-56,250.00	0.00	0.00	0.00	0.00	0.00	-56,250.00
Total Other Expense	9,195.24	26,752.37	186,635.07	0.00	0.00	59,851.35	9,995.51	292,429.54
Net Other Income	-9,195.24	-26,752.37	-186,635.07	0.00	0.00	-41,072.35	-9,995.51	-273,650.54
Net Income	25,804.76	-5,402.37	42,002.53	0.00	0.00	-6,451.35	-2,691.51	53,262.06

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Cow-Calf (CC)	Preconditi... (CC)	'04 Rep Hfrs (CC)	'04 Wht Pl... (CC)	'05 Rep Hfrs (CC)	'05 Wht Pl... (CC)	Total CC	Labor & M... (SC)
Ordinary Income/Expense								
Income								
Agricultural program payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Crop Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain(Loss)-Lvstk. Disposed								
Breeding Stock (purchased)								
Gain(Loss)-Cull Bulls Sold								
Basis in Cull Bulls Sold	-3,150.00	0.00	0.00	0.00	0.00	0.00	-3,150.00	0.00
Sale of Cull Bulls	4,500.00	0.00	0.00	0.00	0.00	0.00	4,500.00	0.00
Total Gain(Loss)-Cull Bulls Sold	1,350.00	0.00	0.00	0.00	0.00	0.00	1,350.00	0.00
Total Breeding Stock (purchased)	1,350.00	0.00	0.00	0.00	0.00	0.00	1,350.00	0.00
Breeding Stock (raised)								
Death loss of Cows	-408.33	0.00	0.00	0.00	0.00	0.00	-408.33	0.00
Gain(Loss) on Cull Cows Sold								
Basis in cull cows	-21,358.34	0.00	0.00	0.00	0.00	0.00	-21,358.34	0.00
Sale of Cull Cows	38,350.00	0.00	0.00	0.00	0.00	0.00	38,350.00	0.00
Total Gain(Loss) on Cull Cows Sold	16,991.66	0.00	0.00	0.00	0.00	0.00	16,991.66	0.00
Total Breeding Stock (raised)	16,583.33	0.00	0.00	0.00	0.00	0.00	16,583.33	0.00
Total Gain(Loss)-Lvstk. Disposed	17,933.33	0.00	0.00	0.00	0.00	0.00	17,933.33	0.00
Livestock (raised market)								
Stockers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Livestock (raised market)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Livestock Purchased for Resale								
Purch Stockers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Livestock Purchased for Resale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wildlife Revenues	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Income	17,933.33	0.00	0.00	0.00	0.00	0.00	17,933.33	0.00
Cost of Goods Sold								
Lvstk. purchased for resale COS								
Cattle Costs (Purch Price)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Lvstk. purchased for resale COS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross Profit	17,933.33	0.00	0.00	0.00	0.00	0.00	17,933.33	0.00

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Cow-Calf (CC)	Preconditi... (CC)	'04 Rep Hfrs (CC)	'04 Wht Pl... (CC)	'05 Rep Hfrs (CC)	'05 Wht Pl... (CC)	Total CC	Labor & M... (SC)
Expense								
Chemicals								
Herbicide	6,000.00	0.00	0.00	0.00	0.00	0.00	6,000.00	0.00
Chemicals - Other	0.00	0.00	0.00	6,000.00	0.00	0.00	6,000.00	0.00
Total Chemicals	6,000.00	0.00	0.00	6,000.00	0.00	0.00	12,000.00	0.00
Custom hire (Machinery)								
Harvesting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Custom hire (Machinery) - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Custom hire (Machinery)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation								
Breed Stock (pur. or cap.)	23,219.04	0.00	0.00	0.00	0.00	0.00	23,219.04	0.00
Buildings & Improvements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Machinery & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Depreciation	23,219.04	0.00	0.00	0.00	0.00	0.00	23,219.04	0.00
Feed Purchased	10,980.00	6,693.12	900.00	0.00	0.00	0.00	18,573.12	0.00
Fertilizer & lime	0.00	0.00	0.00	0.00	0.00	15,000.00	15,000.00	0.00
Gasoline, fuel & oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest (current loans)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest (non-current loans)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Labor (Contract)	676.00	0.00	0.00	0.00	0.00	0.00	676.00	0.00
Labor (hired)								
Payroll expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,000.00
Total Labor (hired)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,000.00
Labor (owner operator)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30,000.00
Payroll Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,028.00
Professional Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rent or lease (land)	21,250.00	0.00	0.00	0.00	0.00	0.00	21,250.00	0.00
Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seed	0.00	0.00	0.00	0.00	0.00	8,000.00	8,000.00	0.00
Supplies								
Livestock	2,500.00	0.00	0.00	0.00	0.00	0.00	2,500.00	0.00
Supplies - Other	0.00	0.00	0.00	0.00	0.00	1,250.00	1,250.00	0.00
Total Supplies	2,500.00	0.00	0.00	0.00	0.00	1,250.00	3,750.00	0.00

