

Narrative for Example 2006 CHAMP Firm (updated 4/14/2006)
Acme Custom Harvesting (ACH)

Don't worry about whether the values are realistic or not – the intent is to convey “how-to” examples to aid filling out the forms.

INFORMATION PAGE:

1. Father/son operation (father is 60 years old, son is 30 years old)
2. ACH is operated as a partnership
3. ACH has been in operation for 29 years
4. ACH typically runs combines 2 years
5. ACH typically buys used combines (one to two years old)
6. Father has a farm and son has a trucking business (this implies that the “custom harvesting business” has two side business – farming and trucking)
7. Father devotes 60 percent of his total time in the year to the harvesting business and the son devotes 70 percent of his time to the harvesting business.
8. ACH typically spends 6 months of the year in actual harvesting.
9. ACH harvested for 37 customers in 2006.
10. The firm provided yield map information to 7 customers in 2006.
11. About half of the crew members stay with ACH for two years and the rest work for ACH only one year.
12. At the seasonal peak, ACH has a total of 7 employees involved.
13. At the peak, there are three family members involved with ACH, 1 of them a foreigner
14. At any given time ACH typically runs three machines. In 2006, during fall harvest one of ACH's combines sat idle for three weeks while the other two machines were being used, so assumed to be about 2.8 machines on average.
15. The purchase of combines (typically, used) are generally financed through the dealer.
16. ACH gets its combine insurance from John Deere.
17. The majority of ACH debt is on combines with the dealer at 7.0%. ACH also has a small operating line of credit with its local bank with an interest rate of 8.0% (guessed at 7.2%).
18. In a “fair,” “poor,” “good” scale ACH believed it had a “fair” year in 2006.

COMBINE PAGE (schedule A):

On January 1, 2006 ACH owned a 2003 JD 9650 and a 2004 JD 9660. The 2003 model was traded for a 2005 9650 in February of 2006. Following wheat harvest in 2006, ACH traded the 2004 JD 9660 for a 2006 JD 9660 with 420 separator hours. In 2006, ACH leased (3-year lease) a 2004 Case-IH 2388. The following is specific information pertaining to ACH's combines:

2003 JD 9650

No yield monitor or GPS; no 4wd
1800 separator hours when traded
Estimated 1/1/06 value – \$100,000
Traded for 2005 JD 9660 in February 2006 (the 2003 JD was not used in 2006)

2004 JD 9660

Yield monitor but without GPS; no 4wd
1350 separator hours – January 1, 2006 (put on 250 hours in 2006 harvest)
Estimated 1/1/06 value – \$120,000
Traded for 2006 JD 9660 after 2006's wheat harvest
1600 separator hours when traded
Estimated value when traded – \$110,000

2005 JD 9660

Yield monitor and GPS; no 4wd
650 separator hours when purchased
Purchased in February (traded in the 2003 JD 9650); paid \$30,000 boot
1250 separator hours at end of 2006 (put on 600 hours in 2006 harvest)
Estimated 12/31/06 value – \$120,000

2006 JD 9660

Yield monitor and GPS; has 4wd
420 separator hours when purchased
Purchased in August (traded in the 2004 JD 9660); paid \$60,000 boot
670 separator hours at end of 2005 (put on 250 hours in 2006 harvest)
Estimated 12/31/06 value – \$140,000

2004 Case-IH 2388

Yield monitor and GPS; no 4wd
Estimated 1/1/06 value – \$110,000
Annual lease payment (due in March) – \$39,000
800 separator hours at beginning of 2006
1375 separator hours at end of 2006 (put on 575 hours in 2006 harvest)
Estimated 12/31/06 value – \$100,000

PLATFORM PAGE (schedule B):

ACH has the following platforms and headers:

- 1999 JD 8-row 30" corn heads (2)
 - Estimated value 1/1/06 – \$15,000 each
 - Traded for 2003 JD 8-row corn heads (2) in February

