



RightRisk™

Keeping Records on Your Farm or Ranch

Juan and Suzanne were sitting in their kitchen one January afternoon getting information ready to take to their tax preparer. Check stubs, invoices, receipts, weigh tags from the local co-op, and sale bills were scattered across the table. Suzanne was frustrated with the mess and with the amount of information Juan kept in his head. They both knew they would have a better handle on their finances, keep their banker happier, and be better prepared for their tax preparer if they maintained good financial records throughout the year. They just did not know where to begin.

During Juan and Suzanne's meeting with their tax preparer, they were told of a series of on-line courses developed by RightRisk. The first course, Getting on Track: Basic Ag Records, presents information about keeping a basic set of agricultural records. The second and third courses – Getting on Track:

Better Management through Financial Statements and Getting on Track: Understanding Financial Performance – provide a step-by-step approach to completing the four basic financial statements and using the information from the statements to measure financial performance.

Types of Records

While investigating record keeping, Juan and Suzanne learned that there are two distinct types of records for farm operations: financial and production.

Financial records relate primarily to money and prove farm income and expense transactions. Product sales, operating expenses, equipment purchases, accounts payable and receivable, inventories, depreciation, and loan balances are examples of financial records.

Production records relate to quantities of inputs and levels of production by enterprise or resource type. They consist of crop yields, seeding rates, number of calves born, weaning weights, pounds of milk produced, pounds of feed used, death loss, etc.

Suzanne found a fact sheet on the internet that explained why a farmer should keep records. She shared with Juan that good records can:

1. Provide a history of performance and operation of the farm business which are important in orienting the manager's thinking and measuring progress toward accomplishment of goals;
2. Provide information for filing tax returns and meeting other governmental requirements;
3. Provide the information for calculating profitability;
4. Help identify strategies for increasing income, decreasing expenses, and improving production strategies, especially if the records from one year were compared across multiple years;
5. Provide evidence for obtaining credit;
6. Show cash flows and changes in net worth; and
7. Help communicate with family members and partners involved in the farm business.

Getting On Track Course

Juan agreed with Suzanne that they should go through the course "Getting on Track: Better Management through Basic Ag Records." At the opening screen they were prompted to select one of four vignettes.



Juan suggested they go through "Get the Max from your Tax" first since it illustrated how one family learns to keep records for filing income tax returns and how such records are beneficial to other aspects of managing a farm.

The vignette transitioned through a step-by-step process of keeping a general income and expense journal and then completing a more detailed journal to analyze individual enterprises. The family in the vignette was able to use the information to make informed decisions about keeping or selling the sheep enterprise and expanding the gardening enterprise.

As Juan and Suzanne moved within the vignette, they clicked on each of the course's five content modules. "Why Keep Records" explained why good records are important for agricultural businesses of any type and size and how the records can be used to make more informed decisions.

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Farmer's Market Sales	
July 20 th	
10 boxes tomatoes	\$100
5 lbs asparagus	\$15
20 bushels of corn	\$60
July 27 th	
7 boxes tomatoes	\$70
2 lbs asparagus	\$6
15 bushels of corn	\$45

Since their records were in such disarray, Suzanne found the “Basic Record Keeping: 5 Easy Steps” and “Keeping Financial Records” modules quite helpful.

Although they are comfortable with their tax preparer, the information in the “Schedule F” module helped them better understand what was needed to complete parts of their federal tax return.

Tracking Feed Inventories

Juan has always struggled with tracking his feed inventories and feed usage. He has become frustrated and grouchy when Suzanne or their banker would ask questions about feed conversion rates, the amount of hay needed for the up-coming feeding period, and feed costs.

Juan thought the simple instructions and tools for keeping production related records would help him track his grain and hay.

Rather than watch the other vignettes, they agreed to view the module “where do I go from here”. They learned about the essential aspects of good record keeping systems and the advantages and disadvantages of hand-kept and computerized systems.

Since it was almost bed-time, Juan and Suzanne agreed to wait until the next morning to discuss the type of financial record keeping system they would begin using.



in One Basket” vignette which uses two young families to illustrate how information from good farm records can be used to make decisions.

The next vignette Suzanne viewed was “Preserving the Tradition” vignette – the story of a Native American, multi-generational farm family struggling with low wool prices and the cost of animal feed cutting into the family budget.

She had Juan go through it with her, so he could see how the family learned to keep a simple set of farm records and then use the reports and summaries from the records to increase profitability

and take advantage of two government assistance programs.

They then viewed “4-H Gone Hog Wild”. It illustrates the financial and familial struggles of a young boy expanding his 4-H swine project to a herd of 30 breeding sows in just a few years. The youngster learns that a simple method for maintaining receipts and other basic documents is to keep the information in categorized envelopes.

After completing the course, Juan took a complete inventory of the animal feed on hand. He then recorded how much he fed the cows and the calves. Suzanne wanted more information about keeping their financial records, so she and Juan made a list of questions to ask their tax preparer and banker.





They also agreed to view the other two “Getting on Track” courses in order to learn how to make better management decisions using the information on their financial statements.

Three Getting On Track Courses

The three “Getting on Track” courses – Better Management through Basic Ag Records, Better Management through Basic Financial Statements, and Understanding Financial Performance – can be viewed at www.rightrisk.org.

The courses are professionally designed, formatted, and narrated. For those people without audio capabilities, the audio portions can be viewed as text. Each course can be viewed as many times as a person wants to go through them at no cost. The numerous worksheets and other resources can be downloaded (also for free) and incorporated



into the farm management process.

Summary

Keeping good, accurate farm records does not have to be difficult. Often times a farmer simply needs to get started. Juan and Suzanne are well on their way to learning how to keep good records and the benefits of using the information in their records to make more informed management decisions.

Additional Resources:
[RightRisk Online Courses](http://RightRisk.org)
<http://RightRisk.org>

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