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Cow-Calf (CC)	Preconditi... (CC)	'04 Rep Hfrs (CC)	'04 Wht Pl... (CC)	'05 Rep Hfrs (CC)	'05 Wht Pl... (CC)	Total CC	Labor & M... (SC)
Taxes (not income taxes)								
Real estate	4,000.00	0.00	0.00	0.00	0.00	0.00	4,000.00	0.00
Total Taxes (not income taxes)	4,000.00	0.00	0.00	0.00	0.00	0.00	4,000.00	0.00
Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Veterinary & medicine	5,600.00	7,636.00	1,200.00	0.00	0.00	0.00	14,436.00	0.00
Total Expense	74,225.04	14,329.12	2,100.00	6,000.00	0.00	24,250.00	120,904.16	56,028.00
Net Ordinary Income	-56,291.71	-14,329.12	-2,100.00	-6,000.00	0.00	-24,250.00	-102,970.83	-56,028.00
Other Income/Expense								
Other Income								
Stocker Gain (Internal Only)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expense								
Support Center Cost Allocation								
Finance	39,788.46	0.00	0.00	0.00	0.00	17,205.83	56,994.29	0.00
General and Administrative	12,583.96	2,429.33	356.03	1,017.23	0.00	4,111.28	20,497.83	0.00
Labor and Management	26,894.67	2,745.78	5,299.53	964.89	964.89	2,894.67	39,764.43	-56,028.00
Machinery, Equipment & Vehicles	2,256.79	0.00	0.00	0.00	0.00	36,108.56	38,365.35	0.00
Total Support Center Cost Allocation	81,523.88	5,175.11	5,655.56	1,982.12	964.89	60,320.34	155,621.90	-56,028.00
Transfer Cattle Cost								
Cow-Calf	-137,815.59	116,721.37	21,094.22	0.00	0.00	0.00	0.00	0.00
Preconditioned Calves	0.00	-136,225.60	0.00	0.00	24,619.08	0.00	-111,606.52	0.00
'04 Replacement Heifers	0.00	0.00	-68,303.76	0.00	0.00	0.00	-68,303.76	0.00
'05 Replacement Heifers	0.00	0.00	0.00	0.00	-25,583.97	0.00	-25,583.97	0.00
Total Transfer Cattle Cost	-137,815.59	-19,504.23	-47,209.54	0.00	-964.89	0.00	-205,494.25	0.00
Transfer Crop Cost								
Wheat Planting	0.00	0.00	7,845.98	-112,982.12	0.00	0.00	-105,136.14	0.00
Wheat- Grazing	0.00	0.00	2,608.00	0.00	0.00	0.00	2,608.00	0.00
Total Transfer Crop Cost	0.00	0.00	10,453.98	-112,982.12	0.00	0.00	-102,528.14	0.00
Transfer Inventory Cost								
Replacement Heifers	0.00	0.00	29,000.00	0.00	0.00	0.00	29,000.00	0.00
Raised Stockers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchased Stockers								
Cattle Cost (purch price)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-cattle (Accum Costs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchased Stockers - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Purchased Stockers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wheat Planting & Prod	0.00	0.00	0.00	105,000.00	0.00	-84,570.34	20,429.66	0.00
Total Transfer Inventory Cost	0.00	0.00	29,000.00	105,000.00	0.00	-84,570.34	49,429.66	0.00

