

BARNYARDS & BACKYARDS



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Getting on track: Better management through basic ag records

Production agriculture is inherently challenging, especially for smaller-scale operations. Owner-operators face so many day-to-day decisions and labor resource issues the financial aspects are often simply overlooked or pushed to the back burner.

The financial climate in commercial agriculture is approaching a defining moment in many respects. Several consecutive years of low commodity prices, coupled with expenses that do not decline, and combined with rising interest rates have many managers considering their options.

Operators staying on top of their current financial situation is paramount. Maintaining accurate and up-to-date production and financial records and current financial statements can help diagnose problems and make adjustments as needed. In these uncertain times, a firm understanding of current financial standing can mean the difference between being in control of the financial situation versus facing credit restrictions that may remove that control.

Getting On Track Courses Available from RightRisk.org

The Getting on Track: Better Management Through Ag Records course, from RightRisk.org, is part of a three-course series to help agricultural managers improve recordkeeping. The online course offers informative and self-paced lessons, with numerous resources and farm family examples. There are five content modules, with four family farm business examples, that highlight the importance of recordkeeping. Resource materials include recordkeeping forms for crop and livestock enterprises, the complete Agee Hand Record System, and links to other courses.

Why Keep Records?

The first module addresses “Why bother keeping records?” Recordkeeping is imperative to documenting the business financial situation. The course highlights agribusiness examples where failure to know the financial standing of the business, through poor records, leads to big challenges for the business. Many reasons are offered by operators for not keeping better records: it is time-consuming, lack of organization, importance compared to the need to complete day-to-day tasks, and so on.

The benefits definitely outweigh the costs for not keeping records, as the course outlines: keeping sound records can provide sound financial footing for preparing taxes, applying for credit, farm management/planning, and obtaining leasing agreements. The course offers suggestions for getting started with basic information like keeping receipts, a log, and schedule.

Basic Recordkeeping: Steps to Achieve It

The next two sections of the records course show how to begin keeping records. First, saving all income and expense receipts is important, including sales tickets, paid invoices, checking account records, and credit statements.

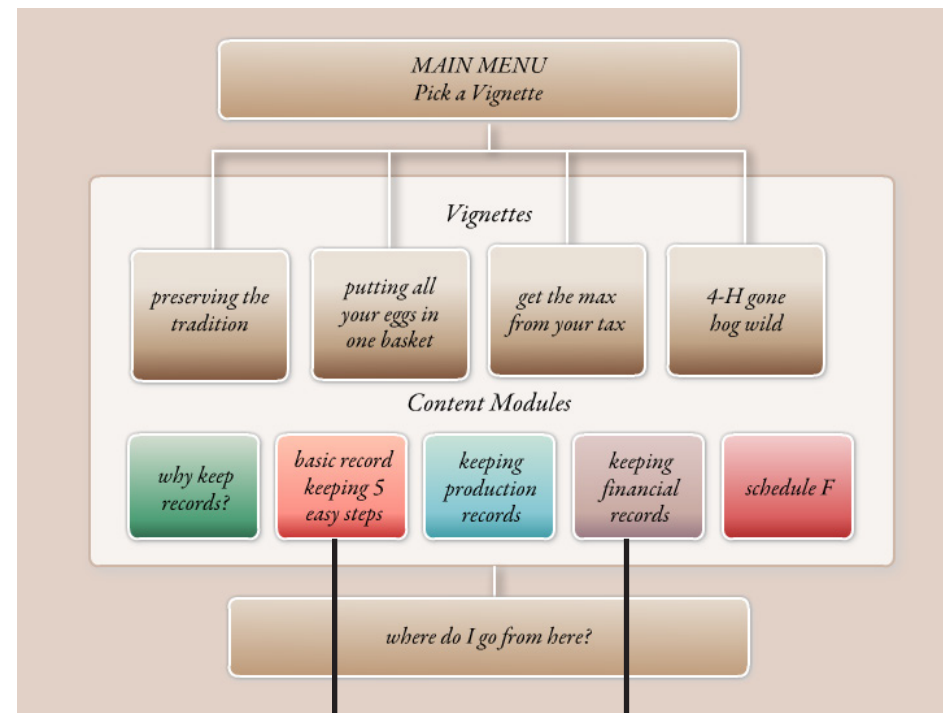
These records should be sorted by enterprise or type of transaction, depending on the type of business. The next step involves keeping a journal of all income and expenses. The course outlines the proper accounting methods when keeping a

journal and a subsequent monthly ledger. With this data recorded, a profit and loss statement can be pulled together (either annually or more often).

Step five outlines enterprise analysis and the process for understanding how enterprise activities contribute to overall profitability. This approach helps to further understand business financial performance and evaluate where profit centers and areas of improvement might be within a business.

Financial Records

Keeping financial records is addressed in the next section. Collecting these records should be done along with the information recorded with the production records. Discussion offers how to build and interpret an income and expense statement, a monthly financial record



basic record keeping: 5 easy steps

Five Easy Steps

- Step 1: Keep all income and expense receipts
- Step 2: Record business transactions
- Step 3: Transfer entries into Monthly Ledger
- Step 4: Estimate farm profit or loss
- Step 5: Enterprise analysis

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keeping financial records

Three Related Forms

1. Expense and Income Statement: Lists all farm-related financial transactions.
2. Monthly Financial Record: Summarizes information from the Expense and Income Statement for each month.
3. Annual Financial Summary: Summarizes information from the Monthly Financial Records for each year.

