

**CHAMP: Custom Harvesters Analysis and Management Program
for GRAIN harvesters
General Information (first 3 pages) and Survey Instructions
for Harvest Year 2008 – updated March 10, 2008**

GENERAL REQUIREMENT OF CHAMP:

To ensure a sufficiently-sized program, at least 20 members must be signed up by May 1, 2008. By “signed up” is meant that two things must have been received from members by that date: 1) a \$75 downpayment check and 2) the beginning (1/1/08) machinery inventory and balance sheet information (described later). If you were a CHAMP member in 2007, the beginning inventory should be the same as the ending inventory you turned in for 2007, except for possible modifications arising from CHAMP’s one-on-one meeting with you. If 20 members are not signed up by May 1, 2008, the CHAMP program will not take place in the way it has the last 11 years. However, a personal one-on-one service may still go forward for those who desire it, albeit with a different fee structure.

ELECTRONIC MEDIA PREFERRED!

It is our intent to continue moving in the electronic direction (email and spreadsheet data entry), which greatly improves efficiency of information flow. So, if you’re considering moving in that direction, now is a good time. But, we **WILL** continue working with you even if you don’t have that capability.

How to participate for the 2008 harvest year

- Step 1: Download the 2008 Harvest Year Survey Instructions (pdf).
- Step 2: Download the 2008 Survey Example (pdf) if you need it.
- Step 3: Download the 2008 Harvest Year Survey Forms, either in the Excel spreadsheet format or the pdf format (the spreadsheet format is greatly encouraged).
- Step 4. Enter your information in the Excel spreadsheet or print it on your printer from the pdf version.
- Step 5. Complete all survey forms for your business (a total of 7 forms: Information Page and Schedules A through F). This can be done with computer spreadsheet entries OR hand entries, depending on whether you’re using the Excel spreadsheet or the pdf forms.
- Step 6. By **FEBRUARY 10, 2009** email or mail to Kevin Dhuyvetter the 7 completed forms:
 - email: kcd@ksu.edu
 - mail: Kevin Dhuyvetter, 1808 Cedar Crest Drive, Manhattan, Kansas 66503
- Step 7. Send money to Kevin Dhuyvetter’s mailing address. **Make checks to AgAnalysis+**; do NOT make checks out to CHAMP:
 - \$75 by May 1, 2008
 - \$100 when you turn in your 2008 CHAMP information in early 2009

2008 harvest year members who were not in CHAMP in 2007

As a “new” CHAMP member you are required to turn in your beginning (1/1/08) inventory/balance sheet before you head to harvest in 2008. This requirement greatly reduces errors in reporting since 1/1/08 machinery inventory information is still fresh in your mind at this point. Then, at the end of 2008, as one of the 7 forms listed above, you will turn in your complete balance sheet (beginning and end). Note that, except for the “20 members must be signed up by May 1” thing, our deadlines are rarely firm. So, don’t let our suggested deadlines give you an excuse not to be involved in 2008.

Excel spreadsheet reminder

We understand that a number of harvesters find it preferable to enter their survey numbers by hand onto the survey forms and we always will be able to handle that method. But, we greatly encourage those of you who have some familiarity with computers to enter your survey information into the Excel spreadsheet rather than via hand entry. There are a number of benefits to this approach. First, it makes it much easier to enter your numbers into our data base and analysis program since we do not have to retype all of the numbers and we have less trouble deciphering handwriting. Second, it makes for far fewer mistakes all around. Third, a spreadsheet framework fosters user modifications to extract other valuable economic features of your business to enhance profitability. Fourth, and most importantly, it provides a nice framework from which you can proceed next year. That is, you can save data entry time and improve accuracy by simply cutting and pasting as necessary. This is especially critical for ensuring that last year's ending asset and liability values become this year's starting values for the same categories.

CHANGES FOR 2008

We have made no material changes in 2008 over 2007 but do wish to remind you that if you are a new CHAMP member in 2008 you need to fill out 1/1/08 values of all machinery (combine page, platform page, and non-combine page, i.e., schedules A, B, and C) and 1/1/08 values on the balance sheet (i.e., schedule E). As a reminder, the RevenueTrackerG.xls spreadsheet available at the CHAMP website is an alternative to the Revenue Page in the pdf or Excel survey forms. Additionally, RevenueTracker allows you to perform a nice summary analysis on your revenue numbers.

