



Producers can manage financial risk through cash flow

By James Sedman and John Hewlett

Agricultural producers are collectively facing a period of great financial uncertainty in the coming months.

As more banks fail around the region and other creditors come under tighter scrutiny and regulation, producers will most likely find it difficult to access all types of credit.

Lenders will require increasingly detailed, accurate, and up-to-date financial statements, including cash flow projections. Producers will increase their chances of making sound risk management and operating decisions, in addition to securing and keeping lines of credit, by preparing these statements.

Using Cash Flow Projections/Budgets in Your Business

Cash flow projections are the best estimate of projected inflows and outflows of a business. There are three main benefits to using cash flow projections. First, these financial statements, whether used for the entire farm business or individual enterprises within the business, establish target levels of income and expenses that are used to monitor advancement toward the goals of the business. Second, cash flow planning helps identify potential



problems that might arise in meeting payments and other financial obligations throughout the year, both in timing and total revenue streams. Third, cash flow projections can show when revenue is available for new investments.

A complete cash flow projection should include all necessary expected monthly receipts and disbursements. These projections should be based on a combination of past revenues and expenditures and future estimates. Cash flow budgeting is extremely useful on an enterprise level, especially in operations with more than one enterprise, such as crops and livestock. Once all the cash inflows, outflows, and projections have been made, individual enterprise budgets

can be combined to create a whole-farm cash flow projection. There are numerous commercial financial software options available to fit almost any operator preference in terms of scope and depth of reports. There are many less expensive (and often free) options that work with existing spreadsheet programs, such as Excel.

What Your Lender Looks For

Lenders tend to concentrate on certain figures and ratios when examining cash flow projections for a coming year. One is the overall borrowing capacity necessary to service the business. By having a sound cash flow projection, the manager can more accurately predict when borrowing will be necessary on operating or other lines of credit. Lenders

must also examine cash flow projections for the ability to service debt or repayment capacity. The lender will want to see a cash flow projection that is detailed, well thought-out, and takes into account past receipts and expenditures, as well as future expectations.

For More Information

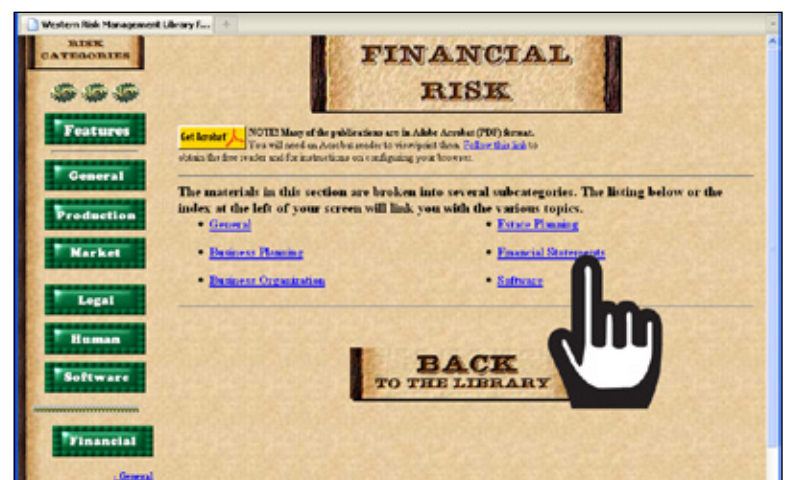
There are a wide variety of options available online for producers to find cash flow projection information and spreadsheets. The Western Risk Management Library at agecon.uwo.edu/riskmgmt contains a wide selection of articles, presentations, and software developed for producers and professionals.

For information and software pertaining to cash flow projections

and budgeting, click on the "Financial" risk management link (see at left) and follow the links (see below) to the relevant topics.

For more information on this and other risk management topics on the Web, visit the Western Risk Management Library at the above address.

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Managing trichomoniasis (trich) disease in Wyoming

By Hudson Hill

My first experience with trichomoniasis – 'trich' (pronounced "trick") – came years ago while working as a farm and ranch management advisor.

Trich is a venereal disease that can cause infertility and abortions in cows. Caused by a flagellated protozoan that infects the reproductive

tract of the animal, the disease is only spread from one animal to another through sexual contact.

I was working with a ranching family that was trying to grow the ranch to a size that would accommodate one of their sons in the operation. They were purchasing property and expanding cow numbers and came across four or five cows they purchased really cheap. To make a

long story short, they ended up with 140 cows that were open.

That choice to purchase some cows really cheap negatively affected that operation economically, and that impact still lingers 10 years later. As most people reading this article will realize, this is an extreme example; however, what I hope it shows is that trich is a disease that, year after year, has a profound economic impact on the cattle industry.

Trich is an all-too-common infectious disease in Wyoming. There has been a positive case in at least 14 counties the last three years. There are a few things every cattle producer interested in managing the disease should know:

- Infected animals show no consistent visible symptoms
- There is no therapeutic treatment for trichomoniasis
- The protozoan that causes the disease lives in the skin folds of the reproductive tract
- Trichomoniasis can only enter your herd through contact with a positively infected animal
- The disease can reduce a ranch's calf crop up to 50 percent
- Semen quality and sexual behavior does not change in an infected animal
- Bulls are considered infected with trich for life

- Cows may overcome the disease in two to six months

Producers manage the disease two ways: keeping the disease out of a non-infected herd or managing the disease within an infected herd. In both situations, the strategies may seem simple – they are. Don't let a bull that is positive breed with a cow that is susceptible to being infected, and don't let positive cows breed with bulls that are susceptible. In both situations, proper managing is essential. The following is a list of strategies to use:

- Purchase virgin tested bulls and heifers from reputable sources
- Sell all open cows to slaughter
- Test all bulls
- Keep your bull battery as young as possible
- Use artificial insemination where possible
- Employ a defined breeding season (trich may go unnoticed in continuous systems)
- Use one bull in small breeding groups
- Minimize comingling/co-grazing
- Avoid buying open or short bred cows
- Vaccinate
- Identify herd sires
- Good fences make good neighbors

These management techniques will combat the disease in every situation; however, they are not uniformly successful across all ranching regimes.

Trichomoniasis is a disease that is very hard to diagnose within a herd, and there are several qualities about the disease that make trich a very sneaky disease. Most cows will overcome the disease when allowed time; however, there is talk a chronically infected cow will carry a calf to full term while trich positive. The disease seems to have the ability to hide in a herd for some time and then return.

Although none of these strategies are a silver bullet to eliminate the disease from a herd, through good management cattle producers can limit the risk of their herd contracting the disease and then manage to get rid of the disease. In every management situation and ranching operation, trich is a health consideration.

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Photo by Scott Bauer, USDA