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	<u>Cow-Calf (CC)</u>	<u>Preconditi... (CC)</u>	<u>'04 Rep Hfrs (CC)</u>	<u>'04 Wht Pl... (CC)</u>	<u>'05 Rep Hfrs (CC)</u>	<u>'05 Wht Pl... (CC)</u>	<u>Total CC</u>	<u>Labor & M... (SC)</u>
COS Xfer Purch/Capitalized Cost Purchased Stockers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total COS Xfer Purch/Capitalized Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Other Expense	-56,291.71	-14,329.12	-2,100.00	-6,000.00	0.00	-24,250.00	-102,970.83	-56,028.00
Net Other Income	56,291.71	14,329.12	2,100.00	6,000.00	0.00	24,250.00	102,970.83	56,028.00
Net Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Finance (SC)	G & A (SC)	M&E (SC)	Total SC	Unclassified	TOTAL
Ordinary Income/Expense						
Income						
Agricultural program payments	0.00	0.00	0.00	0.00	13,260.00	13,260.00
Crop Revenues	0.00	0.00	0.00	0.00	0.00	62,400.00
Gain(Loss)-Lvstk. Disposed						
Breeding Stock (purchased)						
Gain(Loss)-Cull Bulls Sold						
Basis in Cull Bulls Sold	0.00	0.00	0.00	0.00	0.00	-3,150.00
Sale of Cull Bulls	0.00	0.00	0.00	0.00	0.00	4,500.00
Total Gain(Loss)-Cull Bulls Sold	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,350.00</u>
Total Breeding Stock (purchased)	0.00	0.00	0.00	0.00	0.00	1,350.00
Breeding Stock (raised)						
Death loss of Cows	0.00	0.00	0.00	0.00	0.00	-408.33
Gain(Loss) on Cull Cows Sold						
Basis in cull cows	0.00	0.00	0.00	0.00	0.00	-21,358.34
Sale of Cull Cows	0.00	0.00	0.00	0.00	0.00	38,350.00
Total Gain(Loss) on Cull Cows Sold	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>16,991.66</u>
Total Breeding Stock (raised)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>16,583.33</u>
Total Gain(Loss)-Lvstk. Disposed	0.00	0.00	0.00	0.00	0.00	17,933.33
Livestock (raised market)						
Stockers	0.00	0.00	0.00	0.00	0.00	232,548.60
Total Livestock (raised market)	0.00	0.00	0.00	0.00	0.00	232,548.60
Livestock Purchased for Resale						
Purch Stockers	0.00	0.00	0.00	0.00	0.00	78,000.00
Total Livestock Purchased for Resale	0.00	0.00	0.00	0.00	0.00	78,000.00
Wildlife Revenues	0.00	0.00	0.00	0.00	0.00	35,000.00
Total Income	0.00	0.00	0.00	0.00	13,260.00	439,141.93
Cost of Goods Sold						
Lvstk. purchased for resale COS						
Cattle Costs (Purch Price)	0.00	0.00	0.00	0.00	0.00	56,250.00
Total Lvstk. purchased for resale COS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>56,250.00</u>
Total COGS	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>56,250.00</u>
Gross Profit	0.00	0.00	0.00	0.00	13,260.00	382,891.93

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Finance (SC)	G & A (SC)	M&E (SC)	Total SC	Unclassified	TOTAL
Expense						
Chemicals						
Herbicide	0.00	0.00	0.00	0.00	0.00	6,000.00
Chemicals - Other	0.00	0.00	0.00	0.00	0.00	7,600.00
Total Chemicals	0.00	0.00	0.00	0.00	0.00	13,600.00
Custom hire (Machinery)						
Harvesting	0.00	0.00	0.00	0.00	0.00	1,890.00
Custom hire (Machinery) - Other	0.00	0.00	0.00	0.00	0.00	9,100.00
Total Custom hire (Machinery)	0.00	0.00	0.00	0.00	0.00	10,990.00
Depreciation						
Breed Stock (pur. or cap.)	0.00	0.00	0.00	0.00	0.00	23,219.04
Buildings & Improvements	0.00	0.00	500.00	500.00	0.00	500.00
Machinery & Equipment	0.00	0.00	24,385.71	24,385.71	0.00	24,385.71
Total Depreciation	0.00	0.00	24,885.71	24,885.71	0.00	48,104.75
Feed Purchased	0.00	0.00	0.00	0.00	0.00	20,164.12
Fertilizer & lime	0.00	0.00	0.00	0.00	0.00	15,000.00
Gasoline, fuel & oil	0.00	0.00	12,320.00	12,320.00	0.00	12,320.00
Insurance	0.00	15,200.00	0.00	15,200.00	0.00	17,550.00
Interest (current loans)	2,401.36	0.00	0.00	2,401.36	0.00	2,401.36
Interest (non-current loans)	65,409.01	0.00	0.00	65,409.01	0.00	65,409.01
Labor (Contract)	0.00	0.00	0.00	0.00	0.00	676.00
Labor (hired)						
Payroll expenses	0.00	0.00	0.00	24,000.00	0.00	24,000.00
Total Labor (hired)	0.00	0.00	0.00	24,000.00	0.00	24,000.00
Labor (owner operator)	0.00	0.00	0.00	30,000.00	0.00	30,000.00
Payroll Expenses	0.00	0.00	0.00	2,028.00	0.00	2,028.00
Professional Fees	0.00	4,500.00	0.00	4,500.00	0.00	4,500.00
Rent or lease (land)	0.00	0.00	0.00	0.00	0.00	21,250.00
Repairs	0.00	0.00	7,930.00	7,930.00	0.00	7,930.00
Seed	0.00	0.00	0.00	0.00	0.00	9,600.00
Supplies						
Livestock	0.00	0.00	0.00	0.00	0.00	2,500.00
Supplies - Other	0.00	0.00	0.00	0.00	0.00	1,250.00
Total Supplies	0.00	0.00	0.00	0.00	0.00	3,750.00

