

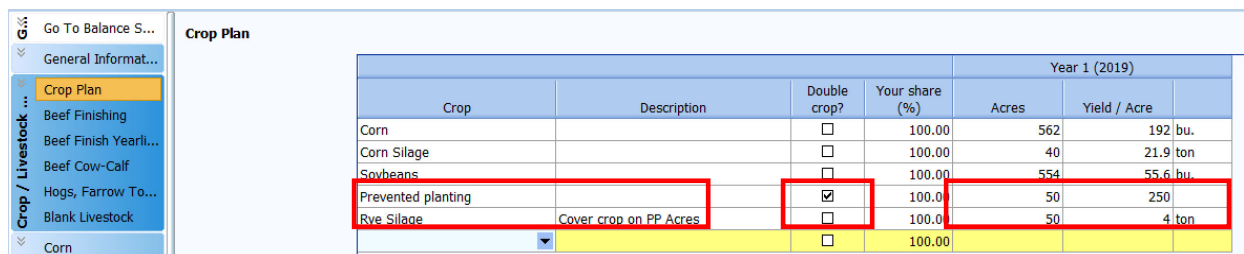
## Updating Cash Flows for Prevented Plant Acres

July 2019

Challenging production years lead to abnormally high levels of prevented plant acres. When this occurs, many revisit cash flow projections completed earlier in the year to consider the impact of prevented plant acres, including the addition of cover crop plantings. The following provides recommendations and considerations when working through cash flow projection updates for prevented plantings.

### Prevent Plant Acres

One of the key components for prevented plant acres, especially when cover crops are planted for intended harvest, is getting the number of acres correct in the cash flow projection. Prevented planting can be selected as a Crop in the cash flow Crop Plan data entry page, as has been done below. This process is applicable for both Annual and Monthly types of cash flow projections.



Crop Plan				Year 1 (2019)		
Crop	Description	Double crop?	Your share (%)	Acres	Yield / Acre	
Corn		<input type="checkbox"/>	100.00	562	192 bu.	
Corn Silage		<input type="checkbox"/>	100.00	40	21.9 ton	
Soybeans		<input type="checkbox"/>	100.00	554	55.6 bu.	
Prevented planting		<input checked="" type="checkbox"/>	100.0	50	250	
Rye Silage	Cover crop on PP Acres	<input type="checkbox"/>	100.0	50	4 ton	
		<input type="checkbox"/>	100.00			

In this example, the Prevent Plant acres have been entered in the Crop Plan to account for all acres. The crop insurance payment per acre can be entered as the yield for ease of calculation. Another alternative is to manually calculate the income and enter it in Other Cash Flows (see below). If a cover crop is planted for harvest, Prevented Planting crop acres are Double Cropped, meaning these acres will not be counted as additional acres in the total crop acre count for the projection. In our example, Rye Silage is planted as a cover crop on the prevented plant acres. This crop is intended to be harvested for feed purposes later in the year. Therefore, capturing the intended production of these cover crop acres is an important component of the projection. These acres are not designated as double crop acres, meaning they contribute to the total crop acres of this farming operation. Within Crop Plan data entry, also consider the impact of prevented plant acres on the original crop plan. What acres originally planned for production need to be reduced because of the prevented plant situation? Also, was the original Crop Plan modified with a different crop mix because of the delayed planting situation?

# Prevent Plant Income

If entered as yield in the Crop Plan, the income expected from crop insurance for the prevented plant acres is entered in the Prevented Planting Crop Inventory page. This crop inventory page is automatically generated from Crop Plan data entry. The “production” is sold at a \$1 value here. This brings the prevented planting income into the projection, as seen below.

Prevented planting	
Crop	Prevented planting
Year 1 2019	
Beginning inventory	
Production	12,500
Quantity purchased	...
Purchase price	... \$/
Total purchase cost	
Total available	12,500
Quantity sold	12,500 ...
Sale price	1.00 ... \$/
Sales income	12,500
<b>Quantity fed</b>	0
Ending inventory	
Beginning inventory value	\$/
Ending inventory value	\$/

If other sources of income, say EQIP funds, will be received on prevented planting acres, the income is entered in Other Cash Flows data entry for annual and monthly types of cash flow projections. This of course can be entered in detail to further notate the particulars of the income received. In our example, EQIP funds have been entered as an Other Government Payment cash inflow. If preferred, prevented planting funds can be entered directly as an Other Cash Flow. If income is entered as Crop Insurance Income here Prevented Planting acres are optional in the Crop Plan.

