

**Table 1. Earned-net returns from the ranch**

Example ranch		
	Operating income	\$334,712
Minus	Operating expenses	\$269,394
Equals	Net-cash operating income	\$65,318
Minus	Depreciation	\$23,873
Plus/Minus	Inventory change	\$18,161
Equals	Net ranch income (before taxes)	\$59,606

Earned net returns to unpaid family & operator labor, management and equity capital.

**Table 2. Earned net-cash flow**

	Operating income	\$334,712
Minus	Operating expenses	\$269,394
Equals	Net-cash operating income	\$65,318
Minus	Debt principal paid	\$222,808
Minus	Family-living draw	\$40,937
Minus	Capital purchases	\$67,439
Minus	Capital sales	\$9,448
Plus	Income taxes & Social Security paid this year	\$5,095
Equals	Earned net-cash flow	-\$270,961
	Without principal payment	-\$48,153

**Table 3. Source & use of funds**

	Operating income	\$334,712
Plus	Beginning cash balance	\$17,649
Plus	Capital sales	\$9,448
Plus	Money borrowed	\$251,414
Plus	Net off-farm income	\$20,963
Plus	Gifts and inheritance received	\$7,025
Equals	Total cash inflow	\$641,211
	Operating expenses	\$269,394
Plus	Debt principal paid	\$222,808
Plus	Capital purchases	\$67,439
Plus	Family-living draw	\$40,937
Plus	Gifts and inheritance given	\$210
Equals	Total net-cash outflow	\$600,788
	Net-cash flow	\$40,423
Minus	Income taxes & Social Security paid this year	\$5,095
Minus	Household/non-farm capital purchases	\$9,531
Equals	Ending cash balance	\$25,797

**Table 4. Net ranch cash income statement**

Period covered Jan. 1 to Dec. 31, 2006

Ranch receipts		Ranch operating expenses	
Livestock and livestock products		Seed	\$22,905
Livestock sales		Fertilizer	\$34,411
	\$73,532	Chemicals & other crop supplies	\$29,056
	\$	Machine hire	\$
	\$	Storage	\$
	\$	Feed purchased	\$8,122
<b>Sub total</b>	<b>\$73,532 (1)</b>	Feeder livestock bought	\$10,972
		Breeding	\$124
		Veterinary	\$2,163
		Supplies	\$1,272
<b>Gross crop sales</b>	\$164,651	Fuel & oil	\$21,398
	\$	Utilities	\$3,721
	\$	Machine repairs	\$23,860
	\$	Other repairs	\$
	\$	Taxes, real estate, sales	\$3,009
	\$	Insurance	\$17,447
	\$	Rent	\$36,548
	\$	Trucking & marketing	\$1,822
<b>Sub total</b>	<b>\$164,651 (2)</b>	Miscellaneous	\$6,716
		Hired labor	\$8,354
<b>Other ranch income</b>		Farm interest paid	\$18,609
Government payments	\$54,001	CC buy back	\$2,105
Custom work	\$4,527	Livestock miscellaneous	\$496
Insurance income	\$21,967	Custom hire	\$10,352
Other	\$16,034	Hedging accounts	\$1,682
		Leases	\$3,183
<b>Sub total</b>	<b>\$96,529 (3)</b>	Dues & professional fees	\$1,067
		Other	\$
<b>Gross ranch receipts (1+2+3)</b>	<b>\$334,712 (4)</b>	<b>Total operating expenses</b>	<b>\$269,394 (5)</b>
		<b>Net cash ranch income (4+5)</b>	<b>\$65,318 (6)</b>

**Table 5. Adjusting net income for inventory adjustments**

	Crops & feed	Market livestock	Accounts receivable	Supplies & prepaid expenses		Accounts payable	Total net adjustments
Ending inventory	\$140,712	\$48,987	\$17,273	\$15,831	Begin	\$19,130	
Beginning inventory	\$117,217	\$40,634	\$30,419	\$12,914	End	\$22,589	
Net adjustment	\$23,495	\$8,353	-\$13,146	\$2,917		-\$3,459	\$18,160 (7)
<b>Net operating profit (6+7)</b>							<b>\$83,478 (8)</b>

**Table 6. Adjusting for capital items**

	Breeding livestock	Machinery & equipment	Building & improvements	Other assets	
Ending inventory	\$63,781	\$230,981	\$37,679	\$18,382	
Plus sales	\$3,069	\$3,469	\$400	\$205	
Sub total (9)	\$66,850	\$234,450	\$38,079	\$18,587	
Beginning inventory	\$60,274	\$212,580	\$33,238	\$17,431	
Plus purchases	\$9,764	\$41,208	\$6,354	\$989	
Sub total (10)	\$70,038	\$253,788	\$39,592	\$18,420	
Net capital adjustment (9-10)	-\$3,188	-\$19,338	-\$1,513	\$167	
				Total net capital adjustments (11)	<b>\$-23,872</b>
				<b>Net ranch income (8+11)</b>	<b>\$59,606</b>