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Finance (SC)	G & A (SC)	M&E (SC)	Total SC	Unclassified	TOTAL
Taxes (not income taxes)						
Real estate	0.00	0.00	0.00	0.00	0.00	7,935.00
Total Taxes (not income taxes)	0.00	0.00	0.00	0.00	0.00	7,935.00
Utilities	0.00	6,000.00	0.00	6,000.00	0.00	6,000.00
Veterinary & medicine	0.00	0.00	0.00	0.00	0.00	17,156.00
Total Expense	67,810.37	25,700.00	45,135.71	194,674.08	0.00	340,364.24
Net Ordinary Income	-67,810.37	-25,700.00	-45,135.71	-194,674.08	13,260.00	42,527.69
Other Income/Expense						
Other Income						
Stocker Gain (Internal Only)	0.00	0.00	0.00	0.00	0.00	18,779.00
Total Other Income	0.00	0.00	0.00	0.00	0.00	18,779.00
Other Expense						
Support Center Cost Allocation						
Finance	-67,810.37	0.00	0.00	-67,810.37	0.00	0.00
General and Administrative	0.00	-25,700.00	0.00	-25,700.00	0.00	0.00
Labor and Management	0.00	0.00	0.00	-56,028.00	0.00	0.00
Machinery, Equipment & Vehicles	0.00	0.00	-45,135.71	-45,135.71	0.00	0.00
Total Support Center Cost Allocation	-67,810.37	-25,700.00	-45,135.71	-194,674.08	0.00	0.00
Transfer Cattle Cost						
Cow-Calf	0.00	0.00	0.00	0.00	0.00	0.00
Preconditioned Calves	0.00	0.00	0.00	0.00	0.00	0.00
'04 Replacement Heifers	0.00	0.00	0.00	0.00	0.00	-68,303.76
'05 Replacement Heifers	0.00	0.00	0.00	0.00	0.00	-25,583.97
Total Transfer Cattle Cost	0.00	0.00	0.00	0.00	0.00	-93,887.73
Transfer Crop Cost						
Wheat Planting	0.00	0.00	0.00	0.00	0.00	0.00
Wheat- Grazing	0.00	0.00	0.00	0.00	0.00	18,779.00
Total Transfer Crop Cost	0.00	0.00	0.00	0.00	0.00	18,779.00
Transfer Inventory Cost						
Replacement Heifers	0.00	0.00	0.00	0.00	0.00	29,000.00
Raised Stockers	0.00	0.00	0.00	0.00	0.00	19,428.59
Purchased Stockers						
Cattle Cost (purch price)	0.00	0.00	0.00	0.00	0.00	56,250.00
Non-cattle (Accum Costs)	0.00	0.00	0.00	0.00	0.00	2,000.00
Purchased Stockers - Other	0.00	0.00	0.00	0.00	0.00	-964.89
Total Purchased Stockers	0.00	0.00	0.00	0.00	0.00	57,285.11
Wheat Planting & Prod	0.00	0.00	0.00	0.00	0.00	20,429.66
Total Transfer Inventory Cost	0.00	0.00	0.00	0.00	0.00	126,143.36

TTAP ENTERPRISES
Profit & Loss by Class
January through December 2005

Cash Basis

	Finance (SC)	G & A (SC)	M&E (SC)	Total SC	Unclassified	TOTAL
COS Xfer Purch/Capitalized Cost Purchased Stockers	0.00	0.00	0.00	0.00	0.00	-56,250.00
Total COS Xfer Purch/Capitalized Cost	0.00	0.00	0.00	0.00	0.00	-56,250.00
Total Other Expense	-67,810.37	-25,700.00	-45,135.71	-194,674.08	0.00	-5,215.37
Net Other Income	67,810.37	25,700.00	45,135.71	194,674.08	0.00	23,994.37
Net Income	0.00	0.00	0.00	0.00	13,260.00	66,522.06

