

Your Guide to KEEPING GOOD FARM RECORDS



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Imagine a farmer sits down at his loan officer's desk, seeking a loan to purchase a large tract of land. The farmer knows that before the lender can make a decision, he will want to know that the farmer can pay back the loan. The last time the farmer was in the office he didn't have his farm records together. As a result he and the loan officer spent extra time going back and forth as he pulled together what he needed. This time he comes prepared with a balance sheet, a profit and loss statement, and tax returns. The loan officer is able to quickly assess the overall well-being of his farm operation.

Strong record-keeping is indicative of strong management. It serves more than one purpose. You may not know that you are losing money in one particular area of your business. It allows you, your lender and your CPA to find the leak and address it. It also helps you find areas for opportunities. You may find that you have the resources to diversify your operation, for example.

RECORD-KEEPING LEADS TO BETTER DECISIONS

From a lender's perspective, solid farm records are vital to an accurate lending decision.

They allow the lender to give you the best possible financing terms based on your financial and farm management ability. They also keep you from borrowing more than you can actually afford.

Evaluate your record keeping process, think about your filing system and management practices.



FIND THE SYSTEM THAT WORKS BEST FOR YOU

Keeping good farm records often lead to better business decisions. They are also essential when it's time to file taxes, meet with a lender, or participate in any government farm program. A number of tools make record-keeping easier and more efficient.

A number of tools and software programs are available for those who may not have the time or the inclination to develop their own spreadsheets. Kelvin Leibold, an Extension farm management specialist at Iowa State University, recently evaluated farm accounting software. An important feature, he writes, is the ability to download the software to your tax or tax preparer's software so all of the data doesn't have to be reloaded. He recommends checking with your tax preparer for compatibility.

HERE ARE HIGHLIGHTS:

Quicken Starter Edition® or Quicken Deluxe® are basic starting points for pre-packaged software. It is a first step and gets you used to data entry, check writing and electronic funds transfer, and helps set up the basic chart of accounts. Leibold shares links to a couple of land grant universities that have set up chart of accounts tutorials and other teaching materials.

QuickBooks, a user-friendly platform, allows you to manage cash going in and out of your business. It is a step up with more features such as payroll, inventory, and more in-depth enterprise analysis.

NOT TECH-SAAVY?

If you are not tech savvy, you should explore courses at local community colleges, website with demos, books, and educational programs.

USEFUL WEBSITES:

- Farmworks, www.farmworks.com
- PCMars, www.pcmars.com
- Ultrafarm, www.farmbiz.com
- Easy Farm, www.easyfarm.com
- CenterPoint Accounting for Agriculture, www.redwingsoftware.com
- TransAction Plus, www.fbssystems.com
- FinPack, www.cffm.umn.edu/FINPACK

HELPFUL BOOKS:

- The Organic Farmers Business Handbook by Richard Wiswall
- Fearless Farm Finances by Paul Dietmann, Craig Chase, and Jody Padgham

EDUCATIONAL PROGRAMS:

AgSouth Farm Credit offers a 10-module online course on how to run a successful farming operation. It's designed for young, beginning and small farmers and their families. It focuses on good records, balance sheet keeping, income statement updates and cash flows.

We urge people to speak with their loan officer for help. While they are not CPAs, lawyers, or financial advisors, they are a good starting point.. Our loan officers are familiar with a multitude of agricultural and other business operations and would be glad to help figure out a record-keeping solution that may work for you.