



FINANCIAL RECORDS & BUSINESS MANAGEMENT

[HTTP://WWW.DAIRYTEAM.MSU.EDU/DOLLARSANSENSE](http://www.dairyteam.msu.edu/dollarsandsense)

TIPS

Keep accurate and current financial records and use them to understand your financial position. Understanding your financial position and past income statements will enable you to make the best management decisions and improve working relations with your lender. Check into the Microtel record-keeping system and see Extension bulletin E-2216, "Farm Financial Position," which can assist you in developing a financial snapshot of your farm business.

Evaluate risk management tools. How much risk can you afford? Understanding your financial position will help you understand your risk position. Risk management tools such as crop revenue coverage, multiple peril crop insurance and various marketing strategies will help you transfer some of your production and price risk to others.

Develop projected income statements and cash flows to help you write a financial plan. Use your monthly accounting records to monitor how closely you are able to follow the plan. Good financial records can do a lot more for your business than just help you prepare your taxes.

Certify all your crop acreage with the USDA Farm Service Agency. You will not be eligible for some of its programs unless you certify. Also make sure you thoroughly

understand the government programs, such as the loan deficiency payment (LDP), so that you can realize the maximum benefit.

Develop a marketing plan and follow it. Seventy percent of grain is sold at the bottom 30 percent of prices. Calculate your actual cost for producing each commodity. Look for outside help, if necessary.

Look for off-farm employment. Many cash crop producers are employed only four to six months per year. Unemployment is currently at historically low levels and skilled labor is in high demand.

Consider performing custom work to fully utilize existing equipment. If you have surplus equipment and time, you can generate cash or trade services with other farms. In some cases, you may rent the machinery to other farms rather than operating it yourself.

CONTACT

Michigan State University Extension has the staff and the resources to help you implement these practices and ideas on your farm. We encourage you to utilize our expertise as you and your family develop your plan for keeping your farm business viable during the current economic crisis.

Information provided by: Michigan State University Extension, FIRM & Field Crop AOE teams.