



readiness - response - recovery

■ Planning the long-term recovery of your farm

1. *Where do I begin?*

Recovering from any disaster, whether natural or manmade, can be tough—physically, financially, and emotionally. The first priority is personal safety and the safety of family and friends. Then there are the basic necessities of life to take care of—food, shelter, clothing. At this time, many people go through several emotional phases: shock, anger, disorientation and disorganization, a feeling of loss, guilt or gratitude for having survived, and, eventually, acceptance and the ability to start rebuilding or replacing what was lost or damaged. This recovery process can create a high level of stress, which, in turn, can reduce a person's ability to function. However, at some point, you are ready to—or you must—try to pick up the pieces and move on.

If financial losses have been significant, longer-term financial issues must be tackled. Decisions should be made based on sound information, not emotion. This can be a challenge, both because you must know—or learn—what to do and because important information may have been lost in the disaster.



This series of articles describes the why, what, and how of planning the financial recovery of a family farm—or any other family-owned business—following a natural disaster. Also, manmade and personal catastrophes may create many of the same feelings and issues.

Why is this necessary? Because people facing serious financial problems need to make carefully thought-out plans and sound decisions that are in the best long-term interests of their farm and family.

What needs to be done? When trying to recover from a disaster, it is important to answer each of the following questions:

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- What are our family living needs, and where will the money come from?

- Am I still solvent, and what equity do I still have in the farm?

- Will I be able to generate the cash flow I need?

- What is the long-term profit potential of my farm ?

- Is my farm financially sound?

- Do I need to make changes in my farming operation?

- What do I need to do to be successful?

A healthy business is strong in many areas of farm and financial performance, including solvency, cash flow, and profitability. However, even before a disaster, a farming operation may be strong in one area and weak in another, depending on the farm history and its past financial performance. Therefore, one farm may be much better able to withstand the financial effects of a disaster than another. For some farms a disaster

may be a temporary setback, while other farms may be pushed to the brink of financial ruin or beyond.

Farm and family finances are intertwined on family farms. At the same time that profits from the farm may have been reduced, family living needs may increase as the recovery period begins. However, in the long term, a family must be able to live within its means, so family income from farm and nonfarm sources must match family living expenditures. Setting priorities and developing a realistic family budget will help ensure that available money is used to best effect and that the most important family needs are met.

How should I proceed? The first step on the way to recovery is to assess the current financial status and health of the farm and the family. This involves taking stock of family living needs and expenditures on the one hand, and assessing farm finances (solvency, cash

flow, and farm earnings) on the other. The second step is to evaluate the farm financial information to identify weaknesses and problems that threaten farm viability or affect recovery efforts. The final step is to develop a workable plan for the future, one that will lead to a financially healthy farm that can provide for family living needs.

The approaches to answering the questions listed above are discussed in the following articles. It is important to tackle all of these topics, in the order presented, because this is not an easy undertaking and it has many aspects. If you need help with preparing and using this information, addressing any farm or financial problems you identify, or dealing with other related issues, contact your local Cooperative Extension office for help or information on sources of assistance. These vary from community to community, and in most cases, qualified and confidential help is available.

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