# Financial Planning for Beef Operations

**Major changes in beef prices can get producers thinking about the financial position of their farms and wondering what the next step should be.**

## Prepare, review and adjust your financial budgets/cost of production annually.

Tracking the financial performance of your business is essential in making good management decisions. Preparing and reviewing budgets on an annual basis allows you to see the impact of decisions and make any adjustments as needed. Create or update a net worth statement every year end and consistently do it at the same time each year. Completing this statement has the added benefit of gathering much of the information you need for AgriStability, such as crop and livestock inventory, accounts payable, accounts receivables, deferred income and receivables, and purchased inputs such as fertilizer. This financial information will also help complete a budget and identify your cost of production.

There are industry benchmarks and guidelines that can be used to see how your operation compares to similar operations. Review the budget and update to capture implemented business decisions.

## Review financial ratios on an annual basis and engage in a conversation with your lender(s).

Lenders use common financial ratios to determine three things:

1) Can the farm afford any new financing requests?
2) Does the farm have the ability to repay the new loan?
3) What can be used as security to secure the loan?

Financial analysis provides information for both the lender, and you, as the business owner. It is a good strategy to look at three to five years of financial results for your operation to capture highs and lows for the business. These historical years will provide trendlines that you can compare the current year's financial ratios against to determine how the business is performing.

Common ratios, such as working capital, debt service coverage and leverage, provide a good check up on the financial health of the business and can pinpoint areas for review if the ratios are tracking offside. The more fluent you become in the language of financial analysis, the better you will be able to make decisions based on solid financial information. Consider talking to your lender on a regular basis to build a solid relationship so that topics can be discussed and plans implemented, if needed.


- For more information, contact a Farm Management Specialist
- Email us at mbfarmbusiness@gov.mb.ca
- Toll free at 1-844-769-6224


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## Be efficient with debt financing and repayment.

Every farm has debt, and the level of financing needs to fit the cash flow capacity of your business. Conducting a “What-If Analysis” for any planned equipment or land purchases in the next fiscal year will help you determine if the business can carry that increased debt. Layer those proposed debt payments into your financial budgets to see if the farm can still make the increased payments and maintain debt service coverage requirements. Go one step further and drop prices by a large percentage to determine the impact on the financial ratios. Ensure that existing, and any new financing, loan payments match the cash flow timing of sale of inventory. Another strategy may be using free cash to pay down existing debts.

## Establish an off-farm saving plan and make regular contributions.

The best time to start saving for retirement is today. Funds invested in off-farm savings can become part of the transition plan and may be gifted to non-farming children in the future. Regular contributions to savings, such as Tax-Free Savings Accounts (TFSA), will allow funds to grow tax-free for future use. If you have young children, regular contributions towards their education through Registered Education Savings Plans (RESP) will set them up for their future. Talk with your financial planner to determine the strategies for off-farm savings that work for you.

## Meet with your team of advisors annually.

Meet with your accountant before year-end to review the financials for the farm to determine if any year-end planning is required. For example, record cattle prices can put the farm in a tax owing position, and it may be possible to reduce the tax bill through actions such as pre-buying inputs, equipment upgrades, or incorporating the business.

Schedule a meeting with your accountant well in advance of the business’s year-end to develop and implement tax strategies. Look ahead to determine if there will be any additional revenues coming to the business. Come prepared, bringing the most current financial statements with you to the meeting or sharing this information in advance with your accountant. Be prepared to discuss any planned equipment purchases, as well as crop and livestock plans for the coming year.

If you are considering downsizing or retiring, it is even more critical to reach out to your trusted professional advisors for advice on tax planning strategies.

## Plan and prepare.

Planning from a position of knowledge will help ensure timely decisions are made for reaching short- and long-term financial goals. Take the time to prepare and set up a pre-tax planning appointment with your trusted professional advisors. Do not spend money just to spend money without talking to your accountant and team of trusted advisors. In a profitable year, pay attention to the potential for tax liabilities.

Find more financial planning resources on the [Financial Management page](Financial Management page).