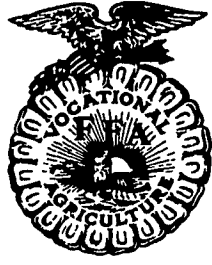


From Local Ag Teachers:



Thoughts in Passing



Editor's Note: The article this week was prepared by Charles Ackley, Young Farmer advisor at Ephrata Area High School.

Managing the Farm Business
The financial records of the 1971 farm business have been summarized and most of the farm tax returns filed by this time.

A good set of complete records are far too valuable to be used only for filing a farm tax return. Actually, the farm tax return should only be a by-product of a good set of financial records. The main purpose of these records along with records of production, inventory and credit should be for analysis of the farm business and management planning.

Records

There are several methods by which a farmer can finish the years business with a good set of financial records. Some are very basic while others are very detailed. Some are computerized print-outs performed by a record keeping service while other require much pencil and paper work on the part of the farmer. Granted, a person can learn a great deal about his business operation by spending hours of time summarizing his records.

Perhaps the time may be better spent analyzing the results and allowing the computer to make an accurate summary in a matter of seconds.

Basic record keeping systems may range from the "shoe-box" to the Pennsylvania Farm Account Record book designed by Penn State University. There are also many other good record books available at stationery stores, banks and local agricultural businesses.

More elaborate record keeping systems that have analysis services and computerized results include the Pennsylvania Agricultural Records program by Penn State University and Farm Management Business Analysis service by the Pennsylvania Farmers Association. Similar programs and services are also available to farmers



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through some farmer cooperatives and banks.

Contact the local agriculture teacher for more details on how to get involved in one of these programs or obtain more information. Many of the school districts in Lancaster County have an adult farmer program and the agriculture teacher will be happy to share this information with you.

Farm Business Analysis

The primary objectives of a farm business analysis are to analyze the financial structure and production efficiency of the farm. These help the farmer to measure the financial health of his business and to determine possible weaknesses in production and management. A farm business analysis is useful in obtaining credit and in planning to use capital more wisely. Properly used, a business analysis is a tool in solving management problems.

Several factors affect farm income. They are weather and prices, size of business, return on investment, efficiency, labor, and production. Some of these factors can be controlled and others are outside the farmer's

control. The farmer has practically no control over weather and prices, however his management decisions will influence the other items.

Size of business affects the other factors and is one of the most important factors determining returns. A very small business that does not make efficient use of labor, management, capital, and equipment will yield a low net income.

Likewise, a business that is too large to be properly management or other limiting factors will also leave the farmer with a low net income.

The ideal size business is one that will make the most efficient use of land, labor, capital, machinery and management abilities. Financial records, tax returns, inventory and credit records, and production records can be used to measure efficiency.

Efficiency is measured and the business is analyzed according to family labor and management income, net worth, capital turnover, cash flow, return on investment, income per hour and value of farm products sold per man to mention a few.

Analysis can be divided into several categories. They are capital, labor, livestock and feed, crop and machinery. Each item

must be analyzed individually as well as in total.

Farm Management Planning
What can you do with an analysis? How is it interpreted?

These are common questions that must be answered before an analysis can be of any beneficial value.

(Continued on Page 13)

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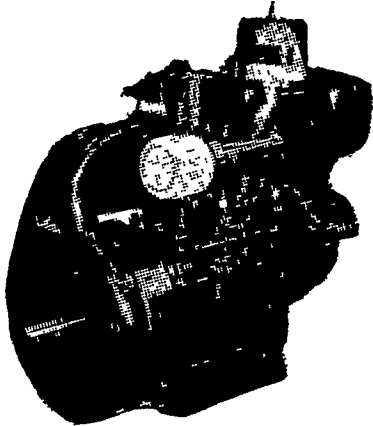
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