

Narrative for Example 2009 CHAMP Firm (updated 3/29/2009)
Acme Custom Harvesting (ACH)

Don't worry about whether the values in the example 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 2009.
10. The firm provided yield map information to 7 customers in 2009.
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. Three of the 7 employees are family members; 1 is a foreigner.
14. At any given time ACH typically runs three machines. In 2009, 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 purchases 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 2009.

COMBINE PAGE (schedule A):

On January 1, 2008 ACH owned a 2005 JD 9660 and a 2006 JD 9660. The 2005 model was traded for a 2007 9660 in February of 2009. Following wheat harvest in 2009, ACH traded the 2006 JD 9660 for a 2008 JD 9670 with 420 separator hours. In 2009, ACH leased (3-year lease) a 2006 Case-IH 2388. The following is specific information pertaining to ACH’s combines:

2005 JD 9660

No yield monitor or GPS; no 4wd; no GPS auto-steering
1800 separator hours when traded
Estimated 1/1/09 value – \$135,000
Traded for 2007 JD 9660 in February 2009 (the 2005 JD was not used in 2009)

2006 JD 9660

Yield monitor but without GPS; no 4wd; no GPS auto-steering
1350 separator hours – January 1, 2009 (put on 250 hours in 2009 harvest)
Estimated 1/1/09 value – \$150,000
Traded for 2008 JD 9760 after 2009’s wheat harvest
1600 separator hours when traded
Estimated value when traded – \$145,000

2007 JD 9660

Yield monitor and GPS; no 4wd; no GPS auto-steering
650 separator hours when purchased
Purchased in February (traded in the 2005 JD 9660); paid \$45,000 boot
1250 separator hours at end of 2009 (put on 600 hours in 2009 harvest)
Estimated 12/31/09 value – \$150,000

2008 JD 9760

Yield monitor and GPS; has 4wd; has GPS auto-steering
420 separator hours when purchased
Purchased in August (traded in the 2006 JD 9660); paid \$45,000 boot
670 separator hours at end of 2009 (put on 250 hours in 2009 harvest)
Estimated 12/31/09 value – \$170,000

2006 Case-IH 2388

Yield monitor and GPS; no 4wd; no GPS auto-steering
Estimated 1/1/09 value – \$135,000
Annual lease payment (due in March) – \$50,000

800 separator hours at beginning of 2009
1375 separator hours at end of 2009 (put on 575 hours in 2009 harvest)
Estimated 12/31/09 value – \$120,000

Notice that on the COMBINE PAGE the market values of the 2006 Case-IH 2388 that was leased from others do not show up, but other information, such as how equipped and hours used does show up. This is the way combines leased or rented *from* others are treated. However, combines owned by you but rented *to* others should have market value information filled in.

If you are a new CHAMP member in 2009 we expect you to get us the 1/1/09 values of this page to us before you leave for harvest in 2009 (i.e., anything you know about your machinery inventory that will not change when your final information is reported after the end of 2009's harvest year).

PLATFORM PAGE (schedule B):

ACH has the following platforms and headers:

- 2001 JD 8-row 30" corn heads (2)
 - Estimated value 1/1/09 – \$18,000 each
 - Traded for 2005 JD 8-row corn heads (2) in February

- 2005 JD 8-row 30" corn heads (2)
 - Purchased in February (traded '01 models), paid \$6,000 boot each
 - Estimated value 12/31/09 – \$21,000 each

- 2006 Case-IH 8-row 30" corn head
 - Estimated value 1/1/09 – \$23,000
 - Estimated value 12/31/09 – \$21,000

- 2004 JD 25' flex head
 - Estimated value 1/1/09 – \$13,000
 - Estimated value 12/31/09 – \$12,500

- 2003 Case-IH 20' flex head
 - Estimated value 1/1/09 – \$10,400
 - Estimated value 12/31/09 – \$10,000

- 2005 30' rigid grain platform
 - Estimated value 1/1/09 – \$13,000
 - Traded for 2007 30' rigid grain platform in February 2009, paid \$2,000 boot

- 2006 30' rigid grain platform
 - Estimated value 1/1/09 – \$9,900

Traded for 2007 36' draper after 2009's wheat harvest, paid \$13,100 boot

2007 30' rigid grain platform acquired in trade described above
Estimated value 12/31/09 – \$13,000

2007 36' draper grain platform acquired in trade described above
Estimated value 12/31/09 – \$20,000

2006 Case-IH 30' rigid grain platform leased with combine

As with the COMBINE PAGE, **if you are a new CHAMP member in 2009**, be sure to fill out what you know about your platforms before you head to harvest in 2009.