Linked Total Unit Cost Management Accounting Report for QuickBooks Pro™

Farm/Ranch: TTAP Enterprises

Fiscal Year: 2005

Printed: 8/10/2005 9:03

Profit and Cost Centers	Total Direct Expense	Total Support Center	Total Transfer Center	Total Transfer Last Period	Total Cost	Number and Units		TUC (\$ / Unit)	Other Measures and TUC	
									Number and Units	TUC (\$ / Unit)
1 PC: Wildlife	\$0.00	\$9,195.23	\$0.00	\$0.00	\$9,195.23	10,000	Ac	\$0.92	-	Unit
2 PC: Sorghum	\$6,346.00	\$9,995.51	\$0.00	\$0.00	\$16,341.51	4,200	Cwt	\$3.89	200	Ac \$81.71
3 PC: '04 Purch Stockers	\$400.00	\$7,328.73	\$17,423.63	\$58,250.00	\$83,402.36	750	Cwt	\$111.20	100	Hd \$834.02
4 PC: '04 Rsd Stockers	\$3,911.00	\$7,242.62	\$47,392.26	\$132,000.00	\$190,545.88	2,171	Cwt	\$87.75	272	Hd \$700.54
5 PC: '05 Wheat- Grain	\$14,129.00	\$3,360.29	\$56,491.06	\$0.00	\$73,980.35	15,000	Bu	\$4.93	500	Ac \$147.96
6 PC: '05 Purch Stockers	\$0.00	\$964.89	\$0.00	\$0.00	\$964.89	750	Cwt	\$1.29	100	Hd \$9.65
7 PC: '05 Rsd Stockers	\$0.00	\$964.89	\$111,606.52	\$0.00	\$112,571.40	2,171	Cwt	\$51.85	272	Hd \$413.87
8 CC: Cows	\$56,291.71	\$81,523.87	\$0.00	\$0.00	\$137,815.58	400	Cow	\$344.54	-	-
9 CC: Preconditioning	\$14,329.12	\$5,175.11	\$116,721.37	\$0.00	\$136,225.59	332	Hd	\$410.32	164,340	Cwt \$0.83
10 CC: '04 Repl Heifers	\$2,100.00	\$5,655.59	\$31,548.40	\$29,000.00	\$68,303.98	60	Hd	\$1,138.40	-	-
11 CC: '04 Wheat Planting	\$6,000.00	\$1,982.12	\$0.00	\$105,000.00	\$112,982.12	1,000	Ac	\$112.98	-	-
12 CC: '05 Repl Heifers	\$0.00	\$964.89	\$24,619.08	\$0.00	\$25,583.97	60	Hd	\$426.40	-	-
13 CC: '05 Wheat Planting	\$24,250.00	\$60,320.35	\$0.00	\$0.00	\$84,570.35	1,000	Ac	\$84.57	-	-
14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
15	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
16	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
17	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
18	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
19 General & Administrative	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-
20 Finance	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0	-		-	-

Crop Commodity Report - Sales

Farm/Ranch: TTAP Enterprises
 Commodity Report: Sorghum

Fiscal Year	<u>2005</u>	Total Acres:	<u>200.00</u>
Production:	<u>4,200</u>	Yield:	<u>21.00</u>
Sales:	<u>4,200</u>		

	Total	\$/Acre of Sales	\$/Cwt of Sales	% of Total Cost
A. Revenue				
Sales	\$13,650.00	\$68.25	\$3.25	
B. Revenue - Cost Adjustment	\$0.00	\$0.00	\$0.00	
C. Direct Production Cost				
Cash Cost Summary	\$6,346.00	\$31.73	\$1.51	39%
Depreciation	\$0.00	\$0.00	\$0.00	0%
Sub-total Direct	\$6,346.00	\$31.73	\$1.51	
D. Indirect Production Cost				
Labor & Management	\$964.89	\$4.82	\$0.23	6%
Machinery & Equipment	\$4,513.57	\$22.57	\$1.07	28%
Other #2	\$0.00	\$0.00	\$0.00	0%
Other #3	\$0.00	\$0.00	\$0.00	0%
Total Depreciation	\$0.00	\$0.00	\$0.00	0%
Sub-total Indirect	\$5,478.46	\$27.39	\$1.30	
E. Total Production Cost (C + D)	\$11,824.46	\$59.12	\$2.82	
F. Net Production Cost (E - B)	\$11,824.46	\$59.12	\$2.82	
G. Production Margin (A - F)	\$1,825.54	\$9.13	\$0.43	
H. General and Administrative Cost				
Cash Cost Summary	\$1,075.89	\$5.38	\$0.26	7%
Depreciation	\$0.00	\$0.00	\$0.00	0%
I. Operating Margin (A - F - H)	\$749.65	\$3.75	\$0.18	
J. Financing Cost	\$3,441.16	\$17.21	\$0.82	21%
K. Net Cost (F + H + J)	\$16,341.51	\$81.71	\$3.89	
L. Net Margin (A - K)	(\$2,691.51)	(\$13.46)	(\$0.64)	
M. Cost Summary				
Net Production Cost (F)	\$11,824.46	\$59.12	\$2.82	
Operating Cost (F + H)	\$12,900.35	\$64.50	\$3.07	
Total Unit Cost (F + H + J)	\$16,341.51	\$81.71	\$3.89	
N. Total Unit Cost Before Adjustment (E + H + I)	\$16,341.51	\$81.71	\$3.89	
O. Cash Cost Summary (N - Non Cash Costs)	\$16,341.51	\$81.71	\$3.89	

