Income Needs Analysis

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

Estimated/expected needs or wants:

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)
   
   Net Farm Income
   \[ \div \] Gross Farm Revenues
   = NFIFO

L. Asset turnover ratio
   
   Gross Farm Revenues
   \[ \div \] Farm Assets
   = asset turnover

Results: Revenue and Capacity Requirements

M. Gross farm revenues required to generate needed spendable income
   
   Total Needs (J)
   \[ \div \] NFIFO ratio (K)
   =

N. Assets required to generate gross revenue
   
   Required Gross Revenues (M)
   \[ \div \] Asset Turnover Ratio (L)
   =