

Financial Feasibility and Cash Flow Considerations

Economics in Conservation Planning



Cash Flow Considerations

Cash flow considerations are an important in decision making based on the farm operations capacity for capital investment in conservation. Cash flow planning requires knowing the costs and when they will need to be paid. A site specific cost estimate of installation costs and an estimate of annual costs to operate and maintain (O&M) the practices are needed for cash flow analysis to determine financial feasibility.

The first step is getting the estimated quantities and specifications for all the components needed for the installation and O&M of the practices. This information is available from the conservation planner.

Second, obtain prices for the components, identify qualified sources, contractors, or get bids to develop a site specific cost estimate that can be used to determine the total installation costs and estimated O&M costs be incurred.

Lastly, determine when income or other capital resources are available to pay the installation or implementation costs so that there is a logical sequence of scheduling an implementation schedule that fits the conservation practice requirements.

Cash flow considerations are critical to planning an implementation schedule for conservation practice/s in a conservation plan. Adequate cash flow planning can reduce the need for conservation plan modifications.

Financial Feasibility and Other Analysis



Producers may consider the use of partial budgets and other tools to assist with identifying the net present value of the conservation system that is being considered. Pay back or breakeven analysis can be used to identify the economic impacts for the changes being considered. NRCS policy strongly encourages the use of these optional tools according to the guidance in the National Planning Procedures Handbook and planning policy.

Conservation planners provide conservation practice standards, specifications, and design information needed by a producer to complete the economic analysis to evaluate and make a decision. Planners can also assist by using NRCS tools to provide the economic analysis needed by the producer for evaluation of a conservation alternative.

Program Payments

Conservation program payments cover part of the practice cost and affect financial feasibility. The amount and timing of when a payment is received affects cash flow. Be prepared to cover all installation costs during construction and the time frame between when installation is complete and the conservation program contract payment is received as well as the cost difference between the site specific cost and the program payment. O&M is not part of the program payment so all those cost need to be considered in cash flow planning.

