

How Do I Answer Big Financial Questions?

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In “normal” times, big financial questions are: where are we, where do we want to go, and how can we get there?

Big financial questions today are:

- Is there enough cash to make it through these poor markets?
- If not, where will it come from?
- If I borrow more money, can my cows pay it back?
- Is my hard-earned equity safe?
- Can I afford to keep milking cows?

Important questions are rarely easy or quick to answer. From a farm business perspective, the FINPACK® financial planning and analysis software package is a top-notch tool to help farm businesses analyze and answer these questions. Farms select which components to use, depending on the questions they are trying to answer.

Where are we?

Using FINAN with enterprise analysis, a farm business can analyze their previous business year and identify which crop and livestock enterprises were profitable and which ones were not. It also analyzes the profitability of the total farm business. Profitability measures for the farm are graphically compared to Farm Financial Standards Council guidelines.

Additional debt, cow payback, and equity protection

The FINLRB software program allows a farm business to look at the “what ifs”. On paper, the farm can look at multiple ways of changing the business, such as taking on additional debt, expanding, changing enterprises, bringing in a family member, buying out a partner, making a major capital investment, etc. FINLRB allows you to look at changes, evaluate profitability, and compare them to the way things currently are *before* money is borrowed or invested or ground is broken.

Bottom Line: FINPACK is a powerful tool to help farm businesses analyze historical performance and project future profitability (or lack of profitability) of the existing business and potential business changes. Twenty-five Extension educators, specialists, and Ohio Farm Business Analysis program consultants are trained to use these tools with Ohio’s farms.

Sources of assistance:

The Ohio Farm Business Analysis and Benchmarking Program at 330-533-5538 or <http://farmprofitability.osu.edu>

Your County Extension Office,
<http://extension.osu.edu/lao#county>

More information about the FINPACK programs is available at <http://www.cffm.umn.edu/>

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<http://dairy.osu.edu/DIBS/dibs.html>

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