

# **Financial and Production Record keeping**

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# FIRST- what do you mean?

- Production records?
- Records for taxes?
- Financial analysis/planning?
- Comes down to- What are your goals???

# General considerations

- Make time for recordkeeping,
- Determine which information is economically feasible to collect
- Summarize the data for use in the decision-making process
- Know records needed for programs you are enrolled in- i.e.) FSA, grants, etc.

# When?

- Need to set aside a time for record keeping and keep to that schedule.
  - Once a week is best.
  - Once a month is ok.
  - Once a quarter is the bare minimum.
  - Once a year is not enough.

# Who?

- There should be one person in charge of maintaining the record keeping system.
  - Doesn't have to be the same person in charge of production and finance
- BUT everyone should take ownership of the record keeping system.
  - All individuals involved need to do their part to maintain the records.
    - This means:
      - Letting the record keeper know about items that need to be recorded.
      - Bringing in all receipts from the truck.
      - Encouraging the person in charge instead of discouraging.
      - Remember this is a partnership not a dictatorship.

# What do good records offer?

- Cold, hard facts
- Ability to compare to benchmarks
- Insights into strengths/weaknesses, problem identification
- Identification of profit and loss centers
- Direction for maximizing the returns to owned resources
- Documentation to obtain/maintain credit

# What do good records offer?

- Information regarding feasibility of new ventures
- Employee incentive measures
- Guidance on appropriate risk management strategies
  - Production risk
  - Financial risk

# Questions record keeping can answer

- Am I making more on crops or livestock?
- Should I buy or raise hay?
- Are my costs of production too high?
- What is my break-even crop price?
- What can I do if I want to be more profitable?
- What can I do to provide incentives for hired help to do a better job?
- What kind of risk management strategies should I be using?



# Taxes

- Taxes can be a strong motivation for record keeping....
- Tax management is only ONE PART of farm management
- Tax minimization is not necessarily profit maximization....
- ANY kind of record keeping is a good start to financial analysis

# Tax Records

1. Keep records for 3 years.
2. You do not report income that you should report and it is more than 25% of the gross income shown on your return; keep records for 6 years.
3. You do not file a return; keep records indefinitely.
4. You file a claim for a loss from worthless securities or bad debt deduction; 7 years.
5. Keep all employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.
6. Property records; indefinitely.

IRS Publication 225, Farmer's Tax Guide [www.irs.gov](http://www.irs.gov)

# Production Records- animal

- Help evaluate animals' performance
- Need to use standardized records
  - Helps identify problems
  - Easy to compare across groups
- First step is to individually ID all animals
  - Ear Tags
  - Names ???

# Production Records- cattle

- Pregnancy Percentage
- Calving Percentage
- Weaning Percentage
- Weaning Weights
- Adjusted Weaning Weights
- Pounds Weaned per Exposed Female
- Calving Interval
- Death Loss

# Production Records- Pregnancy Percentage

$$\text{Pregnancy \%} = \frac{\text{Number of females exposed diagnosed as pregnant}}{\text{Number of cows exposed}} \times 100$$

Example:

$$92\% = (92/100) \times 100$$

100 Females

92 Pregnant

# Production Records- Calving Percentage

$$\text{Calving \%} = \frac{\text{Number of babies born (dead or alive)}}{\text{Number of females exposed}} \times 100$$

## Example:

100 females

Babies Born

45 Male

45 Female

1 Born Dead

$$91\% = ((45+45+1)/100) \times 100$$

Standard

Cattle > 90%

# Production Records- Weaning Percentage

$$\text{Weaning \%} = \frac{\text{Number of babies weaned}}{\text{Number of females exposed}} \times 100$$

## Example:

100 Cows

Calves Born

42 Bulls

42 Heifers

$$84\% = ((42+42)/100) \times 100$$

## Standard

Cows > 83%

Goats > 150%

# Production Records- Death Loss Percentage

$$\text{Death loss \%} = \frac{\text{Number of calves that died (either born dead or died before weaning)}}{\text{Number of cows exposed}} \times 100$$