Stocker Profit Center Commodity Report

Farm/Ranch: '04 Purchased Stockers

Beginning Fiscal Year: 2005

Production Center: Stockers

	Total	\$/Head Sold	\$/Cwt of gain
A Revenue			
Sales	\$78,000.00	\$780.00	---
B Revenue - Cost Adjustment	\$0.00	\$0.00	\$0.00
C Direct Production Cost			
Cattle Cost	\$56,250.00	\$562.50	---
Transf. Non Cattle Cost from Pred./Back.	\$2,000.00	\$20.00	---
Non-Cattle Cost			
Feed Purchased	\$400.00	\$4.00	\$1.33
Lease for Grazing	\$0.00	\$0.00	\$0.00
Animal Health	\$0.00	\$0.00	\$0.00
Other Direct Cost	\$0.00	\$0.00	\$0.00
Depreciation	\$0.00	\$0.00	\$0.00
Cull and Death Loss Adjustment	\$0.00	\$0.00	---
Death Loss	\$0.00	\$0.00	---
Total Direct Cost	\$58,650.00	\$586.50	---
D Indirect Production Cost			
Grazing	\$17,423.63	\$174.24	\$58.08
Raised Feed	\$0.00	\$0.00	\$0.00
Labor & Management	\$4,859.56	\$48.60	\$16.20
Machinery & Equipment	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Total Depreciation	\$0.00	\$0.00	\$0.00
Cull and Death Loss Adjustmment	\$0.00	\$0.00	---
Total Indirect Cost	\$22,283.19	\$222.83	---
E Total Production Cost (C + D)	\$80,933.19	\$809.33	---
F Net Production Cost (E - B)	\$80,933.19	\$809.33	---
G Production Margin (A - F)	(\$2,933.19)	(\$29.33)	---
H General and Administrative Cost			
Cash Cost Summary	\$67.82	\$0.68	\$0.23
Depreciation	\$0.00	\$0.00	\$0.00
I Operating Margin (A - F - H)	(\$3,001.01)	(\$30.01)	---
J Financing Cost	\$2,401.36	\$24.01	\$8.00
K Net Cost (F + H + J)	\$83,402.37	\$834.02	---
L Net Margin (A - K)	(\$5,402.37)	(\$54.02)	---
M Cost Summary		\$/Head Sold	\$/Cwt Sold
Net Production Cost (F)		\$809.33	\$107.91
Operating Cost (F + H)		\$810.01	\$108.00
Total Unit Cost (F + H + J)		\$834.02	\$111.20
N Total Non Cattle Unit Cost Before Cost Adjustment		\$/Head Day \$1.39	\$/Cwt Gain \$83.84
O Non Cattle Cash Cost Summary		\$/Head \$251.52	

Stocker Profit Center Commodity Report

Farm/Ranch: '04 Raised Stockers

Beginning Fiscal Year: 2005

Production Center: Stockers

	Total	\$/Head Sold	\$/Cwt of gain
A Revenue			
Sales	\$232,548.60	\$854.96	---
B Revenue - Cost Adjustment	\$0.00	\$0.00	\$0.00
C Direct Production Cost			
Cattle Cost	\$0.00	\$0.00	---
Transf. Non Cattle Cost from Pred./Back.	\$130,680.00	\$480.44	---
Non-Cattle Cost			
Feed Purchased	\$1,191.00	\$4.38	\$1.46
Lease for Grazing	\$0.00	\$0.00	\$0.00
Animal Health	\$2,720.00	\$10.00	\$3.33
Other Direct Cost	\$0.00	\$0.00	\$0.00
Depreciation	\$0.00	\$0.00	\$0.00
Cull and Death Loss Adjustment	\$0.00	\$0.00	---
Death Loss	\$0.00	\$0.00	---
Total Direct Cost	\$134,591.00	\$494.82	---
D Indirect Production Cost			
Grazing	\$47,392.45	\$174.24	\$58.08
Raised Feed	\$0.00	\$0.00	\$0.00
Labor & Management	\$7,899.56	\$29.04	\$9.68
Machinery & Equipment	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Total Depreciation	\$0.00	\$0.00	\$0.00
Cull and Death Loss Adjustmment	\$0.00	\$0.00	---
Total Indirect Cost	\$55,292.01	\$203.28	---
E Total Production Cost (C + D)	\$189,883.01	\$698.10	---
F Net Production Cost (E - B)	\$189,883.01	\$698.10	---
G Production Margin (A - F)	\$42,665.59	\$156.86	---
H General and Administrative Cost			
Cash Cost Summary	\$663.06	\$2.44	\$0.81
Depreciation	\$0.00	\$0.00	\$0.00
I Operating Margin (A - F - H)	\$42,002.53	\$154.42	---
J Financing Cost	\$0.00	\$0.00	\$0.00
K Net Cost (F + H + J)	\$190,546.07	\$700.54	---
L Net Margin (A - K)	\$42,002.53	\$154.42	---
M Cost Summary		\$/Head Sold	\$/Cwt Sold
Net Production Cost (F)		\$698.10	\$87.45
Operating Cost (F + H)		\$700.54	\$87.75
Total Unit Cost (F + H + J)		\$700.54	\$87.75
N Total Non Cattle Unit Cost Before Cost Adjustment		\$/Head Day	\$/Cwt Gain
		\$1.22	\$73.37
O Non Cattle Cash Cost Summary		\$/Head	
		\$220.10	