Background

CHAMP was begun early in 1998 through the joint efforts of USCHI and two Ph.D. agricultural economists at Kansas State University, Terry Kastens and Kevin Dhuyvetter. The first economic analysis covered the 1997 harvest. Analysis of the 2008 harvest will mark the 12th year of the program. CHAMP solicits information about your business that, when combined with information from other harvesters, provides important cost and revenue benchmarks.

CHAMP management and contact information

CHAMP is managed and operated by a small economic and agronomic consulting firm called AgAnalysis+, LLC, which has Kastens and Dhuyvetter as members.

address for surveys: AgAnalysis+
c/o Kevin Dhuyvetter
1808 Cedar Crest Drive
Manhattan, KS 66503

web address: aganalysisplus.com (click on CHAMP) (or get there from USCHI)
people: Terry Kastens (785-626-9000 tkastens@ksu.edu)
Kevin Dhuyvetter (785-532-3527 kcd@ksu.edu)

Objectives

Short Run: Help you compare your costs, as an individual business, with the custom harvesting industry's costs (or with subsets of the industry, such as by region or by crop specialty)

Long Run: Enhance the effectiveness of your lobbyists in Washington and elsewhere

Why get involved?

Making money is not as simple as knowing your costs and charging slightly more to garner a profit. If your costs are especially high for the services you provide, the cost-plus-markup process will mean you don't get jobs – you've priced yourself out of the market. If your costs are especially low, you don't maximize profits as you leave money on the table – you could be charging more. Rather, long-run profitability is about being a low-cost operator for the services you render in terms of \$/acre, \$/hour, or \$/bushel. But, to do that you need to know your costs relative to others, especially for specific categories, so that you can focus your efforts to continually improve management.

What do you get from CHAMP?

Each participating business gets a member report showing how it stands relative to the group as a whole. An example of that report (pdf format) from the 2007 year for harvesters can be downloaded at CHAMP's website. Notice that individual cost categories are reported so participants can see where best to focus management to increase profits. **All individual numbers are strictly confidential**, viewed only by Dhuyvetter, Kastens, and their assistants.

Each participating business also receives a detailed written and illustrated report that generalizes information gathered in the surveys. Previous years' reports are available as pdf file downloads at CHAMP's website. Typically, at USCHI's Annual Meeting, Dhuyvetter and Kastens have provided a presentation and discussion around this report to those interested.

Also, Dhuyvetter and Kastens typically have met with most CHAMP members individually for 30 minutes or longer at USCHI's Annual Meeting. This setting allows the K-State duo to better understand individual harvesting businesses and answer individual firm management questions. These one-on-one meetings have been highly regarded by CHAMP members in previous years.

As a sample, evidence has emerged that CHAMP has helped grain harvesters with loan negotiations (agricultural lenders are comfortable analyzing farms but often lack information about custom harvesting businesses), with negotiating harvesting rates charged farmers when yields and crop prices are low (your operation's costs don't fall when crop prices are low) or yields and crop prices are high (farmers are willing to pay more) or fuel prices are high (your costs do change), with kernal bunt policy negotiations, and with examining the possibility of getting subsidized failed-crop insurance for harvesters.

Champ membership and cost

Custom harvesting firms that pay the required fees and return the informational survey forms in a timely manner are considered CHAMP members – for that harvest year. Kastens and Dhuyvetter have agreed to conduct the 2008 harvest year CHAMP program for the following compensation: \$9,000 fixed charge plus \$250 per CHAMP member. In 2008 it is expected that AGCO will again cover the fixed charge. Similarly, we will assume that USCHI is again covering \$75 of the \$250 participant charge for any CHAMP members who are also USCHI members. The \$250 CHAMP membership fee for the 2008 harvest year (\$175 if you are a USCHI member) should be remitted to AgAnalysis+ with your completed survey forms – as a **check payable to AgAnalysis+**. But, see this document's opening, which explains how we now require a

downpayment of \$75 prior to harvest from at least 20 members in order to proceed with the program for 2008.

