

Record Keeping for the Small Farm - a Farm Management Specialist's Perspective

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There is no substitute for good records. Not only do good records provide information on the amount of income and expenses, but they also provide a view of trends that help management make better decisions. The importance of record keeping can't be overemphasized. Records help farmers understand the financial risks involved in their farming operation. This presentation will highlight the basic components of financial risks and how they relate to the day-to-day management of the farm operation.

It is generally known that a set of well-maintained financial records is an absolute necessity to maintaining financial control of a farm or ranch. You have to have the information and tools needed to evaluate past performance and in planning for future accomplishments. Even though comprehensive financial records do not provide total financial risk management, they do provide much of the information needed to understand critical financial risks.

This presentation will also highlight the need for solid record keeping. Good records provide for the development of essential financial management tools, such as the balance sheet and statement of owner's equity, income statement, and projected and actual cash flows. Failure to plan is planning to fail. This will also be illustrated through discussion of the benefits of good record keeping such as:

- How much it cost to operate the farm business.
 - How much it cost your family to live.
 - What and how much you produced and whether you made money or lost money. Whether or not the amount produced was as much as you had planned.
 - What you spent to keep up and improve your farm.
 - The amount paid on debts and the amount still owed.
 - Any changes that you need to make to improve your farm operation.
 - Information for lenders to make the right credit decisions.
 - Which enterprises brought in the most money.
- Information to complete federal and state income tax returns and W-2s.
 - How much money you received.