- 2003 JD 8-row 30" corn heads (2)
 - Purchased in February (traded '99 models), paid \$5,000 boot each
 - Estimated value 12/31/06 – \$18,500 each

- 2004 Case-IH 8-row 30" corn head
 - Estimated value 1/1/06 – \$20,000
 - Estimated value 12/31/06 – \$18,500

- 2002 JD 25' flex head
 - Estimated value 1/1/06 – \$11,000
 - Estimated value 12/31/06 – \$10,500

- 2001 Case-IH 20' flex head
 - Estimated value 1/1/06 – \$9,700
 - Estimated value 12/31/06 – \$9,300

- 2003 30' rigid grain platform
 - Estimated value 1/1/06 – \$9,000
 - Traded for 2005 30' rigid grain platform in February 2006, paid \$1,000 boot

- 2004 30' rigid grain platform
 - Estimated value 1/1/06 – \$9,200
 - Traded for 2006 36' draper after 2006's wheat harvest, paid \$11,000 boot

- 2005 30' rigid grain platform acquired in trade described above
 - Estimated value 12/31/06 – \$9,500

- 2006 36' draper grain platform acquired in trade described above
 - Estimated value 12/31/06 – \$18,000

- 2004 Case-IH 30' rigid grain platform rented with combine

NON-COMBINE HARVESTING EQUIPMENT PAGE (schedule C):

In addition to the combines and headers listed on schedules A and B, ACH has the following harvesting equipment:

1999 Kenworth semi and grain trailer

Estimated value 1/1/06 – \$25,500
Miles used in harvesting 2006 crops – 20,000
Miles used in trucking business in 2006 – 30,000
Total miles at end of 2006 – 600,000
Estimated value 12/31/06 – \$23,000

1997 Peterbuilt semi and grain trailer

Estimated value 1/1/06 – \$23,000
Miles used in harvesting 2006 crops – 10,000
Miles used in trucking business in 2006 – 28,000
Total miles at end of 2006 – 450,000
Estimated value 12/31/06 – \$21,100

1991 IH tandem-axle

Estimated value 1/1/06 – \$21,000
Miles used in harvesting 2006 crops – 5,000
Total miles at end of 2006 – 500,000
Estimated value 12/31/06 – \$20,000

1998 Merritt grain trailer (2 of these)

Estimated value 1/1/06 – \$10,500 each
Miles used in trucking business in 2006 – 30,000 on one and 28,000 on other
Miles used in harvesting 2006 crops – 20,000 on one and 10,000 on other
Estimated value 12/31/06 – \$10,000 each

2003 JD tractor (model 8420 MFWD)

Estimated value 1/1/06 – \$90,000
Hours used in harvesting 2006 crops – 750
Total hours at end of 2006 – 2,200
Hours used in farming business in 2006 – 100
Estimated value 12/31/06 – \$83,500

2002 Kinze 1000 bushel grain cart

Estimated value 1/1/06 – \$20,000
Estimated value 12/31/06 – \$19,000

Combine trailers (3)

Estimated value 1/1/06 – \$30,000 (\$10,000 each)
Estimated value 12/31/06 – \$29,000

All other equipment (mobile homes, service truck, pickups, etc)

Estimated value 1/1/06 – \$50,000
Estimated value 12/31/06 – \$50,000

REVENUE PAGE (schedule D):

ACH harvested wheat in four states (TX, KS, NE, and ND), corn in two states (KS and NE), and soybeans in one state (SD) in 2006. Revenue is summarized by crop and state for reporting purposes (dryland and irrigated acres are lumped together). Separator hours are reported for each line reported.

Combine and trucking revenue are separated for wheat harvested in TX, KS, and NE. ACH charges a flat rate for wheat harvested in ND and thus combine and trucking revenue are not separated are revenue is reported in the flat rate column. However, ACH estimated the number of bushels of wheat in ND. The \$11,256 trucking revenue in NE is based on ACH hauling 85 percent of the wheat harvested.