## Example:

100 Cows

Dead calves

1 Born Dead

6 Died later

$$7\% = (1+6)/100 \times 100$$

## Standard

Cattle < 5%

Goats < 10%



# Production Records- Pounds weaned per exposed female

$$\text{PWEP} = \frac{\text{Total Pounds Weaned}}{\text{Number of females exposed}}$$

## Example:

100 Cows                      365.4 Lbs. = (18,984 + 17,556)/100

## Calves Born

42 Bulls @ 452 Lbs. = 18,984

42 Heifers @ 418 Lbs. = 17,556

## Standard

Cattle > 450 lbs

Goats- none

# Production Records-software

- Software ranges from \$58.20-\$950 (2022)
- Consider commercial vs seedstock needs (may consult with breed organization)
- Consider level and cost of software support that will be provided by the company
- Consider specific cattle information that is required by the software

# Production Records-cow calf

## Cow-Calf Production Record Software

Published Aug. 2022 | Id: CR-3279

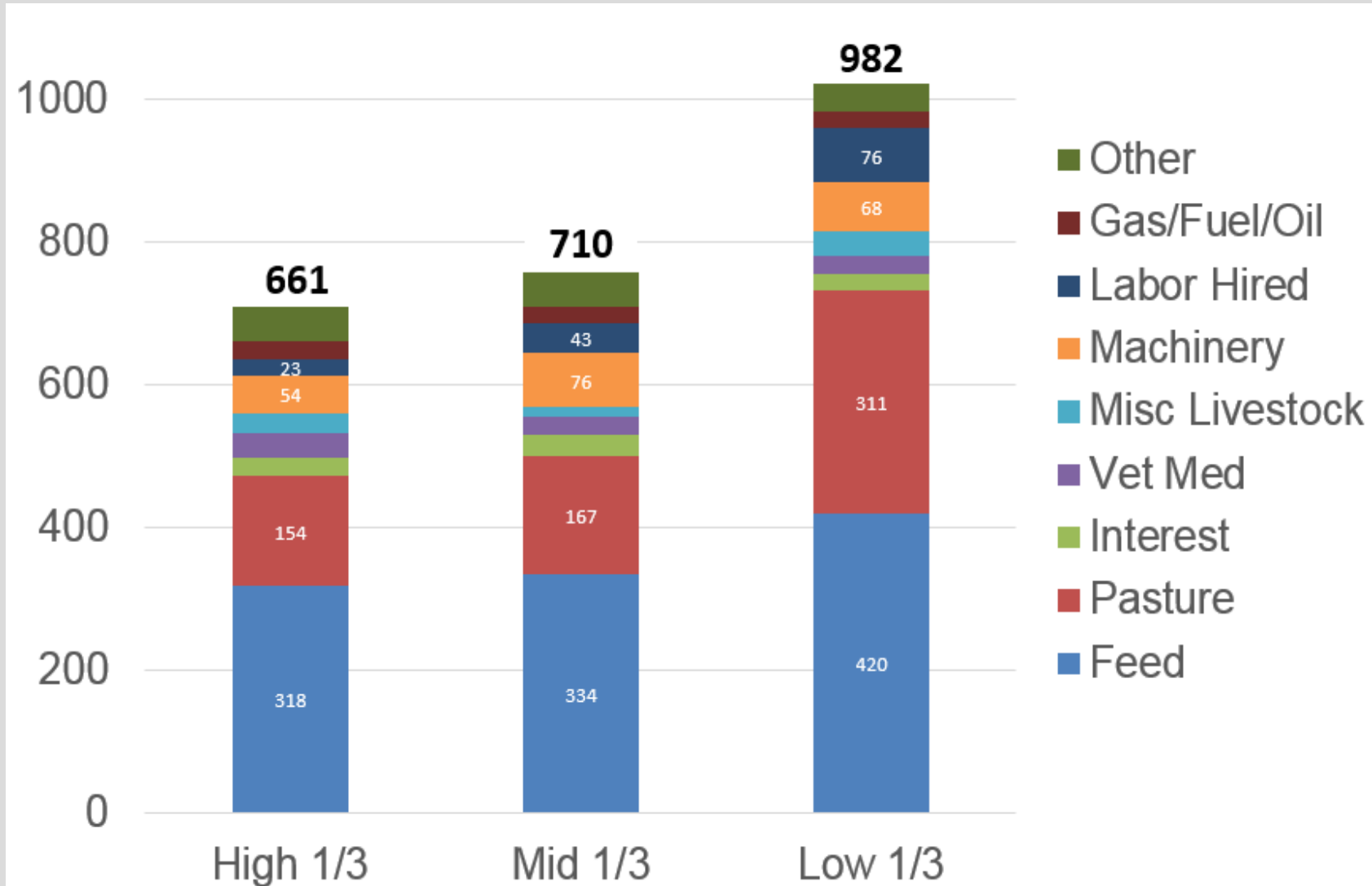
By Courtney Bir, Brent Ladd

<https://extension.okstate.edu/fact-sheets/cow-calf-production-record-software.html>

# Average Weaning Weight



# Cow/Calf Cost of Production (\$), 2015



**Profitability Group**

# Production records- crops

- Crop information
  - Variety, planting date, yield, population planted, planter settings
- Soil test summary
- Nutrient planning
- Nutrient applications
- Pesticide-use
- Labor

# Production records- crops

## Crop and Forage Recordkeeping App

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By Courtney Bir, Rodney Jones, Brent Ladd

**Print-friendly PDF** 

**Share Fact Sheet**  

<https://extension.okstate.edu/fact-sheets/crop-and-forage-recordkeeping-software.html>

# WHY do financial analysis/planning?

- Determine where am I?
- Where do I want to be?
- How can I get there?



# Business Analysis

- Financial statements
  - Historical
  - Projected
- Spending plan (budget)
- Break-even analysis
- Marketing plan
- Enterprise analysis
- Investment analysis
- Risk assessment

# Financial Records

- Two reasons to keep records
  - Taxes
  - Measure financial performance
- Four groups of records
  - Income
  - Expenses
  - Assets
  - Liabilities

# Assets and Liabilities

- Assets

- Everything owned that has a value