Advisory committee (custom harvesters)

Historically, a USCHI advisory committee has existed to ensure that the CHAMP program meets the goals of its participants, to serve as a liaison between program participants and USCHI, and to help answer questions arising from Dhuyvetter and Kastens or from prospective program participants. Information about the CHAMP advisory committee, for example, whether it is active and who its members are, can be obtained from the USCHI office. More importantly, contact with individual past CHAMP members generally is the best way to learn about CHAMP. If you are new and want to talk to someone, please contact USCHI's president or USCHI's Operations Manager or Dhuyvetter or Kastens.

General Survey Instructions

Completing this survey will take commitment and time on your part. However, after completing your first one, future surveys will be less strenuous, as your accounting system and this survey's requirements become better aligned. If you choose to participate, take notes of how the reported numbers were extracted from your accounting system. This will help immensely if questions arise or if you choose to participate in future years. Also, if you work with hardcopy rather than spreadsheet entries, make copies for yourself of any information you send in (in case follow-up communications are needed). Although some of the information gathered for this survey is useful for income tax preparation, **you do not need to have your income taxes done to complete this survey**. Note that the value of CHAMP to you greatly increases after you are in for several years since your improvement in targeted areas over time can be examined.

To ensure consistency across respondents and minimize follow-ups please read these instructions and the footnotes in the survey carefully. If you need extra space on any of the forms just insert additional rows in the Excel spreadsheet. Or, if you're working with the paper forms, simply make copies or continue on a blank piece of paper. Also, if you work with the paper forms, be sure to use a pencil because you'll likely be erasing a lot. If you know a value is 0, put in 0. If you are not sure and cannot make a reasonable estimate, leave it blank. Where dollar values are required, estimates expressed to the nearest dollar are sufficient.

If you have any questions regarding this survey, such as how unusual situations (not described in these instructions) are to be reported, do not hesitate to contact Terry Kastens or Kevin Dhuyvetter. But, if possible, don't wait until the last minute. Each of us is an extension economist who gets especially busy with farmer meetings etc. during the January/February time period, which means we may be hard to reach. To help answer your questions, also consider calling other custom harvesters involved in this program. That will have an additional benefit in that it will help build the consensus needed for the survey to become ever better over the years.

DEADLINE IS FEBRUARY 10, 2009

In order to use your information in the reports at the spring annual meeting, we need your response by February 10, 2009. **Do not wait until after your income taxes are done**, that will likely be too late. If you cannot make the deadline, call and we'll try to work something out.

Email or mail to Kevin Dhuyvetter the 7 completed survey forms:

email: kcd@ksu.edu

mail: Kevin Dhuyvetter, 1808 Cedar Crest Drive, Manhattan, Kansas 66503

Outside Businesses other than Custom Harvesting

Many of you run other businesses besides custom harvesting, such as farming or grain trucking, yet combine the various businesses within your overall accounting system. If you report costs and revenues for your other businesses along with those from your custom harvesting business, and others do not, it would be difficult to make meaningful comparisons. Consequently, because the focus of this survey is only on the custom harvesting business, you may need to do some prorating of assets, liabilities, costs, and revenues to your custom harvesting business. In that case, it should be easiest to first lay out the accounting categories for your overall business. Then, pull out those categories that exclusively belong to the custom harvesting business. Next, for those categories that cannot easily be separated by business, prorate them across your businesses (or at least between the *custom harvesting* business and *everything else*). Be sure to note to yourself the process you use this year to make it easier next year. A good check is that the net worth for the *custom harvesting* business and for *everything else* each appears reasonable. **DON'T WORRY YOURSELF NEEDLESSLY HERE.** If you are unsure how to prorate accounts, do what seems reasonable. The process will improve over time.

Two Custom Harvesting Businesses Operating Together

For two harvesting businesses that typically harvest together here is a suggestion. If expenses are tracked separately for the two businesses, then it is probably best to treat the two businesses as separate CHAMP members – each firm should fill out the forms. On the other hand, if expenses are paid from a common checking account and perhaps prorated at the end of the season (or prorated throughout year, like what might be done on the revenue side), then it is probably okay to treat the two businesses as a single CHAMP member. Of course, the two businesses likely would learn more in a two-member setting. For example, even if all revenue and expenses are merely prorated to the two businesses during or at the end of the year, the two firms likely have different asset and debt bases. Comparing profitability (such as return on assets or return on equity) across the two members might suggest deficiencies in accounting practices or might lead to revisiting their agreement specifying revenue and cost prorations.

