

Income Needs Analysis

Part I. What level of annual spendable income do you want/need?

Estimated/expected needs or wants:

	Your Farm
A. Family living expense	_____
B. Debt service (principal due on term debts)	_____
C. Carryover debts (principal due on carryover operating debt)	_____
D. Income and self-employment social security taxes	_____
E. Reinvestment in the farm business	_____
F. Savings for children's education and retirement contributions	_____
G. Other wants and needs	_____
H. Total income needed (sum A through G)	=====

Estimated/expected amount the farm must provide:

I. Less expected net non-farm income available to meet needs	_____
J. Total annual income needed from the farm (H - I)	=====

Part II. Gross revenues required to produce desired spendable income based on actual past performance

Historical Performance *(from your farm records)*

K. Net farm income from operations ratio (NFIFO ratio)

$$\begin{array}{rcl} \text{Net Farm Income} & & \underline{\hspace{2cm}} \\ \div \text{ Gross Farm Revenues} & & \underline{\hspace{2cm}} \\ = \text{ NFIFO} & \mathbf{K.} & \underline{\underline{\hspace{2cm}}} \end{array}$$

L. Asset turnover ratio

$$\begin{array}{rcl} \text{Gross Farm Revenues} & & \underline{\hspace{2cm}} \\ \div \text{ Farm Assets} & & \underline{\hspace{2cm}} \\ = \text{ asset turnover} & \mathbf{L.} & \underline{\underline{\hspace{2cm}}} \end{array}$$

Results: Revenue and Capacity Requirements

M. Gross farm revenues required to generate needed spendable income

$$\begin{array}{rcl} \text{Total Needs (J)} & & \underline{\hspace{2cm}} \\ \div \text{ NFIFO ratio (K)} & & \underline{\hspace{2cm}} \\ = & \mathbf{M.} & \boxed{\hspace{2cm}} \end{array}$$

N. Assets required to generate gross revenue

$$\begin{array}{rcl} \text{Required Gross Revenues (M)} & & \underline{\hspace{2cm}} \\ \div \text{ Asset Turnover Ratio (L)} & & \underline{\hspace{2cm}} \\ = & \mathbf{N.} & \boxed{\hspace{2cm}} \end{array}$$