

MODIFIED CASH PROJECTIONS

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INTRODUCTION

A cash flow budget is needed to assure that daily financial obligations of the ranch can be met just as an individual needs adequate cash reserves to cover daily account withdrawals. Because ranch expenditures and revenues are much more difficult to predict than typical wages or living expenses, a cash flow budget needs to be more thoroughly planned and developed. If available, historical cash flow values can be used as a basis to make cash flow projections. As the year progresses, actual expenses and revenues are likely to deviate from projections, resulting in a need to analyze how these deviations will affect the financial liquidity and economic performance of the ranch. Within the Control Sheet, cash flow projections can be easily modified in a separate column (Column F) so that financial implications can be easily evaluated. Modifications can be made on individual categories that are shaded in light blue. Consistent with the rest of the ranch analysis worksheet, cells that are not shaded are determined from formulas. It is important to note that when the modification column is activated, the projected year end totals are used, not the actual cash year end totals. The following is an example of how the effects of two unforeseen cash flow changes can be evaluated.

EXAMPLE

It is mid-May and you have just been informed that your 4WD ranch truck has had an engine seize up from a hole that was knocked in the oil pan by a

ranch employee. A local mechanic quotes you a price of \$2,500.00 to put a rebuilt replacement engine in the truck. To top things off, five steer and five heifer calves have been found dead and are believed to have been killed by a lion that recently moved on your ranch. You would like to assess how these items will affect your overall cash profit per cow for the year.

Steps for evaluating these cash flow changes:

- 1) Go to the Control Sheet and verify that the Decision Control column is not activated. That is, if a "1" appears in cell H4, type a "0" in this cell to deactivate the planning sheets (see Figure 1).
- 2) Then enter the number "1" in cell F4. This will activate the modified column and override the Actual Cash Flow totals with the Planning Sheet totals.
- 3) Next record the net cash profit per exposed cow as reported in cell B21 of the Diagnostic Tree Per Exposed Cow. You are now ready to make the changes to the projected cash flow.
- 4) Return to the Control Sheet and enter -5 in cells F5 and F7, as shown in Figure 2, for the five spring steer and heifer calves lost.
- 5) The next change needed is the additional cost of the truck engine replacement. Make sure you are still on the Control Sheet. Scroll down to the Overhead Cost section of the Control Sheet until you reach cell F127 and enter \$2,500 (see Figure 3). This will be added to the current projected Repairs & Maintenance expenses of \$3,282 for a final adjusted total of \$5,783. If you would prefer to keep the engine replacement as a separate item, then you could enter the \$2,500 in cell F128 (see Figure 4). However

Figure 1. Modified Cash Flow

	Year End Year to Date Actual Cash	Projected Year End	If Cell F4=1 Projection Adjustments	New Total With \$ Change	If Cell H4=1 Then Planning Sheets Active	New Total With Planning Sheet
PAGE 1			1			
# of Spring Calves (Steers)	196	199		199		199
Spring Calf Price (\$ Per Head)	\$318.75	\$320.00		\$320.00		\$320.00
# of Spring Calves (Heifers)	161	159		159		159
Spring Calf Prices (\$ Hd.)	\$280.00	\$290.00		\$290.00		\$290.00
# of Fall Calves (Steers)	10	13		13		13
Fall Calf Price (\$ Per Head)	\$328.63	\$340.00		\$340.00		\$340.00
# of Fall Calves (Heifers)	11	12		12		12
Fall Calf Prices (\$ Hd.)	\$287.64	\$310.00		\$310.00		\$310.00
# of Yearling Steers						
Steer Price (\$ Hd.)						
# of Yearling Heifers						
Heifer Price (\$ Hd.)						
# of Cull Cows	23	11		23		23
Cull Cow Price (\$ Hd.)	\$535.87	\$536.36		\$535.87		\$535.87
# of Cull Bulls	5	6		5		5
Cull Bull Prices (\$ Hd.)	\$980.00	\$950.00		\$980.00		\$980.00