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:

2000 Kenworth semi and grain trailer
Estimated value 1/1/09 – \$25,500
Miles used in harvesting 2009 crops – 20,000
Miles used in trucking business in 2009 – 30,000
Total miles at end of 2009 – 600,000
Estimated value 12/31/09 – \$24,000

1998 Peterbuilt semi and grain trailer
Estimated value 1/1/09 – \$23,000
Miles used in harvesting 2009 crops – 10,000
Miles used in trucking business in 2009 – 28,000
Total miles at end of 2009 – 450,000
Estimated value 12/31/09 – \$21,500

1992 IH tandem-axle
Estimated value 1/1/09 – \$21,000
Miles used in harvesting 2009 crops – 5,000
Total miles at end of 2009 – 500,000
Estimated value 12/31/09 – \$20,000

1999 Merritt grain trailer (2 of these)
Estimated value 1/1/09 – \$10,500 each
Miles used in trucking business in 2009 – 30,000 on one and 28,000 on other
Miles used in harvesting 2009 crops – 20,000 on one and 10,000 on other
Estimated value 12/31/09 – \$10,000 each

2004 JD tractor (model 8420 MFWD)
Estimated value 1/1/09 – \$85,000
Hours used in harvesting 2009 crops – 750
Total hours at end of 2009 – 2,200
Hours used in farming business in 2009 – 100
Estimated value 12/31/09 – \$80,000

2003 Kinze 1000 bushel grain cart
Estimated value 1/1/09 – \$18,000
Estimated value 12/31/09 – \$17,500

Combine trailers (3)
Estimated value 1/1/09 – \$30,000 (\$10,000 each)
Estimated value 12/31/09 – \$29,000

All other equipment (mobile homes, service truck, pickups, etc)
Estimated value 1/1/09 – \$50,000
Estimated value 12/31/09 – \$50,000

As with the previous two schedules, **if you are a new CHAMP member in 2009**, be sure to include information you know about your non-combine machinery before you go to harvest in 2009.

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 2009. 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 \$17,024 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 33¢ 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 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 \$137.50/hour. Thus, the revenue is \$18,700. ACH estimated that the combine was used on

1,500 acres of corn, yielding approximately 180 bu/acre.

BALANCE SHEET (schedule E):

No explanation is required. However, **if you are a new CHAMP member in 2009**, be sure to fill out the beginning (1/1/09) values for each of assets and liabilities.

CASH FLOW PAGE (schedule F):

In addition to the combine and trucking revenue, ACH received \$2,000 interest income during 2009.

CHAMP for Grain Harvester

INFORMATION PAGE for CHAMP--GRAIN, 2009 harvest year

HARVEST YEAR >> 2009

Business Name: Acme Custom Harvesting (John and Dustin Johnson) Date: 1/15/2009
 Address: Route Z City: Smalltown State: KS Zip code: 55555
 Business phone: 555-111-2222 Residence phone: 555-111-3333 Mobile (cell) phone: 555-111-4444 email: ach@yahoo.com

1. Age of the main person or persons in charge: John=60 Dustin=30
2. Does your business operate as a Partnership, Corporation, Sole Proprietorship, or L.L.C. (circle one or type it in). Partnership
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)? Used
6. Do you have side businesses besides custom grain harvesting (e.g. winter grain hauling; farming)? Yes If yes, then list: Farming and trucking
7. What percent of his/her total time does each person in question #1 allocate to your grain harvesting business? John=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 2009, 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 2009? 7.2
18. Financially, would you say that 2009 was a POOR FAIR GOOD year for you (circle one or type it in)? FAIR

CHAMP for Grain Harvester

COMBINE PAGE (schedule A)

List information for EACH combine you owned or operated in 2009. 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 2009 (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 2009 (owned only)	yield monitor Y/N	GPS equipped Y/N	4wd Y/N	GPS automatic steering Y/N	engine hours used in 2009 crops	separator hours used in 2009 crops	total sep. hrs at end of 2009, or when sold if during year
JD	9660	2005	O	135,000	-----	135,000	-----	N	N	N	N	0	0	1,800
JD	9660	2006	O	150,000	-----	145,000	-----	Y	N	N	N	350	250	1,600
JD	9660	2007	O	-----	180,000	-----	150,000	Y	Y	N	N	780	600	1,250
JD	9670	2008	O	-----	190,000	-----	170,000	Y	Y	Y	Y	325	250	670
CaseIH	2388	2006	L	-----	-----	-----	-----	Y	Y	N	N	750	575	1,375
Totals for this Page >>			xxx	(A1) 285,000	370,000	280,000	(A2) 320,000	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 2009. 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 2009 (owned only)	value when purch if purchase during year (owned only)	value when sold if sold during year (owned only)	value Dec. 31 2009 (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	2001	O	18,000	-----	18,000	-----	----	----	8	30	---	----	----	----
JD	corn	2001	O	18,000	-----	18,000	-----	----	----	8	30	---	----	----	----
JD	corn	2005	O	-----	24,000	-----	21,000	----	----	8	30	---	----	----	----
JD	corn	2005	O	-----	24,000	-----	21,000	----	----	8	30	---	----	----	----
CaseIH	corn	2006	O	23,000	-----	-----	21,000	----	----	8	30	---	----	----	----
JD	flex	2004	O	13,000	-----	-----	12,500	----	----	---	----	---	----	25	----
CaseIH	flex	2003	O	10,400	-----	-----	10,000	----	----	---	----	---	----	20	----
JD	rigid	2005	O	13,000	-----	13,000	-----	30	----	---	----	---	----	----	----
JD	rigid	2006	O	9,900	-----	9,900	-----	30	----	---	----	---	----	----	----
JD	rigid	2007	O	-----	15,000	-----	13,000	30	----	---	----	---	----	----	----
JD	draper	2007	O	-----	23,000	-----	20,000	----	36	---	----	---	----	----	----
CaseIH	rigid	2006	L	-----	-----	-----	-----	30	----	---	----	---	----	----	----
Totals for this Page >>			xxx	(B1) 105,300	86,000	58,900	(B2) 118,500	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

