A PRIMER for Selecting New Enterprises for Your Farm:

RISK 1: Production and Financial Risk
Risk

Use this worksheet to anticipate what can go wrong and what can be done about it.

Production Risks

Is this enterprise sensitive to changes or extremes in weather conditions? If so, how?

Describe your strategy for prolonged drought.

What are your major weed, insect, or disease problems?

What cultural, mechanical, or chemical control practices are available?

Will you need to use pesticides?  

Do you have a current pesticide certification card?

Will the success of the enterprise be jeopardized if a particular machine breaks down at a key time?

Do you have backup equipment?

Is this enterprise dependent on the availability of reliable labor?

Financial Risks

How much capital will be borrowed?

What are the terms of the loan?

Length?  

Interest Rate?  

Periodic payment?  

How long will it take for profits from this enterprise to pay back the initial investment cost?

Financial measures you should know for your business:

Liquidity ratio  

Debt/Asset ratio  

Return on Assets  

Net farm income  

Repayment capacity  

Are other enterprises or off-farm income available to offset negative cash flows due to crop failure or low prices?