Detailed Survey Instructions

The survey has several pages: a) an INFORMATION page, b) a COMBINE page, c) a PLATFORM page, d) a NON-COMBINE page, e) a REVENUE page, f) a BALANCE SHEET page, and g) a CASH FLOW page. Each page has one or more explanatory footnotes. Please take time to read the footnotes as well as these instructions. Following are more detailed instructions for each of the pages or sections.

Part of the survey deals with a harvest “season,” which typically is more-or-less May through December. Generally, you should include crops harvested in January as part of the previous year’s season. But, because little harvesting occurs in January, errors would not be great if you choose to report that revenue in the following year. If you have any questions about how a particular form should be filled out, as in what number goes where, don’t hesitate to call Dhuyvetter or Kastens.

To help guide respondents in filling out the forms, a completed survey and descriptive narrative for an example custom harvesting firm (ACGH – Acme Custom Grain Harvesting) is available as a pdf download at CHAMP’s website.

Information Page

This page is straightforward after examining the ACGH example.

Combine Page

Each and every combine owned or operated (includes leased and rented machines) in the January 1 through December 31 time period of this year should be reported on this page – even if they were traded prior to the harvest run. Each physical combine should be on a separate row on this page. Each combine’s value should consider that it has **NO platforms** coupled with it (all platforms are listed on a separate page).

One difficulty with this page might be with “own, lease, or rent.” Here, leasing means a set payment for the year over a set number of years, with a potential purchase option at the end. Renting involves paying an hourly fee (sometimes a minimum number of hours is required). To help us understand your entries, feel free to add additional descriptive text as needed.

On this page there are four columns that deal with valuing combines: a) Jan.1, b) when purchased if purchased during year, c) when sold if sold during year, and d) Dec.31. Generally, each owned combine should have two and only two of the four value columns filled in (but see the exception in the following paragraph). A combine that was owned as of Jan.1 and still owned on Dec.31 would have values in those two columns. The value-when-purchased and value-when-sold columns would be blank or NA. For a combine purchased after Jan.1, but still owned Dec.31, only the value-when-purchased and Dec.31 columns would have values. A combine purchased after Jan.1 but traded off before Dec.31 would have only the value-when-purchased and value-when-sold columns filled in.

If you have a major UNUSUAL repair expenditure that substantially increases a machine’s value (e.g, refurbishing a combine, tractor, or truck), you might wish to “capitalize” that expenditure. In that case you should NOT count it as repairs on the Cash Flow Page, but rather report it as a “purchase” on the appropriate page where machinery is valued. For example, suppose you spent \$30,000 on a combine for a major but unusual repair (e.g., fixing it up after it was wrecked, or perhaps a major re-build). If the combine was owned both Jan. 1 and Dec. 31 (not like those shown in the ACGH example), then the \$30,000 should be reported in the “value when purchased if purchased during year” column. The Dec. 31 market value may be higher or lower than the Jan. 1 value, depending on your assessment. Likewise, if the \$30,000 repair was on the first combine reported in the ACGH example (‘04 JD 9660), it should also be reported in the “value when purchased if purchased during year” column. If the repair was for the third

combine ('06 JD 9660), then \$30,000 should be added to the \$180,000 in the purchase column, making it \$210,000. If the repair was covered by insurance be sure to adjust "other revenue" up accordingly on the Cash Flow Page. When you choose to report refurbishing expenditures as described in this paragraph, it would greatly help us if you would add a note or two describing what it is you have done and how you have handled it in your entries.

As a reminder, "capitalizing" something here has nothing to do with capitalizing (i.e., depreciating) it for IRS. That is, you might very well wish to "write off" an engine overhaul as a repair expense on your tax returns and yet "capitalize" it here. Of course, if you tend to work from tax return information then you are responsible to handle such discrepancies appropriately.

DO NOT PUT A VALUE ON COMBINES LEASED OR RENTED *FROM* OTHERS. That is, none of the four value columns should contain numerical entries for rows corresponding to leased or rented machines. However, such combines do need the other information filled out (and do not forget to include any lease/rent payments on the Partial Cash Flow page). Also, you should report the value on this page of combines you own and lease *TO* others.