BALANCE SHEETS PAGE (schedule E)

Balance sheet for custom harvesting business only, 2009 (read the footnotes)

ASSETS (market value)			LIABILITIES & OWNER EQUITY		
	beginning 01/01/09 \$	end 12/31/09 \$		beginning 01/01/09 \$	end 12/31/09 \$
Current Assets			Current Liabilities		
Cash on hand & in checking	20,000	18,000	Accounts payable	3,000	2,000
Savings, bonds, stocks, etc.	15,000	20,000	Short term loans (due within 1 yr.)		
Accounts receivable	13,500	11,000	principal outstanding	20,000	18,000
			accrued interest	850	300
Supply inventories	16,000	22,000	Other current liabilities (specify)	0	0
Other current assets (specify)	1,000	1,000			
E1. TOTAL CURRENT ASSETS	65,500	72,000	E4. TOTAL CURRENT LIABILITIES	23,850	20,300
Non-current Assets			Non-current Liabilities		
Combines & platforms (from A1+B1, A2+B2)	390,300	438,500	Long term loans (due beyond 1 yr.)		
Non-combine equipment (from C1, C2)	273,500	262,000	principal outstanding	244,990	250,930
			accrued interest	10,200	10,680
Market value of business real estate (i.e., office, storage bldgs., etc.)	30,000	30,000	Other non-current liabilities (specify)	5,000	5,000
E2. TOTAL NON-CURRENT ASSETS	693,800	730,500	E5. TOTAL NON-CURRENT LIABILITIES	260,190	266,610
E3. TOTAL CUST. HARV. ASSETS (E1+E2)	759,300	802,500	E6. TOTAL CUST. HARV. LIABILITIES (E4+E5)	284,040	286,910
			E7. TOTAL CUST. HARV. NET WORTH (E3-E6)	475,260	515,590
TOTAL EQUITY (custom harvesting and outside businesses)					
				01/01/09	12/31/09
Investments in other businesses (such as a farm) and non-business investments (such as your residence). Report only the NET investment, which is assets less liabilities (net worth), for these investments:			E8.	100,000	104,000
Overall equity or net worth for whole business (E7+E8)			E9.	575,260	619,590

In balance sheet above, except for E8 and E9, values are those assigned to ONLY the CUSTOM HARVESTING BUSINESS. If you run multiple businesses within your overall business, without tracking assets and liabilities accordingly, you will need to prorate values to the custom harvesting business. All values are market values, not income tax basis values.

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, 2009 - Dec. 31, 2009 (read the footnotes)**

Revenue

Custom harvesting & trucking revenue (D1+D2+D3 on REVENUE PAGE).....>>>	537,019
Other revenue (e.g., interest, insurance claims)	<u>2,000</u>
TOTAL REVENUE	<u>539,019</u>

Cash and Cash Equivalent Expense

Hired labor (INCLUDING WORKMENS' COMP)	<u>47,410</u>
Unpaid labor	<u>38,500</u>
Travel expense: Food	<u>13,464</u>
Travel expense: Lodging/trailer parking	<u>7,471</u>
Travel expense: Other	<u>0</u>
Fuel (taxable)	<u>35,200</u>
Fuel (non-taxable)	<u>25,300</u>
Oil, grease, lubrication	<u>3,643</u>
Repair & maintenance: Combines and headers	<u>19,949</u>
Repair & maintenance: Trucks	<u>27,928</u>
Repair & maintenance: Other (tractors, trailers, service trucks, etc.)	<u>18,619</u>
All insurance (incl. ANNUALIZED combine insurance embedded in a trade)	<u>19,090</u>
Property taxes	<u>1,899</u>
Telephone and utilities	<u>15,201</u>
Tags, permits, and fees	<u>3,040</u>
Consulting, legal, accounting, advertising, etc.	<u>5,700</u>
Shop &/or office rent, equipment storage, etc.	<u>6,050</u>
Machine hire	<u>3,800</u>
Lease and rental payments on machinery and equipment	<u>49,500</u>
TOTAL of above EXPENSES	<u>341,764</u>

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.