Crop Commodity Report - Sales

Farm/Ranch: TTAP Enterprises
 Commodity Report: '05 Wheat-Grain

Fiscal Year	<u>2005</u>	Total Acres:	<u>500.00</u>
Production:	<u>15,000</u>	Yield:	<u>30.00</u>
Sales:	<u>15,000</u>		

	Total	\$/Acre of Sales	\$/Bushel of Sales	% of Total Cost
A. Revenue				
Sales	\$48,750.00	\$97.50	\$3.25	
B. Revenue - Cost Adjustment	\$18,779.00	\$37.56	\$1.25	
C. Direct Production Cost				
Cash Cost Summary	\$42,374.53	\$84.75	\$2.82	57%
Depreciation	\$0.00	\$0.00	\$0.00	0%
Sub-total Direct	\$42,374.53	\$84.75	\$2.82	
D. Indirect Production Cost				
Labor & Management	\$3,968.31	\$7.94	\$0.26	5%
Machinery & Equipment	\$14,593.63	\$29.19	\$0.97	20%
Other #2	\$0.00	\$0.00	\$0.00	0%
Other #3	\$0.00	\$0.00	\$0.00	0%
Total Depreciation	\$0.00	\$0.00	\$0.00	0%
Sub-total Indirect	\$18,561.94	\$37.12	\$1.24	
E. Total Production Cost (C + D)	\$60,936.47	\$121.87	\$4.06	
F. Net Production Cost (E - B)	\$42,157.47	\$84.31	\$2.81	
G. Production Margin (A - F)	\$6,592.53	\$13.19	\$0.44	
H. General and Administrative Cost				
Cash Cost Summary	\$4,476.14	\$8.95	\$0.30	6%
Depreciation	\$0.00	\$0.00	\$0.00	0%
I. Operating Margin (A - F - H)	\$2,116.39	\$4.23	\$0.14	
J. Financing Cost	\$8,567.74	\$17.14	\$0.57	12%
K. Net Cost (F + H + J)	\$55,201.35	\$110.40	\$3.68	
L. Net Margin (A - K)	(\$6,451.35)	(\$12.90)	(\$0.43)	
M. Cost Summary				
Net Production Cost (F)	\$42,157.47	\$84.31	\$2.81	
Operating Cost (F + H)	\$46,633.61	\$93.27	\$3.11	
Total Unit Cost (F + H + J)	\$55,201.35	\$110.40	\$3.68	
N. Total Unit Cost Before Adjustment (E + H + I)	\$73,980.35	\$147.96	\$4.93	
O. Cash Cost Summary (N - Non Cash Costs)	\$73,980.35	\$147.96	\$4.93	

TTAP Enterprise's Financial Projections

Tom and Julie employed the Risk Management Specialists of the Extension Agricultural Economics group to analyze their operation using their Farm Assistance analysis. Farm Assistance develops a financial and economic projection for the ranch assuming a strategic plan of action (long term plan of operation). The initial projection is called the "baseline." One purpose of the baseline is to give the manager a sense of where the business may be headed financially. The baseline represents the status quo of the operation projected ten years into the future.

The general assessment of the operation is that "on average" the financial position and performance of the ranch improves over the ten year planning horizon. The commercial cattle herd maintained a 400 cow inventory throughout the projection period. Approximately 272 stocker cattle calves were transferred from the cattle herd to a stocker operation where ownership was maintained. Another stocker cattle group consisting of about 100 head was purchased in each of the ten year simulation. Wheat was planted on 1,000 acres and roughly half of the acres would be utilized by the stocker operations and the remaining acreage is harvested. An additional 200 acres of sorghum was expected to be double cropped and harvested.