NO EQUIPMENT VALUES ARE INCOME TAX BASIS VALUES; rather they are market values. The value of a machine when it is bought or sold is what you actually paid or received in monies – unless it was part of a trade – in which case you report what it would have been worth had it been bought or sold outright. **THE BOOT YOU PAY IN A TRADE SHOULD NEVER BE DIRECTLY REPORTED ANYWHERE IN THIS SURVEY.** But, if you know what a new combine would cost outright, you can subtract boot to help you get at expected market value of the machine traded in. Essentially, market value is that price you would expect to get in either a trade or in an orderly quitting business sale, say one that might take 2-3 months (allowing time for ads etc.).

Platform Page

Values and descriptive details for all platforms are reported on this page. Valuation instructions are the same as those in the immediately preceding section describing the Combine Page. Remember that values for leased or rented platforms should not be included anywhere but rent/lease payments need to be included on the Partial Cash Flow page.

Non-combine Equipment Page

This page is similar to the Combine Page and Platform Page (see the valuation discussion there), only it deals with all harvesting equipment *other than* combines. Fill in numbers that are pertinent for the item in question. For example, trucks would typically have miles reported whereas tractors have hours. **Though straight trucks typically are reported "with box," the value of each semi truck listed in the top half of this page should NOT include trailers pulled by that semi (they are reported on the bottom half of this page).** Although many items will inevitably need to be grouped together, try especially to list tractors used on grain carts individually, so that we can begin to analyze the trucking aspects of custom harvesting operations more thoroughly. Tell us in words if a truck is a "triple" straight truck rather than a tandem.

The bottom row in this entry table asks only for "beginning season" and "ending season" values for miscellaneous equipment such as mobile homes, etc. Remember that all dollar values are

market, not income tax values. Also, equipment leased or rented from others is not valued, but be sure to include the rent/lease payments on the Cash Flow Page. To get started accurately, in the first year of completing this survey, try to estimate equipment's market value as accurately as possible (e.g., by looking up used equipment values in magazines such as the High Plains Journal).

Revenue Page

This page asks that you break down all harvesting revenue by state and by crop (do NOT break out by irrigated vs. dryland). It can be broken out more finely than that but it must be broken out at least by state and by crop. As noted in the page, you **MUST** include data for State, Crop, Acres, Bushels, and at least one Revenue column. Be sure you **report ACRES and BUSHELs everywhere**, even for machines rented out to others. That is, you **MUST** make an estimate of acres and bushels even if you do not know.

Customer name – Enter a unique name for each customer you want to track data for. If you do not want to track data specifically by customer, customer name can simply refer to a stop (e.g., Northern KS). Customer name can be as long or short as desired (do not be concerned if it doesn't appear to "fit" in the cell). If multiple "rows" of data (i.e., crops) are entered for the same customer, make sure spelling is consistent.

State – Enter the two-letter abbreviation for the state where the harvest took place. If a customer has acreage in two states, either enter a separate line (row) for each state or enter all information for the dominant state.

Stop # – Enter a number for each "stop" on your harvest run starting with 1 and increasing by 1 for each subsequent stop. For example, your first stop should =1, your second stop = 2, and so on. A stop can represent an individual customer or a geographical region. Typically, harvesters think of a stop as being a geographical region where they harvest for multiple customers before moving on to the next geographical region.

Crop – Enter the name of the crop harvested for the corresponding customer and stop identified.

Acres – Enter the total acres harvested for the customer identified in column B. If exact acres are not known, enter your best estimate.

Sep. hours – Enter the total separator hours put on your combine associated with the acres entered in column F. This should represent the total acres put on all combines for this customer and this stop. If you do not know hours for every stop tell us what you do know about hours. For example, some report separate hour numbers for wheat and fall crops but not by stop.

Total bushels – Enter the total number of bushels that were harvested for this customer at this stop (i.e., the average yield x acres in column F). Note: Enter these bushels even if you did not haul them.

Percent YOU hauled – Enter the percent of the total bushels that you hauled. If exact bushels are not known, enter your best estimate.

Combine revenue (COMREV) – Enter the combine revenue (total dollars) that was charged to this customer at this stop. If revenue is not separated by COMBINE and TRUCKING, enter the total amount in the flat rate (FLATREV) column.

