

# Financial Management

Because Lotto Max is not an actual life plan!

# A Quick Roadmap

- Vision
  - Mission
- Economics
- Finance
- Triple Bottom Line Accounting
- The Man in Black Rule
- 7 Why's
- STOP
- Big Things First
- Accounting Again



# There are No Financial Problems

- Money does not create happiness
- Money is a very impartial tool that can be used to accomplish some life goals

# Pillars of Financial Management

- Pre-Economics
  - Do I want to do it?
- Economics
  - Should I do it?
- Financing
  - Can I afford to do it? How will I pay to do it?
- Accounting
  - How is it working? Should I keep doing it?

# Vision

- Aspirational, Inspirational, Motivational
- Why do we exist
- Strive to Attain the Unattainable – Does not require rewriting
  
- The Best Beef In a Better World
  
- Less than 10 Words
- Framework for decision making – Simplifies Financial Management

# Mission

- 3 to 5 year attainable goal
- Needs to be revisited and rewritten every 3 to 5 years
- Accountability to these goals
  - Who is doing it
  - When are they doing it by
  - Who do they answer to
  - Consequences
- **YOU AND YOUR FAMILY NEEDS TO UNDERSTAND THIS!!!**

# Economics

- Does the investment provide a return?
- Is the return worth my time?
- Does the return equal the risk? As risk increases, return has to increase!
- What is the best case scenario?
- What is the worst case scenario?
- Can I weather the worst case?
  - Eg: Packing Plant
- Is my Wife/Family On Board (or at least they don't care)?

# Financing

- Can I afford to pursue my great idea?
- Where is the money coming from?
  - Remember to get a 10% return on borrowed money, it has to generate 15% at a 5% interest rate.
- Rule of Thumb
  - You can borrow for land, cows or machinery but not all three at once...



# Accounting

- Definition - : the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results; *also* : the principles and procedures of accounting (Merriam-Webster)
- This is Correct and This is WRONG
- Accounting is a verifiable system of recording and analyzing important information.
- Accounting is a tool to frame objective discussion
- What is IMPORTANT?

# Triple Bottom Line

- Economic
- Environmental
- Social



- How are You Going to Measure It?

# Environmental

Comparing: Photo 4 - (PP-01 SE14CT - Coulee Top)