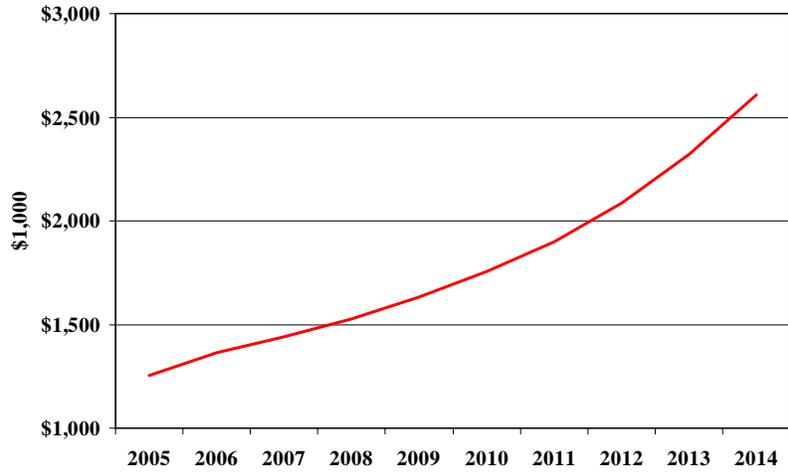
Over the simulation period, the projected net worth of the operation is expected to increase from its current \$1.4 million to over \$2.5 million by 2014. This increase occurs even in the face of declining cattle prices between 2006 and 2012. This increase is depicted in figure 1.

The ranch is anticipated to have an average annual net cash farm income of \$69,000 with possible outcomes ranging from \$39,000 to \$111,000. The risk profile (i.e. variability) of net cash farm income indicates that this could vary as much as \$80,000 below or \$50,000 above mean levels. Net cash farm income of the operation is correlated to cattle prices. With the increase in national cattle numbers, cattle prices are expected to decline until 2012. Net cash farm income for the operation is expected to follow this pattern until 2012. This is shown in figure 2.

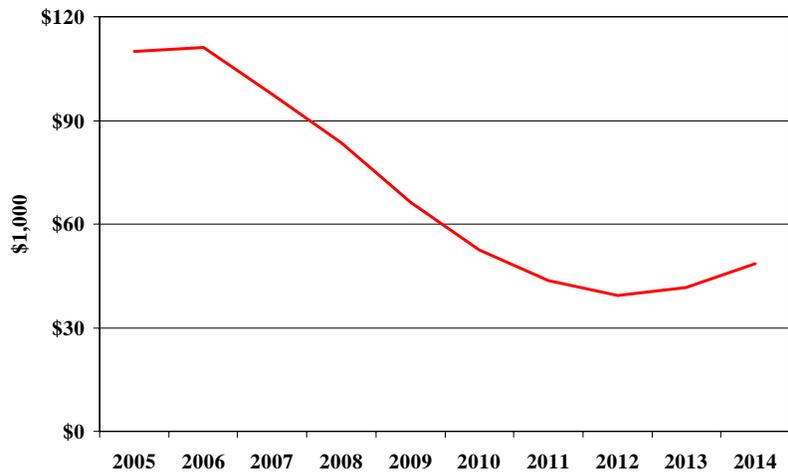
TTAP Enterprises has set financial goals of exceeding 5.25 percent return on assets and reducing the debt to asset ratio to below 43 percent prior to January 2007. Given the current projections, both goals should be met. These projections are shown in figures 3 and 4.

Ratio analysis of the operation shows an improving financial outlook over the planning horizon. TTAP Enterprises should start planning for any worst case scenarios that may happen.

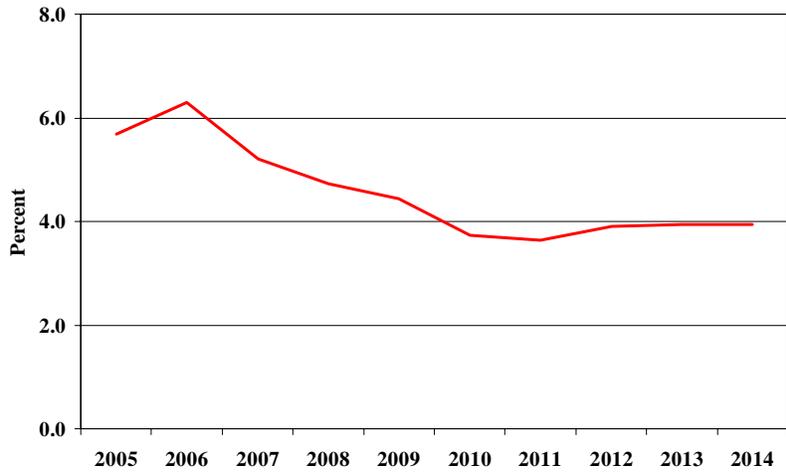
**Figure 1. Projected Real Net Worth
TTAP Enterprises**



**Figure 2. Projected Net Cash Farm Income
TTAP Enterprises**



**Figure 3. Projected Return to Assets
TTAP Enterprises**



**Figure 4. Projected Debt to Assets Ratio
TTAP Enterprises**

