

CHAMP: Custom Harvesters Analysis and Management Program for GRAIN harvesters

General Information (first 3 pages) and Survey Instructions for Harvest Year 2017 – updated February 28, 2017

GENERAL INFORMATION FOR CHAMP:

CHAMP is supported and sponsored by USCHI (Deere, Case-IH, and AGCO have sponsored it in the past). Information can be found at USCHI's website (www.uschi.com) by clicking on CHAMP. The program is conducted by three Ph.D. agricultural economists from Kansas, making up the CHAMP team: Kevin Dhuyvetter, Craig Smith, and Terry Kastens. The program relies chiefly on results from a participant email-in survey. The primary purpose of the program is to provide participants (CHAMP members) with important economic and production information about their harvesting businesses. In this program, each participating firm is able to evaluate its production and economic performance relative to the CHAMP group as a whole, with individual firm information remaining confidential.

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 2017 harvest year

Step 1: Download the 2017 Harvest Year Survey Instructions (pdf).

Step 2: Download the 2017 Harvest Year Survey Forms, either in the Excel spreadsheet format or the pdf format (the spreadsheet format is greatly encouraged).

Step 3: Enter your information in the Excel spreadsheet or print it on the forms you printed off from the pdf version of the survey forms. Complete all survey forms for your business (a total of 8 forms: Information Page and Schedules A, B, C, D, E, F, and G). 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 4: In early 2018, email to Kevin Dhuyvetter or Craig Smith (or mail to Dhuyvetter) the 8 completed forms:

email: kdhuyvetter@elanco.com

email: cmsmith11@fhsu.edu

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

Step 5: When you're ready to pass along your filled in forms, send a check for **\$200** (\$275 if you are not a USCHI member) ***only if you have not prepaid*** to Kevin Dhuyvetter's mailing address. **Make the check to AgAnalysis+** (do NOT make it out to CHAMP).

2017 harvest year members who were not in CHAMP in 2016

If you intend to be a new CHAMP member in 2017 you are strongly urged to fill in your beginning (1/1/17) inventory/balance sheet before you head to harvest in 2017 (i.e., the 1/1/17 equipment list and values in Schedules A, B, C, D, and F). This will greatly reduce errors in reporting since 1/1/17 machinery inventory information is still fresh in your mind at this point. Then, at the end of 2017, you will fill in the rest of those schedules and the rest of the forms.

Excel spreadsheet reminder

We understand that one or two harvesters find it preferable to enter their survey numbers by hand onto the survey forms and so we continue to provide that method of data entry. 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.

Working in Excel has another important benefit. In particular, the whole business world runs on Excel spreadsheets! Hence, unless your harvesting business is nearing its end, it will be especially worthwhile, if not absolutely critical, for someone in your operational team to become comfortable with using Excel. Such comfort will allow you to perform analyses of your own operations in ways far beyond the scope of the CHAMP program.

Background

CHAMP was begun early in 1998 through the joint efforts of USCHI and Kastens and Dhuyvetter. The first economic analysis covered the 1997 harvest. Analysis of the 2017 harvest will mark the 21st 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)

CHAMP team: Kevin Dhuyvetter (785-410-3544 kdhuyvetter@elanco.com)
Craig Smith (785-639-5708 cmsmith11@fhsu.edu)
Terry Kastens (785-626-9000 tkastens@kastensinc.com)

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 profit 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 2016 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 the CHAMP team.

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, the CHAMP team has provided a presentation and discussion around this report to those interested. Also, they typically have met with most CHAMP members individually for 30 minutes or longer at USCHI's Annual Meeting. This setting allows the CHAMP team 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. The CHAMP team has agreed to conduct the 2017 harvest year CHAMP program for the following compensation: \$9,000 fixed charge plus \$275 per CHAMP member for a minimum of 25 participants. For 2017 it is likely that USCHI or some other outfit will cover the fixed charge plus USCHI has always covered \$75 of the \$275 participant charge for any CHAMP members who are also USCHI members. The \$275 CHAMP membership fee for the 2017 harvest year (\$200 if you are a USCHI member) should be remitted to AgAnalysis+ with your completed survey forms – as a **check payable to AgAnalysis+** (if you have not already prepaid).

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 – to aid follow-up communications as 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. All information must be based on a calendar year, even if your business operates on a fiscal year that is different.

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 any of the CHAMP team. But, if possible, don't wait until the last minute. Each of us gets especially busy (like your harvest period) 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 for forms submission for 2017 harvest year

In order to use your information in the reports at the early-2018 meeting, we need your response as early as possible after the end of 2017. We are not setting a specific deadline as they never work anyway. Moreover, the conference timing makes it difficult to set a particular deadline. **Regardless, do not wait until after your income taxes are done**, that likely will be too late. If you need a bit more time just call and we'll try to work something out.

