

All farmers have faced problems with accounting over the life of their farming operation. How big or small those problems are, likely depend on the time you put in trying to manage them. Managing the accounting aspect of a farm may not be the most rewarding part of farming, since most farmers would rather be in the field or managing the physical aspects of the farm. But that doesn't make farm accounting any less important. The good news is that all problems leave an opening for a solution, and finding solutions to accounting problems can lead to more profits for your farm!



Being unaware of when the biggest expenses hit during the year

Being surprised by unexpected expenses is not a fun thing, and it can also be disastrous to a farming operation. Fortunately, there is a good way to solve it. It may take some time, organization and thought, but if you put in the work, the results will pay off. The best way to know when the biggest expenses are coming is to create an annual cash flow budget. Basically, you gather up all the information from the prior year and enter the income and expenses by month and by type. You can do this on a spreadsheet, in a computer program, or even on paper. Once you know when they will hit, you can use that information and make adjustments during the year to fit your operation better.

Being unaware of the value of the “sweat equity” you put into your farm.

Some farmers build and manage their operation without paying themselves. This is, in itself, not a problem, but knowing the value of all the hard work or “sweat equity” you put in can be eye opening. Not being aware of this can result in long hours of hard work, for far lower pay than you imagined. You can get an idea of what you have to show for all your hard work by looking at a few years of annual balance sheets for your farm, placed side by side. A balance sheet is the total financial value of your farm. While you may be able to calculate a balance sheet on paper or in a spreadsheet, using a farm accounting program for this is much more efficient.

Being unaware of what is profitable

Guessing about whether you are making the right decision for your farm can lead to financial disaster. The decision-making process can be improved by tracking financial information by crop, farm, field, and land owner. When you track this information, you are able to do “what-if” scenarios that open the pathways to making better decisions, which in turn leads to profitability. The best way to track this information is by using farm accounting software. While it may seem daunting at first, the end result is lasting profitability for your farm.

Solving farm accounting problems is key to the healthy operation of your farm. The sooner you solve them, the sooner you will become more profitable and make your operation run more smoothly.