Figure 2. Calf Head Changes

	Year End Year to Date Actual Cash	Projected Year End	If Cell F4=1 Projection Adjustments	New Total With \$ Change	If Cell H4=1 Then Planning Sheets Active	New Total With Planning Sheet
PAGE 1			1			
# of Spring Calves (Steers)	196	199	-5	194		194
Spring Calf Price (\$ Per Head)	\$318.75	\$320.00		\$320.00		\$320.00
# of Spring Calves (Heifers)	161	159	-5	154		154
Spring Calf Prices (\$ Hd.)	\$280.00	\$290.00		\$290.00		\$290.00
# of Fall Calves (Steers)	10	13		13		13
Fall Calf Price (\$ Per Head)	\$328.63	\$340.00		\$340.00		\$340.00
# of Fall Calves (Heifers)	11	12		12		12
Fall Calf Prices (\$ Hd.)	\$287.64	\$310.00		\$310.00		\$310.00
# of Yearling Steers						
Steer Price (\$ Hd.)						
# of Yearling Heifers						
Heifer Price (\$ Hd.)						

to properly track the expense, you will have to go to the Actual Cash Flow sheet and enter Truck Engine Replacement in cell A165. The new heading will then automatically show on both the Projected Cash Flow Sheet and the Control sheet.

- Once you have finished adding in the truck engine replacement, return to the Diagnostic Tree Per Exposed Cow and record the net

cash profit per exposed cow in cell A19. The new number is -\$28.80 per exposed cow. So the net effect of the changes is an additional loss of -\$4.88 (-\$28.80 minus -\$23.92) per exposed cow.

From the example above you can see that the ranch must generate an additional income of \$4.88 per exposed cow if it is going to maintain the level of income projected at the start of the

Figure 3. Truck Repair

		Year End Year to Date Actual Cash	Projected Year End	If Cell F4=1 Projection Adjustments	New Total With \$ Change	If Cell H4=1 Then Planning Sheets Active	New Total With Planning Sheet
PAGE 1							
Equipment							
114	Parts:	\$1,335.00				SAME	
115	Tires:						
116	Fuel & Oil						
117	Repairs & Maintenance	\$5,471.00					
118							
119							
120							
121							
122	Sub Totals	\$6,806.00					
Auto/Vehicles							
123	Parts:					SAME	
124	Tires:						
125	Fuel & Oil	\$4,077.00	\$8,187.20		\$8,187.20		\$8,187.20
126	Repairs & Maintenance	\$2,345.00	\$3,283.00	\$2,500.00	\$5,783.00		\$5,783.00
127							
128							
129							
130							
131	Sub Totals	\$6,422.00	\$11,470.20	\$2,500.00	\$13,970.20		\$13,970.20

Figure 4. Truck Tracking

		Year End Year to Date Actual Cash	Projected Year End	If Cell F4=1 Projection Adjustments	New Total With \$ Change	If Cell H4=1 Then Planning Sheets Active	New Total With Planning Sheet
PAGE 1							
Equipment							
114	Parts:	\$1,335.00				SAME	
115	Tires:						
116	Fuel & Oil						
117	Repairs & Maintenance	\$5,471.00					
118							
119							
120							
121							
122	Sub Totals	\$6,806.00					
Auto/Vehicles							
123	Parts:					SAME	
124	Tires:						
125	Fuel & Oil	\$4,077.00	\$8,187.20		\$8,187.20		\$8,187.20
126	Repairs & Maintenance	\$2,345.00	\$3,283.00		\$3,283.00		\$3,283.00
127							
128	Truck Engine Replacement			\$2,500.00	\$2,500.00		\$2,500.00
129							
130							
131	Sub Totals	\$6,422.00	\$11,470.20		\$13,970.20		\$13,970.20

year. By determining this shortfall prior to the end of the fiscal year, you can possibly make adjustments to compensate for the shortfall and increase the chances of ending the year with a positive cash flow.

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