Wipe  Fade  Side-By-Side



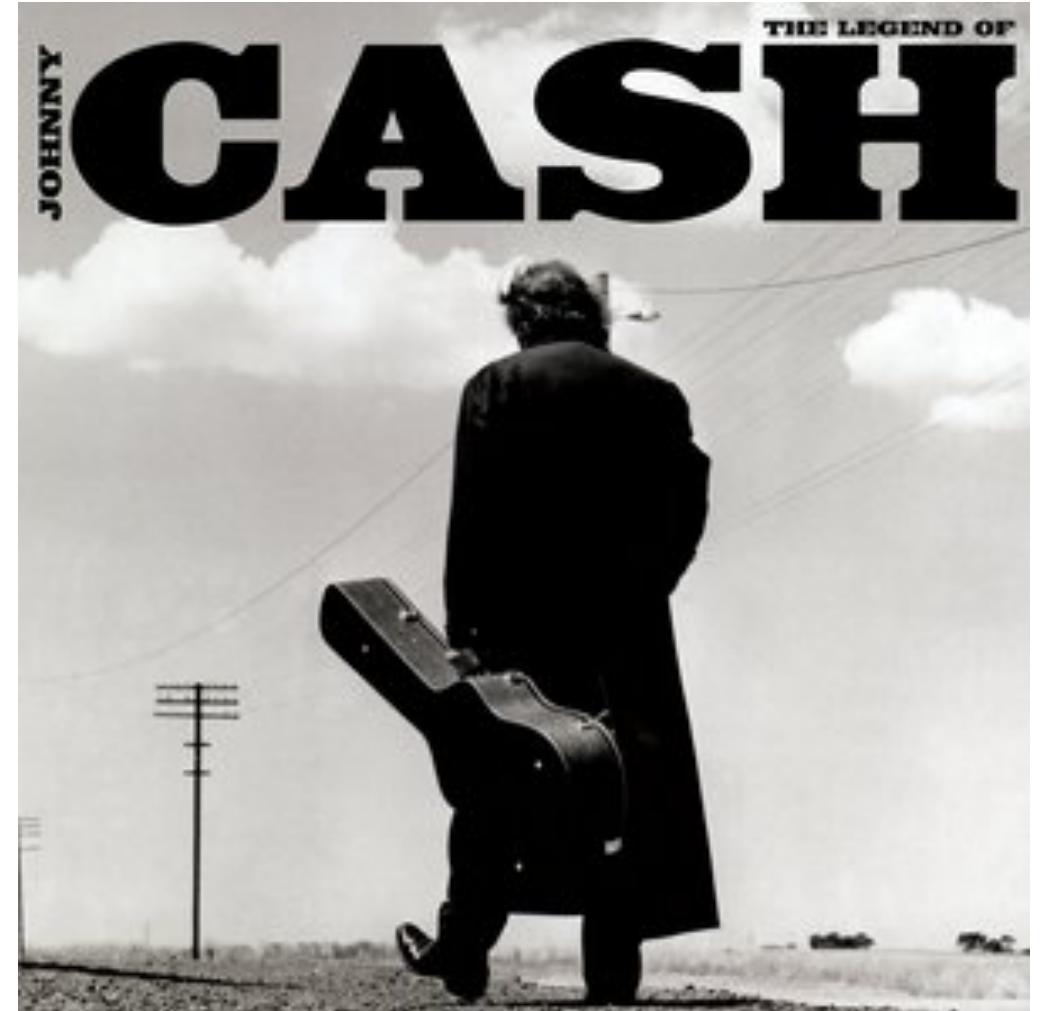
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Newer: 2014-09-16