Trucking revenue (TRKREV) – Enter the trucking revenue (total dollars) that was charged to this customer at this stop. If revenue is not separated by COMBINE and TRUCKING, enter the total amount in the flat rate (FLATREV) column.

Flat rate revenue (FLATREV) – Enter the harvest revenue (total dollars) that was charged to this customer at this stop. If revenue is separated by COMBINE and TRUCKING, enter those totals in the COMREV and TRKREV columns instead of here.

If harvesting is done on a per-bushel basis only, as is sometimes the case especially for irrigated corn, it is imperative that you make an estimate of the number of acres harvested. If harvesting is done on a per-acre basis only, as might be the case for wheat in North Dakota, it is imperative that you make an estimate of the number of bushels harvested. Either way, we need your best estimates *for both acres and bushels* for each line in the Revenue page. Although we are demanding an estimate of bushels and acres, we do not necessarily have to have an estimated breakout of combine and trucking revenue (which you probably wouldn't have in the previous two cases). However, if you can reasonably prorate the harvesting revenue in such cases between combining and trucking that would be helpful.

If you rent combines out to other people then you need to make an estimate of the crop type, number of acres, and number of bushels that such machines harvested while used by others. That is, give us your best guess, which is bound to be better than our guess of your numbers.

Where you did not actually receive cash for harvesting services, the cash-equivalent value of those services needs to be included on the Revenue Page anyway. Otherwise, when *your* custom harvesting business is compared to others in terms of cost per unit of revenue, it will appear less economically efficient than it really is. As an example of how to deal with this, if you harvested crops on your own farm without pay, you need to add revenue to this page equal to what you would have been paid if your farm was a normal customer. Assuming the costs associated with such harvesting were included in your normal operating costs, no other adjustments are needed. Technically, this non-cash *revenue* would be offset by a similar non-cash *cost* incurred by your *farm*, and should ultimately be reflected in your end-of-year proration of net worth between the custom harvesting business and outside businesses. The important point is that if your custom harvesting business incurs the costs associated with harvesting on your own farm but does not incur the revenue, you will understate the profitability of your custom harvesting business and overstate the profitability of outside businesses.

Harvesting for an employee in lieu of wages is an example where offsetting cost adjustments within the custom harvesting accounts are required. Here, you should increase harvesting revenue and correspondingly increase unpaid labor in the Cash Flow page.

If you have harvesting revenue earned in your last harvest run but not yet collected as of Dec. 31, that earned revenue should be included here. However, if the monies are not collectable it's probably best to "write them off" now and not include them on the Revenue page (i.e., include acres, bushels, etc. but put a zero in the relevant revenue columns – add a note if you do this so we know what's going on). It is doubtful that would cause much distortion overall. The point to all of this is that the Revenue Page should be a reasonable listing of harvesting revenue earned in the most recent harvest year.

As one more example, if you traded harvesting revenue for fuel (as some of you may do to avoid establishing credit at a local fuel supplier), then you should increase harvesting revenue accordingly and correspondingly increase fuel expenditure in the Cash Flow page.

Balance Sheet

Ultimately, we need to get at changes in net worth because it allows comparison with other industries and helps harvesters make business entry and exit decisions. Consequently, each category in the Balance Sheet asks for a Jan. 1 value and a Dec. 31 value. Try to estimate these as accurately as possible. Once you have been involved in this program for a year you can simply pull last year's Dec. 31 numbers into this year's Jan. 1 spots.

Pay special attention to accounts payable and accounts receivable, noting to yourself the types of accounts you have included so that your process will be consistent from one year to the next. Also, be sure to figure accrued interest on all loans, because accrued interest may vary widely across firms if they make loan payments at different times of the year. Accrued interest is simply loan principal times the annual interest rate times the number of days since interest was last paid up, divided by 365. For example, suppose the remaining balance on a 9% interest loan was \$100,000 after the most recent annual payment was made on March 1. The accrued interest as of Dec. 31 is $\$100,000 \times 0.09 \times 306/365 = \$7,545$. Of course, you could just call your lender to figure accrued interest.