- Tractors, breeding animals, land, buildings, 4-wheelers, etc.

- Liabilities

- Money that is owed

- Notes to banks, equipment dealers, agribusinesses, credit card companies

# Financial Statements

- Balance Sheet
  - What is owned and what is owed
  - Measures Net Worth
- Cash Flow Statement
  - Measures money coming in and out of the operation for a specified duration.
  - Typically done annually.
- Income Statement
  - Measures income and expenses.
  - Helps determine profitability.

## Developing a Balance Sheet

Published Sep. 2020 | Id: AGEC-752

By Rodney Jones, Courtney Bir, Brent Ladd

<https://extension.okstate.edu/fact-sheets/developing-a-balance-sheet.html>

## Developing an Income Statement

Published Feb. 2021 | Id: AGEC-753

By Rodney Jones, Courtney Bir, Brent Ladd

<https://extension.okstate.edu/fact-sheets/developing-an-income-statement.html>

## Developing a Cash Flow Plan

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By Rodney Jones, Courtney Bir, Brent Ladd

<https://extension.okstate.edu/fact-sheets/developing-a-cash-flow-plan.html>

# Financial Performance Measures

- Liquidity-ability to pay bills in a timely fashion and provide for unanticipated events (current ratio)
- Solvency-ability to retire debts if all of the business assets are sold (equity asset ratio)
- Profitability-financial performance of the farm or enterprise over a period of time (Net income, rate of return)
- Financial efficiency-efficiency with which assets generate income
- Repayment capacity-ability to repay term debt in a timely fashion

# Methods

- Hand written
  - Ledger
  - Published record book
    - Oklahoma Farm and Ranch Account Book
  - NOT A SHOE BOX OR DASH OF PICKUP!
- Computerized
  - Several production record keeping programs available.
  - Can use spreadsheets
    - Excel spreadsheets can do most of the calculations if programmed correctly.
  - Financial record keeping programs
    - Quicken
    - Quickbooks

# Quicken



## Quicken for Farm & Ranch Financial Record Keeping

Time limit: 60 days

\$20 Enroll



<https://learn.extension.okstate.edu/courses/quicken-for-farm-ranch-financial-record-keeping>



# Questions??

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