ACH charges a fixed amount per bushel for corn in KS of 28¢ per bushel for combining and trucking and so reports those revenues in the flat rate column. Acres were known in KS but were not known exactly in NE. ACH estimated the corn acres in NE based on the bushels harvested and their its guess about yields per acre. Soybeans in SD are harvested based on a flat rate per acre so ACH estimated the number of bushels of soybeans harvested.

ACH rented out a machine to a Nebraska irrigated corn farmer for 136 separator hours at \$110/hour. Thus, the revenue is \$14,960. ACH estimated that the combine was used on 1,500 acres of corn yielding approximately 180 bu/acre.

BALANCE SHEET (schedule E):

no explanation required

CASH FLOW PAGE (schedule F):

In addition to the combine and trucking revenue, ACH received \$2,000 interest income during 2006.

CHAMP for Grain Harvester

INFORMATION PAGE for CHAMP--GRAIN, 2006 harvest year

HARVEST YEAR >> 2006

Business Name: Acme Custom Harvesting (Dietrich and Dustin Johnson) Date: 1/15/2007
 Address: Route Z City: Smalltown State: KS Zip code: 555555
 Business phone: 555-111-2222 Residence phone: 555-111-3333 Mobile (cell) phone: 555-111-4444 email: ach@aol.com

1. Age of the main person or persons in charge: Diet=60 Dustin=30
2. Does your business operate as a Partnership, Corporation, Sole Proprietorship, or L.L.C. (circle one or type it in).
3. How many years has this custom harvesting operation been in business? 29
4. How many years do you typically run a combine? 2 5. Do you normally acquire New or Used combines (circle New or Used or type it in)?
6. Do you have side businesses besides custom grain harvesting (e.g. winter grain hauling; farming)? Yes If yes, then list: farming & trucking
7. What percent of his/her total time does each person in question #1 allocate to your grain harvesting business? Diet=60% Dustin=70%
8. On average, how many months per year does your business spend in actual grain harvesting? 6
9. How many customers did your business harvest grain for this harvest year? 37
10. If you have yield mapping, how many customers did you provide yield maps or raw yield data to this year? 7
11. How many seasons does a typical NON-FAMILY harvest crew employee stay with your grain harvesting business? 1.5
12. At the seasonal peak of your harvest season, how many total individuals (counting owner/operators) are involved? 7
13. Of the individuals in #12 how many are family members? 3 How many are foreign? 1
14. In 2006, on average, how many combines did you run at any given time? 2.8
15. Are the combines operated by your business typically financed/rented through through the dealer/manufacturer? Y (Y/N)
16. Do you get your combine insurance from the manufacturer/dealer? Y If yes, be sure to include the ANNUAL amount on cash flow page.
17. On average, what interest rate did your loans bear in 2006? 7.2
18. Financially, would you say that 2006 was a POOR FAIR GOOD year for you (circle one or type it in)?

CHAMP for Grain Harvester

COMBINE PAGE (schedule A)

List information for EACH combine you owned or operated in 2006. Combine values include NO PLATFORMS OF ANY KIND. ALL PLATFORMS AND HEADERS are listed on the Platform Page.

combine mfr. or brand	model	model year	own lease or rent O/L/R	combine value Jan. 1 2006 (owned only)	combine value when purch if purchase during year (owned only)	combine value when sold if sold during year (owned only)	combine value Dec. 31 2006 (owned only)	yield monitor Y/N	GPS equipped Y/N	4wd Y/N	engine hours used in harvesting 2006 crops	separator hours used in harvesting 2006 crops	total sep. hrs at end of 2006, or when sold if during year
JD	9650	2003	O	100,000	-----	100,000	----	N	N	N	0	0	1,800
JD	9660	2004	O	120,000	-----	110,000	-----	Y	N	N	350	250	1,600
JD	9660	2005	O	-----	130,000	-----	120,000	Y	Y	N	780	600	1,250
JD	9660	2006	O	-----	180,000	-----	140,000	Y	Y	Y	325	250	670
CaseIH	2388	2004	L	-----	-----	-----	-----	Y	Y	N	750	575	1,375
Totals for this Page >>			xxx	(A1) 220,000	310,000	210,000	(A2) 260,000	xxx	xxx	xxx	2,205	1,675	xxx