Value of machinery and equipment is market value, not income tax basis, and is pulled directly from the Combine, Platform, and Non-combine pages. You are encouraged to make a detailed list for yourself of all equipment and machinery, and corresponding market values (much of that is already done in the Combine, Platform, and Non-combine pages). Doing that will simplify next year's work.

To be consistent with the majority of people filling out the survey, DO NOT report accrued income taxes for your business anywhere in this survey. However, federal or state withholding amounts still owed on labor Dec. 31 should be reported in accounts payable.

Complete any totals requested in the Balance Sheet to help you assess if the numbers appear reasonable. At E8 report net investments in other businesses (such as a farm) and non-business investments (such as your residence). Note that these are *net* investments (assets - liabilities = net investment). If you have previously split out custom harvesting from a combined accounting system, this is where *everything else* is reported. If you keep a separate set of books for non-custom-harvesting businesses, report their net worth here anyway. Once again, don't worry about getting this number perfect. Mostly, this section is included to help you with making reasonable proration of assets and liabilities to your custom harvesting business. However, these outside-investment values will help us track down mistakes and also will help us determine how important other businesses are to your long-run profitability.

Partial Cash Flow Statement

A cash flow statement is not a point-in-time snapshot like the balance sheet. Rather, it is a statement of money flows (in this case it includes cash equivalents as well) over the course of a year. Depending on how you do your books, much of the information here will have to be prepared for your income tax return's Schedule F or C. But, don't wait until your taxes are done as that likely will be too late for this survey. Make your estimates as accurately as you can, with the idea that the process will become more accurate over time. It will take some adjusting, but try to fit each and every one of your cash business expenses into the Cash Flow Page category

that most closely matches your accounting category. There are three exceptions: principal payments, interest payments, and income taxes are intentionally omitted. DO NOT INCLUDE THESE THREE MEASURES ANYWHERE IN THIS SURVEY.

Hired labor includes all taxes, insurances, and fringe benefits associated with those employees who are hired for a wage or salary. Be sure to INCLUDE WORKMENS' COMP IN THE LABOR CATEGORY, NOT IN THE INSURANCE CATEGORY. Unpaid labor is what it would cost to hire the services for those who are not paid in cash. For example, if the business did not pay you a cash wage, then the relevant question is, What would it cost to hire your services for the custom harvesting business? As noted previously, unpaid labor may require some additional adjustments. For example, if an employee was paid by harvesting his crops, you might adjust harvesting revenue up by a reasonable amount, and offset that with a corresponding increase in the unpaid labor slot.

For some harvesting operations, most notably those operating as corporations, operators or principal shareholders are paid a wage just like other employees, with those wages included in the hired labor category, and unpaid labor equal to 0. Although that is normally fine, it can be a problem if principal shareholders/operators are paid excessively high in good years and especially low in bad years. If that is the way you treat the hired labor account, then you should make adjustments to it when necessary, reflecting the true cost of hiring your labor services for the custom harvesting business. For example, if your firm actually paid you wages of \$80,000 when you really are worth only \$35,000, then \$45,000 needs to be subtracted from the paid labor category, to better represent true labor cost and profitability.

Repair and maintenance has been split between combines, trucks, and other. If you track only total repair and maintenance, split it up according to your best estimate. Just be sure that all repair and maintenance costs are accounted for.

As a reminder, the insurance category should NOT include Workmens' comp. That value is to be placed in the labor category. Also, if you purchase your combine insurance through the manufacturer or dealer, it may not be easy to isolate from the boot paid when trading combines. Further, the insurance cost number shown in your combine trade agreement might reflect multiple years of insurance. Regardless, along with your obvious insurance premiums, the **annual** combine insurance premium needs to be included in the insurance line of the Cash Flow Page, even if you haven't actually written out a separate check for it. That is, you may need to prorate an insurance amount embedded in your combine trade agreement across years by dividing it by the number of years covered by the insurance. Remember that we want an ANNUAL premium.

If another harvester was hired to cut with you and subsequently paid by you rather than by the customer (because you reported revenue for the total job on the Revenue Page), then that cost would be placed in the machine hire category. On the other hand, if you choose to report only your revenue on the Revenue Page, then you should report only your part of the acres and bushels on that page as well.

Include all rent and lease payments in that category. Do not put loan payments there; they do not go anywhere in this survey. Equipment with lease/rent payments is not valued on balance sheets.