Other Cash Flows				
<input checked="" type="checkbox"/> Show historic data				
	Year 1 2019	Last Year	3 Year Avg.	5 Year Avg.
CCC market loan gain				
LDP payments				
Crop government payments	15,113			
CRP payments				
<b>Other government payments</b>	10000 ...			
Custom work income				
Patronage dividends, cash	150			
Crop insurance income				
Property insurance income				
Other farm income	1,751			
Personal wages & salary	57,425			
Personal business income				
Personal rental income				
Personal interest income				
Personal cash dividends				
Tax refunds				

Description	Year 1 2019
EQIP	10,000

Of course, if an existing cash flow projection is being updated to reflect prevented plant acres, operating expenses may also need to be modified. Consideration should be given to both direct and overhead expenses related to the prevented plant acres.

## Budgets

When a monthly cash flow projection with crop and livestock budgets is prepared and needs to include prevented plant acres, this inclusion can be accomplished in the crop budgets. Then the appropriate Crop Plan is designated in the cash flow projection.

The image displays two screenshots of a budgeting software interface. The left screenshot shows the 'Prevented planting, DbICrop' budget. The 'Double crop' checkbox is checked. The budget details table shows a yield of 250, a price of 1.00, and a product income of 250.00. A 'Miscellaneous income' entry is also present with a price of 200.00. The right screenshot shows the 'Rye Silage, Cover Crop' budget. The budget details table shows a yield of 4 ton, a price of 20.00, and a product income of 80.00. A 'Miscellaneous income' entry is also present with a price of 80.00. Both screenshots show a 'Detail: Miscellaneous income - Long Range' window with a table containing one row: 'EQIP' with a quantity of 1, a unit price of 200.00, and a total of 200.00.

Here are the updated crop budget examples for our prevented planting acres and the cover crop.

In this example, the Prevented Planting budget is designated as double crop and the income information is included in the budget details. The expected insurance payment per acre is included as the yield, with a price entry of 1. In addition, the EQIP payment related to these acres is included as Miscellaneous Income in the budget, again on a per acre basis. When Prevented Planting acres are included in a monthly cash flow projection utilizing this set of budgets, these income sources are automatically included as the appropriate levels. Like the previous example, the “production” on Prevented Planting acres will be sold in Prevented Planting Crop Sales data entry. Use a price of \$1 to include the prevented planting insurance income here. The miscellaneous income from EQIP will automatically be included and can be viewed as miscellaneous crop income in the cash flow projection output. An alternative would be to include these payments in Other Cash Flows, as in the previous example.

Secondly, these budgets include a cover crop of rye silage. This crop is intended for harvest, so not only are the expected direct expenses included in the budget for this cover crop planting, but the production is as well. Again, selecting this budget and entering the appropriate number of acres in the cash flow projection will include the production and appropriate direct expenses. Any other related operating expenses (fuel, repairs, etc) will be entered directly in the cash flow projection.

FINFLO: 2019 Monthly w. Budgets [modified]

Go To Balance S...  
Go To Budgets  
General Informat...  
Crop Plan  
Beef Finish Yearli...  
Beef Finishing, N...  
Blank Livestock  
Corn

**Crop Plan**

Crop budget	Share %	2019 Acres	2020 Acres (optional)
Corn	100%	562	604
Corn Silage	100%	40	40
Soybeans	100%	554	562
Prevented planting, DblCrop	100%	50	
Rye Silage, Cover Crop	100%	50	
	100%		

As shown above, the Crop Plan data entry in a cash flow projection with crop and livestock budgets is modified to include the appropriate number of prevented plant and cover crop acres. In addition, the other crop acres may need to be updated to reflect the prevented plan situation.

Here, the total acre count will be correct, as our prevented planting acres were designated as double crop. In addition, the proper production, income, and direct expenses will be included in projection. As stated before, related operating expenses will need to be reviewed and potentially modified.

## Summary

Prevented plant acres are (hopefully) a sporadic occurrence for farming operations. The FINPACK Team hopes these considerations and recommendations help make updating cash flow projections easier to reflect the actual situation for the production year.