A "lease" typically has a set annual payment for a year or more (maybe a purchase option at end); "rent" is typically by the hour, sometimes requiring a minimum. Rented or leased combines are not valued here, but be sure to include rent or lease payments on the cash flow page.

CHAMP for Grain Harvester

PLATFORM PAGE (schedule B)

List the following information for EACH platform or header you owned or operated any time during 2006. List all platforms and headers on this page and only this page.

platform mfr. or brand	model	model year	own lease or rent O/L/R	value Jan. 1 2006 (owned only)	value when purch if purchase during year (owned only)	value when sold if sold during year (owned only)	value Dec. 31 2006 (owned only)	grain platforms		corn head		row crop head		flex head (width feet)	pickup (width feet)
								rigid head (width feet)	draper head (width feet)	no. of rows	row width inches	no. of rows	row width inches		
JD	corn	1999	O	15,000	-----	15,000	-----	-----	-----	8	30	-----	-----	-----	-----
JD	corn	1999	O	15,000	-----	15,000	-----	-----	-----	8	30	-----	-----	-----	-----
JD	corn	2003	O	-----	20,000	-----	18,500	-----	-----	8	30	-----	-----	-----	-----
JD	corn	2003	O	-----	20,000	-----	18,500	-----	-----	8	30	-----	-----	-----	-----
CaseIH	corn	2004	O	20,000	-----	-----	18,500	-----	-----	8	30	-----	-----	-----	-----
JD	flex	2002	O	11,000	-----	-----	10,500	-----	-----	-----	-----	-----	-----	25	-----
CaseIH	flex	2001	O	9,700	-----	-----	9,300	-----	-----	-----	-----	-----	-----	20	-----
JD	rigid	2003	O	9,000	-----	9,000	-----	30	-----	-----	-----	-----	-----	-----	-----
JD	rigid	2004	O	9,200	-----	9,000	-----	30	-----	-----	-----	-----	-----	-----	-----
JD	rigid	2005	O	-----	10,000	-----	9,500	30	-----	-----	-----	-----	-----	-----	-----
JD	draper	2006	O	-----	20,000	-----	18,000	-----	36	-----	-----	-----	-----	-----	-----
CaseIH	rigid	2004	L	-----	-----	-----	-----	30	-----	-----	-----	-----	-----	-----	-----
Totals for this Page >>			xxx	(B1) 88,900	70,000	48,000	(B2) 102,800	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

A "lease" typically has a set annual payment for a year or more (maybe a purchase option at end); "rent" is typically per unit of time, sometimes requiring a minimum. Rented or leased platforms are not valued here, but be sure to include rent or lease payments on the cash flow page.

CHAMP for Grain Harvester

NON-COMBINE (no combines or headers) HARVESTING EQUIPMENT PAGE (schedule C)

List information for NON-COMBINE equipment owned or operated in 2006 (read the footnotes)