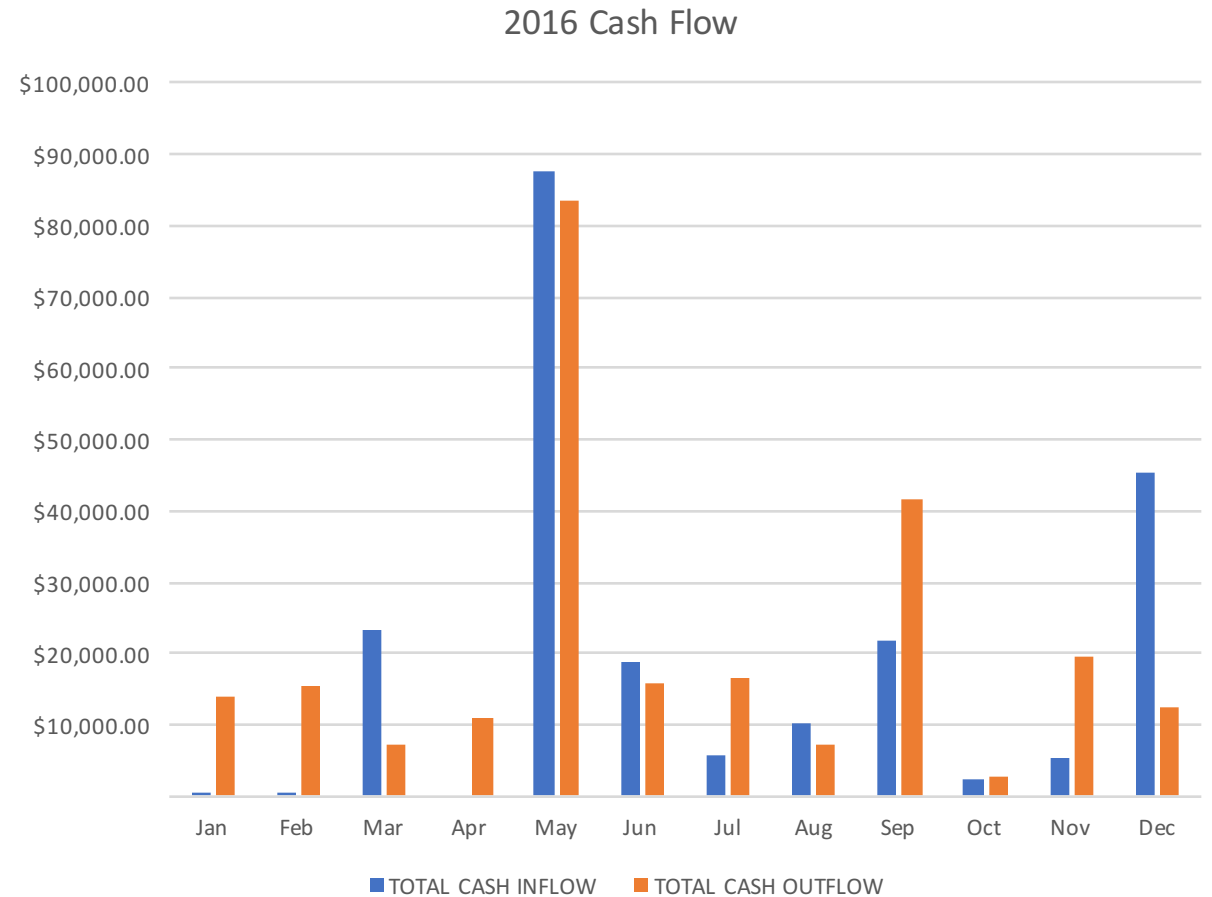
# The Man in Black Rule

- **CASH IS KING**
  - Almost no one is scared of debt
  - Nearly everyone is scared of cash flow
    - House Example



# Tools

- Graph your cash flow by month
- Tight Months (Hint: Red > Blue)
- Then Use Financials to determine exactly where the Cash is going