Email to Dhuyvetter or Smith the 8 completed survey forms:

email: kdhuyvetter@elanco.com

email: cmsmith11@fhsu.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 on only 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 probably is 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 pro-rations.

Detail of data required

Over the years CHAMP members routinely have asked if they could report more detailed information. Examples are breakouts of repairs between combines and trucks, breakout of DEF from fuel, and fuel usage (both clear and red) by harvesting stop. The hope always is that more and more people will include such information so that customers can benchmark their operations against those of others. However, often that does not happen, meaning that statically valid benchmarking against others on such items is not appropriate. However, such information very well should be useful to an individual harvester – to aid benchmarking of his operation across time at least, and also to help determine profitability at a finer scale, e.g., by stop or customer. So, whether we ever get sufficient data for statistical analyses across harvesters or not, we always encourage CHAMP members to track and include as much fine scale information as they deem practical for them.

Detailed Survey Instructions

The survey has several pages or Excel tabs: 1) an INFORMATION page, 2) a COMBINE page, 3) a PLATFORM page, 4) a TRUCKS & TRAILERS page, 5) an OTHER EQUIPMENT page, 6) a REVENUE page, 7) a BALANCE SHEET page, and 8) 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 any of the CHAMP team people.

Information Page

This page is mostly straightforward. However, Question 14 asks how many combines you typically run simultaneously. Do not hesitate to answer this question using fractions. For example, if you generally run two combines throughout the season but a fourth one for part of it, don’t hesitate to answer this question as 2.4.

Combine Page

Each and every combine owned or operated (includes leased and rented machines and experimental machines) at any time during 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. Pay special attention to combines physically removed say in November due to a trade deal involving new combines that will arrive the next spring. If the paperwork has not been completed (i.e., loans revised, etc.) by the end of the year, such combines should be considered as owned as of December 31. 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. If you operate an experimental combine for part of the year that is owned by the manufacturer, list that as a rented machine.

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. In that case, 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. Finally, if your financial information, for example, your Balance Sheet debt amount, reflects combines traded late in the calendar year, be sure to show those new combines as purchased in that calendar year – when they are physically delivered is immaterial (a repeat of what was said two paragraphs back).

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, 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 major repair was on a combine purchased this year, you simply would add that \$30,000 to what you paid for the combine, placing that sum in the value-when-purchased-if-purchased-during-year column. Finally, if it happened that the repair was covered by insurance, be sure to also adjust “other revenue” up accordingly on the Cash Flow Page to reflect the insurance indemnity payment you received. 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 combine information filled out (and do not forget to include any lease/rent payments on the 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. 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.). **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. But, be very careful here. New machines today often are more valuable than new machines a year ago – due to a) general increase in the manufacturer’s price, b) added features, and c) new models. So, if you are going to subtract the boot paid from the new combine’s value to obtain the value for the machine just traded, be sure to first consider well the new combine’s value. If you are in doubt about how to value a new combine you might start by getting the web price on a new machine (also called the “list” price or the “build your own” price), and then multiply that value by an appropriate factor, typically around 0.80, to get an estimate of what that new combine would cost had you purchased it outright. Finally, if you get substantial multi-unit discounts from the dealer/manufacturer, for this method of valuation you might need to use a smaller factor, say 0.75 or even lower. Regardless, a new machine should be valued at what you believe it would cost you to purchase it outright.

Note the following when using trade difference (boot) to guide your machinery valuation estimates. If the machine you’re buying is a brand new one it is generally best to start there, i.e., web price times a factor or else finding out what it would cost outright. Then simply subtract the

trade difference to value the machine you are trading in. If the machine you are buying in a trade is a used machine then simply ask yourself whether you are more comfortable knowing its true value or that of the machine you're trading in. Then, compute the value of the other machine knowing the boot being paid.

Platform (Headers) Page

Values and descriptive details for all platforms are reported on this page, whether owned or rented. 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 Cash Flow page. And, we still need the physical characteristics information of platforms, even if they're rented.

Trucks and Trailers Page

This page is similar to the Combine Page and Platform Page (see the valuation discussion there), only it deals with all trucks and trailers. Fill in numbers that are pertinent for the item in question. For example, truck mileage information should be reported but we don't require such information for trailers. Note that, **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).** Tell us in words if a truck is a "triple" straight truck rather than a tandem.

Just as for combines and platforms, remember that all dollar values are market, not income tax values. Also, equipment leased or rented from others should be listed but it should not be assigned values. And, again, be sure to include the rent/lease payments associated with such rented equipment 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 or via any of the equipment listing websites out there).

