

MINNESOTA FARM MANAGEMENT SERVICE NOTES

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Prepared by the Farm Management Group at University Farm, St. Paul, Minn.

WHY KEEP ACCOUNTS?

How much am I worth? Am I gaining or losing in my farm business? Did my farm bring in more or less this year than last? What rate of interest did my investment make? Did I make or lose money in raising potatoes? Did my corn crop pay me as much for the labor I spent on it as my oat crop? Did I make or lose in feeding my cattle? How much did my dairy cows give me for my labor and the feed I gave them? Under my conditions of farming am I including in my farm business some lines of production that can not be made to pay? These and many other similar questions occur to many farmers frequently. Few can answer them with any degree of confidence in the reply.

Farming is becoming more and more complicated and difficult. As land becomes higher priced more labor and capital must be combined with it and more intensive farming must be done. High priced labor and high priced implements add to the complexity of the problem. If losses in the farm business are to be avoided there must be more skillful management and greater knowledge of the details of the farm business. Records of the farm business can be made helpful in the management of the farm. The reasons for keeping farm records may be briefly stated.

1. To give the farmer knowledge of his investments in the various farm enterprises and his net worth at any given time.
2. To enable him to know the expenses and receipts from the various farm enterprises, thus giving a basis for eliminating those that do not add to his farm income.
3. To tell him whether or not his crop yields are holding up and whether or not all of his cows, his pigs and his hens are paying their feed bills.
4. To determine how much income tax he should pay, if any.
5. To furnish a basis for credit.
6. To stimulate his self respect, to inspire confidence and to increase his earning power by greater knowledge and better understanding of his farm business.

Andrew Boss.

WHAT RECORDS SHOULD A FARMER KEEP?

Few farmers will want to keep a complete set of farm accounts. Everyone, however, should at least keep inventory and cash records. Additional accounts may be added as desired on those kinds of crops or classes of livestock in which the farmer is most interested. For example the dairy farmer who receives the major portion of his income from his cows can hardly afford to be without some record of his dairy costs and production. Feed records are easily kept and most livestock men will find them interesting and valuable. Only an occasional farmer will find daily labor records worth while. A record of crop yields should always be kept and some study of crop costs will be helpful in planning the cropping system.

The inventories and the record of receipts and expenses tell the farmer his net worth and his gain or loss each year. The inventory should be taken at the beginning of each farm year. The closing inventory of one year is used as the opening inventory of the following year. It should include a classified list of all farm property conservatively valued. It should also give a record of outstanding accounts owed to or by the farmer, the value of fall plowing and winter crops, and such items as shares of stock, bonds, cash surrender value of insurance policies and other assets not strictly a part of the farm business. The farm year is usually started in winter so as to keep succeeding crop years separate. January 1 is the usual inventory date and this fits/well with income tax regulations.

The record of receipts and expenses should be classified by source or kind as receipts from cattle, swine, wheat, etc., or expenses for labor, feed, machinery, etc. This can easily be done by using a book with separate columns or pages for the different classes of receipt or expense. A separate record should be kept of credit transactions and payments made on them. The record of receipts may be supplemented with a record of farm produce consumed in the home such as milk, eggs, meat, vegetables, etc. This may be a matter of daily record or occasional estimates. These items constitute a substantial part of the farmer's income that is often overlooked.

Inventories and cash records tell the farmer how much money he is making or losing but not where he makes or loses it. Crop and livestock accounts are necessary for this. In order to compute the gains or losses from crops the farmer must have a record of the labor, seed and other materials that contribute to the production of his crops. Accurate labor records require daily entries but fairly accurate estimates can be made at the end of the crop year. Twine and other materials used can also be estimated but actual records are more valuable. Careful records of crop yields should be kept each year. These are needed in computing crop profits and losses and are very valuable in determining whether the system of farming practiced results in increasing or decreasing crop yields over a period of time.

Since feed constitutes from 50 to 90 per cent of the cost of livestock production feed records are essential to a study of livestock profits. By weighing a day's feed or a single ration for each kind of stock at least once a month and multiplying this by the days or times fed it is possible to get a reasonably accurate feed record. Except in case of dairy cattle and poultry labor is not an important element of cost. Often even this is largely family labor that might not otherwise be employed. It is easier to estimate livestock labor than crop labor, but if a chose degree of accuracy is desired daily records may be kept. Production records are important with livestock, especially dairy cows and poultry. Where the herd is not included in a cow testing association the daily production of each cow should be weighed at least once a month. Butterfat tests can usually be secured at the creameries or cream stations. From these weights and tests the yearly production of each cow can be computed. Egg records are easily kept and serve as a check on the feeding and culling operations.

A complete but simple farm record book entitled "Farm Records and Accounts" is for sale by the Students Book Store, University Farm, St. Paul, at \$1.00 each. This contains inventories, cash accounts, feed records, labor records, household records and crop records. This book enables the farmer at the end of the year to compute his net worth, the profit or loss from his year's operations and the gain or loss from each crop or class of livestock. Convenient forms are provided for these statements. The book is so arranged that the farmer may keep records of all parts of his farm business or only of those in which he is most interested. Another book entitled "Farmers Account Book" is for sale by the Students Book Store at 30 cents each. This book contains only inventories and cash records. It provides for a labor income statement, a credit statement and an income tax summary. It does not provide for as much classification of accounts as the first book named and is not as easily summarized.

The Students Book Store also handles an inventory book with forms and instructions for making out net worth and credit statements, a dairy record book and a poultry record book. The dairy record includes feed and production. Sheets for recording the daily production of each cow are supplied with the book. The price of the dairy record is 85 cents and of the inventory and poultry account 20 cents each.

Geo. A. Pond.

ASSISTANCE IN FARM ACCOUNTING

To aid the farmers who desire to begin keeping records of their farm business the Extension Division is offering A CORRESPONDENCE COURSE IN FARM ACCOUNTING. The course will begin in December and is open to any farmer in Minnesota. It will consist of a series of five or more lessons on keeping and interpreting farm accounts. These accounts will relate largely to the farm business of the one who is taking the course. The tentative topics for this course are as follows:

- Lesson I. Preparing the Farm Inventory and Net Worth Statement for One's Home Farm.
- Lesson II. Entering and Summarizing a Set of Sample Inventories, Receipts and Expenses from a Representative Farm.
- Lesson III. How to Keep Feed Records on Livestock. Each student will be expected to keep a feed record of one kind of livestock for a year.
- Lesson IV. A Study of the Crop and Livestock Features of One's Home Farm Business with a View to Determining Where Profits can be Increased.
- Lesson V. A Study of the Completed Records of the Home Farm.

Each person who takes this correspondence course will be expected to provide himself with two copies of the "Farmers Account Book." These may be obtained from the Students Book Store, University Farm, at 30 cents each. One of these books will be used to keep a record of the business on the home farm; the other one will be used for practice work in entering the records of a representative farm. Any who are interested in this course should make application to the Extension Division, University Farm, St. Paul, Minn.

W.L. Cavert.