# The Biggest Problem

Income < **Expense**

That is a Challenge

A lot of people are unaware of this

A lot of people avoid this issue

That is a BIGGER problem than Income < **Expense**



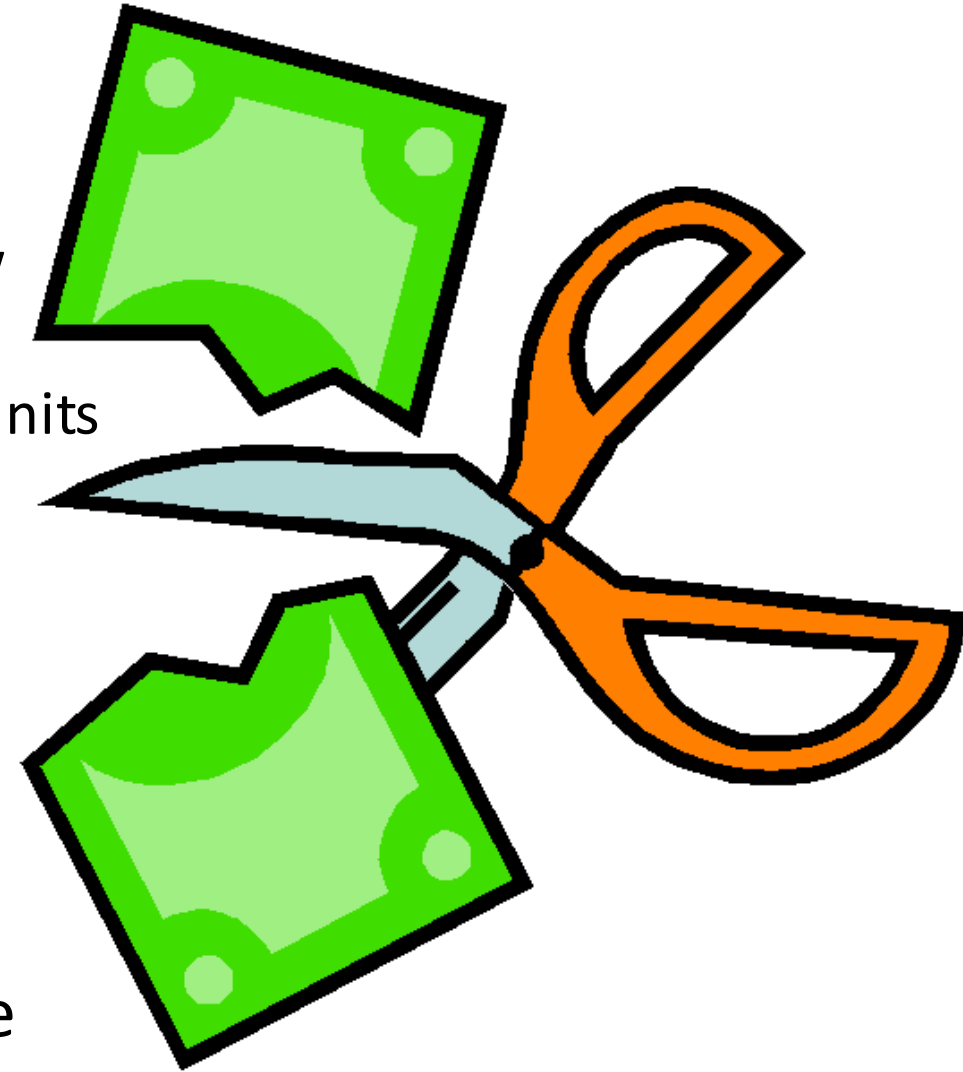
# Making Changes

- Big Problems Require Big Changes
- If there is a hole in the boat, buying new oars does not solve the problem



# Cutting Costs

- Fixed vs. Variable
  - Fixed – cost per unit is the same no matter how many units
  - Variable – cost per unit changes as number of units change
- Land?
- Tractor?
- Vaccine?
- Feed?
- Capital Costs are nearly always variable. We can change them.





# STOP

- Don't waste your time on little things
- Look at your biggest expense
- What if I STOP doing that?
  
- Diesel Fuel
  
- Pennies make Dollars after the Dollars are looked after



# The Two Year Old Rule

- 7 Whys
- I feed cows all winter
  - Why?
- They will go hungry if I don't
  - Why?
- Because I don't have grass left over
  - Why?
- If you can ask yourself why 7 times and continue to have a good answer, it is a practice you can continue.



# Value Proposition

- Cutting costs sucks – It is not inspirational or aspirational
- Cutting costs is a vitally important dead end street
- Must have a value proposition beyond “I am the cheapest provider”
- What can you do to make your product better?
- What is your Value Proposition?
  - Family
  - Ecosystem
  - Health
  - Other
- VISION

# Invest and Grow

- Most Overlooked Investment
  - Yourself
  - Your Spouse
  - Your Family
- Education, Training, Mentoring
- Do you need land to farm/ranch?

# Increasing Revenue or Increasing Margin

- Diversify or....
  - Marketing or...
  - Different Business
- 
- Marketing Advice – **AN ATTITUDE OF GRATITUDE!!!**

# Back to Accounting !!!

## Most Valuable Thing to Measure

- Most Valuable or Limited Resource
- Hint – It's not MONEY, they print more of that every day!
- TIME
- ACCOUNTABILITY is more important to financial success than ACCOUNTING

# Tools

- Calendar
- Track your time
  - Are you doing useful things?
  - Are you doing things to accomplish your mission or fulfill your vision?
  - Do you have a life?
- Financial management should create time not use it.

# Risk Management

- Don't overlook this...
- Price
- Crop
- Moisture
- Calf Price
- Environmental



# Finally...

- Homework
- 3 things you need to have written down
  - A vision
  - A mission
  - A will