If you use your trucks outside of the harvesting operation, such as for winter-time grain hauling, list those miles separately in the right-most column. But, see the special notes on trucking outside of the harvest business, which is a paragraph in these instructions further below and in the section related to the Partial Cash Flow Statement.

Tractors, Grain Carts, and Other Harvesting Equipment Page

This page is similar to the page for trucks and trailers, only it deals with tractors, grain carts, and all other harvesting equipment, e.g., header trailers, service vehicles, and camper trailers, etc. Note that we request hours information for tractors.

Revenue Page

The instructions for this page are similar to the instructions for the *RevenueTrackerG.xls* spreadsheet, should you choose to use it to track revenue. 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. **NOTE THAT WE HIGHLY ENCOURAGE YOU TO TRACK HOURS BY JOB OR STOP.** We could do considerably more with this if more harvesters would do it.

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 be 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 folks report separate hour numbers for wheat and fall crops but not by stop.

Red fuel gallons – Enter the number of red (non-taxable) fuel associated with the acres entered in column F, for both the combine and the grain cart.

Clear fuel gallons – Enter the number of clear (taxable) fuel associated with the acres entered in column F, typically for trucks and sometimes pickups.

Reminder – Red fuel and clear fuel gallons are entries that were new for 2013. And, we know it may not be easy to track fuel down to a single “job” if that’s the way you are tracking harvest revenue, i.e., where each line on the revenue page is for a separate job. It would of course be possible for the combines and grain cart tractors, as they regularly tally such information (much like separator and engine hours). And, if you’re using a single line in the revenue page to represent a true “stop,” then tracking your fuel usage may be especially feasible. Regardless, give us what information you can regarding fuel usage so you all can learn more about your costs and so we all can learn together and make meaningful comparisons with what others are doing if the data allow.

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 or paid for – Enter the percent of the total bushels that you hauled or that which you hired hauled. If exact bushels are not known, enter your best estimate.

Percent through grain cart – Enter the percent of the total bushels that passed through a grain cart in your command. 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 you are using the Excel version of the forms in which to enter your data you will notice that there are other columns that go on to the right of the *FLATREV* column. These columns are not for data entry but rather have formulas in them to help begin to analyze your data. And, if you're using Revenue Tracker there even is a bit more information that is calculated for you.

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 pro-ration 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 as of a particular date.

Value of machinery and equipment is market value, not income tax basis, and is pulled directly from the Combine, Platform, and two non-combine equipment 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 employee 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 whether the numbers appear reasonable. At F8 report net investments in other businesses (such as a farm) and non-business investments (such as your residence). To keep our assessment of your other businesses simple note that these F8 numbers 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 pro-rations 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: loan principal payments, interest payments, and income taxes are intentionally omitted. DO NOT INCLUDE THESE THREE MEASURES ANYWHERE IN THIS SURVEY.

The custom harvesting revenue on this page is pulled directly from the appropriate columns of the revenue page. The other revenue amount should include items like interest earned or receipts from insurance companies for payments on losses.

Special notes on trucking outside of the harvest operation

Trucking that really is outside of the harvest business (e.g., post-harvest, winter-time trucking) should not be a part of the CHAMP program. This means that neither revenue nor expenses for that activity should be included in the CHAMP forms. And, the miles put on trucks for this sideline business should be recorded appropriately in the right-most column of the trucks and trailers page so that only the proper portion of truck depreciation is assigned to the harvesting business. However, in some cases, CHAMP members have found it difficult to separate their expenses between harvesting and outside trucking. In that case, include the outside trucking revenue on the other revenue line of this Cash Flow page and include the outside trucking expense (labor, fuel, repairs, etc.) along with the harvesting expenses on this page. Finally, in that case, all miles put on trucks should be included as "miles used in harvest" on the trucks and trailers page. But, recognize that if you handle your outside trucking business in this fashion it will be more difficult to accurately benchmark your costs against other harvesters. So, we certainly would prefer that outside trucking is kept out of CHAMP altogether.

A new cash flow entry line was added starting with the 2013 forms and it is for DEF (diesel exhaust fluid). We did this because harvesters were beginning to ask questions about whether it should be reported as fuel (sometimes bought from the fuel supplier) or as repairs (sometimes picked up at a business where one buys repairs).

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 the time you committed to the harvesting business really was worth only \$35,000, then \$45,000 needs to be subtracted from the paid labor category, to better represent true labor cost and profitability. Alternatively, in this example you could simply enter the hired wages straight up and then put a negative \$45,000 in the unpaid labor category. When you do something like that, which tends to look a bit unusual, it is always helpful if you add some notes or tell us in an email what it is you have done and why.

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 if you can. Just be sure that all repair and maintenance costs are accounted for somewhere.

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.