mfr. or brand	model year	single axle (SA), tandem axle (TA), or semi (SM)	own lease or rent O/L/R	value Jan. 1 2006 (owned only)	value when purch if purchase during year (owned only)	value when sold if sold during year (owned only)	value Dec. 31 2006 (owned only)	<----- Trucks ----->			<----- Tractors ----->		
								miles used in harvesting 2006 crops	odometer miles at end of 2006, or when sold if sold during year	miles used during 2006 but not in harvest	hours used in harvesting 2006 crops	hourmeter hours at end of 2006, or when sold if sold during year	hours used during 2006 but not in harvest
Section A <----- Grain Trucks (for semis report trailers below in Section B) ----->													
KW	1999	SM	O	25,500	-----	-----	23,000	20,000	600,000	30,000	-----	-----	-----
Pete	1997	SM	O	23,000	-----	-----	21,100	10,000	450,000	28,000	-----	-----	-----
IH	1991	TA	O	21,000	-----	-----	20,000	5,000	500,000	0	-----	-----	-----
Section B <----- Service and other non-grain Trucks, Tractors, & Grain Carts, Pups, Grain Trailers ----->													
Merritt	1998	-----	O	10,500	-----	-----	10,000	20,000	-----	30,000	-----	-----	-----
Merritt	1998	-----	O	10,500	-----	-----	10,000	10,000	-----	28,000	-----	-----	-----
JD	2003	8420mfwd	O	90,000	-----	-----	83,500	-----	-----	-----	750	2,200	100
Kinze	2002	1000 bu car	O	20,000	-----	-----	19,000	-----	-----	-----	-----	-----	-----
3 combine trailers		-----	O	30,000	-----	-----	29,000	-----	-----	-----	-----	-----	-----
All other equipment (mobile homes, etc.); enter only the value but not details													
xxx	xxx	xxx	xxx	50,000	-----	-----	50,000	xxx	xxx	xxx	xxx	xxx	xxx
Totals for this Page >>				(C1) 280,500			(C2) 265,600	65,000	xxx	116,000	750	xxx	100

A "lease" typically has a set annual payment for a year or more (maybe a purchase option at end); "rent" is typically by the hour or mile, sometimes requiring a minimum. Rented or leased equipment is not valued here, but be sure to include rent or lease payments on the cash flow page. Be sure to list each grain truck and each tractor individually. Real estate values are NOT entered here; they are reported on the Balance Sheet.

CHAMP for Grain Harvester

CASH FLOW PAGE (schedule F -- not to be confused with IRS Sch. F)

**PARTIAL CASH FLOW STATEMENT for CUSTOM HARVESTING BUSINESS ONLY,
Jan. 1, 2006 - Dec. 31, 2006 (read the footnotes)**

Revenue

Custom harvesting & trucking revenue (D1+D2+D3 on REVENUE PAGE).....>>>	453,584
Other revenue (e.g., interest, insurance claims)	2,000
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TOTAL REVENUE	455,584
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Cash and Cash Equivalent Expense

Hired labor (INCLUDING WORKMENS' COMP)	43,100
Unpaid labor	35,000
Travel expense: Food	12,240
Travel expense: Lodging/trailer parking	6,792
Travel expense: Other	0
Fuel (taxable)	32,000
Fuel (non-taxable)	23,000
Oil, grease, lubrication	3,312
Repair & maintenance: Combines and headers	18,135
Repair & maintenance: Trucks	25,389
Repair & maintenance: Other (tractors, trailers, service trucks, etc.)	16,926
All insurance (incl. ANNUALIZED combine insurance embedded in a trade)	17,355
Property taxes	1,727
Telephone and utilities	13,819
Tags, permits, and fees	2,764
Consulting, legal, accounting, advertising, etc.	5,182
Shop &/or office rent, equipment storage, etc.	5,500
Machine hire	3,455
Lease and rental payments on machinery and equipment	39,000
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TOTAL of above EXPENSES	304,696
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In partial cash flow statement above, values are those assigned to ONLY the CUSTOM HARVESTING BUSINESS. If you run multiple businesses in your overall business, without tracking costs and revenues accordingly, you will need to prorate proper values to the custom harvesting enterprise.

Unpaid labor is what it would cost to hire the services for those who are not paid in cash. If the business does not pay you a cash wage then the relevant question is, What would it cost to hire your services for the custom harvesting business?

Principal payments, interest payments, and income taxes are intentionally omitted above. All other cash custom harvesting business expenses should be forced into one of the categories above. Insurance should include the annual part of insurance premiums embedded in a combine trade agreement.