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(or cash flow), and an annual financial summary. These reports help show when income is generated and when expenses occur, when credit is needed, and can compare income and expenses from previous years. Interactive examples demonstrate how to interpret these basic financial reports once they are constructed

Schedule F Information

IRS Schedule F is the form for reporting eligible farm income and expenses. The course outlines the process of transferring financial

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Producers face significant stress; help is available

Agricultural producers have a long culture and self-image of being strong, flexible, and adaptive, allowing them to weather climatic, financial, and personal challenges.

Many producers have millions of dollars of fixed assets, which their family has accrued over generations. Producers often earn less than 1.5 percent on their investment each year and tolerate 100+ hour weeks, extreme weather, isolation, and reduced conveniences to grow and produce food for our nation.

As one ranch wife explained to a teacher, “You, too, for a multi-million dollar investment and 150 hours a week, can make money one year, break-even one year, and lose money one year.” Many producers, especially those just getting started, work off-farm jobs as well.

Producers have dealt with increased production costs, multiple disasters, reduced prices, tariff and market pressures, and increasing regulations, in addition to the stresses normal families endure.

This last 24 months has been critical with farm income down over 50 percent since 2013, according to the USDA Economic Research Service. The United States had nine disasters, which affected over 9 million producers. Remember, agricultural producers are only 1.26 percent of our population. Livestock producers are less than 0.5 percent.



Ag Records, continued

information from various records to the Schedule F, and describes calculating earnings and taxes owed.

Filing a Schedule F is necessary for participation in certain USDA programs, disaster assistance, and certain crop insurance products. Filing the form can also be beneficial in proving agricultural use of land for property tax purposes, as well as obtaining farm-related credit.

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According to the USDA Agricultural Statistics Service, the average per capita income for producers with a family of four is less than \$29,000 per year. This can be emotionally challenging when they have \$300,000 to \$20 million invested. When something goes south, it is usually catastrophic. Before 2016, of those producers affected by disasters, over 42 percent went out of business, according to Federal Emergency Management Agency data. When a disaster hits a farmer/rancher, 20-60 years of work often goes with it.

Everyone should understand agricultural producers love and protect the land, take extreme pride in providing products for others, and usually have their entire identity tied to a generational effort to keep an operation in business. When a farm or ranch fails, they not only lose business functionality, they lose their history, their earnings, their future, and their identity. Dr. Starr Lee Heady, a psychologist with PX Equine Enterprises, once said, “Farmers and ranchers have a place-based identity.”

A Centers for Disease Control and Prevention study released in July 2016 (Suicide Rates by Occupational Groups) shows farming, fishing, and forestry now have the highest suicide rates of all groups at 84.5 suicides per 100,000 people.

That rate exceeds veterans and emergency response workers.

A University of California factsheet (<http://sfp.ucdavis.edu/files/143919.pdf>) connected to research on “distress” (negative stress) faced by women farmers and ranchers indicate their stress levels can easily exceed that of their male counterparts. Issues such as lack of control, agricultural stereotypes, perceived lack of authority, balancing multiple roles, and other issues compound the stress levels for them.

There is help available for producers, including mediation, counseling, and camaraderie.

This is important since many agricultural producers do not willingly seek help. It often seems contradictory to their identity and self-image, but it is crucial producers and their families seek assistance if stress skyrockets. If you see a serious stress condition, contact local clergy or a mental health agency or association.

Immediate help is available from:

- National Suicide Hotline (800) 273-8255
- Wyoming Suicide Hotline (800)-SUICIDE (784-2433)

Farm and ranch help for stress and challenges is available from:

- Farm and Ranch Crisis Center (National Farmers Union) – farmcrisis.nfu.org
- National Farm Medicine Center – www.marshfieldresearch.org/nfmc
- Agri Safe Network – www.Agrisafe.org
- Extension Disaster Education Network Resources - <http://bit.ly/edenstresssupport>
- University of Wyoming Extension Bulletin B-1104. *The Personal Nature of Agriculture: Men and Depression.* <http://bit.ly/wyomaledpression>

Last but not least, I have a guide from the Agri-Safe Network at my office that will let you analyze and discuss pressure with your support structure confidentially at home. It would be a privilege for this old rancher, rural emergency medical technician, and educator to share it – no questions asked. You can contact me at Scotton1@uwyo.edu.

Getting established and staying productive in agriculture is extremely challenging. Making sure our rural neighbors are strong benefits communities. They contribute a lot to all of us.

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More useful tools from RightRisk.org

The RightRisk Analytics Toolbox contains several risk analytics tools covering a wide range of agricultural decisions and issues including budgeting, forage leasing, machinery costs, and whole farm budgeting.

To view or download the toolbox:

- Logon to RightRisk.org
- Under the Resources Tab, select Risk Management Tools

RightRisk Analytics is a toolbox of alternative risk analysis tools.

Click one of the buttons on the left to learn more about what each tool can do and to access the tool.

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