



# FARMS



Financial Analyses and Risk Management Strategies

SWMCF-1

Bridging the Gap Between Ag Policy and Farm Finances

October 1999

## Southwest Tennessee Moderate Cotton Farm



1,735-Acre Cotton Farm  
In Fayette County

**Land Owned:** 285 Acres  
**Land Leased:** 1,450 Acres  
**Cash Rent:** 725 Acres  
**Share Rent:** 725 Acres

### Enterprises

**Cotton:**  
837 Acres



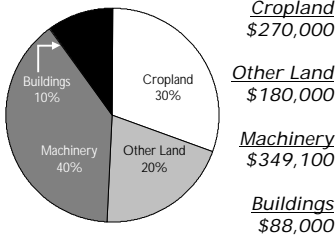
**Corn:**  
168 Acres



**Soybeans:**  
670 Acres



### Farm Assets — \$887,100



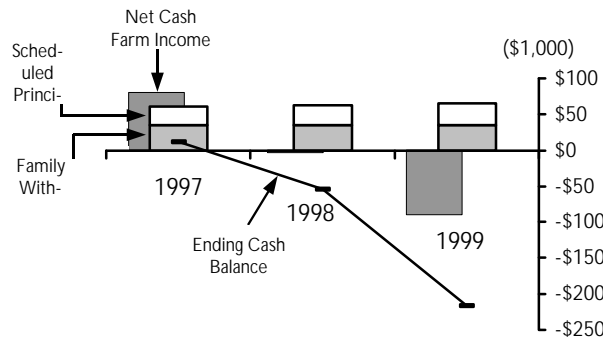
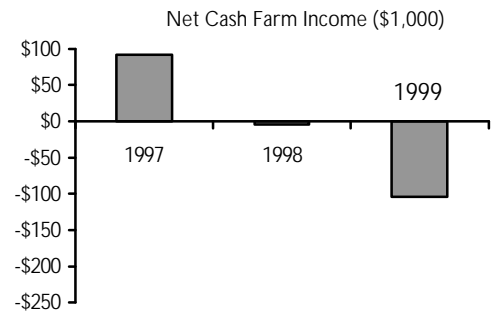
### Assumptions

- No 1997 Beginning Cash Reserves
- Debt Load Is 40%
- 1998 Market Loss Payment Is 50% Of 1998 AMTA Payment
- 1999 Special Government Payment Is 100% Of 1999 AMTA Payment
- Family Withdrawal Is \$35,000/Year
- No Off-Farm Income Considered

## Southwest Tennessee Moderate-Size Cotton Farm

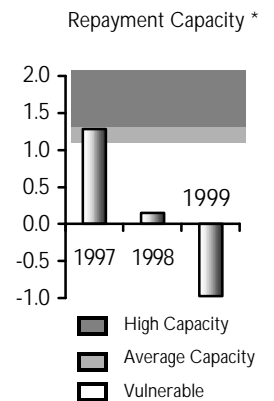
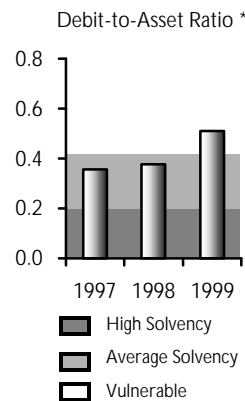
### Cash Flow Problems and Slipping Financial Strength May Hinder Ability To Secure Credit

*Negative Net Cash Income In 1998 And 1999 Result From Reduced Receipts*



*Reduced Net Cash Incomes Cause Cash Flow Problems In 1998 And 1999*

*Farm Financially Vulnerable In 1999; Must Restructure Debt If Possible To Cover Scheduled Principal Payments*



\* See Table 5 for definition.